



THQ NORDIC

Capital Markets Day

May 16, 2018

Today's agenda

Section	Time
1. Company update part 1 <ul style="list-style-type: none">- Intro, welcome, agenda- Recap THQ Nordic, Koch Media acquisition, synergies	13:00-13:15
2. Koch Media presentation	13:15-14:00
3. Coffee break	14:00-14:15
4. Deep Silver – Line-up presentation	14:15-14:35
5. THQ Nordic – Line-up presentation	14:35-14:55
6. Company update part 2 <ul style="list-style-type: none">- Growth strategy, asset care, M&A and financing	14:55-15:15

Today's presenters



**LARS
WINGFORS**

*Group CEO & Co-Founder
THQ Nordic AB (publ)*



**KLEMENS
KUNDRATITZ**

*CEO
Koch Media*



**REINHARD
GRATL**

*CFO
Koch Media*



**EUGENIO
VITALE**

*Director Games Development
Deep Silver*



**CRAIG
MCNICOL**

*Managing Director Northern
Europe
Koch Media*



**REINHARD
POLLICE**

*Business & Product
Development Director
THQ Nordic GmbH*



**MARIO
GERHOLD**

*International Marketing
Director Games Koch Media*

Recap of THQ Nordic history

What did we say at the IPO?

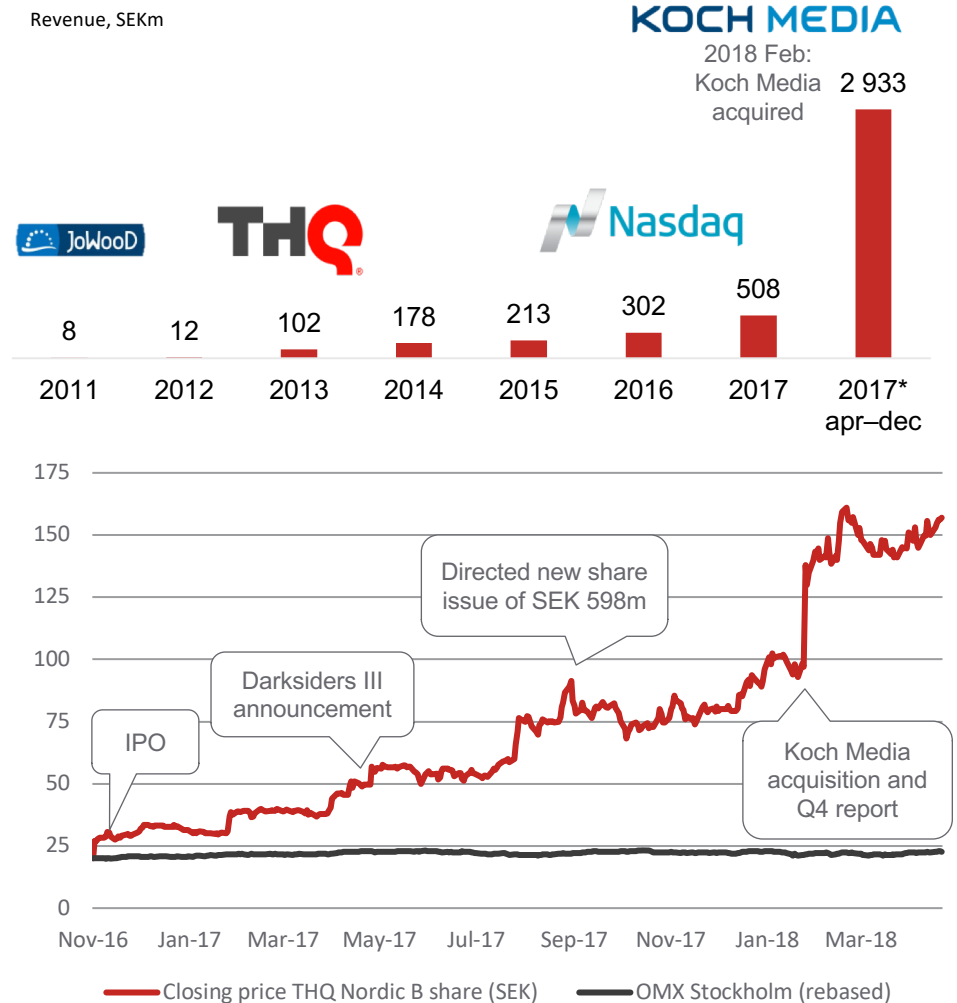
Accelerate business model and growth by utilizing the THQ Nordic platform:

- Accelerate Asset Care and development and launch of sequels
- Additional acquisitions of IPs
- Acquire game development studios
- Explore licensing of IPs
- Begin Asset Care of IPs for mobile games

Same strategy going forward

Larger platform,
more diversified revenue streams
and more possibilities to
execute on our growth strategy

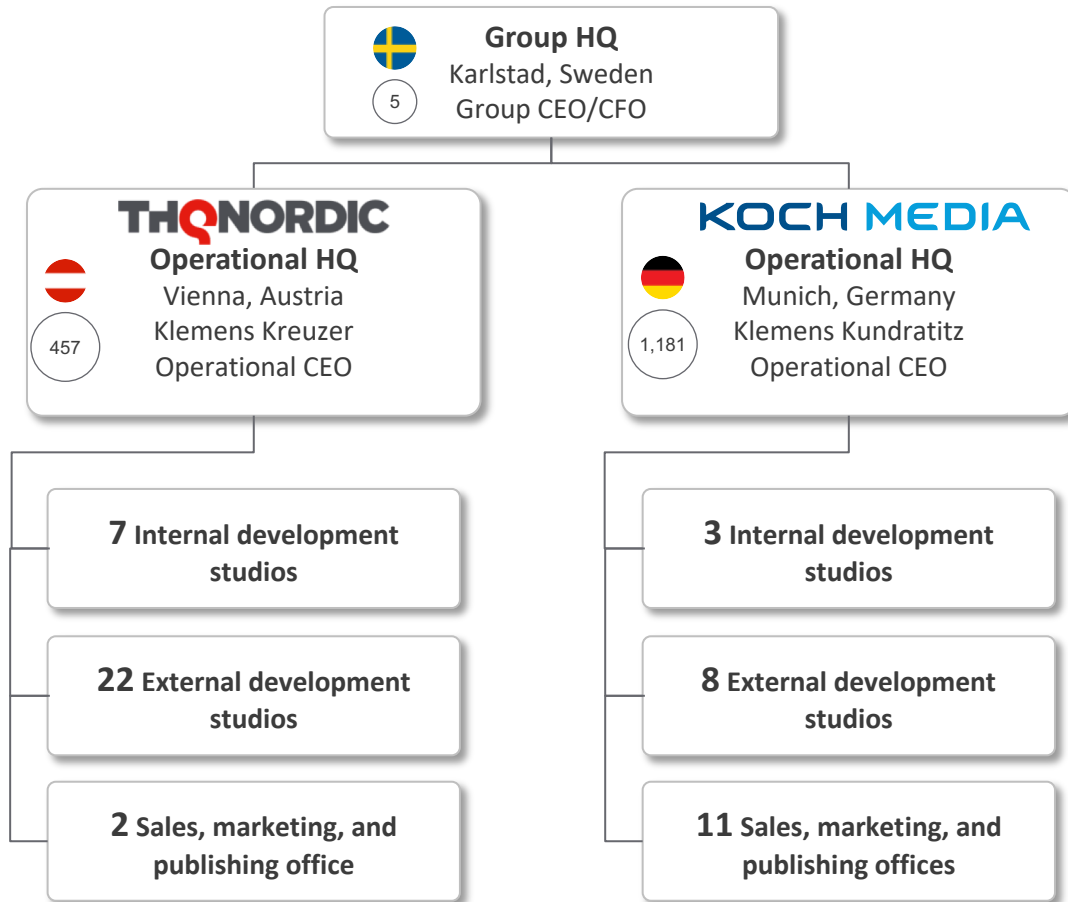
Journey of THQ Nordic



THQ Nordic – A European player of great scale

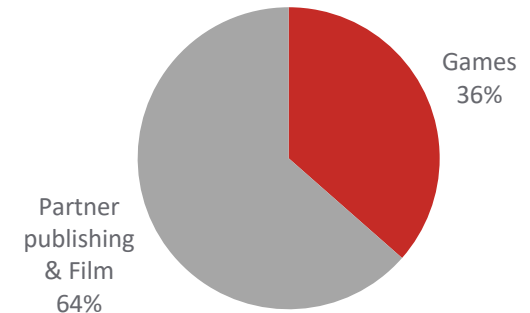
Additional operational leverage with the acquisition of Koch Media

THQ Nordic group structure



Diversified revenue base

Net sales split for THQ Nordic and Koch Media, 2017 9m



Strong pipeline ahead

In total, we have
19 announced and
35 unannounced
projects in our pipeline,
as of 31 March 2018

Rationale for Koch Media acquisition



AAA intellectual property rights Saints Row and Dead Island



Long-term exclusive license within Games for “Metro” based on books by Dmitry Glukhovsky



4 AAA titles in production including announced Metro Exodus and Dead Island 2



2 AAA studios Deep Silver Volition (Champaign, IL) and Deep Silver Dambuster Studios (Nottingham, UK)



#1 Publishing partner in Europe for 50+ companies



Complementary business models and entrepreneurial cultural fit



Potential revenue synergy and strong platform for further acquisitions



EPS accretive acquisition to THQ Nordic shareholders

Synergy potential with Koch Media

Operational synergies from combining two businesses – no cost cutting!

→ Distribution of THQ Nordic titles across various territories

→ Implementing Asset care strategy on Koch Media IPs/Assets

→ Development resources / knowledge

→ IP usage

→ Shared tech and development assets

→ Business intelligence / business development / shared knowledge

KOCH MEDIA



THQ NORDIC

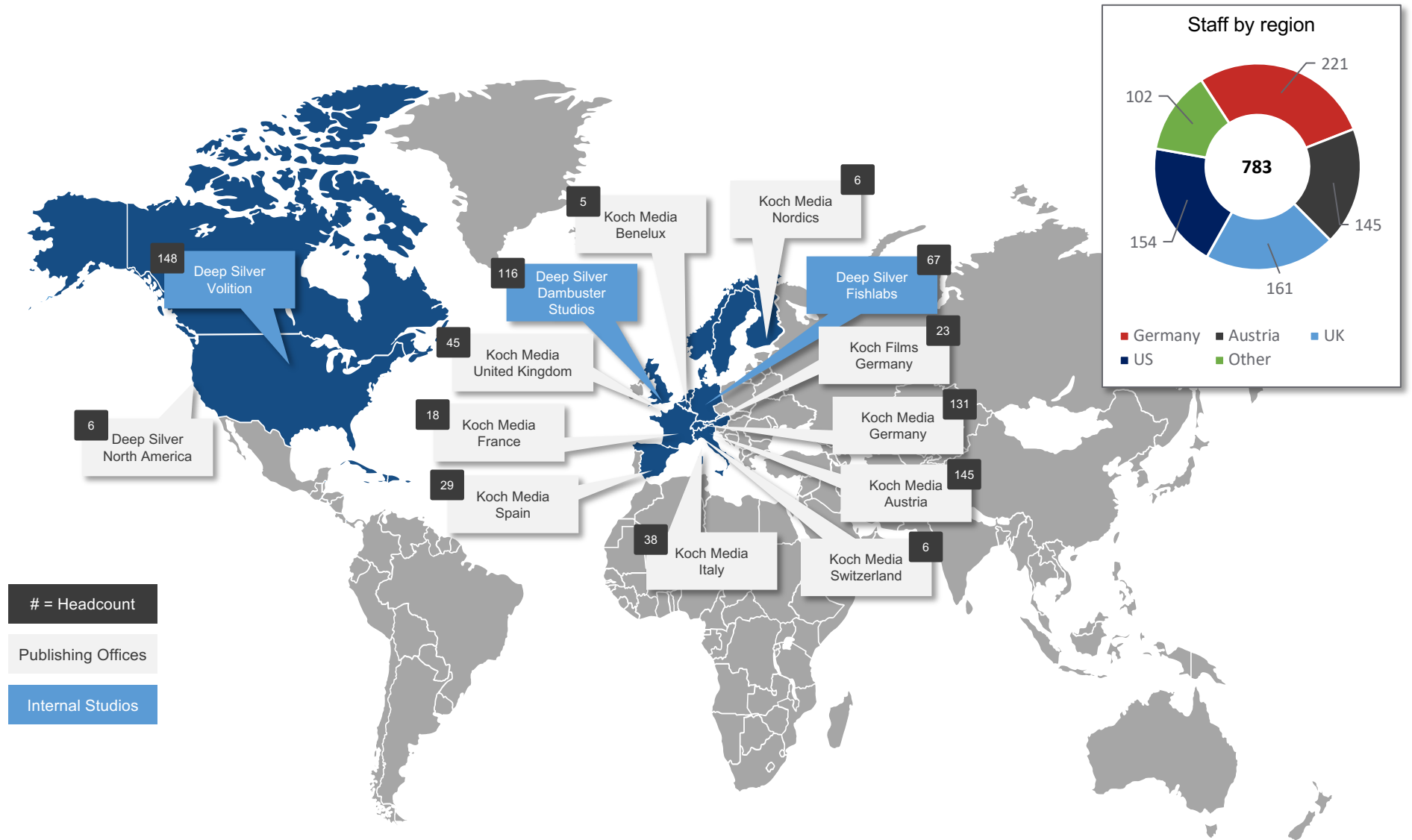
Dr. Klemens Kundratitz
Co-Founder and CEO
Koch Media

The image is a promotional graphic for the video game Metro Exodus. It features a central character, Artyom, wearing a full protective suit and a gas mask, standing on a set of train tracks in a desolate, snow-covered city. The city is filled with abandoned, ice-covered cars and buildings. The sky is dark and filled with falling snow and a single bird in flight. The title 'METRO EXODUS' is prominently displayed in the upper center in a stylized, metallic font. The overall atmosphere is one of a harsh, post-apocalyptic winter.

METRO EXODUS

1. INTRODUCTION

A Global Footprint



The title 'Shenmue III' is rendered in a stylized, metallic, 3D font. The word 'Shenmue' is in a cursive script, while 'III' is in a bold, blocky font. The background features a large, glowing yellow dragon head with intricate scales and whiskers, set against a sunset sky. The scene is framed by traditional Chinese architecture and a body of water.

Shenmue III

TM

2. GAMES

Deep Silver Business

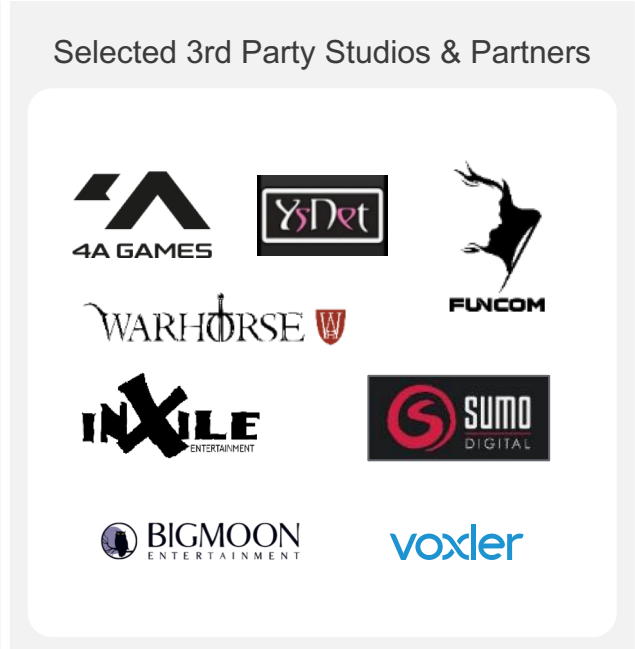
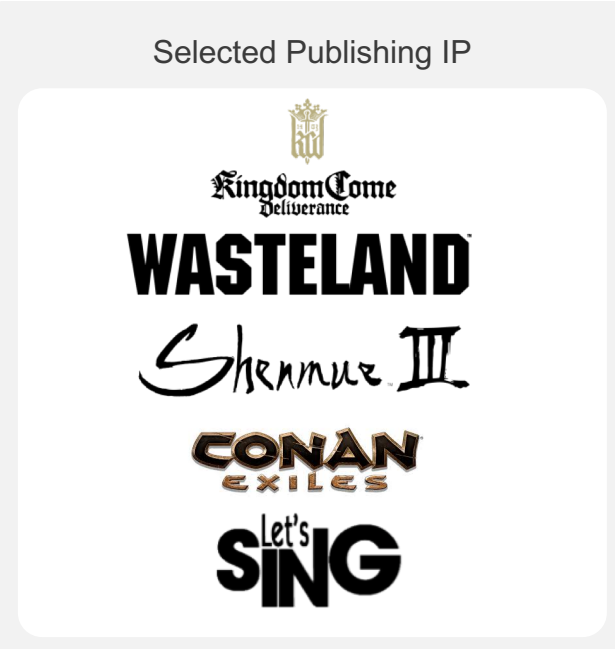
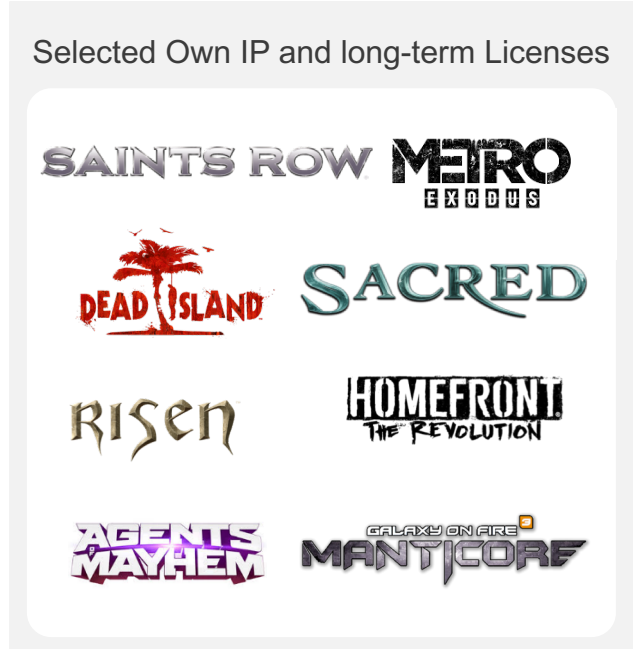
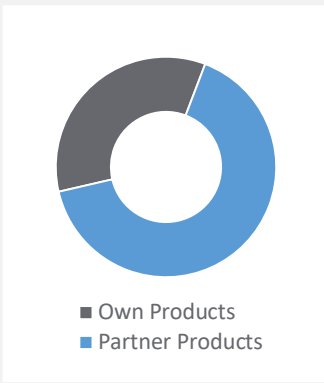
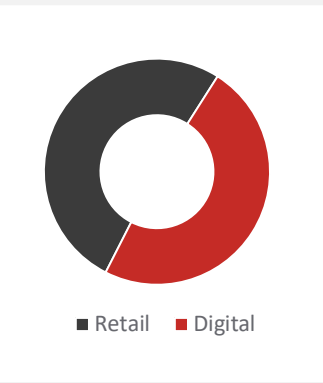


~350 internal developers

~415 external developers

15 IPs

14 Game development projects



Deep Silver – Game History



Deep Silver Development Landscape

INTERNAL STUDIOS

Deep Silver Volition, Champaign, Illinois, USA

- Headcount: 148
- Developers: 132
- Key Expertise: 3rd Person Action Games, Open World, Multiplayer, Core tech
- Game Portfolio: Descent, Freespace, Summoner, The Punisher, Red Faction, Saints Row, Agents of Mayhem
- Working on: Unannounced AAA known franchise PC/PS4/XBO



Deep Silver Dambuster Studios, Nottingham, England

- Headcount: 116
- Developers: 112
- Key Expertise: FPS, Core tech, Cinematic and Multiplayer expertise
- Game Portfolio: Timesplitters, Haze, Crysis, Homefront,
- Working on: Unannounced AAA project, and co-developing with Sumo



Deep Silver Fishlabs, Hamburg, Germany

- Headcount: 67
- Developers: 55
- Key Expertise: handheld consoles, VR, mobile, Sci-fi shooters expertise
- Game Portfolio: Galaxy on Fire, Dead Island Survivors
- Working on: Two unannounced game development projects



SELECTED EXTERNAL STUDIOS

4A Games, Malta and Kiev / Ukraine

- Developers: 150
- Key Expertise: FPS, Core tech, VR, Story and Immersion expertise
- Game Portfolio: Metro, Artika
- Working on: Metro Exodus PC/PS4/XBO



Sumo Digital, Sheffield, England

- Key Expertise: Racing, Open Word Action
- Working on: Dead Island 2



YS NET, Tokyo, Japan

- Developers: 45
- Key Expertise: TP Action-Adventure, Story expertise
- Game Portfolio: Shenmue
- Working on: Shenmue III PC/PS4



Warhorse Studios, Prague, Czech Republic

- Headcount: 105
- Developers: 95
- Key Expertise: FP RPG, Immersion expertise
- Game Portfolio: Kingdom Come Deliverance
- Working on: More content for KDC on PC/PS4/XBO



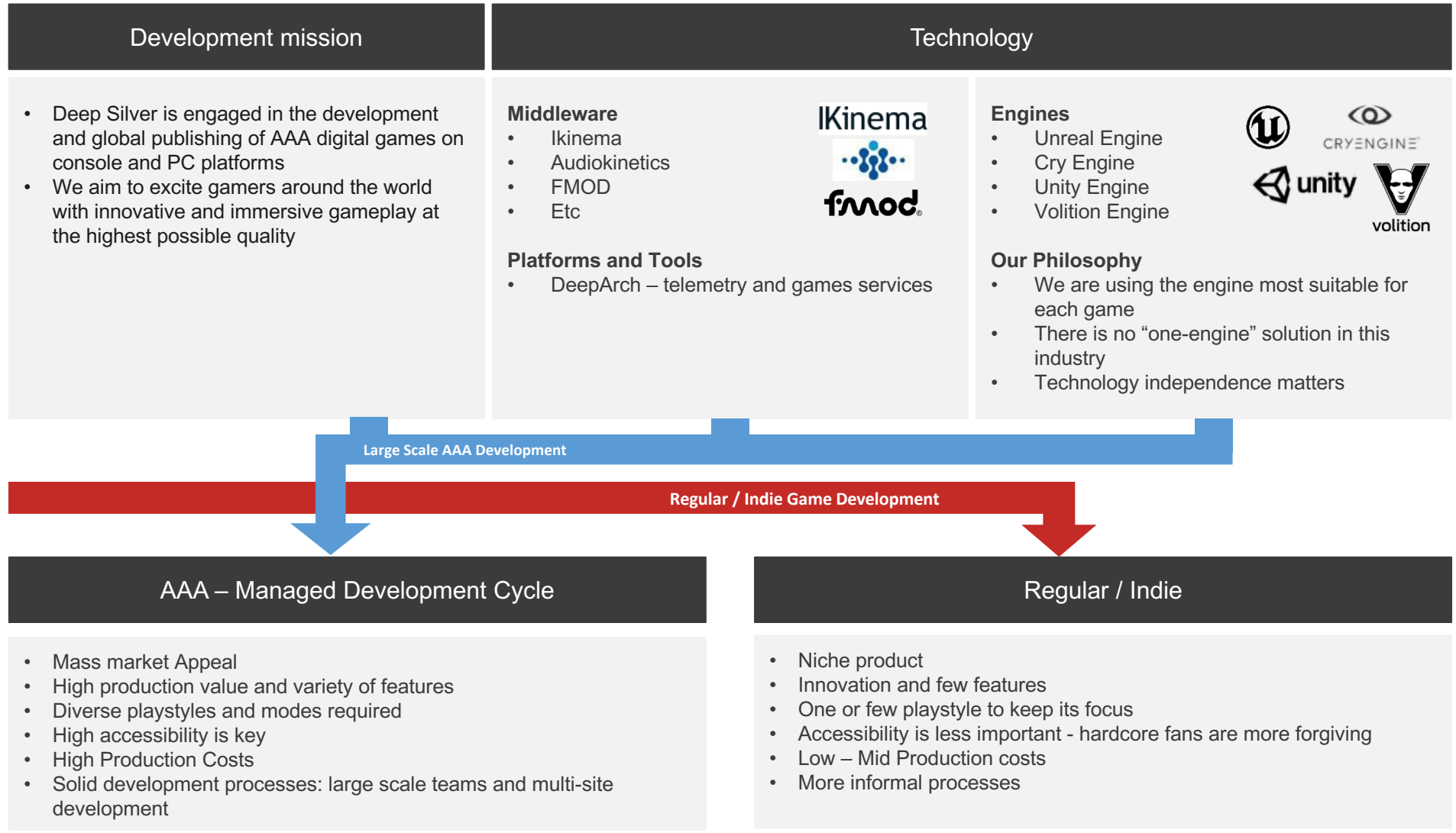
Full Development
Management
Internal / Licensed IP

Managed Development Process Stack (SGP, MATs, ...)

Production, Product Management, Localization, QA

Publishing

Technology Landscape and Product Development Mission



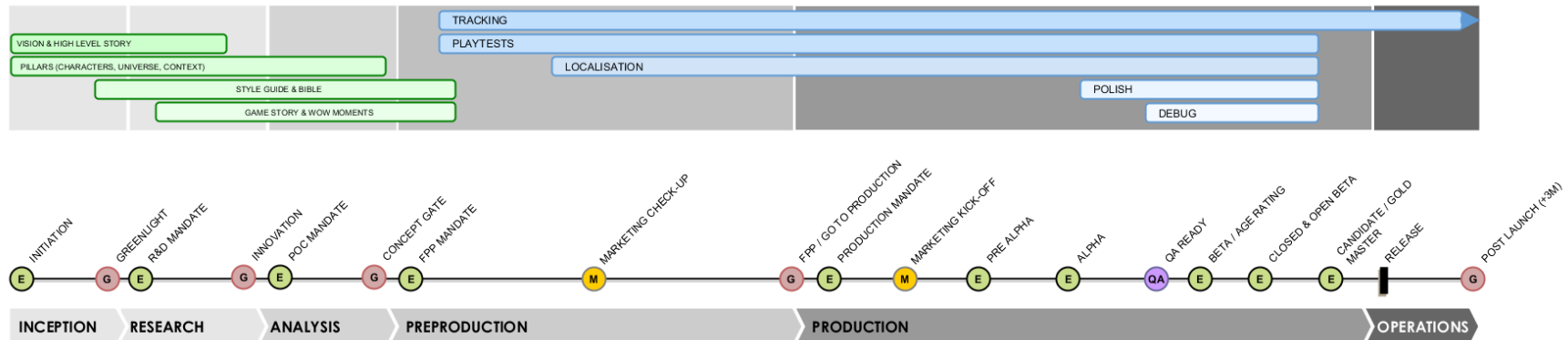
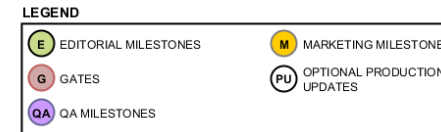
Stage Gate Process for Deep Silver Games

- Business process envelop for methods and tools to develop products
- Strong consumer focused development process
- Supported by Top management involvement, fully engaged in reviews and decisions

- Significant up front time devoted to research and product definition
- Executed by dedicated cross-functional teams in the larger organization

- Supported by strong project management ensuring that the scope, timing, cost and quality project requirements are achieved.
- Linked to business objectives through regular executive reviews of products in development

STAGE GATE PROCESS v2.2



Quality:

- Focus on innovation
- Assure compliance with IP strategy
- Decreased new product failures
- Fewer errors and re-work within projects
- Leverage cross-functional engagement of the larger organization
- Realistic schedules

Focus:

- Identify early on minimum viable product and prioritize game elements and features
- Efficient and effective allocation of resources
- Well defined project scope
- Defined roles and responsibilities
- Agreement on accepted risks and mitigation plans

Time:

- Faster speed-to-market
- Increased organizational efficiency
- Improved visibility of all projects in the pipeline
- Improved alignment across business leaders
- Minimal “firefighting” late in the process
- No design changes late in the process

Deep Silver GamesLab – User Research



→ Understanding player behavior through qualitative and quantitative research

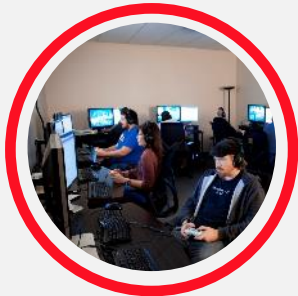
→ This internal service is utilized during all AAA game developments in order to help understand gamer behavior



UX RESEARCH

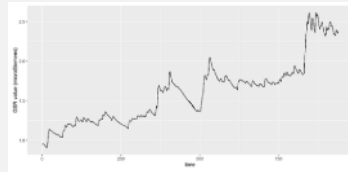
Locations:

- Germany
- United Kingdom
- USA



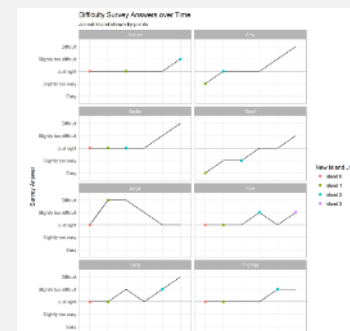
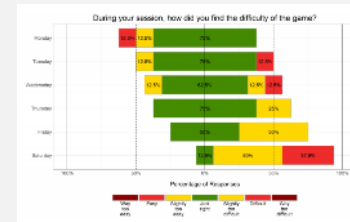
TELEMETRY

Biometrics



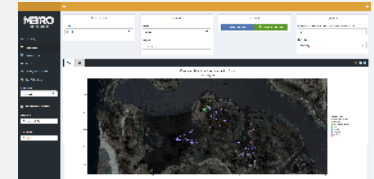
METHODOLOGY

Players Surveys



KNOWLEDGE EXCHANGE

Telemetry





3. PARTNER PUBLISHING & FILM

Partner Publishing



Games Software – Partner Publishing

- Koch Media – #1 European Publishing Partner
- 50+ Publishing Partners
- Providing territorial publishing services to our partners in Europe and North America
- Tailor-made agreements depending on individual partner requirements
- Scalable business model

Non-Games Software Partner Publishing

- Product categories include retro gaming consoles, games merchandise, head-sets, games accessories, non-games software, strategy guides, etc
- Complementary portfolio to games helps opening and maintaining incremental sales channels in retail and online

Selected key partners



Selected key partners



THE WORLD'S BEST SELLING HOME COMPUTER — REBORN!

Its 2MB and a new home computer games experience and it with 5MB of RAM, colour graphics, and a keyboard control. Plus forward 20 years and now nostalgia are overtake with the release of THE C64 MINI. A tiny but perfectly formed officially licensed 50% scale replica of the much loved machine. Features high definition output via HDMI, a classic web browser, and 60 built-in games via King Classics like California Games, Pac-Man, Tetris, International Chess and others.

FEATURES

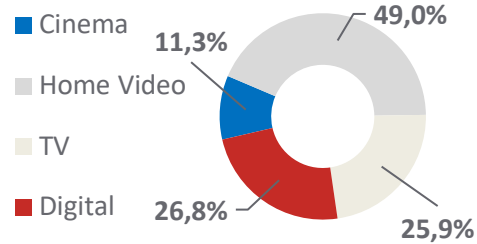
- Accurate C64 operation
- HDSC 4MB, display modes (60 & 50 Hz)
- Real filter options
- Sharp C64 graphics emulation
- Real perfect graphics
- 200 built-in games
- 2 USB ports, plug in a USB keyboard and use as a fully featured home computer, or add a second joystick for 2 player games.
- Support for 2 player games
- Support for new software via USB flash drive

THE C64 MINI

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Film Publishing

- Independent publisher and distributor of films in GAS and Italy
- Active in all channels: Cinema, Physical Video, Pay- and Free-TV, Digital (TVOD / SVOD)
- Leading in niches such as "cult classics" in Germany and horror movies in Italy

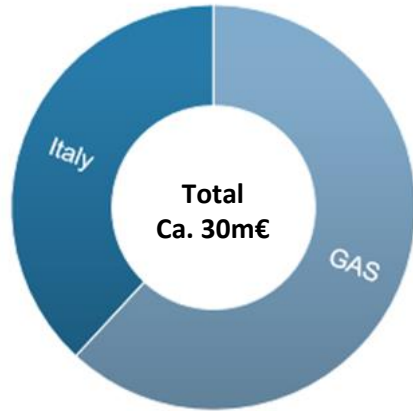


koch films

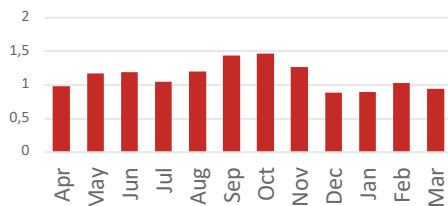
A diversified film library

- ~1,500 film titles
- ~250 license partners
- ~ 15 theatrical releases per year
- ~ 2-3% market share

Sales by Territory



Home Video (Physical Sales)



Selection of key titles



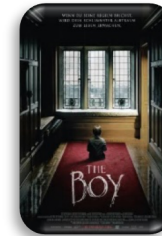
King of Queens



Army of Darkness



Shaun the Sheep



The Boy



Overdrive

Genre

TV-Series/
Comedy

Cult Classic

Kids /
Animation

Horror

Action

Launch

DTV

DTV

Theatrical

Theatrical

Theatrical

Release

Jun 05

Apr 13

Feb 15

Feb 16

Aug 17

Revenue

€45.0m

€0.7m

€1.8m

€2.4m

€1.1m

Territory

GAS

GAS

Italy

GAS

Italy

Term until

2025

2022

2027

2031

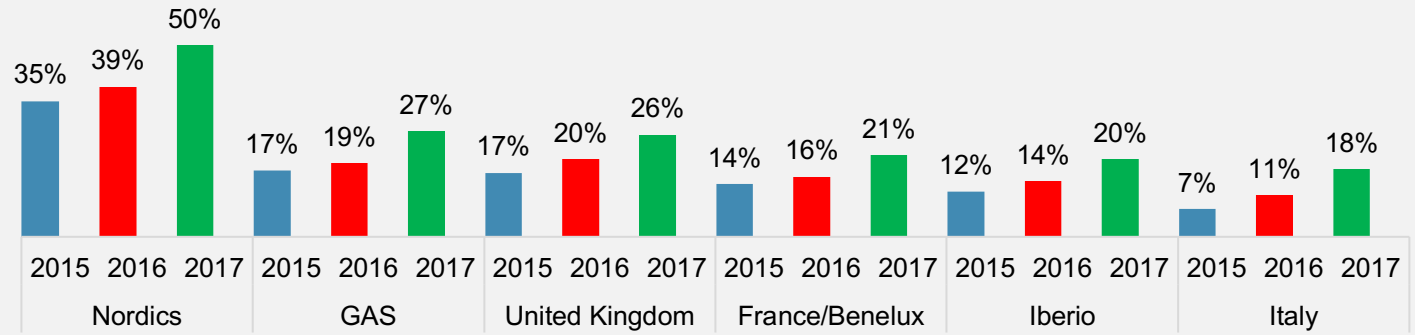
2032

Console Games – Physical Landscape

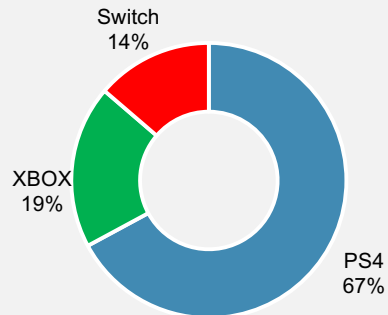
Physical Console Software Market in CY2017 in Koch European Direct Countries* at Retail Value

Total EUR 3.875bn

Digital as a % of Physical Full Games – Growing But Still Minority



Format Share of Physical Console in CY2017*

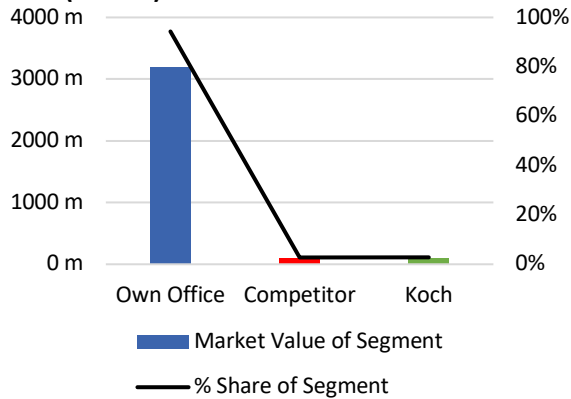


- Physical still dominating market share
- Publishers require local marketing and communications services
- The network required to deliver the discoverability are highly complex and need considerable effort
- Contrary to the “The Growing Issue of Digital Discoverability”, physical retail presents a clutter free shop window

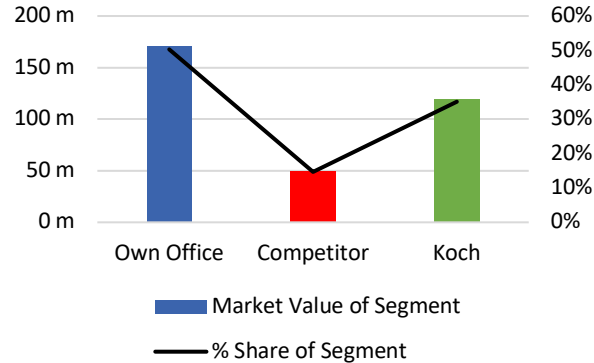
* UK, Germany, France, Italy, Spain, Nordic, Benelux, Austria and Switzerland

Vendor Base – The Waiting Game

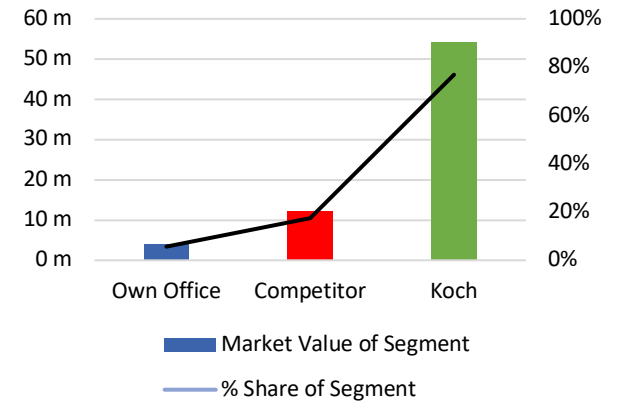
Top 10 Publisher Segment (€)
(Note 1)



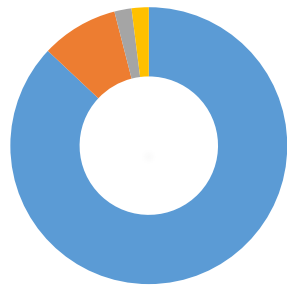
Top 11-20 Publisher Segment (€)
(Note 2)



Top 21-30 Publisher Segment (€)

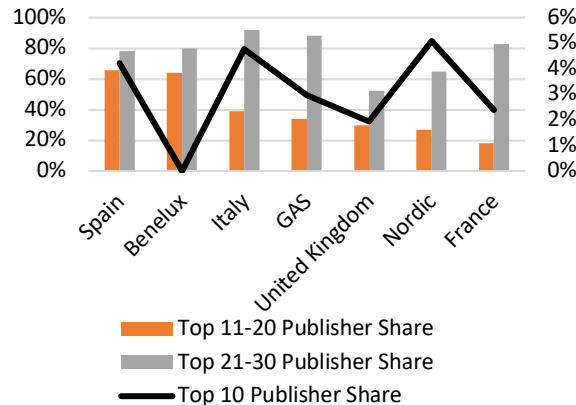


Publisher Segmentation



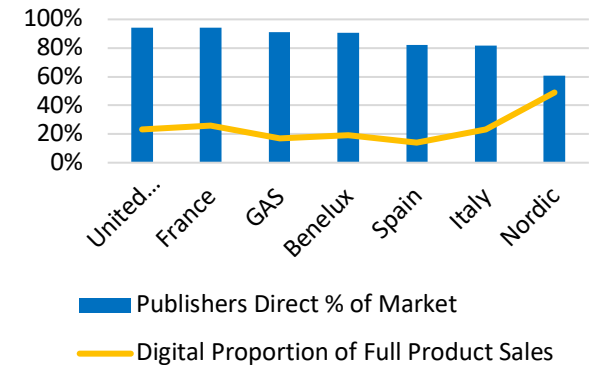
■ Top 10 (87%) ■ Top 11-20 (9%)
■ Top 21-30 (2%) ■ Other (2%)

Regional Differences



■ Top 11-20 Publisher Share ■ Top 21-30 Publisher Share
— Top 10 Publisher Share

Tipping Point for Publisher To Abandon Direct Model



■ Publishers Direct % of Market
— Digital Proportion of Full Product Sales

1.



2.



Leading European Publishing Partner



Northern Europe

- Own direct distribution in the **UK, Benelux, Scandinavia**
- Offices in Theale (West of London), Amsterdam and Stockholm
- Own fully employed sales teams in all three territories

Central Europe

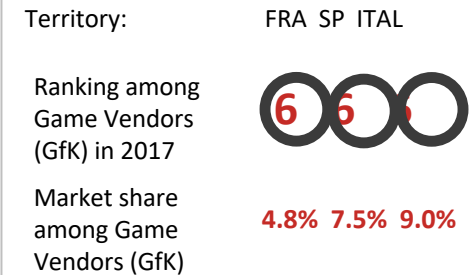
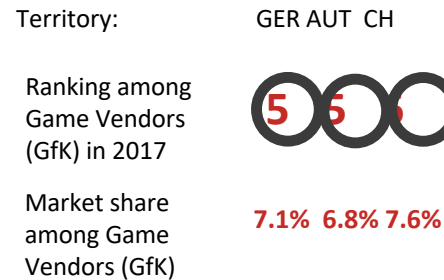
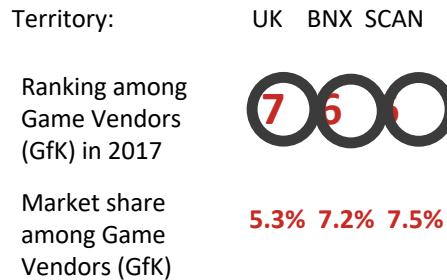
- Own direct distribution in **Germany, Austria, Switzerland**
- Offices in Planegg/Munich, Heiligenhaus/Düsseldorf, St. Gallen/CH, Höfen/Austria
- Own sales teams (total 30 staff)

Southern Europe

- Own direct distribution in **France, Spain, Italy**
- Offices in Paris, Madrid, Milano
- Own fully employed sales teams in all three territories

Vendor rank to retail in 2017

Market share per country (by value)



Key KPIs

- #1 3rd party distributor in each territory
- Strong relationship with Turtlebeach (BNX)
- Powerful reporting and data management
- Local UK warehouse

- Largest sales force (field sales, key accounts and telesales combined)
- Headquartered in Germany
- Distributing wide product portfolio (videogames, games accessories, games hardware, consumer software and films)

- France is our fastest growing country
- More than 20 years established and very well respected in Spain
- Powerful set-up in Italy with a combination of internal and external sales teams

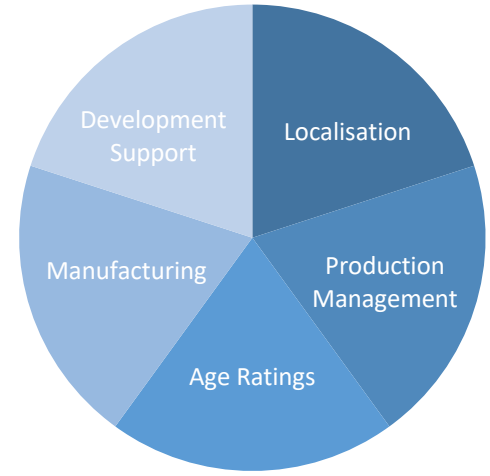
Complete Publishing for own IP and Partners

**360°
PC & Console
Publisher**

Mastering the complexity of global game publishing since more than 20 years

- Deep Silver Studios
- Affiliated Development Studios
- Independent Developer/Publishers
- Digital Publishing Partners

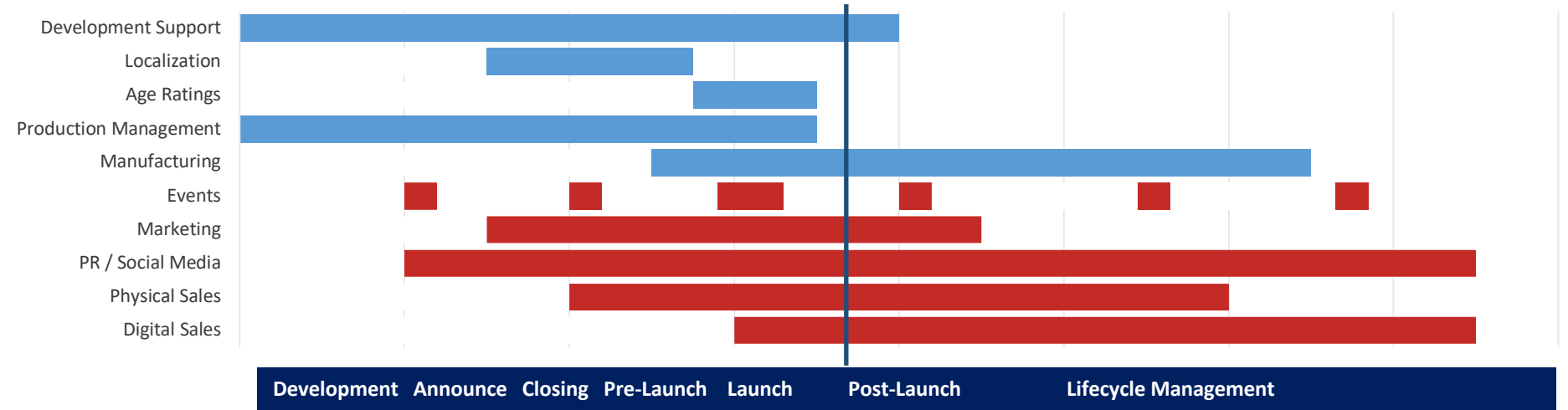
Product related publishing tasks



Commercial publishing tasks

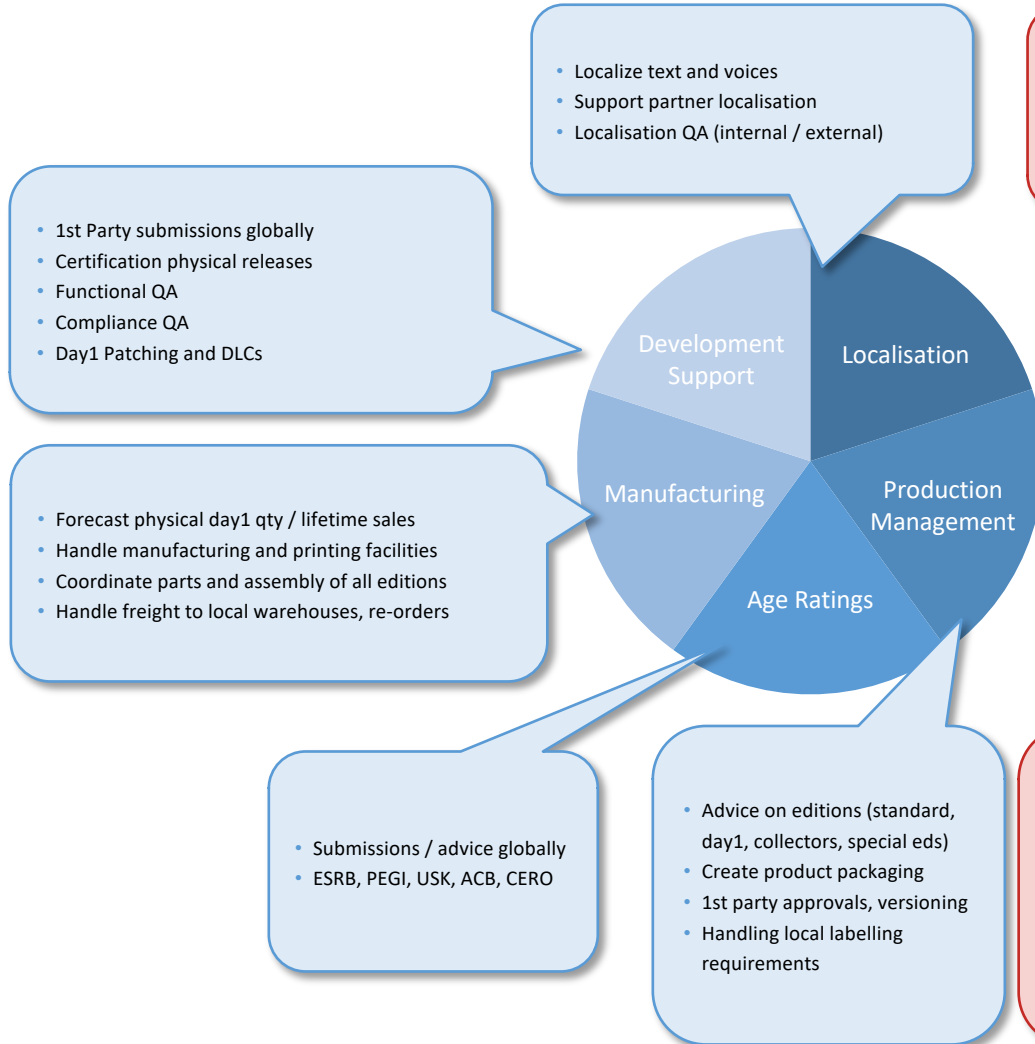


Publishing Services timeline

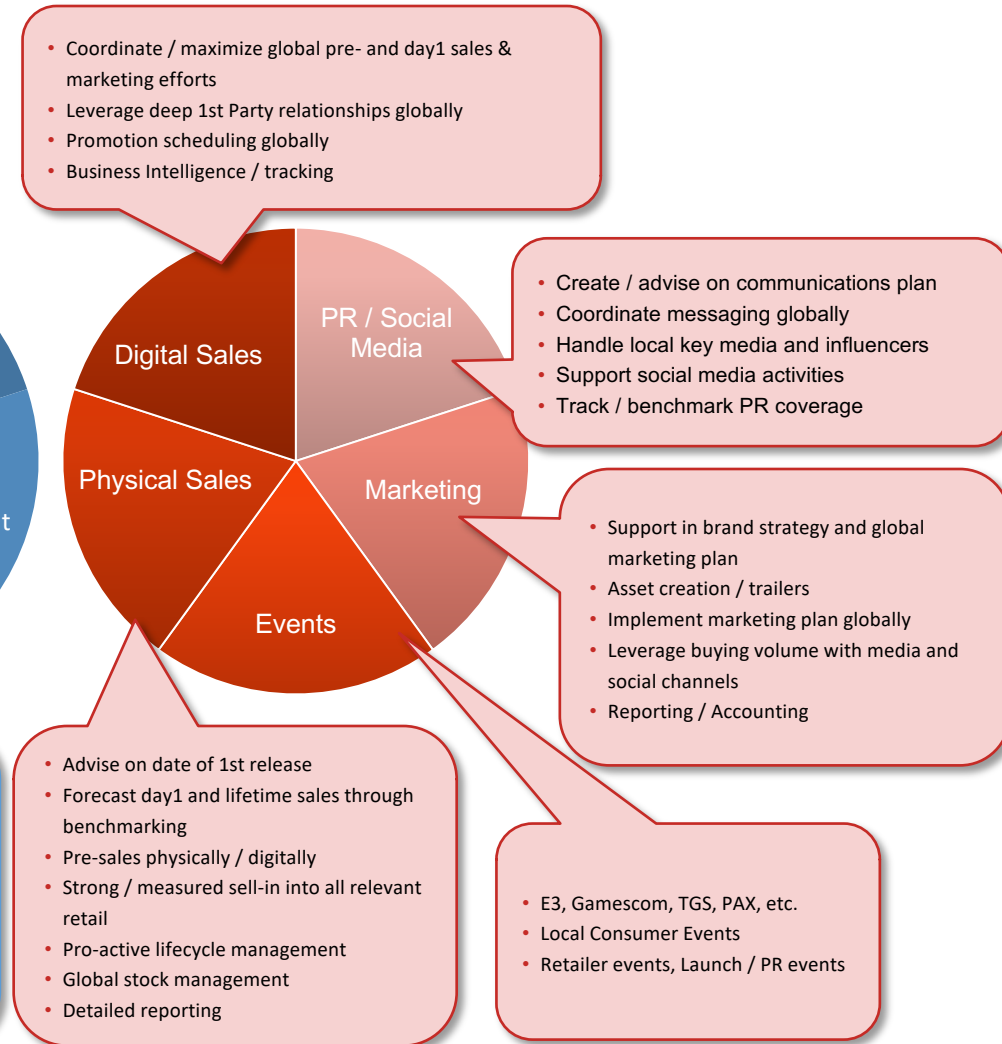


Complete Publishing for own IP and Partners

Product related publishing tasks



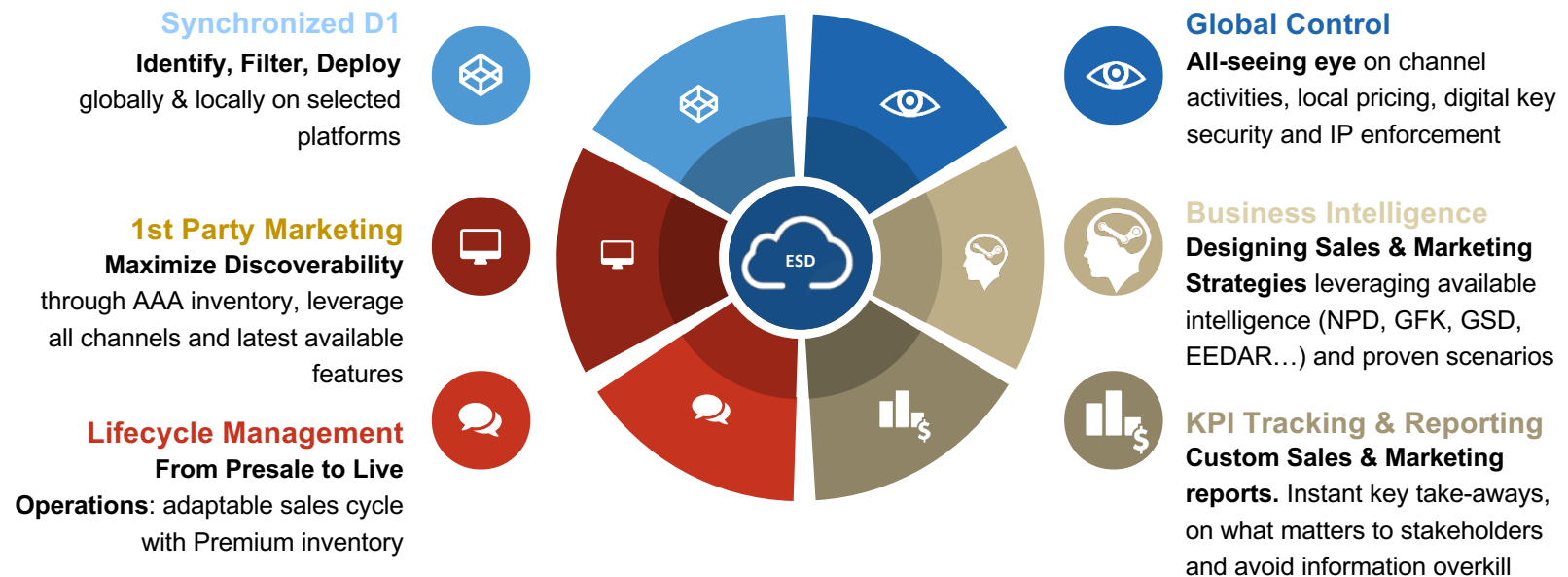
Commercial publishing tasks



Digital Publishing Excellence

Koch Media's Digital Team is in charge of the growing digital segment of the publishing operation

The role of the unit is to provide marketing & sales strategy, planning and execution. It coordinates all other functions to achieve the defined revenue & discoverability goals on all relevant global and local digital marketplaces



KOCH MEDIA

4. GROUP FUNCTIONS

Group Operations and Finance

OPERATIONS

The Koch Media group is divided into Games and Partner Publishing & Films
 Koch Media Games will be reported as part of THQ Group Games and Partner Publishing & Films will be reported separately

A smart combination of centralized and decentralized business functions:

- Well established distributor in Europe since 1994
- Dealing with games, games accessories games hardware and films
- Direct retail relationships with all relevant customers across Europe
- Offering a wealth of value added services to our vendors
- Specialized logistics centers catering for individual requirements

LOCAL

- Entrepreneurship
- Local Sales Power
- Marketing Expertise
- Development Studio Support
- Community Management
- Local Influencers
- Local Biz Dev

CENTRAL

- Strategy
- Biz Development
- Game Development Mmgmt
- Legal and Accounting team
- Finance and Controlling
- Warehouse / Logistics
- IT Infrastructure

4,905

European retail delivery points serviced CY2017

CENTRAL FINANCE FUNCTIONS

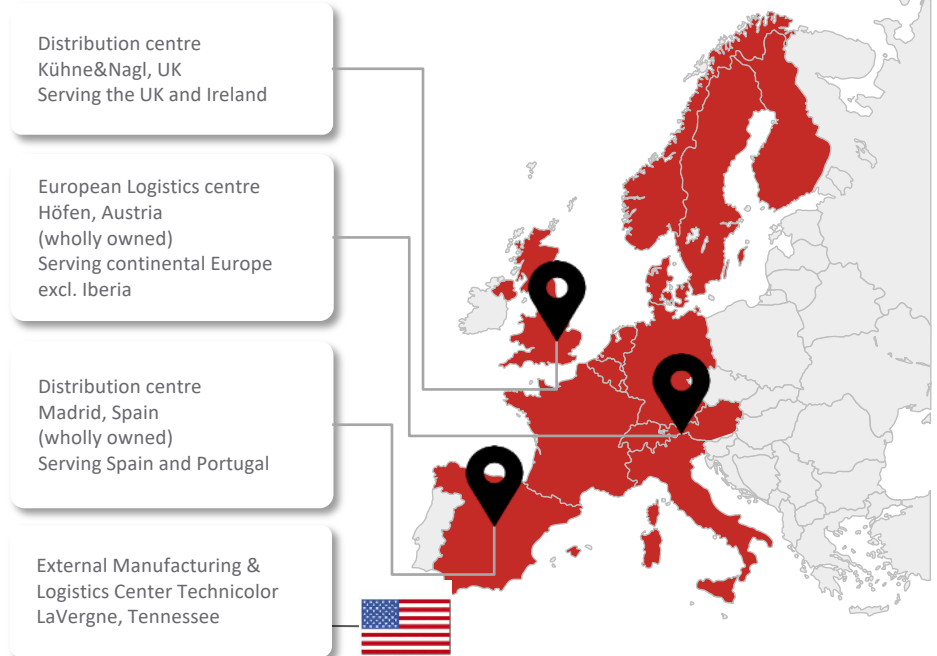
- Controlling / reporting / IFRS consolidation
- Treasury – Bellin tm5, 360T
- Accounting and Credit Control / Insurance
- FI/CO for all financial operations
- Centralized for all divisions
- Financial group budget



330,425
customer orders CY2017

18,587,840 units
shipped CY2017

LOGISTICS: Local distribution presence in major geographies





COFFEE BREAK

KOCH MEDIA



THQ NORDIC

Deep Silver Line-up presentation

Mario Gerhold
International Marketing Director Games Koch
Media

Placeholder – Line-up presentation



THQ Nordic Line-up presentation

Reinhard Pollice
Business & Product Development Director
THQ Nordic GmbH

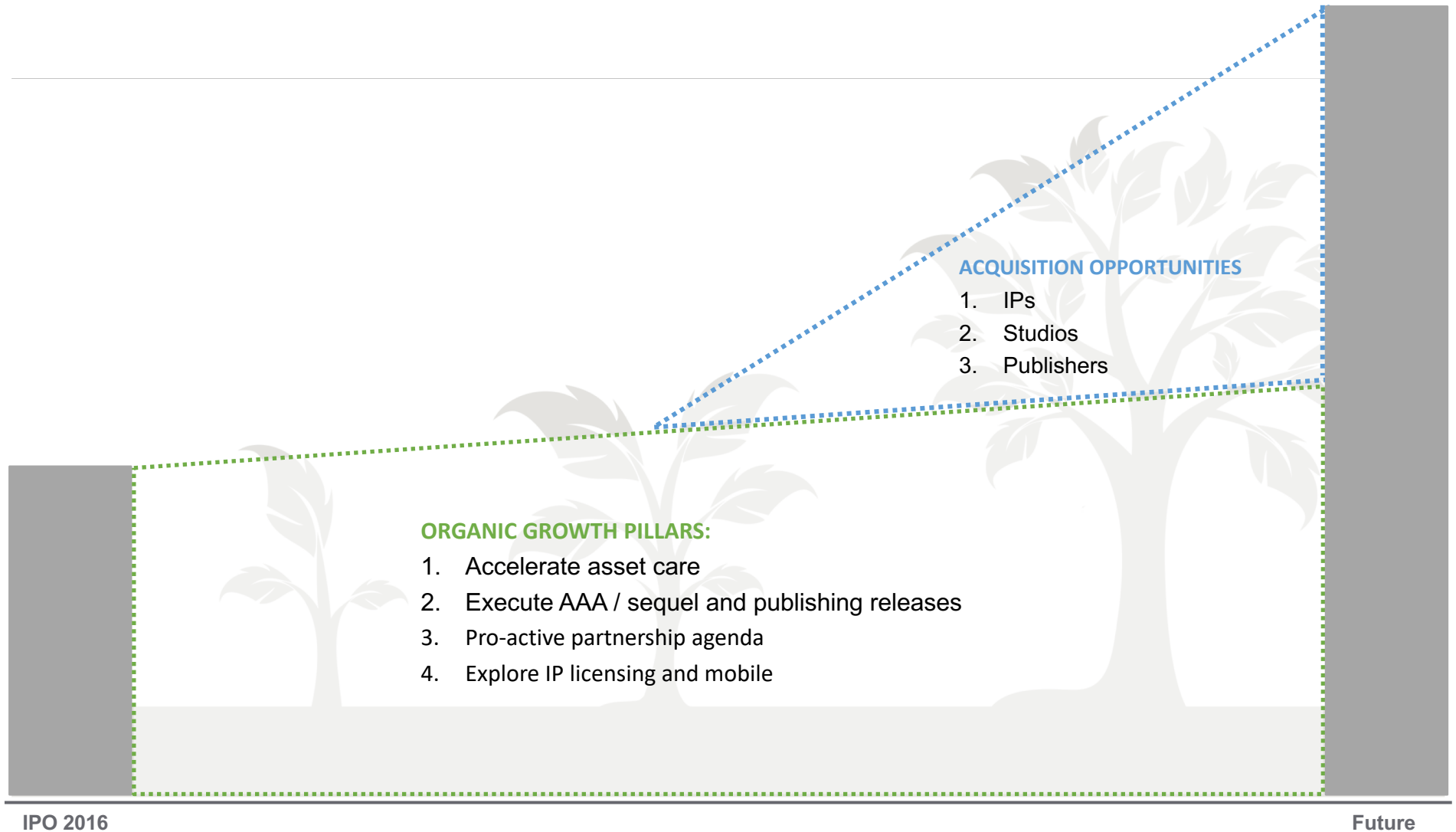
Placeholder – Line-up presentation



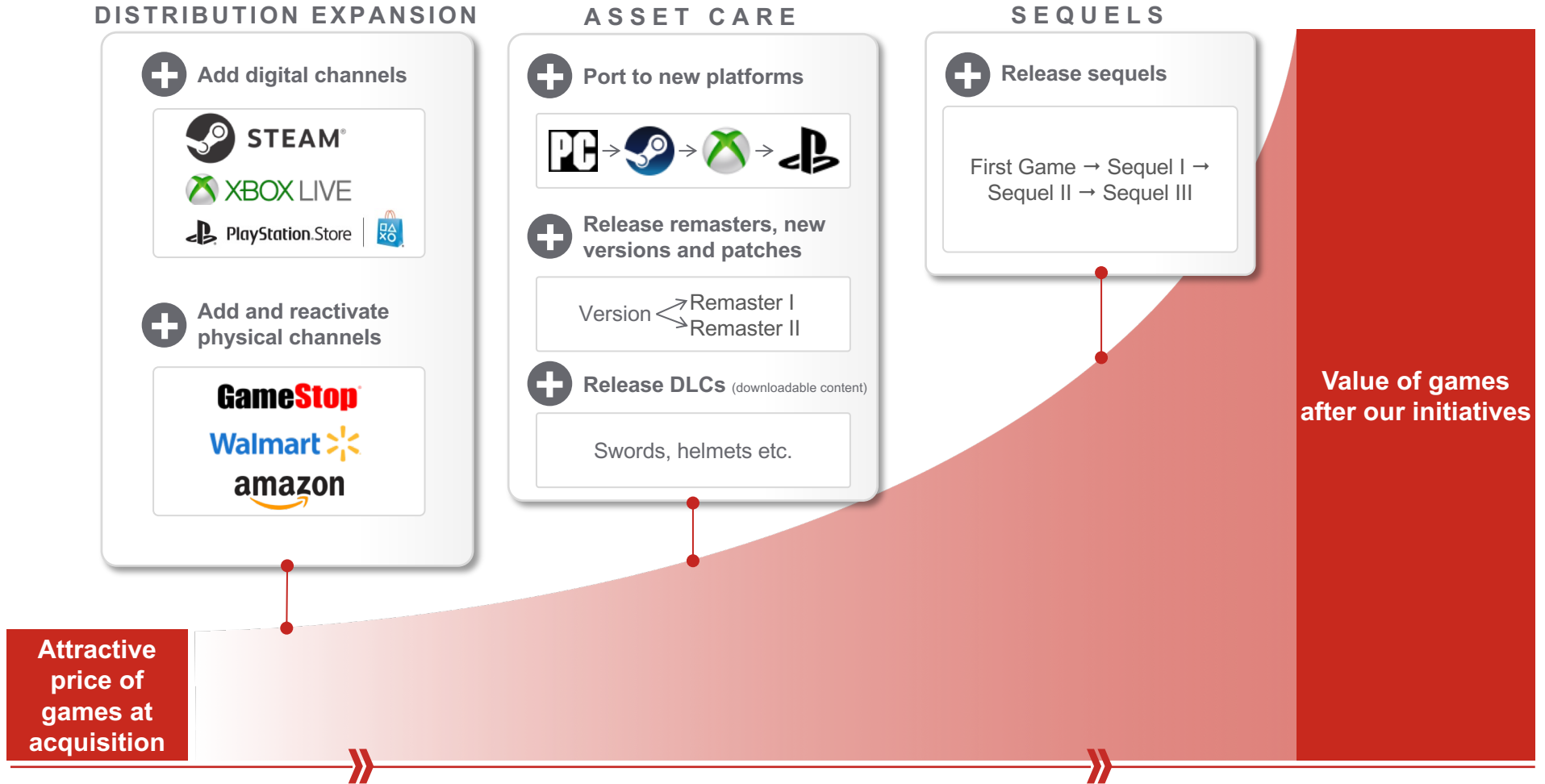
Company update, part 2

Lars Wingefors
CEO and Co-founder
THQ Nordic AB (publ)

Growth strategy



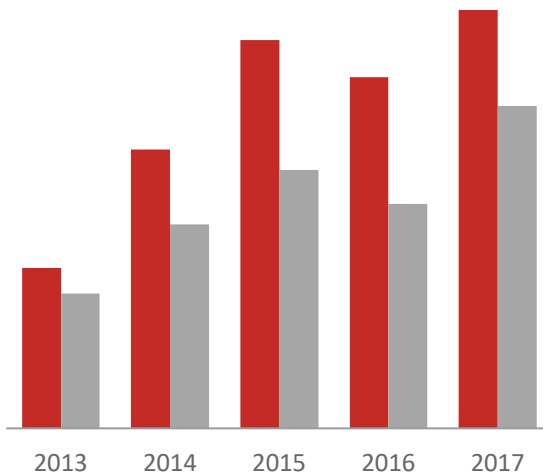
Asset care strategy



How we increase the value of an acquired game

DARKSIDERS

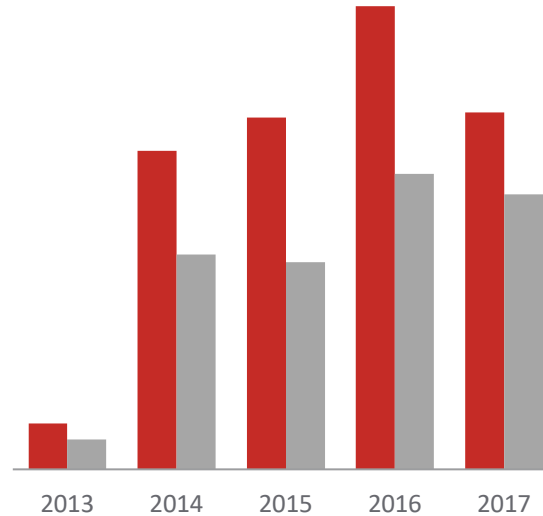
Revenues and net contribution



- Acquired for EUR 2.2m in 2013, investments of EUR 3.0m in 2013-2017
- Sales EUR ~22m, gross profit EUR ~19m and net contribution EUR ~16m in 2013-2017
- Distribution expansion: digital and physical
- Asset care: Darksiders 2 Deathinitive Edition (2015), Darksiders 1 Warmastered Edition (2016)
- Sequel: Darksiders 3 (to be released)

MX vs ATV

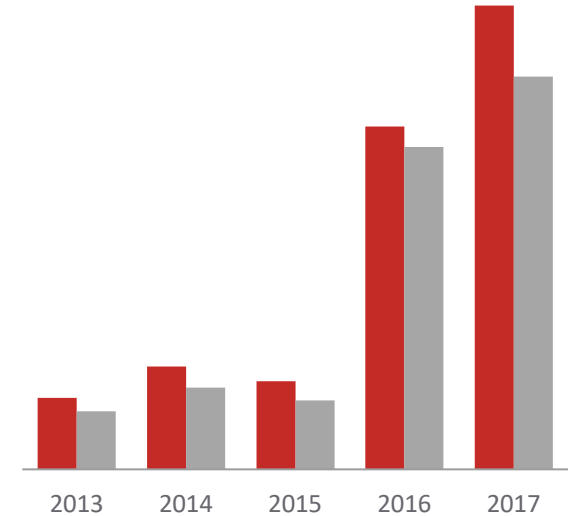
Revenues and net contribution



- Acquired for EUR 0.6m in 2013, investments of EUR 4.0m in 2013-2017
- Sales EUR ~31m, gross profit EUR ~24m and net contribution EUR ~20m in 2013-2017
- Distribution expansion: digital and physical
- Asset care: Supercross (2014), Supercross Encore (2015), five portings and many DLC releases
- Sequel: MX vs ATV All out (2018)

TITAN QUEST

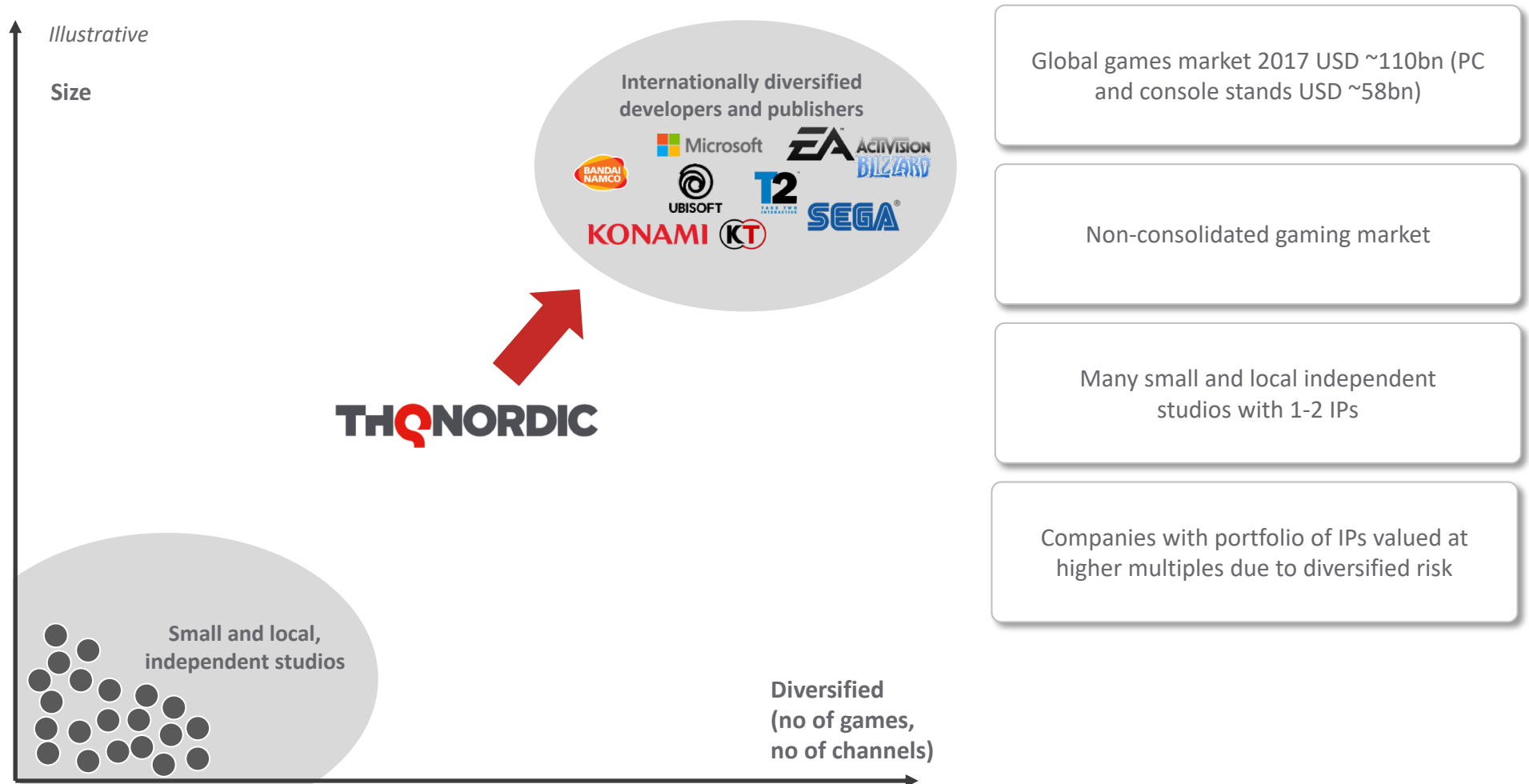
Revenues and net contribution



- Acquired for EUR 0.4m in 2013, investments of EUR 0.5m in 2013-2017
- Sales EUR ~4.3m, gross profit EUR ~4.3m and net contribution EUR 3.7m in 2013-2017
- Distribution expansion: all PC digital channels
- Asset care: Improved version (anniversary edition 2016), Mobile ports (external), Ragnarök DLC (internal) 2017
- Sequel: Console port releases 2018, no sequel announced

Fragmented market brings consolidation potential

Competitive landscape



Pro-active M&A agenda

M&A is one of the core pillars of THQ Nordic Group's growth strategy

	within THQ NORDIC	within KOCH MEDIA	Group Level
Development studios/products within console/PC-gaming with stickiness and recurring incomes	✓	✓	✓
Complementing development studios (with or without own IPs)	✓	✓	✓
Publishers or assets with hard synergies	✓	✓	
Further IP deals	✓		
Companies that add markets, niches or knowledge	✓	✓	✓
Non-digital assets		✓	
Typical target value	Small/medium	Small/medium	Large

Selected IPs with sequel or spin-off potential

CONAN THE BARBARIAN

DARKSIDERS

DEAD ISLAND



DESPERADOS
Wanted Dead or Alive

DESTROY ALL HUMANIS!

ELEX

JAGGED ALLIANCE

PAINKILLER

RED FACTION

SAINTS ROW TITAN QUEST

Above examples of IPs are illustrative and not confirmed for sequel, spin-off or any other development

Future financing of the Group

Conservative view of debt usage for the Group

Debt

- ✓ THQ Nordic Group will maintain a strong balance sheet to maximize flexibility for organic and inorganic growth opportunities
- ✓ The Group will operate with a gross debt, with optimal mix of short and long term financing to manage seasonal working capital swings and general investment needs
- ✓ Currently in negotiations regarding refinancing of existing loans at THQ Nordic, including 16 MEUR debt due in August 2018 relating to the Koch Media acquisition.
- ✓ Koch Media is self-funded

M&A

- ✓ Acquisitions will be financed with cash flow from operations, additional debt and/or equity, if deal terms are perceived to be value accretive for shareholders.
- ✓ Authorization to issue new shares to a maximum of 20 percent of shares outstanding

Dividends

- ✓ Profits and cash flows to be reinvested into the business