



ASX Announcement  
31 October 2017

# QUARTERLY ACTIVITIES AND CASH FLOW REPORT

Period ended 30 September 2017

## HIGHLIGHTS

- + Strong operational progress including the appointment of Usher as Chief Creative Officer and Judge
- + Successful Global Launch of the first Megastar competition, with the App now live in the US, Australia, Great Britain, Canada, South Africa and New Zealand
- + Comprehensive marketing program commenced, delivering outstanding early results with appearances on Ellen, Extra, The Late Late Show with James Corden and Sky Business News
- + Megastar Competition 1 auditions are tracking well, with over 1,200 Performers already competing
- + Jeb Corliss signs on as Judge post period
- + The best leading indicators for App success are Engagement metrics. For the first three weeks of Competition 1, Megastar's engagement metrics exceed industry averages by more than 400%



*Eight-time Grammy Award winning superstar, Usher*

Digital technology and entertainment company, MSM Corporation International Limited ("MSM" or "the Company") (ASX: MSM), is pleased to release its Quarterly Activities Report and Appendix 4C for the three-month period ended 30 September 2017.

## Strong Operational Progress

### Headline Judges & Talent

Marking the achievement of a pivotal milestone for MSM, the Company was delighted to announce the appointment of eight-time Grammy Award winning superstar, Usher, as its Chief Creative Officer for Megastar in August 2017. Bringing a wealth of experience and insights to the role, Usher has also taken on the roles of Headline Judge, mentor and ambassador. Already, Usher has been incorporated into the competition, offering his mentoring guidance and tips for Performers, as well as representing the Competition as it rolls out its marketing program, detailed below.

MSM also appointed Jeb Corliss as Judge for the Megastar competition in October 2017. Jeb is one of the world's foremost and best-known BASE jumpers and wingsuit pilots.



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Wingsuit pilot Jeb Corliss soars.

<http://jebcorliss.net/>

In addition to the globally recognised Judges, MSM has now over 70 Sponsored Performers participating in Megastar. These Performers have joined via the Company's arrangements with Fullscreen, Boomopolis and DanceOn and will participate in the Competition, enhancing the overall quality of talent submissions and promoting the Competition to their social media networks.

#### Global Launch Delivered

Commencing with a soft launch of Megastar in Great Britain in July 2017, MSM progressively launched the Competition App in each of its key geographic markets during the quarter, under a successful phased launch strategy. The Megastar App was launched in South Africa, New Zealand and Canada throughout July 2017. The global launch was completed as the App went live in the US and Australia at the end of September 2017.

The launch also signaled the commencement of global weekly audition heats, which incorporate a new intake, or cohort, of Performers each week. The Competition has already built a large group of over 1,200 Performers that are now competing in the Competition.

The Megastar grand finals will close for submissions on 2 December 2017, with the Finale scheduled for mid-December 2017, when the winner of the one Million US Dollar prize is set to be announced.

#### Extensive Marketing Program Delivers Early Results

Combining Megastar's social influencer network, Sponsored Performers and Judges, the Competition has amassed an incredible total audience reach of over 130M. This incredible social media audience will be further leveraged during the later stages of the Company's marketing program to acquire further users, particularly Fans.

The initial stages of the marketing campaign commenced following the close of the quarter and have already delivered extensive broadcast, print and online coverage for the Competition. The first phase was designed to build brand awareness and credibility in the mainstream media. The Company was pleased to report that through mass media penetration and endorsement by Megastar Chief Creative Officer and Head Judge, Usher, the Competition has driven global media coverage, reaching TV audiences of over 12.5M in the US alone. This figure includes appearances by Usher on The Ellen Show, Extra and The Late Late Show with James Corden.

From late November 2017, the marketing program will accelerate its paid and unpaid social media campaigns, leveraging the considerable brand awareness, growing Performer base and social media audience reach that the Competition has now built. This activity, led by MSM Advisory Board member Jennifer Hermann who stepped into an executive role during the quarter to drive user acquisition, is expected to generate significant App downloads and audience engagement from Fans.



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### Platform Scaled & Technical Enhancements

One of the advantages of the Megastar competition is that it is built on a technology platform that can be continually enhanced and adapted through the addition of new features and functions to respond to user behaviour. These continual enhancements are driven by MSM's world leading product design and development team, which is led by ex LucasArts executive, Josh Heenan and former Pandora backer, Doug Barry. Both are proven world leaders in digital entertainment product development.

During the quarter, the Company's product design and development team implemented many enhancements, including:

- + **Scaling to support 1M Daily Active Users (DAU)** – Megastar's backend infrastructure was successfully scaled to support over 1M DAUs of the Competition
- + **Live streaming** – Performers can now live stream their performances and engage directly with their audience in real-time
- + **Direct uploads** – Performers can now upload their submission videos directly from their mobile phone to the Megastar competition, building on the current ability to upload videos from YouTube
- + **Talent integration** – The Company successfully integrated Headline Judge, Usher and competition hosts, SketchShe into the Competition App

### Corporate & Financial Update

During the quarter, MSM successfully raised \$10.5M of capital to fund the marketing and production plans for the first Megastar competition, talent acquisition to sign up celebrity judges and mentors, and general working capital.

The Company received strong support for the capital raise from new and existing institutional investors, as well as strategic family office investors and the placement was heavily oversubscribed.

As of 30 September 2017, the Company held approximately A\$4.5M in total cash.

### Outlook

The first quarter of financial year 2018 has been one of record operational and corporate progress for MSM. With key celebrity Judges now in place and the Megastar competition up and running, the MSM team is focused on making the Competition a phenomenal success.

Like MSM's world leading product design and development team, the Company has an incredible marketing team that is executing a strategically structured marketing plan to ensure that user acquisition and engagement rates are high.

Already, Megastar is delivering significantly stronger engagement metrics compared to the beta results reported for the Competition and the Company is very optimistic about the success metrics it will report in the coming weeks and months.



At this stage, user engagement metrics are the most important leading indicator of success for Megastar. Engagement indicates that users are experiencing value when they use the App.

When users experience value and are highly engaged, they are more likely to continue using it (retention), to recommend it to others (referral) and to spend money or engage with In-App advertising (monetisation).

High levels of retention and referral drive organic growth which amplifies the impact of any paid marketing on user acquisition. Therefore, our team is primarily focused on user engagement.

As announced on 23 October 2017 the engagement metrics as at 20 October 2017 were as follows:

Key engagement metric	Megastar App	Industry Average
Avg. Daily Active Users (DAU) as a %	17%	6%
Avg. Sessions per day per <i>Voting</i> user	2.4	0.55
Avg. minutes per session per <i>Voting</i> user	23.7	5.1
Avg. Daily Votes (daily max is 5)	5	N/A
Avg. sessions per day of <i>Live Streaming</i> user	2.6	1.1
Avg. minutes per Session per <i>Live Streaming</i> user	77.1	13.5
Average Daily Votes of <i>Live Streamers</i> (daily max is 5)	4.12	N/A

**MSM Managing Director, Dion Sullivan commented;**

“It has been an incredible quarter of value-enhancing milestones for MSM. We signed Usher as our Chief Creative Officer, Mentor and Judge, and successfully launched our first Global competition with auditions open to performers in all six of our key territories. I am delighted with the hard work and commitment that the whole team has demonstrated to bring Megastar to the world for the first time.”

“Already, we are seeing extremely encouraging user engagement metrics from the Megastar competition which will drive user retention and organic referrals. We look forward to reporting on these initial trends in the coming weeks and months.”



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## FOR FURTHER INFORMATION, CONTACT:

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## ABOUT MSMCI

MSM Corporation International Limited ("MSMCI") is an online entertainment company that specialises in building and launching new digital entertainment products to audiences in the US, Great Britain, Australia, Canada, New Zealand and South Africa. MSMCI partners with local operators in non-English speaking markets to maximise the reach of its products and services globally.

MSMCI's flagship product is Megastar, a global, mobile-first talent competition, featuring performers of any category, competing to win one Million US Dollars, a role in a film and various other prizes. Winners are chosen by fans voting in the competition through the Megastar App.

The first Megastar competition launched in MSMCI's six core markets with the App available for download from the Apple and Google Stores. Additional Megastar competitions will subsequently launch in non-English speaking markets via partnering and licensing agreements.

Megastar was founded by Adam Wellisch and Dion Sullivan in February 2014 and listed on the Australian Securities Exchange becoming MSMCI (ASX:MSM) in January 2016. The Company is currently headquartered in Sydney, Australia and Oakland, California, USA.

Visit [www.msmci.com](http://www.msmci.com) to learn more or to [sign up for the investor newsletter](#).



+Rule 4.7B

## 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

<b>Name of entity</b>		
MSM CORPORATION INTERNATIONAL LIMITED		
<b>ABN</b>		<b>Quarter ended ("current quarter")</b>
51 005 529 160		Saturday, 30 September 2017
<b>Consolidated statement of cash flows</b>		<b>Current quarter</b>
		<b>Year to date 3 months</b>
<b>1. Cash flows from operating activities</b>		<b>\$A'000</b>
		<b>\$A'000</b>
1.1		
1.2	Payments for	
	(a) research and development	(477)
	(b) product manufacturing and operating costs	(1,592)
	(c) advertising and marketing	(2,571)
	(d) leased assets	-
	(e) staff costs	(406)
	(f) administration and corporate costs	(534)
1.3	Dividends received (see note 3)	-
1.4	Interest and other items of a similar nature received	4
1.5	Interest and other costs of finance paid	(24)
1.6	Income taxes paid	-
1.7	Government grants and tax incentives	-
1.8	Other (provide details if material)	-
<b>1.9</b>	<b>Net cash used in operating activities</b>	<b>(5,600)</b>
		<b>(5,600)</b>

		<b>Current quarter \$A'000</b>	<b>Year to date 3 months \$A'000</b>
<b>2.</b>	<b>Cash flows from investing activities</b>		
2.1	Payments to acquire:		
	(a) property, plant and equipment	-	-
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment	-	-
	(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</b>	<b>Net cash from / (used in) investing activities</b>	-	-
<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of shares	10,018	10,018
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	(666)	(666)
3.5	Proceeds from borrowings	1,870	1,870
3.6	Repayment of borrowings	(1,870)	(1,870)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
<b>3.10</b>	<b>Net cash from financing activities</b>	9,352	9,352
<b>4.</b>	<b>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	720	720
4.2	Net cash from used in operating activities (item 1.9 above)	(5,600)	(5,600)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4	Net cash from financing activities (item 3.10 above)	9,352	9,352
4.5	Effect of movement in exchange rates on cash held	-	-
<b>4.6</b>	<b>Cash and cash equivalents at end of quarter</b>	4,472	4,472

+ See chapter 19 for defined terms.

		<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts		
5.1	Bank balances	1,472	720
5.2	Call deposits	3,000	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>4,472</b>	<b>720</b>
<b>6.</b>	<b>Payments to directors of the entity and their associates</b>		<b>Current quarter \$A'000</b>
6.1	Aggregate amount of payments to these parties included in item 1.2		(218)
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		
	<i>Directors and company secretarial fees.</i>		
<b>7.</b>	<b>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		

+ See chapter 19 for defined terms.



<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	-	-
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.		
-		

<b>9. Estimated cash outflows for next quarter</b>	<b>\$A'000</b>
9.1 Research and development	
9.2 Product manufacturing and operating costs	(1,000)
9.3 Advertising and marketing	(1,500)
9.4 Leased assets	-
9.5 Staff costs	(400)
9.6 Administration and corporate costs	(500)
9.7 Other (provide details if material)	-
<b>9.8 Total estimated cash outflows</b>	<b>(3,400)</b>

<b>10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)</b>	<b>Acquisitions</b>	<b>Disposals</b>
10.1 Name of entity	-	-
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.

**Mark Clements**  
**Company Secretary**  
**31 October 2017**

## Notes

1. 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. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.