

Press Release
Karlstad, Sweden, 28 March 2024

Embracer Group divests Gearbox Entertainment for a consideration of USD 460 million to Take-Two Interactive Software, Inc.

INSIDE INFORMATION: Embracer Group has today entered into an agreement to divest Gearbox Entertainment, for a consideration of USD 460 million (SEK 4.9 billion) to Take-Two Interactive Software, Inc. (“Take-Two”). The proceeds from the deal will, upon closing, significantly reduce net debt, earnout obligations and capex. Embracer retains selected companies, including Gearbox Publishing San Francisco (to be renamed), with the publishing rights to the Remnant franchise, the upcoming Hyper Light Breaker and other notable unannounced game releases.

“Today’s announcement marks the result of the final structured divestment process and is an important step in transforming Embracer into the future with notably lower net debt and improved free cash flow. Through the transaction, we lower business risk and improve profitability as we transition to becoming a leaner and more focused company. After evaluating several options for Gearbox, I am happy that we have reached a solution that is in the best interest of all stakeholders. Randy and the team have been great team members throughout the past years, and I would like to thank them all for that. As one of the world’s greatest games developers, I am confident that Gearbox will continue to innovate and thrive in their new home within Take-Two,” says Lars Wingefors, co-founder and CEO of Embracer.

“As a significant long-term Embracer Group shareholder, I believe in the strategy for the Embracer Group going forward and am completely convinced that this transaction is the best possible scenario and an obvious net positive arrangement for Embracer Group, for Take-Two and, of course, for Gearbox Entertainment. My primary interest is always Gearbox, including our talent and our customers. I want to personally ensure fans of our games that this arrangement will ensure that the experiences we have in development at Gearbox will be the best it can possibly be,” says Randy Pitchford, founder and CEO of Gearbox Entertainment.

Transaction key components

- The purchase price on a cash and debt free basis and assuming a normalized level of working capital amounts to USD 460 million (SEK 4.9 billion) and will be subject to adjustments by customary purchase price mechanics.

Press Release

Karlstad, Sweden, 28 March 2024

- The consideration at closing will be paid 100% in newly issued Take-Two shares. The number of Take-Two shares will be calculated by dividing the purchase price by the volume weighted average closing price per share on the Nasdaq Global Select Market during the five trading day period ending on the trading day immediately prior to the closing date. Embracer's intent is to sell these shares to receive cash proceeds soon after closing. Closing is expected in Q1 FY 24/25, ending June 2024.
- Following purchase price adjustments, transaction costs, share sell-down and earnout settlements (including earnouts earned and due to be previously paid in Q1 FY 24/25) the expected net cash proceeds amount to approximately USD 300-330 million (SEK 3.2-3.5 billion).
- Cash earnouts in accordance with non-GAAP will be reduced by SEK 1.6 billion compared to the group total of SEK 6.3 billion as of Q3 FY 2023/24 and of a total maximum of approximately 30 million B shares in share earnout obligations approximately 18 million B shares will be reduced. In connection with closing, the remaining approximately 12 million B shares will still be issued as settlement of certain earnout obligations.
- The divested assets include:
 - Gearbox Software (Frisco, Texas)
 - Gearbox Montréal
 - Gearbox Studio Quebec
 - Borderlands and Tiny Tina's Wonderlands franchises, as well as Homeworld, Risk of Rain, Brothers in Arms and Duke Nukem
- The retained assets include:
 - Gearbox Publishing San Francisco (to be renamed prior to closing, formerly named Perfect World Entertainment), including the publishing rights to the Remnant franchise, the upcoming Hyper Light Breaker and other notable unannounced game releases
 - Cryptic Studios, including MMO titles Neverwinter Online and Star Trek Online.
 - Lost Boys Interactive
 - Captured Dimensions
- The retained companies will be welcomed and integrated into other parts of Embracer Group in the coming period. All companies are expected to contribute with a positive cash flow going forward.

Press Release
Karlstad, Sweden, 28 March 2024

Embracer financial impact

- Net debt will be reduced by approximately SEK 3.2-3.5 billion in connection with closing.
- Cash earnout obligations will be reduced by approximately SEK 1.6 billion. The combined reduction of net debt and cash earnout obligations is approximately SEK 4.8-5.1 billion.
- Capex will at closing be reduced by approximately SEK 0.8 billion, based on the annualized Q3 FY 23/24 run-rate.
- The transaction is expected to be immediately accretive to free cash flow generation.
- If closing would have occurred on 31 December 2023, the transaction is estimated to have created a non-cash net expense of approximately SEK 1.0-1.3 billion.

Illustrative financials for the period 1 January – 31 December 2023 (before any potential effects from the ongoing restructuring program after 31 December 2023):

SEK, million	Divested assets	Retained assets*	Divested assets % of group	Retained assets % of group	Group total, incl. divested assets
Net sales[1]	1,680	2,011	3.9%	4.7%	42,687
Adjusted EBIT	-30	197	-0.5%	3.0%	6,552
EBITDAC[2]	-809	-117	-26.8%	-3.9%	3,024
Capex	-941	-508	12.1%	6.5%	-7,803
# total headcount[3]	1,336	760	8.8%	5.0%	15,218
Book value of ongoing game development projects	990	580	10.2%	6.0%	9,728

Closing of the transaction

Closing of the transaction is expected to take place in Q1 FY 2024/25 and is conditional upon customary conditions including regulatory approvals such as merger control clearance.

Press Release
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Investor presentation

Embracer Group will hold a webcast presentation for investors, analysts, media and other stakeholders on 28 March at 09.00 CET. Please find more information in a separate distributed invitation that will follow this release.

Advisors

Goldman Sachs Bank Europe SE Sweden Bankfilial and Juno Capital Partners are acting as joint financial advisers and Fenwick is acting as legal counsel to Embracer Group in the transaction. Ernst & Young has provided services for financials and tax.

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About Embracer Group

Embracer Group is a global Group of creative and entrepreneurial businesses in PC, console, mobile and board games and other related media. The Group has an extensive catalog of over 900 owned or controlled franchises. With its head office based in Karlstad, Sweden, Embracer Group has a global presence through its twelve operative groups: THQ Nordic, PLAION, Coffee Stain, Amplifier Game Invest, Saber Interactive, DECA Games, Gearbox Entertainment, Easybrain, Asmodee, Dark Horse, Freemod and Crystal Dynamics – Eidos. The Group has 132 internal game development studios and is engaging more than 15,000 employees in more than 40 countries.

Embracer Group's shares are publicly listed on Nasdaq Stockholm under the ticker EMBRAC B.

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Press Release
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- [1] Net sales includes intercompany transactions within Embracer.
- [2] EBITDAC = Adjusted EBITDA less Gross investment in intangible and tangible assets.
- [3] Total headcount includes externally funded game developers, internal game developers, internal employees, and non-development, as of December 31, 2023. -

This information is information that Embracer Group AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation 596/2014. The information was submitted for publication, through the agency of the contact persons set out above, at 2024-03-28 04:25 CET. The persons above may also be contacted for further information.

Attachments

[Embracer Group divests Gearbox Entertainment for a consideration of USD 460 million to Take-Two Interactive Software, Inc.](#)