

EMBRACER⁺ GROUP

Proposed acquisition of Asmodee

Subject to completion of legal and local social obligations.

Management presentation, December 16, 2021

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Today's presenters



Lars Wingefors
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Johan Ekström
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Embracer Group



Randy Pitchford
CEO
Gearbox Entertainment Company



Matthew Karch
CEO
Saber Interactive



Stéphane Carville
CEO
Asmodee



Marc Nunes
Head of Board Games
Asmodee



Thomas Kogler
Head of Strategy & Business Development
Asmodee



Gaëlle d'Engremont
Partner
PAI

Today's agenda

- 1 Background to the transaction
- 2 Asmodee presentation
- 3 The contemplated transaction
- 4 Key strategic rationale
- 5 Key financial rationale
- 6 Financing structure & directed share issue
- 7 Any other updates and Q&A

Board Games & Trading Card Games complement Embracer's Gaming eco-system

EMBRACER⁺
GROUP



Shared DNA

- ✓ Shared strong cultural fit
- ✓ Decentralised operational model with integrated approach toward IP, studios, publishing and distribution
- ✓ Track record for organic and M&A-led growth

Joint opportunities

- ✓ Cross-fertilised IP across Gaming categories
- ✓ Stronger foundation for transmedia growth
- ✓ Strengthens licensing partnerships with world leading IP owners
- ✓ Potential for distribution efficiencies

Financially attractive

- ✓ Enhances the new Group's strong financial profile
- ✓ Adds diversity, predictability, resilience
- ✓ Immediate accretion to adjusted earnings per share and free cash flow per share

Transaction overview

- The day one consideration is approximately EUR2.75bn¹ in total
- EUR350m would be paid to the main shareholder, PAI, and certain other minority shareholders in newly issued Embracer B shares² and approximately EUR2.4bn in cash and debt refinancing
- Asmodee's other minority shareholders would sell the majority of their shares upfront for cash, and retain a minority interest of approximately 4 percent of the shares which would be subject to put and call options, exercisable in year 2, 5 and 6, pursuant to which such shareholders could receive a maximum of 40,984,678^{2,3} newly issued Embracer B shares
- If the put option is exercised by the current shareholders of Asmodee, and subject to clearance by all applicable antitrust authorities, the transaction would be expected to close the first half of the calendar year 2022
- Asmodee's CEO Stéphane Carville together with his management team would continue to lead the new operating group
- Asmodee would continue to operate as before the transaction with no reorganisation expected driven by the transaction

Financing structure

- The acquisition would be financed by cash at hand, available credit facilities and new credit facilities from Nordea Bank, SEB and Swedbank, including a SEK6bn term loan with expiry in 30 months, as well as SEK12bn in bridge loans
- The group's average interest rate on utilised gross debt is expected to be less than 1.00 percent going forward
- Embracer would expect to refinance the bridge loans in the next 12 months, whereas the term loan adds long term strategic flexibility
- Post-closing of the acquisition of Asmodee, Embracer would expect to have more than SEK9bn in liquid funds to support investments in organic growth and enable additional acquisitive growth
- At the time of closing, Embracer expects pro forma net debt of approximately SEK17bn
- In line with Embracer's target, financial leverage could temporarily exceed 1.0x net debt to operational EBIT⁴ but should at least return to below 1.0x over the medium term

Source: Company

Notes:

1. Including payment for Asmodee's recently signed acquisitions scheduled to close early 2022. The corresponding enterprise value would also include other minority interests at Asmodee's Group level
2. Priced at the volume weighted average price of SEK 89.98 during the 20 trading days preceding, but not including, 15 December 2021
3. For the purpose of this press release, the equity price at completion as well as the potential dilution from new shares to be issued in the future in relation with the Asmodee acquisition assume a completion date as of March 31 2022
4. Operational EBIT is measured as management's expectations for the coming twelve months



- Accretive to shareholders, adds approximately 30% in forecasted Operational EBIT with approximately 7.5% dilution



- The combined group would have a forecasted Operational EBIT range of SEK9.0-11.0bn during FY 22/23 and SEK9.8-12.9bn during FY 23/24¹
- These forecasts exclude further planned M&A



- Pro forma² Net Sales of Asmodee for this calendar year is estimated to be EUR1.1bn
- Pro forma Adjusted EBITDA^{2,3} of EUR240m
- Pro forma Adjusted Operational EBIT^{2,3,4} of EUR206m



- Solid free cash flow generation, driven by a capex-light business model and efficient working capital management processes
- Historically Asmodee has yielded a pre-tax free cash flow conversion of approximately 70-80%
- The transaction is expected to be immediately accretive to FCF per share



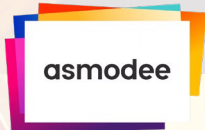
- Asmodee management expects to have a double digit organic profit growth over the coming five-year period

Source: Asmodee

Notes:

1. The new estimate is a combination of Embracer's Q2 21/22 figures and the new figures for Asmodee
2. Based on IFRS standards, includes pro forma adjustments to reflect twelve months of trading for all M&A transactions signed by Asmodee during FY21
3. Adjusted for non-recurring items, including costs for share based compensation and similar which are cancelled as a consequence of Asmodee becoming a subsidiary to Embracer
4. Operational EBIT reflects EBIT excluding acquisition related amortisations for consistency with Embracer's financial KPI definitions

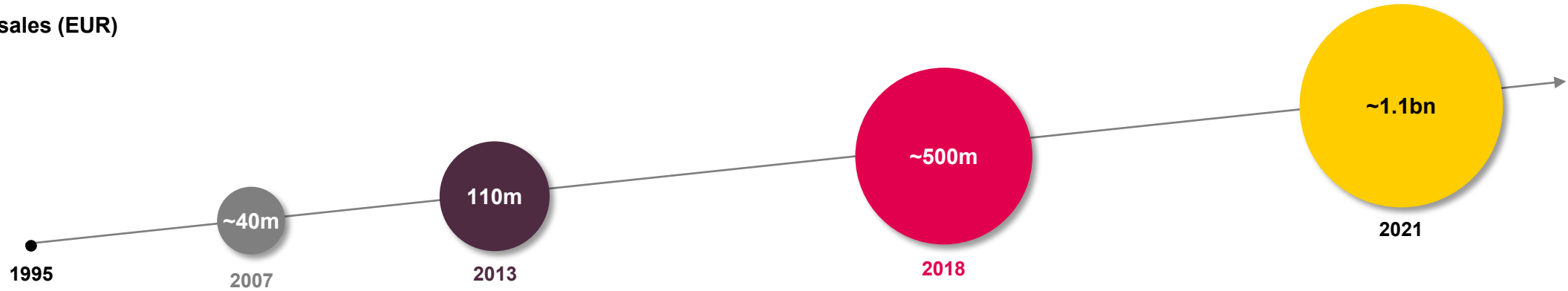
Great games, amazing stories, infinite possibilities



- **Leading international Publisher & Distributor for Board & Trading Card Games and Video Games**
- **Founded in 1995**
- **22 fully owned studios and 300+ IPs**
- **Sales and distribution in 50+ countries (of which 21 with direct presence)**
- **Global team of 2,300+ FTEs**
- **Decentralised operational model with integrated approach toward IP, studios, publishing and distribution**



Business sales (EUR)



From a French specialised distributor to a European Board Game player

A global Board Game publisher and distributor with a broad IP portfolio

An innovative Gaming and global content group with a consumer and data-centric approach

Asmodee 1.0

- **Creation** of Asmodee in France by passionate Board Game players (1995)
- First major **acquisition with Jungle Speed** (1998)
- **Expansion to European countries with Germany, Spain, UK and Belgium** (2008-2010)



Asmodee 2.0

- Successful **integration of high potential studios** widening Asmodee's **IP portfolio** (2013-18)
- Expansion into the **U.S. market** thanks to studios with strong communities and IPs, emphasising the **international strategy** (e.g. Fantasy Flight Games and Days of Wonder)
- **Strengthening of the European footprint** (e.g. Nordics, Italy, the Netherlands, Poland)



Asmodee 3.0

- **Fostering organic growth** thanks to **Pillar Brands strategy and strong go-to-market**
- **Expansion along the value chain** with Direct to Customer (D2C) distribution
- Acquisitions of **Digital Board Game Platforms TricTrac and Board Game Arena (BGA)**
- Launch of **Aconyte**, imprint studio publishing fiction novels to **leverage on Asmodee's own IP** (2019)



Key financials

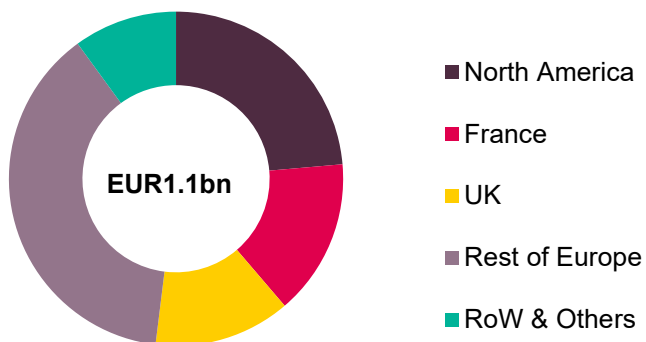
- € **EUR1.1bn** business sales in FY21PF
- +**25%** CAGR business sales over 17A-21PF
- +**18%** CAGR organic business sales over 17A-21PF
- 40+** bolt-on acquisitions performed since inception
- c.22%** Adj. EBITDA margin
- 70-80%** average FCF conversion¹ over 19PF-21PF

Commercial KPIs

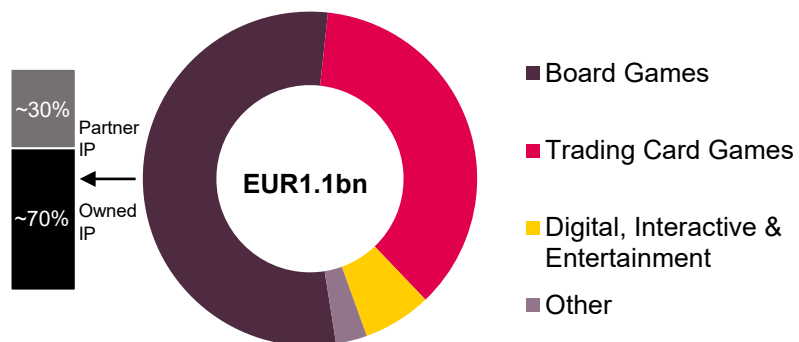
- 22** fully-owned studios
- 300+** owned IPs
- 970+** games
- ~45m** games sold in 2020 (Board Games only)
- 50+** countries addressed, of which **21** with direct presence
- Leading** market positions² (**16%** global market share)

Revenue composition (2021PF)

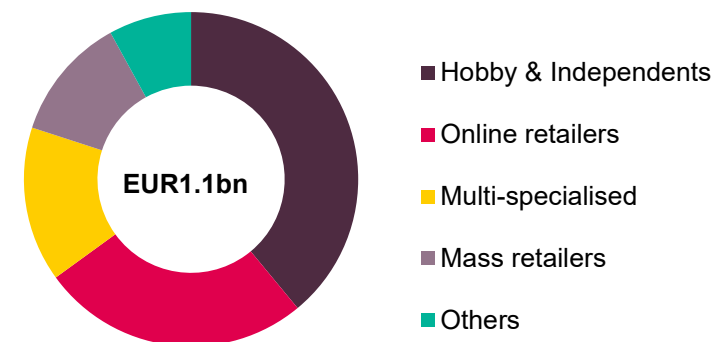
Diverse across geographies



Diverse across activities



Diverse across channels

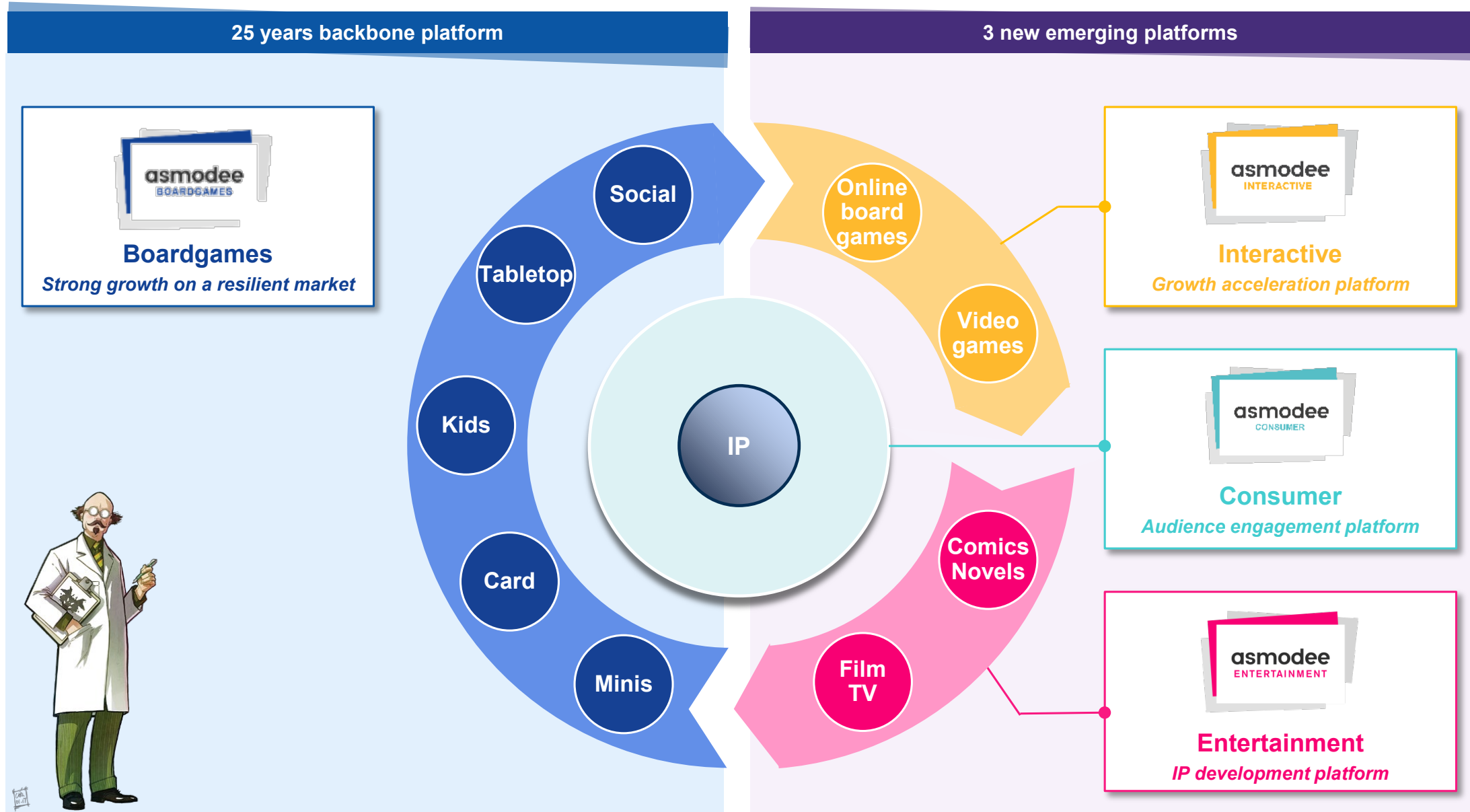


Source: Asmodee

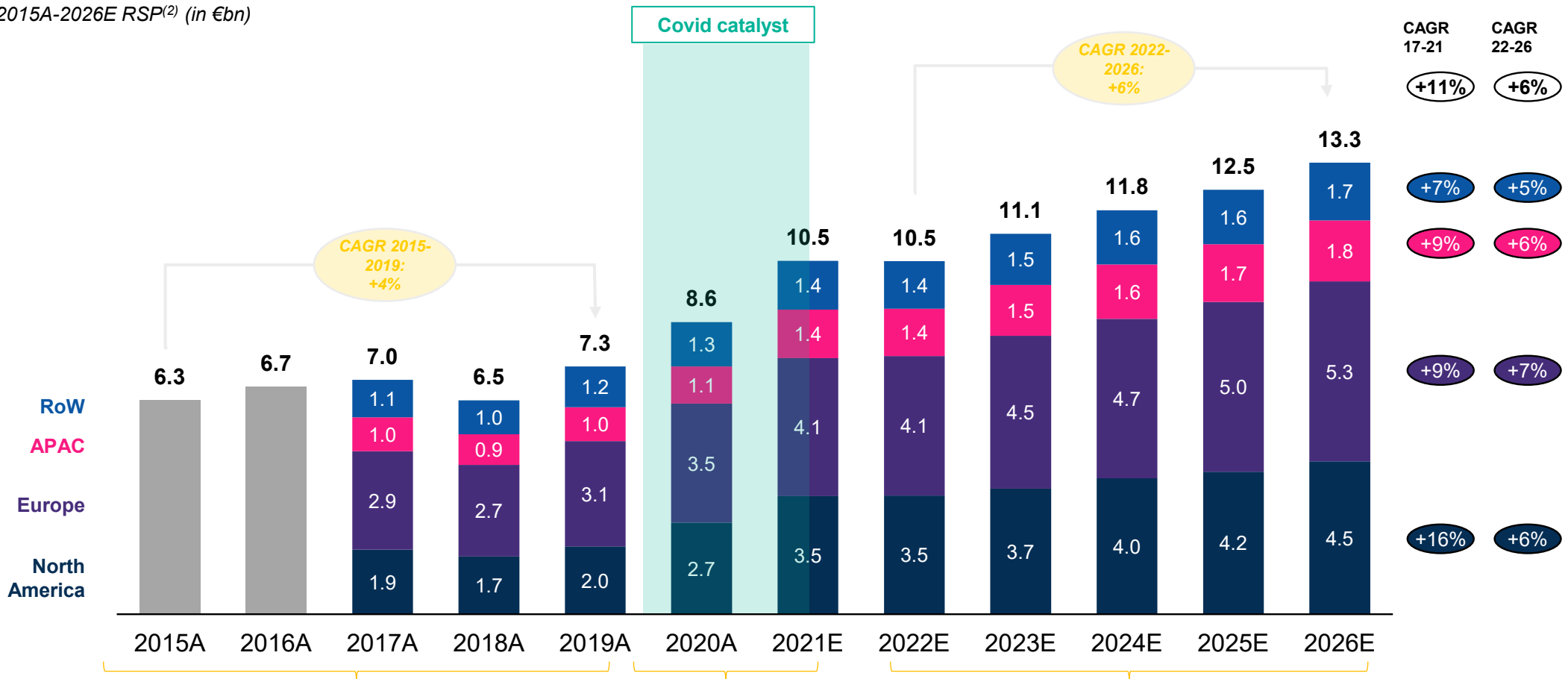
Notes: Estimates represent Management's latest view on financials and growth rates include Management adjustments

1. FCF conversion = (Cash EBITDA - Capex - var. in WC) / Cash EBITDA

2. #1: France/UK, #2: World, #3: US excl. Exploding Kittens



2015A-2026E RSP⁽²⁾ (in €bn)


















Historical growth was mainly driven by boardgames increasing penetration in the population combined with more qualitative / quantitative boardgames offer

During the Covid pandemic, customer habits have structurally shifted towards playing boardgames to spend more time with friends, spouse or family

Growth will remain higher than pre-pandemic levels, due to: (i) higher penetration rates in the population, (ii) higher number of purchases per year, (iii) expected price increases

Sources: Asmodee, Bain & Co
Notes: (1) Boardgames and TCG (excluding puzzles) | (2) Retail Sales Price

3 main categories of players with specific behaviors and purchasing patterns

	Gamer profile	# players ⁽¹⁾	Rationale for playing	Key channel
Mainstream players	<p>1</p> <p>Boardgames fans "Playing is my main hobby"</p>  	<p> 35-40 y.o.</p> <p> Buy 10+ games p.a.</p> <p> Play on a weekly basis</p>	<p>~60m</p> <p>Intellectual & competitive challenge</p> <p>Beloved IPs</p>	<p><i>Hobby stores</i></p> <p><i>Broad market</i></p>
	<p>2</p> <p>Casual players "I sometimes play to socialize"</p>  	<p><u>Millennials</u></p> <p> 20-30 y.o.</p> <p> Buy ~3.5 games p.a.</p> <p> Play on a monthly basis</p>	<p>~250m</p> <p>Leisure & fun time with friends</p>	
	<p>3</p> <p>Family & children "I play during family time"</p>  	<p><u>Digital parents</u></p> <p> 40-45 y.o.</p> <p> Buy ~3.5 games p.a.</p> <p> Play on a monthly basis</p>	<p>~500m</p> <p>Family quality time</p>	

Sources:
Notes:

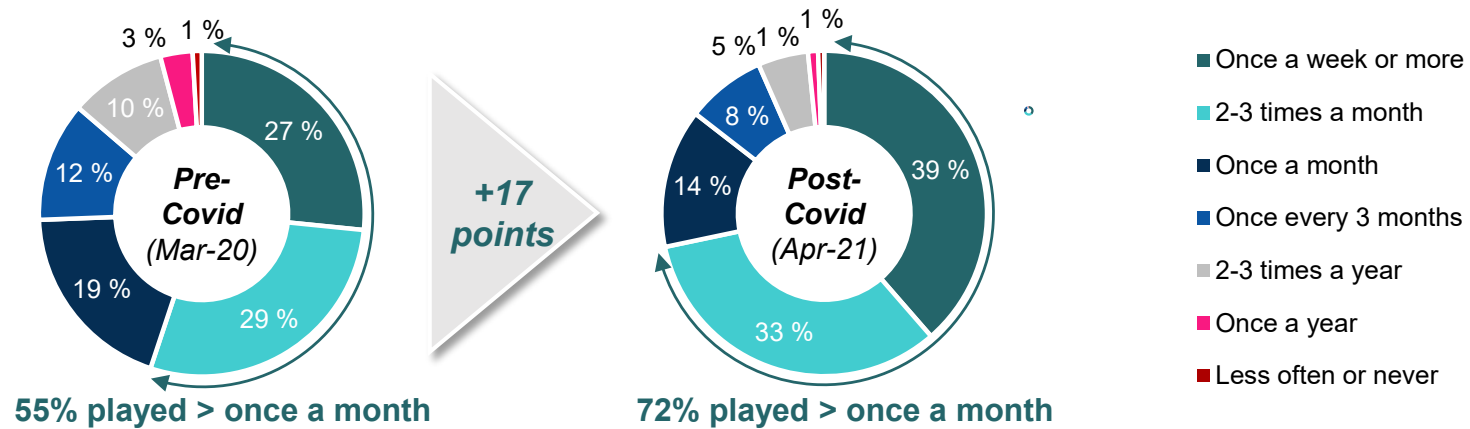
Asmodee, Bain & Co
 (1) Est. share of player population in Western countries based on Customer Survey results for U.S. & France, actual figures vary depending on countries (March-18 with 24,007 respondents in France & 37,451 respondents in the U.S.)



- Covid pushed existing customers to increase yearly spendings:
 - ✓ Acquisition of more games
 - ✓ Acquisition of more complex and expensive games

April 2021 consumer survey – All boardgame players⁽¹⁾

Question:
How often did you play boardgames ?



Higher boardgames consumption from existing players during Covid period, with share of frequent players (> once a month) increasing by +17 points

Sources: Philibert client data, Asmodee Consumer Survey
 Notes: (1) Survey conducted in the US in April 2021 among 1,000 respondents

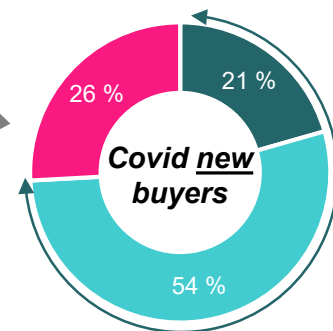


- Lockdowns pushed people to find new sources of entertainment
- Customer acquisition during lockdowns driving higher awareness, eventually leading to repeat purchases (e.g. people offering games to friends & family) and therefore boosting organic growth
- Attractive profiles of newly-recruited customers:
 - ✓ Diverse profiles
 - ✓ More expensive 1st purchase basket: €41 vs. €38 in 2019
 - ✓ Higher loyalty: 35% repurchase rate for first-time buyers vs. 29% in 2019
- ~10% of 2020 end-customers are first-time buyers

October 2021 consumer survey – First-time buyers during Covid period⁽¹⁾

Question:
Will you buy boardgames?

Customer survey conducted by Bain on Covid first-time buyers, based on Q3 2021 data



- More than before
- Same as before
- Less than before

74% will play as much or more

~74% retention of first-time buyers during Covid period expected to buy at least as many boardgames in the future, demonstrating ability to retain new end-customers

Sources: Bain & Co, Consumer Survey
Notes: (1) Bain survey on selected key geographies (US, UK, France) on 2,655 respondents o/w 379 new buyers (Q3 2021)

Asmodee benefits from a unique virtuous dual-positioning on the value chain, with an integrated publishing and go-to-market model



A unique positioning on the value-chain (in publishing and go-to-market) enables Asmodee to have full control of its go-to-market strategy

Best-in-class, young and modern IP published across 22 studios

Go-to-publishing & distribution partner for other world leading franchises

Development costs



Games designers' wages



Graphic designer costs



c.€150k development costs

1st run print economics

€30 MSRP⁽¹⁾ per game

€15 sales per game

€10.5 business margin (70%)

€9 margin contribution after shipping & royalties

X

c.30k units sold as 1st print run



c.€270k margin on 1st print run

Low development costs / breakeven point ensuring profitability of any new game published

One single IP successfully declined into multiple products ...

Selected awards



As d'Or (2004)
Spiel des Jahres (2004)



Core game launched in 2004

Variations

By Geographies

Europe Nordic countries Germany Worldwide

By Interests

Dice edition Cards edition Track Switcher

Anniversary editions

15th anniversary 10th anniversary

By Age

Kids: First Journey

By Platform

Digital platforms (PC, console & mobile)

Extension

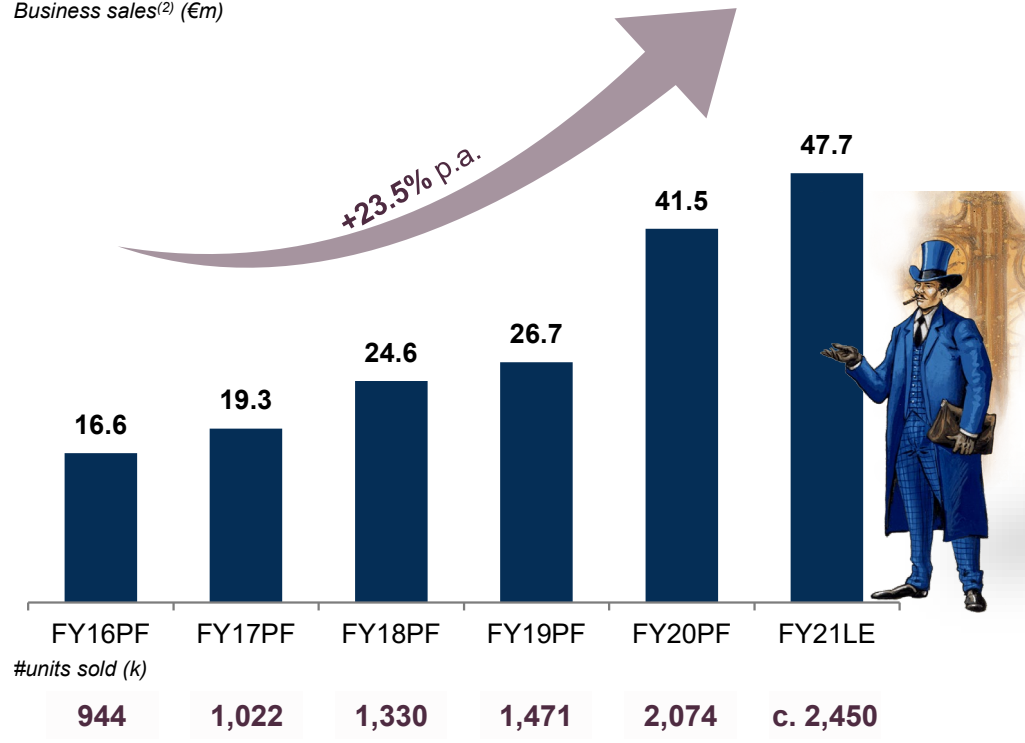
Cards Asia India Africa

Accessories

Set of trains and stations in support of BCRF⁽¹⁾

... to continuously drive organic growth

Business sales⁽²⁾ (€m)



Fiscal Year	#units sold (k)
FY16PF	944
FY17PF	1,022
FY18PF	1,330
FY19PF	1,471
FY20PF	2,074
FY21LE	c. 2,450

Uninterrupted growth generated by core game and continuously accelerated with multiple new gaming adaptations

Sources: Company
Notes: (1) Breast Cancer Research Foundation | (2) Business sales excluding digital, FY16-20PF figures presented at constant FX rate (EUR/USD: 1.16)

Focused on building global consumer brands

Pillar brands



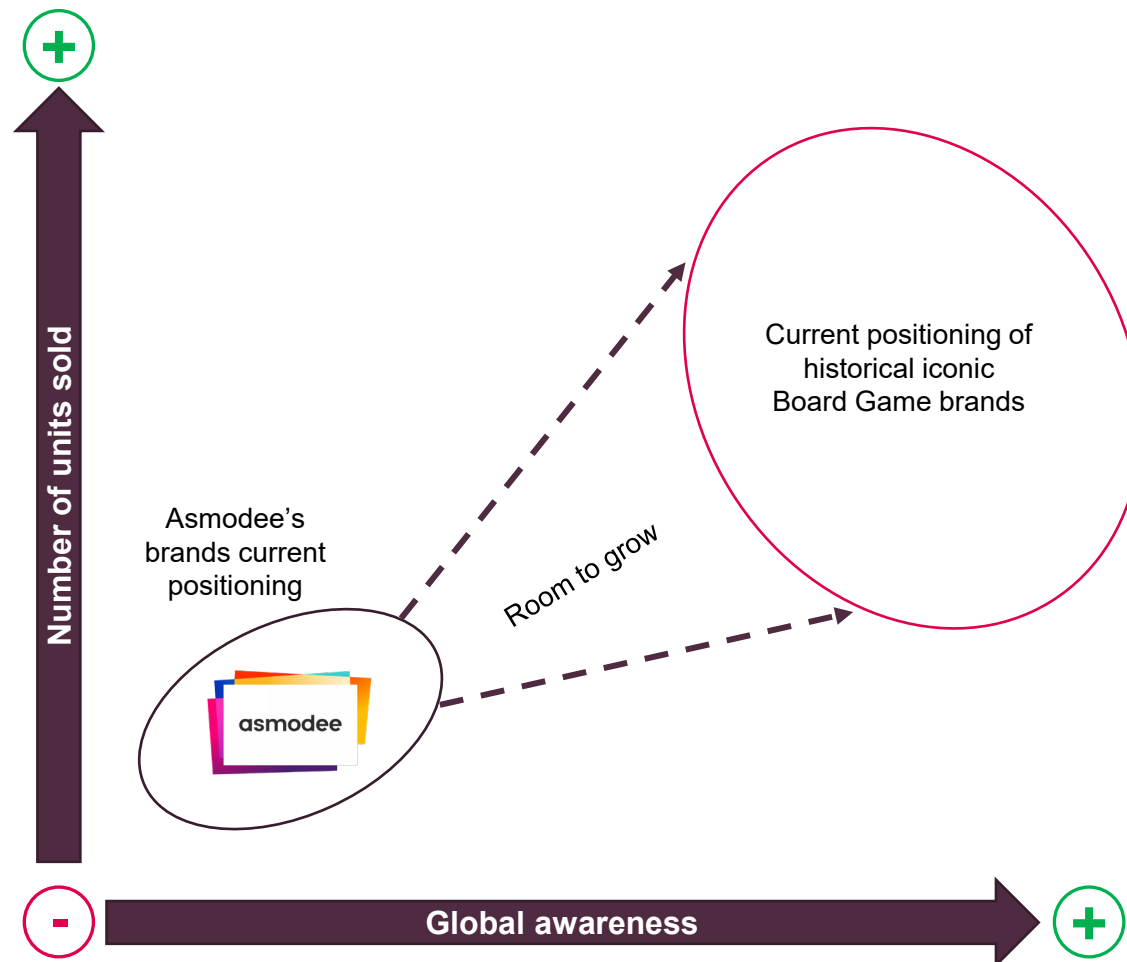
High-potential brands



Supported by a bedrock catalogue of over 300+ IPs

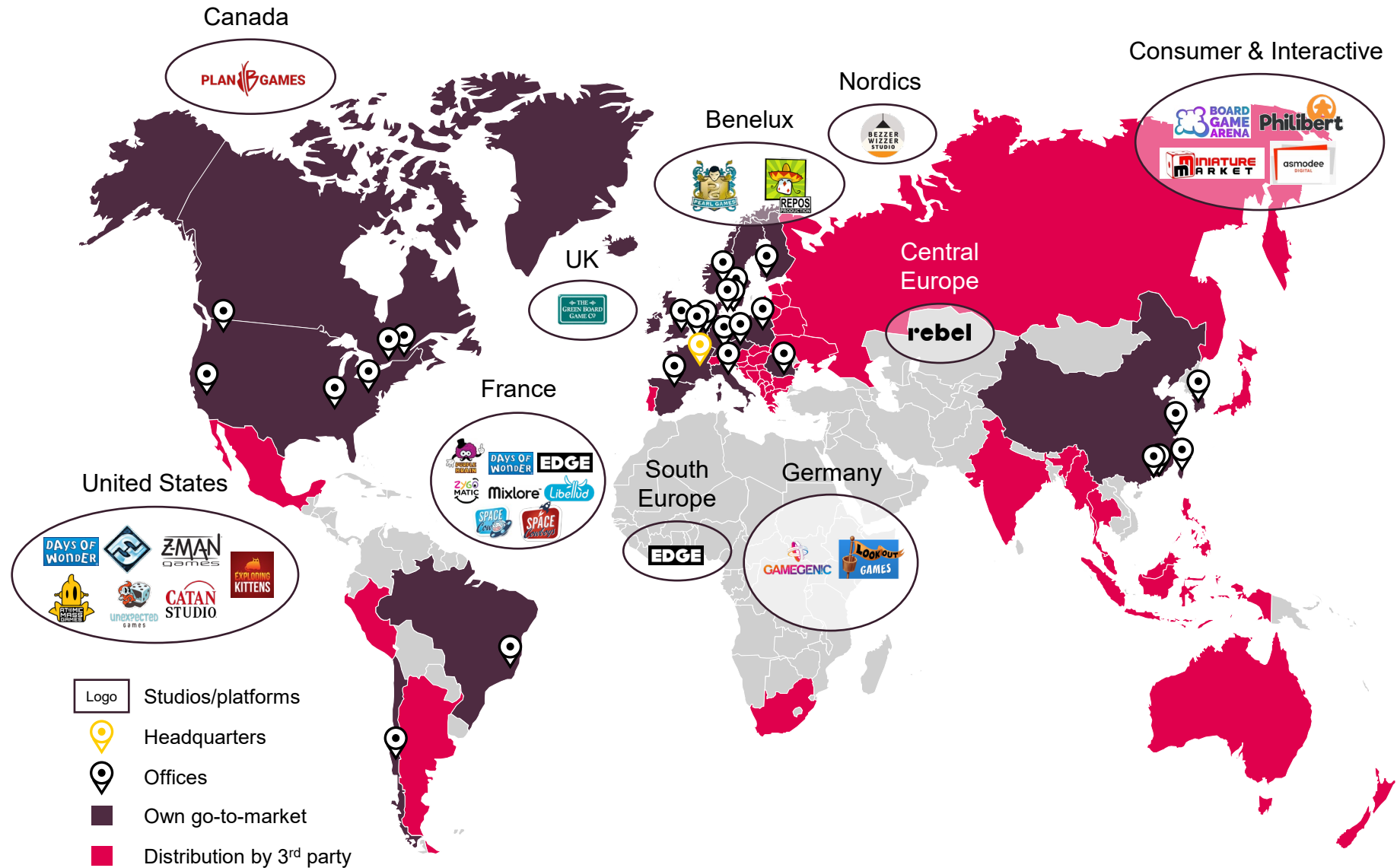


Strong positive correlation between global awareness and sales

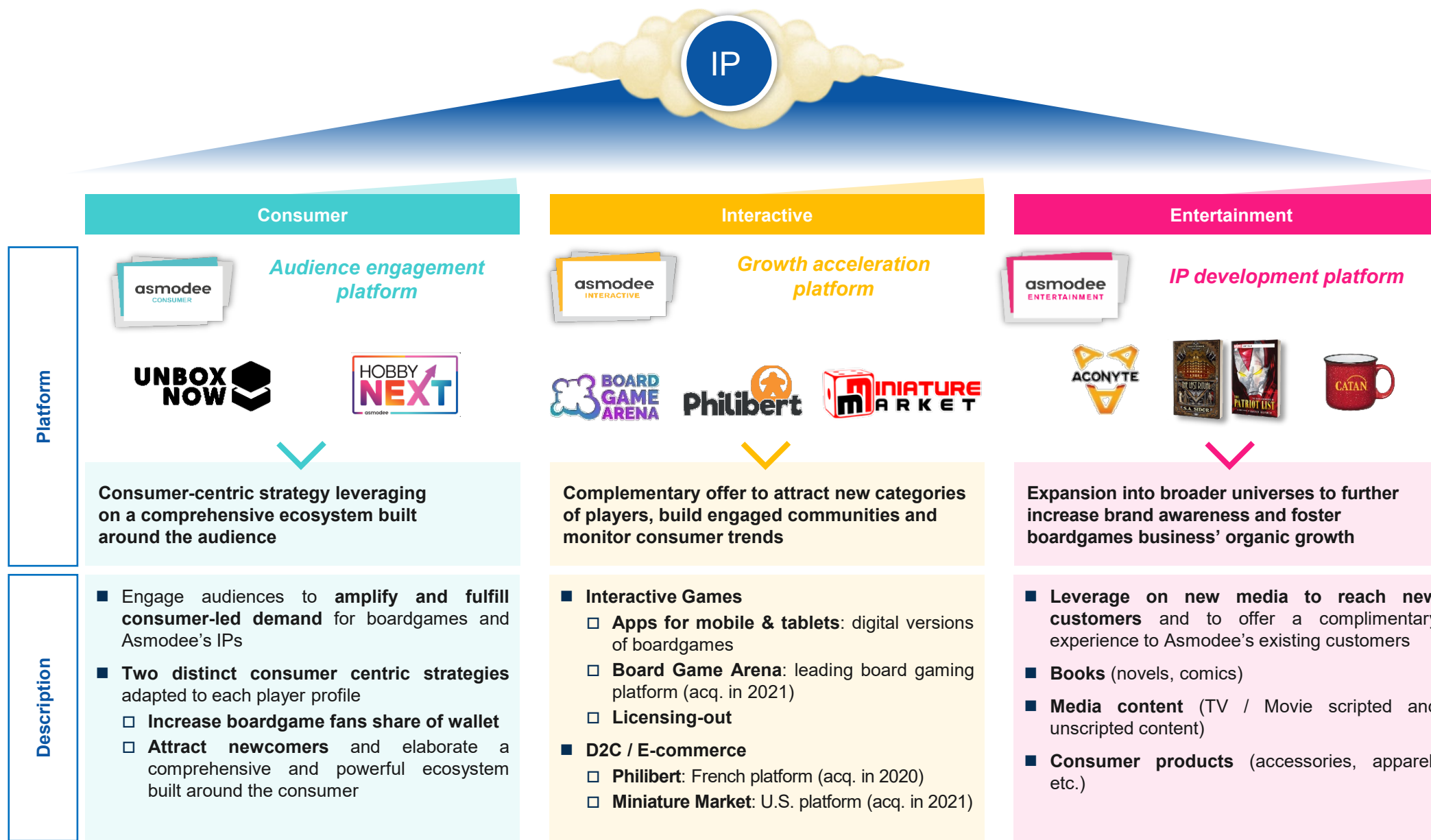


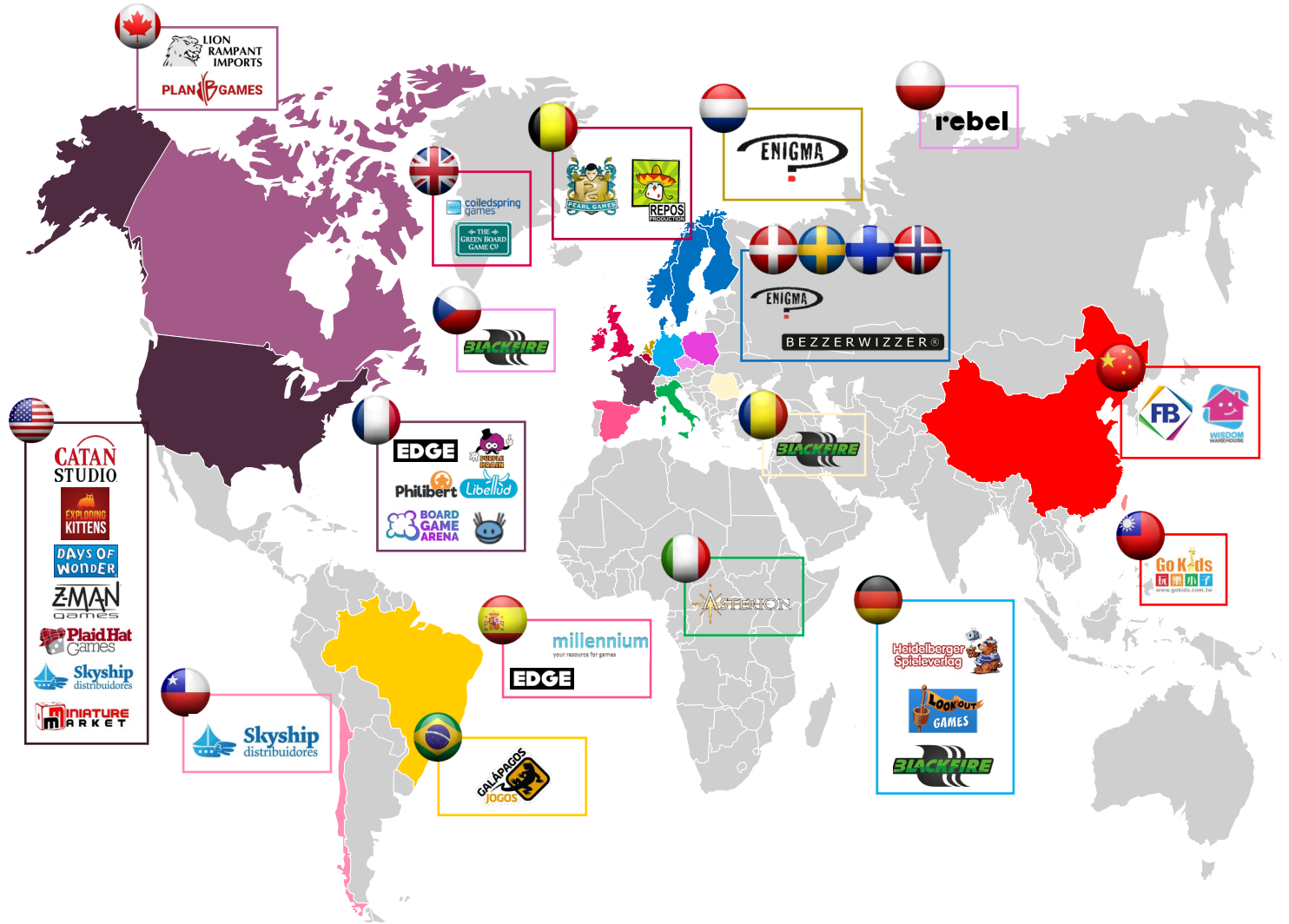
Leading market positions¹

Country	Rank
	
	
	
	
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Source: Asmodee
 Note:
 1. Board Games and TCG market in 2020. Excludes Exploding Kittens





Value-accretive M&A acquisition strategy

	2014	2015	2016	2017	2018	2019	2020	2021
Acquisition	3	3	8	2	7	8	3	5
IPs & Studios	✓	✓	✓	✓	✓	✓	✓	✓
Local distribution		✓	✓		✓	✓		
Interactive	✓		✓					✓
Content & eCommerce						✓	✓	✓

Dozens of IPs acquired through the acquisition of studios including iconic brands such as:



Turbocharge Asmodee's rich Board Game IP into Video Games

- ✓ Embracer has access to a vast library of hit Asmodee IP ripe for interactive development



Leverage Asmodee's Board Game expertise across Embracer's rich IP

- ✓ Asmodee will have access to Embracer IP for Board Game experiences



Additional reach and revenues through Books & Entertainment

- ✓ Develop broader entertainment offering across TV, Film & Books
- ✓ Opportunity to further deepen the worlds and characters of Embracer IP through Aconyte¹

Opportunities for Hybrid Gaming experience

- ✓ Unique combination of Physical, Digital and Cross-Play Gaming to provide a unified experience²
- ✓ Immersive Board Gaming through AR, VR and other emerging technologies

Cross-fertilisation between Physical and Digital Gamers communities

- ✓ Potential to offer unrivalled Gaming experiences to consumers
- ✓ Unique opportunity to build Physical and Digital Gaming consumer data

Tremendous synergies through data-sharing and analysis

- ✓ Leverage overlapping fan base and develop cross-marketing opportunities
- ✓ Improved analytics for Board Games will drive traffic to Video Games

Other organic growth opportunities

- ✓ Potential new avenues of innovation for location-based experiences (e.g. theme parks, escape rooms, arcades, game cafés)

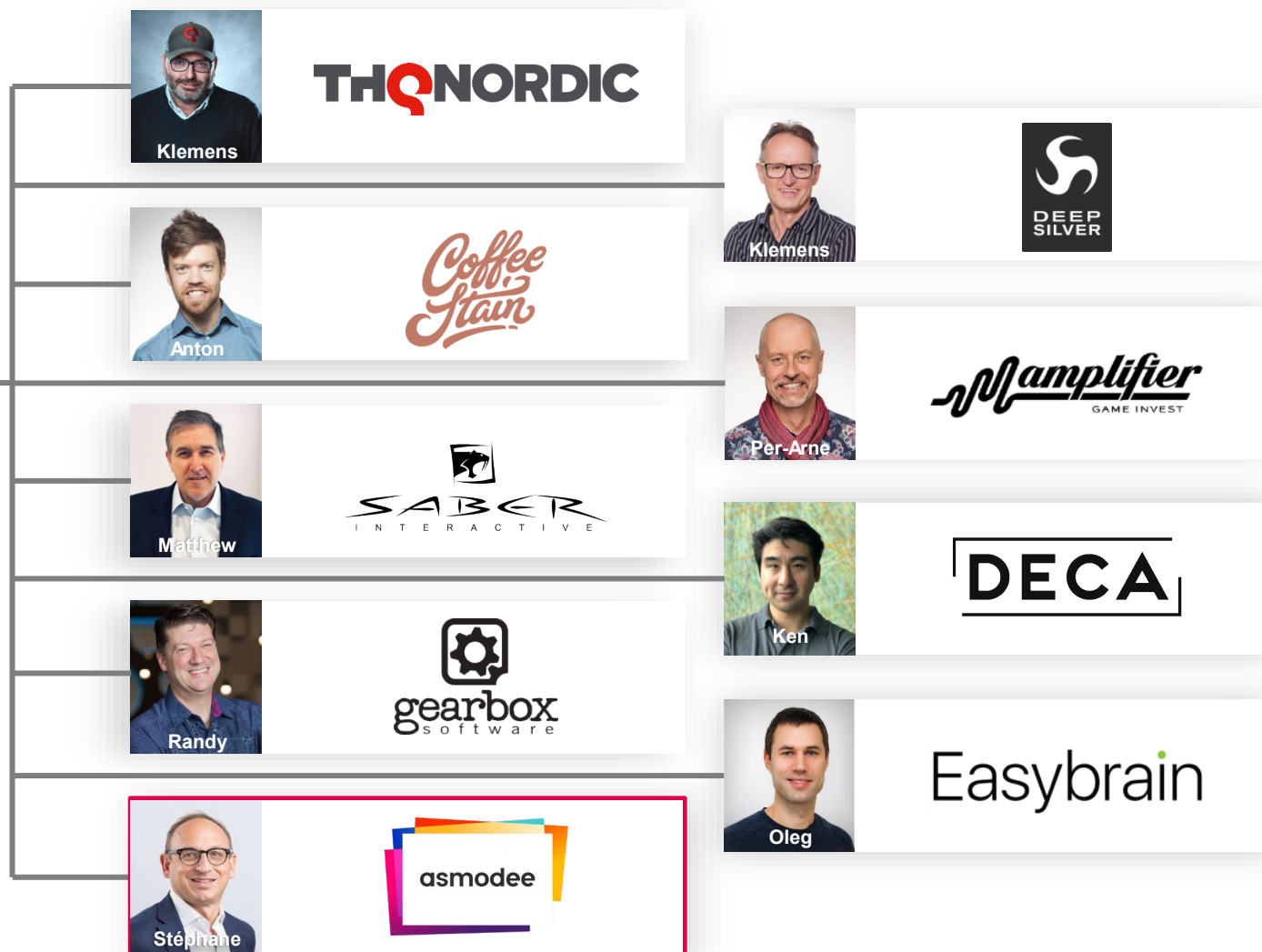
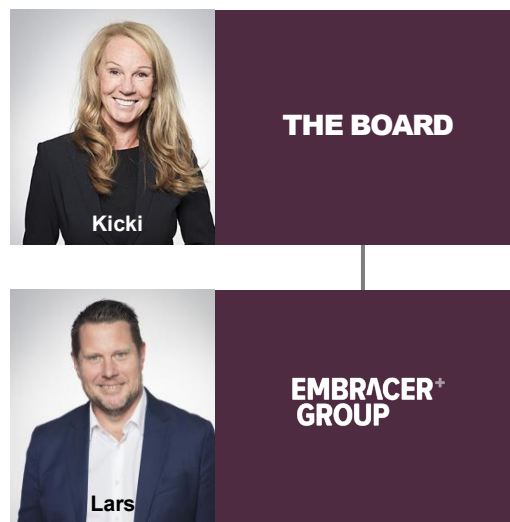
- Selected narrative-driven Asmodee IP perfect for RPG, Adventure, Strategy PC and Console Games
- Selected Asmodee IP for fans eager for digital experiences on all devices
- Selected Embracer IP ripe for exploration in Board Games

Sources: Company, Asmodee

Notes:

1. Asmodee's fiction novel publisher
2. Includes companion apps, scenario builders and NFTs

Corporate structure post transaction



Snapshot of the combined Group

	EMBRACER ⁺ GROUP ¹	asmodee	EMBRACER ⁺ GROUP + asmodee
Op. Group	8	1	9
Studios ²	86	22	108
IPs	260+	300+	560+
Employees	9,000+	2,300+	11,300+

Sources: Company, Asmodee

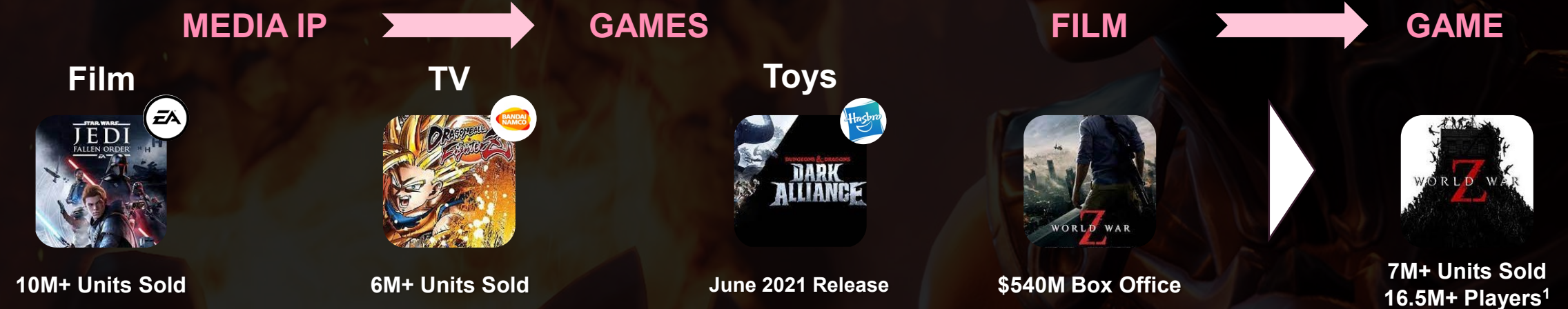
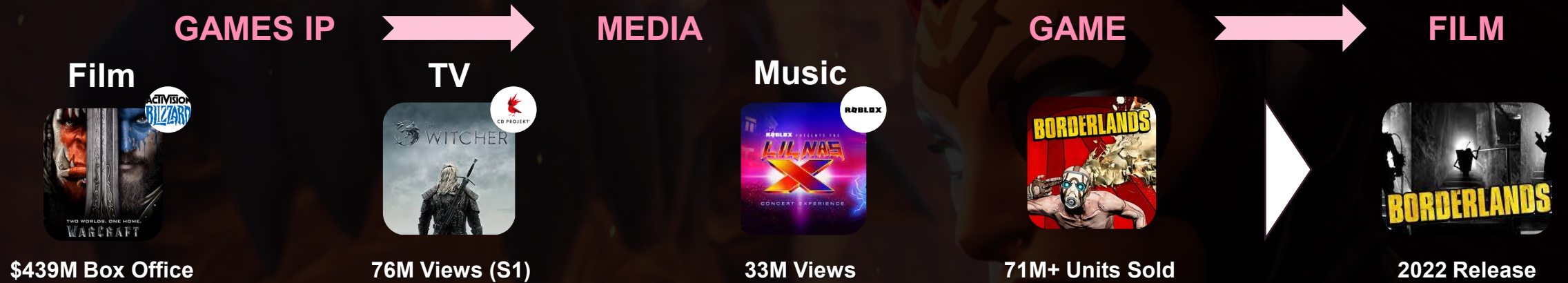
Notes:

1. Company information as at Sep 2021
2. Internal studios

Great IP is valuable across multiple channels

The lines between media are blurring

EMBRACER is embracing transmedia

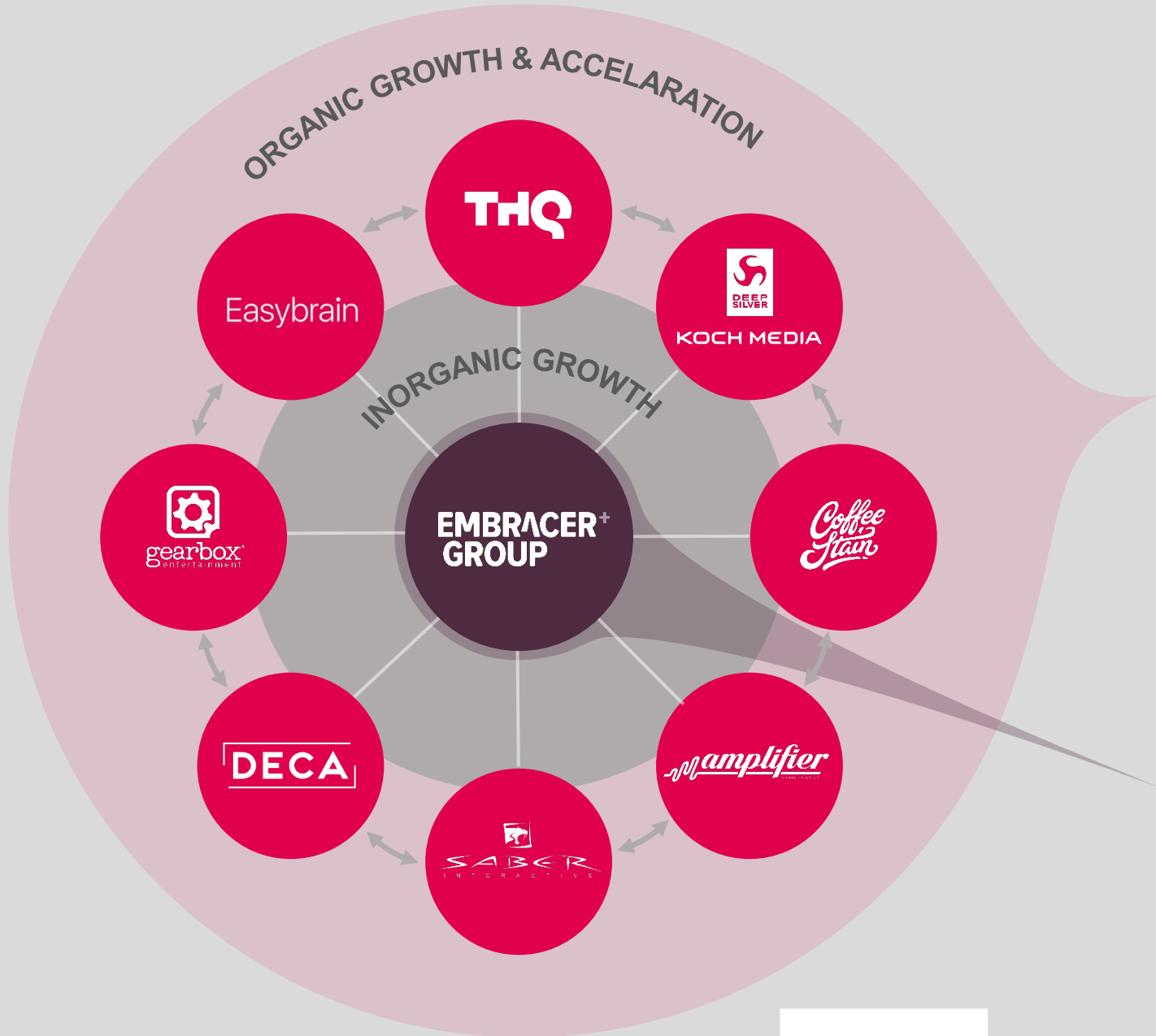


Source: Box Office Mojo, Forbes, Billboard, VG Chartz

¹ Number of players includes subscription services and free weekend at Epic Game Store.

Selection of IP and partners





Ecosystem for entrepreneurs within gaming and entertainment

Each Operative Group has its own unique culture, DNA and strategy.

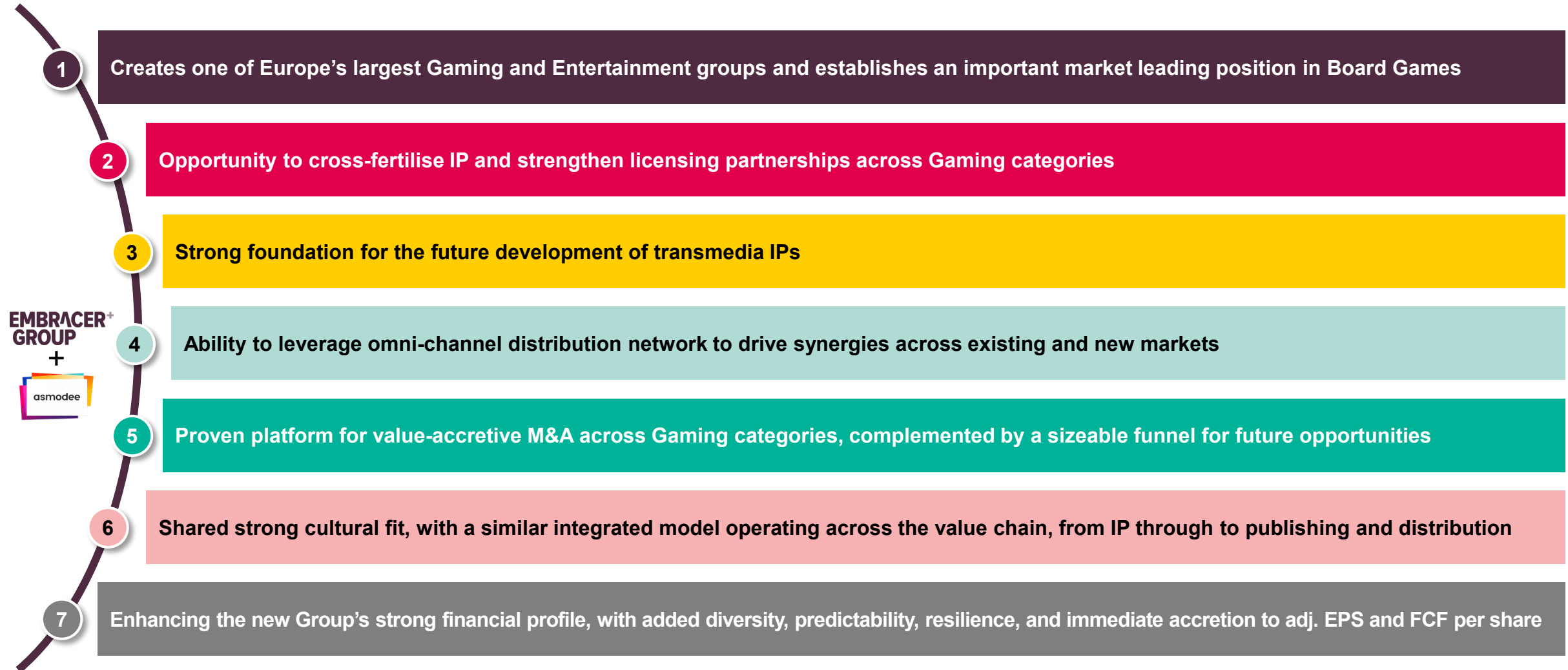
Decentralization philosophy empowering individuality, creativity and speed.

Offering benefits of a large structure e.g. access to growth capital, knowledge sharing and soft synergies.

Attractive model for long-term creatives and entrepreneurs, will help bring more publishers and studios onboard.

Offers a diverse ecosystem that stands on many revenue streams

This marks a transformative step in Embracer's strategy within gaming and entertainment as outlined at the September AGM



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GROUP