

## 2019 CONSOLIDATED FULL-YEAR RESULTS

- Business in 2019 marked by the ramp-up of co-production and self-publishing
- Operating EBITDA<sup>1</sup> under control at €3.3 million
- Cash and cash equivalents of €16.9 million
- Business in 2020: royalties from LIFE IS STRANGE™ 2 to start, release of TELL ME WHY™ and TWIN MIRROR™ and new original creations

**April 15, 2020.** DONTNOD Entertainment, an independent French studio that creates and develops video games, today presents its 2019 full-year results, as approved by the Board of Directors on April 14, 2020. The Statutory Auditors have completed their audit assignment and the 2019 financial report will be published on April 30.

Oskar Guilbert, Chairman and Chief Executive Officer of DONTNOD, said: *“2019 was marked by a profound transformation of the video games industry with an increasing number of digital platforms, all vying with each other to obtain differentiated premium content. Against this backdrop, the studio is ideally positioned by developing original creations, increasingly leveraging its intellectual property rights and expanding co-production and self-publishing. We are now in a situation whereby the favorable underlying industry trend is consolidating, in particular through the domination of online platforms and digitization. The choices made in 2019 will put us in the right position to take advantage of the many value creation opportunities opening up to us in the coming years.”*

Audited figures in € '000 (French GAAP)	2018 <sup>2</sup>	2019
Revenues	14,330	<b>13,945</b>
- incl. royalties	3,811	<b>2,062</b>
- incl. Publisher fees	10,520	<b>11,883</b>
Capitalized production <sup>3</sup>	854	<b>4,072</b>
<b>Total Operating revenues<sup>4</sup></b>	15,185	<b>18,017</b>
Other operating income	635	<b>108</b>
Total operating expenses (excl. depreciation, amortization and provisions)	(15,904)	<b>(19,512)</b>
CIJV	3,843	<b>4,668</b>
<b>Operating EBITDA<sup>1</sup> (including CIJV)</b>	3,758	<b>3,280</b>
Depreciation and amortization	(1,868)	<b>(2,500)</b>
<b>Operating EBIT<sup>5</sup> (including CIJV)</b>	1,890	<b>780</b>
Financial income/(expenses)	(176)	<b>(81)</b>
Non-recurring income/(expenses)	(1,041)	<b>(472)</b>
Amortization of goodwill	(183)	<b>(314)</b>
<b>Consolidated net income/(loss)</b>	490	<b>(86)</b>

<sup>1</sup> Operating EBITDA: Operating income + Depreciation and amortization charges & provisions net of reversals + Video game tax credit (CIJV)

<sup>2</sup> The consolidated financial statements include DONTNOD ELEVEN from June 1, 2018

<sup>3</sup> Costs incurred on co-produced games until release

<sup>4</sup> Revenues + capitalized production

<sup>5</sup> Operating EBIT: Operating income + Video game tax credit (CIJV)



### Robust growth in operating revenues

For the 2019 financial year, DONTNOD Entertainment posted operating revenues of €18.0 million, up 18.6% from €15.2 million in 2018.

This momentum is driven by a 13% growth in publisher fees (ramp-up in development of **TELL ME WHY™**) and a 4.8-fold increase in capitalized production (accelerated development of **TWIN MIRROR™**, new co-production with FOCUS Home Interactive -**Project 8**- and the start of pre-production for **Project 7**, for which the studio holds the intellectual property rights). The level of royalties in 2019 (down 45.9%) reflects only back catalog<sup>6</sup> revenue, as no new royalty-generating game was launched in 2019. Profits from the sales of **LIFE IS STRANGE™ 2**, the last episode of which was released in November 2019, are expected to roll in from 2020, after the publisher has recovered its marketing and production costs.

### Profit margins in line with progress on projects

As expected, the 2019 financial statements confirm the ramp-up of games under development and the absence of royalties from new games.

Due to the measures taken to support games in production and take full advantage of new market opportunities, staff costs increased by 41.6% to €14.3 million in 2019, compared to €10.1 million in 2018. Operating EBITDA, including the CIJV (video game tax credit), totaled €3.3 million in 2019, a reduction limited to €0.5 million versus 2018. After depreciation, amortization and provisions (€2.5 million), including continued amortization of the development costs of **VAMPYR™** (started in mid-2018), operating EBIT (including CIJV) is, as announced, substantially positive at €0.8 million.

Consolidated net income was close to break-even, including non-recurring expenses of €0.5 million with no cash impact, mainly related to CIJV provision arrangements, and the amortization of goodwill related to DONTNOD ELEVEN.

### Solid financial position as of December 31, 2019

ASSETS	2018	2019	EQUITY & LIABILITIES	2018	2019
Fixed assets	7,334	<b>15,673</b>	Shareholders' equity	32,974	<b>32,859</b>
Inventories & work in progress	-	-	Provisions	1,672	<b>2,330</b>
Trade receivables	3,993	<b>3,050</b>	Borrowings	2,224	<b>1,560</b>
Other receivables	4,873	<b>5,977</b>	Trade payables	743	<b>401</b>
Cash & cash equivalent	24,415	<b>16,955</b>	Other payables	3,003	<b>4,505</b>
<b>TOTAL</b>	<b>40,616</b>	<b>41,655</b>	<b>TOTAL</b>	<b>40,616</b>	<b>41,655</b>

In 2019, DONTNOD generated a positive gross operating cash flow of €3.2 million, up compared with 2018 (€3 million).

The 2019 investments to the tune of €11 million mainly relate to capitalized production in respect of the development of **TWIN MIRROR™**, the new co-production with FOCUS Home Interactive and the start of pre-production on **Project 7**. In 2019, DONTNOD also acquired the intellectual property of **TWIN MIRROR™**.

At December 31, 2019, borrowings totaled €1.6 million, entirely made up of shareholder current accounts. Other payables included €2.4 million in deferred income, mainly including a portion of the guaranteed minimum amounts received in respect of **TWIN MIRROR™** and recognized in revenues upon the release of the game.

<sup>6</sup> All video games released before the financial year



Other receivables included €5.2 million of tax credits not received at December 31, 2019.

At December 31, 2019, DONTNOD shareholders' equity stood at €32.9 million versus cash and cash equivalents of €17 million.

### Outlook and development

The emergence of new players in the video game digital distribution sector and their ongoing search for premium content have allowed DONTNOD to strengthen its positioning in the value chain. Accordingly, the studio signed its first direct contract with EPIC Games Store in 2019 for the exclusive distribution of **TWIN MIRROR™** on PC. EPIC Games' recent announcements regarding their publishing structure, with conditions very favorable to studios (including the possible funding of all production costs, retention of intellectual property rights and payment of 50% of royalties for studios) confirm that the choices made by DONTNOD were right and its development prospects are good.

Leveraging the favorable industry trend, DONTNOD decided to step up the process started at the time of the IPO by structuring its in-house publishing and marketing activities, thereby enhancing its value creation strategy.

Among other things, in 2020 the first royalties from **LIFE IS STRANGE™ 2** are expected to come in. Furthermore, two new games will be launched during the year: **TWIN MIRROR™**, the first self-published game (with guaranteed royalties) scheduled for release on PC with EPIC Games and on consoles with Bandai Namco Entertainment, and **TELL ME WHY™**, an episodic original new creation derived from the first collaboration with Microsoft (summer 2020).

In view of the current exceptional health situation, DONTNOD has implemented a business continuity plan to ensure optimum productivity in its production chains. However, the rapid development of the situation and the duration of the COVID-19 health crisis is currently unknown, and release schedules in the video games industry could be adjusted depending on how the situation develops.

Finally, DONTNOD will continue the development of the new co-production with FOCUS Home Interactive and the pre-production of **Project 7** while pursuing the launch of creations after the release of **LIFE IS STRANGE™ 2**, **TELL ME WHY™** and **TWIN MIRROR™**. The Group is thus preparing to enrich its catalog over and above the plan presented at the time of the IPO.

### About DONTNOD Entertainment

Founded in 2008, DONTNOD is an independent French studio that develops "AA" budget video games in popular genres, such as adventure (**LIFE IS STRANGE™**, **TWIN MIRROR™**), action (**REMEMBER ME™**) and RPG (**VAMPYR™**). Every new game is an original, natively multi-screen creation with a unique narrative experience and gameplay (consoles, PC, smartphones, tablets, Mac and TV) and is aimed at a wide audience, whether released in episodes by adopting the successful TV series format, or in "one shot" format. The studio has built an international reputation amongst leading publishers such as Microsoft, Square Enix, Focus Home Interactive, Bandai Namco Entertainment and Capcom.

DONTNOD (ISIN code: FR0013331212 - ALDNE) is listed on Euronext Growth Paris.

Step into the studio's immersive and innovative universe at [dont-nod.com](http://dont-nod.com)

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