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Crowd Mobile Limited (ASX: CM8)

ASX Release

Crowd Mobile reports another quarter of growth in Q&A business

Highlights for the June Quarter:

- Tenth consecutive quarter of growth in total billed messages from the Question & Answer (“Q&A”) division with a 12% increase over the previous quarter to 2.6 million messages.
- Q&A division growing strongly in all key metrics with Jun-16 a record revenue month and further opportunities for growth in FY17.
- Net Debt at 30 June 2016 of \$14.8 million, a reduction of \$3.7 million since December.
- Unfavorable exchange rates impact on results with quarterly revenue increasing slightly over the previous quarter to \$11.54m from \$11.46m and underlying EBITDA down 9% to \$2.95m.
- Payment of second Track Vendor Earn Out of EUR2.5 million (\$3.7million)
- Continued strong generation of operating cash flows on a month-to-month basis in line with expectations.
- Commercial launch of the Company’s most successful Mobile App to date ranked #1 in its category across numerous countries.

Crowd Mobile Limited (ASX: CM8 & FWB-XETRA: CM3, Crowd Mobile, “the Company”) is pleased to report its unaudited quarterly results for the three months to 30 June, 2016, as its Q&A business continues to gain momentum and revenues continue to grow despite a number of headwinds.

Q&A Division Enjoys Tenth Quarter of Growth

The Q&A division experienced 12% growth in billed messages volume versus the prior quarter – its tenth consecutive quarter of gains. For the full 2016 financial year, the total billed messages volume rose 66% to 9 million over the previous financial year.

The Company secured a number of new Mobile App deals during the quarter and continued its push into the higher value professional services sector with the signing of financial advice, tax and legal Q&A Apps in Australia.

Crowd Mobile also continues to have success across its entertainment Apps. The joint venture “Gazmoji” App which was released in July was the **number one paid App** in the entertainment category on the Apple App store across 9 countries following its release.

Furthermore, the Company continues to generate strong operating cash flow on a month-to-month basis, which is in line with management expectations. Crowd Mobile generated free cash flow of \$3.7 million (*after* paying for interest, tax, acquisition fees and restructuring costs) for the six months from January to June.

Debt Refinancing

The financial performance enabled a more competitive and flexible re-financing facility to be announced in June. The new facility has a reduced headline interest rate of 6.25% compared to previous rate of 12%. Net Debt is \$14.8 million as of 30 June 2016, a reduction of \$3.7 million since 31 December 2015.

The Company will seek shareholder approval at an Extraordinary General Meeting (“EGM”) on 1 August 2016 to complete its refinancing.

Exchange Rate Headwind

The adverse exchange rate has weighed on the Group’s quarterly financial performance. Revenue for the June quarter was slightly higher than the previous quarter with revenue increasing to \$11.54 million versus \$11.46 million for March quarter.

Underlying earnings before interest, tax, depreciation and amortization (EBITDA) for the latest quarter declined 9% to \$2.95m versus the previous quarter when EBITDA hit a record of \$3.25 million.

The reduced EBITDA partly resulted from the strengthening of the Australian Dollar versus the Euro/GBP, particularly following the Brexit announcement in June. Management has also continued to reinvest into the business during the June quarter in line with the Company’s strategy of continued investment in the business and its platforms to further build sustainable earnings.

The fact that record quarterly revenues are being generated consistently each quarter gives the Company confidence in its strategy to achieve global growth.

Subscription Business (Track) Performance

The Subscription Business (Track) has begun to stabilise, although revenue and EBITDA were lower than the previous quarter.

The Company also paid the second Track Vendor Earn Out of EUR2.5m (\$3.7million) during the June quarter using existing working capital facilities.

Since the Track acquisition a number of measures have been implemented, including adding to the executive team, creation of new products and ‘fine-tuning’ the marketing strategy, to create long-term sustainability within this division.

Crowd Mobile is confident that the changes that have been made to the business over the past 6 months will begin to deliver returns in the 2017 financial year.

“During the June quarter we were pleased to consolidate the record results from the beginning of the year, whilst also being able to refinance our debt facility,” said Domenic Carosa, the CEO of Crowd Mobile.

“The Q&A business unit performance continues to exceed our expectations and we are excited to see where we can take things in the 2017 financial year.

“The subscription business has produced some up-front challenges for management and whilst it continues to generate profits and cash flows, which underpin the Company’s overall growth ambitions, we are confident of improving its results.

“Looking further ahead, Crowd Mobile is generating strong profits and healthy positive operating cash. We have invested heavily in recruiting and training our leadership teams, our new product sets, and our debt is under control. We are highly confident on delivering on our growth aspirations.

“We would like to thank our shareholders for their ongoing support and look forward to the forthcoming EGM to be held on 1 August 2016 in Melbourne where we will finalise the debt refinancing.”

*Note that all quoted financial results are currently in the process of being audited.
Net Debt is calculated by taking the total amount of Debt and deducting cash at bank.*

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About Crowd Mobile

Crowd Mobile is a mobile-first company with a world-leading platform that provides personalised expert advice that go beyond Google. Operating across 50 countries and 30 languages, the Company has partnered with over 160 mobile carriers to enable users to pay for its products and services through their mobile phone or with Google or Apple Pay. Crowd Mobile, which has also developed a diverse range of products in the m-payment, entertainment and infotainment space, is listed on the Australian and Frankfurt stock exchanges.