Research Report – Update

Investors should consider this report as only a single factor in making their investment decision.

SITO Mobile Ltd.

Speculative Buy

John Nobile
August 31, 2015

SITO $3.76 — (NASDAQ)

	2013A	2014A	2015E	2016E
Revenues (millions)	$7.8	$9.9	$16.4	$21.3
Earnings (loss) per share	($0.39)	($0.31)	($0.17)	($0.13)

52-Week range	$4.90 – $1.50	Fiscal year ends:	September
Common shares out as of August 3, 2015	16.3 million	Revenue per share (TTM)	$0.94
Approximate float	13.0 million	Price/Sales (TTM)	4.0X
Market capitalization	$61 million	Price/Sales (FY2016)E	2.9X
Tangible book value/share	NMF	Price/Earnings (TTM)	NMF
Price/tangible book value	NMF	Price/Earnings (FY2016)E	NMF

SITO Mobile Ltd., headquartered in Jersey City, New Jersey, is a mobile media technology company that enables marketers to create mobile device content targeted to audiences based on location, interests, behaviors, and loyalty. The company's principal products and services include location based advertising and mobile messaging. (www.sitomobile.com)

Key investment considerations:

Reiterating Speculative Buy rating and maintaining our split adjusted twelve-month price target of $8.00 per share. SITO effected a 1-for-10 reverse stock split on July 30, 2015 and was listed on the NASDAQ on August 10, 2015.

In April 2015, the advertising research and advisory firm BIA/Kelsey projected 2019 location targeted mobile ad revenues of $18.2 billion, a compound annual growth rate of approximately 34%.

SITO's growth should match the industry rate of 34% as many large brands (such as AstraZeneca, Toyota, and Cache) that ran advertising campaigns using SITO's geo-fencing technology increased their advertising budgets when results proved to be at least twice the industry standard. We have raised our FY15 revenue projections for this segment to $8.7 million, a figure which should grow to approximately $15.1 million in FY16 with a full year of contribution from recently acquired Hipcricket.

On July 9, 2015, SITO acquired the mobile advertising business from Hipcricket Inc. for approximately 6.2 million shares of SITO Mobile common stock valued at $2.4 million and $1.3 million in cash.

For FY15 we project revenue of $16.4 million and a loss of ($0.17) per share. Previously we projected revenue of $16.8 million revenue and a loss of ($0.07) per share, split adjusted. For FY16 we project revenue of $21.3 million and a loss of ($0.13) per share. Previously we projected revenue of $20.4 million revenue and EPS of $0.03 per share, split adjusted. The change in our projections primarily reflects 3Q15 results and contribution from Hipcricket.

3Q15 revenue (10-Q released 8/4/15) increased 72% to $3.7 million. The company reported a loss of ($0.07) per share compared to a loss of ($0.05) per share in 3Q14. We projected 3Q15 revenue of $4.3 million and loss of ($0.02) per share.

****Please view our disclosures on pages 13 - 15.***

Recommendation and Valuation

We are reiterating our **Speculative Buy** rating on shares of SITO Mobile Ltd. (SITO) and maintaining our split adjusted **twelve-month price target of $8.00 per share.**

Shares of SITO currently trade at 4X TTM sales, in line with a comparison group of fifteen companies with market capitalizations of $100 million or less in the business software & services industry. With strong sales growth the market should accord SITO shares a valuation of 7X (2014 level before end of year tax loss selling) our discounted FY16 sales estimate of $1.17 per share, or approximately $8.00 per share.

Acquisition of Hipcricket's Mobile Advertising Business

On July 9, 2015, SITO Mobile announced it acquired the mobile advertising business from Hipcricket Inc. for approximately 6.2 million shares of SITO Mobile common stock valued at $2.4 million and $1.3 million in cash for a total purchase price of $3.7 million.

The acquisition will expand SITO Mobile's product offerings using Hipcricket's adServe platform through which Hipcricket generated nearly $30 million in revenue over the past 30 months.

Business

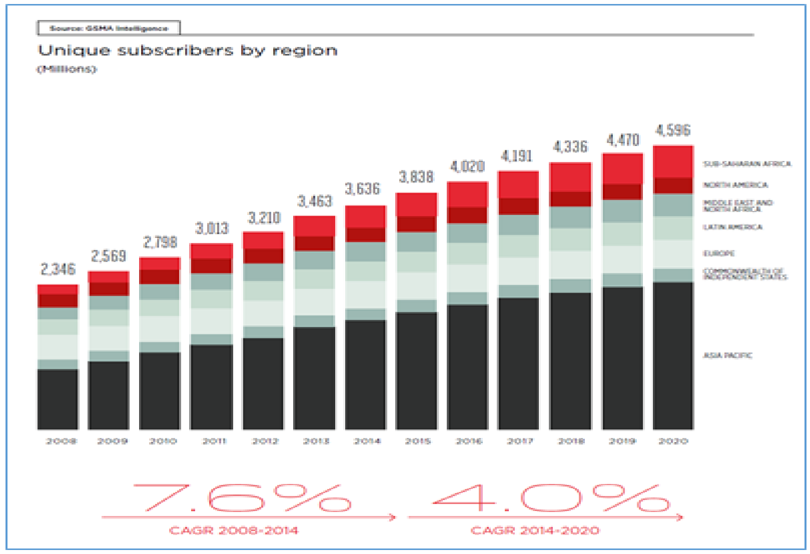
SITO Mobile Ltd., headquartered in Jersey City, New Jersey, was incorporated in 2000. SITO is a mobile media technology company that enables marketers to create mobile device content targeted to audiences based on location, interests, behaviors, and loyalty. The company's principal products and services include location based advertising and mobile messaging.

Location Based Advertising – FollowMe® is SITO's location-based mobile ad targeting software application (app). FollowMe's geo-fencing technology enables advertisers to deliver targeted ads to the smartphones of people within close proximity (approximately 15 feet) of a specific location (i.e. roofing ad when customer enters Home Depot). Revenue is driven by sales of FollowMe advertising campaigns that feature banner ads on mobile devices and is based on the same media metrics used in Internet advertising. That is, the number of media impressions (ads) delivered at a specified price (cost per thousand impressions or CPM). SITO typically makes between $8 to $12 per CPM or $0.008 to $0.012 per impression.

Messaging and Notifications – SITO's short message service (SMS) enables retailers to send targeted mobile coupons and transactional messages based on a shopper's profile. Targeted mobile coupons can be sent based on past purchase behaviors making the content relevant and timely to a shopper. Transactional messages send shipping and order pick-up alerts, as well as notifications for reorders, layaway and new product releases.

In FY14, 83% of SITO's revenue was generated from contracts with eight customers covered under an agreement with AT&T which enables the media to be sent via all US mobile carriers including AT&T, Verizon, Sprint, and T-Mobile. AT&T packages and marks up SITO's offering which is sold through AT&T's sales force. SITO also pursues sales directly. Approximately 79% of the company's revenue in FY14 came from notifications sent for a single client (Walmart).

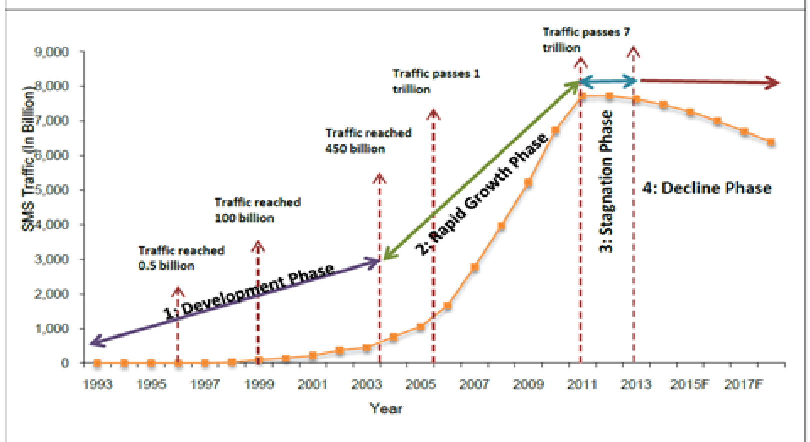
Mobile Industry Market and Forecast



More than 90% of mobile phone owners use text messaging, an effective way for businesses to alert customers and clients about special promotions and deals, send them coupons, and keep them informed about company news. As with email marketing, text-message marketing requires customers and clients to opt into the service. Once they sign up and provide their mobile phone number, businesses have the right to send them text messages.

The worldwide mobile market has grown significantly over the past few years. According to the mobile industry research firm GSMA Intelligence, the overall mobile industry (includes mobile phones, smartphones, tablet computers) should continue growing over the next six years. In its Mobile Economy 2015 report, GSMA projects the number of unique mobile subscribers to grow at a compound annual growth rate (CAGR) of 4% from 2014 to 2020 reaching 4.6 billion by 2020 (see chart above right). However, the mobile industry research firm Portio Research said in its Mobile Messaging Futures 2014-2018 report that text messaging peaked in 2012 and will gradually decline from 2013 to 2018 (see chart at right). The key reason for the decline is a shift away from texting in mature markets (North America, Europe, and parts of Asia Pacific) as smartphone penetration increases and more users shift their communications to instant messaging applications.

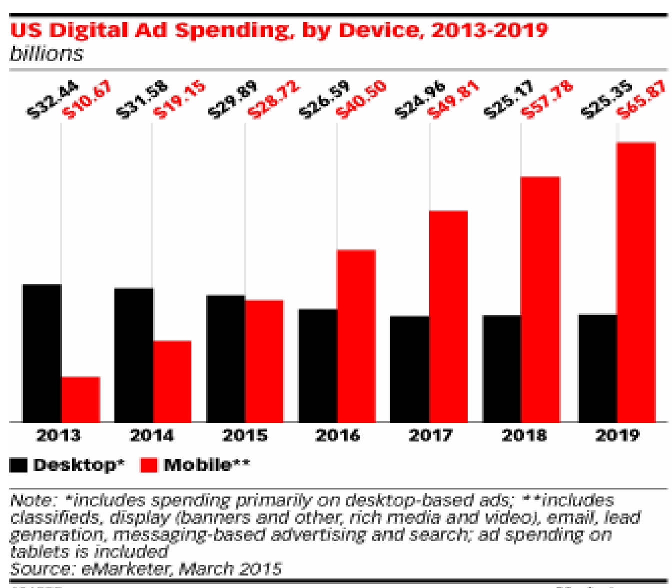
Figure 14: SMS Traffic Growth (In Billion, 1992-2018F)



Source: Portio Research Ltd.

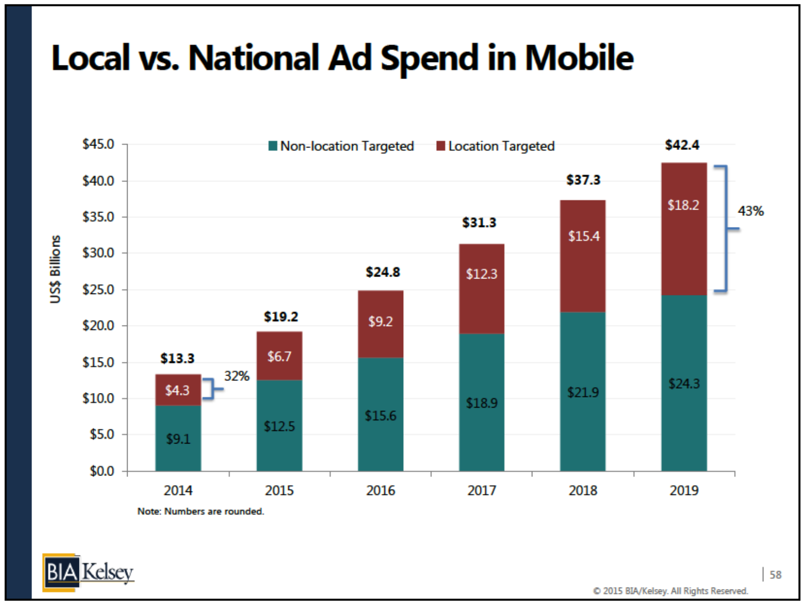
F – Forecasted

Mobile ad spending should underlie strong growth for SITO. The latest projection (March 2015) by eMarketer was for US mobile advertising spending to reach $28.72 billion in 2015, up 50% from $19.15 billion in 2014. For 2016, eMarketer projects spending to further increase by approximately 41% to $40.5 billion. Virtually all growth in US digital ad spending will be centered on mobile devices. This growth will come at the expense of desktop spending which is projected to have peaked in 2013 (see table at right).



The shift to mobile ad spending is being driven mainly by consumer demand. eMarketer said that in 2014, US adults spent an average of 2 hours, 51 minutes with mobile devices each day, up from 2 hours 19 minutes in 2013. Meanwhile, desktop time fell to 2 hours, 12 minutes daily in 2014, after being equal with mobile time in 2013.

SITO's FollowMe technology targets consumers based on their precise location by placing "geo-fences", a virtual perimeter within a radius of a store or point location. Ads are delivered based on specific demographic profiles. In April 2015, the advertising research and advisory firm BIA/Kelsey projected location targeted mobile ad revenues to grow more than four fold over the next five years, reaching $18.2 billion by 2019 (see chart at right) and accounting for 43% of overall US mobile ad spending. This rate of growth equates to a compound annual growth rate of approximately 34% from 2014 to 2019. A key factor driving this rate of growth include increased adoption of mobile advertising tactics (i.e. geo-fencing) by national advertisers, who currently account for most US mobile ad spending.



Strategy

The company's strategy is to expand within the fast growing mobile marketing space. SITO plans to do this by investing in sales and business development staff, diversifying its revenue mix, and monetizing its patents. The end goal is to establish a direct sales channel and increase media buys (mobile ads) through its FollowMe product.

SITO's FollowMe product enables strategic mobile ad placements. The strong growth projected for mobile ad placements should underlie strong growth for the company's FollowMe product.

Competition / Competitive Advantage

With the rapid growth and adoption of mobile data services, the mobile media and data communications market remains highly competitive. There are a large number of small developers creating products for this market. Barriers to entry are low, as most developers can keep programming, project management, and distribution costs relatively low. New market entrants and existing competitors are expected to introduce new products and services that compete with SITO's.

SITO competes with publicly traded companies providing similar service offerings (includes targeted mobile advertising) including Voltari Corporation and Mobivity Holdings Corp. Voltari Corporation provides mobile data solutions for mobile operators, consumer brands and enterprises, and advertising agencies. Its software-as-a-service (SaaS) platform enables customers to implement marketing, merchandising, commerce, and advertising to target customers and prospects through mobile devices. Sales and growth rates for SITO and its public competitors are shown at right.

Company	TTM ended	Y/Y Δ
Voltari	$10.0M (6/15)	-2%
Mobivity	$4.0M (6/15)	1%
SITO Mobile	$14.3M (6/15)	59%

Source: Company filings

Mobivity Holdings Corp. provides mobile marketing technology. Mobivity offers C-4, a mobile marketing and customer relationship management platform that facilitates short messaging service, multi-media messaging, and interactive voice response interactions.

SITO's competitive advantage lies in its ability to drive foot traffic into retail stores. As an example, in a February 2015 presentation, SITO reported that retail store Cache was able to increase foot traffic into its retail stores by up to 0.4% and increase basket size by up to 0.7% using SITO's targeted mobile ad technology, 2X the industry standard according to the company. This was accomplished by establishing geo-fences around Cache locations with ads delivered to women actively shopping or within one mile of a Cache location.

3Q and Nine-months 2015 Financial Results

3Q15 – Total revenue increased 72% $3.7 million. SITO lost $1 million or ($0.07) per share compared to a loss of $752,000 or ($0.05) per share in 3Q14. We projected 3Q15 revenue of $4.3 million and a net loss of $295,000 or ($0.02) per share adjusted for 1-for-10 reverse split effective July 30, 2015. The lower than anticipated revenue was primarily the result of wireless applications revenue falling short of expectations by approximately $813,000. SITO's largest customer in this segment asked its customers to accept standard rate text messaging pricing requiring the user to opt-in if they wanted to receive text messages, versus Free to End User messaging or no charge messaging requiring the user to opt-out if they did not want to receive text messaging.

Wireless application revenue was down 28% at $1.4 million, licensing and royalty revenue was $140,000 versus $72,000 in 3Q14, and media placement revenue was $2.2 million versus $132,000 in 3Q14 (the third quarter to realize media placement revenue).

Gross margins rose to 60.7% from 57.5% and were aided by a greater mix of revenue coming from higher margin media placement business (59% in 3Q15 versus 6% in 3Q14). SITO's media placement business generated a 68% gross margin in 3Q15 while wireless applications generated a 59% gross margin.

SG&A expenses rose to $2.7 million from $1.7 million. General and administrative expenses, excluding stock-based compensation, increased to $1.3 million from $1.1 million due primarily due to increased headcount. Sales and marketing expenses, excluding stock-based compensation increased to $1.2 million from $312,000 due primarily to increased spending in SITO's media placement business. Total stock-based compensation decreased to $147,000 from $340,000.

Research and development expense increased to $15,000 from $13,000. Interest expense increased to $454,000 from $185,000 due primarily to increased debt levels.

Nine-months 2015 – Total revenue increased 64% to $11.3 million. SITO lost $1.9 million or ($0.12) per share compared to a loss of $2.9 million or ($0.21) per share in the comparable period in 2014.

	Nine Months Ended	
	6/15A	6/14A
Wireless applications	5,816	5,844
Licensing and royalties	408	822
Media placement	5,071	202
Total revenue	11,295	6,868
Cost of revenue	4,845	2,737
Gross profit	6,450	4,131
SG&A	6,864	6,256
Depreciation and amortization	211	171
Research and development	35	48
Operating income (loss)	(660)	(2,344)
Interest and other expense	(1,252)	(569)
Income (loss) before taxes	(1,912)	(2,913)
Income tax	-	-
Net Income / (Loss)	(1,912)	(2,913)
EPS	(0.12)	(0.21)
Shares Outstanding	15,366	14,210
Margin Analysis		
Gross margin	57.1%	60.1%
SG&A	60.8%	91.1%
Operating margin	(5.8)%	(34.1)%
Net margin	(16.9)%	(42.4)%
Year / Year Growth		
Total Revenues	64.5%	

Source: Company filings

Wireless application revenue was relatively flat at $5.8 million, licensing and royalty revenue was $408,000 versus $822,000 in the first nine months of 2014 which included $750,000 of one-time licensing revenue from Zoove Corporation, and media placement revenue increased to $5.1 million from $202,000.

Gross margins decreased to 57.1% from 60.1% as licensing and royalty revenues (which have no underlying costs) made up a smaller percentage of total revenue (4% in the first nine months of 2015 versus 12% in the first nine months of 2014).

SG&A expenses increased to $6.9 million from $6.3 million. General and administrative expenses, excluding stock-based compensation, decreased to $3.6 million from $4 million due primarily due to the absence of $575,000 in compensation expense in connection with the termination of SITO's former CEO in December 2013. Sales and marketing expenses, excluding stock-based compensation increased to $2.8 million from $777,000 due primarily to the acquisition of DoubleVision in July 2014. Total stock-based compensation decreased to $478,000 from $1.5 million.

Research and development expense decreased to $35,000 from $48,000 as more costs are capitalized and amortized (amortization expense of software development costs increased to $450,000 in the first nine months of 2015 versus $283,000 in the first nine months of 2014). Interest expense increased to $1.3 million from $569,000 due primarily to increased debt levels.

Liquidity

As of June 30, 2015, the company had $2.8 million cash, a current ratio of 1.2X versus 2.7X for the software industry, and a debt/equity ratio of 2.7X versus 0.5X for the industry. By our forecasts, the company should have sufficient capital to meets its operational needs through the end of our forecast period.

Cash used in operations in the first nine months of FY15 was $1.7 million consisting of a cash loss of $306,000 and a $1.4 million increase in working capital. The increase in working capital consisted primarily of an increase in accounts receivable. Cash used in investing of $1.6 million consisted of $963,000 of capitalized software development costs, $319,000 in patent related expenditures, and $354,000 in capital expenditures. Cash provided by financing of $5.5 million consisted primarily of proceeds from the issuance of debt and common stock, offset in part by a principal reduction in convertible debt. Cash increased by $2.2 million to $2.8 million at June 30, 2015.

During 1Q15, SITO entered into revenue sharing and note purchase agreement with CF DB EZ LLC (the revenue participant) and the Fortress Credit Co. LLC (the note purchaser). SITO issued and sold senior secured notes worth $10 million and issued 2,619,539 new shares of common stock to Fortress at $0.3817 per share for $1 million. SITO netted approximately $8.2 million after deducting fees and expenses.

The 42-month note bears interest at a rate equal to LIBOR plus 9% per annum. Beginning October 2015, SITO must make monthly principle payments of $333,000 until the note is paid in full. Also, 85% of monetization revenues from the company's patents will be applied to the payment of the note until the note has been paid in full. After the repayment of the note, the revenue participant will be paid up to 50% of the monetization revenues totaling $5 million if paid in full prior to March 31, 2018, or $7.5 million thereafter.

With the proceeds from this financing, SITO repaid all outstanding convertible notes in the aggregate principal amount of $3.7 million and accrued interest, which eliminated the potential issuance of approximately 7.8 million common shares of the company's stock upon conversion of the convertible notes.

Economic Outlook

In May 2015, the International Monetary Fund (IMF) lowered its economic growth estimate for the US to 2.5% in 2015 and 3% in 2016, down from 3.1% in both 2015 and 2016 (April 2015). The IMF said that the US economy in the first quarter of 2015 was derailed by unfavorable weather, a sharp contraction in oil sector investment, the West Coast port strike, and the effects of a stronger dollar. While these developments represent a temporary drag on the US economy, the IMF said that a solid labor market, accommodative financial conditions, and cheaper oil should support a more dynamic path for the remainder of the year.

The second estimate of US GDP growth (released on August 27, 2015) showed the US economy grew at an annual rate of 3.7% in 2Q15, up from a growth estimate of 2.3% (July 30, 2015). The upward revision to GDP growth reflected upward revisions to business investment, inventory investment, state and local government spending, and consumer spending.

Projections

In FY14, the company began to realize revenue from three sources: wireless application revenue (realized since inception), licensing and royalty revenue, and media placement revenue (from the newly launched FollowMe app).

While wireless application revenue increased over 20% in FY13 and 5% in FY14, growth was down 28% in 2Q15 and flat in 1H15. This was due to the company's largest customer in this segment asking its customers to accept standard rate text messaging pricing over Free to End User messaging. We have decreased our 2015 forecast in wireless application revenue by $2.1 million to reflect 2Q15 results and the change in the customers' text messaging policy.

SITO should be able to increase media placement revenue in line with the long-term CAGR growth rate of 34% for the location targeted advertising industry. This rate of growth appears reasonable as many large brands (such as AstraZeneca, Toyota, and Cache) that ran advertising campaigns using SITO's geo-fencing technology increased their advertising budgets when results proved to be at least twice the industry standard.

The most recent quarter's (2Q15) media placement revenue was $2.2 million, an implied annual run rate of $8.6 million on 860 million media impressions (ads delivered) @ an average of $0.01 per impression (we are using a rate of $0.01 per impression as SITO typically makes between $0.008 and $0.012 per impression). We have revised upward our FY15 revenue projections for this segment to $8.7 million on 867 million impressions (previously $7 million on 702 million impressions) which includes $1.25 million of revenue in 4Q15 from the Hipcricket asset acquisition in July 2015 (Hipcricket's current run rate is approximately $5 million annually). We project this to grow to approximately $15.1 million on 1.5 billion impressions in FY16 (previously $9.4 million on 940 million impressions) as Hipcricket contributes a full year of revenue and a majority of SITO's pilots convert to full advertising campaigns.

For FY15 we project revenue of $16.4 million and a net loss of $2.6 million or ($0.17) per share. Previously we projected revenue of $16.8 million revenue and a loss of $1.2 million or ($0.07) per share split adjusted. The change in our projections reflects 2Q15 results and the Hipcricket acquisition.

We project gross margins declining to 56.4% from 61.7% as high margin licensing and royalties revenue comprises a lesser percentage of total revenue (3.3% in FY15 versus 9.3% in FY14). SG&A expenses should increase to $9.9 million from $9.3 million due primarily to increased media placement investment offset in part by the absence of $1 million in termination charges that were exhibited in FY14.

We project SITO will generate $1.1 million cash from operations in FY15 from cash earnings of $542,000 and a $554,000 decrease in working capital. The decrease in working capital will come primarily from increases in accounts payable, accrued expenses and deferred revenue, offset in part by an increase in accounts receivable. The acquisition of Hipcricket will drain cash of $1.3 million, and capital expenditures of $475,000, patent and application costs of $425,000, and capitalized software development costs of $1.3 million should result in $3.5 million cash used in investing. Cash from financing should consist of $7.3 million net proceeds from the issuance of debt and common stock offset in part by a $3.7 million principal reduction on convertible debt. Cash should increase by $1.1 million to $1.8 million at September 30, 2015.

For FY16 we project revenue of $21.3 million and a net loss of $2.3 million or ($0.13) per share. Previously we projected revenue of $20.4 million revenue and net income of $618,000 or $0.03 per share split adjusted. The change in our projections is primarily due to a full year of revenue contribution from Hipcricket offset in part by reduced wireless application revenue, and higher SG&A expenses stemming from the Hipcricket acquisition and higher media placement investment than previously anticipated.

Gross margins are projected to decline to 55% from 56.4% as high margin licensing and royalties revenue comprises a lesser percentage of total revenue (2.6% in FY16 versus 3.3% in FY15). SG&A expenses are projected to increase to $12 million from $9.9 million primarily due to the Hipcricket acquisition and continued media placement investment.

We project SITO will generate $2.1 million cash from operations in FY16 from cash earnings of $ 1 million and a $1 million decrease in working capital. The decrease in working capital will come primarily from increases in accounts payable, accrued expenses and deferred revenue, offset in part by an increase in accounts receivable. Capital expenditures of $475,000, patent and application costs of $425,000, and capitalized software development costs of $684,000 should result in $1.6 million cash used in investing. Cash used in financing should consist of $1 million for the repayment of debt. Cash should decrease by $530,000 to $1.2 million at September 30, 2016.

Risks

In our view, these are the principal risks underlying the stock.

Customer concentration – SITO's present and future business depends heavily on a single client (Walmart). The loss of business with this client will have a detrimental effect on SITO's revenue.

Carrier agreement – SITO relies on wireless carriers, primarily AT&T, to market the company's products and services and generate revenue. Should AT&T choose to promote competing products and services, SITO's business could be adversely affected.

Competition – SITO has many competitors, many of whom may have more financial resources than the company. New market entrants are expected and existing competitors are expected to introduce new products and services that compete with Single Touch.

Rapid technological change – It is likely that SITO's industry will be subject to rapid technological changes. The company's competitors may have more resources to react to such changes than Single Touch.

Liquidity risk - Shares of SITO have risks common to those of the microcap segment of the market. Often these risks cause microcap stocks to trade at discounts to their peers. The most common of these risks is liquidity risk, which is typically caused by small trading floats and very low trading volume and can lead to large spreads and high volatility in stock price. There are 13 million shares in the float and the average daily volume is approximately 13,000 shares.

Miscellaneous risk - The company's financial results and equity values are subject to other risks and uncertainties including competition, operations, financial markets, regulatory risk, and/or other events. These risks may cause actual results to differ from expected results.

Consolidated Balance Sheets
(in thousands $)

	FY12A	FY13A	FY14A	6/15A	FY15E*	FY16E
Cash and cash equivalents	2,158	1,147	620	2,787	1,765	1,235
Accounts receivable	1,086	1,348	2,443	4,207	4,068	5,262
Other prepaid expenses	129	1,232	234	384	384	384
Total current assets	3,373	3,727	3,297	7,378	6,216	6,881
Net property, plant and equipment	229	239	237	516	311	364
Accounts receivable	-	-	450	225	225	225
Prepaid consulting - long-term portion	-	82	-	-	-	-
Capitalized software development costs	383	343	639	1,153	716	253
Intangible assets	1,346	2,067	5,371	6,630	10,542	9,542
Deposit - related party	155	-	-	-	-	-
Deferred loan costs	-	-	-	107	107	107
Other assets	84	65	113	84	84	84
Total assets	**5,570**	**6,523**	**10,107**	**16,093**	**18,201**	**17,456**
Accounts payable	768	1,352	1,652	1,854	3,130	4,183
Accrued expenses	200	209	671	656	1,117	1,445
Accrued compensation - related party	73	73	598	321	321	321
Deferred revenue	-	-	208	876	876	876
Current obligation under capital lease	-	16	17	20	20	20
Current obligation under patent acquisitions	88	-	-	-	-	-
Purchase price payable	-	-	-	-	-	-
Note payable	-	-	-	2,631	2,631	2,631
Convertible debentures	294	3,279	4,291	-	-	-
Total current liabilities	1,423	4,929	7,437	6,358	8,095	9,477
Deferred revenue	25	-	-	-	-	-
Obligation under capital lease	-	29	13	8	8	8
Long-term debt	-	-	-	6,381	4,381	3,381
Convertible debentures	3,213	441	-	-	-	-
Total liabilities	**4,661**	**5,399**	**7,450**	**12,747**	**12,484**	**12,866**
Total stockholders' equity	**909**	**1,124**	**2,657**	**3,346**	**5,717**	**4,590**
Total liabilities & stockholders' equity	**5,570**	**6,523**	**10,107**	**16,093**	**18,201**	**17,456**

* Includes $3.6 million adfditional paid-in capital associated with the acquisition of Hipcricket

Source: Company filings and Taglich Brothers' estimates

Income Statements for the Fiscal Years Ended
(in thousands $)

	FY12A	FY13A	FY14A	FY15E	FY16E
Wireless applications	6,347	7,784	8,196	7,216	5,600
Licensing and royalties	-	-	916	548	560
Media placement	-	-	759	8,671	15,100
Total revenue	6,347	7,784	9,871	16,435	21,260
Cost of revenue	2,907	3,329	3,778	7,158	9,567
Gross profit	3,440	4,455	6,093	9,277	11,693
SG&A	5,431	7,706	9,254	9,865	12,000
Depreciation and amortization	690	662	540	300	360
Research and development	85	66	60	50	60
Total operating expenses	6,206	8,434	9,854	10,215	12,420
Operating income (loss)	(2,766)	(3,979)	(3,761)	(938)	(727)
Interest and other expense	(488)	(1,271)	(749)	(1,652)	(1,400)
Income (loss) before taxes	(3,254)	(5,250)	(4,510)	(2,590)	(2,127)
Income tax	(1)	-	-	-	-
Net Income / (Loss)	(3,255)	(5,250)	(4,510)	(2,590)	(2,127)
EPS	(0.25)	(0.39)	(0.31)	(0.17)	(0.13)
Shares Outstanding	13,119	13,330	14,375	15,602	16,350
Margin Analysis					
Gross margin	54.2%	57.2%	61.7%	56.4%	55.0%
Cost of revenue	45.8%	42.8%	38.3%	43.6%	45.0%
SG&A	85.6%	99.0%	93.7%	60.0%	56.4%
Operating margin	(43.6)%	(51.1)%	(38.1)%	(5.7)%	(3.4)%
Net margin	(51.3)%	(67.4)%	(45.7)%	(15.8)%	(10.0)%
Tax rate	0.0%	0.0%	0.0%	0.0%	0.0%
Year / Year Growth					
Total Revenues	38.6%	22.6%	26.8%	66.5%	29.4%
Net Income	NMF	NMF	NMF	NMF	NMF
EPS	NMF	NMF	NMF	NMF	NMF

Source: Company filings and Taglich Brothers' estimates

Quarterly Income Statements FY14A - FY16E
(in thousands $)

	12/13A	3/14A	6/14A	9/14A	FY14A	12/14A	3/15A	6/15A	9/15E	FY15E	12/15E	3/16E	6/16E	9/16E	FY16E
Wireless applications	2,147	1,757	1,940	2,352	8,196	2,425	2,004	1,387	1,400	7,216	1,400	1,400	1,400	1,400	5,600
Licensing and royalties	750	-	72	94	916	133	135	140	140	548	140	140	140	140	560
Media placement	10	60	132	557	759	1,289	1,628	2,154	3,600	8,671	3,700	3,750	3,800	3,850	15,100
Total revenue	2,907	1,817	2,144	3,003	9,871	3,847	3,767	3,681	5,140	16,435	5,240	5,290	5,340	5,390	21,260
Cost of revenue	962	862	818	1,136	3,778	1,820	1,580	1,445	2,313	7,158	2,358	2,381	2,403	2,426	9,567
Gross profit	1,945	955	1,326	1,867	6,093	2,027	2,187	2,236	2,827	9,277	2,882	2,910	2,937	2,965	11,693
SG&A	2,724	1,804	1,728	2,998	9,254	2,071	2,068	2,726	3,000	9,865	3,000	3,000	3,000	3,000	12,000
Depreciation and amortization	56	57	152	275	540	65	68	77	90	300	90	90	90	90	360
Research and development	24	12	13	11	60	10	9	16	15	50	15	15	15	15	60
Total operating expenses	2,804	1,873	1,893	3,284	9,854	2,146	2,145	2,819	3,105	10,215	3,105	3,105	3,105	3,105	12,420
Operating income (loss)	(859)	(918)	(567)	(1,417)	(3,761)	(119)	42	(583)	(278)	(938)	(223)	(196)	(168)	(141)	(727)
Interest and other expense	(193)	(191)	(185)	(180)	(749)	(418)	(380)	(454)	(400)	(1,652)	(350)	(350)	(350)	(350)	(1,400)
Income (loss) before taxes	(1,052)	(1,109)	(752)	(1,597)	(4,510)	(537)	(338)	(1,037)	(678)	(2,590)	(573)	(546)	(518)	(491)	(2,127)
Income tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Income / (Loss)	(1,052)	(1,109)	(752)	(1,597)	(4,510)	(537)	(338)	(1,037)	(678)	(2,590)	(573)	(546)	(518)	(491)	(2,127)
EPS	(0.07)	(0.08)	(0.05)	(0.11)	(0.31)	(0.04)	(0.02)	(0.07)	(0.04)	(0.17)	(0.04)	(0.03)	(0.03)	(0.03)	(0.13)
Shares Outstanding	14,082	14,271	14,273	14,864	14,375	15,326	15,326	15,405	16,350	15,602	16,350	16,350	16,350	16,350	16,350
Margin Analysis															
Gross margin	66.9%	52.6%	61.8%	62.2%	61.7%	52.7%	58.1%	60.7%	55.0%	56.4%	55.0%	55.0%	55.0%	55.0%	55.0%
Cost of revenue	33.1%	47.4%	38.2%	37.8%	38.3%	47.3%	41.9%	39.3%	45.0%	43.6%	45.0%	45.0%	45.0%	45.0%	45.0%
SG&A	93.7%	99.3%	80.6%	99.8%	93.7%	53.8%	54.9%	74.1%	58.4%	60.0%	57.3%	56.7%	56.2%	55.7%	56.4%
Operating margin	(29.5)%	(50.5)%	(26.4)%	(47.2)%	(38.1)%	(3.1)%	1.1%	(15.8)%	(5.4)%	(5.7)%	(4.3)%	(3.7)%	(3.1)%	(2.6)%	(3.4)%
Net margin	(36.2)%	(61.0)%	(35.1)%	(53.2)%	(45.7)%	(14.0)%	(9.0)%	(28.2)%	(13.2)%	(15.8)%	(10.9)%	(10.3)%	(9.7)%	(9.1)%	(10.0)%
Tax rate	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Year / Year Growth															
Total Revenues	49.3%	0.4%	11.4%	42.7%	26.8%	32.3%	107.3%	71.7%	71.2%	66.5%	36.2%	40.4%	45.1%	4.9%	29.4%
Net Income	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF
EPS	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF

Source: Company filings and Taglich Brothers' estimates

SITO Mobile Ltd.

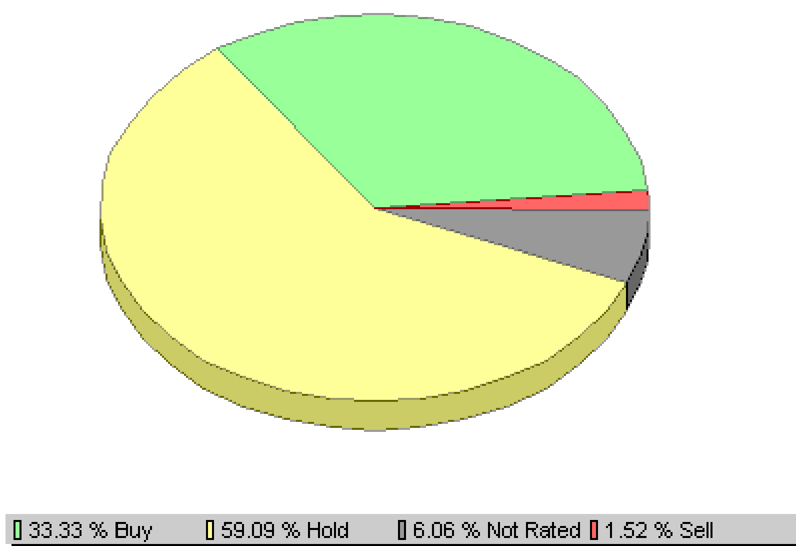
Statement of Cash Flows for the Periods Ended
(in thousands $)

	FY12A	FY13A	FY14A	9Mos15A	FY15E	FY16E
Net income (loss)	(3,255)	(5,250)	(4,511)	(1,912)	(2,590)	(2,127)
Depreciation & amortization	1,001	1,488	1,106	1,122	2,126	2,147
Stock-based compensation	503	2,243	2,095	478	1,000	1,000
Write off of capitalized patent application costs	-	-	299	-	-	-
Bad debts	18	-	-	6	6	-
Loss on disposition of assets	-	-	-	-	-	-
Cash earnings (loss)	(1,733)	(1,519)	(1,011)	(306)	542	1,020
Changes in assets and liabilities						
Accounts receivable	(197)	(262)	(1,539)	(1,544)	(1,625)	(1,194)
Prepaid expenses	8	(21)	(5)	(122)	(150)	-
Other assets	(4)	-	(38)	30	30	30
Accounts payable	(410)	584	196	211	1,478	1,053
Accrued expenses	61	9	804	(154)	446	328
Deferred revenue	25	(25)	378	498	498	498
Accrued interest	166	182	245	(343)	(124)	319
(Increase) decrease in working capital	(351)	467	41	(1,424)	554	1,034
Net cash provided by (used in) operations	**(2,084)**	**(1,052)**	**(970)**	**(1,730)**	**1,096**	**2,054**
Option paid to related party regarding Soapbox Mobil	-	-	-	-	-	-
Investment in certificate of deposit	-	-	-	-	-	-
Redemption of certificate of deposits	19	19	-	-	-	-
Patents and patent application costs	(147)	(101)	(336)	(319)	(425)	(425)
Purchase of property and equipment	(33)	(46)	(72)	(354)	(475)	(475)
Capitalized software development costs	(435)	(400)	(452)	(963)	(1,284)	(684)
Note receivable - discontinued operations			10	-		
Acquisitions	-	-	(390)	-	(1,300)	-
Payment on settlement regarding Anywhere software license	(30)	(600)	-	-	-	-
Net cash provided by (used in) investing	**(626)**	**(1,128)**	**(1,240)**	**(1,636)**	**(3,484)**	**(1,584)**
Proceeds from issuance of common stock	318	824	1,901	1,050	1,050	-
Purchase of company's common stock	-	-	(202)	-	-	-
Proceeds (principal payments) from issuance of debt	4,312	688	-	8,206	6,206	(1,000)
Loan advances received from related parties	-	-	-	-	-	-
Repayments on related party loans	-	-	-	-	-	-
Principal reduction on obligation under capital lease	-	(7)	(16)	(15)	(15)	-
Principal reduction on convertible debt	-	(200)	-	(3,708)	(3,708)	-
Expenditures relating to private offerings	(210)	(48)	-	-	-	-
Principal reduction on obligation on patent purchases	(76)	(88)	-	-	-	-
Net cash provided by (used in) financing	**4,344**	**1,169**	**1,683**	**5,533**	**3,533**	**(1,000)**
Net change in cash	**1,634**	**(1,011)**	**(527)**	**2,167**	**1,145**	**(530)**
Cash - beginning of period	**524**	**2,158**	**1,147**	**620**	**620**	**1,765**
Cash - end of period	**2,158**	**1,147**	**620**	**2,787**	**1,765**	**1,235**

Source: Company filings and Taglich Brothers' estimates

Price Chart

Taglich Brothers' Current Ratings Distribution



Investment Banking Services for Companies Covered in the Past 12 Months

Rating	#	%
Buy	**1**	**4**
Hold		
Sell		
Not Rated		

Important Disclosures

As of the date of this report, Michael Taglich, President of Taglich Brothers, Inc. owns or has a controlling interest in 359,100 SITO warrants. Robert Taglich, Managing Director of Taglich Brothers, Inc. owns or has a controlling interest in 115,500 shares of SITO common stock and 359,100 SITO warrants. Doug Hailey, Director of Investment Banking at Taglich Brothers, Inc., owns or has a controlling interest in 45,000 SITO warrants. Robert Schroeder, Vice President of Investment Banking at Taglich Brothers, Inc. owns or has a controlling interest in 137,800 SITO warrants. Richard Oh, Managing Director of Taglich Brothers, Inc., owns or has a controlling interest in 30,000 SITO warrants. Other employees at Taglich Brothers, Inc. also own or have controlling interests in 70,000 SITO warrants. Taglich Brothers, Inc. had an investment banking relationship with the company mentioned in this report. In September 2012 and October 2012, Taglich Brothers Inc. served as the exclusive placement agent in private placements of SITO convertible debt and warrants.

All research issued by Taglich Brothers, Inc. is based on public information. SITO Mobile Ltd. is not paying Taglich Brothers, Inc. for the creation and dissemination of research reports.

General Disclosures

The information and statistical data contained herein have been obtained from sources, which we believe to be reliable but in no way are warranted by us as to accuracy or completeness. We do not undertake to advise you as to changes in figures or our views. This is not a solicitation of any order to buy or sell. Taglich Brothers, Inc. is fully disclosed with its clearing firm, Pershing, LLC, is not a market maker and does not sell to or buy from customers on a principal basis. The above statement is the opinion of Taglich Brothers, Inc. and is not a guarantee that the target price for the stock will be met or that predicted business results for the company will occur. There may be instances when fundamental, technical and quantitative opinions contained in this report are not in concert. We, our affiliates, any officer, director or stockholder or any member of their families may from time to time purchase or sell any of the above-mentioned or related securities. Analysts and members of the Research Department are prohibited from buying or selling securities issued by the companies that Taglich Brothers, Inc. has a research relationship with, except if ownership of such securities was prior to the start of such relationship, then an Analyst or member of the Research Department may sell such securities after obtaining expressed written permission from Compliance.

Analyst Certification

I, John Nobile, the research analyst of this report, hereby certify that the views expressed in this report accurately reflect my personal views about the subject securities and issuers; and that no part of my compensation was, is, or will be, directly, or indirectly, related to the specific recommendations or views contained in this report.

Public companies mentioned in this report:

AT&T (NYSE: T)
Hipcricket (OTC: HIPP)
Mobivity (OTC: MFON)
Voltari (NASDAQ: VLTC)
Walmart (NYSE: WMT)

Meaning of Ratings

Buy – The growth prospects, degree of investment risk, and valuation make the stock attractive relative to the general market or comparable stocks.

Speculative Buy – Long term prospects of the company are promising but investment risk is significantly higher than it is in our BUY-rated stocks. Risk-reward considerations justify purchase mainly by high risk-tolerant accounts. In the short run, the stock may be subject to high volatility and could continue to trade at a discount to its market.

Neutral – Based on our outlook the stock is adequately valued. If investment risks are within acceptable parameters, this equity could remain a holding if already owned.

Sell – Based on our outlook the stock is significantly overvalued. A weak company or sector outlook and a high degree of investment risk make it likely that the stock will underperform relative to the general market.

Dropping Coverage – Research coverage discontinued due to the acquisition of the company, termination of research services, non-payment for such services, diminished investor interest, or departure of the analyst.

Some notable Risks within the Microcap Market

Stocks in the Microcap segment of the market have many risks that are not as prevalent in Large-cap, Blue Chips or even Small-cap stocks. Often it is these risks that cause Microcap stocks to trade at discounts to their peers. The most common of these risks is liquidity risk, which is typically caused by small trading floats and very low trading volume which can lead to large spreads and high volatility in stock price. In addition, Microcaps tend to have significant company specific risks that contribute to lower valuations. Investors need to be aware of the higher probability of financial default and higher degree of financial distress inherent in the microcap segment of the market.

From time to time our analysts may choose to withhold or suspend a rating on a company. We continue to publish informational reports on such companies; however, they have no ratings or price targets. In general, we will not rate any company that has too much business or financial uncertainty for our analysts to form an investment conclusion, or that is currently in the process of being acquired.