



8 June 2022

ASX and Media Announcement

iCandy Acquires Flying Sheep Studios, A European Developer With Extensive Track Records

Highlights:

- **iCandy Group has signed a binding agreement to acquire 60% shareholding in European game developer Flying Sheep Studios, for a total consideration of EUR2 million (AUD3.01 million)**
- **Flying Sheep Studios is a German game development company that has worked with renowned brands including DreamWorks Animation and The Lego Group, and possesses an inhouse technology stack of HTML5 and WebGL capabilities**
- **HTML5 revolutionises cross-platform gaming through its web technology that is size-efficient and fast-loading; designed to reduce load on server and requires no downloads nor installation, and support rich media elements without plugins**
- **Flying Sheep Studios will significantly augment iCandy Group's software engineering and technology capabilities in its objectives to develop broad-range metaverse game titles**
- **The acquisition marks iCandy Group's footing in the European market, aligned to its vision of becoming a global AAA metaverse gaming powerhouse**

iCandy Interactive Ltd (ASX:ICI) ("**iCandy Group**" or the "**Company**") is pleased to announce that it has signed a binding agreement to acquire a **60%** stake in Flying Sheep Studios GmbH ("**Flying Sheep Studios**"), for total consideration of **EUR2 million (AUD3.01 million)**.

Flying Sheep Studios: Inhouse Gaming Development Capabilities

Flying Sheep Studios is a gaming backend technology development company founded in 2014 in Cologne, Germany and led by a team of experienced software engineers:

- Thomas Rössig, Managing Director
- Daniel Nienhaus, Technical Director
- Benjamin Cid Pérez, Creative Director

Having delivered over 200 games to satisfied clients including DreamWorks Animation, Flying Sheep Studios has an impressive track record of game development and gamification with more than 50 brands worldwide. Flying Sheep Studios recorded more than EUR 321,000 (AUD484,000) in revenue in its fiscal year ending December 2021.

Flying Sheep Studios' inhouse HTML5 developer capabilities provide for on time, quality games with its web technology that is size- and speed-efficient with cleaner and neater code, as well as reduce load on servers. In addition, HTML5 supports rich media elements which enable media material plays and reduce plugin needs; and designed for cross-platform usability without downloads nor installation.



Flying Sheep Studios has over the years developed a wide range of proprietary software to improve capabilities of HTML5 beyond traditional 2D technology. With its inhouse developer tools, Flying Sheep Studios has progressed ahead to building games that provide fluid 3D graphics that rival native apps.

The acquisition of Flying Sheep Studios marks iCandy Group's footing in the European gaming market. The European gaming market is projected to be worth USD27.4 billion in 2022¹ in the Video Games segment.

The Transaction

Pursuant to the binding agreement, iCandy Group is investing a total of **EUR2 million (AUD3.01 million) in exchange for a 60% interest in Flying Sheep Studios**, detailed as follow:

- (A) **EUR1.2 million (AUD1.81 million)** cash investment into Flying Sheep Studios to subscribe for **37.5%** of the enlarged share capital of Flying Sheep Studios, and
- (B) **EUR0.8 million (AUD1.21 million)** consideration in exchange for **22.5%** of Flying Sheep Studios from the Founders of Flying Sheep Studios, to be satisfied as follow:
 - (i) cash of EUR400,000 (AUD603,000) ("**Cash Consideration**"), and
 - (ii) via the issuance of 4,606,549 new fully paid ordinary shares ("**Consideration Shares**") of iCandy Group worth EUR400,000 (AUD603,000), at an issue price of AUD0.131.
- (C) In addition, the Founders of Flying Sheep Studios will collectively be given 500,000 unlisted options ("**Options**"), to be granted within 15 business days from the Closing Date. Each Option shall grant the right to acquire one iCandy Group share at a strike price of AUD0.125, and shall expire on 5 April 2027.

The Consideration Shares are to be issued to the Founders in 12 equal tranches over a period of 3 years, with the first tranche being issued within 15 business days after the Closing Date. It is intended that the Consideration Shares and Options will be issued without shareholder approval pursuant to the Company's available placement capacity under Listing Rule 7.1.

As part of the acquisition arrangement, the three (3) Founders of Flying Sheep Studios have each signed a **3-year** management contract to **continue to lead Flying Sheep Studios post-acquisition**. If any of the Founders terminates the management contract prior to the 3-year period, iCandy Group may clawback the Cash Consideration based on the number of months yet to be served by such Founder(s), and in addition all Consideration Shares that are yet to be issued to such Founder(s) shall be forfeited.

Barring any unforeseen circumstances, the transaction is expected to close within the second quarter of 2022 ("**Closing Date**"). Other than the Company completing due diligence on Flying Sheep Studios, there are no other conditions precedent to completion and the binding agreement otherwise contains terms and conditions considered standard for an agreement of its nature.

¹ Digital Media Report - Video Games, Statista (Ref: <https://tinyurl.com/bdd4s5m3>)



FINANCIAL REVIEW
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The Acquisition Rationale

The Company views the acquisition of Flying Sheep Studios as an opportunity to enhance shareholder values, based on the following rationale:

I. **Clear synergies and value chain growth**

The business synergies between iCandy Group and Flying Sheep Studios are apparent as the acquisition will facilitate iCandy Group's venture into metaverse gaming by improving the Company's gaming backend tools and capabilities, especially with Flying Sheep Studio's HTML5 technology portfolio.

II. **Addition to talent base**

iCandy Group will add to its existing talent pool of over 600 with the integration of Flying Sheep Studio's experienced team of developers and software engineers. Further, this is expected to propel iCandy Group's vision of becoming a global AAA metaverse gaming powerhouse. At present, it stands as the largest independent game developer in Australia, New Zealand and Southeast Asia.

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

**AUD conversion values are provided for references and do not denote actual amounts.*

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About iCandy Interactive Limited

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 600 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 or visit www.icandy.io