

## ASX Announcement | 22nd June 2018 Crowd Mobile Limited (ASX:CM8)

### Crowd Mobile Strategic Investment Gains Traction Crowd Media Division Grows Sales, Revenue, Pipeline

#### Crowd Mobile Summary

- FY18: Revenue, Underlying EBITDA and Operating Cashflow are projected to be circa \$38.5m, \$3.6m & \$2.9m respectively (unaudited)
- Crowd Media's revenue up 440% H2 vs H1, weighted sales pipeline is currently \$2m+, supported by strong customer demand and positive industry outlook with deals signed with Nestle, Bunnings and Coty.
- Q&A benefiting by leveraging Artificial Intelligence (AI) & Business Intelligence (BI) technologies and is expecting to improve operating margins in FY19
- Net debt is approx. \$1.0 million
- New CFO and COO have recently joined with a focus on business transformation, cost reduction and operational excellence
- Strategic review & restructure of Subscription division (Track) completed

22nd June 2018 – **Global mobile entertainment and digital media company Crowd Mobile Limited (ASX: CM8 & FWB: CM3) (“Crowd Mobile” or “the Company”)** is pleased to announce its strategic investment in the Crowd Media division is gaining momentum and the digital influencer business has achieved increasing revenues and a rapidly expanding pipeline of customers in the last 9 months.

A strengthening performance in Crowd Media comes following Crowd Mobile's \$2.4 million investment in the digital influencer business in FY 2018, to monetise the assets and expertise Crowd has built up in its Q&A and Subscriptions businesses.

Crowd Media has since experienced rising demand and is supported by a positive outlook for the global digital influencer industry, assisting to partly offset headwinds in the Subscription division.

An ongoing strategic review with a new CFO and COO has enabled Crowd Mobile to identify a number of operational efficiencies including reducing G&A expenses and other discretionary expenses whilst streamlining the operations of the Company.

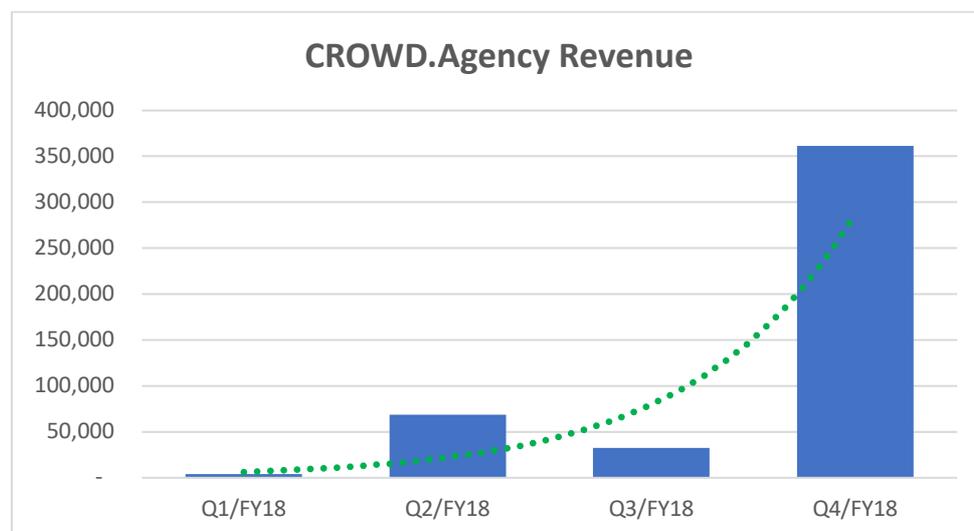
#### Crowd Media | Increasing revenue & sales pipeline

The Crowd Media agency division (<http://crowd.agency/>) works with brands and digital influencers and mainly consists of Crowd Agency, an influencer marketing agency and technology-based influencer CRM (<http://crowd.ly/>)

In FY18 Crowd Media revenues are expected to be \$0.45m from a zero base and the weighted sales pipeline is currently \$2m+. Revenue is up 440% when comparing H2 vs H1 revenues.

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 with the Q&A and Subscription divisions.

Crowd Media continues to attract blue chip clients including Nestle, Bunq, Coty, Happn, Oasis, Moroccan Oil and Mandarine Napoleon



While Crowd.Agency's sales have been secured despite significantly longer sales cycles and therefore the continued sales growth illustrates good and promising momentum. The estimated sales cycle is typically around 4-6 months depending on the size of the deal.

Crowd Media also made a significant technology investment into its digital influencer CRM software which made up approx. 50% of the investment and which has been subsequently expensed during the FY18 financial year.

Crowd Media continues to conduct modest R&D into Blockchain and an ICO.

### **Q&A | Incubating Crowd Media, Leveraging AI & BI**

The performance of the Q&A (Question & Answer) division over FY18 has been broadly in line with FY17.

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

It also recently launched a new app into the USA market, the largest market for this product where it does not have a presence yet; small green shoots are starting to appear, and we will keep the market informed of developments.

### **Subscription I Strategic review identifies efficiencies**

The Subscription business continues to be profitable, however as a result of major regulatory headwinds and the maturity of the Subscription model, it is expected to report a 27% decline FY17 vs FY18 revenue to \$13.8m and a 36% decline H1 FY18 vs H2 FY18 (from \$8.4m at H1 FY18 to \$5.4m in H2 FY18)

Noting the negative impact of regulation on the Subscription business model Crowd Mobile is proactively taking steps to protect the operating margins by identifying operational efficiencies through a strategic review. This has included the execution of a restructuring to move to a leaner model by cutting 50% of the employment costs. Crowd will continue to optimise the business while continuing to consider all strategic options.

As a result of the strategic review the Company has decided to take a non-cash write down of \$26.0 million against the Subscription (Track) division to zero. The figure will be reflected in the FY18 results.

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.

### **Crowd Mobile I Financial Review**

As at the current date, Net debt is approx. \$1.0 million with JGB Convertible Note ("the Note") debt of \$4.2 million and Cash of \$3.2 million (FY17 Net Debt: \$2.75 million). The natural termination date of the Note is January 2019.

Operating cash flow H2 FY18 is lower than H1 FY18 due to a number of one-off's including material tax obligations which were paid H2 FY18. A thorough cost reduction review is currently being undertaken and being led by the new CFO with a view to ensuring lower overheads in FY2019.

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

### **Company Re-organisation**

The Company has appointed two experienced executives into the CFO and COO roles.

Ms Antoaneta Ignatovska (Toni) was recently appointed CFO. Prior to joining Crowd Mobile, Toni has held various senior finance roles within Uber, NBCUniversal and Booking.com where she frequently led diverse finance teams within changing environments to strengthen financial operations and improve profitability, efficiency and compliance.

Michel de Jong was recently appointed as COO. Michel has over 20 years' experience with General Electric, British Airways and within technology and financial services sector where he has held a variety of COO & GM roles. Crowd Mobile's Q&A and Subscription Divisions and support functions are now reporting to Michel.

These appointments and corresponding executive restructure aim to add a stronger focus on the performance of our established divisions and also a dedicated focus on product innovation and the continued growth and success of Crowd Media.

**Crowd Mobile's Chief Executive Officer, Domenic Carosa:** "Anticipating evolving market conditions, Crowd Mobile has intensified its focus on the core areas of our business with the strongest growth potential. We are excited about the global opportunity for Crowd Media and confident the business is uniquely positioned to continue its growth trajectory, as it leverages both the expertise and assets Crowd has built up over the past years in digital marketing from selling its Q&A products through social media and its truly global distribution in payments and digital influencers.

I am also disappointed in the performance of the Subscription division and our strategic review has identified numerous cost efficiencies for the business which will continue to be implemented over the remainder of CY2018 while we continue to explore other strategic options. Our new leadership team and investment into our new Crowd Media division represent a significant opportunity for our Company. As the pace of our transformation accelerates we look forward to providing continued updates detailing achievements, operational efficiencies and milestones."

**Crowd Mobile's Non-Executive Chairman, Theo Hnarakis** "Crowd Mobile has entered a period of transformation into a new growth market, while continuing to be underpinned by a profitable yet mature Q&A business. I have confidence in our new management structure led by our CEO which focuses our best and brightest leaders on their natural strengths and expertise."

## Ends

Watch the Video interview with the CEO/CFO/COO – <https://youtu.be/RzWktnIE4L0>

Conference call to discuss this update is scheduled for Tuesday 26<sup>th</sup> June 4:15pm (AEST). Please call (02)8417-2302 and use PIN 415-737-6270

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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 [Crowd.ly](#), an 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).