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9 January 2023

Devolver Digital, Inc.

("Devolver Digital", "Devolver" or the "Company", and the Company together with all of its subsidiary undertakings "the Devolver Group")

Trading Update

Devolver Digital, an award-winning digital publisher and developer of indie video games, announces an update for the financial year ended 31st December 2022 ("FY2022")¹.

We expect FY2022 revenue to be within the range of guidance set in June 2022, with strong year-on-year revenue growth from continuing operations of greater than 30%². Trading recovered in the second half of FY2022, with Normalised Adjusted EBITDA³ expected to be significantly greater than the first half. However, the ongoing cost impact of three underperforming titles, and weaker than forecast sales volumes in December, have resulted in lower than expected performance in the second half of FY2022. Subsequently, the updated Normalised Adjusted EBITDA range for FY2022 is \$20m to \$22m.

In addition to the above, the Company is performing a group-wide assessment of the carrying value of balance sheet items relating to capitalised development costs, and acquisition IP and goodwill. It is expected that these may be material, and that some of the adjustments will impact upon Normalised Adjusted EBITDA. However, these will be non-cash adjustments that are non-recurring in nature. We will release further details regarding these non-cash adjustments in due course.

The Company's pipeline for 2023 is healthy and diverse in terms of titles, developers, platforms and geography. This includes announced titles including *Terra Nil*, *Gunbrella*, *Wizard With a Gun* and *Anger Foot*, as well as new titles yet to be revealed. The Company's confidence in the outlook for 2023 has been reinforced by the strong wish-list interest in the first planned release of the year, *Terra Nil*, which is due for release in 1Q 2023. However, management expects the negative global economic outlook and reduction in consumer spending to continue into 2023, which may affect sales volumes. We expect FY2023 profitability to be heavily weighted towards the second half of the year, reflecting the release schedule of new titles in FY2023.

Devolver Digital will provide further details in its FY2022 full year results announcement, which is expected to be released in early April 2023.

Harry Miller, Executive Chairman of Devolver Digital, said:

"Devolver Digital will have posted annual revenue growth of over 30% in 2022. Second half EBITDA was significantly higher than the first half, although the performance for the year was constrained by three underperforming titles and difficult market conditions in December, which contributed to a disappointing result for profitability for full year 2022. The second half featured the success of Cult of the Lamb, Return to Monkey Island and other released titles, which have re-established our record of releasing high quality and popular Indie games. Metacritic scores have risen to an historical high on the back of the strong slate of releases in 2022. Moving into 2023, we believe market conditions will remain difficult for our industry, however we believe we are well placed to consolidate our greater scale of revenues and focus on improving margins as we move through the year."

-ENDS-

About Devolver Digital

Devolver is an award-winning video games publisher in the indie games space with a balanced portfolio of third-party and own-IP. Devolver has an emphasis on premium games and has published more than 100 titles, with more than 30 titles in the pipeline scheduled for release over the next two years and beyond. Devolver has in-house studios developing first-party IP titles and a complementary publishing brand. Devolver is registered in Wilmington, Delaware, USA.

Enquiries

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Notes

1. Financial numbers contained within this Trading Update are based on preliminary unaudited 2022 results and will be subject to impairments which are currently being reviewed.
2. June 2022 guidance was for revenue of US\$130-140 million and US\$27-32 million of normalized adjusted EBITDA.
3. Normalised Adjusted EBITDA ("EBITDA") makes the following adjustments: it excludes: 1) stock compensation (share-based payment) expenses and revaluation of contingent consideration; 2) one-time expenses and other non-recurring items; 3) amortisation of IP (but does not exclude amortisation of capitalised software development costs), and; 4) impairments of goodwill and acquired IP.

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