



20 July 2016

## QUARTERLY OPERATIONS REPORT

30 June 2016 – migme Limited (ASX: MIG, WKN: 117AB)

### Highlights: June 2016 Quarter (2Q2016)

- Monthly Active Users (MAU) exceeded 43 million at quarter end, up 10.3%
- Artist and entertainment partners increased over 12% to approximately 2,900 on previous quarter
- Quarter-on-quarter cash receipts up 7% to \$7.6 million whilst cash outflows fell 10% to \$5.1m
- Launch of the 'Funkey' to allow for the integration of other applications and games in the core experience.
- 'Instagram of China' Meitu becomes a substantial shareholder with an additional US\$1.5m investment

### Key Metrics

METRIC	30 JUN 2015	30 SEP 2015	31 DEC 2015	31 MAR 2016	30 JUN 2016
Monthly Active Users* (million)	>19	>24	>32	>39	>43
Artists/Verified Users	>400	>490	>620	>2,600	2,900
Cash Receipts from Operations (\$'000)	2,201	3,717	5,393	7,129	7,598
Net Operating Cash Outflows (\$'000)	4,208	4,400	5,210	5,640	5,085
Net Other Cash Inflows (\$'000)	6,497	9,642	3,243	6,150	852
Cash on Hand (\$m)	5.4	10.8	8.7	8.9	4.7

\* Consistent with industry practice, Monthly Active Users (MAU) are independently provided by Google Analytics and are a consolidation of the Company's traffic from web, mobile web, feature phones, Android and iPhone client usage for migme, LoveByte, alivenotdead, Sold Shopdeca and Hipwee.

### Overview

migme is pleased to announce its second quarter 2016 results. They reflect the pursuit of the Company broadening their objectives to deepen engagement and deliver operating margin, whilst growing both the headline monthly active users and revenues.

During the quarter, MAU figures rose 10.3% to more than 43 million. Over the last 12 months, MAU numbers have more than doubled and cash receipts have risen more than threefold. The quarterly results also show that cash receipts have increased, rising 7% to \$7.6 million, with operating cash outflows reducing by 10% to \$5.1 million. The reduction in operating cash outflows will continue to be a focus as the Company looks to improve its operating margins and the Company intends to be in a position to be able operate on a cash flow neutral basis in early 2017.

## Audience and Engagement

Over the past quarter, the Company has broadened its objectives from absolute MAU and cash receipt growth to engagement and quality of cash receipts (see chart 1 below). Of note, the company has made progress with the acquisition of Hipwee, and with content creators, working with full format productions, and community events. migme has also made progress with handset preinstalls, however some programs have slowed in favour of pursuing quality of execution versus absolute growth numbers.

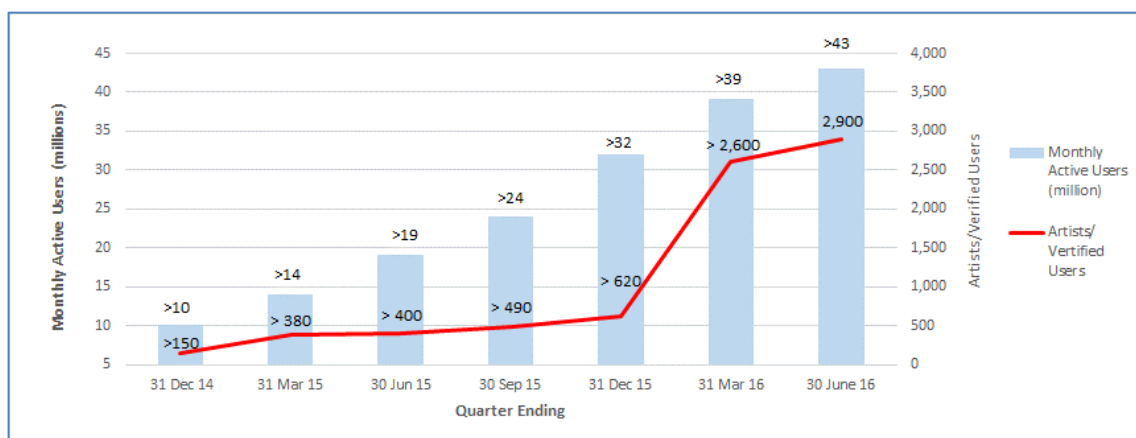


Chart 1: MAU and Content Partner results

Overall, the Company believes the time spent on the quality of engagement and monetisation is important, prior to the return on focus on headline growth later in the year. migme has established numerous cases on a weekly basis where there is comparable or better engagement in migme than on alternative platforms such as Facebook (e.g. see example 1 below). The attention is now shifted to the quality and repeatability of the cases.



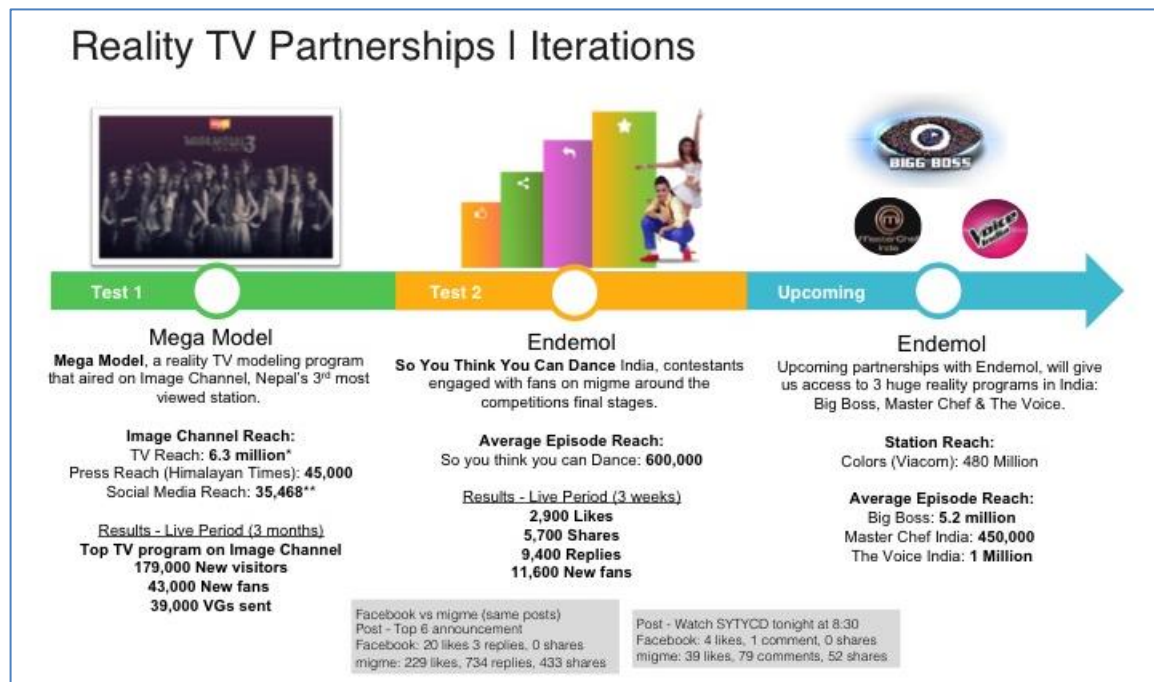
Example 1: Organic Internal Artist Engagement drawing users from other platforms

The Company also continues to explore mainstream broadcast engagement during the quarter (e.g.

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see example 2 below). Work commenced with the Endemol network and their television program 'So You Think You Can Dance' in India. In the initial three weeks, the Company witnessed growing week-to-week user engagement to a level that demonstrates that migme, as a social media channel for conversation about the show's contestants, has been more effective compared to Facebook, where the same post on migme yielded multiple times more engagement.



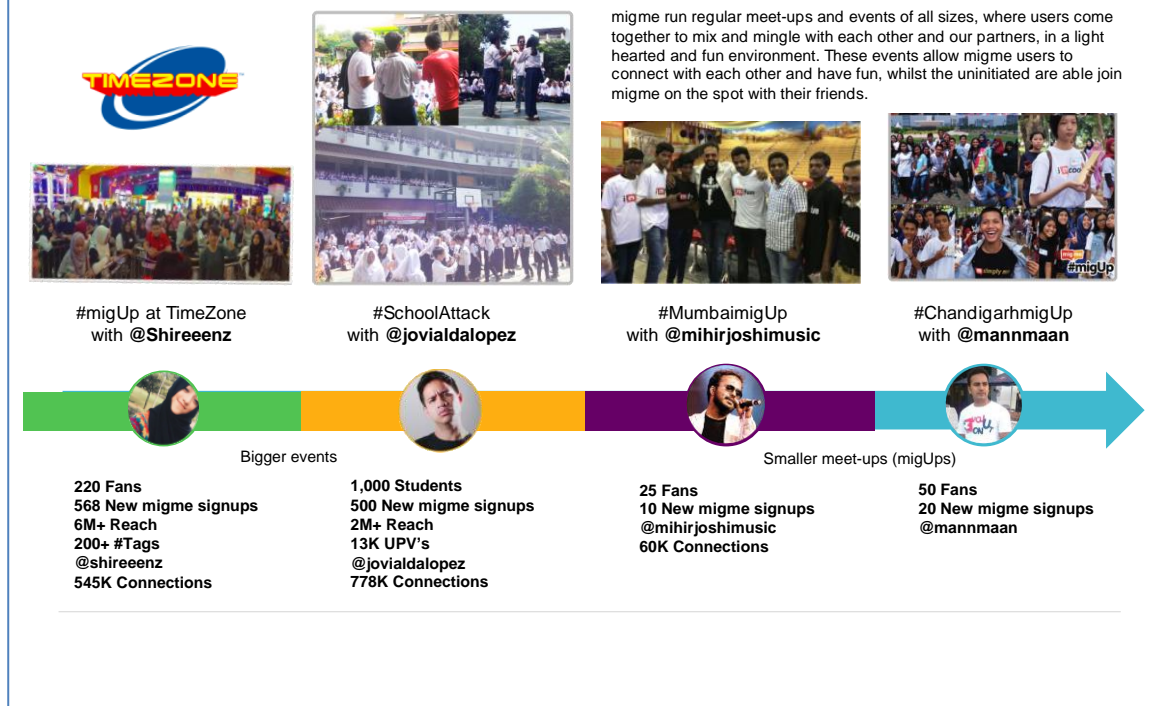
Example 2. Mainstream broadcast engagement – Mega Model 3 and So You Think You Can Dance

Building audience reach was also evident in migme's earlier partnership with the Mega Model 3 franchise in Nepal, where broad awareness of migme was gained via TV reach (e.g. see also example 2 above). The knowledge gained from Mega Model 3 and So You Think You Can Dance will significantly enhance the Company's approach in this broadcast medium for future projects. The Endemol network in India provides access to further mainstream programs including Big Boss, Master Chef and The Voice.

User events drive engagement where the size and scale is most evident in offline events as users meet up around the world in groups of up to a thousand at a time with several dozen a week self-organised by users themselves (e.g. see example 3 below). Community formation across the group is now manifesting itself physically with offline events in Indonesia and India, with some events hosting over 1,000 attendees.

Users are also organising their own events and we are seeing activity not just in our main focus countries (e.g. India, Indonesia and the Philippines), but the Company is seeing events hosted in places such as Mozambique and other parts of Africa as well.

## Meet-up Events | The migme experience in real life



Example 3: migme offline, big events and smaller meet-ups

## Product, Engineering and Operations

Over the quarter, the Company made progress on three major initiatives:

1. Applications (apps.) and games;
2. Integrating the various companies in the group; and
3. Updating the platform and platform operations.

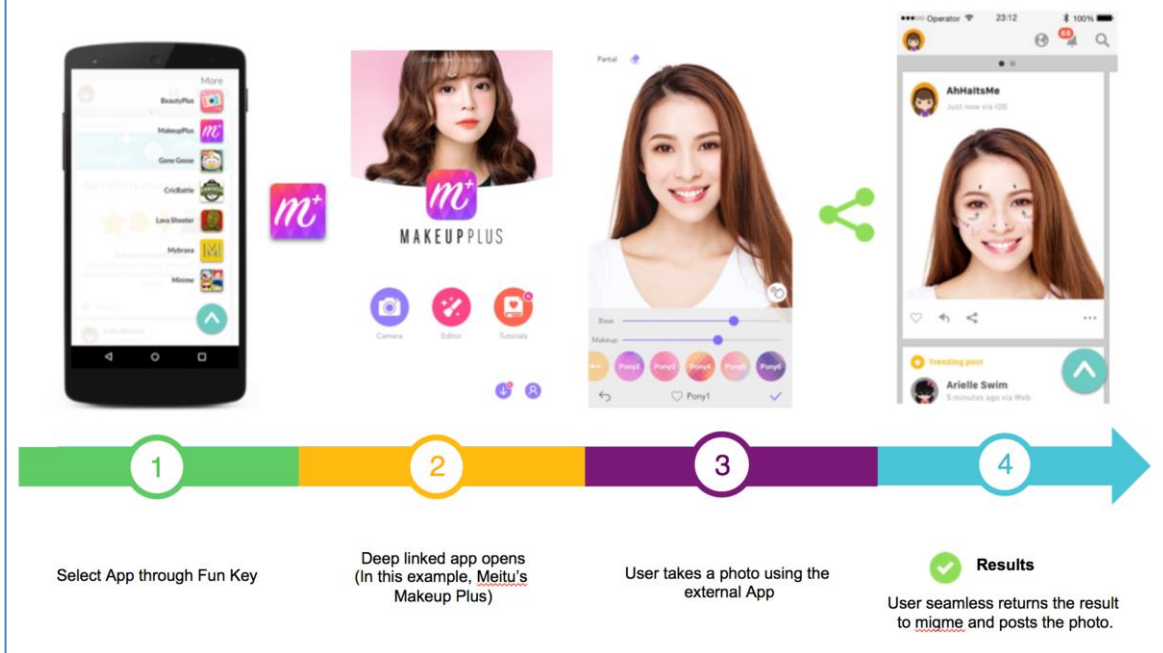
The company made progress during the period by trialing an application programming interface around its Fun Key (see Example 4 below). Third party applications can work with migme's Android application through "Deep Linking" and deliver to a common user a composite experience. Integrated into the Fun Key are applications including Meitu's Beauty Plus, Mybrana, and many others.

The value of this approach is to allow migme to compete with other platforms with functionality that is gained through working with other developers rather than having to build it all. Many companies in this industry have grown their user base and driven engagement through applications and games (e.g. Facebook, WeChat, Line, and many others).

Outside of the East Asian ecosystem, Facebook is known to have grown their platform with games. However when this attention to games changed, inevitably this negatively affected many companies such as Zynga and others. By taking this approach, migme is able to provide application and game developers with an alternative platform to Facebook, that delivers an independent viral loop.



## migme Application Integration through the Fun Key



Example 4. The Funkey

In June, the company trialed an engagement campaign with Meitu's MakeUpPlus, including a launch of a new feature by a Korean make-up artist (see example 5 below). The campaign, called '#ponyup' yielded encouraging early results and the Company is looking to take the lessons from the trial for product improvements in Q3, with a view of scaling up our level of engagement.

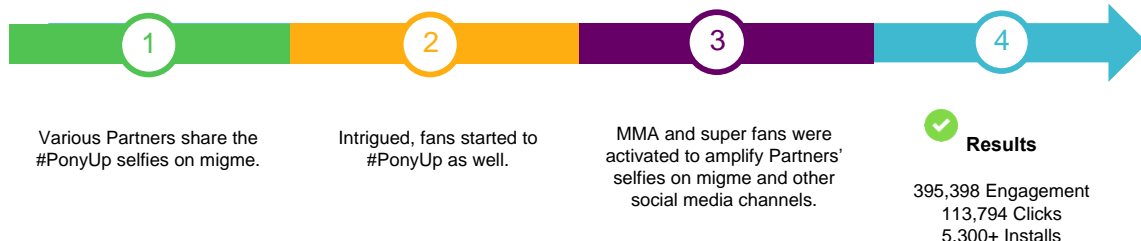
## Meitu | #Ponyup



The Meitu app. Makeup Plus was introduced to migme, with a #PonyUp campaign. Meitu launched a new feature by famous Korean make-up artist 'Pony', and we promoted this new look via the #PonyUp campaign, with all users and artists in migme.

Results for this first campaign:

- **Total engagement (comments/shares): 395,398**
- **Clicks on Makeup Plus: 113,794**
- **Installations of Makeup Plus: 5,392**



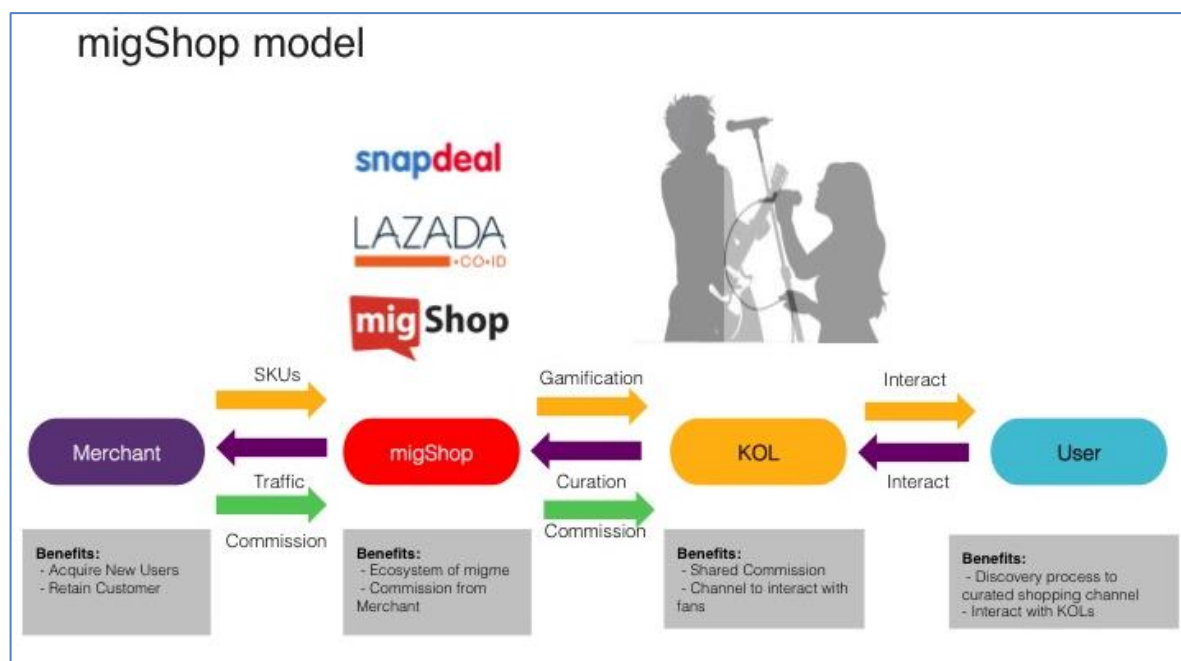
Example 5. First Meitu campaign on migme

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During the quarter, the Company continued to integrate the alivenotdead business onto the main platform and commenced the integration of ecommerce.

The launch of the migShop store establishes the central framework for migme's expansion into social ecommerce (see example 6 below). The store, combined with the artist and key influencer engagement programs, lends itself to the successful delivery of social ecommerce services as a means to drive engagement and sales. migme's focus on social ecommerce will follow similar successful Chinese models, namely Mogujie and Meilishuo, which reported combined revenues of US\$3 billion last year.



Example 6: migShop establishes central framework for the Company's expansion into social ecommerce

Over the period, the Company made numerous other updates including updating the badge and identity framework, numerous bug fixes, and extended its big data infrastructure in readiness for further integration in the second half of 2016.

## Financial Results and Capital Markets

The Company has made progress during the period with cash receipts, growth and operating margin. Whilst capital markets for technology stocks may have softened during the first half of 2016, the company is encouraged by the outlook given the recent success of LINE's listing in Tokyo and Nasdaq.

The rate of Cash receipt growth slowed as the company turned its attention to quality of revenues as opposed to outright cash receipt growth (see chart 2 below). Games played a larger role during the period and with further integration planned over the next two quarter we look forward to being able to accurately report on platform gaming results.

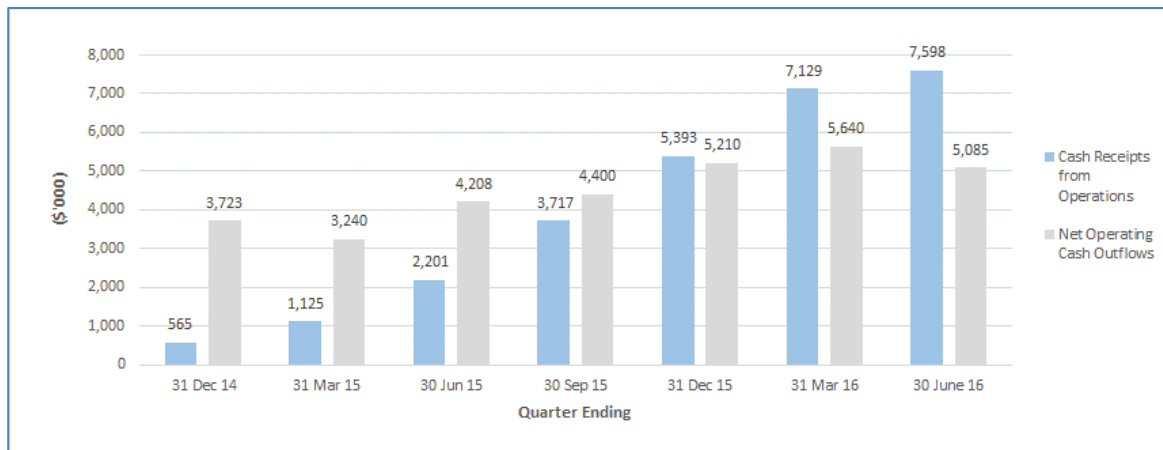


Chart 2: Financial results

As a matter of cost management, in July the company reduced its operating footprint in Singapore by moving all product and development to Taiwan, and rationalising corporate overhead and some business development resources. The company looks forward to being able to report these cost savings in the next reporting period.

On 30 June 2016, one of the world's leading photo app developers Meitu Investment Limited ("Meitu") subscribed for an additional 5,045,069 migme shares at a cost of \$0.40 per share. This additional investment, from our strategic shareholder, sees Meitu's shareholding increase to 5.71%.

## Looking ahead

We are excited about the progress of the Company and the platform. Over the next few quarters, the company intends to continue to grow headline MAU and revenue, whilst deepening engagement and operating margins. Subject to market and business conditions, the Company is working towards being able to operate on a cash flow neutral position by early 2017.

Should you have any questions or inquiries, please do not hesitate to contact migme via email at [investor@mig.me](mailto:investor@mig.me).

Yours sincerely

Steven Goh  
CEO & Cofounder

## About migme Limited

migme Limited (ASX: MIG | WKN: A117AB) is a global digital media company focused on emerging markets. We deliver social entertainment services through mobile apps migme and LoveByte, artist management website alivenotdead, social news site Hipwee and ecommerce services through Sold and Shopdeca. The Company is listed and registered in Australia. Headquarters are in Singapore with offices in Malaysia, Indonesia, Taiwan and Hong Kong. For more information, please visit <http://company.mig.me>

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