

MAG INTERACTIVE

MAG INTERACTIVE AB [PUBL]
INTERIM REPORT SEP-FEB 2019/20

2019/20

INTERIM REPORT

SEP—FEB 2019/20

ABOUT

MAG INTERACTIVE AB [PUBL]

FOUNDED IN 2010, MAG INTERACTIVE IS A GLOBAL DEVELOPER OF CASUAL SOCIAL GAMES FOR SMART MOBILE PHONES. THE PORTFOLIO CONSISTS OF GAMES THAT HAVE BEEN COLLECTIVELY DOWNLOADED OVER 250 MILLION TIMES. FROM MAG'S DIVERSE CATALOG OF GAMES, THE MOST WELL KNOWN TITLES ARE RUZZLE, WORD DOMINATION, WORDBRAIN AND QUIZDUEL. REVENUE IS MAINLY DERIVED FROM IN-APP PURCHASES AND ADVERTISEMENTS. MAG HAS OFFICES IN STOCKHOLM AND BRIGHTON AND THE COMPANY IS LISTED ON NASDAQ FIRST NORTH PREMIER GROWTH MARKET WITH THE TICKER MAGI. FOR MORE INFORMATION VISIT WWW.MAGINTERACTIVE.COM.

SUMMARY OF THE PERIOD DEC 2019 UNTIL FEB 2020

- The Group's net sales for the period were 50,527 KSEK (41,166 KSEK), an increase of 23% compared to the same period the previous year
- EBITDA for the period was 5,059 KSEK (-2,809 KSEK)
- The Group's game contribution for the period was 31,990 KSEK (22,400 KSEK), an increase of 43% compared to the same period the previous year
- Average revenue per daily active user, ARPDAU, for the period was 2.9 US cents (2.3 US cents), an increase of 23% compared to the same period last year
- The result per share during the quarter was -0.16 SEK/share (-0.24 SEK/share)
- The costs of user acquisition for the period was 13,559 KSEK (13,922 KSEK)
- Daily and monthly active users (DAU and MAU) were 2.0 million and 6.6 million respectively during the quarter, a decrease of 6% and 15% compared to the same period last year

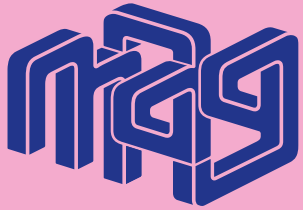
SUMMARY OF THE PERIOD SEP 2019 UNTIL FEB 2020

- The Group's net sales for the period were 97,629 KSEK (81,533 KSEK), an increase of 20% compared to the same period the previous year
- EBITDA for the period was 10,089 KSEK (-1,579 KSEK)
- The Group's game contribution for the period was 63,363 KSEK (48,250 KSEK), an increase of 31% compared to the same period the previous year
- Adjusted EBITDA for the period was 6,491 KSEK (-1,579 KSEK) (adjustments relate to effects from effects from IFRS16)
- The result per share during the quarter was -0.27 SEK/share (-0.38 SEK/share)

SIGNIFICANT EVENTS DURING AND AFTER THE PERIOD SEP 2019 TO FEB 2020

- On 28 November 2019 the game Wordzee launched globally after having been through a soft launch in Sweden and the UK earlier in the quarter
- On 22 November 2019 New Quizduel was soft launched in Sweden
- On 14 January 2020 the company held its annual general meeting for the financial year 2018/19
- On 18 February the Board of Directors decided to merge the subsidiary FEO Media AB with the parent MAG Interactive AB (publ). The process is expected to take about 4-5 months





MAG INTERACTIVE

FROM THE CEO

CONTINUED STRONG GROWTH DRIVEN BY MULTIPLAYER GAMES

2019/20

The growth of multiplayer games leads to increased revenue

The revenue in the quarter grew by 23% and landed at SEK 50.5 million with an EBITDA of just over SEK 5 million.

Since the decision to focus on multiplayer games just over a year and a half ago, we've seen this part of the business grow, a trend that continues during this reporting period. Revenues from multiplayer games in Q2 are 51% higher than the corresponding period last year, and these games now turn over more revenue than the entire business did a year ago.

Two avenues for growth and increased profitability

We see a strong connection between long-term growth and increased investment in user acquisition, which is the primary way to acquire new and profitable players in our games. The decision to increase or decrease UA investment is driven by ROI modeling - with the amount invested governed by the opportunities for profitable marketing. The models we use optimize against full repayment of an acquired player within 180 days.

During this reporting period, we have been able to gradually increase user acquisition for our most recently released game Wordzee, focusing on increasing the number of players in the US market. Based on the results from Q2, we believe we can further increase these investments during Q3.

The second path to growth is continuous improvement of the live games. Word Domination, QuizDuel, and Ruzzle all have stable player bases that directly create improved profitability for the company when optimized. We measure this through average revenue per daily active user, shortened ARPDAU.

During Q2, the gradual launch of New QuizDuel was initiated, a game with a significantly higher ARPDAU than the original. As old QuizDuel players find the new game, ARPDAU will increase for the player base and thus generate higher profitability. We are actively promoting New QuizDuel in the original game to speed up this process and expect to reach a position during the year where all players play the new version of the game.

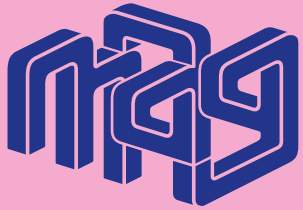
After the end of the quarter, New QuizDuel was also launched in Germany, the game's main market.

Increased Game Contribution leads to improved profit margins

Game Contribution constitutes the surpluses that the games generate after distribution platforms fees and marketing services have been paid. MAG has steadily delivered a Game Contribution of over SEK 100 million a year in recent years. We have chosen to invest these surpluses in the development of new game projects in order to build a long-term sustainable company with several successful games as a base. We now see the results of this long-term with the launches of Wordzee and New QuizDuel, which we expect to deliver growth for many years to come.

Our ambition is to return to the strong profit margins we have had in the past. The ability to achieve this lies in growing the Game Contribution, with increased revenue based on sensible investments in user acquisition combined with continuous optimization of the live games. An important dynamic to understand is that as user acquisition increases, it will burden the Game Contribution in the short term as the payback time is longer than a quarter, but it will yield a long-term positive effect.





MAG INTERACTIVE

FROM THE CEO

CONTINUED STRONG GROWTH DRIVEN BY MULTIPLAYER GAMES

2019/20

New business models contribute

Another part of our approach to increase profitability is the continued implementation of subscriptions in our games. In Word Domination, 20% of in-app purchases are now driven by subscriptions and we look forward to seeing similar uplifts when implemented in Ruzzle, QuizDuel, and Wordzee in the future. The subscription model complements other in-app purchases and thus adds to the overall in-game economy.

How are we affected by the corona outbreak?

For MAG, the effect of the ongoing pandemic was mainly felt after the end of the quarter. From the beginning of the outbreak, we have prioritized the health and safety of our staff in our two studios in Stockholm and Brighton. Obviously, we follow the recommendations and directives from the authorities in each respective country as they change.

In mid-March, the entire company switched to a model we call “remote first”, which means that the majority of all employees work from home. We see this as a temporary but important step in taking responsibility for our society. In regards to the actual production of games, we as an employer are well prepared to be able to handle an increased need for work from home. This applies to both the infrastructure we have for building products and the culture of independent teams with clear targets for what they are expected to deliver and why.

A comment on how the ongoing outbreak has affected player activity during March is shared in a separate press release.

Continued positive outlook

Overall, we are in a good position as a company today. We have two new products that we expect to be able to scale up and contribute to our profits over time, alongside the stable portfolio that we’ve built in recent years. Word Domination is in the middle of its growth journey where we expect increased revenue, and for the future we have a pipeline of new game concepts in different development stages that can create new opportunities.

In this period of global adversity, our hope is that we can offer a moment of joy to those dealing with the effects of mandated social isolation. Social and fun games that you can play with your friends, no matter where they are in the world, are something that many of us appreciate just a little bit extra in times like these.

DANIEL HASSELBERG, CEO



The tactical word game passes 10 million downloads and grows in revenue

Word Domination is a tactical multiplayer game where users play against each other in exciting real time word matches. Players compete against each other in real time, attempting to earn the most points on the board by creating words over five rounds. With boosters, players can improve their chances with time-limited benefits.

Since launching Word Domination globally in May 2018, the game has ranked top 5 in the word game category across 140 countries, reaching a steady base of one million active players per month and over 10 million downloads in total. Revenue also grew steadily between Q1 to Q2.

Subscriptions continue to increase revenue and engagement

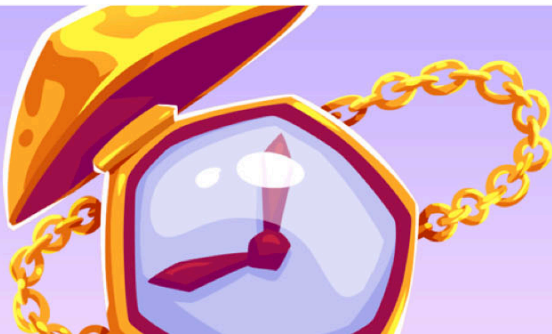
As per the last two quarters, we see a continued increase in subscriptions and their impact on in-app revenue. Subscriptions were launched in April 2019 and offer a VIP package for a flat monthly cost – the player becomes VIP –, giving the player an ad-free experience, access to exclusive content, events and other bonuses in the game. Revenue from subscriptions accounted for 20% of all in-app revenue in Word Domination in Q2, compared to 15% at the end of Q1. The VIP players also continue to display the highest engagement and average revenue per daily active user – shortened ARPPDAU – of all Word Domination players.

Thematic collection events increase ad revenue

During Q1, a thematic collection event was introduced in Word Domination, where players collected carrots to unlock rewards with exclusive benefits for subscribers. The engagement from players was significantly higher in this event than in previous events, which is why Word Domination continues to publish them. During Q2, a candy cane collection event was offered, which resulted in higher ad revenue and subscriptions during the quarter. Word Domination will continue to optimize and offer these kinds of events to further drive engagement and revenue in upcoming quarters. These types of events drive both revenue and subscriptions, as exclusive content is offered as an incentive to VIP players.

Milestone reached and growth increases

Since its launch in 2018, Word Domination has grown steadily, been continuously optimized and the in-game economy has improved in each quarter. With over 10 million downloads an important milestone has been reached and we expect further growth as more new features make their way to the game in future quarters.



Market leader in trivia and most played game in Germany

QuizDuel is a social quiz game where users can challenge friends and other players around the world in trivia. With over 100 million downloads and over one million players every day, QuizDuel is the largest quiz game in Europe for iOS and Android. In February 2020, QuizDuel was also the biggest mobile game in Germany in terms of the number of active users according to a report from the analysis company App Annie.

Positive launch of New QuizDuel in new markets

At the end of Q1, the sequel to the original and the next generation of mobile trivia, New QuizDuel, was soft launched. New QuizDuel contains all the characteristic elements from the original game - classic trivia duels, special quizzes - and at the same time offering a new type of gameplay with the new game mode "Arena". In the Arena, the player competes against four other people in new exciting categories to climb the various leaderboards.

During Q2, the game was launched in several markets, including Italy and Ireland. The purpose of releasing the game in more individual markets is to be able to continuously adapt and optimize the game based on new environments and languages. These preparations are necessary for us to achieve our goal: New QuizDuel becoming the leading mobile quiz game in the world. The reception of the game has been positive among players, especially in Italy where after a month, the game has already reached as large a user base as the original.

High potential for monetization in New QuizDuel

New QuizDuel has a higher monetization potential than the classic game and has already attained a significantly higher ARPDAU than the original. This is mainly due to the Arena game mode, where the user either needs to buy tickets or watch video ads to play.

Migration of the player base a long-term mission

While New QuizDuel continues to be released into more markets, the migration of old players to the new app continues, as well as finding solutions to make that process shorter. An intermediate goal has already been reached – users can play against each other whether they are playing the new or old game, while retaining their friends, account and stats from the classic game. Migration continues at an increased rate during Q3.



Classic word game continues to contribute to the business after eight years

Ruzzle was the company's first major success with more than 60 million downloads. Ruzzle is a social word game where the player is challenged to find as many words as possible in two minutes within a limited grid of letters.

This classic word game was released in 2012 and eight years later continues to significantly contribute to the business. The development of the game has also progressed. A comparison with Q2 18/19 shows that the player base is stable and that turnover has increased.

Maximizing the value of the player base - the key to growing revenue

Ruzzle has exhibited a steady level of revenue over the past year. The game is monetizing better than before due to improved advertising, while concurrently being updated with new content and technically optimized. We therefore estimate that Ruzzle will continue to have the potential to grow in revenue in the future.

Since Ruzzle does not rely on user acquisition to attract new players, it is necessary to maximize the value of existing players and organic downloads - for example, with frequent events and optimization of the first-time user gaming experience. In the coming quarters, additional technical and content updates are planned to further increase engagement and improve the in-game economy of the game. 2020 will continue to be an interesting year for Ruzzle with the potential for increased revenue.



MAG's new word game grows and shows strong potential for monetization

Wordzee is an innovative word game where players challenge each other by competing head-to-head using letter tiles to form high scoring words on a special board. As an added challenge, filling the entire board earns the player "Wordzee" and major bonus points. Wordzee combines strategy with chance and inspiration from the classic dice game Yatzy.

The number of active Wordzee players grew during the quarter showcasing the portfolio's strongest ARPDAU throughout Q2. It's promising that the monetization possibilities for Wordzee are apparent at such an early stage of growth.

Optimizations in the first quarter after global release

Wordzee was released in November 2019 - during last week of Q1 - and now has a full quarter behind it as a globally launched product. During Q2, the game team has focused on optimizing the game's core functions: social connectivity, improved monetization and advertising strategy. Change in the latter strengthened the already strong ARPDAU that Wordzee showcased at the beginning of the quarter.

Reinforced focus on implementation of new features and optimizations

As we enter Q3, the focus is on implementing new features and content as well as continued optimization of the core functions in the game. These technological improvements are needed to build a steady user base that can generate long-term engagement and thus predictable revenue. Together with the investments made in user acquisition, we anticipate great potential for Wordzee to grow and significantly contribute to the revenue of the business in the future.





CONSOLIDATED PROFIT/LOSS AND CASHFLOW FOR THE PERIOD 2019/20 DEC 2019 UNTIL FEB 2020

OPERATING INCOME

The Group's operating income for the period was 57,291 KSEK (47,600 KSEK), an increase of 20% compared to the same period the previous year. The Group's net sales for the period totalled 50,527 KSEK (41,166 KSEK), an increase of 23%. Own work capitalised totalled 6,364 KSEK (5,982 KSEK). See below for further details of capitalised expenses as well as depreciation of the same.

The group's net sales was primarily attributable to the games Word Domination, QuizDuel, Ruzzle, WordBrain, Wordzee, Wordalot and WordBrain2.

OPERATING EXPENSES, EBITDA AND OPERATING PROFIT/LOSS

Operating expenses totalled 52,231 KSEK (50,409 KSEK). Of these, 11,087 KSEK (10,453 KSEK) were sales related costs, primarily originating from fees to Apple App Store and Google Play, as well as server costs. In addition to this 13,559 KSEK (13,922 KSEK) were costs of user acquisition and 6,236 KSEK (9,725 KSEK) were other external operating expenses.

User acquisition costs in the second quarter are mainly attributable to the game Word Domination, with the game Wordsee's global launch under scale up with increasing volumes

Personnel expenses totalled 21,349 KSEK (16,309 KSEK) an increase of 31%.

EBITDA for the period was 5,059 KSEK (-2,809 KSEK).

Depreciation of tangible and intangible assets totalled 9,640 KSEK (5,914 KSEK), of which 5,756 KSEK (4,622 KSEK) was depreciation of capitalised development expenses.

The Group's operating profit was -4,581 KSEK (-8,723 KSEK) and profit before tax -5,136 KSEK (-8,109 KSEK).

ADJUSTED RESULT (NOTE 3)

Adjusted EBITDA for the period was 2,887 KSEK (-2,809 KSEK)

Adjusted profit/loss before tax was -4,827 KSEK (-8,109 KSEK)

PROFIT/LOSS AFTER TAX

Profit after tax totalled -4,253 KSEK (-6,437 KSEK)

The profit after tax per share was -0.16SEK/share (-0.24SEK/share) and the profit after tax per share fully diluted was -0.16 SEK/share (-0.24 SEK/share)

The average number of share during the period was 26,321,393 (26,321,393) and the average number of shares fully diluted was 27,317,067 (26,948,567)

CASH FLOW FOR THE PERIOD – PERIODEN DEC 2019 TILL FEB 2020

The Group's cash flow from operating activities during the quarter was 8,892 KSEK (3,060 KSEK). Cash flow from investing activities was -89,992 KSEK (-10,048 KSEK), of which -80,000 KSEK relates to a investment in a short-term interest fund, see note 4. Cashflow from financing activities was -5,263 TSEK (-3,889 TSEK)

CONSOLIDATED PROFIT/LOSS FOR THE PERIOD SEPTEMBER 2019 UNTIL FEB 2020

2019/20

OPERATING INCOME

The Group's operating income for the period was 111,660 KSEK (93,634 KSEK), an increase of 19% compared to the same period the previous year. The Group's net sales for the period totalled 97,629 KSEK (81,533 KSEK), an increase of 20%.

Own work capitalised totalled 13,875 KSEK (11,486 KSEK). See below for further details of capitalised expenses as well as impairments and depreciation of the same.

The group's net sales was primarily attributable to the games Word Domination, QuizDuel, Ruzzle, WordBrain, Wordzee, Wordalot, WordBrain2

OPERATING EXPENSES, EBITDA AND OPERATING PROFIT/LOSS

Operating expenses totalled 101,571 KSEK (95,213 KSEK). Of these, 21,429 KSEK (20,529 KSEK) were sales related costs, primarily originating from fees to Apple App Store and Google Play, as well as server costs. In addition to this 24,938 KSEK (23,815 KSEK) were costs of uset acquisition and 14,119 KSEK (18,490 KSEK) were other external operating expenses.

Personnel expenses totalled 41,085 KSEK (32,378 KSEK) an increase of 27%. The average number of employees during the period was 80 (71) an increase of 13%. The personel costs for the comparison period includes a restructuring cost of 3.7 MSEK.

EBITDA for the period was 10,089 KSEK (-1,579 KSEK).

Depreciation and impairments of tangible and intangible assets totalled 17,694 KSEK (11,779 KSEK), of which 11,359 KSEK (9,308 KSEK) was depreciation of capitalised development expenses and 0 KSEK (0 KSEK) was depreciation of intangible assets.

The Group's operating profit was -7,605 KSEK (-13,358 KSEK) and profit before tax -9,691 KSEK (-12,968 KSEK).

ADJUSTED RESULT (NOTE 3)

Adjusted EBITDA for the period was 6,491 KSEK(-1,579 KSEK)

PROFIT/LOSS AFTER TAX

Profit after tax totalled -7,152 KSEK (-10,089 KSEK)

The profit after tax per share was -0.27SEK/share (-0.38SEK/share) and the profit after tax per share fully diluted was -0.26 SEK/share (-0.38 SEK/share)

The average number of share during the period was 26,321,393 (26,321,393) and the average number of shares fully diluted was 27,168,859 (26,869,167)



PARENT COMPANY PROFIT/LOSS FOR THE PERIOD DEC 2019 UNTIL FEB 2020

2019/20

OPERATING INCOME

The parent company's net sales for the period were 36,681 KSEK (27,021 KSEK), an increase of 36% compared with the same period the previous year.

OPERATING EXPENSES AND OPERATING PROFIT/LOSS

Operating expenses totalled 52,465 KSEK (47,982 KSEK).

Of these 10,813 KSEK (9,510 KSEK) were sales related costs originating primarily from fees to Apple App Store and Google Play, costs of user acquisition were 13,558 KSEK (13,905 KSEK) and 7,977 KSEK (9,509 KSEK) was other external operating expenses.

Depreciation of tangible and intangible assets totalled 449 KSEK (344 KSEK).

The parent company's operating profit for the period was -12,281 KSEK (-17,280 KSEK).

PROFIT AFTER TAX

Profit after tax totalled to -11,683 KSEK (-13,691 KSEK).



PARENT COMPANY PROFIT/LOSS FOR THE PERIOD SEP 2019 UNTIL FEB 2020

2019/20

OPERATING INCOME

The parent company's net sales for the period were 69,295 KSEK (55,538 KSEK), an increase of 25% compared with the same period the previous year.

OPERATING EXPENSES AND OPERATING PROFIT/LOSS

Operating expenses totalled 100,826 KSEK (89,590 KSEK).

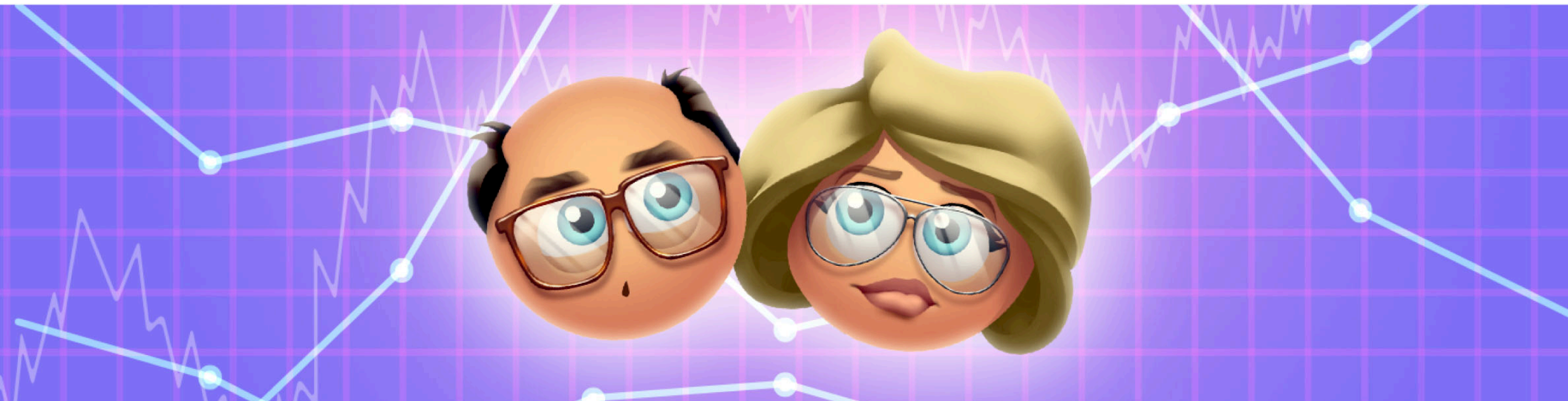
Of these 20,950 KSEK (18,415 KSEK) were sales related costs originating primarily from fees to Apple App Store and Google Play, costs of user acquisition were 24,937 KSEK (23,543 KSEK) and 16,559 KSEK (17,861 KSEK) was other external operating expenses.

Depreciation and impairments of tangible and intangible assets totalled 900 KSEK (566 KSEK).

The parent company's operating profit for the period was -24,389 KSEK (-27,985 KSEK).

PROFIT AFTER TAX

Profit after tax totalled to -22,135 KSEK (-22,179 KSEK).



THE GROUP'S FINANCIAL POSITION AT THE END OF THE PERIOD

2019/20

Intangible non-current assets at the end of the period totalled 142,249 KSEK (140,927 KSEK), of which 77,785 KSEK (77,757 KSEK) relates to intellectual property and 64,463 KSEK (63,170 KSEK) to other intangible assets. The latter consists primarily of capitalised development expenses on own account and acquired IP.

Cash and cash equivalents at the end of the period totalled 106,372 KSEK (204,426 KSEK). During the period an amount of 80 000 KSEK was invested in a low risk interest fund. The interest fund was divested in its entirety after the end of the period.

Equity at the end of the period totalled 324,530 KSEK (334,712 KSEK), corresponding to 12.3 SEK/share (12.7 SEK/share)

The equity/assets ratio at the same time was 75.5% (83.4%)

The group has interest bearing debt of 64,464 KSEK (23,334 TSEK). 7,778 KSEK is bank loans and 56,686 KSEK arises from leasing liabilities

THE PARENT COMPANY'S FINANCIAL POSITION AT THE END OF THE PERIOD

Cash and cash equivalents at the end of the period totalled 102,798 KSEK (157,770 KSEK)

Equity at the end of the period totalled 328,757 KSEK (327,647 KSEK)





KEY INDICATORS FOR THE BUSINESS PERIOD DEC 2019 UNTIL FEB 2020

2019/20

DISTRIBUTION OF REVENUES BY BUSINESS MODEL

The Group's net sales are distributed primarily between in app purchases (purchases made inside games via the Apple App Store or Google Play) and in-app advertising.

The Group's net sales from In-app purchases for the period were 16,594 KSEK (16,147 KSEK), an increase of 3% compared to the same period the previous year.

The Group's net sales from in-app advertising were 33,872 KSEK (24,941 KSEK), an increase of 36% compared with the same period the previous year.

GAME CONTRIBUTION

Games that are marketed by MAG Interactive have different cost levels in their distribution cost (sales related costs) and marketing cost (performance based marketing), not least relating to which phase the games are in. The Group therefore reports the total contribution from games activities according to the following model: net sales minus platform-fees and performance-based marketing. Performance based marketing includes digital advertising and other advertising associated directly with the company's products, as well as services and charges directly attributable to performance-based marketing. General marketing of the company and brand is not included in the cost of direct marketing.

The Group's contribution from sales activities for the period was 31,990 KSEK (22,400 TSEK), an increase of 43% compared to the same period the previous year.

COMMENTS ON THE DISTRIBUTION OF INCOME AND CONTRIBUTIONS FROM SALES ACTIVITIES

Platform fees and user acquisition stay flat while net sale grows by 23% compared to same quarter previous year. This translates directly to a significantly higher contribution. The lower share of platform fees, compared to net sales, is a consequence of the higher advertising sales. Advertising sales growth faster than inapp sales due to the growth of games with a comparably higher share of ads sales.

KEY INDICATORS FOR THE BUSINESS CONTO.

2019/20

OTHER KEY INDICATORS

The company monitors its operations according to a number of key performance indicators that reflect how the games industry in general measures its business activities. These indicators are defined as follows;

DAU and MAU are defined as the number of unique daily and monthly users respectively that use one of the company's products, presented as an average over the period, adjusted for the number of days in the months in the period. Each individual game's unique users are summed up to present the company's total unique users.

MUP is the number of unique users who made a purchase in one of the company's products. A purchase is defined as a purchase in accordance with the above definition of in app purchases and to a value greater than zero. The value is reported as an average value over the three months in the period.

ARPDau is calculated as the company's daily average of net sales during the period divided by DAU. Riksbankens average exchange rate per month is used for translation into USD.

THE BUSINESS'S KEY INDICATORS DURING THE PERIOD

DAU for the period 2.0 million (2.2 million), a decrease of 6% compared with the same period the previous year.

MAU for the period 6.6 million (7.8 million), a decrease of 15% compared with the same period the previous year.

MUP for the period 49 thousand (55 thousand), a decrease of 12% compared with the same period the previous year.

ARPDau for the period 2.9 US \$ cent (2.3 US \$ cent), an increase of 23% compared with the same period the previous year.

COMMENTS TO THE KPIs

The player base is decreasing mainly due to single player portfolio as well as the hyper casual game Paint Hit, that contributed somewhat to the same period last year. The improvements in ARPDau follows the development in the multiplayer portfolio with stronger monetisation of all games.



SUMMARY OF THE BUSINESS' KEY PERFORMANCE INDICATORS

2019/20

Period		Dec-Feb 19/20	Dec-Feb 18/19	Y/Y change
In-app purchases	KSEK	16,594	16,147	3%
Advertising	KSEK	33,872	24,941	36%
Other	KSEK	61	77	-21%
Net sales	KSEK	50,527	41,166	23%
Average SEK/USD		9.541	9.087	5%
<i>Share of Net sales¹</i>				
In-app purchases		33%	39%	-6
Advertising		67%	61%	6
Other		0.1%	0.2%	-0
Platform fee	KSEK	4,978	4,844	3%
User acquisition	KSEK	13,559	13,922	-3%
Game contribution	KSEK	31,990	22,400	43%
<i>Share of Net sales¹</i>				
Platform fee		10%	12%	-2
Direct marketing		27%	34%	-7
Game contribution		63%	54%	9
EBITDA	KSEK	5,059	-2,809	
Adjusted EBITDA (note 3)	KSEK	2,887	-2,809	
Profit	KSEK	-4,253	-6,437	
DAU	Millions	2.02	2.15	-6%
MAU	Millions	6.59	7.78	-15%
MUP	Thousands	48.73	55.11	-12%
ARPPDAU	US \$ cent	2.87	2.34	23%

¹Y/Y change in percentage points

PARENT COMPANY

The parent company MAG Interactive AB (publ), corporate ID number 556804-3524, has its registered office in Stockholm. A big part of the Group's business activity is in the parent company, with employees, agreements, intangible assets (incl. IP) and revenues. There are three fully owned subsidiaries in the group. MAG Games Ltd, with 19 employees, has only Group internal invoicing and carries out development and other functions in the company's operations. FEO Media AB with its base in Stockholm and 7 employees, operates the game QuizDuel. MAG United AB, with its base in Stockholm, has no employees.

ACCOUNTING PRINCIPLES

The consolidated accounts for the MAG Interactive AB Group ("MAG Interactive") have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU as well as RFR 1 Complementary Accounting Rules for Groups and the Swedish Annual Accounts Act. This interim report has been prepared in accordance with IAS 34 Interim Financial Reporting, the Swedish Annual Accounts Act and RFR 1 Complementary Accounting Rules for Groups. The parent company's financial statements have been prepared in accordance with the Swedish Annual Accounts Act and the Swedish Annual Reporting Board's recommendation RFR 2 Accounting for Legal Entities. The application of RFR 2 means that the parent company, in the interim report for the legal entity, applies all of the EU-adopted IFRS and statements as far as is possible within the framework of the Swedish Annual Accounts Act, the Swedish Act on Safeguarding Pension Commitments and with due reference to the relationship between accounting and taxation. For a more detailed description of the accounting policies applied for the Group and the parent company in this interim report, see Note 2 for the Group and Note 2 for the parent company respectively in the annual accounts for 2018/2019.

1 Januari 2019 IFRS 16 entered into force. The standard demands that assets and liabilities attributable to all leasing agreements, with certain exceptions, are accounted for in the balance sheet. This way of accounting is based on the view that the lessee has the right to use an asset for a certain time period and at the same time has an obligation to pay for this right. The new standard is applicable for financial years starting January 1, 2019 or later, the company has applied this standard at the start of this financial year 2019/20, starting September 1, 2019. The standard is adopted by the EU. The standard has primarily affected the Group's accounting of operational leasing agreements, which mostly includes office rent costs and lease cars. Leasing commitments is accounted for to current value and is reported as fixed asset with the corresponding interest-bearing debt in the balance sheet. In the profits and loss, the leasing cost is replaced by depreciation and interest cost. The change has caused the assets and the operating result have increased which has affected some KPIs and the Group's Cash Flow Statement.

MAG Interactive have chosen to apply the change to the new standard with use of the modified retrospective approach under which comparative periods are not restated. The fixed asset corresponds to the interest-bearing debt with adjusting for any prepaid or accrued leasing fees. The chosen transition method means that comparative periods have not been restated. The effects to the Profit and loss statement is considered not to be material.





OTHER DISCLOSURES

2019/20

RISKS AND UNCERTAINTIES

Like all other companies, MAG Interactive is exposed to risks in its business activities. To name some of these risks: dependence on key persons, exchange rate fluctuations, delays in launches, unsuccessful launches, changes in external sales partners when such changes are entirely beyond the company's control. The company's Board of Directors and management work on an ongoing basis on risk management in order to minimize these effects. You can read more about it in the annual report of 2018/2019.

CURRENCY EFFECTS

MAG Interactive is exposed to a large number of currencies based on the way that Google Play and Apple App Store operate. The most important market for the company is USA. In addition most of the advertising income is realized in USD, and the majority of the direct marketing is purchased in USD. The most important currency is thus USD.

CERTIFIED ADVISER

FNCA Sweden AB is appointed as the Company's Certified Adviser and ensures that the Company complies with the Nasdaq First North rules. FNCA does not hold any shares in MAG Interactive.

PERSONNEL

The average number of employees during the quarter was 83, compared to 71 the same period previous year.

CONTACT

Further information is available on the company's website: maginteractive.se/investor-relations

Or contact

Daniel Hasselberg, CEO, at daniel@maginteractive.se

Magnus Wiklander, CFO, at magnus.wiklander@maginteractive.se

MAG INTERACTIVE AB (PUBL)

Drottninggatan 95A

113 60 Stockholm

Sweden



OTHER DISCLOSURES CONTO.

2019/20

FURTHER REPORTING DATES

Interim report Q3 September 2019 - May 2020
Interim report Q4 September 2019 - August 2020

1 July 2020
21 October 2020

AUDIT

This report has not been reviewed by auditors

TWITCH STREAM

On April 1st, 2020 at 10:00 CET, CEO Daniel Hasselberg and CFO Magnus Wiklander will present the interim report live on Twitch. The presentation will be held in English. Link to the Twitch feed www.twitch.com/maginteractive
Daniel Hasselberg will also take questions on Twitter during the course of the day, write to @d_hasselberg or @maginteractive.
More information is available at maginteractive.se/investors

STATEMENTS ABOUT THE FUTURE

Certain formulations can be, or interpreted to be, forecasts about the future. In cases where such statements are made, MAG Interactive's management and Board of Directors have assessed the assumptions behind these statements as being reasonable. There are, however, risks in all statements about the future, and the actual outcome with regard to the external environment and the company may deviate significantly from what has been stated. What is stated with reference to the future is made in the light of the information that the company has at the time of the statement, and the company assumes no obligation to update such statements if new information arrives at a later date that in any way changes the conditions relating to the statement.

ASSURANCE BY THE BOARD OF DIRECTORS

Stockholm 1 April 2020

DANIEL HASSELBERG
CEO, Board member

BIRGITTA STYMNE GÖRANSSON
Chairman of the Board

TAINA MALÉN
Board member

ANDRAS VAJLOK
Board member

ASBJOERN SOENDERGAARD
Styrelseledamot

TEEMU HUUHTANEN
Board member

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**2019/20**

Amounts in KSEK	Note	Dec-Feb 19/20	Dec-Feb 18/19	Sep-Feb 19/20	Sep-Feb 18/19	FY 18/19
Operating income						
Net sales	1	50,527	41,166	97,629	81,533	172,953
Own work capitalised		6,364	5,982	13,875	11,486	23,667
Other operating income		399	452	156	614	2,050
Total		57,291	47,600	111,660	93,634	198,670
Operating expenses						
Sales related costs	2	-11,087	-10,453	-21,429	-20,529	-41,854
User acquisition		-13,559	-13,922	-24,938	-23,815	-48,673
Other external expenses		-6,236	-9,725	-14,119	-18,490	-37,992
Personnel costs		-21,349	-16,309	-41,085	-32,378	-65,203
Total operating expenses		-52,231	-50,409	-101,571	-95,213	-193,721
EBITDA		5,059	-2,809	10,089	-1,579	4,949
Depreciation and write downs of tangible and intangible non-current assets		-9,640	-5,914	-17,694	-11,779	-24,345
Operating profit/loss (EBIT)		-4,581	-8,723	-7,605	-13,358	-19,397
Financial items						
Profit/loss from securities		-64	0	-64	0	0
Interest income and similar		-211	602	-1,068	602	3,847
Interest expense and similar		-280	12	-954	-212	-1,666
Total financial items		-555	614	-2,086	390	2,181
Profit/loss after financial items		-5,136	-8,109	-9,691	-12,968	-17,216
Taxes		883	1,672	2,540	2,879	3,466
Profit/loss for the period		-4,253	-6,437	-7,152	-10,089	-13,750
Other comprehensive result						
Exchange rate differences		-49	1,014	519	623	301
Total comprehensive income for the period		-4,301	-5,422	-6,633	-9,467	-13,449
The profit/loss and total comprehensive income for the year are attributable in full to the parent company's shareholders.						
Earnings per share (based on average number of shares)		-0.16	-0.24	-0.27	-0.38	-0.52
Earnings per share fully diluted (based on average number of shares)		-0.16	-0.24	-0.26	-0.38	-0.51
Average number of shares during the period		26,321,393	26,321,393	26,321,393	26,321,393	26,321,393
Average number of shares during the period fully diluted		27,317,067	26,948,567	27,168,859	26,869,167	27,094,958
Number of shares at the end of the period		26,321,393	26,321,393	26,321,393	26,321,393	26,321,393
Number of shares at the end of the period fully diluted		27,317,067	27,317,067	27,317,067	27,317,067	27,317,067

**CONSOLIDATED BALANCE SHEET
ASSETS****2019/20**

Amounts in KSEK	Note	29/2 2020	28/2 2019	31/8 2019
ASSETS				
Goodwill		77,785	77,757	77,482
Other intangible assets		64,463	63,170	63,827
Total intangible assets		142,249	140,927	141,309
Right-of-use assets		55,777	0	0
Equipment, tools, fixtures and fittings		6,558	6,419	5,562
Total tangible assets		62,335	6,419	5,562
Other long-term receivables		4,078	4,592	2,085
Total financial non-current assets		4,078	4,592	2,085
Deferred tax assets		3,343	7,776	672
Total non-current assets		212,004	159,714	149,629
Current assets				
Trade and other receivables		24,629	20,155	19,517
Current tax assets		1,948	9,993	11,364
Other current receivables		860	1,477	8,001
Prepaid expenses and accrued income		3,929	5,639	3,762
Other short-term securities	4	79,936	0	0
Cash and cash equivalents	4	106,372	204,426	185,071
Total current assets		217,672	241,690	227,715
TOTAL ASSETS		429,677	401,404	377,344

CONSOLIDATED BALANCE SHEET LIABILITIES AND EQUITY

2019/20

Amounts in KSEK	Not	29/2 2020	28/2 2019	31/8 2019
EQUITY AND LIABILITIES				
Equity				
Share capital		684	684	684
Other contributed capital		281,474	281,041	281,219
Reserves		-1,064	-1,261	-1,583
Retained earnings incl. comprehensive income for the period		43,436	54,249	50,588
Total equity		324,530	334,712	330,908
Long-term liabilities				
Deferred tax liabilities		13,279	17,873	13,148
Long-term lease liabilities		47,052	0	0
Other long-term liabilities		0	7,778	0
Total long-term liabilities		60,331	25,651	13,148
Current liabilities				
Trade and other payables		11,906	11,518	6,611
Current tax liability		385	91	0
Short-term bank loans		7,778	15,556	15,556
Accrued expenses and prepaid income		11,455	10,621	8,011
Short-term lease liabilities		9,634	0	0
Other current liabilities		3,657	3,255	3,109
Total current liabilities		44,815	41,041	33,287
TOTAL EQUITY AND LIABILITIES		429,677	401,404	377,344

CONSOLIDATED CASH FLOW STATEMENT**2019/20**

Amounts in KSEK	Notes	Dec-Feb 19/20	Dec-Feb 18/19	Sep-Feb 19/20	Sep-Feb 18/19	FY 18/19
Cash flow from operating activities						
Profit/loss before financial items		-4,581	-8,723	-7,605	-13,358	-19,397
Adjustments for items not part of cashflow						
LTIP		128	0	255	11,779	255
Depreciations and write-downs		7,131	5,914	14,095	0	24,346
Depreciations and write-downs lease		2,172	0	3,598	0	0
Interest received	5	-101	0	452	0	478
Interest paid	5	224	-113	-233	-270	-464
Interest leasing		-309	0	-522	0	0
Income tax paid ¹		-340	-3,156	9,794	-3,156	-6,698
Cash flow from operating activities before change in working capital		4,323	-6,078	19,835	-5,005	-1,480
Change in current operating receivables		-1,584	3,297	1,971	9,789	3,448
Change in current operating liabilities		6,153	5,841	9,264	-5,896	-5,787
Change in working capital		4,569	9,138	11,235	3,894	-2,339
Cash flow from operating activities		8,892	3,060	31,070	-1,112	-3,819
Cash flow from investing activities						
Investments in tangible non-current assets		-1,645	-4,066	-1,698	-4,066	-4,373
Capitalized work		-6,364	-5,982	-13,875	-11,486	-23,667
Investment in intangible assets		0	0	0	199	0
Increase / decrease in financial investments		-1,983	0	-1,985	0	0
Change in securities	4	-80,000	0	-80,000	0	0
Change in long-term receivables		0	0	0	-5	2,216
Cash flow from investing activities		-89,992	-10,048	-97,557	-15,358	-25,824
Cash flow from financing activities						
Option scheme		0	0	0	0	-77
Amortized long-term loans		0	-3,889	0	-7,778	-15,556
Amortized short-term loans		-3,889	0	-7,778	0	0
Amortized leasing liabilities		-1,375	0	-2,689	0	0
Cash flow from financing activities		-5,263	-3,889	-10,467	-7,778	-15,633
Reduction/increase in cash and cash equivalents						
Cash flow for the period		-86,364	-10,878	-76,954	-24,248	-45,276
Effects of exchange rate changes		-308	590	-1,711	590	2,208
Opening cash and cash equivalents		193,043	214,713	185,037	228,083	228,083
Closing cash and cash equivalents		106,372	204,426	106,372	204,426	185,015

¹The increased tax during the period Sep-Feb 19/20 relates mainly to a tax payment from our tax account. The payment refers to an adjusted preliminary tax of 10 927 KSEK that has been adjusted due to the Group contribution between the subsidiary and the parent company.

**CONSOLIDATED STATEMENT OF
CHANGES IN EQUITY****2019/20**

KSEK	Share capital	Other external capital	Reserves	Retained earnings	Total equity
Starting balance 1/9 2019	684	281,219	-1,583	50,588	330,908
Profit/loss for the period				-7,152	-7,152
Exchange rate differences			519		519
Total comprehensive income			519	-7,152	-6,633
Option program		255			255
Ending balance 29/2 2020	684	281,474	-1,064	43,437	324,530

KSEK	Share capital	Other external capital	Reserves	Retained earnings	Total equity
Starting balance 1/9 2018	684	281,041	-1,883	64,338	344,179
Profit/loss for the period				-10,089	-10,089
Exchange rate differences			623		623
Total comprehensive income			623	-10,089	-9,467
Other					
Ending balance 28/2 2019	684	281,041	-1,261	54,248	334,712

PARENT COMPANY'S INCOME STATEMENT**2019/20**

Amounts in KSEK	Dec-Feb 19/20	Dec-Feb 18/19	Sep-Feb 19/20	Sep-Feb 18/19	FY 18/19
Operating income					
Net sales	36,681	27,021	69,295	55,538	116,547
Other operating income	3,951	4,025	8,040	6,632	15,724
Total operating income	40,632	31,046	77,336	62,171	132,272
Operating expenses					
Sales related costs	-10,813	-9,510	-20,950	-18,415	-38,682
User acquisition	-13,558	-13,905	-24,937	-23,543	-48,393
Other external expenses	-7,977	-9,509	-16,559	-17,861	-36,848
Personnel costs	-20,116	-15,057	-38,379	-29,771	-60,926
Total operating expenses	-52,465	-47,982	-100,826	-89,590	-184,850
EBITDA	-11,832	-16,935	-23,490	-27,420	-52,578
Depreciation of tangible and intangible non-current assets	-449	-344	-900	-566	-1,450
Operating profit/loss	-12,281	-17,280	-24,389	-27,985	-54,028
Financial items					
Financial income	189	49	452	49	352
Financial expenses	-406	-115	-868	-319	-2,019
Total financial items	-216	-66	-416	-269	-1,667
Profit/loss after financial items	-12,497	-17,346	-24,805	-28,255	-55,695
Tax allocation reserve	0	0	0	0	57,355
Taxes	815	3,655	2,671	6,076	-1,027
Profit/loss for the period	-11,683	-13,691	-22,135	-22,179	633

The parent company has no items recorded as other comprehensive income, and total comprehensive income therefore corresponds with the profit/loss for the period.

PARENT COMPANY'S BALANCE SHEET ASSETS

2019/20

Amounts in KSEK	29/2 2020	28/2 2019	31/8 2019
Equipment, tools, fixtures and fittings	3,204	2,066	1,921
Total tangible non-current assets	3,204	2,066	1,921
Participation in Group companies	181,983	181,983	181,983
Other long-term receivables	7,231	9,558	2,516
Total financial non-current assets	189,214	191,541	184,499
Total non-current assets	192,418	193,607	186,420
Current assets			
Accounts receivable from Group companies	1,717	2,693	1,835
Trade and other receivables	16,430	13,193	12,896
Other receivables	513	1,217	59,225
Prepaid expenses and accrued income	3,782	5,206	3,504
Other short-term securities	80,000	0	0
Total current assets	102,442	22,308	77,461
Cash and cash equivalents	102,798	157,770	179,465
TOTAL ASSETS	397,658	373,686	443,346

PARENT COMPANY'S BALANCE SHEET LIABILITIES AND EQUITY

2019/20

Amounts in KSEK	29/2 2020	28/2 2019	31/8 2019
EQUITY AND LIABILITIES			
Restricted equity			
Share capital	684	684	684
Non-restricted equity			
Other contributed capital	312,863	312,430	312,608
Retained earnings incl. comprehensive income for the period	15,210	14,533	37,345
Total equity	328,757	327,647	350,637
Other long-term liabilities	0	7,778	0
Total long-term liabilities	0	7,778	0
Current liabilities			
Trade and other payables	11,407	11,231	6,374
Liabilities to Group companies	1,698	1,374	2,034
Other liabilities	45,785	17,447	78,055
Accrued expenses and prepaid income	10,011	8,209	6,247
Total current liabilities	68,901	38,261	92,709
TOTAL EQUITY AND LIABILITIES	397,658	373,686	443,346

Term	Description
Net sales	Total game revenue, drawn from In-app purchases and advertising sales. MAG records the full value of items sold as In-app purchases and reports the platform share as Sales related costs. The Platform fee is normally 30% of the item price (Apple and Google)
In-app purchases	The value of purchases made in an app through Google Play or Apple App Store or other such store.
Advertising sales	Net sales from ads in the games.
Activated costs for own account	Development work activated to the balance sheet. The company activates personnel costs, including social fees and other related costs such as office space, for games in soft launch and until the game moves into live ops. Soft launch is the last development phase prior to global launch and the probability of a global launch is high. Live ops is when a central team takes responsibility of the game and works with content and events mainly, no costs are activated in this phase. MAG has not had any amortizations of activated development costs since the company was public.
Platform fee	30% of the In-app purchases are costs to the platform, primarily Google Play and Apple App Store.
User acquisition	Marketing costs with direct connection to one of the games and with measurable effect and demands on ROI (return on investment). A common ROI requirement is to have the investment paid back as net revenues within nine months, and longer periods can be relevant in situations with strong retention and long term monetization
Contribution	Net sales minus platform fees (primarily to Google and Apple) minus direct marketing.
EBITDA	Profit/loss before financial items, taxes and depreciation.
Equity/asset ratio	Equity as a percentage of total assets.
DAU	Average number of Daily Active Users for the days during the period. Calculated as the sum of DAU for the individual games in such a way so that a player that plays more than one game in one day is counted once per game.
MAU	Average number of Monthly Active Users over the months during the period. Calculated as the sum of MAU for the individual games in such a way so that a player that plays more than one game in one month is counted once per game. An average over the months in the period is calculated.
MUP	Average Monthly Unique during the period is the total number of unique users that makes an In-app purchase in a game. Counted in such a way that a user that makes purchases in more than one game during the month is counted once per game. An average over the months in the period is calculated.
ARPPDAU	Daily average Net sales per daily active user (DAU). If nothing else is stated this is measured in US cents.

NOTES TO THE INTERIM REPORT**2019/20**

	Dec-Feb 19/20	Dec-Feb 18/19	Sep-Feb 19/20	Sep-Feb 18/19	FY 18/19
Amounts in KSEK					
NOTE 1: DISTRIBUTION OF NET SALES					
In-app purchases	16,594	16,147	31,084	31,590	63,432
Advertising income	33,872	24,941	65,957	49,784	108,659
Other	61	77	588	158	863
Total	50,527	41,165	97,629	81,532	172,954
NOTE 2: SALES RELATED COSTS					
Platform fee	-4,978	-4,844	-9,328	-9,468	-19,020
Server costs	-4,092	-3,969	-7,757	-7,677	-14,917
Other sales related costs	-2,017	-1,640	-4,345	-3,384	-7,917
Total sales related costs	-11,087	-10,453	-21,430	-20,529	-41,854
NOTE 3: ADJUSTED EBITDA AND PROFIT BEFORE TAX					
EBITDA	5,059	-2,809	10,089	-1,579	4,949
IFRS 16 effect - depreciation	-2,172	0	-3,598	0	0
Adjusted EBITDA	2,887	-2,809	6,491	-1,579	4,949
Profit/loss before tax	-5,136	-8,109	-9,691	-12,968	-17,216
IFRS 16 effect - interest	309	0	522	0	0
Adjusted profit/loss before tax	-4,827	-8,109	-9,169	-12,968	-17,216

NOTES TO THE INTERIM REPORT CONTD.**2019/20****NOT 4: OTHER LONG-TERM SECURITIES & CASH AND CASH EQUIVALENTS**

The parent company has during the quarter invested SEK 80 million in Spiltan Fond.

Amounts in KSEK	29/2 2020	30/11 2019	Difference
Other long-term securities	79,936	0	79,936
Cash and cash equivalents	106,372	204,426	-98,054

	Dec-Feb 19/20
Opening balance	0
Purchases of securities	80,000
Results of securities	-64
Closing balance	79,936

NOTE 5: RECLASSIFICATION INTEREST

An incorrect classification of interest occurred during the first quarter of the financial year. This has been adjusted during the second quarter. The net effect is indifferent and the table below summaries the interest received and paid with the adjustment included.

Amounts in KSEK	Dec-Feb 19/20	Sep-Nov 19/20	Sep-Feb 19/20
Interest received	141	311	452
Interest paid	-18	-214	-232

GOOD TIMES