

Q4 2018 Interim Report

13 Feb 2019

THQNORDIC



Today's presenter:

- Lars Wingefors
- Co-Founder & Group CEO



1. Operational and financials performance

Key PnL metrics and operational highlights

SEK million	Q4			Jan–Dec		
	2018	2017	Change	2018	2017	Change
Net sales	1,381	255	441%	4,124	508	713%
EBITDA	326	156	109%	974	273	257%
Operational EBIT	194	106	84%	484	202	139%
EBIT	152	102	49%	403	188	114%
EBITDA margin	24%	61%		24%	54%	
Operational EBIT margin	14%	41%		12%	40%	
EBIT margin	11%	40%		10%	37%	

11 releases in Games

DARKSIDERS III

Acquisition of 1 publisher, 1 studio (incl. several strong IPs)

Coffee Stain

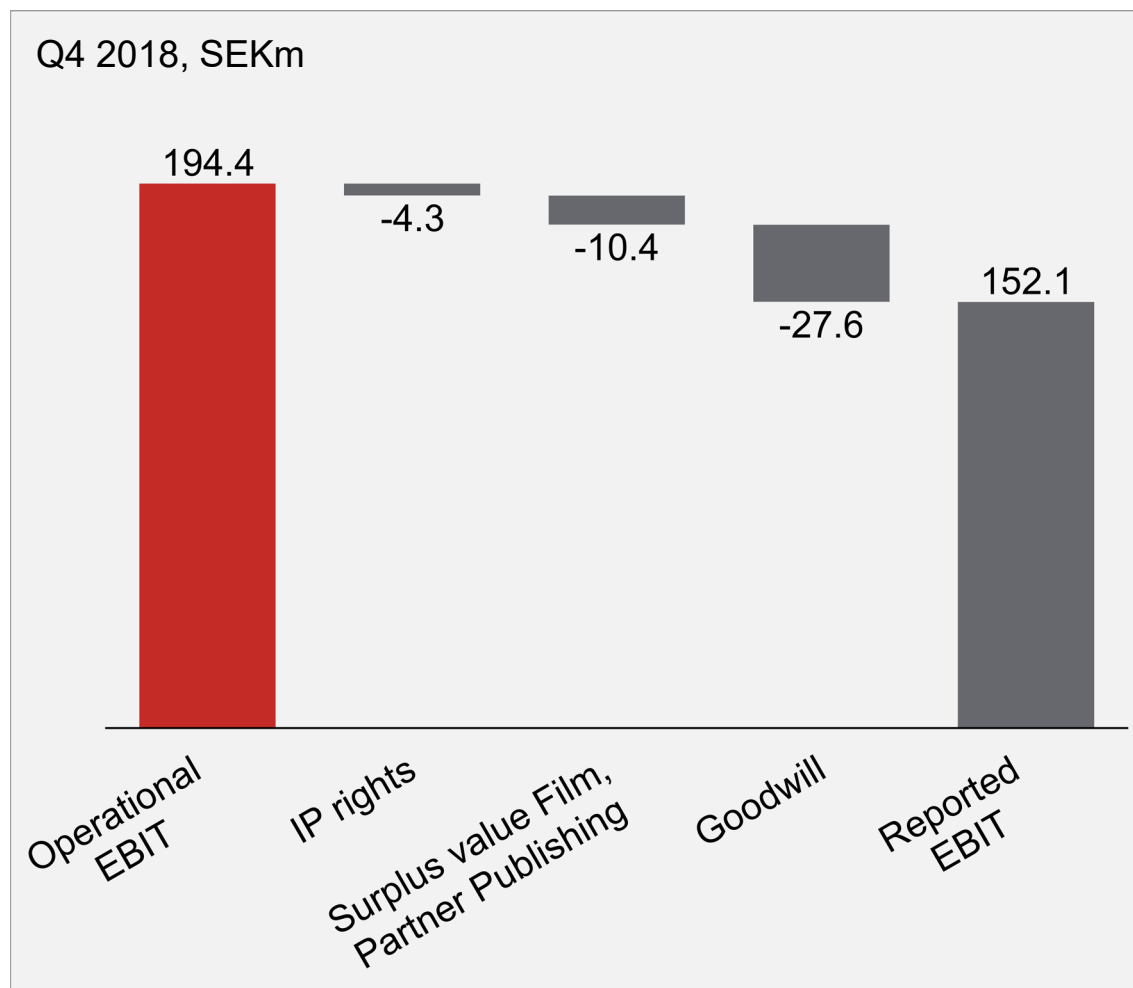


2 IP acquisitions

CARMAGEDDON

EXPEDITIONS

Bridge: Operational EBIT to reported EBIT




- “Operational EBIT” is a new alternative KPI to be disclosed henceforth
- Purpose of providing a fair picture of underlying operational performance,
- and to simplify comparison with the performance of industry peers using other accounting standards and amortization principles.
- Excludes amortization of acquisition-related goodwill, surplus values of specific business areas and IP-rights
- Goodwill and acquisition-related intangible assets are amortised straight line over five years according to local Swedish GAAP (K3)


Games business area

	2017	2018				
	Q4	Q1	Q2	Q3	Q4	
Net sales (SEK million)						
Games total	255	391	484	376	553	100%
of which THQ Nordic	255	135	146	124	352	64%
of which Deep Silver		257	338	252	187	34%
of which Coffee Stain					14	2%
Net sales breakdowns						
Digital (rest is physical)	40%	38%	50%	52%	41%	
New releases (rest is back catalogue)	74%	63%	20%	31%	58%	
Owned titles (rest is publishing titles)	82%	34%	39%	50%	72%	


11 new releases in the quarter		
THQ Nordic	IP	Platform(s)
8 to Glory	External	PS4 XB1
Darksiders 3	Own	PC PS4 XB1
Jagged Alliance Rage!	Own	PC PS4 XB1
Sunset Overdrive	External	PC
The Hunter - Call of the Wild - Edition 2019	External	PC PS4 XB1
Deep Silver	IP	Platform(s)
Broken Sword 5 – The Serpent's Curse	External	Switch
The Bards Tale IV Collectors Album Box	External	PC
The Complete Emergency	External	PC
Bridge Constructor Compilation	External	PS4
Lets Sing 2019	Licence	Switch PS4 Wii
Youtubers Life OMG!	External	PS4 XB1



Metascore User Score



68



7.5

Average for PC, PS4 and XB1

Partner Publishing business area

	2017	2018			
	Q4	Q1	Q2	Q3	Q4
Net sales (SEK million)					
Partner publishing	–	242	354	897	828

Notable releases in Q4

Farming Simulator 19

by Focus Home

JUST CAUSE 4

by Square Enix

FOOTBALL MANAGER 2019

by Sega

RIDE3

by Milestone

Selected upcoming releases

Kingdom Hearts III

by Square Enix

Monster Energy Supercross 2

by Milestone

Dirt Rally 2.0

by Codemasters

Tropico 6

by Kalypso

Dead or Alive 6

by Koei

Cash flow

SEK million	Q4		Jan–Dec	
	2018	2017	2018	2017
Cash flow from operating activities before changes in working capital	360	146	913	249
Change in working capital	95	-47	-334	-70
Cash flow from operating activities after changes in working capital	455	99	579	179
Cash flow from investing activities	-746	-154	-1,926	-375
Cash flow from financing activities	-133	15	1,639	655
Cash flow for the period	-423	-41	293	458

Depreciation and amortization, and investments

SEK million	2017	2018			
	Q4	Q1	Q2	Q3	Q4
Depreciation and amortization					
Game development	-43.4	-65.5	-112.1	-85.8	-96.3
Other intangible assets (Film etc.)		-32.5	-24.1	-25.8	-30.4
<i>Acquisition related:*</i>					
IP rights*	-3.8	-4.1	-3.0	-2.8	-4.3
Surplus value Film & Partner Publishing*		-12.3	-9.5	-2.8	-10.3
Goodwill*		-1.2	-1.2	-2.2	-27.6
<i>* These items are adjusted back from reported EBIT to derive Operational EBIT</i>					
Investments					
External game development and advances	54.2	115.3	114.0	131.8	166.7
Internal capitalized development	33.0	57.6	93.5	102.0	105.9
Other intangible assets (Film etc.)	10.6	11.6	30.8	17.9	30.5
IP-rights	-	-	0.2	21.6	10.6
Finalized and completed game developm.	133.9	122.9	47.4	50.1	162.2

Balance sheet

SEK million	2018 31 Dec	2018 30 Sep	2017 31 Dec
Intangible assets	3,330	2,172	571
Property, plant and equipment	152	142	8
Financial assets	211	200	3
Inventories	241	212	30
Current receivables	1,549	1,402	90
Cash and bank balance	922	1,346	627
Total assets	6,404	5,474	1,329
Share capital	1	1	1
Other capital reserves	2,954	2,357	811
Recognized profit incl. profit for the period	548	473	261
Provisions	438	331	41
Non-current liabilities	208	207	–
Current liabilities	2,255	2,105	215
Total equity and liabilities	6,404	5,474	1,329
<i>Interest-bearing receivables</i>	<i>922</i>	<i>1,346</i>	<i>627</i>
<i>Interest-bearing liabilities</i>	<i>1,186</i>	<i>1,321</i>	<i>110</i>

- Intangible assets of SEK 3,330m at 31 Dec 2018 comprising:
 - Finished, completed games of SEK 258m
 - Ongoing game development projects of SEK 1,667m
 - Other intangible assets (film etc.) of SEK 152m
 - IP-rights of SEK 70m
 - Surplus value Film and Partner publishing of SEK 151m
 - Goodwill of SEK 1,032m

- As of 31 Dec 2018, cash and cash equivalents were SEK 922m. Available liquidity including credit facilities was SEK 2,216m



2. Acquisitions

Acquisitions in Q4

Coffee Stain



- [Link to presentation](#)

Bugbear



- [Link to presentation](#)

2 IP acquisitions



- M&A prospects continue to look favorable
- Ongoing, patient activity at HQ in Sweden, THQ Nordic Vienna and Koch Media
- Substantial shortlist of IPs, development studios and publishers
- Strategy of giving autonomy to our local management teams is empowering them to continue succeeding, and attracting more companies to join our family



3. Pipeline

METRO
EXODUS

SELECTED UPCOMING RELEASES

GAMES BUSINESS AREA



PC PS4 XB1
IP: Exclusive license



PC PS4 XB1
IP: Exclusive license



PS4 XB1
IP: Own



PC PS4 XB1
IP: Own



PC PS4 XB1
IP: Own



PC
IP: Own



PC, PS4, XB1
IP: Own



PC PS4 XB1
IP: 3rd party



PC PS4
IP: 3rd party



PC XB1
IP: 3rd party



PC
IP: Own



Switch
IP: Own

In total
77 projects
(29 announced
and 48
unannounced)



15 FEBRUARY 2019

METRO

EXODUS

Q&A