

Moko Social Media Ltd (MKB \$0.16) Speculative Buy

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Company Update

Investment Case:

MKB is making good progress in building a platform with a large user base attractive to online mobile advertising in the US. MKB has a relatively unique business model of developing Apps for established large profiled user groups attractive to advertisers. MKB is highly speculative given unknown potential earnings outcomes. We anticipate a successful commercialisation of Apps will be key value drivers.

Key Points:

- MKB's flagship mobile app REC*IT is still in the roll out stage across US Colleges and early signs are positive with strong user engagement, a key attraction for advertisers. It is anticipated the user base will continue to grow now the second semester is underway; a higher user base would be a key value driver.
- MKB has done a deal with Innosoft Fusion that enables MKB to reach out to a broader base of students (not just recreational activities) across US Colleges through REC*IT with advertising promotions.
- Enhanced functionality is in-app registration; a new capability within REC*IT that is likely to escalate use and importance of the app for students and college administrations.
- MKB recently entered into an initial 12 month agreement to provide BNR political news content to the New York Post for a monthly subscription fee. MKB is confident of further content deals with prominent digital and traditional publishing brands.
- MKB is well funded for +12 months, having approx \$9m cash and unpaid capital of \$7m when listed options expire June 2015.

Analysis:

MKB is making good progress in building a platform with a large user base attractive to online mobile advertising.

MKB has done a deal with Innosoft Fusion, a registration and point-of-sale software provider, which will provide the capability to seamlessly include student identification and authentication into the REC*IT app. This fills the gap at campuses where access to REC*IT was limited due to student authentication and data barriers, particularly campuses not using IM Leagues (IML).

REC*IT relies on IML for data feeds of student and team schedules, fixtures, standings, statistics and news feeds across circa 860 US universities (with circa 11m students). Innosoft Fusion will boost REC*IT's functionality and will open up REC*IT to recreational sports and fitness activities to circa 90 US universities (with circa 4m students) not using IML.

Innosoft providing access to student details will enable MKB to reach out to a broader base of students (not just recreational activities) across US Colleges through REC*IT with advertising promotions.

Enhanced functionality is in-app registration; a new capability within REC*IT that is likely to escalate use and importance of the app for students and college administrations.

Moko Social Media Ltd	Year end 30 June	
Share Price	0.16	A\$/sh
Shares on issue	808	m, diluted
Market Capitalisation	129	A\$m
Enterprise Value	109	A\$m
Debt	0	A\$m
Cash	10	A\$m
Unpaid capital	10	A\$m

Share Price Chart



Disclosure

Euroz Securities declares that it has acted as underwriter to and/or arranged an equity issue in and/or provided corporate advice to Moko Social Media Ltd during the last year. Euroz Securities has received a fee for these services.

This analyst declares that he has a beneficial interest in Moko Social Media Ltd.

Moko Social Media Ltd

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Furthermore, MKB will develop a REC*IT like app exclusively for InnoSoft's customers, expanding REC*IT beyond US Colleges. InnoSoft has a number of customers using its Fusion platform, including municipalities in US and Canada and major US corporations offering sports and fitness programs to employees.

MKB's flagship mobile app REC*IT is still in the roll out stage across US Colleges. We understand REC*IT's active user base is circa 150,000 users. REC*IT user numbers have been steady over the past two months due to semester break. Users are expected to increase shortly with the second semester underway and a more aggressive marketing campaign. A higher level of user numbers is a key value driver for MKB.

Importantly user engagement for REC*IT is high, an important attribute that is attractive to advertisers. MKB has stated that user metrics are up to 12x above industry average. This is anticipated to be attractive for advertisers. Advertising slots expected to be attractive for premium advertisements will be made available shortly. Initial material revenue from REC*IT advertising is anticipated in Dec H 15.

The Speakiesy app, an exclusive social network App only available for students on their campus, is expected to be launched to 3 large US Colleges initially and then to 10 US colleges before a full roll out in September 2015.

MKB's political app Blue Nation Review (BNR), a political news site, continues to expand its reach and has become one of the most visited active political groups on Facebook in the US. MKB recently entered into an initial 12 month agreement to provide BNR political news content to the New York Post for a monthly subscription fee. MKB is confident of further content deals with prominent digital and traditional publishing brands. MKB's second and bi-partisan political app VOYCIT is scheduled to launch shortly.

MKB's goal is to reach 10m monthly active users (MAU's) across its suite of App's by the end 2015. MKB currently has circa 5m MAU's comprising 150k REC*IT, 0.5m BNR app, 3m BNR website (including mobile), 1.1m Tag room, and 0.5m Run Haven. Deals have been done in the US which values active users in the range US\$40-US\$100 per user. This largely depends on the quality of the user base and its appeal to mobile advertisers. Whilst MKB has some way to go before that sort of value can be applied to its user base, early indications of user engagement is positive and is a key attribute. We anticipate growth in MKB's user base and advertising revenue will be key value drivers over the next 6-12 months.

Our Speculative Buy recommendation is based on our view that MKB's business model will be successful in attracting online mobile advertising revenue. We are still unable to set a price target at this point in time as it remains too early stage. This will firm up as number of active users / engagement level become known, in particular following a full rollout of REC*IT, to provide some sort of basis in support of expected advertising revenue to derive a valuation and price target.

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