

# EMBRACER<sup>+</sup> GROUP

Embracer Group acquires Dark Horse

21 December 2021

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## Today's Speakers



**Mike Richardson**  
Founder & CEO  
Dark Horse



**Neil Hankerson**  
COO of DHM  
Dark Horse



**Vanessa Todd-Holmes**  
VP of P&S  
Dark Horse



**EMBRACER+  
GROUP**

**Lars Wingefors**  
CEO  
Embracer Group



# About Dark Horse

**Dark Horse Comics was founded in 1986 by Mike Richardson** as an offshoot of his Oregon comic-book retail chain, Things From Another World.

**Dark Horse is a leading entertainment company with a vast content library.**

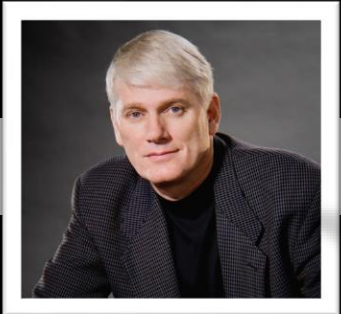
- One of the largest comics publisher in the United States
- Dark Horse Intellectual Property performs well across all mediums.
- Critically acclaimed publications and live-action films, and animated content
- Proven ability to develop and produce IP suitable for multiple distribution platforms (e.g., publishing, consumer products, film, television, and streaming)
- Leading creative team & external relationships that continually fuel the Dark Horse content engine





# The Dark Horse Story

"PORTLAND, OREGON NATIVE MIKE RICHARDSON ATTENDS PORTLAND STATE UNIVERSITY, STUDYING ART WHILE PLAYING BASKETBALL..."



...WITH A CREDIT CARD LIMIT OF \$2,500, MIKE CREATES PEGASUS BOOKS IN 1980 (LATER TFAW), WHICH WOULD EVENTUALLY GROW INTO ELEVEN STORES IN THREE STATES...



...IN 1986, MIKE ESTABLISHES...  
**DARK HORSE COMICS**



...IN 1988, MIKE MEETS FILM EXECUTIVES LARRY GORDON & LLOYD LEVIN, OPENING HIS EYES TO THE POTENTIAL OF DARK HORSE STORIES ON THE BIG SCREEN



...THAT YEAR, MIKE FORMS A NEW VENTURE ...  
**DARK HORSE PRODUCTIONS**  
...A FILM PRODUCTION COMPANY... (DH ENTERTAINMENT)



**DARK HORSE REIGNS AS THE LARGEST INDEPENDENT COMICS PRODUCER!"**



... 1994 THE MASK OPENS #1 WORLDWIDE. NEXT #1 IS TIMECOP...



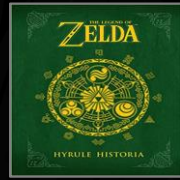
2008... HELLBOY II: THE GOLDEN ARMY GROSSED \$168MM WORLDWIDE...



2012... AVATAR: THE LAST AIRBENDER BECAME NEW YORK TIMES #1 BESTSELLER .. DARK HORSE COMICS WON FIVE EISNER AWARDS....



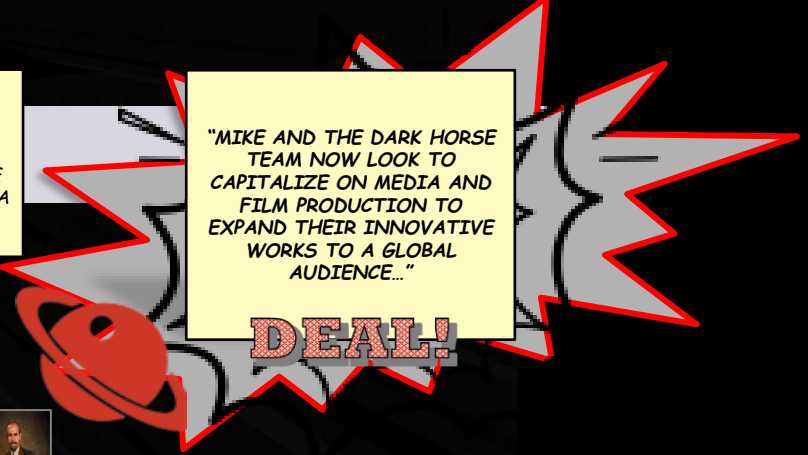
...2013 PARTNERSHIP WITH NINTENDO CREATED THE LEGEND OF ZELDA, OVER 1MM COPIES SOLD OF LEGEND OF ZELDA: HYRULE HISTORIA...



...2019 LAUNCHED PARTNERSHIP WITH NETFLIX AND UNIVERSAL TO RELEASE TV SERIES THE UMBRELLA ACADEMY



"MIKE AND THE DARK HORSE TEAM NOW LOOK TO CAPITALIZE ON MEDIA AND FILM PRODUCTION TO EXPAND THEIR INNOVATIVE WORKS TO A GLOBAL AUDIENCE..."



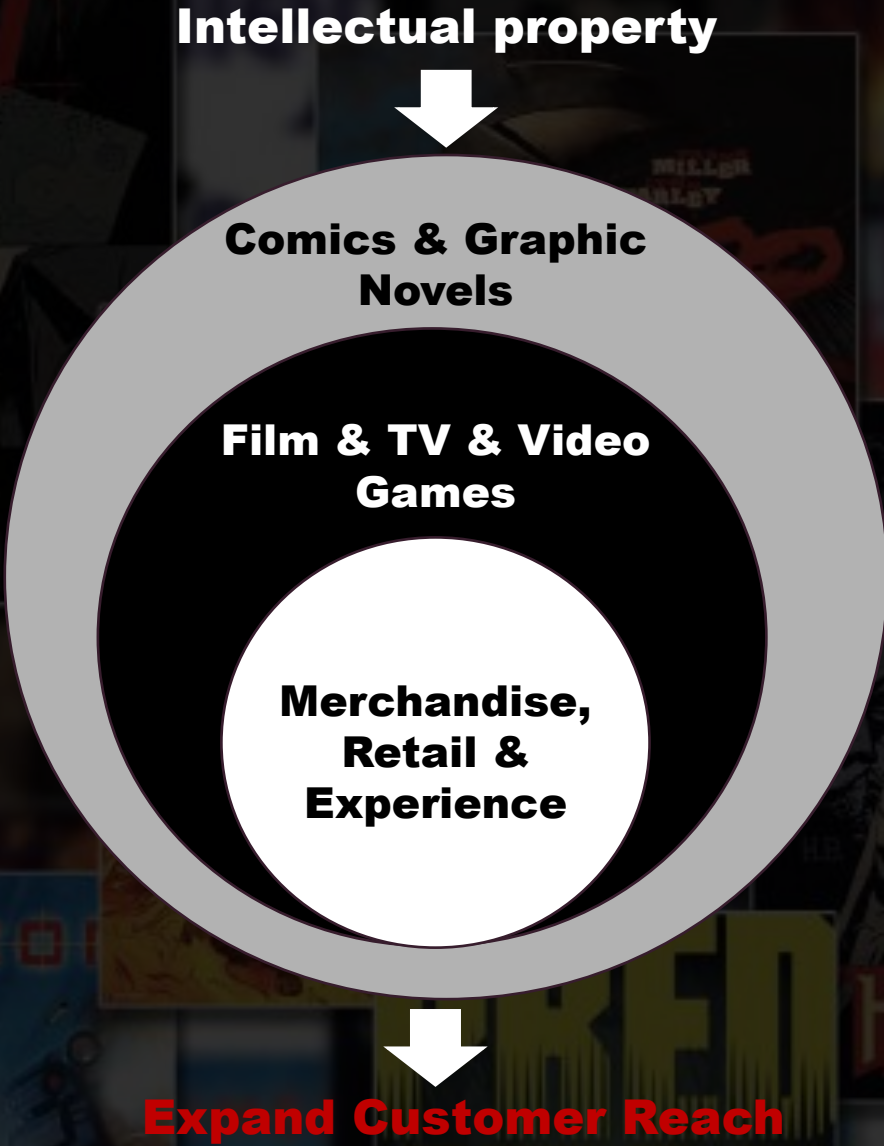
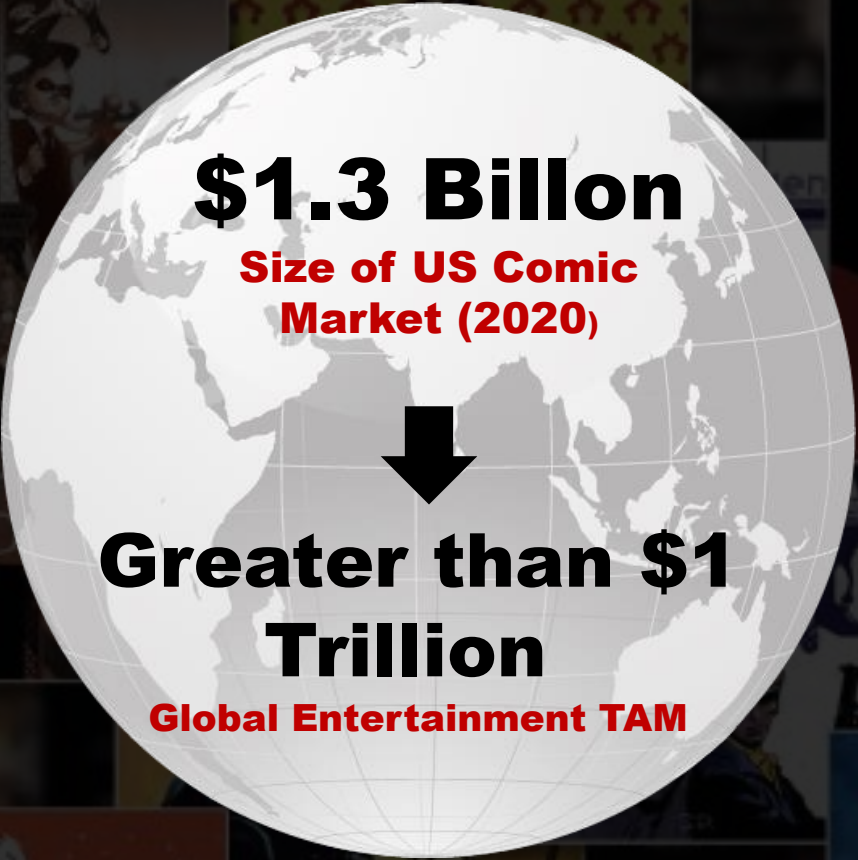
# Diverse Portfolio

- 300+** Properties and growing
- 500** Books published every year
- 30** New comics each month
- 40** Films & TV adaptations in pipeline
- 2,000 +** Network of creative comic book professionals

**In a mix of owned, controlled and licensed IP**



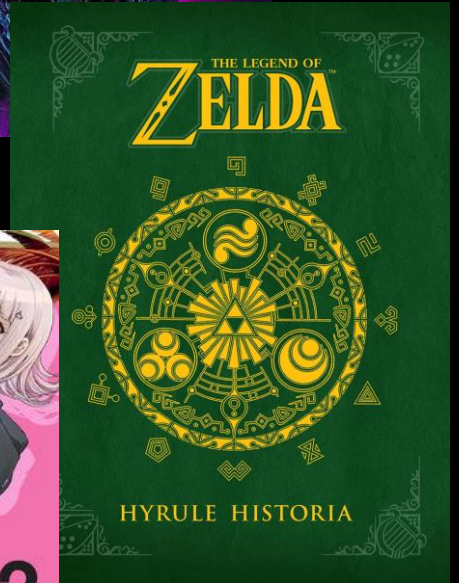
# Global Opportunity





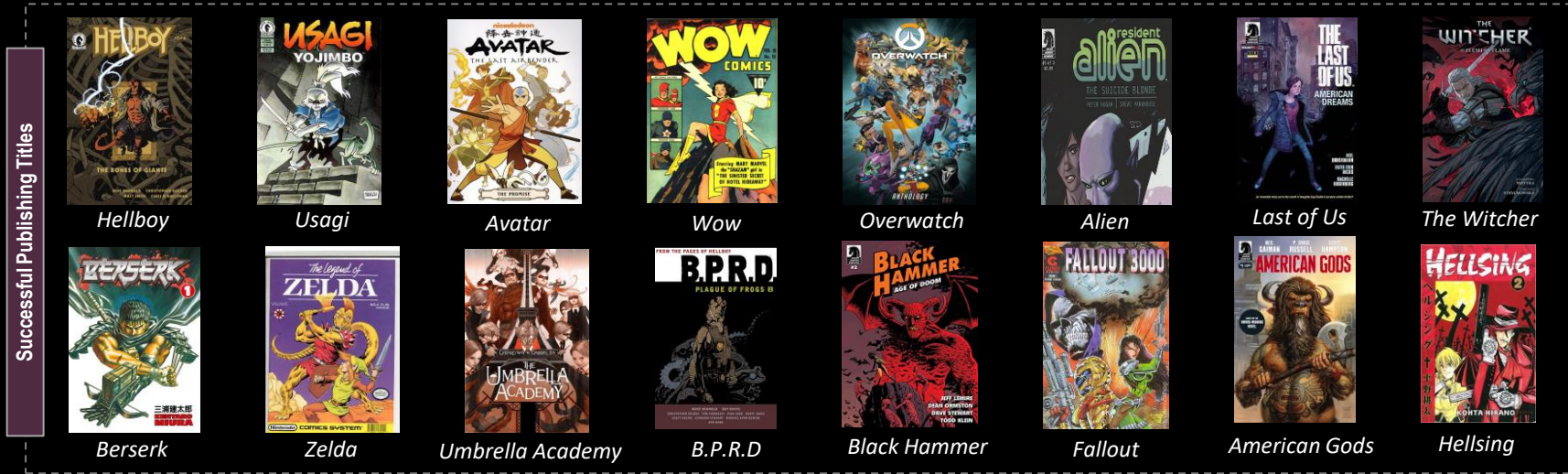
# Strong Ties in the Games Industry

Dark Horse is the go-to publisher for video games companies for comics and merchandise such as art books. Working with leaders in the category with brands such as The Legend of Zelda, Minecraft, The Witcher, Final Fantasy and Borderlands.





# Intellectual property performs well across mediums



## Examples of IP Previously Exploited for Film/TV or Currently in Production/Set-Up






# Vast Content Library with Meaningful Opportunities for Monetization


Properties	Number of Titles	% of Total	Exploited for Film/TV	Film/TV Rights Available <sup>1</sup>	Gaming Rights Available
Owned	170	27%	11	159	159
Controlled	280	45%	36	147	56
Licensed:	164	26%	2	3	1
- Publishing Only	159	-	2	1	1
- Limited Rights	3	-	0	2	2
Public Domain	9	1%	0	9	9
<b>Total</b>	<b>623</b>	<b>100%</b>	<b>46</b>	<b>321</b>	<b>225</b>


Current entertainment production pipeline is split 80/20 between Controlled and Owned IP


240+ titles with merchandise rights

 Dark Horse's IP library spans across genres and demographics

 Perfectly matches multi-genre demand from streamers and traditional programmers

 Significant opportunity to scale entertainment revenue: currently, less than 15% of Dark Horse's exploitable IP is set up to produce revenue from video content leaving a valuable vault of over 300 titles available for production

 Dark Horse's is well positioned to grow its IP library to 1,000+ titles – current near-term goal

 Creators choose Dark Horse for its unmatched value proposition and a 35-year track record of developing iconic brands and franchises

1. Includes limited rights and rights under negotiation. Excludes expired rights (some are available for renewal).

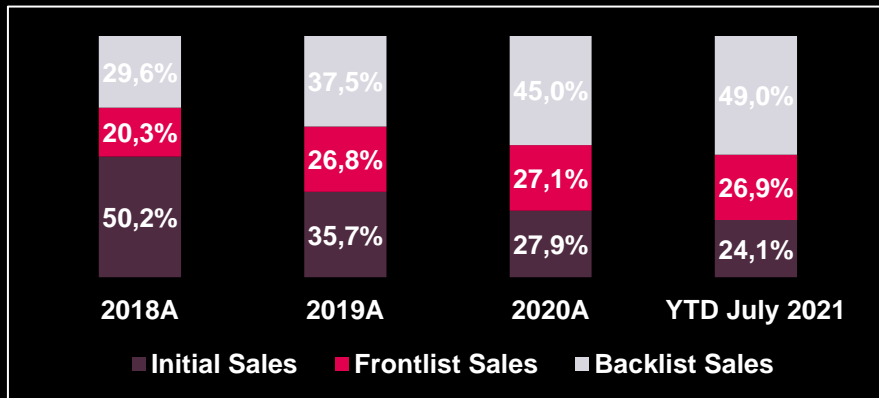


# Dark Horse Comics – What is the Mix of IP Sold?

**Top 5 Franchises by Print Publishing Sales 2015 – 2021 YTD**

2015A	2016A	2017A	2018A	2019A	2020A	YTD 7/21
Avatar Last Airbender	World of Warcraft	Zelda	Zelda	Berserk	Berserk	Berserk
Zelda	Avatar Last Airbender	Overwatch	Super Mario	Umbrella Academy	Avatar Last Airbender	Avatar Last Airbender
Plants vs Zombies	Hellboy	Berserk	World of Warcraft	Plants vs. Zombies	Umbrella Academy	Avatar
Hellboy	Fight Club	World of Warcraft	Berserk	Avatar Last Airbender	Avatar	Hellsing
Fallout	Berserk	Hellboy	Hellboy	Hellboy	Critical Role	Zelda

**Sales Mix Shift**



Within **Publishing**, the majority of top sellers are licensed titles which Dark Horse hand-picked as winning comics titles

**Backlist sales** (sales recorded after the first year of publication) increasingly greater % of total due to increasing digital sales



# Dark Horse Comics – How are the Comics Sold?



**TFAW, LLC**  
TFAW.com (70%)  
TFAW stores (30%)



*Company-managed retail locations specializing in comics and memorabilia*

13%

**Dark Horse Deluxe / Product Development**





*Toys and merchandise sales via wholesale and direct to consumer*

9%

**Distributors**

Penguin Random House



*Reputable publishing relationships*

71%

% of DHM Sales YTD (7/31/21)<sup>2</sup>

1. Includes Public Domain.  
2. Remainder of revenue attributable to DHC Sales and Licensing (3%) and DHE (5%).

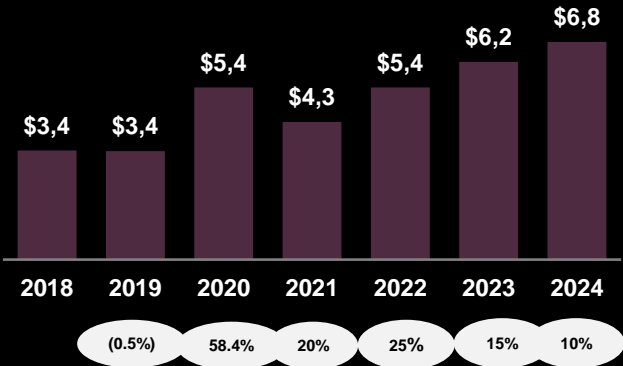


# Dark Horse Comics – What is the eCommerce Strategy?

## Dark Horse Digital

- Dark Horse Digital is a subsidiary of Dark Horse Comics responsible for the publication of **comic books in the digital format**. It was established in 2011
- Dark Horse Digital began as an online digital comics store and **associated iOS app**, with an Android app released in 2012
- **Strong momentum** in digital comic sales. Spike in 2020 due to Covid-19 brick-and-mortar closures, but growing sector overall

Increase in sales from **\$3.4mm** to an estimated revenue of **\$6.7mm** in 2024



## Dark Horse Direct

Horse Direct sells premium items and collectibles direct-to-consumer

*Dune: Sandworm Bookends*

*Umbrella Academy: Séance Maquette*

*The Witcher 3- Wild Hunt: GICLÉE Print*

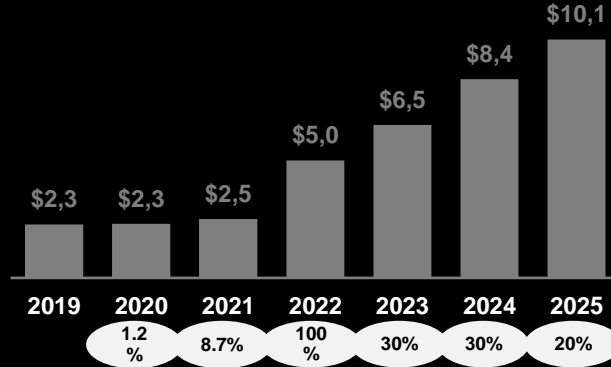
## Dark Horse Deluxe

Dark Horse Deluxe sells products to 3<sup>rd</sup> party stores

*The Last of Us: Ellie with Bow Statue*

*Witcher 3: Wild Hunt: Geralt Grandmaster Ursine Figure*

## TFAW Online



Increase in comic book sales from **\$2.6mm** to an estimated revenue of **\$10mm** in 2025

- Other items sold over the internet include **collectibles, toys and games** and other miscellaneous pieces
- Sales of collectibles are also expected to rise over time with a '18 – '21 CAGR of 22% and a '21 – '24 CAGR of **26.6%**
- Toys and Games also see a similar rise from 95k in 2019 to **~359k in 2025**; resulting in a '21 – '24 CAG

1. Includes all TFAW sales not just DHC sold through TFAW.

# The Three Business Units

## Dark Horse Comics

- The core business of Dark Horse is publishing comics and graphics novels of both own and licensed properties
- Hellboy and Star Wars, Japanese manga such as Berserk and Avatar The Last Airbender.
- Dark Horse is also a leader in game art collections with books like the best seller –  
**The Legend of Zelda: Hyrule Historia**

## Things From Another World

- A retail concept offering a wide range of comics, graphics novels, toys, statues and other pop-culture related collectibles, and a philosophy to offer excellent customer service.
- Founded in 1979 and consists of three retail locations and a website for e-commerce.

## Dark Horse Entertainment

A production company founded in 1992, which has since produced over 40 films and series, including the #1 box office hits and critically acclaimed series:

- The Umbrella Academy (2nd most viewed on Netflix)
- The Mask
- Timecop
- Hellboy
- Resident Alien



# Dark Horse Entertainment

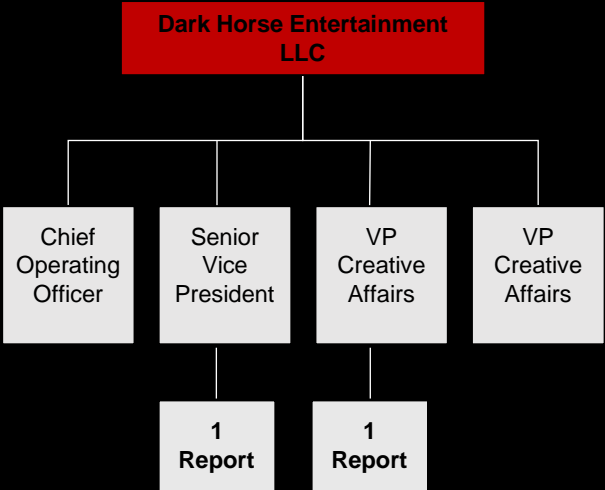
US-based production & development, but content consumed by global audience...



**Core Business |**  
**Film, TV & Digital**  
**Video**


Since 1992, Dark Horse has worked with leading studios & networks to produce **40+ film and television series that have accumulated box office of over \$1bn USD**

In 2019, the Company shifted its focus to streaming platforms and subsequently signed a multi-year, multi-property first-look deal with Netflix, with opportunities to partner with other platforms (e.g., Universal, Viacom, etc.)




**N** Dark Horse has a **first-look deal with Netflix** and has projects at **Universal, Warner Bros, Paramount, Sony, Amazon, AMC** as well as others and projects currently under consideration at nearly every studio and platform



 The studio (e.g., Netflix) purchases the right to produce a Film/TV show based on Dark Horse IP. **The studio finances the production and owns the copyright of that production** – the studio exploits that copyright by licensing distribution and ancillary rights



 In general, **Dark Horse is attached to any subsequent productions** as a producer and will earn producing fees and royalties/backend with a floor of the deal on the original production. Certain ancillary rights are held back for Dark Horse to continue to exploit



 For controlled IP entertainment rights deals with an independent creator are typically structured as **50/50 share of IP rights fees**. Producer fees (guaranteed fees) and any additional percentage of box office proceeds and bonuses go directly to Dark Horse

# Why Do Creators Choose Dark Horse?

## Unmatched Distribution

Extensive relationships across the entertainment landscape; strong US penetration with growing international fanbase.

## Transparency with Creators

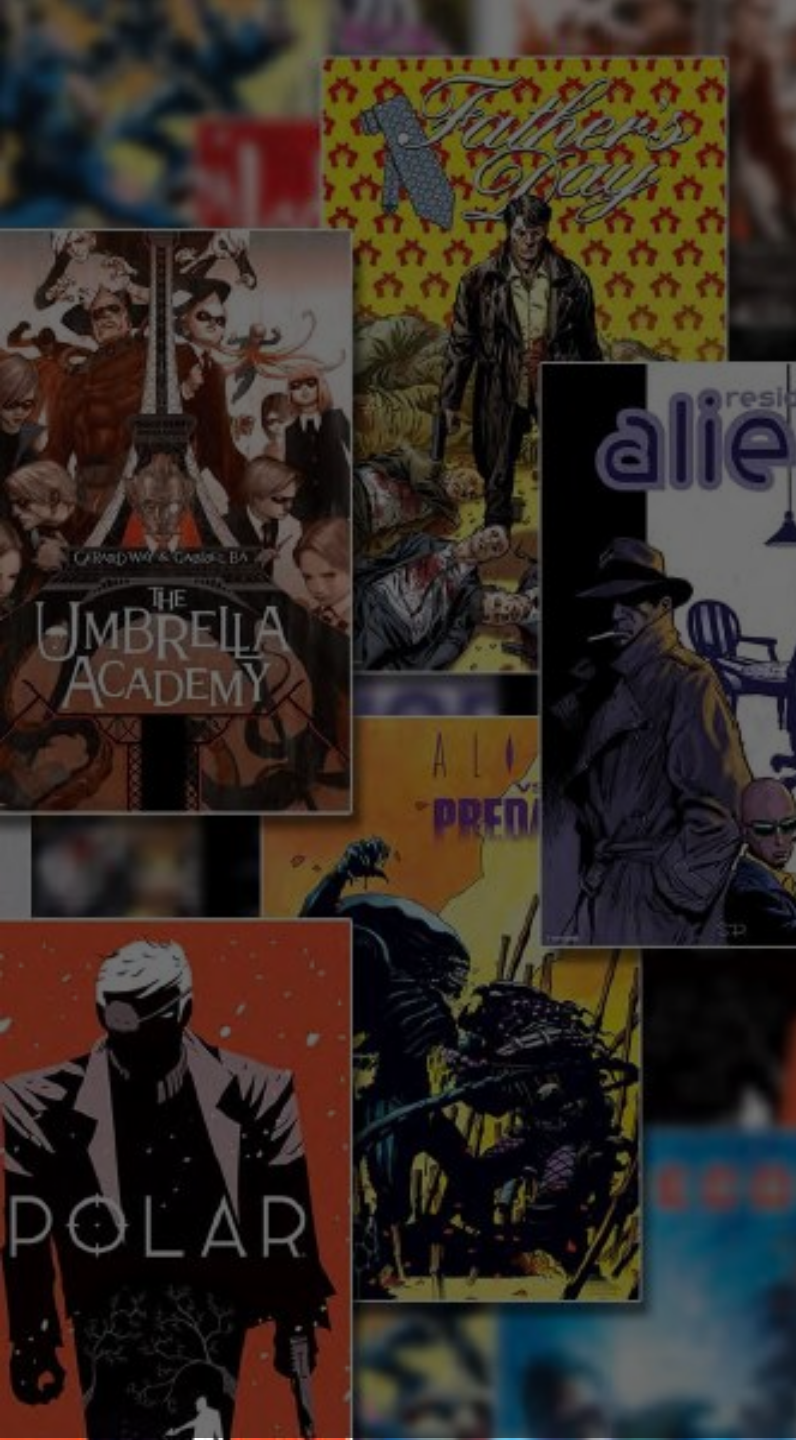
Clear and fair compensation structure; adopted as the industry standard .

## Creative Control

Commitment to the creator's original vision across mediums.

## Track Record

35 years of experience and success in an evolving media landscape.





# Deal Structure and Acquisition Rationale

## Acquisition Rationale

- **Strategic move into transmedia** that adds expertise within publishing comics, production of film and TV series.
- **Big IP library and well-oiled pipeline:** Dark Horse owns or controls a vast number of properties through their comic book publishing. This type of transmedia company fits perfectly within Embracer Group.
- **30 years in business:** Diverse business with strong presence in comic books/graphic novels and film/tv-series. Years of IP investment position Dark Horse to further monetize its library across platforms in the near-to-long-term
- **Games based on Dark Horse IP:** Lot of untapped potential in bringing Dark Horse's properties to games. Represents a potential upside and synergies within Embracer Group. The companies are already working together.
- **Dark Horse is a platform for the best content creators in the world.** Perfect opportunity to match content creators with game developers
- **Opportunity for transmedia collaboration** – e.g. comics that supplement or pre-date release of major games or art books to be bundled with Embracer games as deluxe editions
- **Greater access to film/TV for Embracer content** – Dark Horse has relationships with studios, talent and writers that can bring Embracer IP over to screen media

## Transaction terms and financial contribution

- **Net Sales 2021-** SEK 900 million with SEK 130 million of operational Ebit. Forecasted to generate operational EBIT of SEK 140-180 in FY22/23 and SEK 170- 200 million in FY 23/24. This figures excludes any commercial synergies or planned M&A.
- 80% of the shares of Dark Horse are acquired from a seller based in Hong Kong. Remaining 20% of shares will be acquired from founder and CEO, Mike Richardson and COO Neil Hankerson. Both are committed to stay with the company. Post transaction business will remain as usual and there is no planned restructuring.

## Purchase Price

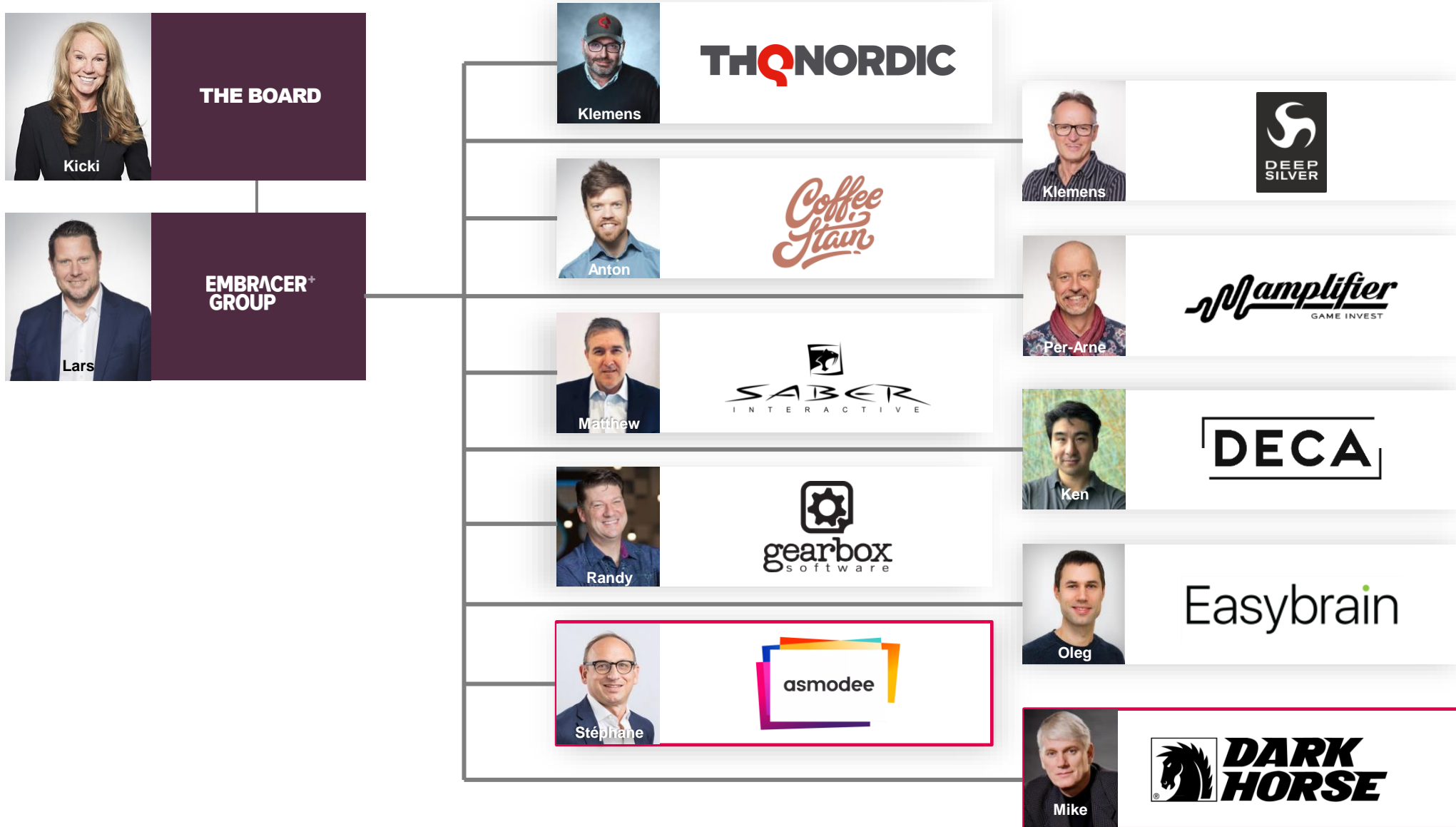
Due to commercial reasons the specific transaction terms are not disclosed. The transaction will be accretive to adjusted earnings per share.

## Completion of Transaction

The transaction is subject to certain customary conditions, including merger control approval, and is estimated to be completed by the end of January 2022.

**Dark Horse will become the 10th operative group as a subsidiary of Embracer Group**

Corporate structure post transaction





# The new combined Embracer Group

	Pre-Closing <b>EMBRACER<sup>+</sup> GROUP</b>	Asmodee	Today's acquisitions	New group Post-closing <b>EMBRACER<sup>+</sup> GROUP</b>
<b>Op. Group</b>	8	1	1	10
<b>Internal Studios</b>	86	22	3	111
<b>IPs</b>	260+	300+	+300	860+
<b>People</b>	9,000+	2,300+	850+	12,150+

Proposed acquisition of Asmodee announced 16<sup>th</sup> of Dec

Includes all announced acquisitions of 21<sup>st</sup> of Dec

**EMBRACER<sup>+</sup>**  
**GROUP**