



**ASX Announcement | 1<sup>st</sup> March 2019**  
*Crowd Media Holdings Limited (ASX:CM8)*

## **Crowd Media Continues Operational Transition**

Rightsizing Mobile division while continuing to grow new Social Media Marketing Business

### **Investments highlights**

#### **H1 2019 Financial Results**

- Revenue of \$14 million
- EBITDA loss of \$3.27 million and underlying EBITDA loss of \$1.13 million
- Invested \$1.3 million in further building out new Crowd Media division
- NPAT loss of \$2.8m million including a \$1.7m bad debt provision
- Net Debt to \$1.5 million
- Executed over \$2 million in cost reductions

#### **H1 2019 Divisional Highlights**

- Crowd Media: revenue up to \$1.3 million (up 160%)
- Crowd Media: signed a global airline, two of the largest pan European FinTech's and a global travel website as clients
- Q&A Division: achieved H1 2019 revenue of \$9.04 million
- Subscription Division: achieved H1 2019 revenue of \$3.69 million

#### **H2 2019 Outlook**

- Revenue, EBITDA, NPAT and Operating Cashflow in H2 2019 are projected to be stronger compared to H1 2019
- Crowd Media is continuing to shift its focus towards the growing social media marketing industry and recently changed its name to reflect this transition

**March 1<sup>st</sup>, 2019 - Global mobile entertainment and digital media company Crowd Media Holdings Limited (ASX: CM8 & FWB: CM3) (“Crowd Media” or “the Company”)** is pleased to announce progress in the operational transition and the performance of Crowd Media, its social media marketing division.

#### **Operational transition continues**

As announced to the market in August, the Company is currently undertaking an operational transition to focus on its core strength in social media and influencer marketing. [ASX Announcement: August 30<sup>th</sup>, 2018].

The transition allows Crowd Media to leverage synergies across all three of its divisions (Media, Subscription and Q&A) and gives it a clear positioning in a high growth area and diversify its revenue beyond Direct Carrier Billing and Premium SMS. When complete, the Company will transition from being a product centric business to a digital platform company, focused on leveraging technology and social media platforms to generate revenues by giving our advertiser clients market access to an audience primarily of millennials and Generation Z.

In order to better reflect this focus, the Company changed its name from Crowd Mobile to Crowd Media Holdings Limited in late 2018.

### H1 2019 Financial Results by division

Group (\$m)	1H19	1H18	Change
<b>Revenue</b>	<b>14.01</b>	21.06	<b>(33%)</b>
<b>EBITDA *</b>	<b>(3.27)</b>	2.37	<b>(238%)</b>
<b>U.EBITDA *</b>	<b>(1.13)</b>	2.75	<b>(141%)</b>
<b>OP CF</b>	<b>(1.79)</b>	2.65	<b>(166%)</b>
	<b>Dec-18</b>	<b>Jun-18</b>	
<b>Net debt</b>	<b>(1.5)</b>	(0.7)	<b>(114%)</b>
Cash	0.96	2.5	(62%)
Debt	(2.5)	(3.2)	(25%)

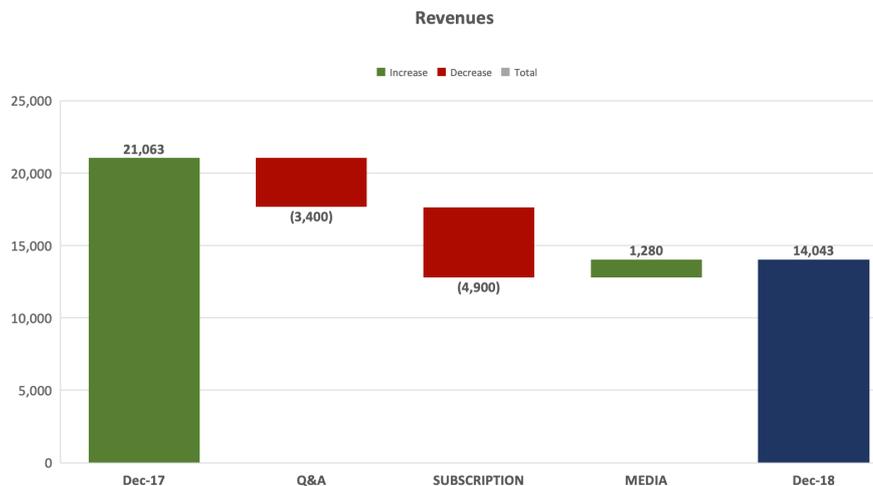
Divisional (\$m)	1H19	1H18	Change
<b>Q&amp;A</b>			
Revenue	9.04	12.63	(28%)
U. EBITDA	0.05	3.46	(101%)
<b>Subscription</b>			
Revenue	3.69	8.43	(56%)
U. EBITDA	0.46	2.23	(79%)
<b>Crowd Media</b>			
Revenue	1.30	-	n/a
U. EBITDA	(0.71)	(1.53)	(54%)
<b>Corporate</b>	<b>(1.30)</b>	<b>(1.40)</b>	<b>(7%)</b>

\*U.EBITDA (Underlying EBITDA) excludes share based expenses, one-off debt re-financing costs and provision for bad and doubtful debt

## Breakdown of Underlying EBITDA

	<b>31 Dec 2018</b>	<b>31 Dec 2017</b>
	<b>\$</b>	<b>\$</b>
Net profit / (loss) after tax (NPAT)	(2,811,726)	(276,314)
Add back: income tax expense	(1,049,002)	173,734
Add back finance costs	491,460	652,982
Deduct: interest income	(1,731)	(1,988)
Add back: depreciation and amortization	99,207	1,819,953
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Earnings before interest, tax, depreciation and amortization (EBITDA)	(3,271,792)	2,368,367
Add back: impairment of receivables	1,721,044	-
Add back: share-based payments expense	12,375	382,380
Add back: restructuring costs	130,364	-
Add back: share issuance costs	131,525	-
Effects of exchange rate changes	145,277	-
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Underlying EBITDA	<u>(1,131,207)</u>	<u>2,750,747</u>

## Explanation of Revenue Bridge comparing H1 FY2018 vs H1 FY2019 (\$m)



The above graph provides an illustration of changes in revenue across the various divisions. Both the Q&A and Subscription division had material revenue declines due to regulatory changes and closure of a number of markets including Australia, New Zealand, Turkey and parts of Eastern Europe. To offset the reduction in revenues in these markets, the company launched the Crowd Media division, which generated new revenues albeit were insufficient to make up for the loss in revenues in the Q&A and Subscription divisions. The company undertook significant cost cutting to offset the declines in revenue in Q&A and Subscription and allow it to invest for a more sustainable future.

### Crowd Media achieves significant growth

The Crowd Media division works with brands, digital influencers and affiliates to acquire customers for our clients on a fee for service and cost per customer acquisition (CPA) basis. Using the global distribution network and social media marketing expertise the Company has built up over the past five years in the Q&A division, the division is performing well.

Crowd Media division more than doubled its entire FY18 revenue in the first half of FY19. In FY18, Crowd Media revenues were \$0.5m from a zero base and the Company reported \$1.3 million in revenues for first six months of FY19 up 160% compared to the same period last year.



Crowd Media continues to attract blue chip partners including L'Oréal, Nestle, Expedia, N26, Bunq and recently received confirmation from a global airline for a long-term “always on” influencer campaign. Crowd Media also launched the Michael Schumacher inspired emoji app Schumoji early 2019. Crowd Media has identified a number of verticals including Travel, Lifestyle/Fashion, Fintech, Cannabis/CBD Oils, eSports and gaming as targets for further client growth.

Crowd Media won several large clients and established multiple repeat clients in the first half. The Division executed multiple pan-European campaigns with global brands and has strong activity indicators and a sales pipeline in excess of \$1.0 million. The media division is accelerating its growth in two areas: the strategic influencer marketing agency that develops and executes campaigns for international brands on a fee for service basis and Performance division that promotes and sells products for third parties companies using its expertise in digital marketing to predominantly millennials. Crowd Media is well positioned to win new business from international clients, being able to capitalize on its experience in selling across all major global social media platforms in over 50 markets for Q&A.

The Company made a net investment of \$1.3 million into the Crowd Media division during the first half.

#### **Mobile Division: Q&A and Subscription operational updates**

The Q&A division encountered headwinds including the closing of markets in Australia & NZ and regulatory challenges in Turkey and parts of Eastern Europe and hence reported softer than expected revenues and profits in the first 6 months of FY19. The first half achieved revenue of \$9.04 million, a decrease of 28% on the previous half year. First half U.EBITDA was down 99% to \$0.05 million.

The expectation is that the business will improve over the coming 12 months due to launching into new countries in Asia and Latin America, improved margins due to Artificial Intelligence and a new Q&A app to be launched into the USA market while at the same time reducing operating expenses within the division. Costs have been reduced in the division to ensure profitability is improved going forward.

The Q&A division continues to test product pivots which leverage its proprietary Artificial Intelligence (AI) technology. AI is now responsible for answering more than 60% of all questions which will help improve operating margins.

Crowd Media's Subscription business faced a number of regulatory headwinds in the first half including the closing of markets in Australia, NZ and a number of other countries in Eastern Europe. These conditions contributed to a 56% decline in revenue to \$3.69million. The Subscription division albeit down PCP performed in line with budgeted revenue and profit expectations in the first 6 months of FY19.

The Company has undertaken a restructuring to structurally reduce the cost base in the Q&A and Subscription divisions. The bulk of restructuring was conducted at management level, where the Company managed to limit the restructuring cost impact through voluntary terminations.

### Finance & Capital Management

The Company is currently in the process of refinancing the JGB Convertible note facility where EUR1.5m (circa AUD\$2.5m) is outstanding and at the end of December, Net debt was \$1.5 million.

The Company has cut in excess of \$2.0 million in operational and employee costs in the December Half which will be fully realised in the second half of the year. In addition, the Directors & CEO salaries have taken a reduction in fees of 10%.

Management continues to review costs in the business on an ongoing basis in order to maximise margins and profitability in the business.

The Company also took a provision against bad debts of \$1.7 million which are mainly attributed to the Subscription division in H1FY19.

### Outlook for H2 2019

Crowd Mobile will be focused on the following areas in the second half:

- **Crowd Media:** Delivering globally competitive social media and digital influencer campaigns to client and generating material revenues, with strong quarter on quarter growth
- **Q&A:** Growing message volumes again and revenues via launching new countries and new marketing channels and increased levels of AI technology to further improve margins
- **Subscription:** Executing the multiple new product and market opportunities in an attempt to return the Division to a growth profile



crowd media

**Crowd Media's Chief Executive Officer, Domenic Carosa said:** "I am pleased with the performance of the recently established Crowd Media division.

Although the overall performance of the Mobile division was less than pleasing, the business continues to transition to a social media and influencer marketing company. Having finalised a major restructuring and launching new products and markets, sets this business up for a more sustainable future and enable further investment in the new Crowd Media Division.

Our new Crowd Media Division presents an important strategic opportunity for the Company and we will continue to focus on capturing the significant opportunity that exists in the digital marketing sector.

The re-invigoration of Crowd Media Holdings remains both a challenge and opportunity and we have solid plans to pursue improvements and results in CY 2019."

**Investor Webinar – Thursday 7<sup>th</sup> March 4:30pm**

The Company will be holding a Webinar in order to give a more detailed update of our results and plans moving forward.

Date & Time: **Thursday 7<sup>th</sup> March 430pm AEDT (Sydney time)**

Hyperlink to register:

<https://attendee.gotowebinar.com/register/1152616237496525580>

And Webinar ID if you are using your computer: 819-634-707

Or use a dial in number however you won't be able to see the slide deck:

+61 2 9091 7604 and Pin code: 508-462-255

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### **About Crowd Media Holdings Limited**

Crowd Media Holdings Limited (ASX:CM8 & FWB:CM3) is a global media and marketing company. Crowd Media has two divisions: a mobile division which produces content including apps, games, and music, and a digital marketing division which works with brands and digital influencers to deliver branded content to the massive and fast-growing millennial and Generation Z markets.

Crowd Media's networks are strengthened by its partnerships with hundreds of mobile carriers and some of the world's largest agencies, brand and media companies. The mobile division operates in over 60 countries and 30 languages and the media division has worked with over 10,000 digital influencers worldwide.

To learn more please visit: [www.crowdmobile.com](http://www.crowdmobile.com).

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