Nordic Entertainment Group
Extra General Meeting 2021

Q&A

Question: In Sweden, the main rule is that a new share issue is made with preferential rights for existing shareholders. However, it is becoming increasingly common for boards at general meetings to be authorized to carry out directed issues, but this is most common in smaller companies and directly unusual among large companies.

The authorization that the Board wishes to receive is also very large, with an opportunity to dilute current shareholders to 20%, and very broad as there are no restrictions on what the authorization may be used for. The normality of this type of authorization is that the decision states that the authorization may be used, for example, to issue shares that are to be used as payment in connection with acquisitions. Nothing like this is stated in this proposal, which in combination with its size makes it even more remarkable and reminds of what we normally only see in much smaller companies further down the lists.

We therefore have three questions to the NENT board:

1. First, why does NENT choose to deviate from the existing Shareholders' preferential rights?
2. One reason for the proposal stated, but not in the proposal itself, is that the company wants to increase the turnover in the share. We question whether it is wise to direct a large new issue towards new or existing owners who wish to sell the shares directly, with, among other things, a risk of price pressure on the share? Is there no better way for the company to increase the liquidity of the share?
3. If the board intends to proceed with this, would it not be wiser to use an authorization to find a new active and long-term principal owner?

Answer:

In answer to your opening statements, it is not just small companies who are increasingly seeking authorisation for directed issues, as an increasing number of larger companies are doing the same. We have also indicated in the notices that we would like to raise more than SEK 3.5bn - at the current share price and by way of example, a raise of between SEK 3.5bn and 4bn would be equivalent to between 11% and 13% of the total number of shares so well below the 20% level. And we have indicated in the notices (and our news release on 10 November 2020 and following Capital Markets Day) what the funding would be used for – specifically to fund the planned expansion of Viaplay into 10 new markets, reduce leverage, provide flexibility, increase liquidity and attract additional owners. We have consulted widely with our major shareholders since the Capital Markets Day regarding the expansion plans and equity raise. Our new vision to become the European streaming champion has been positively received by our shareholders and broader stakeholders, and we have seen strong interest from potential new investors too.

And specifically, to answer your three questions:

1. In addition to the above, directed issues have become an increasingly common way of raising new capital as it is very time and cost effective. We also hope that this will increase the liquidity of the share. Overall, our view is that a directed issue is the best way to deliver on the goals we set on our capital market day and thereby create additional value for our existing shareholders.
2. As stated in the notice convening the extraordinary general meeting, the purpose of the proposed equity raise of more than SEK 3.5 billion is to fund our new strategic initiatives. By targeting new investors there is also a possibility to improve the trading liquidity of our shares, widen the research coverage and raise the Group’s international visibility and profile. In preparation for the EGM, we have considered both the positive potential negative effects of the proposed share issue and, as communicated, consulted with our major shareholders regarding the expansion plans and the equity raise. Based on our thorough review of all considerations, as well as the feedback received from existing shareholders, we believe that a directed share issue is in the best interests of the company as it would allow us to target different investors while raising the necessary proceeds in a time and cost-efficient way and,

thereby, maximising shareholder value. By asking the EGM for an authorisation, we would also maintain flexibility as to the timing and market conditions with which to implement the equity raise.

3. There is a strong interest to invest in our shares, but we do not consider it to be in the best interests of the company or our shareholders to execute a directed share issue to a single investor. We believe that NENT Group would benefit from targeting a broader mix of institutional investors from Sweden and the international markets, who can contribute to our future growth as we implement our expansion strategy. We enjoy a constructive dialogue with our institutional shareholder base, soliciting views and feedback from a variety of investors as part of our ordinary course dialogue with the public markets. The NENT Group share price development, and the investor reaction to the capital markets day in November, have shown this to be a successful and inclusive approach. As such, the strategy of seeking capital in the broader domestic and international institutional market is seen as being most compatible with the company objectives and culture, as opposed to seeking a single new major investor who may seek to drive NENT in a different strategic direction.

Question: I wonder why there is no regular new share issue with priority for existing shareholders? Swedish law for limited companies primarily sees capital increases taking place through new issues to existing shareholders, where the principle of equality is central. Sometimes deviations are acceptable at very small companies in the growth phase, where it becomes too expensive to issue a prospectus or there is a crisis. The board and management must act loyally with the company and the shareholders.

In American law, the board can control, within a wide range of new issues, who will become new shareholders, find cornerholders, or generally benefit financial advisers, who can allocate shares to their customers at a favorable price and charge the company. Existing shareholders become diluted and lose value.

NENT Group has a value that is approximately three times the lower limit for listing on Large Cap. It is thus not a small company and the shareholding is well spread, especially after Kinnevik's dividend and the split from MTG. Therefore, there is no reason to spread the ownership per se and there is absolutely no reason to be noted in the U.S.A., as it entails large costs in the form of e.g., accounting without giving any major value to the shareholders. Existing shareholders will subscribe, if necessary, together with a subsidiary subscription.

I would therefore urge the Board to withdraw its proposal for a private placement, where I do not mind a new share issue to existing shareholders, and call for a new AGM, which can be done in two weeks, where existing shareholders can subscribe for shares for the full amount.

If this does not happen, I urge other shareholders to vote no to the proposal for a directed new share issue and urge the Board to convene a new AGM within two weeks with a proposal for a new share issue, where existing shareholders can subscribe for shares for the full amount.

Answer: Directed issues have become an increasingly common way of raising new capital as it is very time- and cost effective. We also hope that a directed ambition can be the liquidity of the share. Overall, our view is that a directed issue is the best way to deliver on the goal we set on our capital market day and thereby create additional value for our existing shareholders.