

## 2020 HALF-YEAR RESULTS

- Operating income up 19.9%
- Operating EBITDA<sup>1</sup> under control at €1.7 million
- Net income up 64%
- Robust cash and cash equivalents of €20.0 million before July 2020 capital increase

**September 28, 2020.** DONTNOD Entertainment, an independent French studio that creates and develops video games, today presents its first half 2020 results as approved by the Board of Directors on September 18, 2020. The Statutory Auditors have completed their limited review of the first half financial statements. The half-year financial report will be available in October.

Oskar Guilbert, Chairman and Chief Executive Officer of DONTNOD, said: *“This first half of the year was marked by an unprecedented health crisis and the resulting global lockdown. Our priority during this extraordinary period has been to ensure the safety and wellbeing of our teams. I would like to acknowledge the remarkable professionalism, dynamism and adaptability demonstrated by our employees, whose commitment has enabled us keep to the delivery schedules for the year’s two new games, **TELL ME WHY™** and **TWIN MIRROR™**, in keeping with the studio’s high quality standards already rewarded with the first prices obtained.*

*The first half of the year also saw the opening of our subsidiary in Montreal, where we are establishing our sixth production line dedicated to the creation of a new IP. We approach the end of the year with greater financial resources following the success of our capital increase in July, and with enhanced creative and production capacities that will enable us to generate significant value for our teams, players and shareholders in the medium and long term.”*

Consolidated figures - In €'000 (French GAAP)	H1 2019	H1 2020
Revenues	7,810	6,993
- incl. Royalties	1,306	920
- incl. Publisher fees	6,504	6,073
Capitalized production <sup>2</sup>	1,214	3,825
<b>Total operating revenues<sup>3</sup></b>	9,025	10,819
Other operating revenues	107	3
Total operating expenses (excl. depreciation, amortization and provisions)	(9,371)	(11,373)
CIJV	2,563	2,290
<b>Operating EBITDA<sup>1</sup> (including CIJV)</b>	2,323	1,739
Depreciation and amortization	(1,270)	(909)
<b>Operating EBIT<sup>4</sup> (including CIJV)</b>	1,053	830
Financial income/(expenses)	(67)	(11)
Non-recurring income/(expenses)	(422)	4
Amortization of goodwill	(157)	(157)
<b>Consolidated net income/(loss)</b>	406	667

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

<sup>2</sup> Costs incurred on co-produced or co-published games until release

<sup>3</sup> Revenues + capitalized production

<sup>4</sup> Operating EBIT: Operating income + Video game tax credit (CIJV)



### Robust growth in operating income

For the first half of 2020, DONTNOD Entertainment posted operating income of €10.8 million, up 19.9% from €9.0 million in H1 2019.

This momentum was driven by an increase in capitalized production, which multiplied by 3.2 including the accelerated development of **TWIN MIRROR™**, the new co-production with FOCUS Home Interactive -**Project 8**- and the studio's first fully self-published title -**Project 7**-. The level of royalties in the first half (down 29.6%) reflects only back catalog revenue<sup>5</sup>. Royalties from sales of **LIFE IS STRANGE™ 2**, the last episode of which was released in November 2019, are expected to roll in from the second half of 2020, after the publisher has recovered its marketing and production costs. Finally, publisher fees amounted to €6.1 million (compared to €6.5 million a year earlier), as the first half of 2019 continued to be impacted by the Life Is Strange 2™ production.

### Profit margins in line with progress on projects

As expected, the 2020 first half financial statements confirm the ramp-up of games under development and the absence of royalties from new games. In addition, the first episode of **TELL ME WHY™** being released on August 27, royalties on this game are expected from 2021.

In accordance with the need to support six ongoing production lines, staff costs rose 27.4% to €8.8 million in H1 2020, up from €6.9 million a year earlier, for an average headcount of 243 in first half 2020. Operating EBITDA, including the CIJV video game tax credit, totaled €1.7 million in H1 2020, a reduction limited to €0.6 million. After depreciation, amortization and provisions (€1.3 million), including continued amortization of the development costs of **VAMPYR™** (started in mid-2018), operating EBIT (including CIJV) was positive at €0.8 million.

Consolidated net income amounted to €0.7 million compared to €0.4 million a year earlier.

### Solid financial position as of June 30, 2020

ASSETS	31/12/2019	30/06/2020	EQUITY & LIABILITIES	31/12/2019	30/06/2020
Fixed assets	15,673	<b>18,364</b>	Shareholders' equity	32,859	<b>33,518</b>
Inventories & work in progress	-	-	Provisions	2,330	<b>2,393</b>
Trade receivables	3,050	<b>4,679</b>	Borrowings	1,560	<b>4,488</b>
Other receivables	5,977	<b>3,280</b>	Trade payables	401	<b>402</b>
Cash & cash equivalent	16,955	<b>20,002</b>	Other payables	4,505	<b>5,524</b>
<b>TOTAL</b>	<b>41,655</b>	<b>46,325</b>	<b>TOTAL</b>	<b>41,655</b>	<b>46,325</b>

In H1 2020, DONTNOD generated positive gross operating cash flow of €1.7 million. H1 2020 capital expenditure amounting to €3.7 million was mainly related to capitalized production in respect of the co-produced and self-published games.

<sup>5</sup> All video games released before the financial year



After obtaining a €3.6 million PGE state-guaranteed loan in April 2020 in the context of the Covid-19 crisis, borrowings totaled €4.5 million compared to €1.6 million at June 30, 2019. Other payables included €2.7 million in deferred income, mainly including a portion of the guaranteed minimum amounts received in respect of **TWIN MIRROR™** and recognized in revenues upon release of the game.

Other receivables included €2.9 million of tax credits not received at June 30, 2020.

As of June 30, 2020, DONTNOD shareholders' equity stood at €33.5 million with cash and cash equivalents of €20.0 million.

After the end of the period, DONTNOD bolstered its equity and cash base by €6.7 million through a capital increase designed to ramp up the implementation of its development strategy geared towards increased self-publishing, thereby taking advantage of positive trends within the industry.

## Outlook and development

The second half of 2020 will benefit, among other things, from the expected royalties from **LIFE IS STRANGE™ 2**, the first episode of which has been available free of charge since September 17, 2020, providing a boost for sales of the full game.

The second half of the year will also be marked by the launch of **TWIN MIRROR™**, the first self-published game (with guaranteed royalties as soon as it is marketed) scheduled for release on PC with Epic Games and on consoles with Bandai Namco on December 1, 2020.

Finally, DONTNOD will continue developing the new co-production with FOCUS Home Interactive and the pre-production of **Project 7** while pursuing the launch of new 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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