

STILLFRONT GROUP

Press Release
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Stillfront Group acquires Jawaker and continues expansion in the MENA region and intends to raise new financing

In conjunction with the acquisition, Stillfront announces preliminary unaudited figures for H1 2021 for Jawaker as well as unaudited forecasted figures for FY 2021 for Jawaker.

INSIDE INFORMATION: Stillfront Group AB (publ) has entered into an agreement to acquire 100 percent of the shares in Jawaker FZ LLC (“**Jawaker**”) for a total upfront consideration of USD 205 million on a cash and debt free basis (the “**Transaction**”). Jawaker a leading mobile gaming studio in the MENA region, founded in 2009, holds one of the largest classic PvP (Player versus Player) gaming apps in the world, with a focus on board & card games and other popular games specific to the region. The sellers of Jawaker are the founders and main owners, the investment company Media Zone Investments FZ LLC (“twofour54”) and certain employees. Jawaker is headquartered in Abu Dhabi, the UAE, with a team of approximately 50 people. To finance a part of the Transaction, Stillfront’s Board of Directors has decided to raise additional equity through a directed share issue of SEK 1,000 million.

TRANSACTION IN BRIEF

- The total upfront consideration for the acquisition of 100 percent of the shares in Jawaker amounts to USD 205 million on a cash and debt free basis (the “**Upfront Purchase Price**”).
- Of the Upfront Purchase Price, 74 percent is payable in cash, and 26 percent is payable in 8,540,092 newly issued shares in Stillfront.
- Certain sellers may receive an earn-out payment of up to USD 20 million payable in cash, if Jawaker reaches certain EBIT targets for 2021. The earn-out payment for 2021 will be zero for the midpoint of the expected EBIT range for 2021 described below. In addition, certain sellers may receive additional earn-out payments of 1.0x EBIT for each of the financial years 2022, 2023, 2024, 2025 and 2026 whereof 70 percent is payable in cash and 30 percent in newly issued shares in Stillfront.
- Jawaker has preliminary unaudited IFRS converted net revenue and adjusted EBIT for the period H1 2021 of approximately SEK 132 million and approximately SEK 82 million respectively.
- Jawaker is expected to generate net revenue of approximately SEK 270-310 million, with approximately SEK 180-210 million in adjusted EBIT, for the calendar year 2021.

- The Upfront Purchase Price is equivalent of approximately 8.9x Jawaker's forecasted and unaudited adjusted EBIT for the calendar year 2021, assuming a mid-range EBIT for 2021.
- The acquisition of Jawaker will further strengthen Stillfront's presence in the strategically important and fast-growing MENA region, as well as further broaden Stillfront's games portfolio and fuel future organic growth. Further, the acquisition will enable substantial scaling and collaboration potential within Stillfront's group of studios.
- To finance a part of the Transaction, Stillfront's Board of Directors has decided to raise additional equity through a directed share issue of SEK 1,000 million in the form of an accelerated book building procedure which is announced separately in connection with this press release
- Completion of the Transaction is expected to occur on October 4, 2021.

"Stillfront has been active in the MENA region since 2016 and we continue to be impressed by the amazing talents and strong growth that we have seen in the region over the past five years. Mohamad and the Jawaker team have built an impressive studio adopting a one-app approach that allows users to play several different games within one app, while connecting with friends and socializing, creating strong engagement and loyalty within the user base. With the acquisition of Jawaker, we add a fast-growing and highly profitable studio to the group, and further strengthen our presence in the strategically important MENA region. We see significant scaling potential for Jawaker as a part of Stillfront, with opportunities to fuel user acquisition both in the MENA region and among the Arabic speaking population worldwide, leveraging Stillfront's successful experience from marketing Babil's games. Jawaker's expertise in the region is complementary to Babil's in terms of both genre mastery and regional reach, making them a perfect strategic fit for Stillfront and creating several growth opportunities going forward", says Jörgen Larsson, CEO, Stillfront.

"From its humble beginnings 12 years ago, Jawaker has always maintained its belief that steady profitable growth can achieve meaningful results over the long term. The best investment we made over the years was in our culture. This created the environment that unlocked the potential of our truly inspirational team who made Jawaker what it is today. The overwhelming feeling now is one of new beginnings within the Stillfront family. We are so excited to be joining an organization that shares our belief in making long term investments and creating a forever franchise in our genre of games", says Mohamad Hasan", Co-founder and CEO of Jawaker.

"With investments in leading online gaming companies like Jawaker, twofour54 is once again demonstrating that it is a pioneer of the regional gaming industry. This deal is just one more demonstration that the Emirate's gaming sector is moving from strength to strength, and through the AD Gaming initiative, Abu Dhabi remains committed to driving its growth in the years to come," says Michael Garin, CEO of twofour54.

BACKGROUND AND TRANSACTION RATIONALE

The acquisition of Jawaker is an important step in Stillfront's ambition to build the leading free-to-play powerhouse of gaming studios. The acquisition will further strengthen Stillfront's presence in the strategically important and fast-growing MENA region, as well as broaden Stillfront's games portfolio, fuel future organic growth and enable substantial scaling and collaboration potential within Stillfront's group of studios.

Founded in 2009, Jawaker is a leading and highly profitable mobile gaming studio in the MENA region, with one of the largest classic PvP gaming apps in the world. The studio focuses on board & card games and other popular games specific to the region. Jawaker has built a strong presence in the fast-growing MENA region, supported by its regional reseller network, which creates a strong competitive advantage and entry barrier. The majority of the studio's revenues are generated from the MENA region, but it also has a significant share of revenue from the Arabic diaspora in Europe and North America.

The Jawaker app is a single hub for +30 games and allows users to play, connect with friends, join clubs and socialize. The one-app approach bundles a high number of players in one ecosystem, which supports cross promotion between titles within the app and strengthens retention. Today, more than 50% of Jawaker's users play two or more different games within the app every week. The successful one-app approach eases future cross-promotion activities and supports Stillfront's strategic initiative to keep more traffic within Stillfront's own ecosystem.

The acquisition of Jawaker will enable significant scaling potential as a part of Stillfront and solidify the company's strong position in the MENA region. Based on Stillfront's successful experience from marketing Babil's games, Stillfront sees a large potential for increasing user acquisition spend in both the MENA region and worldwide within the Arabic speaking population. Jawaker's regional expertise in the MENA region is complementary to Babil from genre, local reach and revenue model perspectives, opening up for more synergies and scaling of Stillfront's titles in the MENA region. Stillfront also sees a large potential to scale Jawaker's games internationally in Western countries and the Indian subcontinent using Stillfront's expertise in performance marketing and localization.

THE TRANSACTION

The Transaction involves the acquisition of 100 percent of the shares in Jawaker, completion of which is expected to occur on October 4, 2021. Jawaker will be consolidated into Stillfront's consolidated financial reporting from October 1, 2021.

Upon completion of the Transaction, USD 205 million on a cash and debt free basis will be payable to the sellers. Of the USD 205 million in upfront consideration, 74 percent is payable in cash and 26 percent is payable in 8,540,092 newly issued shares in Stillfront. The newly issued shares in Stillfront will be issued based on the mandate to the board of directors of Stillfront granted at the Annual General Meeting held on May 11, 2021. The number of shares in relation to the Upfront Purchase Price has been calculated using the volume weighted average price per share in Stillfront traded on Nasdaq Stockholm during the twenty trading days up to and including September 6, 2021 converted into USD at the average exchange rate between SEK and USD of the Swedish Central Bank (Sw. *Riksbanken*) published at <https://www.riksbank.se/en-gb/> during the same period, i.e. the subscription price per share related to the Upfront Purchase Price amounts to SEK 54.140. This corresponds to a dilution of 2.3 percent on a fully diluted basis (i.e. based on the total number of shares and votes outstanding after the share issue). The minority owner, Media Zone Investments FZ LLC "twofour54" will only receive upfront cash consideration for its shares in Jawaker.

Certain sellers may receive an earn-out purchase price payment of up to USD 20 million, payable in cash, if Jawaker reaches certain EBIT targets for 2021. The earn-out payment for 2021 will be zero for the midpoint of the communicated expected EBIT range for 2021. In addition, certain sellers may receive earn-out purchase price payments corresponding to 1.0x EBIT for each of the financial years 2022, 2023, 2024, 2025 and 2026 generated in the ordinary course of business during each of those years. The earn-out consideration for 2022-2026 is payable 70 percent in cash and 30 percent in newly issued shares in Stillfront. The subscription price for newly issued shares related to the earn-out purchase price (if any) will be based upon the volume weighted average price of the shares in Stillfront traded on Nasdaq Stockholm for a period of ten trading days up to and including the day before Stillfront's announcement of financial results for the applicable earn-out period converted into USD at the average exchange rate between SEK and USD of the Swedish Central Bank (Sw. *Riksbanken*) published at <https://www.riksbank.se/en-gb/> during the same period.

The 8,540,092 newly issued shares in Stillfront that are to be issued as part of payment of the Upfront Purchase Price are subject to customary transfer restrictions during a period from receipt of such shares until eighteen months thereafter. The newly issued shares in Stillfront that are to be issued to the earn-out sellers as part of payment of the earn-out purchase price payments are subject to customary transfer restrictions for a period of twelve months from receipt of such shares.

To finance a part of the Transaction, Stillfront's Board of Directors has decided to raise additional equity through a directed share issue of SEK 1,000 million in the form of an accelerated book building procedure which is announced separately in connection with this press release.

Completion of the Transaction is subject to customary completion conditions.

The founders and other key employees will remain within Jawaker and be part of the management of Jawaker post-completion of the Transaction.

PRELIMINARY UNAUDITED FIGURES FOR JAWAKER FOR JANUARY- JUNE 2021

The below presented preliminary unaudited financials are solely intended to describe the financial situation of Stillfront post-closing of the Transaction. All figures are preliminary and unaudited. Jawaker has USD as its reporting currency. The USD figures have been translated into SEK by using the average FX rate for the period of January to June 2021, with USD/SEK at 8.4039.

Jawaker has preliminary IFRS net revenue of approximately SEK 132 million and adjusted EBIT of approximately SEK 82 million for the period January-June 2021.

PRELIMINARY PRO FORMA INCOME STATEMENT

IFRS Unaudited SEKm[1]	Stillfront (As reported) YTD Q2'21	Jawaker YTD Q2'21	Stillfront (Pro forma) YTD Q2'21
Net revenue	2 702	132	2 834
Own work capitalized	223	4	227
Other revenue	12	0	12
Adjusted EBITDA[2]	1 049	84	1 133
<i>Adjusted EBITDA margin</i>	<i>39%</i>	<i>64%</i>	<i>40%</i>
Adjusted EBIT[3]	909	82	991
<i>Adjusted EBIT margin</i>	<i>34%</i>	<i>62%</i>	<i>35%</i>

UNAUDITED FORECAST FIGURES FOR JAWAKER FOR THE FULL YEAR 2021

The below presented unaudited forecast figures are solely intended to describe the hypothetical financial situation of Jawaker and to display the potential financial growth of Jawaker. The financial assumptions are based on Jawaker's management accounts and projected growth. All figures are preliminary and unaudited.

Jawaker is expected to generate net revenue of approximately SEK 270-310 million with approximately SEK 180-210 million in Adjusted EBIT for the calendar year 2021[4].

TRANSACTION COSTS

Stillfront's transaction expenses are estimated at SEK 17 million for the Transaction, accounted for in EBIT during Q3, and SEK 15 million for the directed share issue, accounted for directly in equity.

FINANCIAL AND LEGAL ADVISORS

DLA Piper is legal advisor and EY is financial and tax due diligence advisor for Stillfront in connection with the Transaction. Latham Watkins is legal advisor and Aream & Co is financial advisor to the sellers in connection with the Transaction.

Carnegie Investment Bank AB (publ) and Joh. Berenberg, Gossler & Co. KG (jointly the "Managers") are acting as Joint Global Coordinators with regards to the directed share issue. Gernandt & Danielsson Advokatbyrå KB is acting as legal advisor for Stillfront in connection with the directed share issue. Baker & McKenzie Advokatbyrå KB is acting as legal counsel to the Managers.

CONFERENCE CALL FOR INVESTORS, ANALYSTS AND MEDIA

Representatives of Stillfront will participate in a conference call on September 9, at 08.30 CEST. To participate, please use the details set out below.

To participate by telephone, please dial:

SE: +46856642706

UK: +443333009268

US: +16467224957

To participate via audiocast:

<https://tv.streamfabriken.com/press-conference-09-09-2021>

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This press release does not identify or suggest, or purport to identify or suggest, the risks (direct or indirect) that may be associated with an investment in the new shares. Any investment decision in connection with the share issue must be made on the basis of all publicly available information relating to Stillfront and Stillfront's shares. Such information has not been independently verified by Stillfront. The information contained in this press release is for background purposes only and does not purport to be full or complete. No reliance may be placed for any purpose on the information contained in this press release or its accuracy or completeness.

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This press release does not constitute or form part of an offer or solicitation to purchase or subscribe for securities in the United States. The securities referred to herein may not be sold in the United States absent registration or an exemption from registration under the US Securities Act of 1933 (the "**Securities Act**"), as amended, and may not be offered or sold within the United States absent registration or an applicable exemption from, or in a Transaction not subject to, the registration requirements of the Securities Act. There is no intention to register any securities referred to herein in the United States or to make a public offering of the securities in the United States. The information in this press release may not be announced, published, copied, reproduced or distributed, directly or indirectly, in whole or in part, within or into, Australia, Canada, Japan, Hong Kong, New Zealand, Singapore, South Africa, Switzerland, the United States or in any other jurisdiction where such announcement, publication or distribution of the information would not comply with applicable laws and regulations or where such actions are subject to legal restrictions or would require additional registration or other measures than what is required under Swedish law. Actions taken in violation of this instruction may constitute a crime against applicable securities laws and regulations.

This announcement is not a prospectus for the purposes of Regulation (EU) 2017/1129 (the "**Prospectus Regulation**") and has not been approved by any regulatory authority in any jurisdiction. Stillfront has not authorized any offer to the public of shares or rights in any member state of the EEA and no prospectus has been or will be prepared in connection with the Share Issue. In any EEA Member State, this communication is only addressed to and is only directed at qualified investors in that Member State within the meaning of the Prospectus Regulation.

Forward-looking statements

This press release contains certain forward-looking statements that reflect Stillfront's current views or expectations of future events and financial and operational performance, including statements regarding guidance, planning, prospects and strategies. Words such as "intends", "anticipates", "expects", "plans", "estimates", "may", and similar expressions regarding indications or predictions of future developments or trends that are not based on historical facts, constitute forward-looking information. Although Stillfront believes that these statements are based upon reasonable assumptions and expectations, Stillfront cannot give any assurances that any such forward-looking statements will materialize. Because these forward-looking statements involve both known and unknown risks and uncertainties, actual results may differ materially from the information set forth in the forward-looking information. Such risk and uncertainties include but are not limited to the following: Jawaker's future business development; the expected growth of Jawaker's user base; the expectation regarding the rate at which Jawaker can gain active users; Jawaker's ability to monetize the user base; and Jawaker's ability to launch new products according to plan. Forward-looking statements in this press release apply only at the time of the press release and are subject to change without notice. Stillfront undertakes no obligation to publicly update or revise any forward-looking statements as a result of new information, future events or otherwise, other than as required by applicable law or stock market regulations.

In the United Kingdom, this press release and any other materials in relation to the securities described herein is only being distributed to, and is only directed at, and any investment or investment activity to which this document relates is available only to, and will be engaged in only with, "qualified investors" who are (i) persons having professional experience in matters relating to investments who fall within the definition of "investment professionals" in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "**Order**"); or (ii) high net worth entities falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as "relevant persons"). In the United Kingdom, any investment or investment activity to which this communication relates is available only to, and will be engaged in only with, relevant persons. Persons who are not relevant persons should not take any action on the basis of this press release and should not act or rely on it.

Information to distributors

Solely for the purposes of the product governance requirements contained within: (a) EU Directive 2014/65/EU on markets in financial instruments, as amended (“MiFID II”); (b) Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID II; and (c) local implementing measures (together, the “MiFID II Product Governance Requirements”), and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any “manufacturer” (for the purposes of the MiFID II Product Governance Requirements) may otherwise have with respect thereto, the shares in Stillfront have been subject to a product approval process, which has determined that such shares are: (i) compatible with an end target market of retail investors and investors who meet the criteria of professional clients and eligible counterparties, each as defined in MiFID II; and (ii) eligible for distribution through all distribution channels as are permitted by MiFID II (the “**Target Market Assessment**”). Notwithstanding the Target Market Assessment, distributors should note that: the price of the shares in Stillfront may decline and investors could lose all or part of their investment; the shares in Stillfront offer no guaranteed income and no capital protection; and an investment in the shares in Stillfront is compatible only with investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. The Target Market Assessment is without prejudice to the requirements of any contractual, legal or regulatory selling restrictions in relation to the share issue.

For the avoidance of doubt, the Target Market Assessment does not constitute: (a) an assessment of suitability or appropriateness for the purposes of MiFID II; or (b) a recommendation to any investor or group of investors to invest in, or purchase, or take any other action whatsoever with respect to the shares in Stillfront.

Each distributor is responsible for undertaking its own target market assessment in respect of the shares in Stillfront and determining appropriate distribution channels.

[1] The USD figures have been translated to SEK using the average FX-rate from the Swedish Riksbank for the period, with USD/SEK at 8.4039

[2] Adjusted EBITDA is EBITDA adjusted for Items Affecting Comparability (“IAC”). Adjusted EBITDA margin is EBITDA margin adjusted for IAC. IAC affecting EBITDA amounts to SEK -17m for Jawaker relating to estimated advisory transaction costs

[3] Adjusted EBIT is EBIT adjusted for IAC and excluding amortization of PPA-related items. Adjusted EBIT margin is EBIT margin adjusted for IAC and excluding amortization of PPA-related items. Amortization of Purchase Price Allocation (“PPA”) items and IAC affecting EBIT (estimated advisory transaction costs) amounted to SEK -66m

[4] Translated from USD to SEK using USD/SEK of 8.4694 as the Swedish Riksbank YTD average rate as of August 31, 2021.

For additional information, please contact:

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About Stillfront

Stillfront is a leading free-to-play powerhouse of gaming studios. Our diverse and exciting games portfolio has two common themes; loyal users and long lifecycle games. Organic growth and carefully selected and executed acquisitions embody our growth strategy and our 1,200+ co-workers thrive in an organization that engenders the spirit of entrepreneurship. Our main markets are the US, Germany, MENA, UK and Canada. We are headquartered in Stockholm, Sweden, and the company is listed on Nasdaq Stockholm. For further information, please visit: stillfront.com

This information is information that Stillfront Group AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact persons set out above, at 2021-09-08 17:31 CEST.

Attachments

[Stillfront Group acquires Jawaker and continues expansion in the MENA region and intends to raise new financing](#)