

# STILLFRONT GROUP

Press Release  
19 January 2022 19:22:00 CET

## Stillfront acquires Six Waves Inc. and resolves on a rights issue of approximately SEK 2.0 billion

**INSIDE INFORMATION:** Stillfront Group AB (publ) ("Stillfront") has entered into an agreement to acquire up to 100 percent<sup>[1]</sup> of the shares in Six Waves Inc. ("6waves") for a total upfront consideration of USD 201 million on a cash and debt free basis (the "Transaction"). 6waves is a leading publisher of mobile free-to-play strategy games in Japan. Founded in 2008 in Hong Kong, 6waves has extensive experience of adapting and bringing high quality strategy games to the Japanese audience and will strengthen Stillfront's presence in East Asia and specifically in the attractive Japanese gaming market. The sellers of 6waves are the founders, employees, and investors. As part of the financing arrangement of the Transaction, Stillfront's board of directors has resolved on a preferential rights issue of approximately SEK 2.0 billion, which is subject to approval by an extraordinary general meeting (the "Rights Issue"). Stillfront's largest shareholder Laureus Capital GmbH ("Laureus") has committed to subscribe for its pro rata share of the Rights Issue and has also committed to guarantee up to a total amount of SEK 300 million (less the amount covered by its subscription undertaking) of the Rights Issue. In addition, a number of larger institutional shareholders in Stillfront have expressed their support for the Transaction whereof, Swedbank Robur Fonder, AMF Fonder and TIN Fonder, have also expressed that they have the intention to subscribe for their pro-rata share of the Rights Issue, at the time of the Rights issue. Laureus' commitments, together with the aforementioned intentions to subscribe, encompass a total of 28.5 percent of the Rights Issue.<sup>[2]</sup> <sup>[3]</sup>

### TRANSACTION IN BRIEF

- The total upfront consideration for an acquisition of 100 percent of the shares in 6waves amounts to USD 201 million on a cash and debt free basis (the "**Upfront Purchase Price**").
- Of the Upfront Purchase Price, approx. 92 percent is payable in cash, and approx. 8 percent is payable in a total of 2,913,857 newly issued shares in Stillfront.<sup>[4]</sup>
- Operational founders and key employees in 6waves may receive additional earn-out payments of up to 1.0x EBITDA for each of the financial years 2022, 2023, 2024 and 2025, whereof 75 percent is payable in cash and 25 percent in newly issued shares in Stillfront. The total aggregate earn-out for the aforementioned financial years is capped at a maximum of USD 100 million.
- The Upfront Purchase Price is equivalent of approximately 6.8x 6waves's unaudited adjusted EBITDA for the last twelve months' period ending on 30 September 2021.
- The acquisition of 6waves will provide Stillfront with a solid foothold in East Asia and significantly strengthen Stillfront's presence in the attractive Japanese gaming market. Further, the acquisition will strengthen Stillfront's strategy portfolio contributing several top grossing long lifecycle games to the portfolio. The acquisition will also enable substantial scaling and collaboration potential within Stillfront's group of studios.
- The cash portion of the Upfront Purchase Price of the Transaction will be financed through existing credit facilities.

- As part of the financing arrangement of the Transaction, subject to approval by an extraordinary general meeting expected to be held on or around 23 February 2022, the board of directors of Stillfront has today resolved on a Rights Issue of approximately SEK 2.0 billion with preferential rights for existing shareholders. The final terms for the Rights Issue, including subscription price and number of new shares, are expected to be resolved by the board of directors and made public on or around 21 February 2022.
- Stillfront's largest shareholder Laureus has committed to subscribe for its pro rata share of the Rights Issue and has also committed to guarantee up to a total amount of SEK 300 million (less the amount covered by its subscription undertaking) of the Rights Issue. In addition, a number of larger institutional shareholders in Stillfront have expressed their support for the Transaction whereof, Swedbank Robur Fonder, AMF Fonder and TIN Fonder, have also expressed that they have the intention to subscribe for their pro-rata share of the Rights Issue, at the time of the Rights issue. Laureus' commitments, together with the aforementioned intentions to subscribe, encompass a total of 28.5 percent of the Rights Issue.

*"We are very excited to be able to welcome 6waves to the Stillfront family. Stillfront has a long and proven history of developing and publishing evergreen strategy games, and 6waves's titles fit perfectly into our portfolio. Expanding our presence in East Asia and specifically Japan, has been a strategic priority for Stillfront and we are happy that we have found such a talented team to help us on that journey. 6waves has built a very strong reputation as the leading publisher of strategy games in the Japanese market and we cannot wait to work closer with them as a part of Stillfront",* says Jörgen Larsson, CEO, Stillfront.

*"We are incredibly happy to become a part of the Stillfront family. Stillfront has built an impressive position within free-to-play globally and we look forward to playing an important role in the group's expansion in Japan and East Asia. Stillfront consists of several world-class studios, and we see great opportunities in working together. Joining Stillfront marks an important step for us, and we look forward to what we can achieve as a part of the group",* says Rex Ng, President, 6waves.

## **BACKGROUND AND TRANSACTION RATIONALE**

The acquisition of 6waves is another important step in Stillfront's ambition to build the leading free-to-play powerhouse of gaming studios. 6waves is one of the leading publishers of mobile free-to-play strategy games in Japan. With the acquisition, Stillfront establishes a strong foothold in East Asia and significantly strengthens Stillfront's presence in the attractive Japanese gaming market. 6waves adds several top grossing strategy titles to Stillfront's portfolio and provides a powerful platform with local expertise for continued growth through add-on acquisitions in East Asia.

Founded in 2008, 6waves focuses on mid-core strategy games adapted for a Japanese audience. 6waves has extensive experience of adapting and bringing high quality strategy games to the Japanese audience, including titles such as Shishinogotoku (#####), Sangokuhaousenki (#####) and Tenchinogotoku (#####). The studio has 135 employees, with its headquarters in Hong Kong and offices in Beijing and Tokyo.

With 6waves, Stillfront adds top grossing long lifecycle strategy titles with loyal users and stable revenues that bring further diversification to Stillfront's existing portfolio of evergreen strategy games. The four key titles are midcore 4X[5] strategy games in a medieval Asia setting. The key titles are developed externally and published by 6waves in the Japanese market with a revenue-share model. The studio also has an exciting pipeline of both in-house developed and 2nd party-published games addressing a global audience, with strong scaling potential as a part of Stillfront.

6waves has extensive experience of adapting and bringing high quality strategy games to the Japanese audience. Stillfront sees significant potential to culturize and publish Stillfront's titles in Japan and across East Asia, as well as for 6waves to publish its titles in other markets where Stillfront has a strong presence, including Europe, MENA, and North America.

6waves's portfolio of non-core games has been divested and is not included in the Transaction.

## THE TRANSACTION

The Transaction involves the acquisition of up to 100 percent of the shares in 6waves. As of the date hereof, shareholders representing 98.25 percent of the shares in 6waves have signed the acquisition agreement covering the Transaction. It is anticipated that all the remaining shareholders will accede to the acquisition agreement prior to completion of the Transaction. For any shareholders not acceding to the acquisition agreement, Stillfront will post closing hold the required investment threshold for a compulsory redemption (squeeze-out) of all remaining shares in 6waves in accordance with applicable law.

Completion of the Transaction is expected to occur on 31 January 2022 and 6waves is expected to be consolidated into Stillfront's consolidated financial reporting from 1 February 2022.

Based on the assumption that the Transaction involves 100 percent of the shares in 6waves, the Upfront Purchase Price will amount to USD 201 million on a cash and debt free basis. Of the Upfront Purchase Price, approx. 92 percent is payable in cash and approx. 8 percent is payable in a total of 2,913,857 newly issued shares in Stillfront. The Upfront Purchase Price to operational founders and key employees in 6waves is payable 75 percent in cash and 25 percent in newly issued shares. The newly issued shares in Stillfront will be issued by virtue of the authorization for the board of directors of Stillfront granted at the extraordinary general meeting of Stillfront held on 4 October 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 consecutive ten trading days up to and including 17 January 2022, i.e. the subscription price per share related to the Upfront Purchase Price amounts to SEK 50.501.[6] The total number of 2,913,857 new shares issued as part of the Upfront Purchase Price corresponds to a dilution of 0.75 percent on a fully diluted basis (i.e. based on the total number of shares and votes outstanding after the share issue). Non-operational shareholders, and certain operational shareholders in 6waves that are unable to receive Stillfront shares due to i.a applicable restrictions in their respective country of residency, will only receive cash consideration for their shares in 6waves.

Operational founders and key employees in 6waves may receive an earn-out of maximum 1.0x EBITDA of each of the financial years 2022, 2023, 2024 and 2025, based on achieving certain operational targets, capped at a total of USD 100 million. The earn-out is payable 75 percent in cash and 25 percent in newly issued shares in Stillfront. The subscription price for newly issued shares paid as a part of the earn-out (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 consecutive trading days up to and including the day before Stillfront's announcement of financial results for the applicable earn-out period[7].

The newly issued shares in Stillfront that are to be issued as payment of part of the Upfront Purchase Price, as well as any new shares issued as part of any earn-out payment, are and will be subject to customary transfer restrictions.

Operational sellers in 6waves only receiving cash consideration will receive 75 percent of their portion of the Upfront Purchase Price, as well as any earn-out payment, on the respective due date and the remaining portion as a deferred consideration payable at the end of the transfer restriction period. The deferred portion of the Upfront Purchase Price is approximately USD 1 million. The operational founders and other key employees in 6waves will remain within 6waves and be part of the management of 6waves post-completion of the Transaction and are covered by the earn-out agreement between 2022-2025.

## PRELIMINARY UNAUDITED FIGURES FOR 6WAVES FOR LTM Q3 2021

The below presented preliminary unaudited financials are solely intended to describe the financial situation of 6waves pre-closing of the Transaction. All figures are preliminary and unaudited.

6waves has a preliminary unaudited IFRS converted net revenue of approximately SEK 755 million and an adjusted EBIT of approximately SEK 246 million for the period LTM Q3 2021, representing an increase of approximately 15 percent on total net revenue and approximately 14 percent increase on Stillfront's total adjusted EBIT, relative to reported figures for Stillfront LTM Q3 2021.

## UNAUDITED PRO FORMA INFORMATION LTM Q3 2021

A preliminary pro forma income statement is shown below, with the purpose of describing a hypothetical financial result of Stillfront as if the acquisitions of 6waves had been completed per 1 October 2020.[8] No synergies have been taken into consideration. All numbers are preliminary and unaudited.

IFRS Unaudited SEKm[9]	Stillfront (as reported) LTM Q3'21	6waves LTM Q3'21	Stillfront (pro forma) LTM Q3'21
<b>Net revenue</b>	<b>5,094</b>	<b>755</b>	<b>5,849</b>
Own work capitalized	425	17	442
Other revenue	18	0	18
<b>Total revenue</b>	<b>5,537</b>	<b>772</b>	<b>6,309</b>
Platform fees	-1,209	-362	-1,571
<b>Gross profit</b>	<b>3,885</b>	<b>393</b>	<b>4,278</b>
<i>Gross profit margin</i>	<i>76%</i>	<i>52%</i>	<i>73%</i>
User acquisition cost (UAC)	-1,243	-73	-1,317
<i>UAC/Net revenue</i>	<i>-24%</i>	<i>-10%</i>	<i>-23%</i>
Other external expenses	-245	-50	-295
Personnel costs	-811	-45	-856
<b>Adjusted EBITDA[10]</b>	<b>2,028</b>	<b>252</b>	<b>2,280</b>
<i>Adjusted EBITDA margin</i>	<i>40%</i>	<i>33%</i>	<i>39%</i>

<b>Adjusted EBIT[11]</b>	<b>1,741</b>	<b>246</b>	<b>1,987</b>
<i>Adjusted EBIT margin</i>	<i>34%</i>	<i>33%</i>	<i>34%</i>

Following completion of the Transaction and the contemplated Rights Issue, Stillfront's leverage ratio will be below its communicated leverage target of 1.5x Net debt/Adjusted EBITDA.

## THE RIGHTS ISSUE

As part of the financing arrangement of the Transaction, the board of directors of Stillfront has today resolved on a Rights Issue of approximately SEK 2.0 billion with preferential rights for existing shareholders, subject to approval by an extraordinary general meeting expected to be held on or around 23 February 2022 (the "EGM"). The largest shareholder in Stillfront, Laureus (representing 12.0 percent of the total number of shares and votes in Stillfront)[12] has committed to subscribe for its pro rata share of the Rights Issue. In addition, Laureus has committed to guarantee up to a total amount of SEK 300 million (less the amount covered by its subscription undertaking) of the Rights Issue and to vote for the approval of the Rights Issue at the EGM. No compensation is paid to Laureus for its subscription and guarantee commitment.

In addition, a number of larger institutional shareholders in Stillfront have expressed their support for the Transaction whereof, Swedbank Robur Fonder, AMF Fonder and TIN Fonder, have also expressed that they have the intention to subscribe for their pro-rata share of the Rights Issue, at the time of the Rights issue. Laureus' commitments, together with the aforementioned intentions to subscribe, encompass a total of 28.5 percent of the Rights Issue.

The Transaction is not conditional upon the Rights Issue as Stillfront has available funds and existing credit facilities in place to finance the cash portion of the Upfront Purchase Price in the Transaction. The net proceeds from the Rights Issue are intended to be used to repay the temporary increase in debt that the Transaction entails and to strengthen the balance sheet following the acquisition of 6waves, and thereby increase Stillfront's financial flexibility to take advantage of future acquisition opportunities in line with Stillfront's growth strategy.

Stillfront's existing shareholders will have preferential right to subscribe for the new Stillfront shares in the Rights Issue in proportion to the number of shares held on the record date, which is expected to be 1 March 2022. Shares that are not subscribed for through subscription rights will be offered to those Stillfront shareholders and other investors who have applied for subscription without subscription rights.

The increase in share capital, the number of new shares to be issued and the subscription price in the Rights Issue is expected to be resolved by the board of directors and announced on or around 21 February 2022.

The subscription period is expected to run from and including 2 March 2022 up to and including 16 March 2022. Trading in subscription rights is expected to be conducted at Nasdaq Stockholm during the period from and including 2 March 2022 up to and including 11 March 2022.

The resolution by the board of directors on the Rights Issue is subject to approval of the EGM, which is expected to be held on or around 23 February 2022. The notice for the EGM will later be published separately and will be made available at [www.stillfront.com](http://www.stillfront.com).

Complete information about the Rights Issue will be included in the prospectus that is expected to be published on or around 25 February 2022.

### Lock-up undertaking

In connection with the board of directors' resolution on the Rights Issue, Stillfront has undertaken, subject to customary exceptions, not to issue additional shares during a period ending 90 days following announcement of the final outcome of the Rights Issue.

### Indicative timetable for the Rights Issue

21 February 2022	Announcement of complete terms and conditions
23 February 2022	Extraordinary general meeting to approve the Rights Issue
25 February 2022	Last trading day including right to receive subscription rights
25 February 2022	Publication of prospectus
1 March 2022	Record date for participation in the rights issue
2 March 2022–11 March 2022	Trading in subscription rights
2 March 2022–16 March 2022	Subscription period
17 March 2022	Press release of preliminary outcome of the Rights Issue
18 March 2022	Press release of final outcome of the Rights Issue

### TRANSACTION COSTS

Stillfront's transaction expenses are estimated at SEK 27 million for the Transaction, accounted for in EBITDA of which SEK 18 million will be charged to the full year 2021 and the remainder in Q1 2022. An estimated SEK 37 million for the Rights Issue will be 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. Morrison & Foerster has acted as legal counsel to 6waves.

Stillfront has appointed DNB Markets, a part of DNB Bank ASA, Sweden Branch, Nordea Bank Abp, filial i Sverige and Swedbank AB (publ) as Joint Global Coordinators and Mannheimer Swartling and DLA Piper as legal advisors as to Swedish law and U.S. law, respectively, in connection with the Rights Issue. White & Case has been appointed as legal advisor to the Joint Global Coordinators in connection with the Rights Issue.

### CONFERENCE CALL FOR INVESTORS, ANALYSTS AND MEDIA

Representatives of Stillfront will participate in a conference call on January 20, at 10.00 CET. To participate, please use the details set out below.

**To participate by telephone, please dial:**

SE: +46 8 505 583 55

UK: +44 333 300 9272

US: +1 646 722 4902

**To participate via webcast:**

<https://tv.streamfabriken.com/2022-01-20-pressconference>

## IMPORTANT INFORMATION

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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 rights issue must be made on the basis of all publicly available information relating to the Company and the Company’s shares including the information to be contained in the prospectus. Such information has not been independently verified by DNB Markets, a part of DNB Bank ASA, Sweden Branch, Nordea Bank Abp, filial i Sverige and Swedbank AB (publ) (“**Managers**”). 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. The Managers are acting for the Company in connection with the transaction and no one else and will not be responsible to anyone other than the Company for providing the protections afforded to its clients nor for giving advice in relation to the transaction or any other matter referred to herein.

This press release does not constitute a recommendation concerning any investor’s option with respect to the rights issue. Each investor or prospective investor should conduct his, her or its own investigation, analysis and evaluation of the business and data described in this press release and publicly available information. The price and value of securities can go down as well as up. Past performance is not a guide to future performance.

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, 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. The Company has not authorized any offer to the public of shares or rights in any member state of the EEA other than in Sweden and Denmark.

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.

[1] As of the date hereof, shareholders representing 98.25 percent of the shares in 6waves have signed the acquisition agreement covering the Transaction. It is anticipated that all the remaining shareholders will accede to the acquisition agreement prior to completion of the Transaction.

[2] Before dilution as a consequence of completion of the Transaction.

[3] Calculation based on Swedbank Robur’s, AMF Fonder’s and TIN Fonder’s shareholding as of 31 December 2021, based on Holdings.

[4] Based on the assumption where the Transaction involves 100 percent of the shares in 6waves.

[5] 4X (“Explore, Expand, Exploit, Exterminate”) is a subgenre in strategy games where the player controls an empire and explores, expands, exploits and exterminates.

[6] 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.

[7] 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.

[8] Preliminary pro forma financials with the purpose of describing hypothetical financial results after the Transaction. All numbers are preliminary and unaudited. The preliminary pro forma financial information does not include the acquisitions of Super Free, Moonfrog, Game Labs or Jawaker, prior to their respective consolidation date in Stillfront.

[9] The USD figures have been translated to SEK using the average FX-rate from the Swedish Riksbank for the period, with USD/SEK at 8.5174. The USD/JPY was 107.8886 for the same period.

[10] 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 –27m for 6waves relating to estimated advisory transaction costs.

[11] 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 –147m.

[12] As of 31 December 2021.

**For additional information, please contact:**

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## About Stillfront

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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 1,250+ 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](https://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 2022-01-19 19:22 CET.*

## Attachments

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[Stillfront acquires Six Waves Inc. and resolves on a rights issue of approximately SEK 2.0 billion](#)