



# INVESTOR PRESENTATION

December 2020

# AGENDA

**Section A: Introduction to EG7**

**Section B: Introduction to Daybreak**

**Section C: The new group**

**Appendix: Additional material**



# Introduction to EG7

## EG7 at a glance

- EG7 is a group of companies that develops, markets, publishes and distributes video games for PC, console and mobile on a global market
- The group comprises EG7 Studios, Petrol, Sold Out, Big Blue Bubble, Piranha Games and Antimatter Games among others
- Covers the entire gaming industry value chain. Where work-for-hire, marketing and publishing has predictive and stable revenue streams and development with great option value
- Has undergone rapid growth, both organically and through acquisitions including the most recent acquisitions Big Blue Bubble and Piranha Games

**SEK 657M**

PRO FORMA REVENUE YTD

**SEK 156M**

PRO FORMA EBITDA YTD

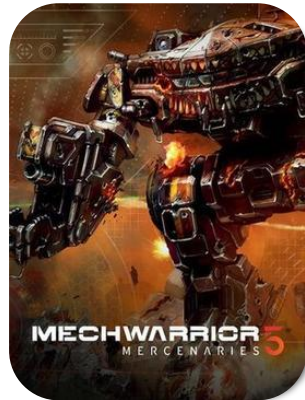




# Acquisition of Piranha Games

## Piranha Games at a glance

- Video game developer and publisher founded in 2000 with c. 65 employees, based in Vancouver, Canada
- Operated on a work-for-hire basis until 2009. Made games for big-name franchises, including AAA licensed title Need for Speed: Undercover
- In 2009 the company entered an agreement with Microsoft for the MechWarrior license
- **MechWarrior Online** is an online free-to-play game officially launched in 2013. The game is monetized via in-game purchases
- **MechWarrior 5 Mercenaries** was launched in 2019 and is currently under an exclusivity agreement with Epic Games Store. The game will be available for full release in 2021 and the company is also developing downloadable content for MW5



## Transaction structure

Purchase price table	CADm	EV/Adj. EBITDA LTM Q3'20
Upfront consideration shares	10.5	
Upfront cash consideration	20.9	
<b>Upfront consideration</b>	<b>31.4</b>	<b>3.7x</b>
Maximum deferred consideration	63.4	

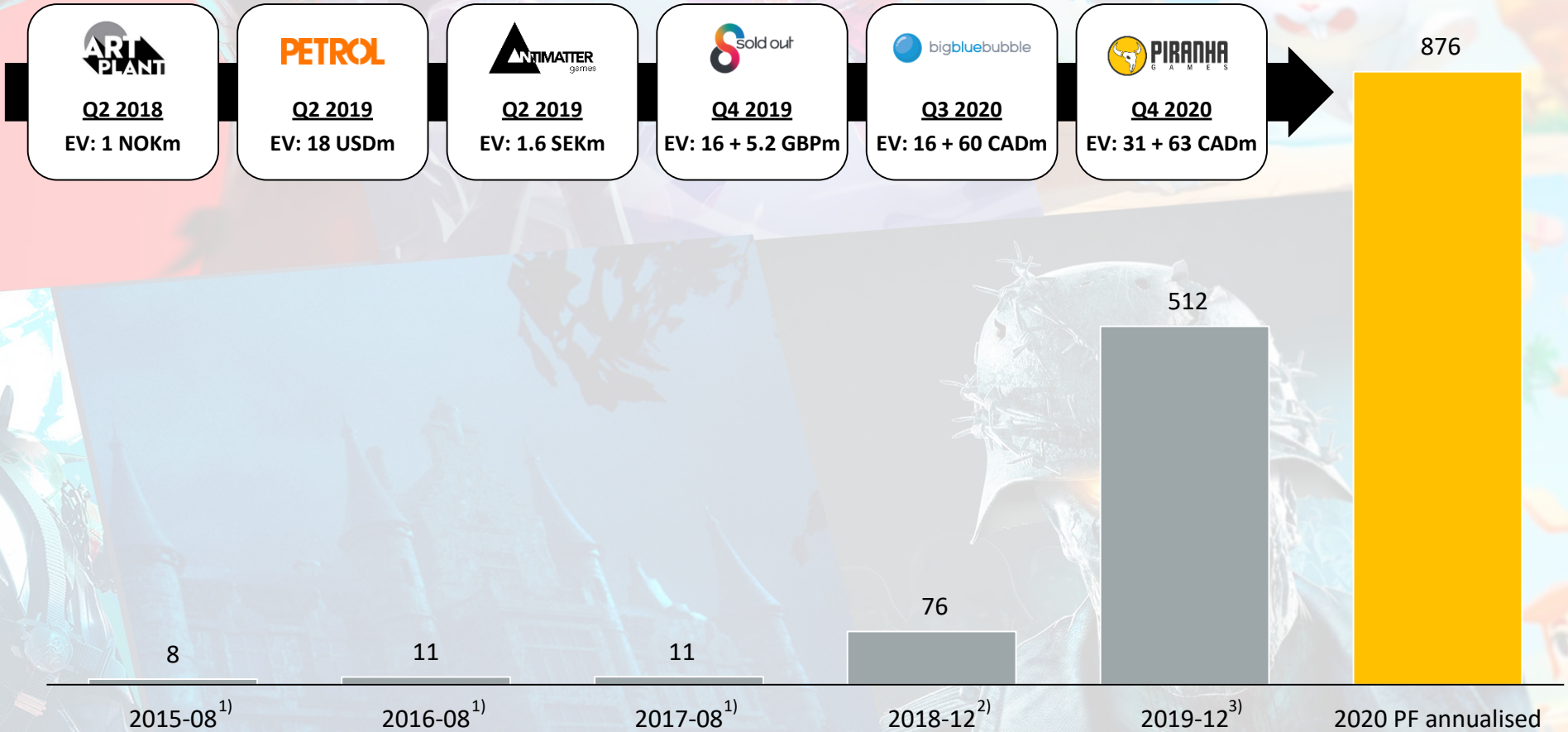
## Financial highlights

Net revenue of  
**CAD 22.7m**  
(LTM Q3'20)

EBITDA of  
**CAD 8.6m**  
(LTM Q3'20)

# Buy-and-build strategy

Revenue, SEKm



Source: Company Information.

1) 12 months from September to August 2) Changed to calendar year. 2018 figures referring to 2017/09/01 to 2018/12/31, i.e. 16 months. Including Artplant pro forma. 3) Including Petrol, Sold Out and Antimatter pro forma.

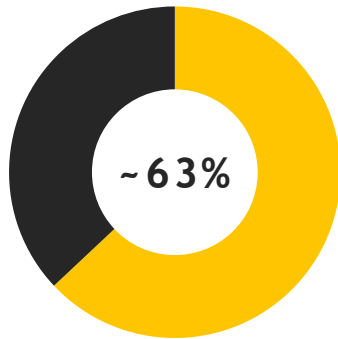


# Two divisions with strong synergies

## GAMES



- Development of own titles
- Five independent studios with unique expertises
- 10 fully owned IPs
- 13 current projects
- Toadman Studios

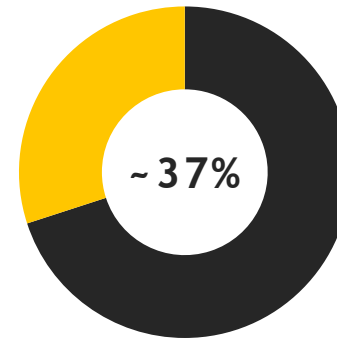


TOTAL REVENUE<sup>1)</sup>

## SERVICES



- Creative marketing studio with 40+ ongoing marketing projects. Previous projects – Call of Duty Warzone, Far Cry 6 and Assasins Creed Valhalla
- 17 current projects in Publishing, distribution and Work-For-Hire of PC and console video games
- Toadman Work-For-Hire

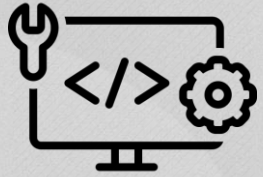


TOTAL REVENUE<sup>1)</sup>



# EG7's value chain

**VALUE CHAIN - WE CONTROL THE VALUE CHAIN**



**DEVELOPING**

**MARKETING**

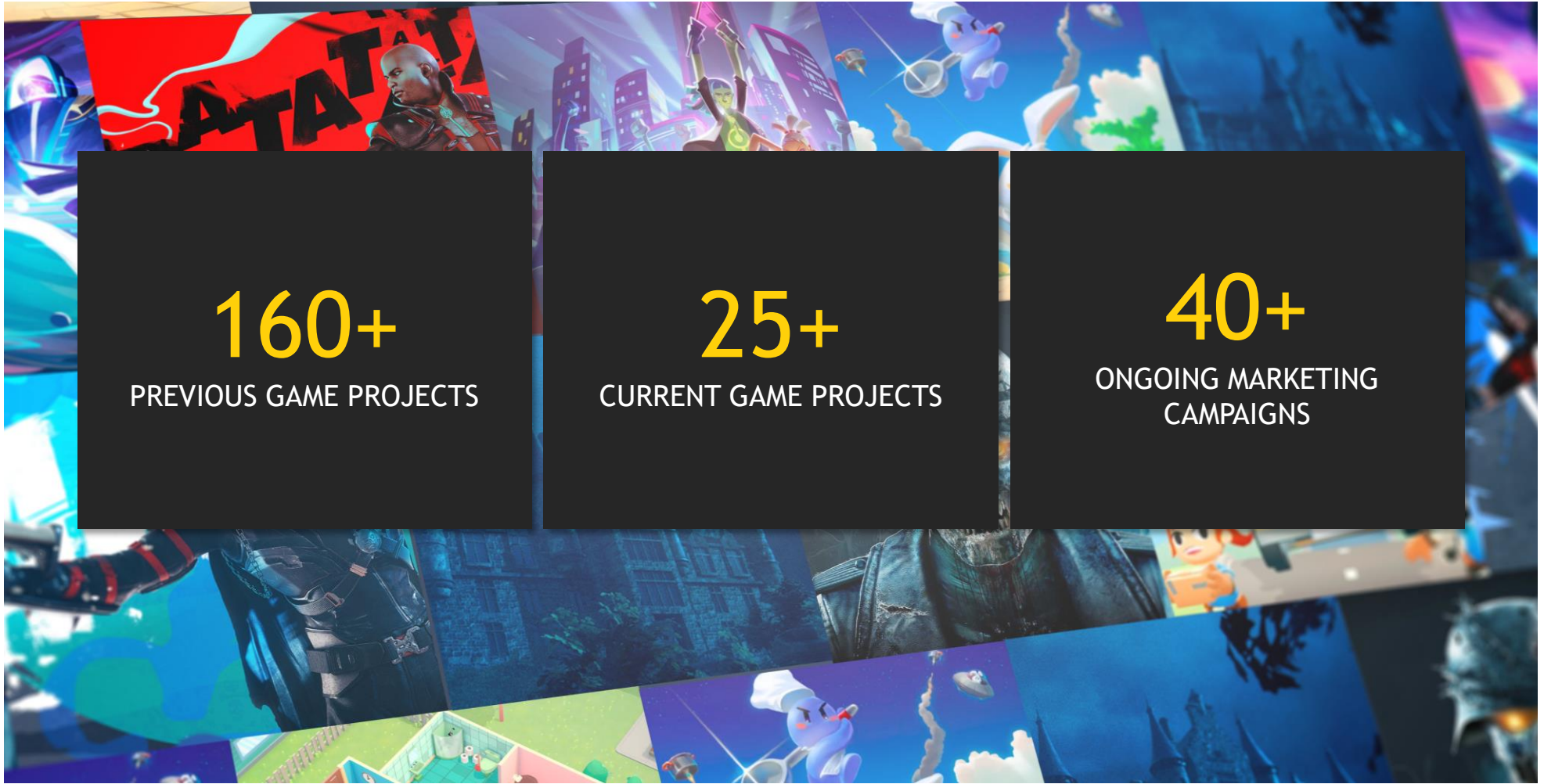
**PUBLISHING**

**DISTRIBUTING**

**WE TAKE THE COMPANIES WE ACQUIRE TO A NEW LEVEL**



# Solid track record and pipeline







# Titles to be released in 2020-2022

TOADMAN ANTIMATTER games ANTIMATTER games TOADMAN sold out sold out

MINIMAL AFFECT A ROLE PLAYING GAME

83

IGI

"PROJECT HATHOR"

DISJUNCTION

GESTALT STEAMCINDER

sold out TOADMAN TOADMAN TOADMAN sold out bigbluebubble

KEY WE

EVIL EVIL

BLOCK & LOAD 2

**10+**  
UNDISCLOSED  
PROJECTS

**40+**  
MARKETING CAMPAIGNS  
AND RELEASES

PETROL

# AGENDA

**Section A:** Introduction to EG7

**Section B:** Introduction to Daybreak

**Section C:** The new group

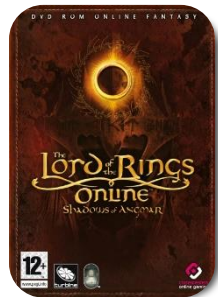
**Appendix:** Additional material



# Introduction to Daybreak

## Daybreak at a glance

- **Leading MMORPG** developer and publisher
- **“THE” pioneer of online games** with the release of EverQuest in 1999
- Expertise in **free-to-play and game as a service** business model
- Extremely **popular original IPs** and **iconic third-party IPs**, i.e. EverQuest, Planetside, Lord of the Rings and DC
- License agreement with **Marvel**
- **~178m total registered users**, with potential to leverage for marketing and reactivation



## DAYBREAK’S KEY PERSONNEL AND HIGHLIGHTS



**Jason Epstein**  
Executive Chairman  
Daybreak Games

- Serial entrepreneur with over 25 years of investing and operating across gaming and other industries
- Past track record include purchasing and turning around Harmonix



**Ji Ham**  
CEO  
Daybreak Games

- 22 years of experience across investment banking, investments and operations
- CEO of Daybreak since 2015



**Jack Emmert**  
CEO  
Dimensional Ink & Standing Stone

- Over 20 years of making games and operating GaaS products
- Co-founder and former CEO of Cryptic studios

Bookings of  
**USD 71m**  
(YTD Q3’20)

Net Revenue of  
**USD 63m**  
(YTD Q3’20)

Adj. EBITDA of  
**USD 26m<sup>1)</sup>**  
(YTD Q3’20)  
~41% Margin

**6**  
live online games

**~301**  
Employees  
(Nov 20)

**24**  
years in business

Source: Company information, management accounts. Note: 1) Management accounts are adjusted for elimination of dormant / non-core games, estimated cost savings to reflect the run-rate effect of recent operating expenses optimization and capitalization of development expenses.



# Daybreak - a unique journey

Sony Online Entertainment is founded as a subsidiary to Sony



Successful launch of Planetside 1 and Starwars Galaxies



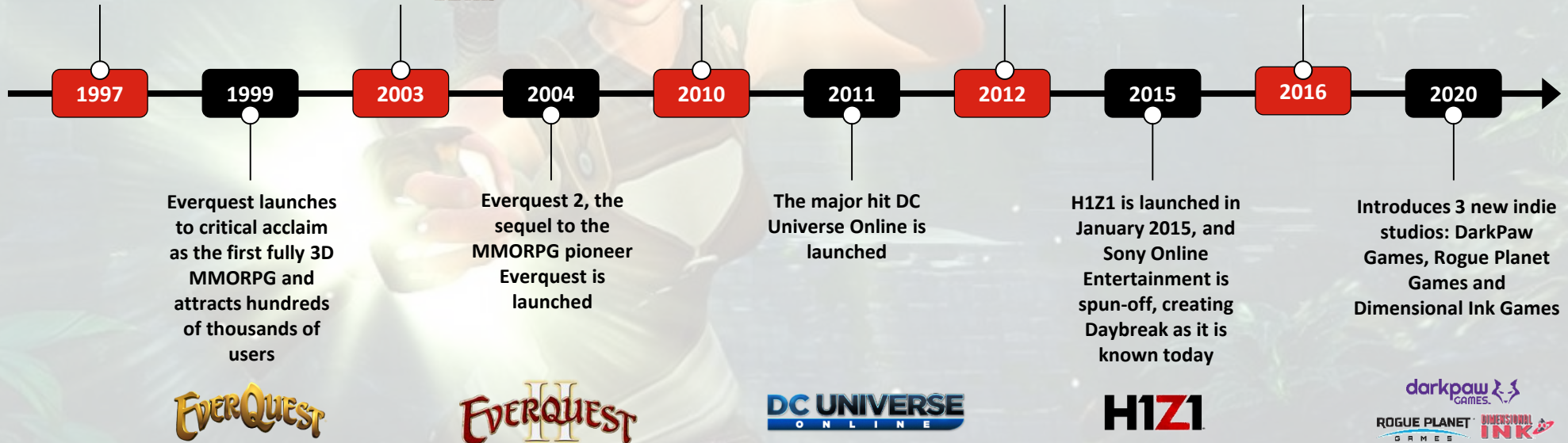
Launch of Clone Wars Adventures



Planetside 2 is launched, receiving several accolades, including Best Shooter and Best MMO in 2012



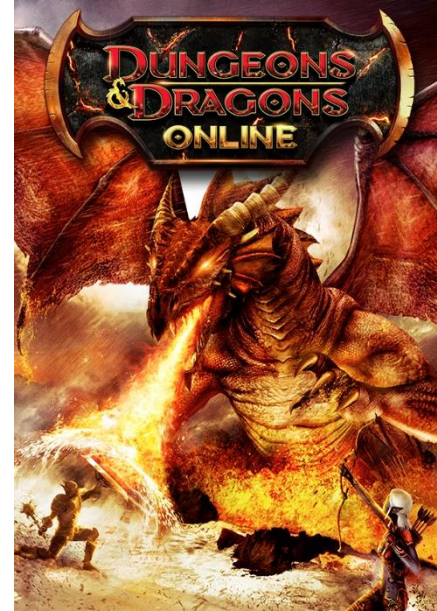
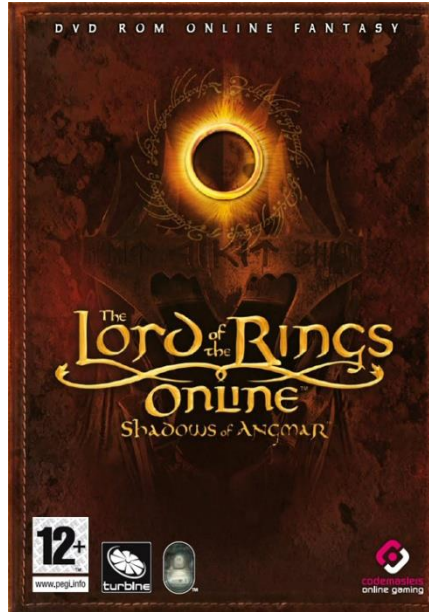
Daybreak acquires Turbine and Standing Stone Games, bringing LOTRO and DDO onboard, since contributing with \$72m of bookings and \$39m of Game level EBITDA



Source: Company information.



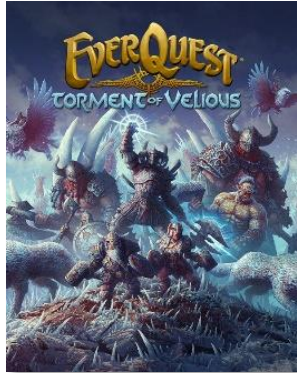
# Globally recognized third party IP portfolio...



**Daybreak boasts one of the best 3rd party IP portfolios in the world**



# ...combined with valuable original IPs



Released in 1999

**1<sup>st</sup> fully 3D MMORPG** game that pioneered the genre

Numerous **awards**, i.e. “Top 50 PC Games ever”

“Fortnite of its generation” – featured in The Simpsons, cover of TV guide

**~\$1bn** lifetime bookings



Released in 2015

**Very first standalone battle royale game that inspired PUBG and Fortnite**

Over **40m LTD downloads**

**Globally recognized** original IP



Released in 2012

The one and only **First Person Shooter** MMO in the world

Numerous **awards**, i.e. “Best Shooter”, “Best Free to Play” and “Best PC exclusive” by GameSpy

**Guinness World Record** for most players in a single battle with 1,158 players in a single session



# Strong portfolio of games...

## Live game portfolio



Experience a high-fantasy world based on epic quests and dungeons

**Fantasy MMORPG** Release in **Mar 1999**

YTD Bookings<sup>1)</sup> MAU / Members<sup>2)</sup>  
**\$11.5m** **82K / 66K**



"Parallel universe" to EQ set 500 years after the first game's events

**Fantasy MMORPG** Release in **Nov 2004**

YTD Bookings<sup>1)</sup> MAU / Members<sup>2)</sup>  
**\$6.5m** **29K / 21K**



Build a hero from the classic D&D races and experience 100+ hours of adventures

**Fantasy MMORPG** Release in **Feb 2006**

YTD Bookings<sup>1)</sup> MAU / Members<sup>2)</sup>  
**\$6.9m** **46K / 22K**



An ongoing series of adventures brimming with action and intrigue

**Fantasy MMORPG** Release in **Apr 2007**

YTD Bookings<sup>1)</sup> MAU / Members<sup>2)</sup>  
**\$9.9m** **108K / 41K**



Create a new original character and interact with iconic heroes and villains

**Superhero MMORPG** Release in **Jan 2011**

YTD Bookings<sup>1)</sup> MAU / Members<sup>2)</sup>  
**\$26.7m** **419K / 40K**



Experience enormous battles in territory control open-world gameplay

**Sci-Fi MMOFPS** Release in **Nov 2012**

YTD Bookings<sup>1)</sup> MAU / Members<sup>2)</sup>  
**\$7.9m** **198K / 25K**

- Evergreen live service game portfolio with strong brand and community association

- Mainly monetize via in-game purchase, membership subscription and DLC / expansion pack

- Average  80+

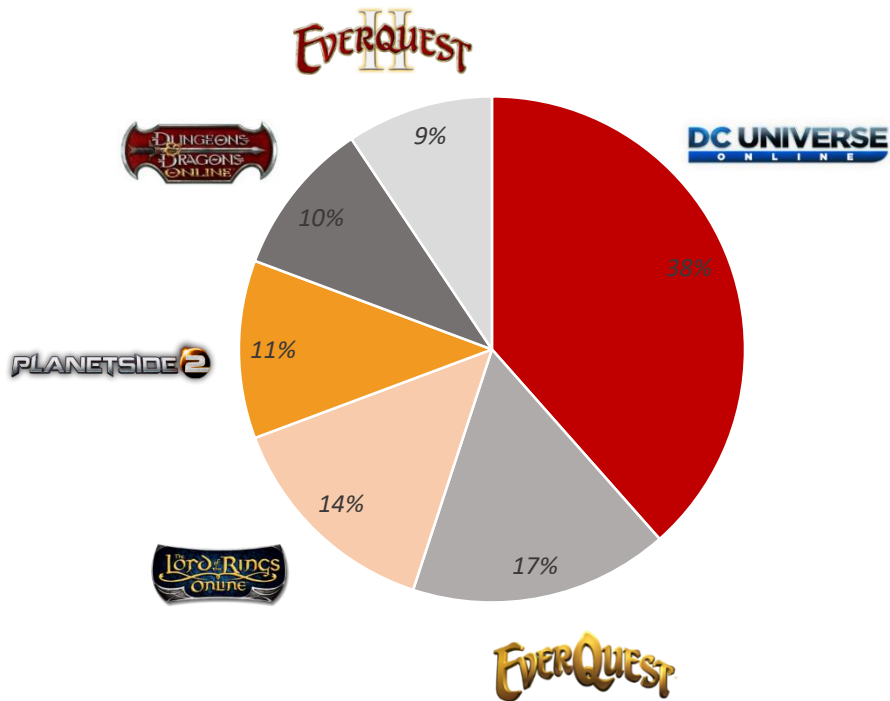
Source: Company information.

Note: 1) YTD bookings as of 30<sup>th</sup> September 2020. 2) As of September 2020. Members defined as customers who have purchased a monthly membership.

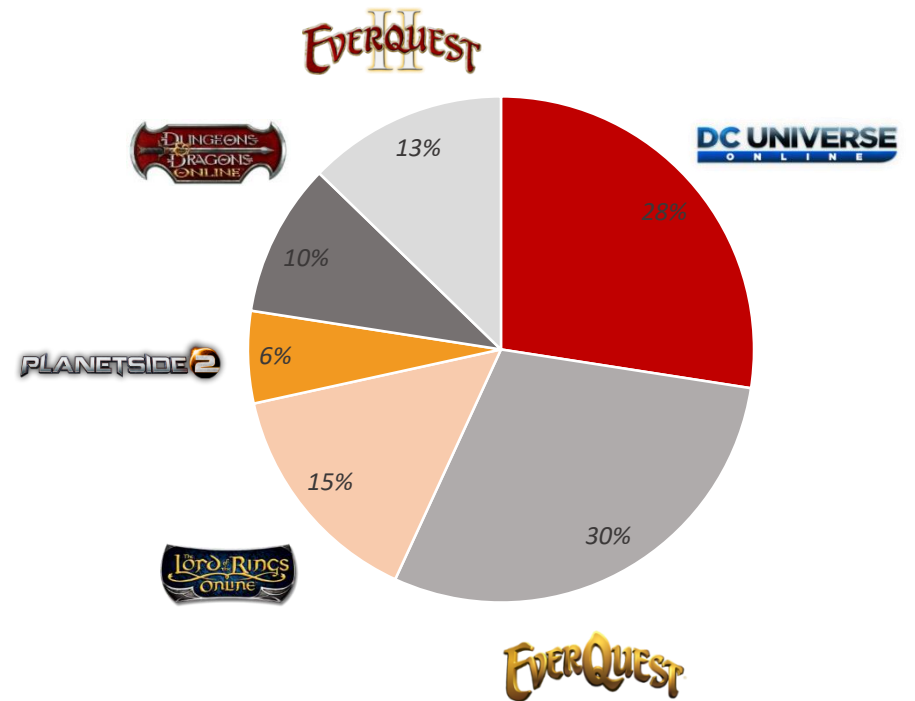


# ...leads to diversification

Bookings by game<sup>1)</sup>



EBITDA by game<sup>2)</sup>



Source: Company information.

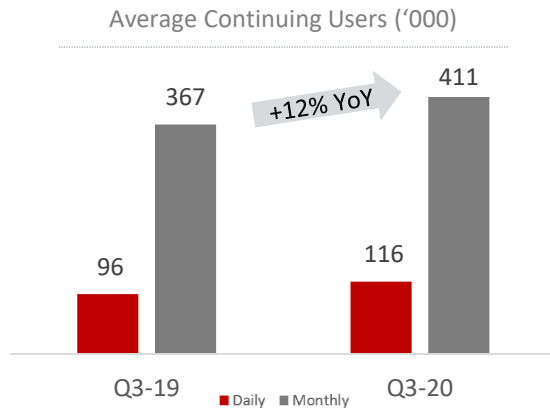
Note: 1) YTD bookings as of 30<sup>th</sup> September 2020. 2) YTD Game level EBITDA as of 30<sup>th</sup> September 2020.





# Loyal user base and industry leading monetization

## Growing and loyal user base

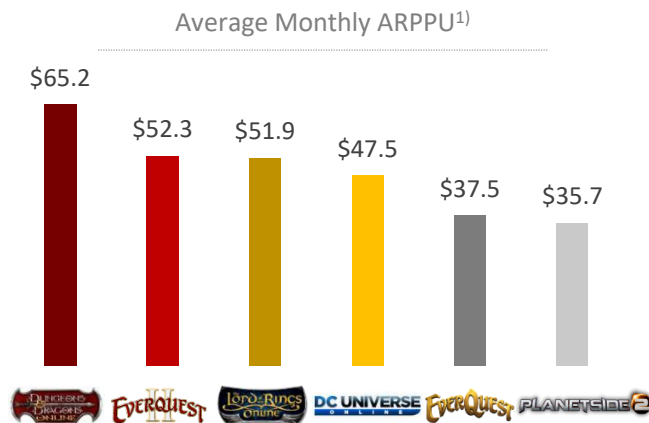


**~40%**  
of Monthly Active Users are Continuing Users

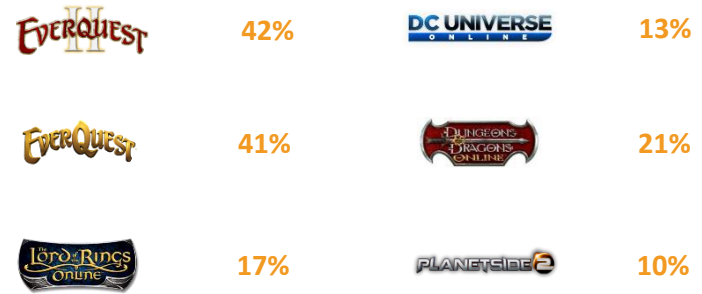
**60%-80%**  
Retention Rate for Continuing Users

**Up to 5**  
Average Session Hours

## Deep monetization model and industry leading metrics



Average Monthly Payer Conversion<sup>1)</sup>



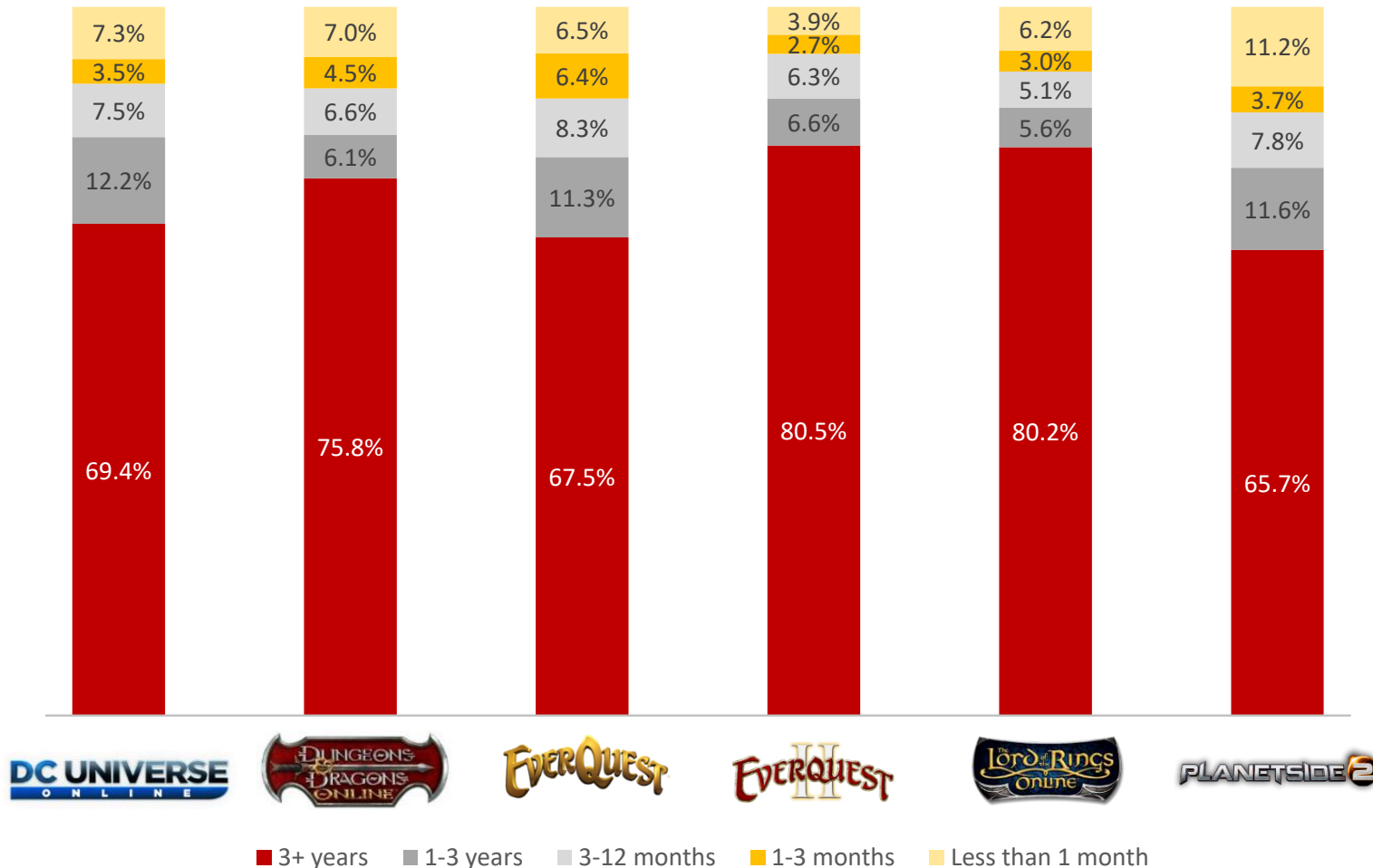
Source: Company information.

Note: Continuing users defined as customers who have logged into a game at least once every month. 1) As of Q3 2020.



# Highly tenured user cohorts

## Bookings by user cohort<sup>1)</sup>



- Daybreak's user cohorts show extremely **long-term engagement** and **stickiness**
- **65%+ of bookings** for each game comes from players who have been playing for **3 years or more**
- **New players** continue to join communities with **increasing monetization potential** as they stay longer

Source: Company information.  
Note: 1) Q3 2020.



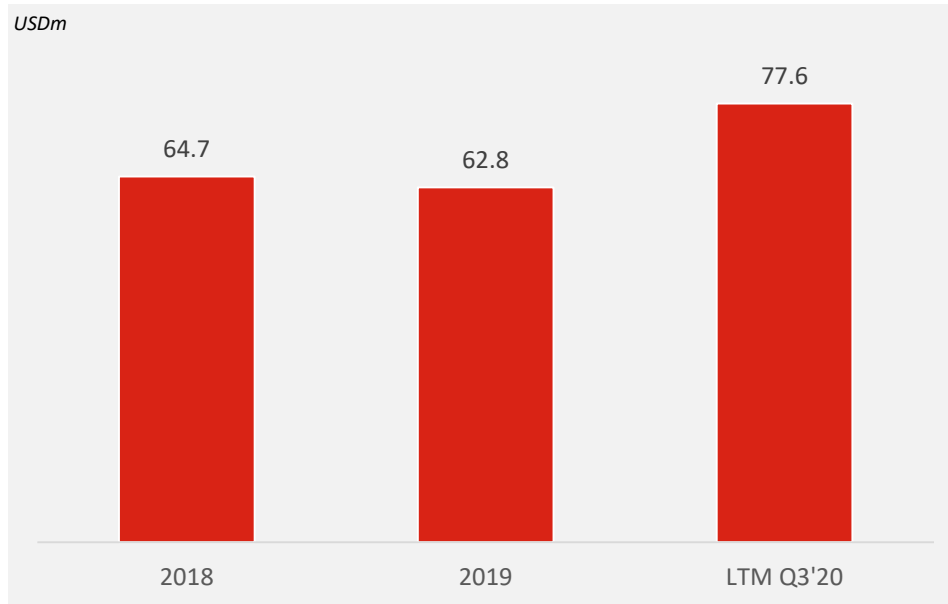
# Robust growth opportunities





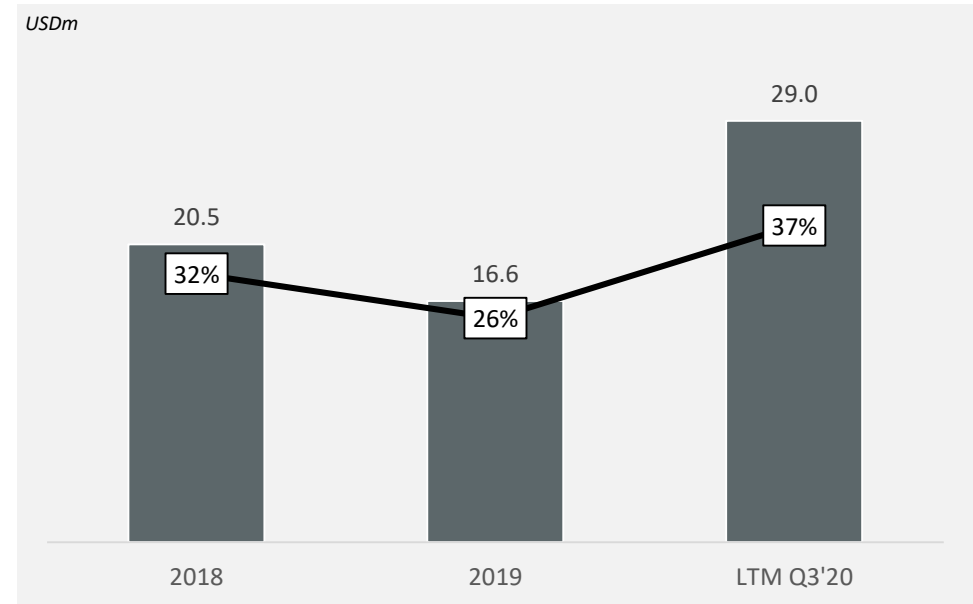
# Historical financial development

## Net revenue development



- Revenue fluctuated in 2018 and 2019 due to game update cycles
- Significant product investment contribute to higher revenue in 2020
- Very resilient growth during global pandemic – reactivated and new players continue to play and stay in the communities after initial lockdown period

## Adj. EBITDA and Adj. EBITDA margin development



- Increasing profitability mainly driven by topline growth and fixed cost leverage
- Owned first-party IPs and platforms boost margin significantly
- Cost reduction and justification during global pandemic further improve the margin profile

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# Key highlights from EG7 and Daybreak joining forces

## IP Portfolio

Further strengthens and adds diversification to EG7's IP portfolio through acquisition of best-in-class IPs (Everquest, Lord of the Rings, Dungeons & Dragons, DC Online)

## People

Addition of a strong team of individuals, both operationally and strategically, to the group





## Financial profile

Increases size and profitability of the group through stable cash flows from free-to-play model with loyal communities for existing IPs

**Furthermore, the Daybreak platform offers future upside through upcoming releases of e.g. DC and Lord of the Rings, potential synergies across the group, and a strengthened team to identify and execute further M&A**



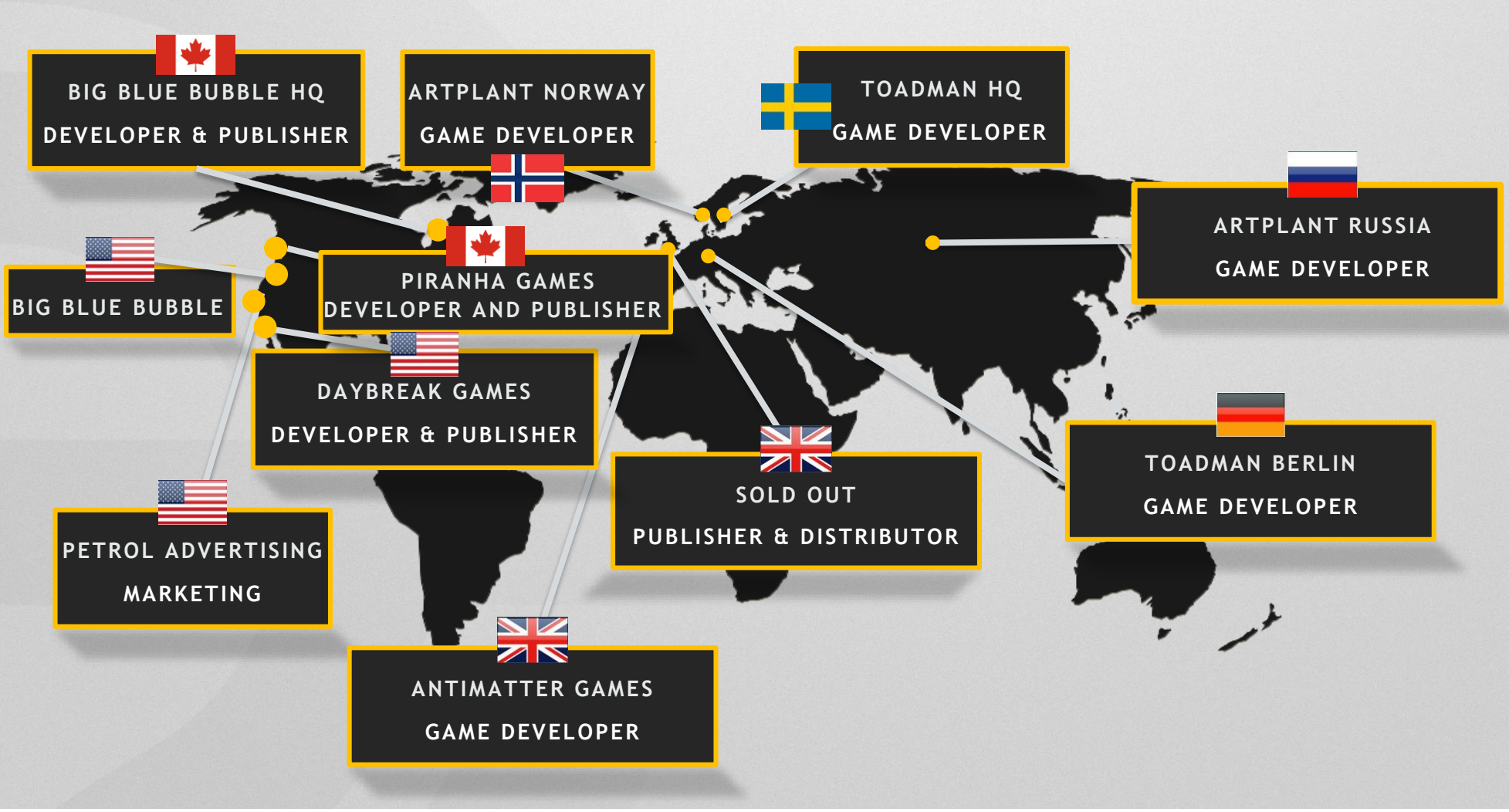
# New combined group

	 <b>CURRENT EG7</b>	+	 <b>DAYBREAK</b>	=	  <b>COMBINED</b>
<b>DESCRIPTION</b>	Video game development and related services		Video game development, GaaS operations and publishing		Video game development and related services
<b>SALES YTD</b>	SEK 657m		SEK 666m		SEK 1,322m
<b>EBITDA YTD</b>	SEK 156m		SEK 255m		SEK 411m
<b>OWN/LICENSED IP</b>	11		7		18
<b>SIZE OF IPS</b>	Indie, A, AA, AAA		AA,AAA		Indie, A, AA, AAA
<b>OUTPUT CHANNELS</b>	PC, Console, Mobile, Switch		PC, Console		PC, Console, Mobile, Switch
<b>FTE</b>	335		301		636
<b>BUSINESS AREAS</b>	Games (Game dev) and Services (WfH, Marketing, Publishing)		Games and Services		Games (Game dev) and Services (WfH, Marketing, Publishing)

Source: Company Information. Note: Current EG7 includes Big Blue Bubble and Piranha Games pro forma.



# Global coverage



Source: Company Information.

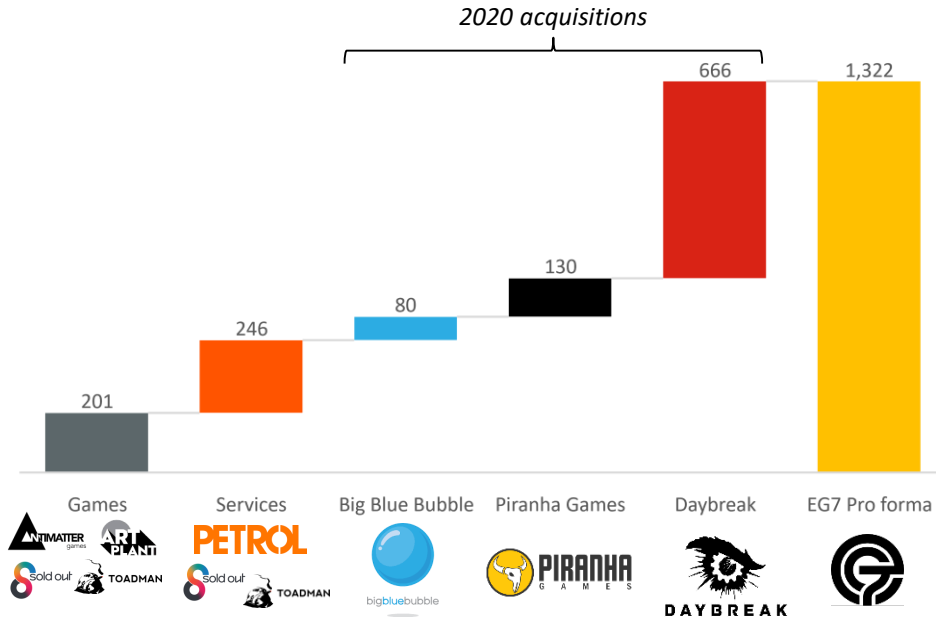




# YTD pro forma Revenue and EBITDA

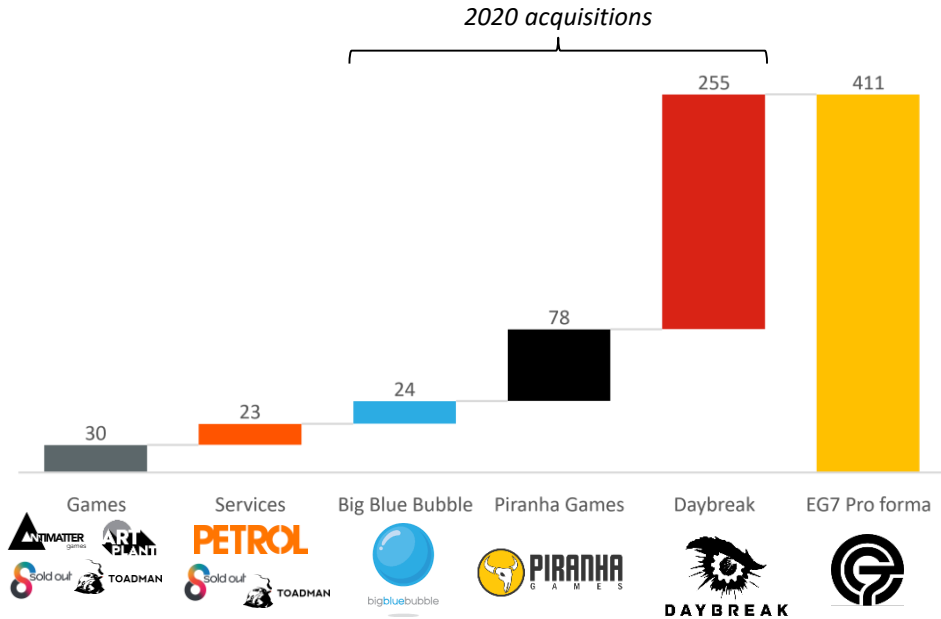
## Pro forma YTD Revenue

SEKm



## Pro forma YTD EBITDA

SEKm



- Through the acquisition of Big Blue Bubble, the announced acquisition of Piranha Games, and the contemplated acquisition of Daybreak, YTD pro forma revenue and EBITDA more than double
- Through the acquisition of Daybreak, the group's YTD pro forma EBITDA (including Big Blue Bubble and Piranha Games) increases with c. 163%
- As a result, the shares of revenue and EBITDA generated via Games increase significantly
- The YTD pro forma EBITDA margin amounts to c. 36%, an increase from c. 14%<sup>1)</sup>

Note: Numbers include pro forma adjustments. 1) Margin of Games + Services excluding Big Blue Bubble, Piranha Games and Daybreak. Margin calculated as a percentage of Net revenue.

# Group strategy



**Organic growth of existing IP portfolio**



**Mix of original and sequels for well-known IPs**



**Focus on free-to-play online with predictable and stable income**



**Value-adding acquisitions that support overall group strategy**



# AGENDA

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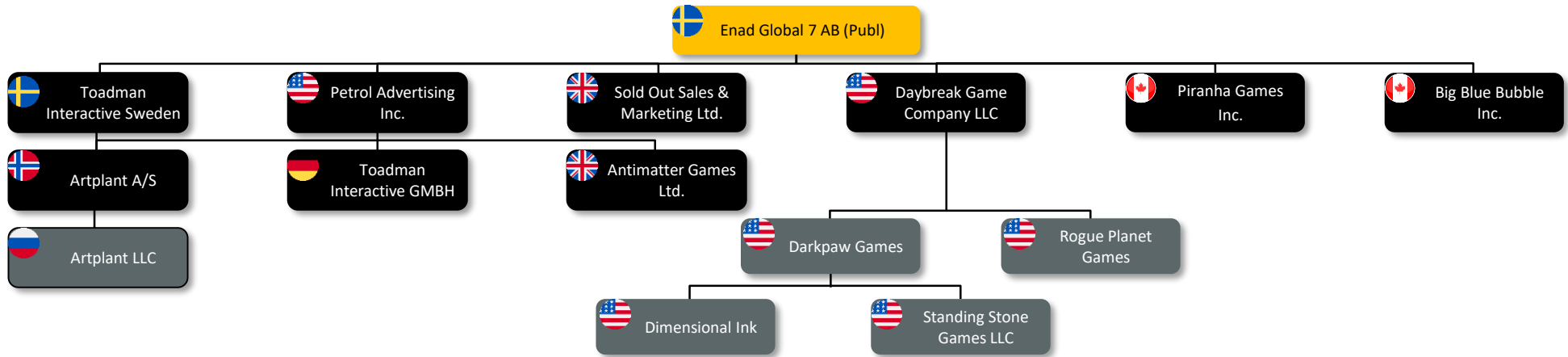
**Section C:** The new group

**Appendix:** Additional material



# New legal group structure

## New legal group structure







Note: Piranha Games Inc. and Big Blue Bubble Inc. were acquired through the Canadian entity 718511 N.B. LTD.



# Pro forma income statement

## Pro forma income statement

Jan-Sep 2020 Unaudited (SEKm)	 Swedish GAAP	 Adjusted	 Adjusted	 Adjusted	Pro forma
<b>Revenues</b>					
Net revenue	374	71	114 <sup>4)</sup>	589	1,149
Own work capitalized	28	8	16	21	73
Other revenue	45	1	0	55 <sup>6)</sup>	101
<b>Total revenue</b>	<b>447</b>	<b>80</b>	<b>130</b>	<b>666</b>	<b>1,322</b>
<b>Operating expenses</b>					
Cost of goods sold	-244	-15	-10 <sup>5)</sup>	-79	-348
Other external expenses	-40	-19 <sup>1)</sup>	-14 <sup>2,5)</sup>	-84 <sup>7,8)</sup>	-156
Personnel expenses	-109	-21 <sup>2)</sup>	-28 <sup>2)</sup>	-229 <sup>8,9)</sup>	-388
Other expenses	0	0	0	-18	-18
<b>EBITDA</b>	<b>53</b>	<b>24</b>	<b>78</b>	<b>255</b>	<b>411</b>
Depreciation and amortization	-68	-35 <sup>1,3)</sup>	-79 <sup>3)</sup>	-436 <sup>3)</sup>	-617
<b>EBIT</b>	<b>-14</b>	<b>-10</b>	<b>-1</b>	<b>-181</b>	<b>-206</b>
Financial net	-20	-2 <sup>1,3)</sup>	-22 <sup>3,5)</sup>	3 <sup>10)</sup>	-41
<b>Profit before tax</b>	<b>-34</b>	<b>-12</b>	<b>-23</b>	<b>-178</b>	<b>-247</b>
Taxes	-16	2	-28	46	5
<b>Net profit</b>	<b>-50</b>	<b>-11</b>	<b>-50</b>	<b>-132</b>	<b>-242</b>
<i>EBITDA margin<sup>11)</sup></i>	14%	34%	68%	43%	36%
<i>EBIT margin<sup>11)</sup></i>	-4%	-15%	0%	-31%	-18%

## Commentary





- On a pro forma basis, Big Blue Bubble, Piranha Games and Daybreak add SEK 80m, SEK 130m and SEK 666m of total revenue, respectively
- Big Blue Bubble, Piranha and Daybreak add SEK 24m, SEK 78m and SEK 255m of EBITDA, respectively, resulting in higher EBITDA margin for the combined group
- In total, the combined group, on a pro forma basis, has total revenue and EBITDA of SEK 1,322m and SEK 411m, respectively
- C. SEK 475m of total D&A attributable to amortization of goodwill. Goodwill is amortized over 5 years

Note: Illustrative proforma analysis as if Big Blue Bubble, Daybreak and Piranha Games were acquired on 1 January 2020. Big Blue Bubble, Daybreak and Piranha Games financials illustratively converted to EG7's accounting standards for the combined entity. Adjustments of: 1) Leases. 2) Capitalized development cost. 3) Acquisition related items. 4) Minimum guarantee contract. 5) Loan and service agreement. 6) Paycheck protection program. 7) Deferred rent. 8) Carve-out. 9) Share-based payments. 10) Settlement of external debt. 11) Margin calculated as a percentage of Net revenue.



# Pro forma balance sheet

## Pro forma balance sheet

Jan-Sep 2020 Unaudited (SEKm)	 Swedish GAAP	 Adjusted	 Adjusted	 Adjusted	Pro forma
<b>ASSETS</b>					
<b>Non-current assets</b>					
Intangible non-current assets	456	213 <sup>1)</sup>	525 <sup>1,3)</sup>	2,737 <sup>1,5)</sup>	3,930
Tangible non-current assets	8	6 <sup>2)</sup>	3	23 <sup>5)</sup>	40
Financial non-current assets	2	0	0	30 <sup>1,6,7)</sup>	32
<b>Total non-current assets</b>	<b>466</b>	<b>219</b>	<b>527</b>	<b>2,790</b>	<b>4,003</b>
<b>Current assets</b>					
Inventory	23	0	0 <sup>3)</sup>	0	23
Current receivables	74	37	1 <sup>4)</sup>	85 <sup>8)</sup>	196
Cash and cash equivalents	541	-53 <sup>1)</sup>	-104 <sup>1)</sup>	96 <sup>1,6,8,9)</sup>	479
<b>Total current assets</b>	<b>638</b>	<b>-17</b>	<b>-103</b>	<b>180</b>	<b>699</b>
<b>TOTAL ASSETS</b>	<b>1,104</b>	<b>203</b>	<b>424</b>	<b>2,970</b>	<b>4,701</b>
<b>EQUITY AND LIABILITIES</b>					
Equity	706	50 <sup>1,2)</sup>	54 <sup>1,4)</sup>	2,369 <sup>1,6,7,8,9,10,11)</sup>	3,179
Provisions	80	119 <sup>1)</sup>	348 <sup>1)</sup>	403 <sup>1,10,11,12)</sup>	951
Non-current liabilities	221	4 <sup>2)</sup>	3	25 <sup>6)</sup>	252
Current liabilities	98	30 <sup>1,2)</sup>	20 <sup>4)</sup>	173 <sup>1,6,9,10,11)</sup>	320
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,104</b>	<b>203</b>	<b>424</b>	<b>2,970</b>	<b>4,701</b>

## Commentary

- C. SEK 150m, SEK 350m and SEK 2bn of the PPA is allocated to goodwill for Big Blue Bubble, Piranha Games and Daybreak, respectively

Note: Illustrative proforma analysis as if Big Blue Bubble, Daybreak and Piranha Games were acquired on 30 September 2020. Adjustments for: 1) Acquisition related items. 2) Leases. 3) Capitalized development costs. 4) Minimum guarantee contract. 5) Reclassification of software. 6) Settlement of external debt. 7) Loan to shareholders. 8) Issuing of new share, assumes SEK 1.5bn equity raise. 9) Carve-out. 10) Paycheck protection program. 11) Deferred rent. 12) Tax.



# EG7's ownership per 31 October 2020

## Ownership per 31 October 2020

Shareholders	Type of Investor	Number of Shares	Ownership (%)
Robin Flodin	Co-founder	3,817,713	8.60%
Dan Sten Olsson with family and trust	Investor, represented on board level	3,625,000	8.16%
Rasmus Davidsson	Co-founder	2,872,743	6.47%
Avanza Pension	Institutional and retail investors	2,794,535	6.29%
Alan Hunter	Petrol Co-founder	2,323,718	5.23%
Ben Granados	Petrol Co-founder	2,021,717	4.55%
Johan Svensson	External private investor	1,951,362	4.39%
Länsförsäkringar Fonder	Institutional investor	1,896,288	4.27%
TIN Fonder	Institutional investor	1,840,000	4.14%
Alexander Albedj	Chairman of the board	1,679,084	3.78%
Erik Nielsen through company	Board member	1,387,000	3.12%
James Cato	Sold Out Co-founder	1,386,320	3.12%
Gary Williams	Sold Out Co-founder	1,386,320	3.12%
SPSW Capital /Lloyd Fonds AG	Institutional investor	1,351,350	3.04%
Ola Nilsson	Head of Toadman Studios	778,000	1.75%
Other shareholders		13,291,507	23.93%
<b>Total</b>		<b>44,402,657</b>	<b>100.00%</b>
Of which management and board members		23,639,728	53.24%



# Risk factors

*An investment in Enad Global 7 AB (publ) (the “Company” and together with its direct and indirect subsidiaries, the “Group”) shares involves various risks. The financial performance of the Company and the Group and the risks associated with its business are important when making an investment decision regarding the Company’s shares. A number of risk factors and uncertainties may adversely affect the Group. If any of these risks or uncertainties actually occur, the business, operating results and financial position of the Group could be materially and adversely affected. In such cases, the trading price of the Company’s shares could decline. In this section, a number of risk factors, both general risks pertaining to the Group’s business operations and material risks relating to the shares as financial instruments, are illustrated. The risks presented in this material are not exhaustive as other risks not known to the Company, as of the date of this material, or risks arising in the future may have an adverse effect to the Group and the Company’s shares. If one or more risks actually occur, investors may lose all or part of their investment. The risk factors presented in this section are not ranked in order of probability, importance or potential impact.*

## **Risks relating to the Company and its industry**

### ***The Company is dependent on publishing agreements***

The Group is divided into two business divisions: (i) Games and (ii) Services. The Services business division consists of marketing, publishing and distribution services related to game titles. The Games division represented 47 percent and the Services division represented 53 percent of the Group’s revenue during the first three quarters of 2020. The Company has, through its subsidiary Sold Out Sales & Marketing Ltd. (“**Sold Out**”), entered into a number of publishing agreements with game developers since Sold Out was acquired by the Company in December 2019. The publishing agreements concern the physical publishing and launch of game titles for different platforms, PC or game consoles, depending on the game titles. For example, in March 2020, Sold Out entered into a publishing agreement with the independent game developer White Paper Games to release a new, unannounced title on next-generation consoles and PC. Sold Out will invest up to GBP 680,000 and receive 50 percent of the net revenues of the game. Furthermore, in July 2020, Sold Out signed a publishing agreement with Frontier Development regarding the launch of Planet Coaster: Console Edition on Playstation 5, Playstation 4, Xbox Series X and Xbox One. In addition, in July 2020, Sold Out signed publisher agreements with the developer ColePowered Games’ upcoming sci-fi title Shadows of Doubt as well as an as of yet unannounced title from Auroch Digital. The Company makes large investments into the games that are to be published under the publishing agreements and has the right to receive a part of the net revenue from the sales of the games titles. There is a risk that the publishing projects are delayed or that the projects are not completed at all. Consequently, the Company would not be entitled to the part of the agreed-upon royalties and net revenue from the games and the investments made may not be recovered. It is hard to predict how a game will be received by players and game reviewers. It is a risk that the launch of a game will not be received by the market in line with the Company’s expectations, leading to lower sales than expected and therefore negatively affect the Company’s anticipated net revenue under the relevant publishing agreement. If any of the above risk were to materialise, it could have a material adverse effect on the Company’s revenue, operations, profitability and financial position.

### ***The Company has limited experience of developing, marketing, publishing and distributing its own game titles***

Within the Games business division, the Company is either (i) producing its own games as publisher or (ii) producing games on behalf of a third party publisher. The Company was established in early 2013 and in the beginning mainly focused on producing games on behalf of other publishers as well as on technology development. As of the date of this material, the Group has grown within the gaming market industry to develop, market, publish and distribute, PC, console and mobile games to the global gaming market. The Company has increased its capabilities and experience from developing games by assignments for other publishers. Furthermore, the Company has, through acquisitions of other companies obtained rights to titles, relevant experience to market, publish and distribute game titles. The development of its own games involve a greater responsibility for the Company throughout the entire game development process, in order to create its own “story” that is appealing to players, make financial and development resources available both internally and externally, as well as manage marketing, distribution, and sales of the games. There is a risk that the Company will be unable to complete its own game title projects, that the Company will be unable to find suitable collaborations with external game developers, and that the games will not be well received by players or game reviewers in the gaming market. Delays in planned and ongoing game projects may have a negative effect on cash flow, revenues, and operating margins. The completion of a game project may also require further resources than originally projected and the cost must then normally, particularly when it comes to internal projects, be borne by the Company. Should one or several of the Company’s internal game projects be delayed or not be implemented, this could have a material adverse effect on the Company’s revenue, operations, profitability and financial position.





# Risk factors

## ***The Company is dependent on agreements with third party publishers for production of games***

As mentioned above, the Company's Games business division partly comprise of producing games on behalf of a third party publishers. To produce games on behalf of third party publishers, the Company is dependent on agreements with publishers for the production of the games. The agreements with publishers regulates the game development process and is typically divided into a number of milestones, where the Company shall deliver a specified part of the project at a certain time, such as submission of a beta version of the game. Reaching a milestone under the agreements are typically associated with a pay-out of a milestone fee to the Company. There is a risk the Company will be unable to deliver a beta version or any other milestone in time, or that the delivered milestone product or final product will not satisfy the publisher's requirements, or that the publisher will not approve the delivered product due to other reasons, which could lead to the project with the Company being delayed or not finalised or completed at all. The agreements also regulates the rights to net revenues from sales of the games. The Company does not receive any revenues from a game if the game is not finalised or completed and even if the game is launched the revenue might not be in accordance with the expectations from the Company. If there would be a delay of the project or if the project is not completed, there is a risk that the Company would not be entitled to part of the agreed-upon fee at the approval of the beta version or other fees, such as royalties and net revenue from the game. The abovementioned risks can further lead to a deteriorating relationship with publishers, as well as damage to the Company's reputation in the game industry. If agreements with the publishers are not completed due to project milestones not being approved or that the project is not completed due to other reasons or if the Company's relationship with the third party publishers or reputation in the gaming industry were to deteriorate, it could have a material adverse effect on the Company's revenue, operations, profitability and financial position.

## ***The launch of new game titles may generate less revenue than estimated***

When launching new game titles, there is a risk that these will not be received by the market in line with the Company's expectations, which may mean, for example, that a game title receives negative reviews from game journalists or influencers within the game industry, or that players assign a poor review on both game platforms (for example the rating system in Steam) and various game forums (the community). Negative reviews from the market are sometimes due to the fact that a game title contains bugs, the game's "story" is not appealing enough, or that the price of the game title is too high compared to other similar games in the market. Poor reviews from the market and the public could have a material adverse effect on the markets' and the public's interest in the game and lead to loss of revenue, lower margins, and reduced cash flow. This applies to both self-financed projects and games where the Company act as a publisher and is responsible for a significant share of the financing. Capitalised development costs also risk having to be depreciated. Should a game launch result in lower revenue than expected, this could have a material adverse effect on the Company's revenue, operations, profitability and financial position.

## ***The Company is dependent on a license agreement for the game engine***

The Company mainly uses, as of the date of this material, the Stingray game engine, Unity and Unreal 4 for the development of games. The software rights to Stingray are owned by the company Autodesk and are made available to the Company through a license agreement. Autodesk has ceased to further develop Stingray within its operations, meaning the Company, in collaboration with a few other game developing companies, are further developing and improving the game engine. Should access to the Stingray game engine not be available in the future, this may lead to loss in revenue as a result of an inability to fulfil agreements with third party publishers, increased development costs for a self-owned game engine, or for the renegotiation of, or entering into, a license agreement under unfavourable terms, which could have a material adverse effect on the Company's revenue, operations, profitability and financial position.



# Risk factors

## ***The Company is dependent on a few important distribution channels for its game titles***

The Company's sales of digital and physical game titles are largely done through a few important distributors. Steam is one of the digital platforms used by the Company, a so-called content delivery system, created by Valve Corporation ("Valve") for the digital distribution of computer games to customers. There is a risk that Steam will choose to distribute and market the Company's games in a manner deemed unfavourable from the Company's perspective, that Steam will decide on a different focus for the distribution and marketing of games, or that the Company's games will be removed from the game platform. Continued provision of the digital and physical distribution channels by the distributors, is a precondition for the Company to be able to continue to generate revenue from these channels. The Company also relies on the financial information provided by the digital distributors, concerning, for example, sales of the Company's game titles being complete, and the Company largely relies on these revenues to reflect the players' actual purchases. The Company owns a self-developed platform for sales and marketing of the Company's game titles, and may use this as a complement to Steam for future game releases. The development of its own platform may mean that large resources may be allocated thereto, which consequently may lead to high development costs for the platform and resources being used which may shift the focus from the developing of game titles. In addition, there is a risk that the platform may not be received by the gaming market in line with the Company expectations and doesn't achieve the level of technical quality required to make the platform available for the downloading of games and/or updating of games via so-called patching. There is also a risk that work on the platform will commence but will not be completed due to increased development costs or that competitors with significant financial resources develop platforms superior to the Company's. If an important distributor for some reason is forced to remove the Company's game from their digital distribution channel, or if the digital distribution channel is shut down, or if a physical distributor needs to stop its sales, and/or if the development of the Company's own platform does not progress as expected, alternatively does not materialise at all, this may lead to loss of revenue in the short-term, and if an interruption becomes long-lasting, this could have a material adverse effect on the Company's revenue, operations, profitability and financial position.

## ***The Company relies on its ability to retain and attract new players as well as on a good reputation within the game industry***

Development in the game industry is largely driven by demands and requirements from end customers, game developers, and publishers, which means that the operators must constantly offer new products and services in order to attract and retain a broad range of end customers. The Company is, within its core business, mainly focused on producing and selling action and hardcore games within the RPG (Role Playing Game) genre globally. The Company's target group of players are, in general, engaged, experienced within the RPG game genre and have high demands on the games. Evaluation and rating of the Company's current and future games or updates take place through discussions between players on different online forums, by game reviewers and on game ranking sites, such as Metacritic. There is a risk that players or game reviewers will form an opinion that the Company's current and future games or updates do not comply with the demands or expectations they have on the games, and that circumstances outside the Company's control may lead to poor reviews of the games. Unsatisfied players, low scores, or poor reviews within player circles or from game reviewers may impact upon the Company's ability to retain and attract new players to its current or future games, as well as to a decline in reputation among players and other game developers. As a result thereof, this may lead to reduced revenue due to reduction of sales of current or future games, reduction of in-game purchases, and difficulties to enter into collaboration agreements with other game developers, difficulties in the publisher role, and problems in getting assignments from other publishers. Should the Company fail in retaining its current players and in attracting new players, and be unable to maintain current and future collaborations with other game developers, this could have a material adverse effect on the Company's revenue, operations, profitability and financial position.



# Risk factors

## ***Completed and potential future acquisitions may fail to integrate successfully in the Company's business and to fully achieve expected financial and strategic synergies***

The Company has from 2019 up until the date of the material completed several acquisitions of companies, as described below. In June 2019, the Company acquired Antimatter Games Ltd., a game development studio based in Falmouth, Cornwall, United Kingdom. Also in June 2019, the Company acquired PETROL Advertising Inc. ("**PETROL**"), a creative marketing company in the entertainment industry located in Burbank, California, United States, and which at the time of the acquisition had 71 employees. The Company acquired PETROL for an initial purchase price of USD 18 million. Furthermore, the acquisition of PETROL Advertising Inc., established a new part of the Company's business focusing on the marketing of games in the entertainment industry.

In December 2019, the Company acquired Sold Out, a video game publisher and distributor located in London, UK, for a consideration of GBP 16.0 million, plus an additional consideration of up to GBP 5.2 million, on a cash- and debt- free basis.

On 25 November 2020, the Company acquired Canadian game developer Big Blue Bubble Inc. ("**Big Blue Bubble**") for a consideration of CAD 16 million, plus an additional consideration of up to CAD 60 million, on a cash- and debt- free basis paid in cash and in newly issued shares in the Company. By acquiring Big Blue Bubble, the Company gained a team of approximately 70 people across two offices in London, Ontario and San Francisco, California, respectively, as well as an internally developed and mobile technology.

On 25 November 2020, the Company entered into an agreement to acquire Piranha Games Inc., a British Columbia, Canada, registered company ("**Piranha Games**"). Through the contemplated acquisition, the Company gains a team of 65 people in the studio in Vancouver, Canada. Completion of the acquisition of Piranha Games is subject to customary conditions including foreign investment approval and closing is expected to take place during the first calendar quarter 2021.

In addition, the Company is currently contemplating an acquisition of Daybreak Game Company LLC, a US based video games developer with US subsidiaries ("**Daybreak**") as further described in this material.

To fully achieve the expected financial and strategic synergies of completed and future acquisitions, the Company must rationalise, coordinate, and integrate all operations conducted by the acquired businesses. This process involves time-consuming, costly, and complex technical, operational, and staff-related challenges, which may adversely affect the Company's ordinary operations. The difficulties, costs and delays that may arise in connection with the acquisitions, may include: i) difficulties, costs, or complications in amalgamating the companies' operations, which may cause the Company to fail to achieve the expected synergies, ii) lack of ability to effectively utilise assets to develop the business in the amalgamated companies, iii) different standards, controls, routines and policies, company cultures and remuneration structures, iv) derailing of management's focus from the operative business and other strategic opportunities, v) lack of collaboration between geographically separated organisations, vi) potential tax costs or tax inefficiency in connection with the integration of company operations, vii) restructuring costs and investments and viii) incentives for sellers not being in line with the Group's expectations, as the results may be overstated by sellers leading to short-term effects on the business to increase profits during the earn-out period but not in the long-term. In addition to the risks described above there may be certain risks in the integration of a new business segment within the Company, which the Company also may not be aware of and that may arise in the future during the continuous integration of acquired companies. Due to the above reasons, the Company may find it difficult to fully achieve the financial and strategic synergies that future acquisitions are expected to bring. Any actual cost savings and synergies can also be lower than what the Company has estimated and take longer to achieve than what the Company expects. It may become a reality that the Company does not achieve the expected benefits from such investments or acquisitions, and that these transactions may become unprofitable and burden other parts of the business. If the Company acquires businesses, the Company can likewise have difficulties in integrating personnel and operations, and key personnel within the acquired business may decide to resign. The Company may also face difficulties if technology or products are to be integrated into the Company's operations. Should any of these risks materialise, this could have a material adverse effect on the Company's revenue, operations, profitability and financial position.



# Risk factors

## ***The Company may be unsuccessful in evolving and adjusting to new technology***

The Company's industry is characterised by rapid development of new products, technologies, and end-user practices, and it is thus important that the Company continuously updates and develops new and existing products and technologies. The Company uses, through a license agreement with Autodesk, the Stingray game engine for the development of its games. Autodesk has ceased to further develop Stingray within its operations, meaning that the Company, in collaboration with a few other game developing companies, are further developing and improving the game engine. There is a risk that the Stingray game engine will not be developed at the same pace as other game engines on the gaming market, that the other two game companies that develop the game engine cease to develop the game engine further, or that they develop it in an improper way or that the game engine will be unable to handle new technical trends arising in the gaming market. A widespread introduction of new online technology, new hardware, new types of game consoles, and higher standards may require the Company to provide significant resources to replace, upgrade, modify or adapt its offerings. As part of this rapid technology development, this also means that some technology will not have a break-through in the market or will fail due to competition from other solutions. There is a risk that the Company will invest resources and funds in adapting to a technology that may not be as successful as the Company believes. Should any of these risks materialise, this could have a material adverse effect on the Company's revenue, operations, profitability and financial position.

## ***The Company's future growth depends on its ability to develop new games and improve existing games***

The Company's continued growth will depend, among other things, on its ability to regularly develop new games, improve existing games in a way that enhances the playing experience, as well as enter into new assignments for game development. If the development model for the current games ceases to be effective, this can lead to an increase in current development costs, which in turn would have a negative impact on the operating revenue. There is a risk that none, or only a few, of the Company's future games become successful and generate significant revenue. Should the Company be unsuccessful in developing new games and improving existing games that generate significant revenue, this could have a material adverse effect on the Company's revenue, operations, profitability and financial position.

## ***Risks related to intellectual property rights***

The Company's intellectual property rights are primarily protected by registration of web domains, legislation for the protection of trade secrets and/or agreements. The Company's game titles are primarily developed by the Company's employees and in some cases the Company uses consultants. The Company's employees and consultants are required to sign agreements including provisions assigning all rights, title, and interests in any intellectual property rights to the Company. There is a risk that provisions related to the intellectual property rights under such agreements are deemed invalid in a jurisdiction where the Company is conducting its business as of the date of this material and also in relation the contemplated acquisitions described in this material. In addition, there is a risk that employees or consultants claims to have right to the developed intellectual property made under the agreement with the Company. If such employee or consultant has developed any material intellectual property for the Company, it could lead to disputes and initiated proceedings can be lengthy and costly. The outcome from such proceedings may also be uncertain.

If products owned by the Company, or products acquired or developed in the future, are not sufficiently protected by intellectual property rights, if current intellectual property protection cannot be maintained, or if current intellectual property protection proves to be insufficient for the Company to uphold its rights and market position, the Company's ability to conduct business, along with its financial position and results, may be negatively affected. Since the Company, as mentioned above, enters into agreements, under which they act as publisher for certain games on behalf of other publishers, it may appear as though the Company holds certain intellectual property rights which the Company in fact does not own. Moreover, the Company's business, financial position, and results could be adversely affected in the event the Company becomes subject to infringement in respect of its intellectual property rights or infringes on other parties' intellectual property rights. Web domains of significant importance are owned by the Company, its subsidiaries, or by a third party who by certain agreements assures that the intellectual property rights are maintained within the control of the Company. There is a risk that the intellectual property protection will not be sufficient, and that potential claims, breach of agreements, or loss of copyright or any other intellectual property rights will occur, which could have a material adverse effect on the Company's revenue, operations, profitability and financial position.



# Risk factors

## ***The Company relies on its ability to retain and recruit key personnel***

The Company's success is based on, and depends on, existing employees' knowledge and experience, as well as the Company's ability to recruit and retain key personnel in the future. Some of the Company's senior executives have been involved since the formation of the Company and therefore have knowledge about the game industry and the Company. Through acquisitions of companies during recent years and the contemplated acquisitions, as described in the risk factor "*Completed and potential future acquisitions may fail to integrate successfully in the Company's business and to fully achieve expected financial and strategic synergies*" above, the Group has become and will in the future continue to be dependent on certain key personnel to operate such businesses in the future. In addition, as a result of the acquisitions, the number of senior executives has grown in order to manage the global operations. The Company continuously evaluates new recruitments, primarily within the development and programming areas. In Sweden, and particularly in the Stockholm region, there are many game companies, meaning there is fierce competition in the market to find talent and qualified personnel for a variety of IT roles. The Company further recruits personnel to its subsidiaries in US, UK, Canada, Norway, Russia and Germany. Furthermore, the Company's employment agreements with key personnel and senior executives normally stipulates a three month notice period. There is a risk that the Company will be unable to recruit personnel with the skills or knowledge needed to perform the tasks required by the Company, that the Company fails to understand the foreign labour markets where the Company's subsidiaries operate, and that the Company is unable to compete at the remuneration levels offered to their employees by the Company's competitors. In addition, there is a risk that senior executives and other key personnel will terminate their employments with the Company. Therefore, it is of significant importance that the Company is able to attract and retain key personnel and that these perceive the Company to be an attractive employer. Loss of key personnel or the inability to recruit qualified personnel could lead to slower and more costly development of the business, which could have a material adverse effect on the Company's revenue, operations, profitability and financial position.

## ***The Company operates in a competitive market and the Company could fail to compete successfully***

There is a risk that the Company's competitors will be better or faster than the Company in adapting to and developing new and/or superior games, other products, services and/or technologies. There is also a risk that the Company's development strategy for games within a certain genre could prove to be flawed if these games do not attract enough players. Increased competition from both large and small parties could lead to lower prices and reduced demand for the Company's products and thus declining margins for the Company. The Company's position in existing markets could rapidly weaken if the Company's competitors develop new, better, and/or cheaper game products, services and technologies. Current and potential competitors may also be companies that are more recognised, that have a more extensive customer base and is able to achieve success by increasing their market share by, for example, extensive marketing efforts. A weakened market position for the Company and/or increased competition, could have a material adverse effect on the Company's revenue, operations, profitability and financial position.

## ***The Company relies on well-functioning IT systems and is exposed to risks relating to hacking, viruses, sabotage and other cyber crimes***

The Company relies on efficient and uninterrupted operations of different IT systems to run the various operational activities, including game development, sales, storage and distributions. The Company has servers in its own premises, in Stockholm, where backup copies of developed code are stored locally and also utilises cloud solutions for information storage. A significant collapse or other disturbance in the IT systems can affect the ability to conduct operations with regards to product development, carry out efficient sales or invoicing and delivery of products and services to customers. Furthermore, outages or delays at the Company's external digital distribution channels can lead to players being unable to download the Company's games or game updates, which can create frustration among the Company's players. The Company is exposed to responsibilities in the event that the Company fails to provide products and services to its customers. The Company's business further involves the use and storage of employee and customer data. There is a risk that the Company's security measures regarding its systems and other security procedures will not prevent unlawful infringements or that personal data or protected information will be disclosed for other reasons. The IT environment in which the Company is operating is governed by extensive laws, rules and regulations, including, but not limited to, the protection and processing of personal data, which often undergo change. Sometimes these laws, rules and regulations can be incompatible between the jurisdictions in which the Company operates. The Company further risks being adversely affected by activities such as system intrusion, spreading of viruses, and other types of IT crimes. Such operations can obstruct websites and game development, cause system failures and business disruption, and may damage computers or other equipment at the Company, its customers, or end users. Should any of the abovementioned risks materialise, this could damage the Company's reputation and cause the Company to become liable for damages, and thus result in increased costs and/or loss of revenue. Should any of the above events occur, this could have a material adverse effect on the Company's revenue, operations, profitability and financial position.



# Risk factors

## ***The Company risks being involved in legal and administrative proceedings***

Disputes do sometimes arise in the game industry, particularly in relation to intellectual property rights. Consequently, there is a risk that the Company in the future may be involved in legal or administrative proceedings, which may involve extensive damage claims or other payment claims, including claims from customers, employees or competitors. In connection with the acquisitions of Big Blue Bubble, the Company became aware of an IP litigation matter against Big Blue Bubble Canada and David Kerr (former producer/game designer of Big Blue Bubble Canada) with respect to Big Blue Bubble's "My Singing Monsters" game. The plaintiff is a former employee, who is seeking damages of CAD 5,000,000 for conversion, breach of confidence, breach of fiduciary duty, breach of copyright, breach of contract, unjust enrichment, interference with economic relations, breach of duty to act in good faith, conspiracy to injure and conflict of interest. The plaintiff is also seeking punitive, aggravated and exemplary damages of CAD 500,000 as well as various declarations and orders including orders for the defendants to account for and disgorge to claimant all profits earned from "My Singing Monsters". Preparations, disputes and the outcome of initiated proceedings can be lengthy and costly. The outcomes of such proceedings are difficult to predict. In the event of negative outcome in a major legal or administrative proceeding, regardless if based on a ruling or a settlement, the Company may be subject to significant payment liability. Furthermore, costs relating to disputes and mediation proceedings can be significant. The Company's competitors or other persons may already have been granted or could in the future be granted the right to intellectual property rights on which the Company is dependent. If the Company is sued for infringement, the Company may be forced to incur significant costs to contest the claim and may be ordered to stop the sale of products based on a disputed right as long as the proceeding is ongoing. If a dispute would result in an order that concludes that the Company has infringed upon someone else's rights, a court may order the Company to pay significant damages and license fees to the owner of the right, and/or to cease using all intellectual property rights or technologies and products that constitutes infringement. This can cause significant disruption to the Company's operations and result in major costs to develop and implement alternative technologies or products that do not infringe, alternatively to obtain a license from the rights holder. It may also result in the Company's licensees and customers placing guarantee claims on the Company. There is a risk that a successful infringement claim from an external party will entail the Company becoming unable to develop competitive alternatives at a reasonable cost, or that the Company fails to obtain a license from the rights holder on commercially viable terms, or at all. In addition to disputes in relation to intellectual property rights, the Company may also be involved in other types of disputes and legal proceedings. Should the Company become involved in disputes or other types of legal proceedings, this may result in significant costs and/or claims, which could have a material adverse effect on the Company's revenue, operations, profitability and financial position.

## ***Risk of non-growth***

To achieve revenue and growth targets, the Company must successfully manage the business opportunities, revenues, product and service qualities required to meet customer demands in the markets where the Company is active. It is also necessary for the Company to be successful in finding qualified personnel. The Company may research new, diversified revenue generating strategies and the increased complexity in the business may lead to additional demands on the Company's systems, controls, procedures and management. This may, in turn, impact the Company's ability to successfully manage future growth. Future growth will also mean more responsibility for management, including the need to identify, recruit, train, and integrate additional staff members. The Company may fail to successfully manage such development and growth in the future. Should the Company be incapable of effectively managing its growth or fail to adapt to the changes and increased demands that come with an expansion, this could have a material adverse effect on the Company's revenue, operations, profitability and financial position.

## ***Risks relating to the processing of personal data***

The Company handles personal data mainly in relation to its customers and employees in Sweden and in the other countries where the Company is conducting its business. In the event that the Swedish Data Protection Authority or any other data protection authorities would deem that the Company is, or has in the past been, handling personal data incorrectly, or that a data breach occurs due to security deficiencies which can lead to dissemination of personal data outside of the Company's control, this could result in significant penalties. As the Company handles personal data for customers, incorrect handling or a data breach could lead to many data subjects being affected, which could lead to high administrative penalties such as civil and/or criminal law measures imposed by the Swedish Data Protection Authority and other data protection authorities, which may as well affect the Company's reputation in relation to publishers, partners and customers within the game industry. Further, there is a risk that the Company may be adversely affected by changes to the GDPR or interpretation of the GDPR. Should any of these risks materialise, this could have a material adverse effect on the Company's revenue, operations, profitability and financial position.



# Risk factors

## ***Risk of insufficient insurance cover***

The Company has signed a business insurance covering the Company's operations in Sweden, management and CEO. Certain types of losses are generally not covered by insurances, since such losses are deemed not possible to insure. This may include damage caused by war or terror activities, professional responsibility or personal responsibility in case of negligence, intent or criminal acts. In addition, there may be losses that are explicitly excluded or for other reasons not covered by the Company's existing insurance policies. The Company's insurance policies are limited (insured amounts) to certain maximum amounts per incident or series of incidents or, in relation to the total amount, to a particular insurance period. In addition, compensation is generally dependent on the insured party having paid the insurance premium or excess, and that the maximum amount under the insurance has not already been paid out. The Company is a commercial operator and may be affected by all sorts of damage or business interruptions, and if a loss is not covered by insurance or if one or several damages or losses exceed the applicable compensation limit or leads to consequential losses, this could have a material adverse effect on the Company's revenue, operations, profitability and financial position.

## ***Tax risks***

The Company conducts its main operations in Sweden. The Company believes they operate and have, in the past, operated the business in accordance with the Company's interpretation of the currently applicable tax legislation and tax practices. There is a risk that the Company's interpretation of tax legislation and tax practices (including rules and requirements relating to VAT) are incorrect, or that such rules or practices change, which may also have a retroactive effect. Any accumulated tax losses may reduce the Company's future taxable income and thus reduce the company tax that would arise for future profits. Tax losses and the application of related rules are subject to extensive rules of limitation. The Company's ability to utilise, in full or in part, accrued tax losses in the future may also be affected by changes to applicable tax legislation. If accrued tax losses cannot be utilised to reduce tax on future profits, this means the Company's tax costs will be higher. If it turns out that the Company has not conducted its business in accordance with applicable tax rules, this could have a material adverse effect on the Company's revenue, operations, profitability and financial position.

## ***The Company has revenue in several currencies, which exposes the Company to currency risks***

The Company's currency risk consists of two components: transaction risk and translation risk. Transaction risk is the risk of impact on the Company's earnings and cash flow as a result of changes in the value of the flows in foreign currency when changes in the exchange rates occur. The Company mainly have inflow of USD and may in the future have inflows in other currencies. The Company also have net outflows in, for example, CAD, EUR, GBP, USD, RUB and NOK. This means the Company is continuously exposed to transaction risks. As of the date of this material, the Company has not entered into any currency hedging agreements in relation to CAD, EUR, GBP, USD, RUB and NOK. The translation risk consists of a risk when translating foreign subsidiaries' net assets to the reporting currency SEK. The Company has foreign subsidiaries in the United States (USD), Canada (CAD) the United Kingdom (GBP), Norway (NOK), Germany (EUR), Russia (RUB) (however no significant income is reported in RUB). The Company is affected when the foreign subsidiaries' income statements and balance sheets are translated to SEK. These exposures are not hedged. As the exchange rates for foreign currencies are fluctuating in relation to SEK, there is a risk that future changes in exchange rates could have a material adverse effect on the Company's revenue, operations, profitability and financial position.

## ***Interest risk***

Interest risk is the risk that the value of financial instruments will vary due to changes in the market interest rates. As of the date of this material, the Group only has interest-bearing financial assets in the form of bank balances. Changes to the market interest rates are affected by a number of factors outside the Company's control, and an increase in interest rates that affect the Company could have a material adverse effect on the Company's revenue, operations, profitability and financial position.



# Risk factors

## ***Risks related to the COVID-19 pandemic***

The COVID-19 pandemic and the measures put in place by governments worldwide have resulted in significant disruption to the economies relevant for the Company. The online gaming market is influenced by general economic and consumer trends beyond the Company's control. The COVID-19 pandemic has had effects also on the Company and its operations. Due to COVID-19 pandemic, the physical sales of game titles have decreased and have further faced challenges in deliveries of game titles. As the Company is dependent of physical sales of its game titles such decrease may lead to a decrease of the Company's offering of game titles, impairing the possibility of expanding to new markets and thereby leading to reduced revenue from sales, which may have a material adverse effect on the Company's result and prospects.

The Company conducts its business through studios and professionals in several countries around the world, with the majority located in Europe and North America. The Company has taken preventive measures to ensure that the Group's operations continue and minimize the spread of the virus among its professionals. There is a risk that these preventive measures will prove to be efficient or sufficient and the outcome could negatively impact the operations of the Group and in the long-term future revenue. As an example, due to the COVID-19 pandemic, many of the Company's employees are working from home. There is a risk that these measure may lead to the employees being less productive and creative. As the Company is dependent on its employees to develop the game tiles, it may lead to delays in delivery of game titles to the market, which may lead to decreased or delayed revenue from sales.

The full extent of the COVID-19 pandemic and the financial effects that may follow from the pandemic are still unknown at the date of this material. The COVID-19 pandemic has disturbed market conditions globally and has thus affected the prospects, operating results and financial conditions of countries, companies and banks. It cannot be guaranteed that state or other measures taken will lead to rapid and adequate improvement of such market conditions in the future, and if the situation worsens further or further restrictions are imposed, or current or new restrictions persist for an extended period of time, it can have a material adverse effect on the global economy. There is a risk that the COVID-19 pandemic will make it more difficult for the Company to obtain the liquidity needed in the longer term, as the COVID-19 pandemic has already negatively impacted the global economy and there is great uncertainty in the capital markets around the world, which may lead to a reduced willingness to invest in the Company. Should the COVID-19 pandemic continue for an extended period of time, it would further affect the Company's ability to obtain financing in the longer term.

## ***Risks related to goodwill and other intangible assets***

Through acquisitions made by the Company during the recent years, the Group's goodwill has increased significantly. Goodwill represents the largest share of the assets on the Group's balance sheet. Goodwill is recognised as an intangible asset and is subject to an impairment review, at least annually or upon the occurrence of events that indicates an impairment of the asset in question. There is risk that goodwill are subject to extra high or low depreciation or write-downs that does not reflect the fair value that might affect the equity position in the Company.

In addition, the Company is subject to valuation and accounting risks in relation to other intangible assets such as game products, licenses and capitalized work. Expenses for game and technology development are only capitalized when it is possible to make an assessment of the commercial potential of the product. The valuation of capitalized expenses for game and technology development thus requires the Company's senior management to make a number of estimates, including the possibility for the project to generate future revenue. If the valuation of the assets is made on the basis of incorrect assumptions or if circumstances that affect the Company's operations, general financial position or the commercial potential of a project change, the Company risks significantly having to write down its intangible assets.

Devaluation or write downs of goodwill and other intangible assets may have a material adverse effect on the Group's balance sheet, its total assets in particular and, in addition, this may have a negative effect of the Group's income statement.





# Risk factors

## *The Company is subject to laws and regulations in several different jurisdictions*

The Company's offering is available in a large number of jurisdictions across the world, many of which have their own individual regulations relating to the gaming businesses in particular. The Company closely monitors its compliance with such regulations as well as any modifications of such regulations to ensure it is at all times compliant. There is a risk that minors play the Company's online games, which is a breach of the Company's terms and conditions. If minors are found to have been playing inappropriate games offered by the Company, it could result in negative publicity or litigation, as well as damage to the Group's reputation and consequently loss of customers, any of which could adversely impact the Company's profitability and revenues. The Company is subject to cultural vetting of games distributed in certain jurisdictions. The Company's non-compliance or deemed non-compliance with any of these vetting laws could result in that such games need to be withdrawn from such jurisdictions, which could have a material adverse effect on the Company's revenue as well as its reputation, business and financial condition.



# Risk factors

## **Risks associated with the shares in the Company**

### ***Risks relating to inactive and illiquid trading***

The trading in the Company's shares have historically, from time to time, been characterized by inactive and illiquid trading with significant difference between the purchase price and selling price (spread). The liquidity of the Company's shares may be affected by certain internal and external factors. The internal factors are, among others, acquisitions and variance between financial quarters. The external factors are, among others, general economic and market conditions and other factors not related to the business of the Group. The development of the share price is dependent on several factors, some of which are company-specific, while others concern the capital market as a whole. There is a risk that the trading in the Company's share also in the future could be characterized by inactive and illiquid trading with a significant spread on the asking and bidding price. As a result, it may be difficult for individual shareholders to sell their shares at any given time. If any of the abovementioned risks would occur, it could have a material negative effect on the price of the shares.

### ***Divestment of shares by major shareholders, board of directors or management***

Any future significant sale or expected sale of the Company's shares by major shareholders, members of the board of directors and/or senior management, regardless of whether the sale is of existing shares or shares acquired in another way, could adversely affect the current market price of the shares.

### ***Future issuance of shares or other securities in the Company could dilute the shareholding and have an adverse effect on the share price***

The Company may in the future raise additional capital to finance its operations or raise capital for planned investments or to finance acquisitions. The Company may seek to raise additional capital by, for example, issuing shares, share-based securities, convertibles or bonds. An issue of additional securities or bonds could reduce the market value of the Company's shares and dilute the financial or voting rights of existing shareholders, unless existing shareholders are given preferential rights in the issue. There is thus a risk that future issues of shares or other securities will reduce the market price of the share and/or dilute certain shareholders' holdings in the Company.

### ***The Company may not pay dividends to its shareholders***

As per the date of this Investor Presentation, the Company has not adopted a dividend policy and the Company does not intend to adopt such policy in the foreseeable future. The Company intends to reinvest all distributable earnings in its business and operations in order to promote development and growth. According to Swedish law, dividends are resolved on by the general meeting of the Company. Future dividends, and the extent of any such dividends as proposed by the board of directors, depend on the Group's business, operations, consolidation needs, cash flow, working capital requirements and other factors. There is a risk that there will be insufficient distributable earnings and that the shareholders of the Company may resolve not to pay any dividends in the future.

### ***The influence of major shareholders***

The current major shareholders as well as the current owners of Daybreak (who following the Company's acquisition of Daybreak will become major shareholders in the Company) will be able to greatly influence the outcome of issues submitted to the Company's shareholders for approval, including election of members of the board of directors, an increase of the Company's share capital and merger or sale of all, or a significant majority of all, assets. As far as the Company is aware, there are no agreements between the major shareholders. Notwithstanding this, the interests of the major shareholders may not coincide with the interests of the Company or other shareholders, and the major shareholders could exercise influence over the Company in a manner that is not in the best interest of the other shareholders.