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*Press release*

*Karlstad, Sweden, 15 December 2021*

## **Embracer Group intends to make a strategic acquisition of leading board gaming group Asmodee that would form the ninth operating group**

**INSIDE INFORMATION:** Embracer Group AB ("Embracer"), has today entered into exclusive negotiations to acquire Financière Amuse Topco SAS ("Asmodee") from funds advised or managed by PAI Partners SAS ("PAI") and the other shareholders of Asmodee. Subject to completion of the consultation of the relevant works council of the Asmodee group on this proposed transaction, and exercise by the shareholders of Asmodee of their option to sell, Embracer and the shareholders of Asmodee would execute a share purchase agreement to complete the transaction. If the acquisition is eventually completed, it would mark a strategic step broadening the Embracer Group eco system, since Asmodee and Embracer share a natural and strong bond in their strategy and cultures.

Embracer will hold a webcast presentation for investors, analysts and media on 16 December 2021. For more information, kindly see further down in this press release under the heading "*Webcast presentation for investors, analysts and media*".

### **The Contemplated Transaction**

- The day one consideration is approximately EUR 2.75<sup>1</sup> billion in total.
- EUR 350 million would be paid to the main shareholder, PAI, and certain other minority shareholders in newly issued Embracer B shares (the "**Closing Consideration Shares**") and approximately EUR 2.4 billion in cash and debt refinancing.
- Asmodee's other minority shareholders would sell the majority of their shares upfront for cash, and retain a minority interest of approximately 4 percent of the shares which would be subject to put and call options, exercisable in year 2, 5 and

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<sup>1</sup> Including payment for Asmodee's recently signed acquisitions scheduled to close early 2022. The corresponding enterprise value would also include other minority interests at Asmodee's Group level.

6, pursuant to which such shareholders could receive a maximum of 40,984,678<sup>2,3</sup> newly issued Embracer B shares (the “**Additional Consideration Shares**”).

- If the put option is exercised by the current shareholders of Asmodee, and subject to clearance by all applicable antitrust authorities, the transaction would be expected to close the first half of the calendar year 2022.
- Asmodee’s CEO Stéphane Carville together with his management team would continue to lead the new operating group. Asmodee would continue to operate as before the transaction with no reorganization expected driven by the transaction.
- The acquisition would be financed by cash at hand, available credit facilities and new credit facilities from Nordea Bank, SEB and Swedbank. The new unsecured credit facility would consist of a SEK 6 billion term loan with expiry in 30 months, as well as SEK 12 billion in bridge loans. Embracer expects its average interest rate on utilized gross debt in the group would be less than 1.00 percent going forward. Embracer would expect to refinance the bridge loans in the next 12 months, whereas the term loan would add long term strategic flexibility. Post-closing of the acquisition of Asmodee, Embracer would expect to have more than SEK 9 billion in liquid funds to support investments in organic growth and enable additional acquisitive growth.

#### Key Rationale

- If the transaction is completed, Asmodee would become the ninth operating group of Embracer, moving Embracer towards becoming a leading independent global gaming eco-system and becoming Europe’s largest gaming group.
- Strong strategic and cultural fit between the companies. The combined new group would on pro forma basis have more than 11,300 employees and contracted employees across more than 50 countries. The new group would have 108 own game development studios and more than 560 owned IPs and brands.
- The acquisition adds, immediately accretive to shareholders, approximately 30 percent in forecasted Operational EBIT with approximately 7.5 percent dilution of outstanding shares (based in the number of shares today including the shares that would be issued as part of the purchase price and put option).
- Increased financial scale and diversification of Embracer group. The combined group would have a forecasted Operational EBIT range of SEK 9.0-11.0 billion during FY 22/23 and SEK 9.8-12.9 billion during FY 23/24<sup>4</sup>.

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<sup>2</sup> Priced at the volume weighted average price of SEK 89.98 during the 20 trading days preceding, but not including, 15 December 2021

<sup>3</sup> For the purpose of this press release, the equity price at completion as well as the potential dilution from new shares to be issued in the future in relation with the Asmodee acquisition assume a completion date as of March 31 2022

<sup>4</sup> The new estimate is a combination of Embracer’s Q2 21/22 figures and the new figures for Asmodee

## Financial Highlights Asmodee

- Pro forma<sup>5</sup> Net Sales of Asmodee for this calendar year is estimated to be EUR 1.1 billion, Pro forma Adjusted EBITDA<sup>5,6</sup> EUR 240 million and Pro forma Adjusted Operational EBIT<sup>5,6,7</sup> EUR 206 million.
- Forecasted Operational EBIT<sup>8</sup> contribution FY22/23 (March 2023) SEK 2,000-2,500 million and FY 23/24 (March 2024) SEK 2,300-2,900 million. These forecasts exclude further planned M&A.
- The healthy profitability of Asmodee is coupled with solid free cash flow generation, driven by a capex-light business model and efficient working capital management processes. Historically Asmodee has yielded a pre-tax free cash flow conversion of approximately 70-80 percent. The transaction is expected to be immediately accretive to FCF per share.
- Asmodee management expects to have a double digit organic profit growth over the coming five-year period

## Asmodee in brief

Asmodee, with its headquarters in Paris, France, was founded in 1995, and is a leading international publisher and distributor for board games, trading cards and digital board games with over 39 million games sold annually in more than 50 countries. Through 22 fully owned studios and 300+ IPs, Asmodee creates a dynamic transmedia experience for players across a variety of digital and physical platforms. Asmodee has a portfolio of 970+ games, of which some of the iconic game titles include Catan, Ticket to Ride, Pandemic, Dixit, Splendor, 7 Wonders, Just One, Dobble/Spot it!, Azul, Unlock!, Bezzewizzer and Exploding Kittens. Asmodee also establishes licensing and distribution partnership with leading entertainment and technology companies on successful IPs such as Pokémon, Magic: The Gathering, Disney, Harry Potter, Lord of the Rings, Star Wars, Marvel, Dungeons & Dragons and Carcassonne. With a global force of over 2,300 FTEs, Asmodee operates in 50+ jurisdictions across Europe, North America, South America and Asia, of which 21 with direct presence.

Asmodee is to date owned by PAI and certain minority shareholders of Asmodee. Asmodee's CEO Stéphane Carville together with his management team would continue to lead the new operating group. Following completion of the transaction, PAI would hold approximately four percent of the shares in Embracer, and the minority shareholders would hold up to four percent of the shares in Embracer depending on to what extent and at what terms the agreed put and call options would be exercised

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<sup>5</sup> Based on IFRS standards, includes pro forma adjustments to reflect twelve months of trading for all M&A transactions signed by Asmodee during FY21

<sup>6</sup> Adjusted for non-recurring items, including costs for share based compensation and similar which are cancelled as a consequence of Asmodee becoming a subsidiary to Embracer

<sup>7</sup> Operational EBIT reflects EBIT excluding acquisition related amortisations for consistency with Embracer's financial KPI definitions

<sup>8</sup> Based on K3 Swedish GAAP

## Background and Rationale

If the transaction is completed, this would mark a transformative step in Embracer's strategy within gaming and entertainment as outlined at the September AGM:

- Creates Europe's largest gaming group and establishes an important market leading position in board games, a category that is highly complementary to PC, console, VR and mobile games and with appealing long term organic growth outlook.
- Offers the opportunity to cross-fertilise IP and strengthen licensing partnerships across PC, console, VR, mobile, board and trading card games.
- Strong foundation for the future development of transmedia IPs.
- Ability to leverage the omni-channel distribution network to drive efficiencies across existing and new markets.
- Providing a proven platform for value-accretive M&A, complemented by a sizeable funnel for future opportunities within board games, trading card games & collectables.
- Shared strong cultural fit, with a similar integrated model operating across the value chain, from IP through to publishing and distribution.
- Enhancing the new Group's strong financial profile, with added diversity, predictability, resilience, and immediate accretion to adjusted earnings per share and free cash flow per share.

If the acquisition is completed, Embracer would onboard one of the market leading independent global players in a large, growing, highly resilient board gaming market with proven experience of creating long-lasting franchises and delivering strong original content. The acquisition would create Europe's largest gaming group, and would enable collaboration within Embracer in terms of development, publishing, technology, IPs as well as a platform for further M&A. Asmodee would become the ninth operating group, continuing to operate independently.

## Financing

The acquisition would be financed by cash at hand, available credit facilities and new credit facilities from Nordea Bank, SEB and Swedbank. The new unsecured credit facility consists of a SEK 6 billion term loan with expiry in 30 months, as well as SEK 12 billion in bridge loans. Embracer would expect that the group's average interest rate on utilized gross debt in Embracer will be less than 1.00 percent going forward.

Embracer would expect to refinance the bridge loans in the next 12 months, whereas the term loan adds long term strategic flexibility. If the acquisition of Asmodee is completed, Embracer would expect to have more than SEK 9 billion in liquid funds to support investments in organic growth and enable additional acquisitive growth.

At the time of closing, Embracer expects pro-forma net debt of approximately SEK 17 billion. In line with Embracer's target, financial leverage could temporarily exceed 1,0x net

debt to operational EBIT, where operational EBIT is measured as management's expectations for the coming twelve months. Under such circumstances, leverage should at least return to below 1.0x net debt to operational EBIT over the medium term.

#### *Lars Wingefors AB guarantee*

In order to facilitate the potential acquisition of Asmodee, Lars Wingefors AB has provided specific guarantees which are planned to be progressively replaced or cancelled in early 2022. There is no compensation for, or costs associated with, these guarantees provided.

#### **Financials**

On a preliminary basis, based on Embracer's accounting principles, Asmodee is expected to generate Pro forma Net Sales of SEK 11.8 billion and Adjusted Operational EBIT<sup>9</sup> of SEK 2,100 million for the calendar year to 31 December 2021.

The acquisition would, immediately add accretive to shareholders, representing approximately 30 percent in forecasted Operational EBIT with only approximately 7.5 percent dilution of outstanding shares (based in the number of shares today including the shares that would be issued as part of the purchase price and put option).

Increased financial scale and diversification of Embracer group. The combined group will have forecasted an Operational EBIT range of SEK 9.0-11.0 billion during FY 22/23 and SEK 9.8-12.9 billion during FY 23/24.

The healthy profitability of Asmodee is coupled with solid free cash flow generation, driven by a capex-light business model and efficient working capital management processes. Historically the company has yielded a pre-tax free cash flow conversion of 70-80 percent. If completed, the transaction would be expected to be immediately accretive to FCF per share.

Asmodee's net sales follows a clear seasonal pattern with stronger demand in the second part of the calendar year. We therefore expect that net sales will be split roughly 20 percent, 25 percent, 35 percent and 20 percent in the first, second, third and fourth quarter in Embracer Group's financial year starting on April 1 and ending March 31.

Total consideration including transaction costs amounts to approximately SEK 32.1 billion and the estimated value of acquired net assets amounts to SEK 2.8 billion. Thus, the estimated preliminary surplus value amounts to approximately SEK 29.3 billion. This will be amortized according to Embracer's current accounting principles straight over five years, resulting in additional amortizations of surplus values of approximately SEK 1.5 billion per quarter.

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<sup>9</sup> Adjusted Operational EBIT=Operational EBIT adjusted for non-recurring items, e.g., costs for share based compensation and similar which are cancelled as a consequence of Asmodee becoming a subsidiary to Embracer

Embracer has not completed the detailed valuation analyses necessary to arrive at the final estimates of the fair market value of the assets to be acquired and the liabilities to be assumed in connection with the acquisition of Asmodee. The estimated preliminary surplus value set out above is based upon Embracer's preliminary estimates at the date of preparation of these preliminary pro forma figures. As a result of the finalization of this allocation after the completion of the acquisition, Embracer expects to make adjustments, some of which could be material. Differences between the preliminary and final figures could have a material impact on Embracer's pro forma financial performance.

**Issue of Closing Consideration Shares and Additional Consideration Shares and Lock-up<sup>10</sup>**

The Closing Consideration Shares would represent approximately 3.8 percent and 2.4 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 would increase by 40,060,091. The share capital would increase by approximately SEK 55,639.

The Additional Consideration Shares assuming fully earned and when issued would represent 3.9 percent and 2.5 percent of the total number of shares and votes in Embracer, respectively, on a fully diluted basis. If the Additional Consideration Shares would be issued the number of shares and votes would increase by 40,984,678. The share capital would increase by approximately SEK 56,923.

In total, the Closing Consideration Shares and the maximum Additional Consideration Shares that would be issued together would represent 7.4 percent and 4.8 percent of the total number of shares and votes in Embracer, respectively, on a fully diluted basis. By issuing the Closing Consideration Shares and the Additional Consideration Shares the number of shares would increase by 81,044,769 to 1,096,335,696 and the number of votes would increase by 81,044,769 to 1,697,520,162. The share capital would increase by approximately SEK 112,562, from approximately SEK 1,410,127 to approximately SEK 1,522,689. The Additional Consideration Shares would be delivered in connection with potential exercise of the put option for the other shareholders.

The Closing Consideration Shares and Additional Consideration Shares would be issued at a price of SEK 89.98 per share which equals the volume weighted average price of Embracer B shares on Nasdaq First North Growth Market during the 20 trading days preceding, but not including, 15 December 2021.

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<sup>10</sup> For the purpose of this press release, the equity price at completion as well as the potential dilution from new shares to be issued in the future in relation with the Asmodee acquisition assume a completion date as of 31 March 2022

Upon completion of the transaction the board of directors would resolve to issue the Closing Consideration Shares pursuant to authorization granted by a general meeting. The Additional Consideration Shares would be delivered in the future in connection with potential exercise of the put and/or the call option.

Out of the 40,060,091 B shares<sup>11</sup> in Embracer to be paid to PAI and certain other minority shareholders, 50% would be subject to a 12 months lock-up undertaking and 50% would be subject to a 18 months lock-up undertaking.

### **Completion of the transaction**

If the put option is exercised, the transaction would be expected to be completed within six months after which Asmodee will be consolidated into Embracer. Closing of the transaction would be conditional upon customary conditions including regulatory merger control clearances.

### **Extra General Meeting**

Embracer will also summon an extra general meeting to add an additional authorization to issue the Closing Consideration Shares. In addition, Embracer's board of directors will also propose a new 10 percent authorization for future needs replacing the current authorization granted by the annual general meeting.

### **Advisers**

HSBC is acting as sole financial and strategic advisor, Baker McKenzie is acting as legal advisor and EY is acting as financial and tax advisor to Embracer in the transaction.

### **Responsible party**

The information in this press release 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 was submitted for publication through the agency of Embracer Group AB's contact person set out below, on 15 December 2021, 17:31 CET.

### **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

#### **Stéphane Carville, CEO of Asmodee Group**

Tel: +33 1 34 52 19 70

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<sup>11</sup> Priced at the volume weighted average price of SEK 89.98 during the 20 trading days preceding, but not including, 15 December 2021 taking into account the exchange rate between SEK and EUR as of 14 December 2021

E-mail: [carville.s@asmodee.com](mailto:carville.s@asmodee.com)

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

Representatives from Embracer and Asmodee will participate in a webcast presentation on 16 December 2021 at 08.15 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. The Group has an extensive catalogue of over 250 owned franchises, such as Saints Row, Goat Simulator, Dead Island, Darksiders, Metro, MX vs ATV, Kingdoms of Amalur, TimeSplitters, Satisfactory, Wreckfest, Insurgency, World War Z and Borderlands, amongst many others.

With its head office based in Karlstad, Sweden, Embracer Group has a global presence through its eight operative groups: THQ Nordic GmbH, Koch Media GmbH/Deep Silver, Coffee Stain AB, Amplifier Game Invest, Saber Interactive, DECA Games, Gearbox Entertainment and Easybrain. The Group has 86 internal game development studios and is engaging more than 9,000 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](mailto:info@fnca.se) +46-8-528 00 399.

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**Forward-looking statements**

This press release contains forward-looking statements that reflect the company's intentions, beliefs, or current expectations about and targets for the company's future results of operations, financial condition, liquidity, performance, prospects, anticipated growth, strategies and opportunities and the markets in which the company operates. Forward-looking statements are statements that are not historical facts and may be identified by words such as "believe", "expect", "anticipate", "intend", "may", "plan", "estimate", "will", "should", "could", "aim" or "might", or, in each case, their negative, or similar expressions. The forward-looking statements in this press release are based upon various assumptions, many of which are based, in turn, upon further assumptions. Although the company believes that the expectations reflected in these forward-looking statements are reasonable, it can give no assurances that they will materialize or prove to be correct. Because these statements are based on assumptions or estimates and are subject to risks and uncertainties, the actual results or outcome could differ materially from those set out in the forward-looking statements as a result of many factors. Such risks, uncertainties, contingencies and other important factors could cause actual events to differ materially from the expectations expressed or implied in this release by such forward-looking statements. Embracer does not guarantee that the assumptions underlying the forward-looking statements in this press release are free from errors and readers of this press release should not place undue reliance on the forward-looking statements in this press release. The information, opinions and forward-looking statements that are expressly or implicitly contained herein speak only as of its date and are subject to change without notice. Neither Embracer nor anyone else undertake to review, update, confirm or to release publicly any revisions to any forward-looking statements to reflect events that occur or circumstances that arise in relation to the content of this press release, unless it is not required by law or Nasdaq First North Growth Market's rule book for issuers.