Zacks Small-Cap Research

June 12, 2014

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CUR Media Inc. (CURM-OTCBB)

CURM: Zacks Company Report – Initiating Coverage

Current Recommendation	**Neutral**
Prior Recommendation	N/A
Date of Last Change	06/11/14
Current Price (06/11/14)	$1.65
12- Month Target Price	**$3.08**

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	**$3.30**
52-Week Low	**$1.07**
One-Year Return (%)	**N/A**
Beta	**N/A**
Average Daily Volume (sh)	**5,875**
Shares Outstanding (mil)	**24.6**
Market Capitalization ($mil)	**$41**
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	**N/A**

Risk Level	**High**
Type of Stock	**Development Stage**
Industry	**Internet Commerce**

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 E	$0.0 E	$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	-$0.06 E	-$0.08 E	-$0.14 E	-$0.36 E
2015					-$0.67 E

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

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KEY POINTS

- CÜR Media is a music startup with 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.

- At only a $66 million fully diluted market cap, the company is at a low valuation versus other venture-funded startups. As a public company, it affords investors a unique opportunity to invest in a start up which is usually reserved for the venture community and by already being public, should have an even higher comparable valuation than private startups due to liquidity.

- Being backed by music industry veterans, the company should be able to negotiate direct contracts with the record labels that are a win-win for the company and the labels, and gain their support for success.

- While others struggle to achieve profitability, CURM's unique model should prove profitable and may require no further investments after the planned fall offering expected to raise $30 million.

- Although as a startup there is extremely high risk in investing in CURM, we believe that it could be able to reach $19 million in revenues in 2015 and grow rapidly in this huge emerging streaming music market. Additionally, should it be able to gain traction, it could be an attractive acquisition for a large internet player such as Facebook, Amazon or even Google, seeking a ready built streaming music offering with proven customer appeal.

- We are initiating CURM with a hold only because 21.5 million new shares will be adding to the 3.5 million shares currently trading on June 26th. Investors may have an opportunity to invest at lower levels once this float becomes available. However, if CURM can execute its plan, it could reach $3.08 by next year versus other high growth services companies in the public market using a valuation of 8.3x 2015 estimated revenues. Should a large player such as Facebook find it attractive as an acquisition, the company could be worth even more.

OVERVIEW

CÜR Media is a streaming music service start-up company that chose to launch and raise money as a public company rather than through the typical private company venture-funding route. On January 28, 2014, Raditaz LLC, its previous name, became a public company through its merger with a shell. It subsequently changed its name from Raditaz to CÜR Media. Raditaz was also an online music service. It competed primarily with Pandora as it enabled users to create stations with artist or song inputs and also offered free streaming pre programmed online radio stations. It launched in 2012 and operated until November 2013, at which time the company decided to take Raditaz off of the market and focus is efforts on building CÜR. At its height it had 150,000 unique monthly users.

Founder Tom Brophy has now taken Raditaz, and its knowledge base and code, and raised new funds as CURM with a new business model and product offering. CURM raised $9.6 million through a private placement in January 2014. After a reverse split, the company now has 25 million primary shares, and 40 million fully diluted shares outstanding. At the current price of $1.65, this is a market capitalization of $66 million. The company is located in South Glastonbury, Connecticut and currently has 16 employees.

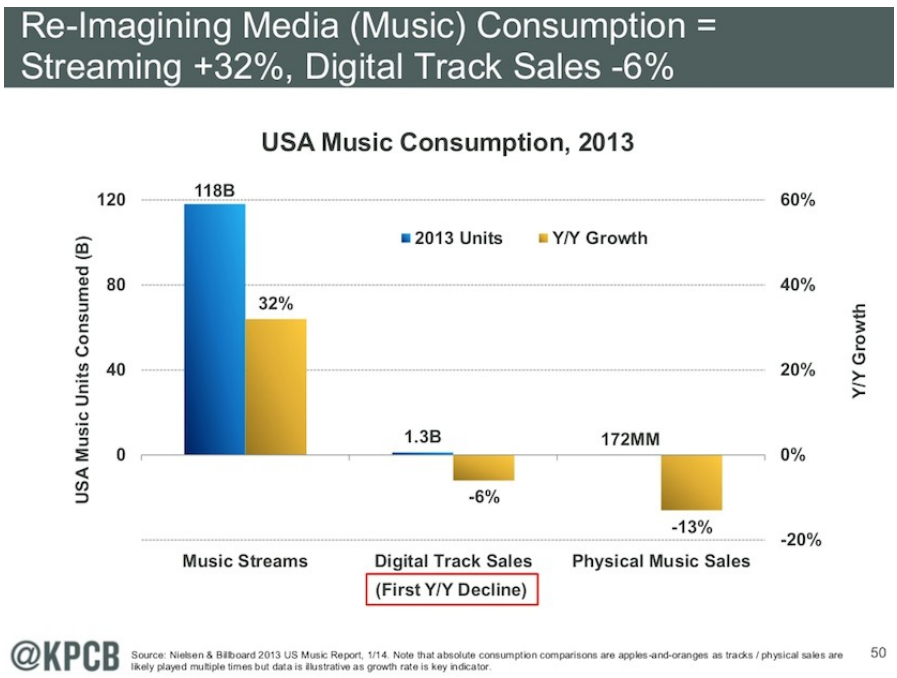
In addition to Tom, the company is funded by high net worth angels, institutions and people with extensive music industry experience. In fact, it is this team of management and investors that should convince shareholders that CÜR could successfully penetrate and thrive in the competitive digital music business. One of its competitive advantages is that it should be able to access the attention of record labels and negotiate direct contracts where other start-ups without such connections will find obstacles.

CURM plans to launch as a new service with features rivaling the old stalwarts and becoming a combination of music listening and social network. It plans to be subscription-based, eliminating annoying and interruptive advertising, but priced between the free services and the expensive $10 per month Spotify-type services demand. After much discussion with recording industry executives and with their experience with Raditaz, management believes therein lies the sweet spot for the consumer. Not enough cost to make you think twice, but not free, which would force the user to accept many product restrictions and advertising. It will also provide a toolset that enables consumers to curate their playlists with photos, personal videos and other sharing capabilities. In addition to the ability to stream music, subscribers will be able to personalize their playlists with photos and personal video, buy music downloads, and view music videos. The service will be a sharing social network, but based on music, much like Instagram was a social network based on pictures.

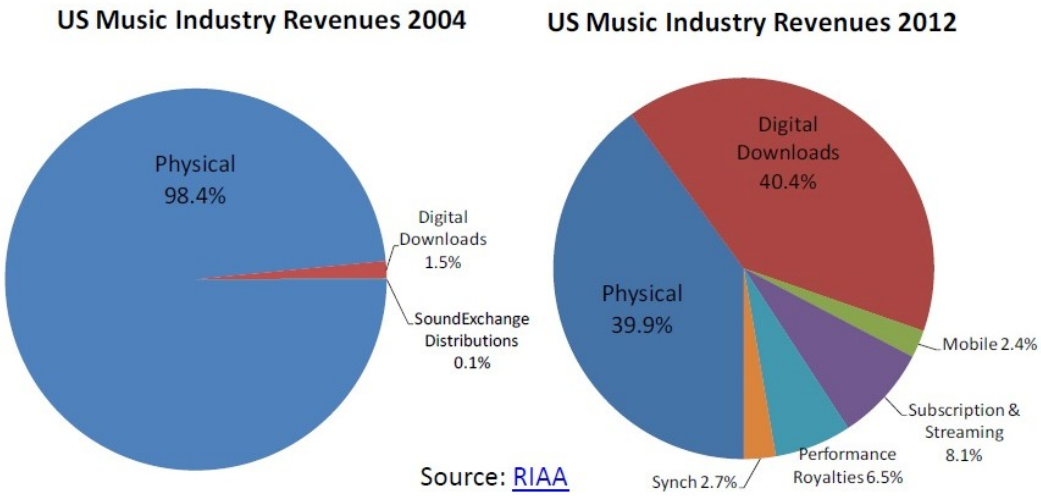
Its unique feature, and probably the main reason customers will use CÜR, will be to access the hybrid internet radio and on-demand music service, as well as CÜR's social toolset, for a lower price than the all-you-can-eat $10 a month offered by providers such as Spotify, Beats, and Rhapsody. This should fill a need for a large number of users that have no interest in accessing the entire music universe for such a high price. We believe this one unique feature should have considerable appeal to a larger number of users that are not willing to pay $120 per year for music, as well as stand out as a salient characteristic versus a sea of me-too products. Users will be able to rotate songs in an out of their list keeping it fresh and result in an online product resembling an modern jukebox for personal use.

INDUSTRY OUTLOOK

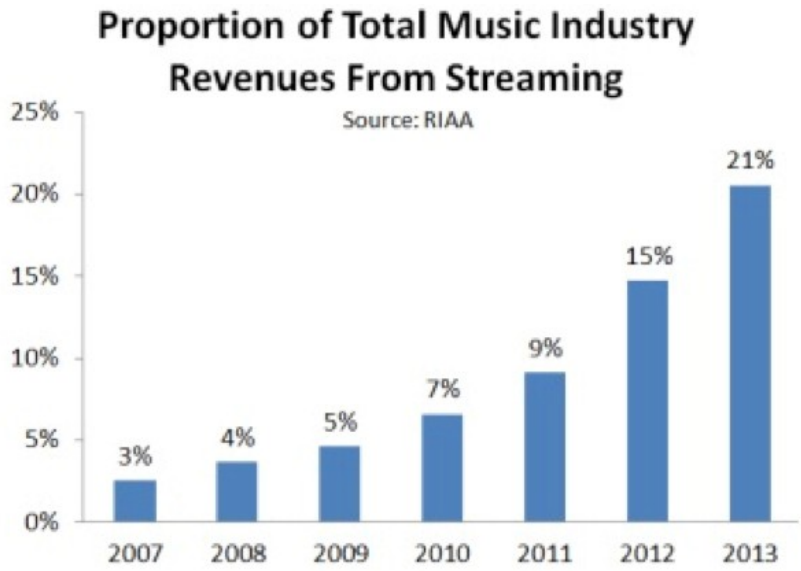
The US Recorded Music Industry is a $6.7B business that includes the sale of CDs, song downloads and streaming music. Sales of CDs are plummeting, and digital downloads were down 13-14% in Q1 of this year. The music industry now derives revenue from a variety of formats, many of which did not even exist decades ago. From a business solely based on physical record albums, it has splintered into various formats, the fastest growing of which are streaming/subscription services.



As digital download revenue to the labels fell 2.1%, to $3.9 billion in 2013, and unit sales declined 6%, streaming sales jumped 51%, hitting $1 billion (according to music industry group IFPI), making revenue from the streaming providers increasingly more important to the labels. It is still considered very early days for music streaming. While there are over 1 billion mobile users, there are only 30 million music subscribers in the world



CURM competes in two subcategories: One is in streaming music paid subscription services; one is for radio advertising revenues. CURM takes money from these two sources and then must pay royalties to record labels for use of the music. In the radio advertising market, the industry competes among the various players by means of delivery. Terrestrial radio still commands the majority of listeners with over 80% as of January 2014. It competes with satellite radio (aka SIRI) with 8% of listening hours and Internet radio with 12%. Pandora make up the majority of that internet radio listening hours with 77% of that sector, a great lead over the next biggest player, Clear Channel's iHeartRadio (CCMO) with 10% followed by Slacker with a mere 2%.



How Performance Royalty Payments Work

As in many technology-related businesses, the streaming music industry is plagued with archaic and irrational regulations foisted upon it by bureaucrats with rules lagging technology and protecting legacy businesses. Incredibly, the royalties a business pays depends on the method it uses to broadcast the music as well as the age of the business. This both hinders innovation and protects antique technology. Think of it as tax on progress.

Currently there is great variation in the rates paid dependent upon the business model of the digital music provider. There are four different categories that a provider falls into and the royalties are administered by an organization called “SoundExchange”. Internet radio companies (such as Pandora) can pay as much as 70% of revenues in royalties while Sirius/XM, which was in business before 1998, now pays only 8.5%. Even more incredible is that over-the-air radio stations pay nothing. The biggest issue in running a profitable streaming service is thus the ability to cover cost of the royalties paid to record label (or SoundExchange) that in turn pay the artists. SIRI enjoys what are called 801(b) rates while a Pandora-type service pays “willing buyer/willing seller” rates. 801(b) rates can only apply to certain services that were already in existence in 1998. The current willing buyer/willing seller rates will expire at the end of 2015, at which time new rates will be announced.

To complicate the issue further, webcasters operating under the statutory rate/terms pay different rates for ad-supported streams as compared to those rates paid for streams supported by a paid subscription. Ad-supported streams paid $0.0012 per song (or $1.20 per thousand) in 2013. Paid subscription services paid $0.0022 (or $2.20 per thousand) in 2013. For example, Pandora pays the lower rate for its free subscribers and the higher rate for its paid subscribers.

The vast majority of streaming services operate under the statutory license and when they do, they have constraints on what they may play and how users can control the music. For example, they are only allowed certain amount of skips, the user cannot know the play list ahead of time and the song cannot be replayed. In order to change these criteria, they must negotiate with the labels directly and only a few companies have done that. The most notable is Apple’s iRadio. Since CURM wants to offer a service that is not DCMA-compliant it plans to negotiate licenses directly with the record labels and publishers. The formula they have proposed should provide higher payments to the labels than the statutory license would provide, but should also provide CURM with higher operating margins due to the prices they will charge for a subscription, versus the usage they expect by the customers.

COMPETITION

As a company planning to offer both curated radio stations and on-demand music, it competes with a crowded field of choices. As a hybrid of Pandora (P) and Spotify, but with a different royalty structure, it will compete with both as well as numerous other music providers such as Rdio, iRadio, Songza as well as all the other ways of hearing music such as terrestrial radio, owned content and satellite radio.

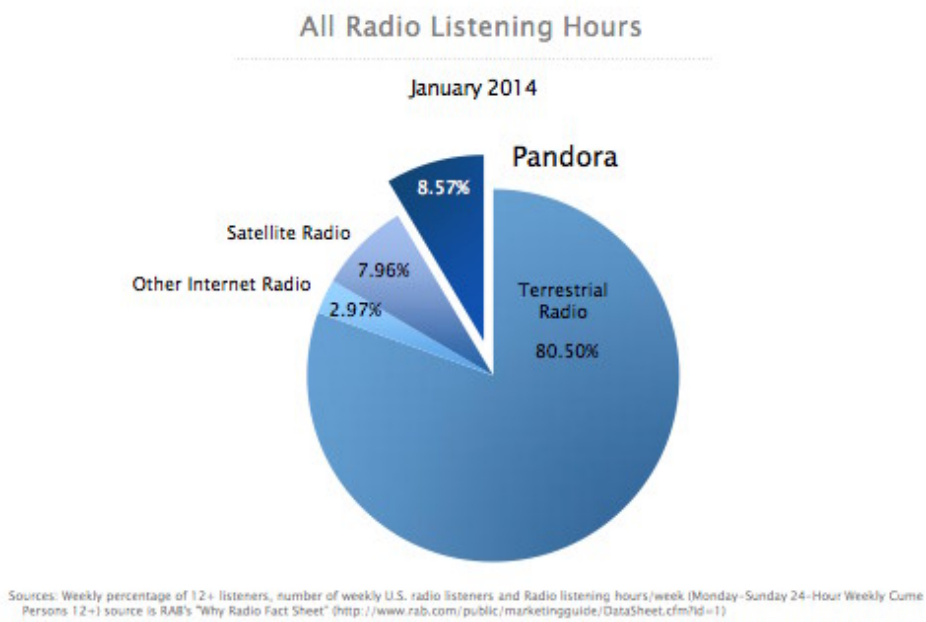
Apple

The big news in the music business is Apple's $3 billion acquisition of Beats, the headphone company founded by Dr. Dre, that also is owner of a recently launched paid streaming music service. The hardware part of the company is estimated to be generating $1 billion in annual sales. Apple already has an iTunes radio, called "iRadio." It launched in September 2013, as part of its iOS7 upgrade, and is available free of charge. It is primarily a Pandora competitor although its royalty rates have been directly negotiated and are different. With the acquisition of Beats, Apple will have a paid product almost exactly like Spotify. What will be interesting is what the royalties will be under Apple ownership, as all streaming rights deals include clauses that moot them in case of acquisition. While investors may worry that Apple's Beats deal will signal the death knell of Spotify and perhaps CURM, this has not played out for Pandora as its internet radio offering has shown little impact from the launch of iRadio from Apple. The decline in downloads and the ramp of streaming meant that Apple has always needed a solution to keep iTunes growing and many believe now that the company has taken the plunge, that will do nothing but expand the category. With this acquisition what Apple has truly bought is a fashionable but mediocre headset company that has amazing connections and clout in the music industry, something more important than technology in music.

Beats Music launched on January 12, 2014, is based in Santa Monica, California, and had raised over $100 million in equity financing. Investors include Len Blavatnik, Marc Rowan, James Packer and entities affiliated with Lee M. Bass. Beats Music offers a $15 per month family plan exclusively to AT&T Inc. customers that comes with a 90-day free trial. Individual plans are also available for $9.99 a month. The service seems a lot like Spotify with Songza blended in. It offers complete albums, curated radio stations by genre and also activity. At sign up it makes the user pick favorite genres and artists in order to create recommendations. It is rumored to have garnered 200,000 users since launch. When HTC bought into Beats Electronics in 2011, the company was valued at $600 million. In 2012, Beats (and HTC) paid a reported $14 million for MOG, the basis of the Beats Music service. In late 2013, Beats Electronics did a round rumored to be valued at near $1 billion when it bought out the HTC stake.

Pandora

Pandora is primarily a free online radio station supported by advertising that takes the form of both audio and visual display ads. It pays rates set by the standard DCMA rates that are up for renegotiation every few years. It also has a small revenue stream from paid subscribers who want to listen uninterrupted by commercials. They price this option named "Pandora One" at $3.99 a year, but on May 1, 2014 the price will be raised for new subscribers to $4.99. Pandora released its audience metrics for the month of March 2014. The Company reported a 14.8% year over year increase in its listening hours to 1.71 billion. The share of total U.S. radio listening for Pandora in March 2014 was 9.11%, an increase from 8.05% at the same time last year. The Company further stated that the active listeners were 75.3 million at the end of March 2014, an increase of 8.4% from the year before.

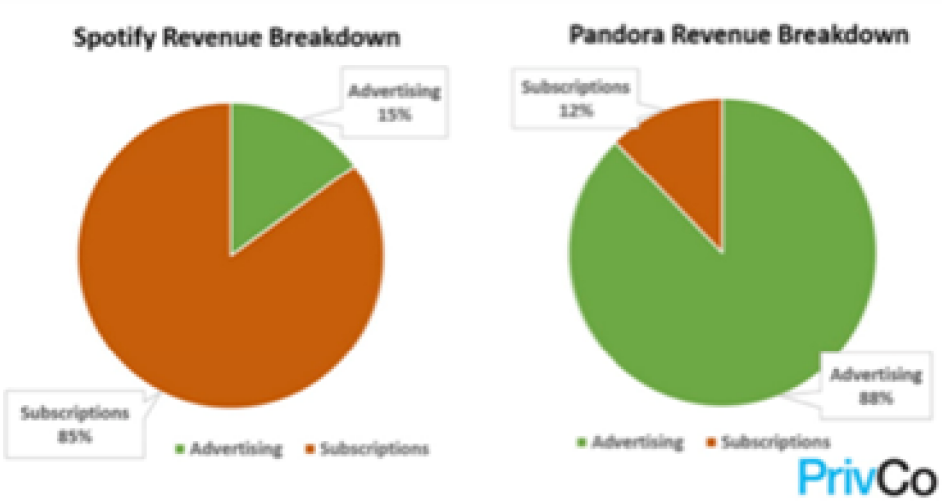


Pandora was founded in 2000, and reported revenues of $427 million in 2013, up 56% and lost $0.08 per share.

Spotify

Spotify, the largest company in paid music subscriptions, was founded in 2006 in Sweden and has raised $538 million to date and is rumored to being close to an IPO at a price of more than $4 billion. The company offers a free service as well as a $10 a month paid service and has six million subscribers. It recently began offering half price for students and is testing cheaper pricing in Asia. Spotify is rumored to have generated revenues of more than $602 million (€435 million) in 2012, according to Reuters, and lost $81.62 million (€58.7 million) that year. Clearly that with even higher revenues than Pandora, its business model is not working.

Spotify pays out almost 70% of revenues as royalties. It said that it paid out $500 million in royalties in 2013, as shown in the chart below. If that is true then it could have generated as much as $710 million in 2013 or growth of 18%. Last November it is rumored to have raised $250 million at a $4 billion plus valuation. No doubt investors expect it to be sold in an IPO at a higher valuation. The last round gave it a price of approximately 5.7 times 2013 estimated sales, versus Pandora current valuation of 8 times based on 2013 sales.



Amazon

Today Amazon added a music streaming service to its Prime service. Prime provides free expedited shipping for all Amazon products as well as some streaming video content for an annual price of $99. They are offering free streaming playlists of over 1 million songs that do not include any published by Universal, the largest publisher. Newly released music will also not be offered in the service. The playlists they are offering are human-curated and by genre, artist and activity, much like those at Songza, where Amazon had an investment. This service will be combined with Amazon's music locker and music purchasing to be a seamless music offering accessible through apps and online. At launch the company had over 92,000 albums available for free on-demand streaming. These albums (or individual songs) may be added to a Prime customer's digital music locker as if they owned it. As always, the company offers a free 30-trial to Amazon prime.

IHeartRadio

iHeartRadio, founded in 2008, is owned by CC Media Holdings (CCMO), the parent company of Clear Channel Communications, one of the largest radio station groups in the U.S. The parent company has a $615 million market cap and a $20B enterprise value due to LBO debt. Its app gives access to both live terrestrial radio stations and digital streaming preprogrammed stations. It is advertising supported. It recently announced a deal with Subaru to allow its drivers to listen to iHeartRadio library of 1,500+ live radio stations, catalog of 450,000+ artists and 18 million songs, and to create custom stations from the dashboard. As with all device integrations, iHeartRadio app is completely free, with no subscription required. As of last quarter, iHeartRadio reached 43 million registered users up 84% year-over-year and total listening hours were up 29% over the year.

Rhapsody (45% owned by RealNetworks-RNWK)

Rhapsody, founded in 2001, is the granddaddy of the online music business that has been struggling in recent years. It bought Napster in 2011. Revenues at Rhapsody fell $3 million to $141 million in 2013 and reported a loss of $14 million. It reduced employees by 15% in September 2013 in order to get back on a track to profitability while it continues international expansion.

Rdio

Launched in August 2010, Rdio is headquartered in San Francisco and was founded by Janus Friis, the co-creator of Skype. It offers a free service and a subscription service for $9.99 per month, is focusing on competing on a much larger scale. Its main competitive advantage today is its relationship with Cumulus, which now owns part of Pulser Media, which owns Rdio. It is now allowed to use Cumulus content, and will receive advertising on the Cumulous network for itself and will get sales help from the Cumulus sales force to sell advertising. This is an important factor in reaching local advertisers that comprise the great majority of ad buyers. It also has a relationship with Tesla for in-car service.

Sirius/XM

Although under totally different royalty rates, another alternative way to listen to music is via satellite radio using the Sirius/XM service (SIRI). Sirius/XM is a public company expected to generate $4.52B in revenues in the June 2015 FY versus $4.12B this June (up 9.7%). It is profitable and has a $19B market cap. It dominates paid car radio listening, although Pandora and others are attempting to be built into new cars.

As a supplement to a satellite subscription, a customer can add an Internet option for $4 per month that let's them listen in alternative locations. SIRI pays royalties under the 801b rates and as such has a huge gross margin advantage over the Internet radio stations. It pays 8% of revenues versus upwards of 60% on royalties alone. However needless to say, running a satellite networks has costs far higher than putting up a web site.

Slacker

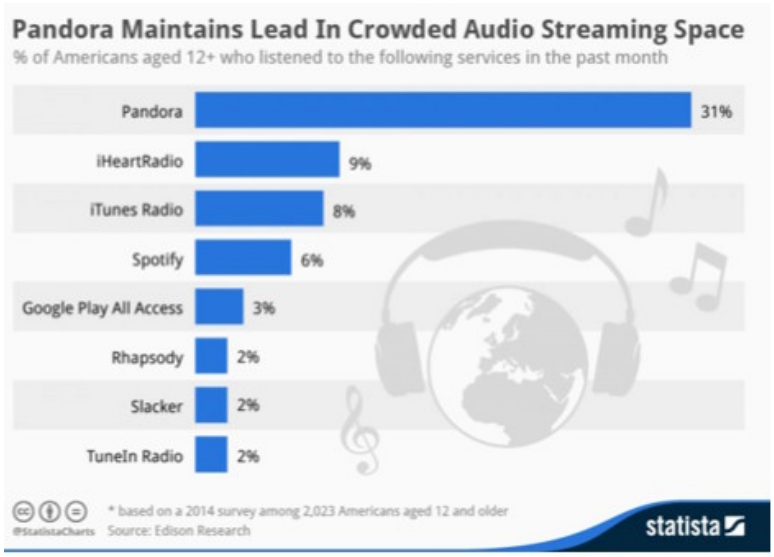
Slacker was founded in 2006 and launched June 2007. It is located in San Diego. It has $70.7 million in total funding and is a digital music service with three pricing and product levels:

- Free- which is ad-supported and gives the user over 200 programmed radio stations as well as the ability to create new stations based on artist or genre.
- $3.99 a month for Slacker Radio Plus removes ads, provides song lyrics and unlimited skips, plus ABC news and ESPN programming.
- $9.99 for Slacker Premium adds music on demand and playlists of only the songs you want. It also can download music for off-line listening.

The service operates across all platforms and operating systems and automatically synced on all devices. Two months ago it announced a deal with Samsung to provide a free service called "Milk Music" on all Samsung Galaxy handsets. It has already has 380,000 downloads. It was originally without ads, but is now adding ads or the option to pay $3.99 a month to buy what is in effect Slacker Radio Plus.

Songza

Songza is a free service, founded in 2006 and acquired a year later by Amie Street. At the time of its acquisition it had $4.7 million in funding. Amie Street, the music buying store part of the business was later sold off to Amazon in 2010 and the management retained the Songza playlist service. Now Google is rumored to be in talks to buy the remaining business for $15 million or higher. We are not sure if this acquisition is for a going concern or is more of an aqui-hire, currently popular with technology firms looking to add a group of technology talent. Songza offers free, curated radio stations based on the activity the user is performing. Within that breakdown there are a variety of channels to choose based on music preference. Were Google to buy Songza, its current DMCA compliant royalty structure would change. Songza is believed to have 5.5 million subscribers a far cry from Pandora's 75 million. Google's current offering, Google Play, does not have curated music offerings created by people.



Google Play All Access

Google Play All Access was introduced in May of 2013 and is a challenger to Spotify and the other $9.99 a month services. It is also rumored that YouTube, owned by Google, is prepping a streaming service expected to be launched this summer. It also is expected to be $9.99 a month, or $4.99 ad supported. YouTube has 1 billion unique visitors a month.

Service	Monthly price	Desktop apps	Web app	Offline storage	Sports channels	Comedy channels	Regional availability	Audio quality
Beats Music	$9.99	No	Yes	Unlimited	No	No	US only	320kbps
Google Play All Access	$9.99	No	Yes	Unlimited	No	Yes	21 countries	320kbps
Rdio	$9.99	Mac, Windows	Yes	Unlimited	No	No	51 countries	192kbps
Slacker	$3.99-$9.99	No	Yes	Unlimited	Yes	Yes	US & Canada	128kbps
Spotify	$9.99	Mac, Windows	Yes	10,000 songs per account	No	No	55 countries	320kbps

Source: Mobile Nations

PRODUCT DESCRIPTION

Given all the competition, CÜR Media needs to convince customers and investors that its product is worth its price and that it is differentiated. Pandora has had to ramp to high volumes to eek out a profit based on advertising revenues, as Internet advertising rates are so low, and mobile ad rates even lower. As a result, Pandora has high music royalty cost versus its revenues. Spotify on the other side charges a lot for its service, but because of the high $10 per month, has lots of churn as well as high customer acquisition costs sapping away its profits. Despite the fact that consumers spend $6.7 billon on music in a year, there are not many that will spend $120 per year. According to NPD, half the US spends nothing on music. Another 36% spends $15-20 per year and the final 14% spends more than $20 per year. Spotify is targeting a small portion of that 14% while CURM has a much larger target market with a lower price product.

The second main cost where CURM believes it has an advantage is royalties. By negotiating directly with the labels rather than accepting DMCA-compliant terms, it can create a customer-focused service tailored to the behavior it expects from its customers. The end result is that it will be able to pay the record labels more than they would get under the standard DMCA rate structure, but CURM will still likely pay approximately 60-70% of revenues, in line with competition.

Beyond the economics, CÜR will offer a service different than those that are DMCA-compliant. Most importantly is the on-demand access to songs (higher prices will give higher song amounts). Research shows that many music consumers listen over and over to a small number of songs. Many listen to something while it is new and then move on. The CÜR service will let users swap out the old and in with the new as needed giving people what they want when they want it without having to spend $10 a month and be able to access every song ever recorded.

Also different than other offerings is more integrated sharing features as well as the ability to add photos and video clips to a playlist (Instagram-like). And while not many companies get sold to Facebook for $1 billion with no revenues, should it be able to launch a successful network with traction and viral growth, CURM might be of interest to an acquirer.

MANAGEMENT AND DIRECTORS

Tom Brophy
Founder, CEO, President, CFO

Mr. Brophy has been involved in Executive roles of start-ups and growth companies since 1994. Mr. Brophy was the CFO of Interactive Search Holdings where he helped pioneer the search toolbar business while building a search toolbar business that propelled the company to be a leader in the industry. The Company was also the first company to mass distribute smiley emoticons. The search toolbar business is a multi-billion industry today. Ask Jeeves acquired ISH, and subsequently, Interactive Corp. (IACI) acquired Ask Jeeves. Mr. Brophy started his career at Deloitte & Touche, has been the Chief Financial Officer of several startup and growth companies and had successful exits and has also been the Chief Financial Officer of a public company. Mr. Brophy is a graduate of the University of Connecticut.

Scotty Mackenzie
CTO

Mr. Mackenzie started his career at iVillage as a senior software engineer and subsequently worked at eSave.com and WebMD. He was promoted to VP of Technology at Realstores.com and then SVP of Engineering at eMusic.com, the alternative to iTunes and Amazon for buying digital music. He came to CÜR from MiMedia, where he was the Chief Technology Officer, in February 2014. He has a BA in Computer Science from Princeton and is a Connecticut native.

Board of Directors

John A. Lack

Mr. Lack is best known for creating MTV, the broadcast vehicle now an integral part of global culture. Most recently, Lack was the founding partner and Chief Executive Officer of Firebrand, the first multi-platform network dedicated to commercial culture. Mr. Lack was previously President and CEO of i3 Mobile (IIIIM) from 2002 – 2003. Prior to that, Mr. Lack was the Managing Director of Stream, Telecom Italia's digital content and pay television company from 1998-2000. In his two years in Rome, Mr. Lack built STREAM from 50,000 subscribers to over 400,000 subscribers. From 1992-1995, Mr. Lack was the Executive Vice President of Marketing and Programming at ESPN, where he was responsible for all programming, affiliate and advertising sales, research, marketing and the development and launch of ESPN2, the contemporary sports network targeted to young adults. Mr. Lack graduated from Boston's University School of Communication. He holds a Master's degree in broadcast journalism from the Medill School at Northwestern University.

Robert B. Jamieson
Vice Chairman, Director

Mr. Jamieson is a well-known leader in the music industry, respected for his 30-year record of delivering dramatic turnaround results (domestic and global) in the face of tough business and market conditions. In a particularly celebrated industry accomplishment, as Chairman and CEO, RCA Music Group, BMG North America, Mr. Jamieson led the historic, high profile turnaround of RCA Records. He revived the oldest US record label, taking it from its 20-year industry low position to that of a top competitive player. His impressive turnaround became the subject of a Harvard Business School Case Study, showcasing innovation. Mr. Jamieson was involved in the signings of several music industry superstars including Dave Matthews, Christina Aguilera, Kings of Leon, Foo Fighters, among others.

VALUATION

Valuing CÜR Media against public companies is difficult as there are only two pure plays in digital music that we know of, that being Pandora and Sirius XM. One is a high growth, low margin business and the other a slow growth high margin business, but surprisingly they are valued almost identically in a enterprise value to market cap basis, this being 5.6 times estimated 2014 revenues. We also look at high growth services businesses such as Facebook and Zillow in the table below and look at the averages. If we take the enterprise value to sales multiple of the streaming companies of 5.3 and average it with the same multiple for the growth companies (11.7X) we get 8.3xs. Using this average multiple to revenues and Cür' projected 2015 revenues we can see a future price for CÜR upwards of $3.08 or higher by 2015 based on public comparables.

Streaming Music

Company	Revenue FY2014E	Revenue LTM	2-year Historical Revenue CAGR	EBITDA Margin	Enterprise Value / Sales FY2014E	Enterprise Value / Sales LTM	Included in Average?
Pandora	$892	$648	76%	-3%	5.5x	7.6x	y
Sirius XM	$4,100	$3,800	12%	34%	5.8x	6.2x	y
Netflix	$5,440	$4,370	17%	6%	4.6x	5.7x	y
Clear Channel	$6,380	$6,200	7%	29%	3.2x	3.3x	n
Realnetworks	NA	$206	-22%	-24%	NA	0.3x	n
Average			**35%**	**13%**	**5.3x**	**6.5x**	

Growth Companies

Company	Revenue FY2014E	Revenue LTM	2-year Historical Revenue CAGR	EBITDA Margin	Enterprise Value / Sales FY2014E	Enterprise Value / Sales LTM	Included in Average?
Amazon	$90,810	$78,120	25%	5%	1.6x	1.9x	n
Facebook	$11,840	$8,920	46%	52%	12.5x	16.6x	y
Twitter	$1,270	$801	154%	-77%	13.4x	21.2x	y
OpenTable	$226	$198	17%	30%	6.8x	7.8x	y
Zillow	$310	$225	73%	-3%	14.1x	19.4x	y
Average			**72%**	**1%**	**11.7x**	**16.2x**	

	Revenue[1] FY2015E	Revenue[1] LTM	2-year Historical Revenue CAGR	EBITDA Margin	Enterprise Value / Sales FY2015E	Enterprise Value / Sales LTM	Valuation Range Low	Valuation Range High
Cür Media	**$19**	**$0**	**NA**	**NA**	**8.3x**	**11.2x**	**$0**	**$156**

Conclusion of Enterprise Value	**$155,625,000**
Estimated Fully Diluted Shares Outstanding	50,526,000
Estimated Price per Share	**$3.08**

Merger & Acquisition Valuation

Another way to value CÜR Media is by looking at acquisition in the music space. The most recent acquisition is Apple's $3.2 billion purchase of Beats, which is a combination headphone hardware company and a small streaming music startup. When Beats purchased MOG for a mere $14 million in 2012 when it had approximately 500,000 users. According to rumor, its value had grown to $100 million once the company launched in January.

Other comparable to look at are in the private markets, the largest and most visible being Spotify. It is rumored to be planning an IPO in the next six months at a valuation over $4 billion which was its last round price. We believe that price was approximately 5.7 times that year's sales.

SoundCloud raised $60 million at a $700 million valuation and was rumored to possibly be acquired by Twitter. While not a direct competitor in the space, it is attempting to be the YouTube of music, allowing artists to upload and share music and has a $12 per month unlimited upload subscription service. It has 250 million (mostly free) users.

The most recent potential transaction is Google's purchase of Songza, a free Pandora competitor with 50 employees. News sources cite talks of $15 million, but insiders have suggested it is much more. The free DMCA compliant service would be the most difficult business to succeed in in our opinion, as Pandora has huge barriers to entry. For a company to compete in that arena, there would need to be a large sum to be invested to grow a business large enough to survive on advertising alone. Google has the deep pockets to do that. It is possible that Google did this acquisition as an acqui-hire, a popular way for companies to add a number of technical staff at once. Additionally, since Amazon was an investor, it is possible that it got the rights for the playlists for its new streaming service, reducing the price.

Service	Free Subscribers	Paid Subscribers	Revenues 2013 (where available)	Employees
Spotify	24,000,000	6,000,000	$600 m E	2100
Pandora	75,000,000	3,300,000	$655 m	1500
Sirius/XM	0	25,600,000	$3,800 m	1800
Rhapsody		1,000,000E	$141 m	180
Apple iRadio		N/A		
Rdio		330,000E	$4 m E	130
Deezer		5,000,000		
Google Play	N/A	N/A	N/A	N/A
Songza	5,500,000	N/A		50
iHeartRadio	43,000,000	0		
Beats	0	250,000	0	

RISKS

- CURM is a start-up company and is planning an unproven business model.
- There is no assurance consumers will like the service and pay for it.
- The company so far has no agreements with record companies to pay royalties at a favorable rate.
- Competition is fierce and many large companies with considerable resources will be competing with CURM.
- The company may not be able to attract additional capital that will be vital to its success.
- 21.5 million new shares will be registered and in the float beginning June26th, versus the extremely thin float of 3.5 million shares today. We do not know the intent of these shareholders and their selling could drive down the price.
- The company's product has not yet launched and any delay would change the financial forecasts and funding needs.
- The company is highly dependent on the leadership of Tom Brophy and could suffer without him.

INSIDER TRADING AND OWNERSHIP

Insiders heavily own CURM and currently 3.5 million of its shares are in the float until the company registers its shares from its APO (Alternative Private Offering) on or before June 26, or does a secondary raise later this year. After the registration in June, 25 million shares will be tradable and not subject to the two-year lockup. Additionally, the company has stated it plans to raise $30 million or more before it launches in the fall. Based on its current structure, insiders own 27% of the shares outstanding. Brophy, Lack and Jamieson are all locked up for 2 years.

PROJECTED FINANCIALS

As of March 31, 2014 the company had $7.2 million in cash, no debt and no revenues. By the time the service launches on an expected November 15, 2014, the company plans to raise another $30 million in a secondary offering perhaps by October 1st. It believes that that capital infusion should be able to take it through to cash flow break even, and no further money would need to be raised. In addition to this capital raise, the company already has 9.6 million warrants and options exercisable at $2.00 per share that could bring in another $19.2 million.

After launch, the company hopes to rapidly scale adding over a million paying users in the first twelve months. Given the business model, the company should be cash flow neutral before it runs out of cash. Investors should be advised that raising more capital could be necessary. In addition to equity, the company could however consider a bank loan or debt, so dilution is not necessarily a given.

Forecast for Q2 Ending June 30, 2014

In the second quarter, we expect expenses for R&D and S&GA to ramp, as the time to the launch grows closer. In the first quarter of this year however there were a number of one-time expenses from the merger with the shell that will not be replicated in further quarters. The biggest one-time item was in the cost of stock-based compensation. In Q1 that number was $1.4 million, of which all but $40,000 was due to the merger. Going forward we expect that number to remain under $100,000 per quarter.

R&D should grow to $900,000 as staff is hired and outside programmers are used to finish up the basic product before launch. G&A should be $500,000 as a few more employees were added in the course of the quarter. The stock-based compensation, although not used in non-GAAP numbers should drop to a normalized $40,000. Given these expenses we expect the company to report an EPS loss of $0.06.

Forecast for Q3 Ending September 30, 2014

September will add more expenses as the company adds employees in both R&D and marketing and we are looking for a non-GAAP loss of $0.08.

Forecast for Q4 Ending December 31, 2014

In the fourth quarter, the company is expected to close on $30 million (or more) of equity financing early in the quarter, followed by the launch of the product at or near November 15th. The company is planning to offer a 30-day free trial so as a result, we expect virtually no revenue in the fourth quarter. Expenses however will be considerable. The company may or may not have to pay royalties on the music it serves for the free trial. It will however add employees and put on a big marketing push. The company hopes to have 50-60 employees by year-end up from the 16 today. Marketing will be directed at the 12-24 year old market and spending will be primarily for social media, and sponsorship at concerts and conferences. There are no plans for TV ad buying. With total expenses reaching $5.2 million, we expect a non-GAAP EPS loss of $0.14.

Full Year 2014 Estimate

For the year we expect no revenues and non-GAAP expenses of $10.8 million. While the shares outstanding should grow considerably in the fourth quarter the average share count of 25.7 million could produce a non-GAAP EPS loss of $0.36.

Full Year 2015 Estimate

Forecasting revenues for an unlaunched service is very difficult and investors should be aware there will be a large divergence from the forecast to what transpires. All we can do is give you the logic that built the numbers and see how that model works. We are assuming the company launches in the middle to end of Q4 and there will be a 30-day free trial in which the company will have to pay royalties but subscribers will pay nothing. For simplicity we are predicting no revenues. With the company's experience with music services it believes that it could exit the Q4 2014 quarter with 50,000 paying subscribers. Over the course of the year the low priced service would increase that number to exit with 1.2 million subscribers. This is versus 76 million subscribers for Pandora and 3 million US Spotify subscribers. Beats, which launched January 12, 2014 is rumored to be at 250,000 with its $10 per month service. Although we do not know what the price levels CÜR will announce, we know the plan is too be more reasonable than the standard $10 per month per subscriber.

We are estimating that the company could spend $28 million in 2015 versus the $11 million is may spend in 2014 based on its current plan.

There is no assurance that any of these forecasts are even close in either direction, but are meant to show what the results might be with current plans.

With this level of revenues and expenses the company could lose $24 million next year or $0.67 per share. In 2015 we expect to reach cash flow break even some time during the year.

INCOME STATEMENT

	March Q1 13A	March Q1 14	June Q2 14E	Sept Q3 14E	Dec Q4 14E	2014	2015E
REVENUE							
Net Revenue	0	0	0	0	0	0	18,750,000
Yr-to-yr Gr.		0%					
End Subscribers (millions)		-	-	-	50,000	50,000	1,200,000
OPERATING EXPENSES							
Cost of goods sold	0	0	0	0	0	0	15,000,000
Gross Margin	0	0	0	0	0	0	3,750,000
% of Sales	0.0%	100.0%	100.0%	100.0%	100.0%		20.0%
R&D	253,562	662,331	900,000	1,200,000	1,700,000	4,462,331	8,000,000
SG&A	24,245	124,484	500,000	800,000	3,400,000	4,824,484	20,000,000
Stock based compensation	36,609	1,436,781	40,000	50,000	60,000	1,586,781	300,000
Dep. & Amortization	3,321	1,229	1,400	1,500	1,600	5,729	20,000
Tot Operating Exp.	317,737	2,224,825	1,441,400	2,051,500	5,161,600	10,879,325	28,020,000
Operating Income	(317,737)	(2,224,825)	(1,441,400)	(2,051,500)	(5,161,600)	(10,879,325)	(24,270,000)
Yr-to-yr Gr.							
Interest expense	(5,380)	(4,338)	0	0	0	(4,338)	0
Interest income	4	1,114	1,200	1,200	1,200	4,714	3,000
Other income	0	41,937	0	0	0	41,937	0
Total Other	(5,376)	38,713	1,200	1,200	1,200	42,313	3,000
Pretax Income	(323,113)	(2,186,112)	(1,440,200)	(2,050,300)	(5,160,400)	(10,837,012)	(24,267,000)
Taxes	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Tax Rate	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
GAAP Net Income	(323,113)	(2,186,112)	(1,440,200)	(2,050,300)	(5,160,400)	(10,837,012)	(24,267,000)
GAAP EPS	**($0.03)**	**($0.13)**	**($0.06)**	**($0.08)**	**($0.15)**	**($0.42)**	**($0.68)**
GAAP Fully diluted		**($0.06)**	**($0.04)**	**($0.05)**	**($0.10)**	**($0.25)**	**($0.48)**
Non-GAAP EPS	**($0.03)**	**($0.04)**	**($0.06)**	**($0.08)**	**($0.14)**	**($0.36)**	**($0.67)**
Share Out	10,919,355	17,442,013	25,000,000	25,000,000	35,526,316	25,742,082	35,526,316
Fully diluted shares		39,500,000	40,000,000	40,000,000	50,526,316	42,506,579	50,526,316

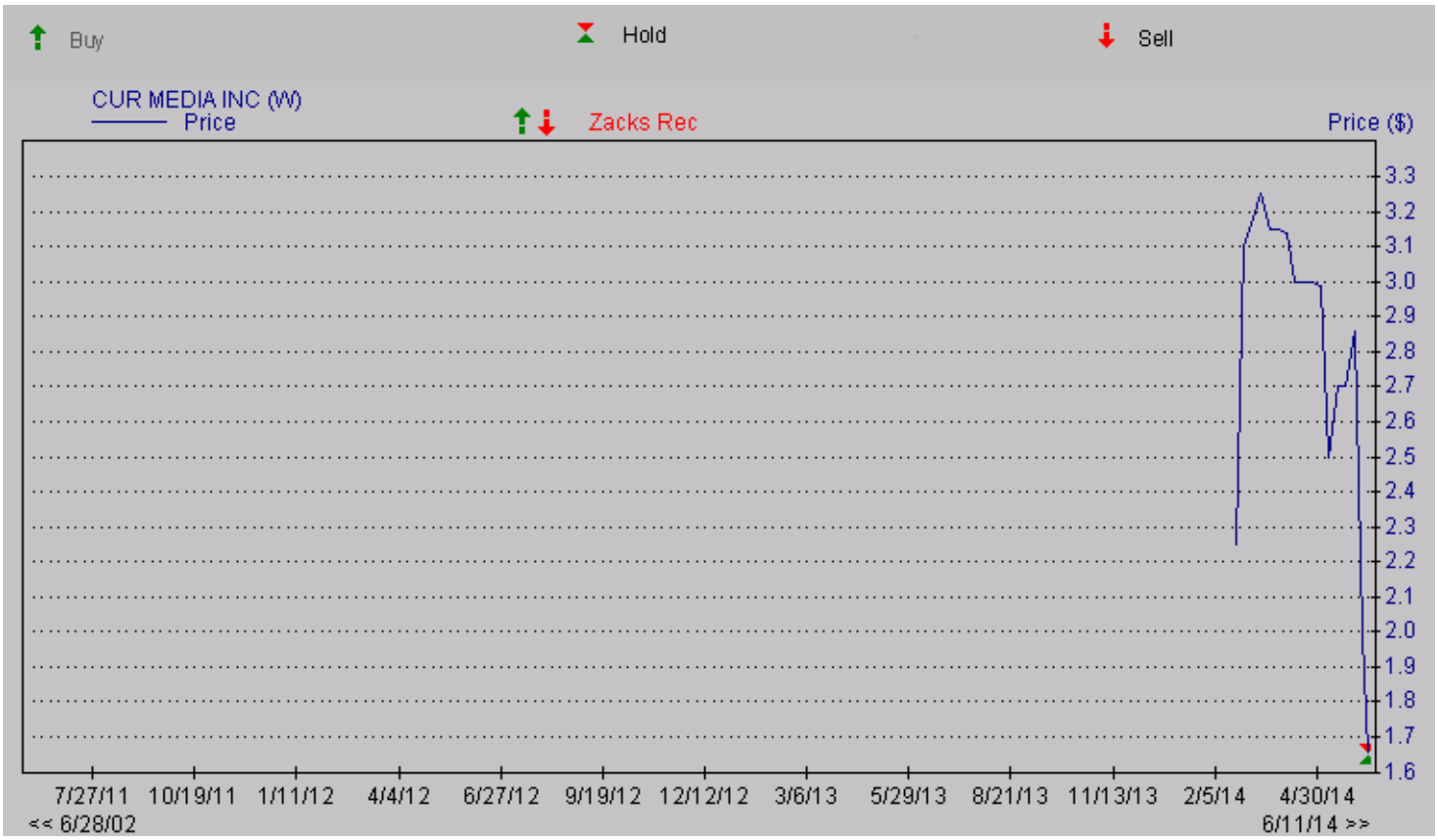
BALANCE SHEET

	Mar. 31, 2014	Dec. 31, 2013	
CURRENT ASSETS			% Change
Cash and Cash Equivalents	$7,232,694	0	NM
Prepaid expenses	18,214	27,835	-34.6%
Other Current Assets	3,000	3,000	0.0%
TOTAL CURRENT ASSETS	7,253,908	30,835	23424.9%
Property and Equipment, net	17,632	3,545	397.4%
TOTAL ASSETS	7,271,540	34,380	21050.5%
CURRENT LIABILITIES			
Accounts payable	220,625	170,838	29.1%
Accrued Liabilities and Other Current Liabilities	68,029	236,426	-71.2%
Note Payable, Short-Term	25,146	175,000	-85.6%
TOTAL CURRENT LIABILITIES	313,800	582,264	-46.1%
Derivative Liabilities	4,479,126	0	NM
Notes Payable, Long-Term	56,422	62,755	-10.1%
TOTAL LONG TERM LIABILITIES	4,535,548	62,755	7127.4%
TOTAL LIABILITIES	4,849,348	645,019	651.8%
STOCKHOLDERS' EQUITY (DEFICIENCY)			
Common Stock	2,457	1,311	87.4%
Additional paid-in capital	4,605,847	4,924,194	-6.5%
Deficit accumulated during development stage	(2,186,112)	(5,536,144)	-60.5%
TOTAL STOCKHOLDERS' EQUITY (DEFICIENCY)	2,422,192	-610,639	-496.7%
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIENCY)	$7,271,540	$34,380	21050.5%

STATEMENT OF CASH FLOW

	3 Months Ended			73 Months Ended
	Mar. 31, 2014	Mar. 31, 2013	% Change	Mar. 31, 2014
Cash Flows from Operating Activities				
Net loss	(2,186,112)	(323,113)	577%	(7,722,256)
Adjustments to reconcile net loss to net cash provided by operating activities				
Impairment of goodwill				634,799
Depreciation and amortization	1,229	3,321	-63%	126,302
Stock compensation expense	1,436,781	36,609	3825%	1,697,350
Change in fair value of derivative liabilities	(41,937)		NM	(41,937)
Changes in assets and liabilities				
Prepaid expenses	9,621	(21,278)	-145%	(18,214)
Other current assets	0	3,577	-100%	
Accounts payable	49,787	61,207	-19%	220,625
Accrued liabilities and other current liabilities	(168,397)	10,380	-1722%	68,029
Net cash used in operating activities	(899,028)	(229,297)	292%	(5,035,302)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of intangible assets				(87,890)
Security deposit				(3,000)
Purchases of property and equipment	(15,316)	(1,201)	1175%	(56,044)
Net cash used in investing activities	(15,316)	(1,201)	1175%	(146,934)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from notes payable				250,000
Repayment of notes payable	(156,187)		NM	(168,432)
Proceeds from issuance of common stock	8,303,225	263,000	3057%	12,047,841
Proceeds from issuance of demand note				285,521
Net cash provided by financing activities	8,147,038	263,000	2998%	12,414,930
NET INCREASE IN CASH	7,232,694	32,502	22153%	7,232,694
CASH, BEGINNING OF PERIOD				
CASH, END OF PERIOD	7,232,694	32,502	22153%	7,232,694
SUPPLEMENTAL CASH FLOW DISCLOSURES				
Conversion of demand note into Common Stock				285,521
Issuance of Common Stock for SonicSwap, Inc. Acquisition				$634,799

HISTORICAL ZACKS RECOMMENDATIONS



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