


EMBRACER⁺ GROUP

First quarter ending June 30, FY21/22

Interim Report

August 18, 2021

A character from the movie 'The Jungle Book' is shown in a lush jungle setting. The character is a brown-furred primate with large ears, wearing a brown tunic and a utility belt. A large, curved blade is attached to its back, and a green insect is perched on its shoulder. The character is holding a large, futuristic-looking weapon. The background features dense green foliage, a large blue moon in the sky, and a partially visible vehicle in the distance.

1. Operational and financial performance

Financial and operational highlights

Financial and operational key metrics for the quarter

Net sales – Group	YoY growth	<div style="border: 2px dashed red; padding: 5px;"> <p>Organic proforma growth +15%(CCY)</p> <p>Organic growth +10%(CCY)</p> <p>Adjusted EPS up +52%</p> </div>
SEK 3,427m	+66%	
Net sales – Games	YoY growth	
SEK 2,961m	+83%	
Net sales – Partner publ./Film	YoY growth	
SEK 468m	4%	

Operational EBIT YoY growth
SEK 1,271m +79%

Free cash flow Free cash flow BWC
SEK -260m SEK 466m

Key Revenue drivers during Q1:



8 Announced acquisitions after the quarter



Pipeline

Pipeline projects

180

Internal studios* Headcount*

77 ~8000

Invested in game dev

SEK 770

in Q1, which was **ATH & 2,6x** the dev. value of released games.

Expected value of completed games:

SEK 225-275m

Q2

SEK 2875-3325

FY21/22

Mobile: Strong Proforma KPIs

Daily active users (DAU)*.

33m

Monthly active users (MAU)*.

286m

Total Installs*

200m

The Group reports another stable quarter

- Numerous new games announcements planned up until Dec for products releasing current FY21/22 and future years.
- Over the next years to come our organic growth will continue to significantly exceed the overall gaming market expansion.

Impressive proforma organic sales growth in Q1 for mobile businesses : +37%



- IDFA delayed - now implemented widely. During past weeks - improved projected ROAS, in line with our strategy, our mobile companies will invest to drive value enhancing growth.

M&A Outlook

- We believe the larger our independent ecosystem becomes, the greater output we will have over the long term.
- Currently, we have more than SEK 8 billion in net cash and SEK 17 billion SEK in available cash including credit facilities.
- We continue to have a large of on-going discussions to join, including large or transformative acquisitions.

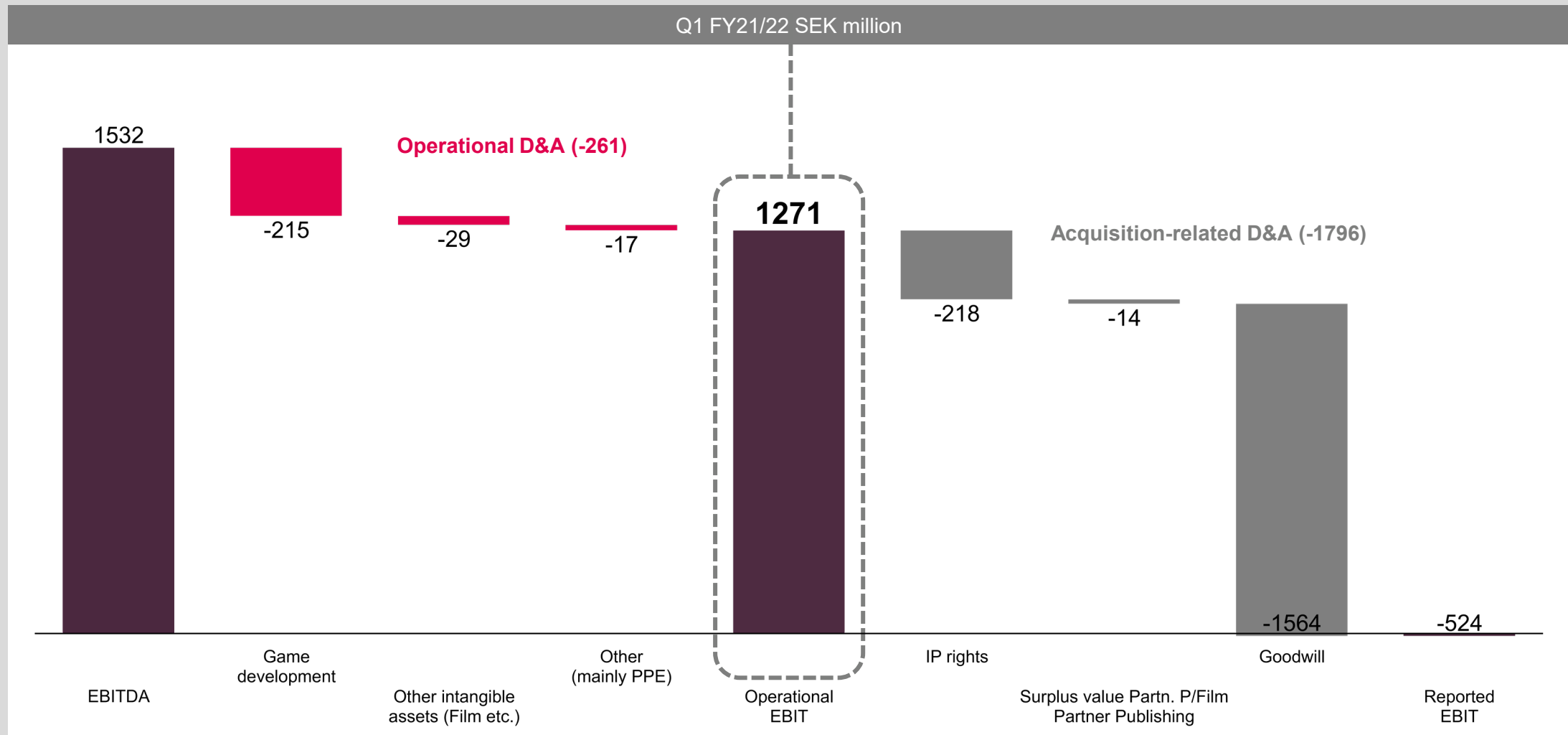
*Counting both internal and external headcount, Internal studios and Proforma KPIs as per June 30, 2021, and including the announced M&A August 5, 2021

Key PnL metrics

SEK million	Quarterly			Trailing twelve months (TTM)		
	Q1 FY21/22	Q1 FY20/21	YoY change	Jun 2021	Jun 2020	YoY Change
Net sales	3,427	2,069	66%	10,382	6,176	68%
EBITDA	1,532	965	59%	4,553	2,397	90%
Operational EBIT	1,271	712	79%	3,430	1,541	123%
Operational EBIT margin	37%	34%		33%	25%	
Adjusted EPS (SEK)	2.30	1.51	52%	7.23	3.81	90%



Depreciation and amortization



Cash flow statement

SEK million	FY21/22 Q1	FY20/21 Q1	TTM Q1
EBITDA	1,532	966	4,511
Cash Tax	-110	-44	-326
Other Cash flow items	-79	-52	54
Operating Cash flow	1,343	870	4,239
Net investment in intangible assets	-829	-495	-2,470
Net investment in tangible assets	-51	-16	-105
Net investment in financial assets	3	-18	11
Net Investment	-877	-528	-2,563
Free Cash Flow before WC	466	342	1,676
Change in working capital	-726	-138	-455
Free Cash Flow after WC	-260	204	1,221
Cash Flow from financing activities	651	1,940	13,436
Net investment in acquired companies	-2,273	-1,104	-5,760
Cash Flow for the period	-1,881	1,041	8,898

◀ **59% EBITDA growth in the quarter.**

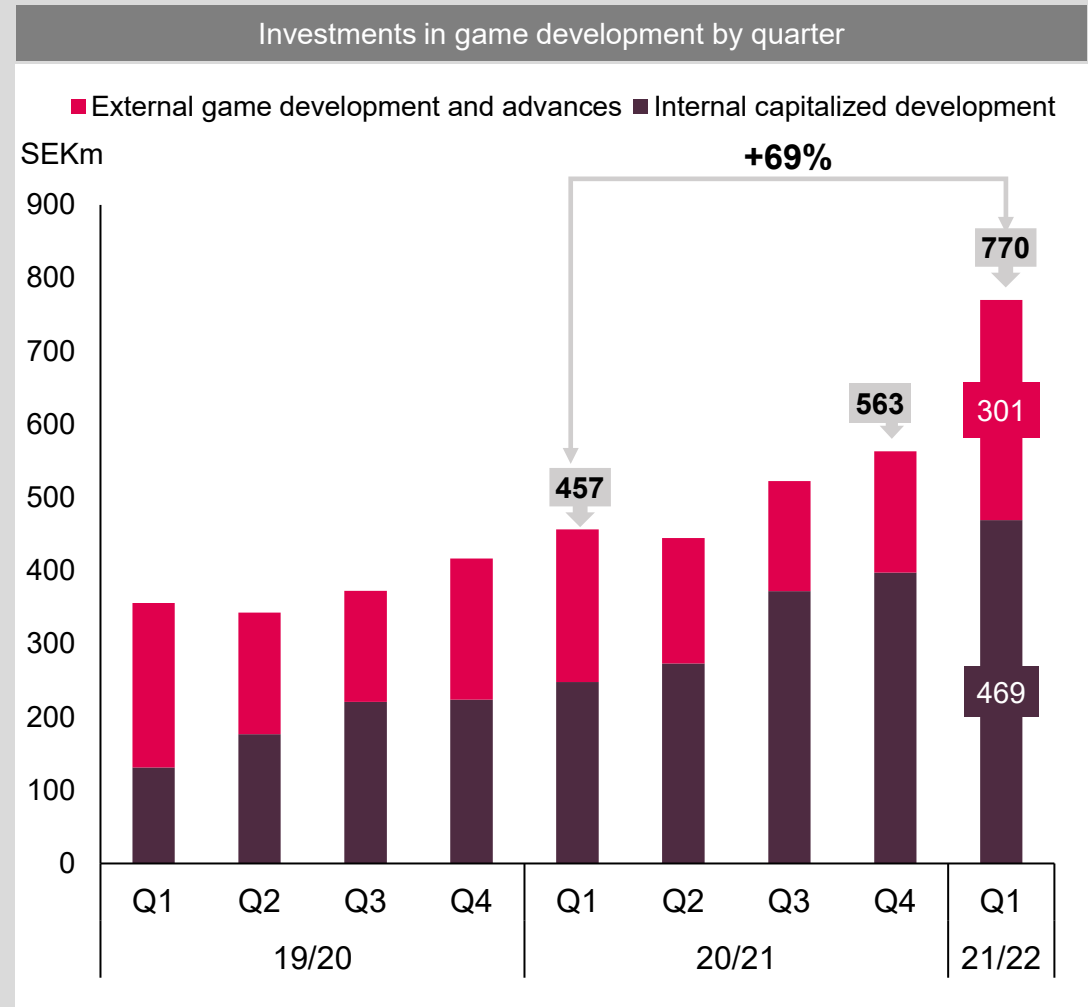
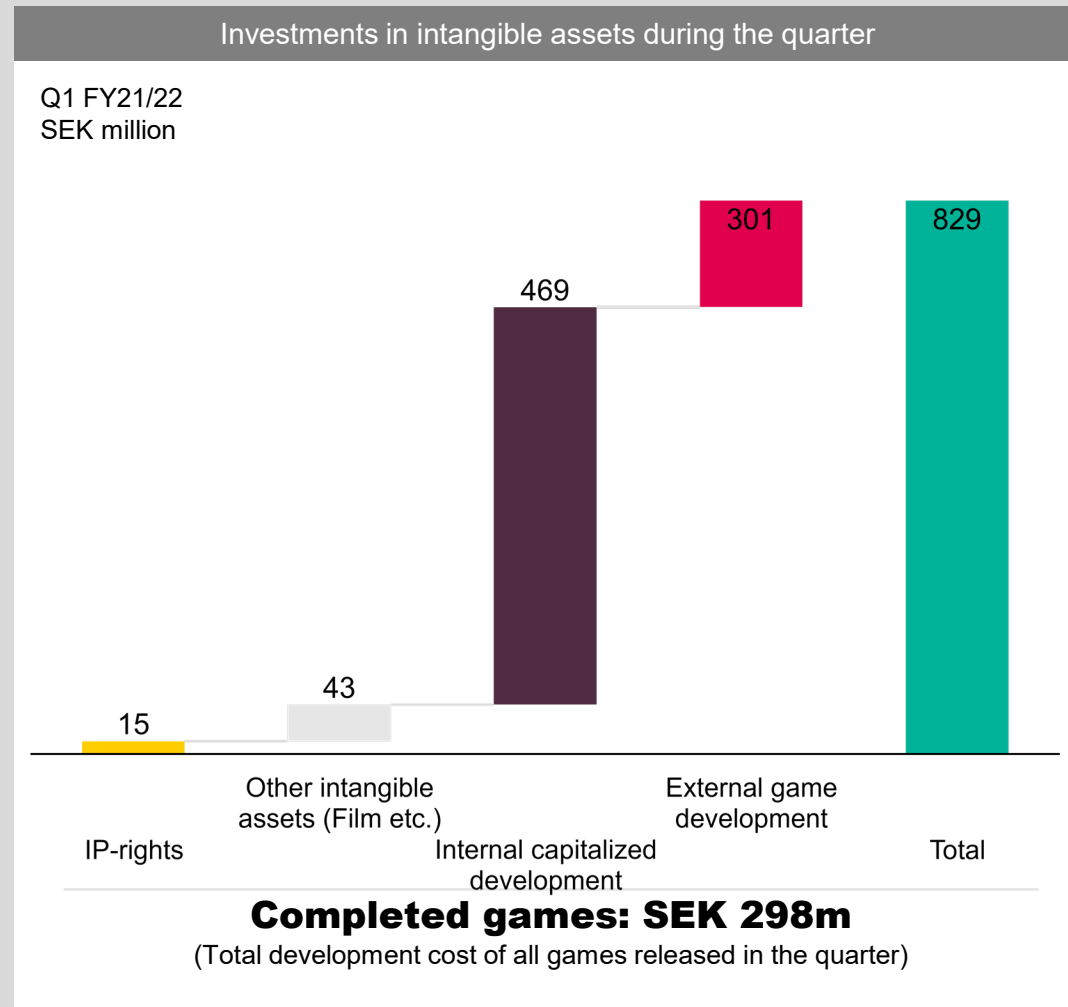
◀ Addition of Aspyr and Gearbox. Increased organic investments into new game development. Shift from co-publishing to internal development.

◀ **+36% Free Cash Flow before change in NWC.**

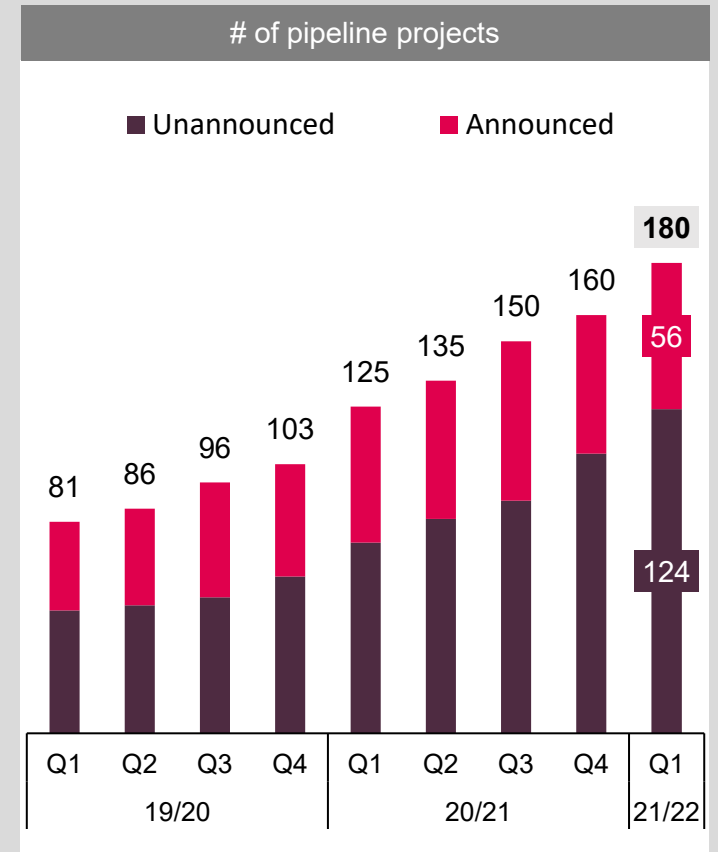
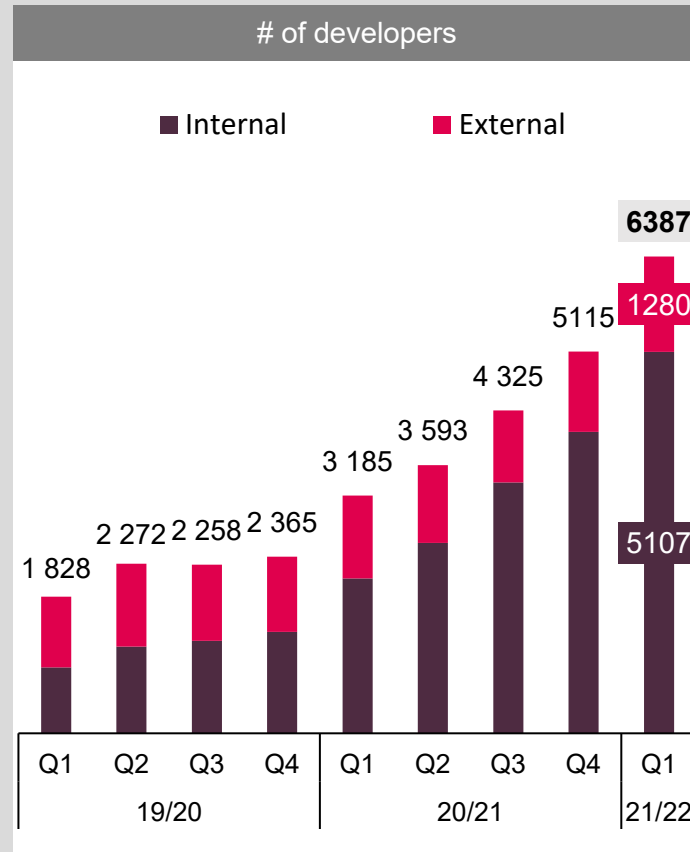
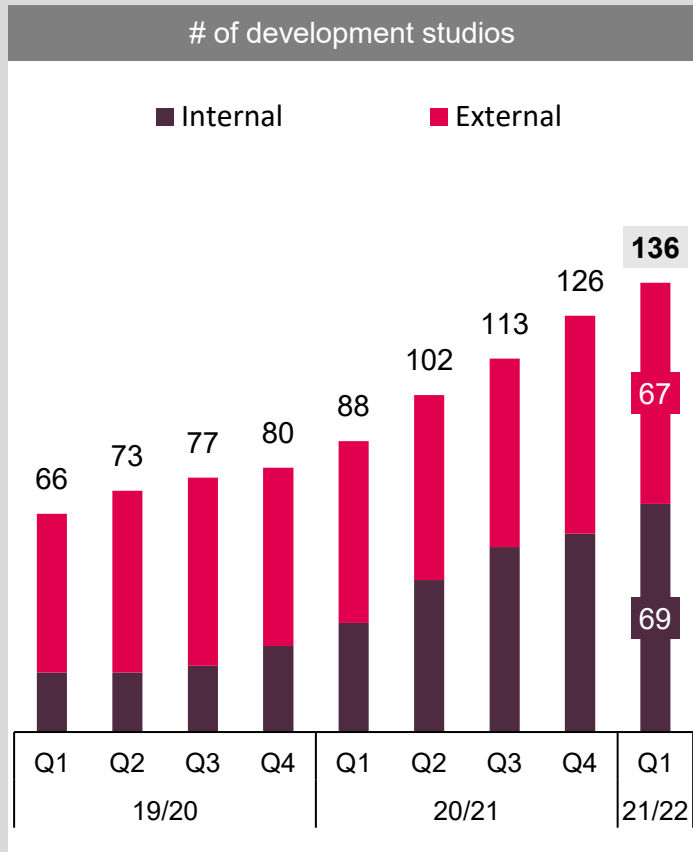
◀ Royalty payments SEK 464 million and seasonal variance in trade payables SEK 372 million.

◀ Cash flow impact on closed transaction during the period.

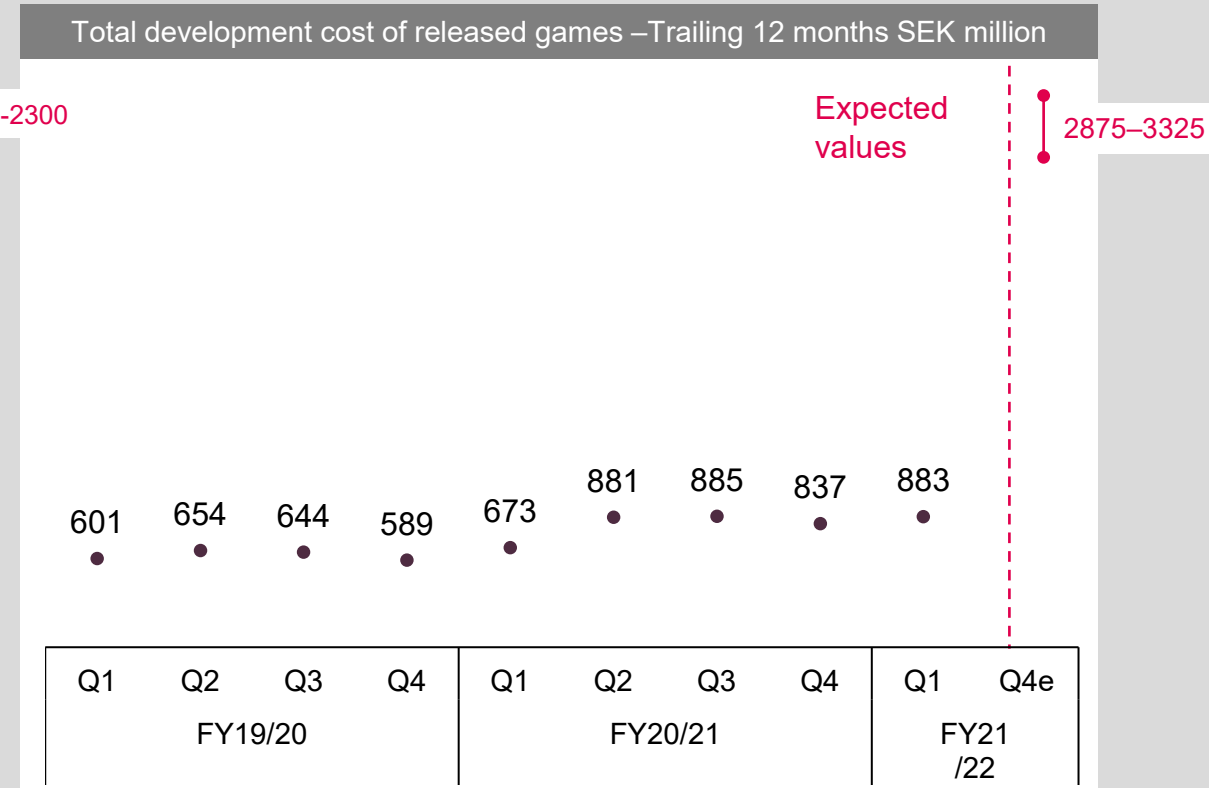
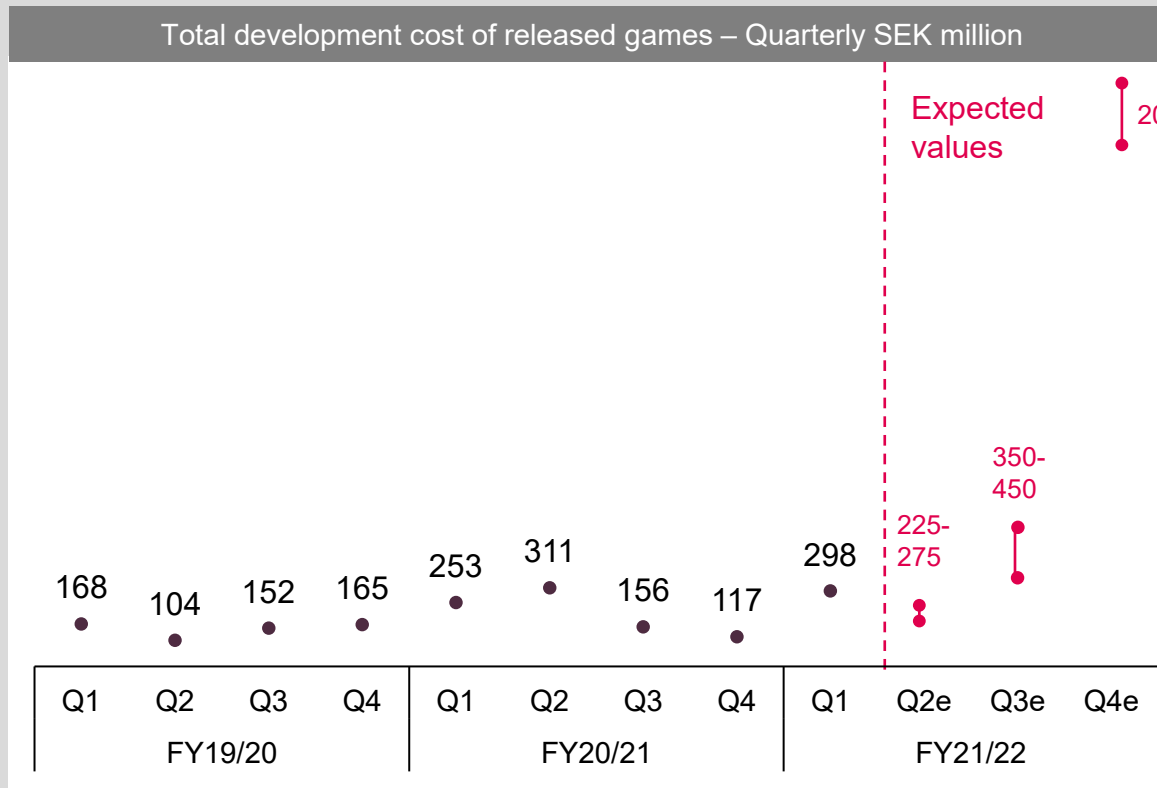
Investments



Pipeline and development capacity continue to grow



Value of finalized game development



- The second quarter of FY21/22 the value of completed and released games is estimated to be in range of SEK 225 to 275 million.
- The level of completion is expected to be back-end loaded during the year, with significantly higher completion value in the fourth quarter

- During the year ending March 2022, the ambition is to complete more than 90 game development projects with a total completion value in the range 2875 – 3325m.

Balance sheet

SEK million	30 Jun 2021	31 Mar 2021
Intangible assets	35,680	16,390
Property, plant and equipment	345	238
Financial assets	742	571
Inventories	403	243
Current receivables	2,547	2,010
Cash and bank balance	12,417	14,300
Total assets	52,133	33,752
Equity	36,085	27,165
Provisions for additional purchase prices	9,784	1,887
Other provisions	1,443	929
Non-current liabilities	1,442	246
Current liabilities	3,380	3,524
Total equity and liabilities	52,133	33,752
Interest-bearing receivables	12,422	14,300
Interest-bearing liabilities	2,153	1,494

10.3bn

Net cash per
30 Jun 2021

~ 8bn

Net cash per
18 Aug 2021

Breakdown of intangible assets 30 Jun 2021

Completed games (released)	697	15%
Ongoing game development projects	3 835	81%
Other intangible assets (film etc.)	208	4%
Operational intangible assets	4 740	100%
IP-rights	3 214	10%
Surplus value Partner Publishing/Film	120	1%
Goodwill	27 606	89%
Acquisition related intangible assets	30 940	100%

**19.8bn
SEK**

In cash and unutilized credit
facilities per 30 Jun 2021

**~17bn
SEK**

In cash and unutilized credit
facilities per 18 Aug 2021

Non-operational Amortizations – Forecast

SEKm	FY	FY	FY	FY	FY	FY	Total
	21/22	22/23	23/24	24/25	25/26	26/27	
Amortization related to acquisitions closed 2021-06-30	-7 182	-7 116	-6 867	-6 536	-4 857	-4	- 32 562
Amortization related to acquisitions expected to be closed after 2021-06-30	-553	-898	-898	-898	-898	-345	-4 490
Non-operational amortizations	-7 735	-8 014	-7 765	-7 434	-5 755	-349	-37 052

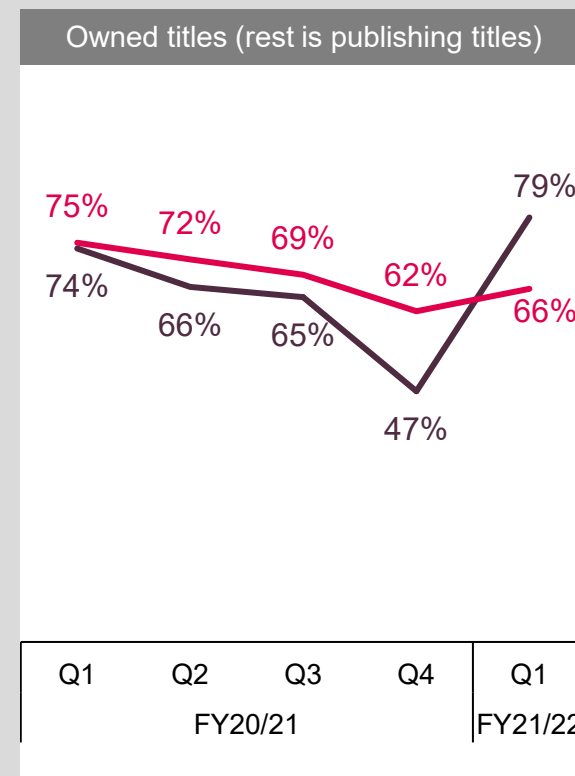
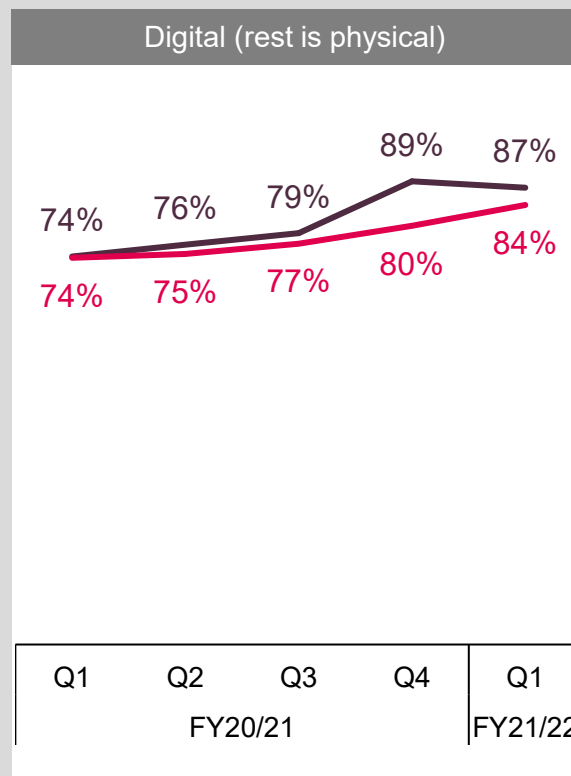
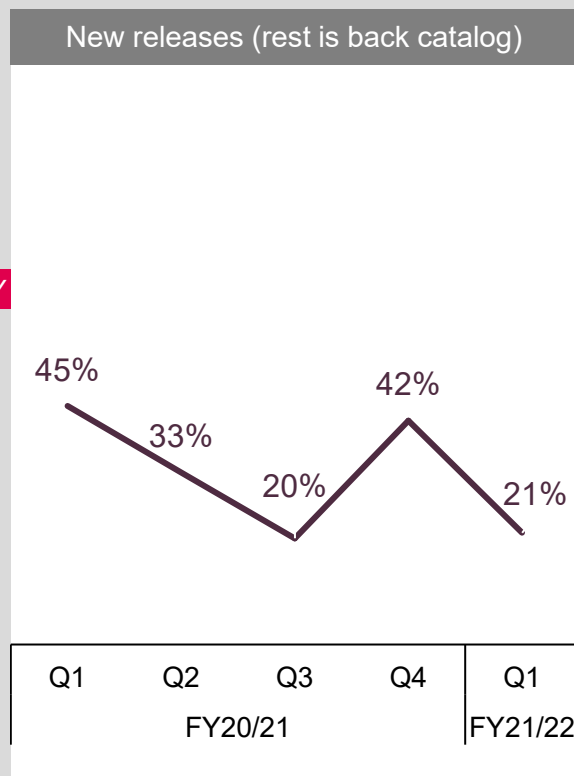
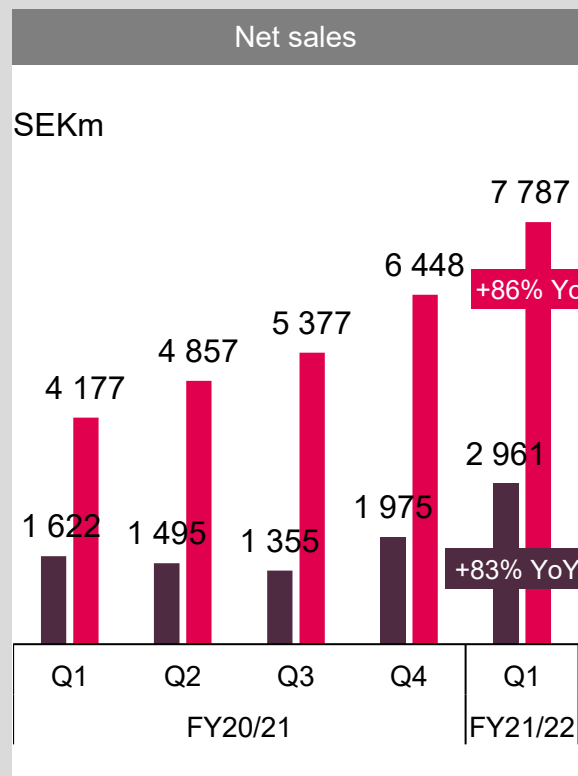
- The forecast for July to September 21/22 amounts to SEK 1,900 million.
- The forecast includes closed transactions as per 30 June 2021 and the acquisitions that were communicated in the press release dated 5th August 2021 from expected closing dates.
- The forecast is based on the average exchange rates for the period April to June 2021.
- Forecast is based on the purchase price allocations as per 18 August 2021, which contain both preliminary and finalized purchase price allocations.
- Consideration shares related to transactions that were not closed per 30 June 2021 are valued at the volume weighted average share price (VWAP) as set forth in the relevant share purchase agreement.



2. Business areas

Net sales breakdowns

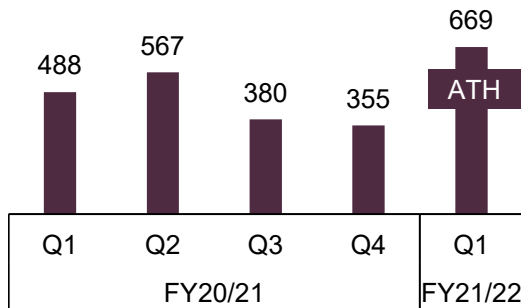
■ = Quarterly
■ = Trailing twelve months



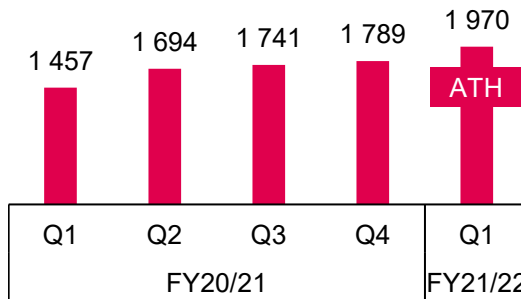
THQ NORDIC

Net sales (SEK million)

Quarterly



Trailing twelve months



Net Sales drivers in the quarter

New releases

BIOMUTANT.

PC+Console (★)



DESTROY ALL HUMANS!

Switch (★)

WRECKFEST

DRIVE HARD. DIE LAST.
PS5 (★)

Main back catalogue drivers



- Best quarter ever
- Driven by the release of *Biomutant* supported by titles *Wreckfest*, *Spongebob* & *Destroy all Humans!*.

**1 million*
units sold**



The full investment in development and marketing as well as the acquisition cost for *Experiment 101* and the IP was recouped within a week after launch

BIOMUTANT.

Selected pipeline

ELEX II
PC+Console (★)

EXPEDITIONS
ROME
PC(★)

KINGDOMS OF AMALUR
RE-RECKONING
— FATHSWORN —

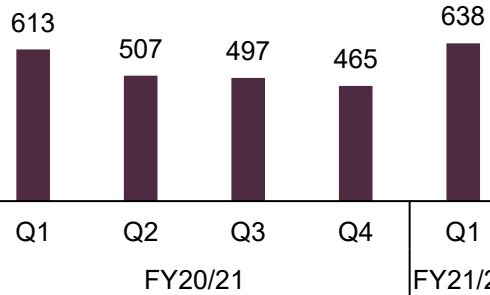
PC+Console (★)

KOCH MEDIA

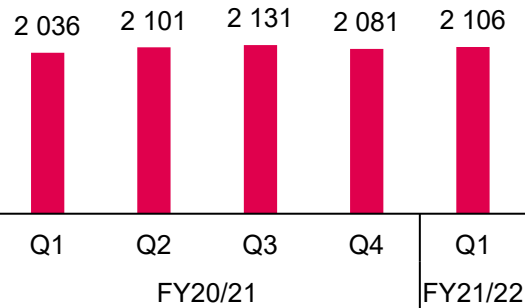


Net sales (SEK million)

Quarterly



Trailing twelve months



Net Sales drivers in the quarter

New releases



PC, Console

PS5, XSX (★)

Main Back catalogue drivers



Sales were driven by the back catalogue and the new release *MotoGP21*.

Koch Media Publishing

- Publishing opposite to Partner Publishing



Other



- New premium gaming label.
- The label will include legacy brands like *Kingdom Come Deliverance*, *Pathfinder*, *Kindmaker*, *Wasteland*, *Outward* and *Iron Harvest*.



- Announced the acquisition of *Force Filed* and *DigixArt*.
- *Force Field*, a leading VR development studio with multiple award-winning VR titles.
- *DigixArt* is an award-winning indie developer with a focus on narrative games.

Selected pipeline

CHORVS



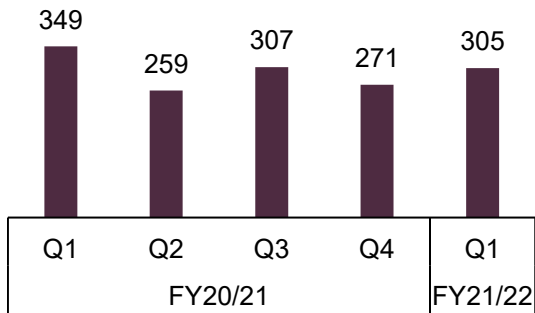
AFTER THE FALL



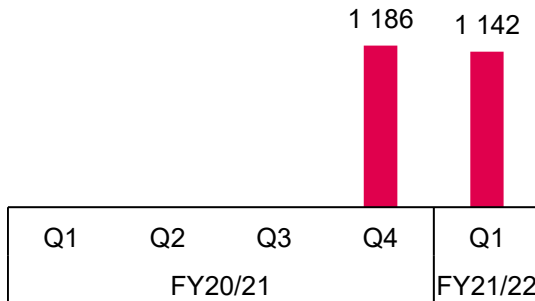


Net sales (SEK million)

Quarterly



Trailing twelve months



Net Sales drivers in the quarter

Main Back catalogue drivers



- Sales were mainly driven by back catalogue sales including, *SnowRunner*, *World War Z* and Co-Publishing projects.

Other

- Target accomplishment in terms of developer growth.
- From 656 entering to 1567 developers post new transactions, the growth is **+136%**.



- Announced and closed the acquisitions of *Slipgate Ironworks* and *3D Realms*.
- *Slipgate Ironworks* is a strong team with proven expertise in development, co-development and porting.
- *3D Realms* is a game publisher with 30+ years of heritage in the industry and the creators of the cult game series *Duke Nukem*.



Selected pipeline





Key events in and after the quarter



After the quarter, *The Ascent* developed by associated studio *Neon Giant* was released. The title has received great reviews and is currently top 10 on Steam.

Amplifier's business model is based on a partnership model designed to attract top talents through incentives and commercial support from the Group.

During the quarter they have refined their offer with three different areas of business:

- Publishing Services
- Production Services
- Acquisitions.

Building for long term organic growth

STUDIOS

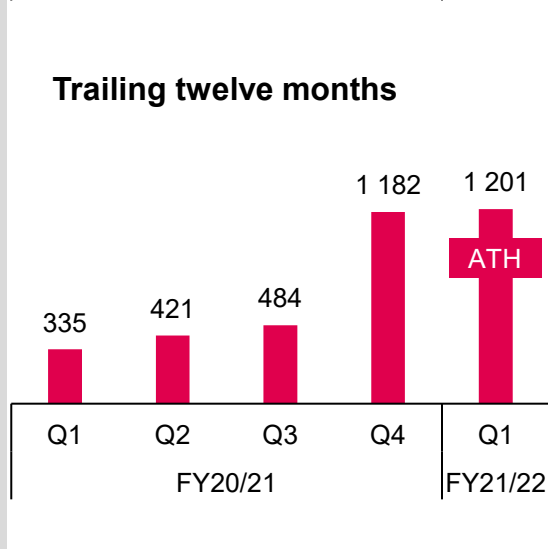
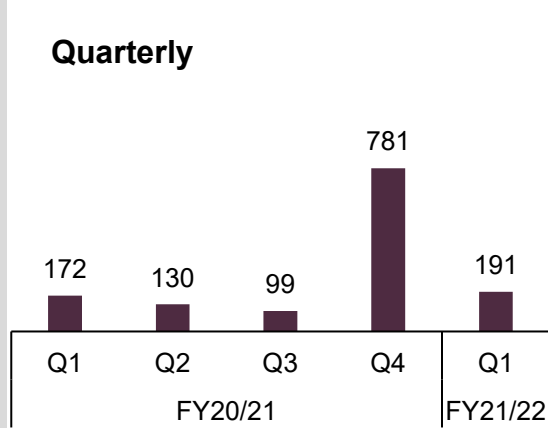


ASSOCIATED STUDIOS





Net sales (SEK million)



Net Sales drivers in the quarter

Main Revenue drivers

Valheim continued its strong performance following its release. *Valheim* has now sold over **8 million** since its release and **1.1 million** copies during the quarter.

The back catalogue continued to perform well with solid contribution from *Goat Simulator*, *Satisfactory* *Deep Rock Galactic*.

Old friends

After the quarter, *Coffee Stain* announced the acquisitions of *Easy Trigger* and *Ghost ship Games*.

Easy Trigger consist of 5 employees that have collaborated with *Coffee stain* on the development and release of indie title *Hunt*down.

Ghost Ship Games engages 26 employees that have worked with *Coffee stain* on co-op FPS games *Deep Rock Galantic*. *Ghost ship* will act as sister company to Coffee Stain

Selected pipeline

MIDNIGHT GHOST HUNT

SONGS OF CONQUEST
CLASSIC ADVENTURE STRATEGY

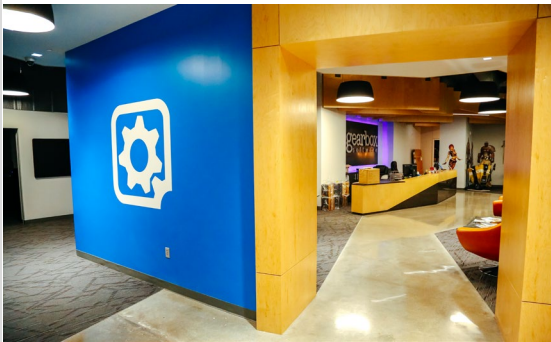


Net sales (SEK million)

Quarterly

437

Q1	Q2	Q3	Q4	Q1
FY20/21				FY21/22



Net Sales drivers



Gearbox had a stable quarter and sales were mainly driven by Co-Publishing projects and back catalogue titles such as *Borderlands 3* and *Risk of Rain 2*.



Other



ENTERTAINING THE WORLD

Gearbox brings highly creative AAA development studios, North American publishing capabilities, and a robust IP portfolio, including critically acclaimed and franchises like *Borderlands*, *Brothers in Arms* and *Homeworld*.

IT'S A WRAP!

Principal photography in Budapest for the *Borderlands* movie completed in June 2021



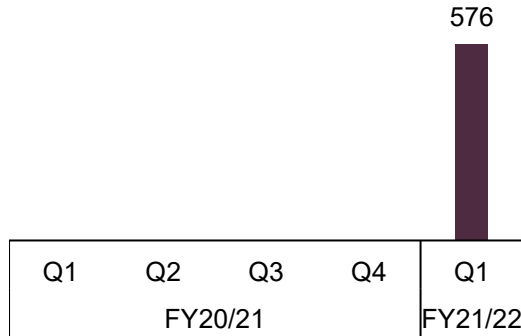
Selected pipeline



Easybrain

Net sales (SEK million)

Quarterly



Net Sales drivers in the quarter

Sudoku.com Nonogram.com



Easybrain had a solid performance during the quarter and sales exceeded management expectations. The main revenue contributors were *Sudoku*, *Nonogram* and *BlockuDoku*.

Strong Proforma KPIs

Total Installs
900 million

Other

- The onboarding and the integration of Easybrain has continued during the quarter.
- The work has focused on knowledge sharing and identifying synergies within Embracer Group

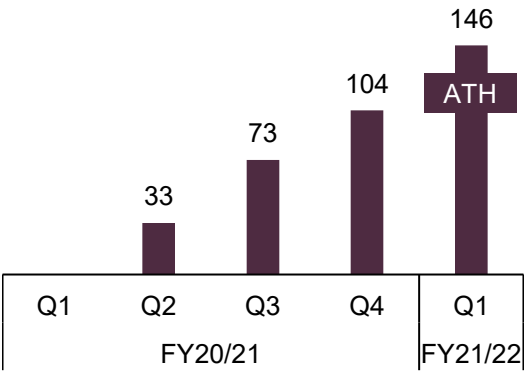


DECA

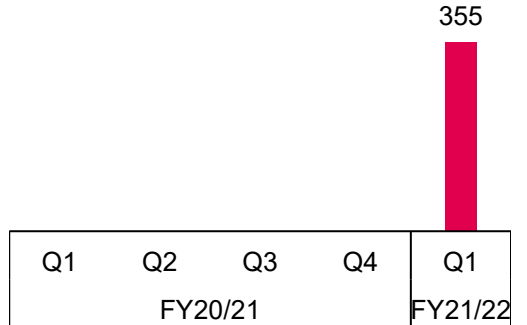


Net sales (SEK million)

Quarterly



Trailing twelve months



Net Sales drivers in the quarter



DECA had a strong back catalogue performance. The main revenue drivers were *Party in my Dorm*, *Realm of the Mad God* and *Kingdom of Heckfire*.

Other



Crazy Labs

After the quarter, the acquisition of *CrazyLabs* was announced.

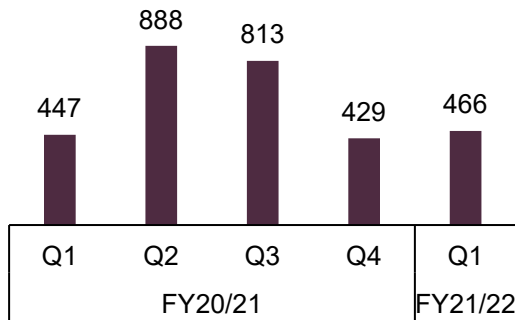
- Developer of hit *SuperStylist* and long-lasting Casual & Lifestyle mobile RPGs targeting a female audience
- **Top Hyper-Casual publisher**
- Released 11 new titles worldwide in 2020, of which 8 reached +20m downloads within 12 months²
- **+4.5bn** downloads since inception, of which **1bn** in 2020
- **+110m unique MAUs** across portfolio
- *CrazyLabs* will operate as an independent group under *DECA*.



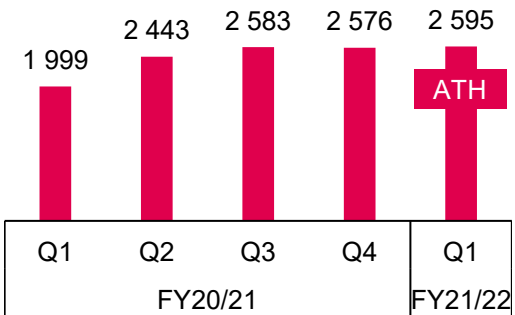
Partner Publishing/Film

Net sales (SEK million)

Quarterly



Trailing twelve months



Net Sales drivers



Sales were mainly driven by new released titles *Resident Evil Village* and *NieR Replicant*.

Other Partner Publishing



• Game Outlet had another stable quarter driven by a strong back-catalogue.



• Quantic Labs business have been growing both within Embracer Group and the External Market since they joined the group.

Film

- The film business had a solid performed in line with management expectations, TV, digital and license revenue in Germany.
- Koch Films have the exclusive German rights for the horror movie *TITANE*. The film won the golden palm at this year's Cannes Film festival.
- During the quarter, Koch Film successfully launched its own AVOD-channel, Moviedome, on Samsung TV.

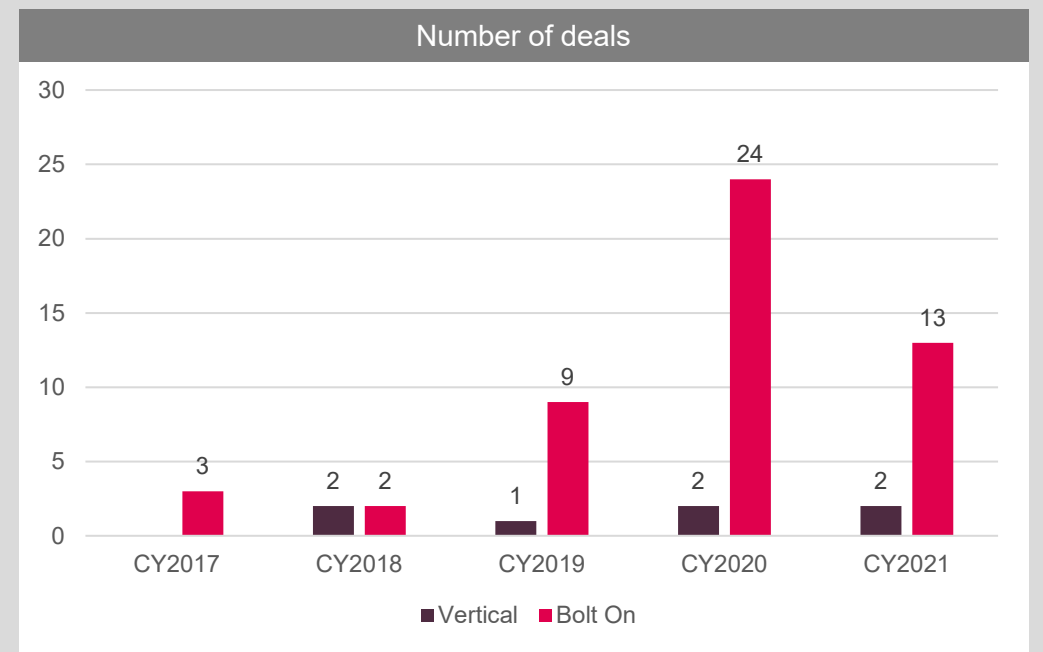
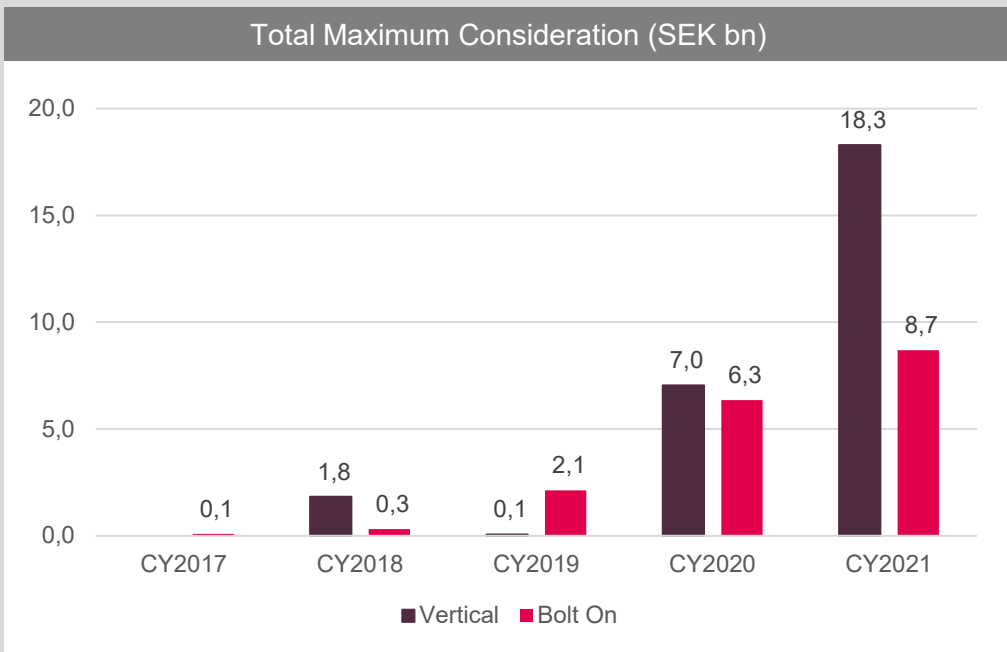
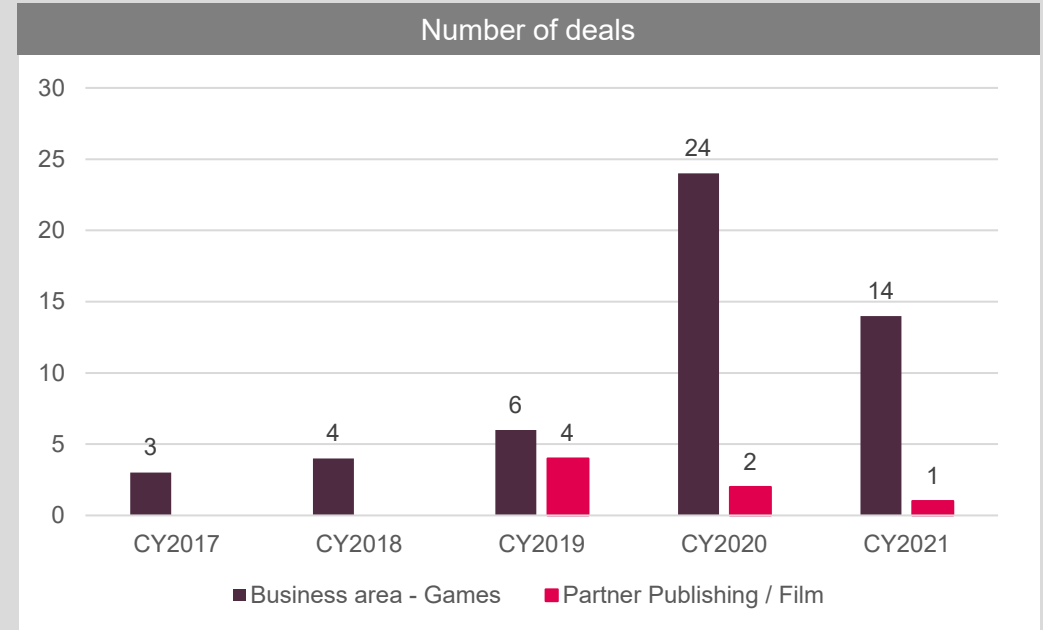
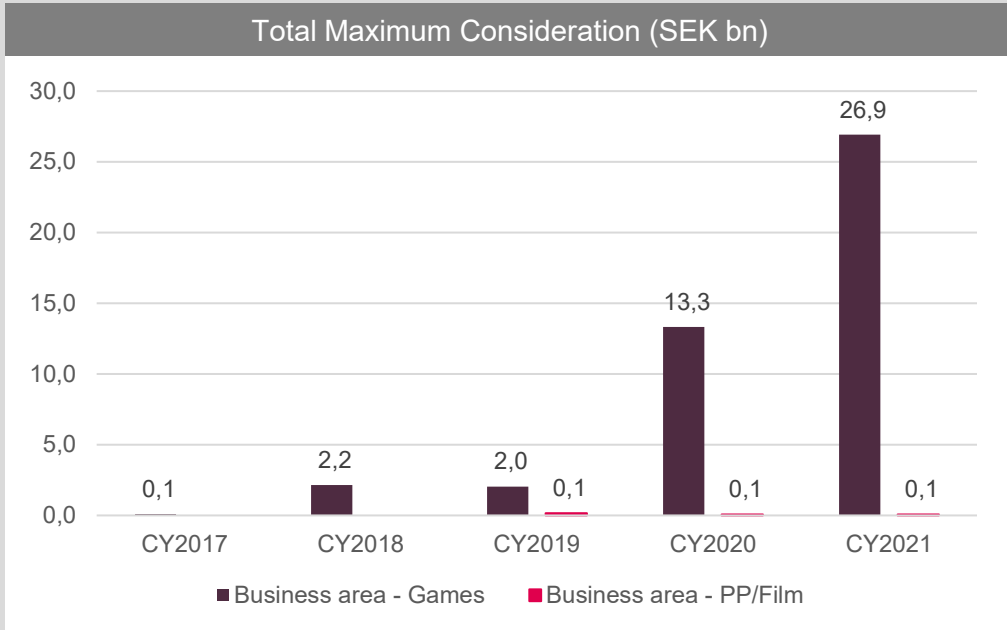


The title "GODFALL" is rendered in a stylized, golden, serif font. The letter "O" is replaced by a circular emblem featuring a camera lens and a film strip, surrounded by intricate golden patterns. The background is a vibrant, fantastical landscape with a large, swirling blue and white vortex in the sky, a city on a cliff to the left, and a rocky, autumnal foreground with red and orange foliage. In the center, a large, ornate sword is visible, and several characters in armor are standing on a rocky path.

GODFALL

3. M&A update & outlook

Recap on mergers and acquisitions



M&A outlook

- **We believe that the larger our independent ecosystem becomes, the greater output we will have over the long term.**
- **We are humbled by the interest among entrepreneurs and creators to join the Embracer family is stronger than ever. We continue to have a large number of ongoing discussions to join, including large or transformative acquisitions that could create new operating groups.**
- **Currently we have more than SEK 8 billion in net cash SEK 17 billion SEK in available cash including credit facilities**

4. Sustainability quarterly update



Governance

Business Sense

We continuously monitor and develop our internal control systems and governing documents. During the quarter we have updated our compliance code including more elaborate guidance on areas such as social media and political activity. We also launched an elaborate insider Q&A document.

Embracer Stories

Solid Work/Great People

Our ambition to share stories from our employees with the wider group has continued during the quarter. This quarter's stories have focused on mental health awareness, corporate culture and heritage of games.

Global Employee survey

Great People

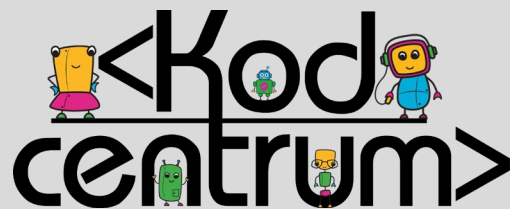
The results from the annual global employee survey conducted in the previous quarter has been presented to all operative groups. We are pleased with an eNPS scoring of +29, while we continue to strive for improvement.

Emission reduction & offset

Greener Planet

We have compensated for our measured emissions by 1,5X, supporting two projects; Prony wind power and Solvatten which are focused on health, diversity and generating sustainable energy. Climate strategy project started, reduction target to be set during the year in line with the Paris Agreement.

Some examples from our global Group on how we give back





5. Games Archive Update

Archive Quarterly Update

Games are culture. By building an archive we are embracing the history of games.



Head of Archive Recruited

- David Boström will lead the Games Archive. An avid collector and known in Sweden for the YouTube show GamingGrannar.
- The recruitment of archivists continues.
- We are looking for more friends who wants to play an important part in our aim to build the games archive. Please mail work@embracer.com



Highlights of New Purchases to the Games Archive

- Rare collection of SPCS PC games, and a near complete collection of Nordic Game Boy games.
- Want to contribute by selling or donating games to the archive?

Contact our retro gaming advisor at thomas.sunhede@embracer.com



A monster truck with a black body and green frame is performing a wheelie on a dirt track. The truck has a skull and crossbones design on its side with the text 'GRAVE DIGGER' in red. A black flag with a skull and crossbones is flying from the back. The truck is on a dirt track with a dark green building on the left and red rock hills in the background under a blue sky with clouds. The truck's tires are black with green accents and 'BKT' branding.

6. Deep dive

Nonrecurring information

Preliminary PPA in the quarter

SEK million	Q1 21/22
On-going game development	228
Finished game development	101
Other	675
Total net assets acquired excluding surplus value	1 003
Surplus value allocated to:	
Goodwill	18 720
IP-rights, Trademarks and Other	1 846
Deferred tax liabilities	-388
Total surplus value net of taxes	20 178
Total net assets acquired	21 181
Acquired cash	-901
Upfront consideration paid by shares issued	-8 472
Shares issued under clawback (Earnout)	-1 306
Provisions for conditional purchase price (Earnout)	-8 243
Other	-10
Net cash outflow on acquisition of business	2 249
Cash outflow relating to earlier acquisitions	23
Total Net cash outflow on acquisition of business	2 272

SEK 329 million in on-going game development and finished game development recognized.

During the PPA work notable projects have been identified as co-publishing projects meaning that the projects will be accounted for under the percentage of completion method. The percentage of completion method means that revenues are recognized as a percentage of total project income as work is performed and expenses incurred, where timing differences are recorded in working capital as opposed to intangible assets.

Provision for not issued shares varies with changes in Embracers share price and relevant FX-rates between deal announcement and closing date.

Conditional purchase price overview

Provisions

Provisions for conditional purchase price SEKm	Financial year when settlement is expected							Total
	21/22	22/23	23/24	24/25	25/26	26/27	>27/28	
Provision to be settled in cash	18	465	329	451	1 036	588	1 930	4 816
Provision to be settled in shares	70	0	0	1 232	2 283	480	902	4 968
Total	88	465	329	1 683	3 319	1 068	2 832	9 784

- The present value of the additional purchase prices has been calculated based on expected outcome. The provisions will vary over time depending on, among other things, the degree of fulfillment of the conditions, the development of FX-rates versus the Swedish krona, interest rate and the Embracer share price.
- Max earn-out consideration implies issuance c. 26.4m shares. -> dilution of c. 5% of capital and c. 3.2% of the votes.

Clawback shares

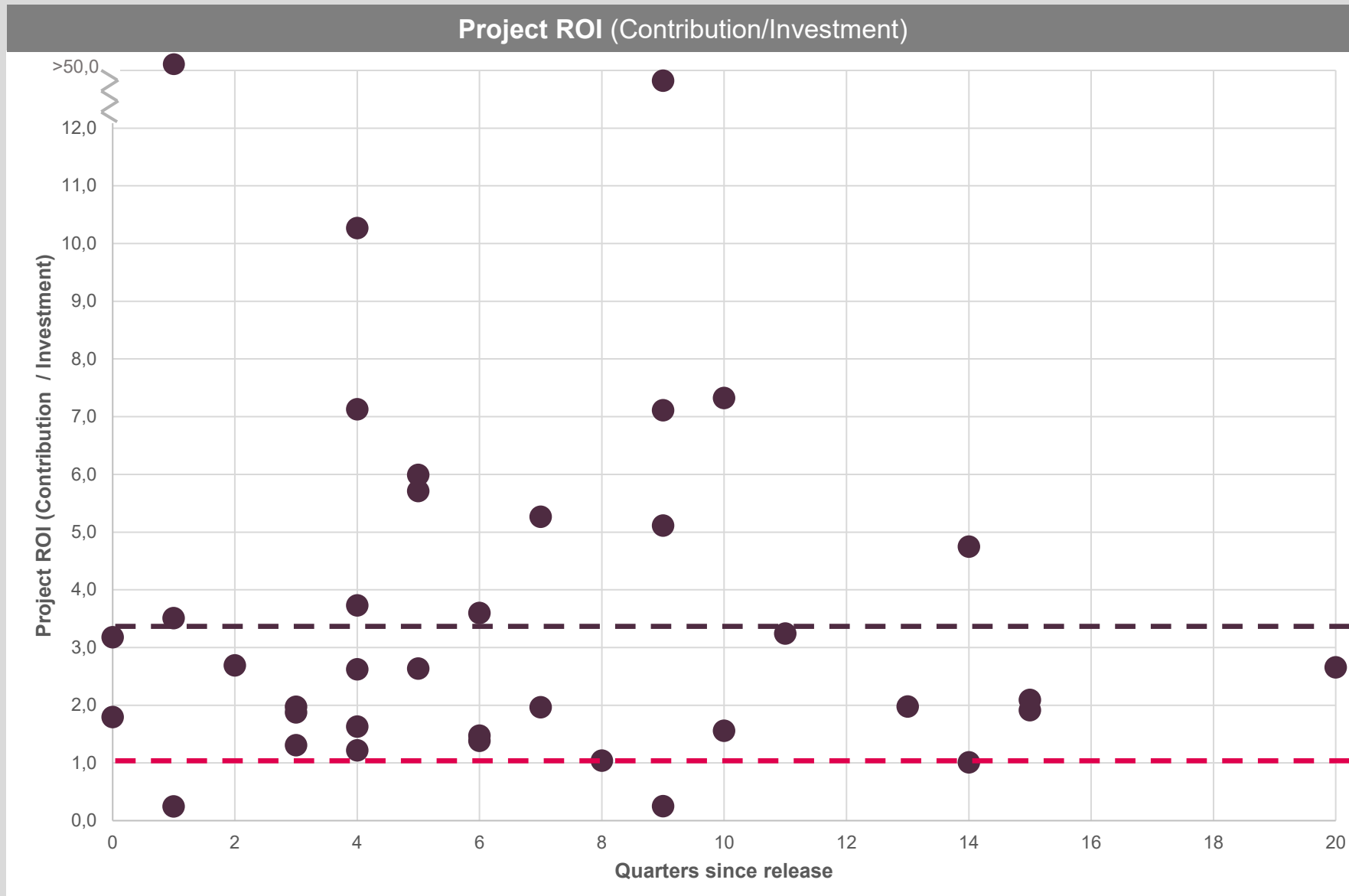
Shares under clawback, nr of shares	Nr of claw back shares released							Total
	21/22	22/23	23/24	24/25	25/26	26/27	>27/28	
Release of clawback shares	3	16	7	1	24	3	2	56

Out of the 500.5 million shares outstanding there are approximately 56.6 million shares with clawback rights as per 30 June 2021. These shares have already been issued to cover for future earnout obligations.

IFRS conversion and regulated market

- The Board of Directors decided on the Board Meeting 17th of February to convert to the reporting standard IFRS and thereby start the process to become listed on a regulated market.
- Solid progress during quarter;
 - Supplemental data collection started to identify, document, and analyze all areas when converting to IFRS.
 - Completion of phase one is planned for during the current quarter ending September and target is to communicate a solid timeframe in our next quarterly report.
- Engagement agreement has been signed with an external partner to provide support and expertise throughout the regulated market project.
- Key activities during the quarter includes a regulated market gap analysis of status in relation to requirements.





- Based on reported numbers until 30 June 2021
- Sample includes projects with sales above SEK 40 mn or investment above SEK 40 mn (37 projects)
- ROI = Contribution / Investment
- Contribution = Gross profit less marketing expenses + Profit from associated companies, measured from release to 30 June 2021.
- Investment = Capitalized Development Expenses including follow-on investment and investment in associated companies.

3.2x in weighted average

1.0x in break even

EMBRACER⁺ GROUP

New acquisitions

August 18, 2021

**We are delighted to present 3 new acquisitions
and welcome over 220 new colleagues!**



Embracer Group acquires Demiurge Studios



Today's speaker:



Matt Karch
CEO and co-founder
Saber Interactive



Top team with traditions that adds to Embracer's development capabilities

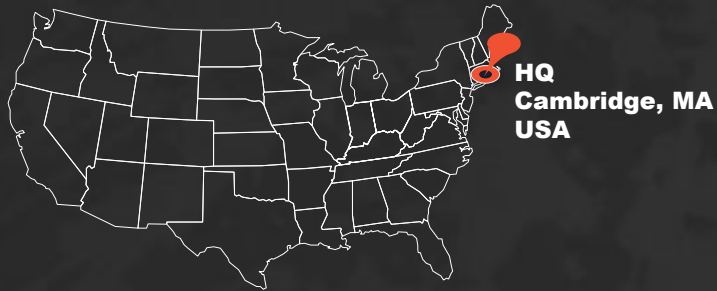
GROWING STUDIO WITH RICH HERITAGE

 **2002**

Founded

 **68**

Employees



Based outside of Boston
an important games development hub

PROVEN TEAM WITH DEEP EXPERIENCE



10+

years of game
industry experience
for over half the staff

AAA

trusted by
marquee franchises

QUALITY MANAGEMENT



KURT REINER
CEO



BART SIMON
President



TOM LIN
Co-founder, Creative Director



PATRICE CONNELLY
Director of HR



WILL JENNINGS
Design Director



NATHAN SITKOFF
Engineering Director



JR SURPRENANT
Production Director

AAA cross-platform games development and live operations

GAMES DEVELOPMENT AND PORTFOLIO

RECENT AND UPCOMING PROJECTS



Currently working on two unannounced AAA cross-platform products



Publisher



Full development and live ops, additional features across mobile and PC



Publisher



Co-development of mobile spin-off



Publisher



Technical development support

PC/CONSOLE HERITAGE

Selection of work



MOBILE HERITAGE

Selection of work



KEY REPEAT CUSTOMERS

Selection



CROSS PLATFORM



Deal structure and acquisition rationale

ACQUISITION RATIONALE

FINANCIALS OVERVIEW

\$15m

Revenue forecast 2021

FTE DEVELOPMENT

Potential to scale the team past 350 in 5 years



Solid financial development and profitability

Highly passionate team with track record of working on AAA titles with leading publishers

Exciting pipeline to execute on, with Embracer as a platform to accelerate growth

Embracer Group will support Demiurge Studio's growth journey going forward

POST TRANSACTION GROUP STRUCTURE

**EMBRACER+
GROUP**



Demiurge will operate as a subsidiary to Saber

DEAL TERMS

- Embracer Group acquires 100% of the shares
- Purchase price structure is based on an upfront payment and up-to 5-year earnout components, all paid in cash
- Management is retained
- The parties have agreed not to disclose the terms

Embracer Group acquires SmartPhone Labs



Today's speaker:



Matt Karch
CEO and co-founder
Saber Interactive

A studio with established relationship with Saber

SPL is a software testing and development company for mobile, consoles, VR, PC and servers

2002

Founded

>100

Employees



DEAL TERMS

- Saber acquires 100% of the shares
- Management is retained in current roles
- Purchase price is paid in cash
- 1-year earnout based on operational KPIs

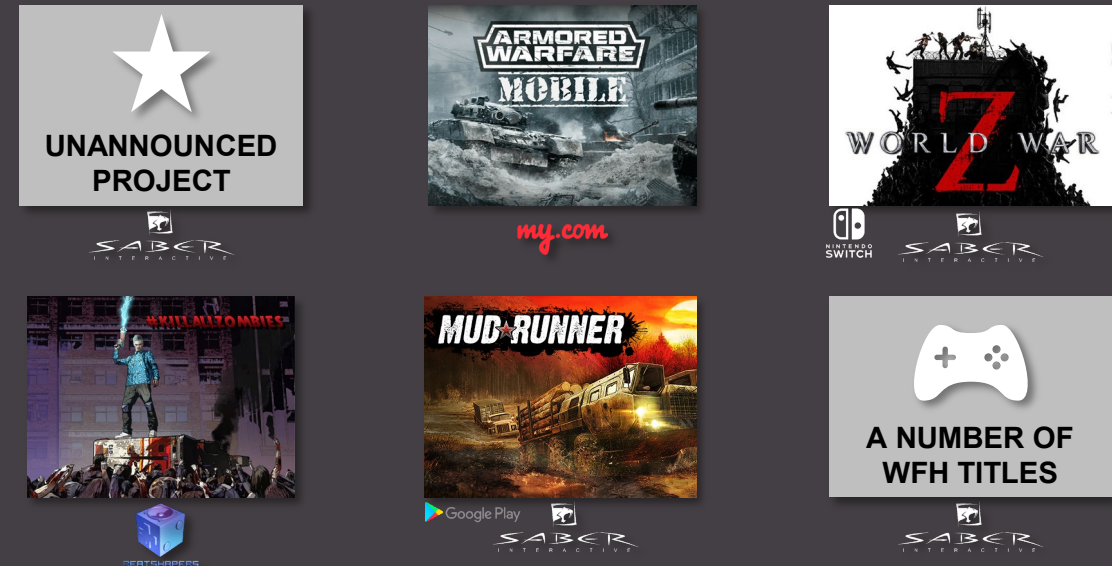
Broad development capabilities



Experience from working with global publishers



Games development and portfolio extract



For the above titles the publisher logo is the IP owner

Embracer Group acquires Fractured Byte



Today's speaker:



Matt Karch
CEO and co-founder
Saber Interactive

A talented team that adds to Saber's development capabilities

Focused on game development and porting

 **2018**
 Founded

 **Estonia**
 HQ


 **50 employees**
 across Ukraine





Deal terms

- Embracer acquires 100% of the shares
- Management is retained
- Purchase price consists of cash and shares
- Earnout consideration based on financial targets during a 6-year period

Game development and services

 **Full cycle development**

 **Game porting**

 **Developers consulting**

Tech stack

 **Unreal Engine 3**
 **Unreal Engine 4**
 **iOS**
 **Windows**
 **Android**
 **PS4**
 **Xbox**
 **Switch**

Examples of porting projects



Q&A



EMBRACER⁺
GROUP