



ASX Release

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Animoca Brands to acquire Quidd, the world's leading digital collectibles marketplace, and completes strategic capital raise at a premium

Highlights:

- Animoca Brands to acquire 100% of Quidd, Inc., a digital goods company that owns and operates the leading global marketplace for buying and selling digital collectibles
- Quidd has the world's largest assortment of digital collectibles licences and partnerships (over 325 brands) featuring the world's top content owners across multiple verticals - partners include Disney, Marvel, HBO (Game of Thrones), CBS (Star Trek) and NBA, among others
- To date, Quidd has issued over 2.1 billion individually-serialized digital collectibles to 6.8 million unique users, and had an average of 208,000 monthly active users for the first half of 2019
- Quidd was founded by veterans from Topps, the leader in the sports memorabilia and collectibles industry
- The transaction significantly increases Animoca Brands' economic potential in the digital collectibles sector through digital licensing arrangements with premier content owners
- Shares-only deal with US\$5m payable upfront and up to US\$3m in earn-out payments based on achieving a yearly net profit of US\$1.25m, US\$1.5m and US\$2m, respectively, over 3 years
- Animoca Brands completed a strategic capital raise of A\$8m (includes director participation) at A\$0.20 per share (16.0% premium to 30-day VWAP) to strategic investors, Australian institutional investors, and existing shareholders
- Funds will provide working capital for the acquisition and the advancement of various business opportunities including the expansion and localisation of Quidd into large collectibles markets in Asia and Europe
- The Company aims to boost the user base and revenue of Quidd by expanding to new markets, as well as drive growth through opportunities unlocked by the new additions to IP portfolio

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Animoca Brands Corporation Limited (ASX: **AB1**, “Animoca Brands” or “the **Company**”) is pleased to advise that it has entered, via its wholly owned subsidiary Animoca Brands Limited, into a term sheet (“the Agreement”) to acquire 100% of the issued capital in Quidd, Inc. (“Quidd”), subject to shareholder approval and due diligence. Quidd is a digital goods company that owns and operates the leading global marketplace for buying and selling digital collectibles. In order to fund the advancement of various business opportunities, including the expansion of Quidd, the Company has completed a strategic capital raise of A\$8 million.

quidd

Based in New York City, Quidd owns and operates the leading global marketplace for buying and selling digital collectibles. The Quidd marketplace, catalog, and collections are accessed by a community of end-users via the Quidd mobile application, or app, available free of charge on iOS and Android devices.

Quidd currently has the world’s largest assortment of digital collectibles licences and partnerships (over 325 individual brands), featuring top content owners across multiple verticals; partners include Disney, Marvel, HBO (Game of Thrones), CBS (Star Trek) and NBA, among others. Quidd has issued and sold over 2.1 billion individually-serialized digital collectibles. Quidd had an average of 208,000 monthly active users for the first half of 2019, with the majority of those users being in the United States.

Quidd was launched in 2016 by digital collecting experts Michael Bramlage and Erich Wood. Previously, Mr Bramlage, Quidd’s CEO, served as General Manager and Vice President of the digital division of Topps, the leader in the sports memorabilia and collectibles industry. While there, he and Mr Wood began experimenting with concepts of digital scarcity and digital ownership, eventually building and scaling a multi-million dollar digital trading card business. Prior to that, Mr Bramlage spent several years at Nokia and Microsoft running product teams for app stores and messaging services. Mr Bramlage graduated magna cum laude with a degree in Business Administration from the University of Michigan’s Ross School of Business.

Quidd’s COO, Ross Blum, is responsible for partnerships and licensing arrangements. Mr Blum has a Doctorate of Jurisprudence (J.D.) from the Benjamin N. Cardozo School of Law and was admitted to the New York State Bar Association. He also has a Master of Science degree in Sports Management from Georgetown University, and a Bachelor of Science in Business Management from Babson College.

Since its founding, Quidd has built a community of 6.8 million unique users who collectively own more than 2.1 billion digital collectibles on the Quidd platform. This community of collectors is made up of mainstream fans, of whom 58% are between the ages of 13 and 24

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years; 42% are female. The community is mostly located in the United States, with a small minority of users located in Canada and Australia. The app is currently available in English language only.

Quidd built its business by combining the largest and most diverse catalog of world-class brands with a marketplace application that makes it simple, easy, and fun to buy and sell scarce digital collectibles. Quidd's marketplace facilitates an average of more than 6 transactions per second, with 43% of all aftermarket listings clearing at the seller's requested price point within 24 hours.

In the fall of 2017, Quidd raised Series A funding led by Sequoia Capital, which became Quidd's largest shareholder. Since launch, Quidd has generated over US\$10 million in total transaction value (unaudited) via the sale of digital collectibles in its app.

Strategic rationale

The acquisition of Quidd confers a powerful set of intellectual property (IP) and media relationships to Animoca Brands and provides opportunities for expansion of the Company's virtual goods and digital collectibles strategy, adding over 325 of the best known IP in the world today including properties from Disney, Marvel, HBO, Cartoon Network, CBS, the NBA, and hundreds of others. To date, Quidd has generated over US\$10 million in total transaction value by selling the branded digital collectibles that it creates. Post acquisition, such transactions will be recognised as revenue by Animoca Brands ("Revenue" being defined as all sales of digital merchandise through In-application purchases provided by platforms such as Apple iTunes or Google Play; and "Net revenue" defined as Revenues less the cost of Apple iTunes and Google Play, which is 30% of the revenue transacted through their respective platforms).

Acquiring Quidd will therefore significantly increase Animoca Brands' economic potential in the digital collectibles sector via relationships with many of the world's top content owners.

Quidd is currently available in English and not yet localised for other major markets. The Company will leverage its considerable global publishing expertise to localise Quidd for Asian markets followed by the rest of the world, significantly enlarging the potential audience reach.

The current management will continue to operate Quidd after the Acquisition, working with the Company to expand the Quidd business into international markets, leverage synergies with Animoca Brands, and develop new business opportunities.

Acquisition terms

The Company, via its wholly owned subsidiary Animoca Brands Limited, will acquire from Michael Bramlage, co-founder of Quidd, and various non-founder shareholders (together, the "Sellers") 100% of the issued capital in Quidd, Inc., for an upfront consideration of US\$5 million

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(approx. A\$7.2 million) (the "Acquisition"), payable in fully paid ordinary shares in the Company.

The price of any new shares of Animoca Brands to be issued as consideration for the Acquisition will be based on the higher of A\$0.16 or the 14-day volume weighted average price of AB1 shares as of the effective date of the definitive agreement, which is to be executed in the current quarter. Such shares would be subject to a 6-month lockup period. After the end of this period, these shares will be released from lockup at a rate of 1/12 per month (such that each Seller will have the right to sell 1/12 of such Seller's pro-rata portion of these payment shares), provided also that the Sellers agree that they will not sell or offer to sell an amount of AB1 shares in excess of 10% of the average trading volume of AB1 shares for the previous ten trading days.

Quidd net profit milestones

Period 1	If Quidd achieves a net profit (defined as revenues, minus direct costs, operating expenses, and taxes) of at least US\$1,250,000, the Sellers shall be granted an earnout payment in the amount of US\$1,000,000
Period 2	If Quidd achieves a net profit of at least US\$1,500,000, the Sellers shall be granted an earnout payment in the amount of US\$1,000,000
Period 3	If Quidd achieves a net profit of at least US\$2,000,000, the Sellers shall be granted an earnout payment in the amount of US\$1,000,000

Additionally, Animoca Brands will pay to the Sellers earn-out payments of up to US\$3 million (approximately A\$4.3 million) on the basis of Quidd meeting net profit milestones over three respective one-year periods after the effective date of the definitive agreement; in order for the milestones to be considered met for each of these one-year periods, Quidd must have at least broken even in such respective one-year period (such that net profit is not negative). These earn-out payments will be payable in fully paid ordinary shares in the Company (which will be priced based on the 14-day volume weighted average price of the Company's shares as of the date three days before payment of such earnout), and are described in the table below.

The Acquisition, expected to be completed within the current quarter, is subject to approval by the Company's shareholders and completion by the Company of its due diligence.

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Capital raise

In order to fund the advancement of multiple business opportunities and to fasttrack the expansion of Quidd to new markets, the Company has completed a strategic capital raise of A\$8 million to strategic investors, Australian institutional investors, and existing shareholders. The capital raise was conducted at a price per share of A\$0.20, being a 16% premium to the 30-day volume weighted average price (VWAP) as of 2 August 2019 of A\$0.17, and includes a lock-up mechanism in the form of an attaching 1:4 loyalty option (one option for every four shares) that is priced at A\$0.25 per share; the loyalty option vests if the placement shares are held for 12 months from issuance and expires one month after the end of this 12-month period. The cost of the capital raise is 6% of funds raised.

The Company intends to issue the new shares under the capacity provided by ASX Listing Rule 7.1A. The proposed security issue is shown in the table below. Should 100% of the unlisted options vest and be exercised, the dilutive impact of the capital raise on the number of shares on issue will be 5.1%.

Securities Issues

	Capacity (Pre-Issue)	Issue
Listing Rule 7.1A	92,222,650 shares	40,000,000 shares
Listing Rule 7.1	61,481,766	10,000,000 options
Total (shares)		50,000,000

The capital raise was led by key strategic investor Harmony, whose founder and CEO Stephen Tse was previously at Apple, Microsoft, and Google. Other participants included CMCC, and Tribeca Investment Partners, as well as existing shareholders Perennial Value Management, SG Hiscock, Sun Hung Kai Financial, Simon Clausen (renowned Australian tech investor and founder of PC Tools, which was acquired by Symantec), and Katherine Yip-Ribeiro (founder of Pacific Alliance Group and co-founder and partner of Vina Capital). Chairman Yat Siu and director Holly Liu also participated in the raise, with their participation being subject to approval by the shareholders of the Company.

The funds raised will be utilised to provide working capital for the acquisition and advance various business opportunities, including expanding Quidd's product offering to an

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international audience through the development of multilingual functionality and localization versions to target major collectible markets in Asia and Europe.

Management commentary

Yat Siu, co-founder and chairman of Animoca Brands said: "Here at Animoca Brands, we are incredibly excited to welcome the highly talented team behind Quidd, who will assist us in the execution of our vision for branded digital collectibles. Our brand portfolio will grow substantially through this acquisition, and we look forward to working with even more of the world's most powerful intellectual properties such as Marvel, Game of Thrones, Star Trek, the NBA, and many others."

Michael Bramlage, co-founder and CEO of Quidd said: "From the beginning, we've held a strong conviction that digital collecting would contribute meaningfully to the \$15 billion physical collectibles industry. By joining the Animoca Brands family, we will accelerate our mission to bring Quidd's inimitable catalog of digital collectibles to a global audience and to enable true digital ownership for millions of mainstream digital collectors."

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About Quidd

Quidd is the world's leading marketplace for buying and selling digital collectibles. Through its apps, millions of people collect, buy, sell, and display limited-edition digital stickers, cards, and 3D toys featuring IP from the world's best media and entertainment brands, including Marvel, Game Of Thrones, Rick And Morty, Steven Universe, Adventure Time, Hello Kitty, My Little Pony, and more. Companies like Disney, Hasbro, Funko, and Panini are reaching younger audiences and building new digital businesses through the Quidd platform. Collecting, owning, and using rare stuff, like sneakers, streetwear, or trading cards, is a universal human behavior. Quidd's mission is to bring this experience online -- in digital format -- for billions of people. The Quidd app is available for free on iOS and Android devices. Quidd is backed by Sequoia Capital and based out of New York City.

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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 Formula 1®, Garfield, Snoopy, Thomas & Friends™, Ever After High and Doraemon. Animoca Brands' portfolio of blockchain investments and partnerships includes Lucid Sight, Dapper Labs (creators of *CryptoKitties*), WAX, Harmony, and Decentraland. The Company is based in Hong Kong, Canada, Finland, and Argentina. For more information visit www.animocabrands.com or get updates by following Animoca Brands on [Facebook](#) or [Twitter](#).

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