

EMBRACER⁺ GROUP

Embracer Group acquires Saber Interactive

Investor presentation

19 February 2020

Saber Interactive at a glance

GLOBAL BUSINESS

- US-based game developer
- Founded by Matthew Karch (CEO) and Andrey Iones (COO) in 2001
- Entrepreneur-driven company which has grown organically from 3 to c. 600 internal developers over a 20 year period



20YRS
EXPERIENCE



5
STUDIOS



c. 600
DEVELOPERS¹



30M+
GAMES SOLD

TRACK RECORD OF OWN/LICENSED IPs

WORLD WAR Z

MUD★RUNNER

NBA 2K
PLAYGROUNDS 2

FINANCIAL PERFORMANCE

USD, preliminary figures²



105m
REVENUE 2019



62m
EBIT 2019

PROPRIETARY TECHNOLOGY

3D ENGINE

GAME OPS

Enables high-quality game development
Reduces 3rd party dependency

Note: 1) Developers including technology R&D personnel. 2) Financials based on management account actual figures for the period 1 January – 30 November 2019 and preliminary management accounts for the period 1-31 December 2019

The new combined group

**EMBRACER⁺
GROUP**


SABER
INTERACTIVE

**EMBRACER⁺
GROUP** 
SABER
INTERACTIVE

| | | | | |
|---|-------------|-------------------------|-------------------------|-------|
| Internal development studios | 26 | 5 | 31 | |
| External development studios | 58 | 3 | 61 | |
| Number of IPs | 154 | 9 ¹ | 163 | |
| Development projects | Announced | 44 | 4 | 48 |
| | Unannounced | 52 | 8 | 60 |
| Developers | Internal | 1,237 | 590 | 1,827 |
| | External | 1,021 | 150 | 1,171 |
| Revenue 2019 Jan-Dec | SEK 5,541m | SEK 981m ^{3,4} | SEK 6,522m ⁴ | |
| Adj. EBIT² 2019 Jan-Dec | SEK 1,143m | SEK 591m ^{3,4} | SEK 1,734m ⁴ | |

Note: Number of studios and Saber Interactive KPIs as per 19 February 2020. Other numbers as per 31 December 2019. 1) Excluding 5 licensed IPs of which 2 through partner. 2) Operational EBIT for Embracer Group and reported EBIT for Saber Interactive. 3) Unconsolidated, non-GAAP numbers. 4) FX rate USD/SEK of 9.4582

**EMBRACER⁺
GROUP** 3

Acquisition highlights



Senior management with highly experienced and efficient development teams



Strong profitability with high cash conversion



Additional stable and recurring revenue stream from Work-for-hire / royalty based projects



Portfolio of recurring titles and a solid and growing pipeline from 2020 and onwards



Long term synergy opportunities within publishing, development and IP utilisation



Platform for further organic growth and acquisitions

Transaction terms

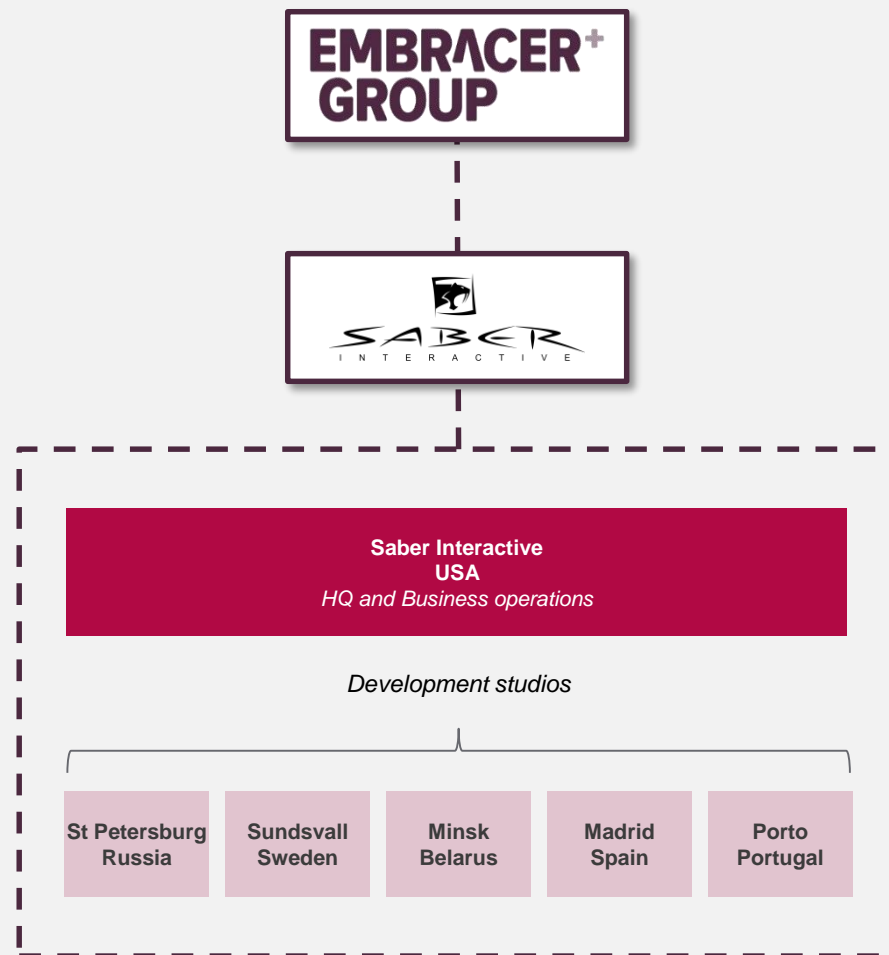
TRANSACTION TERMS

- Asset deal
- Sellers receive a combination of A and B shares, priced at SEK 78.4510 per share¹ (40 day volume weighted average price up to and including 18 February 2020)
- Founders become two of the largest Embracer shareholders with a combined 11% and 15% of the capital and votes, respectively¹
- Lars Wingefors and Erik Stenberg have committed to vote in favour of appointing Matthew Karch to the board of directors
- As employees of Embracer, the Sellers receive a fixed salary and a 20 year incentive package based on future performance of Saber Interactive (10% profit share of Saber Interactive's EBIT above USD 76m per year (accumulated))
- The Transaction expected to close during the second calendar quarter 2020

PURCHASE PRICE

- USD 150 million upfront payment
 - USD 100 million in cash
 - USD 50 million in equity
- USD 375 million earn-out payment over six years, of which USD 100 million in cash and USD 275 million in equity

POST DEAL CORPORATE STRUCTURE



Experienced founders and management

Group management team



MATTHEW KARCH
Co-founder and CEO

+20 years
industry experience



ANDREY IONES
Co-founder and COO

+23 years
industry experience



TIM WILLITS
Chief Creative Officer

+24 years
industry experience
Joined in Q3-2019

Managed Saber Interactive from a 3-person start-up to a large international gaming group. instrumental in crafting Saber Interactive's vision

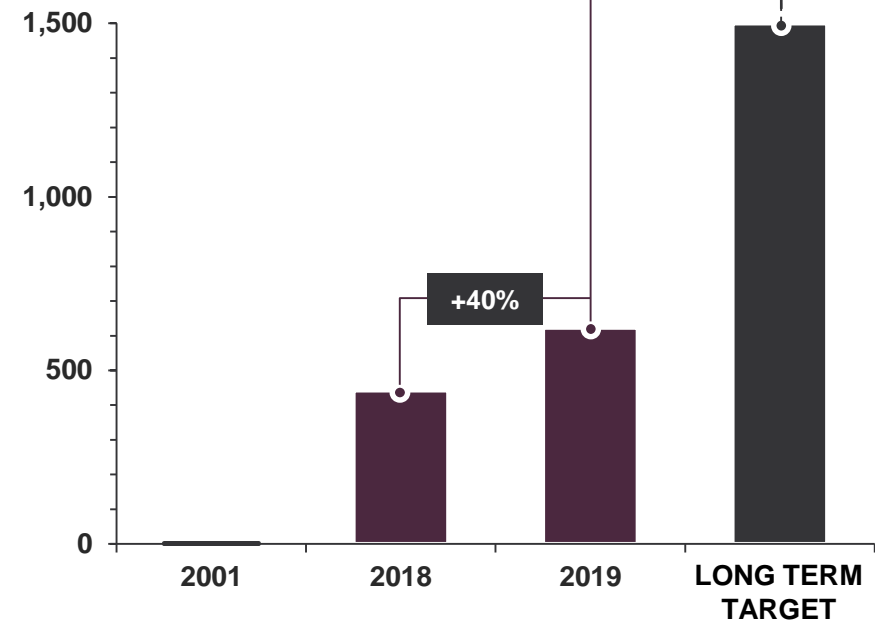
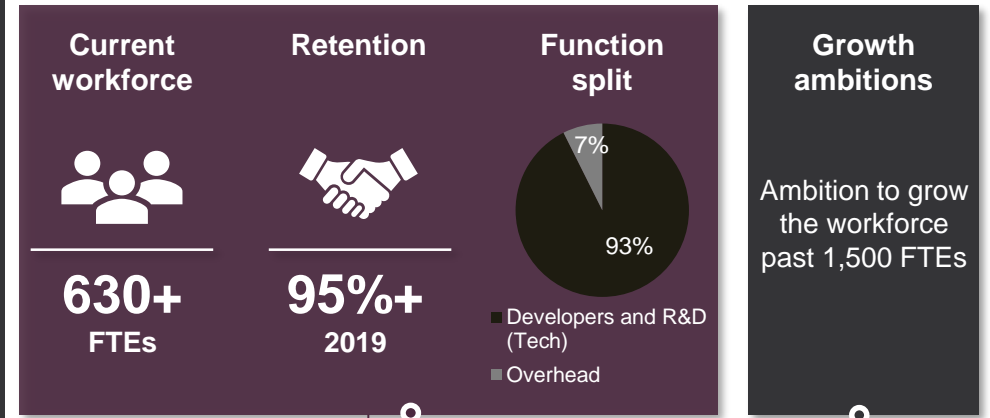
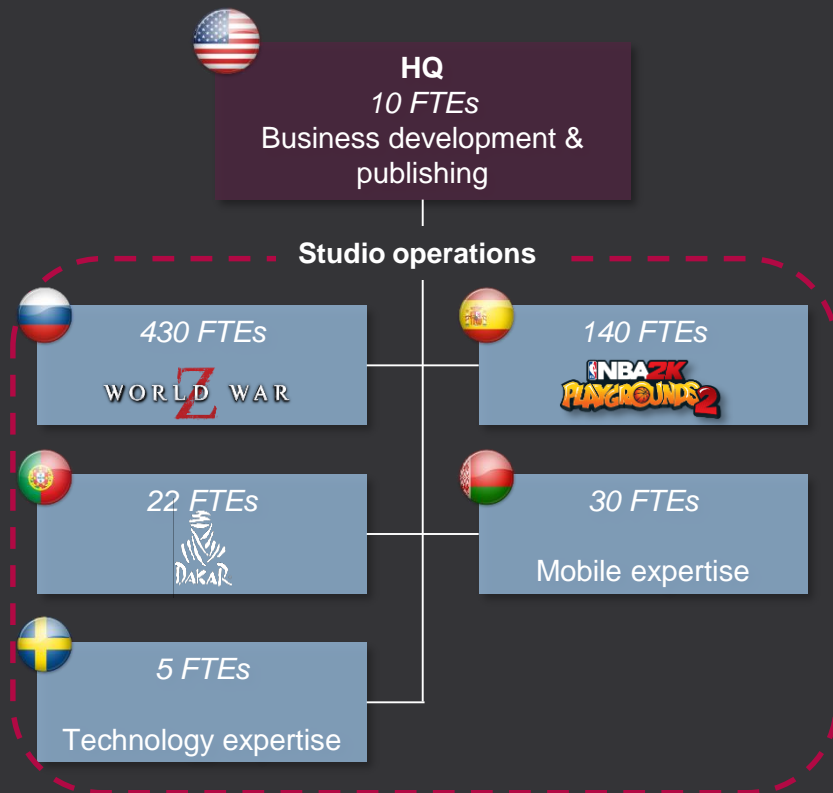
The pulsing heart of Saber Interactive, leads operations and contributes to creative ideas and concept development

Creative mind behind success stories Quake, Doom and Rage leads and supervises creative vision

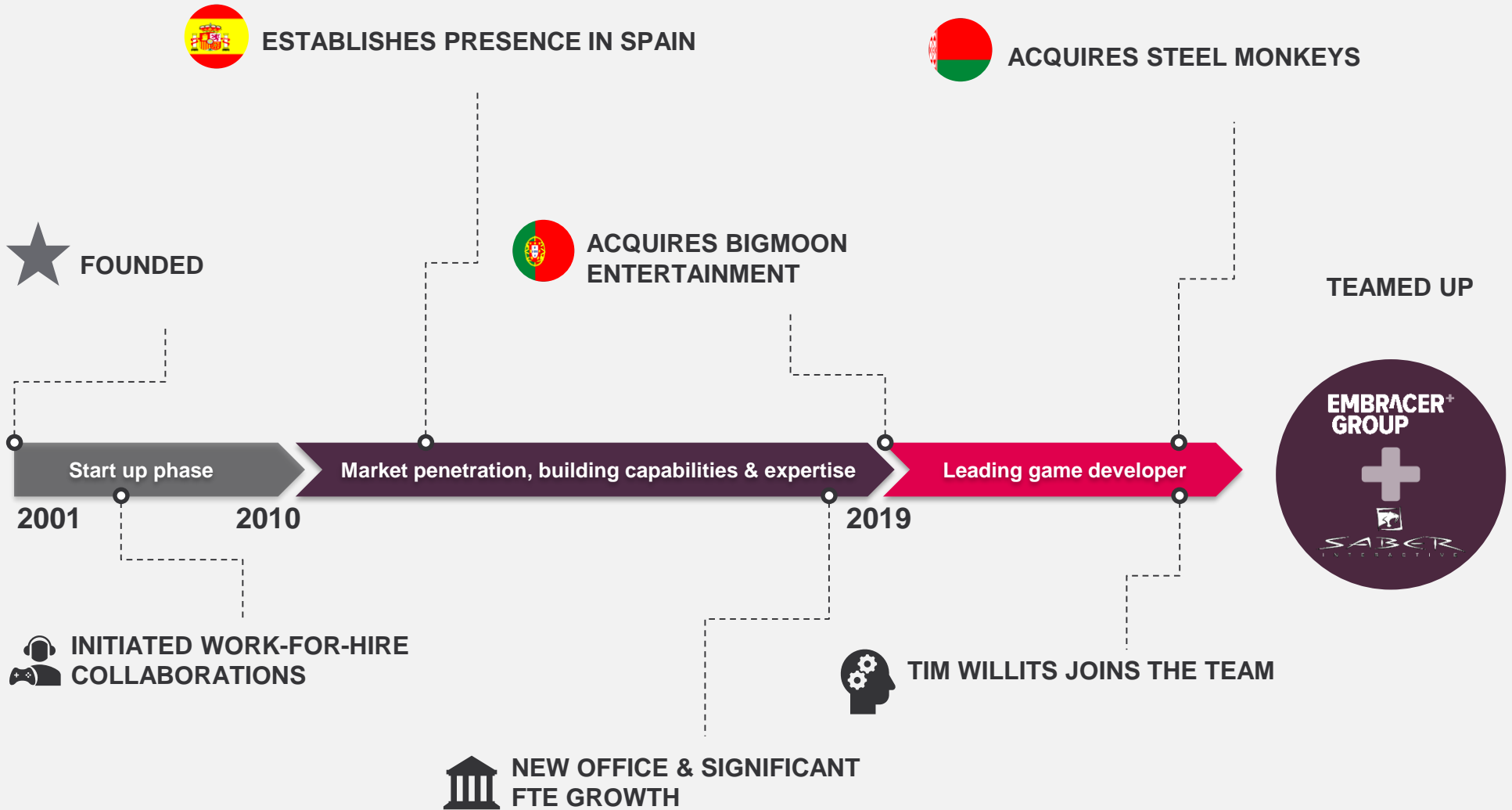
A global organization in six countries

Key information

- Studio founded in 2001
- Headquartered in New Jersey, USA



History of Saber Interactive



History of Saber Interactive

WORK-FOR-HIRE/ ROYALTY BASED PROJECTS



15 NOVEMBER 2011



11 NOVEMBER 2014



10 JUNE 2018



15 OCTOBER 2019



2001

2010

2015

2018

2019

OWNED/ LICENSED IP



31 OCTOBER 2017



16 APRIL 2019



15 OCTOBER 2018



4 OCTOBER 2019



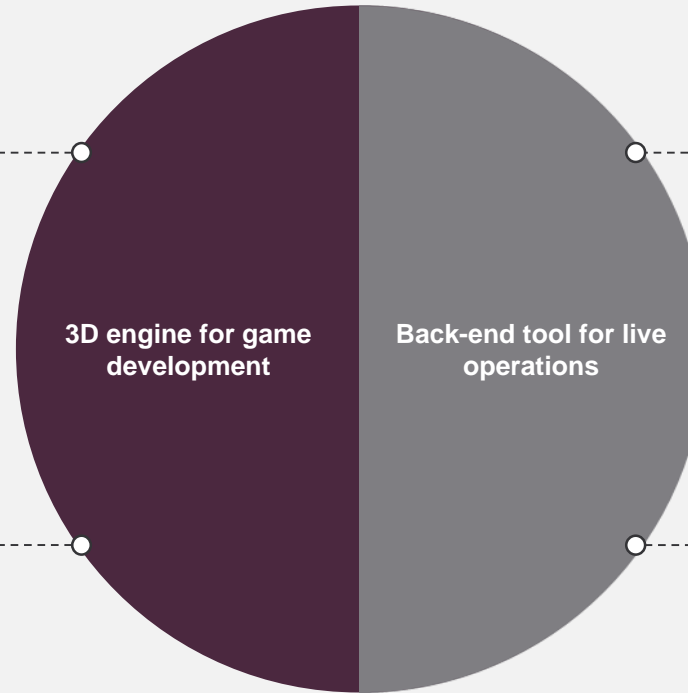
Own proprietary technology platforms

+20

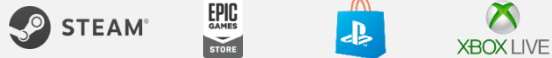
YEARS DEVELOPED

55

DEDICATED TECH. FTEs



Integrated with multiple online game stores



3D engine for game development

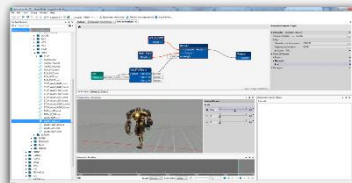
Back-end tool for live operations

Full featured cloud platform for F2P games

Multi platform functionality



Online services supporting millions of players



WORLD Z WAR

DEVELOPER

SABER INTERACTIVE

PUBLISHERS

**MAD DOG GAMES (SABER INTERACTIVE),
FOCUS INTERACTIVE, KOCH MEDIA,
SOLUTIONS TO GO**

LICENSOR

PARAMOUNT PICTURES

GENRE

ACTION, THIRD-PERSON SHOOTER



DEVELOPED USING
SABER INTERACTIVE'S
PROPRIETARY ENGINE



“ One of 2019’s biggest and best surprises



“ One of the best left 4 dead-inspired games in years

gameinformer

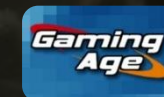
“ It’s visually stunning



“ A smart, exhilarating step forward for cooperative shooters



“ It really scratches that itch, namely a fun, zombie focused co-op shooter with a solid progression system that’ll keep you hooked



MUD★RUNNER

DEVELOPER

SABER INTERACTIVE

PUBLISHER

MAD DOG GAMES (SABER INTERACTIVE)

IP OWNER

SABER INTERACTIVE

GENRE

OFF-ROAD SIMULATION



“ If you are a fan of non-conventional PC games, I cannot recommend Spintires: MudRunner enough



SHACKNEWS 9/10

Nov 2017

“ This game is quite easily one of the finest indie titles to have arrived on Xbox this year



4.5/5

Oct 2017

“ MudRunner has the most realistic simulation of water and muck I've ever seen

**ROCK
PAPER
SHOTGUN**

PC Gaming since 1873

NBA 2K PLAYGROUNDS 2

DEVELOPER
SABER INTERACTIVE

PUBLISHER
2K SPORTS

LICENSOR
NBA

GENRE
SPORTS, ARCADE



“ Fun, old school gameplay with over the top action, beautiful dunks and awesome power-ups

PSX-SENSE 80/100
Oct 2018

“ NBA Playgrounds 2 is a great buy

**impulse
gamer** 92/100
Oct 2018

“ The core arcade gameplay remains as fun and enjoyable as ever

nintendolife 8/10
Oct 2018

SNOW★RUNNER

DEVELOPER
SABER INTERACTIVE

PUBLISHER
FOCUS HOME INTERACTIVE

IP OWNER
SABER INTERACTIVE

GENRE
SIMULATION



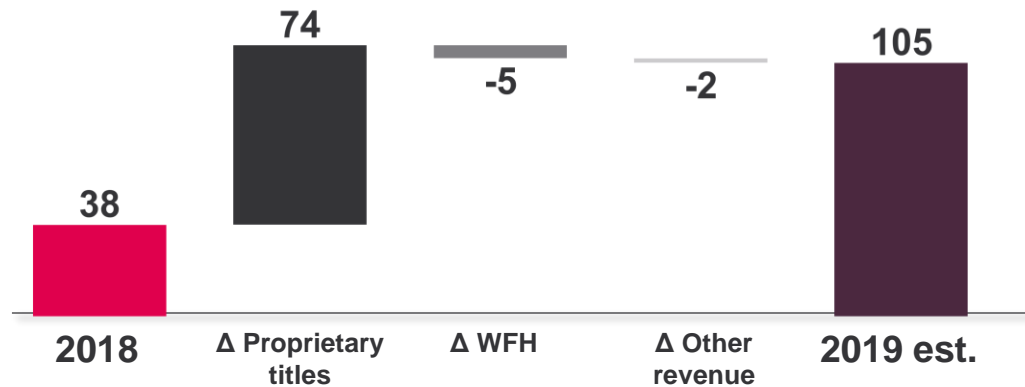
RELEASE DATE
28 APRIL 2020

**CONQUER DANGEROUS
TERRITORY ALONE OR WITH
FRIENDS IN THIS NEXT-
GENERATION OFF-ROAD
EXPERIENCE**

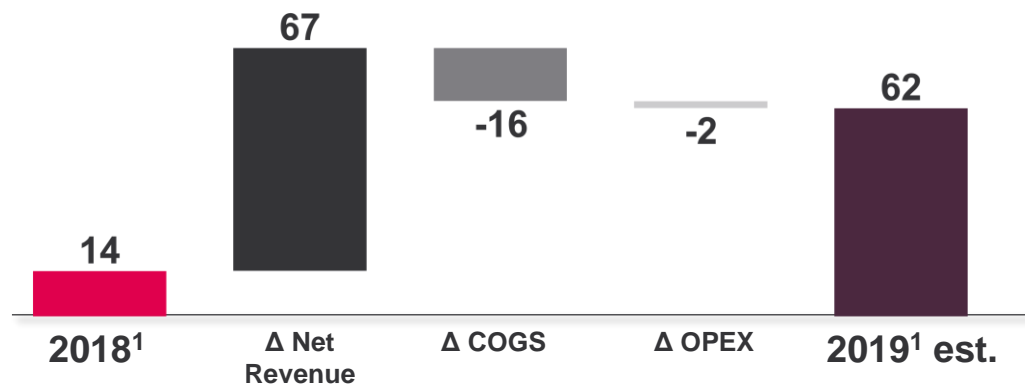


Strong Revenue and EBIT development driven by strategic shift to owned/licensed IPs

REVENUE DEVELOPMENT USDm



EBIT DEVELOPMENT USDm



2019E revenue growth driven by shift to owned/licensed IPs and success of WWZ

High cash conversion

No capitalization of development

Applying Embracer's accounting policies will likely have some impact on reported Revenue and EBIT

Note: 1) EBIT excluding Seller distributions

Organizational overview



ORGANIZATION POST ACQUISITION

SABER INTERACTIVE REMAINS INDEPENDENT

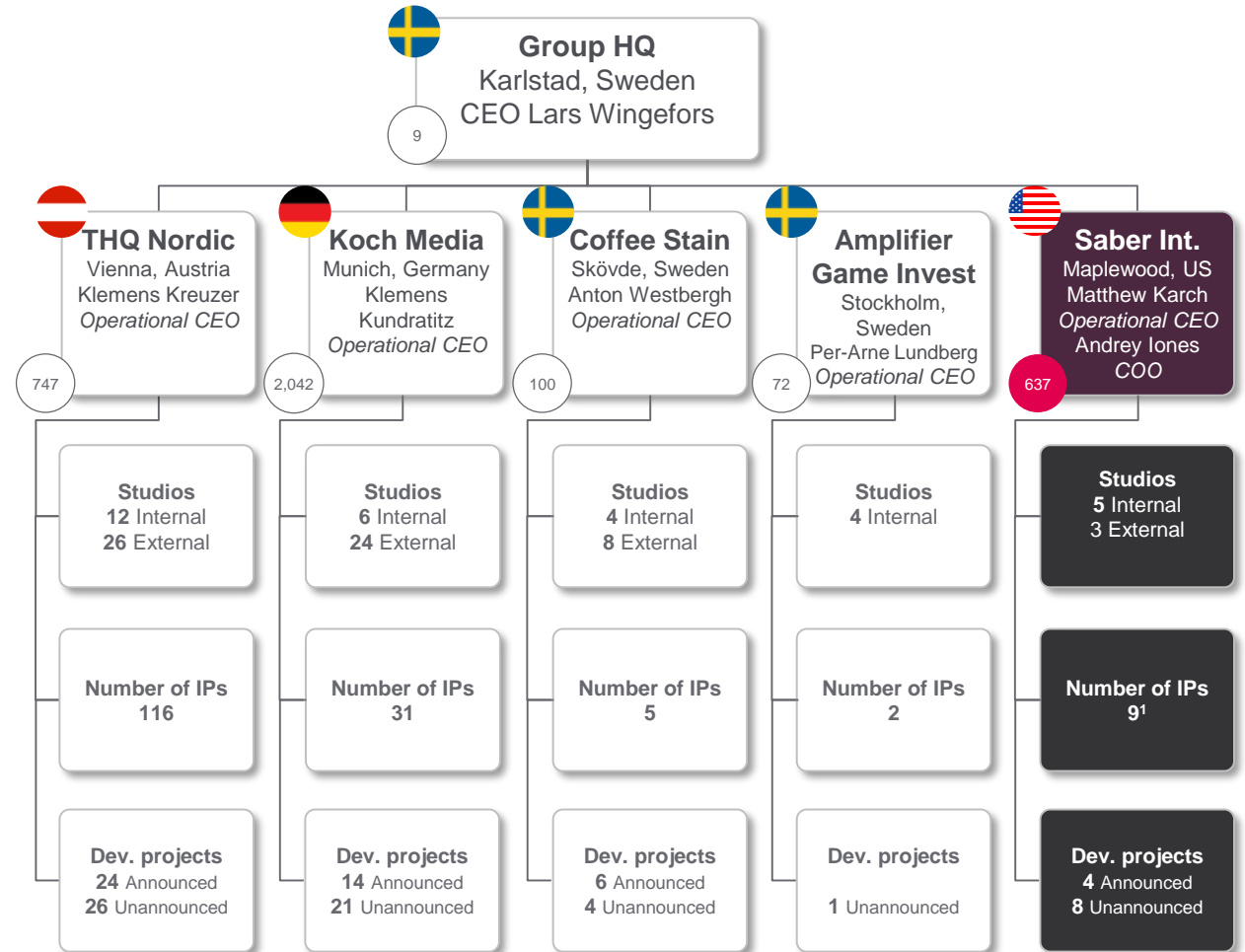
BUSINESS AS USUAL, NO RE-ORGANIZATION

MANAGEMENT RETAINED

Matthew Karch and Andrey Iones to be appointed to Management Board

Embracer Group's main owners propose Matthew Karch to be elected as Director of the Board for Embracer Group AB

ORGANIZATIONAL STRUCTURE



Note: Number of studios and Saber Interactive KPIs as per 19 February 2020. Other numbers as per 31 December 2019. 1) Excluding 5 licenced IPs of which 2 through partner

Illustrative combination of the two entities

ILLUSTRATIVE COMBINED INCOME STATEMENT

- Saber Interactive financials based on preliminary December 2019 figures converted at yearly average FX rates
- Saber Interactive financials are aggregated from unconsolidated entities owned or controlled by Saber Interactive
- Embracer financials according to K3
- The P&L is prepared as if the transaction is done first day of the period (2019-01-01)

| Jan – Dec 2019, SEKm | Embracer Group | Saber Interactive | Transaction Adjustments | Combined |
|-----------------------------------|----------------|-------------------|-------------------------|----------------|
| Revenue | 5,541 | 981 | - | 6,522 |
| Total operating income | 6,485 | 991 | - | 7,476 |
| Total operating expenses | (6,065) | (400) | (943) | (7,407) |
| EBIT | 421 | 591 | (943) | 69 |
| Amortization of intangible assets | 722 | - | 943 | 1,665 |
| Operational EBIT | 1,143 | 591 | - | 1,734 |
| Depreciation of PP&E | 802 | - | - | 802 |
| EBITDA | 1,945 | 591 | - | 2,536 |
| Impairment of intangible assets | - | - | - | - |
| <i>EBIT margin</i> | 7.6% | 60.2% | <i>n.a.</i> | 1.1% |
| <i>Operational EBIT margin</i> | 20.6% | 60.2% | <i>n.a.</i> | 26.6% |
| <i>EBITDA margin</i> | 35.1% | 60.2% | <i>n.a.</i> | 38.9% |

ILLUSTRATIVE COMBINED BALANCE SHEET

- Saber Interactive and Embracer balance sheet per 31 December 2019
- Saber Interactive financials converted at year end FX rates
- The BS is prepared as if the transaction is done last day of the period (2019-12-31)

| Dec 2019, SEKm | Embracer Group | Saber Interactive | Transaction Adjustments | Combined |
|-------------------------------------|----------------|-------------------|-------------------------|---------------|
| Intangible assets | 5,633 | - | 4,714 | 10,347 |
| Property, plant and equipment | 169 | - | - | 169 |
| Financial assets | 201 | - | - | 201 |
| Inventories | 387 | - | - | 387 |
| Current receivables | 1,570 | 204 | - | 1,774 |
| Cash and bank balance | 2,785 | 483 | (2,356) | 912 |
| Total assets | 10,745 | 687 | 2,359 | 13,790 |
| Equity | 6,177 | 685 | 2,359 | 9,221 |
| Provisions | 1,306 | - | - | 1,306 |
| Non-current liabilities | 209 | - | - | 209 |
| Current liabilities | 3,053 | 2 | - | 3,055 |
| Total equity and liabilities | 10,745 | 687 | 2,359 | 13,790 |

EMBRACER⁺ GROUP

Embracer Group is the parent company of businesses developing and publishing PC and console games for the global games market. The group has an extensive catalog of over 150 owned franchises, such as Saints Row, Goat Simulator, Dead Island, Darksiders, Metro, MX vs ATV, Kingdoms of Amalur, TimeSplitters, Satisfactory and Wreckfest amongst many others.

With its head office in Karlstad, Sweden, Embracer Group has a global presence through its four operative groups: Koch Media GmbH/Deep Silver, THQ Nordic GmbH, Coffee Stain AB and Amplifier Game Invest AB. The group has 26 internal game development studios engaging more than 3,000 employees and contracted employers in more than 40 countries.