



ASX Release

31 October 2017

Animoca Brands 3Q17 Report

Animoca Brands Corporation Limited (ASX: **AB1**) (the **Company** or **Animoca Brands**) has today released its Appendix 4C for the three-month period from 1 July 2017 to 30 September 2017.

Key points

- 57% quarter-on-quarter reduction in net operating cash outflow, following business restructuring and implementation of cost reduction initiatives
- Completed sale of 13 games to Maple Media, resulting in cash inflow of \$1.4m with potential for deferred payments of up to \$2.2m subject to performance hurdles
- Completed partnership deal for *Masterchef* brand with Endemol Shine North America for global licensing deal to create mobile products
- Company reiterates its target of achieving a profitable business by the end of 4Q17 and continues to pursue opportunities to monetise its valuable intellectual property portfolio

Financial Update

Revenues and expenses

During the quarter, the Company was pleased to achieve a substantial reduction in operating expenditures, which led to a material improvement in net operating cash outflows. Overall, net cash outflows from operating activities fell 57% quarter-on-quarter to \$1.6m.

The restructure of the Company's cost base announced in July 2017 (which was largely completed in the prior quarter) resulted in a 41% reduction in operating cash outflows from \$5.5m in 2Q 2017 to \$3.2m in 3Q 2017. Staff cost outflows reduced 22% quarter-on-quarter and administrative and corporate cost outflows fell 67% quarter-on-quarter. Additionally, the optimisation of the company's game development efforts led to a fall in Advertising and Marketing outflows of 67% quarter-on-quarter. The Company regards these cost reductions as sustainable for the forthcoming quarters.

The reduction in revenues of 20% quarter-on-quarter from \$1.5m to \$1.2m in 3Q 2017 was reflective of changes to the Company's operating model and broadly in line with management's expectations. Cash inflows from operating activities were \$1.7m.

Cash outlook

In the absence of extraordinary items, the Board expects to report an improved cash flow for the current quarter ending 31 December 2017. Following completion of the aforementioned business restructure, the Company's expenses are expected to continue to moderate in 4Q 17 and subsequent quarters.

The Board is aware that the Company's current cash reserves are limited relative to the Company's current operating expenses. The Company continues to take steps to improve the cash flow position. The Board notes the successful execution of the sale of 13 games to Maple Media that was completed in 3Q 17 resulting in the inflow of A\$1.4m of cash.

The Board and management of the company continue to actively pursue partnership and divestment opportunities as outlined in the Company's investor update released via the ASX on 25 September 2017.

Animoca Brands Corporation Limited

ACN 122 921 813

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<http://www.animocabrands.com/>

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Operational Update

As announced on 28 August, the Company completed the sale of 13 games titles to Maple Media, with the option to divest a further 2 titles from the Company. All Games sold as part of the transaction comprised the non-core component of the Ticbits acquisition completed on 8 July 2016. Collectively, these games contributed approximately ~A\$0.4m (~10%) of total 1H17 revenue.

The Company received an upfront cash consideration of ~A\$1.4m in August 2017 following the completion of the sale. Further deferred payments of up to a total ~A\$2.2m are payable subject to revenue hurdles in 2018 and 2019.

The sale of the Games marked a major milestone in the Company's journey towards its strategic goal of profitable growth following the Company's recent cost reduction programme.

At the end of the quarter, the Company announced a non-exclusive brand and content licence agreement with Endemol Shine North America for the hit culinary franchise *MasterChef*. The company is pleased to have partnered with Endemol Shine to enable development of a series of mobile products for MasterChef's large global audience and culinary enthusiasts, and believes the deal demonstrates the continued attractiveness of Animoca Brands as a partner to major brand owners.

Portfolio Performance and Downloads

Total downloads continued to grow, reaching 307.4m by the end of 3Q17, with an average 5.2m new users downloading an app each month. The Company also continued to develop and grow its valuable app portfolio, now totalling 512 apps

Monthly average users (MAUs) were 9.0m, an increase of 1.0m on 2Q17 as a result of the company's responses to changes to the Google search algorithm, adapting its strategies following the broad reduction in organic discovery in 2Q17. The Company continues to adapt to the new search algorithm, and expects a number of releases in 4Q17.

	1Q17	2Q17	3Q17
Monthly Average Users (MAU)	11.0m	8.0m	9.0m
Total apps	496	507	512
New apps in portfolio	15	11	21
Total Revenue	A\$2.2m	A\$1.5m	A\$1.2m
Average monthly revenue	A\$0.7m	A\$0.5m	A\$0.4m
Total downloads	280.6m	293.3m	307.4m

Outlook

The completion of the sale of games to Maple Media has been a pleasing development in line with the Company's narrowed strategic focus. Going forward, the Company continues to be focused on further optimisation of its valuable portfolio and the realisation of the cost reductions, with the overriding strategic objective of achieving profitability by the end of 4Q17.

-ENDS



For more information:

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 293m 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](#) [±].

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Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Name of entity

Animoca Brands Corporation Limited

ABN

29 122 921 813

Quarter ended ("current quarter")

30 September 2017

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (...9...months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	1,676	5,427
1.2 Payments for		
(a) research and development	(130)	(130)
(b) product manufacturing and operating costs	(448)	(448)
(c) advertising and marketing	(447)	(1,860)
(d) leased assets	-	-
(e) staff costs	(1,285)	(4,493)
(f) administration and corporate costs	(932)	(3,812)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	6
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	(1,619)
1.9 Net cash from / (used in) operating activities	(1,566)	(6,929)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	3	-
(b) businesses (see item 10)	144	133
(c) investments	(184)	(158)

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Consolidated statement of cash flows		Current quarter \$A'000	Year to date (...9...months) \$A'000
	(d) intellectual property	-	-
	(e) other non-current assets	-	(7)
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment	-	-
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	1,657	1,657
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	1,620	1,625

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	5,208
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	5	(343)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	5	4,865

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of quarter/year to date	1,016	1,527
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,566)	(6,929)

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Consolidated statement of cash flows		Current quarter \$A'000	Year to date (...9...months) \$A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	1,620	1,625
4.4	Net cash from / (used in) financing activities (item 3.10 above)	5	4,865
4.5	Effect of movement in exchange rates on cash held	(207)	(220)
4.6	Cash and cash equivalents at end of quarter	868	868

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	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	719	867
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details) Share Investments	149	149
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	868	1,016

6. Payments to directors of the entity and their associates

6.1 Aggregate amount of payments to these parties included in item 1.2

6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3

6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

**Current quarter
\$A'000**

14

-

Director fees paid

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

7. Payments to related entities of the entity and their associates	Current quarter \$A'000
7.1 Aggregate amount of payments to these parties included in item 1.2	96
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

These items comprise payments for the use of office equipment and shared office services provided by Outblaze Ltd.

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	(196)
9.2 Product manufacturing and operating costs	(889)
9.3 Advertising and marketing	(355)
9.4 Leased assets	-
9.5 Staff costs	(1,146)
9.6 Administration and corporate costs	(440)
9.7 Other (provide details if material)	-
9.8 Total estimated cash outflows	(2,626)


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10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity	-	-
10.2 Place of incorporation or registration	-	-
10.3 Consideration for acquisition or disposal	-	-
10.4 Total net assets	-	-
10.5 Nature of business	-	-

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.

Sign here:



 (Director)

Date: 31 October 2017

Print name: Dr Nigel Finch

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly 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 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.

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