Embracer Group acquires Saber Interactive

Investor presentation
19 February 2020
Saber Interactive at a glance

<table>
<thead>
<tr>
<th>GLOBAL BUSINESS</th>
<th>TRACK RECORD OF OWN/LICENSED IPs</th>
</tr>
</thead>
<tbody>
<tr>
<td>• US-based game developer</td>
<td></td>
</tr>
<tr>
<td>• Founded by Matthew Karch (CEO) and Andrey Iones (COO) in 2001</td>
<td></td>
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<table>
<thead>
<tr>
<th>20 YRS EXPERIENCE</th>
<th>5 STUDIOS</th>
<th>c. 600 DEVELOPERS¹</th>
<th>30 M+ GAMES SOLD</th>
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<tr>
<th>FINANCIAL PERFORMANCE</th>
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<tbody>
<tr>
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<td></td>
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<tr>
<td>105m REVENUE 2019</td>
<td>3D ENGINE</td>
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<tr>
<td>62m EBIT 2019</td>
<td>Enables high-quality game development</td>
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| Note: 1) Developers including technology R&D personnel. 2) Financials based on management account actual figures for the period 1 January – 30 November 2019 and preliminary management accounts for the period 1-31 December 2019 |
|----------------|---------|

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<thead>
<tr>
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</tr>
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<tbody>
<tr>
<td>WORLD WAR</td>
</tr>
<tr>
<td>MUD RUNNER</td>
</tr>
<tr>
<td>NBA 2K PLAYOFFS</td>
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The new combined group

<table>
<thead>
<tr>
<th></th>
<th><strong>EMBRACER GROUP</strong></th>
<th><strong>SABER INTERACTIVE</strong></th>
<th><strong>EMBRACER GROUP</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Internal development studios</strong></td>
<td>26</td>
<td>5</td>
<td>31</td>
</tr>
<tr>
<td><strong>External development studios</strong></td>
<td>58</td>
<td>3</td>
<td>61</td>
</tr>
<tr>
<td><strong>Number of IPs</strong></td>
<td>154</td>
<td>9¹</td>
<td>163</td>
</tr>
<tr>
<td><strong>Development projects</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Announced</td>
<td>44</td>
<td>4</td>
<td>48</td>
</tr>
<tr>
<td>Unannounced</td>
<td>52</td>
<td>8</td>
<td>60</td>
</tr>
<tr>
<td><strong>Developers</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Internal</td>
<td>1,237</td>
<td>590</td>
<td>1,827</td>
</tr>
<tr>
<td>External</td>
<td>1,021</td>
<td>150</td>
<td>1,171</td>
</tr>
<tr>
<td><strong>Revenue 2019 Jan-Dec</strong></td>
<td>SEK 5,541m</td>
<td>SEK 981m³,⁴</td>
<td>SEK 6,522m⁴</td>
</tr>
<tr>
<td><strong>Adj. EBIT² 2019 Jan-Dec</strong></td>
<td>SEK 1,143m</td>
<td>SEK 591m³,⁴</td>
<td>SEK 1,734m⁴</td>
</tr>
</tbody>
</table>

Note: Number of studios and Saber Interactive KPIs as per 19 February 2020. Other numbers as per 31 December 2019. 1) Excluding 5 licensed IPs of which 2 through partner. 2) Operational EBIT for Embracer Group and reported EBIT for Saber Interactive. 3) Unconsolidated, non-GAAP numbers. 4) FX rate USD/SEK of 9.4582
Acquisition highlights

✓ Senior management with highly experienced and efficient development teams

✓ Strong profitability with high cash conversion

✓ Additional stable and recurring revenue stream from Work-for-hire / royalty based projects

✓ Portfolio of recurring titles and a solid and growing pipeline from 2020 and onwards

✓ Long term synergy opportunities within publishing, development and IP utilisation

✓ Platform for further organic growth and acquisitions
Transaction terms

**TRANSACTION TERMS**

• Asset deal

• Sellers receive a combination of A and B shares, priced at SEK 78.4510 per share\(^1\) (40 day volume weighted average price up to and including 18 February 2020)

• Founders become two of the largest Embracer shareholders with a combined 11% and 15% of the capital and votes, respectively\(^1\)

• Lars Wingefors and Erik Stenberg have committed to vote in favour of appointing Matthew Karch to the board of directors

• As employees of Embracer, the Sellers receive a fixed salary and a 20 year incentive package based on future performance of Saber Interactive (10% profit share of Saber Interactive’s EBIT above USD 76m per year (accumulated))

• The Transaction expected to close during the second calendar quarter 2020

**PURCHASE PRICE**

• USD 150 million upfront payment
  • USD 100 million in cash
  • USD 50 million in equity

• USD 375 million earn-out payment over six years, of which USD 100 million in cash and USD 275 million in equity

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Note: 1) Assuming full Earn-out and fully vested shares.
Experienced founders and management

Group management team

MATTHEW KARCH
Co-founder and CEO
+20 years
industry experience

Managed Saber Interactive from a 3-person start-up to a large international gaming group. instrumental in crafting Saber Interactive’s vision

ANDREY IONES
Co-founder and COO
+23 years
industry experience

The pulsing heart of Saber Interactive, leads operations and contributes to creative ideas and concept development

TIM WILLITS
Chief Creative Officer
+24 years
industry experience
Joined in Q3-2019

Creative mind behind success stories Quake, Doom and Rage leads and supervises creative vision
A global organization in six countries

Key information
- Studio founded in 2001
- Headquartered in New Jersey, USA

Current workforce: 630+ FTEs
Retention: 95%+ in 2019
Function split:
- Developers and R&D (Tech): 7%
- Overhead: 93%

Growth ambitions:
Ambition to grow the workforce past 1,500 FTEs

Business development & publishing: 10 FTEs
HQ

Studio operations:
- World War: 430 FTEs
- NBA2K: 140 FTEs
- Rocket: 22 FTEs
- Mobile expertise: 30 FTEs
- Technology expertise: 5 FTEs

Function split:
- Developers and R&D (Tech): 93%
- Overhead: 7%

Retention: 95%+ in 2019

Growth ambitions:
Ambition to grow the workforce past 1,500 FTEs

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Function split:
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Growth ambitions:
Ambition to grow the workforce past 1,500 FTEs
History of Saber Interactive

- **Founded**
- **2001**: Initiated work-for-hire collaborations
- **2010**: Established presence in Spain
- **2019**: New office & significant FTE growth
- **2020**: Acquires Bigmoon Entertainment
- **2021**: Acquires Steel Monkeys
- **2022**: Tim Willits joins the team
- **2023**: Led game developer
History of Saber Interactive

WORK-FOR-HIRE/ROYALTY BASED PROJECTS

15 NOVEMBER 2011
XBOX 360

11 NOVEMBER 2014
XBOX ONE, PC

10 JUNE 2018
PC

15 OCTOBER 2019
NINTENDO SWITCH

2001
2010
2015
2018
2019

OWNED/LICENSED IP

31 OCTOBER 2017
PS4, XBOX ONE, PC

16 APRIL 2019
PS4, EPIC, XBOX ONE

4 OCTOBER 2019
PS4, XBOX ONE, NINTENDO SWITCH
Own proprietary technology platforms

+20 YEARS DEVELOPED

55 DEDICATED TECH. FTEs

3D engine for game development

Back-end tool for live operations

Integrated with multiple online game stores

- STEAM
- EPIC
- XBOX LIVE

Multi platform functionality

- XBOX ONE
- PS4
- PC

Full featured cloud platform for F2P games

Online services supporting millions of players

Integrated with multiple online game stores

Multi platform functionality
One of 2019’s biggest and best surprises

One of the best left 4 dead-inspired games in years

It’s visually stunning

A smart, exhilarating step forward for cooperative shooters

It really scratches that itch, namely a fun, zombie focused co-op shooter with a solid progression system that’ll keep you hooked
MudRunner has the most realistic simulation of water and muck I’ve ever seen

If you are a fan of non-conventional PC games, I cannot recommend Spintires: MudRunner enough

This game is quite easily one of the finest indie titles to have arrived on Xbox this year

MudRunner has the most realistic simulation of water and muck I’ve ever seen
NBA Playgrounds 2 is a great buy

Fun, old school gameplay with over the top action, beautiful dunks and awesome power-ups

PSX-SENSE 80/100
Oct 2018

NBA Playgrounds 2 is a great buy

The core arcade gameplay remains as fun and enjoyable as ever

Impulse Gamer 92/100
Oct 2018

nintendolife 8/10
Oct 2018

DEVELOPER
SABER INTERACTIVE

PUBLISHER
2K SPORTS

LICENSOR
NBA

GENRE
SPORTS, ARCADE
DEVELOPER
SABER INTERACTIVE

PUBLISHER
FOCUS HOME INTERACTIVE

IP OWNER
SABER INTERACTIVE

GENRE
SIMULATION

RELEASE DATE
28 APRIL 2020

CONQUER DANGEROUS TERRITORY ALONE OR WITH FRIENDS IN THIS NEXT-GENERATION OFF-ROAD EXPERIENCE
Strong Revenue and EBIT development driven by strategic shift to owned/licensed IPs

REVENUE DEVELOPMENT
USDm

<table>
<thead>
<tr>
<th>Year</th>
<th>Δ Proprietary titles</th>
<th>Δ WFH</th>
<th>Δ Other revenue</th>
<th>2019 est.</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>38</td>
<td>-5</td>
<td>-2</td>
<td>105</td>
</tr>
<tr>
<td>2019</td>
<td>74</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

EBIT DEVELOPMENT
USDm

<table>
<thead>
<tr>
<th>Year</th>
<th>Δ Net Revenue</th>
<th>Δ COGS</th>
<th>Δ OPEX</th>
<th>2019 est.</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>14</td>
<td>-16</td>
<td>-2</td>
<td>62</td>
</tr>
<tr>
<td>2019</td>
<td>67</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

2019E revenue growth driven by shift to owned/licensed IPs and success of WWZ

High cash conversion

No capitalization of development

Applying Embracer’s accounting policies will likely have some impact on reported Revenue and EBIT

Note: 1) EBIT excluding Seller distributions
Organizational overview

**ORGANIZATION POST ACQUISITION**

**SABER INTERACTIVE REMAINS INDEPENDENT**

**BUSINESS AS USUAL, NO RE-ORGANIZATION**

**MANAGEMENT RETAINED**

Matthew Karch and Andrey Iones to be appointed to Management Board

Embracer Group’s main owners propose Matthew Karch to be elected as Director of the Board for Embracer Group AB

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**Note:** Number of studios and Saber Interactive KPIs as per 19 February 2020. Other numbers as per 31 December 2019. 1) Excluding 5 licenced IPs of which 2 through partner
Illustrative combination of the two entities

ILLUSTRATIVE COMBINED INCOME STATEMENT

• Saber Interactive financials based on preliminary December 2019 figures converted at yearly average FX rates
• Saber Interactive financials are aggregated from unconsolidated entities owned or controlled by Saber Interactive
• Embracer financials according to K3
• The P&L is prepared as if the transaction is done first day of the period (2019-01-01)

<table>
<thead>
<tr>
<th>Jan – Dec 2019, SEKm</th>
<th>Embracer Group</th>
<th>Saber Interactive</th>
<th>Transaction Adjustments</th>
<th>Combined</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>5,541</td>
<td>981</td>
<td>-</td>
<td>6,522</td>
</tr>
<tr>
<td>Total operating income</td>
<td>6,485</td>
<td>991</td>
<td>-</td>
<td>7,476</td>
</tr>
<tr>
<td>Total operating expenses</td>
<td>(6,065)</td>
<td>(400)</td>
<td>(943)</td>
<td>(7,407)</td>
</tr>
<tr>
<td>EBIT</td>
<td>421</td>
<td>591</td>
<td>(943)</td>
<td>69</td>
</tr>
<tr>
<td>Amortization of intangible assets</td>
<td>722</td>
<td>-</td>
<td>943</td>
<td>1,665</td>
</tr>
<tr>
<td>Operational EBIT</td>
<td>1,143</td>
<td>591</td>
<td>-</td>
<td>1,734</td>
</tr>
<tr>
<td>Depreciation of PP&amp;E</td>
<td>802</td>
<td>-</td>
<td>-</td>
<td>802</td>
</tr>
<tr>
<td>EBITDA</td>
<td>1,945</td>
<td>591</td>
<td>-</td>
<td>2,536</td>
</tr>
<tr>
<td>Impairment of intangible assets</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>EBIT margin</td>
<td>7.6%</td>
<td>60.2%</td>
<td>n.a.</td>
<td>1.1%</td>
</tr>
<tr>
<td>Operational EBIT margin</td>
<td>20.6%</td>
<td>60.2%</td>
<td>n.a.</td>
<td>26.6%</td>
</tr>
<tr>
<td>EBITDA margin</td>
<td>35.1%</td>
<td>60.2%</td>
<td>n.a.</td>
<td>38.9%</td>
</tr>
</tbody>
</table>

ILLUSTRATIVE COMBINED BALANCE SHEET

• Saber Interactive and Embracer balance sheet per 31 December 2019
• Saber Interactive financials converted at year end FX rates
• The BS is prepared as if the transaction is done last day of the period (2019-12-31)

<table>
<thead>
<tr>
<th>Dec 2019, SEKm</th>
<th>Embracer Group</th>
<th>Saber Interactive</th>
<th>Transaction Adjustments</th>
<th>Combined</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intangible assets</td>
<td>5,633</td>
<td>-</td>
<td>4,714</td>
<td>10,347</td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>169</td>
<td>-</td>
<td>-</td>
<td>169</td>
</tr>
<tr>
<td>Financial assets</td>
<td>201</td>
<td>-</td>
<td>-</td>
<td>201</td>
</tr>
<tr>
<td>Inventories</td>
<td>387</td>
<td>-</td>
<td>-</td>
<td>387</td>
</tr>
<tr>
<td>Current receivables</td>
<td>1,570</td>
<td>204</td>
<td>-</td>
<td>1,774</td>
</tr>
<tr>
<td>Cash and bank balance</td>
<td>2,785</td>
<td>483</td>
<td>(2,356)</td>
<td>912</td>
</tr>
<tr>
<td>Total assets</td>
<td>10,745</td>
<td>687</td>
<td>2,359</td>
<td>13,790</td>
</tr>
<tr>
<td>Equity</td>
<td>6,177</td>
<td>685</td>
<td>2,359</td>
<td>9,221</td>
</tr>
<tr>
<td>Provisions</td>
<td>1,306</td>
<td>-</td>
<td>-</td>
<td>1,306</td>
</tr>
<tr>
<td>Non-current liabilities</td>
<td>209</td>
<td>-</td>
<td>-</td>
<td>209</td>
</tr>
<tr>
<td>Current liabilities</td>
<td>3,053</td>
<td>2</td>
<td>-</td>
<td>3,055</td>
</tr>
<tr>
<td>Total equity and liabilities</td>
<td>10,745</td>
<td>687</td>
<td>2,359</td>
<td>13,790</td>
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Embracer Group is the parent company of businesses developing and publishing PC and console games for the global games market. The group has an extensive catalog of over 150 owned franchises, such as Saints Row, Goat Simulator, Dead Island, Darksiders, Metro, MX vs ATV, Kingdoms of Amalur, TimeSplitters, Satisfactory and Wreckfest amongst many others.

With its head office in Karlstad, Sweden, Embracer Group has a global presence through its four operative groups: Koch Media GmbH/Deep Silver, THQ Nordic GmbH, Coffee Stain AB and Amplifier Game Invest AB. The group has 26 internal game development studios engaging more than 3,000 employees and contracted employers in more than 40 countries.