

Q3

FY 2023/24

EMBRACER GROUP INTERIM REPORT

OCTOBER – DECEMBER 2023

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Interim Report Q3 FY 2023/24

Net Sales Group

SEK **12,050m**

YOY GROWTH

4%

GROUP ORGANIC GROWTH

-4%

GROUP PRO FORMA GROWTH

-2%

Adjusted EBIT

SEK **2,150m**

YOY GROWTH

7%

Free Cash Flow

SEK **1,180m**

Adjusted EBIT forecast

SEK **7,000m – 9,000m**

FY 2023/24

(REITERATED)



Highlights

Our diverse business delivered an all-time high quarter

Tracking towards capex and opex targets as we approach the final stretch of the program

Creating a strong foundation for the future



1.

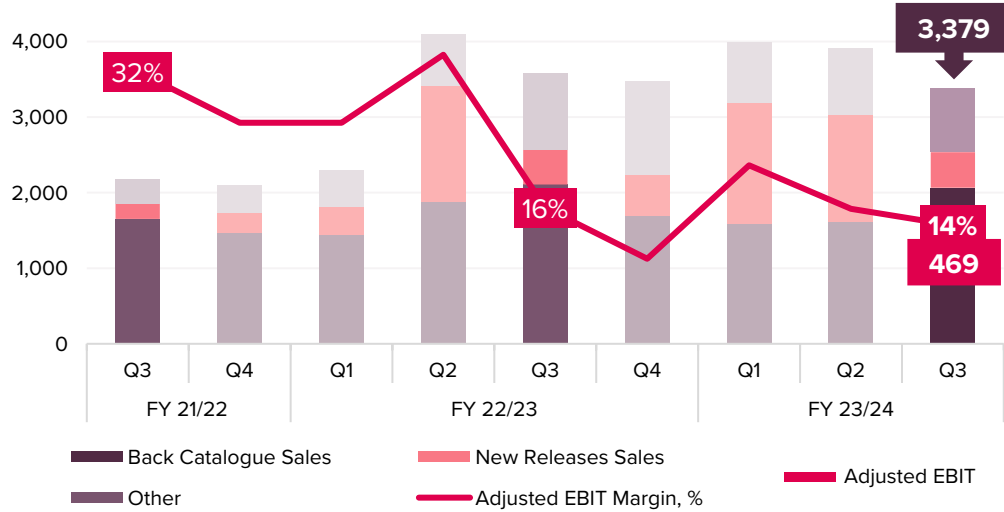


Operating segments

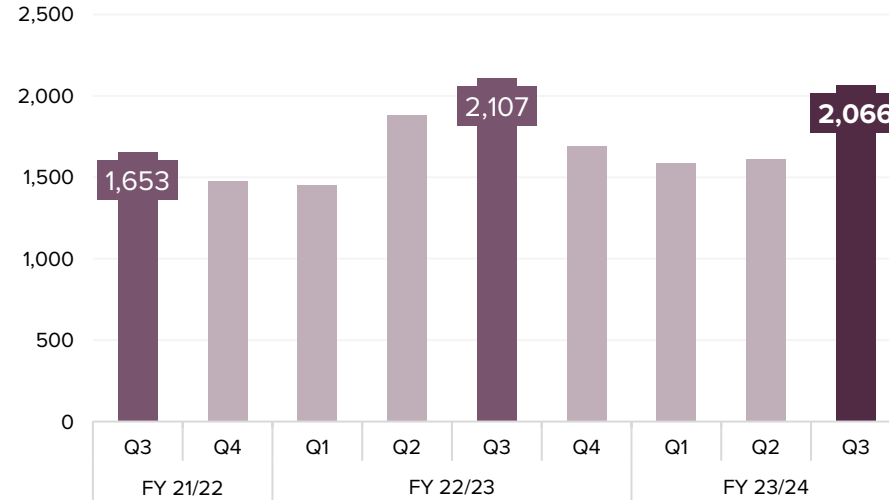


PC/Console games

NET SALES REVENUE SPLIT SEKm & ADJUSTED EBIT MARGIN



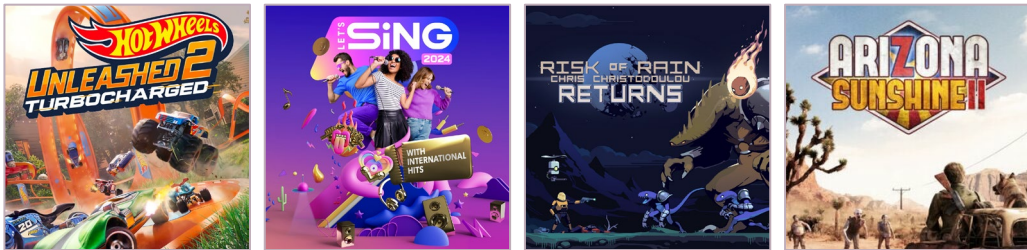
BACK CATALOG SALES | SEKm



TOP 10 BACK CATALOG



MAJOR NEW RELEASES



ORGANIC GROWTH

-9%

PRO FORMA GROWTH

-9%

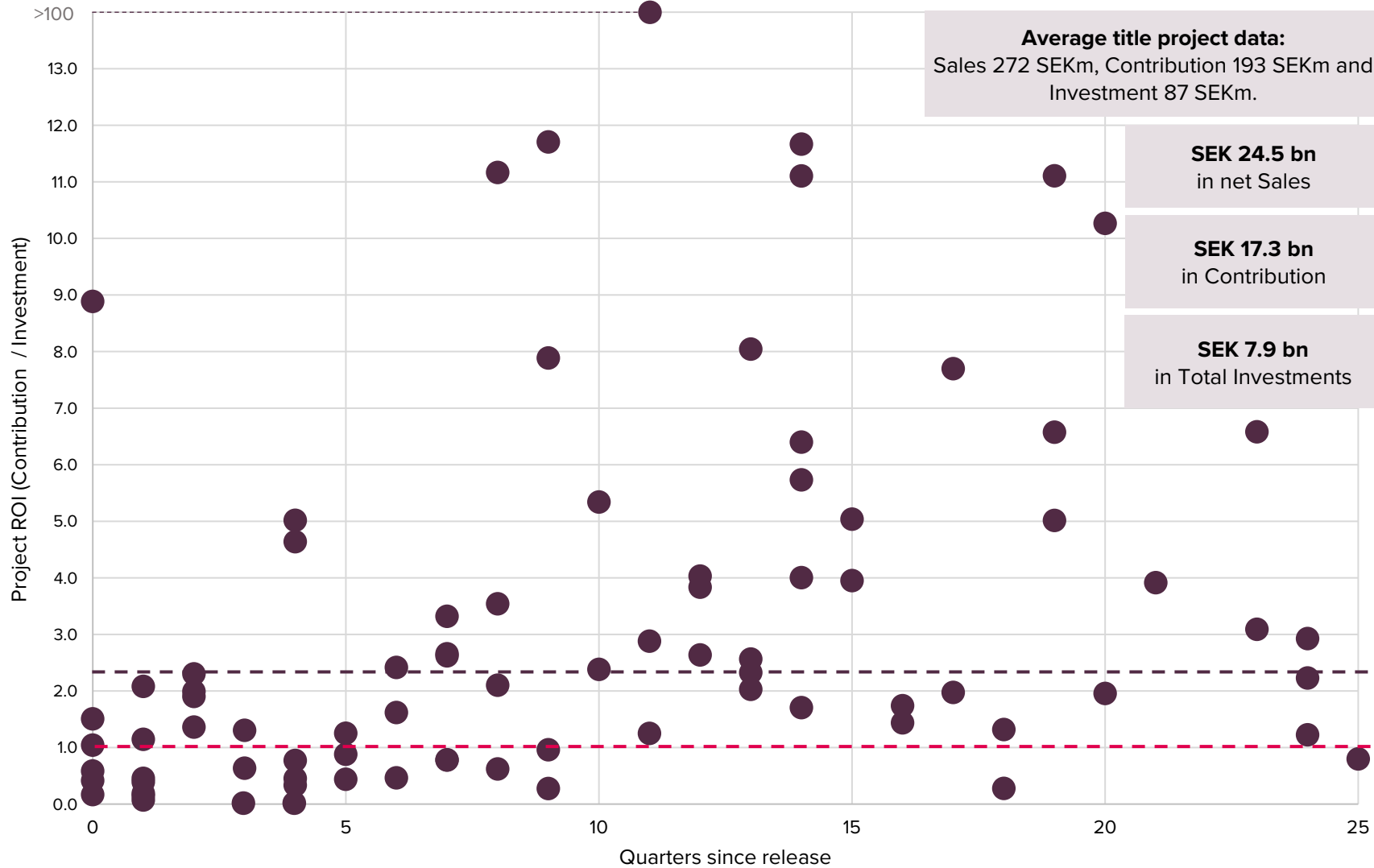


Operative Groups: 7 | Internal Headcount: 9,755 | Internal Studios: 96





PROJECT ROI (CONTRIBUTION/INVESTMENT)



DETAILS

- Based on reported numbers until December 31, 2023
- Sample includes projects with sales above 40 SEKm or investment above 40 SEKm (90 projects)
- ROI = Contribution / Investment
- Contribution = Gross Profit less marketing expenses from release to 31 December 2023
- Investment = Capitalized Development Expenses including follow-on investment

2.2x in average

1.0x in break even



Investments and completed game development


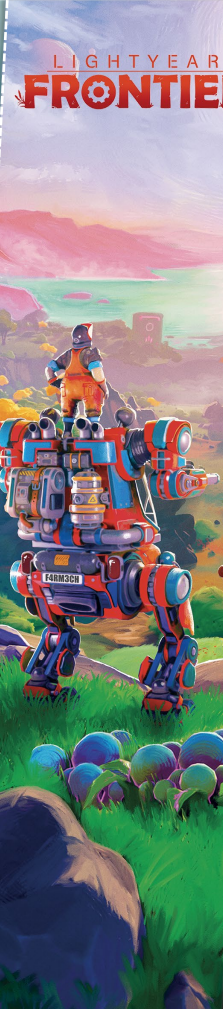




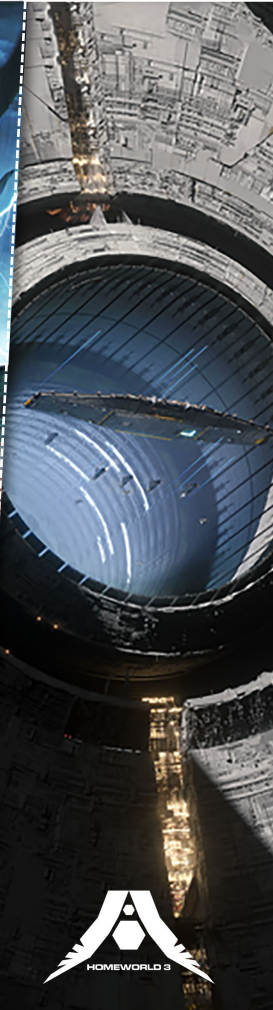
INVESTMENTS AND COMPLETED GAME DEVELOPMENT* | SEKm TTM



Source: as of December 31, 2023 | *Gross investments in PC/Console game development



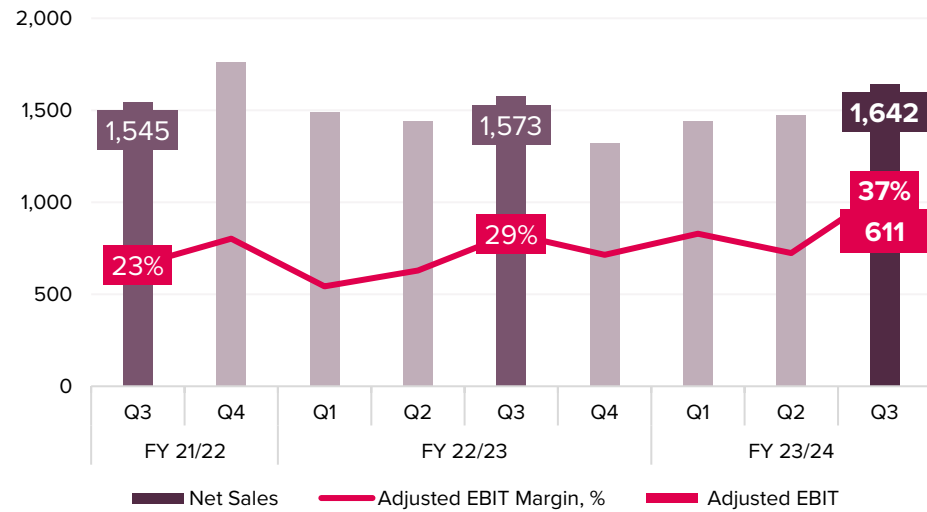
Strong pipeline of new games in Q4

RELEASED BEFORE THE REPORT	Q4 FY 2023/24				MAY 2024	
 <p>TOMB RAIDER I-III REMASTERED</p> <p>DEEP ROCK GALACTIC SURVIVOR DANGER. DARKNESS. DWARVES.</p>	 <p>LIGHTYEAR FRONTIER</p>	 <p>OUTCAST — A NEW BEGINNING —</p>	 <p>EXPEDITIONS A HIDDEN WORLD</p>	 <p>SOUTH PARK SNOW DAY!</p>	 <p>ALONE IN THE DARK</p>	 <p>HOMEWORLD 3</p>

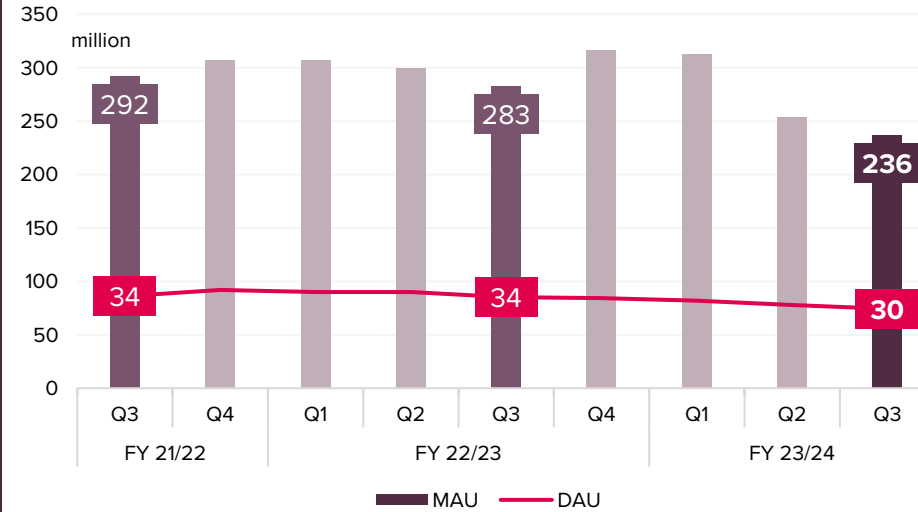
Source: as of December 31, 2023 | Release slates can be subject to change, and will in this case be communicated through their respective publisher



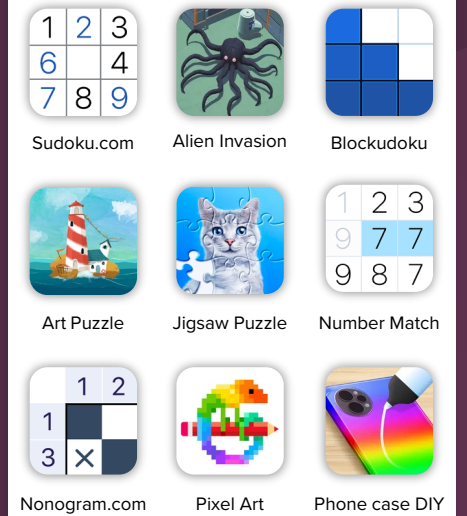
NET SALES SEKm & ADJUSTED EBIT MARGIN



DAILY ACTIVE USERS & MONTHLY ACTIVE USERS



NET SALES DRIVERS



ORGANIC GROWTH

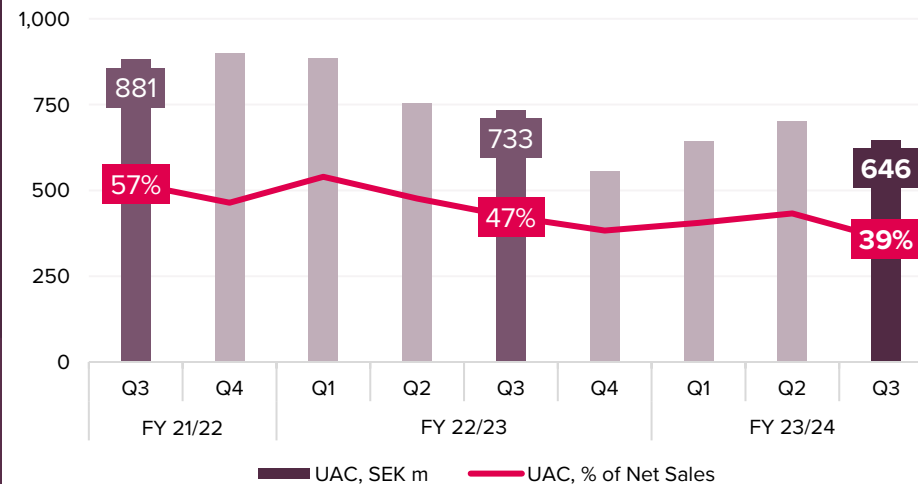
-10%

PRO FORMA GROWTH

-2%



USER ACQUISITION COST | SEKm

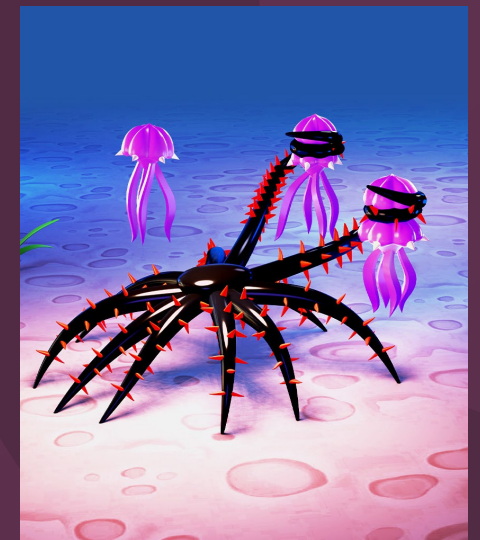


Operative Groups: 2 | Internal Headcount: 1,058 | Internal Studios: 11

Easybrain

DECA

CrazyLabs

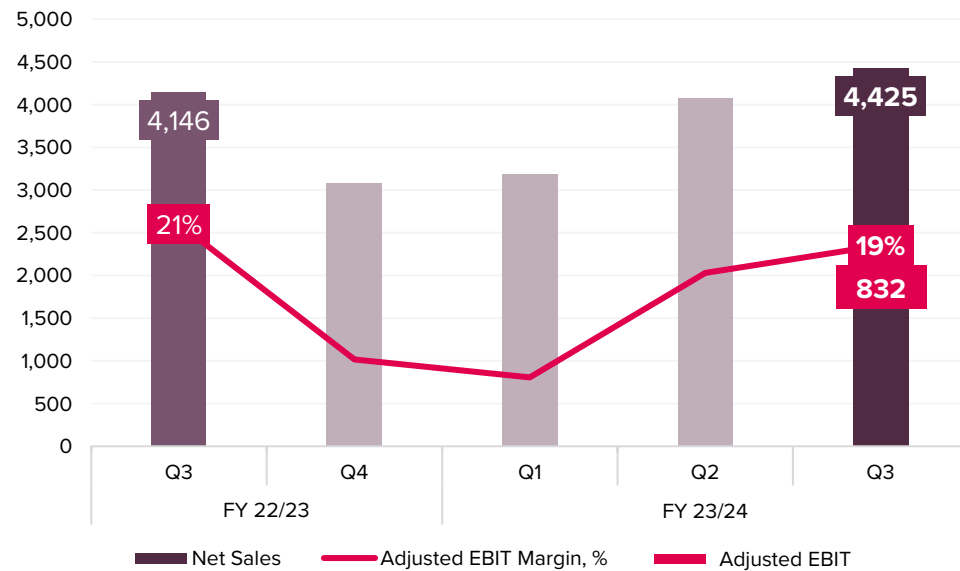


ALIEN INVASION



Tabletop Games

NET SALES SEKm & ADJUSTED EBIT MARGIN



STRONG PIPELINE



NEW RELEASES



ORGANIC GROWTH

+1%

PRO FORMA GROWTH

+1%

Significant improvement in free cash flow YoY

Operative Groups: 1 | Internal Headcount: 2,523 | Internal Studios: 23

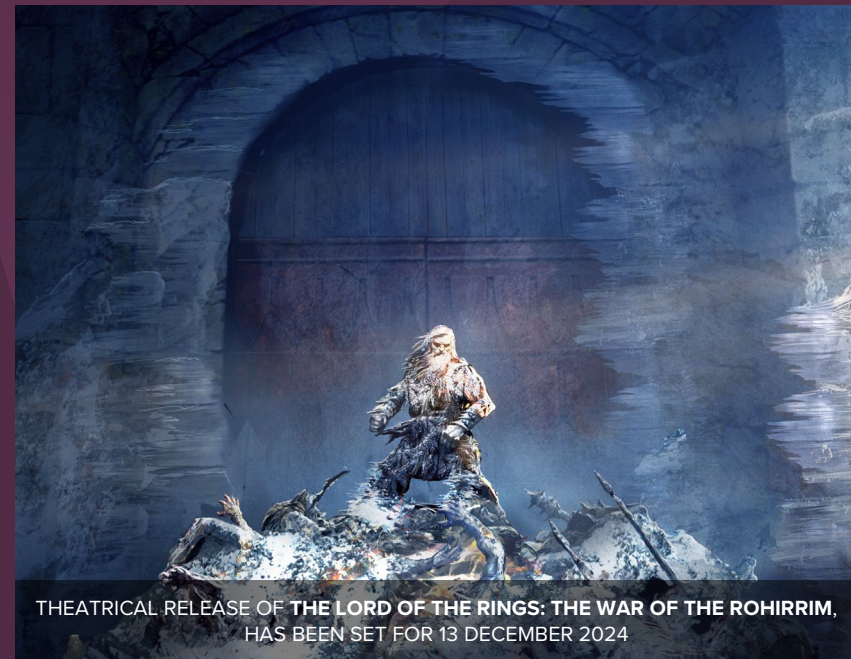
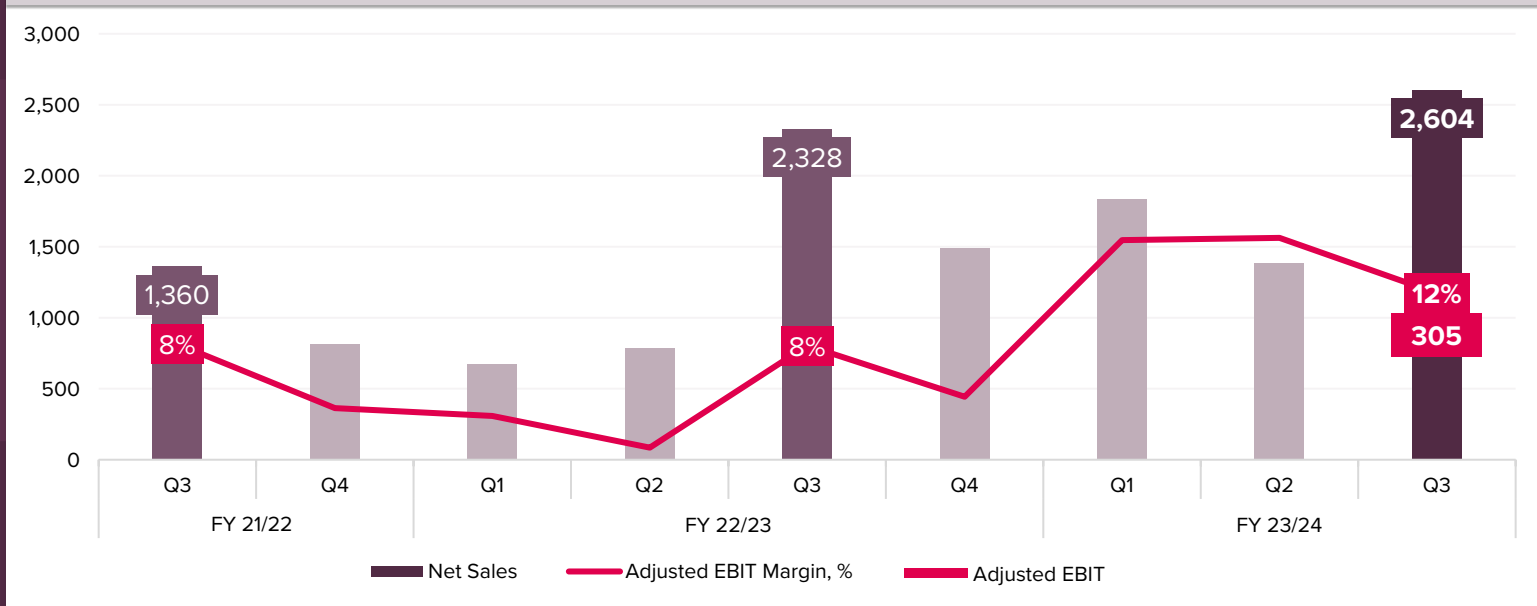
asmodee



CHALLENGERS! – Z-MAN



NET SALES SEKm & ADJUSTED EBIT MARGIN

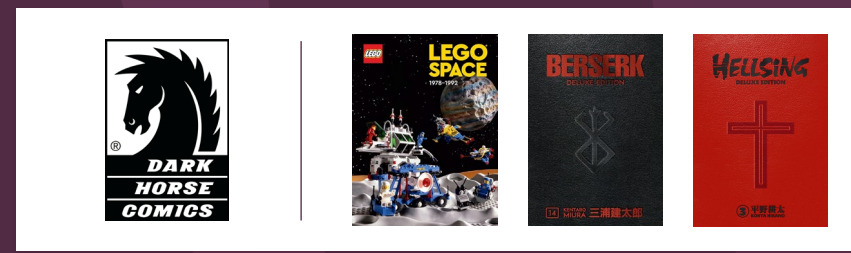


The higher Adjusted EBIT margin is primarily explained by stronger-than-expected licensing revenue for The Lord of the Rings IP.

ORGANIC GROWTH
-2%

PRO FORMA GROWTH
+5%

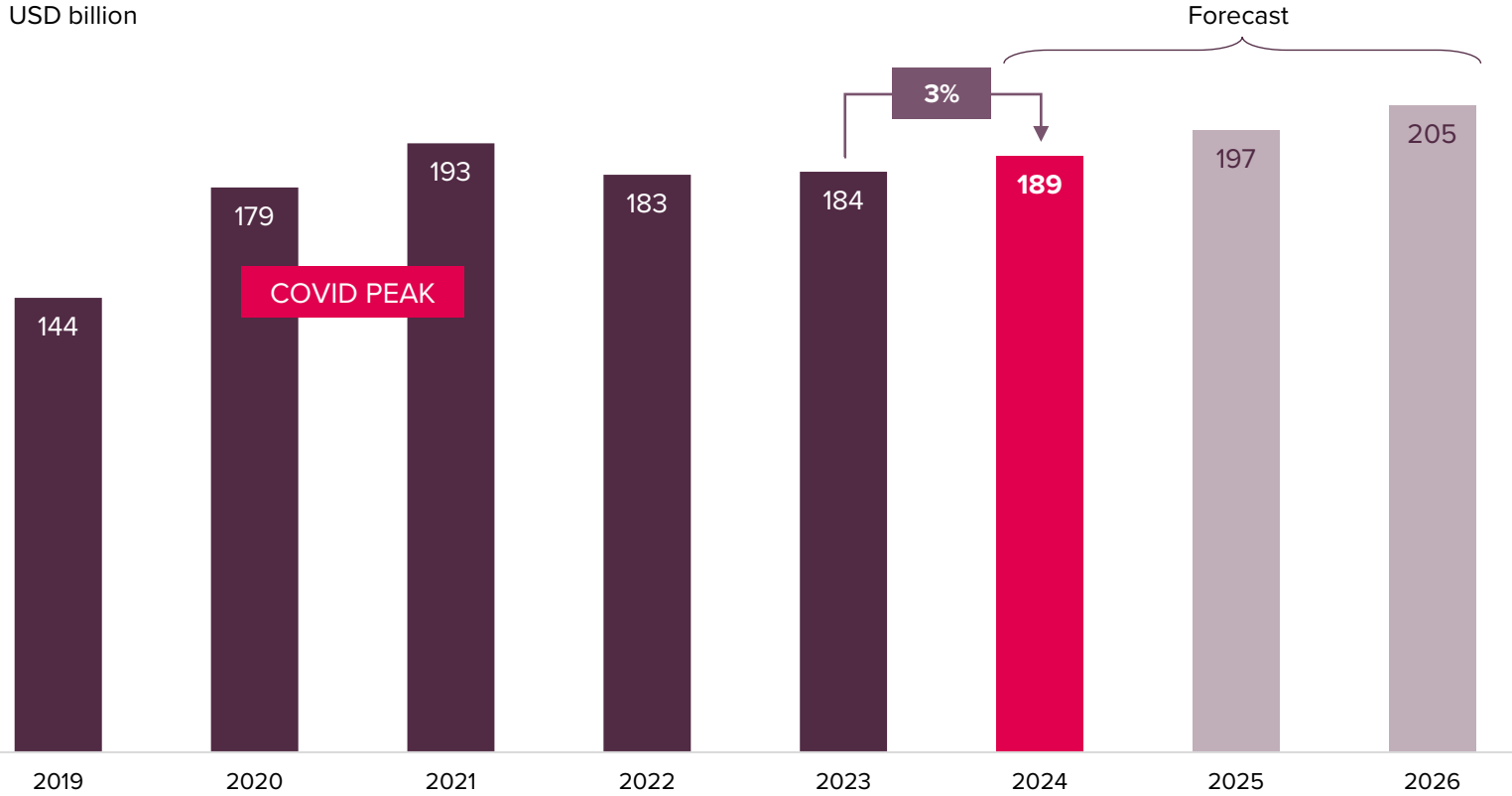
Operative Groups: 3 | Internal Headcount: 756 | Internal Studios: 2



Market update

GLOBAL VIDEO GAMES MARKET REVENUE FORECAST

USD billion



2019-2026 CAGR 5%

Source: Newzoo

GLOBAL MARKET

PC¹
 expected to grow by
+3%
 in 2024

Console¹
 expected to grow by
+4%
 in 2024

Mobile¹
 expected to grow by
+2%
 in 2024

Tabletop²
 grew by
+0.4%
 YoY

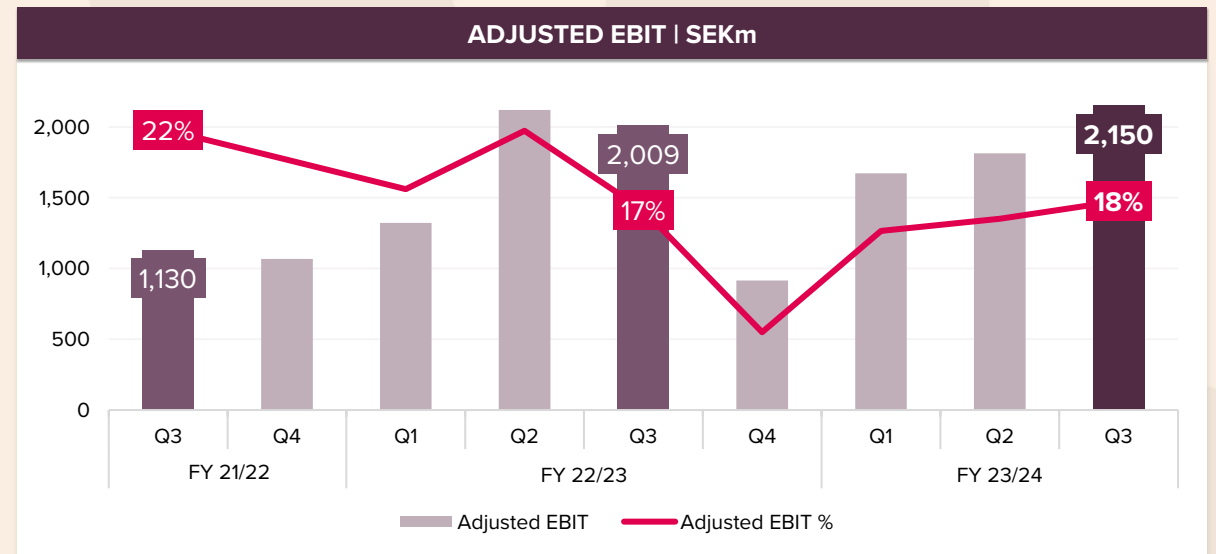
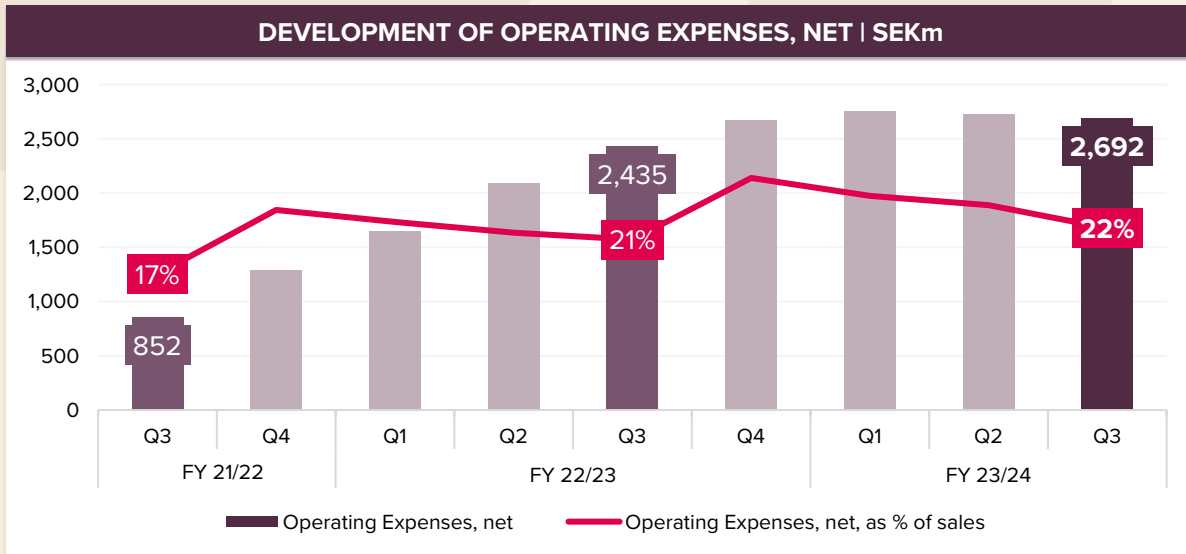
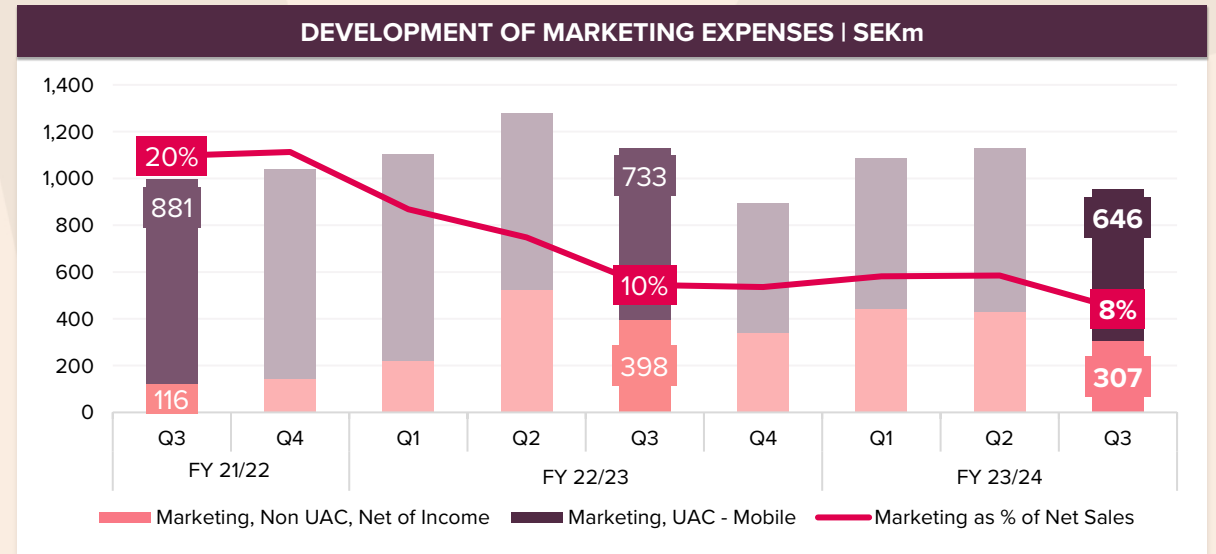
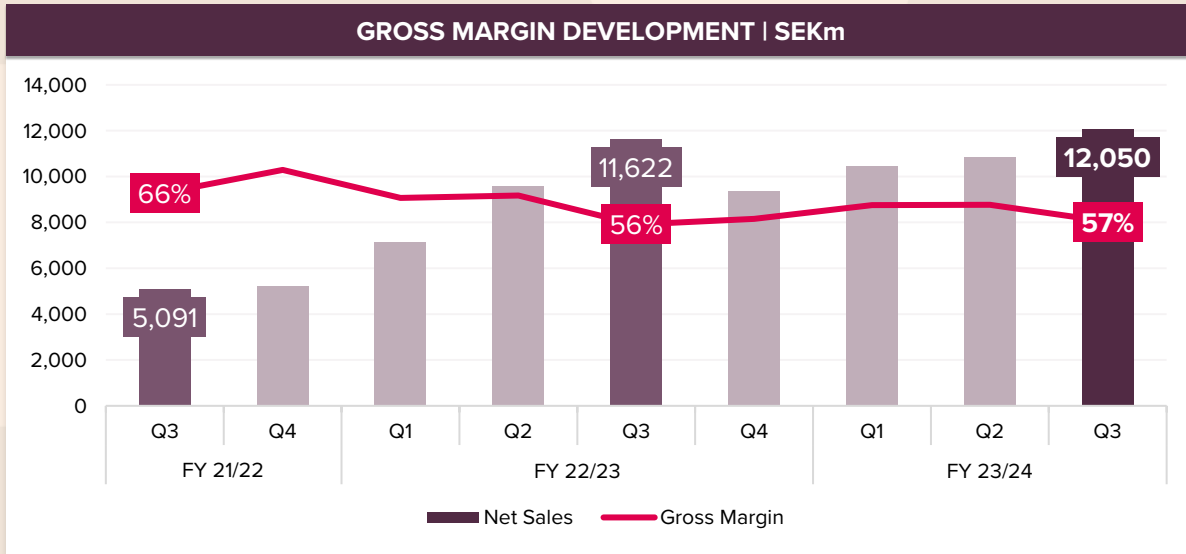
The games market in calendar year 2023 is estimated to have generated USD 184 billion and grown by +1% YoY, despite a challenging macro environment for consumers and businesses alike.

2.

Financial performance



Financial development



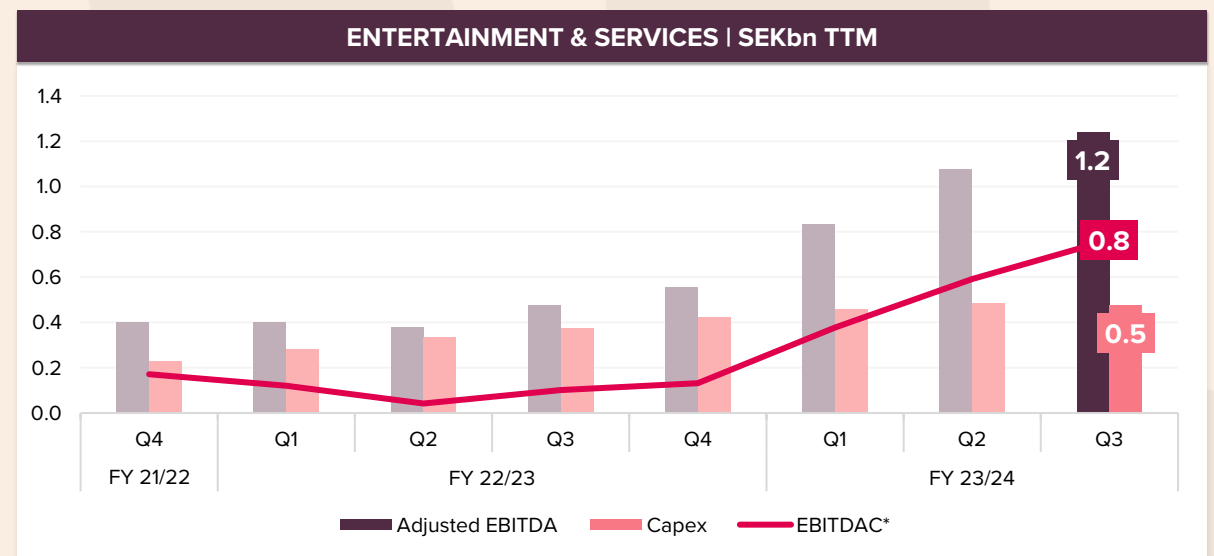
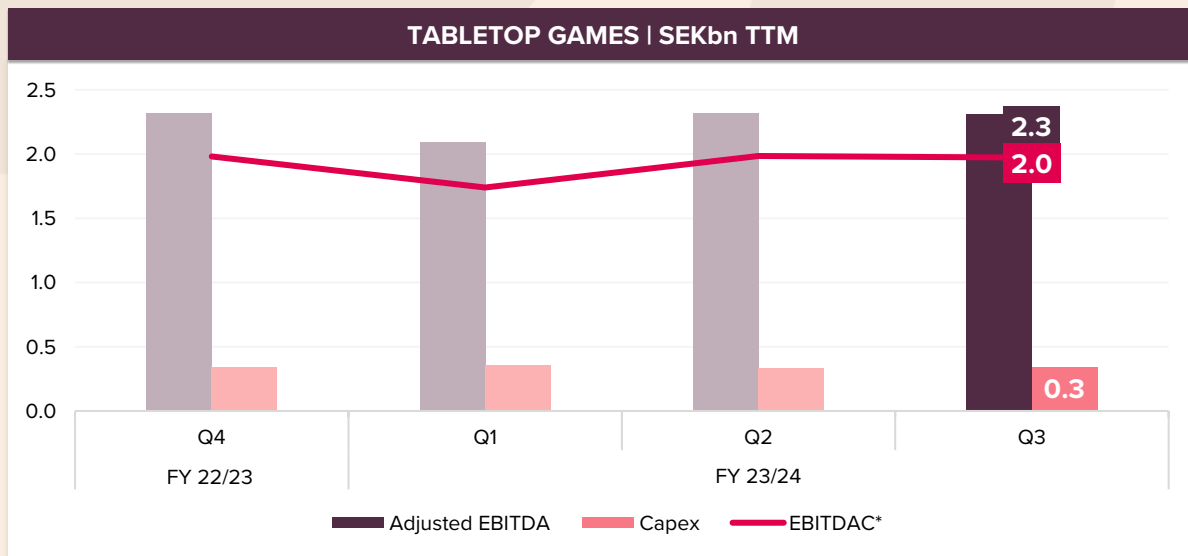
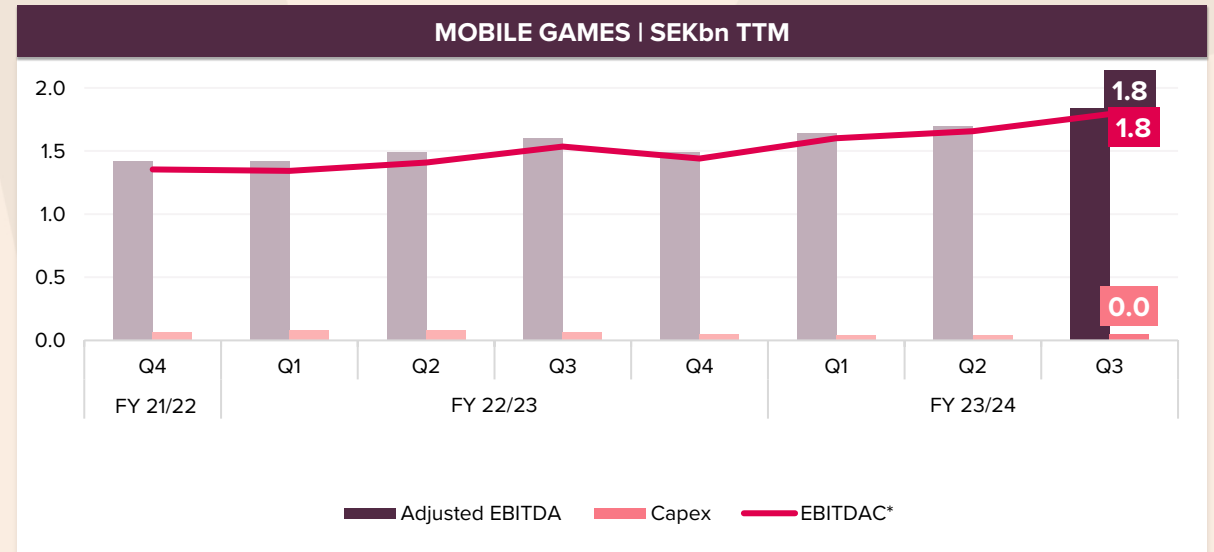
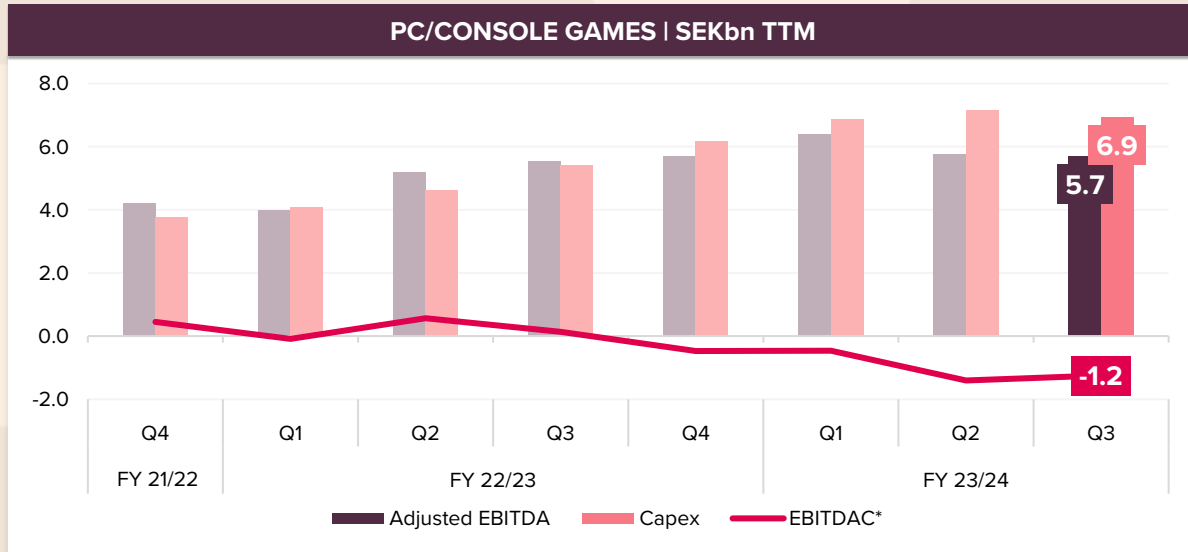
Cash flow and net debt

SEKm	FY23/24 Q3	FY22/23 Q3	TTM Q3
Adjusted EBITDA	3,269	3,005	10,827
Cash Tax	-266	-361	-896
Other items	-349	34	-1,229
Operating Cash flow	2,654	2,678	8,702
Net investment in intangible assets	-1,668	-1,413	-7,298
Net investment in tangible assets	-65	-119	-434
Net investment in financial assets	-58	-96	-284
Net Investment	-1,791	-1,628	-8,016
Free Cash Flow before WC	863	1,051	685
Change in working capital	317	671	251
Free Cash Flow after WC	1,180	1,722	936
Cash Flow from financing activities	-412	318	333
Net investment in acquired companies	-2,174	-4,601	-3,339
Cash effect IAC costs	-261	-	-407
Cash Flow for the period	-1,668	-2,251	-2,477

SEKm	Dec. 31, 2023	Dec. 31, 2022	March 31, 2023
Cash	3,683	6,198	4,662
Current investments	-	-	18
Current liabilities to credit institutions	-2,874	-2,334	-683
Current account credit facilities	-18	-18	-17
Non-current liabilities to credit institutions	-16,918	-18,189	-19,560
Net Debt (-) / Net Cash (+)	-16,127	-14,343	-15,581

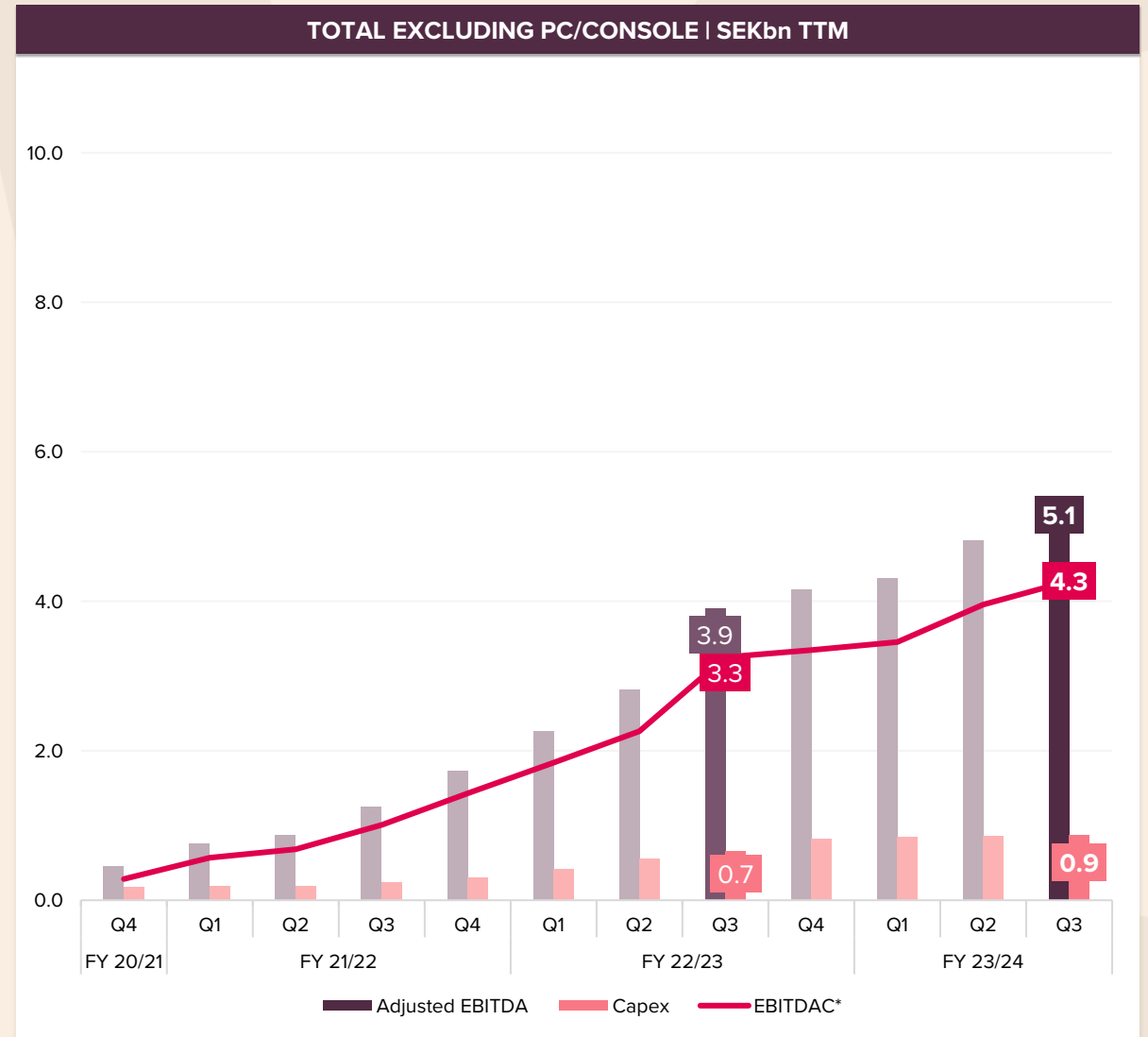
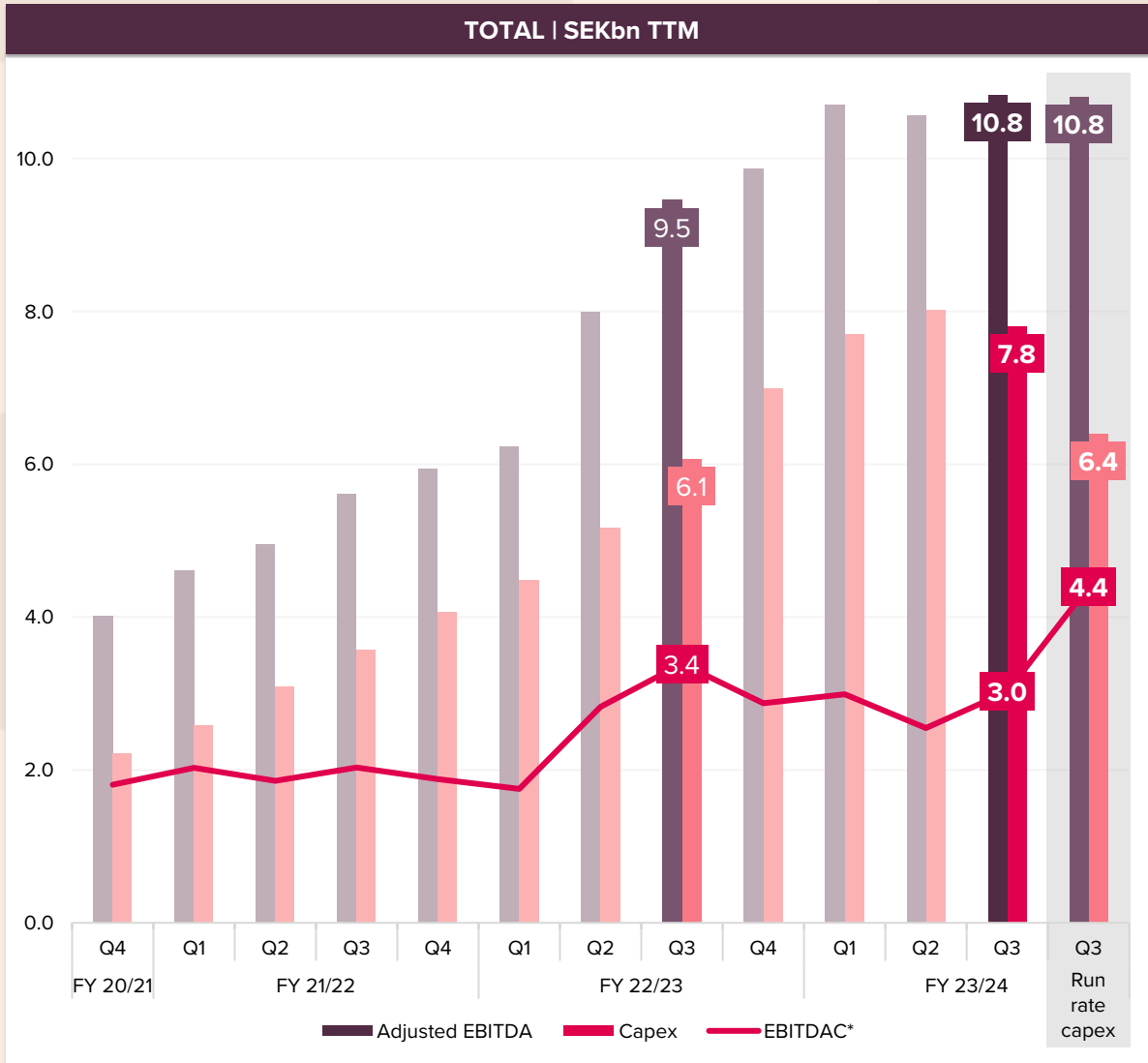
- FY 2022/23 Q3 included SEK 0.5bn in a publishing deal regarding Tomb Raider reducing Net investment in intangible assets
- Changes in working capital FY 2022/23 Q3 included unwinding of excess inventory from end of September
- Net investment in acquired companies in the quarter relates to payments for historical acquisitions, where the largest are considering Middle-earth Enterprises and Tripwire.

EBITDAC by Segment



Source: as of December 31, 2023 | *EBITDAC = Adjusted EBITDA less Gross investment in intangible and tangible assets

EBITDAC for the Group and excluding PC/Console



Source: as of December 31, 2023 | *EBITDAC = Adjusted EBITDA less Gross investment in intangible and tangible assets

Forecast

FORECAST

Financial Year 2023/24

ADJUSTED EBIT

SEK 7,000 – 9,000 million

- For the overall group, we reiterate our Adjusted EBIT forecast of SEK 7.0-9.0 billion in FY 2023/24, and now see it as likely that we will reach the low-end of the forecast range. This is driven by a somewhat softer outlook for PC/Console in FY 2023/24 compared to our assessment in Q2, due to the performance of recent new game releases, as well as a few additional pipeline shifts out from Q4 and also within the quarter.
- In the PC/Console Games segment, a flat organic growth is expected in FY 2023/24. The Adjusted EBIT margin is expected to be lower YoY, mainly driven by lower profitability from games released in this fiscal year.
- In the Mobile Games segment, a high single-digit negative organic growth is expected. The Adjusted EBIT margin is expected to be above FY 2022/23.
- In the Tabletop Games segment, a mid-to-high single-digit organic growth is expected, driven by both board games and trading card games, with an Adjusted EBIT margin in line with FY 2022/23.
- In the Entertainment & Services segment, a low single digit organic growth is expected for FY 2023/24, with an Adjusted EBIT margin expected to be in line with Q3 FY 2023/24, driven by a limited expected contribution from new releases and products in Q4 FY 2023/24.

3.

Update on restructuring program

Today's speaker



PHIL ROGERS

INTERIM CHIEF STRATEGY OFFICER

Update on restructuring program

Objective	Improve efficiency and cash generation, transforming Embracer into a leaner, stronger, more focused and cash self-sufficient company	Targets	<u>Capex</u> SEK 2.9bn+ annual savings* in FY24/25	<u>Opex</u> SEK 0.8bn+ annual savings* in FY24/25	<u>Net debt</u> Below SEK 8.0bn by March 31, 2024
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Good progress as we approach final stretch

Capex and opex savings on track

SEK 6.4bn annualized capex run rate** is -SEK1.5bn (-19%) vs Q4'22/23

Headcount
-904 (-5%) in Q2
-483 (-3%) in Q3

Initiatives contributing positively to strong FCF generation in Q3

Net debt target unlikely to be reached but certain divestment processes could significantly reduce net debt post March 31

Finalization of future structure and operating model

* Compared to Q4 FY 22/23 run-rate | ** Based on December 2023 capex





Q&A

Until ~10:00 CET

EMBRACER⁺
GROUP