

31 July 2019

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

**Half year trading update and new €140m revolving credit facility**

***Excellent Like for Like revenue growth and significant organic investment***

Keywords Studios, the international technical and creative services provider to the global video games industry, today provides an update on trading for the six months ended 30 June 2019 and announces that it has agreed terms for a new €140m revolving credit facility.

**Trading Update**

The Group has grown very strongly during the first half, with unaudited revenues for the period expected to be up by c.39% to approximately €153.1m (H1 2018: €110.0m). On a constant currency, like for like\*\* basis, Group revenues were up 17.3% to €146.4m (H1 2018: €124.8m).

This performance was driven by particularly strong growth in our Functional Testing and Game Development (formerly Engineering) service lines, which are now the largest and second largest of our service lines, representing 20% and 19% of proforma revenues respectively. All seven of our service lines grew in the period with LFL \*\* revenue growth rates ranging from 5% to 33%.

Adjusted PBT\* is expected to increase by 15% to approximately €18.4m (H1 2018: €16.0m), which reflects the strong revenue growth, which was partly offset by our investment in and rapid expansion of capacity to meet that strong growth and the costs of the investment phase in some of the earlier stage businesses we acquired in 2018, which are now moving closer to breakeven or commercial launch.

During the first half, the particularly strong demand for certain service lines required us to bring forward the expansion of facilities and incur extra costs in areas such as recruitment, training, IT and HR. In addition, the Group invested in establishing Functional Testing operations in Katowice, Mexico City and Tokyo, Localization Testing in Katowice and Player Support in Mexico City, leveraging the existing locations and support infrastructure already established in those locations. As a result, we expect the greater first half weighting to our investment in capacity and cost base to result in stronger margins in the second half than in the first half.

Keywords has made four acquisitions in the period that are integrating well and we continue to review a strong pipeline of acquisition opportunities. Cash invested in acquisitions has totalled €7.0m, which comprised of €5.2m in respect of those companies acquired during the year and €1.8m in settlement of deferred consideration payments that became due. Net debt at 30 June 2019 was €9.0m (€0.1m at 31 December 2018).

### **New Financing Facility**

The Group today announces that it has agreed terms for a new revolving credit facility, subject to final contract. The new facility is being provided by Barclays Bank plc, Citibank N.A., HSBC and Silicon Valley Bank for an initial €100m over a three-year term, with the option to extend the facility up to €140m and by a further two years. It replaces the existing €105m facility, on the same terms.

### **Andrew Day, Chief Executive of Keywords, commented:**

"We were pleased by the strong performance of the Group in the first half, incorporating as it does the anticipated lower growth VMC business acquired in October 2017. Particularly steep increases in activity of some of our service lines in the first half required us to invest rapidly in expanding capacity to meet that demand. As we move into the second half, we expect to be able to leverage that investment to the benefit of margins in the second half.

"Demand from new game streaming services has continued to drive volume increases for us, and we continue to benefit from clients increasing the number of services acquired from Keywords with 113 clients now taking 3 or more services (99 as at 31 December 2018). I'm particularly pleased with the progress in building our Game Development services which we first entered only two years ago and, with further acquisitions still to come, is well set to become our largest service line by revenue.

"We continue to review a healthy pipeline of acquisition candidates in line with our strategy to build our business both organically and through acquisition. The new, enlarged banking facility will give us the flexibility and headroom to deliver that strategy and further enhance shareholder value."

Keywords Studios will provide a further update on trading with its half year results which it expects to announce on 18 September. To register your interest, please contact [keywords@mhpc.com](mailto:keywords@mhpc.com).

*\*the Group reports adjusted Profit Before Tax (PBT) before acquisition and integration expenses, share option charges, amortisation of intangibles and foreign currency gains.*

*\*\*like for like (LFL) revenue at constant exchange rates is calculated by adjusting the prior year revenues comparison by adding pre-acquisition revenues for the period equivalent to the period of ownership in the current year results, and applying consistent foreign exchange rates in both years.*

**For further information, please contact:**

**Keywords  
Studios** ([www.keywordsstudios.com](http://www.keywordsstudios.com))

**+353 190 22 730**

Andrew Day, Chief Executive Officer  
David Broderick, Chief Financial Officer

**Numis (Financial Adviser)**

**020 7260 1000**

Stuart Skinner / Kevin  
Cruickshank (Nominated Adviser)  
James Black / Tom Ballard (Corporate  
Broker)

**MHP Communications (Financial PR)**

**020 3128 8193**

Katie Hunt /Ollie Hoare

Certain information contained in this announcement would have constituted inside information (as defined by Article 7 of Regulation (EU) No 596/2014) prior to its release as part of this announcement.

**About Keywords Studios ([www.keywordsstudios.com](http://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.

It 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, Riot Games, Sony, Square Enix, Supercell, TakeTwo, Epic Games and Ubisoft. Recent titles worked on include Uncharted 4: A Thief's End, Call of Duty: WWII, Mortal Combat X, Assassin's Creed Origins, Battlefield 1, 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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