

PLAYSIDE REPORTS \$4M EBITDA AND \$15M REVENUE FOR THE SEPTEMBER QUARTER



PlaySide Studios Limited (ASX: PLY) ("PLY" or "PlaySide"), Australia's largest video game developer and publishing studio, is pleased to provide its 1QFY24 Quarterly Activities Report and Appendix 4C.

FY24

Highlights SEPTEMBER QUARTER IN REVIEW

FINANCIAL HIGHLIGHTS

- Record quarterly revenue of \$15.5m (JunQ: \$12.7m, pcp: \$6.5m, +140%)
- Original IP revenue of \$6.6m (JunQ: \$4.4m, pcp: \$2.3m, +181%)
- Work for Hire revenue of \$8.9m (JunQ: \$8.3m, pcp: \$4.1m, +116%)
- Positive EBITDA (unaudited) of \$4.2m
- Cash receipts of \$12.4m
- Net operating cash inflow of \$1.5m
- Cash balance \$31.7m (JunQ: \$32.2m)

OPERATIONAL HIGHLIGHTS

- Development commenced on *Dumb Ways to Die* VR title for Meta
- PlaySide Publishing signs deal to publish *Thrive: Heavy Lies the Crown*
- PC/Console title *Project Phoenix* now in production
- PlaySide Studios wins *Studio of the Year* at the Australian Game Design Awards
- Original IP, Publishing and Business Development teams attended Gamescom in Cologne

OUTLOOK

- December quarter expected to be EBITDA and operating cash flow positive
- FY24 guidance of \$50-55m revenue

The year has started off really strongly which is consistent with the guidance we provided to the market. Pleasingly, Dumb Ways to Die social channels saw their strongest month ever during the quarter - eclipsing almost all key metrics on owned channels even compared to the highs of February 2023 when the brand went viral. We remain cashed up to execute on our vision of developing valuable Original IP content across all platforms, with several new projects now in the pre-production stage across mobile and PC/Console and some larger opportunities being explored and conceptualised.

GERRY SAKKAS, PLAYSIDE CEO

Operating update

MANAGEMENT COMMENTARY

ORIGINAL IP (\$6.6M REVENUE)

Not only were Original IP game revenues at record levels for the quarter but they were higher than total revenues for the company in the corresponding period last year, which is a significant achievement.

Much of this is due to the continued success of the Dumb Ways to Die franchise. We would ordinarily expect a viral spike like the one that we experienced via social media in February 2023 to normalise towards historic levels, and with it the number of downloads for Dumb Ways to Die mobile titles. However, activity on social channels was at record levels during the quarter and downloads remain elevated, suggesting that the brand is far from mature. Recent deals we have signed for Dumb Ways to Die have pushed the brand into new platforms, development on which also contributed to our revenue performance during the quarter.

Our internally developed indie PC title (a top-down action title currently codenamed Phoenix) has passed its first milestone and is currently in pre-production. Pre-production is the phase where the project team refines the game design, rapidly tests ideas, and addresses potential issues to ensure a clear development path. We anticipate officially announcing the title in the December quarter and continue to target a calendar 2024 release date.

In August the PlaySide Publishing team signed a deal with Canada-based Zugal Entertainment to publish its forthcoming medieval fantasy city builder Thrive: Heavy Lies the Crown. This is the second title we have signed and we expect the game to be launched during calendar 2024. The Publishing team continues to review potential titles and considers it likely we would sign a third title during FY24.



WORK FOR HIRE (\$8.9M REVENUE)

Work for Hire revenues continue at record levels. Our Business Development team attended Gamescom (Cologne) in August as well as Melbourne International Games Week, PAX and SXSW in recent weeks. These events generate leads for potential Work for Hire, Original IP and licensing deals which will be qualified and explored in the coming months.

Meta's Quest 3 headset is now available and industry reviews of the hardware have been encouraging, particularly with regard to the quality it delivers at an accessible price point. This should continue to drive consumer interest and demand for virtual and mixed reality gaming content, providing further opportunities for PlaySide. We encourage those interested in learning more about the current state of virtual and mixed reality to watch the replay of the Meta Connect Keynote at <https://www.metaconnect.com>.

Operating update (cont.)

MANAGEMENT COMMENTARY

STRATEGY UPDATE

PlaySide's strategy since inception has been to incrementally push the boundaries of our game development aspirations, which has seen us progress from making mobile titles for major Hollywood studios, to developing our own mobile titles, licensing Hollywood IP for mobile titles, making indie PC titles, to working on AAA titles for international counterparties. In the last few investor presentations we have outlined our desire to develop larger titles for PC/Console. While these are inherently costlier and take longer to develop, the revenue potential is significant.

We believe it is the appropriate time for the studio to consider these projects, noting the following:

- We have **demonstrated our competencies working on several titles for AAA studios** in the last couple of years, which gives us confidence in our ability to execute on development.
- The advancements of Unreal Engine 5 (one of the leading game development tools in the industry) has **significantly reduced the cost and time to create AAA content**. As one of the few mid-sized studios globally, with balance sheet and resource capacity as well as a lean management structure, we consider ourselves well placed to take advantage of this dynamic. We also note some of the rhetoric to emerge from the recent *Federal Trade Commission v. Microsoft* case would suggest that the AAA studios are aware of the increasing democratisation of content development and distribution.

In this regard, we are currently exploring several larger game concepts and opportunities, some of which will form part of a growing Original IP pipeline over the next two to four years.

INDUSTRY UPDATE

We are aware and mindful of the significant number of industry layoffs that have occurred so far this year, with www.videogamelayoffs.com reporting more than 6,000 games industry jobs being eliminated since the start of the calendar year across more than 100 studios. Some of this is likely due to:

- Over-investment following the pandemic - global growth rates for gaming, while positive, are slower than those experienced during 2020/21.
- Cost cutting as a byproduct of persistent industry consolidation.
- Rising cost of capital leading to reduced external capital available for new game development.

We consider PlaySide to be appropriately resourced with approximately 290 staff at present, and our incremental hiring in recent months has largely been to support growth in our Work for Hire pipeline and Dumb Ways to Die licensing deals. We will look to opportunistically add talent to our business to support our Original IP aspirations.

OUTLOOK

We are expecting to report positive EBITDA and operating cash flow for the December quarter. This sets the business up nicely for a ramp-up of investment in Original IP titles in the back half of the financial year, which will continue into FY25.

PlaySide Studios

AUSTRALIA'S LARGEST VIDEO GAME DEVELOPER AND PUBLISHING STUDIO

PlaySide Studios Limited ("PlaySide") develops video games for multiple platforms including mobile, PC/Console, virtual reality and mixed reality, with a portfolio of approximately 60 titles. The Company publishes its own games based on original intellectual property, as well as providing end-to-end game development services in collaboration with AAA game studios and major technology and entertainment companies such as Activision Blizzard, Meta, Netflix Games and Take Two Interactive. It also has a Publishing arm which provides funding, development support, marketing and publishing of third-party games from smaller independent studios.

PlaySide was incorporated in 2011 and is headquartered in Port Melbourne, Australia. Its shares are publicly traded on the Australian Stock Exchange under the code PLY.

Release approved by the Chairman on behalf of the board.

To receive business updates and investor information from PlaySide register your details here:

investor.playsidestudios.com

INVESTOR RELATIONS

Simon Hinsley

simon@nwrcommunications.com.au

+61 401 809 653

FURTHER CONTACT

For more information, please contact: info@playsidestudios.com



Gerry Sakkas

Managing Director & CEO



Cris Nicolli

Chairman

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

PLAYSIDE STUDIOS

ABN

73154789554

Quarter ended ("current quarter")

30 SEPTEMBER 2023

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	12,432	12,432
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(820)	(820)
(c) advertising and marketing	(1,235)	(1,235)
(d) leased assets	-	-
(e) staff costs	(8,065)	(8,065)
(f) administration and corporate costs	(985)	(985)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	235	235
1.5 Interest and other costs of finance paid	(23)	(23)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	1,539	1,539
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(30)	(30)
(d) investments	-	-
(e) intellectual property	(1,895)	(1,895)
(f) other non-current assets	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
2.2 Proceeds from disposal of:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	-
(d) investments	-	-
(e) intellectual property	-	-
(f) 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	(1,925)	(1,925)

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2 Proceeds from issue of convertible debt securities	-	-
3.3 Proceeds from exercise of options	-	-
3.4 Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	(182)	(182)
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	(182)	(182)

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	32,200	32,200
4.2 Net cash from / (used in) operating activities (item 1.9 above)	1,539	1,539
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(1,925)	(1,925)

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Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(182)	(182)
4.5	Effect of movement in exchange rates on cash held	68	68
4.6	Cash and cash equivalents at end of period	31,700	31,700

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	8,031	7,767
5.2	Call deposits	23,661	24,431
5.3	Bank overdrafts		
5.4	Other (cash on hand)	8	2
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	31,700	32,200

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1 (Directors Remuneration & Other Services from a director related entity)	304
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>		

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7. Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities		
7.2 Credit standby arrangements		
7.3 Other (please specify)		
7.4 Total financing facilities		
7.5 Unused financing facilities available at quarter end		
7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	1,539
8.2 Cash and cash equivalents at quarter end (item 4.6)	31,700
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	31,700
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	N/A
<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
Answer: N/A	
8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
Answer: N/A	
8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
Answer: N/A	
<i>Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.</i>	

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.

Date: 26th October 2023

Authorised by: By the Board of PlaySide Studios Limited

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow 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 cash flow 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.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.