



Announcement no. 05/2017

Copenhagen, 2. April 2017

## **Detailed stock exchange announcement - Hugo Games announces acquisition of game studio Fuzzy Frog creating a more cost-effective organization going forward**

**Copenhagen, April 2<sup>nd</sup>, 2017**

**This is an announcement under section 3.4 of the “Continuing obligations for stock exchange listed companies” – Correction.**

Hugo Games A/S (“**Hugo Games**”) has before market opening on the 31<sup>st</sup> of March 2017 entered into a Share Sale and Purchase Agreement with Fuzzy Frog Ltd, located in Nottingham, UK (“**Fuzzy Frog**”) for the acquisition of 52.6 percent of all the issued shares in Fuzzy Frog (the “**Transaction**”). The Transaction will, upon completion, represent an increase of more than 5% of the revenue/assets of Hugo Games.

### **The Transaction**

Pursuant to completion of the Transaction, the selling shareholders in Fuzzy Frog will exchange 52.6% of the shares in Fuzzy Frog against 4,452,543 shares (the “**Consideration Shares**”) in Hugo Games. The Transaction implies a value of approximately GBP 1.0 million (100%) of Fuzzy Frog based on the Hugo Games share price as of 10 days’ average listing price ending 30<sup>th</sup> March 2017, corresponding to a share price at NOK 1.21. The Consideration Shares will be subject to a 6-month lock-up period, and the agreement includes customary non-compete obligations for Richard Flowers, CEO of Fuzzy Frog.

The number of issued shares in Hugo Games before the Transaction is 45,274,148. After the issuance of the Consideration Shares, the number of outstanding shares will be 49,726,691, whereof Aula Holding ApS (controlled by CEO of Hugo Games, Henrik Kølle) will own 12,089,658 shares corresponding to 24.3 % of the outstanding shares and Owners of Fuzzy Frog will own 4,452,543 shares corresponding to 9.0 % of the outstanding shares.

**Note:** Completion of the Transaction is subject to certain customary closing conditions being satisfied or waived. The parties expect that completion of the Transaction will occur no later than by the end of April.

### **About Fuzzy Frog**

Fuzzy Frog is game studio that has built a strong relationship with Hugo Games including developing KickNRun as one of the best user rated games in its category. Fuzzy Frog is, together with Hugo Games, developing future games including Doodle Jump 2 (working title), Nyjah Houston Street



Skater (working title) and an upcoming football game featuring Real Madrid, FC Barcelona and Arsenal.

Fuzzy Frog has 27 full time employees and has strong experience within the mobile games industry and is, inter alia, building competence within the new VR console game segment and has its first VR game under development.

Fuzzy Frog has strong competence in Unity being the platform for its mobile games. With a location in Nottingham, a city with 2 universities, the company has good access to a highly skilled working force.

### **Restructuring of the Hugo Games organization**

With the closing of the Transaction, Hugo Games will restructure its current operation to secure a more streamlined and cost-effective organization going forward. The restructuring includes i.e. closure of Hugo Games' development office in Copenhagen which is expected to reduce operational expenses by approximately DKK 0.4-0.6 million per month (before any restructuring costs) from October 2017.

We do expect a roll over of some of the planned projects to Fuzzy Frog though the pipeline priority is a) our soccer game with Real Madrid, FC Barcelona, FC Arsenal and perhaps some more clubs to join b) Doodle Jump 2 (working title) c) Pro Street skater with Nyjah Huston and d) a Hugo games end of the year.

### **Key figures**

Key figures for Fuzzy Frog are presented in the tables below. The financial figures are extracts only and only presented for information purposes (unaudited).

| <b>GBP</b>         | <b>Year ended 31.03.2016</b> | <b>Year ended 31.03.2015</b> | <b>Year ended 31.03.2014</b> |
|--------------------|------------------------------|------------------------------|------------------------------|
| Revenues           | 1,145,868                    | 733,298                      | 526,059                      |
| Operating expenses | 814,398                      | 574,463                      | 521,171                      |
| EBITDA             | 331,470                      | 158,835                      | 105,145                      |
| EBIT               | 298,958                      | 132,702                      | 88,380                       |
| Profit after tax   | 284,873                      | 131,701                      | 85,508                       |

| <b>GBP</b>   | <b>Year ended 31.03.2016</b> | <b>Year ended 31.03.2015</b> | <b>Year ended 31.03.2014</b> |
|--------------|------------------------------|------------------------------|------------------------------|
| Total assets | 398,833                      | 200,424                      | 115,211                      |
| Total equity | 312,127                      | 172,454                      | 97,753                       |

The above figures are actual figures and have not been adjusted for the total effect of the Transaction.

In addition, Fuzzy Frog has had positive operational cash-flow with Hugo Games being an important provider of projects to Fuzzy Frog. There is no long-term debt in the company. At the date of this announcement, there are no significant assets or liabilities that are not shown in the balance sheet of Fuzzy Frog.



### **Management and board of directors**

The founder and CEO of Fuzzy Frog is Richard Flower who has 23 years of experience with strong competence and knowledge of the games industry. Richard Flower will continue as the CEO of Fuzzy Frog and is suggested to take seat on the board of directors of Hugo Games.

Henrik Kølle, CEO of Hugo Games, will become the new chairman of the board at Fuzzy Frog.

The board of directors of Fuzzy Frog currently consists of the following members:

- Richard Flower
- Jayne Flower

The executive management of Fuzzy Frog currently consists of the following members:

- Richard Flower, CEO
- Aaron Jenkins, Creative Director
- Simon Smalley, Art Director
- Andrew Brechin, Principle Programmer

### **Agreements for the benefit of the executive management or board members of Fuzzy Frog in connection with the Transaction**

In connection with the Transaction, Hugo Games expects to enter into a put option agreement with the selling shareholders in Fuzzy Frog regarding potential acquisition of the remaining 47.4% shares. Details of such agreement has, of the date of this announcement, not been finalized.

Except as stated above, there are no agreements, existing or contemplated, in connection with the Transaction, that involves extraordinary benefits for executive management or members of the board of directors of neither Fuzzy Frog nor Hugo Games.

### **Financial expectations**

With the changes we expect, without any assurance, that Hugo Games on a consolidated basis will see positive EBITDA (before restructuring) figures in Q4 this year.

Hugo Games A/S

Henrik Kølle, CEO of Hugo Games

E-mail: [hek@hugogames.com](mailto:hek@hugogames.com)

Phone: +4540285054

### **About Hugo Games**

Hugo Games is a Nordic mobile games publisher and developer located in Copenhagen. At Hugo Games we are passionate about games and we are committed to making titles that will engage and bring genuine joy to people for years. We have a consistent portfolio of games globally available across a wide range of platforms including iOS, Android, Windows, Amazon and Facebook. More information available at [www.hugogames.com](http://www.hugogames.com)



This company announcement contains forward looking statements related to the future business and financial performance and future events or developments involving Hugo Games A/S. Such statements are based on the current expectations and certain assumptions of Hugo Games A/S' management, of which many are beyond Hugo Games A/S' control. These are subject to a number of risks, uncertainties and factors, including but not limited to competition, industry downturns, inability to enforce contractual and other arrangements, dependence on key personnel and other market and economic factors. Should one or more of these risks or uncertainties materialize, or should underlying expectations not occur or assumptions prove incorrect, actual results, performance or achievements of Hugo Games A/S may (negatively or positively) vary materially from those described explicitly or implicitly in the relevant forward-looking statement. Hugo Games A/S neither intends, nor assumes any obligation, to update or revise these forward-looking statements in light of developments which differ from those anticipate