

**Q1**

FY 2023/24

**EMBRACER GROUP  
INTERIM REPORT**

APRIL – JUNE 2023

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# Interim Report Q1 FY 2023/24



Dead Island 2 and Remnant II performance jumpstart FY 2023/24



The restructuring program is on track

Exciting pipeline looking ahead for FY 2023/24...



**Net Sales Group** YOY GROWTH  
**SEK 10,450m** **47%**

GROUP ORGANIC GROWTH GROUP PRO FORMA GROWTH  
**20%** **17%**

**Adjusted EBIT** YOY GROWTH  
**SEK 1,673m** **27%**

**Adjusted EPS** AFTER FULL DILUTION  
**SEK 1.23** **(1.18)**

**Adjusted EBIT forecast**  
**SEK 7,000m – 9,000m** FY 2023/24  
 (REITERATED)

**+ a strong slate of other notable releases**





# Operating segments

# Operative Groups by segment

## PC / CONSOLE GAMES

Internal Headcount: 10,469 | Internal Studios: 103



## MOBILE GAMES

Internal Headcount: 1,196 | Internal Studios: 11



## ENTERTAINMENT & SERVICES

Internal Headcount: 967 | Internal Studios: 3

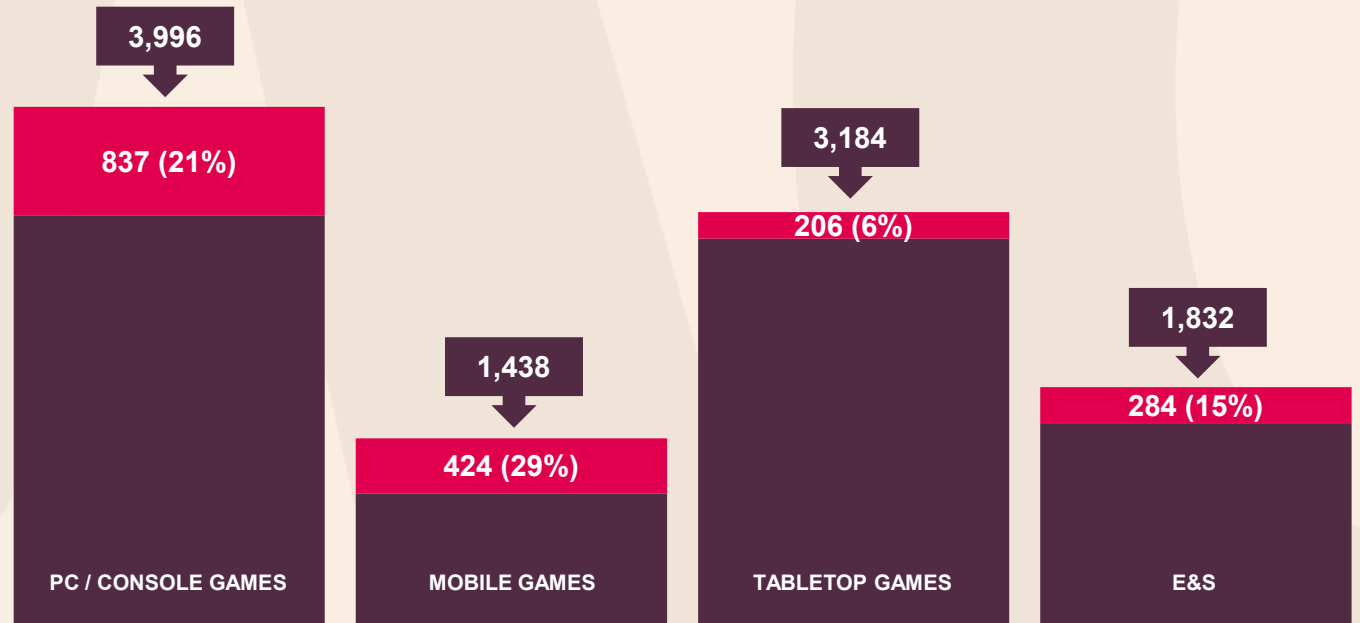


## TABLETOP GAMES

Internal Headcount: 2,579 | Internal Studios: 22



NET SALES AND ADJUSTED EBIT PER SEGMENT | Q1 FY 2023/34

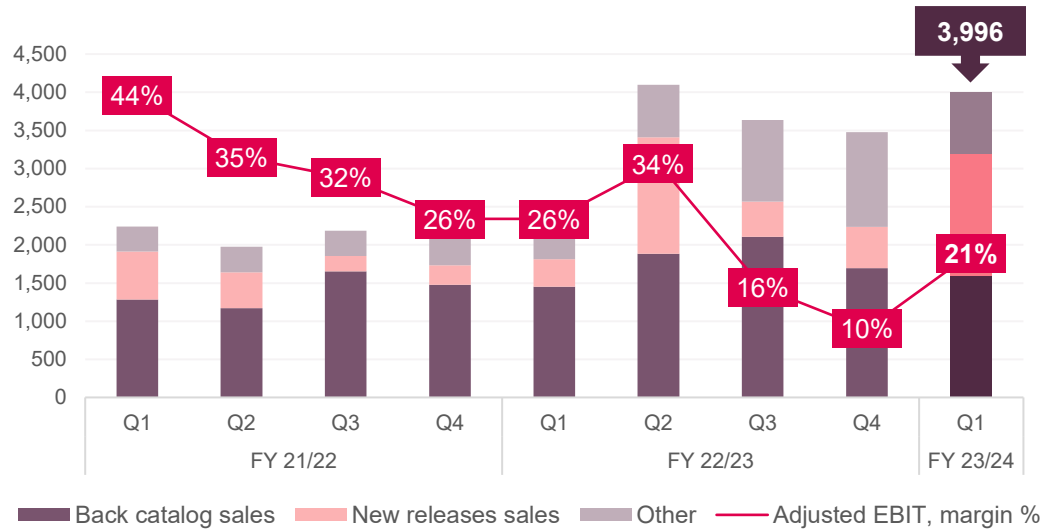


■ Net sales ■ Adjusted EBIT and Adjusted EBIT margin

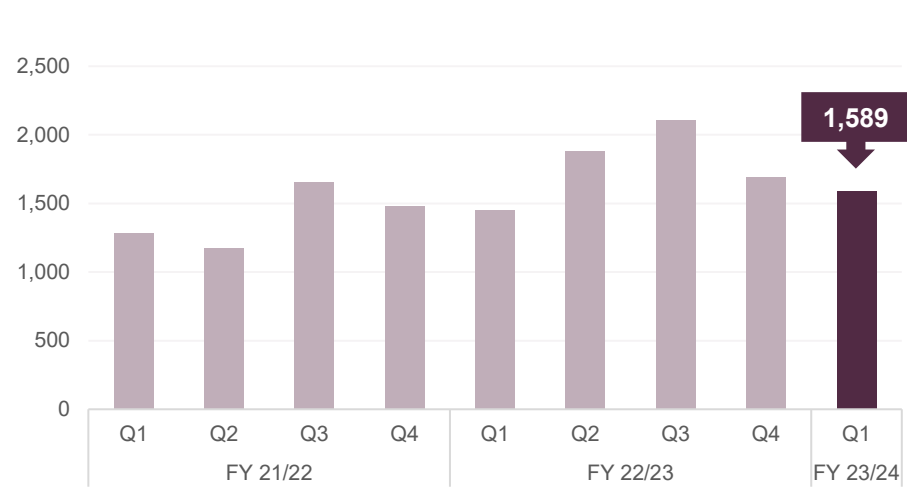


# PC/Console Games

NET SALES REVENUE SPLIT SEKm & ADJUSTED EBIT MARGIN



BACK CATALOG SALES SEKm



TOP 10 BACK CATALOG

- STAR TREK ONLINE
- DEEP ROCK GALACTIC
- BORDERLANDS 3
- NEVERWINTER
- Welcome to Bloxburg
- CHIVALRY II
- RISK OF RAIN 2
- SNOW RUNNER
- VALHEIM
- MEIRO EXODUS

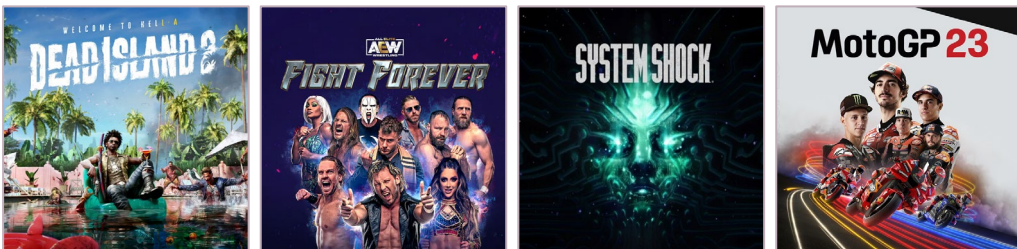
ORGANIC GROWTH

**38%**

PRO FORMA GROWTH

**20%**

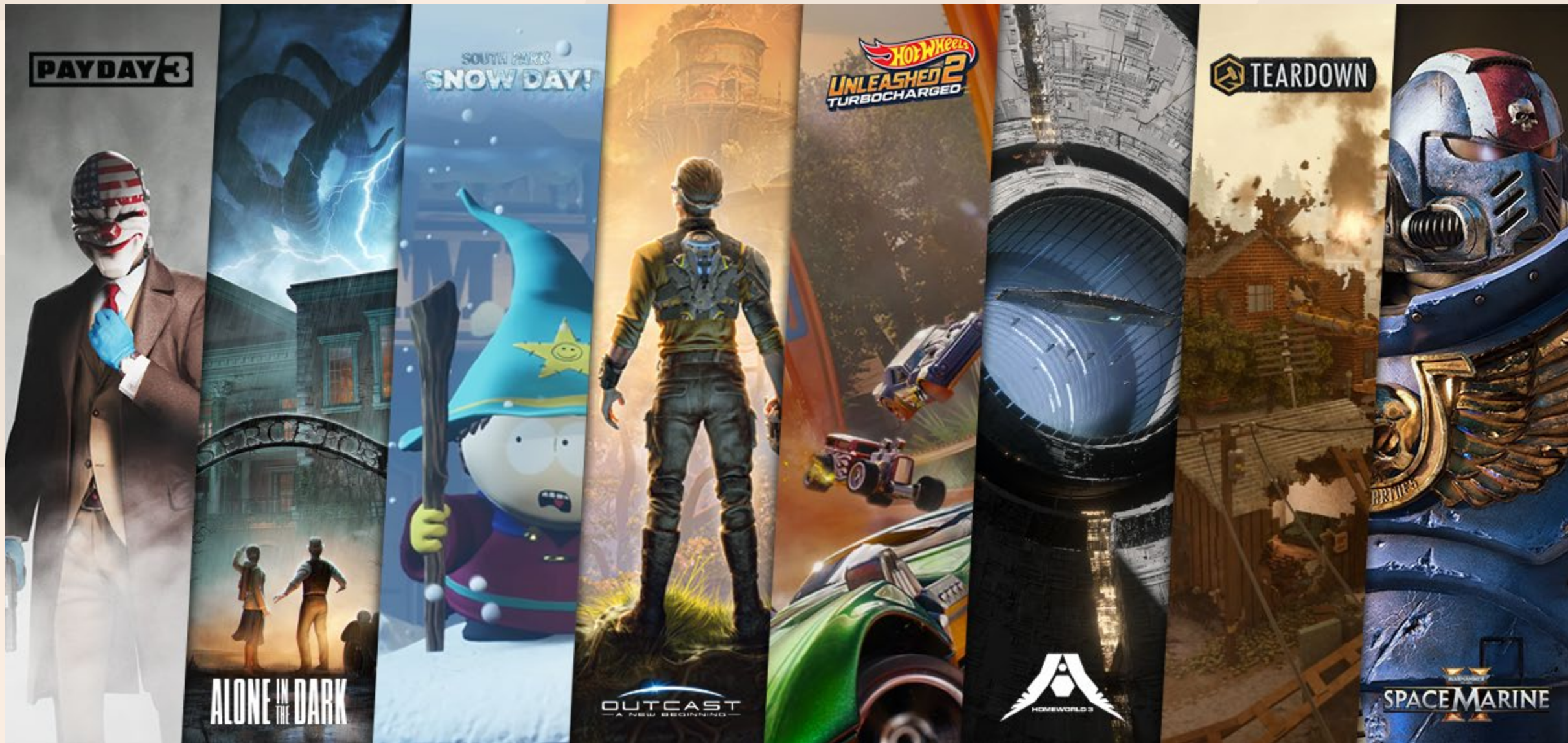
NEW RELEASES







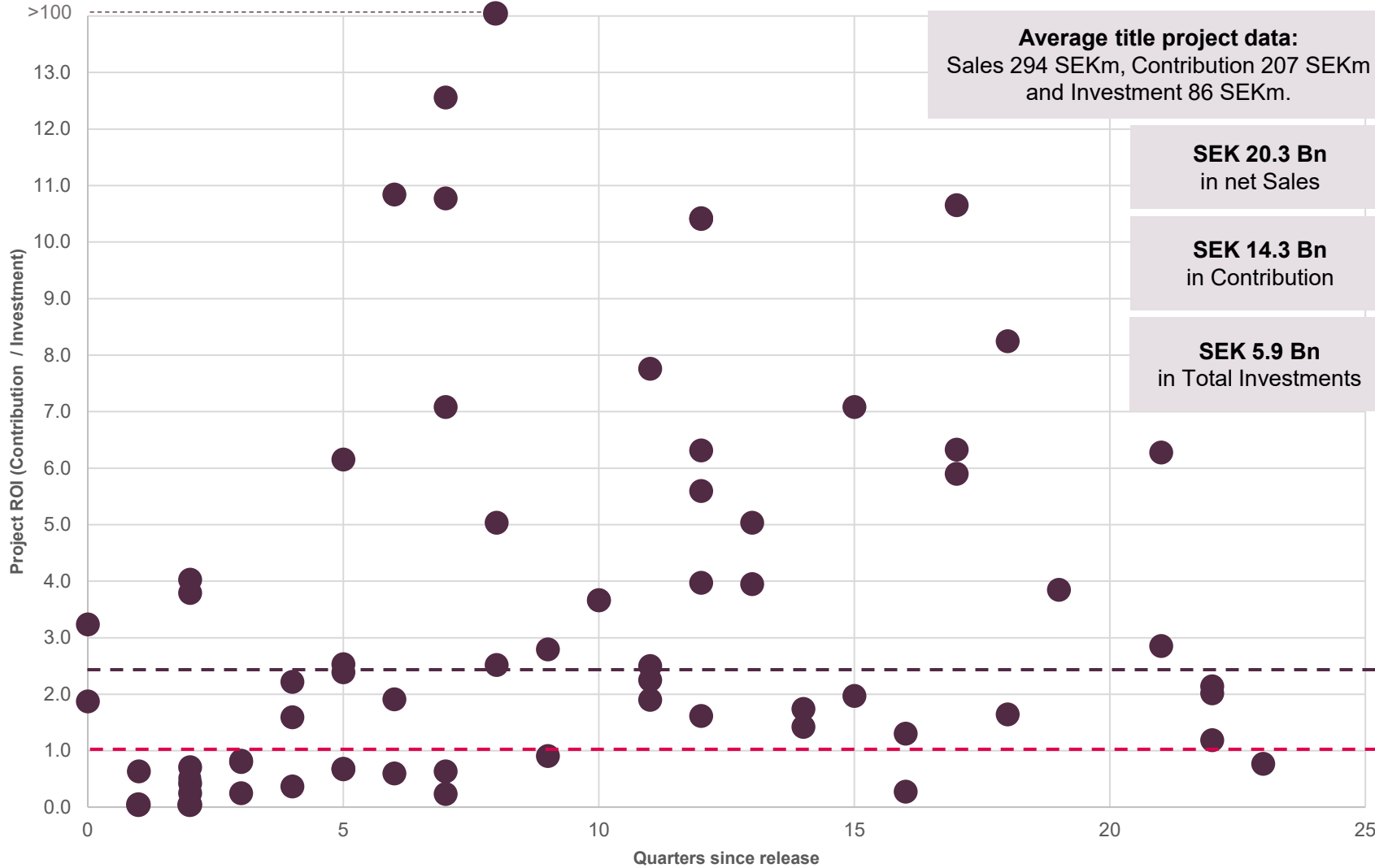
# Exciting pipeline ahead for FY 2023/24





# PC/Console Games

## PROJECT ROI (CONTRIBUTION/INVESTMENT)



## DETAILS

- Based on reported numbers until 30 June 2023
- Sample includes projects with sales above 40 SEKm or investment above 40 SEKm (69 projects)
- ROI = Contribution / Investment
- Contribution = Gross Profit less marketing expenses from release to 30 June 2023.
- Investment = Capitalized Development Expenses including follow-on investment.

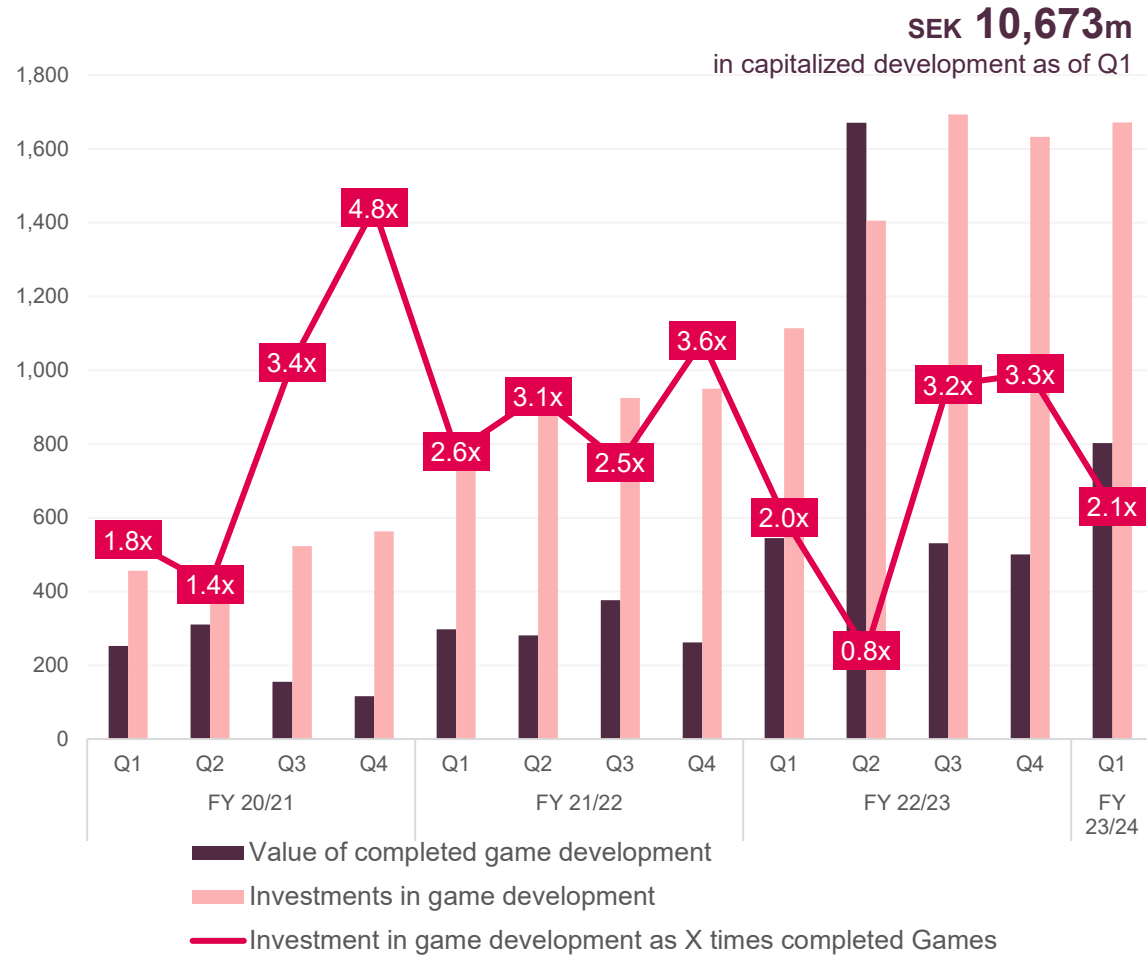
2.41x in average

1.0x in break even

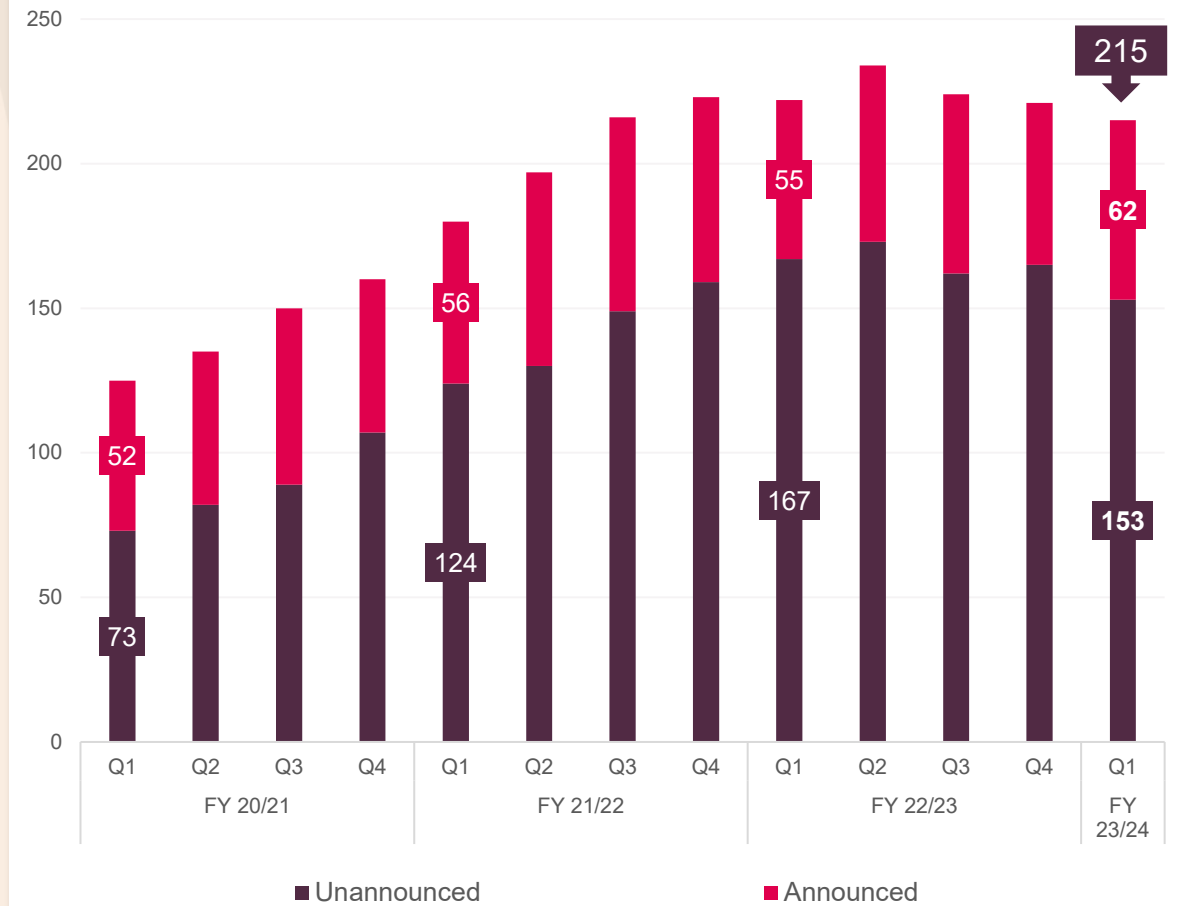




## INVESTMENTS AND COMPLETED GAME DEVELOPMENT

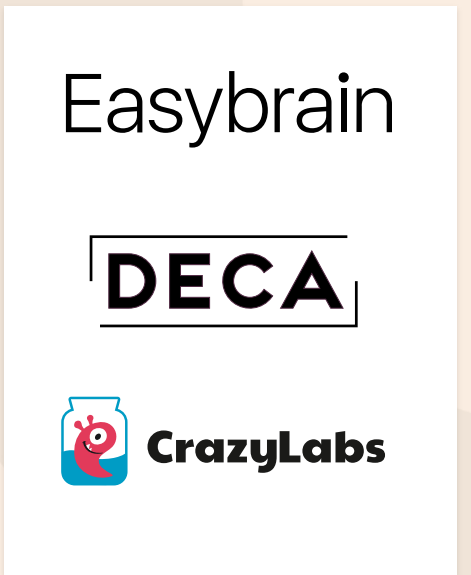
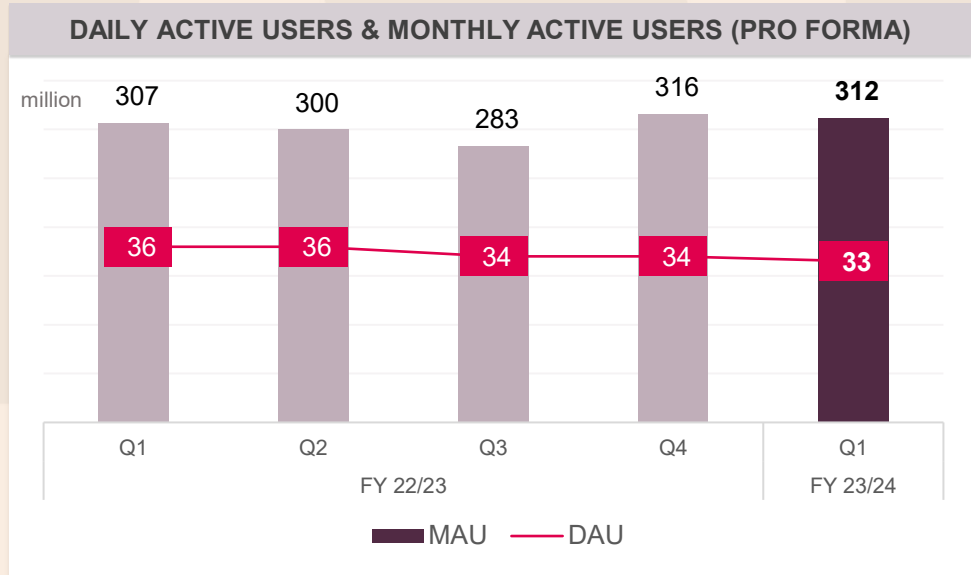
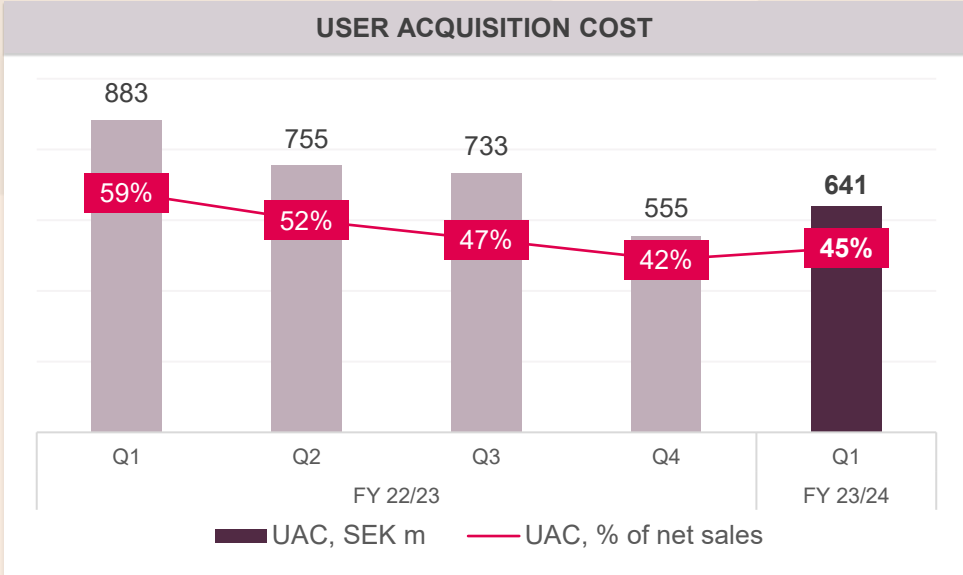
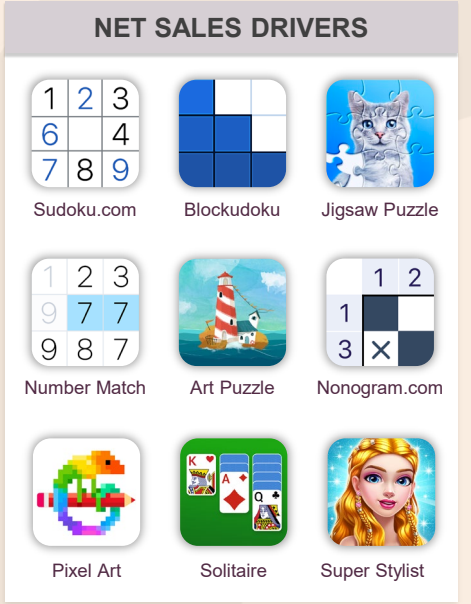
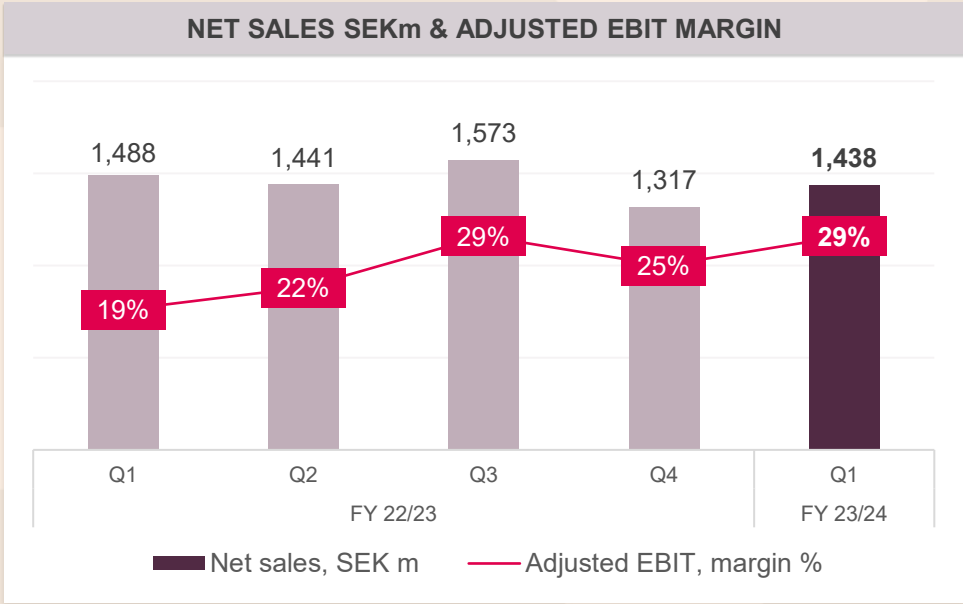


## PROJECT PIPELINE #





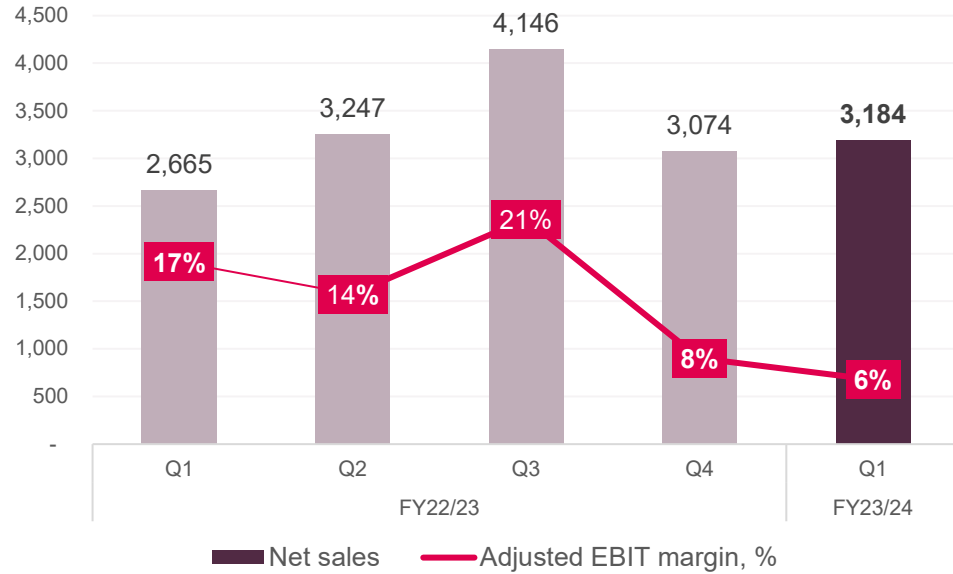
# Mobile Games





# Tabletop Games

## NET SALES SEKm & ADJUSTED EBIT MARGIN



## STRONG PIPELINE



## 3 PRESTIGIOUS INDUSTRY AWARDS



## ORGANIC GROWTH

9%

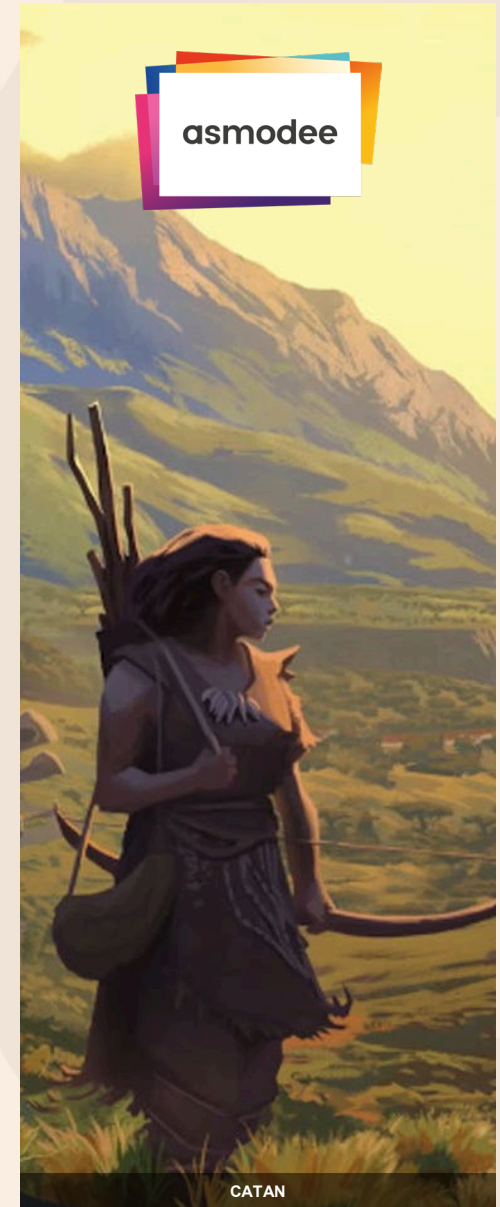
## PRO FORMA GROWTH

7%

## NEW RELEASES



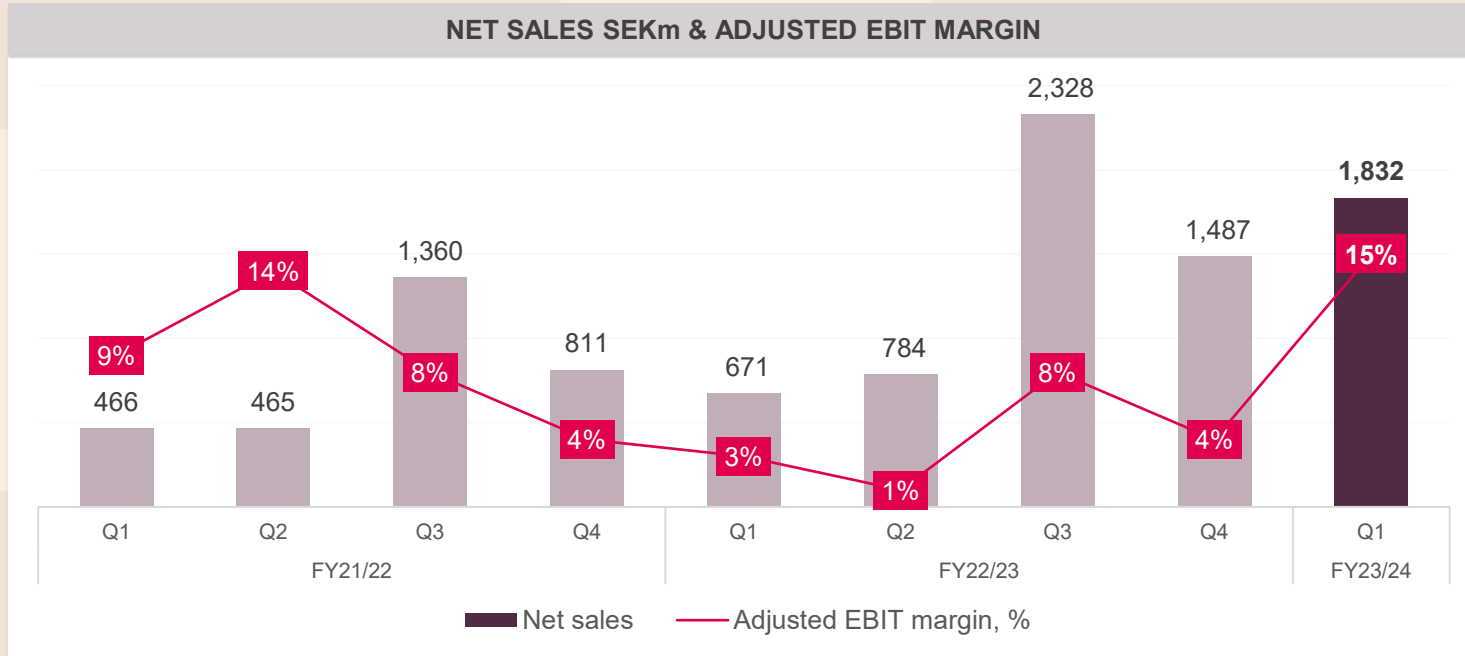
Legend of the Five Rings



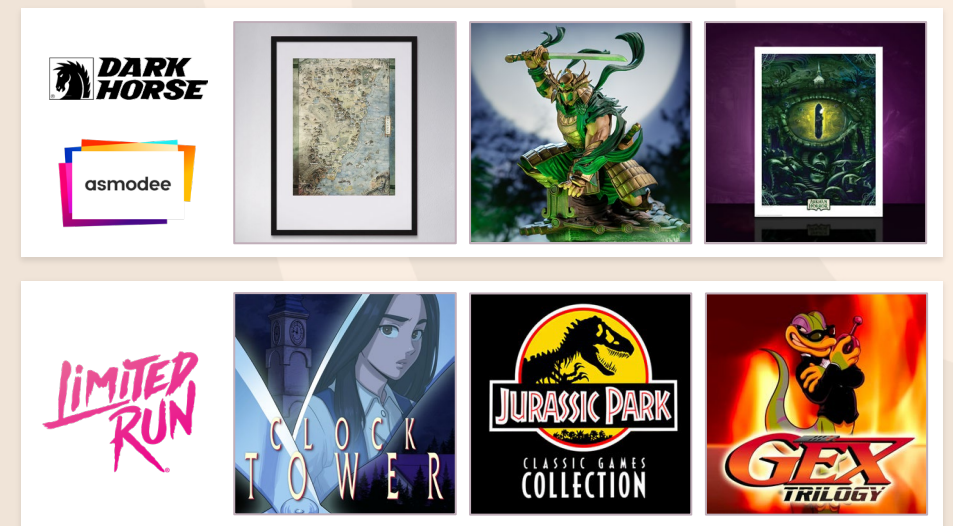




# Entertainment & Services



<p>ORGANIC GROWTH</p> <p><b>70%</b></p>	<p>PRO FORMA GROWTH</p> <p><b>83%</b></p>
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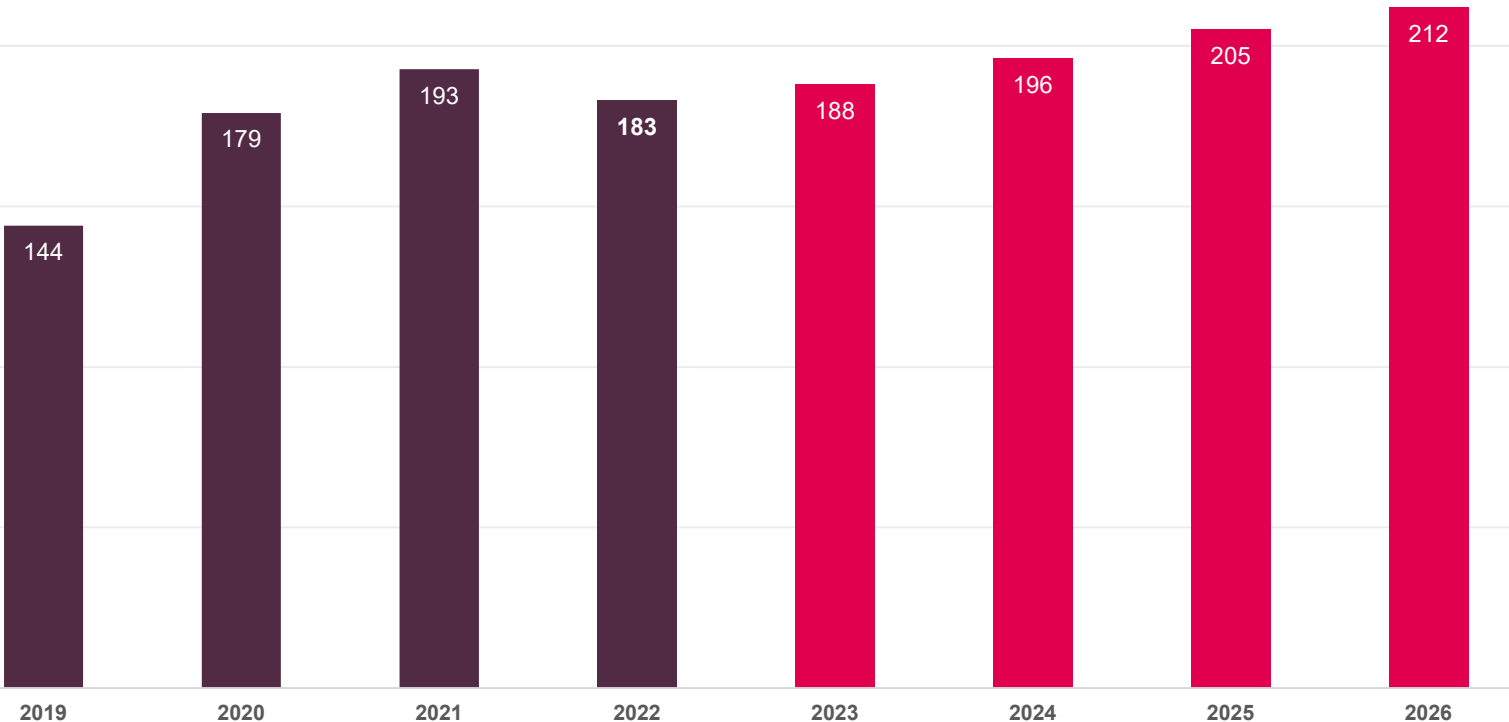
Source: as of June 30, 2023

# Market update

GLOBAL VIDEO GAMES MARKET REVENUE FORECAST

USD billion

Forecast



2019-26 CAGR 6%

Source: Newzoo

GLOBAL MARKET

**PC \***  
expected to grow by  
**+0.5%**  
in 2023

**Console \***  
expected to grow by  
**+7%**  
in 2023

**Mobile \***  
expected to grow by  
**+0.8%**  
in 2023

**Tabletop \*\***  
down in Q1 by  
**-1.3%**  
YoY

The **European Tabletop market** grew across all key product areas



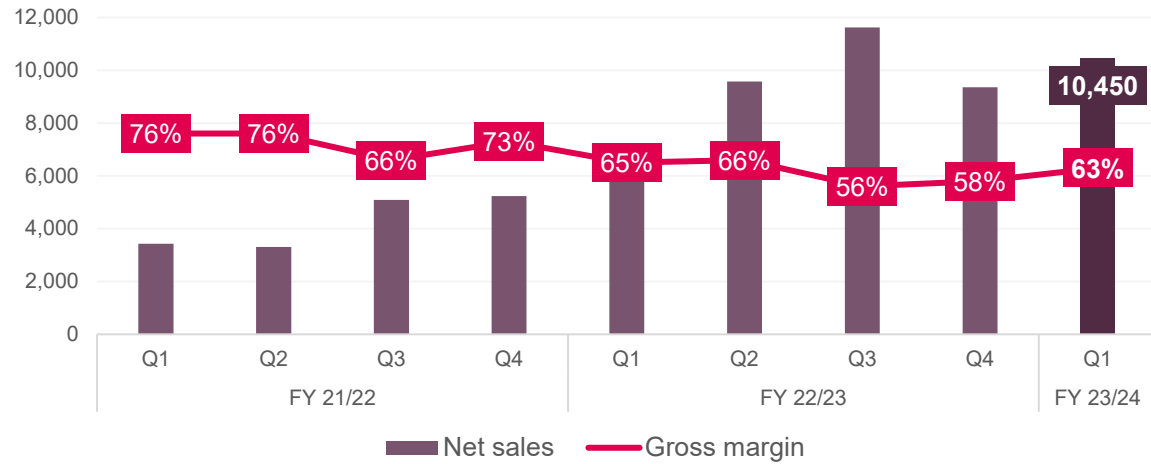
# Financial Performance

A dark, atmospheric scene featuring a glowing green, multi-limbed creature with a crown of thorns in a dilapidated, dark environment. The text "Financial Performance" is overlaid in white.

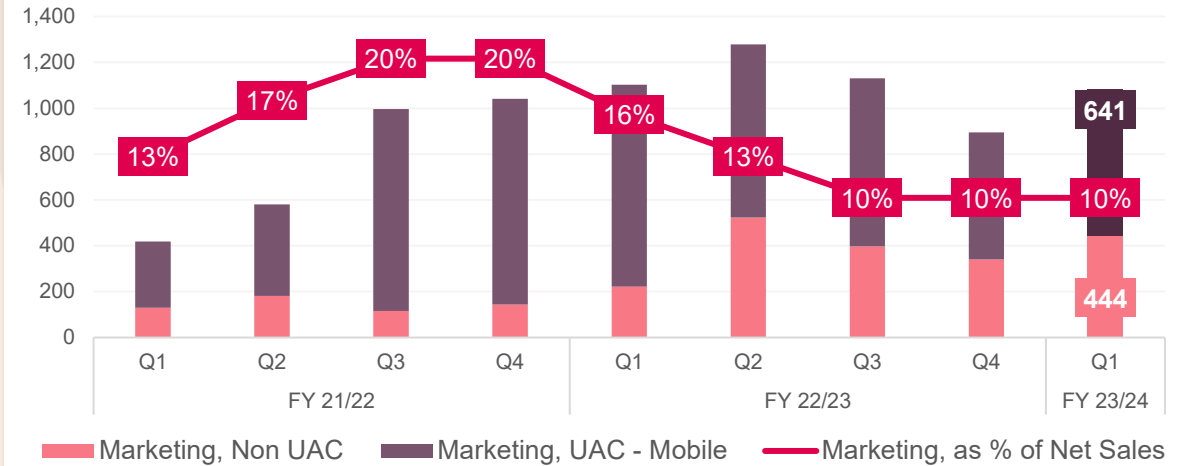


# Financial development

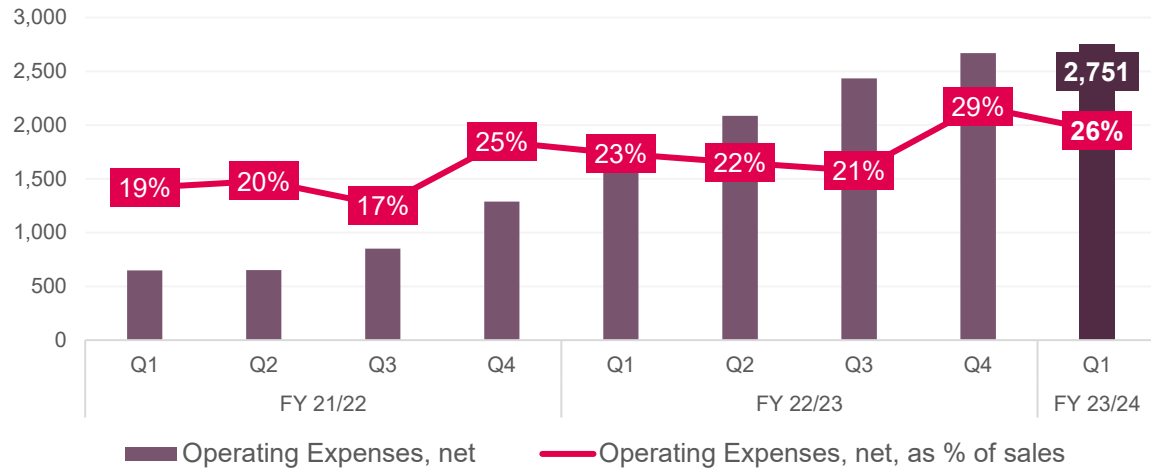
**GROSS MARGIN DEVELOPMENT SEKm**



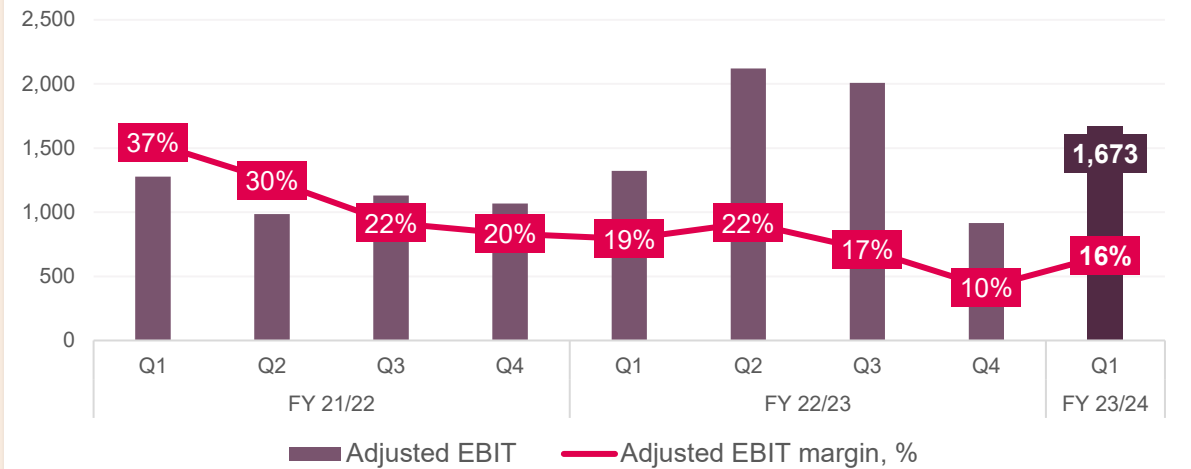
**DEVELOPMENT OF MARKETING COSTS SEKm**



**DEVELOPMENT OF OPERATING EXPENSES, NET SEKm**



**ADJUSTED EBIT SEKm**



# Cash flow and net debt

SEKm	FY23/24 Q1	FY22/23 Q1	TTM Q1
<b>Adjusted EBITDA</b>	<b>2,697</b>	<b>1,867</b>	<b>10,696</b>
Cash Tax	-229	-180	-951
Other items	-319	91	-698
<b>Operating Cash flow</b>	<b>2,149</b>	<b>1,778</b>	<b>9,047</b>
Net investment in intangible assets	-1,911	-1,204	-6,703
Net investment in tangible assets	-103	-76	-524
Net investment in financial assets	-223	-32	-252
<b>Net Investment</b>	<b>-2,237</b>	<b>-1,312</b>	<b>-7,479</b>
<b>Free Cash Flow before WC</b>	<b>-88</b>	<b>466</b>	<b>1,568</b>
Change in working capital	-511	-1,260	-1,413
<b>Free Cash Flow after WC</b>	<b>-599</b>	<b>-794</b>	<b>155</b>
Cash Flow from financing activities	120	5,860	2,760
Net investment in acquired companies	-392	-1,014	-9,444
<b>Cash Flow for the period</b>	<b>-871</b>	<b>4,052</b>	<b>-6,529</b>

SEKm	June 30, 2023	June 30, 2022	March 31, 2023
Cash	3,952	10,227	4,662
Current investments	17	1,533	18
Current liabilities to credit institutions	-17,962	-13,865	-683
Current account credit facilities	-88	-208	-17
Non-current liabilities to credit institutions	-2,671	-9,172	-19,560
<b>Net Debt (-) / Net Cash (+)</b>	<b>-16,752</b>	<b>-11,486</b>	<b>-15,581</b>

# Adjusted EBIT forecast reiterated

## FORECAST

Financial Year 23/24

## ADJUSTED EBIT

SEK 7,000 – 9,000 million

- Based on the performance year-to-date, we have increased confidence in our forecast range.
- In the PC/Console Games segment, a solid earnings growth is expected, driven by the release of more large- and mid-sized, internally developed games during the financial year. Adjusted EBIT within the PC/Console Games segment weighted towards H2, driven by improved ROI for releases in H1 and a strong lineup of new releases in H2.
- In the Mobile Games segment, a low single-digit organic growth is expected, with gradually stronger growth during the financial year. The Adjusted EBIT margin is expected to be largely in line or slightly above FY 2022/23.
- In the Tabletop Games segment, high-single-digit organic growth is expected, driven by the trading cards product area, with an Adjusted EBIT margin slightly below FY 2022/23. Earnings seasonality is expected to be more pronounced, driven by cost phasing, timing of new releases and product mix.



The background is a dark, atmospheric scene. In the center, there is a glowing purple magical diagram or runic circle with various symbols and lines radiating from it. The scene is dimly lit, with a warm orange glow from a fire or light source in the distance. Two figures are visible in the distance, standing near the light source. The overall mood is mysterious and arcane.

# **Q1 update on the restructuring program**

# Today's speaker



**MÜGE BOUILLON**

FINANCE WORKSTREAM LEAD, EMBRACER GROUP &  
CFO, ASMDEE

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



# Reminder of the objectives

**Increased cash conversion, improved efficiency and reduced capex targeting :**

**At least  
SEK 2.9bn annual  
capex savings**

*Compared to Q4 FY 22/23 run-rate*

**At least  
SEK 0.8bn annual  
overhead savings**

*Compared to Q4 FY 22/23 run-rate*

**Net debt below SEK  
8.0bn by end of FY  
23/24**

*Including impact of SEK 2.0bn direct  
share issue completed in July 2023*

Measures to be implemented over FY 23/24 reaching full financial run rate impact in FY 24/25.

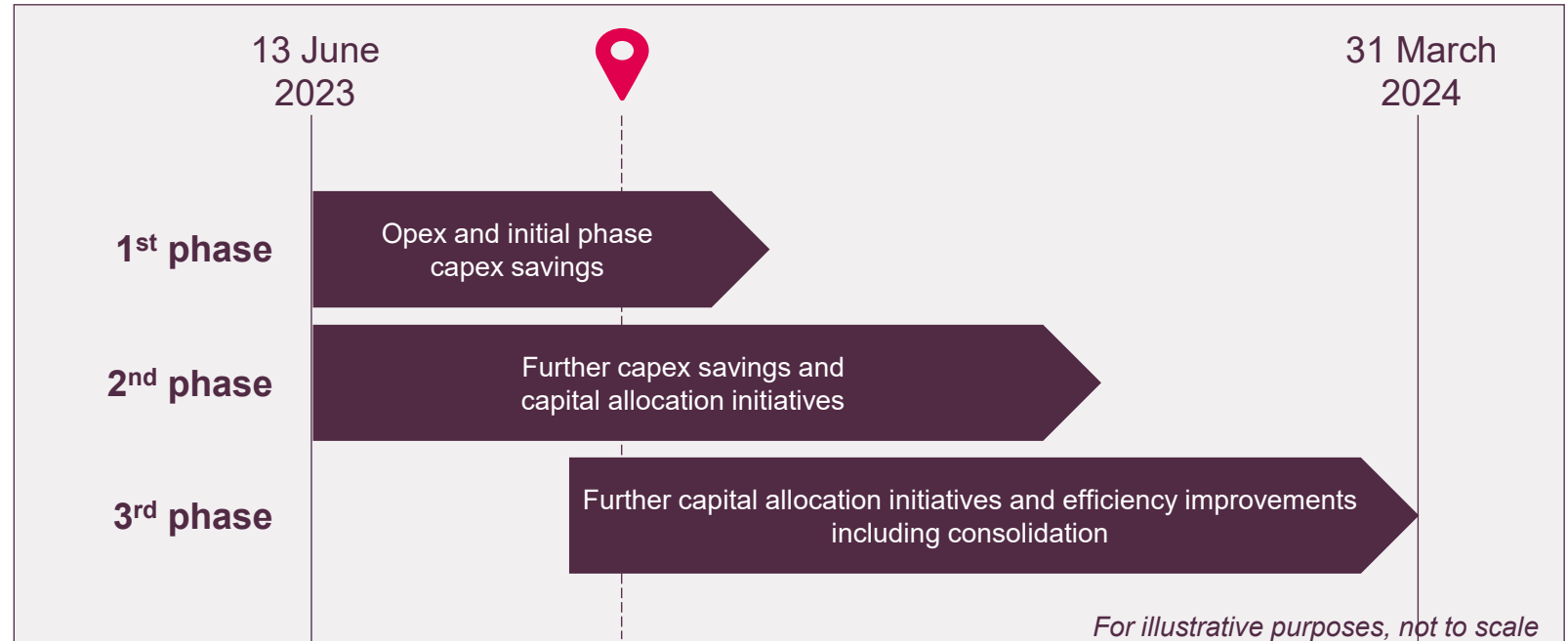
# Program focus areas and phases

## Main Focus Areas being addressed in phases

Capex and Opex savings

Capital allocation

Efficiency improvements



Clearly defined structure in place under leadership of Executive Management with the engagement and commitment of Senior Management from across the Group



# Where we are today

## Good progress being made and tracking towards the targets

### Capex and Opex savings

- First round review of **Capital Expenditure** completed - initial initiatives to reduce number of projects and studios have commenced
- Review of **Overheads** completed – overhead savings initiatives identified within the range of targets communicated

### Capital allocation

- Global review of the existing pipeline in progress
- New group-wide investment greenlighting process designed and being rolled out
- Increased external funding of internally developed games and potential divestment opportunities being worked on as a matter of high priority

### Efficiency improvements

- Important steps taken to create a new process for game investment and game development progress review.

# A FEW FINAL REMARKS



An aerial, wide-angle photograph of a large stadium under construction at night. The stadium's circular structure is visible, with the interior seating bowl and the surrounding tiers of seating areas. The central field area is illuminated with blue lights, and several construction cranes and structures are visible within the stadium. The overall scene is dark, with the stadium's lights providing the primary illumination.

**Q&A**

**Until ~10:00 CEST**



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