

ASX Company Announcement | Issue Date: 28 October 2016

## **BUSINESS UPDATE & APPENDIX 4C COMMENTARY QUARTER ENDED 30 SEPTEMBER 2016**

### **HIGHLIGHTS**

- + Restructuring and cost cuts on target to deliver over \$4.5 million in annual cost savings.
- + Newzulu business model underpinned by consolidation of operations and demonstrable sales traction.
- + Newzulu appoints new Board member, Mr Ed Wilson, to drive sales and focus resources on North American market.

**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 September 2016 and an update on its operations.

### **QUARTERLY CASH FLOW RESULTS**

For the quarter ended September 2016 (Q1 FY17) the Company had \$3.17m in cash compared to quarter ended June 2016 (Q4 FY16) of \$5.51m. For comparison the same September quarter last year, defined as Q1 FY16, cash was \$4.52m. During Q1 FY17, the Company had cash outflows of approximately \$620,000 relating to the restructuring of its business and reduction of employee headcount.

Cash receipts from customers decreased by 14% to \$790,000 during Q1 FY17 compared to Q4 FY16, as a result of accelerated collections decreasing accounts receivable from \$830,000 at the start of the prior quarter to \$445,000 at the end of the prior quarter (Q1 FY17- \$445,000 to \$378,000). For comparison, Q1 FY17 cash receipts were up 12.1% on Q1 FY16 cash receipts of \$702,000.

During Q1 FY17 there was an increase of 5% in net cash outflow relating to operating activities \$2.17m compared to an outflow in Q4 FY16 of \$2.08m. This increase is the result of cash outflows relating to technology staff and research and development related cost.

During Q1 FY17 there was a net cash outflow relating to investing activities of \$148,000, a decrease of \$352,000 compared to Q4 FY16's outflow of \$500,000 and a decrease of \$867,000 compared to Q1 FY16's outflow of \$1,015,000. This decrease is the result of a reduction in intellectual property being

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capitalized compared to the same period in the prior quarter. At the same time, during Q4 FY16 the Company had a loan to other entities of \$260,000 representing the employee share trust plan.

#### **CORPORATE ACTIVITIES**

In August 2016, the Company announced the addition of Mr Ed Wilson to the Company's Board of Directors. Mr. Wilson is an accomplished media executive who has served in leadership capacities at 20<sup>th</sup> Century Fox, NBC, Tribune and others. He complements an existing Board with deep media experience focused on providing Newzulu's content solutions to a changing media marketplace.

Newzulu continues to enhance its product offering, including release of the ability to ingest posts from YouTube into Newzulu Platform's Social Hub using hashtags. Clients can now track content on Twitter, Instagram and YouTube and easily manage, moderate and publish social content to their sites. The Company also simplified the management of Live Streams within Newzulu Platform, adding a "drag and drop" process to easily publish live feeds to a destination: broadcast, web, mobile app, and YouTube. These updates are part of the ongoing enhancements to the Company's product offering and in response to proactive feedback with customers.

#### **SALES AND CUSTOMERS**

Newzulu is pleased to report that new sales contracts have been recently entered into for use of the Newzulu Platform, including:

- + Archant Regional Limited., to power its iWitness community brand and across its vast number of digital properties;
- + Highlight Hub Inc., to power sports highlights on its Highlighthub.com website and mobile application; and
- + Ontario Centres of Excellence, a new contest microsite and Facebook contest and its Yonge Entrepreneurs, Make Your Pitch 2016/2017 contest for high school students to pitch their business ideas in a two-minute video.

Newzulu's Prime business, offering crowd-sourced professional creative production services, has also recently signed several new clients, including:

- + MACSF, a professional insurance company dedicated to medical workers and students, to produce videos for its online campaign to create awareness amongst its medical student targets;
- + Allianz, a major international insurance group, to produce a web series to raise internal staff awareness about the benefits of adopting a paperless attitude during their daily office tasks in order to be environmentally responsible;
- + Michelin, a leading tire company, to produce an animation video to present its new digital invoicing service to its supplier network;
- + Lampe Berger, a worldwide and historical manufacturer of home cleansing air burners, for the production of a TV campaign to be broadcast in November 2016; and
- + Carrerfour Group, one of the world's largest retailers, to produce a video for its Carrerfour Drive division to communicate its new mobile application to the public in order to increase downloads and raise awareness for this service.

The new sales focus is now showing an increase in sales opportunities at all stages of the sales funnel. This growth is also resulting from Board members creating sales opportunities through their business network.

Over the last couple of quarters the Company has undergone a strategic review of its cost structure. Under CEO Marc Milgrom's leadership, the Company's business model is now underpinned by tight cost control, consolidation of operations and a renewed focus on revenue generating activities. As part of this process management has reduced headcount (from a high of 84 employees in Q2 FY16 to 38 employees as of today), consolidated offices, delivered IT savings and reduced other administrative costs. This has delivered over \$4.5 million dollars in annual cost savings as well as developed a larger and deeper sales pipeline. These efforts are ongoing and management expects further cost savings moving forward.

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**About Newzulu**

Newzulu is a crowd-sourced technology and media company which facilitates the use of professional and user generated content to allow broadcasters, publishers and brands create a deeper engagement with their audiences. Newzulu's web-based and mobile software enables businesses to gather, organize, publish and amplify user-generated content at scale. Newzulu's Prime 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 operates bureaus in Toronto, London, Paris and Lyon. 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).

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## 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")**

30 September 2016

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (Three months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	790	790
1.2 Payments for		
(a) (i) administrative staff costs	(499)	(499)
(ii) technology staff costs (see Note 1)	(831)	(831)
(iii) sales and marketing staff cost	(108)	(108)
(b) advertising and marketing	(42)	(42)
(c) research and development (see Note 1)	(832)	(832)
(e) other working capital	(648)	(648)
1.3 Dividends received	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(2,170)</b>	<b>(2,170)</b>

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Consolidated statement of cash flows	Current quarter \$A'000	Year to date (Three months) \$A'000
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	(3)	(3)
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	(168)	(168)
(e) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) property, plant and equipment	23	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>(148)</b>	<b>(148)</b>

<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of shares	-	-
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	-	-
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>-</b>	<b>-</b>

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Consolidated statement of cash flows	Current quarter \$A'000	Year to date (Three months) \$A'000
<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	5,511	5,511
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(2,170)	(2,170)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(148)	(148)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	-	-
4.5 Effect of movement in exchange rates on cash held	(23)	(23)
<b>4.6 Cash and cash equivalents at end of quarter</b>	<b>3,170</b>	<b>3,170</b>

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	3,170	5,511
5.2 Call deposits	-	-
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
<b>5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>3,170</b>	<b>5,511</b>

6. Payments to directors of the entity and their associates	Current quarter \$A'000
6.1 Aggregate amount of payments to these parties included in item 1.2	15
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	

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<b>7. Payments to related entities of the entity and their associates</b>	<b>Current quarter \$A'000</b>
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>8. Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
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 are proposed to be entered into after the quarter end.		

<b>9. Estimated cash outflows for next quarter</b>	<b>\$A'000</b>
9.1 Payments for	
(a) (i) administrative staff costs	(450)
(ii) technology staff costs (see Note 1)	(640)
(iii) sales and marketing staff cost	(85)
(b) advertising and marketing	(50)
(c) research and development (see Note 1)	(570)
(e) other working capital	(480)
<b>9.8 Total estimated cash outflows</b>	<b>(2,275)</b>

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10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	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		

### 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: .....  
(Chief Financial Officer)

Date: 28 October 2016

Print name: Tom Lieu

### 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

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