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29/10/2020 - GBC management interview with Paul Echt, CFO of Media and Games Invest Group

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

ISIN: MT0000580101

Analysts: Marcel Goldmann, Cosmin Filker

Current price: € 1.32 (Xetra, 28/10/2020, 16:21 pm)

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**Catalogue of possible conflicts of interest on page 4*

Media and Games Invest (MGI) is a fast and profitable growing company in the digital media and games sector. The company combines organic growth with value-added acquisitions. In the past six years, the MGI Group has successfully acquired more than 30 companies and assets.

A few weeks ago, MGI announced the successful completion of an extensive private placement (gross volume: approx. € 29.0 million) within the framework of a dual listing on the Stockholm Stock Exchange Nasdaq Nordic (special segment Nasdaq First North Premier Growth Market). Against this background, we took the opportunity to interview CFO Paul Echt about this strategic move.

GBC AG: Mr. Echt, what were the reasons for a dual listing on the Stockholm Stock Exchange Nasdaq Nordic and what effects do you expect in terms of trading (liquidity) and visibility of your share? Can the first positive effects already be seen now?

Mr Echt: The answer is a resounding yes. If we fade out the first trading week after the listing, due to exceptionally high, transaction-related volumes of up to 5 million euros per day, and only look at the turnover since the beginning of the second trading week, we see that the volume averages around 1.0 million euros per day, while the trading volume for the whole of September (before the dual listing) was still around 163,000 euros on average. This is due to the fact that a strong gaming cluster has developed on Nasdaq Stockholm in recent years. This includes successful companies such as Embracer, Stillfront and Paradox, whose share prices have risen between 230% and 1,117% in the past three years. Gaming is one of the hottest topics on the capital market there and many investors are very familiar with the business models and strong growth forecasts of the market. This is true for institutional investors as well as private investors, and our capital increase was accordingly oversubscribed almost three times. But also internationally, such as in the UK or the USA, the perception of MGI is increasing significantly due to the listing on Nasdaq Nordic. This is because many investors have recognised Nasdaq Nordic as an international marketplace for successful gaming companies.

GBC AG: The private placement raised approximately € 29 million in investor funds. According to media reports, for the first time very well-known investors from the gaming sector also participated in the capital measure. Are further equity-based capital measures possible in the future to further increase the company's high "growth rate"?

Mr. Echt: Due to the dual listing on the Nasdaq, which was implemented in parallel, we were able to attract a number of tier-one and long only investors, as the topic of gaming is, as already mentioned, very well known and popular on the Swedish as well as the international capital market. Among the subscribers are also investors who have been on board since the capital increase of 2019, but who have now significantly expanded their holdings, which we regard as a very strong sign of confidence. No further equity measures are currently planned. In general, however, we will not rule out this option for the future if it makes sense and, on balance, adds value for shareholders.

GBC AG: Your group generally follows a growth-oriented corporate strategy. Please briefly explain your current strategic focus and what role the most recent capital measure plays in your growth strategy?

Mr. Echt: We are a growth company and are investing accordingly to become as large as possible as quickly as possible - without losing sight of profitability - and are therefore focusing on growth through M&A in addition to organic growth. In the first years between 2014 and 2017 we have almost exclusively focused on inorganic growth. Especially in the very dynamic and competitive gaming market, it is important to reach a critical mass in order to benefit from economies of scale. Multiplayer games, as the name suggests, thrive on the fact that they are played by tens of thousands of players simultaneously. This increases the fun of the game, attracts more players and also extends the life span of each player. In addition, you can also publish new games more successfully if you do this on a platform where over five million players are active every month. As already mentioned, it is important to us that profitability is not lost and that we also show a positive result at the end of the day. We have managed this balancing act very well in recent years by acquiring companies and assets that have functioning games and player communities and, after successful integration into our platform, can continue to operate much more profitably through synergy effects. In the same way, we will also use a large portion of the proceeds from the current capital increase, thus creating further substantial value for shareholders.

GBC AG: In August MGI announced convincing half-year figures for the first six months of the 2020 financial year and at the same time raised its previous corporate guidance. In the course of their business development so far, the company even benefited from the Corona crisis, especially thanks to its strong traditional business (online games). With its strong focus on gaming and its complementary media business, will the Group also be among the long-term beneficiaries of the corona problem?

Mr Echt: Again, a resounding yes. The containment measures in spring have led to a significant increase in new players of up to 75% within our games. There were many who asked us whether this was a one-off effect that did not have a long-term impact. However, initial figures indicate a long-term effect, as a large proportion of these players are still active today. This is because the core of our game portfolio consists of multiplayer games. These games are mostly free and, as already mentioned, are played by many thousands of players at the same time. In the game the players then join together and form guilds or clans and take part in competitions, through which they improve their character's skills, and can also individualise their character by purchasing so-called in-game items. The games are therefore also a social platform in a certain way and have a

very high customer loyalty. Some of our games are over 10 years old and generate more than 50% of their sales with players who have been in the game for more than 5 years. So if a user decides to play one of our games, the probability is correspondingly high that they will do so over a very long period of time.

GBC AG: What can investors and investors expect from the MGI Group in the current business year (outlook)?

Mr. Echt: The third quarter went well, despite the hot summer months, and we have also made a good start in the fourth quarter. We are relaxed about possible tightening of containment measures from an economic perspective, as the gaming industry in general is very crisis-resistant, both in the case of Corona and in the event of economic downturns. In the media segment, we have learned from the experience of the spring. Here it became clear that customers from the offline sector have reduced their budgets considerably as a result of Corona, while customers from the online sector have increased their budgets. Thanks to our customer base, which is strongly focused on the online sector, we were able to come through the crisis very well in the spring compared to many of our competitors and continue to grow. We have taken advantage of this aspect in recent months to focus our customer base even more strongly on the online sector and have been able to win over some major customers and partners, such as Zynga from the gaming industry.

GBC AG: GBC: Where do you see the MGI Group in the next three to five years, especially in terms of business volume, major business areas and business regions?

Mr. Echt: We want to continue to grow at an annual rate of 25%-30% in sales over this period and achieve an EBITDA margin of 25-30%. In order to achieve this, we will focus more on increasing the share of our organic growth in the future. In concrete terms, this means that we will launch more games per year, increasingly sublicense our own game IPs to partners outside our core markets, such as Asia, and further expand our mobile gaming business. This last point in particular holds great potential, as we have a clear competitive advantage in user acquisition through the development of the Media segment. However, it is clear that, in addition to our focus on organic growth, we also want to continue to grow via M&A.

GBC: Mr Echt, thank you very much for the interview.

CONCLUSION GBC: Overall, we believe that MGI is well positioned to continue its dynamic growth course in both growth areas gaming and media successfully in the future. The newly acquired prominent investors from the gaming sector also support our positive assessment of the company and the business prospects. The financial resources raised by the company within the scope of the dual listing form a good foundation for further growth and also open up the opportunity to significantly increase the pace of growth once again through targeted M&As.

ANNEX

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