Embracer Group enters into agreement to acquire Perfect World Entertainment

21 December 2021
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GEARBOX ENTERTAINMENT ACQUIRES
Perfect World Entertainment (PWE)

TODAY’S SPEAKERS:

LARS WINGEFORS
CEO, Founder

RANDY PITCHFORD
Founder

YOON IM
CEO

JASON PARK
VP, Business Development

(Embracer Group)

(perfect world entertainment)

(perfect world)

(PWE)
WHO WE ARE

We are gamers, with a passion for sharing the joy of playing games with the epic video games we help bring to life. From iconic franchises to hidden gems from up-and-coming studios, we publish games that **challenge** and **entertain** players who seek the thrill of the unexpected.

OUR MISSION

To stay true to what we love, and take gamers with us to epic worlds that **challenge** them to game beyond their limits.
GEOGRAPHIC FOOTPRINT

- **Founded:** 2000 (Cryptic) and 2008 (PWE Publishing)
- **Employee Count:** 136 (Cryptic) and 101 (PWE Publishing)
- **HQ:** Los Gatos, CA (Cryptic), Redwood City, CA (PWEP NA), Amsterdam, NL (PWEP EU)
- **Market:** North America & Europe
- **Platform:** PC & Console
**HISTORY**

<table>
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<tr>
<th>2008~2011</th>
<th>2011~2013</th>
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<tr>
<td><strong>Coming to America</strong></td>
<td><strong>Local Dev. &amp; 3(^{rd}) Party</strong></td>
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<tr>
<td>● Focused on bringing PW MMOs to Western markets.</td>
<td>● Acquired Cryptic in 2011 from Atari.</td>
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<tr>
<td>● Launched 8 MMOs in 3 years.</td>
<td>● Started licensing business with 3(^{rd}) party games.</td>
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<tr>
<td>● Profitable in the 1(^{st}) 3 month.</td>
<td>● Launched Neverwinter in 2013.</td>
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- **PERFECT WORLD**
- **EUGERE SAGA Online**
- **Jade Dynasty**
- **BATTLE: IMMORTALS**
- **FORSKEN WORLD**
- **HEROES OF THREE KINGDOMS**
- **CRYPTIC**
- **RUSTY HEARTS**
- **BLACKLIGHT RETRIBUTION**
- **NEVERWINTER**
- **STAR TREK ONLINE**
- **RAIDER Z**
<table>
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<th>Historical Period</th>
<th>Platform &amp; Console</th>
<th>Premium Games</th>
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<td></td>
<td>First F2P MMO for Xbox One and PS4.</td>
<td>Expanded our supported platforms to Switch with Torchlight 2/3 and Hob.</td>
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PWE MANAGEMENT

YOON IM
CEO
15+ Years in Gaming

JASON PARK
VP, Business Development
15+ Years in Gaming

ZHENG ZENG
VP, Platform
10+ Years in Gaming

YANAN WANG
VP, Finance
10+ Years in Gaming
1st & 3rd Party Publishing Portfolio

**F2P**

- **Neverwinter**
  - $400+ million in revenue
  - 20+ million players

- **Star Trek Online**
  - $240+ million in revenue
  - 6+ million players

- **Perfect World**
  - $200+ million in revenue
  - 4+ million players

**Premium**

- **Torchlight**
  - $65+ million in revenue
  - 5+ million units sold

- **Remnant: From the Ashes**
  - $70+ million in revenue
  - 3+ million units sold
PORTFOLIO STRATEGY

- PC/Console
- Games-as-a-Service & Premium
- Core Gaming experiences
- Indie & AA
- Gameplay First
- Global Appeal
INTELLECTUAL PROPERTY

Beloved ARPG Franchise

5M+ Units Sold
20M+ Players

Other IPs

CHAMPIONS ONLINE
GIGANTIC
HOB
CRYPTIC STUDIOS

Founded in 2000, Cryptic has a rich legacy of MMOs with 136 employees and HQ in Los Gatos, California

City of Heroes Series
Launched 2004

City of Heroes and City of Villains bounded onto the MMO landscape early and pioneered many mechanics that later became staples of the industry. With its expansive world, and immensely customizable characters, City of Heroes was an instant hit and still is remembered fondly by the millions who took up the mantle of a Hero (or Villain).

Champions Online
Launched 2009

This expansive game has held a loyal fan base with its tongue-in-cheek humor, fun combat, nearly infinite costume options and comic-inspired art style. Champions has stood the test of time. In April 2018, it surpassed City of Heroes to become the longest running superhero MMO and then kept on going.

Star Trek Online
Launched 2010

With unique space combat gameplay, deeply engaging stories, hundreds of meticulously rendered starships, and recognized actors, this award-winning game has captivated and entertained Star Trek fans around the world. The development team’s passion and respect for the IP are key to delivering some of the best of Star Trek available anywhere.

Neverwinter
Launched 2013

Born from the vision of creating a true D&D experience in an MMO, the magic of Neverwinter lies in its exciting action combat and expansive recreation of the Forgotten Realms.

Players around the world band together to explore fantastic lands on mythical mounts, fight iconic monsters, and claim epic loot as their reward.
TRANSACTION OVERVIEW

Purchase Price

- USD $125m at closing
- Paid with USD $60m in cash and USD $65m in shares
- Purchase price net of cash: USD $103m
- Acquired from Perfect World Europe B.V.
- Forecast CY 2021 Net Sales: SEK 700m
- Forecast Operational EBIT FY 22/23: breakeven; FY 23/24 SEK 200-300m

Post Deal Structure

Note: Consideration shares represent newly issued EMBRAC B shares priced at SEK 90.81 (20-day volume weighted average price up to and including December 17, 2021 and lock-up rights. Numbers subject to closing adjustments.)
COMPANY STRUCTURE / TRANSACTION PERIMETER

Perfect World Europe B.V. (Netherlands)

Perfect World North America Corporation (Delaware, USA)

Perfect World Publishing B.V. (Netherlands)

Perfect World Entertainment, Inc. (California, USA)

Cryptic Studios, Inc. (California, USA)

Runic Games, Inc. (Delaware, USA)
DEAL RATIONALE

• Cryptic Studios’ passion for and experience with MMOs is rare and valuable

• PWE Publishing’s portfolio and talent is world-class

• PWE brings strong financial contribution and strategic value with IP and unique capability to Embracer

• The acquisition accelerates Gearbox Entertainment’s mission to Entertain the World
OPERATIONAL PLAN

• Perfect World Entertainment to operate as a business unit within Gearbox Entertainment

• Perfect World Entertainment’s publishing business will combine its work with Gearbox Publishing to deliver world-class entertainment globally

• Cryptic Studios will remain a standalone brand under our Gearbox Publishing business unit