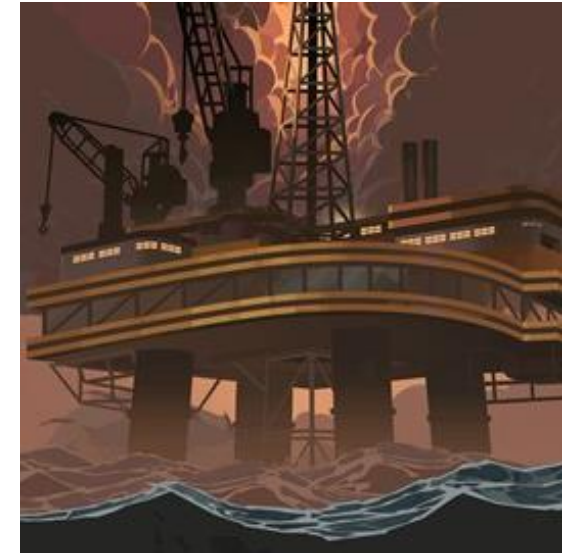




# INTERIM RESULTS PRESENTATION

6 MONTHS ENDING 30 JUNE 2024

STEVE BELL (CEO)  
MARK CRAWFORD (CFO)





# INTRODUCTION & OPERATING REVIEW

Steve Bell  
Chief Executive Officer





## STRONG PERFORMANCE IN H1

On track to meet full year expectations

Market-beating<sup>1</sup>  
organic revenues  
+11%

Adjusted EBITDA  
+18%

Progress against all  
strategic priorities

On track to meet  
full year market  
expectations

<sup>1</sup>vs Newzoo's 2024 estimate for the PC and console market growth of 1.2%



## OPERATIONAL HIGHLIGHTS



Stellar back catalogue performance (+30%) driven by lifecycle management



Strong first-party IP performance (+25%), now 42% of Group sales



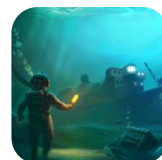
6 new games, 3 new apps launched, 20 DLCs and 242 app updates



Challenging new release market continues, but positive game reviews support future portfolio growth



One Group: benefits from increased focus, discipline and strengthened processes



Adjusted EBITDA up 18%, with elevated margins

## GAMES LABEL

Excellent back catalogue performance in a competitive new release market

+9%

Organic revenues

4

New games

35%

First-party IP %

+54%

Back catalogue sales growth

- Excellent back catalogue sales performance (+54%)
  - New additions to the back catalogue including *Dredge*, *Blasphemous 2* and *Trepang<sup>2</sup>* delivered strong performances
  - *Overcooked!* enjoyed strong sales driven by focussed marketing activity
- First-party IP sales +33%, with strong performance in particular from *Hell Let Loose*, *Golf With Your Friends* and *Worms W.M.D.*
- Successful publisher sale in the run up to the Steam summer sale as well as favourable phasing of license deals
- 4 new titles, 1 existing title released on new platform and 15 new DLCs
- Refocused strategy evident:
  - Tighter cost controls evident in lower expensed development and marketing costs
  - New signed games in H1 all within traditional Indie sweet spot, with lower development budgets
- H2 releases: 3 new titles launched so far with further new releases including:
  - *Worms Armageddon* on console
  - Enhanced version of *Autopsy Simulator* on console



## ASTRAGON

## Strong performance from core franchises

+13%

Organic revenues

2

New releases

5

DLCs

+17%

First-party IP sales

- Market-beating growth, despite no new major first-party IP launches, with strong back catalogue performance
- First-party IP sales increased 17%, driven by **Construction Simulator** and **Police Simulator**, which continue to be leading first-party IP titles for astragon and the Group
- 2 new titles launched: **Construction Simulator 4** on Switch and mobile and **Lawn Mowing Simulator** on Switch
- 3 third-party IP titles launched on additional platforms: **ABRISS** and **Tram Simulator** on console, and **Howl** on mobile and console.
- Four new DLC packages and one Year 2 season pass were well received across the **Police Simulator** and **Construction Simulator** franchises
- H2 releases:
  - **Police Simulator** on Switch
  - Much anticipated physical distribution of next release of **Farming Simulator**

# STORYTOYS

Record performance, outperforming the edutainment segment



+23%

Organic revenues

3

New apps

242

App updates

>350k

Active subscribers

- Strong revenue growth of 23% versus a flat market<sup>1</sup>
- Launched 3 new licensed app titles, including **Sesame Street Mecha Builders**, **Thomas & Friends™: Let's Roll** and **LEGO® DUPLO® Peppa Pig**
- 242 app updates across existing titles supporting subscriptions, including **LEGO® DUPLO® WORLD**, **LEGO® DUPLO® MARVEL**, **Disney Coloring World**, **Barbie Color Creations**, and **Hungry Caterpillar Play School**
- Active subscribers continued to grow and are now over 350,000
- Included in The Sunday Times 2024 “Best Places to Work” list
- Focus in H2 on continued high quality app updates and cross promotion to grow existing and new app titles

<sup>1</sup>data.ai shows Kids category on iOS +0.3% in H1 24 versus H1 23



# H1 2024 FINANCIALS

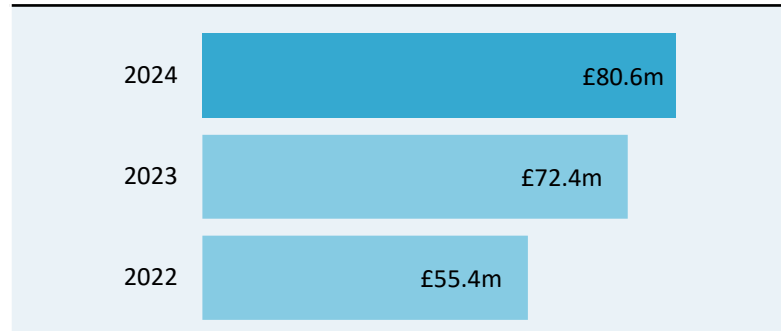
Mark Crawford  
Chief Financial Officer



# GROUP REVENUE PROGRESSION

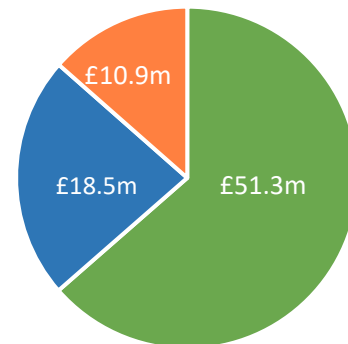
Revenue growth firmly ahead of the market growth

Group revenue progression<sup>1</sup>



<sup>1</sup>H1 23 and H1 22 sales restated for digital mobile platform fee revenue recognition

Divisional breakdown H1 24



■ Games Label ■ astragon ■ StoryToys

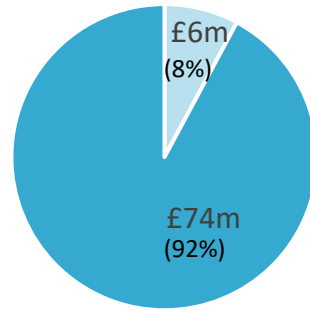
- 100% organic growth with group revenues up 11% to £80.6m
- Revenue growth remains consistently firmly ahead of the market growth

- Growth delivered across all divisions:
  - Games Label up 9% (now 64% of Group sales)
  - astragon up 13% (remains 23%)
  - StoryToys up 23% (grown to 13%)

# REVENUE SPLIT

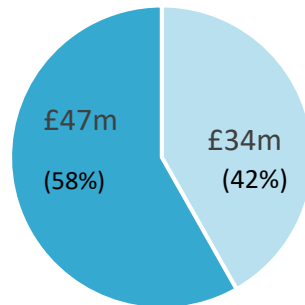
Strong growth in back catalogue and first-party IP sales

Title revenue split



■ New release ■ Back catalogue

IP Revenue split



■ First-Party ■ Third-Party

- In a competitive market with a tough FY23 comparator, new release revenues were lower, delivering £6.3m
- The back catalogue performed very well, up 30%, driven by excellent lifecycle management and consumer behaviour
- 2023 releases made a solid contribution alongside older titles in the portfolio still performing
- First-party IP revenues performed well, up 25%, driven by **Hell Let Loose**, **Police Simulator**, **Construction Simulator**, **Golf With Your Friends** and **Worms W.M.D**
- Third-party IP revenues rose 4%, with continued StoryToys growth underpinned by Games Label titles such as **Dredge**, **Trepang<sup>2</sup>** and **Blasphemous 2**.

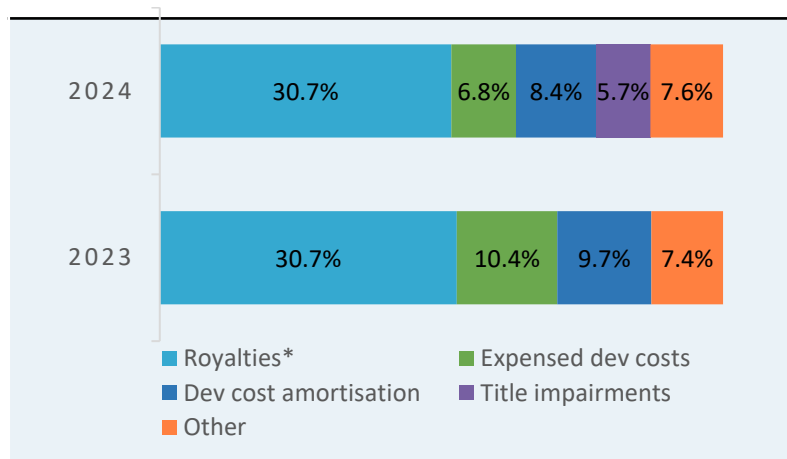


# GROSS PROFIT

## Underlying margin improvement

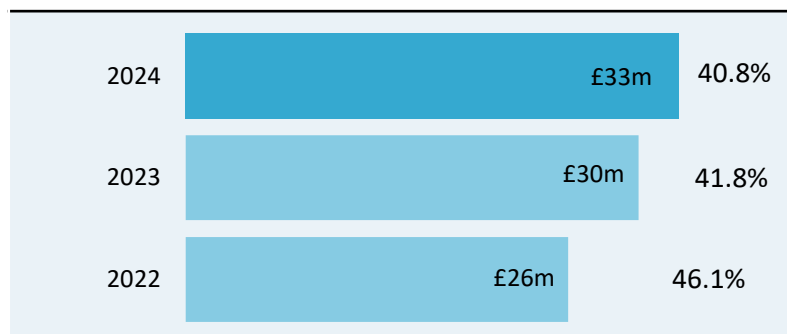


Cost of sales breakdown (percentages show % sales)



\* Less recoups

Gross profit and gross margin<sup>1</sup> (%)



<sup>1</sup>H1 23 and H1 22 gross margin restated for platform fee revenue recognition

- Gross profit increased 9% to £32.9m, with gross margin at 40.8% however includes £4.6m of title impairments
- Excluding title impairments, underlying gross margin increased to 46.5%:
  - Underlying development cost amortisation fell to £6.8m driven by the changes to astragon amortisation charges<sup>2</sup>
  - Royalties as a % sales were flat yoy reflecting sales mix
  - Significant reduction in expensed development costs due to studio cost restructuring and ongoing cost controls

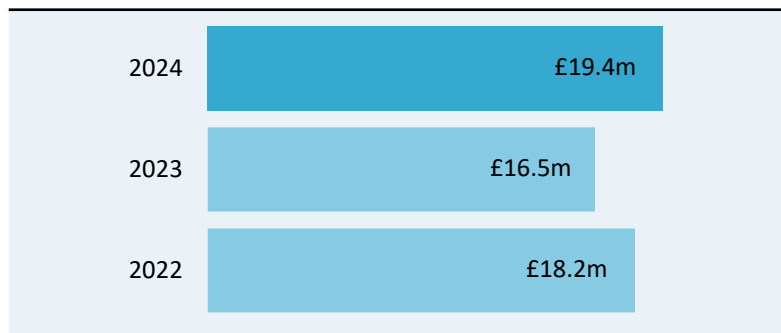
<sup>2</sup> Reassessed and subsequently increased acquired intangible assets in astragon as outlined in the Annual Report and Accounts 2023

# ADJUSTED EBITDA & EPS

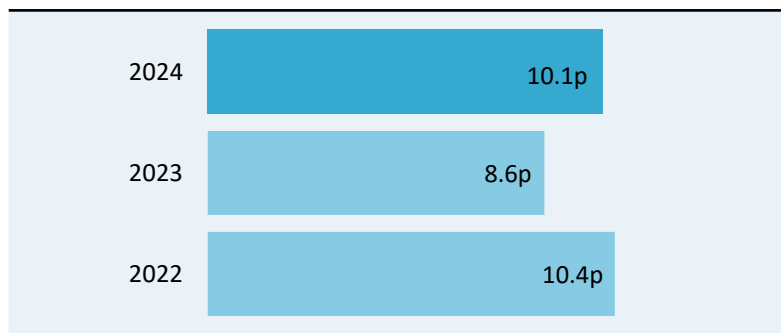
Tighter cost controls support earnings growth



Adjusted EBITDA<sup>1</sup>



Adjusted EPS



- Adjusted EBITDA increased 18% to £19.4m, with margins up 140bps to 24.1% (H1 2023: 22.7%)
- Reported admin expenses fell to £20.8m (H1 2023: £21.7m):
  - Includes £7.2m of acquisition-related adjustments (H1 2023: £6.9m) which include:
    - provision for final acquisition related management incentive payments
    - increased acquisition related amortisation charges for astragon in admin costs (re-classified from cost of sales)
  - Reduction in underlying admin costs reflects lower marketing and staff costs with the Games Label
- Adjusted EPS increased 17% to 10.1p:
  - £0.6m increase in interest income generated in the period
  - Lower effective tax rate now at 27.3%

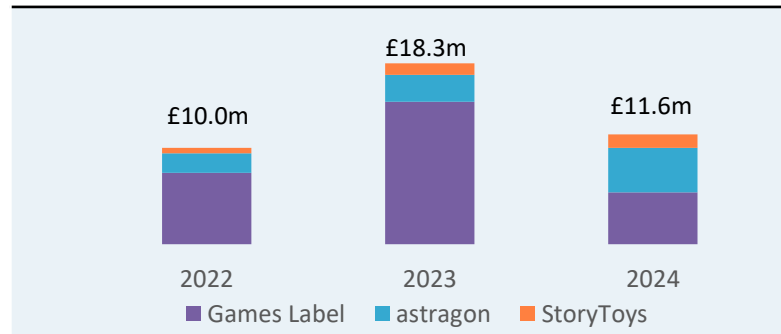
<sup>1</sup> Adjusted EBITDA reflects the EBITDA of the Group in a steady state, without the impact of acquisition-related costs which vary year on year based on acquisition activity. In addition, we include the impact of amortisation and impairment of development costs as this reflects the primary costs incurred by the Group in generating revenue



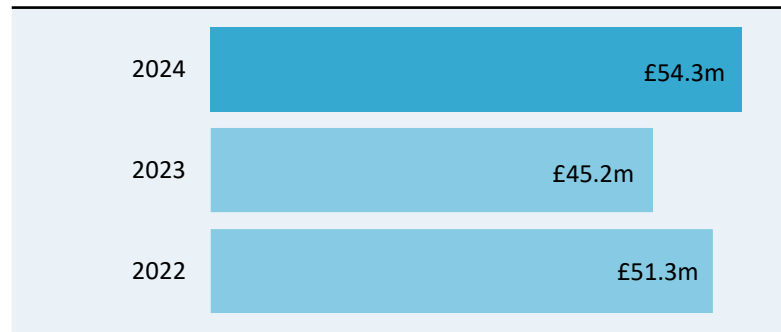
# CAPITALISED DEVELOPMENT COSTS & BALANCE SHEET CASH

Positive progress

## Capitalised development costs



## Cash and cash equivalents



- Capitalised development costs for the year fell to £11.6m (H1 2023: £18.3m) due to new investment limits within Games Label as well as phasing of development project spend
- Reduced net book value of capitalised development costs at period end of £34.6m (H1 2023: £38.9m)
- £32m net cash generated from operations, with cash conversion<sup>1</sup> of 109% (FY 2022: 132%)
- Earn out payments now complete, final management incentives due this year
- Resulting cash and cash equivalents increased to £54.3m (H1 2023: £42.2m)

<sup>1</sup> Operating cash conversion is defined as cash generated from operating activities adjusted to add back payments made to satisfy pre-acquisition liabilities recognised under IFRS 3 “Business Combinations”, divided by earnings before interest, tax, depreciation and amortisation (“EBITDA”)





# STRATEGIC PRIORITIES & OUTLOOK

Steve Bell  
Chief Executive Officer





# PROGRESS AGAINST ALL STRATEGIC PRIORITIES

## Accelerating revenue growth

Double down on  
Indie focus

Prioritise evergreen  
franchises to drive  
back catalogue

M&A

Innovative  
publishing  
models

Progressive  
Participation  
Marketing



# PROGRESS AGAINST ALL STRATEGIC PRIORITIES

## Improving profitability & ROI

Increase sales mix of first-party IP

Games Label investment limits

Tightened cost controls

Sharpened greenlight process



## OUTLOOK

### FY 2024

- H2 trading in line with expectations
- 3 new titles already launched in H2
- Further launches expected
- A more balanced aEBITDA split between H1/H2 than in recent years
- Continued cost and capital allocation discipline

### Mid-term

- Strong pipeline of third-party games
- Ongoing focus on first-party IP
- Solid back catalogue performance
- Centralised Group services to drive profitability and synergies
- Further increase in cash generation
- Select M&A with Indie focus

**Confident of delivering full year 2024  
results in line with market expectations**





## IN SUMMARY...

An attractive investment case

42%

Group sales from first-party IP<sup>1</sup>

IP and talent in place to deliver accelerated growth

>140

Active titles across Group<sup>2</sup>

Diversified portfolio

12

Franchise titles with sales >\$20m<sup>3</sup>

Proven franchise creation & lifecycle management capabilities

74%

Group sales from back catalogue<sup>4</sup>

Dependable back catalogue providing mid-term visibility

23% vs 6%

Organic revenue growth vs market<sup>5</sup>

Consistent track record of market-beating revenue growth

£54m

Cash & equivalents<sup>1</sup>

Strong balance sheet & cash generation support M&A optionality

<sup>1</sup>H1 2024; <sup>2</sup>Active = generated sales in H1 2024; <sup>3</sup>Lifetime sales; <sup>4</sup>average for FY 2018-2023; <sup>5</sup>Avg annual Group organic growth vs Newzoo console and PC market 2018-2023



**THOMAS  
& FRIENDS**

**LET'S  
ROLL**



THANKS FOR  
LISTENING

ANY QUESTIONS?





# APPENDIX



# ALTERNATIVE PERFORMANCE MEASURES

	Adjusted EBITDA		Adjusted Profit after Tax	
	Unaudited six months ended 30-Jun-24	Unaudited six months ended 30-Jun-23	Unaudited six months ended 30-Jun-24	Unaudited six months ended 30-Jun-23
<b>Profit before Tax</b>	<b>12,388</b>	<b>8,106</b>	<b>12,388</b>	<b>8,106</b>
Development cost amortisation eliminated through FV adjustments	-896	-	-896	-
Share-based compensation	498	612	498	612
<b>Acquisition-related costs &amp; adjustments</b>				
Amortisation on acquired intangible assets	5,721	4,693	5,721	4,693
Acquisition-related costs	1,442	-373	1,442	-373
Earn out fair value	43	1,797	43	1,797
Interest & FX on contingent consideration	11	768	11	768
<b>Adjusted profit before tax</b>	<b>19,207</b>	<b>15,603</b>	<b>19,207</b>	<b>15,603</b>
Finance income and costs net of acquisition-related costs and adjustments	-484	-343	n/a	n/a
Depreciation and loss on disposal of tangible assets	577	644	n/a	n/a
Amortisation of software	148	553	n/a	n/a
<b>Adjusted EBITDA</b>	<b>19,448</b>	<b>16,457</b>	-	-
Taxation (net of impacts on adjustments)	-	-	-4,708	-3,227
<b>Adjusted Profit after Tax</b>	-	-	<b>14,499</b>	<b>12,376</b>
<b>Adjusted basic EPS</b>	-	-	<b>10.1</b>	<b>8.6</b>

# P&L

	Unaudited Six months ended 30 June 2024 £'000	Unaudited Six months ended 30 June (restated) 2023 £'000
<b>Revenue</b>	<b>80,647</b>	<b>72,352</b>
Cost of sales	-47,739	-42,145
<b>Gross profit</b>	<b>32,908</b>	<b>30,207</b>
<b>Gross profit %</b>	<b>40.80%</b>	<b>41.80%</b>
Administrative expenses	-20,824	-21,678
Other Income	72	2
<b>Operating profit</b>	<b>12,156</b>	<b>8,531</b>
Share of net loss of associates accounted for using the equity method	-241	-
Finance income	710	36
Finance cost	-237	-461
<b>Profit before tax</b>	<b>12,388</b>	<b>8,106</b>
Taxation	-3,377	-2,546
<b>Profit for the period</b>	<b>9,011</b>	<b>5,560</b>
Basic earnings per share	6.3 Pence	3.9 Pence
Diluted earnings per share	6.2 Pence	3.9 Pence
Basic adjusted earnings per share	10.1 Pence	8.6 Pence
Diluted adjusted earnings per share	10.0 Pence	8.6 Pence

# BALANCE SHEET

	Unaudited	Unaudited	Audited
	30-Jun-24	30-Jun-23	31-Dec-23
	£'000	£'000	£'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investments in associates	721	832	867
Intangible fixed assets	201,716	239,086	209,992
Property, plant and equipment	1,305	1,782	1,440
Right of use assets	2,834	4,271	3,172
	<u>206,576</u>	<u>245,971</u>	<u>215,471</u>
<b>Current assets</b>			
Trade and other receivables	35,449	26,490	38,408
Inventories	1,121	929	960
Cash and cash equivalents	54,328	45,159	42,824
	<u>90,898</u>	<u>72,578</u>	<u>82,192</u>
<b>Total assets</b>	<b>297,474</b>	<b>318,549</b>	<b>297,663</b>

	Unaudited	Unaudited	Audited
	30-Jun-24	30-Jun-23	31-Dec-23
	£'000	£'000	£'000
<b>EQUITY &amp; LIABILITIES</b>			
<b>Equity</b>			
Share capital	1,458	1,457	1,458
Share premium	137,572	132,923	137,572
Merger reserve	-153,822	-149,173	-153,822
Currency translation reserve	2,399	3,865	4,761
Other reserves	159,296	159,296	159,296
Retained earnings	106,713	106,971	97,514
<b>Total equity</b>	<u>253,616</u>	<u>255,339</u>	<u>246,779</u>
<b>Non-current liabilities</b>			
Lease liabilities	2,484	3,918	2,889
Provisions	110	155	113
Deferred tax liabilities	8,802	8,229	8,386
<b>Total non-current liabilities</b>	<u>11,396</u>	<u>12,302</u>	<u>11,388</u>
<b>Current liabilities</b>			
Trade and other payables	31,574	49,097	35,422
Current tax liabilities	145	1,081	3,391
Lease liabilities	743	730	683
<b>Total current liabilities</b>	<u>32,462</u>	<u>50,908</u>	<u>39,496</u>
<b>Total liabilities</b>	<u>43,858</u>	<u>63,210</u>	<u>50,884</u>
<b>Total equity and liabilities</b>	<b>297,474</b>	<b>318,549</b>	<b>297,663</b>



# CASH FLOW

	Unaudited Six months ended 30-Jun-24 £'000	Unaudited Six months ended 30-Jun-23 £'000
<b>Operating activities</b>		
Profit before tax	12,388	8,106
Adjustments for:		
Depreciation of property, plant and equipment	357	382
Depreciation of right-of-use assets	316	171
Amortisation of intangible fixed assets	12,599	12,285
Impairment of intangible fixed assets	4,610	-
(Profit)/loss on disposal of intangible assets	-42	-
Fair value movement in contingent consideration	42	-
Share of profits of associates	241	239
Share-based compensation	188	626
Finance income	-710	-36
Financial expenses	237	461
Increase in trade and other receivables	950	9,334
Increase/(decrease) in trade and other payables	1,417	-1,441
Decrease/(increase) in inventory	-186	262
(Decrease)/Increase in provisions	-3	15
<b>Cash generated from operating activities</b>	<b>32,404</b>	<b>30,404</b>
Tax paid	-4,321	-3,328
<b>Net cash inflow from operating activities</b>	<b>28,083</b>	<b>27,076</b>

	Unaudited Six months ended 30-Jun-24 £'000	Unaudited Six months ended 30-Jun-23 £'000
<b>Cash flow from investing activities</b>		
Acquisition of subsidiaries (net of cash acquired)	-	-4,875
Purchase of property, plant and equipment	-238	-392
Proceeds from sale of intangible assets	400	-
Purchase of Intellectual Property	-5,000	-7,500
Purchase of other intangibles	-	-875
Capitalisation of development costs	-11,640	-18,331
Interest received	710	36
<b>Net cash outflow from investing activities</b>	<b>-15,768</b>	<b>-31,937</b>
<b>Cash flow from financing activities</b>		
Interest paid	-168	-68
Repayment of lease liabilities	-310	-184
<b>Net cash outflow from financing activities</b>	<b>-478</b>	<b>-252</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>11,837</b>	<b>-5,113</b>
Cash and cash equivalents at beginning of period	42,824	50,828
Effect of exchange rates on cash and cash equivalents	-333	-556
<b>Cash and cash equivalents at end of period</b>	<b>54,328</b>	<b>45,159</b>