

CROWD MEDIA PLAN IS ON TRACK

As Chairman of Crowd Media Holdings Ltd ("Crowd"), it gives me great pleasure to share this situational update with our Shareholders, the Owners of the company. Although not quite at the end of one of the most exciting financial years for Crowd, we are already in a reasonable position to assess where we have been, where we are now, and where we are going.

Crowd's turnaround began in September 2019, following a sizeable investment by a consortium led by me and my co-director Robert Quandt. Working closely with Crowd's CEO Domenic Carosa and his management team, Robert has drawn upon his vast consulting and operational background to help realign the business. Specifically, Crowd is now more agile, more capable and more efficient despite operating upon a substantially lower cost base. This is evidenced by positive underlying EBITDA results for January through to June, and should ensure that the company remains on track to meet the Board's goal of at least a breakeven/near breakeven underlying EBITDA position for the full year ending June 30, 2020.

Despite witnessing a substantial downturn in the economies of all the markets in which the company is active, this pleasing turnaround for Crowd has been driven by Management's focus on quality of revenue, cost efficiency, and agility from top to bottom. This agility has seen us test three new brands (I Am Kamu, London Labs, KINN) on our sales platform in three months, with another six to come in the next twelve months. We continue to reap the benefits of an over-arching strategy that saw us culling unprofitable customers, improving efficiency, and identifying new opportunities and alliances that could be profitably deployed.

Beginning in May this year, we have gradually increased our influencer marketing spend. Shareholders may not realize that it is not an "on/off" switch, ie material sales do not manifest the moment the influencer activity begins. The initial phase is a series of tests: First, we must test to determine the influencer(s) best matched to the brand or product. In the old days, this was like identifying and securing the best location to place a billboard. Second, we must test to determine the message that produces the best response. This is perhaps similar to writing the best copy on the billboard. Third, like almost all forms of advertising, consumers often don't take action until they have seen the message 3 or 4 times, so we must test repetition. This test-phase is an iterative process, and sales are a slow-but-steady build if we do it right. As I said in my update to Shareholders last month, this can easily take 3 months (or even 6 months for specialised products where we need to find the "secret sauce") and we phase our spend accordingly.

Test sales to date with I Am Kamu and London Labs are both in line with expectations, and although we have only launched KINN very recently it is performing slightly better than we had anticipated. Before the end of this month we will also test-launch both London Labs and KINN on our recently built Amazon ecommerce platform, and this will broaden our revenue-earning potential appreciably if the tests are fruitful.

Since outlining our vision for Crowd at the November 2019 AGM, our mission has been *to sell exemplary products that are integral to the lives of our millennial audience*. At the time we were largely focussed on beauty/haircare/skincare products, however with the unfortunate arrival of Covid-19 it is now fair to say that home-care, hygiene, and health products have never been more integral to the lives of our customers than they are now. This is evidenced by our recent announcement that Crowd has entered into an agreement to market and distribute brands from the portfolio of the UK's esteemed Vital Group. Shareholders can expect to see Crowd bolster revenues from their products, especially from those in the health/wellness space.



Crowd is led by a Board of seasoned entrepreneurs, always assessing risk – especially in the short and medium term. One risk we identified is the Billfront debt facility, where it makes sense to reduce our exposure by about €300k (A\$500k), to a more comfortable level around €1m (AUD\$1.65m) outstanding. Another risk is that capital markets might be very different later in the year. As the pace at which we can accelerate scale-up and bolster sales is largely determined by working capital, and it thus made sense for the Board to action a small \$1.5m capital raising - as we did last Friday. This was a strategic move, aimed not just at reducing debt and increasing working capital, but also improving our shareholder register and drawing more attention to the stock. The offer was significantly over-subscribed, enabling us to curate the prospects and choose only those who we felt would best align with the company's interests.

Despite challenges that none of us have ever witnessed before, Crowd continues to improve in the most important of all metrics: the bottom line. After two years of substantial losses, underlying EBITDA is now *positive and steadily improving*. We have streamlined every single aspect of the business and evolved into a lithe, lean, and nimble business run by entrepreneurs, not corporate managers. We have identified and flushed out opportunities, developed strategies to secure them, and executed with speed and professionalism.

As with any team sport, the player who scored the goal had to have received the ball from someone else. Crowd's board could not have achieved what it has achieved in the last nine months without absolute support from our CEO Domenic Carosa and his Management Team. I must also thank my co-directors Robert Quandt and John Palermo for the significant value they have added.

I remain committed to providing you with situational updates in the next few months, as and when we have news to share.

Steven Schapera
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[ABOUT CROWD MEDIA](#)

Crowd Media Holdings Limited (ASX:CM8 & FWB:CM3) is a global media and marketing company. Crowd Media has two divisions: a Mobile division built upon its Q&A and Subscription tech platforms to produce and deliver content including apps, games and music, and a Digital Marketing division which works with brands and digital influencers to deliver branded content primarily to the fast-growing Millennial and Gen Z markets.

Crowd Media's networks are strengthened by its partnerships with hundreds of mobile carriers internationally and some of the world's largest agencies, brands and media companies. The mobile division operates in more than 50 countries and 30 languages and the media division has worked with more than 10,000 digital influencers worldwide.