7 February 2017

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ASX Release

Market Update

- **1H 2017 earnings meet market guidance**
- **FY 2017 guidance revised lower**
- **Cash position to strengthen**

Mobile Embrace Limited (**ASX: MBE)** (**MBE** or **Company**) provides this market update to shareholders with regard to its operating businesses and unaudited financial performance for the first-half (**1H**) of the 2017 Financial Year (**FY**); the enhancement of its cash position; and an outlook on performance for the second-half (**2H**) through to June 30, 2017.

1H 2017 Unaudited Performance Results:

MBE advises its unaudited results for 1H 2017. 1H group EBITDA met guidance *$2.1M* (guidance of >$2M, *refer ASX announcement of 17 November 2016*) with revenue of *$27.1M* (guidance of >$28M).

MBE continues to develop its core strategy of enabling the acquisition of high quality customers at scale on mobile devices through Performance Marketing and Direct Carrier Billing (**DCB**).

Further to the Company's announcement of 17 November 2016, MBE's Performance Marketing operations continue to grow and are progressing soundly, while DCB operations have seen some impact as a result of external factors beyond the Company's control. Still, international DCB managed to deliver strong transaction and revenue growth with 1H 2017 revenue up >120% on 1H 2016 ($4.24M 1H 2017 up from $1.9M 1H 2016).

DCB expansion through rollout to international mobile carriers continues. However, these activities are progressing more slowly than anticipated due to external factors including carrier technical integration delays, establishment of acceptable user billing processes, customer service processes and internal restructuring within some carriers.

Half Year	Dec 12	Dec 13	Dec 14	Dec 15	Dec 16[1]
Revenue	$5.77M	$9.54M	$14.07M	$28.02M	$27.1M
EBITDA	$0.32M	$1.76M	$1.73M	$4.06M	$2.1M

[1] Unaudited Results as at the time of this announcement.

FY 2017 Full Year Guidance:

The Company anticipates the external factors causing delays in international DCB markets rollout will extend the return on Investment (**ROI**) timeline for the international market activities to move into profit.

Until DCB market conditions improve the Company is taking a prudent approach, reducing the allocation of capital to DCB operations in order to maximize group cashflow and cash accumulation.

MBE sees the preservation of cash as a priority considering this a prudent course of action in the current environment and is focused on ensuring the Company is suitably positioned to drive strong growth in FY 2018.

Reduction in Australian DCB marketing spend due to the impact of the events announced in November will continue. Australian ROI metrics[2] are now more favourable through some marketing channels, though currently not at sufficient volume to increase marketing activity.

As planned, MBE will continue the expansion of its international DCB infrastructure assets through the establishment of connectivity to new telecommunications carriers.

While the rollout through international mobile carriers is expected to continue, the 2H spend on international DCB marketing in existing territories, including SE Asia and the Middle East, will be greatly reduced or put on hold to allow for:

- Cash preservation and accumulation;
- An assessment of the performance and ROI where there was increased marketing spend in December 2016 and January 2017;
- Extended Test and Learn times required in less mature markets to establish acceptable ROI metrics; and
- Delays caused by external factors as detailed above.

The Company is also conducting a review of non-core assets. A component of this will be the consolidation of the 1st Screen mobile advertising business.

MBE estimates FY cash at bank as at 30 June 2017 will improve to $12M, (from $8M), sufficiently funding current operations.

Reduction of DCB marketing spend, whilst boosting the Company's cash position, is estimated to impact FY17 revenue by $13M. Consolidation of the 1st Screen business is estimated to impact FY17 revenue by $4M.

FY MBE group revenue is estimated to be $52M and EBITDA to be between $5M and $6M.

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[2] *ROI metrics: This is the relationship between customer acquisition cost (CPA) and Customer Lifetime Value (CLV) and the resultant margin.*

Performance Marketing Growth:

The Company's Performance Marketing operations, including transactions, revenue and profit, continue to grow.

Development of enhancements to the Performance Marketing technology platform assets will be completed in the coming months.

In parallel with these technology enhancements, new Performance Marketing business and revenue lines are in development to further drive organic growth, strengthening the delivery of MBE's core strategy of enabling acquisition of high quality customers at scale through mobile.

The first new business line is approaching launch status and will be announced shortly.

About Mobile Embrace Limited

Mobile Embrace Limited (ASX:MBE) is a mobile commerce company. Through our integrated and award winning mobile marketing and carrier billing infrastructure we enable the reach, engagement, transactions with and embracement of consumers via mobiles and tablets. To learn more please visit www.mobileembrace.com, follow us on Twitter @ir_mbe or download independent research on MBE here: www.mobileembrace.com/investors-2/.

DISCLAIMER

Forecasts and estimates may be materially different and may be affected by many factors such as the timely release of products and services, dependencies on third parties, the overall global economy, competition in the industry and other events beyond the control of or unforeseen by Mobile Embrace Limited and its subsidiaries.

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