

Focus Home Interactive

Operating profit up 36% in H1 2020/21

Revenue up 19% at €141.4 million for the first nine months of the year

- Revenue at €37.8 million in the 3rd quarter, confirming expectations of 2020/21 financial year to be driven by the back-catalogue
- Acceleration of the Group's structural reinforcement and evolution of the governance
- Revenue outlook for 2020/21 raised to €150-160m and 2021/22 remained unchanged

PARIS, FRANCE – 21st January 2021 – FOCUS HOME INTERACTIVE (FR0012419307 ALFOC), a leading French actor of the video games industry, announced its results for the first half of 2020/21 for the six-month period ending September 30, 2020 and its third-quarter revenue for the period ending December 31, 2020.

Half year 2020/21 results

Limited review - French GAAP In million euros	H1* 2020/21	H1* 2019/20	Var.
Revenue	103.6	79.8	+30%
EBITDA	35.5	25.7	+38%
<i>% of revenue</i>	<i>34%</i>	<i>32%</i>	
Gross margin	32.4	28.3	+15%
<i>% of revenue</i>	<i>31%</i>	<i>35%</i>	
Operating income	18.2	13.5	+36%
<i>% of revenue</i>	<i>18%</i>	<i>17%</i>	
Exceptional income	(3.1)	0.0	
Group net income	8.9	9.2	-3%
<i>% of revenue</i>	<i>9%</i>	<i>12%</i>	

* Limited review procedures were performed on the interim financial statements for the six months ended 30 September. Detailed financial statements will be reported in the appendix

Christophe Nobileau, Chairman of the Management Board, declared: *"Since my arrival, I have been very enthusiastic about the great prospects for the development of Focus Home Interactive. In three months, we have embarked on profound changes within the Group that will enable us to accelerate its growth. This is notably reflected by the appointments of John Bert as Managing Director and Philippe Perthuis as General Secretary and Chief Business Model Officer and the strengthening of the teams dedicated to M&A. Within the new Executive Committee, we are working to deploy our growth strategies to define the framework for our relations with our future partners and to structure an organisation capable of absorbing strong growth in the coming years."*

John Bert, Managing Director, added:

"We are very pleased with the performance in the first nine months of this year, in the midst of a transition period. The strong performance of our catalogue in the first quarter and the excellent performance of our back-catalogue during the first nine months of the year lead us to revise upwards our guidance for the year 2020/21 for the second time. However, Covid-19 and travel restrictions have also had an impact on the development of some of our games. In order to provide the best possible experience for our players and to maintain the excellence of our brand, we have decided to postpone the release of certain games."

Strong growth in operating profit in the first half of 2020/21

Group revenue was €103.6 million in the first half of 2020/21, including revenue of €0.7 million generated by Deck13 Interactive GmbH (Deck13) whose acquisition was finalised on 25 June 2020. Digital sales continue to grow and accounted for 91% of revenue in the first half of 2020/21, an increase of 7 points compared to the six-month period ended 30 September 2019.

The Group's gross margin reached €32.4 million in the first half ended 30 September 2020, up 15% on 30 September 2019 at €28.3 million.

Operating profit increased by 36% in the first half of 2020/21 to €18.2 million, compared to €13.5 million in the first half of the previous year. The operating margin increased from 17% to 18% over the same period, with a reduction in marketing and sales costs due to fewer new game releases compared to the same period of the previous year, offsetting the increase in general and administrative costs over the half year resulting from the structuring of the Group to support its future growth.

Net income for the half-year amounted to 8.9 million euros, after taking into account a financial result of -1.6 million euros, mainly made up of foreign exchange losses resulting from the deterioration of the US Dollar over the period, an exceptional charge of -3.1 million euros related to the investigation conducted by the European Commission, and a corporate tax charge of 4.6 million euros.

Change in accounting policy and publication of an EBITDA to better reflect the Group's operating performance and allow comparison with other companies in the sector

The Group has decided to change its accounting policy by modifying the classification of some of its balance sheet items. This new presentation, which has no impact on the net income, is intended to provide more relevant information on its financial statements.

The Group has decided to present the investments made in the development of video games as intangible fixed assets and no longer as "other receivables" in order to materialise the constitution of an asset of publishing and distribution rights. The transition to the income statement, which was previously spread as an expense over 24 months from the launch of the games, is now subject to amortisation according to the same rule. This decision not only makes the assets more visible, but also facilitates the reading of the cash flow statement.

Thus, in order to better reflect its operational reality and to establish a basis for comparison with other players in its sector, Focus Home Interactive has decided to use its EBITDA as a new performance indicator. For the first half of 2020/21, the Group's EBITDA amounted to €35.5 million compared to €25.7 million for the first half of the previous financial year, an increase of 38%. Over the same period, the EBITDA margin increased from 32% of sales in the first half of 2019/20 to 34% in the first half of 2020/21.

EBITDA is defined as operating profit before depreciation and amortisation of tangible and intangible assets.

A strengthened balance sheet as of 30 September 2020

The Group's balance sheet total changed from €90.0 million on 31 March 2020 to €116.5 million on 30 September 2020. Shareholders' equity increased from €54.7 million on 31 March 2020 to €64.0 million on 30 September 2020. Net intangible assets, which now include investments in games, increased from €48.3 million to €53.9 million. The Group's available cash amounted to €28.7 million and its net cash and cash equivalents amounted to €14 million.

The Half-Year Financial Report will be published on 29 January 2021 on the Group's website.

Revenue for the third quarter and first nine months of 2020/21

in million euros	Q3 2020/21	Q3 2019/20	Variation	9M 2020/21	9M 2019/20	Variation
Catalogue	16.6	24.5	-32%	65.7	76.6	-12%
Back-catalogue	20.7	14.5	+43%	74.5	44.2	+69%
Revenue at constant scope	37.3	38.9	-4%	140.2	118.8	+18%
Deck13	0.4	-	-	1.2	-	-
Group Revenue	37.8	38.9	-3%	141.4	118.8	+19%

In the third quarter of fiscal year 2020/21, Focus Home Interactive reported revenue of €37.8 million, bringing total revenue for the first nine months of the year to €141.4 million, up 19% compared with the same period last year.

The third quarter continued to be driven by the strong performance of the back-catalogue, with revenues up +43% (+69% over the first three quarters), generated in particular by Farming Simulator, Greedfall, Mudrunner and Insurgency Sandstorm and, to a lesser extent, A Plague Tale: Innocence and WorldWarZ.

Catalogue revenue for the third quarter was down 32% (and -12% for the first nine months of the year) due to fewer games being released than in the previous year, but benefited from continued strong sales of SnowRunner and the Premium edition of Farming Simulator 19 released on 12 November.

The acquisition of Deck13 contributed €0.4 million to Focus Home Interactive's sales in the third quarter of 2020/21 and €1.2 million since its integration.

End of the European Commission's investigation

Focus Home Interactive was informed on 20 January 2021 by the European Commission that a fine of €2.9 million would be imposed on it. Following a previous communication from the European Commission¹, Focus Home Interactive had recorded 3 million euros in the accounts at 30 September 2020 in the form of a provision for risks.

¹ See Focus Home Interactive press release of 9 November 2020

For the record, Focus Home Interactive received a statement of objections from the European Commission dated 5 April 2019². The investigation was opened on 2 February 2017³ concerning agreements between Valve Corporation, owner of the Steam games distribution platform, and five video game publishers, including Focus Home Interactive.

Focus Home Interactive fully cooperated with the European Commission.

Further structuring of the Group and changes in governance

On 23 October 2020, Mr Christophe Nobileau was appointed Chairman of the Management Board and following this appointment an Executive Committee was created.

On 4 January 2021 Mr John Bert was appointed Managing Director and on 14 January 2021. The Company also announced the appointment of Mr Philippe Perthuis as General Secretary and Chief Business Model Officer. They will be responsible for supporting the deployment of a cross-functional organisation throughout the Group in order to meet Focus Home Interactive's development challenges and support its growth.

Outlook

The strong performance recorded by the Group over the first nine months of the financial year, thanks in particular to the excellent performance of the back-catalogue, allowed the revenue guidance for the 2021/21 financial year to be revised upwards to €150-160 million on a like-for-like basis compared to €130 - 150 million previously.

The Covid-19 pandemic and travel restrictions have nevertheless impacted the development process of a number of games. In order to provide the best experience to players and to maintain the excellence of the brand, the Group decided to delay the release of certain games: The Hood Outlaws & Legends, Warhammer 40k: Age of Sigmar and Insurgency Sandstorm. At this stage, the current context does not yet allow the Group to refine the 2021/22 guidance.

² See Focus Home Interactive press release of 5 April 2019

³ See Focus Home Interactive press release of 3 February 2017

Financial objectives

Focus Home Interactive increased its revenue expectations for the fiscal year 2020/21 to €150-160 million compared to €130 - 150 million previously (on a like-for-like basis).

Focus Home Interactive confirms its revenue forecast for the end of the fiscal year 2021/22: €150-200 million (on a like-for-like basis).

Upcoming events

Event	Date
2020-21 – 4 th quarter revenue	Tuesday 20 th April 2021
2020-21 – FY results	Thursday 24 th June 2021

About Focus Home Interactive

FOCUS HOME INTERACTIVE is a leading French actor of the video games industry. Its vocation is to support leading international studios in the development, production monitoring, marketing, sales and financing of their projects. As a publisher of strong brands such as The Surge, Vampyr, Mudrunner, Call of Cthulhu and Farming Simulator, the Group generated revenues of €143 million in 2019-20, up 13% compared to the previous comparable period. FOCUS HOME INTERACTIVE generates more than 90% of its sales internationally. For additional information, visit www.focus-home.com

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Contacts

Investor Relations – FTI Consulting

Cosme Julien-Madoni

Arnaud de Cheffontaines

Tél : + 33 (0) 1 47 03 68 10

Mail : fhi@fticonsulting.com

Press Relations – FTI Consulting

Emily Oliver

Rémi Salvador

Tél : + 33 (0) 1 47 03 68 10

Mail : fhi@fticonsulting.com

APPENDIX

Detailed P&L

In million euros	H1 2020/21	H1 2019/20	Variation %
Revenue	103.6	79.8	30%
Cost of sales	(53.4)	(39.7)	34%
Development costs	(17.8)	(11.8)	51%
Gross Margin	32.4	28.4	15%
Production cost	(3.6)	(3.0)	21%
Marketing & sales costs	(6.4)	(8.9)	-28%
General and administrative costs	(4.5)	(2.9)	51%
Other operating income & expenses	0.2	(0)	
Operating result	18.2	13.5	36%
Financial result	(1.6)	0	
Current result of integrated companies	16.6	13.5	23%
Exceptional result	(3.1)	(0)	
Income tax	(4.6)	(4.3)	7%
Net income before amortisation and goodwill	8.9	9.2	-3%
Net result of the consolidated group	8.9	9.2	-3%
Net profit (group share)	8.9	9.2	-3%

* The review procedures were performed on the interim financial statements for the six months ended 30 September

Balance Sheet

	30/09/2020			31/03/2020		Variation 30/09/2020 vs 31/03/2020 retraité
	Brut	Amt / Depreciation	Net	Net Retraité	Net Publié	
Goodwill on acquisition	6.3	(0)	6.3	0	0	6.3
Intangible fixed assets	72.7	(18.8)	54.0	48.3	0	5.7
Property, plant and equipment	2.1	(1.3)	0.9	0.7	0.7	0.2
Financial fixed assets	0.8	(0)	0.8	0.3	0.3	0.4
Total Fixed Assets	81.9	(20.1)	61.9	49.2	1.0	60.9
Stocks and work-in-progress	0.9	(0.2)	0.8	0.6	0.6	0.2
Trade receivables	18.9	(0)	18.9	14.5	14.5	4.3
Other receivables	6.4		6.4	6.0	54.1	0.4
Availabilities	28.7		28.7	19.6	19.6	9.0
Total Assets	136.8	(20.3)	116.5	90.0	89.8	26.7

	30/09/2020	31/03/2020 restated	Variation 30/09/2020 vs 31/03/2020 restated
Capital	6.4	6.4	0
Capital-related premiums	22.4	22.3	0
Bookings	26.3	13.0	13.4
Profit for the year	8.9	13.0	(4.2)
Total shareholders' equity	64.0	54.7	9.3
Provisions	4.7	0.6	3.7
Borrowings and financial debts	14.7	1.7	13.0
Suppliers and related accounts	20.7	21.2	(0.6)
Other liabilities and prepayments	12.9	11.7	1.1
Total liabilities and shareholders' equity	116.5	90.0	26.7

* The review procedures were performed on the interim financial statements for the six months ended 30 September

Consolidated Cash-Flow Statement

In millions euros	30/09/2020	31/03/2020 restated	31/03/2020 Published
Net income of consolidated companies	8.9	13.0	13.0
Net changes in depreciation, amortisation and provisions	20.6	25.0	0.4
Others	(0.2)	0.2	0.2
Cash flow from operations	29.3	38.2	13.7
Change in operating working capital	(8.8)	0.8	(11.3)
Net operating cash flow	20.5	39.0	2.4
Acquisitions of fixed assets	(17.6)	(36.9)	(0.2)
Others	(0.2)	0	0
Investment in consolidated securities	(7.4)	0	0
Net investment flows	(24.8)	(36.8)	(0.2)
Dividends paid	0	(2.8)	(2.8)
Loan issues and repayment	13.0	0.5	0.5
Liquidity contracts	0.5	(0.2)	(0.2)
Net financing flows	13.6	(2.5)	(2.5)
Impact of exchange rate differences	(0.2)	(0)	(0)
Change in cash and cash equivalents	9.0	(0.4)	(0.4)
Cash and cash equivalents at the beginning of the period	19.6	20.0	20.0
Cash and cash equivalents at the end of the period	28.7	19.6	19.6
Change in cash and cash equivalents	9.0	(0.4)	(0.4)

* The review procedures were performed on the interim financial statements for the six months ended 30 September