

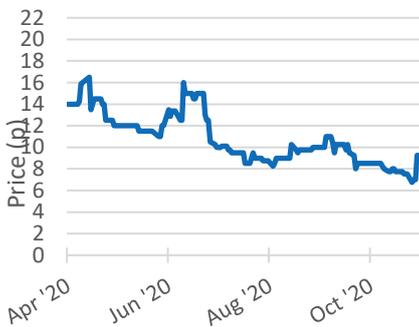
Live Company Group PLC

Bringing Bricks to Life

Stock Data

| | |
|--------------|----------|
| Ticker (AIM) | LVCG.LN |
| Share Price | 8.5p |
| Market Cap | £7.6M |
| EV | £9.5M |
| 52wk hi/lo | 48p/6.4p |

Price Chart



Live Company Group (LVCG.LN) is a live events and entertainment group admitted to trading on the AIM market of the LSE in December 2017. The listing was the result of the reverse acquisition of Brick Live Group and Parallel Live Group, bringing the complementary content provider and the brand promotion companies under one roof. Today the Group has grown to include: BRICKLIVE, a children's education and entertainment brand platform that provides creative and interactive content in the form of events & shows; Bright Bricks, the production centre for brick-based models; and Parallel Three Six Zero which promotes BRICKLIVE exhibitions in North America. At the core of the business model is the vision establishing a global education and entertainment brand for children in support of learning, creativity, and collaboration in an interactive & safe environment.

BRICKLIVE: The original brand concept for BRICKLIVE was established by working with Licensed Partners to manage and present BRICKLIVE shows in return for an annual license fee. Today BRICKLIVE Tours have become very popular with partners attracting children and families to high footfall venues and attractions, such as town centres, zoos, aquariums, theme parks, BIDs, and shopping centres around the world. The BRICKLIVE Zoo Programme was established in 2018 to exhibit themed tours in zoos, safari parks, and aquariums worldwide. The tours can be permanent or pop-up style, creating an interactive and engaging activity for children and families. This partnership model successfully results in recurring revenue streams, working to fully monetise the asset models, and also helps limit risk exposures when entering new markets.

BRICKLIVE IP: This division of BRICKLIVE Tours was established during 2019, partnering with some of the world's leading children's media companies, targeting household name brands adored by pre-school aged children globally. This business operation is complementary to BRICKLIVE Tours, providing globally branded content from IP partners such as Nickelodeon UK Ltd, Penguin Random House, Entertainment One UK Ltd and The Copyrights Group.

BRIGHT BRICKS: Bright Bricks Ltd, acquired by LVCG in 2018, is a professional brick-based model building company that designs and builds custom brick-based models for customers worldwide. The talented team can create any bespoke model, capturing every detailed characteristic of the object or being. The payback on tours is estimated to be 7 to 9 months of booked tours.

A Solid Strategic Plan: The global footprint for BRICKLIVE continues to grow with events in Europe, North and South America, Asia and the Middle East, and Africa. Additional multi-year contracts secured with partners for the delivery of shows & events worldwide is expected to achieve recurring revenue growth opportunities, optimising the life cycle of the model assets. The development of a consistent flow of new generic touring models and IP properties are key to keeping new and existing customers engaged.

COVID Impacts: LVCG strategically restructured operations during the initial downtime of the pandemic, removing ~£0.9m from its cost base to streamline operations, and successfully raising funds through equity and debt. The BRICKLIVE Touring business restarted early in H220 with a strong response from zoos, museums, and other outdoor venues in particular. The calendar from 2021 is building well, complemented by the addition of new tours (generic & branded IP).

Outlook: The successful management of operations through this challenging period in 2020 demonstrates the strength of the LVCG Management and Board. We believe LVCG has evolved to a more stable position of strength, able to drive growth under its core business strategy as the world begins to re-open under COVID and consumers seek new experiences to share with their networks.

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| Financials (€000) | H1 2018 | H2 2018 | H1 2019 | H2 2019 | H1 2020 | 2017 | 2018 | 2019 |
|---------------------------------|----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Revenue | 2,842.0 | 2,078.0 | 1,996.0 | 3,455.0 | 968.2 | 1,928.0 | 4,920.0 | 5,451.0 |
| Gross Margin (%) | 68.6% | 14.8% | 57.3% | 56.4% | 16.2% | 57.2% | 45.9% | 56.7% |
| Exceptional Items | - | (1,339.0) | (251.0) | (861.0) | (3,980.9) | (5,037.0) | (1,339.0) | (1,112.0) |
| Operating Inc. post Exceptions | 520.0 | (2,622.0) | (1,026.0) | (611.0) | (5,343.3) | (5,428.0) | (2,102.0) | (1,637.0) |
| Net Income | 503.0 | (2,613.0) | (1,070.0) | (1,115.0) | (5,370.7) | (5,440.0) | (2,110.0) | (2,185.0) |
| Loss include. Disc. Operations | 116.0 | (2,726.0) | (1,070.0) | (1,115.0) | (5,370.7) | (5,440.0) | (2,610.0) | (2,185.0) |
| EPS (£) | 0.0022 | (0.0491) | (0.0154) | (0.0159) | (0.0672) | (0.1128) | (0.0470) | (0.0311) |
| Basic Shares ('000s) | 52,517.3 | 55,560.4 | 69,286.9 | 70,171.5 | 79,875.0 | 48,207.8 | 55,560.4 | 70,171.5 |
| Pre-excep'l items EBITDA (€000) | 653.0 | (1,046.0) | (482.0) | 627.0 | (1,007.1) | (273.0) | (393.0) | 145.0 |

INVESTMENT SUMMARY

Live Company Group (LVCG.LN) remains steadfast in its vision to provide educational entertainment to its target customer base. The BRICKLIVE touring brand experienced exceptional growth through 2019 reaching a total of 71 events by year-end (compared to only 34 in 2018). This set the stage for 2020 with 15 global partners, 3 IP partners with multiple IP properties, and over 600 brick-based models – notably a fourth IP partnership was agreed early in 2020 increasing the IP properties to 14. While the early part of 2020 was operationally strong, the impact of the spread of coronavirus and the global lockdown created an unprecedented period for LVCG and others in the consumer leisure sector. During the five-month closure of LVCG operations the management team took the opportunity to strengthen the business – operations were streamlined; costs were rationalised; and additional funding was raised through equity and debt. Now, after an extremely challenging H120, the Group appears to be much better positioned to drive growth under its core business strategy, particularly as the world begins to manage life in a COVID reality over the near-term.

While coronavirus may be here to stay, the world will learn to live with it. Improved treatments and vaccines will, at some point, become available, making it less impactful on daily life. We also expect that consumer behaviour will permanently change in some ways because of the pandemic. However, we believe the consumer desire for inspirational and creative experiences, and the ability to share those experiences with their social networks will only become greater, particularly as their social activities remain restricted for extended periods of time. We have already seen evidence of continuing demand by the positive response from partnering zoos, museums, and venues for BRICKLIVE Tours globally in H220, as these venues/attractions seek inspirational and creative ways to re-engage with their customer bases. The investment in new touring assets, the addition of new IP partnerships, and further global expansion in 2021, should result in a solid recovery from the impacts of the COVID pandemic in 2020.

A Focused Strategic Plan

- **Value Creation Through Global Expansion:** The global footprint for BRICKLIVE continues to grow with events already taken place in Europe, North and South America and Asia and the Middle East. While most events have occurred in Europe, there is growing demand for tours coming from partners in North and South America and Africa. More recently, agreements have been signed with partners for representation in Australia, New Zealand, Italy, and Israel. The partnership model successfully results in recurring revenue streams for LVCG, working to fully monetise the touring model asset base over time, and also helps to limit risk exposures when entering new markets. Exhibition partners already engage with suitable local attractions (zoos, museums, shopping malls, and other venues) and as a result are essential to maximising the efficient use of LVCG's touring assets year-round.
- **Increasing BRICKLIVE Assets:** The licensing and development of a consistent flow of new touring models and IP properties are key to keeping customers engaged and attracting new customers to tours and exhibits. The number of themed tours offered increased to 17 in 2019, from 9 in 2018, after the acquisition of Bright Bricks. BRICKLIVE Tours include Brickosaurs, Outer Space, Ocean Animal Paradise, and Safari to name a few. Further diversifying the asset portfolio are the well-known children's IP properties such as Paw Patrol, Nick Jr., The Snowman and the Snowdog, Paddington Bear and Peppa Pig. We estimate that the larger generic touring asset models have an 8 to 10-year life, or longer, and generate a total return of up to £2.0m over their life cycle depending on utilisation. We expect LVCG to invest in additional brick-based models in 2021, both generic and brand IP, to meet increasing demand for tours from customers.
- **Generate Sustainable Recurring Revenue:** LVCG's revenue model is multi-faceted with six revenue streams, each underpinned by the BRIGHT BRICKS creation of life-like brick models of animals, creatures, buildings and structures, branded IP characters and other objects that are showcased at venues to create memorable experiences for audiences around the world. Revenue is generated from tours and brand IP models, corporate builds, customer kits, and zoo exhibits. Revenue streams are typically comprised of license fees, commission on tickets sales or a percentage

of venue revenue generation and merchandise sales, and other services. The recurring component is driven by the multi-year contracts secured with exhibition partners, as well as multi-year agreements with iconic children's brands to create popular and exciting touring assets and content.

A Simple Business Model to Deliver Long-term Growth

- **An integrated platform:** LVCG provides an end-to-end service model, owning the largest global inventory of plastic interlocking bricks used for the design and construction of touring asset models and also for interactive play as part of the venue activities, through to the education and entertainment brand platform that provides creative and interactive content in the form of events and shows. LVCG currently has 20 touring assets (with 6 more under construction), comprised of approximately 600 models, 4 IP partnership agreements, and 14 IP touring properties.
- **An expansive market opportunity:** LVCG has only just begun to penetrate coverage of the market for its tours and events.
 - ✓ There are over 200 aquariums in the world and around 1,500 zoos. Annually there are more than 700 million visitors to zoos and aquariums worldwide; that is about 10% of the global population, according to a survey by the World Association of Zoos and Aquariums. The BRICKLIVE Zoo programme represents a huge market for educating children on conservation, the environment, animal extinction and the need for habitat preservation.
 - ✓ According to the Global Association of the Exhibition Industry, there are an estimated 32,000 exhibitions hosted around the world each year, with over 303 million visitors. The total annual spend by exhibitors and visitors combined is estimated to be ~US\$140m each year. There are about 1,217 gross indoor exhibition spaces around the world, covering a minimum area of 5,000sqm. The development of additional venue space in many regions of the world continues each year, with substantial investment in new development as well as upgrades to existing venues. These exhibition sites represent opportunities for corporate builds, as well as BRICKLIVE touring and events shows.
 - ✓ There are countless shopping malls, city centres, seasonal attractions, and pop-up events worldwide which are also prime venues for BRICKLIVE tours or the showcasing of IP models and interactive theme displays.
- **A receptive target customer base:**
 - ✓ **An Entertainment & Education Brand:** LEGO® has become one of the best-selling toys of all time and is a household name for children and adults worldwide. One of the reasons LEGO® has become so popular is that it allows children to construct anything within their imagination. It is estimated that about seven LEGO® sets are sold every second around the world. There are many versions of toy building blocks available in the market today, not all belong to the LEGO® brand. However, no matter what form they take, studies have demonstrated that they are very useful learning tools for developing motor skills and hand-eye coordination, language skills, social confidence, mathematical skills, creative thinking and even spatial reasoning. For generations, these toy building blocks have become powerful learning tools, and we expect will continue to be for generations to come. The BRICKLIVE brand leverages the benefits of interlocking bricks as a tool for entertainment and education, as well as the universal appeal for LEGO® across all age groups.
 - ✓ **Experiences not Things are Important:** Consumers around the world have undergone significant changes in the way in which they interact and communicate. The evolution of social feeds has resulted in the tendency for consumers to share their lives on digital platforms and on social media, projecting a detailed but edited version of one's self-image to the world. This has resulted in the emphasis on engaging in desirable experiences, documenting them through selfies and videos, and posting them on the platform of choice in an effort to increase social standing, rather than buying things to satisfy wants and desires as a social currency.

- ✓ **Appealing to the Pre-school Child:** The development of babies into child consumers starts from the day they are born. Babies are learning constantly and children who are placed in a stimulating environment with a variety of activities will begin to learn and also practice what they learn naturally. They observe and watch other's behaviour; they listen to sounds; they explore and touch and engage in activities that stimulate the senses. They use their imagination to bring stories to life, improving their social confidence, increasing their curiosity, and expanding their knowledge base, primarily not even realising what they are doing.
- ✓ **Brand Recognition by Children:** The child consumer market is appealing to brand developers as children and their families have the disposable income to spend on their needs and desires, making them a primary market today, but also in the future. According to Applied Developmental Psychology Journal, children tend to develop brand loyalty at a very early age, with long lasting brand attitudes that follow them into adulthood.
- **High barriers to entry:** The sheer cost alone of acquiring the inventory of interlocking bricks for the construction of asset models, and interactive brick-based events is cost prohibitive. However, the know-how and IP behind the design and construction of these asset models is unique to LVCG and a very strong competitive advantage. In addition, the global market presence is supported by strong brand IP partnerships and general exhibition partnerships.
- **Solid Economics and Payback:** The average cost of one of the larger touring set of assets, for example the Ocean tour with over 25 models, is about £300,000 and takes about 3 months to complete. Once the models are in production, the touring schedule can begin to be established. We estimate that an average exhibit term is about 3 months and generates revenue of ~£100,000-150,000 with gross margins of about 80%. This implies a cash payback period of 2-3 average term (3 months) bookings, or 7 to 9 months overall. Understandably, not all tours are booked for every month of a year, particularly when shipping times, and cleaning/maintenance may be required between shows. However, optimisation of a tour's travel itinerary can result in significant profitability for LVCG, particularly for those higher demand tours.

Assuming these assets have an 8 to 10 year life, the total return on each touring set of models, assuming a 4-6 month/year utilisation rate and a gross margin of ~80%, is up to £2.0m over its life, depending on utilisation.

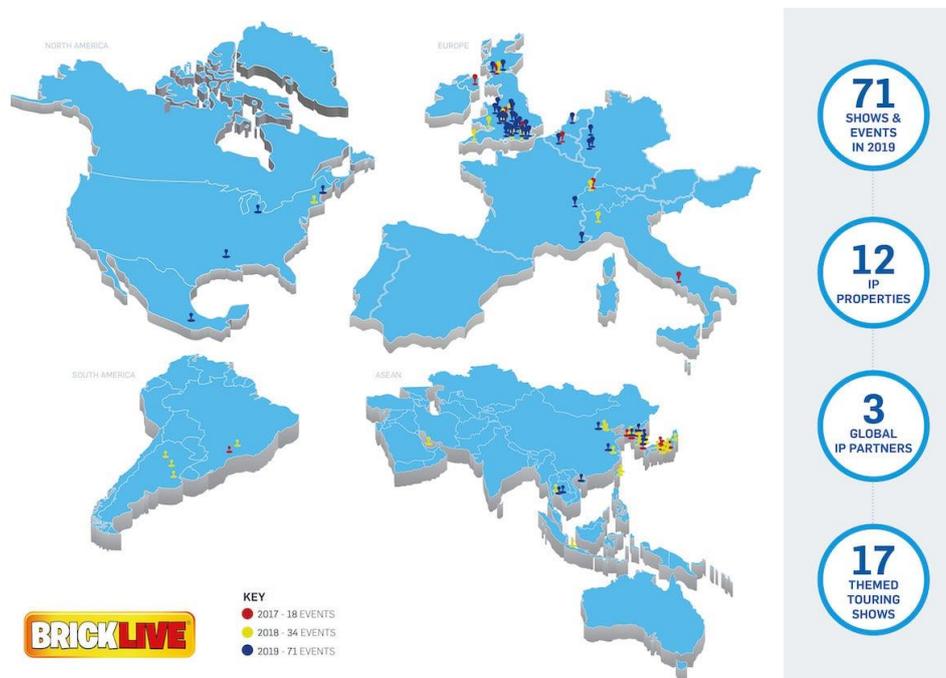
BRICKLIVE EDUCATION AND ENTERTAINMENT

Live Company Group (LVCG.LN) is a live events and entertainment group admitted to trading on the AIM market of the London Stock Exchange in December 2017. The listing was the result of the reverse acquisition of Brick Live Group and Parallel Live Group, bringing both the complementary content provider and the brand promotion companies under one entity. Today, the Group has grown to include: BRICKLIVE, a children's education and entertainment brand platform that provides creative and interactive content in the form of events and shows; Bright Bricks, the production centre for brick-based models; and Parallel Three Six Zero which promotes BRICKLIVE exhibitions in North America. At the core of the business model is the goal to establish a global education and entertainment brand for children that supports learning, creativity, and collaboration in an interactive and safe environment. The colourful, and structurally and aesthetically accurate life-sized brick models are showcased around the globe at BRICKLIVE Shows, Tours, and Exhibits. These events include interactive play and experience learning for children and families, combined with an opportunity to include educational programmes focused on the animals, sea creatures, cars, structures/architecture showcased on the tours, or even on the technology that is used to build them.

BRICKLIVE

The acquisition of Brick Live Group in 2017, at the time an early stage business focused on delivering fan-based live events generating fee income, has formed the core of LVCG's business model. Brick Live had an established international network of partner-driven events showcasing the benefits of LEGO® as an educational tool, while not associated with the LEGO® group of companies. LVCG has evolved the business model to one where licensee partners are granted a license to plan and exhibit BRICKLIVE events over a contracted time period of 3 to 5 years. As a result, the BRICKLIVE brand today has been seen around the globe at a total of over 123 shows, exhibitions, tours and events by the end of 2019 and in 16 countries, working with 15 worldwide partners to establish innovative events at host venues. There are currently 20 themed tour shows available, as well as 4 global brand IP partners with 14 IP properties.

Figure 1: Worldwide Events 2019



SOURCE: Company reports

NOTE: A fourth IP partner was signed early in 2020 increasing the IP properties to 14.

In 2019, the BRICKLIVE brand really began to establish its presence in the global market. The Live Company Group focussed its capital on expanding the BRICKLIVE brand adding new exhibition partnerships in Germany, Switzerland, Belgium, France, Africa, Israel, Japan, South Korea, and North America, to total 15 at year-end. In addition, the BRICKLIVE IP division was formed to drive the development of multi-year partnerships with global IP partners, successfully achieving four such partnerships during the year, including Nickelodeon (Viacom CBS Inc.), Entertainment One (Hasbro Inc.), Penguin Ventures (Penguin Random House) and The Copyrights Group. The IP partnerships cover brands such as PAW Patrol, Nick Jr., Peppa Pig, Peter Rabbit and Paddington Bear. The BRICKLIVE Zoo division was deemed a key source of recurring revenue and a core division for development. By the end of 2019, there were 12 contracts with zoos in place across the UK, Europe, and North America.

BRICKLIVE Partners

The original brand concept for BRICKLIVE was established by working with Licensed Partners to manage and present BRICKLIVE shows in return for an annual license fee. However, some agreements now include a revenue sharing model, with LVCG earning a percentage of revenue earned from an event or exhibition in ticket sales, merchandise, and other activities on site. LVCG is focused on growing this partnership model and now covers international regions such as North America, South America, Europe, Asia and the Middle East and Africa. More recently, agreements have been signed with partners for representation in Australia, New Zealand, Italy, and Israel. In 2019, the exhibition revenue segment made up about 45% of the total revenue for the business, supported by a number of agreements secured with exhibition providers such as AWC AG, PALEXPO SA, Exhibition Hub SPRL and BRICKLIVE South Africa. The total number of key partners globally reached 15 in 2019, with many of these under multi-year agreements for brick-based models for show content and repeat bookings of tours.

The partnership model successfully results in recurring revenue streams for LVCG, working to fully monetise the touring model asset base over time, and also helps to limit risk exposures when entering new markets. Local or regional exhibition partners already engage with suitable zoos, museums, shopping malls, theme parks and other venues for content and as a result are essential to maximising the efficient use of LVCG's BRICKLIVE touring assets on a year-round basis, and optimising bookings overall.

Figure 2: Partner Network



SOURCE: Company reports

BRICKLIVE Tours

The BRICKLIVE Tours have become very popular with partners with high footfall venues and attractions, such as zoos, town centres, theme parks, business improvement districts (BIDs) and shopping centres around the world. The tours can be permanent or pop-up style, creating an interactive engaging activity for children and families. Tours typically range from 15 to over 50 models, designed to meet the needs of a range of host venues (size and accessibility). Each model is designed with a steel structure at its core, to support the thousands of bricks that comprise the detailed aesthetics of the creature or object.

The interlocking bricks are sturdy with no colour fading over time, and as a result have a lifespan of up to 10 years. At the end of 2019, there were a total of 17 themed touring assets comprised of approximately 600 models, with plans for more to be constructed through H2 2020 and 2021.



- **BRICKLIVE Ocean** is made up of 28 large models including a 4m long killer whale, dolphins, a devil ray, a giant squid and mako shark. The Ocean tour brings sea creatures to life telling the story of the ocean habitats and the environmental issues being faced today. This tour premiered at Edinburgh Zoo in 2019 and is scheduled to move to Royal Burgers Zoo in the Netherlands and Knowsley Safari Park. The **BRICKLIVE Ocean 14** tour is made up of 13 brick models and is more suitable for shopping malls, town centres and smaller venue attractions.



- **BRICKLIVE Brickosaurs** has a total of 30 large model installations including a 5m long T-Rex, as well as the stegosaurus, triceratops, and velociraptors. The life-sized brick creations experience the ferocity of these prehistoric reptiles face-to-face. Each dinosaur model has its own ID card profiling detailed facts and figures about its life and eventual extinction. The tour combines photos zones including a life-sized brick-based Jurassic Jeep, a Megalosaurus head and a number of interactive zones are available for build-your-own engagement. The popular Brickosaurs tour, which is available in three versions, has been to Marwell Zoo in the UK in 2019, and moved to the Odysseum in Cologne and Antwerp Zoo in 2020.



- **BRICKLIVE Animal Paradise** features a total of 45 model installations with a 3.8m tall giraffe, a rhino, dolphins, gorillas, and polar bears. With a focus on educating children about endangered species, the Animal Paradise tour brings attraction visitors face-to-face with life-sized animals in their own habitats from around the world. The four habitats include wildlands, snow and ice, the ocean, and the jungle. The first Animal Paradise tour premiered in 2018 and has since travelled through 3 continents, starting in Beijing and moving to Monaco to Dallas and then Chicago. Today there are four sets of Animal Paradise models adaptable for zoos and large visitor attractions. Trail maps can also be created for these tours as each model carries an ID card with educational facts and figures and interactive selfie zones are also available.



- **BRICKLIVE Fantasy Kingdom** includes over 23 models, featuring a 4m long fire-breathing dragon, princesses, and knights, as well as wizards and jesters. The Fantasy Kingdom tour takes visitors on the quest of Princess Orra to save her father's Kingdom by defeating the evil Baron. By following the clues provided on the tour, visitors can help return the Kingdom to its rightful state. The selfie throne and interactive brick pits where visitors can make their own models to take home provide additional engagement opportunities. Fantasy Kingdom has been travelling the UK, stopping at museums, town centres, castles, and other historic centres.



- **BRICKLIVE Outer Space** brings visitors up close to a 3m Saturn V Rocket, a space shuttle, friendly aliens, and astronaut Neil Armstrong. With more than 19 brick models, the Outer Space tour is the first BRICKLIVE venture into the solar system. The tour was launched in 2019 to coincide with the 50th anniversary of the moon landing. The tour was originally launched in Festival Space, a modern shopping centre based in Basingstoke, with a question-based trail map that could be solved from the model's ID cards.



- **BRICKLIVE Safari**, the first Zoo touring asset, has over 34 mega sized model installations, including a 1 tonne elephant, a large tiger, alligator, zebra, and lion. The range of life-like models can be displayed in scenes or in their own locations on a trail through a venue. The tour includes selfie opportunities and interactive play areas permitting animal contact and brick pits for building engagement. The Safari tour has been across the UK and Europe at Twycross Zoo, Marwell Zoo and others in Birmingham and Woburn.



- **BRICKLIVE Britannia** recreates British history with over 17 models, featuring an 8m high flying Scotsman. This tour is ideally suited for venues with limited space, perfect for viewing at museums around the country. Taking visitors back to the Stone Age and then through to the 21st Century, these models depict everyday life and famous moments in British history, fully equipped with information boards providing facts and figures of the time period, and descriptions of the models.
- **BRICKLIVE Christmas** provides the full festive experience with Santa himself, elves, reindeer and Rudolph, a full-sized Christmas tree, as well as Santa's sleigh spanning nearly 10m and the 8m Santa Express train. There are multiple versions of the Christmas tour, mostly targeted at single scene models for festive photo opportunities.
- **BRICKLIVE Mythical Beasts** brings to life creatures from myth and legend, including a life-sized hydra, cyclops, gorgon, and a minotaur, as well as mermaids, and other legendary artefacts. The tour includes over 25 large models and displays, many of which are enhanced with sound and smoke effects and animated features for visitor interaction.
- **BRICKLIVE Big Cats** will introduce visitors to a 2.2m long tiger, as well as models of leopards, lionesses, panthers, and their cubs. In 2019, the 13 feline models visiting Chester Zoo and Twycross Zoo marking a milestone in the zoo's history as it welcomed back the Sumatran tigers as part of the European breeding programme to help protect endangered species.
- **BRICKLIVE Selfie Zones** include human-sized statues of characters from Beefeaters, to the Ancient Greeks, Aztec Warriors, Witches, and Adventurers. In addition, several large-scale models of cars, boats, bridges, airplane engines and airplane cockpits have been designed and built for selfie opportunities.

BRICKLIVE Zoo Program

A core division of BRICKLIVE Tours, the Zoo Program was established in 2018 to exhibit themed tours in zoos, safari parks, and aquariums worldwide. By the end of 2019, LVCG had signed 12 contracts with global zoos, to showcase life-sized brick-based animals in their own habitats, and to provide a platform for educating audiences about wildlife and conservation. Notably, some venues have reported a 30% increase in footfall as a result of the BRICKLIVE Tours. This underscores the commercial and social benefit to the hosting venues and results in repeat contracts and increased demand for LVCG tours. The lead-in times are also quite long, which means LVCG has good visibility on future revenue generation for its asset tours under this program.

The Zoo Program accounted for about 24% of revenue in 2019, driven by exhibitions in twelve zoos and theme parks globally. The tours included the following: BRICKLIVE Safari (Twycross Zoo UK, RHS Wisley UK, Whipsnade Zoo UK, Woburn Safari Park UK, Knowsley Zoo UK, and Royal Burgers Zoo Netherlands); BRICKLIVE Big Cats (Chester Zoo UK, Twycross Zoo UK); BRICKLIVE Brickosaurs (Marwell Zoo UK); BRICKLIVE Animal Paradise (Brookfield Zoo US, AP Franklin Zoo US), and BRICKLIVE Ocean (Edinburgh Zoo UK).

Given its history of success for host locations, and durability of demand after the COVID lockdown, the zoo programme represents a significant long-term market opportunity for LVCG. There continue to be many zoo partners and aquariums in discussions with LVCG for tours in 2021 and 2022, as well as for the development of new content models to keep customers coming back for more. Additional market penetration in zoos and aquariums will continue to develop sustainable, recurring revenue streams for LVCG, with greater predictability. Note, there are over 200 aquariums in the world and around 1,500 zoos. Annually, there are more than 700 million visitors to zoos and aquariums worldwide, exposing individuals to environmental education; that is about 10% of the global population, according to a survey by the World Association of Zoos and Aquariums.



BRICKLIVE IP

This division was established during 2019, partnering with some of the world’s leading media corporates targeting household name brands for pre-school aged children. This business operation is complementary to BRICKLIVE’s educational portfolio of events, shows and tours, providing globally branded content from IP partners such as Nickelodeon UK Ltd, Penguin Random House, Entertainment One UK Ltd and The Copyrights Group.

IP properties have grown significantly since the division was established in 2019, providing a base for long-term recurring revenue growth. The fact that mega-global brands are willing to license IP to LVCG underscores the quality and appeal of the BRICKLIVE model designs and productions, as well as the potential for longevity of earnings growth. We expect this division to be a key driver of growth, supported by a pipeline of potential new IP partners and associated new content designs.

The Nickelodeon contract, originally established in June 2019, was revised in November 2019 to cover all countries globally except the US and Puerto Rico, in addition to the UK until the end of 2024. The agreement gives LVCG the right to produce and exhibit themed tours associated with the Nickelodeon brand including PAW Patrol, SpongeBob SquarePants, Top Wing, and Shimmer & Shine. The expanded contract is beneficial to both groups: The world’s leading children’s entertainment brand will receive marketing exposure to existing and potentially new customers, as well as a royalty-based fee on tour revenues. LVCG has access to a highly marketable set of brands to use for building content for what we would expect to be global tours in very high demand, and of course increased recurring revenue streams. LVCG’s global partners, outside the UK will be responsible for operating the IP tours on a revenue sharing basis, but will also be responsible for operating and marketing costs of the tours.

BRICKLIVE Peppa Pig features 20 trail models of Peppa Pig and her family, as well as Grandpa Pig’s train.

BRICKLIVE PAW Patrol includes the lead characters, Chase, Marshall, and Skye as part of a 21-model tour. You can even sit in a life-sized version of Marshall’s fire truck.

BRICKLIVE Nick Jr. showcases the Pups and Ryder from PAW Patrol, Blaze and AJ from Blaze and the Monster Machines, Shimmer, Shine, and the Magic Carpet from Shimmer & Shine, as well as Abby and Bozzly from Abby Hatcher. There are 15 Nick Jr. trail models in total.

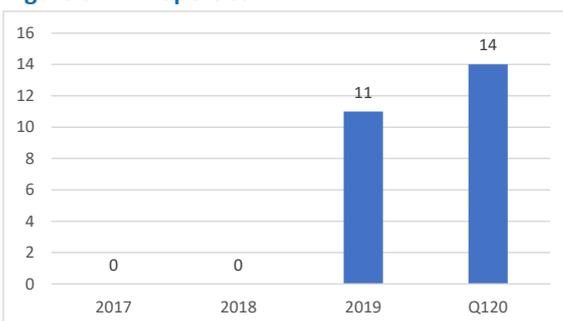
BRICKLIVE Peter Rabbit soon to be launched showcasing a 1m tall Peter Rabbit along with 20 models of his friends from the carrot patch.

BRICKLIVE SpongeBob SquarePants includes a 1.1m tall SpongeBob as well as Patrick, Squidward and Sandy, all with their 2.7m tall Pineapple House. There are ten models in total.

BRICKLIVE The Snowman and the Snowdog features a 1.8m tall Snowman alongside 15 additional models, including The Snowdog and Billy.

BRICKLIVE Paddington: The rights to produce and exhibit a themed trail of Paddington Bear brick-based model were agreed with The Copyrights Group for touring the UK, Ireland, and The Channel Islands. The first tour is expected to launch later this year. The agreement extends for an initial period to the end of February 2023 on a royalty fee basis on revenues generated from the tour.

Figure 3: IP Properties



SOURCE: Company reports

INTERACTIVE EVENTS & ACTIVITIES

Complementary to the BRICKLIVE asset models, the addition of engaging brick-building based activities increases the potential draw for consumers. Brick pits with hundreds of thousands of bricks – more than you’ve seen in one place before – graffiti walls and community build mosaics encourage creativity and collaboration, as well as ‘make and take’ models, follows the event home with consumers. While these types of events have been very successful in a pre-COVID environment, LVCG along with its partners are working on ways to re-open them safely in regions of high outbreaks of the coronavirus. As we better understand better how the virus spreads, and vaccines and improved treatments become available, the perceived COVID related risks of these types of events will decline and consumers will again feel more comfortable and safe engaging in these experiences. In the meantime, there may be slight variations applied to some of the activities to ensure consumer safety.

Brick Pits – These are supersized pits full of various sizes and colours of interlocking bricks. Participants can climb inside or stand along the edge to build their brick creations. Brick pits are suitable for ages 3 and 3+ depending on the size of bricks.

Play Tables – Play tables are set up with buckets of bricks for building play for ages 3 and 3+.

Make and Take Models – This includes tubs of bricks, mixed or individual, with laminated step-by-step instructions to follow, and a facilitator to assist with construction. The average Make and Take model has an average 10-minute build time and is targeted at the 7+ age group. Fees can be charged for entry to build a model.

Public Build & Mosaics – A larger mosaic comprised of smaller tiles, each one assembled by a different participant after following detailed instructions. The larger mosaic is completed one tile at a time, targeted at the 3+ age group.

Graffiti Wall – Loose bricks are used by participants to design their own creation on the graffiti wall, leaving their mark of brick art. The wall is suitable for ages 3+.

Big Blocks – These are larger interlocking blocks for creating custom furniture, divider walls, and staging/backdrops etc, adding to the themed display.

Warriorbots – Players are randomly selected from the audience and shown how to use the controls. After some driving practice, the warrior battles begin lasting about 2 minutes each. The Warriorbot battleground is available in two sizes; there are 9 Warriorbots, as well as a Warriorbot trophy and podium for the winner.

Selfie Zones – A selfie zone model will be set up with an associated scenic backdrop and other props for installation in most indoor locations.

CORPORATE BUILDS

Replicas of any model, human figure, building or architecture, or brand logo can be designed and constructed out of bricks to include intricate details and brand characteristics. These unique creations can be used to create a corporate branding experience to captivate audiences worldwide.

BRIGHT BRICKS

Bright Bricks Ltd, acquired by LVCG in 2018, is a professional brick-based model building company that designs and builds custom brick-based models for customers in the UK and globally. The talented team can create any bespoke model, capturing the brand value in every part of the design process. At the time of acquisition, Bright Bricks had built over a thousand brick models using more than 60 million colourful bricks. Within the Corporate Build program, the largest project designed and exhibited by Bright Bricks was a 40m scaled model of Tower Bridge, fully functioning and able to hold the weight of two Land Rovers. Rolls Royce appointed the Company to design and build a working, half scale model of the Trent 1000 jet engine used on the Boeing 787 Dreamliner. Other models include Formula 1 cars, human models, the Queen Mary, replica planes and architectural designs. Model designs are built and shipped worldwide. Small sets and kits for community events and corporate gifts/sales are also created to enhance the impact of the larger life-sized models.



LVCG purchased Bright Bricks for a total consideration of £8.5m, made up of £2.2m in cash, and a deferred consideration of £0.8m to be paid one-year after the closing of the transaction. The remaining £5.5m was paid through the issue of 8.462m shares. The consolidation of LVCG and Bright Bricks vertically integrated the service offering to clients, by bringing the design, build and production of tour content models in-house, along with a talented set of employees, and some touring assets (Big Cats, Fantasy Kingdom, metropolis, Britannia, Safari, Mythical Beasts, Animal Paradise, and Brickosaurs). As the largest client of Bright Bricks, LVCG lowered its cost base and as importantly, secured the supply of bricks and content for its tours, increasing the number of models post acquisition to over 650, from 70 before. There was also some bespoke CAD software providing some IP related to development concepts through to the detailed design and construction of models that transferred to LVCG with the acquisition.

Notably, Bright Bricks was a certified partner of LEGO® though LVCG strategically decided to discontinue that status. The use of alternative interlocking bricks provides security of supply at a significantly lower cost and the ability to source from multiple suppliers, without any LEGO® brand restrictions. This also opens up additional revenue opportunities for the development and sale of at-home brick building kits/models for BRICKLIVE tours and BRICKLIVE IP partners.

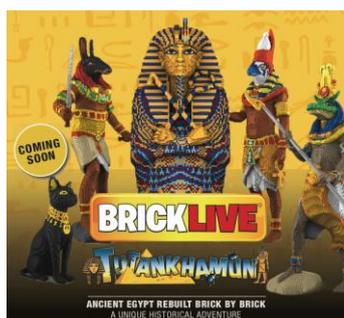
Using the medium of toy bricks, new products can be launched, brands better defined, and events enhanced to create increased engagement with customers and audiences. The security of supply of employee talent, as well as increased access to bricks and touring assets reduces the risks of the LVCG business model and reduces the cost base with vertical integration. This acquisition has proven to be critical to the LVCG strategy, accelerating growth plans and stabilising the business model.

ADDITIONAL REVENUE OPPORTUNITIES

- **Parallel Three Six Zero Inc (PTSZ)**, a 50:50 joint venture formed in September 2018. LVCG holds its 50% interest via the Parallel Live Group Ltd. PTSZ was granted exclusive rights for the promotion of BRICKLIVE exhibitions in the US and Canada, with content provided by BRICKLIVE International (BLI)
- **BRICKLIVE Centre Education Technology (BLCET)** in China is 49% held by LVCG through its 100% owned Hong Kong subsidiary, BRICKLIVE Far East. Fortune Access is a Hong Kong based partner in the JV dedicated to the education sector in China with a focus on winter sports ahead of the 2022 Olympics to be held in Beijing. An agreement for the exclusive right to sub-license the BRICKLIVE Animal Paradise tour in China was struck between BLI and BLCET in mid-2018. The term of the agreement extends until the end of September 2021 with an option to extend for an additional 3 years at an estimated value of US\$3m. As the financial backer for the show, BLCET receives a percentage of revenue from sponsorships and ticket sales from the show.

RECENT DEVELOPMENTS

- **(04.11.20) Opening at Naples Zoo** – BRICKLIVE Animal Paradise is being installed at Naples Zoo in Florida and will open to the public on November 21, 2020. This is one of the oldest zoos in the US, having celebrated its 100th year as a botanical garden and 50th year as a zoo last year. The exhibit is booked until April 2021. BRICKLIVE Safari, currently at Paignton Zoo in Devon, UK, will extend its stay until January 2021.
- **(29.10.20) New Bookings** – Two new contracts for Christmas models have been signed, one for the Fort Shopping Centre in Birmingham starting November 20th, and the second for The Mall Shopping centre in Luton from November 17th. In addition, the BRICKLIVE Animal Paradise and BRICKLIVE Oceans are in transit to South Africa for the first shows in Cape Town, starting December 16th.
- **(06.10.20) BRICKLIVE Tutankhamun** – Expected to be ready for the 100-year celebration of the discovery of the Tomb of King Tutankhamun in the summer of 2021, BRICKLIVE has developed 45 models with live motion based on ancient Egyptian life. The tour will tell the story of life in ancient Egypt on the banks of the Nile River with the influence of ancient gods and cultural traditions for life and death.



- **(05.10.20) Director Change** – Bryan Lawrie stepped down from the Board as an Executive Director and CFO, as expected. Mr Lawrie will continue to be on the Board as a non-Executive Director.
- **(24.09.20) Share issue to Directors & Employees** – LVCG announced its intention to make up for the decrease in pay to employees, Directors, and contractors as a result of COVID-19 by issuing shares in the Group. As a result, an additional 545,645 new shares have been issued at a price of 10p per share. An additional 850,432 shares have been issued at a price of 10p per share to settle outstanding director's fees for Trudy Norris-Grey. Ms Norris-Grey elected to receive her fees in shares as a reflection of her belief in the strength of the Group's potential.
- **(23.09.20) First Contract for Paddington Bear** – The White Rose Centre in Leeds has agreed to showcase the Paddington Bear models during the Christmas period in 2020. This provides an indication that the retail sector is showing signs of improvement, over the initial impacts from COVID-19.
- **(02.09.20) New Contract in Israel** – The Brickosaurs tour has been agreed to be in Israel from October 2020 to May 2021 with Hadran. This means the Brickosaurs tour is sold out until November 2021. There are discussions ongoing for the tour to move to Asia during 2022.
- **(19.08.20) Contract for Korea** – The Animal Paradise Mini will move to Korea under contract with partner Brick Live Lab Ltd Korea. This arrangement is on a joint venture basis, in order to build the business in the region.
- **(17.08.20) Debt Restructuring** – A new lending facility with Close Leasing Ltd has been arranged and the Riverfort Lending Facility has been repaid and the Equity Sharing Agreement has been closed. The new facility is a hire purchase agreement for £1.5m gross over a 5-year term at a rate of 7.68%, with an initial 12-month interest free period. Approximately £0.3m has been personally guaranteed by Mr David Ciclitira, Chairman of LVCG at a rate of 7.06% annually. The Riverfort facility was closed for a payment of £1.196m, and an early termination fee of £0.143m is payable in instalments starting January 2021. Shares held by Riverfort were also purchased by LVCG for £0.057m.
- **(21.07.20) New Contract and Tour Opening** – A new contract was signed with Powderham Castle in Devon to host BRICKLIVE Outer Space, running through to the end of September 2020. The BRICKLIVE Brickosaurs tour opened in Holon Toto Arena in Israel.
- **(21.07.20) Share issue to Directors & Employees** – LVCG announced its intention to make up for the decrease in pay to employees, Directors, and contractors as a result of COVID-19 by issuing shares in the Group. As a result, an additional 141,412 new shares have been issued at a price of 10p per share.
- **(26.06.20) BRICKLIVE Animal Paradise** – Until the end of October the Animal Paradise Tour is being showcased at John Ball Zoological Garden in Grand Rapids, Michigan. The Animal Paradise tour features 40 life-sized animal models made with over 1.8m bricks. The exhibition focuses on the importance of the preservation of endangered species by showcasing facts about the animals and their habitats. There is also a life-sized safari jeep created from bricks so guests can take selfies, and two brick play tables can be found near the gift shop, where home building kits are sold.
- **(15.04.20) Loan to Brick Live International Ltd and Equity Issue** – LVCG's Chairman has agreed to provide a secured term loan of £0.5m to BLI on standard commercial terms. The loan is repayable in full 11 months from issue and incurs an interest rate of 16.2% per year, payable monthly in advance. An arrangement fee of £25k and legal expenses will also be covered by the Group. A total of 233,333 shares were issued at a price of 15p per share for payment of fees to a consultant.



- **(18.03.30) BRICKLIVE International IP Partnership with The Copyrights group Ltd** – BLI has been granted rights to produce and exhibit a themed trail of Paddington Bear models to tour the UK, Ireland, and the Channel Islands. The agreement extends through February 2023 and includes a royalty fee based on revenues generated from the tour. Paddington Bear is an iconic children's brand known around the globe and available in over 40 different languages.
- **(09.03.20) New IP Partnership with Frederick Warne & Co Ltd** – Under this agreement BRICKLIVE will produce a themed tour around the World of Beatrix Potter, which is to include the character, Peter Rabbit. The first tour of 'The Tale of Peter Rabbit' is to be launched during Q420, and is expected to tour the UK, Northern Ireland, the Channel Islands, and the Isle of Man. The agreement initially extends to January 2023 and includes a royalty payment to Frederick Warne of Penguin Random House on revenues generated from the tour. This is the second agreement with Penguin Random House, having previously produced a themed tour for The Snowman and the Snowdog in September 2019.



- **(14.01.20) BRICKLIVE International IP Agreement with Entertainment One UK Ltd** – BLI has non-exclusive rights to create and Exhibit Peppa Pig themed BRICKLIVE tours in the UK and the Republic of Ireland. The term of the agreement extends to September 30, 2023 in return for a royalty fee on tour revenues. Peppa Pig is one of the world's most popular pre-school children's brands that has been translated into over 40 languages and broadcast in over 180 territories globally. The tour was originally intended to be launched during Q32020.

- **(29.11.19) Venturi Formula E-Car Unveiled** – The world's first 1:1 scale replica of the Venturi Formula E-car was unveiled in Monaco. Every minute detail has been rendered in this brick version of the E-car, including sponsorship logos, sport tyres and its aerodynamic shape. Race car driver Felipe Massa, formerly of the Formula 1 circuit before joining the Formula E Venturi Racing Team in 2018 was present for the unveiling.



- **(22.11.19) Nickelodeon Partnership Expansion** – LVCG announced that it had expanded its agreement with Nickelodeon UK Ltd. and Viacom International Media Networks to include all countries globally, excluding the US and Puerto Rico, for its themed tours and exhibits. The rights apply to PAW Patrol, Sponge Bob Squarepants, Top Wing and Shimmer and Shine through the end of 2024, in exchange for a royalty on revenues from the tours.
- **(22.11.19) BRICKLIVE ZOO Program Expansion** – LVCG announced a new two-year contract with Marwell Wildlife UK to provide themed tours at Marwell Zoo. LVCG also announced the signing of agreements for themed tours with Knowsley Safari UK and Royal Burgers' Zoo in the Netherlands.

BECOMING A WORLD-CLASS EDUTAINMENT BRAND

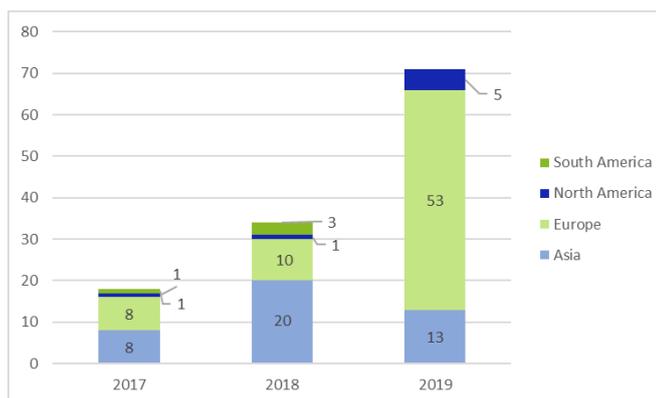
Value Creation Through Global Expansion

The global footprint for BRICKLIVE continues to grow with events having taken place in Europe, North and South America and Asia and the Middle East in the past. While most events have occurred in Europe, there is growing demand coming from partners in North and South America. The benefits of expanding a presence into international markets for LVCG include

- Increased asset model use in tours on a seasonal basis, increasing the value contribution per tour;
- Extends the life cycle of the individual asset models
- Better supports the recurring revenue model with a global partner network operating under multi-year agreements; and
- Increases the appeal and potential for agreements with leading IP brands.

Global expansion establishes a strong foundation for longer-term growth.

Figure 4: BRICKLIVE Events by Continent



SOURCE: Company reports

Increasing BRICKLIVE Assets – Solid Economic Proposition

The licensing and development of a consistent flow of new touring models and IP properties are key to keeping customers engaged and attracting new customers. The number of themed tours offered increased to 17 in 2019, from 9 in 2018, after the acquisition of Bright Bricks. This includes Brickosaurs, Outer Space, Ocean, and the IP properties such as Paw Patrol, Nick Jr., The Snowman, Paddington Bear and the Snowdog and Peppa Pig to name a few.

In order to understand the potential for LVCG, it is critical to understand the economic proposition presented by these touring asset models. The initial, upfront costs to design and build these models are typically associated with the cost of steel which is used to build the base skeleton of the structure, the cost of the colourful bricks which form the outer layer of the structure, and labour to design and assemble the model. The average cost of one of the larger touring set of assets, for example the Ocean tour with over 25 models, is about £300,000 and takes about 3 months to complete. Once the models are in production, the touring schedule can begin to be established. We estimate that an average exhibit term is about 3 months and generates revenue of ~£100,000-150,000 with gross margins of about 80%. This implies a cash payback period of 2-3 average term (3 months) bookings, or 7 to 9 months overall. Understandably, not all tours are booked for every month of a year, particularly when shipping times, and cleaning/maintenance may be required between shows. However, optimisation of a tour's travel itinerary can result in significant profitability for LVCG, particularly for those higher demand tours. With this in mind, it makes sense for LVCG to continue investment in these touring assets to meet the demands of its exhibiting customers around the globe. Notably, some of the smaller tours will cost less and likely garner lower revenue. On the same basis, the more popular IP branded tours are likely to cost a bit more and also generate much higher levels of revenue and margins.

Assuming these assets have an 8 to 10-year life, the total return on each touring set of models, assuming 4-6 month/year utilisation rate and a gross margin of ~80%, is up to £2.0m over its life.

Table 1: Total Return on Touring Model Sets

| | | | | | |
|---------------------------|-------|-------|---------------------------|-------|-------|
| Cost/mth ('000s) | 40 | | Cost/mth ('000s) | 50 | |
| Gross margin | 80.0% | | Gross margin | 80.0% | |
| Cost Base ('000s) | 300 | | Cost Base ('000s) | 300 | |
| Bookings (mths/yr) | 4 | 6 | Bookings (mths/yr) | 4 | 6 |
| Gross profit/booking | 128 | 192 | Gross profit/booking | 160 | 240 |
| Profitable year | 3 | 2 | Profitable year | 3 | 2 |
| Life cycle profit (8yrs) | 724 | 1,236 | Life cycle profit (8yrs) | 980 | 1,620 |
| Life cycle profit (10yrs) | 980 | 1,620 | Life cycle profit (10yrs) | 1,300 | 2,100 |

SOURCE: SP Angel Assumptions & Company reports

Generate Sustainable Recurring Revenue & Increasing Long-term Partnerships

Multi-year contracts secured with partners for the delivery of shows and events worldwide is expected to achieve recurring revenue growth opportunities through license and content fees. These fees vary according to the partner, the potential of the location

Total return on model assets is up to £2.0 assuming a gross margin of ~80% and an 8yr life, booked for 4-6 months/year.

and the type of agreement – there is either an annual fee charged or a fee per tour/event held in a region. Typically, partners are required to make an upfront fee to assist with the design/construction/purchase of the content for the show/tour which is clearly outlined in the license agreement. Other licensing arrangements can include a percentage of revenue taken from ticket sales, merchandise sales, or other event services. This can be as high as 10% of total revenue earned.

In order to ensure sustainability of revenue over the long-term, it is important that LVCG continue to partner with leading global brands to create popular and exciting touring assets and content that appeal to the target customer base. This drives repeat visitors to the venues and attractions of LVCG customers that include zoos, aquariums, shopping centres, conference halls and other attractions around the world. This also develops multiple streams for revenue generation, including revenue from shows and exhibits, touring assets, corporate commissions and from branded merchandise and custom-building kits.

Emerging Stronger Post-COVID

Notably, during the downtime earlier this year LVCG took the opportunity to review its internal operations. This resulted in a restructuring of the cost base and some changes to the management team in support of a more cohesive and targeted growth strategy to drive profitability in the future. Management team changes included the appointment of Richard Collett as Finance Director and CFO in due course, as well as Sarah Dees as COO. At the end of Q120, the terms of the two lending facilities from Riverfort Global Opportunities POC Ltd were extended and the Equity Sharing Agreement (ESA) was suspended. Additional funding of £0.25m was sourced from the Government Coronavirus Business Interruption Loan Scheme via NatWest Bank Plc, and Chairman, David Ciclitira also provided additional support by personally extending a loan of £0.5m to the Group. Following the end of H120 an equity fundraise for £0.4m was completed., and David Ciclitira converted £0.2m of his personal loan into shares of the Group. In August, LVCG restructured its debt by securing a CBILS loan of £1.5m from Close Leasing Ltd., replacing all outstanding facilities with Riverfort Global; £0.3m of this loan was personally guaranteed by David Ciclitira.

An internal restructuring and review have strengthened LVCG's operating position.

During the lockdown period, LVCG announced £0.9m of permanent cost savings under the UK government furlough scheme, which are expected to carry through into 2021 and beyond. These include some job losses, the settlement of liabilities with share-based payments, and the early surrender of storage premises. In addition, the employees earning above the furlough threshold agreed to take half of their fees and salaries in Group shares, and the NEDs have waived their fees for Q2 and Q3 2020.

On the asset side, 24 events representing revenue of £1.0m during 2020 were impacted by COVID-19 restrictions, 23 of which were rescheduled for later in 2020 and 2021. However, a decision was made to take an impairment of certain asset in light of the impacts of COVID-19. Cash flows from BRICKLIVE Far East (BLFE) are uncertain as operations have been suspended until further notice – the associated goodwill has been impaired. The activities of BRICKLIVE CED (Beijing) Company Ltd (BLB) has been suspended until further notice – the associated share of net assets has been fully impaired. An updated discounted cash flow valuation for Parallel Live Group (PLG) as a cash generating unit has reduced expectations for 2020 and 2021, reducing the value of goodwill by £0.375m. BRICKLIVE Group and Bright Bricks Group (BLG) cash flows are uncertain in a COVID environment, and so reduced cash flow expectations for 2020 and 2021 have resulted in a reduction to associated goodwill to nil.

Focus is on revenue growth, partner growth and asset model growth.

Overall, the impacts of the coronavirus global pandemic have been harsh in many cases, but it has driven companies and management teams to carefully review internal operations with a view to optimise procedures and processes. Furthermore, opportunistic funding products have become available for some, at a much lower cost to existing debt financing structures. As such, companies successfully refinancing under these schemes stand to benefit in the short and near-term. LVCG has carefully managed through this challenging period and has evolved to a much stronger position as operations begin to restart through H220 and bookings begin to build for 2021 and 2022. The Group is focused on enhancing relationships with existing global and IP partners, negotiating new partnerships and expanding its model asset base to make up new tours and meet partner and client demands.

KEY PERFORMANCE INDICATORS

Revenue Growth

LVCG’s revenue model is multi-faceted with six revenue streams, each underpinned by the BRIGHT BRICKS creation of life-like brick models of animals, creatures, buildings and structures, IP characters and other objects that are showcased at venues to create memorable experiences for audiences around the world.

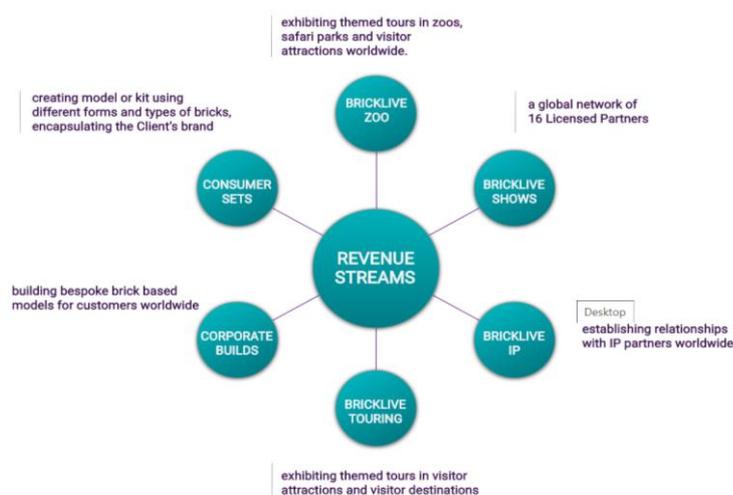
Consumer behavioural trends suggest there is increased demand for experiences vs. things, as social currency.

The underlying fundamentals of this business model are supported by developments in consumer behavioural trends in recent years. Spending on leisure activities by families living in developed markets has grown significantly in recent years, driven by higher consumer incomes, and increased free time. The leisure activities sector includes travel, entertainment, sports and recreation, as well as restaurants and is entirely driven by consumer behaviour and tastes or preferences. There are parts of the sector growing faster than others, such as out-of-home entertainment, health/wellness, and travel. While this was the case in a pre-COVID environment, the preferences of consumers are still very focused on creating memorable experiences to expand one’s personal story line and social currency. This preference, or perhaps need, is only being amplified during a time when social restrictions impose significant limitations on consumer activities. As such, in a post COVID or socially restricted environment, we expect the desire for experiences will only increase. As such, LVCG is well placed to capture part of the growing out-of-home entertainment sector focused on meeting the needs and preferences of its target consumer market.

The majority of revenues are driven by BRICKLIVE Tours and Shows under the BRICKLIVE Partner model, as well as the BRICKLIVE Zoo Program. The license and content fees on the touring assets are typically negotiated on a case-by-case basis, reflecting the specific circumstances of the tour or exhibit, such as the length of time, the location, the number of models, and the availability of complementary revenue drivers etc. Often revenue share arrangements are included in agreements to better match the revenue drivers for the exhibiting venue. These can include a shared percentage of ticket sales and associated merchandise or services sales revenues.

Growing the asset base of touring models, complemented by increased licenses with branded IP partners under the BRICKLIVE IP Program are clearly fundamental to supporting revenue growth. Additional revenue is earned from the creation of consumer sets (take-home brick building sets), as well as bespoke brick-based models for corporate events.

Figure 5: Six Revenue Streams



SOURCE: Company reports

A total of 34 events are expected to re-start before year-end 2020 despite the ongoing impact of COVID-19.

The number of partners has reached an all-time high of 16, with 4 global IP partners.

Number of Events

After about a five-month lockdown period related to COVID-19 during the first half of 2020, Twelve BRICKLIVE events opened around the globe in September, bringing the year to date total to 29. The year-end target is expected to be 34, including another 5 scheduled to open by the end of the year. This is roughly half of the number of events hosted in 2019, at 71 in total, which demonstrates the significant interest level in the content, and the future potential for growth. Looking forward, there are already 25 events booked for 2021, 23 of which were postponed from 2020, and 2 are new bookings. In addition, there are 14 reserved bookings so far that have yet to be confirmed. Many tours and events are organized and booked at least a year in advance, providing good visibility of revenue, but also allowing for scheduling and logistics planning for the transport of shows, which need to be maintained/cleaned and then boxed and shipped between exhibits.

Number of Partners

In support of the recurring revenue business model, the ability to negotiate multi-year agreements with exhibition partners to deliver relevant, educational, and popular themed tours is a key driver of performance. LVCG is focused on growing this partnership model and now covers international regions such as North America, South America, Europe, Asia and the Middle East and Africa. More recently, agreements have been signed with partners for representation in Australia, New Zealand, Italy, and Israel. Additional market penetration in these regions through new partner agreements diversifies revenue streams, further monetises the model asset base and drives year-round usage of touring assets.

Table 2: Exhibition Partners

| BRICKLIVE Partners | Region | BRICKLIVE Partners | Region |
|---|-------------|---|-------------------------|
| 1 GL Events | France | 9 BRICKLIVE Korea Co. Ltd | South Korea |
| 2 AWC AG | Germany | 10 BRICKLIVE Centre Education Technology Ltd. | China |
| 3 Exhibition Hub | Belgium | 11 BEC-Tero Entertainment Public Company Ltd. | Thailand |
| 4 Milano Talent Factory SRL | Italy | 12 the Cost Advisory PTY Ltd. | Australia & new Zealand |
| 5 Pal Expo | Switzerland | 13 WORLDSPOORT (PTY) Ltd. | South Africa |
| 6 Grimaldi Forum | Monaco | 14 Eximent | Mexico |
| 7 Hadran 2006 DS Marketing & Tickets Distribution | Israel | 15 Live Nation Entertainment Inc. | North America |
| 8 Make Merry | Japan | | |

SOURCE: Company reports

Establishing the IP division was a natural extension of the licensed revenue model, further diversifying revenue streams by adding high-value branded content. The direct association with global IP brands with the same consumer focus i.e. pre-school aged children and their families, strengthens the BRICKLIVE brand and reinforces the business model.

Table 3: IP Partners

| BRICKLIVE IP PARTNERS | Announcement Date | Character | Region | End Date |
|---|-------------------|---|--|----------|
| The Copyrights Group Ltd. | 18-Mar-20 | Paddington Bear | UK, Ireland, Channel Islands | Feb-23 |
| Frederick Warne & Co. Ltd of Penguin Random House | 09-Mar-20 | Beatrix Potter & Peter Rabbit | UK, Northern Ireland, Channel Islands and Isle of Man | Jan-23 |
| Entertainment One UK Ltd | 14-Jan-20 | Peppa Pig | UK and the Republic of Ireland | Sep-23 |
| Nickelodeon Ltd. | 22-Nov-19 | Nickelodeon properties including: PAW Patrol, Top Wing, Shimmer & Shine | All countries except the US and Puerto Rico | Dec-24 |
| Penguin Random House | 03-Sep-19 | The Snoman and The Snowdog | UK, the Channel Islands, The Isle of Man and Republic of Ireland | Sep-19 |
| Nickelodeon UK Ltd | 12-Jun-19 | Nickelodeon and Nick Jr. properties | UK and Ireland | Jun-19 |

SOURCE: Company reports

Cash Flow Generation

Given the economic proposition of the asset models, with primarily upfront costs associated with creation, design and construction, followed by sales and logistics costs for touring the models, the success of each tour or project is evaluated by the cash flow it generates. We would expect there is a life cycle in the demand for each model – newer models see higher demand, and older model demand tapers over time. Though this is likely less the case with the high-value IP branded models, particularly with top brands such as Nickelodeon's PAW Patrol which seem to transcend generations of pre-school

Payback on LVCG's asset models ranges from 7 to 9 months.

aged children. We would also anticipate that the revenue generation potential of certain models is higher than others, particularly when there is a percentage share of ticket price and merchandise/services sales.

While we don't have a breakdown by asset model tour, we expect the average return on investment for a touring set of models is approximately 50% per year, based on a 4-6 month/year booking rate and a gross margin of ~80%. Our estimates for a 7 to 9-month payback period, implies solid potential cash flow generation beginning at year 2 to 3 from the start of touring.

MARKET DRIVERS

Consumer Preferences for Experiences Over Things

Much of consumer behaviour is driven by how individuals feel about their financial prospects, which directly impacts their levels of disposable income. With changes in disposable income, be it up or down, the allocation decision of disposable income spending is constantly being evaluated. In developed markets, the proportion of spending on leisure activities has been relatively higher than spending on material goods. There are likely many reasons for this, such as higher levels of disposable income in developed markets (there is more to go around), but also because consumer durables have become more accessible and less expensive. The scarcity value of these goods has declined significantly and so the consumer satisfaction of having more of these items has also been reduced. The better spending decision, with greater satisfaction, is now geared towards experiences. Experiences have now become status symbols, or social currency that increase social status, in the same way that the ownership of high-end goods used to do.

Consumers around the world have undergone significant changes in the way in which they interact and communicate, evolving even further into social feeds since the launch of Facebook. The evolution of social feeds has resulted in the tendency for consumers to share their lives on digital platforms and on social media, projecting a detailed but edited version of one's self-image to the world. This has resulted in the emphasis on engaging in desirable experiences, documenting them through selfies and video and posting them on the platform of choice, in an effort to increase social standing. The era of selfies appears to have no age boundaries, with parents eager to share their own life experiences along with those of their babies and children up through the generations, Z, X, Millennials and even the baby boomers. The 'instagrammability' of experiences has even become one of the priority selection criteria for attending events.

Consumer experiences have become status symbols on social media.

LVCG has created a business model that builds on this theme of creating experiences for children and families around the world.

Physical Retail Needs to Embrace Experiential Leisure

Combined with a preference for experience over material things, vast improvements in e-commerce experiences have shifted consumer focus away from in-person retail shopping. This has only been exaggerated more with the global pandemic and spread of the coronavirus. Consumers can access many desired items online within hours, without having to leave the comfort of their homes. There are fewer reasons to visit a shopping mall or town centre as there is reduced dependency on physical cash; banking is all conducted online and trips to the ATM are being replaced with electronic instant payment platforms. The opportunities for spontaneous shopping are declining quickly as footfall drops, placing even more pressure on retail shops.

Physical retail is in decline unless there is an experiential draw for the consumer.

It seems that the only answer to draw consumers out of their homes and into retail venues again is to transform the purchase of goods into an experience for the consumer. The businesses that have managed to survive and grow are the ones that achieve this balance. For example, exercise clothing brands that combine workout classes or wellness sessions, or restaurants/bars that combine themed activities such as darts or mini-golf have proven to be more successful. The future needs to include not only high-quality food and beverage, but also an experience package with memorable décor and activities.

LVCG has been working with BIDs, a business-led and business-funded group assembled in order to improve a defined commercial area within a council region or community. LVCG has organized engaging and interactive tours, full of branded IP and general asset models to help drive footfall and increase spontaneous spending. Some of these tours

are seasonal, focused on Christmas themes, or are associated with key brands for shopping centres, such as Paddington Bear or PAW Patrol.

Out-of-Home Entertainment for Children

According to Allied Market Research the global children entertainment centres market is projected to reach over US\$15b by 2026, that's growth of 8.4% CAGR from 2019. These children entertainment centres are venues that bring together games and activities in an effort to entertain and also often educate children and their families. While technology-driven centres with virtual reality and gaming zones generate the most revenue in the older age groups, teenagers, young adults and adults, the centres with physical play activities generate more revenue from the younger age categories and their families. Most of the revenue generated is derived from entry fees and ticket sales; merchandising and other services such as food and beverages also generate revenue. The rise in disposable incomes of parents increase visits to these types of centres, with many parents seeking to spend more quality time with their children.

The child consumer market is appealing to brand developers as children and their families have the disposable income to spend on their needs and desires, making them a primary market today, but also in the future. According to Applied Developmental Psychology Journal, children tend to develop brand loyalty at a very early age, with long lasting brand attitudes that follow them into adulthood. Children are also great influencers, impacting daily household purchases to helping choose vacation spots, new cars and even making restaurant choices. Parents tend to be more indulgent in today's society, trying to ensure that their children want for nothing, and have everything they need and even desire.

If we focus on pre-schoolers in particular, their tastes and preferences for products and entertainment are driven by a limited ability to distinguish between reality and fantasy. Typically, the characters and events a pre-schooler encounters in the media or on TV are believed by them to be real. This goes one step further, where the information presented in commercials or advertisements is also believed to be real in the up to age 8 category. As a result, the highest impact for marketing and branding efforts are known to be on children up to the age of 8. Even more interesting, pre-school aged children have relatively immature cognitive abilities and therefore prefer programs or shows that are simple, non-threatening and friendly with lots of repetition. However, when focusing on a product, this young consumer tends to focus their attention on a single striking characteristic and have little eye for detail or quality.

As children get a bit older, in the 5 to 8-year old range, their attention spans become much larger. Typically, a 3-year old would only be able to concentrate on a single task for an average of 18 minutes but are very easily distracted throughout that time. At 5 to 6 years old, a child can usually sit and work on a task or game for over an hour. The development of imaginative play seems to reach its peak from the age of 5 to eight years old, and at age 3 or 4 years old the fantasy play becomes more interactive and social. This is followed at 5 to 8 years old with more elaborate and imaginative social play, and the understanding of more adventurous themes.

Essentially the development of babies into child consumers starts from the day they are born. Babies are ready to learn and children who are placed in a stimulating environment with a variety of activities will begin to learn and also practice what they learn naturally. Everyday play and exploration in a safe and comforting environment are how children learn and develop their skills. They observe and watch other's behaviour, they listen to sounds, they explore and touch and engage in activities that stimulate the senses. The children are active participants in the environment in which they are placed, but they use their imagination to bring stories to life, improving their social confidence, increasing their curiosity and expanding their knowledge base.

While not all children learn in the same ways, much of child's early learning is driven by interactive play and exploration, in an effort to open up their imagination. The LVCG business model is based on the young child as a consumer, driven by a natural tendency to learn through play and interaction in a comfortable and stimulating environment. This is augmented with the use of iconic children's brands to create life-sized replicas of key characters and scenes, to further appeal to the young consumer.

Children develop brand loyalty at a very early age.

Children draw from their environments and use their imaginations to bring stories to life.

For generations, building blocks have been recognized as a powerful tool for learning.

Education and Entertainment Through Toy Bricks

LEGO® has become one of the best-selling toys of all time and is a household name for children and adults worldwide. One of the reasons LEGO® has become so popular is that it allows children to construct anything within their imagination. It is estimated that about seven LEGO® sets are sold every second around the world. There are many versions of toy building blocks available in the market today, not all belong to the LEGO® brand. However, no matter what form they take, studies have demonstrated that they are very useful learning tools for developing motor skills and hand-eye coordination, language skills, social confidence, mathematical skills, creative thinking and even spatial reasoning. For generations, these toy building blocks have become powerful learning tools, and we expect will continue to be for generations to come.

The BRICKLIVE brand leverages the benefits of interlocking bricks as a tool for entertainment and education, as well as the universal appeal for LEGO® across all age groups. The general and branded tours set the stage for the BRICKLIVE audience's imagination to expand and flourish, and the events promote interactive engagement and adding to the education process.

Adapting to Changing Market Conditions

The crisis created in the out-of-home entertainment market by COVID-19 will eventually come to an end. However, much has been learned from the pandemic and consumer preferences are also likely to have changed in some ways. With more consumers using digital e-commerce platforms than ever before, many are likely to switch permanently after they have acclimated to the digital models. We are likely to see some permanent shifts to online shopping for groceries and other essentials/basic goods. Cost cutting is also likely to be permanent, as long as it does not come at the expense of the consumer experience. Some of the cost cutting is likely to be targeted at physical retail space, as footfall is reduced so is the need for large retail stores, or even office space if remote working models persist.

The world will learn to live with COVID and adapt to changing conditions.

While out of home activities are only slowly being resumed by consumers, we do expect that these activities will resume in time. However, in the short-term, most will remain cautious awaiting reassurance that appropriate safety measures are in place, and some may even wait for the development of vaccine or improvement treatment protocol.

LVCG has begun to see increasing demand from many of its loyal customers, though many precautions are being implemented to ensure the safety of guests. These extra steps for cleaning and social distancing are important in supporting the characteristics of a high-quality brand identity.

Zoos and Attractions Worldwide – Potential for Increased Market Penetration

According to Zoo.media zoo facts, there are about 1491 zoos and animal parks worldwide. This includes about 768 in Europe, of which just over 300 are in Germany. The numbers of zoos worldwide can vary depending on the source of the data, and the definition of used. Some will include/exclude wildlife parks, and small private zoos. The general message is that there are a lot of zoos around the world, attracting millions of visitors each year – a huge market for growth for LVCG. The role of the zoo has changed since its first inception. The emphasis is more on the educational component of zoos expanding our scientific knowledge, and the conservation or preservation of wildlife and their natural habitats, particularly for protecting and regenerating endangered species. Many zoos today are increasing their cooperative efforts, working together to increase awareness of conservation worldwide. Many are even changing their names to bioparks, more representative of their mission that the housing of animals.

Zoos and aquariums present a huge market opportunity for BRICKLIVE tours.

There are over 200 aquariums in the world, with about twelve located in the UK alone. Annually, there are more than 700 million visitors to zoos and aquariums worldwide, exposing individuals to environmental education; that is about 10% of the global population, according to a survey by the World Association of Zoos and Aquariums. In the US in 2018, more than 200 million visitors engaged in a zoo or aquarium visit, with more than half being children under the age of 11. The accredited zoos and aquariums in the US contributed more than US\$22.5b to the US economy. The majority of revenue supporting zoos and aquariums is generated from gate fees upon entry.

While this market was completely shut down in many parts of the world in the early stages of the COVID-19 pandemic, the outdoor nature of these venues has permitted

their re-opening. LVCG has seen demand for tours from zoos and aquariums around the world increase towards the end of Q3 and into Q4 2020. Given the annual foot traffic and the global presence of zoos and aquariums, this is evidently a core target market for growth for LVCG.

Exhibition market

The global exhibition industry supports regional economic growth and generates additional social and financial benefits. According to the Global Association of the Exhibition Industry, there are an estimated 32,000 exhibitions hosted around the world each year, with over 303 million visitors. The total spend by exhibitors and visitors combined is estimated to be ~US\$140m each year. There are about 1,217 gross indoor exhibition spaces around the world, covering a minimum area of 5,000sqm. The development of additional venue space in many regions of the world continues each year, with substantial investment in new development as well as upgrades to existing venues.

We are beginning to reach the stage where authorities around the world are permitting the opening of exhibitions and business events again, as long as preconditions and protective measures are implemented. Venues in Asia and Europe are making more progress with full and partial openings, while venues in the Middle East and the Americas are largely still closed. Industry revenue in the first half of 2020 dropped by about two-thirds on average as compared to last year. On a full-year basis it is expected that the global exhibition business will contract by about 60% when compared to 2019, foregoing revenue of ~US\$180b and 1.9m jobs.

We do expect this industry to begin to recover into 2021 as there are improved treatments and remedies for the coronavirus and perhaps even the development of a few vaccines. In the meantime, there is likely to be a slow re-opening of venues, with reduced visitor traffic under social distancing and cleaning regulations and standards. This market remains important to LVCG as a key customer of innovative experience-based solutions to increase foot traffic and attendance at venues/exhibits.

FINANCIAL OVERVIEW

Despite a challenging first half of 2020, impacted by the coronavirus pandemic and lockdown which essentially halted all entertainment operations on a global basis, LVCG has quickly begun to restart operations. Q420 and beyond is looking optimistic, with an expected 34 shows touring by year-end. Many of these tours are located in outdoor COVID-19 friendly environments such as zoos and outdoor exhibits, as well as in shopping centres and malls for the Christmas season. Confirmed tours so far for 2021 stand at 23, with only one cancellation because of COVID-19. This will continue to build through to year-end 2020, particularly as new model tours are constructed, such as the recently announced Tutankhamun Anniversary Tour. The plan for 2021 is to design and create new models to increase content and launch new tours satisfying increasing customer demand around the world, and further driving revenue growth.

H1 2020 Financial Results

Live Company Group reported financial results for the first half of 2020 on September 22, 2020:

- **Revenue:** H120 £0.97m, comprised of revenue from product and content sales of £0.23m and tours, events licenses and content rental fees of £0.74m. This compares H119 revenue of £2.0m, with £0.4m from product and content sales, and £1.6m from tours, events, and licenses. 2020 has been a very challenging year for a consumer entertainment driven companies because of the social restrictions imposed by governments around the world in an effort to contain the rapid spread of the coronavirus. After a stronger start to the year, pre-COVID lockdown, Q1 revenue reached £0.6m down about 14% from Q119. With the impacts of the COVID social restrictions beginning to impact the tail end of Q120, operations in the second quarter nearly came to a standstill. As such, Q220 revenue was £0.4m, less than half that of Q219 at £1.3m. As Q320 began, outdoor venues began to reopen, followed by retail venues and museums and exhibition centres, albeit on a much lower capacity basis for anything inside in particular. While H2 2020 remains challenging, there are a growing number of tours getting started again and demand is beginning to revert back to higher levels. The promotion of more interactive experiences is still basically on hold, but the touring assets remain popular with a very loyal customer base.
- **Gross margin:** Gross margin for H120 is ~16% vs. ~57% for H119. Cost of sales are directly related to the design and construction of the asset models which are comprised of steel structures on the inside, supporting the interlocking brick work on layers inside and outside the steel. Many bricks are already held in inventory, but additional orders are made for extra colours or varying brick sizes during some of the themed design and construction processes.
- **Pre-exceptional EBITDA:** This is the metric used by LVCG to provide a clearer picture of the underlying performance of the business, eliminating the impact of one-time, non-recurring costs associated with exceptional circumstances during a year or operating period. Total exceptional items in H120 were £3.989m with £3.50m related to the impairment of investments and goodwill because of the impacts of COVID-19. The balance was related to share option and warrant costs of £0.14m and other exceptional items of £0.35m which resulted from the reorganisational costs, issues of shares in lieu of salaries and fees due to employees, and the restructuring of debt facilities. Exceptional items for H119 were £0.25m related to transactional costs. Pre-Exceptional EBITDA for H120 was a loss of £1.0m for H120, more than double the loss for H119 of £0.49m.
- **Losses after tax** for H120 were £5.37m or £(0.067) compared to £1.1m for H119 of £(0.015), the significant difference reflecting the write-down associated with COVID-19 and the loss of about 5 months of business during the COVID lockdown period.
- **Cash and Equivalents:** As at September 21, 2020 total cash on hand was £0.16m, though cash at the end of June 2020 reflecting the H120 reported results was £0.88m.
- **Assets:** Property, plant and equipment at the end of June 2020 reached £5.8m (up from £5.2m at the end of December 2019), reflecting the addition of new touring asset models for the BRICKLIVE Zoo programme. Inventory at the end of H120 stood at £5.8m, down from the end of 2019 which reported inventory of £6.25m. Inventory

Revenue was severely impacted by COVID-19 in 2020, reaching only £0.97m

PXEBITDA was a loss of £1.0m for H120, more than double the loss for H119 of £0.49m.

Cash balances at Sept 21, 2020 stood at £0.16m.

is a reflection of the volume of various interlocking bricks the Group owns; changes either reflect the purchase of additional bricks, or the use of bricks to construct new models.

- **Net Cash Flow:** Cash outflows for the H120 period reached £9.3k, compared to a £10.1k outflow in H119. This included the construction of some new asset models, as well as the repayment of loans and interest under the debt restructuring, as well as proceeds from new lending arrangements.
- **Borrowings:** Current borrowings stood at £1.5m, and long-term borrowings at £0.2m at the end of H120. As previously discussed, the outstanding debt was restructured during August 2020. The Riverfort lending facility was repaid and replaced with a new lending facility from Close Leasing Ltd. for a 5-year period at a rate of 7.68%. The Riverfort Equity Sharing Agreement was also closed. The Chairman David Ciclitira has personally guaranteed £0.3m at a rate of 7.06% per year.

Given that H120 was such a unique period, with the impact of coronavirus and a global lockdown period lasting months, as well as a subsequent socially restrictive environment globally, we briefly review the financial results from 2019, to depict a more normalized time period for the Group.

2019 revenue grew 48% ex-1x costs in 2018, with 71 touring shows and events, double that of 2018.

- **Revenue:** Full year 2019 revenue reached £5.45m, growth of 10.8% over 2018 of £4.92m. Notably, there was a one-time contract from China for \$1.6m included in the June 2018 result. Excluding this, year-over-year growth reached 48%. The key driver in 2019 was the growth in touring shows and events which reached 71 in total for the year, compared to 34 in 2018. The core focus and strategic investment in BRICKLIVE Touring and Exhibits resulted in the diversification of customer base.
- **Gross profit:** A 57% gross margin during 2019, is 11% higher than that reported for 2018. This clearly validates the move to focus on the touring model platform and launch of the BRICKLIVE Zoo programme.
- **Pre-Exceptional EBITDA:** For 2019 PXEBITDA was positive £0.145m, compared to a loss in 2018 of £0.4m. Exceptional items in 2019 totalled £1.1m including share option and warrant charges, exceptional bad debt expense, and reorganisational costs.
- **Loss after tax:** 2019 loss per share was £(0.031), or a loss of £2.2m compared to 2018 of £(0.038) or a loss of £2.1m from continuing operations.
- **Cash and equivalents:** Total cash at the end of 2019 was £0.98m.
- **Net cash flow:** Cash outflow for 2019 amounted to £0.022m after considering the construction of additional model assets for touring, loan repayments and interest, as well as some loan proceeds. This compares to net cash outflows of £0.75m in 2018 which included an equity fund raise in support of the acquisition of Bright Bricks.

PXEbitDA was positive at £0.145m, compared to a loss in 2018 of £0.4m.

TABLE 4: FINANCIAL SUMMARY

| Financials (£000) | H1 2018 | H2 2018 | H1 2019 | H2 2019 | H1 2020 | 2017 | 2018 | 2019 |
|--------------------------------|----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Revenue | 2,842.0 | 2,078.0 | 1,996.0 | 3,455.0 | 968.2 | 1,928.0 | 4,920.0 | 5,451.0 |
| Gross Margin (%) | 68.6% | 14.8% | 57.3% | 56.4% | 16.2% | 57.2% | 45.9% | 56.7% |
| Operating Income | 520.0 | (1,283.0) | (775.0) | 250.0 | (1,362.4) | (391.0) | (763.0) | (525.0) |
| Operating Margin (%) | -2.6% | -18.4% | -5.7% | -4.8% | -4.5% | 1.7% | -11.9% | -5.3% |
| Exceptional Items | - | (1,339.0) | (251.0) | (861.0) | (3,980.9) | (5,037.0) | (1,339.0) | (1,112.0) |
| Operating Inc. post Exceptions | 520.0 | (2,622.0) | (1,026.0) | (611.0) | (5,343.3) | (5,428.0) | (2,102.0) | (1,637.0) |
| Net Income | 503.0 | (2,613.0) | (1,070.0) | (1,115.0) | (5,370.7) | (5,440.0) | (2,110.0) | (2,185.0) |
| Loss include. Disc. Operations | 116.0 | (2,726.0) | (1,070.0) | (1,115.0) | (5,370.7) | (5,440.0) | (2,610.0) | (2,185.0) |
| EPS (£) | 0.0022 | (0.0491) | (0.0154) | (0.0159) | (0.0672) | (0.1128) | (0.0470) | (0.0311) |
| Basic Shares (000s) | 52,517.3 | 55,560.4 | 69,286.9 | 70,171.5 | 79,875.0 | 48,207.8 | 55,560.4 | 70,171.5 |
| Pre-exceptional items EBITDA | 653.0 | (1,046.0) | (482.0) | 627.0 | (1,007.1) | (273.0) | (393.0) | 145.0 |
| Borrowings | 1,000.0 | 1,000.0 | 875.0 | 995.0 | 1,744.5 | - | 1,000.0 | 995.0 |

SOURCE: Company reports



SWOT ANALYSIS

Strengths:

- Strong and experienced management team focused on delivering growth and an improved operating performance.
- Multiple revenue streams that support longer-term growth.
- A high quality, asset model portfolio with a payback period of less than one-year and solid margins.
- A strong design and creation team that can expand the asset model portfolio easily.
- Longer-term partner relationships with high value IP
- A scalable formula that works on a global scale.
- A strong, experienced, and very motivated management team and Board.

Weaknesses:

- LVCG is still in the early stages of its life cycle, with a similarly small portfolio of touring asset models. One of the goals as the end of 2020 nears, is to ramp-up production of new asset models to expand the portfolio in an effort to drive increased demand.
- The financial position of the Group is improving, particularly with the restructuring of the debt facility at more reasonable interest rates. However, the Group operations are still in a growth phase establishing a solid foundation on which to build. This is reflected in the financial performance where net profits have yet to be achieved. We expect that had COVID-19 not had such a massive impact on the consumer out-of-home entertainment market, the picture would be quite different.

Opportunities:

- Barriers to entry are high with an extensive global presence supported by general partners to ensure booking of tours and exhibits; solid IP partner agreements with leading global brands; and established in-house IP and know-how for designing and building very articulate and colourful asset models.
- The out-of-home entertainment market has been undergoing significant growth in a pre-COVID environment. Consumers are increasingly focused on spending their leisure dollars on experiential entertainment. The social restrictions imposed since COVID only serve to increase this desire or preference in the future.
- There are many more IP partners with which to establish agreements in order to expand the high value content portfolio.
- There are potential evolutions to the design of the asset models, to add animatronics or other sensory stimulants, as well as story lines and other interactive activities once the threat of the coronavirus is addressed.

Threats:

- We have just experienced the impacts of a global pandemic on the consumer out-of-home entertainment market. The impacts of this can continue for some time, or perhaps could occur again.
- The competitive landscape is quite vast, though some competitors could also be viewed as partners, seeking new and innovative ideas to boost revenue. For example, theme parks are attractions suitable for family experiences competing with zoos, museums, or aquariums, but LVCG does exhibit at venues such as these. There are no real direct competitors.
- There is always the threat of changing consumer preferences impacting a business model. In this case, the globally renowned children's brands could become out of favour with the target consumer group, reducing demand for these asset models.

However, many of the IP brands under agreement are longstanding icons in the industry that seem to transcend generations.

COMPETITORS

There are few particularly good comparables for LVCG in the market. However, in the table below we present some of the relevant media and entertainment companies, as well as event entertainment companies. The average P/E multiple is 13-14x, and 9-10x for EV to next year's EBITDA. We will investigate the trading multiples of peer companies further when we begin to issue forecasts and a valuation for LVCG.

TABLE 5: MARKET COMPARABLES

| | LVCG LN EQUITY LIVE CO GROUP PL | NFC LN EQUITY NEXT FIFTEEN COM | TMO LN EQUITY TIME OUT GROUP P | SAA LN EQUITY M&C SAATCHI PLC | TMG LN EQUITY MISSION GROUP PL | SYS1 LN EQUITY SYSTEM1 GROUP | BONH LN EQUITY BONHILL GROUP PL | SAL LN EQUITY SPACEANDPEOPLE | CCT LN EQUITY CHARACTER GROUP | LYV US EQUITY LIVE NATION ENTE | Average |
|----------------------------|------------------------------------|-----------------------------------|-----------------------------------|----------------------------------|-----------------------------------|---------------------------------|------------------------------------|---------------------------------|----------------------------------|-----------------------------------|---------|
| Last Price | 8.50 | 455.00 | 32.50 | 57.40 | 57.50 | 109.50 | 5.65 | 4.25 | 323.50 | 54.86 | |
| Volume | 24,060.00 | 13,083.00 | - | - | 5,000.00 | 986.00 | 3,522.00 | - | 1,684.00 | 867,498.00 | |
| Current Market Cap | 7,592.93 | 413,003.09 | 92,040.59 | 66,257.18 | 52,334.14 | 13,862.46 | 5,570.09 | 829.58 | 69,163.59 | 11,918,597.07 | |
| Enterprise Value | 9.53 | 463.74 | 117.75 | 180.52 | 70.47 | 13.99 | 7.89 | 1.10 | 52.83 | 15,731.01 | |
| Price Earnings Ratio (P/E) | NA | NA | NA | NA | 16.40 | NA | NA | NA | 10.24 | NA | 13.32 |
| EV to BEst EBITDA | NA | 8.24 | 37.15 | 5.04 | 18.69 | NA | 19.73 | NA | 6.52 | NA | 15.90 |
| EV/Next Yr Est EBITDA | NA | 7.30 | 13.00 | 4.14 | 5.78 | NA | 7.95 | NA | 5.23 | 24.27 | 9.67 |
| Est P/E Next Year | NA | 11.18 | 65.00 | 4.48 | 7.47 | NA | 11.30 | NA | 17.30 | NA | |
| Net Debt | 1.20 | 9.35 | 62.31 | 38.16 | 22.59 | 0.12 | 2.32 | -0.32 | -7.53 | 2,335.13 | |
| Fiscal Year End | 12/2019 | 01/2020 | 12/2019 | 12/2019 | 12/2019 | 03/2020 | 12/2019 | 12/2019 | 08/2019 | 12/2019 | |
| Revenue | 5.45 | 248.47 | 77.14 | 256.44 | 171.09 | 25.48 | 24.43 | 7.74 | 120.42 | 11,547.97 | |
| 52 Week High | 48.00 | 568.00 | 124.93 | 180.00 | 108.50 | 290.00 | 55.00 | 12.50 | 435.00 | 76.60 | |
| 52 Week High Date | 04/11/2019 | 23/01/2020 | 12/11/2019 | 04/11/2019 | 20/02/2020 | 03/02/2020 | 08/11/2019 | 05/11/2019 | 08/01/2020 | 19/02/2020 | |
| 52 Week Low Date | 27/10/2020 | 23/03/2020 | 08/04/2020 | 02/04/2020 | 23/03/2020 | 15/06/2020 | 02/11/2020 | 16/10/2020 | 20/03/2020 | 18/03/2020 | |
| 52 Week Low | 6.40 | 199.50 | 27.93 | 28.00 | 35.50 | 87.50 | 5.65 | 3.50 | 190.00 | 21.70 | |
| BEst Div Yld | NA | 1.0% | NA | 19.5% | 1.0% | NA | 0.0% | NA | 1.5% | NA | |
| Return on Assets | -44.3% | -0.8% | -12.9% | -8.4% | 2.0% | -1.4% | -16.7% | -14.1% | 10.3% | -6.6% | |
| Return on Common Equity | -68.9% | -2.1% | -23.4% | -40.6% | 3.3% | -3.6% | -25.8% | -22.2% | 16.5% | -104.9% | |

SOURCE: Bloomberg

RISKS

Global Market Environment

- COVID-19 and other global events
- Weather changes for outdoor events
- Logistics interruptions – closed borders or ports for shipping
- Price of steel
- FX rates

Company Specific

- Physical risks to employees
- Loss of key employees
- Financial – potential for bad debt; cash flow management and FX impacts
- Legal and regulatory – related to IP agreements
- Counterparty/credit risk
- Change in consumer preferences driving reduced appetite from partners
- Ability to stay at the forefront of market trends
- Production constraints due to sufficient materials supply or labour supply

ESG EFFORTS

ESG - Environmental, Social, and Corporate Governance refers to three core non-financial factors used to measure the sustainability and societal impact of an investment in a company or business. It is often used by companies to understand the impacts and manage the risks that its operations have on customers, investors, employees, and other stakeholders.

Environment: LVCG creates touring assets made from steel and high-quality plastic interlocking bricks. Given the durability of these asset models, the lifespan is about ten years long, and the bricks themselves last significantly longer – ‘bricks for life’. The designs of the touring assets include endangered species and sometimes extinct species. This forms the basis of educating the consumer or market about the needs to protect and preserve environments, endangered species, and biodiversity.

In September 2018, LVCG and its partner in China, BCETL entered a partnership with The Prince Albert II of Monaco Foundation to launch the BRICKLIVE Animal Paradise in China in order to educate children in the region about endangered species and their habitats. A

book in support of the tour has also been created. As part of this initiative, LVCG has made donations to the Foundation to fund new programs to protect and conserve endangered species.

LVCG also consciously seeks to minimise its carbon footprint of touring asset models.

Social: LVCG has a commitment to community development, local employment, apprenticeships, and training schemes. The Group values its internal teams, their creativity and has developed a share incentive scheme for employees to share in the long-term success of their hard work. In addition, internal communication in a fast-growing company is key to success. Management teams hold internal calls each week to discuss material matters and general operations of the business.

The events and tours that are hosted by partners must have high standards of health and safety, as well as child safety parameters in place to ensure there is a secure and safe environment for children and families to enjoy the entertainment experience.

Corporate Governance: There is an established compliance committee, audit committee, remuneration committee and a nomination committee. The diverse skill set of the Board and its experience appears to have resulted in a well-balanced team capable of delivering on the corporate strategy. The first annual Board review was conducted in 2019, resulting in the appointment of a new NED, and the promotion of another NED to Deputy Chairman. The Board has a strong corporate governance framework to follow and includes establishing internal systems and controls, setting strategic objectives and policies, setting annual budgets and monitoring performance, looking after employee welfare, ensuring financing requirements are met and financial reporting is accurate and complete.

MANAGEMENT AND BOARD

Chairman - David Ciclitira

Mr Ciclitira is the Founder and Chairman of Live Company Group PLC. He invested in Brick Live Group in 2016 as its major shareholder and then reversed the company along with Parallel Live Group into Live Company Group listed on AIM. In his 35-year career, David's vision and creativity have played a material role in developing marketing strategies for some of the world's leading brands and sports events worldwide.

David has been very active in sports marketing, working with some of the world's leading Federations. He worked with European Tour Golf to take it out of Europe to South Africa and then to Asia, re-launched the World Cup of Golf, represented the World Nordic Ski Championship, and was responsible for overseeing the sponsorship and broadcast strategies for the Davis Cup, among others. He founded Parallel Media Group in 1987 which entered a JV with NBC to form CNBC Sports International Ltd. in 1998. The shareholding in CNBC Sports was sold to NBC in 2004.

David founded the Eye Programme in 2009, which focuses on the development of arts infrastructure in Asian territories, providing artists with platforms and support in their careers. The Eye Programme was expanded in 2014 to include the Eye Awards recognising accomplishments of emerging Asian artists. The START Art Fair was also launched at the Saatchi Gallery in 2014 to recognise artists and emerging art galleries around the world.

David was part of establishing a JV with Live Nation to form the Live Nation Marketing Partnership Asian Ltd (LNMPA). Several millions have been raised under David's guidance to fund a new annual Electronic Daisy Carnival festival in Tokyo, which includes Google/YouTube and other sponsorships with leading global brands.

David studied law at Kings College London before being called to the Bar as a Blackstone Exhibitor. Following this, he worked at the merchant bank Guinness, Mahon & Co. Ciclitira then became one of the first of the four original shareholders of Satellite Television plc. This was retitled SKY in 1983 after the sale of 65% of SATV to Rupert Murdoch's News Corporation. He stayed at Sky as Deputy Managing Director until 1986.

Senior non-executive director – Ranjit Murugason

Ranjit has a degree in law and history from SOAS and a master's in law from Corpus Christi College, Oxford. He has been part of Parallel Media's board since 2010. Previously, he worked for Nomura Securities and UBS before becoming the Managing Director of the investment banking section of ABN Amro. After this he was a senior advisor to GMR Group. In 2003 he became the founder and Managing Director of Urban Strategic.

Non-executive director – Serenella Ciclitira

Serenella completed an Art History degree at Trinity College and in 2003 became an Honorary Fellow at the Royal College of Art in London. Her working career has involved being the managing Director of Super Channel between 1992 and 2000. Furthermore, between 1998-2016, she was managing Director of Parallel Media group which specialised in sport and music. Whilst doing this she was also a Director of CNCB Sport. She became part of the Board of Live Company Group in 2017.

Non – Executive Director Live Company Group – Simon Hogan

Simon Hogan joined the Live Company Group board after the acquisition of Bright Bricks. He has superb knowledge of international exhibitions and conference venue management, as well as exhibition portfolio management and development. Simon was the CEO of the Abu Dhabi National Exhibition Centre for 6 years. Over this time, he raised AED 1.4 billion to establish a Capital Centre development for the ADNEC and acquired the ExCel venue in a £318m deal for the Abu Dhabi government.

Deputy Chairperson – Trudy Norris Grey

Trudy Norris Grey is an expert in IT and has worked in various roles in global sales, marketing, channel and partner strategies, business development, and portfolio transformation. Previously she worked for Microsoft as General Manager overseeing the public sector business in Central and Eastern Europe.

Trudy is a great supporter of encouraging women and girls to pursue careers in science, engineering, and technology. She is Chair of WISE, an organisation that tries to add 1 million more women to the UK STEM workforce. Furthermore, she has also been the Chair for the Confederation of British Industry's Committee on innovation, Science and Technology; a member of the UK's National Careers Council; editor and contributor to the Wilson and Shadbolt Reviews; a member of the oversight committee for the UK's national Technology Strategy Board and was a founding member of the CBI Leadership Group on Climate Change.

Non- Executive Director – Mark Freebairn

As a graduate, Mark worked for Martin Ward Anderson and continued to become one of four directors of the company. He is now at Odgers Berndtson as a Partner and Head of Financial Management Practice. Furthermore, he is a member of the Board and CEO Practice at Odgers Berndtson.

FINANCIAL STATEMENT SUMMARY

| Financials (£000) | H1 2018 | H2 2018 | H1 2019 | H2 2019 | H1 2020 | 2017 | 2018 | 2019 |
|---------------------------------|----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Revenue | 2,842.0 | 2,078.0 | 1,996.0 | 3,455.0 | 968.2 | 1,928.0 | 4,920.0 | 5,451.0 |
| Gross Margin (%) | 68.6% | 14.8% | 57.3% | 56.4% | 16.2% | 57.2% | 45.9% | 56.7% |
| Operating Income | 520.0 | (1,283.0) | (775.0) | 250.0 | (1,362.4) | (391.0) | (763.0) | (525.0) |
| Operating Margin (%) | -2.6% | -18.4% | -5.7% | -4.8% | -4.5% | 1.7% | -11.9% | -5.3% |
| Exceptional Items | - | (1,339.0) | (251.0) | (861.0) | (3,980.9) | (5,037.0) | (1,339.0) | (1,112.0) |
| Operating Inc. post Exceptions | 520.0 | (2,622.0) | (1,026.0) | (611.0) | (5,343.3) | (5,428.0) | (2,102.0) | (1,637.0) |
| Net Income | 503.0 | (2,613.0) | (1,070.0) | (1,115.0) | (5,370.7) | (5,440.0) | (2,110.0) | (2,185.0) |
| Loss include. Disc. Operations | 116.0 | (2,726.0) | (1,070.0) | (1,115.0) | (5,370.7) | (5,440.0) | (2,610.0) | (2,185.0) |
| EPS (£) | 0.0022 | (0.0491) | (0.0154) | (0.0159) | (0.0672) | (0.1128) | (0.0470) | (0.0311) |
| Basic Shares (000s) | 52,517.3 | 55,560.4 | 69,286.9 | 70,171.5 | 79,875.0 | 48,207.8 | 55,560.4 | 70,171.5 |
| Pre-excep'l items EBITDA (£000) | 653.0 | (1,046.0) | (482.0) | 627.0 | (1,007.1) | (273.0) | (393.0) | 145.0 |
| Borrowings (£000) | 1,000.0 | 1,000.0 | 875.0 | 995.0 | 1,744.5 | - | 1,000.0 | 995.0 |

| Financial Health | H1 2018 | H2 2018 | H1 2019 | H2 2019 | H1 2020 | 2017 | 2018 | 2019 |
|------------------------|----------|----------|----------|----------|----------|-----------|----------|----------|
| Working Capital (£000) | 2,842.00 | 2,842.00 | 3,301.00 | 3,983.00 | 1,862.40 | (2,164.0) | 2,842.0 | 3,983.0 |
| Current Ratio | 1.64 | 1.64 | 1.67 | 2.25 | 1.37 | 0.48 | 1.64 | 2.25 |
| Long-term Debt (£'000) | - | - | - | 463 | 208 | - | - | 463 |
| Total Equity (£000) | 10,627.0 | 10,627.0 | 11,571.0 | 13,659.0 | 8,503.2 | 2,844.0 | 10,627.0 | 13,659.0 |
| LT Debt/Assets | - | - | - | 0.03 | 0.01 | - | - | 0.03 |
| LT Debt/Equity | - | - | - | 0.03 | 0.02 | - | - | 0.03 |

| Financial Position (£000) | H1 2018 | H2 2018 | H1 2019 | H2 2019 | H1 2020 | 2017 | 2018 | 2019 |
|---------------------------|----------|----------|----------|----------|----------|---------|----------|----------|
| Cash | 120.0 | 120.0 | 110.0 | 98.0 | 88.2 | 871.0 | 120.0 | 98.0 |
| Inventory | 6,491.0 | 6,491.0 | 6,399.0 | 6,252.0 | 5,799.4 | - | 6,491.0 | 6,252.0 |
| Trade & Other Receivables | 692.0 | 692.0 | 1,751.0 | 808.0 | 1,061.5 | 1,125.0 | 692.0 | 808.0 |
| Trade & Other Payables | 2,612.0 | 2,612.0 | 2,308.0 | 1,617.0 | 1,912.1 | 2,557.0 | 2,612.0 | 1,617.0 |
| Total Assets | 15,211.0 | 15,211.0 | 16,653.0 | 18,071.0 | 14,567.9 | 7,016.0 | 15,211.0 | 18,071.0 |
| Total Liabilities | 4,584.0 | 4,584.0 | 5,082.0 | 4,412.0 | 6,064.7 | 4,172.0 | 4,584.0 | 4,412.0 |
| Total Equity | 10,627.0 | 10,627.0 | 11,571.0 | 13,659.0 | 8,503.2 | 2,844.0 | 10,627.0 | 13,659.0 |

| Profitability | H1 2018 | H2 2018 | H1 2019 | H2 2019 | H1 2020 | 2017 | 2018 | 2019 |
|---------------------------|---------|---------|---------|---------|---------|---------|--------|--------|
| ROE | 4.7% | -24.6% | -9.2% | -8.2% | -63.2% | -191.3% | -19.9% | -16.0% |
| ROA | 3.3% | -17.2% | -6.4% | -6.2% | -36.9% | -77.5% | -13.9% | -12.1% |
| ROE pre exceptional items | 4.7% | -12.0% | -7.1% | -1.9% | -16.3% | -14.2% | -7.3% | -7.9% |
| ROA pre exceptional items | 3.3% | -8.4% | -4.9% | -1.4% | -9.5% | -5.7% | -5.1% | -5.9% |

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