



## Interim Report, Q1 2020 gamigo AG

### FURTHER SUBSTANTIAL REVENUE GROWTH

*"We are continuing our profitable growth path, generating **16.9 mEUR** revenues and **4.7 mEUR** EBITDA in the first quarter of 2020. The COVID-19 pandemic is impacting our business from March 2020 onwards and leading due to the stay at home policies to substantially more player intake and player activity in our games. Working from home was easily implemented as there was already a flexible work from home policy and IT infrastructure in place. For the coming periods we expect next to further increase in new players as well as player activity also further revenue and EBITDA growth" says Remco Westermann, CEO of the gamigo Group.*

### THE FIRST QUARTER, JANUARY – MARCH 2020

- Net revenues amounted to 16.9 mEUR (Q1 2019: 13.4 mEUR), which is an increase of 26% compared to the first quarter 2019. The revenue growth is based on the acquisitions as well as organic growth through content updates and more intensive user acquisition, which was from March 2020 onwards even more efficient due to the stay-at-home policies.
- EBITDA amounted to 4.7 mEUR (Q1 2019: 4.0 mEUR), which is an increase of 17%. EBITDA margins remains strong with 28%. Despite the acquisition in January, the margin remained relatively constant. Since acquired businesses often have lower margins, this is the proof that we were able to achieve substantial results in integrating the assets immediately after the acquisition, which in turn is due to our extensive experience and well-established processes in this area.
- Adjusted EBITDA amounted to 5.3 mEUR (Q1 2019: 4.7 mEUR), which is an increase of 14% (Adjusted EBITDA excludes one-time, M&A and financing costs).
- EBIT also developed accordingly and increased to 1.9 mEUR (Q1 2019: 1.5 mEUR), which is an increase of 24%. EBIT margins remained stable at 11%.
- The net result slightly decreased to 0.1 mEUR in Q1 2020 (Q1 2019: 0.5 mEUR) due to increased interest expensed and M&A costs for the Verve Acquisition.
- The net leverage ratio increased to 2.6 as of March 31, 2020, compared to 1.7 as of December 31, 2019. Net leverage based on adjusted EBITDA Q1 2020 increased slightly to 2.3 compared to 1.5 for the adjusted EBITDA figure 2019.
- The interest coverage ratio decreased to 3.7 as of March 31, 2020 compared to 5.2 as of March 31, 2019, due to higher interest payments following the issuance of further bonds in Q2 2019.
- Operating Cashflow amounted to 4.5 mEUR (Q1 2019: 2.4 mEUR), which is a strong increase of 90% and reflects the strong cash generation of the Group.
- As of March 31, 2020, cash and cash equivalents amounted to 8.1 mEUR (March 31, 2019: 9.4 mEUR) which is a decrease of 14% due to the invested capital for the acquisition of WildTangent in Q2 2019 and Verve in Q1 2020.
- gamigo is also affected by the Corona Pandemic. On March 10, it was decided that all employees will be working in the home office for an indefinite period. This measure was taken to protect our employees and their families and to slow down the spread of the virus. Fortunately, it has been shown that the company's productivity has not been affected by this measure.
- B2C Gaming Segment: The number of new customers per day and daily active users increased significantly due to Corona.
- B2B Advertising and Media Segment: The advertising budgets of customers in the classic offline sector (e.g. travel) were significantly reduced, while we see increased budgets in the online sectors (e.g. online gaming). As gamigo's Media segment traditionally focuses mainly on the online sector, the negative effects of the Corona Pandemic are noticeable in this area, but comparatively moderate and overcompensated by the positive effects on the gaming segment.

ArcheAge Unchained



## SELECTED KEY PERFORMANCE INDICATORS, GAMIGO GROUP

In EUR million	2020 Jan-Mar	2019 Jan-Mar	2019 Jan-Dec
Net Revenues	16.9	13.4	58.9
YoY Growth in revenues	26%	39%	30%
EBITDA	4.7	4.0	16.3
EBITDA margins	28%	30%	28%
Adj. EBITDA	5.3	4.7	18.2
Adj. EBITDA margins	32%	35%	31%
EBIT	1.9	1.5	6.3
EBIT margins	11%	11%	11%
Net Result	0.1	0.5	2,0

## A Word from Remco Westermann, CEO

*"gamigo had a very good start into the financial year 2020, with both revenue and EBITDA continuing to grow and showing the continuation of the positive trend of recent years. We also expect the Group to continue its positive development in the following quarters. The first quarter was very intense for gamigo. With the acquisition of the Verve Assets we have added another acquisition to our track record, which will strengthen the media and gaming part, especially regarding customer acquisition. Our strategic main shareholder Media and Games Invest has increased its stake in gamigo to almost 100 percent, which will further strengthen the strategic cooperation with media companies within the MGI Group. And like all others, we had to cope with the new challenges of Covid-19, though being in one of the few sectors that seeing positive effects from the pandemic.*

*In January, we acquired the major assets of Verve Wireless Inc. ("Verve") through our US subsidiary. Verve is a leading North American mobile advertising programmatic ad platform for video and display marketing with a strong USP in location- and data based marketing. The ad tech market is very similar to the gaming market. It is technology-driven, with a few very large players, but also very fragmented with many smaller players who often get into financial difficulties due to their small size and high overhead costs. At the same time, there is mistrust on the advertisers' side towards advertising in terms of data quality and transparency. We therefore see a high potential for organic growth due to our own high-quality advertising spaces as well as for further inorganic growth through M&A-driven market consolidation. In addition, the gaming segment will also benefit significantly from a stronger position in media due to the additional expertise and strength in the area of user acquisition especially for upcoming game launches, as well as the increase in our media purchasing power, which will also allow our games marketing to obtain advertising space at a lower cost.*

*In February, our strategic main shareholder Media and Games Invest plc "MGI", increased its stake in gamigo to 99%. Media and Games Invest plc, is a fast and profitable growing company in the digital markets of online media and games and is listed on the Frankfurt Stock Exchange. I see the expansion of MGI's stake in gamigo as a positive move, as non-strategic shareholders have left and gamigo now benefits from synergy potential with the other MGI companies. In particular, we see substantial synergy potential in customer acquisition for gamigo games, in strengthening gamigo's position in the mobile games sector and in the cooperation between gamigo's media companies and MGI media/companies. We also see a further advantage in the now clear shareholder structure in combination with the capital market access of MGI which has concluded a capital increase of EUR 9.2 million in July 2019 and thereof showed that the equity capital market access gives additional financial flexibility for further growth.*

*In March the corona virus and the associated containment measures turned our world upside down. We decided early on to send all employees worldwide into home office. Because of previously investing in digital transformation, especially in cloud systems and in communications media, we were able to react quickly to the new requirements of Corona without sacrificing our productivity. A change through a black swan like COVID-19 also offers opportunities: we can already say that, based on a very positive effect on the gaming side and a limited negative effect on the media side, we expect further strong revenue and EBITDA growth in 2020. The operation and support of our gaming and media platforms is secured as we have invested in the recent years into the work from home infrastructure.*





*Operationally, our focus in Q1 was again on internationalization, community management and the launch of new content for our games. This had a positive impact on the Group's financial performance.*

*Due to Corona, we expect the number of M&A opportunities to increase, already now seeing more deal-inflow. Due to gamigo's own capital resources and the capital market access of our parent company MGI, we are in a good position to take advantage of interesting bolton M&A opportunities.*

*I would like to thank our gamers and employees for their commitment during these unusual times and also our investors and partners for their continued good and close cooperation."*

Remco Westermann, CEO gamigo AG



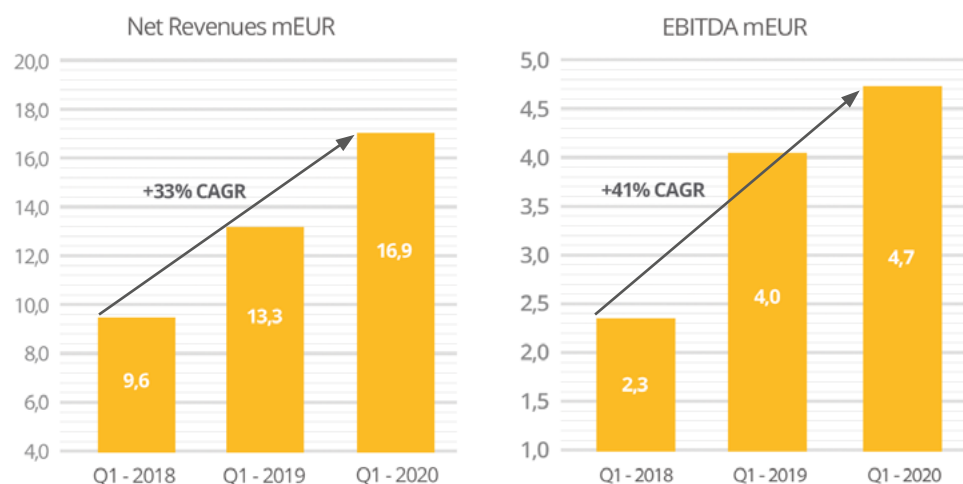
## FINANCIAL PERFORMANCE, Q1 2020

### CONSOLIDATED NET REVENUES, EARNINGS AND EXPENSES

Q1 2020 showed a strong financial performance. Revenues amounted to 16.9 mEUR. Compared to the previous year, this represents an increase of 26% (Q1 2019: 13.4 mEUR). A substantial part of the increase in turnover was organic, due to new content updates and increased user acquisition activities, which were very efficient due to Corona, while also the Verve acquisition had a positive effect on revenues.

The EBITDA amounted to 4.7 mEUR (Q1 2019: 4.0 mEUR) which is an increase of 17%. EBITDA margins developed relatively stable from 30% to 28%. EBITDA increased as a result of higher revenues as well as implemented cost synergies. Despite the acquisition in January, the margin remained relatively constant. Since acquired businesses after the acquisition often have lower margins until the synergies are realized, this is already the proof that we were able to achieve profits from integrating the assets immediately after the acquisition, which in turn is due to our extensive experience and well-established processes in this area. Adjusted EBITDA excluding one-time costs amounted to 5.3 mEUR (Q1 2019: 4.7 mEUR) which is an increase of 14%.

The net result in Q1 was positive despite the increased interest expenses and the one-time M&A costs for the acquisition of Verve amounted to EUR 0.1 mEUR (Q1 2019: EUR 0.5 mEUR).



### CASH FLOW AND FINANCIAL POSITION

Cash flow from operating activities amounted to 4.5 mEUR in Q1 2020 (Q1 2019: 2.4 mEUR), representing an increase of 90% underscoring once again the strong cash generation of the operating activities. The equity ratio was 20% as of March 31, 2020 (December 31, 2019: 24%) and thus, the equity decreased due to the bond issues as well as an increased amount in total assets and liabilities as a result of the organic and acquisitive growth of the group.

The Group's cash and cash equivalents amounted to 8.1 mEUR as of March 31, 2020 compared to 9.4 mEUR as of March 31, 2019 and decreased due to the invested capital for the acquisition of Wildtangent in Q2 2019 and Verve in Q1 2020. The interest coverage ratio was 3.7 as of March 31, 2020 compared to 5.2 as of March 31, 2019 and as such decreased due to higher interest payments as a result of the bond issues. The leverage ratio as of March 31, 2020 is 2.6, compared to 1.7 as of December 31, 2019 and as such showed an increase in leverage due to the verve acquisition in Q1 2020 where further EBITDA growth is expected in line with a decrease in leverage.

### INTANGIBLE ASSETS, INVESTMENTS AND DEPRECIATION

In Q1 2020, gamigo invested EUR 3.4 million (Q1 2019: EUR 1.8 million) in strategic product and platform development (personnel expenses). Capitalized own work includes investments in the optimization of the IT platform as well as enhancements and updates to existing games such as Trove and ArcheAge.





Depreciation and amortization in Q1 2020 amounted to EUR 2.8 million (Q1 2019: EUR 2.5 million) and increased slightly due to additional PPA depreciation from the Verve acquisition. The groups intangible assets increased also mainly based on the acquisition of Verve from EUR 76.2 million on 31 December 2019 to EUR 95.4 million on 31 March 2020. The Groups short-term liabilities increased on 31 March 2020 to EUR 50.5 million (31 December 2019: EUR 30.6 million) largely based on acquired account payables from the verve acquisition which are also covered by acquired account receivables.

## EVENTS IN THE BUSINESS SEGMENTS, Q1 2020

### B2C GAMING SEGMENT

The gamigo group offers over 30 Massively Multiplayer Online Games (MMOs) and over 5,000 casual games. These include various role playing, strategy and shooter MMOs, including ArcheAge Unchained, Aura Kingdom, Desert Operations, Grand Fantasia, Fiesta Online and Trove, which have been established on the market for many years. These MMO games, if well maintained and supported with strategic marketing and regular improvement of the game's content, have a lifetime of well over ten years. Regularly we release substantial content updates to keep the players engaged and entertained. In the first quarter, we published updates for various games, which drove organic revenue growth in these games. Below you will find an overview of some of our game events and updates:

#### **ArcheAge: Lucius Motion Picture Awards, a new World Boss and exclusive Event**

Coinciding with a certain movie awards ceremony in Hollywood, gamigo celebrated its first annual Lucius Motion Picture Awards together with the communities of ArcheAge and ArcheAge: Unchained to engage long-term players as well as new fans of the fantasy MMORPGs. For the contest, players submitted self-made videos of their ArcheAge experiences and took part in the vote for valuable prizes, the winner receiving a high-powered gaming laptop from our promotion partner Gigabyte. This event has proven to be a great incentive for players and provided high-quality Social Media content for the gamigo channels.

Additionally, a recent update introduced more powerful Skills and a first of its kind, Solo Dungeon. The update targets new and seasoned players, offering engaging new content for them to explore. During the Rock'n'Scroll Event, players could look forward to various hourly rewards. This served as an additional revenue stream and incentive for players to log-in to the game on a regular basis.

#### **Trove: What makes the Voxel-MMO Trove so stand out?**

There are numerous large-scale projects planned for the Voxel-MMO in the upcoming Quarters. In February, gamigo presented a feature that takes a look at what makes this particular game stand out from its competitors. It served as a great incentive for potential players to familiarize themselves with the core mechanics of the title. Trove provides an experience unlike any other game on the market – It's unique. It's quirky. It's constantly evolving. It's a game that can easily fit into any slot in a player's schedule, thus making it appealing to a wide variety of player types.

#### **Wolf Team: Introducing a thrilling new Survival Mode**

One of the most consistent and established games from gamigo, high-octane Shooter Wolf Team introduced a new game mode to increase player engagement, incorporating its largest map to date. In Wolf Team, players can transform into fearsome Werewolves at any time depending on their playstyle, offering a unique gaming experience to MMOFPS (Massively Multiplayer Online First-Person Shooter) fans in a fast paced environment.

#### **Bringing out the Candles for Valentine's Day**

Throughout February and focusing on Valentine's Day, gamigo has invited its players to join a multitude of engaging events in their colorful games. Creepy crawlers stood no chance in stopping the inhabitants of Trove from finding their soulmates when fearsome Heckbugs started causing mayhem in Trove. In a new quest, pixel heroes could employ the help of an adorable ally ready to aid them in their fight against the dangerous insects.

In Defiance 2050, a "Chaos and Mutiny" event challenged players to prove their might in massive Arkfalls against dangerous Mutineer Bosses. In ArcheAge and ArcheAge: Unchained, Marianople's resident sweet tooth Piero was looking for help to make the most romantic day of the year a success. As a reward, players received precious items, including costumes. Echo of Soul gifted its Soul keepers' rare coins to be traded for fantastic rewards. The magician Florenz of Fiesta Online need-



ed the players to help him win over the love of his life, and in Aura Kingdom, it was raining chocolate during the “Double Boiler Spawn” Event. In RIFT, Mariel-Taun, the heart of the Vigil, asked her followers to spread her message of love throughout the game world.

All of the valentine's events, supported by their promotion throughout widespread customer email campaigns and PR outreach, stimulated player's activities and engagement.

#### **Other**

During the month of March, following the international reaction to the Corona virus, many countries imposed quarantine regulations on the public, leading to a growing number of people staying at their homes. This increased the demand for entertainment opportunities within one's own walls. gamigo responded to this with a strong offering of in-game activities and events across all major titles, supported by a variety of new activities in marketing and social media and the implementation of the #stayhome #playtogether hashtags in its communication. All these actions lead to enhanced visibility and significantly increased player engagement across the games portfolio. These activities are being extended into Q2, with new content and special offers for all players of gamigo's titles.

### **B2B ADVERTISING AND MEDIA SEGMENT**

In the area of B2B services, the focus is on online and mobile advertising and media services, with a strong focus on influencer-, social-, product-, brand- and performance marketing. The most important activities in this field are grouped into adspree media, the Mediakraft group and Verve Group. While adspree media is focused on lead generation and advertising for game providers and also on operating portals such as MMOGAMES.com, MMORPG.de and Browsergames.de, the Mediakraft group is a specialist agency for video, social- and influencer marketing, offering a full product range in this field with consultancy, design, production, media purchasing and performance tracking and analyses. Verve is focused on brand marketing for mobile app, offering full service agency support as well as programmatic solutions.

#### **Adspree Media**

In Q1, adspree media GmbH has been working closely with other companies inside the Media Elements Group, using its in-house paid media and marketing expertise to enhance influencer marketing and production campaigns that the Media Elements Group is involved in. Adspree media has also been continuing to work on internal efficiency improvements and focusing on internal portal inventory as one of their most profitable product areas. With a strong product base with existing portals such as browsergames.de, mmogames.com, and prosiebengames.de, adspree media is looking to the future by expanding its portal inventory, and looking to more performance-based marketing solutions to improve the offering to its already loyal partners.

#### **Mediakraft Networks**

Mediakraft has expanded its service portfolio in connection with social media platforms with special offers for content libraries. Especially on the platforms YouTube and Facebook, Mediakraft now offers professional solutions for rights management, channel growth and content strategy to publishers in addition to the classic creators and influencers. The profile of the Mediakraft will thus be further sharpened within the Media Elements Group to include service offers for the creation, management and monetization of online video content. During Q1 of 2020 further focus was on the stabilisation of digital marketing services as well as lead generation of strategic partners and the strengthening of the sales team. Network operations saw further improved results, and concepts for different multi-channel network development in the following year are followed up on. Mediakraft Turkey's main focus was on own and operated real-life story animation channels. In terms of international expansion, the unit has created 10 channels in various languages: English, German, French, Italian, Spanish, Portuguese, Russian, Polish, Turkish and Arabic. In total, these channels started generating 20 million views monthly, and total views are growing around 50% every month. The unit continues working with a network of freelance animators, voice-over actors, and translators. Due to COVID-19, there was a drop in YouTube AdSense revenues as well as regarding sponsorship revenues at the entertainment channels. During the quarantine, production of video's was also suboptimal as shooting entertainment videos from homeoffice is limiting. The increase in views of animation channels in various countries, the volume increases in views as well as cost reductions mostly compensated the effect of lower ad prices as well as revenue pressure caused by covid19.





Grand Fantasia

## Verve

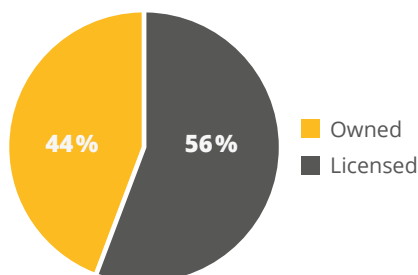
Having acquired the Verve assets in January 2020, the current focus is mostly on restructuring and integration. On the cost side, the current focus is on integrating the technology with other group companies and renegotiating vendors, a.o. realizing very substantial savings on technology cost. In the first weeks after the takeover, it was important to actively approach and close contract with partners on both the sell and buy side. In cooperation with the other media companies of the MGI Group, and our own gaming advertising inventory, we are able to offer a truly unique product portfolio. Despite Covid 19 revenues came under pressure we are still on plan due to a conservative approach within our projections. On the cost side we were able to realize substantial cost reductions as part of the integration and as such the company already contributed to the group's performance with a positive EBITDA in Q1 2020.

## OPERATIONS AND STRATEGY

### OUR GAMES PORTFOLIO

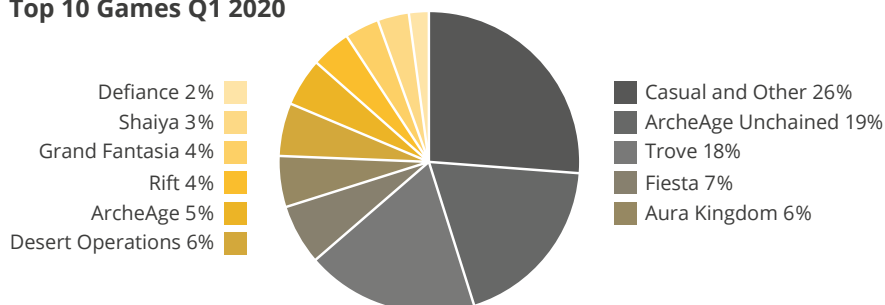
gamigo has a large game portfolio of more than 5,000 casual games and over 30 MMOGs. Of the MMOGs, gamigo has partly territory-exclusively licensing publishing rights as well for 5 out of its top 10 titles full owned worldwide IP and development rights. gamigo has started to acquire more IP rights in recent years, as they provide gamigo with the possibility to further develop games and tailor them better to customers' needs and as such sustain gamigo's preferred revenue model. Moreover, gamigo is able to attain higher gross margins on their owned games as further in-house development for games is cheaper than paying royalties and also leads mostly to more focused development. Since 2016, gamigo has been able to acquire exclusive worldwide IP rights for five of their ten best selling games and the average gross margin from games with owned IP rights is approx. 75%, as opposed to 50% for licensed games. Below you can find the revenue share in Q1 2020 between revenues with games where gamigo owns the IP and licensed games:

Revenue Split Q1 2020



gamigo's biggest games in Q1 2020 have been ArcheAge Unchained, Trove and Fiesta, which account for 19%, 18% and 7% of gamigo's total gaming revenue respectively. The three games belong to the genres adventure MMOG and fantasy MMOG, while other titles also include strategy and build (eg. Desert Operations) and Shooters (eg. Ironsight), which showcases the wide spectrum of players that gamigo has attracted. gamigo's largest game in terms of revenue is ArcheAge Unchained, which was launched in Q4 2019. Overall, gamigo's top ten games account for approx. 74% of gamigo's total gaming revenue.

Top 10 Games Q1 2020





For the successful licensed games licenses are renewed and extended every few years automatically, as customers are tightly tied to gamigo and their platform, and the switching costs for developers would be large. As such the loss of license rights is therefore extremely low and has never happened at gamigo for a successful game.



#### TOP 1 GAME AT A GLANCE (ARCHEAGE UNCHAINED)

ArcheAge: Unchained is the Buy2Play version of the ultimate sandbox MMORPG ArcheAge. ArcheAge: Unchained is focusing on a fair monetization system and removes the barriers between you and the ultimate Player vs Player experience.



The entire world of ArcheAge is available after just one single purchase. There are possibilities to spend additional money within the game, credits can however only be spent on vanity items and upgrading the free seasonal ArchePasses. The premium version of the ArchePass offers an additional chance to obtain cosmetic items. It's all about your skills, your dedication and the decisions that you make!



The game stands out among other MMOs by offering unparalleled freedom in terms of how players drive and shape the world. Gatherers, crafters and traders are the engine that drives ArcheAge. It's economy is yours to control. Master diverse skills to craft and trade goods. Build your own houses, ships and castles

Sail the cast uncharted ocean. Anmass fame and fortune. Conquer the skies and secure trade routes. Roam the lands by using a plethora of individually crafted vehicles and mounts. Craft massive siege engines to storm the heart of rival castles and claim them as your own. Gather your friends and prove your might against hundreds of other players in open-world battlegrounds!





## TOP 2 GAME AT A GLANCE (TROVE)

One of the things that we're often asked is what is it that makes Trove a stand-out in a world of block-building games. There's a lot to unpack in that question. Many folks put Trove in the same category as its beloved cousins. Some of them had been around for years before Trove came to be and it's clear from our vision for the game that Trove took the best parts of each and combined them in an always-online world full of new friends to meet and collectibles to unlock. Trove brought the MMORPG experience to the table, along with new features found nowhere else.

Every one of Trove's 16 classes is as unique as you can imagine. You can switch on the fly to take the fight up close and personal or you can hang back a bit to pester enemies from afar with powerful ranged attacks. There's something for every mood, whether you feel like tanking, being a healer, and even if you want to be a flamethrower-equipped dragon – yes, that's a real thing.

So what can you do in Trove? Want to hang out and play with your friends? You can do that in Trove by joining their world at any time to adventure in player-created dungeons, fight fierce foes, and collect awesome new weapons and equipment. The best part is that every adventure world you enter is newly generated and different from the last – you never explore the same map twice.



Want to build and create? We have that too! You can form a club with your closest pals to make your own persistent world to build in. You can use terraformers to reshape the entire world and create brand new landmasses on which to build. You can create your own dungeons and even submit new mounts, costumes, and more through Trovesaurus, the special fansite dedicated to folks like you. Our team regularly sorts through all player submissions and may even select your work to be included in Trove itself! To date, over 5,000 entries have been added to the game! Are you a collector and someone who likes to explore every nook and cranny in the world? We've got you covered! There are literally thousands of styles, hundreds of mounts, and dozens of costumes to find to express yourself in nearly every way imaginable. Every collectible you unlock increases your character's Mastery level, which also increases your stats for every class. Being stronger gives you access to more difficult worlds and new and unique biomes as well. Collecting brings you a host of benefits that make your exploration fun and exciting!

Crafters, Gatherers, and Traders have a place in Trove too! In fact, these are all huge parts of what makes Trove so special to us and to our community. The three together allow you to open up the marketplace to buy and sell to other players. Prices can be set or you can haggle with customers in realtime via Trade Chat.



Trove is unlike any other game on the market. It's unique. It's quirky. It's extensive. It's constantly evolving. It's a game that can easily fit into any slot in your schedule. You can jump in for 5 minutes and still feel like you've made progress. Whether you just want to dip your toes in for an hour or dive deep into dungeons, go spelunking, craft, or just hang out with friends, Trove's got something for you. Come join us!



Trove



### TOP 3 GAME AT A GLANCE (FIESTA)

Experience the fantastic free2play Anime MMORPG Fiesta Online and dive into the magical world of Isya. Fight together with your friends and save the world of Fiesta Online while you enjoy exciting quests that will develop your character according to your wishes and find many new friends. Fiesta Online offers you as a free2play Anime MMORPG not only an active and friendly community but also many daily challenges.



Choose your role as hero of Isya from six different character classes. Enjoy the high-resolution 3D anime graphics in the colorful world of Fiesta Online. Experience 135 levels full of fun, challenges and daily new tasks. Make new friends in the great Fiesta Online Community. Experience a new type of team play through the mentor system, the major guilds and numerous in-game events. Choose from hundreds of outfits and dances to celebrate with your friends. Fight with up to 20 players against strong monsters and receive valuable rewards. Gain experience faster as an apprentice and pass on your wisdom as a master. Marry another player in the virtual world and fight with him for Isya. Receive gifts for daily completed tasks to make your character even stronger!



Fiesta Online is now over 11 years old and still generates substantial revenues. Over 50% of the players of Fiesta in the first quarter of 2019 have been active in the game for more than 5 years. Over 20% are active between one and two years. This shows on the one hand the long user lifetime and on the other hand that despite its long duration, it is still able to inspire new players by good maintenance of the game.





## OUR VIEW ON THE GAMING MARKET

According to Newzoo, global revenues from video games increased by 7.2% to USD 148.8 billion in 2019 and are expected to grow by about 8.4% (2019-22), bringing the total market size to USD 190 billion by 2022.

During the first quarter, the reality of a global COVID 19 pandemic has become clear, with more than a third of the world's population now under the lockdown. According to EDISON Investment Research, we see a period of at least three to six months during which consumers will be isolated from normal activities and other forms of entertainment; as long as this period continues, it will bring significant benefits to game companies. The gaming sector offers a safer haven in troubled markets, with increased consumer demand for online games as a result of lockdowns and a projected continuation of growth over the long term.

According to the latest Facteus Insight Report on Consumer Spending and Transactions (a weekly report on the impact of COVID-19 on the U.S. economy), which includes data through March 29, 2020, video game spending (online and offline), which had already shown strong growth in the first two months of 2020, began to rise in the week of March 9, 2020 and was up more than 50% year-on-year in the week of March 25, 2020.

As highlighted in the above mentioned Facteus report focusing on the US, the global gaming sector is expected to benefit from a prolonged period of isolation and closure as consumers seek engaging content and virtual interaction with friends and family. Games have always provided cost-effective entertainment, and as the sector's digital broadcasting channels are still open, consumers can choose from a wide range of titles. As companies with short-term financing needs and emerging business models are likely to face difficulties, we currently also expect an increase in M&A opportunities.

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION, GAMIGO GROUP**  
**(unaudited)**

EUR 000's	Note	31 Mar 2020	31 Dec 2019
Intangible assets	2, 3	95,384	76,171
Property, plant and equipment		2,910	2,368
Financial assets and other assets		16,404	12,163
<b>Long-term assets</b>		<b>114,698</b>	<b>90,702</b>
Trade and other receivables		24,914	11,930
Cash and cash equivalents		8,089	21,957
<b>Short-term assets</b>		<b>33,003</b>	<b>33,887</b>
<b>Total assets</b>		<b>147,701</b>	<b>124,588</b>
Equity attributable to shareholders of the parent company	6	30,139	30,190
Non-controlling interest		10	4
<b>Total Equity</b>		<b>30,149</b>	<b>30,194</b>
<b>Long-term liabilities</b>	4	67,080	63,788
<b>Short-term liabilities</b>	5	50,472	30,606
<b>Total liabilities and equity</b>		<b>147,701</b>	<b>124,588</b>



**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME, GAMIGO GROUP**  
(unaudited)

EUR 000's	Note	Jan-Mar 2020	Jan-Mar 2019	Jan-Dec 2019
<b>Revenues</b>				
Net revenues	7	16,918	13,397	58,916
Own work capitalized		3,415	1,819	8,490
Other operating income		546	178	3,181
<b>Total Income</b>		<b>20,879</b>	<b>15,394</b>	<b>70,587</b>
<b>Operating Expenses</b>				
Services purchased & other operating expenses	8	-8,190	-6,646	-32,690
Personnel expenses	9	-7,970	-4,730	-21,567
<b>Total operating expenses</b>		<b>-16,160</b>	<b>-11,376</b>	<b>-54,257</b>
<b>EBITDA</b>		<b>4,719</b>	<b>4,018</b>	<b>16,330</b>
Depreciation, amortization and write-downs	10	-2,822	-2,485	-10,071
<b>EBIT</b>		<b>1,896</b>	<b>1,533</b>	<b>6,259</b>
Financial result		-1,287	-777	-5,109
<b>EBT</b>		<b>610</b>	<b>756</b>	<b>1,150</b>
Income Taxes		-535	-223	820
<b>Net Result</b>		<b>74</b>	<b>533</b>	<b>1,970</b>
of which attributable to non-controlling interest		9	-12	55
<b>of which attributable to shareholders of the parent company</b>		<b>66</b>	<b>545</b>	<b>1,914</b>

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY,  
GAMIGO GROUP (unaudited)**

in KEUR	Share capital	Capital reserve	Cash flow hedge reserve	Difference from currency translation	Accumulated retained earnings	Equity attributable to shareholder of gamigo AG	Non- con- trolling interest	Total
<b>Total Equity as at 31. Dec. 2018 / 1. Jan. 2019</b>	<b>2,311</b>	<b>48,153</b>		<b>85</b>	<b>-21,972</b>	<b>28,577</b>	<b>-51</b>	<b>28,526</b>
Issues on shares								
Consolidated profit / loss for the year					1,914	1,914	55	1,969
Other comprehensive income			-237	-64		-301		-301
Other changes								
<b>Total Equity as at 31. Dec. 2019 / 1. Jan. 2020</b>	<b>2,311</b>	<b>48,153</b>	<b>-237</b>	<b>21</b>	<b>-20,058</b>	<b>30,190</b>	<b>4</b>	<b>30,194</b>
Issues on shares								
Consolidated profit / loss for the period					66	66	6	71
Other comprehensive income			-4	508		504		504
Other changes					-621	-621		-621
<b>Total Equity as at 31. Mar. 2020</b>	<b>2,311</b>	<b>48,153</b>	<b>-241</b>	<b>529</b>	<b>-20,613</b>	<b>30,139</b>	<b>10</b>	<b>30,149</b>



**CONDENSED CONSOLIDATED CASH FLOW STATEMENT, GAMIGO GROUP** (unaudited)

EUR 000's	Jan-Mar 2020	Jan-Mar 2019	Jan-Dec 2019
Cash flow from operating activities	4,468	2,346	16,385
Cash flow from investing activities	-11,756	-2,296	-11,848
Cash flow from financing activities	-6,580	5,226	13,318
Cash flow for the period	-13,868	5,276	17,855
Cash and cash equivalents at beginning of period	21,957	4,158	4,158
Cash and cash equivalents at end of period	8,089	9,434	21,957

## SELECTED EXPLANATORY NOTES (unaudited)

### NOTE 1 ACCOUNTING AND VALUATION PRINCIPLES

The Q1 Interim Report 2020 has been prepared in accordance with IAS 34, Interim Financial Reporting. These condensed consolidated interim financial statements have been prepared in accordance with IFRS such as adopted by the EU and the relevant references to the German Commercial Code and the German Corporation Act.

In the preparation of the Interim Report, the condensed consolidated interim financial statements, the accounting standards and interpretation have been used valid as of 1 January 2020. In this report, the same accounting policies and methods of computation were followed compared to the last audited consolidated financial statements for the business year ended December 31, 2019.

During the reporting period, the following companies were included in the scope of consolidation of the Company for the first time due to foundation of these companies in the interim period ended March 31, 2020:

- Verve Group, Inc.
- Place of Incorporation: Delaware
- Proportion of ownership interest: 100,00%

### NOTE 2 INTANGIBLE ASSETS INCLUDING ACQUISITIONS

#### Intangible Assets

The change in Goodwill is due to the acquisition of the assets from Verve Wireless Inc. Other Intangible Assets includes self-developed intangible assets (development expenses), IPs and Licenses and advanced payments on licenses and increased due to the acquisition of the assets from Verve Wireless Inc as well as further development of the games and platform. The main increase of intangible assets pertains from the acquisition of the Verve assets as described below under Acquisitions.

	March 31, 2020	December 31, 2019
	kEUR	kEUR
Goodwill	32,176	27,913
Other Intangibles	48,769	36,742

#### Acquisitions

gamigo AG agreed on acquiring substantially all assets of Verve Wireless Inc ("Verve") via its US-based subsidiary. Verve is a leading North American mobile data platform for location-based programmatic video and display marketing. This transaction includes Verve's technology, intellectual property and the team with domain expertise in branded programmatic advertising and its location-based analytics and data management platform. The acquisition was made public according to Art. 17 of Regulation (EU) 596/2014 on 23 January 2020.

Verve was founded in 2005 with offices in i.a. New York and San Diego. The acquisition expands the group's product portfolio, customer base as well as sales organization and further strengthens the group's position in the North American market with strong synergies towards the other media companies as well as gaming companies of the MGI group.

The acquisition of Verve qualifies as a business combination in terms of IFRS 3 Business Combinations. A preliminary purchase price analysis is currently performed by Ernst and Young. As part of this, the company currently evaluates the identifiable assets acquired, the liabilities assumed as well as the difference between the aggregate of the consideration transferred (purchase price components) and the net amount of the identifiable assets acquired and the liabilities assumed, and its impact of the consolidated financial statements in Q1 2020. The results of the purchase price analysis will be recognized in the audited consolidated financial statements 2020.

### NOTE 3 DISPOSALS

There were no material sales or disposals in the first quarter of 2020.



#### **NOTE 4 LONG-TERM LIABILITIES**

As of March 31, 2020, the long-term liabilities of gamigo Group increased by kEUR 3,292 to kEUR 67,080 (December 31, 2019: kEUR 63,788) mainly due to deferred taxes from the verve acquisition.

#### **NOTE 5 SHORT-TERM LIABILITIES**

The short-term liabilities of gamigo Group increased by kEUR 19,866 on March 31, 2020 to kEUR 50,472 compared to kEUR 30,606 on December 31, 2019, largely based on the Verve acquisition. The liabilities contain mainly account payables towards important suppliers with whom the business relations are to be continued. gamigo also acquired receivables in the same amount.

#### **NOTE 6 SHAREHOLDERS' EQUITY**

As of March 31, 2020, the total shareholders' equity decreased slightly to kEUR 30,139 (December 31, 2019: kEUR 30,190). The subscribed capital of the parent company gamigo AG (kEUR 2,310) did not change during Q1 2020. The capital reserves (kEUR 48,153) did not change during Q1 2020.

No dividends were paid in the in Q1 2020 nor any share-based payments nor other option plans were made or granted.

#### **NOTE 7 NET REVENUE**

gamigo Group achieved a first quarter 2020 sales revenue of kEUR 16,918. The increase of kEUR 3,521 (Q1 2019: kEUR 13,397). This increase is due increases sales, despite the Corona crisis. This underlines that the business is performing well even in times of crisis.

#### **NOTE 8 SERVICES PURCHASED & OTHER OPERATING EXPENSES**

For Q1 2020, gamigo Group disclosed services purchased and other operating expenses of kEUR 8,190 (Q1 2019: kEUR 6,646). The increase of kEUR 1,545 representing a decrease of 2% in relation to the revenues compared to the corresponding quarter in 2019. This illustrates the effect of business model based on the integration of acquired companies and assets. While revenues are rising strongly, costs are rising moderately due to the exploitation of synergy potentials.

#### **NOTE 9 PERSONNEL EXPENSES**

The personnel expenses increased in Q1 2020 by kEUR 3,240 to kEUR 7,970 compared to the prior year's period. This increase is mainly due to the personnel costs of employees who are part of the WildTangent and Verve businesses acquired in Q2 2019 and Q1 2020.

#### **NOTE 10 DEPRECIATION, AMORTIZATION AND WRITE-DOWNS**

Depreciation, amortization and write-downs amounted in Q1 2020 to kEUR 2,822 (Q1 2019: kEUR 2,485). In Q1 2020, no impairment charges were made, neither on intangible assets nor goodwill.

#### **NOTE 11 OTHER DISCLOSURE**

There are no new significant litigations or claims in Q1 2020.

## DEFINITIONS OF KEY PERFORMANCE INDICATORS

EBIT	Earnings before interest and taxes
EBIT margin	EBIT as a percentage of net revenues
Adjusted EBIT	EBIT excluding one-time costs
Adjusted EBIT margin	Adjusted EBIT as a percentage of net revenues
EBITDA	Earnings before interest, taxes, depreciation and amortization
EBITDA margin	EBITDA as a percentage of net revenues
Adjusted EBITDA	EBITDA excluding one-time costs
Adjusted EBITDA margin	Adjusted EBITDA as a percentage of net revenues
Equity ratio	Equity as a percentage of total assets
Growth in revenues	Net sales for the current period divided by net sales for the corresponding period of the previous year
Leverage Ratio	Net Interest Bearing Debt divided by EBITDA for the past 12 months excluding Subordinated Loans with PIK Interest
Interest Coverage Ratio	EBITDA divided by net financial items

## PARENT COMPANY

gamigo AG with its headquarters in Hamburg, Germany, is the parent company of the group. In this function, in addition to its own operational business, it also takes over central management and control functions for the group companies.

## RISKS AND UNCERTAINTY FACTORS

Risks and uncertainties are described in Prospectus of gamigo AG Bond 2018/12, which is available on the company's web site <https://corporate.gamigo.com/en/investors/#bond-prospectus>. The new unexpected Covid19 pandemic is also affecting gamigo. This leads to changes in customer behaviour and also work methods (eg. work from home) and procedures need to be adopted. The overall impact however is positive as more people at home and less other entertainment has a positive effect on gaming. We can however not fully predict how long and severe the Covid pandemic will be and if similar pandemics will arise. Also the general negative impact might impact gamigo.

## REVIEW

This report has neither been reviewed nor audited by the company's auditor.

## INVESTOR CONTACT

The latest information on the company is published on its website [www.corporate.gamigo.com](http://www.corporate.gamigo.com). The company can be contacted by email [ir@gamigo.com](mailto:ir@gamigo.com) or [soeren.barz@gamigo.com](mailto:soeren.barz@gamigo.com).

## FINANCIAL CALENDER

Half-Year Report, Q2 2020	August 31, 2020
Interim Report, Q3 2020	September 30, 2020
Full-Year Report 2020	February 28, 2021
Annual Report 2020	April 30, 2021

## **NOTE**

This information is information that gamigo AG is obliged to make public pursuant to the EU Market Abuse Regulation 596/2014 and the Securities Markets Act (2007:528). The information was submitted for publication, through the agency of the contact person set out below, at 15:30 CET on May 29, 2020.

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

Remco Westermann, CEO gamigo AG  
Public and Investor Relations Email: [ir@gamigo.com](mailto:ir@gamigo.com)

## **BOARD DECLARATION**

The Executive Board and CEO Remco Westermann hereby certify that this Interim Report gives a true and fair view of the group's operations, financial position and results of operations, and describes significant risks and uncertainties faced by the group.

Hamburg, May 29, 2020

Remco Westermann, CEO





**gamigo AG**

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