



ASX Release

16 December 2019

Animoca Brands to acquire nWay, developer and publisher of *POWER RANGERS: Legacy Wars*

Highlights:

- Animoca Brands to acquire nWay, Inc. (“nWay”) for US\$7.69 million (approx. A\$11.4 million) of which US\$1.94 million (approx. A\$2.9 million) is in cash and US\$5.75 million (approx. A\$8.5 million) in shares
- Share consideration will be based on a price per share of the higher of A\$0.18 or the 30-day VWAP as of the effective date
- Cash consideration includes US\$250,000 (approx. A\$369,000) to the Sellers and a US\$1.69 million (approx. A\$2.5 million) cash investment into nWay for operating purposes
- nWay is a game developer and publisher of high-quality AAA games on console, PC, and mobile platforms
- nWay revenue (unaudited) in the first 8 months of 2019 was US\$6.98 million (approx. A\$10.2 million) with EBITDA loss of US\$1.3m (approx. A\$1.88m)
- nWay has a global license granted by Lionsgate and Hasbro to make use of the Power Rangers brand, including in *POWER RANGERS: Legacy Wars*, nWay’s award-winning mobile game with over 50 million downloads
- nWayPlay platform (in development) will provide developers with complete backend and fully managed live-ops services to quickly develop and operate competitive multiplayer cross-platform games (currently available to alpha partners)
- nWay developers and executives have worked at major technology companies including Google, Tencent, Sony, Electronic Arts, Nintendo, LucasArts, Blizzard, Kabam, Nexon, and NCSoft; the current management will continue to operate nWay
- Acquisition adds nWay’s portfolio of games, experienced team, a powerful suite of technologies, and a platform to enter the rapidly growing competitive multiplayer gaming space.
- To fund the Acquisition and other opportunities, Animoca Brands has entered into unsecured 12-month loan agreements for a total of A\$2.5 million, with attached 12-month options, from sophisticated investors connected to the Company (see “Loan funding” section for details)

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 non-binding memorandum of understanding (“the Agreement”) to acquire 100% of the issued capital in nWay, Inc. (“nWay”) from the shareholders of nWay (“the Sellers”) for an

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upfront consideration of US\$7.69 million (approximately A\$11.4 million) (“the Acquisition”). The Acquisition is subject to shareholder approval, execution of a formal agreement, satisfactory completion of due diligence, and the obtaining of any necessary regulatory approvals.

nWay is a game developer and publisher of high-quality AAA games on console, PC, and mobile platforms.



nWay is a San Francisco based developer and publisher of competitive multiplayer games across mobile, consoles, and PC. nWay has a strong track record in developing high-quality, fast action multiplayer games. nWay has developed and published three games: *POWER RANGERS: Battle for the Grid*, the popular tag-team fighting game with crossplay functionality on Nintendo Switch, Xbox One and PC; *POWER RANGERS: Legacy Wars*, the award-winning mobile fighting game on iOS and Android with over 50 million downloads; and *ChronoBlade*, nWay’s original mobile action role-playing game.

nWay has a global license (with some territories excluded for some products) granted by Lionsgate and Hasbro to make use of the Power Rangers brand to develop and publish *POWER RANGERS: LegacyWars* and *POWER RANGERS: Battle for the Grid* on mobile (iOS, Android), Smart TV platforms, consoles (including handheld consoles), and PC. The license expires on the earlier of the third anniversary since launch of the branded product or 20 September 2020, with automatic renewal for one year based on revenue benchmarks, after which the renewal term can be further extended by up to another three one-year periods, on a rolling basis, upon mutual agreement by the parties in writing. nWay pays a royalty for the use of the Power Rangers brand. *LegacyWars* launched on 23 March 2017. *Battle for the Grid* launched on 25 March 2019.

nWay has also recently announced nWayPlay, a platform in development that provides developers with complete backend and fully managed live-ops services to quickly develop and operate competitive multiplayer cross-platform games. nWayPlay’s platform features include cross-play and cross-progression functionality, low-latency real-time multiplayer framework, live-ops tools, and geo-distributed hosting with custom matchmaking logic that ensures optimal networked gaming experience with scalability and stability. nWayPlay also provides a unified player identify and friends system, which enables players to log-in, connect and play together with friends across different platforms such as consoles, PC, and mobile. nWayPlay

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aims to dramatically reduce barriers to entry for the development of multiplayer online games, and empower a new generation of developers to create competitive multiplayer games. nWayPlay is currently available for alpha partners and is expected to launch in 2020.

nWayPlay will charge service fees based on clients' monthly active users. nWay owns the technology IP of the nWayPlay platform, but any game IP making use of the platform will remain the property of the developer or the developer's licensor.

Additionally, nWay is currently developing a marketplace and frictionless prizing system for nWayPlay that will utilise non-fungible tokens (NFTs) to further increase player engagement and unlock new monetization models for games on the nWayPlay platform.

nWay was founded in 2011 by gaming and startup veterans Taehoon Kim, Dave Jones, and Tony Harman. Mr Kim, chief executive officer of nWay, previously co-founded Pixelberry and Nuriem Software, developing and launching massively multiplayer game *MStar* and *Nuriem*, a 3D virtual worlds platform with one of the most advanced and life-like avatar technologies at the time. From 2002 to 2005, Mr Kim was part of Samsung Electronics' New Business Development team that spawned the smartphones and mobile gaming platform business.

The team of nWay is comprised of highly experienced developers and executives who have worked at major technology companies including Google, Tencent, Sony, Electronic Arts, Nintendo, LucasArts, Blizzard, Kabam, Nexon, and NCSOFT. They have collectively contributed to over a dozen internationally successful mobile, console, and online AAA games such as *Diablo II*, *FIFA Online*, *Battlefield Online*, *Lineage II*, *Star Wars: The Force Unleashed*, *Star Wars Uprising*, *Heroes of Newerth*, and *Marvel Contest of Champions*.

Strategic rationale

The Acquisition of nWay will add to Animoca Brands a strong, highly experienced team of game developers and executives. The nWay team possesses considerable knowledge and experience in developing and publishing competitive, crossplay, real-time multiplayer games across all major gaming platforms. The acquisition will significantly bolster the Company's core games business capabilities, as real-time multiplayer gaming is becoming a dominant form of gaming on all platforms and the market for core gaming (between the casual and hardcore gaming categories) is moving from platform-specific gaming to crossplay gaming.

The Acquisition will add to the Company's portfolio three games by nWay (*POWER RANGERS: Battle for the Grid*, *POWER RANGERS: Legacy Wars*, and *ChronoBlade*) currently available on PlayStation4, Xbox One, Nintendo Switch, PC, Apple mobile devices, and Android devices.

The Acquisition is in line with the Company's brands-based strategy, as nWay has a track record of developing successful games featuring top-tier intellectual property (*Power Rangers*).

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The current management will continue to operate nWay after the Acquisition, and will work with Animoca Brands to expand business opportunities and create synergy, such as including additional Animoca Brands-held IP into nWay's existing and future titles, as well as boosting the overall efficiency of the business unit.

With unaudited revenue in the first 8 months of 2019 (through 31 August 2019) of US\$6.98 million (approx. A\$10.2 million) and an EBITDA loss of US\$1.3m (approx. A\$1.88m) for the same period, nWay is expected to contribute significant revenues to the Company.

nWay expects to become a significant player in the competitive multiplayer games space by continuing to develop its own games, host games developed by third parties, and innovate in the area of in-game prizing using blockchain technology. In addition to the successful games in nWay's portfolio, the Acquisition adds to Animoca Brands a powerful suite of technologies and a platform to enter the rapidly growing competitive multiplayer gaming space. Animoca Brands and nWay will work together to use blockchain technology to bring about important innovation on how competitive multiplayer games are monetized.

Acquisition terms

The Company, via its wholly owned subsidiary Animoca Brands Limited, will acquire 100% of the shares on issue in nWay, Inc. for an upfront consideration of US\$7.69 million (approx. A\$11.4 million), of which US\$1.94 million (approx. A\$2.9 million) is payable in cash and US\$5.75 million (approx. A\$8.5 million) is payable in fully paid ordinary shares of Animoca Brands (the "Payment Shares"). The cash consideration of US\$1.94 million includes US\$250,000 (approx. A\$369,000) to the Sellers and a US\$1.69 million (approx. A\$2.5 million) cash investment into nWay for operating purposes.

The price per share of any new shares of Animoca Brands to be issued as consideration for the Acquisition will be based on the higher of A\$0.18 or the 30-day volume weighted average price (VWAP) as of the effective date of the definitive agreement, which is expected to be executed in December 2019.

A portion of the Payment Shares equal in value to US\$4.75 million (approx. A\$7.03 million) is subject to a lockup period, of which US\$1 million (approx. A\$1.48 million) will be locked for 6 months, US\$1.25 million (approx. A\$1.85 million) will be locked for 12 months, US\$1.25 million (approx. A\$1.85 million) will be locked for 18 months, and the remaining US\$1.25 million (approx. A\$1.85 million) will be locked for 24 months. All lockup periods will be measured from the date the shares are first issued. In addition, 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 10 trading days.

The Acquisition is subject to approval by the Company's shareholders of the issue of the Payment Shares for the purposes for Listing Rule 7.1, satisfactory completion by the Company of its due diligence, and the obtaining of any necessary regulatory approvals.

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As part of the Agreement, Animoca Brands will commit to a bonus incentive plan of up to US\$1.25 million (approx. A\$1.85 million), payable to the management of nWay in cash or in fully paid ordinary shares of Animoca Brands, at the Company's sole discretion. Such shares will be priced based on the 30-day volume weighted average price of the Company's shares as of the date three days before the payment of such bonus. Details of the management bonus plan are laid out in the table below.

Management bonus plan details

Bonus amount	Condition
US\$150,000 (approx. A\$222,000)	Granted if nWay does not require further capital contribution (i.e., above the cash investment for operating purposes of US\$1.69m) from Animoca Brands or an affiliate of Animoca Brands prior to the one year anniversary of the closing of the Acquisition
US\$350,000 (approx. A\$518,000)	Granted if nWay does not operate at a loss between the first and second anniversary of the closing of the Acquisition (calculated based on NPAT)
US\$750,000 (approx. A\$1.11 million)	Granted if nWay EBITDA during the period between the second and third anniversary of the closing of the Acquisition exceeds US\$5 million

Additionally, during the three-year period following the closing of the Acquisition, Animoca Brands will make cash payments to the management of nWay consisting of 15% of Net Profits generated by nWay's current and future games, on an annualized basis. Net Profits is defined as revenues minus direct costs, operating expenses, and taxes, and is calculated on a yearly basis, not a cumulative basis.

Loan funding

In order to fund various business opportunities including the acquisition of nWay, the Company has entered into unsecured loan agreements for A\$2.5 million ("**Loans**") with sophisticated investors connected to the Company, including Moses Tsang, John Paul Pheby, Jon Fogarty, and Katherine Yip, and with chairman and co-founder Mr Yat Siu.

The key terms of the Loans are set out in the table below.

1.	Term / Maturity	12 months from the issue date (" Maturity Date ")
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2.	Interest	8% per annum calculated on the principal amount, together with any accrued and unpaid interest
3.	Settlement	Animoca Brands will repay the principal amount plus applicable interest on or prior to the Maturity Date

In addition, the lenders will receive up to 13,157,895 options on a pro rata basis to the amount loaned by each lender, based on an exercise price equal to A\$0.19 per share, which is the 21-day volume-weighted average price (VWAP) and represents a premium of 5.6% on the last closing price. These options may be exercised within 12 months from the date of the respective loan agreement.

The Company intends to issue the loan funding options under its capacity under ASX Listing Rule 7.1. The proposed security issue is shown in the table below. Any shares to be issued to Mr Siu will be issued under Listing Rule 10.11. The Company will seek shareholder approval for the issuance of shares to Mr Siu. Any shares issued on conversion will be escrowed until the issue of the appropriate cleansing prospectus.

Securities Issues

	Capacity (Pre-Issue)	Issue
Listing Rule 7.1	115,964,505 shares	11,578,948 options
Listing Rule 7.1A	63,114,359 shares	-
Listing Rule 10.11	-	1,578,947 options

Management commentary

Yat Siu, co-founder and chairman of Animoca Brands said: "The acquisition of nWay is a historic day for Animoca Brands. Not only are we acquiring a company with experienced management, strong revenues, and successful branded games, but we are also immensely excited about the nWayPlay platform, which - among other advantages - will allow a new generation of developers to create multiplayer games without the many years of experience normally required for such tasks."

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Taehoon Kim, co-founder and CEO of nWay, commented: "Animoca Brands is the perfect strategic partner for nWay, as the Company brings a deep history of innovation, talent and IPs which can help further the main goal of nWay – to create amazing games that are enjoyed by fans around the world. We look forward to this new era in the history of nWay and continuing to support our titles and platforms, including *POWER RANGERS: LegacyWars*, *Battle for the Grid* and our industry leading nWayPlay platform."

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This announcement has been authorised for release by the Board.

If you have any queries in relation to this announcement, please contact John Madden, co-company secretary, at johnm@animocabrands.com.

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About nWay

nWay is a San Francisco based developer, publisher, and tech platform for competitive multiplayer games across mobile, PC, and consoles. nWay's proprietary backend tech platform nWayPlay is expected to launch in 2020 and will enable fast development, prototyping, and operations of cross-play, real-time multiplayer games. The company has a strong track record of developing AAA quality games on mobile and on console, namely the recently launched *POWER RANGERS: Battle for the Grid*, *POWER RANGERS: Legacy Wars*, and *ChronoBlade*. nWay is comprised of leading developers and senior executives from Sony, Electronic Arts, WB Games, LucasArts, Kabam, Nexon, and NCSOFT. Collectively, the team has contributed to over a dozen hit mobile, console, and online games, including *Marvel Contest of Champions*, *Injustice*, *Star Wars: The Force Unleashed*, *Dominations*, *FIFA Online*, *Battlefield Online*, *Lineage II*, and *Warhammer Online*.

For more information about nWay visit <http://nway.com>.

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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