

A sci-fi themed background featuring several characters in futuristic gear. On the left, a woman with a wide, shouting expression and a man with a green visor. In the center, a woman with a high-tech helmet. On the right, a woman in a white and blue suit and a man in a green and black suit. The background is filled with orange and yellow energy, a satellite in orbit, and various sci-fi elements like "ORION CLOUDS" and "XAOO SYSTEMS" text.

SOLIDCLOUDS

Operational update and proposed share capital increase

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- EMPTY

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WHERE GAMING MEETS GROWTH

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Solid Clouds was founded in **Reykjavik, Iceland**, and presently boasts a cohesive and experienced team of approximately **30 team members** with game releases across multiple genres and platforms. Having released its **first PC game in 2020**, the company is close to **Scaling** its **second game, Starborne FRONTIERS**.

Starborne FRONTIERS entered its soft launch phase in **February 2023** and has since then had **multiple updates** and significant polish. Starborne Frontiers has outstanding graphics and gameplay which is garnering notable attention, with **promising reviews** attesting to its potential.

Solid Clouds has built its own **technological** framework enabling accelerated production times, which significantly **reduces** development costs and other associated risk factors for its future games.



GLOBAL GAMING MARKET

After realising significant growth in recent years, the **global gaming market** size is on track for **\$188Bn** in 2023, targeting **\$211Bn** by 2025, exceeding the combined revenues of the TV, film and music industries.

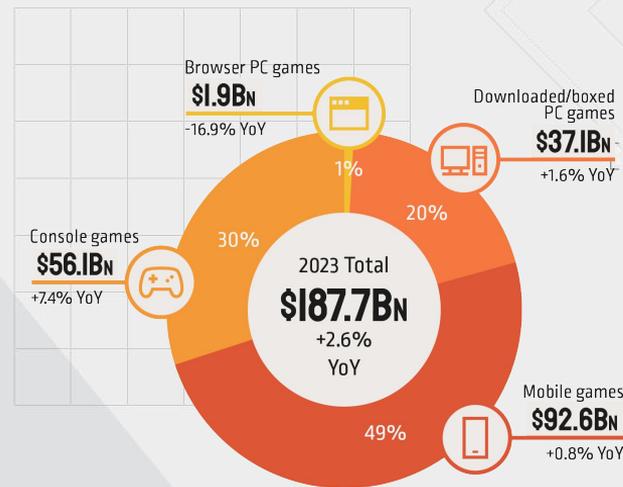
Revenues from in-game spending are expected to generate a staggering **\$90Bn** in 2023 covering **97%** of the mobile segment's global revenues.

Video game players in the world in 2023 were about **3.4Bn** and that number is projected to increase to **3.8Bn** in 2027, where mobile gamers are expected to account for the majority of these new players.

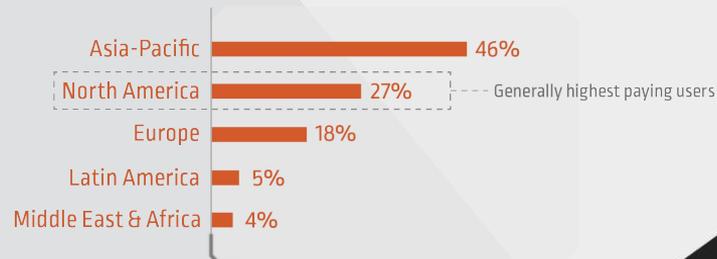
Solid Clouds offers free to download mid-core games for **Mobile** and **PC** focused on in-game spending, targeting North America, Europe, and Latin America.

Solid Cloud's total addressable market is estimated to be:

10-15Bn USD



GEOLOCATION SPLIT



STARBORNE: FRONTIERS

Frontiers is a mid-core **tactical hero collector** where players assemble and upgrade fleets to explore and conquer the **Starborne universe**. Players engage in battles with strategic and skillful gameplay on a multiplatform experience, which plays well on both **PC** and **Mobile**.

Frontiers' visual style is designed for a **Western audience** in Gacha style **monetization** and **progression** systems, that have been popularized and well **established** in games like Summoners Wars, Genshin Impact and Raid: Shadow Legends which are among the world's leading mobile games in terms of popularity and revenue generation.

User feedback on recent game updates has been **positive**, leading to a notable **increase** in Google Play ratings now at **4.5** with 1.040 votes, where the majority of marketing spend is deployed. Current **IOS APP store rating is** at **4.6** with 180 votes.

GOOGLE PLAY RATINGS



DEVELOPMENT PROGRESS

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Soft launch started in February 2023 where the focus was to get user data on both Apple and Android devices.

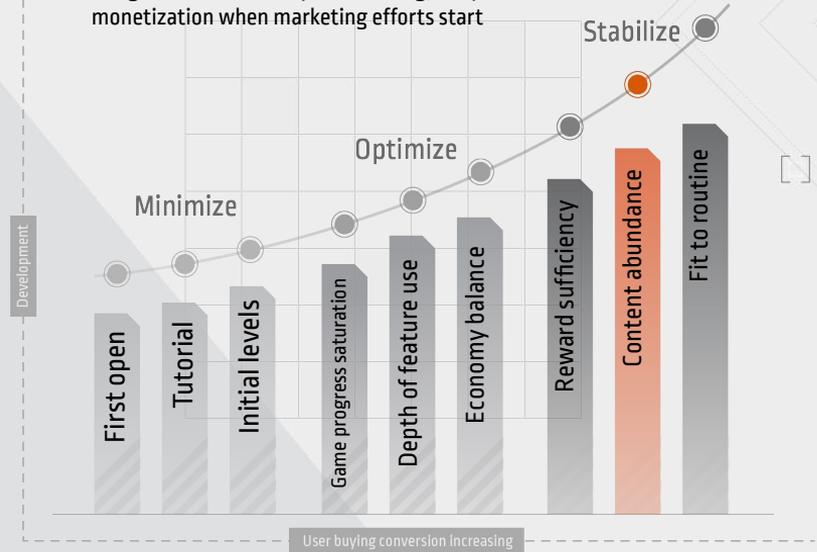
Many of the key features are completed and the remaining ones are well on their way.

We are now in the **Stabilize** phase which is the **final** development stage. In this phase we are adding new game modes, live operations systems and more monetization systems. These features will enable us to keep players playing for the **long run** and **maximize** Starborne FRONTIERS **revenue** potential.

Scaling will begin with a large **strategic** and **targeted** marketing campaign after the completion of the Stabilize phase. Our marketing funnel is set to be optimized and ready to scale, where initially in the Scaling process we aim to increase our daily installs **tenfold**.

SOFT LAUNCH LEARNINGS

integrated continuously until Scaling, to optimize monetization when marketing efforts start



COMPLETED

- Frontiers soft launched
- Store integrations
- Visual quality achieved
- Server scalability
- Support tools

IN PROGRESS

Progression layers	85%
Art production	80%
Onboarding optimization	75%
Game balance	70%
Game content	60%
Marketing material	40%

STARBORNE FRONTIERS KPI'S AND PLAYER STATS

Average numbers since the start of the soft launch on the 13th of February 2023, last updated 20th August 2023.

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NUMBER OF PLAYERS

57,670

Started tutorial

22,020

Completed tutorial

TIME SPENT

Total play time: **237,837 H**

Average sessions per active player*: **2.57**

Average daily session length per active player*: **39.6 MIN**

*A player that has logged in at least once before.

Most games' average session length is around 20 min

CONVERSION RATE

First buy: **3.44%**

Average daily: **3.13%**

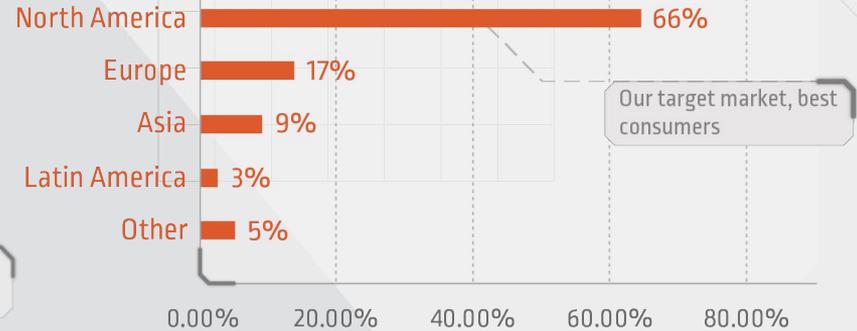
First buy conversion rate of top games is aprox 3%

Total number of monetary transactions: **8,160**

TOTAL REVENUE:

\$74,000.00

GEOLOCATION OF PLAYERS



PROMISING TIMES AHEAD

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Starborne FRONTIERS already has highly engaging gameplay that readily **converts** new players into **paying customers**.

Additional content for **long term player retention** is being developed with a clear path towards the full scale marketing efforts of Starborne FRONTIERS.

A PC version is scheduled to go live in **Q1** next year enabling broader accessibility and improving customer acquisition efforts while reducing costs associated with third-party vendors like Apple and Google.

STARBORNE FRONTIERS will be ready for
Scaling in **Q2 2024**

The **technical framework** and team **experience** has grown significantly during the development of Starborne FRONTIERS and we are equipped and ready to **explore** new opportunities once Starborne FRONTIERS enters into **live operation**.



THE JOURNEY AHEAD TO SCALING

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New units - 10 Epic and 5 Legendary heroes added. Increased total count to 115. Extra units should add to the player lifetime value (LTV) potential.

Visual update - In-between chapter animations & visual sequence, improving the new player experience.

SEPTEMBER

Player onboarding - User experience in the tutorial improved and cleaned up, improving the new player experience.

Fusion system introduced - fusions are new player goals which can improve player retention.

NOVEMBER

Marketing funnel - Ready for scale on Google and Facebook.

Expeditions - Additional player content which increases long term player retention.

JANUARY

Global release - Scaling begins with increases to marketing budget and influencer campaigns.

Live operation - Frontiers is ready and future development goals are aimed at maintaining live operations.

2024 Q2

OCTOBER

The Abyss - Large content patch which adds 30 minutes of daily playtime which increases long term player retention.

Implant system - New player progression layer introduced. This enables us to seed rewards to new game content.

DECEMBER

Arena overhaul - An existing social game mode improved. Strong social systems generally increase retention.

Summoning events - Multiple new events introduced for live operations which boost monetization.

FEBRUARY

PC version goes live - marketing reach and targeting extended.

Guild wars - Internal testing, a social system aimed for long term player retention.

FINANCIAL HIGHLIGHTS

Solid Clouds has **invested significantly** in recent years, with capitalized development costs close to ISK 1BN on 30 June 2023. With the proposed share capital increase of up to ISK 600 million fully invested, **Solid Clouds is sufficiently capitalized** towards the full **Scaling** of Starborne FRONTIERS in Q2 2024.

Figures in ISK millions	2021	2022	1H 2023	2023 E	2024 E
Operating revenues	14	12	10	27	890
Grants and R&D tax credits	102	112	4	135	130
Total revenues	116	124	14	161	1020
Development cost	286	351	179	362	400
Other operating expenses	32	44	32	68	750
Total operating expenses	318	365	211	430	1150
Financial income	1	12	52		
Cash in year end	567	310	119		

Game revenues start to take off

- Scaling starts generating revenues in April.

Marketing spend strategy

- Large scale marketing effort when Scaling starts in 2024.
- Marketing cost is front loaded. Each dollar spent on marketing is expected to generate game revenues over longer time periods.
- All excess generated revenues are expected to be spent on further marketing efforts during 2024.

The company estimates following substantial marketing efforts during scaling that **total revenues** will amount to approximately **800 million in 2024**.

Solid Clouds already has a **R&D tax credit approved** from Rannis for 2022, that will be reimbursed in 2H 2023.

For further information, please see the full financial statement for 1H 2023 at Solid Cloud's investor relations website.

Figures in ISK millions

30.06.2023

Assets	Pre-increase	Post-increase
Capitalized development costs	993	993
Rental properties	7	7
Income tax credit	117	117
Total fixed assets	1117	1117
Receivables	7	7
Other receivables	7	7
Cash and cash equivalents	119	719 ¹
Total current assets	133	733
Total assets	1250	1850
Total liabilities	43	43
Total equity	1207	1807
Total equity and liabilities	1250	1850

¹Excluding transaction costs and other related costs to the proposed share capital increase

COMPARABLE PEER GROUP

Trading multiples from 30.8.2023

Name	Description	Market Cap, Ma.ISK	EV / Sales
TIER 1 COMPARABLES			
VESPA Inc.	Engages in the gaming business worldwide.	2.6	12.9x
Qivi Games AB	Develops and publishes games for mobile platforms in Sweden.	1.6	3.2x
Red Dev Studio S.A.	Develops games for mobile and non-mobile platforms.	0.8	30.4x
BoomBit S.A.	Develops and publishes computer games.	5.1	0.4x
Median of Tier 1 comparables			8.0x
Average of Tier 1 comparables			11.7x
TIER 2 COMPARABLES			
Incuvo S.A.	Develops games worldwide. The company offers desktop, console oriented, and mobile games.	1.2	1.5x
Ovid Works S.A.	Develops video games for personal computers, consoles, and virtual reality.	0.1	4.5x
Duality S.A.	A game development studio, produces and publishes video games for PC/steam platforms.	0.2	3.1x
PopReach Corporation	Operates as a multi-platform technology company.	6.5	0.7x
Median of Tier 2 comparables			2.3x
Average of Tier 2 comparables			2.4x
TIER 3 COMPARABLES			
The Dust S.A.	Produces and distributes games for electronic devices.	1.0	8.5x
ECC Games S.A.	Operates as a game development studio. It creates automotive games.	0.6	6.0x
Image Power S.A.	Engages in the production, publishing, and marketing of games for desktop computers worldwide.	0.6	17.5x
ManyDev Studio SE	Engages in the gaming business in Poland.	0.6	60.1x
Jujubee S.A.	Engages in the production and sale of video games in Poland.	0.3	10.4x
Polyslash Spółka Akcyjna	Engages in the producing and publishing of computer games worldwide.	0.3	12.6x
Atomic Jelly S.A.	Develops and publishes computer games.	0.2	137.1x
Detalion Games S.A.	Operates as game development company in Poland.	0.2	170.2x
StemGen, Inc.	Engages in the community offering and management of online competitions in the motorsports arena.	0.6	269.1x
Virtual Interactive Technologies Corp.	Operates as a next-generation game and metaverse developer	0.4	26.4x
E-Play Digital Inc.	Develops and operates broadcast and live video technologies in Canada.	0.1	53.8x
Gaming Technologies, Inc.	Engages in online gaming business in Mexico.	0.1	20.6x
Median of Tier 3 comparables			23.5x
Average of Tier 3 comparables			66.0x

Median of Tier 1, 2, 3

11.3x

Average of Tier 1, 2, 3

26.7x

INVESTMENT OPPORTUNITY

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CURRENT MARKET SIZES

All numbers in millions and accounting for a full use of potential share capital increase

	2023 E	2024 E
Number of shares POST	270	270
Price per share ISK	7.0	
Market capitalization POST ISK	1,889	
Net interest bearing debt	-76	
Enterprise value (EV)	1,813	
Revenues - estimated	161	890
EV/Sales - estimated	11.3x	

IMPLIED VALUATION BASED ON PEERS

All numbers in millions and accounting for a full use of potential share capital increase

	2023 E	2024 E
Peer group EV/Sales	11.3x	
Implied EV/Sales forward		7.0x
Implied Enterprise value (EV)		6,230
Implied Net interest bearing debt		+76
Implied Market capitalization		6,306
Implied Price per share		23.9
Implied Money multiple		3.4x

USE OF PROCEEDS

The future of the **gaming market** is exciting, demonstrating **strong growth** in an **ever-growing sector**. Solid Clouds has consistently received **positive feedback** from users, representing the accomplishments achieved and driven by the company's experienced team.

With the proposed share capital increase in hand, the funds will be used to **generate revenues** as they play a key role in the **marketing efforts** during **Scaling**. In addition, the funds will support the final stages of development of Starborne FRONTIERS by the creation of additional game content, **ensuring player retention** and **achieving** our **revenue potential**.



STRONG FOUNDATION
supports future success

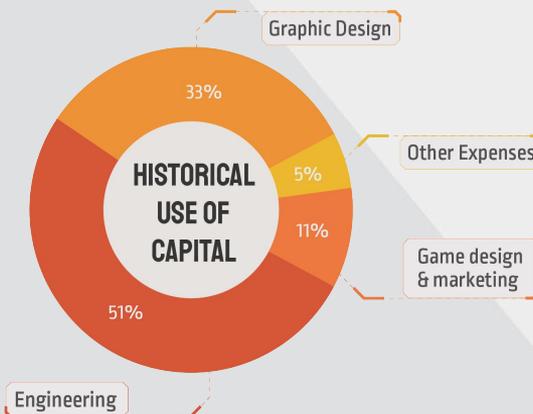
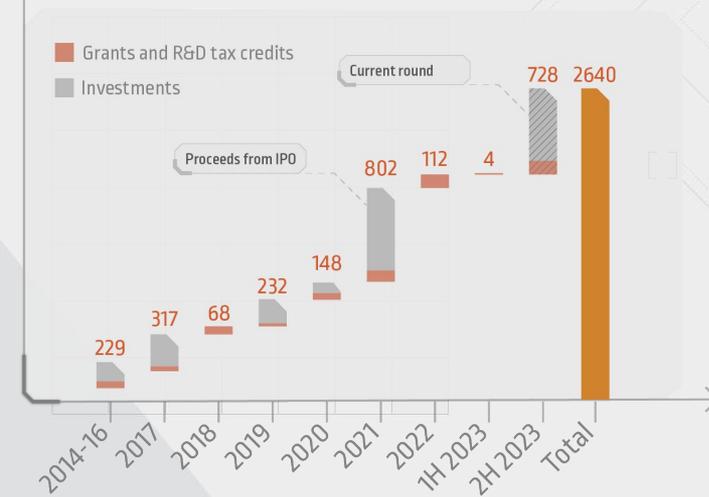


LARGE and **GROWING**
market



Business model with
HIGH MARGIN POTENTIAL

FUNDING OF SOLID CLOUDS





APPENDIX

POTENTIAL TAX BENEFITS

Related to the issuance, individuals that are residents in Iceland for tax purposes and invest in Solid Clouds are applicable for tax deduction from their income tax/capital gains base of up to 75% of their investment.

The minimum investment is 300 thousand and the maximum deductible investment is ISK 15 million per individual, not legal entities.

For tax benefits to be valid investors need to hold on to the shares for at least three years. If not, the tax deduction is reversed with a +15% surcharge on the initial investment.

Investors are encouraged to seek assistance from tax specialists for further information. Other conditions from Iceland Revenue and Customs may apply.

See rules here: <https://www.skatturinn.is/einstaklingar/tekjur-og-fradrattur/hlutabrefafradrattur/>

See calculator here: [Áhrif skattfrádráttar vegna hlutabréfakaupa í Solid Clouds – GRID](#)

COMPARABLE COMPANIES ANALYSIS

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From 180 companies in the interactive home entertainment sector

EV / EBITDA

