



ASX Release

31 October 2018

## Animoca Brands Q3 2018 Update: Consolidating Global Leadership Position in Blockchain Gaming

### Financial Highlights:

- Generated unaudited revenues of \$4.6m during Q3 2018, representing an increase of 283% on the same period last year and bringing the total unaudited revenues for the year to date to \$12.9m, an increase of 79% over the \$7.2m recorded in the corresponding period in 2017
- Cash receipts for Q3 2018 totalled \$2.9m, up 73% on the same period last year
- Cash receipts for the year to date totalled \$8.9m, an increase of about 65% over the \$5.4m recorded in the corresponding period in 2017
- Raised a total of \$6m via two oversubscribed placements to strategic investors including directors Yat Siu and Holly Liu, strategic advisor Wilhelm Taht, leading Hong Kong conglomerate Sun Hung Kai, and blockchain partners, including Lympo
- The Company ended the quarter with \$5.6m in cash and cash equivalents

### Strategic Highlights:

- Named one of the world's Top 50 Developers of 2018 by PocketGamer.biz, the leading industry B2B publication
- Increased investment into blockchain and AI technologies, and continues to position itself as a leader in blockchain gaming
- Signed a memorandum with leading mobile handset maker HTC Corporation to develop opportunities for collaboration, as well as an agreement with HTC and Dapper Labs to distribute *CryptoKitties* on mobile
- Animoca Brands' subsidiary OliveX signed an agreement with Lympo to collaborate and integrate Lympo tokens (LYM) in the mobile exercise app *100 Squats Challenge*, introducing the blockchain and crypto tokens to its fitness audience
- Secured a license agreement with Beijing Bosi Interactive to develop, publish, and market the Android and HTML5 versions of *Crazy Kings* in China
- Beta launch of *Crazy Defense Heroes* for Android devices in selected countries

### Acquisitions:

- Agreed to acquire 100% of independent mobile game company Pixowl, Inc., for an upfront consideration of US\$4.875m (A\$6.65m), of which US\$519,512 (about A\$709,133, or 10.7%) is cash and the rest is in shares, with a lock-up period of up to 24 months. Pixowl is an independent mobile game company focused on world

For personal use only



builder games, with a portfolio that includes *The Sandbox*, *Peanuts: Snoopy's Town Tale*, *Garfield: Survival of the Fattest*, and *Goosebumps HorrorTown*

- Entered into an Earn-In Agreement to acquire a majority stake in Venture Classic Limited, the operational company of Zeroth SPC. Total consideration is \$1.5m, comprised of \$1m cash contribution earn-in, and A\$0.5m in Animoca Brands shares

#### **Strategic Blockchain Investment Partnerships:**

- Partnered with OpenST Limited to develop products utilising blockchain technology developed by OST.com Limited (OST KIT, OpenST Protocol and OpenST Mosaic Protocol)
- Signed a collaboration agreement with Decentraland to co-develop two games for the Decentraland platform
- Subsequent to the end of the quarter, strategically partnered with six blockchain-focused developers and companies including Datum, LikeCoin, Musicoin, OST, Harmony, and I-House. Animoca Brands will conduct a mutual investment with each company via a share and token swap in aggregate totalling ~\$1.4m, with Animoca Brands shares priced at about\$0.10 each. Swapped shares and tokens will be subject to a 24-month escrow period
- Following the quarter's end, the Company strategically partnered with Mind Fund, a leading venture capital company, and Helix, an accelerator launched by Mind Fund and Hedera Hashgraph (Hedera Hashgraph recently raised US\$120m). Mind Fund will subscribe to ~\$1.4m worth of Animoca Brands shares, priced at A\$0.10 per share

Animoca Brands Corporation Limited (ASX:**AB1**, the "**Company**") is pleased to report that Q3 2018 has been one of both strong financial performance and strategic importance as the Company positions itself as a leader in the fields of AI and blockchain gaming.

#### **Financial Results**

The Company generated unaudited revenues of \$4.6 million during Q3 2018, representing an increase of 283% on the same period last year and bringing the total, unaudited revenues for the year to date to \$12.9 million. The total unaudited revenue for the year to date is \$12.9 million, an increase of 79% over the \$7.2 million recorded in the corresponding period in 2017.

Cash receipts for Q3 2018 totalled \$2.9 million, up 73% on the same period last year. Cash receipts for the year to date totalled \$8.9 million, an increase of about 65% over the \$5.4 million recorded in the corresponding period in 2017.

The Company ended the quarter with \$5.6 million in cash and cash equivalents. The total net cash inflow from operating activities for the quarter was positive.

For personal use only



The major contributor to revenue during the quarter was the continued strong performance of the core gaming business, including branded games like those featuring Garfield, Doraemon, and various Mattel brands, as well as in-house franchises like *Crazy Kings* and *Crazy Defense Heroes*. In addition, Q3 2018 saw revenue contributions from blockchain gaming from *CryptoKitties*, published by the Company in Greater China, as well as *100 Squats Challenge*, also published by the Company and developed by the Company's OliveX health and fitness subsidiary.

Expenses during the quarter chiefly comprised operating and marketing expenditures related to the development and publishing of mobile games. The resulting cash outflow for operations was \$2.9m, representing a decrease of 9% over the same period in 2017, and a decrease of 12% over the previous quarter. The total net cash inflow from operations was positive.

### **Investments**

Animoca Brands made a number of strategic investments during and immediately after the quarter. The Company agreed to acquire 100% of independent mobile game company Pixowl, Inc., for an upfront consideration of US\$4.875 million (A\$6.65 million), of which US\$519,512 is cash with the balance in shares. The shares are subject to a lock-up period of up to 24 months.

Pixowl is an independent mobile game company focused on world builder games, with a portfolio that includes *The Sandbox*, *Peanuts: Snoopy's Town Tale*, *Garfield: Survival of the Fattest*, and *Goosebumps HorrorTown*. This acquisition is highly strategic as Pixowl is a leader in branded gaming that adds new strategic brand partnerships to the Company's portfolio (e.g., Snoopy and Goosebumps); additionally, Pixowl's hit franchise *The Sandbox* is one of the most-anticipated blockchain games.

The Company also entered into an Earn-In Agreement to acquire a majority stake in Venture Classic Limited, the operational company of Zeroth SPC. The total consideration is \$1.5 million, comprised of \$1 million cash contribution earn-in, and \$0.5 million in Animoca Brands shares. The Company is already an investor in Zeroth SPC (see ASX announcement of 18 December 2017), and this Earn-In Agreement consolidates the partnership between the Company and Asia's first artificial intelligence accelerator.

### **Strategic Blockchain Investment Partnerships**

The third quarter marked an increase in the Company's activities related to blockchain gaming, specifically partnerships with OpenST, Decentraland, Datum, LikeCoin, Musicoin, Harmony, I-House, Mind Fund, and Helix. The Company is pursuing a strategy to cement leadership in the blockchain space by building its network of technology and brand partners, driving blockchain adoption and development, enhancing the value and utility of existing digital tokens, and accelerating the progress toward the future of blockchain gaming: mass consumer markets.

For personal use only



Animoca Brands expects that the strategic agreements with each blockchain partner, combined with the Company's expertise in gaming, artificial intelligence, blockchain, software development, publishing, and branded IP collaboration, will increase the value of the partners' tokens and thereby ultimately increase Animoca Brands' shareholder value above and beyond the revenues directly generated by each collaboration.

Additionally, the cryptowallet technology being developed by the Company, which is utilised in its upcoming *WalletPet* gamified wallet mobile app, will be compatible with (but not limited to) the tokens of the partners, further reinforcing the benefits of collaboration with the Company and integration with its products.

### **Outlook**

Following strong financial performance and oversubscribed fundraises to strategic investors totalling \$6m during Q3, the Company is well-positioned to capitalise on the investments in Zeroth and Pixowl as well as its strategic blockchain partnerships. The Company ended the quarter with positive cashflow, having \$5.65 million in cash and cash equivalents. Q3 2018 marked the Company's third consecutive quarter of positive cashflow.

**-END-**

### **About Animoca Brands**

Animoca Brands (ASX: AB1) leverages gamification, blockchain, and artificial intelligence technologies to develop and publish a broad portfolio of mobile products including games such as The Sandbox, Crazy Kings, and Crazy Defense Heroes as well as products based on popular intellectual properties such as Garfield, Thomas & Friends™, Ever After High and Doraemon. Animoca Brands is the exclusive China distributor of *CryptoKitties*. The Company is based in Hong Kong, Canada, and Finland. For more information visit [www.animocabrands.com](http://www.animocabrands.com) or get updates by following Animoca Brands on [Facebook](#), [Twitter](#) or [Google +](#).

**Contact:** [press@animocabrands.com](mailto:press@animocabrands.com)

For personal use only

## Appendix 4C

### Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

**Name of entity**

Animoca Brands Corporation Limited

**ABN**

29 122 921 813

**Quarter ended ("current quarter")**

30 September 2018

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (...9...months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	2,908	8,936
1.2 Payments for		
(a) research and development	(28)	(482)
(b) product manufacturing and operating costs	(1,113)	(2,748)
(c) advertising and marketing	(380)	(1,599)
(d) leased assets	-	-
(e) staff costs	(984)	(2,459)
(f) administration and corporate costs	(397)	(1,839)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	8
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>7</b>	<b>(183)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	(33)	(187)
(b) businesses (see item 10)	(1,296)	(2,163)
(c) investments	(533)	(1,242)

For personal use only

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (...9...months) \$A'000
(d) intellectual property	-	-
(e) other non-current assets	-	-
<b>2.2</b> Proceeds from disposal of:	-	-
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-
<b>2.3</b> Cash flows from loans to other entities	-	-
<b>2.4</b> Dividends received (see note 3)	-	-
<b>2.5</b> Other (provide details if material)	-	-
<b>2.6</b> <b>Net cash from / (used in) investing activities</b>	<b>(1,862)</b>	<b>(3,592)</b>

<b>3.</b> <b>Cash flows from financing activities</b>		
3.1 Proceeds from issues of shares	5,680	9,182
3.2 Proceeds from issue of convertible notes	208	208
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	(205)	(413)
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	-	-
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
<b>3.10</b> <b>Net cash from / (used in) financing activities</b>	<b>5,684</b>	<b>8,977</b>

<b>4.</b> <b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1 Cash and cash equivalents at beginning of quarter/year to date	2,417	688
4.2 Net cash from / (used in) operating activities (item 1.9 above)	7	(183)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(1,862)	(3,592)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	5,684	8,977

For personal use only

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (...9...months) \$A'000</b>
4.5	Effect of movement in exchange rates on cash held	(598)	(242)
<b>4.6</b>	<b>Cash and cash equivalents at end of quarter</b>	<b>5,648</b>	<b>5,648</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	5,648	2,417
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>5,648</b>	<b>2,417</b>

<b>6.</b>	<b>Payments to directors of the entity and their associates</b>	<b>Current quarter \$A'000</b>
6.1	Aggregate amount of payments to these parties included in item 1.2	-
6.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-
6.3	Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	
	n/a	

<b>7.</b>	<b>Payments to related entities of the entity and their associates</b>	<b>Current quarter \$A'000</b>
7.1	Aggregate amount of payments to these parties included in item 1.2	-
7.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3	Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	
	n/a	

For personal use only

<b>8. Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

n/a

<b>9. Estimated cash outflows for next quarter</b>	<b>\$A'000</b>
9.1 Research and development	(1,073)
9.2 Product manufacturing and operating costs	(916)
9.3 Advertising and marketing	(533)
9.4 Leased assets	-
9.5 Staff costs	(1,004)
9.6 Administration and corporate costs	(613)
9.7 Other (provide details if material)	-
<b>9.8 Total estimated cash outflows</b>	<b>(4,139)</b>

<b>10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)</b>	<b>Acquisitions</b>	<b>Disposals</b>
10.1 Name of entity	1. Tribeflame Oy 2. Fuel Powered Inc 3. Zeroth	-
10.2 Place of incorporation or registration	1. Finland 2. USA 3. Hong Kong	-
10.3 Consideration for acquisition or disposal	1. A\$166k 2. A\$752k 3. A\$963k	-
10.4 Total net assets	1. (A\$556k) 2. (A\$659k)	-
10.5 Nature of business	1 & 2. Mobile app game maker 3. Accelerator	-

For personal use only

**Compliance statement**

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.



Sign here: .....  
(Director/Company secretary)

Date: .....31 October 2018.....

Print name: .....Yat Siu.....

**Notes**

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.

For personal use only