

EMBRACER+ GROUP

Embracer Group acquires Eidos, Crystal Dynamics, and Square Enix Montréal

02 May 2022

Embracer Acquires Eidos, Crystal Dynamics, and Square Enix Montréal

Today's Presenters



Lars Wingefors
CEO, Founder



Phil Rogers
*America &
Europe, CEO*



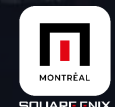
Scot Amos
Studio Head



David Anfossi
Studio Head



Patrick Naud
Studio Head



High-Level Transaction Summary

Acquisition Rationale

- Two of the most reputable AAA studios in Crystal Dynamics and Eidos Montréal
- Iconic IPs including *Tomb Raider*, *Deus Ex*, *Thief* and *Legacy of Kain*
- Talented employees with decades of AAA experience
- Exciting pipeline of new installments and original IPs
- Significant organic growth opportunities and synergies within the Embracer Group

Transaction Details

- Total purchase price of USD \$300 million paid at closing
- Crystal Dynamics (HQ: San Mateo, CA, US); Eidos Montréal (Montréal, CA); and Square Enix Montréal (Montréal, CA)
- In total, ~1,100 FTEs across 3 studios and 8 locations
- Portfolio of AAA IPs and over 50 back-catalogue games
- Expected to close 2Q FY 22/23 (July-September 2022)

Financial Outlook for Acquired Companies

- Extensive due diligence performed to fully understand the acquired businesses
- Breakeven or smaller Operational EBIT contribution for FY 22/23 and FY 23/24 with some upside potential
- When AAA pipeline matures, we believe the companies will generate in average at least SEK 500 million in Operational EBIT per year with notable upside potential

Financing & Current Trading

- New secured LT debt funding commitment of SEK 4.0 billion and extended one existing loan of SEK 6.0 billion
- With the inclusion of the new facility, over SEK 10.0 billion in available cash and credit facilities by today's date
- Under the new terms, no ST debt on the balance sheet. No expiry before 30 June 2023
- Reiterate Group operational EBIT forecast for FY21/22, FY22/23, and FY23/24



**CRYSTAL
DYNAMICS**

**eidos
montreal**



SQUARE ENIX

CRYSTAL DYNAMICS

ACHIEVE THE EXTRAORDINARY

Founded 1992, acquired as part of Eidos by Square Enix Holdings in 2009

A developer family who refuse to lose, committed to crafting the narrative-focused, AAA quality action-adventure games of our lives for passionate players

 **San Mateo, CA**
167 Employees

Bellevue, WA
75 Employees

Austin, TX
31 Employees

Proprietary and Commercial Tech

Award Winning Experiences

Cinematics / Full MoCap Studio

Campaigns and Open-Worlds



SCOT AMOS

NOAH HUGHES

DALLAS DICKINSON

MORGAN GRAY

CHAD QUEEN

DIONNE HUBBARD



Head of Studio

Creative Director

Franchise GM

Project Director

COO

Head of People Experience

30+ years experience

28+ years experience

22+ years experience

25+ years experience

22+ years experience

13+ years experience

11 years at CD

26 years at CD

3+ years at CD

15 years at CD

3 years at CD

4 years at CD

LEGACY OF KAIN
—DEFIANCE—

TOMB RAIDER

RISE OF THE
TOMB RAIDER™

TOMB RAIDER

Storied, Globally Renowned Franchise With Leading Action-RPG Titles

1996

Franchise
Founded

88M¹

Lifetime AAA
Units Sold

38M

Of Those From
Reboot Trilogy²

53M+

Paid Mobile
Downloads³

81%

 Average⁴

4.6

 Average
Rating⁴

Tomb Raider:
Legend



2006

Tomb Raider:
Anniversary



2007

Tomb Raider:
Underworld



2008

Tomb Raider



2013

Rise of the
Tomb Raider

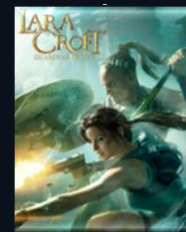


2015

Shadow of the
Tomb Raider



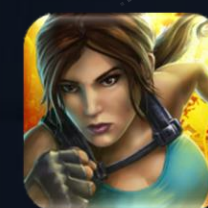
2018



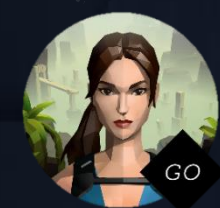
Lara Croft and the
Guardian of Light



Lara Croft and the
Temple of Osiris



Lara Croft:
Relic Run
(Free-to-Play)



Lara Croft: GO
(Premium Paid)

¹Total Tomb Raider units sold since 1996. ²Reboot Trilogy defined as Tomb Raider (2013), Rise of the Tomb Raider, and Shadow of the Tomb Raider. ³As of Dec-2021. ⁴Metacritic and Apple App Store as of Jan-2022



CRAFTING EMOTIONS

Founded 2007, acquired as part of Eidos by Square Enix Holdings in 2009

Memorable AAA experiences focused on unique stories and strong characters in the action-adventure & RPG genres



Montréal¹
442 employees

Sherbrooke
34 employees

Shanghai
5 employees

- Completely autonomous studio
- 4 core creative teams
- Partner with universities on research projects in a co-dev capacity

Accessibility	Developer Tech / QA	AI / Machine Learning
Analytics	External Development	Online Infrastructure
Cinematics	User Research	Multi-Node Game Engine



EDGE
Studio of the Year 2011

DAVID ANFOSSI

Head of Studio (Montréal)
26 years experience
15 years at EM

ANDREANE MEUNIER

CTO
23 years experience
1 year at EM

JULIEN BOUVRAIS

Head of Studio (Sherbrooke)
24 years experience
14 years at EM

RODNEY LELU

Marketing Director
19 years experience
15 years at EM

PATRICE BAIG

Finance Director
19 years experience
5 years at EM



¹Eidos Montréal employee count excludes QA and IT personnel.

DEUS EX

Critically Acclaimed Open-Ended Action-RPG Franchise Set in a Cyberpunk Dystopian Future

Narrative-driven philosophy

*Play-your-own-way sandbox
in dense hubs*

*Accessible, empowering
gameplay centered on
uncovering of vast global
conspiracies*

*Choice and consequence at
the core of the franchise*

*Unique art touch that is not
afraid to break expectations*

2000

Franchise
Founded

12M+

Lifetime AAA
Units Sold¹

2M

Paid Mobile
Downloads²

83%

 Average³

4.4

 Average Rating³



Deus Ex:
Human Revolution



Deus Ex:
Human Revolution
Directors Cut



Deus Ex:
Mankind Divided

2011

2013

2016



Deus Ex:
The Fall
(Premium-Paid)



Deus Ex: GO
(Premium-Paid)

¹ Lifetime units for Human Revolution, Mankind Divided and Directors Cut. ² As of Dec-2021. ³ Metacritic and Apple App Store as of Jan-2022



SQUARE ENIX

To empower our collective and individual creativity to imagine, craft, and operate memorable mobile games that players will want to return to for years!

Founded in 2011



Montréal
144 employees

London
16 employees



LARA CROFT GO
Apple Design Award

- Entrepreneurship
- Inclusion
- Player-Centric
- Innovation
- Collaboration

PATRICK NAUD



Head of Studio

24+ years experience

10 years at SEM

MATHIEU PIAU



Marketing Director

23+ years experience

6 years at SEM

NATHALIE GAUTHIER



Executive Producer

20+ years experience

4 years at SEM

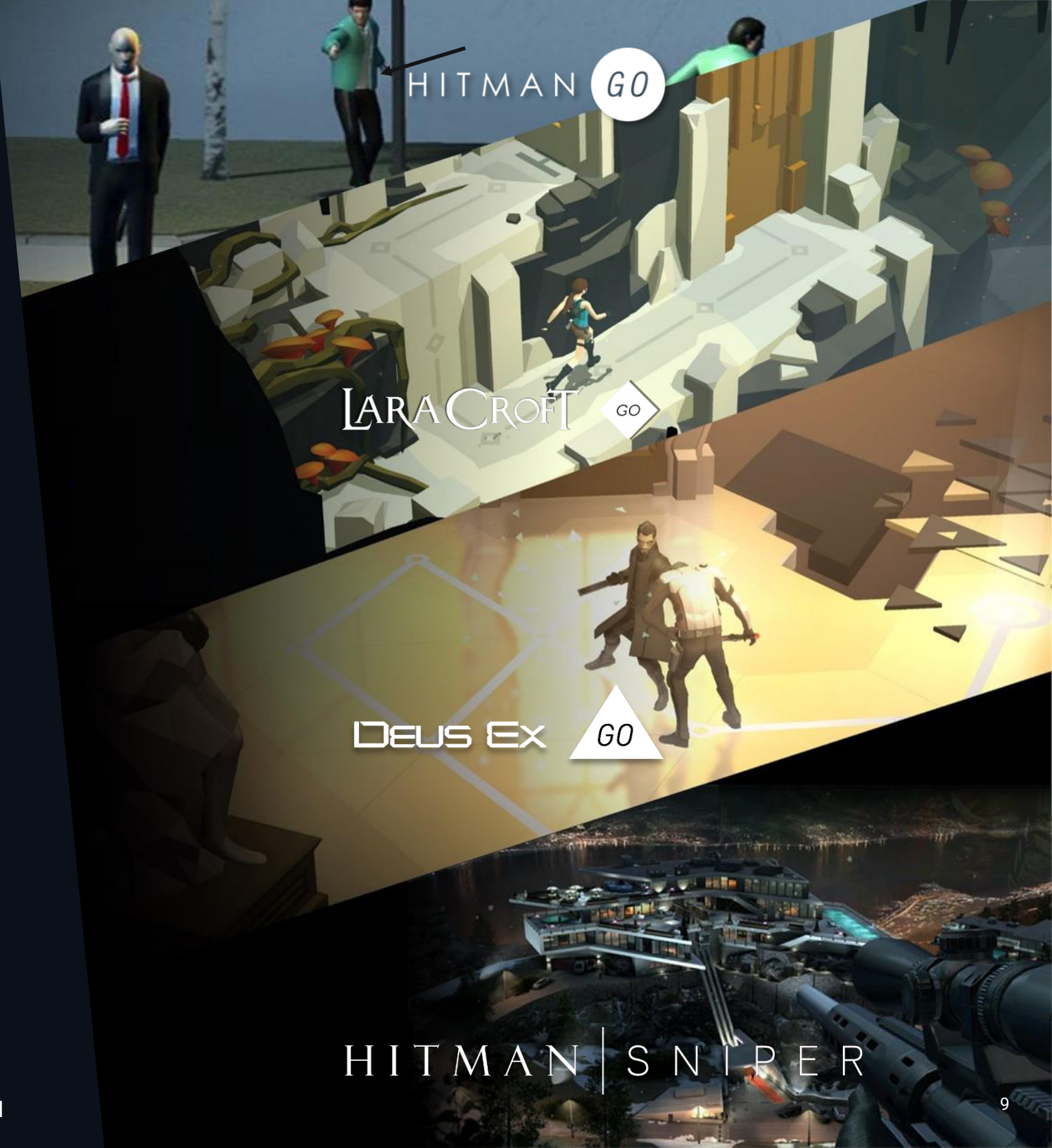
IVAN FERNANDEZ



CTO

17+ years experience

3 years at SEM

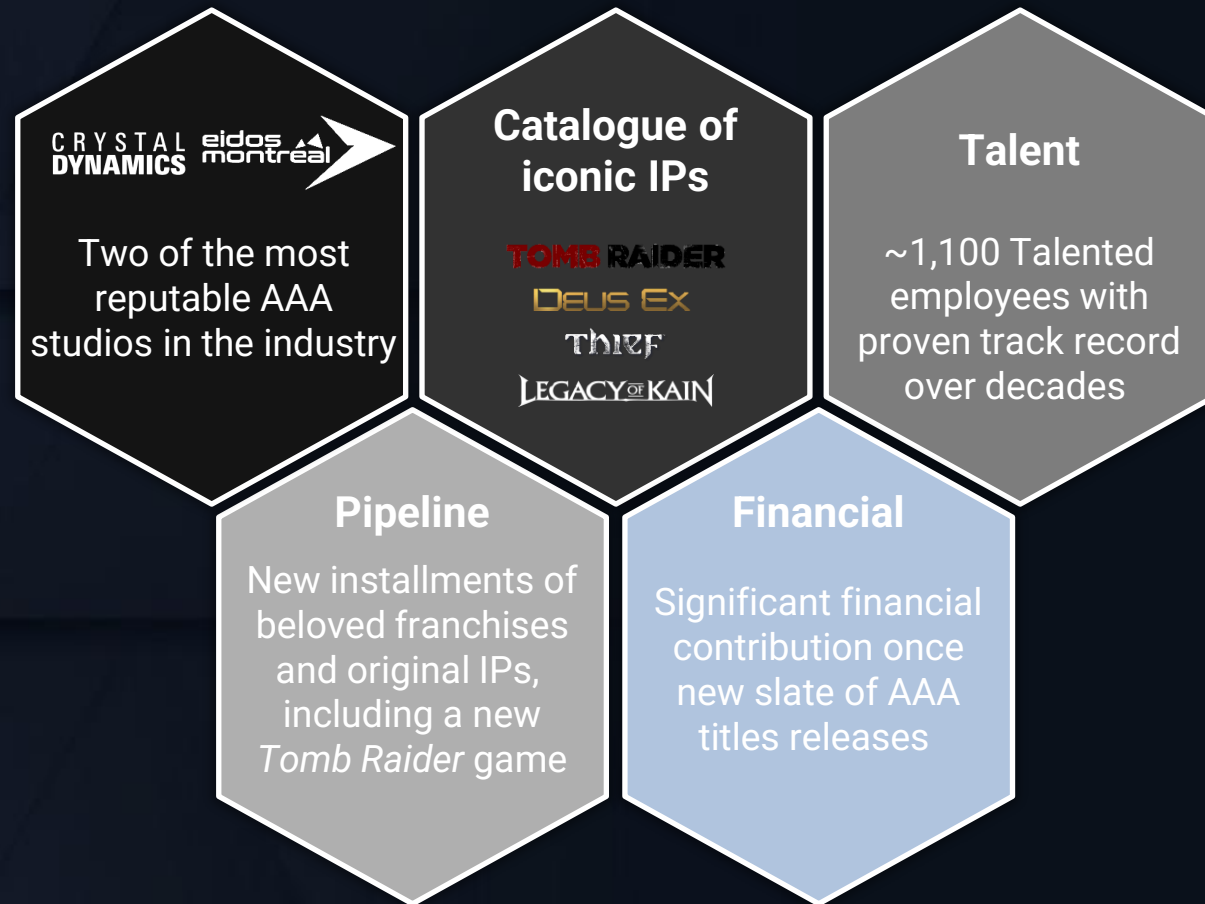


Transaction Overview

- The total purchase price amounts to USD \$300 million on a cash and debt free basis, to be paid in full at closing
- Acquisition includes development studios Crystal Dynamics (HQ: San Mateo, CA, US); Eidos Montréal (Montréal, CA); and Square Enix Montréal (Montréal, CA).
 - In total, represents ~1,100 employees across 3 studios and 8 global locations
- Acquisition includes catalogue of iconic IPs including *Tomb Raider*, *Deus Ex*, *Thief*, *Legacy of Kain* and others
- More than 50 back-catalogue games
- The transaction is subject to various regulatory and other external approvals and expected to close during the second quarter of Embracer's financial year (July-September 2022)

Strategic Acquisition Rationale

Standalone Drivers



Embracer Drivers

Our intention is to invest in the acquired studios and IPs. We believe there is a tremendous opportunity to build on the success in AAA game development as part of the Embracer Group

Organically grow the studios to maximize the commercial opportunities

- Rich portfolio of IP beloved by fans
- Embracer operating model and ownership
- Platform and other partnership opportunities

Synergies across our ecosystem

- Transmedia opportunities
- Benefits of scale in AAA segment
- Development resource and IP leverage

Embracer Group Post Transaction

14,000+ employees, 10,000+ engaged game developers & 124 internal studios

US will be our #1 country by number of game developers and Canada will be #2

Pipeline of 230+ games with more than 30 AAA titles

Financial Outlook For The Acquired Companies

Financial Plan

- Embracer has conducted extensive commercial due diligence both with external and internal teams to fully understand the acquired businesses
- Strong back-catalogue of over 50 games and exciting AAA pipeline of games
- We firmly believe that the studios will excel under Embracer's operating model

Near Term Outlook

- Base case implies that the combined acquired companies will be breakeven or have a smaller Operational EBIT contribution to the upcoming two financial years
- Financial performance driven mainly by sales of the back-catalogue titles
- This could change positively if the company decides to enter deeper strategic relationship with one or more platforms

Long Term Outlook

- When the AAA product pipeline matures in the years thereafter, Embracer expects the acquired companies to generate on average at least SEK 500 million in operational EBIT per year with notable upside potential
- Further details around financials will be communicated at a later stage post-closing

Financing and Current Trading Update

- Embracer has secured additional long-term debt funding commitments of SEK 4.0 billion and extended one existing loan of SEK 6.0 billion with our Nordic relationship banks Nordea, SEB, and Swedbank
- The additional bank funding commitment will finance our current M&A pipeline, including today's transaction
- With the inclusion of the new facility, we estimate to have more than SEK 10.0 billion in available cash and credit facilities by today's date
- We estimate current average net interest cost across the group is expected to be approximately 1.0% including the new facility
- Under the new terms, Embracer does not hold any short-term debt on the balance sheet. We do not have any debt that expires before 30 June 2023
- Embracer expects strong growth in free cash flow during FY22/23 and the years beyond. We remain committed to delivering on our financial leverage target. If net debt temporarily exceeds 1.0x net debt to operational EBIT on a forward 12 months basis, our intent is to return to below 1.0x net debt to operational EBIT over the medium term
- Current trading: The company today reiterates its current forecast of operational EBIT for FY21/22, FY22/23, and FY23/24.

Q&A

EMBRACER⁺
GROUP