



# Q3 2020 Financial results

November 4th, 2020



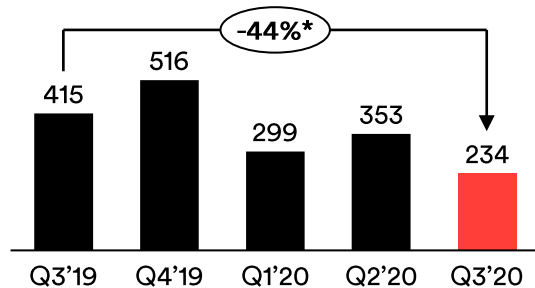
# Highlights of the quarter

- Net sales amounted to SEK 912 (1,044) million and adjusted EBITDA to SEK 196 (31) million in Q3 2020, a record result for the Group and gaming vertical
- InnoGames delivered an all-time high profit in the quarter driven mainly by *Forge of Empires*
- Kongregate successfully launched *Teenage Mutant Ninja Turtles: Mutant Madness* in September to strong reviews and player engagement
- MTG presented the combination of ESL and DreamHack, an important strategic move to take the esports vertical to the next level
- Multiple new media rights deals in China and Brazil, further expanding reach of ESL Pro Tour content (Douyu, Huya and Globo-Omelete)

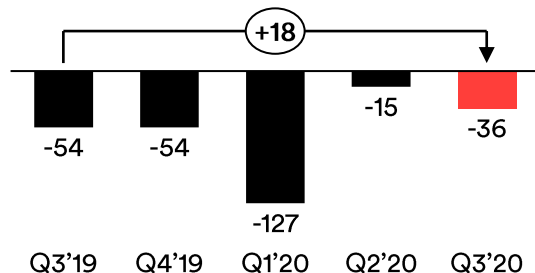


# Esports: Continues to entertain in new formats

Esport net sales, reported (MSEK)



Esport adj. EBITDA, reported (MSEK)



## New media partners and publisher deals



## Fewer events in Q3 builds into a full Q4 event calendar

- Substantially offset reduced revenues from fewer events by tightening cost structures
- Continue to improve upon the online format: New studio production in Cologne using the latest VR and AR technology



ESL ONE COLOGNE CS:GO



ESL ONE THAILAND DOTA 2



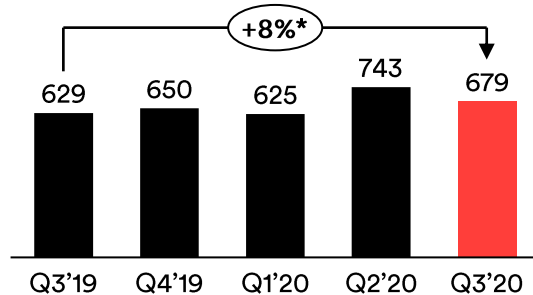
# Esports: A combination of ESL and DreamHack taking the esports vertical to the next level



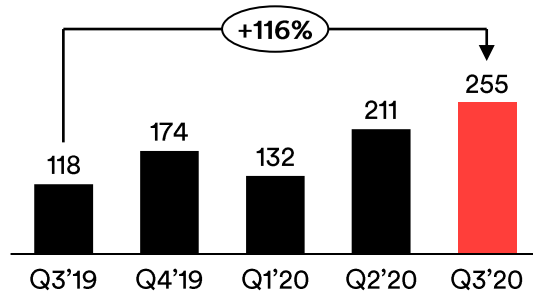
- ESL and DreamHack announced a combination under the name ESL Gaming in September
- ESL and DreamHack will remain two individual brands
- The transaction will be finalized under Q4 2020 and MTG will hold 91.46% of ESL Gaming after the transaction
- Realizing short-term synergies of SEK 50 million from 2021, by reducing fixed costs related to production resources, better utilization of facilities such as studios etc.

# Gaming: Record high adj. EBITDA

## Gaming net sales, reported (MSEK)



## Gaming adj. EBITDA, reported (MSEK)



## All-time high adjusted EBITDA

- All-time high adjusted EBITDA for the MTG Group as well as the gaming vertical driven primarily by *Forge of Empires*
- In-game spending remained at elevated levels even after rollbacks of lockdown restrictions in Q3 in several countries
- Marketing spend on games returned to normal levels resulting in stronger EBITDA margins
- Four new games in development: Two of the games have had retention tests in H2 2020 with strong results. Two into retention testing in Q4 2020
- At least two new game launches in H1 2021. The first title, which is within the city builder segment, will be launched in Q1

## KONGREGATE

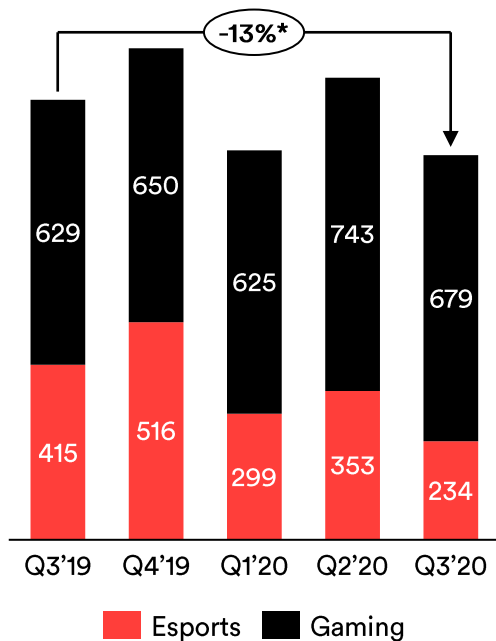
## Successful launch of Teenage Mutant Ninja Turtles

- Title awarded "game of the week" by Apple and Google and has received strong reviews on both platforms, and strong player engagement

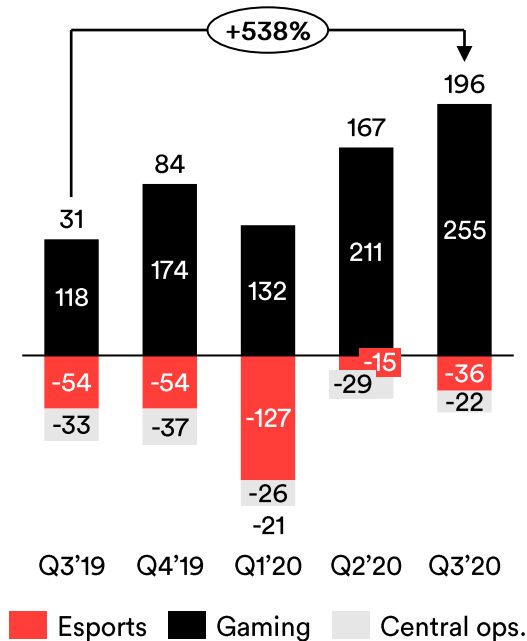


# Quarterly revenue and adjusted EBITDA

Net sales, reported (MSEK)



Adjusted EBITDA, reported (MSEK)



- Net sales declined in Q3 to SEK 912 (1,044) million, where underlying net sales declined by 9%
- The gaming vertical's net sales grew by 8%, where underlying net sales grew by 12%
- The esports vertical's net sales declined by 44%, including a 4% currency headwind
- The Group's adjusted EBITDA in the quarter amounted to a record SEK 196 (31) million and the adjusted EBITDA margin in the quarter was 22% (3%)
- The esports vertical's adjusted EBITDA improved significantly versus last year

\*Including currency headwinds of -4pp

# Cashflow statement

(MSEK)	Q3 2020	Q3 2019	FY 2019
Cash flow from operations	135	-38	-71
Changes in working capital	-42	5	-117
<b>Net cash flow to/from operations</b>	<b>93</b>	<b>-33</b>	<b>-188</b>
<b>Cash flow from/used in investing activities</b>	<b>-83</b>	<b>-70</b>	<b>1,546</b>
<b>Cash flow from/used in financing activities</b>	<b>-7</b>	<b>26</b>	<b>40</b>
<b>Net change in cash, continuing operations</b>	<b>3</b>	<b>-77</b>	<b>1,398</b>
<b>Net change in cash, discontinued operations</b>	<b>-</b>	<b>-</b>	<b>-653</b>
<b>Total net change in cash and cash equivalents</b>	<b>3</b>	<b>-77</b>	<b>746</b>
Cash and cash equivalents at the beginning of the period	1,571	2,084	862
Translation differences in cash and cash equivalents	16	13	4
<b>Cash and cash equivalents at the end of the period</b>	<b>1,590</b>	<b>2,019</b>	<b>1,824</b>

- Cash flow from operations before changes in working capital amounted to SEK 135 (-38) million
- The Group reported a SEK -42 (5) million change in working capital. Net cash flow from operations amounted to SEK 93 (-33) million
- Total cash flow relating to investing activities amounted to SEK -83 (-70) million
- Cash flow from financing activities amounted to SEK -7 (-38) million, mainly comprising leasing payments
- The net change in cash and cash equivalents for continuing operations amounted to SEK 3 (-77) million
- The Group had cash and cash equivalents of SEK 1,590 (2,019) million at the end of the period

# Updated financial guidance for H2 2020



- Revenue in the esports vertical is expected to decline by approximately 27% to 32% (previously 30% to 40%) in H2 2020 compared to H2 2019
- ESL and DreamHack will continue to reduce both cost of goods and services sold and fixed costs. These savings will be at least SEK 325 million (no change) for H2 2020 compared to H2 2019
- Group-adjusted EBITDA for H2 2020 is expected to amount to between SEK 375 and 400 million (earlier SEK 250 to 300 million), on the back of continued strong user engagement and successful in-game events in the gaming vertical



# Summary of Q3 2020

- Record-high adjusted EBITDA for the Group and the gaming vertical on the back of continued strong user engagement and normalized marketing spend
- Esport continues to entertain in new formats and demonstrates improved cost control
- Exciting new games pipeline for both InnoGames and Kongregate, with several launches in 2021
- Strategic review process is concluded. MTG intends to retain both verticals and to concentrate on building their value, both organically and through acquisitions. MTG will consider a split only after achieving step changes in the value of each vertical
- Guidance for H2 2020 upgraded to reflect stronger performance from both verticals

