

ASX Company Announcement | Issue Date: 28 July 2017

## **BUSINESS UPDATE & APPENDIX 4C COMMENTARY QUARTER ENDED 30 JUNE 2017**

### **HIGHLIGHTS**

- + Capital raising - Newzulu completed fully underwritten rights issue and placement to sophisticated investors raising a total of \$5.84 million
- + Sales and customer traction - agreements with several new clients; investment in sales and marketing
- + Product update - reporter kit and custom upload product
- + Q4 FY 2017 - cash burn significantly reduced
- + European restructuring completed - resulting in a streamlined cost structure and sales focus going forward

**Newzulu Limited (ASX: NWZ, Newzulu, Company)**, a global crowd-sourced technology and media company, is pleased to present an update on the quarter ended 30 June 2017 and an update on its operations.

### **CAPITAL RAISING**

On 2 June 2017 the Company announced it had completed a fully underwritten renounceable entitlement issue to shareholders (**Entitlement Issue**) and placement to sophisticated investors (**Placement**). A total of 4,936,323,502 fully paid ordinary shares (**Shares**) were issued on 1 June 2017 under the Entitlement Issue to raise \$4,936,323, before costs. The Company also issued a total of 900,000,000 Shares via Placement to raise \$900,000, before costs.

### **NEWZULU SALES INVESTMENT AND WINS**

Following completion of the Entitlement Issue and Placement, Newzulu hired additional sales and marketing resources to support growth of the Newzulu user-generated content (UGC) Platform. The new sales team is now in place in the Company's New York office, including a newly hired marketing manager, all under the leadership of US Sales Director, Anthony Ruggiero. The Company is already seeing an increase in sales opportunities from this additional investment.

For personal use only

Newzulu Creative, Newzulu's crowd-sourced professional creative production services for commercial clients, advertising agencies and brands, is pleased to announce that it has continued its sales momentum with recent wins including:

- + **Prévention Routière:** Newzulu won repeat business from this client, through its ad agency, to produce a TV ad to educate the public on drinking and driving. The association's mandate is to change the behavior of street and road users with the aim of improving safety.
- + **Edmond de Rothschild:** Newzulu was successful in winning this multi-lingual production of an animated video on the theme of big data for this private banking and asset management company.

## NEWZULU PRODUCT UPDATE

### Reporter Kit

Newzulu Reporter Kit is a mobile application for media companies' reporter network. Reporters can capture any event live and broadcast it using Newzulu Platform's state-of-the-art live video manager. The Reporter Kit can also be used to gather time sensitive videos and photos from reporters in the field and automatically organize and publish them to any destination in the desired format.

A new version of the Newzulu Live infrastructure was released with updated Reporter Kits for iOS and Android mobile devices, with features including:

- + Formatted for publishing live video to mobile (**HLS** format in 720p).
- + View live videos on a **map** to make better decisions on which video to view.
- + Preview important information about the stream such as **when** it was started, **who** is streaming, **quality**, **elapsed time**, **location of live users**, and **delay**.
- + Easy access to the live video's source (**RTMP URL**) to use it in a 3rd party system.
- + **Push** live videos to a client's 3rd party system such as a broadcast system, YouTube, and web player.

### Upload Product Custom Design

From within Newzulu's widget publisher, clients can now style the Upload product beyond basic design, completely as they see fit. Using a development language that controls the appearance of elements on a web page, called CSS (Cascading Style Sheets), designers can change the look and feel of the Upload product to perfectly match their brand. With the Custom CSS feature, a client can now modify its design, including use of proprietary fonts, change the background, and tweak rounded corners.

## Q4 CASHFLOWS

During the quarter ended June 2017 (Q4 FY17) the Company's quarterly cash burn was \$1.25m compared to the quarter ended June 2016 (Q4 FY16) of \$2.58m. During the quarter ended June 2017, the Company incurred greater than \$200,000 in cost for the restructuring of the French offices.

As at June 30, 2017 (Q4 FY17) the Company had \$5.02m in cash.

Cash receipts from customers decreased by 17% to \$760,000 during Q4 FY17 compared to Q4 FY16 (\$916,000). A portion of this decrease is the result of accelerated collections in Q3 FY17 leading to fewer receivable being collected during Q4 FY17.

During Q4 FY17 there was a net cash outflow relating to investing activities of \$162,000, a decrease of \$338,000 compared to Q4 FY16's outflow of \$500,000. The decrease is the result of less intellectual property being capitalized compared to the same period in the prior quarter and a loan repayment to another entity in the prior year.

During Q4 FY17 there was \$5.22m of net cash inflows relating to financing activities as a result of funds received via **Entitlement Issue** and **Placement**. During the same period in the prior year the company had \$6.5m of net cash inflows relating to financing activities.

## COMPLETION OF EUROPEAN RESTRUCTURING

At 30 June 2017, Newzulu completed the restructuring of its European operations. This restructuring included a consolidation of its software development to the Company's Toronto, Canada location, reducing its staff needs and office space. Going forward, Newzulu has a cost structure in place appropriate for its software-as-a-service (SaaS) Platform and content businesses, with its focus shifting to building revenue while continuing to control costs.

"I am pleased to see the continual year over year improvement of our cashflow" said Mr. Marc Milgrom CEO of Newzulu. "I am excited and look forward to fiscal 2018 as we continue to execute on our plan and build out our business."

Mr. Charles Koonen, Chairman, said "On behalf of the Company, I'd like to thank our shareholders for their support and participation in the entitlement issue and placement. I am proud of our accomplishments during this pass fiscal year and excited to build on our strong position in the user-generated content area in fiscal 2018."

### For further information please contact:

Charles Koonen  
Non-Executive Chairman  
E: [charlie@newzulu.com](mailto:charlie@newzulu.com)

Karen Logan  
Company Secretary  
E: [karen@newzulu.com](mailto:karen@newzulu.com)

### About Newzulu

Newzulu is a crowd-sourced technology and media company which facilitates the use of professional and user-generated content for broadcasters, publishers and brands to create a deeper engagement with their audiences. Newzulu's Platform is a web-based and mobile software that enables businesses to gather, organize, publish and amplify user-generated content at scale. Newzulu's Creative division provides crowd-sourced, creative film and video production for the digital age. Newzulu's Content division allows anybody, anywhere, with a mobile device and a story, to share news, get published and get paid. Headquartered in New York, Newzulu also operates in Toronto, London, Paris and Sydney. Newzulu operates in partnership with Associated Press (AP), Getty Images, Tribune Content Agency and Alamy in the United States, Agence France-Presse (AFP) in France, Press Association (PA) and Videoplugger in the UK & Ireland, Belga News Agency in Belgium, Canadian Press (CP) in Canada, Australian Associated Press (AAP) in Australia and other news agencies around the world.

Further information can be found on [www.newzulu.com](http://www.newzulu.com).

For personal use only

## Appendix 4C

### Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

**Name of entity**

Newzulu Limited

**ABN**

27 078 661 444

**Quarter ended ("current quarter")**

June 30, 2017

Consolidated statement of cash flows	Current quarter \$A'000	Year to date \$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	760	2,981
1.2 Payments for		
(a) (i) administrative staff costs	(256)	(1,295)
(ii) technology staff costs (see Note 1)	(522)	(2,550)
(iii) sales and marketing staff cost	(177)	(534)
(b) advertising and marketing	(33)	(120)
(c) research and development (see Note 1)	(393)	(1,897)
(e) other working capital	(561)	(1,910)
1.3 Dividends received	-	-
1.4 Interest received	-	1
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	92	233
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(1,090)</b>	<b>(5,091)</b>

For personal use only

Consolidated statement of cash flows	Current quarter \$A'000	Year to date \$A'000
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	(3)
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	(162)	(627)
(e) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) property, plant and equipment	-	23
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
<b>2.6 Net cash from / (used in) investing activities</b>	<b>(162)</b>	<b>(607)</b>

<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of shares	5,692	5,692
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	(476)	(476)
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	-	-
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
<b>3.10 Net cash from / (used in) financing activities</b>	<b>5,216</b>	<b>5,216</b>

<b>4. Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1 Cash and cash equivalents at beginning of quarter/year to date	1,047	5,511
4.2 Net cash from / (used in) operating activities (item 1.9 above)	<b>(1,090)</b>	<b>(5,091)</b>

For personal use only

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date \$A'000</b>
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(162)	(607)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	5,216	5,216
4.5	Effect of movement in exchange rates on cash held	11	(7)
<b>4.6</b>	<b>Cash and cash equivalents at end of quarter</b>	<b>5,022</b>	<b>5,022</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	5,022	1,047
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>5,022</b>	<b>1,047</b>

**6. Payments to directors of the entity and their associates**

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

<b>Current quarter \$A'000</b>
64
-

**7. Payments to related entities of the entity and their associates**

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

<b>Current quarter \$A'000</b>
-
-

For personal use only

8. <b>Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	684	684
8.2 Credit standby arrangements		
8.3 Other (please specify)		
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

No additional facility has been entered into or is proposed to be entered into after the quarter end.

9. <b>Estimated cash outflows for next quarter</b>	\$A'000
9.1 Payments for	
(a) (i) administrative staff costs	(300)
(ii) technology staff costs (see Note 1)	(410)
(iii) sales and marketing staff cost	(250)
(b) advertising and marketing	(35)
(c) research and development (see Note 1)	(150)
(e) other working capital	(500)
9.7 Estimated cost of capital raise	(100)
<b>9.8 Total estimated cash outflows</b>	<b>(1,745)</b>

10. <b>Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)</b>	Acquisitions	Disposals
10.1 Name of entity	Not applicable	Not applicable
10.2 Place of incorporation or registration		
10.3 Consideration for acquisition or disposal		
10.4 Total net assets		
10.5 Nature of business		

For personal use only

### Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here:  ..... Date: 28 July 2017  
Non-Executive Chairman

Print name: Charles Koonen

### Notes

1. Research & Development (item 1.2 (c) represents those costs associated with R&D activities other than personnel costs. For the purposes of the Appendix 4C, expensed personnel components of R&D expenditure have been disclosed at item 1.2 (a)(ii) – Technology Staff Costs as operating cash flows, and capitalized personnel components of development expenditure (that met the recognition criteria and definition of an Intangible Asset, as per AASB 138: Intangible Assets) have been disclosed as investing cash flows.
2. Commentary on the cash flow for the period is included in the accompanying update and accordingly the Appendix 4C should be read in conjunction with that report.
3. Preparation:  
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 of its cash position.  
The quarterly report is unaudited.  
The definitions in, and provisions of, AASB 107: Cash Flow Statements apply to this report except for the paragraphs of the Standard set out below.
  - 20.1 reconciliation of cash flows arising from operating activities to operating profit or loss
  - 51 itemized disclosure relating to maintaining operating capacity
  - 52 itemized disclosure relating to segment reporting