



# MTG publishes Q3 July-September 2020 interim report

**STOCKHOLM, November 4th 2020 — Modern Times Group MTG AB (publ) (“MTG”) today publishes its Q3 2020 interim report. MTG’s gaming vertical continues to deliver all-time high, record-setting results, while its esports vertical remains resilient to pandemic impact and has in part successfully offset the loss of live audience events through savings and improved efficiency.**

“We’re pleased to see continued strong operational performance from our gaming vertical in the third quarter, as well as high levels of engagement from the player base. InnoGames stands out in particular, delivering an all-time high Adjusted EBITDA driven primarily by Forge of Empires. Despite rollbacks of lockdown restrictions in Q3 in several countries, players in-game spending remained at elevated levels, resulting in better-than-expected growth.,” states Maria Redin in the report, her first since becoming President and CEO of MTG in September 2020.

“I’m proud of how we and our (esport) portfolio companies have adapted to the new circumstances dictated by the coronavirus pandemic. We have changed our operations, continued to successfully convert live audience events to digital only, and retained high levels of fan engagement,” she continues.

MTG’s Q3 2020 interim report highlights follows below. For the full report please see the attached file or [www.mtg.com](http://www.mtg.com).

## **Record-high profit for the Group & gaming vertical**

- The gaming vertical delivered yet another strong quarter with record-high profit, on the back of continued strong user engagement and a return to normalized marketing spend. The positive performance was manifested through growing Average Revenue Per Daily Active User (ARPDau) as a result of successful in-game campaigns for the InnoGames portfolio
- The ongoing coronavirus pandemic continued to impact the esports vertical with several properties either being cancelled or postponed in Q3 2020. However, through good cost control and a more favorable revenue mix with a larger media component, the results were better than anticipated

## **Q3 2020 financial highlights**

- Net sales declined by 13% to SEK 912 (1,044) million where underlying net sales declined by 9 percent
- Adjusted EBITDA amounted to SEK 196 (31) million, with adjustments for Items affecting comparability (IAC) of SEK 13 (-) million, Impairment of own capitalized costs of SEK 9 (-) million, Long-term incentive (LTI) programs of SEK 50 (17) million and M&A transaction costs of SEK 1 (19) million
- EBITDA was SEK 124 (-5) million
- Operating income (EBIT) totaled SEK 54 (-82) million
- Net income from continuing operations was SEK -11 (-80) million
- Basic earnings per share amounted to SEK -1.00 (-1.47)
- Net cash flow from operations totaled SEK 93 (-33) million

## Financial overview

(SEKm)	Q3 2020	Q3 2019	Nine months 2020	Nine months 2019	FY 2019
<b>Continuing operations</b>					
Net sales	912	1,044	2,932	3,079	4,242
<i>of which esport</i>	234	415	885	1,196	1,712
<i>of which gaming</i>	679	629	2,047	1,881	2,531
<i>of which central operations and eliminations</i>	0	-1	0	3	0
Costs before depreciation and amortization	-788	-1,049	-2,774	-3,066	-4,352
Adjusted EBITDA <sup>1)</sup>	196	31	342	155	239
<i>Adjusted EBITDA margin</i>	22%	3%	12%	5%	6%
<i>Adjustments</i>	-72	-36	-183	-142	-349
EBITDA	124	-5	159	13	-109
Amortization	-47	-53	-147	-143	-202
Depreciation	-23	-23	-68	-72	-96
<i>of which PPA</i>	-27	-30	-88	-90	-120
EBIT	54	-82	-56	-201	-407
<i>EBIT margin</i>	6%	-8%	-2%	-7%	-10%
Net income	-11	-80	-162	-251	-458
Basic earnings per share (SEK)	-1.00	-1.47	-4.37	-5.11	-8.19
<b>Discontinued operations <sup>2)</sup></b>					
Net income	-	-43	-	15,012	14,852
<b>Total operations</b>					
Net income	-11	-123	-162	14,761	14,394
Basic earnings per share (SEK)	-1.00	-2.08	-4.37	217.81	212.44
Net cash flow from operations	93	-33	175	-205	-188
CAPEX	80	69	166	174	239
<b>Net sales growth y-o-y</b>					
<i>Organic growth</i>	-9%	2%	-5%	7%	7%
<i>Acquisitions/divestments</i>	-	0%	-	-1%	-1%
<i>Changes in FX rates</i>	-4%	4%	0%	5%	4%
<i>Change in reported net sales</i>	-13%	6%	-5%	10%	10%

1) See page 24 for details of adjustments to EBITDA. Alternative performance measures used in this report are explained on page 25

2) Consists of the adjusted result for NENT, Nova and Zoomin in 2019

## Guidance for H2 2020

Revenue in the esport vertical is expected to decline by approximately 27-32 (previously 30-40) percent in 2H 2020, compared with the corresponding period in 2019, as a result of the ongoing coronavirus pandemic and its impact on conducting physical live events with audiences, players and partners present. This decline is predominantly driven by most Own & Operated (O&O) and Esport Services (ESS) events being either moved online in H2 2020, postponed to 2021, or in a few instances canceled. MTG expects a return to a more normal operational performance starting from when borders are fully open, and when it is allowed to conduct large physical and live events under safe conditions.

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 (no change) million for H2 2020 vs H2 2019 and are designed to deliver operational efficiency and enhance the future potential of the operations when the current pandemic comes to an end.

Group-adjusted EBITDA for H2 2020 is expected to amount to between SEK 375–400 (earlier 250-300) million. The improvement is on the back of continued strong user engagement and successful in-game events in the gaming vertical where we continue to see a stronger momentum also post lock-down.

### Financial calendar

Interim financial report Q3 2020	November 4th 2020
Interim financial report Q4 2020	February 4th 2021
Interim financial report Q1 2021	April 29th 2021
Annual General Meeting 2021	May 18th 2021
Interim financial report Q2 2021	July 20th 2021
Interim financial report Q3 2021	October 28 2021

### Conference call

MTG AB will hold a conference call at 3.00pm CET which will be hosted by President and CEO Maria Redin and CFO Lars Torstensson.

Dial in details:

Sweden +46 856 618 467

UK: +44 (0) 844 481 9752

US: +1 646 741 3167

The access pin code for the call is 747 68 15.

To listen to a streamed webcast - listen only - of the conference call visit:

<https://edge.media-server.com/mmc/p/s269wzsw>

*This information is information that MTG (Modern Times Group MTG AB (publ.)) 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 02.00pm CET on November 4th 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').*