
 Note in accordance with MiFID II regulation for research "Minor Non-Monetary Contribution": This research meets the requirements for classification as a "Minor Non-Monetary Contribution". For further information, please refer to the disclosure under "I. Research under MiFID II".

26/01/2021 - GBC Management Interview with Paul Echt, CFO of Media and Games Invest Group

Company: Media and Games Invest plc ^{*5a,7,11}

ISIN: MT0000580101

Analysts: Marcel Goldmann, Cosmin Filker

Current price: € 3.60 (Xetra, 26/01/2021, 13:27 pm)

Date (time) of completion of german version: 26/01/2021 (14:05 pm)

Date (time) of first distribution of german version: 27/01/2021 (10:00 am)

Date (time) of completion of English version: 26/01/2021 (15:53 pm)

Date (time) of first distribution of English version: 27/01/2021 (10:30 am)

**Catalogue of possible conflicts of interest on page 6*

" We clearly want to reach the billion market capitalisation here and continue to grow beyond that. "

Media and Games Invest (MGI) is a fast and profitable growing digital media and games company. The company combines organic growth with targeted value-creating acquisitions. The MGI Group has successfully acquired over 30 companies and assets in the past six years. MGI is one of the few leading companies within the gaming industry that also has its own "advertising division".

MGI entered into a purchase agreement a few days ago to fully acquire US game developer KingsIsle with the well-known game title Wizard101 (member of the MMO Hall of Fame, >50.0m gamers). This M&A transaction is transformative for MGI as it significantly increases the economic base and profitability of the MGI Group (increase pro-forma Group EBITDA YTD Q3 2020: c. 60.0%). For the current financial year 2021, KingsIsle expects revenues of USD 32 million and adjusted EBITDA of USD 21.0 million, with a very high EBITDA margin of 66%.

MGI has agreed with KingsIsle's owners on a fixed purchase price of USD 126.0 million and a performance-based purchase price component (earn out) of up to USD 84 million. To finance the M&A, Oaktree Capital, which has a high level of expertise in the media- and- games sector, has committed to a capital increase of €25.0 million, as a result of which this company will in future hold a stake of approximately 9.0% in the MGI Group. Against the backdrop of this very significant acquisition, we have taken the opportunity to interview MGI's CFO Paul Echt about this M&A measure.

GBC AG: Mr Echt, MGI has already successfully carried out numerous M&A deals in the past and has built up a high level of M&A expertise and experience. What were the motives for what is now the largest takeover in the company's history?

Mr Echt: This deal was interesting for us on several levels. On the one hand, the company owns a few very strong game IPs. The flagship Wizard101, which has often been described in the press as the Harry Potter of online games, deserves special mention. This game fits perfectly into our core portfolio, as it is characterised by a very active community and a free and long-term gaming experience. The average player therefore remains loyal to the game for five years or more, which can be seen very well in the

figures. As this is an MGI-typical multiplayer game in the fantasy genre, we have a lot of experience in successfully developing and growing these games over a very long period of time. In addition, we can estimate very well what sales and margins we can safely plan for in the coming years. Against this background, the fixed purchase price of USD 126m is the highest we have paid to date, but with an EV/EBITDA multiple of 6.0x it is relatively value-enhancing. In addition, the company is headquartered in Austin, Texas, where we also have an office with approximately 50 employees. Together, this will make the integration much easier.

GBC AG: You mentioned the online game Wizard101, which was even inducted into the MMO Hall of Fame. What growth potential do you see for the game?

Mr. Echt: Since the launch of the game, more than 50 million players have created an account. Around 90% of the revenue from these players comes from North America. Although the game is already available in Europe, the focus on the creation of content updates, expansions, additional languages and, last but not least, in the area of marketing was clearly on North America. With our extensive experience in localising games in the international arena, we see considerable additional sales potential here. For example, by offering the game in additional languages and with country-specific community management. In addition, other devices such as consoles or smartphones offer additional growth opportunities, especially in Asia. We also see strong synergies in the cooperation with our media companies regarding the marketing of the games.

GBC AG: In the course of the KingsIsle takeover, you have gained a significant new MGI shareholder, Oaktree Capital. Please briefly tell us more about this investor and what role this company could possibly play in the further implementation of the growth strategy?

Mr Echt: Oaktree is a US investment firm with more than USD 140 billion under management. As an investment fund, they bring the experience to help management build multi-billion dollar market capitalisation companies. Oaktree also has a long-term investment horizon of 3-5 years. We had been in casual contact with Oaktree for some time. As the transaction became more concrete, Oaktree was able to assist us with the necessary financing at very short notice. As part of the transaction, Oaktree will take a minority position of around 9%, which we are very comfortable with. Oaktree is accordingly supportive of management's strategy to acquire other mid-sized companies such as KingsIsle.

GBC AG: The current acquisition significantly strengthens your North American business activities. What is the general importance of this region for your company and are further M&A measures possible to further accelerate the expansion of the US business?

Mr Echt: The North American market was already our largest sales market before the KingsIsle transaction. This will now increase significantly. Further transactions in this region are likely, as there are many exciting companies here and we have a very good infrastructure with our own sourcing as well as a good network. This also includes investors, banks and insolvency administrators from whose portfolios we have already taken over other companies. In the case of KingsIsle, our own local team also made the initial approach and the follow-ups.

GBC AG: Through the acquisition of KingsIsle, which represents a significant milestone in the company's history, the MGI Group will be able to record very significant increases in turnover and earnings in the future. Does this major acquisition also additionally increase the attractiveness of the company with regard

to gaining promising marketing licences (so-called game IPs) for online games? And what possible advantages arise here for the MGI Group through the group's own advertising division (focus: digital marketing)?

Mr Echt: It is the overall package of MGI with its own media division that is exciting for game developers who do not want to publish themselves and do not have the expertise in the area of customer acquisition. Many of the big games companies such as Tencent or Ubisoft also make use of this. On the other hand, we now have a large platform with many registered players on which highly efficient cross-selling is possible. Recently, for example, we announced the licensing of the mobile game "Golf Champions". A triple-A game developed by the top international developer Behavior Interactive, who has also worked with Activision Blizzard, Ubisoft, Disney and Sony, among others. The goal is to further increase the licensing and launching of low-risk games in order to grow even more organically. But what we also want to make clear is that we will not do any new development in the future and invest, for example, EUR 5 - 50m in a game. That is still too risky given our size.

GBC AG: The takeover of freenet digital GmbH completed last summer marked the start of a significant expansion of the mobile gaming business. To what extent can the KingsIsle acquisition with the acquired game titles (Wizard101 and Pirate101) further support this "strategic initiative"?

Mr Echt: Our mobile strategy is built on several pillars. The first and most important one was to build our own media unit with good access to customers. There is an enormously high competition for players in the mobile games market. Efficient customer acquisition is therefore an important key to success. The second pillar is to further strengthen and expand the mobile portfolio through M&A or licensing. The third pillar is to convert games from our existing portfolio to mobile devices. We are currently working on the conversion of Desert Operations and we are also planning the conversion of Wizard101 to mobile devices.

GBC AG: With the current acquisition, you have expanded your previous M&A strategy to include larger "targets". Is this a one-off exception to take advantage of a sudden "good opportunity" or are you generally pursuing a new acquisition strategy with an increased focus on profitable and larger target companies?

Mr Echt: With more than 30 acquisitions, we now have a very strong track record in M&A and have also created corresponding framework structures and processes in recent years, which generally enable us to now also take over larger targets. This positive development on the capital market also gives us significantly more flexibility in the selection of our targets on the financing side. I would put it this way: we have added another facet to our strategy. The most important credo remains: we do not buy everything and not at any price. Only if it is strategically and commercially attractive does a deal make sense for us.

GBC AG: In the recent past, MGI was able to significantly increase its turnover and earnings and thus continue its profitable growth series. What can investors expect from MGI in the current year?

Mr Echt: At the end of last year, we announced up to five additional new acquisitions. We were already able to announce two of them in January, which means that we have already reached our financial targets for 2021. We also have numerous organic growth projects in the pipeline. For example, our most successful game Trove is currently in closed beta testing in South Korea, where our partner Arogen Games is taking over publishing. Furthermore, we have already announced two new mobile games for 2021 as

well as a Nintendo Switch version for Trove. Investors can therefore expect strong organic and inorganic growth from MGI in 2021.

GBC AG: In the past, you and your management team have been very dynamic in "moving MGI forward". What vision are you pursuing with your business policy and what economic dimensions can the MGI Group achieve in the long term?

Mr Echt: As our CEO Remco Westermann said in a recent interview, we clearly want to reach the billion market capitalisation and continue to grow beyond that. I can't and won't say how quickly we will reach this market capitalisation, it's not about growth 'at any price'; what matters most is that we grow profitably with low risks. However, if we look at the current development, we have already come a good deal closer to this goal and already cracked the half billion USD mark last week. Furthermore, we want to continue to offer our players exciting and long-lasting games, as well as to operate sustainably and create value for our environment and our investors.

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

APPENDIX

I.

Research under MiFID II

There is a contract between the research company GBC AG and the Issuer regarding the independent preparation and publication of this research report on the Issuer. GBC AG is remunerated for this by the Issuer.

2. the research report shall be made available simultaneously to all investment service providers interested in it.

II.

§1 Disclaimer/ Exclusion of liability

This document is for information purposes only. All data and information contained in this study has been obtained from sources that GBC believes to be reliable. Furthermore, the authors have taken the greatest possible care to ensure that the facts used and opinions presented are appropriate and accurate. Despite this, no guarantee or liability can be assumed for their accuracy - either expressly or implicitly. Furthermore, all information may be incomplete or summarised. Neither GBC nor the individual authors accept any liability for damages arising from the use of this document or its contents or otherwise in connection therewith.

Please note that this document does not constitute an invitation to subscribe for or purchase any security and should not be construed as such. Nor should it or any part of it form the basis of, or be relied upon in connection with, any binding contract of any kind whatsoever. A decision in connection with any prospective offer for sale of securities of the company or companies discussed in this publication should be made solely on the basis of information contained in any prospectus or offering circular issued in connection with such offer.

GBC does not guarantee that the implied returns or the stated price targets will be achieved. Changes in the relevant assumptions on which this document is based may have a material impact on the targeted returns. Income from investments is subject to fluctuation. Investment decisions always require the advice of an investment adviser. Thus, this document cannot assume an advisory function.

Distribution outside the Federal Republic of Germany:

This publication, if distributed in the UK, may only be made available to persons who qualify as authorised or exempt within the meaning of the Financial Services Act 1986 or persons as defined in section 9(3) of the Financial Services Act 1986 (Investment Advertisement) (Exemptions) Order 1988 (as amended) and may not be communicated, directly or indirectly, to any other person or class of persons.

Neither this document nor any copy thereof may be brought into, transferred to or distributed in the United States of America or its territories or possessions. Distribution of this document in Canada, Japan or other jurisdictions may be restricted by law and persons into whose possession this publication comes should inform themselves about and observe any restrictions. Any failure to comply with such restriction may constitute a violation of US, Canadian or Japanese securities laws or the laws of any other jurisdiction.

By accepting this document, you accept any disclaimer and the above limitations.

You can also find the notes on the disclaimer/liability exclusion under:

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

Legal Notices and Publications Pursuant to Section 85 WpHG and FinAnV

You can also find the notices on the Internet at the following address:

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

§ 2 (I) Update:

A specific update of the present analysis(s) at a fixed point in time has not yet been scheduled. GBC AG reserves the right to update the analysis without prior notice.

§ 2 (II) Recommendation/ Classifications/ Rating:

GBC AG has been using a 3-stage absolute share rating system since 1 July 2006. Since 1 July 2007, the ratings refer to a time horizon of at least 6 to a maximum of 18 months. Previously, the ratings referred to a time horizon of up to 12 months. When the analysis is published, the investment recommendations are determined according to the ratings described below with reference to the expected return. Temporary price deviations outside these ranges do not automatically lead to a change in the rating, but do give rise to a revision of the original recommendation.

The respective recommendations/ classifications/ ratings are associated with the following expectations:

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

GBC AG price targets are determined on the basis of the fair value per share, which is determined on the basis of generally recognised and widely used methods of fundamental analysis, such as the DCF method, the peer group comparison and/or the sum-of-the-parts method. This is done by taking into account fundamental factors such as share splits, capital reductions, capital increases, M&A activities, share repurchases, etc.

§ 2 (III) Historical recommendations:

GBC's historical recommendations on the present analysis(s) are available on the internet at the following address:

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

§ 2 (IV) Information basis:

For the preparation of the present analysis(s), publicly available information on the issuer(s) (where available, the three most recently published annual and quarterly reports, ad hoc announcements, press releases, securities prospectus, company presentations, etc.) was used, which GBC considers to be reliable. Furthermore, in order to prepare the present analysis(s), discussions were held with the management of the company(ies) concerned in order to obtain a more detailed explanation of the facts relating to the business development.

§ 2 (V) 1. Conflicts of interest pursuant to § 85 WpHG and Art. 20 MAR:

GBC AG and the responsible analyst hereby declare that the following possible conflicts of interest exist for the company/ies named in the analysis at the time of publication and thus comply with the obligations of § 85 WpHG and Art. 20 MAR. An exact explanation of the possible conflicts of interest is listed below in the catalogue of possible conflicts of interest under § 2 (V) 2.

With respect to the securities or financial instruments discussed in the analysis, the following potential conflict of interest exists: (5a,7,11)

§ 2 (V) 2. catalogue of possible conflicts of interest:

- (1) At the time of publication, GBC AG or a legal entity affiliated with it holds shares or other financial instruments in that analysed company or analysed financial instrument or financial product.
- (2) This company holds more than 3% of the shares in GBC AG or a legal entity affiliated with it.
- (3) GBC AG or a related legal entity is a market maker or designated sponsor in the financial instruments of this company.
- (4) GBC AG or a legal entity affiliated with it was, in the previous 12 months, involved in the public issue of financial instruments of this company.
- (5) a) GBC AG or a related legal person has, in the preceding 12 months, entered into an agreement on the Preparation of research reports against payment with this company or issuer of the analysed financial instrument have been made. Under this agreement, the draft financial analysis (without valuation section) was made available to the issuer prior to publication.
- (5) b) There has been an amendment to the draft financial analysis based on legitimate advice from the company or issuer.
- (6) a) GBC AG or a related legal person has, in the preceding 12 months, entered into an agreement on the The Board of Directors has entered into an agreement with a third party regarding the preparation of research reports on this company or financial instrument in return for payment. In the Under this agreement, the third party and/or company and/or issuer of the financial instrument has been granted the Draft of the analysis (without evaluation part) made available before publication.
- (6) b) There has been an amendment to the draft financial analysis based on legitimate advice from the third party and/or issuer.
- (7) The responsible analyst, the chief analyst, the deputy chief analyst and or another person involved in the preparation of the study person holds shares or other financial instruments in this company at the time of publication.
- (8) The responsible analyst of this company is a member of the management board or the supervisory board there.
- (9) The analyst responsible has held shares in the company analysed by him prior to the date of publication before the public issue were received or acquired.

(10) GBC AG or a related legal entity has, in the preceding 12 months, entered into an agreement on the
The contract was concluded with the analysed company for the provision of advisory services.

(11) GBC AG or a legal entity associated with it has significant financial interests in the analysed company,
such as obtaining and/or exercising mandates at the analysed company, or obtaining and/or providing
of services for the analysed company (e.g. presentation at conferences, roundtables, roadshows etc.)

(12) At the time of the financial analysis, the analysed company is in one of the financial
legal entity, managed or advised financial instrument or financial product (such as certificate, fund, etc.)

§ 2 (V) 3. Compliance:

GBC has taken internal regulatory precautions to prevent possible conflicts of interest and to disclose them if they exist. The current
Compliance Officer, Kristina Bauer, email: bauer@gbc-ag.de, is responsible for compliance with the regulations.

§ 2 (VI) Responsible for the preparation:

The company responsible for the preparation of this analysis(s) is GBC AG, based in Augsburg, Germany, which is registered as a
research institute with the competent supervisory authority (Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin), Marie-Curie-Str.
24-28, 60439 Frankfurt).

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

The analysts responsible for this analysis are:

Marcel Goldmann, M.Sc., Financial Analyst

Cosmin Filker, Dipl. Betriebswirt (FH), Deputy Chief Analyst

§ 3 Copyrights

This document is protected by copyright. It is provided for your information only and may not be reproduced or distributed to any other
person. Any use of this document outside the limits of copyright law generally requires the consent of the GBC or the relevant company,
provided that there has been a transfer of rights of use and publication.

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

E-mail: compliance@gbc-ag.de