



# ENAD GLOBAL 7

## EG7 Enters Into an Agreement to Acquire Piranha Games Inc.

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PRESS RELEASE

Stockholm, 25 November 2020

**INSIDE INFORMATION:** Enad Global 7 AB (publ) ("EG7" or the "Company") has today entered into an agreement with the shareholders of Canadian game developer Piranha Games Inc. ("Piranha Games") to acquire 100 percent of Piranha Games (the "Transaction") for an aggregate purchase price of approximately CAD 31.4 million, equivalent of SEK 207 million, on a cash- and debt- free basis (the "Purchase Price"). The Purchase Price paid in cash and in newly issued EG7 shares. Piranha Games is one of Canada's oldest independent game developers and is most famous for the latest entries into the MechWarrior franchise. Through the acquisition, EG7 gains a reputable team of 65 people in the studio in Vancouver, Canada. For the 12-month period ending on 30 September 2020, Piranha Games generated net sales of approximately CAD 22.7 million, equivalent of SEK 150 million, and EBITDA of approximately CAD 8.6 million, equivalent of SEK 56 million. The EBITDA-multiple on the Purchase Price therefore amounts to 3.7x EBITDA.

### THE TRANSACTION IN BRIEF

- The Transaction is in line with EG7's previously communicated strategy to perform complementary acquisitions to establish a stronger industry position.
- The Transaction is expected to result in a strengthened business model with increased revenues and profit.
- The consideration for 100 percent of the shares in Piranha Games on a cash- and debt- free basis amounts to approximately CAD 31.4 million, equivalent to SEK 206.8 million<sup>[1]</sup>, paid at closing (the "**Upfront Consideration**")
- CAD 10.5 million, equivalent of SEK 68.9 million, of the Upfront Consideration has been agreed to be paid with 808,091 EG7 shares (the "**Consideration Shares**"), based on the Volume Weighted Average Price for the EG7 share ("**VWAP**") on Nasdaq First North Growth Market for the 20 consecutive trading days preceding this announcement (excluding today's trading) equal to SEK 85.32 per EG7 share. At closing of the Transaction, approximately CAD 5.2 million, equivalent of SEK 34.4 million will be paid with Consideration Shares.
- 50 percent of the Consideration Shares, equal to approximately CAD 5.2 million, equivalent of SEK 34.4 million, shall be held back (the "**Holdback Shares**") and will be earned by the sellers over a period of twelve months, subject to certain conditions (the "**Holdback Period**"). Following the Holdback Period, the Holdback Shares shall, subject to adjustments of the number of the Holdback Shares earned by the sellers, be issued based on the VWAP on Nasdaq First North Growth Market for the 20 consecutive trading days preceding this announcement (excluding today's trading) equal to SEK 85.32 per EG7 share.
- The Consideration Shares, excluding the Holdback Shares, will be subject to a 12-month lock-up from the date of completion of the Transaction.
- CAD 20.9 million, equivalent of SEK 137.9 million, of the Upfront Consideration will be paid in cash.
- An additional consideration of up to CAD 63.4 million is payable subject to Piranha Games generating a certain financial performance based on its EBIT during the years 1 December 2020-31 December 2025 (the "**Earn-Out Consideration**"), whereof up to 50 percent will be paid in newly issued shares in EG7 (the "**Earn-Out Consideration Shares**") and the balance in cash. The price for the Earn-Out Consideration Shares will correspond to the VWAP on Nasdaq First North Growth Market for the 20 consecutive trading days preceding the payment.
- Completion of the Transaction is subject to customary conditions including foreign investment approval and closing is expected to take place during the first calendar quarter 2021.

### BACKGROUND AND RATIONALE

Piranha Games is one of Canada's oldest independent game developers. The company has solid experience of developing AAA titles. Titles that Piranha Games has worked on include Medal of Honor, Transformers and Need for Speed.

For the past ten years, Piranha Games has focused on developing games within the MechWarrior franchise. The first title the company launched was MechWarrior Online which has generated over CAD 75 million in revenue with its tens of thousands of daily players and F2P (free-to-play) business model.

The latest title to be launched was MechWarrior 5: Mercenaries which was awarded 81/100 points by IGN and 85/100 by GamingTrend, two game reviewing websites. The title was launched in 2019 and has sold hundreds of thousands of copies on the Epic Games Store alone. In 2021, the title will be launched on other platforms such as Steam and GOG.

Within the EG7 Group, Piranha Games will operate as an independent studio and be reported as a separate entity. Piranha Games will significantly strengthen EG7's development capacity in Canada. Future joint projects will combine Piranha Games' knowledge in high-quality PC and console games with EG7's knowledge in publishing and marketing.

### PURCHASE PRICE, EARN-OUT CONSIDERATION AND LOCK-UP PERIOD

The upfront purchase price of CAD 31.4 million, equivalent to SEK 206.8 million, is paid with CAD 20.9 million cash, equivalent to approximately SEK 137.9 million, and CAD 10.5 million (less the Holdback Shares), equivalent to approximately SEK 68.9 million, is paid with 808,091 newly issued EG7 shares. The Consideration Shares are issued at a price of SEK 85.32 per share, equal to the VWAP on Nasdaq First North Growth Market for the 20 consecutive trading days preceding this announcement (excluding today's trading). 50 percent of the Consideration Shares shall be held back (the "Holdback Shares") and will be earned by the sellers over a period of twelve months, subject to the fulfilment of certain trigger events (the "Holdback Period"). Following the Holdback Period, the Holdback Shares shall, subject to potential adjustments of the number of the Holdback Shares earned by the sellers, be issued based on the VWAP on Nasdaq First North Growth Market for the 20 consecutive trading days preceding this announcement (excluding today's trading) equal to SEK 85.32 per EG7 share.

The Earn-Out Consideration, which is subject to Piranha Games generating a certain financial performance during the years 1 December 2020-31 December 2025 and amounts to a maximum of CAD 63.4 million, will be paid with up to 50 percent in newly issued EG7 shares and the balance in cash. The price for the Earn-Out Consideration Shares will correspond to the VWAP on Nasdaq First North Growth Market for the 20 consecutive trading days preceding the payment.

The Consideration Shares, excluding the Holdback Shares, will be subject to a 12-months lock-up period from the date of completion of the Transaction. The Earn-Out Shares will be subject to a 12-months lock-up period from the date of issuance.

## **ISSUE OF CONSIDERATION SHARES AND EARN-OUT CONSIDERATION SHARES**

The board of directors of EG7 will resolve to issue the Consideration Shares, excluding the Holdback Shares, at completion of the Transaction pursuant to an authorization granted by the general meeting or subject to the general meetings approval. The Earn-Out Consideration Shares will be issued after confirmation of Piranha Games having reached the relevant financial performance.

The Consideration Shares represent 1.8 percent of the total number of shares and votes in EG7 on a fully diluted basis. By issuing the Consideration Shares, the number of shares and votes increase by 808,091. The share capital increases by approximately SEK 32,324.

The Consideration Shares are issued at a price of SEK 85.32 per share which equals the 20 day VWAP of EG7 shares on Nasdaq First North Growth Market up to and including 24 November 2020.

The Earn-Out Consideration Shares will at full allotment represent a maximum of 5.1 percent of the total number of shares and votes in EG7 on a fully diluted basis and the number of shares and votes may increase by a maximum of 2,449,498, based on a preliminary subscription price of SEK 85.32 per share. The share capital may increase with a maximum of approximately SEK 97,980.

The Earn-Out Consideration Shares are issued at a price equal to VWAP on Nasdaq First North Growth Market for the 20 consecutive trading days preceding the issuance.

The Consideration Shares, and if all Earn-Out Consideration Shares are issued at a price of SEK 85.32 per share, will in total represent a maximum of 6.8 percent of the total number of shares and votes in EG7 on a fully diluted basis and the number of shares and votes may increase by a maximum of 3,257,589. The share capital may increase with a maximum of approximately SEK 130,304.

The number of shares and increase of share capital may be higher or lower depending on the share price development of the Company's shares.

## **CLOSING OF THE TRANSACTION**

Completion of the Transaction is subject to customary conditions including foreign investment approval and closing is expected to take place during the first calendar quarter 2021.

## **ADVISORS**

Baker McKenzie (Stockholm and Toronto) is acting as legal advisor to EG7 in the Transaction.

## **FOR FURTHER INFORMATION, PLEASE CONTACT:**

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## **ABOUT EG7**

EG7 is a group of companies within the gaming industry that develops, markets, publishes and distributes PC, console and mobile games to the global gaming market. The company employs 170+ game developers and develops its own original IP:s, as well as act as consultants to other publishers around the world through its game development divisions Toadman Studios, Big Blue Bubble and Antimatter Games. In addition, the group's marketing department Petrol has contributed to the release of 1,500+ titles, of which many are world famous brands such as Call of Duty, Destiny, Dark Souls and Rage. The group's publishing and distribution department Sold Out holds expertise in both physical and digital publishing and has previously worked with Team 17, Rebellion and Frontier Developments. The Group is headquartered in Stockholm with approximately 270 employees in 10 offices worldwide.

Nasdaq First North Growth Market Ticker Symbol: EG7

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### **Forward-looking statements**

This press release contains forward-looking statements that reflect the Company's intentions, beliefs, or current expectations about the completion of the Transaction and the timing for its completion, the satisfaction of closing conditions and targets for the Company's and the Group's future results of operations, financial condition, liquidity, performance, prospects, anticipated growth, strategies and opportunities and the markets in which the Company and the Group operates. Forward-looking statements are statements that are not historical facts and may be identified by words such as "believe", "expect", "anticipate", "intend", "may", "plan", "estimate", "will", "should", "could", "aim" or "might", or, in each case, their negative, or similar expressions. The forward-looking statements in this press release are based upon various assumptions, many of which are based, in turn, upon further assumptions. Although the Company believes that the expectations reflected in these forward-looking statements are reasonable, it can give no assurances that they will materialise or prove to be correct. Because these statements are based on assumptions or estimates and are subject to risks and uncertainties, the actual results or outcome could differ materially from those set out in the forward-looking statements as a result of many factors. Such risks, uncertainties, contingencies and other important factors could cause actual events to differ materially from the expectations expressed or implied in this release by such forward-looking statements. The Company does not guarantee that the assumptions underlying the forward-looking statements in this press release are free from errors and readers of this press release should not place undue reliance on the forward-looking statements in this press release. The information, opinions and forward-looking statements that are expressly or implicitly contained herein speak only as of its date and are subject to change without notice. Neither the Company nor anyone else undertake to review, update, confirm or to release publicly any revisions to any forward-looking statements to reflect events that occur or circumstances that arise in relation to the content of this press release, unless it is not required by law or Nasdaq First North Growth Market rule book for issuers.

[1]

All conversions from CAD to SEK in this press release are made with the exchange rate CAD/SEK 6.5879 as quoted at Riksbanken.