

Emerging ASX Technology Sector

19 October 2015

Web 3.0 and the Growth of Mobile Technology



Michael Eidne

Senior Research Analyst

+61 8 9263 5213

meidne@djcarmichael.com.au

Date: 19 October 2015
Valuation: Under Review
Recommendation: Speculative Buy

Company Information

ASX Code	MIG
Last Price (\$)	\$0.97
12 month share low	\$0.30
12 month share high	\$1.30
Shares on Issue (m)	262
Market Capitalisation (\$m)	255
Daily Volume (90 Day Av.)	135,454

Factset, DJC Research

Business Description

migme Ltd. is a global digital media company focused on emerging markets. The company delivers social entertainment services through the group's main platform, migme, and through solds.sg, LoveByte and artist management website, alivenotdead. migme was founded in August 2006 and is headquartered in Singapore.

Factset, DJC Research

Directors

Howard Dawson	Non-Exec. Chairman
Steven Goh	CEO/Director
Yen-Chang Pan	Exec-Director
Yichen Lee	Non-Exec. Director
John Lee	Non-Exec. Director
Dmitry Levit	Non-Exec. Director

Major Shareholders

Big Build Enterprise Ltd	26%
Steven Goh	10.5%
High Income International	6.4%
Smart Tailor Trading Ltd	6.4%

Performance



Source: Factset

Analyst Details

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migme (MIG)

Q1FY16 Quarterly Update

MIG is an Asian based social network that is operating in a number of key markets in the region. MIG partners with celebrities and artists to drive greater audience growth and participation. MIG recently released its quarterly update.

Key Points

Monthly Active Users (MAU) exceeds 24m: MAU numbers have grown strongly with MIG recording more than 24m users at the end of the September quarter, which is a 26% increase from the June quarter. The bulk of the increase in audience numbers comes from Indonesia, India and the Philippines. Relative to the size of the population of these countries, MIG penetration is low, leaving lots of room to still grow.

Growing Cash Receipts: MIG's cash receipts are growing very strongly with an improvement of almost 70% in the September quarter. Cash receipts have grown over the last 4 quarters from \$565k to \$3.7m, which shows that MIG's monetisation strategy is beginning to work. MIG expects this trend to continue and is expecting to be cash flow positive in the latter part of next year, depending on how much cash is spent on chasing audience growth. It is a very encouraging trend that MIG is able to monetise its growing user base.

MIG recently raised \$10.1m: MIG recently raised \$10.1m in a private placement that will help expand the operations into other countries and grow the user and artist base in its key markets. MIG now has \$10.7m cash on hand, which will provide growth capital for the next stage of growth depending on the rate of spending. MIG's growing cash receipts from customers will mean that its cash burn will continue to reduce as revenue grows.

MIG has recently opened an office in India: MIG recently opened an office in India and appointed a country manager. India could be a critical market for MIG and it is beginning to actively sign up more artists. As in MIG's other markets such as Indonesia, a growth in artist engagement is a key ingredient in audience growth.

Recommendation: We retain our **Speculative Buy** recommendation. Our valuation is under review.

Investment Points

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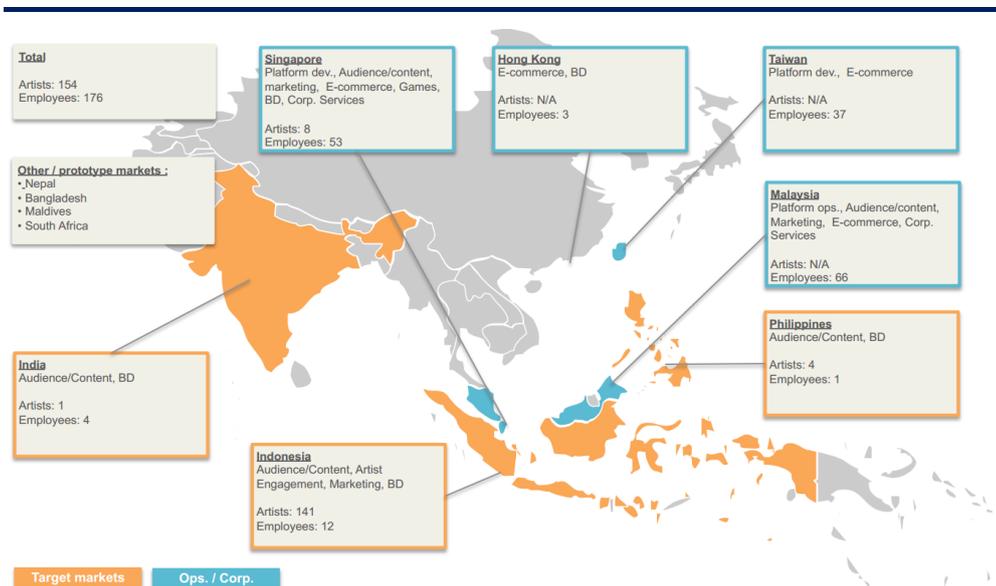


Figure 25: A map of MIG operations in Asia

Source: MIG

Company Background

MIG was founded in Australia in 2006 and is based in Singapore, and was reverse listed into Latin Gold in August 2014. migme originally started in 2008 as an instant messaging platform in South and South East Asia. Leveraging off this early and successful experience, the company has evolved into its current social media platform to take advantage of the proliferation of smartphones in the region.

Management

Howard Dawson (Non-Executive Chairman)

Howard Dawson was appointed to the Board in December 2003. Mr Dawson had an 11 year career as a geologist before entering the securities industry as a research analyst in 1987. Over the subsequent 16 years he fulfilled a number of complimentary roles within the securities industry including research, corporate advisory, business development, senior management and board positions for firms including Hartley Poynton, McIntosh Securities, Merrill Lynch and ABN AMRO Morgan's Limited. Mr Dawson is currently Chairman of the audit committee and is responsible for capital raisings, risk identification and the independent technical and financial overview of promoted projects. He has a Bachelor of Science (Geology) and is a Senior Fellow of FINSIA and a member of the AIG. As well as being Chairman of MIG he is also Chairman and Managing Director of Discovery Capital Limited, a public unlisted investment company.

Steven Goh (Executive Director and Chief Executive Officer)

Mr Goh has a Bachelor of Commerce and MBA from the University of Western Australia. He achieved considerable success in the late 1990's by developing Sanford Securities, Australia's first online stock broking company. This operation grew to 160,000 customers with over \$2.4 billion in customer assets, before being sold in 2003. Mr Goh is Managing Director and Chief Executive Officer of migme and is recognised as an authority on contemporary information technology issues and serves on a number of advisory panels throughout the Asian region.

Andi Zain (Non-Executive Director)

Mr Zain has a Bachelor of Business Administration from GS Fame, Indonesia and a Master of Business Administration and Post Graduate Diploma in International Finance & Law, both from Monash University in New South Wales. He has 15 years' experience in building internet and mobile businesses in South East Asia and launched the first content provider and ringtone service in Indonesia. Mr Zain is a former board member of the publicly listed SkyBee Tbk (IDX:SKYB). Currently, he is a director of several technology based companies and runs ideabox, a tech start up incubator in partnership with Indosat, a mobile carrier in Indonesia. Mr Zain is also a founder of MobileMonday Indonesia, a networking forum of 400 mobile centric companies in Indonesia.

Dmitry Levit (Non-Executive Director)

Mr Levit has a Master in Science in International Management from St Petersburg State University in Russia and a MBA from INSEAD in Singapore. He is a partner of Digital Media Partners which is a venture capital firm within the technology sector. He has extensive experience in the emerging markets internet space and has previously held a variety of business development and investment roles with Yahoo and IDG Ventures in South East Asia.

John Lee (Non-Executive Director)

Mr Lee holds a degree in Finance & Operations Management from the New York University Stern School of Business and a BA in Political Science from the University of Michigan. He is currently CEO of a mobile games platform company based in Singapore. He has previously had multiple executive roles in privately held and publicly listed games companies in both the United States and Asia. He also was a venture capitalist at Softbank Venture Capital and has had consulting roles with McKinsey & Company and Deloitte & Touche in their technology services divisions.

Yen-Chang (Charles) Pan (Executive Director)

Mr Yen-Chang Pan has had an 18 year business career and is currently the special assistant to the Chairman and Chief Investment Director of FIH Mobile, part of the Hon Hai Group which is the leading global manufacturing service provider in the 3C (computer, communication and consumer electronics) industries.

Prior to joining FIH Mobile, Mr Yen-Chang was general Manager between 2008 and 2012 of Orange Capital, part of France Telecom. Mr Yen-Chang has a Master of Business from the University of California and is currently based in Shenzhen, China.

Yichen Lee (Non-Executive Director)

Dr Lee is currently managing partner of FCC Partners Inc. and the Senior Advisor and Taiwan Chief Representative of Booz & Co. He was formerly CEO of GigaMedia Limited, a NASDAQ listed company and remains a Director of several NASDAQ listed companies. Dr Lee has over 20 years of strategy management and corporate experience across China and has a Master of Science and PhD from Stanford University.

Patrick Wong (Chief Financial Officer)

Mr Wong is migme's Chief Financial Officer and has over 15 years' experience working with start-up and mid-size companies. Mr Wong has also worked at KPMG and IdeaLab in Silicon Valley where he participated in venture financing and public financing. Prior to joining migme, Mr Wong was CFO of a US multinational training company where he oversaw a corporate restructuring and subsequent expansion in the Asia Pacific region. Revenues were doubled during his tenure. Mr Wong holds a BS in Business Administration from the University of Vermont.