



crowd mobile

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**ASX Announcement | 30th August 2018**  
*Crowd Mobile Limited (ASX:CM8)*

## **Crowd Mobile Announces Full Year Results & Plans to Expand Focus on Crowd Media Following Growth in Revenue and Pipeline**

### **Crowd Mobile Summary**

- FY18: Achieved Revenue, Underlying EBITDA and Operating Cashflow of \$38.6m, \$3.6m and \$2.6m respectively
- Q&A revenues \$24.7m with billed messages up 8% year on year
- Crowd Media's revenue \$0.50m, up from zero base supported by strong customer demand and positive industry outlook with deals signed with L'Oréal, Nestle & Coty
- Pilot program with US Fortune 100 company to sell third-party digital products via influencers and social media channels progressing with promising results
- Continued investment in Artificial Intelligence (AI) technology to improve margins
- Net debt is under \$1.0 million
- The Company intends to change its name from Crowd Mobile Ltd to Crowd Media Holdings Ltd at its upcoming AGM (subject to shareholder approved)
- New CFO and COO have recently joined with a focus on business transformation, growth, and operational excellence

30th August 2018 – Global mobile entertainment and digital media company Crowd Mobile Limited (ASX: CM8 & FWB: CM3) (“Crowd Mobile” or “the Company”) presents its FY18 full-year results.

Revenue, underlying EBITDA and operating cashflow for FY18 was \$38.6 million, \$3.6 million and \$2.6 million respectively with reported NPAT (\$26million) mainly due to the non-cash write down of the Subscription division.

The Crowd Media division saw significant growth to \$0.5million from a zero base while the Q&A division held steady and the Subscription division suffered a drop in revenue due to a number of regulatory headwinds.

The Crowd Media division has recently partnered with a US Fortune 100 company to drive third-party affiliate revenue with positive results to date.

Crowd Mobile's FY18 EBITDA bridge and divisional results are presented below.

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### FY18 Results (EBITDA Bridge)

<b>Net loss after tax</b>	<b>(26.0)</b>
Add back: tax expense / (benefit)	(2.3)
Finance costs	1.5
Deduct: interest income	-
Add back: Depreciation and amortisation	3.7
<b>Earnings before interest, tax, depreciation and amortisation (EBITDA)</b>	<b>(23.1)</b>
Add back: Subscription - Impairment charge and restructuring	26
Add back: Effects of exchange rate changes	0.3
Add back: share-based payments expense (non-cash)	0.4
<b>Underlying EBITDA</b>	<b>3.6</b>

### FY18 Results: Divisional Breakdown

Group (\$m)	FY 18	FY 17	Change
<b>Revenue</b>	<b>38.6</b>	43.9	<b>(12%)</b>
<b>EBITDA*</b>	<b>(23.1)</b>	9.4	<b>(346%)</b>
<b>Underlying EBITDA</b>	<b>3.6</b>	10.9	<b>(67%)</b>
<b>Operating Cashflow</b>	<b>2.6</b>	5.2	<b>(42%)</b>

Divisional (\$m)	FY 18	FY 17	Change
<b>Q&amp;A</b>			
Revenue	24.7	24.8	(1%)
Underlying EBITDA	5.1	5.2	(2%)
<b>Subscription</b>			
Revenue	13.3	19.0	(30%)
Underlying EBITDA	3.5	6.7	(48%)
<b>Crowd Media</b>			
Revenue	0.5	0.00	n/a
Underlying EBITDA	(2.5)	0.00	n/a
<b>Corporate</b>	(2.5)	(2.6)	(4%)

\* Underlying EBITDA excludes share based expenses, FX and an impairment charge for Subscription division

## Growth Strategy | Building on our strengths

The four growth strategies for the company in FY19 include:

1. **Accelerate Crowd agency growth by leveraging our global social media platform** & experience of Q&A. Execute advertising campaigns for global/ European brands by leveraging the social media and influencer distribution network Q&A has built up in over 30 countries.
2. **Diversify Crowd Media revenues** with minimal investment by selling third-party (Affiliate) products through existing platform by selling digital subscriptions to millennials using social media marketing expertise. This requires limited new investment due to selling third-party products rather than building own products.
3. **Continue to grow Q&A business through product pivots** and open new growth markets, such as the US through product pivots targeted at other demographics and expanding social media channels. Maintain profitability in the Subscription business by expanding content, direct media buying and payment options.
4. **Leverage technology to optimise margins** to further invest in growth by leveraging Artificial Intelligence (AI) and Business Intelligence (BI) technology to drive down costs, optimise Return on Investment (ROI) and neutralise Q&A operator costs through third-party revenue streams.

## Crowd Media | Increasing revenue & pilot with Fortune 100 company

The Crowd Media agency division CROWD. (<http://crowd.agency/>) works with brands and digital influencers and Crowd Affiliates partners with companies to acquire customers on a cost per acquisition basis (CPA) basis and leverages Crowd's expertise and platforms. The division has been running a pilot program with a US-based Fortune 100 company since July 2018 with positive results to date.

Crowd Media's strong performance has been achieved by accelerating its ability to capture global growth opportunities in the digital influencer market space, leveraging the global distribution and expertise it has built up in the past 5 years in social media marketing within the Q&A division.

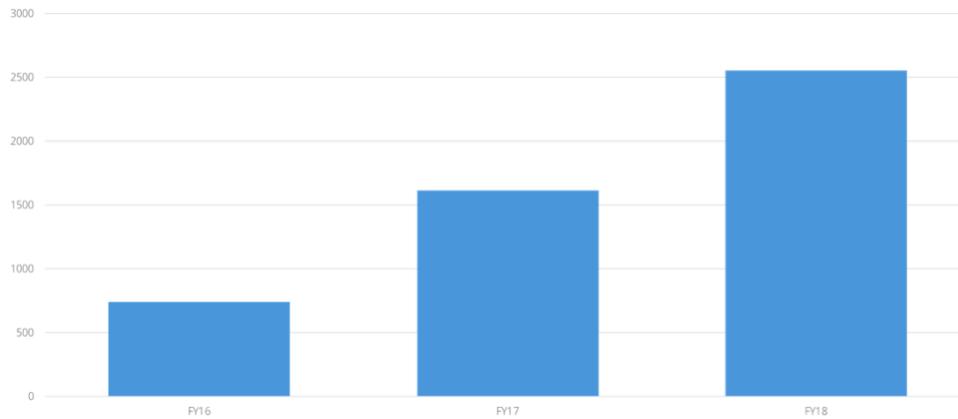
In FY18, Crowd Media revenues were \$0.50m from a zero base and the sales pipeline is currently \$2m+. We anticipate material growth within Crowd Media across all key metrics in FY19.

Crowd Media continues to attract blue chip partners including L'Oréal, Nestle, Apple Music, Bunq, Coty, Happn, Oasis, Moroccan Oil and Mandarine Napoleon.

Crowd Media also made a significant technology investment into its digital influencer Customer Relationship Management (CRM) software which made up approximately 50% of the investment and which has been subsequently expensed during the FY18 financial year. Crowd Media continues to conduct modest R&D into the potential of blockchain technology

and an ICO. Crowd Media has grown the number of influencer campaigns year on year as shown below.

#### Growth in number of Digital Influencer Campaigns across Crowd group



#### **Crowd Media | Transition and name change**

The Company will seek to change its name from Crowd Mobile Ltd to Crowd Media Holdings Ltd at its upcoming Annual General Meeting (AGM), subject to shareholder approval. The board is strongly recommending the Company make this transition in order to better reflect the focus of the Company in FY19 and beyond. The rationale for the name change is:

1. Focus on core strength in social media marketing
2. Alignment and capturing synergies across the group with Media, Subscription and Q&A
3. Clear positioning in high growth area

Furthermore, the executive team restructure is now complete with laser focus on operational improvements, accelerating revenue growth and execution success.

The AGM is scheduled for late November and will be held in Melbourne. The Company will provide further details of the AGM when the date and venue have been finalised.

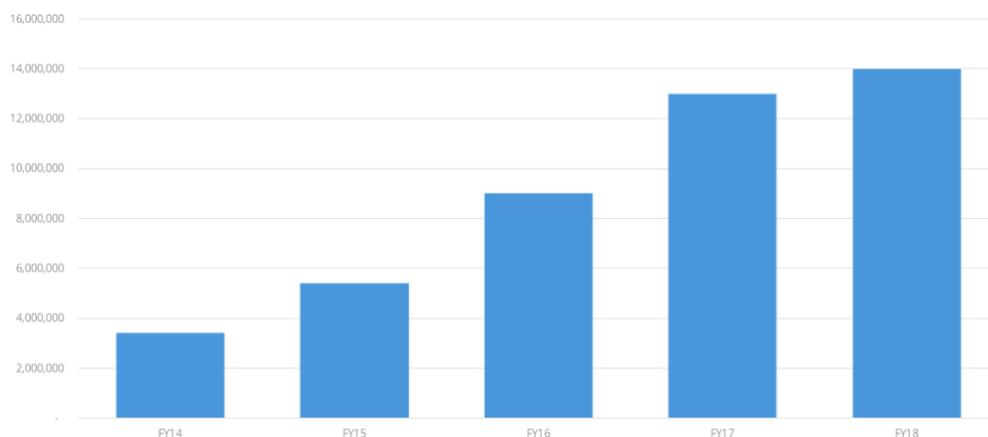
#### **Q&A | Steady – Investments into Artificial Intelligence (AI)**

The performance of the Q&A (Question & Answer) division over FY18 is been broadly in line with FY17 with revenue of \$24.7 million and underlying EBITDA of \$5.1million. Billed messages were up at 8%, which reflects the natural move to larger but lower unit pricing markets such as those in Latin America.

Q&A is currently benefiting from leveraging Artificial Intelligence (AI) & Business Intelligence (BI) technology and is expected to improve its operating margins further in FY19.

Q&A is also looking to expand into new regions like the US and Latin America through new verticals such as apps, psychic services and chat. It has recently launched an app into the US market (largest app market globally) in both English and Spanish, with some very positive green shoots emerging. Future opportunities include connecting our Q&A & AI platform to voice activated personal assistants like Amazon Alexa & Google Home.

#### Q&A Growth in billed messages



#### **Subscription | Strategic review identifies efficiencies**

The Subscription business continues to be profitable, however as a result of major regulatory headwinds in some of the core markets and the maturity of the Subscription model it reported a 30% decline year on year with revenue of \$13.3m and underlying EBITDA of \$3.5 million.

Noting the negative impact of regulation on the Subscription business model, steps taken to protect the operating margins include restructuring to a leaner model by cutting 50% of the employment costs while continuing to optimise the business while considering all strategic options. To protect and grow revenues in this business, Crowd is moving to direct media buying and licensing content in high growth verticals such as health, fitness and VR/AR gaming.

Although the subscription business is expected to remain cash flow positive due to the measures we have taken, the Board is taking a conservative and prudent accounting approach to write off the goodwill.

The Subscription division's mobile payments network continues to provide mobile connections to the Q&A division and now Crowd Mobile is connected to over 220 mobile carriers globally and will continue to expand its distribution.

#### **Crowd Mobile | Financial Overview**

For the 2018 financial year, Crowd Mobile generated positive operating cash flow of \$2.6 million with net debt of approximately \$0.7 million comprising \$2.5 million cash and \$3.2 million borrowings.

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Management has undertaken a thorough cost reduction review in order to lower the Company's overheads in FY19.

The Board of Crowd Mobile and CEO have agreed to forfeit all of their Director Options. The CEO has also agreed to forfeit his STI & Option LTI packages in FY18. The forfeiture of Director and CEO options have had a one-off non-cash expense in FY18.

**Crowd Mobile's Chief Executive Officer, Domenic Carosa:** "Crowd Mobile is positioned to continue capitalising on the global shift towards mobile devices and the increasing importance of social media. Our target customers continue to be millennials aged 16-35 years old with disposable income and limited financial commitments. These millennials are mobile and digital natives and Crowd Mobile provides value mobile services and entertainment aimed at them. We have identified the growing trend of digital influencers as a major force in advertising and see this as a key opportunity going forward. Our product strategy is well-matched to these demands and trends."

**Crowd Mobile's Non-Executive Chairman, Theo Hnarakis:** "Following an extensive strategic review, we have emerged with a real purpose and drive in FY19. We see key opportunities in leveraging the platforms and reach of our Q&A and Subscription divisions to bolster our proven ability to grow the Crowd Media division. As Chairman, I look forward to leading Crowd Mobile through another year together as we reposition this business for a more prosperous future."

**Ends**

Latest Crowd Mobile Research report available - <https://investor.crowdmobile.com/financials.html#investor>

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**About Crowd Mobile**

Crowd Mobile Limited (ASX:CM8) is a global technology company creating digital platforms, building mobile products and working with digital influencers to make customers smile.

Crowd Mobile's business consists of three divisions: Q&A, Subscription and Crowd Media. The Q&A division connects those seeking answers with qualified experts, the Subscription division delivers mobile content including games, apps, music and video and the Crowd Media division is focused on the digital influencers industry. Crowd Media includes [Crowd.Agency](#) a digital influencer marketing agency and a influencer commerce platform. All of the company's divisions are underpinned by its mobile payments and distribution network.

Crowd Mobile's networks are strengthened by its partnerships with hundreds of mobile carriers and some of the world's largest agencies, brands and media companies. The Q&A and Subscription divisions operate in over 60 countries and 30 languages and Crowd Media has worked with over 6,000 digital influencers worldwide. Crowd Mobile is listed on Australian (ASX:CM8) and German (FWB: CM3) stock exchanges. To learn more please visit: [www.crowdmobile.com](http://www.crowdmobile.com).

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