

ASX / Press Release

10 August 2016

Mitula Group Delivers Strong Growth in First Half of 2016 and Commences Roll Out of Growth Strategy

The Mitula Group Limited (“**Mitula Group**” or “**Company**”) (ASX:MUA), a leader in digital classifieds vertical search, has released its half year preliminary financial report for the six month ending 30 June 2016.

Key financial highlights for the six month period include:

- Revenue increased by 52.7% over the corresponding period to \$13.6 million;
- Adjusted EBITDA¹ increased by 83.8% to \$7.1 million;
- Adjusted EBITDA margin increased from 43.7% to 52.5%;
- Profit for the half year increased by 160.3% \$4.7 million;
- Operational cash flow increased by 147.6% to \$6.1 million; and
- Cash balance was \$22.2 million as at the end of the period.

Gonzalo del Pozo, CEO of The Mitula Group, commented: “We have delivered strong growth on all key financial metrics in the first half of 2016. Particularly pleasing is the 52.7% revenue growth which we achieved while keeping a tight control on expenses. This has led to a growth in the adjusted EBITDA margin to 52.5% as well as a 160.3% increase in profit.

“During the half we added 26 new vertical search sites to our network. The acquisition of Nuroa Internet SL in February added 17 new sites and we launched an additional nine new sites, five of which were in new countries.

“We now operate 79 vertical search sites across real estate, employment and motoring in 49 countries and 19 languages. These sites had 190 million visits during the June quarter and generated 276 million click outs to our advertisers.

“We are extremely happy with the continued growth of the underlying KPI’s of the business. In particular we are becoming less reliant on organic search for visits as our direct traffic grows. This is primarily driven by the increase in consumers going directly to Mitula sites in emerging markets, the continued roll out of our mobile applications, and the strong growth in our email alert subscribers.

“The main focus for the second half of the year will be the continued roll out of our growth strategy. For Tier 1 established markets, we have commenced providing

¹ Adjusted EBITDA excludes the one off expenses associated with the Initial Public Offering - \$879,000 for the six months ending 30 June 2015 and \$574,000 for the six months ending 30 June 2016.

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advertisers with new products that allow them to brand themselves and their customers across our sites. The results of this initiative can be seen in the initial new product revenue in the June quarter.

“For Tier 2 emerging markets, where Mitula has significant visits that are not being fully monetised, we will roll out a combination of products that allow end advertisers (e.g. agents, car dealers, and employers) to advertise directly with the Mitula Group.”

Simon Baker, Chairman of The Mitula Group, added: “The Company is entering a new and exciting phase of its growth. We expect our AdSense and cost per click (CPC) products to continue to perform well, and we will add new revenue streams, which we expect to drive strong revenue growth for the Company. This is particularly the case in the Tier 2 markets, which provide strong growth opportunities for the Company.”

First Half 2016 Financial Performance (Statutory Accounts)

On a statutory² basis, the Company delivered strong growth on all key financial measures.

\$000's	6 Months to 30 June 2016	6 Months to 30 June 2015	Growth
Revenues	13,587	8,898	52.7%
Adjusted ³ Operating Expenses	(6,448)	(5,014)	28.6%
Adjusted EBITDA	7,139	3,884	83.8%
<i>Adjusted EBITDA Margin</i>	52.5%	49.9%	
Profit for the Half Year	4,686	1,800	160.3%
Operating Cash Flow	6,072	2,452	147.6%
Cash Balance (end of period)	22,239	19,577	13.6%

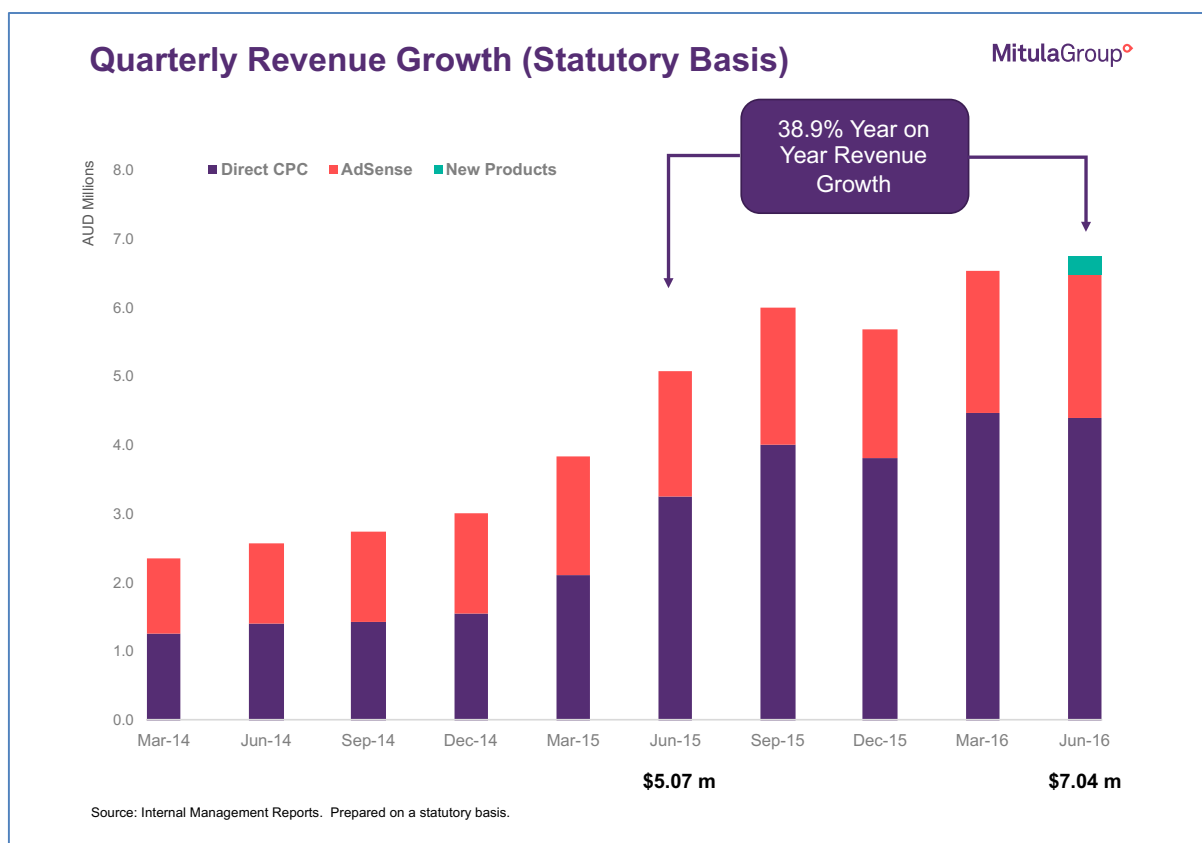
Revenues

The Company delivered 52.7% year-on-year revenue growth for the first half-year. On a quarterly basis, the Mitula Group delivered \$7.0 million in the June quarter, a 39% year-on-year growth rate.

² The statutory accounts for the first half of 2016 reflect 6 months of Mitula Classified SL, 6 months of Lokku Limited and 4 months of Nuroa Classified SL which was acquired on the 29th February 2016. The statutory accounts for the first half of 2015 reflect 6 months of Mitula Classifieds SL and 2 months of Lokku Limited which was acquired on the 8th May 2015..

³ Adjusted Operating expenses excludes the one off costs associated with the Initial Public Offering of \$879,000 for the six months ending 30 June 2015 and \$574,000 for the six months ending 30 June 2016.

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Of particular note is the emergence of new revenue streams relating to the sale of branding products to the Tier 1 established market advertisers. While these contributed only 3.8% of revenue in the June quarter, it is expected that these new revenue streams will grow particularly with the rollout of direct products for the Tier 2 emerging markets.

On a regional basis, Europe, Middle East and Africa (EMEA) delivered 99.5% growth in revenues while APAC delivered 48.3% growth. Revenues from the Americas were flat year-on-year (in AUD) primarily driven by the devaluation of local currencies versus the USD resulting in a decrease in the volume of clicks purchased.

\$000's	6 Months to 30 June 2016	6 Months to 30 June 2015	Growth
Americas Revenues	3,486	3,355	3.9%
APAC Revenues	2,777	1,872	48.3%
EMEA Revenues	7,324	3,671	99.5%

Expenses and EBITDA

Adjusted operating expenses, where \$574,000 in one-off costs associated with the IPO are excluded to more accurately reflect the underlying operating performance of the business, increased by only 28.6% during the reporting period. This reflects the strong underlying cost management within the business.

The result was a 83.8% increase in the adjusted EBITDA and an adjusted EBITDA margin of 52.5%.

Profit for the Half Year

The Company delivered a 160.3% increase in profit for the first half-year when compared to the previous corresponding period.

There is a variation of \$1.2 million between the NPAT forecast provided in the March Update and the Profit for the Half Year provided in the Interim Financial Results. The Interim Financial Results, which are prepared on a statutory basis, include an allowance for depreciation of intangibles associated with the Lokku Limited acquisition in the amount of \$636,000 together with expensing of share options associated with the IPO of \$574,000.

Cash Flow

The business delivered \$6.1 million in operating free cash flow and ended the period in a strong position with \$22.2 million cash at bank. It is noted that during the half year, the Company acquired Nuroa Classifieds SL for a consideration of \$3.3 million including a cash payment of \$2.8 million. This was funded from cash reserves.

KPI Performance

Underlying the June 2016 quarterly revenue was a strong growth in the key underlying performance metrics.

KPI	June Qtr. 2016	June Qtr. 2015	Growth
Visits (m)	189.7	155.4	22.1%
Visits from Organic Search (%)	64.3%	72.6%	-
Email Alert Subscribers (m) (qtr. end)	11.0	7.3	50.7%
Click Outs (m)	276.2	224.9	22.8%
Click Outs Sold (m)	112.1	125.7	(10.8%)
Click Outs Sold (%)	40.6%	55.9%	-
Yield / Click Out Sold	3.93 cents	2.58 cents	52.4%

Of particular note is the continued reduction in reliance on organic search traffic. Search engines, particularly Google, accounted for 64.3% of the visits to the Mitula Group in the last quarter. This was down from 72.6% in the prior corresponding period.

The year-on-year growth in email alert subscribers was 50.7% with 11.0 million subscribers as at the end of the June quarter.

The volume of click outs sold decreased by 10.8% when compared to the previous corresponding period. This was due to a combination of two factors. Firstly, there was a decrease in sales of clicks in the Americas market due to the devaluation of local currencies. Secondly, the Company ceased sales of “remnant” clicks to some of its advertisers who were purchasing high volumes of clicks at extremely low yields.

Offsetting the decrease in the volume of clicks sold was a 52.4% increase in the yield per click-out sold to an average of 3.9 cents per click.

Enhanced Strategy and Outlook

The Company expects continued strong growth in both AdSense and CPC revenues during the second half of 2016. AdSense should continue to grow in line with the growth of traffic to the sites, while CPC revenues are expected to grow through a combination of increased sales of click outs and an increase in yield per click.

The Company will continue to look for expansion opportunities in its current vertical search business through either launching new countries or new verticals and through acquisition of related businesses.

As highlighted in the March Quarter update, the Company has commenced the rollout of its enhanced strategy. The Company has segmented its markets into those delivering strong revenue streams (Tier 1 Established Markets), those that are growing rapidly but slow to be monetised (Tier 2 Emerging Markets), and those that are in early stages of growth (Tier 3 Early Stage / Small Markets).

For Tier 1 markets, the Company has launched new products for its existing advertisers to provide them with branding opportunities. These include display advertising and direct mail opportunities. In addition the Company will provide non-traditional advertisers (e.g. banks and mortgage companies) with branding opportunities. The initial revenues from these new products can be seen in the June Quarter.

For Tier 2 emerging markets, the Company will roll-out products designed to directly engage the end advertisers (e.g. real estate agents, car dealers, job advertisers).

The Company expects that new Tier 1 and Tier 2 products will deliver strong revenue growth in the second half of the 2016 financial year.

ENDS

About the Mitula Group

The Mitula Group is a leading operator of 79 vertical search sites across real estate, employment and motoring in 49 different countries and 19 different languages. These sites operate under the Mitula, Nestoria and Nuroa brands.

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Advertisers (primarily portals and general classifieds sites) send listings to the Mitula Group and when a visitor to one of the Mitula Group sites clicks on one of these listings, they are redirected back to the source site, thus generating traffic for the advertiser.

The Mitula Group core revenue streams are from Google AdSense on its sites and from advertisers paying for additional clicks on a CPC basis. In addition the company has commenced rolling out branding opportunities across its sites.

The company was founded in 2009. It listed on the Australian Securities Exchange on 1 July 2015 and trades under the ticker code MUA.

Further Information

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