

Redefining its growth channels

Crowd Mobile (CM8) is a global technology company that monetizes products including infotainment, music, games and videos by leveraging digital influencers and social media channels through its proprietary technology platforms. The company was backdoor listed in January 2015 through Q Limited at a market capitalisation of \$15m. CM8 has since raised \$23.1m through several rights issues and institutional placements. Our DCF valuation, which is based on our forecasts for cashflows from the core operations, is \$0.24/share using a WACC of 13.9%, beta of 1.7, and terminal growth rate of 2.0%. The current share price implies a negative CAGR of 18.6% in free cashflows from FY18 to FY27 versus the CAGR of 2.8% in our base case DCF valuation. If CM8 were to match growth expectations for digital media, the DCF valuation would rise to \$0.54/share, implying a CAGR in free cashflows of 11.4%.

Scope

This report has been commissioned by Crowd Mobile Ltd to present an explanation of the business model and to explore the value created from a range of possible outcomes.

FY18 Earnings Update and Outlook

CM8 has announced that its FY18 revenues will be around \$38.5m (versus \$44.2m in FY17), underlying EBITDA will be \$3.6m (vs \$11.0m in the pc) and operating cashflows of \$2.9m. The downgrade to FY18 earnings is due to unforeseen regulatory changes in the Subscription business and heavy investment into the recently established Crowd Media division of ~\$2.5m. Some of Crowd Mobile's telecommunication partners, including Telstra in Australia, have ceased to operate their Premium Direct Billing services for games and ringtones after regulatory changes. This directly impacted CM8's subscription business, resulting in 2H18 revenues declining to \$5.4m from \$8.4m in 1H18 and down 33% on the previous corresponding period. Crowd Mobile has sought to address this by cutting costs, including 50% of subscription employment costs. Partly offsetting the decline in the subscription business is the rapid growth being experienced by Crowd Media, albeit from a very small base. The influencer marketing arm is expected to post revenues of \$0.4m in FY18 and has a strong sales pipeline with more than \$2m in forward sales at June 30. The company has flagged FY19 will be a year of transition for the business with more focus on developing new revenue opportunities, continued growth expected from Crowd Media and improving margins in Q&A from the use of Artificial Intelligence (AI) technology.

Valuation

Our base-case DCF valuation of \$0.24 per share implies a 10 year CAGR in free cashflows to FY27e of 2.8%. We have conducted an upside case DCF valuation which reflects a CAGR of 11.4% over the same period, and which more closely maps the rate at which digital media is expected to grow. This upside case valuation is \$0.54/share. The current share price of \$0.046/share suggests a negative CAGR of 18.6% in cashflows for the next 10 years. Our analysis of the company's peer group shows that CM8 is trading at a significant discount to companies with similar business models. In our view, demonstration of sustainable growth in free cashflows will result in CM8's share price closing the gap from current levels. We acknowledge however that this may take some time while the company redefines its earnings growth profile and regains investor confidence.

Historical earnings and RaaS Advisory estimates

Year end	Revenue (A\$m)	EBITDA underlying*	EBITDA reported	NPAT reported	EPS* (c)	P/E (x)	EV/EBITDA (x)
06/17	43.9	11.0	9.4	(0.1)	(0.1)	n.a	0.25
06/18e	38.5	3.6	2.8	(25.6)	(0.7)	n.a	3.03
06/19e	37.3	3.8	3.7	2.2	0.98	4.7	2.02
06/20e	46.9	7.3	7.2	4.7	2.11	2.2	0.40

Source: CM8 data, RaaS Advisory * EBITDA underlying exc share based payments and one off items

Digital Media

9 August 2018

Share details

ASX Code	CM8
FWB Code	CM3
Share price at 8 August 18	\$0.046
Market Capitalisation	\$10.27M
Shares on issue	222M
Net debt at 30 June '18	~\$1.0M
Free float	~80%

Share performance (12 months)



Upside Case

- Board and management team experienced in building digital businesses
- Established audience and presence in the social media and digital influencer sector
- Opportunity to reduce cost base using Artificial Intelligence and machine learning

Downside Case

- Audience is fickle and so constantly need to develop and offer the next big thing
- More than 80% of revenues and costs offshore and weighted towards the Euro
- Company's first acquisition, Track Concepts, has produced negative returns

Board of Directors

Theo Hnarakis	Non-Executive Chairman
Domenic Carosa	CEO/Executive Director
Sophie Karzis	Non-Executive Director

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Crowd Mobile Ltd

Crowd Mobile Ltd was vended into listed entity Q Limited in January 2015 and in February 2015 raised \$2m in a share placement at \$0.20/share. The company has subsequently raised \$21.1m in several share placements and rights issues, with the proceeds in large part used to fund the €22.4m (A\$35.5m) acquisition of Track Concepts in October 2015. Track more than doubled CM8's mobile distribution network and took it into the Subscription business. Crowd Mobile operates three divisions; Questions & Answers (Q&A) which develops engaging mobile products to connect those seeking answers; Crowd Media is focused in the digital influencer industry including CROWD.Agency which is focused on the European market and Subscription which delivers mobile content including games, apps, music, videos and mobile security to millions of consumers via mobile operators. Underpinning these three divisions is a global distribution network that is connected to more than 220 telcos worldwide and enables direct billing to customers' mobile phones. Over the past 12 months Crowd Mobile has incubated, within its Q&A division, Crowd Media, a digital influencer platform developing advertising campaigns for brands and agencies. The company is investigating whether aspects of Blockchain technology and digital currencies can be utilised to provide additional value with around the validity of campaigns and rewards for digital influencers and their followers. The Mobile Content Subscription division has encountered unexpected regulatory headwinds in Australia and parts of Europe, forcing CM8 to pare back the operation.

Investment case

In our view, CM8 has the opportunity to achieve success for the following reasons:

- The company has a demonstrated global, profitable business model in delivering engaging mobile products and mobile content;
- CM8 has established a solid mobile payments platform and social distribution network with more than 220 mobile carriers across 64 countries, positioning it to leverage into additional products and businesses as opportunities arise;
- The Q&A business has enabled the company to leverage its relationship with millennials into influencer marketing, one of the fastest growing segments of social media and digital advertising;
- Opportunities to enhance revenues and reduce its cost base through the adoption of new technologies including the use of artificial intelligence and machine learning in its Q&A business;
- CM8 has demonstrated its capacity to incubate and develop new revenue streams within its existing business and has the opportunity to bring these to scale without the need for additional equity capital contributions including the establishment of its 3rd party affiliate marketing business which is expected to work with Fortune 500 companies;
- The company has successfully cleaned up its balance sheet with net debt at ~\$1.0m at 30 June 2018, down from \$14.5m at the end of FY16;
- The Research & Development in a Blockchain platform to secure its new influencer marketing business and digital currencies to further engage digital influencers, their followers and CM8's existing customer base;
- CM8 has secured two highly experienced executives in the recently appointed chief financial officer Antoaneta (Toni) Ignatovska (formerly held senior finance roles with NBCUniversal, Booking.com and Uber) and chief operating officer Michel de Jong (more than 20 years' experience with General Electric, British Airways and within the technology and financial services sectors);
- CM8 has a board experienced in scaling technology businesses.

DCF Valuation at \$0.24/share, peer valuation lends support

Crowd Mobile has ambitions to leverage the payments and distribution platform built over the past 15+ years into a next generation media and entertainment company. It plans to do this through the expansion of its digital influencer network, launching new tools and applications designed to attract and anchor its target millennial market, creating brand funded content and digital personalities and potentially introducing digital influencer commerce applications and Blockchain technology (in R&D) to its ecosystem.

We have based our forecasts on the company restructuring its business in FY19, including a further decline in the Subscription division's revenues and cost base, while rapidly growing the Crowd Media business. Our forecasts assume a CAGR of 4.7% in revenues across the business from FY18 to FY25 and a 3.0% CAGR in EBITDA for the same period. Free cashflow is forecast to grow at a CAGR of 2.8% and translates into a DCF valuation of \$0.24 a share after applying a WACC of 13.9%, beta of 1.7 and terminal growth rate of 2.0%. In determining these cash flows we have taken into account the need for CM8 to continue to invest in new products as well as adapting existing product to changes in market preferences.

We have also undertaken a peer comparison using Australian companies that CM8 has historically referred to and some more mature media businesses which have digital marketing and agency operations. The implied EV/Revenue multiple of this group for FY17 is 1.55x, which applied to CM8's FY18 revenues translates into a peer valuation of \$0.27/share and suggests that CM8 is trading at a significant discount to its peer group.

The EV/EBITDA multiple derived from the peers which have positive earnings is 6.2x on a 12 month trailing basis. Applied to CM8's FY18 forecasted underlying EBITDA of \$3.6m, this delivers an implied valuation of \$0.10 a share, still a significant premium to the current share price. A reverse DCF using the same discount rate we apply to our DCF valuation demonstrates that to get to the current price of \$0.046 share, we have to assume **negative** CAGR of 18.6% for the 10 years to FY27. We also contemplate a downside case scenario in our analysis, and this derives a DCF of \$0.02/share, reflecting negative CAGR in cashflows of 24.1%. This reflects an unsustainable business outlook which, in our view, is almost fully captured in the current share price. We set out the valuation methodologies explored in this report in the exhibit below.

Exhibit 1: Valuation methodologies explored in this report

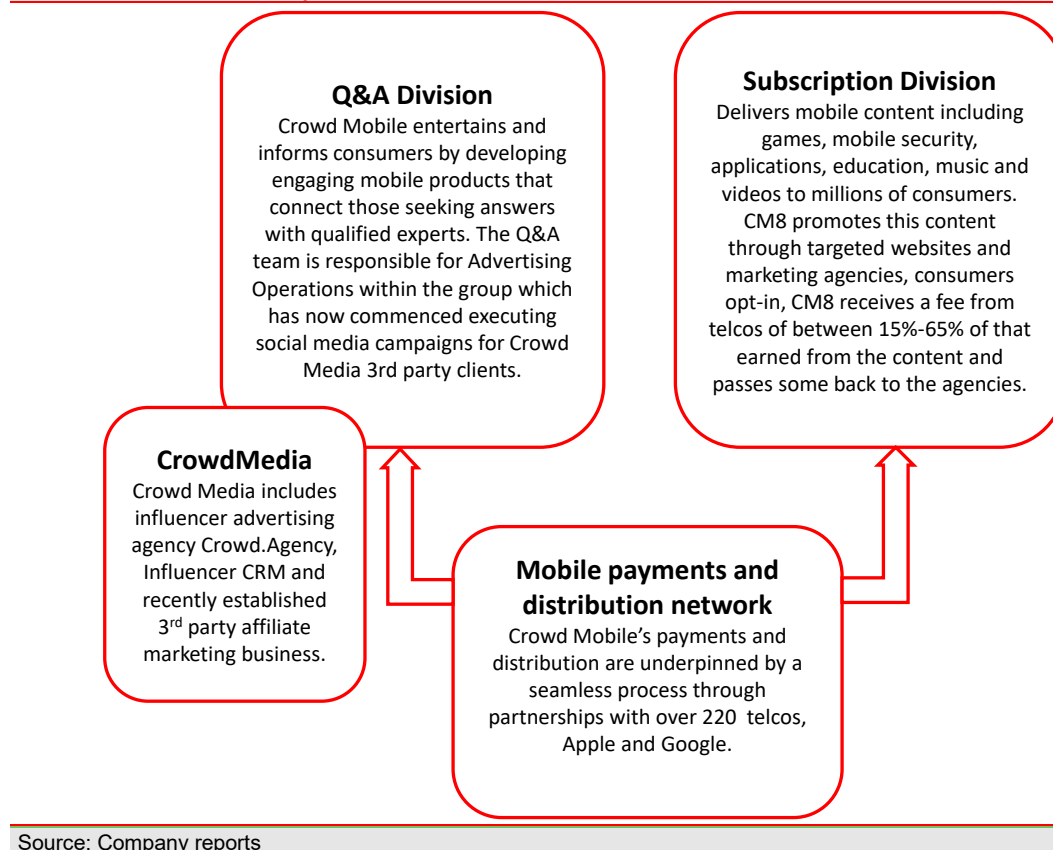
Valuation method	Discount rate	CAGR in Free Cashflows	Multiple used (x)	Valuation per share
Base case DCF valuation	13.9%	2.8%		\$0.24
Upside case DCF valuation	13.9%	11.4%		\$0.54
Downside case DCF valuation	13.9%	(24.1%)		\$0.02
EV/Revenue compco valuation			1.55	\$0.27
EV/EBITDA compco valuation			6.2	\$0.10
Reverse DCF	13.9%	(18.6%)		\$0.046

Source: RaaS Advisory estimates

Crowd Mobile's business model

Crowd Mobile has three core divisions; Questions & Answers, Crowd Media and Subscription; which are supported by a global m-payments and distribution network that has taken over 15 years to build. In the past 12 months, the company has been incubating a new business, Crowd Media within the Q&A division, and this is an influencer commerce and agency platform targeting predominately millennial consumers. The company has offices in Amsterdam and Melbourne and operates in 64 countries. Around 90% of revenues, and costs, are generated outside Australia. We have set out the company's corporate structure in Exhibit 2.

Exhibit 2: Crowd Mobile Corporate Structure



Source: Company reports

Questions & Answers

When the company came to market in January 2015, its business model was predominantly focused on the Q&A business which offers consumers the chance to ask, and pay for, questions to qualified experts. The questions can range from serious to seeking entertainment value. On average, customers using this platform are asking 6 questions a year and spending \$1.90 per question. This business grew rapidly to FY17, effectively doubling revenues, however in FY18, revenues in AUD terms remained flat due to the weakening of the AUD against the Euro. Gross margins for this business are around 82% but EBITDA margins are ~25% due to the high cost of marketing and advertising and the cost of the experts. The company is working on implementing Artificial Intelligence and machine learning to improve operating margins and has announced that it expects to see benefit from this in FY19.

Subscription

In October 2015, the company agreed to acquire Netherlands-based Track Concepts, which owned specialist technologies in m-payments and a global content distribution network operating in 38 countries in Europe, Latin and Central America, Asia Pacific and Africa. Track, which CM8 acquired for €22.4m (A\$35.5m)

including deferred payments, essentially delivered the company the Subscription division and more than doubled the capability of the mobile payments and distribution network, which went from covering 25 countries and 60 mobile carriers to 38 countries and 160 mobile carriers. In April 2018, one of CM8's major partners, Australia's largest telecommunications company Telstra (ASX:TLS), was fined \$10m by the Federal Court for misleading customers with its Premium Direct Billing service which includes ringtones and games. Telstra had allegedly not informed customers that it had set their billing defaults to automatically charge for these services. The regulatory action taken against Telstra, which immediately axed the service, and moves in other markets such as Austria, Spain and the Netherlands to end this service have resulted in a significant decline in this division's revenues. Telstra, for example, accounted for around 10% of CM8's Subscription revenues. The company has moved to mitigate against the 27% decline in revenues in FY18 to \$13.8m by identifying operating efficiencies and where necessary reducing costs. Employment costs for example have been halved in this division. CM8 expects to write-down its investment in subscription by \$26m in FY18 which will be a non-cash charge. We are anticipating that revenues in this division will continue to decline in FY19 but stabilise in FY20. We discuss this in more detail in the following section.

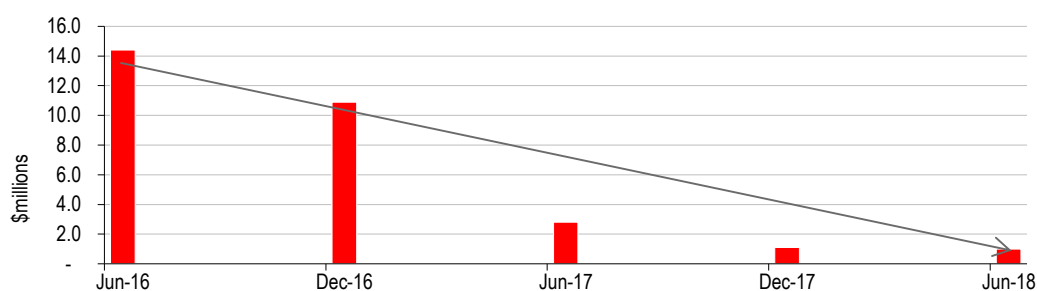
Influencer marketing

For the past 12 months, the Q&A division has been incubating Crowd Media which is focused on building a digital influencer commerce platform, paid social platform and an agency, based on its experience in these fields selling the Q&A products. In FY18, the company invested \$2.4m in the platform and saw influencer based marketing revenues rise from a zero start to \$0.4m with more than \$2m in the sales pipeline at year end. The business has attracted a blue-chip list of clients including Nestle, Bunnings, Mandarin Napoleone, Coty and Moroccan Oil. Revenues in H218 increased 440% over H118 and we are forecasting a similar growth trajectory for revenues in the current half. Our forecast for Crowd Media's revenue for FY19 is \$5.5m with a \$1.9m EBITDA loss. We anticipate that this division will break even in Q4 FY19 and become profitable from FY20.

Net debt reduction

Since June 2016, the company has also focused on reducing its net debt position, having raised A\$17.7m in debt in 2015 to help fund the cash and debt acquisition of Track Concepts. At the time of acquisition, CM8 raised \$12.8m in a fully underwritten rights issue. Exhibit 5 sets out the company's progress with paying down debt since June 2016. In part, this has been assisted by two subsequent capital raises, a \$2.4m placement and \$0.6m rights issue in August 2016 at \$0.16/share and in April 2017, a \$5.3m placement at \$0.13/share, however, for the most part, the company has funded the repayments from existing cashflows. In late June 2018, the company announced that net debt was ~\$1.0M.

Exhibit 3: Net debt reduction since June 2016



Source: Company data

We set out the historical financial performance of the company in the following exhibit and include the company's recent guidance for FY18 revenue and underlying EBITDA.

Exhibit 4: Historical performance (In A\$m unless otherwise stated)					
Year ending June 30	2014	2015	2016	2017	2018*
Revenue	9.84	12.97	37.87	43.89	38.5
Gross Profit	6.52	8.31	29.45	34.55	n.a
EBITDA underlying	2.04	1.87	8.80	10.97	3.6
EBITDA reported	2.04	(2.76)	6.32	9.41	n.a
EBIT	1.64	(3.17)	2.59	4.37	n.a
NPAT	1.05	(3.96)	0.88	(0.09)	n.a
EPS (cents)	n.a	0.56	(0.05)	0.03	n.a
Shares on issue (m)	n.a	185.4	181.2	223.4	222.1
Net debt	n.a	1.76	14.50	2.75	1.0
Source: Company data *As reported by the company and not including RaaS's estimates					

Industry Analysis

Advertising outlook

Crowd Mobile operates across 50 countries in the digital media space, with most of its focus in Europe. The overarching advertising environment is looking robust for the remainder of 2018 and into 2019 with media buying houses all predicting greater than GDP growth.

MagnaGlobal released its Spring update in June 2018, forecasting that the global advertising market would increase 6.4% to US\$550bn in 2018. Growth rates in Western Europe are forecast to be lower at 4.1% but Central and Eastern Europe, buoyed by events such as the FIFA World Cup, are expected to grow at more than twice that rate at 9.2%. We have set out MagnaGlobal's forecasts by region in Exhibit 5.

Exhibit 5: MagnaGlobal's Global Advertising Forecast June 2018			
Region	2017	2018	2019
World including cyclical events	4.5%	6.4%	4.0%
World excluding cyclical events	5.5%	5.5%	4.9%
North America	3.1%	6.3%	2.1%
Latin America	6.7%	9.6%	7.5%
Western Europe	4.0%	4.1%	2.8%
Central and Eastern Europe	10.2%	9.2%	6.4%
EMEA	4.8%	5.3%	4.0%
APAC	5.7%	6.9%	6.0%
Emerging markets	8.2%	9.7%	8.0%
Source: MagnaGlobal			

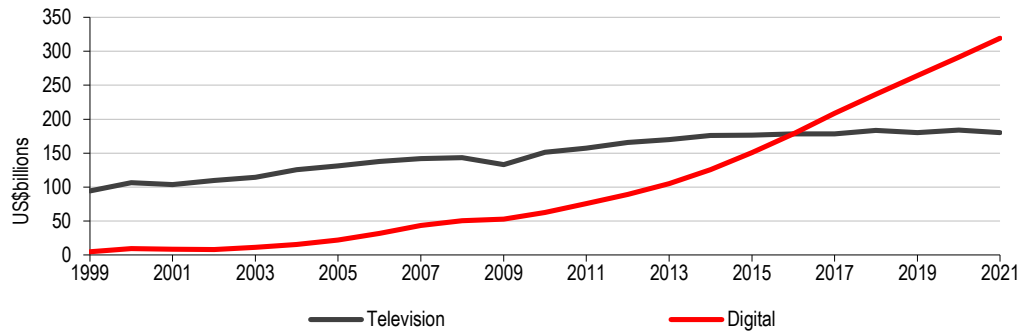
Zenith Optimedia's latest ad spend forecasts, released in March 2018, showed the biggest quarterly upgrade since 2011. Zenith Optimedia is forecasting for global ad growth to grow by 4.6% in 2018, by 4.4% in 2019 and 4.3% in 2020. Average annual growth in Western and Eastern Europe is forecast to grow at 3.2% to 2020 and at a similar rate to North America.

Digital advertising expenditure forecasts

Digital advertising expenditure surpassed television advertising spend for the first time in 2017, according to IPG Mediabrands' MagnaGlobal, and is forecast to continue its trajectory into 2021.

As the following exhibit demonstrates, digital advertising expenditure has risen rapidly from US\$4.8bn in 1999 to US\$209bn in 2017. MagnaGlobal is forecasting global digital ad spend to increase to US\$348bn by 2021 (CAGR of 9.0%) while television ad spend is forecast to stagnate at US\$183bn.

Exhibit 6: Global television advertising and global digital ad spend, historical and forecast



Source: MagnaGlobal, Winter Update, December 2017

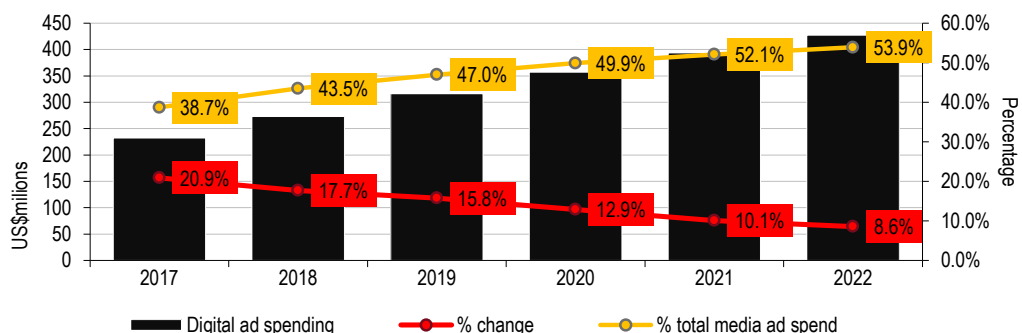
MagnaGlobal predicts digital advertising sales will growth by 15.6% in 2018 to reach US\$250bn or 45% of global advertising revenues while mobile ad sales are forecast to account for 62% of total digital spend in 2018. MagnaGlobal is forecasting that digital will represent half of the world's total advertising sales by 2020.

Mobile ad spending represented 55% of total digital ad spend in 2017. MagnaGlobal is forecasting mobile ad spend to increase by 27% to US\$147bn in 2018 with US\$22bn more in incremental spend. The agency estimates that 85% of social media advertising dollars are coming from mobile devices and is forecasting that social media ad spend is forecast will rise 26% to US\$57bn in 2018.

Zenith Optimedia has forecast that internet advertising will grow at an average annual rate of 10% to 2020 and account for 44.6% of global ad spend by 2020. Within internet, display, online video and social media are the fastest growing ad formats. Ad spend in mobile internet is forecast to account for 29.3% of all media expenditure in 2020, according to Zenith Optimedia.

eMarketer has forecast that total ad spend will rise 7.4% to US\$629bn in 2018 and that digital media will account for 43.5% of this expenditure after growing 17.7%. eMarketer is also forecasting that digital's share of ad spend will be close to 50% by 2020 and just under 54% by 2022. We have set out eMarketer's forecasts in the following exhibit. The CAGR of global digital advertising expenditure to 2022 is forecast to be 10.6%.

Exhibit 7: Digital ad spend forecasts from 2017 to 2022



Source: eMarketer

The global digital advertising market, however, is dominated by Google and Facebook with a growing percentage of the space being challenged by Asian giants Alibaba, Baidu and Tencent.

The percentage available for players outside the top 10 is shrinking as eMarketer's data demonstrates in Exhibit 8. Offsetting this decline in percentage share is the growth in digital advertising revenues. The available pool of digital ad dollars for ex-top 10 has grown from US\$61bn in 2015 to US\$92bn in 2018.

Exhibit 8: Percentage share of digital ad revenues by company and year

	2015	2016	2017	2018
Google	32.8%	32.4%	31.7%	30.6%
Facebook	10.6%	13.3%	14.7%	15.6%
Alibaba	5.0%	4.6%	7.9%	9.2%
Baidu	5.5%	4.6%	4.5%	4.5%
Tencent	1.7%	1.6%	1.5%	1.4%
Microsoft	1.7%	1.6%	1.5%	1.4%
Yahoo	2.1%	1.5%	1.3%	1.1%
Twitter	1.2%	1.2%	1.1%	1.0%
Verizon	0.8%	0.7%	0.6%	0.6%
Amazon	0.6%	0.6%	0.6%	0.5%
Others	38.0%	37.9%	34.6%	34.1%
Total digital ad revenues (US\$billions)	161.77	194.60	229.25	269.85

Source: eMarketer, Sept 2016

Mobile connections and social media user penetration

Crowd Mobile is a mobile-first marketing & technology company that is targeting active social media users with its mobile content of games, questions answered, celebrity emojis, and videos. Globally, mobile connections are at 68% penetration of the total population with several regions at more than 100% penetration with consumers owning more than one device. Penetration rates of mobile social users, however, is lower, at 39% globally, and still growing at a strong rate, as the following exhibit shows.

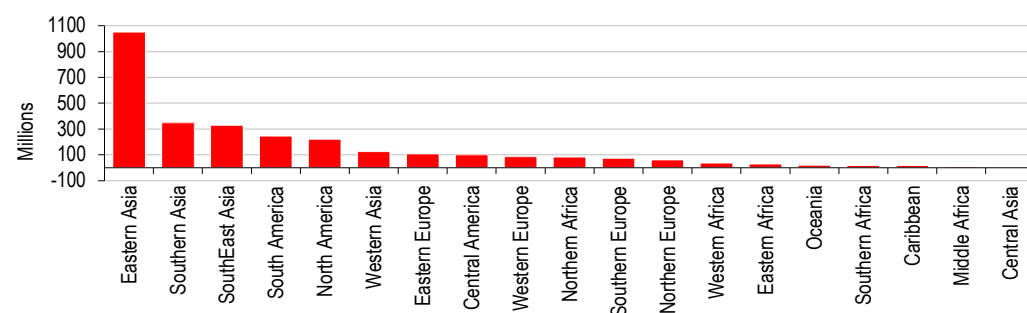
Exhibit 9: Mobile connections and active mobile social users at January 2018, penetration rates and % change on January 2017

Region	Mobile connections (millions)	Penetration vs Population	% chg on Jan 2017	Active mobile social users	Penetration	% chg on Jan 2017
Americas	1,070	106%	0%	581	57%	9%
Africa	1,040	82%	4%	172	14%	15%
Asia-Pacific	4,318	102%	8%	1713	41%	16%
Europe	1,106	131%	1%	376	45%	8%
Middle East	323	128%	3%	115	46%	39%
Global	5,135	68%	4%	2958	39%	14%

Source: wearesocial, Hootsuite, January 2018

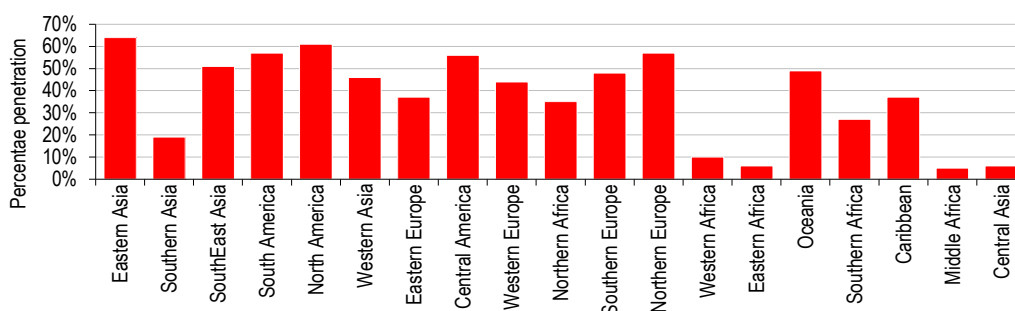
In its January 2018 Digital Year Book, wearesocial and Hootsuite have identified that Asia followed by the Americas have the most social media users by number but that penetration rate vary, as the following two exhibits show.

Exhibit 10: Mobile social media users by number and by geographic region



Source: wearesocial, Hootsuite January 2018

Exhibit 11: Mobile social media users by percentage penetration and by geographic region



Source: wearesocial, Hootsuite January 2018

Drilling down to individual country level, wearesocial and Hootsuite found that the United Arab Emirates had the highest penetration rate of mobile social media followed by several Asian countries – South Korea, Taiwan, Singapore, Hong Kong and Malaysia. Crowd Mobile’s operations are heavily skewed to Europe and the Middle East, with a growing presence in South America and Africa. Social media is yet to fully mature in some of these markets and therein lies the opportunity for companies like Crowd Mobile.

Exhibit 12: Mobile social media penetration of population by country

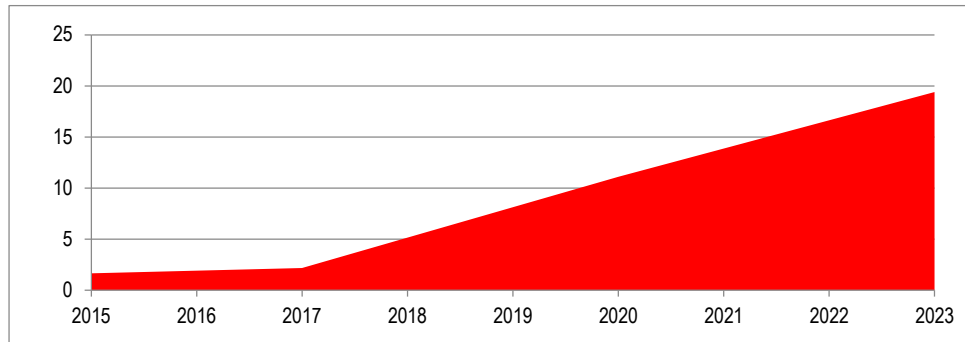
Country	Percentage penetration
UAE	92%
South Korea	84%
Taiwan	76%
Singapore	75%
Hong Kong	70%
Malaysia	69%
Argentina	67%
Thailand	67%
New Zealand	66%
China	65%
Sweden	63%
USA	61%
Australia	61%
Mexico	60%
Philippines	59%
Netherlands	57%
United Kingdom	57%
Brazil	57%
Canada	57%
Ireland	56%
Japan	56%
Portugal	55%
Belgium	55%
Saudi Arabia	55%
Turkey	54%
Vietnam	52%
Italy	51%
Spain	50%
France	48%
Indonesia	45%
Morocco	42%
Russia	39%
Poland	37%
Germany	36%
Egypt	36%
South Africa	28%
India	17%
Ghana	17%
Kenya	14%
Nigeria	9%

Source: wearesocial, Hootsuite January 2018

Gamification market

CM8's subscription business is also targeting millennials through mobile games, which is a rapidly growing market. Statista estimates that this sector will grow from US\$1.65bn in 2015 to US\$11.1bn in 2021 while Mondor Intelligence, in a report released in April 2018, estimates that the gamification market will grow from US\$2.17bn in 2017 to US\$19.4bn in 2023, a CAGR of 44%. We have set out these estimates in the following exhibit.

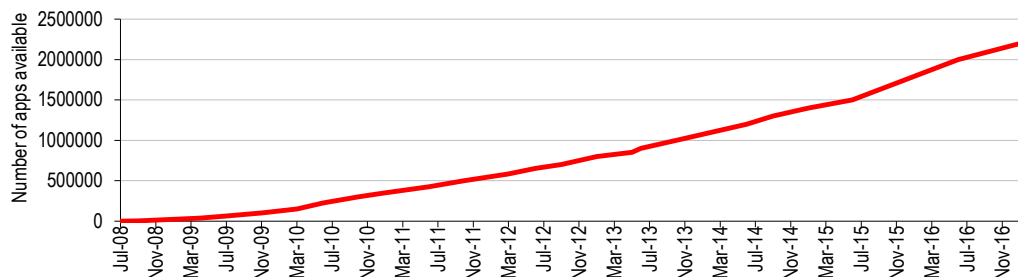
Exhibit 13: Gamification market forecasts (in US\$b)



Source: Mondor Intelligence, Statista

The growth in this market has been driven by the dominance of games in mobile apps. Since the introduction of the iPhone, mobile apps have grown markedly to almost 2.5m available on smartphones today.

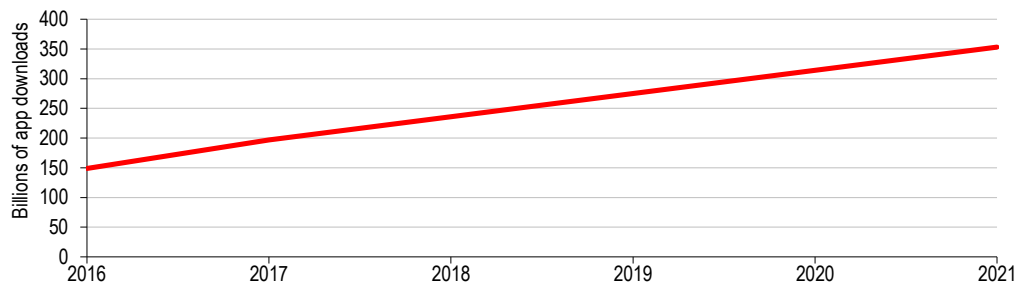
Exhibit 14: Growth in mobile apps



Source: Statista, AppAnnie, TechCrunch

Worldwide mobile app store revenues in 2015 were US\$29.2bn and are forecast by Statista to reach almost US\$72bn in 2020. Worldwide app downloads are forecast to increase from 149bn in 2016 to 353bn in 2021 as the following data from Statista shows.

Exhibit 15: Forecast app downloads



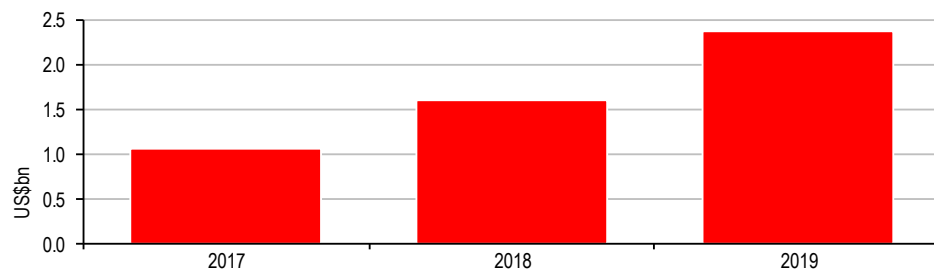
Source: Statista

Influencer marketing outlook

Influencer marketing now accounts for around 20% of consumer media consumption and is driving an increasing percentage of consumer purchasing. A survey of 1,000 people over 16 and conducted in early 2017, found that 57% had made a purchase based solely on an online influencer recommendation. This grew to 69% for millennials.¹

Social media outlets are the main venues for influencers, with Instagram the most dominant player. Statista estimates that the global Instagram Influencer Market was just over US\$1bn in 2017 and is forecasting this to rise to US\$2.38bn in 2019. Compare this with the US\$250bn that MagnaGlobal is predicting will be spent on digital advertising in 2018 and one can see that influencer marketing is still a tiny part of advertising budgets.

Exhibit 16: Global Instagram Influencer Market Size (US\$bn)

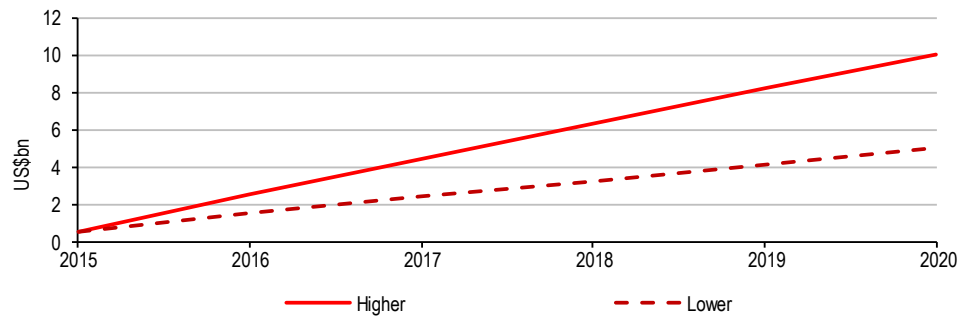


Source: Statista

Mediakix is forecasting global influencer marketing spend to reach from US\$5bn to US\$10bn in 2020, based on its high/low scenarios.

¹ 1 PR and content agency Good Relations report, January 2017, published in The Drum

Exhibit 17: Influencer marketing advertising spend globally



Source: Mediakix

The landscape for influencer marketing is geographically fragmented. Each country and jurisdiction has several agencies vying for campaigns from what are often global brands. There are some platforms which have moved to expand their geographic reach, including but not limited to Traackr, InfluencerDB and Australian platforms Vamp and Tribe. Ultimately consolidation in the sector is expected but the industry is still in its early stages. We have attempted to set out the competition in some of Crowd's major markets in the following exhibit.

Exhibit 18: Influencer marketing platforms by country

United Kingdom	Netherlands	Germany	France	North America
Crowd.	Crowd.	Crowd.	Crowd.	Americanoize
Engagehub	6Degrees	Hashtaglove	Canard Influencers	BrandBacker
indaHash	Influencersatwork	Influence.co	Hashoff	EngageBDR
influencer.uk	Socially Powerful	InfluencerDB	Octoly	HireInfluence
PMYB	Jointim	PMYB	Traackr	Hypr
Socially Powerful Media	Voicey.co	Pulse Advertising		Influential
tribegroup.co	IMA	StarNgage		InfluencerDB
Takumi		Socially Powerful		Influenster
Traackr		Upfluence		NinjaOutreach
Vamp				PopShorts
Whalar				Pulse Advertising
				Revfluence
				Speakr
				Traackr
				Vamp
				Viral Nation
				Zoomph

Source: RaaS analysis

RaaS Advisory's Crowd Mobile forecasts

We anticipate that Crowd Media will, over the longer term, overtake the subscription business in terms of contribution and importance and have built this into our forecasts. Our exhibit below sets out our forecasts for the business for the next five years.

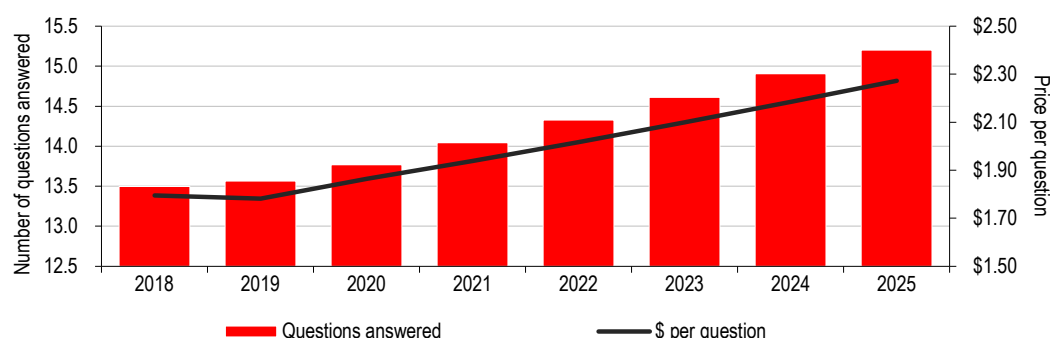
Exhibit 19: RaaS Advisory forecasts for Crowd Mobile (in A\$millions)

Year ending June 30	2019	2020	2021	2022	2023
Questions Answered	13.6	13.8	14.0	14.3	14.6
Q&A revenues	24.2	25.7	27.2	28.9	30.7
Q&A COGS	4.5	4.7	4.9	5.2	5.5
Q&A Gross Profit	19.7	21.0	22.3	23.7	25.2
Gross Profit Margin	82%	82%	82%	82%	82%
Marketing costs	6.9	7.2	7.5	7.8	8.1
Employee Costs	4.7	4.9	5.1	5.3	5.5
Other costs	2.0	2.1	2.2	2.3	2.3
Q&A EBITDA	6.1	6.8	7.6	8.4	9.2
Subscription Revenues	7.6	7.1	7.2	7.2	7.2
Subscription COGS	2.3	2.1	2.1	2.2	2.2
Subscription Gross Profit	5.3	5.0	5.0	5.0	5.1
Gross Profit Margin	70%	70%	70%	70%	70%
Marketing costs	1.6	1.4	1.4	1.4	1.4
Employee Costs	1.0	1.0	1.0	1.1	1.1
Other costs	0.7	0.7	0.8	0.8	0.8
Subscription EBITDA	2.1	1.9	1.8	1.8	1.7
Crowd Media revenues	5.5	14.2	19.0	21.4	22.6
Crowd Media COGS	3.6	9.1	12.2	13.7	14.5
Crowd Media Gross Profit	1.9	5.1	6.8	7.7	8.1
Gross Profit margin	34%	36%	36%	36%	36%
Marketing costs	0.0	0.0	0.0	0.0	0.0
Employee Costs	1.6	1.7	1.8	1.9	1.9
Other costs	0.9	1.0	1.0	1.0	1.1
Product development costs	1.2	1.2	1.3	1.3	1.4
Crowd Media EBITDA	(1.9)	1.2	2.8	3.5	3.7
Unallocated corporate costs	2.6	2.7	2.7	2.8	2.9
Underlying EBITDA	3.8	7.3	9.5	10.9	11.8
Share based payments and one off charges	0.1	0.1	0.1	0.1	0.1
Total EBITDA	3.7	7.2	9.4	10.8	11.7
Depreciation and Amortisation	0.1	0.1	0.1	0.1	0.1
EBIT	3.6	7.1	9.4	10.7	11.6
Net Interest	0.5	0.4	0.3	0.2	0.1
Taxation	0.9	2.0	2.7	3.1	3.5
NPAT before one-off items	2.2	4.7	6.3	7.3	8.1
EPS	0.98	2.11	2.84	3.30	3.64

Source: RaaS estimates

Our forecasts are for modest growth in questions answered and the price garnered for each question.

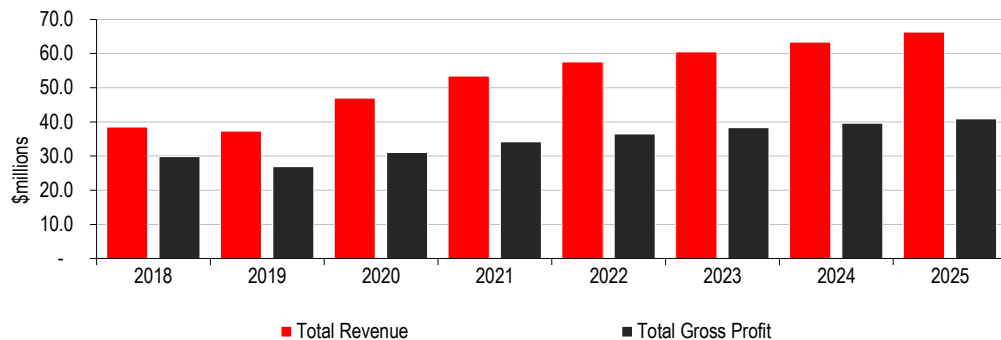
Exhibit 20: RaaS Advisory forecasts for questions answered and price paid per question



Source: RaaS Advisory forecasts

Similarly, we are forecasting for total revenues and gross profit to increase at modest CAGRs respectively of 4.7% and 3.0% from FY18 to FY25.

Exhibit 21: RaaS Advisory forecasts for total revenue and total gross margin



Source: RaaS Advisory forecasts

SWOT analysis

We set out the strengths, weaknesses, opportunities and threats that we see for CM8 in the following table. We believe the strengths and opportunities in CM8's business model outweigh the weaknesses and threats. Many of the opportunities require minimal additional capital.

Exhibit 22: SWOT Analysis

Strengths	Opportunities
Proven digital business model in both Q&A and subscription businesses	Opportunity to become a significant presence in the influencer market, particularly in Europe
Board and senior executive team experienced in building tech businesses	Opportunity to leverage Q&A's platform into third party revenues
Global network with no one carrier contributing more than 10% of revenues	ICOs could potentially be used to build influencer and follower loyalty, opportunity to extend to games
Profitable businesses in high growth sectors targeting millennial consumers	CM8's success with Geordie Shore's Gazmoji app could be extended to other popular personalities
Ability to scale the platform with little additional cost	Artificial Intelligence & Machine learning could help replace high cost experts
Strong partnerships with multi-national media and telco brands	Blockchain technology offers an opportunity to deliver a uniquely secure and transparent influencer platform
CEO and co-founder of Crowd is also expert in Blockchain, having been a co-founder of bitcoin.com.au, the trading platform for bitcoin	
Proprietary technology underpins the core businesses	
Weaknesses	Threats
Small player in a competitive market	Mobile advertising and social media dominated by US and Chinese giants with deep pockets
First acquisition, Track, did not deliver on management expectations, resulting in significant writedowns and reduced shareholder value, investors will be wary of any future acquisitions	Larger players have deeper pockets to market their products extensively
Vulnerable to currency swings with 80% of revenues exposed to Euro	Target market is fickle, constantly seeking the next big thing
Business vulnerable to needing constant investment in new product offerings	Established agencies such as WPP and Havas are investing heavily in influencer marketing and will utilise brand relationships to gain market share
	Australian experience with influencer marketing demonstrates that competitors can act irrationally on price to secure deals

Source: RaaS Advisory analysis

Sensitivities

In our view the key sensitivities relating to the CM8 business model are:

- **Competition** – Crowd Mobile is a small company in the world of mobile social media apps and is competing against global giants and many other smaller players for a slice of the US\$270bn digital advertising market.
- **Maintaining target audience:** Crowd Mobile's target market is 16 to 35 year old millennials, who have eschewed traditional media and demonstrated that as an audience, they are fickle, moving to

the next new game, social media platform, or influencer. This creates a challenge for CM8 to remain relevant to this market and may require the company to remain in a state of continual evolution. This potentially will result in ongoing investment in capex that may never benefit the bottom line.

- **Key Man risk:** The vision and drive of the company rests in the CEO and Executive Director Domenic Carosa (which has been somewhat mitigated with the recruitment of a new CFO and COO)
- **Acquisition risk:** CM8's acquisition of Track Concepts did not deliver on management's expectations and has resulted in significant writedowns (~\$26m) on the \$35.5m investment. In our view, investors are likely to expect the company to focus on improving returns on invested capital in the short to medium term before it considers any additional acquisitions.

Board and management

Directors

Non-Executive Chairman – Theo Hnarakis is highly experienced in scaling listed companies. He was previously the CEO and Managing Director of Melbourne IT (MWB) and a former non-executive director of Newzulu (NWZ). He is currently a Non-Executive Chairman of Dropsuite (DSE) and Farmgate.

CEO and Executive Director – Domenic Carosa is a technology pioneer, co-founding the first listed online music business which eventually was listed as destra Corporation, which was the largest listed independent media and entertainment company in the mid-2000s. He is also non-executive chairman of the Future Capital Development Fund, a pooled development fund which is focussed on early stage technology start-ups. He is a co-founder of bitcoin.com.au, one of the first exchanges for bitcoin. He previously has been a non-executive director of Harris Technology (HT8) and Collaborate (CL8).

Non-executive Director and Company Secretary – Sophie Karzis is a practising lawyer with more than 20 years' experience in corporate law. She is currently a non-executive director of Change Up Holdings and has previously been a non-executive director of Shoply which was acquired by Harris Technology (HT8).

Management

The senior management team includes the following members:

Chief Operating Officer – Michel de Jong was appointed Chief Operating Officer in H118 and is overseeing the core operations of the business, Q&A and Subscriptions while Domenic Carosa focuses on developing Crowd Media. Michel has previously held senior positions at General Electric and British Airways.

Chief Financial Officer – Antoaneta Ignatovska (Toni) was appointed Chief Financial Officer in April 2018 from the position of Financial Controller. Prior to joining Crowd Mobile in 2017, Toni held senior finance positions at Uber, NBC Universal and Booking.com.

Chief Growth Officer – Gregor Cooney joined Crowd Mobile in January 2011 and has previously held the position of General Manager Q&A & Crowd Media. He is now responsible for new revenue opportunities across the group. Prior to joining Crowd Mobile, Gregor was with NZME, New Zealand's largest media company.

DCF valuation

We use the discounted cashflow methodology to value CM8 as we believe this more accurately reflects its growth stage in its lifecycle. We have used a beta of 1.7, terminal growth rate of 2.0% and a WACC of 13.9%. This delivers a DCF/share of A\$0.21 as Exhibit 23 sets out below.

Exhibit 23: DCF Valuation	
Parameters	
Discount Rate / WACC	13.9%
Beta	1.7
Terminal growth rate assumption	2.0%
In A\$m	
Present value of cashflows	32.8
Present value of terminal value	20.7
PV of enterprise	53.5
Deduct debt at last balance date	0.6
Net value	52.9
Net value per share	\$0.24
Source: RaaS Advisory	

We are of the view that our WACC is appropriate given the higher risk, and therefore expected rate of return, that Crowd Mobile presents. Our following table sets out the impact on the DCF valuation of different Beta. To get to the current share price of \$0.048/share, we have to assume a beta of 5.55 which implies a discount rate of 38.9%.

Exhibit 24: WACC and Beta impact on DCF valuation		
WACC	Beta	DCF/share
10.0%	1.1	\$0.37
10.6%	1.2	\$0.33
11.3%	1.3	\$0.31
11.9%	1.4	\$0.29
12.6%	1.5	\$0.27
13.2%	1.6	\$0.25
13.9%	1.7	\$0.24
14.5%	1.8	\$0.22
15.2%	1.9	\$0.21
15.8%	2.0	\$0.20
16.5%	2.1	\$0.19
17.1%	2.2	\$0.18
Source: RaaS Analysis		

We have also undertaken a reverse DCF to determine what the current share price implies. Using the same WACC, Beta and terminal growth parameters, we determine that the current share price of \$0.048/share assumes a negative CAGR of 17.9% for free cashflows from 2018 to 2027. This, in our view, has factored in almost all the downside risk and no upside risk, despite the growth historically delivered by the company. From 2014 to 2017, the CAGR in EBIT was 28%. Our base valuation assumes a CAGR in free cashflows of 3.6% from 2018 to 2027 and the upside valuation which we will discuss in the section on scenario analysis on the following page assumes a CAGR in free cashflows of 13.1%.

Exhibit 25: Valuation discussion		
	Price	What it implies
Reverse DCF	\$0.046	Assumes a CAGR of (18.6%) in free cashflows for the 10 years to June 2027
Base valuation	\$0.24	Assumes a CAGR of 2.8% in free cashflows for the 10 years to June 2027
Upside valuation	\$0.54	Assumes a CAGR of 11.4% in free cashflows for the 10 years to June 2027
Downside valuation	\$0.02	Assumes a CAGR of (24.1%) in free cashflows for the 10 years to June 2027
Source: RaaS Advisory		

Peer Comparison

Crowd Mobile has no direct comparable listed peer but elements of its business model are reflected in several companies' models. We have identified 9 Australian listed companies which have aspects of Crowd Mobile's businesses. Engage:BDR (ASX:EN1) operates a US digital influencer network through Instagram and

has programmatic advertising platform at its core; Freelancer (ASX:FLN) is a micro-jobs network; Impelus (ASX:IMS) was formerly known as Mobile Embrace and is a mobile marketing and carrier billing m-commerce company; iSentric (ASX:ICU) is a mobile digital payments and content creation company focused on the Asia-Pacific market; Mitula Group (ASX:MUA) is a global digital classifieds aggregator and vertical search company with a similar global footprint to CM8; oOH! Media (ASX:OML) is predominantly an out of home business which is linking audiences from its physical assets to online, mobile and social media; PureProfile (ASX:PPL) is a data insights and programmatic media company; SmartTrans (ASX:SMA) provides m-payments solutions and carrier billing in Australia and China; and WPP Aunz (ASX:WPP) is the largest advertising group in Australia with particular focus on digital marketing.

Exhibit 26: Compco valuation multiples

Company	Code	Price \$A	Market Cap \$M	Enterprise Value \$M	FY17 Revenue \$M	FY17 EBITDA \$M	EV/ Revenue TTM (x)	EV/ EBITDA TTM (x)
engage:BDR	EN1	0.09	23	20	13.1	-8.7	1.55	n.a
Freelancer	FLN	0.57	258	226	50.3	-3.8	4.50	n.a
Impelus	IMS	0.02	11	16	52.6	5.1	0.30	3.1
iSentric	ICU	0.02	4	2	7.6	-13.2	0.32	n.a
Mitula Group	MUA	0.71	153	140	33.6	11.6	4.16	12.1
oOH! Media	OML	4.83	1,139	1,262	380.3	87.5	3.32	14.4
PureProfile	PPL	0.13	15	17	52.9	3.5	0.33	5.0
SmartTrans	SMA	0.004	11	11	3.2	-3.5	3.44	n.a
WPP Group	WPP	0.925	787	1,018	1,028.0	164.0	0.99	6.2
Median							1.55	6.2
Implied compco valuation for CM8							\$0.27	\$0.10

Source: Company Data, RaaS Estimates *prices as at August 7

As exhibit 26 demonstrates, based on the FY17 results and current share prices, the median EV/Sales multiple of this group is 1.55x and median EV/EBITDA multiple is 6.2x. Very few of these companies are covered by brokers so it is difficult to obtain consensus earnings to determine forward multiples for this peer comparison.

Based on the FY17 multiples, if we were to apply these to CM8's forecasted FY18 revenue and EBITDA, the implied peer valuation based on the EV/Sales multiple of 1.55x is \$0.27/share while the implied EV/EBITDA valuation is \$0.10/share.

Scenario analysis

We have undertaken two scenario analysis; an upside case, which assumes stronger rates of growth for the Q&A and Subscriptions businesses than we factor in for our base valuation; and a downside case which assumes very little additional growth in the business and an increase in the cost base. In these scenarios we have assumed the following:

- CAGR of Questions Answered of 1.4%, Subscription revenue decline of 10.1% and CAGR of 67% in Crowd Media revenues in our base case; 2.1% compound growth in Questions Answered, negative 8.0% growth in subscription revenues and 73.5% CAGR in Crowd Media revenues in an upside case; 0.7% CAGR in Questions Answered, negative 12.5% in subscription revenue growth and 62.3% CAGR in Crowd Media revenues in a downside case ;
- CAGR of 4.8% in Gross Profit in the Q&A business and 81.7% in the Crowd Media division but a decline in CAGR of 12.4% in subscription in our base case; 7.6% CAGR in Q&A GP, 91.8% in Crowd Media GP but a n 8.0% CAGR decline in subscription GP in an upside case; and 2.9% CAGR in Q&A gross profit, 83.0% CAGR in Crowd Media GP and a 14.9% decline in CAGR in subscription GP in a downside case. We have set out the estimates derived from these two scenarios in Exhibit 27 and 28 on the following pages.

Exhibit 27: Upside case (In A\$m unless otherwise stated)

Year ended June 30	2019	2020	2021	2022	2023
Questions Answered	13.6	14.0	14.4	14.8	15.3
Q&A revenues	24.7	27.0	29.5	32.3	35.3
Q&A COGS	4.0	4.2	4.4	4.8	5.3
Q&A Gross Profit	20.8	22.8	25.1	27.4	30.0
Gross Profit Margin	84%	85%	85%	85%	85%
Marketing costs	6.8	6.9	7.1	7.3	7.5
Employee Costs	4.3	4.4	4.5	4.6	4.8
Other costs	2.0	2.0	2.1	2.1	2.2
Q&A EBITDA	7.6	9.4	11.4	13.4	15.5
Subscription Revenues	9.1	8.6	8.7	8.8	8.8
Subscription COGS	2.7	2.5	2.5	2.5	2.6
Subscription Gross Profit	6.5	6.1	6.2	6.2	6.3
Gross Profit Margin	71%	71%	71%	71%	71%
Marketing costs	1.8	1.6	1.6	1.6	1.6
Employee Costs	0.9	0.9	0.9	0.9	1.0
Other costs	0.7	0.7	0.7	0.8	0.8
Subscription EBITDA	3.1	2.9	2.9	2.9	2.9
Crowd Media revenues	6.0	16.3	23.5	27.2	29.2
Crowd Media COGS	3.4	9.0	12.9	14.9	16.1
Crowd Media Gross Profit	2.6	7.3	10.6	12.2	13.2
Gross Profit margin	43%	45%	45%	45%	45%
Marketing costs	0.0	0.0	0.0	0.0	0.0
Employee Costs	1.4	1.4	1.5	1.5	1.5
Other costs	0.7	0.7	0.7	0.8	0.8
Product development costs	1.1	1.2	1.2	1.2	1.3
Crowd Media EBITDA	(0.7)	4.0	7.1	8.7	9.6
Unallocated corporate costs	2.6	2.6	2.7	2.7	2.8
Underlying EBITDA	7.5	13.8	18.9	22.4	25.4
Share based payments and one off charges	0.1	0.1	0.1	0.1	0.1
Total EBITDA	7.4	13.7	18.8	22.3	25.3
Depreciation and Amortisation	0.1	0.1	0.1	0.1	0.1
EBIT	7.3	13.7	18.8	22.2	25.2
Net Interest	0.5	0.4	0.2	(0.1)	(0.4)
Taxation	2.0	4.0	5.6	6.7	7.7
NPAT before one-off items	4.8	9.3	13.0	15.6	17.9
EPS	2.15	4.19	5.86	7.04	8.06

Source: RaaS Advisory

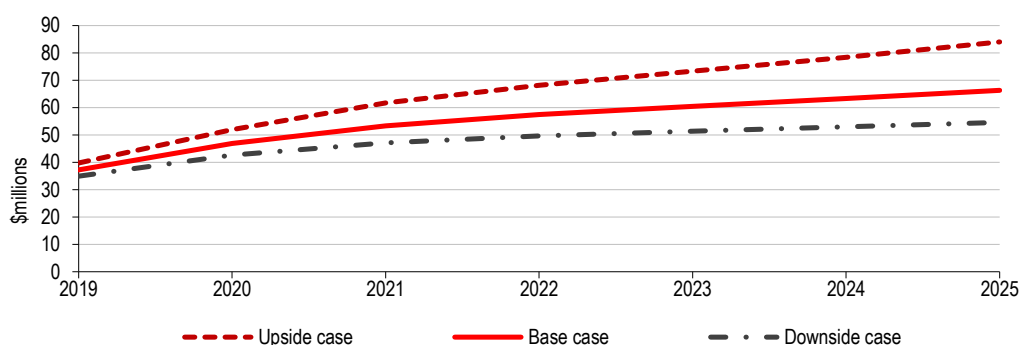
Exhibit 28: Downside case (In A\$m unless otherwise stated)

Year ended June 30	2019	2020	2021	2022	2023
Questions Answered	13.5	13.6	13.8	13.9	14.0
Q&A revenues	23.9	24.7	25.6	26.6	27.5
Q&A COGS	4.9	5.0	5.1	5.3	5.5
Q&A Gross Profit	19.0	19.7	20.5	21.3	22.0
Gross Profit Margin	80%	80%	80%	80%	80%
Marketing costs	7.1	7.5	8.0	8.4	8.8
Employee Costs	5.0	5.3	5.7	6.0	6.3
Other costs	2.0	2.1	2.3	2.4	2.5
Q&A EBITDA	4.8	4.7	4.6	4.5	4.5
Subscription Revenues	6.1	5.6	5.6	5.7	5.7
Subscription COGS	1.9	1.7	1.7	1.8	1.8
Subscription Gross Profit	4.2	3.9	3.9	3.9	3.9
Gross Profit Margin	69%	69%	69%	69%	69%
Marketing costs	1.3	1.1	1.1	1.1	1.1
Employee Costs	1.0	1.1	1.2	1.2	1.3
Other costs	0.7	0.8	0.8	0.9	0.9
Subscription EBITDA	1.2	0.9	0.8	0.7	0.6
Crowd Media revenues	5.0	12.3	15.9	17.4	18.2
Crowd Media COGS	3.6	8.4	10.8	11.8	12.4
Crowd Media Gross Profit	1.4	3.9	5.1	5.6	5.8
Gross Profit margin	29%	32%	32%	32%	32%
Marketing costs	0.0	0.0	0.0	0.0	0.1
Employee Costs	1.9	2.0	2.1	2.2	2.4
Other costs	1.1	1.2	1.3	1.4	1.5
Product development costs	1.2	1.3	1.3	1.4	1.5
Crowd Media EBITDA	(2.8)	(0.6)	0.3	0.5	0.4
Unallocated corporate costs	2.6	2.7	2.8	3.0	3.1
Underlying EBITDA	0.7	2.4	2.9	2.9	2.5
Share based payments and one off charges	0.1	0.1	0.1	0.1	0.1
Total EBITDA	0.6	2.3	2.8	2.8	2.4
Depreciation and Amortisation	0.1	0.1	0.1	0.1	0.1
EBIT	0.5	2.3	2.8	2.7	2.3
Net Interest	0.5	0.5	0.5	0.5	0.4
Taxation	(0.0)	0.5	0.7	0.7	0.6
NPAT before one-off items	(0.0)	1.2	1.6	1.6	1.3
EPS	(0.01)	0.54	0.71	0.70	0.59

Source: RaaS Advisory

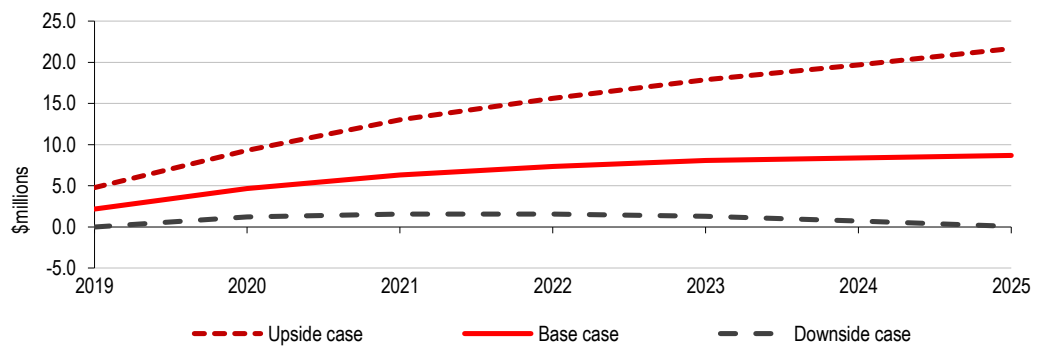
We have set out the revenue and EBITDA impact of these scenarios in the following two charts.

Exhibit 29: Revenue forecasts by scenario



Source: RaaS Advisory estimates

Exhibit 30: NPAT forecasts by scenario



Source: RaaS Advisory estimates

Exhibit 31: Financial Summary

Crowd Mobile (CM8.AX)						Share price (8 August 2018)					A\$	0.046					
Profit and Loss (A\$m)						Interim (A\$m)		H117A	H217A	H118A	H218F	H119F	H219F				
Y/E 30 June	FY16A	FY17A	FY18F	FY19F	FY20F	Revenue	21.5	22.7	21.1	17.4	17.4	19.9					
						EBITDA	4.7	6.2	2.8	0.8	1.5	2.3					
Revenue	37.0	43.9	38.5	37.3	46.9	EBIT	0.8	3.6	0.5	(1.3)	1.4	2.2					
EBITDA underlying *	8.8	11.0	3.6	3.8	7.3	NPAT (normalised)	(0.9)	0.8	(0.3)	0.0	0.8	1.4					
EBITDA reported	6.3	9.4	2.8	3.7	7.2	Minorities	-	-	-	-	-	-					
Depn	(0.2)	(0.3)	(0.2)	(0.1)	(0.1)	NPAT (reported)	(0.9)	0.8	(0.3)	(25.0)	0.8	1.4					
Amort	(3.6)	(4.8)	(3.4)	0.0	0.0	EPS (normalised)	(0.8)	0.4	(0.1)	0.0	0.4	0.6					
EBIT	2.6	4.4	(0.8)	3.6	7.1	EPS (reported)	(0.8)	0.4	(0.7)	(11.2)	0.4	0.6					
Interest	(2.0)	(4.2)	(1.5)	(0.5)	(0.4)	Dividend (cps)	-	-	-	-	-	-					
Tax	0.3	(0.3)	2.0	(0.9)	(2.0)	Imputation	30.0	30.0	30.0	30.0	30.0	30.0					
Minorities	0.0	0.0	0.0	0.0	0.0	Operating cash flow	1.5	2.9	2.6	0.2	1.7	1.7					
Equity accounted assoc	0.0	0.0	0.0	0.0	0.0	Free Cash flow	1.6	3.0	2.8	0.9	1.8	1.8					
NPAT pre significant items	0.9	(0.1)	(0.2)	2.2	4.7	Divisions	H117A	H217A	H118A	H218F	H119F	H219F					
Significant items	0.0	0.0	(25.4)	0.0	0.0	Rev - Q&A	10.6	14.2	12.6	11.7	11.9	12.3					
NPAT (reported)	0.9	(0.1)	(25.6)	2.2	4.7	Rev - Subscriptions	10.9	8.1	8.4	5.4	4.1	3.5					
Cash flow (A\$m)						Rev - CrowdAgency	-	-	0.1	0.3	1.4	4.1					
Y/E 30 June	FY16A	FY17A	FY18F	FY19F	FY20F												
EBITDA	6.3	9.4	2.8	3.7	7.2	COGS	(4.8)	(4.6)	(4.5)	(4.1)	(4.4)	(6.0)					
Interest	(2.0)	(4.2)	(1.5)	(0.5)	(0.4)												
Tax	(0.2)	(2.2)	(3.2)	(0.9)	(2.0)	Costs - Marketing	(6.6)	(6.1)	(6.8)	(4.3)	(4.3)	(4.2)					
Working capital changes	2.9	1.5	4.8	1.2	0.1	Costs - Employee	(3.3)	(3.4)	(4.1)	(3.5)	(3.6)	(3.7)					
Operating cash flow	7.0	4.5	2.9	3.4	4.9	Costs - Other operating	(2.1)	(1.8)	(2.3)	(1.9)	(1.8)	(1.8)					
Mtce capex	(0.2)	(0.2)	(0.5)	(0.0)	(0.0)	Costs - Non operating	(1.4)	(0.5)	(1.6)	(1.7)	(1.4)	(1.4)					
Free cash flow	6.8	4.4	2.4	3.4	4.9	EBITDA reported	3.3	6.1	1.7	1.9	1.4	2.3					
Growth capex	0.0	0.0	(0.1)	(0.2)	(0.2)												
Acquisitions/Disposals	(26.8)	0.0	0.0	0.0	0.0												
Other	0.0	(0.0)	0.8	0.0	0.0	Margins, Leverage, Returns	FY16A	FY17A	FY18F	FY19F	FY20F						
Cash flow pre financing	(20.0)	4.3	3.0	3.2	4.7	EBITDA		17.1%	21.4%	7.2%	9.8%	15.3%					
Equity	11.6	8.5	0.0	0.0	0.0	EBIT		7.0%	9.9%	-2.0%	9.7%	15.2%					
Debt	10.2	(9.6)	(5.0)	0.0	0.0	NPAT pre significant items		2.4%	-0.2%	(0.6%)	5.8%	10.0%					
Dividends paid	(0.2)	(0.3)	0.0	0.0	0.0	Net Debt (Cash)		14.5	2.8	0.6	(2.6)	(7.3)					
Net cash flow for year	1.5	2.9	(2.0)	3.2	4.7	Net debt/EBITDA (x)	(x)	2.3	0.3	0.2	(0.7)	(1.0)					
Balance sheet (A\$m)						ND/ND+Equity (%)	(%)	(213%)	(10%)	(11%)	24%	36%					
Y/E 30 June	FY16A	FY17A	FY18F	FY19F	FY20F	EBIT interest cover (x)	(x)	0.8	1.0	n/a	0.1	0.1					
Cash	2.9	5.2	2.6	5.8	10.5	ROA		5.3%	9.2%	-2.4%	20.2%	30.9%					
Accounts receivable	11.4	11.2	10.0	9.7	12.2	ROE		4.1%	(0.3%)	(142.2%)	30.1%	43.9%					
Inventory	0.0	0.0	0.0	0.0	0.0	ROIC		76%	62%	-27%	87%	55%					
Other current assets	0.7	0.4	0.4	0.4	0.4	NTA (per share)		0.02	0.07	0.03	0.04	0.06					
Total current assets	15.0	16.8	13.1	15.9	23.1	Working capital		6.9	6.4	5.9	4.7	4.5					
PPE	0.4	0.4	0.5	0.6	0.8	WC/Sales (%)		19%	15%	15%	13%	10%					
Goodwill	17.6	17.5	0.0	0.0	0.0	Revenue growth			19%	(12%)	(3%)	26%					
Investments	0.0	0.0	0.0	0.0	0.0	EBIT growth pa			69%	n/a	(577%)	97%					
Deferred tax asset	0.7	0.8	2.8	2.8	2.8	Pricing							FY16A	FY17A	FY18F	FY19F	FY20F
Other intangibles	15.4	10.6	0.0	0.0	0.0	No of shares (y/e)	(m)	185	181	222	222	222					
Total non current assets	34.1	29.3	3.3	3.5	3.6	Weighted Av Dil Shares	(m)	185	181	223	222	222					
Total Assets	49.2	46.1	16.4	19.4	26.7	EPS Reported		cps	0.56	(0.05)	(11.36)	0.98	2.11				
Accounts payable	4.5	4.8	4.2	5.0	7.7	EPS Normalised/Diluted		cps	0.56	(0.05)	(0.69)	0.98	2.11				
Short term debt	10.1	6.7	3.2	3.2	3.2	EPS growth (norm/dil)				n/a	n/a	(242%)	115%				
Tax payable	1.5	0.8	0.3	0.3	0.3	DPS	cps	-	-	-	-	-	-				
Other current liabilities	0.7	0.1	0.7	0.7	0.7	DPS Growth			n/a	n/a	n/a	n/a	n/a				
Total current liabilities	16.9	12.4	8.4	9.3	11.9	Dividend yield			0.0%	0.0%	0.0%	0.0%	0.0%				
Long term debt	7.3	1.3	0.0	0.0	0.0	Dividend imputation			30	30	30	30	30				
Other non current liabs	3.7	2.5	1.8	1.8	1.8	PE (x)			8.2	-	-	4.7	2.2				
Total long term liabilities	11.0	3.8	1.8	1.8	1.8	PE market					15.2	15.2	15.2				
Total Liabilities	27.9	16.2	10.2	11.1	13.7	Premium/(discount)						(69%)	(86%)				
Net Assets	21.3	29.9	6.1	8.3	13.0	EV/EBITDA			3.6	1.2	3.9	2.1	0.4				
Share capital	20.1	28.2	28.2	28.2	28.2	FCF/Share	cps		3.9	2.6	1.5	1.5	2.2				
Accumulated profits/losses	(2.1)	(2.2)	(27.4)	(25.3)	(20.6)	Price/FCF share			1.2	1.8	3.0	3.0	2.1				
Reserves	3.4	4.0	5.4	5.4	5.4	Free Cash flow Yield			85.1%	56.0%	33.2%	33.4%	48.0%				
Minorities	0.0	0.0	0.0	0.0	0.0	* EBITDA underlying excludes non cash share based payments and one-time items											
Total Shareholder funds	21.3	29.9	6.1	8.3	13.0												

Source: RaaS Advisory

FINANCIAL SERVICES GUIDE

RaaS Advisory Pty Ltd

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Corporate Authorised Representative, number 1248415

of

BR SECURITIES AUSTRALIA PTY LTD

ABN 92 168 734 530

AFSL 456663

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- our services
- how we transact with you
- how we are paid, and
- complaint processes

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