



## PopReach Reports Second Quarter 2020 Financial Results

*Quarterly Revenue of US\$4.9 million, representing year over year growth of 12.1%, and Gross Profit margin improvement from 42.5% to 56.6%*

**TORONTO, ONTARIO August 24, 2020** - (TSXV: POPR) – PopReach Corporation ("**PopReach**" or the "**Company**"), a free-to-play mobile game publisher focused on acquiring and optimizing proven game franchises, today announced financial results for the three months and six months ended June 30, 2020.

### **Q2 2020 Highlights**

*(All figures in US dollars)*

- Revenue of \$4.9 million, an increase of 4.8% compared to \$4.7 million in Q1 2020, and an increase of 12.1% compared to \$4.4 million in Q2 2019
- Bookings<sup>1</sup> of \$4.8 million, an increase of 1.7% compared to \$4.7 million in Q1 2020, and an increase of 8.0% compared to \$4.4 million in Q2 2019
- Gross profit margin improved to 56.6% from 45.9% in Q1 2020, and 42.5% in Q2 2019, driven by reductions in hosting and other fees as a result of the successful execution of server cost reductions completed in April, 2020
- Operating expenses of \$2.3 million, compared to \$2.5 million in Q1 2020, and \$3.0 million in Q2 2019
- Adjusted EBITDA<sup>1</sup> grew to \$1.5 million (31.0% of revenue), an increase of \$0.6 million from adjusted EBITDA of \$0.9 million (18.4% of revenue) in Q1 2020, and an increase of \$1.3 million from adjusted EBITDA of \$0.3 million (6.0% of revenue) in Q2 2019
- Net loss of \$1.8 million, or (\$0.05) per basic and diluted share, compared to a net loss of \$0.7 million, or (\$0.02) per basic and diluted share in Q1 2020, and a net loss of \$1.2 million, or (\$0.03) per basic and diluted share in Q2 2019
- Concurrent with the completion of the reverse takeover transaction on June 30, 2020, the Company reduced debt through the mandatory conversion of all outstanding convertible debentures
- Cash at the end Q2 2020 was \$2.1 million with \$7.1 million in debt outstanding consisting of a bank credit facility; subsequent to quarter-end, the bank credit facility was reduced by a further \$0.5 million to an outstanding balance of \$6.6 million

<sup>1</sup> Please refer to "Non-GAAP Measures" section of this press release

### **Management Commentary**

"PopReach generated year over year revenue growth of 12% in the second quarter of 2020, and saw a 26% increase in monthly active users as our live operations teams drove solid growth for both in-app and advertising revenues," said Jon Walsh, Co-founder and CEO of PopReach.

"We are successfully executing against our strategy of reducing operating costs from acquired assets to increase cash flow while investing in our key franchises to ensure continued profitable growth. The completion of our server cost reductions in the second quarter drove significant gross profit margin improvement. When combined with our revenue growth this led to a \$1.3 million increase in Adjusted EBITDA from the prior year's comparable



period, or growth of 477%. Our ability to drive higher cash flows from our assets combined with our healthy balance sheet puts us in a strong position to execute against our pipeline of acquisition opportunities.”

**Selected Quarterly Information**

Below is selected quarterly information from the Company’s consolidated financial statements for each of the quarterly periods indicated. The Company’s functional and presentation currency is US Dollars. Except where indicated, the following financial data is reported in accordance with IFRS.

	Three months ended June 30, 2020	Three months ended March 31, 2020	Three months ended June 30, 2019
In-app purchases	\$ 4,706,106	\$ 4,451,628	\$ 4,138,811
Advertising	195,894	224,675	109,203
Other	326	242	124,046
Total revenue	\$ 4,902,326	\$ 4,676,544	\$ 4,372,060
Net Loss	(1,822,189)	(677,742)	(1,181,278)
Comprehensive Loss	(1,848,562)	(636,638)	(1,148,491)
Loss per share (basic and diluted)	(0.05)	(0.02)	(0.03)
<i>Non-GAAP<sup>1</sup>:</i>			
Bookings	4,793,186	4,714,885	4,439,375
EBITDA	702,487	695,861	62,832
Adjusted EBITDA	1,519,290	860,065	263,283

<sup>1</sup> Please refer to “Non-GAAP Measures” section of this press release

	Six months ended June 30, 2020	Six months ended June 30, 2019
In-app purchases	\$ 9,157,734	\$ 8,431,256
Advertising	420,568	319,950
Other	568	183,108
Total revenue	\$ 9,578,870	\$ 8,934,314
Net Loss	(2,499,931)	(2,039,247)
Comprehensive Loss	(2,485,200)	(2,063,098)
Loss per share (basic and diluted)	(0.06)	(0.06)
<i>Non-GAAP<sup>1</sup>:</i>		
Bookings	9,508,071	9,410,907
EBITDA	1,398,348	373,354
Adjusted EBITDA	2,379,355	1,074,165



	June 30, 2020	December 31, 2019
Cash and cash equivalents	2,071,552	1,126,160
Current assets	4,742,101	3,532,277
Total assets	12,447,851	12,617,436
Current liabilities excluding borrowings	4,394,250	5,952,882
Total non-current liabilities including borrowings	7,754,538	9,398,135

### **Financial Statements and MD&A**

PopReach's Financial Statements for the second quarter ended June 30, 2020, and Management's Discussion and Analysis (the "MD&A") for the three and six months ended June 30, 2020, are available on the Company's website at [www.popreach.com/investor-relations/](http://www.popreach.com/investor-relations/) under "Financial Information" and under the company profile on SEDAR at [www.sedar.com](http://www.sedar.com).

### **Non-GAAP Measures**

The Company prepares its financial statements in accordance with IFRS. However, the Company considers certain non-GAAP financial measures as useful additional information to assess its financial performance. These measures, which it believes are widely used by investors, securities analysts and other interested parties to evaluate its performance, do not have a standardized meaning prescribed by GAAP and therefore may not be comparable to similarly titled measures presented by other publicly traded companies, nor should they be construed as an alternative to financial measures determined in accordance with IFRS. Non-GAAP measures include "Bookings", "EBITDA" and "Adjusted EBITDA".

### **EBITDA and adjusted EBITDA**

Earnings before interest, taxes, depreciation and amortization ("**EBITDA**") and consolidated adjusted earnings before interest, taxes, depreciation and amortization ("**Adjusted EBITDA**") are non-IFRS measures of financial performance. The presentation of these non-IFRS financial measures is not intended to be considered in isolation from, as a substitute for, or superior to, the financial information prepared and presented in accordance with IFRS, and may be different from non-IFRS financial measures used by other companies. Company management defines EBITDA as follows: IFRS Net income (loss) adding back accretion and interest expenses, income taxes, amortization, gain/loss on disposal of assets, and fair value gain/loss on financial liabilities. Adjusted EBITDA is calculated as EBITDA and excludes discontinued operations and the effects of significant items of income and expenditure which may have an impact on the quality of earnings, such as restructuring costs, legal expenses, and impairments where the impairment is the result of an isolated, non-recurring event. It also excludes the effects of equity-settled share-based payments, and changes in deferred revenues.

Management believes EBITDA and Adjusted EBITDA are useful financial metrics to assess its operating performance on a cash basis before the impact of non-cash items.



The following table presents the Company's calculation of EBITDA and Adjusted EBITDA for each period:

	Three months ended June 30, 2020	Three months ended March 31, 2020	Three months ended June 30, 2019
Net loss	\$ (1,822,189)	\$ (677,742)	\$ (1,181,278)
Add:			
Interest and accretion expenses	323,219	345,492	273,059
Income taxes	34,092	24,091	47,817
Amortization	734,124	734,794	889,611
Amortization of deferred financing fees	31,207	31,206	31,169
Fair value gain/loss on financial liabilities	1,402,034	238,020	2,454
<b>EBITDA</b>	<b>702,487</b>	<b>695,861</b>	<b>62,832</b>
Add:			
Share-based compensation expense	38,946	32,141	45,158
Change in deferred revenue	(109,140)	38,341	67,315
Reverse takeover listing expense	886,997	93,722	–
RTO and acquisition legal expenses	–	–	87,978
<b>Adjusted EBITDA</b>	<b>1,519,290</b>	<b>860,065</b>	<b>263,283</b>
		Six months ended June 30, 2020	Six months ended June 30, 2019
Net loss		\$ (2,499,931)	\$ (2,039,247)
Add:			
Interest and accretion expenses		668,711	462,057
Income taxes		58,183	102,146
Amortization		1,468,918	1,778,804
Amortization of deferred financing fees		62,413	62,959
Fair value gain/loss on financial liabilities		1,640,054	6,635
<b>EBITDA</b>		<b>1,398,348</b>	<b>373,354</b>
Add:			
Share-based compensation expense		71,087	89,292
Change in deferred revenue		(70,799)	476,593
Reverse takeover listing expense		980,719	–
RTO and acquisition legal expenses		–	134,926
<b>Adjusted EBITDA</b>		<b>2,379,355</b>	<b>1,074,165</b>



The increase in EBITDA and Adjusted EBITDA for the three and six months ended June 30, 2020 compared to the three and six months ended June 30, 2019 was largely related to the acquisition of the Smurfs Portfolio in September 2019, along with large server cost reductions.

Decreases in amortization was due to the impairment charge recorded at the end of the year December 31, 2019. As a result of the impairment charge, the carrying values of the intangible assets were decreased, resulting in a lower amortization per period. Increases in interest and accretion expenses were related to the financing of the RockYou Acquisition. Increases in the fair value loss was related to the additional convertible debenture raises, and the fair value of the warrants associated with the convertible debentures which increased on the completion of the public listing. Legal expenses also increased due to the Company's Qualifying Transaction, which closed on June 30, 2020, and resulted in the Company's public listing on July 8, 2020 as a TSX Venture Exchange Tier 1 Technology Issuer.

### Bookings

Bookings is a financial measure, commonly used in the mobile games industry, that is equal to revenue recognized plus or minus the change in deferred revenue during the period. As such, it is representative of the actual gross revenue paid by paying players in the Company's games. The following table is the reconciliation from revenue to bookings for each period:

	Three months ended June 30, 2020	Three months ended March 31, 2020	Three months ended June 30, 2019
Revenue	\$ 4,902,326	\$ 4,676,544	\$ 4,372,060
Add: Change in deferred revenue	(109,140)	38,341	67,315
<b>Total bookings</b>	<b>4,793,186</b>	<b>4,714,885</b>	<b>4,439,375</b>

	Six months ended June 30, 2020	Six months ended June 30, 2019
Revenue	\$ 9,578,870	\$ 8,934,314
Add: Change in deferred revenue	(70,799)	476,593
<b>Total bookings</b>	<b>9,508,071</b>	<b>9,410,907</b>

The increase in bookings for the three and six months ended June 30, 2020 compared to the three and six months ended June 30, 2019 is related to an increase in both in-app and advertising revenues across the games portfolio including the impact of the Smurfs Portfolio of games acquired in September 2019.



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### **About PopReach Corporation**

PopReach, a Tier 1 Technology Issuer on the TSX Venture Exchange, is a free-to-play mobile game publisher focused on acquiring and optimizing proven game franchises. The Company has acquired 12 successful game franchises competing mainly in the North American game market, including *Smurfs' Village* (IP under license), *Kitchen Scramble*, *Gardens of Time*, *City Girl Life*, *War of Nations* and *Kingdoms of Camelot*. The Company's franchises are enjoyed by over 1.2 million unique players a month. PopReach, headquartered in Toronto, employs a team of over 120 experts in Toronto, and Bangalore.

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### ***Forward-looking Information***

*Certain information in this news release constitutes forward-looking statements and forward-looking information under applicable Canadian securities legislation (collectively, "forward-looking information"). Forward-looking information include, but are not limited to, statements with respect to and the business, financials and operations of the Company. Statements containing forward-looking information are not historical facts but instead represent management's expectations, estimates and projections regarding future events. Forward looking information is necessarily based on a number of opinions, assumptions and estimates that, while considered reasonable by the Company as of the date of this news release, are subject to known and unknown risks, uncertainties, assumptions and other factors that may cause the actual results, level of activity, performance or achievements and future events to be materially different from those expressed or implied by such forward-looking information, including but not limited to the factors described in greater detail in the public documents of the Company available at [www.sedar.com](http://www.sedar.com). Although the Company has attempted to identify important risks, uncertainties and factors which could cause actual results to differ materially, there may be others that cause results not to be as anticipated, estimated or intended. Investors are cautioned undue reliance should not be placed on any such information, as unknown or unpredictable factors could have material adverse effects on future results, performance or achievements of the Company. The Company does not intend, and does not assume any obligation, to update this forward-looking information except as otherwise required by applicable law.*

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