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Karlstad (Sweden), August 13 2020

## Embracer Group acquires Deca Games

Embracer Group AB ("Embracer") has today entered into an agreement to acquire 100 percent of the share capital in Germany-based Deca Live Operations GmbH ("DECA").

DECA Games, founded by Ken Go, who is also the seller, is a mobile asset care and live operations ("LiveOps") expert within the Free-to-Play ("FTP") games segment. Through the acquisition, Embracer Group adds a strong team forming a key pillar in building a growing and profitable mobile and FTP business within the group while DECA will benefit from Embracer's IP catalog, access to capital and deal flow. The upfront purchase price amounts to approximately MEUR 25 and is paid in newly issued B shares, plus an earn-out consideration, subject to fulfilment of agreed earnings targets, of a maximum of approximately MEUR 60.

*"I'm very pleased to welcome Ken and the DECA team to our Group. We have been looking for an opportunity to enter the mobile and FTP segment for a while and with Ken and DECA we have found an ideal steppingstone. DECA's strength in asset care is an area with many similarities to the Embracer foundations" says Lars Wingefors, Group CEO Embracer.*

### The transaction in brief

- Embracer has today acquired 100 percent of DECA's share capital from Ken Go (CEO and founder of DECA) for approximately MEUR 25 worth of newly issued B shares in Embracer ("**Closing Consideration Shares**") paid with 1,865,529 shares. The Closing Consideration Shares are subject to lock-up.
- The earnout structure, which at yesterday's closing share price is worth a maximum of approximately 60 MEUR, if DECA achieves significant growth over the coming seven years creating a substantially larger business, paid with 4,473,372 newly issued B shares in Embracer issued at closing ("**Earn Out Consideration Shares**"). The Earn Out Consideration shares are subject to DECA reaching accumulated earnings targets and vest over the course of the next seven years (on 31 December 2023, on 31 December 2025, on 31 December 2027). The Earn-Out Consideration Shares are subject to claw back rights and one month lock-up following each vesting period.
- DECA expects net sales of more than MEUR 20 for the period Apr 2020-Mar 2021, with an operational EBIT margin of more than 35 percent.
- Net debt is estimated to MEUR 3.0 at closing.
- DECA's financial results are based on unaudited estimates prepared according to local GAAP.
- DECA will be consolidated into Embracer's accounts as of August 13<sup>th</sup> 2020.

*"It is with great pleasure and excitement for the future that DECA joins Embracer today. We see a tremendous opportunity for our business on the FTP market and partnering with Lars and the Embracer Group will amplify our ability and ambition to take DECA to the next level.", says Ken Go, CEO DECA*

### Background and rationale

DECA was founded by Former Kabam Europe GM Ken Go in 2016 and is best known for acquiring established game IP, assets and licenses and apply operating expertise to grow audience and improve profitability. To

date, DECA has eight game IPs in the portfolio and an exciting pipeline of acquisitions. DECA is headquartered in Berlin with employees residing in 14 different countries. The Globally distributed team of over 100 people have diverse experiences across FTP platforms and game genres.

The transaction marks the beginning of a long-term partnership between Embracer and Ken Go who will continue as CEO and run DECA as an independent entity within Embracer for the foreseeable future. As part of the transaction, Ken Go will be entitled to the Earn-Out Consideration Shares. The Earn-Out Consideration Shares are linked to the financial performance of DECA over the next seven years, which creates long-term alignment between Ken Go and Embracer.

DECA forms the sixth operative group within Embracer and is a key pillar in building a mobile business, applying the established asset care strategy to a new market: Mobile and FTP. Mobile and FTP is highly complementary to Embracer's existing, fast growing business within premium PC/console game development and publishing and the new segment presents big opportunities in a soaring market. Embracer plans to reinvest cash flows and contribute additional funding to DECA who creates a new platform for acquisitive growth within Embracer.

DECA's highly profitable, cash generative and scalable FTP and LiveOps model along with their expertise within mobile is applicable on all FTP games, but emphasis going forward is mainly on mobile or cross platform games. The ambition is to build a diversified portfolio of established mobile IP's, while utilizing current IP's on mobile platforms and experiment with FTP mechanics. Access to capital, deal flow, IP catalog, knowledge sharing and experienced developers within Embracer will amplify DECA's growth going forward. The transaction is in line with Embracer's long-term growth strategy of acquiring game franchises and development studios.

#### **Purchase Price, Earn-Out Consideration, Lock-Up period and Clawback Right**

Embracer acquires 100 percent of the share capital in DECA from Ken Go for approximately MEUR 25, paid with 1,865,529 newly issued B shares. The Closing Consideration Shares are subject to lock-up, 1,118,343 shares have a two-year lock-up and 747,186 shares have a six month lockup period.

The agreed earn-out consideration that may be payable by Embracer, a maximum of approximately MEUR 60 in total, is paid with 4,473,372 newly issued B shares issued at closing. The Earn-Out Consideration Shares are subject to claw back rights and vest upon fulfillment of agreed financial targets based on accumulated earnings. The Earn-Out Consideration Shares vest according to three trigger events taking place between closing and December 31 2027 (on 31 December 2023, on 31 December 2025 and on 31 December 2027). In addition to the claw back rights the Earn-Out Consideration Shares are subject to one-month lock-up following each vesting period.

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

The board of directors of Embracer has today resolved to issue the Closing Consideration Shares and the Earn-Out Consideration Shares pursuant to the authorization granted by the annual general meeting on September 17, 2019.

The Closing Consideration Shares represent 0.50 percent and 0.28 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 1,865,529. The share capital increases by approximately SEK 5,182.

The Earn-Out Consideration Shares represent 1.19 percent and 0.66 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 4,473,372. The share capital increases by approximately SEK 12,426.

In total, the Closing Consideration Shares and maximum Earn-Out Consideration Shares together represent 1.67 percent and 0.93 percent of the total number of shares and votes in Embracer, respectively, on a fully diluted basis. By issuing the Closing Consideration Shares and Earn-Out Consideration Shares the number of shares increases by 6,338,901 to 378,691,456 and the number of votes increases by 378,691,456 to 679,283,689 (divided among 33,399,137 A shares and 345,292,319 class B shares). The share capital increases by approximately SEK 17,608 from approximately SEK 1,034,313 to approximately SEK 1,051,920.

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

The transaction is not subject to any further resolution or approval and is completed as of August 13, 2020.

#### **Advisers**

EY provided transaction support and Baker McKenzie acted as legal advisor to Embracer in the transaction.

Agnitio Capital and Advokatfirman Vinge advised DECA Games in the transaction.

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

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#### **About Embracer Group:**

Embracer Group is the parent company of businesses developing and publishing PC and console games for the global games market.

The Group has an extensive catalogue of over 170 owned franchises, such as Saints Row, Goat Simulator, Dead Island, Darksiders, Metro, MX vs ATV, Kingdom Come: Deliverance, TimeSplitters, Satisfactory, Wreckfest, Destroy All Humans!, World War Z and SnowRunner, amongst many others. With its head office based in Karlstad, Sweden, Embracer Group has a global presence through its five operative groups: THQ Nordic, Koch Media/Deep Silver, Coffee Stain, Amplifier Game Invest and Saber Interactive. The Group has 33 internal game development studios and is engaging more than 4,000 employees and contracted employers in more than 40 countries.

Embracer Group's shares are publicly listed on Nasdaq First North 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.

For more information, please visit: <http://www.embracer.com>

#### **Forward-looking statements**

This press release contains forward-looking statements that reflect Embracer's intentions, beliefs, or current expectations about and targets for Embracer's and the group'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 Embracer 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 undertakes 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.