

# 'Tomb Raider' owner Embracer splits into three companies

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Middle-earth Enterprises & Friends will manage the intellectual property rights Embracer has for "The Lord of the Rings" and the "Tomb Raider" games.

Sweden's Embracer, owner of the "Tomb Raider" franchise, announced Monday it would split into three separate companies in a major reset for one of Europe's biggest video game groups.

Following a major acquisition spree, the company—which is based in the city of Karlstad in western Sweden—has become the owner of a slew of video game franchises as well as board games and even comic books.

However, as the era of low-cost financing ended, the publisher has been forced to hit the brakes and last year announced a vast restructuring program.

Aimed at cutting costs, lowering its net debt "significantly", and streamlining its business operations, the program included the closing of studios and cancellation of game projects.

"The boom of 2020 is over, that was a different world. We need to adapt to a new environment," where "capital is limited," chief executive Lars Wingefors told a conference call following Monday's announcement.

Even before the launch of the restructuring program in June 2023, dark clouds had begun forming on the horizon.

In May 2023, Embracer announced the failure of a "major partnership" in the video game sector, which was expected to bring in more than \$2 billion—which sent the company's shares tumbling.

## **'Learnings'**

But even with the cuts, Embracer has struggled to reach its goals, and in February it announced that it would probably not be able to reduce its debt to below 8 billion kroner (\$732 million) before the end of March—which had been the target of the restructuring program.

Last month, Embracer announced the sale of Gearbox Entertainment, the developer of the popular first-person shooter franchise "Borderlands", to US company Take-Two for \$460 million.

"We need to take learnings of this journey," Wingefors said on Monday.

The splitting of the company would allow each of the newly formed entities to "better focus" on their respective fields, Embracer said.

As for the new companies, Middle-earth Enterprises & Friends will manage the group's most well-known and big budget game studios—such as Crystal Dynamics, Dambuster Studio and Eidos-Montreal—representing net sales of 14.1 billion kronor.

"As a standalone company, 'Middle-earth Enterprises & Friends' will operate as a more transparent entity, offering a better structure to maximize the potential of its highly strategic franchises," Embracer said in a statement.

The group will replace Embracer as the main entity on the Stockholm stock exchange and manage the intellectual property rights Embracer has for "The Lord of the Rings" and the "Tomb Raider" games.

Asmodee Group will gather Embracer's tabletop business, which includes popular games like "Ticket to Ride" and "7 Wonders", with an "ambition to grow organically in line with the market", though not ruling out acquisitions, and representing 14.8 billion kronor.

## **'Core strategies'**

Lastly, Coffee Stain & Friends will focus on smaller and mid-sized studios and productions as well as free-to-play games for the PC, console and mobile markets.

The entity represents sales of 10.9 billion kronor.

Shares in Asmodee and Coffee Stain & Friends will be distributed to

Embracer's shareholders as dividends.

"With this new structure, the three entities will be able to focus on executing their core strategies and leveraging their own strengths," Embracer chairman Kicki Wallje-Lund said.

The investment firm of Embracer founder Wingefors—Embracer's main shareholder—said it plans to remain an "active, committed, and supportive shareholder of all three new entities".

Asmodee is expected to list within 12 months, while Coffee Stain & Friends is expected to list sometime during 2025, according to Embracer.

Embracer currently owns or controls more than 900 game titles and employs 12,000 people in 40 countries.

The decision to split the company was welcomed by the market, with shares in Embracer rising almost eight percent in afternoon trading on the Stockholm stock exchange.

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