



Quarterly Update
(& Appendix 4C)
September 2014



Quickflix premium streaming content launching soon to Playstation 3 and 4.

Quickflix Limited
& Controlled Entity

ABN 62 10 2 459 352

www.quickflix.com.au

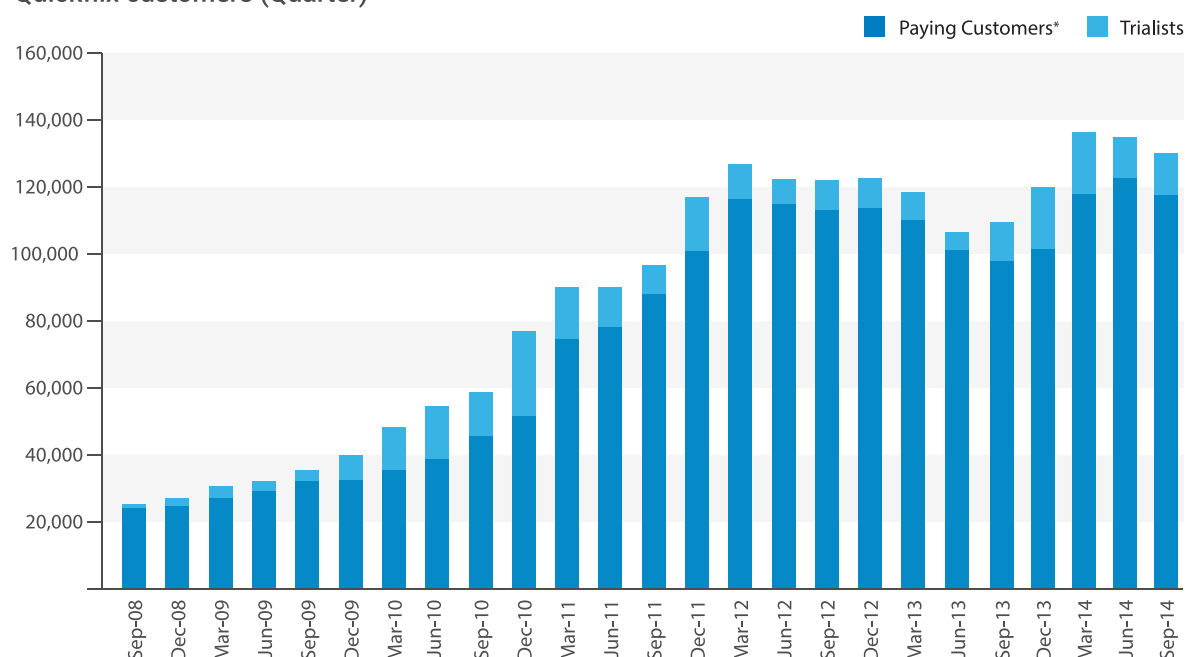
Quarterly Update

30 SEPTEMBER 2014

Streaming-only subscribers grew strongly in the quarter.

Growth in streaming-only subscribers was strong during the quarter with the number of customers who have chosen the \$9.99 monthly subscription plan, launched in April this year, increasing by 23 per cent on the previous quarter. Over 65 per cent of Quickflix's 130,565 customers at the end of September had access to streaming reflecting the continued transition of the service from its DVD origins. After the strong growth in the March quarter, paying customer numbers declined by 3.8 per cent in the September quarter reversing the gains of the previous quarter. The decline was primarily as a result of reduced customer acquisition activity through partner and device promotions, which meant customer churn was not replaced by the addition of new paying customers. The decline is temporary with solid growth expected to be achieved in the next two quarters, seasonally the strongest for Quickflix. Christmas trading especially in smartTVs, game consoles and other devices already enabled for Quickflix streaming and a slate of upcoming new major release movies should boost organic growth.

Quickflix customers (Quarter)



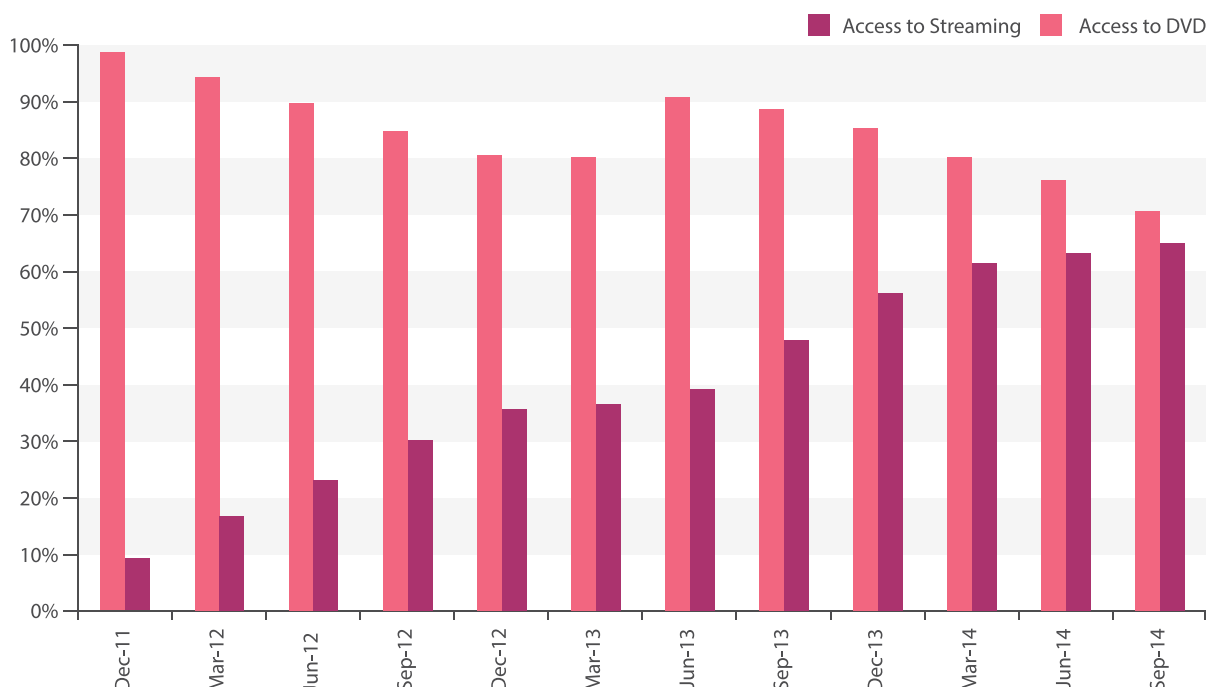
*Paying customers are customers who purchase a service (subscription, pay-per-view or pay-to-own) during the quarter.

Engagement in Quickflix streaming, measured by the number of devices registered by customers to access the service and the volume of movies and TV shows streamed, also grew during the quarter. Customers registered an additional 65,000 devices for streaming in the September quarter, an increase of 15 per cent taking the total number registered to almost half a million. The number of movies and TV shows streamed increased by 7 per cent in the same time.

The proportion of customers with access to streaming has almost caught up to the proportion with access to the Quickflix DVD & Blu-ray service as illustrated in the chart on the next page.



Proportion of Quickflix customers with access to streaming or DVD



The addition of premium TV such as Game of Thrones Season 4 and Orange is the New Black Seasons 1 and 2, strengthened Quickflix's content programming line-up and is contributing to demand for streaming. New content will continue to be added to the service in the current quarter, with The Walking Dead Season 5 the most recent to debut.

Improving the user interface for the best customer experience and presentation of content, remains a key focus for Quickflix. During the quarter Quickflix launched its new responsive-design streaming website and upgraded its Android and iOS mobile apps which are now optimised for Google Chromecast, the latest low-priced device to carry Quickflix streaming. A new DVD website and supporting apps are currently under development. Quickflix will shortly be re-launching its streaming service to Playstation 3 and 4 and will include access to its premium latest release movie and current seasons TV content for the first time.

Net operating and investing cash outflow increased to \$3 million during the quarter, reflecting an increase in operating expenditure due to the abnormal timing of payments for streaming content and other operational costs, while revenue receipts of \$5.0 million were 3 per cent lower for the quarter. Net operating and investing cash flow is expected to reduce in the coming quarter.

Key highlights in the September quarter were:

- Total customers of 130,565 down by 3.8 per cent;
- Paying customers of 118,204 down by 3.6 per cent;
- Revenue receipts down 3.2 per cent to \$5.0 million;
- Operating and investing expenditure increased 21 per cent to \$8.0 million;
- Net operating and investing cash outflow of \$3.0 million; and
- Cash at bank of \$2.7 million.

Customers and sales

The Company's customer base includes those who have transacted in the quarter by subscribing, or purchasing a pay-per-view, pay-per-episode or season pass.

Paying customers ended the September 2014 quarter at 118,204, which was 3.8 per cent lower than the previous quarter. The decline in paying customers was mostly attributable to a reduction in the volume of transacting customers (pay-per-view & pay-per-episode) in the quarter. This volume will fluctuate quarter to quarter in line with



seasonal factors including the release schedule of movie and TV content. Customers who haven't transacted in a quarter continue to have access to their Quickflix account and may transact in a subsequent period.

The paying subscriber base, which was slightly lower in the quarter, was accompanied by a shift in the mix of customers from DVD subscribers to streaming subscribers as highlighted in the chart on the previous page. This mix is influenced by marketing activity in targeting DVD or streaming customers, and confirms the continuing importance of DVD.

As stated in the introduction, over 65 per cent of customers have chosen an option to stream whilst the number of subscribers committing to the \$9.99 streaming subscription plan grew by 23 per cent during the quarter highlighting the growing demand for streaming.

In addition to paying customers, Quickflix reported 12,361 customers on a free trial at the end of the quarter.

During the quarter, subscriber churn averaged 6.9 per cent, a 3 per cent improvement on the 7.1 per cent in the prior quarter.

End of Quarter	Sep - 2014	Jun - 2014	Change QoQ	Sep - 2013	Change YoY
Paying customers	118,204	122,862	-3.8%	98,739	20%
Trial subscribers	12,361	12,828	-3.6%	11,199	10%
Total customers	130,565	135,690	-3.8%	109,938	19%
Paying subscriber churn (monthly average)	6.9%	7.1%	3.2%	5.6%	-24%

Receipts from customers

Cash receipts from customers (including subscription fees, paying trial fees and pay-per-view fees) were \$5.0 million for the quarter, down 3 per cent compared to prior quarter. The average monthly receipts per customer eased by 2 per cent in the quarter to \$12.63 attributed to the stronger take-up of the \$9.99 subscription streaming-only plan and an increased proportion of pay-per-view transactional customers.

Quarter total/average	Sep - 2014	Jun - 2014	Change QoQ	Sep - 2013	Change YoY
Receipts from customers (\$000s)	5,032	5,198	-3.2%	5,014	0%
Average paying customers	120,715	121,759	-0.9%	99,515	21%
Average monthly receipts per paying customer (\$)	12.63	12.94	-2.4%	15.27	-17%

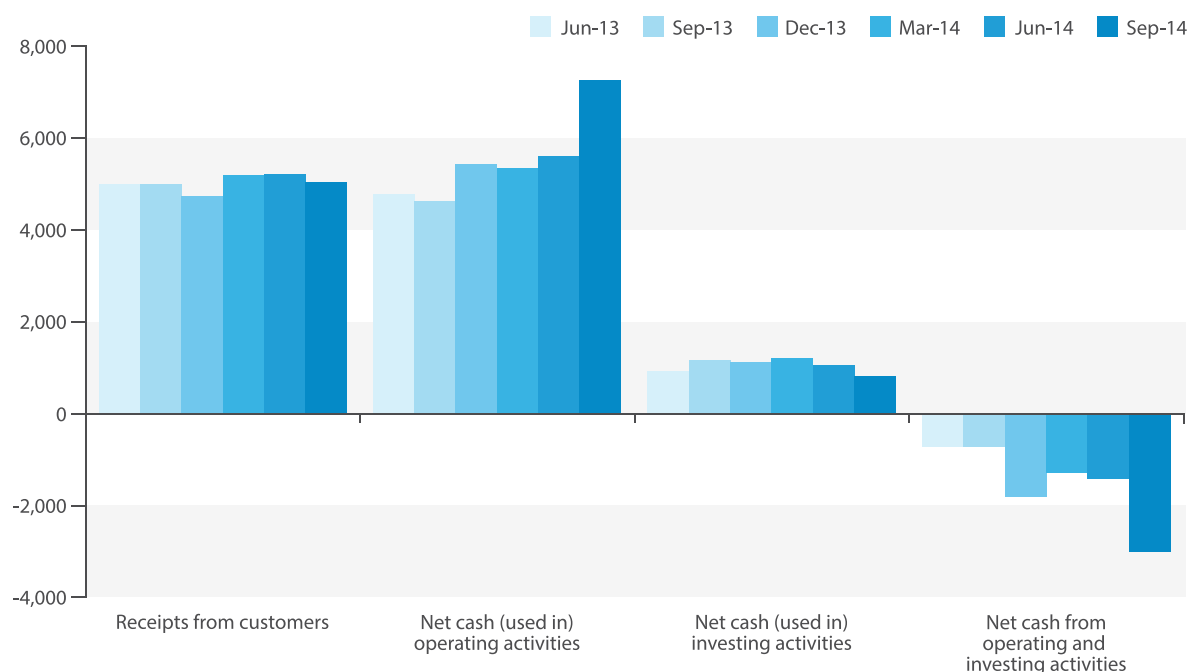
Operating and investing cash flows

Net operating and investing cash outflow for the September quarter of \$3.0 million compared to an outflow of \$1.4 million in the June quarter. The increase in operating expenditure includes higher payments for streaming content, more modest increases across some operating costs and the impact of timing of payments. Net investing cash flow at \$0.8 million decreased by \$0.2 million compared to prior quarter.

Quarter, \$000s	Sep - 2014	Jun - 2014	Change QoQ	Sep - 2013	Change YoY
Receipts from customers	5,032	5,198	-3%	5,014	0%
Net cash (used in) operating activities	-2,210	-393	-462%	400	nm
Net cash (used in) investing activities	-806	-1,044	23%	-1,157	30%
Net operating & investing cash flow	-3,016	-1,437	-110%	-757	-298%
Net cash provided by financing activities	3,287	0	-	655	-
Net increase (decrease) in cash	271	-1,437	nm	-102	nm
Cash at end of financial period	2,682	2,411	11%	2,218	21%



Quickflix cash flow per quarter (End of Quarter)



Outlook

Quickflix expects solid customer growth from low-cost acquisition campaigns over the next two quarters. As already stated these are seasonally the strongest for Quickflix, as they include the Christmas trading period and the non-ratings period for free-to-air TV over summer. Revenue growth will be weighted towards the back-end of this period as promotional trialist customers convert to paying. In this time expenditure levels will be managed tightly. Additionally, the Company expects to receive an R&D tax rebate of \$0.6 million in the December quarter to supplement cash resources.

Over the past eleven years, Quickflix has invested over \$50 million to establish its service, generating almost \$100 million in revenue and delivering entertainment to half a million customers. It has a considerable lead over new local broadcast competitors who are hurriedly trying to launch a service and catch up.

As previously disclosed, the Company is in discussions with industry parties and investors in relation to opportunities for participating in the long term growth potential of Quickflix in the region. Increased distribution that a strategic partner may bring, coupled with additional investment in content, would maximise Quickflix's leading position in the market.

Appendix 4C

Rule 4.7B

Appendix 4C

Quarterly report for entities admitted on the basis of commitments

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10

Name of entity

QUICKFLIX LIMITED

ABN

62 102 459 352

Quarter ended ("current quarter")

September 2014

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter	Year to date (3 months)
		\$A'000	\$A'000
1.1	Receipts from customers	5,032	5,032
1.2	Payments for:		
	(a) staff costs	(1,661)	(1,661)
	(b) advertising and marketing	(714)	(714)
	(c) research and development	-	-
	(d) leased assets	-	-
	(e) other working capital	(4,879)	(4,879)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	12	12
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes received	-	-
1.7	Other	-	-
Net operating cash flows		(2,210)	(2,210)



	Current quarter \$A'000	Year to date (3 months) \$A'000
1.8 Net operating cash flows (carried forward)	(2,210)	(2,210)
Cash flows related to investing activities		
1.9 Payment for acquisition of:		
(a) businesses (item 5)	-	-
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets	(886)	(886)
(e) other non-current assets	(27)	(27)
(f) other non-current assets (security deposits)	107	107
(g) other current assets (security and guarantee deposits)	-	-
1.10 Proceeds from disposal of:		
(a) businesses (item 5)	-	-
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets	-	-
(e) other non-current assets	-	-
1.11 Loans to other entities	-	-
1.12 Loans repaid by other entities	-	-
1.13 Other (provide details if material)	-	-
Net investing cash flows	(806)	(806)
1.14 Total operating and investing cash flows	(3,016)	(3,016)
Cash flows related to financing activities		
1.15 Proceeds from issues of shares, options, etc.	3,473	3,473
1.16 Proceeds from sale of forfeited shares	-	-
1.17 Proceeds from borrowings	-	-
1.18 Repayment of borrowings	-	-
1.19 Dividends paid	-	-
1.20 Other – Share issue costs Reclassification – term deposit duration > 3 months	(186)	(186)
Net financing cash flows	3,287	3,287
Net increase (decrease) in cash held	271	271
1.21 Cash at beginning of quarter/year to date	2,411	2,411
1.22 Exchange rate adjustments to item 1.20	-	-
1.23 Cash at end of quarter	2,682	2,682



Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.24	Aggregate amount of payments to the parties included in item 1.2	270
1.25	Aggregate amount of loans to the parties included in item 1.11	-
1.26	Explanation necessary for an understanding of the transactions	
	n/a	

Non-cash financing and investing activities

- 2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows
- n/a
- 2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest
- n/a

Financing facilities available

Add notes as necessary for an understanding of the position. (See AASB 1026 paragraph 12.2).

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-



Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
4.1 Cash on hand and at bank	2,682	2,411
4.2 Deposits at call	-	-
4.3 Bank overdraft	-	-
4.4 Other (Provide details)	-	-
Total: cash at end of quarter (item 1.23)	2,682	2,411

Acquisitions and disposals of business entities

	Acquisitions (Item 1.9(a))	Disposals (Item 1.10(a))
5.1 Name of entity		
5.2 Place of incorporation or registration		
5.3 Consideration for acquisition or disposal (refer item 1.9(a) and 2.1)		
5.4 Total net assets		
5.5 Nature of business		

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here: Date: 31 October 2014
(Executive Director)

Print name: Simon Hodge



Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
2. The definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report except for any additional disclosure requirements requested by AASB 107 that are not already itemised in this report.
3. **Accounting Standards.** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.



CORPORATE DIRECTORY

Directors

Stephen Langsford
(Chairman & CEO)

Simon Hodge
(Executive Director)

David Sanders
(Non-Executive Director)

David Smith
(Non-Executive Director appointed 1 August 2014)

Company secretary

Susan Hunter

Registered office

Suite 40
Cottesloe Central
460 Stirling Hwy
Cottesloe WA 6011
Telephone: 1300 138 644
Facsimile: (08) 9347 4901

Solicitors

Bennett + Co
Ground Floor, BGC Centre
28 The Esplanade
Perth WA 6000

Home exchange

Australian Stock Exchange Limited
2 The Esplanade
Perth WA 6000
ASX Code: QFX

Auditors

Grant Thornton Audit Pty Ltd
Level 17
383 Kent Street
Sydney NSW 2000

Share registry

Computershare Investor Services Pty Ltd
Level 2
45 St Georges Terrace
Perth WA 6000
Telephone: 1300 557 010
Facsimile: (08) 9323 2033

