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Keywords Studios plc ("Keywords Studios", "Keywords", the "Group")

H1 Trading Update

Good trading performance despite current market backdrop

Keywords Studios, the international provider of creative and technology-enabled solutions to the global video games and entertainment industries, announces its H1 Trading Update.

Highlights

- H1 Revenue of €383m representing a 19% increase on H1 2022
- Organic revenue growth of 10% and Adjusted Operating Margin of 15%, in line with medium-term guidance
- Four acquisitions completed for total maximum consideration of up to c.€130m
- Delivering against strategy, including investing in leading AI product suite and technology

Bertrand Bodson, CEO of Keywords Studios commented:

"Keywords delivered good H1 growth despite the current industry backdrop, benefitting from our focus on strategic partnerships and our unique provision of solutions across the full game development cycle. We have continued to broaden our offering through high-quality targeted acquisitions and are excited about the pipeline ahead.

Responsibly harnessing AI and other technologies is a key element of our strategy as we support the industry's race to create the most immersive experience for players. We have over 4,000 dedicated engineers and technical experts in Create with a long track record of unlocking and utilising multiple generations of new technologies. We are also building a portfolio of world-class AI products to address critical post-production client needs, complementing our existing service offerings, and enabling us to do more for our clients.

Our scale and market leadership, built on deep knowledge of our clients' priorities and integration into their workflows, provide an unrivalled platform from which to invest in and lead the way in deploying innovative technologies to augment our broader offering. We have an unparalleled opportunity to work with clients, who have been trusting us with their games for decades, to help them navigate the complex challenges that are currently a barrier to adoption of Generative AI in the AAA game production process.

We are uniquely placed to capture the opportunities that technology advancement will create over time as it increases the bounds of possibility, leading to a proliferation of ever improving content as our clients seek to engage the three billion gamers globally. We are excited about the opportunities that lie ahead and are preparing for the future whilst we continue to grow market share and deliver against our plans for 2023 and beyond."

Performance

The Group has performed well during the first half, with the Board expecting to report revenues of approximately €383m, representing a 19% increase on the comparative period (H1 2022: €321m). This performance included the impact of acquisitions and reflects a 2% negative impact from translating studio results from local currency into the euro reporting currency. On an organic¹ basis, Group revenues are expected to have increased by 10%, in line with our medium-term guidance, and having moderated from H1 2022's exceptional levels, as expected.

Adjusted operating profit² is expected to be approximately €59m, representing an increase of around 5% from €56m in the comparative period in the prior year. This reflects the normalisation of margins towards 15% as guided, and is in line with the margins achieved in the second half of 2022 as we continue to invest into the business.

The Group's segmental performance reflected the varied conditions within the video gaming market so far this year. In Create, there continued to be strong demand for our content creation services, with organic growth only moderating slightly from 2022 levels. In Globalize, we have seen a more pronounced moderation, following the very strong growth levels in H1 2022. We have seen limited impact from the entertainment industry strikes in the US, but are monitoring the situation whilst they continue. Engage experienced a slower period, primarily due to the weaker mobile market impacting demand for Player Support services and Marketing services seeing certain short-notice delays meaning some projects slipped into the second half of the year.

The Group continues to trade well, in line with our guidance given at the outset of the year even with the current challenging industry backdrop and macroeconomic conditions. As such, we expect full year organic growth to be similar to the first half, supplemented by acquisitions, including the four high-quality acquisitions executed in the year-to-date, and for adjusted operating margins to remain around 15% for the year. We remain mindful of the continuing currency volatility that may impact on our performance in the second half, but are confident in the long-term growth trajectory of the business.

Capital Allocation & Balance Sheet

During the first half, Keywords continued to deliver against our strategy of extending our capabilities and geographical reach in our Create and Engage service lines, as well as scaling our technology offering. The Group has completed four high-quality acquisitions, adding approximately €50m of annual pre-acquisition revenue³, for total maximum consideration, including performance related contingent deferred consideration, of up to c.€130m.

Two acquisitions broadened our Engage offering in the US, the largest global market for gaming, 47 Communications and Digital Media Management (DMM), with both enhancing our media and entertainment capabilities, and DMM bringing market leading social media capabilities and an

innovative technology platform which partners content creators with brands. In game development, we acquired Hardsuit Labs, a 70-person studio focused on AAA games and specialising in the Unreal engine. In addition, we expanded our Climax game development studio through the acquisition of Playboss Interactive in the UK, providing Climax with a second location to grow from.

As of 30 June 2023, the Group had net debt of €11m, (31 December 2022: net cash of €82m) due to its acquisition programme, EBT purchases, and an H1 weighting to capex. Cash flow and cash conversion are traditionally significantly stronger in the second half of the year. The Group has drawn US\$60m on its committed revolving credit facility, which has recently been extended to US\$400m, and together with its strong cash generation, this leaves the Group well placed to pursue its organic growth strategy, including through investment in technology, and to fund our healthy acquisition pipeline.

Notification of Half Year Results

The Group expects to announce its half year results for the six months ended 30 June 2023 on 12 September 2023. To register your interest, please use the following link: https://brrmedia.news/KWS_HY23 or contact Keywords@mhpgroup.com.

For further information, please contact:

Investor Contacts:

Keywords Studios

Giles Blackham

Director of Investor Relations

+44 7714 134 681

gblackham@keywordsstudios.com

Media Contacts:

MHP Group

Katie Hunt / Eleni Menikou /

Charles Hirst

+44 20 3128 8794

keywords@mhpgroup.com

Numis Securities

Nominated Adviser & Broker

Stuart Skinner / Will Baunton

+44 20 7260 1000

¹ *Adjusted operating profit consists of the Operating profit as reported in the Consolidated statement of comprehensive income, adjusted for share-based payments expense, costs of acquisition and integration, and amortisation of intangible assets. In order to present the measure consistently year-on-year, the impact of other income is also excluded.*

² *Organic Revenue at constant exchange rates is calculated by adjusting the prior year revenues, adding pre-acquisition revenues for the corresponding period of ownership, and applying the*



prior year foreign exchange rates to both years, when translating studio results into the Euro reporting currency.

³ *Combination of 2022 revenues for each of the acquisitions.*

About Keywords Studios (www.keywordsstudios.com)

Keywords Studios is an international provider of creative and technology-enabled solutions to the global video games and entertainment industries. Established in 1998, and now with over 70 facilities in 26 countries strategically located in Asia, Australia, the Americas, and Europe, it provides services across the entire content development life cycle through its Create, Globalize and Engage service lines to a large blue-chip client base across the globe.

Keywords Studios has a strong market position, providing services to 24 of the top 25 most prominent games companies. Across the games and entertainment industry, clients include Activision Blizzard, Bandai Namco, Bethesda, Electronic Arts, Epic Games, Konami, Microsoft, Netflix, Riot Games, Square Enix, Supercell, TakeTwo, Tencent and Ubisoft. Recent titles worked on include Diablo IV, Hogwarts Legacy, Elden Ring, Fortnite, Valorant, League of Legends, Clash Royale and Doom Eternal. Keywords Studios is listed on AIM, the London Stock Exchange regulated market (KWS.L).