

Digital Bros

 digital entertainment

PRESS RELEASE

The Board of Directors of Digital Bros Group approves the Half Year Financial Report as at December 31st, 2020 (first half of the financial year 2020 – 2021)

FIRST HALF RESULTS:

- **REVENUES AT €82.4 MILLION (+ 21%)**
- **96% OF REVENUES REALIZED ON INTERNATIONAL MARKETS AND 85% ON DIGITAL MARKETPLACES**
- **EBIT QUINTUPLED AT €20 MILLION**
- **NET PROFIT OF €16 MILLION**
- **POSITIVE NET FINANCIAL POSITION OF €14.4 MILLION**

- ✓ **Consolidated Gross Revenues of €82.4 million, compared to €67.9 million on December 31st, 2019 (+ 21.4%)**
- ✓ **96% of revenues realized on international markets and 85% on digital marketplaces**
- ✓ **EBITDA at €35.6 million, significantly increased compared to €10.2 million on December 31st, 2019**
- ✓ **EBIT of €20 million, compared to €4 million on December 31st, 2019**
- ✓ **Profit before tax of €22.2 million, a significant increase compared to €3.7 million on December 31st, 2019**
- ✓ **Net profit increased to €16 million, compared to €1.9 million on December 31st, 2019**
- ✓ **Positive net financial position of €14.4 million (€20 million excluding the IFRS 16 effect), increased by €11.8 million compared to the end of the previous period**

RESULTS FOR THE FIRST HALF OF FINANCIAL YEAR 2020-2021 (AT 31.12.2020)				
<i>Euro thousand</i>	31.12.20	31.12.19	Change	Change %
Gross revenues	82,381	67,850	14,531	21.4%
Gross operating margin (EBITDA)	35,605	10,153	25,452	n.m.
Operating margin (EBIT)	19,916	4,049	15,867	n.m.
Profit / (loss) before tax	22,153	3,649	18,504	n.m.
Net profit / (loss)	15,850	1,938	13,912	n.m.

Milan, March 9th, 2021 – The **Board of Directors of Digital Bros Group (DIB:MI)**, which is listed on the STAR segment of Borsa Italiana and operates in the videogames market, **today approved the Half Year Financial Report for the period ended December 31st, 2020** (first half of the fiscal year from July 1st, 2020 to June 30th, 2021).

Digital Bros Group's key consolidated results for the first half of financial year 2020-2021, together with prior period comparatives, are as follows:

- **Consolidated gross revenues** increased to €82.4 million, compared to €67.9 million on December 31st, 2019 (+21.4%);
- **EBITDA** of €35.6 million, significantly increased compared to €10.2 million on December 31st, 2019;
- **EBIT** of €20 million, significantly increased compared to €4 million on December 31st, 2019;

- **Profit before tax** of €22.2 million, significantly increased compared to €3.7 million on December 31st, 2019;
- **Net profit** increased to €16 million, compared to €1.9 million on December 31st, 2019.

RESULTS BY OPERATING SEGMENT

Consolidated gross revenues amounted to €82.38 million, increased compared to the €67.85 million recorded in the first half of the previous year (+ 21.4%). Net revenue growth was +29.5% due to the increased portion of digital sales that do not require revenue adjustments in comparison to the traditional retail sales.

Digital revenues in the period were 85% of the consolidated total compared to the 48% achieved in the previous year, therefore the Group has not been materially affected by the shutdown of retail due to the spread of the COVID-19 pandemic.

International markets revenues were 96% of the total consolidated revenues in the period.

A breakdown by operating segment for the period ended December 31st, 2020 compared to the period ended December 31st, 2019 is provided below:

Euro thousand	Gross revenue				Net revenue			
	2021	2020	Change		2021	2020	Change	
Premium Games	74,739	58,043	16,696	28.8%	73,496	53,221	20,275	38.1%
Free-to-Play	4,483	3,338	1,145	34.3%	4,483	3,338	1,145	34.3%
Italian Distribution	2,932	6,185	(3,253)	-52.6%	2,738	5,642	(2,904)	-51.5%
Other projects	227	284	(57)	-20.0%	227	284	(57)	-19.9%
Total gross revenues	82,381	67,850	14,531	21.4%	80,944	62,485	18,459	29.5%

The **Premium Games** operating segment represents 91% of the consolidated gross revenues and significantly increased the gross revenues of the period by €16.67 million and net revenues, up by €20.28 million, as a result of the sales of Death Stranding, the Steam version of Control, Ghostrunner but also the on-going performance of Assetto Corsa and PAYDAY2. Revenues from Other products, which represent the digital sales of products launched in previous years, showed a continuous growth by 16.3%.

The **Free-to-Play** operating segment showed a 34.3% increase, from €3.34 million to €4.48 million. Gems of War, a Free-to-Play video game launched by the Group more than five years ago and constantly updated and improved, is continuously outperforming quarter after quarter. This game became part of the Group's IP portfolio as a result of the acquisition of the Australian studio – Infinity Plus Two - in January 2021.

The **Italian Distribution** operating sector revenues decreased by 52.6% (from €6.19 million down to €2.93 million), impacted by the continuing decline retail distribution and accelerated by the effects of the COVID-19 pandemic.

Digital Bros Group's revenues and earnings by operating segments for the period are as follows:

Euro thousand	Premium Games	Free-to-Play	Italian Distribution	Other Activities	Holding	Total
Gross revenues	74,739	4,483	2,932	227	0	82,381
EBITDA	36,666	1,976	(24)	(19)	(2,994)	35,605
EBIT	21,650	1,913	(103)	(64)	(3,480)	19,916

The EBITDA amounted to €35.61 million corresponding to 43.2% of the gross consolidated revenues, considerably growing from the €10.15 million realized in the previous year.

Amortization and depreciation increased by €10.26 million compared to December 31st, 2019 due to higher costs associated with the amortization of an incremental number of intellectual properties published by the Group.

The significant growth of the digital revenue portion in respect of total sales pushed the **EBIT to quintuple, up to €20 million compared to €4 million as** at December 31st, 2019. Digital sales, in fact, show better profitability rates due to the narrow value chain, less operational complexity and better payment conditions by customers. **The EBIT stood at 24.2% of the consolidated gross revenues for the period.**

The **net financial income** was positive for €2.2 million compared to the negative €0.4 million realized in the previous year.

Profit before tax for the period ended December 31st, 2020 amounted to €22.15 million, an increase of €18.50 million compared to profit before tax of €3.65 million as at December 31st, 2019.

Net profit for the period amounted to €15.85 million compared to €1.94 million as at December 31st, 2019.

Net profit attributable to the shareholders of the Group was €15.89 million.

Basic profit per share and **diluted profit per share** were respectively €1.11 and €1.09 compared to the €0.14 profit per share as at December 31st, 2019.

NET FINANCIAL POSITION

The Net Financial Position amounted to €14.42 million, significantly increasing by €11.82 million compared to €2.6 million as at June 30th, 2020. **Excluding the IFRS 16 effect, the Net Financial Position amounted to €20 million.**

TREASURY SHARES

Pursuant to Art. 2428 paragraph 2.3 of the Italian Civil Code, it is hereby disclosed that at December 31st, 2020 Digital Bros S.p.A. did not hold any treasury shares, as no transactions have been performed in the period.

SIGNIFICANT EVENTS DURING THE PERIOD

On October 28th, 2020, the Shareholders' Meeting of Digital Bros Group approved the Financial Statements for the fiscal year 2019-2020, a dividend distribution of €0.15 per share and appointed the new Board of Directors and the new Board of Statutory Auditors for the three-year period 2021-2023 (until the approval of the Financial Statements for the fiscal year ending June 30th, 2023).

SUBSEQUENT EVENTS

- On January 7th, 2021, the Group acquired 100% of Infinity Interactive Pty. and Infinity Interactive Two Pty, the Australian companies that own the intellectual property of the Puzzle Quest and Gems of War video games and are responsible for their development. The transaction was carried out through the subsidiary 505 Games Australia Pty., recently established by the Group. The total fixed consideration amounts to USD 4.5 million, inclusive of a profit scheme for the key employees. In addition to the fixed consideration, an earn-out scheme has been agreed on: the earn-out may range between 0% and 9% of the revenues generated by the products developed by subsidiaries over the next 48 months.
- On February 11th, 2021 the Group announced the forthcoming worldwide publication of the video game Eiyuden Chronicle - Hundred Heroes on both personal computers and consoles. The release of the video game is scheduled for the financial year ending June 30th, 2023 and the Group expects to lifetime revenues in excess of € 30 million.

OUTLOOK

During the second half of the fiscal year the Premium segment will launch the videogame Control on Sony PlayStation 5 and Microsoft Xbox S.

The Free-to-Play operating segment will market worldwide numerous new products starting from the third quarter with the launches of Pocket Pioneers and Puzzle Quest 3, while the new version of the video game Hawken will be available starting from the fourth quarter of the current fiscal year.

Driven by the continuous launch of new products together with the continuous sales of already released titles, revenues will continue to grow albeit at a lower rate than that seen in the previous fiscal year.

The performance above the expectations of the first half drove the operating margins (EBIT) to the same level of the entire previous fiscal year. The profit margins will persist in the second half, but in part affected by the increase of marketing costs to support the launch of new Free-to-Play products and by incremental personnel costs due to the Australian acquisition and a greater number of resources needed to manage increasing volumes and a growing number of internal development studios.

Following the global market's positive forecasts, the Group continues to reinvest much of the free cash flow generated in the acquisition and development of new intellectual properties and intends to keep high investment levels also in the future. As of December 31st, 2020, the Group is investing in 21 new intellectual properties for approximately €83 million, without considering the costs for internal studios currently developing new videogames.

The on-going investments together with future acquisitions of intellectual properties are expected to take the Group to an incremental level of revenues compared to the actual, starting 2024. Numerous new productions will be released, including the second version of Assetto Corsa, created by the internal studio Kunos Simulazioni, as well as several other intellectual properties that will be communicated close to their respective launch dates.

The Group will continue to monitor the effects deriving from the spread of the COVID-19 pandemic, adopting appropriate mitigation measures as necessary, and reporting to the market on any issues not already adequately considered.

ART. 154-BIS OF THE "TUF" (TESTO UNICO DELLA FINANZA)

As required by paragraph 2, Art. 154-bis of the "Testo Unico della Finanza", Digital Bros Group's financial reporting manager, Stefano Salbe, declares that the information contained in this press release corresponds to the Group's underlying documents, books and accounting records.

This press release is available on the websites www.digitalbros.com and www.1info.it

DIGITAL BROS GROUP

Listed on the Star segment of Borsa Italiana, Digital Bros Group is a global company that has been operating since 1989 as a developer, publisher and distributor of videogames through its brand 505 Games. The Group distributes its contents on both retail and digital channels. Digital Bros Group is active around the world through its own direct operations in Italy, United States, UK, France, Spain, Germany, China, Japan and Australia with approximately 250 employees.

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FINANCIAL STATEMENTS
DIGITAL BROS GROUP

Consolidated statement of financial position at December 31st, 2020

	<i>Euro Thousand</i>	December 31st, 2020	June 30th, 2020	Change	
	Non-current Assets				
1	Property, plant and equipment	8,865	8,837	28	0.3%
2	Investment property	0	0	0	0.0%
3	Intangible assets	47,569	33,248	14,321	43.1%
4	Equity investments	10,634	5,488	5,146	93.8%
5	Non-current receivables and other assets	3,511	6,744	(3,233)	-47.9%
6	Deferred tax assets	3,356	3,482	(126)	-3.6%
7	Non-current financial activities	18,846	17,251	1,595	9.2%
	Total non current assets	92,781	75,050	17,731	23.6%
	Current assets				
8	Inventories	7,474	7,989	(515)	-6.4%
9	Trade receivables	29,816	28,168	1,648	5.9%
10	Tax receivables	1,795	3,100	(1,305)	-42.1%
11	Other current assets	23,051	32,816	(9,765)	-29.8%
12	Cash and cash equivalent	12,867	8,527	4,340	50.9%
13	Other financial assets	0	0	0	0.0%
	Total current assets	75,003	80,600	(5,597)	-6.9%
	TOTAL ASSETS	167,784	155,650	12,134	7.8%
	Capital and reserves				
14	Share capital	(5,704)	(5,704)	0	0.0%
15	Reserves	(21,712)	(20,960)	(752)	3.6%
16	Treasury shares	0	0	0	0.0%
17	Retained earnings	(66,046)	(52,288)	(13,758)	26.3%
	Equity attributable to Parent Company	(93,462)	(78,952)	(14,510)	18.4%
	Equity attributable to minority shareholders	(939)	(979)	40	-4.1%
	Total Net equity	(94,401)	(79,931)	(14,470)	18.1%
	Non-current liabilities				
18	Employee benefits	(694)	(659)	(35)	5.3%
19	Non-current provisions	(81)	(81)	0	0.0%
20	Other non-current payables and liabilities	0	(469)	469	n.m.
21	Non-current financial liabilities	(4,975)	(6,369)	1,394	-21.9%
	Total non-current liabilities	(5,750)	(7,578)	1,828	-24.1%
	Current liabilities				
22	Trade payables	(41,502)	(41,140)	(362)	0.9%
23	Taxes payables	(8,912)	(5,473)	(3,439)	62.8%
24	Short term provisions	0	0	0	0.0%
25	Other current liabilities	(4,903)	(4,721)	(182)	3.9%
26	Current financial liabilities	(12,316)	(16,807)	4,491	-26.7%
	Total net working capital	(67,633)	(68,141)	508	-0.7%
	TOTAL LIABILITIES	(73,383)	(75,719)	2,336	-3.1%
	TOTAL NET EQUITY AND LIABILITIES	(167,784)	(155,650)	(12,134)	7.8%

DIGITAL BROS GROUP
Consolidated Income Statement at December 31st, 2020

	<i>Euro Thousand</i>	December 31st, 2020		December 31st, 2019		Change	
1	Gross revenue	82,381	101.8%	67,850	108.6%	14,531	21.4%
2	Revenue adjustments	(1,437)	-1.8%	(5,365)	-8.6%	3,928	-73.2%
3	Net revenue	80,944	100.0%	62,485	100.0%	18,459	29.5%
4	Purchase of products for resale	(3,050)	-3.8%	(12,837)	-20.5%	9,787	-76.2%
5	Purchase of services for resale	(5,621)	-6.9%	(4,046)	-6.5%	(1,575)	38.9%
6	Royalties	(21,368)	-26.4%	(18,695)	-29.9%	(2,673)	14.3%
7	Changes in inventories of finished products	(515)	-0.6%	1,392	2.2%	(1,907)	n.m.
8	Total cost of sales	(30,554)	-37.7%	(34,186)	-54.7%	3,632	-10.6%
9	Gross profit (3+8)	50,390	62.3%	28,299	45.3%	22,091	78.1%
10	Other income	2,294	2.8%	1,386	2.2%	908	65.6%
11	Costs for services	(5,376)	-6.6%	(8,755)	-14.0%	3,379	-38.6%
12	Rent and Leasing	(133)	-0.2%	(141)	-0.2%	8	-5.4%
13	Payroll costs	(10,960)	-13.5%	(10,013)	-16.0%	(947)	9.5%
14	Other operating costs	(610)	-0.8%	(623)	-1.0%	13	-2.1%
15	Total operating costs	(17,079)	-21.1%	(19,532)	-31.3%	2,453	-12.6%
16	Gross operating margin (EBITDA) (9+10+15)	35,605	44.0%	10,153	16.2%	25,452	n.m.
17	Depreciation and amortisation	(15,400)	-19.0%	(5,139)	-8.2%	(10,261)	n.m.
18	Provisions	0	0.0%	0	0.0%	0	0.0%
19	Asset impairment charge	(289)	-0.4%	(1,169)	-1.9%	880	-75.2%
20	Impairment reversal	0	0.0%	204	0.3%	(204)	n.m.
21	Total depreciation, amortization and impairment	(15,689)	-19.4%	(6,104)	-9.8%	(9,585)	n.m.
22	Operating margin (EBIT) (16+21)	19,916	24.6%	4,049	6.5%	15,867	n.m.
23	Interest and finance income	4,594	5.7%	1,540	2.5%	3,054	n.m.
24	Interest expense and finance costs	(2,357)	-2.9%	(1,940)	-3.1%	(417)	21.5%
25	Net interest income/(expense)	2,237	2.8%	(400)	-0.6%	2,637	n.m.
26	Profit/ (loss) before tax (22+25)	22,153	27.4%	3,649	5.8%	18,504	n.m.
27	Current tax	(6,800)	-8.4%	(1,086)	-1.7%	(5,714)	n.m.
28	Deferred tax	497	0.6%	(625)	-1.0%	1,122	n.m.
29	Total taxes	(6,303)	-7.8%	(1,711)	-2.7%	(4,592)	n.m.
30	Net profit/loss	15,850	19.6%	1,938	3.1%	13,912	n.m.
	attributable to the shareholders of the Group	15,890	19.6%	1,938	3.1%	13,952	n.m.
	attributable to minority shareholders	(40)	0.0%	0	0.0%	(40)	n.m.
	Earnings per share						
33	Total basic earnings per share (in Euro)	1,11		0,14		0,97	n.m.
34	Diluted earnings per share (in Euro)	1,09		0,14		0,95	n.m.

DIGITAL BROS GROUP**Consolidated statement of comprehensive income at December 31st, 2020**

<i>Euro Thousand</i>	December 31st, 2020	December 31st, 2019	Change
Profit (Loss) for the period (A)	15,850	1,938	13,912
Items that will not be subsequently recycled through profit or loss (B)	0	0	0
Actuarial gain (loss)	(11)	9	(20)
Income tax relating to actuarial gain (loss)	3	(2)	5
Exchange differences on translation of foreign operations	(529)	345	(874)
Income tax relating to exchange differences on translation of foreign operations	0	0	0
Fair value measurement of shares designated as "available for sale"	1,480	225	1,255
Tax effect regarding fair value measurement of shares designated as "available for sale"	(355)	(54)	(301)
Items that will subsequently be recycled through profit or loss (C)	588	523	65
Total other comprehensive income D= (B)+(C)	588	523	65
Total comprehensive income (loss) (A)+(D)	16,438	2,461	13,977
Attributable to:			
Shareholders of the Group	16,478	2,461	13,977
Minority shareholders	(40)	0	(40)

DIGITAL BROS GROUP
Consolidated Cash Flow Statement at December 31st, 2020

	<i>Euro Thousand</i>	December 31st, 2020	December 31st, 2019
A. Opening net cash/debt		8,527	4,767
B. Cash flows from operating activities			
Profit (loss) for the period attributable to the Group		15,850	1,938
<i>Depreciation, amortisation and non-monetary costs:</i>			
Provisions and impairment losses		(284)	1,169
Amortisation of intangible assets		14,495	4,242
Depreciation of property, plant and equipment		905	897
Net change in advance taxes		126	600
Net change in other provisions		35	(1)
Net change in employee benefit provisions		31,127	8,845
Net change in other non-current liabilities			
SUBTOTAL B.			
		515	(1,392)
C. Change in net working capital		(1,627)	11,628
Inventories		1,305	(276)
Trade receivables		10,028	(3,242)
Current tax assets		362	10,467
Other current assets		3,439	4,621
Trade payables		0	(856)
Current tax liabilities		182	1,930
Current provisions		(469)	20
Other current liabilities		3,233	(276)
SUBTOTAL C.		16,968	22,624
D. Cash flows from investing activities			
Net payments for intangible assets		(28,816)	(14,819)
Net payments for property, plant and equipment		(933)	(6,764)
Net payments for non-current financial assets		(5,146)	(185)
SUBTOTAL D.		(34,895)	(21,768)
E. Cash flows from financing activities			
Capital increases		0	0
Changes in financial liabilities		(5,885)	(6,217)
Changes in financial assets		(1,595)	1,908
SUBTOTAL E.		(7,480)	(4,309)
F. Changes in consolidated equity			
Dividends distributed		(2,139)	0
Changes in treasury shares held		0	0
Increases (decreases) in other equity components		759	688
SUBTOTAL G.		(1,380)	688
G. Cash flow for the period (B+C+D+E+F+G)		4,340	6,080
H. Closing net cash/debt (A+G)		12,867	10,847

DIGITAL BROS GROUP
Consolidated statement of changes in equity

	Share capital (A)	Share premium reserve	Legal reserve	IAS transition reserve	Translation reserve	Other reserves	Total reserves (B)	Treasury shares (C)	Retained earnings (Accumulated losses)	Profit (Loss) for the year	Total retained earnings (D)	Equity of parent company shareholders (A+B+C+D)	Equity of non-controlling interests	Total equity
<i>Euro thousand</i>														
Total on July 1st, 2019	5,704	18,486	1,141	1,367	(1,350)	1,579	21,223	0	38,811	(1,513)	37,298	64,225	0	64,225
Allocation of profit for the year							0		(1,513)	1,513	0	0	0	0
Other changes					(20)	165	145			20	20	165	0	165
Comprehensive income (loss)					345	178	523			1,938	1,938	2,461	0	2,461
Total on December 31st, 2019	5,704	18,486	1,141	1,367	(1,025)	1,922	21,891	0	37,298	1,958	39,256	66,851	0	66,851
Total on July 1st, 2020	5,704	18,486	1,141	1,367	(1,416)	1,382	20,960	0	37,298	14,990	52,288	78,952	979	79,931
Allocation of profit for the year							0		14,990	(14,990)	0	0	0	0
Dividend distribution									(2,139)		(2,139)	(2,139)		(2,139)
Other changes						164	164		7		7	171		171
Comprehensive income (loss)					(529)	1,117	588			15,890	15,890	16,478	(40)	16,438
Total on December 31st, 2020	5,704	18,486	1,141	1,367	(1,945)	2,663	21,712	0	50,156	15,890	66,046	93,462	939	94,401

DIGITAL BROS GROUP
Consolidated Income Statement per Operating Segment at December 31st, 2020

	<i>Euro Thousand</i>	Premium	Free-to-Play	Italian Distribution	Other Activities	Holding	Total
1	Gross revenue	74,739	4,483	2,932	227	0	82,381
2	Revenue adjustments	(1,243)	0	(194)	0	0	(1,437)
3	Net revenue	73,496	4,483	2,738	227	0	80,944
4	Purchase of products for resale	(1,427)	0	(1,623)	0	0	(3,050)
5	Purchase of services for resale	(4,589)	(1,030)	0	(2)	0	(5,621)
6	Royalties	(21,213)	(152)	0	(3)	0	(21,368)
7	Changes in inventories of finished products	(488)	0	(27)	0	0	(515)
8	Total cost of sales	(27,717)	(1,182)	(1,650)	(5)	0	(30,554)
9	Gross profit (3+8)	45,779	3,301	1,088	222	0	50,390
10	Other income	1,212	1,063	0	0	19	2,294
11	Cost of services	(4,089)	(100)	(409)	(68)	(710)	(5,376)
12	Rent and leasing	(42)	(11)	(15)	(0)	(65)	(133)
13	Payroll costs	(6,025)	(2,230)	(602)	(152)	(1,951)	(10,960)
14	Other operating costs	(169)	(47)	(86)	(21)	(287)	(610)
15	Total operating costs	(10,325)	(2,388)	(1,112)	(241)	(3,013)	(17,079)
16	Gross operating margin (EBITDA) (9+10+15)	36,666	1,976	(24)	(19)	(2,994)	35,605
17	Depreciation and amortisation	(14,790)	(63)	(79)	(45)	(423)	(15,400)
18	Provisions	0	0	0	0	0	0
19	Asset impairment charge	(226)	0	0	0	(63)	(289)
20	Impairment reversal	0	0	0	0	0	0
21	Total depreciation, amortization and impairment	(15,016)	(63)	(79)	(45)	(486)	(15,689)
22	Operating margin (EBIT) (16+21)	21,650	1,913	(103)	(64)	(3,480)	19,916