

FOCUS ENTERTAINMENT

H1 2023/2024 results : strong growth in revenue and lower profitability

H2 releases of **Banishers: Ghosts of New Eden** and **Expeditions: A MudRunner Game**

PARIS, FRANCE – 14 December 2023 - FOCUS ENTERTAINMENT (FR0012419307 - ALFOC) announces its results for the first half ended 30 September 2023 of the 2023/2024 financial year.

First semester highlights:

- Group revenue up 30%, driven by the back catalogue and the successful launch of several new games, although tempered by the disappointing launch of **Atlas Fallen**
- EBITDA totals €23.9 million, up €5m compared to last year
- Gross margin totals €20.7 million and EBITA -€1.5 million, down sharply compared to last year, affected by the disappointment over **Atlas Fallen**
- Launches of **Banishers: Ghosts of New Eden** on 13 February 2024 and **Expeditions: A MudRunner Game** on 5 March 2024

Preamble – change in estimate as at 1 April 2023 to better reflect the overall cost of gaming-related fixed assets and their lifetime.

FOCUS ENTERTAINMENT has decided to include in the overall cost of fixed assets, in addition to the development contributions paid to studios, external production expenses directly attributable to games from 1 April 2023. These external production expenses include, in particular, the costs of localisation, labelling, quality control tests and any other external service directly linked and necessary for finalising and optimising the development of a game before its launch.

In addition, FOCUS ENTERTAINMENT has conducted an analysis of the lifetime of its gaming portfolio. Taking into account the history of games and market trends, the Group has decided to change the amortisation period of intangible assets related to games so that this period reflects the latest analyses carried out by the Group.

As such, from 1 April 2023, the amortisation period for games has been revised. It is now between 12 and 36 months depending on the type of game, compared with 24 months previously. This update more accurately reflects the observed lifetime of the Group's games and enables a better match between amortisation expenses and the income generated by these assets.

CONSOLIDATED INCOME STATEMENT (half-year ended 30 September 2023)

Audited – audit report currently being issued

(€m)	PUBLISHED		Equivalent estimate		PUBLISHED	
	H1 2023	2024	H1 2022	2023	H1 2022	2023
	2023	(30/09/2023)	(30/09/2022)	(30/09/2022)	(30/09/2022)	(30/09/2022)
Revenue	85.0	100%	85.0	100%	65.5	100%
Gross margin¹	20.7	24%	21.2	25%	25.1	38%
Production costs	(7.2)		(9.4)		(5.3)	
Marketing & sale costs	(10.8)		(10.8)		(4.9)	
General and administrative expenses	(6.5)		(6.5)		(4.4)	
Other operating income & expenses (including Video Game Tax Credit/Research Tax Credit)	2.4		2.4		0.5	
EBITA²	(1.5)	-2%	(3.1)	-4%	10.9	17%
Amortisation of goodwill and amortisation of intangible assets identified as part of a business combination	(5.9)		(5.9)		(5.0)	
Net financial income	(2.6)		(2.6)		(0.6)	
Non-recurring profit/loss	(0.0)		(0.0)		(0.1)	
Income tax (excluding Video Game Tax Credit/Research Tax Credit)	(1.1)		(1.1)		(2.2)	
Profit (loss) of investments in associates	(0.1)		(0.1)		0.0	
Consolidated net income (expense)	(11.1)	-13%	(12.8)	-15%	3.1	5%
Non-controlling interests	(0.4)		(0.3)		(1.7)	
Net income (Group share)	(11.5)	-14%	(13.1)	-15%	1.4	2%
EBITA	(1.5)	-2%	(3.1)	-4%	10.9	17%
Amortisation and impairment	(25.4)		(24.8)		(8.0)	
EBITDA³	23.9	28%	21.7	26%	18.9	29%

¹ The Group defines its gross margin as the difference between sales, cost of sales and game development costs. It does not include the amortisation charge for intangible assets identified as part of a business combination.

² The Group defines Adjusted EBIT ("EBITA") as recurring EBIT before goodwill amortisation and amortisation of intangible assets identified in a business combination, plus the research tax credit/video games tax credit.

³ EBITDA ("Earnings Before Interest, Taxes, Depreciation and Amortisation") is defined as EBITA before amortisation and operating provisions.

Increase in revenue

The Group's revenue is up by 30%.

The back catalogue, at €58.6 million, up 70%, accounted for 69% of revenue in the first half of the year, driven by the titles launched in the previous financial year, primarily **Teenage Mutant Ninja Turtles: Shredder's Revenge**, as well as **A Plague Tale: Requiem**, **Atomic Heart**, **SnowRunner** and **Insurgency: Sandstorm**, launched over three years ago and regularly receiving additional content.

There were more games launched during the period than last year (two launches last year in the first half, including **Teenage Ninja Turtles: Shredder's Revenge**, compared with nine launches in the first half) and these performed well overall, notably **Aliens Dark Descent**, **Warhammer 40,000: Boltgun** and **Chants of Sennaar**. In addition, the successful launch of **Train Sim World 4**, by the Dovetail Games group (98% owned by Focus since April 2023), showed the benefit of capitalising on strong franchises to generate recurring revenue, a long-term strategy of FOCUS ENTERTAINMENT. However, half-year activity was impacted by the disappointing launch of **Atlas Fallen**.

Excluding the contribution from Dovetail Games and from the other acquisition in the second half of 2022, like-for-like revenue was €72.5 million.

Over the half-year, 90% of sales were generated through digital partners and 95% internationally.

Decline in profitability

The Group's gross margin reached €20.7 million in the first half of the 2023/2024 financial year, at 24% of revenue, compared with 38% in the first half of 2022/2023. EBITA was -€1.5 million, down sharply compared with the first half of the previous year (€10.9 million).

Disappointment on sales of **Atlas Fallen** impacted half-year profitability and the large number of launches this semester directly explains the significant increase in amortisations within the gross margin and the raise in gaming marketing costs compared to the same period last year.

The Group's structural costs are also up, mainly reflecting the integration of the Dovetail teams into the scope since April 2023, as well as the scope effect of a company acquired in the second half of last year.

Amortisation of goodwill and intangible assets identified in connection with acquisitions totalled -€5.9 million.

Financial income of -€2.6 million is mainly due to financial expenses related to debt, compared with -€0.6 million over the 2022/2023 reference period, primarily reflecting the increase in the Group's financial debt over the period to €126.2 million as at 30 September 2023, compared with €83.1 million as at 31 March 2023.

Net income, Group share fell to -€11.5 million, compared with €1.4 million in the first half of 2022/2023.

EBITDA reached €23.9 million in the first half of 2023/2024, a 28% margin compared with 29% a year earlier.

Significant investments supporting the Group's strategy and ambitions

The level of investment in games in the first half of 2023/2024 was sustained, reaching €44 million compared with €37.5 million in the same period last year. This increase in investments, in line with expectations, should be seen in the context of the very ambitious line-up and FOCUS ENTERTAINMENT's emphasis on high-quality games.

The Group also continued its strategy of generating recurring revenue by acquiring UK-based Dovetail Games in April 2023, both a developer and publisher, and a benchmark in rail simulation games. Over the period, the Group also paid an earn-out relating to a previous acquisition (recognised as a debt as at 31 March 2023).

Debt on the rise but under control, renewed credit lines

Cash stood at €10.4 million at end-September 2023, compared with €72.2 million at end-March 2023.

Net debt, including cash and cash equivalents¹, financial debt and earn-outs considered highly probable, was €118.5 million, compared with €27.3 million at 31 March 2023. In addition, in November 2023, FOCUS ENTERTAINMENT secured €30 million in credit lines from the existing banking pool and €10 million from BPI. The Group still has a €15 million revolving credit facility.

In the second half of the year, the Group plans to mobilise €25 million due to the postponements of **Banishers: Ghosts of New Eden** and **Warhammer 40 000 : Space Marine 2**, while investments in the line-up continue.

Outlook

- **H2 2023/2024**

Revenue for Q3 2023/2024 will be published on 18 January 2024. No major game releases are expected this quarter. Also note that this quarter will suffer from an unfavourable basis of comparison, as the third quarter of last year benefited from the successful launches of **A Plague Tale: Requiem** and **Evil West**.

The final quarter of the 2023/2024 financial year will see the release of **Banishers: Ghosts of New Eden**, on 13 February 2024, on PlayStation 5, Xbox Series X|S and PC. This new franchise, co-owned with DON'T NOD, has already been praised for its narrative qualities and gameplay. An ambitious [new trailer](#) was unveiled at the Game Awards ceremony.

¹ Cash and cash equivalents represent cash and treasury shares, up to a limit of 5% of the total number of shares in the Company, which are intended exclusively as consideration for acquisitions.

Expeditions: A MudRunner Game, by Saber Interactive, will be launched on 5 March 2024 on PS5, PS4, XSX, Xbox One and PC. This new opus, developed by the creators of **SnowRunner** for the more than 15 million players worldwide, will revamp the gameplay of the famous **MudRunner** off-road experience.

The next DLC (downloadable content) for **Atomic Heart** will be released on 6 February 2024.

Regarding **Atlas Fallen**, the contribution to revenue will be very limited in the second half of 2023/2024 – an enhanced version and new content will be delivered in the first half of 2024/2025.

While some players in the video game industry have been engaged in a process of reducing costs and staff numbers for several months, FOCUS ENTERTAINMENT will focus on strict control of recruitments.

- **2024/25 financial year**

The 2024/2025 financial year will see the release of the improved version of **Atlas Fallen** in the first half of the year, as well as live-ops that will be offered to players throughout the year in **Expeditions: A MudRunner game**. **Void Crew** will receive updates, **Atomic Heart** will get additional content and lastly, The Arcade Crew, Dotemu's publishing label, will continue early access to **Cross Blitz**.

For Dovetail Games, the year will see the launch of several new games and the continuation and growth of the award-winning **Train Sim World** and **Train Simulator Classic** series thanks to the delivery of additional content. Meanwhile, BlackMill will continue investing in **Isonzo** with a content-rich roadmap.

Regarding new titles, the release date of the highly anticipated **Warhammer 40,000: Space Marine 2**, the iconic Games Workshop licence, was announced at the Game Awards on 9 September 2024. FOCUS ENTERTAINMENT intends to release a game of the highest quality that exceeds the expectations of the franchise's countless fans. At this stage, the game is on more than a million wish lists.

The year will benefit from other major titles, including **John Carpenter's Toxic Commando**, developed by Saber Interactive, blending humour, chills and action from 80s Hollywood cinema.

To continue enriching the game release schedule over the coming years, FOCUS ENTERTAINMENT will continue its strategy of IP and co-IP development partnerships, as already announced with the **Afterburner** studio, and revamps, such as with **Asobo** for a major new project.

"The Group will continue its controlled and selective investment policy to support the deployment of its ambitious line-up for the coming years. The execution of this roadmap, backed by a proactive strategy of moving up the value chain, is driven by a Management and teams that are fully mobilised and passionate. All these strengths enable us to reassert our confidence, with the aim of putting the Group on a lasting performance trajectory in terms of growth and profitability," says Fabrice Larue, Chairman and CEO of FOCUS ENTERTAINMENT.

Next release:

Q3 2023/24 revenues: 18 January 2024 after the market closes

About FOCUS ENTERTAINMENT

FOCUS ENTERTAINMENT is one of the European leaders in video game publishing and development. Publisher of strong licenses such as A Plague Tale, Atomic Heart, Evil West, The Surge and SnowRunner, its mission is to support leading French and international studios in the development, production monitoring, marketing, sales and financing of their projects. FOCUS ENTERTAINMENT generates more than 95% of its sales internationally. The Group generated turnover of €194.1 million in 2022-2023.

All financial information pertaining to FOCUS ENTERTAINMENT can be found at www.focusent.com

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APPENDICES – FRENCH ACCOUNTING STANDARDS

Audited **INCOME STATEMENT** – audit report currently being issued

(€m)	PUBLISHED		Equivalent estimate		PUBLISHED	
	H1 2023 2024 30/09/2023		H1 2022 2023 Published 30/09/2022			
Revenue	85.0	100%	85.0	100%	65.5	100%
Cost of sales	(38.8)		(38.8)		(32.9)	
Game development costs	(25.4)		(24.9)		(8.7)	
Production costs	(7.2)		(9.4)		(5.3)	
Marketing & sale costs	(10.8)		(10.8)		(4.9)	
General and administrative expenses	(6.5)		(6.5)		(4.4)	
Other operating income and expenses	0.2		0.2		0.6	
Operating result before amortisation of goodwill	(3.5)	-4%	(5.2)	-6%	9.7	15%
Amortisation of goodwill	(5.5)		(5.5)		(3.7)	
Income from consolidated companies	(9.0)	-11%	(10.6)	-13%	6.0	9%
Net financial income	(2.6)		(2.6)		(0.6)	
Non-recurring profit (loss)	(0.0)		(0.0)		(0.1)	
Income tax	0.5		0.5		(2.2)	
Profit (loss) of investments in associates	(0.1)		(0.1)		(0.0)	
Consolidated net income (expense)	(11.1)	-13%	(12.8)	-15%	3.1	5%
Non-controlling interests	(0.4)		(0.3)		(1.7)	
Net income (Group share)	(11.5)	-14%	(13.1)	-15%	1.4	2%

Audited **BALANCE SHEET** – audit reports currently being issued

	PUBLISHED	Equivalent estimate	PUBLISHED
(€m)	30/09/2023		31/03/2023
ASSETS			
Intangible fixed assets	165.0	255.5	118.3
o/w Goodwill	92.2	92.2	71.8
Property, plant and equipment	1.7	1.7	0.7
Financial assets	1.9	1.9	1.2
FIXED ASSETS	260.9	259.2	192.0
Inventories and work in progress	1.0	1.0	0.9
Trade receivables and related accounts	23.3	23.3	27.4
Other receivables, prepayments and accrued income	25.7	25.7	14.2
Financial futures and tokens held	0.6	0.6	0.5
Cash	10.4	10.4	72.2
CURRENT ASSETS	61.1	61.1	115.1
TOTAL ASSETS	322.0	320.3	307.1

	PUBLISHED	Equivalent estimate	PUBLISHED
(€m)	30/09/2023		31/03/2023
LIABILITIES			
Capital	7.8	7.8	7.8
Additional paid-in capital	90.3	90.3	90.3
Reserves	43.0	43.0	35.0
Profit/Loss	(11.5)	(13.2)	7.3
SHAREHOLDERS' EQUITY (GROUP SHARE)	129.5	127.9	140.3
MINORITY SHAREHOLDINGS EQUITY	6.3	6.3	5.7
Provisions	0.8	0.8	0.8
Borrowings and financial liabilities	126.2	126.2	83.1
Current trade liabilities	25.5	25.5	35.2
Forward financial instruments	-	-	0.0
Other payables, accruals and deferred income	33.6	33.6	42.0
TOTAL LIABILITIES	322.0	320.3	307.1

CASH FLOW STATEMENT – audited – audit reports currently being issued

	PUBLISHED	Equivalent estimate	PUBLISHED
Cash flow statement (in millions of euros)	H1 2023/24 30/09/2023		31/03/2023
Consolidated net income (expense)	(11.1)	(12.8)	10.3
Elimination of depreciation, amortisation and provisions	31.4	30.9	41.1
Elimination of capital gains or losses on disposals	0.0	0.0	0.1
Elimination of financial expenses	2.6	2.6	2.8
Acquisition of intangible fixed assets	(44.0)	(44.0)	(65.1)
Elimination of change in deferred taxes	0.8	0.8	(0.3)
Change in WCR related to business operations	(20.9)	(18.7)	13.1
Cash flow from operating activities	(41.2)	(41.2)	2.1
Acquisitions of property, plant and equipment (tangible and financial assets)	(1.0)	(1.0)	(0.4)
Disposals of property, plant and equipment and intangible assets	(0.0)	(0.0)	(0.0)
Impact of changes in scope	(56.5)	(56.5)	(5.5)
Cash flow from investment activities	(57.4)	(57.4)	(5.9)
Dividends paid to minority shareholders	(0.4)	(0.4)	-
Capital increases (reductions)	0.7	0.7	0.0
Issue of borrowings net of repayments	36.7	36.7	14.2
Net sale (purchase) of treasury shares	(1.0)	(1.0)	(0.9)
Cash flow from financing activities	36.1	36.1	13.4
Effect of exchange rate fluctuation	0.0	0.0	0.0
CHANGE IN CASH POSITION	(61.7)	(61.7)	9.6