

Digital Bros

digital entertainment



PRESENTATION APRIL 2019 ▲

OUR MILESTONES



1989	2000	2007	2012	2013	2015	2017
FOUNDATION	LISTING	RETAIL PUBLISHING	DIGITAL PUBLISHING	MOBILE PUBLISHING	MOBILE AND CONSOLE DEVELOPERS ACQUISITION	



MARKET VALUE CHAIN

RETAIL



DIGITAL



DIGITAL BROS GROUP

WE DEVELOP, PUBLISH AND MARKET MULTICHANNEL VIDEOGAMES



▲ STUDIOS

- DR STUDIOS
- KUNOS SIMULAZIONI
- OVOSONICO



▲ PUBLISHING

- IP SCOUTING AND SELECTION
- PRODUCTION SURVEY
- MARKETING & PR
- SALES AND PROMOTIONS
- CUSTOMERS SUPPORT

▲ DISTRIBUTION

- RETAIL DISTRIBUTION (CHAINS AND STORES – GLOBAL DISTRIBUTION NETWORK)
- DIGITAL DOWNLOAD (DIGITAL MARKETPLACES, MOBILE AND TABLET STORE, SOCIAL PLATFORMS)



PREMIUM AND FREE TO PLAY

THE GROUP OPERATES GLOBALLY IN THE PREMIUM AND FREE TO PLAY GAMES WITH THE 505 GAMES BRAND

▲ PREMIUM GAMES

- ACQUISITION OF CONTENTS RIGHTS FROM DEVELOPERS (IP OWNERSHIP, LONG TERMS AGREEMENT, THIRD PARTY)
- DISTRIBUTION OF THE VIDEOGAMES THROUGH TRADITIONAL INTERNATIONAL SALES NETWORK AND DIGITAL MARKETPLACES (STEAM, SONY PLAYSTATION NETWORK AND MICROSOFT XBOX LIVE)

▲ FREE TO PLAY

- DEVELOPMENT AND PUBLISHING OF VIDEOGAMES AVAILABLE FOR FREE ON THE MAIN DIGITAL CHANNELS (CONSOLE MARKETPLACES, MOBILE AND SOCIAL PLATFORMS)
- IN APP PURCHASES ARE THE MAIN REVENUE STREAM
- CONTINUOUS DEVELOPMENT AND IMPROVEMENTS AFTER THE LAUNCH TO MAINTAIN GAMES ALWAYS FUN



CHANNELS

DIGITAL AND RETAIL



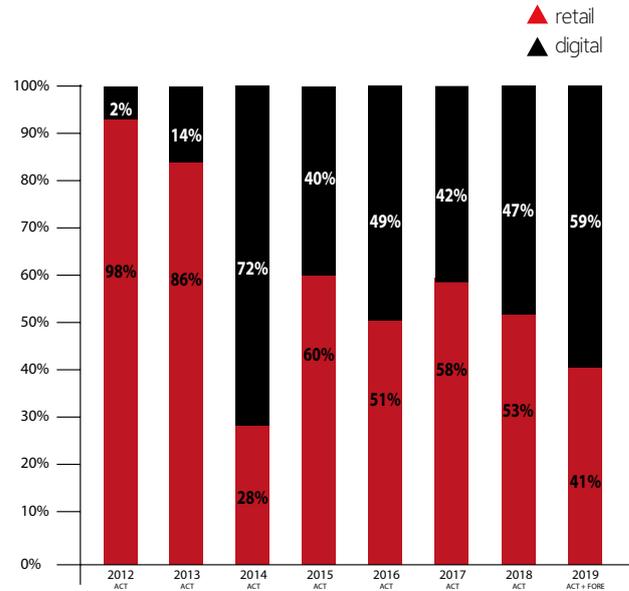
DIGITAL DISTRIBUTION

- ONLINE MARKETPLACES :
STEAM
PLAYSTATION NETWORK
XBOX LIVE
- GAME APP DOWNLOAD :
MOBILE AND TABLET STORES
- ONLINE SOCIAL PLATFORMS:
MAIN SOCIAL NETWORKS

RETAIL DISTRIBUTION

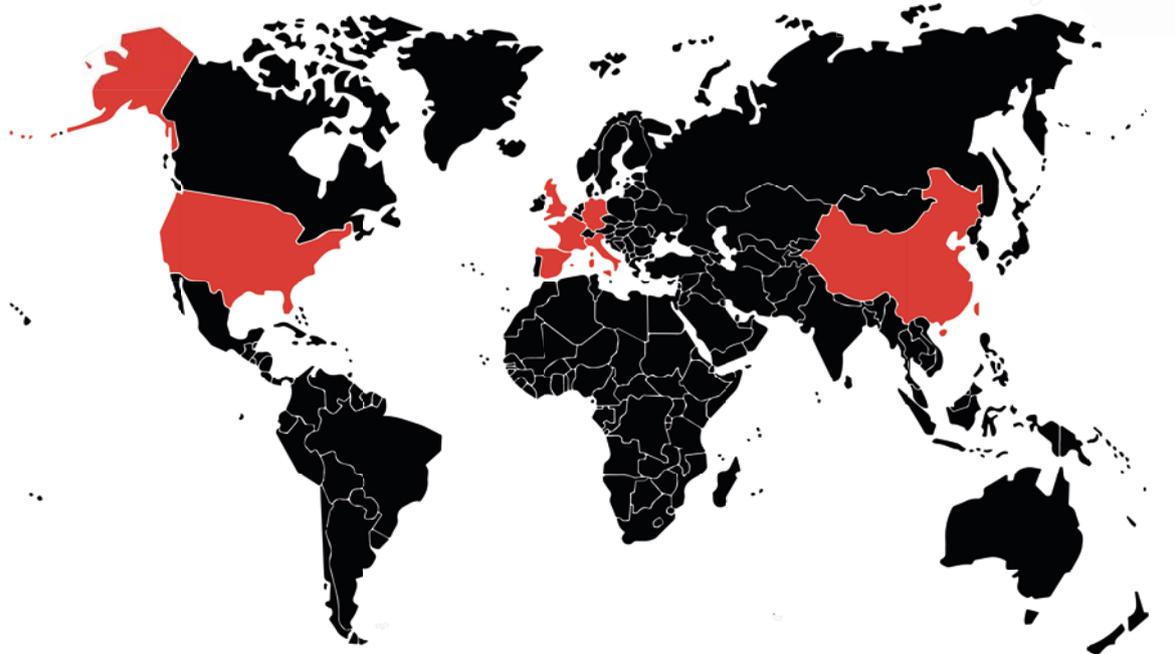
- MAIN CHAINS & STORES
- E-COMMERCE

REVENUES TREND RETAIL VS DIGITAL



WORLDWIDE PRESENCE

HEADQUARTERS: MILAN



 180* PEOPLE WORLDWIDE

APRIL 2019

1 NEW RELEASES & INVESTMENTS

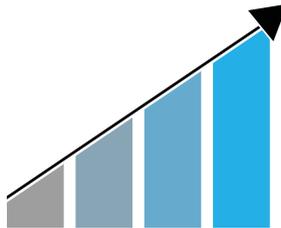


PLANNED INVESTMENTS

OUR SUCCESSFUL PRODUCTS
GENERATED CASH



TO INVEST FOR GROWTH



WE ENTERED INTO THE LARGEST
INVESTMENT PLAN THROUGH
STRATEGIC ACQUISITIONS AND BRAND
NEW PUBLISHING DEALS



IP PORTFOLIO

APRIL 2019

OWNED IP



LONG TERM AGREEMENTS



THIRD PARTY PARTNERSHIPS



SIGNIFICANT RELEASES FOR PREMIUM AND FREE TO PLAY



PREMIUM DIGITAL & RETAIL



2019

2020



FREE TO PLAY CONSOLE AND MOBILE

ASSETTO CORSA



- ASSETTO CORSA IS THE #1 RACING SIMULATOR – 4.1 MILLION COPIES AND MORE THAN EURO 32 MILLION REVENUES
- NEW EPISODE ASSETTO CORSA COMPETIZIONE: OFFICIAL GAME OF THE BLANCPAIN GT SERIES IN EARLY ACCESS ON STEAM FROM 12TH SEPTEMBER 2018
- 3 YEARS PARTNERSHIP WITH BLANCPAIN COMPETITION
- FULLY LICENSED GT CARS FROM TOP MANUFACTURER: FERRARI, LAMBORGHINI, MCLAREN
- UNIQUE SELLING POINTS OF THE GAME:
 - extraordinary level of simulation quality
 - outstanding level of details with circuit laser scan technology
 - new unreal engine 4

RELEASE ON MAY 29TH 2019

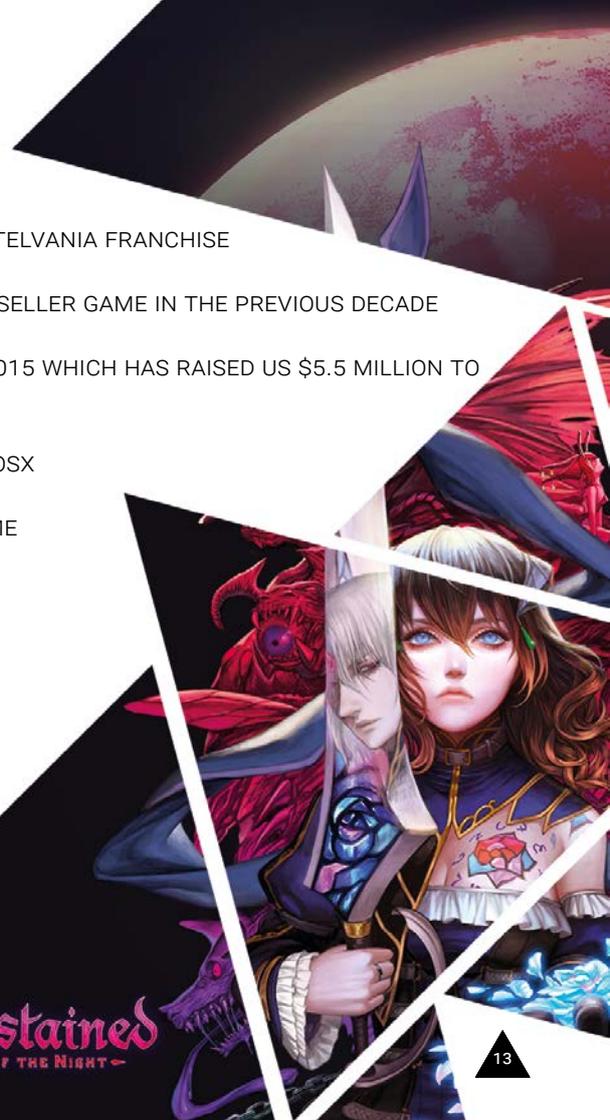


BLOODSTAINED

- LATEST CREATION OF KOJI IGARASHI, THE FORMER SERIES PRODUCER OF CASTELVANIA FRANCHISE
- SPIRITUAL SUCCESSOR OF THE CASTLEVANIA SERIES WHICH HAS BEEN A TOP SELLER GAME IN THE PREVIOUS DECADE
- SECOND LARGEST VIDEOGAME CROWDFUNDING KICKSTARTER CAMPAIGN IN 2015 WHICH HAS RAISED US \$5.5 MILLION TO DATE FROM 65K BACKERS
- THE GAME WILL BE AVAILABLE FOR PS4, XBOX ONE, PC WINDOWS, LINUX AND OSX
- THE GROUP EXPECTS TO GENERATE LIFETIME REVENUES FROM THE VIDEOGAME OF MINIMUM EURO 30 MILLION

RELEASE IN JUNE 2019

Bloodstained
— RITUAL OF THE NIGHT —



INDIVISIBLE

- CLASSICALLY-INFLUENCED RPG AND PLATFORMER HYBRID CREATED BY LAB ZERO GAMES (DEVELOPER OF SKULLGIRLS)
- CROWDFUNDED ON INDIGOGO IN 2015 (MORE THAN US \$2 MILLION RAISED)
- UNIQUE SELLING POINTS OF THE GAME:
 - mix of RPG action and platform
 - huge character roster
- WORLDWIDE PUBLISHING RIGHTS ON PC, PLAYSTATION 4, XBOX ONE AND NINTENDO SWITCH

RELEASE IN JUNE 2019



Indivisible

CONTROL

CONTROL

- CINEMATIC THIRD PERSON ACTION GAME BUILT ON REMEDY'S PROPRIETARY NORTHLIGHT® TECHNOLOGY
- DEVELOPED BY REMEDY ENTERTAINMENT, DEVELOPER OF AAA VIDEO GAMES (MAX PAYNE, ALAN WAKE AND QUANTUM BREAK)
- WORLDWIDE PUBLISHING RIGHTS FOR 505 GAMES ON PC, PLAYSTATION 4 AND XBOX ONE
- THE TOTAL INVESTMENT IN THE GAME IS EURO 12.25 MILLION

RELEASE ON AUGUST 27TH 2019

JOURNEY TO THE SAVAGE PLANET

- FIRST-PERSON ADVENTURE GAME SET IN A BRIGHT AND COLORFUL ALIEN WORLD
- DEBUT TITLE FROM INDUSTRY VETERANS ALEX HUTCHINSON, YASSINE RIAHI AND REID SCHNEIDER'S NEW MONTREAL-BASED DEVELOPMENT STUDIO, TYPHOON STUDIOS
- WORLDWIDE PUBLISHING RIGHTS FOR 505 GAMES ON PC, PLAYSTATION 4 AND XBOX ONE
- PUBLISHING PARTNERSHIP WITH EPIC GAMES

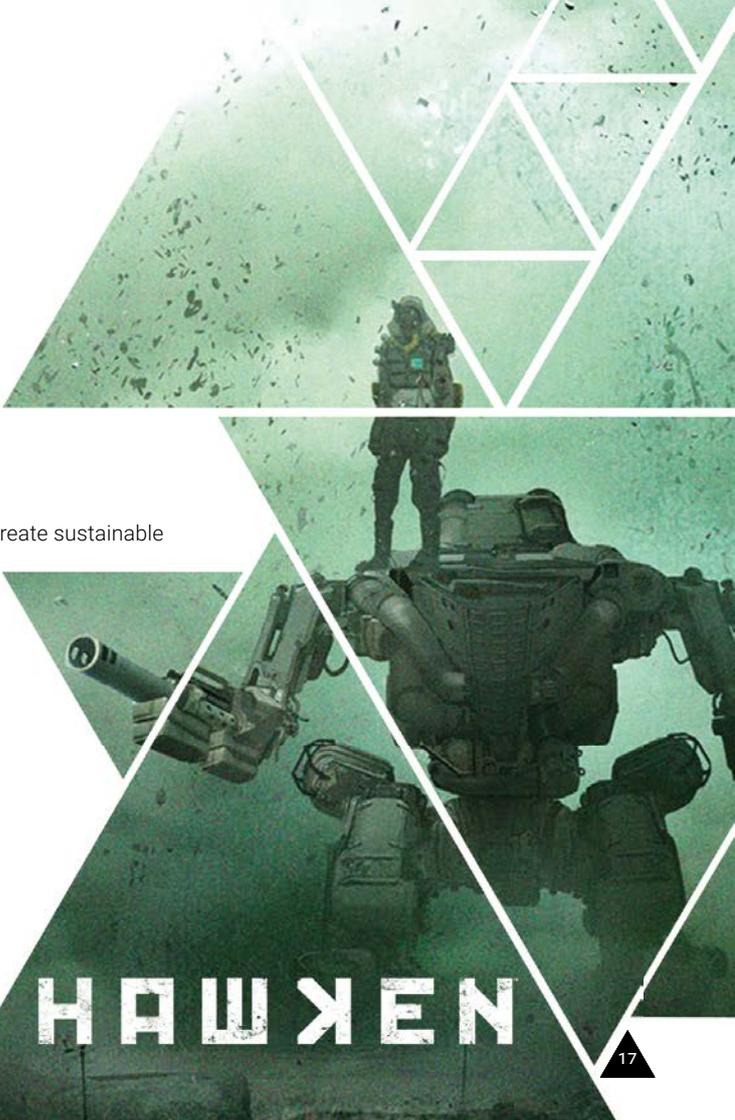
RELEASE IN FALL/WINTER 2019



HAWKEN

- MECH GENRE: COLLECT, BUILD AND CUSTOMIZE YOUR MECH
- STRONG F2P SYSTEM WITH IMMERSIVE PVE ELEMENTS
- LARGE POPULATION OF GAMERS
- THE ACTUAL PRODUCTION IS NOT JUST A SEQUEL:
 - new game design
 - objective-based pve to maximize revenues without being 'pay-to-win' & to create sustainable longterm product growth
 - enhanced mech customization system for deeper monetization streams
 - mech differentiation to enhance KPIs

SOFT LAUNCH IN FALL 2019



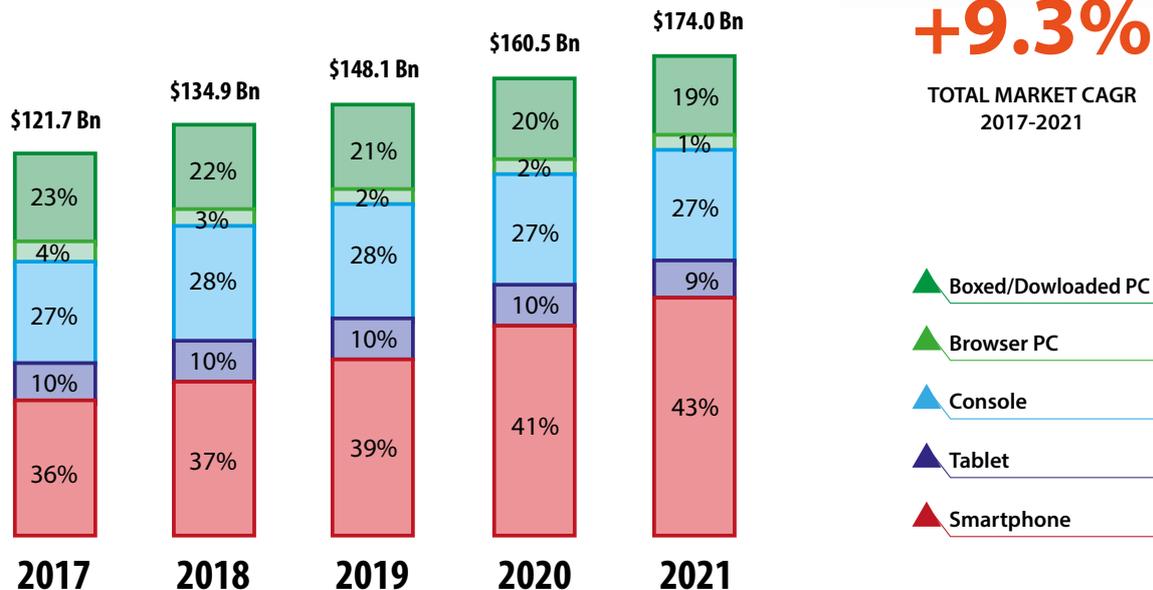
HAWKEN

2 FINANCIALS

CONTROL™

MARKET SIZE

THE WORLDWIDE GAMES MARKET WILL REACH \$174 BILLION BY 2021



SOURCE NEWZOO GLOBAL MARKET REPORT, OCTOBER 2018 UPDATE

CONSOLIDATED P&L - FY 2019 H1 ACTUAL

€/1000	2019 YTD	2018 YTD	CHANGE	CHANGE %
GROSS REVENUES	30,216	44,062	(13,846)	-31.4%
NET REVENUES	28,174	40,698	(12,524)	-30.8%
EBITDA	136	3,660	(3,524)	n.m.
EBIT	(4,122)	(141)	(3,981)	n.m.
EBT	(3,943)	87	(4,029)	n.m.
NET PROFIT	(3,160)	18	(3,178)	n.m.

FISCAL YEAR ENDING 30TH JUNE

SOURCE DIGITAL BROS

THE GROUP DID NOT LAUNCH ANY SIGNIFICANT NEW PRODUCT DURING THE FIRST HALF

PREMIUM GAMES - FY 2019 H1 ACTUAL



€/1000	2019 YTD	2018 YTD	CHANGE	CHANGE %
GROSS REVENUES	19,787	30,584	(10,797)	-35.3%
NET REVENUES	18,633	28,293	(9,660)	-34.1%
EBITDA	2,527	6,090	(3,563)	-58.5%
EBIT	(21)	3,919	(3,940)	n.m.

FISCAL YEAR ENDING 30TH JUNE

SOURCE DIGITAL BROS

ASSETTO CORSA REVENUES SLIGHTLY INCREASED, THANKS TO ASSETTO CORSA COMPETIZIONE EARLY ACCESS ON STEAM
PAYDAY2 AND TERRARIA REVENUES DECREASED AS NO SIGNIFICANT UPDATES WERE RELEASED DURING THE FIRST HALF

FREE TO PLAY - FY 2019 H1 ACTUAL



€/1000	2019 YTD	2018 YTD	CHANGE	CHANGE %
GROSS REVENUES	3,169	2,699	470	17.4%
NET REVENUES	3,169	2,699	470	17.4%
EBITDA	890	72	818	n.m.
EBIT	(344)	(1,034)	690	-66.7%

FISICAL YEAR ENDING 30TH JUNE

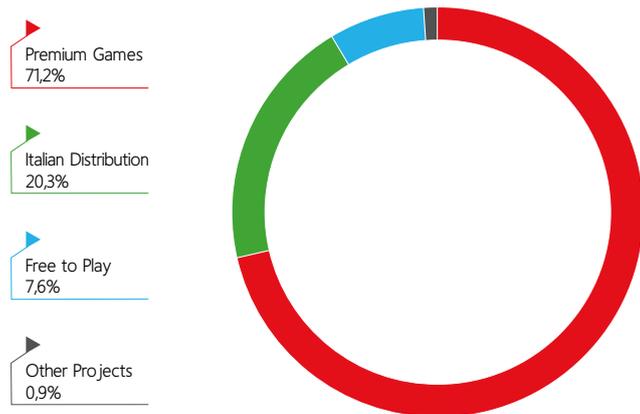
SOURCE DIGITAL BROS

REVENUES INCREASED BY 17.4% THANKS TO THE POSITIVE PERFORMANCE OF GEMS OF WAR

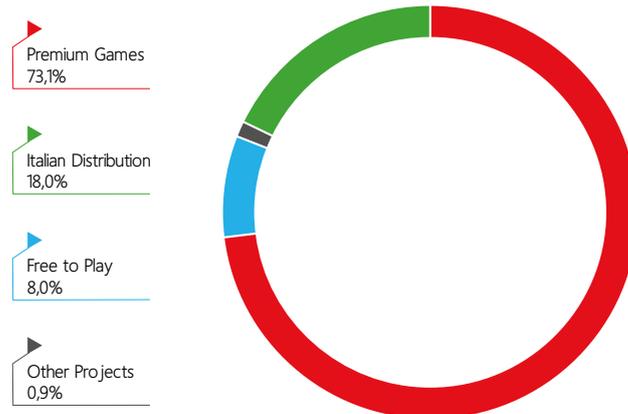
REVENUE BREAKDOWN BY SEGMENT



CONSOLIDATED FY 2018



CONSOLIDATED H1 ACTUAL + FORECAST 2019

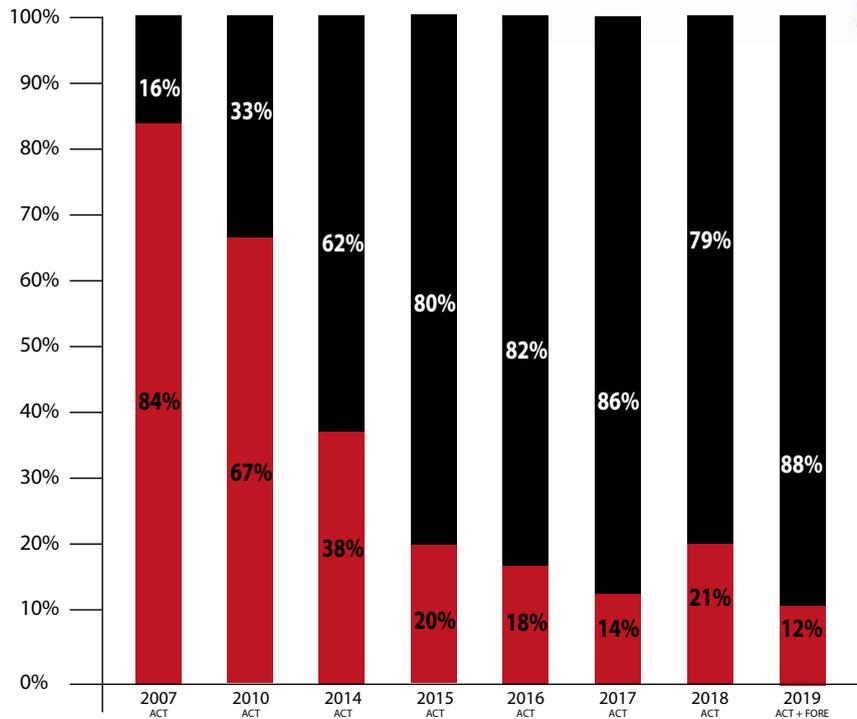


GLOBALIZATION

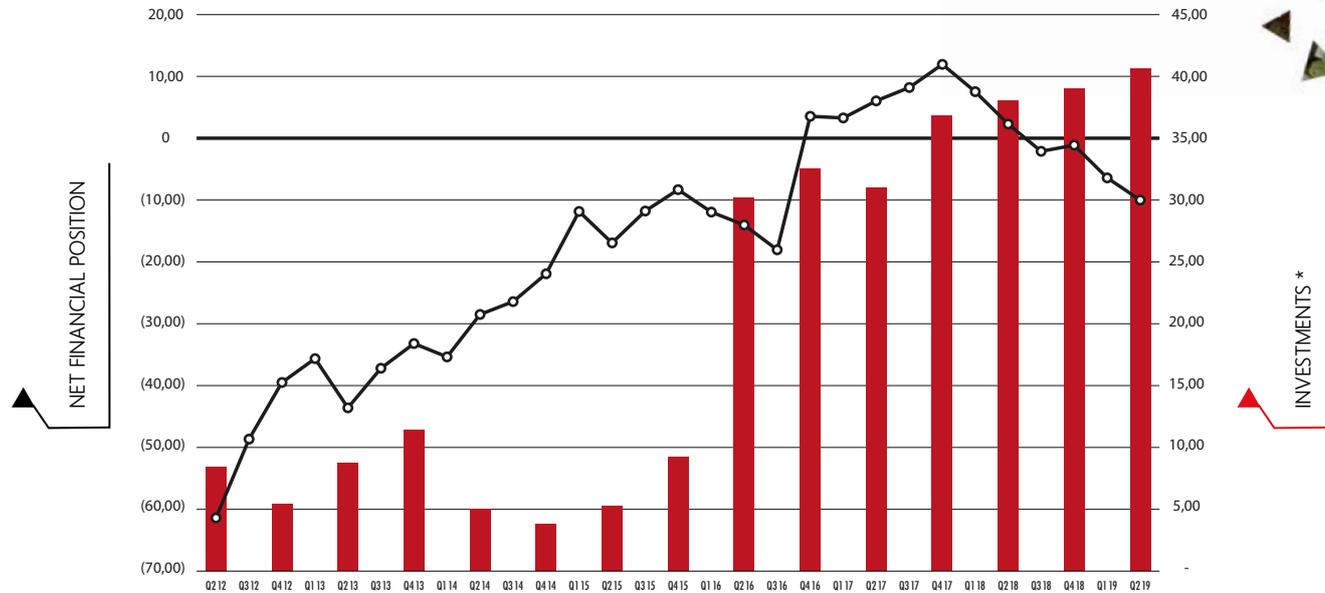


REVENUES TREND ITALY VS INTERNATIONAL

- ▲ Italy
- ▲ international



NET FINANCIAL POSITION OVER THE LAST YEARS



*ADVANCES PAID FOR IPs AND LICENSES + TANGIBLE AND INTANGIBLE ASSETS

IN LINE WITH THE INVESTMENTS CURRENTLY IN PROCESS THE CASH FLOW GENERATION SLOWED DOWN

OUTLOOK

- EXPECTED PROFIT IN THE SECOND HALF, DUE TO THE LAUNCH OF BLOODSTAINED AND THE PC VERSION OF INDIVISIBLE IN THE LAST QUARTER OF THE FINANCIAL YEAR
- NET FINANCIAL DEBT GROWTH IN THE SECOND HALF OF THE FINANCIAL YEAR DUE TO INVESTMENTS IN NEW PRODUCTS FOLLOWED BY A MARKED IMPROVEMENT STARTING FROM THE FIRST QUARTER OF NEXT FINANCIAL YEAR
- GEMS OF WAR CONTINUOUS SUCCESS IN THE FREE TO PLAY OPERATING SEGMENT

DIGITAL BROS - A SNAPSHOT

- GLOBAL COMPANY, OPERATING ACROSS THE VIDEOGAME ENTERTAINMENT MARKET
- DEVELOPMENT, PUBLISHING AND MARKETING MULTICHANNEL VIDEOGAMES
- COMBINING PREMIUM GAMES AND FREE TO PLAY TO MAXIMIZE THE BRAND PROFITABILITY
- ACQUISITION OF UNDERPERFORMING INTELLECTUAL PROPERTIES (I.E. ASSETTO CORSA) TO BE EXPLOITED AND TO MANAGE RISK ACROSS MULTIPLE PLATFORMS
- FLEXIBLE APPROACH ON CONTENT ACQUISITION: IP ACQUISITION, LONG-TERM CO-PUBLISHING, LICENSING IN THE FAR EAST, CROWDFUNDING
- SIGNIFICANT LAUNCHES OF NEW PRODUCTS OVER FISCAL YEARS 2019 AND 2020 (ASSETTO CORSA COMPETIZIONE, INDIVISIBLE, BLOODSTAINED, CONTROL, JOURNEY TO THE SAVAGE PLANET AND THE NEW VERSION OF HAWKEN IN THE FREE TO PLAY)
- HISTORY OF STRONG FREE CASHFLOW GENERATION THROUGHOUT THE CYCLE



3 APPENDIX

Bloodstained
- RITUAL OF THE NIGHT -



EVOLUTION OF THE VIDEOGAME MARKET

FROM TRADITIONAL RETAIL DISTRIBUTION TO DIGITAL, MOBILE & STREAMING



▲ GAAS (GAME AS A SERVICE)

GAME AS A SERVICE IS A COMMUNITY GAME THAT RETAINS GAMERS THROUGH THE CONTINUOUS DELIVERY OF ADDITIONAL CONTENTS

▲ MULTICHANNEL

GAMERS NOW ACCESS CONTENT ACROSS THE WEB THROUGH ALL AVAILABLE DIGITAL CHANNELS INCLUDING CONSOLES, SMARTPHONES, TABLETS AND STREAMING

▲ MOBILE & SOCIAL

WITH THE EXPLOSION IN MOBILE DEVICES EVERYONE IS NOW A GAMER, THE SIZE OF THE MARKET OPPORTUNITY IN SOCIAL AND MOBILE GAMING HAS INCREASED EXPONENTIALLY

CLOUD & STREAMING: THE FUTURE OF GAMING



▲ CLOUD GAMING

VIDEOGAMES CAN BE PLAYED ON ANY DEVICE WITHOUT OWNING A SPECIFIC HARDWARE AND WITH NO LOCAL/ PHYSICAL COPY OF THE GAME ITSELF. VIDEOGAMES ARE STREAMED FROM THE CLOUD ON DEMAND.

- ADVANTAGES:
- mobility
 - constant upgrades
 - ubiquity
 - no expensive hardware
 - instant play

▲ MAIN STREAMING GAME SERVICES

	SERVICE	DEVICES AVAILABLE	MODEL
Google STADIA (announced on March 19th, 2019)	Streaming	PC, mobile, Smart TV and Consoles	Not yet announced.
Apple Arcade (announced on March 25th, 2019)	Digital download (possibly with streaming for specific contents)	Apple devices only (Mac, Apple TV, iPad, iPhones)	Subscription. Price undisclosed.
Microsoft Game Pass (available)	Digital download	Xbox One and PC (Windows 10). Likely to expand to others.	Subscription. 9.99€ per month.
Sony PlayStation Now (available)	Streaming	PlayStation 4 and PC	Subscription. 14.99€ per month.

MARGIN COMPARISON



	RETAIL	DIGITAL	
RRp	€49,99	€49,99	RRp
VAT	20%	20%	VAT
DISCOUNT / COMMISSION	35%	30%	DISCOUNT / COMMISSION
GROSS REVENUES	€27,08	€29,16	GROSS REVENUES
PRICE PROTECTION & ADJ	10%	0,0%	PRICE PROTECTION & ADJ
NET REVENUES	€24,37	€29,16	NET REVENUES
COGS	€6,07	--	COGS
MARKETING	10%	10%	MARKETING
GROSS MARGIN	€15,86	€26,24	GROSS MARGIN
ROYALTIES	40%	50%	ROYALTIES
NET MARGIN	€9,52	€13,12	NET MARGIN
NET MARGIN %	35,1%	45,0%	NET MARGIN %

WHO ARE OUR COMPETITORS



	RETAIL PUBLISHING	DIGITAL PUBLISHING	F2P	DEVELOPMENT	FAR EAST
FOCUS HOME INTERACTIVE	✓	✓			
FRONTIER		✓	✓	✓	
GLU MOBILE		✓	✓		
PARADOX		✓		✓	
STARBREEZE AB		✓		✓	
THQ NORDIC AB	✓	✓		✓	
TEAM 17		✓		✓	
BIG BEN GROUP	✓	✓		✓	✓
DIGITAL BROS	✓	✓	✓	✓	✓

SOURCE: DIGITAL BROS

RELATIONS WITH STARBREEZE AND STARBREEZE SHAREHOLDERS

AGREEMENT FOR THE DEVELOPMENT AND PUBLISHING OF THE CONSOLE VERSION OF THE VIDEOGAME OVERKILL'S THE WALKING DEAD. THE PC VERSION OF THE VIDEOGAME RELEASED BY STARBREEZE IN NOVEMBER 2018 SOLD LOWER THAN FORECASTED FORCING STARBREEZE TO FILE FOR RECONSTRUCTION WITH THE STOCKHOLM DISTRICT COURT ON DECEMBER 3, 2018.

ON 27 FEBRUARY 2019, SKYBOUND INFORMED STARBREEZE THAT IT WAS TERMINATING THE CONTRACT FOR THE RIGHTS OF THE VIDEOGAME OVERKILL'S THE WALKING DEAD. ON APRIL 8TH, 2019 DIGITAL BROS TERMINATED ITS CONTRACT WITH STARBREEZE FOR THE DEVELOPMENT AND PUBLISHING OF THE CONSOLE VERSION OF THE VIDEOGAME OVERKILL'S THE WALKING DEAD.

TO PROTECT ITS US \$40 MLN EARN OUT ON PAYDAY 3, DIGITAL BROS:

- On 21 November 2018, it granted a loan of Euro 2 mln to Varvtré AB (maturity: November 21, 2020; interest rate: 5% per annum, pledge: Starbreeze 6,713,564 A shares and 1,305,142 B shares). Varvtré AB holds 6.2% of the stock capital and 23.7% of the voting rights of Starbreeze AB and is controlled by Bo Andersson Klint, former Managing Director of Starbreeze who resigned on 3 December 2018
- During November and December 2018, it acquired 3.8 mln Starbreeze A shares, representing 1.2% of Starbreeze stock capital and 4.7% of its voting rights. (avg. price SEK 2.23 per share)



CONSOLE DEVELOPER ACQUISITION MARCH 2017

KUNOS SIMULAZIONI S.R.L.

- ACQUISITION OF 100% OF ASSETTO CORSA DEVELOPER FOR 4.3 EUR MILLION, OF WHOM:
 - euro 1,375,000 entirely in cash on the closing date
 - euro 1,375,000 entirely in cash within one year from the closing date
 - euro 1,591,500 via the issue of 150,000 new digital bro ordinary shares at a price of euro 10.61
- CREATOR OF SUCCESSFULL RACING SIMULATOR ASSETTO CORSA WHICH SOLD AROUND 4.1 MILLION COPIES SINCE ITS LAUNCH IN 2014
- BASED IN ROME, ITALY



PAYDAY RIGHTS SOLD BACK TO STARBREEZE IN MAY 2016

- SOLD BACK FOR SEK 249.3 MILLION (APPROX. USD 30 MILLION) PAID IN 10.9 MILLION NEWLY ISSUED STARBREEZE B-SHARES
- AS A DEFERRED CONSIDERATION DIGITAL BROS WILL BENEFIT FROM A 33% REVENUE SHARE ON FUTURE PAYDAY3 UP TO 40 MILLION USD
- THE GROUP WILL CONTINUE TO HOLD PUBLISHING RIGHTS FOR THE CONSOLE VERSIONS OF PAYDAY 2: CRIMEWAVE EDITION



DISPOSAL OF PIPEWORKS INC.

- SOLD TO NORTHEN PACIFIC GROUP, US PRIVATE EQUITY FIRM, FOR US \$20 MILLION OF WHOM US \$2.5 MILLION ON DECEMBER 21ST, 2017 FOR A 12.5% STAKE, US \$5 MILLION ON FEBRUARY 23RD, 2018 FOR EXERCISING THE BUY OPTION, US \$12.5 MILLION IN THREE INSTALMENTS, AS FOLLOWS:
 - US \$2,5 million before June 30th, 2018
 - US \$5 million before March 31st, 2021
 - US \$5 million before March 31st, 2022
- PIPEWORKS INC. WAS ACQUIRED IN 2014 FOR VIDEOGAMES PORTING ON DIFFERENT GAMING PLATFORMS; THE COMPANY'S ACTIVITIES HAD THEN SHIFTED INTO VIDEOGAME SOFTWARE APPLICATIONS
- ON THE 30 OF JUNE 2017 PIPEWORKS INC. HAD REALIZED GROSS REVENUES OF US \$12,8 MILLION AND A NET PROFIT OF US \$1,6 MILLION



ITALIAN DISTRIBUTION - FY 2019 H1 ACTUAL

€/1000	2019 YTD	2018 YTD	CHANGE	CHANGE %
GROSS REVENUES	7,029	10,375	(3,346)	-32.3%
NET REVENUES	6,141	9,403	(3,262)	-34.7%
EBITDA	(47)	1,080	(1,127)	n.m.
EBIT	(292)	869	(1,161)	n.m.

FISICAL YEAR ENDING 30TH JUNE

SOURCE DIGITAL BROS

REDUCTION OF VIDEO GAMES SALES THROUGH PHYSICAL CHANNEL
DECREASE IN REVENUES FROM TRADING CARD DISTRIBUTION

OTHER ACTIVITIES - FY 2019 H1 ACTUAL



€/1000	2019 YTD	2018 YTD	CHANGE	CHANGE %
GROSS REVENUES	231	404	(173)	-42.8%
NET REVENUES	231	303	(72)	-24.0%
EBITDA	(244)	(484)	240	-49.6%
EBIT	(284)	(676)	392	-58.0%

FISICAL YEAR ENDING 30TH JUNE

SOURCE DIGITAL BROS

DFS FANTASFIDA SALES AND DIGITAL BROS GAME ACADEMY REVENUE

DFS FANTASFIDA ACTIVITIES HAVE ENDED DURING THE FOURTH QUARTER OF FY2018 AS THE GROUP DECIDED NOT TO RENEW THE AAMS CONCESSION

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