



30 April 2013

QUICKFLIX DELIVERS SIGNIFICANT REDUCTION IN COSTS AHEAD OF SUBSCRIBER GROWTH INITIATIVES

The effect of restructuring and streamlining of the Quickflix business was reflected in the March quarter results with operating and investing costs of \$6.2 million, a reduction of 19 per cent on the previous quarter of \$7.7 million and a reduction of 29 per cent on the September quarter of \$8.7 million.

The Company also undertook a complete reorganisation of its marketing function scaling back activity and refocusing on cost effective performance-based customer acquisition channels. Subscriber growth has temporarily reversed ahead of new channels building and replenishing the customer acquisition pipeline. Total customers at the end of March were 121,657 and paying customers were 113,036 generating revenue receipts for the quarter of \$5.0 million.

Initiatives commenced to return the Company to growth include:

- Introduction of a new simplified offering of bundled unlimited DVD, Blu-ray and streaming subscription plans starting as low as \$14.99 per month;
- Securing new in-demand streaming content. The Company has entered into an agreement with HBO representing its first push into current and recent hit TV series;
- Re-engineering of its customer signup and on-boarding process to reduce complexity and improve conversion;
- Appointment of a new marketing team and return to cost-effective performance-based and direct marketing, including partnering with major consumer brands;
- Continuing rollout of streaming to major device platforms including the launch of the Quickflix streaming app on Windows 8 devices. Windows 8 platform is available to the market leaders in desktop, laptop and tablet devices including Dell, HP and Lenovo;
- Outsourcing of the Quickflix call centre to reduce cost and improve customer servicing; and
- A focus on customer retention through better targeting and servicing of optimal customers.

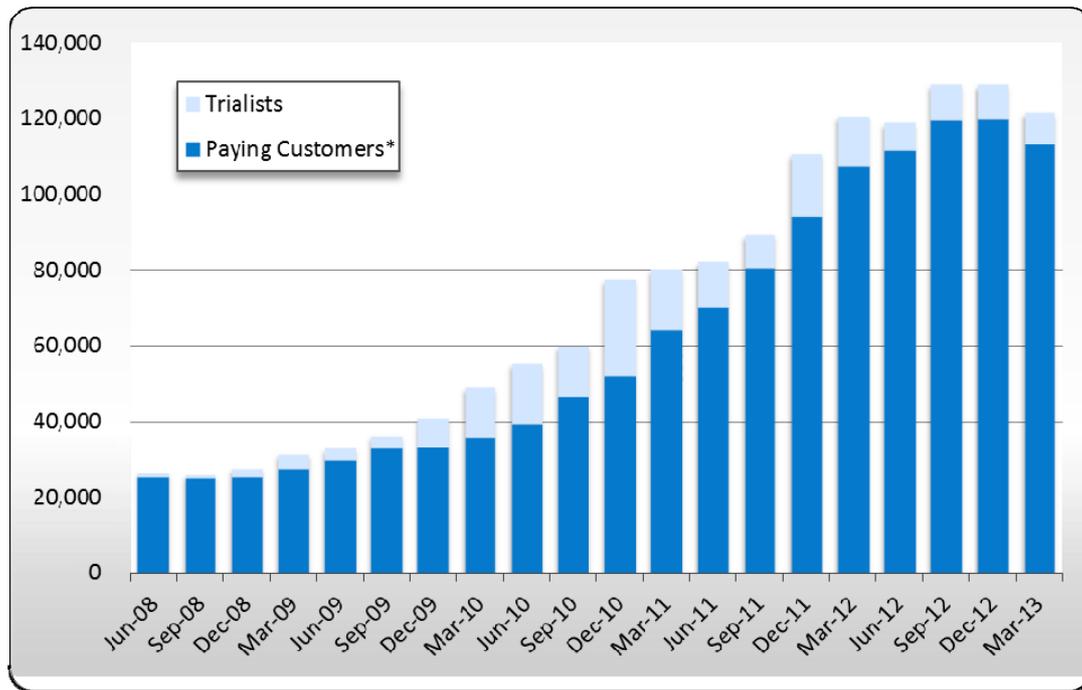
Key movements in the March quarter were:

- Total customers of 121,657 and Paying customers of 113,036 down 6 per cent and 5 per cent respectively;
- Paying subscriber churn of 6.7 per cent up;
- Revenue receipts of \$5.0 million;
- Operating and investing expenditure reduced by 19 per cent to \$6.2 million; and
- Net operating and investing cash outflow reduced to \$1.2 million.





Quickflix customers (end of quarter)



The Company received \$2.5 million in new funding from debt and equity raisings during the quarter, resulting in a balance of \$3.0 million at the end of March. The Company has announced that it will not draw further on the BluePrint Partners loan facility under nominee Gleneagles Securities. The Company has notified the lenders that they have not performed on their obligations and has commenced negotiations for the repayment or refinancing of the funds already drawn.

Outlook

Quickflix is making significant progress towards its goal of cash flow breakeven. With the cost reduction and operating efficiency initiatives underway the Company is shifting its focus to cost-effective customer and revenue growth. New partner promotions including those with device partners and direct marketing campaigns will underpin the Company's growth but it will take more than a quarter for growth momentum to build. The Company expects to announce further significant content deals and partnerships over the coming quarter.

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For any enquiries, please contact:

Stephen Langsford	Lewis Khan
Chairman & CEO	PR
Quickflix Limited	+61 423 665 628
+61 8 93474944	+61 2 93191101
stephen@quickflix.com.au	Lewis@rinsed.net

About Quickflix

Quickflix (www.quickflix.com.au) is Australia's leading online movie company offering subscription to the largest range of movies and TV shows delivered as DVD or Blu-ray by mail or streamed instantly on-demand from a library of hundreds of movies & TV series direct to PCs, Apple Macs and a growing range of connected TVs, game consoles, iPad, iPhone and other devices. Pay-per-view streaming for the latest release movies and TV is also available on selected devices. In New Zealand Quickflix streaming is available at www.quickflix.co.nz.

