

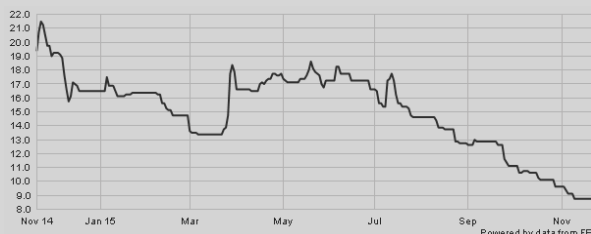


Where words fail, music speaks!

Key Statistics

Code	: 7DIG
Listing	: AIM
Sector	: General Retailers
Market Cap	: £9.90m
Share in issue	: 108.19m
Current Price	: 8.90p
12 month High/Low:	: 22.85p/8.50p

Stock Performance



Source: InvestEgate

Financials

£'m	31/12/2014	31/03/2014	2013	2012
Revenue	10.21	2.86	3.76	3.23
PBT	-2.61	-1.27	-0.94	-2.2
Profit	-2.63	-1.27	-1.08	-3.62

Source: 7digital Annual Results

Company description

7digital Group plc, formerly UBC Media Group plc, is a United Kingdom-based company, engaged in providing music and radio services. The Company is engaged in creating music and radio services for consumer brands, mobile carriers, broadcasters, automotive systems, retailers, record labels, artists and agencies. Its services include streaming, downloads, radio solutions, production and promotions. Its subsidiaries include The New Unique Broadcasting Company Limited, Smooth Operations (Productions) Limited, 7digital Limited and 7digital Group, Inc., among others.

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We have seen the television evolve, step-by-step, into what we see in our living rooms today, but there's a funny feeling that your TV will soon be outdated. We are now spoilt for choice; HDTV, Blu-ray, LED, LCD, Smart TV, 3D TV and 4K just to name a few, and advances in technology just means your new TV will have already become old.

Now music is following a similar path to that of the TV. People from all walks of life are accessing and connecting via music like never before, music has moved from the era of CDs to digital/downloading to now digital/streaming. We have now entered the third age of digital music and 7digital is at the forefront of this. Digital music has moved from the age of digital piracy and CD replacements, to digital expansion which will see the rise of streaming and the expansion of new products and services.

- **Transition to streaming is accelerating**
- **Growing Monthly Recurring Revenue towards profitability**
- **Strong sector**
- **Geographic diversity of customer wins**
- **Cash balance to complete journey**

According to research released by YouGov, 8 percent of music consumed at home is from streaming services, meaning 92 percent are not, leaving a massive opportunity for the company. 7digital is transforming the listening experience and making the world a little better connected through simplifying access to the world's music and radio.

7digital offers its customers access to a cloud-based software platform that allows them to create and develop their own music service. The PaaS offering makes it simpler and more cost effective for 7digital's customers to access the rights and technology necessary to run a music service.

Moreover, the company has tapped into the radio market, where the potential is \$44bn in revenues and more than 3bn regular listeners. Their radio aggregation product, Radioplayer, has now been licensed in five international markets and provides an excellent avenue for the company.

The company is on the right track, with monthly recurring revenues and a growing sector, 7digital is perfectly placed to capitalise and begin to turn profitable.

For disclosures, refer to the Disclosure Section

Business

7 Digital is a leading digital music and radio services platform founded in 2004. The company operates in three segments:

- **Licensing** – is the core of the company's business and provides an Application Program Interface (API) for third parties. The company's API is very adaptable to lots of different apps and products, and because the company continually develops new tools and formats it is able to offer exciting new products to customers. Licensing is split into two; customers typically pay a one-off fee and a monthly licensing fee for using the 7digital platform, with one-off fees giving a good indication of future Monthly Recurring Revenue (MRR).
- **Content** – is engaged with the sales of digital music direct to customers, with 7digital.com managing 20 download stores of which 18 are country specific, one in the EU and one globally. The 7digital.com music download store offers a directory of high quality digital music from the major labels and independent aggregators in Europe, North America and parts of Asia-Pacific. Users have the option to download their purchases as zip files or by using the 7digital download manager to input directly into their media player of choice.
- **Production** – is engaged in the creation of audio and video programming for broadcasters. 7digital has three content production businesses that produce approximately 1,200 hours of video and audio content every year. The content companies benefit from regular commissions with BBC's national radio networks as well as one-off commissions from other broadcasters, such as Sky Television. The Entertainment News content is distributed to around 150 commercial radio stations. The division now also has a growing business in video entertainment news with Yahoo! Europe, which is generating advertising revenues and is watched on average by 1.4 million people a month.

Technology

The flexible API allows partners to harness the power of music through download or streaming services, while 7digital takes care of highly complex infrastructure management, licensing and reporting. The company have created a resilient and scalable technology platform that provides both the company and their partners with the ability to innovate quickly.

Content

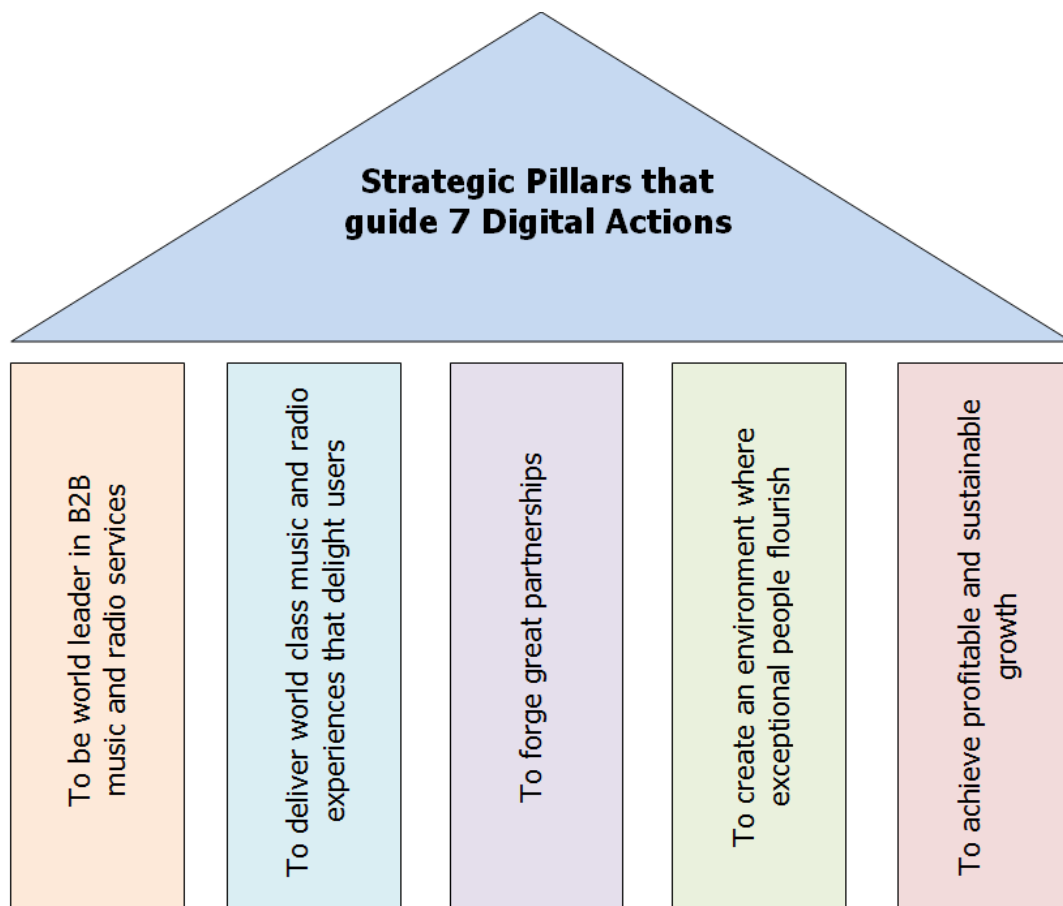
7digital license music from all the major labels, local independents and publishers, bringing their global catalogue to over 32 million tracks. Alongside licensing content, the company produce award-winning music radio programming for some of the world's biggest broadcasters, as well as cutting-edge speech and video content. The content management system allows them to do the heavy lifting for any third party that wants access to a comprehensive, legally licensed, digital music catalogue.

Partners

7digital have powered services for global brands like Samsung, T-Mobile, HMV and BlackBerry, as well as for up-and-coming companies like Germany’s Artistxite or Guvera in the Middle East. They are the largest independent producer of radio programming for the BBC, but also supply content and services to commercial radio stations throughout the UK and beyond.

Customers

As well as providing B2B services, they run their own music store, www.7digital.com, which is localised for 20 countries and available to retail customers. Here they promote and sell music to a large and loyal base of customers. 7digital branded mobile apps are available for all operating systems and have been pre-installed on more than 60 million devices.



Source: <http://about.7digital.com/investors>

7digital Work

The services offered by the company has allowed them to work with a wide variety of clients over the years (see below), with a strong sales pipeline of 63 identified customers looking forward.



Source: <http://about.7digital.com/our-work>

Outlook

The company's results in the first six months of the year show the sustained improvement the company has made in winning business. They have 15 new customer contracts signed producing one-off revenues of £833k including: Sainsbury's, Mariposa and Panasonic. 13 new customers have also been integrated with annualised MRR of £1.6m including: ROK Mobile, Onkyo and Spanish Broadcasting Systems. Looking forward the company has major deals at a variety of stages in the contract process, with 63 new prospects as well as existing customers who are looking to increase present services or reach out into other geographies.

Conclusion

Nowadays, where music is readily available without the need for huge retailers, those that produce music are unlikely to agree to a market governed by a few big fish, that is why 7digital is perfectly placed to capitalise on this by providing greater freedom and competition. The company is making encouraging progress, monthly recurring revenue is up, one-off revenue is up (which is a leading indicator of future MRR) and a strong sales pipeline shows for a bright future for 7digital. Definitely one to watch!

Key Fundamentals

<i>Year Ending</i>	<i>Revenue (£m)</i>	<i>Pre-tax (£m)</i>
31/03/2013	3.76	-0.94
31/03/2014	2.86	-1.82
31/12/2014	10.21	-2.61

Source: DigitalLook

Forecast

<i>Year Ending</i>	<i>Revenue (£m)</i>	<i>Pre-tax (£m)</i>
31/12/2015	11.30	-2.85
31/12/2016	13.50	-1.10

Source: DigitalLook

Management

Simon Cole - Chief Executive

Simon brings 25 years of executive leadership to 7digital, having led UBC Media as a public company for over a decade. In 1989 Simon left to found The Unique Broadcasting Company which became the market leader in both the production of network radio programmes for commercial radio throughout the UK and BBC Radio. In 2000, Unique floated on the London Stock Exchange as part of UBC Media Group plc with Simon as Chief Executive.

Chris Dent - Chief Financial Officer

Chris is Chief Financial Officer of 7digital Group and is also Group Secretary for the Company. He was previously Finance Director of UBC Media Group plc and of associate company, Audioboo. Before joining UBC Media in May 2012, Chris spent ten years at Deloitte working within audit and corporate finance and specialising in work with media and technology clients. He is a member of ICAEW and holds a BA (Hons) degree in Modern History & Economics from Magdalen College, Oxford.

Ben Drury - Chief Strategy Officer

Ben Drury co-founded 7digital in 2004 after previously working at BT as Head of Music and leading the sale of the Dotmusic business to Yahoo!. Ben graduated from King's College London with a BSc (Hons) Physics with Philosophy of Science. Ben was appointed to the board of AIM-listed Intercede plc as a non-executive director in April 2014. He is an angel investor and has served as Deputy Chairman of the Entertainment Retailers Association (ERA) and on the board of the Official UK Charts Company. Ben also acts as an advisor to the Entrepreneur First programme.

Pete Downton - Chief Commercial Officer

Pete joined 7digital in June 2014, assuming overall responsibility for its commercial strategy. He brings over 15 years of operational and strategic experience within the heart of the nascent digital music

and consumer technology businesses to the role. In addition, Pete spearheaded the company's investment in Audioboom. Before joining Imagination, Pete spent over a decade working for Warner Music Group, holding senior management positions in the company's International Marketing and Business Development teams. He helped to build Warner Music International's reputation as one of the most innovative, creative and respected media players in the digital arena and played a key role in establishing ongoing relationships with major global partners such as iTunes, Orange and Vodafone.

Sir Donald Cruickshank - Non-Executive Chairman

Sir Donald Cruickshank has served as a director of Qualcomm Incorporated since June 2005. Don's career has included assignments at McKinsey & Co. Inc., Times Newspapers, Virgin Group plc, Wandsworth Health Authority and the National Health Service in Scotland. He served as Director General of the UK's Office of Telecommunications (OfTel) from 1993 to 1998. He has been Chairman of the following: Action 2000 (the UK's Millennium Bug campaign) (1997-2000), SMG plc (1999-2004), The London Stock Exchange (2000-2003), Clinovia Group Limited (2004-2007), Formscape Group Limited (2003- 2006). Don was a member of the Financial Reporting Council, the body in the UK responsible for oversight of the Accountancy and Actuarial professions and for corporate governance standards, from June 2001 to June 2007.

Condensed Consolidated statement of comprehensive income six months ended 31 June 2015

	Unaudited six months ended 30 June 2015	Unaudited six months ended 30 June 2014	Audited full year ended 31 Dec 2014
	£'000	£'000	£'000
Continuing operations			
Revenue	5,153	5,057	10,213
Cost of sales	-1,836	-2,579	-4,883
Gross profit	3,317	2,477	5,330
Other income	455	-	-
Administrative expenses	-5,613	-5,209	-9,833
Adjusted operating loss	-1,681	-2,127	-3,775
- Share based payments	-73	-290	-340
- Exceptional items	-86	-315	-388
Operating loss	-1,841	-2,732	-4,503
Other gains and losses	-4,757	-	1,888
Finance Income	10	-	8
Finance cost	-	-34	-5
Loss before tax	-6,587	-2,765	-2,612
Taxation on continuing operations	-10	-7	-17
Loss from operations attributable to owners of the parent company	-6,597	-2,772	-2,629
Fair value (loss)/gain on investment	-	-115	3,004
Foreign exchange	-36		-31
Total comprehensive income attributable to owners of the parent company	-6,632	-2,887	345
Loss per share (pence)			
Basic and diluted	-6.13	-3.75	-3.01

Sources: 7digital Half Yearly Report

Condensed Consolidated Statement of Financial Position as at 31 June 2015

	Unaudited six months ended 30 June 2015	Unaudited six months ended 30 June 2014	Audited full year ended 31 Dec 2014
	£'000	£'000	£'000
Assets			
Non-current assets			
Intangibles	369	363	345
Property, plant and equipment	803	671	691
Investments	1,868	4,786	6,625
Derivative financial instrument	-	351	-
	3,041	6,170	7,661
Current assets			
Inventory: work-in-progress	41	183	44
Trade and other receivables	4,392	3,547	3,095
Cash and cash equivalents	2,471	5,294	5,312
	6,903	9,024	8,452
Total assets	9,944	15,194	16,113
Current liabilities			
Trade and other payables	-5,495	-7,768	-4,796
Provisions for liabilities and charges - current	-	-	-188
	-5,495	-7,768	-4,984
Net current assets	1,408	1,256	3,468
Net assets	4,449	7,426	11,129
Equity			
Share capital	10,843	10,833	10,833
Share premium account	17,278	17,265	17,278
Treasury reserve	-74	-183	-215
Reverse acquisition reserve	-4,430	-4,380	-4,430
Foreign exchange reserve	20	-	-31
AFS reserve	-	-115	3,004
Retained earnings	-19,189	-15,994	-15,311
Total Equity	4,449	7,426	11,129

Sources: 7digital Half Yearly Report

Condensed Consolidated cash flow statement for six months ended 31 June 2015

	Unaudited six months ended 30 June 2015 £'000	Unaudited six months ended 30 June 2014 £'000	Audited full year ended 31 Dec 2014 £'000
Loss from continuing operations	-6,632	-2,772	-2,629
	-	-	-
Loss for the period	-6,632	-2,772	-2,629
Adjustments for:			
Taxation	10	7	17
Interest	-10	30	-2
Foreign Exchange	36	-	-
Amortisation of intangible assets	125	-	254
Negative goodwill released to income	-	-22	-22
Depreciation of fixed assets	256	313	414
Loss/(gain) on sale of asset	4,757	-	-1,888
Share option valuation adjustment	73	290	340
Decrease in provisions	-188	-3	-451
Increase/(decrease) in accruals and deferred income	348	-	-1,543
Decrease in inventories	3	10	151
(Increase)/decrease in trade and other receivables	-1,296	-157	354
Increase/(decrease) in trade and other payables	211	-408	-1,282
Cash flows from operating activities	-2,308	-2,712	-6,288
Taxation	-10	-7	-17
Net interest	10	-	2
Net cash used in operating activities	-2,308	-2,712	-6,302
Investing activities			
Disposal of investment	-	-	3,520
Purchase of property, plant and equipment	-310	-120	-345
Acquisition of subsidiary	-	198	198
Purchase of intangible asset	-188	-	-
Net cash generated from / (used) in investing activities	-498	78	3,372
Financing activities			
Proceeds from issue of ordinary share capital	-	6,691	6,952
Net cash generated from in financing activities	-	6,691	6,952
Net increase / (decrease) in cash and cash equivalents	-2,806	4,056	4,022
Cash and cash equivalents at beginning of period	5,312	1,290	1,290
Effect of foreign exchange rate changes	-36	-46	-
Cash and cash equivalents at end of period	2,471	5,300	5,312

Sources: 7digital Half Yearly Report

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