THQ Nordic AB (publ) acquires Coffee Stain

Investor Presentation
November 14, 2018
Highlights

Business

Leading Nordic game developer and publisher

- 9 owned or published IPs including Goat Simulator, Satisfactory, Deep Rock Galactic and Sanctum
- SEK 500m+ Aggregate Net sales since inception in 2010
- 16+ million sold game units during lifetime
- Profitable business every year since foundation
- Goat Simulator SEK 400m+ in Net sales
- Passionate and competent team making great games with particular strengths in digital, retention, cross platform and multiplayer

Deal

Upfront consideration of SEK 392m payable at closing - equivalent to SEK 317’m on a cash and debt free basis

Potential earn outs in newly emitted shares, conditional on pre-agreed:

- Operational goals
  - Earn-out capped at SEK 405m
  - no later than FY21
- Financial goals
  - Accum. EBT goals of SEK 520m
  - Earn-out capped at SEK 130m
  - no later than 31 Dec 2023

Future

Strong pipeline of new game releases will generate profitable growth

- Three more unannounced projects in pipeline
- Growth fuelled by hands-on publishing concept including minority investments in game developers
- Potential synergies within distribution, marketing, know-how and IP development

Growth fuelled by hands-on publishing concept including minority investments in game developers

Net sales SEK 200-250m
EBT SEK 100-150m

Target financials FY³¹⁹

Pro forma financials during Jan-Sep 2018

- Net sales SEK 86m
- Adj. EBT² SEK 53m

---

1) Estimated net cash as of 13 November 2018
2) Coffee Stain unaudited management accounts adjusted to THQ Nordic GAAP
3) THQ Nordic financial year 1 April 2019 - 31 March 2020
Coffee Stain Group
A successful Nordic game Developer & Publisher

Management

Anton Westbergh
CEO
Coffee Stain Group, Co-founder

Johannes Aspeby
CEO
Coffee Stain Studios, Co-founder

Magnus Alm
CEO
Lavapotion, Co-founder

Tim Badylak
CEO
Coffee Stain Publishing, Co-founder

Sebastian Erikson
CEO
Coffee Stain North, Co-founder

Quick facts

2010
Founded

45
Employees

11
Games released

9
# of IPs in portfolio

16m+
Total # of downloads

500m+
Aggregate Net sales SEK, since 2010

86m
Net sales SEK, Jan-Sep 2018

62%
EBT1 % Jan-Sep 2018

A Creative Machine

Global Hit
Goat Simulator

New IP
Pioneering First Person Factory Building

New IP
Intergalactic Space Mining

Publishing Portfolio with great reviews

1) Coffee Stain unaudited management accounts adjusted to THQ Nordic GAAP
Coffee Stain Group
A strong record of developing and publishing games

Game release CS DEVELOPER
Game release CS PUBLISHER
Released on Steam Early Access

Coffee Stain founded in Skövde
Sanctum
Sanctum 2
Super Sanctum TD
Goat Simulator
A Story About My Uncle
The Westport Independent
Deep Rock Galactic
Puppet Fever

Sales surpasses SEK 100m

Coffee Stain Publishing founded
Invests in Battlerite – developed by Stunlock Studios
Acquires majority share in Lavapotion
Minority investments
Majority investments

Acquires minority share in Ghost Ship Games
Coffee Stain Studios
Where it all started

Key People

Johannes Aspeby
CEO/Studio Manager
Co-founder

Founders

- Founded in 2010 by Anton Westbergh, Johannes Aspeby, Mikael Mård, Oscar Jilsén, Gustaf Tivander, Daniel Lundwall, Markus Rännare, Joakim Sjöö and Stefan Hanna.

Quick facts

- Founded in 2010 by 9 friends at University of Skövde
- Currently 24 employees
- Increased development capabilities through acquisitions of Gone North Games (Coffee Stain North) and Lavapotion
- Five released games based on owned IP including global mega-hit Goat Simulator
- Group revenues 2018 mainly driven by publishing of Deep Rock Galactic and strong portfolio of released IPs. No major game release based on owned IP during 2018
- Profitable development studio since inception without external financing

Games portfolio

<table>
<thead>
<tr>
<th>Game</th>
<th>Launch date</th>
<th>First game launched</th>
<th>Number of sold games</th>
</tr>
</thead>
<tbody>
<tr>
<td>I&lt;3 Strawberries</td>
<td>Apr 2011</td>
<td>Dec 2010</td>
<td>0.8m</td>
</tr>
<tr>
<td>Sanctum</td>
<td>May 2013</td>
<td></td>
<td>1.2m</td>
</tr>
<tr>
<td>Sanctum 2</td>
<td>May 2013</td>
<td></td>
<td>0.1m</td>
</tr>
<tr>
<td>Super Sanctum TD</td>
<td>May 2013</td>
<td></td>
<td>14m</td>
</tr>
<tr>
<td>Goat Simulator</td>
<td>Apr 2014</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Satisfactory</td>
<td>2019</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Sanctum
A Successful Franchise Built on Owned IP

**Developer:** Coffee Stain Studios

**Publisher:** Coffee Stain Publishing

**Genre:** Tower Defense FPS

**Modes:** Single Player / Co-op (4 player)

**Platforms:** Windows, Mac, Linux, PS3, Xbox 360

- **SANCTUM**
  - Positive reviews: 90%

- **SANCTUM 2**
  - Positive reviews: 93%

- **SUPER SANCTUM TD**
  - Positive reviews: 87%

- 2.1m Total # of downloads
- 50m SEK, total Net sales since first release
- 90% Average review score on Steam (all versions)

Sanctum
The first game launched in 2011
50m SEK, total Net sales since first release
90% Average review score on Steam (all versions)

90% Positive reviews

2.1m Total # of downloads

93% Positive reviews

87% Positive reviews
Goat Simulator
A Global Hit

Developer: Coffee Stain Studios
Publisher: Coffee Stain Publishing
Genre: High-Tech Goat Simulation
Modes: Single Player / Co-op (4 Player)
Platforms: Windows, Mac, Linux, iOS, Android, Xbox, Playstation

Positive reviews 87%

Goat Simulator
A Global Hit

Release date
Nov 2014
Release date
May 2015
Release date
Jan 2016
Release date
May 2016

2014 2015 2016 2017 2018

Release date
Apr 2014
Release date
Sep 2014
Release date
Jun 2015
Release date
Sep 2015
Expected release
Q1 2019

400m
SEK Total Net Sales
3-5m
SEK, monthly Net sales Jan-Sep 2018
14m
Total # of sold games across all platforms

Total # of sold games across all platforms

400m
SEK Total Net Sales
3-5m
SEK, monthly Net sales Jan-Sep 2018
14m
Total # of sold games across all platforms
I’m particularly excited about the first gameplay footage we’ll be showing for Satisfactory, a new game for Coffee Stain Studios.

Developer: Coffee Stain Studios
Publisher: Coffee Stain Publishing
Genre: First Person Factory Builder
Modes: Single Player & Online Co-op
Technology: Unreal Engine 4
Development Initiated: 2016
Revealed: E3 Summer 2018
Early Access Scheduled: 2019

- Most wish listed reveal ever from CSS
- Strong active community already
- Built to be expanded over years to come

"I’m particularly excited about the first gameplay footage we’ll be showing for Satisfactory, a new game for Coffee Stain Studios”

PC Gamer
June 6th, 2018
Additional Development Studios
Complementing the Group

Coffee Stain North
Coffee Stain holds: 60%

Sebastian Erikson
CEO

Quick facts
- Founded in 2013, today with 15 employees, based in Stockholm
- Acquired 60% in February 2018 – rebranded to Coffee Stain North
- Brings IP “A Story About My Uncle”
- Made GoatZ and Waste of Space for Goat Simulator
- Working on confidential project based on well-known IP estimated 2019/2020

Lavapotion
Coffee Stain holds: 60%

Carl Tofffelt
Co-founder
Niklas Borglund
Co-founder
Patrik Liljecrantz
Co-founder
Magnus Alm
Co-founder & CEO

Quick facts
- Founded in 2017, today with 5 employees, based in Gothenburg
- Coffee Stain acquired 60% of Lavapotion in April 2017
- Working on a, to be announced, turn based strategy game
Coffee Stain Publishing
Accelerating The Group

Team

**Tim Badylak**  
CEO  
Previous experience: Ubisoft, Sony

**Daniel Kaplan**  
Biz Dev & Producer  
Previous experience: Production Director at Mojang

**Sebastian Badylak**  
Biz Dev & Scout  
Previous experience: Senior Producer at The Game Incubator

**Anton Westbergh**  
Biz Dev & Producer

**Albert Säfström**  
PR & Marketing  
Previous experience: Promo Specialist at King

Quick facts

- Project tailored publishing with hands-on operative involvement from experienced team
- Equity ownership creates joint incentives and opportunities to publish more external IPs

Publishing rights

- I<3 Strawberries
- Sanctum
- Sanctum 2
- Super Sanctum TD
- A Story About My Uncle
- Goat Simulator
- The Westport Independent
- Puppet Fever
- Deep Rock Galactic
- Satisfactory
- Huntdown

Signed TBA

Signed TBA
Ghost Ship Games
A Strategic Investment

Ghost Ship Games
Coffee Stain holds: 35%

Quick facts

- Founded in 2016, today with 20 employees based in Copenhagen
- Coffee Stain acquired 35% in 2017
- Brings IP “Deep Rock Galactic”
- 400,000+ sold copies on Early Access

Deep Rock Galactic

- Developer: Ghost Ship Games (DK)
- Publisher: Coffee Stain Publishing
- Genre: Sci-Fi, Co-op, horde shooter
- Modes: Single Player / Co-op (4 Player)
- Platforms: Steam & Xbox One
- Release date early access: 28 Feb 2018
- Release date full version: 2019

“Deep Rock Galactic is the best new co-op shooter on Steam and Xbox One”
“Polygon”

“The team at Ghost Ship already put together an amazing and satisfying experience that stands shoulder to shoulder with the best co-op titles out there”
“GameWatcher”
Coffee Stain has a strong development and publishing pipeline

- 2019: Goat Simulator
- 2019: Satisfactory
- 2019: Huntdown
- 2019: Deep Rock Galactic (Full Release)
- 2019: Unannounced project based on existing IP
- 2019: Unannounced project
- 2019: Unannounced project
- TBA: Unannounced project New IP
- TBA: Unannounced project

Game release CS DEVELOPER
Game release CS PUBLISHER
Coffee Stain’s role in THQ Nordic - post deal

**Business and strategy focus**
- Focus on executing business plan, i.e. current business and new games pipeline
- Adding selected key recruits within both games development and publishing
- Strengthening publisher position in the Nordic market with A/AA developers
- Revenue synergy implementation, e.g. distribution, marketing, know how and use of owned IP
- Continue to evaluate minority investments in conjunction with publishing opportunities
- No cost saving program planned

**Corporate and organizational**
- Coffee Stain Holding AB to operate as an independent unit under the Coffee Stain brand
- CEO Anton Westbergh to report to group CEO Lars Wingefors
- First consolidated financial reporting on February 13th.
- Revenue recognition from closing (prel. Nov 14th 2018)
Coffee Stain financials

---

### Income statement (adjusted)

<table>
<thead>
<tr>
<th></th>
<th>Coffee Stain (as adjusted)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>SEKm</strong></td>
<td>Jan-Sep 2018</td>
<td></td>
</tr>
<tr>
<td>Net Sales</td>
<td>86</td>
<td></td>
</tr>
<tr>
<td>Other operating income</td>
<td>38</td>
<td></td>
</tr>
<tr>
<td><strong>Total operating income</strong></td>
<td>124</td>
<td></td>
</tr>
<tr>
<td>Other operating expenses, excl. depreciation and amortization</td>
<td>-69</td>
<td></td>
</tr>
<tr>
<td><strong>Adjusted EBITDA</strong></td>
<td>55</td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>-3</td>
<td></td>
</tr>
<tr>
<td><strong>Adjusted EBIT</strong></td>
<td>52</td>
<td></td>
</tr>
<tr>
<td>Financial items</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td><strong>Earnings before tax EBT</strong></td>
<td>53</td>
<td></td>
</tr>
</tbody>
</table>

---

### Balance sheet (reported)

<table>
<thead>
<tr>
<th></th>
<th>Coffee Stain (as reported)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>SEKm</strong></td>
<td>30 Sep 2018</td>
<td></td>
</tr>
<tr>
<td>Intangible assets</td>
<td>24</td>
<td></td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Shares held in associate companies</td>
<td>15</td>
<td></td>
</tr>
<tr>
<td>Long term investments held</td>
<td>29</td>
<td></td>
</tr>
<tr>
<td>Current receivables</td>
<td>22</td>
<td></td>
</tr>
<tr>
<td>Cash and bank balance</td>
<td>53</td>
<td></td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>144</td>
<td></td>
</tr>
<tr>
<td>Equity</td>
<td>118</td>
<td></td>
</tr>
<tr>
<td>Minority interest</td>
<td>26</td>
<td></td>
</tr>
<tr>
<td>Deferred tax liabilities</td>
<td>9</td>
<td></td>
</tr>
<tr>
<td>Tax liabilities</td>
<td>-27</td>
<td></td>
</tr>
<tr>
<td>Current liabilities</td>
<td>19</td>
<td></td>
</tr>
<tr>
<td><strong>Total liabilities and equity</strong></td>
<td>144</td>
<td></td>
</tr>
</tbody>
</table>
High level transaction structure

Transaction information
- Upfront consideration payable of SEK 392m plus earn outs totaling at the most 535m
  - Upfront consideration payable of SEK 382m paid to CSH and 10m to CSP minority owners
  - Earn out I based on Operational Goals: SEK 375m worth of newly emitted THQN shares to CSH and 30m to CSP minority owners
  - Earn out II based on Financial Goals: SEK 100m worth of newly emitted THQN shares to CSH and 30m to CSP minority owners
- The first installment and maximum earn-out amounts to SEK 927m in total, equivalent to SEK 852m on a cash and debt free basis

Note: Inactive company Coffee Stain Group AB is not part of the illustrative structure above
1) Estimated net cash as of 13 November 2018