



29 July 2022

## ASX and Media Announcement

iCandy Interactive Ltd (ASX: ICI) (“iCandy” or the “Company”) is pleased to provide the quarterly summary of its activities for the quarter ended 30 June 2022 (“Quarter”).

### RECORD QUARTERLY REVENUES AND POSITIVE OPERATING CASH FLOWS

#### Q2 2022 Highlights:

- Record quarterly cash receipts of A\$8.2m, a quarterly increase of 82%.
- Sustainable growth to be further realised as accretive synergies are realised from the acquisition of Lemon Sky Studios, Storms, Flying Sheep Studio and Gameconomy.
- Importantly and following the full integration of Lemon Sky Studios, the team has contracted services for game production for the next 3 years.
- A milestone in achieving net positive operating cash flows as service adoption and contracts accelerate, alongside discipline expense management.
- Clear expense and cash outflow rationalisation with one-off corporate and acquisition costs to cease and result in further margin expansion and earnings growth.
- A total of ~21m shares were acquired through the Company’s 135m share buyback program, which is set to prudently continue as the Board still perceives iCandy as undervalued.
- The Company is well positioned with a robust balance sheet with A\$28.2m in cash, where the quarterly burn rate is set to significantly reduce as the aforementioned one-off costs lapse and compounding growth rates are realised.

#### Breakdown of Financials:

During the Quarter, iCandy realised approximately **A\$8.2 million** in cash receipts, **the highest ever for a quarter in the history of the Company**. This implies a quarter-on-quarter **growth rate of 82%** from the A\$4.5 million recorded in the first quarter of 2022.

Some comparatives and commentary of the quarterly cash flow:

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Quarterly Comparative Table			
	Q1 2022 (A\$'000)	Q2 2022 (A\$'000)	Commentary
<b>Receipts from customers</b>	\$4,496	\$8,226	Increase of 82% due to robust service demand, leading to record quarterly revenue. This was primarily contributed by Lemon Sky Studios.
<b>Staff cost</b>	\$(3,090)	\$(5,211)	Staff costs increased as: <ul style="list-style-type: none"> <li>The Quarter fully accounts for the staff cost under Lemon Sky Studios and Storms, which has more than 550 full-time employees combined.</li> <li>The Quarter recognises additional staff costs in Flying Sheep Studio and Gameconomy from their respective acquisition dates.</li> </ul>
<b>Administration and corporate costs</b>	\$(3,166)	\$(2,177)	Administrative and corporate costs have been reduced by 31%, to A\$2.2m, despite a total A\$1.65m in one-off acquisition costs.  Management expects administrative and corporate costs to continue to downtrend as iCandy continues to optimise its operations.
<b>Net cash from / (used in) operating activities</b>	\$(2,695)	\$152	Cashflow from operating activities is impressively positive as record cash receipts are supported by streamlined expense management.  With a staff strength of more than 650 employees now, iCandy demonstrates its business model with a positive net cashflow.
<b>Payment to acquire or for entities</b>	\$(6,904)	\$(9,577)	During Q1 2022, iCandy paid the following acquisition costs: <ul style="list-style-type: none"> <li>A\$6.9 million as tranche 1 payment for the acquisition of Lemon Sky Studios.</li> </ul> During Q2 2022, iCandy paid A\$9.6 million for the following acquisition costs: <ul style="list-style-type: none"> <li>A\$6.7 million as tranche 2 and final payment for the acquisition of Lemon</li> </ul>



			Sky Studios. <ul style="list-style-type: none"> <li>• A\$2.6 million final tranche for the acquisition of Flying Sheep Studios.</li> <li>• A\$0.3 million final tranche for the acquisition of Gameconomy.</li> </ul>
<b>Cash and cash equivalents at end of period</b>	<b>\$42,682</b>	<b>\$28,250</b>	Cash is evidently lower as one-off payments for the acquisitions of Lemon Sky Studios, Flying Sheep Studios and Gameconomy are realised. (See the line above for cash outlay for each acquisition for the quarter).  Importantly, accretive synergies are being realised from the milestone acquisitions reflected in the positive operating cash flows.

### Revenue Trend To Continue

The positive cashflow positions were achieved on the back of iCandy's highest ever quarterly revenue, mainly contributed by its new subsidiary, Lemon Sky Studios. Management expects the revenue trend and operating cash flow to continue on the back of a 3 year backlog of game production and further subsidiary service adoption.

Revenue for the first half of 2022 is estimated to be A\$12.9 million, the highest half-year revenue ever - and without the one-off acquisition cost, iCandy is operationally profitable for the first time ever.

The above financial results are currently subject to review by the Company's external auditors and may be subject to change. A full presentation and details on the operating results for the six months ended 30 June 2022 will be released on or before 31 August 2022. Detailed FY22 earnings guidance will be provided at the same time.

### Acquisition of Strategic European Studio For Second Wave Metaverse

During the Quarter, iCandy completed the acquisition of a 60% stake in Flying Sheep Studios GmbH ("**Flying Sheep Studios**") for **EUR 2.0m (A\$3.0m)**. Based in Germany, Flying Sheep Studios has an extensive track record, having delivered more than 200 games to a wide range of customers including renowned brands such as DreamWorks Animation and the Lego Group.

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Flying Sheep Studios possesses a wide range of proprietary software tools which form the backbone of Flying Sheep Studios' core strength in HTML5 and WebGL capabilities, which in turn are important enabling technologies for iCandy's to develop the second wave products for metaverse gaming.

### **Upcoming and Ongoing Development**

During the Quarter, iCandy has continued to work extensively on its Web3 initiatives. It has announced its NFT project with Froyo Games on 23 March 2022. There is a delay in finalising the art work for the NFTs and the project is now expected to complete in Q4 2022. As such, no revenue has been captured under the said NFT project currently.

New key Web3 games that are now undertaken by the Company include its first AAA metaverse game Metal Genesis, which is currently still under development but progressing rapidly with a playable demo due to be ready in Q4 2022. Metal Genesis is an armoured robo-suit war machine-themed and player-vs-player metaverse virtual world game being developed by industry-leading game designers and artists in Lemon Sky Studios.

Lemon Sky Studios is in continuous strong demand for its game development services for major global AAA game studios. Its pipeline of resources is currently filled with demands for approximately the next 3 years and it is currently on an expansion mode to increase its headcount by 20% by year-end.

Beyond game development, Lemon Sky Studios is seeing strong demand and exploring additional new revenue streams, in particular providing animation development services to global tv and movie streaming and content providers.

### **Committed to Share Buyback**

As at 29 July 2022, ICI has bought back ~21m shares as part of its 135m share buyback mandate approved by shareholders on 11 July 2022. In light of the strong quarter and current business outlook, the Board still perceives iCandy as undervalued and remains committed to its buyback.

### **Listing Rule 4.7C.1**

In accordance with Listing Rule 4.7C.1, a summary of the net cash operating cash outflows for the quarter ended 30 June 2022 are as follows:

Receipts from customers	\$8,226,000
Interest received	\$14,000
Payments for:	
Product manufacturing and operating costs	\$392,000
Advertising and marketing	\$252,000
Staff costs	\$5,211,000
Administration and corporate costs	\$2,177,000
Interest and other costs of finance paid	\$56,000



FINANCIAL REVIEW  
**FAST100 2020**  
STATISTA  
iCandy – Proudly Ranked 25<sup>th</sup>  
of Australia's Fastest Growing

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VIC 3000 Australia

### **Listing Rule 4.7C.3**

In accordance with Listing Rule 4.7C.3 under Item 6 of the Company's Appendix 4C of the cash flow report for the quarter, it has been reported that payments to Related Parties are approximately \$72,000. This was payment of Directors' fees.

The Company's Appendix 4C statement is herein attached at the back of this announcement.

This announcement has been authorised by the Board of Directors of iCandy.

— END —

### **About iCandy Interactive**

iCandy Interactive Limited (ASX: ICI) ("**iCandy Group**" or the "**Company**") is an award-winning Australian videogame company publicly traded on the ASX since 2016.

Currently the largest independent game developer in Australia, New Zealand and Southeast Asia with operating bases in Australia, Indonesia, Malaysia, Singapore and Thailand, the Company employs more than 650 full-time talents and has strengths in the development and publishing of traditional games (mobile, console and PC) and Web 3.0 games.

iCandy Group is backed by strategic shareholders that include Animoca Brands, Fatfish Group, Baidu, Singtel, SK Square, AIS, as well as numerous Australian and international funds. For more details, please contact: [ir@icandy.io](mailto:ir@icandy.io) or visit [www.icandy.io](http://www.icandy.io)

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**Appendix 4C**  
**Quarterly cash flow report for entities**  
**subject to Listing Rule 4.7B**

**Name of Entity**

ICANDY INTERACTIVE LIMITED

**ABN**

87 604 871 712

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

30 JUNE 2022

<b>Consolidated Statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	8,226	12,722
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(392)	(1,036)
(c) advertising and marketing	(252)	(522)
(d) leased assets	-	-
(e) staff costs	(5,211)	(8,301)
(f) administration and corporate costs	(2,177)	(5,343)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	14	31
1.5 Interest and other costs of finance paid	(56)	(94)
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>152</b>	<b>(2,543)</b>

**Appendix 4C**

**Quarterly cash flow report for entities subject to Listing Rule 4.7B**

	Current quarter \$A'000	Year to date (6 months) \$A'000
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities	(9,577)	(16,481)
(b) businesses	-	-
(c) property, plant and equipment	(264)	(645)
(d) investments	(279)	(556)
(e) intellectual property	-	-
(f) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	-
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (cash acquired from acquisition of subsidiaries)	269	13,611
<b>2.6 Net cash from/(used in) investing activities</b>	<b>(9,851)</b>	<b>(4,071)</b>

	Current quarter \$A'000	Year to date (6 months) \$A'000
<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	-	23,232
3.2 Proceeds from issue of convertible debt securities	-	-
3.3 Proceeds from exercise of options	239	282
3.4 Transaction costs related to issues of equity securities or convertible debt securities	(33)	(33)
3.5 Proceeds from borrowings	75	229
3.6 Repayment of borrowings	(3,735)	(3,835)
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (share buy-back payments)	(1,286)	(3,325)
<b>3.10 Net cash from/(used in) financing activities</b>	<b>(4,740)</b>	<b>16,550</b>

**Appendix 4C**

**Quarterly cash flow report for entities subject to Listing Rule 4.7B**

	Current quarter \$A'000	Year to date (6 months) \$A'000
<b>4. Net increase/(decrease) in cash and cash equivalents for the period</b>		
4.1 Cash and cash equivalents at beginning of period	42,682	18,307
4.2 Net cash from /(used in) operating activities (item 1.9 above)	152	(2,543)
4.3 Net cash from /(used in) investing activities (item 2.6 above)	(9,851)	(4,071)
4.4 Net cash from /(used in) financing activities (item 3.10 above)	(4,740)	16,550
4.5 Effect of movement in exchange rates on cash held	7	7
<b>4.6 Cash and cash equivalents at end of period</b>	<b>28,250</b>	<b>28,250</b>

	Current quarter \$A'000	Previous quarter \$A'000
<b>5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts.</b>		
5.1 Bank balances	28,250	42,682
5.2 Call deposits	-	-
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
<b>5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>28,250</b>	<b>42,682</b>

**6. Payments to related parties of the entity and their associates**

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

Current quarter \$A'000
72
-

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**Appendix 4C**

**Quarterly cash flow report for entities subject to Listing Rule 4.7B**

7. <b>Financing Facilities</b> <i>Note: the term "facility" includes all forms of financing arrangements available to the entity</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end  \$A'000	Amount drawn at quarter end  \$A'000
7.1 Loan facilities	-	
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
<b>7.4 Total financing facilities</b>	-	-

**7.5 Unused financing facilities available at quarter end** -

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

N/A

8. <b>Estimated cash available for future operating activities</b>	\$A'000
8.1 Net cash from/(used in) operating activities (item 1.9)	152
8.2 Cash and cash equivalents at quarter end (item 4.6)	28,250
8.3 Unused finance facilities available at quarter end (Item 7.5)	-
8.4 Total available funding (Item 8.2 + Item 8.3)	28,250
<b>8.5 Estimated quarters of funding available (Item 8.4 dividend by Item 8.1)</b>	<b>186</b>

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not ?

N/A

8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

N/A

8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis ?

N/A

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## Appendix 4C

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

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#### 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.

Date: 29 July 2022

Authorised by: By the Board of Directors

#### Notes:

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow 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 cash flow 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.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the {name of board committee - eg *Audit and Risk Committee*]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system risk management and internal control which is operating effectively.