

LEAF Mobile Announces First Quarter 2021 Financial Results

May 17, 2021 (Source) – LEAF Mobile Inc. (TSX: LEAF) (“**LEAF**” or the “**Company**”), Canada’s leading free-to-play mobile game group, today announced financial results for the first quarter ended March 31, 2021.

Highlights on a pro forma basis of LEAF and ESG:

- *Record Q1 2021 revenue of \$25.3M a 95% increase over \$13.0M in Q1 2020*
- *Q1 2021 revenue increased by \$2.3M over Q4 2020 revenue of \$23.0M, a 10% sequential increase*
- *Adjusted EBITDA was \$3.0M in Q1 2021 compared to a loss of \$1.4M in Q1 2020*

“We are off to an excellent start in 2021 with record Q1 results for LEAF, doubling quarterly revenue over the previous year and achieving \$3.0M in Adjusted EBITDA from a \$1.4M loss in the same period the previous year. Revenue also increased from the previous quarter by \$2.3M, an increase of 10% from Q4 2020,” said Darcy Taylor, Chief Executive Officer of LEAF. “We completed our transformational acquisition of East Side Games and made significant progress executing on our three-pillar growth strategy in the first quarter of the year. By the end of this year, we expect our game portfolio to have almost doubled, from both in-house and Idlekit partner game launches including the highly anticipated title from the *RuPaul’s Drag Race* franchise.”

On February 5, 2021, the Company acquired East Side Games Inc. (“**ESG**”) in a reverse takeover transaction. The audited financial statements of ESG for the year ended December 31, 2020 have been filed on SEDAR. As ESG is the accounting

acquiror of LEAF, for the quarter ended March 31, 2021, the financial information of ESG is presented as the continuing company, with LEAF / LDRLY results included for the period from February 5 to March 31, 2021. This also requires that the historical financial information of ESG becomes the Company's comparative information. Due to the significance of the ESG acquisition, pro forma information for the combined company (LEAF and ESG) all the following references to the first quarter will be based on pro forma operations of LEAF and LDRLY as if the acquisition occurred on January 1, 2020.

Financial Highlights:

All amounts in \$CAD unless otherwise noted and figures are rounded-up to one decimal place

Revenue Summary

| <i>(in millions)</i> | 1Q21 | 1Q20 | % Change |
|----------------------|--------|--------|----------|
| LEAF – as reported | \$23.0 | \$13.0 | 76% |
| LEAF – pro forma | \$25.3 | \$13.0 | 95% |

1 Net of intercompany eliminations (in all tables)

LEAF – As Reported Revenue

Revenue was \$23.0M in Q1 2021, an increase of \$3.8M, or 20%, compared to the \$19.2M achieved in Q4 2020 and an increase of \$10.0M, or 76%, compared to Q1 2020.

LEAF Pro Forma Revenue

Revenue was \$25.3M in Q1 2021 an increase of \$2.3M, or 10%, compared to the \$23.0M generated in Q4 2020 and an increase of \$12.3M, or 95%, compared to Q1 2020.

Net income

| <i>(in millions)</i> | 1Q21 | 1Q20 |
|----------------------|--------|----------|
| LEAF – as reported | \$ 1.3 | \$ (1.6) |

| | | |
|------------------|--------|----------|
| LEAF – pro forma | \$ 0.0 | \$ (1.7) |
|------------------|--------|----------|

Adjusted EBITDA¹

| <i>(in millions)</i> | 1Q21 | 1Q20 |
|----------------------|--------|----------|
| LEAF – as reported | \$ 2.7 | \$ (1.3) |
| LEAF – pro forma | \$ 3.0 | \$ (1.4) |

1 – Adjusted EBITDA is a non-GAAP measure. Please refer to NON-GAAP FINANCIAL MEASURES for the reconciliation.

Net income and Adjusted EBITDA

The company recorded significant increases in net income and Adjusted EBITDA during Q1 2021 as compared to Q1 2020. The increase is primarily driven by the strong revenue growth during the year. Pro forma Adjusted EBITDA for the combined company was \$3.0 million for Q1 2021 as compared to \$(1.4) million in Q1 2020.

Q1 2021 Business Highlights

- Closed a public offering of subscription receipts for aggregate gross proceeds of \$23 million which included the full exercise of the over-allotment option
- As noted above, completed the acquisition of East Side Games for \$159 million
- Graduated to the TSX from the TSX Venture exchange
- Entered into a non-binding letter of intent to acquire Truly Social Games, a developer and publisher of mobile games headquartered in Vancouver, Canada
- Announced multi-year partnership with World of Wonder for the exclusive mobile game rights to Emmy Award-winning competition series, *RuPaul's Drag Race*
- Announced an IdleKit partnership with Kano Applications and announced IdleKit and publishing partnerships with Night Garden Studios
- Appointed Jim MacCallum as Chief Financial Officer of LEAF

Significant Events Subsequent to March 31, 2021

- Announced IdleKit and publishing partnerships with Bigfoot Gaming, Mighty Kingdom Games, TinyRex Games and Game Masons
- Launched the newly developed NFTKit and a partnership with WAX Blockchain to support ESG's new NFT game, *Bud Farm Nifty Stash*
- Proposed a special resolution for consideration at the Company's upcoming AGM to consolidate shares at a ratio of up to 10 old common shares for 1 new common share

Conference Call Information

The Company will hold a conference call to discuss its performance with the investment community at 2:00 p.m. PT today. Related earnings release materials can be found on LEAF's website at <https://leafmobile.io/investors/financial-information/>.

Conference Call Details:

| | |
|-------------------------------|-------------------|
| Toll Free Dial-In Number: | +1 (833) 772-0399 |
| International Dial-In Number: | +1 (236) 738-2279 |
| Conference ID: | 3318766 |

A replay will be available starting at 6:30 a.m. PT May 18, 2021 until June 17, 2021 by dialing +1 (800) 585-8367 or +1 (416) 621-4642 and entering the conference ID 3318766.

ABOUT LEAF

LEAF Mobile Inc. (TSX: LEAF) is a leading free-to-play mobile game group, creating engaging games that produce enduring player loyalty. Our studio groups entrepreneurial culture is anchored in creativity, execution, and growth through a diverse portfolio of original and licensed IP mobile games that include: *Archer: Danger Phone*, *Bud Farm Idle Tycoon*, *Cheech & Chong Bud Farm*, *The Goldbergs: Back to the 80s*, *It's*

Always Sunny: The Gang Goes Mobile, Trailer Park Boys Greasy Money and the soon to be released, RuPaul's Drag Race Mobile Game.

We are headquartered in Vancouver, Canada and our games are available worldwide on the App Store and Google Play. For further information, please visit: www.leafmobile.io and join our online communities at LinkedIn, Twitter, Facebook, and Instagram.

Additional information about LEAF Mobile Inc. is available at www.sedar.com.

Forward Looking Information

Certain statements in this release are forward-looking statements, which reflect the expectations of management regarding the proposed transactions described herein. Forward-looking statements consist of statements that are not purely historical, including any statements regarding beliefs, plans, expectations or intentions regarding the future. Such statements are subject to risks and uncertainties that may cause actual results, performance or developments to differ materially from those contained in the statements. No assurance can be given that any of the events anticipated by the forward-looking statements will occur or, if they do occur, what benefits the Company will obtain from them. In particular, the Company cautions that the completion of the proposed transactions cannot be predicted with certainty, and there can be no assurance at this time that all required approvals and consents to effect the proposed transactions will be obtained in the manner noted above or at all. These forward-looking statements reflect management's current views and are based on certain expectations, estimates and assumptions which may prove to be incorrect. A number of risks and uncertainties could cause our actual results to differ materially from those expressed or implied by the forward-looking statements, including factors beyond the Company's

control. These forward-looking statements are made as of the date of this news release.

Non-GAAP Measures – EBITDA and Adjusted EBITDA

We believe that, in addition to conventional measures prepared in accordance with IFRS, the Company and certain investors use Adjusted EBITDA as an indicator of our ability to generate liquidity by producing operating cash flow to fund working capital needs and fund development expenditures.

Adjusted EBITDA is intended to provide additional information to investors and analysts and do not have any standardized definition under IFRS, and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. Adjusted EBITDA excludes the impact of cash costs of financing activities and taxes, and the effects of changes in operating working capital balances, and therefore is not necessarily indicative of operating profit or cash flow from operations as determined under IFRS. Other companies may calculate Adjusted EBITDA differently.

The following tables provide the reconciliation between net income and Adjusted EBITDA for LEAF, ESG and the Combined Company:

LEAF – As Reported

| | 1Q21 | 1Q20 |
|------------------|--------|----------|
| Net Income | \$ 1.3 | \$ (1.6) |
| Income tax | 1.2 | – |
| Amortization | 1.1 | 0.1 |
| Stock Based Comp | 2.6 | 0.2 |
| One-time items | (4.7) | – |
| Adjusted EBITDA | \$ 2.7 | \$ (1.3) |

LEAF – Pro Forma

| | 1Q21 | 1Q20 |
|------------------------------|--------|----------|
| Net Income | \$ — | \$ (1.7) |
| Income tax | 1.2 | — |
| Amortization | 1.3 | 0.1 |
| Stock Based Comp | 3.1 | 0.2 |
| Listing and transaction fees | 2.0 | — |
| One-time items | (4.7) | — |
| Adjusted EBITDA | \$ 3.0 | \$ (1.4) |