

30 January 2020

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

Full year trading update

15% organic revenue growth supported by significant investment

Keywords Studios, the international technical and creative services provider to the global video games industry, today provides an unaudited trading update for the year ended 31 December 2019 ahead of full year results which will be issued on 31 March 2020.

Trading Update

The Board expects to report full year revenues of approximately €326m, representing a c.30% increase on the prior year (FY18: €250.8m). On an organic* basis, Group revenues are expected to increase by approximately 15% (H1 2019: 17.3%, 2018: 10.1%).

This performance was driven primarily by the particularly strong organic growth of our two largest service lines, Functional Testing and Game Development, continuing to build on a very strong performance in the first half. Some of our service lines felt the effects of the slowing development cycle of the current generation of games consoles with others already starting to benefit from the new development cycle associated with the upcoming releases of the new Xbox and PlayStation later in 2020.

Adjusted Profit Before Tax** is expected to be approximately €41m, representing an increase of c.8% from €37.9m in the prior year. Adjusted EBITDA*** (excluding the impact of IFRS 16) is expected to be approximately €49.5m, an increase of c.13% from €43.7m in the prior year. The Group's profit performance reflected the strong revenue growth, partially offset by continued investment in the growth of the Group, the effect of incorporating a number of early stage technology businesses acquired in 2018 and an under-performing, fixed price contract in an acquired business which was finalised at the very end of the year.

As strong demand continued in the second half we invested further in our facilities, recruitment, training, IT, security and HR to both meet this growth opportunity and to support the business in future periods, which introduced some short term operational inefficiency as well as an increase in overhead cost. The Group's investment during the year included substantial expansion of its facilities in Montreal, Katowice, Manila, Brighton, Mexico City, Tokyo, Sao Paulo and New Delhi, as well as establishing a new game development studio in Leamington Spa, near Birmingham, UK. These expansions incurred start-up costs, including for the space and staff, as we fitted out the facilities and built and trained the production and support teams ahead of becoming operational.

During the year, Keywords made eight high quality acquisitions which further

strengthened the breadth of value-added services we are able to offer our global video games clients, particularly in Game Development and Marketing Services as well as bringing proprietary, cutting edge machine translation and crowd sourcing technology to our Localisation offering.

Cash invested in acquisitions totalled approximately €28m, which comprised of c.€13m (net of cash acquired) in respect of those companies acquired during the year and c.€15m in settlement of deferred consideration payments for earlier acquisitions that became due in the period. Net debt at 31 December 2019 is expected to be approximately €18m (€9.0m at 30 June 2019, €0.4m at 31 December 2018).

Andrew Day, Chief Executive of Keywords, commented:

"In what was a relatively light year for the video games industry against a backdrop of the tail end of the current generation of video games consoles from Microsoft and Sony, the Group has delivered strong growth, particularly from our two largest divisions, Functional Testing and Game Development services.

"We have also continued to invest in expanding our business, including in new and enlarged facilities, improved technology, strengthened management and additional functional support. Whilst this investment held back margins in 2019, it will enable us to continue to deliver high levels of growth as we position ourselves as the 'go to' global services platform for video games in a market which is seeing an accelerating trend towards outsourcing.

"Looking forward, we expect the launch of a new generation of games consoles and the further development of new streaming platforms, in addition to the structural drivers of growth across the video games market as a whole and the ongoing trend towards external development, to drive continued strong demand for our services through 2020 and beyond. The full benefit of this new generation of consoles is expected to increase over the medium term. We will continue to invest in the Group to take full advantage of these growth opportunities with margins expected to increase incrementally in 2020 towards our historic norms as we leverage these costs over a growing revenue base.

"Our recently enlarged banking facility positions us well to capitalise on this clear opportunity to take a leading share of the increasingly outsourced video games services market both organically and via acquisitions, as we further enhance shareholder value. We fully expect to make a number of selective acquisitions as we continue to build our global video games services platform and we are managing a strong acquisition pipeline as we enter 2020."

** Organic revenue growth is calculated by adjusting the prior year revenues, adding pre-acquisition revenues for the corresponding period of ownership in the current year results, and applying the 2018 foreign exchange rates in both years.*

*** the Group reports Adjusted Profit Before Tax before acquisition and integration expenses, share option charges, amortisation of intangibles, non-controlling interests and foreign currency gains or losses.*

**** EBITDA comprises profit before taxation, adding back depreciation, amortisation, both interest income and expense, and exchange gains and losses. Adjusted EBITDA is also before acquisition and integration expenses, share option charges and non-controlling interests.*

Notification of Full Year Results and Capital Markets Day

The Group expects to announce its full year results for the year ended 31 December 2019 on 31 March 2020. To register your interest, please contact Keywords@mhpc.com.

We will also host a Capital Markets Day in London on 5 February 2020 focusing on delivering a better understanding of each service line. This will include presentations from each of the service line directors as well as in-depth case studies on Game Development and Marketing Services.

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About Keywords Studios (www.keywordsstudios.com)

Keywords Studios is an international technical services provider to the global video games industry. Established in 1998, and now with over 50 facilities in 21 countries strategically located in Asia, the Americas and Europe, it provides integrated art creation, software engineering, testing, localisation, audio and customer care services across more than 50 languages and 16 games platforms to a blue-chip client base of approximately 950 clients across the globe.

Keywords Studios has a strong market position, providing services to 23 of the top 25 most prominent games companies, including Activision Blizzard, Bandai Namco, Bethesda, Electronic Arts, Konami, Microsoft, Riot Games, Square Enix, Supercell, TakeTwo, Epic Games and Ubisoft. Recent titles worked on include Call of Duty: Black Ops 4, Mortal Combat X, Assassin's Creed Odyssey, Borderlands 3, League of Legends, Fortnite, Clash Royale and Rainbow Six Siege. Keywords Studios is listed on AIM, the London Stock Exchange regulated market (KWS.L).

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