



ASX Release

15 November 2017

## Sale of Mobile Casual Games Portfolio to iCandy Interactive Limited

Animoca Brands Corporation Limited (ASX: **AB1**) (the **Company** or **Animoca Brands**) is pleased to announce that it has entered into a binding term sheet to sell the Company's mobile casual games portfolio to iCandy Interactive Limited (ASX: ICI) (**iCandy**), a leading mobile games and entertainment group based in South-East Asia. Pursuant to the sale Animoca Brands will sell 318 of its existing 524 mobile game apps to iCandy. Accordingly, subsequent to the sale Animoca Brands will continue to offer 206 mobile game apps.

### Key points

- Animoca Brands has entered into a binding term sheet to sell its mobile casual games portfolio to iCandy, subject to iCandy shareholder approval, and if required by ASX, AB1 shareholder approval.
- The mobile casual games portfolio is one of three business segments operated by Animoca Brands and the sale allows the Company to concentrate its focus on the remaining segments
- Total sale consideration includes up to A\$8.0m in upfront and deferred consideration with additional upside from earn-out payments. The sale consideration is to be paid as follows:
  - **Upfront consideration** comprises a ~A\$1.0m cash payment and ~A\$4.0m payable in iCandy shares, payable within 30 days of the deal closing
  - **Deferred payments** of up to a total ~A\$3.0m payable in iCandy shares in 2018 and 2019, subject to revenue hurdles
  - **Earn-out payments** enable Animoca Brands to share in the profit of the games sold for a period of 5 years after closing
- Sale of the mobile games portfolio is consistent with the Company's strategic direction and enables continued development of Mid-Core Games, Family and Fitness apps and eBooks
- The Company reiterates its target of achieving a profitable business by the end of 4Q17

### Sale of mobile casual games portfolio

The deal involves the transfer of 318 mobile games titles that have generated over 323 million installs to date (**Portfolio**) from the Company to iCandy.

The Portfolio includes all of the Company's casual games and additionally a number of mid-core games developed by the Company's TicBits subsidiary.

Importantly, the Company will retain its strategic partnership relationship with Mattel Inc., which remains unaffected by the deal, and will continue to develop family-focused games and apps based on Mattel's portfolio of globally recognised brands.

ASX has been informed of, and is in the process of reviewing, the deal. The Company cautions that, while it is confident in the conclusion of a deal, the deal is conditional upon ASX not requiring AB1 to re-comply with Chapters 1 and 2 of the Listing Rules.

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### **Deal consideration leading to strengthened financial position**

Following successful completion of the deal, the Company would receive A\$1.0m in cash as part of the upfront consideration for the sale which would further strengthen its balance sheet, which has A\$0.9m in cash and cash equivalents as at the end of 3Q17.

As part of the total consideration for the sale, the Company would also receive A\$4.0m of upfront consideration, and further deferred payments of up to a total A\$3.0m in 2018 and 2019 subject to revenue hurdles, all payable in iCandy fully paid ordinary shares. The Company is of the view that there is significant potential upside to the equity based component of the consideration, and will continue to work closely with iCandy as a strategic shareholder to further optimise the Portfolio.

In addition to the upfront and deferred consideration, the Company would also be entitled to a proportion of the profit of the Portfolio for a period of 5 years subject to the achievement of certain earnings milestones, supporting further strategic alignment between the parties and providing further potential upside with respect to the transfer of the Portfolio.

Subsequent to the sale, Animoca Brands will continue with other aspects of its mobile games development and marketing business, notably, "family mobile games", "kids mobile games" and mobile games with brand partners including Mattel, which remain a significant portion of Animoca Brands's business. Animoca Brands will also keep eBooks and Apps/Games related to its Family/Fitness business.

### **Strategic rationale**

As outlined in previous ASX disclosures, in recent months the Company has been exploring pathways to extract value from its extensive portfolio of games, apps and intellectual property. The sale of the Company's back book of casual games is fully consistent with this approach and enables Animoca Brands to further sharpen its focus on the development of its fitness and family-oriented apps and ebooks.

Given the Company's current focus, the casual gaming titles in the Portfolio offer greater upside via iCandy's ownership rather than Animoca Brands. In particular, the legacy nature of the Portfolio means that iCandy is better placed to cost-effectively maintain the games through its lower-cost development footprint, which leverages teams across South East Asia. Additionally, iCandy's recently launched cryptocurrency-based Nitro Marketplace has the potential to create a new audience for the games in the Portfolio through a novel distribution channel.

The Board is pleased with the deal structure, which presents significant potential upside for both parties to realise value from the transferred Portfolio.

Animoca Brands will also continue to retain its Finland development operations following the deal.

### **Outlook**

The company is pleased with the potential to realise substantial value from a portfolio of legacy games.

Following the deal, the Company will remain an active developer of apps and game concepts and expects its pipeline to progressively replace the revenues transferred to iCandy in this transaction.

The Company remains focused on continued growth from its streamlined portfolio and business, and on its objective of driving an optimised and sustainable business going forward.

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### **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. Animoca Brands is based in Hong Kong. For more information visit [www.animocabrands.com](http://www.animocabrands.com) or get updates by following Animoca Brands on [Facebook](#), [Twitter](#) or [Google +](#).

### **About iCandy Interactive**

iCandy Interactive Limited ("iCandy") (ASX:ICL) is an Australian incorporated public company that has its core business in the development and publishing of mobile games and entertainment for a global audience. iCandy runs multiple subsidiary games studios in Malaysia, Singapore and Indonesia, including award-winning games studios Appxplore and Inzen Studio. iCandy is one of the leading mobile entertainment group in Southeast Asia with over 20 million installs over their player network. Top games made by iCandy include Crab War, Alien Path, Star Tap and Dark Dot. Almost all of iCandy's games titles have been recommended and featured on Apple's App Store (iOS) or the Google Play Store.

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