

Press release

Karlstad, Sweden, 3 February 2021

## Embracer Group acquires Aspyr Media

Embracer Group AB ("Embracer") through its wholly owned subsidiary Saber Interactive ("Saber"), has today entered into an agreement to acquire US-based Aspyr Media Inc ("Aspyr") by merger from the founders Michael Rogers and Ted Staloch. The day one purchase price amounts to USD 100 million on a cash and debt free basis, where USD 60 million is paid in cash and USD 40 million is paid in newly issued Embracer B shares. An additional consideration of a maximum of USD 350 million may be paid under the agreement subject to certain conditions. Aspyr will be a stand-alone entity under Saber Interactive. Aspyr is an independent developer and publisher with more than 24 years' experience in finding beloved IPs and connecting them with new audiences on all platforms. Through the acquisition, Embracer Group onboards a team of 140 seasoned developers lead by the founders. During the period January – December 2020, Aspyr generated approximately USD 40.6 million of revenues and USD 11.4 million of Operational EBIT<sup>1</sup>.

The transactions in brief:

- The day one purchase price amounts to USD 100 million on a cash and debt free basis, where USD 60 million is paid in cash and USD 40 million is paid in newly issued Embracer B shares.
- An additional consideration of USD 25 million may be paid conditioned on management releasing certain commercial products prior to 31 March 2026.
- Subject to fulfilment of pre-agreed financial thresholds, an additional consideration may be paid annually to the sellers, up to an aggregate maximum of USD 325 million during a seven-year period (i.e. 31 March 2022 – 31 March 2028).
- An additional agreement tied to future employment and financial performance has been formed to align interests going forward.

*"I have been a fan of Aspyr for longer than I have been in the industry. Michael and Ted are true entrepreneurs that have built a business by identifying and exploiting opportunity*

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<sup>1</sup> Financials based on unaudited management accounts and estimates prepared under local GAAP. Operational EBIT is indicative.

*where no one else saw it. They are a perfect fit for Embracer and I am proud to now call them partners. Together we will be able to greatly expand our development and publishing activities here in the US. Stay tuned for details on some of the amazing games we have under joint development. Today is a truly amazing day for Saber and the entire Group”* says Matthew Karch, CEO Saber Interactive and Director of the Embracer Board.

## **Background and rationale**

Aspyr is an independent developer and publisher founded in Austin, Texas, in 1996 by Michael Rogers and Ted Staloch, who still manage the company. Aspyr got their start by specializing in porting and publishing games on MacOS, working on popular franchises such as Borderlands and Star Wars. Aspyr has a long track-record of consistent, profitable growth and has evolved into a world-class developer and publisher having expanded its' porting, production and publishing capabilities to include products on Windows PC, Xbox, PlayStation, Nintendo, and mobile devices.

Aspyr maintains strong and long-standing partnerships with many leading game publishers and IP owners Aspyr has worked with 2K Games since 2006 when the company ported 2K Games's "Sid Meier's Civilization IV" from PC to MacOS. Since then, Aspyr has ported over 20 2K games and expansion packs to various devices and consoles. Under a typical porting and distribution agreement, Aspyr incurs the development costs to convert the game and then works with the publisher and distribution partners to successfully bring the game to market.

Aspyr has proven capabilities in all aspects of the game development and publishing lifecycle and has a history of successfully bringing games to new platforms. Through the acquisition, Embracer's position within asset care is strengthened and builds on Saber's portfolio of development projects based on licensed external IPs. Additionally, Embracer sees ample room to accelerate Aspyr's growth by acquiring more licenses, leveraging Saber's development capabilities while cooperating with other companies within the wider Embracer Group. Aspyr will remain independent under Saber Interactive, with the founders Michael Rogers and Ted Staloch continuing to manage day-to-day operations.

*"We are thrilled to join forces with Saber and to become part of the entire Embracer family. We are confident that Embracer is the ideal partner for us as we look to accelerate growth and execute on our exciting pipeline. We have been in the games industry for two and a half decades, but it feels like we are just getting started. We look forward to exploring opportunities to collaborate with other entrepreneurs within the wider Embracer Group to bring celebrated games to our fellow gamers around the world”* says Michael Rogers, Co-founder and CEO Aspyr.

## **Organic Growth Agenda**

Aspyr has an exciting pipeline and is looking to build on its' vast catalogue during the next few years as well as to bring out new content based on multiple licensed IP's. Aspyr currently has several games under development including one major ongoing game development project with a approximately budget of USD 70 million. that is expected to become an important for the entire group. These development projects will engage more than 200 internal and external developers with the core team in Austin, Texas, and will contribute to Embracer's release slate in the coming years.

#### **Purchase Price, Earn-Out Consideration and Lock-Up Period**

The day one purchase price of USD 100 million is paid with USD 60 million in cash and USD 40 million worth of newly issued Embracer B shares issued at closing (the "Closing Consideration Shares"). The Closing Consideration Shares will be divided into equal portions and subject to a 12 months and 18 months lock-up period respectively.

The earn-out considerations that may be payable by Embracer, up to a maximum of USD 350 million, are conditioned on pre-agreed operational and financial targets, and paid with 50% cash and 50% EMBRAC B shares issued when earned (the "Earn-Out Consideration Shares"), specified as follows:

- *Earn-Out 1:* USD 25 million, of which 50% shall be paid in cash and 50% in Earn-Out Consideration Shares to the founders, conditioned on their release of a commercial product each year commencing at the closing date until March 31, 2026.
- *Earn-Out 2:* The amount shall be based on Aspyr generating accumulated EBIT in excess of a pre-agreed threshold of USD 70 million during the seven-year period April 1, 2021 – March 31, 2028. Any amount in excess of that threshold will be shared and distributed as 60% to the buyer and 40% to the sellers. Earn-Out 2 shall be paid with 50% cash and 50% with Earn-Out Consideration Shares and shall not exceed USD 325 million on a cumulative basis during the seven-year period. To earn the maximum Earn-Out 2 the accumulated EBIT during a seven-year period has to exceed USD 961 million.

The Earn-Out Consideration Shares will be issued when earned and released if targets are met.

#### **Issue of Closing Consideration Shares and Earn-Out Consideration Shares**

The Closing Consideration Shares represent 0.4 percent and 0.2 percent of the total number of shares and votes in Embracer, respectively, on a fully diluted basis. By issuing the Closing Consideration Shares, the number of shares and votes increase by 1,700,339. The share capital increases by approximately SEK 4,723.

The Earn-Out Consideration Shares assuming full payment represent 1.8 percent and 1.0 percent of the total number of shares and votes in Embracer, respectively, on a fully diluted basis. By issuing the Earn-Out Consideration Shares the number of shares and votes increase by 7,438,982. The share capital increases by approximately SEK 20,664.

In total, the Closing Consideration Shares and maximum Earn-Out Consideration Shares together represent 2.2 percent and 1.3 percent of the total number of shares and votes in Embracer, respectively, on a fully diluted basis. By issuing the Closing Consideration Shares and Additional Consideration Shares the number of shares increases by 9,139,321 to 432,938,998 and the number of votes increases by 9,139,321 to 733,531,231 (divided among 33,399,137 A shares and 399,539,861 B shares). The share capital increases by approximately SEK 25,387, from approximately SEK 1,177,221 to approximately SEK 1,202,608.

The Closing Consideration Shares and Additional Consideration Shares are issued at a price of SEK 197.57 per share which equals the 20 day volume weighted average price of Embracer B shares on Nasdaq First North Growth Market up to and including 2 February 2021, and using the FX rate USD/SEK of 8.3984 as of 2 February 2021.

Upon completion of the transaction the board of directors will resolve to issue the Closing Consideration Shares pursuant to authorization granted by a general meeting. The Earn-Out Consideration Shares are issued when earned and released if targets are met.

#### **Completion of the transaction**

Closing of the transaction is conditional upon customary conditions including regulatory approvals such as merger control clearance.

#### **Advisers**

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

Alantra is acting as financial advisor, Lancaster Helling is acting as legal counsel and Munsch Hardt Kopf & Harr, P.C. and Alvarez & Marsal Taxand, LLC are acting as tax advisors to Aspyr Media. .

#### **For additional information, please contact:**

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### **Webcast presentation for investors, analysts and media**

Representatives from Embracer Group, Saber Interactive, and Aspyr Media will participate in a webcast presentation today at 12.00 CET. Invitation and details for participation will be sent out by a separate press release.

### **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 200 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 57 internal game development studios and is engaging more than 5,500 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](mailto:info@fnca.se) +46-8-528 00 399.

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