

ASX Company Announcement | Issue Date: 29 January 2016

## **APPENDIX 4C COMMENTARY QUARTER ENDED 31 DECEMBER 2015**

### **Highlights**

#### **Quarterly cash flow results and statistics**

- + Increase in cash receipts from customers up 51% in Q2 FY16 compared with Q1 FY16. Increase in cash receipts from customers up 608% compared with Q2 FY15.
- + Increase in run rate revenue of \$4.9m per annum, up 45% compared with September 2015, based on record sales generated in December 2015. Increase in cash receipts continues across Newzulu Content, Newzulu Technology and Newzulu Creative Services business units, with a strong forward sales pipeline.
- + Ongoing restructuring and cost cuts on target to deliver estimated cost savings over \$1.1 million in FY16, with a reduction in net cash outflow from operating activities by 7% in Q2 FY16 compared to Q1 FY17. Continuing review to reduce costs further with focus to reach cash flow positive operations based on expansion of sales activities in North America and streamlining operations.
- + Investment in research and development moderated during Q2 FY16 with Newzulu key products now released and having entered commercialisation phase in Q1 FY16.
- + Sustained growth in Newzulu contributor community, submission of content and sale of images and videos through media agency partnerships (sales of content by partners up 24% on Q1 FY16).
- + \$4.65 million cash at bank at the end of the December 2015 quarter.

#### **Operational activities**

- + Delivery of agreements with media companies and agencies for the license of Newzulu Technology products progressed during Q2 FY16 with ABC News in Australia signing in December 2015 to leverage the Newzulu Platform and Newzulu Live products to collaborate on the Australia Day Project.
- + Major Newzulu Content partnerships including Getty Images and Tribune Content Agency and national news agency partnerships in Europe commenced generating revenues in Q2 FY16.
- + Increased sales activities in North America providing a strong sales pipeline in Newzulu's key target market.

- + Initial launch of Newzulu's self-service sales interface expected to deliver increased sales in all territories of operation, allowing any client to select and purchase from Newzulu's product offering online.
- + Global reach expanded with video content syndication partnership signed with the world's largest news wire Associated Press, with revenues due to commence upon launch of distribution and sales of Newzulu content in Q3 FY16.
- + Advancement of Newzulu's strategy to grow Content revenues through the production of crowd-sourced television and online video channels from user-generated images and videos based on the Newzulu technology platform.

### Corporate activities

- + \$3 million placement completed to accelerate the next phase of development in the USA market and grow the Newzulu Content and Technology businesses across the existing client base.
- + Continued marketing and IR initiatives in the US capital markets with launch of Level 1 ADR program planned for Q3 FY16.
- + Streamlining of resources for the Newzulu Content business during Q2 FY16 supported the Company's commitment to restructure and cost cuts with a target to reach cash flow positive operations in FY 17.
- + Relocation of operational headquarters to New York in support of North American sales activities.
- + Continued engagement with potential strategic investors.

## December 2015 Quarterly Report

**Crowd-sourced global media company** Newzulu Limited ("Newzulu", ASX: **NWZ**) is pleased to report to shareholders on the quarter ended 31 December 2015.

### QUARTERLY CASH FLOW RESULTS

Cash receipts from customers increased by 51% during the December 2015 quarter (Q2 FY16) compared to the September 2015 quarter (Q1 FY16).

Cash at the end of Q2 FY16 remained at the same level as at the end of Q1 FY16 due to the capital raising completed during the quarter.

Group revenues in Q2 FY16 were \$0.8m, were 21% higher than revenues in the previous quarter while revenues in December 2015 of \$0.41m were the highest for the group to date.

During Q2 FY16 there was a reduction in net cash outflow relating to operating activities of \$2.7m by 7% compared with an outflow of \$2.9m in Q1 FY16. This result includes increased technology-related expenditure of \$1.4m (Q1 FY16: \$1.1m) which was partly due to the expansion of the recently established Newzulu Mobile business which acquired Octiplex, global mobile application and software developer, in September 2015.

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Net cash outflow relating to investing activities of \$0.2m for Q2 FY16 (Q1 FY16: \$0.8m) declined during the quarter due to the shift in focus of the business having reached commercialisation phase in Q1 FY16.

Net cash inflow from financing activities of \$2.7m for Q2 FY16 (Q1 FY16: \$4.6m) was due to completion of the placement of \$3m (Q1 FY16: \$5m).

The Company had \$4.65 million in cash at the end of the December 2015 quarter (Q1 FY16: 4.52 million).

## OPERATIONAL ACTIVITIES

### Sales and Business Development

During Q2 FY16, Newzulu focused on closing sales opportunities for its Content and Technology product offerings. ABC News, Australia's national public broadcaster, signed an agreement during the quarter to collaborate on projects involving the gathering and production of crowd-sourced content leveraging Newzulu technologies. With the collaboration initially focused on gathering, producing and distributing content related to Australia Day on 26 January 2016 (**Australia Day Project**), content will be distributed across the ABC's television, online and mobile platforms. Subject to the successful completion of the Australia Day Project, Newzulu expects further commercial engagement and documentation to conclude during Q3 FY16.

Sales of content by partners and clients increased 24% on Q1 FY16 with major Newzulu Content partnerships including Getty Images and Tribune Content Agency having commenced generating revenues during Q2 FY16. Cash flows from these major partnership agreements have commenced in Q3 FY16.

During the quarter, the Company announced its strategy to produce crowd-sourced television and online video channels from user-generated content built on the Newzulu technology platform (**UGC News Channel**). Newzulu signed a non-binding letter of agreement (**NBLA**) with leading US news producer, Regional News Network (**RNN**) that establishes a proposed framework for collaboration between Newzulu and RNN to develop innovative news television formats and channels in the USA. The NBLA is subject to further agreement and full form documentation. RNN and Newzulu continue to conduct due diligence investigations with respect to the proposed collaboration.

Newzulu also plans to develop new revenue streams from other crowd-sourced television and video channels powered by its technology in categories including politics, weather, entertainment, sport and social activism, through deals in the USA and other key territories.

Newzulu continues to develop a strong pipeline of potential customers globally to drive future earnings for the Company. The Company maintains its focus on the USA market given its size and the increasing interest expressed from a range of prospective clients and partners.

### Video Content Syndication Partnership

In December 2015, Newzulu continued to expand the global reach of its Newzulu Content business by signing a video content licensing agreement with AP Video Hub, the online video delivery platform of The Associated Press ("AP"). Newzulu anticipates that this global partnership will deliver a material increase in revenues for Newzulu from the date that the Newzulu user-generated video content, news feed and archive are made available via the client networks, distribution channels and platform of AP.

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## CORPORATE ACTIVITIES

### Update on Operational Cost Cuts

During the quarter, Newzulu continued the restructure of its operations, closing its Sydney editorial office and centralising editorial resources to the Paris and New York offices. The restructure has not diminished the group's operational capabilities but rather the Newzulu Content business has shifted focus to high value, high quality video contributions demanded by the Company's media partners and their extensive global networks of clients.

Newzulu continues to progress a broad range of cost containment initiatives in order to achieve reduce cash burn and achieve cash flow break even. In December 2015, the Company also negotiated the deferral of the repayment of the Scarf Loan of \$683,903 to 1 April 2016.

### Completion of Placement

During the quarter, Newzulu completed a placement to institutional and sophisticated investors, raising \$3 million, before costs, to accelerate the next phase of development in the USA market and to continue to grow Content and Technology businesses across the existing client base.

### Strategic investors and USA investor relations

During the quarter, Newzulu continued marketing initiatives in the US capital markets to seek to develop investor awareness of the Company. Newzulu intends to establish a Level 1 American Depositary Receipt program in Q3 FY16 to provide the Company with greater access to the US investor base. Newzulu will provide further details to the market once its shares are available for trading on the International OTCQX in New York.

Newzulu also continued to work with its appointed adviser KPMG Corporate Finance to advance discussions with parties in the US and Australia regarding the acquisition of a strategic interest in the Company. The Company will provide further updates to the market in due course.

### Resignation of director

After 14 years of service with the Company, Mr Peter Gunzburg resigned as a non-executive director of Newzulu effective 31 December 2015.

- ENDS -

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### About Newzulu

Newzulu is a crowd-sourced media company that allows anybody, anywhere, with a mobile device and a story, to share news, get published and get paid. Headquartered in Paris, Newzulu operates bureaus in London, New York, Los Angeles and Toronto. Newzulu operates in partnership with Associated Press (AP), Getty Images, Tribune Content Agency, Alamy, Agence France-Presse (AFP) in France, Press Association (PA) in the UK & Ireland, Belga News Agency in Belgium, Canadian Press (CP) in Canada, Australian Associated Press (AAP) in Australia, ITAR TASS in Russia, Agenzia Nazionale Stampa Associata (ANSA) in Italy, East News in Poland, ANSA in Italy, Wikono Societed Limitadaa in Spain and Aflo Co., Ltd in Japan. Further information can be found on [www.newzululimited.com](http://www.newzululimited.com).

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## Appendix 4C

### Quarterly report for entities admitted on the basis of commitments

Introduced 31/3/2000, Amended 30/09/2001, 24/10/2005, 17/12/2010

**Name of entity**

Newzulu Limited

**ABN**

27 078 661 444

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

31 December 2015

**Consolidated statement of cash flows**

**Cash flows related to operating activities**

1.1	Receipts from customers	
1.2	Payments for	(a) (i) administrative staff costs
		(a) (ii) technology staff costs (see Note 1)
		(a) (iii) sales and marketing staff costs
		(b) advertising and marketing
		(c) research and development (see Note 1)
		(d) other corporate costs
		(e) other working capital
1.3	Dividends received	
1.4	Interest and other items of a similar nature received	
1.5	Interest and other costs of finance paid	
1.6	Income taxes paid	
1.7	Other – Tax Rebate	

Current quarter \$A'000	Previous quarter \$A'000
1,087	1,805
(1,012)	(2,074)
(720)	(1,337)
(184)	(387)
(49)	(212)
(641)	(1,185)
(55)	(114)
(1,082)	(2,058)
-	-
5	6
(3)	(3)
-	-
-	-
<b>(2,654)</b>	<b>(5,559)</b>

**Net operating cash flows**

+ See chapter 19 for defined terms.

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Appendix 4C  
Quarterly report for entities  
admitted on the basis of commitments

	Current quarter \$A'000	Previous quarter \$A'000
1.8 Net operating cash flows (carried forward)	(2,654)	(5,559)
<b>Cash flows related to investing activities</b>		
1.9 Payment for acquisition of:		
(a) businesses (item 5)	-	(578)
(b) equity investments	-	-
(c) intellectual property (See Note 1)	(158)	(581)
(d)(i) physical non-current assets	(21)	(35)
(e) other non-current assets	-	-
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	(8)	(8)
1.12 Loans repaid by other entities	1	1
1.13 Other – Cash acquired on acquisition	-	209
<b>Net investing cash flows</b>	<b>(186)</b>	<b>(992)</b>
<b>1.14 Total operating and investing cash flows</b>	<b>(2,840)</b>	<b>(6,551)</b>
<b>Cash flows related to financing activities</b>		
1.15 Proceeds from issues of shares, options, etc.	3,000	8,000
1.16 Proceeds from the sale of forfeited shares	-	-
1.17 Proceeds from borrowings	-	-
1.18 Repayment of borrowings	(2)	(5)
1.19 Cash held in trust	-	-
1.20 Other - equity raising and loan establishment costs	(257)	(639)
<b>Net financing cash flows</b>	<b>2,741</b>	<b>7,356</b>
<b>Net increase (decrease) in cash held</b>	<b>(99)</b>	<b>805</b>
1.21 Cash at beginning of quarter/year to date	4,645	3,716
1.22 Exchange rate adjustments to item 1.21	(19)	6
1.22a Release of funds previously restricted by bank guarantee	126	126
<b>1.23 Cash at end of quarter</b>	<b>4,653</b>	<b>4,653</b>

+ See chapter 19 for defined terms.

**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	203
1.25	Aggregate amount of loans to the parties included in item 1.11	8

1.26 Explanation necessary for an understanding of the transactions

Payments related to director fees and for the services of Mr Alex Hartman under an Executive Services Agreement.

**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

Not applicable

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

Not applicable

**Financing facilities available**

		Amount Available \$A'000	Amount used \$A'000
3.1	Loan facilities	684	684
3.2	Credit standby arrangements	-	-

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Appendix 4C  
 Quarterly report for entities  
 admitted on the basis of commitments

**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	4,646	4,518
4.2	Deposits at call	7	7
4.3	Bank overdraft	-	-
4.4	Other -Term Deposits	-	120
Total: cash at end of quarter (item 1.23)		<b>4,653</b>	<b>4,645</b>

**Acquisitions and disposals of business entities**

	Acquisitions (Item 1.9(a))	Disposals (Item 1.10(a))
5.1 Name of entity	Not applicable	Not applicable
5.2 Place of incorporation or registration		
5.3 Consideration for acquisition or disposal		
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 Law (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: 29 January 2016  
**Chief Financial Officer**

Print name: **Craig Sowden**

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**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 on 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 itemised disclosure relating to maintaining operating capacity
- 52 itemised disclosure relating to segment reporting.