PRESS RELEASE

The Board of Directors of Digital Bros Group approved the Interim Report as of September 30th, 2024

THE FY2024- 2025 FIRST QUARTER RESULTS:

- NET REVENUE AT EURO 21.5 MILLION, UP 6.3% YEAR ON YEAR
- EBITDA AT EURO 5.9 MILLION, GROWING BY EURO 3.7 MILLION
- NEGATIVE EBIT AT EURO 1.4 MILLION, IMPROVING BY EURO 1.7 MILLION
- REDUCTION IN NET LOSS, AT EURO 2.3 MILLION AT QUARTER-END
- NET FINANCIAL DEBT INCREASED BY EURO 5.3 MILLION, IN LINE WITH EXPECTATIONS
- FULL YEAR OUTLOOK CONFIRMED WITH DECREASING REVENUE AND STABLE EBIT

✓ *Consolidated revenue of Euro 21.5 million, up by 6.3%, compared to Euro 20.2 million as of September 30th, 2023, exclusively made by back catalogue sales*

✓ *EBITDA at Euro 5.9 million, increasing from the Euro 2.3 million realized as of September 30th, 2023, because of the higher-margin product mix and the reorganization process implemented in the last fiscal year*

✓ *EBIT was negative at Euro 1.4 million, improving compared to the negative Euro 3.2 million EBIT as of September 30th, 2023, even after Euro 1.8 million increase in depreciation and amortization*

✓ *Net loss at Euro 2.3 million, reduced from the net loss of Euro 3.1 million of the first quarter in the previous fiscal year*

✓ *The net financial position is negative at 30.1 million euros (Euro 26.7 million net of the IFRS16 effect), in line with expectations*

✓ *Revenue for the current fiscal year concentrated in H2 and expected to decline compared to June 30th, 2024. EBIT projected to remain stable because of the actions implemented in FY2024*

Milan, November 14th, 2023 - The Board of Directors of Digital Bros Group (DIB:MI), videogames company listed on the Euronext STAR Milan (ISIN: IT0001469995) and part of the FTSE Italia Small Cap index, today approved the Interim Report as of September 30th, 2024 (first quarter of the fiscal year from July 1st, 2024 to June 30th, 2025).

Digital Bros Group's key consolidated results for the first quarter of FY 2024-2025, together with the previous year comparatives, are as follows:

Results for Q1 FY 2024-2025 (from July 1st, 2024 to September 30th, 2024)

Euro thousand	September 30th 2024	September 30th, 2023	Change €	Change %
Gross revenue	21,478	20,225	1,253	6.2%
Gross operating margin (EBITDA)	5,911	2,260	3,651	n.m.
Operating margin (EBIT)	(1,433)	(3,175)	1,742	54.9%
Profit / (loss) before tax	(2,106)	(3,574)	1,468	41.1%
Net profit / (net loss)	(2,335)	(3,117)	782	25.1%

- Consolidated gross revenue at Euro 21.5 million, up by 6.2%, compared to Euro 20.2 million realized as of September 30th, 2023;
- EBITDA of Euro 5.9 million (27.5% of net revenue), compared to Euro 2.3 million as of September 30th, 2023;
- EBIT was at negative 1.4 million, compared to the negative EBIT of Euro 3.2 million as of September 30th, 2023;
- Loss before tax at Euro 2.1 million, compared to the Euro 3.6 million loss before tax as of September 30th, 2023;
- Net loss of Euro 2.3 million, compared to the Euro 3.1 million net loss as of September 30th, 2023.

RESULTS BY OPERATING SEGMENT

The video games market is experiencing new and challenging competitive dynamics after the optimism resulting from the growth achieved during the pandemic. Such challenges are increasing development budgets, greater consumer selection and a reduced market liquidity. The publishing strategies and the organizational structures adopted by publishers and developers during the pandemic were no longer sustainable to hedge such uncertainties. As a result, the Group, during the previous fiscal year, reconsidered the investment strategy focusing on new productions with higher margin, particularly fully owned Intellectual Properties to leverage on their long-term value creation.

As of September 30th, 2024, revenue amounted to Euro 21.4 million, increasing by 6.2% year on year. The first quarter is usually weak in absence of new releases. No video games were launched during the reporting period, similarly to Q1 last year, therefore revenue was exclusively made by the sales of back catalogue.

The product mix presented higher margins compared to the previous fiscal year, enabling the Euro 1.4 million increase in gross profit.

Operating costs were down by 26.9%, a Euro 3.6 million decrease, mostly as a result of the reorganization process implemented by the Group in the previous fiscal year. Such decrease in operating costs contributed to the growth in EBITDA of Euro 3.7 million realized in the period. As of September 30th, 2024, EBITDA amounted to Euro 5.9 million.

The break-even point was lowered by the fixed cost reduction. However, revenues of the quarter weakened by the market seasonality were not enough to achieve a positive EBIT. As of September 30th, 2024, EBIT was negative at 1.4 million, still improved by Euro 1.7 million year on year, despite Euro 1.8 increase in D&A costs related to the new video game launches of the second half of FY2024.

Revenues from international markets accounted for 94% of total net revenue, while digital sales amounted to 89% of the total net revenue, as already disclosed in previous reports.

The breakdown of net revenue by operating segment as of September 30th, 2024, compared to the same quarter in the previous fiscal year is as follows:

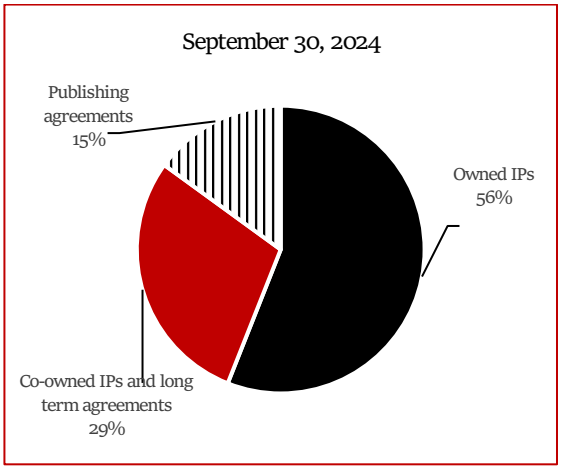
Net revenue

Euro thousand	September 30th, 2024	September 30th, 2023	Change €	Change %
Premium Games	16,989	15,005	1,984	13.2%
Free to Play	3,453	4,370	(917)	-21.0%
Italian Distribution	909	703	206	28.9%
Other Activities	127	118	9	7.6%
Total net revenue	21,478	20,225	1,254	6.2%

The net revenue for the Premium Games operating segment as of September 30th, 2024 was at Euro 17 million, a 13% from the previous fiscal year and representing 79.1% of total revenue. This result was spread among several back catalogue products, with the outstanding performance of the different versions of Assetto Corsa. The franchise developed by the fully owned studio Kunos Simulazioni generated Euro 5.8 million revenue in the reporting period.

Video games developed by the internal studios and fully owned intellectual properties (IPs) accounted for 56% of the total revenue for the operating segment, in line with the previous fiscal year and in line with the Group's strategy, which is focused on the owned and co-owned Intellectual Properties within its video game portfolio.

The breakdown of Premium Games revenue by the type of rights held by the Group as of September 30th, 2024, unchanged with respect to the first quarter of the previous fiscal year, is provided below:



Revenues from the Free-to-Play operating segment amounted to Euro 3,453 thousand, down by 21% compared to the first quarter of the previous fiscal year. The Group will relaunch the video games in the portfolio starting from the second half of the fiscal year, especially in some specific markets that are currently generating only marginal revenue.

The revenue from the Italian Distribution operating sector slightly increased from Euro 703 thousand to Euro 909 thousand as of September 30th, 2024. During the reporting period, the activities within the Italian Distribution operating segment only consisted of sales of goods in stock.

The total cost of sales amounted to Euro 5,034 thousand, decreasing by 1.9% with respect to the Euro 7,769 thousand as of September 30th, 2023. As a result, gross profit amounted to Euro 13,853 thousand, increasing from the Euro 12,427 thousand realized in the first quarter of the previous fiscal year.

Other income amounted to Euro 1,742 thousand, down by Euro 1,335 thousand. Such decrease is mainly driven by the reallocation of activities within development teams, now mostly dedicated to the live support of video games already launched and therefore no longer capitalized.

The operating costs amounted to Euro 9,684 thousand, decreasing by Euro 3,560 thousand compared with the Euro 13,244 thousand as of September 30th, 2023. The significant reduction in operating costs reflects the reorganization process implemented in the previous fiscal year, which resulted in a workforce reduction of 158 units.

The EBITDA amounted to Euro 5,911 thousand, significantly higher than the Euro 2,260 thousand realized in the first quarter of the previous fiscal year.

Depreciation and amortization increased by Euro 1,882 thousand due to the greater use of video games launched during the second half of the last fiscal year, such as Eiyuden Chronicle – Hundred Heroes and Crime Boss: Rockay City.

The EBIT was negative at Euro 1,433 thousand, improving from the negative Euro 3,175 thousand as of September 30th, 2023.

The net interest expense amounted to Euro 673 thousand, compared to the Euro 399 thousand of the first quarter of the last fiscal year.

The loss before tax for the period amounted to Euro 2,106 thousand, improving from the loss before tax of Euro 3,574 thousand realized as of September 30th, 2023.

The net loss amounted to Euro 2,335 thousand, compared to the Euro 3,117 thousand net loss of the first quarter in the previous fiscal year.

The net loss attributable to the shareholders of the Parent Company was at Euro 2,302 thousand.

The basic loss per share and diluted loss per share were both at Euro 0.16, compared to the 0.17 basic loss per share and the Euro 0.16 diluted loss per share as of September 30th, 2023.

The loss attributable to non-controlling interests as of September 30th, 2024 is at Euro 33 thousand, compared to the Euro 714 thousand in the previous year, due to the fact that the Dutch subsidiary Rasplata B.V. is now fully owned by the Group.

NET FINANCIAL POSITION

As expected, the net financial debt as of September 30th, 2024 was at Euro 30,125 thousand, increasing by Euro 5,341 thousand compared to the Euro 24,784 thousand as of June 30th, 2024.

Digital Bros will be able to manage its current liabilities with its future cash flow generation. The net financial debts are expected to further increase in the second quarter before decreasing starting from Q3 and are expected to arrive a lower level compared to June 30th, 2024 at fiscal year-end.

The total net financial position, net of the IFRS16 effect, is negative at Euro 26,740 thousand.

TREASURY SHARES

As of September 30th, 2024, Digital Bros S.p.A. did not hold any treasury shares, and no transactions have been made in the period, in accordance with Art. 2428 paragraph 2, comma 3 of the Italian Civil Code.

SIGNIFICANT EVENTS DURING THE PERIOD

No significant events occurred during the reporting period.

SUBSEQUENT EVENTS

On October 28th, 2024, the Shareholders' Meeting of Digital Bros Group approved the Financial Statements for the fiscal year 2023-2024 and appointed attorney Veronica Devetag Chalaupka as a new member of the Board of Directors. The new Director will remain in office until the expiry of the current Board of Directors, i.e. until the Shareholders' Meeting convened for the approval of the financial statements as at June 30th, 2026.

BUSINESS OUTLOOK

The PC version of Assetto Corsa EVO will be released in Early Access on Steam on January 16th, 2025. The release schedule for the Premium Games operating segment will also include the launch of a high-potential new video game in the last quarter. The Free to Play video games relaunch will also be implemented during the second half of the current fiscal year. As a result, revenues and margins are expected to improve in the second half of the fiscal year compared to the first.

Despite the expected positive trend in the second half, the Group confirmed the previously announced outlook, projecting a full year decline in revenue. The actions implemented in the previous fiscal year, including the reorganization and the refocus of the investments, are expected to maintain the EBIT at the same level as of June 30th, 2024.

The forecasted results do not consider any effect of the 33% earn out on the net revenue from the video game PAYDAY3, given the ongoing contractual disagreements and the potential arbitration with Starbreeze.

The net financial debts are expected to further increase in the second quarter before decreasing starting from Q3 and are expected to arrive a lower level compared to June 30th, 2024 at fiscal year-end.

ART. 154-BIS OF THE T.U.F.

As required by paragraph 2, Art. 154-bis of the T.U.F., Digital Bros Group's Chief Financial Officer, Stefano Salbe, declares that the information contained in this press release corresponds to the Group's underlying documents, books and accounting records.

This press release is available on the websites www.digitalbros.com and www.1info.it.

DIGITAL BROS GROUP

Listed on the Euronext STAR Milan and part of Euronext Tech Leaders, Digital Bros Group is a global company that has been operating since 1989 as a developer, publisher and distributor of video games through its brand 505 Games. The Group markets its contents on both retail and digital channels, Digital Bros Group is active around the world through its own direct operations in Italy, United States, UK, Czech Republic, China, Japan, Australia and Canada with 284 employees.

For further information please contact:
Digital Bros S.p.A.
Stefano Salbe - CFO
Tel, + 39 02 413031
ir@digitalbros.com

DIGITAL BROS GROUP- FINANCIAL STATEMENTS

Consolidated statement of financial position as of September 30th, 2024

	Euro thousand	September 30th, 2024	June 30th, 2024
	Non-current assets		
1	Property, plant and equipment	6,779	7,379
2	Investment properties	0	0
3	Intangible assets	126,880	129,614
4	Equity investments	7,719	9,685
5	Non-current receivables and other assets	7,540	7,945
6	Deferred tax assets	21,321	21,166
7	Non-current financial activities	0	0
	Total non-current assets	170,239	175,789
	Current assets		
8	Inventories	1,755	2,668
9	Trade receivables	11,153	16,887
10	Tax receivables	4,247	4,345
11	Other current assets	6,768	8,902
12	Cash and cash equivalents	3,367	11,981
13	Other current financial assets	5,265	10,238
	Total current assets	32,555	55,021
	TOTAL ASSETS	*202,794*	*230,810*
	Shareholders' equity		
14	Share capital	(5,706)	(5,706)
15	Reserves	(10,073)	(11,868)
16	Treasury shares	0	0
17	Retained earnings	(107,235)	(113,426)
	Equity attributable to the shareholders of the Parent Company	(123,014)	(131,000)
	Equity attributable to non-controlling interests	(542)	3,314
	Total net equity	(123,556)	(127,686)
	Non-current liabilities		
18	Employee benefits	(1,009)	(967)
19	Non-current provisions	(716)	(563)
20	Other non-current payables and liabilities	(1,362)	(1,657)
21	Non-current financial liabilities	(7,376)	(10,324)
	Total non-current liabilities	(10,463)	(13,511)
	Current liabilities		
22	Trade payables	(30,925)	(43,737)
23	Tax payables	(951)	(1,299)
24	Short term provisions	(1,241)	(1,241)
25	Other current liabilities	(4,277)	(6,657)
26	Current financial liabilities	(31,381)	(36,679)
	Total current liabilities	(68,775)	(89,613)
	TOTAL LIABILITIES	(79,238)	(103,124)
	TOTAL NET EQUITY AND LIABILITIES	*(202,794)*	*(230,810)*

Consolidated Profit and Loss statement as of September 30th, 2024

	Euro thousand	September 30th, 2024	September 30th, 2023
1	Gross revenue	21,478	20,225
2	Revenue adjustments	(0)	(29)
3	Net revenue	21,478	20,196
4	Purchase of products for resale	(173)	(898)
5	Purchase of services for resale	(1,774)	(2,727)
6	Royalties	(4,765)	(4,260)
7	Changes in inventories of finished products	(913)	116
8	Total cost of sales	(7,625)	(7,769)
9	Gross profit (3+8)	13,853	12,427
10	Other income	1,742	3,077
11	Costs for services	(2,058)	(2,800)
12	Rent and leasing	(94)	(133)
13	Payroll costs	(7,272)	(9,942)
14	Other operating costs	(260)	(369)
15	Total operating costs	(9,684)	(13,244)
16	Gross operating margin (EBITDA) (9+10+15)	5,911	2,260
17	Depreciation and amortization	(7,317)	(5,435)
18	Provisions	0	0
19	Asset impairment charge	(27)	0
20	Impairment reversal	0	0
21	Total depreciation, amortization and impairment adjustments	(7,344)	(5,435)
22	Operating margin (EBIT) (16+21)	(1,433)	(3,175)
23	Interest and financial income	456	643
24	Interest and financial expenses	(1,129)	(1,042)
25	Net interest income/(expenses)	(673)	(399)
26	Profit/ (loss) before tax (22+25)	(2,106)	(3,574)
27	Current tax	(68)	291
28	Deferred tax	(161)	166
29	Total taxes	(229)	457
30	Net profit/loss	(2,335)	(3,117)
	attributable to the shareholders of the Parent Company	(2,302)	(2,413)
	attributable to non-controlling interests	(33)	(704)
	Earnings per share:		
33	Basic earnings per share (in Euro)	(0.16)	(0.17)
34	Diluted earnings per share (in Euro)	(0.16)	(0.16)

Consolidated statement of comprehensive income as of September 30th, 2024

Euro thousand	September 30th, 2024	September 30th, 2023
Profit (loss) for the period (A)	(2,335)	(3,117)
Changes in the fair value	(1,966)	(6,111)
Tax effect regarding fair value measurement of financial assets	473	1,467
Items that will not be subsequently reclassified to profit or loss (B)	(1,493)	(4,644)
Exchange differences on translation of foreign operations	(420)	209
Items that will subsequently be reclassified to profit or loss (C)	(420)	209
Total other comprehensive income D= (B)+(C)	(1,913)	(4,435)
Total comprehensive income (loss) (A)+(D)	(4,248)	(7,552)
Attributable to:		
Shareholders of the Parent Company	(4,215)	(6,848)
Non-controlling interests	(33)	(704)

Consolidated cash flow statement as of September 30th, 2024

Euro thousand		September 30th, 2024	September 30th, 2023
A.	Opening net cash/debt	11,981	9,407
B.	Cash flows from operating activities		
	Profit (loss) for the period	(2,335)	(3,117)
	Depreciation, amortization and non-monetary costs:		
	Provisions and impairment losses	27	0
	Amortization of intangible assets	6,705	4,783
	Depreciation of property, plant and equipment	614	652
	Net change in tax advance	(155)	(1,883)
	Net change in other provisions	153	(0)
	Net change in employee benefit provisions	42	46
	Other nonmonetary changes to the net equity	(1,795)	(4,746)
	SUBTOTAL B.	3,256	(4,265)
C.	Change in net working capital		
	Inventories	913	(116)
	Trade receivables	5,707	3,272
	Current tax assets	98	(887)
	Other current assets	2,134	13,067
	Trade payables	(12,812)	(2,784)
	Current tax liabilities	(348)	(787)
	Current provisions	0	(0)
	Other current liabilities	(2,563)	(411)
	Other non-current liabilities	(112)	(215)
	Non-current receivables and other assets	405	(687)
	SUBTOTAL C.	(6,578)	10,452
D.	Cash flows from investing activities		
	Net payments for intangible assets	(3,971)	(12,800)
	Net payments for property, plant and equipment	(14)	(179)
	Net payments for non-current financial assets	1,966	(5,117)
	Changes in financial assets	4,973	11,018
	SUBTOTAL D.	2,954	(7,078)
E.	Cash flows from financing activities		
	Capital increases	0	0
	Changes in financial liabilities	(8,246)	(3,872)
	Changes in financial assets	0	0
	SUBTOTAL E.	(8,246)	(3,872)
F.	Changes in consolidated equity		
	Dividends paid	0	0
	Changes in treasury shares held	0	0
	Increases (decreases) in other equity components	0	0
	SUBTOTAL F.	0	0
G.	Cash flow for the period (B+C+D+E+F)	(8,614)	(4,763)
H.	Closing net cash/debt (A+G)	3,367	(4,763)

Consolidated statement of profit and loss per operating segment as of September 30th, 2024

Euro thousand	Share capital (A)	Share premium reserve	Legal reserve	IAS transition reserve	Currency translation reserve	Other reserves	Total reserves (B)	Treasury shares (C)	Retained earnings	Profit (loss) for the year	Total retained earnings (D)	Equity of Parent Company shareholders (A+B+C+D)	Equity of non-controlling interests	Total equity
Total on July 1st, 2023	5,706	18,528	1,141	1,367	(913)	1,244	21,367	0	105,587	9,683	115,270	142,343	1,375	143,718
Allocation of previous year result							0		9,683	(9,683)	0	0	0	0
Other changes						39	39		364		364	403	(714)	(311)
Comprehensive income (loss)					209	(4,644)	(4,435)			(2,413)	(2,413)	(6,848)	(704)	(7,552)
Total on September 30th, 2023	5,706	18,528	1,141	1,367	(704)	(3,361)	16,971	0	115,634	(2,413)	113,221	135,898	(43)	135,855
Total on July 1st, 2024	5,706	18,528	1,141	1,367	(709)	(8,459)	11,868	0	115,640	(2,214)	113,426	131,000	(3,314)	127,686
Allocation of previous year result							0		(2,214)	2,214	0	0	0	0
Other changes						118	118		(3,889)		(3,889)	(3,771)	3,889	118
Comprehensive income (loss)					(420)	(1,493)	(1,913)			(2,302)	(2,302)	(4,215)	(33)	(4,248)
Total on September 30th, 2024	5,706	18,528	1,141	1,367	(1,129)	(9,834)	10,073	0	109,537	(2,302)	107,235	123,014	542	123,556