
 Note on research as a “minor non-monetary benefit” according to the MiFID II regulation: This research meets the requirements for being classified as a “minor non-monetary benefit”. For more information, see the disclosure under “I. Research under MiFID II”

23/09/2019 – GBC Management Interview with Remco Westermann, CEO der Media and Games Invest plc

“I would be proud if we can build a Europe based Unicorn”

Company: Media and Games Invest plc ^{*5a,5b,11}

ISIN: MT0000580101

Analyst: Dario Maugeri

Date (time) of completion of german version: 26.09.2019 (12.12 am)

Date (time) of first distribution of german version: 26.09.2019 (2.00 pm)

Date (time) of completion of English version: 26.09.2019 (12.20 am)

Date (time) of first distribution of English version: 26.09.2019 (2.00 pm)

**catalogue of potential conflicts of interests on page 6*

Media and Games Invest plc (formerly blockescence plc) is a holding company focused on the synergetic gaming and media sectors. In the fiscal year 2018, the company significantly changed its corporate strategy with the complete acquisition of the shares of Samarion SE. At that time, Samarion SE held 38.7 % stake in the online game publisher gamigo AG, which has thus advanced to become Media and Games' most important operative investment. All previous (real estate) assets of the holding were sold, making Media and Games Invest (with by now 53% of the gamigo shares) a pure play tech-company in the games and media sector. GBC analyst Dario Maugeri spoke with Remco Westermann, CEO of Media and Games:

GBC AG: Mr. Westermann, following the acquisition of Samarion SE and thus gamigo AG, the business model of Media and Games has changed significantly. Can you briefly outline this?

Remco Westermann: Media and Games Invest's strategy is based on, and wants to strengthen and further build on, the successful strategy of gamigo AG; building critical mass in the digital gaming and media markets via a combination of bolt-on acquisitions and organic growth. Our 53% subsidiary gamigo has been implementing this strategy now for over six years, continuously showing steady, profitable growth, with an average 32% revenue and 65% Ebitda growth per year in the last 4½ years.

The digital markets for gaming and media/advertising are both very substantial with approx. 150 billion USD in digital gaming and approx. 300 Billion USD in digital advertising worldwide, each growing with over 10% year on year. The two sectors have strong synergies; own advertising inventory on the gaming side enables a clear USP on the media side, whereas, the broad media expertise and scale advantage in media buying build a user acquisition USP for the gaming side.

Both sectors demonstrate a strong technological edge. Many players lack critical mass, therefore creating a great space for us as a market consolidator. With Media and Games Invest as a holding company, having access to capital markets, we can speed-up the growth of gamigo in the gaming segment, while also increasing our stake in gamigo by buying out non-strategic minority shareholders. In parallel MGI is also driving forward our

growth in the online media/advertising segment via focus on organic growth as well as via further acquisitions.

GBC AG: An important growth factor for gamigo AG in recent financial years has been the acquisition of gaming companies or the expansion of gaming licenses. Most recently, two American companies were acquired. Should inorganic growth continue to be the focus and how is your company financially positioned in this respect?

Remco Westermann: gamigo has performed well over 20 acquisitions in the past six years, acquiring gaming assets as well as complete companies. The most recent additions are Trion Worlds, a well-known publisher massively multiplayer games for online and console, in Redwood City and Austin (USA), acquired in October 2018, and WildTangent, a leading casual games publisher and platform, based in Seattle, acquired in April 2019.

In both cases, significant assets of the companies were acquired, leading to immediate contribution of earnings and profits of the group. With its positive operating cashflow and a substantial amount of cash from its bond (listed on the regulated market in Sweden at Nasdaq Stockholm) in combination with many available targets, gamigo will, supported by the listed MGI, further drive the acquisitive growth. On top of acquisitive growth, gamigo and the MGI group also focus on organic growth via a.o. licensed game launches, game sequels, internationalization and user acquisition. As such, organic growth is an important pillar of the overall growth strategy.

GBC AG: How is the integration progressing and what synergy effects can be demonstrated for example by the recently acquired American companies from gamigo AG?

Remco Westermann: Post-acquisition there is a strong focus on realizing synergies, e.g. by merging back-end platforms and migrating the services into the cloud, which creates substantial cost savings. One example are the data platforms: Trion Worlds operated several datacenters with much spare capacity to enable further growth of the games. Now, based on the set-up of gamigo, the games are moved into the cloud. This lead to only paying for capacity that is used, while still having the option to scale-up fast, and results in much lower total costs, thanks to economies of scale of the group. Also there are no further capex investments required and a much better performance with fewer downtimes is guaranteed. The WildTangent platform also poses many synergies on the cost side as well as on the revenue side, with additional revenue possibilities for the distribution of other game titles by the group.

GBC AG: What measures can be taken to promote organic growth, i.e. the expansion of games developed in-house or the acquisition of active players?

Remco Westermann: For clarification; we do not take any new game development risks. With our current size, developing new games is too risky; developing a MMO (massive multiplayer online game) costs e.g. between 2 and 50 million USD, takes 3 up to 5 years and has statistically a below 10% chance of success. We do however license new games for certain territories that were developed by independent studios or foreign, mostly Asian game publishers. In licensing we are highly selective and do thorough testing beforehand.

Apart from entirely new games, we like to launch game sequels and extensive updates for games where we already have a strong userbase. This reduces the risk of game launches substantially and poses a massive opportunity. We are concentrating on

games with sustainable revenues; MMO's which generally have live times of over 10 years and long-term customer relations as well as subscriptions for the usage of mostly casual games. Also, internationalization and user acquisition for our current games are important for growth.

GBC AG: In addition to being a publisher of online games, Media and Games is also active in the media sector, i.e. in the B2B segment. What products are offered here and what is your growth strategy in this segment?

Remco Westermann: While building critical mass for efficiency reasons, gamigo also concluded that for organic growth it needs more capabilities and know-how in the field of online marketing and user acquisition. As such, media companies and assets were acquired; e.g. Adspree (formerly SevenGames Network, acquired from ProSiebenSat.1), a performance-based online user acquisition company also operating portals such as browsergames.de, and Mediakraft, an innovator in influencer marketing. This gives the group in-house media and advertising capabilities, that are leveraged by selling their services to competitors and into other sectors, leading to efficiency and substantial earnings. Thanks to this, the gaming group has a strong USP in the field of user acquisition. As part of the MGI Strategy further media companies have been acquired in 2019: ReachHero (a SaaS Influencer platform), AppLift (a mobile performance agency) and PubNative (a SaaS supply side platform for mobile apps advertising). With these acquisitions, the MGI group now is generating substantial revenues next to the gamigo group.

GBC AG: With rising sales, gamigo AG achieved significantly improved profitability figures in the first half of 2019. What kind of growth can be achieved and how can you actively manage this?

Remco Westermann: The gamigo business model strongly profits from synergies of the acquired entities in combination with more volume via organic growth, leading to revenue growth but even stronger EBITDA and EBIT growth. Over the last 4 ½ years, gamigo had an average annual 32% revenue and 65% EBITDA growth.

Only since two years we have put focus on organic growth, as the years before the company concentrated on M&A and the integration of these M&A cases only. Organic growth is now accounting for a more significant part of growth every year. With three game launches coming up in H2-2019, each of them being within an already existing customer base, we expect to boost our organic growth even further in 2019 as well as in the following years. In the coming years, gamigo expects to also continue to grow, with an average of 25 - 30% per year. M&A targets are widely available, and we have a strong line-up for organic growth.

On the EBITDA side gamigo expects further 25-30% EBITDA, which results in a positive cash-flow from operations, further enabling strong growth. Just for clarification; gamigo's financials are only part of the overall growth of MGI, next to the participation in gamigo, which we further expect to increase, MGI also holds several participations in the media sector that will start contributing to revenue and EBITDA growth of MGI from H2 2019 onwards.

GBC AG: Finally, a question for investors with a long-term investment horizon. Where do you see the Media and Games in five years?

Remco Westermann: We are already one of the leading game companies in Europe and certainly one of the fastest-growing ones. We choose public market access with listed stock to be more flexible in doing acquisitions in shares next to with cash. Looking back I think we already achieved quite a bit and showed that our business model makes sense and works. Looking forward, we have the chance to build a listed European gam-

ing and media powerhouse. I would be proud if we can build a Europe based Unicorn together with our team, our partners and our investors.

GBC: Mr. Westermann, thank you for the interview.

ANNEX

I.

Research under MiFID II

1. There is a contract between the research company GBC AG and the issuer regarding the independent preparation and publication of this research report on the issuer. GBC AG is remunerated for this by the issuer.
2. The research report is simultaneously made available to all interested investment services companies.

II.

Section 1 Disclaimer and exclusion of liability

This document is intended solely for information purposes. All data and information in this study come from sources that GBC regards as reliable. In addition, the authors have taken every care to ensure that the facts and opinions presented here are appropriate and accurate. Nevertheless, no guarantee or liability can be accepted for their correctness – whether explicitly or implicitly. In addition, all information may be incomplete or summarised. Neither GBC nor the individual authors accept liability for any damage which may arise as the result of using this document or its contents, or in any other way in this connection.

We would also point out that this document does not constitute an invitation to subscribe to nor to purchase any securities and must not be interpreted in this way. Nor may it nor any part of it be used as the basis for a binding contract of any kind whatsoever, or be cited as a reliable source in this context. Any decision relating to the probable offer for sale of securities for the company or companies discussed in this publication should be taken solely on the basis of information in the prospectuses or offer documents which are issued in relation to any such offer.

GBC does not provide any guarantee that the indicated returns or stated target prices will be achieved. Changes to the relevant assumptions on which this document is based can have a material impact on the targeted returns. Income from investments is subject to fluctuations. Investment decisions should always be made with the assistance of an investment advisor. This document cannot replace the role of an advisor.

Sale outside the Federal Republic of Germany:

This publication, if sold in the UK, may only be made available to those persons who, in the meaning of the Financial Services Act 1986 are authorised and exempt, or persons as defined in section 9 (3) of the Financial Services Act 1986 (Investment Advertisement) (Exemptions) Decree 1988 (amended version) and must not be transmitted directly or indirectly to other persons or groups of persons.

Neither this document nor any copy of it may be taken into, transferred to or distributed within the United States of America or its territories and possessions. The distribution of this document in Canada, Japan or other jurisdictions may be restricted by law, and persons who come into possession of this publication should find out about any such restrictions and respect them. Any failure to respect these restrictions may represent a breach of the US, Canadian or Japanese securities laws or laws governing another jurisdiction.

By accepting this document you accept all disclaimers of liability and the restrictions cited above.

You can find the details of this disclaimer/exclusion of liability at:

<http://www.gbc-ag.de/de/Disclaimer.htm>

Legal information and disclosures as required by section 85 of Securities Trading Act (WpHG) and Financial Analysis Directive (FinAnV)

This information can also be found on the internet at the following address:

<http://www.gbc-ag.de/de/Offenlegung.htm>

Section 2 (I) Updates

A detailed update of the present analysis/analyses at any fixed date has not been planned at the current time. GBC AG reserves the right to update the analysis without prior notice.

Section 2 (II) Recommendation/ Classifications/ Rating

Since 1/7/2006 GBC AG has used a 3-level absolute share rating system. Since 1/7/2007 these ratings relate to a time horizon of a minimum of 6 to a maximum of 18 months. Previously the ratings related to a time horizon of up to 12 months. When the analysis is published, the investment recommendations are defined based on the categories described below, including reference to the expected returns. Temporary price fluctuations outside of these ranges do not automatically lead to a change in classification, but can result in a revision of the original recommendation.

The recommendations/ classifications/ ratings are linked to the following expectations:

BUY	The expected return, based on the derived target price, incl. dividend payments within the relevant time horizon is $\geq + 10\%$.
HOLD	The expected return, based on the derived target price, incl. dividend payments within the relevant time horizon is $> - 10\%$ and $< + 10\%$.
SELL	The expected return, based on the calculated target price, incl. dividend payments within the relevant time horizon, is $\leq - 10\%$.

GBC AG's target prices are determined using the fair value per share, derived using generally recognised and widely used methods of fundamental analysis, such as the DCF process, peer-group benchmarking and/or the sum-of-the-parts process. This is done by including fundamental factors such as e.g. share splits, capital reductions, capital increases, M&A activities, share buybacks, etc.

Section 2 (III) Past recommendations

Past recommendations by GBC on the current analysis/analyses can be found on the internet at the following address:

<http://www.gbc-ag.de/de/Offenlegung.htm>

Section 2 (IV) Information basis

For the creation of the present analysis/analyses publicly available information was used about the issuer(s) (where available, the last three published annual and quarterly reports, ad hoc announcements, press releases, share prospectuses, company presentations, etc.) which GBC believes to be reliable. In addition, discussions were held with the management of the company/companies involved, for the creation of this analysis/these analyses, in order to review in more detail the information relating to business trends.

Section 2 (V) 1. Conflicts of interest as defined in section 85 of the Securities Trading Act (WpHG)

GBC AG and the analysts concerned hereby declare that the following potential conflicts of interest exist for the company/companies described, at the time of this publication, and in so doing meet the requirements of section 85 of the Securities Trading Act (WpHG). A detailed explanation of potential conflicts of interest is also listed in the catalogue of potential conflicts of interest under section 2 (V) 2.

In relation to the security or financial instrument discussed in this analysis the following possible conflict of interest exists: (5a,5b,11)

section 2 (V) 2. Catalogue of potential conflicts of interest

- (1) At the time of publication, GBC AG or a legal entity affiliated with it holds shares or other financial instruments in the company analysed or the financial instrument or financial product analysed. (2) This company holds over 3% of the shares in GBC AG or a legal person connected to them.
- (3) GBC AG or a legal person connected to them is a market maker or designated sponsor for the financial instruments of this company.
- (4) GBC AG or a legal person connected to them has, over the previous 12 months, organised or played a leading role in the public issue of financial instruments for this company.
- (5) a) GBC AG or a legal entity affiliated with it has concluded an agreement with this company or issuer of the analysed financial instrument in the previous 12 months on the preparation of research reports for a fee. Under this agreement, the draft financial analysis (excluding the valuation section) was made available to the issuer prior to publication.
- (5) b) After receiving valid amendments by the analysed company or issuer, the draft of this analysis was changed.
- (6) a) GBC AG or a legal entity affiliated with it has concluded an agreement with a third party in the previous 12 months on the preparation of research reports on this company or financial instrument for a fee. Under this agreement, the third party and/or company and/or issuer of the financial instrument has been given access to the draft analysis (excluding the valuation section) prior to publication.
- (6) b) After receiving valid amendments by the third party or issuer, the draft of this analysis was changed.
- (7) The analyst responsible for this report holds shares or other financial instruments of this company at the time of publication.
- (8) The analyst responsible for this company is a member of the company's Executive Board or Supervisory Board.
- (9) The analyst responsible for this report received or purchased shares in the company analysed by said analyst, prior to the time of publication.
- (10) GBC or a related legal party has closed an agreement with the underlying company regarding consulting services during the previous 12 months.
- (11) GBC or a related legal party has a significant financial interest in the analysed company, for example to get mandated by the analysed company or to provide any kind of services (such as the organization of fairs, roundtables, road shows, etc.).
- (12) At the time of the financial analysis, the analysed company is in a financial instrument or financial product (e.g. certificate, fund, etc.) managed or advised by GBC AG or its affiliated legal entity.

Section 2 (V) 3. Compliance

GBC has defined internal regulatory measures in order to prevent potential conflicts of interest arising or, where they do exist, to declare them publicly. Responsibility for the enforcement of these regulations rests with the current Compliance Officer, Kristina Bauer, Email: bauer@gbc-ag.de

Section 2 (VI) Responsibility for report

The company responsible for the creation of this/these analysis/analyses is GBC AG, with registered office in Augsburg, which is registered as a research institute with the responsible supervisory authority (Federal Financial Supervisory Authority or BaFin Marie-Curie-Str. 24-28, 60439 Frankfurt, Germany).

GBC AG is currently represented by its board members Manuel Hölzle (Chairman) and Jörg Grunwald.

The analysts responsible for this analysis are:

Dario Maugeri, M.Sc., Financial Analyst

Cosmin Filker, Dipl. Betriebswirt (FH), Vice Head of Research

Section 3 Copyright

This document is protected by copyright. It is made available to you solely for your information and may not be reproduced or distributed to any other person. Any use of this document outside the limits of copyright law shall, in principle, require the consent of GBC or of the relevant company, should the rights of usage and publication have been transferred.

GBC AG
Halderstraße 27
D 86150 Augsburg
Tel.: 0821/24 11 33-0
Fax.: 0821/24 11 33-30
Internet: <http://www.gbc-ag.de>

E-Mail: compliance@gbc-ag.de