Thomas Kœgler (00:00-05:05)
Good morning, everybody. This is Thomas Kœgler. I'm the CEO of Asmodee Group AB. I am thrilled to present Asmodee's first interim report as an independent company, following our successful listing on Nasdaq Stockholm last Friday. Today, I am pleased to be back in Stockholm alongside our CFO, Andrea Gasparini. I will begin with a brief overview of our quarterly highlights before handing it over to Andrea, who will take you through our financials. After that, I will return with some concluding remarks before we open the floor to questions.

So the third quarter was an eventful and milestone-filled period for us. In October, we participated in Essen SPIEL 2020, the world's largest tabletop game convention, where Asmodee had the most significant presence, spanning over 4000m². This allowed players to experience close to 90 showcase games through an impressive 65,000 demo sessions held over four days in November. We successfully hosted our first Capital Markets Day here in Stockholm, marking a key step in strengthening our investor relations. And in December, we issued €940 million in senior secured notes and continued advancing our listing readiness efforts. In terms of products, the third quarter was also marked by several successful releases, on top, obviously, of a very strong performance by our long sellers. Those include 'The Lord of the Rings: Duel for Middle-earth' in partnership with Middle-earth Enterprises, part of Embracer. LEGO Monkey Palace. Twilight of the Republic. As mentioned during our Capital Markets Day, we continue to leverage our IPs in other forms of entertainment. Specifically, movies and TV shows. Um, our great wealth of valuable IP. Uh, two great successes. Netflix released a movie based on the IP that achieved 40 million views by the end of December, which we co-produced. French TV successfully launched a TV game show based on the same IP, which reached 10 million views, driving a significant sales increase in France for the tabletop game in the quarter. Moving on to the highlights of this third quarter, we saw net sales just shy of €430 million, marking an all-time record-breaking quarter. This reflects sales growth of 11.3%, of which 12.9% relates to organic growth. The growth was primarily driven by games published by Asmodee Studios, long sellers, and new releases already mentioned in the previous slide. The adjusted EBITDA increased by 12% to close to €90 million and was positively impacted by a more favorable product mix, partly offset by higher operational expenses. We delivered a strong cash flow over the period, above €70 million, in line with seasonality and a cash conversion on adjusted EBITDA of 81%. Out of the €400 million capital injection from the Embracer Group, €300 million of the proceeds have been allocated to repaying gross debt, while the remaining €100 million will further strengthen our balance sheet and support the resumption of our acquisitions agenda. Adjusted for the capital injection, our net debt on adjusted EBITDA after M&A commitments would have been around 2.5x. In terms of full-year management expectations, we expect low single-digit net sales growth for the full year, with adjusted EBITDA margin and adjusted EBIT margin broadly in line with the previous year. I will now hand over to our CFO, Andrea Gasparini.

Andrea Gasparini (05:08-13:10)
Good morning, everyone, and thank you, Thomas. Moving on to sales for the third quarter. Net sales amounted to €429 million, an increase of 11.3% compared to the same period last year. Organically, sales increased by 12.9% compared to last year. The disposal of a miniature market had an effect of minus -2.0% impacting other items, and the impact of changes in exchange rates was 0.4%. Splitting the games by publisher. We saw games published by Asmodee Studios increase by 29.1%. Games published by partners increased by 4.8%, and others decreased by 32%. The strong sales growth in games published by Asmodee was, as already mentioned by Thomas, primarily driven by new sales based on third-party IP supported by Star Wars Unlimited, where the last year had no sales. LEGO Monkey Palace, Lord of the Rings: Duel for Middle-earth, as well as pillar games such as Catan and Double, were highlights within games published by partners. We saw a rebound in sales for distributed lines following headwinds faced during the first half of the fiscal year, thanks to strong new releases such as Scarlet & Violet - Surging Sparks (for Pokémon®), Foundations (for Magic : The Gathering®), Emperors in the New World (for One Piece). Trio Bomb Buster (from Cocktail Games) and Hitster in the Nordics. We saw solid growth across both the TCG and board games categories, and this strong performance in Q3 brings the year-to-date back on track to deliver low single-digit growth on a year-to-date basis. Sales amounted to €1,027 million, an increase of 1.7% compared to the same period last year, and organically, sales increased by 3.3%. This is a great achievement, and we are proud of the work done by the teams across all of our operations.

We saw an increase in EBITDA and adjusted EBITDA of 12%, up from €80 million to €89.3 million in the same period last year. This corresponded to an adjusted EBITDA margin of 20.8%, compared to 20.7% the prior year. The increase in adjusted EBITDA was driven by higher gross profit from a favorable product mix, where games published by Asmodee have higher margins than the partner-published games, as well as higher volumes. The higher gross profit was partially offset by increased investment in marketing to drive long-term growth, including marketing campaigns and presence in key events such as Essen SPIEL and PAX Unplugged fairs. Higher royalty costs, which are variable and in line with sales development. Higher shipping costs due to increased costs per container and the ramp-up of expenses associated with becoming a standalone listed company. Items affecting comparability of €29.4 million, of which €28.6 million are related to the listing process, have also been adjusted in our adjusted EBITDA. We also see €11.3 million of implementation costs for the bridge loan and revolving credit facility impacting the financial net in the quarter. So below the adjusted EBITDA in our P&L. The costs mentioned above, related to the listing and refinancing, are a reflection of the listing project being made in conjunction with the implementation of our new long-term financial structure.

Moving on to the cash flow, where the cash flow after tax and capitalized lease payments amounted to €72 million during the third quarter. This corresponds to a free cash flow conversion relative to adjusted EBITDA of approximately 81%. For your information, starting from Q1 2025, we are planning to introduce quarterly free cash flow disclosure to provide greater visibility in our cash generation and financial performance. The free cash flow after tax and capitalized lease payment was Euro 102 million, corresponding to a free cash flow conversion of 54.5% year to date. Looking at movement in working capital this year, this is pretty in line with the seasonality, with the inventory reduction following the peak season, which ended as of the end of Q3 and the end of December. The increase in trade receivables and trade payables remains evident, attributed to strong sales during Q3 It should be noted that capital expenditure amounted to between 14 and 15 million in Q3, which is less than 2% of net sales. In line with our CapEx-light business model that we've described previously.

Finally, an updated on the balance sheet. So the net debt before the M&A commitment was driven by the issuance of the €940 million senior secured notes in Q3, replacing the bridge facility established in April 2024. We also have access to a 150 million revolving credit facility, which is totally undrawn as of today. And the ratio of net debt to adjusted EBITDA before and after the M&A commitment stands at 3.6 times and 4.2 times, respectively. The capital injection from Embracer Group of Euro 400 million was received on January 24th, and 300 million has been allocated to repaying gross debt. The process is ongoing and should be finalized in the coming days. On an EBITDA adjusted for capital injection before and after M&A commitment, it should land at approximately two and 2.5 times, respectively. We have also included some further details in the appendix. With respect to the evolution of the net debt, we have made strategic decisions to manage and optimize it effectively. And with that, I will hand over to Thomas Kœgler.

Thomas Kœgler (13:12-14:13)
Thank you, Andrea. So, in conclusion, as you have seen, we have delivered solid double-digit growth in sales and profit. We have continued our strong cash flow generation and cash conversion. Our long-term financing is in place, strengthening our balance sheet. We had our first successful media developments with partners on various projects in the quarter. Now, what do we look forward to. A strong product catalog and a strong pipeline of novelties. And we really believe we are well positioned for long-term profitable growth, now being listed on Nasdaq Stockholm. And with this great picture from the Nasdaq listing from last Friday, I am now opening up the floor for questions.

Speaker
If you wish to ask a question, please dial Pound Key five on your telephone keypad to enter the queue. If you wish to withdraw your question, please dial Pound Key six on your telephone keypad. The next question comes from Jacob Edler from Danske Bank. Please go ahead.

Jacob Edler (14:37-15:21)
Hi Thomas and Andrea, and congrats on the listing and a strong quarter. Um, I have two questions on my side. The first one is on the outlook statement. So you say that you expect margins to remain largely flat on adjusted EBITDA and EBIT for the current financial year with one quarter left. Um, considering the seasonality, you're probably already booked somewhere between 80 and 85% of full-year EBIT, and margins are up by some 1.4 to 1.6 percentage points year to date. So it seems the guidance is quite conservative for Q4 and possibly indicates a potential drop in the margin. Can you maybe just walk me through that outlook? That's the first question.

Andrea Gasparini (15:23-17:03)
So, uh, thank you, Jacob, for this question. So for Q4, first, it should be noted that last year, as previously communicated in the Q4 23/24 by Embracer, their profitability at the adjusted EBIT level grew by 50% year over year, with an improved margin and also a stronger product mix impact with the release in Q4 of Star Wars Unlimited. So in terms of comparability, this will be an anniversary quarter, the Q4, which will compare to that one. Secondly, we will start in Q4, absorbing the costs for being a standalone listed company. This has very little impact in Q3, but it will start ramping up in Q4. Third, as communicated, we have also reinforced our

marketing spend to normalize levels, whereas last year in Q4, those investments were relatively minor in the context of some savings plans that were ongoing at the group level.

Jacob Edler (17:07-17:24)
Okay. That's very clear. Just one follow-up there. I mean on, because now you have set four. Right, on Star Wars in March, if I'm not mistaken. Should we expect that to then have, I guess, lower margins than set one, or I understand the other. The other two points you mentioned as well.

Thomas Kœgler (17:25-17:46)
No, it's not a question of margin. It's just that we will be making an anniversary of a quarter that already had significant revenue from Star Wars Unlimited. So I would say the increment provided by Star Wars Unlimited set four versus last year will be a bit more limited.

Jacob Edler (17:46-17:46)
Makes sense.

Thomas Kœgler (17:47-18:12)
Yeah, we are in the investment phase on Star Wars Unlimited to make it a very long-term product. The organized play in CCGs is extremely important and has been ramping up since Q3, and then much faster in Q4, leading to the Galactic Championships in July next year in, in Las Vegas. So it's still an investment phase for Star Wars Unlimited to establish the product for the coming years.

Jacob Edler (18:15-18:38)
I see, perfect. Um, it grew 29%. Uh. Great performance. The big successes here are in LEGO Star Wars and The Lord of the Rings.

Thomas Kœgler (18:45-19:24)
So obviously we do not disclose details between novelties and existing products, but it's clearly a mix of the two. As Andrea has mentioned, we had a very good performance on Spot It and a very good performance on the Azul line. We have a lot of, I would say, legacy lines or very long-term sellers that have been contributing significantly to the growth quarter on quarter, and we are then combining it with the few new releases that we have mentioned several times. This has led to the impressive 29% year-on-year growth on the published games.

Jacob Edler (19:28-19:31)
Perfect. Thank you so much for your answers.

Speaker (19:36-19:40)
The next question comes from Erik Larsson from SEB. Please go ahead.

Erik Larsson (19:43-20:04)
Good morning. I hope you're all good. I have a question on gross margins. Uh, so 47 here. And I understand that the mix is a factor here. But I just want to understand if this level we're seeing currently stands out from a historical perspective.

Andrea Gasparini (20:08-21:07)
Hi Erik. Thank you. Thank you for the question. I think that if we take a step back and look at what we've delivered over the last two years and what's going on this year, we can see significant progress. Uh, the evolution of gross margin pretty much reflects our strong commitment to both the distributed line and the published line, and the margin improvement over the nine months this year is mirroring the very strong performance of the published game. So as we've said and described, this is positive to our business, both in absolute value and also in percentage of sales.

Erik Larsson (21:11-21:31)
Alright. And then, you mentioned some of these offsetting factors to the improvement since we didn't see the same expansion at the EBITDA level. So I'm just curious, you know, to what extent is this royalties? To what extent is it marketing? Which one is the primary offsetting factor? If you could specify that.

Andrea Gasparini (21:31-22:43)
Yeah. So in the bridge, in the quarterly bridge of EBITDA, you see an increase in operating expenses of 17 million, around 40% of that 17 million relates to what we've sold. So it's royalties and shipping impact; royalties

are a variable cost as a percentage of sales, and shipping is related to volumes. And as I said before, there is a higher cost per container, which has increased to a ratio of 3 to 1 this year compared to last year. So it's also an increase in the rate then within the 17 million, the 30% is marketing, as we said, which we believe is a sustainable run rate level to invest in our games. And then the remaining is related to other operating expenses and the preparation for becoming a standalone company.

Erik Larsson (22:46-22:49)
Perfect. Thank you very much. That's all for me.

Thomas Kœgler (22:55-23:02)
I'm not sure we have further questions. Uh, at least for now. In the queue. Oh, yes, we still have.

Speaker (23:06-23:10)
The next question comes from Rasmus Hagberg from Kepler Cheuvreux. Please go ahead.

Rasmus Hagberg (23:14-23:33)
Yes. Good morning, guys. Welcome to being a listed company. With that, I had two questions. Firstly, with regard to costs relating to the listing. Do you think there will be further costs coming in Q4?

Andrea Gasparini (23:37-24:39)
Hi. Thank you for the question. So, um, in, uh, in Q4, uh, what we expect is to have, uh, additional costs related, as I said before, to the repayment of 300 million senior secured notes. So, this will come with additional fees. Uh, it represents, uh, 2% of the amount that will be reimbursed. So, 2% of 300 million will impact the net financials in the P&L, and there could be some other minor costs as well impacting the net financials in Q4. But, uh, the bulk of, uh, what we expected is already, uh, loaded into the year to date.

Rasmus Hagberg (24:43-25:13)
That's okay. Right. Thank you. And the second question, just on a more, uh, broader level, sort of higher level, uh, the US business that you operate is, is, uh, different from, to the European business. I assume it's probably more own games than distribution. Almost. Is there scope to apply that approach to the European business in terms of split and scale?

Thomas Kœgler (25:14-26:30)
Thanks, Rasmus. Effectively, our US business has historically been built on a different foundation compared to our European operations. More on games published by the group. However, in the past 5 to 6 years, we have also slowly been building the capabilities in order to be able to develop a model. I would say that we are leveraging everything we're able to leverage in the more mature markets in certain European countries. And that does include significant investments for us to go direct-to-hobby, building sets and logistics capabilities over the past years. This is very important because it opens up the ability for the team to strengthen the catalog with games published by partners, which the team has been starting to do quite actively in the last two years. But we are still in the early days. And secondly, in the US, we were absolutely not operating in the trade account game market, which has now changed this year with the launch of Star Wars Unlimited and Altered. So I would say that we are moving towards a model that's a bit closer to what we have in Europe.

Rasmus Hagberg (26:34-26:35)
Thank you.

Speaker (26:41-26:45)
The next question comes from Martin Arnell from DNB Markets. Please go ahead.

Martin Arnell (26:49-27:13)
Good morning, guys. Um, my first question is about resuming your M&A agenda going forward and the deal flow that you're working with. Can you give some comments on what you're doing and if it's mainly distribution or publishing new geographies, and how you view the deal flow? Thank you.

Thomas Kœgler (27:14-28:52)
Thanks, Martin. I know there is a lot of interest around us resuming our M&A agenda. We are also obviously very excited about this prospect. Um, however, I would just like to remind everybody that it's an engine, so it takes a bit of time to reignite all of this and to go through acquisition processes. There are many opportunities available out there. Our pipeline is quite active and quite wide or deep, as we indicated during the Capital

Markets Day. Uh, in terms of priorities, to answer your question, I will reiterate what we said at the CMD. Our priority is to do what we call bolt-on acquisitions. So it's acquisitions that are on the smaller side in terms of size, easily integrated within our growth platforms, either in our publishing organization or in our route to market organization for distribution. Um, and at this stage, we already have quite a strong, uh, I would say, global geographical presence. Uh, so the priority will most likely be around publishing studios or creative capabilities and intellectual properties. However, obviously on a case-by-case basis, we will also consider acquiring distributors either to enter into new territories or strengthen our local presence.

Martin Arnell (28:56-29:11)
Thank you. That's very clear. Um, my second question is, in the past weeks, you've met a lot of investors. And what are the main learnings from your side, and is there anything that has surprised you in terms of feedback.

Thomas Kœgler (29:14-30:57)
It's been a very engaging few weeks, or month or so, because we have been interacting more and more with investors since the Capital Markets Day ramped up.< Uh, also through our bond financing process. And then, uh, the investor conference in Copenhagen at the beginning of January. Finally, our roadshow. I have to say that we felt very strong support from investors. Especially very strong interest from long-term investors. Which is very important to us because we are a long-term growth company. As we have seen in our past history, if you stick with us for a sufficient time, you will not regret it. Or you will benefit greatly from it. Sorry, it's my French way of sometimes downplaying things. Um, having said that, I think it becomes quite clear that there is a lot of understanding of our dual model, which combines the publishing capabilities and the distribution capabilities. I think it's a great success following the Capital Markets Day that investors understand the combination is a huge strength to the business. Um, and lastly, I would say the fact that we are also being listed with a much stronger balance sheet than was expecte six months ago is a clear plus for investors and their engagement alongside Asmodee.

Martin Arnell (31:01-31:02)
Thank you, guys.

Speaker (31:06-31:10)
The next question comes from Simon Baker from Bernstein. Please go ahead.

Simon Baker (31:16-32:04)
Yes. Good morning. Thank you for taking my questions. So two questions, please. One is, um, in your opening remarks, you referred to a strong product catalog and pipeline. Um, I just wondered whether you could add a little bit more color on what that means. Sort of year on year for the year about to start next year. And also, we're at this early stage. You could give us a little bit of guidance in terms of the phasing of some of the pipeline that we are to expect. That's the first questionAnd secondly, sorry to come back to the M&A, Thomas, but, um, you did mention in the €100 million that's earmarked, I think, previously referred to some of that being for Earnout Um, for the M&A commitments. Could you give us a sense as to how much of that would be left after Earnout commitments for.

Thomas Kœgler (32:06-34:22)
So, um, on the strong product catalog and the pipeline again, our performance is largely driven by the performance of the existing products. That's why we talk about the existing catalog. So I'd say we're less of a novelty-driven company in terms of successfully delivering in our upcoming quarters. Um, but obviously the question of what's also new up and coming, I would say alongside the slate of very strong releases that exist from partners on, on trading card games and of course, uh, the firms that are involved in Star Wars Unlimited, , in the upcoming quarters with the future releases of sets targeted for this fiscal year five, six and seven in the next fiscal year. The second game in the Lego product line introduces a much lower price point, making it a mass market game. Um, we have, a quite exciting, I have to say, game in the Lord of the Rings universe, combining the Pandemic game mechanic with a touch of legacy. For those that don't know, it's where the game evolves. You alter the game with every session you play, which is super exciting, called 'Fate of the Fellowship,' by our studio, Big. We also have some exciting launches in the Azul lines from Next Move, with a two-player game, as usual. I'm quite excited about the Catan sixth edition that will be released in Q1 and throughout the entire year. And our friends at Exploding Kittens are releasing their first board game card game, which is a really exciting game. That is what we are looking forward to. On top of that, I mean, there are numerous other new releases again. It's a lot of small things that make big results. The second question, maybe Andrea, you want to take it, uh, on the M&A commitments?

Andrea Gasparini (34:35-35:43)
Yeah, sure. On the M&A commitment, I think you can find some additional information about the timing of the cash out of those commitments in the report, where we have a note describing the payment to be made within the year. And in more than one year, the big amount is still due considering the Q3 cutoff as of the end of December. Uh, beyond December. Uh, in one year, the big cash out component will be the put option agreement that we have on some activities in the US. So we expect to have those cash outs at the end of the calendar year 2025, which will, in that case, be probably the Q4 of the current fiscal year.

Simon Baker (35:50-35:50)
That's great.

Thomas Kœgler (35:50-36:01)
Thank you. So I think we do not have anybody else in the queue for questions.Does anybody else have any questions in the queue? Maybe we can take one question from the web.

Andrea Gasparini (36:10-38:09)
So I think there is a question on when you expect to see your rating get upgraded? What's your anticipated timing? How many notches do you anticipate based on your discussion with the agencies? So indeed, the discussions with the three key agencies took place around December in conjunction with the implementation of the bond. We've issued the, uh, rating, uh, at B2 for Moody's, B for Standard and Poor's, and B-minus for Fitch. The discussion with the agencies was very transparent in terms of plans towards the potential deleveraging with the capital injection on 400 million. Out of which 100 million will remain in the balance sheet. So, uh, we are not expecting any short-term change in the ratings due to this new landscape and the new balance sheet. So I think that both rating agencies and we are aligned on the fact that we want to deliver strong results, strengthen the track record of organic growth and acquisitions in the coming years. We are running to achieve the medium-term financial targets, and then we hope that it will also have a positive impact on ratings.

Thomas Kœgler (38:11-43:18)
Uh, we have a second question, which is could you elaborate more on your dividend policy? Um, so as we've announced, we aim at considering paying dividends to shareholders once we have reached our target of two times leverage. Um, however, very clearly this will be, um, I would say a trade-off, uh, because it's only on the excess cash, meaning, uh, that it will be after M&A and investment in the business. Obviously, in conjunction with the board deciding how we make the best use of our cash to create shareholder value between investment, M&A, and the possibility of dividends from excess cash.

We have another question from Eric. Uh, I think I've heard you say Pokémon has a three-year product cycle, and next is the next fiscal, the third year. And historically, how much difference has been seen between year two and year three? you are correct in the fact that Pokémon is usually in a three-year cycle. Uh, we are currently in 2024, so they are aligned with the calendar year and not our fiscal year. 2024 was the second year of Scarlet and Violet. 2025 will be the third year leading into a new generation at the end of 2025, early 2026. Um, and, uh, it's true to say that, uh, there is usually some, uh, I would say. It's generally seen that there are slightly lesser sales in the second year of the three, but we do not provide details on the extent.

We also have a question, if tariffs from the US are enacted. How will you be affected? Do you have local production of your sales there, or are you importing the games from Europe? So we are manufacturing in quite a balanced way. In Europe, in the US, and in China. Tariffs have been announced but are still not completely clear in the sense that the exact product categories impacted have not yet been published. To my knowledge, the US government has not yet published the exact product categories impacted by the tariffs. So in the case, we are impacted on the main flows, which are U.S. to China and to a lesser extent tariffs from Canada to the US, we have options to move production around with production partners all around the globe.We also have the ability to move certain elements in our supply chain to limit the impact. And then I would say that, in the end, we will also see with our manufacturing partners and with our retail partners how we can mitigate all of this to limit the impact. But exposure remains relatively limited for us. The second question is also related to tariffs.

And I think for now, it was the last question. So unless we have any people manifesting themselves over the phone or adding written questions, I will give it a couple of seconds and then, if not, we might close the call. Okay. I do not see any movement. So in that case, before we close, I would like to sincerely thank our new shareholders. Welcome and enjoy the ride. Obviously our team members have been amazing. In Q3, from those that are obviously used to shining in the creative and in sales, and also the people in the warehouse, we do not talk enough about them but we have a lot of people who are highly contributing to our success day by day. Obviously the players that trust in our games, our retail partners, and our business partners for their unwavering support. Our strong performance this quarter really reflects the quality of our product portfolio and the strength of our teams. It is worth noting we remain focused on executing our strategy and creating long-term shareholder value. So thank you for joining us today. And we look forward to seeing you in various meetings.