MTG delivers on full year guidance with record adjusted EBITDA and strong cash conversion, reports 7% sales growth in Q4

MTG organic revenues grew 3% year over year, driven by strong results from PlaySimple. UA spend was up year over year following the consolidation of Snowprint, but was down slightly on an organic basis, as PlaySimple spread out their marketing investments across the quarters of the year. We delivered a strong adjusted EBITDA and high operating margins of 28% in Q4, on the back of growth and operational leverage combined with a more balanced marketing approach. We repurchased a total of SEK 252 million of shares through the share buyback program that ran between 4 September and 31 December 2023. We also signed an agreement to merge Kongregate with US studio Monumental after the quarter.

Financial highlights Q4

- Net sales increased by 13% to SEK 1,571 (1,388) million year over year. Sales were up by 3% year over year organically and would have increased 7% if Snowprint Studios ("Snowprint") revenue had been included since Q4 2022
- UA spend of SEK 600 (559) million corresponding to 38% (40) of revenue
- Adjusted EBITDA of SEK 439 (299) million with an adjusted EBITDA margin of 28% (22)
- Reported EBITDA of SEK 420 (304) million and EBIT of SEK 259 (121) million
- Net financial items of SEK -187 (-391) million of which SEK -161 million related to revaluation of the earnout liability
- Tax amounted to SEK -184 (-61) million
- Total net income of SEK -112 (-348) million and total basic earnings per share of SEK -0.91 (-2.79)
- Cash flow from operations in the quarter of SEK 292 (230) million including a realized currency exchange loss amounting to SEK -6 million and cash conversion of 58%

Financial highlights full year 2023

- Net sales increased by 5% to SEK 5,829 (5,537) million and were down -2% organically
- UA spend of SEK 2,254 (2,135) million corresponding to 39% (39) of revenue
- Adjusted EBITDA of SEK 1,548 (1,373) million with an adjusted EBITDA margin of 27% (25)
- Reported EBITDA of SEK 1,439 (1,229) million and EBIT of SEK 885 (558) million
- Total net income of SEK 164 (6,475) million and total basic earnings per share of SEK 1.33 (56.26)
- Cash flow from operations of SEK 1,258 (868) million including a realized currency exchange gain amounting to SEK 135 million and cash conversion of 59%
- Cash and cash equivalents at the end of the period amounted to SEK 2,956 (4,733) million. Long-term bank deposits amount to SEK 124 million

Financial overview

(SEKm)	Q4 2023	Q4 2022	FY 2023	FY 2022
Continuing operations				
Net sales	1,571	1,388	5,829	5,537
EBIT	259	121	885	558
EBITDA	420	304	1,439	1,229
Adjusted EBITDA	439	299	1,548	1,373
Net income	-112	-331	164	252
Basic earnings per share (SEK)	-0.91	-2.65	1.33	2.70
Diluted earnings per share (SEK)	-0.91	-2.65	1.32	2.69
Discontinued operations				
Net income	-	-17	-	6,223
Total operations				
Net income	-112	-348	164	6,475
Basic earnings per share (SEK)	-0.91	-2.79	1.33	56.26
Diluted earnings per share (SEK)	-0.91	-2.79	1.32	56.06
Growth, continuing operations				
Sales growth	13%	9%	5%	41%
Changes in FX rates	1%	13%	5%	9%
Sales growth at constant FX	12%	-4%	0%	32%
of which organic growth	*3%*	*-4%*	*-2%*	*-4%*

President & CEO's comments



MTG delivers on full year guidance with record adjusted EBITDA and strong cash conversion, reports 7% sales growth in Q4

We reported healthy Q4 revenues with solid organic growth of 3%. Our growth was 7% when including our newly acquired and fast-growing studio, Snowprint, in the year over year calculations on a comparable basis. On a reported basis, our sales were up 13% year over year in the quarter. We also delivered on our full year outlook, with -2% organic growth excluding currency effects for the full year following healthy organic growth in the second half of 2023.

Our organic growth in the quarter was driven by PlaySimple, which successfully continued to scale both their established portfolio and new games. InnoGames started Q4 with a weaker than expected event in Forge of Empires in October, but delivered a great end of year event, with sales being up year over year in December, which is an important month.

Snowprint, which we acquired on 5 October 2023, is now fully consolidated. Warhammer 40,000: Tacticus grew successfully in Q4 thanks to a very active pipeline of live-ops content coming up to the holiday season, which enabled the studio to capitalize on the appeal and depth of the Warhammer 40,000 IP. We expect Snowprint to continue growing in 2024 and I look forward to seeing the game continue to evolve.

A quarter of strong margins on the back of strong content and disciplined UA spending

We invested a total of SEK 600 million in user acquisition (UA) in Q4, corresponding to 38% of our revenues in the quarter. This included the quarter's UA spend from Snowprint, which is actively investing in scaling Warhammer 40,000: Tacticus.

When excluding Snowprint, our total UA spend was down slightly both year over year and sequentially. This primarily reflected lower UA spend in Q4 for PlaySimple, both year over year and sequentially, driven by the studio actively spreading their UA more evenly across each of the quarters of the year. InnoGames also invested less in UA year over year, as the studio maintained its disciplined approach to return on advertising spend in the current challenging mid-core marketing environment.

We reported a significant 47% year over year increase in total adjusted EBITDA to SEK 439 million in the quarter, with a high 28% margin. Our profitability in the quarter enabled us to report all-time high adjusted EBITDA for the full year. This was driven by PlaySimple's growth, higher operating leverage across the business, high margins from Ninja Kiwi, and the great job done by the team at InnoGames following the restructuring in April. The studio has successfully managed to reduce their cost base, while delivering events that engage and reactivate established players, which has resulted in a higher proportion of high-margin revenues from browser, as well as healthy spending levels on events in Forge of Empires from established players.

We delivered a cash conversion of 58% in Q4 and 59% for the full year 2023. This reflected the continued high cash generation levels in the business. The cash conversion for the full year was at the top end of our guided range of 50-60%.

We enter 2024 confident in our ability to drive growth and utilize our cash to create shareholder value

We expect the North American and European in-app purchase market to have continued the positive recovery trend we observed in the first nine months of the year, with mid-single digit growth in Q4, driven primarily by the casual segment. We also expect our IAP market to have been up slightly on a sequential basis. This means that we have entered 2024 supported by somewhat more positive IAP market dynamics, even if some of our specific genres remain challenging. We have reported organic growth two quarters in a row and are confident about our prospects during 2024, driven by our portfolio of high-quality IPs.

We have a very exciting pipeline of new games planned for 2024 and beyond. This includes Hutch scaling Forza Customs, which was launched in Q4, as well as the upcoming launches of NASCAR Manager from Hutch, Bloons Card Storm and another title from Ninja Kiwi, more new games from PlaySimple and new initiatives from InnoGames.

We are happy to have found a solution which will help Kongregate continue to work towards bringing their gaming vision to life. They are now starting the work to combine with Monumental, and we look forward to being part of their future journey.

We continue to have a strong balance sheet, which will help us explore opportunities for accretive M&A during the year. M&A continues to be an important part of our overall growth strategy and we are well-positioned to attract top talent and high-quality studios to our Gaming Village. At the same time, our focus is and has always been on finding the right balance between M&A and continued shareholder returns.

We are pleased to have returned nearly SEK 500 million to our shareholders in 2023 through share buybacks, ensuring that MTG has continued to generate shareholder value throughout the year.

We are proud to have delivered a strong 2023 and to end the year on a high note. We enter 2024 with a healthy competitive position and I believe that we have the right people and the right games to continue delivering profitable growth to our shareholders.

Thank you for following our progress and speak soon!

Maria Redin
Group President & CEO, Modern Times Group MTG AB

2023 outlook delivered

MTG's 2023 outlook was for full year sales to be within the range of -3% to +2% after adjusting for currency effects. The outlook for adjusted EBITDA margin for the year was 25% to 27%, slightly above our long-term outlook of 23% to 25%. MTG subsequently reported an organic growth of -2% and 27% adjusted EBITDA margin for the full year 2023.

The outlook for 2023 excluded the contribution from Snowprint, which was acquired on 5 October 2023.

We expect to provide an annual outlook in our Q1 results in April.

Our long-term outlook is for an organic revenue CAGR of 7% to 10%, with an estimated average adjusted EBITDA margin of 23% to 25%. We also continue to expect to deliver post-tax cash conversion levels of 50-60% on an annualized basis.

Significant events

March 28 – MTG increased its ownership in PlaySimple to approximately 93%, with the remaining shares held by PlaySimple founders. The group has consolidated 100% of PlaySimple since August 1 2021 and has a contractual path to full ownership in place.

April 13 – MTG's German gaming studio, InnoGames, announced a strategic organizational realignment of its business.

May 10 – Conclusion of MTG's share buyback program that commenced on October 27 2022. MTG has repurchased a total of 4,618,588 class B shares under the program, for a total value of SEK 377 million.

June 12 – MTG announced the appointment of Nils Mösko as its new CFO. Nils has extensive experience in strategy and financial management and most recently served as Chief Strategy Officer and Head of Business Development at the electric vehicle company Polestar.

June 15 – MTG's racing-focused studio, Hutch, teamed up with Turn 10 Studios, a well-known first-party video game developer and the creators of the Forza franchise, to release an exciting new mobile game targeting a broad audience.

September 1 – MTG launched a SEK 300 million share buyback program, starting on September 4 and running until December 31 2023. The Board of Directors' view is that the program will increase the value created for MTG shareholders.

September 15 – MTG's wholly owned studio, Ninja Kiwi, successfully launched the tower defense hit Bloons TD6 on Xbox. Ninja Kiwi will continue evolving the game over time with additional features and content.

September 21 – Hutch announced a new partnership with the recognized motorsport organization, NASCAR. The partnership will see Hutch developing a standalone title for mobile.

September 22 – Ninja Kiwi announced Bloons Card Storm, a competitive digital collectible card game set within the Bloons universe. The game will be launched on mobile and PC during 2024.

October 5 – MTG acquired a 70% majority stake in Snowprint, the studio behind Warhammer 40,000: Tacticus. Snowprint specializes in turn-based tactics games, with Warhammer 40,000: Tacticus having won several industry awards. The goal is to accelerate Snowprint's growth through the Flow Platform by offering market-leading business intelligence and user acquisition capabilities.

November 1 – MTG increased its ownership in PlaySimple to 100%, in line with the timeline to full ownership announced at the time of the acquisition in 2021.

December 31 – Conclusion of MTG's share buyback program that commenced on September 4 2023. MTG has repurchased a total of 3,103,729 class B shares under the program, for a total value of SEK 252 million.

January 24, 2024 – MTG announced that Oliver Bulloss had joined the group in the newly created role of Chief Product Officer. Oliver has extensive experience from a diverse array of leadership roles in mobile gaming. He most recently served as General Manager of NaturalMotion Zynga.

January 30, 2024 – MTG's Extraordinary General Meeting (EGM) resolved on all proposals, including a transfer of class B shares to the sellers of PlaySimple as well as transfers of class B shares on a regulated market or by way of accelerated bookbuilding procedures.

February 8, 2024 – MTG announced an agreement to divest Kongregate by merging it with the US game development studio Monumental for a 30% equity stake in the company on a fully diluted basis.

Further information about the group's significant events can be found on MTG's homepage on www.mtg.com

Group performance

Net sales

Group net sales were up 13% to SEK 1,571 million in Q4, including a 1% positive contribution from currency effects. Sales were up 7% on a year over year basis if Snowprint is included for both comparison periods, and were up 3% organically year over year but slightly down sequentially. The organic year over year sales increase in Q4 was driven by strong growth in PlaySimple, which more than offset lower revenues in Kongregate and Hutch year over year.

(SEKm)	Q4 2023	Q4 2022	FY 2023	FY 2022
Net sales	1,571	1,388	5,829	5,537
Sales growth	*13%*	*9%*	*5%*	*41%*
Changes in FX rates	*1%*	*13%*	*5%*	*9%*
Sales growth at constant FX	*12%*	*-4%*	*0%*	*32%*
of which organic growth	*3%*	*-4%*	*-2%*	*-4%*

Adjusted EBITDA, EBITDA and EBIT

MTG reported a 47% year over year increase in adjusted EBITDA to SEK 439 (299) million. This included Snowprint, which is focused on growth and delivered slightly above breakeven results in the quarter. The adjusted EBITDA margin increased to 28% from 22% in Q4 last year.

The significant year over year margin increase reflected three main effects. The first was the combination of strong growth and lower UA spend during Q4 from PlaySimple, as the studio has evened out their marketing investments across the year. The second was a margin increase in InnoGames, driven year over year by a combination of the lower cost base as a result of the restructuring in April 2023, strong in-game content, which has been enabling the recent shift towards a higher proportion of browser revenues and lower UA spend. Ninja Kiwi also continued to support the group's overall margin in the quarter.

Total user acquisition costs in the quarter represented 38% of total revenues, compared to 40% last year. Total acquisition costs were slightly up from 37% in the third quarter and year over year. The group's total UA spend was up year over year in the quarter following the consolidation of Snowprint, which continued to successfully scale Warhammer 40,000: Tacticus according to plan, with a focus on the important period before Christmas. Total UA spend would have been lower year over year if Snowprint was excluded from the calculations. The lower levels of underlying UA spend in the fourth quarter were primarily driven by PlaySimple, as the studio had a more even spread of marketing spend throughout each quarter of the year in 2023.

The group's adjustments to reported EBITDA amounted to SEK 19 (-5) million in the quarter. This included an adjustment for non-recurring bonus structures of SEK 6 (-16) million and an adjustment for M&A transaction costs of SEK 13 (9) million. The group therefore reported EBITDA of SEK 420 (304) million and a margin of 28% (22) in the quarter.

(SEKm)	Q4 2023	Q4 2022	FY 2023	FY 2022
EBIT	**259**	**121**	**885**	**558**
Amortization	152	174	517	637
Depreciation	10	9	36	34
EBITDA	**420**	**304**	**1,439**	**1,229**
Items affecting comparability[1]	0	-	40	-
Impairment own capitalized costs	-	2	-	26
Non-recurring bonus structures[2]	6	-16	33	99
M&A transaction costs	13	9	36	19
Adjusted EBITDA	**439**	**299**	**1,548**	**1,373**
Adjusted EBITDA margin	*28%*	*22%*	*27%*	*25%*

1) Restructuring costs in InnoGames
2) Long term incentive programs are included in figures prior to Q2 2022

Depreciation and amortization amounted to SEK 162 (183) million and included amortization of purchase price allocations (PPA) of SEK 101 (90) million. Excluding PPA, depreciation and amortization amounted to SEK 61 (93) million.

Consolidated EBIT was SEK 259 (121) million in the quarter, which corresponded to an EBIT margin of 16% (9). Operating costs before depreciation and amortization increased by 6% year over year to SEK 1,151 (1,084) million.

Key performance indicators

	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022
DAU, million	6.5	6.4	6.6	6.4	6.5
MAU, million	32.3	31.0	30.7	29.4	31.5
ARPDAU, SEK	2.6	2.5	2.4	2.3	2.3
Revenue generated by the top 3 games, %	41%	46%	47%	46%	44%
Revenue generated by platform, %					
Mobile	78%	75%	77%	77%	76%
Browser	19%	20%	20%	20%	19%
Other	3%	4%	3%	3%	5%
Revenue generated by territory, %					
Europe	33%	33%	32%	32%	33%
North America	62%	62%	63%	63%	64%
Asia Pacific	4%	4%	4%	4%	3%
Rest of World	1%	1%	1%	1%	0%
UA spend, SEKm	600	554	563	537	559

The group's total number of DAU (daily active users) was stable year over year but up slightly on a sequential basis. The sequential growth reflected growing DAU's in our Word Games and Racing franchises, as well as the consolidation of Snowprint in the quarter. The year over year dynamics reflected the growing user numbers in our Word Games franchise almost offsetting the year over year declines in our other franchises.

Average Revenue Per Daily Active User (ARPDAU) was up 13% year over year and up 4% on a sequential basis. The year over year and sequential ARPDAU increases in Q4 mainly reflected the consolidation of Snowprint and the spending levels in Warhammer 40,000: Tacticus which were higher in comparison to our other key mid-core titles. The full year development was also supported by the strong ongoing trend of growing number of paying players in Forge of Empires on the back of a strong event calendar and content lineup during the year.

Forge of Empires, Word Trip, and Crossword Jam continued to be the group's top three performing titles. The top three games represented 41% of the group's revenues in the fourth quarter, compared to 46% in the third quarter.

Mobile represented 78% (76) of total revenues in the fourth quarter, which mainly reflected the strong growth of our Word Games franchise year over year. Browser represented 19% (19) of revenues of the quarter but were up 10% year over year due to the continued strong engagement from and monetization of established players in Forge of Empires.

Reported sales by franchise

(SEKm)	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022
Word Games	630	610	596	517	502
Strategy & Simulation	539	440	424	372	404
Racing	149	166	164	138	178
Tower Defense	137	143	134	127	148
Other smaller franchises	117	134	140	151	157
Total sales	**1,571**	**1,494**	**1,458**	**1,306**	**1,388**

Word Games franchise revenues were up 27% year over year and up 6% sequentially in constant currencies. PlaySimple continued to focus on new features for their established games during the quarter, including a Barbie pack for Daily Themed Crossword, optimization of the puzzles in Crossword Explorer, improved overall ad impressions for Crossword Jam and content personalization for Word Trip.

Word Search continued its success and reached a record of USD 100k revenues for a single day in December 2023. During the quarter a new long-term leaderboard progression feature was added to the game. The new titles Tile Match and 2248 are showing good early KPIs and PlaySimple is focused on the growth of both titles. Word Wars and Crossword Explorer were also launched on Amazon in the period.

Strategy & Simulation franchise revenues were up 30% year over year and up 24% from the third quarter due to the inclusion of Warhammer 40,000: Tacticus in the franchise. When excluding Tacticus, franchise revenues were down somewhat year over year and from the third quarter.

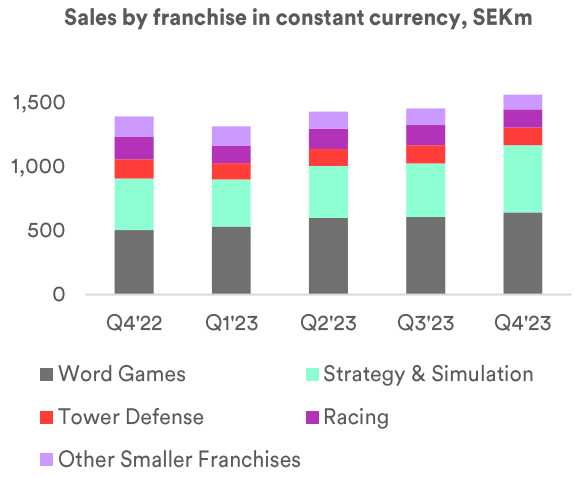
Forge of Empires had two key events during the quarter. While the Halloween event did not meet our expectations, it was followed by a strong winter event which has provided the game with positive momentum going into 2024. The number of paying players in Forge of Empires was up year over year, driven by the team's very strong execution on events during the year. InnoGames continued to focus on the wider rework of Rise of Cultures and also has two new titles in the pipeline.

Newly acquired studio Snowprint delivered strong sales of SEK 130 million in Q4 and Warhammer 40,000: Tacticus continued to grow thanks to a series of successful events and new characters added to the game during the important Christmas period.

Tower Defense franchise revenues were down -6% year over year in the quarter and down -3% from Q3 this year. This decline primarily reflected the fact that Bloons TD 6 was not part of the December sale on Steam. The sale was instead launched in January 2024. In addition, the increased levels of engagement from the Map Editor feature launched in the beginning of the quarter did not result in a significant uplift in revenues.

Bloons TD 6 launched in China at the end of December via a third party and Ninja Kiwi is closely following the game's early progress in this market.

Ninja Kiwi has an active pipeline planned for 2024, which includes the launch of Bloons TD 6 on PlayStation during the first half of the year. Bloons Card Storm is getting closer to a soft launch and will be available to play in 2024. The studio is also developing two additional new games, which will be unveiled in due time.



Racing franchise revenues were down -20% year over year in constant currencies and down -8% from Q3 as neither F1 Clash nor Top Drives met the studio's expectations in the period. The team at Hutch is working on the season reset of F1 Clash and introduced a Legendary Drivers update to F1 Clash in November. The team is also working on the roadmap for Top Drives to improve the game's performance.

Forza Customs launched worldwide in November on the back of strong numbers during the testing phase. The game has performed well since launch and shows a lot of potential. Hutch is also working on the upcoming launch of NASCAR Manager, which is expected during Q1. The new title combines a proven game model with a major international racing IP which has a sizeable customer base in the large North American market.

Kongregate's revenues were down both year over year and on a sequential basis in Q4. The studio published 42 new games on the Kongregate.com platform and updated 13 games during the fourth quarter. The team also continued their work on ad improvements in the quarter, with the aim to increase ad revenue.

Net financials and net income

Net financial items amounted to SEK -187 (-391) million in the quarter, of which net interest amounted to SEK 36 (36) million and other financial items to SEK -223 (-427) million.

Other financial items mainly comprised unrealized and realized exchange rate differences of SEK 52 million, net, of which realized exchange rate differences amounted to SEK -6 million and unrealized exchange rate differences amounted to SEK 58 million. Discounted interest on earnouts amounted to SEK –40 million, and gains and losses from financial assets and liabilities to SEK -232 million, of which:

- SEK -161 million was related to the revaluation of earnout liabilities
- SEK -76 million was related to the valuation of financial liability related to the class C shares held by the group as final payment part of the agreement to acquire PlaySimple (as the liability follows the value of a fixed number of shares).
- SEK 4 million related to other changes

The group's tax amounted to SEK -184 (-61) million. During the quarter, MTG performed a revaluation of certain previously recognized deferred tax assets, which resulted in an impairment of SEK -45 million increasing our tax charges for the quarter.

Net income for the quarter was SEK -112 (-331) million.

Discontinued operations

MTG divested ESL Gaming to Savvy Gaming Group in April 2022. As a result, the group's esports vertical and operations have been reclassified as discontinued operations since Q1 2022 (including in this report). Further information can be found in the 2022 Annual Report, as well as in the 2022 quarterly reports.

Venture capital fund investments

To date, the MTG VC fund has invested a total of SEK 425 (USD 40) million in a total of 26 companies. VC investments complement MTG's majority stake investment in Kongregate, InnoGames, Hutch, Ninja Kiwi, PlaySimple and Snowprint.

The portfolio assets range from start-up game developers across several game genres and game creation platforms in the US and Europe to pure esports-focused companies. VC investments related to esports remained in MTG after the divestment of ESL Gaming.

Financial review

Cash flow

Cash flow from operations before changes in working capital and taxes paid amounted to SEK 430 (421) million. This included a realized currency exchange loss amounting to SEK -6 million in the quarter. Depreciation and amortization amounted to SEK 162 (183) million, of which SEK 101 (90) million pertained to amortization of PPA.

Paid taxes amounted to SEK -120 (-105) million.

The group reported a SEK -18 (-86) million change in working capital in the quarter.

Net cash flow from operations therefore amounted to SEK 292 (230) million.

Investing activities

Total cash flow relating to investing activities amounted to SEK -978 (354) million in the quarter and mainly consisted of an earnout payment of SEK 482 million to PlaySimple and the acquisition of Snowprint of SEK 450 million. Capital expenditure on tangible and intangible assets, mainly consisting of capitalized development costs for games and platforms that have not yet been released, amounted to SEK -42 (-60) million in the quarter.

Financing activities

Total cash flow relating to financing activities amounted to SEK -209 (-139) million, of which SEK 199 million related to the group's share buybacks.

The net change in cash and cash equivalents amounted to SEK -894 (445) million.

The group had cash and cash equivalents of SEK 2,956 (4,733) million at the end of the period.

Net debt

Net debt refers to the sum of interest-bearing liabilities less cash and cash equivalents. Interest-bearing liabilities such as additional purchase considerations or lease liabilities are not included.

Net debt as of December 31, 2023, amounted to SEK -2,956 (-4,733) million. The net debt calculation includes external financing of SEK 0 (0) million less SEK 2,956 (4,733) million in cash and cash equivalents.

Parent company

Modern Times Group MTG AB is the group's parent company and is responsible for group-wide management, administration, and financing.

(SEKm)	Q4 2023	Q4 2022	FY 2023	FY 2022
Net sales	15	9	61	40
Net interest and other financial items	-61	-180	-128	7,705
Income before tax and appropriations	-101	-255	-264	7,527

Net interest and other financial items for the quarter amounted to SEK -61 (-180) million. Net interest amounted to SEK 23 (-8) million. Unrealized and realized exchange rate differences amounted to SEK -83 (-170) million and other financial items to SEK -1 (-2) million.

The parent company had cash and cash equivalents of SEK 1,599 (3,625) million at the end of the period.

The total number of shares outstanding at the end of the period was 121,681,404 (123,731,164), excluding the 3,662,980 Class B shares and the 6,324,343 Class C shares held by MTG as treasury shares. In August, MTG cancelled 6,520,000 B-shares previously repurchased by MTG under its share repurchase programs.

Other information

Accounting policies

This interim report has been prepared according to 'IAS 34 Interim Financial Reporting' and the 'Swedish Annual Accounts Act'. The interim report for the parent company has been prepared according to the Swedish Annual Accounts Act – Chapter 9 'Interim Report'.

The group's consolidated accounts and the parent company's accounts have been prepared according to the same accounting policies and calculation methods as were applied in the preparation of the 2022 Annual Report.

Disclosures in accordance with IAS 34.16A appear in the financial statements and the accompanying notes as well as in other parts of the interim report.

Related party transactions

No transactions between MTG and related parties that have materially affected the Group's position and earnings took place during the period.

Risks and uncertainties

Significant risks and uncertainties exist for the group and the parent company. These factors include the prevailing economic and business environments; commercial risks related to expansion into new territories; other political and legislative risks related to changes in rules and regulations in the various territories in which the group operates; exposure to foreign exchange rate movements, and the US dollar and euro-linked currencies in particular; the emergence of new technologies and competitors; and cyber-attacks.

The group's game development businesses depend on their ability to continue releasing successful titles that attract paying customers, conditions that are not under the group's full control.

Risks and uncertainties are also described in more detail in the 2022 Annual Report, which is available at www.mtg.com.

Stockholm, February 8, 2024

Maria Redin

Group President & CEO, Modern Times Group MTG AB

This report has not been reviewed by the group's auditor.

Condensed consolidated income statement

(SEKm)	Q4 2023	Q4 2022	FY 2023	FY 2022
Continuing operations				
Net sales	1,571	1,388	5,829	5,537
Cost of goods and services	-486	-464	-1,577	-1,523
Gross income	**1,085**	**924**	**4,252**	**4,014**
Selling expenses	-620	-576	-2,344	-2,215
Administrative expenses	-194	-235	-1,030	-1,278
Other operating income	-	13	61	44
Other operating expenses	-11	-4	-14	-7
Items affecting comparability	0	-	-40	-
EBIT	**259**	**121**	**885**	**558**
Net interest	36	36	162	54
Other financial items	-223	-427	-486	-114
Income before tax	**72**	**-270**	**561**	**498**
Tax	-184	-61	-397	-246
Net income for the period, continuing operations	**-112**	**-331**	**164**	**252**
Discontinued operations				
Esport	-	-17	-	6,223
Net income for the period, discontinued operations	**-**	**-17**	**-**	**6,223**
Total net income for the period	**-112**	**-348**	**164**	**6,475**
Net income for the period attributable to:				
Equity holders of the parent	-112	-348	164	6,579
Non-controlling interest	-	-	-	-105
Net income for the period	**-112**	**-348**	**164**	**6,475**
Continuing operations				
Basic earnings per share, SEK	-0.91	-2.65	1.33	2.70
Diluted earnings per share, SEK	-0.91	-2.65	1.32	2.69
Total				
Basic earnings per share, SEK	-0.91	-2.79	1.33	56.26
Diluted earnings per share, SEK	-0.91	-2.79	1.32	56.06
Number of shares				
Shares outstanding at the end of the period	121,681,404	123,731,164	121,681,404	123,731,164
Basic average number of shares outstanding	122,673,759	124,687,027	123,189,366	116,950,340
Diluted average number of shares outstanding	123,204,634	124,983,339	123,710,735	117,355,207

Consolidated statement of comprehensive income

(SEKm)	Q4 2023	Q4 2022	FY 2023	FY 2022
Net income	**-112**	**-348**	**164**	**6,475**
Other comprehensive income				
Items that are or may be reclassified to profit or loss net of tax:				
Currency translation differences	-804	-251	-270	842
Total comprehensive income for the period	**-916**	**-599**	**-107**	**7,317**
Total comprehensive income attributable to				
Equity holders of the parent	-916	-599	-107	7,402
Non-controlling interest	-	-	-	-85
Total comprehensive income for the period	**-916**	**-599**	**-107**	**7,317**

Condensed consolidated balance sheet

(SEKm)	Dec 31 2023	Dec 31 2022
Non-current assets		
Goodwill	10,418	10,285
Other intangible assets	2,440	2,410
Total intangible assets	**12,859**	**12,695**
Total tangible assets	**39**	**58**
Right of use assets	172	65
Shares and participations in associated and other companies	399	409
Other financial receivables	289	200
Total non-current financial assets	**687**	**609**
Total non-current assets	**13,758**	**13,427**
Current assets		
Other receivables	787	608
Cash and cash equivalents	2,956	4,733
Total current assets	**3,743**	**5,342**
Total assets	**17,500**	**18,769**
Equity		
Shareholders' equity	13,714	13,934
Total equity	**13,714**	**13,934**
Non-current liabilities		
Lease liabilities	138	32
Total non-current interest-bearing liabilities	**138**	**32**
Provisions	610	620
Contingent consideration	1,007	1,409
Other non-interest-bearing liabilities	166	0
Total non-current non-interest-bearing liabilities	**1,784**	**2,030**
Total non-current liabilities	**1,921**	**2,062**
Current liabilities		
Contingent consideration	432	1,293
Lease liabilities	36	34
Other interest-bearing liabilities	534	707
Other non-interest-bearing liabilities	863	737
Total current liabilities	**1,865**	**2,772**
Total liabilities	**3,786**	**4,834**
Total shareholders' equity and liabilities	**17,500**	**18,769**

Condensed consolidated statement of cash flows

(SEKm)	Q4 2023	Q4 2022	FY 2023	FY 2022
Income before tax adjusted for items not included in cash flow[1]	430	421	1,714	1,447
Taxes paid	-120	-105	-431	-408
Changes in working capital	-18	-86	-25	-171
Cash flow from operations	**292**	**230**	**1,258**	**868**
Investments/divestments in deposits	-	407	-118	-
Acquisition of subsidiaries, associates and other investments	-454	7	-601	-85
Earnout payments	-482	-	-1,421	-317
Investments in other non-current assets	-42	-60	-212	-234
Cash flow from investing activities	**-978**	**354**	**-2,353**	**-636**
Net change in borrowings	-	-	-	-1,900
Repayment share redemption	-	-	-	-2,733
Repurchase of shares	-199	-125	-499	-443
Loan to / repayment of loans from discontinued operations	-	-	-	154
Other cash flow from/used in financing activities	-11	-14	-38	-51
Cash flow from financing activities	**-209**	**-139**	**-536**	**-4,974**
Net change in cash, continuing operations[1]	**-894**	**445**	**-1,630**	**-4,742**
Net change in cash, discontinued operations[1]	**-**	**-133**	**-**	**8,459**
Total net change in cash and cash equivalents	**-894**	**312**	**-1,630**	**3,717**
Cash and cash equivalents at the beginning of the period	**3,989**	**4,695**	**4,733**	**943**
Translation differences in cash and cash equivalents	-138	-273	-147	74
Cash and cash equivalents at end of the period	**2,956**	**4,733**	**2,956**	**4,733**

1) Reclassification in 2022 between continuing and discontinued operations regarding hedge of SEK 191 million.

Condensed consolidated statement of changes in equity

(SEKm)	Dec 31 2023	Dec 31 2022
Opening balance	**13,934**	**9,923**
Net income for the period	164	6,475
Other comprehensive income for the period	-270	842
Total comprehensive income for the period	**-107**	**7,317**
Effect of employee share programs	37	16
New share issue	347	-
Repurchase of shares	-499	-450
Change in non-controlling interests	-	-138
Redemption of shares	-	-2,733
Closing balance	**13,714**	**13,934**

Parent company condensed income statement

(SEKm)	Q4 2023	Q4 2022	FY 2023	FY 2022
Net sales	15	9	61	40
Gross income	**15**	**9**	**61**	**40**
Administrative expenses	-56	-84	-198	-218
Operating income	**-41**	**-75**	**-137**	**-178**
Net interest and other financial items [1]	-61	-180	-128	7,705
Income before tax and appropriations	**-101**	**-255**	**-264**	**7,527**
Appropriations	127	224	127	224
Tax	0	-6	0	-6
Net income for the period	**26**	**-36**	**-137**	**7,746**

1) Received dividend net of impairment during 2022 for a total of SEK 7.6 billion

Net income for the period is in line with total comprehensive income for the parent company.

Parent company condensed balance sheet

(SEKm)	Dec 31 2023	Dec 31 2022
Non-current assets		
Capitalized expenditure	0	0
Machinery and equipment	1	1
Shares and participations	13,821	22,463
Total non-current assets	**13,825**	**22,465**
Current assets		
Current receivables	163	622
Cash and cash equivalents	1,599	3,625
Total current assets	**1,762**	**4,246**
Total assets	**15,588**	**26,711**
Shareholders' equity		
Restricted equity	658	670
Non-restricted equity	14,850	15,089
Total equity	**15,508**	**15,759**
Untaxed reserves	**9**	**9**
Non-current liabilities		
Provisions	12	7
Total non-current liabilities	**12**	**7**
Current liabilities		
Other interest-bearing liabilities	-	10,502
Non-interest-bearing liabilities	58	434
Total current liabilities	**58**	**10,936**
Total shareholders' equity and liabilities	**15,588**	**26,711**

Financial instruments at fair value

The carrying amounts are considered to be reasonable approximations of fair value for all financial assets and liabilities, except shares and participations in other companies and contingent considerations for which the valuation technique is described below.

(SEKm)	Dec 31 2023				Dec 31 2022			
	Carrying value	**Level 1**	**Level 2**	**Level 3**	**Carrying value**	**Level 1**	**Level 2**	**Level 3**
Financial assets measured at fair value								
Shares and participations in other companies	397	-	-	397	408	-	-	408
Financial liabilities measured at fair value								
Contingent consideration	1,439	-	-	1,439	2,703	-	-	2,703

Valuation techniques

Shares and participations in other companies – acquisition cost is initially considered to be a representative estimate of fair value. Subsequently, values are remeasured at fair value and gains/losses recognized when there is subsequent financing through participation by a third-party investor, in which case the price per share in that financing is used, when there is a realized exit or when there are indications that cost is not representative of fair value and sufficient, more recent information is available to measure fair value. Listed holdings are valued at the current share price.

(SEKm)	Dec 31 2023	Dec 31 2022
Opening balance 1 January	**408**	**346**
of which discontinued operations	-	-11
Reported gains and losses in net income for the period	-23	22
Acquisition	17	23
Translation differences	-33	21
Loan converted to shares	27	8
Closing balance	**397**	**408**

Contingent consideration – expected future values are discounted to present value. The discount rate is risk-adjusted. The most critical parameters are estimated future revenue growth and future operating margin.

(SEKm)	Dec 31 2023	Dec 31 2022
Opening balance 1 January	**2,703**	**2,319**
of which discontinued operations	-	-10
Exercised payments, cash-based	-1,421	-317
Revaluation	326	224
Exercised payments, share-based	-347	-
Interest expense	212	220
Translation differences	-33	267
Closing balance	**1,439**	**2,703**

(SEKm)	2023	2024	2025	2026+	**Total**
Cash consideration	-	432	602	406	**1,439**
Share consideration	-	-	-	-	-
Total contingent consideration[1]	-	**432**	**602**	**406**	**1,439**

1) Exercised payments related to contingent considerations during 2023 amount to SEK 1,421 million

Alternative performance measures

The purpose of alternative performance measures (APMs) is to facilitate the analysis of business performance and industry trends that cannot be directly derived from financial statements. MTG uses the following APMs:

- Adjusted EBITDA
- Change in net sales from organic growth

Reconciliation of adjusted EBITDA

Adjusted EBITDA is used to assess MTG's underlying profitability. Adjusted EBITDA is defined as EBITDA adjusted for the effects of items affecting comparability, non-recurring bonus structures, acquisition-related transaction costs and impairment of capitalized internal work. Items affecting comparability refer to material items and events related to changes in the group's structure or lines of business, which are relevant for understanding the group's development on a like-for-like basis. During the second quarter of 2022, the group changed its definition of adjusted EBITDA. The new definition of adjusted EBITDA does not include the group's various operational incentive programs and only includes non-recurring bonus structures.

(SEKm)	Q4 2023	Q4 2022	FY 2023	FY 2022
EBIT	**259**	**121**	**885**	**558**
Amortization	152	174	517	637
Depreciation	10	9	36	34
EBITDA	**420**	**304**	**1,439**	**1,229**
Items affecting comparability[1]	0	-	40	-
Impairment own capitalized costs	-	2	-	26
Non-recurring bonus structures[2]	6	-16	33	99
M&A transaction costs	13	9	36	19
Adjusted EBITDA	**439**	**299**	**1,548**	**1,373**

1) Restructuring costs in InnoGames
2) Long term incentive programs are included in figures prior to Q2 2022

Reconciliation of sales growth

Since the group generates the majority of its sales in currencies other than the reporting currency (i.e., SEK, Swedish krona) and currency rates have proven to be rather volatile, the group's sales trends and performance are analyzed as changes in organic sales growth. This presents the increase or decrease in overall SEK net sales on a comparable basis, allowing for separate discussions of the impact of exchange rates, acquisitions, and divestments. The following table presents changes in organic sales growth as reconciled to the change in total reported net sales.

(SEKm)	Q4 2023	Q4 2022	FY 2023	FY 2022
Group				
Organic growth	3%	-4%	-2%	-4%
Acquisition/divestments	9%	0%	2%	35%
Changes in FX rates	1%	13%	5%	9%
Reported growth	13%	9%	5%	41%

Business combinations

Preliminary purchase price allocations for the year

Refers to acquisitions completed during the period January to December 2023

(SEKm)	Snowprint
Intangible assets	355
Other non-current assets	1
Other current assets	38
Cash and cash equivalents	54
Deferred tax receivables/liabilities net	-63
Other liabilities	-27
Acquired net assets	**358**
Goodwill	293
Purchase price including other non-paid considerations	**651**
Less cash and cash equivalents in acquried operation	-54
Additional purchase price and other settlements, non-paid	-147
Effect on consolidated cash and cash equivalents	**450**
Cash flow from business combination	
Cash payment	-504
Acquired cash and cash equivalents	54
Total effect on cash flow from investing activities	**-450**
Transactions cost for acquisition (included in operating activities)	-6
Net outflow cash and cash equivalent	**-456**

Purchase considerations and assessments

The group completed the acquisition of Snowprint on October 5, 2023. The acquisition of Snowprint is closely aligned with the M&A-driven element of MTG's growth strategy and enables MTG to add a critically acclaimed game with high affinity to the existing titles in its portfolio.

The transaction was structured with an initial cash payment for 70% of the equity instruments and a put and call option arrangement with a future cash payment for the remaining 30% of the equity instruments. For accounting purposes, all equity instruments are accounted for as acquired, i.e. as if 100% had been acquired. By recognizing a liability for the put option for the remaining equity instruments, no non-controlling interest is recognized. The remaining 30% of equity instruments are expected to be legally transferred to MTG during 2025-2026 on the basis of the future valuation of the remaining shares based on the studio's performance. The purchase consideration for the acquisition of Snowprint was SEK 651 million, of which SEK 293 million has been recognized as goodwill. The goodwill is primarily justified by the company's future earnings potential, the Snowprint team's potential to create successful games beyond the company's existing games, and synergies with the other studios within the group. None of the goodwill recognized is expected to be deductible for income tax purposes. The amounts recognized for intangible non-current assets, such as IP, game engine and paying player relationships, have been measured at the discounted value of future cash flows. The amortization periods for the identified assets are set to reflect the determinable useful life.

The impact of the business combination on the group's cash and cash equivalents is SEK 450 million. Acquisition-related expenses for the acquisition amounted to SEK 6 million. Had the acquisition been made effective 1 January 2023, it would have contributed SEK 412 million to the group's net sales and the impact on the group's net profit would have been SEK -82 million. The net sales and net profit included in the consolidated financial statements for the reporting period amount to SEK 130 million and SEK -18 million, respectively. The purchase price allocation for the acquisition is preliminary, as the group has not received final audited information. Consequently, the amounts for assets and liabilities acquired may change until the purchase price allocation is completed. The acquisition has been reported using the acquisition method.

Contingent considerations and other settlements

In connection with the acquisition, MTG and the minority shareholders entered into a Shareholders agreement that includes provisions concerning put and call options on the remaining 30% ownership interest. The exercise prices for the put and call options are based on a formula of gross revenue and EBITDA performance. A liability for the put options is recognized as

part of the transaction and the initial fair value of the liability is SEK 147 million based on the probability-weighted likelihood of different possible scenarios of future financial performance. The fair value of the liability will be reassessed over time. Changes in the fair value of the liability will be recognized in the profit and loss statement.

A portion of the future payment for 30% of the equity instruments is subject to the selling shareholders continuing to provide services to the group through employment and is therefore treated as a separate transaction and accounted for as a post-combination expense. The expense will be accrued as an employee cost over time during the required service period up until 2025-2026. The expected cost effect on the profit and loss statement over the period Q4 2023-2026 is estimated to be around SEK 59 million, but the final cost will depend on the final value settled in cash.

MTG will pay a yearly performance-based bonus to the selling employees. The amount of the bonus payments, for which the bonus thresholds are determined prior to each year, depends on the financial performance of Snowprint during 2024-2027. MTG will accrue an estimated expense over each year.

Effect of acquisition on the consolidated statement of Profit and Loss and Other Comprehensive Income

(SEKm)	
Sales	130
Net result for the period[1]	-18

1) Net result for the period includes amortization of purchase price allocations of SEK -12 million and post-combination expense affecting operating profit with SEK -8 million. The Net result for the period also includes a dissolution of deferred tax of SEK 2 million related to purchase price allocations

Contributions from acquisitions if the acquisition had occurred 1 January 2023

(SEKm)	
Sales	412
Net result for the period[1]	-82

1) Net result for the period includes amortization of purchase price allocations of SEK -50 million and post-combination expense affecting operating profit with SEK -26 million. The Net result for the period also includes a dissolution of deferred tax of SEK 10 million related to purchase price allocations

Events after the end of the period

After the end of the period, MTG signed an agreement to merge Kongregate with Monumental. The transaction resulted in MTG holding a 30% equity stake in the new company on a fully diluted basis as it was a non-cash transaction. The divestment will result in significantly lower capital expenditure levels in 2024 after the studio is deconsolidated.

There were no other events after the end of the reporting period.

Definitions

Adjusted EBITDA
EBITDA, adjusted for the effects of items affecting comparability, long-term incentive programs, acquisition-related transaction costs and impairment of own work capitalized, which are referred to as adjustments.

ARPDAU
Average revenue per daily active user.

CAPEX
Capital expenditures.

CASH CONVERSION
Operating cash flow in relation to adjusted EBITDA.

DAU
Daily active users.

Earnings per share
Earnings per share is expressed as net income attributable to equity holders of the parent divided by the average number of shares.

EBIT/Operating income
Net income for the period from continuing operations before other financial items, net interest and tax.

EBITDA
Profit for the period from continuing operations before other financial items, net interest, tax and depreciation and amortization.

Items affecting comparability (IAC)
Items affecting comparability refers to material items and events related to changes in the group's structure or lines of business, which are relevant for understanding the group's development on a like-for-like basis.

MAU
Monthly active users.

Organic growth
The change in net sales compared with the same period last year, excluding acquisitions and divestments and adjusted for currency effects.

Pro forma growth
The change in net sales compared with the same period last year as if the company had fully consolidated its acquisitions and divestments as of the previous period and adjusted for currency effects. The pro forma figures have been prepared with advice from external experts in order to restate a GAAP financial statement to IFRS and may include timing adjustments for both income and costs.

Pro forma revenue
Revenue presented as if the company had fully consolidated its acquisitions and divestments. The pro forma figures have been prepared with advice from external experts in order to restate a GAAP financial statement to IFRS and may include timing adjustments for both income and costs.

Pro forma UA spend
User acquisition costs presented as if the company had fully consolidated its acquisitions and divestments as of the previous period. The pro forma UA spend figures are presented in accordance with local GAAP for the respective portfolio companies from the time periods prior to being consolidated by MTG.

Transactional currency effect
The effect that foreign exchange rate fluctuations can have on a completed transaction prior to settlement. This refers to the exchange rate, or currency risk associated specifically with the time delay between entering into a trade or contract and then settling it.

Translational currency effect
Converting one currency to another, often in the context of the financial results of foreign subsidiaries into the parent company's and/or the group's functional currency.

UA
User acquisition.

Shareholder information

MTG's Annual General Meeting 2024

The Annual General Meeting will be held on 16 May 2024 in Stockholm. Shareholders wishing to have matters considered at the Annual General Meeting should submit their proposals in writing either by post to the "Company Secretary", Modern Times Group MTG AB (publ), Annual General Meeting, P.O. Box 2094, SE-103 13 Stockholm, Sweden or by email to agm@mtg.com at least seven weeks before the Annual General Meeting in order for the proposal to be included in the notice of the meeting. Further details on how and when to register will be published in advance of the meeting.

Nomination Committee ahead of Annual General Meeting 2024

In accordance with the resolution by the Annual General Meeting of MTG shareholders regarding the procedure for the Nomination Committee, a Nomination Committee has been convened to prepare proposals for the 2024 Annual General Meeting.

The Nomination Committee comprises: Christian Rauda, appointed by EHM Holding GmbH; Klaus Roehrig, appointed by Active Ownership Corporation; Malin Björkmo, appointed by Handelsbanken; and Simon Duffy, Chairman of the Board.

In line with past practice, the members of the Committee have appointed Christian Rauda, representing the largest shareholder on the last business day of August 2023, as Committee Chairman.

Please see the following section on MTG.com for information about the work of the Nomination Committee.

Shareholders wishing to propose candidates for election to the MTG Board of Directors should submit their proposals in writing to agm@mtg.com or to the "Company Secretary", Modern Times Group MTG AB, Box 2094, SE-103 13 Stockholm, Sweden.

Financial calendar

Item	Date
Q1 2024 Interim Financial Results report	24 April 2024
Annual General Meeting 2024	16 May 2024
Q2 2024 Interim Financial Results report	18 July 2024
Q3 2024 Interim Financial Results report	24 October 2024

Questions?

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Follow us: mtg.com / LinkedIn

Conference call

MTG will host a livestream and conference call at 15.00 CET today, on 8 February 2024. The call will be held in English.

How to join:

- To participate via livestream, please use this link.
- To join via phone, please register using this link. After you've registered, you'll receive the dial-in number and conference ID to access the teleconference.
- You can ask questions via phone during the teleconference or by using the livestream Q&A tool.



Modern Times Group MTG AB (publ) – Reg no: 556309-9158 – Phone: +46 (0) 8-562 000 50

MTG (Modern Times Group MTG AB (publ)) (www.mtg.com) is an international mobile gaming group that owns and operates gaming studios with popular global IPs across a wide range of casual and mid-core genres. The group is focused on accelerating portfolio company growth and supporting founders and entrepreneurs. MTG is an active driver of gaming industry consolidation and a strategic acquirer of gaming companies around the world. We are born in Sweden but have an international culture and global footprint. Our shares are listed on Nasdaq Stockholm (“MTGA” and “MTGB”).

This information is information that 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 above, at 7:30 CET on February 8, 2024.

This interim report contains statements concerning, among other things, MTG’s financial condition and results of operations that are forward-looking in nature. Such statements are not historical facts but, rather, represent MTG’s future expectations. MTG believes that the expectations reflected in these forward-looking statements are based on reasonable assumptions; however, forward-looking statements involve inherent risks and uncertainties, and a number of important factors could cause actual results or outcomes to differ materially from those expressed in any forward-looking statement. Such important factors include but may not be limited to MTG’s market position; growth in the gaming industry; and the effects of competition and other economic, business, competitive and/or regulatory factors affecting the business of MTG, its group companies and the gaming industry in general. Forward-looking statements apply only as of the date they were made, and, other than as required by applicable law, MTG undertakes no obligation to update any of them in the light of new information or future events.