Devolver Digital

FY25 results

Turning creativity into quality growth

Consumer

26 May 2026

Devolver Digital has published c 150 games over its lifetime, generating a revenue CAGR of c 15% per year through a period of both industry boom and slump. As the industry emerges from the post-COVID hiatus, we revisit the group's recent FY25 results, highlighting how the main elements of our investment case were key drivers of the performance. We also update our forecasts and raise our fair value estimate to 43p/share from 36p previously.

Year end	Revenue ($m)	EBITDA ($m)	PBT ($m)	EPS ($)	P/E (x)	EV/EBITDA (x)
12/24	104.8	5.1	(2.2)	0.01	29.0	20.6
12/25	107.9	7.1	2.0	(0.03)	N/A	14.8
12/26e	110.4	11.8	7.6	0.01	36.3	8.9
12/27e	116.5	14.6	9.6	0.01	32.2	7.2

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

A winning formula

FY26 began with three top 10 bestsellers on the Steam platform. There are two important lessons that investors should take from this and the group's more than 20 awards and over 50 award nominations in FY25. The first is that Devolver continues to demonstrate its ability to identify and back the very best independent games, whether from third parties or in-house studios. The second is that Devolver games attract increasing attention in what is only becoming a more competitive marketplace. Awards mean greater volumes of traffic, which is generated by players who are specifically interested in the game and therefore more likely to purchase.

The growth opportunity

The group expects five major first-party franchise releases across 2026 and 2027. Further opportunities in areas such as mobile gaming and in the Asia-Pacific region bode well for the longer term. In the shorter term, we expect increasingly strong returns from the group's continued development spend of c $30–35m per year, as the promising pipeline continues to underpin the group's back catalogue.

The impact of operational leverage

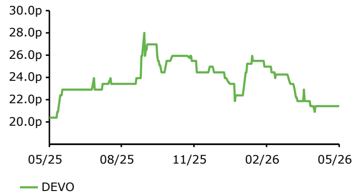
The operational leverage that already exists in a business with a relatively fixed cost base will be further enhanced by falling royalty payments as a percentage of sales (thanks to more first-party intellectual property (IP)) and lower amortisation of acquired third-party IP. An increase in our current year revenue estimate to $110.4m from $108.3m contributes to a rise in our current year adjusted gross profit forecast to $44.1m from $42.3m and in adjusted pre-tax profit to $7.6m from $4.6m.

Valuation: Fair value upgrade to 43p

We believe that investment opportunities exist in both the short and long term. In the short term, assuming the same forward EV/EBITDA applies at end FY26, then Devolver's market capitalisation would be $170m compared to today's value of $139m – an increase of 21%. In the longer term, we continue to prefer a returns-based valuation approach and update our near-term forecasts, raising our fair value estimate to 43p/share from 36p previously.

Price	**21.50p**
Market cap	**£104m**
Net cash at 31 December 2025	$35.7m
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	0.0	(14.0)	4.9
52-week high/low		28.0p	20.5p

Business description

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

Next events

Trading statement	June 2026

Analysts

Dan Ridsdale +44 (0)20 3077 5700

Ross Jobber +44 (0)20 3077 5700

consumer@edisongroup.com

Edison profile page

Devolver Digital is a research client of Edison Investment Research Limited

Forecast updates

The FY25 results were slightly ahead of our expectations. Helped by 15 new releases (FY24: 10), revenues rose 3% y-o-y to $107.9m (Edison forecast $107.6m) with front catalogue sales of $37.9m (FY24: $11.9m), of which over 35% was from in-house IP. Back catalogue revenues were $68.9m, down 24% y-o-y as the effect of previous blockbuster releases continues to wash through.

Operating leverage led to a 39% y-o-y rise in adjusted EBITDA to $7.1m (FY24: $5.1m, Edison forecast: $4.9m), with tight cost control and lower amortisation reducing operating expenses by 7.9%. The reported loss for the period of $16.0m was significantly affected by non-cash items, as reflected in the FY25 positive operational cash inflow of $31.8m (Edison forecast: $26.6m, FY24: $23.8m). Continued significant investment in the year saw closing net cash before leases fall slightly to $36.6m (FY24: $41.9m), although H225 was free cash flow positive despite c $21m of investment.

In the light of these results, our forecast adjustments are set out in Exhibit 1 below.

Exhibit 1: Summary of post-FY25 results forecast revisions

$000s	Old estimate	Actual	% change	Old	New	% change	Old	New	% change
	FY25e	FY25		FY26e	FY26e		FY27e	FY27e	
Revenues	107,610	107,896	0%	108,321	110,441	2%	115,132	116,488	1%
Gross profit	32,860	33,088	1%	40,769	42,617	5%	44,398	46,113	4%
EBITDA	1,942	2,533	30%	8,210	8,143	-1%	10,468	10,664	2%
PBT	(6,112)	(2,569)	nm	1,001	3,854	nm	4,624	5,616	21%
EPS (US$)	(0.026)	(0.034)	31%	0.002	0.006	nm	0.007	0.008	21%
Operating cash flow	26,452	31,802	20%	36,884	39,984	8%	38,421	40,200	5%
Net cash/(debt)	32,888	35,738	9%	34,276	41,580	21%	37,225	47,333	27%
Adjusted gross profit	34,860	37,393	7%	42,269	44,117	4%	45,398	47,113	4%
Adjusted EBITDA	4,907	7,082	44%	11,768	11,840	1%	14,298	14,622	2%
Adjusted PBT	(3,148)	1,980	nm	4,559	7,551	66%	8,454	9,575	13%
Adjusted EPS (US$)	(0.005)	0.003	nm	0.007	0.010	37%	0.013	0.011	-9%

Source: Devolver Digital accounts, Edison Investment Research

While the numbers themselves tell a compelling story, we also highlight three elements of the performance (and subsequent publication of the FY25 Annual Report and Accounts) that re-emphasise the investment opportunity outlined in our March 2026 initiation note.

These three elements are:

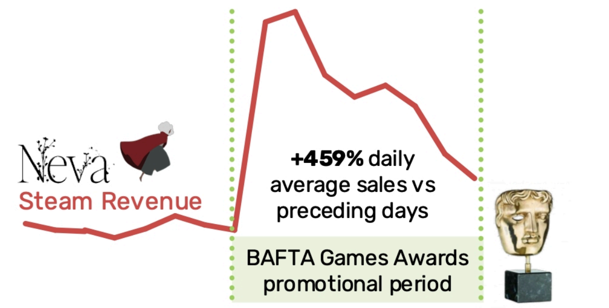
1. A winning formula.
2. The growth opportunity.
3. The impact of operational leverage.

A winning formula

In our recent executive interview, CEO Harry Miller described the Devolver business model as 'working with new and distinctive games and helping them find their audience'. Getting this model right requires two critical skills: identifying the right games and optimising market engagement. In addition to backing winning third-party games, since 2010, the group has developed 10 major in-house franchises that have together generated almost $500m in revenues. This ability to continue finding, creating and promoting winning games was very much in evidence in the group's performance described in the recent results.

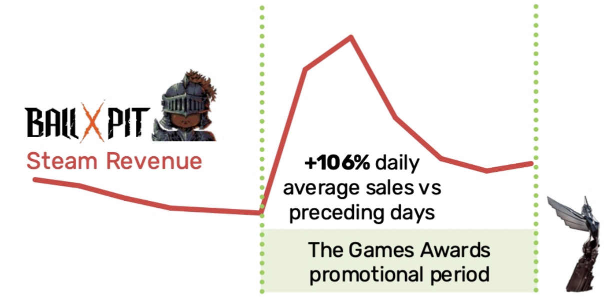
The FY25 results release confirmed to investors that FY26 had started strongly, with a record three Devolver games in the Steam global top 10 bestseller list. CY25 saw Devolver-backed games win more than 20 awards and over 50 further nominations. Positive reviews on the Steam platform reached 94% (FY24: 91%) as the group's games continued to engage players. There are two important lessons that investors should take from this success. The first is that Devolver continues to demonstrate its ability to identify and back the very best independent games, whether from third parties or from in-house studios. The second is that Devolver games attract attention in what is only becoming a more competitive marketplace. Awards mean greater volumes of traffic, generated by players who are specifically interested in the game and therefore are more likely to purchase.

Exhibit 2: Awards impact on Neva Steam revenues



Source: Devolver Digital

Exhibit 3: Awards impact on Ball X Pit Steam revenues

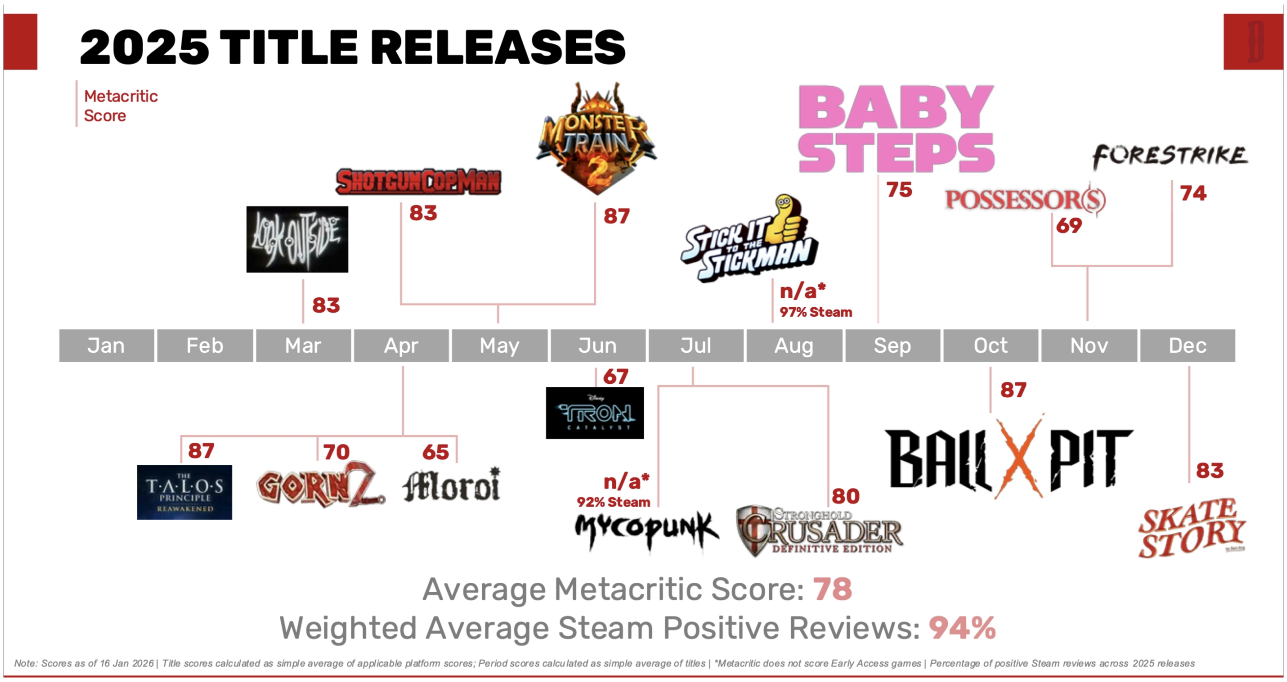


Source: Devolver Digital

Attracting strong IP

Devolver's continued ability to access high-potential third-party IP is due to a number of factors. Senior management have long track records in the indie games market. The consequence of this is that the group sits within an ecosystem of independent games developers that other non-indie publishers would find difficult to break into – a competitive moat that, needless to say, does not appear on the balance sheet. As an example of this competitive advantage, the developers of the games *Look Outside* and *Ball Pit* are now working with Devolver, having been initially recommended by colleagues who worked with the group on the highly successful game *Baby Steps*. This example also serves to illustrate the critical importance of the publisher-first philosophy on which Devolver was founded. We believe this philosophy of working in the closest possible partnership with developers remains a critical element of Devolver's success story. The group also confirmed at its recent results that it has a pipeline of more than 30 titles to release over the next three to four years.

Exhibit 4: 2025 Devolver releases



Source: Devolver Digital

Platform benefits in data and analytics

The FY25 results outlined the continued evolution of Devolver's winning formula in terms of IP selection and (just as importantly) engagement analytics. The challenge for studios is not just the collection of data but the incorporation of the subsequent data analysis into the decision-making process. This is a perfect example of how Devolver can help indie developers in ways that go beyond purely distribution, assisting with a range of publishing services that might otherwise be outside their reach.

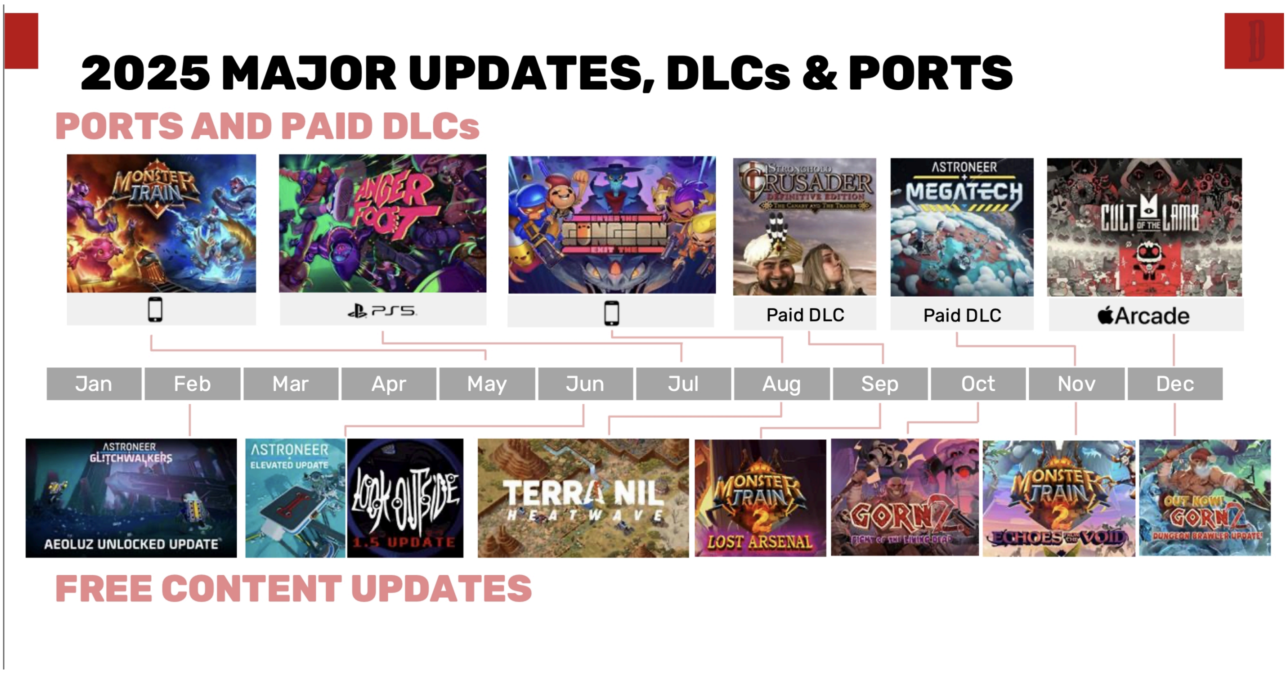
The acquisition of System Era increased Devolver's telemetry capabilities significantly. Measuring user interaction within its games allows Devolver to more accurately identify the areas most likely to generate returns from further investment. This is a key factor in determining how future monetisation might be achieved, particularly in hybrid models that might include features such as add-ons, subscriptions or definitive editions. Telemetry is particularly powerful when developing expandable game franchises where significant additional investment is deployed. By mixing free and paid downloadable content in FY25, Devolver was able to boost revenues while not alienating players.

System Era also gave Devolver further capabilities in other backend services. This suite of functionality (player authentication, multiplayer capabilities, cloud saves, leaderboards, progress tracking, monetisation) is the backbone of many games. Suboptimal backend services can restrict a game's scalability and inhibit the evolution of an all-important community around a particular game, and as such backend services form an important element of Devolver's formula.

The group explained in the FY25 results presentation how its expanded suite of backend services has been combined with a wrapper for the Unity development engine, resulting in a suite of optimisation tools that can be used across the group's entire games portfolio.

In conclusion, we believe that the Devolver of today not only has an attractive portfolio of IP, but more importantly from a valuation perspective, has significantly enhanced its ability to continue identifying and developing profitable franchises well beyond most analysts' forecast horizons. By overly focusing on the one- to two-year release pipeline, investors are in danger of missing the fundamental transformation that the group has undertaken since its IPO.

Exhibit 5: FY25 content releases outside new titles



Source: Devolver Digital

The growth opportunity

In addition to having a strong position in its established markets, the FY25 results showed yet again that the group's growth prospects remain undiminished. We were struck by the following factors:

- The mobile gaming market represents around half of all spend globally and yet in FY25 mobile gaming represented only c 5% of Devolver's revenues. This represents a significant long-term growth opportunity, particularly as the group's PC/console markets have only a finite capacity to absorb new releases in any one year (we expect Devolver to release 11 or 12 new games in each of the next few years). Furthermore, in contrast to AAA/AA games, the lower dependence of Devolver titles on the very highest possible quality graphics makes the mobile sector an even more interesting opportunity in our opinion.
- The Asia-Pacific region continues to be a key growth area, currently accounting for c 15% of group revenues. The region has a significantly larger proportion of the global gaming market, giving Devolver ample opportunity to grow in the longer term in this region. Furthermore, the barriers to entry are particularly low in what is already a truly

global market.

- While third-party games remain critical to Devolver, the group is also developing indie games in-house. This results in enhanced profitability due to the absence of third-party royalty payouts, where game revenues are shared with third-party developers once Devolver's initial two- to three-year investment has been recouped. Royalty payments represented 40% of revenues in FY25, down from 46% two years earlier.
- Devolver set out a strategy at its IPO to grow its presence in expandable games. These games allow significant development of a storyline, creating whole new expansions to a game and freeing up developers from pursuing a more 'linear' evolution. Such freedom should result in games with considerably longer lifespans (and thus revenue potential) compared to less expandable franchises. In late 2023, Devolver acquired System Era, the developer of the successful *Astroneer* franchise, and a business with significant expertise in expandable game style development. This development approach requires a detailed understanding of how players interact with a game in order to ensure that additional investment is targeted at those elements of the game that players are engaging with.
- The group spent $36m on development capital expenditure in FY25, and we expect the spending level to remain in the $30–35m range for the next few years. This is a sizeable investment of highly targeted spending (due to the analytics discussed above), which has the potential to generate significant future growth. The group's balance sheet currently has c $50m of capitalised prior year development capex.
- Cash generation is leading to renewed management interest in not just supporting but actually acquiring third-party IP. This IP could take the form of new games titles as well as potentially new publishing names similar to Firefly. This would help ensure that the group's main Devolver platform is not subject to release saturation, which could compromise player engagement.

Operational leverage

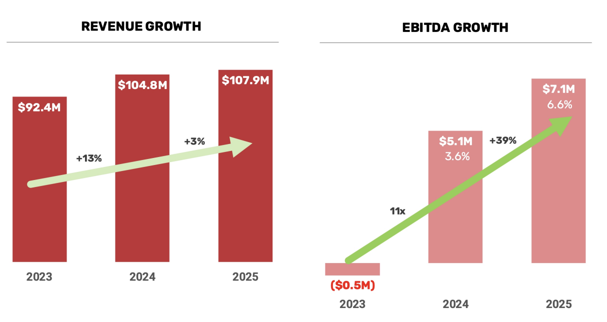
Given the relatively fixed (pre-royalties) cost base, the group should (and does) display significant operational leverage, specifically at revenues over c $100m. This operational leverage was notable at the recent FY25 results, as shown below, when adjusted EBITDA grew significantly despite a relatively modest increase in revenues. It is also noteworthy that in the FY25 results, operating expenses fell 7.9% due to lower amortisation of IP and tighter control of costs. This was despite a 20% rise in non-capitalised employment costs to $23.3m due to greater investment.

As the mix of revenues between third-party and in-house IP continues to evolve, third-party royalty costs (which represented 40% of revenues in FY25) will continue to fall, boosting gross margins. In addition, amortisation of acquired third-party IP will also decline. Stock compensation charges are also set to fall in the short term.

The group's operational leverage is illustrated in Exhibits 6 and 7 below. Over the past three years, revenues have grown from $92m to $108m, a rise of c 17%, while the cost base has remained broadly unchanged, with cost of sales rising only c 3% and SG&A rising only c 5% over the same period. We see this operational leverage continuing courtesy of the mix of fixed and variable costs. In FY27, for example, we expect 49% of the $70.4m COGS to be fixed in nature (FY25: 43%) with the balance being royalty payments. In SG&A costs, we expect $28.4m of the $39.5m FY27 cost base to be semi-fixed employee costs and amortisation of purchased IP.

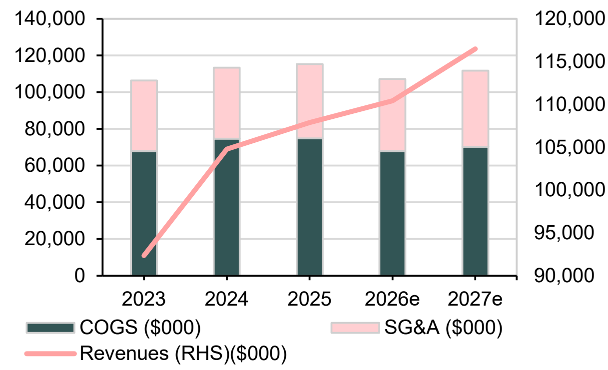
We see this operational leverage continuing to build. Management expects revenue, adjusted EBITDA and year-end net cash to all continue to grow in FY26, underpinned by three major first-party titles, *STARSEEKER: Astroneer Expeditions*, *Serious Sam*: *Shatterverse* and *Stronghold Unreal.*

Exhibit 6: Devolver annual revenues and adjusted EBITDA



Source: Devolver Digital

Exhibit 7: Devolver operational leverage, 2023–27e



Source: Devolver Digital, Edison Investment Research

Valuation

A short-term view

A simple way of illustrating the short-term investment opportunity for Devolver is to look at the expected progression in adjusted EBITDA this year. By the end of FY26 we expect the group's net cash to stand at $41.6m. Assuming that the same forward EV/EBITDA applies then as now (ie 8.8x FY26 at the time of writing), then the implied end-FY26 market capitalisation for Devolver would be $170m (8.8x the FY27 adjusted EBITDA of $14.6m, plus the expected year-end net cash of $41.6m) compared to today's value of $139m – an increase of 21%.

A long-term view

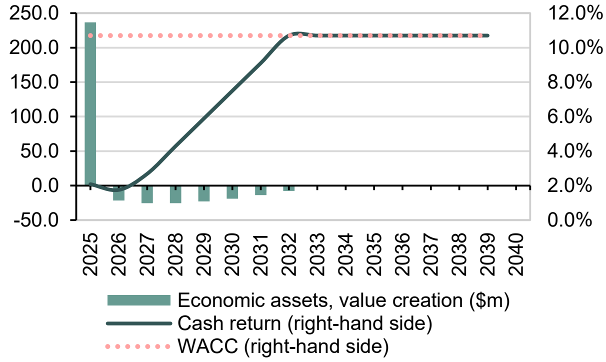
As mentioned in previous notes, our preferred valuation approach uses return on capital invested. There are several reasons for this:

- Over the years Devolver has invested significant sums in IP and other intangible assets such as goodwill. Some of these assets have been written down but remain within the ownership of the group. We believe that it is important to capture the value of these assets – something that multiples analysis singularly fails to do.
- The investment opportunity that we see in Devolver is long term in nature, based as it is on our belief that the group has never been better positioned to generate long-term shareholder value. We believe that multiples analysis fails to capture this long-term picture.
- We have argued that Devolver represents a unique investment opportunity for investors, requiring a valuation approach that has a sufficiently long-term horizon. Comparative multiples analysis is relatively short term in nature and captures longer-term investment characteristics poorly.

We estimate that Devolver currently deploys c $250m of economic assets (defined as all balance sheet assets stated at gross carrying values, less cash and goodwill). While this figure is almost twice the group's current market capitalisation, it does imply that, based on the FY25 results, the group is not currently generating its costs of capital (which we estimate to be 10.7%). Our valuation analysis assumes that cash returns will equal weighted average cost of capital (WACC) in seven years as the operational leverage that accompanies our forecast growth profile raises returns significantly.

We have updated our expected long-term value creation profile from these economic assets to reflect the recent FY25 results, fx movements and our forecast changes. Accordingly, our fair value has risen from 36p to 43p per share.

Exhibit 8: Forecast Devolver long-term returns profile



Source: Edison Investment Research

Exhibit 9: Devolver valuation sensitivity (pence per share)

		Years to achieve WACC						
		5	6	7	8	9	10	11
WACC	12.5%	0.48	0.46	0.45	0.43	0.42	0.40	0.39
	12.0%	0.48	0.46	0.45	0.43	0.42	0.40	0.39
	11.5%	0.48	0.46	0.44	0.43	0.41	0.40	0.38
	11.0%	0.48	0.46	0.44	0.43	0.41	0.40	0.38
	10.5%	0.47	0.46	0.44	0.42	0.41	0.39	0.38
	10.0%	0.47	0.46	0.44	0.42	0.41	0.39	0.37
	9.5%	0.47	0.46	0.44	0.42	0.40	0.39	0.37
	9.0%	0.47	0.45	0.44	0.42	0.40	0.38	0.37
	8.5%	0.47	0.45	0.43	0.42	0.40	0.38	0.36
	8.0%	0.47	0.45	0.43	0.41	0.39	0.38	0.36

Source: Edison Investment Research

Exhibit 10: Financial summary

		2023	2024	2025	2026e	2027e
Year end 31 December	$000s	IFRS	IFRS	IFRS	IFRS	IFRS
INCOME STATEMENT						
Revenue		**92,356**	**104,781**	**107,896**	**110,441**	**116,488**
COGS		(67,838)	(74,716)	(74,808)	(67,824)	(70,376)
Gross Profit		24,518	30,065	33,088	42,617	46,113
Adj. EBITDA		**(458)**	**5,083**	**7,082**	**11,840**	**14,622**
Depreciation and amortisation		**(4,113)**	**(7,731)**	**(5,672)**	**(4,984)**	**(5,889)**
Normalised operating profit		**(4,571)**	**(2,648)**	**1,410**	**6,855**	**8,733**
Amortisation of acquired intangibles		0	0	0	0	0
Exceptionals		(2,909)	(1,009)	(1,374)	(500)	(500)
Share-based payments		(5,528)	(3,511)	(3,677)	(3,196)	(3,458)
Reported operating profit		**(13,008)**	**(7,168)**	**(3,641)**	**3,159**	**4,775**
Net Interest		1,303	481	570	695	701
Joint ventures & associates (post tax)		0	0	0	0	0
Exceptionals		0	0	0	0	0
Profit Before Tax (norm)		**(3,268)**	**(2,167)**	**1,980**	**7,551**	**9,435**
Profit Before Tax (reported)		**(11,705)**	**(6,687)**	**(2,569)**	**3,854**	**5,476**
Reported tax		(1,019)	328	(13,407)	(964)	(1,369)
Profit After Tax (norm)		**(5,306)**	**(1,511)**	**(25,329)**	**3,736**	**4,338**
Profit After Tax (reported)		**(12,724)**	**(6,359)**	**(15,976)**	**2,891**	**4,107**
Minority interests		18	(218)	5	0	0
Discontinued operations		0	0	0	0	0
Net income (normalised)		**(5,288)**	**(1,729)**	**(25,324)**	**3,736**	**4,338**
Net income (reported)		**(12,706)**	**(6,577)**	**(15,971)**	**2,891**	**4,107**
Average number of shares outstanding (m)		445	457	475	487	505
EPS - adjusted (US$)		(0.010)	(0.005)	0.003	0.010	0.011
EPS - normalised (US$)		(0.012)	(0.004)	(0.053)	0.008	0.009
EPS - diluted normalised (US$)		(0.012)	(0.004)	(0.053)	0.008	0.009
EPS - basic reported (US$)		(0.029)	(0.014)	(0.034)	0.006	0.008
Dividend (US$)		0.000	0.000	0.000	0.000	0.000
Revenue growth (%)		(31.4)	13.5	3.0	2.4	5.5
Gross Margin (%)		26.5	28.7	30.7	38.6	39.6
Adj EBITDA Margin (%)		(0.5)	4.9	6.6	10.7	12.6
Normalised Operating Margin (%)		(4.9)	(2.5)	1.3	6.2	7.5
BALANCE SHEET						
Fixed Assets		**137,966**	**140,249**	**137,084**	**150,741**	**153,190**
Intangible Assets		127,899	131,239	135,883	149,625	152,201
Tangible Assets		694	162	227	167	88
Right-of-use assets		953	967	705	680	632
Investments & other		8,420	7,881	269	269	269
Current Assets		**58,842**	**60,976**	**56,024**	**57,693**	**64,315**
Stocks		0	0	0	0	0
Debtors		14,265	17,297	16,796	18,223	19,196
Cash & cash equivalents		42,223	42,109	36,618	36,860	42,508
Other		2,354	1,570	2,610	2,610	2,610
Current Liabilities		**(25,972)**	**(24,545)**	**(31,538)**	**(19,792)**	**(20,474)**
Creditors		(24,457)	(19,953)	(29,858)	(18,112)	(18,794)
Tax and social security		(726)	(414)	(179)	(179)	(179)
Short term borrowings		0	0	0	0	0
Lease liabilities		(155)	(228)	(279)	(279)	(279)
Other		(634)	(3,950)	(1,222)	(1,222)	(1,222)
Long Term Liabilities		**(12,802)**	**(11,445)**	**(8,183)**	**(8,183)**	**(8,183)**
Long term borrowings		0	0	0	0	0
Lease liabilities		(873)	(876)	(601)	(601)	(601)
Other long term liabilities		(11,929)	(10,569)	(7,582)	(7,582)	(7,582)
Net Assets		**158,034**	**165,235**	**153,387**	**180,459**	**188,847**
Minority interests		0	0	0	0	0
Shareholders equity		**158,034**	**165,235**	**153,387**	**180,459**	**188,847**
CASH FLOW						
Op Cash Flow before WC and tax		8,267	21,438	24,787	30,911	38,909
Working capital		(630)	41	4,086	13,173	291
Exceptionals & other		2,455	2,319	2,929	(4,100)	1,000
Tax		1,638	(1,534)	(1,901)	(964)	(1,369)
Operating cash flow		**11,730**	**22,264**	**29,901**	**39,020**	**38,831**
Capex		(27,934)	(30,705)	(36,495)	(39,474)	(33,884)
Capitalised development costs		0	0	0	0	0
Acquisitions/disposals		(18,033)	0	0	0	0
Equity financing		(6,762)	9,785	0	0	0
Change in borrowing		(22)	(160)	(383)	0	0
Dividends		0	0	0	0	0
Other		1,280	580	268	695	701
Net Cash Flow		(39,741)	1,764	(6,709)	242	5,648
Opening net debt/(cash)		**(78,853)**	**(39,784)**	**(40,765)**	**(35,738)**	**(35,980)**
FX		672	(543)	1,682	0	0
Other non-cash movements		0	(240)	0	0	0
Closing net debt/(cash)		**(39,784)**	**(40,765)**	**(35,738)**	**(35,980)**	**(41,628)**
Closing net debt/(cash) ex financial leases		**(40,812)**	**(41,869)**	**(36,618)**	**(36,860)**	**(42,508)**

Source: Company data, Edison Investment Research

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New Zealand

United Kingdom

United States

London | New York | Frankfurt
20 Red Lion Street
London, WC1R 4PS
United Kingdom