



MTG acquires Hutch – a leading developer and publisher of mobile racing games

STOCKHOLM, December 8th 2020 – Modern Times Group MTG AB (publ.) (“MTG”) acquires Hutch Games Ltd. (“Hutch”), a leading developer and publisher of free-to-play mobile games focused on the racing genre in the highly attractive midcore segment (the “Transaction”). The acquisition enables strong growth opportunities within a new and highly attractive game category for MTG while also further diversifying the group’s games portfolio. The up-front consideration amounts to USD 275 million (on a cash and debt free basis) and earn-out payments at an expected value of USD 100 million in aggregate. MTG is evaluating a new issue of shares to refinance the bridge loan facility incurred in connection with the Transaction. Due to the transaction, MTG has decided to postpone the publication of the year-end report for 2020 to February 25th, 2021.

MTG has set out a clear strategy to drive value creation through organic growth and strategic M&A in its esports and gaming verticals. The acquisition of Hutch marks the third material investment in a gaming company by MTG and the first made through the new gaming holding company (“**GamingCo**”) announced yesterday December 7. The acquisition of Hutch is in line with MTG’s strategy to build up a portfolio of high-quality gaming companies and marks the beginning of a new journey with the ambition for further organic and acquisitive growth for MTG.

Transaction highlights

- Hutch is a leading developer and publisher of mobile racing games in the attractive midcore segment, and holds a diversified game portfolio and world-class IP licenses
- The top three titles are F1® Manager, Top Drives, and Rebel Racing, all in early growth phase with large future growth potential. Additionally, Hutch has a promising pipeline of new titles planned for launch in 2021 and 2022
- Hutch has a very strong management team and is made up by a staff of 100+ team members, of whom 70 are developers
- Hutch will become an integral part of the recently announced GamingCo for MTG to fully capture the synergies from shared expertise and studio network effects
- Hutch generated approximately USD 56.3 million in revenues, USD 14.0 million in EBITDA and USD 13.3 million in EBIT, during the first nine months of 2020
- Highly attractive financial profile with a year-over-year sales growth of 158% and improving margins
- Up-front consideration of USD 275 million (on a cash and debt free basis) and earn-out payments at an expected value of approximately USD 100 million in aggregate. The earn-out payments are structured to align MTG’s and Hutch’s long term economic incentives and are based on Hutch’s financial performance in 2021-2024

- The up-front consideration should be seen in the context of continued strong growth going forward and implies an estimated EBITDA 2021 multiple in the low teens
- The up-front consideration will be financed through existing cash held by MTG and a new SEK 1,800 million bridge loan facility. MTG has appointed financial advisors to evaluate a new issue of shares in order to refinance the bridge loan facility
- Due to the transaction, MTG has decided to postpone the publication of the year-end report for 2020 to February 25th, 2021.

Maria Redin, CEO and Group President of MTG, commented: “Hutch is a true front-runner, responsible for some of the most successful titles in the fast-growing mobile racing category and spearheaded by an exceptionally strong and highly-experienced team. We are thrilled to welcome Hutch to MTG, both as a stellar company in its own right, and as the first investment made by our new gaming holding company.”

Shaun Rutland, CEO and Co-founder of Hutch commented: “We are excited to join MTG – in them, we have found a home that believes in our values, supports us in our mission and can help take our company and our games to the next level. When we founded Hutch, we wanted to create a world-class working environment and an empowered team dedicated to growing the racing genre on mobile. We made every member of the team a shareholder to recognize the value of their efforts, so this is an important day for all of us.”

Maria Redin, CEO and Group President of MTG, continued: “Hutch has fantastic gaming IPs with strong growth potential – this acquisition strengthens our position in the midcore segment and diversifies our gaming portfolio, which already includes leading strategy and city builder games developer InnoGames and Kongregate, a leader in the idle gaming category.”

Hutch – A leading developer and publisher of mobile games focused on the racing category

Founded in 2011, Hutch is a London-based free-to-play mobile games developer with 100+ team members, focused on the racing category in the highly attractive midcore segment.

Hutch has developed three category leading mobile racing games - F1® Manager, Top Drives, and Rebel Racing - which have all reached considerable success despite being early in their growth journey and the titles have spearheaded the company’s achievement to generate more than 300 million downloads since inception in 2011. Additionally, Hutch holds a broader diversified game portfolio of 13 games and world-class IP licenses with some of the biggest names in the business, including Formula 1®.

The company generated approximately USD 56.3 million in revenues, USD 14.0 million in EBITDA and USD 13.3 million in EBIT, during the first nine months of 2020.

Hutch has a highly attractive financial profile with a year-over-year sales growth of 158% and improving margins. Hutch had an average of 5.4 million MAUs¹, 676 thousand DAUs² and generated USD 0.2 in ARPDau³ during the first nine months in 2020.

Early backers of the company were Venture Capital funds BACKED VC, Index Ventures and Initial Capital and angel investor Chris Lee, who are all selling their stakes in the company as part of the transaction.

Rationale for the acquisition and new GamingCo

MTG sees continued strong growth opportunities through Hutch's three key titles F1® Manager, Top Drives and Rebel Racing, which are all still in an early growth phase with considerable future potential. Additionally, Hutch has a promising pipeline of new games with titles planned for launch in 2021 and 2022. The acquisition of Hutch adds an attractive portfolio of games and knowledge to MTG's other gaming companies and contributes to MTG's overall strategy of continued growth through both strategic acquisitions and organic initiatives.

As announced yesterday, on December 7th, MTG has established a new GamingCo, for MTG's entire gaming business, including InnoGames, Kongregate and now also Hutch. The combination of MTG's current games portfolio in the midcore segment, with Hutch's games in the racing genre, enables the combined organisation to reach a greater audience. The combined company will enable MTG to fully capture the synergies from shared expertise and studio network effects. MTG and Hutch further both believe in cross collaborations between certain game titles and ESL Gaming as well as DreamHack Sports Games.

MTG's ownership in the GamingCo will amount to 77.35 percent following both transactions, with the remaining shares held by the previous InnoGames founders.

Consideration and financing

MTG acquires 100% of the shares in Hutch for an up-front consideration of USD 275 million (on a cash and debt free basis). However, provided that MTG's general meeting of shareholders resolves upon it no later than May 18th 2021, USD 9,660,434 of the up-front consideration will be set-off and paid through an issue of 627,431 new class B shares in MTG at a subscription price corresponding to the volume-weighted average price of the class B shares on Nasdaq Stockholm during November 10th –December 7th, 2020 (i.e. SEK 129.8 per share). Such shares will be subject to customary lock-up undertakings. If such a resolution is not adopted, the entire up-front consideration will be settled in cash. The up-front consideration should be seen in the context of continued strong growth going forward and implies an estimated EBITDA 2021 multiple in the low teens.

¹ Monthly active users

² Daily active users

³ Average revenue per daily active user

The Transaction is structured to align MTG and Hutch's long term economic incentives and includes earn-out payments based on Hutch's financial performance in 2021-2024, at an expected value of USD 100 million in aggregate, payable in cash. The total estimated earn-outs will be balanced as contingent liabilities from 31 December 2020.

The up-front consideration paid for Hutch will be financed through existing cash held by MTG and a new SEK 1,800 million bridge loan facility (the "**Bridge Loan Facility**") with a tenor of 12 months provided by DNB Bank ASA, Sweden branch and Swedbank AB (publ.). The cash component of the earn-out payments intends to be financed through cash at hand and cash generated in the business. MTG has appointed financial advisors to evaluate a new issue of shares in MTG in order to refinance the Bridge Loan Facility.

Conditions and time plan for the acquisition

There are no material conditions for the finalisation of the Transaction. Completion of the Transaction is expected in December 2020.

Invitation to conference call

An audio cast conference with the opportunity to ask questions will be held tomorrow December 9th at 09.00 CET with MTG's CEO and President Maria Redin, CFO Lars Torstensson and EVP Gaming & Esports Arnd Benninghoff presenting.

Sweden, Stockholm, +46 (0) 856 618 467

United Kingdom, +44 (0) 844 481 9752

United States, New York, +1 646 741 3167

Std International Dial-In, +44 (0) 2071 928338

Confirmation Code: 4844519

The presentation will be audiocasted on link below:
<https://edge.media-server.com/mmc/p/9k7argjt>

Please note that only dial in participants can ask questions in the Q&A session.

Advisors

MTG has appointed EY as financial advisor, and Gernandt & Danielsson Advokatbyrå and Norton Rose Fulbright as legal advisors to MTG in connection with the Transaction.

Hutch have in connection with the Transaction appointed Aream & Co as financial advisor and Baker & McKenzie as legal advisor, with Goodwin Procter as legal advisor to Index Ventures and BACKED VC, and Gibson Dunn as legal advisor to Initial Capital.

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 10.50pm CET on December 8th 2020.

For more information:

Oliver Carrà, Director of Public Relations

Direct: +46 (0) 70 464 44 44, oliver.carra@mtg.com

Follow us: mtg.com / [Twitter](#) / [LinkedIn](#)

About MTG

MTG (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 ('MTG A' and 'MTG B')

About Hutch

Since inception in 2011, Hutch has entertained over 300 million mobile players across game titles including Rebel Racing, F1® Manager, Top Drives, and Hot Wheels: Race Off. Hutch is dedicated to growing the racing genre on mobile and enabling communities of players worldwide to celebrate their passion for cars. Hutch has created an award-winning culture for their 100+ world-class team members, housed in their main studio in Shoreditch, London, with wider studios situated in Dundee and Canada. In December 2020 Hutch joined MTG to further accelerate opportunities to build highly diverse automotive experiences on mobile. For more information visit www.hutch.io.

Credits & Legal

<http://www.hutchgames.com/f1-manager-credits/>

Forward looking information

Statements in this press release relating to any future status or circumstances, including statements regarding future performance, growth and other trend projections and other effects of the Transaction, are forward-looking statements. These statements may generally, but not always, be identified by the use of words such as “anticipate”, “believe”, “expect”, “intend”, “plan”, “seek”, “will”, “would” or similar expressions. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that could occur in the future. There can be no assurance that actual results will not differ materially from those expressed or implied by these forward-looking statements due to several factors, many of which are outside MTG’s control. Any forward-looking statements in this press release speak only as of the date on which the statements are made and MTG has no obligation (and undertakes no obligation) to update or revise any of them, whether as a result of new information, future events or otherwise.