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L23/100 William Street, East Sydney NSW 2011
T: + 61 2 9360 3385 F: + 61 2 9360 2775
www.mobileembrace.com

ASX Release

Market Update

- **FY2017 Full year revenue and EBITDA in line with previous guidance**
- **Performance Marketing business unit growing and producing strong EBITDA**
- **Carrier Billing business costs reduced and margins optimised**

Mobile Embrace Limited (**ASX: MBE**) (**MBE** or **Company**) provides this update to shareholders on the Company's financial performance, operations and outlook through to 30 June 2017.

MBE reaffirms that it is on track to meet its full year FY17 guidance of revenue of \$52 million and EBITDA of between \$5 and \$6 million (as announced 7 Feb 2017).

The Company is well funded with positive cashflows, a strong balance sheet and additional borrowing capacity under its current facility with CBA.

MBE continues to execute its strategy of enabling businesses to acquire quality customers at scale on any device, with revenue primarily being derived from the marketing or billing transactions that the Company delivers.

Performance Marketing

MBE has increased its focus on building marketing transaction volumes through the progressive development of its Performance Marketing business unit. Performance Marketing has become the Company's dominant revenue and earnings driver with transactions increasing and delivering a higher EBITDA margin than the Carrier Billing division.

The Performance Marketing business unit is growing well. Average monthly marketing transactions from July 2016 to March 2017 were 1.9 million per month, an increase of 46% on the FY2016 monthly average of 1.3 million per month.

A number of new proprietary brand and data assets have been successfully launched and there are more than 200 simultaneous client campaigns now live. Client retention rates exceed 90%. The expanding client base covers major industries including gas, electricity, telecommunications, finance, health, travel, insurance, education, entertainment and FMCG (fast moving consumer goods).

The industry outlook for Performance Marketing is encouraging. Generating traffic and leads is the top marketing challenge for 65% of all businesses, and converting leads to customers is the key marketing priority for 74% of all businesses¹.

¹ 2016 HubSpot Report

Carrier Billing

Given the external factors that have led MBE to put the marketing of its international Carrier Billing operations on hold, as well as the continuing reduction in spend for the Australian operations (as announced 7 February 2017), the business unit has been restructured with costs reduced to ensure optimum margin returns are delivered.

Activities can be scaled up once return on investment metrics can deliver acceptable financial returns.

The Carrier Billing business unit is co-operatively working with its carrier and connectivity partners to further develop user billing and customer service processes. A carrier group partner has recently deployed MBE's proprietary customer service platform to improve its carrier billing customer communication.

The factors that have impacted the Carrier Billing business do not impact the Performance Marketing business.

Outlook

Mobile Embrace has been executing on its core strategy, of enabling businesses to acquire quality customers at scale on any device, through two parallel business streams, Performance Marketing and Carrier Billing.

The Company's Performance Marketing business unit is proving to be the strongest deliverer of MBE's core strategy and revenue streams, as well as providing strategic risk mitigation for MBE's broader operations. The Company continues to strengthen and organically grow this division.

Having developed and built a strong Carrier Billing business over many years, the impact that external factors have had on the Carrier Billing business has been extremely disappointing for MBE and its shareholders.

Notwithstanding, the infrastructure and technology of the division holds considerable value for MBE and all future opportunities that generate a sustainable return on investment will be pursued.

MBE will continue to increase its focus on the innovation, investment and development of the Performance Marketing division that has consistently delivered improvements in financial performance, built a solid market position, and is progressing a robust product and technology roadmap. A strong platform to drive greater near-term and sustainable returns for shareholders. Further updates will be provided in due course.

About Mobile Embrace Limited

Mobile Embrace Limited (ASX: MBE) is a mobile commerce company. Through our integrated and award winning digital customer acquisition infrastructure we enable the reach, engagement, transactions with and embracement of consumers at scale. To learn more please visit www.mobileembrace.com.

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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.



Media Contacts:

Rachael Mooney

Marketing Manager, Mobile Embrace

+61 2 9360 3385

press@mobileembrace.com

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