

18 April 2024

The information contained within this announcement is deemed by the company to constitute inside information stipulated under the Market Abuse Regulation (EU) No. 596/2014 as it forms part of the domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018 (as amended) ("UK MAR"). Upon the publication of this announcement via the Regulatory Information Service, this inside information is now considered to be in the public domain.

Devolver Digital, Inc.

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

Unaudited preliminary results for year ended 31 December 2023

FY23 revenues in line with expectations

Return to profit in 2H 2023

Return to growth expected in 2024

Devolver Digital, an award-winning digital publisher and developer of independent ("indie") video games, announces unaudited results for the year ended 31 December 2023. All figures relate to this period unless otherwise stated.

'Rebuild' year to drive a return to growth in 2024

- Good progress with the rebuild:
 - High quality IP, five new titles with 80+ Metacritic scores.
 - Major 4Q releases performed well.
 - Decision made to delay high-potential titles to FY24 to ensure the highest-quality experiences on release. Only three major releases, fewer than in a typical year.
 - Recovery at Good Shepherd following early FY23 restructure.
- Acquisition of System Era increases first-party IP titles to 16, including 7 franchises:
 - System Era performing in line with expectations since acquisition.
- Back catalogue revenue up 25% on strong demand for *Cult of the Lamb* and *Inscription*.
- Leadership and structures strengthened in January 2024 to support long-term growth:
 - Harry Miller (founder, former Executive Chair) succeeded Douglas Morin as CEO.
 - Kate Marsh (Senior Independent Director) appointed Non-Executive Chair.
 - Graeme Struthers (founder) appointed to the Board as COO.
- Declined subscription deals which under-valued our IP and future revenue opportunity.

Strong recovery in 2H 2023

- Revenues in line with FY23 expectations.
- Unusually quiet release schedule for major titles impacted revenues and margins:
 - FY23 revenues down 31% to US\$92m.
 - FY23 Adjusted Gross Profit (pre impairments) fell 42% to US\$27m.
- Strong recovery in 2H 2023.
 - Revenues up 10% 2H 2023 versus 1H 2023.
 - 62% growth in Adjusted Gross Profit (pre impairment) versus 1H 2023.
 - Return to positive Adjusted EBITDA in 2H 2023.
- Robust balance sheet with net cash of US\$42.7m.
 - Lower net cash reflects US\$6.8m share purchase for the Employee Benefit Trust and US\$18m acquisition of System Era and fees net of acquired cash.
- Adjusted EBITDA excluding one-off non-cash impairments was US\$1.7m in 2023 (2022: US\$23.2m).
- Statutory net loss for 2023 was US\$12.6m (2022: US\$91.5m loss), mainly driven by the non-cash impairments and US\$5.5m of non-cash share-based payments.

Current trading and outlook

- On track for previous guidance of profitable growth in 2024 and continuation into 2025.
- Healthy pipeline and 2024 release schedule:
 - 2024: 10 new titles to be released across Devolver Group.
 - 2024: New releases expected to be more evenly balanced through the year.
 - 2024-2026: healthy pipeline of more than 30 new titles.
- Back catalogue momentum:
 - FY23 strength sustained in 1Q 2024.
 - Back catalogue of 120 titles for 2024 provides opportunities for further monetisation.
- Cost-saving initiatives underway to support margin and strong net cash position:
 - Professional fees (adjusted for exceptionals) fell 28% year-over-year.
 - Average cost per title is expected to reduce more than 30% in 2024 versus 2023, while strict focus on quality is maintained.
- System Era to make a full year contribution in 2024.

Harry Miller, Chief Executive Officer of Devolver, said:

2023 was a rebuild year for Devolver. We needed to take long-term decisions to get us back to growth and profit in 2024 and future years. For example, we pushed back high potential titles to 2024, we turned down subscription deals that under-valued our IP and we reduced our cost base. This is all about doubling down on what we are good at: delivering a strong pipeline of fun and creative new titles. I'd like to thank our talented team for their dedication and energy during a challenging year. It's thanks to our people that we had a strong finish to 2023, with 10% 2H sequential revenue growth and a return to profit in the second half of the year.

Looking ahead to 2024, our recent acquisition System Era is performing well and gives us opportunities to develop into expandable games. We have a busy and exciting release schedule of new titles such as Pepper Grinder, The Plucky Squire, Anger Foot and Neva. Back catalogue sales are expected to continue to benefit from momentum from Cult of the Lamb and Inscryption which have continued to perform strongly up to the end of 1Q 2024 and help to offset the ongoing trend of lower revenues from subscription deals in 2023. This momentum, allied to our strong balance sheet and net cash of US\$43m at year end, supports our confidence of returning to profitable growth in 2024 continuing into 2025."

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 over 120 titles, with more than 30 titles in the pipeline scheduled for release over the next three years. Devolver has in-house studios developing first-party IP titles and a complementary publishing brand. Devolver is registered in Wilmington, Delaware, USA.

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STRATEGIC AND OPERATING REVIEW

Return to growth in 2H 2023 after a quieter 1H 2023

As we indicated in August 2023, we expected Group Adjusted EBITDA to be at least break-even in 2023.

As we indicated in August 2023, we expected Group Adjusted EBITDA to be at least break even in 2023, before a return to growth in 2024 continuing into 2025. It is thanks to our talented team and their dedication that we made this happen during a challenging year, posting a strong finish to 2023 with 10% sequential revenue growth and a return to profit in the second half of the year.

Devolver released 11 new titles in 2023, including three major releases (*Terra Nil*, *Wizard with a Gun* and *The Talos Principle 2*), with the latter two coming out at the tail-end of the year. In contrast, Devolver made five major title releases out of a total of 12 games in 2022. As a result of the quieter release schedule for major titles in 2023, as expected, revenue and profitability were lower than 2022. As a consequence, back catalogue titles accounted for an unusually high 83% of total revenues in 2023 due to the lighter new release contribution.

During 2023 we took long-term - sometimes tough - decisions to get us back on track. In particular, we pushed back high potential titles to 2024 that were supposed to land in 2023, such as *The Plucky Squire*, *Anger Foot*, *Pepper Grinder* and *Stick It to the Stickman*. It was the right long-term decision to increase investment on development, quality control and marketing - and give them time - to give these titles the best possible chance of success.

After a strong period of growth for subscription deals in 2021 and 2022, we declined certain subscription deal offers that we considered undervalued the proposed games' value and revenue opportunity in 2023 and 2024. Partly due to these strategic decisions, revenues from platform subscription deals halved in 2023 compared to 2022, accounting for 16% of total revenues compared to over 23% in 2022. Subscription deals with key platforms remain a part of our long-term growth strategy, but we expect lower levels of revenue from direct subscription deals to continue over the coming few years.

There were several positive developments during 2023, including our publishing subsidiary Good Shepherd ("GSE") posting a steady recovery following the restructuring it underwent early in the year, greatly reducing EBITDA losses by the 4Q of 2023. GSE recently announced a significant partnership with Rebellion (Sniper Elite) to develop and publish video game adaptations based on stories from the beloved 2000 AD universe, the home of Judge Dredd, Rogue Trooper, ABC Warrior and more, as well as Rebellion's other comic IP, including Roy of the Rovers and Battle Action. *Cult of the Lamb* back catalogue sales continued to out-perform expectations throughout 2023 and have maintained good momentum through the 1Q of 2024.

Several market events held in 2023 also built excitement about our future releases for 2024 and 2025. Sony held its PlayStation Showcase 2023 in May, featuring 36 games in total including pending Devolver titles *The Plucky Squire* and *Neva*. The Summer Games Fest 2023 included Devolver Direct, in which several new titles were introduced or updated including *Baby Steps* and *Human Fall Flat 2*, the highly anticipated sequel to *Human Fall Flat* which sold over 50 million copies worldwide since release in July 2016. In 2023, Devolver Direct saw its highest viewership ever, with over 400,000 peak concurrent views, ranking among the top 10 summer game showcases. All these developments bode well for the outlook in 2024 and beyond.

Our busy release schedule for 4Q 2023 featured major titles *Wizard with a Gun* and *The Talos Principle 2*, among others, which performed well. Our momentum in the second half of 2023 reflects our high quality IP selection, with five new titles securing 80+ Metacritic scores.

Hit releases support strong back catalogue performance

Our back catalogue includes all titles released in or prior to the last financial year (2023 or earlier). As of 31 December 2023, the back catalogue consists of 120 titles, including numerous indie cult classics, supporting highly diversified revenues.

Maintaining back catalogue revenue growth at over 15% a year for the last five years has required considerable effort from members of our Store Team. Keeping positive sales performance from released titles requires a skilled team and personal relationships with the platforms to find new and creative ways to promote titles - and thus extend the revenue profile.

For 2023, the August 2022 hit release *Cult of The Lamb* provided strong revenue momentum through the year. The contribution from *Cult of The Lamb* was the principal driver for a 25% year-over-year increase in overall back catalogue revenues in 2023. BAFTA-winning *Inscryption*, an October 2021 release, also continued to perform well in 2023. However, some back catalogue titles saw weaker performance in 2023 compared to 2022, partly as a result of lower bundled subscription deals from console platforms, a trend identified at the start of 2023. Devolver continues to work hard to stimulate back catalogue sales

trend identified at the start of 2023. Devolver continues to work hard to stimulate back catalogue sales through a combination of new ports, additional DLC, strategic marketing and strategic pricing strategies.

Acquisition of System Era expands our growth opportunities

Devolver Digital acquired System Era in late October 2023 for an initial consideration of US\$18m net of cash acquired. System Era is an excellent strategic and cultural fit with Devolver, giving us an opportunity to expand outside our core strength of indie titles into expandable games. System Era's team comes with knowledge of expandable game-style development, as well as live operations technology and existing IP.

Devolver will capitalise on System Era's development expertise in creating quality, community-centred, long-life titles, which it has proven through the success of its debut title *Astroneer*, a game that in 2022 achieved its highest annual unit sales figures, six years after initial release. We consider *Astroneer* to be a high calibre addition to Devolver's portfolio of high-quality intellectual property.

System Era's founding team comes from AAA backgrounds, having held senior positions at Ubisoft and Microsoft, working on franchises such as *Halo*, *Assassin's Creed* and *Watch Dogs*, and have instilled a strong team culture that aligns with Devolver Digital.

The total cash-free debt-free consideration of up to US\$40m includes US\$22m initial consideration, made up of US\$20m cash on closing and US\$2m of shares and cash to be issued on the 12-month anniversary of closing. The balance includes US\$10m deferred consideration, and up to US\$8m potential earn out subject to ambitious financial targets, both payable in cash and shares.

Under Devolver's accounting policies, based on an estimated restatement of System Era management's unaudited numbers, System Era generated revenue of approximately US\$7 million, and adjusted earnings before interest tax depreciation and amortisation ("EBITDA") of approximately US\$3.8 million, in the preceding 12-months to 30 June 2023. Under Devolver's accounting policies, the Acquisition is expected to contribute positively to EBITDA in the year ending 31 December 2024, being the first full year of ownership.

Operating expense containment, selective co-funding on game development

We have taken steps to reduce our cost base to protect our margin and strong net cash position. A group-wide exercise to reduce overall expenses is continuing. Rental expenses and other operating and administration fees are all being optimised for efficiency with continual assessment for cost savings, and out-sourced professional fees (excluding exceptionals) falling 28% year-over-year.

In February 2024 Devolver undertook a major headcount reduction in Polish subsidiary Artificer which will contribute to reduced development expense for the year. Average cost of released titles in 2024 is expected to be over 30% lower than 2022 and 2023, reflecting a deliberate recalibration of the mix between higher cost and lower cost games in 2024.

Separately, as part of the directional move towards more participation in the live services area, we will introduce co-funding for larger titles where partners can bring strategic value.

Board and leadership changes

In January 2024 we made the following changes to our leadership and structures to support our long-term growth plans:

- Harry Miller (founder, former Executive Chair) succeeded Douglas Morin as CEO
- Kate Marsh (Senior Independent Director) appointed Non-Executive Chair
- Graeme Struthers (founder) appointed to the Board as COO

Douglas joined Devolver as Chief of Staff in 2020 and was appointed CEO in 2021. He played a key role in Devolver's IPO, strengthened the corporate and operating structure of the listed company, and championed the acquisition of System Era Softworks.

Harry is co-founder and former CEO of Devolver, establishing the Company in 2009 with Rick Stults, Graeme Struthers, Nigel Lowrie and Mike Wilson. In the past 15 years - two of which as Executive Chairman since IPO - Harry has been instrumental in defining and building Devolver's business and culture into the award-winning independent video games publisher and developer it has become. Harry has almost 30 years of video games experience, having established and managed a number of publishing and development businesses in the video gaming sector including Ritual Entertainment (co-founder and CEO), Gathering of Developers (co-founder and President), Hong Kong-based En-Tranz

founder and CEO), Catherine O'Donnell (co-founder and President), Hong Kong-based L'Oréal Entertainment (CEO) and Gamecock Media (President).

Kate Marsh, Senior Independent Director since Devolver's IPO in November 2021, has been appointed as Non-Executive Chair with effect from January 2024. Kate stepped down as Chair of the Remuneration Committee to become Chair of the Nomination Committee and will continue to sit on the Remuneration and Audit Committees. Kate has more than 30 years of experience in digital and media industries, having built and managed significant businesses in senior roles with Sky, GroupM, the BBC, Sony Pictures Television and most recently with Amazon-owned MGM Studios. Kate serves as a Non-Executive Director on the Board of FTSE 250 Games Workshop Group plc where she chairs the Remuneration Committee and has also served at Board level for Mediahuis Ireland (formerly INM plc).

The Company also announced in January 2024 that Graeme Struthers, Chief Operating Officer and co-founder of Devolver, joined the Board with effect from January 2024. Graeme was appointed as Chief Operating Officer in 2022 to oversee a strengthening of the leadership team and operational structures following the IPO in 2021. Before Devolver, Graeme worked across a number of games companies, including Virgin Interactive and Electronic Arts.

As part of the board and leadership changes, Jo Goodson (Non-Executive Director) stepped down as Chair of the Nomination Committee to become Chair of the Remuneration Committee.

FINANCIAL REVIEW

Unaudited 2023 results to December 31 2023

The unaudited condensed consolidated financial results included in this announcement cover the Group's combined activities for the year ended 31 December 2023 (prepared in accordance with applicable International Financial Reporting Standards, "IFRS").

Adjusted results

The following refers to Adjusted results, as presented in the condensed consolidated financial statements contained within this release. Adjusted results exclude any one-time exceptional items during the respective periods.

Adjusted EBITDA results are not intended to replace statutory results and are prepared to provide a more comparable, underlying indication of the Group's core business performance by removing the impact of certain items including exceptional items (material and non-recurring), and other, non-trading, items that are reported separately. These results have been presented to provide users with additional information and analysis of the Group's performance, consistent with how the Board monitors results. Further details of adjustments are given in Note 3 to the condensed consolidated financial statements contained within this annual results release.

P&L results and margins

Full year comparison

Devolver Digital's 2023 performance was muted due to a quieter release schedule including only three major titles out of a total of 11 games, compared to five major titles in 2022 out of 12 total releases. As a result, revenues of US\$92.4 million fell 31% year-over-year. Adjusted Gross profit was US\$27.0 million, a greater decline of 42% year-over-year, reflecting: (i) the overall fall in revenue year-over-year, and; (ii) the greater proportion of revenues from third party games in 2023.

Adjusted EBITDA before impairments was US\$1.7 million compared to US\$23.2 million in 2022. Post impairments, 2023 Adjusted EBITDA loss was US\$0.5 million, compared to a profit of US\$13.9 million in 2022. Devolver recorded a US\$1.5 million impairment to a Good Shepherd title, *Hellboy: Web of Wyrld* in 2H 2023, reflecting a below-expectation performance since release in October 2023. Total impairments recorded in 2023 were US\$2.5 million including US\$0.9 million recorded in 1H 2023.

Adjusted Gross Profit margin (pre-impairments) decreased to 29.2% in 2023, down from 34.4% in the previous year. Gross margin was compressed principally due to the royalty pay-out mix being heavily weighted towards third party titles during the year. This compares to 2022 when new first-party IP and other releases were cushioned while the titles were still in recoup (before royalties are usually paid out).

Adjusted EBITDA margins (post-impairments) were depressed at negative 0.5% in 2023, compared to a positive margin of 10.3% the previous year. The compression in 2023 Gross Profit had a direct flow through effect to impact Adjusted EBITDA, despite successfully containing cash operating expenses at similar levels as that of full year 2022 (excluding the impact of the System Era acquisition).

2H 2023 v 1H 2023 comparison

The 2H of 2023 saw a sequential improvement in all major indicators compared to the trough of 1H 2023. Revenues grew 10% half-over-half, Adjusted Gross Profit (pre-impairment) rose 62%, and Adjusted EBITDA pre impairments swung to a US\$1.7 million profit, a delta of over US\$4 million compared to the 1H 2023 pre impairment loss of US\$2.5 million.

Cash Balances

Cash holdings at end of December 2023 were US\$42.7 million, a reduction of US\$36.8 million compared to the 2022 year-end balance of US\$79.5 million. The reduction in cash balances during the period was primarily due to: 1) lower operating cash generation during the period combined with a US\$28.0 million investment in ongoing game development; 2) US\$6.8 million provided to the EBT for the market purchase of c.19m shares, and; 3) US\$18 million paid for the purchase of System Era in late October 2023 including fees, net of acquired cash.

Employee Benefit Trust (EBT)

Devolver established an Employee Benefit Trust (EBT) in May 2022 to facilitate stock option exercise by employees and contractors who were awarded 2017 Stock Option plan stock options and stock units vesting under the 2022 Long Term Incentive Plan (LTIP). The EBT is a Jersey-incorporated Trust enabling option exercise and share settlement off-market without impacting market liquidity. Share purchases by the EBT are funded by way of a loan from Devolver which can request settlement of the loan at any time in future. The shares held by the EBT are consolidated within Devolver's capital redemption reserve.

OUTLOOK

We have a proven strategy that has delivered success for the last 15 years. Looking ahead to 2024, our recent acquisition System Era is performing well and provides opportunities to move into expandable games. We have a busy and exciting release schedule of new titles such as *Pepper Grinder*, *The Plucky Squire*, *Anger Foot* and *Neva*. Back catalogue sales are expected to continue to benefit from momentum from *Cult of the Lamb* and *Inscription* which have continued to perform strongly up to the end of 1Q 2024 and help to offset the ongoing trend of lower revenues from subscription deals in 2024. This momentum, allied to our net cash balance of US\$43m at 2023 year-end, supports our confidence of returning to profitable growth in 2024. We expect further progress in 2025, although *Human Fall Flat 2*, the anticipated sequel to the global hit, will not now be released in 2025. We remain very excited about this title which we believe will set us up for an even stronger 2026. The Board considers that we are well positioned for future success, and we look forward to reporting on progress in the year ahead.

Harry Miller

Chief Executive Officer

Notes

1. Financial numbers contained in this release are based on preliminary unaudited 2023 results. Further details are contained in the 2023 Annual Report which is available on the Devolver Investor website.
2. January 31, 2024 guidance was for not less than \$90 million of revenues and breakeven Adjusted EBITDA (excluding impairments).
3. Adjusted EBITDA is a non-IFRS measure and is defined as earnings before interest, tax, depreciation, amortisation (but does not exclude amortisation of capitalised software development costs), share-based payment expenses, foreign exchange gains or losses, any one-time non-recurring items and non-trading items such as revaluation of contingent consideration. In prior periods, the Group distinguished between Adjusted EBITDA and Normalised Adjusted EBITDA. This distinction has been removed in the current year reporting for a simpler, clearer presentation in line with industry peers, and therefore the Adjusted EBITDA for the year ended 31 December 2022 as previously reported is no longer presented, and the Adjusted Normalised EBITDA previously reported is presented as Adjusted EBITDA.

Consolidated Statement of Profit or Loss

	Year ended 31 December 2023 \$'000	Year ended 31 December 2022 \$'000
Revenue	92,356	134,565
COST OF SALES		
Royalty expense	(42,151)	(61,448)
Development expense	(4,278)	(4,520)
Marketing	(7,320)	(9,148)
Amortisation of software development costs	(11,634)	(14,124)
Impairment of software development costs	(2,455)	(22,822)
Total Cost of Sales	(67,838)	(112,062)
Gross Profit	24,518	22,503
ADMINISTRATIVE EXPENSES		
Employee costs	(17,499)	(14,189)
Stock compensation expense	(5,528)	(19,621)
Professional fees	(4,873)	(6,322)
Travel, insurance & other	(6,524)	(4,848)
Foreign exchange gain/(loss)	(9)	(673)
Amortisation of intellectual property	(3,918)	(5,293)
Depreciation of property, plant and equipment	(150)	(164)
Depreciation of ROU asset	(36)	-
Impairment of goodwill and intellectual property	-	(69,973)
Total Administrative Expenses	(38,537)	(121,083)
Other income / (expenses)	1,011	(549)
Operating loss	(13,008)	(99,128)
Finance costs	(58)	
Finance income	1,361	364
Loss before taxation	(11,705)	(98,764)
Income tax (expense) / benefit	(1,019)	7,264
Loss for the year	(12,724)	(91,500)
Loss for the year is attributable to:		
Equity holders of the parent	(12,742)	(91,475)
Non-controlling interests	18	(25)
Loss for the year	(12,724)	(91,500)
Non-IFRS measures		
Adjusted EBITDA before performance-related impairments	1,677	23,210
Adjusted EBITDA	(458)	13,914

Consolidated Statement of Comprehensive Income

	Year ended 31 December 2023 \$'000	Year ended 31 December 2022 \$'000
Loss for the year	(12,724)	(91,500)
Other comprehensive (loss) / income: Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations:	1,577	(477)
Total comprehensive loss for the year	(11,147)	(91,977)
Total comprehensive loss is attributable to:		
Equity holders of the parent	(11,165)	(91,952)
Non-controlling interests	18	(25)
Total comprehensive loss for the year	(11,147)	(91,977)

owners:

Issue of shares	-	165	-	-	-	165	-	165
Exercise of share options	1	630	-	-	-	631	-	631
Reclassification of treasury shares b/f	-	25,837	(25,837)	-	-	-	-	-
Treasury share repurchase transactions	-	-	(2,500)	-	-	(2,500)	-	(2,500)
Share-based payments	-	-	-	-	19,622	19,622	-	19,622
Transfers	-	(2,559)	630	-	1,929	-	-	-
Total transactions with owners	1	24,073	(27,707)	-	21,551	17,918	-	17,918
Balance at 31 December 2022	45	146,044	(27,707)	(2,267)	54,618	170,733	(102)	170,631
Loss for the period	-	-	-	-	(12,742)	(12,742)	18	(12,724)
Currency translation differences	-	-	-	1,673	-	1,673	-	1,673
Transactions with owners in their capacity as owners:								
Treasury share repurchase transactions	-	-	(6,824)	-	-	(6,824)	-	(6,824)
Exercise of share options	0	62	-	-	(312)	(250)	-	(250)
Share-based payments	-	-	-	-	5,528	5,528	-	5,528
Total transactions with owners	0	62	(6,824)	-	5,216	(1,546)	-	(1,546)
Balance at 31 December 2023	45	146,106	(34,531)	(594)	47,092	158,118	(84)	158,034

The Group revised the reported financials for the year ended 31 December 2022 to reflect an immaterial correction to the tax liability. See Note 1 for additional information.

Consolidated Statement of Cash Flows

	Year ended 31 December 2023 \$'000	Year ended 31 December 2022 \$'000
Cash flows from operating activities		
Cash inflow from operations	12,319	31,217
Taxation paid	(778)	(2,076)
Taxation received	2,416	14
Net cash inflow from operating activities	13,957	29,155
Cash flows from investing activities		
Purchase of intangible assets	(27,883)	(32,641)
Purchase of tangible assets	(51)	(66)
Acquisitions of businesses, net of cash acquired	(18,033)	-
Net cash outflow from investing activities	(45,967)	(32,707)
Cash flows from financing activities		
Share capital issuance	62	795
Share repurchase transactions	(6,824)	(2,514)
Interest received	1,338	362
Interest paid	(58)	(2)
Repayment of lease liabilities	(22)	-
Net cash (outflow) from financing activities	(5,504)	(1,359)
Cash and cash equivalents		
Net decrease in the year	(37,514)	(4,911)
Foreign exchange movements	672	(1,835)
At 1 January	79,493	86,239
At 31 December	42,651	79,493

Note 1: Basis of Preparation and Consolidation

After reviewing the Group's forecasts and projections and taking into account current net cash balances, the Directors have a reasonable expectation that the Group has adequate resources to continue in

operational existence for the foreseeable future, which is defined as period of not less than 12 months from the date of publication of this Annual Report. The Group has therefore adopted the going concern basis in preparing the Annual Report.

The financial presentation in this release should be read in conjunction with the notes to the consolidated financial statements as at and for the full year ended 31 December 2023, as contained within this release.

The Group has revised the reported financials for the year ended 31 December 2022 to reflect an immaterial correction to the tax liability. Due to the identification of additional tax liability for prior periods relating to state income taxes, the reported financials for the year ended 31 December 2022 have been adjusted for a US\$1.6m increase in the non-current Trade and other payables and a US\$1.6m decrease in opening Retained earnings.

These preliminary unaudited financial statements were approved by the Board of Directors on April 17th, 2024.

Note 2: Earnings per Share

	Year ended 31 December 2023 \$'000	Year ended 31 December 2022 \$'000
Loss for the year attributable to the owners of the company	(12,742)	(91,475)
Weighted average number of shares	444,825,531	443,090,183
Dilutive effect of share options	-	-
Weighted average number of diluted shares	444,825,531	443,090,183
Basic and diluted loss per share (\$)	(0.029)	(0.206)

Note 3: Adjusted Gross Profit and Adjusted EBITDA (Non-IFRS)

	Year ended 31 December 2023 \$'000	Year ended 31 December 2022 \$'000
Reported Gross Profit	24,518	22,503
Reported Gross Profit margin	26.5%	16.7%
Performance-related impairments	2,455	22,822
Costs accrued for cancelled titles	-	1,007
Adjusted Gross Profit (pre-impairment)	26,973	46,332
Adjusted Gross Profit margin (pre-impairment)	29.2%	34.4%

	Year ended 31 December 2023 \$'000	Year ended 31 December 2022 \$'000
Operating loss	(13,008)	(99,128)
Share-based payment expense	5,528	19,621
Amortisation of purchased intellectual property	3,918	5,292
Depreciation of property, plant and equipment	150	164
Depreciation of ROU asset	36	-
Loss / (gain) on foreign exchange differences	9	673
Exceptional income from IP disposal & sale of publishing rights	-	(214)
Non-recurring, one-time expenses	2,589	1,616
Revaluation of contingent consideration	-	763
Impairment of intellectual property and goodwill	-	69,973
Impairment of capitalised software development costs	2,455	22,822
Costs accrued for cancelled titles	-	1,007
IPO-related employer social security	-	621
Adjusted EBITDA before performance-related impairments	1,677	23,210

Released title capitalised development cost impairments	(2,135)	(9,296)
Adjusted EBITDA	(458)	13,914
Adjusted EBITDA before performance-related impairments margin	1.8%	17.2%
Adjusted EBITDA margin	-0.5%	10.3%

Note 4: Intangible Assets

	Purchased intellectual property \$'000	Royalty rights \$'000	Software development costs \$'000	Subtotal other intangible assets \$'000	Goodwill \$'000	Total \$'000
Cost:						
As at 31 December 2021	59,817	2	61,396	121,215	66,820	188,035
Additions - business combinations	-	-	-	-	-	-
Additions	-	-	32,641	32,641	-	32,641
Disposals	-	(2)	-	(2)	-	(2)
As at 31 December 2022	59,817	-	94,037	153,854	66,820	220,674
Additions	-	-	27,883	27,883	-	27,883
Additions - business combinations	20,142	-	-	20,142	12,810	32,952
Disposals	-	-	-	-	-	-
As at 31 December 2023	79,959	-	121,920	201,879	79,630	281,509
Amortisation and impairment:						
As at 31 December 2021	6,435	2	16,955	23,392	-	23,392
Amortisation charge for the period	5,293	-	14,788	20,081	-	20,081
Impairment charge for the period	22,307	-	22,158	44,465	47,667	92,132
Disposals	-	(2)	-	(2)	-	(2)
As at 31 December 2022	34,035	-	53,901	87,936	47,667	135,603
Amortisation charge for the period	3,918	-	11,634	15,552	-	15,552
Impairment charge for the period	-	-	2,455	2,455	-	2,455
As at 31 December 2023	37,953	-	67,990	105,943	47,667	153,610
Carrying amount:						
As at 31 December 2021	53,382	-	44,441	97,823	66,820	164,643
As at 31 December 2022	25,782	-	40,136	65,918	19,153	85,071
As at 31 December 2023	42,006	-	53,930	95,936	31,963	127,899

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