



EMBRACER+ GROUP

Embracer Group acquires Vertigo Games

September 16, 2020



1. The deal

Lars Wingefors, Embracer Group

2. Vertigo Games

Richard Stitselaar and Kimara Rouwit, Vertigo Games

3. The VR gaming market

Pierre Vinson, Koch Media

4. The future

Klemens Kundratitz, Koch Media

KOCH MEDIA ACQUIRES VERTIGO GAMES

The deal

- 100% of the shares acquired
- Upfront Consideration: €50M (€40M cash and €10M shares), implying an “upfront EV” of €45M, adjusting for €5M acquired net cash
- Earnout package: A mix of operational and financial targets spanning up to 10 years, capped at €65M (€25M cash and €40M shares)
- Two of several components of the earnout package stipulates selling mgmt to stay employed for up to 10 years
- One of several components of the earnout package stipulates that the sellers receive below consideration depending on its EBIT performance between 1 July 2020 and 31 March 2026, and the schedule looks as follows:

EBIT (1 Jul 2020–31 Mar 2026)	Cash	Shares	Total
≥ 100	15	10	25
≥ 95	12.5	10	22.5
≥ 90	10	10	20
≥ 85	7.5	10	17.5

Key financials (estimates)

€ million	Jan 2020– Dec 2020	Apr 2021 –Mar 2022	Beyond Mar 2022
Net sales	10–12	18–24	Stable sales and profit growth
Operational EBIT	6–8	11–17	



VERTIGO GAMES IN BRIEF

World-leading VR developer and publisher with big ambitions in market finally taking off

Vertigo is exclusively VR



- Rotterdam, Netherlands
- Founded 2008
- Exclusively VR since 2013 (7 years)
- Games are developed exclusively for VR
- 50 employees of which 35 developers

Strong VR track record and exciting pipeline project

— Developed, published and owned by Vertigo —



Co-op zombie shooter
#4 most sold VR game*



Co-op action shooter
One of the most anticipated
AAA VR releases

**25% of all
playtime***
in Western
arcade locations

**1.5M+ VR
units sold**
internal and
3rd party games

Three complementary business areas

Studios

Development of high-quality VR games

Publishing

Publishing of own and 3rd party VR games

Arcades

Development & Licensing of VR games to arcades

* During the last 24 months. Estimate by Vertigo based on third party market intel reports and indications from market participants.

ARIZONA SUNSHINE

Critically acclaimed, million-selling fan-favorite

Apocalyptic zombie survival first-person shooter

4-player co-op

Built exclusively for VR

Dec 2016 release

On all major VR platforms

#4 most sold VR game*

Over 68M views across 15 videos

80



83%

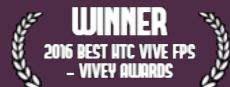


"The Best VR Zombie Shooter Yet"

– UploadVR, 85/100 (29/06/2017)

"Featuring beautiful graphics, satisfying gunplay, and a detailed world, this is one of the best [VR] shooters"

- Windows Central Best VR Games Selection
(12/02/2020)



* During the last 24 months. Estimate by Vertigo based on third party market intel reports and indications from market participants.

AFTER THE FALL

One of the most anticipated AAA VR releases

- ✓ The next VR Action FPS from Vertigo Studios
- ✓ One of few AAA VR titles announced for the next 12 months
- ✓ Built exclusively for, with gameplay unique to, VR
- ✓ Strong validation and support from leading VR platforms

"Impressive production values and all. An absolute thrill ride." UploadVR

"If every game were like this one in this category, I wouldn't worry about the future of VR."

- VentureBeat: Dean Takahashi's Favorite Games of E3 Selection



An epic VR action FPS with intense co-op gameplay at its core that pits up to 4 players against a vast, hostile VR world, set in the ice-covered ruins of LA nearly 20 years after the apocalypse, in a raging fight for survival.

VERTIGO STUDIOS

7 years of VR development excellence

Vertigo Studios in brief

- Vertigo's development studio
- Based in Rotterdam, Netherlands
- Founded 2008
- VR-only development since 2013
- 37 developers

Development strategy

VR exclusive development

Building games from the ground up for VR to make full use of VR's immersive qualities

Reimagining proven concepts

Taking proven concepts and reimagining these for VR in full-feature titles

The long tail

Keeping players engaged with replayability through multiplayer features and post-launch support

Released VR games and pipeline

4 games and 2 DLCs released – largest dev project ever in pipeline



Dec 2016 83%



2014 52%



May 2018 76%



Oct 2017 81%



Oct 2019 73%



Apr 2019 88%

AFTER THE FALL

Largest development project to date. Coming soon.

Note: Dates are release dates. Percentages are % positive Steam players.

VERTIGO PUBLISHING

Growth opportunity in 3rd party publishing with first mover advantage as the VR market takes off

Vertigo Publishing in brief

- VR exclusive publishing of Vertigo Studios titles and third party titles
- Based in Rotterdam, Netherlands
- 7 dedicated FTEs (excl. Vertigo group management)
- 1.5M units sold in total
- Offers funding, technical solutions, marketing support, and certified publishing to indie VR developers
- Currently few third-party VR publishers while demand for these services is assumed to increase as the VR market continues to grow.

Portfolio and pipeline

Vertigo Studios titles



Pipeline

Third party titles



Pipeline



Pipeline



Pipeline

VERTIGO ARCADES

Leading distributor of Vertigo and third party VR titles to VR arcade operators globally, increasingly through proprietary platform *Haze VR*

Vertigo Arcades in brief

- Leading distributor of Vertigo and third-party VR titles to VR arcade operators globally
- Already available in 700+ locations in 40+ countries
- Leveraging on Arizona Sunshine success which is the #1 played game in VR arcades
- 25% of all playtime in Western VR arcades
- Highly curated content offering of 15-20 titles per arcade
- 3 dedicated FTEs (excl. Vertigo group management)
- Growing notably prior to a downturn with the Covid-19 outbreak, starting to pick up again.

Haze VR proprietary platform

















- Vertigo Arcades' proprietary platform available for VR arcade operators to access, launch, operate and monetize VR gaming content
- Already fully operational in 30+ locations in 13 countries

Selected portfolio titles



VR MARKET OVERVIEW

Facebook Oculus, PlayStation and Valve/Steam dominates hardware and digital stores

Top VR headsets for gaming	Top VR digital stores	Selection of top VR games	
 <p>Oculus Rift S Connects to PC \$399</p>	 STEAM®  oculus PlayStation.VR	  SUPERHOT  the 2050 archives      	
 <p>Oculus Quest Standalone \$399</p>			<p>Platform cut usually 30% of net sales</p> <p>+ Retail Software distributed worldwide</p>
 <p>PlayStation VR Connects to PS4/PS5 \$299</p>	 <p>Valve Index Connects to PC \$999</p>		
 <p>HTC Vive Cosmos Connects PC \$699</p>			

* Estimate by Vertigo based on third party market intel reports and indications from market participants.

VR MARKET - CONTINUOUS GROWTH 2020

Facebook Oculus, PlayStation and Valve/Steam dominates hardware and digital stores

- Current Install Base estimated **>10 Million headsets***
- **Console VR:** PSVR 5 Million units as of January 2020 (Sony)
- **Standalone VR:** Oculus Quest sold 705k in 7 months. *“The Quest (including future hardware updates) is expected to be the **top-selling VR hardware through at least the end of 2021**” (Superdata)*
- **PC VR:** Valve Index sales more than doubled following Half-Life Alyx announcement, showing a demand for more AAA content
- **AAA IP entering VR** market creating excitement & driving overall market

STANDALONE HEADSET ACCELERATING GROWTH

Standalone VR had a big success since 2019, overcoming a major barrier for VR growth (accessibility)

Standalone benefits



Freedom and ease of use

No PC. No console. Completely wireless. Overall a much more convenient and better experience.



Cheap

Oculus Quest starts at \$399 and requires no (expensive) PC or console.



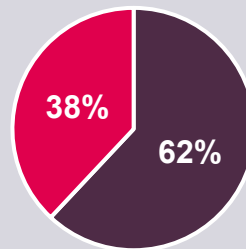
Giftable

As it is standalone, easy to use and cheap, it is more giftable than tethered headsets.

“Standalone headsets are definitely the future of VR. [...] they're so much more convenient, there's so much easier to use. They're completely wireless, they're much more affordable. It's just an overall much better experience.” – Jesse Schell, CEO Schell Games

Strong demand for Standalone Headset

2020 Vertigo Net Sales (Standalone)



■ Standalone VR

2021 Vertigo Net Sales (Standalone)

+236% YoY

“The so-hot-it-won't-stay-in-stock \$400 VR headset has been popping in and out of stock for months.” – CNET

Facebook Connect: Oculus updates



Facebook holds its annual Oculus/VR conference “Facebook Connect” on Sep 16, 2020

Oculus updates and general VR status and outlook will be presented

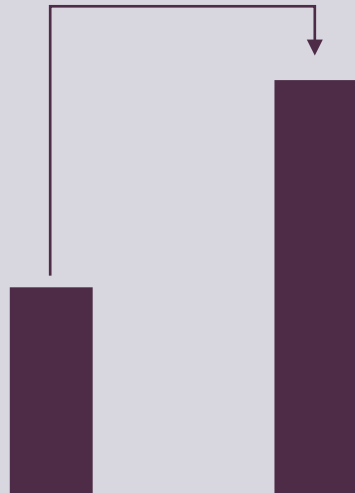
“Facebook Connect: What to expect from the company's big VR show” – CNET

THE FUTURE

Vision: Creating a world-leading VR developer and publisher as the VR market is taking off

Growth ambition

Headcount



Currently Medium term

Ambition to substantially grow headcount in the Netherlands in the medium term

Sr. management is committed and remains independent



Remaining autonomous within Embracer's wholly owned sub-group Koch Media

Management is long-term committed with a substantial earnout package spanning up to 10 years

Synergies



VR potential within Embracer's IP catalog

Financial stability to Vertigo Publishing enabling higher investments

Publishing knowledge and best practice sharing as Vertigo Publishing grows and the VR market matures

ACQUISITION HIGHLIGHTS AND OPPORTUNITIES

1

Early moving VR gaming specialist, well positioned to continue to lead and grow going forward

- Focusing exclusively on VR gaming for the last seven years and has built a world-class development and publishing team
- Mgmt is anticipating significant organic growth in the years ahead
- Bolt on acquisitions opportunity in the VR space

2

Proven VR track record with *Arizona Sunshine* success

- Critically acclaimed, million-selling fan-favorite
- Forth most sold VR game in the last 24 month*
- Streamer attention with 68M+ views across top 15 videos on YouTube

3

Highly anticipated *After the Fall* in pipeline

- VR-exclusive co-op Action FPS
- One of the most anticipated AAA VR releases - among few announced
- Strong validation and support from leading VR platforms

4

Timing is right: VR gaming market set to take off with better headsets, games and investments

- Expected growth of installed headset base due to committed platform holders driving the market with better and more accessible hardware
- Increasing quantity of high-quality content released and announced and higher overall investment in VR games development – increased competition will lead to better games
- The VR gaming software market is not yet dominated by established companies

5

VR Publishing and VR Arcades opportunities

- Currently few players in third-party VR publishing and VR arcade licensing, while demand for these services is assumed to increase as the VR gaming market continues to grow

EMBRACER⁺
GROUP