

# **Welcome to Annual General Meeting FY 18/19**

17 September 2019

**THQ NORDIC**

# Today's agenda

Webcast are between 15.00- approx. 16.00 (end of Q&A)

15.00 – 15.01	<b>Welcome by Oscar Erixon, analyst Carnegie</b>
15.01 – 15.05	<b>AGM agenda by Kicki Wallje-Lund (in Swedish)</b>
15.05	<b>AGM 2019 presentation</b>
15.30	<b>Embracer Group presentation</b>
15.40	<b>Smarter Business – Embracer Group's approach to sustainability</b>
15.50 – 16:00	<b>Q&amp;A</b>
16:00 – 16:15	<b>Break</b>
16:15	<b>AGM continues</b>
17.00	<b>AGM ends</b>

Please note the times indicated are approximates.

# Annual General Meeting 2019

17 September 2019

**THQ NORDIC**



Lars Wingefors  
Co-Founder & Group CEO



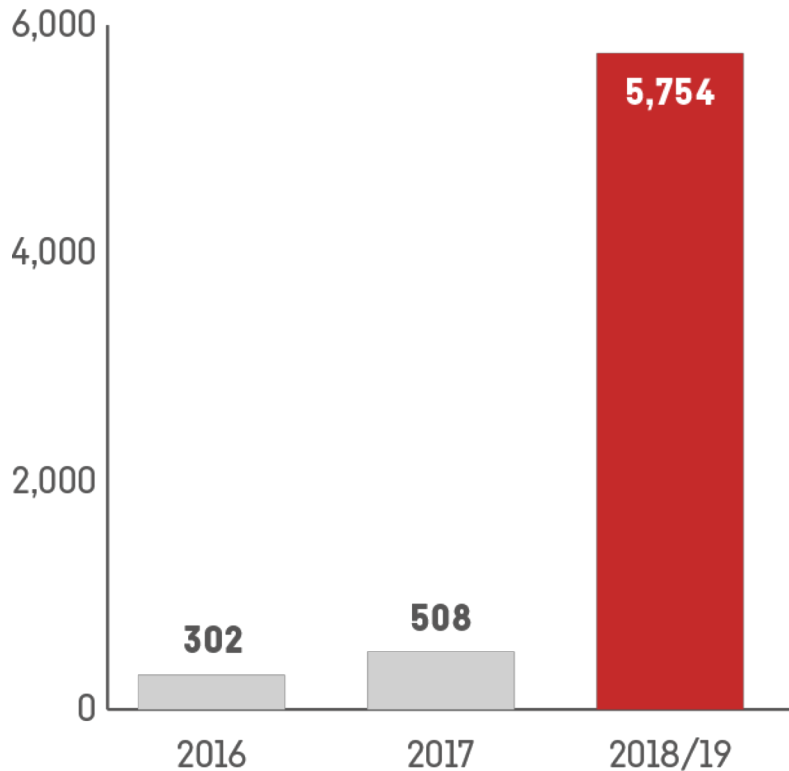


# **1. Operational overview FY18/19**

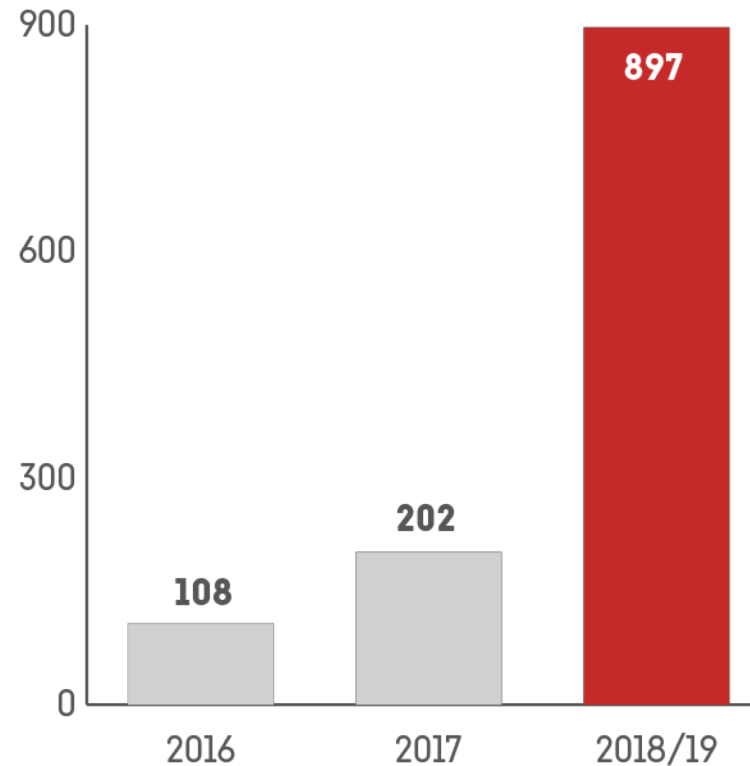


# 2018-2019: CONTINUED MOMENTUM AND GROWTH

**NET SALES, SEKm**



**OPERATIONAL EBIT, SEKm**



	FY17	FY18/19	Change
Net sales growth	508	5754	1033%
Operational EBIT	202	897	344%
Reported earnings per share/SEK	1,88	4,68	149%
Adjusted earnings per share/SEK	2,04	7,78	281%
Depreciation of game development	62	533	760%
Investment in game development	291	1192	310%
Finalized & completed game development	176	605	244%
Game Dev Project	36	80	122%
Total employees & contractors	462	2208	378%

# KEY RELEASES FY18/19



**MEIRO**  
**EXODUS**

PC PS4 XB1 | 4A Games | Deep Silver



**SATISFACTORY**

PC | Coffee Stain Studios | Coffee Stain



**Kingdom Come**  
**Deliverance**

PC PS4 XB1 | Warhorse Studios | Deep Silver



**DARKSIDERS III**

PC PS4 XB1 | Gunfire Games | THQ Nordic



**WRECKFEST**  
*DRIVE HARD. DIE LAST.*

PC | Bugbear | THQ Nordic



**MX vs ATV**  
**ALL OUT**

PC PS4 XB1 | Rainbow Studios | THQ Nordic



**OUTWARD**

PC PS4 XB1 | Nine Dots Studios | Deep Silver

# ACQUISITIONS – DEVELOPMENT STUDIOS AND PUBLISHERS

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LAVAPOTION



ENTERTAINMENT



18 P(O)INT 2

## ACQUISITIONS AFTER YEAR-END

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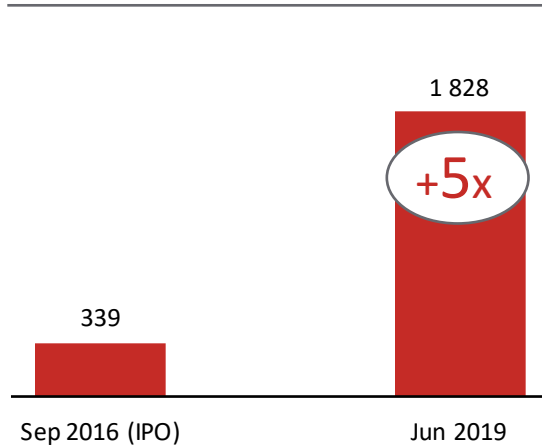




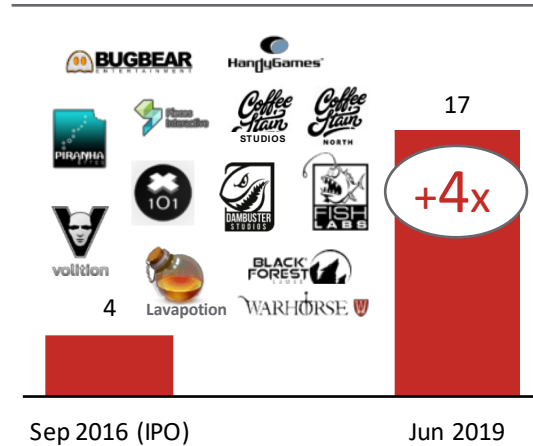
# GROWTH TRACK RECORD SINCE IPO (Nov 2016).

– ORGANIC AND ACQUISITIVE (30% DILUTION\*) GROWTH SINCE IPO UNTIL 30 JUN 2019 HAS YIELDED:

# of game developers



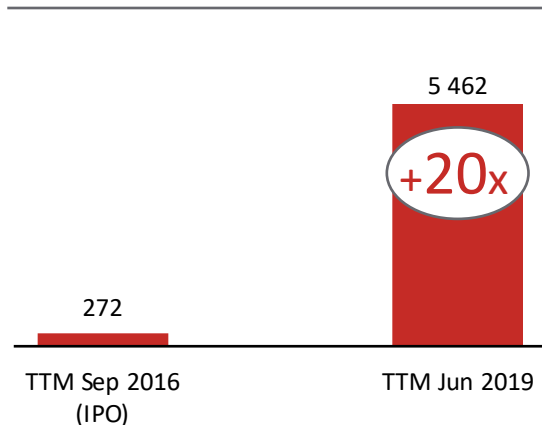
# of internal development studios



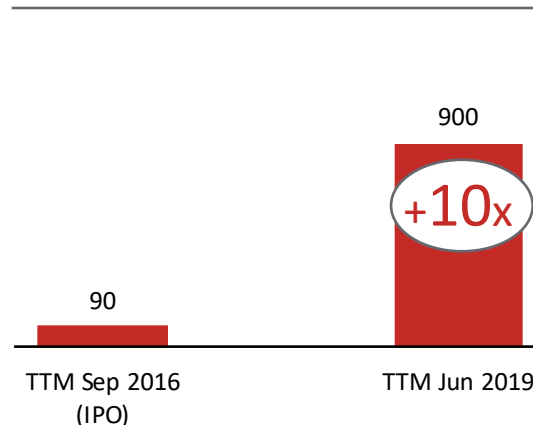
Key IPs acquired since IPO



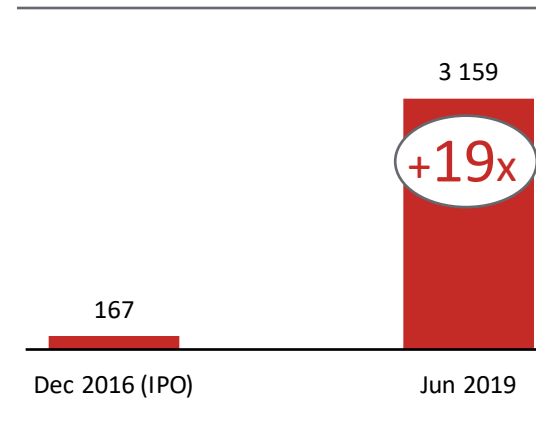
Net sales, SEKm



Operational EBIT, SEKm



Cash, SEKm



Great people

*Highly talented key people with complementary skillsets joined the Group*

\* Based on SEK 72m shares immediately post IPO and SEK 103m shares as of 30 Jun 2019

# TOWARDS BUILDING A DIVERSIFIED, SUBSTANTIAL AND RELEVANT PLAYER IN THE GROWING GAMES INDUSTRY



**GROUP HQ**  
Karlstad  
Group strategy and M&A

## Business Area Games

Three autonomous sub-groups:



Vienna

**THQ NORDIC**



Munich



Skövde

*Coffee  
Stain*

## Business Area Partner Publishing/Film



Munich

13 offices across the world:



Selected partners:

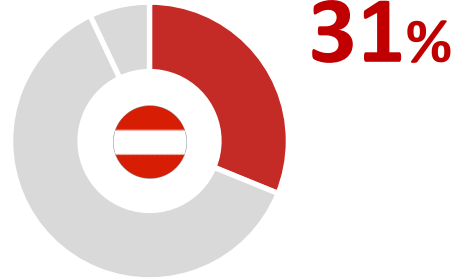


**SQUARE ENIX**

**SEGA**

# BUSINESS AREA GAMES – THQ NORDIC

THQ NORDIC



Core strategy to acquire and build based on established IPs.



Klemens Kreuzer, CEO



## 90+ IP's

KINGDOMS OF AMALUR

BIOMUTANT

WRECKFEST  
DRIVE HARD. DIE LAST.

DARKSIDERS

RED FACTION

GOthic

TIME SPLITTERS  
FUTURE PERFECT

ELEX

TITAN QUEST

SPELLFORCE

MX-ATV

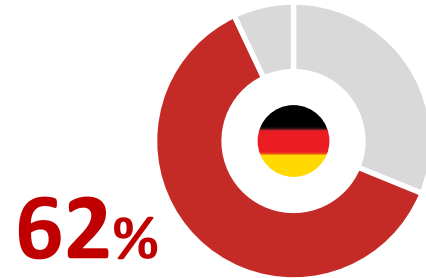
PAINKILLER



# BUSINESS AREA GAMES – DEEP SILVER



Klemens Kundratitz, CEO



Own IPs within AAA development. Publishing on external products that needs powerful marketing and physical distribution power.



134



141



173

volition



70

## 15+ IP's

SAINTS ROW

MEIRO

Exclusive license

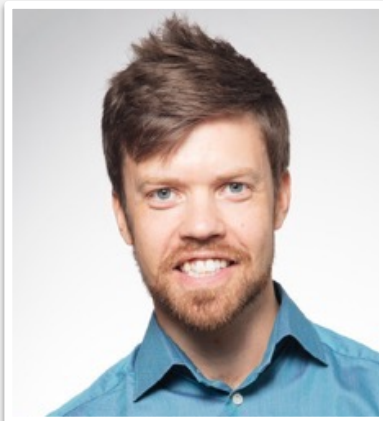
Kingdom Come  
Deliverance

DEAD ISLAND

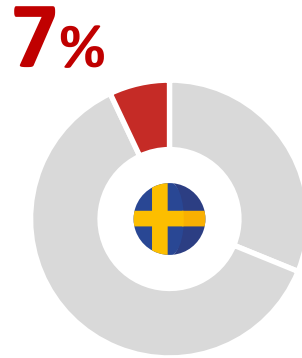
HOMEFRONT  
THE REVOLUTION

# BUSINESS AREA GAMES – COFFEE STAIN

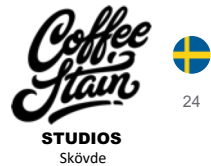
Coffee Stain



Anton Westbergh, CEO



Creative, focused on games-making and development, new IPs, ~20 people.



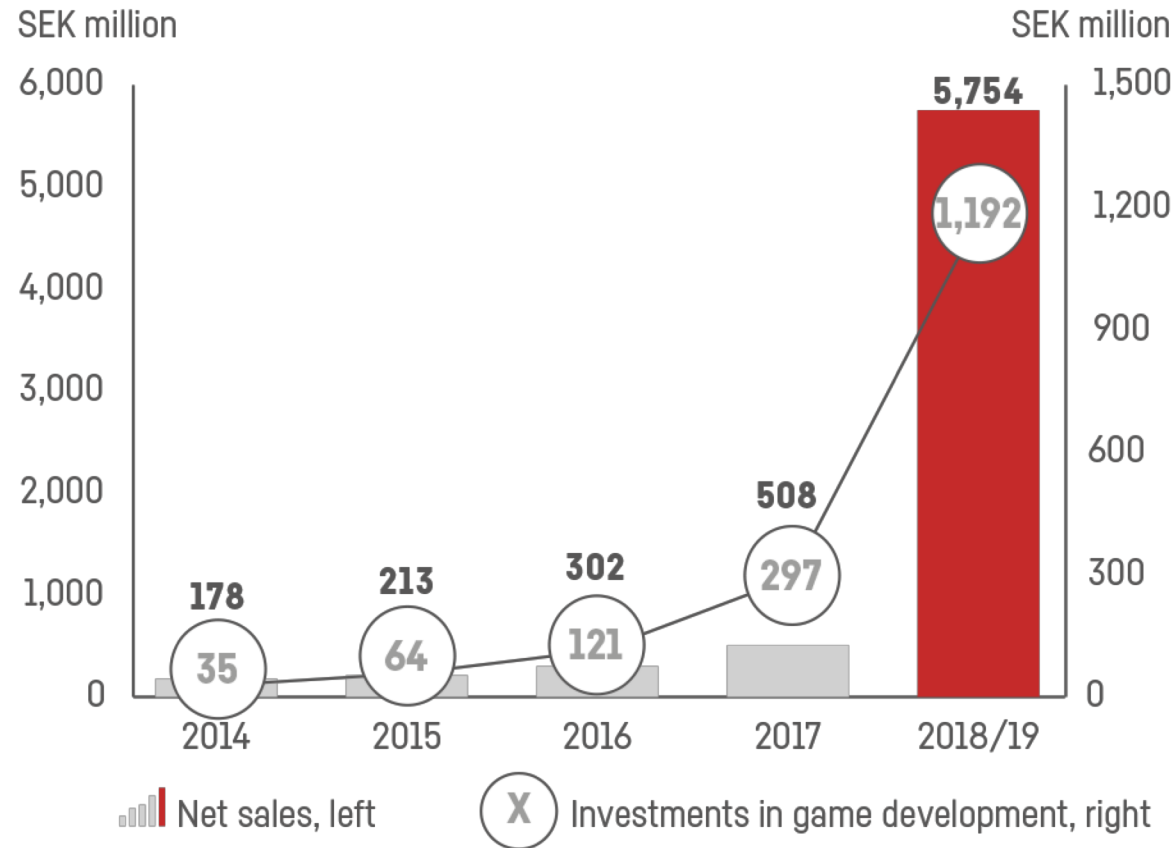
9 IP's

SATISFACTORY

Goat Simulator

# INVESTEMENTS IN PROJECT PIPELINE

## NET SALES AND INVESTMENTS IN GAME DEVELOPMENT\*



\* Excluding items reported as Other intangible assets.



## PROJECT PIPELINE

**32** | **49**  
ANNOUNCED | UNANNOUNCED

**PROJECTS UNDER  
DEVELOPMENT**



# DEVELOPMENT PIPELINE – BUSINESS AREA GAMES



**DEAD ISLAND 2**

*Shenmue III*

**Saints Row**

**IRON HARVEST**  
1920+

**volition**

**TOP SECRET**

**TOP SECRET**

**4A GAMES**

**WARHORSE**

*Coffee Stain*

**MIDNIGHT GHOST HUNT**

**SONGS OF CONQUEST**

**SATISFACTORY**

**TOP SECRET**

*Coffee Stain*

**NORTH**

**THQ NORDIC**

**BIOMUTANT.**

PC PS4 XB1  
IP: Own

**WRECKFEST**  
DRIVE HARD. DIE LAST.

PS4 XB1  
IP: Own

**DESPERADOS III**

PC PS4 XB1  
IP: Own

**DESTROY ALL HUMANS!**

PC PS4 XB1  
IP: Own

**DARKSIDERS GENESIS**

PC PS4 XB1  
IP: Own

**SpongeBob SQUAREPANTS BATTLE FOR BIKINI BOTTOM Rehydrated**

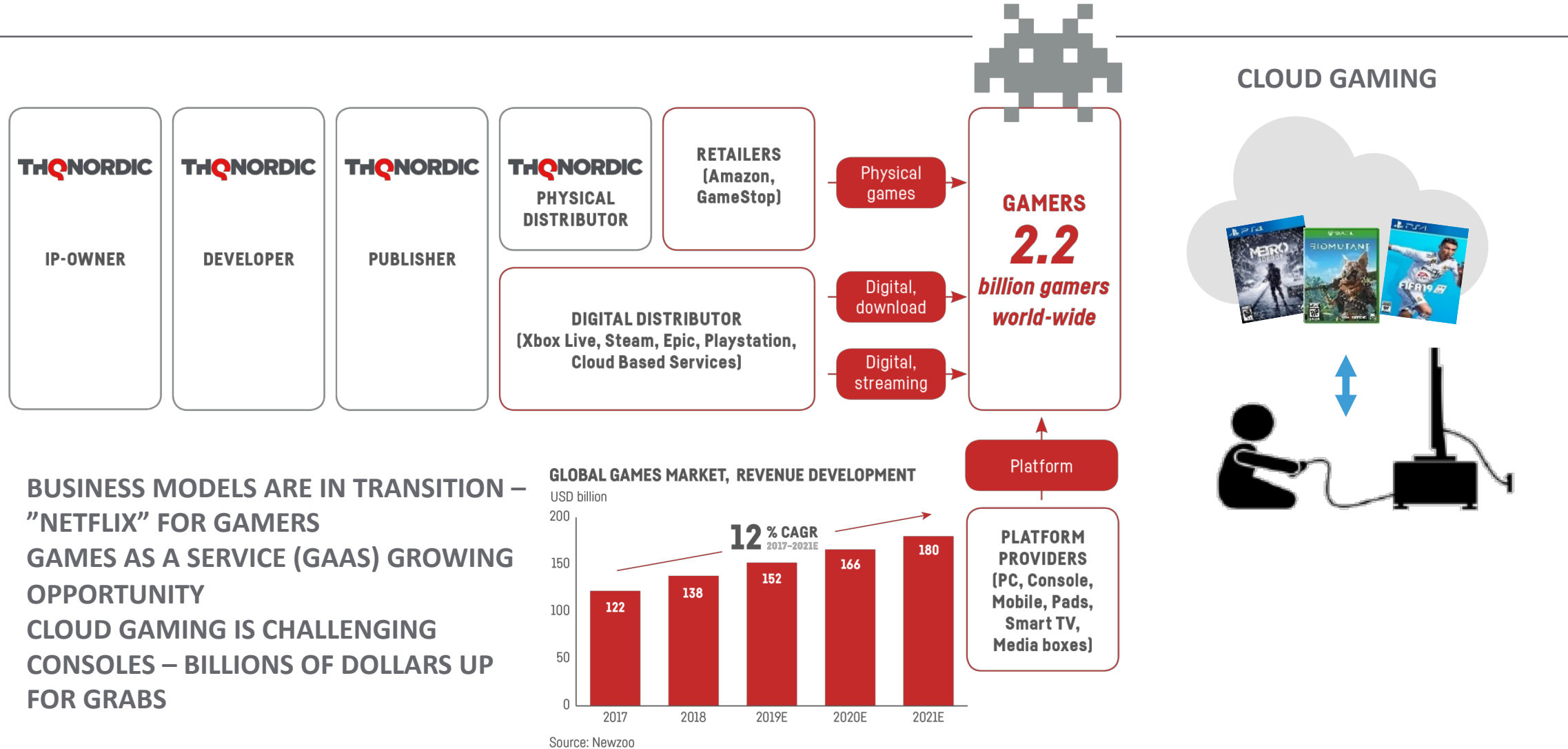
PC PS4 XB1 Switch  
IP: 3rd party

**E3**

**BEST OF E3 2019**

Strong reception – millions of trailer views

# MARKET TRENDS FAVOURABLE TO CREATORS AND OWNERS OF CONTENT



- BUSINESS MODELS ARE IN TRANSITION – “NETFLIX” FOR GAMERS
- GAMES AS A SERVICE (GAAS) GROWING OPPORTUNITY
- CLOUD GAMING IS CHALLENGING CONSOLES – BILLIONS OF DOLLARS UP FOR GRABS















# NEW SUSTAINABILITY FRAMEWORK



**THE SHARE OWNERSHIP**  
30 June 2019

Name	Capital %	Votes %	Founder management	Renowned institutions
Lars Wingefors through companies	35.1	51.5	Co-Founder, Group CEO	
Swedbank Robur Funds	9.1	5.1		
Erik Stenberg through company	7.6	11.2	Co-Founder, Deputy Group CEO	
Handelsbanken Funds	6.0	3.3		
Mikael Brodén through company	2.6	3.8		
AP1 Första AP-fonden	2.3	1.3		
Didner & Gerge Funds	2.2	1.2		
Olsson Family and Foundation	2.2	1.2		
SEB Funds	2.0	1.1		
Life Insurance Skandia	1.9	1.0		
Avanza Pension	1.2	0.7		
Klemens Kreuzer through company	1.1	1.6	Co-Founder, CEO THQ Nordic	
ODIN Fonder	1.0	0.5		
AP2 Andra AP-fonden	0.9	0.5		
Martin Larsson	0.9	0.5		
Capital Group	0.9	0.5		
Pelle Lundborg with family through company	0.8	1.9		
Reinhard Pollice through company	0.8	1.0	Co-Founder, Director THQ Nordic	
Skandia Funds	0.7	0.4		
Rolf Lundström	0.6	0.4		
BlackRock	0.6	0.3		
RAM Rational Asset Management	0.5	0.3		
Inwestbergh AB	0.5	0.3		
Chahine Capital	0.4	0.2		
Koch Media Holding GmbH	0.4	0.2	- Partly owned by Founder and	
Sensor Funds	0.4	0.2	CEO of Koch Media/Deep Silver	
TIN Funds	0.4	0.2		
Länsförsäkringar Funds	0.3	0.2		
Knutsson Holdings AB	0.3	0.2		
Michael Knutsson	0.3	0.2		
Aktia Asset Management	0.3	0.2		
Svenska Handelsbanken AB for PB	0.3	0.2		
Meme Addict AB	0.3	0.2		
Spelfisken AB	0.3	0.2		
Amyril AB	0.3	0.2		
Grillus Janus Invest AB	0.3	0.2		
Vedtraven Finans AB	0.3	0.2		
Hippies With Attitude AB	0.3	0.2		
Long Name Holding AB	0.3	0.2		
Stefan Spel & Bry AB	0.3	0.2		
<b>TOTAL TOP 40</b>	<b>86.1</b>	<b>92.2</b>		
<b>OTHER</b>	<b>13.9</b>	<b>7.8</b>		
<b>TOTAL</b>	<b>100.0</b>	<b>100.0</b>		

↑  
**Founder-managers jointly own:**  
 45% of capital, and  
 65% of votes

**Equity research coverage:**  
 Berenberg, Carnegie, Handelsbanken, Nordea, Pareto Securities, ABG Sundal Collier (paid), Redeye (paid)



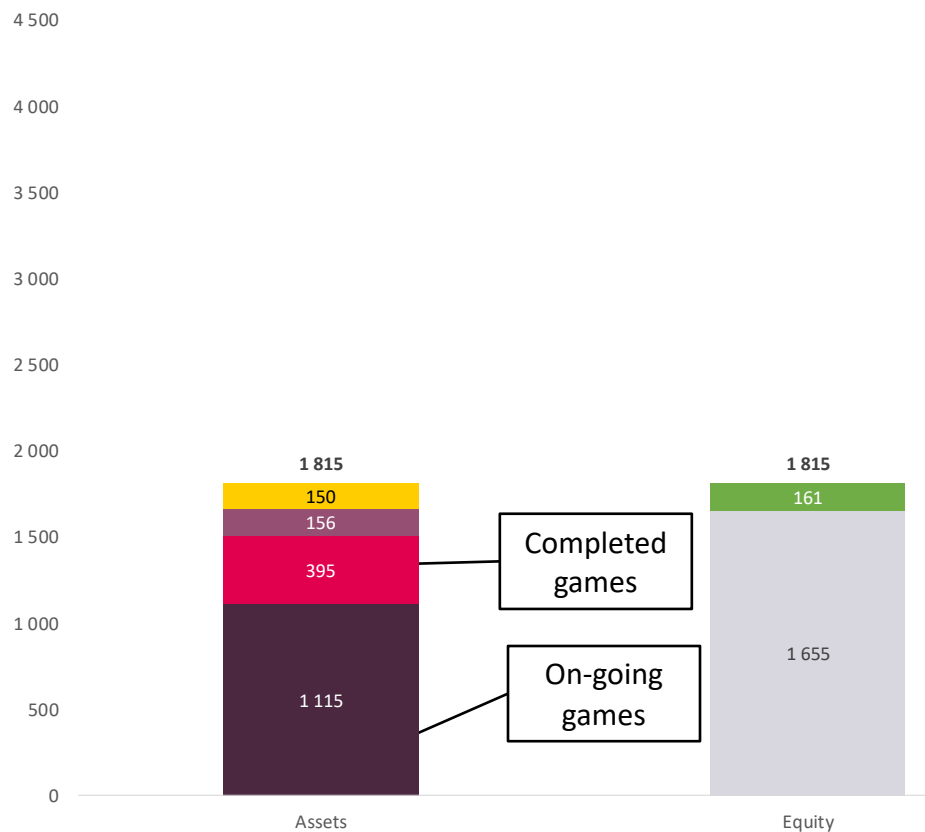


## 2. Financial overview

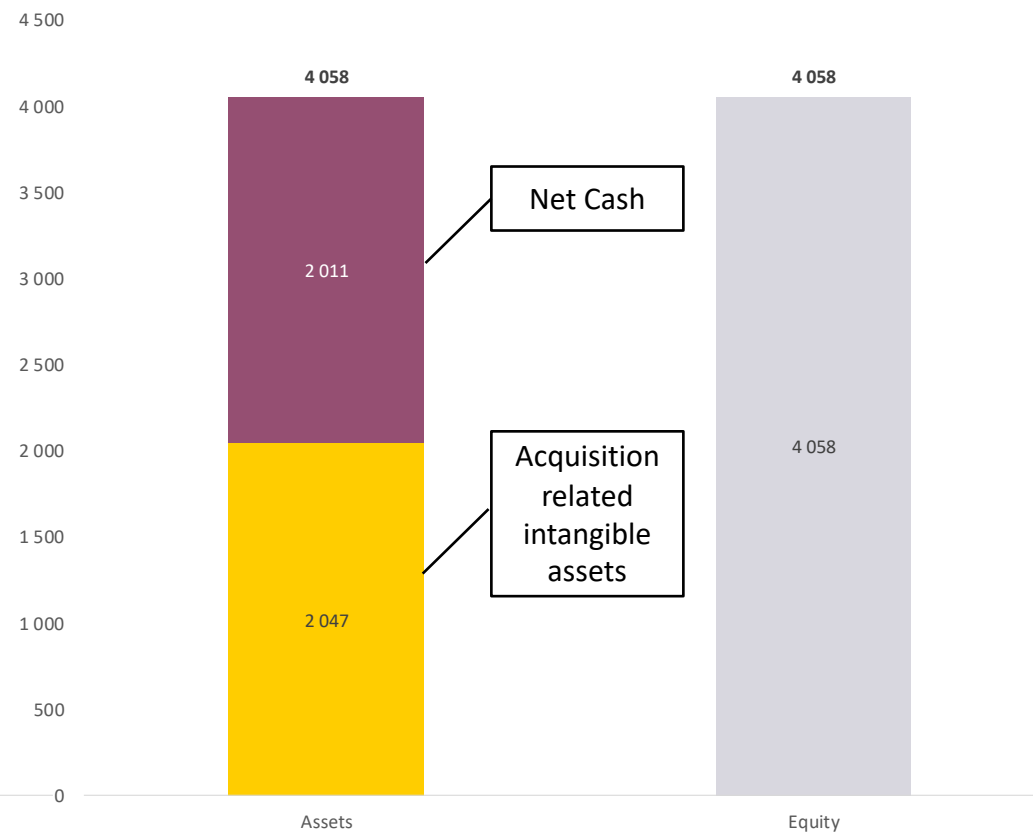


# Balance as per 31 March 2019

## Operational Balance Sheet Items

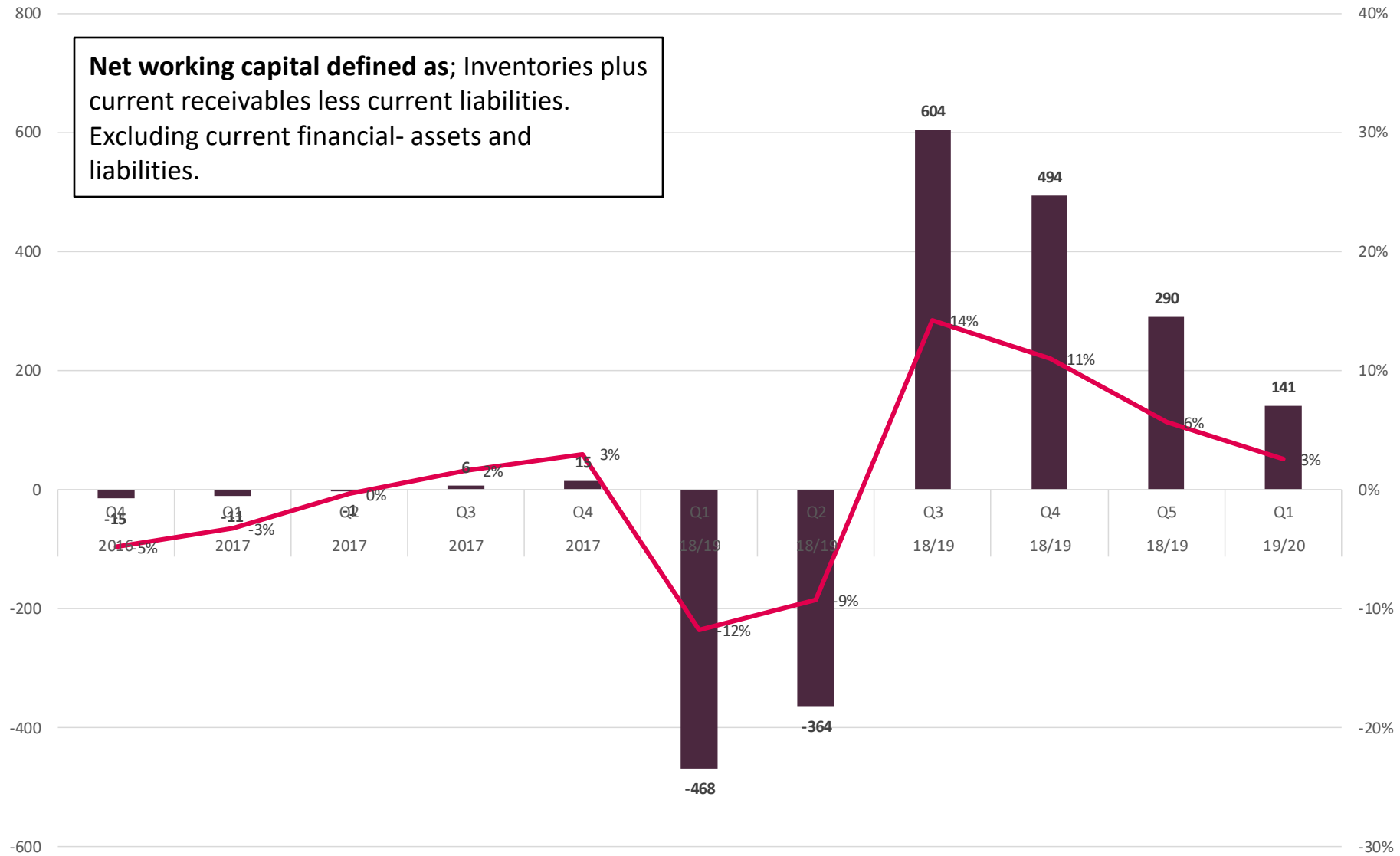


## Financial Balance Sheet Items



**SEK 1,510mn invested in our game's portfolio per year-end, where SEK 395mn relates to completed games and SEK 1,115mn relates to On-going development. SEK 2,047mn of assets are related to acquisitions (IP-rights and goodwill). Net cash amounts to SEK 2,011mn. Vast majority is financed thru Equity (net of other assets and liabilities SEK -161mn).**

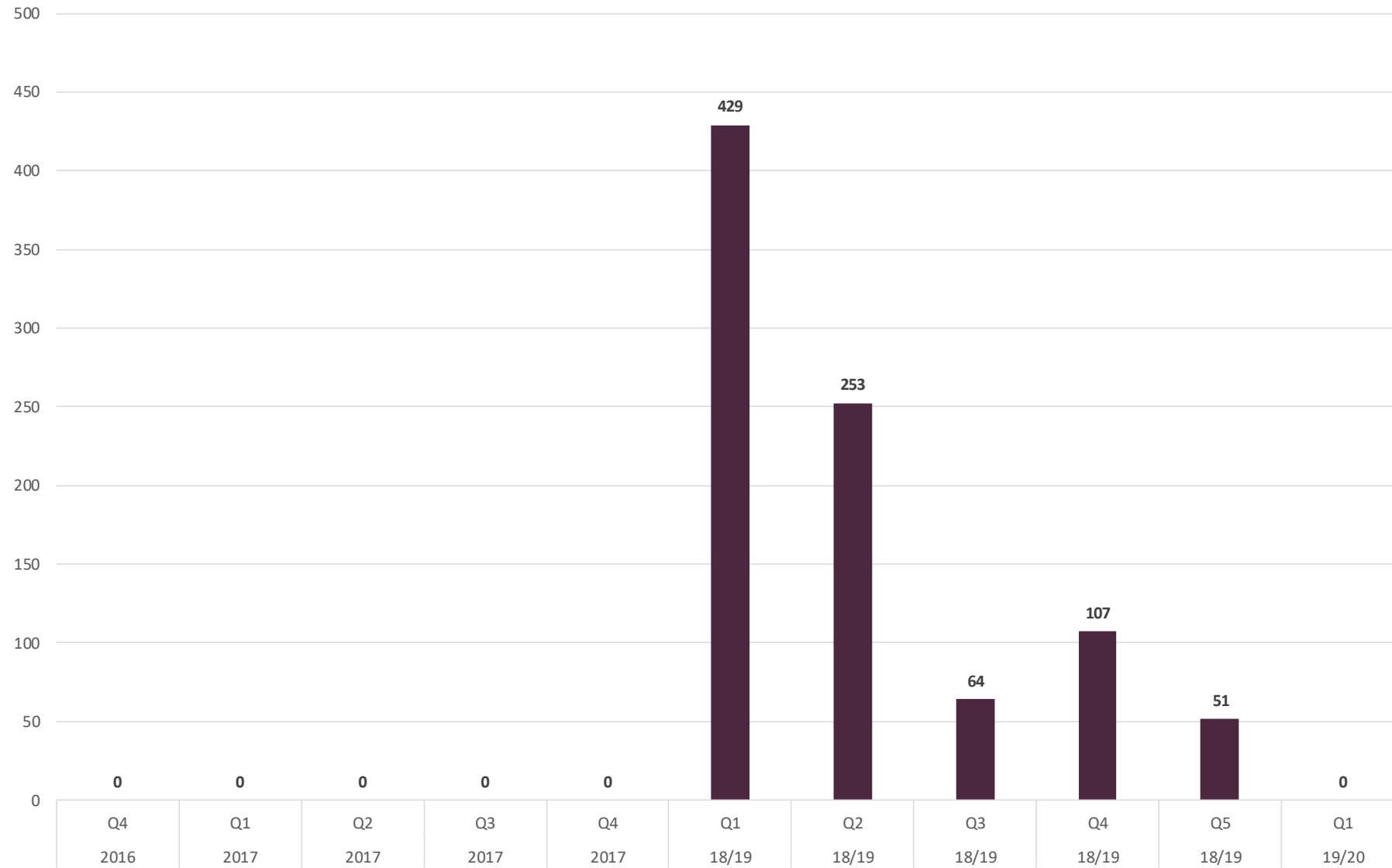
# Working Capital – Including Forfeiting



\*) Quarters refer to Financial year quarters

■ Net Working Capital    — Net Working Capital / T12M Sales

# Working Capital – Forfeiting

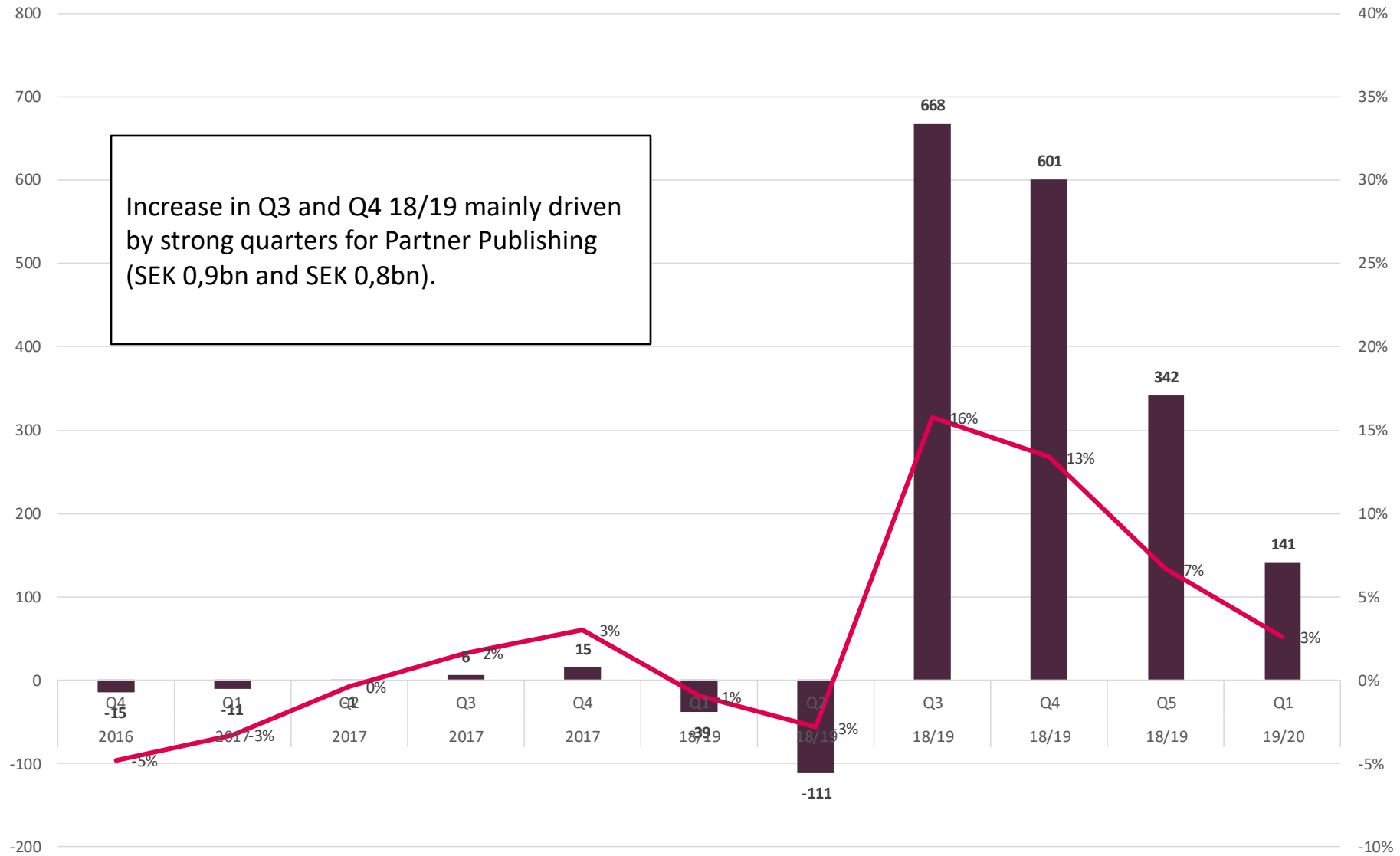


\*) Quarters refer to Financial year quarters

■ Forfeiting (MSEK)



# Working Capital – Excluding Forfeiting

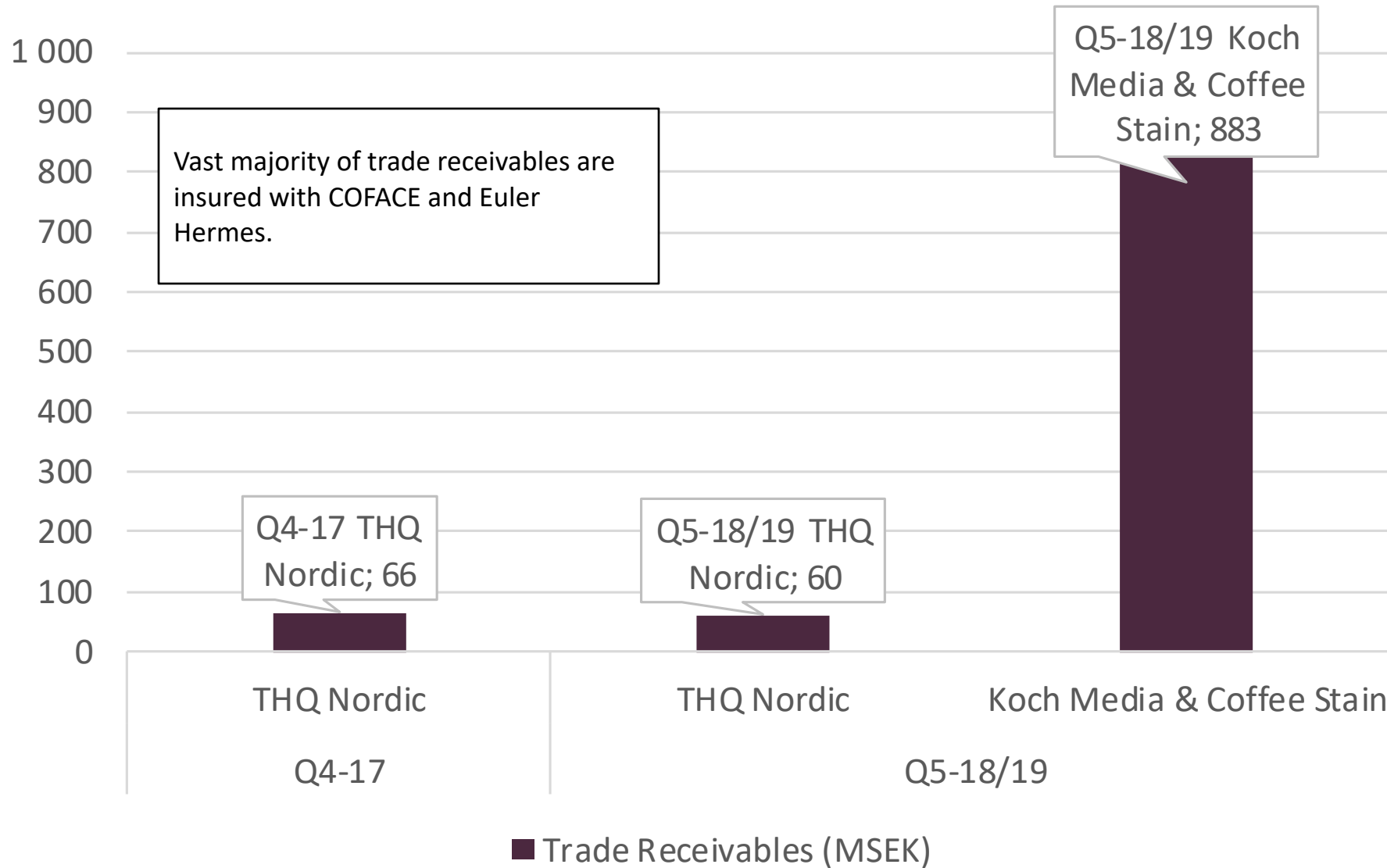


\*) Quarters refer to Financial year quarters

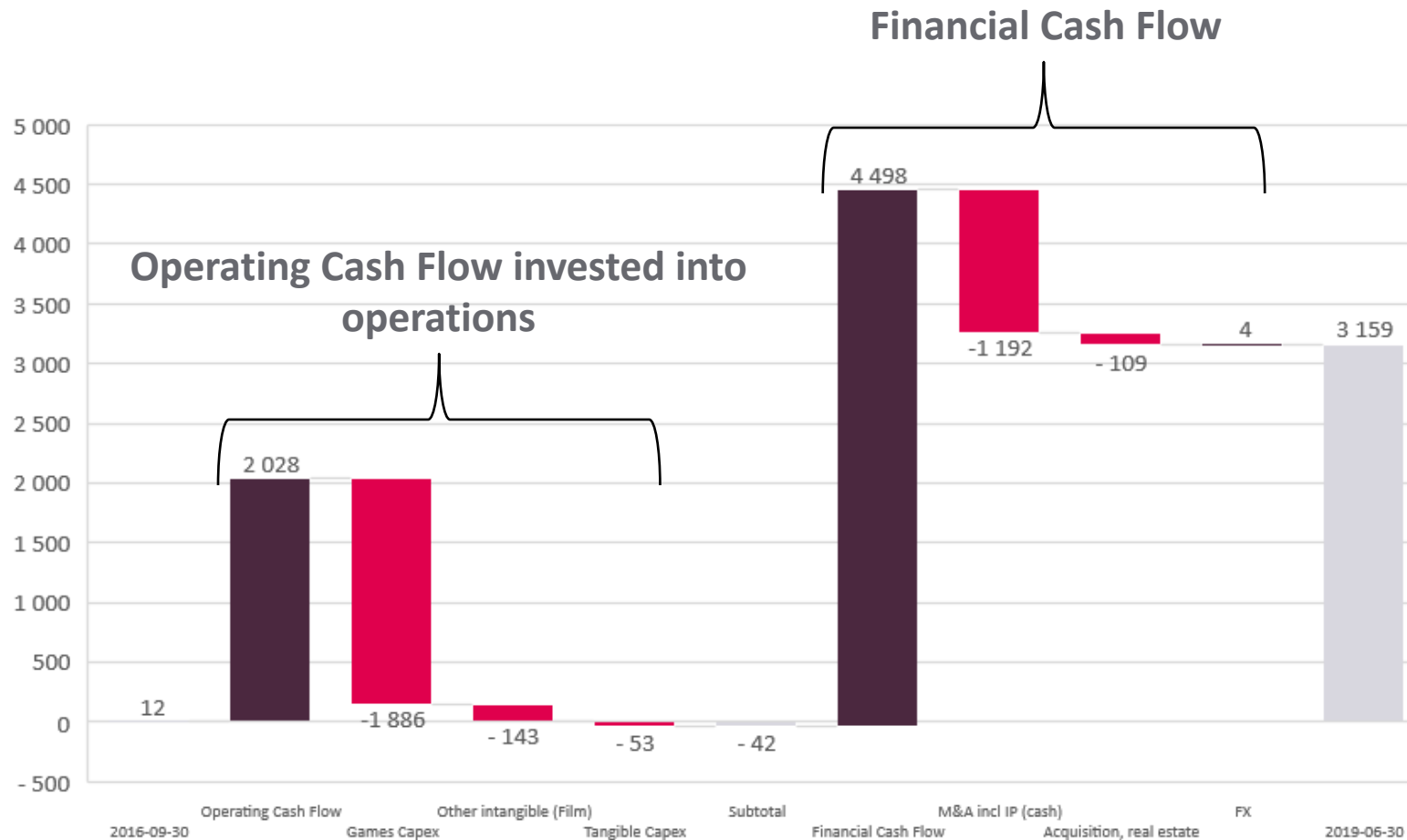
■ NWC excluding Forfeiting

— Net Working Capital / T12M Sales

# Working Capital – Trade Receivables 31 March 2019

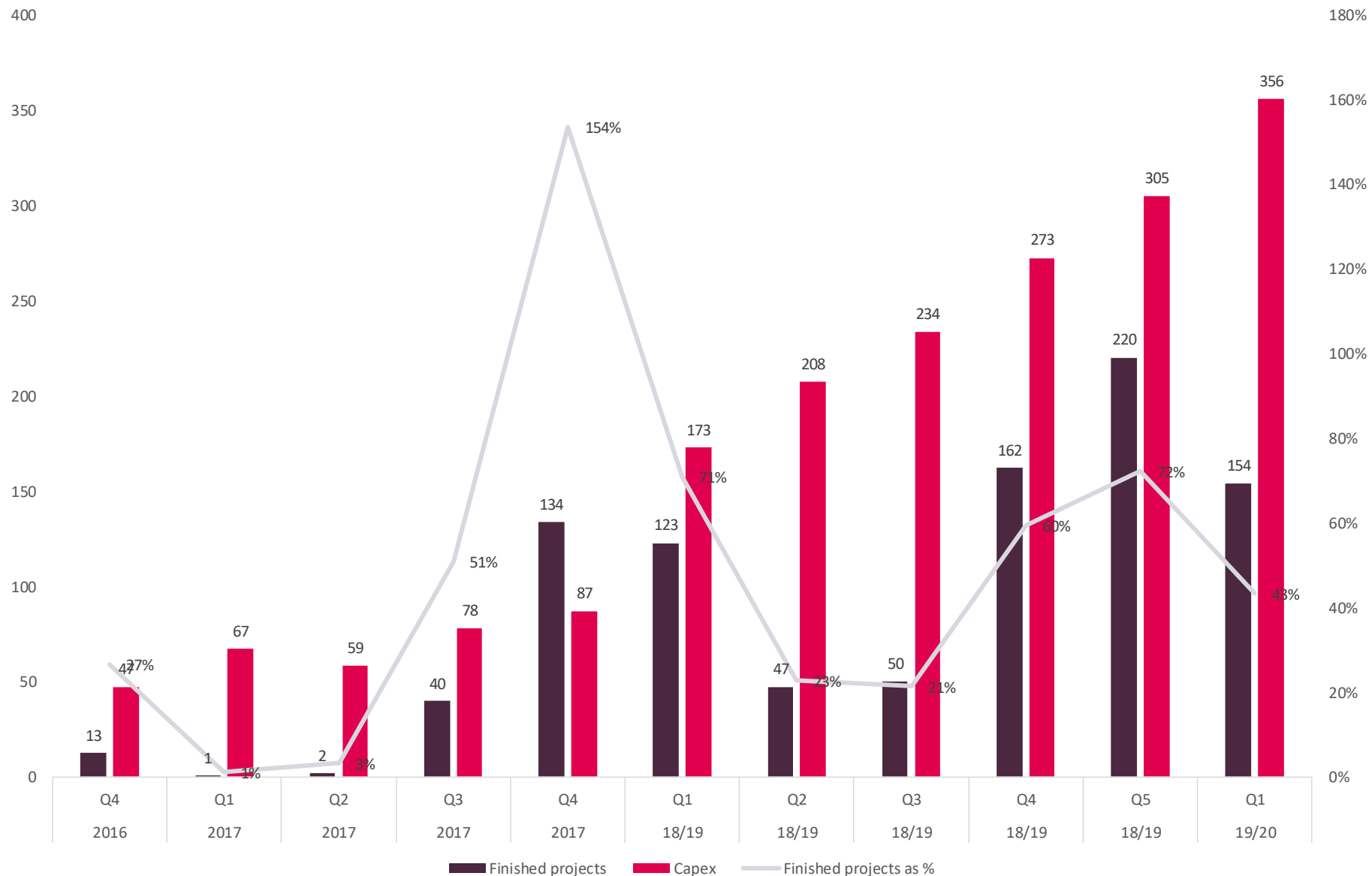


# Cash Flow from 30 September 2016 to 30 June 2019

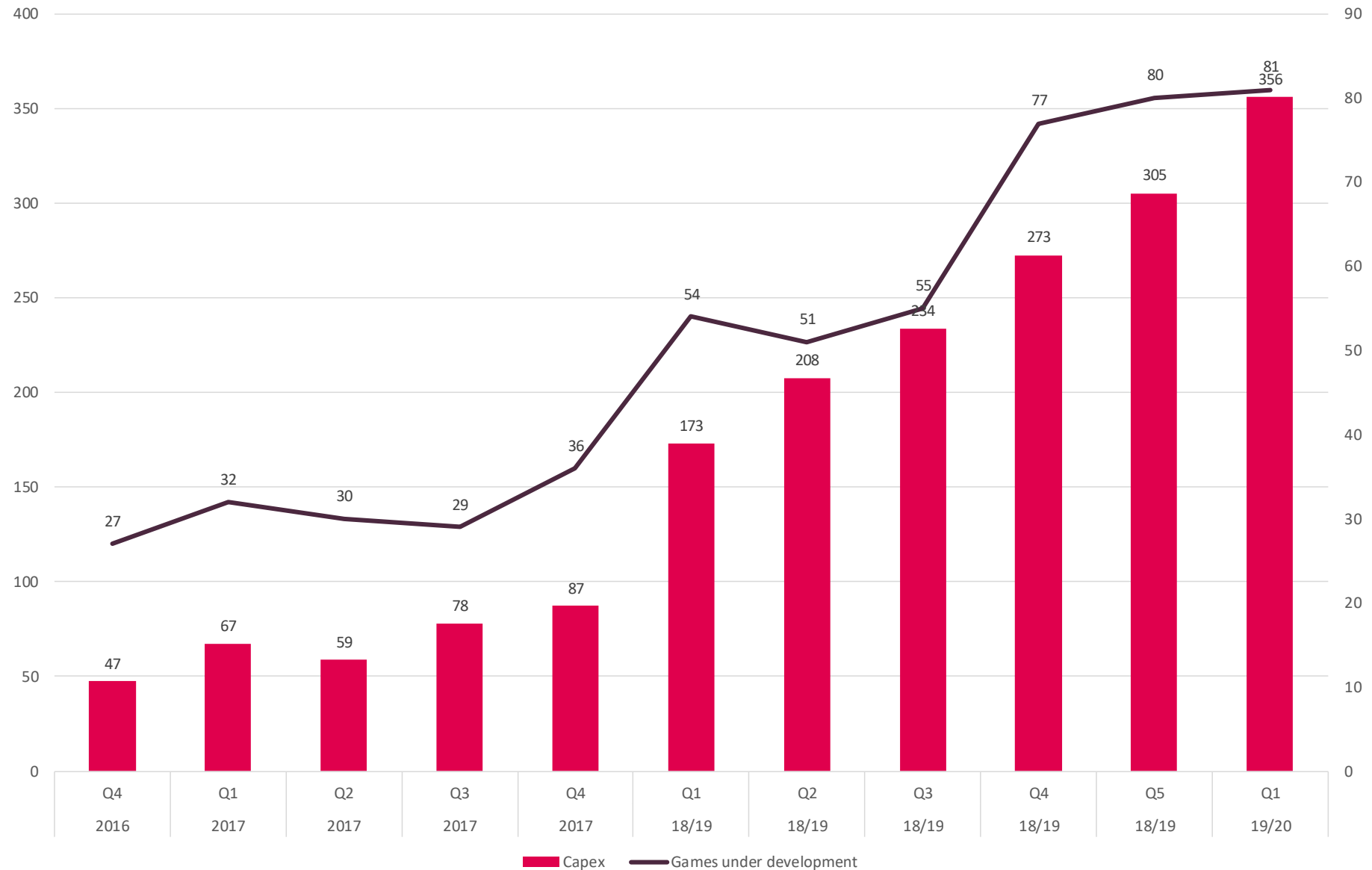


Since September 2016 we have generated SEK 2,028m in operating cash flow and invested SEK 1,886m in our games portfolio, SEK 143m in Other intangibles (mainly Film) and SEK 53m in tangible assets, resulting in a operational FCF of SEK-54m. Positive cash flow from financing activities are SEK 4,498m, net cash flow effect from acquisitions amount to SEK -1,192m with a related investment in real estate of SEK -109m.

# Games portfolio – By Quarter

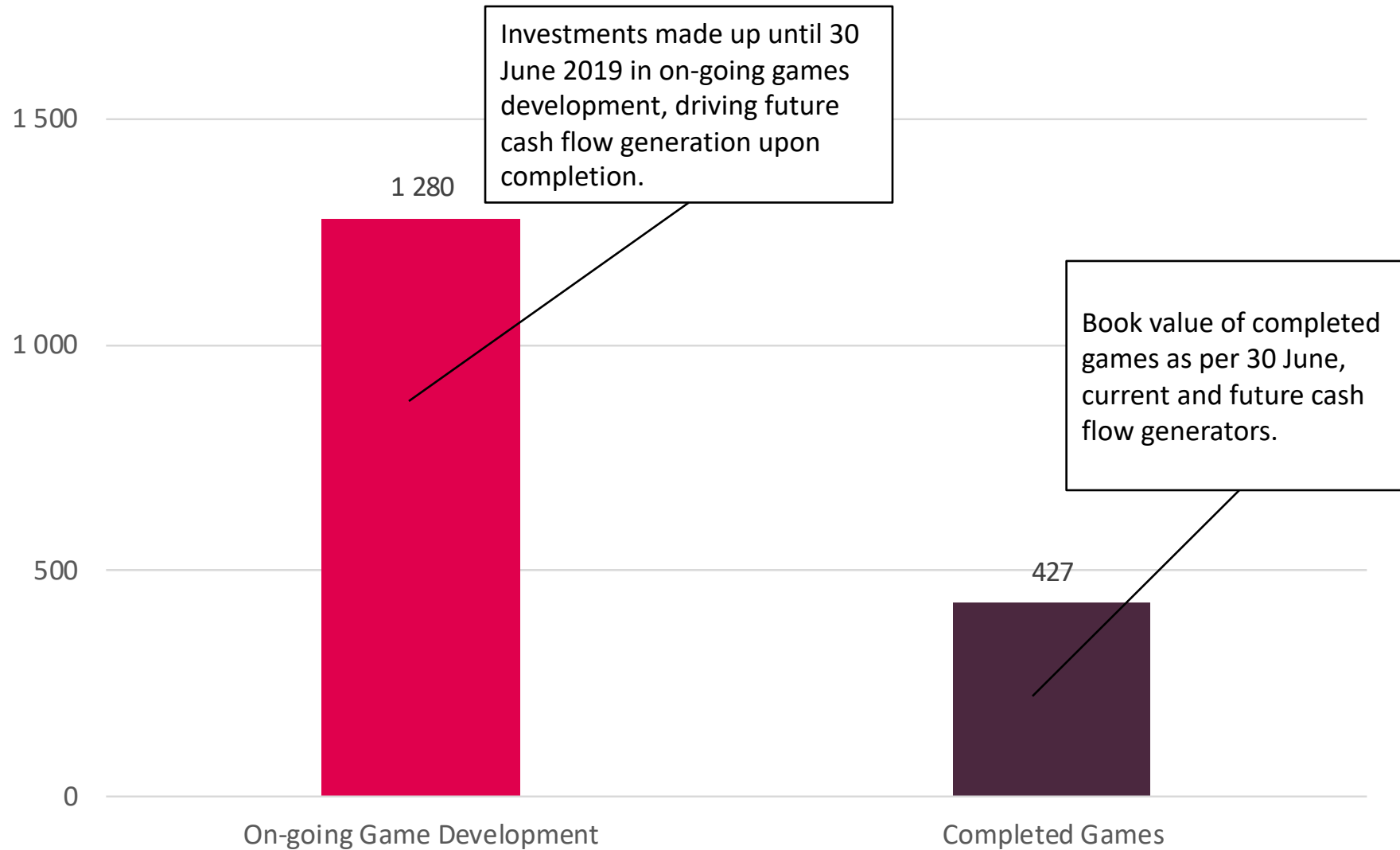


# Games portfolio – Ongoing Projects

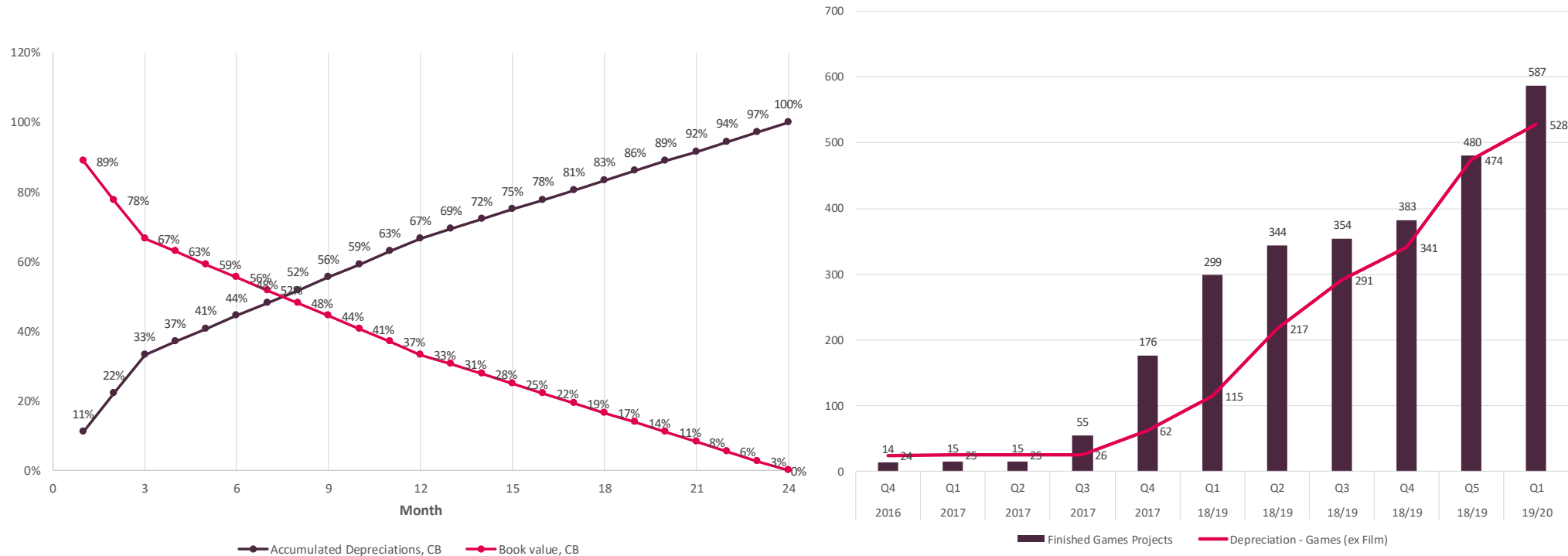




# Book value of investments into Game Development 30 June 2019



# Finalized Games Development – Depreciation Model



**Depreciation starts in the month the games is finalized (released). 33% depreciation in the first quarter following launch. 33% depreciation during the following 3 quarters. Remaining 33% depreciated over the following year.**

**Our current policy allows for depreciations to increase as we complete development projects and it reflects finished games development projects well in our P&L.**





### **3. Growth strategy and M&A update**



# GROWTH STRATEGY

– Our model for sustainable and profitable growth

## Financial model

*Reduce operational and financial risk, and anchor decisions in both business acumen and financial modelling*

- Diversified portfolio/pipeline
- Strong balance sheet
- ROI > cost of capital (with margin of safety)
- Strong operational cash conversion on EBITDA
- Willingness to issue equity to capture attractive growth opportunities

## Empowering people

*Philosophy of decentralization to empower our great people across the group*

- Commercial autonomy to business area CEOs, founders, and studio heads to run their operations
- Fosters creativity, speed and relevance as decisions are taken closer to local markets and niche markets

## ORGANIC GROWTH

### Invest for long-term organic growth

*Investments in development should outpace finalised game development*

- Develop and expand IP portfolio – including utilizing dormant IPs
- Develop and expand internal studios
- Establish new studios based on key talents
- Source external development projects
- Continue to consolidate partner publishing market

## M&A

### Buy to build

*Continue acquiring great companies that share our vision at fair valuations*

- Acquire and develop IPs, and studios and publishers
- Increase investments in acquired companies to unleash unlocked potential and capacity
- Synergies with distribution, marketing, knowledge-sharing, IPs, tech, development etc.
- In general to complement, not compete, with business partners in the game industry.

# M&A PROCESS AND CURRENT PIPELINE

## Typical M&A process

1. **Scouting** – Ongoing, patient scouting and research activity at HQ in Sweden, THQ Nordic Vienna, Koch Media/Deep Silver and Coffee Stain
2. **Proceeding with specific lead**
3. **In-house DD** – Commercial and financial due diligence on key games, people and business plan
4. **Handshake on Heads of Terms** – Negotiating heads of terms, business plan and post-acquisition structure (subject to legal, financial, tax and further commercial due diligence)
5. **Execution:** Due diligences, finalizing terms, legal docs, etc.
6. **Signing and closing** – Normally same day

Typically performed “entrepreneur to entrepreneur” with in-house capacity and light on third-party advisors on either side

Engaging leading legal (Baker McKenzie), corp, finance, financial and tax advisors (EY)

## Success factors

- ✓ Professional but fast and lean process – focus on key issues
- ✓ Giving autonomy to creative, driven entrepreneurs
- ✓ Accessing a plethora of knowledge and experience within the group
- ✓ Cash on balance