



# DEVOLVER

D I G I T A L

**INVESTOR PRESENTATION**

**2024 1H RESULTS**

# SUMMARY

- **Return to EBITDA profit in 1H 2024 in line with previous guidance**
- **Revenues up 18%, Gross Profit up 63%<sup>1</sup>, EBITDA profit v loss 1H 2023**
- **Strong back catalogue sales driven by ongoing success of key titles, 1H-weighted platform deals, and System Era contribution**
- **Strong 2H 2024 release schedule boosted by *Plucky Squire* success**
- **System Era acquisition well integrated with solid 1H 2024 performance**
- **Maintain full year 2024 guidance in line with current consensus**

Note: 1) Adjusted Gross Profit after US\$1.7m performance-related non-cash impairment

# 1H 2024 OVERVIEW

REVENUE

**\$51.6m**

+18% vs 1H 2023

GROSS PROFIT<sup>1</sup>

**\$15.3m**

+63% vs 1H 2023

EBITDA<sup>2</sup>

**\$3.0m**

\$(3.5m) in 1H 2023

CASH BALANCE

**\$31.9m**

\$41.3m cash balance at  
31 August 2024

TITLES RELEASED

**3**

**80**

AVERAGE  
METACRITIC  
SCORE

76 in 1H 2023

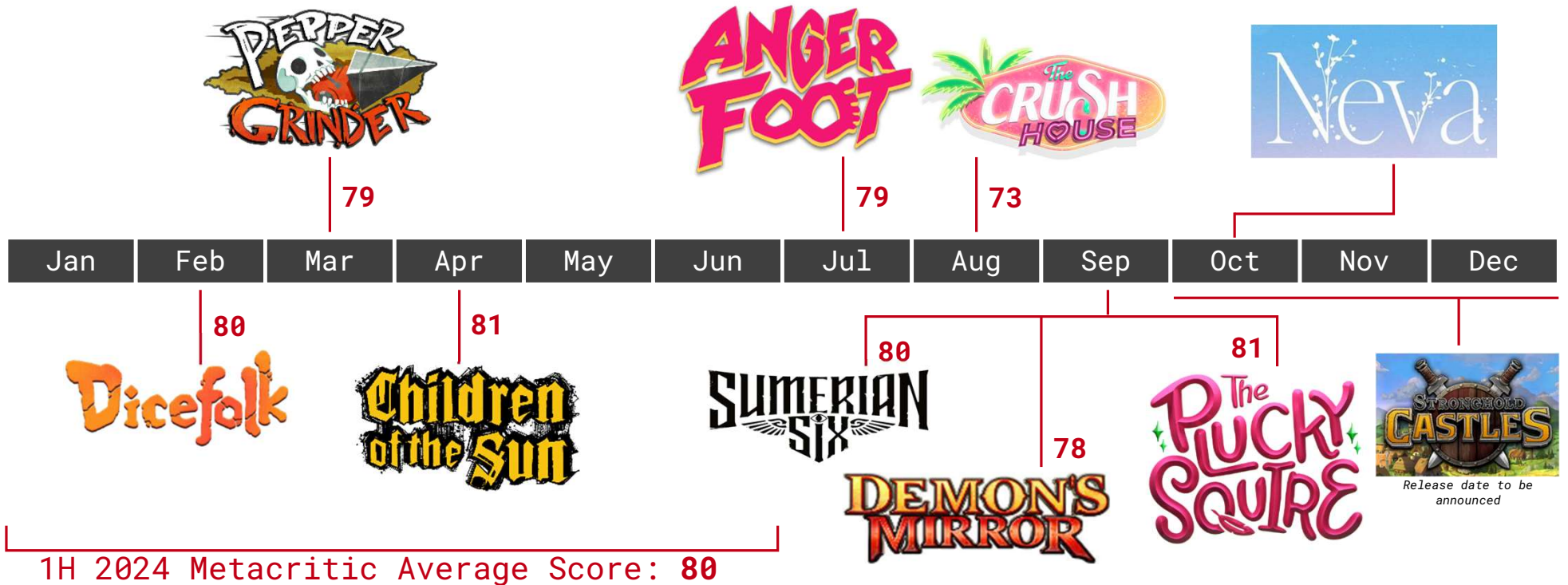
FOCUSED DLC & PORTING STRATEGY



Note: 1) Adjusted Gross Profit **after** US\$1.7m performance-related non-cash impairment; 2) Adjusted EBITDA **after** US\$1.7m performance-related non-cash impairment

# 2024 TITLE RELEASES

Metacritic  
Score



Note: Scores as of 23 Sep 2024; title scores calculated as simple average of applicable platform scores; half year & year to date scores calculated as simple average of titles



# FINANCIALS

# PROFIT & LOSS

US\$ 'm	FY22	FY23	1H 23	1H 24
<b>Net revenue</b>	<b>134.6</b>	<b>92.4</b>	<b>43.9</b>	<b>51.6</b>
Cost of sales	(89.4)	(65.4)	(33.6)	(34.6)
Impairment of capitalised development cost	(22.8)	(2.5)	(0.9)	(1.7)
<b>Gross profit (post impairment)</b>	<b>22.5</b>	<b>24.5</b>	<b>9.4</b>	<b>15.3</b>
<i>Gross margin</i>	16.7%	26.5%	21.4%	29.6%
Operating expenses	(50.4)	(38.5)	(18.4)	(21.4)
Impairment of goodwill & IP	(70.0)	-	-	-
Other income / (loss)	(0.5)	1.0	(0.6)	1.1
<b>Operating profit / (loss)</b>	<b>(98.5)</b>	<b>(13.0)</b>	<b>(9.6)</b>	<b>(5.0)</b>
Pre-tax profit/(loss) <sup>1</sup>	(98.8)	(11.7)	(8.6)	(4.8)
Taxation	7.3	(1.0)	(1.4)	0.4
<b>Profit/ (Loss) for the period</b>	<b>(91.5)</b>	<b>(12.7)</b>	<b>(10.1)</b>	<b>(4.5)</b>
<b>Adjusted EBITDA pre-impairments</b>	<b>23.2</b>	<b>1.7</b>	<b>(2.5)</b>	<b>4.7</b>
<i>Adjusted EBITDA margin</i>	17.2%	1.8%	(5.7%)	9.1%
<b>Adjusted EBITDA</b>	<b>13.9</b>	<b>(0.5)</b>	<b>(3.5)</b>	<b>3.0</b>
<i>Adjusted EBITDA margin</i>	10.3%	(0.5%)	(7.9%)	5.8%

## COMMENTARY

- Overall revenues up 18% YoY to \$51.6m due to strong back catalogue performance driven by ongoing success of key titles, platform deals, and System Era contribution (acquired 2H 2023).
- Royalty outpayments decreased YoY to 41.1% of revenue, down from 50.5% in 1H 2023.
- Gross margin increase to c. 30%, despite \$1.7m impairment of previously released titles, boosted by high margin System Era contribution.
- Operating loss nearly halved as total opex increase eclipsed by revenue growth in 1H.
- Sequential trend of positive EBITDA continues from 2H 2023 into 1H 2024.

Note: 1) Operating profit / (loss) less FX and interest

# BALANCE SHEET

US\$ 'm	FY22	FY23	1H 24
<b>Non-Current Assets</b>			
Intellectual property	25.8	42.0	37.2
Capitalised developments costs	40.1	53.9	60.3
Goodwill	19.2	32.0	31.9
Deferred tax assets and others	10.7	9.6	12.6
<b>Total Non-Current Assets</b>	<b>95.8</b>	<b>137.5</b>	<b>142.0</b>
<b>Current Assets</b>			
Cash in bank	79.5	42.7	31.9
ARs, prepaid expenses & others	17.3	14.3	21.8
Prepaid Income tax	2.2	2.4	1.2
<b>Total Current Assets</b>	<b>99.0</b>	<b>59.3</b>	<b>54.9</b>
<b>Total Assets</b>	<b>194.8</b>	<b>196.8</b>	<b>196.9</b>
<b>Current Liabilities</b>			
Trade, other payables & accrued expenses	17.7	24.6	27.0
Deferred revenue	2.1	0.6	2.0
Amounts due to shareholders	-	-	-
Current Tax Payable & Other	0.3	0.7	1.7
<b>Total Current Liabilities</b>	<b>20.1</b>	<b>26.0</b>	<b>30.8</b>
<b>Non-Current Liabilities</b>			
	<b>4.1</b>	<b>12.8</b>	<b>11.4</b>
<b>Total Liabilities</b>	<b>24.2</b>	<b>38.8</b>	<b>42.1</b>
<b>Total Equity</b>	<b>170.6</b>	<b>158.1</b>	<b>154.8</b>
<b>Total Equity &amp; Liabilities</b>	<b>194.8</b>	<b>196.9</b>	<b>196.9</b>

Note: Subtotals may not cast due to rounding

## COMMENTARY

- The Group's financial position is healthy, with net assets of \$154.8m as at 30 June 2024 with no debt.
- Cash holdings of US\$31.9m at end of 1H 2024. This does not include the c. US\$10m gross proceeds from the early July secondary share placement.
- Short-term accounts receivable increase driven by recognition of end-of-period platform deals.
- Non-current liabilities primarily comprises deferred consideration relating to the acquisition of System Era completed in 2H 2023.

# CASH FLOW

US\$ 'm	FY22	FY23	1H 23	1H 24
<b>Operating activities</b>				
Cash inflow from operations	31.2	12.3	4.7	4.6
Taxation paid	(2.1)	(0.8)	(0.4)	(0.1)
Taxation received	0.0	2.4	-	-
<b>Net cashflow from operating activities</b>	<b>29.2</b>	<b>14.0</b>	<b>4.3</b>	<b>4.5</b>
<b>Investing activities</b>				
Purchase of intangible assets	(32.6)	(27.9)	(12.6)	(15.0)
Purchase of tangible assets	(0.1)	(0.1)	-	(0.1)
Acquisitions (net of cash acquired)	-	(18.0)	(0.6)	-
<b>Net cashflow from investing activities</b>	<b>(32.7)</b>	<b>(46.0)</b>	<b>(13.2)</b>	<b>(15.1)</b>
<b>Financing activities</b>				
Share capital issuance	0.8	0.1	0.0	-
Share repurchase transactions	(2.5)	(6.8)	(7.2)	-
Interest received	0.4	1.3	0.9	0.3
Interest paid	(0.0)	(0.1)	(0.2)	(0.1)
Repayment of lease liabilities	-	(0.0)	-	(0.1)
<b>Net cashflow from financing activities</b>	<b>(1.4)</b>	<b>(5.5)</b>	<b>(6.2)</b>	<b>0.2</b>
<b>Net cashflow</b>	<b>(4.9)</b>	<b>(37.5)</b>	<b>(15.1)</b>	<b>(10.4)</b>
Foreign Exchange movements	(1.8)	0.7	0.4	(0.3)
<b>Closing cash</b>	<b>79.5</b>	<b>42.7</b>	<b>64.8</b>	<b>31.9</b>

COMMENTARY
<ul style="list-style-type: none"> <li>• Operating cashflow was US\$4.5m in 1H 2024, slightly up year-on-year.</li> <li>• Continued investment into future pipeline: \$15m investment into software development in 1H 2024.</li> <li>• No purchase of intellectual property or acquisitions in 1H 2024.</li> <li>• Minimal net cash outflows from financing in 1H 2024.</li> <li>• Cash at 30 June 2024 totalled \$31.9m, not including c.US\$10m in gross proceeds from \$9.8m secondary share placement in July.</li> </ul>

Note: Subtotals may not cast due to rounding



# OPERATING EXPENSES

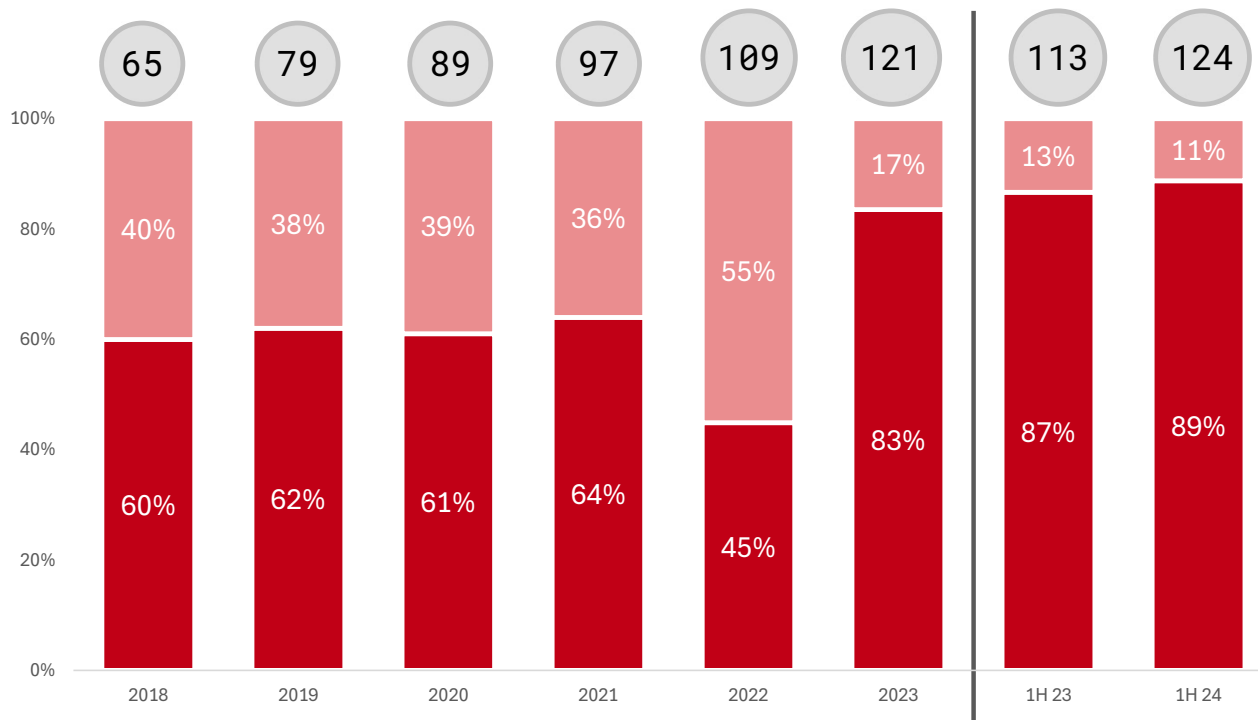
US\$ 'm	FY22	FY23	1H 23	1H 24	Forward Trend
Payroll	13.6	17.5	8.1	9.1	Slow rise
Professional fees	4.6	3.4	1.4	1.6	Steady
<b>Subtotal payroll &amp; professional fees</b>	<b>18.3</b>	<b>20.9</b>	<b>9.5</b>	<b>10.7</b>	<b>Slow rise</b>
Travel and entertainment	0.8	1.4	0.6	0.8	Steady
Admin, office and others	4.0	4.1	2.2	1.9	Slow rise
<b>Total adjusted opex</b>	<b>23.1</b>	<b>26.3</b>	<b>12.3</b>	<b>13.3</b>	<b>Slow rise</b>
Stock compensation expense	19.6	5.5	3.9	2.4	Slow fall
Amortisation of IP and depreciation of PPE	5.5	4.1	1.9	5.0	Steady
Exceptional costs	2.2	2.6	0.3	0.7	Fall
Foreign exchange movements	0.6	0.0	(0.3)	(0.1)	N/A
Impairments – goodwill/IP	70.0	-	-	-	N/A
<b>Total statutory opex</b>	<b>121.1</b>	<b>38.5</b>	<b>18.1</b>	<b>21.4</b>	<b>Steady</b>

COMMENTARY
<ul style="list-style-type: none"> <li>8% YoY increase in adjusted operating expenses in 1H 2024, including full six months of System Era opex (studio acquired in 2H 2023).</li> <li>12% increase in payroll expense due to headcount additions from System Era acquisition and group-wide salary inflation.</li> <li>Other cash operating expenses contained in line with 1H 2023's level.</li> <li>Non-cash share-based payment expenses continue to fall: 3-year vesting of pre-IPO options ends in 2024, replaced by lower anticipated LTIP grant costs in future.</li> <li>Overall statutory opex future trend expected to be steady.</li> </ul>

Note: Subtotals may not cast due to rounding

# SALES MIX (BACK CATALOGUE v FRONT CATALOGUE)

- # Titles Released (cumulative)
- New Titles (front catalogue)
- Back Catalogue



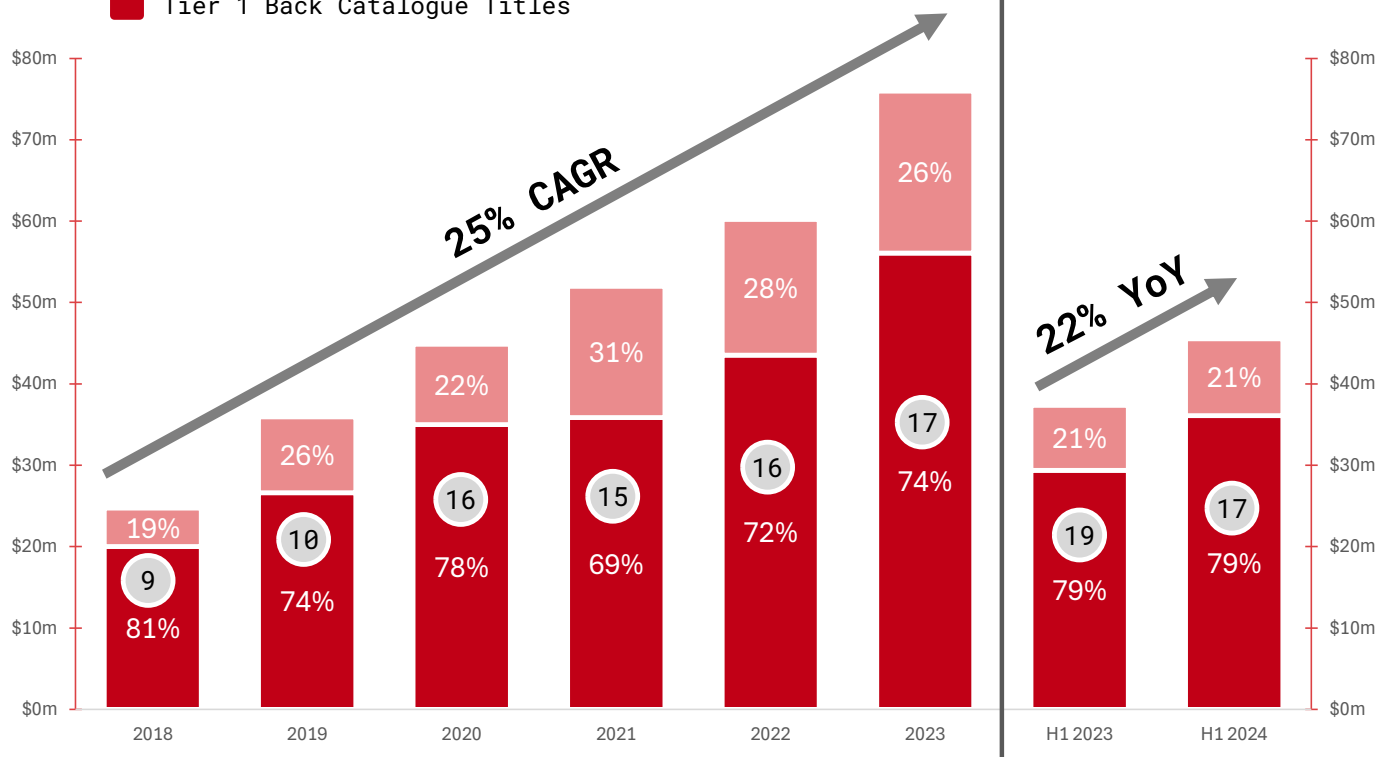
## Back Catalogue

- Back catalogue mix increased to 89% of total revenues, driven by strong performance matched with a quiet 1H release schedule
- Back Catalogue levers:
  - Porting to new platforms, including mobile
  - Localisation in other languages
  - Capitalising on sequel and franchise release momentum
  - Platform bundle agreements
  - Publisher sales and discounting
  - Chinese domesticated games

Note: Excludes Fall Guys | 2018-2020 calculated on a cash accounting basis, 2021-2024 on an accruals basis | # releases excludes subsidiary titles released prior to acquisition

# BACK CATALOGUE SALES +22% YOY

- # # Tier 1 Back Catalogue Titles (>\$1M net revenue)
- Tier 2 Back Catalogue Titles
- Tier 1 Back Catalogue Titles

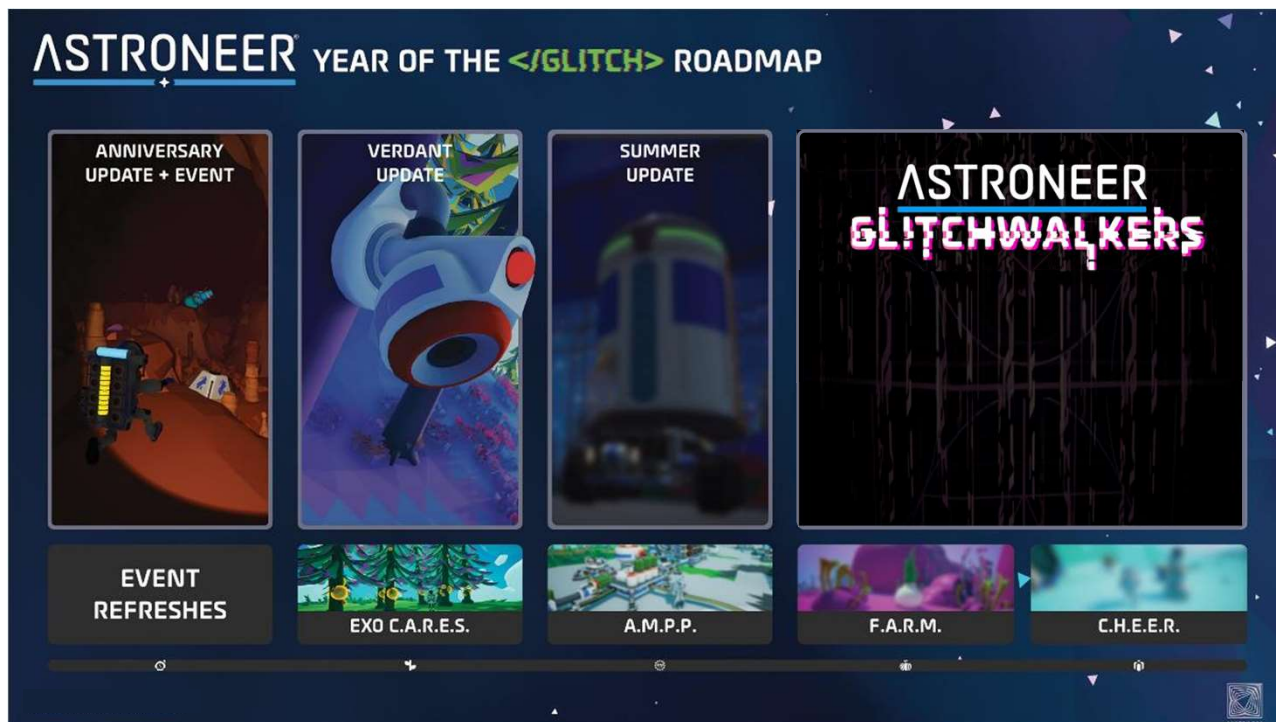


## Back Catalogue

- Total back catalogue sales up 22% YoY, driven by strong demand for Cult of the Lamb and Inscryption, frequent content updates, strong performance with platform deals, and 6 months contribution from Astroneer (System Era title).
- Tier 1 titles (>US\$1 million per year in sales) account for nearly 80% of all back-cat game sales in 1H 2024.
- Tier 2 titles (<US\$1 million per year in sales), are the “long tail” and account for c. 20% of total back catalogue sales each year.
- Dedicated internal “Store Team” focused on actively managing the back catalogue and identifying opportunities.

Note: Excludes Fall Guys | 2018-2021 calculated on a semi-accruals basis, 2022-2024 on an accruals basis | Tier 1 = revenue \$0.5m+ for H1 2023 and H1 2024

# AN UPDATE ON SYSTEM ERA SOFTWARES ACQUISITION



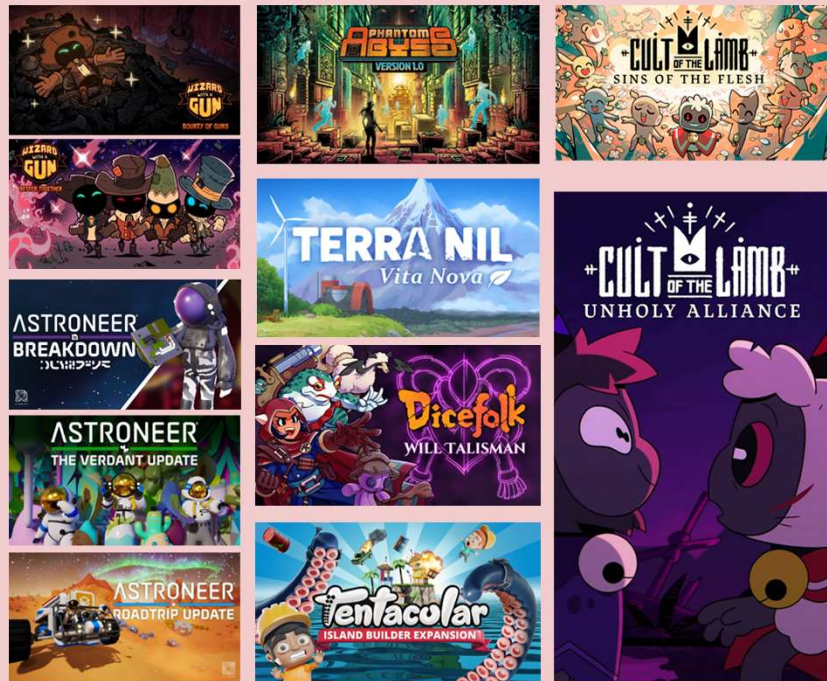
NEW ADVENTURES. TOGETHER.

## COMMENTARY

- Solid 1H 2024 EBITDA contribution.
- Smooth integration and knowledge-sharing with the rest of the Devolver Group.
- Astroneer's first paid DLC, Glitchwalkers, has built a strong wishlist on Steam ahead of planned launch later in 2024.
- System Era has continued to produce ongoing updates and support to the Astroneer community.
- Work continuing on next title release for System Era team.

# 2024 PORTS & DLCs + ADDITIONAL PAID CONTENT

## FREE UPDATES/DLCs



## PAID UPDATES/DLCs



PORTS TO NEW PLATFORMS FOR



## DIVERSE PIPELINE FOR 2025 AND BEYOND



Literal walking simulator



Roguelike brawler loaded with high-impact, physics-based combat



Gritty combat roguelike



A slapstick experience unlike any other



Tactical kung-fu fighting game with a supernatural twist



Skate fast to destroy demons and save other tortured souls on your journey



Fast-paced action side scroller

And more to be announced...

# 2024 1H RECAP

- Profitability in 1H 2024 and strong 2H 2024 release schedule
- System Era integration on track with full year contribution in FY 2024
- Maintained high Metacritic scores: record-matching 80 average in 1H 2024
- Disciplined cost management in inflationary environment, with revenue growth outstripping opex



# OUTLOOK

- **Healthy pipeline: 30+ titles for 2024-2026**
- **System Era to make a full year contribution in 2024**
- **Back catalogue of >120 titles provides opportunities for further monetisation**
- **Healthy Balance Sheet with US\$41.3m cash holdings as of 31 August 2024**







**THANK YOU**

