



ASX release

19 June 2019

## Letter from the chairman and co-founder

Animoca Brands Corporation Limited (ASX: **AB1**, “Animoca Brands” or “the **Company**”) wishes to share with shareholders and the public the attached letter dated 19 June 2019, for the purpose of outlining the Chairman’s vision for the Company.

### **About Animoca Brands**

Animoca Brands (ASX: AB1) leverages gamification, blockchain, and artificial intelligence technologies to develop and publish a broad portfolio of mobile products including games such as *The Sandbox*, *Crazy Kings*, and *Crazy Defense Heroes* as well as products based on popular intellectual properties such as Garfield, Snoopy, Thomas & Friends™, Ever After High and Doraemon. Animoca Brands’ portfolio of blockchain investments and partnerships includes Dapper Labs, WAX, Harmony, and Decentraland, and it is also the exclusive China distributor of *CryptoKitties*. The Company is based in Hong Kong, Canada, Finland, and Argentina. For more information visit [www.animocabrands.com](http://www.animocabrands.com) or get updates by following Animoca Brands on [Facebook](#) or [Twitter](#).

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19 June 2019

Dear shareholders, friends, and fans of gaming & technology,

I would like to take a few minutes of your time to share some thoughts about Animoca Brands and the direction of our company. A little over a year ago, we laid out a vision for Animoca Brands based on the evolution of digital items, and I am proud to report that we have made tremendous progress toward such a future.

We have always maintained that digital content, including and especially games, would become significantly more appealing if consumers could have access to products that enable true digital ownership, as partially set out [in this Medium post](#).

A number of developments have provided support for our vision.

A few weeks ago we announced our first successful token and SAFE note sale for our game platform *The Sandbox*, raising approximately A\$3.6 million in an exercise that received [noteworthy coverage](#).

Shortly after that, Animoca Brands made an even bigger splash when it [sold the very first Formula 1 digital collectible](#): the virtual car called the 1-1-1, which is a non-fungible token (NFT) for our upcoming blockchain game *F1® Delta Time* (see ASX announcement of 26 March 2019). The 1-1-1 NFT sold for a record (approximately) A\$160,000 (415.9 ether) - one of the highest-ever auction prices for a single in-game item NFT.

The Formula 1 auction was noteworthy because it came about rather quickly - we had announced this partnership only a little over two months previously, as covered in [this Forbes article](#).

Over the last year, by moving swiftly and strategically, Animoca Brands has become a dominant force in the nascent yet important digital items space, particularly relating to blockchain and non-fungible tokens.

In South Korea, one of the world's most forward-thinking gaming and blockchain economies, Animoca Brands is recognised as a significant thought leader, as explained in feature-length articles in major Korean papers such as The Korea Economic Daily (that story was also the leading IT news article on the leading Korean portal Naver a couple weeks ago). See [here](#) and [also here](#).



Thanks to our future-oriented approach, Animoca Brands is also getting [exciting coverage](#) in international media such as Techcrunch, Wired, Forbes, and other mainstream publications.

Blockchain gamer's [list of most anticipated blockchain games](#) now includes no fewer than FOUR titles associated with Animoca Brands, by partnership or equity ownership: *Crypto Space Commander* (which now includes Star Trek intellectual property), *MLB Champions* (based on Major League Baseball), *CryptoWars*, and our in-house project *The Sandbox*.

A [quote from Blockchain Gamer](#) (a publication spun out from Pocket Gamer) sums up the outcome that we have been working toward for the last year:

*If there's one name that has become synonymous with blockchain games in Asia – it's Animoca Brands.*

We have successfully carved out a position of clear and powerful leadership in this fascinating and fast-growing space. Animoca Brands is now making history by defining - and redefining - what it means to have true digital ownership. Thanks to NFTs, we are developing new economics that exist - persistently and independently of other products and services - in the digital world.

Technology dominates our lives in an unprecedented manner. In modernised countries, we now spend [most of our waking hours in front of a screen](#). On average, the more than [2 billion gamers](#) around the world each spend [more than 7 hours a week playing games](#).

All this places us at a critical inflection point: for the first time, the billions of hours that our species invests in consuming interactive entertainment can be made to deliver or generate direct, real value. Blockchain and other technologies now allow the community to effect real material gain from the time spent in virtual environments such as video games.

We believe in a near future where digital goods that can deliver direct value and ownership are going to significantly increase user engagement.

We believe that all (or at least most) digital elements will, eventually, carry value in this manner, and that this trend is being led by the gaming industry.

Every day countless people invest significant amounts of money and time in games that will sooner or later shut down. That's not fun. We believe that informed consumers have relatively little appetite for the purchase of digital products whose value could vanish into thin air as soon as an operator goes out of business or decides to terminate a product. Here, again, NFTs provide a solution thanks to the fact that they enable true ownership in perpetuity.



Gamers (and all consumers similarly invested in their digital lives) want their time and effort to attain a measure of value that is not tied down to the fate of a specific game or the whims of a centralized operator.

The smartphone gaming industry generated over USD 70 billion in revenue in 2018, driven by a freemium-to-paid conversion rate of just 3% or lower. We believe that the missing link to significantly increase that very low conversion ratio is the digital value which is made possible via blockchains and NFTs.

Indeed, gamers will gain greater confidence to spend their time and money in games and other digital products if they have assurances of genuine digital ownership and permanence. We are in the early stages of a significant market shift as momentous as the early days of the Internet or of smartphone adoption.

Consider: [the global mobile app economy is now a trillion dollar industry](#), in large part because smart mobile devices added access and convenience to information and services (including games). The smartphone is, in fact, one of the primary reasons for the broad technology adoption that followed after the PC revolution and the early Internet boom days.

The mobile app economy - that trillion-dollar industry - did not exist just nine years ago.

We believe that genuine digital ownership and cross-platform operability - which, until the rise of blockchain, have mostly been false promises - will drive significant demand for digital products and services, and grow what we think will evolve into a significant new market for digital goods based on true ownership (a market that did not even exist just a few years ago).

Blockchains and NFTs are major pieces of the puzzle that we are solving to allow platforms to (finally) deliver the kind of value that has, thus far, been largely absent in the digital world.

We are here to help make all of the above a reality, leading the charge through the medium of games. We are extremely grateful for your continued support as together we create this new and exciting future.

A handwritten signature in black ink, appearing to be "Yat Siu".

Yat Siu  
Co-founder and chairman