Research Report – Update

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

SITO Mobile Ltd.

Speculative Buy

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October 10, 2016

SITO $5.35 — (NASDAQ)

	2014A	2015A*	2016E	2017E
Revenues (millions)	$9.9	$19.2	$37.5	$45.0
Earnings (loss) per share	($0.31)	($0.27)	$0.08	$0.25

52-Week range	$6.08 – $1.55	Fiscal year ends:	December
Common shares out as of August 15, 2016	17.4 million	Revenue per share (TTM)	$1.59
Approximate float	13.5 million	Price/Sales (TTM)	3.4X
Market capitalization	$93 million	Price/Sales (FY2017)E	2.7X
Tangible book value/share	NMF	Price/Earnings (TTM)	NMF
Price/tangible book value	NMF	Price/Earnings (FY2017)E	21.4X

**Pro forma as if FY ended December 2015. SITO's fiscal year end was changed from September to December effective May 2016.*
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 raising twelve-month price target to $6.25 per share from $5.00 due primarily to a greatly improved profitability outlook.

The company has positioned itself to continue growing in a fast growing market (25% compound annual growth rate into 2020 projected by BIA/Kelsey in June 2016).

Recent product enhancements (highlighted below) and equity financing should sustain profitability. Equity financing of $10.3 million raised in September 2016 should enable the company to pay off its existing debt, eliminate significant interest expense, and support further product enhancements and potential acquisitions.

In 2Q16, SITO's customer base grew sequentially by 33% and customers spent an average of 20% more per advertising campaign. Growing customer acceptance of SITO's mobile ad technology should help increase SITO's sales.

In September 2016, SITO announced a data and product development partnership with Blue Bite. In July 2016, SITO announced the addition of video ad formats to its location-based mobile ad targeting products.

For 2016, we project revenue of $37.5 million and EPS of $0.08, up from revenue of $29.7 million and a net loss of ($0.16) per share previously. For 2017, we project revenue of $45 million and EPS of $0.25, up from revenue of $35.6 million and a net loss of ($0.01) per share previously. The change in our projections reflects continued strong growth in media placement revenue.

SITO reported (8/15/16) 2Q16 revenue increased 168% to $9.9 million and EPS of $0.04. We projected 2Q16 revenue of $7 million and a net loss of $923,000 or ($0.05) 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 raising our twelve-month price target to $6.25 per share from $5.00 due primarily to a greatly improved profitability outlook.

The company has positioned itself to continue growing in a fast growing market. Recent product enhancements (see recent development section below) and equity financing should sustain profitability. Proceeds of $10.3 million from a September 2016 common stock offering should enable the company to pay off its existing debt, eliminate significant interest expense, and support further product enhancements and potential acquisitions.

Shares of SITO traded at a multiple of 3.8X TTM sales when 2Q16 earnings were released in August 2016. SITO shares have since settled at 3.4X TTM sales, down from a high of 9.4X in September 2015, but up from a low of 1.4X in January 2016. Strong growth in media placement sales and projected 2016 and 2017 profitability should increase SITO's valuation to 3.6X sales. Applying a multiple of 3.6X to our FY17 sales estimate of $1.96 per share, discounted to account for execution risk, we obtain a year-ahead value of approximately $6.25 per share.

Recent Development

SITO Partners with Blue Bite – In September 2016, SITO Mobile announced a data and product development partnership with Blue Bite, a cloud-based IoT (Internet of Things, the internetworking of devices embedded with electronics, software and sensors that enable these objects to collect and exchange data) platform company. The partnership will allow SITO to leverage micro-local data from products and retailers to help provide a new level of geographic precision that enhances the company's attribution and targeting capabilities.

SITO will add data supplied by Blue Bite to create new mobile advertising opportunities. SITO's coverage of 98% of US mobile consumers and Blue Bite's proximity-based targeting will enable advertisers to reach the right audiences at the right time while bolstering the data assets of both companies. Consumers can now be targeted immediately while they are in close proximity to a particular product, further enhancing the value of the mobile experience and delivering content even more tailored to each individual user. As a result, consumers will be able to receive exclusive local deals, rewards, and news from wearables, bus stops and other connected objects.

SITO Adds Video to its Location-Based Targeting and Real-time Verified Walk-in Products – In July 2016, SITO Mobile announced the addition of video ad formats to its location-based mobile ad targeting and Real-time Verified Walk-in products.

SITO Mobile can now target potential customers with mobile video based on relevant geography/location, verify that the video ad was delivered and viewed, and show when the video ad drove foot traffic into stores.

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.

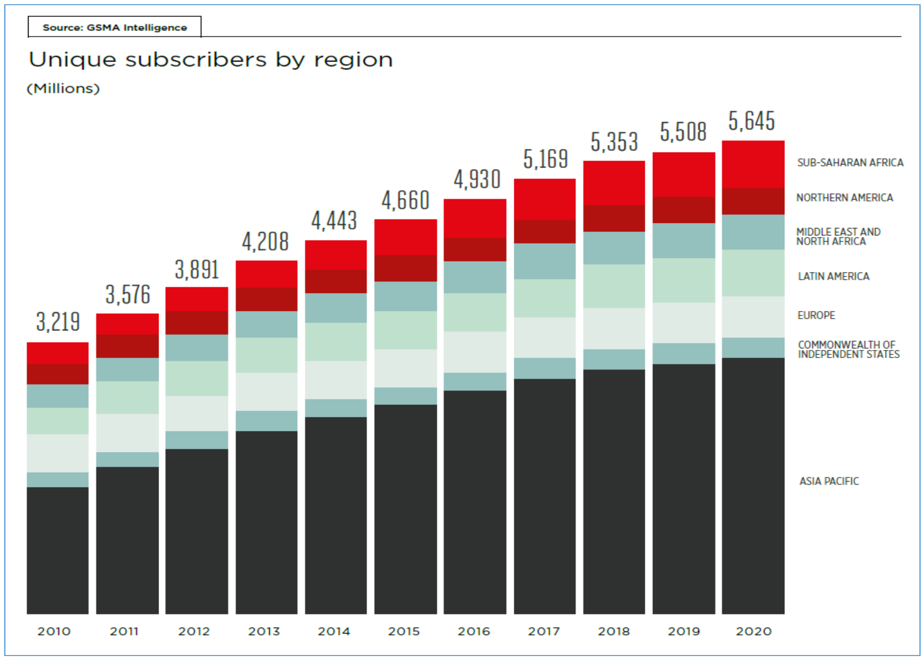
Location Based Advertising – SITO's location-based mobile ad targeting software offering delivers advertisements and videos on behalf of advertisers. The company's geo-fencing technology enables advertisers to deliver targeted ads to the mobile devices of people within close proximity (approximately 15 feet) of a specific location (i.e. roofing ad when customer enters Home Depot).

Revenue is driven by sales of SITO's 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.

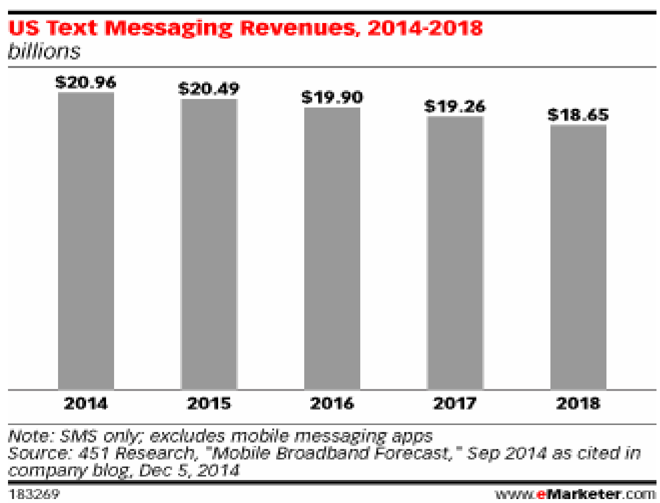
In 1H16, approximately 17% of SITO's revenue was generated from contracts with six customers covered under an agreement with AT&T which enables the media to be sent via all US mobile carriers including AT&T, Verizon, Sprint, and T-Mobile. AT&T packages and marks up SITO's product, which is sold through AT&T's sales force. SITO also pursues sales directly.

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 five 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 five years. In its Mobile Economy 2016 report, GSMA projects the number of unique mobile subscribers will grow at an average annual growth rate of 3.9% from 2016 to 2020, reaching 5.6 billion by 2020 (see chart above right).



While the overall mobile industry is projected to grow over the next five years, eMarketer[1] cited a forecast for a decline in US text messaging revenues from $20.96 billion in 2014 to $18.65 billion in 2018 (see chart at right) due to a shift away from texting to instant messaging applications as smartphone penetration increases.

1. "Are We Watching the Death of SMS?" (Press Release). eMarketer. March 2, 2015. Retrieved March 3, 2016.

The shift to mobile ad spending is being driven mainly by consumer demand. eMarketer estimates that US adults spend an average of 2 hours, 51 minutes with mobile devices each day.

Mobile ad spending should underlie strong growth for SITO. The latest projection (March 2016) by eMarketer was for US mobile advertising spending to reach $43.6 billion in 2016, up 38% from $31.6 billion in 2015 (see table at right). eMarketer projects 2017 spending to increase by approximately 21% to $52.8 billion. Growth in US digital ad spending will be centered on mobile devices while desktop spending is projected to remain relatively flat through 2020.

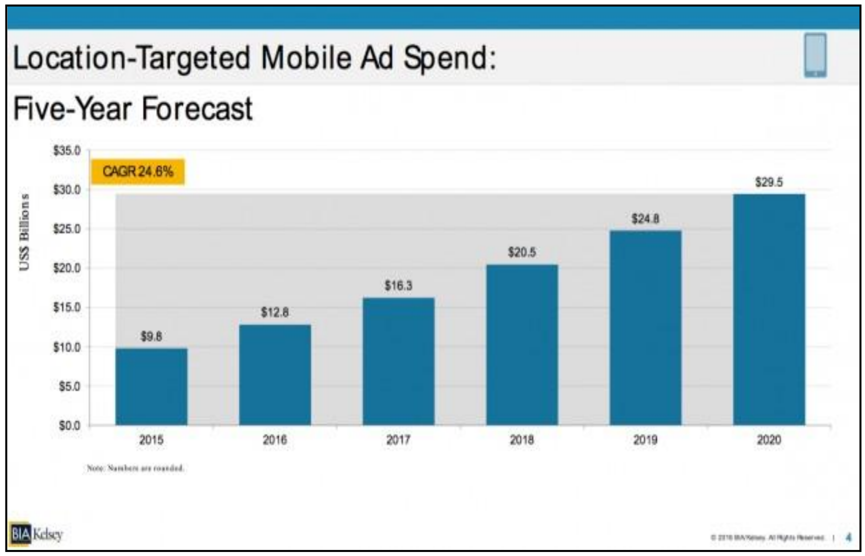
US TV* vs. Digital Ad Spending, by Device, 2014-2020
billions

	2014	2015	2016	2017	2018	2019	2020
TV*	**$68.54**	**$68.88**	**$70.60**	**$72.01**	**$73.81**	**$75.29**	**$77.17**
Digital**	**$49.69**	**$59.61**	**$68.82**	**$77.37**	**$86.61**	**$96.11**	**$105.21**
—Mobile	$19.15	$31.59	$43.60	$52.76	$61.20	$69.15	$77.10
—Desktop/ laptop	$30.54	$28.02	$25.22	$24.62	$25.42	$26.95	$28.11
Digital video***	**$5.24**	**$7.66**	**$9.84**	**$11.72**	**$13.39**	**$15.15**	**$16.69**
—Desktop/ laptop	$3.70	$4.77	$5.60	$6.33	$7.07	$7.95	$8.63
—Mobile	$1.54	$2.88	$4.24	$5.39	$6.31	$7.20	$8.06
Total media ad spending	**$175.31**	**$182.78**	**$192.02**	**$201.32**	**$212.20**	**$223.11**	**$234.25**

*Note: *includes broadcast TV (network, syndication & spot) & cable TV; **includes advertising that appears on desktop and laptop computers as well as mobile phones, tablets and other internet-connected devices, and includes all the various formats of advertising on those platforms; ***includes advertising that appears on desktop and laptop computers as well as mobile phones, tablets and other internet-connected devices; includes advertising that appears before, during or after digital video content in a video player*
Source: eMarketer, March 2016

205443 www.eMarketer.com

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 June 2016, the advertising research and advisory firm BIA/Kelsey projected location targeted mobile ad revenues to grow more than three-fold over the next five years, reaching $29.5 billion by 2020 (see chart at right). This rate of growth equates to a compound annual growth rate of approximately 25% from 2015 to 2020. A key factor driving this rate of growth includes marketers catching up to consumers' mobile usage as smartphones have entered the mainstream.



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, continuing to enhance its location based advertising technology, and monetizing its patents. The end goal is to establish a direct sales channel and increase media buys (mobile ads) through its location based advertising product.

SITO's location based advertising 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 Facebook, Twitter, Tube Mogul and Mobivity. Sales and growth rates for SITO and its public competitors are shown at right.

Company	TTM ended	Y/YΔ
Facebook	$22.1B (6/16)	51%
Twitter	$2.5B (6/16)	39%
TubeMogul	$202.5M (6/16)	45%
Mobivity	$6.5M (6/16)	62%
SITO Mobile	$28.1M (6/16)	96%

Source: Company filings

Facebook operates as a mobile application and Website that enables people to connect with each other on mobile devices and personal computers. Its messenger product is a messaging application for mobile and Web on various devices which enable people to reach others instantly as well as enable businesses to engage with customers.

Twitter operates as a platform for public self-expression and conversation in real time. It provides promoted products and services that enable its advertisers to promote their brands, products, and services.

TubeMogul operates as an enterprise software company for digital branding. It offers a cloud-based platform that enables advertisers to plan, buy, measure, and optimize video advertising spend.

Mobivity provides mobile marketing technology. Mobivity offers C-4, a mobile marketing and customer relationship management platform.

SITO's competitive advantage lies in its ability to drive foot traffic into retail stores. As an example, in a September 2016 presentation, SITO reported that a national organic food retailer was able to increase foot traffic into its retail stores by 34% using SITO's targeted mobile ad technology which generated an ad click-through rate that was 2.5X the industry average.

2Q and 1H 2016 Financial Results

2Q16 – Total revenue increased 168% to $9.9 million. SITO earned $725,000 or $0.04 per share compared to a loss of $1 million or ($0.07) per share in 2Q15. We projected 2Q16 revenue of $7 million and a net loss of $923,000 or ($0.05) per share.

Media placement revenue grew to $8.3 million from $2.2 million in 2Q15 primarily due to an expanded sales force and the July 2015 acquisition of Hipcricket's media placement business. Wireless application revenue was up 5% to $1.5 million due to an increase in the number of text and voice messages sent with SITO's largest customer in this segment. Licensing and royalty decreased to $126,000 from $140,000.

Gross margins increased to 55.1% from 50.9% due primarily to higher pricing. SG&A expenses rose to $4.1 million from $2.4 million due primarily to increased spending in SITO's media placement business. Interest expense remained relatively flat at $444,000.

1H16 – Total revenue increased 120% to $16.4 million. SITO lost $445,000 or ($0.02) per share compared to a loss of $1.4 million or ($0.09) per share in 1H15.

Media placement revenue grew to $13.2 million from $3.8 million in 1H15 primarily due to an expanded sales force and the July 2015 acquisition of Hipcricket's media placement business. Wireless application fell 13% to $2.9 million due to as SITO's largest customer in this segment asked its customers to accept standard rate text messaging in the second half of FY15, requiring the user to opt-in (permit a marketer to send messages) if they wanted to continue to receive text messages. Licensing and royalty decreased to $261,000 from $275,000.

Gross margins were relatively flat at 54.3%. SG&A expenses rose to $8.1 million from $4.4 million due primarily to increased spending in SITO's media placement business. Operating income increased to $440,000 or 2.7% of sales from an operating loss of $541,000 or 7.3% of sales in IH15 due primarily to the increase in revenue. Interest expense remained relatively flat at $885,000.

Liquidity - As of June 30, 2016, the company had $1.7 million cash, a current ratio of 0.9X versus 2.5X for the software industry, and a long-term debt/equity ratio of 0.9X versus 0.6X for the industry. By our forecasts, the company should have sufficient capital to meets its operational needs through 2017.

Cash earnings of $1.7 million and a $290,000 increase in working capital (primarily from an increase in accounts receivable) resulted in $1.4 million cash from operations in the first six months of 2016. This increase in cash was offset by cash used in investing of $872,000 (primarily from capitalized software development costs) and cash used in financing of $1.5 million (primarily to repay debt) resulting in a $932,000 decrease in cash to $1.7 million at June 30, 2016.

During 2015, SITO entered into a 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 261,954 new shares of common stock to Fortress at $3.817 per share for $1 million. SITO netted approximately $8.2 million from notes and common stock after deducting expenses.

The 42-month note bears interest at a rate equal to LIBOR plus 9% per annum. In March 2016, SITO amended its debt agreement with Fortress. The amendment provided for monthly debt principal payments of $175,000 per month (reduced from $333,000 per month previously) payable thorough February 2017. In March 2017, debt principal payments will become $300,000 per month until the loan maturity date of March 31, 2018, at which time the remaining loan balance will be due.

	Six Months Ended	
	6/16A	6/15A
Wireless applications	2,945	3,392
Licensing and royalties	261	275
Media placement	13,160	3,781
Total revenue	16,366	7,448
Cost of revenue	7,487	3,423
Gross profit	8,879	4,025
SG&A	8,114	4,421
Depreciation and amortization	325	145
Research and development	-	-
Operating income (loss)	440	(541)
Interest and other expense	(885)	(835)
Income (loss) before taxes	(445)	(1,376)
Income tax	-	-
Net Income / (Loss)	(445)	(1,376)
EPS	(0.02)	(0.09)
Shares Outstanding	17,288	15,386
Margin Analysis		
Gross margin	54.3%	54.0%
SG&A	49.6%	59.4%
Operating margin	2.7%	(7.3)%
Net margin	(2.7)%	(18.5)%
Year / Year Growth		
Total Revenues	119.7%	

Source: Company filings

In September 2016, SITO sold approximately $3.1 million shares of its common stock at a price of $3.75 per share for net proceeds of $10.3 million after deducting commissions, fees and other expenses.

Economic Outlook

With SITO's business conducted primarily in the US, the slowing economic growth projections for this area could constrain growth.

In October 2016, the International Monetary Fund (IMF) projected global economic growth of 3.1% in 2016 and 3.4% in 2017, unchanged from an earlier (July 2016) growth forecast. The growth estimate primarily reflects the continued subdued outlook for advanced economies following the June 23, 2016 vote in the United Kingdom to leave the European Union.

The IMF lowered its economic growth estimate for the US to 1.6% in 2016, and 2.2% in 2017, down from an earlier (July 2016) growth forecast of 2.2% for 2016 and 2.5% for 2017. The IMF said that although job creation has been healthy, the housing market has been improving, and consumer spending remains robust, a prolonged inventory correction and weak business investment prompted the downward revision.

The third estimate of US GDP growth (released on September 29, 2016) showed the US economy grew at an annual rate of 1.4% in 2Q16, up from 0.8% growth in 1Q16. The 2Q16 US GDP growth estimate primarily reflects a rise in consumer spending. Partly offsetting this contribution to GDP growth was a decline in inventory investment, housing investment, and government spending.

Projections

While wireless application revenue increased over 20% in FY13 and 5% in FY14, it dropped 13% in both FY15 and 1H16. 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. Our wireless applications revenue forecast remains flat with current annual levels of approximately $5.8 million seasonally adjusted for a strong 4Q.

In 2Q16, SITO's customer base grew sequentially by 33% and customers spent an average of 20% more per advertising campaign. Growing customer acceptance of SITO's mobile ad technology should help SITO's media placement revenue to grow in line with the long-term CAGR growth rate of 25% for the location targeted advertising industry. However, in 2016, SITO's media placement growth should surpass the industry rate due primarily to the acquisition of Hipcricket in 4Q15 (with annual revenue of $5.6 million in FY15). SITO's Canadian partner, Cieslok Media, increased its mobile advertising commitment with SITO to $2.1 million for FY16, up from $800,000 in FY15.

Barring further acquisitions, we believe SITO's media placement revenue growth should at least mirror that of the industry due to its competitive advantage in driving foot traffic into retail stores.

We project revenue for the media placement segment of $31 million in 2016 and project this to grow to $38.7 million in 2017 as the company continues to experience increased ad campaign spending.

For 2016, we project revenue of $37.5 million and net income of $1.7 million or $0.08 per share. Our previous projections were for revenue of $29.7 million and a net loss of $2.8 million or ($0.16) per share. The change in our projections reflects 2Q16 results and higher media placement revenue than previously projected ($31 million currently versus $23.2 million previously).

We project gross margins of approximately 54%, consistent with 1H16. SG&A expenses are projected to increase 47% to $16.6 million from $11.3 million primarily due to a full year of expenses associated with the Hipcricket acquisition in 4Q15. SG&A margins are projected to decrease to 44.3% from 59% due primarily to increased operating expense leverage. The elimination of debt should reduce interest expense to $1.3 million from $1.8 million in 2015. We project the company will pay no taxes due to its large $39.6 million of net operating loss carryforwards.

We project SITO will generate $2.4 million cash from operations in 2016 primarily from cash earnings of $4.7 million and a $2.3 million increase in working capital. The increase in working capital will be due primarily to an increase in accounts receivable offset in part by an increase in accounts payable and accrued expenses. Cash from operations and the recent $10.3 million net proceeds from the issuance of common stock will exceed capitalized software development costs and a $7.4 million pay off debt, increasing cash to $5.2 million at December 31, 2016.

For 2017, we project revenue of $45 million and net income of $5.7 million or $0.25 per share. Our previous projections were for revenue of $35.6 million and a net loss of $247,000 or ($0.01) per share. The change in our projections reflects continued strong growth in media placement revenue. We project gross margins of 54%, consistent with 2016. SG&A expenses are projected to increase to $18 million from $16.6 million primarily due to continued media placement investment. The company should pay no interest expense due to the elimination of debt. We project the company will pay no taxes due to its large $39.6 million of net operating loss carryforwards.

We project SITO will generate $8.1 million cash from operations in FY17 primarily from cash earnings. Cash from operations will exceed capital expenditures, patent and application costs, and capitalized software development costs, increasing cash to $12.7 million at December 31, 2017.

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) which was responsible for 43% of SITO's total revenue in FY15. 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 SITO.

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 SITO.

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 13.5 million shares in the float and the average daily volume is approximately 153,000 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 $)

	FY13A	FY14A	2015A	2Q16A	2016E	2017E
Cash and cash equivalents	1,147	620	2,615	1,683	5,236	12,706
Accounts receivable	1,348	2,443	6,168	8,820	10,109	12,151
Other prepaid expenses	1,232	234	124	91	91	91
Total current assets	3,727	3,297	8,907	10,594	15,436	24,948
Net property, plant and equipment	239	237	585	492	579	554
Accounts receivable	-	450	-	-	-	-
Prepaid consulting - long-term portion	82	-	-	-	-	-
Capitalized software development costs	343	639	1,601	1,846	1,322	432
Intangible assets	2,067	5,371	9,501	9,354	9,116	8,693
Deposit - related party	-	-	-	-	-	-
Deferred loan costs	-	-	78	57	57	57
Other assets	65	113	85	109	109	109
Total assets	**6,523**	**10,107**	**20,757**	**22,452**	**26,619**	**34,793**
Accounts payable	1,352	1,652	4,828	6,838	5,390	6,493
Accrued expenses	282	1,269	1,278	1,795	1,918	2,305
Deferred revenue	-	208	533	564	564	564
Current obligation under capital lease	16	17	12	3	3	3
Current obligation under patent acquisitions	-	-	-	-	-	-
Purchase price payable	-	-	-	-	-	-
Note payable	-	-	3,984	2,068	-	-
Convertible debentures	3,279	4,291	-	-	-	-
Total current liabilities	4,929	7,437	10,635	11,268	7,874	9,365
Deferred revenue	-	-	-	-	-	-
Obligation under capital lease	29	13	6	5	5	5
Long-term debt	-	-	4,935	5,316	-	-
Convertible debentures	441	-	-	-	-	-
Total liabilities	**5,399**	**7,450**	**15,576**	**16,589**	**7,879**	**9,370**
Total stockholders' equity*	**1,124**	**2,657**	**5,181**	**5,863**	**18,740**	**25,422**
Total liabilities & stockholders' equity	**6,523**	**10,107**	**20,757**	**22,452**	**26,619**	**34,793**

*2016 includes $568,000 additional paid-in capital for the issuance of stock for debt restructuring

Source: Company filings and Taglich Brothers' estimates

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

	FY13A	FY14A	2015A*	2016E	2017E
Wireless applications	7,784	8,196	6,360	5,945	5,800
Licensing and royalties	-	916	664	531	540
Media placement	-	759	12,151	30,995	38,700
Total revenue	7,784	9,871	19,175	37,471	45,040
Cost of revenue	3,329	3,778	9,064	17,196	20,718
Gross profit	4,455	6,093	10,111	20,275	24,322
Asset impairment			831		
SG&A	7,706	9,254	11,305	16,615	18,000
Depreciation and amortization	662	540	573	644	640
Research and development	66	60	-	-	-
Total operating expenses	8,434	9,854	12,709	17,259	18,640
Operating income (loss)	(3,979)	(3,761)	(2,598)	3,016	5,682
Interest and other expense	(1,271)	(749)	(1,781)	(1,325)	-
Income (loss) before taxes	(5,250)	(4,510)	(4,379)	1,691	5,682
Income tax	-	-	-	-	-
Net Income / (Loss)	(5,250)	(4,510)	(4,379)	1,691	5,682
EPS	(0.39)	(0.31)	(0.27)	0.08	0.25
Shares Outstanding	13,330	14,375	16,077	20,013	23,000
Margin Analysis					
Gross margin	57.2%	61.7%	52.7%	54.1%	54.0%
Cost of revenue	42.8%	38.3%	47.3%	45.9%	46.0%
SG&A	99.0%	93.7%	59.0%	44.3%	40.0%
Operating margin	(51.1)%	(38.1)%	(13.5)%	8.0%	12.6%
Net margin	(67.4)%	(45.7)%	(22.8)%	4.5%	12.6%
Tax rate	0.0%	0.0%	0.0%	0.0%	0.0%
Year / Year Growth					
Total Revenues	22.6%	26.8%	409.0%	95.4%	20.2%
Net Income	NMF	NMF	NMF	138.6%	236.1%
EPS	NMF	NMF	NMF	131.0%	192.4%

*Pro forma as if FY ended December 2015
Source: Company filings and Taglich Brothers' estimates

Quarterly Income Statements FY15A - FY17E
(in thousands $)

	3/15A*	6/15A*	9/15A*	12/15A*	2015A*	3/16A	6/16A	9/16E	12/16E	2016E	3/17E	6/17E	9/17E	12/17E	2017E
Wireless applications	2,004	1,387	1,347	1,622	6,360	1,491	1,454	1,400	1,600	5,945	1,400	1,400	1,400	1,600	5,800
Licensing and royalties	135	140	144	245	664	135	126	135	135	531	135	135	135	135	540
Media placement	1,628	2,154	3,023	5,346	12,151	4,862	8,298	8,700	9,135	30,995	8,700	9,500	10,000	10,500	38,700
Total revenue	3,767	3,681	4,514	7,213	19,175	6,488	9,878	10,235	10,870	37,471	10,235	11,035	11,535	12,235	45,040
Cost of revenue	1,644	1,807	2,164	3,449	9,064	3,057	4,431	4,708	5,000	17,196	4,708	5,076	5,306	5,628	20,718
Gross profit	2,123	1,874	2,350	3,764	10,111	3,431	5,447	5,527	5,870	20,275	5,527	5,959	6,229	6,607	24,322
Asset impairment			831		831										
SG&A	2,012	2,380	3,452	3,461	11,305	3,998	4,117	4,150	4,350	16,615	4,100	4,400	4,600	4,900	18,000
Depreciation and amortization	68	77	209	219	573	164	160	160	160	644	160	160	160	160	640
Research and development	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total operating expenses	2,080	2,457	4,492	3,680	12,709	4,162	4,277	4,310	4,510	17,259	4,260	4,560	4,760	5,060	18,640
Operating income (loss)	43	(583)	(2,142)	84	(2,598)	(731)	1,170	1,217	1,360	3,016	1,267	1,399	1,469	1,547	5,682
Interest and other expense	(380)	(454)	(475)	(472)	(1,781)	(440)	(445)	(440)	-	(1,325)	-	-	-	-	-
Income (loss) before taxes	(337)	(1,037)	(2,617)	(388)	(4,379)	(1,171)	725	777	1,360	1,691	1,267	1,399	1,469	1,547	5,682
Income tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Income / (Loss)	(337)	(1,037)	(2,617)	(388)	(4,379)	(1,171)	725	777	1,360	1,691	1,267	1,399	1,469	1,547	5,682
EPS	(0.02)	(0.07)	(0.16)	(0.02)	(0.27)	(0.07)	0.04	0.04	0.06	0.08	0.06	0.06	0.06	0.07	0.25
Shares Outstanding	15,326	15,405	16,423	17,155	16,077	17,221	19,832	20,000	23,000	20,013	23,000	23,000	23,000	23,000	23,000
Margin Analysis															
Gross margin	56.4%	50.9%	52.1%	52.2%	52.7%	52.9%	55.1%	54.0%	54.0%	54.1%	54.0%	54.0%	54.0%	54.0%	54.0%
Cost of revenue	43.6%	49.1%	47.9%	47.8%	47.3%	47.1%	44.9%	46.0%	46.0%	45.9%	46.0%	46.0%	46.0%	46.0%	46.0%
SG&A	53.4%	64.7%	76.5%	48.0%	59.0%	61.6%	41.7%	40.5%	40.0%	44.3%	40.1%	39.9%	39.9%	40.0%	40.0%
Operating margin	1.1%	(15.8)%	(47.5)%	1.2%	(13.5)%	(11.3)%	11.8%	11.9%	12.5%	8.0%	12.4%	12.7%	12.7%	12.6%	12.6%
Net margin	(8.9)%	(28.2)%	(58.0)%	(5.4)%	(22.8)%	(18.0)%	7.3%	7.6%	12.5%	4.5%	12.4%	12.7%	12.7%	12.6%	12.6%
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	107.3%	71.7%	50.3%	87.4%	409.0%	72.2%	168.4%	126.7%	50.7%	95.4%	57.8%	11.7%	12.7%	12.6%	20.2%
Net Income	NMF	NMF	NMF	NMF	NMF	NMF	127.7%	117.2%	450.5%	138.6%	208.2%	93.0%	89.1%	13.8%	236.1%
EPS	NMF	NMF	NMF	NMF	NMF	NMF	122.9%	113.4%	361.4%	131.0%	181.0%	66.4%	64.4%	13.8%	192.4%

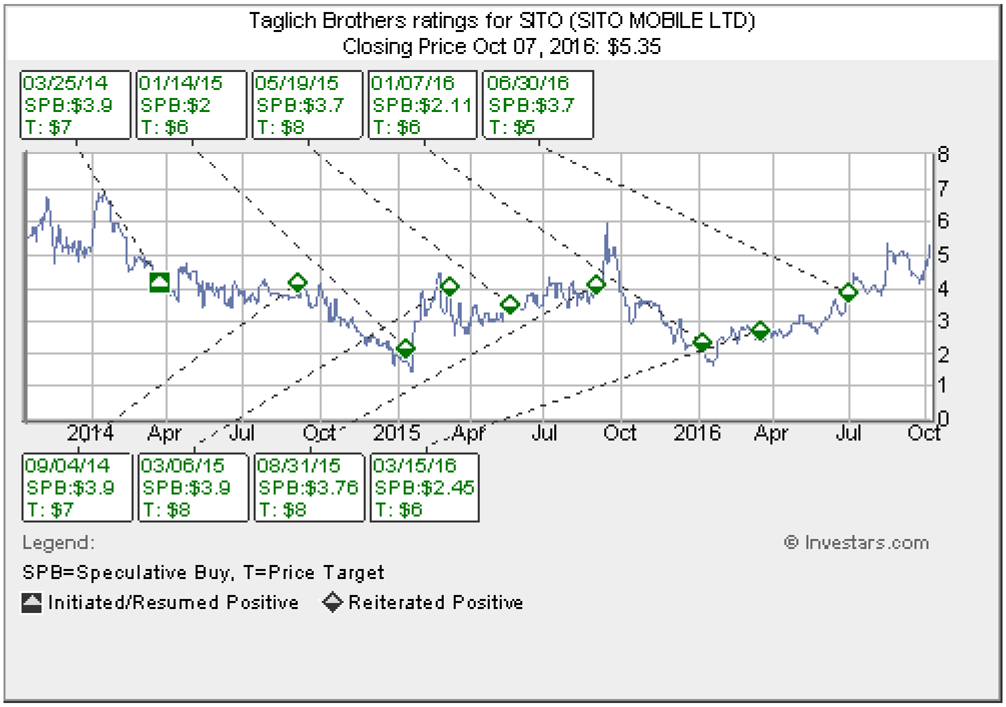
*Pro forma as if FY ended December 2015
Source: Company filings and Taglich Brothers' estimates

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

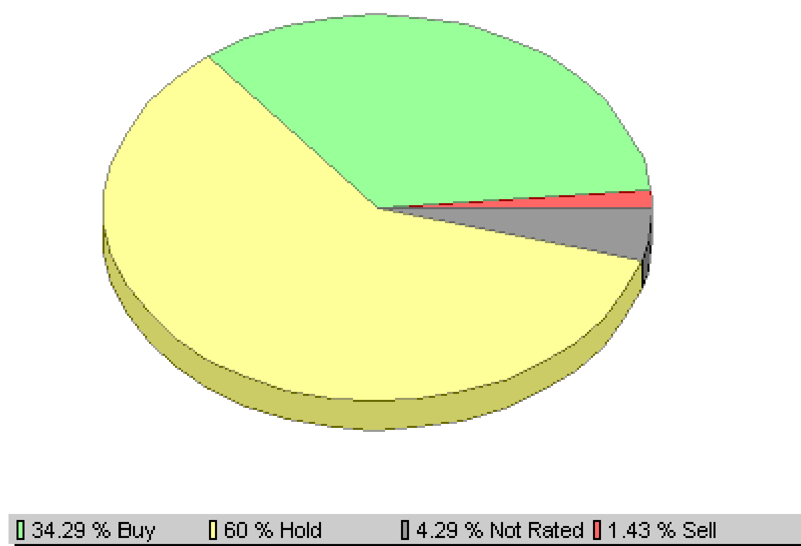
	FY13A	FY14A	FY15A	1H16A	2016E	2017E
Net income (loss)	(5,250)	(4,511)	(4,528)	(445)	1,691	5,682
Depreciation & amortization	1,488	1,106	1,742	1,240	1,655	1,439
Stock-based compensation	2,243	2,095	815	559	1,000	1,000
Write off of capitalized patent application costs	-	299	-	-	-	-
Bad debts	-	-	246	347	347	-
Loss on disposition/impairment of assets	-	-	831	5	5	-
Cash earnings (loss)	(1,519)	(1,011)	(894)	1,706	4,698	8,121
Changes in assets and liabilities						
Accounts receivable	(262)	(1,539)	(1,843)	(2,999)	(3,941)	(2,042)
Prepaid expenses	(21)	(5)	(161)	33	33	-
Other assets	-	(38)	30	(10)	24	-
Accounts payable	584	196	687	2,007	562	1,104
Accrued expenses	9	804	(81)	517	640	387
Deferred revenue	(25)	378	217	31	231	320
Accrued interest	182	245	(255)	130	164	184
(Increase) decrease in working capital	467	41	(1,406)	(291)	(2,288)	(47)
Net cash provided by (used in) operations	**(1,052)**	**(970)**	**(2,300)**	**1,415**	**2,410**	**8,074**
Option paid to related party regarding Soapbox Mobil	-	-	-	-	-	-
Investment in certificate of deposit	-	-	-	-	-	-
Redemption of certificate of deposits	19	-	-	-	-	-
Patents and patent application costs	(101)	(336)	(438)	(91)	(91)	(91)
Purchase of property and equipment	(46)	(72)	(495)	(12)	(100)	(100)
Capitalized software development costs	(400)	(452)	(1,445)	(769)	(1,039)	(405)
Note receivable - discontinued operations	-	10	-	-	-	-
Acquisitions	-	(390)	(1,300)	-	-	-
Payment on settlement regarding Anywhere software license	(600)	-	-	-	-	-
Net cash provided by (used in) investing	**(1,128)**	**(1,240)**	**(3,678)**	**(872)**	**(1,230)**	**(596)**
Proceeds from issuance of common stock	824	1,901	2,959	-	11,500	-
Purchase of company's common stock	-	(202)	-	-	-	-
Stock issuance costs	-	-	(75)	-	(1,200)	-
Restructuring of debt	-	-	-	(100)	(100)	-
Proceeds (principal payments) from issuance of debt	688	-	8,206	-	(7,384)	-
Loan advances received from related parties	-	-	-	-	-	-
Repayments on related party loans	-	-	-	-	-	-
Principal reduction on obligation under capital lease	(7)	(16)	(20)	(8)	(8)	(8)
Principal reduction on convertible debt	(200)	-	(3,708)	(1,367)	(1,367)	-
Expenditures relating to private offerings	(48)	-	-	-	-	-
Principal reduction on obligation on patent purchases	(88)	-	-	-	-	-
Net cash provided by (used in) financing	**1,169**	**1,683**	**7,362**	**(1,475)**	**1,441**	**(8)**
Net change in cash	**(1,011)**	**(527)**	**1,384**	**(932)**	**2,621**	**7,470**
Cash - beginning of period	**2,158**	**1,147**	**620**	**2,615**	**2,615**	**5,236**
Cash - end of period	**1,147**	**620**	**2,004**	**1,683**	**5,236**	**12,706**

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	**3**	**12**
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 8,780 shares of SITO common stock. Robert Taglich, Managing Director of Taglich Brothers, Inc. owns or has a controlling interest in 29,137 shares of SITO common stock. Doug Hailey, Director of Investment Banking at Taglich Brothers, Inc., owns or has a controlling interest in 4,500 shares of SITO common stock. Robert Schroeder, Vice President of Investment Banking at Taglich Brothers, Inc. owns or has a controlling interest in 8,780 shares of SITO common stock. Richard Oh, Managing Director of Taglich Brothers, Inc., owns or has a controlling interest in 3,000 shares of SITO common stock. Other employees at Taglich Brothers, Inc. also own or have controlling interests in 3,550 shares of SITO common stock. 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.

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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:

Facebook (NASDAQ: FB)
Mobivity (OTC: MFON)
TubeMogul (NASDAQ: TUBE)
Twitter (NYSE: TWTR)

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.