

Thunderful Group

Q3 PRESENTATION & STRATEGIC RESTRUCTURING

November 14, 2024

AGENDA

- Q3 KEY HIGHLIGHTS
- Q3 FINANCIAL DETAILS
- STRATEGIC RESTRUCTURING
- KEY TAKEAWAYS
- Q&A



Martin Walfisz
CEO



Per Alnefelt
CFO

Q3 KEY HIGHLIGHTS

Q3 FINANCIAL HIGHLIGHTS

NET REVENUE

74 MSEK
-11% y/y

ADJ. EBITDA

-2 MSEK
n.m.

EBIT

-69 MSEK
n.m.

INVESTMENTS

36 MSEK
-57% y/y

CASH FLOW OPS.

-36 MSEK
n.m

AVAIL. LIQUIDITY

120 MSEK



Q3 OPERATIONAL HIGHLIGHTS

PUBLISHING

- SteamWorld Heist II released to great critical acclaim but is commercially performing below expectations
- Early Access launch of Aska in June continued with positive impact in the quarter
- Transactional sales performance continues to improve
- Two new 2025 titles announced at Gamescom (August):
 - *Lost in Random: The Eternal Die*
 - *Reignbreaker*

CO-DEVELOPMENT & SERVICES

- Coatsink continues to work closely with their co-development clients, such as Meta, Sony Pictures and others
 - Co-dev project *Batman: Arkham Shadow* launched in October
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- Robot Teddy client Doborog announced Clone Drone in the Hyperdome for launch in December

Q3 FINANCIAL DETAILS

FINANCIAL HIGHLIGHTS Q3 2024

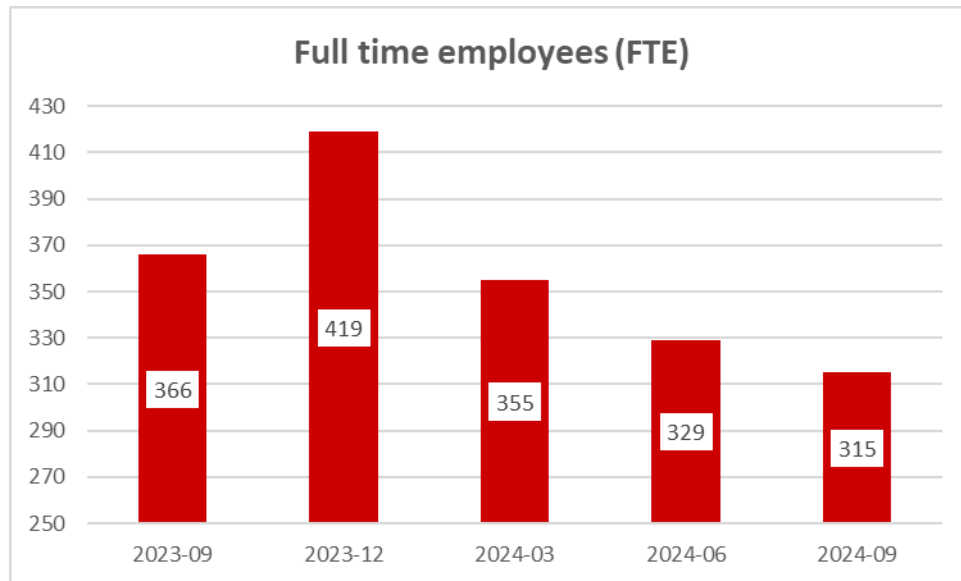
- Net revenue amounted to 74 MSEK (83) in the quarter due to drop in the Publishing
- Adj. EBITDA amounted to -2 MSEK (32) in the quarter and to 215 MSEK (277) in the period
- EBIT amounted to -69 MSEK (10), negatively affected by write-downs of capitalized development costs and higher depreciations

KEY FIGURES

MSEK	Quarter		YTD	
	Q3 2024	Q3 2023	Jan-Jun 2024	Jan-Jun 2023
Net revenue	74,3	83,2	215,3	277,4
<i>Change %</i>	-10,7%	1,7%	-22,4%	-3,5%
Adjusted EBITDA	-2,4	32,4	-26,4	139,4
Adjusted EBITDA, %	-3,2%	39,0%	-12,3%	50,2%
EBIT	-68,9	-9,6	-281,8	21,6
Operating margin EBIT,%	-92,8%	-11,5%	-130,8%	7,8%
Net profit for the period	7,9	24,5	-390,5	-22,4
Earnings per share, SEK	0,11	0,35	-5,56	-0,32

HEADCOUNT DEVELOPMENT

- At the end of Q3 the number of Full Time Equivalents counted to 315 which was a reduction of 14% compared to the same quarter last year and by 25% compared to Q4 2023



SEGMENT PUBLISHING

- Net revenue for the quarter amounted to 44 MSEK (54)
- Adj. EBITDA amounted to -8 MSEK (10), the decrease primarily due to lower revenue and lower capitalization of development cost
- EBIT for the segment amounted to -72 MSEK (-29). In addition to the EBITDA results EBIT was also affected by write downs of capitalized development costs as well as depreciations of 2 new games

PUBLISHING

MSEK	Quarter			YTD		
	Q3 2024	Q3 2023	Δ	Jan-Jun 2024	Jan-Jun 2023	Δ
Net sales	43,5	54,2	-10,7	132,9	128,0	4,9
Adj. EBITDA	-7,9	10,0	-17,9	-35,1	37,1	-72,3
Adj. EBITDA margin	-5,9%	18,5%	-24%	-26,4%	29,0%	-55%
EBIT	-71,9	-29,4	-42,5	-282,7	-73,2	-209,5

SEGMENT CO-DEVELOPMENT AND SERVICES

- Net revenue amounted to 31 MSEK (29)
- Adj. EBITDA amounted to 6 MSEK (22). The decrease mainly due to the higher staff cost
- EBIT for the segment amounted to 3 MSEK (20)

CO-DEVELOPMENT & SERVICES

MSEK	Quarter			YTD		
	Q3 2024	Q3 2023	Δ	Jan-Jun 2024	Jan-Jun 2023	Δ
Net sales	30,7	28,9	1,8	82,4	149,4	-67,0
Adj. EBITDA	5,5	22,4	-16,9	8,7	102,3	-93,5
Adj. EBITDA margin	0,7%	77,3%	-0,8	10,6%	68,5%	-0,6
EBIT	3,0	19,8	-16,8	0,9	94,7	-93,8

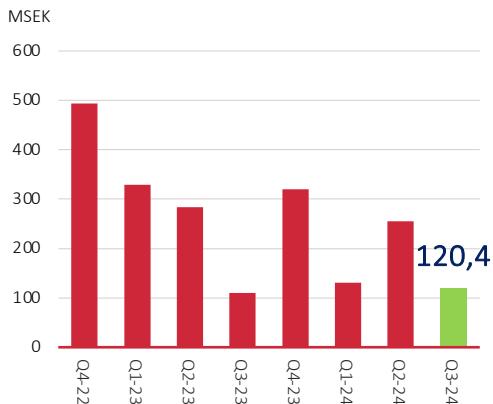
CASH FLOW

- Cash flow from Operating activities after working capital changes amounted to -36 MSEK (-62)
- Cash flow from the period amounted to -113 MSEK and included the net working capital price adjustment on the sale of the distribution business of approx. 40 MSEK and settlement of earnouts of 58 MSEK

MSEK	Quarter		YTD	
	Q3 2024	Q3 2023	Jan-Jun 2024	Jan-Jun 2023
Cash flow from operating activities before change in working capital	-42,8	65,2	-238,1	167,7
Change in working capital	6,4	450,5	456,9	-156,5
Cash flow from operating activities after change in working capital	-36,4	-61,9	218,8	11,2
Investments	-35,9	-82,9	164,3	-270,2
Financing activities	-40,4	133,8	-573,4	238,1
Cash flow for the period	-112,7	-11,0	-190,3	-20,9
Cash and cash equivalents at the end of the period	20,5	37,0	20,5	37,0

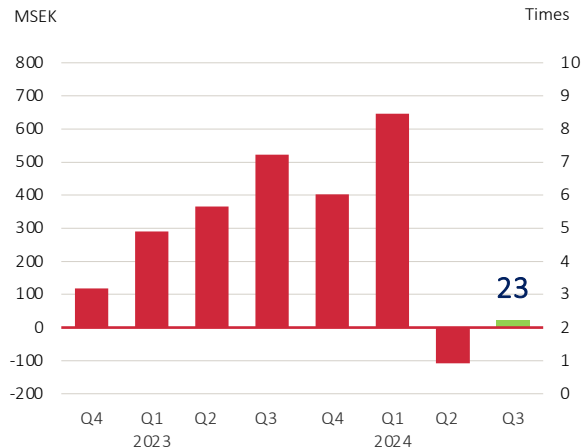
AVAILABLE LIQUIDITY AND NET DEBT

TOTAL AVAILABLE CASH, INCLUDING UNUTILISED CREDIT FACILITIES



- Available liquidity 120 MSEK end of September 2024
- Net debt amounted to 23 MSEK
- One off payments in Q3:
 - Short term earn outs of 58 MSEK
 - SPA related payment (NWC price adjustment) of appr. 40 MSEK

NET DEBT



STRATEGIC RESTRUCTURING OF PUBLISHING SEGMENT

THUNDERFUL AT-A-GLANCE

PUBLISHING

- The Publishing segment is dedicated to the development, marketing, distribution and commercialisation of digital games and intellectual properties (IPs).
- This includes projects developed internally by our eight in-house studios as well as those created externally by third-party teams.

Thunderful
GÖTEBORG

Thunderful
MALMÖ



**COAT
SINK.**

EM
EARLY MORNING
STUDIO



STUDIO FIZBIN

JUMPSHIP.

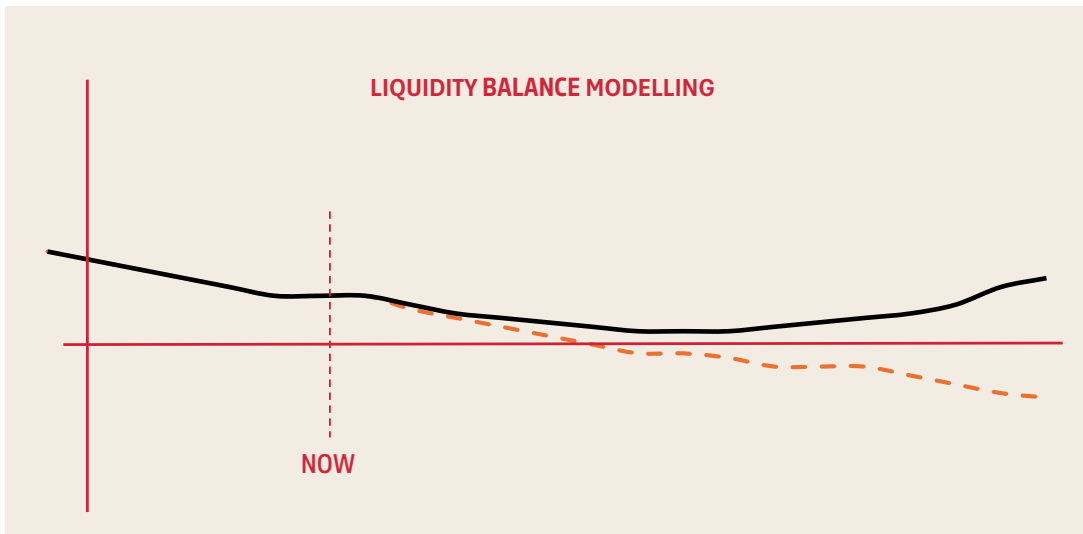
CO-DEVELOPMENT & SERVICES

- Co-development focuses on ideating, planning, and developing game projects in collaboration with external partners and licensees.
- The Services business utilises the expertise and resources of the Publishing segment and offers tailored services to third-party game developers who choose to self-publish.

**COAT
SINK.**



CURRENT SITUATION



ILLUSTRATION

Situation:

- Revenue below expectations
- Delays in game launches
- Still cash flow negative
- Sensitivity analysis moving into negative liquidity

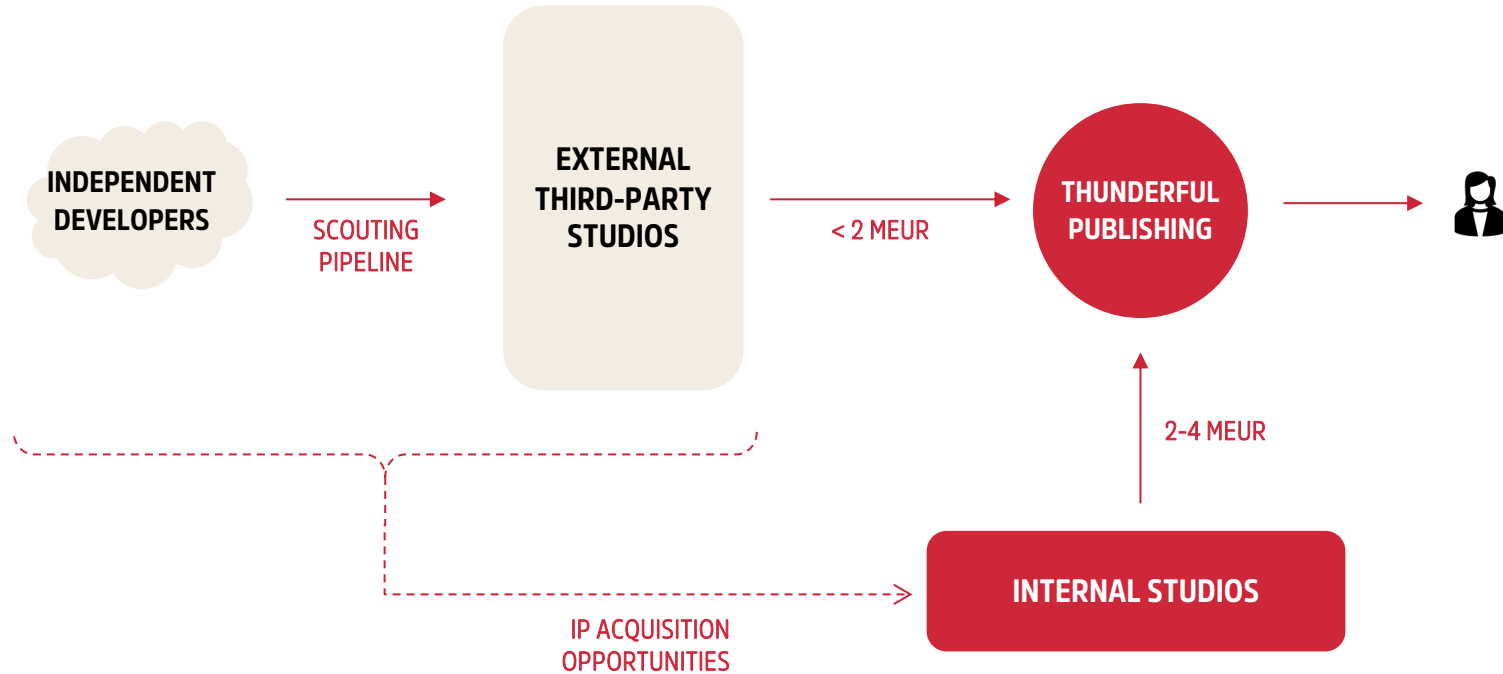
Assessed mitigations:

- Increase revenue levels
- Financing, both company and project-based (co-development)
- Cost-saving measures
- Re-think investment strategy

STRATEGIC SHIFT: INTERNAL VS THIRD-PARTY DEVELOPMENT

	PROS	CONS	
INTERNAL	<ul style="list-style-type: none">Sole IP controlAll revenueLong-term expertise building	<ul style="list-style-type: none">Fixed costs (off- & on-ramping)Longer time to market (concepting, prototyping)	Higher upfront investment levels and risk profile
EXTERNAL	<ul style="list-style-type: none">Amount of potential opportunitiesPortfolio diversityGo-to-market flexibility	<ul style="list-style-type: none">Competition for opportunitiesRevenue sharingLimited IP rights	Lower upfront investment levels and risk profile

STRATEGIC SHIFT: BALANCING INTERNAL & THIRD-PARTY DEVELOPMENT



EFFECTS OF RESTRUCTURING OF PUBLISHING SEGMENT*

IMMEDIATE CHANGES

- Decrease upfront risk profile and refocus organisation on publishing of third-party development
- Redundancies of 80-100 FTEs, primarily through closures of internal development studios
- Additional overhead reductions and cost optimisations
- Increased investments in third-party publishing rights; signing new titles for release in 2026 and beyond
- Continued operational improvements

EXPECTED OUTCOME

- Announced titles in 2025 still to be launched as planned
- Release cadence of 4-5 games per year
- Keep some internal development capacity
- Decreased average investment levels per game
- Improved average ROI of upcoming releases

FINANCIAL IMPACT

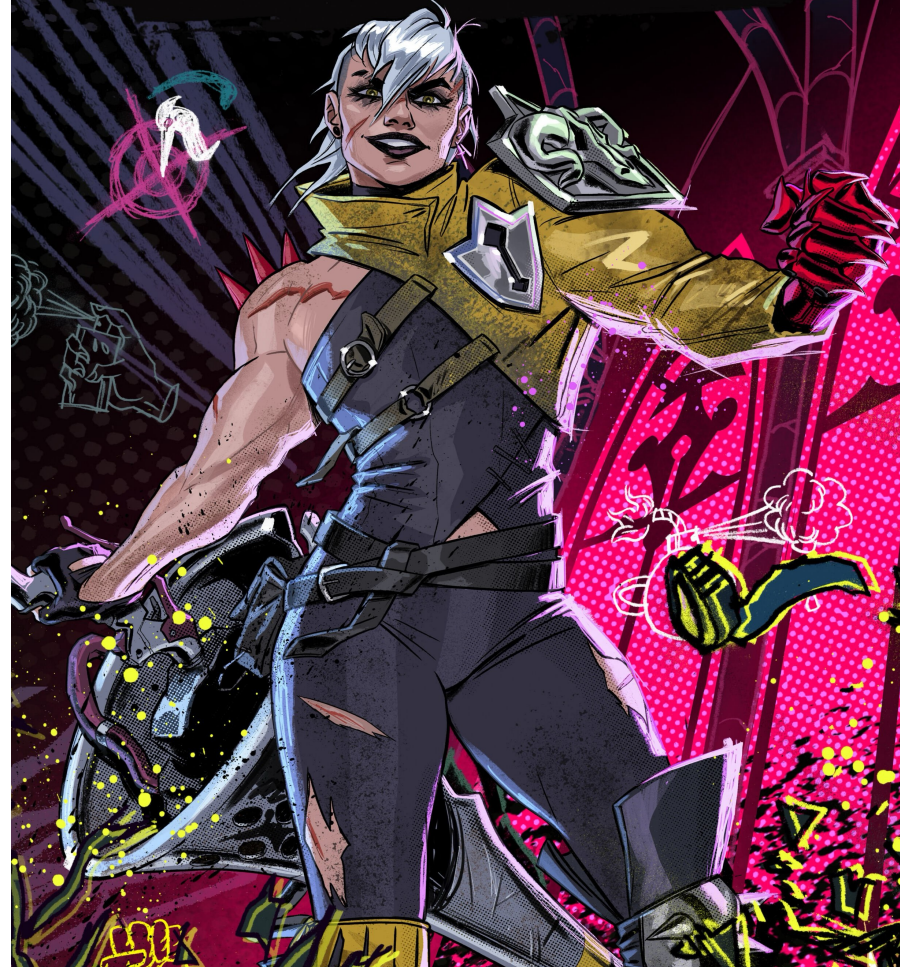
- One-off costs for program implementation: 25-30 MSEK
- One-off write-downs: 220-240 MSEK
- Annual cost savings of 80-90 MSEK
- Increased investments in external publishing rights: 30-40 MSEK

** The Co-development & Services segment is not affected by this strategic restructuring*

KEY TAKEAWAYS

KEY TAKEAWAYS

- ✓ Q3 overall on track, but sales of *SteamWorld Heist II* below expectations
- ✓ Transactional sales continue to improve
- ✓ A strategic restructuring of the Publishing segment will shift our focus towards third-party publishing
- ✓ De-risking Thunderful's investment strategy
- ✓ Continued organisational improvements focused on maximising commercial opportunity of game launches in 2025



Q&A

