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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

**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

Average Campaign Impact: -83%
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

*updated February 2020
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

We suspect that Akazoo may have been generating questionable revenue by trading with foreign shell companies.

Undisclosed management control?
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...

Akazoo Days Sales Outstanding almost 5x larger than average. This may suggest that «sales» may be questionable.
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...

Unlikely claims appearing in Akazoo investor presentation.

Source: company presentation to investors
NUMBER OF USERS PER REVIEW: AKAZOO RATIO IS 17 TIMES HIGHER THAN AVERAGE...

On Google app store, Akazoo has a minuscule number of (suspicious) reviews relative to its claimed user base vs its peers.

Akazoo claims to use sell its services also through platforms controlled by Telcos (e.g. MTN) and other partnerships, the users originating from these collaborations would not show up in these statistics. However, Akazoo states on its official filings that such collaborations do not represent more than 20% of its user base: [SEC prospectus, page 149, top]
REVENUE PER EMPLOYEE: AKAZOO RATIO IS 8X HIGHER THAN AVERAGE...

Akazoo claims $145m of revenue with only 26 employees or a staggering $5.6m per employee. This is implausible.
OTHER STATISTICS TELL A SIMILAR STORY...

Akazoo claimed figures seem grossly overstated, no matter which indicators we use.

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

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Private & Confidential

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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

<table>
<thead>
<tr>
<th>Sensor Score</th>
<th>26</th>
</tr>
</thead>
<tbody>
<tr>
<td>Visibility</td>
<td>33</td>
</tr>
<tr>
<td>Internationalization</td>
<td>40</td>
</tr>
</tbody>
</table>

**Downloads**

< 5k

Dec 2019 Worldwide

**Revenue**

< $5k

Dec 2019 Worldwide

Keywords found

- akazoo
- music

**Review Breakdown Per Day**

Sorry! This app hasn't been reviewed in this time range. Learn how can you market your app better.
MOBILE ACTION: ONLY 40 DOWNLOADS, UNDETECTABLE REVENUE (DEC 2019)
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
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

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...

Number of Akazoo employees

<table>
<thead>
<tr>
<th>Year</th>
<th>Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>45</td>
</tr>
<tr>
<td>2017</td>
<td>27</td>
</tr>
<tr>
<td>2018</td>
<td>26</td>
</tr>
</tbody>
</table>

-42%

Source: SEC filings
MANY OF AKAZOO’S SUBSIDIARIES ARE LOCATED IN NON-TRANSPARENT JURISDICTIONS...

<table>
<thead>
<tr>
<th>Legal Name</th>
<th>Jurisdiction of Incorporation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Music Intelligence Solutions, Inc.</td>
<td>Delaware, USA</td>
</tr>
<tr>
<td>Polyphonic Human Media Interface SL</td>
<td>Spain</td>
</tr>
<tr>
<td>Akazoo Spolka z.o.o.</td>
<td>Poland</td>
</tr>
<tr>
<td>Akazoo DWC-LLC</td>
<td>United Arab Emirates</td>
</tr>
<tr>
<td>Akazoo CY Ltd</td>
<td>Cyprus</td>
</tr>
<tr>
<td>Akazoo SA</td>
<td>Greece</td>
</tr>
<tr>
<td>Akazoo Ukraine</td>
<td>Ukraine</td>
</tr>
<tr>
<td>R and R Music Ukraine</td>
<td>Ukraine</td>
</tr>
<tr>
<td>Akazoo Ltd</td>
<td>Mauritius</td>
</tr>
<tr>
<td>Akazoo Music Limited</td>
<td>Republic of Ghana</td>
</tr>
<tr>
<td>Akazoo Ltd</td>
<td>Cameroon</td>
</tr>
</tbody>
</table>
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!»
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
Akazoo name does not show up anywhere at the given registered address. (we assume this address belongs to Akazoo’s lawyers.)
R&R & INTERNETQ LONDON ADDRESSES

R&R10 Pentonville Rd, London

InternetQ at 14 Old Queen St. - London

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

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!
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...

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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 fined $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

<table>
<thead>
<tr>
<th>Country</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Poland</td>
<td>Orange partnership no longer in place. Can register, but negligible user volume*.</td>
</tr>
<tr>
<td>Russia</td>
<td>App exists, but cannot register.</td>
</tr>
<tr>
<td>Brazil</td>
<td>App exists, but cannot register.</td>
</tr>
<tr>
<td>Indonesia</td>
<td>App exists, can register. Negligible usage.</td>
</tr>
<tr>
<td>Malaysia</td>
<td>App exists and can register, but negligible usage.</td>
</tr>
<tr>
<td>Greece, Cyprus</td>
<td>Can register.</td>
</tr>
<tr>
<td>Thailand, Mexico</td>
<td>Can’t register.</td>
</tr>
</tbody>
</table>
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

Leoforos Kifissias 216, Chalandri, 15231, ATTICA  Map View

2106714999

Visit Website
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

UPDATE 1-Velti to sell businesses to Blackstone, US ops file for bankruptcy

* To sell mobile marketing business in US, UK, India
* To sell the business to Blackstone unit GSO Capital
* Says ad exchange Mobelix to wind down business
* Shares trade at 8 cents vs $20 peak two years ago

FINANCIAL TIMES

Globo goes into administration

FCA investigates mobile tech group amid allegations of ‘fictitious sales’
AKAZOO CEO ZERVOS IS A FORMER SENIOR MANAGER AT DISGRACED COMPANY VELTI

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

Apostolos N. Zervos
CEO at Akazoo
Forward thinking and sales driven digital/marketing strategist
London, England Metropolitan Area

Current CEO at Akazoo • 9 yrs 6 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

*Source: LinkedIn search
THE CURIOUS CASE OF SOLUTION SYSTEM TOUCHMEDIA

• Touchmedia (now Veoo Malaysia) is a Malaysian company related to InternetQ’s CEO Panagiotis Dimitroupulos.

• 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.

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*Source: InternetQ 2013 annual report
CONCLUSIONS

• Akazoo appears to be a far smaller company that it claims to be and a rapidly shrinking one.
• Official figures show irreconciliable 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.**
AKAZOO FOUNDER’S CURIOUS TASTE IN MUSIC: TIME TO COME CLEAN DIMITRI!