

PRESS RELEASE
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The board of Fragbite Group AB decides on a rights issue of approximately SEK 72.1 million

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Fragbite Group AB (publ) ("Fragbite Group" or the "Company") announced earlier today that the Company has conducted a strategic review of Fall Damage Studio AB ("Fall Damage"), resulting in the Board's decision to file for the bankruptcy of Fall Damage. More information can be found in the following press release: [[Fragbite Group declares subsidiary Fall Damage Studio bankrupt – Fragbite Group](#)]. In connection with this, the Company's Board today announces a decision, subject to subsequent approval by the General Meeting, on a new issue of units of approximately SEK 72.1 million with preferential rights for the Company's existing shareholders (the "Rights Issue") and the arrangement of bridge financing of approximately SEK 20.0 million to finance the short-term liquidity needs before the proceeds from the Rights Issue are received. The proceeds from the upcoming Rights Issue are intended to finance the repayment of the Company's utilized credit facilities and strengthen the balance sheet to leverage the opportunities surrounding the Company's remaining portfolio. The Rights Issue is secured to approximately 84.5 percent through subscription commitments and underwriting obligations in the form of bottom and top guarantees. The terms for participating in the Rights Issue are expected to be as follows: for each share held on the record date of June 28, 2024, one (1) unit right will be received. One (1) unit right entitles the holder to subscribe for one (1) unit. Each unit in the Rights Issue consists of thirty-three (33) newly issued shares in the Company and four (4) free warrants of series TO2 (together, a "Unit"). The subscription price per Unit is SEK 0.66, equivalent to SEK 0.02 per share. Upon full subscription and full exercise of all warrants of series TO2 within the issued Units, the Company may receive additional capital of up to approximately SEK 13.1 million. A notice for the Extraordinary General Meeting to be held on June 25, 2024, will be announced via a separate press release.

Summary

- The Board of Fragbite Group decides on a capitalization of a maximum of approximately SEK 72.1 million through a new issue of up to 109,206,446 Units with preferential rights for the Company's existing shareholders, subject to subsequent approval by the General Meeting.

- The proceeds are intended to be used for the repayment of the Company's utilized credit facilities and to strengthen the balance sheet to leverage the opportunities arising from the Company's remaining portfolio. The Company has a fundamentally stable, profitable core business with a very strong pipeline of planned game releases and projects in 2024 and 2025.
- One (1) existing share in the Company entitles the holder to one (1) unit right. One (1) unit right entitles the holder to subscribe for one (1) Unit, consisting of thirty-three (33) newly issued shares and four (4) newly issued warrants of series TO2 ("**Warrants**"). This means that a total of up to 3,603,812,718 new shares and 436,825,784 new Warrants may be issued. The Warrants are intended to be listed on Nasdaq First North Growth Market.
- The subscription price has been set at SEK 0.66 per Unit, equivalent to SEK 0.02 per share. The Warrants are issued free of charge.
- Through the Rights Issue, Fragbite Group can initially raise up to approximately SEK 72.1 million before deducting costs related to the Rights Issue, estimated to be approximately SEK 11 million, of which approximately SEK 6.5 million constitutes guarantee compensation provided all guarantors choose cash compensation. Upon full subscription and full exercise of all Warrants within the issued Units, the Company may receive additional capital of up to approximately SEK 13.1 million.
- The subscription period runs from July 2, 2024, to July 16, 2024. Unit rights not utilized during the subscription period will become invalid and lose their value. Trading in unit rights is planned to take place on Nasdaq First North Growth Market from July 2, 2024, to July 11, 2024. Trading in BTU (paid subscribed unit) is planned to take place on Nasdaq First North Growth Market from July 2, 2024, to approximately July 25, 2024.
- The Rights Issue entails an initial maximum dilution of approximately 97.1 percent. If the Rights Issue is fully subscribed and all Warrants are exercised for the subscription of shares, an additional dilution effect corresponding to approximately 10.5 percent relative to the new number of shares after the fully subscribed Rights Issue will occur.
- The exercise period for the Warrants runs from October 1, 2024, to October 15, 2024. The subscription price upon the exercise of Warrants is SEK 0.03 per share. If all Warrants are exercised for the subscription of shares, the Company will receive additional capital of up to approximately SEK 13.1 million before issuance costs.
- Full information regarding the Rights Issue and information about the Company will be provided in an EU growth prospectus expected to be published on the Company's website around June 28, 2024.

Background and Motivation

Fragbite Group develops and publishes games and esports content for both traditional and modern platforms. The Company combines expertise in gaming, esports, and web3 to create entertainment for a new global generation of gamers who want to play, watch, and own.

In 2023, Fragbite Group made several significant investments to strengthen the core operations of the Company's three business areas. Primarily, capital was allocated to Playdigious to further accelerate the growth rate of the subsidiary's long-profitable business of porting established IPs to mobile platforms. Investments were also made through the establishment of the business unit Playdigious Originals, which publishes independent games on PC and console. These investments

have resulted in an increased production capacity with an expectation to double the number of game titles on mobile platforms in 2024, as well as enabled Playdigious to sign more and larger game titles, thereby increasing the value of its pipeline. The total estimated net revenue for the current pipeline is between 10 and 17+ MEUR.

In 2023, Fragbite Group made the strategic decision to divest a part of the hyper-casual game portfolio due to declining revenues and low profitability, leading to a decrease in the Company's net revenue. This reallocation of resources from subsidiary Lucky Kat has allowed the Company to invest in the development of the web3 business area with associated game titles, which are expected to contribute positively to net revenue and profitability over time. The public launch and sale of the Company's game token \$KOBAN was initially planned for late 2023 but was postponed pending more favourable market conditions. This delay has allowed the Company to expand the project's scope and engage in more dialogues with potential investors and partners to ensure a successful launch in 2024. \$KOBAN, along with its ecosystem of associated games, both proprietary and future external IPs, is expected to become a significant revenue source for the Company over time.

Lastly, significant restructuring was carried out within the esports business area in 2023, returning it to profitability for the full year 2023. The restructured, modern business with proprietary IPs and expertise in marketing using gaming and esports as channels, is well-positioned for growth and further profitability.

On October 11, 2023, Fragbite Group acquired Fall Damage Studio AB and simultaneously conducted a directed issue aimed at financing the acquisition of Fall Damage, as well as the continued operation of Fall Damage and the development of the game ALARA Prime until its release. Since the acquisition, Fall Damage has engaged in numerous dialogues with potential partners regarding the publication of ALARA Prime. This process has been extensive, involving many counterparts, and despite very positive feedback regarding the game's quality and potential, the subsidiary has not yet been able to complete the process within the necessary timeframe. This has led to the Board's decision to file for the subsidiary's bankruptcy.

Fragbite Group's remaining portfolio consists of a stable, profitable core business in gaming, and businesses in web3 and esports positioned at the front-end of the industry. This positions the Company uniquely to leverage market trends and changes in consumer behaviour among young players to capitalise on opportunities in all business areas. The Company has long-term ambitions with aspirations for a successful 2024. The Company intends to strengthen its balance sheet to capitalize on current opportunities to increase the profitability of the remaining portfolio and therefore plans to carry out the upcoming Rights Issue.

The proceeds from the Rights Issue are intended to be used for the following purposes in order of priority:

- Repayment of credit facility and bridge loan, totalling approximately 40.0 MSEK
- General working capital, approximately 32.1 MSEK

Through the Rights Issue, Subscription Warrants will be issued free of charge, which, if fully utilized, can provide the Company with an additional approximately 13.1 MSEK before issue costs. The exercise period for the Subscription Warrants runs from October 1, 2024, to October 15, 2024. The subscription price upon exercise of the Subscription Warrant is 0.03 SEK per share. The proceeds from the exercised Subscription Warrants are intended to be used entirely for general working capital purposes.

Preliminary Timetable for the Rights Issue

- June 25, 2024: Extraordinary General Meeting
- June 28, 2024: Record date for participation in the Rights Issue
- June 28, 2024: Estimated date for publication of the prospectus
- July 2 – July 16, 2024: Subscription period
- July 2 – July 11, 2024: Trading in unit rights
- July 17, 2024: Estimated date for announcement of the outcome of the Rights Issue

Subscription Commitments and Underwriting Obligations

The Rights Issue is covered to approximately 84.5 percent by subscription commitments and underwriting obligations, of which subscription commitments amount to approximately 22.6 percent of the Rights Issue, bottom underwriting obligations approximately 43.2 percent, and top underwriting obligations approximately 18.7 percent of the Rights Issue. The top underwriting obligations are added to the prevailing subscription level in the Rights Issue (including other executed underwriting obligations if applicable). For top underwriters, compensation is either in cash or in the form of newly issued shares in the Company amounting to twenty (20) percent of the guaranteed amount. For bottom underwriters, compensation is in cash or newly issued shares amounting to twelve (12) percent of the guaranteed amount. The guarantee compensation in the form of shares is conditional upon the Company's extraordinary meeting on June 25, 2024, authorizing the Board to decide on the issuance of shares to the guarantors. No compensation is paid for subscription commitments. The subscription commitments and underwriting obligations are not secured by bank guarantee, blocked funds, pledges, or similar arrangements.

Extraordinary General Meeting

The Board's decision regarding the Rights Issue is subject to approval by an extraordinary general meeting to be held on June 25, 2024 and that the extraordinary general meeting resolves to amend the limits for the share capital and the number of shares in the Company's articles of association in accordance with the Board's proposal. The notice of the extraordinary general meeting will be issued through a separate press release.

Prospectus

Full information regarding the Rights Issue and information about the Company will be provided in an EU growth prospectus expected to be published on the Company's website around June 28, 2024.

Shares and Share Capital

Provided that the Rights Issue is fully subscribed and paid for, the share capital of the Company will increase by a maximum of SEK 60,062,507.85, from SEK 1,820,076.00 to SEK 61,882,583.85, through the issuance of a maximum of 3,603,812,718 shares. The number of shares will thus increase from 109,206,446 shares to a maximum of 3,713,019,164 shares. For existing shareholders who do not participate in the Rights Issue, this implies a dilution effect of approximately 97.1 percent of the capital and votes in the Company.

If the Rights Issue is fully subscribed and all guarantors choose to receive their guarantee compensation in the form of shares, the Company's share capital will increase by a maximum of SEK 5,366,028.22, through the issuance of a maximum of 321,967,255 shares. The dilution will then amount to approximately 8.7 percent (excluding the issuance of Warrants).

In the event of full utilization of the Warrants, the Company's share capital will increase by an additional maximum of SEK 7,280,303.98 to SEK 69,162,887.83, through the issuance of a maximum of 436,825,784 shares. The number of shares will thereby increase to a maximum of 4,149,844,948 shares. This corresponds to a dilution effect of approximately 10.5 percent of the capital and votes in the Company after considering full subscription of shares issued in the Rights Issue.

Cost Reduction Program

Fragbite Group has initiated a cost reduction program consisting of operational and financial measures to increase the Company's efficiency, reduce capital expenditures, and contribute to a stronger cash flow in the short and long term. Group management has conducted a detailed review of costs in all the companies within the group, including the parent company. The goal of the program is to reduce overhead costs throughout the Group, including group-wide costs, by the end of the current fiscal year. Implementation of these measures has started and they are expected to have come into effect in part during the third quarter of 2024, and in full effect by the end of 2024. A significant part of the cost reductions pertain to recently terminated consultancy agreements.

Bridge financing

To fulfil existing commitments before the completion of the Rights Issue, the Company has entered into bridge loan agreements of SEK 20.0 million on market terms from a number of existing and external investors. The bridge loans are intended to be repaid with the proceeds from the Rights Issue.

Advisors

Fragbite Group has engaged Penser by Carnegie, Carnegie Investment Bank AB (publ), and Advokatfirman Schjødt as financial and legal advisors in connection with the Rights Issue.

Important Information

The information in this press release is not intended for release, publication, dissemination, or distribution, directly or indirectly, in or to the United States, Australia, Hong Kong, Canada, Japan, Singapore, Russia, Belarus, or South Africa or any other state, territory, or jurisdiction where such release, publication, dissemination, or distribution would be unlawful or would require additional prospectuses, registration, or other measures beyond those required by Swedish law.

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None of the Securities have been registered or will be registered under the United States Securities Act of 1933, as amended (the "Securities Act"), or the securities laws of the United States (including its territories and provinces, any state of the United States, and the District of Columbia), and may not be offered, pledged, sold, delivered, or otherwise transferred, directly or indirectly, except pursuant to an applicable exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with other applicable securities laws. No public offering of any of the Securities will be made in the United States.

In member states of the EEA other than Sweden (each such member state, a "Relevant State"), this press release and the information contained herein are intended solely for and directed at qualified investors as defined in the Prospectus Regulation. The Securities mentioned in this press release are not intended to be offered to the public in any Relevant State and are only available to qualified investors, except in accordance with exceptions in the Prospectus Regulation. Persons in any Relevant State who are not qualified investors should not take any actions based on this press release and should not rely on it.

In the United Kingdom, this press release is directed only at and communicated solely to persons who are qualified investors as defined in Article 2(e) of the Prospectus Regulation (2017/1129) who are (i) persons falling within the definition of "investment professionals" in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "Order"), or (ii) persons who are within Article 49(2)(a) to (d) of the Order, or (iii) persons who are existing members or creditors of Fragbite Group AB or other persons who fall within Article 43 of the Order, or (iv) persons to whom it may otherwise lawfully be communicated (all such persons referred to in (i), (ii), (iii), and (iv) above being collectively referred to as "Relevant Persons"). Persons in the United Kingdom who are not Relevant Persons should not take any action based on this press release and should not rely on it.

This press release does not constitute an investment recommendation. The price of, and value of, securities, and any income derived from securities can go down as well as up and you may lose your entire investment. Past performance is not an indication of future performance. The information in this release cannot be relied upon as an indication of future performance.

This press release contains certain information that reflects Fragbite Group AB's current views on future events and financial and operational development. Words such as "intends," "assesses," "expects," "may," "plans," "estimates," and other expressions that imply indications or predictions of future developments or trends, and that are not based on historical facts, constitute forward-looking information and reflect Fragbite Group AB's beliefs and expectations and involve a number of risks, uncertainties, and assumptions that could cause actual events and results to differ materially from any expected future events or performance expressed or implied by the forward-looking statement. The information in this press release may change without prior notice and, except as required by applicable law, Fragbite Group AB does not undertake any responsibility or obligation to publicly update or review any of the forward-looking statements herein, nor does it intend to do so. You should not place undue reliance on forward-looking statements, which are only relevant as of the date of this press release. As a result of these risks, uncertainties, and assumptions, you should not place undue reliance on these forward-looking statements as a prediction of actual future events or otherwise.

For questions, please contact:

Erika Mattsson, Chief Communications Officer

em@fragbitegroup.com

Phone: +46 8 520 277 82

Redeye AB is the Company's Certified Adviser.

About us

Fragbite Group (publ) is a Swedish corporate group with a portfolio of established subsidiaries that develop, adapt and publish games and esports content within GAMING, ESPORTS and WEB3. Our products are developed for both traditional platforms – PC, mobile and console – and modern web3 platforms built on blockchain technology. The Group is headquartered in Stockholm and listed on Nasdaq First North Growth Market.

This information is information that Fragbite 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 2024-05-23 08:45 CEST.

Attachments

The board of Fragbite Group AB decides on a rights issue of approximately SEK 72.1 million