

Goodbye Kansas Group declares five subsidiaries bankrupt, prepares capital raise and intends to submit an offer to repurchase assets to create a long-term sustainable Studio business

The Board of Goodbye Kansas Group AB (the "Company" or "Goodbye Kansas Group") has today decided to declare bankruptcy for its subsidiaries Goodbye Kansas Studios AB, Goodbye Kansas Holding AB, Virtual Brains AB, Goodbye Kansas Infinite AB and Previsible AB. The strikes in Hollywood have since the beginning of May 2023 halted productions for the film and TV-industry, which accounts for approximately 50 percent of the Company's sales, and this has created an unsustainable financial situation for Goodbye Kansas Group. As a consequence, the Board believes that the five subsidiaries do not have sufficient liquidity for their short-term working capital needs, and that the Company's total indebtedness is unsustainable in the long term. The listed parent company Goodbye Kansas Group AB will continue to operate, and preparations are being made for a capital raise in order to create financial preconditions to submit an offer in order to acquire the studio business from the estate and secure sufficient working capital. Goodbye Kansas Group have entered into bridge loan agreements amounting to a total of SEK 7.25 million (the "Bridge loans") in order to fund the business until the capital raise has been completed. Provided that an offer is submitted and an agreement with the bankruptcy trustee is reached, Goodbye Kansas Group aims to continue to operate the Studio business with sustainable long-term financing.

The book value of the five subsidiaries is written down to zero in Goodbye Kansas Group's balance sheet. The write-downs mean that there is reason to believe that the Company's equity is less than half of the registered share capital. Therefore, the Company will prepare a balance sheet for liquidation purposes and, provided that it shows a capital shortage, convene the first general meeting for liquidation purposes as soon as possible.

The Board of Goodbye Kansas Group AB has today, October 24, 2023, decided upon a plan with a number of structural measures in order to create the prerequisites for the business that is currently run in Goodbye Kansas Studios to continue to operate with long term sustainable financing. The plan includes the following parts:

- The five wholly owned subsidiaries Goodbye Kansas Studios AB, Goodbye Kansas Holding AB, Virtual Brains AB, Goodbye Kansas Infinite AB and Previsible AB are declared bankrupt. The bankruptcy applications will be filed today, October 24, 2023.
- The book value for the five companies is written down to zero in the parent company's balance sheet. The write-downs mean that there is reason to believe that the Company's equity is less than half of the registered share capital. Therefore, the Company will prepare a balance sheet for liquidation purposes and, provided that it shows a capital shortage, convene the first general meeting for liquidation purposes as soon as possible.

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- Goodbye Kansas Group's ambition is to make an offer to purchase the studio business from the estate.
- A capital raise is being planned to finance an offer to acquire the studio business from the estate and to secure its long-term operations. The Company will shortly announce more information on the capital raise.
- Goodbye Kansas Group has entered into agreements for Bridge loans amounting to a total of SEK 7.25 million from a group of investors which include existing shareholders, alongside the Chairman of the Board Per Anders Wärn, Board members Mikko Setälä and Staffan Eklöw, in order to finance the Company's operations until the capital raise is completed. The Bridge loans have an administration fee of ten percent of the nominal value and run with a fixed interest of ten percent. The Bridge loans, including fees and accrued interest, will primarily be converted to shares in the planned capital raise but with a possibility to demand repayments. The Bridge loan from Chairman Per Anders Wärn is conditional upon approval from an extraordinary general meeting since it constitutes a significant transaction with a closely related party.
- With a long-term sound financial structure, lower debt burden and additional cost savings, the studio business is believed to have international competitiveness and good possibilities to reach profitability targets in 2025, based on a normalized market following the end of strikes in the film- and TV-industry.
- Subject to Goodbye Kansas Group being able to purchase the studio business from the estate, additional cost savings and debt write-offs are planned for as part of structural measures undertaken in Q4 2023 and Q1 2024. These actions are in addition to decided and actioned cost savings in 2023 totaling more than SEK 30 million, which will generate full impact on financial results as of the first quarter 2024.
- The remaining subsidiaries in Goodbye Kansas Group - Plotagon Production AB and Vobling AB - will continue to operate but with a continued focus to achieve divestments in the near term.

"Goodbye Kansas Studios is world leading in VFX and the creation of advanced visual experiences for the film, TV and gaming industries. Several unfortunate events outside of our control, especially this year's strike in Hollywood, have led to an unsustainable financial situation for our business. If we are successful in undertaking our planned structural measures with force, we are confident that we will be able to build a long term and sustainable business with a positive outlook," says Stefan Danieli, CEO of Goodbye Kansas Group.

Background and rationale

Goodbye Kansas Studios AB operates what is referred to as the studio business which accounts for more than 90 percent of the Group's sales and the largest share of costs. Goodbye Kansas Holding AB has no operations, neither does Preville AB. GBK Infinite AB includes several rights to film and TV-projects but currently has no operations. Virtual Brains AB includes the developed mobile game Hello Kitty but its operations have been dormant.

Since autumn 2022, Goodbye Kansas Group's stated strategy has been to focus on the studio business, where the Company has a leading international market position in select segments. With undertaken measures and planned structural measures that have been announced today, the strategy is further refined.

The main reason for declaring bankruptcy for the above mentioned companies is that Goodbye Kansas Studios, primarily due to circumstances outside of their control, is in an unsustainable financial situation. The film and TV-industry in the US is one of Goodbye Kansas Group's most important markets and VFX services have been heavily impacted by the pandemic and the recently finished strike among script writers (and to some extent the ongoing strike among actors) has led to virtually a complete halt of film and series in North America and Europe since the beginning of May 2023. Further, plans to divest the Company's non-core businesses have not been successful in the prevailing weak market conditions. This is why the Board concludes that the Company is facing a liquidity shortage in the short term while the Company's total indebtedness is deemed unsustainable in the long term.

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The parent company Goodbye Kansas Group AB, which is listed on Nasdaq First North Growth Market, will continue to operate. Work to prepare a capital raise has begun in order to finance an offer to acquire the studio business from the estate and to ensure sufficient working capital and financial stability. By efficiently raising new equity, the possibilities of creating a sound financial structure and successfully run a profitable studio business are deemed to be positive.

The estate's largest creditor is the Swedish Tax Authority and debts are mainly tax credits related to the pandemic. The second largest creditor is Nordea.

This information is inside information that Goodbye Kansas Group AB (publ) is obliged to make public under the EU Market Abuse Regulation 596/2014. The information was provided by the contact person set out above for publication at 2023-10-24 10:55 CEST.

Attachments

[Goodbye Kansas Group declares five subsidiaries bankrupt, prepares capital raise and intends to submit an offer to repurchase assets to create a long-term sustainable Studio business](#)