Zacks Small-Cap Research

January 27, 2015

Lisa Thompson
312-265-9154
lthompson@zacks.com

scr.zacks.com

10 S. Riverside Plaza, Chicago, IL 60606

CUR Media Inc. (CURM-OTCBB)

CURM: Zacks Company Report – Momentum Builds as Company Announces Alpha Release

Current Recommendation	**Outperform**
Prior Recommendation	Neutral
Date of Last Change	08/17/14
Current Price (01/26/15)	$1.00
12- Month Target Price	**$3.00**

OUTLOOK

As a development stage digital music business with a unique product offering and royalty structure, we see CÜR Media as a potential winner in the music industry shift from physical media and digital downloads to streaming content. With its industry insiders and low valuation versus venture-backed start-ups, we believe investors with a high-risk tolerance and longer investment horizons could be rewarded.

SUMMARY DATA

52-Week High	**$3.00**
52-Week Low	**$0.58**
One-Year Return (%)	**N/A**
Beta	**N/A**
Average Daily Volume (sh)	**61,225**
Shares Outstanding (mil)	**25**
Market Capitalization ($mil)	**$25**
Short Interest Ratio (days)	**N/A**
Institutional Ownership (%)	**0**
Insider Ownership (%)	**N/A**
Annual Cash Dividend	**$0.00**
Dividend Yield (%)	**0.00**
5-Yr. Historical Growth Rates	
Sales (%)	**N/A**
Earnings Per Share (%)	**N/A**
Dividend (%)	**N/A**
P/E using TTM EPS	**N/A**
P/E using 2014 Estimate	**NM**
P/E using 2015 Estimate	**NM**
Zacks Rank	**3**

Risk Level	**High**
Type of Stock	**Development Stage**
Industry	**Internet Commerce**
Zacks Rank	**9 of 27**

ZACKS ESTIMATES

Revenue
(in millions of $)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2012	$0.0 A	$0.0 A	$0.0 A	$0.0 A	$0.0 A
2013	$0.0 A	$0.0 A	$0.0 A	$0.0 A	$0.0 A
2014	$0.0 A	$0.0 A	$0.0 A	$0.0 E	$0.0 E
2015					$18.8 E

Earnings per Share
(EPS is operating earnings before non-recurring items)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2012	N/A	N/A	N/A	N/A	N/A
2013	-$0.03 A	N/A	N/A	N/A	N/A
2014	-$0.04 A	-$0.02 A	-$0.07 A	-$0.07 E	-$0.36 E
2015					-$0.65 E

Zacks Projected EPS Growth Rate - Next 5 Years % **NM**

© Copyright 2015, Zacks Investment Research. All Rights Reserved.

WHAT'S NEW

Momentum Builds as the Company Releases the Music Service to Alpha Testing

- Yesterday CURM **announced the alpha release** of its streaming music service. It is had been tested for the past several weeks among over 100 users. Through this testing, and a number of focus groups, the company has gotten valuable feedback and as a result has simplified areas of the iPhone app and gained insight into competitive differences.

- As the company approaches it planned mid-summer launch we believe investors will start to see meaningful news come out of the company that should provide assurance that the product is moving along. **We think that the company is finalizing its agreements with the three major labels** and we hope to hear an announcement about its progress soon.

- In **March**, the company will release Q4 earnings, but more importantly **should be entering the beta phase of testing**. Beta will open to product to thousands of users including the music and technology press. As a result everyone will soon be able to see how the service works and compares to the competition.

- We believe **the publicity will draw in more investors** who are looking for a way to invest in the nascent streaming music industry, as well as show current investors that the service could gain traction. The company will source its beta users from its database of those that have expressed interest in the new CUR service via its web site, as well as from the thousands that were former Raditaz customers.

- Up until now, the company has been reluctant to demo the service to investors due to competitive reasons, but as it reaches the beta phase we believe it will open the kimono and start to show it in full. This **disclosure should move the stock upwards** as the risk of investing in an unseen product is removed.

Q4 Forecast

We expect CURM to announce earning in late March and are still looking for a loss of $1.9 million or $0.07 per share much like Q3.

2015

We expect revenues to begin in Q3, and expect 2015 revenues and earnings at $18.8 million and a loss of $24 million. Since our last update, the company is still on track for a mid-summer launch.

INVESTMENT THESIS

- CÜR Media common stock presents a unique opportunity for public investors to invest in a pure play streaming music start up before launch when typically only venture capitalists have had this opportunity.

- The streaming music market is a high growth market still in its infancy and that has huge potential it as it usurps large portions of the music market for digital downloads and physical CDs. It is currently growing over 50% per a year in the US according to Nielsen, while digital downloads decline over 10% per year.

- Its seasoned management team and board of directors from the music industry had the knowledge and connections to success in the streaming business. The company's predecessor already had a successful streaming service and we believe this incarnation will be even better.

- We believe a near term catalysts will be a private beta testing of the service that may start late in Q1, after deals with the three major labels are finalized.

- CÜR Media is a music startup has a unique service offering, that should be able to penetrate the market and scale due to the planned product feature set as well as the social toolset, currently unavailable from any other competitor. Its hybrid Internet radio and on-demand product, coupled with sharing capabilities and a low-priced paid subscription should stand out among a sea of competition and could morph into a full service social network much like Facebook.

- At a $40 million fully diluted enterprise value, the company is at a low valuation versus other venture-funded startups. As a public company, it should have an even higher comparable valuation than private startups due to liquidity.

- We still believe if CURM can execute its plan, it could reach $3.00 versus other high growth services companies in the public market taking into account the increase in shares outstanding from the potential offering in the next twelve months. This is derived using a valuation of 9.9 x 2015 estimated revenues. This would give it an enterprise value of $200 million. A successful launch with traction could jettison valuation closer to the $500 million that was paid for the streaming service portion of Beats.

INCOME STATEMENT

CUR Media
November 24, 2014

	March Q1 14A	June Q2 14A	Sept Q3 14A	Dec Q4 14E	2014E	2015E
REVENUE						
Net Revenue	0	0	0	0	0	17,812,500
Yr-to-yr Gr.	NA	NA	NA	NA		
End Subscribers (millions)	-	-	-	0	0	1,200,000
OPERATING EXPENSES						
Cost of goods sold	0	0	0	0	0	14,250,000
Gross Margin	0	0	0	0	0	3,562,500
% of Sales	100.0%	100.0%	100.0%	100.0%	100.0%	20.0%
R&D	662,331	955,112	1,115,554	1,250,000	3,982,997	6,550,000
SG&A	124,484	308,852	530,972	1,209,220	2,173,528	20,950,000
Stock based compensation	1,436,781	76,512	107,443	250,000	1,870,736	1,150,000
Dep. & Amortization	1,229	6,263	9,220	9,220	25,932	100,000
Tot Operating Exp.	2,224,825	1,346,739	1,763,189	2,200,000	8,053,193	27,700,000
Operating Income	(2,224,825)	(1,346,739)	(1,763,189)	(2,200,000)	(8,053,193)	(24,137,500)
Yr-to-yr Gr.						
Interest expense	-4,338	-496	-448	0	-5,282	0
Interest income	1,114	1,440	3,000	1,200	6,754	91,000
Change in Fair Value of Derivative	0	439,963	9,196	0	449,159	0
Other income	41,937	0	18,274	0	60,211	0
Total Other	38,713	440,907	30,022	1,200	510,842	91,000
Pretax Income	(2,186,112)	(905,832)	(1,733,167)	(2,198,800)	(7,542,351)	(24,046,500)
Taxes	-	-	-	-	-	-
Tax Rate	-	-	-	-	-	-
GAAP Net Income	(2,186,112)	(905,832)	(1,733,167)	(2,198,800)	(7,542,351)	(24,046,500)
GAAP EPS	**($0.13)**	**($0.04)**	**($0.07)**	**($0.09)**	**($0.33)**	**($0.69)**
Non-GAAP EPS	**($0.04)**	**($0.03)**	**($0.07)**	**($0.08)**	**($0.25)**	**($0.65)**
Share Out	17,442,013	24,803,146	24,807,881	24,807,881	22,965,230	35,000,000
Fully diluted shares	39,500,000	39,209,184	39,548,363	39,548,363	39,451,478	50,000,000

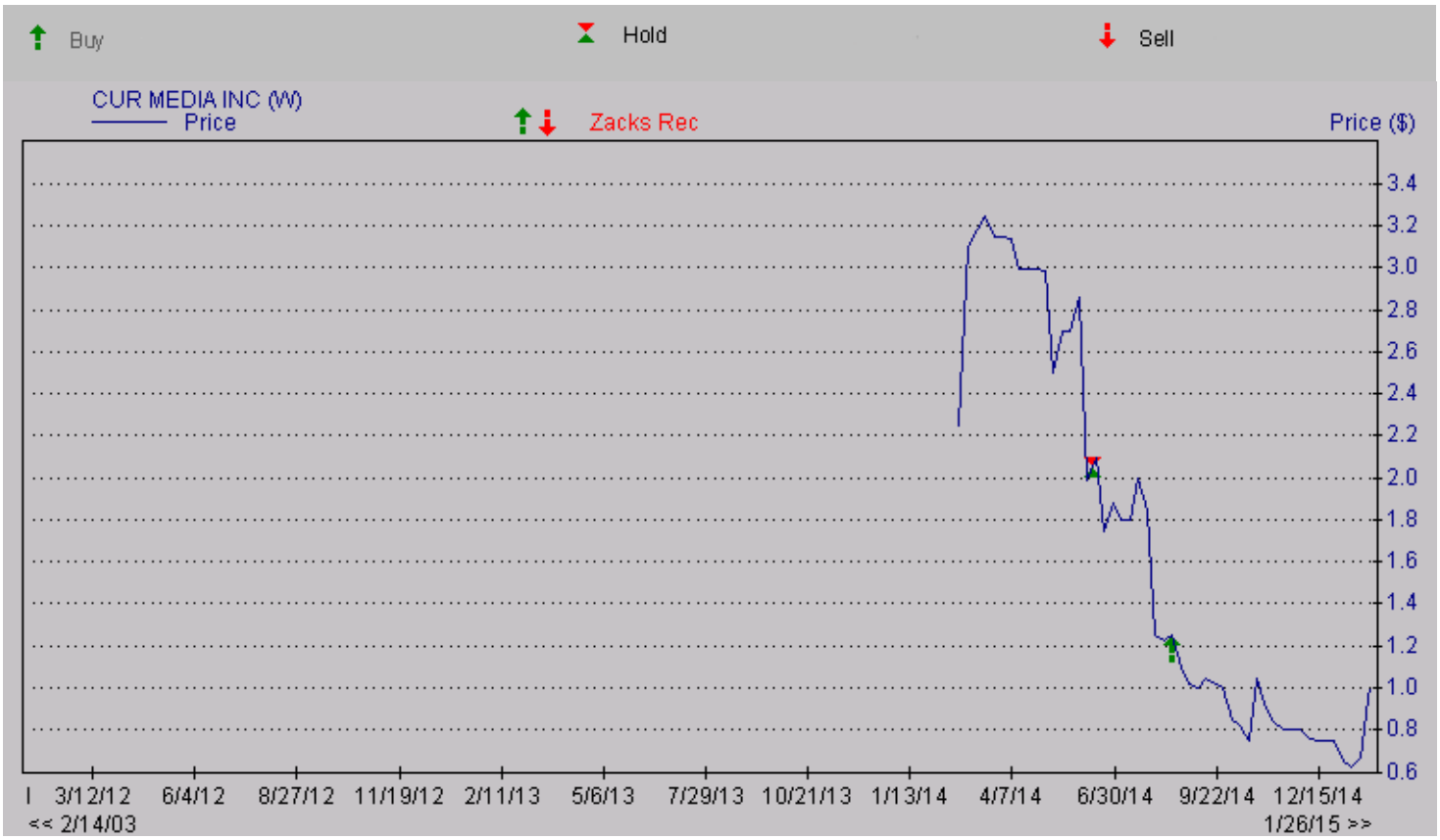
BALANCE SHEET

	Sept. 30, 2014	June 30, 2014	
CURRENT ASSETS			% Change
Cash and Cash Equivalents	**$4,540,692**	**$5,938,999**	-23.5%
Prepaid expenses	2,301	10,996	-79.1%
Other Current Assets	3,382	3,000	12.7%
TOTAL CURRENT ASSETS	4,546,375	5,952,995	-23.6%
Property and Equipment, net	51,676	46,797	10.4%
TOTAL ASSETS	4,598,051	5,999,792	-23.4%
CURRENT LIABILITIES			
Accounts payable	203,379	209,224	-2.8%
Accrued Liabilities and Other Current Liabilities	80,171	85,263	-6.0%
Note Payable, Short-Term	**26,106**	**25,304**	3.2%
Derivative Liabilities	4,029,967	**0**	
TOTAL CURRENT LIABILITIES	4,339,623	319,791	1257.0%
Derivative Liabilities	0	4,039,163	-100.0%
Notes Payable, Long-Term	40,897	47,965	-14.7%
TOTAL LONG TERM LIABILITIES	**40,897**	**4,087,128**	-99.0%
TOTAL LIABILITIES	4,380,520	4,406,919	-0.6%
STOCKHOLDERS' EQUITY (DEFICIENCY)			
Common Stock	2,483	2,457	1.1%
Additional paid-in capital	5,040,158	4,682,359	7.6%
Deficit accumulated during development stage	(4,825,110)	(3,091,943)	56.1%
TOTAL STOCKHOLDERS' EQUITY (DEFICIENCY)	1,592,873	1,592,873	0.0%
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIENCY)	$5,973,393	$5,999,792	-0.4%

STATEMENT OF CASH FLOW

	September 30, 2014	June 30, 2014	Mar. 31, 2014
Net loss	(1,733,167)	(905,831)	(2,186,112)
Adjustments to reconcile net loss to net cash provided by operating activities			
Depreciation and amortization	9,220	6,263	1,229
Stock compensation expense	107,443	76,512	1,436,781
Change in fair value of derivative liabilities	(72,196)	(376,963)	-41,937
Share-based consulting services	250,000	0	0
Changes in assets and liabilities			
Prepaid expenses	8,696	7,218	9,621
Other current assets	-	-	0
Accounts payable	(5,845)	(11,401)	49,787
Accrued liabilities and other current liabilities	(5,090)	17,232	-168,397
Net cash used in operating activities	(1,377,939)	(1,249,970)	-899,028
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of intangible assets			
Security deposit			
Purchases of property and equipment	(14,101)	(35,426)	-15,316
Net cash used in investing activities	(14,101)	(35,426)	-15,316
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from notes payable			
Repayment of notes payable	(6,267)	(8,299)	-156,187
Proceeds from issuance of common stock	-	-	8,303,225
Proceeds from issuance of demand note			
Net cash provided by financing activities	164,486	(8,299)	8,147,038
NET INCREASE IN CASH	2,193,473	(1,293,695)	7,232,694
CASH, BEGINNING OF PERIOD	-		
CASH, END OF PERIOD	(1,398,307)	(1,293,695)	7,232,694
Cash flow	(1,438,700)	(1,200,019)	(790,039)

HISTORICAL ZACKS RECOMMENDATIONS



DISCLOSURES

The following disclosures relate to relationships between Zacks Small-Cap Research ("Zacks SCR"), a division of Zacks Investment Research ("ZIR"), and the issuers covered by the Zacks SCR Analysts in the Small-Cap Universe.

ANALYST DISCLOSURES

I, Lisa Thompson, hereby certify that the view expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the recommendations or views expressed in this research report. I believe the information used for the creation of this report has been obtained from sources I considered to be reliable, but I can neither guarantee nor represent the completeness or accuracy of the information herewith. Such information and the opinions expressed are subject to change without notice.

INVESMENT BANKING, REFERRALS, AND FEES FOR SERVICE

Zacks SCR does not provide nor has received compensation for investment banking services on the securities covered in this report. Zacks SCR does not expect to receive compensation for investment banking services on the Small-Cap Universe. Zacks SCR may seek to provide referrals for a fee to investment banks. Zacks & Co., a separate legal entity from ZIR, is, among others, one of these investment banks. Referrals may include securities and issuers noted in this report. Zacks & Co. may have paid referral fees to Zacks SCR related to some of the securities and issuers noted in this report. From time to time, Zacks SCR pays investment banks, including Zacks & Co., a referral fee for research coverage.

Zacks SCR has received compensation for non-investment banking services on the Small-Cap Universe, and expects to receive additional compensation for non-investment banking services on the Small-Cap Universe, paid by issuers of securities covered by Zacks SCR Analysts. Non-investment banking services include investor relations services and software, financial database analysis, advertising services, brokerage services, advisory services, equity research, investment management, non-deal road shows, and attendance fees for conferences sponsored or co-sponsored by Zacks SCR. The fees for these services vary on a per client basis and are subject to the number of services contracted. Fees typically range between ten thousand and fifty thousand USD per annum.

POLICY DISCLOSURES

Zacks SCR Analysts are restricted from holding or trading securities placed on the ZIR, SCR, or Zacks & Co. restricted list, which may include issuers in the Small-Cap Universe. ZIR and Zacks SCR do not make a market in any security nor do they act as dealers in securities. Each Zacks SCR Analyst has full discretion on the rating and price target based on his or her own due diligence. Analysts are paid in part based on the overall profitability of Zacks SCR. Such profitability is derived from a variety of sources and includes payments received from issuers of securities covered by Zacks SCR for services described above. No part of analyst compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in any report or article.

ADDITIONAL INFORMATION

Additional information is available upon request. Zacks SCR reports are based on data obtained from sources we believe to be reliable, but are not guaranteed as to be accurate nor do we purport to be complete. Because of individual objectives, this report should not be construed as advice designed to meet the particular investment needs of any investor. Any opinions expressed by Zacks SCR Analysts are subject to change without notice. Reports are not to be construed as an offer or solicitation of an offer to buy or sell the securities herein mentioned.

ZACKS RATING & RECOMMENDATION

ZIR uses the following rating system for the 1,114 companies whose securities it covers, including securities covered by Zacks SCR:
Buy/Outperform: The analyst expects that the subject company will outperform the broader U.S. equity market over the next one to two quarters.
Hold/Neutral: The analyst expects that the company will perform in line with the broader U.S. equity market over the next one to two quarters.
Sell/Underperform: The analyst expects the company will underperform the broader U.S. Equity market over the next one to two quarters.

The current distribution is as follows: Buy/Outperform- 15.8%, Hold/Neutral- 77.3%, Sell/Underperform – 6.4%. Data is as of midnight on the business day immediately prior to this publication.