



31 October 2016

QUARTERLY OPERATIONS REPORT

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

Highlights: September 2016 Quarter (3Q 2016)

- As planned, the Company progressed the business towards being able to operate on a cash flow positive basis with improvements to quality of audience, integration of business operations, lowering the cost profile of the business and deepening engagement with games and applications.
- Monthly Active Users fell to 37m, largely due to our focus on engagement (not simply the headline Monthly Active User number). Within this, Hipwee performed well and over the next 2-3 quarters we expect to see this traffic integrated across all the properties. We are building a better foundation for headline growth and we expect this to continue upwards in 2017.
- Cash outflows per month fell by nearly a third after rationalising and focusing operations, with further cost savings anticipated over the next 2 quarters. Rationalisation and reorganisation costs, along with prepayments in marketing amounted to over \$1.6m during the quarter with further cost reductions planned over the next quarter.
- The Company finalised a \$10m capital raising that was supported by existing strategic shareholders and joined by two quality corporate shareholders, SOSV's Mobile-Only Accelerator (MOX) and PT Media Nusantara Tbk (MNC). With MOX and their accelerator program, we plan to make product improvements and push migme to a possible footprint of over 135m[^] daily active Android phones. MNC Group are the largest media group in Indonesia and we will work with their media to reach our leading market.
- The \$3.5m convertible note announced in December 2015 is being redeemed. We are looking to a longer term solution to better match investor interest in the Company with the capital needs of the business.

Key Metrics

METRIC	30 SEP 2015	31 DEC 2015	31 MAR 2016	30 JUN 2016	30 SEP 2016
Monthly Active Users* (million)	>24	>32	>39	>43	>37
Artists/Verified Users	>490	>620	>2,600	>2,900	>3,200
Cash Receipts from Operations (\$,000)	3,717	5,393	7,129	7,598	7,621
Net Operating Cash Outflows (\$'000)	4,400	5,210	5,640	5,085	6,597**
Net Other Cash Inflows (\$'000)	9,642	3,243	6,150	852	7,611
Cash on Hand (\$m)	10.8	8.7	8.9	4.7	5.7

* 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.

** Includes over \$1.6m of prepayments and restructuring costs.

Overview

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

Over the period and as planned, the Company moved towards improving the quality of operations and quality of engagement, with a view for moving the group to operating on a cash flow positive basis. Year on year, the quarterly user base footprint is over 50% greater than the same period in 2015, and cash receipts have increased more than 100%. The Company is investing in improving the quality of audience and building an operating profile for a stronger and cash flow positive foundation in 2017.

The Company notes the success of LINE, which during the period listed on both the NASDAQ and the Tokyo Stock Exchange, with a valuation of nearly US\$10bn. The main elements of the company are mobile reach, a conversational platform (focused on chat), applications and games, and a regional relevancy to Japan first and then other Asian markets. migme looks to replicate LINE's success with many similar ingredients and a different Asian market footprint.

Over the period, the Company made progress with the repeatability of engagement with content creators, media relationships, apps and games, and with a leaner operating cost profile. The Company regrets an initially troubled financing process but notes that it completed this process with two new significant corporate relationships, both dramatically extending the Company's reach in the region.

Audience and Engagement

Over the period the Company continued to operate as planned, with the priorities focused on improving quality of engagement as a precursor to monetisation. Ultimately the Company is working to operate on a cash flow positive basis, ahead of absolute growth.

The Company completed the quarter with over 37m Monthly Active Users, down from over 43m in the previous quarter. The fall was largely a result of the Company taking a more aggressive stance on spam and a pausing in growth activities whilst completing the financing.

The Company made progress with content creators and media partners. From the over 3,000 content creators, over 2,000 are 'off platform' and connected to alivenotdead, and over 800 are directly on the migme platform. For the content creators on the migme platform, over 330 were active in September. This ratio of active within those on the migme platform, compares favorably to other external platforms and the Company is now looking to grow this base in Q4 2016 and 1H 2017 as a key driver to headline growth. Furthermore, the Company made progress in South Asia, the Philippines and Indonesia, working with more full format TV (television) productions.

For example, in September 2016, we signed with FremantleMedia Indonesia as their official talent partner for the popular Indonesian television program 'The Go Show'. The agreement provides migme with access to artists from the show's country-wide audition and talent search program. As a consequence, migme signed over 50 new artists at their first audition. The Company expects that many more of these initiatives will deliver results in late 2016 and 1H 2017.

We are excited about extending progress in Indonesia with MNC, the largest media group with over 90% TV coverage in the country. In Q4 2016 and 1H 2017, we expect to be working with several of the full format interactive TV programs, game shows and soap operas.

The Company has made progress with handset preinstalls, with activation rates between 5% and 40%. In August 2016, we announced an alliance with SOSV's 'Mobile-Only Accelerator' (MOX). The

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new partnership with MOX provides migme with reach to over 135 million^ Android mobile users, growing at over 10 million^ per month. Through the alliance they will promote and distribute migme across their MOX platform, also helping us to further optimise and polish the product. The Company has started trials with a test of 10,000 installs. As installations through notifications may be valued between US\$0.10 to \$0.50, the possibility of being deployed to over 100m Android devices is indicative that this is of substantial value to the Company.

Over the next two to three quarters, the Company intends to continue focusing on integrating the platform, improving quality engagement leading to monetisation and returning to headline growth.

Product, Engineering and Operations

With encouraging early results from integrating Meitu's Beauty Plus, Gone Goose and other games and applications, the Company invested in updating the smart phone clients and web clients, integrated e-commerce features into the main platform and made improvements to the quality of service. The Company has also invested in broadening payment options and better centralisation of the product and engineering teams following completion of their move to Taiwan.

Early campaigns for games and apps show promising initial engagement. In June and July, the initial campaign for Meitu's app MakeUpPlus yielded a total engagement of 395,398 comments / shares on migme and a subsequent campaign in August yielded a total engagement of 179,325 comments / shares. Also in August, the campaign with Gone Goose yielded a total engagement of 3,709 comments / shares. The Company is encouraged by these early results and continues the focus on refining, polishing and tuning the apps and games execution.

The Company is focused on bringing more apps and games onto the platform, as this is a proven strategy for growing a platform business. A lot has been learnt from the recent integration of Meitu's apps, as well as from the launch of the migme branded game, Gone Goose – both of which provided promising levels of user engagement. The Company is now refining these processes and expanding its games and apps offerings, to develop a stronger revenue source in the future.

In July 2016, the Company added new partner 8Elements and launched their shooting battle game BoBoiBoy: Adudu Attacks! 2 for Android mobile users. The game is based on a popular animated series of the same name and now with the integration of the migme store, users are able to purchase in-game items using migme credits, where migme receives a share of the in-game revenue. During Q4 2016 and 1H 2017, the Company will bring more games and applications to the platform, with this forming a key part of the Company's plan to move to a cash flow positive basis.

The Company continues to expand user payment options in key markets. In Indonesia, migme partnered with PT. Digital Makmur Sejahtera, the provider of digital payment kiosks in 7-Eleven stores. This facility enables users to purchase migme credits in more than 180 7-Eleven convenience stores across Jakarta. In the Philippines, the Company signed an agreement with LoadCentral, the number one universal electronic loading platform for all prepaid products in the country. Users can now buy migme credits from LoadCentral's retailer network which includes 650,000 points of purchase.

During the next quarter the Company plans to continue to deliver product updates, further polish and improve the stability of the platform, improvements to search and recommendations, and refresh migme's content discovery section, which includes Hipwee.

Financial Results and Capital Markets

Over the period the Company reduced its operating cost profile, and raised additional capital with the view of making progress to operate on a cash flow positive basis. It is currently looking to address its longer term issues of matching investor interest with the opportunity that the business presents.

The Company reduced its operating cost profile by nearly 1/3 and has the ability to make further

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reductions, through streamlining operations, completing the move of the product and engineering team to Taiwan, simplifying overheads and through the reorganisation of a number of business processes. The Company made a prepayment of \$1.35m of advertising and marketing at best available rates to the MNC group in Indonesia over the next 12 months, with a view of spearheading several programming initiatives.

In August 2016, and after an initially disrupted financing process, migme successfully completed a \$10M capital raising from existing corporate shareholders and additionally two significant corporate shareholders, SOSV's Mobile-Only Accelerator (MOX) and PT Media Nusantara Tbk (MNC). With MOX and their accelerator program, the Company plans to make product improvements and push migme to a possible footprint of over 135m[^] daily active Android phones. The MNC Group are the largest media group in Indonesia and we will work with their media to reach our leading market.

In September 2016, the Company received notice of the redemption of a convertible note series announced in late 2015. The Company would like to highlight that there is a difference in market perception between the international capital markets for technology companies and the Australian Securities Market. Whilst the Company is looking to refinance the short term debt facilities, it is looking to a longer-term solution to better systematically match international investor interest in the Company with the capital requirements of the Company. This is expected to more consistently recognise the value of the Company to our shareholders, where we will update the market in due course.

Summary

Encouraged with the recent listing of LINE, where they have built a user base footprint outside of China and the USA and created nearly \$10bn of shareholder value, the Company plans to pursue a similar business model with a differentiated and wider footprint, for South and South East Asia.

According to plan, the Company has demonstrated it can build user base reach, which has grown over 7 times since its listing 2 years ago, and this has increased by over 50% in the last 12 months. The focus is now on improving quality of engagement and monetisation before resuming headline growth, with a view to delivering a business that can operate on a cash flow positive basis in 2017.

The Company appreciates the support and patience of its shareholders and believes it is well placed to deliver against its vision of further growth and monetisation of its user base, leading to the delivery of cash flow positive operations in 2017.

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

[^]Source: Provided by SOSV and MOX

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](http://alivenotdead.com), social news site Hipwee and ecommerce services through Sold and Shopdeca. The Company is listed and registered in Australia. Headquarters are in Singapore with offices in Malaysia, Indonesia, Taiwan and Hong Kong. For more information, please visit <http://company.mig.me>

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This announcement contains information that may constitute forward-looking statements and uses forward-looking terminology such as “anticipate”, “propose”, “expect”, “will” and negatives of such terms or other similar statements. You should not place undue reliance on any forward-looking statement due to its inherent risk and uncertainties, both general and specific. Although we believe the assumptions on which the forward-looking statements are based are reasonable and within the bounds of our knowledge of our business and operations as of the date hereof, any or all of those assumptions could prove to be inaccurate. Risk factors that could contribute to such differences include, performance of our shares, the performance of global capital markets and companies in our sector, as well as factors relating to the performance of our business, including intense competition we face; failure to innovate and provide products and services that are useful to users; our ongoing need for capital for investment in new and existing business strategies and new products, services and technologies, including through acquisitions; the potential for declines in our revenue growth rate and downward pressure on our operating margin in the future; increased regulatory scrutiny that may negatively impact our business; legal proceedings that may result in adverse outcomes; failure to maintain and enhance our brand; uncertainty as to our ability to protect and enforce our intellectual property rights; and uncertainty as to our ability to attract and retain qualified executives and personnel. The forward-looking information provided herein represents the Company's estimates as of the date of the announcement and subsequent events and developments may cause the Company's estimates to change. The Company specifically disclaims any obligation to update the forward-looking information in the future. Therefore, this forward-looking information should not be relied upon as representing the Company's estimates of its future intentions as of any date subsequent to the date of this announcement. Our plans may differ materially from information contained in the forward-looking statements as a result of these risk factors or others, as well as changes in plans from our board of Directors and management.