



QUINTESSENTIAL
CAPITAL MANAGEMENT

Intelligent Investing



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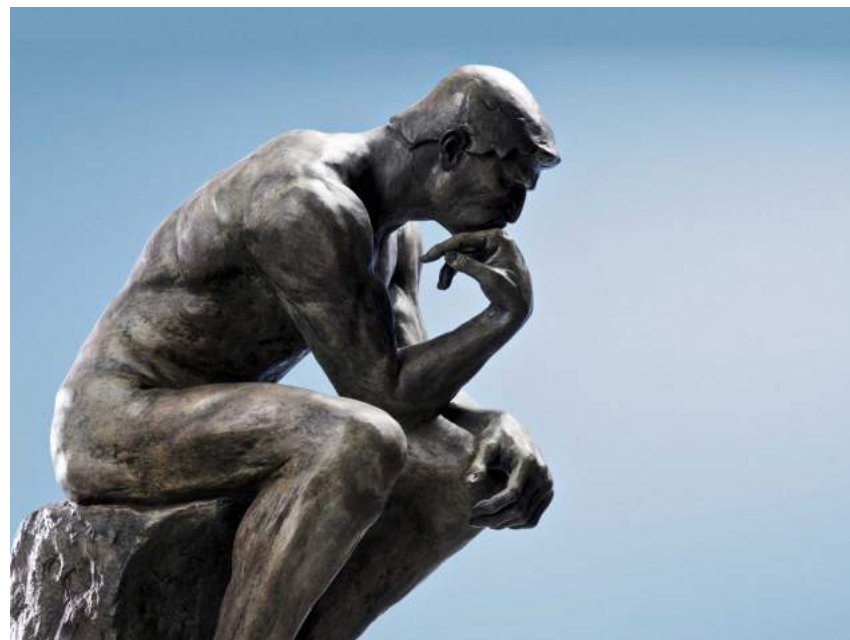
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EXPOSING CORPORATE FRAUD AND CRIME

- QCM uncovers concealed information pertaining to **catastrophic** corporate malfeasance
- We collect overwhelming evidence owing to **deep investigative due diligence**
- **Pure activist** approach with element of **surprise**



QCM: when we hit it hurts!

Reduction in Market Capitalization Following Release of Thesis

Bio-on (Italian AIM)



Market Capitalization
at Release: \$1.2b

Current Value: \$0

Folli Follie SA (ATHEX)



Market Capitalization
at Release: \$1.4b

January 2019 Value:
\$0

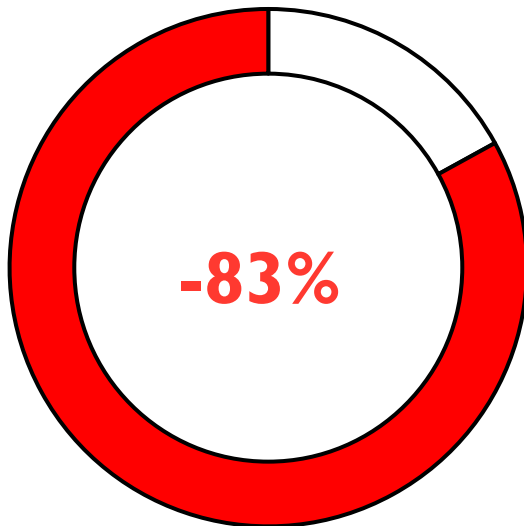
Globo Plc (LSE)



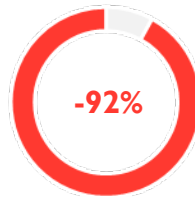
Market Capitalization
at Release: £100m

January 2019 Value:
£0

Average Campaign Impact



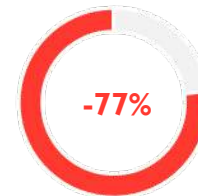
Ability Inc (NASDAQ)



Market Capitalization
at Release: \$135m

October 2018 Value:
\$11m

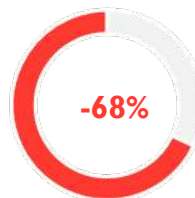
AAC Holdings Inc (NYSE)



Market Capitalization
at Release: \$730m

October 2018 Value:
\$169m

Undisclosed



Market Capitalization
at Release: ~\$500m

Low Value One Year
Post Release ~\$150m

Aphria Inc (NYSE)



Market Capitalization
at Release: \$2b

Low Value Post Release:
\$1.1b



QUINTESSENTIAL
CAPITAL MANAGEMENT

BIO-ON SPA: THE OUTCOME OF OUR LATEST CAMPAIGN...



Our latest campaign against Bio-on resulted in the arrest of the company's executives and bankruptcy of the company.



Akazoo: You Only Live Twice!

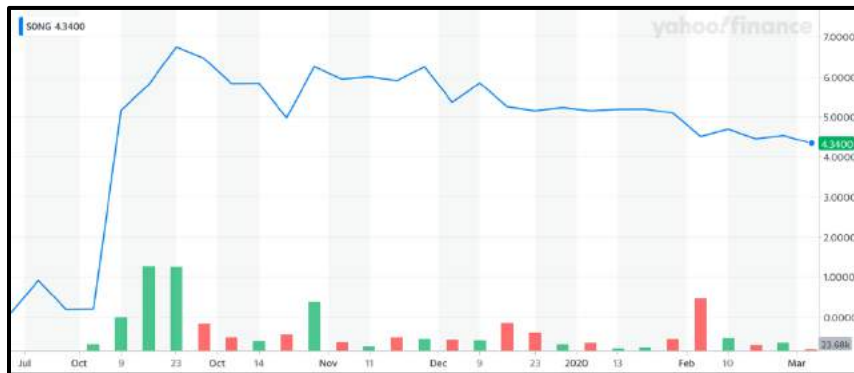
Akazoo has deceived investors for the last time



QCM is **SHORT** Akazoo (Nasdaq: SONG)



AKAZOO S.A. IN A NUTSHELL



- Formerly part of InternetQ
- Market Cap: \$219m*
- Nasdaq ticker: SONG
- Industry: media
- Segment: music streaming
- Claimed Sales: \$145m
- Claimed EBITDA: \$10m



WHAT AKAZOO WANTS YOU TO BELIEVE...

- **Successful** music streaming platform
- **44m** registered users
- **5.5m** paying subscribers
- **\$140m** yearly revenue
- **39%** revenue growth rate



QCM OPINION:

AKAZOO LOOKS LIKE AN ACCOUNTING SCHEME

- Users, subscribers, revenue and profit may be **profoundly overstated**
- Company is a **fraction of its claimed size** and **loss-making**
- Service available only in a **handful of countries** (and barely used).
- We suspect **round-tripping** between Akazoo and foreign shell companies.
- Infrastructure is **collapsing** (offices closing, employees leaving in droves)
- Several key individuals may have **ties with suspected frauds**



We believe that Akazoo is a scheme orchestrated by management to profit while egregiously deceiving investors



WHAT IS THE EVIDENCE

- Suspicious signs of **accounting manipulation**:
 - Cash inconsistencies; total lack of taxes.
- App **unavailable** in many core countries.
- Disappearing **infrastructure**
 - (undisclosed) closed offices
 - Disappearing workforce
- Suspicious **related party** transactions.
- Links with **former frauds**.
- Serious **allegations** by field sources.

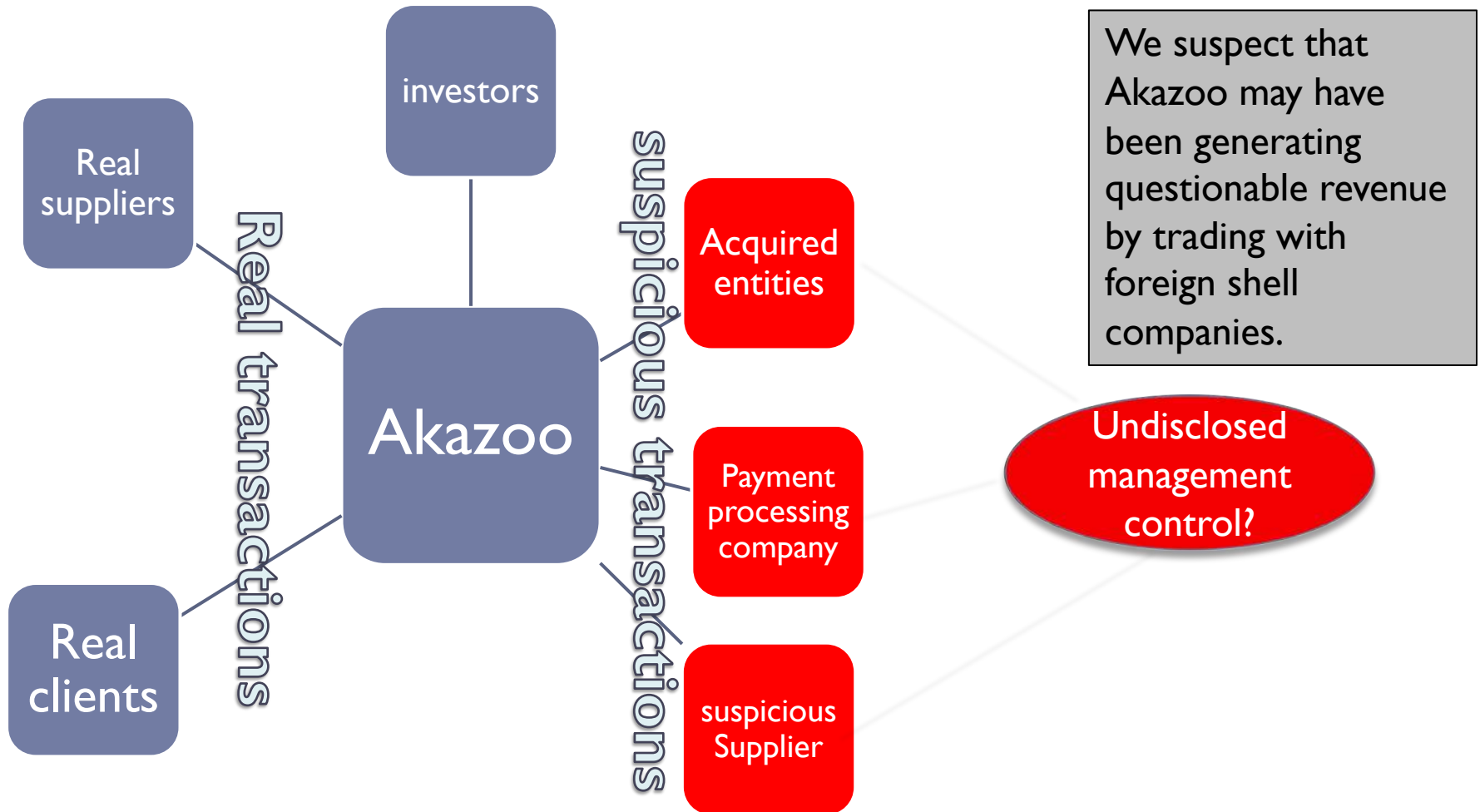


HISTORY

- Founded in 2000 by **Panagiotis Dimitroupulos** as website design company (part of InternetQ).
 - **IPO on London AIM** market in 2010
 - In 2015 InternetQ acquired **R&R** using a **\$17m** private placement provided by **Tosca/Penta**.
 - In 2016 company accused by UK blog **shareprophets.com** to be a **suspected fraud**.
 - Company **taken private** shortly after then **re-listed on NASDAQ** in late 2019 through a **reverse merger**.
- Akazoo is currently living its second, and last life.**



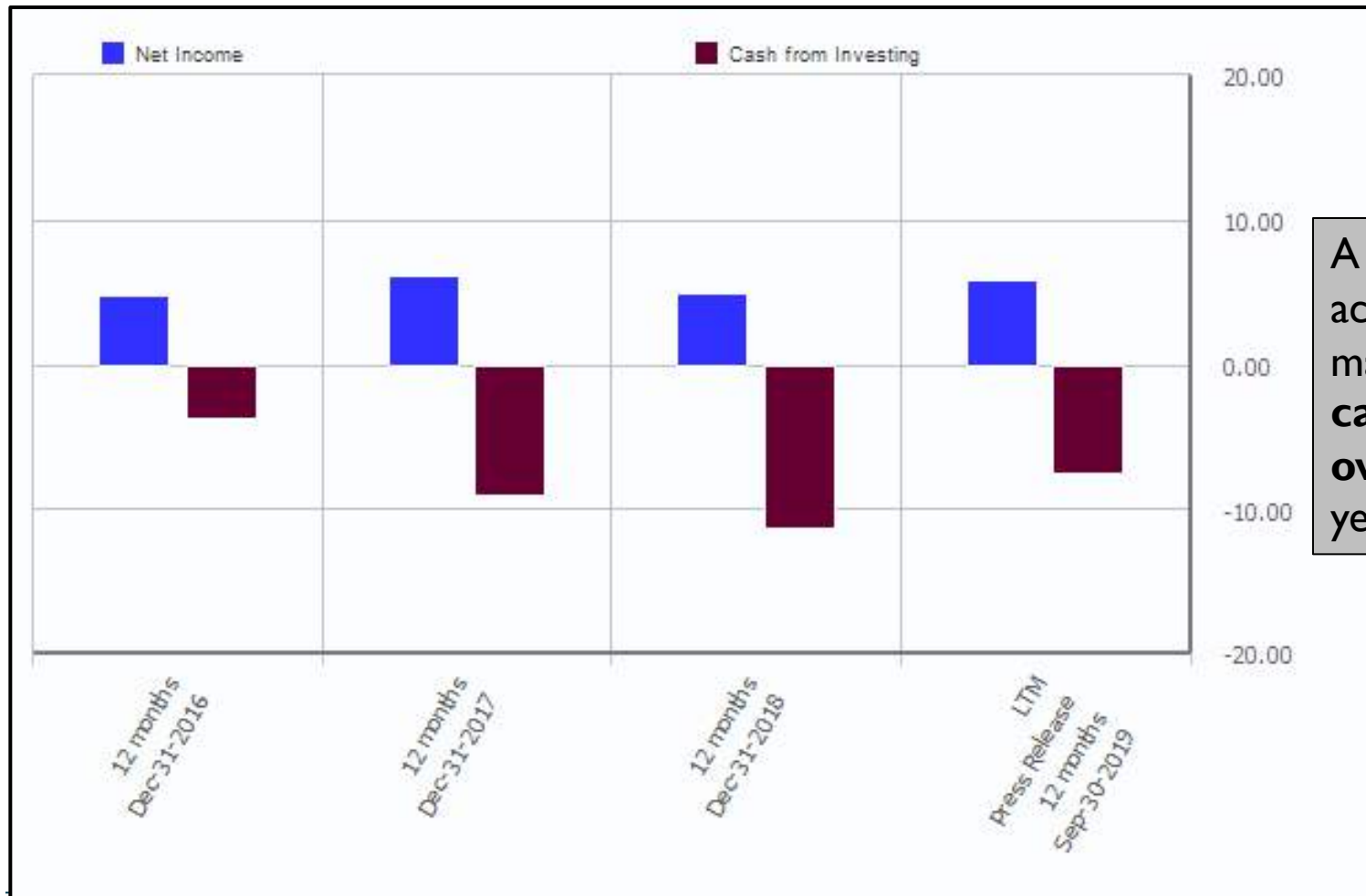
OUR OPINION ON THE DYNAMICS OF THE SCHEME



The Evidence: Financial Analysis

The company shows **glaring accounting anomalies**

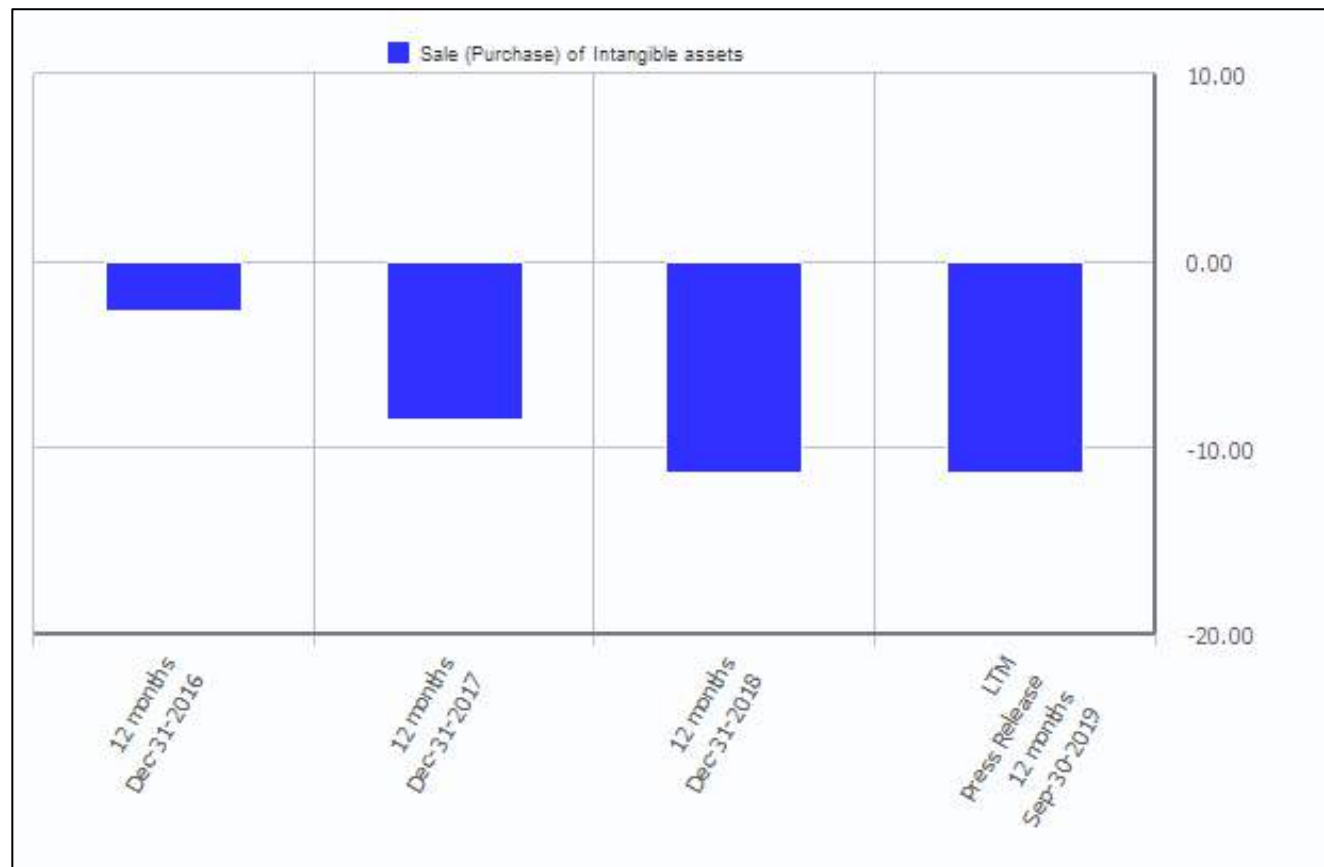
AKAZOO HAS BURNED ALMOST \$20M OF CASH IN 4 YEARS DESPITE CLAIMING MILLIONS OF PROFIT



A questionable accounting profit masks a **yearly cash burn of over \$4m per year**



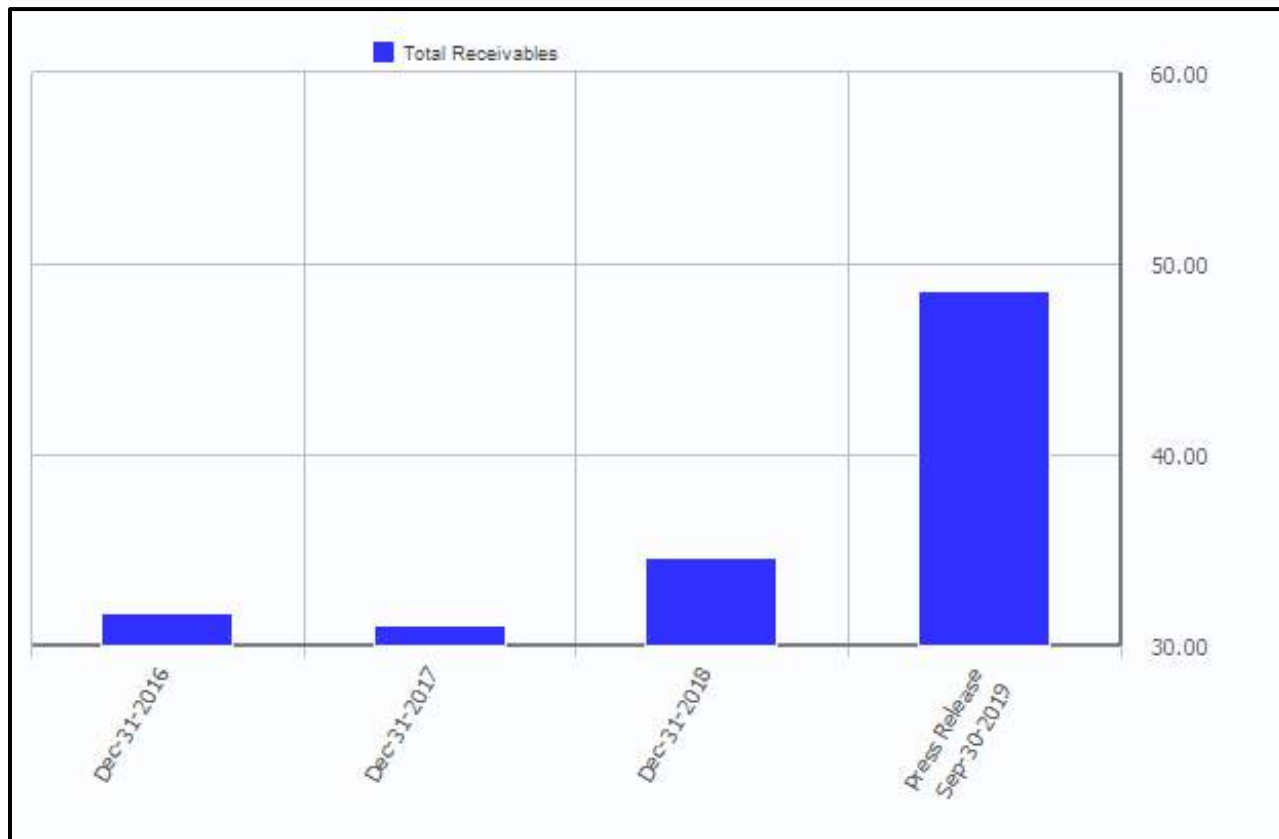
WHERE IS ALL THE CASH GOING? INTANGIBLE ASSETS...



Akazoo claims to spend over \$10m per year in «intangible assets»...really?



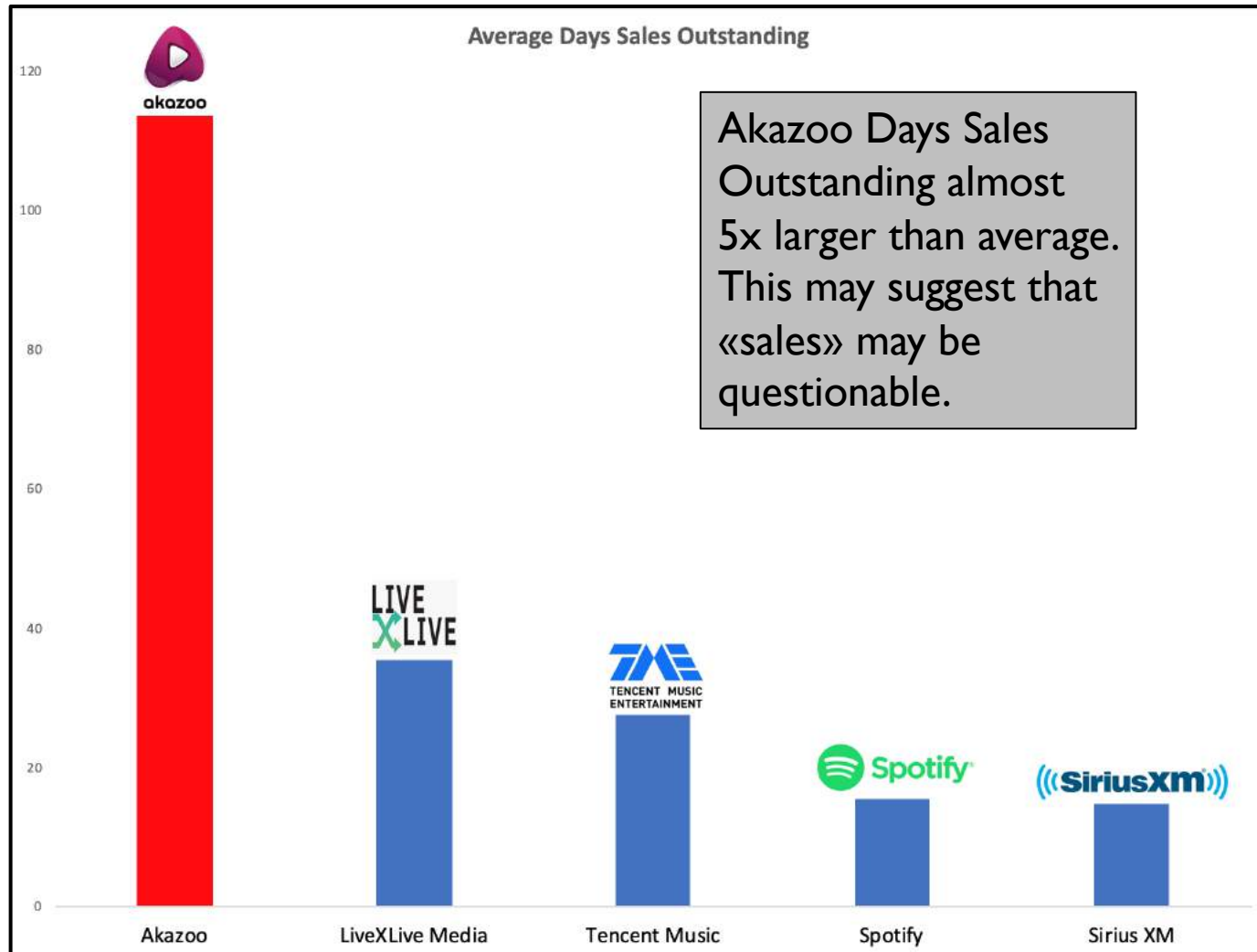
WHY AREN'T SALES TRANSLATING INTO CASH? WE SEE LARGE AND GROWING ACCOUNT RECEIVABLES...



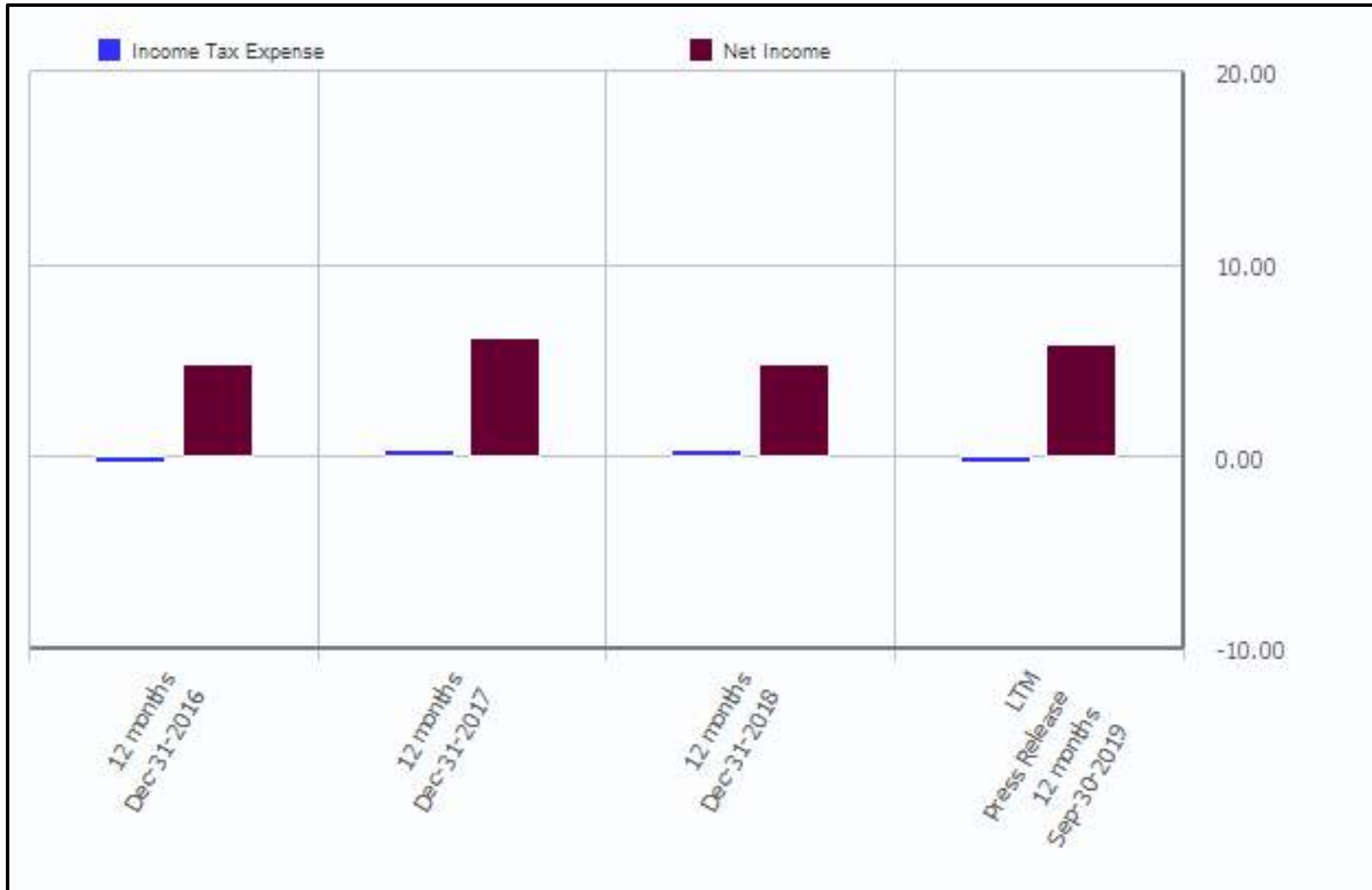
Akazoo sales don't translate in cash, but in unexplained, increasing account receivables...



...OUT OF LINE WITH INDUSTRY PEERS: AKAZOO DSO ARE A SUSPICIOUS OUTLIER...



WHY DOES AKAZOO PAY **ZERO TAXES** DESPITE CLAIMING \$22M IN PROFIT FOR THE LAST FOUR YEARS???



We use three third party tools to estimate the number of downloads of Akazoo app and traffic on its websites.

The Evidence: numerical analysis

Akazoo's operating metrics are indicative of a **far smaller company**

AKAZOO CLAIMS SUBSCRIBERS AND REVENUE COMPARABLE TO ITS COMPETITORS...

Akazoo Compares Favorably to Global Players

Akazoo's valuation per subscriber compares especially favorably to Developing / Emerging Market players, who are similarly profitable unlike most global players

akazoo Tencent Music Entertainment (1) Spotify TIDAL PANDORA DEEZER

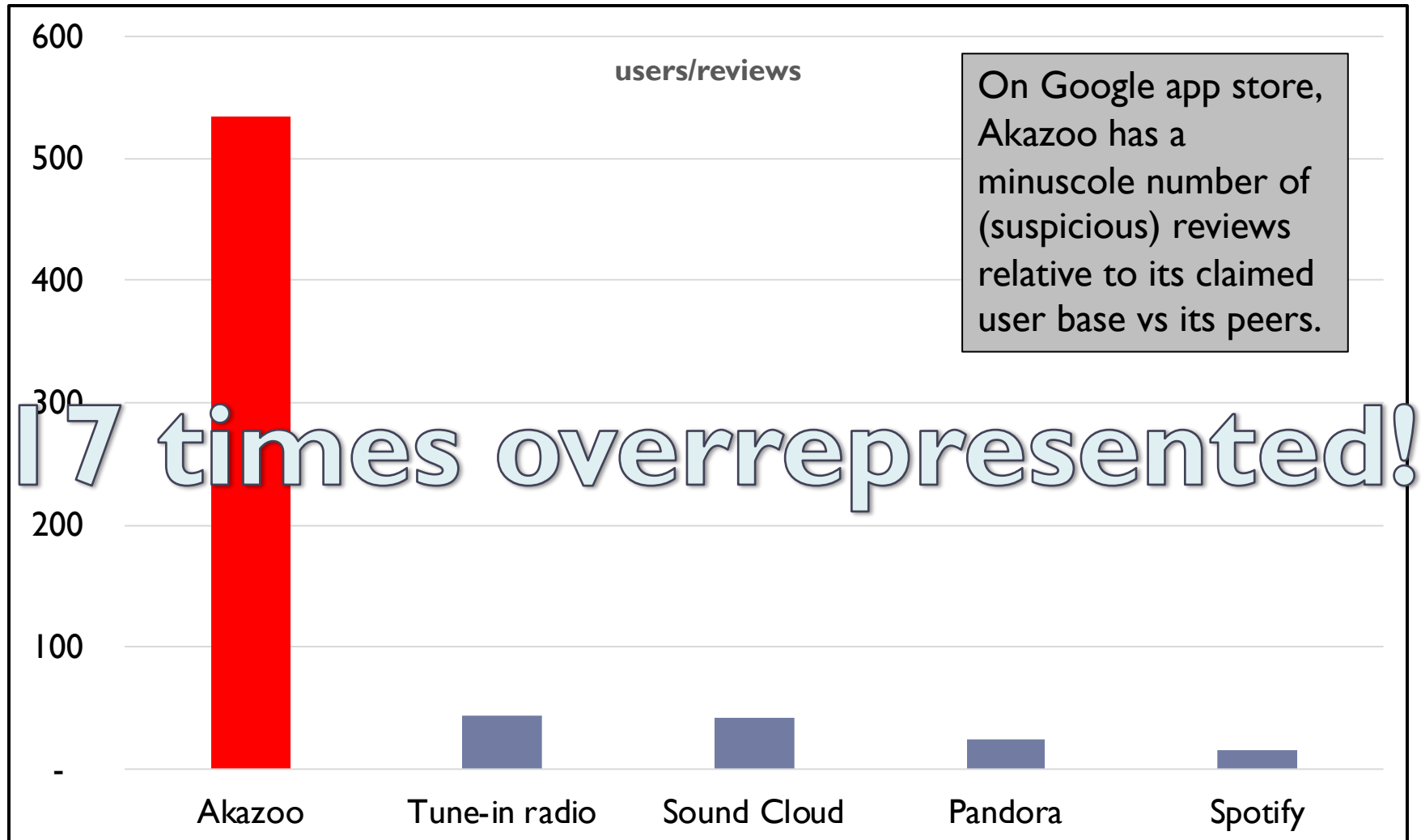
Premium Subs (Latest Available, mm) ⁽²⁾	4.3	23	87	2.1	6.8	9.0
2019E Revenue (€mm) ⁽³⁾	€134	€3,383	€6,711	€103	€1,567	€300
Valuation (€mm) ⁽⁴⁾	€413	€20,488	€18,670	€528	€2,563	>€995
Implied Valuation / Premium Sub	€96	€879	€215	€252	€377	>€111
Developing / Emerging Markets Presence	3	3	1	1	0	1
Profitable	✓	✓	×	×	×	×



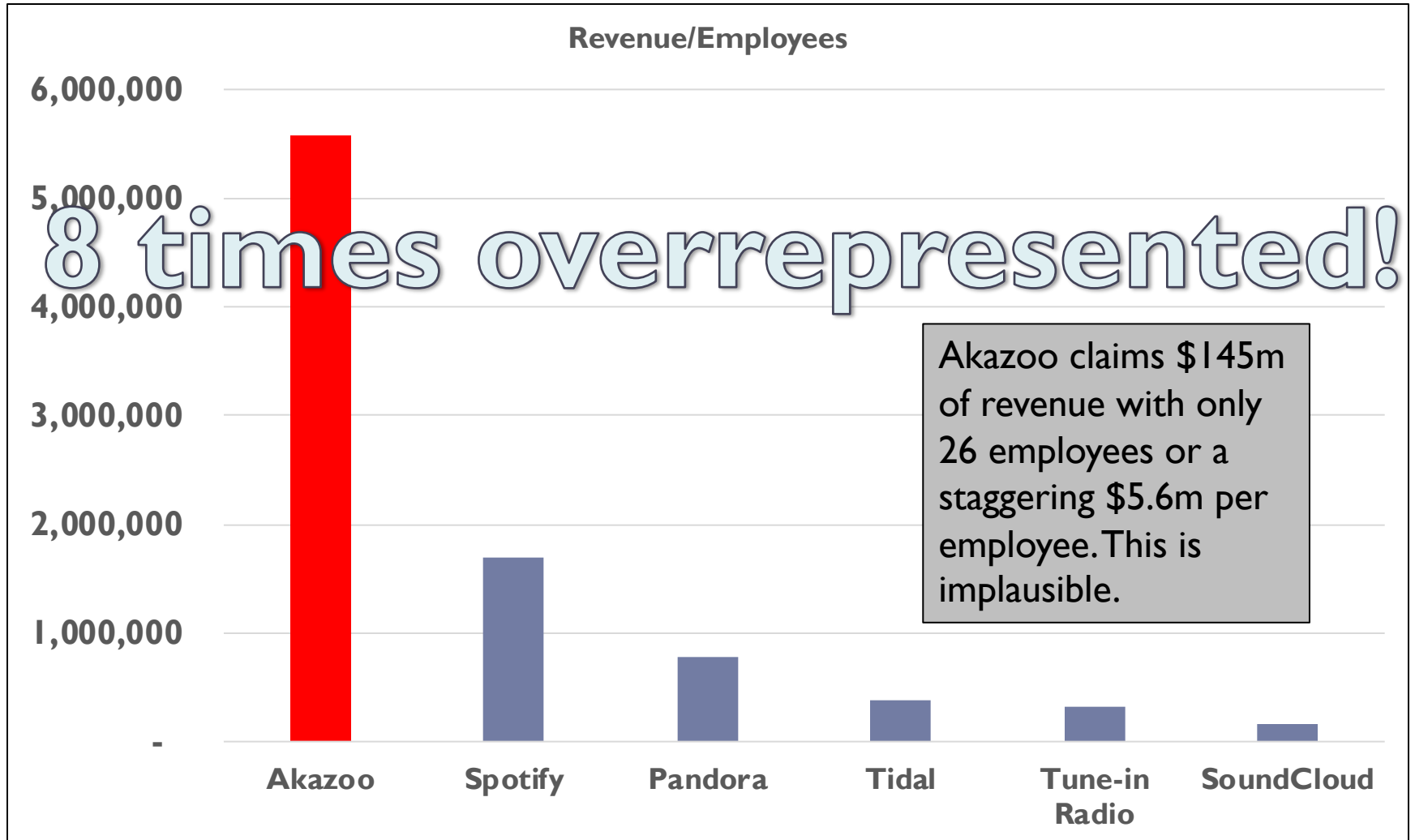
Unlikely claims appearing in Akazoo investor presentation.



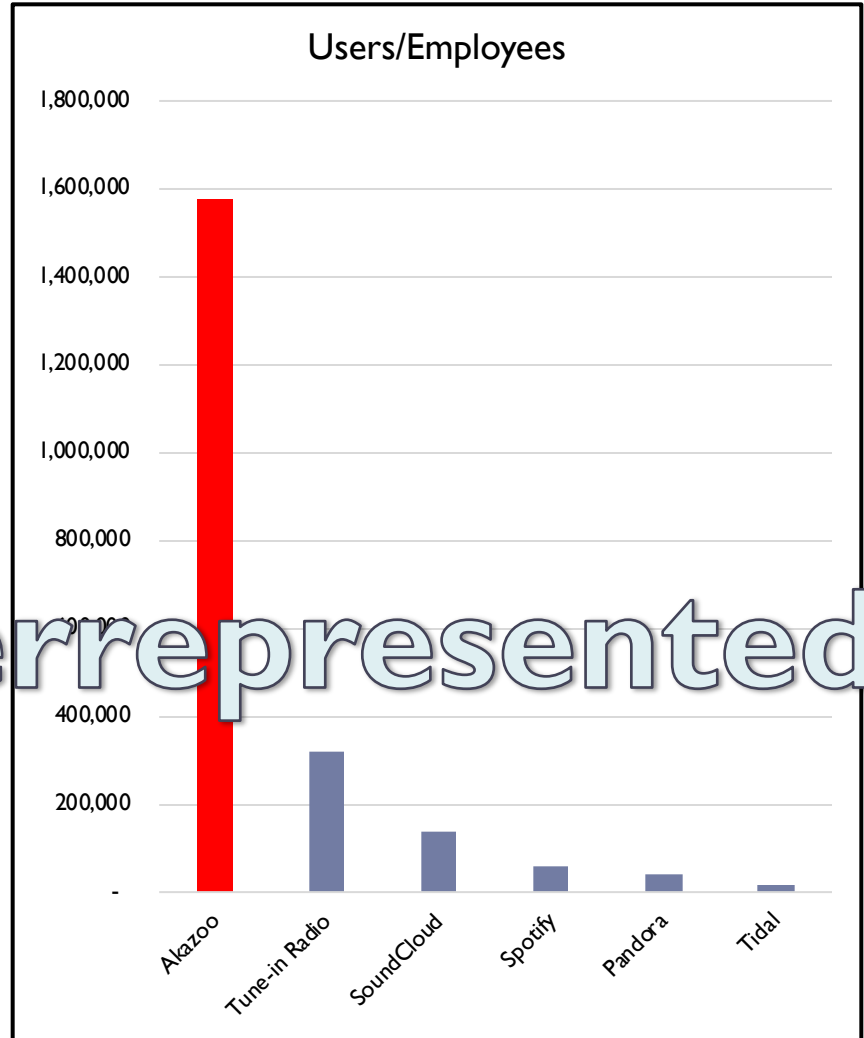
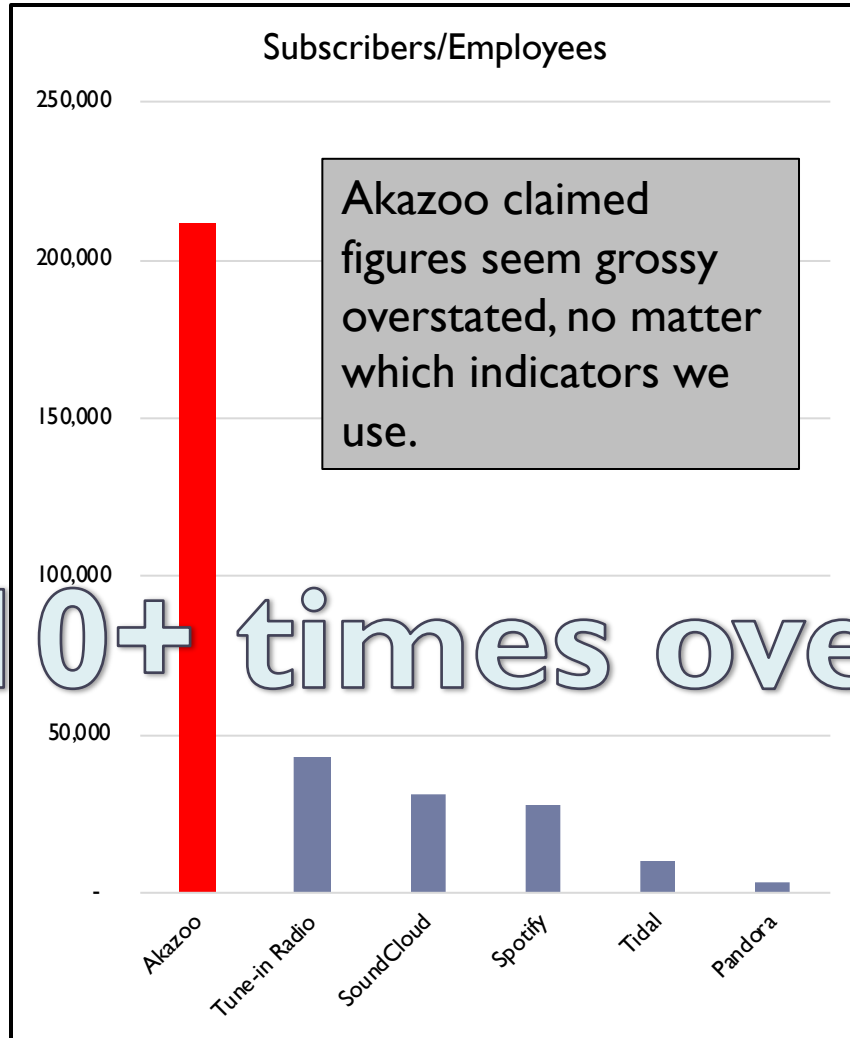
NUMBER OF USERS PER REVIEW: AKAZOO RATIO IS **17 TIMES** HIGHER THAN AVERAGE...



REVENUE PER EMPLOYEE: AKAZOO RATIO IS 8X HIGHER THAN AVERAGE...



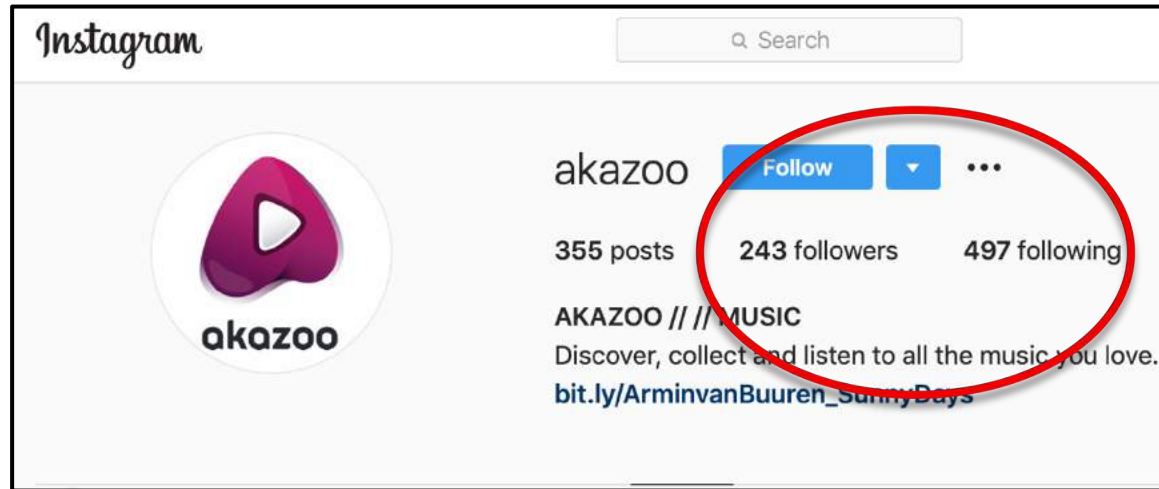
OTHER STATISTICS TELL A SIMILAR STORY...



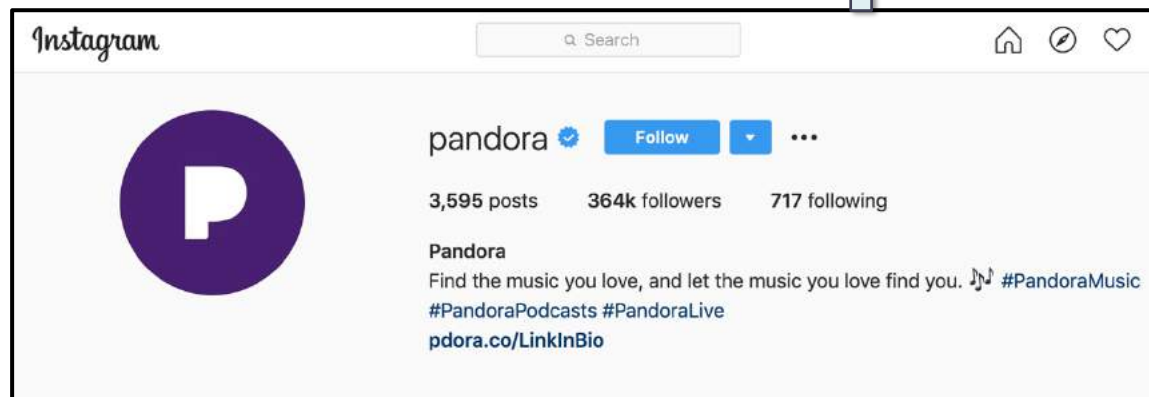
10+ times overrepresented!



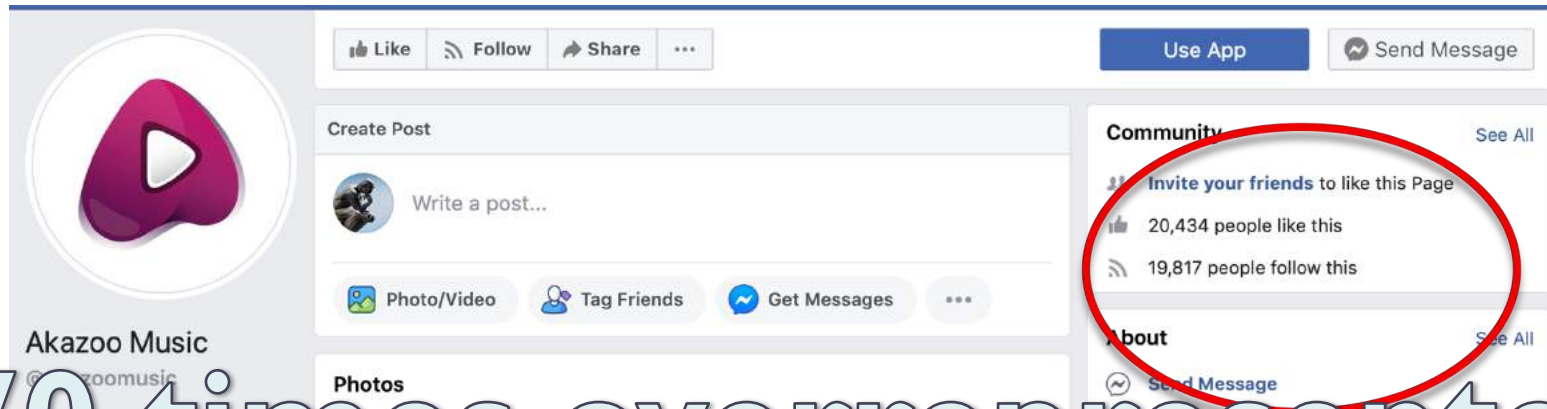
PANDORA HAS 1500 TIMES (!) MORE INSTAGRAM FOLLOWERS THAN AKAZOO (DESPITE COMPARABLE NUMBER OF CLAIMED SUBSCRIBERS)



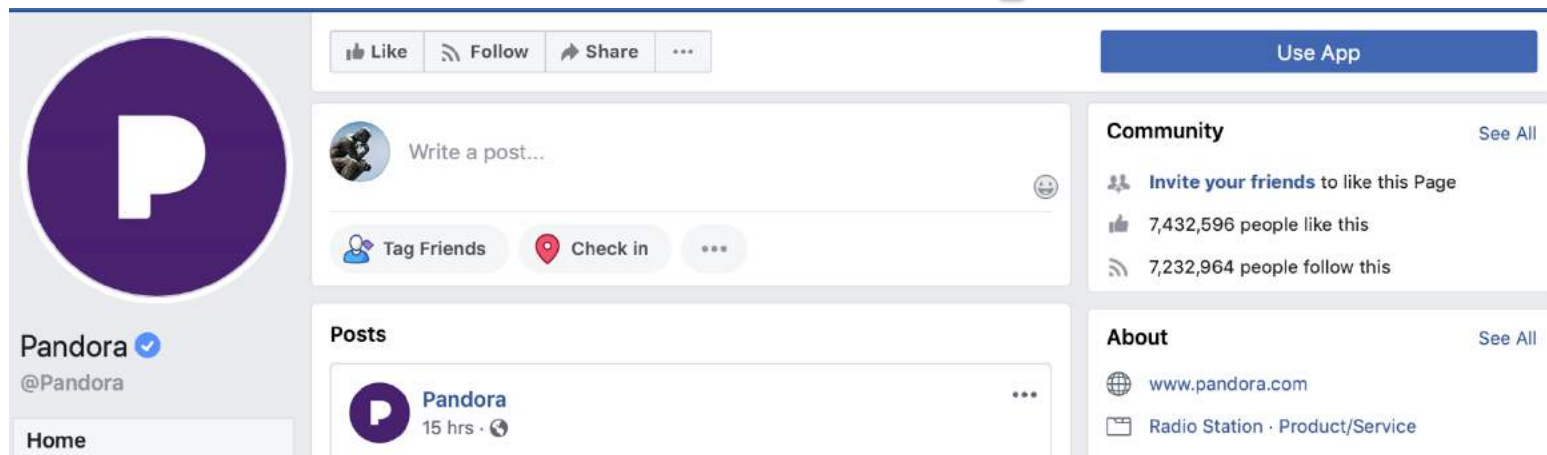
1500 times overrepresented!



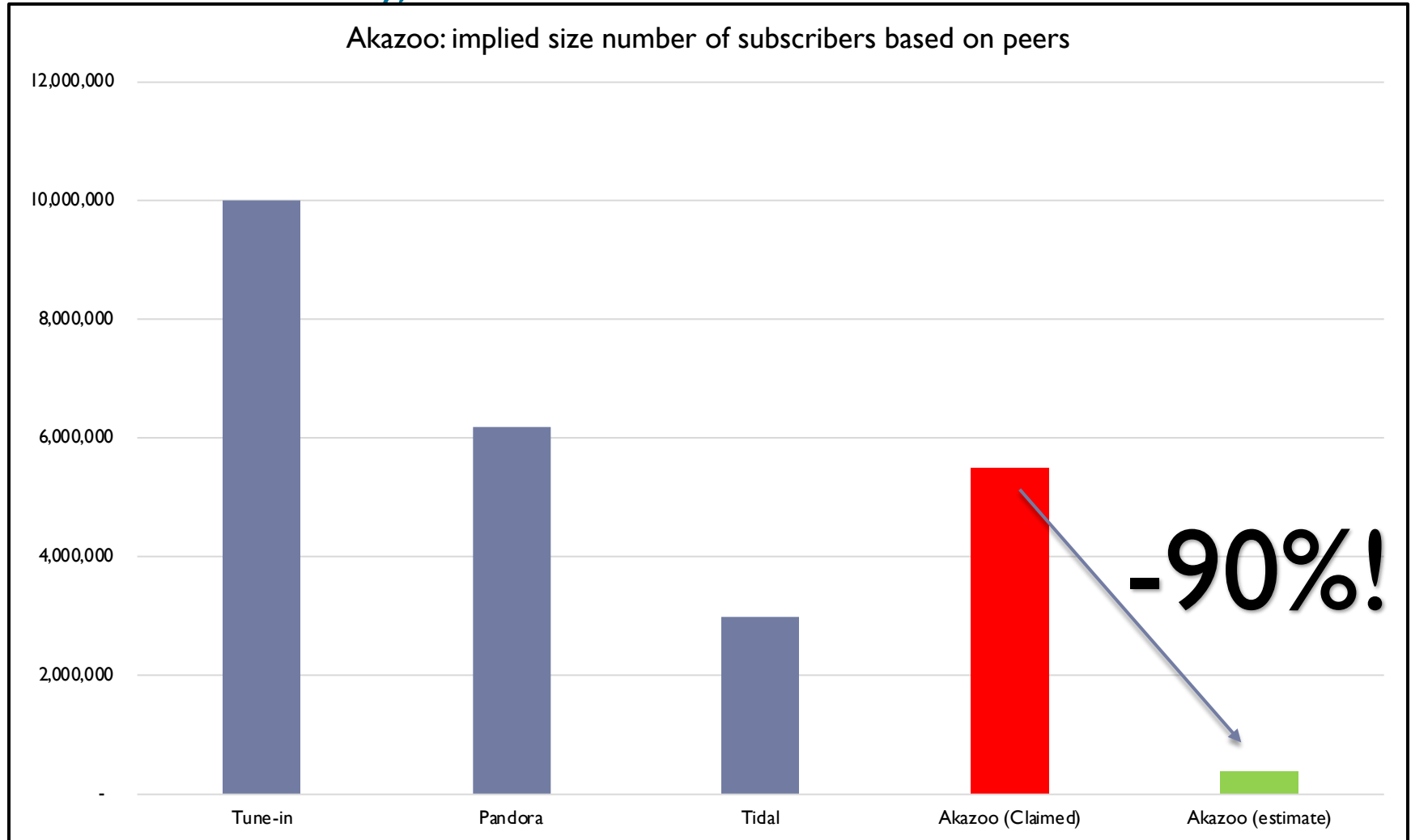
PANDORA HAS 370 TIMES (!) MORE FACEBOOK FOLLOWERS THAN AKAZOO (DESPITE COMPARABLE NUMBER OF CLAIMED SUBSCRIBERS)



370 times overrepresented!

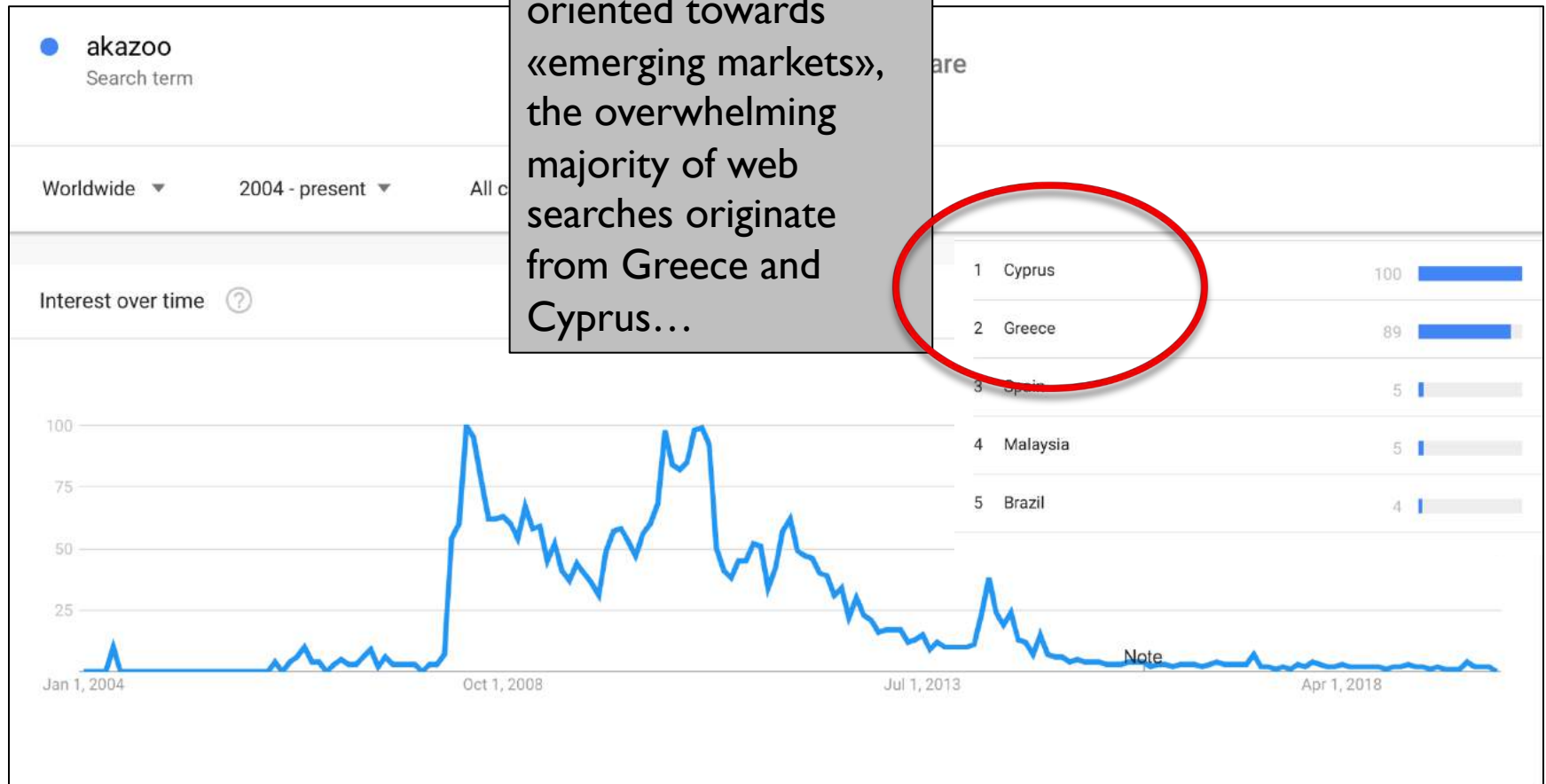


EXTRAPOLATING FROM PEER AVERAGES: AKAZOO MAY HAVE LESS THAN 400K SUBSCRIBERS (VS 5.5M CLAIMED);



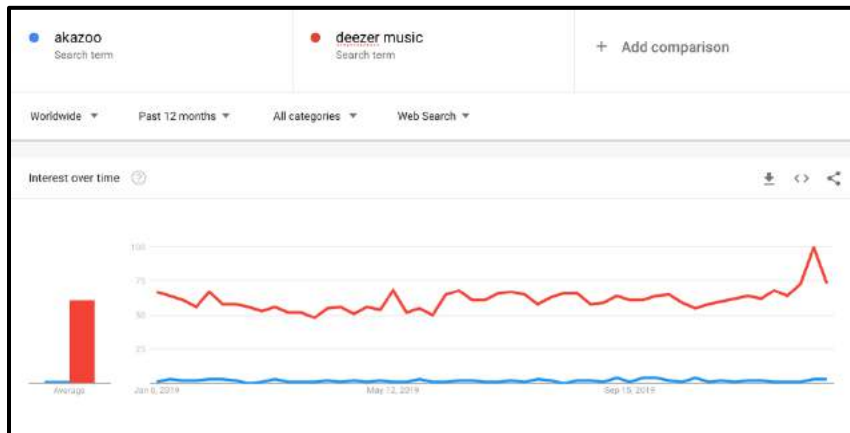
GOOGLE TRENDS SUGGEST THAT BARELY ANYONE SEARCHES FOR «AKAZOO» ANYMORE...

Despite claiming to be oriented towards «emerging markets», the overwhelming majority of web searches originate from Greece and Cyprus...

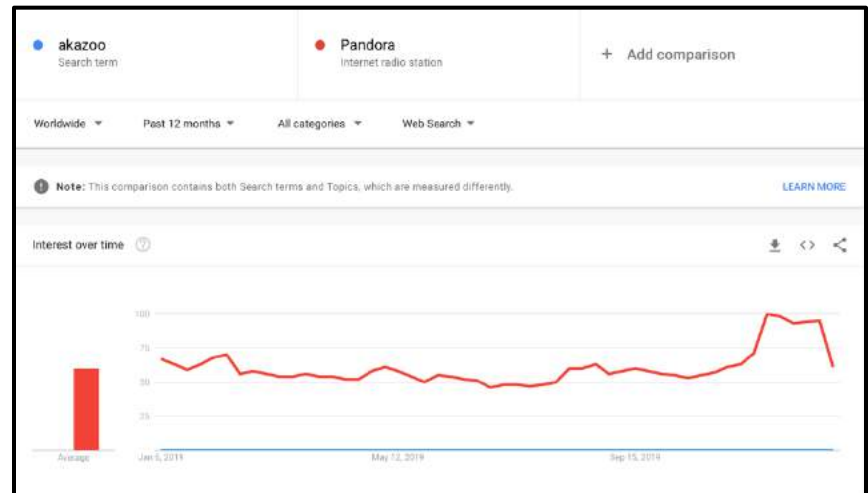


GOOGLE TRENDS: AKAZOO IS VIRTUALLY UNDETECTABLE VS. PEERS CLAIMING COMPARABLE SUBSCRIBER BASES

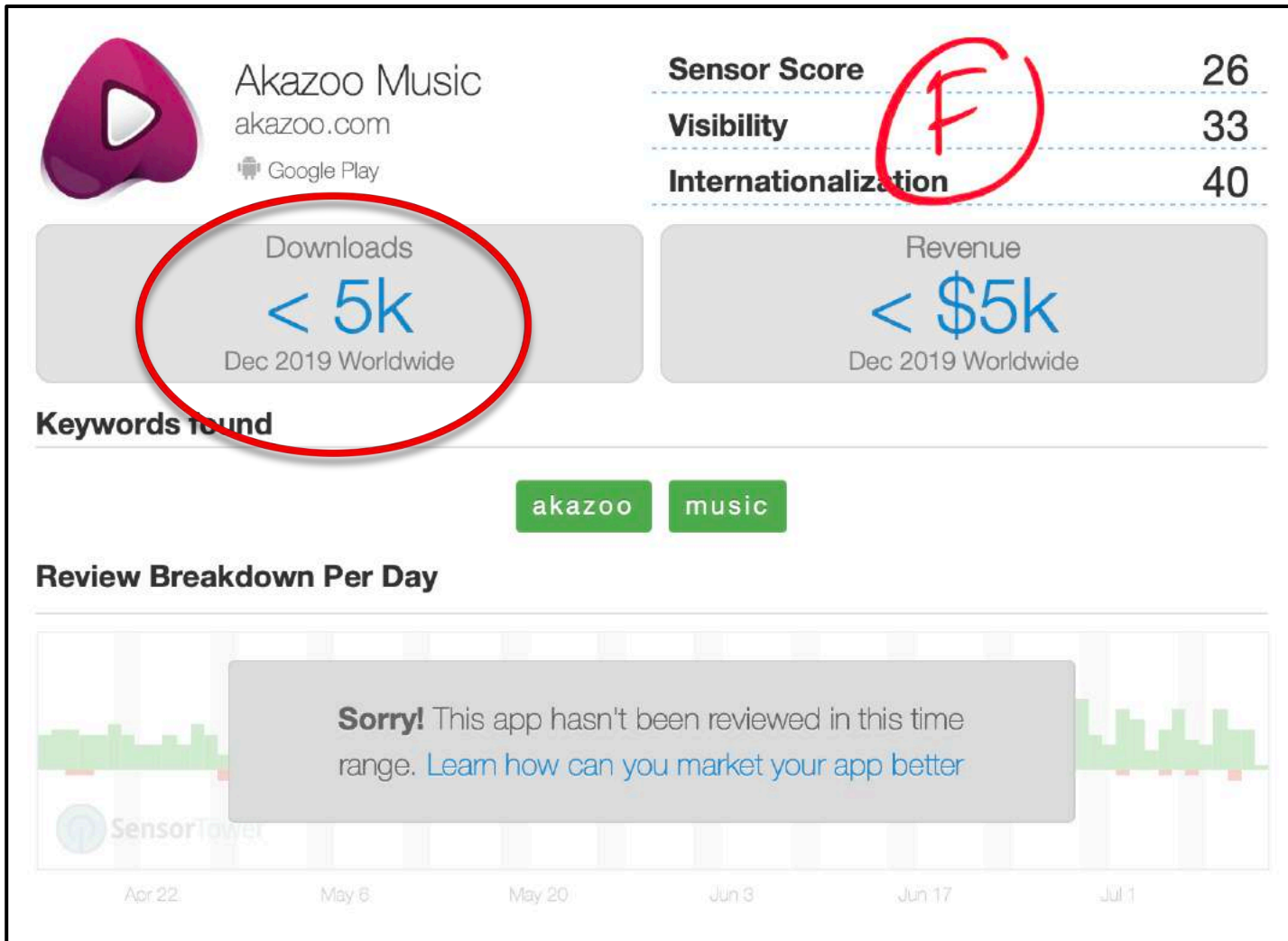
Akazoo vs Deezer



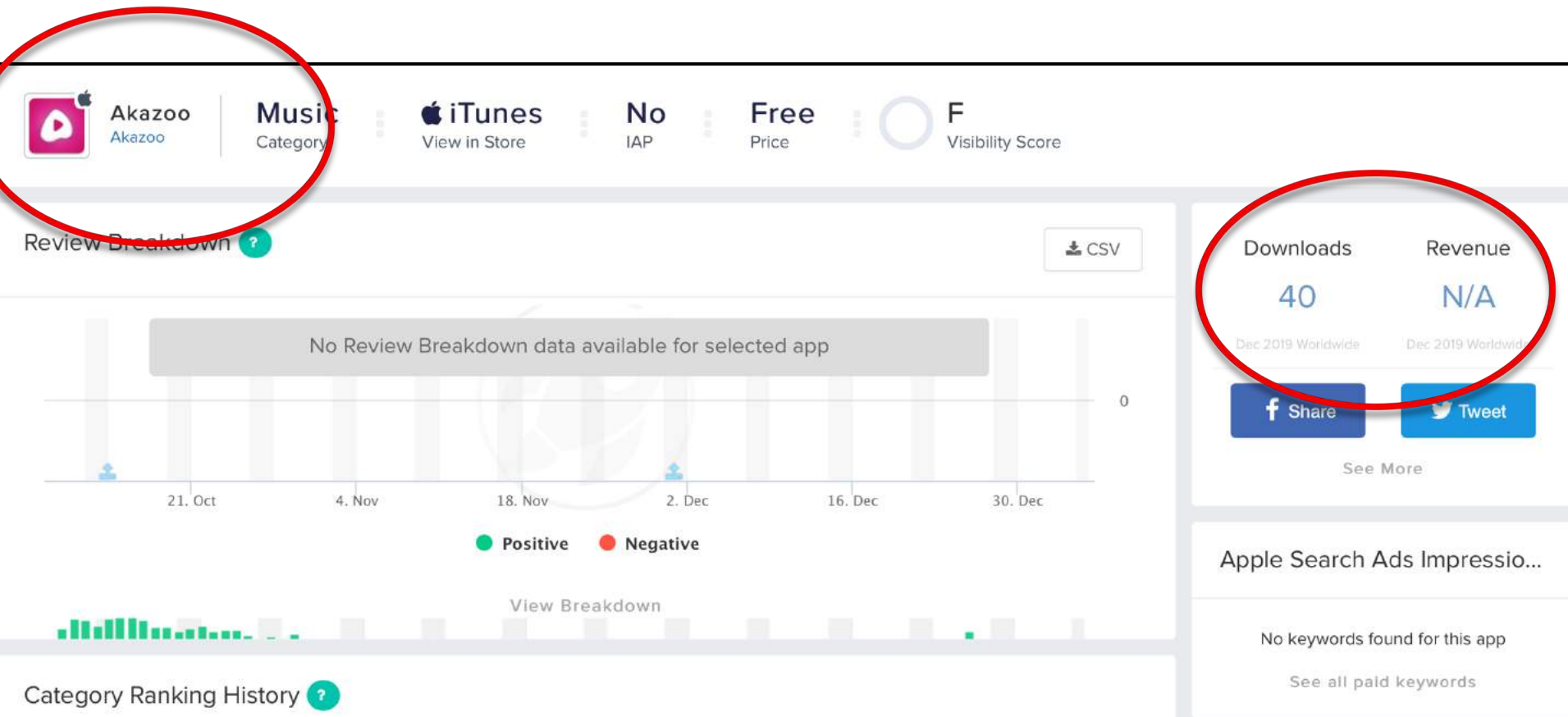
Akazoo vs Pandora



SENSOR TOWER: AKAZOO DOWNLOADS AND REVENUE BELOW DETECTABLE THRESHOLD. GRADE: F



MOBILE ACTION: ONLY 40 DOWNLOADS, UNDETECTABLE REVENUE (DEC 2019)



The Evidence: app reviews

A large portion of the (very few) reviews appearing on Google apps store, have been written by Akazoo's employees, including senior management

CURIOUS REVIEWERS OF AKAZOO...

Akazoo Music
akazoo.com Music & Audio
★★★★★ 76,685
Teen
You don't have any devices.
Add to Wishlist

REVIEWS
Most relevant ▾ All Devices ▾ All Ratings ▾

User reviews

Chris Spiliotopoulos
★★★★★ January 24, 2019
Great app and plenty of great music! I particularly like the Radio feature that automatically generates playlists for you. Really nice!

Yiannis Karalis
★★★★★ January 24, 2019
That's a pretty cool music app! I can find any music I want, and the collection of playlists is endless!

George Zervos
★★★★★ January 24, 2019

Senior solution architect at Akazoo

Chris Spiliotopoulos · 3rd
Senior Solutions Architect @ Akazoo S.A (NASDAQ: SONG)
Greece · 211 connections · [Contact info](#)

Yiannis Karalis · 3rd
Delivering Successful IT Products, Solutions & Services
Greece · 500+ connections · [Contact info](#)

Head of program delivery at Akazoo



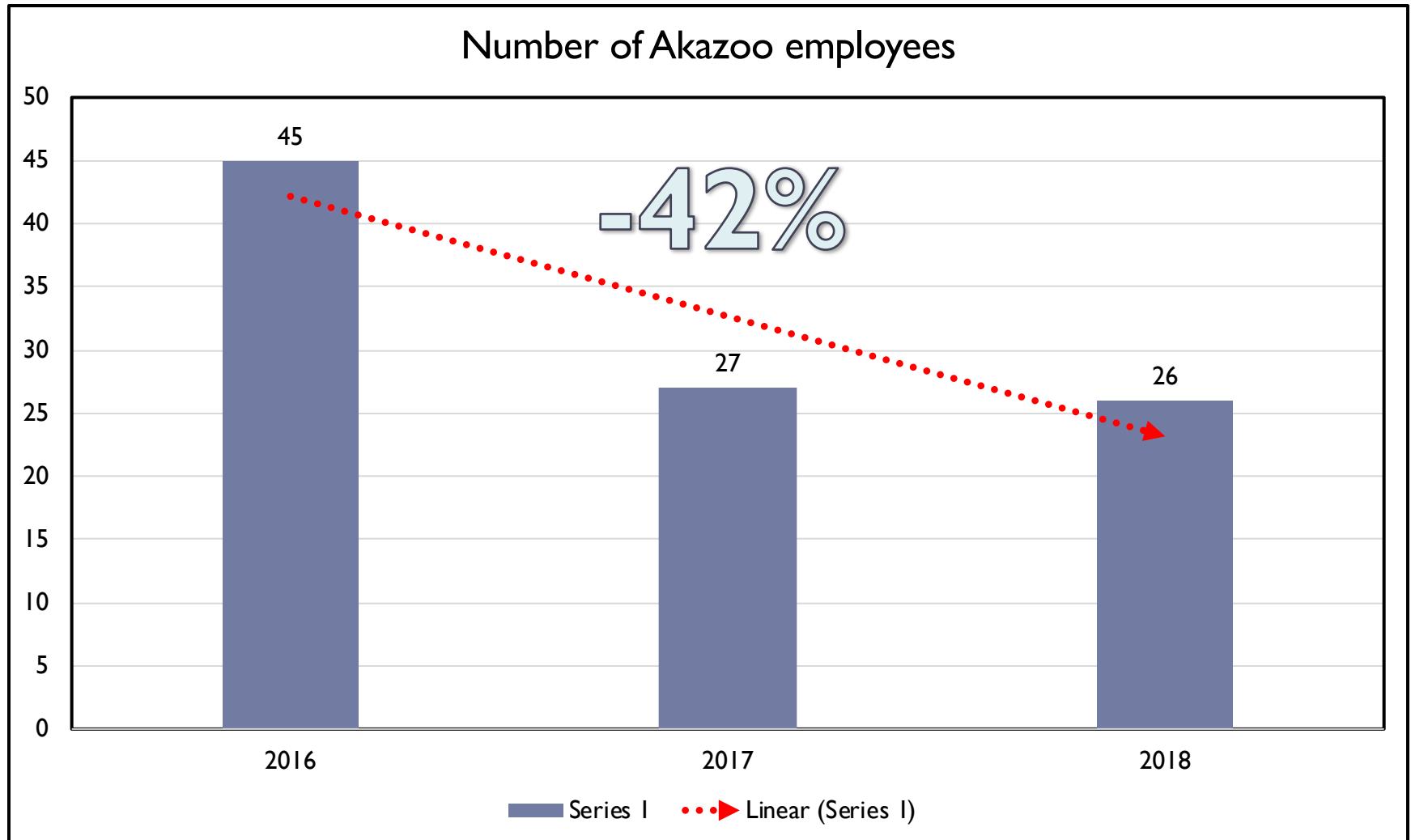
Content curation at Akazoo
(brother of the CEO?)



The Evidence: infrastructure

Despite claiming multiple offices around the world, our field due diligence revealed that Akazoo has closed offices in most of its locations.

EMPLOYEES ARE RAPIDLY DISAPPEARING...



MANY OF AKAZOO'S SUBSIDIARIES ARE LOCATED IN NON-TRANSPARENT JURISDICTIONS...

<u>Subsidiaries of Registrant</u>	
<u>Legal Name</u>	<u>Jurisdiction of Incorporation</u>
Music Intelligence Solutions, Inc.	Delaware, USA
Polyphonic Human Media Interface SL	Spain
Akazoo Spolka z.o.o.	Poland
Akazoo DWC-LLC	United Arab Emirates
Akazoo CY Ltd	Cyprus
Akazoo SA	Greece
Akazoo Ukraine	Ukraine
R and R Music Ukraine	Ukraine
Akazoo Ltd	Mauritius
Akazoo Music Limited	Republic of Ghana
Akazoo Ltd	Cameroon



AKAZOO'S MAIN OFFICE IS IN 96 KENSINGTON, LONDON. REALLY???

On SEC form 20-F

Commission File Number: 001-39042

Akazoo S.A.
(Exact name of Registrant as specified in its charter)

Grand Duchy of Luxembourg
(Jurisdiction of incorporation)

19 Rue de Bitbourg
L-1273, Luxembourg
Grand Duchy of Luxembourg
(address of principal executive offices)

Apostolos N. Zervos
Chief Executive Officer
96 Kensington High Street
W8 4SG, London

On Akazoo's website

Akazoo Limited

96 Kensington High Street,
London, W8 4SG, UK

PR & Media Inquiries

pr@akazoo.com

Investor Information

Investors@akazoo.com

Content Partners

content@akazoo.com



QCM FIELD CHECK IN LONDON AT 96 KENSINGTON

PAVILLION CENTER

Receptionist: «Akazoo left several months ago!»



CLOSED!



AKAZOO REGISTERED OFFICE IN LUXEMBOURG

Commission File Number: 001-39042

Akazoo S.A.

(Exact name of Registrant as specified in its charter)

**Grand Duchy of Luxembourg
(Jurisdiction of incorporation)**

**19 Rue de Bitbourg
L-1273, Luxembourg
Grand Duchy of Luxembourg
(address of principal executive offices)**

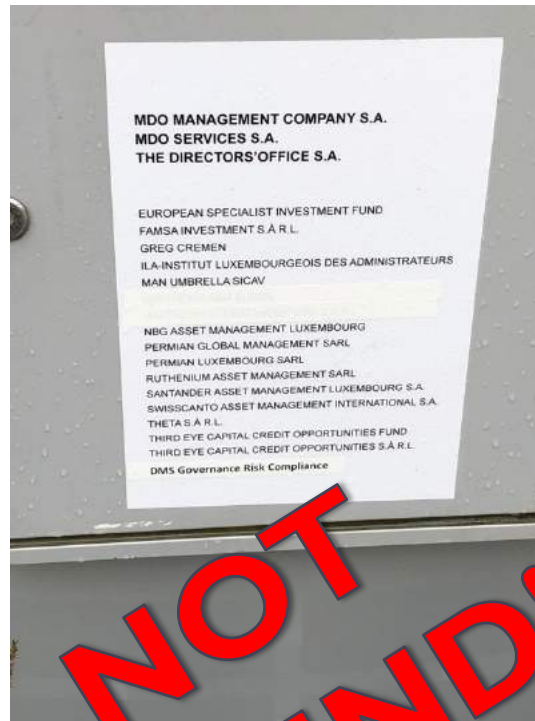
**Apostolos N. Zervos
Chief Executive Officer
96 Kensington High Street
W8 4SG, London**



QCM FIELD CHECK IN LUXEMBOURG AT RUE DE BITOURG



Akazoo name does not show up anywhere at the given registered address. (we assume this address belongs to Akazoo's lawyers.)



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R&R & INTERNETQ LONDON ADDRESSES



R&R I 0 Pentonville Rd,
London

InternetQ at 14 Old
Queen St. - London



SO WHERE EXACTLY IS AKAZOO??? IN ATHENS...

340 Kifissias Ave
Neo Psychiko, 15451
Greece



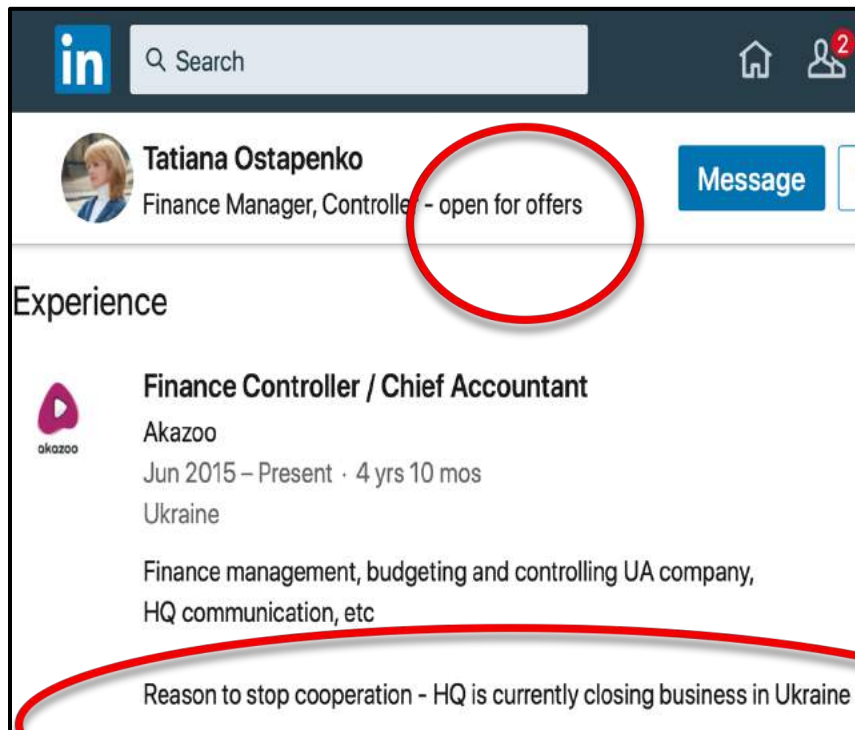
340 Kifissias Ave
Neo Psychiko, 15451
Greece



Akazoo appears located at the Athens office of InternetQ, its former parent company.



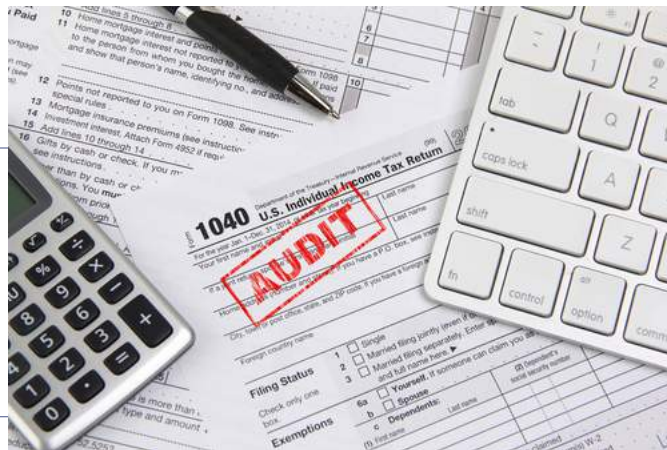
AKAZOO BUSINESS IN UKRAINE...CLOSING UP!



- Akazoo's Chief Accountant in her LinkedIn profile is **open for offers** since Akazoo is closing business in Ukraine!
- According to our sources Akazoo/R&R has **shut down** business in both the **UK and Ukraine**.

CLOSED!

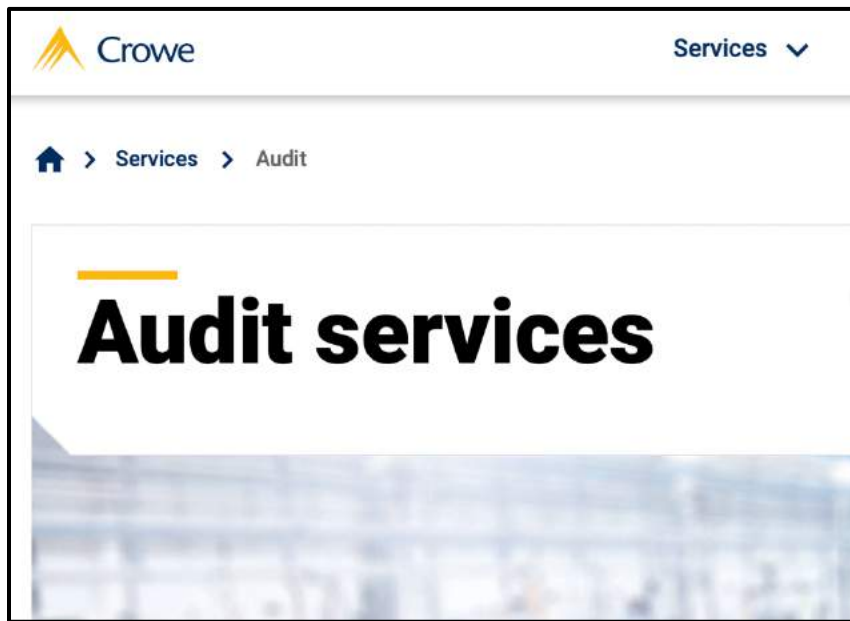




The Evidence

In theory auditors should prevent situations such as this one from occurring. However, in practice this is not always the case

CROWE LLP HAS SIGNED OFF AKAZOO'S FINANCIALS SINCE 2015...



We have served as the Company's auditor since 2015.

Crowe U.K. LLP

London, United Kingdom
7 June, 2019



UNFORTUNATELY, CROWE HAS ALSO SIGNED OFF THE ACCOUNTS OF **CORPORATE RESOURCE SERVICES*** INC...

Press Release

SEC Charges Audit Firm and Suspends Accountants for Deficient Audits

FOR IMMEDIATE RELEASE
2018-302

Washington D.C., Dec. 21, 2018 — The Securities and Exchange Commission today filed settled charges against national audit firm Crowe LLP, two of its partners, and two partners of a now-defunct audit firm for their significant failures in audits of Corporate Resource Services Inc., which went bankrupt in 2015 after the discovery of approximately \$100 million in unpaid federal payroll tax liabilities.

The SEC's order against Crowe finds that its audit team identified pervasive fraud risks in connection with its 2013 audit of Corporate Resource Services yet failed to:

- Include procedures designed to detect the company's undisclosed payroll tax obligations;
- Properly identify and audit the company's related-party transactions;
- Obtain sufficient appropriate audit evidence to respond to these fraud risks, support recognition of revenue, and otherwise support the audit opinion;
- Evaluate substantial doubt about the company's ability to continue as a going concern; and
- Conduct a proper engagement quality review.

The order also finds that Crowe was not independent as a result of an ongoing direct business relationship with Corporate Resource Services. According to the order, the audit deficiencies occurred despite the involvement of Crowe's national office, which was aware of the high-risk nature of the engagement and the inability to obtain appropriate evidence. The order also finds that Crowe's engagement partner, Joseph C. Macina, and engagement quality reviewer, Kevin V. Wydra, caused Crowe's audit failures.



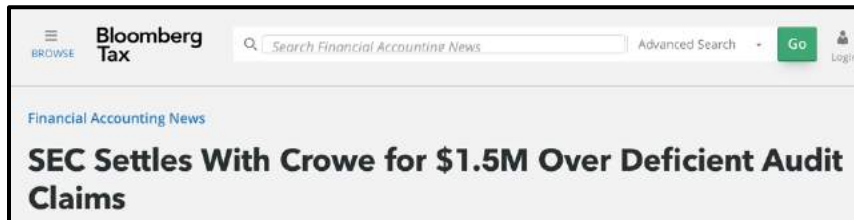


THE SEC DETERMINED THAT CROWE:

- The SEC's order against Crowe finds that its **audit team identified pervasive fraud risks** in connection with its 2013 audit of Corporate Resource Services yet failed to:
- Properly identify and audit **the company's related-party transactions**;
- Obtain sufficient appropriate audit evidence to respond to **these fraud risks**, support **recognition of revenue**, [...]
- Evaluate substantial doubt about the company's ability to continue as a going concern; and
- [...] **Crowe was not independent** as a result of an ongoing **direct business relationship** with [its client] [...] Crowe's [...] **was aware of the high-risk nature of the engagement** and the inability to obtain appropriate evidence.



CROWE AND THE SEC - EPILOGUE



- Crowe was **fin**ed **\$1.5m** to settle the charge.
- The SEC charges look to us similar to **the issues we suspect are happening at Akazoo.**
- The fact that Akazoo is using such an audit firm is **highly suspicious** to us



HOW CAN COMPANIES EVADE AUDITORS CHECKS?

- Main auditors typically check only the consolidated accounts.
- Akazoo subsidiaries are NOT audited by Crowe, but by little known local accountants.
- These local accountants do not have the same trustworthiness.
- We have witnessed exactly the same situation at Globo Plc and at Folli Follie.



THE EVIDENCE

Inaccurate information about geographic reach and possible
copyrights infringement

IN HOW MANY COUNTRIES EXACTLY DOES AKAZOO SELL ITS MUSIC?

Akazoo's claims (*SEC filing Form 424 (b)(3)*):

*“Akazoo currently operates in **25 countries** throughout the world and PubCo may further expand its geographies throughout its future operations.”*

*“Akazoo's revenue is derived primarily in emerging markets (including **Poland, Russia, Malaysia, Thailand, Indonesia, Ecuador, Brazil and Mexico**, among others).*



AKAZOO CLAIMS PRESENCE IN THESE COUNTRIES (FROM PRESENTATION TO INVESTORS)

Akazoo owns a first-mover advantage in EM, which comprises a population of over 1.4 billion people⁽¹⁾



QCM CHECK: EVIDENCE SAYS OTHERWISE...

- QCM has attempted to open an account in dozens of countries.
- We succeeded in opening an account (using a VPN) only in Poland, Malaysia, Indonesia, Greece, Cyprus.
- For other countries we tried, including those where Akazoo claims to be active in, we received the following message:

“We would really like to be here. For now, our service is not available in your country. Please check back, you never know.”



WE COULD REGISTER ONLY IN 5 COUNTRIES (OUT OF 25 CLAIMED): WE DETECTED NO SIGNIFICANT USAGE ANYWHERE

Poland		Orange partnership no longer in place. Can register, but negligible user volume*.
Russia		App exists, but cannot register.
Brazil		App exists, but cannot register.
Indonesia		App exists, can register. Negligible usage.
Malaysia		App exists and can register, but negligible usage.
Greece, Cyprus		Can register.
Thailand, Mexico		Can't register.



QCM CHECK: MUSIC DISTRIBUTORS

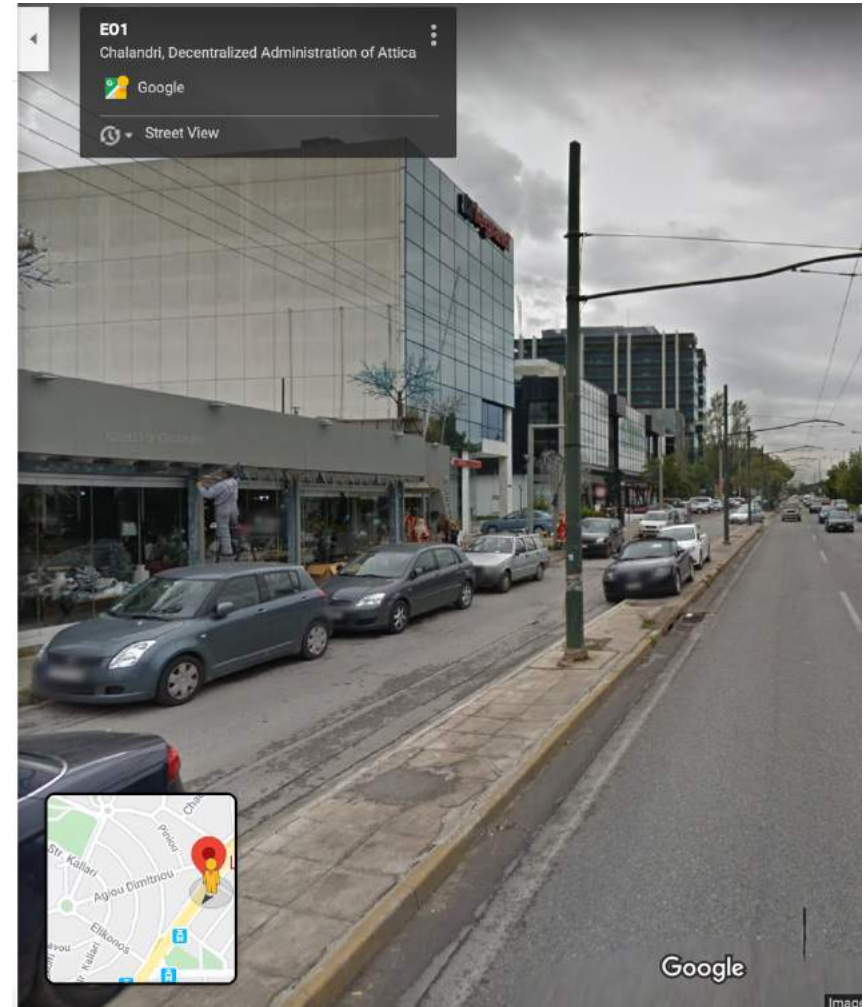
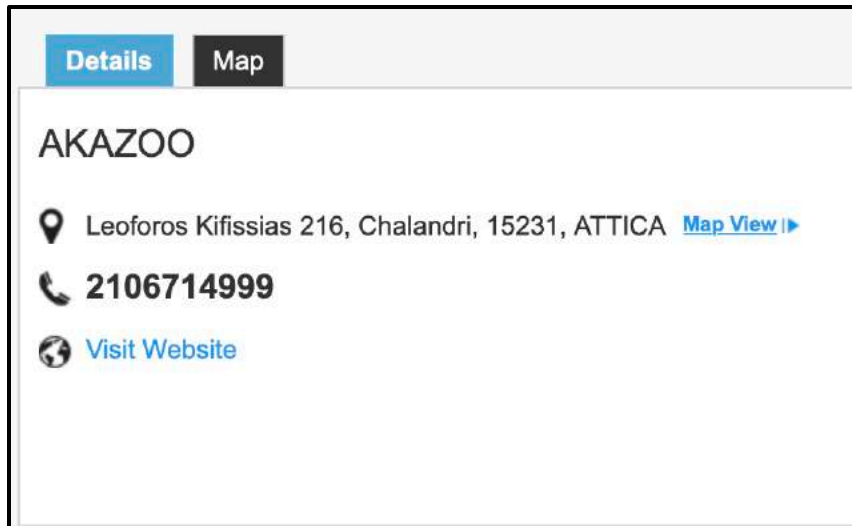
- We checked with **Sony Music**, a major music distributor to Akazoo.
- **Akazoo has purchased distribution rights for only 5 (five) countries, namely:**
 - **Greece, Cyprus, Poland, Ghana and Malaysia.**
- **We fear that either Akazoo is lying about its geographic reach (25 countries claimed) or may be breaching music copyrights.**



THE EVIDENCE

Claims from field sources

AKAZOO SUSPECTED FAKE OFFICE IN ATHENS



AKAZOO MAY HAVE VIOLATED GDPR RULES

- In Greece Akazoo has a partnership whereby Viber users would have access to Akazoo music.
- This may have allowed Akazoo access to end users' contact list in their smartphones.
- Our investigation suggests that the company may have used such data to spam promotions via sms.



If true, this might be against GDPR (EU
online privacy) rules



THE EVIDENCE

Ties with former frauds

AKAZOO: EMPLOYER OF CHOICE FOR ACTUAL AND SUSPECTED EX-FRAUDSTERS?

- A surprising number of Akazoo's employees and managers were formerly employed at **Globo Plc** (a fraud exposed by QCM) and at **Velti** (a suspected fraud)
- Given the similarities between Globo and Akazoo, we are not surprised...



WILL AKAZOO END UP LIKE VELTI AND GLOBO?

Velti's downfall



Globo's downfall



AKAZOO CEO ZERVOS IS A FORMER SENIOR MANAGER AT DISGRACED COMPANY VELTI



Apostolos N. Zervos

2nd

CEO at Akazoo

Forward thinking and sales driven digital/r builder and creative digital marketing stra

📍 London, England Metropolitan Area

Current  CEO at Akazoo • 9 yrs 6 mos

Experience



CEO

Akazoo

Oct 2010–Present • 9 yrs 6 mos
London, United Kingdom



Chief Strategy Officer

InternetQ PLC.

Oct 2010–Jul 2015 • 4 yrs 10 mos



Senior Manager, Innovation

Velti

Aug 2008–Oct 2010 • 2 yrs 3 mos



23% OF AKAZOO'S WORKFORCE USED TO WORK FOR EITHER GLOBO OR VELTI*

- 2 former Globo employees at Akazoo
- 4 former Velti employees at Akazoo
- 20 former Velti employees at InternetQ
- 4 former Velti employees at Minimob
- 3 former Globo employees at InternetQ



THE CURIOUS CASE OF SOLUTION SYSTEM TOUCHMEDIA

- Touchmedia (now Veoo Malaysia) is a Malaysian company related to InternetQ's CEO Panagiotis Dimitropoulos.
- Touchmedia performs «**monthly billing and collection of revenues from the Malaysian Operators***»
- We find it **highly suspicious** that the CEO of Akazoo's former parent company controls a payment processor in charge of billing and collection of revenues.
- Obviously this situation, if it exists today as well, may lead to conflicts of interest and enable dishonest behavior.

Transactions with key management personnel

I-POP Networks Pte Ltd, an entity of the Group entered into an agreement with Solution System Touchmedia Sdn Bhd (SSTM) incorporated in Malaysia and related to the Group's CEO Panagiotis Dimitropoulos, for the provision of the following services a) Monthly billing of Malaysia Operators, and b) collection of revenues from the Malaysian Operators and payment of the short code fees. The Agreement can be terminated by either party at any time with a notice of 90 days before such termination. For



CONCLUSIONS

- Akazoo appears to be a far smaller company than it claims to be and a rapidly shrinking one.
- Official figures show irreconcilable discrepancies with objective data collected by QCM.
- Accounting and audit history show worrying red flags.
- Allegations of fraud and other serious breaches by a field sources.

The facts lead us to believe that Akazoo is a scheme orchestrated by management to profit while egregiously deceiving investors



WHAT IS LIKELY TO HAPPEN?

- If our allegations are correct, Akazoo's **financials may prove false**.
- The company may have made **serious misrepresentations** on official SEC filings.
- Akazoo may be simply a gross exercise of **deception** to investors and its equity be correspondingly **worthless**.
- Our target price is **zero**.



QCM has sent a copy of this report to the Securities and Exchange Commission



AKAZOO FOUNDER'S CURIOUS TASTE IN MUSIC: TIME TO COME CLEAN DIMITRI!

The image shows a screenshot of a Spotify profile for Dimitropoulos Panagiotis. The profile header includes a profile picture, the name "Dimitropoulos Panagiotis", and statistics: "24 obserwowani" and "34 obserwujący". Below the header are tabs for "OMÓWIENIE", "LISTA ODTWARZANIA", "ALBUMY", and "WY". The "Najnowsze" (Newest) section lists several tracks. A red oval highlights the first two tracks, "End To The Lies" and "Been Caught Stealing". An arrow points from this oval to a larger, magnified view of these two tracks on the right side of the image. The magnified view shows the track titles and their respective album art. A laughing emoji is placed to the right of the magnified view.

PROFIL MUZYCZNY
Dimitropoulos Panagiotis
przestań obserwować
24 obserwowani | 34 obserwujący

OMÓWIENIE LISTA ODTWARZANIA ALBUMY WY

Najnowsze

Track Name	Duration	Album Name
End To The Lies	3:35	The Great Escape Artist
Been Caught Stealing	3:35	Ritual De Lo Habitual
This Years Love	4:06	Music From: The Girl Next Door
Sound And Vision (2013)	1:50	Sound And Vision
Mannishboy	2:56	Rock 'N' Roll Trackback - The Best...

End To The Lies
Been Caught Stealing

😂



You Only Live Twice

