



Q2 2019 interim report April-June

- MTG continued to deliver on its strategic direction, with sales growth in its two verticals esports and gaming of 14 percent
- Esports Owned & Operated (O&O) sales up 15 percent. Gaming sales up by 19 percent, delivering a record high adjusted EBITDA margin of 29 percent
- High activity through MTG VC fund, invested SEK 22M in three growth companies

Monday, July 22, 2019 — Modern Times Group MTG AB (MTG) today publishes its Q2 2019 financial results. MTG continues to deliver on its strategic direction with sales growth increasing with 14 percent in both investment verticals esports and gaming.

“As we conclude and report the second quarter in 2019 we see strong improvements in both our esports and gaming verticals. We deliver a record high adjusted EBITDA margin of 29 percent, and we continue to be one of the most active VC players in the landscape through our VC fund, with three new investments made in the quarter,” says President and CEO Jørgen Madsen Lindemann.

Highlights from the Q2 2019 financial report and the President & CEO’s comments follow below. Please see the full report attached (pdf) and published available for download on <http://www.mtg.com>.

MTG Q2 2019 Financial report

Record high sales and adjusted EBITDA for Q2 2019

- MTG continued to deliver on its strategic direction, with sales growth in its two verticals of 14 percent
- Esports Owned & Operated (O&O) sales up 15 percent
- Gaming sales up by 19 percent, delivering a record high adjusted EBITDA margin of 29 percent
- MTG VC fund invested SEK 22 million in three growth companies

Q2 2019 financial highlights

- Net sales growth of 11 percent to SEK 1,117 (1,004) million, of which 7 percent organic growth
- EBITDA of SEK 39 (-67) million, of which SEK 13 million due to the impact of IFRS 16
- Adjusted EBITDA of SEK 71 (-26) million, including adjustments for IAC of SEK 4 (23) million, for LTI of SEK 23 (11) million and M&A transaction costs of SEK 4 (6) million⁽¹⁾
- Operating income (EBIT) of SEK -35 (-125) million
- Net income from Continuing Operations of SEK -71 (-136) million and basic earnings per share of SEK -1.68 (-2.35)
- Total net income of SEK 1,419 (348) million including a capital gain of SEK 1,490 (-) million mainly related to the divestment of Nova
- Net cash in Continuing Operations of SEK 2,085 (1,026) million



President & CEO's comments

At MTG, we believe that esports and gaming are the future of entertainment. That is why we partner with and invest in the best entrepreneurs, most promising publishers and leading brands in these industries. And there is a good reason for this; the number of gamers worldwide is expected to grow to 2.9 billion in 2022, up from 2.4 billion in 2018¹ – and the global esports audience is expected to grow to 645 million by 2022, up from 395 million in 2018². Games – whether played in the home, by the commuter on the go or in an esports arena by a professional esports player – represent a major commercial opportunity.

Closer integration of portfolio companies – and interesting bets through VC

MTG's second quarter of 2019 showed good progress in the strategic agenda across our verticals; We delivered record sales for the quarter and improved our profitability year over year. In the gaming vertical ARPDAU grew by 27 percent compared to the same period last year, showing that we are delivering when it comes to publishing and creating engaging mobile games. New records in both sponsorship revenue and ticket sales show that our esports vertical is taking the natural role of sports evolved worldwide.

We have focused on creating a platform for future growth, both in esports and gaming, and we have brought ESL and Dreamhack closer together to build the leading esports ecosystem and the best products. We have also put a new operational structure in place for Kongregate which allows them to focus on fewer but more successful first party game titles and third party publishing.

The MTG VC fund has completed several exciting seed and series A investments into gaming and esports start-ups with a high risk but also the potential for high rewards. Over time, these will either remain financial investments or be a great entry into companies that might become members of our growing esports and mobile gaming network.

Continued growth in esports

In the second quarter our strategic decision to focus on our own and operated ("O&O") properties and being more demanding with respect to esports services ("ESS") continued to yield positive results and the business vertical grew by 8 percent. Despite a sequential decline in growth rate - mainly due to slower monetization of media rights and seasonally smaller Master properties by ESL - several positive indicators for the longer-term business case for esports were reached:

First, the trend of improving operational metrics for our Master properties continued. ESL One Birmingham and DreamHack Dallas were good examples of this with more fans visiting and higher viewership compared to the same events last year.

Second, as a result of the growing fan base, more sponsors got involved in both our Masters and Challenger properties. In the quarter, sponsor revenue was a key driver

¹ NowZoo

² AT Kearney report 2018



compared to the same period last year

Third, DreamHack's newly launched e-FIFA leagues in Denmark and Sweden delivered strong incremental revenue and show promise for the prospect of a broader launch of e-leagues in traditional sports.

But as stated there is more to do to make this emerging sport become a more commercially attractive product. The lack of qualitative data concerning our properties is still hampering our efforts to sell and price media rights and compete effectively with traditional sports – this will be a key challenge to tackle going forward. Also, we want to further integrate our esports companies to drive scale and be more competitive on the cost side.

Gaming delivered revenue growth and better margins

InnoGames delivered another exceptionally strong performance in the quarter as Forge of Empires maintained its momentum, primarily driven by successful in-game events in Q2 2019. The new game, God Kings, started to show early and promising results, and we will increase our marketing efforts for it in the second half of 2019. Forge of Empires continued to impress, and in June we saw the title breach the EUR 500 million lifetime revenue milestone. This is a testament to InnoGames' best-in-class ability to keep a successful title relevant and its player community thriving year after year. At Kongregate, the turnaround started to yield improvements in revenue and adjusted EBITDA, both of these reflecting Kongregate's focus on a smaller number of more successful games such as the newly acquired Bit Heroes.

Jørgen Madsen Lindemann
President & Chief Executive Officer

Ambition for full year 2019

The Group's ambition for the full-year 2019 has been revised to better reflect a slower development and monetization of media rights in esports. As a result, the new ambition is to deliver organic sales growth of 8-12 percent (earlier: group organic sales growth in the mid-teens percentage) and an adjusted EBITDA margin in mid-single digits, after group central costs and excluding the impact of IFRS 16 (earlier: group EBITDA margin in mid-single digits after group central costs, and excluding the impact of IFRS 16) for its two business verticals, esports and gaming. The performance will be driven by better commercialization of O&O esports properties, the continuing strong performance of InnoGames, and the operational turnarounds being implemented in Kongregate.



Shareholders information

Financial calendar

Q3 results announcement	29 October 2019
Q4 and full year announcement	6 February 2020

Conference call

The company will host a conference call today at 9:00am Stockholm local time (CEST). To participate in the conference call, please dial:

Sweden:	+46 850 692 180
UK:	+44 844 571 8892
US:	+1 631 510 7495

The access pin code for the call is 598 60 46

To listen to a streamed webcast of the conference call visit:
<https://edge.media-server.com/mmc/p/43ih7wt6>

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About MTG

MTG (Modern Times Group MTG AB (publ.)) (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').

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