

Digital Bros

digital entertainment



PRESENTATION JANUARY 2020 ▲

OUR MILESTONES



1989	2000	2007	2012	2013	2015	2017	2020
FOUNDATION	LISTING	RETAIL PUBLISHING	DIGITAL PUBLISHING	MOBILE PUBLISHING	MOBILE AND CONSOLE DEVELOPERS ACQUISITION		SHAREHOLDING ACQUISITION IN VIDEOGAME COMPANY



MARKET VALUE CHAIN

RETAIL



DIGITAL



DIGITALBROSGROUP

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, MICROSOFT XBOX LIVE AND EPIC GAMES STORE)

▲ 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



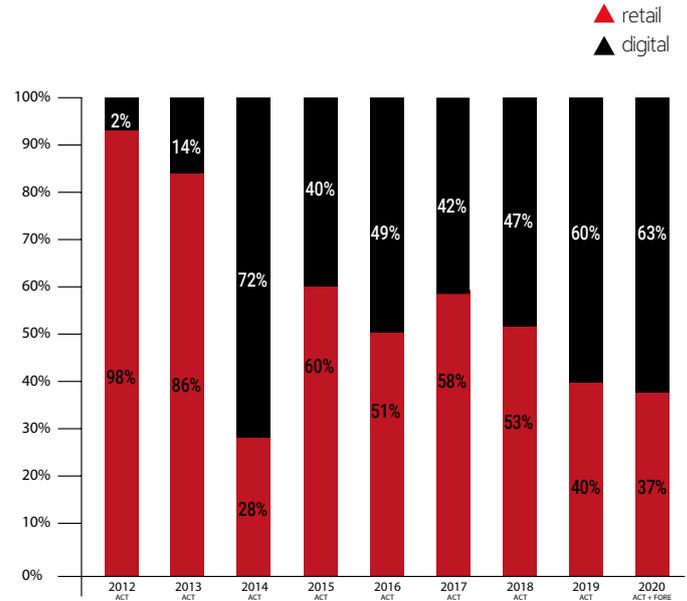
DIGITAL DISTRIBUTION

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

RETAIL DISTRIBUTION

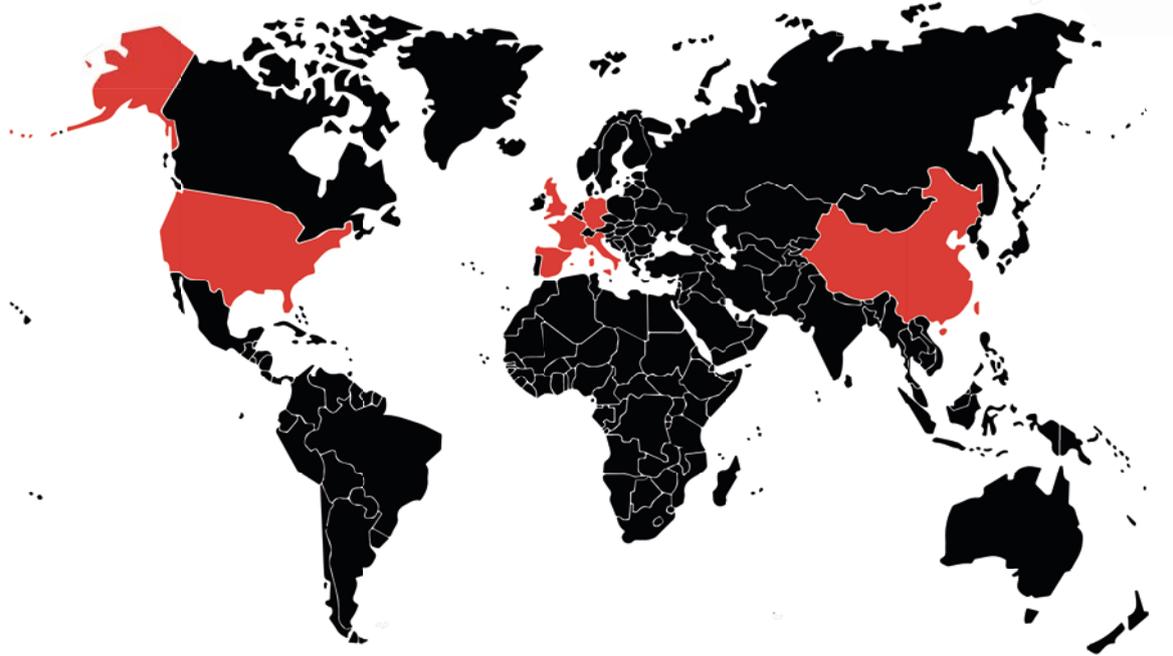
- MAIN CHAINS & STORES
- E-COMMERCE

REVENUES TREND RETAIL VS DIGITAL



WORLDWIDE PRESENCE

HEADQUARTERS: MILAN



 200* PEOPLE WORLDWIDE

1 NEW RELEASES & INVESTMENTS

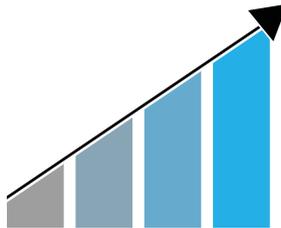


PLANNED INVESTMENTS

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

JANUARY 2020

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

ASSETTO CORSA



- ASSETTO CORSA IS THE #1 RACING SIMULATOR – 5.2 MILLION COPIES SOLD AND MORE THAN EURO 37 MILLION REVENUES
- NEW EPISODE ASSETTO CORSA COMPETIZIONE: OFFICIAL GAME OF THE BLANCPAIN GT SERIES (3 YEARS PARTNERSHIP) RELEASED ON MAY 29TH 2019
- 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

MOBILE VERSION UNDER DEVELOPMENT



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 (\$5.5 MILLION FROM 65K BACKERS)
- THE GAME IS AVAILABLE FOR PS4, XBOX ONE, PC WINDOWS, LINUX AND OSX
- HIGH METACRIT SCORE (AVG. ABOVE 83) AND USER SCORE (AVG. ABOVE 8.3) ON PLAYSTATION 4, XBOX ONE AND PC
- EXPECTED LIFETIME REVENUES OF AT LEAST EURO 30 MILLION FROM THE VIDEOGAME

PS4/XBOX ONE RELEASED ON JUNE 18TH 2019
SWITCH RELEASED ON JUNE 25TH 2019

Bloodstained
— RITUAL OF THE NIGHT —

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 ON PC, PLAYSTATION 4 AND XBOX ONE
- PUBLISHING PARTNERSHIP WITH EPIC GAMES
- THE TOTAL INVESTMENT IN THE GAME IS EURO 12.25 MILLION
- HIGH METACRIT SCORE (AVG. 83)

RELEASED ON AUGUST 27TH, 2019

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
- HIGH METACRIT SCORE (AVG. ABOVE 80)

RELEASED ON OCTOBER 8TH, 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 ON PC, PLAYSTATION 4 AND XBOX ONE
- PUBLISHING PARTNERSHIP WITH EPIC GAMES

RELEASE ON JANUARY 28TH, 2020



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

RELEASE IN SPRING 2020



HAWKEN

DEATH STRANDING

- GROUNDBREAKING EXPERIENCE FROM LEGENDARY GAME CREATOR HIDEO KOJIMA
- CONSOLE VERSION PUBLISHED BY SONY INTERACTIVE ENTERTAINMENT
 - Released on November 8th, 2019
 - High Metacritic Score: avg. 83
- WORLDWIDE PUBLISHING RIGHTS ON PC FOR DIGITAL BROS
- EXPECTED LIFETIME REVENUE IN EXCESS OF EURO 50 MILLION FROM THE PC VERSION OF THE VIDEOGAME

RELEASE IN SUMMER 2020

A HIDEO KOJIMA GAME
D E A T H
S T R A N D I N G

2 FINANCIALS



CONTROL™

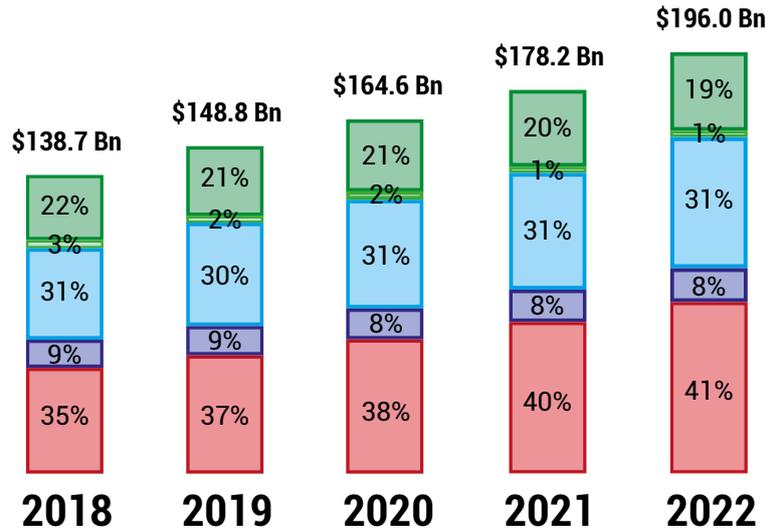
MARKET SIZE

THE WORLDWIDE GAMES MARKET WILL REACH \$196 BILLION BY 2022



+9%

TOTAL MARKET CAGR
2018-2022



- ▲ Boxed/Downloaded PC
- ▲ Browser PC
- ▲ Console
- ▲ Tablet
- ▲ Smartphone

SOURCE NEWZOO GLOBAL MARKET REPORT, OCTOBER 2019 UPDATE

CONSOLIDATED P&L - Q1 2020 ACTUAL

€/1000	FY 2020 YTD	FY 2019 YTD	CHANGE	CHANGE %
GROSS REVENUES	38,529	17,427	21,102	121%
NET REVENUES	36,419	16,424	19,995	122%
EBITDA	5,337	1,236	4,101	n.m.
EBIT	3,192	(616)	3,808	n.m.
EBT	3,899	(663)	4,562	n.m.
NET PROFIT	2,876	(606)	3,482	n.m.

FISCAL YEAR ENDING 30TH JUNE

SOURCE: DIGITAL BROS

SIGNIFICANT REVENUE GROWTH IN THE FIRST QUARTER AND IMPROVEMENT OF ALL FINANCIAL MARGINS FUELED BY THE GROUP'S STRATEGIC PLAN OF VIDEOGAME RELEASES.

VIDEO GAMES RELEASE PLAN: BLOODSTAINED (LAST QUARTER FY2019), CONTROL (Q1 FY2020), INDIVISIBLE (Q2 FY2020), JOURNEY TO SAVAGE PLANET (Q3 2020).

PREMIUM GAMES - Q1 2020 ACTUAL



€/1000	FY 2020 YTD	FY 2019 YTD	CHANGE	CHANGE %
GROSS REVENUES	32,613	11,343	21,270	188%
NET REVENUES	30,926	10,844	20,082	185%
EBITDA	6,295	2,086	4,209	n.m.
EBIT	5,063	866	4,197	n.m.

FISICAL YEAR ENDING 30TH JUNE

SOURCE: DIGITAL BROS

GROSS REVENUE SIGNIFICANT INCREASE (+188%) RESULTING FROM THE SALES OF CONTROL, LAUNCHED ON AUGUST 27TH, 2019 (€17.7 MILLION) AND BLOODSTAINED, LAUNCHED IN Q4 LAST FY (€5.5 MILLION)

FREE TO PLAY - Q1 2020 ACTUAL



€/1000	FY 2020 YTD	FY 2019 YTD	CHANGE	CHANGE %
GROSS REVENUES	1,673	1,638	35	2.1%
NET REVENUES	1,673	1,638	35	2.1%
EBITDA	428	538	(110)	-20.5%
EBIT	(230)	48	(278)	n.m.

FISCAL YEAR ENDING 30TH JUNE

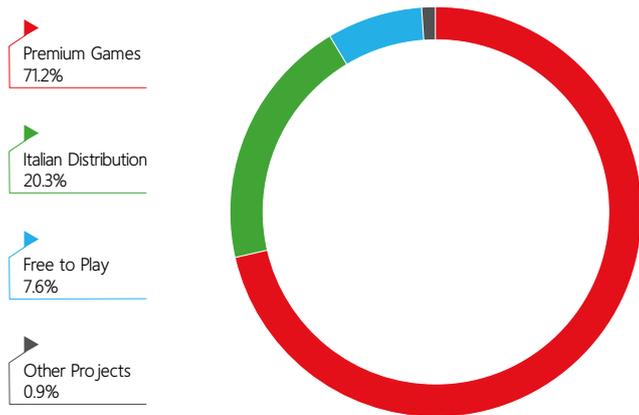
SOURCE: DIGITAL BROS

REVENUES INCREASED BY 2.1% DUE TO THE POSITIVE PERFORMANCE OF GEMS OF WAR

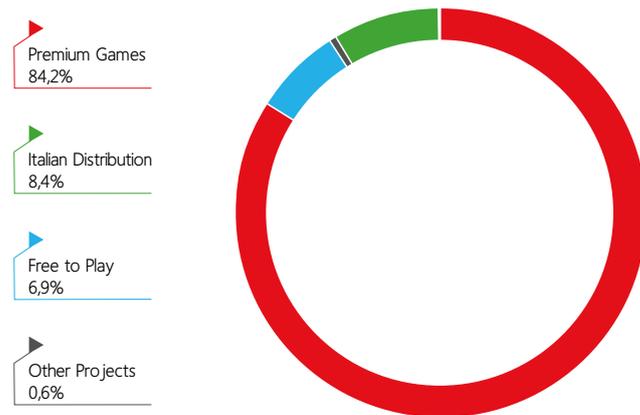
REVENUE BREAKDOWN BY SEGMENT



CONSOLIDATED FY 2018



CONSOLIDATED Q1 ACTUAL + FY2020 FORECAST

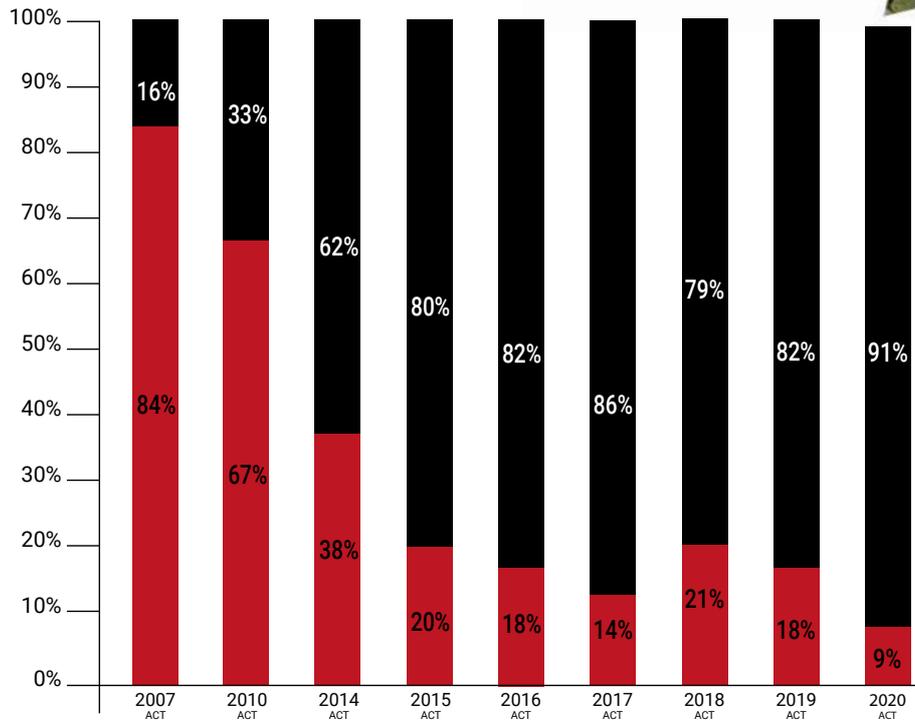


GLOBALIZATION

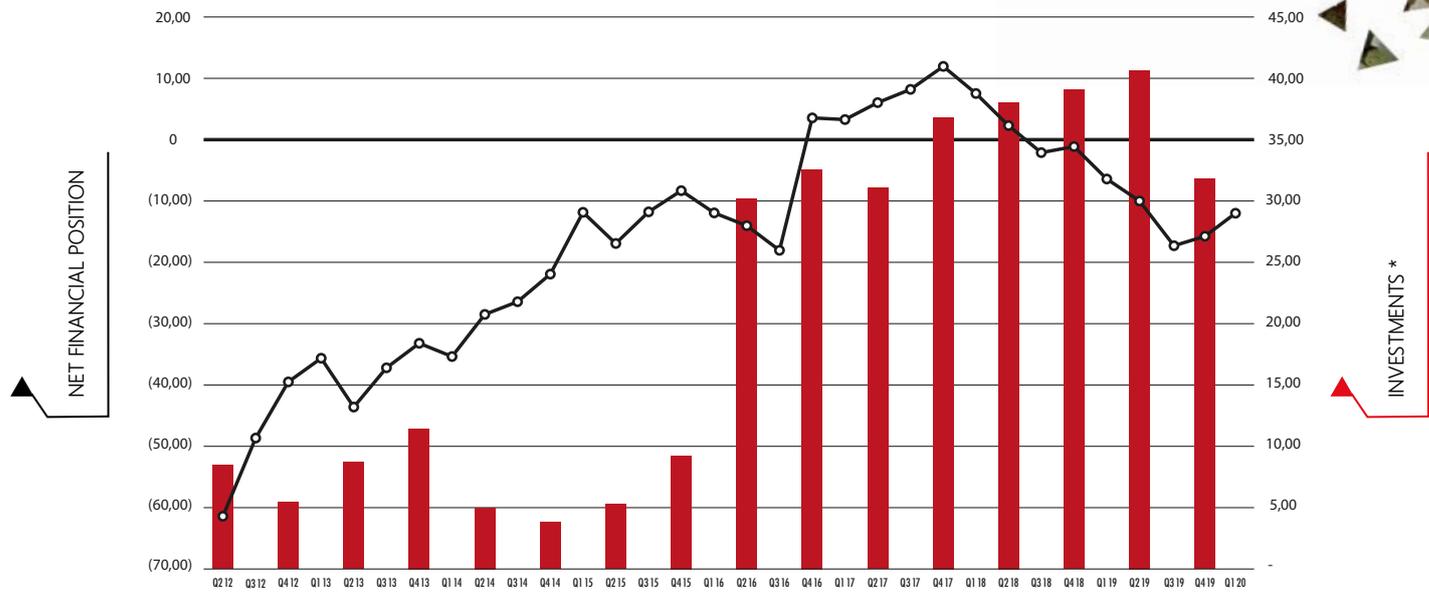


REVENUES TREND ITALY VS INTERNATIONAL

- ▲ Italy
- ▲ international



NET FINANCIAL POSITION OVER THE LAST YEARS



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

OUTLOOK

- SIGNIFICANT REVENUE GROWTH EXPECTED IN THE CURRENT FISCAL YEAR AND IMPROVEMENT OF ALL FINANCIAL MARGINS
- VIDEO GAMES RELEASE PLAN FY2020: CONTROL RELEASED IN Q1, INDIVISIBLE RELEASED IN Q2, JOURNEY TO THE SAVAGE PLANET WILL BE LAUNCHED IN Q3 AND THE FREE TO PLAY VIDEOGAME HAWKEN WILL BE RELEASED IN Q4
- SIGNIFICANT REVENUE STREAM FROM DLCs DIGITAL DISTRIBUTION FOLLOWING NEW VIDEOGAME LAUNCHES
- BETTER PREDICTABILITY OF REVENUE FROM CONTRACTUAL AGREEMENTS (E.G. EXCLUSIVITY DEALS WITH DIGITAL MARKETPLACES, SUBLICENSING CONTRACTS WITH THE FAR EAST) AND EASIER STATISTICAL ESTIMATIONS (DLCs)
- EXPECTED REDUCTION OF NET FINANCIAL DEBT DURING THE FISCAL YEAR

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
- STRONG LAUNCH PLAN OF NEW VIDEOGAMES OVER FISCAL YEARS 2019 AND 2020 (ASSETTO CORSA COMPETIZIONE, BLOODSTAINED, CONTROL, INDIVISIBLE, 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 (available)	Streaming	PC, mobile, Smart TV and Consoles	Subscription - Pro: 9.99€ per month + single game purchase - Base: free + single game purchase
Apple Arcade (available)	Digital download (possibly with streaming for specific contents)	Apple devices only (Mac, Apple TV, iPad, iPhones)	Subscription 4.99€ per month
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 AB

STARBREEZE AB IS A SWEDISH VIDEOGAME DEVELOPER AND PUBLISHER, OWNER OF THE FAMOUS PAYDAY IP.

DIGITAL BROS IS THE MAJOR STAKEHOLDER OF THE COMPANY HAVING AN EARN OUT UP TO USD 40 MLN ON THE FUTURE PAYDAY 3 AND THE CONSOLE PUBLISHING RIGHTS OF PAYDAY 2.

IN ORDER TO HAVE A GREATER INVOLVEMENT IN STARBREEZE AB CORPORATE STRATEGIES' DEFINITION, DIGITAL BROS:

- On January 14th, 2020 signed an agreement to buy all the assets held by Smilegate Holdings in Starbreeze AB for €19.2 mln (authorized by Digital Bros BoD on January 21st, 2020). The overall nominal value is €36 million:
 - Convertible Bond of SEK 215 mln (€20.4 mln) issued by Starbreeze AB; strike price SEK 2.25 per share; if converted => 22.49% of Starbreeze AB share capital and 10.60% of the voting rights;
 - credit of approx. €13.8 mln held by Smilegate Holdings in Starbreeze (payment no later than 5y);
 - no. 3,601,083 STAR A shares and no. 6,018,948 STAR B shares of approx. €1.8 mln (2.92% of Starbreeze AB share capital and 5.21% of the voting rights).

This acquisition is alternative to a call/put option scheme to buy the assets separately for a total consideration of €21.8 million.

- On 15th January 2020, bought no. 18,969,395 Starbreeze AB STAR A (unit price SEK 1.36 per share, total price 25.8 mln + potential earnout). After such acquisition, Digital Bros owns 7% of Starbreeze AB share capital and 28.6% of the voting rights.

WITH SMILEGATE HOLDINGS SHARES AND THE POTENTIAL CONVERSION OF THE BOND, DIGITAL BROS MAY OWN 30.18% OF STARBREEZE AB SHARE CAPITAL AND 40.83%.



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 SUCCESSFUL RACING SIMULATOR ASSETTO CORSA WHICH SOLD AROUND 5.2 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



PIPEWORKS
STUDIO

ITALIAN DISTRIBUTION - Q1 2020 ACTUAL



€/1000	FY 2020 YTD	FY 2019 YTD	CHANGE	CHANGE %
GROSS REVENUES	4,125	4,390	(265)	- 6%
NET REVENUES	3,702	3,886	(184)	- 4.7%
EBITDA	61	479	(418)	- 87,3%
EBIT	19	403	(384)	- 95,3%

FISCAL YEAR ENDING 30TH JUNE

SOURCE: DIGITAL BROS

INCREASE IN REVENUE FROM RETAIL VIDEO GAMES DISTRIBUTION (+4.5%)
SIGNIFICANT DROP IN COLLECTIBLE CARD DISTRIBUTION

OTHER ACTIVITIES - Q1 2020 ACTUAL



€/1000	FY 2020 YTD	FY 2019 YTD	CHANGE	CHANGE %
GROSS REVENUES	118	56	62	n.m.
NET REVENUES	118	56	62	n.m.
EBITDA	(21)	(225)	204	-90.7%
EBIT	(45)	(245)	200	-81.6%

FISCAL YEAR ENDING 30TH JUNE

SOURCE: DIGITAL BROS

DIGITAL BROS GAME ACADEMY REVENUE

Digital Bros

digital entertainment

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