SNK – MARKET UPDATE
29 April 2016

Snakk Media - Business Update for the period 1 January to 31 March 2016

General Commentary and Review:

The Board and Management of Snakk Media are pleased to provide our second Business Update since moving to the NXT in November 2015.

Click-Through Rate for Q4 was 0.88%, below the year-to-date performance of 0.93%. This was primarily due to the successful delivery of a significant Southeast Asian video campaign, where completed video views were the key metric rather than click-throughs. Full year Click-Through Rate was 0.90%, within range of the 0.95% target.

As noted in our previous Business Update, historically in Q4 there can be downward pressure on Gross Margins as opportunities are taken to exceed final quarter revenue targets, and this was the case this quarter. Nevertheless our full year Gross Margin result at 63% was well in excess of our target of 55%. Snakk Media will continue to monitor the annual target for Gross Margin and whether the annual target for FY17 should be reset.

Compensation to Revenue Ratio for Q4 was 50%, a result of January and February being traditionally quieter sales periods. The full year result of 47% is within the range of our target of 45%. The Staff Turnover KOM in Q4 was 13%. As a result full year Staff Turnover was 16%, which is significantly lower than our FY16 target of 22%. Snakk Media will continue to monitor the annual target for Staff Turnover and whether the annual target for FY17 should be reset.

Snakk Media will review, and announce any change to, its annual targets and Key Operating Milestones for FY17 by 31/05/2016. Snakk Media will release its Q4 revenues and preliminary full year results announcement by 31 May 2016.

Performance against Key Operating Milestones:

Key Operating Milestone (KOM)	Q4 FY16	YTD FY16	FY16 Target	FY16 Target Variance
Click-Through Rate %	0.88%	0.90%	0.95%	5%
Gross Margin %	52%	63%	55%	15%
Compensation to Revenue Ratio %	50%	47%	45%	4%
Staff Turnover %	13%	16%	22%	28%

KOM Calculation Methodologies:

CLICK-THROUGH RATE

Click-Through Rate is the number of clicks on a mobile page or app advertisement divided by the number of times the advertisement is shown (impressions) as a percentage.

CTR is the current industry-standard measure of how successful an ad has been in capturing users' interest. The higher the CTR, the more successful the ad has been in generating interest. A high CTR can help a mobile publisher support the site or app through advertising revenues. It is also a strong indicator of the success of a mobile campaign, as more people have interacted with the campaign by clicking on its advertisements.

When a company produces mobile campaigns that deliver CTRs that are constantly in excess of its competitors or accepted benchmarks, the likelihood of securing future campaign bookings is markedly increased. Research suggests that Internet users are increasingly becoming "desensitized" to ads on mobile sites and apps. As a result it is imperative that acceptable CTRs are maintained and grown to keep advertiser and publisher confidence in the company's offerings.

Snakk's strategy is to identify and then utilise innovative mobile consumer targeting technologies to identify those whom are most likely to be receptive to the advertising message being delivered. When this degree of mobile consumer targeting is combined with award-winning mobile creative capabilities, the CTR is maintained or grown on a per campaign basis.

The industry average is 0.62% and Snakk has forecast that it will continue to consistently achieve CTRs that exceed the industry average. Snakk measures its CTR through its internal ad-serving platforms and then correlates that information with third party publisher data.

It is calculated as follows:

$$\textbf{Click-Through Rate \%} = \frac{\textbf{Clicks} \times \textbf{100}}{\textbf{Impressions}}$$

GROSS MARGIN

Gross margin is the percentage of total revenue that Snakk retains after incurring the direct costs associated with producing services sold (Direct Media Costs).

Maintaining and growing Gross Margin allows a higher percent of revenues to be spent on other business operations, such as R&D, technology, marketing and expansion into new markets / territories. As the company grows, a stable Gross Margin will drive the delivery of positive EBITDA. Direct Media Costs are the costs of the advertising inventory that Snakk onsells to its clients.

Snakk's strategy to maintain and grow Gross Margin includes:

- utilising increasingly sophisticated and efficient technologies to purchase advertising inventory cost-effectively without compromising quality; and
- maintaining premium product pricing by delivering strong results for advertisers, combined with product offerings that are underpinned by unique and innovative ad technologies.

It is calculated as follows:

$$\textbf{Gross Margin \%} = \frac{\textbf{Total revenue less Direct Media Costs}}{\textbf{Total revenue}}$$

COMPENSATION TO REVENUE RATIO

Compensation to revenue ratio is the percentage of permanent full-time employee salaries within Snakk's operating divisions compared to total revenue.

The company's main cost outside of Direct Media Costs (being the costs of the advertising inventory that Snakk onsells to its clients) is staff salaries across its various divisions, particularly sales, marketing and management. Measuring the relationship between revenue and compensation figures within a period provides a method to monitor how well the business is utilising its human resources to generate revenues.

The efficiency or scale of a labour force increases as the labour-to-revenue ratio decreases, which is why a lower ratio is better for the company. Comparing the ratio against the company's historical records can show if the labour force efficiency is deteriorating, improving or being maintained at the same level over a period of time.

Snakk's strategy is to lower the Compensation to Revenue Ratio over time using a combination of the following:

- automating current manual and people-driven processes;
- remunerating staff in innovative and progressive ways;
- utilising technologies to drive operational efficiencies;
- managing staff headcount closely if revenue growth is too slow or other market conditions change in an adverse way; and
- increasing the proportion of staff located outside Australia.

It is calculated as follows:

Compensation to Revenue Ratio % =

$$\frac{\textbf{Total permanent full-time employee salaries}}{\textbf{Total revenue}}$$

STAFF TURNOVER

Staff turnover is the percentage of permanent full-time employees that voluntarily leave the company compared to the total permanent full-time employees.

While the general employment market in Australia experiences staff turnover of approximately 15% per annum, the Media Federation of Australia recently reported that in media agencies the 2014 average was over 33% per annum. The battle for talent is particularly fierce in the mobile sector, where an extremely limited supply of expertise is rapidly driving up agency salaries, compounding the issues associated with staff turnover.

Recent media agency research out of the UK suggests that, as well as the disruption caused when staff depart, the considerable length of time taken and cost to identify and hire a replacement, it can also take up to 20 weeks for a replacement to fully get to grips with the job. It is calculated that the cost of replacing a middle manager can be up to 150 percent of their annual salary. For senior managers, the figure can be between 200 and 400 percent.

In a small fast-growing company, with highly specialised skills required, high levels of staff turnover represent a significant threat to its ability to conduct business. Snakk's strategy is to maintain a lower than industry average turnover rate by fostering a strong workplace culture, clearly defining roles and responsibilities, and remunerating staff in innovative and progressive ways.

It is calculated as follows:

$$\textbf{Staff Turnover \%} = \frac{\textbf{Total permanent full-time employees departed voluntarily}}{\textbf{Total permanent full-time employees}}$$

Future events and Business Update timetable:

Annual KOM Targets Due	31/05/2016
Full Year Preliminary Due Date	31/05/2016
Next Business Update Due	28/07/2016

Announcement Authority:

Authorised By: Mark Ryan, Chief Executive
Contact phone number: +61 409 225 820
Contact Email Address: mark.ryan@snakkmedia.com
Date of Release: 29 April 2016