



# **STARBREEZE** **AGM PRESENTATION 2016**

The Storbreeze Ecosystem & Beyond

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# AGENDA

**01** SHORTENED FISCAL YEAR (JUL-DEC)

**02** Q1 2016

**03** OTHER FINANCIAL TOPICS

**04** CEO REMARKS - ECOSYSTEM

# P&L JUL-DEC YOY

	<b>JUL-DEC 15</b>	<b>JUL-DEC 14</b>	
<b>NET SALES</b>	98,8	77,7	27,2%
<b>TOTAL REVENUES</b>	149,6	82,3	81,8%
<b>OPERATING EXPENSES</b>	-126,0	-49,0	157,1%
<b>EBITDA</b>	23,6	33,3	-29,1%
<b>DEPRECIATIONS</b>	-2,6	-8,7	-70,1%
<b>EBIT</b>	21,0	24,6	-13,8%
<b>NET PROFIT</b>	22,7	21,2	7,1%
<b>Cash balance end of period</b>	85,4	184,4	-53,6%

Note that in accordance with decision taken at the AGM in November 2015 Starbreeze has changed fiscal year to calendar year as of January 1<sup>st</sup> 2016.

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# P&L Q1 YOY

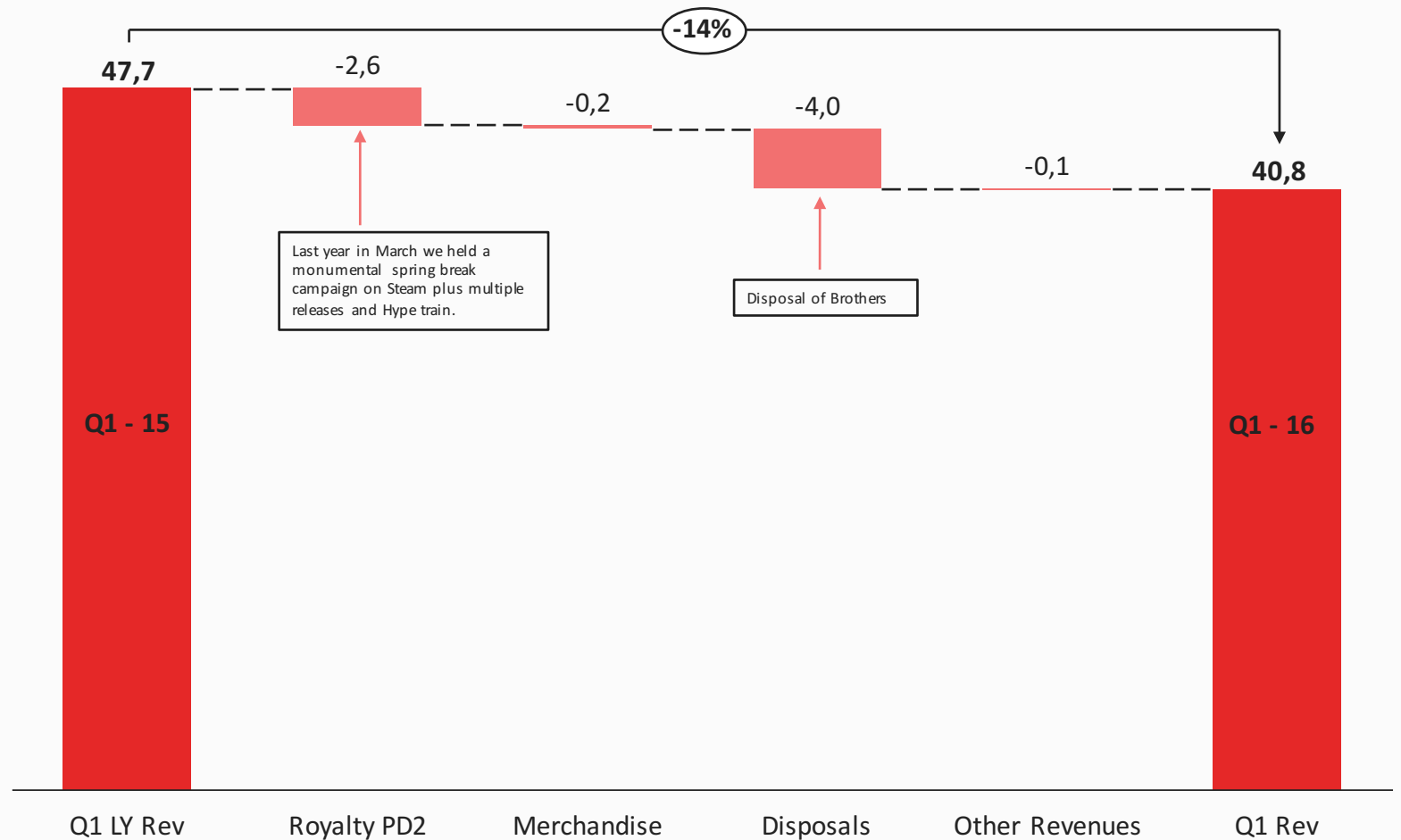
	<u>Q1 16</u>	<u>Q1 15</u>	
<b>NET SALES</b>	40,8	47,7	-14,5%
<b>TOTAL REVENUES</b>	66,5	61,5	8,1%
<b>OPERATING EXPENSES</b>	-70,8	-47,5	49,1%
<b>EBITDA</b>	-4,2	13,9	-130,2%
<b>DEPRECIATIONS</b>	-5,2	-3,0	73%
<b>EBIT</b>	-9,5	10,8	-188%
<b>NET PROFIT</b>	-14,8	8,1	-282,7%
<b>Cash balance end of period</b>	416,5	165,4	250%

Adjusted for the disposal of Brothers IP, main FX differences and Convertible Bond, the Net Profit would have been:

<u>Q1 2016</u>	<u>Q1 2015</u>
-5,9 MSEK	-2,2 MSBK

According to our plan q1 was the quarter in which we broke the positive trend. Q1'15 had an insanely successful campaign and we also sold brothers. We have now started to depreciate Valhalla and the convertible bond re-valuation hits net profits

# REVENUES YOY ANALYSIS

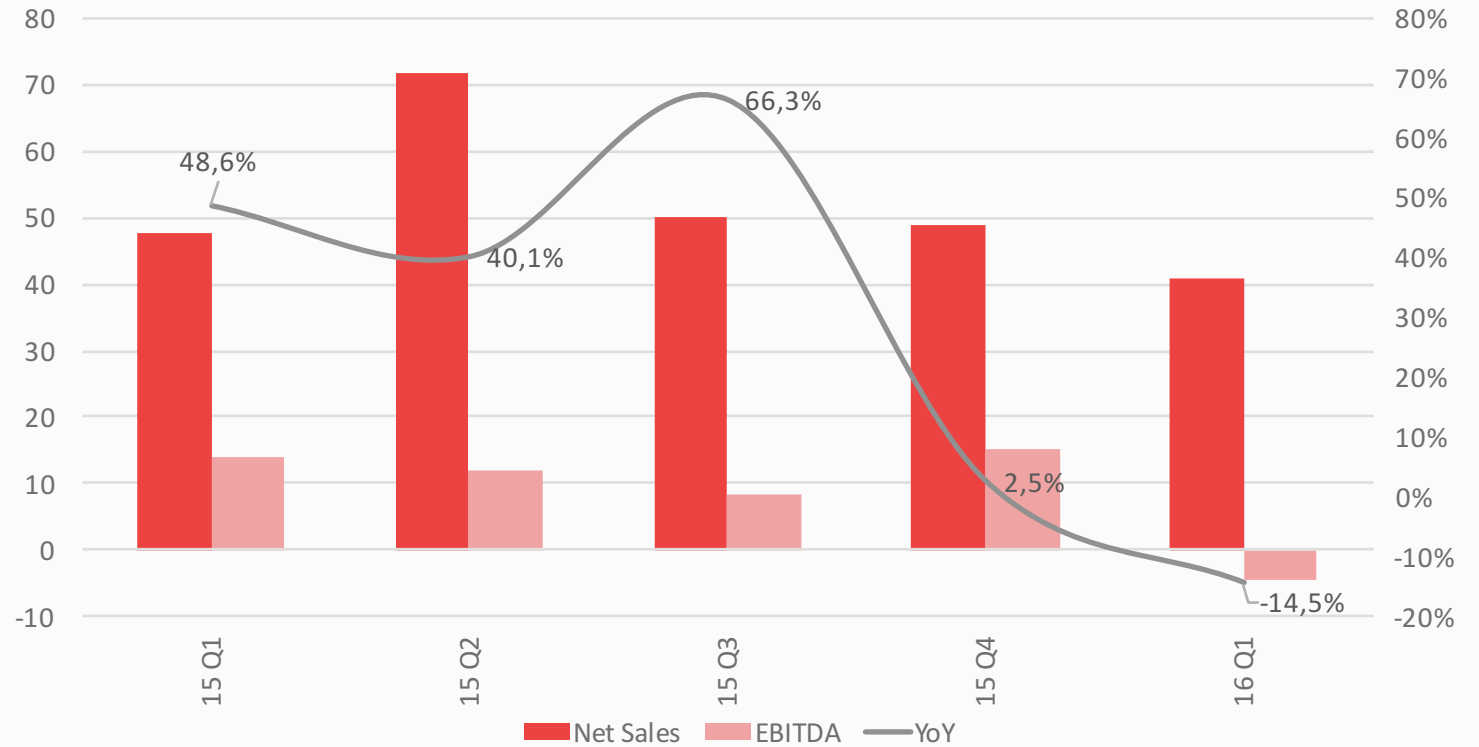


Last year in March we held a monumental spring break campaign on Steam plus multiple releases and Hype train.

Disposal of Brothers

Revenues down 14% yoy. Sale of brothers ip and a very successful spring break campaign last year (march 2015 is second best month ever) main reasons.

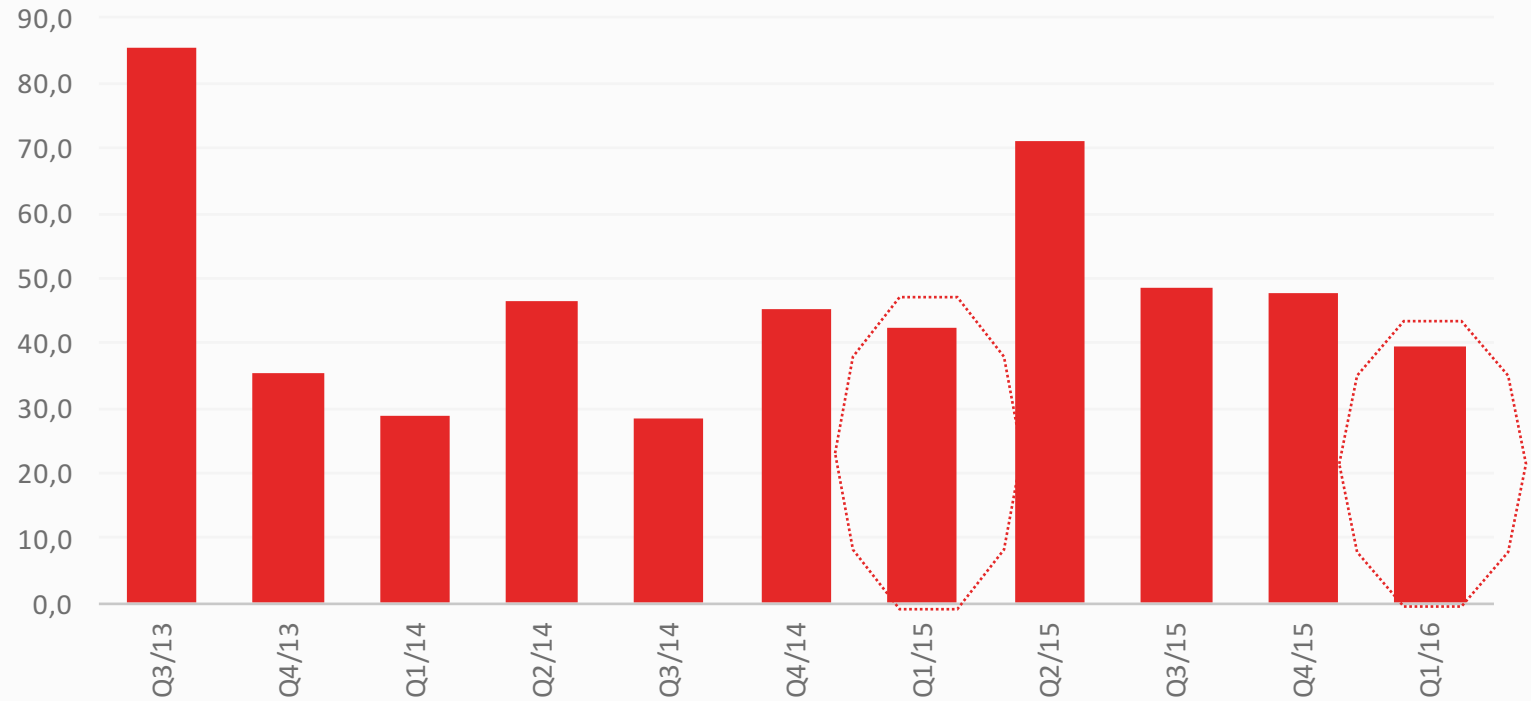
# NET SALES PER QUARTER & YOY GROWTH



The positive trend is broken – negative growth of -14,5 %

# PAYDAY 2 REVENUE PER QUARTER

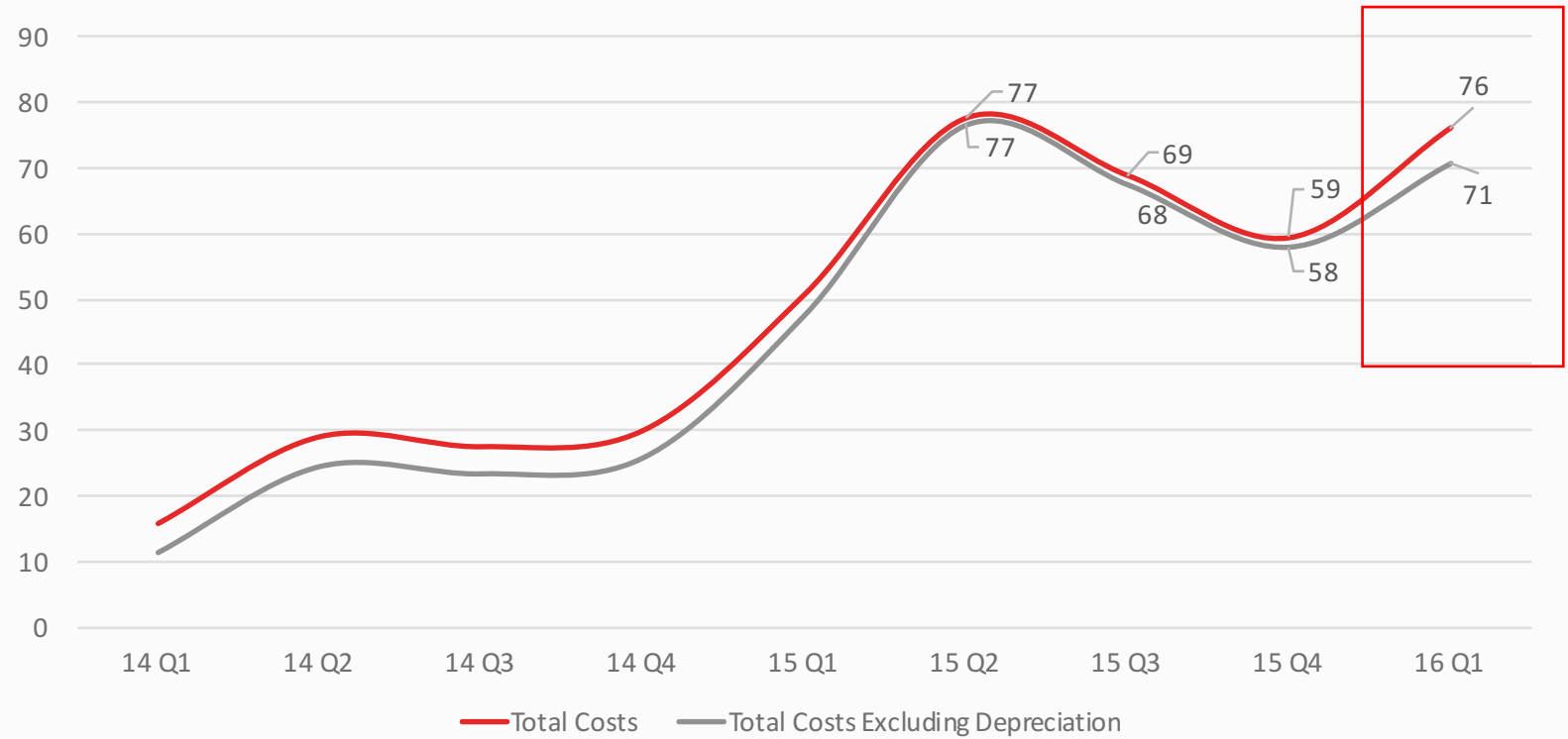
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Continued strong revenue stream from payday 2 despite 11 quarters since release



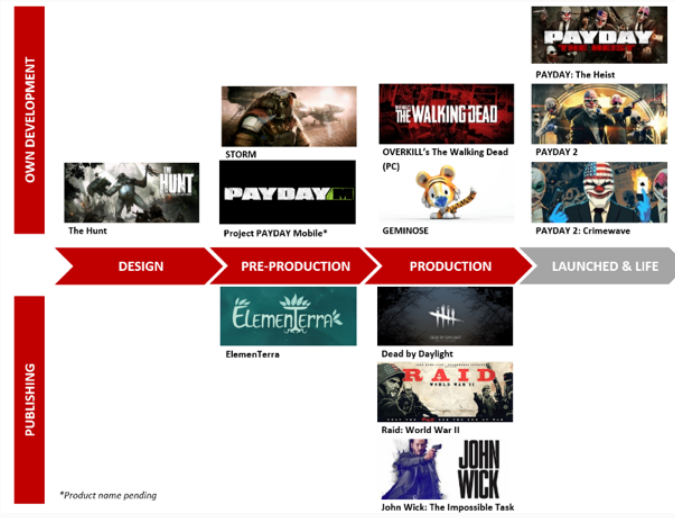
# TOTAL EXPENSES BY QUARTER



High activity across all business areas drives OPEX



# ACCELERATION NEEDED TO SECURE SUCCESS OF OUR GROWING BUSINESS



2013/14



3+0

3 games

2014/15



10+1

10 games + VR

2016



14+1

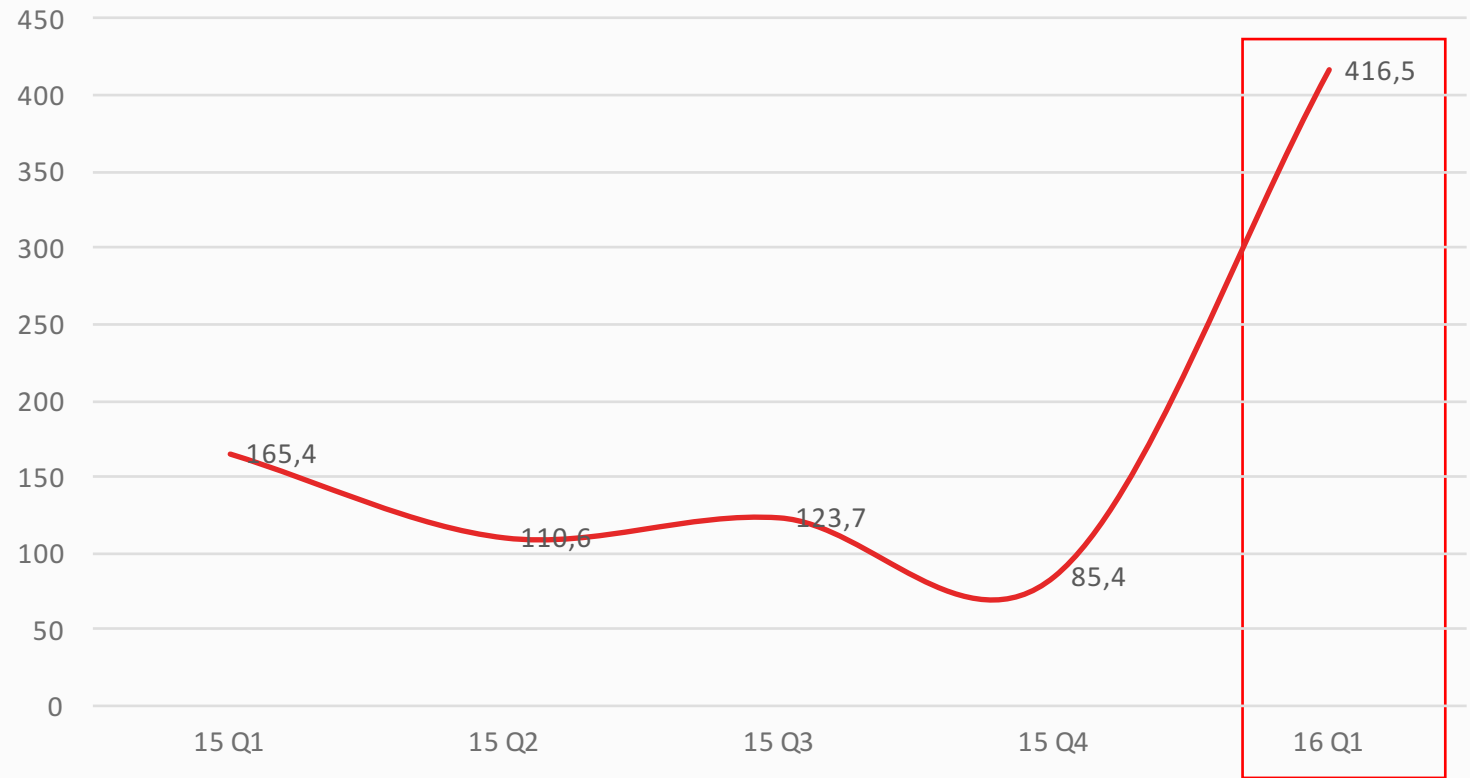
14 games + VR



The acceleration is focused on growth areas but significant and will drive OPEX and CAPEX. AAA partners such as Smilegate, Acer and IMAX will be key enablers and reduce risk.

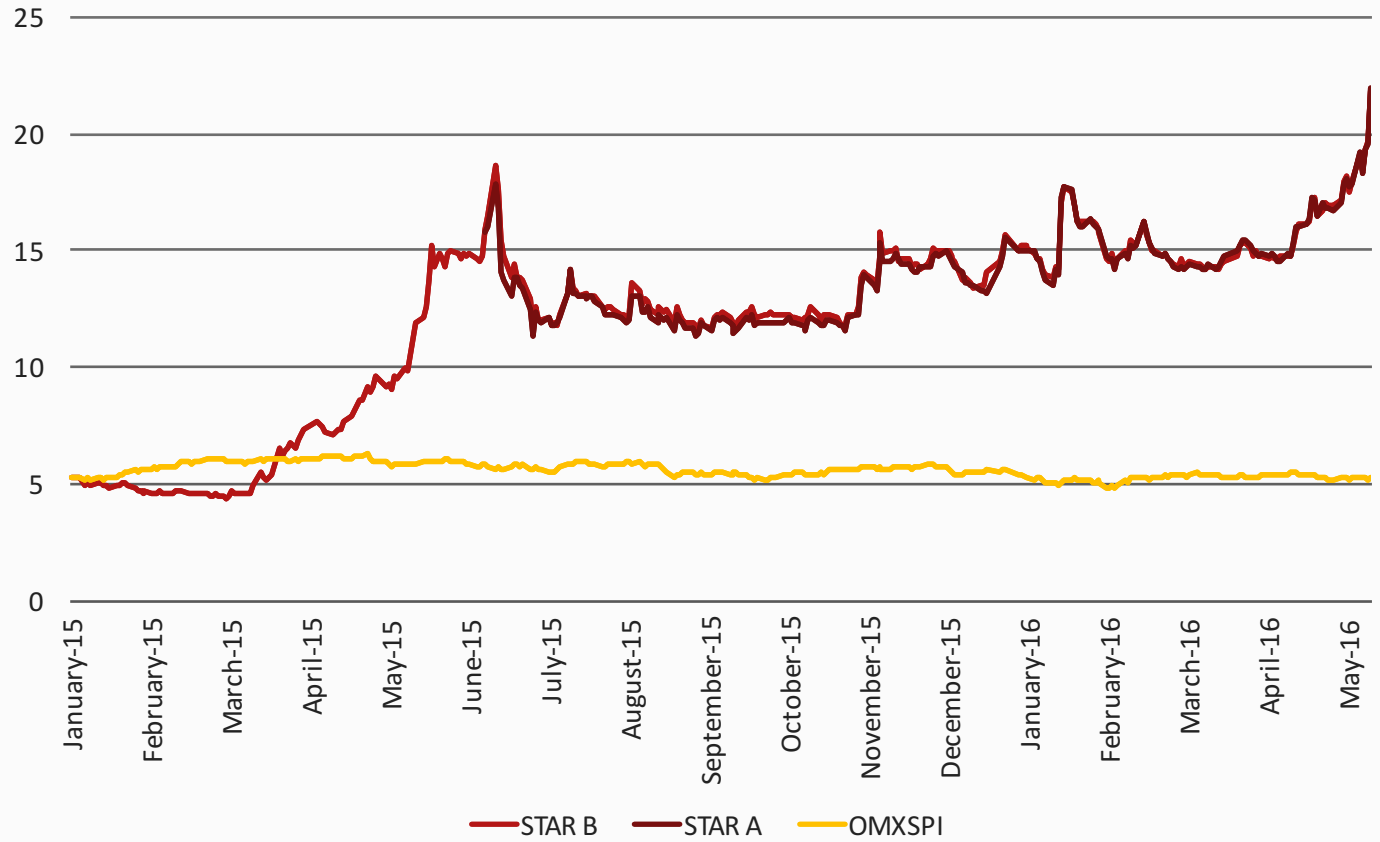
# CASH BALANCE Q1-15 TO Q1-16

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Strong cash position due to Smilegate cash injection

# STARBREEZE \$SHARE



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# CAPITALIZED EXPENSES – THE WAY IT WORKS

## PROFIT & LOSS

	2016	2015	2015
KSEK	Q1	Q1	JAN - DEC
Net revenue	40 802	47 730	218 432
Capitalized development	29 293	7 553	78 383
Other revenue	-	6 187	2 757
Sum of revenues	70 095	61 470	299 572
Other external expenses	-44 429	-32 137	-155 155
Employee expenses	-26 356	-15 383	-93 627
Depreciation of intangible fixed assets	-4 185	-2 952	-3 957
Depreciation of tangible fixed assets	-1 066	-230	-2 625
Other expenses	-3 558	-	-1 330
EBIT	-9 499	10 768	42 878

## BALANCE SHEET

ASSETS			
Goodwill	73 109	21 590	74 314
Other intangible fixed assets	194 477	97 984	200 202
Capitalized expenditure for game and technology development	149 716	7 553	114 913
Fixed financial assets	16 001	2 020	15 623
Deferred tax assets	6 351	-	5 252
Computers and other equipment	17 276	4 551	16 773
Sum of fixed assets	456 930	133 698	427 077

## CASH FLOW

Investing activities			
Acquisitions of tangible fixed assets	-1 561	-3 384	-17 375
Investments in subsidiaries	-	-	-21 547
Acquisitions of intangible fixed assets	-	-	-525
Investment in other fixed financial assets	-378	-90	-13 506
Investment in capitalized development costs	-52 246	-7 553	-95 451
Cash flow from investing activities	-54 185	-11 027	-148 404

### Profit and loss statement

Only expenses for own developed games impacts the P&L (both revenues and costs) during the development.

### Balance sheet

Both “expenses” related to own game development and advanced royalty in the publishing business are recorded as assets.

### Cash Flow statement

Paid game and tech development and paid advanced royalty. Not the same as in the balance sheet.

- 1) In order to match expenses/investments with the future revenues for a game or a technology, Starbreeze capitalizing the expenses for the development.
- 2) This capitalization (CAPEX) is booked as a revenue and expense over the P&L plus an asset on the Balance Sheet.
- 3) When the game is released we start to take the cost gradually by depreciation of the asset over the expected life time of the game or technology.
- 4) 1-2 are applicable for our own game development e.g. OTWD. The publishing business is treated differently with no impact on the P&L during the development. The “expenses” are instead directly recorded as an asset and then treated according to point 3.

IMPORTANT TO UNDERSTAND P&L AND BALANCE SHEET CASH FLOW EFFECTS OF GAME DEVELOPMENT – EXAMPLE FROM OUR LAST QUARTERLY REPORT

# SMILEGATE CONVERTIB. BOND

- The partnership with Smilegate in Q1 rendered two immediate cash injections:
  - New share issue amounting to 129 MSEK
  - A convertible bond amounting to 215 MSEK
- Due to the structure of the CB, the instrument is defined as a **derivate**
- A derivate needs, per IFRS 13, be recorded at **market value** at each closing
- The change in value will be recorded as a **financial profit or loss**
- The key variables that impact the value are a) **SBZ share price**, b) volatility of the underlying share and c) time to maturity
- A significant change in share price will have a significant P&L impact until the convertible is converted
- There is no cash impact

Koncernens finansnetto belastas från detta kvartal med de finansiella kostnaderna hänförliga till det konvertibellån som erhållits från Smilegate i februari 2016. Konvertibelns, som uppgick till 215 MSEK när den ställdes ut, ska enligt IFRS 13 beräknas till verkligt värde vid respektive rapporttidpunkt. Värdet är till stor del beroende av Starbreeze aktiekurs på balansdagen och antas därför kunna förändras materiellt under konvertibelns löptid som är 5 år. Dessa förändringar kommer att påverka bolagets resultat efter finansiella intäkter och kostnader. Värdeförändringen, som uppgick till -5,0 MSEK från tidpunkten för utställande till den 31 mars 2016, påverkar inte bolagets kassaflöde.

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# PAYDAY 2 — ENABLING SUCCESS

**SOON CELEBRATING 3 YEARS  
OF PAYDAY 2**

**3,9 MILLION COMMUNITY  
MEMBERS**

**CONCURRENT PEAK OF  
81.000 PLAYERS**

**MULTIPLE COLLABORATIONS**

**99 UPDATES & COUNTING**

**40+ DLCS RELEASED ON  
STEAM**



# STRENGTH IN NUMBERS

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## PAYDAY 2 COMMUNITY SOON 4 MILLION STRONG

The highest ranking community on Steam.

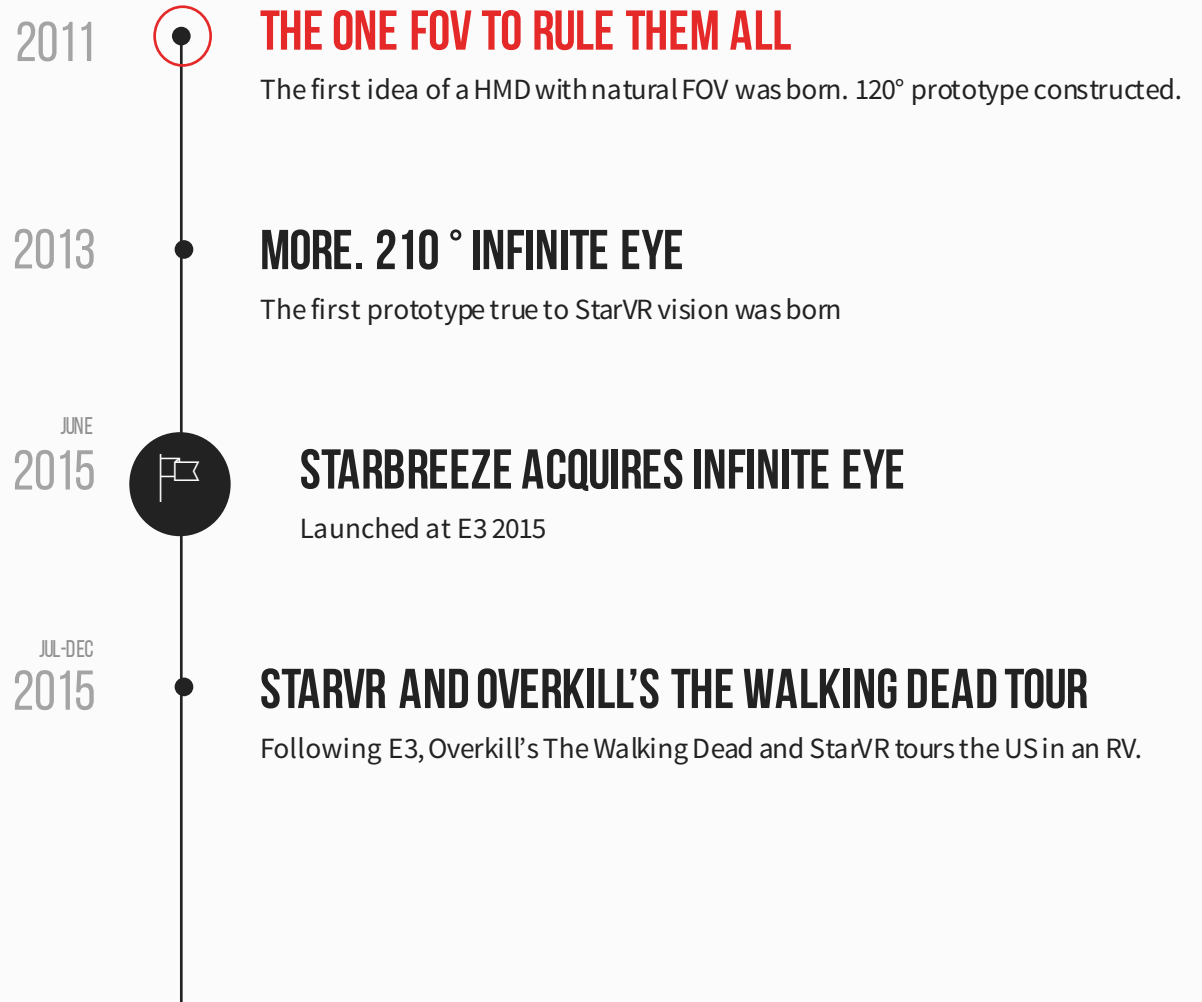


## TRANSFERRING KNOWLEDGE TO OUR PUBLISHING PARTNERS

Through active community management, our first publishing partner Behaviour Digital with Dead by Daylight soon have 100.000 members in their community before launch.



# STARVR TIMELINE





STARBREEZE



# STARVR TIMELINE

SEPT  
2015

tobii



## COLLABORATING WITH TOBII FOR EYETRACKING

Tobii and Starbreeze to collaborate on integration eye-tracking into the StarVR HMD

FEB  
2016



## ANNOUNCING THE STARGADE

Starbreeze to bet on location based VR, center to open in LA (later brought into IMAX VR).

MAY  
2016

acer



## ANNOUNCING ACER AS MANUFACTURING PARTNER

Acer and Starbreeze to form a joint venture .

MAY  
2016

IMAX



## ANNOUNCING IMAX AS A LOCATION BASED PARTNER

IMAX and Starbreeze in agreement to form a joint venture .

MAY  
2016

Smilegate®



## ANNOUNCING SMILEGATE AS A VR PLATFORM PARTNER

IMAX and Starbreeze in agreement to form a joint venture .

# THE STARBREEZE ECOSYSTEM

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## 01. IP





# STARBREEZE ECOSYSTEM 01.IP

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## INTERNAL IPS & DEVELOPEMENT

Starbreeze portfolio of products is growing. PAYDAY 2 is joined by upcoming OVERKILL's The Walking Dead and more

## PUBLISHING

Expanding our business to publishing partnerships, Dead by Daylight first to release on June 14.

## COLLABORATIONS

Key collaborations are made to retain momentum in our products and develop on existing franchises, like Crossfire.

# THE STARBREEZE ECOSYSTEM

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01. IP



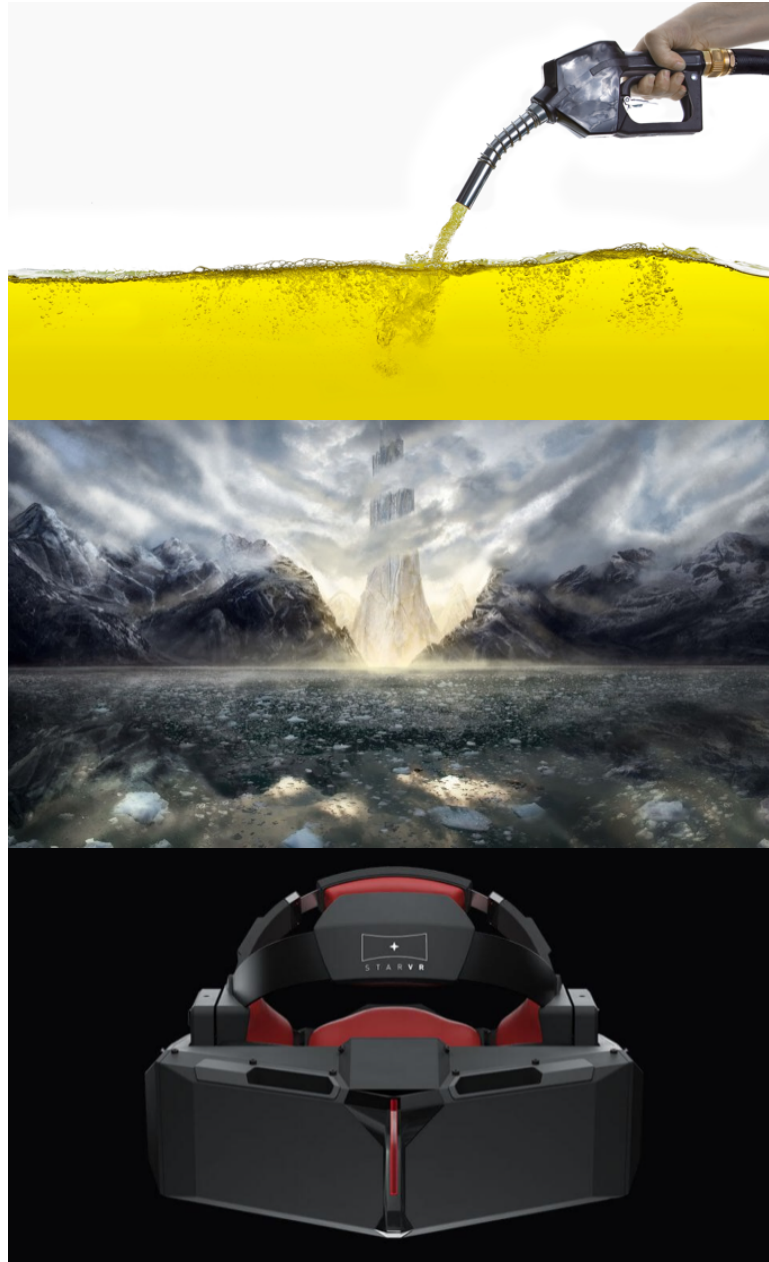
02. TECH





# STARBREEZE ECOSYSTEM 02.TECH

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## DIESEL

Our in-house engine powering PAYDAY 2 and the publishing title RAID: World War II

## VALHALLA

Our next generation VR-ready engine to power future development, including OVERKILL's The Walking Dead

## STARVR

Our high fidelity, VR technology



# THE STARBREEZE ECOSYSTEM

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01. IP

**PAYDAY 2**



02. TECH



03. USER BASE/COMMUNICATION



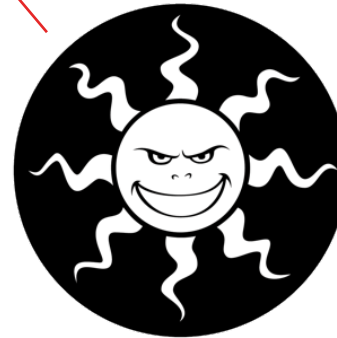
STARBREEZE  
STUDIOS

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# STARBREEZE ECOSYSTEM

## 03. USERBASE

Smilegate®



STARBREEZE  
STUDIOS

505  
GAMES



STEAM®

# THE STARBREEZE ECOSYSTEM



02. TECH



03. USER BASE/COMMUNICATION



04. LOCATION BASED ENTERTAINMENT (LBE)



# STARBREEZE ECOSYSTEM 04.LBE

## MASSIVE REACH POTENTIAL FOR LBE

Over 1000 IMAX venues across the globe in 68 countries, plus additional free standing venues

## PREMIUM CONTENT - GAMES & MOVIES

Leveraging the experience and relationships of both companies.

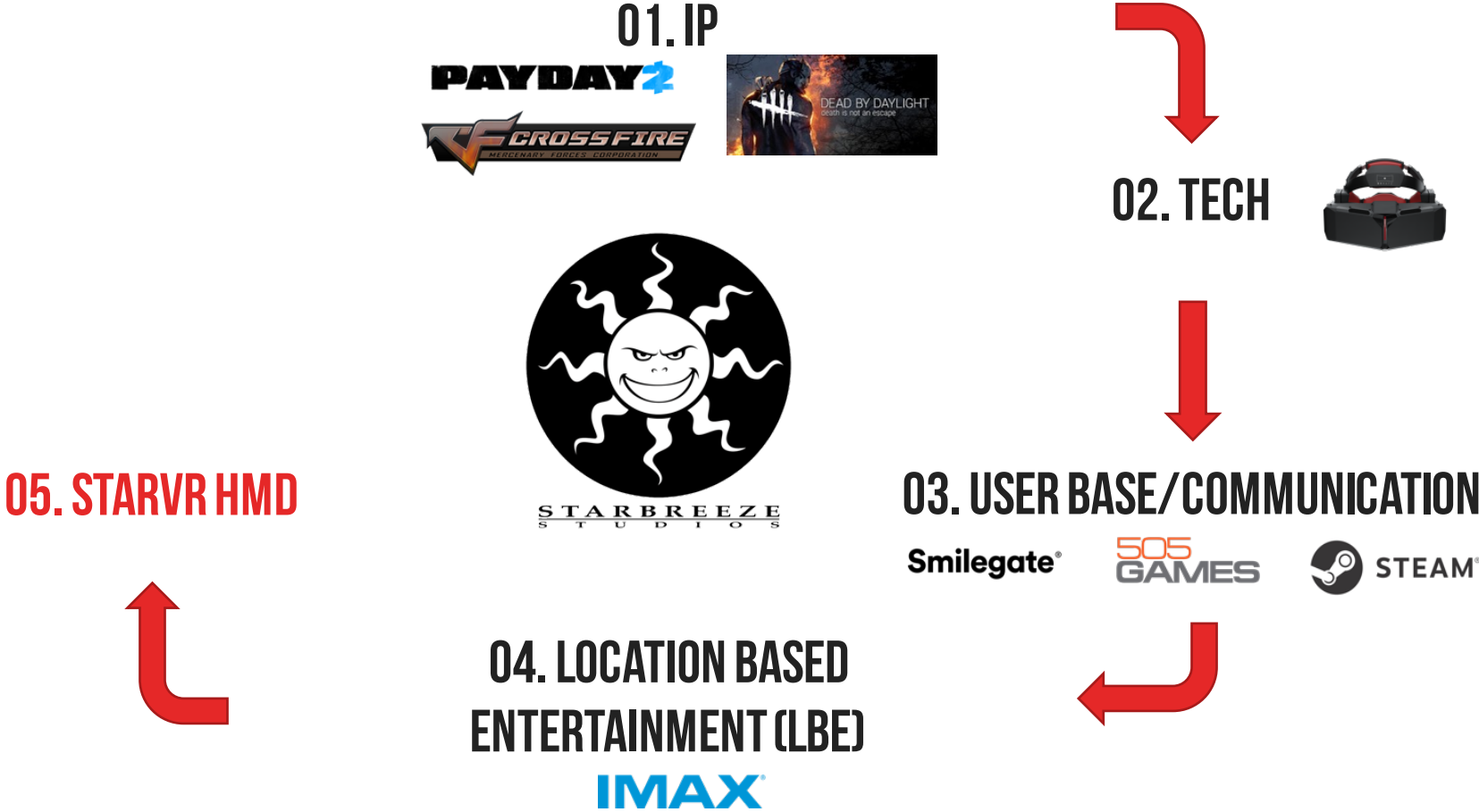
## POSITIONED FOR NO. 1 LOCATION BASED VR- EXPERIENCE

Owning a part of the emerging VR market.



IMAX  
— IS BELIEVING™

# THE STARBREEZE ECOSYSTEM





# STARBREEZE ECOSYSTEM 05. STARVR HMD

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## ESTABLISHED MANUFACTURING PARTNER

Ensuring production capacity and quality for our markets.

## JOINT VENTURE WITH R&D CAPABILITIES

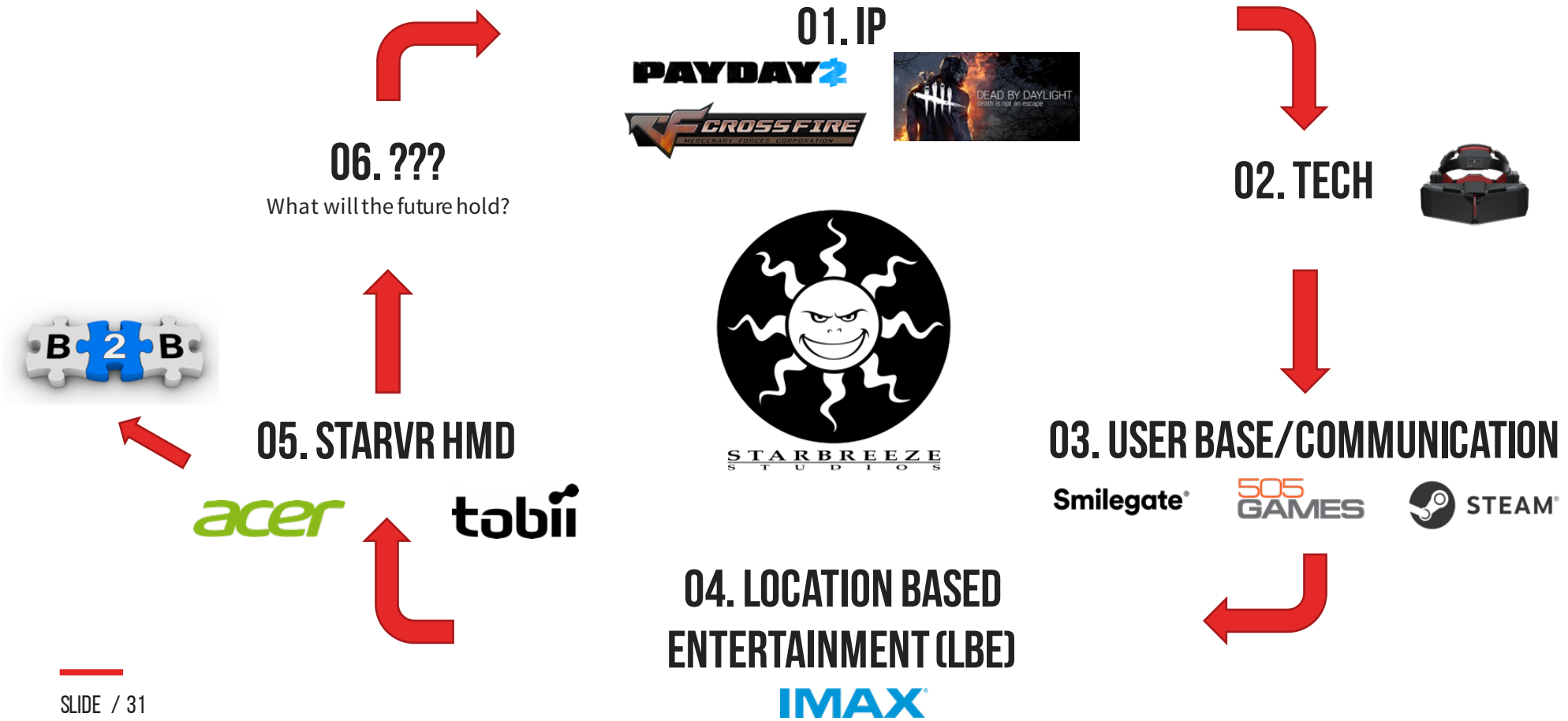
Acers knowledge and facilities contributes to pushing VR and accessories forward.

## KEEP ON INNOVATING THROUGH COLLABORATIONS

Future collaborations to keep on innovating and upgrading the StarVR HMD (Tobii Eyetracking etc)

The Acer logo, consisting of the word "acer" in a lowercase, italicized, sans-serif font, set against a vibrant green background with abstract, flowing light patterns.

# THE STARBREEZE ECOSYSTEM





# THANKS!

The Starbreeze Ecosystem & Beyond

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