

Q2

FY 2023/24

EMBRACER GROUP
INTERIM REPORT

JULY – SEPTEMBER 2023

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Interim Report Q2 FY 2023/24

Net Sales Group

SEK 10,831m

YOY GROWTH

13%

GROUP ORGANIC GROWTH

-2%

GROUP PRO FORMA GROWTH

-3%

Adjusted EBIT

SEK 1,814m

YOY GROWTH

-14%

Free Cash Flow

SEK 387m (SEK -936m)

Adjusted EBIT forecast

SEK 7,000m – 9,000m

FY 2023/24

(REITERATED)



Stable Q2 performance and improved cash flow

Key internal IPs and studios performing well

Good progress on the restructuring program



1.

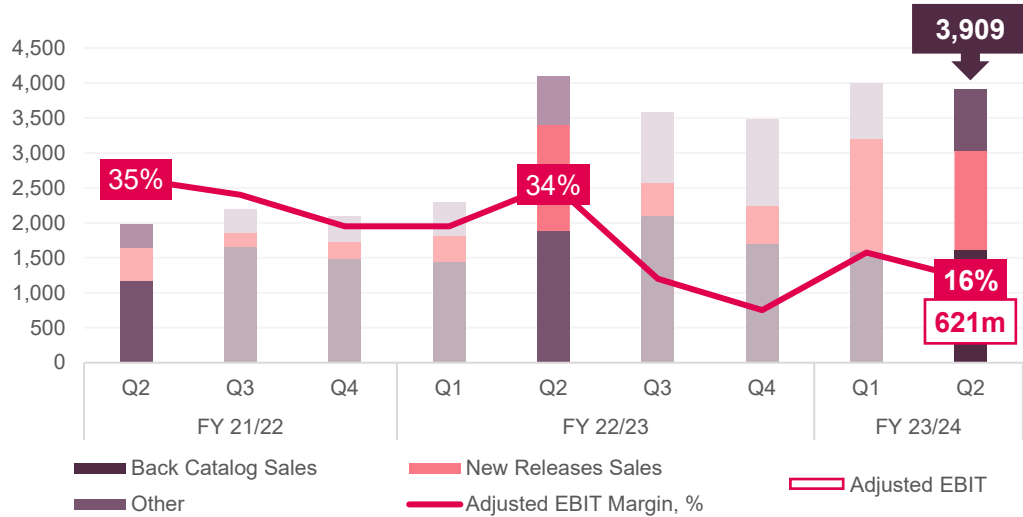


Operating segments

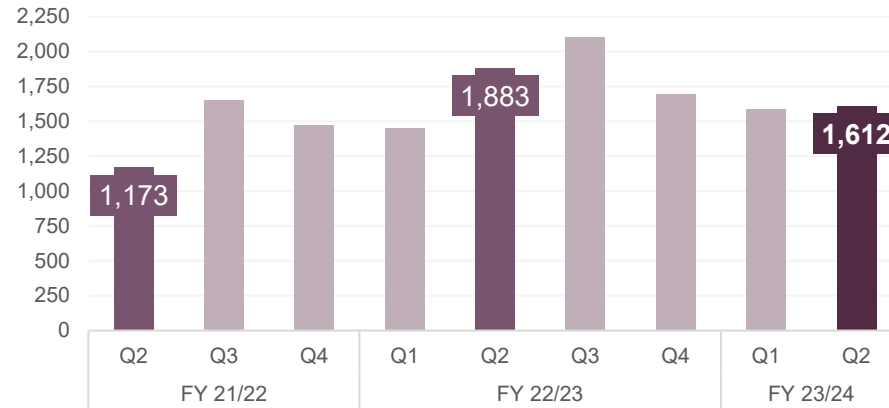


PC/Console Games

NET SALES REVENUE SPLIT SEKm & ADJUSTED EBIT MARGIN



BACK CATALOG SALES SEKm



TOP 10 BACK CATALOG



NEW RELEASES



ORGANIC GROWTH

-17%

PRO FORMA GROWTH

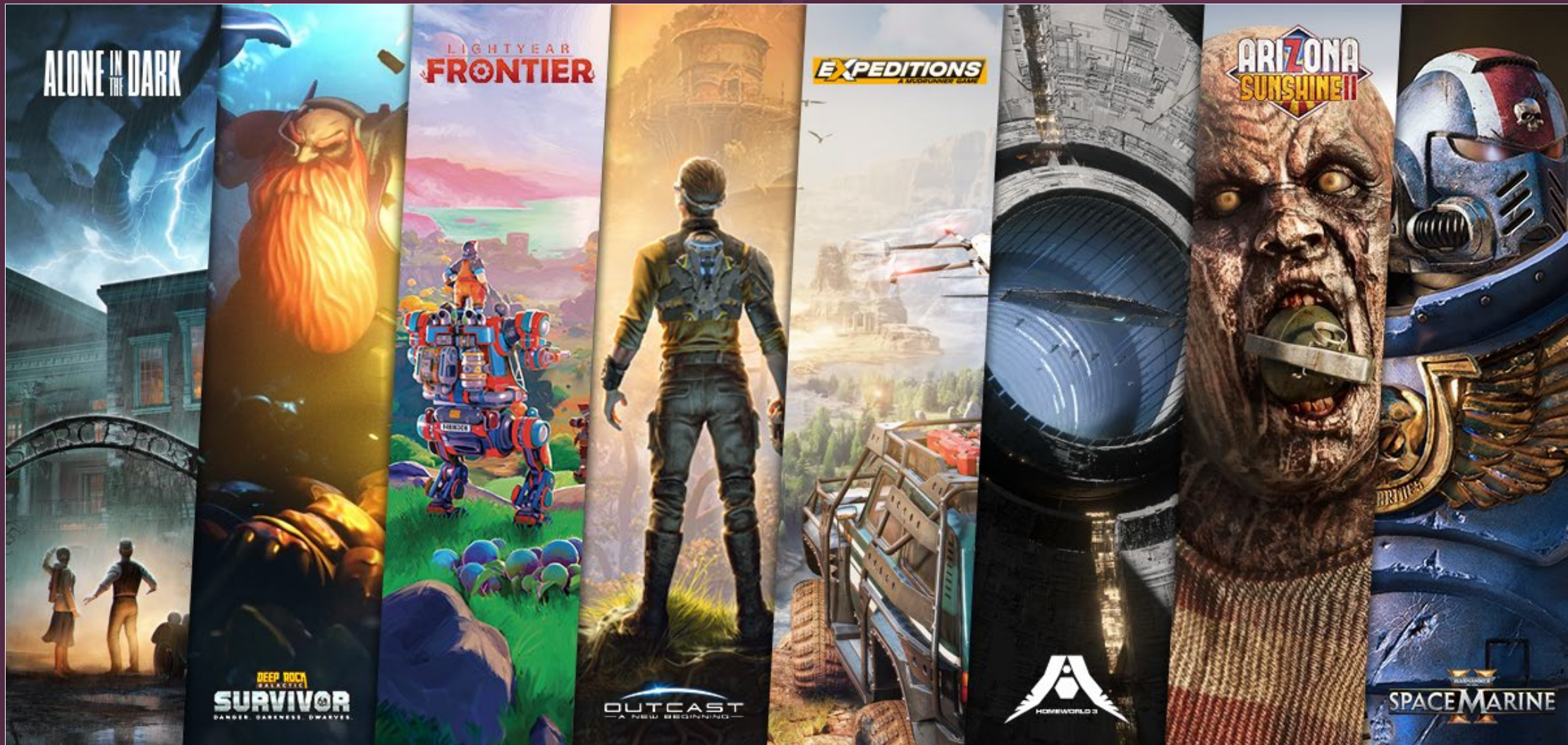
-22%



Operative Groups: 7 | Internal Headcount: 10,137 | Internal Studios: 99

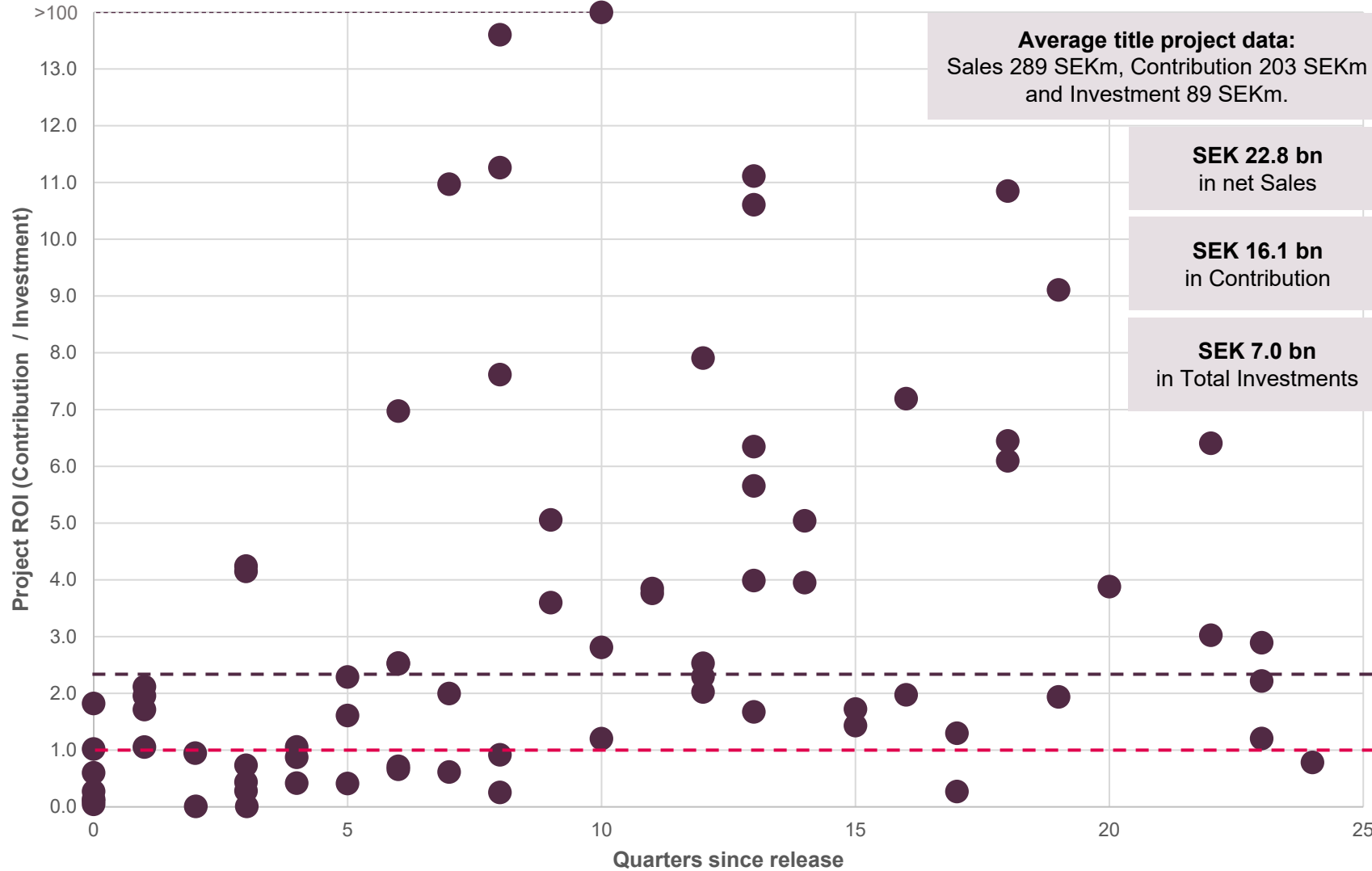


Pipeline ahead for FY 2023/24





PROJECT ROI (CONTRIBUTION/INVESTMENT)



DETAILS

- Based on reported numbers until September 30, 2023
- Sample includes projects with sales above 40 SEKm or investment above 40 SEKm (79 projects)
- ROI = Contribution / Investment
- Contribution = Gross Profit less marketing expenses from release to 30 September 2023
- Investment = Capitalized Development Expenses including follow-on investment

2.29x in average

1.0x in break even



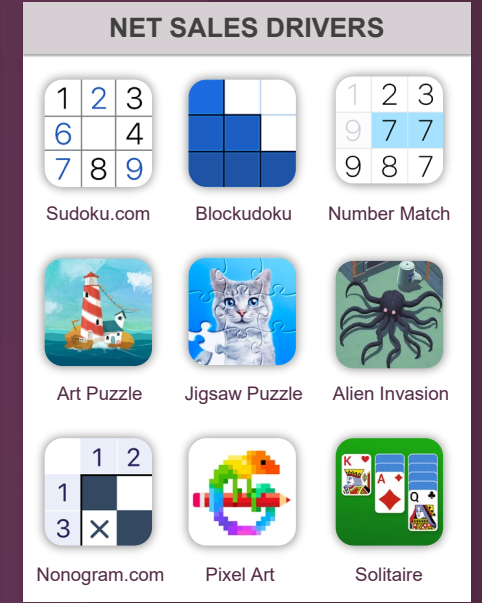
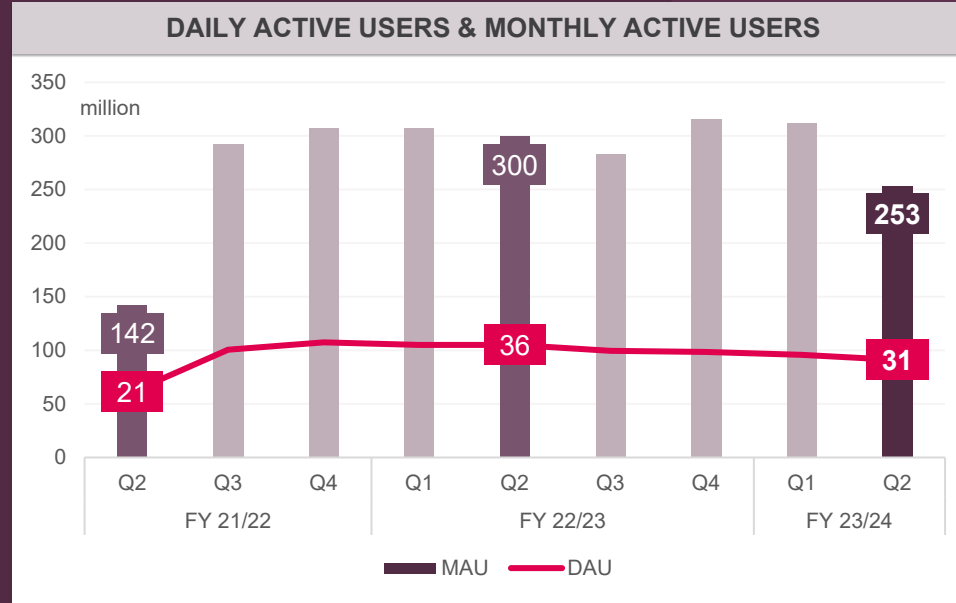
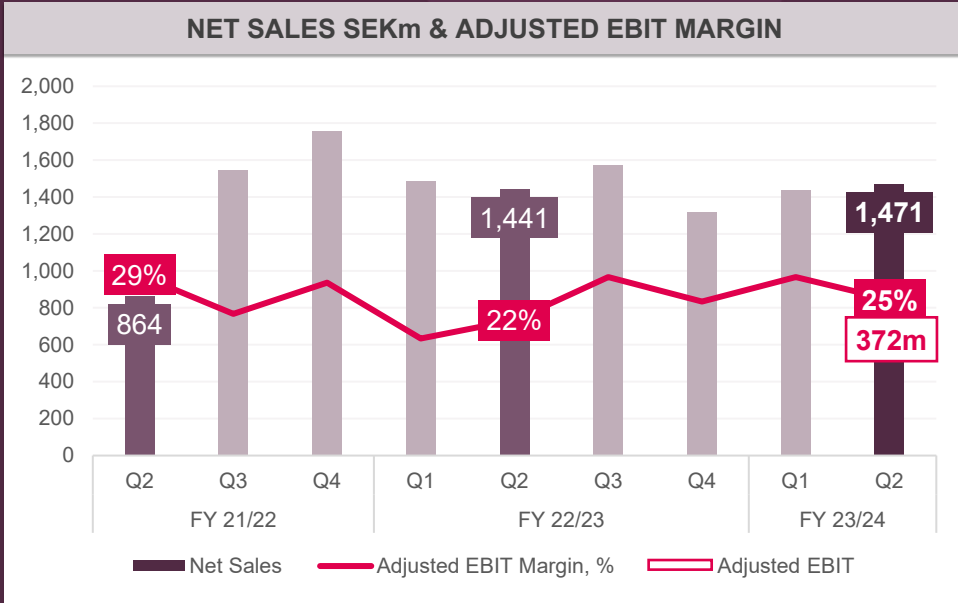
INVESTMENTS AND COMPLETED GAME DEVELOPMENT

SEK 10,031m

in capitalized development as of Q2*

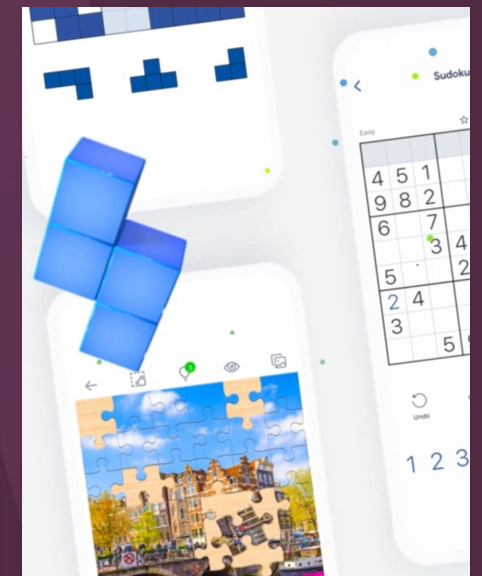
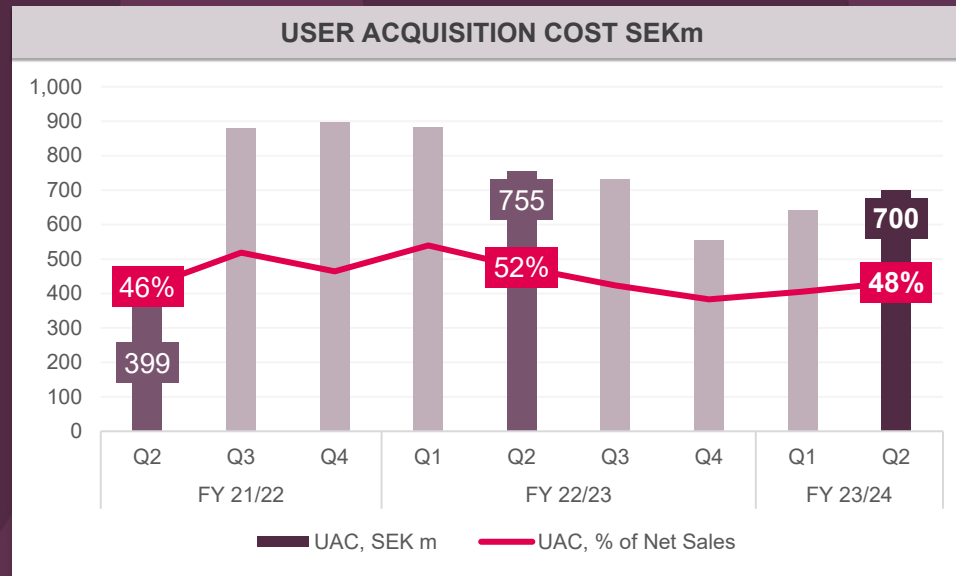


Source: as of September 30, 2023 | *Decrease vs. Q1 driven by write-downs



ORGANIC GROWTH
-10%

PRO FORMA GROWTH
-4%



Operative Groups: 2 | Internal Headcount: 1,075 | Internal Studios: 11

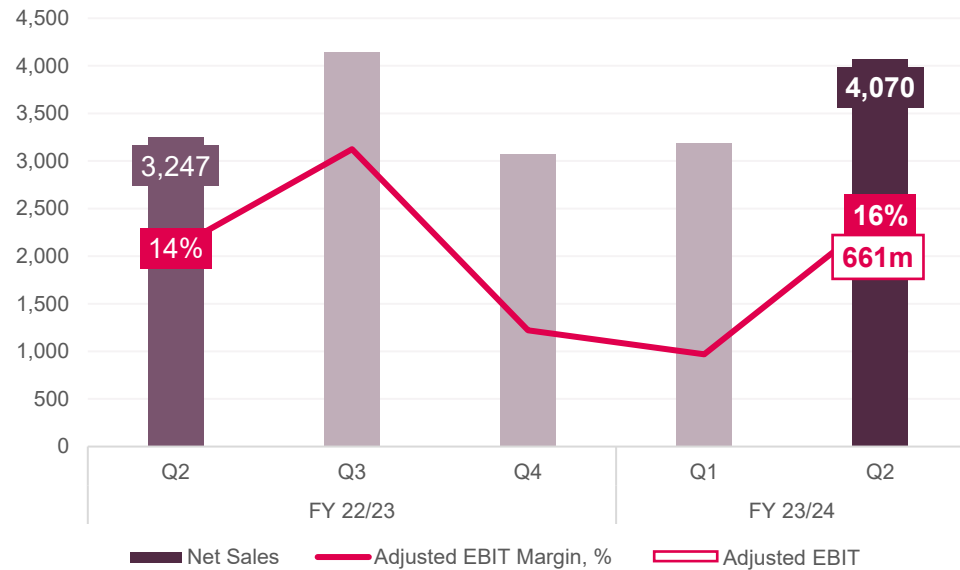
Easybrain

DECA

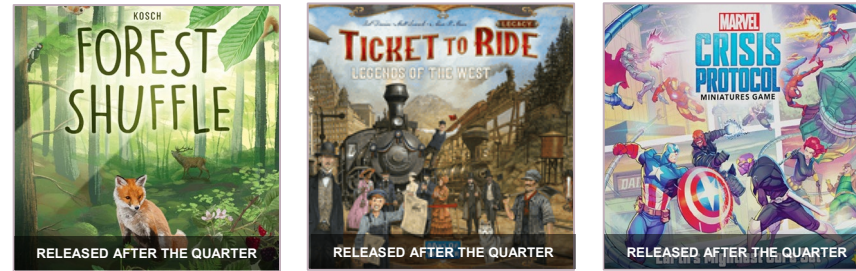
CrazyLabs



NET SALES SEKm & ADJUSTED EBIT MARGIN



STRONG PIPELINE



NEW RELEASES



ORGANIC GROWTH

15%

PRO FORMA GROWTH

13%

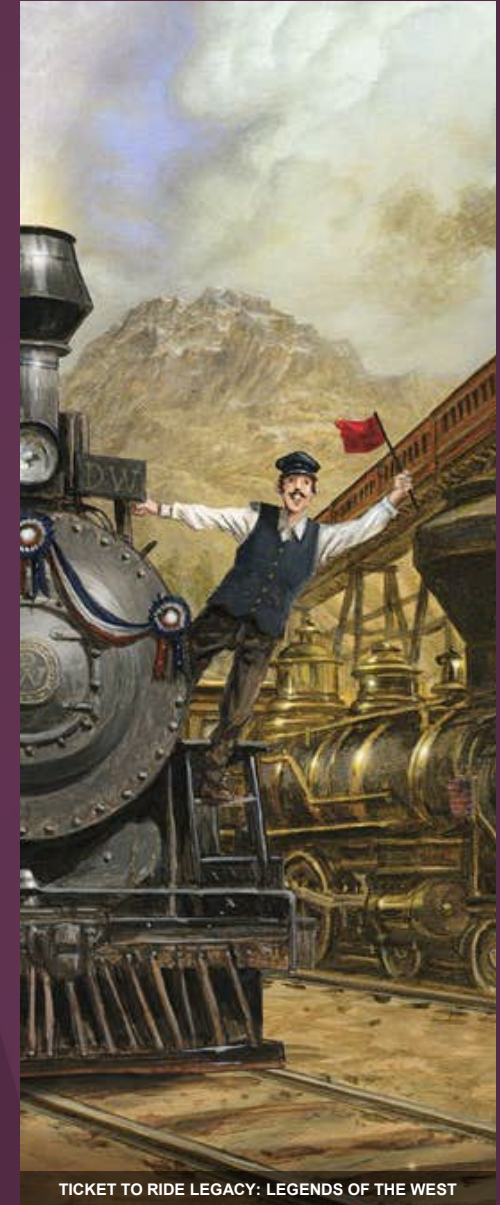
Significant improvement in free cash flow YoY

Operative Groups: 1 | Internal Headcount: 2,500 | Internal Studios: 23

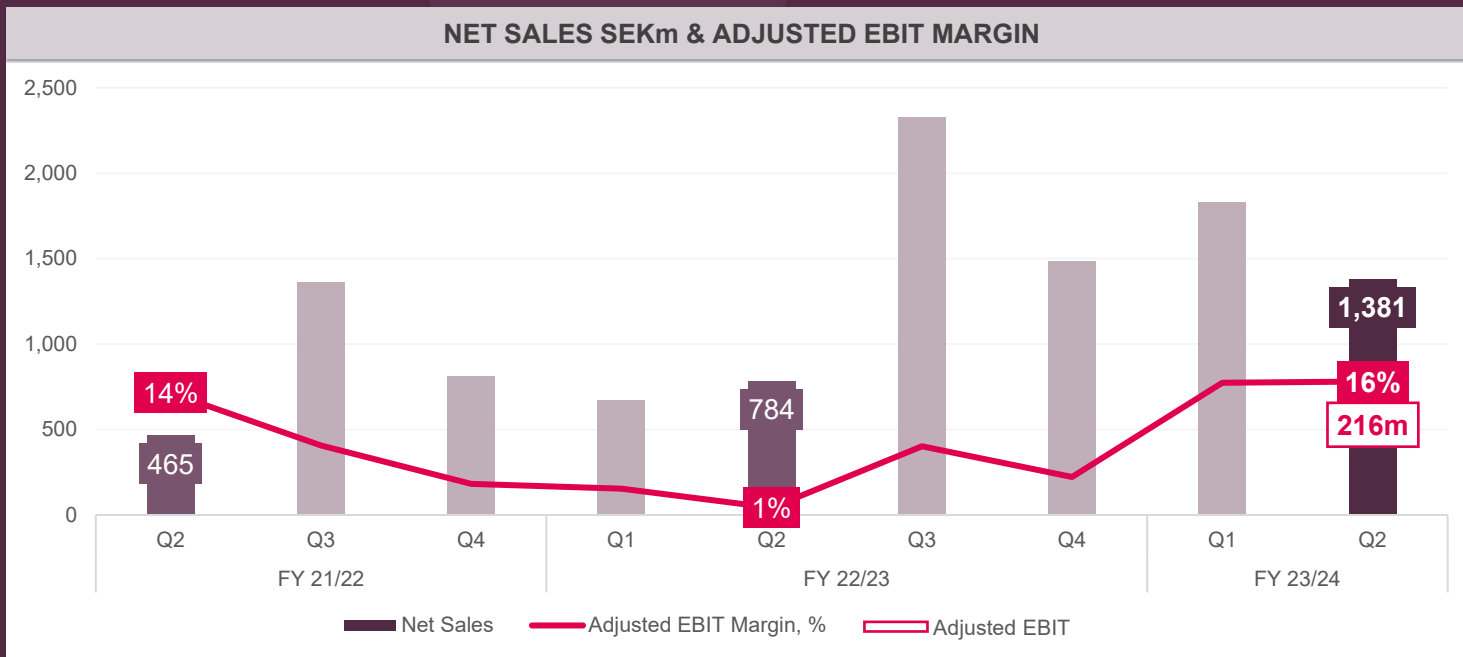
asmodee



STAR WARS™ UNLIMITED TCG / FANTASY FLIGHT GAMES



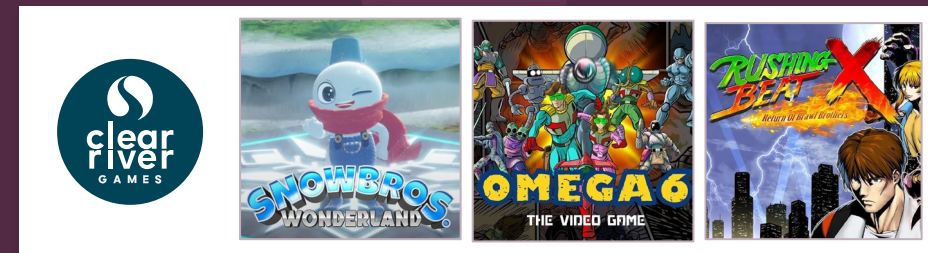
TICKET TO RIDE LEGACY: LEGENDS OF THE WEST



Higher adjusted EBIT margin driven by Magic: The Gathering trading card game, The Lord of the Rings: Tales of Middle-earth™

ORGANIC GROWTH
13%

PRO FORMA GROWTH
28%



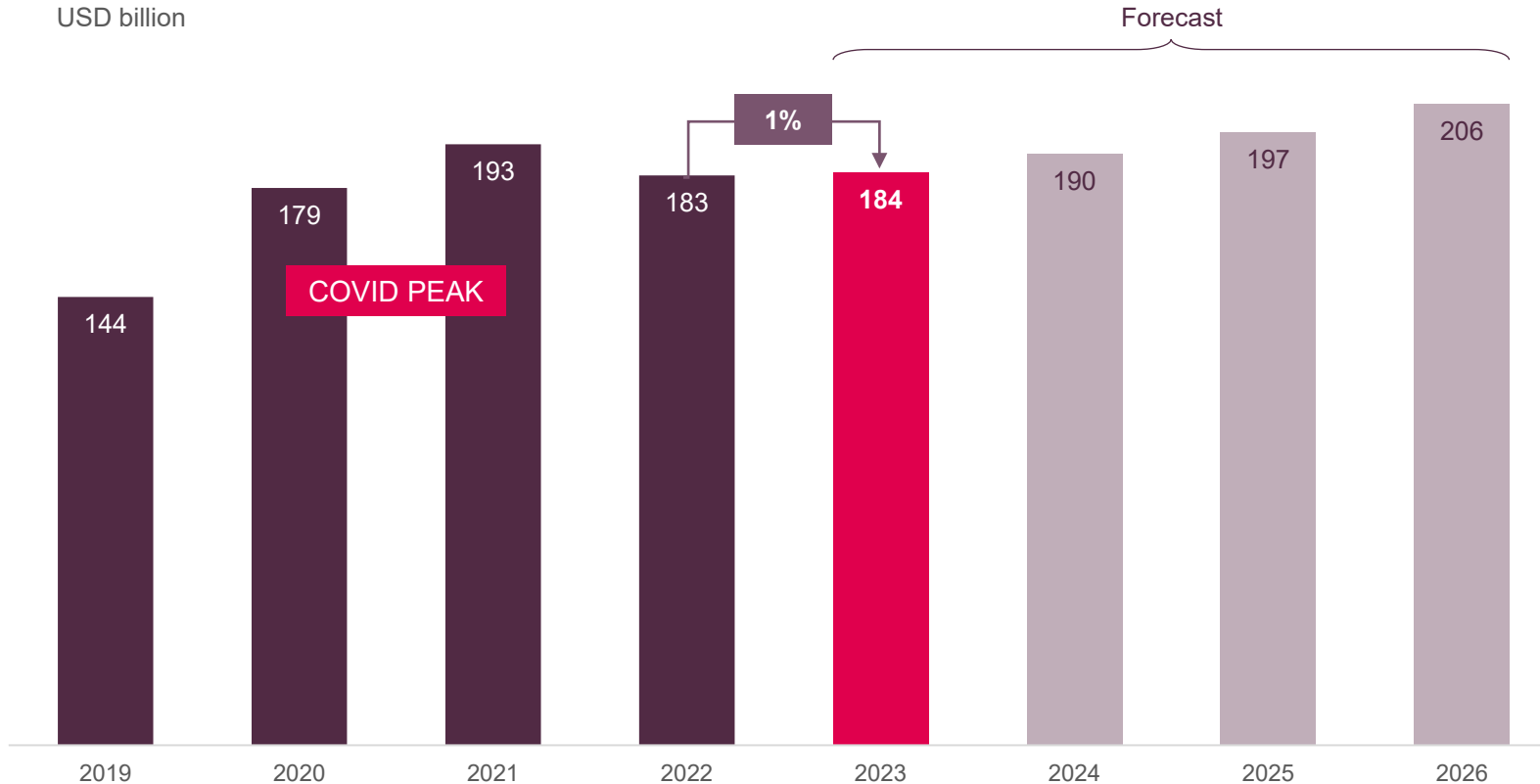
Operative Groups: 3 | Internal Headcount: 790 | Internal Studios: 2



Market update

GLOBAL VIDEO GAMES MARKET REVENUE FORECAST

USD billion



2019-2026 CAGR 5%

Source: Newzoo

GLOBAL MARKET

PC¹
 expected to grow by
+4%
 in 2023

Console¹
 expected to grow by
+2%
 in 2023

Mobile¹
 expected to decline by
-2%
 in 2023

Tabletop²
 grew in H1 FY 23/24 by
+1%
 YoY

In 2023 the total global video games market is expected to generate USD 184 billion, an increase of 1 % YoY ¹⁾, with PC expected to be the fastest growing segment.

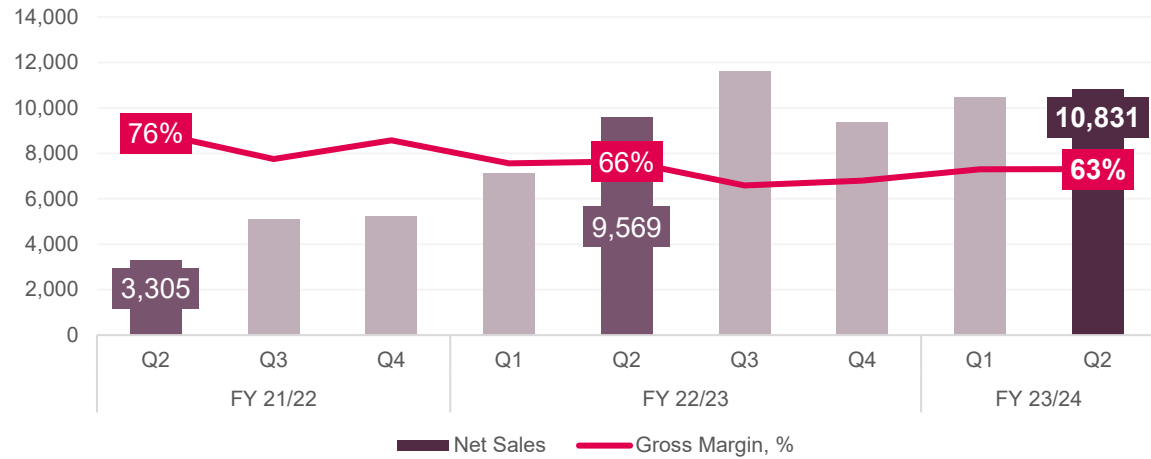
2.

Financial performance

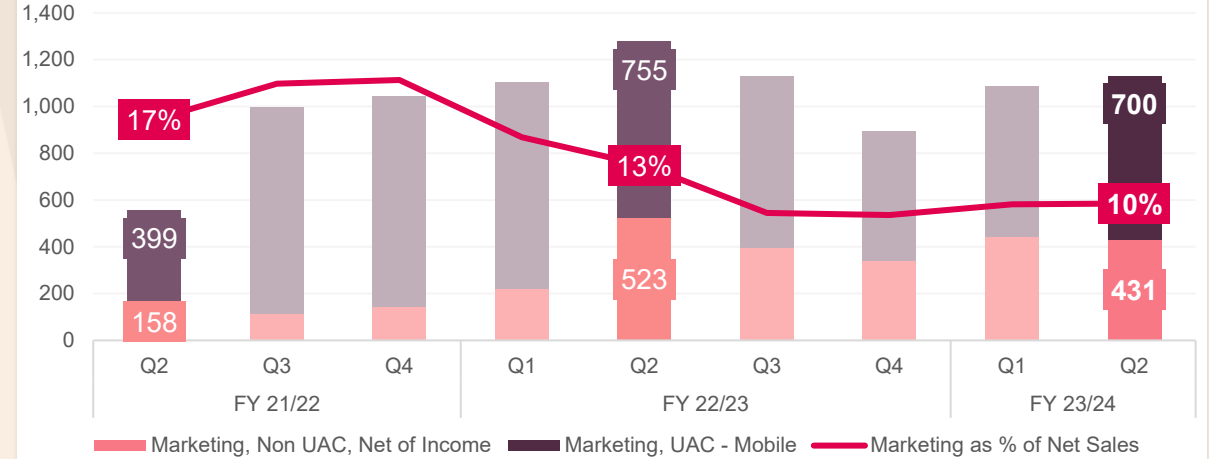


Financial development

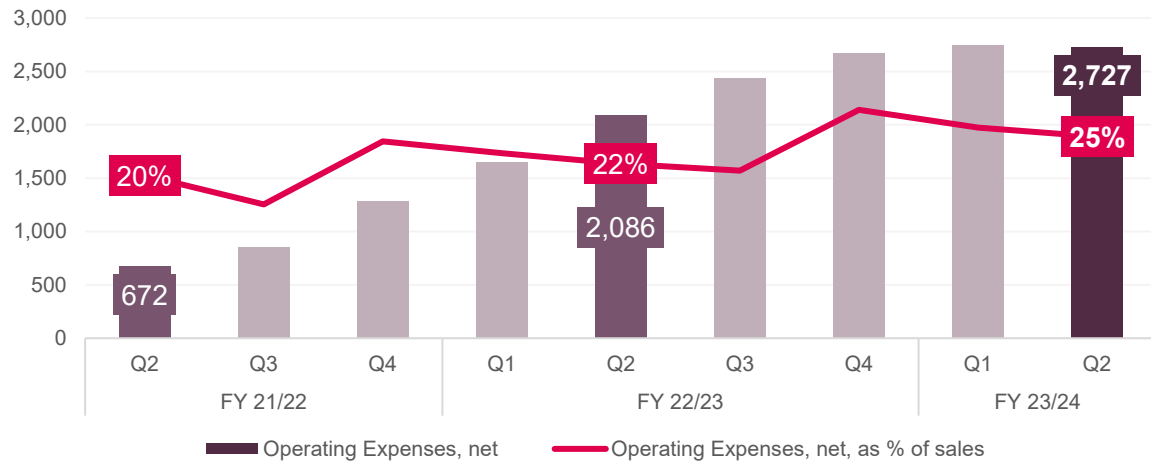
GROSS MARGIN DEVELOPMENT SEKm



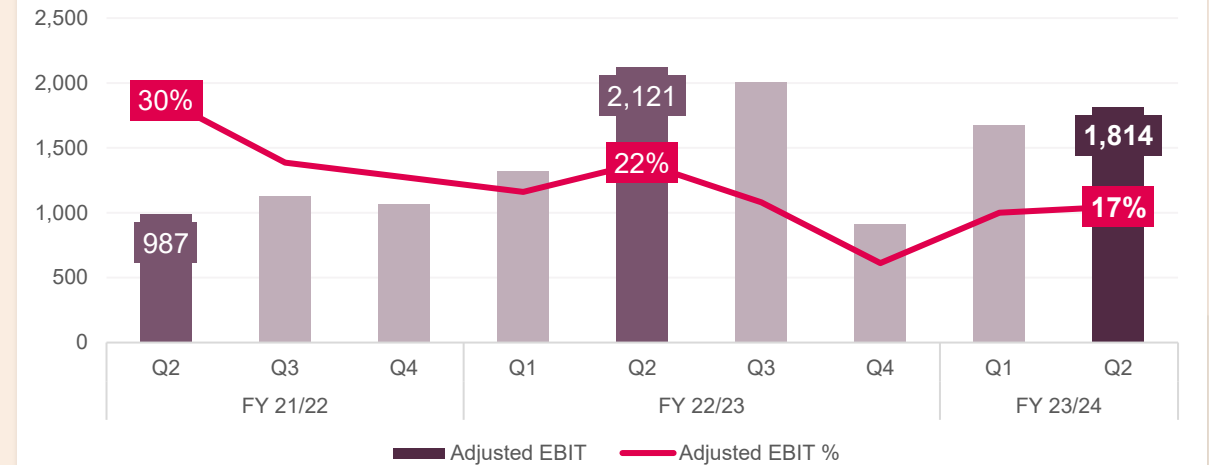
DEVELOPMENT OF MARKETING EXPENSES SEKm



DEVELOPMENT OF OPERATING EXPENSES, NET SEKm



ADJUSTED EBIT SEKm



Cash flow and net debt

SEKm	FY23/24 Q2	FY22/23 Q2	TTM Q2
Adjusted EBITDA	2,923	3,056	10,563
Cash Tax	-243	-203	-991
Other items	-310	-162	-846
Operating Cash flow	2,370	2,691	8,726
Net investment in intangible assets	-1,914	-1,572	-7,045
Net investment in tangible assets	-86	-124	-486
Net investment in financial assets	-65	5	-322
Net Investment	-2,065	-1,691	-7,853
Free Cash Flow before WC	305	1,000	873
Change in working capital	82	-1,936	605
Free Cash Flow after WC	387	-936	1,478
Cash Flow from financing activities	1,502	3,199	1,063
Net investment in acquired companies	-121	-3,799	-5,766
Cash effect IAC costs	-146	-	-146
Cash Flow for the period	1,623	-1,536	-3,370

SEKm	Sept. 30, 2023	Sept. 30, 2022	March 31, 2023
Cash	5,520	8,879	4,662
Current investments	2	-	18
Current liabilities to credit institutions	-1,396	-1,745	-683
Current account credit facilities	-7	-129	-17
Non-current liabilities to credit institutions	-18,743	-18,169	-19,560
Net Debt (-) / Net Cash (+)	-14,624	-11,164	-15,581

Forecast

FORECAST

Financial Year 2023/24

ADJUSTED EBIT

SEK 7,000 – 9,000 million

- We remain confident in our forecast range. The H2 outlook for the PC/Console and Mobile segments has however softened somewhat compared to our assessment in Q1. For PC/Console, it is due to the actual or expected performance of new game releases, as well as minor probable shifts in the pipeline. For Mobile, it relates to a slightly more conservative view on monetization and organic growth.
- In the PC/Console Games segment, solid earnings growth is expected, driven by a solid back catalog revenue from games released in H1, as well as a strong lineup of new releases across operative groups in H2.
- In the Mobile Games segment, a mid-to-high single-digit negative organic growth is expected. Underlying market trends are assumed to be stable throughout the year. The Adjusted EBIT margin is expected to be slightly above FY 2022/23.
- In the Tabletop Games segment, mid-to-high single-digit organic growth is expected, driven by both board games and trading card games, with an Adjusted EBIT margin slightly below FY 2022/23.

3.

Update on restructuring program

Today's speakers



MÜGE BOUILLON

FINANCE WORKSTREAM LEAD – RESTRUCTURING PROJECT
GROUP CFO, ASMOTEE

**EMBRACER⁺
GROUP**



PHIL ROGERS

PC/CONSOLE WORKSTREAM LEAD – RESTRUCTURING PROJECT
INTERIM CHIEF STRATEGY OFFICER
GROUP CEO, CRYSTAL DYNAMICS-EIDOS

**EMBRACER⁺
GROUP**

Reminder

Objective: Improve efficiency and cash generation, transforming Embracer into a leaner, stronger, more focused and cash self-sufficient company

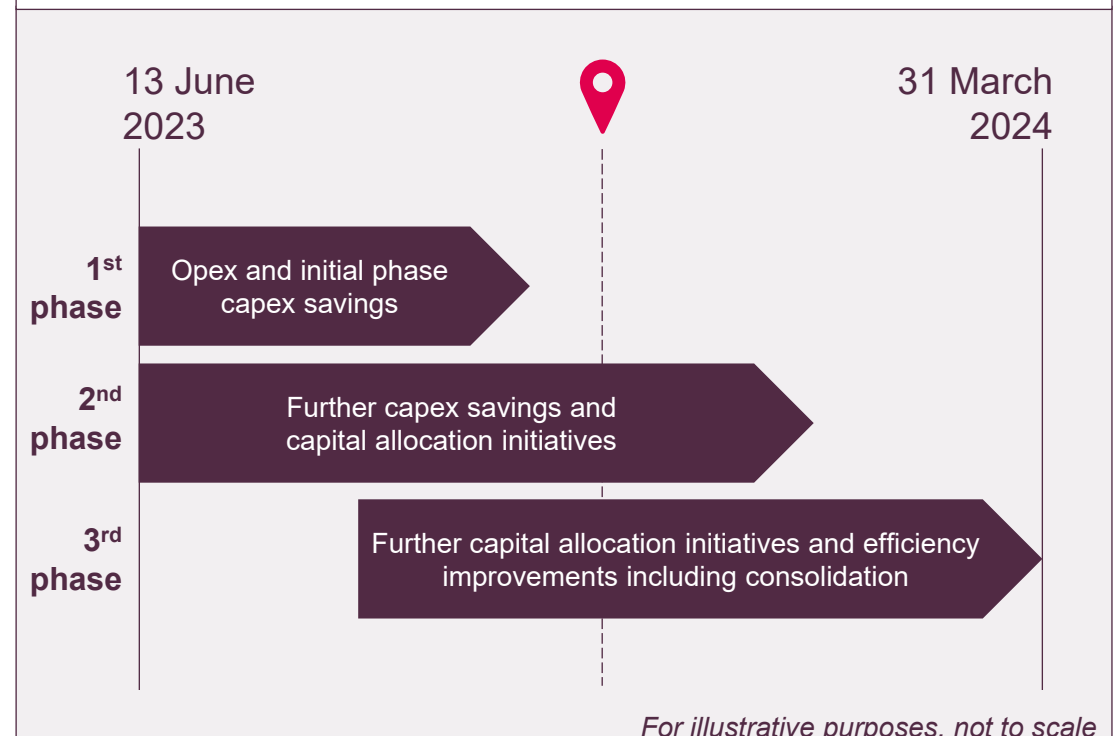
Targets

<u>Capex</u>	<u>Opex</u>	<u>Net debt</u>
SEK 2.9bn+ annual savings in FY 24/25	SEK 0.8bn+ annual savings in FY 24/25	Below SEK 8.0bn by end of FY 23/24
<i>Compared to Q4 FY 22/23 run-rate</i>	<i>Compared to Q4 FY 22/23 run-rate</i>	

Focus Areas

Capex and Opex savings	Capital allocation	Efficiency improvements
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Timing

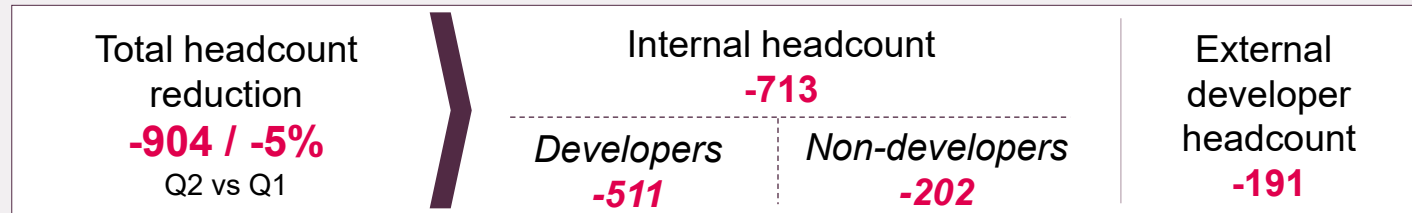


Progress update

Making good progress on the restructuring program

Capex and Opex savings

- First phase of capex reductions complete – currently deep into implementation of second phase of reductions
- Opex savings well on track delivering reductions in both headcount and overhead costs
- Tangible progress already visible, evidenced by the reduction in Group headcount at the end of Q2:



- In total, 15 mainly unannounced projects, were written down across Amplifier, Freemode, Gearbox, PLAION, Saber, and THQ Nordic
- Post-30 September, on-going restructuring, closures or buy-outs are in process and will lead to further headcount reductions.

Progress update


Making good progress on the restructuring program

Capital allocation

- In the past months we accelerated processes to divest assets relative to increasing external funding of game development projects
- We are now running a few structured divestment processes that give flexibility and optionality to reach our targets
- Additional important steps taken to increase accountability and create new group-wide process for game investment and project reviews.

Efficiency improvements

- Process involving possible consolidation of companies and businesses is ongoing, implementation expected to accelerate in Q4
- Goal is to design our structure and operating models to drive better execution, ownership, and decision-making.

The background is a dark, atmospheric scene from a video game. In the center, a large, glowing green figure with long, thin, hair-like appendages and a glowing orb on its chest stands with arms outstretched. To the left, a cowboy in a dark suit and hat is shown in profile, holding a glowing green pistol. To the right, a mechanical robot with a glowing green blade is visible. The scene is set in a dark, wooded area with a fence and a building in the background.

Q&A

Until ~10:00 CET

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