



ASX Release

28 February 2017

2016 Preliminary Final Report Summary

- migme is looking to build a platform company similar to Weibo, WeChat, YY.COM and many other social platform companies, albeit for frontier markets in India, Indonesia and the Philippines.
 - The Company has moved, in the second half of the year, to lower its operating cost profile, narrow its focus on the userbase and rework its operating profile with a view of moving the group to operating on a cashflow positive basis. Operating cash outflows expected to be under A\$650k a month by April 2017, representing in a reduction of nearly 70% on the same period last year.
 - Revenue almost doubled to A\$24 million (including revenue from discontinued operations), up 97% on the previous financial year.
 - Monetisation data showing repeatability – focus now on scaling up the artist engagement program and games strategy.
 - Focused approach sees Monthly Active Users (MAUs) grow to over 36m at the time of this report.
 - The Company reiterates its ambition to deliver cashflow positive operations in 2017, subject to completion of the Convertible Note and external business factors.
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Global digital media company, migme Limited (ASX:MIG) ("migme" or the "Company") is pleased to report its unaudited results for the financial year ended 31 December 2016. The Company's vision remains unchanged: to build and monetise a social media entertainment platform for the next wave of internet users across South and South East Asia.

migme remains committed to achieving cashflow positive operations in 2017 by aligning its business operations to reach a large and meaningful user base, monetising engagement through entertainment and games, advertising where appropriate and cost control.

The Company has reduced its operating cost profile in the second half of 2016 by nearly one third. By Q2 2017 the Company will have realised further costs savings that will result in cash outflows from operating activities falling over 50% from FY16 and delivering a substantially more focussed organisation.

A detailed overview of the year's operational performance and outlook is outlined below.

BUILDING AND ENGAGING THE AUDIENCE

The Company made significant progress in 2016 by building a substantial user base footprint in its key target markets. The Company is now progressing user engagement, which will lead to repeatable monetisation and deliver a pathway to profitability.

The Platform and Monthly Active Users

In late 2016, the Company moved to simplify its portfolio of properties and to focus on migme,

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alivenotdead and hipwee and to simplify the flow of traffic and establish all the necessary microconversions (see fig.1 Service Architecture).

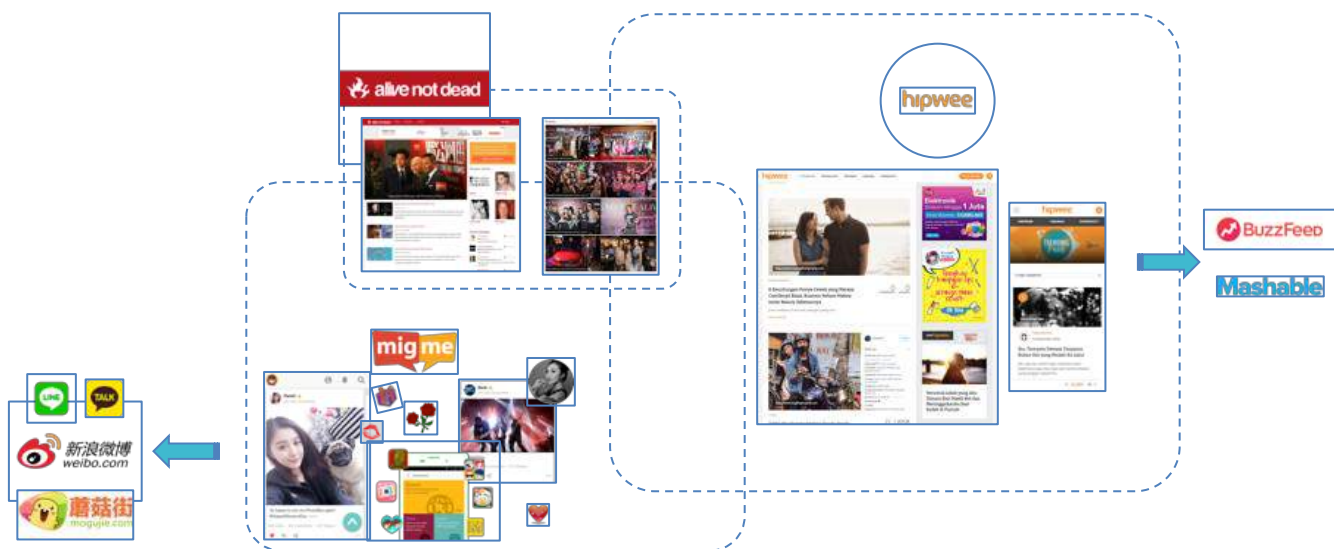


fig.1 Service Architecture. Plan to fully integrate the alivenotdead community into migme and hipwee; to replace 'discover' in migme with Hipwee and submerge ecommerce as a capability on migme and streamline operations.

The simplified footprint has also been combined with taking a harsher view on scrubbing bots and other malicious traffic on the service. The combined assessment of both can be seen in figure 2, where the userbase footprint continues to show growth, finishing above 33m MAUs at the end of 2016 and over 36m MAUs at the time of this report.

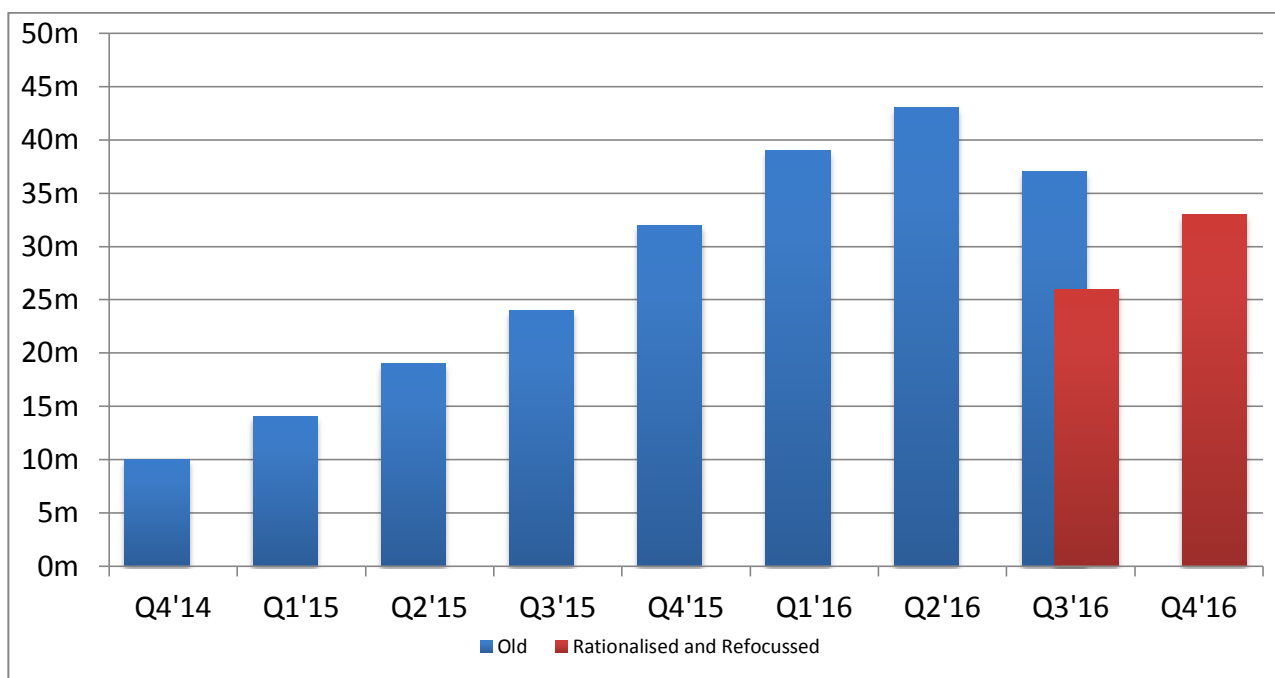


fig. 2. Quarterly Monthly Active Users. In September 2016, migme reviewed its portfolio of investments and rationalised its customer userbase to deliver a position where the group may operate on a cashflow positive basis in 2017.

Media Partnerships and Artists


During the year, it became evident that the userbase was growing primarily through partnerships with media and content creators, as opposed to handset installs and operator relationships. As an example, working with the MNC Group – Indonesia's largest media network (see fig 3 below) –


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delivered 5m MAUs in December 2016 over a three week period. The MAU footprint has since enlarged by over 6m as of January 2017 and appears to still be growing, even several weeks after completion of the engagement.

m MNC migme partnership brings fans closer to their Soap Opera idol




mig me 10.8K+  3M+

 4.9M+  642K+

Last December migme further expanded our footprint in Indonesia by partnering with MNC, the biggest media network in Indonesia. The game plan is to recruit die hard fans of Anak Jalanan, the No. #1 Soap Opera in Indonesia, through a series of Live TV shows, TVCs, and engagement with Stefan William, the lead cast of Anak Jalanan. In less than a month, Stefan quickly grew his migme fans to over 10K by posting exclusive content on migme, live chatting with fans and even did a migUp with lucky fans. After the migUp, Stefan announced that he is leaving Anak Jalanan on all his social accounts. While disappointed fans from his various social accounts were seeking for answers of his departure, Stefan explained exclusively on migme his reason to leave. This exclusive news was in turned picked up by 25 mainstream media driving more fans to migme. This shows that migme is a place where artists will bond quickly with fans.

1

migme ran Live TV shows and TVCs during Anak Jalanan, with 30.8M reach.




2

6.15M fans landed on migme. A series of quizzes were launched at migme where fans can win phone credits. 11,000 fans participated in the quizzes.


3

Meanwhile Stefan William engaged the fans through personal blog posts and live chats. Stefan even called a lucky fan up! This story was covered by multiple news outlets.



4

To further bond with fans, Stefan did a migUp with fans on migme. This is a once in a lifetime experience for the fans thanks to migme.



5 1 month

After the migUp, Stefan announced on various channels that he is leaving Anak Jalanan with no explanation. Then he finally shared the reason on migme that he wanted to share some time with his family. This exclusive story broke on multiple news outlets.




fig.3 . Anak Jalanan Case Study

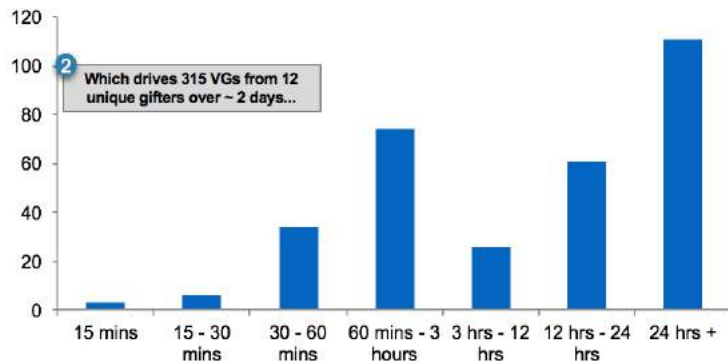
In addition, story telling and interactive events are also driving engagement and monetization. An example can be seen in figure 4 below.

Quizzes and giveaways being used by Partners to drive greater gifting activity over longer cycles...



1 Indonesian Partner shoumayatazkiyyah engages her fans with a quiz...

Distribution of VGs received – postid 217104117-1479133700032 – November 2016



2 Which drives 315 VGs from 12 unique gifters over ~ 2 days...

VGs received	Revenue generated (approx.)	Revenue share to Partner
315	\$ \$15.75	\$ \$7.88

3 Which translate to a revenue for the Partner – and migme



fig.4. Story telling and activities leads to monetisation

The Company has made progress in establishing repeatability of artist engagement and monetisation and is now looking to scale up these outcomes. Over 170 (out of over 400) artists are now monetising, with the top artists delivering over US\$5k of revenue per month (see example in fig.5 below). On average, over the period November 2016 to January 2017, the top 25 artists delivered 17.8k MAUs each and secured monthly revenues of US\$0.138 per MAU.



Pandawabbit shares blessings to children in need ¹



Cosplayer and well-loved migme partner, Justine Relativo, (@pandawabbit) had an awesome 2016 with her 23,000+ friends and followers on the platform. Justine rose to migme fame after being one of the two cosplay ambassadors who represented migme at the Cosfest SEA: The Rising Tide in March 2016. Since then, Justine has been actively engaging her fans on migme, and because of her dedication and genuine concern for her followers, she's been reaping the rewards of her efforts as a migme Partner.

23K+ 1K+

Last Christmas, Justine donated half of her earnings to buy toys and clothes for the patients at the National Children's Hospital in Quezon City. To her, it was one of her best experiences in 2016, and it wouldn't be possible without migme.



fig. 5. Media partners (artists, content creators, media companies), are now earning meaningful incomes on migme and able to invest in their creative works and passions.

The Company's initial estimates are that an active artist userbase of between 2,000 and 3,000 may deliver the necessary revenues to operate on a cashflow positive operating basis. migme expects it will take 4-10 months to scale up to this level.

The countries that migme is targeting have several hundred thousand artists and media partners and migme is focussing on realising the profitability and potential of those artists and media partners in its target markets, which are of a substantial size.

Apps and Games

The Company changed its games strategy in Q2 2016 with the introduction of the FunKey (see fig 6).

For users making posts and in chat, they are able to call a third party application that we are a producer of and through deep linking share content and social elements between the platform and the games (including billing and monetisation). The sum of this initiative is a better user experience.

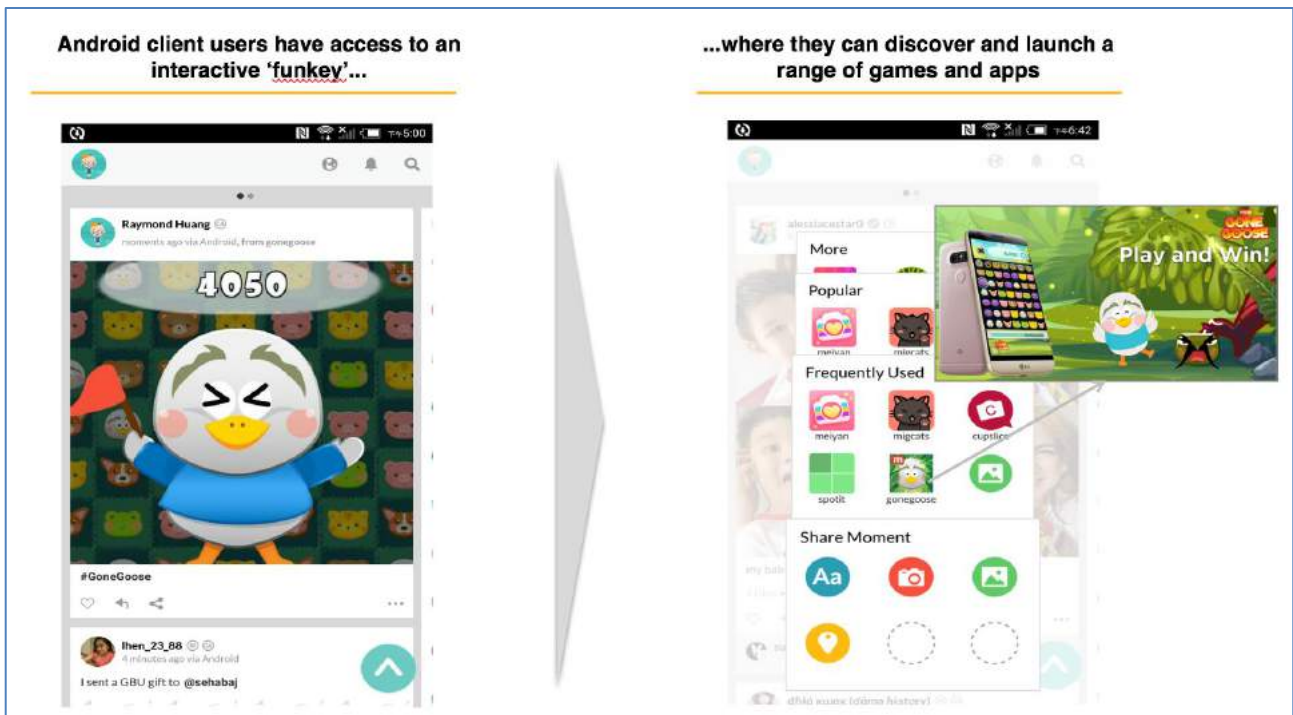


fig. 6. Funkey in action. Available on Android and Mobile Web.

Over the last 13 weeks, the Company has managed to attain some meaningful traction with Apps and Games. The Apps include Meitu’s Beauty Plus, MyBrama, Gone Goose, Boat Royale and many others. The data, whilst relatively small (see fig.7), is encouraging and moving towards industry norms. A weekly paying user is currently monetising at around US\$5.03 per week, however, this number may change over time. Additionally, a yield above 7.5% for usage and monetisation rate per app / game of 5% may be possible in the medium term.

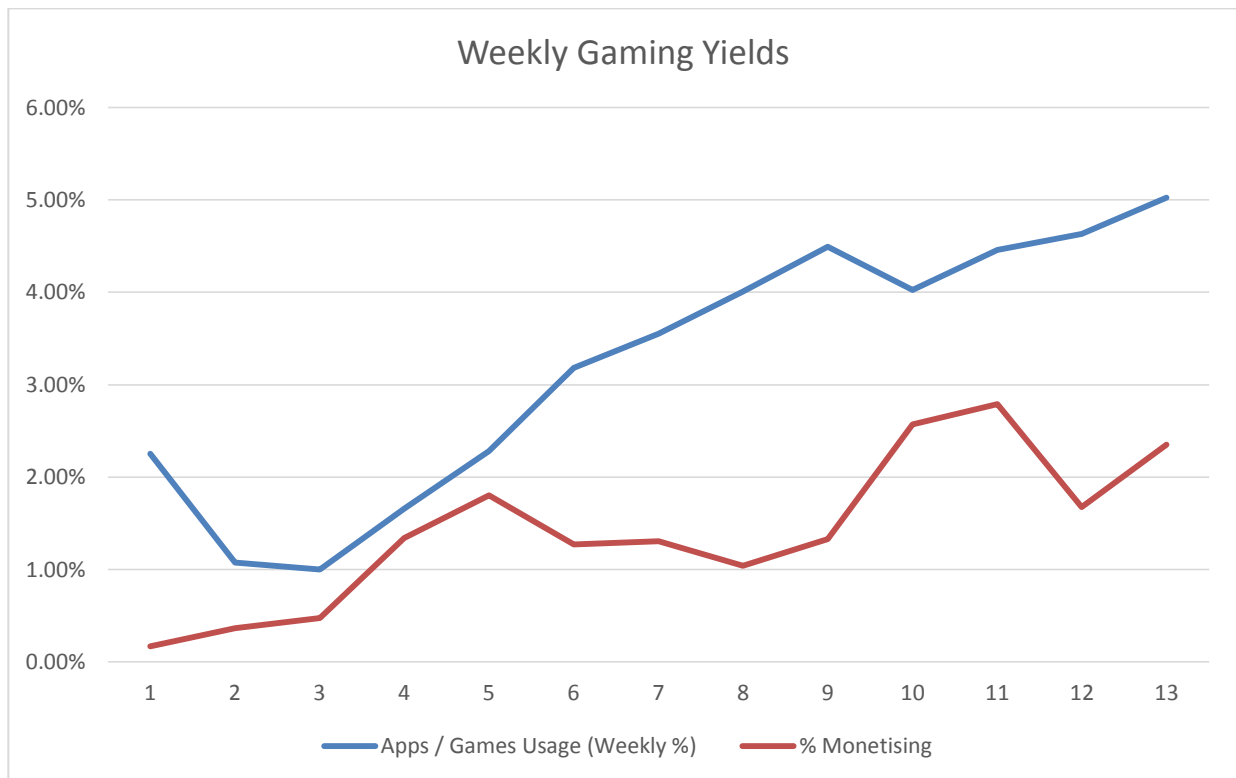


fig 7. Gaming Yields. Of the smartphone footprint, a % of users will use an app or game connected to the group’s platform, and a % of that will monetise.

To grow both requires time, product improvements, product marketing, community management, games selection and an element of risk.

This approach is also different to how the Company was driving sales up until Q3 2016, which was via the sale of games vouchers over the platform and through a range of channels. Whilst the Company is now restricted by working capital to sell games vouchers and other services, in the long run the Company may be in a better position. Games are now more traditionally integrated in the platform and sale of credits for Applications and Games are now far more consistent with similar platforms in East Asia.

Cost profile and market alignment

	30-Jun-15	31-Dec-15	30-Jun-16	31-Dec-16***
MAU	19	32	43	33*
Revenue	3,029	9,155	14,921	9,136
Loss from operations	(8,808)	(12,235)	(13,623)	(10,789)**

Fig. 8. Operating Gains / Losses for 1H 2015 to 1H 2017.

* In 2H 2016 migme moved to consolidate and simplify its portfolio and elected to show the group results for migme, alivenotdead and hipwee and to report on active verified users rather than registers users.

** includes around AU\$2m in write downs and restructuring costs

*** includes discontinued operations

The Company acknowledges the escalation of costs in late 2015 and 1H 2016 and has moved to improve efficiencies in business processes. As such, the Company will cut cash outflows from operating activities (excluding interest and share based compensation) to under \$650k from April 2017 onwards – down from a peak of A\$2.2m in 3Q 2016 (a reduction of nearly 70 percent in from peak monthly operating cash outflow levels).

In 1H 2016, the Company's loss was A\$13.62 million, while in 2H 2016, the loss was reduced to \$10.79 million. Of the loss in 2H 2016, A\$0.35 million was attributed to one-off costs associated with redundancy packages and cost reduction expenses. In addition, \$1.5m of Goodwill was written off in relation to discontinued operations in 2H16. Comparing 1H to 2H 2016 losses, not including one-off costs as highlighted, migme has reduced loss from operations by nearly 70%. At the same time, migme's MAUs have improved, with Q4 2016 seeing MAUs reach over 33m, 2m more than budgeted and up from a revised 26m at the end of Q3 2016.

Guidance figures suggest cashflow neutral operations may be achievable in the second half of 2017, with specific timing dependent on the replication of the artist program and games strategy, funding, wider market factors and other business risks.

Cost reductions have impacted operational effectiveness. The Company has made gains in 4 areas:

1. Moving to a hybrid organisational structure. As the Company was growing in late 2015 and the first half of 2016, the Company was replicating business functions in-country and in Singapore. Moving to a hybrid organisation has meant centralisation of business functions and resulted in economies of scale for common business functions (see fig 9 below). As such, the Company has successfully reduced headcount by nearly a third, without a substantial loss in business functionality.

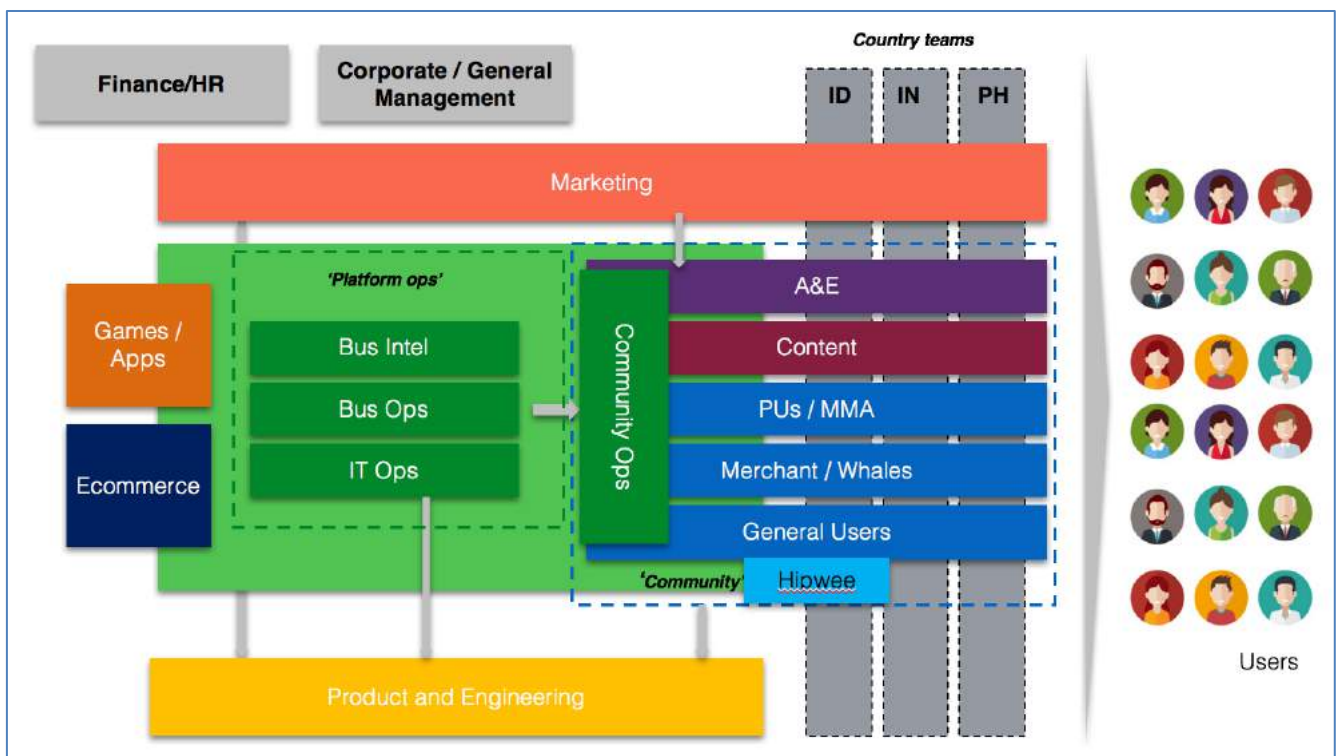


fig. 9. Hybrid Organisation. Yields economies of scale in business function and focus in market facing business functions.

2. Closing operations in Singapore and moving operations to lower cost centres around Asia. Including finance, marketing and business development to lower cost locations and in country.
3. Moving Product & Engineering to Taiwan. Taiwan has a larger and deeper talent market for human resources and a lower cost base.
4. Efficiency gains in marketing. Away from 'Above The Line' methods which involve direct spending on driving traffic, to partnerships with external players and media and community and viral methods for growth.

Summary and looking ahead

The Company regrets the market performance and operational distraction with the Convertible Note financing in Q4 2016 and remains proactive towards managing its cost profile and focused on monetisation rather than pure headline MAU results, as was the case in late 2015 and 1H 2016.

Based on a combination of scaling up the artist engagement program and games strategy and more stringent cost reduction initiatives, the Company estimates it may move into a cashflow positive operations in the second half of 2017, with timing dependent on a range of business and market factors.

The completion of the announced US\$6m convertible note will assist the Company to achieve this scenario and the Company looks forward to updating the marketing on such developments.

For further information regarding migme's 2016 financial results, please view of the accompanying 2016 Preliminary Final Report and refer to the Investor Presentation and Appendix 4C released to the ASX on 30 and 31 January 2017.

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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 engagement website alivenotdead and social news site hipwee. 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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