

CROWD MEDIA CONTINUES FINANCIAL TURNAROUND

Investment highlights:

FY 2020 Financial Results

- Revenue of \$16.48m
- Underlying EBITDA profit of \$0.14m (improvement of \$2.8m)
- NPAT loss of \$1.9m including all finance, restructuring and non-cash items (improvement of \$2.9m)
- Net Debt reduced by 24% to \$1.6m as at 30 June 2020
- Executed over \$8m in operational cost reductions in the period

FY 2020 Divisional Highlights

- Crowd Direct (Direct to Consumer) revenue of \$0.35m from a standing start
- Crowd Direct has executed distribution deals with KINN-Living, Teadora, London Labs, Vital & I am Kamu
- Crowd Direct: establishment of quick-to-market social commerce channels, including Amazon in Europe
- Mobile (Q&A): revenue of \$8.9m, down from \$15.9m due to continued regulatory headwinds, reduction in use of paid-SMS as a messaging platform, and market closures
- Mobile (Q&A): Crowd's Pilot AI tech now handling 60% of customer interactions
- Mobile (Subscription): revenue of \$7.0m, up from \$6.3m, driven by launch of new products and new markets

FY 2021 Outlook

- EBITDA, NPAT and Operating Cashflow in FY2021 are projected to be marginally stronger than in FY2020, which is considered a transitional year
- Revenue growth is expected in new Crowd Direct division
- Expected launch of 6 new brands in the new Crowd Direct division
- Continued investment and focus on R&D to drive development of our conversational commerce influencer platform technology

28th August 2020 – Social commerce 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 financial performance of Crowd Media.

For personal use only

Operational transition continues

As announced to the market over the last 12 months, and in accordance with the Vision shared at the November 2019 AGM, the Company is in the midst of executing a strategic, financial and operational transition that moves it away from a dependence on Mobile (Q&A and Subscription division) and more towards conversational commerce and the technology that underpins that.

This transition is built upon Crowd Media leveraging synergies across the entire business, as well as forging new alliances, all with the goal of positioning Crowd in various high growth areas. When complete, the Company will have effectively transitioned from being a product-centric business in a declining space to a tech-based, vertically integrated social commerce business selling exemplary products and services in a growing space.

Explanation of Underlying EBITDA

Notably, the Company's EBITDA and net loss includes a non-cash share-based payment charge of \$0.3m, restructuring and financing costs of \$0.6m (related to costs associated with the European Investments Consortium convertible notes issued during the year, share issuance costs and restructuring of the Media division) and a non-cash net fair value loss on derivative financial liabilities of \$0.3m (related to the valuation of the conversion option on the Obsidian convertible note that was repaid in September 2019). When adjusting for these effects, consistent with performance measures reported to shareholders during the year, the Underlying EBITDA for the financial year is a profit of \$141,373, an improvement of \$2.8m versus the prior year loss of (\$2.6m), as follows:

| | 2020 \$ | 2019 \$ |
|---|-------------|-------------|
| Net profit / (loss) after tax ('NPAT') | (1,914,560) | (4,795,984) |
| Add back: income tax benefit | (654,348) | (1,581,426) |
| Add back: finance costs | 899,679 | 582,894 |
| Deduct: interest revenue | (327) | (1,991) |
| Add back: depreciation and amortisation | 598,156 | 209,128 |
| EBITDA | (1,071,400) | (5,587,379) |
| Add back: allowance for expected credit losses | (3,197) | 1,158,485 |
| Add back: share-based payments expense | 302,488 | 24,750 |
| Add back: restructuring and financing costs | 605,265 | 1,590,620 |
| Add back: net fair value loss on derivative financial liabilities | 303,902 | - |
| Effects of exchange rate changes | 4,315 | 164,915 |
| Underlying EBITDA | 141,373 | (2,648,609) |

For personal use only

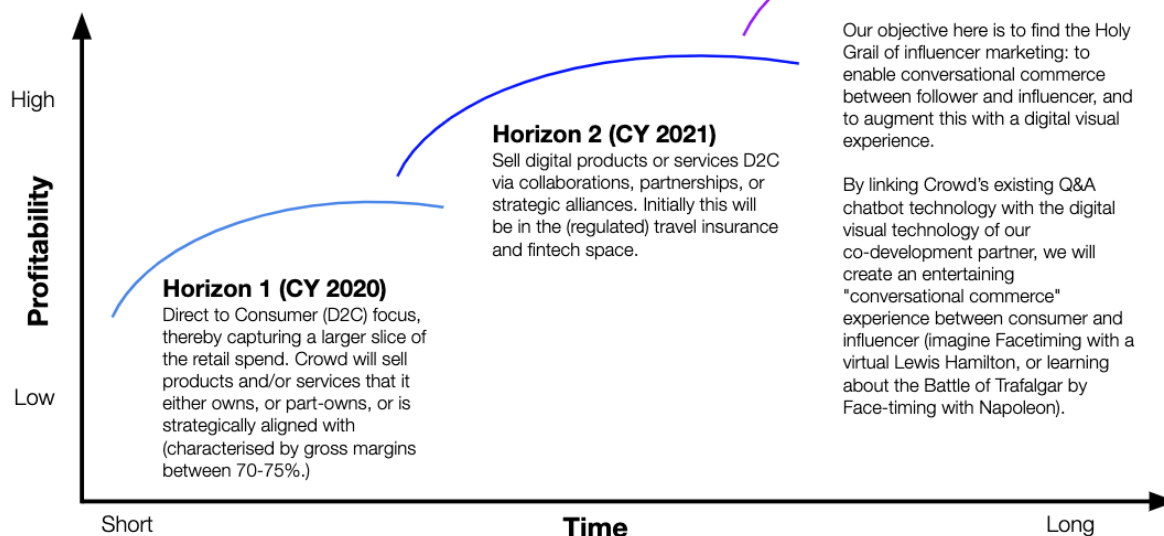
Crowd Media focused on new Horizon 1, 2 and 3 strategy for FY2021

The Company wishes to reiterate to shareholders our stated Horizon growth model as outlined by Chairman Steven Schapera at our 2019 AGM.

Horizon Model

McKinsey 3 horizon model

3 Horizon growth strategy



Horizon One (CY2020): Crowd will sell products and/or services that it either owns, or part-owns, or is strategically aligned with as evidenced by various deals including KINN-Living, London Labs and others.

Horizon 2 (CY2021): Crowd will shift its focus to the more scalable sale of services via collaborations, partnerships, or strategic alliances modelled on Horizons 1 arrangements. It is expected that these will be in the (regulated) travel insurance and fintech space.

Horizon 3 (CY2022): Crowd is continuing R&D in the conversational commerce in order to create a "talking head" which we believe will revolutionise influencer marketing. Further announcements reaffirming our commitment are expected in the coming few months.

Mobile Division: Q&A

The Q&A division encountered material regulatory headwinds and sector declines as millennials slowed the use of paid-SMS. The steps taken to streamline this business have now stabilised it, evidenced by the fact that it is generating small monthly profits again. The Q&A division generated an underlying EBITDA profit contribution of \$0.2 million in FY2020 (improved from a loss of \$0.5 million in FY2019).

For personal use only

Importantly, in line with the Plan, the Q&A division continues to invest in R&D, testing product pivots to further leverage its proprietary Artificial Intelligence (AI) technology. In fact, we now have AI responsible for answering more than 60% of all questions, helping to improve operating margins. This is the conversational tech platform for the Company's Horizon 3 "talking head" conversational commerce model.

Mobile Division: Subscription

Crowd Media's Subscription business also faced a number of regulatory headwinds, which we were able to mitigate with the launch of a number of new products and new markets. The division was up 10% to \$7m revenue and it generated an underlying EBITDA profit contribution of \$2.1 million in FY2020 (up from \$1.0 million in FY2019).

Finance & Capital Management

The company improved underlying EBITDA to \$0.14m in FY2020 compared to an underlying EBITDA loss of \$2.6m in FY2019. The Company expects underlying EBITDA to improve in FY2021.

The Company reduced its securitized BillFront debt facility to EUR1m (circa \$1.7m). The BillFront debt facility expires April 2021, and as such this facility is now classified as a current liability on the Company's balance sheet. The Company has had positive discussions with BillFront regarding the extension of such facility and will review its debt finance strategy closer to the time.

Furthermore, the Company has \$1.9m in outstanding unsecured Convertible notes (T1 and T2) with the majority associated with Chairman Steven Schapera, Director Robert Quandt and CEO Domenic Carosa. These notes expire in April 2021 and December 2021 and the expectation is that the Convertible Notes will either be converted to equity and/or extended further. Accordingly, 66% of the Convertible Notes (T1) are classified as a current liability on the balance sheet.

Management continues to review cashflow, costs and Balance Sheet strength on an ongoing basis.

Outlook for FY2021

Crowd will be focused on the following areas in FY2021:

- **Crowd Direct:** Execution of existing and new brands over the coming financial year while continuing our work on driving innovation in the future of influencer marketing.
- **Mobile (Q&A & Subscription):** Further stabilise these businesses, optimise them for the future, and grow revenues with the objective of consistently delivering monthly profits.

For personal use only

Crowd Media's Chairman, Steven Schapera said: "The influencer market is a highly competitive and dynamic one. As with almost any market, it favours the incumbent, but we have good reason to believe we can squeeze our way in. We have picked a diverse assortment of products to identify and test the area of opportunity. Our real interest is to be at the table when technology shifts the market tectonically to *conversational commerce*. Then, we will be the incumbent, and hold a truly sustainable competitive advantage."

Crowd Media's Chief Executive Officer, Domenic Carosa said: "I am pleased with the financial turnaround of the business, albeit we still have much work ahead of us. The new Crowd Direct division is slowly gaining some traction while we continue to work on our stated goal of changing the way products and services are sold via digital influencers. We believe *conversational commerce* is the future of ecommerce."

Investor Webinar & AGM Notice

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

Date & Time: **Wednesday 9th September – 5:30pm AEST**

Link to register for the webinar: <http://bit.ly/ASX-CM8-Sep20-Webinar>

Or dial: +61 (02) 8015 6011 and use Webinar ID: 894 7331 8825

Crowd Media Holdings Limited advises that its Annual General Meeting will be held on or about 25 November 2020. The time and other details relating to the meeting will be advised in the Notice of Meeting to be sent to all shareholders and released to ASX immediately after despatch.

In accordance with the ASX Listing Rules, valid nominations for the position of director are required to be lodged at the registered office of the Company by 5:00pm (AEST) 6 October 2020.

This announcement has been authorised for release to the ASX by the Board of Directors of CM8.

(ends)

For further information please contact:

Domenic Carosa, Chief Executive Officer,
Crowd Media Holdings Limited
M: +61 411 196 979 / +31 611 227 235
E: dom@crowdmedia.com

ABOUT CROWD MEDIA

Crowd Media Holdings Limited (ASX:CM8 & FWB:CM3) Crowd is a tech-based, vertically integrated social commerce business selling exemplary products and services that are integral to the lives of its customers.