



Akazoo Provides Second Quarter 2019 Results, with Revenue Up 37%

- Second Quarter 2019 Revenue of €33.8 Million, Up 37% year-over-year (“YoY”)
- 5.3 Million Premium Subscribers, Up 32% YoY
- First Half 2019 Revenue of €64.5 Million, Up 39% YoY

NEW YORK and LONDON, Sept. 27, 2019---Akazoo S.A. (NASDAQ: SONG) (“SONG” or “Company”), a leading global music streaming platform and media technology company with a strong international market position focused on emerging markets, today announced improved financial results for the three- and six-month period ending June 30, 2019.

“In the second quarter and through the first half of the year, the Company successfully executed its growth plan and delivered results ahead of expectations,” said Apostolos Zervos, Founder & CEO of Akazoo. “The underlying trends in our business remain favorable and this is reflected in our premium subscriber growth. We maintain our 2019 revenue guidance of €134 million and have confidence in our ability to execute our long-term strategy.”

SUMMARY USER AND FINANCIAL METRICS

	Q2 2018	Q1 2019	Q2 2019	% change YoY	H1 2018	H1 2019	% change YoY
FINANCIALS (€m)							
Total Revenue	24,627	30,717	33,804	37%	46,455	64,521	39%
Adjusted Gross Profit	10,031	12,609	13,995	40%	18,955	26,604	40%
Adjusted Gross Margin	40.7%	41.0%	41.4%	-	40.8%	41.2%	-
EBITDA (1)	2,324	3,722	3,732	61%	4,731	7,454	58%
EBITDA Margin	9.4%	12.1%	11.0%	-	10.2%	11.6%	-
USERS (m)							
Subscribers (eop)	4.0	5.1	5.3	32%	4.0	5.3	32%
Registered Users (eop)	31.4	41.1	43.3	38%	31.4	43.3	38%

(1): Accrued transaction costs related to the business combination of €0.4 million are included in operating expenses for Q2 2019

Second Quarter Review

Users and Subscribers

Total Registered Users in the second quarter increased 38% YoY to 43.3 million. Growth in Subscribers was 32% YoY to 5.3 million, primarily driven by increased efforts on in-house marketing campaigns and user retargeting of H2 2018 Registered Users. Subscriber growth was broad-based with stronger gains experienced in Southeast Asia and Eastern Europe.

Revenue

Total revenue was €33.8 million in Q2, representing growth of 37% YoY. Total year-to-date revenue was €64.5 million, representing a gain of 39% YoY. Average revenue per user (“ARPU”) for our Subscriber remained relatively constant at €2.05 in Q2.

Adjusted Gross Margin

Adjusted gross margin of 41.4% in Q2 improved from the 40.7% in Q2 2018, mainly driven by a slight decrease in our payment processing fees and commission rates of certain revenue share



agreements. The adjusted gross margin excludes media costs, which are mostly costs incurred to acquire and retain subscribers. These costs are included in the cost of revenue, although most peers classify such costs under operating expenses, below the gross profit line.

Operating Expenses

Reported operating expenses of €4.5 million in Q2 increased 48% YoY, or 34% YoY excluding the accrued transaction costs associated with [Akazoo](#)'s business combination with Modern Media Acquisition Corp. on Sept. 11, 2019. Operating expenses in H1 2019 increased 44% to €8.2 million, or 37% YoY, excluding accrued transaction costs.

EBITDA

EBITDA grew 61% in Q2 to €3.7 million compared with €2.3 million in Q2 2018. EBITDA for the first six months of 2019 was €7.4 million versus €4.7 million, an increase of 58%. The EBITDA margin in Q2 was 11.0% (or 12.3% excluding accrued Transaction Costs), an increase from 9.4% in Q2 2018. EBITDA performance was largely driven by strong subscriber growth along with a decrease in Media Costs, due to a concerted effort to control customer acquisition expenses in Q2.

Related News

The business combination with Modern Media Acquisition Corp. (MMDM) closed on Sept. 11, 2019 and generated \$54.9 million in gross proceeds for the Company, significantly strengthening the balance sheet.

“We are excited about the market opportunities that lie ahead of us and believe that we are beginning a new chapter in [Akazoo](#)'s growth story. A strong balance sheet gives the Company significant flexibility to implement innovative organic growth plans, expand our Sonic AI technology, and to make strategic acquisitions in the quarters ahead,” said Zervos.

After close of the business combination, the Company's basic and diluted common shares outstanding totalled 49.6 million. To learn more about [Akazoo](#), visit <https://www.akazoo.com/>

About Akazoo

[Akazoo](#) is a global, on-demand music and audio streaming and media and AI technology company, founded 2010, with a focus on emerging markets and a presence in 25 countries. [Akazoo](#)'s premium service provides subscribers with unlimited online and offline high-quality music streaming access to a catalogue of over 45 million songs on an ad-free basis. Akazoo uses patented AI for music recommendations and offers online and offline listening. Akazoo's free, ad-supported radio service consists of over 80,000 stations and exists as a separate services and application. As consumers across the globe continue to shift their media consumption to mobile devices, Akazoo is equipped with a world-class mobile application and user experience which works seamlessly across a multitude of mobile devices and provides a high-quality user experience across a range of mobile networks from 2g to 4g LTE and soon 5g.

Use of Non-IFRS Measures

We define EBITDA as Net Income before Net finance costs, Income tax expense and Depreciation and amortization. We believe EBITDA is useful to our management and investors as a measure of comparative operating performance from period to period and among companies as it is reflective of changes in pricing decisions, cost controls, and other factors that affect operating performance, and it removes the effect of items not directly resulting from our core operations. We believe that EBITDA also is useful to investors because this metric is frequently used by securities analysts, investors, and other interested parties in their evaluation of the operating performance of companies in the technology industry and other industries similar to ours. Our management also uses EBITDA for planning purposes, including the preparation of our annual operating budget and financial projections. EBITDA has limitations as an analytical tool. EBITDA should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items. Additionally, EBITDA is not intended to be a measure of discretionary cash to invest in the growth of our business, as it does not



reflect tax payments, debt service requirements, capital expenditures, and certain other cash costs that may recur in the future. Management compensates for these limitations by relying on our results reported under IFRS as issued by IASB in addition to using EBITDA supplementally.

We define "Free Cash Flow" as net cash from operating activities less capital expenditures. We believe Free Cash Flow is a useful supplemental financial measure for us and investors in assessing our ability to pursue business opportunities and investments. Free Cash Flow is not a measure of our liquidity under IFRS and should not be considered as an alternative to net cash from operating activities.

Akazoo defines Adjusted Gross Profit as Gross Profit plus Media Costs added back, which are costs incurred to acquire customers, consistent with reporting of public peers.

EBITDA, Adjusted Gross Profit and Free Cash Flow are non-IFRS measures and are not a substitute for IFRS measures in assessing our overall financial performance. Because EBITDA, Adjusted Gross Profit and Free Cash Flow are not measurements determined in accordance with IFRS, and are susceptible to varying calculations, it may not be comparable to other similarly titled measures presented by other companies. You should not consider EBITDA, Adjusted Gross Profit and Free Cash Flow in isolation, or as a substitute for an analysis of our results as reported on our consolidated financial statements appearing elsewhere in this proxy statement/prospectus.

Forward Looking Statements

This release contains certain forward-looking statements within the meaning of the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, as amended, based on the current expectations, estimates and projections of the Company about its operations, industry, financial condition, performance, results of operations, and liquidity. Forward-looking statements can be identified by the fact that they do not relate strictly to historical or current facts. Statements containing words such as "may," "could," "believe," "anticipate," "expect," "intend," "plan," "project," "projections," "business outlook," "estimate," or similar expressions constitute forward-looking statements. Forward-looking statements represent management's current expectations or predictions of future conditions, events or results. These forward-looking statements include, but are not limited to, statements about, or are based upon assumptions regarding, the Company's strategies and future financial performance; expectations or estimates about future business plans or objectives, prospective performance and opportunities and competitors, including revenues; customer acquisition and retention; operating expenses; market trends, including those in the markets in which the Company competes; liquidity; cash flows and uses of cash; capital expenditures; the Company's ability to invest in growth initiatives and pursue acquisition opportunities; the Company's products and services; pricing; marketing plans; the anticipated benefits of the transaction with MMDM; the sources and uses of cash; and the continued listing of the combined companies' securities on Nasdaq. You are cautioned not to place undue reliance on these forward-looking statements, which reflect management's good faith beliefs, assumptions and expectations only as of the date hereof. Any such forward-looking statements are not guarantees of future performance or results and involve risks and uncertainties that may cause actual performance and results to differ materially from those predicted, many of which are beyond the Company's control. Reported results should not be considered an indication of future performance. Except as required by law, we undertake no obligation to publicly release the results of any revision or update to these forward-looking statements that may be made to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.



Interim Condensed Consolidated Statement of Operations

(Unaudited)

(in € thousands, except share and per share data)

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
Revenues	33,804	24,627	64,521	46,455
Cost of revenues	-25,536	-19,243	-48,832	-36,023
Media costs	-5,727	-4,647	-10,915	-8,523
Other direct costs	-19,809	-14,596	-37,917	-27,500
Gross profit	8,268	5,384	15,689	10,432
Operating expenses	-4,536	-3,060	-8,235	-5,701
Depreciation and amortisation	-2,197	-945	-3,840	-1,891
Operating profit	1,535	1,379	3,614	2,840
Finance income	27	0	40	0
Finance costs	-251	-7	-544	-12
Finance income/(costs) - net	-224	-7	-504	-12
Profit before income tax	1,311	1,372	3,110	2,828
Income tax expense	-3	-10	-1	-20
Net income attributable to owners of the parent	1,308	1,362	3,109	2,808
Income per share attributable to owners of the parent				
Basic	0.27	0.33	0.65	0.68
Diluted	0.32	0.33	0.74	0.68
Weighted-average ordinary shares outstanding				
Basic	4,793,045	4,105,706	4,793,045	4,105,706
Diluted	4,933,235	4,105,706	4,933,325	4,105,706
Profit/(loss) attributable to non-controlling interest	0	0	-1	0
Profit attributable to Akazoo Limited	1,308	1,362	3,108	2,808

Interim Condensed Consolidated Statement of Financial Position
(Unaudited)
(in € thousands)

	6 months June, 2019	12 months December, 2018
ASSETS		
Non-Current Assets		
Intangible assets	32,121	27,582
Property, plant and equipment	1,105	1,266
Trade and other receivables	30	30
Deferred tax	-	4
Total Non-Current Assets	33,256	28,882
Current Assets		
Trade and other receivables	39,258	34,683
Cash and cash equivalents	832	501
Total Current Assets	40,090	35,184
Total Assets	73,346	64,066
Equity and Liabilities		
Equity		
Share capital	58	58
Share premium	46,765	46,765
Other reserve	-1,390	-1,413
Retained earnings	3,421	312
Total Stockholders' Equity	48,854	45,722
Non-controlling interests	-9	-9
Total Equity	48,845	45,713
LIABILITIES		
Non-Current Liabilities		
Pension liability	31	31
Current Liabilities		
Trade and other payables	19,716	16,005
Interest bearing loans and borrowings	4,754	2,317
Total Current Liabilities	24,470	18,322
Total Liabilities	24,501	18,353
Total Equity and Liabilities	73,346	64,066

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