

# DEVOLVER

D I G I T A L

INVESTOR PRESENTATION  
1H 2023 RESULTS





- **Prioritising quality** to unlock long-term value.
- Financial performance reflects **unusually quiet 1H release schedule**, as expected.
- **Seven releases scheduled for 2H 2023** including major titles *Wizard With A Gun* and *The Talos Principle 2*, as well as *Gunbrella*, *KarmaZoo* and *Hellboy: Web of Wyrld*.
- On track for **EBITDA break-even in 2023** and return to **growth in 2024**.
- Healthy pipeline of **more than 30 new titles** due for release in the next three years.
- **Balance sheet strength:** well positioned to invest in long-term growth.
- A taster of things to come: roll <Sizzle Reel>...

# 1H 2023 HIGHLIGHTS

## REVENUE

**\$43.9m**

-17% vs 1H 2022

## GROSS PROFIT<sup>1</sup>

**\$9.4m**

-51% vs 1H 2022

## EBITDA<sup>2</sup>

**( \$3.5m )**

1H 2022: \$6.8m

## CASH BALANCE

**\$64.8m**

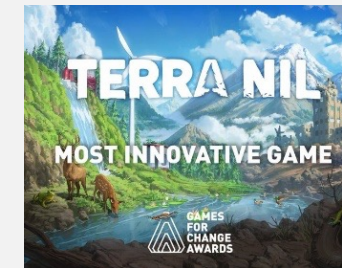
After c.\$7M EBT Share Purchase

## TITLES RELEASED

**4**

Average Metacritic Score:  
76

Terra Nil critically acclaimed  
**82** Meta Critic



G4C Most Innovative  
Game Award



x3 Honourable  
Mentions

Note: 1) Normalised Gross Profit; 2) Normalised Adjusted EBITDA

# 2023 TITLE RELEASES

Metacritic  
Score



82



71



87



Jan

Feb

Mar

Apr

May

Jun

Jul

Aug

Sep

Oct

Nov

Dec

N/A



75



80



Further Q4 '23  
releases to be  
announced

1H 2023 Metacritic Average Score: 76



2023 Year-to-date Metacritic Average Score: 79

Note: Title scores calculated as simple average of applicable platform scores; half year scores calculated as simple average of titles

# FOCUS ON OPERATIONS – STRATEGIC DECISIONS

## Game Release Dates

- **Strong commercial rationale** to move 5 titles out of 2023.
- The titles moved are: *Plucky Squire*, *Anger Foot*, *Stick it to the Stickman*, *Pepper Grinder* and *Skate Story*.
- Adding more time can be the difference between a 'one-time' release event, and a **potential franchise IP with significant longevity**.
- *Cult of the Lamb* is an **excellent example of the success** of this strategy.

## Subscription Deals

- Forecasting methodology change - **We will no longer forecast subscription deals**. Why?
- Overall platform deals across the market appear to have **peaked in 2022**.
- Digestion period for content buying likely to continue for at least the next few years.
- For Devolver, likely only c.10% of 2023 revenues, down from c.22% in 2022. These lower levels are expected for the next few years.
- Subscription deals – This year we have passed on certain platform deals that we felt **undervalued** the titles.

# Good Shepherd – Publisher Subsidiary

## New focus

- **Licensed IP** on an Indie budget.
- Continue to target **Hollywood licensed IP**.
- In addition, announced first ever partnership for **Rebellion, owner of "2000 AD" franchise**, to develop games based on their IP catalogue.
- Rebellion titles include ***Judge Dredd*, *Rogue Trooper***, and many others.



## Re-set

- New General Manager has **right-sized the business**.
- **Team size reduced, management team now on West Coast USA**.
- On track for **4Q positive EBITDA**, ahead of schedule.
- **Pending new releases: *Hellboy: Web of Wyrd* and *DiceFolk***.



# Back Catalogue – 1H 2023: Life-Cycle Activity

## Porting/Content Updates - 12 Games Launched on New Platforms in 1H 2023:

Trek to Yomi	Switch
Shadow Warrior 3 Definitive Edition	PS5 & Xbox S/X
Tentacular	PSVR2
McPixel 3	PS4, PS5 & Mobile
Gorn	PSVR2
Inscryption	Xbox One & Xbox S/X
Loop Hero	Xbox One & Xbox S/X
Carrion	PS5
Weird West Definitive Edition	PS5 & Xbox S/X
Minit Fun Racer	Switch
Bleak Sword DX	PC & Switch
Transport Fever 2	PS4, PS5, Xbox One & Xbox S/X

# Back Catalogue – Case Studies: Lengthening the Life-Cycle

## Ongoing Content Updates and Sales activities:

### Cult of the Lamb – Relics Of the Old Faith

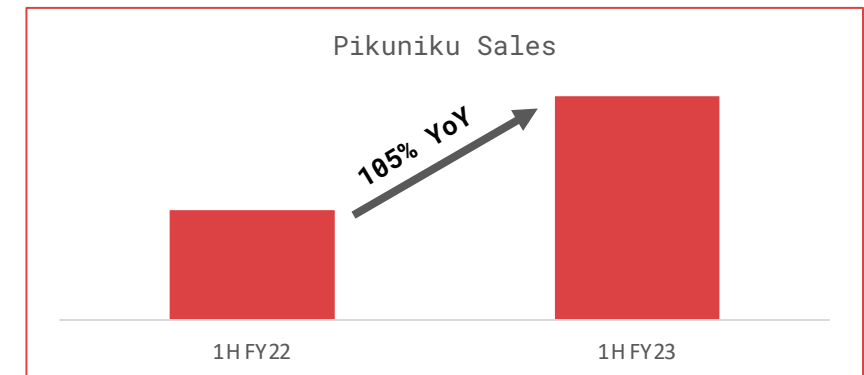
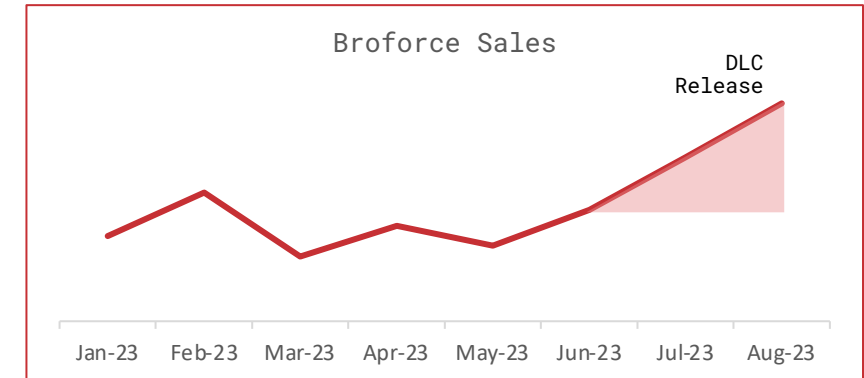
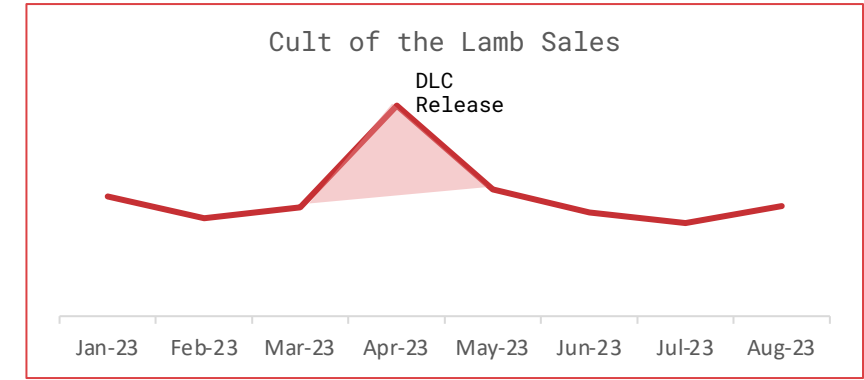
- **Strategy: Repeated DLCs layered on top of current momentum**
- 2022 original release, lifetime revenue >\$50m
- 2023 April: DLC released for c\$0.3m cost
- Result: +\$1m increased sales in release month, 90% up on run-rate

### Broforce – Forever

- **Strategy: Optimise older titles** (flex high margins, no amortization, minimal marketing)
- 2015 original release, lifetime revenue >\$15m
- 2023 August: DLC released for c\$0.1m cost
- Result: >100% up on sales run-rate since the July announcement

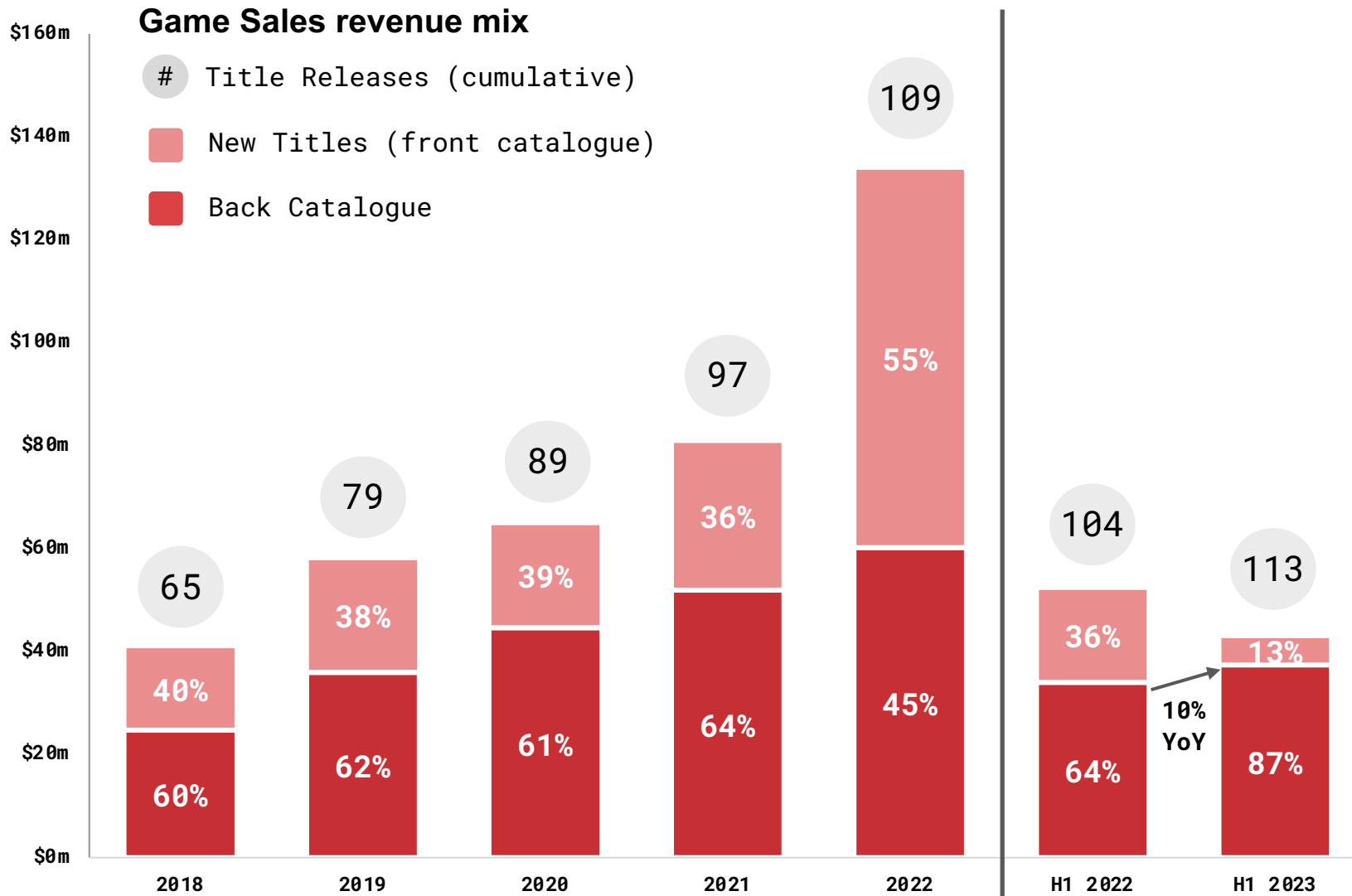
### Pikuniku

- **Strategy: Expand sales in new markets**
- 2019 original release, lifetime revenue >\$4m
- Growing sales team in China, title picked up by key streamers alongside successful discounting strategy
- Result: >105% increase in 1H YoY sales





# BACK CATALOGUE STRENGTH

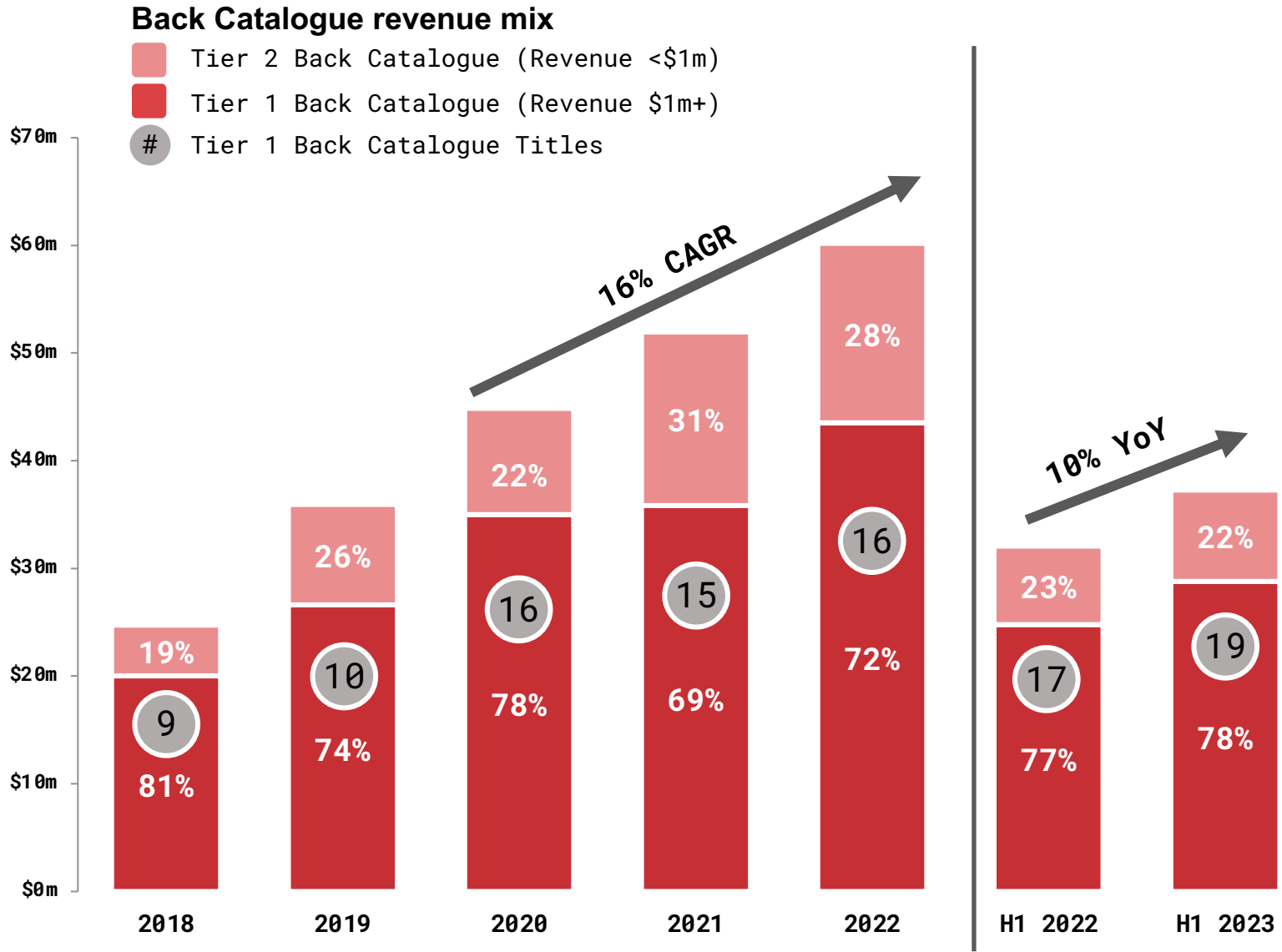


### Back Catalogue

- Back catalogue growth of 10% in 1H 2023 – primarily driven by FY22 release Cult of the Lamb and Inscryption.
- 87% of total revenues in 1H 2023 came from back catalogue, due to less new releases relative to previous periods.
- 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

Note: Excludes Fall Guys | 2018-2020 calculated on a cash accounting basis, 2021-2023 on an accruals basis | # releases excludes subsidiary titles released prior to acquisition

# EVERGREEN BACK CATALOGUE TITLES



**Back Catalogue**

- Consistent and strong increase in total dollar quantum of back catalogue sales, year over year.
- Tier 1 titles (>US\$1 million per year in sales) account for over 75% of sales. In FY23 1H there were 19 Tier 1 titles (annualized 1H performance).
- Tier 2 titles (<US\$1 million per year in sales), are the “long tail” and account for c. 25% of total back catalogue sales each year.
- Weaker performance of 1H 2022 releases constrained back-catalogue momentum in 1H 2023.
- However, strong performance from Cult of the Lamb and Inscryption off-set relative weakness of other titles.

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

# CONTINUING A TRACK RECORD OF HIGH-QUALITY RELEASES

## H1 2023



**Developer:** Free Lives  
Released 28<sup>th</sup> March 2023  
**PC & Netflix Mobile**  
82 Metacritic  
"incredibly fun gameplay, striking and gorgeous visuals, and a nice level of challenge"  
**Hardcore Gamer**  
49k Trees planted



**Developer:** Terri Vellmann, Doesone  
Released 27<sup>th</sup> June 2023  
**PC**  
71 Metacritic  
"Playing Sludge Life 2 made me happy that developers are still creating games with a soul"  
**TechRaptor**

## H2 2023

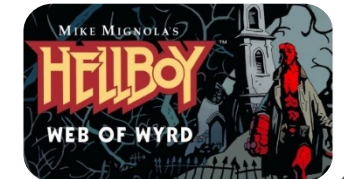


**Developer:** Deconstructeam  
Released 16 Aug. 2023  
**PC & Switch**  
88 Metacritic  
"A masterwork of narrative and character" ★★★★★  
**GamesRadar**



**Developer:** Doinksoft  
Released 13 Sept. 2023  
**PC & Switch**  
82 Metacritic  
"One of my favourite indies in recent memory"  
**The Gamer**

## COMING Q4 2023





# A CLOSER LOOK AT Q4 2023...



Launching Oct '23

Online cooperative sandbox survival game developed by **Galvanic Games**

PC, PlayStation & Xbox

11.1M Video Views

**Top 5** Demo June Steam Next Fest

"Wizard with a Gun seems to check every box" – **Lord of Gaming**



Launching Q4 '23

**Croteam's** sequel to their hit release, Talos Principle 2, is a breathtaking puzzle adventure

PC, PlayStation & Xbox

2.8M Video Views

745k Social Media Impressions

"this is a puzzler you'll want to have on your must-have list" – **Gaming Trend**



Launching Oct '23

Comic-style roguelike action brawler developed by **Upstream Arcade**

PC, PlayStation, Xbox & Switch

5.6M Video Views

554 Articles

"thing of beauty" – **GamesRadar**

Further 2023 releases to be announced...



# EXCITING PIPELINE FOR 2024

...and more to come!



PC, PlayStation, Xbox & Switch

**Developer: All Possible Futures**  
"I can't stop thinking about The Plucky Squire"  
- Games Radar



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**Developer: Cuzillo, Boch & Foddy**  
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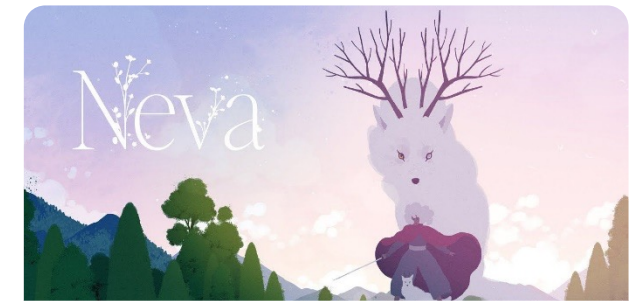
PC & Switch

**Developer: Ahr Ech**  
"...this frenetic, puzzle-action treasure hunt inspires."  
- Hardcore Gamer



PC

**Developer: Free Lives**  
"A breakneck door-kicking, enemy smashing blast"  
- Gameshub



PC, PlayStation, Xbox & Switch

**Developer: Nomada**  
"a game destined to make us feel, and think, very deeply."  
- The Gamer

## – AND BEYOND



PC & Console

Announced by Devolver June 9 2022

**Developer: Sam Eng**

Steam Next Fest hit

2.2M Video Views

240 Articles

“Devolver’s Skate Story Could Give Tony Hawk a Run for His Money”

- **Game Rant**



PC & Console

Announced June 8 2023

**Developer: No Brakes Games**

Highly anticipated follow-on from Human Fall Flat hit in 2016, which achieved >40M units & >\$70M revenues

3.5M Video Views

172 Articles, 596K Steam Followers

“**bigger, better, and clumsier** as No Brakes Games commit to taking things to **the next level**”

- **Tech Radar**





# FINANCIALS





# PROFIT & LOSS – STATUTORY REPORTING

US\$ 'm	FY20	FY21	FY22	1H 22	1H 23
<b>Net revenue</b>	<b>212.7</b>	<b>98.2</b>	<b>134.6</b>	<b>53.0</b>	<b>43.9</b>
Cost of sales	(121.0)	(58.9)	(89.4)	(34.7)	(33.6)
Impairment of capitalised development cost	-	-	(22.8)	-	(0.9)
<b>Gross profit</b>	<b>91.7</b>	<b>39.2</b>	<b>22.5</b>	<b>18.3</b>	<b>9.4</b>
<i>Gross margin</i>	<i>43.1%</i>	<i>40.0%</i>	<i>16.7%</i>	<i>34.5%</i>	<i>21.4%</i>
Operating expenses	(13.9)	(105.3)	(50.4)	(27.9)	(18.4)
Impairment of goodwill & IP	-	-	(70.0)	-	-
Other income / (loss)	-	116.1	(0.5)	-	(0.6)
<b>Operating profit / (loss)</b>	<b>77.2</b>	<b>50.0</b>	<b>(98.5)</b>	<b>(9.6)</b>	<b>(9.6)</b>
Pre-tax profit/(loss) <sup>1</sup>	77.2	50.0	(98.8)	(11.6)	(8.6)
Taxation	(13.1)	(19.4)	7.3	(5.0)	(1.4)
<b>Profit/ (Loss) for the period</b>	<b>64.1</b>	<b>30.6</b>	<b>(91.5)</b>	<b>(16.6)</b>	<b>(10.1)</b>
<b>Normalised Adjusted EBITDA</b>	<b>15.8</b>	<b>25.7</b>	<b>13.9</b>	<b>6.8</b>	<b>(3.5)</b>
<i>Adjusted EBITDA margin</i>	<i>22.2%</i>	<i>26.2%</i>	<i>10.3%</i>	<i>12.9%</i>	<i>(7.9%)</i>
Basic earnings/(loss) per share (\$)	0.183	0.081	(0.206)	(0.037)	(0.023)
Diluted earnings/(loss) per share (\$)	0.174	0.075	(0.206)	(0.037)	(0.023)

COMMENTARY
<ul style="list-style-type: none"> <li>• Quiet half with only 4 releases (only one of size) resulted in a 17% revenue fall yoy.</li> <li>• Royalty outpayments within COS were flat – reflecting higher relative royalties in 1H 2023 on back catalogue titles like COTL and Inscryption.</li> <li>• Gross margin decline a reflection of lower revenues coupled with higher royalty outpayments.</li> <li>• 34% fall in overall operating expenses on back of reduced Share Based Payments.</li> <li>• Cash operating expenses controlled despite headcount rises and inflationary pressures.</li> <li>• EBITDA loss a flow through from the lower Gross Profit number in 1H 2023.</li> </ul>

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



# CASH FLOW

US\$ 'm	FY20	FY21	FY22	1H 22	1H 23
<b>Operating activities</b>					
Cash inflow/ (outflow) from operations	78.0	56.2	(100.8)	(14.8)	(7.4)
Amortisation & depreciation	7.0	9.3	112.4	10.9	7.9
Share based payments	2.7	55.2	19.6	11.5	3.9
Interest Payable	-	-	-	-	0.2
Net taxation payable	(15.4)	(21.8)	(2.0)	-	(0.4)
Gain on sale of Publishing Rights & IP	-	(115.6)	-	-	-
<b>Net cashflow from operating activities</b>	<b>72.3</b>	<b>(16.7)</b>	<b>29.2</b>	<b>7.6</b>	<b>4.3</b>
<b>Investing activities</b>					
Investment in software development intangibles	(22.2)	(31.7)	(32.6)	(15.6)	(12.6)
(Purchase)/Sale of Goodwill, Publishing Rights & IP	-	127.5	-	-	-
Acquisitions (net of cash acquired)	(3.3)	(34.1)	-	-	(0.6)
Other	0.1	-	(0.1)	(0.0)	-
<b>Net cashflow from investing activities</b>	<b>(25.4)</b>	<b>61.7</b>	<b>(32.7)</b>	<b>(15.6)</b>	<b>(13.2)</b>
<b>Financing activities</b>					
Net change in borrowings/others	0.2	(0.1)	-	(0.5)	-
Share capital issuance	(6.0)	49.4	0.8	0.4	0.0
Net cash settlement of stock options	-	-	(2.5)	(1.9)	(7.2)
Repayment of Shareholder Loan	-	(20.8)	-	-	-
Dividend	(10.0)	(30.0)	-	-	-
Interest (Paid)/Received	-	-	0.4	-	0.9
<b>Net cashflow from financing activities</b>	<b>(15.8)</b>	<b>(1.5)</b>	<b>(1.4)</b>	<b>(2.0)</b>	<b>(6.2)</b>
<b>Net cashflow</b>	<b>31.1</b>	<b>43.4</b>	<b>(4.9)</b>	<b>(10.1)</b>	<b>(15.1)</b>
Foreign Exchange movements	-	(0.7)	(1.8)	(2.0)	0.4
<b>Closing cash</b>	<b>43.5</b>	<b>86.2</b>	<b>79.5</b>	<b>74.2</b>	<b>64.8</b>

## COMMENTARY

- Operating cashflow lower than prior-year period due to quiet half of title releases.
- 1H 2023 investment into software development of \$13.2m down from 1H 2022, reflecting halt of spending on cancelled games from end 2022 onwards.
- FY20 & FY21 investment activities included material investments into the purchase of intellectual property and acquisitions.
- Net cash outflows from financing in 1H 2023 due to the c. \$7m spent on market purchase of shares for the Employee Benefit Trust.
- Cash at 30 June 2023 amounted to \$64.8 million.

# BALANCE SHEET

US\$ 'm	FY20	FY21	FY22	1H 22	1H 23
<b>Non-Current Assets</b>					
Intellectual property	23.3	53.4	25.8	49.6	24.7
Capitalised developments costs	28.3	44.4	40.1	53.0	47.6
Goodwill	0.2	66.8	19.2	66.8	19.4
Deferred tax assets and others	1.7	2.6	11.2	0.7	11.1
<b>Total Non-Current Assets</b>	<b>53.4</b>	<b>167.3</b>	<b>96.3</b>	<b>170.2</b>	<b>102.9</b>
<b>Current Assets</b>					
Cash in bank	43.5	86.2	79.5	74.2	64.8
ARs, prepaid expenses & others	16.2	19.4	16.8	19.5	12.6
Prepaid Income tax	-	8.5	2.2	4.7	3.9
<b>Total Current Assets</b>	<b>59.7</b>	<b>114.1</b>	<b>98.5</b>	<b>98.3</b>	<b>81.2</b>
<b>TOTAL ASSETS</b>	<b>113.2</b>	<b>281.4</b>	<b>194.8</b>	<b>268.5</b>	<b>184.2</b>
<b>Current Liabilities</b>					
Trade, other payables & accrued expenses	18.3	17.8	19.1	14.0	17.7
Deferred revenue	0.6	4.5	2.1	5.0	2.4
Amounts due to shareholders	20.8	-	-	-	-
Current Tax Payable & Other	1.0	1.4	0.3	-	4.2
<b>Total Current Liabilities</b>	<b>40.7</b>	<b>23.8</b>	<b>21.5</b>	<b>19.0</b>	<b>24.2</b>
<b>Non-Current Liabilities</b>	<b>0.9</b>	<b>10.9</b>	<b>1.0</b>	<b>10.9</b>	<b>1.0</b>
<b>TOTAL LIABILITIES</b>	<b>41.7</b>	<b>34.6</b>	<b>22.5</b>	<b>29.9</b>	<b>25.3</b>
<b>TOTAL EQUITY</b>	<b>71.5</b>	<b>246.8</b>	<b>172.3</b>	<b>238.6</b>	<b>158.9</b>
<b>TOTAL EQUITY &amp; LIABILITIES</b>	<b>113.2</b>	<b>281.4</b>	<b>194.8</b>	<b>268.5</b>	<b>184.2</b>

## COMMENTARY

- The Group's net asset position was \$158.9 million at 30 June 2023.
- Capitalised development costs lower than prior-year period due to impairment of underperforming and cancelled titles at end 2022.
- IP and Goodwill balances also reduced year-over-year due to impairments.
- Cash holdings of US\$64.8 million after 1H development expense of US\$13.6 million and c.\$7 million in market purchase of shares for EBT.
- Accounts payable and accounts receivable largely balanced throughout the year, dependent on cash collection timing.

# OPERATING EXPENSES - TRENDS

US\$ 'm	FY21	FY22	1H 22	1H 23	Forward Trend
Payroll	9.3	13.6	6.9	8.1	Slow rise
Professional fees	1.6	4.6	2.4	1.5	Steady fall
<b>Subtotal payroll &amp; prof. fees</b>	<b>10.9</b>	<b>18.2</b>	<b>9.3</b>	<b>9.6</b>	<i>Slow rise</i>
Travel and entertainment	0.3	0.8	0.3	0.6	Steady
Insurance	0.2	0.9	0.5	0.3	Slow fall
Admin, office and others	4.8	3.2	1.8	2.1	Steady
<b>Total Normalised OpEx</b>	<b>16.2</b>	<b>23.1</b>	<b>12.0</b>	<b>12.6</b>	Steady
Stock compensation expense	55.2	19.6	11.5	3.9	Steady fall
Amortisation of IP and depreciation of PPE	5.7	5.5	3.8	1.9	Steady
Exceptional costs	28.1	2.2	0.5	-	N/A
Impairments – goodwill/IP	-	70.0	-	-	N/A
<b>Total Statutory OpEx</b>	<b>105.3</b>	<b>120.4</b>	<b>27.9</b>	<b>18.4</b>	<b>Slow decline</b>

## COMMENTARY

- 5% increase in total normalised operating expenses despite considerable inflationary pressures and headcount rises.
- Only 3% rise in combined payroll and professional fees despite a 10% increase in Group headcount year-on-year due to acquisitions and bringing expertise in-house (finance, legal and QA).
- Recurrent professional fees relate to audit and tax costs, legal fees, non-executive director fees, NOMAD and Exchange fees etc.
- SBP expenses continue to fall as 3-year vesting of pre-IPO options concludes in 1H 2024. Replaced by lower LTIP grant cost going forward.

Note: Subtotals may not cast due to rounding

# SUMMARY

## 1H 2023 RECAP

**Quiet release schedule:** 4 titles, only 1 of size, versus 7 in 1H 2022.

**Commercial decisions:** Moved titles into 2024 and turned-down sub-par platform deals.

**Maintained high Metacritic scores:** 76 average in 1H 2023, 79 average year-to-date.

**Total operating expenses falling:** 34% lower than 1H 2022, cash opex under control.

## OUTLOOK

**Balance sheet strength:** well positioned to invest in long-term growth.

**Healthy pipeline:** 30+ titles for 2024-2026.

**Building for stronger 2024 and 2025.**



# EXCITING PIPELINE FOR 2024

...and more to come!



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**Developer: All Possible Futures**  
"I can't stop thinking about The Plucky Squire"  
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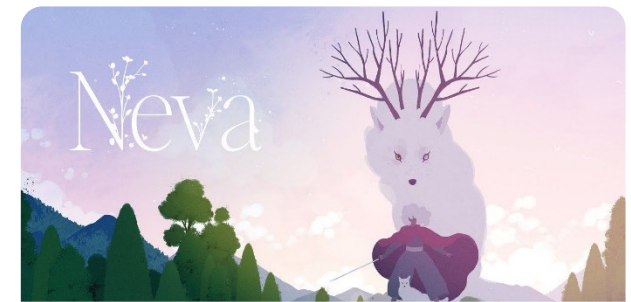
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THANK YOU

