

Press release
Karlstad, Sweden, 18 November 2020

Estimated net sales of SEK 850-1,050 million and SEK 300-400 million in operational EBIT added during FY 2021/2022

INSIDE INFORMATION: Embracer Group AB (“Embracer”) and its subsidiaries have as previously communicated this morning entered into 13 acquisition agreements (the “Acquisitions”). The acquired businesses are, during the financial year ending 31 March 2022, expected to contribute to Embracer Group’s net sales in the range of SEK 850-1,050 million and contribute to operational EBIT in the range of SEK 300-400 million. In addition, during FY 2021/2022 the expanded studio footprint is expected to bring savings on capitalized game development in the range of SEK 50-100 million. The combined operational EBIT and savings on game development are expected to be in the range of SEK 350-500 million and this profitability is expected to grow in the following years as more game development projects will be completed

The aggregated day one purchase price for the Acquisitions amounts to approximately SEK 2.0 billion on a cash and debt free basis. Approximately SEK 1.7 billion is paid in cash and SEK 0.3 billion in newly issued Embracer B shares with a maximum additional consideration amounting to SEK 1.8 billion, which is subject to fulfilment of agreed milestones, both operational and financial, over a period of up to 10 years. The additional consideration comprise a maximum of approximately SEK 0.9 billion which may be paid in cash and a maximum approximately SEK 0.9 billion to be paid in Embracer B shares at a price corresponding to the volume weighted average price per Embracer B share at Nasdaq First North Growth Market during 20 trading days up until and including the date of signing of the Acquisitions (VWAP 20). The aggregated maximum consideration amounts to SEK 3.8 billion.

The total number of shares that are issued as part of the aggregate consideration, excluding shares issued as part of earn-out structures, amounts to approximately 1,723,000 Embracer B shares issued at a price of approximately SEK 174 per B share. The part of the additional consideration consisting of Embracer B shares amounts to a maximum of approximately 5,170,000 shares provided that all earn out targets are met. Approximately 1,367,000 B shares being part of the additional consideration are issued at closing of the Acquisitions and subject to such as claw back rights and lock-up restrictions. A maximum of approximately 3,803,000 B shares may be issued in the future as additional consideration subject to fulfillment of certain targets. The share issues are made pursuant to the authorization granted by the extra general meeting held

on 16 November 2020.

The Acquisitions

All of Embracer's operating units – THQ Nordic, Deep Silver/Koch Media, Coffee Stain, Amplifier Games Invest, Saber Interactive and Deca Games – are making bolt-on acquisitions. Embracer onboards more than 1,250 experienced and talented people, strengthens its developer footprint in Eastern Europe as well as its development and UA capabilities within free-to-play. In most of the transactions, earn-outs and management incentives over 5-10 years, have been put in place to ensure long term alignment with the founders and management teams joining Embracer.

The announced Acquisitions are aligned with Embracer's growth strategy and is enabled by the group's decentralized operating model. Over the past three years, Embracer has expanded from one to six operating units. Each of these operating units have put in place their own M&A agenda with the purpose of adding additional organic growth opportunities and to improve long term profit and cash flow generation. For Embracer's decentralized operating model to be sustainable and scalable, it is a necessity that most acquisitions are originated and onboarded on the operating unit level. For the Embracer operating model with emphasis on decentralized decision making and independence for local management to work, it is also necessary that founders and management of acquired companies join Embracer with a long-term mindset.

Through the Acquisitions, Embracer Group grows to 58 internal studios and more than 5,700 employees and contracted employees in more than 45 countries.

Embracer's inhouse developer footprint is expanded by 767 developers, equivalent to a 30 percent increase and brings the total number of internal developers to 3,318. The total headcounts within the group increases to more than 5,700 employees and contracted employees following the Acquisitions. The management depth is further extended by the addition of strong business leaders and local management teams with an impressive track record, where many of the acquired companies are leading premium games developers in their respective countries.

Deca Operating Unit will triple in size in terms of revenues and employees

Embracer entered the free-to-play games segment with the acquisition of Deca Games in August 2020. Today, the Deca Operating Unit is established with the addition of A Thinking Ape and IUGO, two studios based in Canada. Embracer estimate the new Deca Operating Unit will triple in size in terms of revenues and employees and create a full scale free-to-play operation with expertise across IP origination, game development, marketing, user acquisition and live operations. Deca Games, A Thinking Ape and IUGO will continue to operate as independent companies within the Deca Operating Unit free-to-play ecosystem with their respective management teams continuously responsible for

day-to-day operations. Founders and management across these businesses have a long term alignment with Embracer and shares a passion for creating a substantial free-to-play business over time through a combination of organic growth and by welcoming more FTP gaming entrepreneurs to the Embracer family.

Embracer Group's capital allocation strategy are essential for continued growth

The capital allocation priorities for Embracer are unchanged. The first priority for allocation of operational cash flow from released games to reinvest as much as possible into value enhancing organic growth opportunities, e.g. new game projects. The second priority is to use free cash flow to finance, bolt-on acquisitions in the operating units.

Embracer reiterates the ambition to maintain a strong balance sheet and strives to maintain a net cash position to maintain maximum strategic flexibility. For the right inorganic growth opportunity, financial leverage could temporarily exceed 1,0x operational EBIT to net debt, where operational EBIT is measured as management expectations for the coming twelve months. In such circumstances, leverage should at least return to below 1,0x net debt to operational EBIT over the medium term, either by retaining cash from operations or by raising primary capital in the equity market.

Cash at hand and available credit facilities post the cash payment of the Acquisitions amounts to more than SEK 8.5 billion. Furthermore, on 16 November 2020, the extra general meeting authorized the board of directors to issue B shares in the amount not exceeding ten (10) percent of the total number of shares in the Company at the time when the authorization is used the first time to fund acquisitions, parts of this mandate has been used according to the Acquisitions. The ambition is to continue to partly fund acquisitions with equity to create long term alignment with founders and management joining Embracer.

The shares and dilution

Through the Acquisitions, Embracer may in aggregate issue, including earn-out consideration shares, a total of approximately 6,893,000 shares, meaning that the number of shares in Embracer can increase from 421,139,665 to approximately 428,032,665 B shares, and that the number of votes can increase from 721,731,898 to approximately 728,624,898.

The total number of shares that are issued as part of the aggregate consideration, excluding shares issued as part of earn-out structures, are issued at a price of approximately SEK 174 per B share.

The part of the additional consideration for the Acquisitions consisting of Embracer B shares amounts to a maximum of approximately 5,170,000 shares provided that all earn out targets are met. Approximately 1,367,000 B shares being part of the additional

consideration are issued at closing of the Acquisitions and subject to such as claw back rights and lock-up restrictions. A maximum of approximately 3,803,000 B shares may be issued in the future as additional consideration subject to fulfillment of certain targets. All earn-out shares are issued at a price of approximately SEK 174 per B share.

The Acquisitions will, if all earn-out consideration shares are issued, lead to a dilution of approximately 1.61 percent of the share capital and approximately 0.95 percent of the votes in Embracer based on the number of shares and votes in Embracer following completion of the Acquisitions and issuance of all earn-out consideration shares.

All shares issued as part of the consideration for the Acquisitions, excluding the earn-out consideration shares, are issued based on the authorization from the extra general meeting on 16 November 2020.

Advisers

Ernst & Young AB is providing transaction support and Baker McKenzie is acting as legal counsel to Embracer in connection with the Acquisitions.

Responsible party

This information constitutes inside information that Embracer Group AB is obliged to make public in accordance with the (EU) Market Abuse Regulation 596/2014. The information in this press release has been made public through the agency of the responsible person set out below for publication at the time stated by Embracer Group's news distributor Cision at the publication of this press release. The responsible person below may be contacted for further information.

For additional information, please contact:

Lars Wingefors, Co-founder and Group CEO Embracer Group AB

Tel: +46 708 47 19 78

E-mail: lars.wingefors@embracer.com

About Embracer Group

Embracer Group is the parent company of businesses developing and publishing PC, console and mobile games for the global games market. Embracer Group has an extensive catalogue of over 190 owned franchises, such as Saints Row, Goat Simulator, Dead Island, Darksiders, Metro, MX vs ATV, Kingdoms of Amalur, TimeSplitters, Satisfactory, Wreckfest, Insurgency and World War Z, amongst many others.

With its head office based in Karlstad, Sweden, Embracer Group has a global presence through its six operative groups: THQ Nordic GmbH, Koch Media GmbH/Deep Silver, Coffee Stain AB, Amplifier Game Invest, Saber Interactive and DECA Games. Embracer Group has 46 internal game development studios and is engaging more than 4,000

employees and contracted employees in more than 40 countries.

Embracer Group's shares are publicly listed on Nasdaq First North Growth Market Stockholm under the ticker EMBRAC B with FNCA Sweden AB as its Certified Adviser; info@fnca.se +46-8-528 00 399.

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