

17 January 2024

Frontier Developments plc

FY24 Interim Results

Frontier Developments plc (AIM: FDEV, 'Frontier', the 'Company', or the 'Group'), a leading developer and publisher of video games based in Cambridge, UK, publishes its unaudited interim results for the 6 months to 30 November 2023 ('H1 FY24').

H1 FY24 Financial Headlines

	H1 FY24 (6 months to 30 November 2023)	H1 FY23 (6 months to 30 November 2022)
Revenue	£47.7m	£57.1m
Adjusted EBITDA loss*	(£4.9m)	(£0.6m)
Operating (loss)/profit before restructuring	(£30.8m)	£6.9m
Cash balance at period end	£17.1m	£42.6m

*Adjusted EBITDA is earnings before interest, tax, depreciation and amortisation charges related to game developments and Frontier's game technology, less investments in game developments and Frontier's game technology, and excluding restructuring costs, share-based payment charges and other non-cash items.

- Good back-catalogue performance, with games which released before the start of the period delivering 72% of total revenue in H1 FY24
- Within the back-catalogue, creative management simulation ('CMS') games achieved £26.3 million of revenue (55% of total revenue), representing a sustain rate of 81% versus the comparative period (H1 FY23: £32.6 million)
- The revenue contribution from new games launching during the period was lower than expected
- Adjusted EBITDA loss of £4.9 million (H1 FY23: loss of £0.6 million) reflected the lower level of total revenue and a 3% increase in cash operating costs, partially offset by a higher gross profit margin
- The Organisational Review announced in October is on-track, including the planned 20% reduction in annual operating costs to support a return to profitability in FY25
- Non-cash amortisation and impairment charges resulted in an operating loss before restructuring of £30.8 million in H1 FY24 (H1 FY23: profit of £6.9 million)
- Cash balance of £17.1 million at 30 November 2023 (31 May 2023: £28.3 million)

Operational & Strategic Update

As explained in the Business Update in November, Frontier's move to diversify its game portfolio, including through third-party publishing and entering new genres, has not delivered the anticipated success. As a result, the Company has refocused on CMS games which have delivered more predictable and recurring returns through Frontier's expertise and leadership in that genre.

Frontier has confirmed three future CMS games with one releasing in each of the next three financial years - FY25, FY26 and FY27. Whilst developing those three future CMS games the Company will continue to support and nurture its existing portfolio.

Alongside the strategic refocus to CMS games, in the last three months the Company has undertaken an Organisational Review to reshape Frontier to deliver on the updated strategic plan more efficiently, return the Company to profit, and create a sustainable foundation for the future. The cost reduction elements of the review are now largely complete, and the targeted savings of 20% of annual operating costs will be fully in place from the start of FY25.

Current Trading and Outlook

Total sales during the important trading period of late November to early January were in-line with the revised expectations set in November, with strong sales performances across Frontier's CMS portfolio offsetting lower sales from some other games.

Frontier has two successful PC games coming to consoles before the end of this financial year. The first of these was confirmed on 16 January, with *Warhammer 40,000: Chaos Gate – Daemonhunters* announced for release on PlayStation®5, Xbox Series X|S, PlayStation®4 and Xbox One on 20 February 2024. The second PC game coming to consoles will be announced in the next few weeks.

The Board continues to expect FY24 revenue to be within the guidance range of £80-95 million, and the guidance on Adjusted EBITDA is also unchanged from the Business Update provided in November.

Jonny Watts, Frontier's CEO, said

"2023 was a challenging year for Frontier and for many companies across the games industry. The last few months have been a tough period of change for everyone at Frontier, and of course it's been particularly difficult for those people in teams who have suffered redundancies. I'd like to thank everyone for their hard work and patience while we make the necessary changes.

We are confident that our renewed focus on our world-class CMS games is getting us back on track, and it's pleasing to see the strong ongoing performance of our established portfolio of games, led by Jurassic World Evolution 2 and Planet Zoo. I'd like to thank our players across our whole portfolio for their ongoing engagement and support.

We have two exciting console releases coming in the next few months, including Warhammer 40,000: Chaos Gate-Daemonhunters, and we are making great progress on our new own-IP CMS game for release in FY25.

I look forward to providing further updates during 2024."

There will be a call for analysts and institutional investors at 9:30a.m. today. To register please contact Frontier@teneo.com.

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About Frontier Developments plc

Frontier is a leading independent developer and publisher of videogames founded in 1994 by David Braben, co-author of the iconic Elite game. Based in Cambridge, Frontier uses its proprietary COBRA game development technology to create innovative genre-leading games, primarily for personal computers and videogame consoles.

Frontier's LEI number: 213800B9LGPWUAZ9GX18.

www.frontier.co.uk

Interim Results Statement

REVENUE AND GROSS PROFIT

Revenue in H1 FY24 of £47.7 million was 17% lower than the comparative period (H1 FY23: £57.1 million).

The back-catalogue of games which released before the start of the financial year performed well in H1 FY24, generating 72% of total revenue. The largest contribution came from Frontier's established portfolio of CMS games – *RollerCoaster Tycoon 3*, *Planet Coaster*, *Planet Zoo*, *Jurassic World Evolution* and *Jurassic World Evolution 2* – which together recorded £26.3 million of revenue in H1 FY24 (55% of total revenue), representing a sustain rate of 81% versus the comparative period (H1 FY23: £32.6 million).

The ongoing revenue contribution from those genre-leading CMS games shows the strength of Frontier's select, develop, launch and nurture strategy. As expected, the strongest performers in the period were *Jurassic World Evolution 2* and *Planet Zoo*, which were both supported with free updates and multiple DLC packs. Across the whole portfolio, DLC accounted for 29% of total revenue in H1 FY24 (H1 FY23: 30%).

Revenue from new game releases in the period was lower than expected. Revenue from *F1® Manager* reduced 34% from H1 FY23 to H1 FY24 through lower sales of *F1® Manager 2023* compared with *F1® Manager 2022*. Launch sales of *Warhammer Age of Sigmar: Realms of Ruin* ('*Realms of Ruin*'), which released in November 2023, were lower than expected.

Although revenue reduced by £9.4 million (17%) against the comparative period, gross profit only decreased by £3.1 million (9%) to £33.0 million (H1 FY23: £36.1 million) through the positive impact of subscription fees and product mix, which boosted the gross profit margin percentage to 69% (H1 FY23: 63%). Frontier's gross margin percentage tends to vary between periods based on the revenue mix of own-IP games, licenced-IP games and subscription deals.

COSTS

In October 2023 Frontier announced an Organisational Review to reshape the Company to deliver more efficiently on its updated strategy. The cost-saving element of the Organisational Review is on-track to deliver against the targeted 20% reduction in annual operating expenditure. The timing of the cost reductions meant limited financial benefits in H1 FY24, with the impact of reductions starting in November and building during December and January. Costs will continue to reduce during H2 FY24 and it's expected that all cost reductions will be in place for the start of the next financial year on 1 June 2024. The Company recorded a £2.5 million provision for restructuring costs in H1 FY24.

Gross research and development expenses (before capitalisation and amortisation under IAS 38) in H1 FY24 reduced slightly to £25.5 million (H1 FY23: £25.9 million), with a rise in people costs being more than offset by a significant reduction in outsourced development costs and funding for Foundry games. Of the total gross spend 59% (£15.1 million) was capitalised (H1 FY23: 71%, £18.4 million) with the development costs for *F1® Manager 2023* and *F1® Manager 2024* being expensed as incurred instead of being capitalised, following the lower than expected financial performance of *F1® Manager 2022* in 2023.

R&D amortisation and impairment charges related to previously capitalised game developments and Frontier's game technology increased to £37.6 million (H1 FY23: £8.6 million). The total charge in the period included a non-cash accounting full impairment for *Realms of Ruin* of £16.9 million following the lower than expected sale performance of the game at launch in November 2023. Amortisation charges accounted for the remaining £20.7 million of the total (H1 FY23: £8.6 million), with the increase over the comparative period the result of the updated approach to amortisation profiles as highlighted in the 2023 Annual Report and Accounts. Intangible assets are now amortised more rapidly in the first 12 months following their release, through the adoption of a steeper amortisation charge profile than the previous default method of straight-line amortisation. The impairment charge and the updated approach to amortisation has not impacted Adjusted EBITDA, which is a measure of cash profitability, but has resulted in a short-term adverse impact on the reported IFRS operating result.

As a result of the lower level of development cost capitalisation, the increased amortisation charges and the impairment charge for *Realms of Ruin*, net research and development expenses as recorded in the consolidated income statement increased to £48.1 million (H1 FY23: £16.1 million), being gross spend of £25.5 million, less capitalised costs of £15.1 million, plus amortisation and impairment charges of £37.6 million.

Sales and marketing expenses in the period increased to £8.4 million (H1 FY23: £6.9 million) through two Frontier game launches in the period (*F1® Manager 2023* and *Realms of Ruin*) versus one launch in H1 FY23 (*F1® Manager 2022*).

Administrative expenses of £7.4 million were higher than the comparative period (H1 FY23: £6.3 million), largely due to foreign exchange differences, with a foreign exchange gain of £1.0 million having been recorded in H1 FY23.

A restructuring charge of £2.5 million was recorded in the period following the announcement of the Organisational Review in October 2023. The charge included a full provision for all costs expected to be incurred through the review, which will conclude by the end of FY24.

FINANCIAL PERFORMANCE

Although gross profit in H1 FY24 only reduced by £3.1 million against the comparative period, operating performance as reported under IFRS fell by £37.7 million from an operating profit of £6.9 million in H1 FY23 to an operating loss before restructuring of £30.8 million in H1 FY24. This was primarily due to three factors; the *Realms of Ruin* impairment charge; a higher level of amortisation from the adoption of steeper amortisation charge profiles; and a lower level of development cost capitalisation.

In comparison to the IFRS result, performance as measured by Adjusted EBITDA, a measure of cash profitability, only reduced by £4.3 million to a loss of £4.9 million (H1 FY23: loss of £0.6 million), with gross profit reducing £3.1 million and cash operating costs increasing by £1.2 million. Adjusted EBITDA is earnings before interest, tax, depreciation and amortisation charges related to game developments and Frontier's game technology, less investments in game developments and Frontier's game technology, and excluding restructuring costs, share-based payment charges and other non-cash items.

Consistent with H1 FY23, a nil corporation tax amount was posted in H1 FY24. A net credit is expected to be posted in the full year FY24 results for the anticipated Video Games Tax Relief cash claim for qualifying development activity in the financial year. The Group will provide additional corporation tax disclosures in the FY24 financial statements.

A loss after tax of £33.1 million was recorded in the period (H1 FY23: profit of £6.7 million). Basic loss per share was 85.7 pence (H1 FY23: earnings per share of 17.2 pence).

BALANCE SHEET AND CASH FLOW

The Group continues to be well capitalised, with a cash balance of £17.1 million at 30 November 2023 (31 May 2023: £28.3 million). Microsoft Game Pass subscription fees for *F1® Manager 2023* and *Jurassic World Evolution 2* were received in December 2023, with cash at 31 December 2023 growing to £19.9 million. Cash from the sales recorded in December will be received from platform and channel partners in January and February.

**CONSOLIDATED INCOME STATEMENT
FOR THE PERIOD ENDED 30 NOVEMBER 2023**

	Notes	6 months to 30 November 2023 £'000	6 months to 30 November 2022 £'000	12 months to 31 May 2023 £'000
Revenue	5	47,677	57,118	104,575
Cost of sales		(14,714)	(20,984)	(37,230)
Gross profit		32,963	36,134	67,345
Research and development expenses	8	(48,060)	(16,052)	(67,857)
Sales and marketing expenses		(8,350)	(6,893)	(12,012)
Administrative expenses		(7,369)	(6,333)	(14,056)
Operating (loss)/profit before restructuring		(30,816)	6,856	(26,580)
Restructuring costs		(2,500)	–	–
Operating (loss)/profit		(33,316)	6,856	(26,580)
Net finance income/(costs)		217	(137)	71
(Loss)/profit before tax		(33,099)	6,719	(26,509)
Income tax		–	–	5,604
(Loss)/profit for the period attributable to shareholders		(33,099)	6,719	(20,905)
Earnings per share				
Basic (loss)/earnings per share	6	(85.7p)	17.2p	(53.6p)
Diluted (loss)/earnings per share	6	(85.7p)	16.5p	(53.6p)

All the activities of the Group are classified as continuing.

The accompanying accounting policies and notes form part of this financial information.

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 NOVEMBER 2023**

	6 months to 30 November 2023 £'000	6 months to 30 November 2022 £'000	12 months to 31 May 2023 £'000
(Loss)/profit for the period	(33,099)	6,719	(20,905)
Other comprehensive income			
Items that will be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations	(146)	23	(578)
Total comprehensive (loss)/income for the period attributable to the equity holders of the parent	(33,245)	6,742	(21,483)

The accompanying accounting policies and notes form part of this financial information.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 NOVEMBER 2023

(REGISTERED COMPANY NO: 02892559)

	Notes	30 November 2023 £'000	30 November 2022 £'000	31 May 2023 £'000
Non-current assets				
Goodwill		7,027	10,385	7,160
Other intangible assets	7	33,746	79,012	56,987
Property, plant and equipment		5,415	6,171	5,696
Right-of-use assets		17,506	18,673	17,860
Deferred tax assets		–	1,349	–
Total non-current assets		63,694	115,590	87,703
Current assets				
Trade and other receivables		19,132	11,191	15,558
Current tax assets		5,805	4,094	9,438
Cash and cash equivalents		17,134	42,639	28,311
Total current assets		42,071	57,924	53,307
Total assets		105,765	173,514	141,010
Current liabilities				
Trade and other payables		(13,929)	(18,430)	(16,521)
Provisions		(1,758)	–	–
Lease liabilities		(1,597)	(1,483)	(1,505)
Deferred income		(2,457)	(2,769)	(4,355)
Total current liabilities		(19,741)	(22,682)	(22,381)
Net current assets		22,330	35,242	30,926
Non-current liabilities				
Provisions		(78)	(63)	(71)
Lease liabilities		(17,416)	(18,525)	(17,773)
Other payables		(3,836)	(5,547)	(4,235)
Deferred income		–	–	(163)
Deferred tax liabilities		(411)	–	(419)
Total non-current liabilities		(21,741)	(24,135)	(22,661)
Total liabilities		(41,482)	(46,817)	(45,042)
Net assets		64,283	126,697	95,968
Equity				
Share capital		197	197	197
Share premium account		36,547	36,468	36,547
Equity reserve		(13,953)	(11,998)	(14,553)
Foreign exchange reserve		(742)	5	(596)
Retained earnings		42,234	102,025	74,373
Total equity		64,283	126,697	95,968

The accompanying accounting policies and notes form part of this financial information.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 NOVEMBER 2023**

	Share capital £'000	Share premium account £'000	Equity reserve £'000	Foreign exchange reserve £'000	Retained earnings £'000	Total equity £'000
At 31 May 2022	197	36,468	(12,769)	(18)	94,492	118,370
Profit for the period	–	–	–	–	6,719	6,719
Other comprehensive income:						
Exchange differences on translation of foreign operations	–	–	–	23	–	23
Total comprehensive income for the period	–	–	–	23	6,719	6,742
Share-based payment charges	–	–	1,305	–	–	1,305
Share-based payment transfer relating to option exercises and lapses	–	–	(814)	–	814	–
Employee Benefit Trust net cash inflows from option exercises	–	–	280	–	–	280
Transactions with owners	–	–	771	–	814	1,585
At 30 November 2022	197	36,468	(11,998)	5	102,025	126,697
Loss for the period	–	–	–	–	(27,624)	(27,624)
Other comprehensive income:						
Exchange differences on translation of foreign operations	–	–	–	(601)	–	(601)
Total comprehensive income for the period	–	–	–	(601)	(27,624)	(28,225)
Issue of share capital net of expenses	–	79	–	–	–	79
Share-based payment charges	–	–	2,035	–	–	2,035
Share-based payment transfer relating to option exercises and lapses	–	–	(1,543)	–	1,543	–
Employee Benefit Trust cash outflows from share purchases	–	–	(3,000)	–	–	(3,000)
Employee Benefit Trust net cash inflows from option exercises	–	–	(47)	–	–	(47)
Deferred tax movements posted directly to reserves	–	–	–	–	(1,571)	(1,571)
Transactions with owners	–	79	(2,555)	–	(28)	(2,504)
At 31 May 2023	197	36,547	(14,553)	(596)	74,373	95,968
Loss for the period	–	–	–	–	(33,099)	(33,099)
Other comprehensive income:						
Exchange differences on translation of foreign operations	–	–	–	(146)	–	(146)
Total comprehensive income for the period	–	–	–	(146)	(33,099)	(33,245)
Share-based payment charges	–	–	1,559	–	–	1,559
Share-based payment transfer relating to option exercises and lapses	–	–	(960)	–	960	–
Employee Benefit Trust net cash inflows from option exercises	–	–	1	–	–	1
Transactions with owners	–	–	600	–	960	1,560
At 30 November 2023	197	36,547	(13,953)	(742)	42,234	64,283

The accompanying accounting policies and notes form part of this financial information.

**CONSOLIDATED STATEMENT OF CASHFLOWS
FOR THE PERIOD ENDED 30 NOVEMBER 2023**

	6 months to 30 November 2023 £'000	6 months to 30 November 2022 £'000	12 months to 31 May 2023 £'000
(Loss)/profit before taxation	(33,099)	6,719	(26,509)
<i>Adjustments for:</i>			
Depreciation and amortisation	24,467	12,289	41,438
Impairment of other intangible assets	16,930	–	18,117
Movement in unrealised exchange losses on forward contracts	(114)	(817)	(239)
Share-based payment expenses	1,559	1,305	3,340
Interest received	(504)	(166)	(677)
Payment of interest element of lease liabilities	287	303	607
Research and Development Expenditure Credits	(236)	–	(481)
<i>Working capital changes:</i>			
Change in trade and other receivables	(3,460)	15,451	11,084
Change in trade and other payables	(6,150)	(6,228)	(3,114)
Change in provisions	1,765	7	15
Cash generated from operations	1,445	28,863	43,581
Taxes received	3,919	4,021	4,294
Net cash flows from operating activities	5,364	32,884	47,875
Investing activities			
Purchase of property, plant and equipment	(787)	(645)	(1,335)
Expenditure on other intangible assets	(15,227)	(18,895)	(42,046)
Acquisition of subsidiaries (net of cash acquired)	–	(8,847)	(9,606)
Interest received	504	166	677
Net cash flows used in investing activities	(15,510)	(28,221)	(52,310)
Financing activities			
Proceeds from issue of share capital	–	–	79
Employee Benefit Trust cash outflows from share purchases	–	–	(3,000)
Employee Benefit Trust cash inflows from option exercises	1	280	233
Repayment of loans	–	–	(1,260)
Payment of principal element of lease liabilities	(747)	(731)	(1,461)
Payment of interest element of lease liabilities	(287)	(303)	(607)
Net cash flows used in financing activities	(1,033)	(754)	(6,016)
Net change in cash and cash equivalents from continuing operations	(11,179)	3,909	(10,451)
Cash and cash equivalents at beginning of period	28,311	38,699	38,699
Exchange differences on cash and cash equivalents	2	31	63
Cash and cash equivalents at end of period	17,134	42,639	28,311

The accompanying accounting policies and notes form part of this financial information.

NOTES TO THE FINANCIAL INFORMATION

1. CORPORATE INFORMATION

Frontier Developments plc (the 'Group' or the 'Company') develops and publishes video games for the interactive entertainment sector. The Company is a public limited company and is incorporated and domiciled in the United Kingdom.

The address of its registered office is 26 Science Park, Milton Road, Cambridge CB4 0FP.

The Group's operations are based and headquartered in the UK, with subsidiaries based in Canada and the US.

2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

Basis of preparation

The consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting' (IAS 34), as issued by the International Accounting Standards Board (IASB) and as adopted by the UK, and the disclosure requirements of the Listing Rules.

The consolidated interim financial statements do not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006 and have not been audited or reviewed by the Company's auditors.

The consolidated interim financial statements should be read in conjunction with the financial statements for the year ended 31 May 2023.

Statutory accounts for the year ended 31 May 2023 were approved by the Board of Directors on 12 September 2023 and delivered to the Registrar of Companies. The Auditor's Report was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498 of the Companies Act 2006.

The financial information has been prepared under the historical cost convention except for financial instruments held at fair value. The financial information is presented in Sterling, the presentation and functional currency for the Group and Company. All values are rounded to the nearest thousand pounds (£'000) except when otherwise indicated.

Going concern basis

The Group's and Company's forecasts and projections, taking account of current cash resources and reasonably possible changes in trading performance, support the conclusion that there is a reasonable expectation that the Group and Company has adequate resources to continue in operational existence for a period of not less than 12 months from the date of the consolidated interim financial statements. The Group and Company therefore continue to adopt the going concern basis in preparing their financial statements.

3. ACCOUNTING POLICIES

The consolidated interim financial statements have been prepared in accordance with the accounting policies adopted in the Group's most recent annual financial statements for the year ended 31 May 2023.

4. ACCOUNTING ESTIMATES AND KEY JUDGEMENTS

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

The judgements, estimates and assumptions applied in the interim financial statements, including the key sources of estimation uncertainty, were the same as those applied in the Group's last annual financial statements for the year ended 31 May 2023.

5. SEGMENT INFORMATION

The Group identifies operating segments based on internal management reporting that is regularly reviewed by the chief operating decision maker and reported to the Board. The chief operating decision maker is the Chief Executive Officer.

Management information is reported as one operating segment, being revenue from publishing games and revenue from other streams such as royalties and licensing.

The Group does not provide any information on the geographical location of sales as the majority of revenue is through third-party distribution platforms which are responsible for the sales data of consumers. The cost to develop this information internally would be excessive.

The majority of the Group's non-current assets are held within the UK.

All material revenue is categorised as either publishing revenue or other revenue.

The Group typically satisfies its performance obligations at the point that the product becomes available to the customer and payment is received upfront by the distributors.

Other revenue mainly related to royalty income in all periods.

	6 months to 30 November 2023 £'000	6 months to 30 November 2022 £'000	12 months to 31 May 2023 £'000
Publishing revenue	46,654	56,971	104,084
Other revenue	1,023	147	491
Total revenue	47,677	57,118	104,575
Cost of sales	(14,714)	(20,984)	(37,230)
Gross profit	32,963	36,134	67,345
Research and development expenses	(48,060)	(16,052)	(67,857)
Sales and marketing expenses	(8,350)	(6,893)	(12,012)
Administrative expenses	(7,369)	(6,333)	(14,056)
Operating (loss)/profit before restructuring	(30,816)	6,856	(26,580)
Restructuring costs	(2,500)	–	–
Operating (loss)/profit	(33,316)	6,856	(26,580)
Net finance income/(costs)	217	(137)	71
(Loss)/profit before tax	(33,099)	6,719	(26,509)
Income tax	–	–	5,604
(Loss)/profit for the period attributable to shareholders	(33,099)	6,719	(20,905)

6. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit/(loss) attributable to the shareholders of Frontier Developments plc divided by the weighted average number of shares in issue during the period.

	6 months to 30 November 2023	6 months to 30 November 2022	12 months to 31 May 2023
(Loss)/profit attributable to shareholders (£'000)	(33,099)	6,719	(20,905)
Weighted average number of shares	38,601,286	39,018,948	39,025,746
Basic (loss)/earnings per share (p)	(85.7)	17.2	(53.6)

The calculation of the diluted earnings per share is based on the profit/(loss) attributable to the shareholders of Frontier Developments plc divided by the weighted average number of shares in issue during the period as adjusted for the dilutive effect of share options.

	6 months to 30 November 2023	6 months to 30 November 2022	12 months to 31 May 2023
(Loss)/profit attributable to shareholders (£'000)	(33,099)	6,719	(20,905)
Diluted weighted average number of shares	38,601,286	40,598,671	39,025,746
Diluted (loss)/earnings per share (p)	(85.7)	16.5	(53.6)

The reconciliation of the average number of Ordinary Shares used for basic and diluted earnings per share is as follows:

	6 months to 30 November 2023	6 months to 30 November 2022	12 months to 31 May 2023
Weighted average number of shares	38,601,286	39,018,948	39,025,746
Dilutive effect of share options	–	1,579,723	–
Diluted average number of shares	38,601,286	40,598,671	39,025,746

The dilutive effect of share options is nil for the 6 months to 30 November 2023 because a loss was recorded for the period.

7. OTHER INTANGIBLE ASSETS

	Game technology £'000	Game developments £'000	Third-party software £'000	IP licences £'000	Total £'000
Cost					
At 31 May 2022	19,733	129,393	2,390	11,185	162,701
Additions	1,643	16,786	106	–	18,535
Acquisition of a subsidiary	–	–	62	–	62
At 30 November 2022	21,376	146,179	2,558	11,185	181,298
Additions	1,806	17,396	323	–	19,525
Acquisition of a subsidiary	–	3,910	(4)	–	3,906
Exchange rate movement	–	(300)	–	–	(300)
At 31 May 2023	23,182	167,185	2,877	11,185	204,429
Additions	2,218	12,835	174	1,047	16,274
Exchange rate movement	–	(86)	–	–	(86)
At 30 November 2023	25,400	179,934	3,051	12,232	220,617
Amortisation and impairment					
At 31 May 2022	9,173	77,970	1,651	3,074	91,868
Amortisation charges	1,512	7,293	210	1,341	10,356
Acquisition of a subsidiary	–	–	62	–	62
At 30 November 2022	10,685	85,263	1,923	4,415	102,286
Amortisation charges	2,357	24,605	211	–	27,173
Acquisition of a subsidiary	–	–	(4)	–	(4)
Impairment charges	3,919	12,474	–	1,724	18,117
Exchange rate movement	–	(130)	–	–	(130)
At 31 May 2023	16,961	122,212	2,130	6,139	147,442
Amortisation charges	1,542	19,124	211	1,686	22,563
Impairment charges	–	15,502	–	1,428	16,930
Exchange rate movement	–	(64)	–	–	(64)
At 30 November 2023	18,503	156,774	2,341	9,253	186,871
Net book value					
Net book value at 30 November 2023	6,897	23,160	710	2,979	33,746
Net book value at 31 May 2023	6,221	44,973	747	5,046	56,987
Net book value at 30 November 2022	10,691	60,916	635	6,770	79,012
Net book value at 31 May 2022	10,560	51,423	739	8,111	70,833

8. KEY PERFORMANCE INDICATORS – NON-STATUTORY MEASURES

In addition to measures of financial performance derived from IFRS reported results – revenue, operating profit, operating profit margin percentage, earnings per share and net cash balance – Frontier publishes, and provides commentary on, financial performance measurements derived from non-statutory calculations. Frontier believes these supplementary measures, when read in conjunction with the measures derived directly from statutory financial reporting, provide a better understanding of Frontier’s overall financial performance.

EBITDA

EBITDA, being earnings before tax, interest, depreciation, and amortisation, is commonly used by investors when assessing the financial performance of companies. It attempts to arrive at a ‘cash profit’ figure by adjusting operating profit for non-cash depreciation and amortisation charges. In Frontier’s case, EBITDA does not provide a clear picture of the Group’s cash profitability, as it adds back amortisation charges relating to game developments, but without deducting the investment costs for those developments, resulting in a profit measure which does not take into account any of the costs associated with developing games. Since EBITDA is a commonly used financial performance measure, it has been included below for the benefit of readers of the accounts who may value that measure of performance.

	6 months to 30 November 2023 £'000	6 months to 30 November 2022 £'000	12 months to 31 May 2023 £'000
Operating (loss)/profit before restructuring	(30,816)	6,856	(26,580)
Depreciation and amortisation	24,467	12,291	41,438
Impairment of other intangible assets	16,930	–	18,117
EBITDA	10,581	19,147	32,975

Adjusted EBITDA

Frontier also discloses an Adjusted EBITDA measure which, in the Group’s view, provides a better representation of ‘cash profit’ than EBITDA. Adjusted EBITDA for Frontier is defined as earnings before interest, tax, depreciation, and amortisation charges related to game developments and Frontier’s game technology, less investments in game developments and Frontier’s game technology, and excluding impairment charges, share-based payment charges and other non-cash items. This effectively provides the cash profit figure that would have been achieved if Frontier expensed all game development investment as it was incurred, rather than capitalising those costs and amortising them over several years.

	6 months to 30 November 2023 £'000	6 months to 30 November 2022 £'000	12 months to 31 May 2023 £'000
Operating (loss)/profit before restructuring	(30,816)	6,856	(26,580)
Add back non-cash intangible asset amortisation charges for game developments and Frontier's game technology	20,666	8,589	34,490
Add back non-cash intangible asset impairment charges	16,930	–	18,117
Deduct capitalised investment costs in game developments and Frontier's game technology	(15,054)	(18,429)	(37,632)
Add back non-cash depreciation charges	1,904	1,934	3,909
Add back non-cash movements in unrealised exchange (gains)/losses on forward contracts	(114)	(817)	(239)
Add back non-cash share-based payment expenses	1,559	1,305	3,340
Adjusted EBITDA loss	(4,925)	(562)	(4,595)

Research and development (R&D) expenses

Research and development (R&D) expenses recorded in Frontier's consolidated income statement are arrived at after capitalising game development costs and after recording amortisation charges for games which have been released. Similar to the principles of the Adjusted EBITDA measure showing financial performance as if all game development investments were expensed as incurred, Frontier provides commentary on the difference between gross R&D expenses (before capitalisation/amortisation) and net R&D expenses (after capitalisation/ amortisation). The net R&D expenses figure aligns with the R&D expenses recorded in the consolidated income statement, whereas the gross R&D expenses figure provides a better representation of 'cash spend' on R&D activities.

	6 months to 30 November 2023 £'000	6 months to 30 November 2022 £'000	12 months to 31 May 2023 £'000
Gross R&D expenses	25,518	25,892	52,882
Capitalised investment costs in game developments and Frontier's game technology	(15,054)	(18,429)	(37,632)
Amortisation charges for game developments and Frontier's game technology	20,666	8,589	34,490
Impairments of other intangible assets	16,930	–	18,117
Net R&D expenses	48,060	16,052	67,857