

Devolver Digital

Four reasons to invest: right time, right place, right team, right price

We believe that Devolver Digital has turned a corner and that the group's current valuation is at a significant discount to fair value. We expect indie games to perform strongly as the market returns to supply and demand equilibrium after the post-COVID-19 hiatus. Given its market position and the operational improvements that management has made in recent years, our forecasts support a fair value for Devolver of 36p per share.

Year end	Revenue (\$m)	EBITDA (\$m)	PBT (\$m)	EPS (\$)	EV/EBITDA (x)	P/E (x)
12/24	104.8	5.1	(2.2)	0.01	25.5	34.2
12/25e	107.6	4.9	(3.1)	(0.02)	26.5	N/A
12/26e	108.3	11.8	4.6	0.01	11.0	48.9
12/27e	115.1	14.3	8.5	0.01	9.1	26.3

Note: EBITDA, PBT and EPS are normalised, excluding amortisation of acquired intangibles, impairments, exceptional items and share-based payments.

Right time to invest in the gaming industry

The games market has weathered some significant headwinds in recent years, including demand disruption caused by the pandemic, weak consumer confidence due to macroeconomic uncertainty and the continued dominance of larger franchises. Many investors have shunned the sector as a result, but there are a number of drivers (AI, cloud gaming, release pipeline) that suggest 2026 will be another year of recovery.

Indie games are the right place to invest

When looking for investment opportunities in a recovering games industry, certain sub-sectors stand out. One of these is independent ('indie') games. The diverse nature of the offering, the creativity that is sometimes lacking in larger budget releases, the player loyalty that indie games elicit and the more 'granular' nature of the business model (ie less reliance on the performance of a single title) make indie games a serious option for investors.

Devolver is the right team to back

Any long-term investor needs confidence in the quality of the business model. Drawing on the lessons of recent weak markets, management has taken major steps in recent years to improve Devolver's operating model. For example, revenue planning and cost efficiencies have tightened the management of the development and publishing process.

Valuation: Upside to fair value from current levels

Our fair value assessment of 36p per share is a blend of our discounted cash flow (DCF) analysis that suggests 32p per share and our cash returns-based analysis that suggests 40p per share.

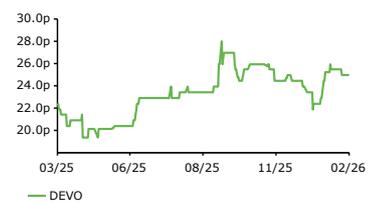
Initiation of coverage

Consumer

2 March 2026

Price	25.50p
Market cap	£124m
	\$1.36/£
Net cash/(debt) at December 2025	\$36.4m
Shares in issue	485.5m
Free float	45.8%
Code	DEVO
Primary exchange	LSE
Secondary exchange	N/A

Share price performance



%	1m	3m	12m
Abs	8.5	(1.9)	2.0
52-week high/low		28.0p	19.5p

Business description

Devolver Digital is an independent games publisher of third-party and in-house video games and merchandise.

Next events

FY25 results	April 2026
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Analysts

Dan Ridsdale	+44 (0)20 3077 5700
Ross Jobber	+44 (0)20 3077 5700
Chloe Wong	+44 (0)20 3077 5700

consumer@edisongroup.com

[Edison profile page](#)

Devolver Digital is a research client of Edison Investment Research Limited

Investment summary

Company description: The developers' champion

Devolver was formed in 2009 as a digital-only developer-first publisher, which principally released indie game titles on PC via the Steam platform. The group subsequently expanded its presence beyond PC games through new releases and porting titles to other platforms, building relationships with console and mobile digital distributors. Prior to its AIM IPO in November 2021, the group made a number of studio acquisitions, giving it access to both first- and third-party content.

Working with Devolver helps developers enhance the discoverability of their titles in an increasingly crowded games market thanks to the group's reputation for quality releases. Furthermore, developers achieve this while retaining significant control over their intellectual property (IP) and any future releases.

As supply and demand in the games market recovers from its post-COVID-19 hiatus, Devolver's financial performance continues to improve significantly, helped by operational efficiencies that management has executed in recent years. We believe that the time is right for investors to revisit the sector, and for longer-term investors to consider indie publishers in particular.

Valuation: Upside to fair value from current levels

The relative stabilisation of market supply and demand of late, along with the return of what we believe to be normalised Devolver financial performance, means that a DCF is once again a valid valuation approach. Using a weighted average cost of capital (WACC) of 10.7% based on a sector beta of 1.03 (NYU Stern School of Business) and a long-term growth rate of 3%, we arrive at a valuation for Devolver of 32p per share. This is cross-checked with a returns-based approach that assumes economic asset growth in line with the group's long-term average of 12% CAGR and convergence of returns and cost of capital from 2038 onwards. We arrive at a returns-based valuation of 42p per share. The blended valuation is 36p per share.

Financials: In recovery mode

Our FY25 model uses the 15 releases made last year, falling to 11 in FY26 and 12 in FY27. Our forecasts assume no change in average revenue per new title released for the next four forecast years and do not include any increase in new revenue per previous 12-month release. Despite also assuming no significant growth in revenue per back catalogue title over the next few years, we forecast a revenue CAGR of 13% in FY24–28e. If we compare our profitability expectations for FY26 with three years earlier (FY23), we expect gross margins to be higher (37.6% vs 26.5%) and SG&A costs to be up only 4.7% despite annual revenues having grown 17% over the period. We expect group net cash balances to grow from c \$33m at end FY25e to c \$45m by end FY28e.

Sensitivities: A creative business at heart

- **Demand for new releases.** While back catalogue revenues are relatively easy to predict, revenues from new releases can be highly volatile, creating the potential for deviation from guidance. This characteristic of the business model can be further amplified by the timing of publisher sales on the Steam platform (which represents 50–60% of sales).
- **Pricing.** In a highly competitive games market, peers lowering the price of games can lower player spending expectations and create a mismatch between the growth of revenues relative to the growth of costs.
- **AAA market share.** Despite the large number of new games released each month, the market continues to be dominated by large-budget, high-profile game titles such as *Call of Duty*, *FIFA* and *Assassin's Creed*. The long-anticipated release of *Grand Theft Auto 6 (GTA 6)* in November 2026 could disrupt the market towards the end of FY26 either positively (by stimulating console sales) or negatively (by depressing spend on other titles).

Company description: Independent games champion

History

In 1998 Harry Miller, Rick Stults and Mike Wilson co-founded the video games publishing brand Gathering of Developers (GodGames), publishing games such as *Jazz Jackrabbit 2*, *Railroad Tycoon 2*, and *Age of Wonders*. This business was sold to Take-Two Interactive in 2000, as was their subsequent joint project Gamecock (where they were joined by Graeme Struthers and Nigel Lowrie), which was sold in 2008 to SouthPeak Games a year after it was created. On starting Devolver in 2009 they partnered with Croteam, the original developer of the *Serious Sam* game series (which GodGames had previously been involved with) to develop the game principally for PC and the Steam platform. The vision for Devolver was to help developers to scale their games through support in areas such as operations, cost management, production and development and distribution.

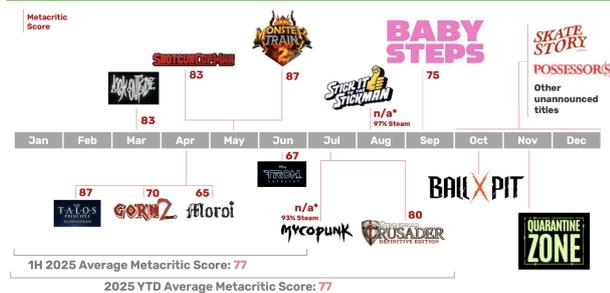
In order to generate initial revenues ahead of the future launch of *Serious Sam 3* (which Devolver had an agreement to support), the game's developer Croteam (subsequently acquired by Devolver in October 2020) agreed to allow the group to use the IP and co-ordinate *Serious Sam* spin-off games from independent developers that could be delivered quickly while *Serious Sam 3* completed development. Working with developers such as Vlamber (*Serious Sam: The Random Encounter*) and later Dennaton Games (*Hotline Miami*, *Hotline Miami 2*), Devolver developed a model providing services for game creators, while allowing them all-important creative freedom. Furthermore, in response to damaging trends that management saw in the industry, Devolver was keen to be transparent on all revenues and costs, and not to demand IP or sequel rights.

Once established as a leading publisher of third-party indie games, Devolver began selectively to acquire IP that complemented its pipeline and international growth strategy. An example of this is the successful *Shadow Warrior* franchise. This was first developed in 2013 under licence with the IP being acquired outright in 2018. In terms of M&A Devolver has purchased several developers including Dodge Roll, owner of the successful multi-platform *Enter the Gungeon* franchise, in July 2021, UK developer Nerial (May 2021) and Dutch games publisher Good Shepherd Entertainment in January 2021, subsequently re-launched as UK real-time strategy (RTS) games studio Big Fan in June 2021. It also has partnerships with significant IP owners such as Disney, Lionsgate and Metro Goldwyn Mayer. The group currently operates seven development studios across the UK, the Netherlands, Croatia, Poland and the US.

Games

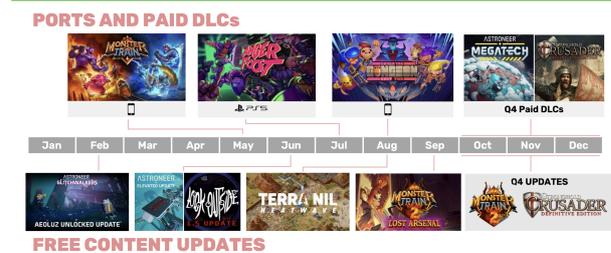
Since its creation, Devolver has established a strategically important back-catalogue of games titles across a range of different styles (including under the BigFan name, which specialises more on strategy and simulation games). The group has also mined this catalogue by expanding the number of platforms each title is available on. In 2024, the group released 10 titles with an average Metacritic score of 79. By contrast, 2025 saw the release of 15 titles with an average Metacritic score of 78.

Exhibit 1: 2025 title releases



Source: Devolver Digital. Note: Scores as of 25 September 2025. Title scores calculated as simple average of applicable platform scores and period scores calculated as simple average of titles. *Metacritic does not score early-access games.

Exhibit 2: 2025 major updates

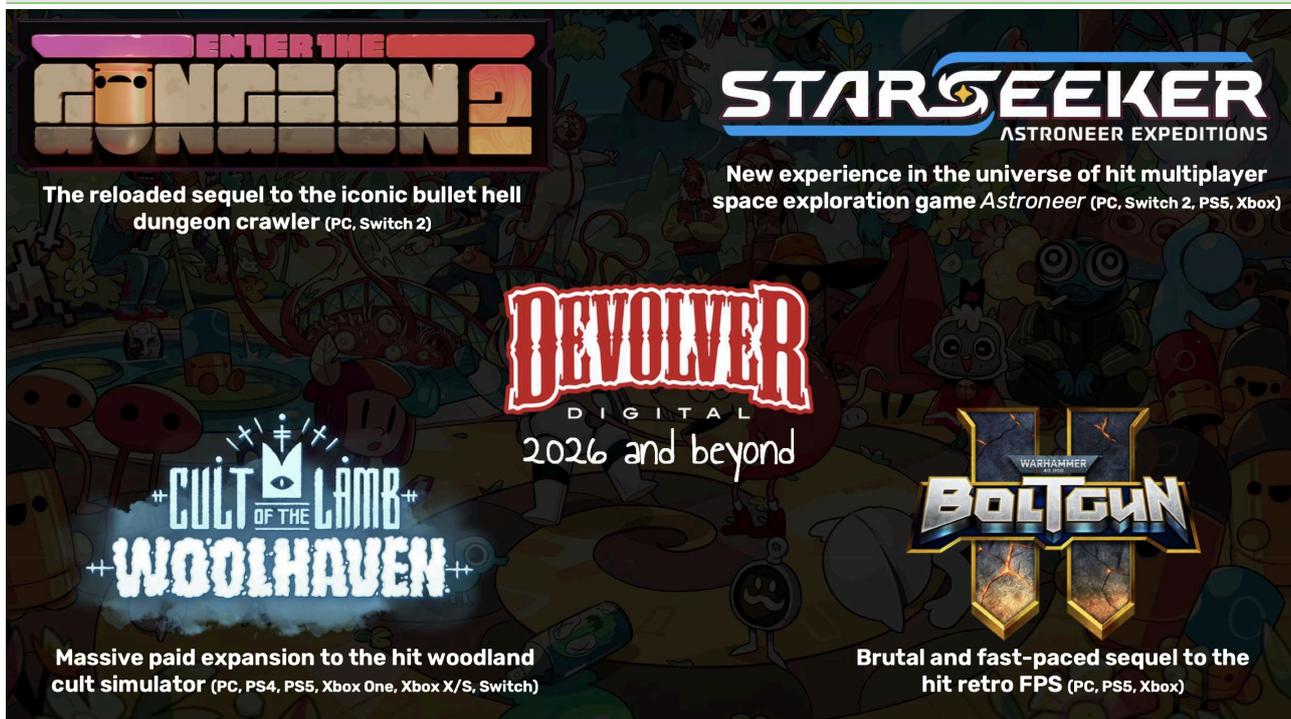


Source: Devolver Digital

Some of the successful launches of 2025 include:

- **Look Outside (released on PC in March, Metacritic score of 83):** A gruesome survival horror role-playing game (RPG) set in an apartment building. Players need to scavenge supplies and weapons, brave weird encounters and not look outside.
- **Gorn 2 (released on PC in April and on PlayStation Virtual Reality in July):** An ultra-high energy sequel to the 1.8m-selling virtual reality (VR) gladiator simulator.
- **Monster Train 2 (released on PC, Nintendo Switch, Xbox Series and PlayStation 5 in May, Metacritic score of 87):** A deck-building tower defence game where players defend their train's 'Pyre' (life source) from waves of enemies by strategically deploying monster units across three vertical floors.
- **Mycopunk (released on PC in July, Steam reviews: 93% 'Very Positive'):** A mission-based four-player co-operative (co-op) robot shooter.
- **Stronghold Crusader: Definitive Edition (released on PC in July, Metacritic score of 80):** A castle-building RTS game set during the Crusades.
- **Stick it to the Stickman (released on PC in August, Steam reviews: 97% 'Overwhelmingly Positive'):** A physics-based brawler, where players fight hordes of salary-hungry stickmen to reach the top of the corporate ladder.
- **Baby Steps (released on PC and PlayStation 5 in September):** A challenging, physics-based walking simulator where players manually control a character's legs to climb a massive mountain in a surreal world.
- **Ball x Pit (released on PC, Mac, Xbox Series, Nintendo Switch, Nintendo Switch 2 and PlayStation 5 in October):** A ball bouncing base building roguelite game where a player shoots balls into a vertical playfield, bouncing them off walls and enemies and then uses collected resources in the hub world to construct buildings.
- **Possessors(s) (released on PC and PlayStation 5 in November):** A two-dimensional action-adventure game that uses combat fighting game mechanics to travel through a sprawling, flooded city overrun with surreal interdimensional horrors.
- **Skate Story (released on PC, PlayStation 5, Mac and Nintendo Switch 2 in December):** A psychedelic skateboard adventure through the underworld.

Exhibit 3: Releases for 2026 and beyond



ENTER THE GUNGEON 2
The reloaded sequel to the iconic bullet hell dungeon crawler (PC, Switch 2)

STARSEEKER
ASTRONEER EXPEDITIONS
New experience in the universe of hit multiplayer space exploration game *Astroneer* (PC, Switch 2, PS5, Xbox)

DEVOLVER DIGITAL
2026 and beyond

CULT OF THE LAMB
WOOLHAVEN
Massive paid expansion to the hit woodland cult simulator (PC, PS4, PS5, Xbox One, Xbox X/S, Switch)

WARHAMMER BOLTGUN
Brutal and fast-paced sequel to the hit retro FPS (PC, PS5, Xbox)

Source: Devolver Digital

Business model

In terms of third-party IP, Devolver generally provides partial or full funding to new titles, based on planned milestones in the game's development. Once on sale, revenues are taken by Devolver until costs are covered, at which point revenue is apportioned based on a pre-agreed revenue-sharing agreement. Devolver provides a range of services including:

- project and lifecycle management;
- development and production assistance;
- publishing; and
- technical and creative support.

Devolver undertakes pre-release marketing programmes, including public relations, promotions and leveraging its digital distributor platform relationships. At any given moment, Devolver's development partners are typically one-third repeat partners and two-thirds new partners (the process is discussed further below). In-house IP is developed at Devolver's own studios.

Devolver today

The award-winning titles (BAFTA Games Awards, Indie Game Awards, DICE Awards) that Devolver publishes, both third party and in-house names, continue to be key elements of the global indie game landscape. The group's network of partners and its broad platform presence are designed to maximise the revenue opportunity for every title released. The group currently has 270+ staff in 20 countries working across seven studios in the UK, the Netherlands, Croatia, Poland and the US (Firefly also being a publisher) and publishing under both the Devolver and Big Fan brands.

Current momentum is also significant despite the market being broadly flat. H225 saw the group free cash-flow positive for the first time since listing. 2026 has started with three of Devolver's games (*Woolhaven*, *Cult of the Lamb*, and *Quarantine Zone: Last Check*) appearing in the Steam Global Best Sellers Top 10 list for the first time in Devolver's history.

Background: Timing, sector, leadership

Timing: Right time to invest in the gaming industry

Many of the current trends in the games market are continuations of factors from 2024 and 2025. Reports from market observers such as Newzoo and Epyllion can be summarised as follows:

- **Growth:** growth is returning to the industry but has not been significant, despite a full release slate in 2023 and 2024. PC and console software revenues are expected to grow by 2.6% and 7.0% CAGR respectively between 2024 and 2027 to \$92.7bn, with PC games representing 44% of spend.
- **Playtime (in terms of monthly average users):** playtime hours are growing modestly (6% y-o-y in 2024), helped by *Call of Duty*, which was up 18% y-o-y. Most of the growth was seen in AAA games. PC playtime was up 1% in 2024 (after a 12% rise in 2023), with PlayStation up 23% y-o-y and Xbox up 3% y-o-y. Playtime is dominated by established franchises, with *Call of Duty*, *Fortnite* and *Roblox* accounting for 15–20% of PC playtime and 25–30% of PlayStation playtime. On the PC, 26 titles account for 50% of playtime, compared to 15 on the PlayStation and 21 on the Xbox.
- **New releases:** in 2024, new releases accounted for 12% of total playtime, 56% of playtime was spent on games over six years old (67% PC, 44% PlayStation and 49% Xbox) and 32% of which was for games that were one to five years old.
- **Games played:** the number of games played per person in 2024 was reasonably stable at 10 for PC (Steam), 10 for PlayStation and nine for Xbox. That said, players playing only one to three titles in the year were 34%, 32% and 31% respectively, up from 22%, 27% and 24% respectively in 2021.

- **Pricing and costs:** unlike other entertainment categories, video game prices have continued their steady decline (estimated to be a fall of 1% per year in real terms over the last 20 years). Conversely, development costs are estimated to be rising at a CAGR of c 15% for a AAA title.
- **Player numbers:** new player growth is forecast to remain subdued, with console player growth of 3.0% CAGR in the three years to 2026, taking the number of gamers in the UK and US to c 275 million.

Other factors

As these longer-term trends continue, there are other factors that suggest 2026 will mark the beginning of a long-awaited recovery:

- **Release schedule.** One factor likely to stimulate market growth is the amount of new content due to be released in 2026. Rockstar's *GTA 6* was originally due for release in the autumn of 2025 and, accordingly, most studios adjusted their release schedules to ensure that they did not clash, setting their release dates around spring 2026. As a result, the market is expected to see a larger amount of new content than usual in Q2. While this has the potential to make title discoverability more of a challenge for developers, it will certainly create the headlines necessary for marginal gamer engagement. Q426 will also see a boost from the revised *GTA 6* launch date. The release of such a key AAA title is likely to not only engage marginal players but also boost console sales.
- **Investment cycle.** In the 10 years before 2020, venture capital (VC) investment in gaming had been rising steadily from below \$1bn to almost \$6bn (source: PitchBook), a healthy CAGR of c 20%. However, this investment rate exploded to \$16bn in 2021 and to \$13.5bn in 2022 as VC funds chased the industry's exceptional COVID-19-related growth opportunities. By 2023, investment returned to more normal levels but the legacy of the earlier investment boom lingered. Given the average two- to three-year game development cycle, it is only in 2026 that investors can be confident the glut of games associated with the 2021/22 investment boom is complete. This suggests more orderly market conditions in the years ahead.
- **Cloud gaming.** Today the challenges of poor cloud latency are now largely behind the gaming industry, creating the prospect of truly platform-agnostic gaming. Boston Consulting Group expects the cloud gaming market to grow from \$1.4bn in 2025 to \$3.7bn in 2026. This continued trend is likely to stimulate growth by reducing friction for gamers. For example, Nvidia's GeForce NOW offers gamers the ability to stream over 2,000 games and access to a further 2,200 install-to-play titles via Steam on any device.
- **Artificial intelligence (AI).** As with so many industries, AI has the potential to be revolutionary within the games industry as shortening the time-to-market for new content can keep player engagement high and generate increased spending. Around 20% of new games on Steam in 2025 disclosed the use of AI prior to release. Currently, AI is most commonly used to generate in-game graphics or to create text and other user interfaces. In the future, however, AI's power can be harnessed in many more ways to reduce development costs:
 1. Generative AI can be used to shorten release schedules by automating tasks such as quality assurance (QA). Danish company Modl.ai creates agents that can simulate player actions and identify bugs faster pre-release.
 2. AI can help translate a game idea into code. In March 2024, Series AI released the Rho Engine, which was designed to take a creative idea and allow the creator to realise that idea technologically. As CEO Pany Haritatos explained at launch, it 'can generate textures, backgrounds, meshes, sound effects, scripting, character, designs, story narrative, whatever...'
 3. Strong gameplay is the bedrock of any successful game and a key element of this is the performance of non-player characters (NPCs). AI offers developers the chance to create much more reactive and life-like NPC responses and behaviours, which should enhance gameplay significantly.
 4. Entire games can be created by AI. In October 2023, AI Roguelite was launched; it is a text-based RPG that is entirely AI-generated.
- **User-generated content.** A growing trend among gamers is not only the consumption but also the creation of content, specifically for other gamers. Initially this manifested itself as YouTube videos but today has become much more sophisticated. The creative modes of popular titles such as *Roblox* and *Fortnite* allow users to create unique experiences. Communities of gamers share creations and are paid for the number of users that participate in their worlds. This leads to a significant amount of new content and, in turn, drives much higher player engagement. Not only do creators receive revenues from stimulating game time but, from December 2025, *Fortnite* developers have been able to offer items that they have built directly for sale to other users. In a similar manner, this could be a potential future revenue stream for Devolver.
- **App store liberalisation.** Around 50% of global gaming revenues are generated by mobile games and so the recent moves to liberalise the app stores where such games are purchased could stimulate further game spending

by lowering prices. High-profile court cases, such as that between Epic and Apple, and legislation, such as the European Union's Digital Markets Act (April 2024) and the UK's Digital Markets Competition and Consumers Bill (May 2024), make it easier for third parties to control costs when selling through Apple's App Store, specifically by avoiding or reducing the App Store's 30% commission.

Sector: Indie games are the right place to invest

The number of independent titles that fail to make an impact commercially is high and, when viewed alongside the dominance that the top franchises enjoy over the market, it would be easy to dismiss the prospects for smaller game developers. We believe, however, that to do so is to miss an important underlying trend that is growing among gamers.

The consensus among market observers is that, after the post-COVID-19 hiatus in demand, growth is returning and that AAA titles will continue to take most of this growth. Although this is true, there are certain challenges that AAA developers face, not least the ever-more expensive and lengthening development cycles. By way of illustration, *GTA 6* is expected in November 2026, some 13 years after *Grand Theft Auto 5*. Note that the first four major iterations of the game spanned merely 11 years from 1997 to 2008. When these major AAA game franchises do complete a full development cycle, the market disruption that their release can have is significant for all peer game developers – major studios and independents alike.

Given the financial risks associated with major launches, many studios are reluctant to stray far from previously successful formats. Furthermore, in an attempt to recoup investment, they employ large teams of developers that are required to incorporate each and every popular feature (often of questionable relevance to the gameplay) into the game. For this reason, there is a growing belief that the major studios are in danger of losing their way. In his acceptance speech after receiving the BAFTA Best Game Award in 2024 for *Baldur's Gate 3*, Larian Studios CEO Swen Vincke set out the characteristics of the studio that he believed would win the award the following year. Swen stated that the next studio to win the award would not make the game to 'increase market share', 'serve as a brand' or 'meet arbitrary sales targets.' He believed that the studio would not 'treat their developers like numbers on a spreadsheet', 'treat their players as users to exploit' or 'make decisions they knew were short-sighted' as they 'knew that if you put the game and the team first, the revenue will follow.'

Larger studios adopt significant levels of financial risk when developing major titles. This can tempt them to add incremental revenue-generating elements (such as microtransactions) into the game, which risk alienating some players. Furthermore, the sheer size of the development challenge means that AAA game releases can appear rushed and/or incomplete.

Current market forces create significant challenges for big title publishers. New releases are competing for a modest percentage of overall gaming spend and, therefore, need to make an immediate impact. However, continued unit price falls in real terms mean that marketing costs need to be closely controlled and development spend needs to be allocated with maximum efficiency. Customer retention also remains key and players must be engaged across multiple platforms and media types.

In our opinion, the independent games sector offers investors a number of characteristics that we believe are essential to maximise the probability of future success.

1. The need to be creative

Gaming is an entertainment industry and consumers need to be constantly presented with new creative content. With the financial stakes of each AAA release getting ever-higher, larger studios might be reluctant to stray from proven formulae. While proven gaming characteristics should not be ignored, the issue that arises for many best-selling AAA games (such as *Call of Duty*, *Grand Theft Auto* and *Assassin's Creed*) is how many truly creative iterations there might be in the future to ensure that gamers continue to spend money.

Independent games rarely suffer from such challenges. They are generally aligned to a wider interpretation of the video game as an art form. Graphics are often basic (retro) in nature, with a greater focus instead on gameplay. Game concepts often sit outside the traditional game genres, offering new user experiences. This lack of pre-determination frees independent developers from the constant cost and delays associated with producing games using the usual realistic, open world, 3D environments that can significantly inflate AAA games development budgets (the *GTA 6* development budget is rumoured to be \$1–2bn and it has 3,000–6,000 developers working on it).

2. The need to communicate

As mentioned, AAA game developments often need to employ large teams of developers in order to deliver highly complex products in commercially reasonable timeframes. Furthermore, the downside associated with a bad launch can be difficult to recover from. This large team approach is not without its difficulties. Firstly, in terms of gameplay, a large development team requires exceptionally efficient lines of communication during the multi-year project in order to ensure the smooth integration of the game's various components that are being worked on separately. In addition, studios might see the incremental cost of employing a few extra developers to add further features as a good investment, even if such features add little to the game experience. This can lead to what has been termed 'Frankenstein-like games'. Independent games benefit from a singularity of vision that runs throughout the gameplay and this appeals to gamers.

3. The need for trust

While video games clearly have a place in the media universe (many successful game spin-offs have appeared in other media formats), we would argue that there is a stronger relationship between player and developer than between viewer and producer. Over the many hours that games are played (it is estimated that regular gamers incur 20–80% less spend per hour of entertainment from a game compared to streaming a film or TV show), a loyalty builds between game and gamer. Unsurprisingly therefore, indie games often have cult-like followings built on gamers' trust. Often player loyalty arises from their nostalgia (either for earlier versions of the same game or for earlier games per se), which often proves robust in the face of any launch difficulties. It also generates interest in how an indie game will evolve over time given the absence of creative restrictions the developers experience.

4. The portfolio effect

From an investor perspective, gaming will always rank as relatively high in terms of risk/reward. The aim therefore must be to reduce risk without overly restricting potential upside. We believe that indie games achieve just such a balance. While launches are much lower budget than AAA releases, upside can be no less impressive and portfolios are generally larger with more titles in the back catalogue. While it can be difficult to define precisely what constitutes an indie game, there are plenty of examples of significant upside for smaller game launches. For example, the game *Terraria* was launched by Re-Logic in 2011 and is believed to have had over 60m downloads to date. *Stardew Valley* (released in 2016) surpassed 1m copies within two months and has had over 40m downloads to date. More recently, we note that indie games *Hollow Knight: Silksong* and *Schedule* both feature among the 12 highest-grossing games on the Steam platform in 2025. Devolver has its own stable of success stories. VR title *Gorn* has sold over 1.5m units to date on a platform (virtual reality) that we believe has yet to establish itself with gamers. *Enter The Gungeon* has sold over 5m units and *Astroneer* has been played by over 13 million people.

Indie developers still need Devolver

While the tide may be turning for smaller, independent developers, there are still many hurdles that they face:

- **Digital distribution.** Flawless digital distribution is essential for the successful release of today's games. In 2016, console and PC digital distribution penetration were 29% and 76% respectively, increasing to 72% and 98% by 2022 (Newzoo, November 2022). It was this trend that saw Devolver establish itself as a digital-first publisher. The group helps developers achieve highly targeted or wider digital distribution on launch depending on the agreed strategy.
- **Marketing.** As certain formats are easier to develop, it is unsurprising that many indie games focus on the same mechanics (eg two-dimensional platformers), making it important that titles are marketed well on launch.
- **Reputation.** The volume of content available to gamers continues to expand significantly with each new platform or subscription service offering. The traditional platforms of PC, PlayStation, Xbox and Nintendo have been augmented by services such as Steam (launched September 2003), Xbox Game Pass and Apple Arcade. Developers with few titles can struggle to establish the following necessary to attract gamers to a new release. Using Devolver's reputation for previous high-quality titles allows games to achieve much greater impact on launch than would otherwise be the case. Reputation is about much more than maximising initial player contact. The rise of games as a service (GaaS) requires player trust throughout the gaming lifecycle as the purchase process extends far beyond the initial download.
- **Discoverability.** The number of titles released has increased significantly over the last decade, particularly on the major platforms. For example, 2025 saw 19,999 title releases on Steam compared to 2,822 titles in 2015

([SteamDB](#)). Other (more indie-friendly) platforms do exist such as itch.io, Epic Games Store and Nintendo eShop's Indie World. These often charge lower commission than the major platforms and have more relaxed digital rights management protocols. Despite the existence of indie-oriented sites, developers often still need supporting activity (eg influencers, community management, advertising) at launch. Devolver's social media following alone (over 1.5 million followers) significantly enhances discoverability for new games.

- **Player engagement.** The battle for consumers' business has extended beyond single downloads and into their time. As bigger GaaS titles take an increasing share of players' time, it has become more important for publishers and developers to convince the audience that their games are worth the time investment. Likewise, the expanding game subscription market uses engagement as its primary metric.

Leadership: Devolver is the right team to back

While there has not been a significant change for Devolver at the product level, operational management has made a number of changes that leave the group much better placed to meet the medium-term challenges that the post-COVID-19 downturn highlighted.

Addressing industry-wide challenges

The correction in spending seen following the COVID-19-related boom of 2020/21 led many management teams to review their business models, questioning whether they were aligned with future market development. There were a number of issues that were common across the industry, affecting Devolver and others:

1. **Corporate structure.** Groups with multiple in-house studios often kept them apart, dedicated to working on specific titles. This not only duplicated costs but prevented economies of scale as developers were unable to move between studios. These inefficiencies led to significant layoffs across the industry after the pandemic.
2. **Overexpansion.** The strong demand (and subsequent profitability) of the COVID-19 market led many studios to add additional IP via acquisition. This was seen among not only larger players such as Microsoft, Tencent and Sony, but also smaller players (eg Embracer). In the year prior to IPO, Devolver grew from c 40 people to over 400.
3. **Technology.** Studios had often built their development engines in-house making them difficult to update as new platforms became available.
4. **Launch strategy.** Given the need to recoup costs quickly in a competitive market, many games were launched simultaneously across many platforms. Unfortunately, this created a large upfront investment before any data was available as to what potential future sales might be. Insufficient market research was also carried out on occasions. The multiplayer shooter game *Concord* was launched in 2024 by Firewalk Studios (owned by Sony) and was rumoured to have spent \$400m in development. However, it was shut down less than two weeks after launch (with purchases being refunded) due to poor take-up.
5. **Player alienation.** The pressure to grow revenues led to the inclusion of in-game purchase options that alienated a number of players. Similarly, in trying to appeal to the widest possible audience, some games were in danger of losing connection with their gamers through androgynous characters. Furthermore, in the rush to generate revenues from new games, a number suffered from numerous bugs. Many studios subsequently paused their release cycles.

Addressing these issues has come at a cost. When results at acquired publisher Good Shepherd Entertainment (now Big Fan) started to falter in 2022, Devolver's management took immediate action, reducing headcount and appointing a new general manager tasked with focusing the operation back on publishing licensed IP. The pipeline was overhauled with five games in development being cancelled and a re-targeting of future spend. This contributed to \$9.3m of development impairments for released games and \$13.5m of development impairments for unreleased games. In addition, the group recognised \$70m of goodwill and IP impairments (largely related to acquisitions), bringing total FY22 impairments to \$92.8m. Devolver's shares listed on AIM in November 2021 at 157p and subsequently have not risen above 40p per share for three years.

Management's recent initiatives

Improving game selection

Over 90% of titles published by Devolver had positive returns on investments. The group focuses on games that show creativity, excitement, quality, innovation and responsibility, operating a 'Greenlight' process tasked with filtering the over 2,000 proposals the group receives each year into 12–15 publishable titles. All areas of the business are invited to provide input into the process, including production, marketing, technology and finance. The final committee comprises industry veterans who must arrive at a unanimous decision if the game is to be adopted.

There is a significantly greater level of rigour around this process than was historically the case. For example, key sources of analysis include:

- Research that is carried out to forecast the game’s future Steam category tab as this can have a significant impact on its visibility on the platform (Steam typically represents c 50–60% annual group revenues).
- Standardised terminology is applied to financial forecasting, which includes a more granular approach to average selling prices and anticipated demand on a country-by-country basis. Pricing targets are reverse engineered by applying business analytics to the required returns on investment.
- The post-launch process is more closely monitored, including decisions around when to discount, how to structure bulk promotions and when to target new platform releases.
- The potential for future recurring revenues is incorporated into the game adoption decision.

Improving visibility

It is often the case that more games are adopted than can (or should) be released over a 12-month period. Adding these games to the in-house development programme results in a release pipeline that builds over time, improving revenue visibility.

Developing the back catalogue

Players of Devolver’s games are more focused than the average game player on playability, mechanics and uniqueness. By contrast, they are less swayed by visual fidelity and are often drawn to the retro feel of a release.

Exhibit 4: Loop Hero graphics



Source: Devolver Digital

Exhibit 5: Hotline Miami 2 graphics



Source: Devolver Digital

Even with games that have a greater visual impact (eg *Shadow Warrior*), the focus on gameplay experience gives the group’s back catalogue significant playability lifespan and generates strong loyalty among its players.

While some indie games have clearly defined lifespans, others have significant potential for extended revenue generation through further development. For example, both the *Stronghold* and *Serious Sam* franchises have each released (or have announced plans to release) 11 titles to date. Management has focused on optimising revenue generation from the back catalogue, with c 10% of annual group revenues now coming from new revenue sources for previously published games. These revenue streams can include new platform releases and paid downloadable content (DLC).

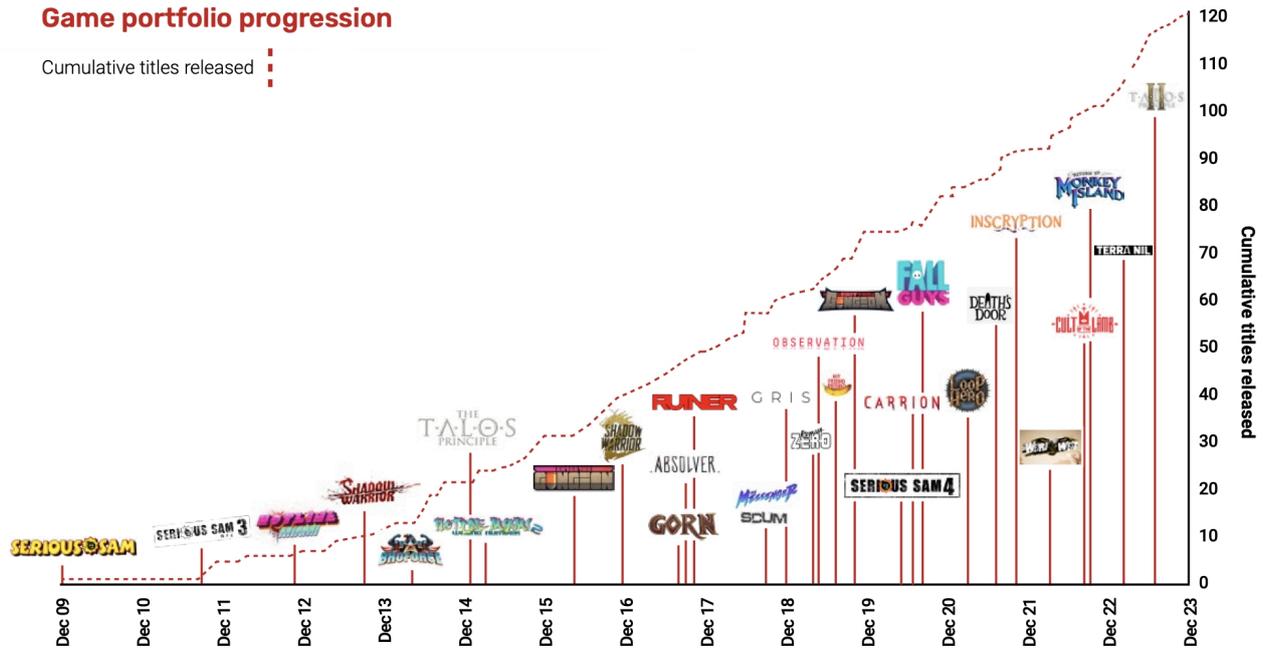
Improving risk management

Management continues to spread its operational risk in a number of ways:

- **Diversity of titles.** Although excess returns for a particular title are certainly possible under the Devolver model, the top five games typically generate under 50% of group revenues in any one year. This lack of reliance on the performance of any one franchise, title or release is a particularly well-developed characteristic of Devolver’s business model and, in our opinion, should be noted by investors and reflected in valuations accordingly. As the group works on a greater number of titles over time, the reliance on any title diminishes.

Exhibit 6: Evolution of the Devolver portfolio

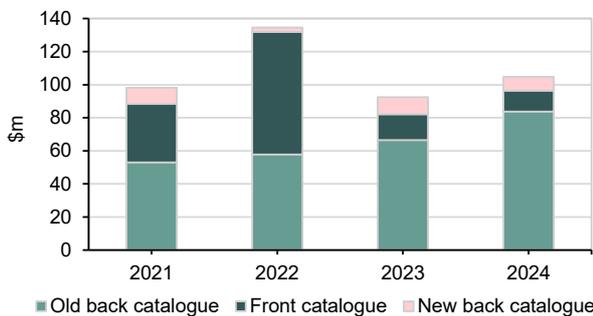
Game portfolio progression



Source: Devolver Digital

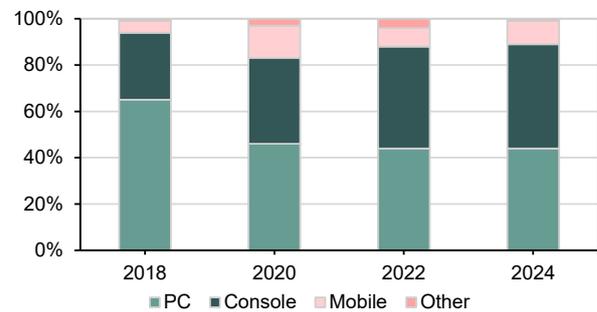
- Diversity of source.** Revenues can be broken down into three main sources: first-time title releases (front catalogue); new releases of previously published titles (new back catalogue), which includes revenues from releases on new platforms and paid DLCs; and sales of previously published games (old back catalogue). Analysis of revenues shows how the old back catalogue has delivered a steady revenue stream while revenues from the front catalogue and new back catalogue releases have been more volatile. Old back catalogue revenues can be maintained in a number of ways including new platform bundle agreements, publisher sales and discounting promotions (particularly on Steam) and new language releases (such as for the Chinese market).

Exhibit 7: Revenues by source, FY21–24



Source: Devolver Digital, Edison Investment Research

Exhibit 8: Normalised revenues by platform



Source: Devolver Digital, Edison Investment Research

- Diversity of platform.** Devolver has grown its portfolio from its PC-focused origins into a multi-platform offering. Platform evolution (such as the release of the Nintendo Switch 2) also offers the opportunity to revisit old titles on these newer platforms, adding to platform diversity. This diversity of platform spreads risk partly due to the different audience profiles on different platforms.
- Diversity of genre.** Devolver’s management has deliberately avoided bias towards any particular game genre. It could be argued that a number of its titles defy genre classification. The group has released titles spanning the RPG, top-down shooter, brawler, action-adventure, point-and-click and first-person shooter genres. For some games, the attraction is bringing something new to the gaming audience by combining two well-known game formats into one (eg *Ball x Pit*). In October 2023, Devolver acquired System Era Softworks, the creator of *Astroneer*. The acquisition represented a strategic opportunity for Devolver to build on its more static single-product style and move into expandable-game style development based on regular DLC releases. This can significantly increase the

revenue generating potential of a game.

- **Geographic diversity.** Geographic diversity is easily achieved by Devolver thanks to the increasing propensity for digital distribution and the global nature of the platforms that gamers use.

Balancing development input

Although Devolver began as a third-party IP publisher, it quickly deployed the capital generated by its early successes to acquire in-house IP. As with any strategic decision, in-house IP has both potential advantages and disadvantages. Revenue upside from a successful title is clearly higher with no sharing agreement to observe, and a number of risks are also reduced, including the extra visibility that comes with full control over the production process. There are, however, added risks with in-house IP that need to be closely managed. The most obvious is the transfer of costs from variable to fixed as production moves away from third parties. Rather than observing milestone payments, Devolver's own production team is a fixed cost base irrespective of whether projected release schedules are achieved. Furthermore, acquiring production expertise via multiple acquisitions inevitably leads to a heterogeneity in technology that raises costs and obstructs efficiency. Devolver management has been addressing this in recent years by, for example, investing over \$10m to enable the group's major studios (Firefly and Croteam) to move up to the third-party Unreal 5 development engine. This investment will take time to manifest itself at the financial level; however, it will allow not only greater studio collaboration but, most importantly, shorter release cycles on both existing and next-generation platforms.

In 2022, the group's average investment in a third-party title was \$3.0m. This is forecast by management to fall to \$1.73m in 2025 and \$1.04m in 2026. This decision is not purely about reducing financial risk. Smaller investment projects are able to take greater creative risk given the more limited downside. In this respect we see management's decision as partly returning Devolver to its roots, as well as spreading investment risk. Third-party developers continue to play a crucial role at Devolver, not just in terms of their creative input and ability to understand their own audience but also their ability to turn fixed development costs into variable ones. Any delay to a release from an in-house team increases costs as overheads are a function of time. By contrast, many payments to third-party developers are based on pre-agreed delivery milestones.

Like many management teams faced with post-COVID-19 market volatility, Devolver has focused on streamlining its internal execution. The Nerial studio has seen a 40% reduction in headcount, while the group's Polish studio Artificer has been refocused on projects that are better suited to current market conditions and gaming trends. Big Fan Games has also reduced headcount by over 50% since the beginning of 2024, contributing to an overall group reduction from a peak of 303 employees at end-2023 to c 270 employees currently.

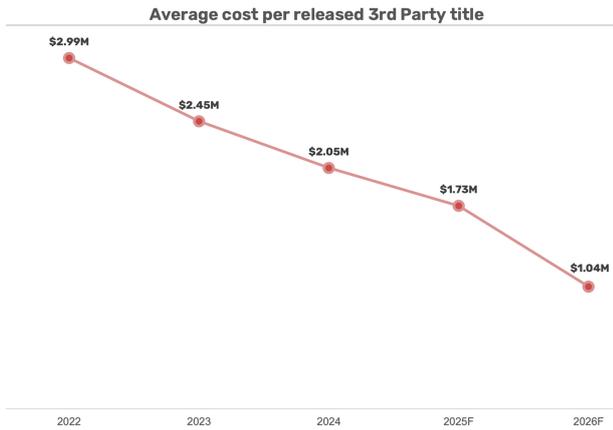
Leveraging platform relationships

Devolver's management has built up a strong network of industry contacts over time. This is a key element of the group's 'right to win' but is difficult to define specifically. In terms of developers, the group's ethos (particularly regarding IP and sequel rights) has meant that many developers have worked exclusively with Devolver since first partnering with the group. These long-term creative relationships not only lower cost (in terms of developer acquisition costs) but also allow Devolver to manage execution risk, as it works with known creative industry third parties. In terms of platforms, the growth in the number of platforms creates ever-greater demand for content for hosting. Devolver's platform relationships optimise product placement and facilitate new subscription and streaming offers for platforms eager to grow recurring revenues. Newer platforms for Devolver in recent years include VR platforms, subscription platforms (such as Netflix), cloud-based streaming platforms, mobile platforms (such as Apple Arcade) and challenger PC platforms (such as Epic and GoG games).

Optimising launch strategies

Devolver is able to help small developers navigate the complexity of large, multi-platform releases. Its prevailing philosophy several years ago was to give indie games the broadest possible launch programmes on day one (with all the associated costs) to ensure as much visibility as possible. Unfortunately, this loaded front-end cost into a game before revenue profiles had been established, leading to impairments and the understandable dwindling of investor confidence. Management has now reversed this trend, with launches being more staggered across platforms. Not only does this reduce cost and provide a better indication of game adoption, but it can also maintain gamer interest for longer. Furthermore, it can help avoid the peak release periods of February to March and August to December. The downside to a staggered launch (sometimes called 'windowing') is that it can spread the revenue impact of a game over a longer time period, requiring investors to be more patient.

Exhibit 9: Third-party development costs continue to fall



Source: Devolver Digital. Note: Devolver-published titles only (excludes published titles from Big Fan Games and Good Shepherd Entertainment).

Exhibit 10: First-party IP is becoming more important

Franchise	Titles Released	Announced Pipeline Titles	Paid DLC Released	Lifetime Revenue	IP Ownership
Cult of the Lamb	1	-	Y	>\$90m	3rd Party
Astroneer ¹	1	1	Y	>\$80m	1st Party
Stronghold ²	9	2	Y	>\$50m	1st Party
Serious Sam	11	-	Y	>\$45m	1st Party
Gungeon	2	1	N	>\$40m	1st Party
Shadow Warrior	3	-	N	>\$35m	1st Party
Hotline Miami	2	-	N	>\$30m	3rd Party ³
The Talos Principle	2	1	Y	>\$20m	1st Party
Reigns	5	-	N	>\$20m	1st Party
Gorn	1	1	N	>\$20m	3rd Party
Total	37	6		>\$430m	

Source: Devolver Digital. Note: 1) acquired November 2023; 2) acquired June 2021; 3) lifetime publication rights for Hotline Miami and Hotline Miami 2.

Sensitivities

Devolver's business model, at its core, relies on a creative process. This brings a series of critical judgemental sensitivities to its business model. However, we believe the historical success of Devolver is based on management's significant industry experience. The company's key sensitivities can be summarised as follows:

- **The demand for new releases.** While back catalogue revenues are relatively easy to predict, revenues from new releases can be highly volatile, creating the potential for deviation from guidance. This characteristic of the business model can be further amplified by the timing of publisher sales on Steam (which represents 50–60% of sales).
- **Pricing.** In a highly competitive games market, peers lowering the price of games can lower player spending expectations and create a mismatch between the growth of revenues relative to the growth of costs.
- **AAA market share.** Despite the large number of new games released each month, the market continues to be dominated by large-budget, high-profile game titles such as *Call of Duty*, *FIFA* and *Assassin's Creed*. The long-anticipated release of *GTA 6* in November 2026 could disrupt in the market towards the end of FY26 either positively (by stimulating console sales) or negatively (by depressing spend on other titles).

Financials

H125 results

Devolver's H125 results, released on 29 September 2025, were in line with earlier guidance (highlighting that revenues would be down) and full-year guidance remained unchanged. Yet-to-be-announced FY25 revenues and adjusted EBITDA (excluding charges for share-based payments, impairment of capitalised development costs, fx effects and other one-off/exceptional items) were flagged as being significantly H2-weighted, with FY25 revenues over \$100m and adjusted EBITDA in the high single-digit millions. Most notable was the increase in H125 releases to seven (H124: three), while H125 operating expenses were down 23% y-o-y to \$16.4m, helped by tighter stock and cost control. Gross margins rose to 31.3% (H124: 29.6%) due to, in part, lower royalty payments and lower impairments, while the adjusted EBITDA margin was 0.3% (H124: 5.8%). Operating cash flow in H125 was \$7.6m, up 69% y-o-y, while the group's investment programme included a further \$15.5m investment in software development for the period.

Exhibit 11: H125 summary income statement

US\$m	FY22	FY23	FY24	1H 24	1H 25
Revenue	134.6	92.4	104.8	51.6	38.8
Cost of sales	(89.4)	(65.4)	(70.2)	(34.6)	(26.1)
Impairment of capitalised development cost	(22.8)	(2.5)	(4.5)	(1.7)	(0.5)
Gross profit (post impairment)	22.5	24.5	30.1	15.3	12.1
<i>Gross margin</i>	<i>16.7%</i>	<i>26.5%</i>	<i>28.7%</i>	<i>29.6%</i>	<i>31.3%</i>
Operating expenses	(50.4)	(38.5)	(38.7)	(21.4)	(16.4)
Impairment of goodwill & IP	(70.0)	-	-	-	-
Other income / (loss)	(0.5)	1.0	1.5	1.1	(0.2)
Operating profit / (loss)	(98.5)	(13.0)	(7.2)	(5.0)	(4.5)
Pre-tax profit/(loss) ¹	(98.8)	(11.7)	(6.7)	(4.8)	(4.1)
Taxation	7.3	(1.0)	0.3	0.4	(7.0)
Profit / (Loss) for the period	(91.5)	(12.7)	(6.4)	(4.5)	(11.0)
Adjusted EBITDA pre-impairments	23.2	1.7	9.6	4.7	0.1
<i>Adjusted EBITDA margin</i>	<i>17.2%</i>	<i>1.8%</i>	<i>9.2%</i>	<i>9.1%</i>	<i>0.3%</i>
Adjusted EBITDA	13.9	(0.5)	5.1	3.0	0.1
<i>Adjusted EBITDA margin</i>	<i>10.3%</i>	<i>(0.5%)</i>	<i>4.9%</i>	<i>5.8%</i>	<i>0.3%</i>

Source: Devolver Digital

Exhibit 12: H125 summary cash flow statement

US\$m	FY22	FY23	FY24	1H 24	1H 25
Operating activities					
Cash inflow from operations	31.2	10.1	23.8	4.6	9.5
Taxation paid	(2.1)	(0.8)	(1.5)	(0.1)	(1.9)
Taxation received	0.0	2.4	-	-	0.1
Net cashflow from operating activities	29.2	11.7	22.3	4.5	7.6
Investing activities					
Purchase of intangible assets	(32.6)	(27.9)	(30.7)	(15.0)	(15.5)
Purchase of tangible assets	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Acquisitions (net of cash acquired)	-	(18.0)	-	-	-
Net cashflow from investing activities	(32.7)	(46.0)	(30.7)	(15.1)	(15.6)
Financing activities					
Share capital issuance	0.8	0.1	-	-	-
Share placement	-	-	9.8	-	-
Share repurchase transactions	(2.5)	(6.8)	-	-	-
Interest received	0.4	1.3	0.8	0.3	0.5
Interest paid	(0.0)	(0.1)	(0.2)	(0.1)	(0.5)
Repayment of lease liabilities	-	(0.0)	(0.2)	(0.1)	(0.1)
Net cashflow from financing activities	(1.4)	(5.5)	10.2	0.2	(0.2)
Net cashflow	(4.9)	(39.7)	1.8	(10.4)	(8.1)
Foreign Exchange movements	(1.8)	0.7	(0.5)	(0.3)	1.2
Closing cash	79.5	40.4	41.6	29.7	34.7

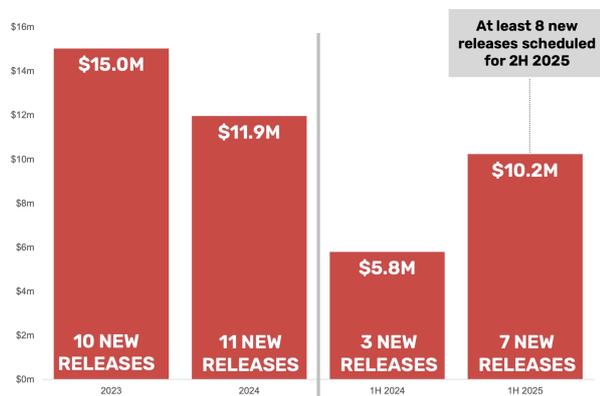
Source: Devolver Digital

Management's expectations for the half-year split in FY25 (likely to be released in April 2026) is influenced by a number of factors including:

- The timing of the annual Steam platform sale, which in FY25 fell in H2 rather than H1 for the first time in five years.
- The H1/H2 split of signed platform deals, which fell 30%/70% across the two half years in FY25, compared to FY24 where the split was 80%/20%.
- Tough comparisons against a major content release for *Cult of the Lamb* in H124.

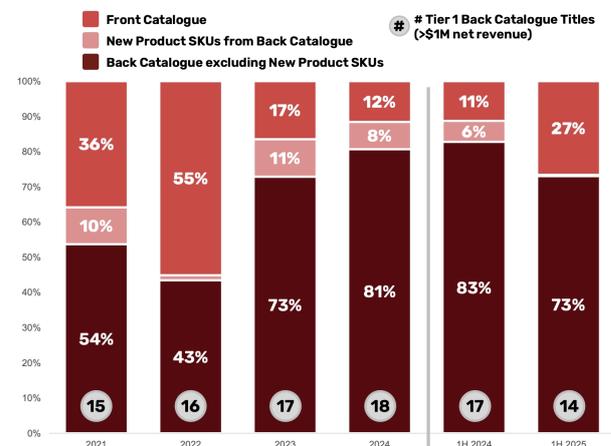
Most encouraging in H125 were the front catalogue releases, up from three in H124 (generating \$5.8m in revenues) to seven in H125 (generating \$10.2m in revenues). At the time of the interim results announcement, at least eight releases were expected in H225, taking the total release roster to 15, compared to 11 in FY24 and 10 in FY23.

Exhibit 13: Front catalogue sales, FY23–H125



Source: Devolver Digital

Exhibit 14: Front and back catalogue sales FY21–H125



Source: Devolver Digital

Valuation: Long-term value

Cash flows and returns

While the undoubted growth characteristics of the gaming market should be captured in an appropriately long-term DCF model, the short-term volatility of recent years has provided a shifting context within which to make the necessary long-term assumptions. However, the relative stabilisation of supply and demand of late added to the return of, what

we believe to be, normalised financial performance means that DCF approaches are once again worth considering. Furthermore, investor confidence in this valuation approach should also start to recover, meaning that the undervaluation that such analysis points to should begin to act as an impetus to current share prices.

We believe that it is instructive to contextualise this analysis with a returns-based approach. Theory would dictate that the correct valuation for any asset base is the sum of the economic value of the asset base in question added to the net present value of future value creation, up to the point at which returns and cost of capital converge.

Key assumptions

Our key assumptions are a WACC of 10.7% (beta 1.03, equity risk premium 6.0%) and a terminal real growth rate of 3.0% (Devolver uses a conservative 2.0% in its own impairment analysis). Our explicit forecast period uses Edison estimates with our semi-explicit forecast period (FY29–40e), assuming straight line progression of key metrics from FY29e to FY40e, stabilising at long-term revenue growth of 3%, an EBITDA margin of 40%, capex of 28% of sales and tax paid (eg after deferred and development credits) of 5% of EBITDA. An exchange rate of \$1.36/£ was used. Our base case DCF valuation is 32p per share.

Exhibit 15: DCF valuation sensitivity analysis (\$m)

		Terminal growth rate				
		2.0%	2.5%	3.0%	3.5%	4.0%
WACC	12.5%	158	168	178	189	202
	12.0%	164	174	185	198	212
	11.5%	171	182	194	207	223
	11.0%	178	190	203	218	236
	10.5%	186	199	213	231	250
	10.0%	195	209	225	245	267
	9.5%	204	220	239	261	287
	9.0%	216	234	255	280	310
	8.5%	229	249	273	302	339
	8.0%	243	267	295	330	374

Source: Edison Investment Research

Exhibit 16: DCF valuation sensitivity analysis (£ per share)

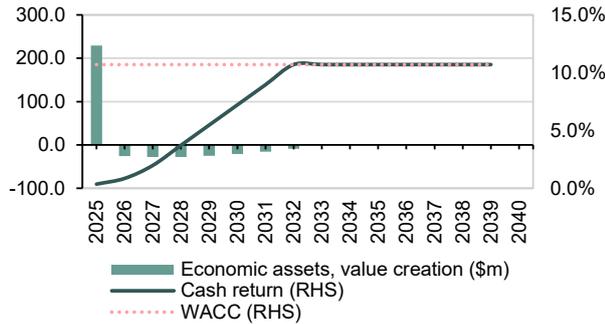
		Terminal growth rate				
		2.0%	2.5%	3.0%	3.5%	4.0%
WACC	12.5%	0.24	0.25	0.27	0.29	0.31
	12.0%	0.25	0.26	0.28	0.30	0.32
	11.5%	0.26	0.27	0.29	0.31	0.34
	11.0%	0.27	0.29	0.31	0.33	0.36
	10.5%	0.28	0.30	0.32	0.35	0.38
	10.0%	0.29	0.32	0.34	0.37	0.40
	9.5%	0.31	0.33	0.36	0.39	0.43
	9.0%	0.33	0.35	0.38	0.42	0.47
	8.5%	0.35	0.38	0.41	0.46	0.51
	8.0%	0.37	0.40	0.45	0.50	0.56

Source: Edison Investment Research

Returns considerations

Like any valuation approach, returns-based analysis has its issues. In addition to problems shared with a DCF-approach (namely determining the WACC), there is also the issue of measuring the invested capital base. The approach requires an economic (as opposed to accounting) assessment of the assets deployed, requiring previous write-downs and amortisation to be written back. Furthermore, assets such as cash and/or goodwill may be excluded from the calculation (as they are deemed not to be economic assets), while other assets might not appear on the balance sheet at all (brand value for example). Returns are calculated using free cash flow rather than line items from the income statement. Additional key assumptions include the returns and WACC convergence period.

We expect Devolver's replacement cost gross asset base at end FY25 to have been \$351.4m. To the \$156m of reported net assets we add back \$194.5m of accumulated amortisation, \$613k of accumulated tangible asset depreciation and \$256k of leased asset depreciation. Adjusting then for non-economic assets (ie removing gross goodwill, cash and deferred tax), we believe the economic capital base at that date to be \$229.1m. Our explicit forecast period of FY25–28e has these assets growing at a 12% CAGR, in line with recent Devolver history. We fade this growth rate by FY40 (to correspond with our DCF analysis) to 3%. Our FY25–28e analysis has free cash returns on this basis of 2% by FY28 versus a WACC of 10.7% (the same as the DCF). We assume that the negative value creation this implies goes five years beyond our explicit forecast period (ie eight years from now) to reach a WACC of 10.7%, at which point value ceases to be either created or destroyed.

Exhibit 17: Illustration of returns-based analysis


Source: Edison Investment Research

Our cash returns-based analysis suggests a fair value for Devolver of 40p per share, which more than supports our DCF valuation of 32p. We believe that a blended share price of 36p per share represents a realistic fair value assessment.

Forecasts

Exhibit 19: Forecast summary

	H124	H224	H125	H225e	H126e	H226e	H127e	H227e	H128e	H228e
New titles	3	7	7	8	5	6	6	6	6	6
New title revenues (\$000s)	5,800	6,776	10,201	16,262	9,108	9,757	10,930	9,757	10,930	9,757
Year-on-year	-2%	-31%	76%	140%	-11%	-40%	20%	0%	0%	0%
Start backbook titles	121	124	131	138	146	151	157	163	169	175
New backbook revenues (\$000s)	2,747	5,637	N/A	7,174	3,938	3,997	2,888	3,690	3,150	3,690
Year-on-year	-43%	6%	N/A	27%	n/a	-44%	-27%	-8%	9%	0%
Old backbook revenues (\$000s)	43,036	40,787	28,580	45,392	31,853	49,668	34,252	53,616	36,870	57,563
Group revenues (\$000s)	51,583	53,200	38,781	68,829	44,898	63,423	48,070	67,063	50,950	71,010
	2024	2025e	2026e	2027e	2028e					
Gross profit (\$000s)	30,065	32,860	40,769	44,398	47,495					
Margin (%)	28.7%	30.5%	37.6%	38.6%	38.9%					
Adj EBITDA (\$000s)	5,083	4,907	11,768	14,298	16,239					
Margin (%)	4.9%	4.6%	10.9%	12.4%	13.3%					

Source: Edison Investment Research

Revenues

The broad sweep of Devolver's portfolio of titles makes it counter-productive to forecast revenues on a game-by-game basis. Instead, we believe that there are several key drivers that can determine sales in any given year, namely the release of new titles, new revenue streams from existing titles (eg new platform releases, new paid DLC) and the performance of the growing back catalogue. The splits between these different revenue streams are illustrated in the figures above. It is worth noting that 50–60% revenues are generated via the Steam platform (c 5% is mobile, representing c 50% of annual gaming spend), a significant proportion of which occurs during the Steam publisher sale, which Devolver participates in annually. As such, the timing of this sale can have a significant impact on the H1/H2 split of revenues. Revenues per game can also vary significantly between titles, again making per-title revenue forecasting challenging, despite Steam Wishlist data.

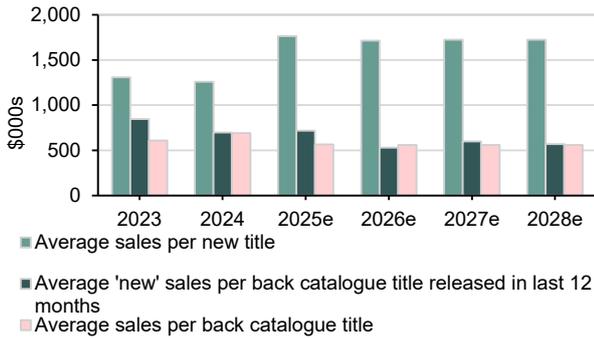
Our forecasts assume no change in average revenue per new title released for the next four forecast years but will be updated as reviews are published on new title releases. Similarly, our forecasts do not contain any increase in new revenue per back catalogue title released in the previous 12 months, nor any significant growth in revenue per back catalogue title over the next few years.

Exhibit 18: Returns-based valuation sensitivity analysis (\$m)

		Years to achieve WACC						
		5	6	7	8	9	10	11
WACC	12.5%	270	260	249	239	229	220	211
	12.0%	269	258	248	237	227	217	208
	11.5%	268	257	246	235	225	215	205
	11.0%	267	255	244	233	222	212	201
	10.5%	266	254	242	231	220	209	198
	10.0%	264	252	241	229	217	206	195
	9.5%	263	251	239	227	215	203	191
	9.0%	262	249	237	224	212	200	188
	8.5%	261	248	235	222	209	196	184
	8.0%	259	246	233	220	206	193	180

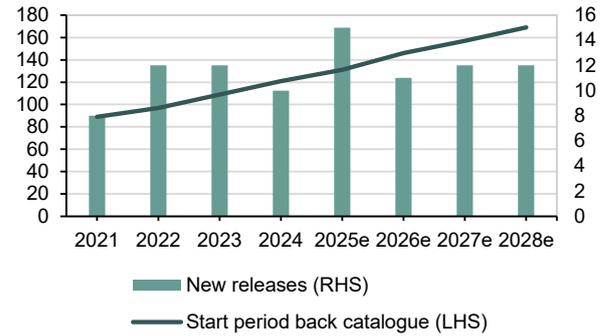
Source: Edison Investment Research

Exhibit 20: Key revenue driver assumptions, 2023–28e



Source: Devolver Digital, Edison Investment Research

Exhibit 21: Growth of Devolver back catalogue titles, 2021–28e



Source: Devolver Digital, Edison Investment Research

Margins

Devolver’s gross margins in any given year reflect the mix of first-party and third-party games that are sold, as royalty payments are often due on the latter. Furthermore, gross margins are at their highest on revenues generated from third-party titles where sales-to-date are below pre-agreed clawback levels. In these instances, Devolver has no royalties to pay and so gross margins are at their highest. Another factor to consider are impairments. These charges (which we expect to steadily decline from historical high levels) are in actual fact accelerated amortisations. The realised revenue levels of newly released games often deviate from management’s internal budgets (however carefully constructed), which can lead to accelerated amortisation of previously capitalised costs. Other COGS line items (development amortisation, marketing) are reasonably stable, as are SG&A costs given that we are not forecasting a significant uplift in accelerated amortisation as has been seen in recent years, thanks to improved launch strategies.

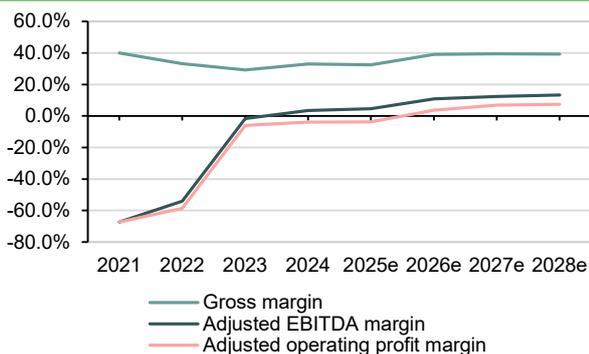
Like many of its peers, in recent years Devolver has focused on improving forecasting (to limit accelerated amortisation) and cutting costs. In its H125 results, the group reported a decrease in adjusted operating expenses of 6% y-o-y and flat payroll expenses, with salary inflation offset by reduced headcount.

By way of further illustration, if we compare our expectations for FY26 with three years earlier (FY23), we expect gross margins to be higher (37.6% vs 26.5%) and SG&A costs to be up only 4.7%, despite annual revenues having grown 17% over the period. The group announced expectations on 10 April 2025 of FY25 revenues of over \$100m and adjusted EBITDA after impairments in the high single-digit millions.

Cash flow

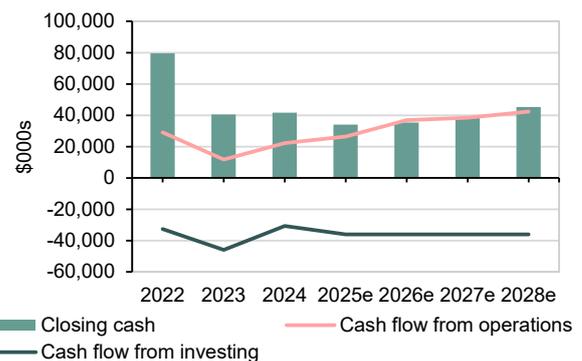
As at 30 June 2025, Devolver had a cash balance of \$34.7m after a six-month period when operating cash flow had risen 69% to \$7.6m. The exhibits below show our expectations of a gradually growing cash balance over the forecast period, while holding investment steady at c \$36m per year (in line with our FY25 expectations).

Exhibit 22: Devolver margin progression, 2021–28e



Source: Devolver Digital, Edison Investment Research

Exhibit 23: Devolver cash flows, 2022–28e



Source: Devolver Digital, Edison Investment Research

Balance sheet

The consolidated group balance sheet as at June 2025 showed net assets of \$156m, dominated by combined IP, capitalised development costs and goodwill of \$135.8m. Cash balances were \$34.7m and debt levels (in the form of leases) c \$1m.

Exhibit 24: Financial summary

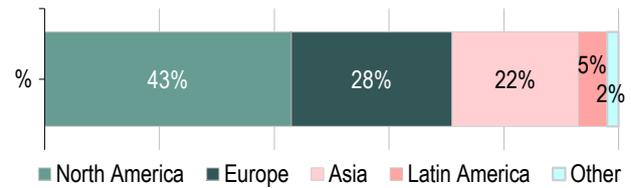
	\$000s	2023	2024	2025e	2026e	2027e	2028e
Year end 31 December		IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
INCOME STATEMENT							
Revenue		92,356	104,781	107,610	108,321	115,132	121,960
COGS		(67,838)	(74,716)	(74,750)	(67,552)	(70,734)	(74,465)
Gross Profit		24,518	30,065	32,860	40,769	44,398	47,495
Adj. EBITDA		(458)	5,083	4,907	11,768	14,298	16,239
Depreciation and amortisation		(4,113)	(7,731)	(8,809)	(7,783)	(6,452)	(7,224)
Normalised operating profit		(4,571)	(2,648)	(3,902)	3,985	7,845	9,015
Amortisation of acquired intangibles		0	0	0	0	0	0
Exceptionals		(2,909)	(1,009)	(500)	(500)	(500)	(500)
Share-based payments		(5,528)	(3,511)	(2,464)	(3,058)	(3,330)	(3,562)
Reported operating profit		(13,008)	(7,168)	(6,867)	427	4,015	4,953
Net Interest		1,303	481	754	574	608	682
Joint ventures & associates (post tax)		0	0	0	0	0	0
Exceptionals		0	0	0	0	0	0
Profit Before Tax (norm)		(3,268)	(2,167)	(3,148)	4,559	8,454	9,697
Profit Before Tax (reported)		(11,705)	(6,687)	(6,112)	1,001	4,624	5,635
Reported tax		(1,019)	328	(6,112)	(250)	(1,156)	(1,409)
Profit After Tax (norm)		(5,306)	(1,511)	(8,703)	3,169	5,184	5,864
Profit After Tax (reported)		(12,724)	(6,359)	(12,225)	751	3,468	4,226
Minority interests		18	(218)	0	0	0	0
Discontinued operations		0	0	0	0	0	0
Net income (normalised)		(5,288)	(1,729)	(8,703)	3,169	5,184	5,864
Net income (reported)		(12,706)	(6,577)	(12,225)	751	3,468	4,226
Average number of shares outstanding (m)		445	457	475	487	505	515
EPS - normalised (US\$)		(0.012)	(0.004)	(0.018)	0.007	0.010	0.011
EPS - diluted normalised (US\$)		(0.012)	(0.004)	(0.018)	0.007	0.010	0.011
EPS - basic reported (US\$)		(0.029)	(0.014)	(0.026)	0.002	0.007	0.008
Dividend (US\$)		0.000	0.000	0.000	0.000	0.000	0.000
Revenue growth (%)		(31.4)	13.5	2.7	0.7	6.3	5.9
Gross Margin (%)		26.5	28.7	30.5	37.6	38.6	38.9
Adj EBITDA Margin (%)		(0.5)	4.9	4.6	10.9	12.4	13.3
Normalised Operating Margin (%)		(4.9)	(2.5)	(3.6)	3.7	6.8	7.4
BALANCE SHEET							
Fixed Assets		137,966	140,249	145,988	150,665	154,999	156,211
Intangible Assets		127,899	131,239	137,079	141,805	146,139	147,372
Tangible Assets		694	162	106	92	100	101
Right-of-use assets		953	967	922	886	880	857
Investments & other		8,420	7,881	7,881	7,881	7,881	7,881
Current Assets		58,842	60,976	53,778	55,280	59,325	67,361
Stocks		0	0	0	0	0	0
Debtors		14,265	17,297	17,752	17,866	18,962	20,060
Cash & cash equivalents		42,223	42,109	34,456	35,844	38,793	45,731
Other		2,354	1,570	1,570	1,570	1,570	1,570
Current Liabilities		(25,972)	(24,545)	(24,554)	(22,632)	(23,482)	(24,478)
Creditors		(24,457)	(19,953)	(19,962)	(18,040)	(18,890)	(19,886)
Tax and social security		(726)	(414)	(414)	(414)	(414)	(414)
Short term borrowings		0	0	0	0	0	0
Lease liabilities		(155)	(228)	(228)	(228)	(228)	(228)
Other		(634)	(3,950)	(3,950)	(3,950)	(3,950)	(3,950)
Long Term Liabilities		(12,802)	(11,445)	(11,445)	(11,445)	(11,445)	(11,445)
Long term borrowings		0	0	0	0	0	0
Lease liabilities		(873)	(876)	(876)	(876)	(876)	(876)
Other long term liabilities		(11,929)	(10,569)	(10,569)	(10,569)	(10,569)	(10,569)
Net Assets		158,034	165,235	163,766	171,868	179,398	187,650
Minority interests		0	0	0	0	0	0
Shareholders equity		158,034	165,235	163,766	171,868	179,398	187,650
CASH FLOW							
Op Cash Flow before WC and tax		8,267	21,438	24,119	33,598	38,331	43,153
Working capital		(630)	41	446	2,037	246	102
Exceptionals & other		2,455	2,319	2,000	1,500	1,000	500
Tax		1,638	(1,534)	(112)	(250)	(1,156)	(1,409)
Operating cash flow		11,730	22,264	26,452	36,884	38,421	42,346
Capex		(27,934)	(30,705)	(36,060)	(36,070)	(36,080)	(36,090)
Capitalised development costs		0	0	0	0	0	0
Acquisitions/disposals		(18,033)	0	0	0	0	0
Equity financing		(6,762)	9,785	0	0	0	0
Change in borrowing		(22)	(160)	0	0	0	0
Dividends		0	0	0	0	0	0
Other		1,280	580	754	574	608	682
Net Cash Flow		(39,741)	1,764	(8,854)	1,388	2,949	6,938
Opening net debt/(cash)		(78,853)	(39,784)	(41,005)	(33,352)	(34,740)	(37,689)
FX		672	(543)	1,200	0	0	0
Other non-cash movements		0	0	0	0	0	0
Closing net debt/(cash)		(39,784)	(41,005)	(33,352)	(34,740)	(37,689)	(44,627)
Closing net debt/(cash) ex financial leases		(40,812)	(42,109)	(34,456)	(35,844)	(38,793)	(45,731)

Source: Devolver Digital, Edison Investment Research

Contact details

85 Great Portland Street,
London
W1W 7LT
251 Little Falls Drive
Wilmington, New Castle County
Delaware, 19808, US
investors.devolverdigital.com
ir@devolverdigital.com

Revenue by geography



Management team

CEO: Harry Miller

Harry Miller was co-founder and CEO of Ritual Entertainment until 1998 when he founded GodGames. Following the sale of GodGames to Take-Two Interactive in 2000, he became CEO of En-Tranz Entertainment. In 2006, he established the developer-first publishing brand Gamecock Media Group. He has served as president and now CEO since founding Devolver.

CFO: Daniel Widdicombe

Dan Widdicombe joined Devolver as CFO in 2021. He spent time in the Asia-Pacific region at HSBC and Bear Stearns as an investment analyst before joining Nasdaq-listed Chinadotcom as CFO. Prior to joining Devolver, he spent 10 years in London as head of investment banking for China Construction Bank.

COO: Graeme Struthers

A co-founder of Devolver, Graeme Struthers was appointed as COO in 2022, following the group's IPO the previous year. Prior to Devolver, he held several roles at a number of games companies including Virgin Interactive Entertainment and Electronic Arts.

Non-executive chair: Kate Marsh

Kate Marsh has held a number of senior management roles at global companies including Amazon MGM Studios, Sky, WPP Media, Sony Pictures Entertainment and the BBC. She is a non-executive director at Games Workshop Group.

Principal shareholders

	%
Harry A Miller IV	20.7
NetEase	7.4
Graeme Struthers	6.3
Nigel Lowrie	5.8
Slater Investments	4.8
Sony Interactive Entertainment Europe	4.7
Kwalee	4.5

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