

AKAZOO: YOU ONLY LIVE TWICE!

Akazoo S.A.: You Only Live Twice!

Akazoo has deceived investors for the last time

Equity Report by Quintessential Capital Management

Sunday, April 19, 2020



QCM is SHORT Akazoo (Nasdaq: SONG)



QUINTESSENTIAL
CAPITAL MANAGEMENT

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QCM is SHORT the stock of Akazoo S.A., but QCM's economic interest is subject to change without notice.

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Executive Summary

Quintessential Capital Management (QCM) has completed its in-depth investigation into Akazoo S.A., a Luxembourg-domiciled company recently listed on Nasdaq through a reverse merger. After a meticulous collection and analysis of information, **we came to the opinion that Akazoo is likely a "castle of cards", a scheme conceived by management to enrich themselves at the expense of shareholders.** Akazoo claims to be a successful multinational music streaming company, whose size in terms of revenue, profits and users would rival industry giants such as Pandora or Tidal. In this report, we will share with you overwhelming evidence suggesting that **Akazoo may be just a tiny, loss-making company based in Greece with negligible user base and sales.** We fear that Akazoo's accounts, which have been audited by a tier-2 firm, may in fact hide **serious irregularities** or worse. Akazoo counts no more than 26 employees, a large portion of which have recently worked at other proven frauds (e.g. Globo Plc¹) or suspected frauds (Velti). We also have serious suspicions about possible breaches in copyrights, possible money laundering and other instances of corporate wrongdoing. Given the gravity of the allegations against Akazoo, we believe that the company is destined for a **catastrophic collapse** and its equity is correspondingly worthless.

QCM is short the shares of Akazoo S.A.

Warning: the following text contains important hyperlinks and footnotes

Quintessential and its goals

We are an American hedge fund based in New York. Our main activity consists in **identifying, investigating and exposing catastrophic corporate situations** in publicly traded companies, such as **fraud, criminal conduct** or **failed business** models.

We use state-of-the-art investigative techniques and only act after acquiring a critical amount of **overwhelming evidence** to substantiate our claims. Since 2015, we have completed eight activist campaigns exposing various dishonest companies with a **100% success rate**.² In July 2019, our in-depth report named "*A Parmalat in Bologna*" has led to the collapse of the Italian €1.1b-unicorn **Bio-on S.p.A.** and the arrest of the executives involved, charged with fraud and market manipulation.

In May 2018 our campaign against the Greek giant "**Folli Follie**" led to the collapse and de-listing of the company in just three weeks, as well as the uncovering of a multibillion-dollar fraud (the perpetrators are currently facing criminal prosecution). In December 2018, our action against **Aphria**, a Canadian cannabis company with a market capitalization of more than USD 4 billion, led to the immediate collapse of the stock and to the dismissal of the entire board of directors. In 2015 our report entitled "**A Greek Parmalat**" on Globo Plc led to the immediate collapse of the stock, bankruptcy of the company and the resignation of the executives involved, who promptly admitted their guilt.

We are a commercial enterprise and we work for profit. However, **we firmly believe in the moral character of our work** which has the effect of **removing dishonest companies from the**

²In virtually all cases our theses have been confirmed by official inquiries. In several cases, the management of the target companies and/or the board of directors has been dismissed. In two cases, the companies ceased to exist weeks after our intervention.

markets. These "bad apples" take financial and human resources away from legitimate companies and it is important to inform the public as quickly as possible to minimize the number of investors and creditors involved.

Description and historical context

Akazoo is a music streaming company ostensibly based in London (UK) and Luxembourg. The company listed itself on Nasdaq via a reverse merger in September 2019, being formerly part of a Greek company named “**InternetQ**”. InternetQ used to be listed on the London AIM market until early 2016, when the company was taken private amidst allegations of fraud by a British publication, Shareprophets. Following a few years of relative quiet, InternetQ spun off Akazoo and listed it on the US market through a reverse merger with a cash shell.

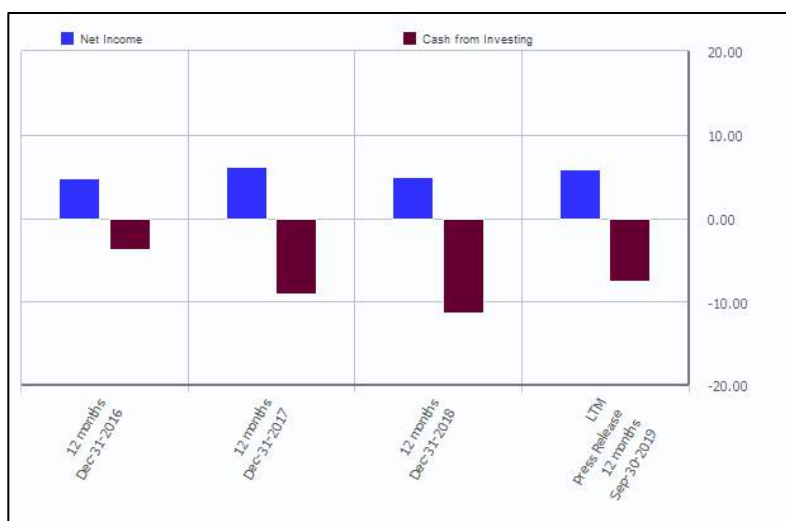
Akazoo owns and operates music streaming services. Its flagship service Akazoo Music is a music streaming app like Spotify or Deezer and allows users to listen to unlimited music for a monthly subscription via mobile or internet. The company claims 44m registered users, of which 5.5m paying subscribers and revenue of \$140m growing at a compound rate of around 24%³ a year. According to the company’s SEC filings, 80% of revenue originates directly from consumers, with the remainder derived from partnerships with telecom operators, OEM manufacturers and others. The company claims to operate in 25 countries around the world, especially in emerging markets, where it supposedly caters to the “local taste in music”.

³ Page 10 – Akazoo 20-F

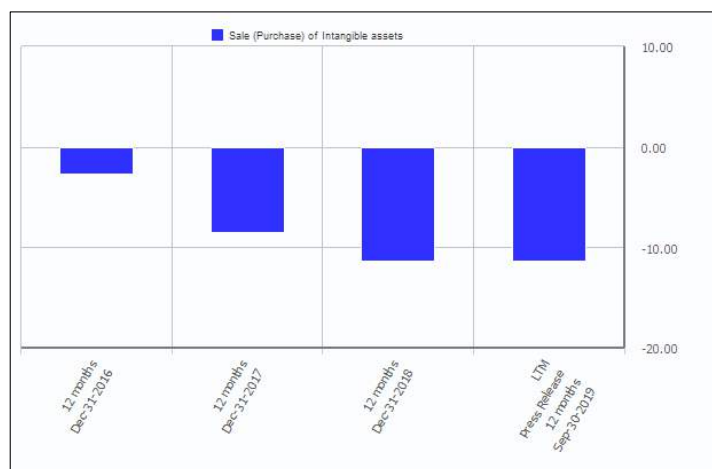
Financial analysis: like for many of our past targets, cash and taxes are missing at Akazoo

In virtually every fraud exposed by QCM in the past (e.g. Folli Follie, Bio-on, Globo) we observed two constant elements: lack of cash generation and little or no taxes. Typically, fraudulent companies inflate their sales and profits by issuing fake invoices to shell companies which are secretly controlled by management. This activity creates a fictitious accounting profit, but since fake sales do not generate any cash, they must be offset by equally fictitious expenses or investments (e.g. capex, intangible assets or M&A). As a result, companies that distort figures in this way, are often left with a large account receivables balance and a negative free cash flow generation which clashes with the claimed accounting profit. In addition to this, companies suspected of fraud typically pay little or no taxes.

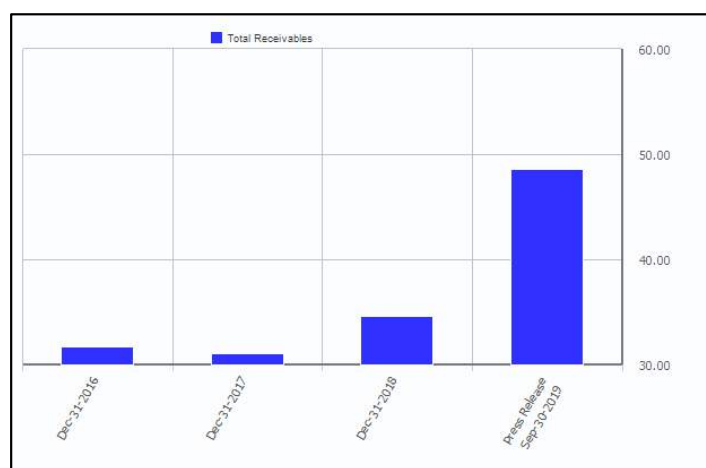
This situation echoes what we see at Akazoo, with large discrepancies between earnings and cash flow, sizeable investments in IP and a level of account receivables grossly out of line with its peer group. We also observe with great concern, that Akazoo has paid zero taxes for at least the past four years, despite claiming \$21.7m of accounting “profit”.



A questionable accounting profit masks a cash burn of \$4m per year.

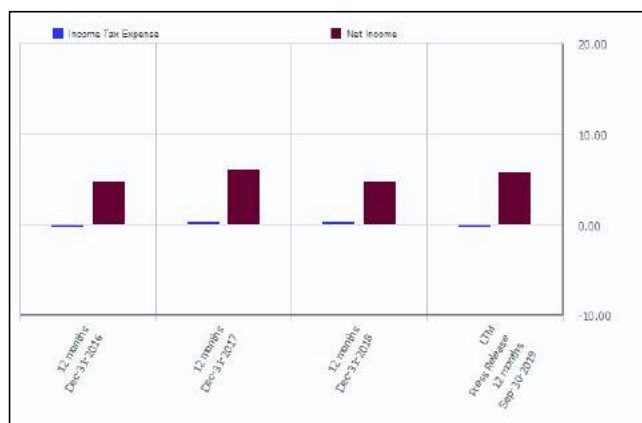


Akazoo claims to be spending about \$11m/year in intangible assets.



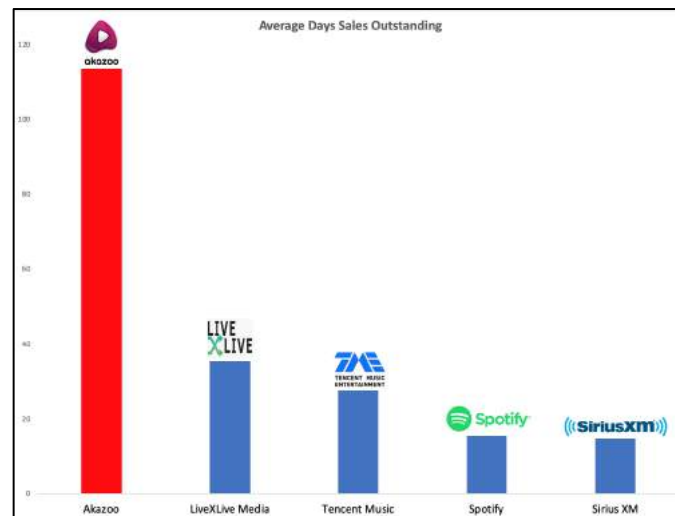
Account receivables are growing rapidly.

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



Akazoo paid zero taxes in four years.





Akazoo Days Sales Outstanding are a suspicious outlier relative to its peer group.

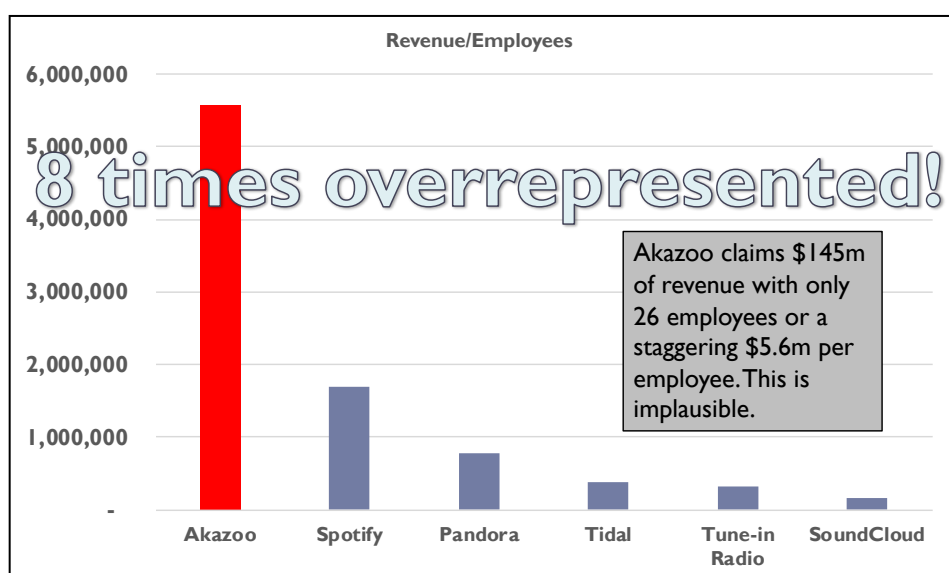
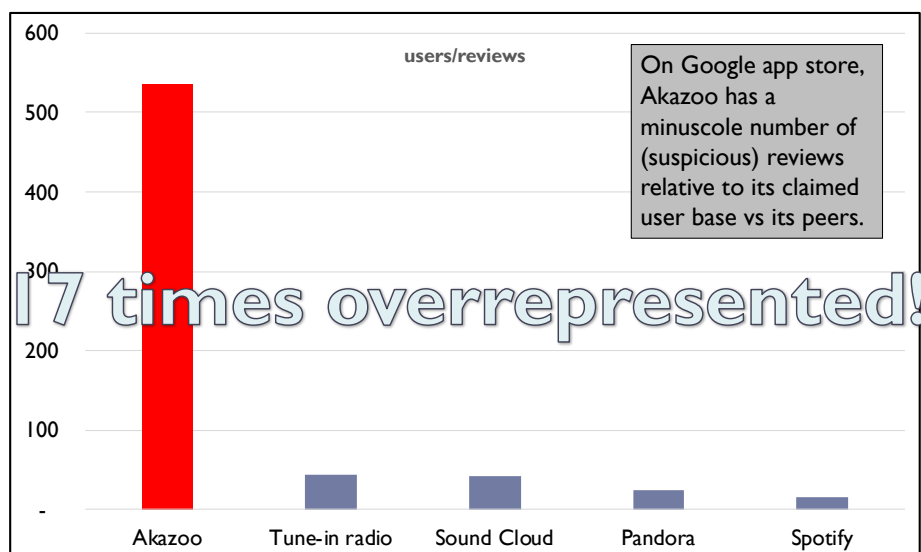
Numerical analysis suggests that Akazoo may be much smaller than it claims to be

As reported earlier, Akazoo claims sales of \$140m, 44m registered users and \$5.5m paying subscribers. Because Akazoo's business model is similar to that of many competing apps in the market (e.g. Pandora, Spotify, Tidal, TuneIn, etc.), one would expect it to score comparably in basic industry ratios⁴. For example, a selection of Akazoo's competitors shows that there is on average 1 app review for every 31 registered users on Google Play (the Android app store). Other ratios we checked include revenue/employee, subscribers/employee and others. While its competitors exhibit ratios which are similar to one another, **Akazoo's figures tend to be an extreme outlier**. For example, Akazoo claims to have over 500 users per review while its competitors on average have about 31. So, either Akazoo's users are far more reluctant to write reviews or the Company's user base is a lot smaller than what management has been telling

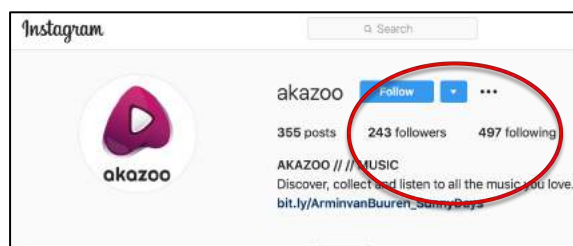
⁴ Akazoo claims to use sell its services also through platforms controlled by Telcos (e.g. MTN) and other partnerships, the users originating from these collaborations would not show up in these statistics. However, Akazoo states on its [official filings](#) that such collaborations do not represent more than 20% of its user base: "*Akazoo has enjoyed success employing this strategy throughout the world as up to an estimated 20% of its total user and subscriber base is derived from these partnerships.*" [SEC prospectus, page 149, top]

investors. Similar anomalies show up also in the number of likes/followers on social media and in revenue/employee ratio.

In our opinion, these discrepancies strongly suggest that **Akazoo may be a far smaller company than it claims to be**. By extrapolating the average figures and applying them to Akazoo, we estimate that its **users base may be inflated by at least a factor of 10**.



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



1500 times overrepresented!



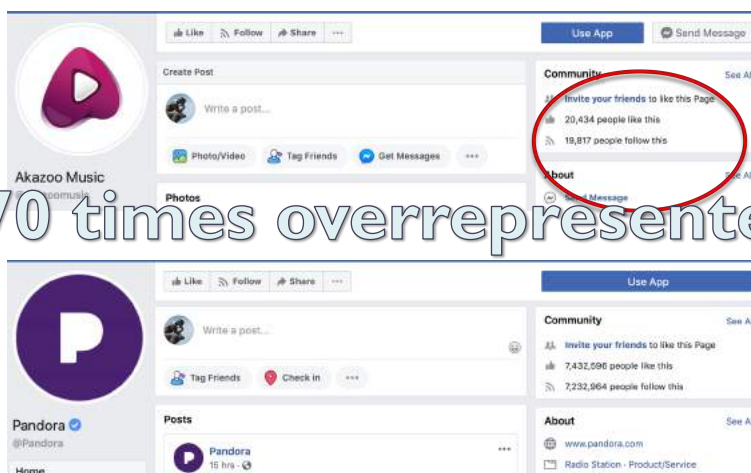
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PANDORA HAS **370 TIMES (!)** MORE FACEBOOK FOLLOWERS THAN AKAZOO (DESPITE COMPARABLE NUMBER OF CLAIMED SUBSCRIBERS)



370 times overrepresented!

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Trends analysis: Akazoo's visibility is negligible

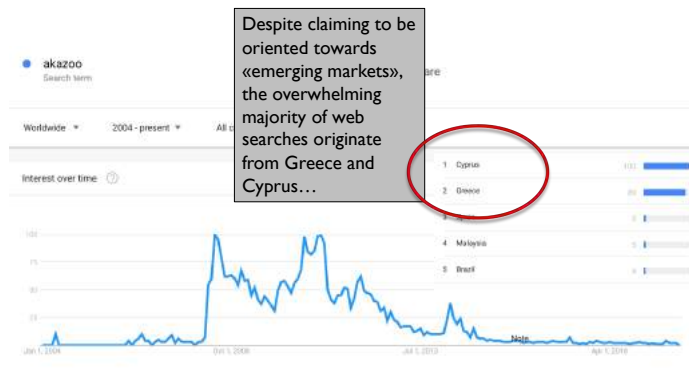
We used Google Trends in order to gauge the search volume for the word “Akazoo” over time.

The results are extreme and show three worrying patterns:

1. **Search volume for Akazoo is negligible**, especially if compared with competitors claiming similar user bases. For example, Pandora has some 80m users and Deezer 14m (vs 44m claimed by Akazoo). Yet, the search volume for the Greek company is almost **trivial** compared to both firms.
2. On an absolute basis, **search volume for Akazoo appears to have peaked** somewhere around 2011-2012 and has since **shrunk to almost zero**. This fact obviously clashes with growth rates and trajectory claimed by the Company.
3. The **near totality of web searches originates in Cyprus and Greece**, rather than in the emerging countries where Akazoo claims to be so popular.

The above observations clearly strengthen the idea that **Akazoo's claimed size, growth rate and geographical reach may be completely, false.**

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



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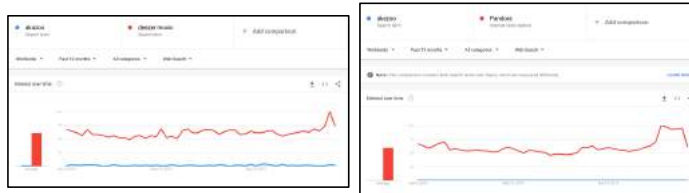
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GOOGLE TRENDS: AKAZOO IS VIRTUALLY UNDETECTABLE VS. PEERS CLAIMING COMPARABLE SUBSCRIBER BASES

Akazoo vs Deezer

Akazoo vs Pandora



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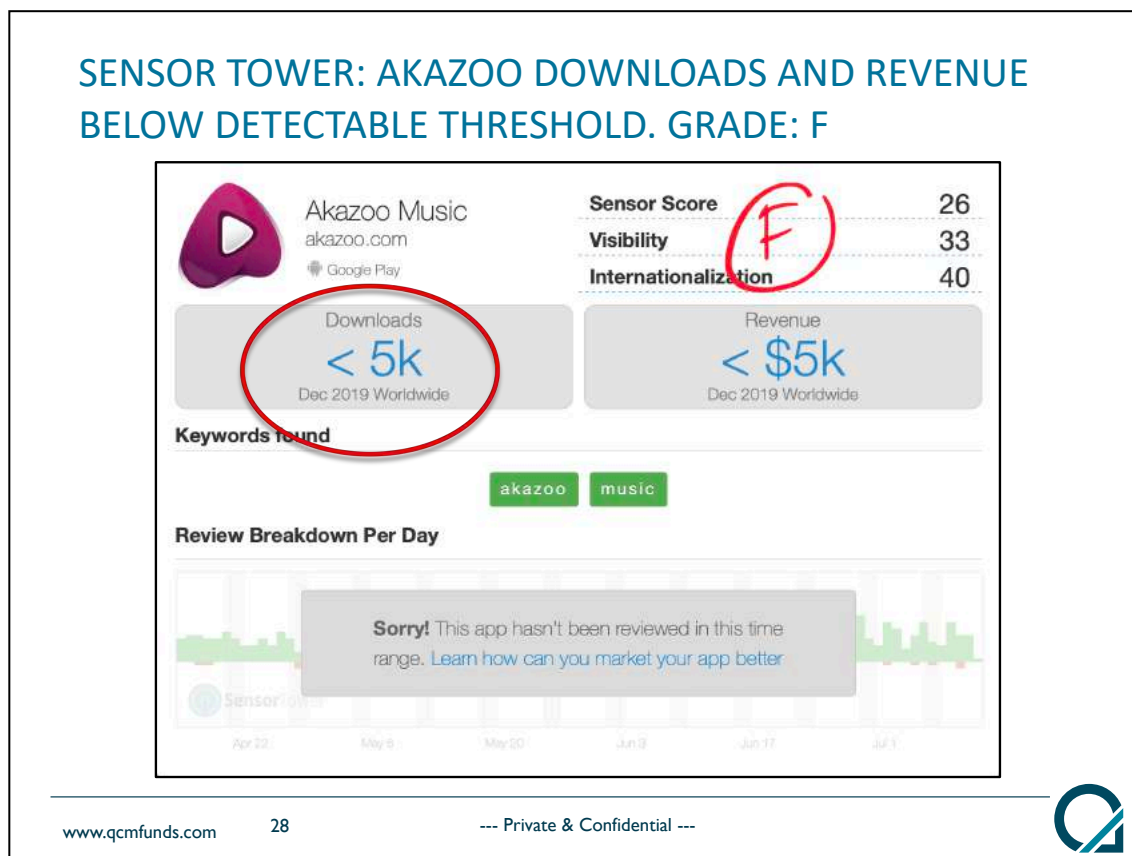
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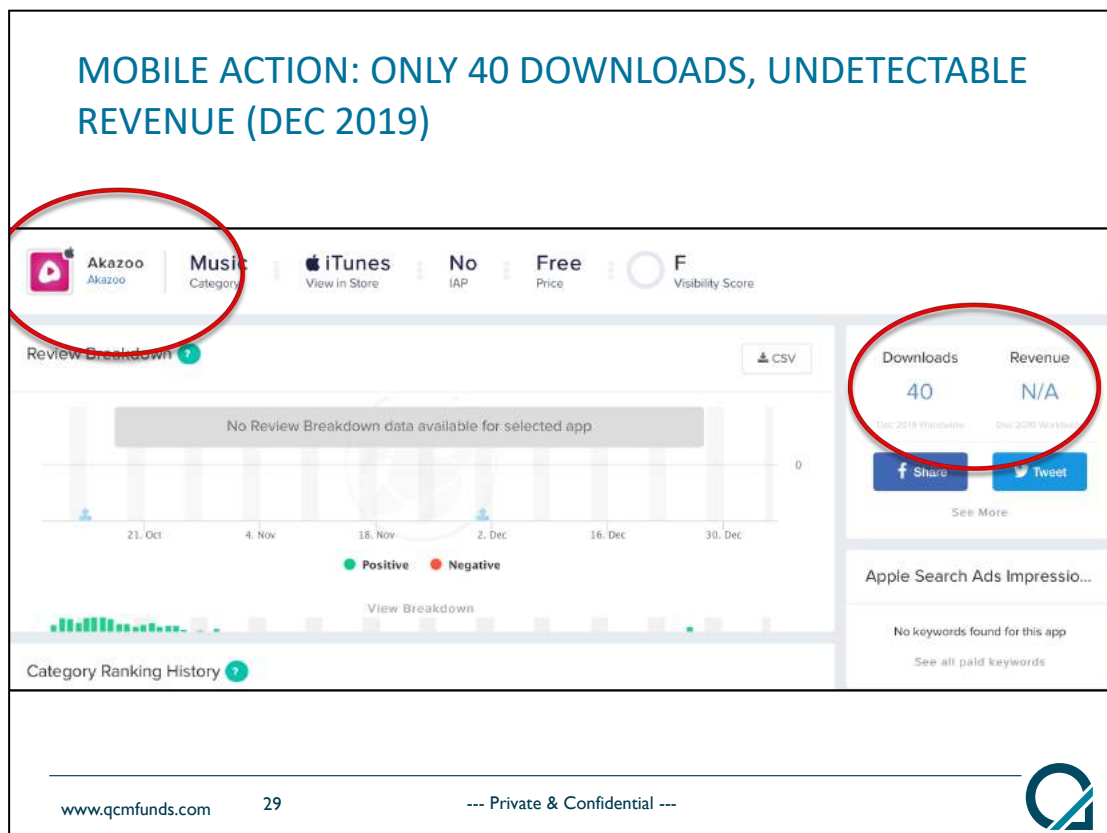
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Data from third-party apps confirms: Akazoo app number of downloads is minimal

We used third-party software to estimate how many times the Akazoo app may have been downloaded on smartphones and the corresponding projected revenue figures. Not surprisingly, the figures we obtained fit perfectly the insights that we received from the numerical analysis in the previous sections: **Akazoo scores pitifully on both platforms.** For Sensor Tower, Akazoo was below the minimum threshold for detection (<5000 downloads). Worse still, Mobile Action seems to **estimate the number of Akazoo downloads at about 40/month** (December 2019). Obviously, such dismal data is impossible to reconcile with the 44m of registered users growing at double-digit rates claimed by management. Should anyone doubt the accuracy of the software we used, we performed the same analysis on several competitors of Akazoo's and the findings were consistent with the official figures reported by these companies.





The app reviews: few and shameless

Opening the [Akazoo page](#) on Google Play (the Android app store) something odd immediately jumps to the eye: the most relevant text reviews date **as far back as January 2019** (15 months ago) and, perhaps surprisingly for an app that claims to cater mostly emerging markets, are signed by three Greek-sounding names. The authors of these reviews are: [Chris Spiliotopoulos](#), [Yiannis Karalis](#) and [George Zervos](#). As you can readily verify clicking on the hyperlinks, **these characters are all Akazoo's senior employees** and the latter, George Zervos, may be **the brother of the company's CEO**. A quick glance of the remaining reviews shows that many of them look

fake or complain about the app being either unusable, disappointing or claim having downloaded it to get credits elsewhere.

CURIOUS REVIEWERS OF AKAZOO...

REVIEWERS:

- Chris Spiliotopoulos** (Senior solution architect at Akazoo): "Great app and plenty of great music! I particularly like the Radio feature that automatically generates playlists for you. Really nice!"
- Yiannis Karalis** (Head of program delivery at Akazoo): "That's a pretty cool music app! I can find any music I want, and the collection of playlists is endless!"
- George Zervos** (Content curation at Akazoo (brother of the CEO?)): [Review text partially obscured]

Senior solution architect at Akazoo

Head of program delivery at Akazoo

Content curation at Akazoo (brother of the CEO?)

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The incredible shrinking Akazoo

According to Akazoo's official filings, the Company's **headcount decreased by 17% per year** from 45 to 26 in 2016-2018 (we estimate the current number to be even lower). One has difficulty reconciling these figures with the claimed revenue growth rate of 24%: why would a company claiming to grow at that rate *halve* its workforce in three years starting from an already impossibly low base?

The very low number of employees (26 or less) on \$145m of sales implies a most unlikely \$5.5m of sales/employee. This ratio is 8x times higher than the ratio for its peer group and for companies such as Facebook or Apple (which have industry-leading ratios).

Consistent with the significant shrinking headcount, we noticed that **Akazoo seems to have closed most (or perhaps all) of their offices** outside of Greece, including its headquarters in London.

We visited recently Akazoo's London headquarters at the Pavillon Center at 96 Kensington High Street, in London UK. The facility is a co-working space akin to WeWork. After speaking with the receptionist, we learned that **Akazoo left the premises a long time ago**. Even at its peak, the office was apparently manned by only four people: Pablo, George, Neilah and Pierre. We believe⁵ these names may correspond to Pablo Monstrous, Nailah Peeroo, George Zervos and Pierre Schroeder (CFO): the former **three have left the UK office in February 2019**, while Pierre lingered until December then **closed down the office permanently**. We also visited other addresses in London, including the ones of their subsidiary R&R, and found them either closed or belonging to Akazoo's legal advisors rather than to Akazoo proper.

⁵ Based on a LinkedIn search of employees with the same names.

The office in the Ukraine is also either closed or in the process of being closed as Tatiana Ostapenko, Akazoo's Chief Accountant, is "*open for offers*" on her LinkedIn page and cites as a reason "[Akazoo's] **HQ is currently closing business in Ukraine**".


We also visited the Luxembourg address in Rue de Bitbourg and failed to find any trace of Akazoo whatsoever (we presume that this address belongs to Akazoo's legal advisors). Similarly, our field sources claim that Akazoo has no proper office in Cyprus and may be using an accountant's address or similar. So, *where* in fact is Akazoo? The company may be operating from some other unknown location, but QCM did find an Akazoo's office⁶ **inside the headquarters of its former parent company InternetQ in Athens**, at 340 Kifissias Ave, Neo Psychiko. The (barely readable) sign on the doorbell simply says "*InternetQ*"⁷. One wonders whether the company should have communicated to investors that it is no longer operating from the office address in London appearing on its official filings and on its website.

⁶ We asked the reception at the entrance of the building where is the Akazoo office. He indicated the 4th floor of the building (InternetQ's headquarters).

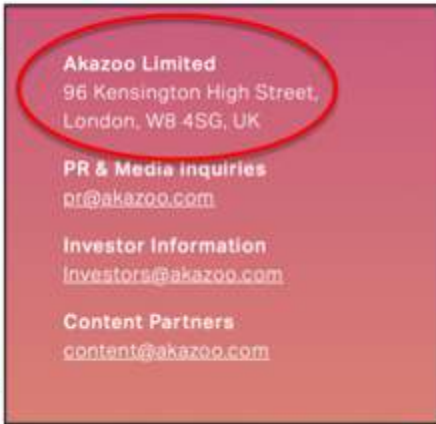
⁷ Although the sign says "InternetQ" and not "Akazoo", a former employee as well as the building's concierge indicated that it was indeed Akazoo's office.

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

On SEC form 20-F




On Akazoo's website




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QCM FIELD CHECK IN LONDON AT 96 KENSINGTON

PAVILLION CENTER



Receptionist: «Akazoo left several months ago!»



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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&R10 Pentonville Rd,
London

InternetQ at 14 Old
Queen St. - London



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

340 Kifissias Ave
Neo Psychiko, 15451
Greece

340 Kifissias Ave
Neo Psychiko, 15451
Greece



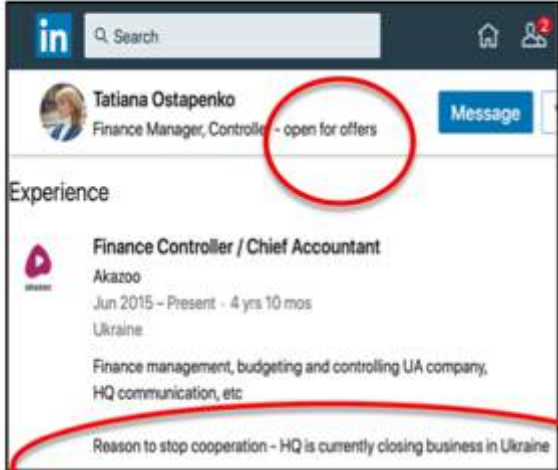
Akazoo appears located at the Athens office of InternetQ, its former parent company.

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The (tiny) sign outside Akaxoo's office in Athens says "InternetQ"...

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!

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Auditors cannot always be expected to detect these situations

Having a Big Four auditing firm is not necessarily a 100% guarantee against fraud, as Bio-on's investors and creditors painfully found out last summer (the accounts were signed off by EY). Crowe LLP, the audit firm signing off unqualified opinions on Akazoo's financial statements since 2015, has a decent reputation as a tier-2 company, but it's not infallible. The company has been recently fined \$1.5m by the SEC for allegedly providing a green light to a fraud (the full

proceedings may be found [here](#)). We note that these SEC charges allege a situation that, in our opinion, echoes the situation we suspect is going on at Akazoo.

In any case, auditors often struggle with companies where a **large portion of revenue and expenses originate outside of the country** where the company is headquartered. This is because the accounts of a company's foreign subsidiaries are typically audited by little-known local firms which may be subject to all sort of pressures. We saw this situation occurring clearly at [Folli Follie](#) and [Globo Plc](#).

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.

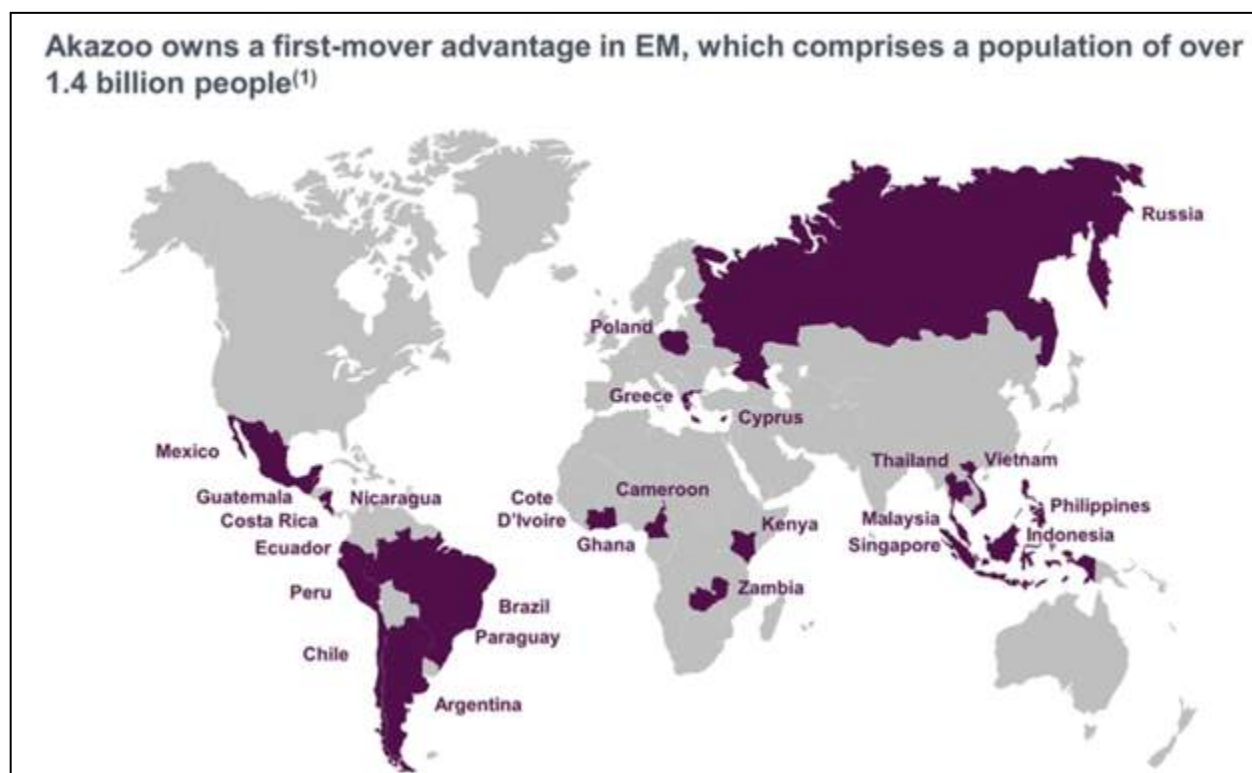
The SEC's order against Crowe finds that its audit team identified pervasive fraud risks in connection with its 2013 audit of Corporate Resource Services yet failed to:

- 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.

Doubts on geographic reach

In its official filings and presentation to investors, Akazoo claims to be active in 25 countries:



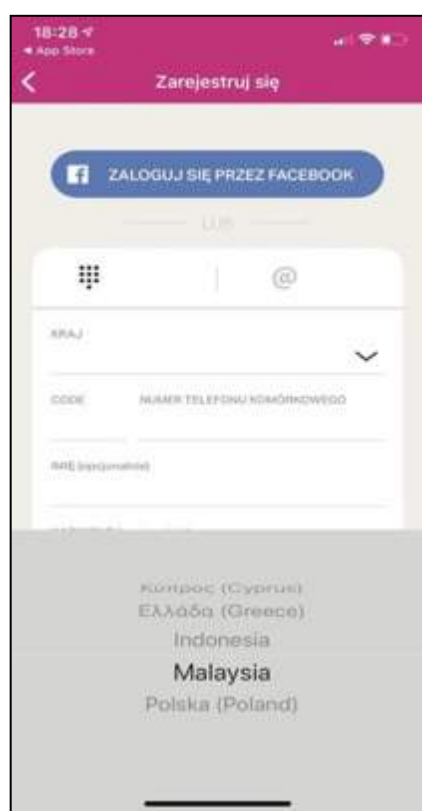
Being a music-streaming business, the map above presumably indicates that Akazoo is actively selling music in the countries appearing on the map. In its 2019 SEC filings Akazoo highlights: “Akazoo’s revenue is derived primarily in emerging markets (including **Poland, Russia, Malaysia, Thailand, Indonesia, Ecuador, Brazil and Mexico**, among others). The success of the business is largely dependent on the continued demand for music streaming services in these regions”.

QCM’s investigation, however, suggests otherwise. First of all, using local contacts in key markets as well as a VPN, we attempted opening accounts in dozens of countries (including many of those in the list above), but in most cases, we received the following message from Akazoo:

“We would really like to be here. For now, our service is not available in your country.

Please check back, you never know.”

The only countries where we did manage to open an account were Greece, Cyprus, Poland, Malaysia and Indonesia. It is apparently not possible to become an Akazoo client in either Russia or Brazil, two of the largest markets that Akazoo claims to be operating in. This is in line with the options on the app itself which only has these five countries as possible choices of residence (and this stage is only accessible if you are located in one of those five countries).



Additionally, we investigated the local Google App Stores in the key markets directly referred to by Akazoo. Noting that, as per SEC filing, only “up to 20% of subscribers” come from partnerships with local operators, we can focus primarily on the availability of and activity on

Akazoo Music – the flagship app. We also note that the other app Akazoo Radio does not charge a subscription and is said by Akazoo to account for less than 2% of revenues, meaning it can safely be ignored for the purposes of verifying the user base.

Key Market Poland

Starting in late 2014 Akazoo did have a partnership with Orange Polska SA, providing them a white-label streaming service called *Muzyka-Tu-i-Tam*. However there seemed to be quite a lot of complaints around it and in early 2016 Orange switched to a partnership with Spotify (source: <https://www.telepolis.pl/wiadomosci/taryfy-promocje-uslugi/spotify-premium-dostepny-w-orange>). Former clients of *Muzyka-Tu-i-Tam* were migrated onto Spotify by Orange with a three-month free Premium subscription. The *Tu-i-Tam* service does not appear to exist since mid-2016. Currently all Polish operators have streaming music partnerships that they actively promote on their websites – none involving Akazoo:

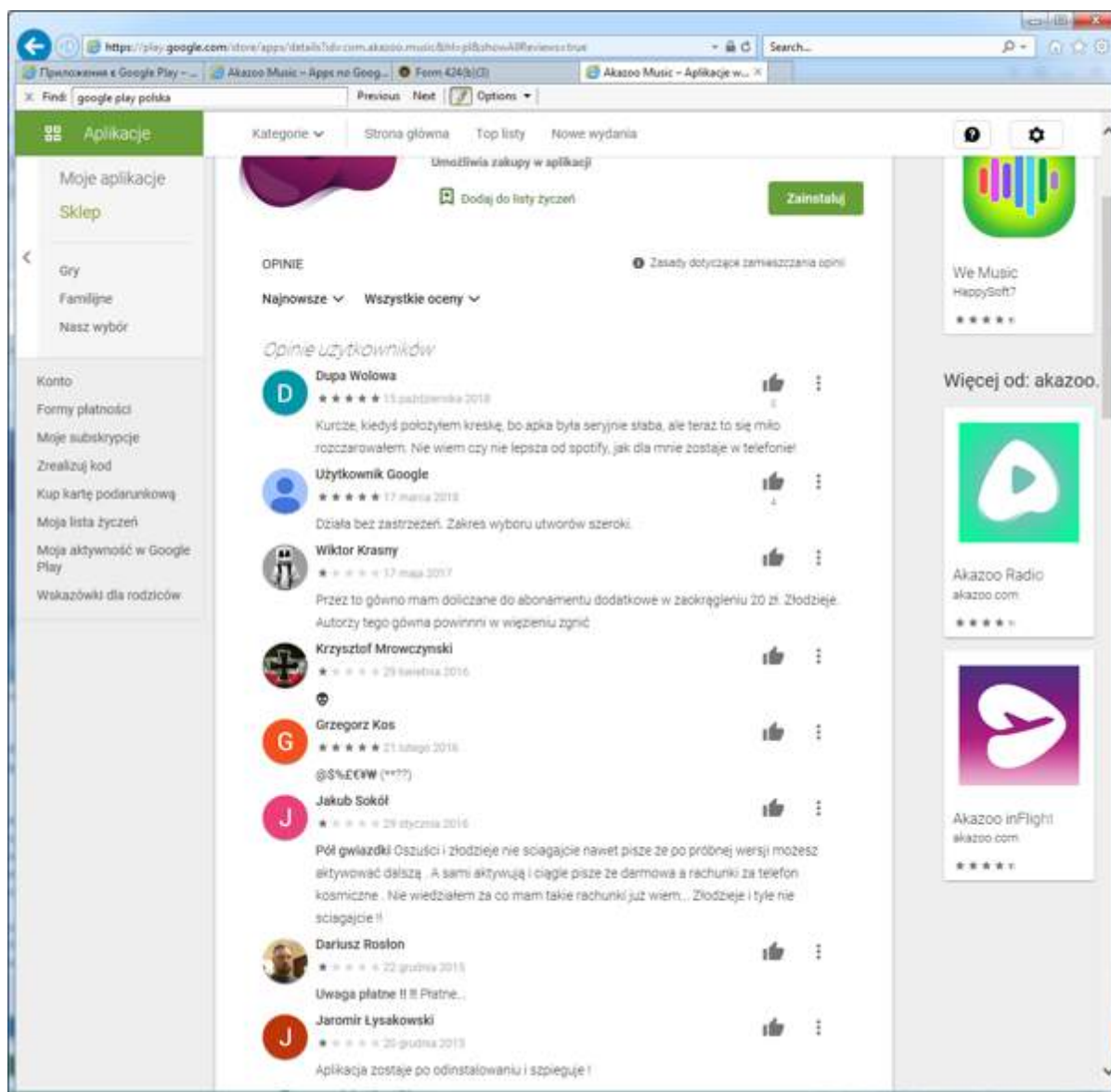
- Orange: Spotify, Tidal, Amazon and Deezer
- Play.com: Tidal
- T-Mobile: Pandora, Spotify, Google, Amazon, Apple, Soundcloud
- Polkomtel has its own app (Plus Music) developed by a firm called n7 mobile.

The Akazoo Music app is still available on the Polish Google Play app: it is one of a handful of markets where it is currently possible to register, log-in and even pay for access (using a Polish third party payments service: (<https://mobiltek.pl/en/mobile-payments/>). Unfortunately, there don't seem to be many takers...

On the Polish Google Play app store the most recent reviews as of February 2020 are two from 2018, one from 2017 and a few complaints from 2016. Some older reviews hint that the

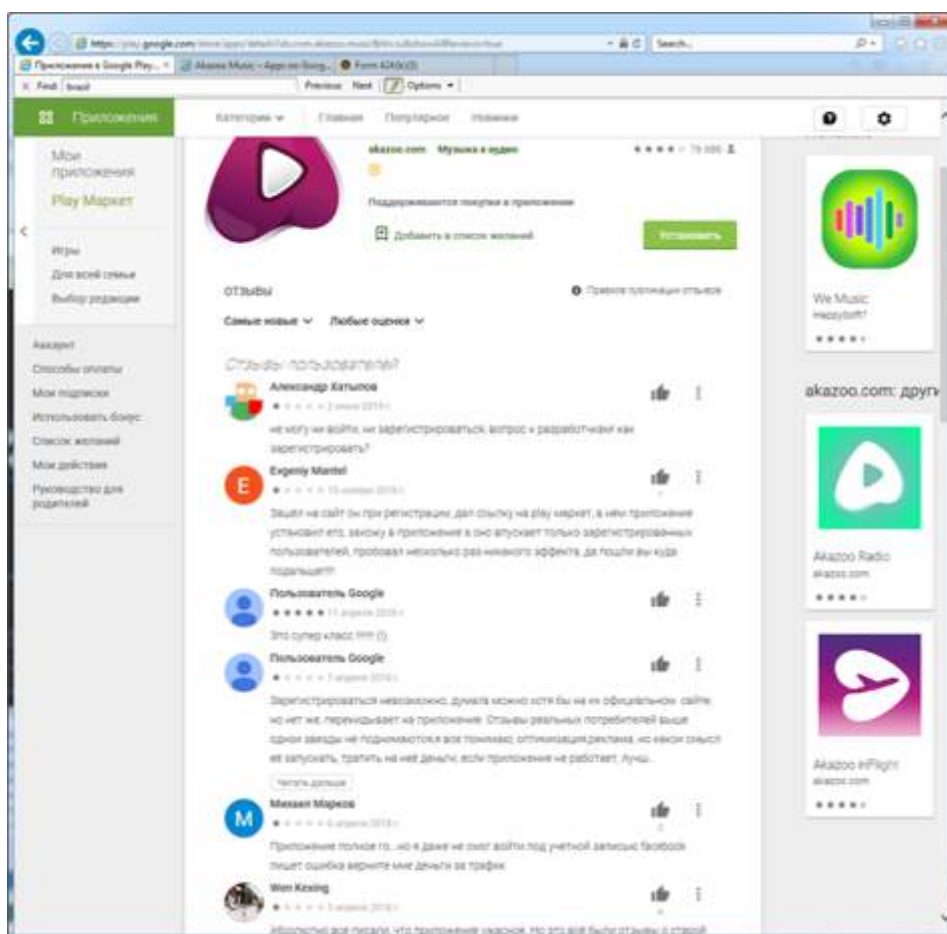
reviewers were only downloading it in order to earn credits on a third-party app. However, a grand **total of three reviews (!)** over the past three years is a clear sign that **there is practically no usage.** For comparison, Spotify has 20-25 reviews per day from Polish Google App store users. Spotify does not disclose its subscriber numbers in Poland but the annualized ratio of its reviews to Akazoo's suggests 7,300 : 1. Even with an optimistic assumption that Spotify has 19m subscribers (50% of the Population), we would therefore estimate Akazoo to have around 2,000 subscribers in this "key market" – even with a margin of error of a factor of 10, this is an insignificant number.

This is not very surprising as Akazoo has zero online presence in Poland, with extensive Google searches mostly revealing a handful pre-2015 references complaining about it being a **predatory premium SMS scam.**



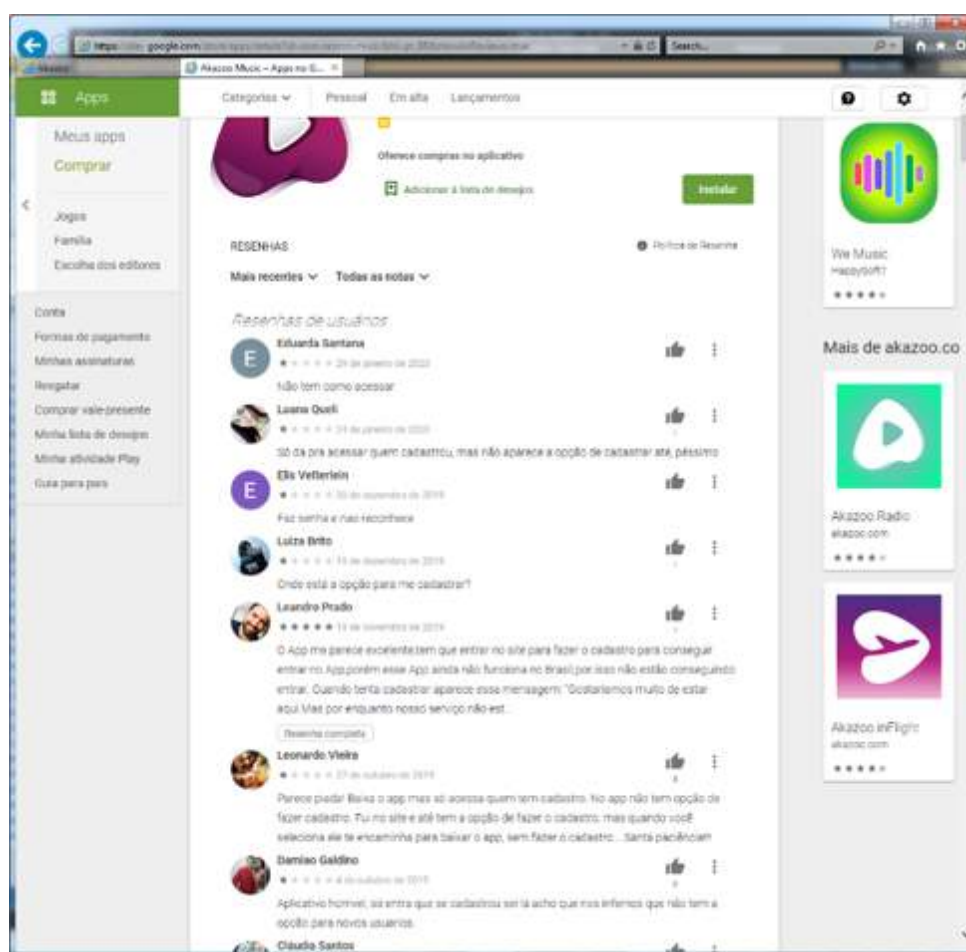
Key Market Russia

The Akazoo Music app has been available on the app store since at least 2017. However, in all that time it seemingly was not possible for Russian users to register or log in as evidenced by the sporadic commentary of users who seem to have stumbled on it. It has also never been translated into Russian (a frequent complaint below from people who didn't even manage to get to the point where they are told the service is not available in their country) and **remains unavailable for registration today.**



Key Market Brazil

The service is not available in Brazil. It is possible to download the app and there is a Portuguese language page that confirms the service is not available. It is not permitted to open an account or log in with an existing account. This has been tested on multiple local mobile phones and networks. Judging by the comments on the Google App store, this has been the case since at least May 2019 (comments saying it is not possible to log in).



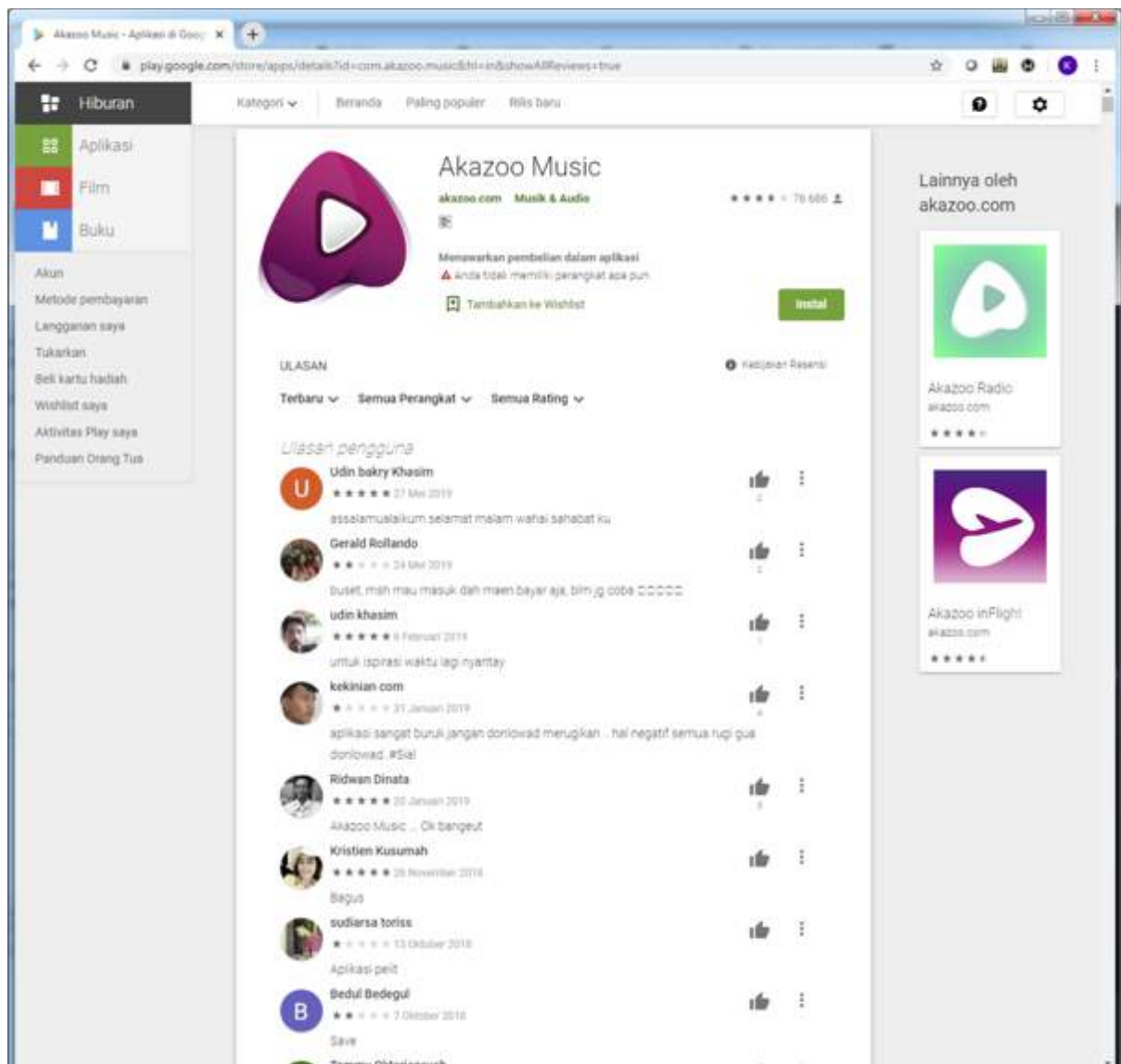
In prior years there was some modest commentary activity with a small number of people evidently trying the service out. The vast majority of the reviews were negative with one star. Having taken the time to count them individually, it looks like momentum faded after 2016 – not that 81 reviews per year indicates a popular app.

Total Akazoo Music Reviews in App	
Store Brazil	Full year
2019	0
2018	7
2017	22
2016	81

It is not that Brazilians are shy about commenting Spotify gets hundreds, if not thousands of reviews every single day in Brazil, mostly five stars (it's quite hard work just to scroll down to get to the previous day). This shows that not only does Akazoo not seem to operate in Brazil – when it did, it abysmally **failed** to gain traction and will have **at best had a handful of subscribers**.

Key Market Indonesia

It is still possible to subscribe to Akazoo in Indonesia at time of writing. And yes, there was a stream of comments (often even multiple comments on the same day) on the Play Store during 2016 and 2017, carrying into the first months of 2018 when clearly there was some attempt to promote the service in the country. Since then things have clearly tapered off – the last comment dates back to 27th May 2019, being the final of only five comments that year.



While much of this historic activity was likely paid for (the comments rarely say anything useful – typically 5* and “OK good”), this suggests that, unlike in all the other “key” markets, genuine attempts were made to establish the service in Indonesia. It is also worth noting that the Spotify app continues getting approximately 100 comments every single day on the Indonesian store (less than in Brazil but still many multiples of Akazoo at its peak activity in 2016). Unfortunately, these attempts have been abandoned over a year ago and the resulting drop in

activity suggests that they were ultimately unsuccessful in building any sort of brand or growing user base.

Indonesia is one of the rare markets where it is also possible to find Akazoo mentioned by music distributors as one of the services onto which they can help artists upload their music. However, far from the “first-mover advantage” claimed by Akazoo, it tends to be mentioned as an afterthought a long way down the list along with other obscure services. For example, Netrilis (<https://www.netrilis.com/p/daftar-toko-musik-digital.html>), an established Indonesian music distributor, lists Akazoo as the 41st out of 50 on its list of services it works with. It is also the second last of the numerous streaming services listed. The top 5 are iTunes/ Apple, Amazon, Spotify, Deezer and Tidal. We therefore have evidence from both the user side and the supplier side that while Akazoo Indonesia does exist, it has made no impact in the country.

	Business	Status	Format	Type	ID
1	Apple Music	Active	MP3	Streaming	1
2	Amazon Music	Active	MP3	Streaming	2
3	Spotify	Active	MP3	Streaming	3
4	Deezer	Active	MP3	Streaming	4
5	Tidal	Active	MP3	Streaming	5
6	iTunes	Active	MP3	Streaming	6
7	Google Play Music	Active	MP3	Streaming	7
8	YouTube Music	Active	MP3	Streaming	8
9	SoundCloud	Active	MP3	Streaming	9
10	Bandcamp	Active	MP3	Streaming	10
11	Travis	Active	MP3	Streaming	11
12	SoundCloud	Active	MP3	Streaming	12
13	Bandcamp	Active	MP3	Streaming	13
14	Travis	Active	MP3	Streaming	14
15	SoundCloud	Active	MP3	Streaming	15
16	Bandcamp	Active	MP3	Streaming	16
17	Travis	Active	MP3	Streaming	17
18	SoundCloud	Active	MP3	Streaming	18
19	Bandcamp	Active	MP3	Streaming	19
20	Travis	Active	MP3	Streaming	20
21	SoundCloud	Active	MP3	Streaming	21
22	Bandcamp	Active	MP3	Streaming	22
23	Travis	Active	MP3	Streaming	23
24	SoundCloud	Active	MP3	Streaming	24
25	Bandcamp	Active	MP3	Streaming	25
26	Travis	Active	MP3	Streaming	26
27	SoundCloud	Active	MP3	Streaming	27
28	Bandcamp	Active	MP3	Streaming	28
29	Travis	Active	MP3	Streaming	29
30	SoundCloud	Active	MP3	Streaming	30
31	Bandcamp	Active	MP3	Streaming	31
32	Travis	Active	MP3	Streaming	32
33	SoundCloud	Active	MP3	Streaming	33
34	Bandcamp	Active	MP3	Streaming	34
35	Travis	Active	MP3	Streaming	35
36	SoundCloud	Active	MP3	Streaming	36
37	Bandcamp	Active	MP3	Streaming	37
38	Travis	Active	MP3	Streaming	38
39	SoundCloud	Active	MP3	Streaming	39
40	Bandcamp	Active	MP3	Streaming	40
41	Akazoo	Active	MP3	Streaming	41
42	SoundCloud	Active	MP3	Streaming	42
43	Bandcamp	Active	MP3	Streaming	43
44	Travis	Active	MP3	Streaming	44
45	SoundCloud	Active	MP3	Streaming	45
46	Bandcamp	Active	MP3	Streaming	46
47	Travis	Active	MP3	Streaming	47
48	SoundCloud	Active	MP3	Streaming	48
49	Bandcamp	Active	MP3	Streaming	49
50	Travis	Active	MP3	Streaming	50

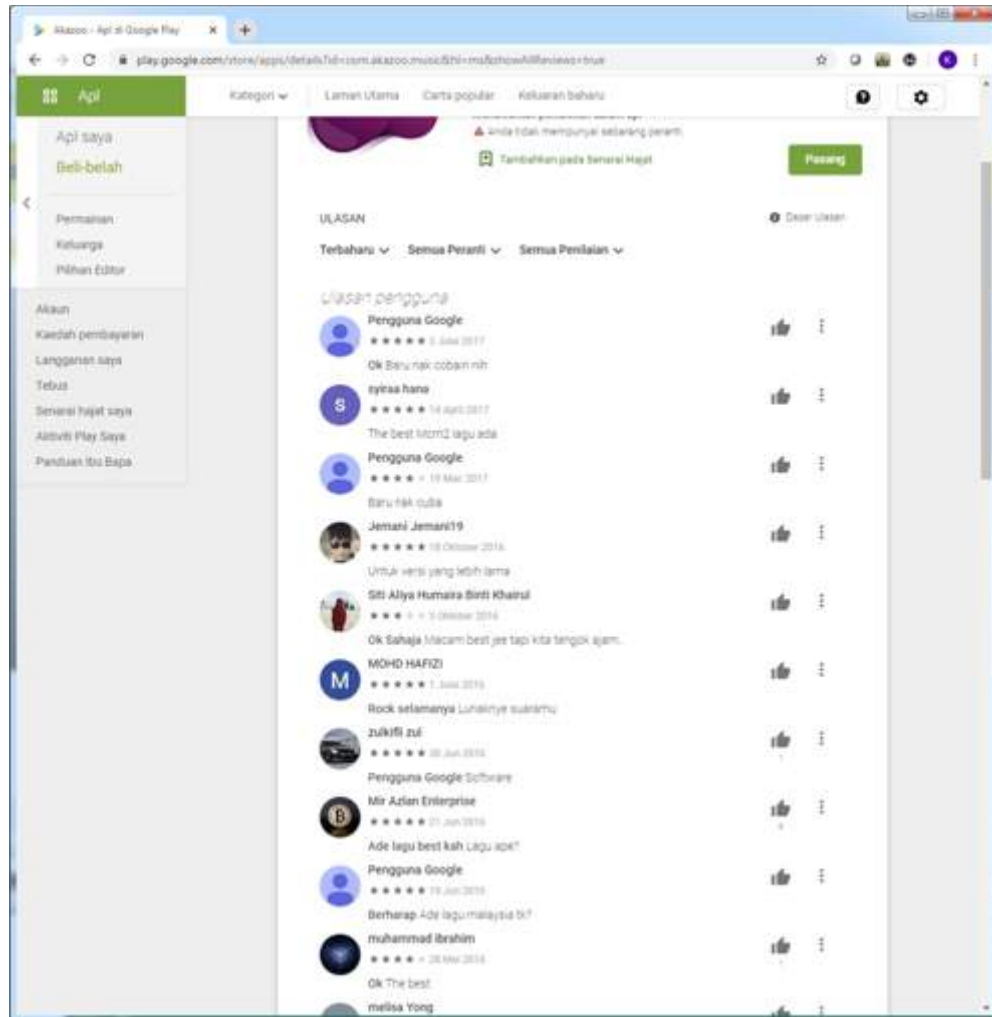
Key Market Malaysia

Akazoo did claim a partnership with Sony Ericsson in Malaysia in 2015, whereby the manufacturer preloaded its phones with Akazoo Music software. This would not have been relevant as even then Sony's market share would have been miniscule and has declined further since.

Although Malaysia is one of the handful of markets where it is actually possible to sign up for the service, activity on the Google Play Store is negligible. The latest comment dates back to July 2017 and there is **only around a dozen comments in total**. Clearly Malaysians are not engaging with Akazoo via the flagship app and it cannot account for any significant number of subscribers.

We have reviewed Malaysian mobile operators' music offerings (free data streaming if using a partner service) and much like in other countries this is a popular product: **none of them seem to work with or promote Akazoo.**

- Maxis: Spotify, KKBox, Joox
- Digi: Deezer + in-house app Digi Music in partnership with Sony/Universal
- Celcom: Spotify, Jookx, KkBox
- U Mobile: Spotify, Joox, Tidal, KkBox



Key Market Thailand

It is seemingly not possible to subscribe to Akazoo in Thailand even though the website has been translated into Thai. The Thai Play store shows minimal activity over the past years so it is safe to say **this was never an active market**.

Key Market Mexico

It is seemingly not possible to subscribe to Akazoo in Mexico even though the website has been translated into Spanish. The Mexican Play store shows minimal activity post 2014 (with just a handful of reviews in that year), so it is safe to say this was never an active market. Confirmation also from the year 2020 that it is not possible to register.

What about Africa?

No African country has been highlighted individually as a key market by Akazoo, however it is broadly described as an opportunity. Akazoo verifiably has a relationship with MTN Cyprus, providing the backbone to their MTN Music+ Service.

MTN is an established, if controversial⁸⁹¹⁰, pan-African mobile operator. Cyprus is MTN's smallest market where it has 500,000 subscribers. It would have been an opportunity for Akazoo if it were able to become the streaming partner of choice for MTN – something they certainly tried

⁸ [MTN \\$5.2 billion fine - Wikipedia](https://en.wikipedia.org/wiki/MTN_$5.2_billion_fine)
[en.wikipedia.org > wiki > MTN \\$5.2 billion fine](https://en.wikipedia.org/wiki/MTN_$5.2_billion_fine)

⁹ <https://www.bbc.com/news/world-africa-50952001>

¹⁰ <https://www.financeuncovered.org/investigations/mtns-8bn-illegal-foreign-exchange-scandal/>

to do with activities in Ghana and Cameroon. It is possible that there were some revenues for Akazoo from providing a white label service to MTN Ghana, however these together with MTN Cyprus would be described as partnerships with local operators and have to account for less than 20% of total Akazoo revenues.

Unfortunately, MTN has decided to acquire another streaming platform called Simfy in 2018 and seemingly use it to replace its MTN Music+ Service with MusicTime. This was first launched in South Africa¹¹, then Nigeria¹².

Knowledge of Emerging Markets?

A claimed advantage of Akazoo is an intimate knowledge and AI processing of local music tastes. This ostensibly allows them to stream local artists who let them do it at lower cost than global artists. To illustrate this, they present the following:

Corporate Presentation filed with SEC, pg. 10



¹¹ <https://www.itweb.co.za/content/dgp45qaGW1r7X9I8>

¹² <https://techpoint.africa/2019/11/04/mtn-nigeria-launches-musictime/>

Let's pause for a minute on the "Top 5 Artists on Akazoo in Brazil", which is an example of a huge potential market with a dynamic local music scene – and the fastest growing for Akazoo according to this presentation.

Anyone with a modicum of music history knowledge will recognize the top two artists in the list as giants of the Bossa Nova movement which was huge during the 50s and 60s. This music went global with Frank Sinatra and Stan Getz among many others to record their songs. We hear it in various forms to this day in elevators and chill-out bars around the world. To suggest that young Brazilians primarily stream Bossa Nova on their phones today is akin to saying Americans mainly listen to Elvis and Frank Sinatra while the British primarily stream Beatles classics. To summarize these top 5:

1	Antonio Carlos Jobim	Bossa Nova, Big in 60s	Died 1994
2	Vinicius de Moraes	Bossa Nova, Big in 60s	Died 1980
3	Elis Regina	Bossa Nova, Big in 60s	Died 1982
4	Gilberto Gil	Big in 70s - 80s	77 yrs old
5	Marisa Monte	Big in 90s	52 yrs old

Brazil does have a huge music market today with young artists and music styles. It is absolutely impossible that a representative sample of the Brazilian online population would stream primarily these relics of history. It is also impossible that anyone with even a bit of local music knowledge would guess that any of these were anywhere near the top streamed artists between 2015 and 2018 in Brazil.

A brief look at the other "markets" top artists shows somewhat more plausible results although again, Russian top stream, the band TaTu was dissolved in 2011 and was largely famous

internationally for risqué videos: they definitely would not have been the top streamed artist between 2015-2018 in Russia.

It appears therefore that these lists have been compiled without any access to local knowledge or information as would be expected from a popular music platform.

Alleged copyrights violations

Music streaming companies typically purchase music (along with territorial copyrights) from large music distributors. We checked with Sony Music, from which Akazoo has purchased the full catalog for redistribution. Surprisingly, despite claiming to be active in 25 countries, Akazoo has purchased from Sony **copyrights valid for only five countries**, namely **Greece, Cyprus, Poland, Ghana and Malaysia**. Obviously, this creates some worrying question marks: has Akazoo exaggerated the number of countries from where it is operating? Has the Greek company been distributing music in certain countries in breach of copyrights¹³¹⁴ (a breach that typically carries very expensive fines)?

For example, we know that Akazoo's service is currently active (if barely used) in Indonesia and has been active in Singapore, Thailand. According to our investigation, Akazoo has no rights to distribute Sony music in these territories and hence **may be exposed to serious repercussions**.

¹³ Another alternative may be that Akazoo is buying copyrights for different geographical areas from different firms, though it is not clear why they would do that.

¹⁴ Note that many of the countries where Akazoo claims to operate from are not in the Sony list of copyrights.


AKAZOO: YOU ONLY LIVE TWICE!

Ties with former frauds and alleged frauds

In October 2015, QCM exposed total fraud occurring at “**Globo Plc**”, a Greek company listed in the UK: the company had committed fraud fabricating fake revenue through fictitious invoices issued by shell companies.

In 2013, Greek company “**Velti Plc**” collapsed after a large part of its receivables turned out to be bogus. The stock was delisted and the company filed for bankruptcy in the US. A number of class action lawsuits alleged that the company committed **securities fraud**. What does this have to do with Akazoo? Just a simple LinkedIn search shows that **almost a quarter of Akazoo’s workforce was formerly employed at either Globo or Velti**. Akazoo’s CEO, for example, was a former senior manager at Velti. We believe that many of the issues we highlighted at Akazoo (e.g. large, unexplained receivables, negative free cash flow generation, absence of income tax) echo the situation at Velti and Globo, so we find it disturbing that the Company is led by and has employed a large number of individuals originating from those two problem companies.

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

www.qcmfunds.com 63 --- Private & Confidential --- *Source: LinkedIn search



The curious case of Solutions System Touchmedia a.k.a Veoo Malaysia

On InternetQ's (Akazoo former parent company) 2013 annual report, we find the following text disclosing the company's related party's transactions:

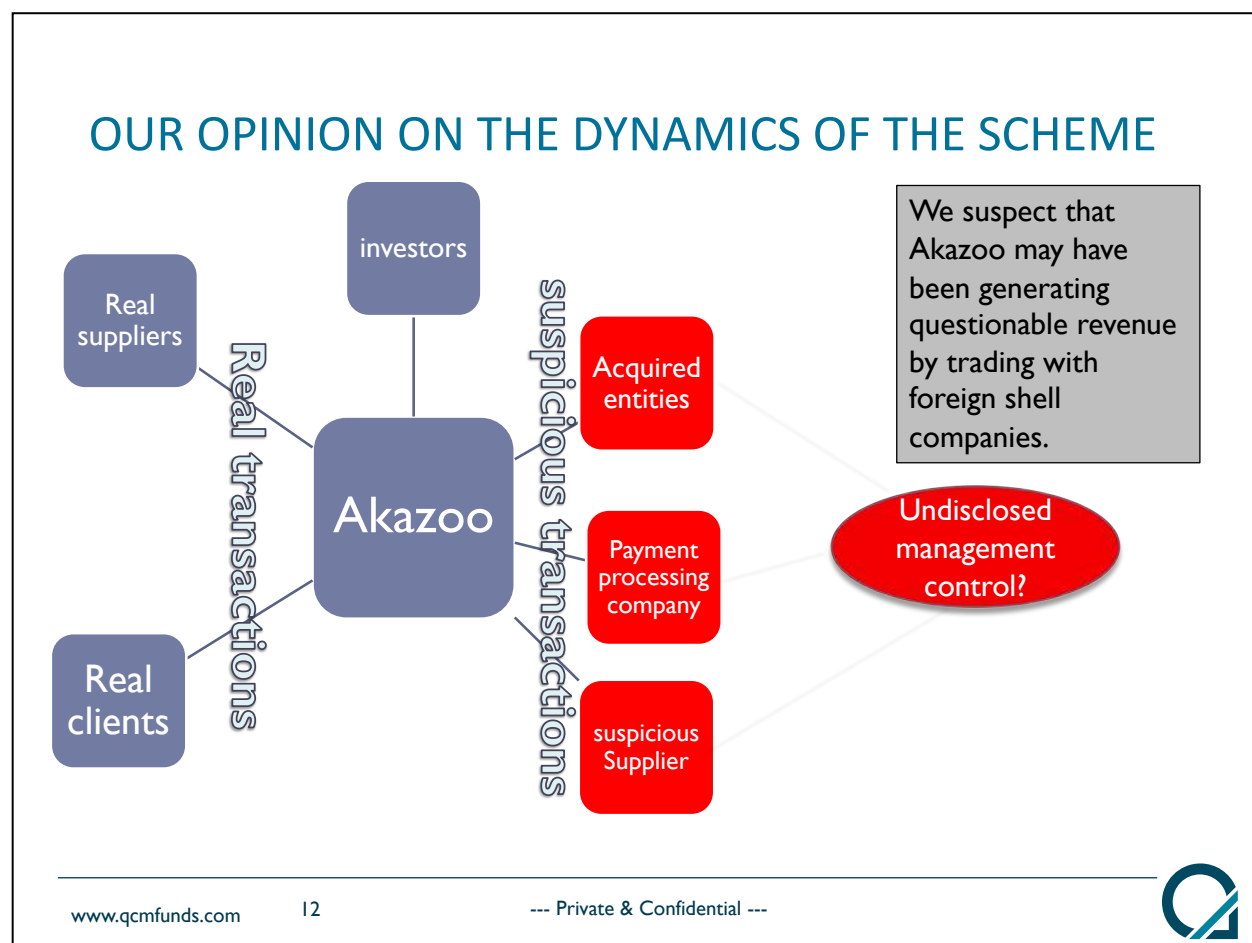
Transactions with key management personnel

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

InternetQ was then doing business with a Malaysian company (Touchmedia) "related to the Group's CEO Panagiotis Dimitropoulos" for the provision of the following services:

- Monthly billing of Malaysia operators
- Collection of Revenue from Malaysian operators

We find it disturbing that a company whose accounts have been questioned as suspicious, was using for its billing and revenue collection a payment processing firm that is “related” to its CEO. Clearly, the control of a payment processor could enable a dishonest management to alter the accounts and provide a less than truthful picture of the financial situation of the company. Although, this situation relates to InternetQ, not necessarily Akazoo, given the close ties between the two companies we cannot ignore it.



Conclusion

The overwhelming evidence we have presented in this report suggests a grim picture for the true nature and prospects of this company. Financial and numerical analysis, size of workforce,

reduction of staff and office space, all point to a small and rapidly shrinking company. How can we reconcile this with the claimed revenue and growth rate boasted by the Akazoo?

Based on the circumstantial evidence we presented, we believe that **Akazoo may be dramatically inflating revenue figures using a combination of payment processors and shell companies in third countries.** These shell companies might pose as partners/resellers/vendors and issue fake invoices to Akazoo.

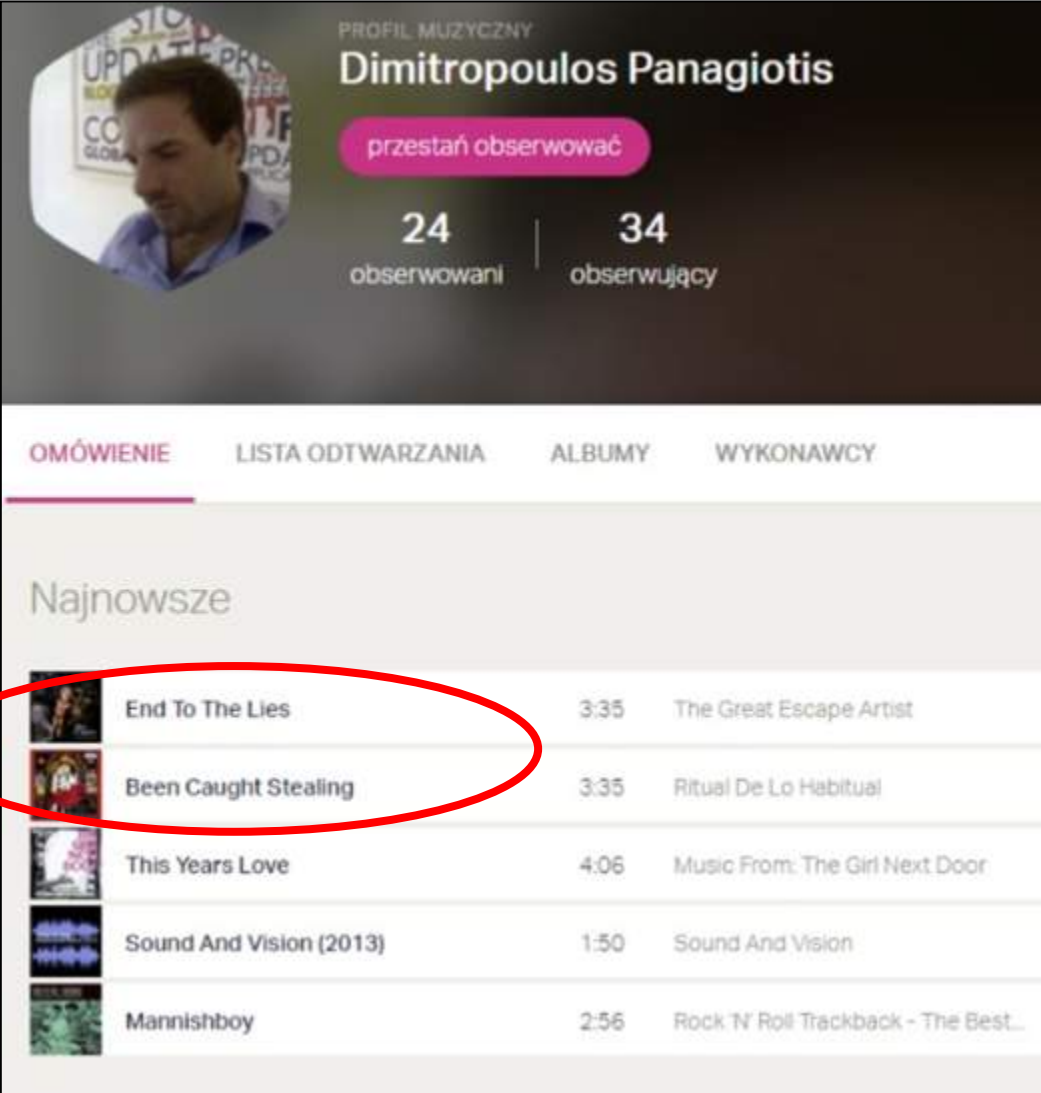
These transactions might well evade the auditors' checks as they would originate in countries outside of the company's domicile (e.g. Indonesia, Malaysia, Cyprus). Similarly, the Company might hide any cash shortfall by inflating costs, especially cost of goods sold (\$100m in 2019) and investments in intangible assets (\$11m in 2019). The former consists primarily in royalties paid to music label companies. We hypothesize that Akazoo might have either colluded with, or outright fabricated, small music label companies that generate fictitious cost invoices for non-existing music streams.

If this opinion proves correct, Akazoo might be orders of magnitude smaller than it claims, with a tiny and shrinking revenue base and a yearly loss of approximately \$4m/year¹⁵.

Akazoo's bitter destiny would likely resemble the one of Velti and Globo, the companies that used to employ so much of its staff: **100% loss for shareholders, bankruptcy and class action lawsuits.**

¹⁵ This has been estimated by annualizing the company's 2019 free cash flow shortfall.






It is small wonder then that one of the founders of Akazoo seems to express his concerns through his music choices – note the names in the picture below of the last two songs he has been listening to... **Panagiotis: it's time to come clean!**



PROFIL MUZYCZNY
Dimitropoulos Panagiotis
przestań obserwować
24 obserwowani | 34 obserwujący

OMÓWIENIE LISTA ODTWARZANIA ALBUMY WYKONAWCY

Najnowsze

	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...

A WARNING TO AKAZOO'S MANAGEMENT TEAM

We are entitled to express our opinion and you are entitled to respond to our serious allegations. However, should you instead choose to threaten legal action against us, we will respond with **ferocious aggressiveness**. We have the experience, the legal talent and the financial resources to conduct a protracted legal battle, if necessary. We will use our right to depose your employees as witnesses and subpoena your internal documents in order to further prove our thesis.

When our most recent target, the Italian fraud Bio-on S.p.A., dared to falsely accuse us of defamation, we responded immediately by filing a 120-page **criminal complaint** against the company at the public prosecutor, substantiated by one of Italy's most acclaimed business school professors. As a result of our action, the company's management was arrested less than ten days later. **Consider yourselves warned.**

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

