mcm entertainment group limited

ASX Announcement

For Immediate Release

13 July 2011

MCM Entertainment Group Limited (ASX: MEG)
Profit Guidance and Quarterly Update

PROFIT GUIDANCE

MCM Entertainment Group (MCM) confirms that it will incur negative Earnings Before Interest and Tax (EBIT) for FY2011 of approximately $2.2m.

An anticipated improvement in revenue from the MCM Media and Igloo businesses was not realised during the year to support the increased investment in all businesses and in particular, movideo. The June 2011 quarter, however, has seen strong sales and new business growth across MCM Media and Igloo. This positive momentum has flowed into the new financial year.

The breakdown by business, and compared to the prior year, is as follows (these figures are subject to audit review):

	EBIT FY2011	*EBIT FY2010*
MCM Media Pty Ltd	$1.10m	$2.65m
Igloo Digital Pty Ltd	$(0.6)m	$0.33m
movideo Pty Ltd	$(2.7)m	$(1.63)m
Combined	***$(2.2)m***	***$1.35m***

MCM Media experienced a flat year in revenue and as such did not offset its increased investment of over $800,000 in its product and sales resources. Igloo's expected loss of $600,000 was predominately experienced in the first six months of the financial year. The investment in the movideo business and subsequent EBIT result was as planned, however the investment decision at the time of setting the FY2011 movideo plan was based upon positive EBIT growth estimates for MCM Media and Igloo which did not eventuate. Steps are now in place, including a new management structure, to review the Group Plans, improve the Group's revenue and margins and re-mediate the cost base of the business.

MEG's final audited position will be known by 31 August 2011.

QUARTERLY UPDATE

MCM has achieved some material improvements for the June 2011 Quarter. The improvements have created positive momentum into the new financial year. These can be summarised as:

Group update

1. Leadership restructure in place as of 01 July 2011:
   a. heightened focus on high revenue generating activities and businesses; and
   b. cost rationalisation.
2. MCM Group cash position fell by $400,000 over the June quarter but was a $100,000 improvement from the 31 December 2010 position.
3. Shareholders have approved an equity raise of up to $3m via convertible note. Offer still open to sophisticated investors. Investor presentations are continuing.
4. Focus on revenue generation and margin improvement.
5. Growth strategies being investigated to protect short term revenue and provide for long term growth.

MCM Media Pty Ltd update

1. Online digital advertising revenue up 22% yoy. This result is testament to MCM Media's focus on ad funded online music video streaming which offers advertisers a premium music video network of over 45 websites.
2. Website traffic across MCM Media sites remains strong at approximately 1 million unique visitors per month.
3. June 2011 quarter sales for commercial media (online, TV and radio) strongest for FY2011. This performance is pleasing considering that the strongest quarter is normally the December quarter. We view this result as an indicator of the general improvement in our multimedia sales process.
4. Momentum building whereby revenue is tracking at 134% of pcp (July - September).
5. Increased output in MCM Media's television division led by a one off TV event with Lady Gaga in partnership with Southern Cross Austereo and Vodafone, and the continuation of MCM Media's Hoyts cinema pre-show 'The Hoyts Insider'.
6. Breadth of media clients grown to over 150 national clients for FY2011 (approximately 110 in FY2010).

movideo Pty Ltd update

1. $1.1m in total revenue achieved – including professional fees. Up from $260,000 in FY2010.
2. Monthly Recurring Revenue target for June 2011 exceeded.
3. Significant clients: Network 10, South China Morning Post, AMP Radio Networks Malaysia.
4. China team in place with seven sales and sales service staff employed across Beijing and Shanghai.
5. Addition APAC Business Development Manager placed in Singapore for SE Asia sales.
6. Several options are under consideration to ensure that expenditure into FY2012 is mitigated.

Igloo Digital Pty Ltd

1. Igloo has returned to profit, delivering positive EBIT for the June quarter.
2. Record revenue month achieved in June 2011.
3. July revenue currently 40% up on pcp.
4. Key client wins for the June 2011 quarter include:
    a. Victoria Health.
    b. Cricket Australia.
    c. Cancer Council.

The Board acknowledge that results for FY2011 are below expectation and have acted decisively to apply management focus and resources to drive better results in FY2012 from all three operating businesses. We are encouraged by the recent material improved year on year position. There remains considerable work to be done but we are well placed to achieve our plan through a focused leadership team working from an improving revenue and cost base.

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