



## Impact of corona virus and update on strategic review

**STOCKHOLM, March 25<sup>th</sup> 2020 02.13pm CET — Modern Times Group MTG AB (MTG or the Group) today provides a preliminary assessment of how the corona virus pandemic is expected to affect its esports and gaming verticals as well as an update of the strategic review of its gaming vertical. While the esports vertical will be negatively affected on revenue and profit, the company's gaming vertical continues to perform well. MTG confirms its intention to separate its gaming vertical, either by divestment or through a listing on the Nasdaq First North Growth Market. The Group remains well funded, with a net cash position of SEK 1.8 billion as of Q4 2019.**

**Expected operational effects on MTG's esports vertical from the corona virus pandemic, representing 40 percent of 2019 group revenue**

Government policies to contain the spread of the corona virus have had a considerable impact on MTG's esports vertical, which is built around large live events with media rights, brand partnerships and many attending fans who purchase tickets and merchandise. As esports is digital by design it has the potential to offset some of the negative impact as MTG and its portfolio companies continue to deliver great entertainment by moving to online competitions and thereby creating new business opportunities.

Revenues in the esports vertical is expected to decline by 35-45 percent in 1H 2020, in comparison to the same period 2019. This is predominantly driven by Own & Operated (O&O) and Esport Services (ESS) events either being cancelled, moved online or postponed from 1H 2020 to the 2H 2020 and 1H 2021.

Q1 2020 esports revenue will decline by approximately 25 percent compared to the same period 2019. Having to operate already committed events with no audience or cancel events at short notice means there are limited possibilities to reduce the cost base in the quarter.

From Q2 2020, ESL and DreamHack are reducing both cost of goods sold and fixed costs. These savings will be at least SEK 150 million for 1H 2020 and are designed to protect business continuity and the future potential of the operations when the current crisis comes to an end.

Based on the assumption that live events will be allowed starting Q3, MTG expects an improved operational performance in the 2H 2020, supported by rescheduled Master properties and festivals for both ESL and DreamHack.

### **Expected operational effects on MTG's gaming vertical from the corona virus pandemic, representing 60 percent of 2019 group revenue**

In Q1 2020, MTG's gaming vertical has continued to perform well, underpinned by stable Daily Active Users (DAU) and strong development in Average Revenue Per Daily Active User (ARPDau). This resilience suggests InnoGames and Kongregate might be less exposed to the consequences of the corona virus pandemic.

### **Impact on the strategic review of the gaming vertical from the corona virus pandemic**

Following the announcement of a strategic review of its gaming vertical in October 2019, MTG has received multiple expressions of interest in the business from both strategic and financial investors. The Board continues to believe that a separation of the gaming and esports businesses, which would allow them to adopt their own financial structures and independent strategic objectives, is the best way to maximize shareholder value.

This separation may be implemented either through a sale of the gaming business or through a listing on the Nasdaq First North Growth Market. Inevitably, the coronavirus pandemic has caused some disruption to the review process and the decision on the best route to separation will be taken once markets have stabilized and the company is able to present two strong equity stories.

### **Financial position and proposal to buy back shares**

MTG has a strong financial position with net cash amounting to SEK 1.8 billion as of Q4 2019. The Board of Directors will propose to the upcoming AGM that it approve a mandate to be able to decide from time to time up until the 2021 AGM on buying back up to 10 percent of its issued share capital. However, the Board has no intention of implementing any potential buy-back until the pandemic has been brought under control.

### **MTG's Capital Markets Day (CMD) postponed due to corona virus pandemic**

Due to government policies to contain the spread of the corona virus and their impact on travelling, MTG has decided to postpone its CMD to the 9th of October 2020. The event will still be held in New York city.

"We are executing on a three phased plan with focus on business continuity, operational efficiency and seizing of new business opportunities in these difficult times, to come out stronger and build on our market leadership in esports. All decisions taken by MTG, ESL and DreamHack, have been taken with the wellbeing of colleagues, fans, teams and customers in mind. This will remain the priority going forward." says President and CEO Jørgen Madsen Lindemann.

At this point MTG is not providing market guidance for full year 2020.

This information is information that MTG is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact persons set out below, at 02.13pm CET March 25th 2020.

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**About MTG**

*MTG (Modern Times Group MTG AB (publ.)) ([www.mtg.com](http://www.mtg.com)) is a strategic and operational investment holding company in esports and gaming entertainment. Born in Sweden, the shares are listed on Nasdaq Stockholm ('MTGA' and 'MTGB').*