

# EMBRACER+ GROUP

M&A update

18<sup>th</sup> November 2020

# We are delighted to present 13 new acquisitions and welcome 1 259 new colleagues



# The new combined group

	EMBRACER+ GROUP Pre. Acq.	Acquisitions announced 18th of November <sup>1</sup>	EMBRACER+ GROUP Post. Acq.
Internal development studios	46	12	58
External development studios	56	0	56
Number of IPs	195	19	214
Development projects	Announced 53	3	56
	Unannounced 82 <b>Total: 135</b>	16 <b>Total: 19</b>	98 <b>Total: 154</b>
Developers	Internal 2,551	767	3,318
	External 1,042 <b>Total: 3,593</b>	7 <b>Total: 774</b>	1,049 <b>Total: 4,367</b>

Note: 1) A Thinking Ape, IUGO, Zen Studios, Snapshot Games, Nimble Giant, 34BigThings, Mad Head Games, Sandbox Strategies, Purple Lamp, Quantic Lab, Coffee Stain North, Silent Games, Flying Wild Hog **3**

# Organizational overview post transaction

## ORGANIZATION POST ACQUISITION

A Thinking Ape and IUGO will remain independent studios within DECA Games

Zen Studios, Snapshot Games, Nimble Giant, 34BigThings, MadHead Games and Sandbox Strategies will remain independent within Saber Interactive

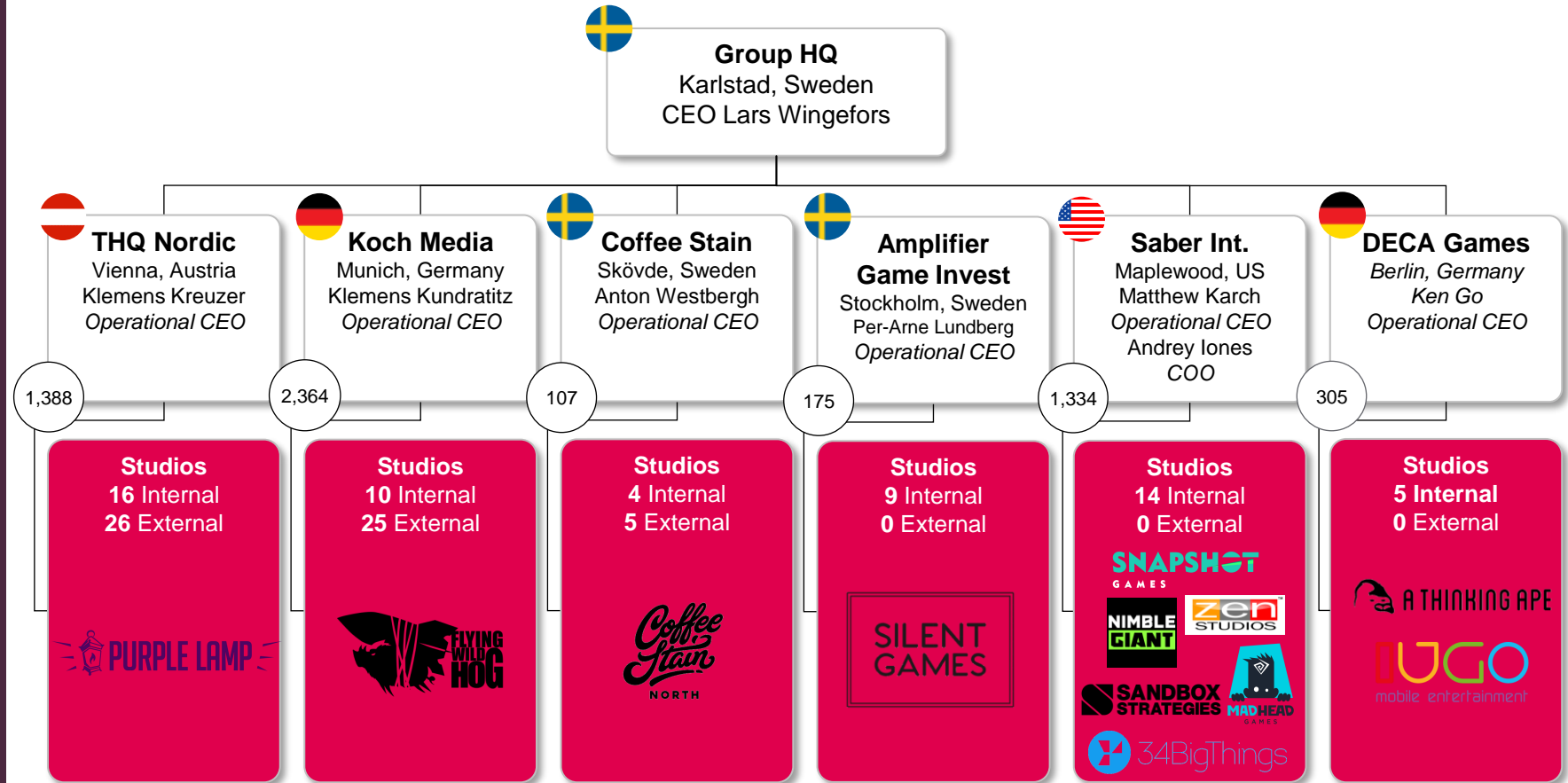
Purple Lamp will operate within THQ Nordic

Quantic Lab will remain independent within Embracer Group

Coffee Stain North will operate within Coffee Stain

Silent Games will remain independent studios within Amplifier Game Invest

Flying Wild Hog will remain independent within Koch Media



# Purchase price for Acquisitions

- 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.
- 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. Maximum approximately SEK 0.9 billion is paid in cash and a maximum approximately SEK 0.9 billion in Embracer B shares at VWAP20 at time of signing.
- The aggregated maximum consideration amounts to SEK 3.8 billion.

# Estimated net sales and operational EBIT of acquisitions

## FY 21/22

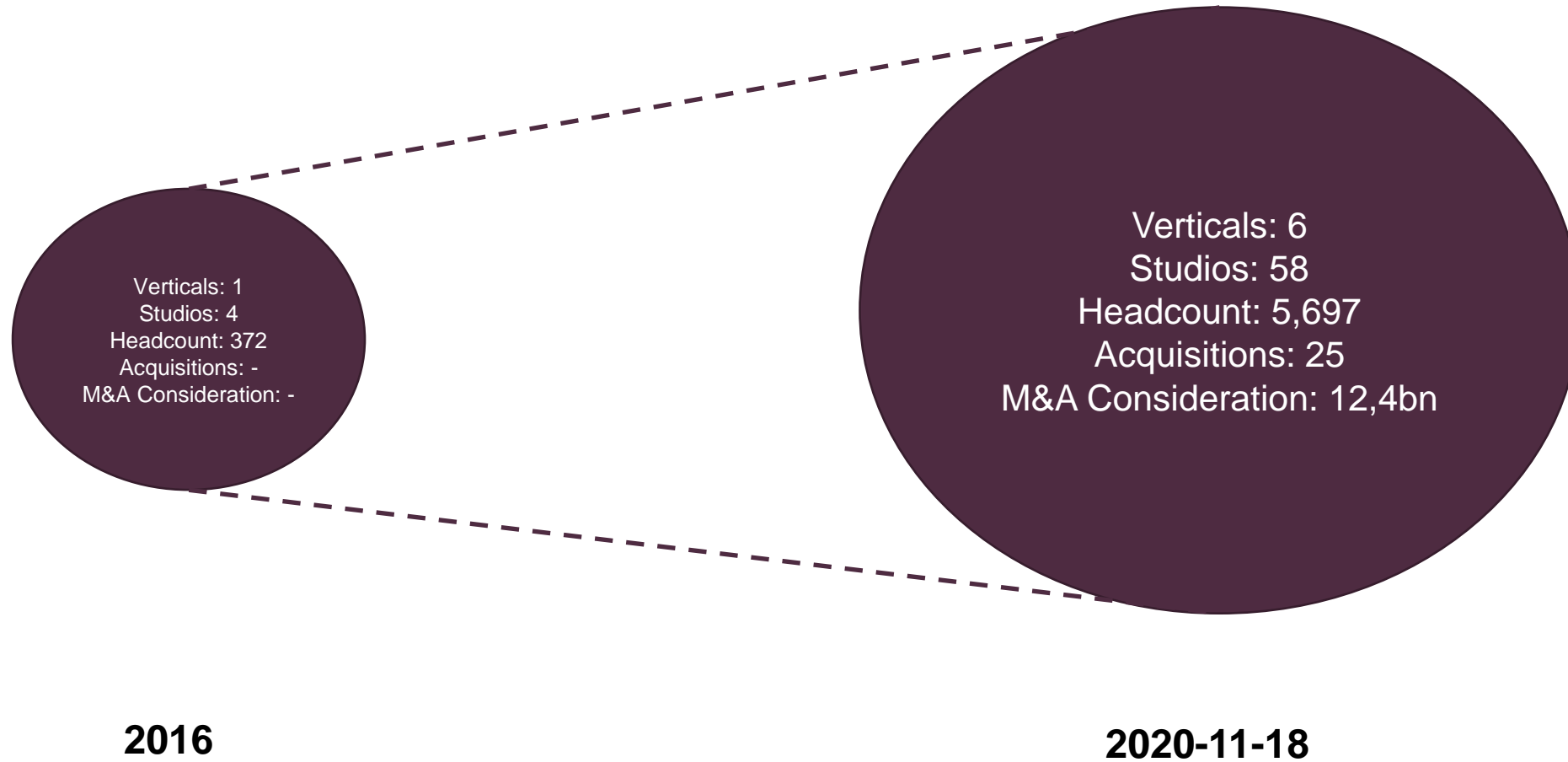
Acquisitions  
announced  
18th of  
November<sup>1</sup>

Estimated Net Sales, SEK million	850 to 1,050
Estimated Operational EBIT, SEK million	300 to 400
Savings on capitalized game development, SEK million	50 to 100
Combined operational EBIT and savings on game development, SEK million. This is expected to grow in the following years as more game development projects will be completed.	350 to 500

Note: 1) A Thinking Ape, IUGO, Zen Studios, Snapshot Games, Nimble Giant, 34BigThings, Mad Head Games, Sandbox Strategies, Purple Lamp, Quantic Lab, Coffee Stain North, Silent Games, Flying Wild Hog

# THE STRENGTH OF EMBRACER'S OPERATING MODEL ENABLES CONSIDERABLE GROWTH

Four years from IPO and counting...



# PLATFORM AND BOLT-ON ACQUISITIONS SINCE EMBRACER FOUNDING

									
Platform M&A	THQ Nordic	Saber	Coffee Stain	Amplifier	Deca	Koch Media Deep Silver	Koch Media P. Publishing	Koch Films	
Bolt on M&A	<ul style="list-style-type: none"> <li>• Gunfire</li> <li>• Bugbear</li> <li>• Piranha</li> <li>• E101</li> <li>• Handy Games</li> <li>• Black Forest</li> <li>• Pieces</li> <li>• Purple Lamp</li> </ul>	<ul style="list-style-type: none"> <li>• 4A Games</li> <li>• ZEN Games</li> <li>• Snapshot</li> <li>• NWI</li> <li>• 34BigThings</li> <li>• Nimble Giant</li> <li>• Madhead</li> <li>• Sandbox Strategies</li> </ul>		<ul style="list-style-type: none"> <li>• Tarsier</li> <li>• Palindrome</li> <li>• Vermila</li> <li>• Rare Earth</li> <li>• River End</li> <li>• Misc Games</li> <li>• DestinyBit</li> <li>• Silent Games</li> </ul>	<ul style="list-style-type: none"> <li>• A Thinking Ape</li> <li>• IUGO</li> </ul>		<ul style="list-style-type: none"> <li>• FWH</li> <li>• Vertigo</li> <li>• Milestone</li> <li>• Warhorse</li> <li>• Voxler</li> </ul>	<ul style="list-style-type: none"> <li>• 18Point2</li> <li>• Gaya</li> <li>• Game Outlet</li> </ul>	<ul style="list-style-type: none"> <li>• KSM</li> <li>• Sola Media</li> </ul>

= Business area Games  
 = Business area Partner Publishing

- Embracer Group has grown into a diversified, fast growing and high ROIC business through a collection of previously independent, generally self-funded companies, run by successful gaming entrepreneurs,.
- Embracer Group has transformed from one to six operating units, across two business areas, which jointly has completed 36 bolt on acquisitions.
- All operating units have further room to grow both organically and inorganically.
- The Group operates with a decentralized, highly scalable governance model, where all operating units and most acquired subsidiaries are run independently by original founders and management.
- The main strategic objectives for leaders of all operating units are to generate organic growth with high incremental ROIC and to scout their network for suitable, attractive bolt on acquisitions of entrepreneur-led companies.



# Capital structure

- Embracer Group's capital allocation strategy is essential for continued growth
- 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.
- Cash at hand and available credit facilities post the cash payment of the Acquisitions amounts to more than SEK 8.5 billion.
- 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.

# M&A Outlook

- The gaming M&A market is more active than ever.
- Ongoing scouting and research activity at HQ in Sweden, Saber Interactive, THQ Nordic Vienna, Koch Media Deep Silver, Coffee Stain, Deca Games and Amplifier Game Invest
- Substantial watchlist of IPs, development studios and publishers
- Embracer's operating model with autonomy to local management teams within a highly diversified group is remain attractive to many gaming entrepreneurs.
- During the past three months we been engaging with more than 100 entrepreneurs about joining the Embracer family, including a dozen sizable businesses that has the potential to create new operating units.

**EMBRACER<sup>+</sup>**  
**GROUP**