

# MSM Corporation International

Global, mobile emerging talent competition platform

Online Entertainment

## Scope

This report has been commissioned by MSM Corporation International Ltd to present investors with an explanation of the business model and to explore the value created from a range of possible outcomes.

## Investment summary

MSM has developed and operates Megastar, a software platform through which online talent contests will take place. The MSM platform will be used to operate a mobile/social talent competition where the winner will be awarded US\$1m. It is designed to leverage off audience obsession in talent discovery and promotion which has been demonstrated by successful TV talent competition programs (Idol, the Voice, Xfactor). User experiences will be enhanced through mobile gamification and social media engagement. MSM has the opportunity to capitalise on the universal popularity of successful talent competition formats and the rapid adoption of mobile, digital channels for entertainment.

MSM will utilise social influencers, sponsored performers, celebrity judges, hosts and partners to promote and attract interest in the platform and has already secured access to influencers with more than 25m followers. MSM has focused on attracting a deep pool of sponsored performers along with the appointments of a highly experienced executive producer, a popular and influential trio of hosts and a team of advisers and management with long-standing links to the entertainment industry.

The company intends to generate revenue from In-App purchases, subscriptions, advertising and eventually merchandising and data analysis.

Beta testing by the company has achieved viewer minutes 4.5 times that achieved by the average viewer and time spent a day on its app has been 6 times that achieved by the average app. These results were obtained with prizing of \$5-10k.

## Conclusions

We have developed a financial model using the company's performance hurdles as a basis for revenue and margin forecasts for the period to end of FY20. Thereafter we expect earnings to grow at CAGR of ~44% as the success of the product leads to new markets and new product development. This has generated a DCF valuation of \$0.96 per share with 67% of the value represented by value created post 2025. We do however see several risks ahead for MSM, with its business model heavily reliant on getting noticed by millennials and generation Y in a mobile marketplace that is overcrowded and dominated by major social media players. In our view the offer of US\$1m prizemoney for the winner together with the high production values we expect MSM will apply to its competition should act as a major drawcard.

We have calculated a reverse DCF to see what level of success is currently being priced in by the market. At 23c/share, the market is factoring revenue increasing ~4x in 8 years. This, in our view, represents a modest level of success which would most likely reduce the longevity of the product. With product success, the opportunity will come to enter new markets, develop new concepts and further monetisation opportunities.

This report has been prepared by RaaS Advisory Pty Ltd (A.C.N. 614 783 363) on behalf of MSM Corporation International Ltd and should be read in conjunction with the Financial Services Guide and Disclaimer at the end of the report.

15 May 2017

### Share details

ASX Code	MSM
Share price (at 15 May 17)	\$0.23
Market Capitalisation	\$71.1m
Shares on issue	309.2
Net cash at 31 Mar 2017	\$3.3m

### Share performance (12 months)



### Upside Case

- Strong board, advisory board and management with proven online entertainment expertise
- Management has largely met milestones set out in prospectus
- Beta testing has delivered proof of concept

### Downside Case

- Pre-revenue
- Moderate barriers to entry
- Success relies heavily on Millennial/GenY support

### Board of Directors

Adam Wellisch	Non-Executive Chairman
Dion Sullivan	CEO/Managing Director
Sophie McGill	Executive Director
Mark Clement	Non-Executive Director

### Company contacts

Dion Sullivan	+1 415-306-3910
Managing Director	dion@msmci.com
www.msmci.com/www.megastarmillionaire.com	

### RaaS Advisory contacts

Maira Daw	+61 418 697 275
	maira.daw@raasgroup.com
Finola Burke	+61 414 354 712
	finola.burke@raasgroup.com

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## MSM Corporation International Limited

**MSM Corporation International Ltd listed on ASX in December 2015 by selling Megastar Millionaire Pty Ltd into existing shell company Minerals Corporation Limited. At the same time MSM raised A\$7m (gross and not underwritten) by issuing 116,666,667 shares at A\$0.06 per share and 143m options. Since listing, MSM has developed and operates Megastar, a software platform through which online talent contests will take place. The MSM platform is designed to harness the audience obsession with talent discovery and promotion demonstrated by successful TV talent competition programs and to run an online talent contest where the winner is awarded prizemoney of US\$1m. Users' experiences will be enhanced through mobile gamification and social media engagement.**

### Investment case

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

- The popularity of talent contests has been well established through the success of TV programs including The Voice, X Factor, Idol and Big Brother. These programs have enjoyed universal success regardless of geography
- Rapid increases in the adoption of mobile, digital channels for entertainment, achieving goals and ambitions (ie fame and fortune) and for launching and selling products and services
- The company has tapped into key influencer networks with an audience reach of more than 25m and established arrangements to promote the contest
- The timetable set in the Prospectus (December 2015) has largely been met, albeit that the first contest has been delayed by one quarter, due to delays in negotiating agreements with A-list celebrities (the timing of the signings is seen as largely outside the control of MSM)
- Results from the beta tests, as well as independent 3<sup>rd</sup> party research (hub Entertainment Research) indicate that there is a reasonable likelihood that user engagement should result in a loyal fan base prepared to spend somewhere in the range of US\$1 to US\$25 per tournament with more frequent return and usage than those experienced by average apps
- The company has attracted highly experienced media executives to its board, advisory board and executive team, which will assist in underpinning its success.

### Indicative valuation

MSM is an early stage company, pre-revenue and with a business concept yet to be fully tested. However, we have produced a financial model using the hurdles set down in the company's prospectus for the vesting of the performance shares. This gives us a DCF valuation of \$0.96 per share. We would expect a significant gap between the DCF valuation (a fundamental valuation based on the achievement of Performance Share hurdles) and the price that the market is prepared to pay. We see this gap closing as key milestones are achieved and we expect that value accretion will accelerate as more milestones are met.

## History

The development of the Megastar platform was conceived by MSM's Managing Director Mr Dion Sullivan and Chairman Mr Adam Wellisch as a way of migrating the proven talent contest model from TV to the online mobile environment. It crystallised with the acquisition of the original domain MegastarMillionaire.com on 2 July 2013. At the time of the ASX listing in January 2016 MSM had no trading history and was described in the Prospectus as "an early stage company and has yet to develop the Megastar Platform"<sup>1</sup>. Patent and trade mark applications were pending at the time of the float however, the platform was still in the initial design concept stage. Third party developers had been hired and a development program was in place for the platform development to be completed by fourth quarter of 2016 or the first quarter of 2017.

The plan at the time of the IPO was to open the first contest to US residents only and to offer prize money of US\$1m to the winner and US\$0.1m to each of four runners up. The winner would also have the opportunity to appear in an online film produced by Digital Riot Media.

## Meeting milestones

Since the IPO MSM has delivered on key milestones including:

<b>Exhibit 1: MSM – Milestone performance</b>			
<b>Milestone</b>	<b>Date</b>	<b>Result</b>	<b>Comment</b>
Prototype platform launch	May-16	Met	
Friends and Family test	Jun-16	Met	
Qualitative results of test	Jul-16	Met	
Closed beta testing	Sept-Oct-16	Met	
Small "Open Audition" tournaments	Q1 17	Ongoing	
2nd round qualitative research	Early 17	Ongoing	
Consumer marketing campaigns	Before launch	Ongoing	
World-wide launch	Q1 17	Missed	Now Q217
Source: Company data. Note: Qualitative research undertaken by HUB Entertainment Research			

The first tournament has been extended outside of USA to become the first global online talent competition with the winner being's prize money of US\$1m. The launch has been delayed one quarter and will now commence towards the end of Q217. The delay has been attributed to the time taken to sign A-class celebrities to host and judge the first contest.

As outlined above MSM has largely met the milestones set out in its Prospectus. The following is a list of suggested milestones which should trigger a value increment:

- Total Audience Reach of 25m
- 400,000 monthly average users (MAU) which should mean that advertisers will be attracted to the MSM site
- Sponsorship of WWT1 including the finale
- Cash breakeven
- 1m MAU and then 2m MAU.

## Building a market

Key to building a market is the engagement of those who already have significant followings in the online space and in particular on social media. MSM has been successful in signing

<sup>1</sup> MSM International Corporation Limited, Prospectus, page 16

influencers and hosts with a combined following of more than 25 million and has tapped into key influencer networks with access to more than 5 billion followers.

#### Exhibit 2: MSM – Social influencers, key staff

Significant signings	Position	Date	Followers (m)
DanceOn	Social influencer		8.5
Chelsea Briggs and Social Influencers	Host Closed Beta	Sep-16	8.0
SketchSHE	Host competition	Mar-17	3.0
Marion Farrelly (X Factor)	Executive Producer	Mar-17	N/A
Shawn Johnson East	Social influencer/competitor	May-17	2.7
Brodie Smith	Social influencer/competitor	May-17	4.3
TOTAL			25.5

#### To be signed

Celebrity Judges/Hosts

Source: Company data. Note: Celebrity Judges/Hosts are expected to be signed in Q217 ahead of a launch of the first world-wide Megastar competition

Influencers are seen to be a key component in promoting the competition. The company has engaged 14 dancers from DanceOn. Founded by Madonna with a high-profile board of entertainment A-listers, DanceOn one of the internet's largest digital communities of influential dancers with a total audience reach of more than 100 million across mobile, web and streaming platforms. The 14 dancers, who have combined total audience reach of more than 8.5m million, will all enter the competition.

MSM has also signed as the hosts of its first competition, SketchSHE, a globally recognised comedy trio that create, direct and produce popular videos which have a track record of going viral on YouTube. Featuring Shae-Lee Shackleford, Lana Kington and Madison Lloyd, the group's videos on its YouTube channel have more than 100 million cumulative views from across the globe and have a total audience reach of more than 3 million across their social media channels. In addition there are nine independent performers with a total audience of 8 million. The company has also invested US\$100,000 in Influential Network Inc, the IBM Watson AI-driven platform with more than 15,000 influencers reaching more than 5 billion social media followers. Influential will match the most appropriate social influencers on its platform to promote Megastar. In early May, the company signed Olympic Gold medallist gymnast Shawn Johnson East and Frisbee trick stunt performer Brodie Smith to compete in the competition. Combined they have an audience reach of more than 7m.

The appointment of Marion Farrelly, former boss of the XFactor and a highly experienced television producer in the talent genre, was a significant step forward for MSM. Ms Farrelly will be in charge of talent production and developing the format of the host and celebrity talent videos.

## How MSM makes money

At the time of the Reverse Takeover (RTO) transaction, MSM envisaged charging contestants to enter. In order to engage as many contestants in the first contest as possible MSM has decided that entry will be free.

In the first Megastar contest, MSM plans to monetise the competition are as follows:

- In App purchasing (experience enhancements, premium content, digital merchandise, physical merchandise)
- Advertising revenues

- Sponsorship opportunities (later stages of Tournament, as well as finale)
- Data re-sale (significant brand intelligence opportunity)
- Performer crowd sourcing (tipping, donations, one to one Performer to Fan engagement)
- Licensing and royalties for the use of the Megastar brand and platform for non-English-language competitions.
- “White label” model for sale by way of licence fee or revenue share, to third parties to adopt the Megastar Platform for their own branded contests.

## Potential use of Big Data

Data analytics are expected to be a feature of the MSM business model in the following ways:

- Analysing public domain information (such as YouTube feeds) to unearth potential contestants and sending them personalised invitations to enter the competition
- 1<sup>st</sup> party, predictive analysis (machine learning) that allows for analysis of previous consumer data to predict then drive future consumer behaviour. Sophisticated brands will pay premiums for high quality, segmented market intelligence
- Fan retention and up marketing strategies (Customer Relationship Management; CRM)

## Worldwide Tournament No 1 (WWT1)

Worldwide Tournament No 1 (WWT1) will commence at the end of June 2017 and will be completed in H118 (by 31 December 2017). MSM management sees the development of the product in three phases and this is set out in the following table.

Exhibit 3: WWT1 revenue proportioned by product			
Stages	WWT1	Revenue opportunity	WWT1 proportion
Sowing	First 3 months	In App revenue	40%
Reaping	From Day 30	+ advertising	45%
Harvesting	Minimal	+ sponsorship	15%
	None	+ sale big data	0%
Source: Company data			

WWT1 will be more about audience engagement, proof of concept and less about monetisation. Audience engagement will build eyeballs which in turn will generate more In App revenue (through subscription and In App purchases of virtual and real goods), and lead to advertising revenue, sponsorship and in time the sale of data.

Monetisation requires the development of critical mass in terms of audience numbers. In order to attract any advertising revenue, industry standards suggest that there needs to be an audience of about 400,000 (combination of Fans and Performers).

WWT1 will have three stages plus a grand final:

- Open Auditions with large numbers of performers who are promoting their videos to earn points needed to attract a producer’s review
- Stage 1 : ~1,000 Performers (selected from those that earn producer’s reviews)
- Stage 2: 250 Performers
- Stage 3: 50 Performers
- Final Stage: 10 Performers

Key indicators to determine likely success will be:

- The number of overall App downloads
- Sessions per day for the average user
- Minutes per day for the average user

In determining whether a user will develop into a significant long term user in the digital world the time frame is defined as:

Day 1

Day 3

Day 7

Day 14 (usually hooked and on the way to becoming a loyal user)

Day 28

Early signs from the three separate beta tests are:

- the minutes per day achieved is ~13 minutes per day compared with the industry average of 2.46 minutes per day (ie MSM beta tests achieved 4.5 times that achieved by the average user)
- in terms of the number of sessions per day the industry average is half a session per day. MSM users were engaged in 3.5 sessions per day.
- Day (D) 14 retention; Megastar averaged 34% across its 3 betas. Entertainment industry average is 13%

Beta tests are seen as one way of gauging likely customer reaction. It is likely that the actual results will be a little lower than the beta test results, due to sheer volume of activity but the early indications are that the MSM usage should be materially higher than the average.

MSM expects monetisation in the later stages of WWT1 once critical mass has been achieved. Exhibit 3 on page 8 shows that ~85% of WWT1 revenues will be generated from in App purchases and advertising.

Third party (hub Entertainment Research) Quantitative research undertaken by MSM showed that 28% of the total surveyed group were prepared to pay between \$1 and \$25 during WWT1. If we use a total audience reach of 25m and assume that 40% will become active members (ie download the App) and of these 8m who have downloaded the App, 5% of these will monetise and spend say \$10 this results in \$4m of revenue from 400,000 Daily Active Users (DAU)

Research carried out in UK (1,000) and USA (2,000) – participants were aged from 15-45 with a smart phone, membership of two social networks, downloads of > videos per week. They were given a review of Megastar and taken through a demonstration. Total possible audience in the UK and the USA – 81m – if 10% adopt that would be 8m DAU and of this 3-5% are likely to monetise.

## Product life cycle and new products

Our financial model uses a product life cycle based on popular TV talent quests and also assumes that new products will be added as interest in the original product wanes. The life cycle we have used in our modelling is as set out below:

<b>Exhibit 4: Life Cycle Chart</b>			
Financial Year	No. of WWT	% of peak engagement	New product introduction
2017	1	50%	No
2018	2	55%	No
2019	2	80%	No
2020	2	90%	Yes
2021	2	100%	No
2022	2	70%	No
2025	2	50%	No
Source: RaaS Advisory			

## Strategic Partnerships

MSM has entered into a number of strategic partnerships since it listed. In addition to the US\$100,000 investment it made in Influential Network Inc which we discussed earlier, MSM has invested US\$350,000 in equity or other instruments in other adjacent businesses. These include:

**ToneDen** has a growing database of more than half a million artists. In August 2015 MSM invested US\$300,000 to acquire a 5% equity interest in ToneDen which operates a music creation mobile software platform that provides fans with a direct point of contact with the artists and allows fans to easily share their likes, dislikes and comments with their networks. MSM's investment on ToneDen should provide MSM to access ToneDen's artist community and music industry influencers to promote the Megastar talent contest.

**Digital Riot Media** has strong connections with MSM. Its CEO (John Baldecchi) is on the MSM advisory board and its chair and co-founder Doug Barry is the chairman of MSM's US operations. MSM invested US\$50,000 in a convertible note in August 2015. Digital Riot operates a direct to consumer digital movie studio and has agreed to support MSM's Megastar competition by allowing a number of winners the opportunity of a supporting role within one, or more, of Digital Riot's short-form films.

**ROAR, LLC** operates an agency business for talent, music and brands and has agreed to assist MSM by advising on monetisation of talent, strategic partners, media strategy and commercial arrangements with celebrities.

## Key Hires

<b>Exhibit 5: MSM – Key Hires</b>				
Position	Personnel	Experience	Previous	Date
Executive producer of Studio	Josh Heenan	12 years	Zynga	22-Jan-16
Director of Engineering	Eric Cook	10 years	Digital Chocolate, Nexon	22-Jan-16
Data Scientist	Roman Sharkey	8 years	Google	23-Mar-16
Executive Producer	Marion Farrelly	20+ years	BBC World Wide	27-Mar-17
Source: Company data				

The recent appointment of Marion Farrelly is a key appointment and should enhance the ability of MSM to secure an A-list celebrity to host the initial contest. Ms Farrelly has worked on a number of leading TV programs in USA, UK and Australia. These programs include X Factor,



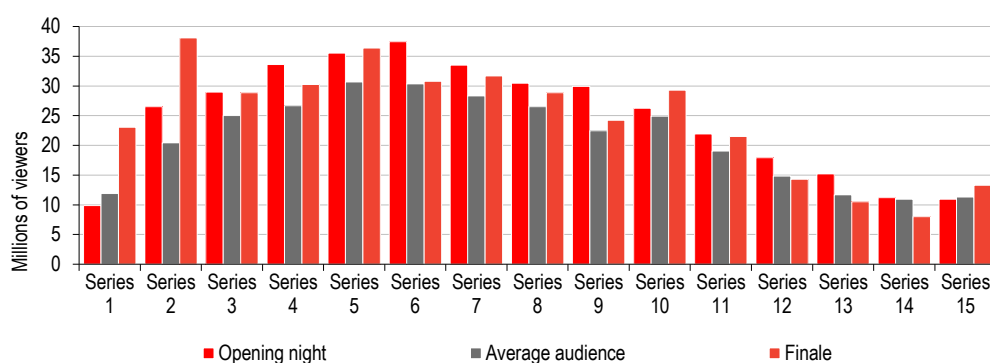
Celebrity Apprentice and the UK and Australian versions of Big Brother. Her most recent appointment was as Creative Strategist at BBC World Wide.

## Industry

The Megastar format is based on highly successful broadcast contest formats. To understand the potential audience takeup of WWT1 and beyond, we have examined the ratings performance of early talent and contest formats such as American Idol and Big Brother and more recent formats such as X Factor and The Voice. It should be noted that in terms of format, Megastar will most closely align to American Idol which weeds out thousands of contestants initially and whittles them down to a final 12 over 12+ weeks.

As Exhibit 6 highlights, American Idol, which is arguably the most successful talent contest in US history, garnered audiences of up to 38 million for Fox, the host network. The lifecycle of this show demonstrates that series 1 audience ratings built from the premiere, through the season to more than double at the finale. Subsequent years saw growth in the premiere and average audience for the season until at least series 7. After that, audience numbers gradually trailed off, but still remain largely higher than the first series.

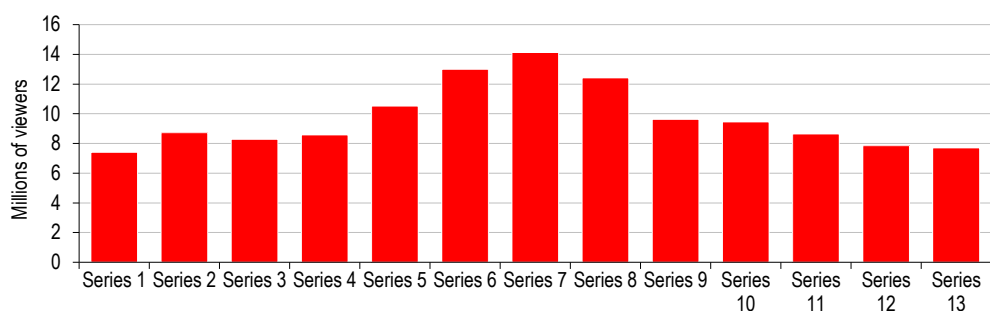
**Exhibit 6: American Idol audience trends across life cycle**



Source: American Idol, Nielsen ratings

Similarly, the XFactor in the UK has demonstrated a similar growth profile with average audiences steadily growing before peaking after several years. The latest series of the XFactor aired in 2016 still delivered a higher average audience than the first series in 2004.

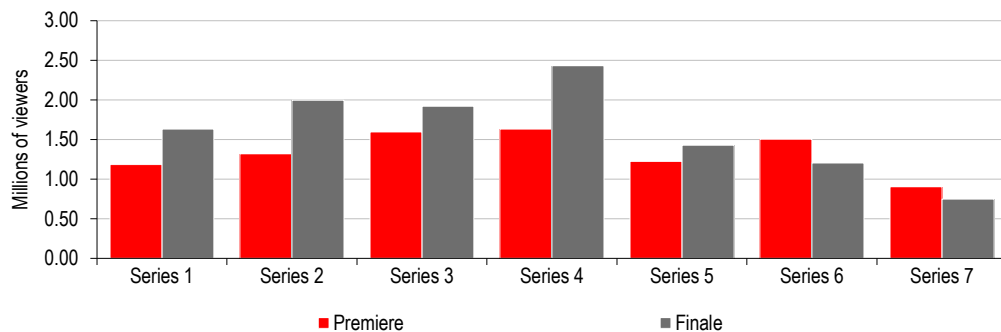
**Exhibit 7: The XFactor UK audience trends across life cycle**



Source: BARB

The Australian version of the XFactor behaved in a similar manner, although for a much shorter period. As Exhibit 8 shows, the premieres and finales showed growth before turning. The last series, aired in late 2016, is likely to be its final.

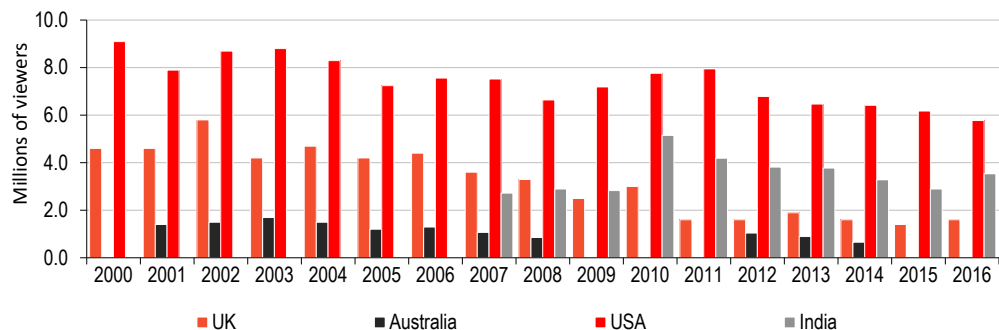
**Exhibit 8: Australian X Factor audiences for premieres and finales**



Source: OzTam

The Endemol (who Sophie McGill, MSMCI's Executive Director of Asia Pacific worked for) produced Big Brother series has experienced similar build and decline in the UK, Australia and India but experienced its highest ever average audience in the first series in the US as the following exhibit shows.

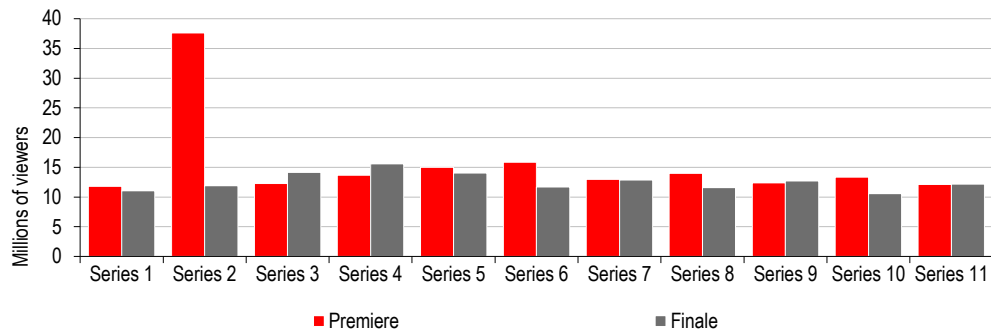
**Exhibit 9: Big Brother franchise average TV audience by country and by year**



Source: Big Brother, Nielsen, BARB, OzTam ratings

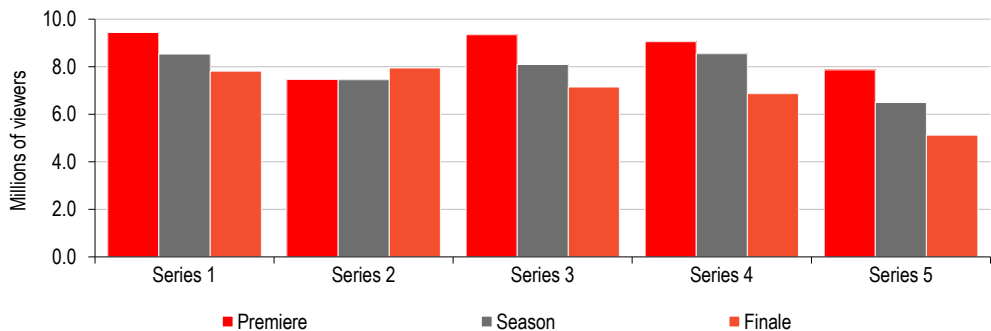
The Voice, which is the most recent talent format to be introduced to viewers, has exhibited different audience behaviour, largely due to the popular blind auditions in the first two to three weeks of the program. As the following exhibit demonstrates the premiere shows tend to attract a higher audience than the finales. This is the case across the US, UK and Australian versions as Exhibits 10, 11 and 12 show on the following page.

**Exhibit 10: The Voice USA Premiere and Finale audiences**



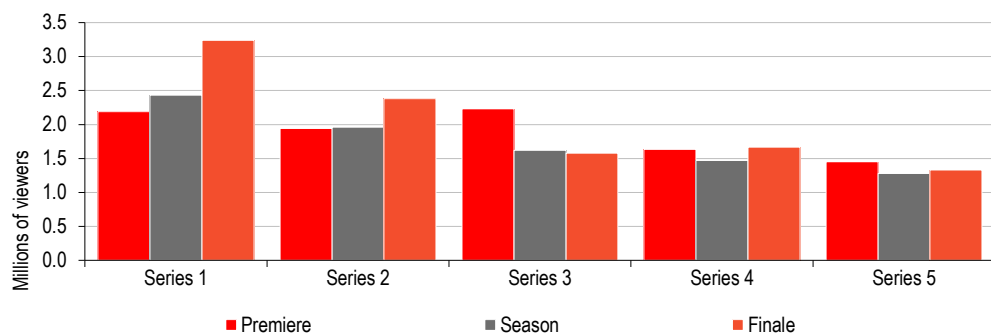
Source: NBC/Nielsen

**Exhibit 11: The Voice UK premiere, season and finale audiences**



Source: BARB

**Exhibit 12: The Voice Australia premiere, season and finale audiences**



Source: OzTam

Social media will play a significant part in Megastar's success, therefore it is worth considering how the broadcast talent formats have fared on social media platforms.

As the exhibit on the following table demonstrates, more recently broadcast formats such as The Voice in the US has attracted more subscribers, followers, views and likes that the earlier formats like American Idol. This can be attributed to the rapid growth in smartphone usage and social

media apps such as Facebook, Twitter, YouTube and Instagram. It demonstrates that audiences want a relationship with talent beyond the push broadcast experience.

**Exhibit 13: Social media audiences generated by popular broadcast television talent shows**

In millions of subscribers/views/likes	American Idol	The Voice (US)	The Voice (UK)	The Voice (AUS)	X Factor (US)	X Factor (UK)	X Factor (AUS)
YouTube subscribers	0.75	5.05	0.12	0.44	4.18	5.45	0.52
YouTube views	161.87	1398.93	77.29	444.44	966.93	4417.66	12.74
Facebook likes	12.45	16.68	2.71	1.01	3.32	8.75	0.97
Twitter Followers	2.80	4.86	0.04	0.21	2.94	7.02	0.35

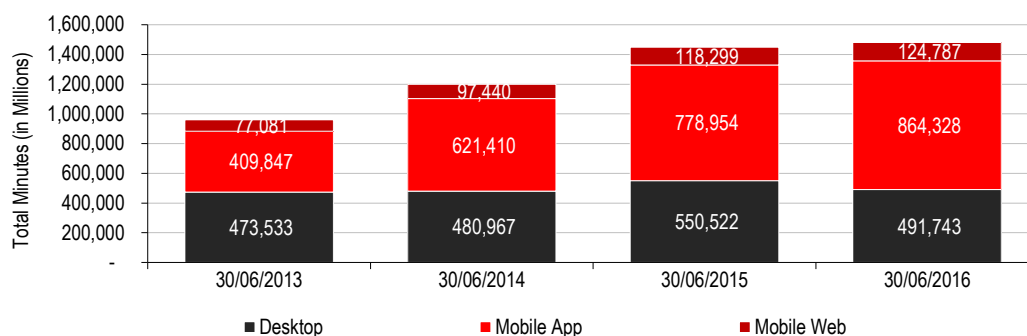
Source: YouTube, Facebook, Twitter

## Mobile app usage

One of the greatest challenges for any new mobile app player is to attract the attention of its target audience. Opera Mediaworks estimates that there are now 2.2million iPhone apps and 2.8million Android apps. This has more than doubled in the past three years.

So while the amount of time being spent by viewers on their smartphones is rapidly expanding, the ability to grab the attention of those viewers is getting tougher. Exhibit 14 demonstrates the rapid growth of minutes dedicated to smartphones by US consumers who now consume 864 million minutes a year versus 410 million four years ago.

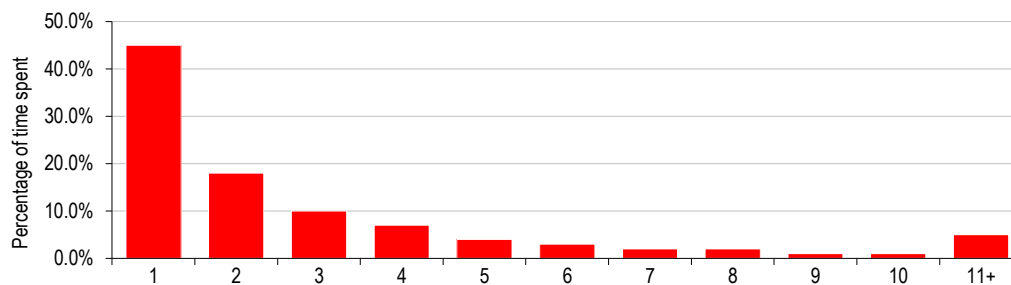
**Exhibit 14: Growth in digital media time in the USA (total million minutes per year)**



Source: comScore Mobile Metrix, U.S., Age 18+, June 2016

And as comScore revealed in its recent Mobile Metrix report, the ability to attract consumers away from their favourite app is tough. Exhibit 15 shows that US smartphone owners spend 45% of their time on just one app only and 73% of their time is spent on just three apps.

**Exhibit 15: Percentage of time spent on smartphone apps**



Source: comScore Mobile Metrix, U.S., Age 18+, June 2016

Social Media and messaging apps are the most popular as Exhibit 16 shows. Unsurprisingly, all the major internet companies dominate the app space.

**Exhibit 16: Top 10 most visited smartphone apps**

	'000 visits
Facebook	149,562
Facebook Messenger	129,676
YouTube	116,403
Google Maps	95,311
Google Search	89,924
Google Play	86,713
Gmail	78,734
Pandora	76,500
Instagram	75,385
Amazon	67,489

Source: comScore Mobile Metrix, U.S., Age 18+, June 2016

Additionally, the chance of getting a consumer to download an app is more challenging. comScore estimates that 49% of people aged 13+ never download new apps and that the average number of apps being downloaded by US consumers per month is just 3.5. In a universe of more than 2.5 million apps, it is very competitive.

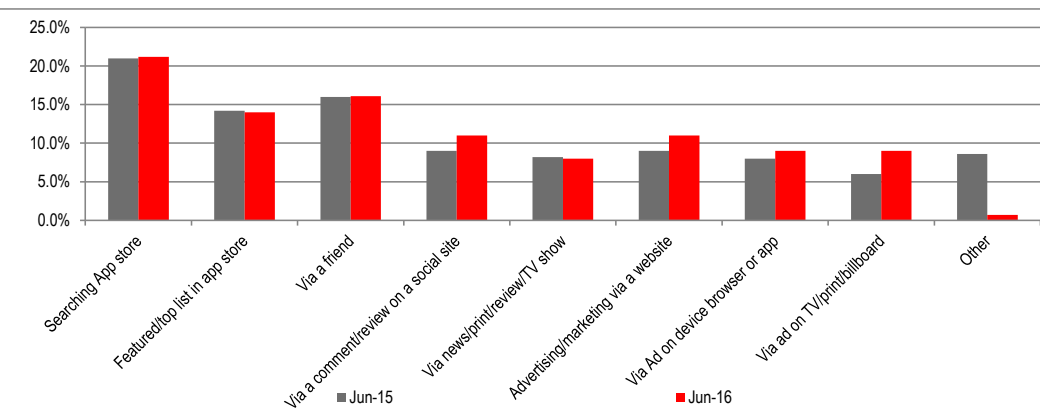
**Exhibit 17: Mobile apps downloaded per month by people 13+**

Number of mobile apps downloaded	%
0	49.0
1	13.0
2	11.0
3	8.0
4	6.0
5-7	7.0
8+	6.0
3.5	Average

Source: comScore

For MSM, the ability to have the Megastar app discovered will be crucial to its success. Being found in the app store is still the number one source of discovery, but as the exhibit below shows, consumers are increasingly being influenced by comments and reviews on social sites as well as marketing and advertising on websites.

**Exhibit 18: Source of discovery for new apps**



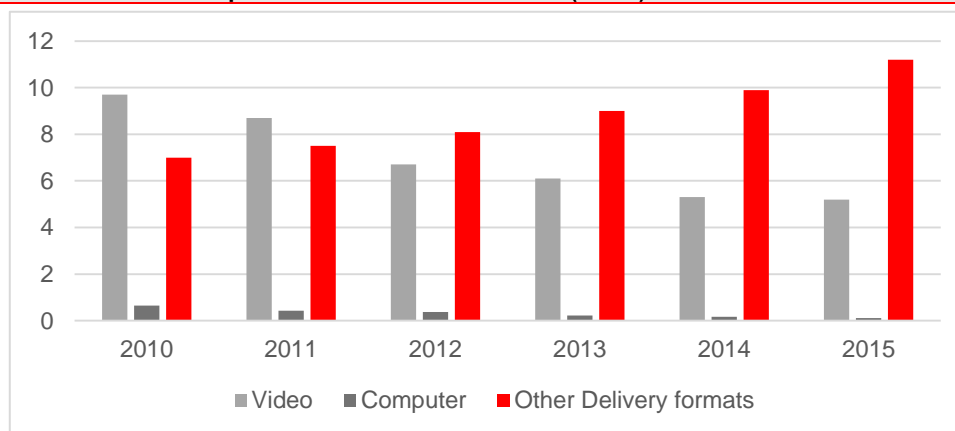
Source: comScore

## Gaming markets

Megastar is a contest, in a tournament structure and therefore considered a game of chance in the US. We have briefly looked at the US gaming market in this context.

The total consumer spend on the games industry in US in 2015 was US\$23.5b of which US\$16.5b was spent on content. The chart below shows the move from video games to games delivered by other means including subscriptions, digital add on content, mobile apps and social gaming.

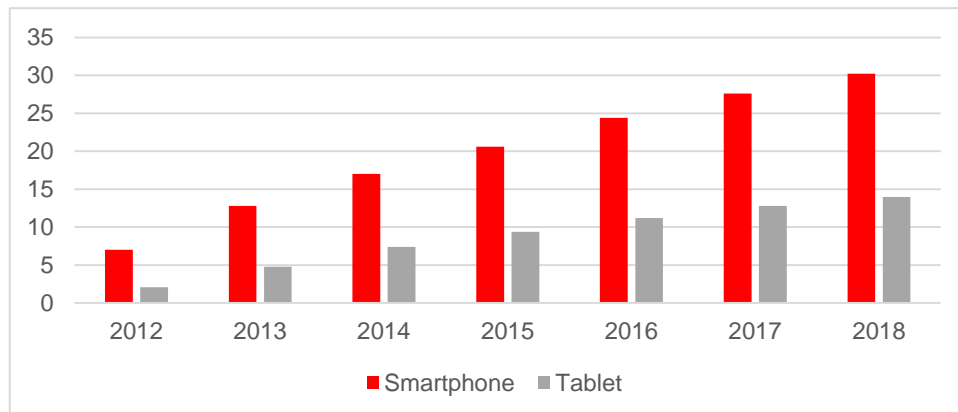
**Exhibit 19: US Computer and Video Games sales (US\$b)**



Source: NDP Group/Retail Tracking Service, Games Market Dynamics US

Statista estimates that by 2018 the worldwide spend on mobile devices will be US\$44b. The growth in the use of mobile devices is illustrated in data on worldwide use of mobile devices for gaming.

**Exhibit 20: Worldwide gaming revenue (US\$b) on mobile devices**



Source: Statista

In the US, 63% of households include at least one person who on average spends 3 hours or more per week playing games. The average age of a game player is 35 years with women aged 18 and older representing the most significant proportion of the gaming population (31%). Social games are high up on the list of choices for frequent gamers (48%). 67% of these gamers use a smartphone or dedicated wireless device.

### Competitive landscape

The Megastar contest will be launched in Q2'17 and be the first online talent contest to offer a significant prize of US\$1million per tournament, as well as the ability to audition in a fully digital full length film, via MSM's relationship with Digital Riot Media (DRM). We see these as key points of difference and a key attraction for contestants and talent. While there are no online talent contests quite like Megastar, there are a number of online contests that involve aspects of the MSM contest:

- Chosen – a karaoke/lip synching video gamification mobile application which is based in Berkeley, California and has raised US\$10m in three funding rounds. It claims to be the first video talent competition 'for everyone'. Ellen DeGeneres has invested and is partnering with Chosen to bring content to her TV show. Chosen has attracted just 9,078 views on YouTube and 5,055 followers on Facebook.
- Euromusic Contest – has operated European-wide online song contests from 2011 to 2014 with the last claiming 2,200 artists from 40 countries and 110,000 votes. Judges are influencers, bloggers and executives from the music industry. Prizes include recording sessions and airfares and accommodation to perform at a final concert.
- Global Rockstar – a worldwide song contest open to all musicians and singers. Global Rockstar 2015 had a first prize of US\$25,000. Fans are encouraged to vote for performers from their countries which are whittled down to 132 finalists. The site claims 900,000 Facebook fans and more than 250,000 votes via social media.
- Starmaker Studios – a technology driven company focused on discovering musical talent and helping them achieve fame. StarMaker claims a global community of more than 30 million users. It has formed global partnerships with YouTube, Universal Pictures and Philips Electronics, and has run mobile auditions for The Voice and American Idol.

StarMaker's technology platform helps artists record and distribute their own music videos and to build their fan bases. Starmaker has raised US\$10.5million in Series A and B rounds. Since 2014, it has attracted almost 12million views on YouTube across a range of channels.

- Mobstar, a mobile talent competition search based on head-to-head competitions allowing for '15 seconds of fame. The site offers mentors, allows fans to vote and includes a crowd funding element. It does not include a competition element. Mobstar also supports the Miss and Mr Supranational pageants. It has generated just under 100,000 views on YouTube and just over 25,000 Facebook likes.
- Singist – is a monthly online song contest which offers a first prize of US\$60, second of US\$30 and third prize of US\$10. It seeks to fund these prizes through “sponsorship packages” ranging from US\$25-US\$550 from viewers wishing to post/vote for their favourite contestants. It has been operating since 2014 and has generated 5500 YouTube views.
- Talentwatch – a global talent contest which commenced in 2010 and has three age categories 9-17 years, 18-29 years and 30+ with a US\$500 prize per category winner and US\$500 for the winner across all the categories. Since starting it has attracted more than 50,000 YouTube views.
- VoiceMatch – a competition which commenced mid-2016 with a minimum prize of US\$3,000 and maximum of US\$25,000. So far, one tournament has been held with a trio of singer/composers from Greece winning. Contestants are encouraged to either perform their own song or perform the song of the previous winner.
- Worldwide Music Contest – has just launched its 7<sup>th</sup> tournament which will run from 5 May to 5 July 2017. The contest has two categories, songs and video, with artists encouraged to get their fans to vote for them to secure the highest rankings. The judges are all long-standing, experienced music executives from the UK and US. Prizes include radio and online interviews.
- The You Generation – was a global competition created by Simon Cowell in conjunction with YouTube with a US\$2,000 prize awarded every fortnight and an annual grand final prize of US\$75,000. The competition ran for a year from 2013-14. Since then The You Generation has morphed into TYGN on YouTube with no competitions being held but videos being posted by the 300,000+ subscribers.

## SWOT analysis

We set out the strengths, weaknesses, opportunities and threats that we see for MSM in the following table. We believe the strengths in MSM's business model outweigh the weaknesses and threats although we caution that whilst there are signs that the concept should be successful the first contest has not yet been held.



**Table 21: Strengths, weaknesses, opportunities, threats**

Strengths	Opportunities
Experienced management and technical team	Additional formats based on Megastar contest
Move away from TV to online entertainment	Licensing the operation of Non-English Language Megastar Competitions
Building on established talent competition market (established by broadcast TV)	Development of games based on Megastar contest
Key strategic partnerships	Development of distinct but complimentary products built off MSMSCI's proprietary software platform
Funding to complete development	Scope/determine whether IP created for Megastar can be viable standalone digital technology products
First mover advantage	
Mobile first strategy	
Plays to growth in mobile internet use and consumption of video content	
Increasing monetisation rates for mobile/online content	
Key personnel involved from within the entertainment industry	
Technology investment of time/money is significant	
Consumer Centric, Data driven, agile approach to product development	
Weaknesses	Threats
Technology developed by third parties	Copy-cat competitors
Regulatory Risk	Dilution from exercise of options and granting of Performance Shares
Key Man Risk	Currency translation – US\$ and Euro
Business partner risk	
IP – provisional patent only	
No non-executive, independent directors	
Source: RaaS Advisory	

## Sensitivities

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

- **Untested product** – although the talent contest has been exploited successfully in other mediums, firstly in live shows, then in radio and in television there are no guarantees that an online talent quest will be a successful product. The three pre-WWT1 beta tests provided encouraging results in terms of length of engagement and willingness to monetise.
- **Competition** – there are other online contests which have not garnered a lot of success. However, many of these were launched at an earlier stage of the rapidly escalating shift in consumer behaviour, away from broadcast and towards mobile, digital, social entertainment. It is possible that a better funded copy-cat competitor could emerge.
- **A-list artist** – the support of an audience winning A-list artist is crucial. The selection of the artist is seen as a crucial part of ensuring that there is an audience of sufficient critical mass to monetise and attract advertising dollars.
- **Key-man risk** – the management team including Dion Sullivan , Doug Barry and Michael Pool, are the lynch-pin in terms of experience and industry contacts

## Management and Advisory Board

### MSM Board

**Chairman** - Adam Wellisch brings over 20 years' experience in consulting, product and business development, technology strategy, business administration and corporate governance. He has previously held executive and non-executive positions for technology organisations ranging from start-ups to large multinationals. Recent appointments include Asia-Pacific CIO of FTSE 100, Compass Group plc, and CIO of Bupa's fast-growing Health Services division. Mr Wellisch was a

solider in the Australian Army prior to obtaining a degree in commerce from the University of Western Australia. He is also a non-executive director of Impression Healthcare Limited (IHL:ASX).

**Managing Director and CEO** - Dion Sullivan brings more than 20 years' experience in digital marketing, social gaming, e-commerce, consumer packaged goods and entertainment. Recent positions include roles within Clairol/Bristol Myer Squibb, FTD.com, Bank of America, Viacom, MTV Kids & Family, Video.jax and Betfair/TVG North America. Mr Sullivan's employment contract expires on 31 May 2018. His annual remuneration is US\$275,000 plus a bonus of up to 40% for meeting key milestones. The bonus can be paid in a mix of shares and cash with shares to be no more than 50% of the total unless otherwise agreed by both parties.

**Executive Director; Asia Pacific** – Sophie McGill is an experienced media marketing executive. Since 2009 she has been a partner at Media Venture Partners, a content investment and management business she created with Hugh Marks, who is now the CEO of Nine Entertainment Corporation Ltd. She has also extensive experience in Australia and the UK with the development and production of popular TV programs such as Big Brother, The Match, Deal or No Deal. While working with major production houses Endemol UK and Southern Star in Australia she spearheaded the creation of unique multi-platform content including 'mobisodes' and 247 live 3G streaming.

**Non-executive Director** – Mark Clements has 18 years' experience in corporate accounting and public company administration. He is a Fellow of the Institute of Chartered Accountants and a member of the Australian Institute of Company Directors. He is also the founder of Bailion Corporate Services a company which offers contract company secretarial, financial accounting and directorship services to listed and unlisted public companies.

### US Advisory Board

Doug Barry (Chairman and Adviser) has 20 years' experience in media, entertainment and technology. He founded Selby Ventures in 2000 and was an original investor in Pandora Media which is now the largest global internet radio service with over 125m registered users. He is employed for 32 hours per month for US\$145,600 per annum (including healthcare benefits). He was issued with 12.5m shares on completion of the acquisition of MSM (in October 2015). These shares will vest and be quoted on ASX in October 2017.

Other members of the US Advisory Board are:

- Michael Pole is a studio executive with 25 years' experience managing the development of successful video games. He was issued with 867,918 share at float.
- John Baldecchi is a TV and film producer and was issued with 867,918 shares at float.
- Jon Kraft – a co-founder of Pandora Music
- Jennifer Herman – Zynga executive, focused entirely on the iOS App Store and Google Play
- Antonio Mollins who has held roles as senior data scientist at Netflix and as a quantitative analyst at Goldman Sachs. Antonio is currently Vice President of Data Science at Miroculus, a life sciences company.

### Capital structure

On float the capital structure was as follows:

#### Exhibit 22: MSM – Capital structure on float

			Cash contributed	Value at float price
Existing shareholders Mineral Commodities	16.09%	43,941,167		2,636,470
MSM shareholders	32.04%	87,500,000	1,231,315	5,250,000
MSM noteholders	9.15%	25,000,000	800,000	1,500,500
IPO shareholders	42.72%	116,666,667		7,000,000
Total	100.00%	273,096,131		16,386,470

Source: MSM Prospectus

The current shares on issue include option conversions and a share placement on 14 September 2016 raising A\$4.882m before costs (17.4m shares at \$0.28).

#### Exhibit 23: MSM – Capital Structure 31 March 2017

	No of shares
Quoted shares	219,962,326
Shares in escrow (13 Jan 2018)	89,235,836
TOTAL SHARES ON ISSUE	309,198,162

Source: Company data, Appendix 3B

In addition to the shares on issue there are now 107,800,000 Class A and Class B Performance Shares and 88.1m options. If all options were exercised the amount of capital raised would be A\$14m.

#### Exhibit 24: MSM Options on issue 31 March 2017

No options	Date	Expiry	Escrow	In money
32,000,000	0.10	7-Nov-19	13-Jan-18	Yes
36,000,114	0.10	7-Nov-19	None	Yes
900,000	0.15	18-Mar-20	12-May-18	Yes
757,576	0.30	30-Jun-17	None	No
6,000,000	0.35	19-Sep-18	None	No
1,500,000	0.40	19-Sep-19	None	No
1,500,000	0.45	19-Sep-19	None	No
1,500,000	0.55	19-Sep-19	None	No
2,000,000	0.13	18-Mar-20	6 tranches - 26 April 2019	Yes
2,000,000	0.35	19-Sep-18	31-Jul-17	No
2,000,000	0.40	19-Sep-19	31-Jul-17	No
2,000,000	0.45	19-Sep-19	31-Jul-17	No
88,157,690				

Source: Company data, Appendix 3B

## Company forecasts

The company is early stage and therefore it is not possible to provide forecasts. Sensitivities to key variables are shown below.

Some indication of the company's expectations are contained in the hurdles attaching to the Performance Shares.

- There are 50m Class A Performance Shares and 50m Class B Performance Shares. The hurdle for vesting of the Class A Performance Shares is A\$5m of EBITDA or one million unique users as determined by Google Analytics. The expiry date is 3 years from issue which is December 2018.
- The hurdle for vesting of the Class B Performance Shares is \$A15m of EBITDA or two million unique users as determined by Google Analytics. The expiry date is 5 years from issue which is December 2020.

## Valuation implied by Performance Share hurdles

MSM's EV is currently A\$A\$68m which means that it is trading at 12.4x the FY18 EBITDA implied by the Performance Share hurdles and 4.1x FY20 EBITDA. The expected CAGR in EBITDA from 2018 to 2020 is 173% with a doubling of the number of unique visitors in this two year period. The performance hurdles imply that a greater proportion of the audience engages and/or spends more on each tournament.

## Sensitivity to changes in key variables

Our sensitivity analysis illustrates the impact of changing key variables. The variables and changes we have made are:

- Increase in spend per person in WWT1 of \$1 results in a 7c increase in DCF
- Increase the size of the audience in for WWT1 from 20m to 25m which results in a 33c increase in DCF
- Increase advertising revenues by 10c/user which results in a 2c increase in DCF
- Increase sponsorship by 10c/user which results in a 2c increase in DCF
- Increase in programming costs from 60% to 80% which results in a 24c decrease in DCF
- Increase in talent costs of \$1m pa which results in a 3c decrease in DCF

<b>Exhibit 25: Sensitivity analysis on key variables (demonstrates change on base case)</b>		
<b>In A\$millions unless otherwise stated</b>	<b>FY18e</b>	<b>FY19e</b>
<b>Base case</b>		
Revenue	18.40	26.85
EBITDA	5.42	9.90
DCF (\$/share)		0.96
<b>Increase spend per user by \$1</b>		
Revenue	0.63	1.03
EBITDA	0.25	0.41
DCF (\$/share)		0.07
<b>Increase in year 1 audience - 20 to 25m</b>		
Revenue	4.60	6.71
EBITDA	3.35	4.67
DCF (\$/share)		0.33
<b>Advertising inc by 10c per customer</b>		
Revenue	0.92	1.12
EBITDA	0.92	1.12
DCF (\$/share)		0.02
<b>Sponsorship inc by 10c</b>		
Revenue	0.48	1.12
EBITDA	0.48	1.12
DCF (\$/share)		0.02
<b>Programming costs 60/35% to 80/55%</b>		
Revenue	0.00	0.00
EBITDA	(1.67)	(2.72)
DCF (\$/share)		(0.24)
<b>Talent cost inc by \$1.0m</b>		
Revenue	0.00	0.00
EBITDA	(2.08)	(2.18)
DCF (\$/share)		(0.04)

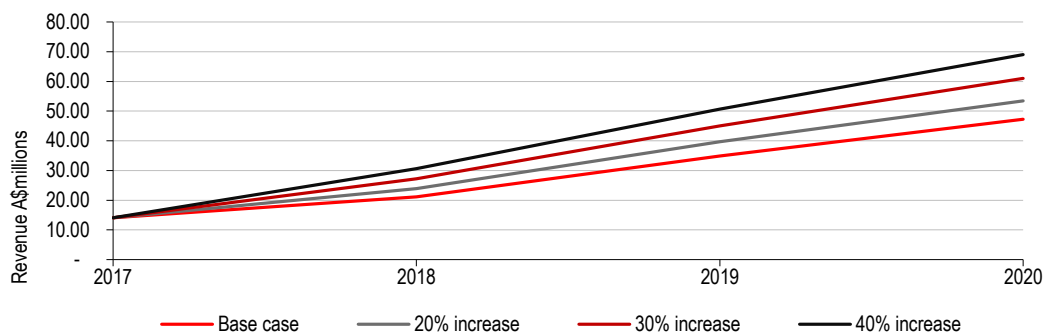
Source: RaaS Advisory

## Scenario analysis

The charts below illustrate the impact of a range of possible increases in revenue. In this analysis we have used the following assumptions:

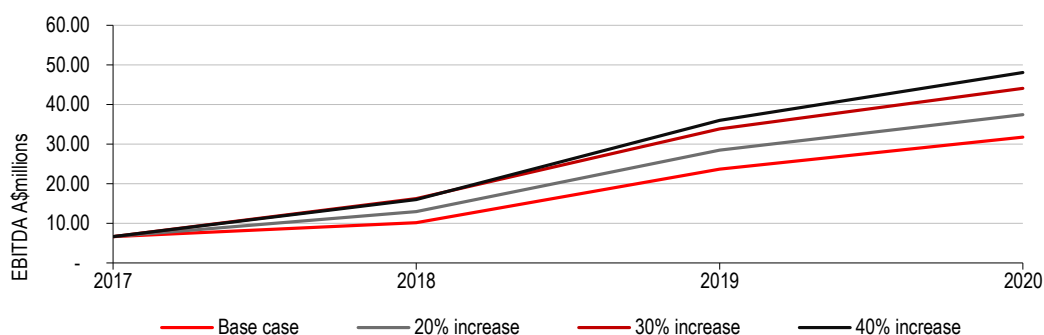
- Programming costs are fixed – in all the sensitivity cases we have used the quantum of programming costs as they are in the base case
- Administration costs are fixed
- Revenue from In-App purchases, advertising, sponsorship and big data and increased by 20%, 30% and 40% to build three sensitivity scenarios

**Exhibit 26: Sensitivity impact on base case revenue assumptions (20-40% increase on base)**



Source: RaaS Advisory

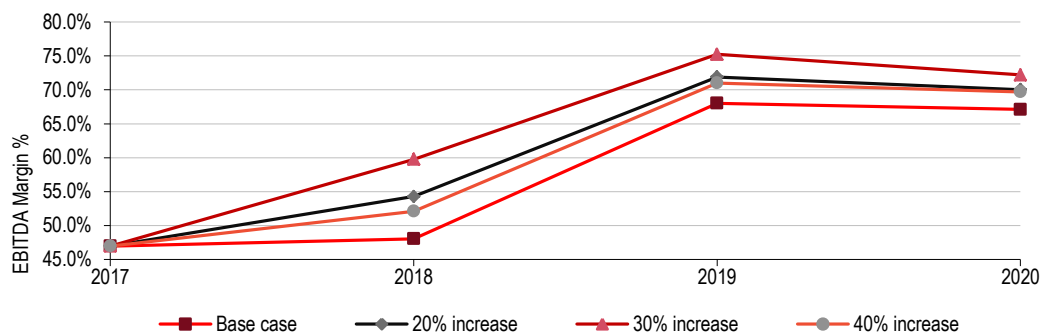
**Exhibit 27: Sensitivity impact on base case EBITDA if 20-40% increase on base**



Source: RaaS Advisory

Growth of 20%+ on the base case would result in a significant uplift in EBITDA margin as exhibit 28 shows.

**Exhibit 28: Sensitivity analysis impact on base case EBITDA margin if 20-40% growth**



Source: : RaaS Advisory

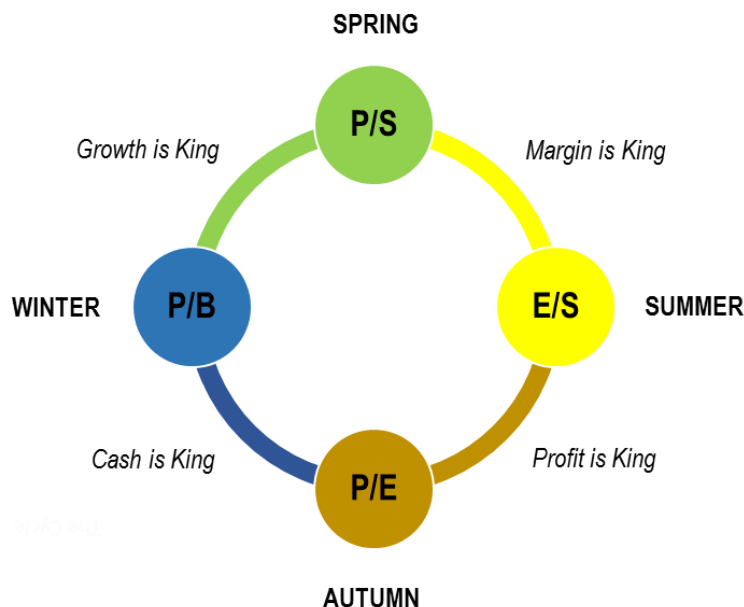
## Valuation of early stage tech companies

### Revenue and user multiples

Where a company has no revenue it may, as MSM will have, users (or eyeballs) which are a forerunner to revenue. The challenge in valuation is to convert these revenue indicators firstly into revenue and to translate this into earnings. Early stage companies, particularly in the technology or bio-technology space often have their valuations expressed as a multiple of revenue or where there is no revenue on a user based revenue metric, such as Average Revenue Per User (ARPU). There are issues with using revenue or ARPU numbers in the main because of inconsistencies in revenue measurement and in the profitability of the comparable company group.

Our simple valuation approach described below is a way of taking into account the ultimate profitability of each company. In a buoyant financial market where growth is king investors will tend to focus on revenue (the spring season). The next stage will be a focus on margins followed by an autumn period where the focus turns to profit before entering the depressed winter stage where cash is king. In our view the market seems to have turned its attention more to profitability or at least the path to profitability rather than revenue growth. Investor mood changes are illustrated in the chart below:

**Table 29: The seasons of valuation**



Source: Jevons Global – Valuation for Early-Stage Technology Companies (P/S – Price/Sales; E/S – Earnings/Sales; P/E – Price/Earnings; P/B – Price/Book)

### Current price to sales using stable margin

In our view, user metrics and revenue multiples used in isolation can be problematical because they are not anchored to profit margins or to earnings multiples. We have applied a simple valuation rule taken from a research paper by Dr Kingsley Jones, principal of Jevons Global. This simple valuation rule takes into account profit margins and earnings multiples and is defined as: *Current price to sales = Stable margin X Price Earnings Ratio X Sales uplift/Price uplift<sup>2</sup>*.

The price that the market will pay at a given time is dependent on the cyclical nature of markets. When the market favours growth then the emphasis is on revenue multiples with seemingly little regard for profitability. However, as this enthusiasm cools the market will turn its attention to profitability and return on funds employed.

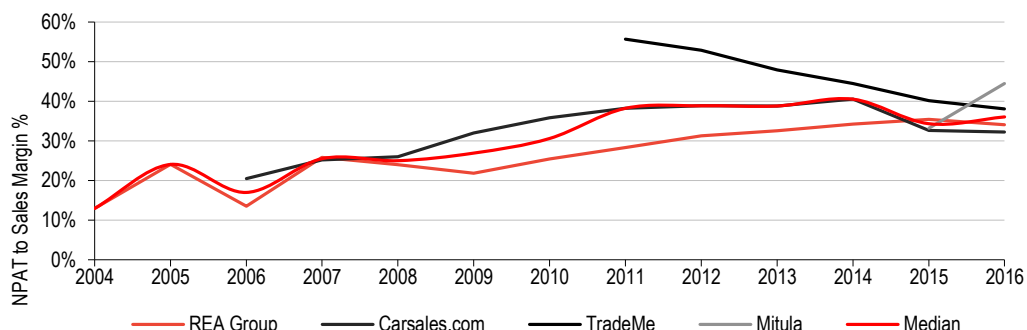
If we apply the simple valuation rule explained above and make the following assumptions:

- Sales uplift (defined as the expected growth in sales over the investor's investment horizon) divided by price (to the investor) uplift (defined as the investor's expectations of return over the investor's investment horizon) is assumed to be 1. We have neutralised the impact of this assumption by setting the ratio to 1, however, in a growth company such as MSM it is possible that the sales uplift could be greater than price uplift which would mean a reduction in the implied PE.
- A long run profit margin for the industry of 30% which we have based on the average NPAT/Sales margins achieved by REA Group, carsales.com.au, TradeMe and Mitula Group (while Mitula Group only listed in FY15, it has demonstrated early profitability similar to that expected from MSM). We have selected these companies as the benchmarks because they demonstrate the historical performance of early stage technology

<sup>2</sup> Valuation for early stage technology companies, Dr Kingsley Jones, Jevons Global, March 2016

companies as they move to maturity. Exhibit 30 demonstrates their NPAT/Sales margins by year.

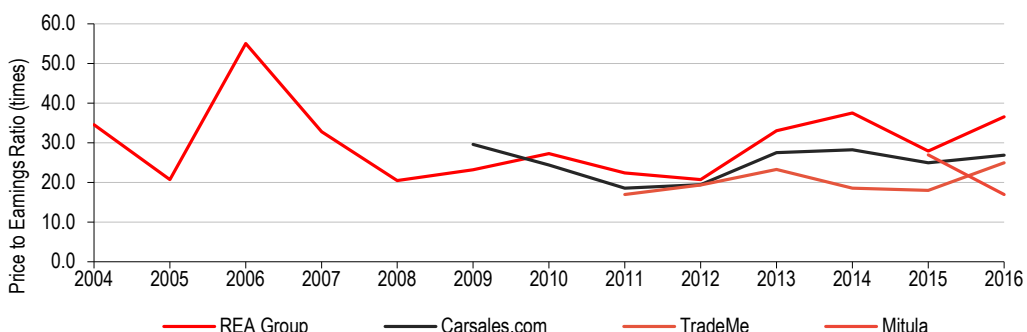
**Table 30: NPAT/Sales Margins of Mature comparative companies**



Source: Company data, RaaS Advisory

The third component to this calculation is Price Earnings Ratio. The long term PE ratio of the ASX is 15x. However, to be fair, the comparative peer group above has consistently traded at a premium to the broader market, reflecting investor expectations for superior earnings growth. Table 11 sets out the PE multiple by financial year for REA Group, carsales.com.au, TradeMe and Mitula. The median PE ratio of this group is 23x.

**Table 31: Price/Earnings Multiples of Mature Comparative Companies**



Source: Company Data, ASX Data, RaaS Advisory

On this basis, it is more appropriate to apply a higher than market PE ratio similar to that delivered by the peer group discussed above. Assuming a ~20% discount to that median for MSM's earlier stage nature, we arrive at a 18x PER., which translates into an EV/Revenue multiple of 6.3x (stable Net Profit After Tax margin of 35% x discounted peer PE of 18x = EV/Revenue multiple of 6.3x). Applying this to the FY18e forecasted net revenue (a full year where MSM runs two tournaments) of \$18.4m gives us an indicative valuation of ~A\$116m. This compares with MSM's EV of A\$67m.

In this analysis we have assumed that the sales uplift/investor's price uplift is 1. The table below shows the EV/Revenue multiples implied using different assumptions for sales uplift/price uplift, long run profit margin and PE.



**Exhibit 32: Implied EV/Revenue multiples based on required investor returns**

Sales uplift	Investor return	Uplift/return Payback (years)	NPAT %	PE(x)	EV/Rev
<b>Base case</b>					
4.5	3	1.50	30%	18.0	8.1
4.5	4	1.13	30%	18.0	6.1
4.5	5	0.90	30%	18.0	4.9
<b>35% margin</b>					
4.5	3	1.50	35%	18.0	9.5
4.5	4	1.13	35%	18.0	7.1
4.5	5	0.90	35%	18.0	5.7
<b>35% margin at 15.0x PER</b>					
4.5	3	1.50	30%	15.0	6.8
4.5	4	1.13	30%	15.0	5.1
4.5	5	0.90	30%	15.0	4.1

Source: RaaS Advisory

We believe that a long run PE multiple of 18x can be supported because comparable relatively mature companies such as REA Group are trading at FY17 PE multiples of between 25x and 30x. In our view, growth in excess of GDP growth will come from the expected growth in online entertainment and in the proportion of advertising dollars devoted to digital media.

### Comparable Tech IPOs

There have been a range of tech IPOs brought to the Australian market over the past two years; most of these have listed with Enterprise Values in excess of \$100m. As Exhibit 33 demonstrates, the average EV/Revenue multiple secured by these IPOs was 5.2x the current year's revenue. We have adjusted revenue to exclude pass through payments. If we were to apply this multiple to MSM's FY18 revenues, we arrive at an implied valuation of A\$95.7m which again translates into a higher than market PE ratio.

**Exhibit 33: EV/Revenue and EV/NPAT of recent Australian tech listings**

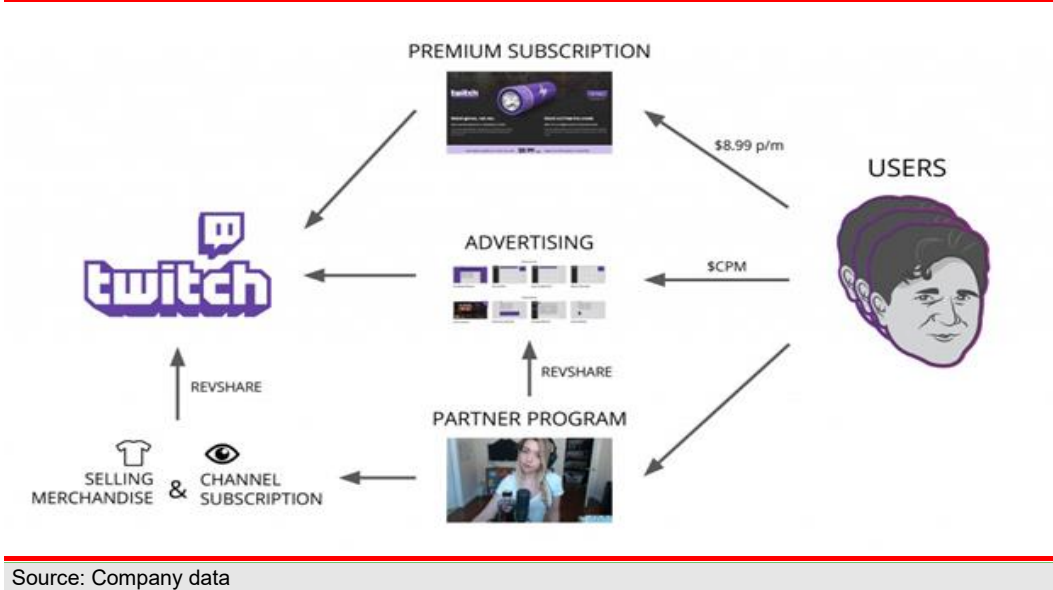
Listed entity	Listing EV (\$m)	EV/Revenue (x)	EV/NPAT (x)
Aconex	285	3.4	109.5
Mitula Group	138	5.3	15.2
MYOB	2,568	7.6	48.9
Novatti	15	3.0	N/A
OFX	452	5.8	20.4
Redbubble	298	5.1	N/A
Touchcorp	142	3.5	21.9
Wisetech	887	6.6	35.4
Median		<b>5.2</b>	<b>41.9</b>

Source: Company Data, RaaS Advisory

### Twitch sale to Amazon

MSM management have most likened their business model to that of Twitch, a gaming video platform which was acquired by Amazon in 2014 for US\$970 million. Twitch has taken a millennial audience and monetized it through votes or "bits", subscriptions, advertising and now merchandising sales of video games. Of the US\$1.9billion Twitch generated in 2016, US\$1.4billion came from advertising and US\$0.44billion from subscriptions. "Bits" or tipping is relatively new (introduced in mid-2016) and only generated 0.1% of revenues. The company has only just commenced selling games but will keep an estimated 25% of any sales generated through its site.

**Exhibit 34: Twitch monetization model (excluding tipping)**



### Valuation methodology

Given the early-stage nature of MSM, we have used the DCF valuation method to measure future estimated cashflows. As previously established, we have based our financial model on the performance hurdles set down for management for FY18e-FY20e. We have assumed a compound annual growth rate of cashflows from FY21-25 of 44%. As exhibit 35 sets out, the present value of the forecasted cashflows to FY25 are A\$98m with the terminal value accounting for more than two-thirds of the valuation.

**Exhibit 35: Discounted Cashflow Summary**

Key parameters	
Discounted cash rate	15%
Beta	1.9
Terminal growth rate	2%
PV of cashflows to 2025 (A\$m)	98
PV of terminal cashflows (A\$m)	201
Total PV (A\$m)	300
Less cash at 31 March 2017 (A\$m)	3
Total NPV (A\$m)	303
Total NPV/share (A\$)	0.96

Source: RaaS Advisory


### Reverse DCF calculation

We have undertaken a reverse DCF valuation to determine what the company's earnings need to grow by to justify the current share price (of 5 May 2017) of A\$0.23. Our reverse DCF calculation based on a share price of A\$0.23 assumes revenue and EBIT as follows:

- FY18 revenue of A\$8.7m and EBIT of \$5.6m
- FY19 revenue of A\$11.7m and EBIT of \$8m
- FY25 revenue of A\$35 and EBIT of \$23m

The market is therefore currently pricing in a relatively low level of success with revenues increasing ~4x over an 8 year period. This assumption is not supported by the performance of a range offline talent quests.

### Exhibit 36: Financial Summary

MSM Corporation International Ltd						Share price (15 May 2017)				A\$		0.23		
Profit and Loss (A\$m)						Interim (A\$m)		H116A	H216A	H117F	H217F	H118F	H218F	
Y/E 31 Dec	FY15A	FY16A	FY17F	FY18F	FY19F	Revenue	-	-	-	-	-	8.0	10.4	
Annual Monetising users (m)			-	0.4	0.5	EBITDA	-	3.9	-	3.7	-	4.7	1.9	3.5
Ave spend per visitor \$			-	16.6	22.3	EBIT	-	3.9	-	3.7	-	4.7	1.9	3.5
Revenue	0.0	0.0	0.0	18.4	26.9	NPAT (normalised)	-	4.8	-	3.7	-	4.7	1.3	2.5
EBITDA	(0.3)	(7.5)	(9.1)	5.4	9.9	Minorities	-	-	-	-	-	-	-	
Depn	0.0	0.0	0.0	0.0	0.0	NPAT (reported)	-	4.8	-	3.7	-	4.7	1.3	2.5
Amort	0.0	0.0	0.0	0.0	0.0	EPS (normalised)	-	-	-	1.18	-	0.99	0.34	0.62
EBIT	(0.3)	(7.5)	(9.1)	5.4	9.9	EPS (reported)	-	-	-	1.60	-	1.27	0.43	0.80
Interest	(0.8)	(1.0)	0.1	0.0	0.1	Dividend (cps)	-	-	-	-	-	-	-	
Tax	0.0	0.0	1.7	(1.6)	(3.0)	Imputation	30.0	30.0	-	-	-	-	-	
Minorities	0.0	0.0	0.0	0.0	0.0	Operating cash flow	-	0.3	-	2.7	-	3.9	1.5	2.3
Equity accounted assoc	0.0	0.0	0.0	0.0	0.0	Free Cash flow	-	0.1	-	2.7	-	3.7	1.5	2.3
NPAT pre significant items	(1.1)	(8.5)	(7.3)	3.8	7.0	Share price performance - 12 months								
Significant items	0.0	0.0	0.0	0.0	0.0									
NPAT (reported)	(1.1)	(8.5)	(7.3)	3.8	7.0									
Cash flow (A\$m)						Margins, Leverage, Returns		FY15A	FY16A	FY17F	FY18F	FY19F		
Y/E 31 March	FY15A	FY16A	FY17F	FY18F	FY19F	EBITDA				n/a	29.5%	36.9%		
EBITDA	(0.3)	(7.5)	(9.1)	5.4	9.9	EBIT				n/a	29.5%	36.9%		
Interest	0.0	0.0	0.1	0.0	0.1	NPAT pre significant items				n/a	20.7%	26.1%		
Tax	0.0	0.0	0.0	(1.6)	(3.0)	Net (Debt)/ Cash	-	0.9	4.1	0.1	3.9	11.2		
Working capital changes	0.1	4.4	(0.5)	0.0	0.3	Net debt/EBITDA (x)	(x)	n/a	n/a	n/a	0.721	1.129		
Operating cash flow	(0.2)	(3.1)	(9.5)	3.8	7.3	ND/ND+Equity (%)	(%)	-705.9%	-926.4%	-2.7%	-172.6%	-559.0%		
Mtce capex	0.0	(0.0)	0.0	0.0	0.0	EBIT interest cover (x)	(x)	n/a	n/a	n/a	-	0.0		
Free cash flow	(0.2)	(3.1)	(9.5)	3.8	7.3	ROA		-49%	-274.4%	-240.4%	116.1%	96.8%		
Growth capex	0.0	(0.3)	(0.2)	0.0	0.0	ROE		107%	-553%	-226%	89%	72%		
Acquisitions/Disposals	0.0	0.0	0.0	0.0	0.0	ROIC		248%	-929%	-1100%	-596%	1021%		
Other	0.0	0.0	0.0	0.0	0.0	NTA (per share)		n/a	0.01	0.01	0.02	0.04		
Cash flow pre financing	(0.2)	(3.4)	(9.7)	3.8	7.3	Working capital	-	0.1	-	0.6	-	0.4	-	0.7
Equity	0.1	6.8	5.7	0.0	0.0	WC/Sales (%)				n/a	-2%	-3%		
Debt	0.8	0.0	0.0	0.0	0.0	Revenue growth			n/a	n/a	n/a	46%		
Dividends paid	0.0	0.0	0.0	0.0	0.0	EBIT growth pa			n/a	n/a	-160%	83%		
Net cash flow for year	0.7	3.4	(4.0)	3.8	7.3	Pricing		FY15A	FY16A	FY17F	FY18F	FY19F		
Balance sheet (A\$m)						No of shares (y/e)	(m)	23	304	309	309	309		
Y/E 31 March	FY15A	FY16A	FY17F	FY18F	FY19F	Weighted Av Dil Shares	(m)	23	176	308	309	309		
Cash	0.7	4.1	0.1	3.9	11.2	EPS Reported	cps	-	-	2.17	0.96	1.76		
Accounts receiv able	0.0	0.0	0.0	0.0	0.0	EPS Normalised/Diluted	cps	-	-	2.87	1.23	2.27		
Inventory	0.0	0.0	0.0	0.0	0.0	EPS growth (norm/dil)			N/A	n/a	-143%	84%		
Other current assets	0.0	0.2	0.3	0.3	0.3	DPS	cps	-	-	-	-	-		
Total current assets	0.7	4.3	0.4	4.2	11.5	DPS Growth			n/a	n/a	n/a	n/a		
PPE	0.0	0.0	0.0	0.0	0.0	Dividend yield		0.0%	0.0%	0.0%	0.0%	0.0%		
Goodwill	0.0	0.0	0.0	0.0	0.0	Dividend imputation		30	30	0	0	0		
Investments	0.0	0.5	0.7	0.7	0.7	PE (x)				-	24.0	13.0		
Deferred tax asset	0.0	0.0	1.7	1.7	1.7	PE market				15.8	15.8	15.8		
Other	0.0	0.0	0.0	0.0	0.0	Premium/(discount)					52%	-17%		
Total non current assets	0.0	0.6	2.4	2.4	2.4	EV/EBITDA	-	18.0	-	8.7	-	13.8	8.3	
Total Assets	0.7	4.8	2.7	6.6	13.9	Premium/(discount)								
Accounts payable	0.1	0.6	0.4	0.4	0.7	FCF/Share	cps	-1.0	-1.0	-3.1	1.2	2.4		
Short term debt	1.6	0.0	0.0	0.0	0.0	Price/FCF share	-	24	-	23	-	18	10	
Tax payable	0.0	0.0	0.0	0.0	0.0	Free Cash flow Yield		-4.1%	-4.4%	-13.3%	5.4%	10.2%		
Other current liabilities	0.0	0.1	0.0	0.0	0.0									
Total current liabilities	1.7	0.7	0.4	0.4	0.7									
Long term debt	0.0	0.0	0.0	0.0	0.0									
Other non current liabs	0.0	0.0	0.0	0.0	0.0									
Total long term liabilities	0.0	0.0	0.0	0.0	0.0									
Total Liabilities	1.7	0.7	0.4	0.4	0.7									
Net Assets	(1.1)	4.1	2.4	6.2	13.2									
Share capital	0.1	11.2	16.9	16.9	16.9									
Accumulated profits/losses	(1.1)	(9.6)	(18.2)	(14.4)	(7.4)									
Reserves	0.0	2.5	3.7	3.7	3.7									
Minorities	0.0	0.0	0.0	0.0	0.0									
Total Shareholder funds	(1.1)	4.1	2.4	6.2	13.2									

Source: RaaS Advisory



## **FINANCIAL SERVICES GUIDE**

**RaaS Advisory Pty Ltd**

**ABN 99 614 783 363**

**Corporate Authorised Representative, number 1248415**

**of**

**BR SECURITIES AUSTRALIA PTY LTD**

**ABN 92 168 734 530**

**AFSL 456663**

**Effective Date: 11<sup>th</sup> May 2017**

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

Contact Details, BR and RaaS

BR Head Office: Level 2, 129 Robertson Street, Fortitude Valley QLD, 4006

RaaS. 20 Halls Road Arcadia, NSW 2159

P: +61 414 354712/ E: [finola.burke@raasgroup.com](mailto:finola.burke@raasgroup.com)

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  - Securities
- deal on behalf of retail and wholesale clients in relation to
  - Securities

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We will provide you with recommendations on securities

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