

Snakk Media

On the move

Snakk Media (SNK) is a New Zealand-listed facilitator for smart screen advertising. The company is very much in the investment phase of scaling up, expanding its team to support its growing customer base and extending its footprint into South-East Asia. Snakk is raising up to NZ\$2.3m in additional equity at NZ\$0.045/share and intends to migrate from the NZX Alternative Market to the NXT board in November 2015.

Mobile advertising on the move

Snakk operates in one of the fastest-growing advertising segments, with predictions by eMarketer for global compound annual growth of more than 30% in mobile internet advertising expenditure in the five years to 2018 and more than 35% compound growth in the Australian market over the same period. The company intends to use the proceeds of the NZ\$2.3m capital raising to extend its footprint to the faster growing South-East Asian markets and to develop its sales team, mobile technology and analytics capabilities.

On a trajectory

Snakk is building an independent Asia-Pacific mobile advertising business, providing an end-to-end service for advertising agencies, brands and publishers to find and reach consumers who are using apps, games and social media on their smartphones, tablets and other mobile devices. The company has a growing reputation with leading media agencies for delivering high-quality campaigns for major brand companies across mobile channels.

The company's revenues continue to rise strongly, up four-fold over four years. Revenues in Q116 were up more than 13% y-o-y in a traditionally quiet quarter. Management's focus on the cash-burn rate and operating costs were demonstrated in a Q1 gross margin of 58%, well ahead of the 55% target for the year, a much reduced EBITDA loss of NZ\$0.4m on sales of NZ\$2.28m, and an operating cash loss of NZ\$0.15m for the quarter, putting Snakk on a trajectory to break even by mid-FY17.

Valuation: Peer comparison

Even with its small size and early stage development, at 1.3x EV/TTM sales, Snakk is at a near 50% discount to a broad global peer group of quoted mobile solutions and digital advertising companies. If the median peer multiple of 2.3x EV/TTM sales were applied, Snakk's implied enterprise value would be NZ\$23m or NZ\$0.09/share.

Historical financials

Year end	Revenue (NZ\$m)	EBITDA (NZ\$m)	PBT (NZ\$m)	EPS (c)	P/E (x)	EV/Sales (x)
03/12	2.0	(0.4)	(0.4)	(0.2)	N/A	6.4
03/13	3.7	(0.9)	(0.9)	(0.4)	N/A	3.5
03/14	7.1	(1.6)	(1.3)	(0.5)	N/A	1.8
03/15	9.9	(3.7)	(3.7)	(1.3)	N/A	1.3

Source: Company reports

Media

5 November 2015

Price NZ\$0.05
Market cap NZ\$13.0m

Share price graph



Share details

Code	SNK
Listing	NZAX
Shares in issue (pre raise)	265.1

Business description

Snakk Media helps brands find and reach consumers using apps, games and social media on their smartphones, tablets and other smart screens, generating revenue every time it successfully targets and delivers an ad across its networks.

Bull

- Strong management team and board.
- No legacy advertising systems.
- Targeting high growth Asian markets.

Bear

- High currency exposure to US\$.
- Low barriers to entry.
- IP risk tied up with talent.

Analysts

Finola Burke	+ 61 2 9258 1611
Moirra Daw	+61 2 9258 1611

team@edisongroup.com

[Edison profile page](#)

Company description: On the move

Snakk Media is a New Zealand-based facilitator for mobile advertising on smartphones and tablets. The company listed on the NZX Alternative Market in March 2013, before going on to raise NZ\$6.5m in a substantially over-subscribed share placement in May 2013. Shares were placed at 12c/share against a price at that time of 15c/share.

The company has offices in Sydney, Melbourne, Brisbane, Auckland and Singapore. The New Zealand office, which Snakk opened in 2013, has been growing at a rapid rate; revenues increased by 75% in FY15 over the previous corresponding period and accounted for 15% of group revenues. The Singapore office, which Snakk opened in June 2014, contributed 7% of group revenues in its first year of operations.

As well as running the smart screen advertising technology business, Snakk is starting to build an investment portfolio of relevant technology opportunities including technology that delivers ads to smartphones and other mobile devices in a defined geographic area and a cloud-based ad technology platform that enables brands to reach audiences via their apps, mobile websites and social media sites.

Snakk is raising up to NZ\$2.3m, including NZ\$0.8m in oversubscriptions, in additional equity at 4.5c/share and intends to move from the NZX Alternative Market to the NXT in early November. Snakk intends to use the proceeds accelerate its growth by:

- recruiting sales, marketing and technology staff for its existing markets;
- expanding into new markets (especially in South-East Asia) and strengthening its presence in existing markets;
- funding further investment into key technology partnerships and the development of mobile advertising and marketing technologies; and
- investment into developing internal systems and new products.

The business model

Media agencies and brands engage and pay Snakk to develop their mobile advertising strategies, creative and technology, that allows them to connect with mobile users. Snakk is paid every time it successfully targets and delivers a brand's ad across networks of mobile websites, apps and games. At the heart of Snakk's business is the development and placement of highly targeted advertising within apps. More than 80% of group revenues are generated in apps. It makes money each time a targeted ad is served across its networks of mobile websites, apps and games. There are several key elements to the business model:

- aggregating audiences through partnerships with major media owners, networks and app developers for media agencies and brand owners, for which Snakk is paid a margin;
- providing the technology to implement campaigns by integrating the software into publishers' and media owners' sites and apps in order to serve the ads, for which it is paid a royalty; and
- providing the creative for the ads, for which it is paid a fee.

Business segments

The core business, **Snakk Media** offers agencies and brand companies a portfolio of mobile audience targeting, geolocation and native advertising technologies. Snakk has developed strategic distribution relationships with key technology partners, predominantly from the US. Snakk has integrated the technologies to develop new or unique mobile advertising products for its markets. While it does not own the intellectual property rights to the technologies it uses, it does hold them

on an exclusive or preferred distribution basis for its target markets: Australia; New Zealand; and South-East Asia. The majority of these deals are 12-month contracts with 90-day termination clauses. Snakk uses these technologies to the following effects:

- it uses smart behavioural audience segments to reach the right mobile user, in the right place at the right time. Snakk's audiences are ranked on accuracy and refined by overlaying client and third-party data to create precise audience pools for individual advertisers;
- it offers advertisers the ability to target and re-target audiences, based on location and frequency of use. This ensures the target audience is specifically identified based on geolocation, which Snakk has found to deliver substantially higher returns for its advertisers;
- Snakk combines a wide range of mobile video formats with sequential ad-serving to precision place branded content;
- Snakk uses technology to gain insights into behaviours of social app users, to optimise audience accuracy in advertising campaigns;
- the company has assembled best-in-class mobile technology that enables advertisers to seamlessly integrate their campaigns across more traditional media channels such as television, print, radio, desktop, digital and out-of-home media; and
- Snakk has also uniquely developed and launched TV Sync, which dynamically matches mobile ads with TV commercials.

Exhibit 1 demonstrates the depth of the campaigns developed using Snakk's smart technologies. In the case of the Cancer Council 2014 Daffodil Day mobile campaign, viewers of the ad could click to make a call to the Daffodil Day team, make a donation via their smartphone, and view a map showing the stall closest to them to buy merchandise and/or donate in person.

Exhibit 1: One of Snakk's mobile campaigns



Source: Snakk Media

As Snakk has grown, its business has evolved into several segments offering specific expertise and services to its client base, which ultimately enhance and expand its client relationships.

Snakk launched a new division, **Represent Media**, in September 2014, to sell advertising space for premium-publisher titles appearing on mobile apps and websites. The division has secured media publishing giant CBS Interactive (CBSi) to sell the premium ad inventory available on their Asian

mobile titles across 12 countries, inked a deal with global music player TuneIn and signed one of Australia's largest independent publishers Conversant Media to sell its mobile ad inventory.

Snakk's mobile creative division, **Touch Create**, develops campaigns and strategies for brand advertisers and premium publishers to engage and convert customers. The team's work has been highly awarded over the past 12 months. Its Next Taste Challenge campaign was named by the global Mobile Marketing Association (MMA) as an APAC finalist in its 2014 awards while the launch of the latest release of video game Assassin's Creed Unity was awarded a prestigious 2015 Official Webby Honoree.

Haptic Generation was created to provide support to Snakk's sales teams, agency partners and brand advertisers by providing insights, news, trends and facts and figures about how Australians, New Zealanders, and the rest of the world engage with smartphones and tablets.

Platform for growth

Snakk has built an impressive client list, including global and local brands, with campaigns recently run for Disney, Google, McDonalds, Visa, Lion Nathan, Fonterra and Airbnb. On the publishing side, the company is also winning share with popular publishers such as Australia's Carsguide, Rdio Music Service, and Concrete Playground signing Represent Media as their mobile advertising sales agency.

The company has a strong record of building its revenues organically, but may pursue acquisition opportunities if that assists in enhancing its market presence in Australia and New Zealand and establishes its presence in South-East Asia.

Growth will be targeted through a combination of strategies:

- geographic expansion into other Asian markets. Snakk will use its Singapore operation as a springboard into other territories, with Indonesia, the Philippines, Malaysia and Thailand high on the list of target markets. Indonesia, in particular, is appealing, with mobile advertising there forecast by eMarketer to outstrip almost every other jurisdiction over the next five years, growing from US\$43m in mobile ad spend in 2014 to US\$1.5bn in 2018 (see Exhibit 4). Up until now, Snakk's geographic expansion has been organic but there may opportunities to acquire early-stage businesses in its target markets;
- increasing market share in existing markets through further investment in both talent or by acquisition;
- expansion into programmatic networks, either through partnerships or acquisitions ;
- further cherry-picking of technologies through product licences; and
- adding to the portfolio of strategic investments. Snakk currently has stakes in two US technology companies: San Francisco-based Moasis, which has developed technology that delivers ads to smartphones and other mobile devices in a defined geographic area and New York-based Plyfe, which has created a cloud-based ad technology platform that enables brands to add game-like experiences into their apps, mobile websites and social media pages. Snakk's combined investment in these two companies is NZ\$0.4m via convertible notes.

Key competition

Key competitors in the Australian market are InMobi, Big Mobile and Mobile Embrace (MBE.AX). InMobi and Big Mobile are privately owned while Mobile Embrace is listed on the ASX.

InMobi is the biggest player in the Australian market in terms of its mobile advertising network and ad volumes. It is India-based and backed by Soft Bank and VC group Kleiner Perkins, Caulfield & Byers.

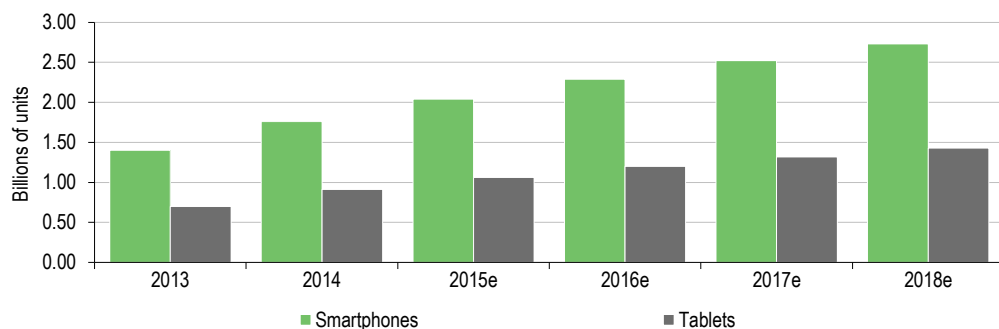
Big Mobile is a privately-owned Australian company that offers mobile advertising solutions, including a technology platform to deliver data intelligence and audience targeting techniques. It has also built out geographically along the same lines as Snakk with operations in Australia, New Zealand, Singapore and Indonesia.

Mobile Embrace is a listed mobile payments (m-payments) and mobile marketing company, which offers both m-payments infrastructure and a local and global publisher advertising network and media trading desk. It has recently expanded into the UK market, with the acquisition of one of the largest online performance marketing groups, Marketing Punch, which has an opted-in database of more than five million consumers.

Mobile ad spend continues its rapid ascent

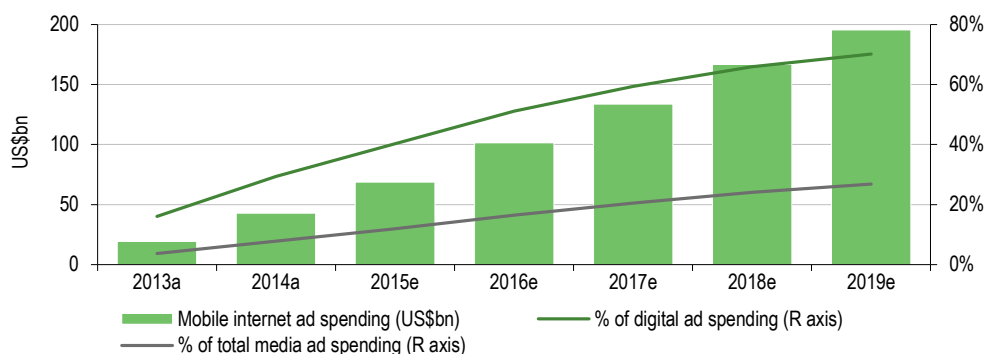
The pace of take-up of smart devices shows little sign of slowing, with industry forecaster eMarketer predicting compound annual growth of 9% a year for both smartphones and tablets until 2018. As Exhibit 2 shows, eMarketer is forecasting that the number of smartphones will rise to 2.73bn by 2018, with tablets increasing to 1.43bn in the same period.

Exhibit 2: Global mobile devices from 2013-18e



Source: eMarketer, December 2014

Mobile advertising is forecast to grow at an even faster pace; at a CAGR of 30% in the six years to 2019, according to eMarketer. Up until now, mobile advertising had not been fully reflected in the allocation of advertising dollars. As Exhibit 3 demonstrates, in 2014, mobile advertising accounted for just 8% of total global advertising expenditure. eMarketer is forecasting mobile advertising to secure 12% of total ad spend this year, but is predicting 2016 will be a breakthrough year, with mobile advertising snaring 51%, or more than US\$100b, of digital advertising budgets. By 2019, mobile advertising is forecast to almost double to US\$196bn, which at that time eMarketer estimates will equate to 70% of digital ad spend and almost one-third of total advertising expenditure.

Exhibit 3: Global mobile ad spending 2013-19e


Source: eMarketer

Asia-Pacific mobile ad spend to outpace global trends

For Snakk Media, it is crucial where the mobile ad dollars are spent. It is unlikely to enter the crowded US or UK markets, focusing instead on Asia Pacific. Australia is forecast to be one of the faster-growing markets globally, and from the perspective of dollars spent, one of the largest markets. By 2018, eMarketer is predicting Australia will rank sixth in mobile advertising expenditure, (Exhibit 4).

It is worth noting that Indonesia, a target market for Snakk, is expected to experience the highest compound growth rate over the next five years. eMarketer is forecasting Indonesia's mobile advertising spend to jump from US\$43m in 2014 to US\$1.49bn in 2018; a CAGR of more than 100%.

Exhibit 4: Mobile advertising expenditure by country (2013-18e)

(US\$m)	2013	2014	2015e	2016e	2017e	2018e
US	10,422	18,911	28,477	40,241	49,560	57,543
China (ex-Hong Kong)	920	7,537	13,977	22,140	31,306	40,604
UK	1,949	3,703	5,369	7,248	9,133	11,124
Japan	1,835	2,752	3,853	5,009	6,311	7,573
Germany	451	1,309	2,095	3,065	4,198	5,248
Australia	341	852	1,364	2,114	2,959	3,847
Canada	392	854	1,416	2,200	2,862	3,666
South Korea	455	1,000	1,600	2,080	2,496	2,946
Brazil	66	249	549	1,015	1,726	2,675
France	248	446	714	1,035	1,450	1,971
Netherlands	162	454	690	953	1,238	1,548
Indonesia	12	43	129	323	743	1,487
Russia	65	196	431	776	1,087	1,413
Worldwide	19,197	42,631	68,695	101,366	133,743	166,628

Source: eMarketer

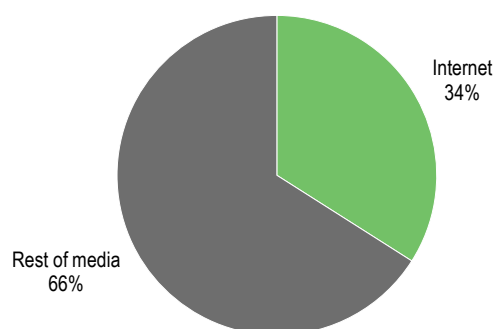
The rapid growth predicted in mobile ad spend in Indonesia is due to the rapid penetration forecast for smartphones there. As Exhibit 5 illustrates, eMarketer is expecting smartphone penetration in Indonesia to double from 21.3% in 2014 to 42.6% of the population by 2018. Only India is forecast to experience the same sort of growth in the next five years, although off of a lower base.

Exhibit 5: Smartphone penetration of population by country (2012-18e)

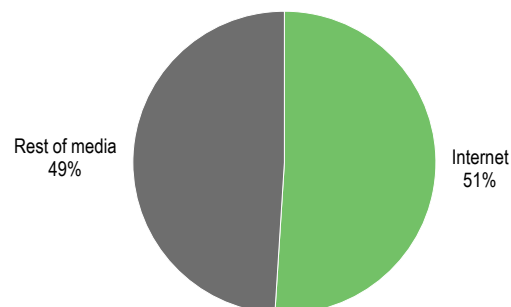
(%)	2012	2013	2014	2015e	2016e	2017e	2018e
South Korea	51.0	62.4	69.7	71.8	73.1	74.2	75.3
Australia	43.7	53.2	61.2	63.1	64.6	66.0	67.2
Japan	26.4	37.4	50.8	53.3	56.3	59.0	61.0
China (ex-Hong Kong)	26.3	33.1	38.5	42.2	45.5	48.6	51.6
Indonesia	10.6	13.8	21.3	26.3	31.8	37.5	42.6
India	3.5	6.2	10.0	13.4	16.1	19.0	21.5
Other	9.8	12.3	14.9	17.0	18.7	19.7	20.9
Asia Pacific	14.8	19.3	23.9	27.1	29.9	32.5	34.9

Source: eMarketer

eMarketer is not alone in its forecasts for rapid growth for the region. However, it is more bullish on mobile ad spend in Australia than some of its research peers. PwC is predicting that digital ad spend will account for more than half Australia's A\$16.4bn in ad spend by 2019. According to the Interactive Advertising Bureau, mobile advertising currently makes up 20% of the A\$4.1bn spent on internet advertising today.

Exhibit 6: Internet share of total Australian ad spend in 2014


Source: PWC Australian Media and Entertainment Outlook 14th edition

Exhibit 7: Internet share of total Australian ad spend in 2019e


Source: PWC Australian Media and Entertainment Outlook 14th edition

Key operating milestones

Snakk has published key operating milestones, which it intends to provide quarterly to the market as part of its proposed NXT listing. Exhibit 8 outlines these operating milestones both on an historical basis and the targets that Snakk has set itself over the next two years.

Exhibit 8: Key operating milestones/target

Year-ended March (%)	2014 actual	2015 actual	2016 target	2017 target
Click through rate (CTR)	0.70	0.90	0.95	1.00
Gross margin	41	42	55	55
Compensation ratio	33	44	45	42
Staff turnover	14	19	22	24

Source: Snakk Media

The key milestones are defined as follows:

- The click through rate is a measure used by Snakk and its customers to assess the effectiveness of online advertising campaigns. If Snakk can maintain this at higher than industry benchmarks, it should win new business and generate additional revenue for Snakk from existing campaigns. On average the industry CTR is 0.62% according to the 2014 Medialets Mobile & Tablet Advertising Benchmarks. As Exhibit 8 shows, Snakk's average CTR was 0.7% in FY14 and 0.9% in FY15, well ahead of the industry benchmark.
- Gross margin is the profit margin after netting costs of goods sold from revenues. It is a measure of Snakk's operational efficiency. The company is targeting a gross margin of 55% in

FY16 and FY17, up from 42% in FY15. Q116 saw a gross margin of 58%, well ahead of the company's target. We consider the impact of gross margin in a scenario analysis in the following section on earnings.

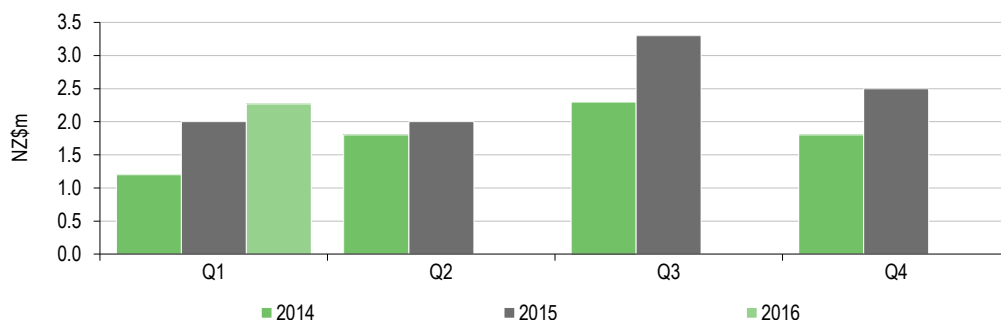
- Compensation to revenue ratio is the percentage of permanent full-time employee salaries to gross sales revenues. It demonstrates the efficiency of its labour force. A decreasing labour to revenue ratio signals that the company is becoming more efficient.
- Staff turnover is the percentage of permanent full-time employees who voluntarily leave the company. Media agencies on average lose 33% of staff per year voluntarily. CEO Mark Ryan is focused on retaining his team, particularly as the loss of key team members is disruptive to the company's progress.

Historical financials

Snakk Media is a young company with ambitions to expand beyond its current boundaries. The degree to which it succeeds in its ambitions and the speed with which it does so, will have a bearing on the company's financial performance.

The company has been very much in a growth phase since its inception in 2010, and as a consequence, revenues have grown rapidly each quarter and cash burn has been high, as Snakk invested in both its platform and talent to realise its ambitions. As Exhibit 9 highlights, quarterly revenues have increased almost each concurrent quarter and certainly year on year.

Exhibit 9: Snakk Media's revenues by quarter



Source: Company data

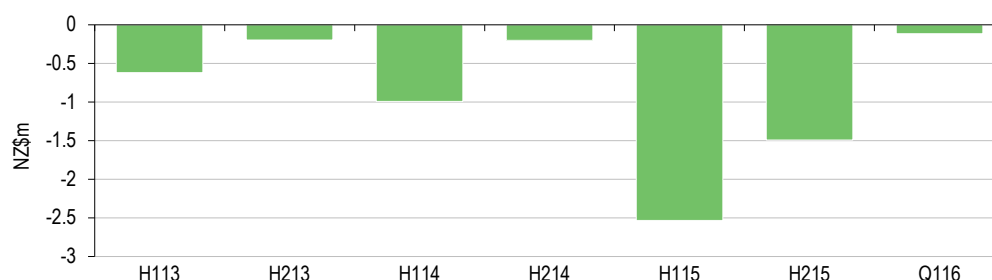
The expansion into New Zealand and Singapore accelerated revenue growth, with New Zealand in particular, delivering spectacular growth in FY15 over FY14, as Exhibit 10 illustrates.

Exhibit 10: Snakk's sales by region by year

(NZ\$m)	2014	(%)	2015	(%)	Change (%)
Australia	6.3	89	7.2	78	14
New Zealand	0.8	11	1.3	15	75
Singapore	0.0	0	0.7	7	N/M

Source: Snakk Media's 2015 Annual Report

However, the investment in the offshore expansion, together with increased investment in talent did boost the cash burn, particularly in the first half of 2015. Management has focused on cash burn, with a NZ\$1.0m reduction in operating cash outflow in the second half of 2015, assisted by increased revenue growth in the same period. This appears to have continued into 2016 with an operating loss of just NZ\$114,000 in Q116 and total cash burn of NZ\$147,000 for the same period.

Exhibit 11: Operating cash flow by half year, including Q116 operating cash flow


Source: Snakk Media reports

Snakk's operating performance has improved over the past two years, with gross margins rising to 42% in FY15, boosted by a second half gross margin of 48%. The company reported a Q116 gross margin of 58%, which is ahead of the full-year target of 55%. As we have highlighted in Exhibit 12 and in the previous exhibit, net cash losses from operating activities rose in 2015 but have been reducing since the first half of that year, as management has focused on cash outlays.

Net assets have reduced since 2014, when Snakk last raised capital, as the company has invested its cash in working capital. This is typical of this type of business and at its stage in life. At the last balance date, Snakk had NZ\$2.5m in cash and had secured a NZ\$1.3m revolving credit facility on which it had not drawn. Based on past performance and the current business plan, these cash resources together with the NZ\$2m equity raising should provide sufficient cash for the company's working capital needs for at least the next 12 months.

Exhibit 12: Historical financial performance by half year and Q116

NZ\$ (m)	H114	H214	FY14	H115*	H215	FY15*	Q116
Net revenue	3.020	4.036	7.056	3.962	5.196	9.158	2.268
COGS	1.644	2.531	4.176	2.598	2.702	5.300	0.947
Gross margin	1.376	1.505	2.880	1.364	2.494	3.858	1.320
Gross margin (%)	46	37	41	34	48	42	58
Loss after taxation	(0.838)	(1.054)	(1.891)	(2.191)	(1.834)	(4.024)	(0.395)
Net finance cost (income)	(0.070)	(0.104)	(0.173)	(0.028)	(0.112)	(0.140)	(0.017)
Depreciation	0.007	0.008	0.015	0.008	0.017	0.026	0.010
EBITDA	(0.901)	(1.149)	(2.050)	(2.210)	(1.928)	(4.138)	(0.402)
EBITDA margin (%)	(30)	(28)	(29)	(56)	(37)	(45)	(18)
Total assets	9.077	9.199	9.199	7.336	6.447	6.447	6.043
Total liabilities	2.260	2.909	2.909	3.045	3.912	3.912	3.841
Net assets	6.816	6.290	6.290	4.292	2.535	2.535	2.202
Net cash flows from operating activities	(0.995)	(0.202)	(1.197)	(2.533)	(1.493)	(4.027)	(0.114)

Source: Snakk Media 5 October 2015 Offer Document. Note: *Restated from reported to remove rebates and provide a like-for-like comparison.

Scenario Analysis

Snakk reported its Q116 performance in early September, demonstrating a significant decline in EBITDA losses on the back of a 13.4% lift in revenues. We have undertaken a scenario analysis to consider what the FY16 result might look like if Snakk was able to maintain its Q1 revenue growth through the course of the year and if it were to meet its target of a gross margin of 55%.

As Exhibit 13 illustrates, if the Q1 result is extrapolated into the full year, Snakk could potentially deliver a significantly reduced operating loss for FY16. It should be noted that this is simply a scenario analysis and not to be taken as our forecast.

Exhibit 13: Scenario analysis: If the revenue growth rate continues and Snakk Media achieves its target margin of 55% for FY16

	Q116	FY16e	Potential change on FY15 (%)
Revenues (NZ\$m)	2.3	10.4	13
Gross margin (NZ\$m)	1.3	5.7	48
Gross margin (%)	58	55	31
EBITDA (NZ\$m)	(0.4)	(2.1)	(50)
EBITDA margin (%)	(18)	(20)	(56)

Source: Snakk Media, Edison Investment Research

Equity raising

Snakk has announced it is seeking to raise up to NZ\$2.3m in equity and that it intends to move to the NXT board of the New Zealand Stock Exchange. The equity offer will be available to all New Zealand investors, with a priority allocation available to existing shareholders.

If Snakk is successful in raising the full NZ\$2.3m at the indicative price of 4.5c/share, we estimate that the total number of shares will rise to 316.2m from 265.1m pre-capital raise (Exhibit 14).

Exhibit 14: Details of the proposed equity raising

Share issue	
Equity raising up to (NZ\$m)	2.3
Price of capital raise (NZ\$)	0.045
Shares to be issued if fully subscribed (m)	51.1
Number of shares on issue post (m)	316.2

Source: Snakk Media, Edison Investment Research

Sensitivities

Snakk Media is still at an early stage of its corporate development, and as a consequence is still refining its business plan. It is also operating in a rapidly evolving market, which didn't exist a decade ago.

The company has published key milestones it wishes to achieve over the next two years. In our view the company's ability to deliver these milestones will be affected by the following:

- management's ability to execute the growth strategy, particularly in regard to its planned geographic expansion;
- ensuring that Snakk Media has secured the relationships and licences with the right technology platforms;
- maintaining existing relationships with key media agencies, who are responsible for brands' budget allocations to mobile internet advertising, while developing direct relationships with the brand companies themselves;
- success in recruiting sales executives to develop new campaign opportunities, new branches and new territories; and
- success in maintaining and enhancing the company's reputation as being a workplace of choice for employees, and as a consequence retaining the majority of its team.

Additionally, the company's ambitions and health will depend on, but is not limited to:

- the health of the Australian advertising environment, which in turn is driven by consumer sentiment and economic conditions;
- a continuation of the trend towards higher penetration in smart devices; and
- fluctuations in the currency. Most of Snakk's revenues are generated in US\$ which is currently strengthening against both the Australian and New Zealand currencies.

It is also worth looking at Snakk Media from the perspective of its strengths, weaknesses, opportunities and risks as the following table highlights.

Exhibit 15: SWOT Analysis

Strengths	Weaknesses
Strong management team.	Small player in a market dominated by Google, Facebook, AOL.
Invested in talent	Currently reliant on agencies for majority of revenue.
Established presence in Australia/NZ, small but growing presence in Singapore.	Cash burn rate improving but still cash flow negative.
Exclusive regional technology licences providing the 'smart' technology backbone – creates a barrier to entry for some capabilities.	
Opportunities	Risks
Expansion into faster-growing Asian markets including Indonesia/Philippines.	Majority of revenues written in US\$ – subject to currency risk.
Opportunity to develop closer relationships with brands.	Currency risk will expand as the company moves into new markets in Asia.
Opportunity to participate in industry consolidation in Australasia.	Key man risk -- CEO Mark Ryan a driving force in the company's development.
Source: Edison Investment research	

Board and management

The four person board comprises an independent chair, an independent director, a non-executive director and an executive director:

Independent chair, **Peter James**, became chair in June 2015. Mr James has a solid track record of joining early-stage listed companies, steering them toward significantly increased revenues and value. He brings 30 years' experience in the technology, telecommunications and media sectors, is currently chair of Macquarie Telecom, and until recently was a non-executive director of iiNet. Mr James has more than 16 years' experience in CEO roles, including ASX-listed media and communications company AdCorp Australia, Ainsworth Game Technology and Computer Power Group.

Non-executive director, **Derek Handley**, co-founded Snakk Media and was its inaugural chair. He brings a wealth of experience in forming and driving technology companies, having founded The Hyperfactory, helping Fortune 500 companies navigate the mobile world and was the inaugural CEO of The B Team, a global leadership collective aimed at driving businesses to work better as they face the challenges of the 21st century. Mr Handley is also a board member of Sky Television. He has flagged that he will retire at the end of calendar 2015 once a suitable replacement is found.

Independent director, **Martin Riegel**, is principal at Broadfield Advisory, working with a range of New Zealand companies and government entities, including as CEO/director of UbiquiOS Technology, chairman of Aeronavics, director of Cemplicity, chairman of Mixquake, director of Broadbell Technologies and director of Vizzybell.

Executive director and acting CFO, **Malcolm Lindeque**, brings more than 23 years' public and private company experience in accounting and corporate governance. Through his consulting business, The Virtual CFO, Mr Lindeque works with a range of listed and private businesses, assisting finance teams in delivering governance and in financial reporting to the relevant stakeholders.

CEO, **Mark Ryan**, has extensive business management experience in private and public IT, digital services, advertising agencies and new media companies, both in Australia and internationally. He was the first COO for Ogilvy Australia, then Australia's largest advertising agency and prior to this was responsible for the agency restructure of Havas Australia.

Shareholders

As at June 23, just over 47% of the company was held by the top 20 shareholders. Non-executive director Derek Handley is the company's largest shareholder through his association with Far East Associated Traders. At the company's annual general meeting in September, Mr Handley told shareholders that he would personally commit that Far East Traders Company would not dispose of any of the Snakk Media shares it holds until 2017.

Exhibit 16: Top 20 shareholders as at June 23, 2015

Shareholder	% holding
Far East Associated Traders	15.38
New Zealand Central Securities Depository	10.37
The Business Bakery	4.13
Forsyth Barr Custodians (1-33)	2.31
Andrew Richard Jacobs	1.91
ASB Nominees (A/C 208053 – ML)	1.70
SIL Long Term Holdings	1.51
China Scot International	1.22
Investment Custodial Services (990043238)	1.09
Leveraged Equities Finance	1.08
John Handley	1.04
Trevor Alan Smith	0.89
Troubadour Holdings	0.88
The Handley Foundation	0.08
JBWere (NZ) Nominees (A/C 32198)	0.72
FNZ Custodians	0.69
Custodial Services (A/C 16)	0.68
Bruce Michael Patterson	0.59
Cadre Investments	0.56
George Carlo Ozich	0.51
Total held by top 20 shareholders	47.34

Source: Snakk Media 2015 annual report

Valuation

Peer comparison

We have looked at Snakk's peer group to provide a guide as to what the market will pay for companies in this sector. However, in doing so, it is worth noting that listed peers are few and far between. Most operators in the mobile marketing sector are venture-capital backed, unlisted entities. Some of the listed peers of recent years have been mopped up by the dominant players in the space: Google; Facebook; AOL; and Twitter. One of the most comparable companies to Snakk, Millennial Media, has just been acquired by AOL at an historical EV/Sales multiple of 0.7x. It is worth noting that listed Australian peer, Mobile Embrace is trading at the median EV/TTM sale of 2.3x.

Exhibit 17: Listed peer comparison

Company	Code	Currency	Market cap (m)	EV (m)	EV/TTM sales (x)	EV/TTM gross profit (x)	Gross margin (%)	EV/TTM EBITDA (x)
Cheetah Mobile	CMCM.US	USD	2,190	2,090	5.1	9.5	53.5	55.0
Criteo	CRTO:NASDAQ	USD	2,450	2,136	2.0	6.6	29.7	23.9
Mobile Embrace	MBE.AX	AUD	86	76	2.3	2.8	82.4	19.2
MOKO Social Media	MKB.AX/MOKO:NASDAQ	AUD	79	72	11.5	424.0	2.7	-4.0
Opera	OPERA:OSLO	NOK	6,950	6,812	14.2	36.2	39.1	63.9
Sismek	SZMK:NASDAQ	USD	187	110	0.7	1.1	66.9	9.0
Telenav	TNAV:NASDAQ	USD	326	206	1.3	2.5	50.8	6.4
Median					2.3	5.9	50.8	19.2

Source: Thomson First Call, Software Equity Group. Note: Prices as at 29 September 2015

Taking the median EV/Sales multiple of this peer group, we have applied the median EV/TTM sales multiple of the peer group to Snakk's 2015 sales revenue of NZ\$9.8m (pre rebates). We have assumed NZ\$2.5m cash as per the March 2015 reported figure.

For ease of comparison, we have also used the expected number of shares on issue post the capital raising and included the NZ\$2.3m cash from the capital raise.

The implied valuation using the median peer multiple is NZ\$0.09 a share as the following table illustrates.

Exhibit 18: Implied valuation using peer multiples

	Enterprise value NZ\$m	Market capitalisation NZ\$m	Share price
Implied valuation using peer-median EV/Sales multiple of 2.3x	23.0	27.8	\$0.090
Current multiples (based on post-capital raise shares)	9.4	14.2	\$0.045
% potential upside to current values	144%	95%	79%

Source: Edison Investment Research

Edison, the investment intelligence firm, is the future of investor interaction with corporates. Our team of over 100 analysts and investment professionals work with leading companies, fund managers and investment banks worldwide to support their capital markets activity. We provide services to more than 400 retained corporate and investor clients from our offices in London, New York, Frankfurt, Sydney and Wellington. Edison is authorised and regulated by the Financial Conduct Authority (www.fsa.gov.uk/register/firmBasicDetails.do?sid=181584). Edison Investment Research (NZ) Limited (Edison NZ) is the New Zealand subsidiary of Edison. Edison NZ is registered on the New Zealand Financial Service Providers Register (FSP number 247505) and is registered to provide wholesale and/or generic financial adviser services only. Edison Investment Research Inc (Edison US) is the US subsidiary of Edison and is regulated by the Securities and Exchange Commission. Edison Investment Research Limited (Edison Aus) [46085869] is the Australian subsidiary of Edison and is not regulated by the Australian Securities and Investment Commission. Edison Germany is a branch entity of Edison Investment Research Limited [4794244]. www.edisongroup.com

DISCLAIMER

This report has been commissioned by NZX Limited ("NZX") and prepared and issued by Edison Investment Research (NZ) Limited ("Edison"). This report has been prepared independently of NZX and does not represent the opinions of NZX. NZX makes no representation in relation to acquiring, disposing of or otherwise dealing in the securities referred to in this report.

All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable, however neither NZX nor Edison guarantees the accuracy or completeness of this report. Opinions contained in this report represent those of the research department of Edison at the time of publication. The securities described in this report may not be eligible for sale in all jurisdictions or to certain categories of investors. This research is issued in Australia by Edison Australia and any access to it, is intended only for "wholesale clients" within the meaning of the Australian Corporations Act. This research is distributed in the United States by Edison US to major US institutional investors only. Edison US is not registered as an investment adviser with the Securities and Exchange Commission. Edison US relies upon the "publishers' exclusion" from the definition of investment adviser under Section 202(a)(11) of the Investment Advisers Act of 1940 and corresponding state securities laws. As such, Edison US does not offer or provide personalised advice. This research is distributed in New Zealand by Edison. Edison is the New Zealand subsidiary of Edison Investment Research Limited. Edison is registered on the New Zealand Financial Service Providers Register (FSP number 247505) and is registered to provide wholesale and/or generic financial adviser services only. The distribution of this document in New Zealand is not a "personalised service" and, to the extent that it contains any financial advice, is intended only as a "class service" provided by Edison within the meaning of the New Zealand Financial Advisers Act 2008 (FAA) (ie without taking into account the particular financial situation or goals of any person). As such, it should not be relied upon in making an investment decision. Edison publishes information about companies in which we believe our readers may be interested, for informational purposes only, and this information reflects our sincere opinions. This report is not intended to be, and should not be construed in any manner whatsoever as, personalised advice. Also, this report should not be construed as a solicitation or inducement to buy, sell, subscribe, or underwrite any securities referred to in this report. For the purpose of the FAA, the content of this report is of a general nature, is intended as a source of general information only and is not intended to constitute a recommendation or opinion in relation to acquiring or disposing (including refraining from acquiring or disposing) of securities. Edison has a restrictive policy relating to personal dealing. Edison does not conduct any investment business and, accordingly, does not itself hold any positions in the securities mentioned in this report. However, the respective directors, officers, employees and contractors of Edison may have a position in any or related securities mentioned in this report. Edison or its affiliates may perform services or solicit business from any of the companies mentioned in this report. The value of securities mentioned in this report can fall as well as rise and are subject to large and sudden swings. In addition it may be difficult or not possible to buy, sell or obtain accurate information about the value of securities mentioned in this report. Past performance is not necessarily a guide to future performance. Forward-looking information or statements in this report contain information that is based on assumptions, estimates of future results, estimates of amounts not yet determinable, and therefore involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of their subject matter to be materially different from current expectations. To the maximum extent permitted by law, NZX, Edison, either of their affiliates and contractors, and their respective directors, officers and employees will not be liable for any loss or damage arising as a result of reliance being placed on any of the information contained in this report and do not guarantee the returns on investments in the products discussed in this publication.