

Thunderful Group announces preliminary results for Q4 and additional details related to the previously communicated restructuring program

As part of the restructuring program that was communicated on January 17, 2024, Thunderful Group AB (“Thunderful” or the “Group”) today announced non-cash write-downs related to the Games segment and a strategic review of Nordic Game Supply. As a consequence, EBIT in the fourth quarter of 2023 is estimated to be approximately -678 MSEK, primarily attributable to write-down of goodwill of 500 MSEK related to previous acquisitions of game development studios combined with a write-down related to other capitalized game development costs of 98 MSEK. The write-downs have no impact on the cash flows of the Group.

In the last few years, Thunderful has made significant investments through its Games segment, both through acquisitions of game development studios and through investments in development and publishing of new titles. Some of these investments have proven not to be profitable or sustainable, partly due to changing market conditions, and as such, the announced write-downs are part of the ongoing restructuring of the Group.

In addition, Thunderful has initiated a strategic evaluation of the business of Nordic Game Supply (“NGS”). NGS has struggled with profitability all through 2023, reporting an EBITDA of approximately -54 MSEK in the fourth quarter.

The above actions reflect Thunderful’s strategic shift towards lowering costs and increasing focus on areas and projects with the best future growth and profitability prospects. The restructuring program, which the management team and board of directors initiated on January 17, 2024, aims to strengthen the Group’s long-term competitive position. The program is progressing according to plan, with estimated annual cost reductions of 90-110 MSEK, and equivalently improved cash flow, expected to take full effect during the second half of 2024.

“The restructuring program that we have initiated is necessary to stabilize and consolidate Thunderful, and the write-downs and the strategic review of NGS are natural steps in this process. I really look forward to concluding the restructuring, so that I, and the tremendous talent we have in the Group, can focus on the future and build Thunderful into the wonderful development, publishing and distribution company we know it can be,” said Martin Walfisz, CEO of Thunderful Group, and continued: *“In other words, Thunderful remains committed to its core mission of providing high-quality entertainment products for people of all ages and I’m confident that these initiatives, combined with our efforts to focus the Group’s strategy, will strengthen our financial and operational long-term performance.”*

Write-down of goodwill and game development investments

The acquisitions made in the Games segment during 2020-2022 combined with the capitalised game development costs have resulted in the Group recognizing significant amounts of goodwill and capitalized development costs on its balance sheet. Some of these acquisitions and game development projects have had a worse than anticipated financial development and Thunderful

acknowledges that these amounts no longer reflect the underlying value. As a result, the Group's financial statements for the fourth quarter 2023 will be impacted by a 500 MSEK non-cash goodwill write-down to more accurately represent the value of acquired assets. Additionally, a 98 MSEK non-cash write-down is made to capitalized development costs.

Strategic evaluation of Nordic Game Supply

Thunderful's subsidiary Nordic Games Supply has during the last years experienced operational headwinds with high inventory levels. To improve profitability, NGS closed its German operations and sold its private labels during 2023. However, to reduce the high inventory levels going into 2023, discounted sales have been conducted which has impacted profitability negatively. The full effect from these activities is seen in the fourth quarter of 2023. Nordic Game Supply reports sales of 177 MSEK and an EBITDA of -54 MSEK in the fourth quarter. Thunderful is conducting a strategic review of the business of Nordic Game Supply.

Preliminary revenues, adjusted EBITDA and EBIT for the Group

Thunderful estimates that the consolidated revenues will amount to approximately 953 MSEK (1 168 MSEK) and that the adjusted EBITDA for the Group will amount to approximately -2 MSEK (185 MSEK) during the fourth quarter 2023.

In the Games segment, net revenue is expected to amount to 121 MSEK (199 MSEK) and the adjusted EBITDA to 3 MSEK (138 MSEK). Profitability in the segment is burdened by unusually high royalties in the quarter, as well as over-investments in personnel costs, as previously communicated on January 17, 2024. The comparison period includes an acquired revenue of 75 MSEK related to the acquisition of Jumpship and its release of Somerville in Q4 2022.

In the Distribution segment, net revenue is expected to amount to 832 MSEK (969 MSEK) and the adjusted EBITDA to 6 MSEK (57 MSEK). Bergsala and AMO Toys saw strong performance during the quarter while profitability in Nordic Game Supply suffered as the company continued to reduce its stock levels with discounted sales while market dynamics have remained challenging.

As a result of the Group's financial performance and non-cash write-downs, Thunderful estimates an EBIT in the fourth quarter of 2023 to be approximately -678 MSEK.

The report for the fourth quarter of 2023 will be released on 22 February 2024 as planned.

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About Thunderful Group

Thunderful Group is a group of companies that develops, publishes and invests in games, while also distributing Nintendo products, games, game accessories and toys. It is headquartered in Gothenburg, Sweden, with offices in the United Kingdom, Spain, Germany, Denmark, Finland and Norway. The Group's overall goal is to provide high-quality entertainment products for people of all ages. Thunderful Group is listed on Nasdaq First North Premier. FNCA Sweden AB is appointed Certified Adviser.

This information is information that Thunderful Group AB 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 2024-02-14 08:45 CET.

Attachments

[Thunderful Group announces preliminary results for Q4 and additional details related to the previously communicated restructuring program](#)