

# ACQUIRES EARLY MORNING STUDIO

**NOVEMBER 16, 2021** 



# THIS IS THUNDERFUL GROUP

A European company operating in two business segments:

- Games developing and publishing and investing in games for mainly PC and consoles
- Distribution distributing Nintendo products, games, gaming accessories and toys
- Vision: To be a leader in a world where everyone can play
- Mission: To provide creative entertainment products of the highest quality for people of all ages

EMPLOYEES

408\*

GAMES IN PUBLISHING PIPELINE

26\*

GAMES IN DEVELOPMENT

13\*

BRAND PORTFOLIO

c.100

NINTENDO PARTNERSHIP SINCE

1981

\* September 30 2021



# **BUSINESS STRATEGY**

## ACCELERATE INVESTMENTS

- Increase investments in the development and publishing of games.
- Acquire complementary businesses and intellectual property rights.
- Acquire development studios and other gaming companies that operate in a decentralized structure.

### MAINTAIN AND DEVELOP IP-CENTRIC OPERATIONS

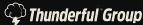
- Use IP rights and brands to create and develop experiences in new media and for new platforms.
- Ensure presence on platforms and in channels.
- · Increase the share of proprietary brands.

# HIGH-QUALITY PERFORMANCE IN THE GROUP'S BUSINESS SEGMENTS

- Uphold an entrepreneurial culture with strong focus on quality.
- Retain and develop staff and internal competence.
- Retain and develop co-operations and partnerships.



# THE ACQUISITION OF EARLY MORNING STUDIO



# EARLY MORNING STUDIO IN BRIEF

Early Morning Studio is an independent game studio founded by Emir Kuljanin and Kristian Andersson. The studio focuses on creating high quality old-school RPG games, and always assumes players are intelligent and can figure things out on their own. Their first hit, *Vampire's Fall: Origins* has been played by over 10 million players across 5 platforms.

- · Headquarters in Stockholm, Sweden
- 17 distributed developers
- Released Vampire's Fall: Origins in 2018
- Released Champions of Avan in 2021
- Announced Vendir: Plague of Lies for release in 1H 2022

FY 2021 FCST SALES, SEK **FOUNDED IN** 17-19M 2018 EARLY MORNING **DEVELOPERS** FY 2021 FCST ADJ. EBIT, SEK **RELEASED GAMES** 12-13M

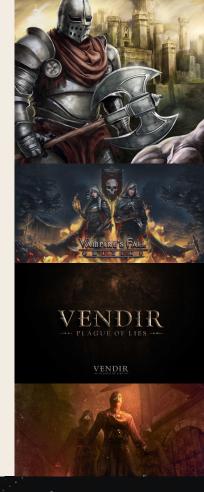
# RATIONALE FOR THE TRANSACTION

### STRENGTHENING THUNDERFUL BY BRINGING MOBILE KNOW-HOW

- · Profitable inroad into the mobile games market
- Experienced IP creators
- Established track record of qualitative games
- Engaging F2P titles with strong retention
- · Consistent future pipeline

### **OUR AGENDA**

- Decentralised ownership
- Utilise mobile expertise for future acquisitions
- Continue to develop the studio and gradually increase number of FTEs
- Involve Thunderful Publishing / Thunderful Development
- Develop IPs





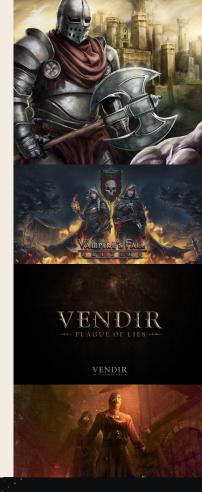
# TRANSACTION STRUCTURE AND FINANCING

# TRANSACTION STRUCTURE

- Upfront consideration: 80.0 MSEK on a cash and debt free basis
  - 45.0 MSEK in cash
  - 35.0 MSEK in newly issued Thunderful Group shares
- Earnout consideration: Up to 270.0 MSEK
  - Subject to fulfilment of financial milestones until 31 December 2026, see next slide
  - Payable in up to 50% in shares and the remainder in cash
- Total consideration: 350.0 MSEK

### **FINANCING**

- Preliminary management accounts expects net sales of 17-19 MSEK and adj. EBIT of 12-13 MSEK for FY2021.
- Upfront consideration of 80.0 MSEK is equivalent to 6.4x EV/Adjusted EBIT 2021, assuming mid-range EBIT for 2021.
- · The cash consideration will be financed with available cash and credit facilities.
- For the share consideration, Thunderful Group will issue 597.321 shares to the sellers of Early Morning Studio at 58.595 SEK / share\* resulting in a dilution of 0.86%.





<sup>\* 10</sup> days VWAP as of market close November 15, 2021

# TRANSACTION STRUCTURE: EARNOUT

## EARNOUT CONSIDERATION

- Earnout consideration: Up to 270.0 MSEK
  - For the financial year 2021 a maximum of SEK 16.0 million payable in cash subject to Early Morning Studio meeting adj. EBIT levels in excess of 13.0 MSEK during FY2021.
  - For the financial years 2022-2023, 2024, 2025, 2026, the seller may receive
    additional earn-out payments of 1.0x adj. EBIT payable in up to 50% in shares and
    the remainder in cash, provided that certain financial targets in accordance with
    the table below are met.
  - All newly issued shares are subject to a lockup of 12 months from the time of allotment.

Financial year	Minimum Adj. EBIT
2022-2023	58.0 MSEK
2024	38.0 MSEK
2025	40.0 MSEK
2026	60.0 MSEK





# THANK YOU!

