



# MTG invests in InnoGames & enters multi-billion dollar online gaming market

- MTG adds gaming as third vertical in MTGx's portfolio of digital entertainment companies by acquiring 35% of fast growing online games developer and publisher InnoGames, with option to acquire up to 51% stake
- InnoGames has generated compound annual revenue growth of more than 20% over the last 3 years, with expected revenues of approximately EUR 125m in 2016 and an EBITDA margin of approximately 20%. The acquisition will be EPS accretive in year one
- More than 150 million registered players of InnoGames' successful free-to-play Elvenar, Tribal Wars I & II, Grepolis, The West and Forge of Empires. Over 50% of new player registrations are on mobile platforms and share of mobile is rising fast

**MTG has entered into an agreement to acquire 35% of InnoGames, a leading global online games developer and publisher, from Eight Roads Ventures and the Company's founders. The transaction is based on an Enterprise Value of EUR 260m for 100% of the company. MTG has an option to acquire a further 16% of the company at the same valuation. The transaction is subject to German and Austrian merger approvals. MTG will report its share of InnoGames' earnings as associated company income, which will be included in its MTGx segment.**

The investment is in line with MTG's digital strategy to invest in relevant, complementary and scalable digital content and communities. It creates a third digital entertainment vertical for MTGx alongside its esports and MPN businesses. MTG's ESL and DreamHack are the leading players in esports, which is the fastest growing professional sport and will engage over 250 million worldwide fans in 2016, while content from MTG's MPNs Zoomin.TV and Splay generate some 2.5 billion online views every month, of which 25% are related to gaming content. Esports/gaming is one of the largest and fastest growing online content categories, and a recent industry report in Sweden found that more people watched esports/gaming online than traditional sports during Q2 2016. MTGx's revenues grew by 50% on a like for like basis in Q2.

## Gaming

The gaming industry's revenues are expected to grow at a compound rate of 7% from 2015 to 2018 to a total of USD 113bn, of which USD 51bn is expected to come from browser and mobile based gaming. Mobile based games is the fastest growing segment, with an anticipated compound growth rate of 12% over the same period driven by larger audiences, more paying players, and increasing average spend per player.

## InnoGames

InnoGames, founded in Hamburg in 2007, is a large scale global online games developer and publisher with a proven track record in creating popular strategy and role-playing games. It operates a 100% free-to-play model with revenues coming from in-game purchasing. The company runs four studios (three in Hamburg and one in Dusseldorf) and employs 400 people. The US is InnoGames' largest market in terms of revenue (>25%), followed by Germany (>15%) and France (~10%). InnoGames has generated compound annual revenue growth of more than 20% over the last three years, with expected revenues of approximately EUR 125m in 2016. The Company has been profitable from year one and margins are high and stable, with an anticipated

EBITDA margin of approximately 20% in 2016. The company has 150 million registered users and a portfolio of popular cross-platform titles that keep gamers engaged through constant and innovative live game operations. InnoGames has already successfully introduced mobile versions of its games, and more than half of all new user registrations are on mobile platforms. Several new mobile-only game titles are currently under development and to be released in the next 12 months. InnoGames' management team will continue to drive the development of the company moving forward.

### **Transaction overview**

The 35% stake is being acquired in two tranches: 21% in Q4 2016 and 14% in Q1 2017. The 100% Enterprise Value of EUR 260m is equivalent to 2.1x 2016 expected sales and 10.4x expected EBITDA. MTG has the right to acquire a further 16% of the company at the same Enterprise Value until the end of September 2017, and options to increase its shareholding further over time. MTG will also report approximately SEK 20m of transaction related expenses in its Q3 results, with the remainder of the M&A costs arising from this transaction included in the fourth quarter.

Jørgen Madsen Lindemann, MTG President and CEO: "We have been involved in the gaming space for a while now, and look for companies with clear track records in IP development that have translated into high revenue growth and a healthy profitability profile over time. This we have found with InnoGames. We are focused on digital verticals with global potential, and gaming is a truly global industry. InnoGames is the right partner due to its established position in the industry, fast growing mobile user base, and exciting pipeline of new releases. We are now present in three complementary digital video storytelling verticals, and we will invest to expand this presence further."

Hendrik Klindworth, InnoGames CEO: "We have scored major success with our live games and are now focusing on the development of several new mobile first titles, while maintaining our high quality operation of all live games. MTG's international presence, understanding of storytelling entertainment, and commitment to IP development and building engaged user communities will bring our games to even larger audiences around the world. MTG's culture of empowering entrepreneurial spirit is exactly what we were looking for as we move into the next chapter of our story. The team could not be more excited about further boosting our future potential and performance."

Arnd Benninghoff, MTG EVP and MTGx CEO: "Gaming is a multi-billion dollar industry with more than 2 billion players worldwide. It is also one of the main sources of entertainment for millennials and digital natives of all ages. Gaming is a clear and consistent thread that connects our digital focus and business portfolio. We already have the distribution platforms and windows through our digital businesses, and we are now adding even more relevant content. We very much look forward to working with InnoGames management and the whole team to drive the continued success of our businesses, and bring our communities even more great experiences."

InnoGames and its shareholders have been advised by the technology investment bank GP Bullhound on the transaction.

### **Investor conference call at 09.00**

Presentation materials will be made available on [www.mtg.com](http://www.mtg.com) and MTG will host a conference call today at 09.00 CET. The call will be hosted by Jørgen Madsen Lindemann, President & CEO, and Arnd Benninghoff, MTG EVP and MTGx CEO.

Please join us by dialling:

Sweden: +46 (0)8 5065 3942

UK: +44 (0)20 7026 5967

And using access pin code 9057207

To ensure that the conference call starts on time, please dial in 5-10 minutes before the scheduled start time.

**See more from InnoGames' games here:**

**Forge of Empires:** [https://www.youtube.com/watch?v=e11X1Jl\\_IMk](https://www.youtube.com/watch?v=e11X1Jl_IMk),

[https://www.youtube.com/watch?v=xGE-Op\\_eAJU](https://www.youtube.com/watch?v=xGE-Op_eAJU)

**Elvenar:** [https://www.youtube.com/watch?v=zk0\\_frIIL-I](https://www.youtube.com/watch?v=zk0_frIIL-I)

**Tribal Wars:** <https://www.youtube.com/watch?v=zv-VuRmp8LU>

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**Any questions?**

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*MTG (Modern Times Group MTG AB (publ.)) is a leading international digital entertainment group and we are shaping the future of entertainment by connecting consumers with the content that they love in as many ways as possible. Our popular entertainment brands span Content Production, TV, Radio and eSports, and are available around the world. Born in Sweden, our shares are listed on Nasdaq Stockholm ('MTGA' and 'MTGB'). This information has been published in accordance with the EU Market Abuse Regulation and/or the Securities Markets Act or the Financial Instruments Trading Act. The information was submitted for publication at 07.30 CET on 13 October 2016.*

**About InnoGames**

*With over 100 million Euros revenue in 2015 and more than 150 million registered players, InnoGames is one of the world's leading developers and providers of online games. Founded in 2007, the company is based in Hamburg and Dusseldorf and currently employs over 400 professionals from 30 nations. InnoGames has scored major success with games such as Tribal Wars, Grepolis and Forge of Empires.*

**About Eight Roads Ventures**

*Eight Roads Ventures backs technology entrepreneurs with aspirations for greatness. By combining a collaborative approach with the strength and resources of the Fidelity network and a near 50-year history of investing, Eight Roads helps companies across the globe accelerate their growth and become leaders in their field. A strong track record includes investments in Alibaba, AppsFlyer, CloudByte, Cúram (IBM), Made.com, Manthan Systems, Metaps, NewBay (RIM) and Treatwell (Recruit). In Europe, Eight Roads Ventures is currently investing a £150 million fund focused on enterprise, consumer and financial technology. [www.eightroads.com](http://www.eightroads.com) @8roadsventures (Claire Davies +44 (0) 7795 605 657 [claire.davies@eightroads.com](mailto:claire.davies@eightroads.com))*