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1HFY23 Investor Webinar Transcript

PlaySide Studios Limited (ASX: PLY) ("PlaySide"), Australia's largest publicly listed video game developer, is pleased to release a transcript from its investor webinar hosted on 27 February with CEO Gerry Sakkas and Chief Strategy Officer Benn Skender.

Start of transcript:

Gerry Sakkas:

Hello everyone, thank you for dialling in today and welcome to the PlaySide Studios Investor Webinar for the first half of FY23. My name is Gerry Sakkas, I'm the CEO and one of the founders of PlaySide, and I'm joined today by Benn Skender, our Chief Strategy Officer. We'll be going through the Investor Presentation that was lodged with the ASX earlier today and providing some further detail on our performance and plans for the business, which will be followed by some Q&A.

To begin with I'd like to provide a brief recap on our performance for the December half. We saw record levels of activity across our business, which included:

- the global launches of both Legally Blonde and The Godfather; two highly recognisable IPs that we acquired under license and have produced casual mobile titles for;
- Further expansion of our Work for Hire relationship with Meta, with an extension of this work out until the end of this calendar year;
- A separate development partnership with Meta to develop a mixed reality game, that will see us receive payments for development as well as a revenue-share once the game is launched; and
- The signing of a game license and publishing agreement with Netflix for Dumb Ways to Survive, which will see us bring an entertainment product based on our IP to the Netflix Games service.

Benn Skender:

We were very happy with our financial result for the half, with record operating revenue of \$16.5m well up on the same time last year and nearly 50% ahead of the June half. The major driver of this was the sheer volume of Work for Hire activity, with revenue for that segment more than triple that of last year and up over 60% on the June half. One of the nuances of our business is that Work for Hire contracts tend to generate immediate revenue whereas when we launch new Original IP games (particularly free-to-play titles) there's a longer path to reaching our desired level of monetisation. Gerry will talk about that a bit more shortly but ultimately that's what has driven a harder revenue skew towards Work for Hire during the current half, and that's something we expect will persist for the remainder of the financial year.

The underlying EBITDA loss was \$2.7m for the half. We often get questions about our path to profitability, which we understand has been a current theme for a lot of technology companies but particularly those with high losses, a slowing top line or those that are capital hungry. PlaySide has the fortunate position of having a profitable, growing Work for Hire business that allows us the ability to invest in the development of Original IP titles, which we believe is critical to creating shareholder value in the long-term. So while we continue to invest in a catalogue of Original IP we are more likely to operate around that breakeven mark at a group level, and that's supported by a cash balance of around \$30m. That cash balance is now higher than balance date as some of the working capital tied up in receivables has since unwound, effectively we had some billings right near the Christmas period that have since been received.

Headcount has more than doubled year over year. There's an extra layer of overheads that are necessary to run a business with what is around 250 staff as we sit here today compared to around 100

a year ago - but we are very confident that our resourcing levels are appropriate for the level of activity in the business, and would expect that rate of growth to taper over the next twelve months.

Gerry Sakkas:

Turning to slide four, I wanted to give some more colour on our current original IP projects. The business has strong roots in mobile games development, and that continues today where mobile contributes the majority of our Original IP revenue. As Benn mentioned there is often a lead time to reaching our desired levels of monetisation with games, but when we do reach that, the resulting revenue base tends to be quite sticky.

PlaySide's three best-selling mobile titles twelve months ago are still in the top five for the December half, and as we launch new mobile titles like we have done with *Legally Blonde* and *The Godfather* we start to enjoy even greater diversification of revenues. In any period, we've got more than a dozen mobile titles generating either ad or in-app purchasing revenue, and in the December half, the top three titles contributed a little over half of our mobile app store revenue, compared to 80% the year prior.

So we're quite proud of that back catalogue of successful mobile titles, but we also acknowledge that the business is much larger than it was at the IPO, so really the challenge going forward is to aim even higher in terms of the scope and the revenue potential of the titles we develop in our Original IP division, and that's something I'll address in a moment.

Slide five gives some detail of the performance of the two major Original IP mobile titles that we acquired the licenses for shortly after IPO, and that went into global launch during the December half. Both titles are showing early promise, with *Legally Blonde* having been in the market the longest and having around half a million downloads so far. We're very happy with that number, particularly given the *Legally Blonde 3* movie is yet to have a release date.

After the initial fanfare of the launch, by far the biggest influence on downloads is our own User Acquisition spend, and our intention is to only pull this lever when those user retention and monetisation metrics are at the levels we aspire for them to be. Improving those metrics involves analysing the performance of cohorts of users that have downloaded the game, then going back and making tweaks to things like gameplay, level design or the user interface. And so while we're doing that we intentionally slow down our rate of User Acquisition so that we're only bringing new users into the game when we're confident that they'll perform better than the previous cohort.

We're busy doing work on that at the moment and look forward to providing you with a further update on the performance of both titles later this year.

Slides six and seven talk about our *Dumb Ways to Die* IP, which celebrated its ten-year anniversary in December. We could not be happier with our decision to acquire this IP. In the first fifteen months of acquisition the brand has generated more than \$12m in revenue and it was doing more like \$1.5m a year before we bought it.

We're also thrilled Netflix sees value in the IP and look forward to delivering a *Dumb Ways* title to the Netflix games service as well. The benefits of that deal go well beyond its revenue contribution - we think it has the potential to spawn a new generation of fans for the brand, which is exciting as we continue to invest in new titles and other ways to build out the portfolio of *Dumb Ways* content.

We're also proud to reveal that the original *Dumb Ways* title experienced a viral resurgence, which saw it sit at #1 on the App Store charts in more than 30 countries for most of February so far. That was really due to the *Dumb Ways* theme song which went viral on social media platform TikTok in late January, with tens of thousands of users videoing themselves doing dumb things to the tune of the *Dumb Ways to Die* song. There was very, very broad engagement with our IP on social media, with some of the largest teen celebrities, famous sports and movie stars and pop culture icons all getting involved in the trend.

For a ten-year-old brand to sit atop the US App Store charts for any period of time is huge (let alone the best part of a month), and we expect that will provide a nice revenue boost to the March quarter, at least 800k more than we originally forecast for the franchise in that period.

Turning to slide eight we have been very happy with the performance of our first two titles on PC, the real-time strategy game Age of Darkness, and the first-person shooter World Boss. Age of Darkness went into Early Access a bit over a year ago and has seen more than 200,000 downloads to date. For a relatively niche genre we think this is a good figure and are very encouraged by the player feedback on Steam, with positive reviews sitting in the 80 percent range. We've won a number of awards for the quality of the title, and that quality has also been recognised by some of the counterparties that have awarded us opportunities on the Work for Hire side of the business.

World Boss was a title we announced in the first few weeks after our IPO, prior to signing the licenses for Legally Blonde and The Godfather. At the time we really saw this as a way to build brand exposure in a very cost-effective way, by leveraging the reach that Lazarbeam and Fresh had as influencers with millions of YouTube subscribers and high recognition as streamers in the gaming space. It has absolutely served that purpose for us.

To be fair, one of the things that has constantly caught us off guard is how quickly our company has grown, and how to decide which projects are likely to remain material to the business by the time that they are ready to launch. That is a good lead into slide nine where we talk about our future aspirations for Original IP.

While our Work For Hire revenues have grown rapidly in the last twelve months, we absolutely remain committed to the goal of producing hit Original IP titles. Our revenue base is so much bigger than it was at IPO, and so is our confidence in the forward pipeline on the Work For Hire side, and that permits us the ability to go after bigger opportunities in Original IP. As a result, while we will continue to grow our catalogue of mobile titles every year, you will start to see us working on bigger PC, Console, VR & AR opportunities that take longer to develop in terms of getting a game to launch, but that we hope have much larger revenue potential.

In order to go after these opportunities appropriately, we need to be open-minded about two things. The first is risk management. We are protective of our cash balance and where the size of the opportunity necessitates we will look at ways of managing our development spend, either by working in partnerships or utilising a third-party publisher, and where we can participate in things like revenue share on opportunities that might start as a Work for Hire deal, we will look at that too.

The second is failing fast. We read the annual comments from the CEO of Supercell with great interest, as Supercell are responsible for Clash of Clans, one of the most lucrative mobile games ever. The CEO recently said they have launched five hit games and killed more than thirty.

During the first half we made the decision to write down the WIP on seven titles, the majority of which were in pre-production - meaning that there was relatively limited spend as we were still often doing exploratory work to determine the investment case for a title. In our mind this discipline is critical to the future success of the business. We cannot afford to be lazy with our resources, keeping people on projects that are unlikely to generate an appropriate return in the future. It isn't good for our balance sheet even if it means we are foregoing revenue in the short-term. It also sends the wrong message to our staff. We want to give our highly talented, creative staff the ability to 'search for success' and not feel forced to nurse projects along that aren't showing promise, but instead take those learnings and move forward with them.

Given some of the Original IP projects are likely to take some time to come to fruition we've tried to provide a bit of context around how long certain game types will take to make, how much money we are likely to spend on development prior to launch, the likely price points or monetisation model of the games, and their revenue potential.

One thing that is very apparent is that the revenue potential of indie games is not particularly correlated to the level of development spend; you can go look at games like Among Us or The Forest which had relatively low dev budgets but have delivered huge numbers. So the upside can be considerable but the number we've used for the 'high case' is the starting point of what we think would be a very good outcome for an indie title.

We've provided the most colour on the numbers for indie games, but those ranges are already very wide so we've been less specific on the numbers for AAA licensed games. Depending on the genre and the scope of the game, the opportunities are going to look different from title to title...the bigger they are the more we're going to be thinking about managing our risk through things like partnerships, third-party publishing, and revenue share so it would probably lead to more confusion saying anything beyond, "the games take longer to make, they cost more, and they have bigger revenue potential".

But we've given some good colour on the indie game potential as a benchmark and hopefully investors can draw some rough conclusions from that.

Benn Skender:

Thanks Gerry. For the half year our Work for Hire operations contributed about two-thirds of our revenue, and we are quite open about the fact that this work serves to elevate our brand as well as providing an internal funding source for the Original IP aspirations that Gerry has just been speaking about.

What we think is often under-appreciated by the market is how much this division has evolved since the IPO, particularly in terms of the scope of work we do, the tenure and size of our contracts, as well as our competencies in AR & VR.

Regarding the scope of work, for a long time we've said that we are working on some extremely high-profile titles but haven't been able to disclose what they were. I'm happy to say that we can now talk about one of those titles, and that's *Warcraft III: Reforged* for Activision Blizzard.

Warcraft is one of the highest-grossing video game franchises of all time and an iconic name if you're a hardcore gamer. We've taken on the project in an effort to respond to *Warcraft*'s community feedback. *Warcraft III* is a live service game, and Blizzard want to ensure the best experience for their player base, and our role is to ensure that we can add new features, community requests and gameplay tweaks as well as fix any bugs.

Turning to Slide 12, the relationship we have had with Meta is a good example of how the tenure of our contract work can grow considerably as we deliver on milestones and are engaged in deeper work over time. We started work on Horizon Worlds with a short, six-month contract in April 2021. This contract has been extended three times and the value expanded twice, such that the current work continues through until the end of this calendar year. Our clients continue to give us good visibility on our work pipeline with them, and we think that's a positive in the context of the broader layoffs that have been happening in the tech sector. Meta has also given us separate work ahead of the annual Meta Connect event, and most recently awarded us work based on a mixed reality game concept that we pitched to them.

That development agreement is effectively a 'hybrid' arrangement in that it involves a material revenue share on the back-end rather than simply being a pure Work For Hire deal. Being paid to make a game idea that we've conceptualised is also an example of one of the risk management approaches we were talking about earlier, that enable us to take on games with longer development times. As Gerry will discuss in a moment, the VR space is very competitive and changing rapidly. That frequently means the timeframe around committed projects can often move around which is why it's occasionally hard to be specific about start and end dates, but as slide 13 demonstrates, the overall volume of work that we're doing at any point in time continues to grow. A little bit like the Original IP projects we've committed to in the past, as the opportunities on the Work For Hire side become more substantial we are constantly asking ourselves what projects are going to be appropriate with a medium-term view. That's seeing the average contract size in the business grow; this year we have seven major contracts that we expect will contribute revenue in the low 20m range this year, and we'd expect that average to keep moving up.

There's structural drivers here too - out of all the segments of entertainment media we think gaming remains a bright spot in terms of its share of consumer wallet, and expect that demand for gaming-related content across various entertainment platforms will continue to flourish. That plays right into our hands, so we're feeling very positive about Work for Hire continuing to support our broader aspirations for the business on the Original IP side of things.

Gerry Sakkas:

We should probably spend some time talking about why VR and AR are important to PlaySide and likely to remain an area of strategic focus for us. We don't disclose the size of any individual partners in our order book, but obviously people have made mention of the fact that much of the recent Work for Hire we have been awarded has come from Meta. We would say that the growth in this partnership is a combination of Meta being the first mover in the current evolution of VR, and PlaySide's reputation as one of the largest outsourced VR game development studios globally, having been active in the space with titles going back to 2017.

The competition for VR headsets is really heating up here, with at least five significant competitors in the market and Apple rumoured to be launching a consumer VR product later this calendar year. That is an enormous catalyst in terms of demand for new content. Several VR games have now crossed the US\$50m revenue threshold, and new titles are regularly breaking records for sales, which suggests to us that as consumer adoption increases, the potential revenues from selling successful VR titles will as well.

We are on the ground floor here and want to continue to press our advantage. We fully expect that increased consumer adoption will drive further investment in the VR ecosystem. If that happens we will continue to broaden our client base on the WFH side of the business, as well as potentially get involved in more Original IP in VR.

Benn Skender:

Moving to our Publishing division, this year has really been about setting up the appropriate resource base and strategy for a business that could be a decent earner for us over time. What we'll be looking to do initially is find that typical 1-5 person studio that has a promising game title and needs that final leg of investment and knowhow to get it over the line and published. The aim is to promote the strengths of being an active game development studio ourselves to win those deals, while targeting ones that are relatively low capital outlay, low risk and have a rapid payback period.

These kind of arrangements also serve as further brand exposure for PlaySide, as they are published under our banner, and in terms of output, will supplement some of the Original IP releases with longer development lead times that we aspire to be working on ourselves. While we would be looking to increase the size and scope of the deals that Publishing signs over time, the emphasis is getting this division to be a self-sustaining operation as quickly as possible, and something that is a cash contributor to the broader business in the medium-term.

Looking at the funnel-shaped infographic you can see that while we haven't Published anything yet we've been very active sifting through plenty of leads and have several that are in the later stages of due diligence. We'd like to think we would be signing something this calendar year, and given the financial parameters we've outlined we're likely to start off small and then build from there.

I'll now hand back to Gerry to make some concluding comments.

Gerry Sakkas:

Thanks Benn. In summary we are very happy with how much our business has grown since IPO and for the recent half year, and the opportunities that record levels of Work for Hire activity provide us with on the Original IP side going forward.

The Original IP titles we announced in the weeks after the IPO are now launched, and we continue to work on monetising those as well as Age of Darkness and our Dumb Ways IP.

We have a strong cash balance, and a highly capable team of people that are keen for 'what comes next' as we look to produce hit Original IP titles across mobile, PC/Console, VR & AR.

Moderator:

Thanks Gerry. We might just pause there for a moment for those on the line to submit questions via the Q&A panel at the bottom of the screen. First question we've got through is, there hasn't been much mentioned in your presentation about Web 3, what are your current thoughts about the future of Web 3.0?

Gerry Sakkas:

Yeah, so our key focus at the moment with Web 3.0 is on the Beans NFTs. One project that was written off in Web was actually Anti:Gen, which was going to be our next Web 3.0 project. The brand looked amazing. Everything about it was going to be pretty cool. But I think Web 3.0 is in a bit of a weird state right now, and our sort of key focus is around Beans and really just doubling down on that. So where we've put all of our focus into Beans, we always have, and we think that that makes it a bit clearer for everyone. I think that where the Beans NFTs go in the future, we're looking at that as well, not just BeanLand, so we've got some exciting stuff happening there. Obviously with the resurgence of Dumb Ways to Die as well, that puts a lot more focus on it for us and how that can play into it.

I think our idea of the future of Web 3.0 and how blockchain will play into gaming is still the same. We still believe that at some point, most in app purchases, most ownership in gaming will come through Blockchain in some way. How that will happen, I think we'll sort of be there to find out, but we're still going to make sure that we've got an R&D department always looking at it and looking at new products. So yeah, we definitely take it pretty seriously.

Moderator:

Great, thanks Gerry. Can you just talk through which titles got written down as part of the WIP process?

Benn Skender:

Yeah, so as mentioned, the majority of the titles were described as being in pre-production when we talked about the status of our titles in the September quarter. So if you go through that list, it includes things like Pillage Party, which was a title wrapped around the idea of influencer marketing that we decided not to go ahead with. Several ideas for Dumb Ways titles as well. So Gerry mentioned those comments from the Supercell CEO, not every idea works and the recent virality of Dumb Ways One really shows you the importance of making sure that you're putting your resources on your most promising ideas because we've been able to mobilise teams quickly to respond to the success of that in recent weeks.

But there were other names where we've decided to take a bit more of a conservative stance on the WIP balance just to make sure that we're not creating headaches for ourselves down the track. So Anti:Gen was actually a big one in that write down number. Internally, super happy with the quality of the art and the concept for Anti:Gen, but it started as a Web 3.0 idea and with crypto where it is, didn't really see the point of forcing that product out in the market just to make revenue. So we've written off the investment. Assets are still there, still hope they have value for us down the track, but we've taken an approach that we think is appropriate for what we're seeing today.

World Boss, as discussed, Gerry said, World Boss has absolutely met our expectations as a brand building exercise, but given its initial financial performance and I'd stress, we're still a few months away from hard launch, but we've trimmed back the WIP balance on that. You didn't ask directly, but just to stress we haven't written anything off relating to Legally Blonde, The Godfather or Age of Darkness, very comfortable with the balances of each.

Moderator:

Great, thanks Benn. Given the recent success of Dumb Ways to Die becoming a number one worldwide on the App Store, how exactly will that generate more revenue? Is there an ad revenue increase, et cetera? How significant?

Gerry Sakkas:

Yeah, so I think we've mentioned there that at the minimum it's going to add an extra 800K to what we thought it would do originally for that quarter. It's only been number one for three weeks, it's still number one. So yes, that game monetises through ads. It's doing really well. And I think that the reason we've been somewhat conservative with that 800K number is because with viral trends you never really know when they're going to end. So they could end next week and that might see a quick downturn of it, it may still go up. So, from what I'm seeing across TikTok and now it's starting to blend into Instagram and YouTube, I think that this trend will continue for the worst case in the next couple weeks and we may actually see a new high, so we'll see. But it's super exciting. Less so about just the current revenue that we're getting from it, which is still amazing, but just to see the brand resurgence

and to see how strong that brand is. Just because there was a viral TikTok trend didn't mean that everyone had it to download it, but they have in droves. So yeah, it's been really, really interesting to see. It increases the brand value already and I think that we're already looking at some really interesting deals as we talk, so we'll see how we go.

Moderator:

Right. Thanks Gerry. Can you talk more about the Warcraft III Reforged work for hire, they're working with a lot of other work for hire studios. How does PlaySide fit in there?

Gerry Sakkas:

Look, we don't know how many other studios Blizzard are working with and we probably couldn't comment even if we did. But what I would say is that with Warcraft III, we are the only studio they're working with on that project. And so as someone who grew up playing Warcraft III and how big that game actually is, it's been pretty amazing for us to work one-on-one with Blizzard for that. And not just that, I think any game that we launch going forward, we get to obviously say that we've worked on Warcraft, so gives us a lot more merit when it comes to launching any future PC titles, as will whatever we're doing with 2K and everything else. So that is sometimes why we then choose to do Work For Hire deals if we think that it's going to considerably add to any new titles we make going forward that we did make that title.

Moderator:

Great, thanks Gerry. Can we expect a lift in the number of Work For Hire contracts, as well as average revenue per contract moving forward?

Benn Skender:

I can take that one if you want, Gerry. I'm not sure if we'd talk about the number of Work For Hire contracts, and there's a few questions in the pipe there about just general activity, but certainly we're still experiencing very healthy levels of interest on the Work For Hire side and it was more a comment around the average size of our Work For Hire contracts is very much likely to increase. And really that's a function of making sure that we're always making project decisions for the business that are actually going to suit us in the medium term. So at this point, taking on smaller contracts just wouldn't make any sense.

Moderator:

Perfect. Thanks Benn. Just in regards to mobile gaming revenue splits, can you share the splits between in-app spend versus advertising? What does longer term success look like here and what are the early trends you're seeing in Godfather, Legally Blonde, et cetera?

Gerry Sakkas:

I can take that so it's more of a difference in the type of game as well. So Dumb Ways to Die, for instance, if it was an in-app purchase style game, probably wouldn't do as well. It's about casual, quick play, people watching ads as they play between it, always has been. We've tried multiple times to push Dumb Ways to Die into an original IP freemium style game and it doesn't work with that audience. So some games will only work with ads. Godfather is somewhat of a blend. Legally Blonde is probably more so towards Original IP. In fact, I don't think there's many ads in that at all. So it depends on the type of game. Some of the largest games in the world are mainly freemium style in app purchase game. So on the high end scale, on the top end of the revenue charts, that's where all that is. But that's not to say that you can't make a lot of money just through ads. So yeah, it depends what type of title it is.

Moderator:

Perfect, thanks. Just in terms of Dumb Ways to Die, the estimated revenue of \$800,000 plus incremental revenue to March, is that a base or a best-case scenario for incremental revenue in the quarter?

Benn Skender:

Do you want me to take that, Gerry? Yeah, I mean I'd say it's at least a base case, it's effectively where it's at now. The thinking behind that guidance is the trend is viral. It's something we can hitch our wagon to in terms of a response, but it's not something we can inherently control. So when we provided that commentary around the \$800,000 incremental contribution, we tried to be really conservative as to how that initial revenue spike decays back towards the historic run rate for the brand. But it's effectively there now.

There's some examples, I think Gerry mentioned Subway Surfers where they had a viral spike and that lasted a couple of quarters. I'd stress, we think that's probably an outlier. But in any event, you'll be able to see what's happening on our App Store charts anyway. We're obviously sitting at number one still at the moment. So yeah, there's probably not much I can comment beyond that, but certainly it's effectively hitting that target now.

Gerry Sakkas:

I would just quickly add. How you respond to these viral trends matters a lot as well. And so how we've responded marketing-wise and helped push the trend as well as capture as many users from that trend in our own marketing channels as possible, that's very important. So our own TikTok was already at 1.4 or 1.5 million before we had the TikTok trend, it's now sitting at 3 million followers. So that's a very big account. We're now I think sixth or probably edging up towards seventh in the next few weeks. So that's important as well because it means once the trend is over, we're left with millions of followers that we can then continuously re-target as well. So we're doing our best to work with partners and all that sort of stuff to come up with some pretty creative ad stuff, not paid advertising, like viral ad stuff between different accounts over the next couple weeks that could hopefully keep it going even further. So that's important to point out too.

Moderator:

Perfect. Thanks Gerry. You've talked about VR, AR, and MR, could you help us understand the actual difference between them all?

Gerry Sakkas:

I can. So VR and AR are the main ones to really explain because MR is kind of a combination of the both. So virtual reality is when you entirely cover your face by the screen, and so whatever you're seeing is within an actual darkness I'd say. So you're not seeing the real world at all. So that's where most of the gaming content is right now as there's no real premium AR device.

Augmented reality in the future, and what you can see through your iPhone at the moment, is the projection of 3D graphics onto our own reality. So if you imagine this bottle, this bottle could be augmented reality right now and you'd see the bottle on top of your own real world. And so that's what augmented reality is. Because the hardware for augmented reality isn't there yet, you're seeing Meta, rumours of Apple, VIVE, all of these guys creating what are called MR devices, which is mixed reality. And what that does is it takes the cameras on the front of the virtual reality and lets it pass through as you can see the real world through the camera. So it's not true augmented reality, but it acts the same way. And for now, it kind of provides a way to do that until the hardware's ready to do it. And then eventually it'll probably just turn the screen off and you'll see through it. But it works quite well for now.

Moderator:

Perfect. Thanks Gerry. Is Dumb Ways to Die revenue include in the current guidance for temporary decline in quarter-on-quarter revenue in the March quarter, or is it incremental?

Benn Skender:

I can take that one. Yeah, so it wasn't included in the guidance when we provided it because the trend started I think a week after we put out the quarterly. At this stage, I'd say that it's unlikely that we change our March quarter guidance. But as mentioned in the slide deck, and as I've sort of said on the Q&A now, it's added a decent incremental contribution already that we weren't previously forecasting for the quarter. And look, you'll be able to monitor the App Store charts to see how long that trend persists for. And if there's any need to change that commentary, then we absolutely will.

Moderator:

Perfect. Thanks Benn. The final question. There's been a lot of talk recently around consumer facing AI tools becoming more popular, does PlaySide see this as a threat to the business at all?

Gerry Sakkas:

Absolutely not. We see it as the complete opposite. So we've been on top of AI, even personally I have been, for quite some time with many friends in the space developing. So we've been using Midjourney and ChatGPT from before they were even launched, we're looking at betas and stuff. The goal for us with AI is to use it to increase how much work we are putting out. So our output has gone up quite a lot. I think someone said once that, someone internally said that, you can either use AI right now when we learn it really fast and we can use it to do say 50% more work or people that are going to be late to it are going to end up using 50% less staff and having AI replace it. I'm always of the view that we would rather be doing more with the staff we've got.

And so where you see it being really useful is there are people in the business who are engineers or designers that they would usually have to go to a concept artist to get a concept done, and that might take a week just to sort of sell their idea internally, even if it's on a game that we're already developing. But now an engineer can go to Midjourney and type in alien game gun and it will come up with 30 different versions of it and they go, that's the sort of one that I'm thinking for this weapon type. And that is something that up until now has never been possible and works almost flawlessly.

So, although right now we're not really using it for finalised art, we are going to get to a point in AI where you will be able to generate an entire world in a game by the click of a button. And so we would rather be the studio that knows how to use that than the studio that doesn't. And so yeah, I think it may do something in the future in terms of lowering the barrier for entry for other companies, but I think by that point we'll be very much certified, so it won't be an issue.

Moderator:

Perfect. Thanks Gerry. Thanks Benn. That concludes a Q&A segment. Gerry, I might just hand it back to you for closing remarks, but before I do, so we've had a number of questions that we haven't been able to get to we'll come back on the email to those. But Gerry, over to you.

Gerry Sakkas:

Yeah, I think I'll just say that any questions definitely come back to us. Thank you everyone for coming in today and listening to us talk. But we are very excited with where we're going as a company. And yeah, I look forward to speaking to you all in every year to come. So thanks.

ENDS**Darren Briggs**

CFO & Company Secretary
PlaySide Studios Limited