

With an acquisition, a \$23M raise and the signing of 4 gaming studios, Leaf Mobile prepares to unfold.

It's been a busy start to 2021 for the team at Leaf Mobile Inc. (TSX: LEAF). In the first two weeks of February, the company closed a transformative \$159M acquisition of East Side Games, a leading Canadian publisher and developer of mobile games, raised \$23M to finance the acquisition and graduated from the Venture exchange to the TSX. Since then the company has signed partnerships with 4 additional gaming studios (Kano Applications, World of Wonder Productions, Night Garden Studio and Bigfoot Gaming) to develop and publish up to 6 new mobile games for global release on iOS and Android and a LOI for another acquisition – Truly Social Games, an innovative developer and publisher of mobile games.

I guess “busy” might be considered an understatement when you add that they also appointed a pedigreed CFO in Jim MacCallum who was most recently SVP, Finance and Treasurer at Westport Fuel Systems Inc. (NASDAQ: WPRT | TSX: WPRT) and prior to Westport, Vice President, Finance at Absolute Software Corporation (TSX: ABST). And if you didn't think that was enough for the first four months of 2021, Leaf has also gotten into the non-fungible token (NFT) craze with the company planning to release the first offering of NFTs as prizes, within select games, this week.

But let's take a step back and have a closer look at what Leaf Mobile is all about. Leaf Mobile is a leading free-to-play mobile game group, creating engaging games that produce enduring player loyalty. Their culture is anchored in creativity, execution, and growth through a diverse portfolio

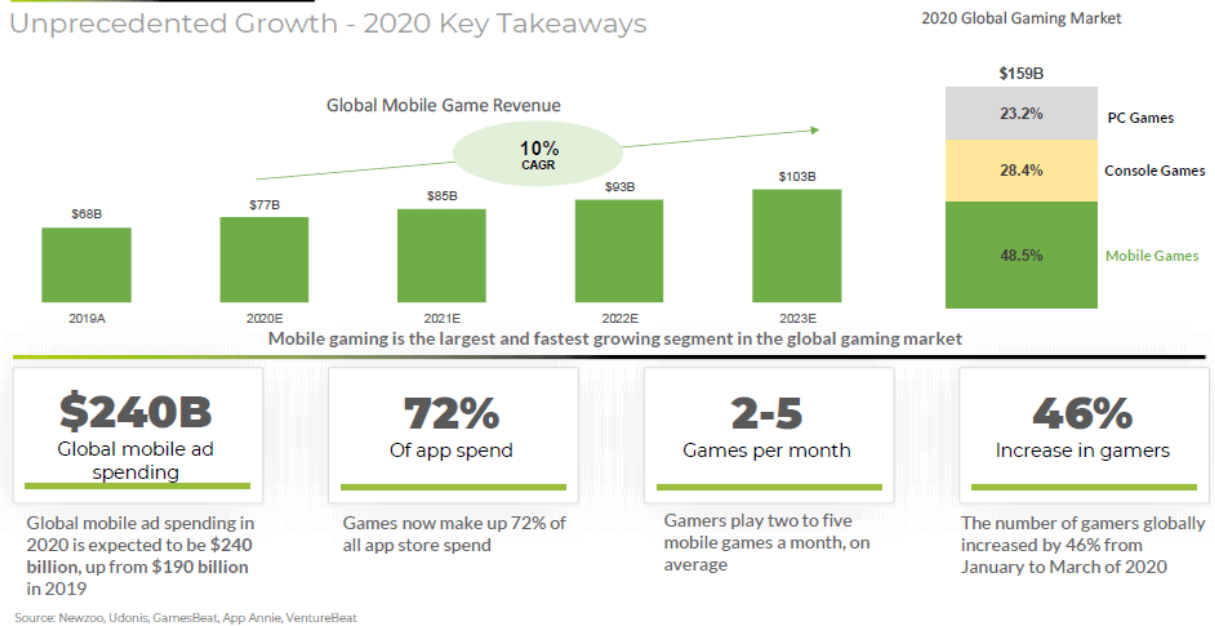
of original and licensed IP mobile games. In other words, they have an App for that. Initial success for Leaf came from a variety of cannabis based mobile games such as Bud Farm Idle Tycoon and Cheech & Chong Bud Farm, hence the name Leaf. However, the acquisition of East Side Games (ESG) was critical to the company's development. The reason for that is ESG's core software technology – IdleKit. This internally developed proprietary game framework for building narrative driven idle games allows for a material decrease in the typical build to launch timeline for mobile games developed on the platform. This platform is not only utilized by ESG/Leaf, but is also open to third party developers on a partnership basis.

The bulk of the above mentioned partnerships are a function of the IdleKit technology. This tool is bringing creative development teams from all over the world to Leaf's doorstep for collaborations. In the case of World of Wonder, it provides Leaf exclusive mobile game rights to Emmy Award-winning competition series, RuPaul's Drag Race, to develop and publish a new mobile game for global release. This reusable game engine results in reduced costs and faster payback, enhancing return for everyone involved.

As an investor, you may be asking yourself why this is a big deal. Mobile gaming is the largest and fastest growing segment in the global gaming market. Not surprisingly, the onset of the pandemic led to the number of gamers globally increasing by 46% from January to March of 2020. With mobile global game revenue estimated to be \$85B in 2021 and global mobile ad spending in 2020 expected to be \$240B, a company doesn't need a large piece of the pie to generate material revenue. And don't be confused by the "free-to-play" moniker, that simply means it's free to start playing but there are plenty of opportunities to spend your hard earned dollars once you get hooked.

Massive Mobile Game Market

Unprecedented Growth - 2020 Key Takeaways



Unfortunately, investors will have to wait a little longer to see how things are evolving at Leaf Mobile. With all the big changes that have occurred over the last few months, there is very little relevant financial information to assess the current situation. Nevertheless, the catalysts are there with several new mobile games in the pipeline and a proven platform to monetize returns in a very large global gaming market. It will be interesting to see what the next quarterly results look like with full integration of the ESG acquisition.

Disclosure: The author is long Leaf Mobile (TSX: LEAF).