



**MTG PUBLISHES INFORMATION BROCHURE REGARDING PROPOSED DISTRIBUTION OF NENT GROUP WITH NEW FINANCIAL TARGETS AND DIVIDEND POLICY AND PROPOSES AUTHORISATION TO RESOLVE ON POTENTIAL SHARE ISSUE**

**As previously communicated, the Board of Directors of Modern Times Group MTG AB (publ) (“MTG”) has initiated a process to split MTG into two companies by distributing all of the shares in Nordic Entertainment Group AB (“NENT Group”) (comprising the group’s Nordic Entertainment and Studios operations) to MTG’s shareholders, and listing these shares on Nasdaq Stockholm.**

**The MTG Board of Directors is proposing to an Extraordinary General Meeting of MTG shareholders, to be held on 7 February 2019 in Stockholm, that it resolve to distribute all of the shares in NENT Group to MTG’s shareholders. Information regarding the proposed distribution of shares in NENT Group has today been published and is available in the form of an information brochure, <https://www.mtg.com/mtg-nordic-entertainment-split/>. Furthermore, the Boards of Directors of MTG and NENT Group, respectively, have today decided on new financial targets and dividend policies, which are included in the information brochure.**

**Finally, the MTG Board of Directors is proposing that the EGM authorises the Board of Directors to be able to resolve on the potential issue of Class B shares corresponding in aggregate to up to 20.0% of the total number of outstanding MTG Class B shares, in order to fund potential acquisition opportunities in line with its strategy. Such Class B shares will not be issued prior to the distribution and listing of the shares in NENT Group and will hence not carry the right to receive any share in NENT Group.**

The MTG Board and management believe that long-term shareholder value will be created by splitting the group into two separate and publicly listed companies, whose leading brands can shape the future of their respective industries. The split will provide both businesses with enhanced focus and agility to capitalise on consumer trends, capture growth opportunities, and generate sustainable value for all stakeholders. It will also provide two clear investment cases and equity stories with distinct financial profiles and capital allocation models. The split is expected to accelerate both companies’ development in line with their strategic objectives.

The distribution is proposed to be made by means of what is known as a Lex Asea distribution of all of the shares in NENT Group to MTG’s shareholders. Each MTG Class A share and MTG Class B share will entitle the holder to receive one NENT Group share of the same class.

The information brochure published today constitutes decision-making documentation for MTG’s shareholders in respect of the Board of Directors’ proposal to spin-off and list NENT Group. The brochure contains historical information, such as separate income statements, balance sheets and cash flow statements for MTG and NENT Group. The brochure also presents the background and reasons for the proposed split.



## **NENT GROUP IN BRIEF**

### **Reporting segments**

NENT Group has two reporting segments: Broadcasting & Streaming and Studios. The Broadcasting & Streaming segment primarily provides TV and radio services that are distributed on a scheduled and on-demand basis, both on NENT Group's own and third party networks, and are funded by advertising and subscription revenues. The Studios segment creates, produces and distributes scripted, non-scripted and digital content for in-house and third party distribution platforms.

### **Financial targets and dividend policy**

NENT Group does not provide formal financial performance targets or guidance. NENT Group's objective is to deliver sustainable profitable growth in the form of organic sales growth and growth in total operating income before items affecting comparability. Group central operations in 2019 will include costs related to becoming a separate and listed company, so 2019 is the starting reference year with regard to operating income growth and the operating income growth will be from 2020 onwards. The combined operating business segments (excluding items affecting comparability and central operations) are expected to continue to grow profitably in 2019.

NENT Group intends to maintain its balance sheet leverage ratio of no more than 2x net debt to the trailing twelve months adjusted EBITDA, or 2.5x net debt when adjusted for leases. NENT Group's leverage may exceed these levels temporarily from time to time, in order to finance acquisitions or due to short term effects such as the scheduling of content payments. The net debt level at listing will be in line with NENT Group's leverage ambition when adjusted for leases.

NENT Group's dividend policy is to distribute an annual cash dividend of between 30% and 50% of adjusted net income. The intended proposed NENT Group annual cash dividend for 2018 will be announced in connection with MTG's Q4 2018 results, and will be subject to the approval of the distribution and listing of NENT Group by the MTG EGM to be held on 7 February 2019, and then the approval of the NENT Group AGM to be held on 22 May 2019. NENT Group's results for the financial year 2018 did not include the full run rate costs of being a separate and listed company, so the dividend to be declared may be at the low end of the range as the 2018 adjusted net income will be positively impacted by the lower costs.

### **Financing**

NENT Group is currently financed primarily through intra-group financing from MTG. In connection with the listing of NENT Group's shares, the intra-group financing in NENT Group from MTG will be refinanced with bank loans and existing cash. NENT Group has obtained financing commitment from a bank consortium for a SEK 4.0 billion Revolving Credit Facility to be utilised for general corporate purposes. NENT Group also intends to arrange both a medium term note and a commercial paper programme, which are intended to be used for capital markets funding as soon as possible before or



after the listing of NENT Group. There will be no loans or derivatives outstanding between NENT Group and MTG after the listing date.

### **MTG EXCLUDING NENT GROUP IN BRIEF**

#### **Reporting segments**

Following completion of the split, MTG will primarily comprise a portfolio of high growth digital entertainment operations focused on two verticals - Esports and Online Gaming - as well as shareholdings in a number of other entertainment companies including Nova Broadcasting Group and Zoomin.TV.

#### **Financial targets**

MTG does not provide formal financial performance targets or guidance. MTG's objective is to continue to grow its revenues through both organic sales growth and complementary acquisitions. MTG expects its profitability to gradually increase as organic sales growth exceeds its investments, due to fixed costs stabilising and the contribution of high incremental margin sales lines. MTG will have a net cash position immediately following the distribution of NENT Group and has the funding in place to continue to pursue its standalone strategy with the ability to draw down on its borrowing facilities from time to time. MTG will invest its profits and cash flows in the further development of its portfolio of holdings, and does not therefore expect to pay dividends or buy back shares in the foreseeable future. In addition, and in order to finance potential acquisition opportunities as they arise and that are in line with its strategy, the MTG Board of Directors is proposing that the Extraordinary General Meeting of MTG shareholders to be held on 7 February 2019 authorises the Board to be able to resolve on potential new share issues.

#### **Financing**

It is intended that MTG excluding NENT Group will be financed with equity and have a net cash position after the listing of NENT Group. MTG has also secured a 3 year SEK 1.0 billion multi-currency revolving credit facility from Nordea, to be drawn down and utilised for general corporate purposes as and when required. The facility is based on the cash flows generated from MTG's 95% ownership in Nova Broadcasting Group in Bulgaria and, upon disposal of the asset in part or whole, must be immediately repaid and cancelled in full. MTG intends to sell Nova Broadcasting Group and invest the proceeds in the development of its broader business. There will be no loans or derivatives outstanding between NENT Group and MTG after the listing date.

#### **New Issue Authorisation**

The Board of Directors proposes that the Extraordinary General Meeting of MTG shareholders authorises the Board of Directors to, on one or more occasions up until the 2019 Annual General Meeting, resolve upon the issue of class B shares representing no more than 20.0 per cent in aggregate of the total number of MTG class B shares at the time of the Extraordinary General Meeting. Any new issue of shares may be effected through a new issue with preferential rights to all shareholders and / or as a directed issue to one or more strategic investors with the right to deviate from the shareholders' preferential rights against payment in cash, in kind or through set-off. Class B shares will



not be issued under this authorisation prior to the distribution and listing of the shares in NENT Group and will hence not carry the right to receive any NENT Group shares.

The purpose of the authorisation, and the reason for the potential deviation from the shareholders' preferential rights, is to enable the company to raise capital on an accelerated basis, in order to pursue potential acquisition opportunities as they arise and in line with its strategy. MTG will focus on both organic and inorganic investment opportunities, and management believes the current market environment will continue to present several attractive acquisition opportunities in its two verticals and online gaming in particular, on which it will need to be able to execute quickly. The Board of Directors believes that the ability to act quickly on opportunities that may otherwise not be actionable will be a key competitive advantage. In addition, it may allow MTG to raise capital from potential strategic partners, which could also bring operational advantages and synergies including accelerated access to new markets.

The company remains well capitalised to execute on its standalone plan, and no decision has been made to pursue a capital raise or regarding the form, size or timing of such a potential capital raise.

In order for the resolution to be valid, it must be supported by shareholders holding no less than two-thirds of both the votes cast and of the shares represented at the Extraordinary General Meeting.

### **IMPORTANT DATES**

#### **1 February 2019**

- Record date for attendance and final date to provide notification of attendance at MTG's Extraordinary General Meeting.

#### **5 February 2019**

- Publication of MTG Q4 and Full Year 2018 Financial Results.

#### **7 February 2019**

- Extraordinary General Meeting of MTG's shareholders.

#### **During March 2019**

- Publication of prospectus regarding the listing of the shares in NENT Group.
- Capital Markets Days for MTG and NENT Group.
- Distribution of, and first day of trading in, NENT Group Class A and Class B shares on Nasdaq Stockholm.

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## NOTES TO EDITORS

MTG (Modern Times Group MTG AB (publ)) is a leading international digital entertainment group and we are shaping the future of entertainment by connecting consumers with the content that they love in as many ways as possible. Our brands span TV, radio and next generation entertainment experiences in esports, digital video content and online gaming. Born in Sweden, our shares are listed on Nasdaq Stockholm ('MTGA' and 'MTGB').

This information is information that MTG is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact persons set out below, at 07.00 CET on 15 January 2019.

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