

Press Release
Karlstad, Sweden, 22 April 2024

Embracer Group announces its intention to transform into three standalone publicly listed entities at Nasdaq Stockholm

INSIDE INFORMATION: The Board of Directors of Embracer Group AB (“Embracer Group”) today announces a transformative step for value creation through a separation of the group into three market-leading games and entertainment companies: Asmodee Group, “Coffee Stain & Friends”[1] and “Middle-earth Enterprises & Friends”[1]. The three entities will be separate, publicly listed companies, enabling each entity to better focus on their respective core strategies and offer more differentiated and distinct equity stories for existing and new shareholders. This will enable the entities to unlock value in the high-quality assets of Embracer Group following the successful completion of the restructuring program.

Key process components:

- Shares of Asmodee Group (“Asmodee”) and “Coffee Stain & Friends” are intended to be distributed as a dividend to the shareholders of Embracer Group and listed on Nasdaq Stockholm, in accordance with the Lex ASEA rules. “Middle-earth Enterprises & Friends” is intended to remain within the current listed company Embracer Group, which will subsequently be renamed.
- The listing and distribution of shares (the “distribution” or “spinoff”) in Asmodee is expected to take place within 12 months and the listing and distribution of shares in “Coffee Stain & Friends” during calendar year 2025.
- As part of the Asmodee separation process, Embracer Group has, through Asmodee Group, entered into a new financing agreement amounting to EUR 900 million. The proceeds from the financing are used to repay existing debt and reduce leverage in the remaining Embracer Group. As announced today and further detailed in a separate press release available at embracer.com/investors.
- As part of the transformation and ahead of each separation the full capital structure, including both equity and debt, will be reviewed in Asmodee and “Coffee Stain & Friends” to create the best possible long-term foundation for each entity as a separately listed company.

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- The largest shareholder, Lars Wingefors AB, intends to form a new long-term ownership structure, including the current holdings in Embracer Group (approximately 20% of capital and 40% of votes), and will remain a long-term, active, committed and supportive owner of all three entities.
- Shareholders representing more than 50 percent of the capital and votes in Embracer Group have expressed support for the transformation plan.

The three separate publicly listed entities are expected to consist of:

- **Asmodee**, a global leading tabletop games publisher and distributor with an extensive studio network and IP catalogue.
 - Net Sales of SEK 14.8 billion and Adjusted EBIT of SEK 1.9 billion on a pro forma basis as per LTM[2] December 2023
- **“Coffee Stain & Friends”**, a diverse gaming entity with a dual focus on indie and A /AA premium and free-to-play games for PC/console and mobile, with a high degree of recurring revenues.
 - Net Sales of SEK 10.9 billion, Adjusted EBIT of SEK 2.8 billion on a pro forma basis as per LTM December 2023.
- **“Middle-earth Enterprises & Friends”**, a creative powerhouse in AAA game development and publishing for PC and console, as well as the stewards of The Lord of the Rings and Tomb Raider intellectual properties, among many others.
 - Net Sales SEK of 14.1 billion, Adjusted EBIT SEK 2.0 billion on a pro forma basis as per LTM December 2023.

“The Board of Directors, together with executive management, propose to transform Embracer Group into three separate, listed companies. This transformation is an important step in unlocking shareholder value. With this new structure, the three entities will be able to focus on executing their core strategies and leveraging their own strengths, providing more differentiated and distinct equity stories to both existing and new shareholders. After careful evaluation of various strategic alternatives, we strongly believe that this decision will benefit all stakeholders and position us for continued success in the future”, says Kicki Wallje-Lund, Chair of the Board of Embracer Group.

“This move has been made with the intention to unleash the full potential of each team and provide them with their own leadership and strategic direction. This is the start of a new chapter, a chapter that I intend to remain part of as an active, committed, and supportive shareholder of all three new entities, with an evergreen horizon. This move towards three

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independent companies reinforces Embracer's vision of backing entrepreneurs and creators with a long-term mindset, allowing them to continue to deliver unforgettable experiences for gamers and fans across the globe", says Lars Wingefors, co-founder and Group CEO of Embracer Group.

Background and strategic rationale

Since its inception, Embracer Group has grown into a global group of creative and entrepreneurial businesses in PC, console, mobile and other related media. This has been possible through the Group's decentralized operating model, where great entrepreneurs run operations as part of 11[3] operative groups– each with their own distinctive heritage, IPs, branding, business strategy, and operations. Embracer Group's strategy has been built around backing entrepreneurs and creators within gaming and entertainment with the ambition to achieve soft synergies from its expanded eco-system. The Group has an extensive catalog of over 9003 fully owned or controlled franchises, including some of the most popular and iconic titles in gaming, comics, and other media. The current structure and model have served the Group well and have been of paramount importance in building a global group with operations in more than 40 countries.

During the past years, the Group has made significant investments in acquisitions and into a strategy of accelerated organic growth. To further realize the untapped potential in Embracer Group and better optimize the use of its resources, Embracer Group announced a restructuring program in June 2023 divided into different phases lasting until March 2024. Focus of the program has been cost savings, capital allocation, efficiency and consolidation, while also divesting selected studios.

Following a careful and thorough review, it is the assessment of the Board of Directors that the current Group structure does not create optimal conditions for future value creation both for Embracer Group's shareholders and other stakeholders. To continue the transformation of Embracer Group into the future for the benefit of all employees, gamers and shareholders, the Board of Directors and the executive management have therefore decided to propose a separation of Embracer Group, creating three separate publicly listed entities: Asmodee, "Coffee Stain & Friends" and "Middle-earth Enterprises & Friends".

The Board of Directors have concluded the following:

- The entities will have sufficient scale, coupled with clearer operational strategies and financial profiles that enable simplified equity stories to attract a larger pool of investors. Current shareholders can freely decide on their capital allocation between the three entities.

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- Each entity will be able to fully utilize its own balance sheet, its own set of financial targets and optimal financing structure and capital allocation strategy that enable their growth ambitions.
- The new structure enables the best possible greenlighting models, portfolios and go-to-market strategies for indie games as well as AAA games through two separate, more focused entities.
- Ongoing and future collaboration around IPs, companies and people will still be enabled and encouraged across the entities on market terms.

Asmodee

Asmodee is a leading international publisher and distributor of board games, trading cards and digital board games with 23 fully owned studios and 300+ IPs and constitutes the Tabletop Games operating segment of Embracer Group. As per LTM December 2023, Asmodee generated net sales of SEK 14.8 billion, with Adjusted EBITDA of approximately SEK 2.3 billion, EBITDAC of approximately SEK 2.0 billion, Adjusted EBIT of approximately SEK 1.9 billion and free cash flow after working capital of approximately SEK 2.1 billion.

After FY24/25 Asmodee has an ambition to grow organically in line with the market, which translates into a mid-single digit organic growth in addition to any acquisitive growth. Asmodee's ambition is also to expand its margins from current levels as a result of an improved revenue mix and continued cost management while maintaining a high cash conversion.

The spinoff of Asmodee with a listing on Nasdaq Stockholm is expected to have value-enhancing benefits through greater focus on its core strategy, portfolio and markets. The ongoing transmedia collaboration around Middle-earth and many other IPs is expected to continue after the completion of the spinoff. As a global leader in board and trading card games, with a proven track-record of profitable growth, Asmodee is well-positioned to build on its strategy and continue to prosper as a standalone entity. The spinoff is also expected to enable Asmodee to quicker resume its value accretive M&A strategy.

23 in-house studios develop tabletop games for all types of players across Social, Tabletop and Lifestyle, including a steady addition of new content to key brands. The catalog of 300+ owned IPs include the beloved board games Ticket to Ride®, 7 Wonders, Azul, CATAN, Dobble, Exploding Kittens and an extensive number of distributed games and IPs. Asmodee is also developing a wide range of licensed tabletop games based on The Lord of the Rings, Marvel, Game of Thrones, Netflix, Lego® and *Star Wars*™, including the recent successful trading card game release of *Star Wars: Unlimited*.

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“Coffee Stain & Friends”

“Coffee Stain & Friends” is intended to consist of leading publishers and developers focused on a variety of games for PC, console and mobile, including community-driven free-to-play games, LiveOps games, and indie/AA games.

As a standalone company, “Coffee Stain & Friends” will be able to better showcase its high margin profile and strong cash flow profile coupled with an enhanced ability to resume and allocate resources towards opportunities to maximize the long-term value creation.

The entity will operate under two distinct segments: Premium and Free-to-play. Premium PC/console operations will include among other Coffee Stain, Ghost Ship, Tarsier, Tuxedo Labs, as well as THQ Nordic and Amplifier Game Invest. Intellectual properties include Deep Rock Galactic, Goat Simulator, Satisfactory, Wreckfest, Teardown, Valheim[4], as well as more than 200 other IPs. Free-to-play operations will include Easybrain, Deca, CrazyLabs and Cryptic. Intellectual properties include Sudoku.com, Blockudoku, Jigsaw Puzzle and many other IPs. Key published free-to-play games based on licensed IPs include Star Trek Online and D&D Neverwinter Online.

“Middle-earth Enterprises & Friends”

“Middle-earth Enterprises & Friends” is intended to remain a creative powerhouse in AAA game development and publishing for PC/console, and the stewards of The Lord of the Rings and Tomb Raider intellectual properties.

As a standalone company, “Middle-earth Enterprises & Friends” will operate as a more transparent entity, offering a better structure to maximize the potential of its highly strategic franchises, with focus on the Lord of the Rings and a number of other key IPs. Decision-makers will be closer to the organization, leading to enhanced capital expenditure management, accountability, and well-balanced investments to optimize financial performance and profitable growth over the long term.

“Middle-earth Enterprises & Friends” will be the home of critically acclaimed studios, including Crystal Dynamics, Dambuster Studios, Eidos-Montréal, Flying Wild Hog Studios, Tripwire, Vertigo Games, Warhorse Studios and 4A Games among many others. IPs includes Dead Island, Killing Floor, Kingdom Come Deliverance, The Lord of the Rings, Metro and Tomb Raider, among many others. The group will include PLAION, Freemode, Dark Horse and other businesses.

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Illustrative pro forma^[5] financials by entity and on group level

LTM as per Q3 FY 23/24 (1 January 2023 – 31 December 2023):

SEK, billion	Asmodee Group	“Coffee Stain & Friends”	“Middle-earth Enterprises & Friends”	HQ	Embracer Group
Net sales	14.8	10.9	14.1	0.0	39.7
Adjusted EBITDA	2.3	4.2	4.1	-0.3	10.4
Adjusted EBIT	1.9	2.8	2.0	-0.3	6.5
Capex	-0.3	-2.2	-2.9	0.0	-5.4
EBITDAC ^[6]	2.0	2.1	1.2	-0.3	4.9
# headcount	2,450	3,150	4,550	50	10,200

FY 22/23 (1 April 2022 – 31 March 2023):

SEK, billion	Asmodee Group	“Coffee Stain & Friends”	“Middle-earth Enterprises & Friends”	HQ	Embracer Group
Net sales	13.4	10.5	12.3	0.0	36.2
Adjusted EBITDA	2.3	3.8	3.2	-0.2	9.2
Adjusted EBIT	2.0	2.6	1.6	-0.2	6.0

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Capex	-0.3	-2.2	-3.3	0.0	-5.8
EBITDAC	2.0	1.6	-0.1	-0.2	3.3

As of December 2023, the annualized run-rate capex for “Coffee Stain & Friends” and “Middle-earth Enterprises & Friends” was significantly reduced, to approximately SEK 1.5 billion and SEK 2.3 billion, respectively. Based on run-rate capex, the EBITDAC for “Coffee Stain & Friends” as per LTM December 2023 would be SEK 2.7 billion (25 percent margin), and for “Middle-earth Enterprises & Friends” it would be SEK 1.8 billion (13 percent margin).

The exact allocation of companies and assets between “Coffee Stain & Friends” and “Middle-earth Enterprises & Friends” is still subject to minor potential adjustments in the period leading up to the spinoff of “Coffee Stain & Friends”, based on strategic and other considerations. It is intended that Asmodee, “Coffee Stain & Friends” and “Middle-earth Enterprises & Friends” parent companies will be headquartered in Karlstad, Sweden. Asmodee’s operational headquarters will remain in Paris.

Transformation structure and process

The Board of Directors proposes that shares in two of these entities, Asmodee and “Coffee Stain & Friends”, will be distributed to the shareholders of Embracer Group, and listed on Nasdaq Stockholm. The third entity, “Middle-earth Enterprises & Friends”, will remain within the current listed company Embracer Group, which will eventually be renamed at the same time as the “Coffee Stain & Friends” spinoff.

The intention of the Board of Directors of Embracer Group is to carry out both spinoffs by way of a dividend distribution of all shares, a so-called Lex ASEA dividend. Such dividend is subject to shareholders’ approval at a general meeting in Embracer Group. The current dual-share class of A and B-shares will be replicated into the new public entities. Subject to approval of the general meeting of Embracer Group and certain other customary conditions, it is anticipated that a listing of Asmodee can be completed within twelve months. Additionally, a separation of “Coffee Stain & Friends” is expected in calendar year 2025.

As part of the spinoff preparation for Asmodee, Embracer Group has agreed with the management of Asmodee to renegotiate the existing earnout structure. Through the new structure, the management of Asmodee will change their indirect ownership in Asmodee of 4.72 percent (current earnout structure entitling management to exchange that ownership to B shares of Embracer Group if earnout conditions are met) into a direct ownership of 4.72

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percent in the Swedish Asmodee holding company, the entity which is intended to be listed on Nasdaq Stockholm. The new agreement with the management of Asmodee means that a maximum of approximately 41 million B shares in a share earnout will be reduced from Embracer Group as of this current quarter.

As part of the transformation and ahead of each separation the full capital structure, including both equity and debt, will be reviewed in Asmodee and “Coffee Stain & Friends” to create the best possible long-term foundation for each entity as a separately listed company.

Leadership & organization

Ahead of the initiation of the separation process of Asmodee and in line with already planned governance evolutions, Stéphane Carville, current CEO, and Marc Nunes, current COO and founder, will join and play active roles in the Board of Directors of Asmodee. Thomas Koegler, a longstanding operational and executive leader at Asmodee and current deputy COO, will in the coming months become Asmodee CEO supported by key leaders within Asmodee.

For “Coffee Stain & Friends”, Anton Westbergh, current CEO of the operative group Coffee Stain, will take the leading role in the process leading up to the separation. The Operative Group CEOs of DECA Games, Easybrain, Amplifier Game Invest and THQ Nordic will report to Anton Westbergh starting April 22, 2024.

For “Middle-Earth Enterprises & Friends”, Phil Rogers will take the leading role in the process leading up to the separation. Phil Rogers is currently interim Group Chief Strategy Officer, with responsibility for the concluded restructuring program, and CEO of the operative group Crystal Dynamics – Eidos. The Operative Group CEOs of PLAION, Dark Horse and Freemodé will report to Phil Rogers starting April 22, 2024.

Stéphane Carville (until the nomination of Thomas Koegler as Asmodee CEO in the coming months), Anton Westbergh and Phil Rogers are by April 22, 2024 appointed to the executive management of Embracer Group. The executive management of Embracer Group AB will by April 22, 2024 consist of Lars Wingefors (Group CEO), Johan Ekström (Group CFO and deputy CEO), Careen Yapp (Chief Strategic Partnership Officer), Ian Gulam (Chief of Staff, Legal & Governance), Anton Westbergh, Phil Rogers and Stéphane Carville.

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Capital Markets Days

Embracer Group's Capital Markets Day, that was planned to take place in the first half of 2024, will be replaced by individual events for each of the three entities well in advance of listing or rebranding.

Investor presentation

Embracer Group will hold a webcast presentation for investors, analysts, media and other stakeholders today, April 22, at 09:00 CEST. Please find more information in a separately distributed invitation that will follow this release.

Further details regarding the separation process and other key process components, along with FAQ and details regarding the financing agreement will follow this press release and also be available at embracer.com/investors.

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About Embracer Group

Embracer Group is a global Group of creative and entrepreneurial businesses in PC, console, mobile and other related media. The Group has an extensive catalog of over 900 owned or controlled franchises. With its head office based in Karlstad, Sweden, Embracer Group has a global presence through its eleven operative groups: THQ Nordic, PLAION, Coffee Stain, Amplifier Game Invest, DECA Games, Gearbox Entertainment, Easybrain, Asmodee, Dark Horse, Freemod and Crystal Dynamics – Eidos. The Group has 111 internal game development studios and is engaging more than 12,000 employees in more than 40 countries.

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Embracer Group's shares are publicly listed on Nasdaq Stockholm under the ticker EMBRAC B.

- [1] Official name will be decided at a later stage.
- [2] Last twelve months
- [3] Pending closing of the divestment of assets from Gearbox Entertainment, announced on March 27
- [4] IP owned by Iron Gate AB, part-owned by Coffee Stain
- [5] Pro forma basis – actual reported numbers have been adjusted to exclude the divested assets from Saber Interactive and Gearbox Entertainment for the entire period. Acquisitions closed during the period have been adjusted for as if they were owned throughout the entire period.
- [6] EBITDAC = Adjusted EBITDA less Gross investment in intangible and tangible assets.

This information is information that Embracer Group AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation 596/2014. The information was submitted for publication, through the agency of the contact persons set out above, at 2024-04-22 07:00 CEST. The persons above may also be contacted for further information.

Attachments

Embracer Group announces its intention to transform into three standalone publicly listed entities at Nasdaq Stockholm