

Q2 2018 Interim Report

Aug 15, 2018

THE NORDIC



Today's presenter:

- Lars Wingefors
- Co-Founder & Group CEO

Q2 2018 highlights

Net sales
SEK 837m

YoY growth
878%

EBITDA
SEK 207m

YoY growth
421%

EBIT
SEK 53m

YoY growth
73%

10 releases
in business area Games



Financing activities

- SEK 1,448m new share issue before transaction costs (June 2018)*
- €85m new credit facilities (July 2018)

The background is a promotional image for the video game Metro Exodus. It depicts a desolate, snowy landscape with a pair of railway tracks receding into the distance. On either side of the tracks are dilapidated, stone buildings with arched windows, some covered in snow and icicles. The sky is dark and overcast, with snow falling and a few birds flying. In the center, the title 'METRO EXODUS' is displayed in a bold, stylized font. The word 'METRO' is in a large, black, sans-serif font, and 'EXODUS' is in a smaller, white, blocky font with black outlines. The overall atmosphere is bleak and atmospheric.

METRO EXODUS

1. Q2 2018 financials update

Profit and Loss

SEKm	2018 Q2	2017 Q2	Delta	2018 Q1	2017 Jan-Dec
Net sales	837	86	+878%	633	508
Gross profit margin	44%	72%		50%	71%
EBITDA	207	40	+421%	226	273
EBITDA margin	25%	46%		36%	54%
EBIT	53	30	73%	107	188
EBIT margin	6%	35%		17%	37%

- Net sales in the Games business area was SEK484m in Q2 2018, of which SEK146m from THQ Nordic and SEK 338m from Deep Silver
- Net sales in the Partner Publishing/Film business area was SEK354m in Q2 2018
- Koch Media's stand-alone net sales was SEK 692m in Q2 2018

Cash flow

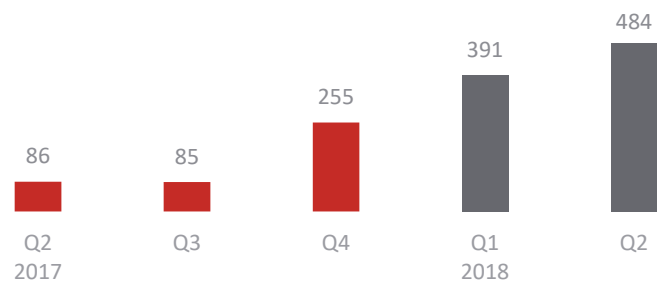
SEKm	2018 Q2	2017 Q2	2017 Jan-Dec
Cash flow from operating activities before changes in working capital	137	36	249
Change in working capital	28	-14	-70
Cash flow from operating activities	165	22	179
Cash flow from investing activities	-347	-59	-375
Cash flow from financing activities	1,597	31	655
Cash flow for the period	1,414	-6	458

Business area Games | Net sales breakdowns

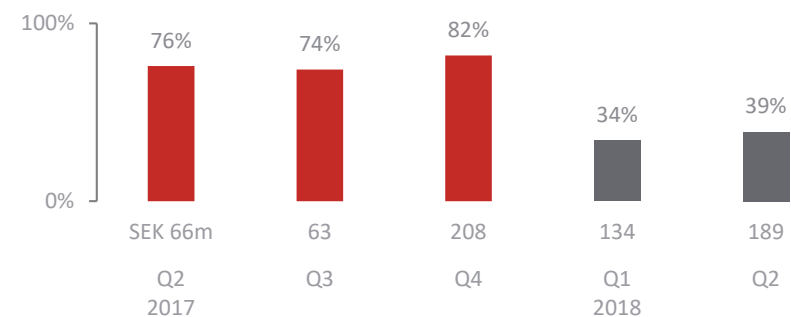
■ = THQ Nordic only

■ = THQ Nordic, and Koch Media Games (consolidated from 14 Feb 2018)

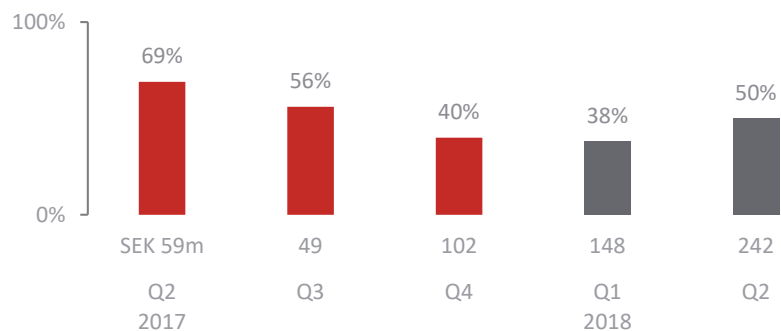
Net sales (SEKm)



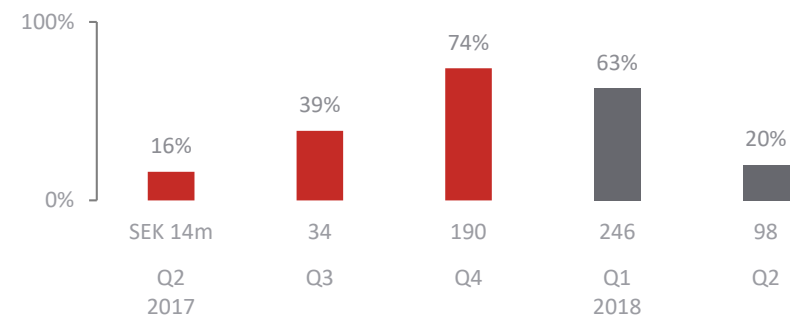
Owned titles % of net sales (remainder is publishing titles)



Digital % of net sales (remainder is physical)



New releases in quarter as % of net sales (remainder back cat)



Balance sheet

SEKm	2018 30 June	2018 31 Mar
Intangible assets	2,028	1,899
Property, plant equipment	145	33
Financial assets	206	195
Inventories	179	146
Current receivables	610	591
Cash and bank balance	1,514	99
Total assets	4,683	2,963
Share capital	1	1
Other capital reserves	2,357	811
Recognized profit including profit for the period	422	375
Provisions	319	339
Current liabilities	1,584	1,438
Total liabilities and equity	4,683	2,963
Interest-bearing receivables amount to	1,514	99
Interest-bearing liabilities amount to	450	253

- Intangible assets of SEK 2,028m at 30 June 2018 comprising:
 - Finished, completed games of SEK 206m
 - Ongoing game development projects of SEK 1,412m
 - IP:s, films, partner publishing, goodwill and other intangible assets of SEK 410m

Depreciation and investments

Continued significant pipeline investments

SEKm	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018
DEPRECIATION:					
IPs	-3.4	-3.5	-3.8	-4.1	-3.0
Game development	-5.6	-6.5	-43.4	-65.5	-112.8
Partner Publishing and Film	-	-	-	-44.4	-30.9
INVESTMENTS:					
External game development & advances	44.2	58.9	54.2	115.3	114.0
Internal capitalized development	14.4	19.2	33.0	57.6	93.5
IP Acquisitions	-	3.8	-	-	0.2
Investments in films	-	-	-	6.4	32.4
Other investments in intangible assets	-	-	10.6	5.2	-1.6
Finalized and completed development	1.9	39.8	133.9	122.9	47.4

WRECKFEST

DRIVE HARD. DIE LAST.

2. Release activity

Releases in Q2 | Games



PC
IP: 3rd party



Switch
IP: 3rd party



PC PS4 XB1
IP: 3rd party



Switch
IP: Own



Switch
IP: Own



PC PS4 XB1 - DLC
IP: 3rd party



Switch
IP: Own



PC
IP: 3rd party



PC PS4 XB1
IP: 3rd party



Android
Open Beta Google Play
IP: Own

Mobile games update

SNIPERS VS THIEVES

THE MUSCLE
HUSTLE

Releases after Q2 | Games

5 releases in business area Games after Q2 2018



PC PS4 XB1
IP: Own



PC PS4 XB1
IP: Own



PC
IP: Own



PC PS4 XB1 - DLC
IP: 3rd party



Switch
IP: Own

Selected releases in Q2 | Partner Publishing/Film

ONRUSH™

by Codemasters

VAMPYR

by Focus Home Interactive

YAKUZA 6
THE SONG OF LIFE

by Sega/Atlus

MotoGP 18

by Milestone



by Sega of Europe



by Rising Star

Selected upcoming releases

F1 2018 by Codemasters

Yakuza Kiwami 2 by Sega of America

Call of Cthulhu by Focus Home Interactive

Shenmue I & II, Sonic Mania Plus, Total War:
Warhammer 2 by Sega of Europe

Dragon Quest IX, Shadow of the Tomb Raider, Just
Cause 4 by Square Enix



3. Financing activities and acquisitions

DARKSIDERS III

Financing activities: Directed new share issue in June 2018

- Raised SEK 1,448m before transaction costs at SEK 188 per share
- For financing acquisitions of franchises, game development, studios or other objects which complement the operations
- Dilution: ~8.7% of shares and ~4.6% of votes
- Strong interest from a wide range of Swedish and international institutional investors

Financing activities: New credit facilities in July 2018

- New credit facilities of €85m in placed with a leading Nordic bank, comprising:
 - €25m overdraft facility
 - €30m term loan
 - €30m revolving credit facility
- New credit facilities were initially used towards:
 - Refinancing of existing SEK 250m overdraft facility
 - Payment of the €16m deferred cash component of the Koch Media acquisition consideration

HandyGames acquired in July 2018



Game developer and publisher

Headquartered in Giebelstadt, Germany

Founded 2000

50 employees

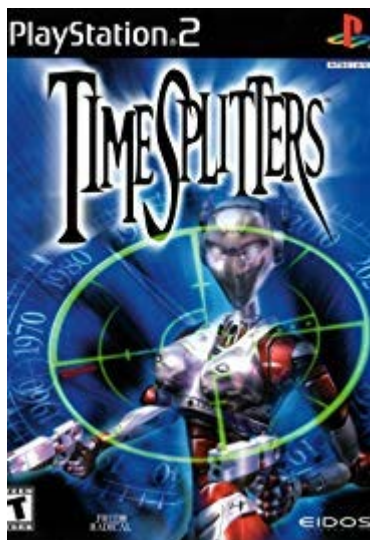
100% of the shares acquired for €1m cash, with, additionally, a potential performance-based earnout of up to €1.5m



Released 150+ games
on multiple different platforms

Released Aces of Luftwaffe Squadron
in July 2018

TimeSplitters IP acquired in Aug 2018



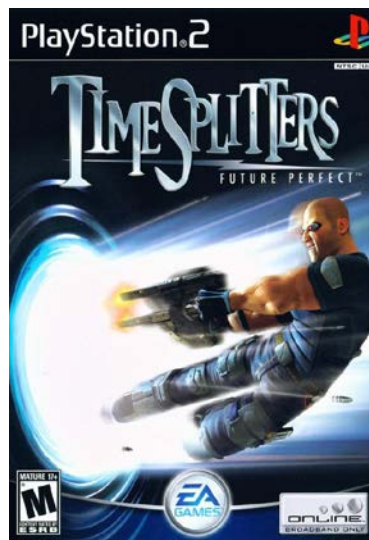
PC PS XB

81



PC PS XB

90



PC PS XB

84



TimeSplitters originally created by Free Radical Design who later became Deep Silver Dambuster Studios

Considered one of the most influential console franchises of the early 2000's

A fantastical night scene featuring a large, glowing blue moon in a dark sky with a green aurora. In the foreground, there is a wooden house with a thatched roof and a large tree on the left. The scene is set in a lush, green landscape with mountains in the background.

4. Pipeline

Strongest pipeline to date



PC PS4 XB1
IP: Exclusive license



PC PS4 XB1
IP: Own



PC PS4 XB1
IP: 3rd party



PC PS4 XB1
IP: Own



PC PS4 XB1
IP: Own



PC PS4 XB1
IP: 3rd party



PC PS4
IP: 3rd party



PS4 XB1 PC
IP: 3rd party



PC PS4 XB1 Switch
IP: 3rd party

In total
51 projects
(17 announced and
34 unannounced)

ACES OF THE LUFTWAFFE

SQUADRON

Q&A