

## SEPTEMBER QUARTER 2020 ACTIVITIES REPORT

### Highlights:

- CM8 revenue for Quarter ending 30 September 2020 was \$3.8 million
- Crowd Direct revenue up 136% quarter on quarter to \$317,000
- Acquired the I AM KAMU online ecommerce brand securing more beneficial commercial terms than previous agreement via an asset sale agreement
- Acquired a strategic stake in Forever Holdings Ltd for “talking head” strategy (Horizon 3)
- Launched the [www.MDComplete.eu](http://www.MDComplete.eu) brand across web and mobile with Buy Now Pay later functionality by European based Klarna, and also launched products via Amazon in Europe
- Launched Teadora brand via the Amazon ecommerce marketplace
- Launched Covid-19 Testing website, in partnership with Vital Innovations [www.CoronaTesting.eu](http://www.CoronaTesting.eu)

### Operations Update:

- Crowd Direct launched 2 new ecommerce brands: MD Complete, and Teadora
- Acquired 100% of the I AM KAMU online ecommerce brand
- Amazon channel showing some improved sales, albeit from a low base
- Q&A Chatbot AI now handling approximately 65% of enquiries without any human labour resources
- Acquired an 8% strategic stake in Forever Holdings Ltd to secure our “talking head” strategy (Horizon 3)
- Continuing to work on acquiring Fintech and Insuretech regulatory licences, required to launch said products in CY2021 (Horizon 2 strategy)
- Accelerated R&D into AI-driven “talking head” technology for the influencer and educational markets by leveraging our Q&A Chatbot technology

### Outlook and Future Activities:

- CM8 expects December quarter to be a record for its Crowd Direct division
- Anticipate signing further ecommerce brands for the European market in FY2021
- Acquisition of fintech and Insuretech licences intended for CY2021 launch
- Continued R&D investment to further underpin Horizon 3 strategy
- Forever Holdings cooperation on selected business development opportunities in the music, celebrity and educational sectors.

## Financial Update:

- Revenue for the quarter ending 30 September 2020 was \$3.8 million, which is in line with the prior quarter (Q4 FY2020)
- Crowd Direct revenue of \$317k for the quarter increased by 136% compared to the prior quarter
- Facing strong regulatory and market headwinds, revenue for the legacy Mobile division was down by 9% versus the prior quarter. This division is currently being restructured to further optimize the cost base and improve profitability
- Crowd's cash balance at 30 September 2020 was \$1.24 million
- Net cash used in operating activities for the quarter was (\$566k), reflecting a higher marketing investment and increased inventory purchases to facilitate Crowd Direct's scale-up
- The Company received \$84k in government grants and paid \$83k in interest on the BillFront loan
- Net cash flow from R&D investing activities for the period was (\$39k), including payments for software development. The net cash flow from financing activities was (\$93k) for repayment of lease liabilities
- Paid down Billfront loan of circa \$AUD\$500k (EUR300k) on 30<sup>th</sup> June 2020
- Total current and non-current borrowings were \$3.6 million at 30 September 2020, consisting of the loan payable to BillFront of \$1.7 million (maturing in April 2021) and the European Investments Consortium convertible notes of \$1.9 million (maturing in April 2021 and December 2021, for tranche 1 and 2, respectively). All parties have expressed interest in extending and/or converting the facilities

## Subsequent events:

Crowd Media Holdings Limited (ASX: CM8 & FWB: CM3) ("Crowd" or "Company") has agreed to acquire all of the assets of the "I am KAMU" business, including the [www.lamKamu.de](http://www.lamKamu.de) (KAMU) ecommerce website, stock, and all IP associated with the brand. KAMU is owned by Kamu UG, a wholly-owned subsidiary of Invincible Brands GmbH, a global influencer-led social commerce company with strategic links to Crowd.

Invincible Brands recently sold their beauty brands to Henkel Germany and, as part of their internal corporate restructure, the KAMU brand was made available. Crowd has agreed a purchase price with Invincible Brands for a nominal cash consideration and a 5% Net Profit royalty over the coming 12 months.

The KAMU brand was acquired by Invincible Brands in 2016 and specializes in designer watches and other fashion accessories. Crowd has been engaged in the promotion and sales of the KAMU brand since the start of 2020 through a marketing partnership.

This acquisition of I Am KAMU leverages Crowd's core strengths (digital social media / influencer marketing / conversational commerce) to drive web sales of KAMU products across Europe, marketing a range of products much sought after by millennials. Further details in Appendix below.

This deal marks another milestone in the execution of the Company's strategic vision to sell exemplary products integral to the lives of European-based millennials on a Direct to Consumer model. Crowd has deep experience in digital marketing to millennials and Gen Z in most European countries, across 12 different languages, and will be using influencer and performance marketing strategies to drive KAMU sales.

Crowd's Chairman Steven Schapera said: "It's always my preference to not be a passenger on someone else's bus. With KAMU, we are now the driver and this gives us a lot more opportunity and incentive to grow the business and grow our margin."

Crowd's CEO Domenic Carosa said: "We are excited to have executed this small yet important acquisition for Crowd. We have been promoting and selling KAMU within Germany since the start of the year and it's been

well received by our German customers. We will now begin to expand the brand into other parts of Europe and will also look to extend the brand across the Amazon ecommerce channel”

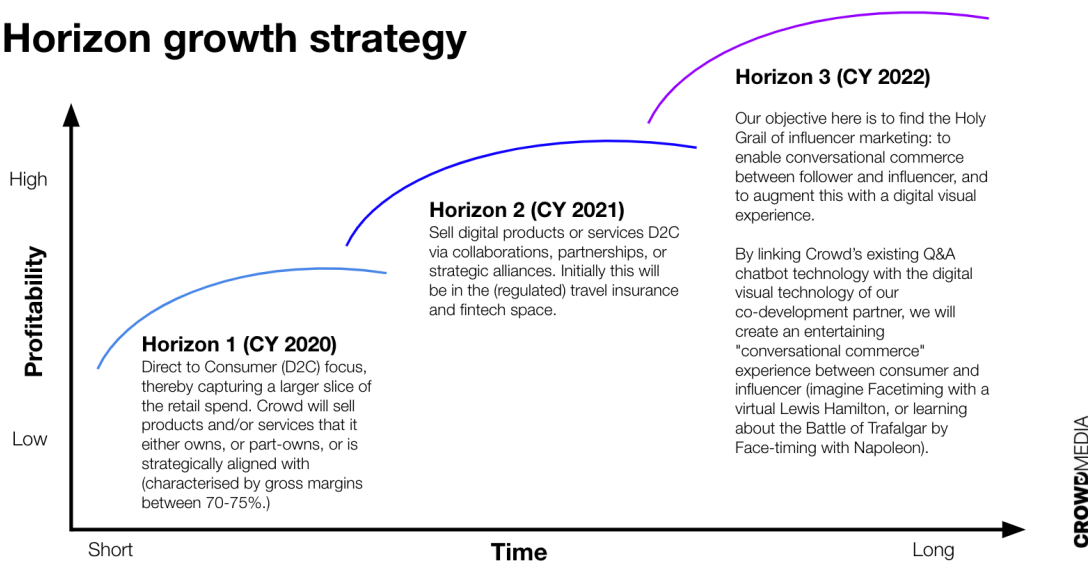
## Crowd Horizon model recap:

Crowd is well on track with the implementation of its 3-year strategy as outlined by the McKinsey inspired Horizon model. The strategy was communicated to shareholders by Chairman Steven Schapera at the 2019 AGM.

### Horizon Model

McKinsey 3 horizon model

## 3 Horizon growth strategy



## Related Party Payments:

Section 6 of the appendix 4C released today discloses payments to related parties of \$176k. An amount of \$124k was paid to executive and non-executive directors in salaries and fees, and a further \$52k was paid to non-executive directors for consulting services provided.

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

(ends)

## For further information please contact:

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## 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.

## APENDIX: SUMMARY OF THE KAMU ASSET PURCHASE AGREEMENT

- Crowd has executed an asset purchase agreement with Kamu UG, a wholly own subsidiary of Invincible Brands GmbH to acquire all of the business and assets of the business KAMU.
- It is agreed between the parties that the Completion date of the sale of KAMU is 26th October 2020
- The assets of KAMU business include: all intellectual property of the website (excluding the proprietary backend), stock, KAMU social media accounts and all other assets of the website required to conduct its day-to-day operations.
- On completion date all of the assets will be transferred to Crowd as the legal and equitable owner of KAMU.
- The financial terms of the acquisition of I AM KAMU are the following:
  - Crowd will pay to IB the purchase consideration of EUR 1 in cash on the Completion date;
  - Crowd will pay to IB as royalty payments 5% on Net Profit during the first 12 months starting from the Completion date. Net Profit is defined as the total revenue minus cost of goods, expenses, direct and indirect costs, credit card processing fees and all applicable taxes;
  - Crowd will pay to IB the invoice of the stock, within 90 days from 31<sup>st</sup> October 2020.
- The liabilities and obligations of KAMU in relation to the period up to and including the Completion date will remain the responsibility of IB. Crowd is not assuming any liabilities or obligations which relate to IB's ownership of the assets prior to the Completion date.
- The liabilities and obligations of KAMU which arise from the Completion date will be the responsibility of Crowd.
- Crowd will be utilizing a 3<sup>rd</sup> party warehouse in Europe for KAMU (which it already uses for its other brands including KINN Living and Teadora).