

Digital Bros

digital entertainment



FINANCIAL PRESENTATION OCTOBER 2018 ▲

OUR MILESTONES



1989

FOUNDATION



2000

MILAN STOCK
EXCHANGE



2007

RETAIL
PUBLISHING



2012

DIGITAL
PUBLISHING



2013

MOBILE
PUBLISHING



2015

MOBILE AND CONSOLE
DEVELOPERS ACQUISITION



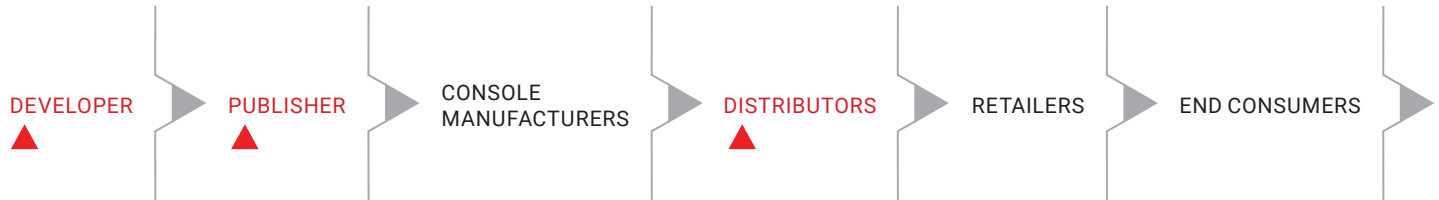
2017



MARKET VALUE CHAIN



RETAIL



DIGITAL



▲ Digital Bros Group

WE DEVELOP, PUBLISH AND MARKET MULTICHANNEL VIDEOGAMES



▲ PRODUCTION

- DR STUDIOS
- KUNOS SIMULAZIONI
- OVOSONICO



▲ PUBLISHING

- IPS SCOUTING AND SELECTION
- PRODUCTION MONITORING
- MARKETING
- COMMERCIALIZATION

▲ 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 UNDER 505 GAMES BRAND

▲ PREMIUM GAMES

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

▲ FREE TO PLAY

- DEVELOPMENT AND PUBLISHING OF VIDEOGAMES AVAILABLE TO THE PUBLIC FREE OF CHARGE 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



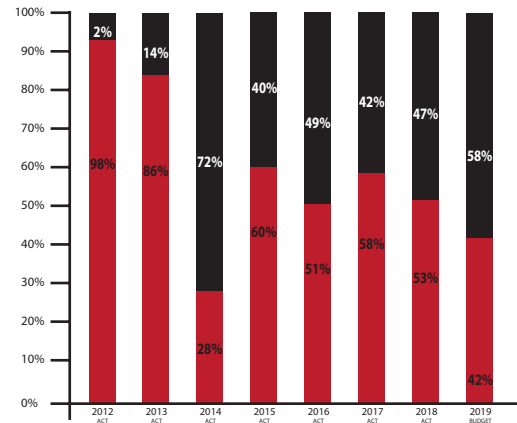
DIGITAL DISTRIBUTION

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

RETAIL DISTRIBUTION

- MAIN CHAINS AND STORES
- GLOBAL DISTRIBUTION NETWORK

REVENUES TREND RETAIL VS DIGITAL



▲ retail
▲ digital

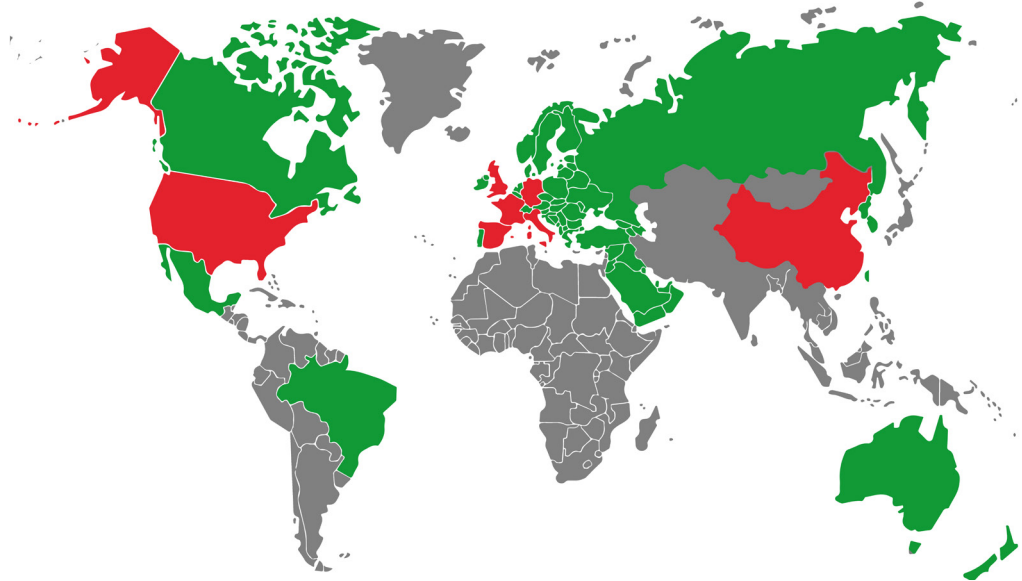
WORLDWIDE PRESENCE



HEADQUARTERS: MILAN

▲ 180* PEOPLE WORLDWIDE

- ▲ Digital Bros Group
- ▲ Distribution



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

large publishing deals



IPs owned



IP PORTFOLIO

OCTOBER 2018

OWNED IP



LONG TERM AGREEMENTS



THIRD PARTY PARTNERSHIPS



SIGNIFICANT RELEASES FOR PREMIUM AND FREE TO PLAY



PREMIUM DIGITAL & RETAIL



2019

2020

2021



FREE TO PLAY CONSOLE AND MOBILE

OVERKILL'S THE WALKING DEAD

- SMASH HIT COMIC SERIES AND TV SHOW (PEAKS OF MORE THAN 16M VIEWERS PER EPISODE ON AVERAGE)
- ALL-NEW WALKING DEAD STORYLINES WRITTEN BY ORIGINAL AUTHOR ROBERT KIRKMAN
- NARRATIVE-DRIVEN CO-OPERATIVE 1ST PERSON SHOOTER
- DEVELOPED BY STARBREEZE (PAYDAY2) OVERKILLS IS AN ALL NEW CUSTOM BUILT GAME ENGINE
- EXCLUSIVE WORLDWIDE PUBLISHING RIGHTS TO FULLY LICENSED CONSOLE GAME WITH OVERALL INVESTMENT OF SEK 300-350 MILLION ESTIMATED

RELEASE DATE PC: NOVEMBER 6TH 2018
RELEASE DATE CONSOLE: FEBRUARY 6TH 2019
IN US AND FEBRUARY 8TH 2019 IN EUROPE



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)
- EXCLUSIVE WORLDWIDE PUBLISHING RIGHTS FOR 505 GAMES
- EXPECTED RELEASE DATE TO BE ANNOUNCED FOR PLAYSTATION4, XBOX ONE AND PC, ACROSS BOTH DIGITAL AND RETAIL VERSIONS

THE TOTAL INVESTMENT IN THE GAME IS EURO 10.95 MILLION



BLOODSTAINED

- THE LATEST CREATION OF KOJI IGARASHI, THE FORMER SERIES PRODUCER OF CASTELVANIA FRANCHISE
- THE SPIRITUAL SUCCESSOR OF THE BELOVED CASTLEVANIA SERIES WHICH HAS BEEN A TOP SELLER GAME IN THE LAST TWO DECADES
- THE SECOND LARGEST VIDEOGAME CROWDFUNDING KICKSTARTER CAMPAIGN IN 2015 WHICH HAS RAISED 5.5 USD MILLIONS TO DATE FROM 65K BACKERS
- THE GAME WILL BE AVAILABLE FOR PS4, XBOX ONE, PSVITA, WII U, PC WINDOWS, LINUX AND OSX IN THE SECOND HALF OF FY2019

THE GROUP EXPECTS TO GENERATE LIFETIME REVENUES FROM THE VIDEOGAMES OF AT LEAST EURO 30 MILLION



ASSETTO CORSA

- NEW EPISODE ASSETTO CORSA COMPETIZIONE: OFFICIAL GAME OF THE BLANCPAIN GT SERIES IN EARLY ACCESS ON STEAM ON 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
 - accurate circuits with laser scan technology
 - outstanding level of details with the new unreal engine 4

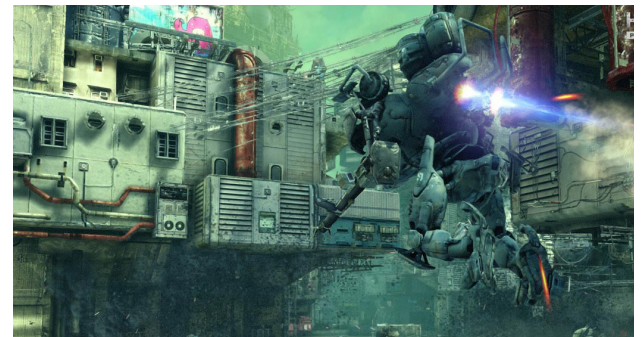
ASSETTO CORSA IS THE #1 RACING SIMULATOR - 3.4 MILLION COPIES AND EURO 29 MILLION OF REVENUES



HAWKEN

- THE MECH GENRE IS A VIABLE MARKET OPPORTUNITY WITH A LARGE POPULATION OF GAMERS AND A LOW NUMBER OF GAMES
- TAKING THE SUCCESSFUL 'MECH' GENRE & LAYERING IT WITH STRONG F2P SYSTEMS IMMERSIVE PVE ELEMENTS THAT WILL APPEAL TO THE MECH PLAYER BASE: COLLECT, BUILD AND CUSTOMIZE YOUR MECH
- THE HAWKEN ACTUAL PRODUCTION IS MORE THAN 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 drive product KPIs

UNDER CURRENT DEVELOPMENT
SOFT LAUNCH DURING FY2019

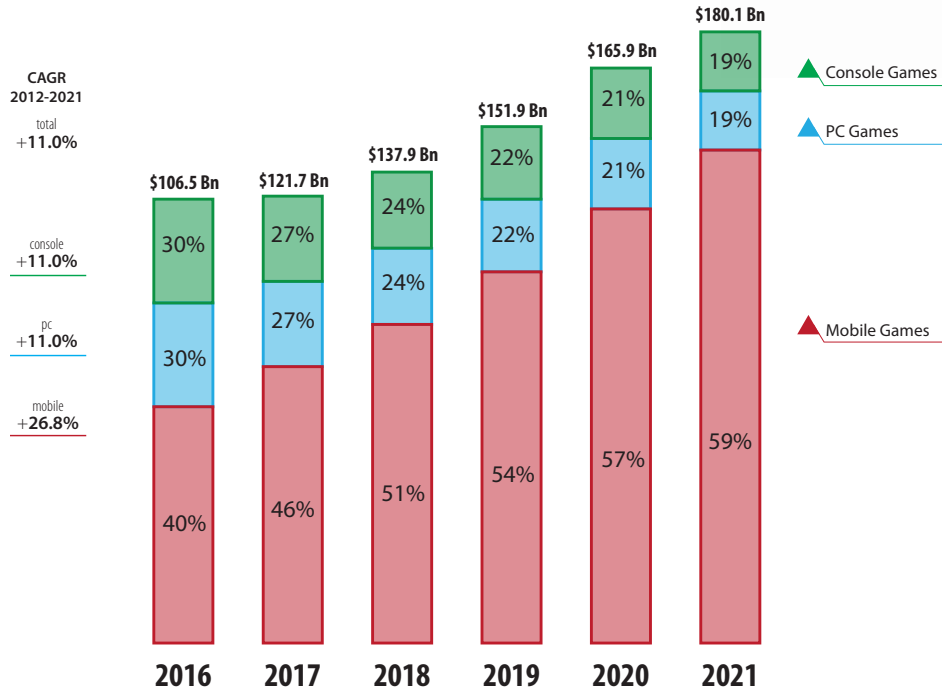


2 FINANCIALS



MARKET SIZE

THE WORLDWIDE GAMES MARKET WILL REACH \$180.1 BILLION BY 2021



SOURCE NEWZOO GLOBAL MARKET REPORT, APRIL 2018 UPDATE

CONSOLIDATED P&L - FY 2018 ACTUAL



€/1000	FY 2018	FY 2017	CHANGE	CHANGE %
GROSS REVENUES	76,038	132,681	(56,643)	-42.7%
NET REVENUES	70,405	125,664	(55,259)	-44.0%
EBITDA	4,287	18,551	(14,264)	-76.9%
EBIT	(3,563)	8,924	(12,487)	n.m.
EBT	(2,912)	14,560	(17,472)	n.m.
NET PROFIT	9,174	11,297	(2,123)	-18.8%

FISCAL YEAR ENDING 30TH JUNE

SOURCE DIGITAL BROS

NO SIGNIFICANT PRODUCT LAUNCHES DURING THE FY 2018

FY 2017 RESULTS BENEFITTED FROM THE ASSETTO CORSA LAUNCH AND THE ROCKET LEAGUE SALES

CAPITAL GAIN FROM PIPEWORKS INC. DISPOSAL OF EURO 13.9 MILLION IN FY 2018

PREMIUM GAMES - FY 2018 ACTUAL



€/1000	FY 2018	FY 2017	CHANGE	CHANGE %
GROSS REVENUES	54,138	105,618	(51,480)	-48.7%
NET REVENUES	50,736	100,892	(50,156)	-49.7%
EBITDA	10,454	26,360	(15,906)	-60.3%
EBIT	5,934	20,957	(15,023)	-71.7%

FISICAL YEAR ENDING 30TH JUNE

SOURCE DIGITAL BROS

PAYDAY AND TERRARIA, DRIVERS OF THE GROUP'S RESULTS IN RECENT YEARS, GENERATED REVENUES OF OVERALL EURO 16.4 MILLION LACK OF REVENUES FROM ROCKET LEAGUE DUE TO THE RIGHTS SOLD BACK EFFECTED 30TH JUNE 2017

FREE TO PLAY - FY 2018 ACTUAL



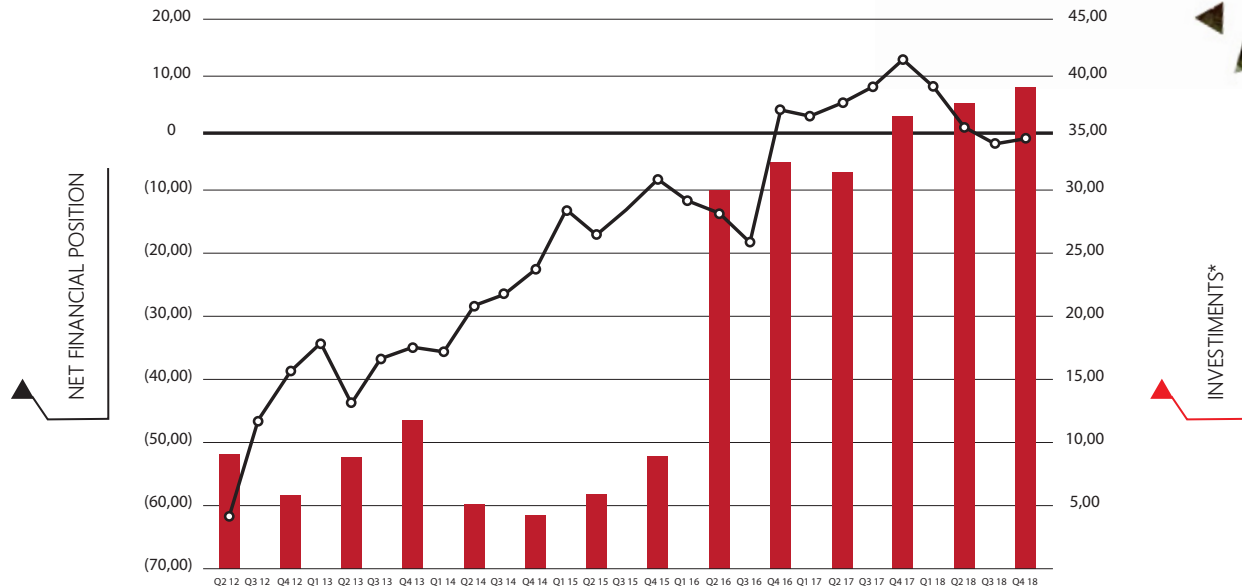
€/1000	FY 2018	FY 2017	CHANGE	CHANGE %
GROSS REVENUES	5,813	7,736	(1,923)	-24.9%
NET REVENUES	5,813	7,736	(1,924)	-24.9%
EBITDA	1,067	(105)	1,172	n.m.
EBIT	(1,059)	(2,847)	1,788	-62.8%

FISCAL YEAR ENDING 30TH JUNE

SOURCE DIGITAL BROS

CONTINUOUS REVENUE STREAM FROM GEMS OF WAR
 BALANCE IN OPEX ENABLED POSITIVE EBITDA
 FY IN PREPARATION FOR THE UPCOMING LAUNCH OF HAWKEN

NET FINANCIAL POSITION OVER THE LAST YEARS



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

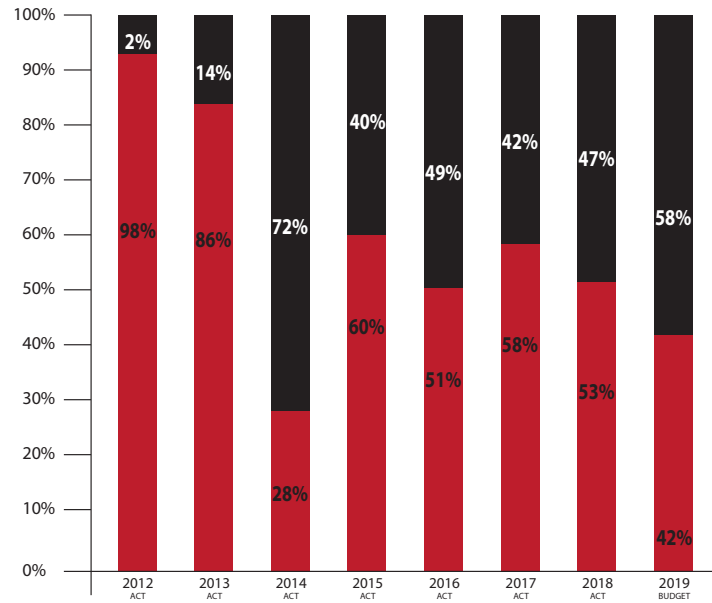
IN LINE WITH THE INVESTMENTS CURRENTLY IN PROCESS THE CASH FLOW GENERATION SLOWED DOWN

GLOBALIZATION



REVENUES TREND ITALY VS INTERNATIONAL

- ▲ Italy
- ▲ international



OUTLOOK

- EXPECTED REVENUES FOR NEXT YEAR BETWEEN EURO 145 AND EURO 190 MILLION, THANKS TO THE RELEASE OF THE BIG FY2019 PRODUCTIONS: OVERKILL'S THE WALKING DEAD, BLOODSTAINED, CONTROL
- IN LINE WITH THE INVESTMENTS CURRENTLY IN PROCESS THE CASH FLOW GENERATION SLOWS DOWN WITH A DECLINE IN THE FIRST HALF OF FY2019 AND A SIGNIFICANT IMPROVEMENT STARTING FROM SECOND HALF OF FY2019
- FREE TO PLAY OPERATING SEGMENT WILL BENEFIT FROM GEMS OF WAR CONTINUOUS SUCCESS AND WILL PREPARE THE LAUNCH OF THE NEW VERSION OF HAWKEN



DIGITAL BROS - A SNAPSHOT

- GLOBAL COMPANY, OPERATING ACROSS THE VIDEOGAMES ENTERTAINMENT MARKET
- DEVELOPMENT, PUBLISHING AND MARKETING MULTICHANNEL VIDEOGAMES
- COMBINING PREMIUM GAMES AND FREE TO PLAY GAMES TO MAXIMISE THE BRAND PROFITABILITY
- ACQUISITION OF UNDERPERFORMING INTELLECTUAL PROPERTIES (I.E. ASSETTO CORSA) TO BE EXPLOITED AND MANAGE RISK ACROSS MULTIPLE PLATFORMS
- FLEXIBLE APPROACH ON CONTENT ACQUISITION: I.E. CROWDFUNDING, TEN YEARS CO-PUBLISHING, LICENSING OF FREE TO PLAY IN CHINA
- SIGNIFICANT LAUNCH OF NEW PRODUCTS OVER THE TWO NEXT FISCAL YEARS (OVERKILL'S THE WALKING DEAD, BLOODSTAINED, CONTROL AND HAWKEN IN FREE TO PLAY)
- EXPECTED REVENUES IN FY2019 BETWEEN EURO 145 AND 190 MILLION
- HISTORY OF STRONG FREE CASHFLOW GENERATION THROUGHOUT THE CYCLE



3 APPENDIX



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 AND TABLETS

▲ 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

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
CAPCOM	✓	✓	✓	✓	✓
FOCUS HOME INTERACTIVE	✓	✓			
FRONTIER		✓	✓	✓	
GLU MOBILE		✓	✓		
PARADOX		✓		✓	
STARBREEZE AB		✓		✓	
THQ NORDIC AB	✓	✓		✓	
TEAM 17		✓		✓	
BIG BEN GROUP	✓	✓		✓	✓
DIGITAL BROS	✓	✓	✓	✓	✓

SOURCE: DIGITAL BROS

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 3.4 MILLION COPIES SINCE ITS LAUNCH IN 2014
- BASED IN ROME, ITALY

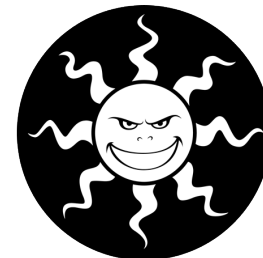


PAYDAY RIGHTS SOLD BACK TO STARBREEZE

- 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
- IMPACT OF THIS AGREEMENT ON THE FISCAL YEAR ENDING 30 OF JUNE 2016 HAS BEEN:
 - revenues: €26.8 million
 - ebt: €19.7 million
 - net financial position: €22.9 million
- THE GROUP WILL CONTINUE TO HOLD PUBLISHING RIGHTS FOR THE CONSOLE VERSIONS OF PAYDAY 2: CRIMEWAVE EDITION



Digital Bros
digital entertainment



STARBREEZE
STUDIOS

DISPOSAL OF PIPEWORKS INC.

- SOLD TO NORTHEN PACIFIC GRUOP, US PRIVATE EQUITY FIRM FOR 20 MILLION US DOLLARS OF WHOM 2,5 MILLION US DOLLARS FOR 12,5% STAKE ON DECEMBER 21ST 2017, 5 MILLION US DOLLARS ON FEBRUARY 23RD 2018 FOR EXERCISING THE BUY OPTION, 12,5 MILLION US DOLLARS IN THREE ISTALLMENTS, AS FOLLOWS:
 - 2,5 million before june 30th, 2018
 - 5 million before march 31st, 2021
 - 5 million before march 31st, 2022
- CONTRACTUAL AGREEMENT TO POSTPONE THE FIRST PAYMENT TO CURRENT FINANCIAL YEAR. BUY OPTION ON THE PROPERTY OWNED BY THE SUBSIDIARY 133 W BROADWAY INC. FOR USD 2.5 MILLION, UNTIL 15TH OCTOBER 2018
- PIPEWORKS INC. WAS ACQUIRED IN 2014 TO ENABLE MORE EFFICIENT PROCESS OF PORTING VIDEOGAMES ON TO DIFFERENT GAMING PLATFORMS. OVER THE PAST THREE YEARS, THE COMPANY'S ACTIVITIES HAS SHIFTED INTO A VIDEOGAMES SOFTWARE APPLICATIONS COMPANY
- ON THE 30 OF JUNE 2017 PIPEWORKS INC. REALIZED GROSS REVENUES OF 12,8 MILLION US DOLLARS AND A NET PROFIT OF 1,6 MILLION US DOLLARS



PIPEWORKS
STUDIO

TERRARIA

- LICENSED TO IDREAMSKY GAMES THE EXCLUSIVE RIGHTS FOR TERRARIA FOR THE CHINESE MARKET
- DIGITAL BROS WILL RECEIVE A 50% ROYALTY ON NET SALES
- IDREAMSKY GAMES IS THE LARGEST INDEPENDENT MOBILE GAME PUBLISHING PLATFORM IN CHINA LISTED ON NASDAQ (DSKY)
- HEADQUARTERED IN SHENZHEN
- MARKET CAPITALISATION OF \$600 MILLION
- 1.3 BILLION REGISTERED USERS ON MAY 2016



乐逗游戏
iDREAMSKY GAMES



PORTAL KNIGHTS

- TERRARIA MEETS MINECRAFT AND LEGEND OF ZELDA
- INTERNALLY DEVELOPED CONCEPT AND FULLY-OWNED IP
- #1 SELLING GAME ON STEAM AT LAUNCH OF EARLY ACCESS END OF FEBRUARY 2016



- ASSIGNED TO DUOYI NETWORK CO. LTD. THE EXCLUSIVE RIGHTS FOR PORTAL KNIGHTS FOR THE CHINESE MARKET. PC PREMIUM VERSION OF PORTAL KNIGHTS LOCALIZED AND ADAPTED FOR THE CHINESE MARKET BY DUOYI NETWORK CO. LTD. RELEASED ON NOVEMBER 2017
- DIGITAL BROS WILL RECEIVE A 50% ROYALTY, THE PAYMENT OF A LICENSING FEE AND MINIMUM GUARANTEE

ITALIAN DISTRIBUTION - FY 2018 ACTUAL



€/1000	FY 2018	FY 2017	CHANGE	CHANGE %
GROSS REVENUES	15,443	18,464	(3,021)	-16.4%
NET REVENUES	13,534	16,613	(3,097)	-18.5%
EBITDA	(57)	565	(622)	n.m.
EBIT	(431)	(116)	(315)	n.m.

FISICAL YEAR ENDING 30TH JUNE

SOURCE DIGITAL BROS

DECREASE DUE TO A REDUCTION OF SALES OF TRADING CARDS THROUGH NEWSSTAND

OTHER ACTIVITIES - FY 2018 ACTUAL



€/1000	FY 2018	FY 2017	CHANGE	CHANGE %
GROSS REVENUES	644	863	(219)	-25.3%
NET REVENUES	(322)	423	(101)	-23.9%
EBITDA	(364)	(1,796)	832	-46.3%
EBIT	(1,517)	(2,175)	658	-30.2%

FISCAL YEAR ENDING 30TH JUNE

SOURCE DIGITAL BROS

DFS FANTASFIDA SALES AND DIGITAL BROS GAME ACADEMY REVENUE
 FANTASFIDA ACTIVITIES HAVE ENDED DURING THE FOURTH QUARTER FY2018 AS THE GROUP DECIDED NOT TO RENEW THE AAMS
 CONCESSION

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Digital Bros S.p.a.
Via Tortona, 37
20144 Milano, Italia
www.digitalbros.com