



4 April 2016

UPDATE ON COMPANY RESTRUCTURE

Quickflix Ltd (ASX: QFX) (“Quickflix” or “the Company”) provides the following update in relation to its restructure programme. Over the past months the Company has made considerable progress in repairing its balance sheet and as a result of its ongoing cost reduction exercise and restructure of Subscription Video on Demand (“SVOD”) liabilities has recorded a substantial profit for the half year to 31 December 2015 and positive earnings before interest and tax (“EBIT”) for the months of January and February 2016.

Further reduction in costs

Further to costs savings already announced of in excess of \$4 million per annum across operating and investments areas, the Company has identified additional areas for savings including:

- Consolidation of the Company’s Sydney operations at its distribution centre in Western Sydney and closing of its Sydney CBD and Auckland offices.
- Reduction in net cost of the Perth office.
- Insourcing of customer care and support.
- Reduction in delivery network charges.
- Additional reduction in headcount representing 15 percent of staff.

These additional ongoing savings amount to over \$1 million per annum and are not expected to have a significant impact on core day to day service levels.

Restructure of Board Remuneration and Composition

The Company’s executive Directors have agreed to the restructure of their remuneration including a substantial reduction in salary and a partial deferral of the balance of their salary, subject to shareholder approval of the issue of performance rights which will vest in the event key milestones are met in the ongoing restructure and recapitalisation.

Remuneration and Incentive Arrangements

The base salary of Mr Stephen Langsford, CEO and Chairman, of \$280,000 per annum inclusive of superannuation reduces to \$200,000 per annum commencing 1 April 2016. Mr Langsford has also





agreed that payment of that portion of his salary that is in excess of \$150,000 per annum will be deferred in order to preserve cash for the Company, until such time that the Company has completed a capital raising of a minimum of \$2 million through the issue of new equity, at which time the accrued amount will be paid by the Company in cash or shares at the election of the Company.

A cash incentive will be payable to Mr Langsford to replace existing cash incentive arrangements as follows:

- An amount equal to 1% of all money raised by equity, up until the Company is relisted, to be offset against any Tranche 1 performance rights if performance rights vest in relation to same equity.
- \$50,000 upon the Company achieving two consecutive months of positive EBIT from operations (ie not through writing back of liabilities through restructuring) if the total EBIT for the two months is less than \$80,000 then the amount of bonus will be reduced pro rata. This amount will accrue until the Company has completed a minimum capital raising of \$2 million through the issue of new equity.

Performance rights and share incentives for Mr Langsford:

Tranche One

Vesting upon any of the following being achieved before October 2017:

- restructuring of the redeemable convertible preference shares ("RPS") to equity, long term debt or otherwise removal of rights representing impediments to equity capital raising;
- acquisition of one or more businesses of \$2 million or more in value, whereby a minimum of 30% of the consideration is payable through scrip;
- completion of a capital raising of a minimum of \$2 million through the issue of new equity; or
- resumption of trading of Quickflix on ASX.

Mr Langsford will receive performance rights to the value of 4.75% of the equity capital raised (if any) plus 4.75% of scrip component of transaction value of a new acquisition (if any) plus 4.75% of any reduction in total liability to holder of RPS (if any) plus 4.75% of the proceeds of the sale of any company assets (if any), calculated at the share price at which new shares are issued under an equity raising.



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Tranche Two

Based on a 5-day VWAP the Quickflix share price being equal to, or greater than twice the price at which shares were issued on vesting of performance rights in Tranche One occurring within two years from the date of vesting of any such shares, Mr Langsford will receive a further tranche of an equivalent number of shares as issued in Tranche one.

The base salary of Mr Simon Hodge, CFO and Executive Director, of \$250,000 per annum inclusive of superannuation reduces to \$170,000 per annum commencing 1 April 2016. Mr Hodge has also agreed that payment of that portion of his salary that is in excess of \$150,000 per annum will be deferred in order to preserve cash for the Company, until such time that the Company has completed a capital raising of a minimum of \$2 million through the issue of new equity, at which time the accrued amount will be paid by the Company in cash or shares at the election of the Company.

A cash incentive will be payable to Mr Hodge to replace existing cash incentive arrangements as follows:

- An amount equal to 1% of all money raised by equity, up until the Company is relisted, to be offset against any Tranche 1 performance rights if performance rights vest in relation to same equity.
- \$30,000 upon the Company achieving two consecutive months of positive EBIT from operations (ie not through writing back of liabilities through restructuring) if the total EBIT for the two months is less than \$80,000 then the amount of bonus will be reduced pro rata. This amount will accrue until the Company has completed a minimum capital raising of \$2 million through the issue of new equity.

Performance rights and share incentives for Mr Hodge:

Tranche One

Vesting upon any of the following being achieved before October 2017:

- restructuring of the RPS to equity, long term debt or otherwise removal of rights representing impediments to equity capital raising;
- acquisition of one or more businesses of \$2 million or more in value, whereby a minimum of 30% of the consideration is payable through scrip;
- completion of a capital raising of a minimum of \$2 million through the issue of new equity; or
- resumption of trading of Quickflix on ASX.





Mr Hodge will receive performance rights to the value of 1.75% of the equity capital raised (if any) plus 1.75% of scrip component of transaction value of a new acquisition (if any) plus 1.75% of any reduction in total liability to holder of RPS (if any) plus 1.75% of the proceeds of the sale of any company assets (if any), calculated at the share price at which new shares are issued under an equity raising.

Tranche Two

Based on a 5-day VWAP the Quickflix share price being equal to, or greater than twice the price at which shares were issued on vesting of performance rights in Tranche One occurring within two years from the date of vesting of any such shares, Mr Hodge will receive a further tranche of an equivalent number of shares as issued in Tranche one.

Reduction in Number of Directors

Non-executive director Mr David Sanders has also agreed to step down from the Board to reduce the number of Directors to the minimum required by the Corporations Act and reduce corporate overheads. Mr Sanders will continue to act as the Company's legal advisor.

The Company will provide further updates as its restructuring program continues.

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For any enquiries, please contact:

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About Quickflix

Quickflix (ASX: QFX) is a leading TV and movie streaming company operating in Australia and New Zealand. It offers subscription and transactional streaming to a wide range of devices including Smart TVs from Samsung, Sony, Panasonic and LG, game consoles such as PlayStation and Xbox, TiVo, desk tops, laptops, tablets and a range of mobiles and other devices like Google Chromecast. In Australia, Quickflix is also the leading subscription online DVD rental service.

