



ASX Release

25 September 2017

Company Update

Animoca Brands Corporation Limited (ASX: **AB1**) (the **Company** or **Animoca Brands**) is pleased to release a Company Update presentation which is attached to this announcement.

The presentation provides an update on the Company's material progress on operational and corporate developments since the Business Review Update (released 10 July 2017).

Progress update

- Completed a full strategic review of Animoca Brands' portfolio of games and apps to optimise shareholder value
 - Confirmed continued selective development of Mid-core and Branded games
 - Established new Family Fitness segment
 - Streamlined approach to eBooks and identify the long tail of non-core games for alternative pathways
- Identified and focused on select pathways to extract value as alternative to in-house development, including strategic partnerships/JVs, divestments/spin-offs and strategic deals
- First example of successfully realising value from non-core games with sale of 13 titles to Maple Media completed on 28 August 2017 for up to A\$3.6m in cash
- Material cost rationalisation complete, with A\$2.8m run-rate benefits expected to be reflected in FY17 financials

Robby Yung, CEO, Animoca Brands commented:

"We are encouraged by the Company's significant operational and corporate progress since July, including completion of a strategic review, material cost restructure and a successful sale of titles to Maple Media. The next 6 to 12 months represents an exciting period for the Company as we continue to grow our optimised mid-core and branded games, and efficiently realise value from our portfolio with our renewed strategic focus."

- ENDS

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. The Company's games have been downloaded over 300m times. Animoca Brands is based in Hong Kong. For more information visit www.animocabrands.com or get updates by following Animoca Brands on [Facebook](#), [Twitter](#) or [Google +](#).



COMPANY UPDATE

SEPTEMBER 2017

Animoca Brands released a Business Review Update on 10 July 2017, providing an update on the Company's strategy and vision

- Announcement available on the ASX website [here](#)
- Market participants should read this document in conjunction with the Business Review Update and the Company's latest Appendix 4C released on 31 July 2017 (available [here](#))

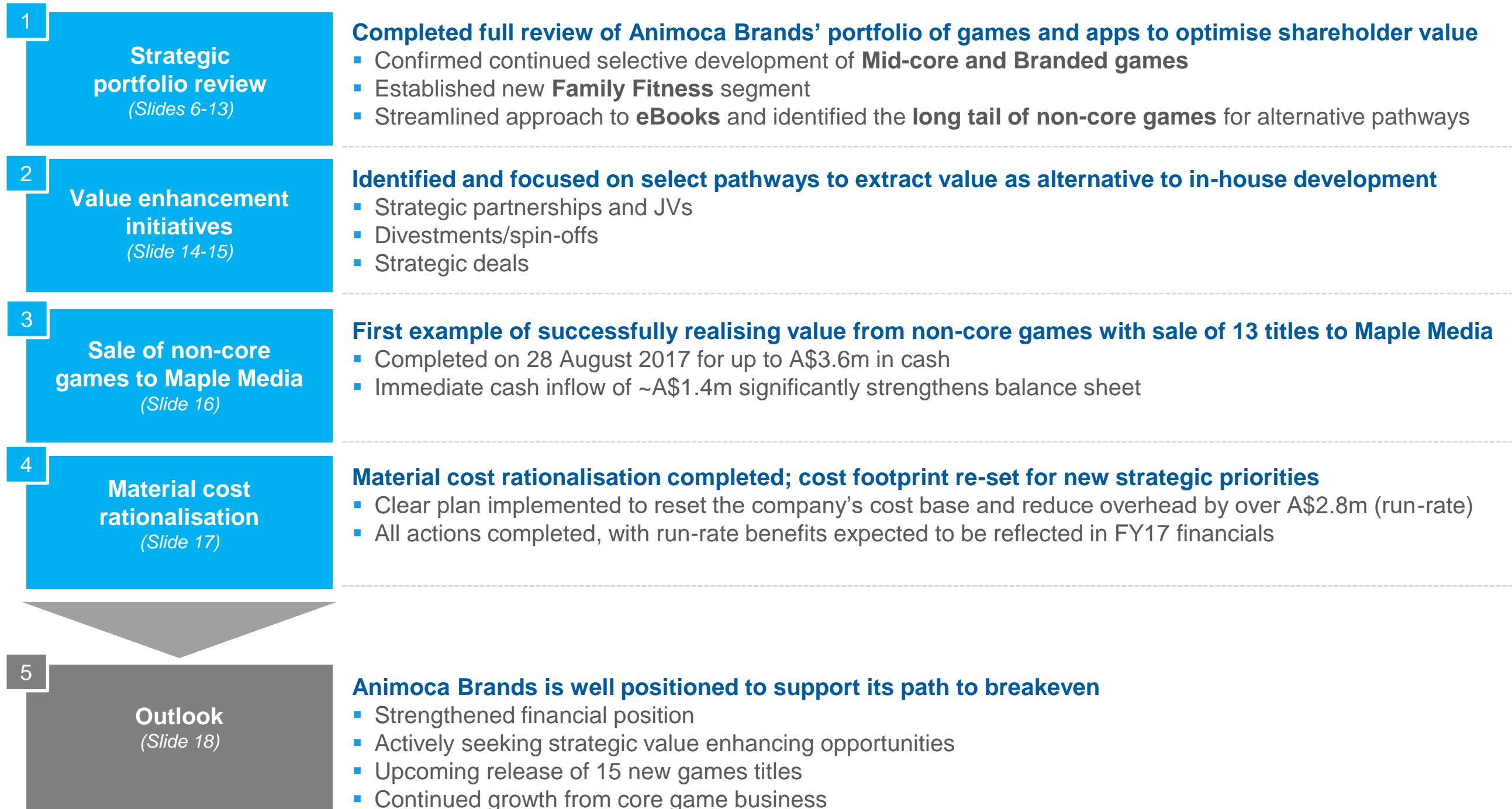
The Business Review Update identified a number of future corporate developments to help accelerate Animoca Brands' path to profitability, including:

- Streamlining and optimisation of the Company's intellectual property portfolio
- Opportunities for value enhancement
- Actions to reduce costs

Animoca Brands is pleased to report that in the weeks since the Business Review Update was released, the Company has made significant progress and wishes to update the market accordingly

Executive summary

Animoca Brands has updated its strategic priorities to support its path to break-even



Corporate snapshot



Company overview

- Animoca Brands is a **leading global developer and publisher** of mobile games and subscription products based in Hong Kong
- **One of the largest portfolios in the industry** based on popular globally recognised brands
- **Established distribution channels with global publishers**, and strong operating metrics (with over 303 million game downloads)



Capital structure

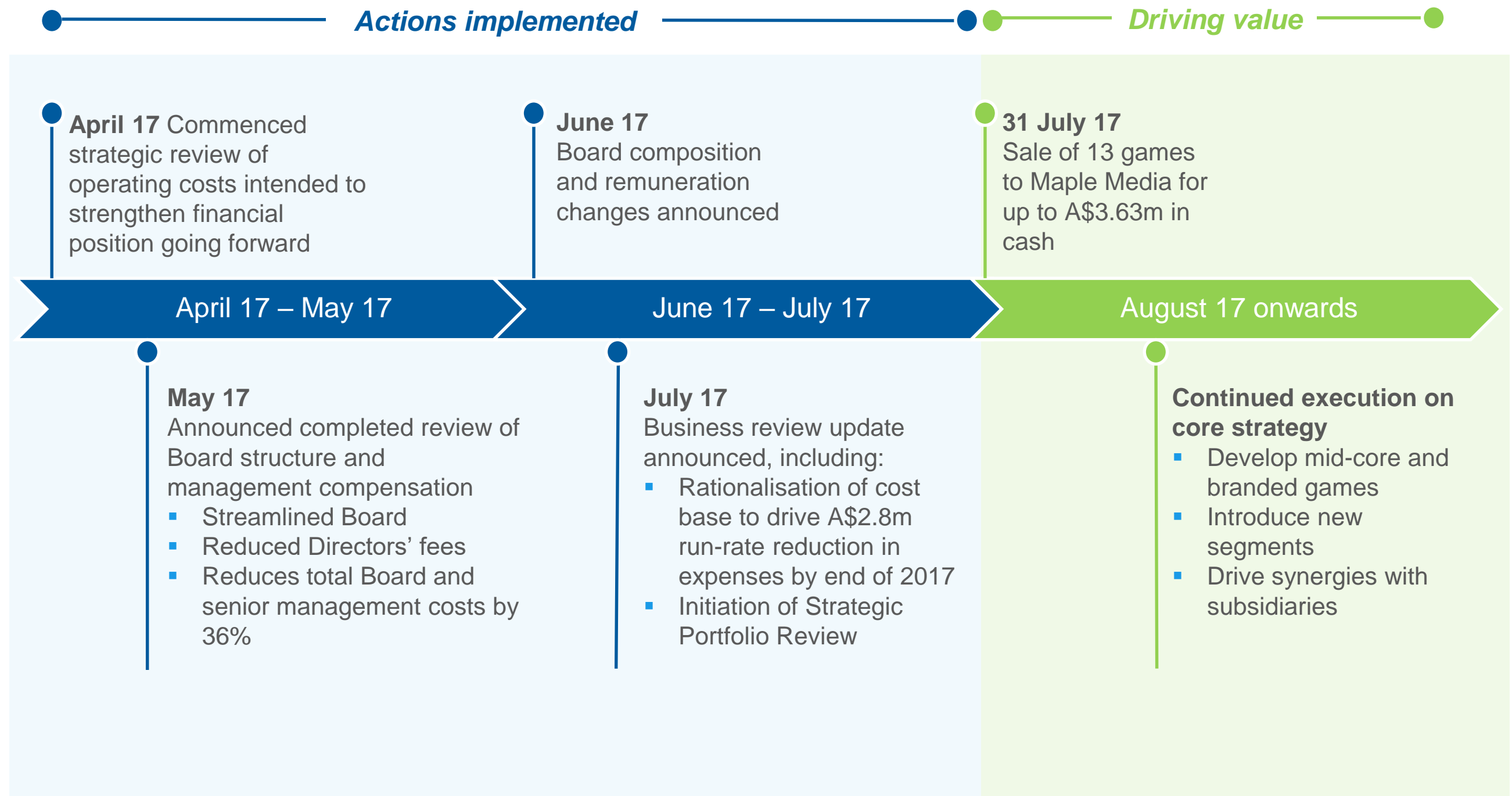
Share price (22-Sep-17)	A\$0.013
Number of shares	390.6m
Market capitalisation	A\$5.1m
Cash (30-Jun-17)	A\$0.9m
Debt (30-Jun-17)	Nil
Enterprise value	A\$4.2m

Substantial shareholders

Paul John Pheby	9.12%
Datahouse Investments Limited	7.79%
Dulyne Pty Ltd ATF The Atlantis Super Fund	7.68%
Asyla Investments Ltd	7.60%
Startive Ventures, Inc	6.20%
Ourpalm – <i>Strategic investor</i>	3.79%
Intel Capital Corporation – <i>Strategic investor</i>	3.28%
Board and Management	7.91%

Update on decisive actions to drive value

Animoca Brands has implemented a number of decisive actions to increase operating leverage and support delivery of improved profitability for shareholders



1 Strategic portfolio review

Comprehensive review of portfolio and development pipeline completed



Continued focus on Mid-core/ Branded games

- Focused on segments of highly loyal gamers
- Leverages portfolio of mid core games acquired as part of TicBits acquisition
- Build on track record of commercial success with its branded games



Created new Family Fitness segment

- New Family Fitness business segment established to capitalise on third party interest in parts of Animoca Brands' portfolio
- Enables Animoca Brands to leverage its intellectual property in a capital-efficient manner
- De-risks ongoing development and operational risks



Updated eBooks strategy

- Strategic approach to development of the eBooks category, focusing on leveraging strategic partnerships
- Focus on exploring additional distribution channels to access high value education market
- Added more content to flagship *Thomas & Friends: Read & Play™* eBook product from other Mattel brands



Completed “Long-tail” portfolio review

- Strategic review of long-tail of Animoca Brands' “legacy” games portfolio
- Action taken to suspend development in non-core categories
- Actively seeking opportunities to leverage and monetise this component of portfolio (e.g. Maple Media sale)

New value-enhancing initiatives to leverage Animoca Brands' unique capabilities and assets

Continued focus on Mid-Core and Branded games



High levels of customer loyalty drive user retention in this segment –
Animoca Brands continues to focus on developing games to serve these customers



Mid core games

Games targeted at loyal multi-player, online player-vs-player (PvP) gamer base with long term retention value



Focus on mid core games

- TicBits subsidiary provides Animoca Brands with a strong portfolio of mid core games with loyal base
- Successful track record of mid core game development
- Solid platform for further growth and additional revenue generation



Proven traction with branded games

- Animoca Brands has proven traction with its branded games
- Growth across key operational metrics, with increases in total downloads



Branded games

Games developed by Animoca Brands under valuable IP licences for globally recognised brands



Exposure to multiple valuable revenue streams

- IAP revenue and mobile advertising
- Driven by user growth



Large addressable market

- Combined forecast addressable market size for IAPs and mobile advertising of **\$46.1B**
- Widespread adoption of smartphone devices expected to continue driving growth

Mid-Core games | Key developments

Growth in Animoca Brands' mid-core, multi-player games portfolio has continued, with major new games released and others in the development pipeline for Q317



New games released

- New games titles released recently include Princess Story Maker, Hipster Sheep and Ancient Secrets of the Mummy
- Positive market traction demonstrated since release

A selection of recently released and under-development games



Major games in development pipeline

- Multiple games in the development pipeline
- Titles expected to be released in the multi-player/ PvP category include Crazy Kings Adventures, Beast Brawlers, Toy Attack and Pets



Expansion of brand portfolio

- IP licensing agreements successfully signed for new brands, including Old Master Q and Master Chef
- New brands continue to expand valuable brand portfolio



Branded games | Key developments

Continued expansion of portfolio of licensed IP and branded products



Expansion of brand portfolio

- IP licensing agreements successfully signed for new brands, including Old Master Q, Master Chef and Hooplakidz
- New brands continue to expand valuable brand portfolio



Expanded branded content

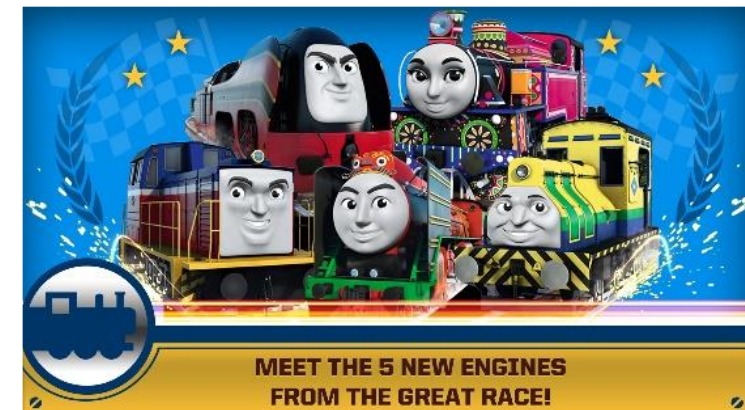
- Expanding and leveraging existing branded content for more brands
- Added more content to flagship *Thomas & Friends: Read & Play*™ eBook product from other Mattel brands



Partnership with Miniclip

- Partnering with Miniclip, one of the world's largest free online games providers on two branded games
- New titles/brands include Beast Quest and Thunderbirds

New brands and updates to valuable IP portfolio



MasterChef

MINICLIP





New Family Fitness business segment

New business segment established to capitalise on external interest to facilitate capital-efficient growth

New Family Fitness business segment established to operate as an autonomous business unit

- The new Family Fitness segment will focus on its individual bottom line
- Segmentation is designed to support discussions with third parties for **capital-efficient growth options that exploit Animoca Brands' valuable intellectual property**

Strong interest and macro tailwinds for mobile games and products:

- Targeted at children and parents
- Designed to improve users' overall fitness and health

Valuable existing suite of games and products in this segment, including:

- Garfield Fit
- 22 Push-Ups
- Squat Trainer (new game in development pipeline)



Family Fitness segment

A start-up within Animoca Brands capitalising on trend of game-ifying health for a family audience

Strategic focus for Family Fitness segment

- Allows Animoca Brands to **actively pursue strategic options** for development while **minimising up-front cost**
- A spin-off of this discrete segment of Animoca Brands' core business **aligned with strategic focus on capital-efficient growth**
- **Significant expressions of interest** for parts of Animoca Brands' portfolio targeted at the family and fitness markets

Family Fitness products

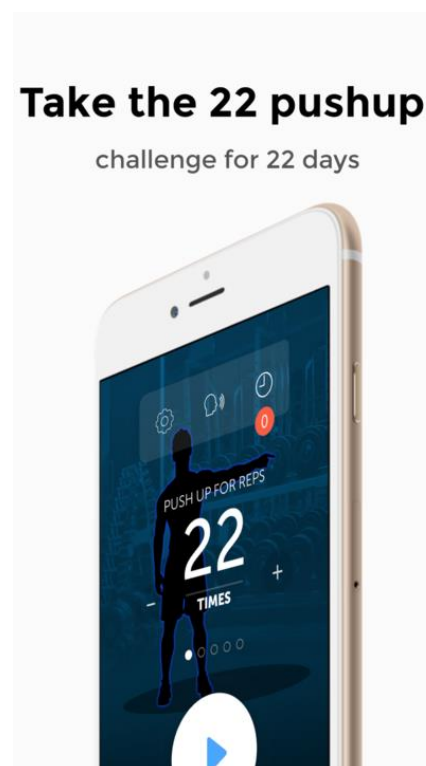
Valuable and growing suite of games and products in a segment with significant third party interest and strong macro tailwinds

✓ Garfield Fit



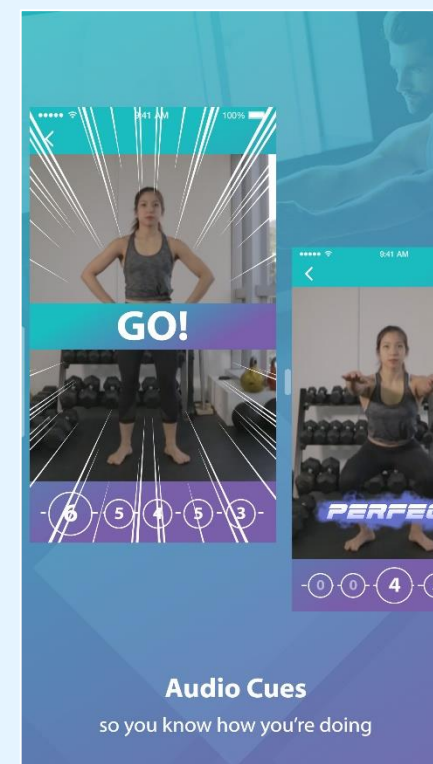
Flagship family oriented, fitness based app

✓ 22 Push Ups



Trainer-based app teaching users how to do push-ups

✓ Squat Trainer *In development pipeline*



Trainer-based app teaching users how to squat



Focused approach to eBooks category

Focused on capitalising on the growing strategic interest in eBooks and subscription products with large global demand



**eBooks
segment**

*Subscription digital
book/learning publications*

Strategic focus for eBooks

- Animoca Brands will adopt a strategic approach to the development of its eBooks and subscription product category
- Strategic focus on further developing and **capitalising on third party interest, and also leveraging strategic partners for future growth**
 - Potential for development of further subscription products while minimising cost
 - Expanded distribution channels into high value family and education sector

Strategic partnerships and product update

1

Mattel

- Flagship product, *Thomas & Friends Read & Play™*, launched with Mattel in November 2016
- Strong interest, recognition and proven traction
- Potential to add more content from other Mattel brands

2

Hooplakidz

- Licensing agreement signed with Hooplakidz, one of the largest providers of YouTube content for young children
- New subscription product based on Hooplakidz content
- Hooplakidz is owned by Bertelsmann (one of the world's largest mass media companies)

3

BrainyTap

- Subscription based, educational app for children creating a personalised learning experience, with >1,200 eBooks from diverse publishers
- Users have ability to choose/develop their own content to suit individual needs
- Core engine developed by Tiny Tap, an Animoca Brands partner and investee

4

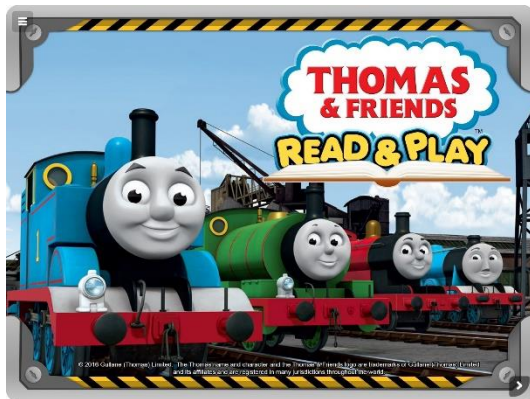
Dreamworks

- Licensing agreement with DreamWorks to develop book apps for Asian markets based on popular brands
- Currently not actively developing in order to focus resources on other projects

Key brand partners for eBooks development

Valuable portfolio of eBooks and subscription products well-positioned to capitalise on strategic partnerships for further development

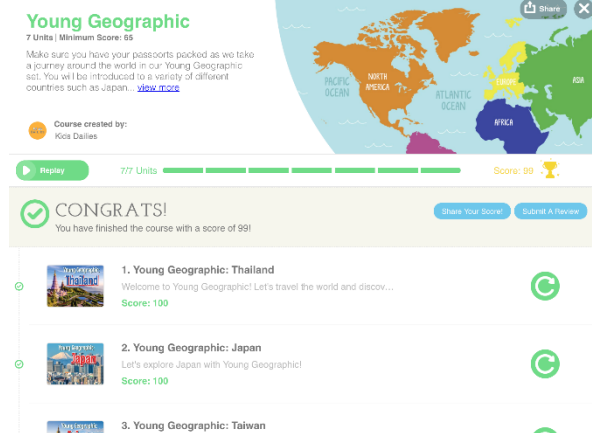
✓ Thomas & Friends:
Read & Play™



✓ BrainyTap



✓ Hooplakidz



Partnerships with
recognised brands

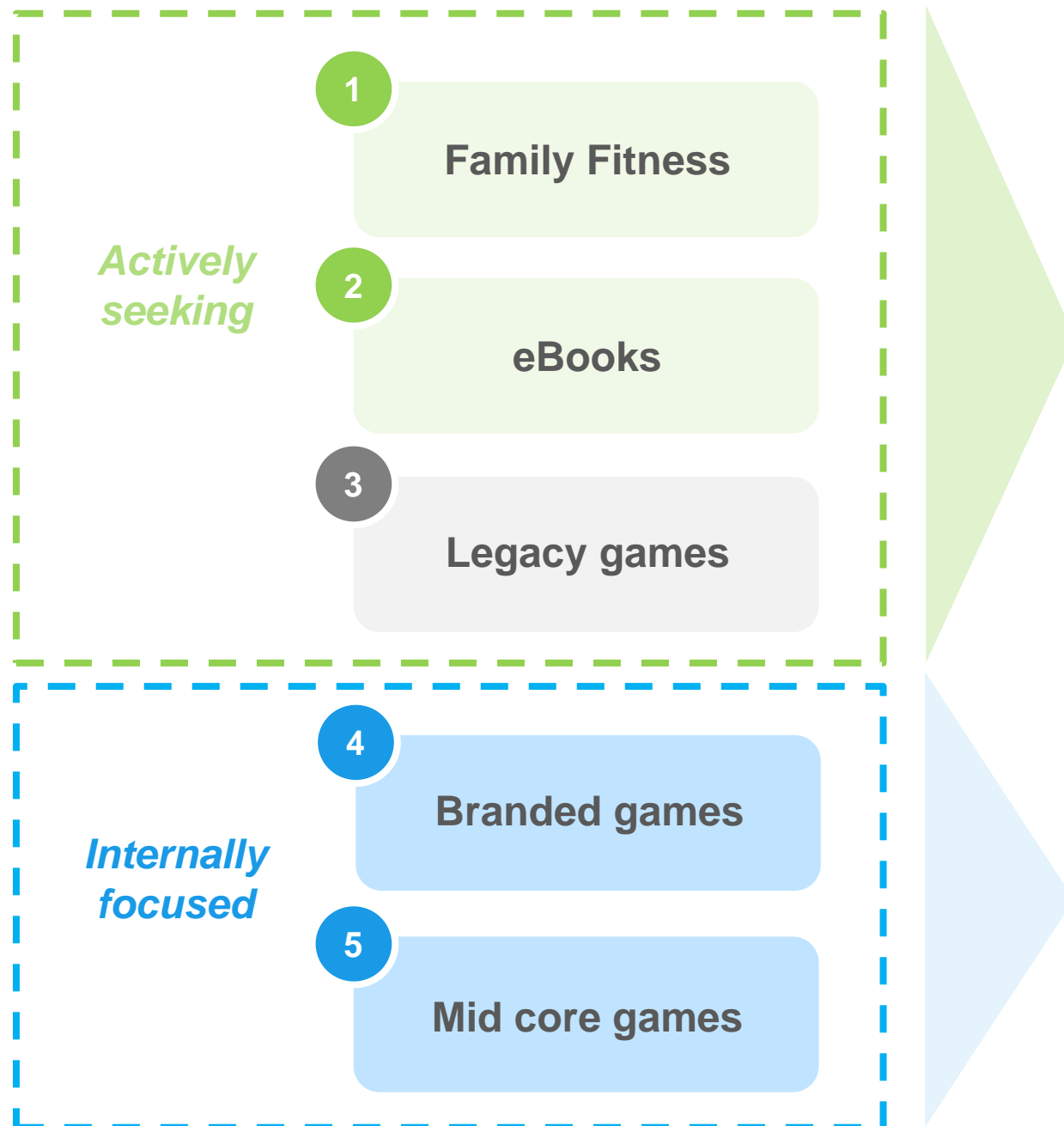


BERTELSMANN



2 Value enhancement initiatives

Streamlined portfolio is now well positioned for capital-efficient optimisation through multiple pathways



Partnerships and joint ventures

Actively investigating partnership/JV arrangements to provide broader capital support and market exposure



Spin-offs from core business

Spin-offs of discrete segments from core business to support discussions with third party partners and/or co-investors



Divestments

Divestments to leverage and monetise individual business segments (e.g. Maple Media sale)



Strategic deals

Further licensing/publishing deals and investments in line with objective of sustainable profitable growth

2 Market proposition to strategic partners

Valuable exposure to the rapidly growing mobile gaming and edutainment sector

- Valuable intellectual property portfolio of **globally recognised brands**
- **Multiple strategic pathways** to capitalise on and leverage valuable portfolio
- Large and growing market opportunity across eBooks, mobile gaming and advertising
- **Established partnerships and distribution channels** with global players (e.g. Mattel, Apple, Google Play)
- Diversified product portfolio with **multiple revenue streams**, and **strong performance across key operating metrics**
- Cost rationalisation and restructure completed, providing a streamlined vehicle for renewed strategic focus and profitable growth
- Lean Board and management team with significant sector and corporate experience



3 Completed strategic sale of games

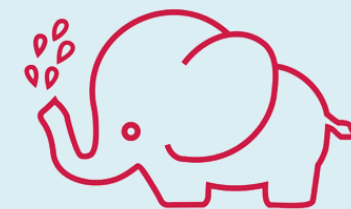
Recent sale of games to Maple Media provided an immediate cash inflow of ~A\$1.4m

Strategic rationale

- The sale is a **positive outcome of Animoca Brands' recent focus on leveraging its portfolio** of valuable intellectual property while managing its cost base and cash flows effectively
- Cash inflow from the completed sale **significantly strengthens the Company's balance sheet**
- Demonstrates Animoca Brands' ability to **successfully monetise** its intellectual property without incurring further development and marketing costs
- 13 games sold comprise only the **legacy component** of TicBits subsidiary
 - TicBits remains focused on developing mid core games
 - Titles sold include casual gaming titles that are a closer strategic fit for Maple Media (for example, Sudoku and Mahjong)
 - Collectively the 13 games accounted for ~\$0.4m in revenue in 1H 2017

Key terms of sale

- Animoca Brands has successfully completed the **sale of 13 games to Maple Media for up to A\$3.63m in cash**
 - Receipt of **~A\$1.4m in cash** as upfront consideration
 - Further deferred payments of up **to total ~A\$2.2m** in 2018 and 2019 subject to revenue hurdles
- Maple Media is an innovative provider and developer of mobile adtech services based in Los Angeles
- Animoca Brands retains an option to sell an additional two apps to Maple Media



MAPLEMEDIA

4 Material cost initiative to reduce overhead

Management has implemented a clear plan to reset the company's cost base, and reduce overhead by over A\$3.0m

Cost initiative

Streamline portfolio costs



Actions completed

- Streamlined approach to portfolio and development pipeline
- Optimisation of development and marketing costs
- Overall ongoing operating costs expected to fall by 40% by the end of 4Q17

Address Board and headcount costs



- Streamlined Board structure and reduced remuneration
 - Board and senior management have voluntarily taken pay reductions, contributing to overall cost reduction
- Headcount reduction in line with near term resource requirement and completion of major development phase
 - FTE employee numbers reduced by ~33%, with savings realised from all development and support functions
 - Expected reduction in monthly operating costs of ~38%
- Annualised cost savings expected to exceed A\$2.8m

Achieve full run-rate benefits in FY17



- All required actions now successfully completed
- Full benefits expected to be rapidly captured and pro-rata impact reflected in FY17 financials

5 Clear next steps on Animoca Brands' journey

Animoca Brands is positioning itself for sustainable growth in the near future

Mid-core & branded games

Launching new mid-core titles (including Crazy Kings Adventures and TCP games)

Signing up new brands to expand valuable IP portfolio

Continued growth from optimised consolidated development function in Finland

Family Fitness segment

Spin-off of Family Fitness segment, and receiving third party investment

Continued development including AI-powered games/apps and branded wearables and games

Launching new products in segment

eBooks and subscription products

Adding more content to flagship *Thomas & Friends: Read & Play™* product from other Mattel Brands

IP licensing agreement signed with Hooplakidz, one of the largest YouTube channels for children under 6

Signing new eBooks deals

Animoca Brands Group

Expected increase in cash collections on receivables in 3Q17

Expected reduction in operating costs following the restructure

Seeking additional strategic growth opportunities to leverage and capitalise on valuable IP portfolio



APPENDIX

Board and management

Lean and experienced Board and management team, invested in Animoca Brands' success

Executive Board Members and Management

David Kim – Co-founder & Chairman

- Previously CEO of mail.com Corporation and served on the boards of many prominent companies including Viztel Solutions Group and Daum Corporation Korea
- In 1999 he became the youngest CFO of a NASDAQ listed company (China.com corp.) at only 26 years of age
- Mr Kim is a graduate of Stanford University in Economics and Communications

Yat Siu – Co-founder & Director

- Founder and CEO of Outblaze Limited, a digital media company, specializing in gaming, smartphone software development and cloud
- Numerous accolades including Global Leader of Tomorrow at the world economic Forum, and Young Entrepreneur of the year at the DHL/SCMP awards

Robby Yung – CEO

- Serial technology and marketing entrepreneur
- Co-founder and CEO of Redgate Media
- Also co-founded One Media Group and One Studio and was the former GM of Metromedia Asia`

Non-Executive Board Members

David Brickler – Independent director

- Formerly senior director of Applications for world vision and executive director of Ernst & Young Hong Kong.
- Also held position as Vice President of Equity Technology at Goldman Sachs Securities CO. Ltd, Japan
- MBA from Kellogg-HKUST and a BA from Princeton

Dr. Nigel Finch – Independent director

- Dr. Finch is managing director of Saki Partners, a transaction advisory firm.
- He has significant experience working with early-stage and emerging ASX-listed companies, and working across Asian markets
- Formerly an associate dean at The University of Sydney Business School

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