

Digital Bros

 digital entertainment

PRESS RELEASE

The Board of Directors of Digital Bros Group approves the First Quarterly Report at September 30th, 2021 (first three months of fiscal year 2021 – 2022)

FIRST QUARTER RESULTS:

- **REVENUES AT €25 MILLION**
 - **BACK CATALOGUE REVENUES +35%**
 - **97% OF REVENUES REALIZED ON INTERNATIONAL MARKETS**
 - **86% OF REVENUES REALIZED ON DIGITAL MARKETPLACES**
 - **EBIT AT €4.5 MILLION, 18.1% OF NET REVENUES**
 - **NET PROFIT OF €4 MILLION**
 - **NET FINANCIAL POSITION POSITIVE OF € 32.4 MILLION**
 - **BUSINESS OUTLOOK FOR THE FISCAL YEAR CONFIRMED POSITIVE**
- ✓ ***Consolidated gross revenues of €25 million, down by 35.8% compared to €38.9 million on September 30th, 2020, when the launches of the best-selling games Death Stranding and the Steam version of Control occurred***
 - ✓ ***97% of revenues realized on international markets and 86% on digital marketplaces***
 - ✓ ***Back catalogue revenues increased by 35%***
 - ✓ ***EBITDA at €7.8 million, compared to €18.4 million on September 30th, 2020***
 - ✓ ***EBIT of €4.5 million, compared to €10.4 million on September 30th, 2020, 18.1% of consolidated net revenues***
 - ✓ ***Profit before tax of €5.8 million, compared to €11 million on September 30th, 2020***
 - ✓ ***Net profit of €4 million, compared to €7.9 million on September 30th, 2020***
 - ✓ ***Positive net financial position of €32.4 million (€37 million excluding the IFRS 16 effect)***
 - ✓ ***The business outlook for the full fiscal year confirmed positive in sync with the outstanding financial results realized in the last fiscal year***

Rami Galante, Chairman and CEO of Digital Bros Group commented: "Today we present our first quarter results, which are not really comparable with the previous. Last year's revenues benefitted from the launch of Death Stranding, one of the best-selling videogames we have ever published, we also published the Steam version of Control. This fiscal year is back-ended in terms of revenues with the most highly anticipated launch scheduled for release in the second half of the year. This game will be the first of a pipeline of high-quality releases up to and beyond 2026, strengthened by the investment plan already in place. Today we reiterate the full fiscal year business outlook previously communicated in sync with the outstanding revenues and margins realized last year."

Milan, November 11th, 2021 – The **Board of Directors** of **Digital Bros Group (DIB:MI)**, which is listed on the Euronext STAR segment of Borsa Italiana and operates in the videogames market, **today approved the quarterly report for the period ended September 30th, 2021** (first three months of the fiscal year from July 1st, 2021 to June 30th, 2022).

RESULTS FOR THE FIRST THREE MONTHS OF FISCAL YEAR 2021-2022 (AT 30.09.2021)				
<i>Euro thousand</i>	30.09.21	30.09.20	Change	Change %
Gross revenues	25,016	38,950	(13,934)	-35.8%
Gross operating margin (EBITDA)	7,825	18,429	(10,604)	-57.5%
Operating margin (EBIT)	4,497	10,380	(5,883)	-56.7%
Profit / (loss) before tax	5,839	10,972	(5,133)	-46.8%
Net profit / (loss)	4,014	7,877	(3,863)	-49.0%

Digital Bros Group's key consolidated results for the first three months of fiscal year 2021-2022, together with prior period comparatives, are as follows:

- **Consolidated gross revenues** of €25 million, compared to €38.9 million on September 30th, 2020 (-35.8% YoY);
- **EBITDA** of €7.8 million, compared to €18.4 million on September 30th, 2020;
- **EBIT** of €4.5 million, compared to €10.4 million on September 30th, 2020;
- **Profit before tax** of €5.8 million, compared to €11 million on September 30th, 2020;
- **Net profit** of €4.0 million, compared to €7.9 million on September 30th, 2020.

RESULTS BY OPERATING SEGMENT

New video games releases are planned for the second half of the fiscal year, to that extent, the revenues of the first quarter were entirely derived from the sale of back catalogue. Revenues for the quarter amounted to €25 million, decreasing by 35.8% compared to the previous fiscal year, when the best-seller video game Death Stranding and the Steam version of Control were initially launched. Good performance was realized by back catalogue sales that grew by 35%, increasing by €6.1 million compared to the last fiscal year quarter.

The quarterly revenues were a mix of different but existing products, being the revenues made exclusively by back catalogue revenues. The quarterly best-selling videogame has been the evergreen Assetto Corsa, IP owned by the Group, which realized €4 million during the period.

International markets revenues were 97% of the total consolidated revenues in the quarter.

A breakdown by operating segment for the period ended September 30th, 2021 compared to the period ended September 30th, 2020 is provided below:

Euro thousand	Gross revenue				Net revenue			
	2022	2021	Change		2022	2021	Change	
Premium Games	22,525	34,995	(12,471)	-35.6%	22,439	34,826	(12,387)	-35.6%
Free to Play	1,773	2,191	(418)	-19.1%	1,773	2,191	(418)	-19.1%
Italian distribution	599	1,709	(1,110)	-64.9%	559	1,577	(1,019)	-64.6%
Other projects	119	55	63	n.m.	119	55	63	n.m.
Total gross revenues	25,015	38,950	(13,936)	-35.8%	24,889	38,649	(13,760)	-35.6%

The **Premium Games** operating segment represented 90% of the consolidated gross revenues. Video games developed by the internal studios and intellectual properties owned by the Group accounted for 32% of the consolidated revenues in the period. 52% of revenues came from the sale of co-owned IPs and long-term agreements (more than ten years). A breakdown of Premium Games revenues by type of rights held by the Group at September 30th, 2021 is provided below with comparative figures at September 30th, 2020:



The **Free to Play** operating segment showed a 19.1% decrease, from € 2.2 million at September 30th, 2020 to €1.8 million. The main Free to Play product launch of the current year, Puzzle Quest 3, will be globally available in the second half of the fiscal.

The **Italian Distribution** operating sector revenues decreased by 64.9% (from €1.7 million down to €0.59 million) in sync with the continuous decline of 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	22,525	1,773	599	119	0	25,016
EBITDA	9,189	537	(203)	(83)	(1,615)	7,825
EBIT	6,575	88	(241)	(92)	(1,833)	4,497

The **EBITDA** realized in the quarter has been €7.8 million corresponding to 31.4% of the consolidated net revenues, a decrease of €10.6 million compared to the €18.4 realized in the previous year.

Depreciation and **amortization** decreased by €4.7 million.

The quarterly **EBIT** amounted to €4.5 million decreasing by €5.9 million compared to €10.4 million as at September 30th, 2020. The EBIT stood at 18.1% of the consolidated gross revenues for the quarter (-26.9%).

Net income was positive for €1.3 million, compared to €0.59 million realized in the previous year.

Profit before tax for the period ended September 30th, 2021 amounted to €5.8 million, a decrease of €5.1 million compared to profit before tax of €10.97 million as at September 30th, 2020.

Net profit for the period amounted to €4.0 million compared to €7.88 million as at September 30th, 2020.

Net profit attributable to the shareholders of the Group was €4.1 million.

Basic profit per share and **diluted profit per share** were respectively €0.29 and €0.28 compared to the €0.55 and €0.54 profit per share as at September 30th, 2020.

NET FINANCIAL POSITION

The Net Financial Position amounted to €32.4 million, compared to €38.3 million as at June 30th, 2021, decreasing, as expected, by €5.8 million. Excluding the IFRS 16 effect, the Net Financial Position amounted to €37 million.

TREASURY SHARES

It is hereby disclosed that as at September 30th, 2021 Digital Bros S.p.A. did not hold any treasury shares, as no transactions have been performed in the period, pursuant to Art. 2428 paragraph 2.3 of the Italian Civil Code.

SIGNIFICANT EVENTS DURING THE PERIOD

There were no significant events during the period.

SIGNIFICANT EVENTS OCCURRED AFTER SEPTEMBER 30TH, 2021

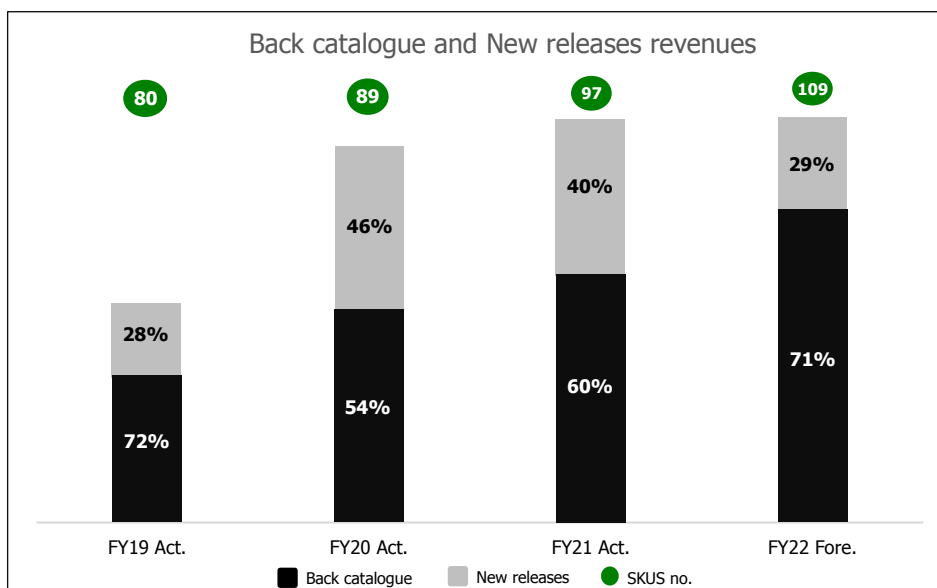
On October 27th, 2021, the Shareholders' Meeting of Digital Bros Group approved the Financial Statements for the fiscal year 2020-2021, a dividend distribution of €0.18 per share and appointed Ernest & Young S.p.A. as the new external auditor for the 2022-2030 period, until the approval of the Financial Statements at June 30th, 2030.

BUSINESS OUTLOOK

The significant investment plan implemented will persist over the coming years: the Group has in excess of €69 million outstanding investments on 23 intellectual properties already committed. In addition, further investments are represented significantly by internal development productions with the most recent additions being the Australian developer Infinity Plus Two, Chrysalide Jeux et Divertissement (Canada) and Supernova Games Studios (Italy). During the quarter, the Group further increased the number of internal studios by acquiring the 60% of the Czech development studio Ingame Studio a.s., currently working on a highly anticipated videogame which is planned for launch in the fourth quarter.

In the full fiscal year 2022, the Group expects to match the record hitting revenues levels realized in the previous fiscal year, even if most of the investments planned will hit the market starting from the following fiscal year onwards. The current fiscal revenues are back-ended in sync with the Premium Games product releases, as well as the worldwide launch of the Free to Play video games Puzzle Quest 3 and Portal Knights, all are expected in the second half of the year.

A breakdown of back catalogue and new releases revenues expected for the full fiscal year is provided below with previous years comparisons:



Operating margins are expected to remain in line with the outstanding results achieved in the last fiscal year, >30MEUR EBIT, and in sync with the revenues trend.

As a result of the significant investments planned in the period, the net financial position, which was above €38 million positive at the end of the previous year, is expected to decrease during the first three quarters. Cash flow creation will return in the last quarter following the launch of the publisher's most anticipated videogame.

ART. 154-BIS OF THE T.U.F.

As required by paragraph 2, Art. 154-bis of the T.U.F., Digital Bros Group's Chief Financial Officer, 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 Euronext 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, Czech Republic, China, Japan, Australia and Canada with approximately 325 employees.

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FINANCIAL STATEMENTS
DIGITAL BROS GROUP

Consolidated statement of financial position at September 30th, 2021

	<i>Euro Thousand</i>	September 30th, 2021	June 30th, 2021	Change	
	Non-current assets				
1	Property, plant and equipment	8,166	8,198	(32)	-0.4%
2	Investment property	0	0	0	0.0%
3	Intangible assets	73,712	66,776	6,936	10.4%
4	Equity investments	11,059	11,190	(131)	-1.2%
5	Non-current receivables and other assets	5,969	5,089	880	17.3%
6	Deferred tax assets	12,012	11,644	368	3.2%
7	Non-current financial activities	18,946	18,840	106	0.6%
	Total non-current assets	129,864	121,737	8,127	6.7%
	Current assets				
8	Inventories	5,428	5,708	(280)	-4.9%
9	Trade receivables	15,568	18,283	(2,715)	-14.9%
10	Tax credit	2,027	1,500	527	35.1%
11	Other current assets	20,260	19,279	981	5.1%
12	Cash and cash equivalent	43,612	35,509	8,103	22.8%
13	Other financial assets	0	0	0	0.0%
	Total current assets	86,895	80,279	6,616	8.2%
	TOTAL ASSETS	216,759	202,016	14,743	7.3%
	Capital and reserves				
14	Share capital	(5,704)	(5,704)	(0)	0.0%
15	Reserves	(23,232)	(23,016)	(216)	0.9%
16	Treasury shares	0	0	0	0.0%
17	Retained earnings (accumulated losses)	(86,273)	(82,181)	(4,092)	5.0%
	Equity attributable to Parent Company	(115,209)	(110,901)	(4,308)	3.9%
	Equity attributable to minority shareholders	(812)	(890)	78	-8.8%
	Total equity	(116,021)	(111,791)	(4,230)	3.8%
	Non-current liabilities				
18	Employee benefits	(791)	(719)	(72)	9.9%
19	Non-current provisions	(81)	(81)	0	0.0%
20	Other non-current payables and liabilities	(5,512)	(5,415)	(97)	0.0%
21	Non-current financial liabilities	(20,530)	(11,694)	(8,836)	75.6%
	Total non-current liabilities	(26,914)	(17,909)	(9,005)	50.3%
	Current liabilities				
22	Trade payables	(41,543)	(47,193)	5,650	-12.0%
23	Taxes payable	(12,561)	(10,782)	(1,779)	16.5%
24	Current provisions	(0)	(0)	0	0.0%
25	Other current liabilities	(10,097)	(9,932)	(165)	1.7%
26	Current financial liabilities	(9,623)	(4,409)	(5,214)	n.m.
	Total net working capital	(73,824)	(72,316)	(1,508)	2.1%
	TOTAL LIABILITIES	(100,738)	(90,225)	(10,513)	11.7%
	TOTAL NET EQUITY AND LIABILITIES	(216,759)	(202,016)	(14,743)	7.3%

DIGITAL BROS GROUP
Consolidated Statement of profit and loss at September 30th, 2021

	<i>Euro Thousand</i>	September 30 th , 2021		September 30 th , 2020		Change	
1	Gross revenue	25,016	100.5%	38,950	100.8%	(13,934)	-35.8%
2	Revenue adjustments	(126)	-0.5%	(301)	-0.8%	175	-58.2%
3	Net revenue	24,890	100.0%	38,649	100.0%	(13,759)	-35.6%
4	Purchase of products for resale	(981)	-3.9%	(1,210)	-3.1%	229	-18.9%
5	Purchase of services for resale	(1,507)	-6.1%	(2,200)	-5.7%	693	-31.5%
6	Royalties	(7,078)	-28.4%	(8,882)	-23.0%	1,804	-20.3%
7	Changes in inventories of finished products	(280)	-1.1%	(303)	-0.8%	23	-7.6%
8	Total cost of sales	(9,846)	-39.6%	(12,595)	-32.6%	2,749	-21.8%
9	Gross profit (3+8)	15,044	60.4%	26,054	67.4%	(11,010)	-42.3%
10	Other income	1,736	7.0%	1,127	2.9%	609	54.0%
11	Costs for services	(1,813)	-7.3%	(3,239)	-8.4%	1,426	-44.0%
12	Rent and Leasing	(104)	-0.4%	(74)	-0.2%	(30)	40.7%
13	Payroll costs	(6,719)	-27.0%	(5,170)	-13.4%	(1,549)	29.9%
14	Other operating costs	(319)	-1.3%	(269)	-0.7%	(50)	18.5%
15	Total operating costs	(8,955)	-36.0%	(8,752)	-22.6%	(203)	2.3%
16	Gross operating margin (EBITDA) (9+10+15)	7,825	31.4%	18,429	47.7%	(10,604)	-57.5%
17	Depreciation and amortization	(3,316)	-13.3%	(7,986)	-20.7%	4,670	-58.5%
18	Provisions	0	0.0%	0	0.0%	0	0.0%
19	Asset impairment charge	(12)	0.0%	(63)	-0.2%	51	-81.1%
20	Impairment reversal	0	0.0%	0	0.0%	0	n.m.
21	Total depreciation, amortization and impairment	(3,328)	-13.4%	(8,049)	-20.8%	4,721	-58.7%
22	Operating margin (EBIT) (16+21)	4,497	18.1%	10,380	26.9%	(5,883)	-56.7%
23	Interest and finance income	1,606	6.5%	1,751	4.5%	(145)	-8.3%
24	Interest expense and finance costs	(264)	-1.1%	(1,159)	-3.0%	895	-77.3%
25	Net interest income/(expense)	1,342	5.4%	592	1.5%	750	n.m.
26	Profit/ (loss) before tax (22+25)	5,839	23.5%	10,972	28.4%	(5,133)	-46.8%
27	Current tax	(1,920)	-7.7%	(3,356)	-8.7%	1,436	-42.8%
28	Deferred tax	95	0.4%	261	0.7%	(166)	-63.4%
29	Total taxes	(1,825)	-7.3%	(3,095)	-8.0%	1,270	-41.0%
30	Net profit/loss	4,014	16.1%	7,877	20.4%	(3,863)	-49.0%
	attributable to the shareholders of the Group	4,092	16.4%	7,886	20.4%	(3,794)	-48.1%
	attributable to minority shareholders	(78)	-0.3%	(9)	0.0%	(69)	n.m.
	Earnings per share						
33	Total basic earnings per share (in Euro)	0.29		0.55		(0.26)	-48.1%
34	Diluted earnings per share (in Euro)	0.28		0.54		(0.26)	-49.0%

DIGITAL BROS GROUP
Consolidated Cash Flow Statement at September 30th, 2021

	<i>Euro Thousand</i>	September 30th, 2021	September 30th, 2020
A. Opening net cash/debt		35,509	8,527
B. Cash flows from operating activities			
Profit (loss) for the period		4,014	7,877
<i>Depreciation, amortization and non-monetary costs:</i>			
Provisions and impairment losses		0	(63)
Amortization of intangible assets		2,872	7,524
Depreciation of property, plant and equipment		444	462
Net change in advance taxes		(368)	187
Net change in employee benefit provisions		72	19
Net change in other non-current liabilities		216	520
SUBTOTAL B.		7,250	16,526
C. Change in net working capital			
Inventories		280	303
Trade receivables		2,715	6,149
Current tax assets		(527)	2,203
Other current assets		(981)	(4,962)
Trade payables		(5,650)	5,752
Current tax liabilities		1,779	626
Current provisions		0	0
Other current liabilities		165	(1,249)
Other non-current liabilities		97	(469)
Non-current receivables and other assets		(880)	3,985
SUBTOTAL C.		(3,002)	12,338
D. Cash flows from investing activities			
Net payments for intangible assets		(9,808)	(20,458)
Net payments for property, plant and equipment		(412)	(76)
Net payments for non-current financial assets		131	(3,974)
SUBTOTAL D.		(10,089)	(24,508)
E. Cash flows from financing activities			
Capital increases		0	0
Changes in financial liabilities		14,050	(3,900)
Changes in financial assets		(106)	(101)
SUBTOTAL E.		13,944	(4,001)
F. Changes in consolidated equity			
Dividends distributed		0	0
Changes in treasury shares held		0	0
Increases (decreases) in other equity components		0	0
SUBTOTAL F.		0	0
G. Cash flow for the period (B+C+D+E+F)		8,103	355
H. Closing net cash/debt (A+G)		43,612	8,882

DIGITAL BROS GROUP
Consolidated Statement of profit and loss per Operating Segment at September 30th, 2021

	<i>Euro Thousand</i>	Premium Games	Free to Play	Italian Distribution	Other Activities	Holding	Total
1	Gross revenue	22,525	1,773	599	119	0	25,016
2	Revenue adjustments	(86)	0	(40)	0	0	(126)
3	Net revenue	22,439	1,773	559	119	0	24,890
4	Purchase of products for resale	(680)	0	(301)	0	0	(981)
5	Purchase of services for resale	(1,341)	(166)	0	0	0	(1,507)
6	Royalties	(7,060)	(18)	0	0	0	(7,078)
7	Changes in inventories of finished products	(252)	0	(28)	0	0	(280)
8	Total cost of sales	(9,333)	(184)	(329)	0	0	(9,846)
9	Gross profit (3+8)	13,106	1,589	230	119	0	15,044
10	Other income	733	1,000	0	0	3	1,736
11	Cost of services	(1,124)	(171)	(143)	(70)	(305)	(1,813)
12	Rent and leasing	(33)	(21)	(7)	(2)	(41)	(104)
13	Payroll costs	(3,397)	(1,821)	(249)	(122)	(1,130)	(6,719)
14	Other operating costs	(96)	(39)	(34)	(8)	(142)	(319)
15	Total operating costs	(4,650)	(2,052)	(433)	(202)	(1,618)	(8,955)
16	Gross operating margin (EBITDA) (9+10+15)	9,189	537	(203)	(83)	(1,615)	7,825
17	Depreciation and amortization	(2,602)	(449)	(38)	(9)	(218)	(3,316)
18	Provisions	0	0	0	0	0	0
19	Asset impairment charge	(12)	0	0	0	0	(12)
20	Impairment reversal	0	0	0	0	0	0
21	Total depreciation, amortization and impairment	(2,614)	(449)	(38)	(9)	(218)	(3,328)
22	Operating margin (EBIT) (16+21)	6,575	88	(241)	(92)	(1,833)	4,497