

## Snakk Media

**Media**
**4 February 2016**

### Exceeding targets

Snakk Media (SNK) has formed a strategic partnership with US mobile ad tech company UberMedia to exclusively distribute its in-app social, interest, and geo-location mobile advertising products in Australia, New Zealand and South-East Asia. The company has announced its key operating milestones (KOMs) for Q316 and demonstrated that it is on track to either exceed or meet its full year target on all four measures. It recently completed a 20-for-one share consolidation and bolstered its board by appointing digital media expert Rob Antulov as non-executive director.

### Game-changing partnership

SNK's partnership with UberMedia positions it to exclusively distribute the California-based mobile ad tech company's patented in-app technologies in Australia, New Zealand and South-East Asia. Using advanced first-party social cues, interest data and geo-location signals, these technologies map and influence mobile consumer behaviour, enabling advertisers to more accurately target consumers, know who has viewed their ads and physically visited their stores.

### Q3 KOMs ahead of targets

SNK has reported a click-through rate of 1.0% for Q316 (9M16: 0.93%), slightly above the company's FY16 target of 0.95%. The company's gross margin for Q3 was 69% (9M16: 68%), well ahead of the FY16 target of 55%, while its compensation to revenue ratio (the percentage of permanent full-time employee salaries to total revenue) was 46% (9M16: 45%), slightly above its FY16 target of 45%. Staff turnover for Q3 was just 11%, compared with the FY16 target of 22%.

### Share consolidation and board appointment

The company has appointed Sydney-based digital media executive, Rob Antulov, as non-executive director. Mr Antulov's extensive digital media expertise includes programmatic advertising and online marketplaces. Last month, SNK completed a 20-for-one share consolidation, reducing its shares in issue from 314.2m to 15.7m.

### Valuation: Peer comparison implies steep discount

Even with its small size and early-stage development, at 1.0x TTM EV/Sales (2015), SNK is trading at a c 75% discount to a median multiple for the broad global peer group of quoted mobile solutions and digital advertising companies (see Exhibit 2).

#### 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	4.9
03/13	3.7	(0.9)	(0.9)	(0.4)	N/A	2.7
03/14	7.1	(1.6)	(1.3)	(0.5)	N/A	1.4
03/15	9.9	(3.7)	(3.7)	(1.3)	N/A	1.0

Source: Snakk Media

**Price** NZ\$0.87  
**Market cap** NZ\$14m

#### Share price graph



#### Share details

Code SNK  
 Listing NXT  
 Shares in issue 15.7m

#### Business description

Mobile advertising technology company Snakk Media offers a full suite of mobile creative, content and technology services, empowering the world's leading brands and agencies to accurately reach and engage with consumers on their mobile devices.

#### 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 1161  
 Moira Daw +61 2 9258 1161

[tmt@edisongroup.com](mailto:tmt@edisongroup.com)

## Strategic partnerships and exceeding targets

### Game-changing partnership

SNK has forged a strategic partnership with UberMedia, a company founded by US entrepreneur Bill Gross and part of the Idealab network of technology companies, to exclusively distribute its mobile advertising technologies in Australia, New Zealand and South-East Asia. These technologies enable advertisers to target consumers at a hyper-local level by tapping into social signals, interests and location history to identify the heart of consumer decision-making and reach consumers when they are most receptive to purchase.

SNK has been working with UberMedia since 2013 and will continue collaborating to develop innovative new mobile and data products that meet the specific needs of advertisers. A recent hyper-local geo campaign developed by SNK for Korean automaker Hyundai using UberMedia's technologies resulted in more than 6,400 consumers physically visiting a Hyundai dealership after being targeted in store at either a Mazda or Toyota dealership. The campaign mapped 115 Mazda dealerships, 282 Toyota dealerships and 152 Hyundai dealerships around Australia. As consumers visited the Mazda and Toyota dealerships, the unique IDs on their mobiles were detected and a targeted Hyundai advertising campaign was sent to 400,000 unique users in Mazda dealerships and 415,000 in Toyota dealerships. Of those potential customers, more than 40,000, or 5%, were engaged to click through to the ads and, ultimately, more than 6,400 physically visited Hyundai dealerships. With more accountability being demanded by advertisers and media agencies from mobile campaigns, we see this partnership providing SNK with an edge in its core markets.

### Q3 KOMs ahead of FY16 targets

SNK reported Q3 key operating milestones (KOMs) in line or ahead of its full year targets. It reported a click-through rate of 1.0% for Q316, slightly above its FY16 target of 0.95% and well ahead of the industry average of 0.62%. Financial year to date, the click-through rate has averaged 0.93%, putting SNK on track to meet its FY16 target. The company's gross margin for Q3 was 69%, well ahead of the FY16 target of 55% and pushing its year to date gross margin to 68%. SNK's compensation to revenue ratio, which is the percentage of permanent full-time employee salaries to total revenue, was 46%, slightly above its FY16 target of 45%, but the year to date ratio is in line with the full year target. Staff turnover for the third quarter was just 11% compared with the FY16 target of 22% and well below the 33% industry average estimated by the Media Federation of Australia. Year to date staff churn is 17%, still well below SNK's FY16 target. Exhibit 1 sets out the Q3 and ytd performance versus the stated FY16 target.

(%)	Q316	FY16 ytd	FY16 target
Click-through rate	1.00	0.93	0.95
Gross margin	69	68	55
Compensation to revenue ratio	46	45	45
Staff turnover	11	17	22

Source: Snakk Media

### Share consolidation and board appointment

SNK announced in January that it had appointed Sydney-based digital media executive, Rob Antulov, as an independent, non-executive director. Mr Antulov brings extensive digital media expertise, most recently in programmatic advertising and online marketplaces, and specific M&A skills, having participated in more than 40 corporate transactions as either principal or advisor. Last month, the company also completed a 20-for-one share consolidation, reducing its shares in issue from 314.2m to 15.7m.

## Valuation: Peer comparison implies steep discount

SNK is trading at c 75% discount to a broad global peer group of quoted mobile solutions and digital advertising companies, based on its trailing 12-month (TTM) EV/Sales multiple of 1.0x for 2015. As Exhibit 2 demonstrates, the median EV/Sales TTM multiple for SNK's global listed peer group is 4.0x.

**Exhibit 2: Listed peer comparison**

Company	Code	Currency	Market cap (\$m)	EV (\$m)	EV/Sales (x)	EV/gross profit (x)	Gross margin (%)	EV/EBITDA (x)
Cheetah Mobile	CMM.US	USD	2,734	1,127	4.0	5.1	77.1	25.9
Criteo	CRTO:NASDAQ	USD	2,537	2,260	3.0	8.4	35.9	25.3
Mobile Embrace	MBE.AX	AUD	149	149	4.5	5.5	82.4	37.3
MOKO Social Media	MKB.AX/MOKO:NASDAQ	AUD	33	25	4.0	149.8	2.7	-1.5
Opera	OPERA:OSLO	NOK	8,156	8,080	16.8	23.6	71.3	75.8
Sizmek	SZMK:NASDAQ	USD	137	46	0.3	0.4	64.8	3.5
Telenav	TNAV:NASDAQ	USD	290	171	1.1	2.1	50.8	5.3
<b>Median</b>					<b>4.0</b>	<b>5.5</b>	<b>64.8</b>	<b>25.3</b>

Source: Thomson First Call, Software Equity Group. Note: Prices as at 1 February 2016.

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