



Quarterly Update  
(& Appendix 4C)  
December 2015



Quickflix launched the new entry-level Premium Pass streaming product in December.

Quickflix Limited  
& Controlled Entity

ABN 62 10 2 459 352

[www.quickflix.com.au](http://www.quickflix.com.au)

# Quarterly Update

## 31 DECEMBER 2015

### Restructure progressing with release from significant financial obligations secured.

During the December quarter, Quickflix made significant progress with its restructuring and cost reduction programme, successfully negotiating the release from financial obligations relating to content licensing commitments and lowering ongoing operating costs. Quickflix is re-positioning its service in response to significant competition in subscription video on demand streaming (SVOD) whilst also looking for new corporate opportunities to leverage its customer and revenue base, technology platform and digital capability. In lowering operating costs including marketing to acquire customers and investment in content, the Company necessarily is experiencing a reduction in customer and revenue levels however management's focus is on reducing these impacts as much as possible and securing new sources of revenue.

Significant developments in the quarter include:

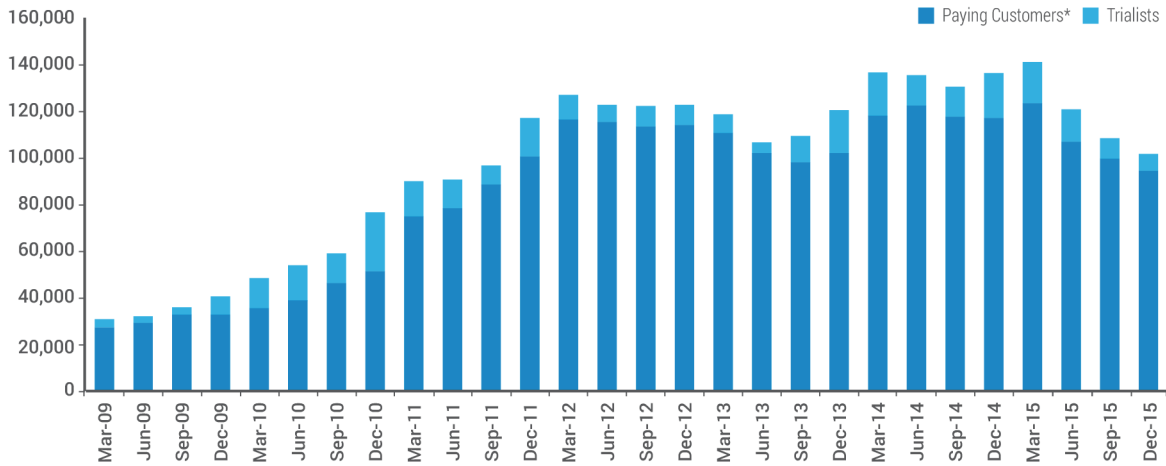
- Finalising agreements to restructure key SVOD content licencing arrangements and securing release from current financial obligations with licensors including major studios. The total amount of SVOD licensing obligations from which the Company has been released now exceeds \$7 million. In consideration of the releases Quickflix has restructured payment obligations for its remaining SVOD obligations, agreed certain royalty payments based on future revenues from 1 July 2016 and agreed to issue 51,209,657 options to subscribe for ordinary shares with a nil exercise price exercisable on or before 31 October 2018. The formal agreements and release from debt obligations significantly improve the Company's balance sheet position as it proceeds with plans for a re-capitalisation.
- Reducing operating costs and operating and investing cash burn. The Company has maintained control of costs realising savings across staff costs, technology and infrastructure, call centre costs, corporate overheads as well as marketing and content expenditure. Staff costs reduced by \$0.5 million from the prior quarter as the benefit of headcount reduction flowed through. Net operating and investing cash outflow for the quarter was restricted to \$0.18 million.
- A reduction in marketing expenditure to acquire customers to replace churn at a time SVOD competitors increased activity, resulted in customer numbers and revenue declining during the period. The decline in revenue receipts has been offset by cost reduction as operating cash burn was minimised.
- Development of new revenue sources including affiliate fees to supplement existing services. The first revenues were received late in the quarter and will be more significant in the current quarter. The early success of affiliate campaigns in which selected third party offers are made to customers highlight the value and incremental future revenue potential of Quickflix's base.
- Quickflix has also launched a new low-price entry product called Premium Pass which entitles the purchaser to a discounted entitlement to transactional streaming content. Premium Pass will be marketed to Quickflix's base and incorporated into third-party promotions.
- The receipt of an R&D tax rebate of \$0.6 million. These funds were primarily applied to payments made as part of the restructuring arrangements with content and other suppliers.

Key highlights in the December quarter were:

- Total customers of 101,195 down by 7 per cent;
- Paying customers of 91,817 down by 8 per cent;
- Total receipts of \$3.9 million included receipts from customers of \$3.3 million and an R&D tax rebate of \$0.6 million;
- Operating and investing expenditure increased 2.6 per cent to \$4.1 million with cost savings being applied to a reduction of creditor balances;
- Net operating and investing cash outflow of \$0.18 million; and
- Cash at bank of \$0.65 million.



### Quickflix customers (Quarter)



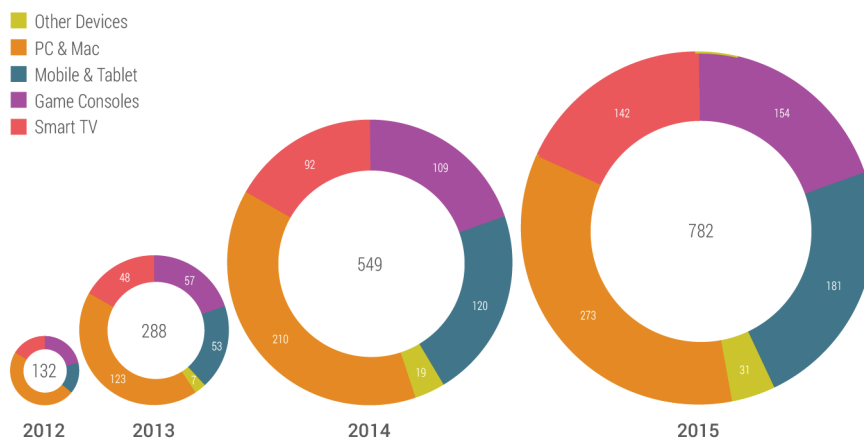
\*Paying customers are customers who purchase a service (subscription, pay-per-view or pay-to-own) during the quarter.

### Customers and sales

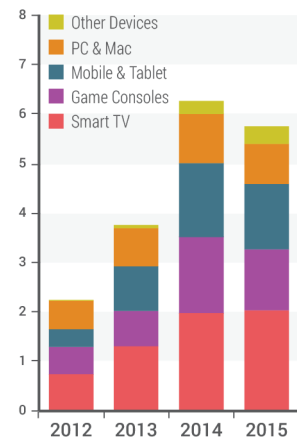
Paying customers ended the December 2015 quarter at 91,817, which was 8 per cent lower than the previous quarter. Paying subscriber churn reduced to average 6.2 per cent over the quarter, down from 8.2 per cent in the previous quarter and 11.3 per cent in the June quarter.

End of Quarter	Dec-15	Sep-15	Change QoQ	Dec-14	Change YoY
Paying customers	91,817	100,121	-8%	117,106	-22%
Trial subscribers	9,378	8,930	5%	19,564	-52%
Total customers	101,195	109,051	-7%	136,670	-26%
Paying subscriber churn (monthly average)	6.2%	8.2%	25%	6.1%	-2%

### Devices registered with Quickflix (000's)

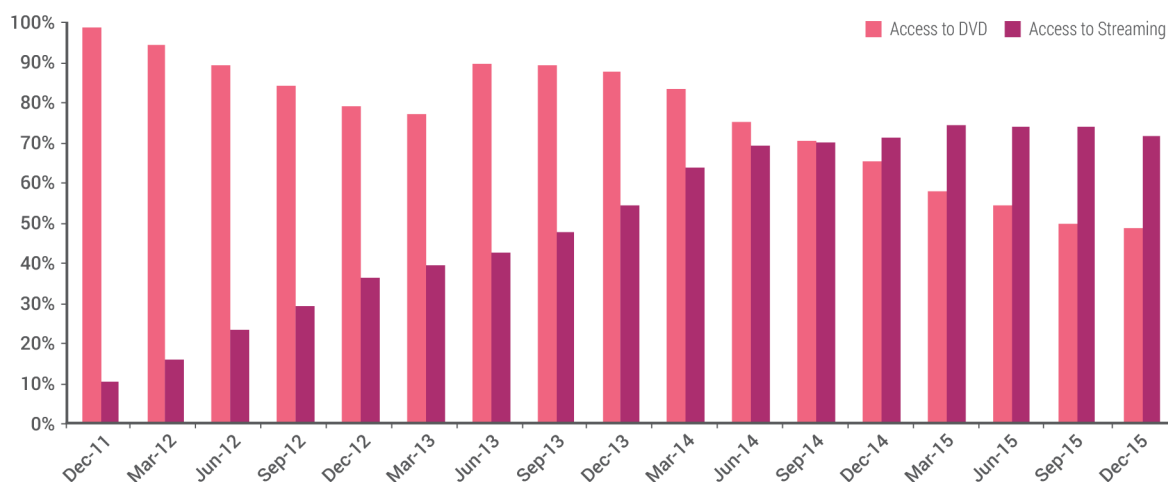


### Streaming plays by device (million)





### Proportion of Quickflix customers with access to streaming and DVD



### Receipts from customers

Cash receipts from customers (including subscription fees, pay per view fees and third party affiliate fees) were \$3.3 million for the quarter, down 16 per cent compared to prior quarter. The reduction is due to the lower number of paying customers and a reduction in the average monthly receipts per customer to \$10.54.

Quarter total/average	Dec -15	Sep-15	Change QoQ	Dec-14	Change YoY
Receipts from customers (\$000s)	3,263	3,885	-16%	5,007	-35%
Average paying customers	93,796	103,378	-9%	115,629	-19%
Average monthly receipts per paying customer (\$)	10.54	11.39	-7%	13.12	-20%

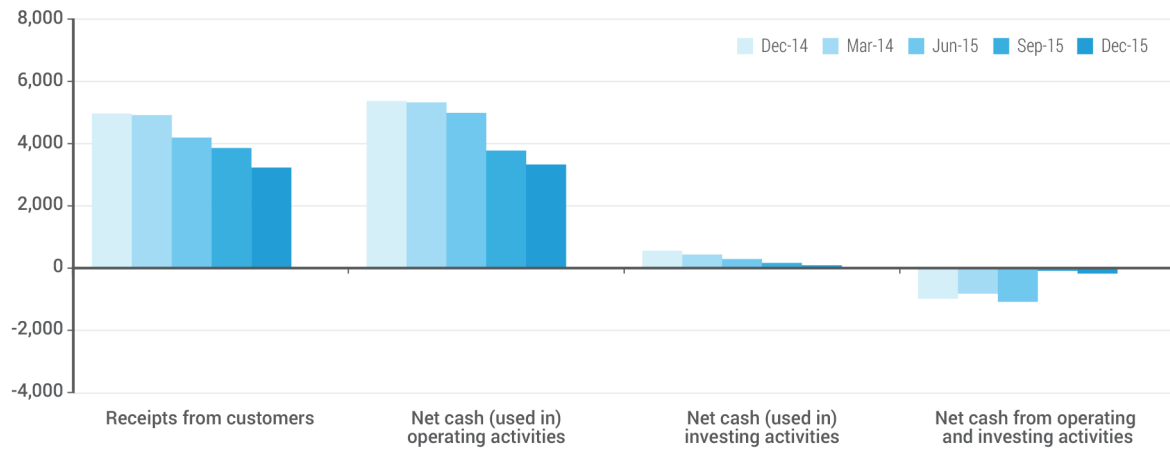
### Operating and investing cash flows

Net operating and investing cash outflow for the December quarter was \$0.18 million compared to an outflow of \$0.073 million in the September quarter. The Company received an R&D tax rebate of \$0.6 million in the quarter which was applied to supplier payments including studios as part of restructuring existing commitments. Total operating and investing expenditure, including these payments, increased by 2.6 per cent to \$4.1 million for the quarter. The Company's cost reduction initiatives which continued through the quarter will deliver sustained savings moving forward.

Quarter, \$000s	Dec-15	Sep-15	Change QoQ	Dec-14	Change YoY
Receipts from customers	3,263	3,885	-16%	5,007	-35%
Net cash (used in) operating activities	-3,345	-3,790	-12%	-5,416	38%
Net cash (used in) investing activities	-98	-168	42%	-557	82%
Net operating & investing cash flow	-180	-73	-146%	-966	81%
Net cash provided by financing activities	0	0	-	404	-
Net increase (decrease) in cash	-180	-73	-146%	-562	-68%
Cash at end of financial period	659	839	-21%	2,120	-69%



### Quickflix cash flow per quarter (\$000's)



### Outlook

With the restructuring programme well advanced, Quickflix's focus is now on raising new capital. In parallel the Company is looking for corporate opportunities including a potential transaction(s) with complementary content, digital consumer, ecommerce or technology services businesses which leverage Quickflix's customer and revenue base and technology platform. In combination with the right business(es) there is an opportunity for the expanded group to cross-sell products and services to drive customer revenues at lower cost of customer acquisition.

# 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")

December 2015

### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter	Year to date (12 months)
	\$A'000	\$A'000
1.1 Receipts from customers	3,263	7,148
1.2 Payments for:		
(a) staff costs	(1,141)	(2,787)
(b) advertising and marketing	(431)	(545)
(c) research and development	-	-
(d) leased assets	-	-
(e) other working capital	(2,400)	(4,431)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	8	11
1.5 Interest and other costs of finance paid	(1)	(2)
1.6 Income taxes received	619	619
1.7 Other	-	-
<b>Net operating cash flows</b>	<b>(83)</b>	<b>13</b>



	Current quarter \$A'000	Year to date (12 months) \$A'000
<b>1.8 Net operating cash flows (carried forward)</b>	<b>(800)</b>	<b>(3,831)</b>
<b>Cash flows related to investing activities</b>		
1.9 Payment for acquisition of:		
(a) businesses (item 5)	-	-
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets	(98)	(266)
(e) other non-current assets	-	-
(f) other non-current assets (security deposits)	-	-
(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)	-	-
<b>Net investing cash flows</b>	<b>(98)</b>	<b>(266)</b>
<b>1.14 Total operating and investing cash flows</b>	<b>(180)</b>	<b>(254)</b>
<b>Cash flows related to financing activities</b>		
1.15 Proceeds from issues of shares, options, etc.	-	-
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	-	-
<b>Net financing cash flows</b>	<b>-</b>	<b>-</b>
<b>Net increase (decrease) in cash held</b>	<b>(180)</b>	<b>(254)</b>
1.21 Cash at beginning of quarter/year to date	840	913
1.22 Exchange rate adjustments to item 1.20	-	-
<b>1.23 Cash at end of quarter</b>	<b>659</b>	<b>659</b>



### 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	133
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	659	840
4.2 Deposits at call	-	-
4.3 Bank overdraft	-	-
4.4 Other (Provide details)	-	-
<b>Total: cash at end of quarter (item 1.23)</b>	<b>659</b>	<b>840</b>

## 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: 29 January 2016  
(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)

## 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

