ASX release

26 April 2016

QUICKFLIX APPOINTS VOLUNTARY ADMINISTRATOR

Quickflix Limited ("Quickflix" or "the Company"), advises that it has appointed partners from Ferrier Hodgson as voluntary administrators.

As previously advised an impediment to raising new capital has been the existence of redeemable preference shares ("RPS") held by Stan Entertainment Pty Ltd ("Stan') a company owned by Nine Entertainment Co and Fairfax Media Limited.

The redeemable preference shares were issued to HBO in March 2011 for an investment of $10 million at the same time that Quickflix entered a commercial relationship with HBO. In July 2014 Nine Entertainment Co acquired the RPS from HBO for an undisclosed amount.

The RPS ranks ahead of ordinary shareholders with respect to dividends and capital returns and whilst from a legal perspective it constitutes equity, accounting standards have required it to be recorded as current debt on the Company's balance sheet. The face value of the RPS is presently $11,730,549. Whilst Stan can only ask for redemption of the RPS in limited circumstances, as previously advised the Company is not in a position to fund redemption and the existence of the RPS held by Stan is a significant disincentive for new investors.

Despite Quickflix being first to the streaming market and holding a leadership position in 2014, ongoing growth has required capital for continued investment in content and marketing. Neither Nine Entertainment nor Stan have ever participated in any capital raisings to assist Quickflix's growth and its ability to raise capital from any source has been constrained by the RPS.

In response, Quickflix has restructured its business including securing release from over $7.5 million in obligations with content providers, and cost-savings across operating and investment areas of over $5 million per annum. It has also achieved positive earnings before interest and tax for the first quarter of this year. However, addressing the RPS remains key to securing new investor interest to recapitalise the Company and move it forward. Quickflix has sought to negotiate with Stan to restructure the RPS over an extended period.

Stan's recent position is that it would only consider restructuring the RPS under one of the following conditions:

1. Quickflix pay Stan an amount of $4 million in cash; or

2. Quickflix pay Stan an amount of $1.25 million cash plus transfer all of Quickflix streaming customers (both subscription and transactional) to Stan for which they ascribe a value of $250,000 and subject to Quickflix agreeing to not compete with Stan.

Neither alternative presents a viable option for Quickflix. In the first instance Quickflix does not have the funds to make payments to Stan, nor does the Company believe it can raise funds from investors for that purpose. Neither alternative leaves Quickflix in a position to fund its unsecured creditors nor with capital necessary to take the business forward.

As these negotiations with Stan have not been successful and the majority of potential new funders have specified the restructure of the RPS as a condition of providing capital, the Company has no other realistic alternative but to appoint voluntary administrators.

The administrators intend to operate the Quickflix Australian business as usual with customers and new customers unaffected. Quickflix's New Zealand business operates through its New Zealand subsidiary which continues to trade and is not in voluntary administration.

The management of Quickflix remain dedicated to achieving a successful restructure of Quickflix through a Deed of Company Arrangement that will reposition the listed group to a broader-based digital consumer, ecommerce and entertainment player leveraging its existing marketing database, data and platform whilst also pursuing M&A opportunities.

Stephen Langsford
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Quickflix Limited (Administrators Appointed)

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