

## Due Diligence and Valuation Report

Arrowhead Code: 78-01-01  
 Coverage initiated: 03 February 2016  
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 Fair share value bracket - Blended Valuation: A\$ 2.50 and A\$ 3.84<sup>i</sup>  
 Share price (03 Feb. 16): A\$ 0.65<sup>ii</sup>

### Analysts

Abhishek Bansal Himanshu Broota  
 +1 (212) 619-6889 +1 (212) 619-6889  
[abhishek.bansal@arrowheadbid.com](mailto:abhishek.bansal@arrowheadbid.com) [himanshu.broota@arrowheadbid.com](mailto:himanshu.broota@arrowheadbid.com)

### Market Data

52-Week Range: A\$ 0.28 - A\$ 0.90<sup>iii</sup>  
 Average Daily Volume: 50,375<sup>iv</sup>  
 Market Cap. (03-Feb-16): A\$ 18.9 MM<sup>v</sup>

### Financial Forecast (in A\$MM) (FY ending - Jun)

A\$	'16E	'17E	'18E	'19E	'20E	'21E	'22E
High NI	(0.8)	(1.1)	(0.4)	2.8	7.7	14.4	19.4
High EPS (Diluted)	(0.03)	(0.03)	(0.01)	0.07	0.19	0.35	0.47
Low NI	(0.8)	(1.2)	(1.2)	0.5	4.5	7.1	10.5
Low EPS (Diluted)	(0.03)	(0.03)	(0.03)	0.01	0.11	0.17	0.26

**Company Overview:** DateTix Group Ltd (herein referred to as "DTX" or "the Company") is a company listed on Australian Stock Exchange that operates a mobile and location-based online marketplace for dates. DateTix enables its members to easily meet new people in minutes by hosting or applying to dates at specific times and nearby establishments, across a diverse range of intentions and occasions. Formerly known as Enverro Ltd, DateTix Group Ltd changed its name through ASX announcement dated 13 January 2016 post completion of its acquisition of Hong Kong based DateTix on November 23, 2015. The company raised A\$3 million to expand the DateTix business through the issue. The capital raising exercise was oversubscribed after receiving strong support from existing and new investors. DateTix's vision is to build the world's largest marketplace for dates and to foster new human relations of all kinds. With an initial focus on major Asian cities, the company plans to extend its operations to major cities around the globe.

DateTix uses a proprietary mobile technology and data platform, which uses location-based technology and real time analytics based on an algorithm. The algorithm factors in the various intentions and other attributes, including but not limited to physical attributes; personality traits; date preferences, highlighted by the users to deliver relevant and attractive potential dates.



Company: DateTix Group Ltd  
 Ticker: ASX: DTX  
 Headquarters: Hong Kong  
 CEO: Mr. Michael Ye  
 Website: [DateTix.com](http://DateTix.com)

The focus is to create an online platform for offline social connectivity and engagement, which otherwise would have been difficult for individuals who lack the necessary social networks to meet other interesting people.

Arrowhead is initiating coverage on DateTix Group Ltd with a fair value bracket of A\$ 2.50 (Low-Bracket estimate) and A\$ 3.84 (High-Bracket estimate)<sup>vi</sup>.

**Key Highlights:** (1) Exclusive focus on facilitating in person and on-demand dates at fixed times and locations; (2) Offers a large pool of localized hosts, attendees and merchants through its location-based technology; (3) Uses proprietary mobile technology and data platform to analyze a diverse range of intentions and other attributes to deliver relevant content; (4) DateTix focuses on delivering real dates and enjoyable customer experiences; (5) The commercialization plan explores four online and two offline revenue sources to mitigate risks and increase profitability; (6) The Company is targeting the US\$ 5.5 BN per annum global online and mobile dating market, wherein most of the recent growth has been witnessed in the Asian markets; (7) The business model of DateTix is asset light and globally scalable, with diverse revenue streams and low variable cost; (8) The Company is open to entering into strategic partnerships to expand into adjacent businesses; (9) DateTix launched its personalized matchmaking services in December 2015, and is generating a revenue of A\$ 3,000 per customer and (10) The version 1.0 of DateTix iOS app has been approved by Apple's app store and will be launched in Hong Kong post completion of testing.

**Key Risks:** Key risks include the uncertainty related to market reception, functioning in a highly competitive market and high security concerns.

**Valuation and Assumptions:** On the basis of due diligence and valuation estimates, Arrowhead believes that DateTix Group's fair share value lies in the bracket of A\$ 2.50 - A\$ 3.84 using blended valuation<sup>vii</sup> (average of Discounted Cash Flow (DCF) and Discounted EV/MAU). We have valued the Company equity using discounted EV/MAU method, which estimates the fair value between A\$ 3.25 - A\$ 4.70. The DCF methodology suggests a fair value bracket of A\$ 1.75 - A\$ 2.99. We have assumed that the Company's DateTix operations will start generating revenue from FY 2016 onwards.

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## 1. Summary and Outlook

We initiate coverage on DateTix Group Ltd (formerly Enverro Ltd), which acquired a Hong Kong-based dating services company founded in 2013, DateTix Ltd. It is focused on developing a platform that enables like-minded people in nearby locations to meet and date. It recently began operations and reached 21,606 views within the first week of launch and 420 dates were hosted during the same period. DateTix's target is to reach one million monthly active members by the end of 2018<sup>viii</sup>.

### Key Highlights:

- (1) The DateTix platform focuses exclusively on facilitating in-person and on-demand dates by setting up a fixed timeline for dates, and enabling communication only after a date has been hosted and applications have been made.
- (2) The platform offers a large pool of localized hosts, attendees and merchants through its location-based technology.
- (3) DateTix's proprietary mobile technology and data platform analyzes the members' diverse range of intentions and other attributes to deliver relevant content.
- (4) The platform allows for various avenues to monetize its member base in different phases of a relationship cycle. The immediate market is to be monetized by selling premium subscriptions and virtual items. In the later phases, monetization could be achieved through sale of vouchers and advertising.
- (5) DateTix also plans to use offline markets, such as personalized match-making and events, to increase its revenues.
- (6) As DateTix has an asset light and globally scalable business model, diverse revenue streams and low variable costs, we expect it to be profitable in the long term.
- (7) The Company has developed a comprehensive commercialisation strategy leveraging both online and offline channels to deliver superior returns to shareholders. We estimate online segment to contribute 71% of total revenue in FY 2025. Member subscriptions for premium services, sale of virtual items, ecommerce transactions and advertising are expected to generate revenue in online segment.
- (8) DateTix's focus on offline offerings distinguishes it from other players in the industry. We expect the Company's unique personalised match making and events services to provide it competitive advantage and also complement its online services.
- (9) The Company is open to entering into strategic partnerships to expand into adjacent businesses
- (10) DateTix launched its services in Hong Kong in 2015, and plans to rapidly expand into other major cities around the world.
- (11) The company launched its personalised match making services in December and is generating a revenue of approximately A\$ 3,000 per customer.
- (12) The version 1.0 of DateTix iOS app has been approved by apple app store. The app will be launched in Honk Kong immediately after completion of final stages of testing.

**Key Risks:** Key risks include the uncertainty related to market reception, skewed demographics in the industry, heightened security concerns, market competition and threat from externalities.

**Industry Overview:** DateTix is developing a platform to facilitate dating among people with a variety of intentions, including friendship, casual dating, serious relationship and marriage. According to GlobalWebIndex, there are over 91 million people worldwide who are using dating apps, with about 70% of them between the age of 16 and 34. IBIS world expects the US dating industry to become US\$ 2.4 BN market in 2015, with online dating and mobile dating accounting for 48.7% and 26.2% respectively. A research done by Nielson in December 2014 revealed that one in ten American adults visit dating websites and spend more than an hour a day on these websites. Pew Research Center also highlighted in its research that the perception of people toward online dating has changed significantly since 2005. As per the research, 59% of adults in 2013 believed that online dating is a good way to meet new people as compared to 44% in 2005. Currently there are several big players in the market (Tinder, Badoo and the Match group) and niche community based dating facilitators (JDate, ChristianMingle.com and blacksingles.com, etc.)



## 2. Business Overview:

DateTix Group Ltd is an ASX listed company, with an initial focus on major Asian cities, engaged in developing a global online marketplace and technology platform to enable individuals to meet each other and foster new relationships. The company has an asset light and scalable business model.

DateTix's vision is to build the world's largest market place for dates and foster new human relations of all kinds, including but not limited to friends, business partners and couples. DateTix facilitates in-person and on-demand dates between two or more persons for a variety of intentions including friendship, business networking, casual dating, serious relationship and marriage, and for a variety of occasions such as dinner, drinks, movie and concerts, etc.<sup>ix</sup>

DateTix uses a proprietary mobile technology and data platform, which uses location based technology and real time analytics based on an algorithm. The algorithm factors in diverse range of intentions and other attributes to deliver relevant and attractive potential dates. This leads to a high degree of social connectivity and engagement among people who are meeting, dating and socializing, which otherwise would have been difficult for individuals lacking the necessary social networks to meet others.

**Exhibit 1 : DateTix Overview**

					
					
<p><b>Online Marketplace for Local Dates</b></p>	<p><b>Broad Spectrum of Date Intentions</b></p>	<p><b>Diverse Range of Date Types</b></p>			
<p>Mobile and location-based online marketplace to meet new people for in person and on-demand dates.</p>	<p>Meet people for casual dating, serious relationships, marriage, friendship, business networking, activity partners and more</p>	<p>Date for lunch, dinner, drinks, movies, concerts, dancing, cultural and sporting events, trips, vacations and more</p>			

**2.1 DateTix: A mobile and location-based platform to enable people to socialize**

**2.1.1 Introduction**

The desire to socialize is a fundamental part of being human. It is a process that continues throughout one's life. It teaches us how to fit into society. It is through socialization that we acquire an identity and learn how to value our connections. Socializing is required at every turn in one's life, be it for getting promoted, settling down in a new place or finding a partner. Sociologists believe that the individuals who live in social isolation face difficulty in learning about feelings and accepted behavior. This may lead to depression, stress and other mental disorders, and by extension to suicidal tendencies and heart diseases. In today's technologically connected environment, the means of socializing has also become important.

With the advent of internet, things have become a lot easier. People's mindset is also rapidly changing. A research conducted by Pew Research Center revealed that in 2013, more than half (59%) of the people surveyed felt online dating is a good way to meet others. IBM Smarter Commerce research mentioned in its Q3 2014 report that about 50% of Facebook users check their account on a daily basis.

Also, the business oriented networking site, LinkedIn saw a 39% surge in its active member base and reported over 396 MM user worldwide<sup>x</sup>. This posteriori proves that more people are socializing online and this presents a huge market potential.

**2.1.2 Focus on providing a seamless experience to members**

**Exclusive focus on facilitating dates:** DateTix’s approach is different from its competitors in the online dating industry. It exclusively focuses on facilitating in-person and on-demand dates in contrast to other online dating firms whose main focus is online interaction. Rather than forcing users to swipe through countless photos and chat online for hours, DateTix is designed to help members meet each other quickly. It uses a mobile and location based social platform to build membership specific to a local market, segmented across a diverse range of intentions and occasions.

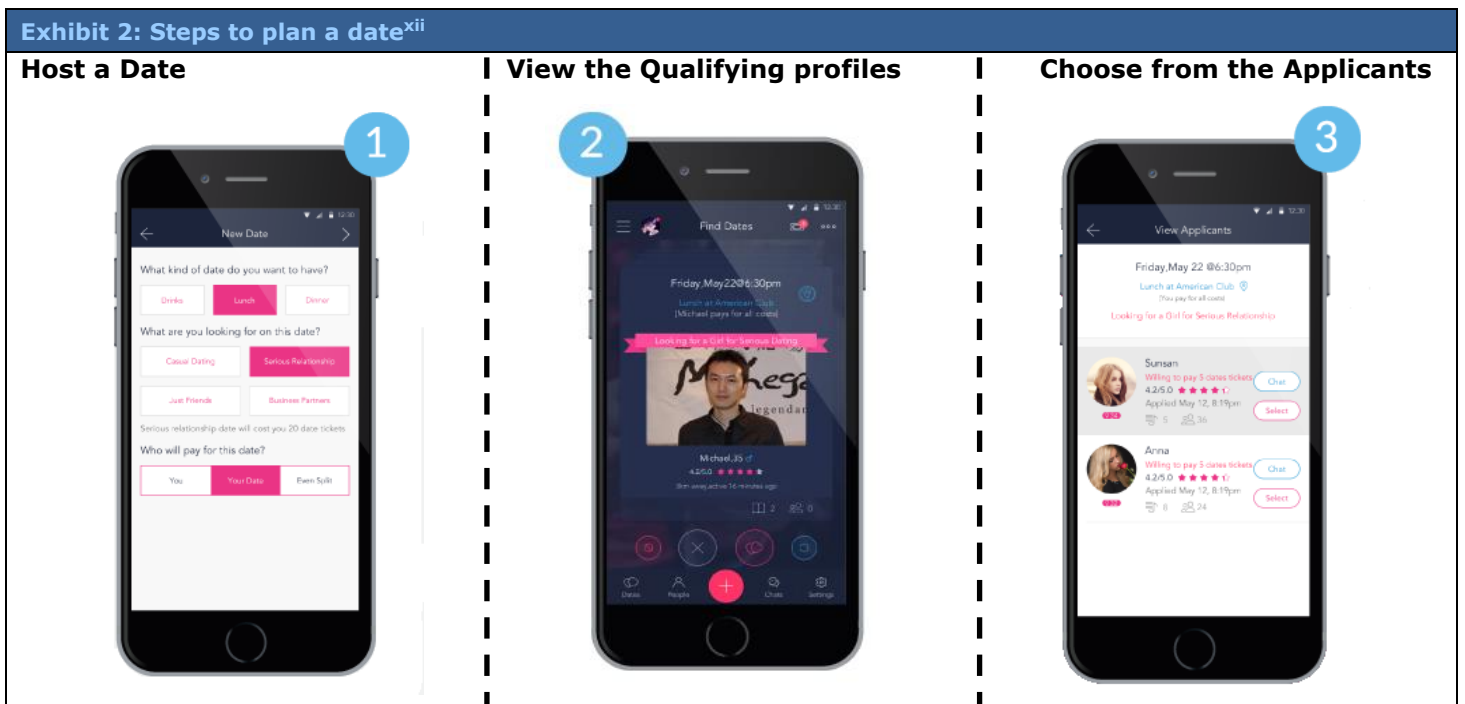
**Personalized and relevant matches:** The platform performs real life data and computational analysis on the user-provided information using a filtering and matching algorithm, and delivers personalized and relevant matches to its members.

**Carefully selected local merchants:** DateTix will facilitate dates only at a local merchant in a public area. These merchants will be carefully handpicked and curated by the local community managers in every city, who will tailor the platform to cater to the preferences and cultural norms of each local market. These community managers will strive to make the dating experience memorable. In addition, DateTix provides a review and feedback mechanism that can be used to report inappropriate, offensive or dangerous behavior.

**Seamless interaction:** DateTix provides real time communication facilities to its members, which enable seamless interaction between them. DateTix’s unified back-end infrastructure allows easy localizing of app for any language and market, and for introducing new features and updates.

**2.2 Operation<sup>xi</sup>**

Each member will be initially provided some date tickets for free, which can be utilized for hosting or attending a date. Further tickets can be purchased as and when required through in-app purchases, which will be sold as packages priced between A\$ 8 to A\$ 200. The members can use these tickets to host a date at any local merchant selected and added to the social ecosystem by DateTix. The member hosting a date can select a time, venue and the type of people he or she wants to meet. Each member’s profile is shown only to qualified members who meet his or her filter criteria, and is not available to others. These members can apply for the date. The host can chat with the applicants to decide who to go on a date with among the broad selection of interested attendees. Those browsing for dates can apply to various types of dates being hosted at the local merchants near them. As the number of members hosting dates goes up, people interested in attending dates will also start registering on the platform. As the number of attendees increase, more individuals would be interested in hosting dates; thereby, creating a self-reinforcing, two-sided localized network, and a thriving social ecosystem.



## 2.3 Value creation

### 2.3.1 For members

**Specific focus on facilitating dates:** In contrast with other dating platforms that focus on online interactions, DateTix focuses particularly on facilitating in-person and on-demand dates. DateTix's vision is to build the world's largest online marketplace for dates. Therefore, rather than forcing users to swipe through endless photos and chat online for hours, DateTix, an event-driven platform, designed to help members quickly meet each other offline. By facilitating in-person, real life dates compared to just online chats, DateTix offers substantially higher value proposition to its members.

**Large pool of prospective hosts and attendees:** By focusing on building a large localized base of members, DateTix intends to offer a broad selection of dates to choose from for both hosts and attendees.

**High degree of privacy:** DateTix offers its members high degree of discretion over what information they wish to share about themselves. Each member's profile is shown only to those members who meet his or her filter criteria and is not accessible to other members, non-members or general public. Additionally, chat lines are only open between members hosting dates and members applying to those dates. Therefore, only members connected through dates hosted on DateTix platform are able to chat with each other.

**Strong focus on experience:** To ensure a safe and memorable dating experience, DateTix facilitates hosting dates only at the local merchants located in visible public places, handpicked by the local community managers. Additionally, the platform employs a human screening process, whereby each member profile is manually reviewed before approving him/her on the DateTix platform.

**Review and feedback mechanism:** The platform offers its members a mechanism to report any inappropriate, offensive or dangerous behavior by any of its members.

### 2.3.2 For local merchants

Broadly the platform will serve as an additional marketing and customer acquisition channel for the local merchants.

**Targeted marketing:** DateTix focuses on creating a localized base of members and thus, helps the local merchants to reach the customers based on geographical proximity. This increases the chances of the target audience actually trying the merchant. Local merchants may also sell vouchers and coupons on the platform that the members can purchase and redeem when they meet for their dates.

**High purchase intent:** The members are presented the list of local merchants at a time when they are actively scouting for a place to host dates. This is usually the time when the intention to purchase is high. This would translate to higher purchases and measurable revenues for the merchants.

**Performance-based advertising:** DateTix, by virtue of being the facilitator, can precisely track the number of dates hosted at a particular local merchant. This enables DateTix to sell measurable performance-driven advertising. It can also sell feature listings that highlight and rank local merchants leading to increased awareness, and in turn increased number of dates hosted in those places.

## 2.4 Commercialization

DateTix follows a freemium model similar to other dating apps with in app purchases of virtual items and premium subscription. DateTix plans to maximize its scale of operations and ensure member retention by offering most of its services free, while offering members who wish to have additional benefits and privileges to upgrade to premium account through monthly, quarterly, half yearly or annual subscriptions. As per DateTix's business model, it plans to generate revenue from six different streams, of which four will be online sources and two offline sources. The online avenues for revenue will be date tickets (virtual items), membership subscription, e-commerce and advertising. The two offline revenue sources will be personalized match-making and organizing events.

**Date tickets:** The members will require date tickets to host or attend a date. The members will get few date tickets for free during initial registration, after which they need to buy date tickets from the app store going forward. These date tickets available in bundles, ranging from A\$ 8 to A\$ 200, would act as virtual currency for all dates on the platform.

**Premium subscriptions<sup>xiii</sup>:** The premium membership offers a multitude of perks, such as making all upcoming introductions immediately available for date instead of the seven days waiting period in free membership, unlimited chatting and other privileges. The premium subscription is available in one month, three month, six month and one year packages.

Exhibit 3: Premium membership - Additional benefits		
Features	Premium membership	Free membership
Undo last swipe	✓	✗
Highlighted listings	✓	✗
View mutual friends	✓	✗
Chat lines that never expire	✓	✗
Free date upgrades	✓	✗

**Targeted advertising:** The data acquired by tracking the number of dates hosted at each local merchant could be sold to local merchant advertisers for highly measurable performance-based advertising. In addition, the data can also be bundled and sold as featured listing, which highlights and ranks local merchants at or near the top of search results. This would lead to increased awareness and exposure.

**E-commerce:** Additionally, the local merchants may also sell vouchers and coupons on the DateTix platform that the members can purchase and redeem when they meet for their dates. DateTix can charge a commission on such e-commerce transactions.

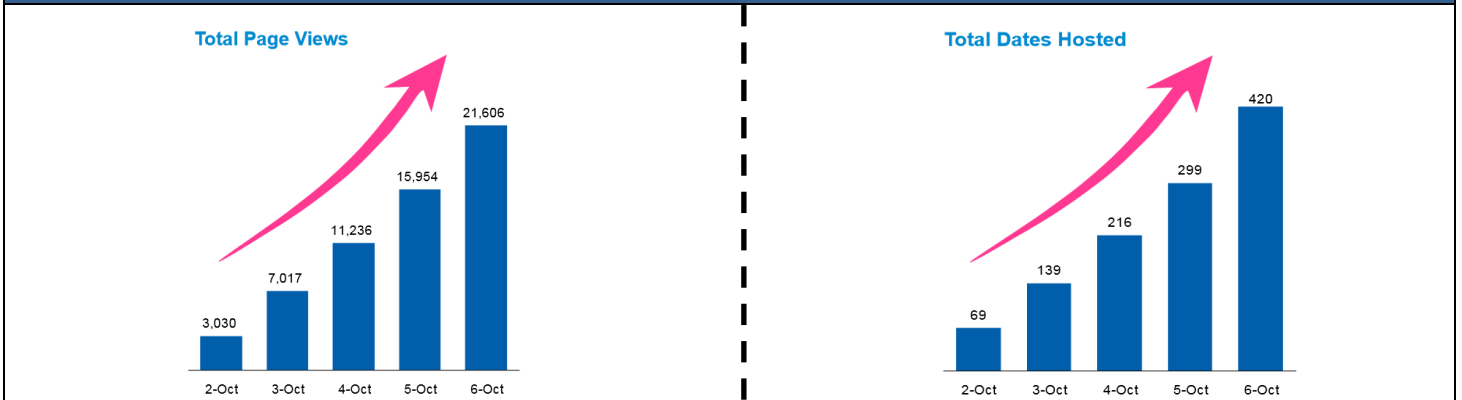
**Personalized matchmaking:** The Company uses the data gained from DateTix's platform to feed sales leads to DateTix's dating consultants' team, who up-sell one-on-one matchmaking packages to its clients. The clients get carefully handpicked matches based on their preferences and personalized feedback. The prices of matchmaking packages range from A\$ 2,500 to A\$ 3,500. This will also add to the Company's revenue.

**Events and others:** DateTix organizes events that provide opportunity to individuals to meet a large group of potential partners. DateTix collects entry fees ranging from A\$ 20 – A\$ 80. Besides revenue generation, this also helps in simultaneously creating brand value for the Company.

## 2.5 DateTix's growth strategy

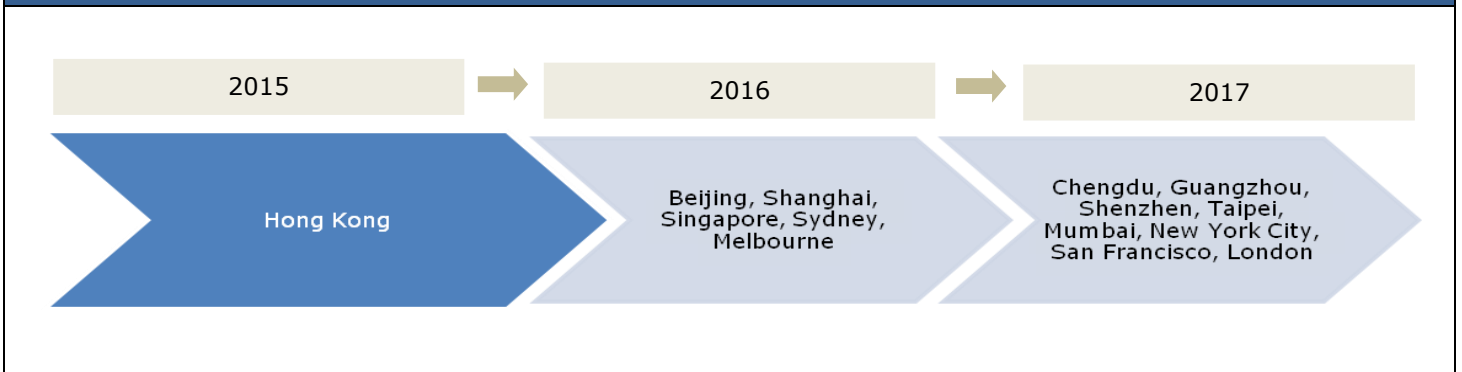
**Cement market position in existing cities:** The Company plans to cement its position in the market by building a high density member base in each local market it is catering to. As the member base grows, the members would benefit from the increasing number of proximate and relevant matches. This will attract more people to join the platform. The Company intends to become the leading local marketplace for dates in its initial market, Hong Kong, by growing its member base via online and offline marketing, events, public relations and the most powerful and trusted marketing tool - 'word of mouth'. The company also aims to expand to other major cities within the next two years. The first week of launch in Hong Kong witnessed strong user traction. In its first week, Date Tix website registered a total of 21,606 views and 420 hosted dates.

**Exhibit 4: First week performance**



**Expand into new geographies:** The Company plans to continue expanding into new markets worldwide by localizing its platform, and yet replicating the strategies it uses in its initial markets. It intends to fully leverage its globally scalable technological platform to expand to markets characterized by large and affluent population of Smartphone users, including but not limited to China, US, India, Japan, Germany, UK, South Korea, France, Italy, Spain, Canada and Australia. In few of these markets, DateTix may have the first mover advantage.

**Exhibit 5: Scheduled launch of services in cities by calendar year<sup>xiv</sup>**



**Enhance user experience and technology platform:** The quality assurance team will regularly meet members and local merchants to identify, anticipate and address their needs and to continually evaluate, develop and introduce new features to enhance the user experience. The Company plans to build tools using data analytics to analyze real time data to develop an in-depth understanding of member preferences and behavioral patterns.

**Increase monetization:** The Company plans to monetize its member base across many points of the relationship cycle. For the immediate addressable market (facilitating introductions), it plans to sell virtual items and premium subscriptions that would give additional benefits to its users. The Company also plans to grow its advertising business by leveraging its location-based services to sell performance-based advertisements and featured listings to local merchants. In the long term, DateTix plans to explore other complementary addressable markets and grow its e-commerce business by selling vouchers that can be redeemed at the local merchants.

**Pursue strategic partnerships and acquisitions:** The Company is also open to pursuing strategic partnerships and acquisitions that would boost the growth of its member base in existing and new markets. It will also enable it to expand into complementary businesses.

**Licensing DateTix platform to partners:** The Company plans to partner with newspaper websites, magazine websites, lifestyle websites and singles event companies with a large existing user base. DateTix plans to increase its user base and revenue growth by licensing its platform to such companies in lieu of a monthly fee or on a revenue sharing basis.



## 2.6 Company SWOT Analysis

We have also done a SWOT analysis of DateTix, the summary of which is presented below:

Exhibit 6: DateTix SWOT analysis
<p><b>Strengths</b></p> <ul style="list-style-type: none"> <li>• Exclusive focus on dates provides high value to its members</li> <li>• Two sided network with each side willing to pay higher</li> <li>• Strong brand recognition and high value proposition to act as significant barriers to entry</li> <li>• Asset light business model with diverse stream of revenue and decreasing marginal cost to enable rapid expansion</li> </ul>
<p><b>Weaknesses</b></p> <ul style="list-style-type: none"> <li>• High initial investment in marketing and R&amp;D required to create brand awareness and traffic</li> <li>• Higher threat from externalities as compared to competitors</li> <li>• High security and privacy concerns associated to the industry may also impact the performance of Date Tix</li> </ul>
<p><b>Opportunities</b></p> <ul style="list-style-type: none"> <li>• Online dating market is massive and open ended</li> <li>• Focus on using mobile as a means of advertising is increasing</li> <li>• The business model of Date Tix enable it to monetize the vast multi trillion dollar local commerce market</li> </ul>
<p><b>Threats</b></p> <ul style="list-style-type: none"> <li>• The demographics of the market are skewed</li> <li>• High security concerns</li> </ul>

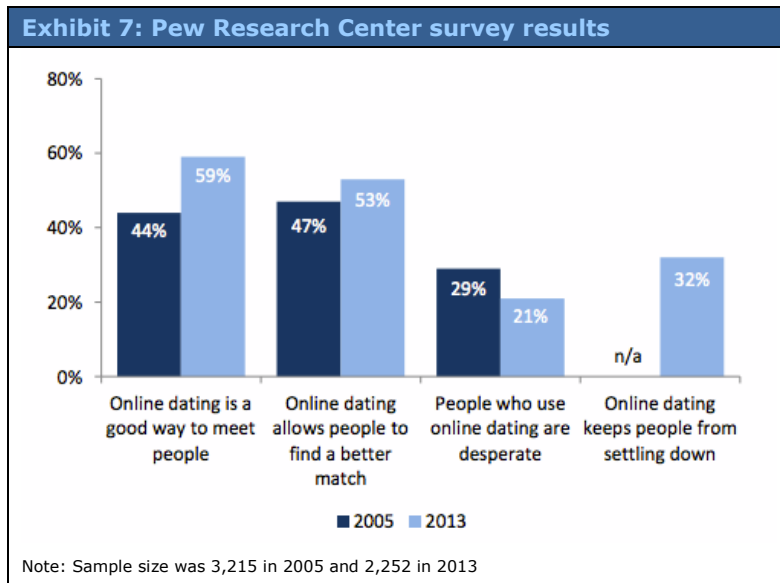
### 2.6.1 Company Premium

#### Strengths

- 1) **Exclusive focus on in-person and on-demand dates:** While most other dating platforms focus primarily on online interactions with no fixed timeline for a date, DateTix focuses exclusively on facilitating dates. This clearly communicates its value proposition and differentiates it from its competitors. This results in users' willingness to pay for DateTix's services, unlike the scenario faced by other similar online dating platforms who often suffer due to customers' low willingness to pay.
- 2) **Powerful two-sided self-reinforcing network:** In any market, the value of a dating platform is driven by the number of dates being hosted and attended. As the number of members hosting the dates increase, so will the number of members attending the dates, and vice versa. This creates a self-reinforcing two-sided network, with both sides ready to pay higher to receive better exposure.
- 3) **Significant barriers to entry:** The two-sided network would lead to strong brand recognition for DateTix and deliver substantially high value to its members compared to smaller local networks. The two-sided network also attracts a large number of individuals to join DateTix platform; thus, creating a high switching cost. These are significant barriers, which smaller local firms may not be able to breach, and DateTix will have first-mover advantage from new competition in the industry.
- 4) **Asset light, scalable business model:** DateTix has an asset light and globally scalable business model with diverse revenue streams, low variable cost and minimal physical presence. As the platform expands globally the marginal variable cost would decrease. Usage of app stores as key distribution and payment gateway enables DateTix to expand rapidly.

## Opportunities

1) **Massive and open-ended market:** The global dating services market is open ended and huge. According to IBISWorld, the dating services market in the U.S. is expected to reach US\$ 2.4 BN in 2015, with online and mobile dating accounting for 48.7% and 26.2% of the market respectively. In particular, the mobile online dating app market is estimated to reach US\$ 629 MM in 2015, up from US\$ 572 MM in 2014. People’s opinion on online dating is now changing. Pew Research Center conducted surveys of adults aged above 18 on “Internet and American life” in 2005 and 2013. The change in results showed that the number of people who believed online dating is a good way to meet people has climbed from 44% in 2005 to 59% in 2013. The global dating market is even larger, with rapid growth in online dating app usage driven by the proliferation of Smartphones. According to GlobalWebIndex, more than 91 MM people are using location based dating apps, with 70% in the 16 to 34 age bracket. One-fifth of dating app users are paying for the online dating service. In countries like Philippines, Thailand, Brazil, Mexico, India, United Arab Emirates, Turkey and Vietnam, more than 10% of internet users use location based dating apps. By adopting a free-to-play business model with in-app purchases, The company’s DateTix platform will be able to capture substantial user and revenue share of the large and fast growing online dating app market globally.



2) **Booming mobile advertising market:** The global mobile advertising market is expected to grow at 32% CAGR from US\$ 31.45 BN in 2014 to US\$ 94.91 BN in 2018, according to eMarketer<sup>xv</sup>. The unique advantages of mobile social networking and online dating apps are increasingly being valued by advertisers. A study done by Gartner on the US digital marketing spending survey in 2013 revealed that more than 40% of marketers surveyed believe that social marketing is one of the three key ways to achieve marketing success. The close personal interaction and frequent communication among members of the location-based mobile app allow advertisers to target specific audiences and geographic regions; thus, improving advertising effectiveness. As the member base of DateTix grows within each local market, the mobile internet advertising solutions will also become more attractive for local merchants.

3) **Vast local commerce market:** The global local commerce market is a multi-trillion dollar market. Digital marketing research firm, eMarketer forecasts retail sales to grow at a CAGR of 5.5% and hit US\$ 28.3 trillion, with offline marketing making up 91.2% of the market and e-commerce contributing the rest<sup>xvi</sup>. The Company has an opportunity to capture a share of this huge market by selling vouchers for the dates that its platform facilitates between its members. They may partner with select and verified local merchants to provide a high quality dating experience for their members.

## 2.6.2 Company Risks

### Weaknesses

1) **High initial investment in marketing and R&D required:** Online dating is a highly competitive market and DateTix will have to invest heavily in marketing and advertising to create brand awareness and traffic. Moreover, the Company needs to constantly introduce new features on the DateTix platform, and yet maintain a competitive price to stay ahead of its competitors and gain market share. This would require a high investment on research and development.

2) **Threat from externalities:** The business model of DateTix is open to threat from more externalities as compared to its competitors. Currently, most of the online dating sites focus on online interaction and leave dating to its members as per their discretion. This safeguards them from any mishap in a date as they are not

responsible for the same. But since DateTix facilitates dates at select local merchants, it puts them at a high risk of being blamed for ruining the day of the concerned members. This could impact the brand image of the Company.

- 3) **Security and privacy concerns:** DateTix requires its members to provide detailed description of themselves and their preferences. This is private information and there is a risk of losing this information to hackers, who can use this information for unfair gains. This could create a trust deficit among potential and existing clients.

## Threats

- 1) **Skewed demographics:** The age and gender demographics are skewed when it comes to online dating industry. GlobalWebIndex claims in its report that 62% of the users of online dating app are men and 70% of the members are aged between 16 and 34. Another research done by Statistic Brain Research Institute in March 2015 in US stated that at 26, women have more pursuers than men and at 48, men have more pursuers than women. Both these statistics are unfavorable for the online dating industry.
- 2) **High security concerns:** The online dating industry is fraught with security and privacy concerns. In many cases, the confidential details are hacked from dating websites to gain access to user accounts. After hacking into a user account, the hackers might have access to a plethora of information that could be used for sinister reasons. Recently Ashley Madison, a dating website for married people, was hacked by a group of hackers who go by the name of Team Impact and private information regarding names, e-mail addresses, phone numbers and home addresses were leaked on the internet. Also, a study done by Statistic Brain Research Institute states that about 10% of sex offenders use online dating sites to meet people<sup>xvii</sup>.

**Legal risk:** There are no legal risks associated with the Company, to the best of the author's knowledge.

## 2.7 Listing and Contact Details

The ordinary shares of DateTix Group Ltd are listed on ASX (Ticker: ASX: DTX, Date of Listing – December 05, 2014)

**Contacts:** Mills Oakley Lawyers, Level 14, 145 Ann Street, BRISBANE, QLD, AUSTRALIA, 4000

**Phone:** (07) 5503 0075

### 3. Key Variable Analysis

#### 3.1 Variable 1 – Revenue from Online Offerings

We expect revenue from the platform’s online customers to accrue from FY 2016 onwards. Initially the Company plans to launch its platform in China and Hong Kong markets, followed by Singapore, Taiwan, India, Australia, North America and UK by FY 2018 and in major cities of EMEA region and Central and South America by the end of FY 2021. Also, we expect the platform to charge HKD 200 for 200 date tickets and an average order of HKD 200 for its e-commerce segment. We have also factored in the revenue potential from advertising market at US\$ 1 per subscriber in FY 2018 and expect it to grow at a CAGR of 2.0% going forward. Considering that DateTix will be able to successfully market its platform, Arrowhead estimates that DateTix will be able to capture a market share of 1.0% to 1.2% of the population by the fifth year from the launch across different cities. Based on our assumptions, the estimated revenue generated would be as follows:

<b>Exhibit 8: Monthly Active Users over the year and Revenue from Online Offerings</b>											
		<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>FY 2024</b>	<b>FY 2025</b>
<b>Low estimate</b>	<b>Revenue A\$ '000</b>	8	699	3,266	8,924	18,755	29,068	38,692	46,531	51,119	52,905
	<b>MAU '000</b>	9	177	718	1,751	3,269	4,962	6,535	7,775	8,448	8,646
<b>High estimate</b>	<b>Revenue A\$ '000</b>	8	1,133	5,502	15,167	31,176	49,744	62,207	71,784	77,799	80,498
	<b>MAU '000</b>	15	282	1,119	2,642	4,673	6,635	8,228	9,415	10,116	10,375

#### 3.2 Variable 2 – Revenue from Personalized Matchmaking

DateTix offers two services in its offline segment: personalized matchmaking and event organization. We expect the Company to start offering personalized matchmaking services from FY 2016. The Company will use the data gained from the DateTix platform to feed sales leads to DateTix’s dating consultant team, who will up-sell one-on-one matchmaking packages for its clients. The clients get carefully handpicked matches based on their preferences and personalized feedback. We estimate that the company will open 20 stores by 2020 and add 2 stores every year post 2020. We have factored in A\$ 3,000 per client for providing the match-making service and increased it by 2% every year. Based on these assumptions, we forecast the company’s revenue generated through DateTix’s personalized matchmaking operations to be as follows:

<b>Exhibit 9: Number of matchmaking clients and Revenue from Personalized Matchmaking</b>											
		<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>FY 2024</b>	<b>FY 2025</b>
<b>Low estimate</b>	<b>Revenue A\$ '000</b>	75	857	2,341	5,094	11,041	13,116	15,406	17,024	18,700	20,436
	<b>No. of clients</b>	25	280	750	1,600	3,400	3,960	4,560	4,940	5,320	5,700
<b>High estimate</b>	<b>Revenue A\$ '000</b>	90	918	2,497	5,412	11,690	13,845	16,217	17,919	19,684	21,512
	<b>No. of clients</b>	30	300	800	1,700	3,600	4,180	4,800	5,200	5,600	6,000

#### 3.3 Variable 3 – Revenue from Events

Along with personalized matchmaking, the Company will also host events in each city. We assume that initially the Company will host more events to increase DateTix’s brand awareness and then gradually host fewer ones as it gains more brand value. We expect the Company to initially host 16 events a year in each city and then gradually reduce it to 12 events a year. We have assumed that per attendee, the Company will get revenue of A\$ 40 and each event will witness, on an average, approximately 100-150 attendees. Based on these assumptions, we forecast the company’s revenue generated from events to be as follows:

<b>Exhibit 10: Revenue from Events</b>											
<b>A\$ '000</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>FY 2024</b>	<b>FY 2025</b>	
<b>Low estimate</b>	90	134	336	672	1,344	1,344	1,344	1,344	1,344	1,344	
<b>High estimate</b>	96	144	360	720	1,440	1,440	1,440	1,440	1,440	1,440	

#### 4. News<sup>xviii</sup>

- **02 February 2016 – DateTix names founder Michael Ye as CEO:** DateTix Group Ltd names founder Michael Ye as CEO via an announcement made to ASX dated 02 February 2016. Enverro founder Leigh Kelson has transitioned from the role of Executive Director & CEO to Non – Executive Director.
- **28 January 2016 – DateTix iOS app approved:** The Company announced to ASX on 28 January 2016, that version 1.0 of the DateTix iOS app has now been approved by the Apple App Store.
- **13 January 2016 – Enverro Ltd changes its name and ticker:** DateTix Group Ltd (formerly Enverro Ltd) changed its name to its current name and ticker to DTX, vide an announcement made to ASX dated 13 January 2016. The company will begin trading under new ticker from 15 January 2016.
- **11 December 2015 – DateTix partners with Launchpilots:** Enverro announced on 11 December 2015 that DateTix has partnered with Launchpilots, which connects student leaders and influencers with high quality brands across Hong Kong. The partnership provides DateTix access potentially to over 100,000 students at all major universities across Hong Kong. This would help the company to rapidly drive DateTix app downloads and new user sign ups.
- **25 November 2015 - DateTix signs revenue sharing and white label agreement with MenClub:** Enverro announced on 25 November 2015 that DateTix has signed a revenue sharing and white label agreement with MenClub, a leading online media platform for men in Hong Kong. The agreement offers the Company immediate access to over 1.3 million unique visitors on the MenClub.hk website and over 300,000 fans on MenClub’s Facebook page.
- **23 November 2015 - DateTix acquisition completed:** Enverro announced on 23 November 2015 that it has completed acquisition of DateTix and all shares in DateTix have been transferred to the company. The consideration of 12.5 million ordinary shares of the company and 12.0 million performance rights were allotted to DateTix on 23 November 2015.
- **12 November 2015 - DateTix capital raising oversubscribed:** Enverro Ltd announced on 12 November 2015 that pursuant to prospectus issued on 23 October 2015, the capital raising offer for DateTix was oversubscribed. With this, the company completed acquisition of DateTix.
- **02 October 2015 - DateTix.com launched:** The Company launched its website, DateTix.com on October 02, 2015, which is a mobile and location based online marketplace for facilitating on-demand dates. DateTix is currently developing both the Android and iOS version of its mobile app, which is scheduled to be launched in the last quarter of 2015.
- **17 June 2015 – Enverro signs heads of agreement to acquire DateTix:** On June 17, 2015, Enverro announced to ASX that it has signed a heads of agreement with Hong Kong based DateTix to acquire the latter. The announcement covered the summary of the proposed acquisition, the mode of settlement for the merger, the issue of shares and the timing. The agreement also covered the conditions precedent to the acquisition, followed by a brief presentation by DateTix describing its platform, products, strength and global opportunities in the industry.

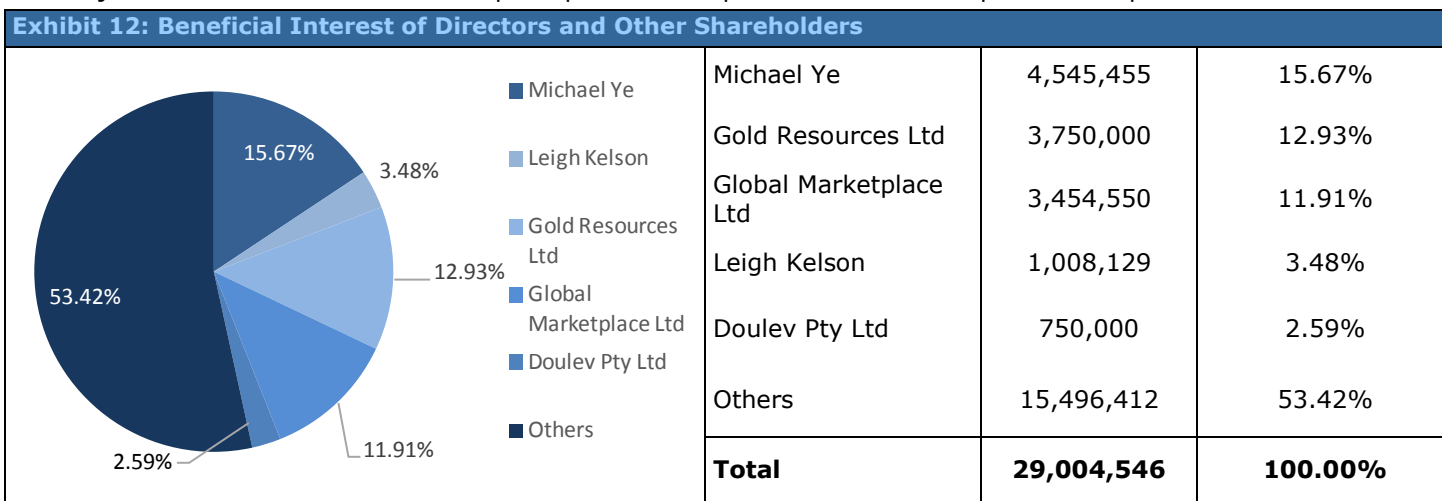
## 5. Board and Management

The management team includes experienced professionals, who have held positions of responsibility across various firms.

Exhibit 11: Board and Management		
Name	Position	Background
Anthony Harris	Chairman and Non-Executive Director	<ul style="list-style-type: none"> <li>Has extensive experience in managing and growing computer software companies.</li> <li>Held senior positions with Tibco software, Retriever communications and with SAP.</li> <li>Owner and Director at Blink Mobile Interactive, a cloud-based Mobile Enterprise Applications Platform provider.</li> </ul>
Michael Ye	CEO and Executive Director	<ul style="list-style-type: none"> <li>Has extensive product and business development experience in the internet industry in Greater China and Asia</li> <li>Investment banking experience with Credit Suisse, Morgan Stanley and J.P. Morgan</li> <li>Bachelor of Mathematics degree in Computer Science from the University of Waterloo</li> <li>MBA in Entrepreneurship and Finance from the Wharton School, University of Pennsylvania</li> </ul>
Leigh Kelson	Non-Executive Director	<ul style="list-style-type: none"> <li>Web technology veteran and pioneer of Australian cloud computing</li> <li>Founded PRM Cloud Solutions Pty Ltd in 1996 and working in the capacity of CEO since 1997.</li> </ul>
Zhixian (Claire) Lin	Non-Executive Director	<ul style="list-style-type: none"> <li>Has over a decade of experience in executive search in APAC region.</li> <li>Is a senior management member of a leading executive search firm in Greater China</li> </ul>
Garry Edwards	Chief Financial Officer and Company Secretary	<ul style="list-style-type: none"> <li>Has over 25 years of experience in accounting and company secretarial roles.</li> <li>Has been Company Secretary for China Magnesium Corporation Limited and G8 Education Limited</li> </ul>
David Su	VP, Business Development	<ul style="list-style-type: none"> <li>Experiences at Esurance, Deloitte Consulting and IHG</li> <li>Bachelor of Business from University of Michigan</li> <li>MBA from the Wharton School</li> </ul>
Na You	Head of China Expansion	<ul style="list-style-type: none"> <li>Bachelor of National Physics Base Class in Wuhan University</li> <li>Extensive experience in China Internet industry across corporate strategy, marketing and operations</li> <li>Founded Investor Relations in China (IRIC)</li> </ul>

## 6. Shareholding Structure

The major shareholders of DateTix Group Ltd post the completion of DateTix acquisition are presented below:



Source: Company Prospectus

## 7. Market and Competition

### 7.1 Industry Overview

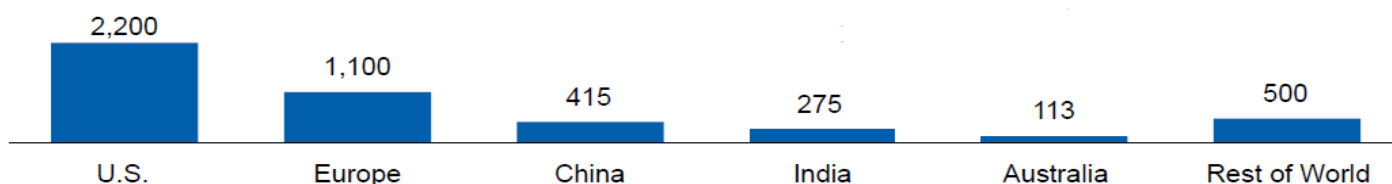
With the rise in internet users, the relationship trends have also changed considerably. A study conducted in US by National Center for Family and Marriage Research states that marriage rates have been declining since 1970 and was at 31.01 (roughly 31 per 1000) in 2013. The research also revealed that the proportion of American adults who were single had increased significantly from 28% in 1970 to 47% in 2013<sup>xix</sup>. With people planning to marry at a later stage in life, dating has become a bustling industry today. According to GlobalWebIndex, there are over 91 MM people worldwide who use dating apps. Approximately 61 MM of the users are male and about 70% of users are aged between 16 and 34. IBISWorld expects dating industry in the US to reach US\$ 2.4 BN in 2015 with online dating, mobile dating, matchmakers and singles events accounting for 48.7%, 26.2%, 14.2% and 6.7% of the market respectively. In particular, mobile online dating app market in the US is expected to reach US\$ 629 MM this year from US\$ 572 MM in 2014.

A research conducted by Nielson in December 2014 suggests that one out of ten American adults visit dating websites and spend more than an hour a day on these websites<sup>xx</sup>. As per research done by Pew Research Center, the perception of people toward online dating has changed significantly since 2005. In 2013, 59% of adults, aged above 18, surveyed believed that online dating was a good way to meet new people as compared to 44% in 2005. The number of people who believed online dating allowed people to find better match also went up to 53% in 2013 from 47% in 2005. The Company management stated that the size of the online dating market was about US\$ 4 BN, with the US being the largest market at US\$ 2.2 BN. Other major cities worldwide also present a significant addressable market, with China accounting for approximately 22.2 MM singles between the age of 18 and 49.

**Exhibit 13: Online dating market and market of singles in major cities around the world<sup>xxi</sup>**

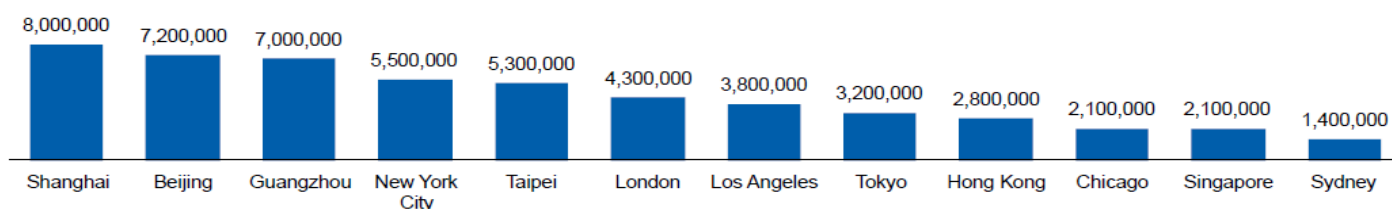
#### Online Dating is a Massive ~US\$4bn Market Opportunity Globally

2014 Online Dating Market (US\$mm)



#### Large Addressable Market of Singles in Major Cities Around the World

Number of Singles Aged 18- 49



### 7.2 Competition

**Tinder:** Tinder is a location based social discovery app designed by IAC, which also owns other dating platforms such as Match and OkCupid. The app allows users to chat with their matches. It was among the first “swiping apps,” where the user uses a swipe to choose matches: swiping right for potentially good matches and swiping left on a photo to move to the next member. Tinder anonymously finds people nearby that like each other and connects them if they are both interested. Tinder shows the profiles of members nearby and lets its user to anonymously like or pass on them. If someone the user likes happens to like him or her back, then tinder makes the match and helps the concerned members chat within the app. Tinder is available in over 30 languages and about 24% of its users are paying for its



online dating services. By March 2014, the app had generated 1 BN matches and 800 MM swipes a day. Tinder claims to be making 26 MM matches every day. JMP securities values Tinder at US\$ 1.6 BN and expects it to bring US\$ 121 MM in subscription in 2016.

**Match.com:** Match.com is a subscription based online dating site founded in 1995. It was acquired by IAC in 1999. Match.com pioneered the concept of online dating when it was founded and is still one of the biggest names in the industry. Throughout its 15 year history, match.com has assisted millions of singles. It provides a wide range of options in ethnicities, interests, goals, ambitions, quirks, looks and personalities from which to choose. Match.com operates few of the leading subscription-based online dating sites in 25 countries, across five continents and in eight languages. It also oversees its ongoing investment in Meetic. Match.com also powers online dating on MSN across Asia, Australia, Canada, United States and Latin America. As on July 18, 2015, match.com registered 1.4 MM daily page views and was ranked 813<sup>th</sup> by Alexa global website ranking.

**Badoo:** Badoo is a dating focused social networking site, founded in 2006 by Andrey Andreev. Badoo is now one of the fastest growing social networking platform for meeting new people. Similar to Tinder, Badoo offers a location based platform "Encounter," which allows users to find people in their local area with the help of photos, interests and profile info. A match is created when both users like each other's profiles. The double opt-in feature, requiring both partners to express interest, avoids users getting messages from people they don't like, and takes away the feeling of rejection. Alternatively, using the People Nearby feature, users can browse and filter people based on location, interests and age. The app also provides an option to its users to buy other users a virtual gift or start a chat. Badoo claims to have over 265 MM members as of September 24, 2015 and operations in 190 countries.

**Momo:** Momo is a location based instant messaging (IM) app, which allows its users to chat with nearby friends and strangers. The app enables its users to establish and expand their social relationships based on location and interests. Similar to dating apps like Tinder and Badoo, Momo also offers location based services to its members. In addition, it also allows its members to join or start community groups and create group events. It also allows its members to send audio and video to other users in the area. Momo ranked second in China in terms of average number of times each user opens the app per day among mobile social IM apps. As of September 30, 2014, Momo registered 180.3 MM users and its monthly active users reached 60.2 MM and average daily active users reached 25.5 MM. Momo claims that its users sent a daily average of 655.2 MM one-to-one messages from September 2013 to September 2014.

**Zoosk:** Zoosk is an online dating platform that enables its members to browse local singles and chat with them. The platform ensures uninterrupted connectivity by working on computer, mobile phone, tablet and Facebook. Zoosk uses a proprietary Behavioral Matchmaking engine that makes a match based on behavior and preferences as compared to other platforms that use lengthy questionnaires to make matches. Zoosk boasts of having more than 35 MM single users. Zoosk provides service in 80 countries and in 25 languages. The Company stated in its prospectus filed with SEC in 2014 that it has a member base of over 26 MM and a subscriber base of approximately 650,000. Zoosk was the highest grossing dating app and one of the top 25 grossing apps on the iPhone in the US as of December 31, 2013.

There are other major competitors such as eHarmony, which claims that it assists 438 people every day to get married; Plenty of Fish (POF) boasts of having 3 MM active daily users; and OkCupid claims of having over a million installs every week and about 7.3 MM messages a day. Besides these, there are other niche community based dating facilitators like JDate (caters only to the Jewish community), ChristianMingle.com and blacksingles.com.

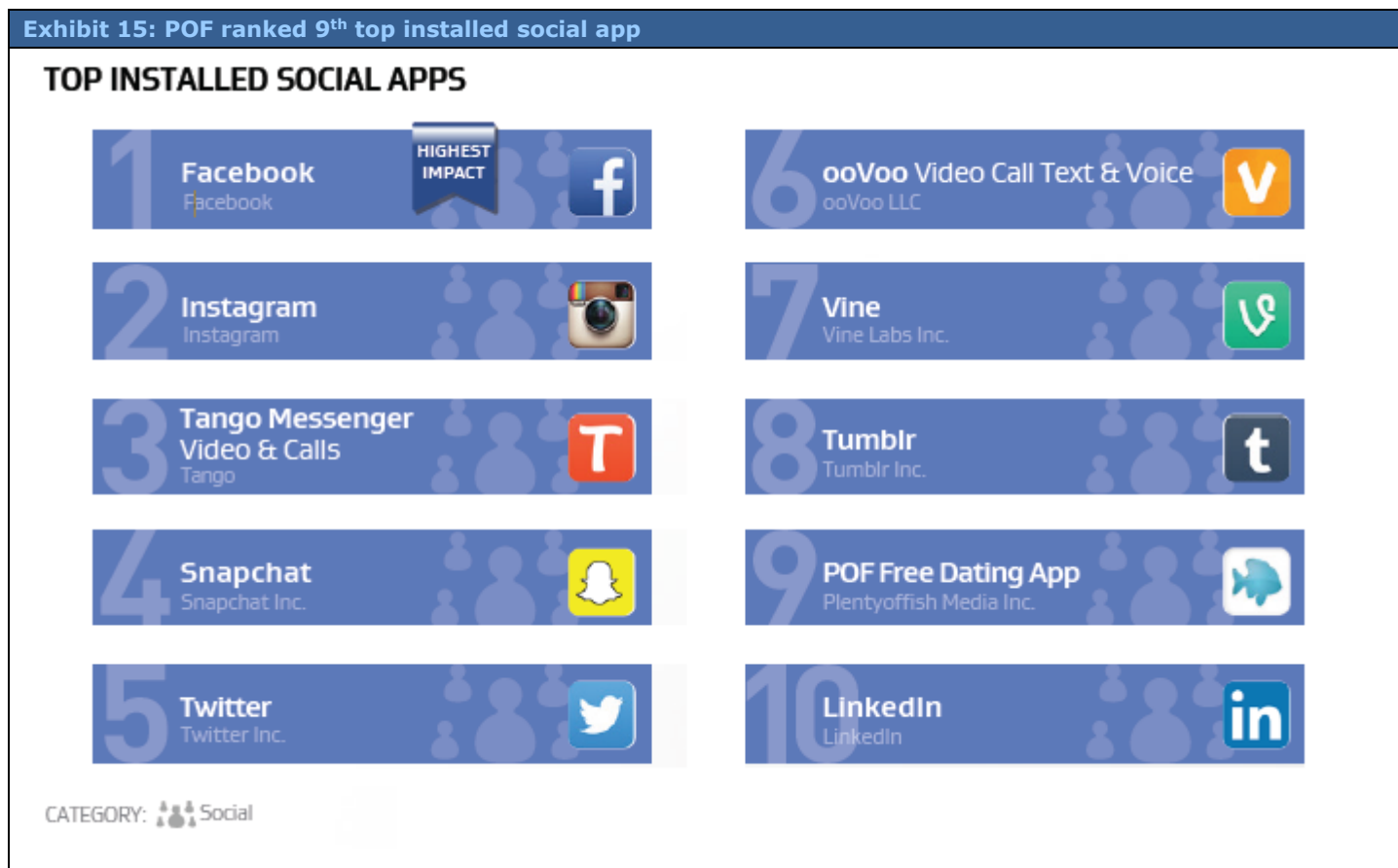
**Major publicly listed internet dating facilitators and similar services**

<b>Exhibit 14: Major publicly listed companies with operations in dating industry and similar services<sup>xxii</sup></b>				
<b>Company Name</b>	<b>Ticker</b>	<b>Description</b>	<b>Market Cap in "A\$ MM"<sup>#</sup></b>	<b>FY 2014 Revenue (from dating and similar services) in "A\$ MM"<sup>xxiii</sup></b>
Match Group	NASDAQ: MTCH	The Match Group provides online dating services. It operates companies like Tinder, Plenty of Fish, speeddate.com, Match.com, OkCupid, etc.	4,217	986
Momo	NASDAQ: MOMO	Momo Inc. operates the Momo platform, which enables users to establish serious relationships based on location and interests.	3,027	50
Jiayuan.com	NASDAQ: DATE	Jiayuan.com (formally known as Jiayuan.com International Ltd.) operates the largest online dating platform in China. The Company has its ADRs listed on NASDAQ	342	111
MigMe	ASX: MIG	MigMe is an Australia based mobile entertainment platform focusing mainly on Southeast Asia, South Asia and Middle East and Africa	216	0
MeetMe	NASDAQ: MEET	MeetMe is a social networking service, which focuses on helping users discover new people to chat with. Approximately 80% of its traffic comes from mobile.	208	50
Spark Networks	NYSE: LOV	Spark Networks Inc is a Delaware based company, incorporated in April 20, 2007. The Company is business leader in niche dating sites. Its core assets are ChristianMingle.com and JDate.com, which serve Christian and Jewish communities respectively	119	68

<sup>#</sup> Exchange rate as of 02 February 2016

**Dating apps and companies enter top 10 lists**

AVG Technologies placed PlentyOfFish at ninth position in terms of top installed social apps in its Q1 2015 Android App Performance Report.



According to App Intelligence company, Zoosk and Badoo entered the Top 10 Apps of 2014 worldwide iOS and Google play by revenue.

**Exhibit 16: Top apps of 2014 - iOS and Google Play by revenue**

Rank	App	Publisher
1	LINE	LINE
2	Pandora Radio	Pandora
3	LINE PLAY	LINE
4	Zoosk	Zoosk
5	Skype	Microsoft
6	LINE Manga	LINE

7	Badoo	Badoo
8	Spotify	Spotify
9	Pocket Colony	Cocone
10	MLB.com At Bat	MLB

Also, three online dating services providers (IAC, Zoosk and Badoo) entered the list of top publishers of 2014 worldwide in iOS and Google play by revenue outside of games. Momo was ranked first among the top apps of 2014 in China iOS by revenue.

**Exhibit 17: Top publishers of 2014 - iOS and Google Play revenue**

Rank	App Publisher
1	LINE
2	Pandora
3	Microsoft
4	InterActiveCorp (IAC)
5	Disney
6	Zoosk
7	Smule
8	MagazineCloner
9	Voltage
10	Badoo

### 7.3 Regulation<sup>xxiv</sup>

Exhibit 18: Regulations by major countries		
Country	Year	Description
US	2005	<b>International Marriage Broker Regulation Act (IMBRA) 2005:</b> IMBRA is a United States federal statute. It sets out specific obligations for international dating websites. It includes running background check on marital status of men before the profile is submitted to women in a language they understand and to search sex offender public registries for the members. The state of New Jersey requires online dating service providers to disclose whether they perform background checks on their members
China	1994	In 1994, the State Council of China issued a regulation stating that matchmaking companies are banned from doing transnational matchmaking. But the law is not elaborate on how to punish companies doing this.
Philippines	1990	<b>Republic Act 6955 (Anti Mail Order Bride Law):</b> The Philippines Congress enacted the Republic Act of 6955 in 1990, which prohibits the business of organizing or facilitating marriages between Filipinas and foreign men.
UK	2013	<b>Online Dating Association (ODA):</b> The ODA was set up by online dating industry members of the UK in 2013 to self regulate the industry. The ODA mainly focuses on: <ul style="list-style-type: none"> <li>• Advertising and communications</li> <li>• The use of personal data</li> <li>• Appropriate advice and guidance to users</li> </ul>

## 8. Valuation<sup>xxv</sup>

The Fair Market Value based on blended (DCF and Discounted EV/MAU multiple) valuation method for all of the Company shares stands between A\$ 72.4 MM and A\$ 111.5 MM as of February 03, 2016. The Fair Market Value for one Company publicly traded share stands between A\$ 2.50 and A\$ 3.84 as of February 03, 2016.

### 8.1 Discounted Cash Flow Method

#### Valuation

##### WACC

Risk-free rate	3.18% <sup>xxvi</sup>
Beta	1.60 <sup>xxvii</sup>
Market premium	9.6% <sup>xxviii</sup>
Additional Risk Premium	2.0%
Cost of Equity	16.65%
Cost of Debt	4.0%
Terminal Growth Rate	1.0%
WACC (Discount Rate)	16.65%

Figures are in '000 A\$, unless indicated otherwise

##### KEY VARIABLES

Monthly Active Users	Revenue from various sources
Refer to Key Variables Analysis section	

Year Ending – June	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E
<b>FCFE (High)*</b>									
Net cash from operating activities	(1,697)	(267)	132	3,740	9,441	15,801	20,502	24,506	27,575
Capital Expenditure	(75)	(254)	(699)	(1,071)	(1,471)	(1,624)	(1,648)	(1,495)	(1,208)
Net Finance Income	16	-	-	-	-	-	-	-	-
Free Cash Flow to Firm	(1,756)	(521)	(567)	2,668	7,971	14,177	18,855	23,011	26,366
Discount factor	0.86	0.73	0.63	0.54	0.46	0.40	0.34	0.29	0.25
Present Value of FCF	(1,505)	(383)	(357)	1,441	3,690	5,626	6,415	6,711	6,592
<b>FCFE (Low)*</b>									
Net cash from operating activities	(1,684)	(448)	(806)	1,174	5,750	8,033	11,406	14,284	16,348
Capital Expenditure	(75)	(194)	(499)	(733)	(1,007)	(1,035)	(1,084)	(1,006)	(820)
Net Finance Income	16	-	-	-	-	-	-	-	-
Free Cash Flow to Firm	(1,743)	(642)	(1,304)	441	4,743	6,998	10,322	13,278	15,529
Discount factor	0.86	0.73	0.63	0.54	0.46	0.40	0.34	0.29	0.25
Present Value of FCF	(1,494)	(472)	(822)	238	2,196	2,777	3,512	3,873	3,882

\* In the model, the valuation is continued upto the year 2036, from which point the terminal value is established. For all data refer to the Appendix, section 9.

Arrowhead Fair Value Bracket	High	Low
Terminal Value (TV in '000)	311,478.0	205,119.9
Present Value of TV (in '000)	12,265.7	8,077.4
Present value of FCFE (in '000)	74,528.5	42,462.3
<b>Equity Value Bracket</b>	<b>A\$ 86.8 MM</b>	<b>A\$ 50.7 MM</b>
Shares O/s (000's)	29,004.5	29,004.5
<b>Fair Share Value Bracket (A\$)</b>	<b>2.99</b>	<b>1.75</b>
Current Market Price (A\$)	0.65	0.65
Current Market Cap. (A\$ MM)	18.9	18.9
<b>Target Market Cap. Bracket (A\$ MM)</b>	<b>86.8</b>	<b>50.7</b>

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## Approach for DCF Valuation

**Time horizon:** The Arrowhead fair valuation for the company is based on a DCF method. The time period chosen for the valuation is 252 months (2016E-2036E).

**Terminal value:** Terminal value is estimated using a terminal growth rate of 1.0%.

**Prudential nature of valuation:** It should be noted that this Arrowhead Fair Value Bracket estimate is a relatively prudential estimate, as it discounts the eventuality of any new products being launched in the market or any significant change in the strategy.

**Key variables:** The upper and lower bounds in the estimation correspond to the extreme positions taken by the following key variables:

Exhibit 19: DateTix's % of population captured										
%	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
<b>High est.</b>										
Cities	1	10	30	60	100	100	100	100	100	100
% of population	0.40%	0.60%	0.85%	1.00%	1.20%	1.20%	1.20%	1.20%	1.20%	1.20%
<b>Low est.</b>										
Cities	1	10	30	60	100	100	100	100	100	100
% of population	0.25%	0.40%	0.60%	0.85%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%

## 8.2 Discounted Enterprise Value to Monthly Active Users (EV/MAU) method

We have also valued the Company using discounted EV/MAU method based on monthly active users (MAU) estimate in 2020. According to this method, the Fair Market Value of one Company publicly traded share stands between A\$ 3.25 and A\$ 4.70. We are assuming EV/MAU multiple of A\$ 60.30, equivalent to current peer average, on our 2020 MAU estimate of 3.3 million (Low bracket estimate) and 4.7 million (High bracket estimate). We have used the average EV/MAU multiple of companies having a user base similar to the user base targeted by DateTix to calculate its fair value. We have discounted the same to 2015 using the firm's cost of funds of 16.65%.

### Exhibit 20: Valuation – EV/MAU based on MAU in 2020

Assumptions		
	Low	High
Current Year	2015	2015
Discount Rate	16.65%	16.65%
Target EV/MAU Multiple in 2020*	A\$ 60.30	A\$ 60.30
MAU in 2020 (millions)	3.3	4.7
Enterprise Value in 2020 (A\$ mn)	203.5	294.5
Current EV per share	3.25	4.70

\*Refer to Exhibit 21

Sensitivity Table - High		Latest EV/MAU multiple of the peer Group (A\$)				
		50.30	55.30	60.30	65.30	70.30
Discount Rate (%)	14.7%	4.31	4.72	5.12	5.53	5.94
	15.7%	4.13	4.52	4.91	5.30	5.69
	16.7%	3.95	4.33	4.70	5.07	5.45
	17.7%	3.79	4.15	4.50	4.86	5.22
	18.7%	3.63	3.97	4.32	4.66	5.00

Sensitivity Table – Low		Latest EV/MAU multiple of the peer Group (A\$)				
		50.30	55.30	60.30	65.30	70.30
Discount Rate (%)	14.7%	2.97	3.26	3.54	3.83	4.11
	15.7%	2.85	3.12	3.39	3.66	3.94
	16.7%	2.73	2.99	3.25	3.51	3.77
	17.7%	2.61	2.86	3.11	3.36	3.61
	18.7%	2.50	2.74	2.98	3.22	3.46



**Exhibit 21: Comparable analysis (all figures in A\$ `mn)**

Company Name	Primary Markets	Share Price*	Market Cap (A\$)#	EV (A\$)	MAU (MM)	EV/MAU (in A\$)	FY 2014 Revenue (in A\$)
Match Group	Worldwide	17.3	4,217	4,080	59.0	69.2	986
Momo	People's Republic of China	15.9	3,027	2,393	73.0	32.8	50
Jiayuan.com	People's Republic of China	10.3	342	304	5.3	57.4	111
MigMe	Worldwide	0.8	216	211	24.0	8.8	0
MeetMe	Worldwide (Latin Audience)	4.6	208	189	3.6	52.5	50
Spark Networks	Worldwide	4.7	119	99	0.2	494.7	68
<b>Total</b>			<b>8,130</b>	<b>7,276</b>	<b>165.2</b>	<b>60.3##</b>	<b>1,265</b>

\*In A\$ based on closing price as of February 02, 2016

# Exchange rate as of February 02, 2016

##Weighted average

**8.3 Valuation Summary – DateTix Group Ltd**

**Exhibit 22: Fair Market Value Range**

Method	High	Low
Discounted Cash Flow	2.99	1.75
Discounted Enterprise Value to Monthly Active Users (EV/MAU)	4.70	3.25
<b>Average</b>	<b>3.84</b>	<b>2.50</b>

### **Important information on Arrowhead methodology**

The principles of the valuation methodology employed by Arrowhead BID are variable to a certain extent depending on the subsectors in which the research is conducted, but all Arrowhead valuation research possesses an underlying set of common principles and a generally common quantitative process.

With Arrowhead Commercial and Technical Due Diligence, Arrowhead extensively researches the fundamentals, assets and liabilities of a Company, and builds solid estimates for revenue and expenditure over a coherently determined forecast period.

Elements of past performance, such as price/earnings ratios, indicated as applicable, are present mainly for reference purposes. Still, elements of real-world past performance enter the valuation through their impact on the commercial and technical due diligence.

Elements of comparison, such as multiple analyses may be to some limited extent integrated in the valuation on a project-by-project or asset-by-asset basis. In the case of this DateTix report, the discounted EV/MAU multiple analysis has been integrated in the valuation.

### **Arrowhead BID Fair Market Value Bracket**

The Arrowhead Fair Market Value is given as a bracket. This is based on quantitative key variable analysis, such as key price analysis for revenue and cost drivers or analysis and discounts on revenue estimates for projects, especially relevant to those projects estimated to provide revenue near the end of the chosen forecast period. Low and high estimates for key variables are produced as a tool for valuation. The high-bracket DCF valuation is derived from the high-bracket key variables, while the low-bracket DCF valuation is based on the low-bracket key variables.

In principle, an investor who is comfortable with the high-brackets of our key variable analysis will align with the high-bracket in the Arrowhead Fair Value Bracket, and likewise in terms of low estimates. The investor will also take into account the Company intangibles – as presented in the first few pages of this document in the analysis on strengths and weaknesses and other essential Company information. These intangibles serve as supplementary decision factors for adding or subtracting a premium in the investor's own analysis.

The bracket should be understood as a tool provided by Arrowhead BID for the reader of this report and the reader should not solely rely on this information to make his decision on any particular security. The reader must also understand that on one hand, global capital markets contain inefficiencies, especially in terms of information, and that on the other hand, corporations and their commercial and technical positions evolve rapidly: this present edition of the Arrowhead valuation is for a short to medium term alignment analysis (one to twelve months). The reader should refer to important disclosures on page 30 of this report.

## 9. Appendix

### 9.1 DateTix Group's Balance Sheet Forecast

<b>Exhibit 23: Consolidated Balance Sheet</b>		All figures in MM A\$, unless stated differently <i>Low Bracket estimates</i>								
<i>Year Ending June</i>	<b>2016E</b>	<b>2017E</b>	<b>2018E</b>	<b>2019E</b>	<b>2020E</b>	<b>2021E</b>	<b>2022E</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>
Total current assets	4	3	1	2	7	14	24	38	53	70
Total non-current assets	6	10	12	12	13	14	15	16	16	17
<b>TOTAL ASSETS</b>	<b>10</b>	<b>12</b>	<b>13</b>	<b>14</b>	<b>20</b>	<b>28</b>	<b>39</b>	<b>53</b>	<b>69</b>	<b>87</b>
Total current liabilities	0	0	1	1	3	3	4	5	5	5
Total non-current liabilities	0	0	0	0	0	0	0	0	0	0
<b>TOTAL LIABILITIES</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>1</b>	<b>3</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>5</b>	<b>5</b>
Total shareholder's equity	10	12	12	13	17	24	35	48	64	82
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>10</b>	<b>12</b>	<b>13</b>	<b>14</b>	<b>20</b>	<b>28</b>	<b>39</b>	<b>53</b>	<b>69</b>	<b>87</b>

<b>Exhibit 24: Consolidated Balance Sheet</b>		All figures in MM A\$, unless stated differently <i>Low Bracket estimates</i>									
<i>Year Ending June</i>	<b>2026E</b>	<b>2027E</b>	<b>2028E</b>	<b>2029E</b>	<b>2030E</b>	<b>2031E</b>	<b>2032E</b>	<b>2033E</b>	<b>2034E</b>	<b>2035E</b>	<b>2036E</b>
Total current assets	89	109	131	154	179	206	235	265	296	327	359
Total non-current assets	17	18	18	19	19	20	20	21	21	22	23
<b>TOTAL ASSETS</b>	<b>106</b>	<b>127</b>	<b>149</b>	<b>173</b>	<b>198</b>	<b>226</b>	<b>255</b>	<b>286</b>	<b>317</b>	<b>349</b>	<b>381</b>
Total current liabilities	5	5	5	5	5	5	6	6	6	6	6
Total non-current liabilities	0	0	0	0	0	0	0	0	0	0	0
<b>TOTAL LIABILITIES</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>6</b>	<b>6</b>	<b>6</b>	<b>6</b>	<b>6</b>
Total shareholder's equity	101	122	144	167	193	220	249	280	311	343	375
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>106</b>	<b>127</b>	<b>149</b>	<b>173</b>	<b>198</b>	<b>226</b>	<b>255</b>	<b>286</b>	<b>317</b>	<b>349</b>	<b>381</b>

## Exhibit 25: Consolidated Balance Sheet

All figures in MM A\$, unless stated differently

High Bracket estimates

Year Ending June	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E
Total current assets	4	3	2	5	13	28	47	70	96	125
Total non-current assets	6	10	12	13	14	15	17	18	19	19
<b>TOTAL ASSETS</b>	<b>10</b>	<b>13</b>	<b>14</b>	<b>18</b>	<b>27</b>	<b>43</b>	<b>63</b>	<b>87</b>	<b>115</b>	<b>144</b>
Total current liabilities	0	0	1	2	3	5	5	6	6	6
Total non-current liabilities	0	0	0	0	0	0	0	0	0	0
<b>TOTAL LIABILITIES</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>5</b>	<b>5</b>	<b>6</b>	<b>6</b>	<b>6</b>
Total shareholder's equity	10	12	13	16	24	38	58	81	108	138
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>10</b>	<b>13</b>	<b>14</b>	<b>18</b>	<b>27</b>	<b>43</b>	<b>63</b>	<b>87</b>	<b>115</b>	<b>144</b>

## Exhibit 26: Consolidated Balance Sheet

All figures in MM A\$, unless stated differently

High Bracket estimates

Year Ending June	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E	2036E
Total current assets	156	189	224	261	301	343	387	433	480	528	576
Total non-current assets	20	21	21	22	23	24	24	25	26	27	28
<b>TOTAL ASSETS</b>	<b>176</b>	<b>210</b>	<b>245</b>	<b>283</b>	<b>324</b>	<b>366</b>	<b>411</b>	<b>458</b>	<b>506</b>	<b>555</b>	<b>604</b>
Total current liabilities	6	6	6	7	7	6	6	7	7	7	7
Total non-current liabilities	0	0	0	0	0	0	0	0	0	0	0
<b>TOTAL LIABILITIES</b>	<b>6</b>	<b>6</b>	<b>7</b>	<b>7</b>	<b>7</b>	<b>7</b>	<b>6</b>	<b>7</b>	<b>7</b>	<b>7</b>	<b>7</b>
Total shareholder's equity	170	203	239	277	317	360	405	452	499	548	596
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>176</b>	<b>210</b>	<b>245</b>	<b>283</b>	<b>324</b>	<b>366</b>	<b>411</b>	<b>458</b>	<b>506</b>	<b>555</b>	<b>604</b>

## FCFE Calculation (2025E-2036E) – Continued from page 22

Exhibit 27: Year Ending - June	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
<b>FCFF (High)*</b>									
Net cash from operating activities	29,807	31,714	33,759	35,893	38,119	40,476	42,835	45,313	47,095
Capital expenditure	(836)	(854)	(871)	(889)	(907)	(926)	(944)	(961)	(980)
Net finance income	-	-	-	-	-	-	-	-	-
Free cash flow to Equity	28,971	30,860	32,888	35,003	37,212	39,550	41,891	44,352	46,115
Discount factor	0.21	0.18	0.16	0.14	0.12	0.10	0.09	0.07	0.06
Present value of FCFE	6,209	5,670	5,180	4,726	4,307	3,924	3,563	3,234	2,883
<b>FCFF (Low)*</b>									
Net cash from operating activities	17,801	19,188	20,679	22,264	23,918	25,688	27,470	29,356	30,756
Capital expenditure	(568)	(583)	(598)	(613)	(629)	(645)	(660)	(676)	(692)
Net finance income	-	-	-	-	-	-	-	-	-
Free cash flow to Equity	17,233	18,604	20,081	21,651	23,289	25,043	26,809	28,681	30,064
Discount factor	0.21	0.18	0.16	0.14	0.12	0.10	0.09	0.07	0.06
Present value of FCFE	3,694	3,418	3,163	2,923	2,696	2,485	2,280	2,091	1,879

Exhibit 28: Year Ending - June	2034E	2035E	2036E
<b>FCFF (High)*</b>			
Net cash from operating activities	47,919	48,610	49,306
Capital expenditure	(999)	(1,018)	(1,037)
Net finance income	-	-	-
Free cash flow to Equity	46,920	47,592	48,270
Discount factor	0.05	0.05	0.04
Present value of FCFE	2,514	2,186	1,901
<b>FCFF (Low)*</b>			
Net cash from operating activities	31,415	31,970	32,529
Capital expenditure	(709)	(725)	(742)
Net finance income	-	-	-
Free cash flow to Equity	30,707	31,245	31,787
Discount factor	0.05	0.05	0.04
Present value of FCFE	1,645	1,435	1,252

## 10. Analyst Certifications

I, Abhishek Bansal, certify that all of the views expressed in this research report accurately reflect my personal views about the subject security and the subject Company, based on the collection and analysis of public information and public Company disclosures.

I, Himanshu Broota, certify that all of the views expressed in this research report accurately reflect my personal views about the subject security and the subject Company, based on the collection and analysis of public information and public Company disclosures.

### Important disclosures

Arrowhead Business and Investment Decisions, LLC received fees in 2015 and expects to receive fees in 2016 from DateTix Group Ltd for researching and drafting this report and for a series of other services to DateTix Group Ltd, including distribution of this report and investor relations services (DateTix Group Ltd has engaged Arrowhead BID to prepare the report). Neither Arrowhead BID nor any of its principals or employees owns any long or short positions in DateTix Group Ltd.

Aside from certain reports published on a periodic basis, the large majority of reports are published by Arrowhead BID at irregular intervals as appropriate in the analyst's judgment.

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This report was prepared for general circulation and does not provide investment recommendations specific to individual investors, and is not intended to be construed as financial product advice. As such, any of the financial or other money-management instruments linked to the Company and Company valuation described in this report, hereafter referred to as "the securities", may not be suitable for all investors.

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Investors are advised to gather and consult multiple sources of information when taking their investment decisions. Recipients of this report are strongly advised to read the Information on Arrowhead Methodology section of this report to understand if and how the Arrowhead Due Diligence and Arrowhead Fair Value Bracket integrate alongside the rest of their stream of information and within their decision making process.

Past performance of securities described directly or indirectly in this report should not be taken as an indication or guarantee of future results. The price, value of, and income from any of the financial securities described in this report may rise as well as fall and may be affected by simple and complex changes in economic, financial and political factors.

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Arrowhead Business and Investment Decisions, LLC is not responsible for any loss, financial or other, directly or indirectly linked to any price movement or absence of price movement of the securities described in this report.

## 11. Notes and References

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- i Source: Arrowhead BID estimate
- ii Source: Bloomberg, retrieved on February 03, 2016
- iii Source: 52 weeks to February 03, 2016 from Bloomberg
- iv Source: 3 months February 03, 2016 from Bloomberg
- v Source: Bloomberg, retrieved on February 03, 2016
- vi Source: Arrowhead BID estimate. Average of DCF and EV/MAU based valuation.
- vii Source: Arrowhead Business and Investment Decisions Fair Value Bracket – AFVBTM. See information on valuation on pages 22 - 26 of this report and important disclosures on page 30 of this report.
- viii Source: DateTix management
- ix Source: DateTix’s presentation to DateTix Group Ltd
- x Source: <http://www.statista.com/statistics/274050/quarterly-numbers-of-linkedin-members/>
- xi Source: DateTix management
- xii Source: DateTix website: <http://DateTix.com/>
- xiii Source: DateTix’s presentation to DateTix Group Ltd
- xiv Source: DateTix’s presentation to DateTix Group Ltd
- xv Source: DateTix management
- xvi Source: eMarketer: <http://www.emarketer.com/Article/Retail-Sales-Worldwide-Will-Top-22-Trillion-This-Year/1011765>
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- xxiv Source: Regulations on Online Dating Industry: <http://inlinpolicy.com/2014/online-dating-growth-regulation-and-future-challenges/>
- xxv Source: Arrowhead BID estimate
- xxvi Source: Bloomberg, retrieved on February 03, 2016
- xxvii Source: Arrowhead BID estimate
- xxviii Source: Arrowhead BID estimate
- xxix Source: DateTix management