



Q3 FY2024

Digital Bros

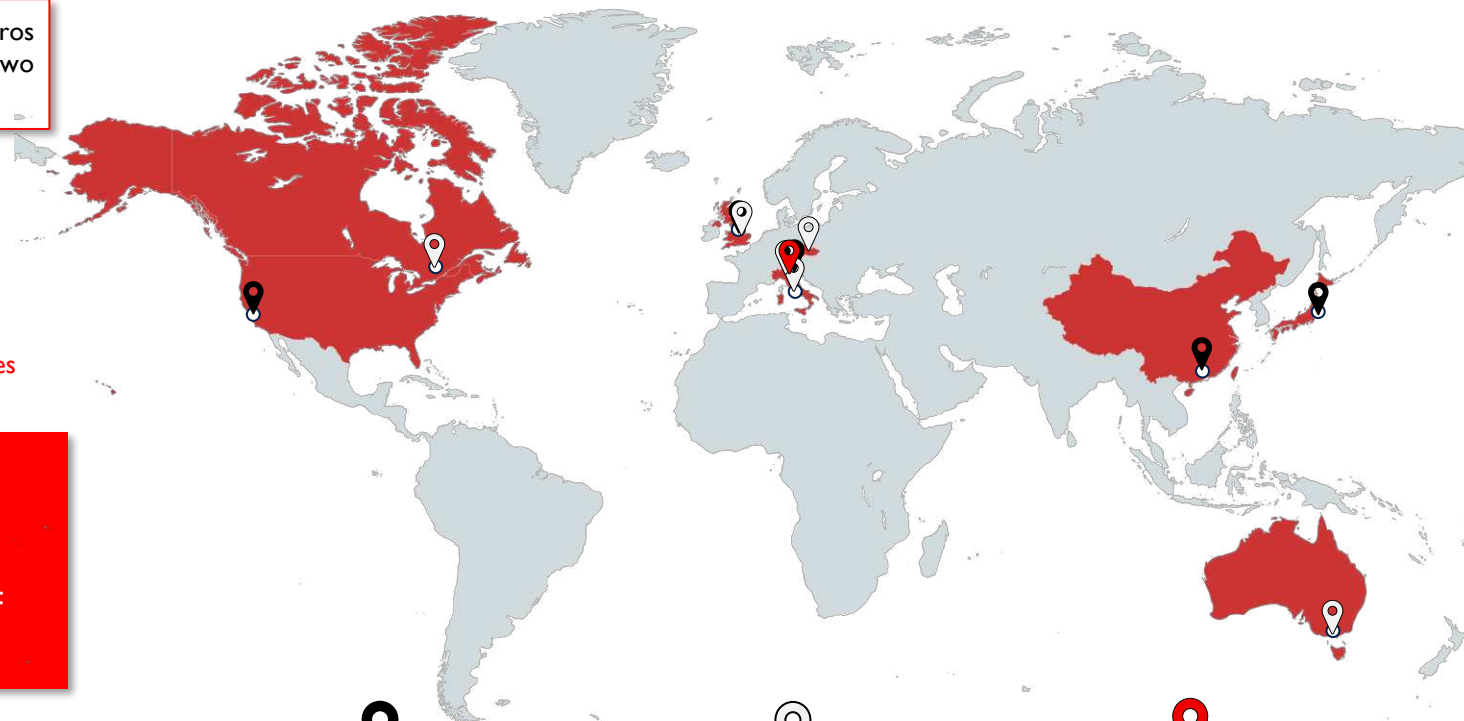
digital entertainment



Company Overview

Digital Bros creates, develops, and publishes video games for all Consoles, PC, Mobile and Streaming platforms, and distributes them worldwide

Listed on the Euronext STAR Milan and part of Euronext Tech Leaders, Digital Bros operates in both the Premium Games and Free to Play market segments through two separate business units



PUBLISHING

505 GAMES

505 MOBILE **GO**

STUDIOS

KUNDS SIMULAZIONI INFINITY PLUS2 DR

ATG I+GS supernova **nesting GAMES**

HOLDING & ACADEMY

Digital Bros digital entertainment

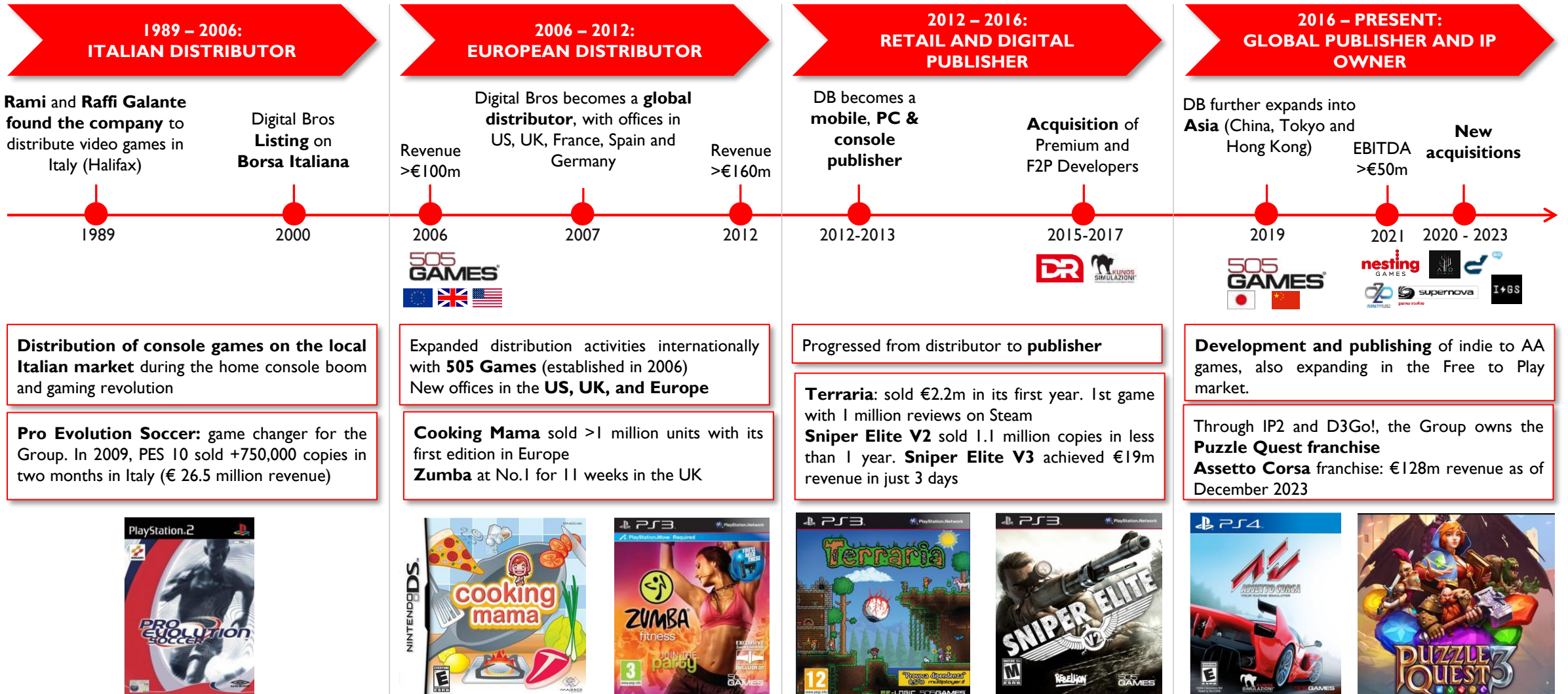
DIGITALBROS GAME ACADEMY

Fiscal year represents a 30 June year end, FY2023 = year ended 30 June 2023

Source: ⁽¹⁾ Digital Bros; ⁽²⁾ JP Morgan Global Gaming newsletter (Broker consensus and JPM estimates)

History and Milestones

Evolution of Digital Bros from a local Italian distributor, into a global gaming publisher and IP owner



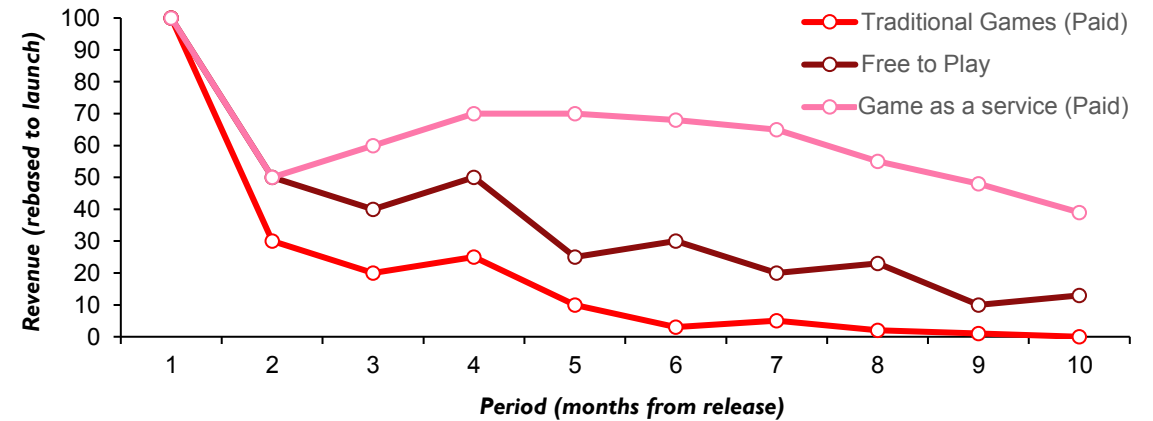
The Global Gaming Market is Currently Worth over \$180bn

Video games are the leading form of entertainment with over three billion people playing today and almost 3.8 billion expected by 2026

A LARGE, RESILIENT AND GROWING MARKET⁽¹⁾

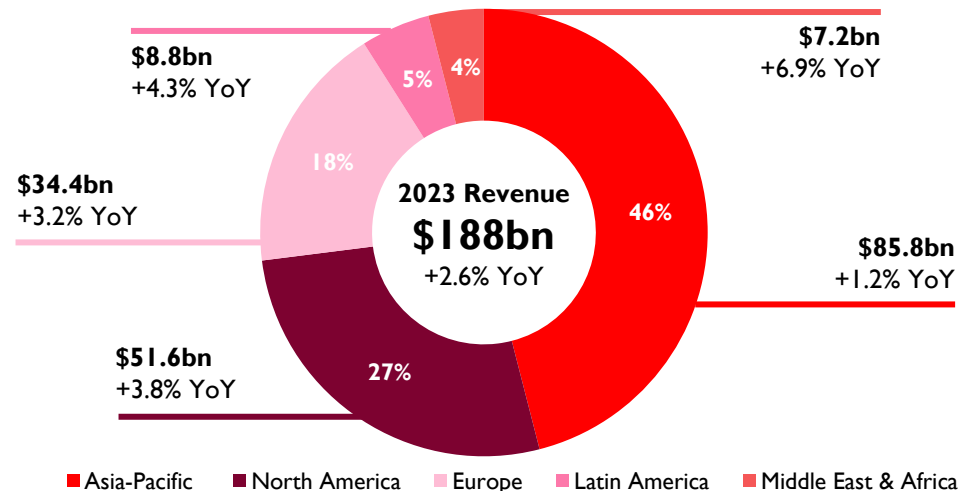
- The number of players worldwide reached 3.38 billion in 2023, a 6.3% growth year-on-year despite pressures on consumer incomes and spending
- Gaming has evolved into a core channel for socialization for young people (Millennials & Gen Z)
- Player numbers are expected to continue to rise, with new players adding to ageing player population
- Cloud gaming, where gamers can play any videogame with a single subscription to a digital platform, is continuously growing, and is projected to reach up to 80 million by 2025
- Technological advances are consistently improving both access to gaming and quality of experience

PLAYER RECURRING SPEND EXTENDING GAME LIFECYCLE⁽²⁾



OTHER KEY TRENDS

- Consumers are increasingly reverting to well-established game titles and playing these same games for longer
- Better distribution channels – move to digitalisation allowing for more monetization opportunities
- Reconsideration by all industry players of the number of projects under development: focus on the release of sequels and new versions of previously successful and established games
- In more mature economies, the mobile sector is slowing down, but this is offset by the strong performance of legacy hit games and the ongoing revenue growth in emerging markets.



Sources: ⁽¹⁾ Newzoo, ⁽²⁾ IBEF






Business Model

The Company operates through five main divisions and two key product lines, covering the entire gaming value chain

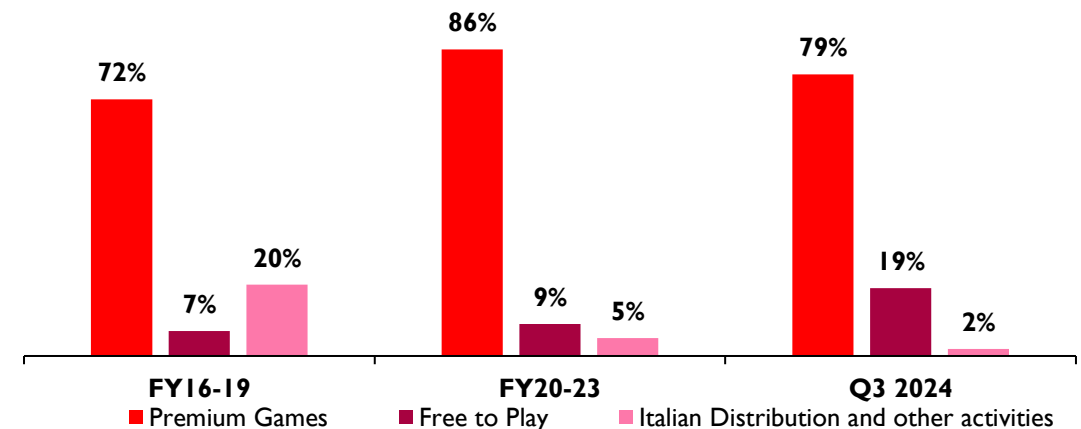
PUBLISHING	<ul style="list-style-type: none"> Digital Bros manages the entire lifecycle of games from development, to production to publishing Financing is provided in a risk-managed process across each stage, based on the achieved milestone. <div style="display: flex; justify-content: space-around; align-items: center;"> <div style="text-align: center;"> <p>Premium Game Publishing</p>  </div> <div style="text-align: center;"> <p>Free To Play Publishing</p>  </div> </div>
STUDIOS	<ul style="list-style-type: none"> The Company owns 7 studios⁽¹⁾ active in developing video games Digital Bros has expanded its IP portfolio through the strategic acquisition of development studios <div style="display: flex; justify-content: space-around; align-items: center;"> <div style="text-align: center;"> <p>Premium Game Studios</p>  </div> <div style="text-align: center;"> <p>Free To Play Studios</p>  </div> </div>
DISTRIBUTION	<ul style="list-style-type: none"> Distribution of video of games in Italy under the Halifax brand – legacy business of the group to be phased out
ACADEMY & OTHER	<ul style="list-style-type: none"> Video game training and professional courses through Digital Bros Game Academy S.r.l.
HOLDING	<ul style="list-style-type: none"> Management of finance, control and business development activities of the Group, centred on Milan HQ

(1) All studios are 100% owned, except Nesting Games which is 75% owned

Source: Digital Bros

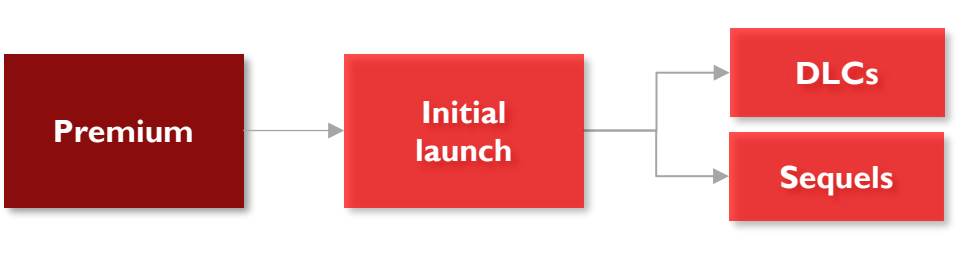
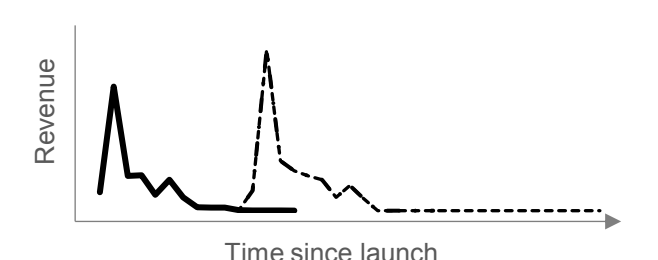
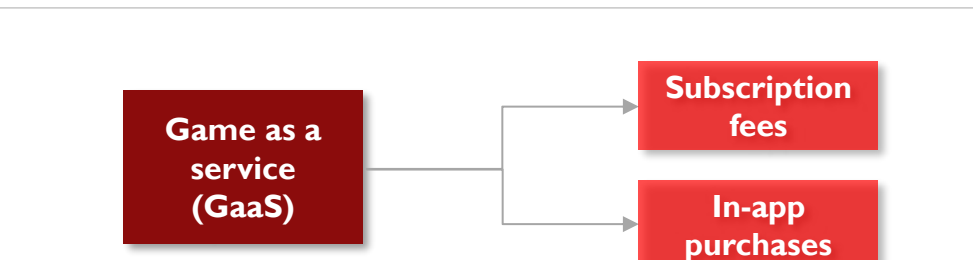
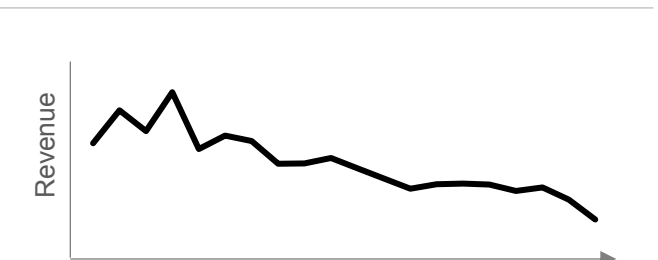
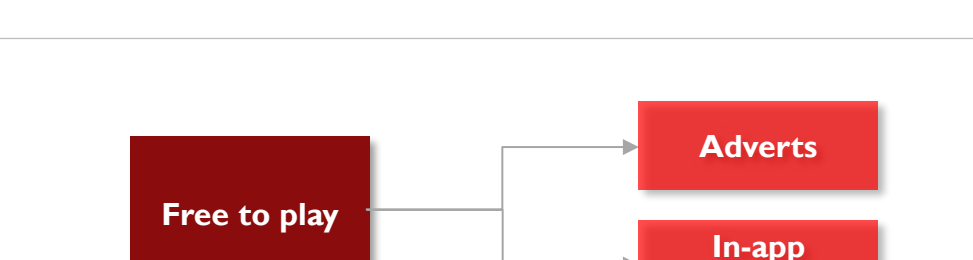
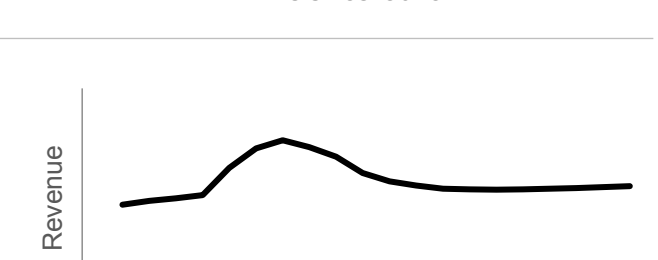
PREMIUM GAMES	FREE TO PLAY
<ul style="list-style-type: none"> AA console and PC games games, with investment ≈ €10-30m Concentrated on sequels where there is an established community of players Upfront payment to access the game, with expansion packs or additional downloadable content (DLC) <div style="display: flex; justify-content: space-around; align-items: center;">    </div>	<ul style="list-style-type: none"> Established game platforms available for free on PC, Console and Mobile Certain features and content are locked or restricted, unless users make in-game purchases Games require continuous development cycle with regular updates and new content to keep the players' engaged <div style="display: flex; justify-content: space-around; align-items: center;">   </div>

REVENUE SPLIT



Overview of Revenue Models

Multiple avenues of monetization and distinct revenue profiles ensures diversification of revenue streams

MONETIZATION	DESCRIPTION	ILLUSTRATIVE REVENUE PROFILE
 <pre>graph LR; Premium[Premium] --> Initial[Initial launch]; Initial --> DLCs[DLCs]; Initial --> Sequels[Sequels];</pre>	<ul style="list-style-type: none">▪ One-time fee to purchase the full game▪ Greater budgets in marketing required to improve brand recognition▪ Game life cycle can be extended through expansion packs or Downloadable Content (DLCs) with additional features	
 <pre>graph LR; GaaS[Game as a service (GaaS)] --> Sub[Subscription fees]; GaaS --> InApp[In-app purchases];</pre>	<ul style="list-style-type: none">▪ Monetizing of digital games through subscription fees and consistent drop of DLCs▪ New content introduced on a regular basis to increase retention of paying audience	
 <pre>graph LR; Free[Free to play] --> Adverts[Adverts]; Free --> InApp[In-app purchases];</pre>	<ul style="list-style-type: none">▪ Free to access, but typically monetized by displaying ads and in-app purchases for virtual goods, currency or additional content (to speed up the in-game progress, unlock exclusive chapters, skins or customization)▪ Need to keep users engaged by constantly updating and upgrading the game after the launch	

Competitive Positioning In the Videogame Industry

Well positioned within the “AA” games market and utilising both internal and external studios

OUR FOCUS ON THE “AA” GAMES SEGMENT

Digital Bros’ competitive positioning is focused on the “AA” game segment

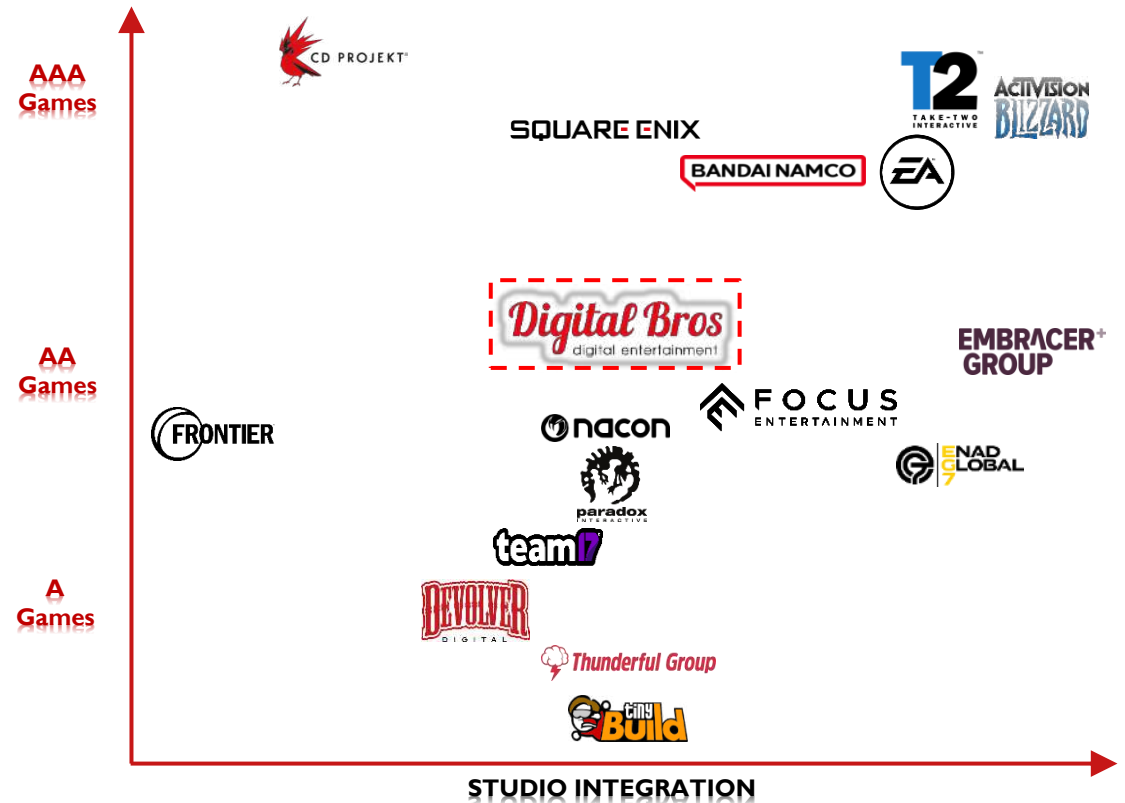
- Reduces downside risk as involves lower investment per game when compared to blockbuster “AAA” games
- Risk further alleviated by increasing focus on sequels of previously successful games and limited number of new titles
- Goal is to achieve a leading position in niche markets to mitigate saturation of the gaming market, while maintaining a sustainable business plan using synergies across studios and technologies

MODERATE LEVEL OF STUDIO INTEGRATION

Digital Bros deliberately adopts a strategy involving a moderate level of studio integration

- Balance the costs of studio ownership against the focus on developing and owning the IP involved – in whole or in part
- Encourage studio-to-studio collaboration whilst also allowing independence of external studios
- Potential for upside through ownership / co-ownership of external intellectual property

OUR COMPETITIVE POSITIONING



AAA Games: Games with a development budget above 100 million

AA Games: Games with a development budget between 10-100 million

A Games: Games with a development budget below 10 million

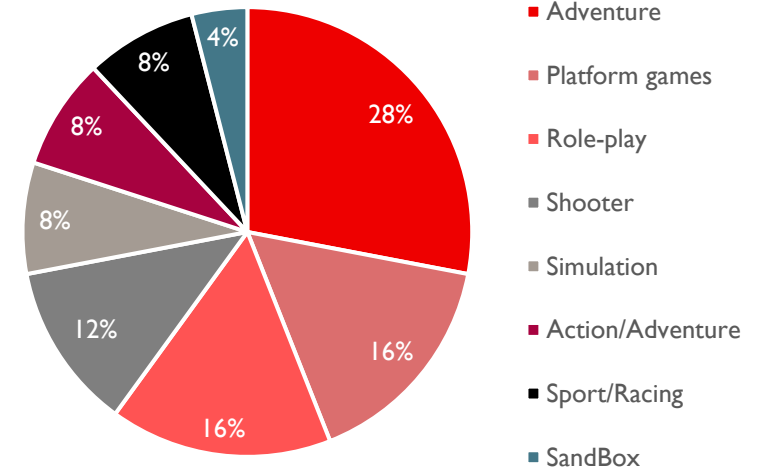
Overview of Digital Bros Game Portfolio

Focus on building a highly diversified portfolio of IPs with different ownership strategies is core to the Company's risk management strategy

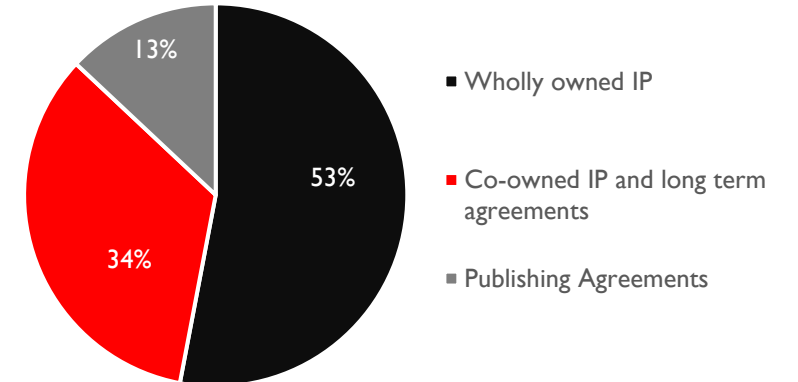
CURRENT PORTFOLIO MIX



GENRES (BY NUMBER OF TITLES)⁽¹⁾



SPLIT OF IP AND PUBLISHING AGREEMENTS⁽²⁾



⁽¹⁾ Across 40+ titles; ⁽²⁾ As of March 31, 2024 revenue

Source: Digital Bros

Studio / Developer Activities

Digital Bros connect and empower studios across the globe, unlocking each studios' value

IN HOUSE STUDIOS

Digital Bros develops games led by its seven Group Studios* – development of Studio-owned or co-owned IP only



*All studios are 100% owned, except Nesting Games which is 75% owned

- ✓ Latest technology, offering gamers realistic and innovative gaming experiences
- ✓ Pooled expertise and resources across studios, creating a deeper knowledge base
- ✓ Studio-to-Studio collaboration, utilising best in class capabilities of each
- ✓ Diversity of development talent: studios spread out worldwide
- ✓ Expertise in both Premium and Free to Play game development

CASE STUDIES



- Italian development studio, critically acclaimed for racing simulator Assetto Corsa
- Acquired in 2017 for a total value of €4.3m
- Studio brought to a new level with greater resources: launch of Assetto Corsa Competizione in 2018 and several additional contents for the franchise
- As of Q3 FY24, the Assetto Corsa franchise generated >€134m revenue and almost 15 million copies sold



- Milton Keynes-based developer of mobile game Battle Island, published by Digital Bros' subsidiary 505Mobile
- Acquired in 2015: leverage on its technological capabilities and market knowledge to enter the Free to Play operating segment
- Transformation: it now serves as "Work For Hire" studio for the live support of chart-topping game Terraria



- Australian award-winning studio founded in 1989, best known for the Puzzle Quest series and Gems of War, published by the Group
- Acquired in 2021 to solidify the Group position in the F2P market: ownership of outstanding IP with long-term potential + experienced team led by a veteran in the industry
- Live support for Puzzle Quest and Gems of War

Case study – Assetto Corsa

Successful initial launch with compelling DLC and sequels following studio acquisition

Racing simulation video game developed by the Italian studio Kunos Simulazioni, designed with an emphasis on a realistic racing experience with support for extensive customization by players.



2013: Assetto Corsa launched on Steam (self-published by Kunos Simulazioni)

2016: Console versions published by 505 Games

Since launch, the game is constantly updated with new content

2017: Digital Bros buys 100% of Kunos Simulazioni S.r.l. for a total value of €4.3 m.

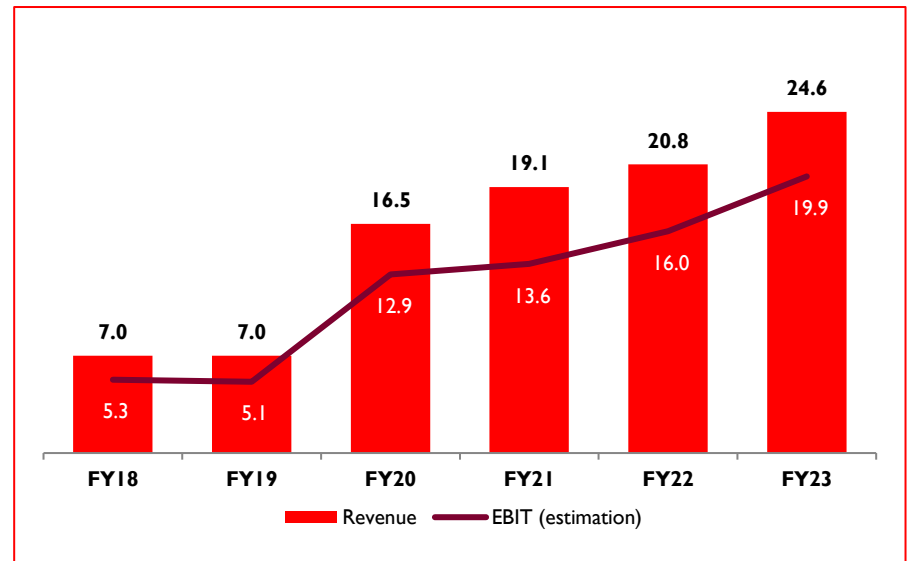
2018: Assetto Corsa franchise expanded in with Assetto Corsa Competizione – the official Fanatec GT World Challenge video game

The Brand generated € 19.1 million revenue in the first nine months of FY24

New releases:

- Assetto Corsa Competizione: Nürburgring 24hr Pack DLC
- Assetto Corsa EVO, second version of Assetto Corsa

ASSETTO CORSA - BRAND REVENUE (€m)

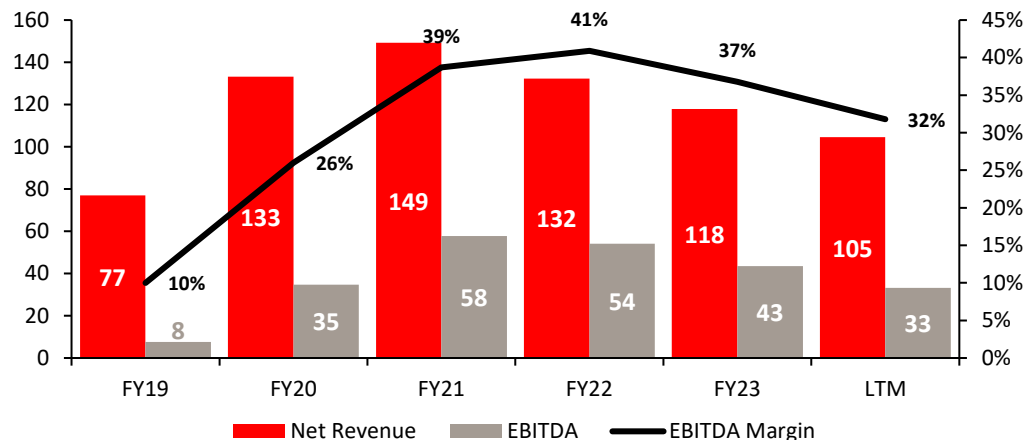


Since launch, the Assetto Corsa franchise has generated revenues exceeding €134 million with almost 15 million copies sold, continuing to outperform forecasted estimates.

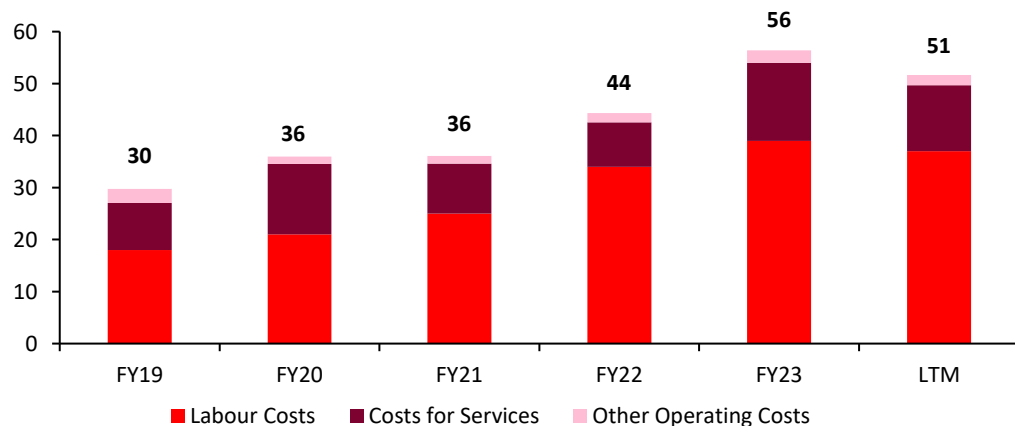
Financial Overview - Q3 FY24

€ 75.8 million revenue generated as of March 31st, 2024. New releases: *Ghostrunner 2* and *Brothers: A Tale Of Two Sons Remake*.

NET REVENUE (€m), EBITDA (€m) AND EBITDA MARGIN (%)



OPERATING COSTS (€m)



Financial Year End is June 30th. LTM figures are for last 12 months to March 31st, 2024

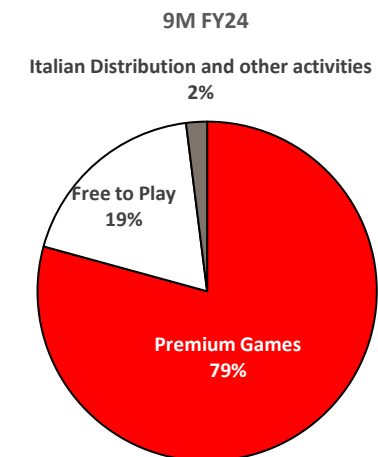
Q3 FY2024

Revenue

Group revenue at €75.8 million (-15% Y.o.Y.)

Ghostrunner 2 and Brothers: A Tale of Two Sons Remake were the only new releases as of March 31

The **Assetto Corsa** franchise outperformed, generating €19.1 million revenue.



Margins

EBITDA at €20.2 million (-33.6% Y.o.Y.)

Non-recurring reorganization costs for €1.4 million, to be offset in Q4, ensuring long term sustainability of the Group's structure.

negative **EBIT** for € 3.1 million

Net Result

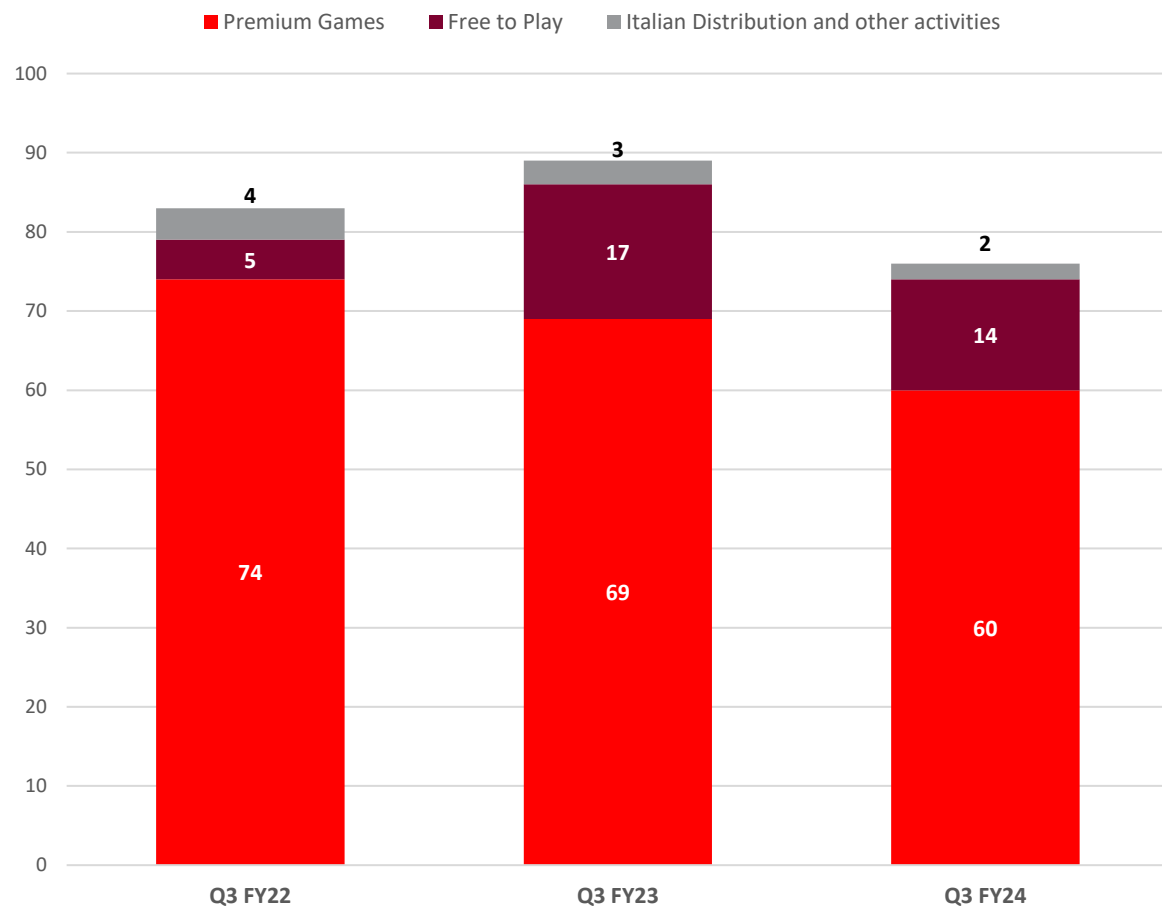
Net Loss of €6.7 million, expected to be fully recovered by fiscal year-end.

Net loss attributable to non-controlling interests at €3.8 million, mainly due to the losses of the Dutch subsidiary Rasplata B.V..

Financial Overview – Q3 FY24

€ 75.8 million revenue generated as of March 31st, 2024. New releases: *Ghostrunner 2* and *Brothers: A Tale Of Two Sons Remake*.

NET REVENUE BY OPERATING SEGMENT



Q3 FY24 from July 1st to March 31st, 2024

Source: Digital Bros

Premium Games

Premium Game revenue at €59.6 million (-14% Y.o.Y.), representing 78.6% of total revenue

- Revenue spread over a number of back catalogue games, *Assetto Corsa* outperformed (€19.1 million revenue as of March 31st, 2024)
- Two new games launched in the reporting periods: *Ghostrunner 2* and *Brothers: A Tale Of Two Sons Remake*.
- Fully owned IPs represented 53% of net revenue, in line with the new Group's strategy. Digital revenue accounted for 93% of Premium Games revenue.

- EBITDA at €26.6 million (44.6% of net revenue)
- EBIT at €6.1 million (10.3% of net revenue)

Free to Play

Free to Play revenue at €14.1 million (-18.3%). Games distributed by 505 Go Inc.'s were the biggest contributors, with €10.2 million revenue.

- Negative EBITDA at €55 thousand
- Negative EBIT for €1.9 million

Italian Distribution

Revenue from the **Italian Distribution** at €1.4 million, mostly from the distribution of trading cards.

This operating segment is more and more marginal due to digitalization.

Reorganization Plan

Strategic review of the Group's operations in accordance with the latest market conditions

NEW MARKET CONDITIONS

Record number of video games launched in 2023

Increased selectivity of consumers, playing the same games for longer

Slower growth across the whole industry

Harder to meet volume and revenue targets

Strategic review and reorganization

Pipeline review

Prioritize:

- **high margin** titles with greater revenue predictability
- **owned Intellectual Properties** with long-term value creation

Reduced number of lower budget projects.

Reduced number of larger budget titles with lower expected margins for the Group and longer development periods.

Reorganization plan

Expected **reduction of approx. 30% of the global workforce.**

- Reduction of 1st and 3rd party projects after the pipeline review;
- Downsizing of the development teams after the launch of Crime Boss: Rockay City and Puzzle Quest 3 and their transitioning to live support;
- Removing duplication of roles following the acquisition 505 Go! Inc.;
- Downsizing of distribution and marketing activities in the traditional retail channel, now marginal due to digitalization.

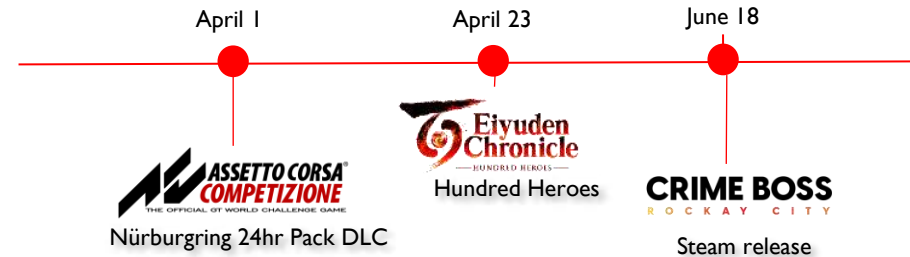
the Group's workforce went from 435 to **305 people** as of March 31, 2024

Reorganization implemented from Q2 of FY24. Profit margins expected to improve by Q4 of the current fiscal year, ensuring the **long-term sustainability** of the Group's structure.

Business Outlook

Positive business outlook for Q4, benefitting from lower investments and expected increase in sales.

New releases in Q4



No significant launches in the Free to Play segment. The focus for this operating segment is on **extending the lifecycle** of existing games

Revenue expected to increase at fiscal year-end, compared to FY23

Effects of the reorganization plan

Lower payroll costs
Non-recurring restructuring costs expected to be offset in Q4

EBIT expected to be largely positive but lower than the EBIT achieved in FY23

Lower CapEx, especially after having reverted the rights for the Control franchise in February 2024

Net Debt projected to go back to the same level as at June 30, 2023

Q4 Releases – Nürburgring 24hr Pack

Successful franchise generating sales of more than €130 million to date



Nürburgring 24hr Pack DLC
April 1, 2024

Launched in 2018, Assetto Corsa Competizione is the official Fanatec GT World Challenge video game and the official video game of FIA Motorgames Esport Tournament.

Following the debut of the **Fanatec GT World Challenge** at the **Nürburgring 24 Hours** race, the legendary German circuit is now featured in the 2024 pack of the video game.

The racing circuit is famous for its technical complexity with steep elevation changes and blind corners, a real challenge even for the most skilled drivers.

Thanks to the loyal fanbase, the new DLC brought the game at **n.6** in **Steam's top sales chart at launch**, with 92% of positive reviews.



Q4 Releases – Eiyuden Chronicle: Hundred Heroes

Japanese Role Play Game with strong community support



Eiyuden Chronicle: Hundred Heroes
April 23rd, 2024

Developed by **Rabbit & Bear Studios Ltd.**, Japanese studio founded by Yoshitaka Murayama, the late creator of the iconic **Suidoken** franchise, one of the most profitable series of the last decades.

“an ode to the classic JRPG genre from the PlayStation era”

- A deep story with 100+ characters
- Traditional 6-character battle system utilizing painstakingly created 2D sprites and 3D backgrounds

Strong community reception and support before launch

- #1 crowdfunding campaign on Kickstarter for 2020
- #3 highest funded videogame in Kickstarter history (\$4,541,481 with 46,307 backers)
- Gamers as invested stakeholders in the development’s success.



Q4 Releases – Crime Boss: Rockay City on Steam

New and improved version of the fun heist game with icons from the 90s

CRIME BOSS ROCKAY CITY

Crime Boss: Rockay City
Steam release scheduled for **June 18, 2024**

First person shooter game set in the thriving metropolis of Rockay City in the 1990s, with **iconic actors**: Michael Madsen, Chuck Norris, Kim Basinger, Danny Glover, Damion Poitier, Danny Trejo and Vanilla Ice.

Single Player and Multiplayer (**PvE Co-Op Multiplayer**) modes available

Internally developed by subsidiary Ingame Studio for console and PC.

GaaS (Game as a Service): additional content is released regularly to elongate the game's lifecycle and increase players retention.

- PC version launched exclusively on Epic on March 28, 2023
- Console version (PS5, Xbox X|S) released in June 2023

On **June 18, 2024** a new and improved version will be launched on **Steam**, together with a new DLC titled **Cagnali's Order**.



FY 2025 - Upcoming releases

Strong pipeline ahead, prioritizing high margin titles and long-term value creation

FY 2025

(July 1st, 2024 – June 30th, 2025)

HI FY2025

- Highly anticipated **second version** to Assetto Corsa, developed by the **subsidiary Kunos Simulazioni**.

- **10 years** after Assetto Corsa was launched, Assetto Corsa EVO is scheduled to be released in H1 2025.

ASSETTO CORSA EVO



Assetto Corsa ups the **racing simulation** stakes by emphasizing and focusing on pure physics realism, with precision accuracy across every aspect, from the meticulousness car handling to the laser-measured tracks.

NIVALIS



- Cyberpunk slice-of-life sim, with realistic weather simulation and night and day cycles
- Developed by the independent German studio Ion Lands, authors of the game Cloudpunk.
- Stably in Steam's most wishlisted games chart

H2 FY2025

"PROJECT IRON"

- **Third person action RPG** set in a dark fantasy world.
- **Co-owned IP with MercurySteam Entertainment** through the Spanish joint-venture MSE & DB S.L.
- Experienced development team behind the successful game Metroid Dread, providing high quality, captivating and engaging gaming experience.



Appendix

Investment in Starbreeze

Supporting Starbreeze's strategic growth



Digital Bros holds a **strategic investment** of 21% of the total capital and 39.67% of voting rights of Swedish videogame developer and publisher **Starbreeze AB**

Initial investment acquired in February 2020, following the restructuring of Starbreeze group
The Group continues to support the business, most recently participating in their SEK 453m rights issue. In July 2023 as part of the rights issue, the convertible loan provided by Digital Bros was redeemed through a combination of cash and shares

The Group assesses to have **no significant influence over Starbreeze** to date, considering its governance structure.



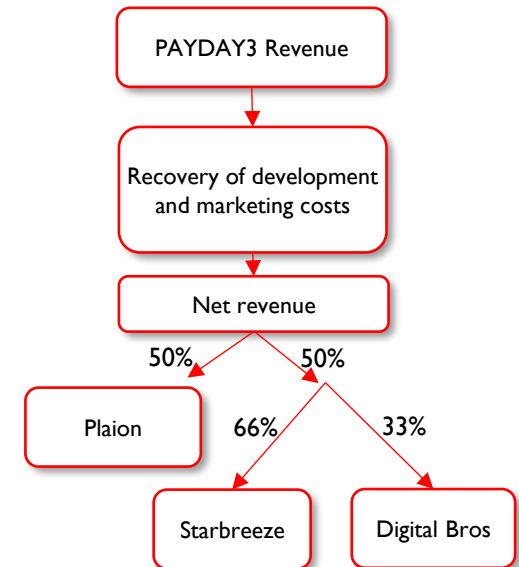
PAYDAY 3

Digital Bros holds an **earn-out of PAYDAY3's net revenues**, up to a maximum of \$40m

Launched on 21 September 2023, Starbreeze reported to have recouped their investment by the 30th September 2023.

Upside potential – the contractual right is **considered as a contingent asset** with no amounts historically recognised in the financial statements

No revenue stream coming from Payday 3 considered in the Group's financial statements and Strategic Plan, not having received detailed royalty calculation to date.



Summary tables

9M FY24 (July 1st, 2023 – March 31st, 2024)

INCOME STATEMENT

€/100	March 31,2024	March 31, 2023	Change (€m)	Change %
Total net revenue	75,800	89,177	(13,377)	-15.0%
Total cost of sales	(25,108)	(27,635)	2,527	-9.1%
Gross profit (3+8)	50,692	61,542	(10,850)	-17.6%
Other income	8,218	12,653	(4,435)	-35.1%
Total operating costs	(38,674)	(43,725)	5,051	-11.6%
EBITDA (9+10+15)	20,236	30,470	(10,234)	-33.6%
Total depreciation, amortization and impairment adjustments	(23,361)	(12,522)	(10,839)	86.6%
EBIT (16+21)	(3,125)	17,948	(21,073)	n.m.
Net interest income/(expenses)	(2,287)	3,675	(5,962)	n.m.
Profit/(Loss) before tax	(5,412)	21,623	(27,035)	n.m.
Total taxes	(1,268)	(5,912)	4,644	-78.6%
Net profit/(Loss)	(6,680)	15,711	(22,391)	n.m.
Attributable to the shareholders of the Parent Company	(2,896)	14,911	(17,807)	n.m.
Attributable to non-controlling interests	(3,784)	800	(4,584)	n.m.

Summary tables

9M FY24 (July 1st, 2023 – March 31st, 2024)

BALANCE SHEET

€/100	Q3 FY24	Q3 FY23	Change (€m)	Change %
Total non-current assets	185,854	199,212	(13,358)	-6.7%
Total current assets	46,166	65,977	(19,811)	-30.0%
Total Assets	232,020	265,189	(33,169)	-12.5%
Total Net Equity	(124,734)	(143,718)	18,984	-13.2%
Total non-current liabilities	(9,042)	(14,101)	5,059	-35.9%
Total current liabilities	(98,244)	(107,370)	9,126	-8.5%
Total Liabilities	(107,286)	(121,471)	14,185	-11.7%
Total Net equity and liabilities	(232,020)	(265,189)	33,169	-12.5%

CASH FLOW

€/100	Q3 FY24	Q3 FY23
Opening net cash/debt	9,407	10,961
Cash flow from operating activities	2,539	30,479
Change in NWC	(828)	12,518
Cash flow from investing activities	3,701	(65,094)
Cash flow from financing activities	(10,629)	21,821
Changes in consolidated equity	0	(2,568)
Cash flow for the period	(5,397)	(2,844)
Closing net cash/debt	4,010	8,117

Summary tables

Q3 FY24 (December 31st, 2023 – March 31st, 2024)

INCOME STATEMENT

€/100	March 31, 2024	March 31, 2023	Change (€m)	Change %
Total net revenue	28,700	29,386	(686)	-2.3%
Total cost of sales	(9,253)	(7,447)	(1,806)	24.3%
Gross profit (3+8)	19,447	21,939	(2,492)	-11.4%
Other income	1,993	4,682	(2,689)	-57.4%
Total operating costs	(10,881)	(14,728)	3,847	-26.1%
EBITDA (9+10+15)	10,559	11,893	(1,334)	-11.2%
Total depreciation, amortization and impairment adjustments	(9,035)	(5,292)	(3,743)	70.7%
EBIT (16+21)	1,524	6,601	(5,077)	-76.9%
Net interest income/(expenses)	(1,108)	(132)	(976)	n.m.
Profit/(Loss) before tax	416	6,469	(6,053)	-93.6%
Total taxes	(676)	(1,739)	1,062	-61.1%
Net profit/(Loss)	(260)	4,730	(4,990)	n.m.
Attributable to the shareholders of the Parent Company	801	3,620	(2,819)	-77.9%
Attributable to non-controlling interests	(1,061)	1,110	(2,171)	n.m.

Digital Bros®

digital entertainment



Digital Bros S.p.A

Via Tortona, 37 - 20144 Milan, Italy

For more info: www.digitalbros.com - ir@digitalbros.com