

# Q4

bublar.

Bublar Group · Year-end Report · January – December 2020



# SUMMARY



Goodbye Kansas Studios often creates digital animals for films, TV and games.  
Here's a digital stag that was created for the second season of Sky's series "A Discovery of Witches".



## The Quarter, October 1 – December 31, 2020

- **Net sales** increased to SEK 60.3 million (5.3). Goodbye Kansas, consolidated as of May 1, 2020, had net sales of SEK 57.1 million (32.9).
- **Earnings before depreciation (EBITDA)** amounted to SEK -14.9 million (- 8.9). The result was affected by postponements in assignments for film, streaming and VR/AR solutions due to the pandemic.
- **Profit after depreciation (EBIT)** amounted to -23.1 SEK million (-13.0). Depreciation and amortization of SEK 8.2 million (4.1) includes: goodwill amounting to SEK 4.0 million.
- **Cash on hand** amounted to SEK 25.3 million (37.2)



## Period January 1 – December 31, 2020

- **Net sales** increased to SEK 161.3 million (17.1). Sales include Goodbye Kansas from May 1, 2020. Goodbye Kansas net sales amounted to 246 SEK million (136.2) for the full year, which is an improvement of 81%.
- **Earnings before depreciation (EBITDA)** amounted to -42.0 SEK million (-31.1). The result has been affected by postponements in productions for film, streaming and VR/AR solutions due to the pandemic. Goodbye Kansas EBITDA 2020 improved to SEK -11.2 million from -108.2 the year before.
- **Profit after depreciation (EBIT)** amounted to -79.0 SEK million (-45.7). Depreciation of SEK 37.0 million (14.6) includes goodwill depreciation amounting to SEK 24.7 million.

"Bublar" means Bublar Group AB (publ), org. No. 559019-7462, including subsidiaries. The Board of Directors and the Managing Director of Bublar may hereby issue the year-end report for the period 1 januari – 31 december 2020. All figures and comments refer to the Group and amounts are given in SEK million with the corresponding period of the previous year in parentheses, unless otherwise stated.



## SUMMARY



**Goodbye Kansas Studios produced all VFX for artist Duvchi's music video "Geronimo"** that was released in October 2020. The video was directed by the acclaimed artist/author Simon Stålenhag, whose retro-futuristic books have opened doors for him in Hollywood. His book "Tales from the Loop" became a TV series on Amazon and the Russo brothers – directors of several Avengers movies – have secured the rights for his latest book "The Electric State". Infinite Entertainment is currently developing a new original project together with Stålenhag, which will be presented in 2021.



### Key events in the fourth quarter

- Bublar Group management decisions were made: **Peter Levin, CEO** and Founder of Goodbye Kansas, one of the acquisitions in Bublar Group, took office as new CEO on January 1, 2021. At the same time, Maria A Grimaldi, took a new senior position as Director, New Business & Scalable Technology.
- Bublar acquired **Plotagon Production AB**, which recently entered into an agreement with one of the world's largest avatar-based social networks, South Korean Naver Z Corporation. Naver Z operates the ZEPETO app with approximately 180 million users worldwide. Plotagon has a technology platform for creation of 3D animated movies in minutes. The companies have started developing an app that will be launched in 2021 based on Plotagon's technology and ZEPETO content.
- Bublar's subsidiary **Vobling signed a 3-year framework agreement with Saab AB** that includes solutions in XR technology and 3D. The framework agreement covers Saab AB including subsidiaries.
- Bublar's subsidiary Sayduck expanded its partnership with one of the company's oldest customers and entered into a **three-year licensing agreement with US based design and manufacturing company Forms+Surfaces**. The new assignment consists of building an online 3D configurator for over 80 of the company's various interior design products for public environments.
- In film & TV, **Goodbye Kansas** in London took several new contracts, including VFX (Visual Effects) for **a series for Amazon and one for Netflix**. Additional productions for two TV series are under negotiation. All titles are confidential for the time being.



### Important events after the period

- Another strategic agreement for Vobling's proprietary product **VR Fire Trainer has been concluded with GLORIA**, Europe's largest fire and safety solutions company. In a first step, the agreement covers the DACH region.
- Bublar has entered a **strategic licensing deal with leading global toy company MGA Entertainment Inc.** and obtained a global license for some of MGA's most popular brands. The aim is to develop new business by combining MGA's well-known and iconic brands with the recently acquired movie-making platform from Plotagon.
- The performance conditions for **the second additional conditional** consideration for **Goodbye Kansas** has not been met and will hence not be paid out. The acquisition value will therefore be lower than initially estimated, which means a lower dilution as payment would have been made in shares. For the acquisition of **Sayduck**, an earn-out consideration will be paid (in shares) since a target hurdle for license revenue has been reached.
- **Infinite Entertainment**, Goodbye Kansas' production and IP company, has announced its first feature film with Netflix and Spike Lee, where Infinite will co-produce and Goodbye Kansas will deliver Visual Effects (VFX)

# CEO'S STATEMENT

Peter Levin



**We are increasing the pace and focus on our journey towards becoming a leading player in the digital industry.** In 2021, the most important goal is the work to create the conditions for sustainable profitable growth.

I am very proud and extremely happy to have gained the board's confidence to develop the Group further.

During my 30 years in the gaming industry, I have learned how it has developed and grown into full strength. Today, Sweden has several companies that have impressed globally. When we founded Goodbye Kansas, it was with these successes as a motivating background, with the vision to build a new and scalable business, based on converging industries and technologies, as well as world-class creators. With The Group's combined expertise and our global customer base, I am confident that we will succeed in accelerating development over the next few years.

2020 was a year that shook us all up. The pandemic will undoubtedly continue to affect us

over a long period of time to come. But at the same time, it brought out the best in us and challenged us to find new and in some cases better solutions. Looking back on our business in 2020, I am impressed with how our team has not only overcome an unprecedented global crisis in modern history, but also developed the business to be more efficient, even more customized and better equipped so that we can take on future challenges and opportunities. A lot of work remains to be done and the motivation of our approxi-

mately 300 employees in 7 countries is currently high.

Several of our business areas have benefited with increased interest, demand and concrete new business, while other parts have been somewhat negatively affected due to longer decision-making processes at the customer but also in some cases by production postponements.

Naturally, the group's largest company **Goodbye Kansas Studios** has been affected and saw several of its VFX orders from the film & TV industry postponed. Goodbye Kansas Studios already derives its revenues from several areas and has been able to more than double the revenue from the gaming industry. Therefore, we have been able to get relatively unscathed through the first year of the pandemic, unlike many other colleagues in the industry.

Although some caution still prevails in the first half of 2021, it is very encouraging to see the uncapped optimism of the film & TV industry when looking at their future. The successful streaming companies are now bracing themselves for handing out a new big wave of orders, especially for delivery in the second half of 2021 and into 2022. Netflix is an excellent example, as it has previously announced that it will spend USD 1 billion on UK-based film & TV productions alone by 2021. Together with the ever-growing gaming

## CEO'S STATEMENT

industry and Goodbye Kansas' position on the global arena, this means that we have an almost insatiable market ahead of us.

Net sales for Goodbye Kansas Studios increased by 80% during the year. The company is going through a turnaround and reported a positive result in the first half of the year. During the second half of the year, we unfortunately experienced further postponements, not cancellations, of production starts for film & TV, as well as some postponed game projects. The full year 2020 therefore ended with an EBITDA of SEK -11 million, but relative to the outcome in 2019 (EBITDA -108.2 MSEK) we are clearly directionally on the right course after a very special year for one of our most important customer groups.

Our film & TV production company, **Infinite Entertainment**, is one of the companies that is now benefiting from the increased demand for unique content. The company has several own or part-owned IP projects under development, and production decisions are expected to be imminent for some of them in 2021. The first of these was announced recently: "Gordon Hemingway & The Realm of Cthulhu", a feature film that will be co-produced with Netflix and Spike Lee.

Through Infinite's projects, we expect significant revenue for our studio business as the agreements are usually linked to the purchase of VFX services from Goodbye Kansas Studios, as is the case with the new Netflix-project.

The market for **XR technology**, i.e. VR (Virtual Reality) and AR (Augmented Reality) is growing further and we are well positioned with the **platforms of Vobling and Sayduck**. Our first proprietary product, the *VR Fire Trainer*, makes it possible to train fire safety in Virtual Reality, and in order to quickly reach increased sales, we have recently signed another strategic distribution agreement for the European market. We now have partners for rolling-out our products and services in both the Nordic region and Europe, which is very positive. We have seen a continued positive development for the *Sayduck Platform*, our 3D/AR solution for e-commerce. Licensing revenues have more than doubled for the year, albeit from low levels, and now make up an increasing share of Sayduck's total revenues.

**Virtual Brains** produces games and apps for *Real-World Games* as well as the *Movie-Making platform*, developed by our latest acquisition **Plotagon**. We currently choose to focus on developing games and apps based on strong brands and partners. *Hello Kitty* is one of the world's strongest IPs and we are now taking steps to ensuring the quality of our product by adding outsourced expertise to this important game for us.

Recently, we also signed an agreement with MGA Entertainment, a leading global toy manufacturer, for additional licensing rights.

**Our strategy to re-use our solutions regardless of brand, to build scalability and structural capital** allows us over time to provide faster development cycles while building a portfolio of games and apps. We are convinced that this strategy is the right way to go.

In December 2020, continuing in the beginning of the new year, we have initiated a review of our strategic direction and expect to be ready soon to tell you more about it. In simple terms, we can describe it as seeing the Group divided into two main business areas, B2B and B2C, at the same time as we intend to start a shift from consulting revenue, but which also continues to grow, towards product, licensing, and royalty revenues as well as, of course, gaming revenue.

The strong growth in the Gaming, Film & TV (streaming) and XR industries is expected to continue. The convergence in both these industries and technology benefits the Group's own scalable platforms and our combined expertise. The demand for our visualization, **Performance Capture, Digital Humans** and **VR/AR** services and technologies is increasing, which is of course captured through internal collaborations such as between Goodbye Kansas Studios and Vobling. There is a promising dialogue between our companies regarding IP development, and licensing rights, within Film & TV and Games.

Our aim is accelerating further by developing our existing operations, our current and additional scalable products and technologies, and continuing the work of establishing strategically important collaborations with existing and new partners on a global basis.

**We will grow organically and continue to evaluate potential acquisitions, complementing our existing business and long-term strategy.** The internal work that has previously begun continues with, among other things, cost control, improved project management and streamlining of processes throughout the Group. In 2021, efforts to create stability, profitability and growth are the main objective.

Finally, I look forward with confidence to what we will create with our world-class creative technical talents, by applying cutting-edge technology, our own platforms, scalable products and the development of our own IPs and licensing rights in a global market.

Peter Levin  
President and CEO



# WE CONTINUE TO BUILD!

The work to develop the Group is ongoing at high speed. This means that a number of key employees have been given new or broader responsibilities. Presented below, are some of all who will be involved in the journey ahead. In 2021, we will return to more of our nearly 300 stars who every day contribute with great competence and passion to the development of the company.



**Anders Lundström**  
*CFO Bublar Group*



**Filip Grufman**  
*MD Plotagon*



**Andrea Sorset**  
*Head of Production*



**Maria Grimaldi**  
*Director New Biz & Scalable Tech*



**Oliver Oftedal**  
*Producer Infinite Entertainment (LA)*



**Alex Ennerfeldt**  
*MD Studio Asia (Manilla)*

# KEY FIGURES

## Group

SEK Thousands	2020 Q4	2019 Q4	2020 Full year	2019 Full year
<b>Net sales</b>	60 278	5 264	161 301	17 081
Capitalized work for own account	16 154	1 000	28 126	1 000
<b>Total revenue</b>	78 137	6 235	193 695	18 572
<b>Operating income (EBITDA)</b>	-14 933	-8 857	-41 955	-31 115
<b>Number of employees, average</b>	295	61	178	57
<b>Balance sheet total</b>	307 700	106 155	307 700	106 155
<b>Cash liquidity</b>	76%	476%	76%	476%
<b>Solidity</b>	58%	90%	58%	90%
<b>Equity per share, SEK</b>	1,79	1,50	1,79	1,74
<b>Earnings per share, SEK</b>				
- before dilution	-0,24	-0,34	-0,85	-0,92
- after dilution	-0,23	-0,31	-0,82	-0,86
<b>Number of shares at the end of the period</b>	100 194 110	54 913 141	100 194 110	54 913 141
<b>Number of shares at the end of the period after full dilution</b>	104 194 110	58 913 141	104 194 110	58 913 141
<b>Average number of shares</b>	100 194 110	51 037 998	77 553 626	51 037 998
<b>Average number of shares after full dilution</b>	104 194 110	55 037 998	81 553 626	55 037 998

## Group relationships

The consolidated financial statements consolidate the parent company and the subsidiaries' operations until December 31, 2020. Subsidiaries are all companies in which the Group has the right to formulate the company's financial and operational strategies in order to obtain financial benefits.

Bublar Group AB has five subsidiaries with different focus areas, end customers and monetization models: Goodbye Kansas,

Virtual Brains, Vobling, Sayduck and Plotagon. Goodbye Kansas, which is included in the accounts as of May 1, 2020, is the largest area of activity. Plotagon, which was acquired in January 2021, is included in the accounts as of January 8, 2021.

Goodbye Kansas offers VFX, animation and Performance Capture services to the leading global film, gaming and streaming companies. Vobling develops products and services in VR

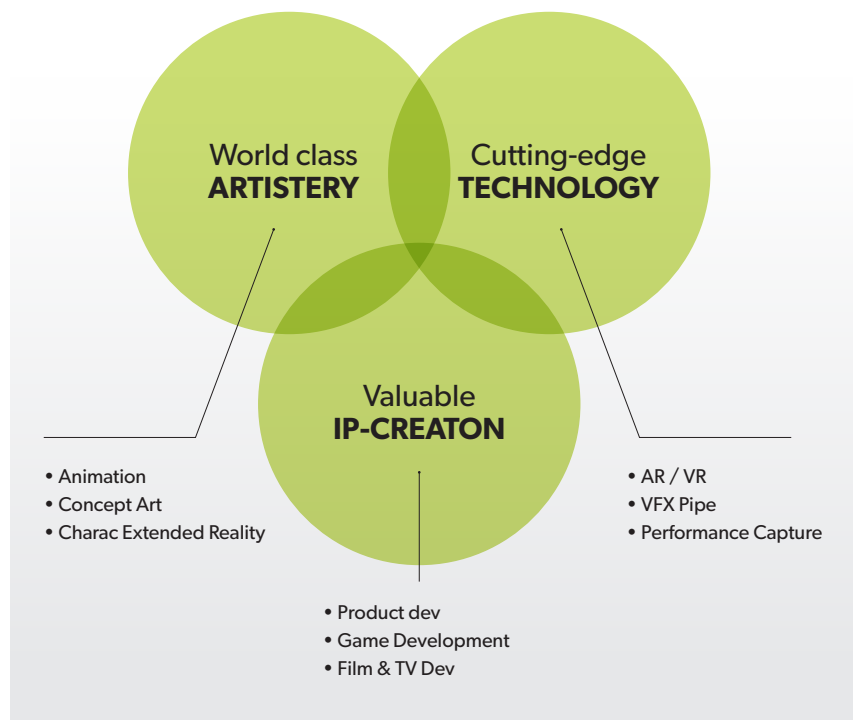
and specializes in Virtual Training. Sayduck focuses on AR solutions for e-commerce and has a digital 3D/AR visualization service through its Software-as-a Service platform. Virtual Brains develops AR-based mobile games with GPS and multiplayer functionality on its proprietary technology platform. Plotagon has a technology platform where 3D animated movies can be developed by anyone in minutes.

# OUR BUSINESS

## Business model

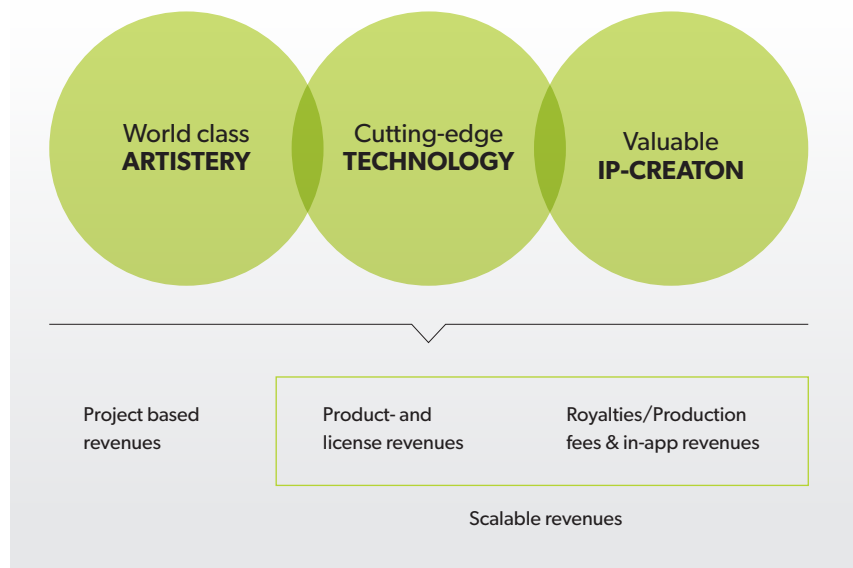
The analogue world moves into the digital world both in our daily life and at work. People expect the environments of the digital world to be more authentic than ever. Bublar builds its business model on that insight; applies cutting-edge technology, combining it with world-class artistry and the development of its own IP and scalable products. The group creates products and services by combining this know how in new ways for the best visual experience.

The technologies are Augmented Reality (AR), Virtual Reality (VR), VFX production, Cinematics, Performance capture & scanning, Digital Humans and Real Time animation.



## Revenue model

Bublar's business is based on four revenue models: consultant (C-rev), product and licensing revenue (P-rev), and gaming and royalty revenue (G&R-rev). Long term, the combination of the revenue models will co-exist as the projects that are delivered create opportunities for license and royalty revenues and vice versa. All in all, the combination provides the conditions for profitable growth and the ambition is to shift the balance from mainly consultancy-based revenues at present, towards a greater share generated through product/license and gaming and royalty revenues in the future.





# DEVELOPMENT IN THE GROUP

The development of the Group has resulted in a marked increase in sales and an increase in licensing revenues compared to last year. However, the year has also meant postponed productions in film, TV, AR/VR solutions and postponement of the launch of mobile games due to the pandemic. The Group has benefited from high demand for game trailers and a shift in focus towards increased investment in improved e-commerce. All in all, the pandemic has had both positive and negative effects on the business.

**Goodbye Kansas** had a good order intake during the year and reached net sales for the full year of SEK 246 million (136.2), an improvement of 81%. Operating profit (EBITDA) amounted to SEK - 11.2 million (-108.2). The result for the Group includes Goodbye Kansas' result from May 1 of SEK 148.6 million in net sales and EBITDA by SEK - 17 million. EBITDA amounted to SEK - 9.1 million (-24).

Assignments from the gaming industry continued to grow strongly in the last quarter, which has partly compensated for the lower level in film and TV. However, it has not been possible to fully adapt the costs to the change in the mix in assignments. During the quarter, revenue from the

gaming industry accounted for two thirds of the assignments, which is a big change from the corresponding period last year when revenue from gaming accounted for 40% of the total, equal to film/tv assignments. Personnel costs remained unchanged and other external costs were lower compared to the same period in 2019.

Net sales for **Vobling's** VR solutions business amounted to SEK 3.4 million (4.4) for the fourth quarter and earnings before depreciation (EBITDA) amounted to SEK -0.6 million (0.5). The lower net sales is a result of shifts in purchasing decisions from customers due to the pandemic. The result is affected by the lower order level in the third quarter. In the fourth quarter, however, sales doubled compared to the third quarter.

For **Sayduck** and 3D/AR solutions for e-commerce, the year has meant a positive development and an "all-time high" was reached during Q4. Net sales in the fourth quarter amounted to SEK 1.4 million and EBITDA to SEK -0.4 million. For the full year, licensing revenues doubled compared to 2019. The order value in Q4 increased by 240% compared to the corresponding period of the previous year



Hello Kitty AR Kawaii World.



"The Diner" (digital human) from "Cyberpunk 2077".

## DEVELOPMENT IN THE GROUP

and for the full year the order value increased by 163%.

In **Virtual Brains**, the development of the Hello Kitty game is in full production with a partially changed game design to enable playing from home, without the need to always move outdoors. To further increase the production rate, external game development partners will be used. Considering Hello Kitty's very strong brand and commercial revenue potential, our development resources are now fully focused on product development of this game. We have therefore chosen to keep our own title, Otherworld Heroes, for the time being in the soft launch phase in the countries in which the game is now being tested.

During the year, the new *Plotagon app* based on the collaboration with South Korean ZEPETO will also be launched, primarily against ZEPETO users. The development work is going according to plan and existing ZEPETO users will be able to create and share their own movies, based on their avatars thanks to Plotagon's technology in the new app in 2021.

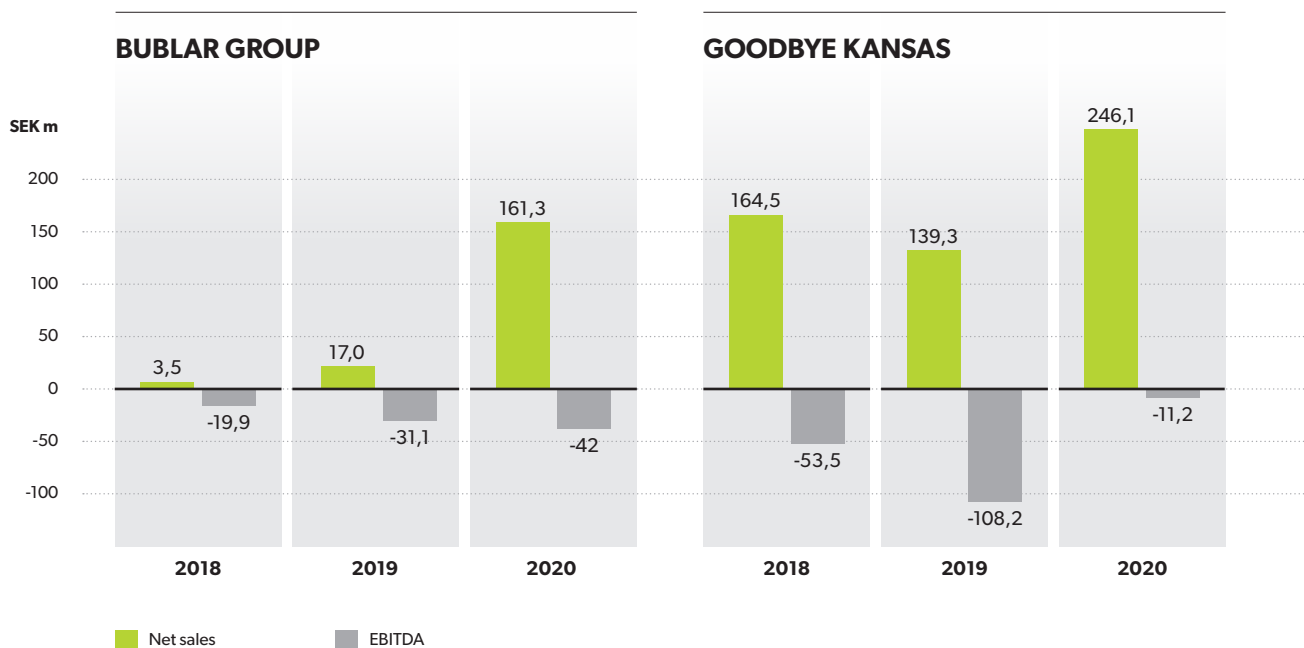
### New customers and partners

During Q4, Goodbye Kansas has continued to collaborate with several customers, but has also initiated new customer relationships, for example with a European game studio developing a new AAA game. Goodbye Kansas started delivering Performance Capture services for this game during Q4 and the project will continue in 2021.

Interest in VR solutions increased in the fourth quarter and there is high activity when it comes to sales. Several new additional orders from SAAB, BAE systems, Vy and SJ were received during the quarter. Significant customers such as Aritco, Forms & Surfaces and MSI Ltd. were added to the Sayduck platform. After the end of the year, another strategic agreement was signed for VR Fire Trainer with Gloria, Europe's largest brand and safety company. A new strategic partnership with MGA Entertainment was initiated in February 2021 regarding licenses for the development of applications and games on the movie-making platforms for some of MGA's iconic brands.

### Strengthening key competences

During the quarter, a number of strategic recruitments were made in several areas. Further strengthening of Digital Humans expertise was made by hiring David Connely as Scanning Supervisor. Connely has previously worked on blockbusters such as "Avengers: Endgame," "Godzilla: King of Monsters" and "1917." In sales, with a focus in the growing XR market, Mark Stein has joined as Executive Producer. The design team and the Art Department have been complemented by Will Strong as Director and AD and Gabriel Björk Stiernström, Lead Concept Artist. The production team in Asia has been strengthened due to increased demand from e-commerce. Additional development skills have been recruited for the Sayduck platform.





## The unique Goodbye Kansas Performance Capture-studio

**Motion Capture** is exactly what it is called, a technique to capture a movement in 3D in order to then be able to use this movement data to e.g. make a digital character move. Nowadays, you can not only record body movements, but also capture the slightest nuance in an actor's face. That is why people nowadays talk more and more about **Performance Capture**, ie not just capturing a movement, but capturing the very essence of acting: "the performance".

Capture in various forms is becoming an increasingly important part of Goodbye Kansas' offer. Revenues from projects with Capture alone increased by almost 50 percent for 2020 compared with 2019. The proportion of projects that have a share of Capture amounted to 60 percent of total revenues for 2020. Demand for productions where there is a need for this advanced technology is growing steadily. avancerade teknologi och specialstudio ökar.

Goodbye Kansas Performance Capture Studio in Stockholm is unique. Unlike similar studios, it is purpose built on site, planned down to the smallest detail by the company's experienced Performance Capture experts from the very start. The entire ground floor is optimized

to provide efficient recordings, with dressing rooms, makeup and world-leading technology.

The fact that Goodbye Kansas Studios has its own **Performance Capture studio** and its own **Capture department** makes the company stand out. Other similar companies are forced to purchase these services from outside, while Goodbye Kansas can offer all parts of completely digital productions under one roof with total creative control through all production steps. The mere existence of the studios becomes a selling point of its own and has helped the company build its solid reputation as a reliable supplier to the film and gaming industry. The studio is also equipped for **Real Time projects**, where movements can be translated into digital characters in real time.

Because of the pandemic, the Performance Capture shoots are presently done in a Corona safe manner, with clients on video link.

Performance Capture is also an important link in the company's expertise in the future industry of **Digital Humans**, an offer that no longer only benefits merely the gaming and film industry but also can be utilized in education, research, customer service and e-commerce.

### PERFORMANCE CAPTURE STUDIO

- **Studios size:** 256 m<sup>2</sup> of which 100 m<sup>2</sup> for shoots.
- **Ceiling height:** 7 meters
- **Free standing truss** for wire-stunts
- **Soundproof**, prepared for audio recordings
- **Motion Analysis cameras (active system):** 65
- **Qualisys cameras (in development):** 100
- **HMC (Head Mounted Cameras):** 8
- **Software:** Cortex, QTM, Motionbuilder, Unreal + proprietary software





Avatarplattformen Zepeto.

## Plotagon Production provides access to unique technology

Bublar Group has acquired Plotagon Production which has a technology to create own 3D animated movies via mobile or computer in just a few minutes. Plotagon currently has more than 9,000 customers paying monthly for access to the service. The company has recently entered into a multi-year agreement with South Korean Naver Z, which operates the avatar-based social network ZEPETO with approximately 180 million registered users worldwide, mainly in Asia and the United States.

Together, the parties will develop an app based on Plotagon's proven technology and ZEPETO's content and avatars. Bublar develops and operates the app and ZEPETO manages marketing. ZEPETO is a social networking app where users can create 3D animated versions of themselves and interact with the avatars in different chat rooms. Our South Korean partner has close collaborations in the popular Korean music industry, the k-pop genre.

In the fall of 2020, the first ever virtual fansign

event was launched where k-pop band Blackpink and American artist Selena Gomez created an animated dance video based on 3D avatars via ZEPETO. The video already has close to 80 million views on YouTube. We see strategic potential in the collaboration with a large Asian network for upcoming mobile game launches. Plotagon's film platform will also provide a base for the development of new apps in partnership with MGA Entertainment and licensing agreements with some of MGA's well-known and iconic brands.

### ACQUISITION TERMS IN BRIEF

Bublar Group acquired Plotagon Production AB for SEK 15.3 million in the form of a non-cash issue. Furthermore, SEK 10 million will be paid when the new app is launched in 2021 and a possible additional consideration based on future EBITDA results, payable at the board's discretion in shares or cash. As of January 8, 2021, Plotagon will be part of Bublar as a wholly owned subsidiary.



**We are making an exciting acquisition where Plotagon's technology provides a springboard that provides the opportunity to develop new scalable revenue streams based on their proven technology, now most recently with Naver Z/ ZEPETO and the licenses with MGA Entertainment."**

Magnus Granqvist,  
Managing Director,  
Virtual Brains.



MGA-family.

## Strategic licensing deal with leading toy company MGA Entertainment Inc.

Bublar Group enters a strategic licensing deal and partnership with one of the world's largest consumer and entertainment companies, MGA Entertainment. The aim is to develop new business by combining MGAE's well-known and iconic brands with the recently acquired movie-making platform. Bublar receives a global license for some of MGAE's most popular brands. The first product will be based on Plo-tagons technology, which enables the creation and sharing of user generated 3D animated movies through a few keystrokes on the mobile or computer.

MGA Entertainment's products are among the most selling and award-winning among children and young people worldwide. Being able to combine their iconic brands with the group's animated film and gaming solutions provides great opportunities for mutual scalable businesses.

It is a strategically important collaboration that also opens business opportunities for several of Bublar's operations. Bublar's goal since

its inception has been to establish licensing agreements with global brands with famous characters, to jointly develop innovative apps and games based on the very latest technology for 3D, animation, film and MMO games.



### MGA ENTERTAINMENT

- MGA Entertainment, Inc., headquartered in Chatsworth, California, is a consumer products and entertainment company that creates innovative proprietary and licensed products such as toys and games, dolls, consumer electronics, home furnishings, paper products and sporting goods.
- The MGA family includes award-winning brands like L.O.L. Surprise!™, Little Tikes®, Secret Crush, Tobi Robot Smartwatch, Rainbow High, Poopsie Slime Surprise!™, Sing-a-Long Lilly and Ami, Rescue Tales, VIRO Rides™, Na! Na! Na! Surprise and Zapf Creation®.
- Information: [mgae.com](http://mgae.com).





## New Strategic European Re-selling Agreement for VR Fire Trainer

Vobling has entered into an additional strategic partnership into with Gloria, Europe's leading fire & safety company. It is a licensing agreement where Gloria becomes the exclusive re-seller of VR Fire Trainer, Vobling's proprietary product for VR training in fire safety. It is a two-year agreement with an option for extension and initially covers Germany, Austria and Switzerland. The ambition is also to expand the cooperation to more strategic markets during this period.

VR Fire Trainer was launched in August 2020 together with Dafo Brand, a strategic re-seller in the Nordic market. The product is a mobile and all-in-one solution for fire safety training.

Research from Fire & Safety Australia show that fewer than 50% of workers feel safe using fire extinguishers, and more than 50% also use them incorrectly. High quality fire safety training saves lives and reduces the risk of personal injury and property damage in fire incidents. The global fire safety equipment market is expected to reach USD 105 billion by 2025 with an annual average growth rate of 8.8% (CAGR), according to Grand View Research, Inc.

For more than seven decades, GLORIA GmbH has been Europe's leading manufacturer and distributor of portable fire extinguishers. During this time, the company has gained a lot of experience, optimized its products and adapted them to current requirements.

### VR FIRE TRAINER

There is no longer a need to use real fires to mimic real-world scenarios when it is done better virtually. In addition to being completely safe, VR training has the advantage of being more cost-effective, scalable and sustainable, while offering an improved learning experience compared to traditional fire safety training. VR training is also perfectly suited for urban environments, and also results in less negative environmental impact. VR Fire Trainer is completely mobile, without the need for external computers or cords, making it perfectly suitable for large scale training.

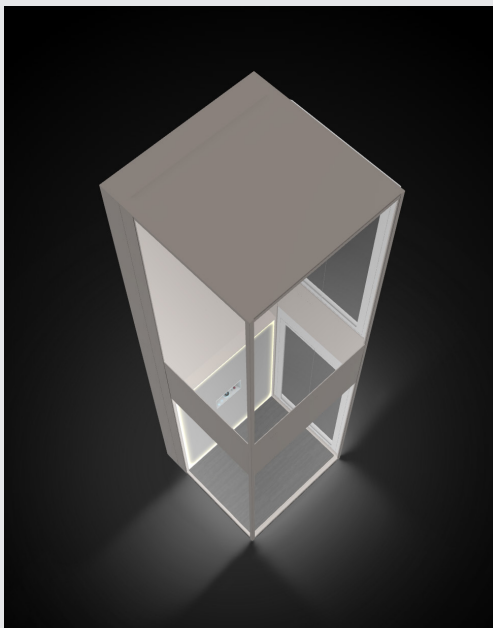
The training can also be carried out remotely. The product provides the possibility of basically an infinite number of realistic scenarios. The user receives guidance and feedback while all data can be both tracked and exported to a Learning Management Systems.



**We see VR Fire Trainer as “iPhone” for the fire and safety industry. A user-friendly intuitive way to learn while high quality and efficiency of training. The product solves a real problem and it is based on a scalable business model.”**

Anders Ribbing,  
Managing Director Vobling





# Aritco Lift launches an innovative 3D/AR solution

Aritco, which is the market leader in innovative elevator solutions for the private and business market, has launched an e-commerce solution built on *Sayduck's platform* for 3D and Augmented Reality.

Aritco's customers will be enabled to choose the type of lift, number of floors, height, location of doors/windows, choice of materials, lighting and more according to their own wishes. The lifts can be rotated and viewed from different angles and also presented in their intended environment via AR on the mobile. With the new innovative solution in place, there will be more elevator models to design and the new AR functionality makes the experience more realistic.

**Klas Dybeck**, CIO/CDO at Aritco Lifts is pleased after its launch just over a month ago and is already seeing an increase in the number of leads:

**"It is a huge difference for the customer to be able to visualize an elevator in their right environment in a very realistic way compared to looking at a product sheet. The solution is also easy to use and you can quickly test different options and design your own favorite. By being at the forefront and using the latest in digital technology to present our lifts, we can continue to be the leading player in our industry."**

In a further development, where additional elevator models can be added, Klas sees several new uses. It is a preparation to be able to create so-called BIM objects in the future so that architects can easily use them directly in their 3D drawings.

Another interesting opportunity is to develop a virtual showroom where it is possible to meet the customer, discuss and bring the digital elevator solution to the meeting. Aritco sells its products all over the world, presenting at around 100 physical showrooms in different locations.

Asia and the Middle East, with an advanced digital maturity, constitute significant markets for Aritco. A virtual showroom would increase the availability and ability to meet the customer far beyond the physical ones.

The project is an example of how Bublar's different expertise and platforms can be combined to create value and achieve synergies.

Sayduck's 3D/AR platform and Vobling's expertise are combined in this case. About the collaboration itself, Klas says that it has been easy to work together with the team and for Aritco it is important to have a long-term partner and a collaboration based on trust.

## ARITCO

- Aritco was founded in 1995 by four entrepreneurs.
- An identified need for a new type of product that was smarter to use and easier to install, easier to use and significantly cheaper than the lifts that were on the market at the time.
- Today, almost 4,000 lifts are manufactured per year and sold in 40 different countries through more than 170 distributors.
- Aritco is owned by investment company Latour Industries

# MARKET DEVELOPMENT

The digital entertainment industry in the form of film, gaming and streaming services is growing rapidly, which in turn is leading to an increase in demand for computer-generated content. Digitalization takes place throughout the value chain from production, distribution to consumption.

At the same time the convergence of these markets is leading to the utilization of the same technology platforms for the development of content for both industrial and consumer applications to a large extent. For example, the Group uses game engines such as Unity and Unreal in both game development, VFX for film and TV, as well as applications of VR services for the corporate market.

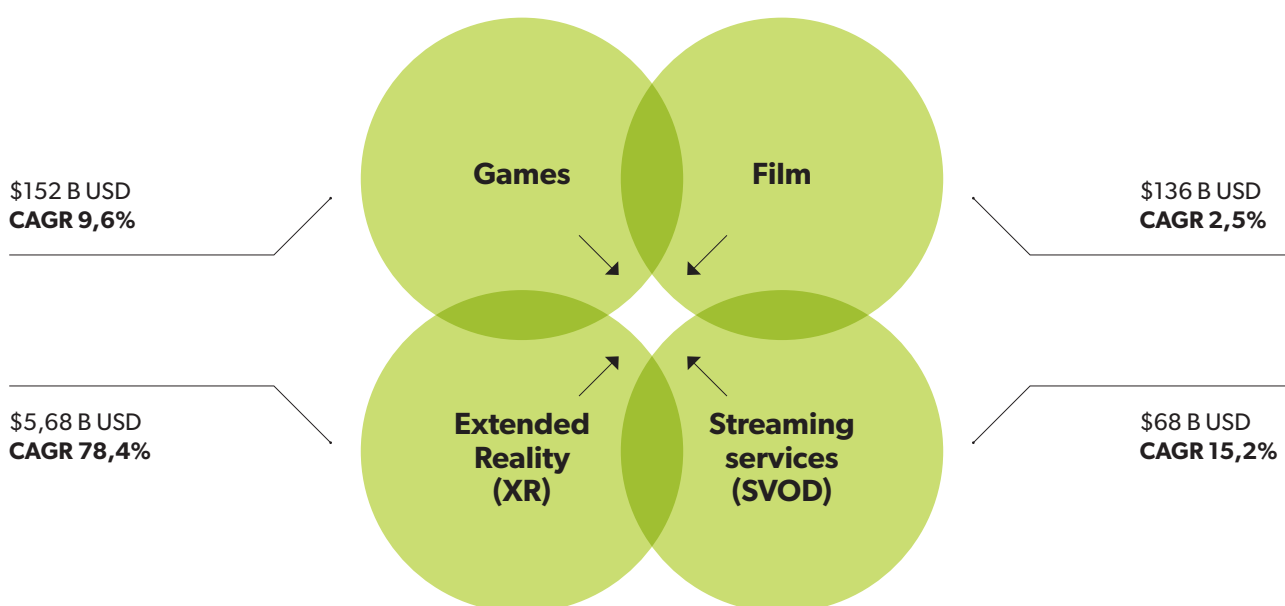
In an analysis from Deloitte, sales to companies and educational use of wearable headsets for VR and AR or digital reality are expected to grow by 100% compared to 2019 levels. Following the pandemic, the high growth rate is expected to resume for XR, with the industry is estimated

to reach a total of USD 73 billion in 2024, representing an annual growth rate of 54% between 2020 and 2024.

The price of the hardware will be a major factor spurring growth, with several manufacturers expected to launch high-quality headsets at a cost that makes it available to a wider range of groups. Additional factors that point to increased use are research that shows both significantly improved productivity and learning, which in turn also results in fewer errors. It is also safer to utilize digital tools to carry out training of dangerous situations such as fire.

The global digital content market is expected to reach over USD 25 billion by 2024 and have an annual growth rate of 13% according to Industry Research. Bublar is uniquely positioned in these fast-growing markets to be able to seize business opportunities that follow as a convergence of these markets is expected.

## Active in fast growing converging markets



# FINANCIAL DEVELOPMENT



## The Quarter

**October 1 – December 31, 2020**

Net sales amounted to SEK 60.3 million (5.3) during the period. Goodbye Kansas business is included from May 1. Earnings before depreciation and amortization (EBITDA) amounted to SEK -14.9 million (-8.9). Since July 2020, the costs of game development of Otherworld Heroes and Hello Kitty have been activated as the activation requirements have now been met. The negative EBITDA result should be seen in the perspective that Goodbye Kansas and Vobling have been affected by postponements in assignments due to Covid-19. Assignments to Goodbye Kansas from the gaming industry have more than doubled but not fully compensated for the time shift of assignments from film/TV. Profit after depreciation and amortization (EBIT) amounted to SEK -23.2 million (-13.0) and includes depreciation (non-cash) related partly to goodwill of SEK 4.0 million and partly to development costs of SEK 1.2 million. Earnings per share amounted to SEK -0.25 (-0.34).



## Financial Year

**January 1 – December 31, 2020**

Net sales amounted to SEK 161.3 million (17.1) during the period. Earnings before depreciation and amortization (EBITDA) amounted to SEK -42.0 million (-31.1). The Ebitda result can be explained by a negative result in the Parent Company of approximately SEK 18 million including costs for the game development that is not activated, a negative operating result for GBK's operations and costs for the development of games, exchange rate losses due to recalculations at the balance sheet day price. Profit after depreciation and amortization (EBIT) amounted to SEK -79.0 million (-45.7) and includes depreciation of SEK 37.0 (non-cash) of which goodwill represents SEK 24.7 million, and development costs represents SEK 3.7 million. Earnings per share amounted to SEK -0.85 (-0.92)..

## Investments

The acquisition of Goodbye Kansas constituted a significant acquisition. The acquisition was made through a non-cash

issue, where a fixed purchase price and an additional result-based conditional purchase price have so far been paid in new shares, after a required level of earnings in the first half of 2020 was met. (in shares).

In the case of an acquisition structure with several possible earn-outs, an analysis and assessment of the expected total purchase price is initially made. This is called a preliminary acquisition analysis. Within one year, this exercise can be revised in the light of new available information. Since Goodbye Kansas did not reach the target for the second earn-out. Therefore, this value is removed from the original calculation. In the revised acquisition analysis, we have also more clearly identified values in the subsidiary Infinite, which has led us to separate them in the calculation. For further details see the paragraph "Balance sheet effects".

In total, investments in the Parent Company during the year amount to SEK 146,5 (19,0) million. The acquisition of Goodbye Kansas represents approx. 80% of that value. Other items consist of product development and equipment for the business. Historically, the investments mainly relate to the acquisitions of Vobling and Sayduck as well as activation of programming and product development costs for Bublar's software platform and games.

## Cash flow and cash equivalents

Cash flow amounted to SEK -11.8 million (16.9) for the full year. At the end of the period, on December 31, 2020, the Group's cash and cash equivalents amounted to SEK 25.3 million (37.2).

## Staff

The number of employees in the Group including the subsidiaries Sayduck Oy, Vobling AB, Vobling Asia Ltd, Virtual Brains AB and Goodbye Kansas amounted to 291 (65) on 31 December.

## The share

Bublar's share (BUBL) was listed on Nasdaq First North Growth Market on November 11, 2019 after being earlier having been listed NGM MTF since November 6, 2017. The



## FINANCIAL DEVELOPMENT

share has ISIN code SE0010270793. G & W Fondkommission, phone +46 8 503 000 50 is the company's Certified Adviser. As of December 31, 2020, there were a total of 101,194,110 outstanding shares distributed among more than 5,800 owners. Since then, the acquisition of Plotagon Production AB paid through a non-cash issue of shares, has increased the number of shares to 105,839,023.

### Risks and uncertainties

The acquisition of Goodbye Kansas has meant that the business has grown significantly in terms of turnover and has formed an established business as a driving force in the company's development. At the same time, Goodbye Kansas has a larger cost mass, which means that it depends on being able to reach a certain level of capacity utilisation in order to ensure coverage of the fixed costs. This has been a challenge for Goodbye Kansas in 2018 and 2019 during an expansion phase.

It is Bublar's assessment that it has now reached such an established market position that the work can focus on delivering long-term sustainable profitability. However, profitability in the business is affected by, for example, slumps in order intake. The pandemic has led to postponements in projects in film & TV and VR/AR solutions. Exchange rate fluctuations also affect profitability.

The market for the services and products that Bublar develops is in a strong growth phase. Market dynamics mean that there is a risk that the projects Bublar has invested in will be received with weak interest by end customers and that thus expected revenues will not be generated with the consequent negative effect on earnings and cash flows. Even capitalized development costs may need to be written down. If a commercial launch of a project is delayed or results in lower revenues than estimated, it can have a material negative effect on the Group's operations, earnings and financial position.

Delays in planned and ongoing customer or gaming projects can have a negative effect on cash flow, revenue and operating margin. Delaying one or more of the Group's developed games may have a material negative impact on the Group's operations, earnings and financial position. Both the mobile gaming and XR markets are characterized by rapid technological and innovative development and great competition. Several of Bublar's current and future competitors may have a competitive advantage in terms of longer history, a more established brand and greater financial, technical and marketing resources.

The Group consists of an organization with limited

resources and may therefore be considered highly dependent on a few key employees. Furthermore, the partners with whom the company has chosen to cooperate may be forced to set priorities other than the company's own with the subsequent risk of delay and completion of the projects.

### Accounting policy comment

The quarterly report has been prepared in accordance with the Annual Accounts Act (ÅRL) and BFNAR 2012:1 (K3).

Applied accounting and valuation principles are unchanged compared to the financial statements for 2019.

The acquisition of the significantly larger Goodbye Kansas Group, in terms of turnover and structure, partly brings new considerations to Bublar as a group. Accounting for shares in so-called associates (shareholdings between 20 and 50%) is new.

The principles of revenue recognition in Goodbye Kansas are the same as those found in Vobling. Goodbye Kansas provides services at both fixed and variable prices, in the form of consultant and project fees, for visual effects, animation, Performance Capture for film and TV productions, game trailers and the development of own IP rights. Revenue from the services delivered is recognised in the period in which they are provided. Most of the contracts that are concluded are at a fixed price, and then the revenue is recognised based on the proportion of the total agreed service delivered during the period when the customer receives and uses the services. This is determined based on the actual working time compared to the total expected working time of the assignment.

### Comment on profit and loss account and balance sheet effects

The acquisition of Goodbye Kansas changes the structure of Bublar's balance sheet. The transaction has taken place in two stages where Bublar has initially calculated the expected earn-out price, based on an expectation of Goodbye Kansas' results and thus the outcome in the number of shares that would need to be issued when the earn-out consideration would be paid in a fixed number of shares. The shares that were not initially issued were accounted for as a future liability.

The second earn-out targets have not been met and will hence not be paid out. This in turn means that the initial acquisition analysis has been revised. The revised acquisition analysis means that the purchase price for Goodbye Kansas has been reduced to approximately SEK 114 million (from originally approximately SEK 142 million), of which goodwill

## FINANCIAL DEVELOPMENT

amounts to approximately SEK 73 million. The anticipated additional consideration 2 that was estimated to SEK 23 million is excluded in the acquisition analysis.

Structurally, Bublar has acquired both shares and claims for Goodbye Kansas. The claims include convertible debentures and other liabilities that existed in Goodbye Kansas before April 30. The transaction replaced previous financing and conversion terms to those in the offer from Bublar Group. This structure was a prerequisite for being able to raise new funding for Goodbye Kansas' operations and to get the creditors to accept the offer.

The total goodwill value amounted to approximately SEK 104 million as of December 31. Goodwill is depreciated on a straight-line basis in the consolidated financial statements of 5 years from the date of closing.

The item intangible assets is also increased by the acquisition due to the intangible values found in Goodbye Kansas. They represent values for proprietary software and proprietary IP. The software solutions represent tools to increase productivity in their work processes. The IP can be a concept for TV series, movies or games where the goal is to resell these for projects that generate revenue for the service business but also participation in the financial success of the projects.

Bublar's intangible assets have previously reflected development costs for the mobile gaming software platform and XR platforms. A straight-line depreciation model of 5 years is applied here. Games developed until June 2020 have not been activated as we considered that the game development did not meet the requirements of K3 18:12. Costs for more functionalities for the software platforms are activated according to the work done and depreciated.

### Capital requirements

Cash on hand amounted to SEK 25.3 million at the end of the period. The Board does not believe that this capital is sufficient to capitalize on the opportunities we see for the business and works intensively with various solutions to address this issue.

The financing agreement with the Swiss investment company Nice & Green in the form of flexible convertible financing is unused. Through the solution, the Group has the possibility of financing totaling SEK 50.4 million divided into 12 monthly tranches of SEK 4.2 million that Bublar can call off as long as the conditions in the agreement are met.

The acquisition of Goodbye Kansas has increased and broadened the revenue base of the Group. Collaborative projects between parts of Bublar and Goodbye Kansas

towards large international companies points to new interesting and possible joint ventures. We therefore believe that the new Bublar is on a more stable basis.

The Board of Directors considers that there is a great interest in investing in companies that develop applications and products in the areas in which Bublar operates. During the Autumn and Winter of 2020, the Board of Directors has therefore worked to ensure that the business develops with the right mix of products and services in the dynamic market areas we operate in. Covid-19 has affected the business, but we believe that investors can understand the impact in terms of decision delays as well as looking at the opportunities in our business, not least towards the film & TV industry.

The Board of Directors considers it crucial that Goodbye Kansas can operate the business with positive cash flows and that the games are able to generate revenue. If revenue does not develop in accordance with the Board's assessments, Bublar needs to consider measures that save costs and/or additional capital raisings.

The Board of Directors has a mandate from the Annual General Meeting to issue shares and/or convertibles and/or warrants in order to handle the financing issue with flexibility.

### Report calendar 2021

Annual Report published	March 19
Annual General Meeting	April 14
Interim report, Jan–March	May 20
Interim report, Jan–June	July 21
Interim report, Jan–Sept	November 10

Bublar's reports and annual report are available on [www.bublar.com](http://www.bublar.com)

### Review

This report has not been subject to review by the company's auditor.

Stockholm, February 25, 2021

The Board of Directors,  
Bublar Group AB (publ)

# PROFIT & LOSS

## Condensed Consolidated Income Statement

SEK Thousands	2020 Q4	2019 Q4	2020 Proforma Full year*	2020 Full year	2019 Full year
<b>REVENUE</b>					
Net sales	60 278	5 264	257 244	161 301	17 081
Capitalized work for own account	16 154	1 000	29 528	28 126	1 000
Other operating income	1 705	-29	4 669	4 268	491
<b>Total income</b>	<b>78 137</b>	<b>6 235</b>	<b>291 442</b>	<b>193 695</b>	<b>18 572</b>
<b>OPERATING EXPENSES</b>					
Other external costs	-39 249	-7 580	-154 788	-108 315	-21 393
Employee costs	-53 820	-7 511	-172 807	-127 335	-28 123
<b>Earnings before depreciation and amortization (EBITDA)</b>	<b>-14 933</b>	<b>-8 857</b>	<b>-36 153</b>	<b>-41 955</b>	<b>-31 115</b>
Depreciation and amortization	-8 224	-4 102	-42 934	-37 058	-14 629
<b>Earnings before interest and tax (EBIT)</b>	<b>-23 156</b>	<b>-12 959</b>	<b>-79 087</b>	<b>-79 013</b>	<b>-45 744</b>
<b>FINANCIAL ITEMS</b>					
Interest income	1 687	0	33	1	0
Interest expense		-9	-12 131	-2 953	-27
Currency differences	-3 049	14	2 177	-3 131	101
<b>Total financial items</b>	<b>-1 362</b>	<b>4</b>	<b>-9 922</b>	<b>-6 083</b>	<b>74</b>
<b>Profit after financial items</b>	<b>-24 518</b>	<b>-12 955</b>	<b>-89 009</b>	<b>-85 096</b>	<b>-45 669</b>
Tax	72	-53	64	64	-4 797
<b>Profit/loss for the period</b>	<b>-24 446</b>	<b>-13 008</b>	<b>-88 945</b>	<b>-85 032</b>	<b>-50 467</b>

\* The figures in the chart shows the Group's result if Goodbye Kansas had been included as from January 1, 020.



# BALANCE SHEET

## Consolidated Statement of Financial Position

SEK Thousands	20201231	20191231
<b>ASSETS</b>		
Intangible assets	202 234	61 032
Material assets	30 957	1 012
Long-term financial assets	830	353
<b>Total non-current assets</b>	<b>234 021</b>	<b>62 397</b>
Short-term receivables	48 343	6 534
Cash and cash equivalents	25 336	37 224
<b>Total current assets</b>	<b>73 679</b>	<b>43 758</b>
<b>Total assets</b>	<b>307 700</b>	<b>106 155</b>
<b>EQUITY AND LIABILITIES</b>		
Share capital	2 862	1 569
Share premium and other equity	256 297	144 495
Retained earnings	-85 032	-50 467
<b>Equity attributable to parent company shareholders</b>	<b>174 127</b>	<b>95 597</b>
Minority interest	4 776	-
<b>Equity</b>	<b>178 903</b>	<b>95 597</b>
Provision for taxes	8 273	-
Long-term liabilities	38 675	1 371
Current liabilities	81 849	9 187
<b>Total liabilities</b>	<b>120 524</b>	<b>10 558</b>
<b>Total Equity and liabilities</b>	<b>307 700</b>	<b>106 155</b>
<b>Company mortgage</b>	<b>13 320</b>	<b>-</b>
<b>Contingent liabilities*</b>	<b>118 896</b>	<b>None</b>

\* represents mainly the lease for office space

# CASH FLOW

## Consolidated statement of Cash Flow

SEK Thousands	2020 Q4	2019 Q4	2020 Full year	2019 Full year
<b>OPERATING ACTIVITIES</b>				
Income before taxes	-29 241	-12 963	-85 097	-45 642
Adjustments for non-cash flow items	12 991	4 320	42 633	14 905
Interest income	0	-	1	-
Interest expense	1 591	-9	-3 131	-27
Income tax paid	-174	-712	485	-1 364
Changes in working capital	-19 969	1 945	-12 364	5 612
<b>Net cash from operated activities</b>	<b>-34 802</b>	<b>-7 419</b>	<b>-57 473</b>	<b>-26 516</b>
<b>INVESTMENT ACTIVITIES</b>				
Purchase of plant and equipment	-244	-378	-1 650	-865
Purchase of group companies	25 846	-	-98 822	-14 139
Capitalisation of product costs	-9 615	-1 597	-28 444	-2 106
Changes in investment and other assets	-473	268	-473	-186
<b>Net cash from investment activities</b>	<b>15 514</b>	<b>-1 707</b>	<b>-129 389</b>	<b>-17 296</b>
<b>FINANCING ACTIVITIES</b>				
New share issue	-4 835	37 822	159 435	61 709
Proceedings from borrowings	19 199	-	19 199	19
Repayment of borrowings	-1 131	-125	-3 576	-1 000
<b>Net cash from financing activities</b>	<b>13 233</b>	<b>37 697</b>	<b>175 058</b>	<b>60 728</b>
<b>In-/decrease of cash</b>	<b>-6 055</b>	<b>28 571</b>	<b>-11 804</b>	<b>16 916</b>
Cash at the beginning of the period	31 467	8 659	37 224	20 309
Currency difference in cash holdings	-77	-6	-85	-1
Cash at the end of the period	25 335	37 224	25 335	37 224

# EQUITY

## Consolidated Statement of Changes in Equity

SEK Thousands	Share capital	Other contributed capital	Other equity incl. retained earnings	Parent-company's shareholders	Minority-interest	Total equity
<b>Balance at January 1, 2019</b>	<b>1 144</b>	<b>125 475</b>	<b>-42 245</b>	<b>84 374</b>		<b>84 374</b>
Retained earnings			-50 466	-50 466		-50 466
New share issue	28	-28		0		0
New share issue, July (cash and Sayduck)	176	23 263		23 439		23 439
New share issue, October	221	40 235		40 456		40 456
Share warrants		420	15	435		435
Issue expenses		-2 674		-2 674		-2 674
Transfer untaxed reserve		-299	299	0		0
Currency translation differences			32	32		32
<b>Balance at December 31, 2019</b>	<b>1 569</b>	<b>186 392</b>	<b>-92 365</b>	<b>95 597</b>		<b>95 597</b>
<b>Balance at January 1, 2020</b>	<b>1 569</b>	<b>186 392</b>	<b>-92 365</b>	<b>95 597</b>		<b>95 597</b>
Retained earnings			-85 032	-85 032		-85 032
New share issue, May 2020	367	49 794		50 161		50 161
Non-cash issue Goodbye Kansas Group	463	54 821		55 284	4 776	60 060
Non-cash issue, Additional consideration 1	463	57 729		58 192		58 192
Issue expenses		-4 544		-4 544		-4 544
Warrants, staff		-420	646	226		226
Currency translation differences			4 243	4 243		4 243
<b>Balance December 31, 2020</b>	<b>2 862</b>	<b>343 772</b>	<b>-172 508</b>	<b>174 127</b>	<b>4 776</b>	<b>178 903</b>