**Codemasters Group Holdings Plc**

**(“Codemasters” or the “Company”)**

**Interim Results**

Codemasters (AIM: CDM), the award winning British video game developer and publisher specialising in high quality racing games, announces unaudited results for the six months ended 30 September 2019 (“**H1 2020**”).

## Financial highlights

- Revenues of £39.8 million with one game release in H1 2020 (H1 2019: £39.7 million with two game releases).
- Increased gross margin of 89.0% in H1 2020 (H1 2019: 88.5%), underpinned by continued digital sales growth, now representing 61.7% of total revenue in H1 2020 (H1 2019: 53.4%).
- Adjusted EBITDA[1] of £9.4 million in H1 2020, (H1 2019: £10.0 million), variance with comparative period reflecting timing of releases.
- Reported operating profit of £12.0 million in H1 2020, (H1 2019: operating loss of £3.0 million). Significant increase driven by underlying trading, £11.0 million of capitalisation/amortisation variances (mostly timing related) and £5.1m less share-based payments charges when compared with H1 2019.
- Adjusted earnings per share (“**Adjusted EPS**”)[2] of 6.7 pence (H1 2019: 7.1 pence).
- Net cash of £24.6 million at 30 September 2019 (30 September 2018: net cash £16.7 million).

## Strategic and operational highlights

- F1® 2019 (annual release of the F1® franchise) was released on 28 June 2019, two months earlier than in the prior year. F1® 2019 is the first game from our additional F1® development team, allowing us to release bigger and better games on an annualised basis. For the first 90 days since launch the average Daily Active Users tracked 50% above that of F1® 2018 in a comparable period due to both additional players and greater retention. F1 2019 won “Best Racing Game” at the 2019 TIGA Awards, nominated for “PC Game of The Year” at the Golden Joysticks and nominated for “Best Sports/Racing Game” at the Game Awards. This is the third consecutive year in which an F1®game has won “Best Racing Game” at the TIGA awards.
- F1 Mobile Racing, our free to play mobile game for Apple and Android devices has attracted over 13.4 million players in less than a year across all mobile platforms and went to number one in the Racing category chart in 150 countries (on iOS). Our long term commitment to servicing this game has further driven the KPIs in H1 2020 and we expect the trend to continue.
- F1® Esports Series is now in its third season, and continues to grow both the number of entries and viewers. Broadcast live across Facebook and Sky Sports TV, the 2019 Series attracted 5.5 million viewers and 100 million impressions. The first series in China is now underway.
- DiRT Rally 2.0 completed its first two post-launch seasons including six new locations, 12 vehicles and a new training area. This is the most significant service programme we have embarked on at Codemasters – giving our fans more reasons to keep coming back to the game and generate further revenues from player recurring investment. Season 3 commenced on 27 August 2019, and includes rally stages in Greece and Finland, and the introduction of the Yas Marina circuit in Abu Dhabi for FIA World Rallycross Championship. Season 4 will launch later this calendar year. This investment in Games as a Service (“GaaS”) has contributed to the 90-day retention for DiRT Rally 2.0 increasing to double the original DiRT Rally. DiRT Rally 2.0 has also been nominated for "Best Sports/Racing Game” at the Game Awards alongside F1® 2019.
- The Company’s overall back catalogue (including DiRT Rally 2.0) continues to contribute significant sales, driven by growing digital demand.

**Post-period highlights**

- The Group has extended its exclusive license agreement with Formula One® until December 2025, representing the longest single license extension between the parties since the partnership began in 2009.
- GRID® was awarded "Best Racing Game" at gamescom 2019 and was released for Xbox One, PlayStation 4 and PC STEAM on 11 October 2019. The game is available on Google Stadia, which launched on 19 November 2019. Google featured the game in dedicated GRID Stadia advertising in all key markets for several months before launch and the Company believes it will be the only racing game available on Google Stadia in 2019. Eurogamer describes GRID as "a masterly racer that gets to the very essence of motorsport's magic."

**Outlook**

- The Board is confident that the results for the full year will be in line with its expectations.
- The shift to digital sales is expected to continue, further increasing gross margins.

Notes:

1 - Adjusted EBITDA, is a non-GAAP measure used by the Company, which is defined as profit before finance costs on borrowings, tax, capitalisation of development costs, depreciation, amortisation and non-recurring items.

2 - Adjusted earnings per share is a non-GAAP measure presented as a meaningful comparison of earnings per share across periods. It is defined as Adjusted net income per share (which is a non-GAAP measure used as a proxy for cash earnings), where the number of shares across each period is the outstanding amount of Ordinary Shares in issue as at 31 March 2019, given the significant variance in average number of shares in issue between periods, an adjusted measure has been presented. Adjusted net income is defined as adjusted EBITDA less cash interest and tax paid.

**Frank Sagnier, CEO of Codemasters, commented:**

"I am delighted to be able to report strong half year results which are in line with expectations. The ongoing shift to digital delivery is helping both our margin and bottom line performance, a trend that we expect to continue. With only one new release in H1 2020 we have marginally exceeded the revenue generated in H1 2019 where two games were released, thanks to a successful F1 2019, the delivery of a significant GaaS programme for DiRT Rally 2.0 and strong sales from our digital back catalogue. The success of F1 2019 has come from a much earlier release in the season to benefit from the major European Grands Prix including those in our two biggest sales territories, combined with our strongest ever feature set and the inclusion of the game's first deluxe edition.

The extension to our F1 contract, which runs until 2025 with a further two-year option based on meeting performance KPI, underlines the strength of our relationship with the world's most successful motorsport, and provides further evidence of our consistent ability to deliver the highest quality AAA rated games. We are also excited by the recent launch of GRID® which appears for the first time on the current generation of PlayStation and Xbox consoles alongside PC – and also as a select list of titles currently available on Google Stadia following its launch in November 2019.

The drivers within our industry remain strong and we expect the continuing shift into digital distribution, the launch of streaming platforms, next generation consoles, the emergence of esports and our Netease mobile partnership to continue to provide further opportunities for Codemasters going forward. The early results from our GaaS investment in DiRT Rally 2.0 demonstrates that there is still significant headroom for growth across our entire portfolio. As a result of these factors we remain confident for the year ahead and beyond."

This announcement is released by Codemasters Group Holdings plc and contains inside information for the purposes of Article 7 of the Market Abuse Regulation (EU) 596/2014 (MAR, and is disclosed in accordance with the Company's obligations under Article 17 of MAR).

For the purposes of MAR and Articles 2 of Commission Implementing Regulation (EU) 2016/1055, this announcement is being made on behalf of the Company by Rashid Varachia, Chief Financial Officer.

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About Codemasters

Codemasters (AIM:CDM) is an award winning British video game developer and publisher with over 30 years of heritage. The Company specialises in high quality racing games including DiRT, GRID, ONRUSH and the BAFTA award-winning official F1® series of videogames.

Codemasters LEI number is 213800NOITSDQVNP5W91

# Chief Executive Officer's Review

### Strategic progress

I am pleased to report that the Company delivered revenue of £39.8 million (H1 2019: £39.7 million), with one new launch during the period in comparison with two in H1 2019.

As expected, digital sales continued to increase, representing 61.7% of total sales in the period (H1 2019: 53.4%), helping the revenue performance and delivering an improved gross margin of 89.0% (88.5% H1 2019). The shift to digital is a trend that we expect to continue in the future.

As a result of the strong financial performance in the first half and with continued momentum into the second half, the Board is confident that the results for the full year will be in line with its expectations.

Alongside the launch of Dirt Rally 2.0 we introduced our Games as a Service ("GaaS") strategy. This strategic focus has enabled us to continuously engage with our community and bring them new downloadable content and features post-launch. DiRT Rally 2.0 completed the first two post-launch seasons including six new locations, 12 vehicles and a new training area. The impact of this has doubled the 90-day retention when compared to the original DiRT Rally and average session times 34% longer. This is the most significant service programme we have embarked on at Codemasters – giving players more and more reasons to keep coming back to the game. Season 3 commenced on 27 August 2019, including rally stages in Greece and Finland, along with the introduction of the Yas Marina circuit in Abu Dhabi for FIA World Rallycross Championship. Season 4 will launch later this calendar year.

GaaS for Codemasters remains at a nascent stage and yet we are very pleased with the initial results. We are already seeing positive signs that it is driving player engagement, satisfaction and retention, resulting in a longer life cycle for our games. As an example, on DiRT Rally 2.0, 90-day retention is double that noted for the original Dirt Rally, average session time has also increased by 34% between the two releases. We remain convinced that this continues to represent a significant opportunity for driving additional revenue in the short and long term.

The mobile game being co-developed with NetEase, one of China's leading internet and online game services providers, is progressing as planned and a Beta version of the game is expected to launch for testing in 2020.

The Company is focused on driving growth organically but will review acquisition opportunities when appropriate in order to accelerate growth.

### Operational review

Codemasters has a portfolio of racing games and generates sales through both new releases and through its existing catalogue of titles. Trading in H1 2020 benefitted from the launch of the annual instalment of the F1® franchise, F1® 2019, on 28 June 2019, as well as the Company's back catalogue of games.

F1 2019® has received widespread critical acclaim and the 2019 instalment of the F1® franchise was the first year that the game benefited from a two-year development cycle, with a second team deployed. The benefits have been tangible and give us confidence for future performance under the two-team structure. For the first 90 days since launch the average Daily Active User tracked 50% above that of F1 2018 in a comparable period highlighting how fans are continuing to become more and more engaged with the game.

Due to the earlier release date of this year's instalment, in June rather than August, launching two months earlier to move the release date closer to the start of the season, it has made a more significant contribution to revenue in the first half. This year's instalment also provided gamers with the option to buy additional content for the first time in an F1® game, enabling player recurring investment. Car liveries, helmets, suits and gloves could all be purchased in-game and the response has been encouraging. The Company anticipates that F1® 2019 will still benefit from the normal promotions around the Black Friday and Christmas periods, which have historically delivered strong sales for prior versions of the F1® game. For the third year running, our F1® release was the highest rated racing game on PlayStation 4 in its respective year.

F1® Mobile Racing, our free to play mobile game for Apple and Android devices has attracted over 13.4 million players in less than a year since launch and went to number one in the Racing category chart in 150 countries. In June 2019, it launched on iOS in China and in the first half of the year we have delivered four major upgrades to the game, including Elite Leagues and a Season Championship. In May, we introduced a subscription service for the game and are delighted that user acquisition is now profitable on a monthly basis. We will continue to invest in this mobile title over the coming years, releasing regular updates to satiate demand.

F1® Esports Series is now in its third season and continues to grow the number of entries and viewers. Broadcasted live across Facebook and Sky Sports TV, the 2019 Series attracted 5.5 million viewers and 100 million impressions. The first series in China is now underway.

The popularity of F1 Mobile Racing and Esports, alongside our PC and console game are symbiotic, helping to create an ever-greater audience in all aspects of our F1 outreach and moving forward, we see more opportunities to drive cross-ownership.

The performance of the Company's back catalogue has been strong thanks to the accelerated growth of the digital business reflecting the longer life cycle of high-quality products. The Company expects digital growth to continue with future releases. Codemasters' three key franchises are long established and each one of them has built a passionate and growing fan base. Through digital channels we can now engage with these fans constantly and offer new content to existing games which will help to extend and increase the commercial success of each instalment of our franchises.

**Board change**

In June, Shibasish Sarkar resigned as Non-Executive Director of the Company with immediate effect. His resignation was in accordance with the terms of the relationship agreement between Codemasters and Reliance Big Entertainment Pte. Ltd ("**Reliance**"), and followed Reliance's holding in the Company becoming less than 20% of the total voting rights in the Company. The Company intends to appoint an additional independent Non-Executive Director and has progressed its search to identify suitable candidates. A further update will be provided in due course.

**Post period**

In October we were pleased to re-launch the GRID® franchise for the first time since 2014 debuting on this generation of both Sony and Microsoft consoles. The game has also been selected as a launch title on Google Stadia which will be available to millions of new consumers later this year and Google have been featuring the game in dedicated GRID Stadia advertising in all key markets for several months.

GRID® recently won "Best Racing Game" at the gamescom Awards 2019 having previously picked-up "Best Racing Game" at E3, the world's premier event for computer and video games, from Game Informer and DualShockers. The game launched on 11 October 2019 in standard and ultimate editions. GRID® is one of a select number of games available (and the only racing game currently) on Google Stadia, which launched in November 2019. It is also the first game to partner with Fernando Alonso as a racing consultant, and delivers genre leading racing AI, accessible handling and some of the most iconic cars ever created

In November we announced that we had extended our exclusive license agreement with Formula One Management Limited to secure the rights to publish an annual title from 2020 to 2025. In addition, within the agreement there is an option to further extend until 2027 based on certain performance conditions. Securing a longer-term arrangement demonstrates the quality of the product consistently delivered by the Group and the strength of the relationship between the Group and F1®. The Agreement represents the longest extension in the partnership's history, demonstrating the global success of the game and the shared vision for increasing the international appeal of F1®. We are excited by the prospect of further investment in the franchise and the ability to bring more F1® content to the market.

**Outlook**

The Board is pleased with the progress being made across all aspects of the business and trading in the second half of the year has begun in line with management's expectations. With a material revenue contribution expected from GRID®, the ongoing success of the F1 2019 release and further GaaS updates from DiRT® we remain confident in meeting expectations for the full year. We also expect to benefit from the normal promotions around the Black Friday and Christmas periods which have historically delivered strong sales for the Group.

Frank Sagnier

Chief Executive Officer

26 November 2019

# Chief Financial Officer's Review

## Overview

As referred to in the Chief Executive Officer's review, the Group continues to deliver against the strategic objectives set at the time of the IPO and continues to grow year on year. The Group has delivered revenue of £39.8 million in H1 2020 (£39.7 million in H1 2019. In absolute terms revenue is marginally ahead. However, there has only been one major release in H1 2020 (F1® 2019) versus two in H1 2019 (F1® 2018 & ONRUSH).

Continued growth in the proportion of digital sales generated has contributed to a gross margin percentage of 89.0% which has increased by 0.5% from 88.5% in H1 2019 and 1.4% from 87.6% when compared to the year ended 31 March 2019.

Adjusted EBITDA of £9.4 million (H1 2019: £10.0 million) is lower than the prior period but reflects the timing of releases. Overall trading has been positive, and I am confident that the full year profitability will be in line with our expectations.

Adjusted EPS of 6.7 pence has reduced by 0.4 pence from 7.1 pence per share in H1 2019 (again driven by timing of releases).

Cash balances as at 30 September 2019 were £24.8 million (net cash of £24.6 million after deducting finance lease creditors). This reflects an increase of £6.4 million since 31 March 2019.

| | 6 months ended 30 Sep 2019 | 6 months ended 30 Sep 2018 | Year ended 31 Mar 2019 |
|---|---|---|---|
| | £000 | £000 | £000 |
| **Revenue** | **39,793** | **39,713** | **71,219** |
| **Gross profit** | **35,415** | **35,136** | **62,388** |
| **Gross margin %** | 89.0% | 88.5% | 87.6% |
| **Operating profit/(loss)** | **12,007** | **(3,028)** | **8,304** |
| - amortisation & impairment of development costs and computer software | 9,303 | 18,254 | 27,470 |
| - less interest on unwinding of licensing agreements | (824) | (1,031) | (2,001) |
| - depreciation | 1,001 | 685 | 1,430 |
| - capitalisation of development costs | (12,767) | (10,719) | (23,231) |
| - share based payments | 645 | 5,795 | 6,725 |
| **Adjusted EBITDA** | **9,365** | **9,956** | **18,697** |
| Tax (charge)/ credit on profit on ordinary activities | (415) | (123) | 771 |
| Less non-cash tax items (deferred tax & corporation tax accruals) | 415 | 54 | (838) |
| Cash interest | 35 | 3 | 34 |
| **Adjusted net income** | **9,400** | **9,890** | **18,664** |

## Trading

The Company delivered £39.8 million of revenue in H1 2020, driven by the release of F1® 2019 and the continued strength of the Group's back catalogue (titles released in prior periods). In H1 2019 £39.7 million of revenue was delivered following the release of F1® 2018 & ONRUSH.

The Group continues to benefit from the market shift toward digitally downloaded games, with 61.7% of revenue delivered via digital channels (H1 2019: 53.4% and 2019 full year delivering 59.2%), this has benefitted the Group in terms of increased gross margin and enabling greater shelf life of the back catalogue.

H2 2020 trading prospects are encouraging, with an exciting post launch schedule of content and features for GRID®, further offerings for F1 2019®, additional content in F1® Mobile Racing and further GaaS updated from DiRT®, and therefore the Board remains confident in meeting its expectations for the full year.

As mentioned in the Group's 2019 Annual Report, the Company's Board of Directors use Adjusted EBITDA as a key trading performance indicator. This provides a meaningful measure of the underlying operational cash generation of the Company.

As noted above, Adjusted EBITDA of £9.4 million (H1 2019: £10.0 million) is lower than the prior period but reflects the underlying strength of the F1 2019® title supported by the back catalogue, including DiRT Rally 2.0, in a period where there were fewer releases when compared to H1 2019.

Regarding the reconciling items between operating profit and adjusted EBITDA (which includes cost of sales development costs and sales, general and administrative costs), the key observations are as follows:

- Amortisation (which includes long-term amortisation of capitalised development costs and long-term contracts). The key component is amortisation of capitalised development costs, whereby the development costs of each title are released over a 12-month period into the income statement, 65% in the first month, with the remainder split equally over the eleven remaining months. Amortisation is a non-cash accounting entry and is dictated by the timing of releases.
- Amortisation of £9.3 million has been incurred in H1 2020, the release of F1® 2019 being the key driver. In H1 2019 £18.3 million of amortisation included two major releases and a £2.6 million impairment charge in relation to ONRUSH (which was released in June 2018). However, whilst there is a significant variance between the two periods driven by timing of releases, there is an underlying increase in the level of investment in current titles, reflecting the Group's commitment to deliver products of the highest quality.
- Interest on unwinding of licensing agreements of £0.8 million (H1 2019: £1.0 million) form a recurring licensing cost, which is necessary for the Group to be able to release certain titles. Whilst the cost is recognised within interest expense it is added back into the adjusted EBITDA calculation. All licensing costs are considered together by the Board of Directors and are included in the adjusted EBITDA calculation. The reduction when compared to the prior period reflects the number of contracts unwinding across the two periods.
- Depreciation of £1.0 million (H1 2019: £0.7 million) includes £0.2 million associated with Right of Use assets under IFRS 16 following transition on 1 April 2019. As part of the Group's capitalisation policy certain overheads, including depreciation are capitalised where they are directly related to developing the Group's games. In the period £0.6 million (H1 2019: £0.5 million) of depreciation was capitalised within capitalised development costs.
- Capitalisation is the measure of development costs incurred that are held as an intangible asset prior to release of the applicable title. Certain long-term licences entered into are also capitalised (none in the current and prior period). Both are non-cash measures.
- Capitalisation of £12.8 million has increased by £2.1 million from H1 2019, where £10.7 million was capitalised. This reflects the increased in investment in the Group's releases. However, the costs are in line with H2 2019 where £12.5 million was incurred.
- Share-based payments charge of £0.6 million (H1 2019: £5.8 million) represents a non-cash charge. In the current period this relates to the fair value attributed to the LTIP, NED & ESOP options granted on or after the IPO. In the prior period £5.5 million related to the accounting fair value of share options awarded to executive management prior to the IPO of the Company, which were a one-off associated with the IPO and did not reflect a cash outflow to the business.
- In the current period the Group has re-visited the valuation methodology of the LTIP share options, the fair value attributed to these were previously calculated using a Black Scholes model. The Group now uses a Monte Carlo model, which is more robust in estimating share options with performance conditions associated with the LTIP share options. The impact of this is that the fair value has increased, albeit the true-up is less than £0.1 million, which has been charged in full in the period.

**Creative sector relief**

Creative sector relief recognised in the period of £4.2 million (H1 2019: £3.2 million) represents the expected receivable for H1 2020 based upon the qualifying costs incurred in the period, plus £0.2 million received in the period relating to the prior year claim. The claim in respect of the 2019 financial year was submitted in June 2019 and settled in full in August 2019.

**Operating profit**

Whilst Adjusted EBITDA is broadly in line year on year, operating profit of £12.0 million has increased by £15.0 million from H1 2019. The key drivers of this are the timing of releases leading to an £11.0 million favourable variance when comparing capitalisation and amortisation across the periods. There is also a £5.1 million favourable variance from share-based payments charges in the current period when compared with H1 2019.

**Interest payable**

Net interest payable of £1.5m in H1 2020 includes £0.8 million (H1 2019: £1.0 million) in relation to the unwinding of licensing agreements and interest on the unwind of leases under IFRS 16. There are also £0.6 million of foreign exchange losses associated with the licensing agreements. In H1 2019 there was a £2.3 million foreign exchange loss driven by the movement on loans held at the start of that period (settled as part of the pre-IPO restructuring).

**Profit after tax**

The Group continues to benefit from tax losses brought forward of approximately £120 million. As such, corporation tax charges reflect the ability of the Group to utilise these losses. There has been a £0.4 million charge recognised in the period reflecting the expected tax rate applicable to the Group for the full year.

Deferred tax has been reviewed and no adjustments were required to the underlying value held.

H1 2020 profit after tax was £10.1 million. H1 2019 generated a loss of £7.7 million (although this did include approximately £7.0 million of one-off share-based payments or non-recurring items).

Basic earnings per share was 7.3 pence (H1 2019: loss per share 0.0 pence).

Adjusted EPS was 6.7 pence (H1 2019: 7.1 pence). This is a non-GAAP measure presented as a meaningful comparison of earnings per share across periods. It is defined as adjusted net income per share (which is also a non-GAAP measure used as a proxy for cash earnings), where the number of shares across each period is the current amount of Ordinary shares in issue.

Given the significant variance in the number of shares in issue pre and post IPO and the associated impact on weighted average number of shares in issue between the periods, an adjusted measure has been presented. Adjusted net income is defined as adjusted EBITDA less cash interest and tax paid.

**Statement of Financial Position and Cash flow**

Prior to the Company's admission to AIM, it undertook a pre-IPO restructuring, a description of how this impacted the Group's balance sheet was detailed in the 2019 Annual Report.

There are £10.0 million of tangible fixed assets as at 30 September 2019 (31 March 2019: £9.1 million), the increase in the period has been driven by the transition to IFRS 16, with an asset of £1.2 million held in respect of four leasehold assets at 30 September 2019.

There were £8.5 million trade and other receivables at 30 September 2019 (31 March 2019: £9.2 million). The variance is driven by the timing of the DiRT Rally 2.0 release increasing the amount of accrued income from console providers and other customers. The reduction is driven by settlement of trade receivables offset by an increased in accrued income on sales yet to be invoiced.

Within trade and other payables there is £3.9 million that is payable in a period greater than one year (31 March 2019: £6.2 million). One of the agreements outstanding at the end FY19 has become due in less than one year in the first half of 2019. However, there is now £0.7 million of IFRS 16 lease liabilities due in a period of greater than one year.

As at 30 September 2019, the Company had £24.6 million in net cash (31 March 2019: net cash £18.2 million). The increase reflects trading performance and collection of the 2019 VGTR claim.

The Group continues to build its portfolio of titles, invest in its products and has sufficient strength in its balance sheet to take advantage of investment opportunities.

Rashid Varachia
Chief Financial Officer
26 November 2019

# Unaudited condensed consolidated income statement

| | Note | **6 months ended 30 Sep 2019 £000** | 6 months ended 30 Sep 2018 £000 | Year ended 31 Mar 2019 £000 |
|---|---|---|---|---|
| **Revenue** | | **39,793** | 39,713 | 71,219 |
| Cost of sales | | **(4,378)** | (4,577) | (8,831) |
| **Gross profit** | | **35,415** | 35,136 | 62,388 |
| Distribution costs | | **(5,163)** | (6,652) | (10,397) |
| Administrative expenses: | | | | |
| - research expenses, amortisation and impairment of intangible assets | | **(18,094)** | (26,260) | (38,172) |
| - creative sector relief | | **4,204** | 3,200 | 7,278 |
| - other administrative expenses | | **(3,710)** | (2,657) | (6,068) |
| - share based payments | | **(645)** | (5,795) | (6,725) |
| Total administrative expenses | | **(18,245)** | (31,512) | (43,687) |
| **Operating profit/(loss)** | | **12,007** | (3,028) | 8,304 |
| **Analysed as:** | | | | |
| - operating profit/(loss) | | **12,007** | (3,028) | 8,304 |
| - amortisation & impairment of capitalised development costs and computer software | | **9,303** | 18,254 | 27,470 |
| - interest on unwinding of licensing agreements | | **(824)** | (1,031) | (2,001) |
| - depreciation of tangible fixed assets | | **1,001** | 685 | 1,430 |
| - capitalisation of development costs | | **(12,767)** | (10,719) | (23,231) |
| - share based payments | | **645** | 5,795 | 6,725 |
| **Adjusted EBITDA*** | | **9,365** | 9,956 | 18,697 |
| **Non-recurring items**** | 4 | **-** | **(1,500)** | **(1,500)** |
| Interest receivable and similar income | | **43** | 9 | 328 |
| Interest payable and similar charges | | **(1,494)** | (3,060) | (4,230) |
| **Net interest payable** | | **(1,451)** | (3,051) | (3,902) |
| **Profit/(loss) on ordinary activities before taxation** | | **10,556** | (7,579) | 2,902 |
| Tax (charge)/credit on profit/loss on ordinary activities | | **(415)** | (123) | 771 |
| **Profit/(loss) on ordinary activities after taxation** | | **10,141** | (7,702) | 3,673 |
| **Profit/(loss) attributable to:** | | | | |
| Owners of the parent | | **10,171** | (7,677) | 3,722 |
| Non controlling interest | | **(30)** | (25) | (49) |
| **Profit/(loss) for the financial period** | | **10,141** | (7,702) | 3,673 |
| | | **Pence** | Pence | Pence |
| **Earnings per share** | 5 | | | |
| **Basic earnings/(loss) per share** | | **7.3** | (0.0) | 3.0 |
| **Diluted earnings/(loss) per share** | | **7.1** | (0.0) | 3.0 |

*Adjusted EBITDA is a non-GAAP measure used by the Company, which is defined as profit before finance costs on borrowings, tax and capitalisation of development costs, depreciation, amortisation and non-recurring items.

** Non-recurring items relate solely to the costs of the IPO. These are one-off and non-operational in nature and have been separately stated outside of operating costs accordingly.

# Unaudited condensed consolidated statement of comprehensive income

| | **6 months ended 30 Sep 2019 £000** | 6 months ended 30 Sep 2018 £000 | Year ended 31 Mar 2019 £000 |
|---|---|---|---|
| **Profit/(loss) for the financial period** | **10,141** | (7,702) | 3,673 |
| Other comprehensive (loss)/income: | | | |
| Items that will be reclassified subsequently to profit or loss: | | | |
| Currency translation of foreign subsidiaries | **(39)** | 155 | (28) |
| **Total comprehensive income/(loss) for the period** | **10,102** | (7,547) | 3,645 |
| Total comprehensive income/(loss) attributable to: | | | |
| Owners of the parent | **10,132** | (7,572) | 3,694 |
| Non controlling interests | **(30)** | 25 | (49) |
| **Total comprehensive income/(loss)** | **10,102** | (7,547) | 3,645 |

# Unaudited condensed consolidated statement of changes in equity

| | Called up share capital £000 | Share premium account £000 | Merger reserve £000 | Other reserve £000 | Profit and loss account £000 | Currency Translation Reserve £000 | Total attributable to owners of the parent £000 | Non-controlling Interest £000 | Total equity £000 |
|---|---|---|---|---|---|---|---|---|---|
| At 1 April 2018 | 43,687 | 82,524 | 8,816 | - | (224,079) | (1,086) | (90,138) | (10,134) | (100,272) |
| Loss for the period | - | - | - | - | (7,677) | - | (7,677) | (25) | (7,702) |
| Other comprehensive income: Net exchange differences on translation of foreign subsidiaries | - | - | - | - | - | 155 | 155 | - | 155 |
| **Total comprehensive (loss)/income for the period** | **-** | **-** | **-** | **-** | **(7,677)** | **155** | **(7,522)** | **(25)** | **(7,547)** |
| Transactions with owners: Pre-IPO transactions: | | | | | | | | | |
| Cancellation of deferred shares | (8,198) | - | - | - | 8,198 | - | - | - | - |
| Share-based payments charge | - | - | - | - | 13,232 | - | 13,232 | - | 13,232 |
| Issue of 150,010,000 Class 1 shares of £0.0001 to acquire non-controlling interests | 15,000 | - | - | - | (24,681) | - | (9,681) | 9,681 | - |
| Capitalisation of £68,522,884.09 of loans into 685,228,840,900 Class 1 ordinary shares of £0.0001 | 68,522 | - | - | - | - | - | 68,522 | - | 68,522 |
| Capitalistion of interest on related party loans released | | | | | 48,538 | - | 48,538 | - | 48,538 |
| Pre-IPO capital reduction | (117,686) | (82,524) | - | - | 200,210 | - | - | - | - |
| Bonus issue of 21,000 Class 1 Ordinary Shares of £0.00001 each | - | - | - | - | - | - | - | - | - |
| Issue 7,500,000 ordinary shares of 1p each | 75 | 14,925 | - | - | - | - | 15,000 | - | 15,000 |
| Capitalisation of IPO transaction costs | - | (174) | - | - | - | - | (174) | - | (174) |
| Post IPO Transactions: | | | | | | | - | - | - |
| Charge for equity-settled share-based payments | - | - | - | 313 | - | - | 313 | - | 313 |
| **Total from transactions with owners** | **(42,287)** | **(67,773)** | **-** | **313** | **245,497** | **-** | **135,750** | **9,681** | **145,431** |
| **At 30 September 2018** | **1,400** | **14,751** | **8,816** | **313** | **13,741** | **(931)** | **38,090** | **(478)** | **37,612** |
| At 1 April 2019 | 1,400 | 14,751 | 8,816 | 1,243 | 25,141 | (1,114) | 50,237 | (503) | 49,734 |
| Profit/(loss) for the period | - | - | - | - | 10,171 | - | 10,171 | (30) | 10,141 |
| Other comprehensive loss: | | | | | | | | | |
| Net exchange differences on translation of foreign subsidiaries | - | - | - | - | - | (39) | (39) | - | (39) |
| **Total comprehensive income/(loss) for the period** | **-** | **-** | **-** | **-** | **10,171** | **(39)** | **10,132** | **(30)** | **10,102** |
| Transactions with owners: Charge for equity-settled share-based payments | - | - | - | 645 | - | - | 645 | - | 645 |
| **Total from transactions with owners** | **-** | **-** | **-** | **645** | **-** | **-** | **645** | **-** | **645** |
| **At 30 September 2019** | **1,400** | **14,751** | **8,816** | **1,888** | **35,312** | **(1,153)** | **61,014** | **(533)** | **60,481** |

Full details regarding the pre-IPO transactions were disclosed in the prior year RNS and in the Group's FY19 Annual Report.

# Unaudited condensed consolidated statement of financial position

| | Note | **30 Sep 2019 £000** | 30 Sep 2018 £000 | 31 Mar 2019 £000 |
|---|---|---|---|---|
| **Non-current Assets** | | | | |
| Intangible assets | 3 | **30,775** | 26,762 | 29,619 |
| Tangible assets | | **9,992** | 8,358 | 9,078 |
| Deferred tax asset | | **3,247** | 2,356 | 3,247 |
| | | **44,014** | 37,476 | 41,944 |
| **Current assets** | | | | |
| Inventories | | **1,833** | 583 | 351 |
| Trade and other receivables | | **8,483** | 6,816 | 9,206 |
| Creative Sector tax credit receivable | | **4,050** | 3,200 | 7,082 |
| Cash at bank and in hand | | **24,800** | 17,044 | 18,436 |
| | | **39,166** | 27,643 | 35,075 |
| **Total Assets** | | **83,180** | 65,119 | 77,019 |
| **Non-current liabilities** | | | | |
| Loans and borrowings | | **(19)** | (126) | (100) |
| Trade and other payables | | **(3,950)** | (5,766) | (6,228) |
| | | **(3,969)** | (5,892) | (6,328) |
| **Current liabilities** | | | | |
| Loans and borrowings | | **(156)** | (150) | (173) |
| Trade and other payables | | **(16,435)** | (17,801) | (19,339) |
| Provisions for liabilities | | **(2,139)** | (3,664) | (1,445) |
| | | **(18,730)** | (21,615) | (20,957) |
| **Total Liabilities** | | **(22,699)** | (27,507) | (27,285) |
| **Net assets** | | **60,481** | 37,612 | 49,734 |
| **Capital and reserves** | | | | |
| Called up share capital | | **1,400** | 1,400 | 1,400 |
| Share premium account | | **14,751** | 14,751 | 14,751 |
| Merger reserve | | **8,816** | 8,816 | 8,816 |
| Other reserve | | **1,888** | 313 | 1,243 |
| Profit and loss account | | **35,312** | 13,741 | 25,141 |
| Currency translation reserve | | **(1,153)** | (931) | (1,114) |
| **Total shareholders' surplus attributable to owners of the parent** | | **61,014** | 38,090 | 50,237 |
| Non-controlling interest | | **(533)** | (478) | (503) |
| **Total equity** | | **60,481** | 37,612 | 49,734 |

# Unaudited condensed consolidated cash flow statement

| | 6 months ended 30 Sep 2019 £000 | 6 months ended 30 Sep 2018 £000 | Year ended 31 Mar 2019 £000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit/(loss) for the financial year before taxation | **10,556** | (7,579) | 2,902 |
| Adjustments for: | | | |
| Amortisation of intangible fixed assets | **11,790** | 17,902 | 27,645 |
| Impairment of intangible fixed assets | **-** | 2,600 | 2,600 |
| Depreciation of tangible fixed assets | **447** | 214 | 384 |
| Profit on disposal of tangible fixed assets | **(3)** | - | (8) |
| Creative sector relief recognised | **(4,204)** | (3,200) | (7,278) |
| Share based payments | **646** | 5,795 | 6,725 |
| Interest receivable | **(43)** | (9) | (328) |
| Interest charged | **873** | 781 | 2,046 |
| Exchange movement on borrowings | **621** | 2,279 | 2,184 |
| Exchange losses | **543** | 206 | 70 |
| Amounts representing net changes in working capital: | | | |
| Decrease/(increase) in trade and other receivables | **723** | (3,576) | (5,966) |
| (Increase) in inventories | **(1,482)** | (401) | (169) |
| (decrease) in trade and other payables | **(8,940)** | (8,903) | (7,643) |
| Increase/(decrease) in provisions | **694** | 273 | (1,945) |
| **Cash from operations** | **12,221** | 6,382 | 21,219 |
| Creative sector relief received | **7,236** | 3,010 | 3,206 |
| Income taxes paid | **(1)** | (70) | (67) |
| **Net cash generated from operating activities** | **19,456** | 9,322 | 24,358 |
| **Cash flow from Investing activities** | | | |
| Proceeds from sale of tangible fixed assets | **-** | - | 8 |
| Interest received | **43** | 8 | 49 |
| Payments to acquire tangible fixed assets | **(599)** | (537) | (2,010) |
| Payments to acquire or develop intangible fixed assets | **(12,392)** | (10,323) | (22,338) |
| **Net cash used in investing activities** | **(12,948)** | (10,852) | (24,291) |
| **Cash flow from financing activities** | | | |
| Proceeds from borrowings | **-** | - | 92 |
| Loan repayments | **(97)** | (5,720) | (5,816) |
| Interest paid | **(8)** | 3 | (15) |
| Proceeds from issue of share capital | **-** | 15,000 | 15,000 |
| **Net cash generated (used in)/generated from financing activities** | **(105)** | 9,283 | 9,261 |
| **Net increase in cash and cash equivalents** | **6,403** | 7,753 | 9,328 |
| **Cash and cash equivalents at the beginning of the period** | **18,436** | 9,136 | 9,136 |
| Exchange loss on cash and cash equivalents | **(39)** | 155 | (28) |
| **Cash and cash equivalents at the end of the period** | **24,800** | 17,044 | 18,436 |
| **Cash and cash equivalents consist of:** | | | |
| Cash at bank and in hand | **7,707** | 5,035 | 8,386 |
| Short term deposits | **17,092** | 12,009 | 10,050 |
| **Cash and cash equivalents at the end of the period** | **24,800** | 17,044 | 18,436 |

# Notes to the unaudited condensed consolidated interim financial statements

## 1 Nature of operations and general information

Codemasters Group Holdings plc is a public limited company incorporated in England. The Registered Number is 06123106 and the Registered Office is Codemasters Campus, Stoneythorpe, Southam Warwickshire, CV47 2DL.

Codemasters Group Holdings plc and its subsidiaries (the "Group") is an award winning British video game developer and publisher with over 30 years of heritage. The Company specialises in high quality racing games including DiRT, GRID, ONRUSH and the BAFTA award-winning official F1® series of videogames.

The Company successfully floated on the UK AIM stock market on 1 June 2018.

## 2 Basis of preparation

These interim condensed consolidated financial statements have been prepared in accordance with the AIM rules and IAS 34 "Interim Financial Reporting" as adopted by the European Union. The shares in the Company were admitted to the UK AIM stock market on 1 June 2018.

The condensed consolidated financial statements for the six months ended 30 September 2019 should be read in conjunction with the Group's Annual Report for the year ended 31 March 2019, which includes the financial results of the Group prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU").

The report of the auditors for the Group's Annual Report for the year ended 31 March 2019 was unqualified, did not contain an emphasis of matter paragraph and did not include a statement under Section 498 of the Companies Act 2006.

The Group's interim condensed consolidated financial statements are not audited and do not constitute statutory financial statements as defined in Section 434 of the Companies Act 2006. The interim condensed consolidated financial statements are prepared under the historical cost convention and is presented in Sterling, which is the functional currency of the Group. The figures presented are round to the nearest £000, except for earnings per share.

The condensed consolidated interim financial statements were approved for issue on 26 November 2019.

**Going concern**

The Directors are satisfied that the Group has adequate resources to continue in operational existence for the foreseeable future, being a period of at least 12 months from the date of signing these condensed consolidated financial statements. Accordingly, they continue to adopt the going concern basis in preparing these condensed consolidated interim financial statements.

**Accounting policies**

The Group's principal accounting policies used in preparing this information are as stated in the Group's Annual Report for the year ended 31 March 2019. There has been no change to any accounting policy from the date of that report, except for the Group has now implemented IFRS 16 - Leases.

The Group has transitioned to IFRS 16 as at 1 April 2019 and it has transitioned the leases previously accounted for as operating leases under IAS 17 using the Modified Retrospective Approach.

The Group has assessed four leases that were previously accounted for under IAS 17, recognising the discounted asset at the date of transition as a Right of Use asset within tangible fixed assets and the associated liability within trade and other payables.

Following the transition to IFRS 16, a right of use asset (and associated liability) of £1.2 million was recognised. In H1 2020, there has been £0.2 million of depreciation against these assets incurred and approximately £35,000 of interest incurred associated with the unwind of the discount on the liability.

As disclosed in the Annual Report, the Directors have identified only one operating segment in the business, being the sale of internally developed video games. The single operating segment is reported in a manner consistent with the internal reporting to the Board for monitoring and strategic decisions.

**Accounting estimates and key judgements**

When preparing these condensed consolidated interim financial statements, the Directors make a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from these estimates.

The judgements, estimates and assumptions applied in the condensed consolidated interim financial statements, including the key sources of estimation uncertainty, were the same as those applied in the 2019 Annual Report.

## 3 Intangible fixed assets

| | Development Costs £000 | Licences Patents & Trade Marks £000 | Computer Software £000 | Total £000 |
|---|---|---|---|---|
| **Cost** | | | | |
| At 31 March 2018 | 65,445 | 18,995 | 634 | 85,074 |
| Additions | 10,719 | - | 88 | 10,807 |
| At 30 September 2018 | 76,164 | 18,995 | 722 | 95,881 |
| Additions | 12,512 | - | 89 | 12,601 |
| Disposals | (5,533) | - | - | (5,533) |
| At 31 March 2019 | 83,143 | 18,995 | 811 | 102,949 |
| Additions | 12,767 | - | 179 | 12,946 |
| Disposals | (10,018) | - | - | (10,018) |
| **At 30 September 2019** | **85,892** | **18,995** | **990** | **105,877** |
| **Accumulated amortisation** | | | | |
| At 31 March 2018 | 40,025 | 8,217 | 375 | 48,617 |
| Amortisation | 15,587 | 2,248 | 67 | 17,902 |
| Impairment | 2,600 | - | - | 2,600 |
| At 30 September 2018 | 58,212 | 10,465 | 442 | 69,119 |
| Amortisation | 9,109 | 528 | 107 | 9,744 |
| Disposals | (5,533) | - | - | (5,533) |
| At 31 March 2019 | 61,788 | 10,993 | 549 | 73,330 |
| Amortisation | 9,180 | 2,487 | 123 | 11,790 |
| Disposals | (10,018) | - | - | (10,018) |
| **At 30 September 2019** | **60,950** | **13,480** | **672** | **75,102** |
| **Net book amount** | | | | |
| **At 30 September 2019** | **24,942** | **5,515** | **318** | **30,775** |
| At 31 March 2019 | 21,355 | 8,002 | 262 | 29,619 |
| At 30 September 2018 | 17,952 | 8,530 | 280 | 26,762 |
| At 31 March 2018 | 25,420 | 10,778 | 259 | 36,457 |

## 4 Non-recurring costs

| | **6 months ended 30 Sep 2019 £000** | 6 months ended 30 Sep 2018 £000 | Year ended 31 Mar 2019 £000 |
|---|---|---|---|
| Professional and other IPO fees | **-** | 1,500 | 1,500 |
| Non-recurring costs | **-** | 1,500 | 1,500 |

Non-recurring items in the prior period relate to the costs of the admission to AIM.

## 5 Earnings per share

Both the basic and diluted earnings per share have been calculated using the profit attributable to shareholders of Codemasters Group Holdings plc as the numerator. No adjustments to profit were necessary.

The reconciliation of the weighted average number of shares for the purpose of diluted earnings per share in the calculation of basic earnings per share is as follows:

| **Weighted number of shares in issue** | **30 Sep 2019** | 30 Sep 2018 | 31 Mar 2019 |
|---|---|---|---|
| **Total of shares in issue** | **140,000,000** | 6,422,009,095 | 122,200,151 |
| **LTIP** | **2,072,758** | 925,683 | 529,999 |
| **NED** | **506,304** | 370,273 | 323,001 |
| **ESOP** | **1,241,842** | 829,511 | 805,713 |
| **Total warrants and options not exercised** | **3,820,905** | 2,125,467 | 1,658,713 |
| **Total diluted shares** | **143,820,905** | 6,424,134,562 | 123,858,864 |
| **Adjusted earnings per share** | **£000** | £000 | £000 |
| Adjusted EBITDA | **9,365** | 9,956 | 18,697 |
| Tax (charge)/ credit on profit/(loss) on ordinary activities | **(415)** | (123) | 771 |
| Less non-cash tax items (deferred tax & corporation tax accruals) | **415** | 54 | (838) |
| Cash interest | **35** | 3 | 34 |
| **Adjusted net income** | **9,400** | 9,890 | 18,664 |
| | **Pence** | Pence | Pence |
| **Basic earnings/(loss) per share (pence)** | **7.3** | (0.0) | 3.0 |
| **Diluted earnings/ (loss) per share (pence)** | **7.1** | (0.0) | 3.0 |
| **Adjusted earnings per share (pence)** | **6.7** | 7.1 | 13.3 |

For diluted earnings per share, the weighted average number of shares in issue has been adjusted to assume conversion of all potentially dilutive options and warrants for the applicable period.

Given the variances in shares in issue across the presented periods (as a result of the pre-IPO capital restructuring), adjusted earnings per share is presented. Adjusted earnings per share is Adjusted net income across the presented periods divided by the number of shares in issue at 30 September 2019.

Adjusted net income is a non-GAAP measure, which is defined as adjusted EBITDA (see accounting policies), less cash interest and tax paid. Deferred shares that were in issue in the prior year have not been included in the calculation for weighted average number of shares.

The basic adjusted earnings per share calculation in accordance with IAS 33 is 7.3 pence per share (H1 2019: 0.0 pence per share).

The adjusted diluted earnings per share calculation in accordance with IAS 33 is 7.1 pence per share (H1 2019: 0.0 pence per share).

However, the Board presented adjusted earnings per share using a fixed number of shares across the two periods in order to present comparable earnings by removing the impact of the movements in the Company's share capital as a result of the pre – IPO group restructuring.

In the above years there were no dividends issued.

## 6 Financial instruments

| | **30 Sep 2019** | **30 Sep 2018** | 31 Mar 2019 |
|---|---|---|---|
| | **£000** | £000 | £000 |
| **Financial assets held at amortised cost:** | | | |
| Trade receivables | **257** | 2,917 | 2,228 |
| Cash and cash equivalents | **24,800** | 17,044 | 18,436 |
| | **25,057** | 19,961 | 20,664 |

| | **30 Sep 2019** | 30 Sep 2018 | 31 Mar 2019 |
|---|---|---|---|
| | **£000** | £000 | £000 |
| **Financial assets held at fair value:** | | | |
| Forward foreign exchange contracts | **-** | - | 252 |
| | **-** | - | 252 |

| | **30 Sep 2019** | 30 Sep 2018 | 31 Mar 2019 |
|---|---|---|---|
| | **£000** | £000 | £000 |
| **Financial liabilities held at amortised cost:** | | | |
| Loans and borrowings | **(175)** | (276) | (273) |
| Trade payables | **(1,319)** | (870) | (4,117) |
| Other payables | **(11,573)** | (13,261) | (11,144) |
| | **(13,067)** | (14,407) | (15,534) |

| | **30 Sep 2019** | 30 Sep 2018 | 31 Mar 2019 |
|---|---|---|---|
| | **£000** | £000 | £000 |
| **Financial liabilities held at fair value:** | | | |
| Forward foreign exchange contracts | **(369)** | - | - |
| | **(369)** | - | - |