

Quickflix

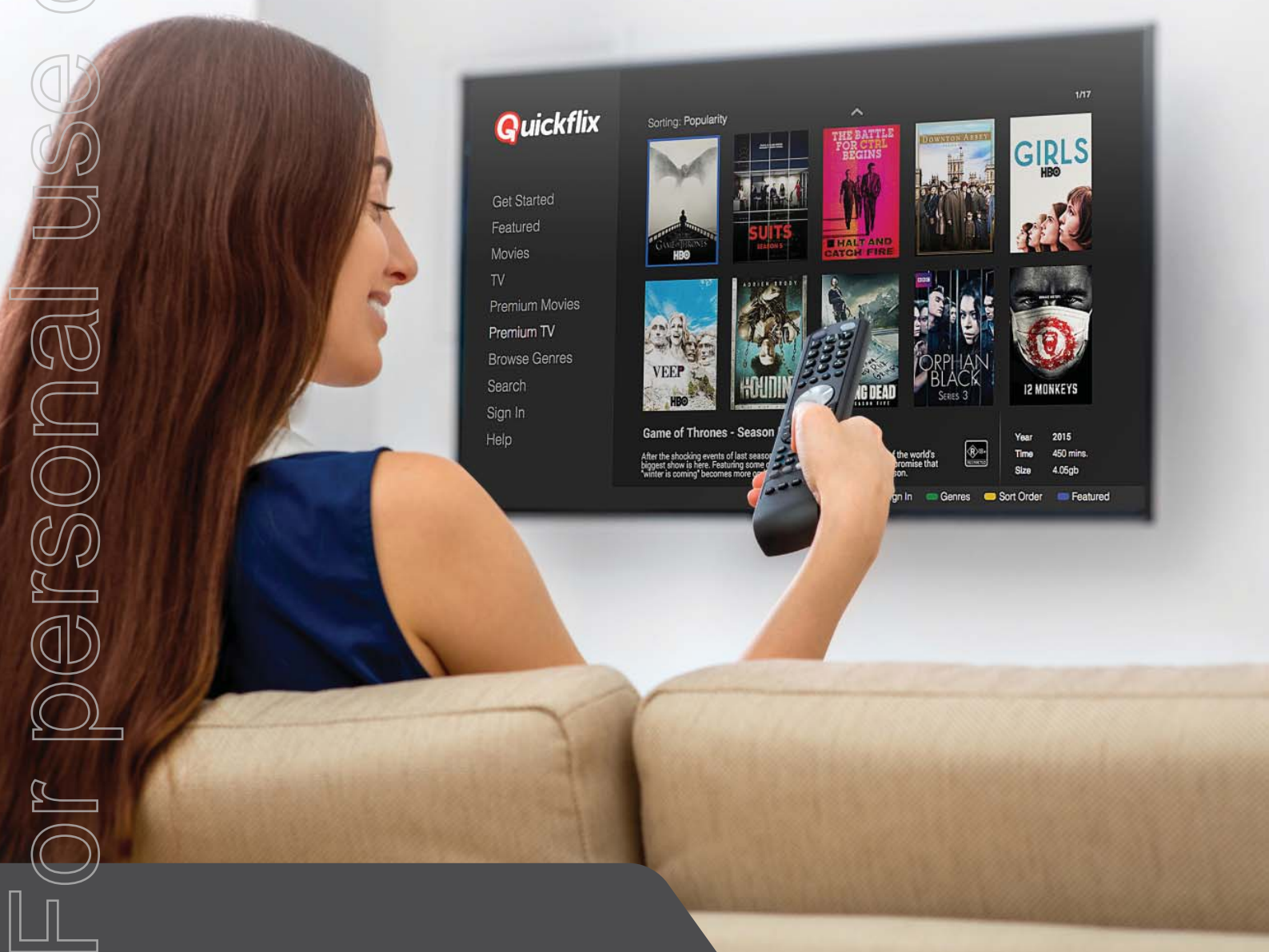
Quarterly Update

(& Appendix 4C)

June 2015

Quickflix repositions in June Quarter in response to new competition.

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Quickflix Limited
& Controlled Entity

ABN 62 10 2 459 352

www.quickflix.com.au

Quarterly Update

30 JUNE 2015

Competitive offerings impact on Quickflix customer base in June quarter.

| Pent-up demand for Netflix in particular, caused a sharp decline in customers early in the quarter following its launch in Australia and New Zealand. Customer numbers have since stabilised. | Quickflix to adopt new SVOD reseller strategy. |

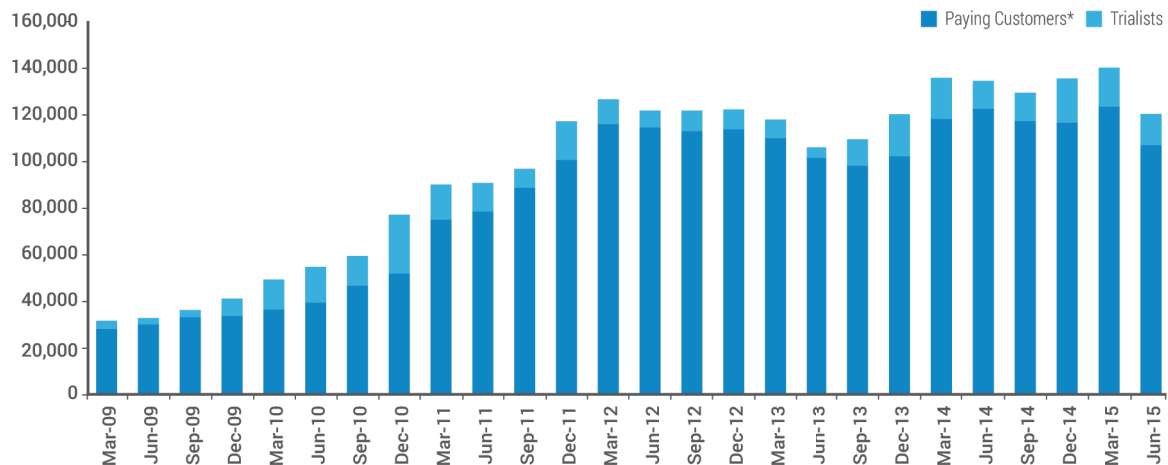
Quickflix paying customers declined by 13 per cent in the June Quarter impacted by the unprecedented level of free trial promotions by competitors including those associated with the official launch of Netflix, in Australia and New Zealand. Pent-up demand for Netflix generated through media and other publicity ahead of its launch resulted in a spate of customers churning in April and May and a challenging quarter overall for the Company. When surveyed, over 95 per cent of those customers churning from Quickflix in the quarter to try a competitor streaming service, were opting for Netflix which is the only service that rivals Quickflix for its device coverage. The cohort of churning customers for the most part did not represent Quickflix's longer serving customer base and the Company has strategies in place for re-engaging with them in the future.

The impact of Netflix's arrival was largely felt at the beginning of the quarter underscoring the effect of the pent-up demand at the time of launch. The downward momentum in the paying subscriber base and subscription streaming volumes abated towards the end of the quarter when Quickflix achieved traction in marketing and new customer additions increased. Transactional streaming volumes in June were up strongly over May.

Key highlights in the June quarter were:

- Total customers of 121,127 down by 14 per cent;
- Paying customers of 107,969 down by 13 per cent;
- Revenue receipts decreased by 15 per cent to \$4.2 million;
- Operating and investing expenditure decreased 8 per cent to \$5.3 million;
- Net operating and investing cash outflow of \$1.0 million; and
- Cash at bank of \$0.9 million.

Quickflix customers (Quarter)



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

Heavy advertising of competitor streaming services in mainstream media, and promotion of extended free subscription trials offers, sometimes up to 6 months or more, whilst increasing awareness of the category, is also resulting in a lot of choppiness and some confusion in the market place. Whilst on the surface, services can appear to be similar, the quality and depth of content and accessibility across preferred devices and screens, varies significantly. Consumers are therefore testing out multiple services, often through extended free trials

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and switching between services before committing themselves as paying customers. The Company expects it will take some time for the market to settle down and for consumers to determine which service, or services are ultimately right for them. In this period churn across all the providers is likely to be very high.

A forming picture of the streaming marketing is not made clearer through exaggerated reporting of take-up in mainstream media. A Roy Morgan survey of only 2,000 respondents published in June (which included those under the age of 18 who therefore would not hold a credit card and be valid subscribers in their own right) estimated the number of Netflix streaming customers at over one million in Australia, which Quickflix considers to be significantly overstated. In the same survey Roy Morgan significantly understated the number of Quickflix streaming customers. Market research published by the federal government Department of Communications on 24 June 2015, included Quickflix in the list of best-known lawful digital services, with 33 per cent of survey respondents aware of Quickflix. 51 per cent of respondents were aware of global competitor Netflix, whilst 30 per cent were aware of Stan, the local competitor owned by Fairfax and Nine Entertainment Co.

In response to an increasingly competitive market in subscription streaming otherwise known as SVOD ("subscription video on demand") and the escalating costs to license SVOD content, Quickflix announced in the quarter that it was taking a new strategic direction and adopting an SVOD reseller model in which it would integrate third party SVOD services within its platform and make that available to existing and new customers. This direction will result in Quickflix offering a stronger line-up of subscription streaming content and the capacity to compete with larger SVOD competitors, leveraging its streaming distribution platform which includes a comprehensive range of devices. The new subscription streaming channels within Quickflix will be complemented by Quickflix's own expanding transactional streaming (rent and purchase) of latest release movies and current seasons TV content. In readiness for its re-launch Quickflix is undertaking a major upgrade of its service including release of a new simple to use interface, featuring enhanced discovery and easy device activation.

As part of its new strategic direction, Quickflix announced on 14 May 2015 that it has entered into a conditional agreement to resell Presto the SVOD service of Foxtel and Seven West Media. As at the date of this report, the agreement remains conditional and Quickflix has requested an extension to address the outstanding conditions. Quickflix is in discussions with other third party providers to integrate complementary niche SVOD content channels into the Quickflix platform. During the quarter the Company also announced that it has successfully reached agreement with major studios to restructure existing SVOD licensing commitments of in excess of \$5 million into debt, to be repaid over three years.

The result of its new direction and restructure is that Quickflix will have a differentiated streaming offering to compete in a rapidly growing market and an operating model in which its cost base is mostly variable.

During the quarter Quickflix successfully completed the roll out of its launch of pre-paid gift cards in major national retailers such as Coles, Woolworths, Big W, Target and others. It also announced a partnership with ASX-listed loyalty group Rewardle. Quickflix is progressing additional promotional partnerships leading with its transactional streaming content and device access as key points of difference to competing streaming services.

Customers and sales

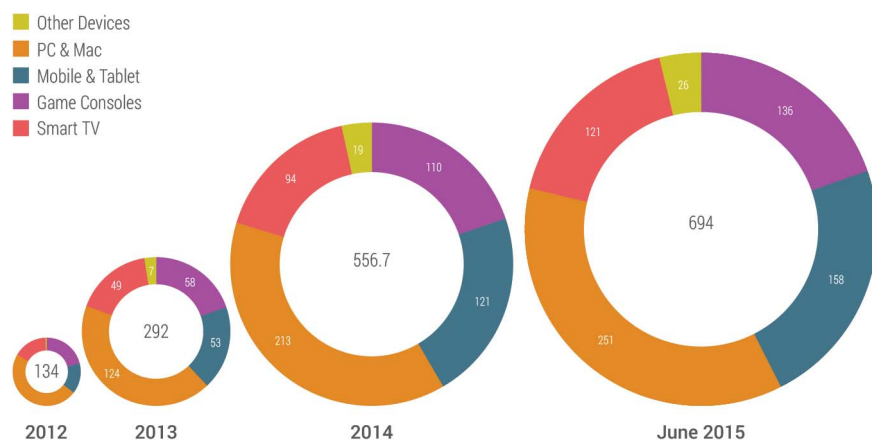
Paying customers ended the June 2015 quarter at 107,969, which was 13 per cent lower than the previous quarter. As already noted the paying customer base declined most sharply at the time of launch of Netflix with the rate of decline slowing towards the end of the quarter. New customer acquisitions were down slightly but increased over the quarter. Paying subscriber churn averaged 11.3 per cent over the quarter, after peaking at 12.9 per cent in April shortly after the launch of Netflix before easing back to 9.1 per cent in June.

End of Quarter	Jun-15	Mar-15	Change QoQ	Mar-14	Change YoY
Paying customers	107,969	123,553	-13%	122,862	-12%
Trial subscribers	13,158	17,348	-24%	12,828	3%
Total customers	121,127	140,901	-14%	135,690	-11%
Paying subscriber churn (monthly average)	11.3%	8.5%	-32%	7.1%	-59%

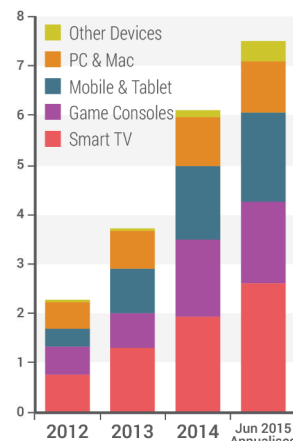


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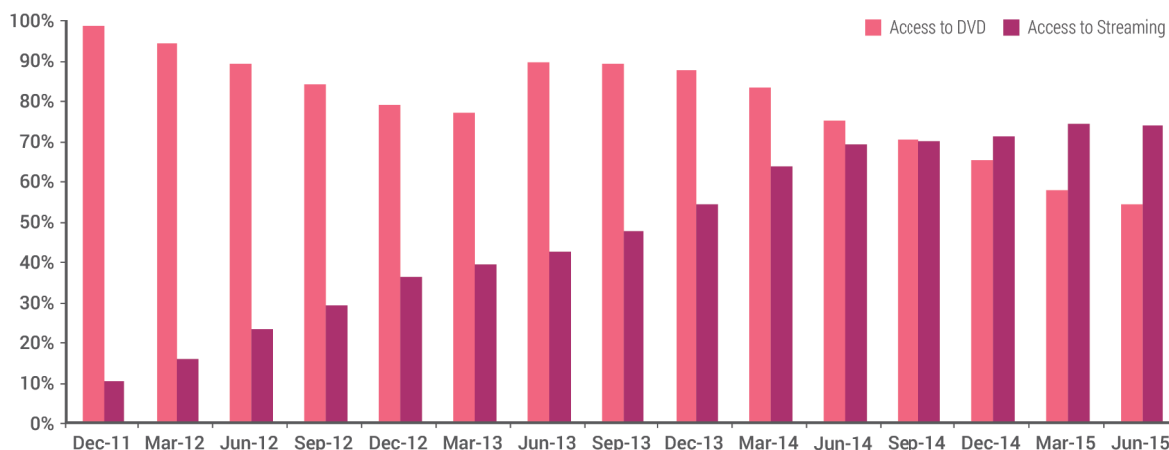
Devices registered with Quickflix (000's)



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, paying trial fees and pay per view fees) were \$4.2 million for the quarter, down 15 per cent compared to prior quarter. The reduction is due to the lower number of paying customers and an 8 per cent decline in the average monthly receipts per customer to \$11.25. The launch of Game of Thrones Season 5 contributed to a significant increase in transactional streaming in June.

Quarter total/average	30-Jun	31-Mar	Change QoQ	Mar-14	Change YoY
Receipts from customers (\$000s)	4,231	4,952	-15%	5,198	-19%
Average paying customers	113,986	122,522	-7%	121,759	-6%
Average monthly receipts per paying customer (\$)	11.25	12.25	-8%	12.94	-13%

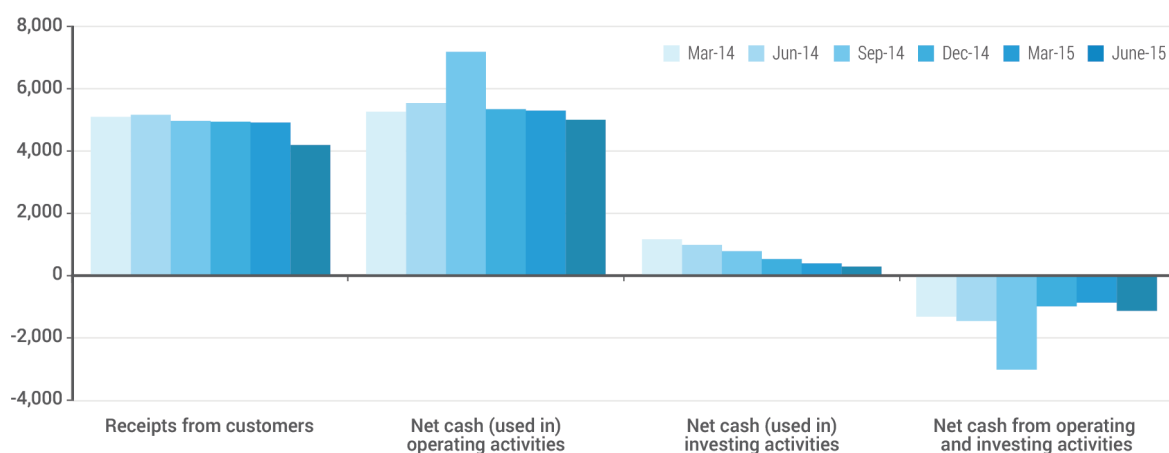


Operating and investing cash flows

Net operating and investing cash outflow for the June quarter of \$1.1 million compared to an outflow of \$0.9 million in the March quarter. Total operating and investing expenditure reduced from \$5.8 million to \$5.3 million as the Company continues to manage expenditure levels and trading terms.

Quarter, \$000s	Jun-15	Mar-15	Change QoQ	Mar-14	Change YoY
Receipts from customers	4,231	4,952	-15%	5,198	-19%
Net cash (used in) operating activities	-800	-412	94%	-393	-104%
Net cash (used in) investing activities	-296	-438	32%	-1,044	72%
Net operating & investing cash flow	-1,096	-850	-29%	-1,437	24%
Net cash provided by financing activities	747	-8	-	0	-
Net increase (decrease) in cash	-349	-858	59%	-1,437	-76%
Cash at end of financial period	913	1,262	-28%	2,411	-62%

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



Outlook

New market conditions of increased competition, and a bidding war for SVOD content rights calls for a new approach. That is why Quickflix plans to integrate and resell third party SVOD channels. These new SVOD channels will be complemented by Quickflix's comprehensive transactional streaming content offering including latest release movies and current season TV, taking advantage of its distribution platform which reaches more devices than local competition. An upgrade of Quickflix's user interface, to be launched later this year, will include new content discovery features which take advantage of viewing and profiling data accumulated over the past ten years and more.

Mainstream adoption of streaming is only just beginning however it is not difficult to see that in less than a decade, it will become the preferred way for the majority of households to consume movies, TV shows, sport and other content. During that time the market will continue to be very dynamic with further innovation in service offerings and consumer devices.

The near term outlook will continue to be a challenging one for Quickflix. The successful restructuring and implementation of its SVOD reseller strategy combined with additional investment will reposition the Company as a significant niche player in a high growth sector. Beyond Australia and New Zealand, Quickflix is looking at global opportunities to exploit its streaming platform and capability. Quickflix is in advanced discussions with one party in particular which may result in a corporate transaction.

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")

June 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	4,231	19,222
1.2 Payments for:		
(a) staff costs	(1,723)	(7,171)
(b) advertising and marketing	(408)	(3,161)
(c) research and development	-	-
(d) leased assets	-	-
(e) other working capital	(2,907)	(12,766)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	7	45
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes received	-	-
1.7 Other	-	-
Net operating cash flows	(800)	(3,831)



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	Current quarter \$A'000	Year to date (12 months) \$A'000
1.8 Net operating cash flows (carried forward)	(800)	(3,831)
Cash flows related to investing activities		
1.9 Payment for acquisition of:		
(a) businesses (item 5)	-	-
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets	(325)	(2,236)
(e) other non-current assets	27	(118)
(f) other non-current assets (security deposits)	2	257
(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)	-	-
Net investing cash flows	(296)	(2,097)
1.14 Total operating and investing cash flows	(1,096)	(5,928)
Cash flows related to financing activities		
1.15 Proceeds from issues of shares, options, etc.	775	4,728
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	(28)	(298)
Reclassification – term deposit duration > 3 months		
Net financing cash flows	747	4,430
Net increase (decrease) in cash held	(349)	(1,498)
1.21 Cash at beginning of quarter/year to date	1,262	2,411
1.22 Exchange rate adjustments to item 1.20	-	-
1.23 Cash at end of quarter	913	913



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	118
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	913	1,262
4.2 Deposits at call	-	-
4.3 Bank overdraft	-	-
4.4 Other (Provide details)	-	-
Total: cash at end of quarter (item 1.23)	913	1,262

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: 31 July 2015
(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.

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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

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Perth WA 6000

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Perth WA 6000
ASX Code: QFX

Auditors

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Sydney NSW 2000

Share registry

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