



1 March 2017

Animoca Brands FY2016 Results

Highlights

- Total operating revenue of \$8.7m, up 15% on FY15 (\$7.5m)
- Net loss of \$7.9m attributable to increased expenses including R&D spent for new product development (primarily e-books) and higher costs of revenue due to royalties paid on strong performing apps
- Game portfolio increased by 17% to 481 games, driving total cumulative downloads to reach 265m (up 51% on FY 2015)
- Ongoing expansion of licensed brands and products, including subscription products, to continue in 2017
- New subscription products added an additional revenue stream in 2016, and is expected to grow FY17 revenue and form a larger part of the revenue mix

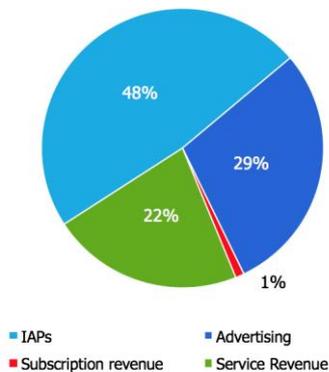
Animoca Brands (ASX: AB1, or 'the Company') is pleased to report its full year results for the period ended 31 December 2016. The results reflect strong revenue performance that continues to be driven by an increasing product portfolio and customer base.

Financial Overview

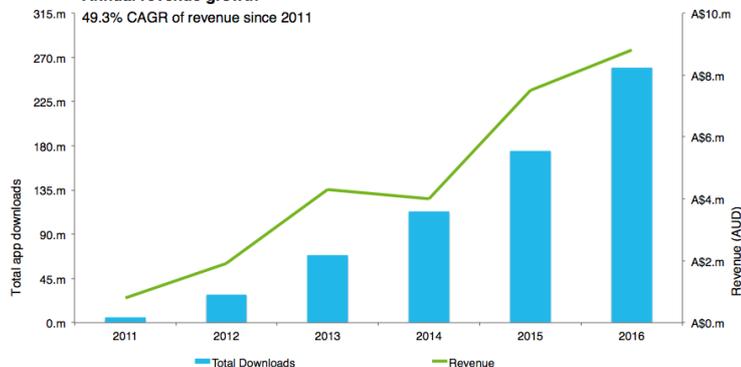
The Company reported total operating revenue of \$8.7m in FY16, a 15% increase on FY2015 (\$7.5m). The growth in revenue is attributable to the launch of a number of new games leveraging highly popular brands including *HeMan: Tappers of Greyskull*, *Thomas & Friends™: Race On!*, *Garfield Chef* and *Ever After High™: Charmed Style* that saw significant user engagement and led to an increase in in-app purchases (IAPs). The Company has also successfully increased its advertising revenue by 47.5% and through the launch of its first e-book product it has added its first subscription revenues that will add a significant revenue stream in FY17.

The operating revenue breakdown and contribution from revenue streams are as follows: IAPs 48%, Advertising revenue 29%, Service revenue 21%, and subscription products showing early contributions of 1% of total sales revenue.

Revenue breakdown FY16



Annual revenue growth



Summary of Results for the full year ending 31 December 2016

	FY 2015	FY 2016	% change
Operating Revenue (AU\$)	\$7.5m	\$8.7m	15%
Expenses	\$8.9m	\$13.5m	52%
Loss before interest and tax (AU\$)	(\$2.9m)	(\$7.9m)	-170%

Net loss before interest and tax totalled \$7.9m v \$2.9m in FY15. The increase is attributable to the following:

- Increased expenses including higher employee benefits expense that was a direct result of additional resourcing, in particular for the outsourcing of the development of e-book products, which are expected to make a material contribution to revenue in FY17
- Cost of revenue increased by 41% - a result of higher royalties paid to brand partners due to games with these brand partners being significant drivers of revenue
- Research and Development expenses also increased 109%, again reflecting the investment made into developing the subscription engine underlying the first e-book product released in partnership with Mattel
- Hosting costs also increased due to the higher number of players and apps in the Group's portfolio

The Company closed the full year with a net asset position of \$3.3m that has been strengthened post the year end following a \$5.2m fund raise.

Operational Overview

The Company released a total of 70 new games and apps during the year, bringing its total number of games and apps to 481. Accelerating demand was experienced across the Company's game portfolio, with new downloads up 40%, from 61m in FY2015 to 90m in FY2016, bringing the cumulative total to 265m at 31 December 2016, compared to 175m at 31 December 2015.

The average Monthly Active Users (MAUs) totalled 12m (up 50% on FY 2015 8m) demonstrating an increase of engaged and active users that ultimately drive IAP revenue.

	FY 2015	FY 2016	% Change YoY
Average MAUs	8.4m	12m	+50%
Average New Monthly Users	5.1m	7m	+37%
Total Apps	411	481	+17%
New Apps	75	70	(7%)
New downloads	61m	90m	+48%
Total Downloads	174.7m	265m	+51%

Expansion of Brand Portfolio and Distribution Channels

During the 12-month period, the Company's brand portfolio was expanded with the addition of *Norm of the North*, via a partnership with Lionsgate and Splash Entertainment and popular brands such as *Trolls*, *Madagascar*, *Kung Fu Panda*, *The Croods*, and *How to Train Your Dragon* were added through an agreement with DreamWorks Animation.

Further to the successful *Armies of Dragons* mobile app that was published on Tencent's WeChat platform in 2015, *Groove Planet* was published on the platform in 2016.

The app store owned and operated by Xiaomi, one of China's largest smartphone makers, was also added to the Company's distribution network, and the popular mobile gaming app *Garfield Chef* was successfully published there. Over 7.9m downloads have been achieved since launch, and the game has been a significant driver of revenue.

Mattel partnership continues to develop new games and subscription products with games launched last year from the partnership across the brands *Thomas & Friends*, *Ever After High*, *Monster High*, and *HeMan and the Masters of the Universe*.

Thomas & Friends™: Read and Play! e-book subscription service was globally launched in December 2016 and achieved an encouraging 22,000+ subscriptions in the first two months.

The acquisition of TicBits also added an additional 11 new games and brands to the portfolio including *Sudoku*, *Solitaire*, *Minesweeper* and its popular midcore franchise, *Crazy Kings*. Animoca Brands has now incorporated TicBits' games into its existing infrastructure and is providing distribution and marketing capabilities alongside the rest of the portfolio. These additional resources increased advertising rates by 30% for 2017.

Outlook

Post the year-end, Animoca Brands launched an Underwritten Entitlement Offer raising a total of \$5.2m, including \$3.2m from institutional investors (settlement occurred on 8 February 2017) and a further \$2.0m from retail investors, which closed on 28 February 2017. Funds raised will be used to invest in the Company's growth initiatives, including leveraging its e-books subscription engine with new content and partners, as well as seeking to find more M&A opportunities similar to TicBits.

Growth Initiatives

Product and brand growth expansion

FY17 will see Animoca Brands continue to expand its product portfolio with existing and new licensed brands, particularly those that will expand the Company's audience and drive its entrance into new markets.

Maximise and leverage synergistic opportunities

Animoca Brands will continue to benefit from the skills and expertise of the team at TicBits and seek further acquisition opportunities of smaller game developers so as to leverage the Company's existing infrastructure.

Drive revenue

Importantly, the Company is focused on growing subscription revenue through expanding the content offerings in *Thomas & Friends™: Read and Play!* as well as launching new subscription products beyond e-books that will see subscription revenue form a larger part of the revenue mix.

– ENDS –

About Animoca Brands

Animoca Brands (ASX: AB1) publishes globally a broad portfolio of mobile games and subscription products including several games and e-books based on popular intellectual properties such as Garfield, Thomas & Friends™, Ever After High and Doraemon. The Company's games have been downloaded over 265m times. Animoca Brands is based in Hong Kong. For more information visit www.animocabrands.com or get updates by following Animoca Brands on [Facebook](#), [Twitter](#) or [Google +](#).

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