

EMBRACER⁺ GROUP

Q3 FY19/20
Interim Report
February 19, 2020

A promotional image for the full game Metro Exodus. It shows a character from behind, standing on a set of railway tracks that lead towards a vast, open landscape. In the distance, there are industrial structures with smokestacks emitting smoke, and a small town or settlement built on a hillside. The sky is bright and hazy, with a few birds flying. The top of the image shows the underside of a wooden structure, possibly a train car, with some debris.

METRO EXODUS

Metro Exodus full game
launched on Steam now!

A promotional image for the final DLC of Metro Exodus, 'Sam's Story'. The image is split horizontally. The top half shows a bright, hazy sky with a large, dark, industrial structure in the background. The bottom half is an underwater scene with a large, rusted metal object, possibly a piece of machinery or a weapon, floating in the water. Bubbles are rising from the object. The overall color palette is dominated by blues and greys.

METRO EXODUS

SAM'S STORY



Final Metro Exodus DLC
launched now!

The logo for 'Dark Siders Genesis' is positioned in the top left corner. It features the words 'DARK SIDERS' in a large, stylized, gothic font above the word 'GENESIS' in a smaller, similar font. The text is set against a dark, ornate, diamond-shaped emblem that glows with a golden light.

DARK SIDERS GENESIS

The background of the slide is a dynamic scene from the game 'Dark Siders Genesis'. It depicts several characters in a dark, fiery environment. In the foreground, a character in a purple cape and golden armor is shown in profile, holding a large, ornate sword. Behind them, another character with long hair and a red hooded cloak is visible. To the right, a large, mechanical, metallic head with glowing orange eyes is prominent. The overall atmosphere is dark and intense, with sparks and fire in the background.

1. Operational and financial performance

OPERATIONAL AND FINANCIAL HIGHLIGHTS

Increased profitability mainly driven by strong digital back catalog of own-IP games

Q3 FY19/20

Net sales	YoY growth
SEK 1,509m	9%

Net sales – Games	YoY growth
SEK 836m	51%

Operational EBIT	YoY growth
SEK 302m	54%

Increased profitability driven by:

- Release of Darksiders Genesis on PC/Stadia
- Strong back catalog including Metro franchise, Wreckfest and Satisfactory
 - Increased share of digital sales
 - Increased share of sales from own-IP titles



Continue to strengthening our pipeline

Investments in game development in the quarter:

SEK 373m (+37%)

(37% higher than same quarter last year)



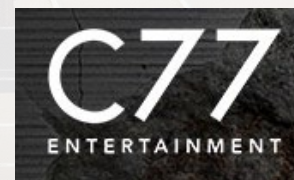
96 pipeline projects

Releases after Q3 FY19/20:

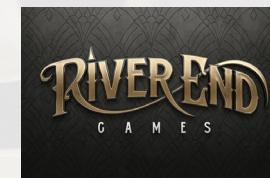


Continued organic and acquisitive expansion

In the quarter



After the quarter



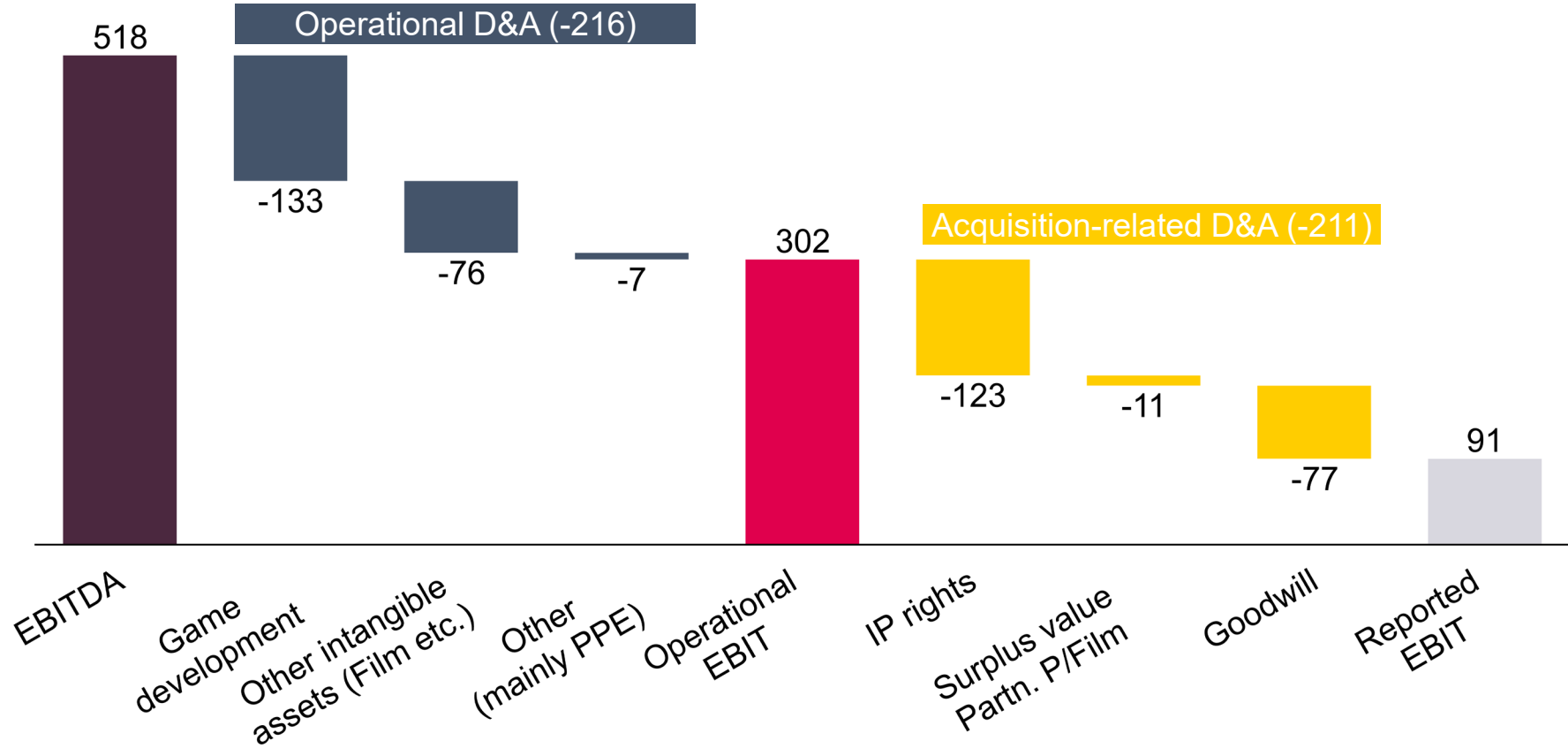
+ setting up two unannounced studios

KEY P&L METRICS

SEK million	Quarter			Trailing twelve months		
	Q3 FY19/20	Q4 2018	YoY Change	Q3 FY19/20	Q4 2018	YoY Change
	Oct–Dec 2019	Oct–Dec 2018		Jan 2018– Dec 2019	Jan 2017– Dec 2018	
Net sales	1,509	1,381	9%	5,541	4,124	34%
EBITDA	518	326	59%	1,945	974	100%
Operational EBIT	302	197	54%	1,143	501	128%
Operational EBIT margin	20%	14%		21%	12%	
Adj. EPS (SEK)	0.68	0.55				

DEPRECIATION AND AMORTIZATION

Q3 FY19/20
SEK million

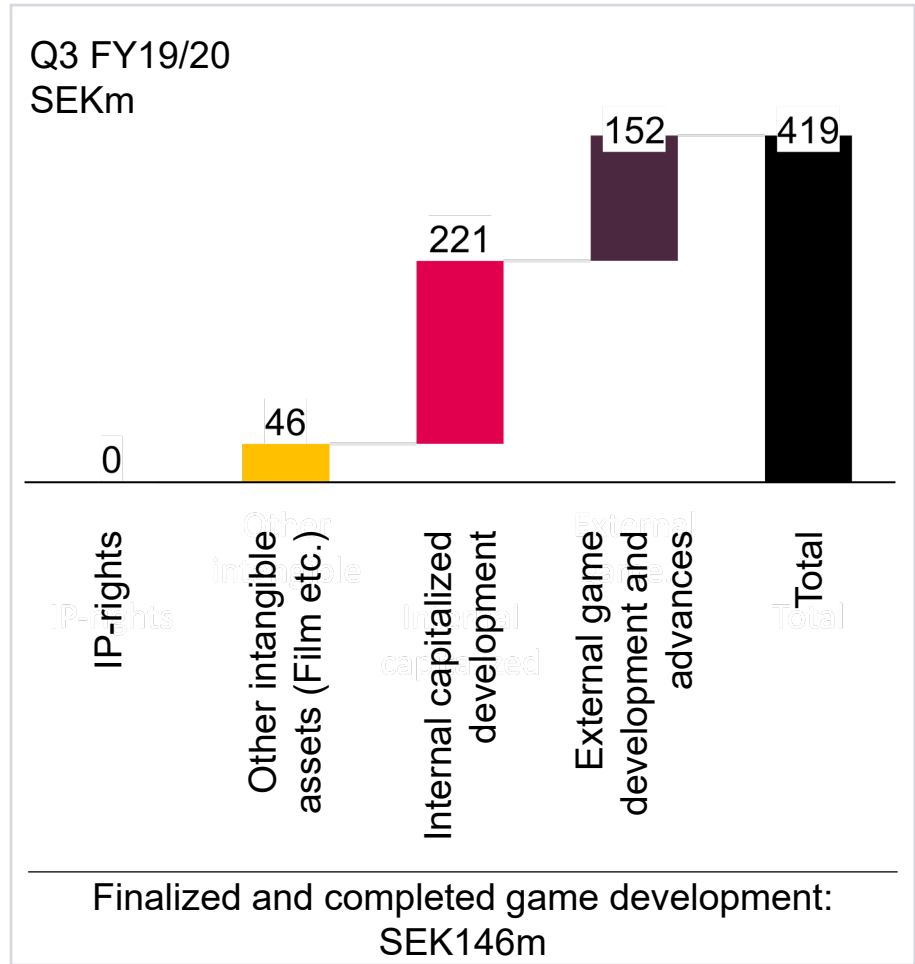


KEY CASH FLOW METRICS

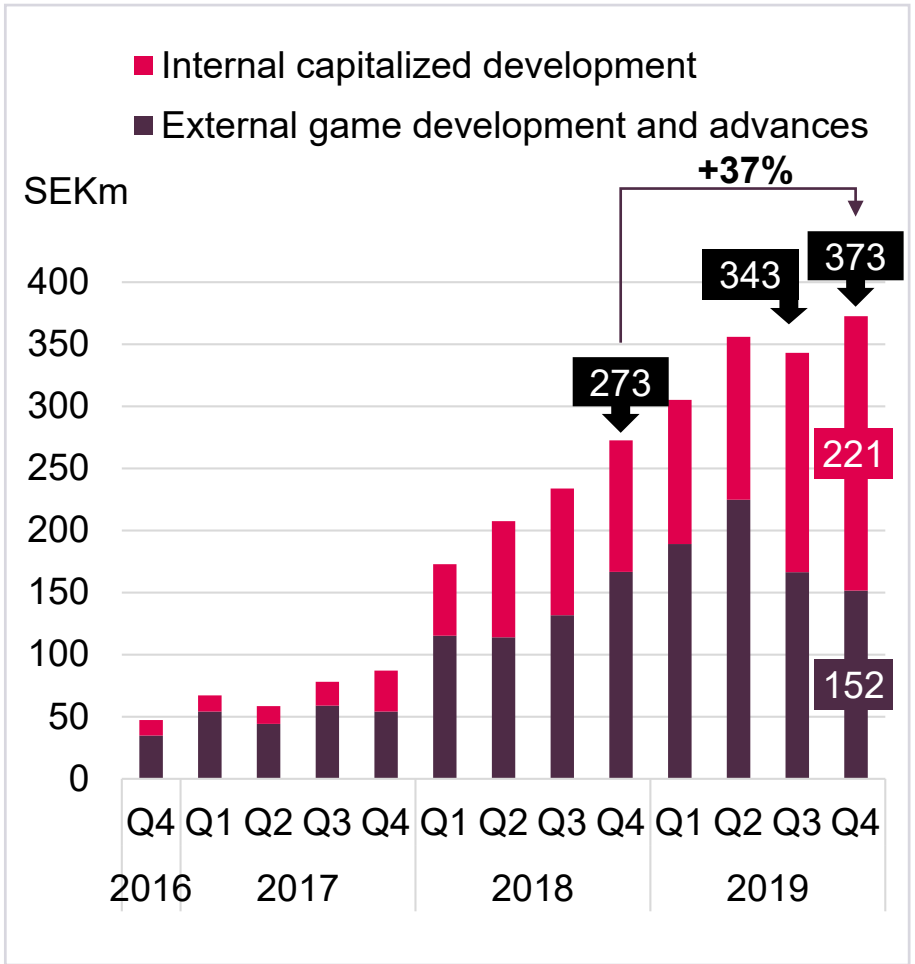
SEK m	Oct-Dec 2019	Oct-Dec 2018	
Cash flow from operating activities before changes in working capital	552.0	360.1	+53% YoY growth in the quarter
Change in working capital	-312.5	94.9	Related to reduced trade payables, which is heavily influenced by release schedules of larger titles especially in the physical side of our business.
Cash flow from operating activities	239.5	455.0	No forfeiting in Q3 FY19/20, SEK 43m increase in forfeiting in the same quarter last year*
Cashflow from investing activities			
Investment in acquired companies	-88.2	-417.4	Growth investments (M&A growth)
Investment in intangible assets	-419.0	-313.8	A significant portion is (organic) growth investments.
Investment in tangible assets	-8.8	-14.4	
Investment in financial assets	-19.0	0.0	
Cash flow from financing activities	229.3	-132.7	Increased utilization of credit facility in Koch Media
Cash flow for the period	-66.2	-423.3	
Cash and cash equivalents at beginning of period	2,867.9	1,345.6	
Translation difference in cash and cash equivalents	-17.0	-0.6	*Cost of forfeiting amount to approx. EUR 93k during the period of utilization (~0,4% p.a.). The expense is reported within financial net.
Cash and cash equivalents at end of period	2,784.7	921.7	Cash taxes in the quarter was SEK +4m and SEK 122m in the first three quarters of FY19/20.

INVESTMENTS

Investments in intangible assets the quarter



Investments in game development by quarter



BALANCE SHEET

SEK million	31 Dec 2019	30 Sep 2019
Intangible assets	5,633	5,522
Property, plant and equipment	169	170
Financial assets	201	218
Inventories	387	385
Current receivables	1,570	1,579
Cash and bank balance	2,785	2,868
Total assets	10,745	10,742
Share capital	1	1
Other capital reserves	5,300	5,289
Recognized profit incl. the period	876	895
Provisions	1,306	1,214
Non-current liabilities	209	215
Current liabilities	3,053	3,128
Total equity and liabilities	10,745	10,742
Interest-bearing receivables	2,785	2,868
Interest-bearing liabilities	1,947	1,768
Net cash	838	1,100

Breakdown of intangible assets 31 Dec 2019

Finished completed games	410	7%
Ongoing game development projects	1,749	31%
Other intangible assets (film etc.)	250	4%
Operational intangible assets	2,409	43%
IP-rights	1,920	34%
Surplus value Partner Publishing/Film	192	3%
Goodwill	1,112	20%
Acquisition related intangible assets	3,224	57%
TOTAL	5,633	100%

- As of 31 Dec 2019, cash and cash equivalents were SEK 2,785m. Available liquidity including credit facilities was SEK 3,444m

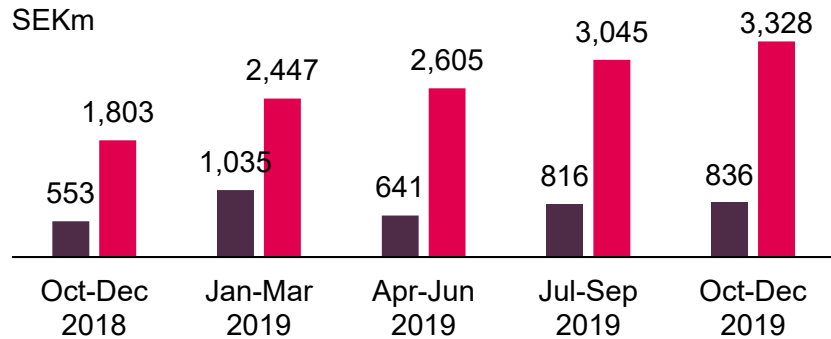
A motocross rider in a white and pink suit is performing a stunt, riding a dirt bike upside down in the air. The rider is wearing a helmet and has the number 57 on their back. The background is a large stadium filled with spectators at night. A large, illuminated Monster Energy logo is visible on a pillar to the left. The text "2. Business areas" is overlaid in white on a dark semi-transparent background.

2. Business areas

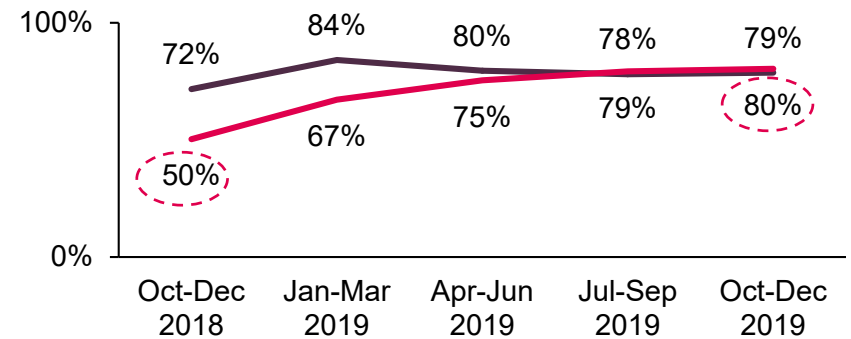
GAMES – NET SALES BREAKDOWNS

■ = Quarterly
■ = Trailing twelve months

Net sales

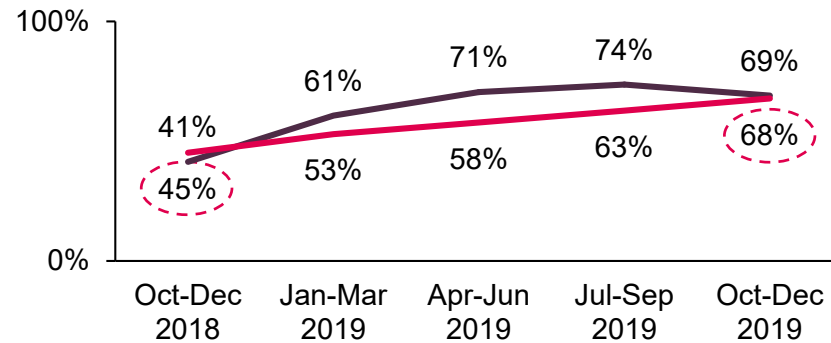


Owned titles (rest is publishing titles)

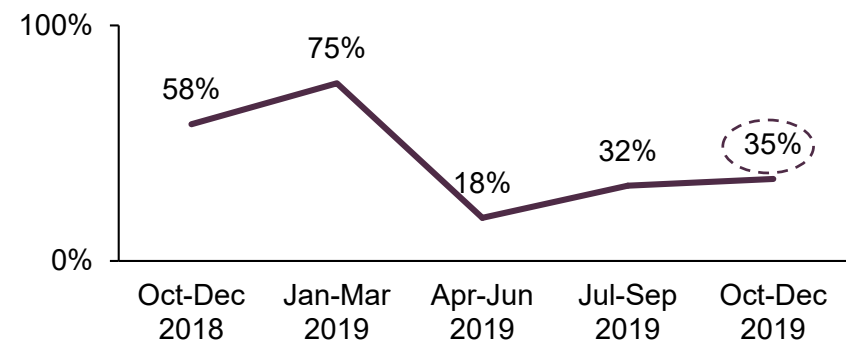


- 51% YoY growth in the quarter (quarterly)

Digital (rest is physical)



New releases (rest is back catalog)






SEK million	FY18/19		FY19/20		
	Q4	Q5	Q1	Q2	Q3
Net sales	187	794	373	442	467

- 150% YoY growth in the quarter, mainly driven by strong back catalog
- Back catalogue sales exceeded management expectations in the quarter, both digitally and physically
- After the quarter: Acquisition of music games studio Voxler (Let's Sing franchise) – see separate slide

Notable releases in the quarter



PC PS4
 IP: 3rd party

4 releases in total

Selected upcoming releases

 Switch IP: Licensed	 DLC IP: Licensed	 Steam IP: Licensed
 PC PS4 XB1 IP: Own	 PC PS4 XB1 IP: Own	 PC Console IP: Licensed
 WARHORSE	 volition	 4A GAMES

✓ = Released after Q3 FY19/20



SEK million	FY18/19		FY19/20		
	Q4	Q5	Q1	Q2	Q3
Net sales	352	143	185	330	333

- Negative 5% YoY growth in the quarter, mainly explained by a tough comparable in Darksiders III in Q4 2018.
- Major revenue drivers in the quarter were Wreckfest for console and Darksiders Genesis for PC/Stadia.
- Sales of Remnant: From the Ashes, developed by Gunfire Games and published by Perfect World, continued to exceed management's expectations.
- New release Little Big Workshop, by Mirage Studios in Karlstad, was well received and exceeded management expectations.
- New studio Nine Rock Games set up in Bratislava, Slovakia, after the quarter.

Key releases in the quarter



PC Stadia
 IP: Own



PC
 IP: Own



Switch
 IP: Licensed

4 releases in total

Selected upcoming releases

BIOMUTANT.

PC PS4 XB1
 IP: Own



PS4 XB1 Switch
 IP: Own

DESPERADOS III

PC PS4 XB1
 IP: Own



PC PS4 XB1
 IP: Own



PC
 IP: Own



PC PS4 XB1 Switch
 IP: Licensed



SEK million	FY18/19		FY19/20		
	Q4	Q5	Q1	Q2	Q3
Net sales	14	98	83	45	36

Back catalog mainly driven by



Selected upcoming releases



SONGS OF CONQUEST

PC
IP: Own

Developers:
Coffee Stain NORTH



PC
IP: 3rd party





- Satisfactory was the major revenue generator during the quarter, closely followed by Deep Rock Galactic and Goat Simulator that continued to perform well.
- Satisfactory Update III, scheduled for December 2019, was delayed due to technical complexity, but has been released after Q3 FY19/20
- Looking ahead Coffee Stain expects to release a notable amount of new releases during the next financial year, ending March 2021.



AMPLIFIER GAME INVEST

Rebranding and strong recent business activity



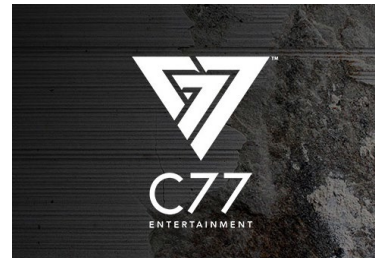
Rebranding to clarify core mission
within Embracer Group

(Jan 2020)

Q3 FY19/20



Acquiring Tarsier Studios – see separate slides below. [Full presentation here.](#)



Setting up new, wholly owned, development studio in Seattle. To be led creatively by Mattias Kylén and Kenny Magnusson, two Swedes with a long history in the AAA-industry, having worked on several award-winning titles.

Jan 2020



Organically setting up new, wholly owned, development studio in Gothenburg, comprising a hand-picked team of highly experienced game developers to be lead by Anders Hejdenberg and Karl Broström.




Increasing stake in Misc Games from 45% to 55%.

PARTNER PUBLISHING/FILM


SEK million	FY18/19		FY19/20		
	Q4	Q5	Q1	Q2	Q3
Net sales	828	596	501	444	673

- Negative 19% YoY growth in the quarter due to the absence of larger releases to match those in the same period last year.

Selected upcoming releases in Q4 FY19/20




by Bethesda




by Atlus


Notable releases in the quarter




by Codemasters



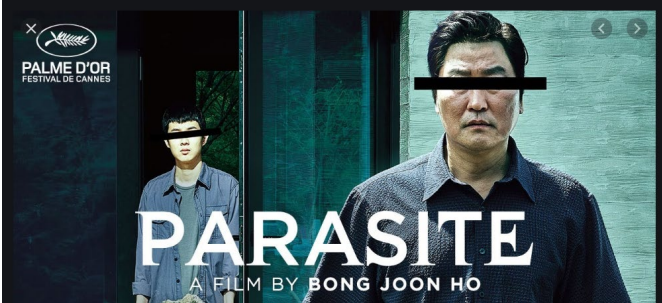
by Sega




CI Games



By Reef



PARASITE
A FILM BY BONG JOON HO



A promotional image for Satisfactory Update III. The background shows a large industrial structure, a flying vehicle, and a landscape with mountains and a small train. The text 'SATISFACTORY UPDATE III' is prominently displayed in the top right, with 'ON EXPERIMENTAL' and 'OUT NOW' below it. A dark purple banner across the middle contains the text '3. M&A'.

SATISFACTORY
UPDATE III
ON EXPERIMENTAL
OUT NOW

3. M&A

ACQUISITION OF TARSIER STUDIOS

Leading indie developer in the Nordics with strong track record of developing original IPs

TARSIER AT A GLANCE



Leading, award-winning indie studio founded in 2005 and situated in Malmö – a talent-hub for game development.



Highly experienced and creative team of 60+ employees with renowned artistic skills



Strong track record of creating successful original IPs incl. critically acclaimed million-selling, fan-favourite Little Nightmares

THE DEAL

100% of the shares in Tarsier acquired on 20 Dec 2019 for:

1. SEK 88m in cash and SEK 11m in Embracer B shares (SEK 99m in total)
2. A ten-year earnout for five sellers who will remain as key staff within Tarsier post transaction, with a joint earnout cap of SEK 44m

THE FUTURE



Remain autonomous within Embracer's wholly owned sub-group Goodbye Kansas Game Invest



Levelling up on development of original IPs



Transitioning to Embracer's IP ownership, financing and publishing

ACQUISITION OF voxler

French music games studio behind million-selling Let's Sing game series



Voxler and Let's Sing in brief

- Founded in 2005 to focus on music games development
- Dedicated team of 14 people based in Paris and Marseille
- Creator of million-selling Let's Sing game series (for console)
- Voxler has collaborated with Koch Media as an external development studio for 10 years

The deal and future

- Acquisition price: €1.9m for 100% incl. all IPs
- Acquisition date after quarter, on 19 Feb 2019
- Remain creatively autonomous within Koch Media
- Founder Nicolas Delorme committed to continue as a studio lead

INVESTMENT IN LVP FUND III

In Q3 FY19/20, we committed to invest \$6m in London Venture Partners (LVP) Fund III, with a 10-year maturity

The logo for London Venture Partners (LVP) is displayed in a bold, black, lowercase sans-serif font. The letters 'l', 'v', and 'p' are connected, and a period follows the 'p'. The logo is centered within a white rectangular area that is itself set against a larger black background.

About LVP:

- London Venture Partners (LVP) is a venture capital seed fund, exclusively investing in the gaming space
- Lead by a team of industry veterans, functional experts and ex operators from the games industry
- Multiple successful exits historically, including Finnish Supercell

Strategic rationale:

- Investor returns
- Access to M&A dealflow
- Access to LVP proprietary market intel and industry network
- LVP CEO and co-founder, industry veteran David Gardner, new Board Member to Embracer

M&A OUTLOOK



- **M&A prospects continue to look favorable**
- **Ongoing scouting and research activity at HQ in Sweden, THQ Nordic Vienna, Koch Media Deep Silver, Coffee Stain and Amplifier**
- **Substantial watchlist of IPs, development studios and publishers**
- **Currently a number of ongoing discussions with companies to join our Group, including a few sizable businesses that could form a new operating group, however, we do not depend on acquisitions to grow our business**
- **Strategy of giving autonomy to our local management teams is empowering them to continue succeeding and is attracting more studios and publishers to join our family**

OUT NOW

LITTLE BIG WORKSHOP

4. Sustainability quarterly update





ESG Update:

- Focusing on raising awareness in the Group
- Ambassador program further developed - An important link between our subsidiaries and the parent company
- Goals and measurements within the Group on identified GRI standards
- Compliance Code – popular version in the making
- Our work on ESG/sustainability and the approach we now launch within the group will be reported in the Annual Report this year
- Addressing the importance of data security in the group

EMBRACER⁺
GROUP