



2019 HALF-YEAR RESULTS

- Revenues up 66.8% to €7.8 million driven by the success of VAMPYR™ and ramp-up of games under development
- Strong growth in profit margins: Operating EBITDA¹ of €2.3 million and operating EBIT² of €1.1 million
- Cash and cash equivalents of €18.7 million
- Another dynamic six months driven by the release of the last 2 episodes of LIFE IS STRANGE 2™ and VAMPYR™ on Nintendo Switch™

October 14, 2019. DONTNOD Entertainment, an independent French studio that creates and develops video games, today presents its H1 2019 results as approved by the Board of Directors on October 11, 2019. The Statutory Auditors have completed their limited review of the first half financial statements. The half-year financial report has been released today.

Consolidated figures (€000) French GAAP	H1 2018 ³	H1 2019
Revenues	4,683	7,810
Total operating income	5,513	9,131
Total operating expenses (excl. depreciation, amortization and provisions)	(7,625)	(9,371)
CIJV	1,952	2,563
Operating EBITDA¹ (including CIJV)	(159)	2,323
Depreciation and amortization	(447)	(1,270)
Operating EBIT² (including CIJV)	(606)	1,053
Financial income/(expense)	(126)	(67)
Non-recurring income/(expenses)	(276)	(422)
Amortization of goodwill	(26)	(157)
Consolidated net income/(loss)	(1,033)	406

Strong business growth of 66.8%

For the six months ended June 30, 2019, DONTNOD Entertainment generated strong sales growth of 66.8% and posted consolidated revenues of €7.8 million, up from €4.7 million in H1 2018. This excellent performance was driven by:

- a 58% increase in royalties (€1.3 million), mainly due to the commercial success of VAMPYR™,
- the ramp-up of games under development, with revenues of €6.5 million from publisher fees, up 68.7%.

Capitalized production related to development under co-production agreements totaled €1.2 million, compared to €0.4 million in H1 2018. This concerns the development of TWIN MIRROR™ and Project 8 under a new co-production partnership with FOCUS Home Interactive.

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

² Operating EBIT: Operating income + Video game tax credit (CIJV)

³ The consolidated financial statements include DONTNOD ELEVEN from June 1, 2018



Strong growth in profit margins

As expected, the H1 financial statements confirm the positive impact of sales growth on earnings.

Staff costs came to €6.9 million, up 65.4% from €4.2 million in H1 2018, mainly due to the hiring of new developers for the five production pipelines. Accordingly, first half operating EBITDA amounted to €2.3 million, a high improvement compared to H1 2018 EBITDA loss of €0.2 million. This strong increase is due to the large volume of royalties generated by the commercial success of **VAMPYR™** and the ramp-up of games under development. After depreciation, amortization and provisions of €1.3 million, including amortization of the **VAMPYR™** intangible asset, operating EBIT (including CIJV) amounted to €1.1 million, compared to a €0.6 million loss in H1 2018.

Consolidated net income amounted to €0.4 million compared to a €1.0 million loss in H1 2018. This figure includes €0.4 million in non-recurring expenses mainly related to CIJV provision arrangements, including the extension of the **TWIN MIRROR™** development period.

Strong financial structure at June 30, 2019

ASSETS	2018	H1 2019	EQUITY & LIABILITIES	2018	H1 2019
Fixed assets	7,334	12,102	Shareholders' equity	32,974	33,359
Inventories and work in progress	-	-	Provisions	1,672	2,172
Trade receivables	3,993	5,319	Borrowings	2,224	2,142
Other receivables	4,873	8,585	Trade payables	743	799
Cash and cash equivalents	24,415	18,698	Other payables	3,003	6,233
TOTAL	40,616	44,705	TOTAL	40,616	44,705

DONTNOD generated positive H1 2019 gross operating cash flow of €2.3 million, a sharp improvement on the H1 2018 cash outflow of €0.5 million.

H1 capital expenditure totaling €4.2 million was mainly related to the acquisition of **TWIN MIRROR™** rights and the design of the new co-production project with FOCUS Home Interactive (Project 8).

At June 30, 2019, borrowings totaled €2.1 million, entirely made up of shareholder current accounts. Other payables include €2.1 million in deferred income and €2 million in borrowings related to the acquisition of **TWIN MIRROR™** rights. Other receivables include tax credits of €6.7 million non-collected, up 62.3% on H1 2019.

At June 30, 2019, DONTNOD shareholders' equity stood at €33.4 million with cash and cash equivalents of €18.7 million.

Outlook

After the commercial success that followed its release and with over a million copies sold to date, **VAMPYR™**, of which DONTNOD aims to sell over two million copies during its lifetime, will be available on Nintendo Switch from October 29, 2019. This new sales drive will comprise one of the highlights of H2 2019.

Moreover, after the resounding success of the first three episodes of **LIFE IS STRANGE 2™**, H2 2019 will be marked by the release of the final episodes, including the final part scheduled for release on December 3, 2019. The full impact from royalties generated by this episodic game should be felt in 2020 after the publisher has recovered its marketing and production costs.

Furthermore, having announced a strategic partnership with EPIC Games for exclusive distribution of **TWIN MIRROR™** – for which the Group acquired the intellectual property rights in 2019 – DONTNOD will continue the co-development of this license, planned for 2020, with the financial support of its partner Shibuya Productions.

Meanwhile, DONTNOD will continue production of Project 6, whose publisher remains confidential, design work on Project 7 and the new co-production with FOCUS Home Interactive.



DONTNOD Chairman and CEO Oskar Guilbert said: “Current changes in the economic environment present a disintermediation in favor of video games developers like DONTNOD. This disintermediation is driven by new digital distribution platforms like EPIC Game Store™ and provides greater concentration of revenues for us. This propitious environment is a perfect setting for our strategy involving the development of original creations to strengthen our position in the value chain and retain our intellectual property by increasing our share in co-production programs.”

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 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

DONTNOD Entertainment

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