

The background features a white central area with red and grey geometric shapes. A thick red horizontal bar is at the top, and a grey diagonal shape is on the right. A large red diagonal shape is at the bottom left.

Digital Bros

digital entertainment

FINANCIAL
PRESENTATION
JUNE 2018

WE DEVELOP, PUBLISH AND MARKET MULTICHANNEL VIDEOGAMES



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 MATERIAL 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

IN THE LAST 5 YEARS THE STRATEGIC CHALLENGES WE FACED:

TO REDUCE THE RELIANCE ON THE ITALIAN MARKET WE NEEDED TO GROW THE BUSINESS INTERNATIONALLY

TO EXPAND THE BUSINESS INTO BECOMING A GLOBALLY INTEGRATED PUBLISHING AND DEVELOPMENT COMPANY

TO INCREASE SIGNIFICANTLY THE PORTION OF DIGITAL REVENUES

IN THE NEXT 5 YEARS WE NEED:

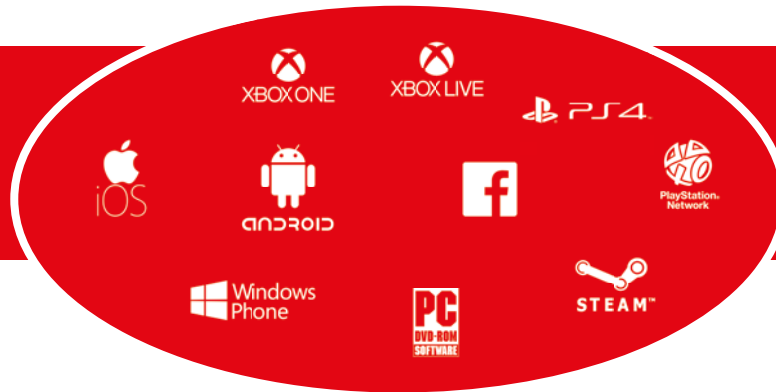
TO PENETRATE FAR EAST MARKET WITH APPROPRIATE CONTENT

TO INCREASE OUR OWN INTELLECTUAL PROPERTIES

TO IMPROVE THE QUALITY AND VISIBILITY OF EARNINGS BY MONETISING THE LONG TAIL VIDEOGAMES

EVOLUTION OF THE VIDEOGAME MARKET

FROM TRADITIONAL RETAIL DISTRIBUTION TO DIGITAL, MOBILE & MULTICHANNEL



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



NEW RELEASES &
INVESTMENTS

PLANNED INVESTMENTS

OUR SUCCESSFUL
PRODUCTS
GENERATED CASH



TO INVEST FOR
GROWTH



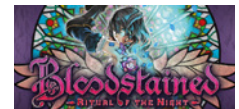
WE ENTERED INTO THE
LARGEST INVESTMENT
PLAN THROUGH STRATEGIC
ACQUISITIONS AND BRAND
NEW PUBLISHING DEALS

IPs OWNED

CONTROL



LARGE
PUBLISHING
DEALS



SIGNIFICANT RELEASES FOR PREMIUM AND FREE TO PLAY

PREMIUM DIGITAL & RETAIL

OVERKILL'S THE WALKING DEAD



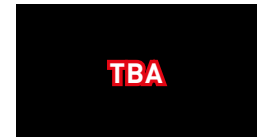
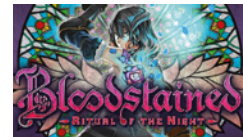
CONTROL



MEMORIES OF MARS



BLOODSTAINED



2018

2019

2020

GEMS OF WAR



CHINESE
FREE TO PLAY
GAMES

HAWKEN

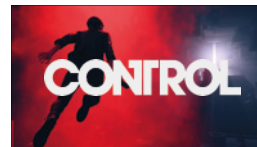


FREE TO PLAY CONSOLE AND MOBILE

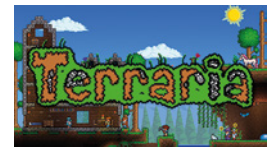
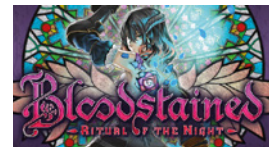
OWNED IP



LONG TERM AGREEMENTS

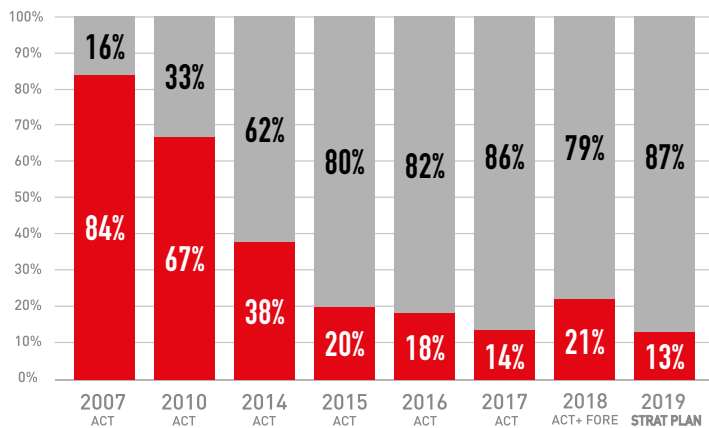


THIRD PARTY IP



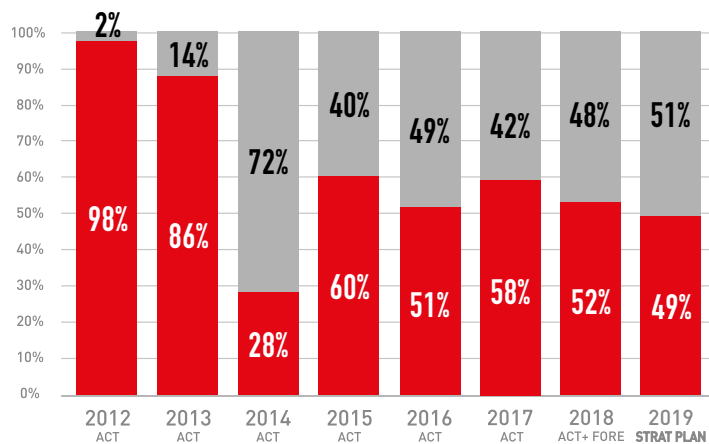
GLOBALIZATION & DIGITALIZATION

REVENUES TREND ITALY VS INTERNATIONAL



 ITALY
 INTERNATIONAL

REVENUES TREND RETAIL VS DIGITAL/MOBILE



 RETAIL
 DIGITAL/MOBILE

OVERKILL'S THE WALKING DEAD



SMASH HIT COMIC SERIES AND TV SHOW
(14.4M AVERAGE US VIEWERSHIP SEASON 5)

ALL-NEW WALKING DEAD STORYLINES WRITTEN
BY ORIGINAL AUTHOR ROBERT KIRKMAN

NARRATIVE-DRIVEN CO-OPERATIVE 1ST PERSON
SHOOTER

DEVELOPED BY STARBREEZE OVERKILL (PAYDAY2)
IN AN ALL-NEW CUSTOM BUILT GAME ENGINE

EXCLUSIVE WORLDWIDE PUBLISHING RIGHTS
TO FULLY LICENSED CONSOLE GAME WITH
OVERALL INVESTMENT OF USD 20 MILLION

RELEASE DATE 2018 NOVEMBER 6TH IN NORTH
AMERICA AND NOVEMBER 8TH IN EUROPE

REMEDY



CINEMATIC THIRD PERSON ACTION GAME BUILT ON REMEDY'S PROPRIETARY NORTHLIGHT® TECHNOLOGY

DEVELOPED BY REMEDY ENTERTAINMENT, RENOWNED DEVELOPER OF AAA VIDEO GAMES (MAX PAYNE, ALAN WAKE AND QUANTUM BREAK)

EXCLUSIVE WORLDWIDE PUBLISHING RIGHTS

EXPECTED RELEASE DATE IN FY19 FOR PLAYSTATION4, XBOX ONE AND PC, ACROSS BOTH DIGITAL AND RETAIL VERSIONS

THE TOTAL INVESTMENT IN THE GAME IS EURO 8.95 MILLION

BLOODSTAINED



THE LATEST CREATION OF KOJI IGARASHI, THE FORMER SERIES PRODUCER OF CASTELVANIA FRANCHISE

THE SPIRITUAL SUCCESSOR OF THE BELOVED CASTELVANIA 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 RELEASE WAS POSTPONED TO THE SECOND HALF OF 2019 TO PRESERVE THE GAME QUALITY

THE GAME WILL BE AVAILABLE FOR PS4, XBOX ONE, PSVITA, WII U, PC WINDOWS, LINUX AND OSX

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

3 YEARS PARTNERSHIP WITH BLANCPAIN
COMPETITION

FULLY LICENSED GT CARS FROM TOP
MANUFACTURER: FERRARI, LAMBORGHINI, MCLAREN

EARLY ACCESS ON STEAM THIS SUMMER, UNIQUE
SELLING POINTS:

- 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
– 2.8 MILLION COPIES AND EURO 26 MILLION
OF REVENUES

HAWKEN

HAWKEN



THE MECH GENRE IS AN UNDER-SERVED GENRE THAT PRESENTS A VIABLE MARKET OPPORTUNITY WITH SIGNIFICANT UNTAPPED POTENTIAL

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 NEW HAWKEN VERSION IS MORE THAN A SEQUEL:

- NEW GAME DESIGN
- OBJECTIVE-BASED PVE TO MAXIMIZE REVENUES WITHOUT BEING 'PAY-TO-WIN' & TO CREATE SUSTAINABLE LONG-TERM PRODUCT GROWTH
- ENHANCED MECH CUSTOMIZATION SYSTEM FOR DEEPER MONETIZATION STREAMS
- MECH DIFFERENTIATION TO DRIVE PRODUCT KPIs

UNDER CURRENT DEVELOPMENT.
SOFT LAUNCH DURING FY2019

FINANCIALS

CONSOLIDATED P&L – FY2018 Q3 YTD ACTUAL

€/1000	Q3 FY2018 YTD	Q3 FY2017 YTD	CHANGE	CHANGE%
GROSS REVENUES	61,968	92,173	(30,205)	-32.8%
NET REVENUES	57,598	87,473	(29,875)	-34.2%
EBITDA	5,472	9,590	(4,118)	-42.9%
EBIT	(246)	4,656	(4,902)	n.m.
EBT	(154)	10,413	(10,567)	n.m.
NET RESULT FROM CONTINUING OPERATIONS	(413)	7,066	(7,479)	n.m.
NET RESULT FROM DISCONTINUED OPERATIONS	12,427	718	11,709	n.m.
NET PROFIT	12,014	7,784	4,230	54.3%

FISCAL YEAR ENDING 30TH JUNE

SOURCE: DIGITAL BROS

NO SIGNIFICANT PRODUCT LAUNCH DURING THE YEAR

LAST YEAR RESULTS BENEFITTED FROM THE ASSETTO CORSA LAUNCH AND THE ROCKET LEAGUE SALES

CAPITAL GAIN FROM PIPEWORKS INC. DISPOSAL OF EURO 13.9 MILLION

PREMIUM GAMES – FY2018 Q3 YTD ACTUAL

€/1000	Q3 FY2018 YTD	Q3 FY2017 YTD	CHANGE	CHANGE%
GROSS REVENUES	43,124	70,749	(27,625)	-39.0%
NET REVENUES	40,505	67,740	(27,235)	-40.2%
EBITDA	9,179	14,002	(4,823)	-34.4%
EBIT	5,836	12,153	(6,317)	-52.0%

FISCAL YEAR ENDING 30TH JUNE

SOURCE: DIGITAL BROS

PAYDAY2 AND TERRARIA, DRIVERS OF THE GROUP'S RESULTS IN RECENT YEARS, GENERATED REVENUES OF OVERALL EURO 12.8 MILLION

LACK OF REVENUES FROM ROCKET LEAGUE DUE TO THE RIGHTS SOLD BACK EFFECTED 30TH JUNE 2017

FREE TO PLAY – FY2018 Q3 YTD ACTUAL

€/1000	Q3 FY2018 YTD	Q3 FY2017 YTD	CHANGE	CHANGE%
GROSS REVENUES	4,188	5,845	(1,657)	-28.3%
NET REVENUES	4,188	5,845	(1,657)	-28.3%
EBITDA	520	(18)	538	n.m.
EBIT	(1,096)	(2,065)	969	-46.9%

FISCAL YEAR ENDING 30TH JUNE

SOURCE: DIGITAL BROS

GEMS OF WAR REVENUES STABLE
BREAK-EVEN EBITDA, STILL NEGATIVE EBIT

ITALIAN DISTRIBUTION – FY2018 Q3 YTD ACTUAL

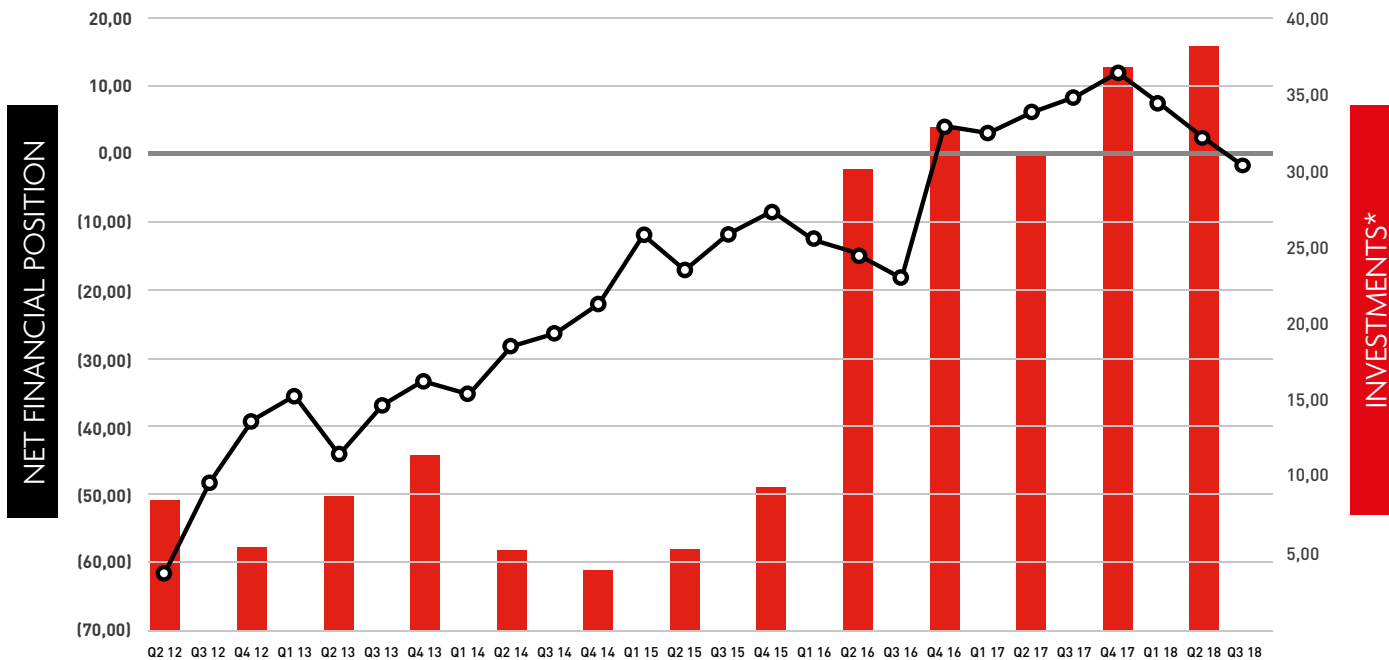
€/1000	Q3 FY2018 YTD	Q3 FY2017 YTD	CHANGE	CHANGE%
GROSS REVENUES	14.053	14.959	(906)	-6,1%
NET REVENUES	12.455	13.598	(1.143)	-8,4%
EBITDA	1.169	1.618	(449)	-27,7%
EBIT	878	1.029	(151)	-14,7%

FISCAL YEAR ENDING 30TH JUNE

SOURCE: DIGITAL BROS

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

NET FINANCIAL POSITION OVER THE LAST YEARS



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

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

LAUNCH OF MEMORIES OF MARS IN THE LAST QUARTER OF FY18

FURTHER DECREASE OF FINANCIAL NET POSITION EXPECTED DUE TO THE INVESTMENTS IN NEXT YEAR LAUNCHES DESPITE PIPEWORKS DISPOSAL

NET FINANCIAL POSITION WILL IMPROVE SIGNIFICANTLY STARTING FROM SECOND HALF 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

PREMIUM GAMES WILL LOSE PROFITABILITY FOLLOWING THE TEMPORARY EXPECTATIONS ON REVENUE REDUCTION WHILE THE OTHER OPERATING SEGMENTS WILL CONTRIBUTE TO REDUCE THE GAP (BUT WILL NOT FILL IT)



APPENDIX

ORGANIZATION CHART

Digital Bros digital entertainment

FREE TO PLAY

505GAMES[®]
M O B I L E

PREMIUM GAMES

505
GAMES[®]

STUDIOS



HAWKEN

HAWKEN ENTERTAINMENT



INTERNATIONAL PRESENCE

180* PEOPLE WORLDWIDE

HEADQUARTERS: MILAN

CHINA

■ SHENZHEN

FRANCE

■ LYON

GERMANY

■ REGENSBURG

ITALY

■ MILAN

SPAIN

■ MADRID

UNITED KINGDOM

■ MILTON KEYNES

UNITED STATES

■ LOS ANGELES



OUR MILESTONES



1989

FOUNDATION

2000

MILAN
STOCK
EXCHANGE

2007

RETAIL
PUBLISHING

2012

DIGITAL
PUBLISHING

2013

MOBILE
PUBLISHING

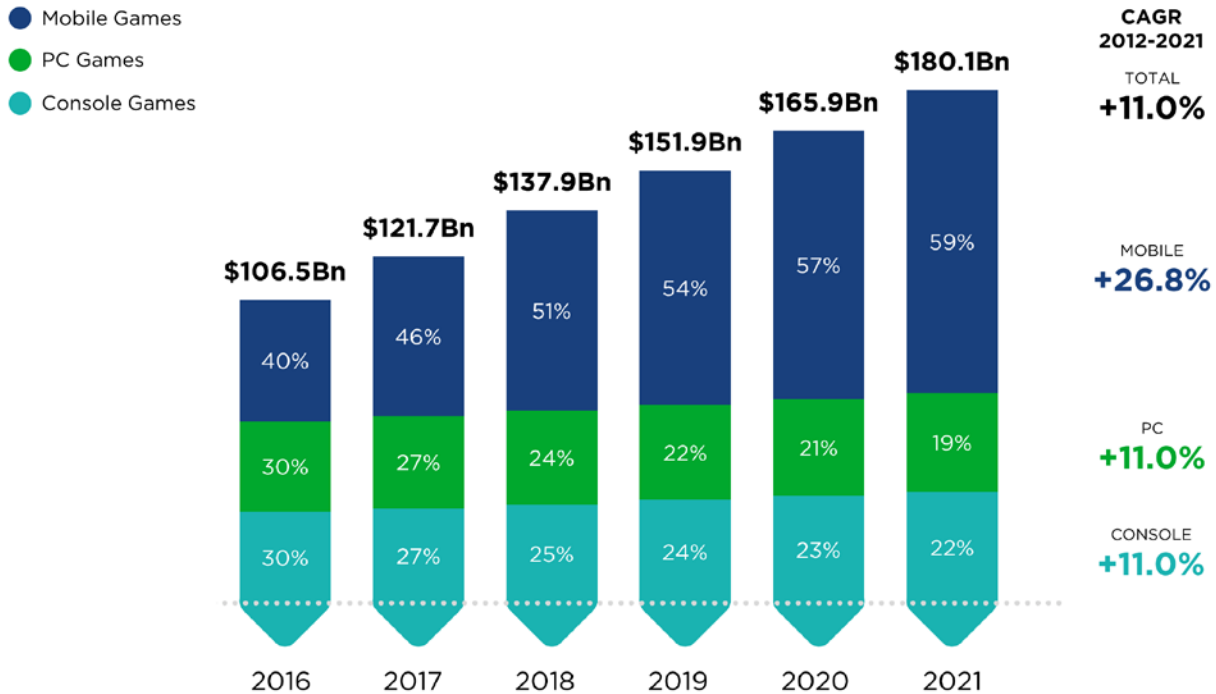
2015

MOBILE AND
CONSOLE DEVELOPERS
ACQUISITION

2017

MARKET SIZE

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



SOURCE: NEWZOO GLOBAL GAMES MARKET REPORT, APRIL 2018 UPDATE

WHO ARE OUR COMPETITORS

NAME	RETAIL PUBLISHING	DIGITAL PUBLISHING	F2P	DEVELOPMENT
CAPCOM	✓	✓	✓	✓
FOCUS HOME INTERACTIVE	✓	✓		
FRONTIER		✓	✓	✓
GLU MOBILE		✓	✓	
PARADOX		✓		✓
STARBREEZE AB		✓		✓
THQ NORDIC AB	✓	✓		✓
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 BROS ORDINARY SHARES AT A PRICE OF EURO 10.61

CREATOR OF SUCCESSFULL RACING SIMULATOR
ASSETTO CORSA WHICH SOLD AROUND 2.8 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
S T U D I O S

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

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



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 PROTECTIONS & ADJ	10%	0,0%	PRICE PROTECTIONS & 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 %

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



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



Release date: May 2017 for PC, Mobile and consoles



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