

20 May 2014
ASX RELEASE

Mobile Embrace Ltd Q3 FY2014 Trading and Operational Update

Mobile Embrace Limited (ASX:MBE), a leading mobile payments and mobile marketing company, has delivered a strong financial and operational performance for Q3 FY2014 and the nine months to March 2014.

Mobile Embrace operates two business units, Convey (m-payments) and 4th Screen Advertising Australia (m-marketing / m-advertising).

Highlights (Unaudited)

- Mobile Embrace Q3 FY14 group revenue up 94% to \$4.49 million quarter on quarter
- Mobile Embrace FY14 nine month group revenue year to date up 74% to \$14.03 million prior comparable period (PCP)
- Convey (m-payments business) Q3 FY14 revenue up 70% PCP
- Convey FY14 nine month revenue year to date up 73% PCP
- Convey on track to grow its global direct carrier billing serviceable market from 28 million to 150 million mobile users by 30 June 2014
- Convey customer database growing, customer retention increases
- During H1 FY15 Convey plans to introduce five new products on the Convey platform in Australia alone.
- 4th Screen Advertising Australia (m-marketing business) Q3 FY14 revenue up 274% quarter on quarter
- 4th Screen FY14 nine month revenue year to date up 75% PCP
- 4th Screen delivers three consecutive record sales weeks
- 4th Screen has added to new premium publisher partners including Perform Group and Bauer
- Cash at bank as at 19 May 2014 was \$12.3 million with receivables of \$4.04 million and creditors of \$0.83 million
- Mobile Embrace is a growing and profitable digital distribution channel, strong year on year growth continues across Q4 FY14

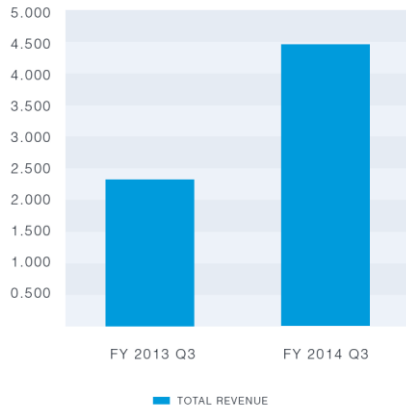
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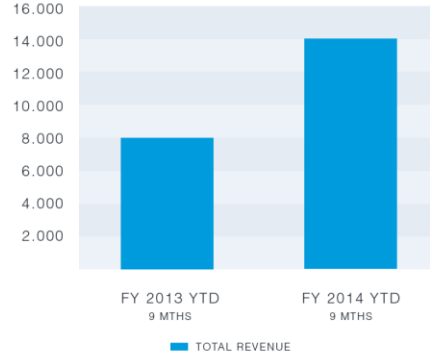
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TOTAL REVENUE FY13 Q3 VS FY14 Q3



TOTAL REVENUE FY13 YTD vs FY 2014 YTD



SEGMENTATION OF MBE REVENUE

FY2013 Q3 VS FY 2014 Q3

BUSINESS UNIT	FY 2013 Q3 \$M	FY 2014 Q3 \$M	VAR \$M	% GROWTH
M ADV	0.27	1.01	0.74	274%
M PAY	2.05	3.48	1.43	70%
	FY 2013 Q3 \$M	FY 2014 Q3 \$M	VAR \$M	% GROWTH
TOTAL REVENUE	2.32	4.49	2.17	94%

SEGMENTATION OF MBE REVENUE

FY2013 JUL-MARCH VS FY2014 JUL-MARCH(9MTHS)

BUSINESS UNIT	FY 2013 \$M	FY 2014 \$M	VAR \$M	% GROWTH
M ADV	1.87	3.27	1.40	75%
M PAY	6.21	10.76	4.55	73%
	9 MTHS FY 2013 \$M	9 MTHS FY 2014 Q3 \$M	VAR \$M	% GROWTH
TOTAL REVENUE	8.08	14.03	5.95	74%

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M-Payments Business

Convey is a specialist mobile payments and marketing company. Convey's digital distribution network generates revenue by building or white labeling, and managing, leading mobile products & services through its CMP (Customer Management Platform) and advertising these to consumers via its mobile marketing trading desk. Consumers purchase and subscribe to these products & services on their mobile device and the cost of the product or service is charged to the consumers mobile phone bill or Paypal account via Convey's mobile payments gateway.

Convey's end-to-end cloud based mobile customer acquisition, management and payments digital distribution network enables content providers, digital businesses and businesses moving to mobile to reach and engage consumers and deliver them a seamless mobile product engagement and payment experience on their mobile and tablet devices.

Growth Drivers

- Development and diversity of Convey's mobile consumer product catalogue in partnership with content providers and businesses.
- Sophisticated targeting of existing and additional vertical market segments enabled by its mobile media trading desk.
- Geographical expansion of its direct carrier billing footprint to other territories and telecommunications carriers to increase its serviceable market.

Operational Performance

Revenues for the m-payments business are currently from Australia only, on a small product catalogue and targeting a relatively minor proportion of advertising inventory accessible via the businesses mobile media trading desk.

In Australia total subscribers across Convey's product portfolio have grown and average customer lifetimes have increased. Currently Convey has eight products in market. One of the products is No Limits Games, which is an advanced HTML 5 games platform with Facebook and leaderboard integration. It is a mobile games portal which is advertised through Convey's trading desk across independent ad networks

Each Convey ad network has its own distinct but complementary ad strategy that serves to drive users to the portal and play the games housed in the portal. Over a seven month period, No Limits Games improved conversion rates, by over 100%. The subscriber base of No Limits Games, has grown to over 28,000 at approximately \$3 out payment per successful weekly billing transaction.

Convey's trading desk allows for targeted mobile media buying across multiple ad networks. One of the key challenges among digital businesses is the cost of acquiring new customers. The trading desk overcomes this by simultaneously buying and optimising mobile media to enable end-to-end real-time control over the cost and volume of customer acquisition. The Convey trading desk significantly enhances the Company's ability to launch new products in the Convey business through deep and tactical understanding of mobile behavior. Convey's trading desk has improved some conversions from 400% to 500% since its launch.

"The challenge for any new digital business is to quickly and cost effectively acquire a scale customer base and then monetize the content, app, product or service. Convey's mobile enablement platform does this effectively and efficiently and is proven as a digital distribution channel of value in the Australian Market," said Mobile Embrace CEO Chris Thorpe.

For Mobile Embrace to enter into a new territory there are three phases of execution, depending on suitability and market conditions:

- Phase one is the establishment of the serviceable market for the territory through the securing and integration of direct carrier billing relationships and trading desk inventory. The territory is then soft launched in test and learn until targets for cost of customer acquisition (CPA) and profitable customer lifetime value (CLV) have been met while minimizing expenditure.
- The second phase is the full rollout and marketing of products to grow customers, revenue, ARPU (average revenue per user) and transaction volume. This includes product enhancement and catalogue expansion through on-boarding partners, and extending trading desk reach across market segments.
- The third phase is the provision and optimisation of additional consumer friendly mobile payment platforms where suitable in market (ie Google Wallet)

Global Market

Around 4.55 billion people worldwide are expected to use a mobile phone in 2014, according to eMarketer. From information available, Mobile Embrace estimates that the current global addressable market for direct carrier billing is the approximately 30% of telecommunications carriers (Telcos) across the globe that so far have direct carrier billing enabled.

Approximately 70% of carriers are still in planning or at various stages of implementation. Direct carrier billing is an emerging payment platform in early stages in many territories with significant future growth. The platform is attractive to carriers and easy and convenient for consumers to complete transactions via their mobile devices. According to a study by Juniper Research direct carrier billing offers a conversion rate that is five to six times higher than credit card.

"This gives Convey a strong first mover market making opportunity where its infrastructure gives it competitive advantage," said Mr Thorpe.

Global Expansion

The Company's geographical rollout strategy is to develop direct carrier billing relationships in multiple territories in parallel, and invest in order to optimise the first mover advantage and accelerate activity. This strategy is proving effective.

Convey's current serviceable market for direct carrier billing is approximately 28 million mobile phone subscribers. The business is on track for its serviceable market to reach 150 million mobile phone subscribers by 30 June 2014.

Convey recently announced it has signed an agreement with Syniverse. Convey will integrate its end-to-end mobile marketing and m-payments infrastructure with the Syniverse direct operator billing platform to expand Mobile Embrace's global reach and connectivity to mobile operators that will help Mobile Embrace reach a wider global market, including Europe.

The Company has relationships progressing at various stages with a number of other overseas telecommunication carriers and connectivity partners across geographies.

In Singapore, Convey is in test and learn phase with Singtel. The test and learn phase is essential to enable the business to work to its target customer acquisition cost while tightly controlling its marketing expenditure. This process has been a vital element and major contributor to the success in the Australian market.

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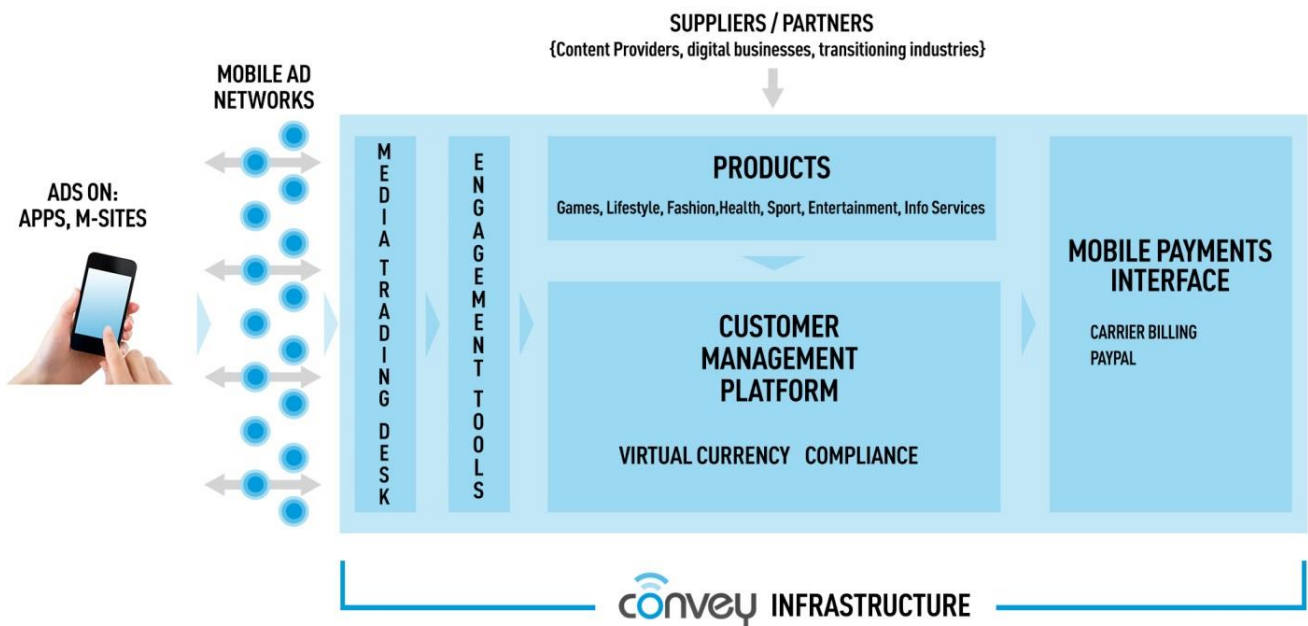
South East Asia, despite the large mobile telecommunications carrier subscriber bases across the region, is mostly in the early stages of direct carrier billing development. The Company considers it a rare and exciting opportunity to be at the forefront of the establishment of an outstanding mobile payment platform in a group of markets offering substantial scale. This is an important area for use of investment funds.

As announced 17 February 2014 a new connectivity partner has been implemented for direct carrier billing in the US and that change required the associated carrier approvals. One carrier has approved (subscriber base circa 5 million). All other carriers in the US are back in various stages of the approval process. The approval process with the other US carriers will continue in parallel to other territory activity.

The 150 million serviceable market for direct carrier billing for FY2014 does not include additional US carrier approvals. Any further US carrier approvals would provide additional users to the serviceable market.

The Company is pleased with the international market development to date and is encouraged by the progress of new carrier and territory relationships in work including and in addition to those mentioned.

Infrastructure



While most competitors tend to focus on only one of the areas contained in Convey's infrastructure to drive business (e.g. customer acquisition), Convey's integrated end-to-end platform lends to its uniqueness as a first to market offering in Australia identifying and developing a solution to some of the current gaps in market enabling digital businesses to quickly scale and monetise their customer base.

Cloud Based Platform

The Company has invested in human resource and infrastructure development in preparation for large scale distribution network expansion, as well as reinforcing the technical and commercial robustness of the business to improve quality assurance processes and provide additional redundancy and risk protection for growing revenues and profits.

A part of this was the move of components of the technical infrastructure to AWS (Amazon Web Services). A sizeable project now successfully completed, that has the already highly scalable business, enabled to rapidly expand capacity for multi territory / multi product high volume transaction and distribution growth.

Being a cloud based and integrated platform, one of the advantages of Convey is the ability for multiple new products to be added to the platform at any time, enabling it to scale quickly, while allowing response times to be adjusted in near real-time.

The cost to Convey to scale is relatively small, and includes mainly the costs of cloud based processing power and increases in messaging over time – as Convey reaches more customers moving to mobile. Being a digital platform, Convey also eliminates the need for the large set-up costs involved in on-the-ground operations in different countries, and bypasses the need to hire staff to manage these operations.

Because Convey's platform is centralised, all operations are managed from Convey's Head Office, Mobile Embrace, in Sydney, without the need to replicate this infrastructure in other territories. This process is highly automated – one of the key advantages of Convey is its efficiency, functionality, and ability tap into the digital economy to drive business growth.

Product

As businesses increasingly realise the need to reach and transact with the growing volume of consumer traffic moving to mobile, they must be able to provide customers with mobile optimised products, contextual marketing and easy payment options. Convey's mobile product distribution through its platform is offering these businesses a competitive advantage.

Conveys addressable product market is vast. Many businesses sitting behind the approximately 2,000,000 smart phone apps globally are facing mounting challenges of discovery and monetization for which Convey enables a solution. Convey is tapping into this huge gap in market.

"As businesses increasingly look to mobile to acquire new customers, they often struggle to gain initial customer interaction, let alone standout in a highly competitive ecosystem (where Google Play and iTunes house millions of apps at any one time and across genres)," said Mr Thorpe.

Convey is enhancing existing products and diversifying its m-payments product offering across games, entertainment, information services, lifestyle, sport, fashion and fitness, and other market segments, with products and services specifically designed for smartphones and tablets. During H1 FY2015, Convey plans to introduce five new products on the Convey platform in Australia alone.

Demand for user friendly mobile services and solutions is increasing exponentially. Revenues from mobile content, monetised through direct carrier billing, is expected to rise from \$2 billion in 2012 to more than \$13 billion by 2017, according to a report from Juniper Research.

"We are now living in the mobile age, and while a vast portion of the world's population embraces mobile, the full potential of mobile as a complete end-to-end solution is far from fully realized," said Mr Thorpe.

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M-Marketing/Advertising Business

4th Screen Advertising Australia is a premium full service mobile advertising company enabling Agencies and Brands to reach and engage with consumers on their mobile and tablet devices at scale. The Company's premium publisher mobile advertising network also offers brands and advertisers the opportunity to target by mobile phone operating system, day and time, country and premium publisher environments. Big brands and advertisers can buy premium recognized environments from some of the best m-sites and mobile apps from top-tier global publishers.

Growth Drivers

- Expansion of 4th Screen's premium publisher mobile advertising network, enabling greater consumer reach and increasing the number of serviceable market segments.
- New products and innovation of its mobile marketing tool kit, broadening its agency and client relationships.
- Establishment of additional mobile advertising inventory verticals such as mobile video advertising.

Operational Performance

4th Screen has added a number of new premium publishers to its premium publisher mobile advertising network in the areas of Sport (Perform Group), Females and Lifestyle (Bauer) and Health, Fitness and Wellbeing (Parenting and Men's Fitness) and has rolled out new engagement product additions to its mobile marketing toolkit such as in banner video, voice activated and 3D mobile ads that are being well received in market. The business has also commenced sales of mobile video advertising inventory and is seeing increasing demand for FY 2015.

Revenues for the period were generated primarily from the sale of display advertising inventory on the mobile sites and apps in 4th Screens premium publisher mobile advertising network combined with the market leading consumer engagement products in the businesses mobile marketing toolkit. In an environment where mobile advertising is subject to seasonality caused by agency activity that decreases from mid Dec to end of Jan, the business recently delivered three consecutive record sales weeks.

4th Screen has experienced some downward pressure on margins as the size of individual campaigns grow in size. Still, year on year revenue growth has been achieved with operating costs over the nine month period for this business unit remaining relatively flat.

As announced in February 2014, 4th Screen has secured new mobile advertising contracts with Australian advertising agencies totaling \$5.35 million in advertising revenue. The contracts deliver brand new annuity revenues, the majority of which will be paid to the company throughout the 2015 financial year. 4th Screen is also in discussion with other agencies and continues to expand its major brand advertiser list that now exceeds 200 Tier 1 brands with some recent examples being Coke and Telstra.

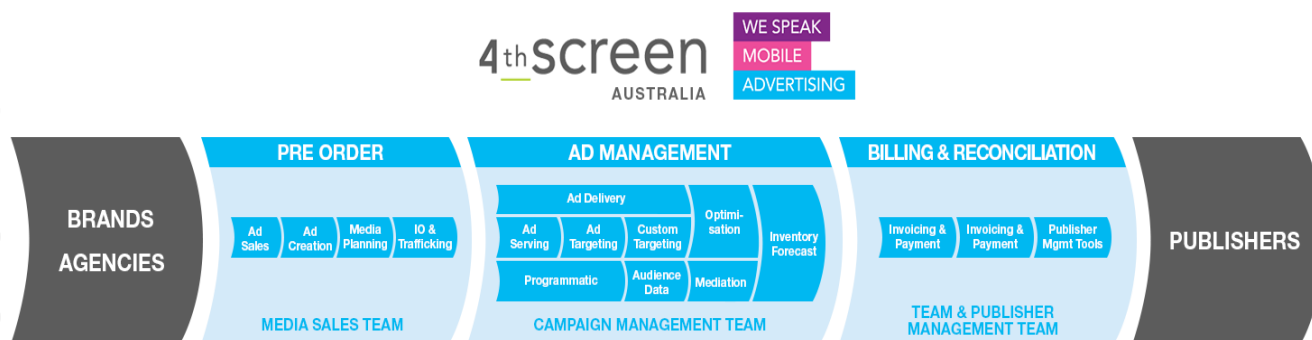
4th Screen holds a premium position in the market and is focused on delivering higher returns for premium publishers and higher performance and ROI for agencies and brands.

4th Screen executes by

- Engaging well recognized and high end premium publishers and adding value to their premium mobile advertising inventory 'stack' by optimizing the inventory yield and fill rate with a combination of technology, tools and services.
- This enables 4th Screen to increase the attraction to major agencies and brand advertisers giving them access to premium targeting, guaranteed placement, premium

advertising channels, consumer engagement tools, programmatic buying, native advertising and sponsorships.

According to research firm Gartner Inc. the global mobile advertising market is expected to grow from \$13.1 billion in 2013 to \$18.0 billion in 2014 and then to \$41.9 billion by 2017, with display formats making up most of the revenue and high growth coming from video. The Australian mobile advertising market has a forecast CAGR of 49% to 2018 (IAB).



Mobile Embrace is exploring enquiries arising to cross leverage the Tier1 brand and agency relationships and premium publisher mobile advertising network of 4th Screen with the trading desk, CMP and m-payments distribution network of Convey.

“By paving the way as a leader and innovator, Mobile Embrace is well positioned to remain competitive in market as more businesses make the move to mobile. This is a complex challenge and an increasing imperative for businesses globally,” Mr Thorpe said.

About Mobile Embrace Limited

Mobile Embrace Limited (ASX:MBE) is a mobile payments and mobile marketing company. Through our end-to-end and award winning mobile marketing, advertising and m-payments infrastructure (including a Tier 1 premium publisher advertising network, mobile media trading desk, m-commerce and mobile marketing platforms and applications) we enable the reach, engagement, transactions with and embracement of consumers via mobiles and tablets. For more information please visit: www.mobileembrace.com

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