RESEARCH

INFORMATION TECHNOLOGY

# Emerging ASX Technology Sector

## 24 February 2015

## Disruptive Technologies and the "New Economy"

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## Executive Summary

Globally there is another technological seismic shift taking place as the internet moves towards Web 3.0. There are a number of key themes that are underpinning the relatively new disruptive technology boom that is sweeping the planet as businesses like Uber and Airbnb gain more attention along with the technologies such as cloud computing, mobile and hyperlocal engagement that they are built on.

The landscape is massive and complex so we have chosen to do a deep dive on a subset of disruptive technologies we have identified and some of the emerging ASX listed companies we feel are representative of each technology stack. In this report we turn the spotlight on marketing and social engagement, the peer to peer sharing economy, mobile commerce and decentralised transaction verification.

| Company | Code | Area | Market Cap | Share Price | Recommendation |
|---|---|---|---|---|---|
| Rewardle | RXH | Marketing and Social Engagement | $31.9m | $0.27 | Speculative Buy |
| migme | MIG | Marketing and Social Engagement | $199m | $0.79 | Speculative Buy |
| 1Page | 1PG | Marketing and Social Engagement | $156m | $1.22 | Speculative Buy |
| Collaborate Group | CL8 | Peer to Peer Sharing Economy | $7m | $0.019 | Not Rated |
| Crowd Mobile | CM8 | Mobile Commerce | $16.5m | $0.22 | Not Rated |
| Digital CC | DCC | Decentralised Transaction Verification | $12.3m | $0.073 | Not Rated |

Figure 1: Companies covered in this report


Figure 2: Share price performance of the companies in this report

Source: Iress

## Company Snapshots

### Rewardle (RXH.ASX)

**Recommendation: Speculative Buy**

Rewardle (RXH) is a digital customer engagement platform for retailers. Rewardle connects customers with small high street merchants via an electronic membership, points and rewards program. The RXH platform offers merchants a sophisticated multi-channel platform that has up until now only been available to large retailers with big budgets.

**Key Points**

- RXH is a loyalty scheme for small business that enables small retailers to implement a sophisticated loyalty scheme that rivals the programs run by large retailers. RXH has aggressively grown its footprint of merchants across sectors and across Australia.
- RXH has moved into payments and is currently beta testing a solution that allows members to vault a credit card and then use it to pay for pre-ordered goods or services.
- There is a large Addressable Market of circa 133,000 merchants that could use a digital loyalty and rewards scheme. RXH only needs to capture a subset of this market to be successful.
- RXH has a clear monetization model in that it charges merchants a monthly fee and an additional fee for add on services. Once payments mature RXH will be able to further grow its revenue base.
- RXH is funded for growth and has a number of options in terms of securing further funding prior to becoming cash flow positive.
- Due to the fact RXH is a network of retailers and members there are a number of natural network effects that will accelerate the growth of the business.
- RXH is backed by an experienced team that have successfully grown and exited a number of digital businesses.

**Our View**

We have a Speculative Buy recommendation on RXH with a valuation of $0.83. RXH has over 2,800 merchants on its platform and its key growth metrics are still accelerating. Management has delivered and exceeded all their pre IPO projections as well as signing deals with some large chains that will in time accelerate monetisation. If the growth rates continue as they are, 1 in 15 economically active Australians will have a RXH card or application on their mobile phone by the end of this calendar year. That represents tremendous penetration for a small start-up company that was only listed in October 2014.

### migme (MIG.ASX)

**Recommendation: Speculative Buy**

migme is a listed global digital media company headquartered in Singapore.

**Key Points**

- MIG is a South and South East Asia focused social network with 10 million monthly active users (MAU). MIG operates in Indonesia, India and Nepal and is targeting the 3.5 billion people in the broader emerging markets of South East Asia, South Asia, Middle East and Africa.
- The MIG’s platform hosts a number features such as miniblogs, chat, chatrooms, virtual gifts and games.

- MIG monetises its business model by offering freemium services such as chat and mini-blogs and then encourages users to upgrade to premium services for which MIG charges a fee as well as offering the sales of virtual goods.
- FIH is a subsidiary of Hon Hai otherwise known as Foxconn and has a 19.9% strategic holding. Foxconn which is the largest manufacturer of mobile phones in the world.
- MIG partners with popular celebrities to sell virtual goods on its platform, and as a result the celebrities and MIG share in the revenue from sales.
- MIG intends to grow scale by acquiring businesses that can help increase its reach and footprint.

**Our View**

We have a Speculative Buy recommendation on MIG. Due to the early nature of MIG's commercial model we have not placed a valuation on the business at this point in time. MIG's peers who operate in other Asian markets generally enjoy much higher valuations. The strong valuation of these comparable business is largely thanks to the healthy revenue that they realise from the sales of virtual goods and games. We are of the opinion that as the MIG business evolves and its revenue profile increases, it will rerate to be more in line with its regional peers.

## 1Page (1PG.ASX)

**Recommendation: Speculative Buy**

1Page is an ASX listed Silicon Valley HR Technology Company pioneering a new innovative way to source and recruit the right candidate for a job.

**Key Points**

- Branchout has allowed 1PG to create a database of 820 million Facebook users and most importantly the 10 billion friendship connections between them. Branchout allows hiring managers to source high demand candidates from the network and then identify which employee is linked to the candidate. Candidates hired from a personal referral have better long term employment outcomes than other hiring sources.
- The 1PG recruitment process can then be used to identify the best candidate for a job by focussing on candidate ability as well as other previously unquantifiable capabilities.
- The 1PG platform can also be used to source and rank business improvement ideas from a company's employees.
- The US recruitment market was worth US$190 billion in 2013 and is likely to increase thanks to the recovery in employment.
- 1PG has a relatively straight forward monetisation model in that it charges a monthly subscription fee which is tiered depending on the size of the organisation.

**Our View**

We have a Speculative Buy recommendation on 1PG. One of the areas that is ripe for disruption is the recruitment market in that even though social networks such as LinkedIn and Facebook have changed the way candidates are sourced there has been no large impact on recruitment costs. 1PG provides the innovative sourcing tools via Branchout and the 1PG hiring platform that will help make the process more efficient and can also be used as an internal business improvement platform. We also favour businesses that help other businesses save money and improve outcomes and 1PG has the potential to do both for its clients. A recent capital raising of $9.6m has further strengthened the balance sheet and we estimate 1PG has circa $15m of cash on hand which is a strong funding position for its growth path.

We have not placed a valuation on 1PG at this point in time due to the early stage of the business but we do expect to publish a valuation in our next report.

## Collaborate Corporation (CL8.ASX)

**Recommendation: Not Rated**

Collaborate Corporation is an Australian based collaborative consumption business that allows people to monetise their assets when they are not using them.

**Key Points**

- CL8 is a company operating in the fast growing internet enabled sharing economy that helps people maximise the value of potentially underutilised assets.
- There are strong global analogues for CL8's business model. Ride sharing, accommodation and taxi services have sprung all over the world as people look to monetise assets which are idle.
- In October last year CL8 signed a deal with the McMillan Shakespeare group to access a pool of late model ex-lease models that can be hired to private drivers thereby increasing the supply of vehicles available.
- CL8 is diversifying its hiring business by also offering other products for hire beyond just hire cars.
- CL8 already earns revenue from its car hire business and has processed over 4,000 rentals to date resulting in 150,000 rental days.

**Our View**

We do not currently have a rating on CL8 but will continue to watch with interest and monitor its progress as it rolls out its offerings to the market. The sharing economy is going to continue to be a powerful economic force as people try and maximise value from their time and assets. We also like the fact the business is revenue generating at this point in its lifecycle.

## Crowd Mobile (CM8.ASX)

**Recommendation: Not Rated**

Crowd Mobile is a mobile phone entertainment business that allows users to ask subject matter experts questions on a range of issues important to them. Crowd Mobile listed on the ASX in January 2015.

**Key Points**

- CM8 is a mobile based entertainment business with a global footprint. CM8 operates mainly in Europe, Australia and New Zealand and is currently expanding into other countries.
- CM8 is essentially a crowd sourced micro-job system where the platform connects customers with a researcher who answers a question.
- CM8 has strong tailwinds in terms of the strong growth in mobile phone use, especially in the smart phone category.
- CM8 is currently revenue generating and recorded FY14 sales of $9.7m and an EBITDA of $2.2m. CM8 reported that its revenue was up 20% for 1HFY15.
- CM8 are planning to launch circa 50 new apps over the next 36 months while diversifying its current offering into a number of new sectors.

**Our View**

We do not currently have a rating in CM8 but will continue to watch it with interest and monitor its progress as it rolls out its offerings to the market. We like the fact it is revenue generating and is about to expand its product offerings across a number of different categories.

## Digital CC (DCC.ASX)

**Recommendation: Not Rated**

Digital CC is a listed business that focuses on the new realm of Crypto Currencies.

**Key Points**

- DCC is a fully integrated digital enterprise that operates along all parts of the Bitcoin (BTC) value chain.
- DCC are developing a digital wallet application that will use the blockchain to transfer money across the world in a cost effective manner.
- DCC provides liquidity to other crypto currency market participants such as retailers and hedge funds. These operations are funded via the BTC balance sheet.
- DCC owns and runs BTC mining rigs that validate transactions on the block chain and is currently in control of about 2.5% of the global installed mining capacity.
- DCC is the first crypto currency focussed business to list on a stock exchange.

**Our View**

We do not have recommendation of DCC at this point in time. We do not necessarily believe in the longevity of BTC due to the speculative nature of the currency making it an ineffective medium of exchange. In our minds the real power of the crypto currency revolution is the technology that underpins the blockchain. We believe that over time people will move away from touting the value of BTC and focus their energies on the power of decentralised transaction verification. We like the fact the DCC has recognised the potential of the blockchain and is focussed on harnessing its power by developing a wallet that will enable users to transfer money irrespective of the currency. We will be watching the development of the digital X Pocket product with interest.

## Digital Disruption and the "New Economy"

### The Brief History of Bubbles

We are in the age of disruptive technology. All around us old business models are being "disrupted" by digital businesses. From newspapers moving online to people finding life partners online the internet has become an integral part of our lives since the dotcom bubble of the early 2000s. It is hard to think of a business or economic activity that does not at some point involve the internet. The question we have to ask is, is the promise of the "new economy" of the dot com bubble from 1997 to 2000 finally here?

Bubbles have been a part of the markets since two people exchanged goods and had to determine value to make the exchange fair and equitable. Fair and equitable is of course a function of perceived value. When perceived value is not aligned with intrinsic value bubbles form.

One of the earliest examples of the misalignment of perceived value and intrinsic value was the Dutch tulip mania which peaked 1637 when inexplicitly simple tulip bulbs took on a perceived value far beyond their intrinsic worth. Bulbs turn into flowers which are pretty to look at but have no real function beyond an aesthetic value.

When looking at the heady valuations that are currently being paid for some technology companies the question investors have to ask themselves is are we seeing a repeat of the "madness of crowds" or is the "new economy" and are these valuation warranted?

### Is It Real This Time?

We take the view that this time around it is different. Back in the late nineties the internet was a new technology that had yet to mature but fifteen years later the internet has evolved into a key part of society in the developed world. Internet penetration is also growing in the developed world at a rapid rate thanks to the proliferation of smartphones and mobile internet.

In 2004 Nicholas Carr wrote a book titled the "Does IT matter" in which he argued that information technology will ultimately develop in the same way as railway lines, telegraphs and electricity did in the 1800 and 1900s. He postulated that information technology will eventually become a commodity that will be ubiquitous in the same way that electricity and railway networks are today. Carr argues that once this happens businesses will not enjoy any real competitive advantage from using information technology because all their competitors will have access to the same technology.

Ultimately he envisioned that the user will "plug" into the information technology services that are needed from a wall socket. Information technology will therefore become pedestrian in its function – in the same way electricity is available from a wall socket. To the modern world electricity is therefore a solved problem. When a person purchases a toaster and takes it home plugs it in, the buyer expects it to work with no fuss or drama. The toaster "user" does not expect to install drivers on the toaster so that makes the toaster compatible with the version of electricity in that area or write a complicated configuration file in which a number of key parameters are set relating to power usage and software versions. Carr expects information technology to be delivered as a service that is consumed in the same way that water, electricity, telephone services and television are consumed.

In the last several years the ongoing penetration of the internet and rise of cloud based computing is bringing Carr's utopian reality of simple to use on demand technology services closer to reality. For many business the adoption of cloud based software as a service solution for their business as well as saving them money and improving their businesses. Businesses that provide cloud based software at a lower price point and lower complexity compared to other software delivery models are firms that we favour the most and several are featured in this report.

### Creative Destruction in Action

Creative destruction is a central tenant of capitalism and describes the process whereby new business models rise up and challenge the status quo, ultimately supplanting the old business model and destroying it.


Figure 4: Performance of old media stocks Fairfax, APN and Salmat vs new media stocks Seek, caresales.com and the REA group over the last 5 years. Source: Iress

This process is demonstrated by the move away from traditional print media and advertising to online media. An analysis of the share price performance of new media business vs old media business tells a compelling story (figure 4). The declining share price in business such as Fairfax reflects the shrinking advertising revenues and shrinking audiences that old media business are suffering. On other hand businesses such Carsales.com, Seek and Reiwa are growing as more people move online and consume the services these businesses offer. In the past all three of these categories i.e. jobs, cars and real estate would have been a key revenue driver for a print media business. It is likely that old media will struggle unless they can adapt to the new landscape and reinvent their business models. If not, old media companies will ultimately disappear.

### The Internet and Cloud Computing

Due to the rise of the internet and cloud computing just about every aspect of society's personal and work lives have or are changing. Thanks to the bursting of the original tech bubble some of the unsustainable ideas like Pets.com, Webvan and Flooz.com disappeared and due to "creative destruction" the companies that grew out of the ashes or survived are now cornerstones of the digital economy. Today's tech giants such as Amazon and eBay where fledgling start-ups back then and have become as mainstream in the global economy as bricks and mortar businesses like Shell and Walmart.

The growth in the ubiquitousness of technology is being driven by the internet, tablets and smartphones and is becoming increasingly disruptive to traditional business models. Technologies like social media have altered the world of advertising, cloud computing has changed the way applications are delivered to users. Digital marketplaces are bringing together buyers and sellers in ways people could only dream of ten years ago.

### The Star Next Door

Ordinary people are becoming online celebrities by endorsing products in a way never seen before. They are doing this by recording videos of themselves using or promoting products and uploading them to YouTube. Thanks to these internet stars gaining large following on YouTube, by appealing to a specific interest group or demographic, they have become a powerful medium that big firms and marketing agencies can no longer afford to ignore this phenomenon.

It is not necessary to be a supermodel or famous actor with the backing of large PR machine to be famous. The rise of social media, blogging and YouTube have given ordinary people the ability to connect with vast audiences who are interested in what they have to say. Of course the downside is that the online world can turn against a person very quickly as has been demonstrated a number of times when people are deemed to have made inappropriate comments and are “flamed” by the online community. Twitter is well known for these types of scenarios as the medium of 140 characters limit does not really lend itself to contextualising comments.

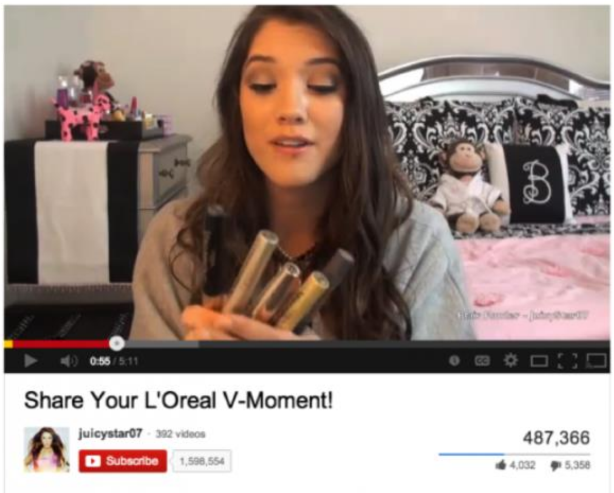



Figure 5: A teen on YouTube promoting L’Oreal products to her followers. Source: TNW

Large companies such as L’Oreal are tapping into this phenomenon by using these self-made internet celebrities to endorse their products. There are two advantages to this approach; research has shown audiences have become distrustful of corporate messaging and while having a famous actress promote or endorse a product can be effective it will always be viewed through the lens of a canned corporate message. However, when a product is promoted by a teenager on YouTube, the message carries a lot more weight due to the fact viewers relate to the teenager doing the promotion. Another advantage is that to sponsor a YouTube video is relatively cheap compared to famous actors whose fees can run into the millions of dollars.

Actors and celebrities are fighting back and as a result are turning to social media to manage their images and increase their bankability by drawing a large group online followings. Due to the personal nature of social media users often feel they have a personal connection with celebrities when they follow them on Twitter or Facebook. Migme, which we profile in this report, takes advantage of the connection between a celebrity and their fan base by monetising the relationship via virtual gifts and games.

**The Internet is Evolving**

Just like most ecosystems the internet is evolving and changing over time. In the early days it was a collection of academic computers connected by a self-healing protocol designed for the military to survive a nuclear attack. Any user trying to use the early internet for commercial activity was attacked and vilified but in a few short years the internet became a global phenomenon and has been the genesis for the greatest explosion of wealth creation ever seen. It is a truism that internet will continue to evolve and is already evolving into its next iteration. Figure 6 places this development on a timeline with some of the key well-known companies that have helped shaped the internet. The ongoing rise of user created content will continue to be a force coupled with the proliferation of mobile devices bringing us into the world of Web 3.0.

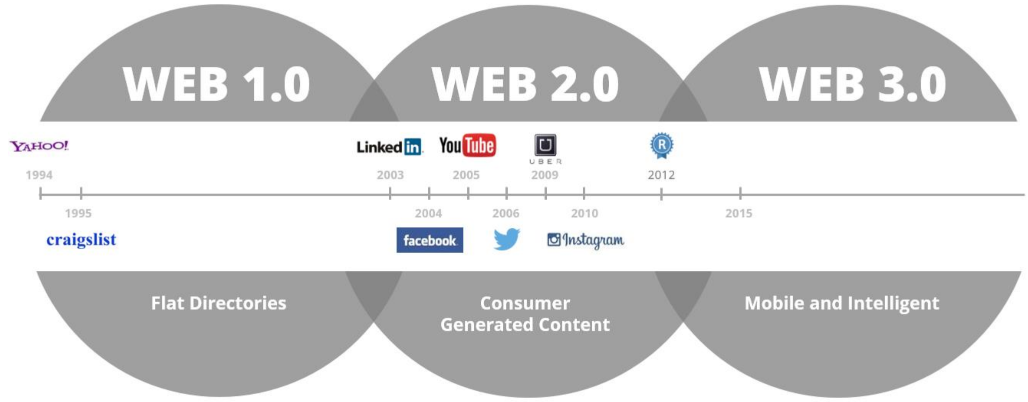



Figure 6: The evolution of the internet. Source: RXH

Digital disruption that is being driven by the evolution of the internet is having a profound effect on the economy and it is changing the way society works, shops and interacts. This is truly a business revolution that is having a permanent and far reaching impact on people's lives.

As with most disruptive technologies and times of upheaval, there will be winners and losers. When the wireless radio and phonographs were invented in the late 19th century there widespread use by households led to a demise in piano manufacturing as less people played the piano at home for entertainment but rather chose to listen to the radio or phonographs. The introduction of these technologies forever changed western society at the time. In the same way the rise of the mobile and internet aware business model is changing everything in western society in far reaching ways.

The examples are countless but in this report we have chosen to focus on a small subset of this ever changing landscape. We have chosen six emerging companies that we believe are either on the leading edge or offer a fascinating showcase into digital disruption. The list of type digital disruption we examine is by no means exhaustive and we intend to focus on several others in future publications. The ones we are focussing on in this report are:

- Marketing and Social Engagement
- Peer to Peer sharing economy
- Decentralised transaction verification
- Mobile Commerce

## Marketing and Social Engagement

Customer engagement has become the panacea in the new connected world. Never before has it been as easy as it is now for businesses to engage directly with their customers via channels such as social media, text or emails. A well-known fact is that it is far more cost effective to keep existing customers than trying to acquiring new ones. Therefore businesses are spending more of their resources engaging with their existing customers. One of the key mechanisms to achieve this higher level of engagement is via a loyalty and rewards programs.

If there is one area of the media that has been irrevocably disrupted it is the advertising market. Advertising is all about talking to your existing and potential customers. In order to achieve this outcome historically advertisers have used newspapers, public television, radio and outdoor for above and below the line advertising.

With the advent of pay for view television advertising content distribution began to change. Advertisers were suddenly faced with not only the other traditional mediums to put their inventory through but they also had hundreds of TV channels to advertise on. Some advertisers responded by setting up television shopping networks as primary distribution channels. This helped them limit the further fragmentation of the advertising dollar. With the advent of advertising on the internet the number of channels that had to be serviced exploded. The overall advertising spend has not grown but has rather moved from off line medium to online. One of the key ways of getting more value from the online advertising dollar is to increase customer engagement via social networks. The growth of loyalty programs opened up the opportunities to mine customer data and glean insights about customer behaviour and the data became the gold of the new gold rush.

Therefore mass media advertising is losing its relevance and targeting customers directly using big data principles is helping to drive measurable positive outcomes for retailers. Also by offering rewards in exchange for loyalty has helped keep customers engaged. Our top pick in this space, Rewardle (RXH) extends the power of the big retailer's loyalty programs to the smaller retailer so they reap the benefits of engaging directly with their customers.

The more traditional social networks like FaceBook, Tencent and Twitter are being monetised through targeted advertising or the selling of virtual goods to users. Targeted advertising is an effective medium for monetisation in the Western World but in Asia the sale of virtual goods dominates the landscape. These networks provide entertainment and premium experiences between users and these networks collect payments from users in various ways. By way of example Tencent made US$12bln last FY of which 75% was from the sale of virtual goods, predominately in China.

Our key picks in this area are:

- Rewardle (RXH) which provides loyalty a rewards program targeting small to medium retailer.
- migme (MIG) which is a social network focussed on virtual goods and games in emerging markets.
- 1Page (1PG) who use social networks to source job candidates via personal referral and a unique cloud based hiring process.

### Peer to Peer Sharing Economy

A new form of internet commerce that has risen to prominence in recent times has been the sharing economy. Cloud based systems coupled with smartphones has facilitated the creation of new market places that enable people to share underutilised assets for a fee. Most importantly it has allowed the person in the street to become a retailer, a hotelier, a taxi driver or a care hire company with little or no overhead that is normally associated with developing these types of businesses.

The concept is not new and the original founding member of this new club is eBay. eBay created an online market place for people to buy and sell goods to each other using the internet. Over time eBay has evolved in a platform that has enabled people to set up complete businesses without having to go through the cost and effort of developing an ecommerce platform. The eBay trust system has created a unique process whereby people from different parts of the planet can transact with each other.

The businesses that have put the sharing economy on the map have been Airbnb and Uber. These businesses have attracted their fair share of controversy as they are in the process of disrupting traditional markets. They both allow people to earn additional money by turning their car into a taxi or renting out spare rooms in their house which is an attractive proposition for the sellers and the buyers of the services. Both of these business have garnered controversy because they are threatening traditional business that have enjoyed legislative protection for decades, ie the taxi industry and the hotel industry.

The ability to offer the same service and in most cases a better service than taxi and hotel business at a lower price point will forever change the incumbent businesses and no amount of legislative intervention will ultimately save them because both Uber and Airbnb have a growing demand for their services from consumers who are the ultimate judges of what is successful.

In this report we profile Collaborate Corporation (CL8) which is a domestic ASX listed business that is targeting the sharing of underutilised assets like cars and caravans.

### Mobile Commerce

The adoption of smartphones has driven the growth in mobile commerce. The miniaturisation and growing complexity of smart phones means people are basically carrying around an internet connected computer in their pocket.

Nearly 50% of all organisations plan to offer mobile apps to customers in the next 3 to 4 years compared to 18% now. More and more of the expected US$70bln internet economy is expected to move to mobiles and as a result a greater proportion of advertising and commerce is migrating to mobile devices. By 2020 it is expected that mobile advertising inventory will dominate desktop delivered inventory by a factor of 5.

There is also a move to monetise the mobile device beyond advertising by either providing services or entertainment and there are a number of companies that are moving into this space. We take a closer look at Crowd Mobile (CM8) which provides a mobile entertainment experience.

### Decentralised Transaction Verification

Very few new innovations have generated as much interest as the development of Bitcoin (BTC). The debate around the "revolution" that Bitcoin is, is reaching an almost religious level. While frictionless payments have been a worthy goal for many years the problem of double spending outside of the banking system had never been solved prior to the invention of the blockchain technology that underpins BTC.

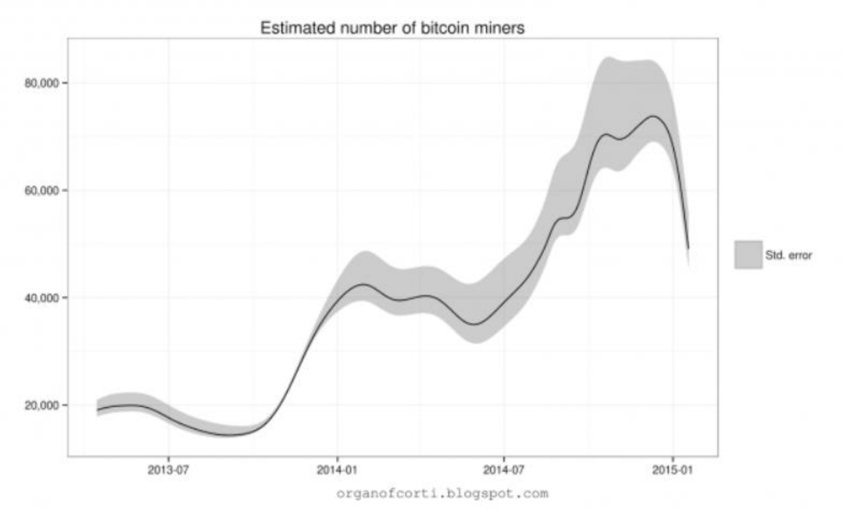



Figure 7: Amount of miners are declining along with the BTC price Source: Coin desk

However as well the block chain works to facilitate peer to peer transactions, it is difficult to separate the functionality argument from the value argument. Unfortunately for BTC, it is being viewed by many of its believers as a store of wealth in the same way that gold is viewed as a store of wealth. This has led to speculators taking positions in BTC and as a result its value has soared in a way tulips grew in value during the Tulip Mania. This has unfortunately overshadowed the real value of BTC which is that it's underlying technology which is truly revolutionary.

The basic value of any asset is determined by the value of its future cash flows and as BTC offers no future cash flows and therefore cannot justify its value. If it were to be viewed as a medium of exchange like fiat money, its wild volatility swings make it a very difficult value proposition for anybody want to use it to transact. Considering it does not qualify as an asset and not as a medium of exchange we can only classify it as a speculative instrument which limits is applicability in the real economy.

The believers in BTC as a currency often compare its intrinsic value to that of gold. Gold also offers no future cash flows but has been seen as a store of wealth and a medium of exchange for thousands of years. While the technology behind BTC has great potential, it is difficult to discern a value for BTC as a currency.

In this report we take a closer look at the first listed crypto currency business that is listed on the ASX namely Digital CC (DCC).

# Rewardle (RXH)

## The loyalty, rewards and mobile services for the high street

**Rewardle (RXH) is a digital customer engagement platform for retailers. Rewardle connects customers with small high street merchants via an electronic membership, points, payment and rewards program. The RXH platform offers merchants a sophisticated multi-channel platform that has up until now only been available to large retailers with big budgets.**

### Summary Key Points

- **Loyalty scheme for small business:** RXH enables small retailers to implement a sophisticated loyalty scheme that rivals the programs run by large retailers. Small retailers that offer localised services to a community generally rely on personalised service and convenience to attract customers to their business. They therefore have limited options to market electronically to their customers in an efficient, cost effective manner that offers tangible benefits for their business. RXH offers them a sophisticated platform that will enable them to reach their customers in a cost effective more meaningful way.

- **RXH moves into payments:** RXH recently announced that it is beta testing payments via the Rewardle app. Members will be able to vault a credit card in their Rewardle app on their mobile phone and then use the stored card to pay for pre-ordered products. This is the first step towards entering the lucrative payments space and we can expect RXH to roll out a more feature rich payment solution in the short to medium term.

- **Funded for Growth:** Thanks to raising funds in its IPO in October 2014 RXH has the resources it needs to continue to aggressively expand its merchant network. As of 31st December, RXH had over 2,857 merchants on its platform compared to circa 1,500 at the date of the prospectus. Growth is also continuing to accelerate which is an encouraging sign.

- **Large Addressable Market:** There are 200,000 small medium enterprises (SMEs) that potentially could offer reward programs with upwards of 60,000 to 80,000 already offering a basic rewards program of some sort. A key part of the RXH system is a mobile app on a smartphone. There are currently 11 million smartphone users in Australia which is expected to grow to 19 million by 2018. The rise in smartphone use also means that marketers are going to be spending more money and effort reaching customers on their mobile devices.

- **Clear Monetization Model:** RXH has a clear commercialisation model in that it charges merchants for the service on a monthly basis. RXH also plans to upsell its merchants on additional marketing and analytical services. This will give the merchant access to direct marketing opportunities and a comprehensive data analytics toolset so they can better understand their customer base. RXH is also looking to partner with brands who want to access the RXH member base. This could be done for example by selling loyalty points to other firms looking to give its customers rewards at local retailers or partner in a promotional exercise.

- **Natural Network Effects:** The RXH system connects small retailers in a certain geographic area and as the merchant and member network grows there are inherent network effects that will accelerate the business's growth and form a natural barrier to entry for other membership, points and rewards programs.

- **Backed by an Experienced Team:** The RXH management team is led by Ruwan Weerasooriya who has already developed and sold several media and internet businesses.

### RECOMMENDATION

**Speculative Buy**
**Valuation: $0.83**

| | |
|---|---|
| Month average volume | 2.6m |
| 12 month share low | $0.20 |
| 12 month share high | $0.30 |
| Market Risk | High |
| Liquidity Risk | High |
| Infrastructure Risk | Med |
| Country Risk | Low |

*IRESS & DJC Research*

### ISSUED CAPITAL

| | |
|---|---|
| ASX | RXH |
| Share price | $0.27 |
| Mkt cap | $31.9m |
| Ordinary shares on issue | 116m |
| Options (various) | 48m |

*Source: IRESS*

### DIRECTORS

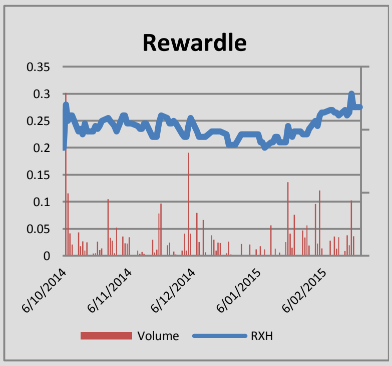
| | |
|---|---|
| Jack Matthews | N.E. Chairman |
| Ruwan Weerasooriya | MD |
| Brandon Munro | N.E. Director |

### MAJOR SHAREHOLDERS

| | |
|---|---|
| Ruwan Weerasooriya | 75.4% |
| National Nominees | 2.7% |
| Willowvale Holdings | 2.4% |
| JP Morgan Nominees | 1.2% |
| Goldbond Super Pty Ltd | 0.9% |

*As at 24 February 2015*

### PERFORMANCE




*Source: IRESS*

## Key Points

**Membership, points and rewards program for small business**

Rewardle (RXH) is a digital customer engagement platform for retailers. RXH uses cloud based technology to enable a loyalty scheme for small retailers whose scale and size would limit them from using a customer loyalty scheme in their business.

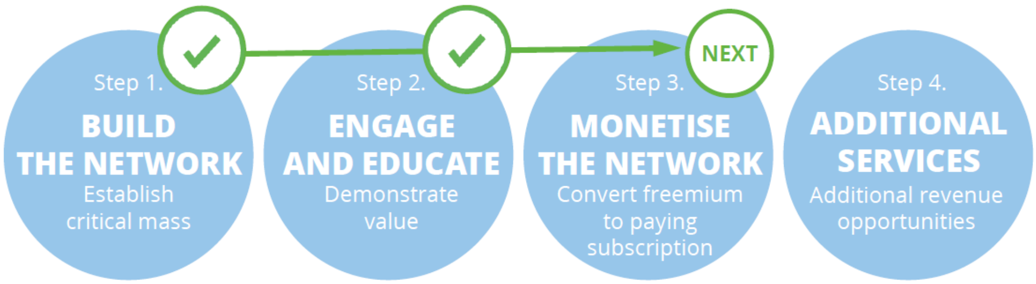



Figure 8: RXH Digital Customer Engagement Strategy Source: RXH

Loyalty schemes are structured marketing programs that encourages customers to continue to support a business by offering incentives for giving the business ongoing custom. The idea of rewarding customers for ongoing custom has been around since 1793 when a US merchant started giving out copper tokens when a customer made a purchase that could then be exchanged for items in the store.

Growth in the use of information technology loyalty programs has morphed into sophisticated marketing programs that allow retailers to better understand the buying habits of their customers. Data warehousing and big data principles have been applied in the retailing industry for a number of years with great effect. Analysis of customer buying patterns has allowed retailers to improve their business and drive customer engagement.

RXH enables small retailers to implement a sophisticated loyalty scheme that rivals the ones run by large retailers. Small retailers that offer localised services to a community generally rely on personalised service and convenience to attract customers to their business. These small retailers are generally viewed as being part of the community but generally they lack the ability to engage with their customers via multiple channels. They can advertise in the local newspaper or encourage people to follow them on Facebook. Services such as Yelp which offer a channel of communication via localised reviews, have lifted the level of engagement with customers, but they are limited in terms of providing communication with a broader customer base. Many small retailers, especially coffee shops have increased their customer loyalty by offering buy 9 get 1 free systems. These systems are traditionally punch card based and the retailer has no idea who its customers are and has no way of marketing to them directly.

The RXH electronic card and mobile app bridges this gap by encouraging customers to register their details on the system. The merchant can then engage with their customers via the app or email. An added advantage is that the merchant then monitors buying habits and customise its offering to better service its clients.

The RXH system is not only aimed at coffee shops but all forms of small retailers. The points system is flexible allowing for retailers more options than just the purchase of a number of homogenous products to earn a reward but allows points to be earned on the amount spent. This allows for the redemption of more than just a single product reward but other products and services as well.

| Market Sectors | | |
|---|---|---|
| Bakeries | Bars | Burger shops |
| Butcher shops | Cafés | Fashion retail |
| Florists | Grocery stores | Gyms |
| Hair dressing salons | Ice cream parlors | Juice bars |
| Dry cleaning | Pizza shops | Restaurants |
| Salad bars | Sushi shops | Tattoo studios |

Figure 9: RXH target market sectors Source: RXH

**Funded for Growth**

RXH had $2.2m cash on hand at the end of December 2014. We estimate its burn rate at about circa $400k per month. At current burn rates RXH has enough cash in the bank until next FY. However cash flow is growing faster than we forecast due to the fact RXH has signed a number of corporate style deals that are not on the freemium model. As more of the paying corporate merchants come online we can expect RXH's cash flow to ramp up. RXH have also indicated they are actively looking to do a deal with a large brand who would then become a shareholder and provide a cash injection that will bridge RXH across to being cash flow positive which we expect in Q4FY16.

Currently RXH's key costs are staff salaries and merchant tablets. The tablets cost circa $300 each and RXH supplies them to each retailer along with plastic cards which is part of its customer acquisition strategy. The key to RXH's success is a focus on expanding its foot print across Australia. RXH has focussed on growing its network across all of Australia's key markets. This is a deliberate strategy to lock out any competitors from gaining a foothold in any of the key markets and therefore RXH has a presence in each of Australia's main cities. RXH also has several offshore installations which is possible because the system is cloud based therefore has no geographic limitation on use

**Clear Monetisation Model**

***Merchant Services***

RXH has a clear commercialisation model in that it charges merchants for the service on a monthly basis. RXH also plans to upsell its merchants on additional services with regards to further marketing and analytical services. This will give the merchant access to direct marketing opportunities and comprehensive data analytics so they can better understand their customer base. The cost of RXH's services is relatively small compared to the average marketing budget for a SME. Therefore the cost of the system is not prohibitive to the merchants relative to the potential benefits.

***Brand Partnerships***

RXH also gives other firms the ability to market to RXH members which currently number over 600,000. In the same way that Qantas sells miles to other business to reward their customers with air miles, RXH can sell points to other businesses that can then reward its customers who are RXH members by providing a reward at RXH's merchants. For example, Telstra could purchase RXH points at a particular local coffee shop in order to reward its customer with a cup of coffee if they sign up to an additional Telstra service. Merchants would also benefit as it would drive more customers to their store.

***Payment Platform***

RXH recently announced that it is beta testing payments via the Rewardle app. Members will be able to vault a credit card in their Rewardle app on their mobile phone and then use the stored card to pay for pre-ordered products. This is the first step towards entering the lucrative payments space and we can expect RXH to roll out a more feature rich payment solution in the short to medium term.

Currently RXH allows members to store value with a merchant as a form of prepaid credit. After paying up front, the customer then uses this stored value to pay for purchases via Rewardle and tops up again when funds are depleted. It is conceivable that this service could develop into a successful mobile wallet solution that would bypass traditional banking and payment systems and RXH has potential to derive revenue from the merchant or member side of the transaction for supplying this service.

**Large Potential Market**

Frost and Sullivan estimate there are 200,000 small medium enterprises (SMEs) that potentially could offer reward programs with upwards of 60,000 to 80,000 currently offering a rewards program of some sort. The bulk of these are non-digital in nature which represents an opportunity for RXH.

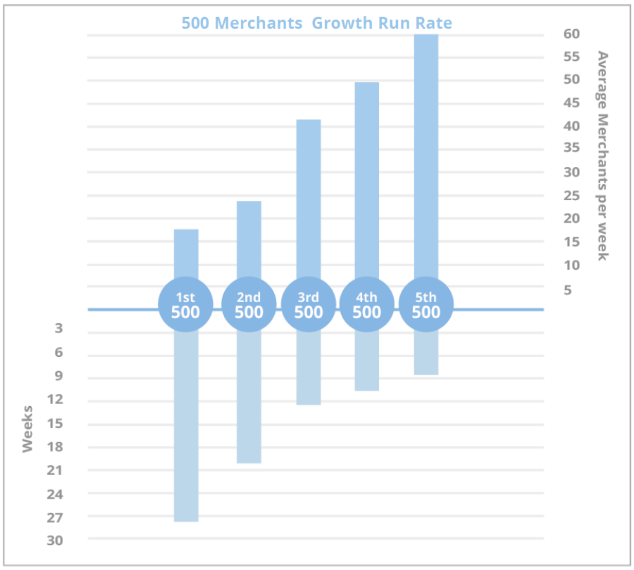



Figure 10: Merchant continues to accelerate Source: RXH

Once a merchant has signed up to the program it is unlikely that they will easily move to another provider due to the inconvenience to their customers of reissuing cards and/or downloading of mobile applications. Therefore once a merchant has signed up to a loyalty scheme they tend to be sticky. This gives RXH a first mover advantage and will protect them from other membership, points and rewards programs gaining a large foothold.

There are currently 11 million smartphone users in Australia and this is expected to grow to 19 million by 2018. This puts the RXH system in reach of the bulk of the Australian population considering it is a smart phone enabled system. The rise in smartphone use also means that marketeers are going to be spending more and more effort reaching people on their mobile device. Mobile advertising is one of the fastest growing segments of Australian online advertising spend. It is expected to grow from $130 million to $680 million by 2018.

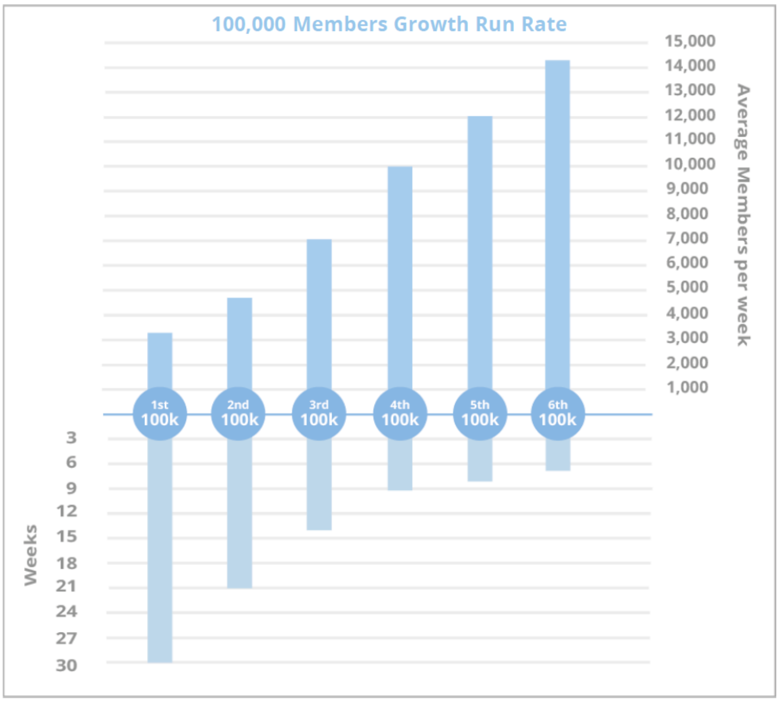



Figure 11: Member growth continues to accelerate past 600k Source: RXH

**Natural Network Effects**

The RXH system connects small retailers in a certain geographic area and as the merchant and member network grows there are inherent network effects that will accelerate the business's growth and form a natural barrier to entry.

**Backed by an experienced team**

The RXH management team led by Ruwan Weerasooriya has already developed and sold several media and internet businesses. Ruwan along with his core team founded RXH in 2012. This core team have been together for a number of years and thanks to developing CafeScreen they have a lot of experience in this sector. CafeScreen put 400 digital screens and Wi-Fi hotspots in CBD and inner city café in Melbourne, Sydney, Brisbane, Perth and Adelaide.

## Peer group comparison

The closest comparable business to RXH is Belly which is a privately run business in the US and Canada. Belly launched the Bellycard in 2011 and has signed up over 6,000 merchants and has over 4 million members. Belly has raised over USD$28 million in venture capital financing.

Other digital engagement businesses such as Yelp, Grubhub, Opentable do not have business models that are directly comparable to RXH but they operate in a similar market and use similar strategies to RXH. These North American peers provide digital services to local merchants similar to those addressed by RXH. With longer trading histories they have scaled to tens of thousands of merchants, are successfully monetising and enjoy valuations in the billions of dollars.

## Company Profile

RXH is based in Melbourne but has staff in all the major cities around Australia. The company is run on lean startup principles with salaries low and staff incentivised by options. Ruwan still owns ~75% of the shares and therefore is closely aligned with the other stakeholders.

## Board and Management

**Ruwan Weerasooriya (Managing Director)**

Ruwan is the founder and Managing Director of RXH. He is a technology entrepreneur with a track record of founding and growing technology and media related businesses. In 2013 he was named in the Top 50 Australian Startup Influencers by Startupdaily.com.au.

In 1994, Ruwan co-founded one of Western Australia's first commercial internet service providers, the business was sold to competitor Wantree Internet that was in turn acquired by iiNet during its IPO lead up process. Following this, Ruwan went on to co-found web development firm Method + Madness. Method + Madness provided digital strategy and web development services to a number of high profile, top tier clients that included BankWest, The Premier of Western Australia, Fremantle Dockers Football Club, West Australian Newspapers, Netwealth.com.au, ING Bank and ING Direct. Method + Madness was acquired in 1999 by Sausage Software, now trading as SMS Management and Technology (ASX: SMX).

In 2007, Ruwan founded and funded the development of digital out of home media company CafeScreen. CafeScreen operates a network of approximately 400 digital screens and free WiFi hotspots located in CBD and inner city cafes in Sydney, Melbourne, Brisbane, Perth and Adelaide. In early 2012 a majority stake in CafeScreen was sold to a leading Australian out of home media company who now manages the day to day operations of the business.

**Jack Matthews (Non-Executive Chairman)**

Jack has held a number of senior leadership positions within the digital media and subscription television industries in Australia and New Zealand. Since 2006 Jack played an integral role in the success of Fairfax's digital strategy, first as CEO of Fairfax Digital and most recently as CEO of Fairfax Metropolitan Media.

Jack is a current director of Crown Fibre Holdings, a company charged with investing $1.5 billion to build an ultra-high speed broadband network in New Zealand, and Network for Learning, which offers schools and students in New Zealand access to fast, safe broadband and content services.

**Brandon Munro (Non-Executive Director)**

Brandon Munro is a corporate lawyer by profession with executive experience in the private equity, mining, infrastructure and IT sectors. Brandon brings regulatory, governance, mergers and acquisitions and capital markets knowledge to the team, as well as his own experience co-founding start-ups in the IT and exploration sectors.

**Peter Pawlowitsch – Corporate Development**

Peter Pawlowitsch is an accountant by profession with extensive experience as a director and officer of ASX-listed entities. He brings to the team experience in operational management, business administration and project evaluation in the IT, hospitality and mining sectors during the last 15 years.

**Jason Potter – Chief Technology Officer**

Jason Potter is a software engineer with more than 20 years' experience in software application development and business management across the financial services and digital media sectors. He has worked with Ruwan Weerasooriya as a key team member in the establishment and growth of Method + Madness, Huge Digital, TouchTaxi and CafeScreen.

# migme (MIG)

## Emerging markets focused company poised for growth.

**migme is a listed global digital media company headquartered in Singapore.**

### Summary Key Points

- **South and South East Asia focused social network:** MIG is a social network that operates in emerging Asia and has a user base of 10 million monthly active users (MAUs). The key countries that MIG operates in are Indonesia, India and Nepal and is targeting the 3.5 billion people in the broader emerging markets of South East Asia, South Asia, Middle East and Africa. MIG specifically does not target the crowded markets of China, Europe and North America.

- **Social Entertainment Platform:** MIG is a social entertainment platform as opposed to a more traditional social media platform like Facebook and Twitter. MIG's platform hosts a number features such as miniblogs, chat, chatrooms, virtual gifts and games. MIG users can therefore chat, share stories and play games on both mobile devices and on the web. Similar to the trend observed in developed markets of more people moving online for entertainment and personal interaction developing markets are experiencing the same shift. As internet penetration rates and social media penetration rates increase, MIG is in a position to grow its user base as Asian social media users are attracted to domestic social networks as opposed to the more western centric networks.

- **Business model focussed on social engagement:** MIG monetises its business model by offering freemium services such as chat and mini-blogs and then encourages users to upgrade to premium services for which MIG charges a fee as well as offering the sales of virtual goods. Monetising users through in app purchases or upselling them to premium services that enhances their online experience is a common business model in Asia. As a result Asia dominates the virtual goods market with circa 70% of virtual goods sales. Tencent which is worth $160 billion makes circa 75% of its USD$12 billion in revenue from virtual goods sales. A key to monetising virtual goods sales is to make the payment portion as seamless as possible in a largely pre-paid user base. To this end MIG has partnered with DOKU in Indonesia to broaden the available channels payment options for its user base. This partnership will allow migme users to purchase credits for virtual goods from a variety of different payment gateways such as ATM, internet banking and from the DOKU wallet. MIG has entered into similar partnerships in the other geographies it operates in.

- **FIH has a 19.9% strategic holding:** FIH is a subsidiary of Hon Hai otherwise known as Foxconn which is the largest manufacturer of mobile phones in the world. Approximately 40% of the handsets in the world are manufactured by Foxconn and this partnership signals MIG's intent to build strategic partnerships with key players to make its platform available on handsets in all target markets.

- **Partnerships with popular celebrities:** MIG partners with popular celebrities to sell virtual goods on its platform and as a result the celebrities and MIG share in the revenue from sales. The sale of virtual goods such as avatars, game elements and virtual hugs is very popular in Asia with some 70% of global virtual goods sales taking place in the Asian region. MIG provides the platform for Asian based celebrities to play and engage with their fan base in a way that is not available on existing social networks.

- **Growth by acquisition key to business model:** MIG intends to grow scale by acquiring businesses that can help increase its reach and footprint. MIG has already demonstrated this strategy by recently acquiring alivenotdead, an artist and media community headquartered in Hong Kong, and LoveByte which is a couples app with virtual gifts headquartered in Singapore.

## RECOMMENDATION

**Speculative Buy**

| | |
|---|---|
| Monthly average volume | 3.5m |
| 12 month share low | $0.30 |
| 12 month share high | $1.06 |
| Market Risk | High |
| Liquidity Risk | High |
| Infrastructure Risk | High |
| Country Risk | Med |

*IRESS & DJC Research*

## ISSUED CAPITAL

| | |
|---|---|
| ASX | MIG |
| Share price | $0.79 |
| Mkt cap | $199m |
| Ordinary shares on issue | 251m |
| Options (various) | 18m |

*Source: IRESS*

## DIRECTORS

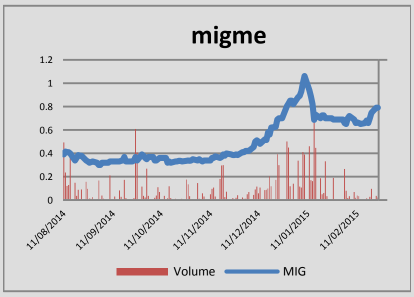
| | |
|---|---|
| Howard Dawson | N.E. Chairman |
| Steven Goh | CEO/Director |
| Yen-Chang Pan | Exec-Director |
| Yichen Lee | N.E. Director |
| John Lee | N.E. Director |
| Dmitry Levit | N.E. Director |
| Stephen Llanwarne | N.E. Director |
| Andi Zain | N.E. Director |

## MAJOR SHAREHOLDERS

| | |
|---|---|
| Big Build Enterprise Ltd | 26% |
| Steven Goh | 10.5% |
| High Income International | 6.4% |
| Smart Tailor Trading Ltd | 6.4% |
| DMP | 5.8% |

*As at 24 February 2015*

## PERFORMANCE




*Source: IRESS*

## Key Points

**Focused on Emerging Markets**

MIG is a social network that operates in emerging Asia and has 10 million monthly active users (MAUs). The key countries that MIG operates in are Indonesia, India and Nepal and is targeting the 3.5 billion people in the broader emerging markets of South East Asia, South Asia, Middle East and Africa. MIG specifically does not target the crowded markets of China, Europe and North America.

Chinese and American social networks are different and as a result American based social networks like Facebook and Twitter have surprisingly low penetration in Asian markets. This is due in part to restrictions put in place by Chinese authorities but also cultural differences which have resulted in social media users looking for different online experiences. This has created a market for South East Asian variants that is different to western style social media platforms. Therefore MIG does not really compete with western social media but rather with domestic Asian platforms. Internet and mobile penetration is still relatively low in some Asian and South East Asian markets and many of the larger platforms are focused on China and have not yet even begun to penetrate the markets of South and Southeast Asia which gives platforms like MIG a lot of runway to penetrate new fast growing non-Chinese Asian markets.

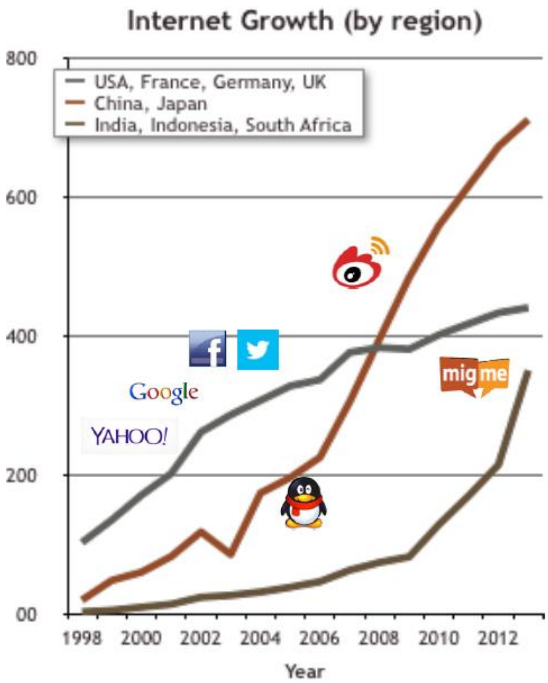



Figure 12: Internet Growth by Region Source: MIG

**Social Entertainment Platform.**

MIG is a social entertainment platform as opposed to a more traditional social media platforms like Facebook and Twitter. MIG's platform hosts a number features such as miniblogs, chat, chatrooms, virtual gifts and games. MIG users can therefore chat, share stories and play games on both mobile devices and on the web. Similar to the trend observed in developed markets of more people moving online for entertainment and personal interaction developing markets are experiencing the same shift. As internet penetration rates and social media penetration rates increase, MIG is in a position to grow its user base as Asian social media users are attracted to domestic social networks as opposed to the more western centric networks.

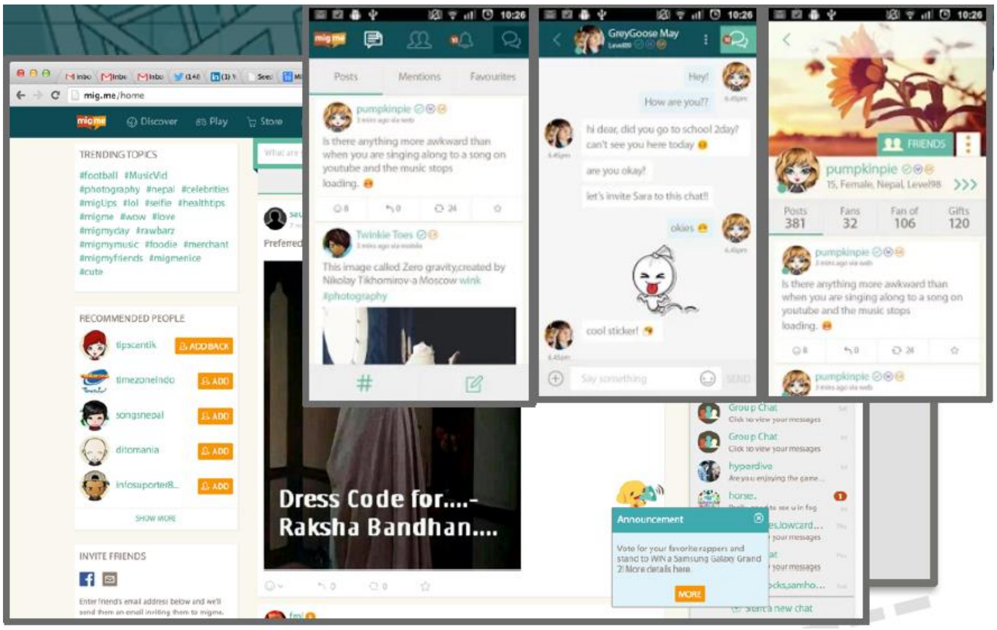



Figure 13: migme platform Source: MIG

**Business model focused on social engagement.**

MIG monetises its business model by offering freemium services such as chat and mini-blogs and then encourages users to upgrade to premium services for which MIG charges a fee as well as offering the sales of virtual goods. Monetising users through in app purchases or upselling them to premium services that enhances their online experience is a common business model in Asia. As a result Asia dominates the virtual goods market with circa 70% of virtual goods sales. Tencent which is worth $160 billion makes circa 75% of its USD$12 billion in revenue from virtual goods sales. A key to monetising virtual goods sales is to make the payment portion as seamless as possible in a largely pre-paid user base. To this end MIG has partnered with DOKU in Indonesia to broaden the available channels for payment options for its user base. This partnership will allow migme users to purchase credits for virtual goods from a variety of different payment gateways such as ATM, internet banking and from the DOKU wallet. MIG has entered into similar partnerships in the other geographies it operates in.

An important part of the MIG model are games on its platform. In the same way that Facebook grew its user base via popular games such as Farmville and Candy Crush, MIG offers games on its platform. MIG does not develop its own games but rather reaches an agreement with game developer’s already successful games on networks predominately in China, to put them on the MIG platform in other parts of Asia. This reduces the risk of putting dud games on the platform. Just like Tencent MIG is then able to earn revenue via the selling of virtual goods in the games. Games such as Farmville and Candy Crush have earned Facebook hundreds of millions of dollars validating this business model.

MIG is exposed to the developing Asian markets and as the population develops, mobile phone penetration will increases as wealth increases.

**FIH has a 19.9% strategic holding.**

FIH is a subsidiary of Hon Hai, otherwise known as Foxconn, which is the largest manufacturer of mobile phones in the world. Approximately 40% of the handsets in the world are manufactured by Foxconn and this partnership signals MIG's intent to build strategic partnerships with key players to make its platform available on handsets in all target markets.

While MIG is planning an iPhone client in the near future, Android will continue to be its primary focus as the Android platform is overwhelmingly dominant in these target markets. Therefore the fact migme is not preinstalled on Apple devices is unlikely to have a material impact. Apple handsets are expensive in relation to the cheaper Android driven devices that proliferate in migme's markets.


Figure 14: Pre-packaged smartphones with migme preloaded Source: MIG

**Partnerships with popular celebrities.**

MIG partners with popular celebrities to sell virtual goods on its platform and as a result the celebrities and MIG share in the revenue from sales. The sale of virtual goods such as avatars, game elements and virtual hugs is very popular in Asia with some 70% of global virtual goods sales taking place in the Asian region. MIG provides the platform for Asian based celebrities to play and engage with their fan base in a way that is not available on existing social networks.

MIG provides the platform for Asian based celebrities to reach and grow their fan base as well as earn additional revenue from these activities. Social media is also an important marketing tool for celebrities to grow their profile. It is possible to attribute a large proportion of a celebrity's success to the effective use of social media. A good example of this phenomena is Lady Gaga who has developed a huge social media following which has largely contributed to her success. The social media campaigns are professionally developed and managed with careful analysis of results and outcomes. In this area the Asian market is no different to western markets and the effective use of social media by Asian celebrities is just as important to their success as their western counterparts. MIG offers Asian based celebrities the platform for them to engage with their fan base and the ability to share revenue with MIG as they grow their online presence.

**Growth by acquisition key to business model.**

MIG intends to grow scale by acquiring businesses that can help increase its reach and footprint. It has demonstrated this strategy by recently acquiring alivenotdead an artist and media community headquartered in Hong Kong and LoveByte which is a couple's app with virtual gifts headquartered in Singapore.

## Peer Comparison

| Name | Code/Market | Market Cap | Description | Target Market | Business Model |
|---|---|---|---|---|---|
| Weibo | WB-US | US$3.3Bln | Weibo is a Chinese mobile microblogging platform that is an asymmetric messaging platform allowing any user to follow another user. WB is primarily an open platform and has 167m MAUs and WB recorded US$283m in revenue last FY. | Asia | Virtual Goods |
| Tencent | 700-HK | US$139Bln | Hong Kong listed and Shenzhen headquartered Tencent is principally engaged in the provision of Internet and mobile value-added services (VAS), online advertising services and ecommerce transactions services to users in the People's Republic of China. Tencent is an example of a closed platform. | Asia | Virtual Goods |
| YY.Com | YY-US | US$3.8Bln | YY is a Chinese video based social network which connects people via video streaming services. Examples are video based online karaoke sessions, virtual classroom and business meetings. YY generates revenue from virtual good and games commissions and advertising. Content providers cash in virtual goods for cash from which YY keeps a portion as commission. | Asia | Virtual Goods |
| Tian Ge | 01980.HK | USD$700m | Tian Ge develops and operates real-time video technologies that empower users to engage and interact with each other through video, voice, text and exchange of virtual items. | Asia | Virtual Goods |
| Momo | MOMO-US | US$678m | Momo mobile application and a variety of related features, functionalities, tools and services that is provided to users, customers and platform partners. It enables users to establish and expand social relationships based on location and interests. | Asia | Virtual Goods |
| Mixi | 2121-JP | US$3Bln | mixi, Inc. engages in the provision of social networking and job recruitment services. It operates through the following segments: Social Networking, Find Job! and Other. The Social Networking segment operates 'mixi' which is a social networking site with various applications on communication services, including payments, advertising, and networking. | Japan | Virtual Goods |
| Daum Kakao Corp | 035720-KR | USD$7.4Bln | Daum Kakao Corp. is engaged in developing portals and other internet information service parameters. Its services include: Communication & Community Services, Maps, Media & Content Platforms and Games. | Korea | Virtual Goods |
| Twitter | TWTR-US | US$23Bln | Twitter is a western focused social networking and microblogging service that was founded 2006. Twitter has 215m MAUs and generates revenue by selling advertising services. | Developed Markets | Advertising |
| Facebook | FB-US | US$203Bln | Facebook is a social networking site that was founded in 2004. People use Facebook to connect with friends and family. Facebook has 1.35 billion MAUs with strong growth in mobile usage with over a billion mobile users. Facebook earns revenue from advertising. | Developed Markets | Advertising |
| migme | MIG.ASX | AU$199m | migme is a social entertainment platform for emerging markets headquartered in Singapore. | Asia | Virtual Goods |

## Company Background

MIG was founded in Australia in 2006 and is based in Singapore and was reverse listed into Latin Gold in August 2014. migme originally started in 2008 as an instant messaging platform in South and South East Asia. Leveraging off this early and successful experience, the company has evolved into its current social media platform to take advantage of the proliferation of smartphones in the region.

## Management

**Howard Dawson (Non-Executive Chairman)**

Howard Dawson was appointed to the Board in December 2003. Mr Dawson had an 11 year career as a geologist before entering the securities industry as a research analyst in 1987. Over the subsequent 16 years he fulfilled a number of complimentary roles within the securities industry including research, corporate advisory, business development, senior management and board positions for firms including Hartley Poynton, McIntosh Securities, Merrill Lynch and ABN AMRO Morgan's Limited. Mr Dawson is currently Chairman of the audit committee and is responsible for capital raisings, risk identification and the independent technical and financial overview of promoted projects. He has a Bachelor of Science (Geology) and is a Senior Fellow of FINSIA and a member of the AIG. As well as being Chairman of MIG he is also Chairman and Managing Director of Discovery Capital Limited, a public unlisted investment company.

**Steven Goh (Executive Director and Chief Executive Officer)**

Mr Goh has a Bachelor of Commerce and MBA from the University of Western Australia. He achieved considerable success in the late 1990's by developing Sanford Securities, Australia's first online stock broking company. This operation grew to 160,000 customers with over $2.4 billion in customer assets, before being sold in 2003. Mr Goh is Managing Director and Chief Executive Officer of migme and is recognised as an authority on contemporary information technology issues and serves on a number of advisory panels throughout the Asian region.

**Andi Zain (Non-Executive Director)**

Mr Zain has a Bachelor of Business Administration from GS Fame, Indonesia and a Master of Business Administration and Post Graduate Diploma in International Finance & Law, both from Monash University in New South Wales. He has 15 years' experience in building internet and mobile businesses in South East Asia and launched the first content provider and ringtone service in Indonesia. Mr Zain is a former board member of the publicly listed SkyBee Tbk (IDX:SKYB). Currently, he is a director of several technology based companies and runs ideabox, a tech start up incubator in partnership with Indosat, a mobile carrier in Indonesia. Mr Zain is also a founder of MobileMonday Indonesia, a networking forum of 400 mobile centric companies in Indonesia.

**Dmitry Levit (Non-Executive Director)**

Mr Levit has a Master in Science in International Management from St Petersburg State University in Russia and a MBA from INSEAD in Singapore. He is a partner of Digital Media Partners which is a venture capital firm within the technology sector. He has extensive experience in the emerging markets internet space and has previously held a variety of business development and investment roles with Yahoo and IDG Ventures in South East Asia.

**John Lee (Non-Executive Director)**

Mr Lee holds a degree in Finance & Operations Management from the New York University Stern School of Business and a BA in Political Science from the University of Michigan. He is currently CEO of a mobile games platform company based in Singapore. He has previously had multiple executive roles in privately held and publicly listed games companies in both the United States and Asia. He also was a venture capitalist at Softbank Venture Capital and has had consulting roles with McKinsey & Company and Deloitte & Touche in their technology services divisions.

**Yen-Chang (Charles) Pan (Executive Director)**

Mr Yen-Chang Pan has had an 18 year business career and is currently the special assistant to the Chairman and Chief Investment Director of FIH Mobile, part of the Hon Hai Group which is the leading global manufacturing service provider in the 3C (computer, communication and consumer electronics) industries.

Prior to joining FIH Mobile, Mr Yen-Chang was general Manager between 2008 and 2012 of Orange Capital, part of France Telecom. Mr Yen-Chang has a Master of Business from the University of California and is currently based in Shenzhen, China.

**Yichen Lee (Non-Executive Director)**

Dr Lee is currently managing partner of FCC Partners Inc. and the Senior Advisor and Taiwan Chief Representative of Booz & Co. He was formerly CEO of GigaMedia Limited, a NASDAQ listed company and remains a Director of several NASDAQ listed companies. Dr Lee has over 20 years of strategy management and corporate experience across China and has a Master of Science and PhD from Stanford University.

**Patrick Wong (Chief Financial Officer)**

Mr Wong is migme's Chief Financial Officer and has over 15 years' experience working with start-up and mid-size companies. Mr Wong has also worked at KPMG and IdeaLab in Silicon Valley where he participated in venture financing and public financing. Prior to joining migme, Mr Wong was CFO of a US multinational training company where he oversaw a corporate restructuring and subsequent expansion in the Asia Pacific region. Revenues were doubled during his tenure. Mr Wong holds a BS in Business Administration from the University of Vermont.

## RECOMMENDATION

**Speculative Buy**

| | |
|---|---|
| Monthly average volume | 16m |
| 12 month share low | $0.33 |
| 12 month share high | $1.29 |
| Market Risk | High |
| Liquidity Risk | High |
| Infrastructure Risk | High |
| Country Risk | Low |

*IRESS & DJC Research*

## ISSUED CAPITAL

| | |
|---|---|
| ASX | 1PG |
| Share price | $1.22 |
| Mkt cap | $156m |
| Ordinary shares on issue | 128m |
| Options (various) | 13.3m |

*Source: IRESS*

## DIRECTORS

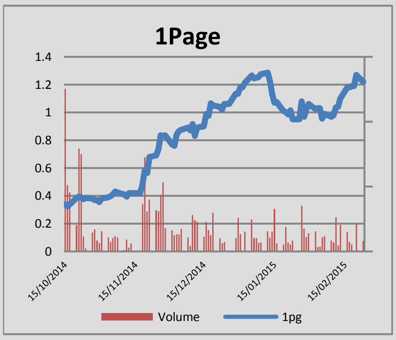
| | |
|---|---|
| James Rueff | N.E. Chairman |
| Joanna Weidenmiller | CEO/Director |
| Maureen Plavsic | N.E. Director |
| Scott Mison | Co-Sec |

## MAJOR SHAREHOLDERS

| | |
|---|---|
| Joanna Weidenmiller | 11% |
| Patrick Riley | 10% |

*As at 24 February 2015*

## PERFORMANCE




*Source: IRESS*

# 1Page (1PG)

## Cloud Based Skills Based Recruiting Platform

**1Page is an ASX listed Silicon Valley HR Technology Company pioneering a new innovative way to source and recruit the right candidate for a job.**

### Summary Key Points

- **Branchout Global Database:** In November 2014 1PG acquired Banchout which is a Facebook linked networking service with over 820 million user profiles. Branchout has allowed 1PG to create a database of 820 million Facebook users and most importantly the 10 billion friendship connections between them. The Branchout network is a real time network that cross references candidates with other networks such as LinkedIn.

- **Disruptive Recruitment Process:** Once candidates are identified via the Branchout process businesses can then use the 1PG recruitment process to select the best candidate for the job. This process is predicated on the idea that traditional recruitment processes are inefficient and produce less than optimal results. The 1PG process focusses on candidate ability as well as other previously unquantifiable abilities. The 1PG platform to a certain extent allows for the gamification of the hiring process by making the process more competitive.

- **Internal Business Improvement Platform:** The 1PG platform can also be used to source and rank business improvement ideas from a company's employees. A truism in business is that employees at the coal face best understand their business and often have the best ideas to improve it.

- **Cloud Based SaaS System:** The 1PG is a cloud hosted solution that is delivered to an organisation on SaaS (software as a service) principles. Due to the fact the platform is delivered over the internet it makes the solution scalable from small locally located organisations to very large multi-nationals with a global footprint. Being a cloud hosted solution helps to make the platform cost effective for all businesses.

- **Growing Client Base:** 1PG has already signed up some impressive customers such as Accenture, splunk, Pandora, Sears Fitness First and First Republic Bank. These are multi-billion dollar companies who often have a focus in the high tech sector and are therefore more likely to embrace 1PG's innovative approach.

- **US Market Focus:** The US recruitment market was worth US$190 bln in 2013 and is likely to increase thanks to the recovery in employment. The US economy has been improving as the US slowly heals itself post the GFC which has translated into an increase in hiring across the US economy.

- **Clear Revenue Model:** 1PG has a relatively straight forward monetisation model in that it charges a monthly subscription fee which is tiered depending on the size of the organisation. The costs however are still fairly low and are in fact less than several recruiter licences on LinkedIn. 1PG has four tiers ranging from companies with less than 100 employees to large groups with over 10,000 employees. Currently 1PG has a mixture of client from all tiers which demonstrates its applicability to any size business making the addressable market almost unlimited. 1PG recently raised $9.63m which has further strengthened the balance sheet.

## Key Points

**Branchout Global Database**

In November 2014 1PG acquired Banchout which is a Facebook linked networking service with over 820 million user profiles. Branchout has allowed 1PG to create a database of 820 million Facebook users and most importantly the 10 billion friendship connections between them. The best candidates for a job are often internally referred candidates as they tend to stay 45% longer but it is difficult for hiring managers to find personal links to high demand candidates as only about 5% of these candidates are actively looking for work.

From its dataset 1PG will create a private cloud for a business that shows all the employees in the firm and their connections. The data is cross referenced with other networks such as LinkedIn and is real-time so it stays relevant as people change their profiles on any of the connected networks. A hiring manager can then search the network for suitable candidates and when they are identified see who inside the organisation has a friendship link to them and then get the employee to contact them on behalf of the company to gauge their interest in the role on offer.

It has been shown that candidates who are approached by a friend are more likely to move than if a recruiter had approached them. Facebook connections are generally built on friendships whereas LinkedIn and other networks connections are built on less personal connections. 1PG have also stated that it no longer possible to recreate the Branchout network on Facebook.

This process of sourcing candidates is disruptive to the model of posting adverts on job boards and hoping the right candidates respond The Brachout network allows hiring managers to mine the network for candidates and save costs compared to using recruiters and job boards. Hiring by reference have outcomes that are better with lower costs makes. This makes 1PG's innovative approach a compelling offering for companies.

**Disruptive Recruitment Process**

Once candidates are identified via the Branchout process business can, if they sign up to the module, use the 1PG recruitment process to select the best candidate. This process is predicated on the idea that traditional recruitment processes are inefficient and produce less than optimal results. The 1PG process focusses on candidate ability as well as other previously unquantifiable capabilities. The 1PG platform to a certain extent allows for the gamification of the hiring process by making the process more competitive.

The 1PG platform is an assessment and engagement platform that focusses on candidate skills and ability rather than past experience. The platform enables the real time evaluation of ability rather than often unverifiable skills. The system is automated and provides a rich toolset for hiring managers and uses predictive data and assessment technology to provide a more holistic of the candidate than a resume scan.

Big employers like Google receive on average 70,000 resumes a week and using a platform like 1PG saves costs and ultimately increases employee retention due to the candidate being better suited to the role. Currently many large employees automatically screen resumes for keywords relating to the role. Candidates know this and therefore pepper their resume with key words so that the screening process will move them to the top of the ranking.

The 1PG platform allows hiring managers to set relevant tasks for candidates and track their progress. The results are analysed using predictive data and cutting edge assessment technology that gives a more accurate view of the candidate's suitability for a role. 1PG uses a natural language processing algorithm that assists in the scoring of applicant response. The system also supports collaborative scoring for the team evaluation of candidates. The automation and collaborative features of the platform help to make the recruiting process more efficient and cost effective. The automation feature set also helps large employers cope with large volumes of applications.

The fact candidates have to complete a relevant task acts as a filter in terms of working out who is committed and discourages candidates who send resumes in for countless jobs in the hope of call back.

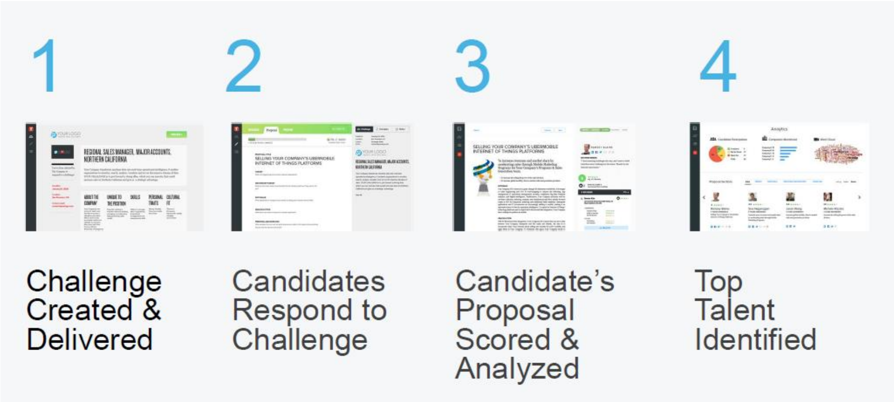



Figure 15: 1PG Business Process Source: 1PG

Due to the high level of automation and deep analytical toolset the platform offers it is an ideal solution for organisations with large staffing requirements. The platform decreases staffing costs and improves long term hiring outcomes. Considering that traditional staffing mechanisms via agents generally costs 30% of the candidates first year salary there is a lot of scope for firms who have a large turnover of staff to save money by reducing the upfront hiring costs and reducing staff churn. 1PG claim that retention rates are improved by as much as 70% and decreases hiring costs by circa 70%. The use of the 1PG platform also reducing hiring time from an average of 13 weeks to 4 weeks.

**Internal Business Improvement Platform**

The 1PG platform can also be used to source and rank business improvement ideas from a company's employees. A truism in business is that employees at the coal face best understand their business and often have the best ideas to improve it. The problem has been collecting the ideas from a large organisation in a manner that allows the best ideas to be quickly and efficiently identified and acted on. 1PG's natural language algorithms allow for the accurate scoring and identification of ideas that will add value to the business.

**Cloud Based SaaS System**

The 1PG is a cloud hosted solution that is delivered to an organisation on SaaS (software as a service) principles. The platform is delivered over the internet, the solution scalable from small locally located organisations to very large multi-nationals with a global footprint and being a cloud hosted solution helps to make the platform costs effective for all businesses.

**Growing Client Base**

1PG has already signed up some impressive customers such as Accenture, splunk, Pandora, Sears Fitness First and First Republic Bank. These are multi-billion dollar companies who often have a focus in the high tech sector and are therefore more likely to embrace 1PG's innovative approach.

**US Market Focus**

The US recruitment market was worth US$190 billion in 2013 and is likely to increase thanks to the recovery in employment. The US economy has been improving as the US slowly heals itself post the GFC. Economic activity has been improving which has translated into an increase in hiring across the US economy. Due to the fragile nature of the recovery US business are cost focussed and 1PG's low cost high retention model is therefore attractive to firms who are hiring. According to the US Bureau of

Labour Statistics the US labour market has 100% turnover every 2.4 years. The US workforce consisted of 112 million people in 2013.

**Clear Revenue Model**

1PG has a relatively straight forward monetisation model in that it charges a monthly subscription fee which is tiered depending on the size of the organisation. The costs however are still fairly low and are in fact less than several recruiter licences on LinkedIn.

1PG has four tiers ranging from companies with less than 100 employees to large groups with over 10,000 employees. Currently 1PG has a mixture of client from all the tiers which demonstrates it applicability to any size business making the addressable market almost unlimited. 1PG recently signed with major US sports retailer Footlocker which shows is applicability across different verticals and shows it’s not only relevant in the tech industry.

1PG also recently announced the signing of global consulting firm Accenture to its client base. Accenture employs over 300,000 people in 56 countries. This is a great win for the company and underpins the potential in the business to grow from these levels to a billion dollar business.

1PG recently raised $9.63m which has further strengthened the balance sheet. Therefore 1PG has circa $14m on hand which is a strong funding position.

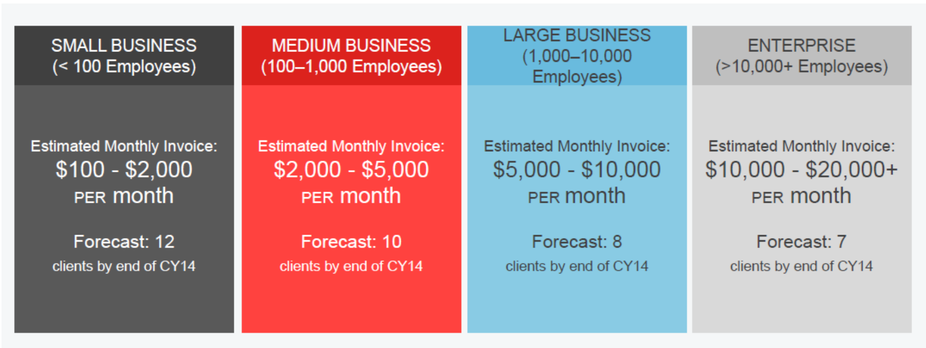



Figure 16: 1PG Revenue Model Source: 1PG

## Peer Comparison

| Name | Code/Market | Market Cap/Valuation | Description |
|---|---|---|---|
| LinkedIn | LNKD:NYSE | US$27 billion | Professional social media network |
| Workday | WDAY:NYSE | US$15 billion | Enterprise cloud HR software provider |
| Seek | SEK:ASX | AU$5.9 billion | Global online employment classified platform |
| The Ultimate Software Group | ULTI:ASX | US$4.2 billion | North American focus cloud HR software provider focused on the total employee lifecycle |
| 1Page | 1PG | AU$156 million | Silicon Valley firm pioneering a new innovative way to source and recruit the right candidate for a job |

## Company Background

1PG was founded in Silicon Valley in 2011 and then became the first ASX-listing of a Silicon Valley tech start-up after raising $8.5m via a reverse takeover. The company possess a proprietary technology platform (five patents pending) which was developed to provide a real solution to a lengthy and expensive hiring life-cycle for corporations as well as the Branchout network.

The 1Page concept was originally developed from the New York Times all-time best business seller "The One-Page Proposal" written by 1-Page Chairman, Patrick G. Riley. Prior to going public over $3m invested was by major US venture capital firms to develop and complete the technology and software. US beta product launched in January 2013 and was commercially rolled out in 2014. Global clients currently include First Republic Bank, BevMo!, Orange, Alex Lee, Splunk, UST Global, Coupons.com, Pandora, Footlocker and Accenture.

## Management

**James "Rusty" Rueff – Non Executive Chairman**

Rusty Rueff was the CEO of SNOCAP from 2005 until the company to Imeem, Inc. in April 2008. SNOCAP was the world's first end-to-end solution for digital licensing and copyright management services empowering record labels and individual artists to monetise their digital creations on popular sites such as MySpace and other social networks. Prior to this, Mr Rueff was Executive Vice President of Human Resources for Electronic Arts (EA), at the time the world's largest and leading, interactive entertainment software company.

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Prior to joining EA, Mr Rueff held positions with the PepsiCo companies for over ten years. He concluded his career with PepsiCo as Vice President, International Human Resources. Prior to his tenure with PepsiCo, he spent two years with the Pratt & Whitney Division of United Technologies. In addition, he spent six years in commercial radio as an on-air personality. Mr Rueff holds an Master of Science degree in Counselling and a Bachelor of Arts degree in Radio and Television from Purdue University.

**Joanna Weidenmiller – Managing Director/CEO**

Joanna Weidenmiller is the Chief Executive Officer of The One-Page Company, Inc. and is responsible for executing 1-Page's strategic development plan. Prior to launching 1-Page, Ms Weidenmiller was Chief Executive Officer of Performance Advertising, responsible for building one of USA's leading outsourced sales and marketing firms for two Fortune 500 companies. Ms Weidenmiller earned her Bachelor of Arts degree in Foreign Affairs from the University of Virginia.

**Maureen Plavsic - Non-Executive Director**

Maureen Plavsic brings considerable and broad experience in media, advertising and brand marketing, including 14 years in various executive roles at the Seven Network, where she was also a board member for five years (1998-2003). Ms Plavsic's executive roles at the Seven Network included Chief Executive Officer of Broadcast Television and prior to that Director of Sales and Corporate Marketing. Ms Plavsic is currently a director of Macquarie Radio Network (appointed April 2005), and was previously a Non-Executive Director of Pacific Brands.

**Scott Mison – Company Secretary**

Scott Mison holds a Bachelor of Business degree and is a Member of the Institute of Chartered Accountants in Australia and Chartered Secretaries Australia. Mr Mison has over 15 years' experience in finance and corporate compliance in Australia, UK, Central Asia and USA. He is currently a Director, CFO and Company Secretary of ASX and AIM listed Jupiter Energy Limited, and CFO and Company Secretary of Rift Valley Resources Ltd and IDM International Limited.

## RECOMMENDATION

**Not Rated**

| | |
|---|---|
| Month average volume | 34m |
| 12 month share low | $0.01 |
| 12 month share high | $0.03 |
| Market Risk | High |
| Liquidity Risk | High |
| Infrastructure Risk | High |
| Country Risk | Low |

*IRESS & DJC Research*

## ISSUED CAPITAL

| | |
|---|---|
| ASX | CL8 |
| Share price | $0.019 |
| Mkt cap | $7m |
| Ordinary shares on issue[1] | 368m |
| Options (various) | 133m |

*Source: IRESS*

## DIRECTORS

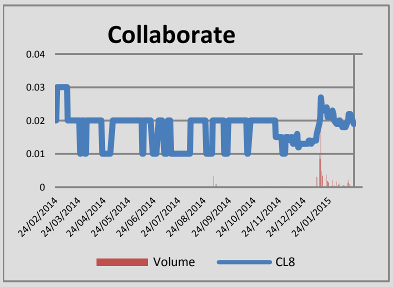
| | |
|---|---|
| Chris Noone | CEO/Director |
| Adrian Bunter | N.E. Director |
| Domenic Carosa | N.E. Director |

## MAJOR SHAREHOLDERS

| | |
|---|---|
| Colada Investments | 8.13% |
| Future Capital Development | 7.93% |

*As at 29 January 2015*

## PERFORMANCE




***Source: IRESS***

# Collaborate Corporation (CL8)

## The Sharing Economy Starts to Grow Up

**Collaborate Corporation is an Australian based collaborative consumption business that allows people to monetise their assets when they are not using them.**

### Summary Key Points

- **Collaborative Consumption**: CL8 is a company operating in the fast growing internet enabled sharing economy. In the past it has been difficult for individuals to efficiently connect and transact in an orderly market on a large scale. Traditionally markets between individuals have been decentralised and fragmented due to the lack of a centralised market place. Centralised markets have been controlled by organisations due to their ability to dominate the supply chain and the actual market space. Mobile technology and the internet changed the landscape and enabled people to connect with each other on a peer to peer basis to exchange goods and services in an orderly manner.

- **Global Analogues:** There are strong global analogues for CL8's business model. Ride sharing, accommodation and taxi services have sprung all over the world as people look to monetise assets which are idle. Uber and AirBnB are the most well-known and controversial as they threaten large established industries.

- **McMillan Shakespeare Agreement grows available fleet:** In October this year CL8 signed a deal with the McMillan Shakespeare group to access a pool of late model ex-lease vehicles that can be hired to private drivers thereby increasing the supply of vehicles available. CL8 has experienced a strong demand for its hire vehicles but up until now has been limited by the supply of available suitable vehicles.

- **Diversified Product Offering:** CL8 is diversifying its hiring business by also offering other products for hire beyond just hire cars. Even though the car high business is an AU$3.3 billion p/a market in Australia, CL8 is moving into the hire of caravans and other general goods. CL8 also has 43.3% ownership of an eProcurement platform called Marketboomer.

- **Revenue Earning:** CL8 already earns revenue from its car hire business and has processed over 4,000 rentals to date resulting in 150,000 rental days. This has brought in over AU$6 million of gross rental transactions for an average of AU$40 per day per rental. Demand has exceeded supply due to the attractive savings 20% to 57% over the traditional hire company rates. By the end of the December quarter CL8 delivered just under US$1 million in revenue.

## Key Points

**Collaborative Consumption:** CL8 is a company operating in the fast growing internet enabled sharing economy. In the past it has been difficult for individuals to efficiently connect and transact in an orderly market on a large scale. Traditionally markets between individuals have been decentralised and fragmented due to the lack of a centralised market place. Centralised markets have been controlled by organisations due to their ability to dominate the supply chain and the actual market space. Mobile technology and the internet changed the landscape and enabled people to connect with each other on a peer to peer basis to exchange goods and services in an orderly manner.

The earliest example of an electronic market for individuals was eBay which brought buyers and sellers together into an online market. This has now evolved to the next level into a phenomenon called collaborative consumption. In this new environment technology and particularly cloud technology brings buyers and sellers together and creates the space where the market operates in an orderly fashion.

The most high profile example is Uber which allows ordinary people to earn money by providing a taxi service or AirBnB that allows home owners to rent out unused space in their dwellings as accommodation. CL8 taps into the fast growing collaborative marketplace in Australia for car and caravan hire. Owners of these assets can then monetise the time that they are idle by hiring them out to other people wanting to use them. This is of course disruptive to the car hire industry who operate large fleets of cars that are hired out on a commercial basis. CL8's car hire is cheaper than conventional hire and makes money for the car owner.

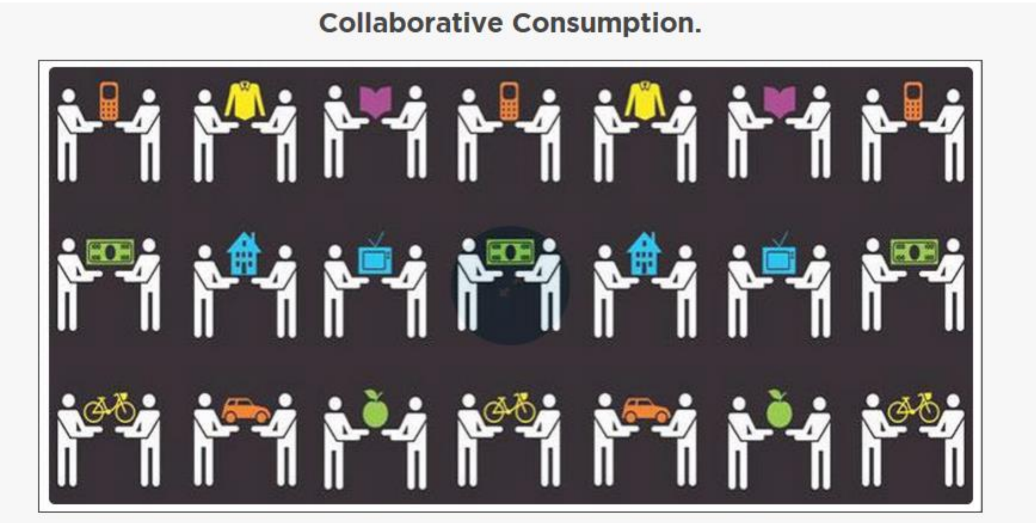



Figure 17: The collaborative consumption business mode Source: CL8

**Global Analogues:** There are strong global analogues for CL8's business model. Ride sharing, accommodation and taxi services have sprung all over the world as people look to monetise assets which are idle. Uber and AirBnB are the most well-known and controversial as they threaten large established industries. The taxi industry is fighting back against Uber as it threatens what is largely a monopolistic industry that rarely offers a rewarding experience for customers and drivers alike. Uber makes each driver a small business owner and as a result service levels have gone up and people are flocking to the service. The established taxi industry will have to adapt if it wants to compete with Uber. It will not be enough to legislate against Uber if consumers want to use the service due to its superior offering. The taxi industry has for many years enjoyed the protection of local authorities at the expense of consumers and Uber's popularity shows the high level of frustration with the status quo.

The car hire industry is also ripe for disruption due to its high fixed costs due to the fleet ownership model. The hiring of private cars removes the need for large amounts of capex to purchase hire vehicles. CL8 manages the transaction, provides insurances and clips the ticket with the bulk of the economic benefit accruing to the vehicle owner.

**McMillan Shakespeare Agreement grows available fleet:** In October this year CL8 signed a deal with the McMillan Shakespeare group to access a pool of late model ex-lease vehicles that can be hired to private drivers thereby increasing the supply of vehicles available. CL8 has experienced strong demand for its hire vehicles but up until now has been limited by the supply of available suitable vehicles.

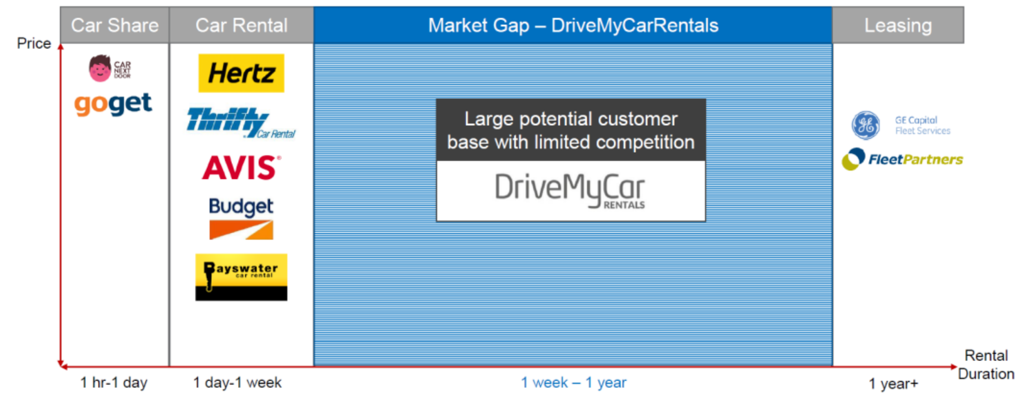



Figure 18: CL8 place in the care hire/sharing market Source: CL8

**Diversified Product Offering:** CL8 is diversifying its hiring business by also offering other products for hire beyond just hire cars. Even though the car high business is an AU$3.3 billion p/a market, CL8 is moving into the hire of caravans and other general goods. CL8 also has 43.3% ownership of an eProcurement platform called Marketboomer. This platform is for the hotel industry and has 8,500 suppliers, 1.2 million products, 12,000 users and AU$500 million in orders each year.

**Revenue Earning:** CL8 already earns revenue from its car hire business and has processed over 4,000 rentals to date resulting in 150,000 rental days. This has brought in over AU$6 million of gross rental transactions for an average of AU$40 per day per rental. Demand has exceeded supply due to the attractive savings 20% to 57% over the traditional hire companies on offer. By the end of the December quarter CL8 delivered just below US$1 million in revenue.

## Peer Comparison

| Name | Code/Market | Market Cap/Valuation/Raising | Description |
|---|---|---|---|
| Uber | Private | US$41 billion | Uber is an app based offering ridesharing services across the world. Uber recently raised US$1.2 billion in funding valuing it at US$41 billion. |
| Airbnb | Private | US$10 billion | Airbnb is a website for people to rent out lodging. It has over 800,000 listings in 33,000 cities and 192 countries |
| Getaround | Private | Raised US$19 million | Peer to peer car sharing service allowing owners to rent our cars for payment. |
| Lyft | Private | Raised US$332.5 million | Peer to peer ridesharing connecting passenger and drivers. |
| Relayrides | Private | Raised US$25 million | RelayRides is a peer-to-peer carsharing marketplace. It allows private car-owners to rent out their vehicles via an online interface |
| Wimdu | Private | Raised US$90 million | Wimdu is a web-based platform, based on the peer-to-peer property rental model, that advertises properties on the internet (from single rooms to full apartments) for short term lettings |
| Collaborate Corporation | CL8:ASX | AU$7 million | Collaborate Corporation is an Australian based collaborative consumption business that allows people to monetise their assets when they are not using them. |

## Company Background

Collaborate Corporation Limited (CL8, formerly Qanda Technology Ltd) listed in 1996 and is involved in the developing, marketing and licence sales of software with a specific focus on creation and investment in technology that relates to collecting and consolidating raw data to provide meaningful information.CL8 currently operates two business unit, Marketboomer and DMCR business units. Marketboomer offers procurement technology in order to drive costs out of clients' businesses. The Marketboomer business unit now operates in Australia, China and South East Asia.

In February 2014, the Company completed the acquisition of a 100% interest in Drive My Car Rentals Pty Ltd (DMCR) which owns the DMCR business and assets. DMCR operates online marketplace (drivemycarerentals.com.au), which is a web-based portal providing owners of vehicles the ability to rent their vehicle out to people who wish to rent a vehicle for either short term or long term period.

## Management

**Mr Chris Noone - Chief Executive Officer and Executive Director**

Mr Noone has led the development, launch and optimisation of many innovative companies that have helped define the digital market in Europe, Asia and Australia. Mr Noone led the Asia Pacific business for Microprose and then moved to London as Commercial Director for Hasbro. Mr Noone also went on to launch Vodafone's games business in Europe and later become their head of Business Development and Content. Mr Noone moved back to Australia in 2006 to ramp up ninemsn's mobile business, taking responsibility for the monetisation of the mobile products of Microsoft, ACP Magazines and Channel 9 as well as the 5th Finger and HWW mobile businesses. In addition to helping large corporations evolve in a digital environment he has also co-founded a number of start-up businesses.

**Mr Adrian Bunter - Non-Executive Director**

Mr Bunter has over 19 years' experience in accounting, finance and a broad range of corporate advisory roles ranging from mergers and acquisitions, divestments of businesses, debt/equity raisings and strategy development and execution. Adrian is an executive director of Venture Advisory, a specialist telecommunications, media and technology financial advisory firm operating out of Australia and AsiaPac. Mr Bunter is a Chartered Accountant, a Senior Associate of Finsia and has completed a Bachelor of Business and a Graduate Diploma in Applied Finance. Adrian is a member of the Executive Committee of Australia's leading angel investing group, Sydney Angels. In the 3 years immediately before the end of the financial year, Mr Bunter also served and continues to serve as a nonexecutive director of 8common Limited, an ASX listed company from 27 August 2014.

**Mr Domenic Carosa - Non-Executive Director**

Mr Carosa has over 20 years experience in business and technology. He is co-founder and Chairman of Future Capital Development Fund Pty Ltd (a registered Pooled Development Fund). Future Capital has successfully raised in excess $8M in patient equity capital in recent years, invested in 14 early stage investees and recently launched the Future Capital Bitcoin Fund which will invest into Bitcon related companies. He is also Chairman/CEO of Dominet Digital Corporation Pty Ltd, a boutique internet investment group and Chairman/CEO of global mobile entertainment company CroudMobile.com. Mr Carosa was previously the co-founder and Group CEO of ASX-listed destra Corporation which was the largest independent media and entertainment company in Australia. Mr Carosa is also a non-executive director of the listed company Shoply Limited having been appointed 18 June 2013.

**Ms Karen Logan – Company Secretary**

Ms Logan is a Chartered Secretary with over 10 years' experience in assisting small to medium capitalised ASX-listed and unlisted companies with compliance, governance, financial reporting, capital raising, merger and acquisition, and IPO matters. She is an Associate of the Institute of Chartered Secretaries and Administrators, a Fellow of the Financial Services Institute of Australasia and a Graduate Member of the Australian Institute of Company Directors. Ms Logan is presently the principal of a consulting firm and secretary of a number of ASX-listed companies, providing corporate and accounting services to those clients.

## RECOMMENDATION

**Not Rated**

| | |
|---|---|
| Month average volume | 28m |
| 12 month share low | $0.18 |
| 12 month share high | $0.23 |
| Market Risk | High |
| Liquidity Risk | High |
| Infrastructure Risk | High |
| Country Risk | Med |

*IRESS & DJC Research*

## ISSUED CAPITAL

| | |
|---|---|
| ASX | CM8 |
| Share price | $0.22 |
| Mkt cap | $16.5m |
| Ordinary shares on issue | 75m |
| Options (various) | 1m |

*Source: IRESS*

## DIRECTORS

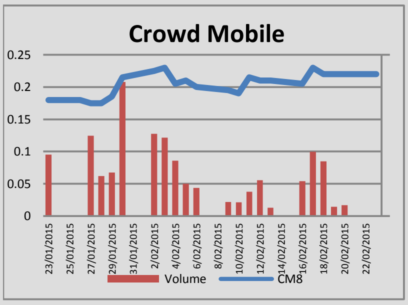
| | |
|---|---|
| Theo Hnarakis | N.E. Chairman |
| Domenic Carosa | CEO/Director |
| Frank Giugni | Exec Director |
| Hans de Back | N.E. Director |

## MAJOR SHAREHOLDERS

| | |
|---|---|
| DSAH Holdings Pty Ltd | 24.6% |
| Dominet Digital Corp | 14.3% |
| Dominet Digital Investments | 7.8% |
| Jiwa Nadan | 4.1% |
| Venturecrowd Nomineses | 3% |

*As at 24 February 2015*

## PERFORMANCE




*Source: IRESS*

# Crowd Mobile (CM8)

## Mobile Commerce can be entertainment.

**Crowd Mobile is a mobile phone entertainment business that allows users to ask subject matter experts questions on a range of issues important to them. Crowd Mobile listed on the ASX in January 2015.**

### Summary Key Points

- **Global mobile entertainment business:** CM8 is a mobile based entertainment business with a global footprint. CM8 operates mainly in Europe, Australia and New Zealand It is also expanding into Africa and the Americas as well as parts of Asia. More and more people across the world are using mobile and smartphones as they become wealthier. In developing countries the proliferation of cheap smartphones running Android has also helped to drive the growth of smartphones penetration across developing countries. CM8 is a question and subject matter expert answer platform with a number of different brands on its platform that cater to different market segments.

- **Micro job platform:** CM8 is essentially a crowd sourced micro-job system where the platform connects customers with a researcher who answers a question. Answers to questions are not automatically generated but a real person is allocated the question which they then proceed to answer. The user pays a fee to have the question answered which is then shared between the telecommunications provider or Apple or Google, the researcher and CM8.

- **Strong tailwinds in mobile use:** CM8 has strong tailwinds in terms of the strong growth in mobile phone use and especially in the smart phone category. The age demographic that CM8 targets is from 15 to 45 as they are the most comfortable with technology. Globally it is expected that US$60 billion will be spent on apps by 2017.

- **Revenue generating:** CM8 is currently revenue generating and recorded FY14 sales of $9.7m and an EBITDA of $2.2m. CM8 is listed on an EBITDA multiple of circa 7x which is not a particularly demanding multiple compared to its peers in the technology space. CM8 reported that its revenue was up 20% for 1HFY15. CM8 shares its revenue with either the carrier/telco or the app store depending on the user’s platform. Apple IOS users will have their fees collected via by iTunes and Android users will have their fees collected by Google Pay.

- **Extensive Product Roadmap:** CM8 are planning to launch circa 50 new apps over the next 36 months while diversifying its current offering into a number of new sectors. Some of these new apps cater for questions in the medical, DIY, information technology and legal space. Expansion into these areas will broaden the appeal of the CrowdMobile’s platform which will result in a growth in user numbers.

## Key Points

**Global mobile entertainment business:** CM8 is a mobile based entertainment business and crowd sourced micro job business with a global footprint. CM8 operates mainly in Europe, Australia and New Zealand It is also expanding into Africa and the Americas as well as parts of Asia. More and more people across the world are using mobile and smartphones as they become wealthier. In developing countries the proliferation of cheap smartphones running Android has also helped to drive the growth of smartphones penetration across developing countries. CM8 is a question and subject matter expert answer platform with a number of different brands on its platform that cater to different market segments.

For example the app “What would Jesus do” caters to users with a moral dilemma and “Passion for Fashion” caters to young fashion conscious users.

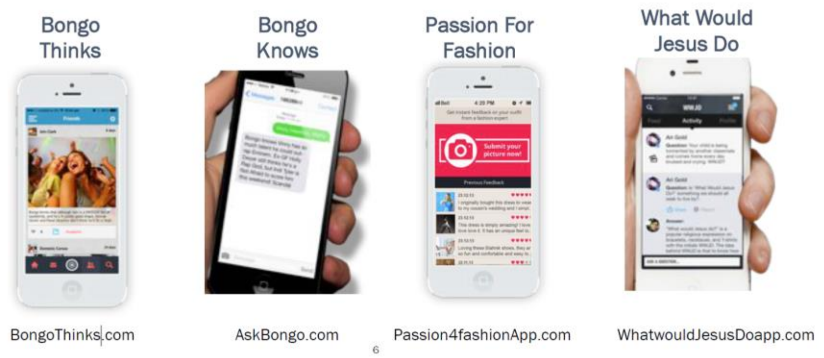



Figure 19: CM8’s suite of mobile applications Source: CM8

**Micro job platform:** CM8 is essentially a crowd sourced micro-job system where the platform connects customers with a trained crowd sourced researcher who answers a question. Answers to questions are not automatically generated but a real person is allocated the question which they then proceed to answer. The user pays a fee to have the question answered which is then shared between the carrier/telco, Apple or Google, the researcher and CM8. The fee is either collect via a Telecoms company (ie. Telstra, Optus etc) or via iTunes or Google Play depending on the platform the user is on.

Some 3.4 million questions were answered in FY14 by 500 hundred trained researchers and this should increase as CM8 rolls out apps that cater for different markets.

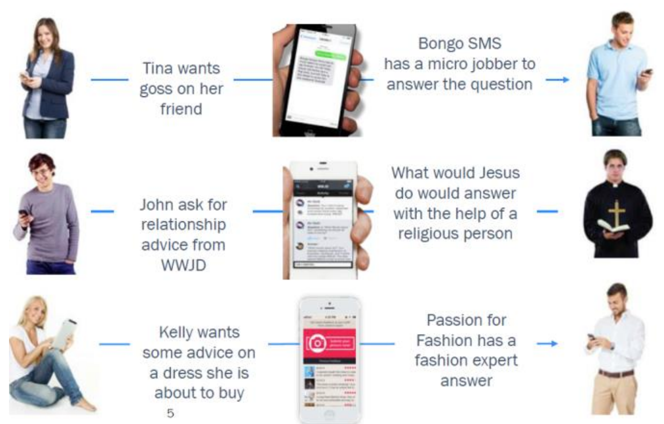



Figure 20: Examples of CM8’s questions. Source: CM8

**Strong tailwinds in mobile use:** CM8 has strong tailwinds in terms of the strong growth in mobile phone use and especially in the smart phone category. The age demographic that CM8 targets is from 15 to 45 as they are the most comfortable with technology. Globally it is expected that US$60 billion will be spent on apps by 2017.

**Revenue generating:** CM8 is currently revenue generating and recorded FY14 sales of $9.7 million and EBITDA of $2.2 million. CM8 is listing on an EBITDA multiple of circa 7x which is not a particularly demanding multiple. CM8 reported that its revenue was up 20% for 1HFY15. CM8 shares its revenue with either the carrier/telco or the app store depending on the user's platform. Apple IOS users will have their fees via by iTunes and Android users will have their fees collected by Google Pay. This simplifies the fee collection process.

Android is the most popular mobile phone operating system in the world and outnumbers other ecosystems due to the fact Google has licensed the software to a myriad of handset makers. In 2014 Google reported there were over 1 billion Android users in the world. Also 71% of developers develop for the Android platform making it a very rich platform. The popularity of the Android platform and the fact CM8 earns a 75% revenue split from Google play sales will help to underpin revenue growth over the next several years as popularity of the CrowdMobile platform grows.

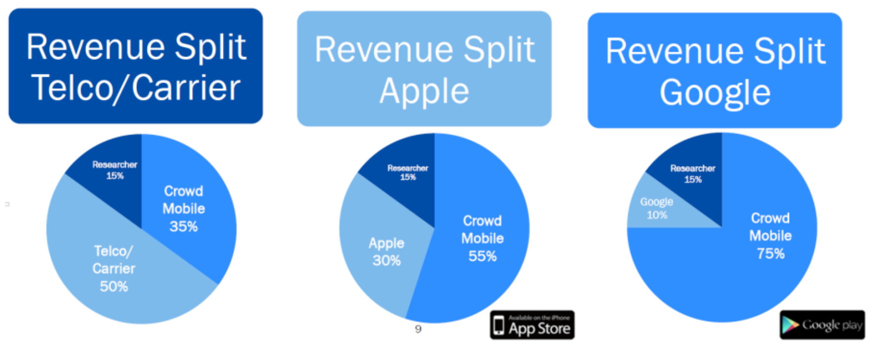



Figure 21: Revenue split per platform Source: CM8

**Extensive Product Roadmap:** CM8 are planning to launch circa 50 new apps diversifying its current offering into a number of new sectors. Some of these new apps cater for questions in the medical, DIY, information technology and legal space. Expansion into these areas will broaden the appeal of the CrowdMobile platform which will result in a growth in user numbers. The concept of micro-jobbing allows the researchers to supplement their incomes as they earn 15% of the revenue stream.

## Peer Comparison

| Name | Code/Market | Market Cap/Valuation/Raising | Description |
|---|---|---|---|
| Moko Mobile | MKB:ASX | AU$102 million | Mobile social advertising platform |
| Mobile Embrace | MBE:ASX | AU$54 million | Integrated mobile payments/marketing |
| Freelancer | FLN:ASX | AU$252 million | Online outsourcing marketplace |
| Crowd Mobile | CM8:ASX | AU$16.5 million | Crowd Mobile is a mobile phone entertainment business |

## Company Background

CrowdMobile began operating in Australia in 2005 and was originally a text message service on mobile phones. With the growth in smartphones the company has moved to a new platform servicing smartphones.

## Management

**Theo Hnarakis - Non-Executive Director / Chairman**

Theo Hnarakis brings a wealth of experience working in the media industry and scaling Australian ASX listed technology businesses. He graduated from The University of South Australia with a Bachelor of Accounting and has held senior roles with News Corporation, Boral Group, the PMP Communications group and was the Managing Director and CEO of Melbourne IT until 2013. He has also held director roles with Neulevel, a JV with US based listed company, Neustar and with Advantate, a JV with Fairfax Media. Mr Hnarakis is also currently a Director of Newzulu Limited, and served as an Ambassador for the Starlight foundation.

**Hans de Back- Non-Executive Director**

Mr. de Back has significant experience across multiple high-technology industries including mobile, gaming, and social media. He holds a master degree in corporate law from Amsterdam University and has extensive international experience having worked with companies throughout Europe, North and South America, the Middle East and Asia Pacific. Mr. de Back is currently the Managing Partner at Incubasia Ventures, which is an unlisted investor and incubator working with innovative and scalable technology companies. He currently holds non-executive directorships for Moko Social Media (ASX: MKB) and iCollege (ASX: ICT).

**Domenic Carosa - CEO and Executive Director**

Domenic Carosa is CEO of Crowd Mobile. Domenic was previously the co-founder and Group CEO of ASX-listed Destra Corporation Ltd (ASX: DES), which was the largest independent media and entertainment company in Australia with revenues of over A$100 million. Mr Carosa was a director of Destra Limited until April 2009. The company was placed into voluntary administration in November 2009. With over 20 years' experience in business and technology, Domenic has built a reputation as a leader in the internet space by building one of Australia's leading digital music service providers for independent and unsigned artists – MP3.com.au – in the late 90's, and building from scratch Australia's second largest virtual web hosting/comms company which he sold for A$25 million in 2006-07. Domenic is past Chairman of the Internet Industry Association (IIA) and holds a Masters of Entrepreneurship & Innovation (MEI) from Swinburne University. Domenic is chairman of the Future Capital Development Fund, chairman of Dominet Digital Corporation Pty Ltd, an Internet investment group and a non-executive director in Shoply Limited (ASX:SHP) and Qanda Technology Limited (ASX: QNA).

**Frank Giugni - Director and CFO**

Frank is an experienced finance professional with extensive profit-centre experience gained in several key accounting and management roles with major ASX and FTSE-listed companies. He specialises in restructuring and performance improvement, as well as mid-market merger & acquisition activities.

# Digital CC (DCC)

## Bitcoin (BTC) comes to the Stock Market

**Digital CC is a listed business that focuses on the new realm of Crypto Currencies.**

### Summary Key Points

- **Fully integrated digital currency enterprise:** DCC is a fully integrated digital enterprise that operates along all parts of the Bitcoin (BTC) value chain. DCC validates transactions on the block chain to earn BTC (known as mining), supplies mining rigs to other BTC miners, provides liquidity to market participants and develops BTC applications for end users.

- **DCC Developing a Digital Wallet:** DCC are developing a digital wallet application called digital X Pocket that will use the blockchain to transfer money across the world in a cost effective manner. A key feature of the wallet is that user can, if they choose, initiate the transaction in fiat currency which will then be converted to BTC. The transfer will then be verified by the blockchain and then potentially exchanged back into the fiat currency of the receiving party. This will give users the option to transfer money or pay for goods and services either using fiat currency or BTC. The wallet is in beta testing and will be launched in late April.

- **BTC liquidity operations:** DCC has a liquidity operation that provides crypto currency liquidity to the market participants. These activities account for circa 75% of DCC revenues. These market participants are ATM operators, hedge funds, and companies accepting crypto currency payments who make use of DCC's liquidity operations.

- **BTC mining operations:** Currently circa 25% of DCC revenues come from mining BTC. DCC owns and runs BTC mining rigs that validate transactions on the block chain and is currently in control of about 2.5% of the global installed mining capacity. BTC transaction validation rewards miners with new BTC. However over time this process is designed to become more complex requiring more computing power which makes mining more expensive as time goes on. As a result DCC is in the process of diversifying away from mining activities as mining becomes costly in terms of power requirements and computing power.

- **First mover advantage:** DCC is the first crypto currency focussed business to list on a stock exchange. While BTC is currently the main focus of DCC, it does also have capabilities to work with other crypto currencies such as Litecoin, Ripple and BitShares.

### RECOMMENDATION

**Not Rated**

| | |
|---|---|
| Month average volume | 3.9m |
| 12 month share low | $0.07 |
| 12 month share high | $0.38 |
| Market Risk | High |
| Liquidity Risk | High |
| Infrastructure Risk | High |
| Country Risk | Med |

*IRESS & DJC Research*

### ISSUED CAPITAL

| | |
|---|---|
| ASX | DCC |
| Share price | $0.073 |
| Mkt cap | $12.3m |
| Ordinary shares on issue | 168m |
| Options (various) | 12m |

*Source: IRESS*

### DIRECTORS

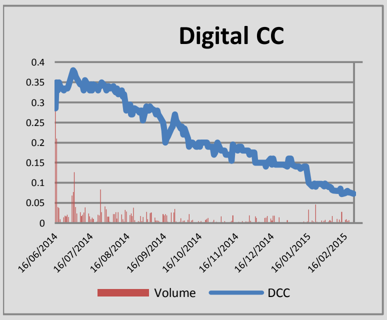
| | |
|---|---|
| Zhenya Tsvetnenko | Ex. Chairman |
| Alexander Karis | CEO |
| William Brindise | CIO |
| Brett Mitchell | N.E. Director |

### MAJOR SHAREHOLDERS

| | |
|---|---|
| Lydian Enterprises Ltd | 25% |
| Alex Karis | 12% |
| Hoperidge Enterprises | 9.2% |
| Technology IQ Ltd | 7.9% |
| William Brindise | 7.4% |
| Craig Burton | 6.5% |

*As at 29 February 2015*

### PERFORMANCE




*Source: IRESS*

## Key Points

**Fully integrated digital currency enterprise:** DCC is a fully integrated digital enterprise that operates along all parts of the Bitcoin (BTC) value chain. DCC validates transactions on the block chain to earn BTC (known as mining), supplies mining rigs to other BTC miners, provides liquidity to market participants and develops BTC applications for end users.

**DCC Developing a Digital Wallet:** DCC are developing a digital wallet application called digital X Pocket that will use the blockchain to transfer money across the world in a cost effective manner. A key feature of the wallet is that user can, if they choose, initiate the transaction in fiat currency which will then be converted to BTC. The transfer will then be verified by the blockchain and then potentially exchanged back into the fiat currency of the receiving party. This will give users the option to transfer money or pay for goods and services either using fiat currency or BTC. The wallet is in beta testing and will be launched in late April.

DCC have already enrolled a number of users to use the app and is testing the wallet with a group of users. The Digital-X wallet will make use of the blockchain technology and is focussed on the facilitating of money transfers rather than being a play on BTC and the use of BTC to pay for goods and services. This is a unique approach as most wallet apps are focused on the storage and use of BTC where DCC's wallet is rather focused on frictionless payments regardless of the currency.

**BTC liquidity operations:** DCC has a liquidity operation that provides crypto currency liquidity to the market participants. These activities account for circa 75% of DCC revenues. These market participants are ATM operators, hedge funds, and companies accepting crypto currency payments who make use of DCC's liquidity operations. Currently this market is dominated by BTC as BTC is the most widely traded crypto currency in the world.

Only circa 1.5% of BTC market cap trades on a daily basis according to data from blockchain.info. Providing liquidity will be an important service to businesses that want to allow their customers to pay in BTC. Many of the business that accept BTC payments do not want to hold BTC and therefore want to change BTC into fiat currency due to the volatility of the BTC price which will drive demand for DCC services.

**BTC mining operations:** Currently circa 25% of DCC revenues come from mining BTCs. DCC owns and runs BTC mining rigs that validate transactions on the block chain and is currently in control of about 2.5% of the global installed mining capacity. BTC transaction validation rewards miners with new BTC. However over time this process is designed to become more complex requiring more computing power making mining more expensive. Additionally to increasing complexity approximately every 4 years the miners reward halves thereby reducing the issued BTC. The next halving of the mining reward is expected in early 2016. Therefore DCC will have to find other sources of revenue from other BTC related activities to supplement this lost revenue.

DCC also supplies mining rigs to other miners for additional revenue. DCC may first use the new mining rigs to take advantage of any advances in speed and then later lease or sell the used rigs to other miners.

**First mover advantage:** DCC is the first crypto currency focussed business to list on a stock exchange. While BTC is currently the main focus of DCC, it does also have capabilities to work with other crypto currencies like Litecoin, Ripple and BitShares. Crypto currencies are likely to be part of the financial landscape going forward and having a long operational history will help DCC develop a competitive advantage to later entrants.

**Further product development:** DCC is in the process of diversifying away from mining activities as mining becomes costly in terms of power requirements and computing power. The mining reward will halve in early 2016 as part of the BTC protocol. In order to drive non mining revenues DCC has several other potential sources of revenue:

- digitaX Mintsy trading platform: DCC is planning to launch a platform that will allow for the trading of mining rigs and lease contracts. Due to the increasing complexity of verifying transactions mining has become a professional's game. As a result a reasonably large industry has developed that allows small operators to pool their resources and compete with the larger players. DCC will therefore offer mining rigs for lease to other miners and these rigs may be sourced from DCC own fleet. This business is a 50/50 joint venture with Cryptsy which is a trading platform for crypto currencies.

## Company Background

DCC is a digital currency company providing investors exposure to multiple facets of the BTC industry and the digital currencies sector. The company is publicly traded on the ASX as and is the first BTC focused company listed on a major exchange. DCC was a reverse takeover of a failed resources company Macro Energy

## Management

**Zhenya Tsvetnenko - Executive Chairman**
Mr. Tsvetnenko is a businessman in the mobile premium messaging services sector including data, music, games, and news. He is an entrepreneur and is also the founder and current Non-Executive Chairman of Mpire Media, a privately held global multimedia and online advertising company servicing international clientele.

**Alex Karis - Chief Executive Officer**
Mr. Karis is Non-Executive Chairman and founder of Karis Marketing Group, "KMG", one of the leading US digital marketing companies, providing online and offline marketing services to major US Telecom carriers and Political Consultants. KMG was awarded ING's 500 Fastest Growing Companies Private Companies award in 2013.

Mr. Karis has over 10 years' experience as an entrepreneur developing products and procedures for KMG and its clients and has become a leader at offline and online marketing through his robust understanding of client management and customer relationships. Mr. Karis holds a bachelor degree in Marketing at The University of Massachusetts Amherst.

**William Brindise - Chief Investment Officer**
Mr. Brindise has over 15 years experience in trading energy, metal and grain options and futures. He started his career on the NYMEX working for ZAR trading and after few years started his own trading and brokerage company, BAK. After 4 successful years he moved off the floor when NYMEX trading became digital and took a job working for the hedge fund SHK Management. He managed $20 million and returned an annualized rate of 60% on that money. Mr. Brindise will continue to oversee proprietary trading desk operations and is now focusing on trading BTCs at digitalBTC. He holds a bachelor degree in Business and Finance from the Boston University

**Brett Mitchell - Non Executive Director**
Mr Mitchell is a corporate finance executive with over 20 years of experience in the finance and resources industries, and has been involved in the founding, financing and management of both private and publicly-listed resource companies. Mr Mitchell holds a Bachelor of Economics from the University of Western Australia and is a member of the Australian Institute of Company Directors (AICD) and will be involved with the corporate strategy of the business in his role as a Director.

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RCAN1244

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