

ASX Company Announcement | Issue Date: 31 January 2017

## **BUSINESS UPDATE & APPENDIX 4C COMMENTARY QUARTER ENDED 31 DECEMBER 2016**

### **HIGHLIGHTS**

- + Cost base transformation - significant cost reduction and consolidation of operations
- + Technology developments - enabling Newzulu to maintain technology leadership in the User-Generated Content space
- + Sales traction - agreements with several new major clients

**Newzulu Limited (ASX: NWZ, Newzulu, Company)**, a global crowd-sourced technology and media company, is pleased to present its cash flows for the quarter ended 31 December 2016 and an update on its operations.

### **TRANSFORMATION**

Management, under CEO Marc Milgrom's leadership, has continued its transformation of the operations of Newzulu. The Company's business model has been completely transformed through a significantly reduced cost structure, tight ongoing cost control, consolidation of operations and continued emphasis on revenue generating activities.

Over the past few quarters Management also has delivered over \$5.5 million dollars in annualised cost savings, multiple new client wins, and a larger and deeper sales pipeline. As at the end of Q2 FY17, the Company continues to pursue further cost savings and is experiencing positive sales momentum.

### **Q2 CASHFLOWS**

During the quarter ended December 2016 (Q2 FY17) the Company's quarterly cash burn was \$1.50m compared to the quarter ended September 2016 (Q1 FY17) of \$2.34m.

At 31 December 2016 (end Q2 FY17) the Company had \$1.67m in cash.

Cash receipts from customers decreased by 28% to \$563,000 during Q2 FY17 compared to Q1 FY17, a portion of this decrease was the result of increased billings at the end of the quarter which, will be collected in the following quarter (Q3 FY17).

During Q2 FY17 there was a net cash outflow relating to investing activities of \$173,000, an increase of \$25,000 compared to Q1 FY17's outflow of \$148,000. The increase is the result of additional intellectual property being capitalised compared to the same period in the prior quarter.

During the course of the quarter and moving forward the Company is developing opportunities to raise further capital to ensure the operations of the business, ongoing product development and the resources to advance sales opportunities are adequately funded.

## TECHNOLOGY DEVELOPMENTS

During the quarter the Company announced it added functionality to its all in one user-generated content (**UGC**) solution. The two new features to Newzulu's Social Hub will make the product more valuable to a broad range of clients. Using Newzulu's Social Hub within Newzulu Platform, clients can now ingest content from YouTube using hashtags, as well as from Facebook using Facebook Pages. With these additions, Newzulu supports social ingest from Twitter, Instagram, YouTube and Facebook. Social posts can then be easily moderated and published to a client's site using a do-it-yourself widget, or via an API for more advanced implementations. Social Hub now allows clients to launch their UGC campaigns across four major social networks, in addition to their direct UGC campaigns. Newzulu Platform provides a single solution to gather content from a variety of sources. This single platform allows clients to reduce cost, save time and improve efficiency.

During the quarter the Company also launched an iOS and Android mobile software development kit (**SDK**) that allows clients to connect to a Newzulu Platform and simply manage UGC through their own mobile applications. Updates were also made to Newzulu Platform's Notification Center that allow any third party mobile application to integrate with it. Notification Center allows clients to target push notifications to their mobile app users based on geolocation and to members of specific groups, sending a clear call to action, thereby increasing content from their users and user engagement.

## SALES AND CUSTOMERS

Newzulu is pleased to report that new sales contracts have been recently entered into for use of the Newzulu Platform, including:

- + West Australian Newspapers Limited, part of Australia's leading multiple platform media company, Seven West Media Limited (**SWM**). The sales agreement is Newzulu's first six figure commercial agreement in Australia. SWM has licensed the full suite of Newzulu's technology products for use in its newspaper division and related digital assets. The agreement also gives SWM the right to use Newzulu's international crowd-sourced content across its newspapers, television networks, magazines, websites and mobile applications on a fee basis. Similarly, Newzulu will have worldwide content rights outside of Australia and New Zealand to distribute the SWM professional and user-generated content library, on a revenue sharing basis;

- + RTL Nederland B.V. (**RTL Nieuws**) and RTL Nederland Interactief B.V. (**Buienradar**), subsidiaries of the leading European entertainment company, RTL Group. During the three-year term, Newzulu will license its Platform, Live and Mobile products to RTL Nieuws and Buienradar on a subscription basis, for use on their respective websites and in their mobile applications. The agreement also includes Newzulu's Live software development kit, to obtain and manage live streams from the field, and publish them to the web and broadcast.

Newzulu's Creative (formerly known as Newzulu Prime) service, offering crowd-sourced professional creative production services for commercial clients, advertising agencies and brands, has also recently signed several new clients, including:

- + MACSF is a major insurance professional insurance company dedicated to all medical workers and students. MACSF called Newzulu for the second time in two weeks, as they required videos for their new online campaigns, to create awareness about the meaning of its acronym amongst their target audience of medical students. Selected Newzulu filmmakers in France pitched their ideas within a few days via script and production details. This advertising campaign was distributed through the French digital landscape.
- + Hugo & Cie a major French book publisher. As part of the release of the 12 volumes of the *Calendar Girl* series, Hugo & Cie asked Newzulu, the second such project in two months, for an original creative concept to promote the release of this book with 12 animated teaser videos (1 per volume). Newzulu commissioned one talent from its community to propose a creative concept via storyboard, which was immediately chosen by Hugo & Cie. The selected talent delivered the videos within the following weeks. These campaigns were broadcast on the digital landscape and social networks.
- + Michelin is the worldwide leading tire company, dedicated to sustainably improving the mobility of goods and people by manufacturing and marketing tires for every type of vehicle, including airplanes, automobiles, bicycles/motorcycles, earthmovers, farm equipment and trucks. Michelin called Newzulu for the second time in a few months, as it needed to present a corporate subject (to be revealed at a later stage) to its public audience. The Newzulu Creative team worked with a selected Newzulu Creative professional motion designer, and within a few days a creative proposal was received via storyboard. The animation video is currently being finalized.

Subsequent to the end of the quarter, David Klinghoffer, Senior VP, Global Sales, announced he will be leaving the Company for personal reasons. The Company has put in place a transition plan with a new senior sales person who has 24 years of sales experience. The Company expects the transition to be completed by mid-February 2017. "Over the past few quarters the Company has focused on building the sales funnel and advancing sales opportunities," said Marc Milgrom, CEO of Newzulu. "We are pleased to see the traction of our sales effort with the announcement of recent client wins including Seven West Media, RTL, and multiple client wins from MACSF, Hugo & Cie and Michelin."

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## About Newzulu

Newzulu is a crowd-sourced technology and media company which facilitates the use of professional and user-generated content to allow broadcasters, publishers and brands to create a deeper engagement with their audiences. Newzulu's Platform is a web-based and mobile software that enables businesses to gather, organize, publish and amplify user-generated content at scale. Newzulu's Creative division provides crowd-sourced, creative film and video production for the digital age. Newzulu's Content division allows anybody, anywhere, with a mobile device and a story, to share news, get published and get paid. Headquartered in New York, Newzulu operates bureaus in Toronto, London, Paris and Lyon. Newzulu operates in partnership with Associated Press (AP), Getty Images, Tribune Content Agency and Alamy in the United States, Agence France-Presse (AFP) in France, Press Association (PA) and Videoplugger in the UK & Ireland, Belga News Agency in Belgium, Canadian Press (CP) in Canada, Australian Associated Press (AAP) in Australia and other news agencies around the world.

Further information can be found on [www.newzulu.com](http://www.newzulu.com).

## Appendix 4C

### Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

**Name of entity**

Newzulu Limited

**ABN**

27 078 661 444

**Quarter ended ("current quarter")**

December 31, 2016

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (Six months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	563	1,353
1.2 Payments for		
(a) (i) administrative staff costs	(306)	(805)
(ii) technology staff costs (see Note 1)	(706)	(1,537)
(iii) sales and marketing staff cost	(96)	(204)
(b) advertising and marketing	(17)	(59)
(c) research and development (see Note 1)	(442)	(1,274)
(e) other working capital	(344)	(992)
1.3 Dividends received	-	-
1.4 Interest received	1	1
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(1,347)</b>	<b>(3,517)</b>

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (Six months) \$A'000
<b>2.</b>	<b>Cash flows from investing activities</b>		
2.1	Payments to acquire:		
	(a) property, plant and equipment	-	(3)
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	(173)	(341)
	(e) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment	-	23
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(173)</b>	<b>(321)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of shares	-	-
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>-</b>	<b>-</b>

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (Six months) \$A'000
<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of quarter/year to date	3,170	5,511
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,347)	(3,517)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(173)	(321)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-
4.5	Effect of movement in exchange rates on cash held	21	(2)
<b>4.6</b>	<b>Cash and cash equivalents at end of quarter</b>	<b>1,671</b>	<b>1,671</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	1,671	3,170
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>1,671</b>	<b>3,170</b>

**6. Payments to directors of the entity and their associates**

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3

Current quarter  
\$A'000

54

-

- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

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**7. Payments to related entities of the entity and their associates**

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

Current quarter \$A'000
-
-

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**8. Financing facilities available**  
*Add notes as necessary for an understanding of the position*

- 8.1 Loan facilities
- 8.2 Credit standby arrangements
- 8.3 Other (please specify)

Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
684	684

- 8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.

No additional facility has been entered into or are proposed to be entered into after the quarter end.

**9. Estimated cash outflows for next quarter**

- 9.1 Payments for
- (a) (i) administrative staff costs
  - (ii) technology staff costs (see Note 1)
  - (iii) sales and marketing staff cost
  - (b) advertising and marketing
  - (c) research and development (see Note 1)
  - (e) other working capital

**9.8 Total estimated cash outflows**

\$A'000
(350)
(700)
(95)
(70)
(440)
(400)
(2,055)



<b>10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)</b>	<b>Acquisitions</b>	<b>Disposals</b>
10.1 Name of entity	Not applicable	Not applicable
10.2 Place of incorporation or registration		
10.3 Consideration for acquisition or disposal		
10.4 Total net assets		
10.5 Nature of business		

### Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here: .....  
(Chief Financial Officer)

Date: 31 January 2017

Print name: Tom Lieu

### Notes

1. Research & Development (item 1.2 (c) represents those costs associated with R&D activities other than personnel costs. For the purposes of the Appendix 4C, expensed personnel components of R&D expenditure have been disclosed at item 1.2 (a)(ii) – Technology Staff Costs as operating cash flows, and capitalized personnel components of development expenditure (that met the recognition criteria and definition of an Intangible Asset, as per AASB 138: Intangible Assets) have been disclosed as investing cash flows.
2. Commentary on the cash flow for the period is included in the accompanying update and accordingly the Appendix 4C should be read in conjunction with that report.
3. Preparation:  
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 of its cash position.  
The quarterly report is unaudited.  
The definitions in, and provisions of, AASB 107: Cash Flow Statements apply to this report except for the paragraphs of the Standard set out below.
  - 20.1 reconciliation of cash flows arising from operating activities to operating profit or loss
  - 51 itemized disclosure relating to maintaining operating capacity
  - 52 itemized disclosure relating to segment reporting