



## Newzulu Limited (NWZ.ASX)

### *A New Force in News & Media*

#### Event:

- We initiate research coverage on Newzulu Limited (NWZ).

#### Investment Highlights:

- NWZ is a global news platform that publishes crowd-sourced photos, videos and articles from around the world, creating a revolutionary new way for media organizations to access content, and for both amateurs and professionals to get paid for their original content.
- NWZ combines its content gathering digital “app”, with a powerful and unique software platform, to gather, validate and broadcast news and user-generated content.
- In a short space of time NWZ has become the world’s leading crowd-sourced news and freelance journalism platform, with over 8.2 million users, including a community of circa 150,000 professional journalists. NWZ’s platform monetizes the digital flow of content from citizen, freelance or professional journalists, to the world’s leading media agencies.
- The Company is becoming a major “disruptor” of the media industry, exploiting the proliferation of smart-phones and connectivity, and the impact this is having on the way news and content is generated, gathered and published.
- NWZ has formed exclusive regional content distribution deals with some of the world’s leading news agencies and media organizations.
- NWZ is expanding into all aspects of content generation including air/drone delivered content, crowd-sourced showbiz content live from celebrity events, and crowd-sourced sporting content generated from local, national and global sporting events.

#### Earnings and Valuation:

- We value NWZ at A\$0.21/share, based on industry metrics, peer comparisons, and forecast revenue and earnings multiples.
- We believe NWZ has the potential to be valued at significantly more than our 12-month price target once it achieves cashflow break-even and/or reduces its financial risk.
- The global market opportunity is enormous for this company, with the next 12 months being the critical period for it.

#### Recommendation:

- We initiate on NWZ with a Buy recommendation and 12-month price target of \$0.21/share.**
- Short term catalysts for the company include major distribution deals with North American news organizations which will complete a global distribution footprint, as well as white-label deals for Newzulu Live which will accelerate revenue growth.

<b>Recommendation</b>	<b>Buy</b>
Previous	N/A
<b>Price Target (A\$)</b>	<b>\$0.21/share</b>
Previous	N/A
<b>Share price</b>	<b>\$0.090</b>
ASX code	NWZ
52 Week Low-High (\$)	0.05-0.215
Valuation	\$0.21/share
Methodology	Blended
Risk	High
<b>Capital Structure</b>	
Shares on Issue (M)	506
<b>Market Cap (A\$M)</b>	<b>46</b>
Net Debt/(Cash) (A\$M)	-5
<b>EV (A\$M)</b>	<b>41</b>
Options on issue (M)	39
Market Cap fully diluted (A\$M)	49
12mth Av Daily Volume ('000)	938
<b>Major Shareholders</b>	
Blueroom Capital Pty Ltd	14.5%
Matilda Media Pty Ltd	11.0%
Wyuna Group Pty Ltd	8.8%

<b>Board and Management</b>	
Alexander Hartman	Chairman &
Philip Kiely	Director
Peter Gunzburg	Director
James Bodel	Director
Theo Hnarakis	Director

#### Share Price Graph



#### Analyst

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Foster Stockbroking acted as Broker to the issue of 115M NWZ shares on the 2nd February 2015 for which it received fees. Foster Stockbroking is also engaged in providing NWZ with corporate services for which it has earned fees and continues to do so. Services include, but are not limited to capital markets advisory, institutional research, and marketing roadshows.



## INTRODUCTION

***The world's leading crowd-sourced news and freelance journalism platform.***

- Newzulu (NWZ) is the world's leading crowd-sourced news and freelance journalism platform. NWZ's platform monetizes the flow of user-generated content ("UGC") from citizens / journalists to media organizations.
- UGC is the term used for digital content sourced from the public, whether it be photo images, video files or commentary and blogs etc. This kind of content has exploded across the globe in the last 5 years with the advent of social networks such as Facebook, Twitter & Youtube, and through the proliferation of web connectivity and smart phones/devices.
- The company's core technology was originally developed by the French national news wire Agence France-Presse (AFP), in response to the overwhelming volume of UGC that it began receiving during the "Arab Spring" in 2011. AFP developed a technology platform which it named "Citizenside" to receive, validate/edit and distribute user generated news stories to the highest journalistic standards for distribution to the world's leading news and multimedia agencies.
- Due to strict internal guidelines around its core business practices, AFP was forced to sell Citizenside. Getty Images reportedly offered to buy the business but was knocked back due to French media aversion to US influence. Subsequently, Citizenside was acquired in 2013 by Matilda Media and backdoor listed the company onto ASX. Matilda Media is NWZ's largest shareholder and represents interests associated with NWZ Chairman & CEO Alex Hartman, along with the Scarf Family.
- Together with the Company's acquisition of Filemobile in early 2015, NWZ provides an end to end platform for the electronic sourcing and distribution of news and content on a global scale.

## NEWZULU PLATFORM

***The NWZ platform is web based software for gathering, organizing, and broadcasting user generated content. A key component of the platform is an instant digital validation technology.***

- The NWZ platform is web based software for gathering, organizing, and broadcasting user generated content. A key component of the platform is an instant digital validation technology, developed by an Israeli company called LiveU, which NWZ has exclusive rights to for non-military use.
- Once a file is uploaded to the NWZ system, authentication protocols edit and validate the file for distribution. This enables the company's clients (media organizations) to gather, curate and publish rich media at scale. It is used by a growing list of the world's major media organizations (on a licensing / white-label basis), including USA Today, Fox News, Wall Street Journal, Ten Network Holdings and CBC News.
- The front-end ("app") is marketed directly as the Newzulu app, and also on a white label basis by media organizations around the world.
- Through direct and white-label downloads, NWZ/Filemobile has grown a global community of over 8 million journalists, reporters, photographers in 150 countries in the last 8 years.
- Contributors download the app, take photos, record videos or stream live and reach newsrooms everywhere.
- The company recently launched "Newzulu Live" which enables news organizations to put live streaming capability into the hands of its reporters, as well as access verified, produced and secure live streams directly from the 8 million strong Newzulu global community, 24 hours a day, seven days a week.

**Figure 1. Newzulu’s “Media Factory” Platform**



Source: Company

### GLOBAL DISTRIBUTION DEALS

- NWZ has formed exclusive content distribution partnerships with some of the world’s leading news agencies, including Agence France-Presse (AFP), Australian Associated Press (AAP), Press Association, Canadian Press, Aflo Co. Ltd (Japan), and the Czech, Russian & Belgium national news agencies.
- We expect NWZ to sign distribution partnerships in the key North American market with Associated Press (AP), Getty Images & Thompson Reuters in the near term which will complete the company’s global distribution footprint.
- Associated Press, Getty & Reuters are the largest media organizations in the world, with a global reach of 3 billion people per day (twice that of Facebook). A distribution deal with either of these businesses would be extremely significant for NWZ in terms of revenues, endorsement of its business model, and completing the company’s global distribution network.

**NWZ has formed exclusive content distribution partnerships with some of the world’s leading news agencies.**

### REVENUE MODEL

NWZ generates revenue from three main offerings:

#### 1. EDITORIAL (PHOTO & VIDEO LICENSING)

- NWZ users upload photos and videos onto the Newzulu platform via the mobile app. The files are then auctioned to the highest bidder via the company’s global newswire partners, on either an exclusive or non-exclusive basis depending on the nature of the content.
- All content is banked into NWZ’s digital archives, with NWZ retaining perpetual sales rights to the content.
- The initial licensing fee for the images is split approximately one third to the newswire as a distribution fee, one third to the contributor, and one third to Newzulu.
- The platform enables professional and non-professional journalists / contributors to sell content on a freelance basis, via an entirely cloud-based system.



- This model not only generates upfront revenues for NWZ, but is also building a Getty Images style digital archive business which is growing by the day.
- NWZ has already archived over 11 million images and 500,000 videos.

## 2. SOFTWARE LICENSING

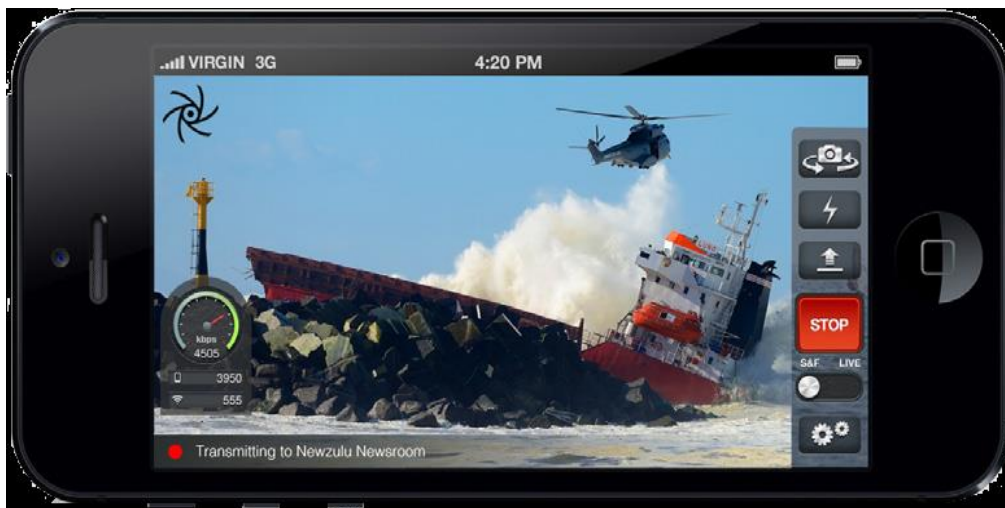
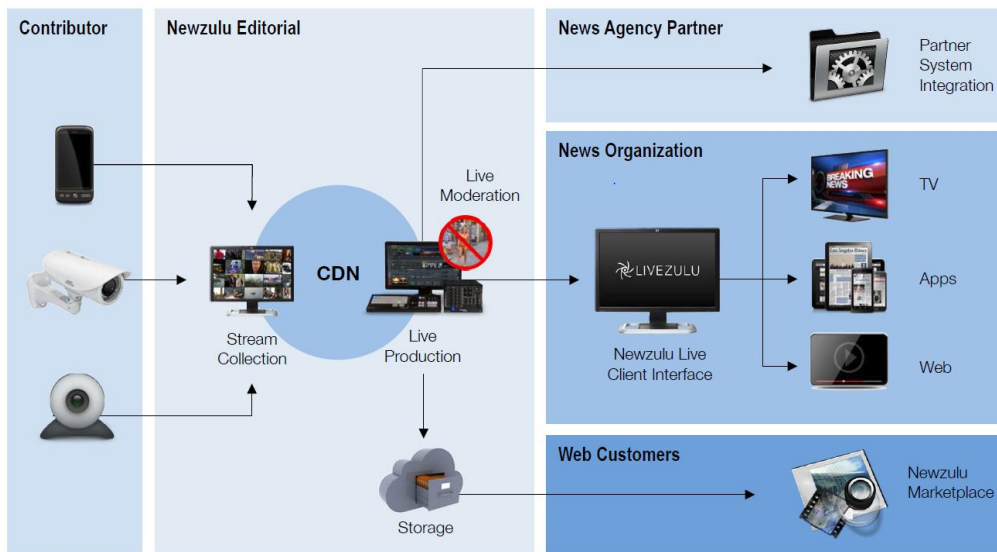
- The company licenses its software platform to other media organizations on a white-label basis, generating recurring subscription revenue (SaaS).
- This enables the company to leverage the global media industry consisting of over 7,000 media outlets. NWZ charges on average around USD\$80,000 p.a. license fee for use of its platform on a white-label basis.
- For other media organisations this offering represents an extremely cost effective means of accessing news content from around the globe, and at the same time is a significant driver of audience engagement.
- Importantly, NWZ retains perpetual sales rights to all content gathered via white-label channels.

## 3. NEWZULU LIVE

- Recently launched, Newzulu Live enables media companies to access live streams from NWZ's global user base, and launch newscalls to get the coverage they need.
- This offering has the potential to revolutionise the way media companies report news stories, with journalists able to capture and live stream a news event on their hand held device using a Newzulu Live Reporter Kit.
- Media organizations can buy the service on a "per reporter" basis, enabling them to put the live streaming product in the hands of their own journalists, essentially turning every reporter into a mobile news truck.
- Additionally customers can sign up on an enterprise subscription basis giving them access to live global video content sourced from the 8 million strong Newzulu user community.
- This is solving a major cost issue for media companies, with the substantial fixed cost of "old media" style news trucks becoming increasingly obsolete and uncompetitive.
- Newzulu Live enables customers to not only drive substantial efficiencies within their own network of reporters and journalists, but also access live global content that has been pre-edited and validated by the trusted NWZ platform.
- We estimate NWZ could achieve annual revenues of circa \$1.0m per media organization that adopts the service. There are roughly 7,000 major news and media organisations globally.

***Newzulu Live has the potential to revolutionise the way media companies report news stories, with journalists able to capture and live stream a news event on their hand held device.***

Figure 2. Newzulu Live



Source: Company

### MARKET PARTICIPANTS

NWZ has four main rivals competing in the digital content gathering space, being Bambuser Iris, Demotix, Storyful and Scoopshot. Both Demotix and Storyful have been 100% acquired by major global media organizations. Below is a summary of the market participants in and around the NWZ space:

#### Bambuser Iris

- Bambuser is the only truly direct competitor to NWZ with a similar business model and platform that offers live streaming, however it does not validate content like NWZ does, and does not syndicate content via a distribution network as NWZ does.
- Launched in 2008 and venture capital backed as well as strategic investment from Associated Press (AP).
- Headquartered in Stockholm, Sweden.

**Corbis**

- A digital media consultancy company, and number two supplier of stock images and footage. Has partnership agreement with Associated Press (AP) for content distribution.
- In November 2012 Corbis acquired Demotix which competes with NWZ, but with no live streaming business. The purchase price was reportedly in the region of USD\$50m.
- Annual revenues for Corbis are undisclosed but estimated at around USD\$500m. Corbis is privately owned by Bill & Melinda Gates.

**Storyful**

- Storyful was founded in 2010 and is a competitor to NWZ, but deals primarily in stock footage, with no live streaming business
- News Corporation paid USD\$25m for 100% of Storyful in December 2013.

**Scoopshot**

- Scoopshot operates a mobile platform for photo and video crowdsourcing, with approximately 500,000 mobile users and 1,500 professionals in 177 countries.
- More than 70 leading media organizations and brands use Scoopshot to gain instant access to a global pool of contributors. Partners include USA Today, News Corp, Apple Daily, Fiat, Finnair & Oxfam.
- Does not have newswire distribution partnerships, and no live streaming offering.
- Scoopshot has recently become a Newzulu customer, integrating the Newzulu Live kit into it's product offering on a white label basis.
- Scoopshot is headquartered in Helsinki, Finland, and has been private equity funded to date.

**Newsmodo**

- Newsmodo is a web-based platform that connects media organisations to news content through a global network of freelance professionals.
- Focused primarily on brands and PR as opposed to news media.
- Private Equity funded.

**Getty Images**

- The world's leading supplier of stock images for business and consumers with an archive of over 80 million still images and illustrations and more than 50,000 hours of stock film footage.
- Getty has grown through a series of strategic acquisitions, with annual revenues now in excess of USD\$1 billion. Was acquired by the Carlyle Group in 2012 for USD\$3.3 billion.

**YouTube**

- YouTube operates in this space generally, and more directly through its News and Politics Blog “CitizenTube”, which provides a platform for breaking news videos from citizens and developing trends in the use of YouTube by news organizations, activists, politicians, and governments.
- YouTube is a wholly owned subsidiary of Google Inc, following a USD\$1.65 billion acquisition in 2006.

**Shutterstock**

- Shutterstock operates a global marketplace for commercial and digital imagery, with a library of over 40 million images and over 2 million video clips and pieces of music. It licenses content on behalf of photographers, illustrators, videographers and musicians, adding 40,000 new images a day from over 60,000 contributors around the world.
- Shutterstock has also grown through a series of acquisitions.
- The company is listed on the NYSE with a market cap of USD\$2.1 billion and revenues of USD\$170 million.

**Periscope**

- Periscope is a live streaming app exclusively for the Twitter platform.
- Does not edit and validate the UGC and therefore not a viable competitor in news content.
- Was recently acquired by Twitter for USD\$100M.

**Meerkat**

- Direct competitor to Periscope, offering a live streaming app exclusively for the Twitter platform.
- Recently raised USD\$12m in private equity funding at USD\$40m valuation.
- Business model now in question due to Twitter’s acquisition of Periscope.



Figure 3: Competitive Analysis

COMPETITOR PROFILES									
	Newzulu	Bambuser	Periscope	Meerkat	Demotix	Storyful	Scoopshot	Newsmodo	Getty Images
NewsWire (Direct Sales)	✓				✓	✓			✓
News Wire (Agency Sales)	✓	✓			✓				✓
Platform License (White Label)	✓								
Live Streaming	✓	✓	✓	✓					
Newscalls (Push Notifications)	✓							✓	
Assignments (Dispatch)	✓						✓	✓	
Community (Engagement Tool)	✓		✓	✓			✓		
Social Media (Tracking)	✓	✓	✓	✓		✓	✓		
Geo-location (Finder Tool)	✓	✓	✓	✓			✓		
Customisation (Integration)	✓	✓				✓	✓		
Validation (Media Services)	✓				✓	✓	✓		
Training & Support (Media Services)	✓	✓			✓	✓	✓		
Mobile App (iOS, Android, Windows)	✓	✓	✓	✓	✓		✓		

Source: Company, Foster Stockbroking estimates

### COMPETITIVE ADVANTAGES

#### Newswire Partnership Agreements

NWZ has been extremely successful in signing partnership agreements with some of the world’s major newswire agencies, including Agence-France Presse, Canadian Press and Australian Associated Press. These deals are a major endorsement of the integrity and quality of NWZ’s content and authentication capabilities.

These are exclusive partnerships for crowd-sourced content, meaning none of NWZ’s direct competitors can offer this global distribution.

The Company is currently working on further partnership deals in the key North American market with the major players, Associated Press and Getty Images. If successful with these agencies, NWZ will have created a global distribution network via the world’s leading newswires, which we would expect to have a significant impact on the company’s revenue generation, as well as strategic value within the media industry.

**Further partnership deals with the key players in the North American market will complete the company’s global distribution footprint.**





**The Company's verification and validation system provides a significant barrier to entry for new competitors.**

### **Automated Authentication Technology**

NWZ utilizes an extremely sophisticated image authentication technology, which provides a near-immediate validation process of its crowdsourced photo and video content. It is this technology which enables the company to deliver validated and trusted content to its distribution partners in a highly efficient manner.

NWZ has exclusive rights to this technology for the use on mobile devices. The technology is licensed from Israeli based company "LiveU" which also provides the similar technology to the Israeli Defence Forces.

The Company's verification and validation system provides a significant barrier to entry for new competitors. Media outlets and News Agency partners are far more likely to purchase and/or licence Content for their publications if the Contributor of that Content has been validated and the Content has been verified.

### **FINANCIAL SNAPSHOT**

We estimate that NWZ will generate FY16 revenues of circa \$11.5m, increasing to \$19.5m in FY17.

Current cash-burn is high at around \$0.9m per month due to the global footprint of the company and aggressive rollout of Newzulu Live. We estimate that the company will become cashflow positive towards the end of FY16, with annualized revenues of circa \$12.0m required to reach this point.

Following settlement of the FileMobile acquisition in February 2015 we estimate the company now has net cash of circa \$4.5m. We expect the company will raise further equity in order to pursue growth more aggressively and fund it through to positive cashflow. However we believe there is a high probability that any further equity will be sourced from a strategic investor, such as a media industry participant.

### **VALUATION – HOW WE VALUE NWZ**

#### **Earnings Irrelevant at Current Stage of Company Life-cycle - Revenue Growth Is Key**

**Revenue growth, not profit, is key for NWZ at its stage in the company lifecycle.**

- We have valued NWZ using a multiple of EV/sales. We have chosen EV/sales as a more appropriate multiple than P/E or DCF for NWZ at this stage.
- A P/E for NWZ, and other companies similarly growing earnings at an early stage in the technology is sector is largely irrelevant during the company's current stage in its lifecycle. The focus on growing revenues which entails investment in business and scaling up the cost base to support growth ahead. Growth in revenues also demonstrates that the company is able to attract users, grow market share, and scale.
- We have selected ten ASX listed peers that we consider to be the most appropriate comparables for valuation purposes. NWZ is currently trading at a significant discount to the average EV/Sales multiple of 8.6 x for this peer group.

**Figure 4: Market Caps and EV/sales of Selected Tech / Media Companies**

Company	Symbol	Issued Capital (m)	Shareprice	Mkt Cap (\$m)	Cash (\$m)	EV (\$m)	FY16e Revenue (\$m)	EV/Revenue
Freelancer	FLN	434.8	0.91	395.7	20.0	375.7	43.0	8.7
1-Page	1PG	128.5	1.9	244.2	13.0	231.2	15.0	15.4
Urbanise	UBN	219.9	0.87	191.3	7.0	184.3	10.0	18.4
Nearmaps	NEA	350.7	0.54	189.4	20.0	169.4	35.0	4.8
MigMe	MIG	251.8	0.75	188.9	8.0	180.9	22.0	8.2
Moko Social Media	MKB	628.7	0.16	100.6	9.0	91.6	22.0	4.2
Adslot	ADJ	1053.7	0.09	94.8	4.0	90.8	4.7	19.3
<b>Newzulu Limited</b>	<b>NWZ</b>	<b>506.4</b>	<b>0.09</b>	<b>45.6</b>	<b>5.0</b>	<b>40.6</b>	<b>11.5</b>	<b>3.5</b>
Rewardle	RXH	117.0	0.35	41.0	2.0	39.0	0.5	77.9
XTV Networks	XTV	1042.0	0.03	31.3	5.0	26.3	0.5	52.5
Cross Track Digital	XTD	152.5	0.19	29.0	3.0	26.0	4.0	6.5
<b>Average</b>				<b>115.6</b>	<b>7.6</b>	<b>108.0</b>	<b>12.5</b>	<b>8.6</b>

Source: Company, Foster Stockbroking estimates

***We initiate coverage with a BUY recommendation and 12-month share-price target of \$0.21***

#### **RECOMMENDATION – BUY PT \$0.21/share**

- We recommend NWZ as a Buy. We have a price target of \$0.21/share based on our peer comparison valuation analysis, and supported to a marked extent by technology sector forward revenue multiples.
- This represents an EV/Revenue multiple of 8.6x being the average multiple of our selected ASX Listed comparable peers.
- We believe share-price catalysts going forward will be:
  - Signing of North American distribution partnerships;
  - Growth in Newzulu Live customers;
  - Strategic relationships with media organization(s);
- We believe NWZ has the potential to be valued at significantly more than our 12-month price target once it achieves cashflow break-even and/or reduces its financial risk.
- The global market opportunity is enormous for this company, with the next 12 months being the critical period for it.

**FINANCIAL TABLES****Figure 5: NWZ Profit & Loss (A\$M)**

Y/e June	2015e	2016e	2017e
<b>Operating Income</b>	<b>1.6</b>	<b>11.5</b>	<b>19.5</b>
Cost of Sales	0.6	3.2	5.2
Gross Margin	1.0	8.3	14.3
Gross Margin%	63%	72%	73%
Operating Expenses	12.5	13.2	14.2
<b>EBITDA</b>	<b>(11.5)</b>	<b>(5.9)</b>	<b>0.1</b>
Profit Before Tax	(11.7)	(6.6)	(0.5)
<b>NPAT (Normalised)</b>	<b>(11.7)</b>	<b>(5.2)</b>	<b>0.5</b>

Source: Company, Foster Stockbroking estimates

**Figure 6: NWZ Cashflow (A\$M)**

Y/e June	2015e	2016e	2017e
Receipts from Sales	3.4	10.0	19.5
Salaries Expense	(7.7)	(9.0)	(9.8)
Occupancy Costs	(0.8)	(1.0)	(1.1)
Creditor Payments	(5.4)	(7.2)	(8.9)
Google Grants	0.2	0.0	0.0
<b>Operating cashflow</b>	<b>(10.3)</b>	<b>(7.2)</b>	<b>(0.3)</b>
Acquisitions	(5.1)	0.0	0.0
Capex	(0.7)	(0.1)	(0.2)
Software Development	(1.0)	(0.6)	(0.1)
<b>Investing cashflow</b>	<b>(6.8)</b>	<b>(0.7)</b>	<b>(0.3)</b>
Equity issue	18.5	0.0	0.0
Borrowing proceeds	4.7	0.0	0.0
Repaying borrowings	(0.2)	(0.7)	0.0
<b>Financing cashflows</b>	<b>23.0</b>	<b>(0.7)</b>	<b>(0.0)</b>
<b>Net free cashflow (op cashflow-capex)</b>	<b>(12.0)</b>	<b>(7.9)</b>	<b>(0.6)</b>
<b>Net cashflow</b>	<b>5.9</b>	<b>(8.6)</b>	<b>(0.6)</b>

Source: Company, Foster Stockbroking estimates

**Figure 7: NWZ Balance Sheet (A\$M)**

Y/e June	2015e	2016e	2017e
Cash	6.8	3.8	1.7
Receivables	0.7	2.1	3.2
PPE	1.5	1.8	1.6
Intangibles	5.7	5.7	5.7
Other	0.7	0.7	0.7
<b>Assets</b>	<b>15.4</b>	<b>14.1</b>	<b>12.9</b>
Trade Creditors	(1.2)	(1.6)	(1.8)
Accrued Expenses	(0.6)	(0.6)	(0.6)
Payroll liabilities	(0.4)	(0.4)	(0.4)
Term Debt	(0.7)	(0.7)	(0.7)
Other	(0.2)	(0.2)	(0.2)
<b>Liabilities</b>	<b>(3.1)</b>	<b>(3.5)</b>	<b>(3.7)</b>
<b>Equity</b>	<b>12.3</b>	<b>10.6</b>	<b>9.2</b>

Source: Company, Foster Stockbroking estimates

**Figure 7: NWZ Financial Metrics (A\$M)**

Y/e June	2015e	2016e	2017e
EPS (cents)	(0.024)	(0.01)	0.00
<b>PER x</b>	<b>nm</b>	<b>nm</b>	<b>nm</b>
EPS growth	nm	Nm	nm
Sales growth	nm	718%	170%
<b>EV/Sales</b>	<b>26.8x</b>	<b>3.7x</b>	<b>2.2x</b>
EV/EBITDA	nm	nm	nm
Interest cover	nm	nm	nm
Gearing (ND/ND+E)	nm	nm	Nm
Issued Capital (undiluted) (M)	505.9	577.9	577.9

Source: Foster Stockbroking estimates



## SUBSTANTIAL SHAREHOLDERS

NWZ Substantial Shareholders	%
Alexander Hartman (CEO & Chairman)	21.5%
Scarf Family	16.7%
Blueroom Capital Pty Ltd	14.54%

Source: Company; Foster Stockbroking estimates.

## BOARD OF DIRECTORS

### Alexander J Hartman. Managing Director & Executive Chairman.

- Co-founder of Newzulu, Matilda Media Group and Rightstrade.
- He received the Young Australian of the Year Award for his achievement in software development for Telstra Bigpond.
- Pioneer of broadband internet services in Australia with Telstra Bigpond Cable and has been advisor to Commonwealth Bank of Australia, Filmon.TV and Gresham Advisory Partners.

### Philip Kiely. Non-Executive Director.

- Over 30 years of experience in the technology and digital media sectors in Australia and internationally, serving as Vice President Oracle Online, Asia Pacific and Regional Managing Director of Oracle Corporation, Australia.

### Peter L Gunzburg. Non Executive Director.

- Over 20 years of experience as a stockbroker in Western Australia.
- Currently Chairman of ASX Listed Eurogold Ltd, Brinkley Mining PLC and Director of ASX Listed Fleetwood Corporation Ltd.

### James Bodel. Non-executive Director

- Until 2014 he was Managing Director of Assess Medical Group, exiting through trade sale to Examworks (NYSE: EXAM)
- He is currently investment manager for Blueroom Capital and Director Goodtime Hospitality Group.

### Theo Hnarakis. Chief Executive Officer.

- Experienced ASX-listed company director with particular experience in the Media, IT and internet industries, including CEO of global internet registrar Melbourne IT (ASX.MLB).



## RISKS

### Attracting traffic to websites

Decline in web traffic to the Company and Filemobile websites could adversely affect the Company's ability to generate new business and revenue streams.

### User generated content

Failure of the Company's screening and reporting mechanisms for identifying inappropriate or objectionable contributions prior to publication may, by reason of its publication, expose the Company to enforcement investigations or actions or civil disputes.

### Privacy and media law

Foreign data protection and privacy laws and regulations are often more restrictive than those in Australia. In some cases, laws or regulations in one country may be inconsistent, or contrary to, those of another country. The media industry has the potential to become subject to high levels of regulation. Compliance with existing and new laws and regulations applicable to the media industry can be costly and could impede on the development of new services and products and otherwise harm the Newzulu Business or the Filemobile Business.

### Security breaches

Attacks on the Company's or Filemobile's encryption systems and processes or security policies and procedures may put the integrity and privacy of contributors' and clients' data and business systems used to run the Company or Filemobile (as applicable) at risk.

### Changes in the nature of the media industry

Changes in the media industry and the demand for different media products and services may adversely impact the Company's performance and financial position.

### Funding risk

NWZ may face issues with obtaining sufficient funding to further develop its business, including for acquisitions, hiring staff, rolling out new products, and research and development.

### Technology risk

The technology utilised by NWZ in its business model may become superseded by that from competitors.

### Business model risk

The technology sector globally is a source of many new companies and startups with new ideas, as well as established tech companies pursuing new business models. There exists a risk that a new tech company or businesses may negatively impact, encroach, disrupt, or render obsolete NWZ's current business model.

### Currency risk

NWZ receives revenues in various currencies, while both its reported earnings and share-price are denominated in A\$. Any strengthening in the A\$ vs the currencies that NWZ operates in may result in reduced earnings and/or a fall in the NWZ share-price.

### Competitor risk

NWZ may face increased competition from competitors that may cause it to lose or suffer a slowdown in both its customer numbers, registered users and company revenues.

### Sovereign risk

NWZ operates globally and may face a negative impact on earnings should some countries increase regulation of the internet and its use.



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