

Netflix, Inc., Next Games Oyj - M&A Call

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Corporate Participants

Annina Salven Next Games Oyj - CFO, Investor Relations & Member of Management Board

Petri Niemi Next Games Oyj - Independent Chairman

Saara Bergstrom Next Games Oyj - Chief Marketing Officer & Member of Management Board

Teemu Mikael Huuhtanen Next Games Oyj - CEO & Chairman of Management Board

Presentation

Saara Bergstrom Next Games Oyj - Chief Marketing Officer & Member of Management Board

Good morning, everyone, and welcome to Next Games' Investor Briefing, where we shortly cover Next Games' 2021 financials first. And then, we will go into today's announcement. My name is Saara Bergstrom and I'm the Chief Comps Officer here at Next Games.

So we will start by going through 2021 key financial figures we published this morning, and we will then move on to covering Netflix's tender offer announcement of all the shares in Next Games. And at the end of the session, we will have an opportunity for you to ask questions.

The speakers today are Next Games' Chairman of the Board, Petri Niemi; Chief Executive Officer, Teemu Huuhtanen; and Chief Financial Officer, Annina Salven.

And without further ado, let's move on, and let's go through our financials first. Teemu, please go

ahead.

Teemu Mikael Huuhtanen Next Games Oyj - CEO & Chairman of Management Board

Thank you, Saara. Very good morning to everyone.

Financial highlights for 2021. Revenue was slightly down versus the previous year at EUR 25.2 million. As you can see, the publishing EBITDA and the company EBITDA were mainly affected by the increased marketing spend, and publishing EBITDA was at EUR 5.6 million, which represented 22% of the revenue.

Number of employees at the end of '21 was 121. So that's an increase of 16 versus 20. And another thing that's visible to executing our strategy is the increase in research and development as we had 3 new game teams developing 3 new games as well as the Stranger Things: Puzzle Tales game in development.

Then, moving on to the company key figures. Annina, please go ahead.

Annina Salven Next Games Oyj - CFO, Investor Relations & Member of Management Board

Thank you, Teemu. So just very briefly, going to discuss what happened during our second half of the year.

Obviously, we released Stranger Things: Puzzle Tales. And as you can see, we actually started growing revenues previous -- versus our previous year. So July, December 2020. Indeed, the game was fully -- we started scaling the game around October, November. So it's only a portion of the revenues are -- can be seen as having an effect in the revenue.

Having said that, our gross profit remained at a good level, increasing. And also, we had a target of a neutral EBITDA. Didn't quite get there. However, we still had -- only the change affecting our EBITDA for the full year really was driven by the scaling during the second half of the year.

And otherwise, if we go to the next slide, please. We can talk about our publishing profitability. So our EBITDA for our publishing profitability remained at a pretty good level. So we had it at 24% last year versus this year, it was 22%. And the main kind of being affecting our publishing profitability EBITDA was, obviously, as we started scaling Stranger Things, we used more upfront capital in marketing and that did affect our profitability.

And then, if we look at our research and development key figures, as Teemu already mentioned, our company grew by 16 people. And in addition to that, we had a huge focus on R&D all throughout 2021 with our expenditure growing 34% to EUR 9.4 million. And of that was capitalized. So essentially, our investments was EUR 5.5 million into R&D.

Saara Bergstrom Next Games Oyj - Chief Marketing Officer & Member of Management Board

Thanks, Annina. We will now move on to discussing today's announcement.

And to recap, Netflix announced this morning a voluntary recommended public cash tender offer for all the shares in Next Games. We will first hear from the Chairman of the Board of Next Games, Petri Niemi. Petri, please go ahead.

Petri Niemi Next Games Oyj - Independent Chairman

Thank you, Saara. Good morning to all of you as well. I'll go through the announcement in short.

And as I said before, Netflix has announced a voluntary recommended public cash tender offer for

all the shares in Next Games. And the offer price is EUR 2.1 per share, which means that a premium of approximately 125.6% compared to yesterday's share price is applied. And if we look at a longer-term premium for -- compared to a 6-month average, the premium is 69.6%. And this means that the offer values Next Games total equity at approximately EUR 65 million.

The major shareholders, Jari Ovaskainen and AMC, representing about 43.3% of the shares and votes in the company have undertaken to accept the offer, subject to certain customary conditions. And we expect that the transaction is expected to close in the second quarter of this year, subject to some customary closing conditions.

And I'm sure that everybody knows Netflix, but the way we see it is that Netflix is the world's leading streaming entertainment service with about 220 million paid memberships in over 190 countries, enjoying TV series, documentaries, feature films and mobile games across a wide variety of genres and languages. And Netflix has announced earlier, they're entering into the gaming space in November 2021.

And the way the Board of Directors views the transaction is that, first of all, we have a great shared vision and passion for great entertainment in both of the companies. We have a very complementary partnership and it has been ongoing for quite some time, and we have worked with -- together with Netflix on games.

And naturally, our understanding is that the location in Finland has some meaning for Netflix as well because Finland is the hub for gaming in the world. And we see the industry consolidating, as in many other industries as well, and M&A is a natural part of that. And as mentioned earlier, we have complementary expertise and technology in the companies.

And for the stakeholders, the employees -- for the employees, this means a lot of potential for exciting opportunities going forward in other roles at Netflix as well. And for the players, it means that there's longevity and continuation for the existing games and some improvement and better ones to come. And for shareholders, we feel that the price is fair. I will come back to that a bit later.

And then, to the recommendation by the Board of Directors of Next Games. The Board of Directors of Next Games, represented by a quorum comprising the non-conflicted members of the Board of Directors, has unanimously decided to recommend that the shareholders and holders of stock options of Next Games accept the tender offer. The Board of Directors will issue its statement on the tender offer before the commencement of the offer period.

To support its assessment of the tender offer, the Board of Directors of Next Games has received a fairness opinion from Next Games financial adviser, which is Alexander Corporate Finance. And according to which the share price -- or the share offer price and the stock option offer price are fair from a financial point of view, from the perspective of the shareholders and the holders of stock options. The complete fairness opinion will be attached to the statement of the Board of Directors of Next Games.

The statement of the Board of Directors of Next Games regarding the tender offer will be published prior to the commencement of the offer period and appended to the tender offer document. So everybody will be able to see it at that point.

Then, how do we go forward from here- There are some of the key dates. Today, 2nd of March, we have signed the combination agreement and are now announcing the tender offer. And on 14th March or about there, the offer period commences and it will end on the 8th of April. And we expect that the transaction will be closed in the second quarter of '22, subject to customary closing

conditions.

So please, Teemu, take it from here.

Teemu Mikael Huuhtanen Next Games Oyj - CEO & Chairman of Management Board

Yes. Thank you, Petri. So Petri covered really well the rationale from the shareholder perspective. And I'm going to go into why this makes a whole lot of sense to -- especially the staff and talent at Next Games, and Next Games, as a company and, of course, Netflix.

So from day 1, Next Games has been executing pretty much on the same vision and mission. So we've always seen ourselves that we would be the partner of choice for global entertainment businesses, such as Netflix, to craft authentic and long-lasting interactive entertainment-based and games based on those most beloved franchises such as Stranger Things.

At the same time, the mission has been, the fact which we have demonstrated starting from The Walking Dead: No Man's Land, that we refine the way the entertainment franchise is transforming to engage in mobile games. And this is what we've been doing since 2013, and this is definitely a very clear continuation of the vision and mission in all the possible ways.

So if we look at it from the talent and staff perspective and Next Games' perspective, this is if not the best, probably the best opportunity to level up all aspects of the business operations and so forth. So together with Netflix, we're going to be having the access of the biggest streaming company on the planet that has all that great IP and especially the creative talent on their side, talking about the biggest Hollywood directors and the great team at Netflix Games.

And for the existing employees, absolutely exciting opportunity to level up. Netflix will continue to

invest in the studio and it will bring amazing opportunities to work with great talent around the world and in Helsinki. Of course, we see this as a great opportunity to attract new talent from Finland, Europe, globally, to Helsinki. So all in all, like a great thing for Helsinki and Finland as well.

Then, from Netflix perspective, obviously, what Next Games has been doing since day 1, and especially the partnership with them on Stranger Things, we provide a strong track record in the industry and proven ability to craft and operate authentic mobile gaming experiences and especially based on the world's biggest entertainment brands for a global audience.

Since we were founded in 2013, we have solid and existing operations to manage the whole value chain in mobile gaming and including for example, world-class live operations set up.

And again, Next Games has great talent in already but in a broader perspective, Helsinki is one of the capitals of mobile gaming and the Nordics and Europe in large. So great opportunity internally and externally as well.

Saara Bergstrom Next Games Oyj - Chief Marketing Officer & Member of Management Board

Thank you, Teemu. More information regarding this transaction and the announcement will be available on the Next Games website and the website will be updated as things move forward.

At the moment, it seems that we do not have any questions online. Let's see if we have any on the phone lines. At the moment, it seems that there are no questions for the time being.

So in that case, we thank you all for joining us on this briefing today, and we wish you a nice day.