



31 January 2017

QUARTERLY OPERATIONS REPORT

migme Limited (ASX: MIG, WKN: 117AB)

Highlights: December 2016 Quarter (4Q2016)

- Monthly active users (MAUs)* grew to over 33m, more than 2m than budgeted and up from an revised 26m at the end of September**.
- Early strong results working with MNC Group's Rajawali Citra Televisi Indonesia (RCTI) and Anak Jalanan, one of Indonesia's most popular soap operas reached an estimated audience of over 20m viewers and converted to over 5m MAUs for migme during the quarter.
- Progressively refinanced the convertible note with the balance to be completed in 1Q2017.
- The Company has focused on operations leading with reduction in costs and a revised ecommerce model. In addition strong concentration on MAUs and operational and platform quality with a view of connecting the elements of migme's audience to consistently converting traffic to sales.
- Grew the engaged audience of artists to nearly 400. Over 40 consistently engaged and monetizing artists with the highest monetizing artist at nearly \$2,500 per month. Focus is now on replicating the top 40 monetising artists to a few hundred this quarter, and then growing to several thousand in Q2 2017.
- Launched Android games; Boat Rumble and Highscore Bingo. Results expected in 1H 2017.
- Started with Mobile Only Accelerator (MOX) and platform, with further improvements to user experience by March 2017.

Key Metrics

METRIC	31 DEC 2015	31 MAR 2016	30 JUN 2016	30 SEP 2016	31 DEC 2016
Monthly Active Users* (million)	>32	>39	>43	>37 (>26 est)**	>33**
Artists/Verified Users (Active)	>620	>2,600	2,900	>3,200 337 Active	383 Active
Cash Receipts from Operations (\$'000)	5,393	7,129	7,598	7,621	1,451***
Net Operating Cash Outflows (\$'000)	5,210	5,640	5,085	6,597	3,286
Net Other Cash Inflows/(Outflows) (\$'000)	3,243	6,150	852	7,611	(2,051)
Cash on Hand (\$m)	8.7	8.9	4.7	5.7	0.4***

* 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.

** in September the second half of 2016, migme moved to consolidate and simplify its portfolio, and has elected to show the group results for mig.me, alivenotdead and hipwee. and to report on active artist / verified users rather than registered users.

*** see detailed notes in the commentary below

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Overview

migme is pleased to announce its fourth quarter 2016 results. The vision for migme remains substantially unchanged: to build and monetise a social entertainment platform for the next wave of Internet users coming online across South and South East Asia .

In spite of distractions associated with refinancing the existing convertible notes, the Company made substantial progress in quality of operations and being able to connect the dots between a corporate opportunity and financial results for the Company, and moving towards a lower operating cost profile. Results can be seen in better than expected MAU results, rising consistency between artists and audience engagement and monetization, and gaming results. Subject to market risks and business conditions, consistency and scale of each of the elements will be key to delivering a cashflow positive result in 2017.

A detailed overview of operations is as follows.

Audience development and engagement

The Company made three significant advances during the period:

(1) consolidated and simplified its audience strategy around 3 key assets (migme, alivenotdead and hipwee) and grew that to a higher than expected 33m MAUs,

(2) realized over 5m MAUs as a result of working with a full format programme Anak Jalanan, and

(3) reached a level of consistency and repeatability with its top 40 Artists and Content creators and is now looking to scale in the Company's priority countries.

During the period, migme simplified its audience footprint and focus on migme, alivenotdead and hipwee. The Company grew its Audience reach from an estimated 26m MAUs at the beginning of the quarter to over 33m MAUs, 2m higher than anticipated. Minime, LoveByte, and other microsites have been removed and will be deprecated. The value of ecommerce is now implemented using an affiliate relationships and as announced, the Company is looking to divest shopdeca.

The Company has elected to rationalize the userbase given the constraint on migme's resources and need to focus on moving to a cashflow positive basis.

The Company's initial program with Anak Jalanan, one of Indonesia's most popular Soap Operas and part of RCTI's programming reached a viewership of over 20m and delivered over 5m MAUs to migme in December over a 3 week period.

The program costed migme around \$130k in cash and prepayments for around 48 television slots for an effective \$0.026 customer acquisition cost. During programming, migme ran a quiz to be answered with the next show, and had members of the cast on migme producing content.

The Company understands the reach was to over 20m viewers, and noted a >5m MAU jump during the 3 week programming period. More importantly the userbase has remained high for several weeks after the programmes involvement completed.

The Company is looking forward to repeating and expanding the programme with improvements, over the course of 2017 in Indonesia and other countries.

The Company continued to see success with its artist engagement program. In the period from September 2016 to December 2016, growing the number of active artists from 337 to 383. To date, the Company has been subsidizing some artists with minimum guarantees and other incentives to get to traction. Over the last 6 months, the value unlocked per artist has grown from a small handful to

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over 170 monetising and over 40 meaningfully (the top in December driving nearly \$2,500 of value on the platform for the month). Through Product and Operations improvements, the Company is now looking to grow that core monetizing group from over 40 to a few hundred in 1Q2017 and being able to consistently monetize at several hundred dollars each.

If successful, then to look to grow to a few thousand artists and content creators in Q2 and substantially more in the second half of 2017.

From the success of the Company's key assets migme, alivenotedead and hipwee and its marketing initiatives through large format TV programming in the December 2016 quarter, migme will look to formalize the acquisition and engagement processes to ensure repeatability of outcomes. This will lead to a higher rate of organic growth in acquisition and engagement when combined with the product enhancements as outlined below

Product integration, operations and enhancements

Over the quarter, there were four themes in product and operations:

- (1) migme updated its mobile web and android clients, added games to the Funkey, and moved to re-engineer many core systems,
- (2) launched a further 2 games attached to the Funkey,
- (3) commenced the programme with MOX (the accelerator and platform), and
- (4) streamlined operations with a view of lowering the groups operating profile and posturing the business towards transforming audience engagement to meaningful revenues and ultimately profitability.

migme overhauled its mobile web client and android clients during the period delivering substantial reliability and speed improvements to each, and is looking to move the remaining web and IOS clients to a common build framework in 1Q2017. Legacy support for Blackberry, Windows mobile has been deprecated and the Company will drop support for J2ME (ie, Feature phones) by mid 2017. As part of working with the MOX incubator and platform, the Company will update the UI/UX to a contemporary framework and is looking at delivering a range of video and other competitive services in 1Q2017.

Over 1Q2017, the Company plans to integrate Hipwee with migme. migme will be the chat, sharing and discussion platform. Hipwee is a content creator community in a Social News format with several thousand contributors and connected to other platforms. Integration means that conversations in other media means that through platform mechanics and product marketing, the Company can cross market to the audience various valuable experiences and build retained communities across the group.

As noted in prior announcements, migme had launched several games to increase engagement with users and widen the range of things to do on the platform and through the 'Funkey'. Most recently, it released *HighScore Bingo* and *Boat Royale* with more games to be released in the coming quarters. The Company notes the rise of video streaming applications, and is currently evaluating a range of video chatroom options for 1H2017. Updates to the mobile Web and Android clients allow greater levels of tracking and testing, and the Company is now achieving a meaningful yield rate on converting usage to drive other applications and monetizing events.

The Company commenced working with the Mobile-Only Accelerator (MOX) in improving the platform experience and engineering, with a view of being able to systematically track the lifetime value per user. As part of working with the MOX Accelerator and Platform, the Company will trial a push to than 3 million Android mobile users in 1Q2017, and if successful, then a further possible 30 million users in 2Q2017.

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In operations, the Company has moved from a constellation structure to a hybrid structure based on cross functional / cross country groups, and centralized common processes in Kuala Lumpur and Taiwan, moved to close the Singapore office. Savings are anticipated to bring the Company's operating cost profile below \$1m per month (down from over \$2m 9 months ago), without a material loss of business functionality.

Over the next quarter, the Company is looking to results from the MOX Accelerator to enable the business to gain greater levels of repeatability in Artist, Full Format programming, and Games within the userbase, complete the integration of migme, AliveNotDead, and Hipwee, and further gains from streamlining operations and lowering the Company's cost profile.

Social games such as Bingo monetize up to USD\$50 per paying user per month in the countries migme is targeting and given the size of migme's audience and reach, only a small percentage trialing, playing and playing games such as that may dramatically change the operating cashflows of the Company.

Finance

The Company is aware of changes in capital market conditions and is working to balance the need to preserve and grow the valuable elements of its business – namely a significant and engaged audience – whilst converting traffic into a meaningful revenue footprint, whilst lowering the cost profile.

Over the period there are 4 key updates:

- (1) refinancing of the convertible note and cash on hand,
- (2) transformation of revenues,
- (3) lower operating cost profile, and
- (4) move to being able to operate on a cashflow positive basis.

The Company successfully completed a financing in August 2016, but has been distracted with refinancing a subsequent convertible note. As a result, the Company worked harder to rationalize sales operations resulting in a reduction in headline sales, as sales have moved partly to an affiliate model and working capital for the trade of games vouchers has been constrained, and the \$375k cash on hand result reflects the progressive financing of a notes series over 31 December. The Company has received \$1.1m of the \$8m note series to the date of this report, and is looking to complete the series this quarter.

The change in revenues reflects 3 processes: move from ecommerce to affiliate sales and as such sales are now processed off balance sheet, restriction of working capital and ability to affect games and games voucher sales, and gains from operations improvements. The Company expects that after refinancing the convertible note and after platform improvements, sales levels will return as game credits are sold through the platform, rather than along side it.

During the quarter, migme reduced its operating cash outflows to \$3.3m from \$6.7m in the previous quarter, with further falls expected in the coming quarters on an underlying basis. The Company has forecasted \$3.9m in gross operating cash outflows for the first quarter 2017 which reflects working capital movements, however underlying operating cash outflows are expected to be on par with the December quarter and under \$3.5m. In this estimate, no allowance has been made for contributions from sales (see next paragraph). As previously noted, migme is committed to further reducing operating costs and expects to have the full effects of recent cost savings reflected fully in run rate by 2Q17 at which point the cost of the operating footprint of the Company will be below \$1m per month.

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The Company believes, if resourced accordingly, the up-scaling of its artist engagement program and games will allow it to achieve cashflow positive operations in 2017. (1) Operational consistency with artists and media engagement a several dozen driving several hundred dollars per month, and growing that to several thousand over the next two quarters may be possible. (2) Games such as Bingo and Boat Royale may monetize up to \$50 per paying user per month, and winning 50k users or more out of migme's reach in Indonesia alone is based on projected figures of MAUs and engagement. (3) Product and process improvements are worked on with the team at the MOX Accelerator. Any combination of the above 3 may dramatically grow sales and bring the Company into a positive cashflow operating position quickly.

Looking ahead

Over recent quarters, the Company has streamlined operations, established repeatability with full format programming partnerships and artist engagement, and games, and is looking at replication and scale in 1H2017. A full format programme partnership reaching over 20m viewers yielded over 5m MAUs to migme. Each of the top 40 Artists delivered several hundred dollars of sales per month. A paying user for a game may deliver up to \$50 per month each.

Getting to scale with artists, games and working with media has the potential to yield substantial results to the group in monthly active users, sales and being able to move to a cashflow operating position.

migme is excited about the progress of the Company and the platform and continues to reiterate its plans to achieve cashflow positive operations this year by aligning business operations to reach a large and meaningful user base that it can monetise. It believes that the successful balance of such activities will be important to replicate the success other companies such as LINE and WeChat have had in other markets. migme's business models is similar to these social entertainment businesses, albeit in a different market in Asia.

Lastly, the Company is currently evaluating alternatives to the ASX where capital markets are more aligned to and have closer proximity to the opportunities in south-east Asia. The Company looks forward to providing further updates on progress in this area going forward.

Should you have any questions or inquiries, please do not hesitate to contact migme via email at investor@mig.me.

Yours sincerely

Steven Goh
CEO & Cofounder

^ Sources:

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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 and social news site. The Company is listed and registered in Australia with offices in Malaysia, Indonesia, Taiwan and Hong Kong. For more information, please visit <http://company.mig.me>

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