



Play Magnus Group

Quarterly Presentation - Q2 2022

Aug 24th, 2022

Today's Presenters



Andreas Thome
Chief Executive Officer



Dmitri Shneider
Chief Financial Officer

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Announcement of Offer

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The Board Unanimously Recommends an Offer from Chess.com to Acquire All Shares of Play Magnus Group



Details

- **Offer price of NOK 13.00 per share**
 - ◆ 28.46% above the closing price of NOK 10.12 on 23 August 2022
 - ◆ 44.42% above the 30-day volume weighted average price (“VWAP”) of NOK 9.00 ending 23 August 2022
 - ◆ 44.36% above the three-month VWAP of NOK 9.01 ending on 23 August 2022

- **The offer price of NOK 13.00 per share will be settled in cash and/or share consideration as described below**
 - ◆ Shareholders owning one percent or more of Play Magnus Group’s share capital as of 24 August 2022 can decide between settlement in shares of Chess Holdings, LLC, ultimate parent of Chess.com and/or in cash while the remaining shareholders will receive settlement in cash

- The Offeror and PMG have entered into a Transaction Agreement regarding the Offer and the Board has unanimously undertaken to recommend the Offer. The Offeror has received irrevocable pre-acceptances to accept the Offer from the shareholders represented on the Board, totaling 37.38% of the issued share capital of Play Magnus Group.

Rationale

- Offer provides significant premium to the current share price for Play Magnus AS shareholders
- Particularly under current market environment, balancing growth and profitability has become challenging for PMG
- Joint entity provides further opportunities for company's employees and users
- Vision and mission are aligned between the companies for growing chess

Anders Brandt, Chairman of Play Magnus Group:

“We have built fantastic products and services and established strong brands over the last 9 years. As we look ahead to Play Magnus’ next phase and seek to balance growth and profitability, particularly in the context of the current market environment, we believe joining forces with Chess.com as a strategic partner is the right path forward. It is the Board’s clear opinion that the offer from Chess.com is attractive for Play Magnus Group’s shareholders and provides further opportunities for the company’s employees and users. The offer represents a significant premium to the current market valuation of Play Magnus Group.”

Process

The Offeror is expected to launch the Offer no later than 7 September 2022

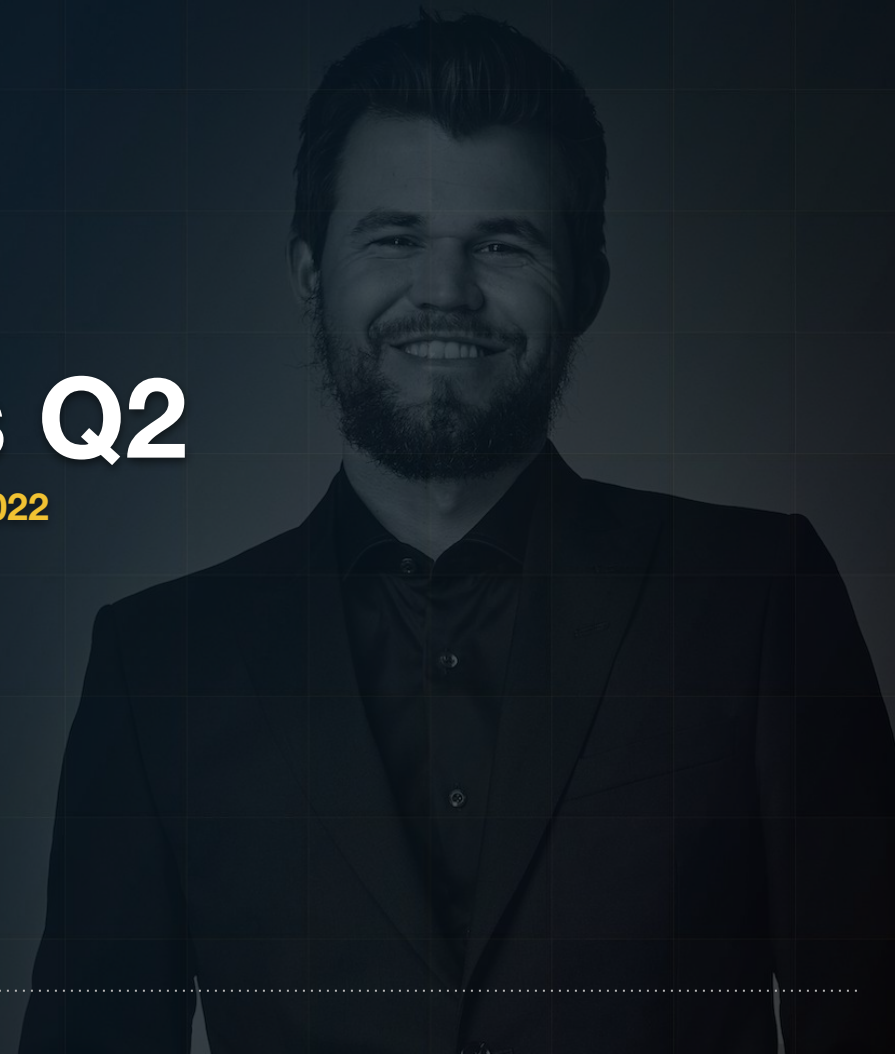
- The completion of the Offer will be subject to satisfaction of certain customary conditions, which can be waived by the Offeror in its sole discretion, including, but not limited to,
 - ◆ that the Offeror obtains a minimum acceptance level of 90% of the share capital of Play Magnus Group (on a fully diluted basis);
 - ◆ that the Play Magnus Group Board of Directors shall not have amended, modified or withdrawn its recommendation of the Offer;
 - ◆ regulatory approvals, if any are applicable, having been obtained;
 - ◆ the agreement entered into between the Offeror and Magnus Carlsen relating to his role in the group following completion of the Offer shall remain valid and in full force; and
 - ◆ that no material adverse change and no material breach of the Transaction Agreement by Play Magnus Group have occurred.
- The Offer will **not** be conditional on financing or further due diligence.
- The complete details of the Offer will be set out in an offer document which will be published after approval of Oslo Børs.
- The Offeror intends to make a compulsory acquisition of the remaining shares in Play Magnus Group upon acquiring more than 90% of the shares in Play Magnus Group under the Offer.
- Further, subject to the outcome of the Offer, the Offeror intends to propose to the general meeting of Play Magnus Group that an application is filed with the Oslo Stock Exchange to de-list shares of Play Magnus Group from Euronext Growth Oslo.



Highlights Q2

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Q2 2022 Key Takeaways

- **Challenging market environment led to Q2 2022 being a mixed quarter:**
 - Revenue growth lower than previous quarters
 - However, improvement in adjusted EBITDA over Q1 2022 and Y/Y
- **Significant progress made towards achieving a break-even adjusted EBITDA run-rate by year end 2022**
- **Business has stabilized with elearning segment showing signs of improvement in July and August**
- **Long term outlook remains positive**



Financial Highlights Q2 2022

Strength in H1 2022 with 27% Y/Y growth in bookings, 24% Y/Y growth in revenue and 26% Y/Y EBITDA improvement

Bookings

Q2 2022

\$6.3M +4% Y/Y

H1 2022

\$14.4M +27% Y/Y

Revenue

Q2 2022

\$5.9M +16% Y/Y

H1 2022

\$12.0M +24% Y/Y

Adjusted EBITDA

Q2 2022

-\$2.0M -18% Q/Q
Improvement

H1 2022

-\$4.5M -26% Y/Y
Improvement

Monthly Paying Users

57.3K -5% Y/Y

Average Revenue Per Paying User

\$18.7 +14% Y/Y

Cash (End Q2)

\$20.2M

On Path to Achieving Profitability Before YE-2022

Play Magnus Group has successfully built a growth business and scaled its revenue significantly over the last years

→ The company is on path to reach a break-even adjusted EBITDA run-rate by the end of 2022

SHORT TERM

→ *Play Magnus Group is prioritizing reaching profitability*

LONG TERM

→ *Play Magnus Group maintains its 2025 growth target*

→ In Q1 2022 we reduced our cost base on an annual run rate basis by approx. USD 2 million

→ In Q2 2022 we reduced our cost base on an annual run rate basis by an additional approx. USD 5 million, which is expected to begin showing impact from Q3 2022



Business Update

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Chessable Stable in Q2 with Signs of Improvement in Q3

Stable performance in Q2 2022 with signs of growth in Q3 for stronger second half of 2022

→ July had strongest start since Black Friday, with both July and August higher than H1 average



On-site activations in Madrid for **Candidates Tournament** and Chennai for **Chess Olympiad**



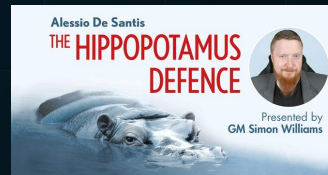
New **Magnus Carlsen** course launched on Chessable



The 16th World Chess Champion's "Trade Secrets" To Squeezing Those Extra Points, Beating Average Win Rates, And Edging Out The Competition...



Strong pipeline with new courses from top players and personalities such as **Levon Aronian, Judit Polgar, Simon Williams** and more



The First International Major of the Tour: FTX Crypto Cup

The Tour hosted its first live international event with the FTX Crypto Cup in Miami in August



Opening ceremony featured the first celebrity hand & brain tournament which saw tennis legends Bob and Mike Bryan clinch 1st and 2nd place



Magnus won his first Major of the 2022 Meltwater Champions Chess Tour



Chess festival with fan events and activities on closing weekend



Launched a **sign-up campaign for FTX** around a bespoke key to unlock the ultimate fan experience for the FTX Summer of Chess with over **28K claims**

FTX US	NFTs 4467
FTX EU	NFTs 24152



Meltwater Renews for 2023 as Tour Nominated for Awards

The Title Partner of the Champions Chess Tour has recommitted for the upcoming 2023 season



 Meltwater
**CHAMPIONS
CHESS TOUR**
2023



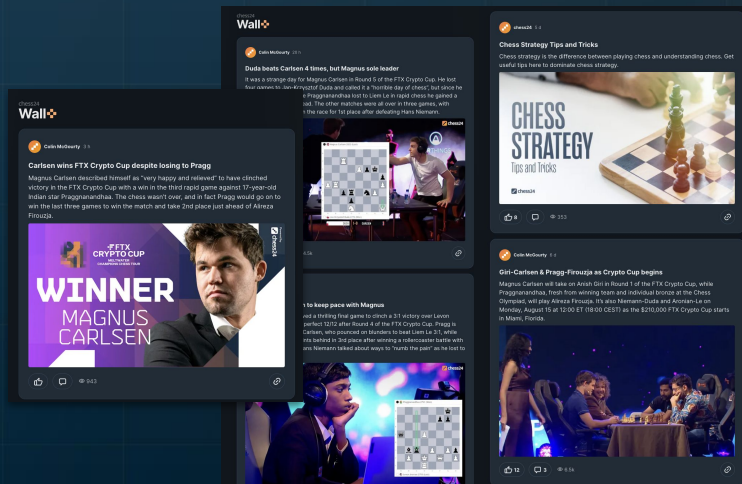
The Meltwater Champions Chess Tour has been shortlisted for the Digital Entertainment award from Leaders in Sports

New Product Releases

Significant progress on new products, features and initiatives in Q2 2022

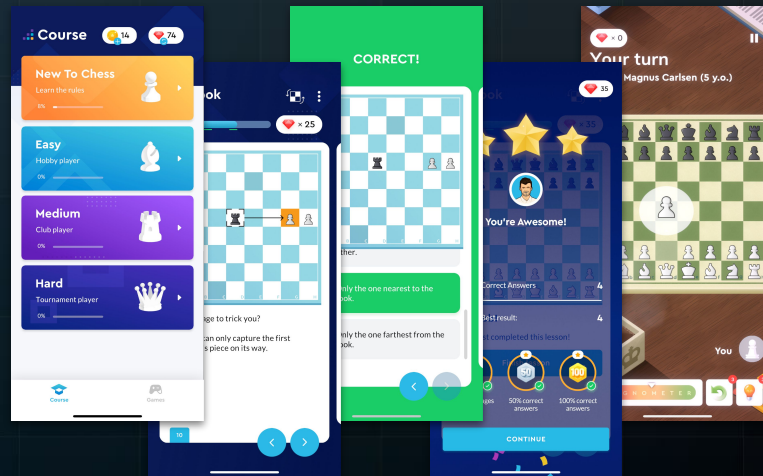
chess24 Wall (Launched Q2)

News and content feed launched at chess24 to drive community engagement



Magnus Chess Academy (Launching Q3)

New super-app combining Magnus Trainer, Play Magnus and Tactics Frenzy with clear learning path from beginner to advanced



Outlook: H2 2022

- Expecting higher revenue in H2 2022 vs H1 2022
- Derisking path to achieving a break-even adjusted EBITDA run-rate by YE-2022





Finance Update

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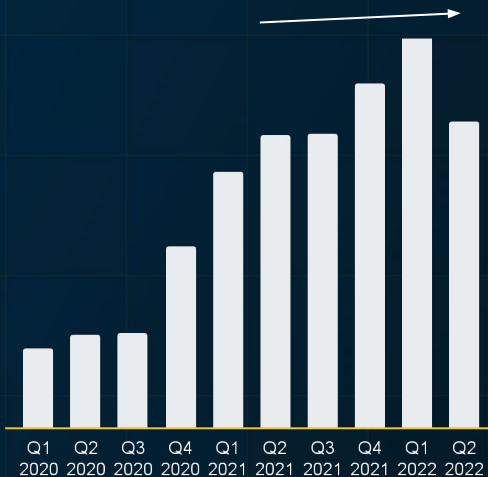


Core KPIs Stable in Q2 2022

- Bookings growth of 4% Y/Y, led by Tour partnerships
- Earning trends stable since February
- Slight Y/Y growth in Average Revenue Per Paying User and slight decline in Monthly Paying Users

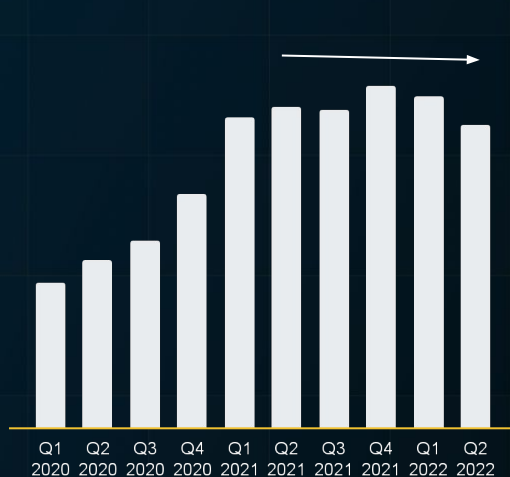
BOOKINGS

4% Y/Y



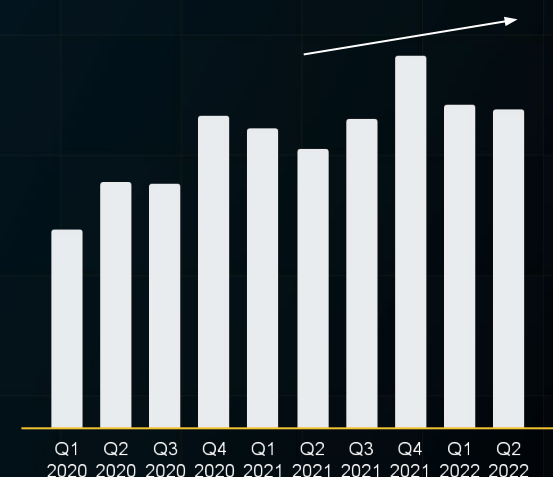
MONTHLY PAYING USERS

-5% Y/Y



AVERAGE REVENUE PER PAYING USER

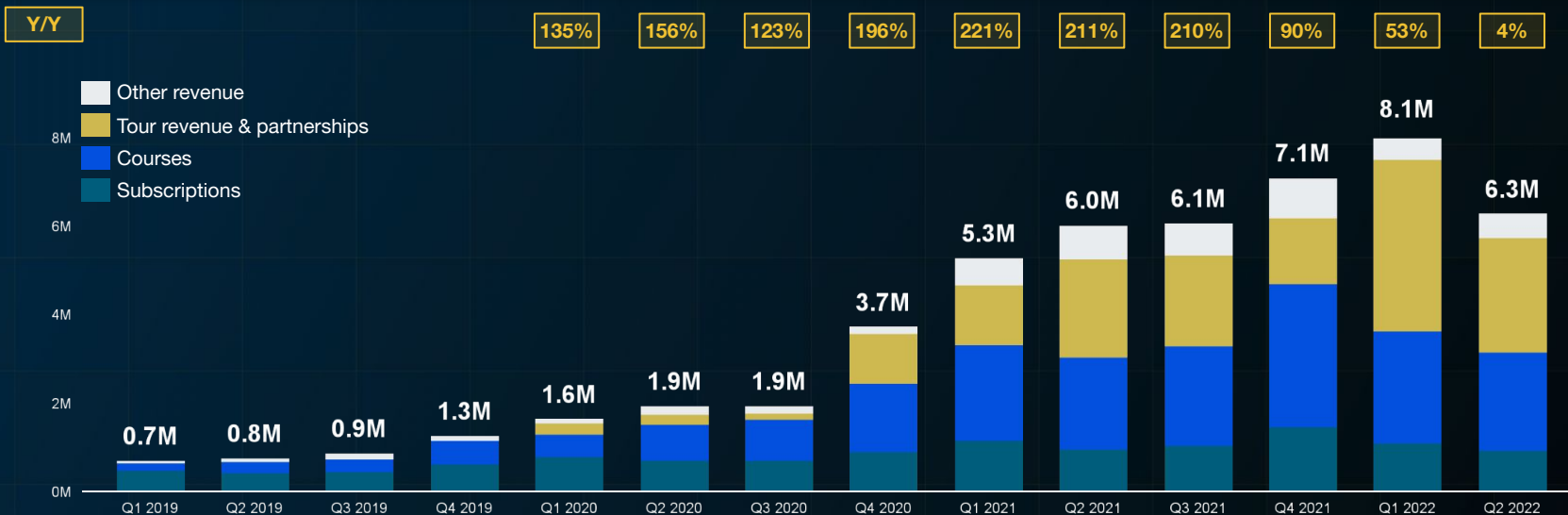
14% Y/Y



Note: Pro Forma figures until December 1 2020
Definitions in Appendix

Slower Quarter for Bookings After Strong Q1

Quarterly Bookings Q1 2019 - Q2 2022

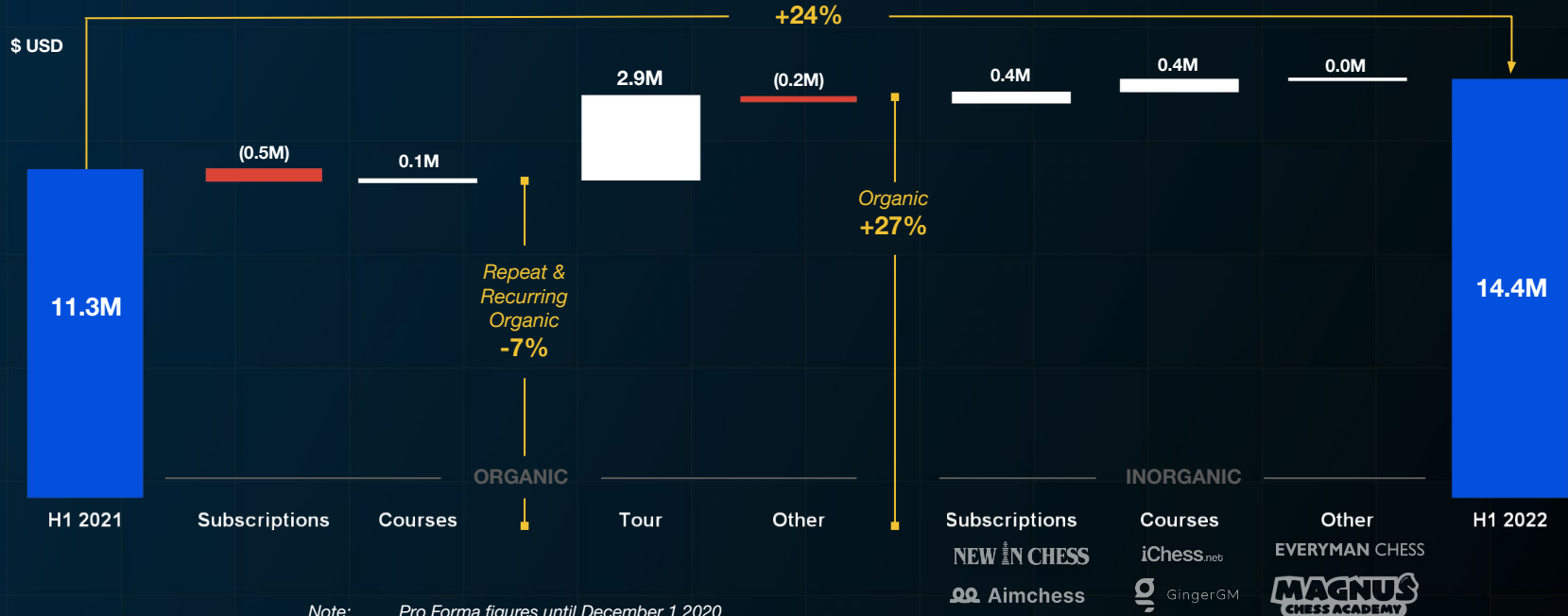


- Q2 bookings weaker due to the softer market environment, especially at elearning businesses
- Trend appears to be stable post January, and signs of improvement in Q3
- Partnerships remain strong

Note: Pro Forma figures until December 1 2020
Definitions in Appendix

Growth in Organic Bookings in First Half 2022

- Organic Bookings growth of 27% Y/Y, led by Tour
- Slower Y/Y growth in Courses segment
- Slight Y/Y decline in Subscriptions segment as new initiatives not yet meaningfully contributing



Note: Pro Forma figures until December 1 2020
Definitions in Appendix

Tour Partnerships: Growth with Existing and New Partners

Q2 Partnership Bookings

→ Q2: Meltwater, PUMA, Flare

Q2 Revenue Recognition*

- \$2.6M bookings in Q2
- Expect majority of the \$2.6M Q2 bookings to be recognized in 2023
- \$2.0M revenue recognized in Q2



TOUR SEGMENT
(AIR QUALITY)
TOURNAMENT

Julius Bär

TOUR SEGMENT
(EDUCATION)
TOURNAMENT

Meltwater

TITLE PARTNER
(CHAMPIONS CHESS TOUR)



TOUR SEGMENT
(PAYMENTS)



TOUR SEGMENT
(NFTs)



TOUR SEGMENT
(CHAIR)



TOUR SEGMENT
(FAN TOKEN & NFTs)



TOUR SUPPLIER
(TOKENS FOR WEB3 PROJECT)



BROADCAST RIGHTS

AKER BIOMARINE

TOUR SEGMENT
(LEARNING)



TOUR SEGMENT
(CRYPTOCURRENCY EXCHANGE)
TOURNAMENT



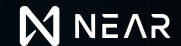
TITLE PARTNER
(INDIAN CHESS TOUR)



TOUR SEGMENT
(AIRDROPS)



TOUR SEGMENT
(SPORTS & SPORTS LIFESTYLE)



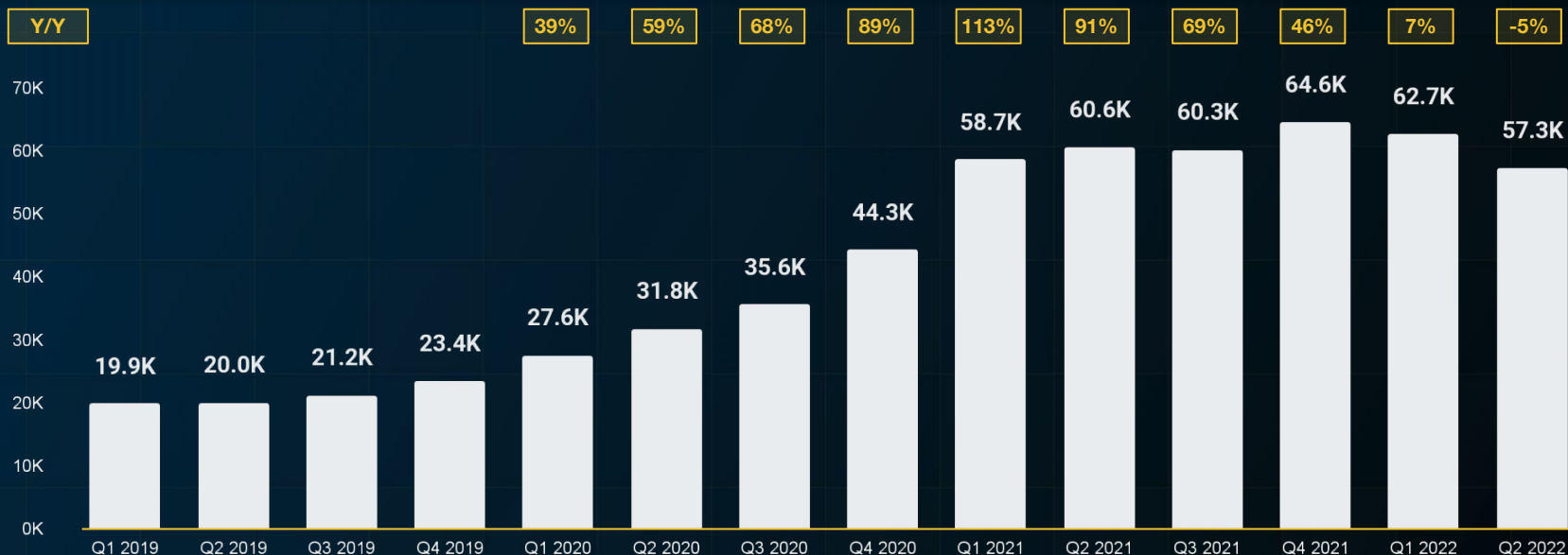
TOURNAMENT

Note: Definitions in Appendix

*Revenue recognized over contract period as obligations are fulfilled. Long-term contracts generally booked proportionally to the obligations for the upcoming year.

Monthly Paying Users - A More Challenging Environment

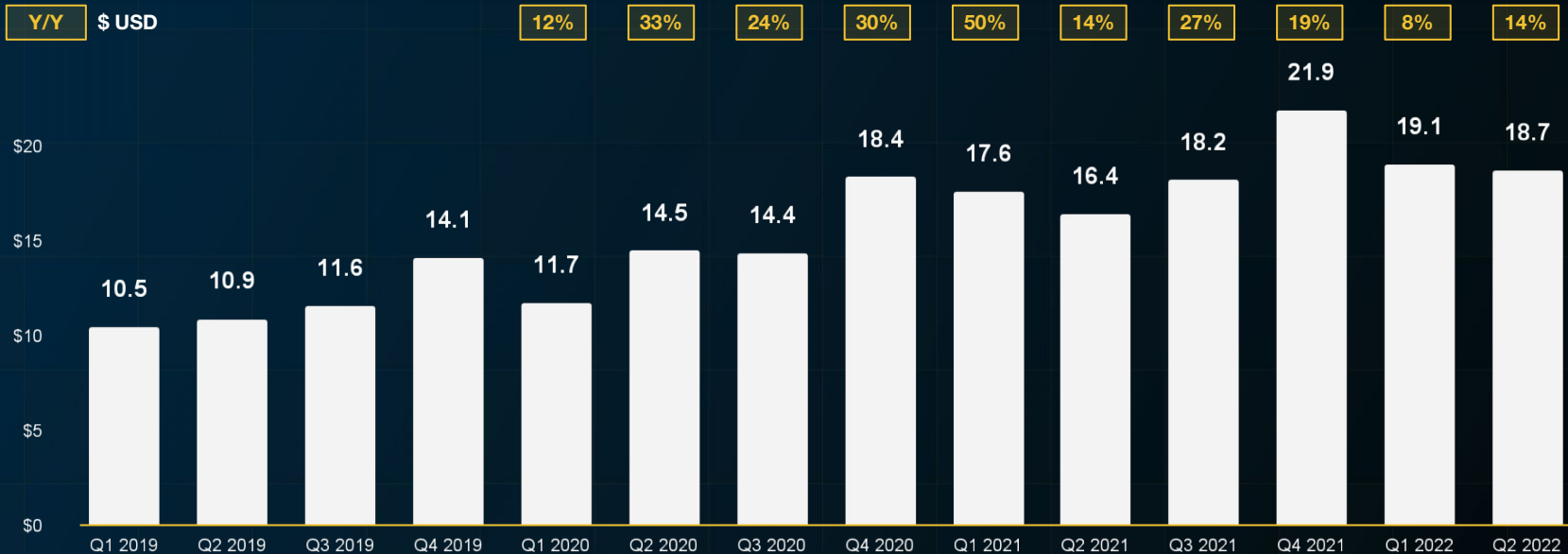
Quarterly Average Monthly Paying Users Q1 2019 - Q2 2022



- Monthly Paying Users down -5% Y/Y
- Traffic and registered users at Chessable continue to show promising growth yet conversions to monthly paying customers appear to be slower
- Magnus Chess Academy showing user growth as after school programs see increasing demand in a post covid-19 environment
- In subscriptions, new product initiatives in early stages of contributing

Average Spend by Paying Users At Healthy Levels

Average Revenue Per Paying User (ARPPU) Q1 2019 - Q2 2022



- ARPPU growth Y/Y driven by increased course purchasing in elearning
- Improving product mix

Note: Pro Forma figures until December 1 2020
Definitions in Appendix

Profit & Loss

- Revenue at \$5.9M in Q2, up 16% Y/Y and down -3% Q/Q (\$5.1M in Q2 2021 and \$6.1M in Q1 2022)
- Revenue helped by Tour partnerships as elearning continued to see a more challenging environment
- Adjusted EBITDA at -\$2.0M in Q2 vs. -\$2.5M in Q1 2022, improvement of 18% Q/Q and 42% YoY
- Progress in lowering expenses as core opex improved to \$7.9M down from \$8.5M in Q1, -7% Q/Q
 - Lower employee and consultancy costs as efficiency measures starting to materialize
 - Higher Tour costs given live event in Oslo
 - \$150K of consultancy costs mapped to other Operating expenses in relation to the Tour vs. Q1
- Increased cost program to over USD \$7M, building on the measures taken in Q1 across elearning and Admin areas
 - Restructuring related expenses of \$520K, bringing the total for 1H 2022 to \$985K. Do not expect more restructuring costs of such nature in near future.
- Expect Q3 to see full benefits from the additional cost initiatives, with some offsetting incremental costs (and revenue) arising from the live event in Miami

<i>Amounts in USD (000's)</i>	Unaudited	Unaudited	Unaudited	Unaudited
	Q2 2022	Q2 2021	H1 2022	H1 2021
Revenue from customers	5,897	5,092	11,964	9,683
Total operating revenue	5,897	5,092	11,964	9,683
Course content & subscription sales expenses	1,017	1,009	2,082	2,024
Tournament prize expenses	395	453	653	798
Employee benefit expenses	2,618	2,556	5,482	4,325
Consultancy fees	1,586	2,603	4,015	4,933
Other operating expenses	2,292	1,923	4,205	3,658
Core operating expenses	7,909	8,543	16,437	15,738
Adjusted EBITDA	-2,012	-3,452	-4,473	-6,056
Depreciation & amortization	1,119	1,266	2,396	2,291
Adjusted operating profit (loss)	-3,132	-4,717	-6,869	-8,347
Share-based compensation expense	135	207	145	351
M&A & equity funding transaction expenses	30	70	30	235
Other gains and losses	-229	30	-229	30
Restructuring expenses	516	0	985	0
Other expenses	452	307	931	616
Operating profit (loss)	-3,583	-5,024	-7,800	-8,963
Financial income (expense), net	2,726	46	1658	-226
Profit (loss) before tax	-857	-4,978	-6,142	-9,189

Reaching Break-Even adj. EBITDA Run-Rate by End of 2022

PMG is taking continued actions to get to Breakeven by Year-End

- Continue to expect adjusted EBITDA to improve throughout the year and reiterate a break-even run-rate by end of 2022
- Due to the evolving macroeconomic and consumer spending environment, the company is de-risking its path to break-even

Actions taken in Q1

- Centralized all chess24 tech resources in one team (Poland from Germany)
- Reduced expenditure on local language teams, shifting to streamer model
- Closer integration between Tour and chess24 operational and content teams
- Streamlining of development teams at several companies

~\$2M

Approximate Annual Savings to begin showing full effect from Q2 2022

Actions taken in Q2

- Labor optimizations at Chessable, Admin and support roles
- Reduced rent expenditure via closing of entities and moving to cheaper locations
- Reducing expenditure on non-essential software and services
- Reduced marketing expenditures
- Reduced Tour opex

~\$5M

Approximate Annual Savings to begin showing impact from Q3 2022

Strong Cash Position - Balance Sheet (1)

ASSETS	Unaudited	Unaudited	Audited	
Amounts in USD (000's)	30.06.2022	30.06.2021	31.12.2021	
Deferred tax assets	17	6	55	
Goodwill	7,808	8,492	8,745	→ Cash balance of USD \$20.2M as of quarter-end. FX a negative impact as balances skewed towards GBP, EUR and NOK vs. USD.
Intangible assets	14,998	17,821	18,010	
Tangible and right-of-use assets	643	3,510	3,090	
Non-current financial assets	44	83	137	
Total non-current assets	23,511	29,911	30,036	→ Total asset decrease primarily caused by USD appreciating against NOK and most of the assets being accounted in NOK.
Inventory	1,275	982	1,128	
Other current assets	2,383	1,487	1,636	
Other current financial assets	393	425	316	→ Tangible and right-of-use assets primarily caused by termination of significant leasing contracts in Barcelona and London.
Accounts receivable	1,154	1,357	1,272	
Cash and cash equivalents	20,191	30,634	20,278	
Total current assets	25,396	34,886	24,630	→ Other current assets higher given increase in contract assets related to Tour partnerships
TOTAL ASSETS	48,907	64,797	54,666	

Balance Sheet (2)

EQUITY AND LIABILITIES	Unaudited	Unaudited	Audited
<i>Amounts in USD (000's)</i>	30.06.2022	30.06.2021	31.12.2021
Share capital	62	66	64
Share premium	78,277	80,533	78,540
Treasury shares	-401	-467	-453
Retained earnings	-42,417	-32,137	-40,897
Other components of equity	4,749	4,834	5,004
TOTAL EQUITY	40,269	52,829	42,258
Non-current financial liabilities	348	2,787	2,457
Non-current portion of deferred revenue	715	463	511
Deferred tax liabilities	959	1,559	683
Total non-current liabilities	2,022	4,810	3,650
Current portion of deferred revenue	2,699	1,939	2,380
Accounts payable	924	1,084	2,047
Taxes payable	17	9	116
Other current financial liabilities	112	1,054	1,141
Other current liabilities	2,859	3,073	3,076
Total current liabilities	6,611	7,159	8,759
TOTAL LIABILITIES	8,633	11,968	12,409
TOTAL EQUITY AND LIABILITIES	48,902	64,797	54,666

→ Accounts payable lower vs. Q2 due to payment of royalties by publishers.

→ Deferred revenue higher due to tour partnership revenue.

→ Current and non-current financial liabilities lower due to canceling of office leases.

Statement of Cash Flows

<i>Amounts in USD (000's)</i>	3-months ending 30 June 2022 UNAUDITED	6-months ending 30 June 2022 UNAUDITED	12-months ending 31 Dec 2021 AUDITED
Profit (loss) before tax	-861	-6,142	-19,948
Depreciation and amortization	1,119	2,396	5,080
Share-based compensation	135	145	681
Items classified as investing or financing activities	21	58	395
Working capital adjustments	154	-1,499	779
Paid taxes	0	0	-32
Gains and Losses	-229	-229	77
Net cash flow provided from operating activities	339	-5,270	-12,968
Investments in intangible and tangible assets*	-452	-888	-2,225
Payments for acquisitions, net of cash acquired	0	0	-6,954
Transaction expenses for acquisitions	0	0	-261
Net cash used in investing activities	-452	-888	-9,440
Issuance of new shares, including transaction expenses	0	9,961	8,289
Lease payments	-123	-261	-530
Repayment of and interest payment of convertible loan	--	--	--
Net cash provided by (used in) financing activities	-124	9,700	7,759
Foreign currency effects on cash and cash equivalents	-4,232	-3,628	-354
Net increase (decrease) in cash and cash equivalents	-4,469	-87	-14,999
Cash and cash equivalents at beginning of the reporting period	24,660	20,278	35,276
Cash and cash equivalents at end of reporting period	20,191	20,191	20,278

- Working capital adjustment QoQ change at USD 154K vs. USD -1,651 in 1Q.
- Foreign currency effects on cash and cash equivalents at USD -4.2M mostly due to strength of USD vs. operational currencies of the subsidiaries.
- Gains and losses mainly related to non-cash benefit of moving out of the WeWork office in Barcelona.
- Employee and consultant capitalization in Q2 2022 vs. Q1 2022 at \$428K vs. \$447K.

Top 20 Shareholders

As of Aug 22, 2022

Investor	Number of shares	% of top 20	% of total	Type	Country
CLEARSTREAM BANKING S.A.	5,504,466	11.82%	8.96%	NOM	LUX
MAGNUSCHESSE AS	5,249,303	11.28%	8.54%	COMP	NOR
GOLDMAN SACHS & CO. LLC	5,217,653	11.21%	8.49%	NOM	USA
INVESTINOR DIREKTE AS	5,088,000	10.93%	8.28%	COMP	NOR
LT HOLDINGS LTD	4,964,620	10.66%	8.08%	COMP	GIB
UBS SWITZERLAND AG	3,822,007	8.21%	6.22%	NOM	CHE
MYRLID AS	2,481,942	5.33%	4.04%	COMP	NOR
MP PENSJON PK	2,435,491	5.23%	3.96%	COMP	NOR
T.D. VEEN AS	1,828,777	3.93%	2.98%	COMP	NOR
LGT BANK AG	1,754,850	3.77%	2.86%	NOM	LIE
IDEKAPITAL AS	1,400,250	3.01%	2.28%	COMP	NOR
STATE STREET BANK AND TRUST COMP	1,100,000	2.36%	1.79%	NOM	USA
ESPEN AGDESTAIN AS	1,050,000	2.26%	1.71%	COMP	NOR
AS STRAEN	951,300	2.04%	1.55%	COMP	NOR
NORDNET LIVSFORSIKRING AS	827,467	1.78%	1.35%	COMP	NOR
MERRILL LYNCH, PIERCE, FENNER & SM	807,300	1.73%	1.31%	NOM	USA
RO INVEST AS	700,000	1.50%	1.14%	COMP	NOR
BIRK VENTURE AS	535,000	1.15%	0.87%	COMP	NOR
SOLAN CAPITAL AS	460,000	0.99%	0.75%	COMP	NOR
REDWOOD INVEST AS	376,400	0.81%	0.61%	COMP	NOR
Total number owned by top 20	46,554,826		75.76%		
Total number of shares	61,452,722		100.00%		

Play Magnus Group is driving innovation in chess to bring a millennia-old game into the future

650M

Chess players worldwide



\$100M bookings run-rate target by YE-2025



Market-leading ecosystem within the chess industry



High barriers to entry

 Meltwater
**CHAMPIONS
CHESS TOUR**

Tour is driving significant traffic to the ecosystem



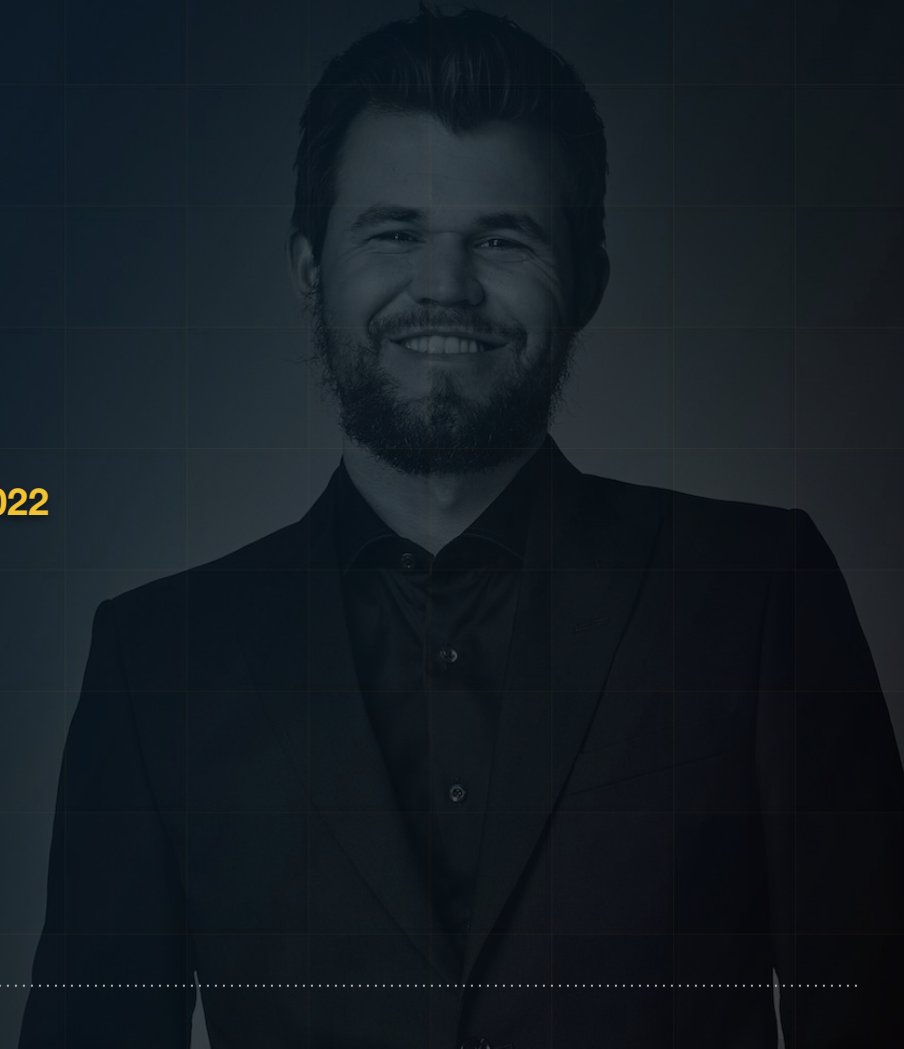
Highly scalable business model



Q&A

Quarterly Presentation - Q2 2022

Aug 24th, 2022

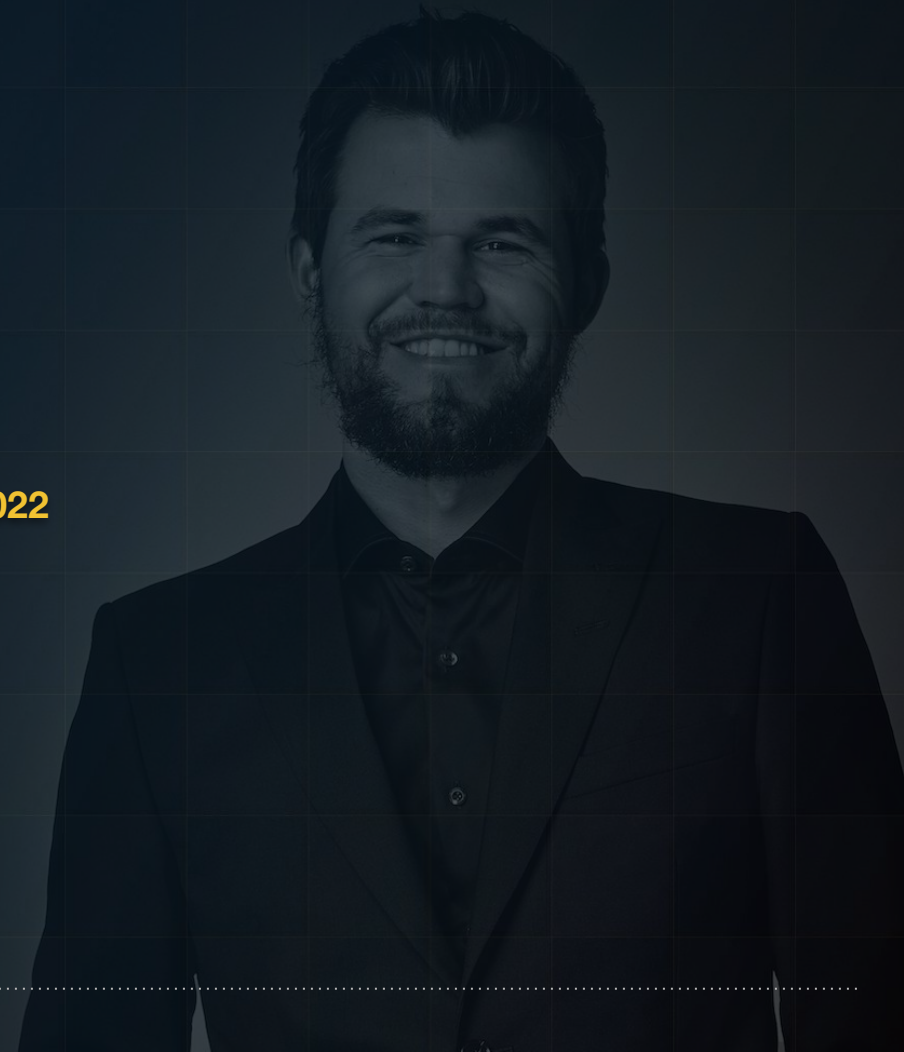




Appendix

Quarterly Presentation - Q2 2022

Aug 24th, 2022



Key Definitions

Accounting revenue (IFRS) is recognized at the time of delivery of the service.

Adjusted EBITDA is revenue less all operating expenses excluding: depreciation and amortization, share-based compensation, M&A and equity funding transaction costs, additional consideration and changes in the value of contingent consideration in relation to M&A.

Average Revenue Per Paying User (ARPPU) is the average of the monthly accounting revenue from subscriptions and courses divided by the average number of monthly paying users. Digital course sales from third parties (such as via Amazon Kindle) are not included.

Bookings is defined as revenue that has been paid or contractually agreed to be paid for by the customer. Bookings are recognized at the time of the sale or signing of contract.

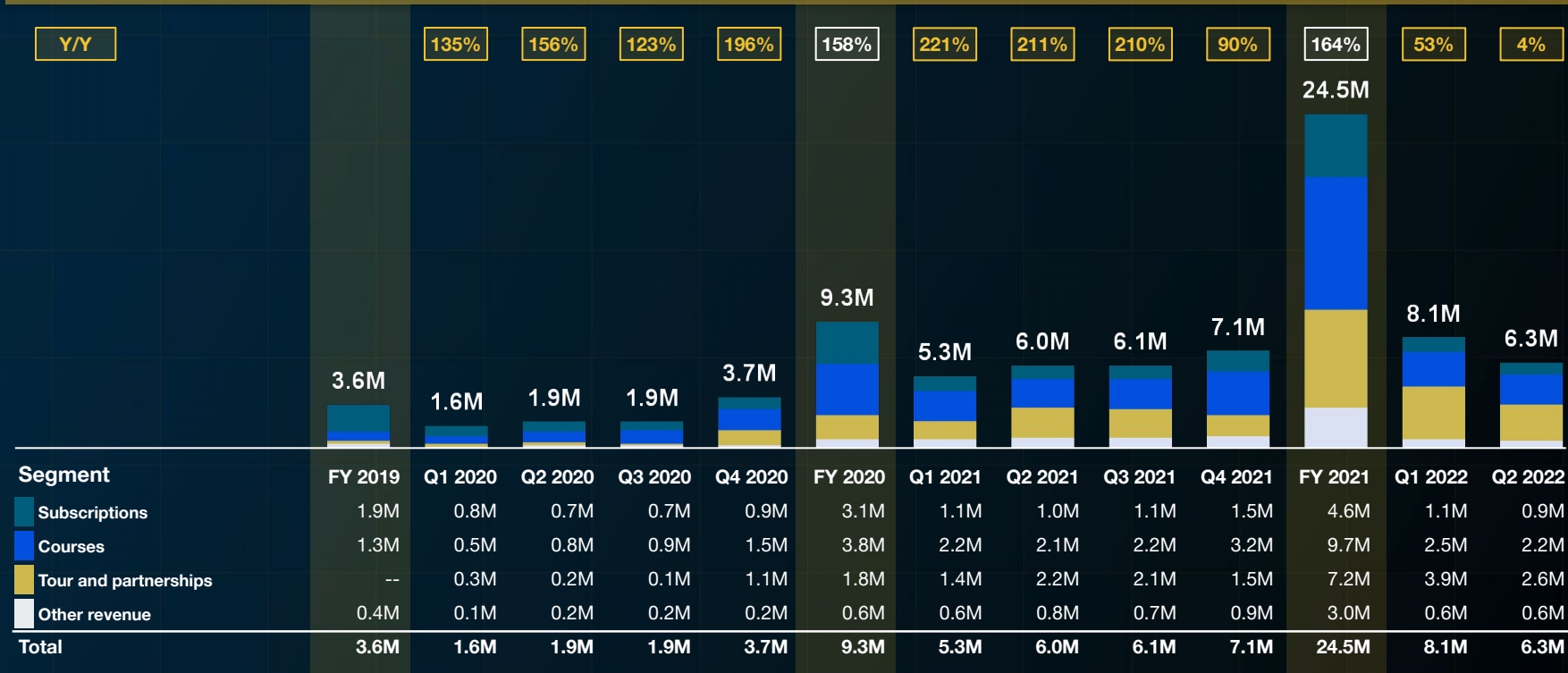
Monthly Paying Users is the average in the quarter of the number of paying users each month which is comprised of users who made a purchase each month and the number of active subscribers at the end of each month. Digital course customers from third parties (such as via Amazon Kindle) are not included.

Pro Forma numbers include chess24 and Chessable financials for the full year 2019. Chess24 was acquired in February 2019, Chessable in August 2019. Figures are pro forma until Dec 1, 2020 unless stated otherwise.

Registered Users is the cumulative aggregate number of user accounts held by Play Magnus Group entities at the end of each period.

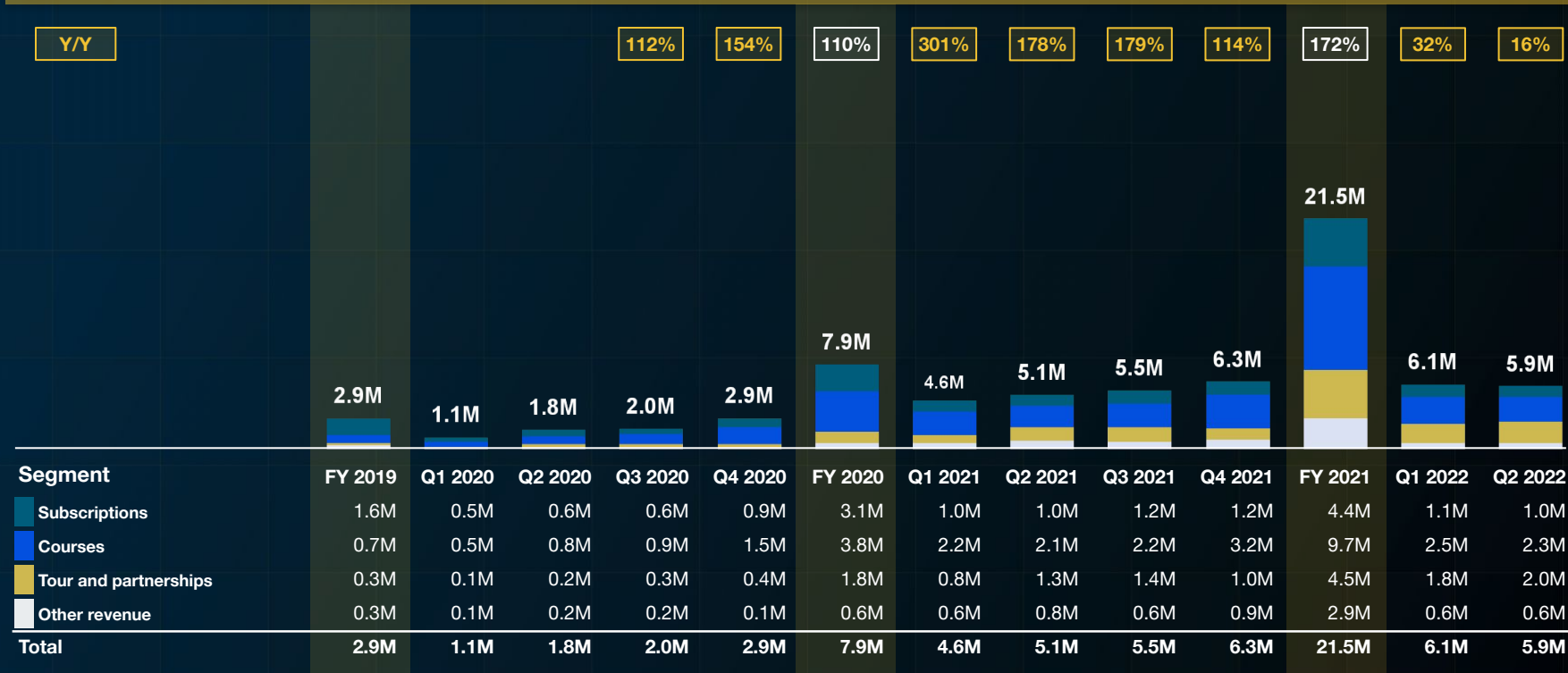
Bookings by Segment

Quarterly Bookings Q1 2020 - Q2 2022







Revenue by Segment

Quarterly Revenue Q1 2020 - Q2 2022



Segment Breakdown for Play Magnus Group Entities

Courses	Subscriptions	Tour Revenue & Partnerships	Other Revenue
<p>chessable</p> <p>PRE LISTING</p> <p>-----</p> <p>FROM OCT 8 2020</p>	<p> chess24[®]</p> <p>chessable</p> <p>PLAY MAGNUS</p>	<p> Meltwater</p> <p>CHAMPIONS CHESS TOUR</p>	<p> chess24[®]</p>
<p>iChess.net</p> <p>NEW ♀N CHESS</p> <p>EVERYMAN CHESS</p> <p> GingerGM</p> <p>MAGNUS CHESS ACADEMY</p>	<p>NEW ♀N CHESS</p> <p>Aimchess</p> <p>MAGNUS CHESS ACADEMY</p>	<p>CHALLENGERS CHESS TOUR</p>	<p>NEW ♀N CHESS</p> <p>EVERYMAN CHESS</p>

Bookings to Accounting Revenue Bridge

Q2 2022 higher bookings vs. accounting revenue, primarily due to:

- Accounting revenue for Tour partnerships signed and booked in the current quarter are recognized over the contract period as obligations are fulfilled
 - Long-term contracts generally booked proportionally to the obligations for the upcoming year
- Revenue from subscriptions that are one year or longer in duration

Amounts in USD (000's)	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021
Bookings	6,285	8,099	7,094	6,076	6,022	5,280
Net change in unrecognized revenue	388	2,032	776	572	930	689
Accounting Revenue	5,897	6,067	6,317	5,504	5,092	4,591