

Business Update (October 2012) - Bubble Gum Interactive (BGI)



Highlights

- The recent Silicon Valley road show went well with invitations from several leading VC firms to keep in touch leading up to next year's Series B
- Have also had a very positive reception to cartoon concept at MIPCOM Junior – Turner, Disney, Fremantle Media and production firms Zodiak and DHX. Conversations to continue with key VP's
- Their mobile game "Jetpack Jinx" slated to launch mid-November on Android, followed by iOS. This is primarily intended as a brand driver to the virtual world. See development screenshots attached.
- Little Space Heroes won more awards – securing the Gold Medal, Children's Category and the Gold Medal, Social Networking in the 2012 W3 Awards
- The Miniclip deal is in its final stages of being signed. The Miniclip promotional campaign will launch mid-November and will drive significant volumes Tier 1 users to our site.
- The Turner deal is close to being signed. Combining TV and Online, this is planned to run from mid-December in UK, France, Germany, Poland, Holland and the Middle East.
- The team continue to focus on accessibility-disconnect issues from last month with final phase implementation of various fixes expected to be completed by end of month after having recently migrated to the Amazon Cloud and High Winds CDN services. This phase includes third party audits starting next week to check accessibility fixes.

Market traction and growth

- Growth has been intentionally slowed to allow us more time to complete further optimisation of the site and game to ensure minimal 'leakage' of users. This technical issue has impacted our performance but

we expect to resolve the issues and then ramp up marketing activities (Miniclip, Turner, viral activities etc) which will drive traffic upwards and convert to paid members.

- Sales continue to grow, in line with growth of Tier 1 base – albeit slower than projected due to reasons outlined above.
- The MiniClip and Turner Deals are Tier 1 centric and will generate significant volumes from mid-November into early 2013.
- Cohort based analysis indicates that ARPU for paid members continues to track upwards. Our first cohort members are now at \$48 and subsequent cohorts indicate similar levels of low churn.
- The Terra deal is still in discussions, having been delayed by backlogs at the Terra legal/contract review team.
- The Matchmove partnership has not led to the expected volumes, due to their network having significantly less traffic than was outlined to us. We are looking at ways to tap into their partners in SEA to attempt to drive additional traffic

Business Development and Distribution

- InComm game cards launch in Australia/NZ on 1st December, in Brazil in mid-December and in UK in early 2013. This will give the game a retail point of sale presence in over 40 major retail chains including EB Games, Toys R Us, the Warehouse (AU/NZ); Argos, Gamestop, Toys R Us (UK); Saraiva, Cultura and Fast Shop (Brazil). If the cards sell as well as expected, gross revenue for the company is circa \$1.5 million for the three territories. Marketing in the UK and Australia will be supported by PR and television spots on Cartoon Network.
- They continue to work with Ubitus a leader in cloud gaming and virtualisation to enable Little Space Heroes on the iPad and other web connected devices. They have just now completed the first round of QA and are extremely happy with the results, with plans to launch Little Space Heroes on tablets in the US, Korea, and China by end of year with consolidated billing to the users mobile phone bill. This will provide a significant distribution and monetisation channel not yet available to the competition.
- The visit to the MIPCOM Junior Children's Television showcase was successful with positive feedback from media owners and children's television producers. They have received strong endorsement of the brand's appeal as well as useful feedback to refine and focus its positioning. We continue conversations with these new contacts
- The Silicon Valley meetings with VC firms went well, they received a lot of great feedback, making some great contacts for ongoing conversations leading up to our series B round in 2013.

Marketing and PR

- The Space Heroes cartoon trailer has exceeded 340,000 views on our YouTube Channel. The success of the trailer has enabled us to be upgraded to a [YouTube brand channel](#), an advertising free channel with direct call-to-action commands and links that will become a useful acquisition tool as we roll out additional content
- Little Space Heroes has been named a winner in the W3 Awards, [securing the Gold Medal, Children's Category and the Gold Medal, Social Networking in the 2012 W3 Awards](#)
- They are working on a TVC to promote the game on cable and free to air beginning end of this year, as part of the Turner deal, they expect this to be finished by end of November.

Game Updates

- Frightful fun awaits Space Heroes with Halloween updates launching this week and a solid roadmap of premium member incentives through end of year.
- Further enhancements to the registration funnel and in-game early experience designed to increase engagement and retention.

Sydney Angel Sidecar Fund Investment

- Cost of Investment \$500,000
- Book Value \$900,000