



Stockholm 26 May 2022

Subject: 2022 Annual General Meeting of Shareholders, Agenda items 17.e and 22

Dear MTG Shareholders,

We are reaching out to you in light of our upcoming annual shareholders' meeting, which will be held on Wednesday 8 June 2022. The Board of MTG AB has proposed a number of important resolutions to the AGM, including key points like the long-term incentive plan (LTIP) for 2022, and the authorisation to issue new class of B shares.

In this explanatory letter, we'd like to take the opportunity to provide more information on these proposals, elaborate on the Board's rationale and considerations, and to attempt to mitigate any potential concerns our shareholders may have with these items.

As presented in the [notice to the AGM](#), MTG is proposing a 2022 Long-Term Incentive Plan to be approved by shareholders (**items 17.a - 17.d**). MTG's board has additionally proposed a share swap (**item 17.e**) as a fall-back option for delivery under the new 2022 LTIP, in the event shareholders do not approve the transfer of shares directly to the participants. The proposal of an alternative hedge structure through a share swap is both:

- (i) in line with market practice among Swedish listed companies, and
- (ii) in line with the Swedish securities council's statement on good stock market practice (AMN 2003:3).

MTG's board believes the transfer of shares directly to the participants to be the preferred option, but is asking for approval of item 17.e in order to hedge the group's obligations to deliver shares under the new 2022 incentive plan, if required.

A similar structure was proposed at the EGM on 21 January 2021 which was supported by shareholders and proxy advisors. This proposal aims to put in place similar provisions as the ones supported by stakeholders at the time.

The Board also proposes a resolution on authorization for the AGM to resolve on new issues of Class B shares of up to 15 percent, with or without deviation from the shareholders' preferential rights (**Item 22**).

While MTG understands and appreciates shareholders and proxy advisors voting guidelines around capital issuances, the company believes that shareholders should consider some additional factors when assessing the proposed authorization:

- As noted in the specific proposed resolution, this is not just a general capital request; **the purpose of the resolution is to enable MTG to pursue potential acquisition opportunities as they arise, in line with MTG's approved strategy.**



- In 2021, the authorisation specifically mentioned that of the 15% requested, 4.17% of the issue would be earmarked for the acquisition of the game developer Ninja Kiwi. This year, similarly, the proposal under item 22 specifies that at least one third (1/3) of this authorization is intended to be used as payment/consideration in connection with acquisitions (in kind or through set-off), and the remainder may be used for new issues to raise capital for acquisitions
- Moreover, the proposed resolution includes a right for the board of directors to resolve upon an issue of new Class B shares without deviation from the shareholders' preferential rights.
- Following the divestment of ESL Gaming in Q2 2022, MTG has a strong balance sheet. The company intends to prioritize the use of its cash as well as external debt for M&A. The potential issuance under Item 22 is intended to provide MTG's board with the flexibility to swiftly drive scale M&A if such opportunities arise. **It should be noted that MTG has exercised prudence with similar authorizations in the past, and only utilized approximately 66% out of the 15% of the similar authorization granted by the 2021 AGM.**
- MTG has a clearly defined Buy & Build strategy, stating the ambition to further grow both organically and through M&A. This growth has historically been delivered through the acquisition and operation of the gaming companies InnoGames, Kongregate, Hutch, Ninja Kiwi and PlaySimple, and ESL Gaming and DreamHack in the now divested esports vertical. It is well known by the company's shareholders that the company intends to do further M&A as part of its growth ambitions.
- Following engagements and consultations on the subject, and thanks to a clearly articulated and communicated strategy that includes further M&A activities, MTG has a clear support from its top shareholders.

A clearly outlined and proven strategy to Buy and Build

As a complement to the information outlined above and, as shared in the Strategy Section of [MTG's Annual Report 2021](#), part of MTG's vision and strategy is to continue to be a strategic acquiror and operator of companies in the gaming industry.

MTG's ambition is to create shareholder value by driving profitable growth in its gaming portfolio, as well as to increase the group's scale by doing strategic and targeted M&A.

The group has stringent evaluation criteria for future M&A to ensure that each new company that joins the group is accretive in terms of value for shareholders. Some of the criteria that MTG uses to evaluate future acquisitions include:

- a healthy financial outlook
- strong gaming IPs with long term potential
- a strong management team committed for the long term and
- a culture fit within the group.



Hence, we believe that the resolution on authorization for the Board to resolve on new issues of Class B shares of up to 15 percent should be seen in this context, as it represents a key element in the group's ability to continue executing on its Buy and Build strategy.

We have observed that ISS have issued a negative recommendation on the proposals discussed (items 17.e and 22). We respectfully disagree with their assessment of these resolutions, which in our view do not consider MTG's history nor proven strategy. In view of the above and the positive feedback and support from our shareholders on the proposed resolutions, we respectfully invite you to vote in favor of the proposed agenda, including items 17.e and 22 at the AGM.

Maria Redin
President and CEO, MTG