

30 August 2016

Half Year 2016 Results: Ongoing Revenue Growth Driven by Strong User Metrics

Highlights

- A\$4.0m revenue in 1H16 (29% growth vs 1H15), driven by a combination of new game launches and increased contribution (long-tail effect) from existing games.
- Strong operating metric growth (total downloads and monthly active users grew by 56% and 64% respectively vs 1H15) signaling ongoing demand and increased user engagement.
- Increased investments in new products and e-book development resulted in \$3.2m 1H16 net loss before tax (all development costs expensed, not capitalised).
- Well positioned for growth through both distribution partnerships and the acquisition of Finland based TicBits Oy which expands the Company's European footprint, game IP and mobile game development capability.

Summary of financial results for six months ended 30 June 2016

	1H16	1H15	% var
Revenue (A\$000)	3,986	3,099	+29%
Operational loss before tax expense (A\$000)	(3,357)	(2,059)	+63%
Non cash gain on fair value adjustment of performance shares (A\$000)	206	1,877	-89%
Loss before tax expense (A\$000)	(3,151)	(182)	+1,629%
Total downloads (m, cumulative)	219.9	141.0	+56%
Monthly Active Users (millions)	11.8	7.2	+64%

Animoca Brands (ASX:AB1 or the 'Company') is pleased to announce its half year results for the six month period ended 30 June 2016 ('1H16').

Financial Overview

During 1H16, the Company delivered record revenue of \$4.0m which represents 29% growth on 1H15 (\$3.1m in 1H15). Growth was driven by a combination of new app launches and strong results from distribution partnerships such as Xiaomi, which achieved over 6.3m downloads for the highly successful *Garfield Chef* game app in 1H16.

The Company experienced an increased contribution from existing titles, as opposed to strictly new releases, (the long-tail effect) across its app portfolio, validating the Company's strategy to focus on a large and diverse portfolio of apps.

1H16 gross profit grew by 21% to \$2.3m (vs \$1.9m in 1H15). The Company recorded a net operational loss before tax of \$3.4m (vs \$2.1m in 1H15). This loss was primarily attributable to investment in the development of new products including e-books (development expenses grew by \$1.4m from \$0.8m in 1H15 to \$2.2m in 1H16, all of which are expensed when incurred rather than capitalised).

As at 30 June 2016, the Company held \$6.2m in cash and \$3.3m in receivables, the majority of which are due from Mattel, Google and Apple, substantially higher than the \$0.2m and \$0.2m respectively held on 30 June 2015. Trade and other payables increased 48% from the same date last year to \$1.9m. Compared to the 1H15 result, the working capital position of the Company's balance sheet has improved by \$8.5m, primarily as a result of the capital raisings undertaken over the past year.

Operating Overview

Operating user metrics continued to perform well in 1H16. The Company achieved 219.9m cumulative app downloads at end of 1H16, up 56% vs 1H15 (141.0m).

Average monthly active users grew from 7.2m in 1H15 to 11.8m in 1H16, an increase of 64%. The Company released a total of 30 new apps during 1H16 compared to 45 new launches in 1H15 as a result of the redirection of resources towards the new e-book products and the timing of new launches into 2H16. Nevertheless, metrics continued to improve and outperformed previous periods. These improved metrics reflects a positive long-tail effect on downloads and users and the ability to continue to drive engagement and revenues from the existing game portfolio.

Outlook

The Company formed strategically important distribution partnerships with leading publishers in China including Xiaomi and Tencent during 1H16. The Company's user base and growth drivers over the past year have pivoted away from Western countries, strongly towards Asia and reflects the global demand for mobile apps being dominated by Asian countries, particularly China, Japan and Korea. These China based partnerships, while modest contributors to



financial growth in 1H16, now give the Company the platform to be able to market and distribute its products in China with scale and through the leading channels in that country. The Company will continue to seek new partnerships in other territories to deepen its distribution capabilities.

During 1H16 and into 2H16, the Company further expanded its licensed brand portfolio. In January 2016, it partnered with Lionsgate to develop games based on *Norm of the North* and in August with DreamWorks Animation, to develop and publish book apps based on well-known brands *The Croods*, *Madagascar*, *Trolls*, *Kung Fu Panda* and *How to Train Your Dragon*.

The Company is excited by the upcoming launch of its first e-book in partnership with Mattel, beginning with a soft-launch in Australia in September and then progressively through other countries. The first book will be based on *Thomas & Friends*TM, a leading brand with a substantial following globally. The launch of e-books will bring the Company its first subscription based revenue. Further e-book titles are currently in development with the aim of progressive launches over the next 9 months and beyond.

Historically Animoca has averaged the release of approximately 20 games every quarter (averaged over an annualised basis). During 1H16, the Company released 30 new apps, 22 in the March 2016 quarter and 8 in the June 2016 quarter. The current development pipeline of new products, both apps and e-books, is the strongest in the Company's history, with development capacity being 100% utilised. This has necessitated the short term prioritisation of development resources towards e-books. This will result in a below average number of apps being released in the September 2016 quarter, but will grow again in subsequent quarters. With the increased focus on subscription services in future, the number of newly-launched apps will become a less relevant measure of revenue potential and resource utilisation in and of itself.

Realisation of synergies and other commercial benefits from the recent acquisition of TicBits are expected to begin to be realised in 2H16 as the Company leverages TicBits IP and incorporates its games across Animoca's distribution channels. The Company also intends to leverage both its new and existing distribution channels with the incorporation of existing and new games from TicBits, amongst other initiatives, to realise the full benefits from this acquisition.

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About Animoca Brands

Animoca Brands (ASX:AB1) publishes globally a broad portfolio of mobile games, including several games based on popular intellectual properties such as Garfield, Thomas & FriendsTM, and Ultraman. The company's games have been downloaded over 220 million times and are growing at ~8 million downloads per month. 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 +](#).