

ASX RELEASE

27 JULY 2017

## QUARTERLY ACTIVITIES REPORT: PERIOD ENDED 30 JUNE 2017

### HIGHLIGHTS

#### FY17 – A year of strong organic growth, ending with a strong balance sheet, cash flows and outlook

- **Record revenue growth:** Tech Mpire (TMP) ended FY17 with another year of record revenues, with revenues expected to reach \$37 million; a 15% increase on the full year FY16.
- **Shift to profitability:** TMP recorded its first annual profit since relisting two years ago, with a pre-audit Net Profit Before Tax estimated at between \$500k to \$700k for FY17.
- **Shift to cash-positive:** FY17 has been cash flow positive.
- **Strong balance sheet:** Cash balance as at 30 June 2017 of \$8.2 million; an increase of 46% on the 30 June 2016 level of \$5.6 million.
- **Appointment of new CEO, Lee Hunter, and new Non-Executive Director, Renaud Besnard.**
- **Strong growth outlook:**
  - Focus on improving quality of traffic supply sources and removal of low-quality sources of web traffic and mobile app installs to significantly improve Tech Mpire's ability to attract and retain premium clients over the long-term.
  - Asia-Pacific growth on track with TMP looking to establish new offices within the region.
- With the strategic decision to prioritise quality traffic supply over volume, 4Q17 recorded revenue of \$7.4 million.

### OPERATIONS

Measures to drive both quality and volume of online advertising traffic remain the highest strategic priority for TMP, with quality being a key component of the Company's competitive advantage. These measures are critical to the Company's ability to satisfy sustained, long-term demand from high-calibre clients.

#### Improving quality of traffic

During the June quarter, TMP continued to focus on ensuring its online advertising traffic is high quality. As outlined in the Company's Strategy Update (see ASX announcement dated 3 April 2017), a key challenge faced by the online performance advertising industry is the ability to access sustained volumes of high-quality traffic.

As part of its strategy, TMP continues to focus on premium clients with large advertising budgets and continues to engage with some of the biggest apps and brands in the world.

In order to protect the trust placed in the Company by these top-tier clients and its strategic decision to prioritise quality traffic supply over volume, TMP has focused substantial attention on removing low-quality traffic sources in the 4Q17. This has resulted in lower volumes of supply and hence lower revenue for the quarter.

However, the focus on prioritising quality supply will significantly improve the Company's ability to attract and retain premium long-term clients and provide a strong foundation to drive further growth in FY18.

For personal use only

## Value of TMP's technology platform

Elimination of low-quality traffic sources has been enabled by the increasing sophistication of TMP's proprietary invalid-traffic mitigation solution, TrafficGuard.

Complemented by the Company's additional quality assurance processes, TrafficGuard is able to detect and remove traffic sources that are exhibiting non-compliant and/or non-human traffic. This protects TMP's clients' ad spend from the impact of invalid traffic and ad fraud.

The majority of TMP's technology investment has now been completed, and the Company does not require additional capital to fund the next phase of development. TMP's technology platform, nxus<sup>®</sup>, is ready to fully support the Company's growth plan, including expansion into new regions.

## Focus on developing new traffic sources

As outlined in the Company's Strategy Update (see ASX announcement dated 3 April 2017), TMP is increasing volumes of traffic supply by streamlining the process of engagement with traffic partners and by gaining access to new high-volume sources.

Throughout the June quarter, TMP also continued to develop its automated media buying processes which are designed to enable rapid traffic scalability. The Company's quality of traffic is also expected to increase as a result of the increased adoption of TMP's Partner API, which allows for integration with higher volume traffic sources.

TMP additionally launched proprietary recommendation algorithms at the end of the March quarter and these are now being used across TMP's nxus technology platform to improve the utilisation of its current traffic sources.

## Executive Appointments

During the June quarter, former Non-Executive Director and former Google and YouTube executive, Lee Hunter, was appointed as Chief Executive Officer. Since his appointment, Mr Hunter has been building the team that will help deliver Tech Mpire's next phase of growth, starting with the appointment of Tech Mpire founder, Luke Taylor, as Chief Technology Officer.

In July, Renaud Besnard, also joined the TMP Board as a Non-Executive Director. Mr Besnard is the Regional Marketing Director of Uber, Asia-Pacific and previously held senior marketing positions at Google and Microsoft. His appointment significantly enhances TMP's Asia Pacific expertise as it looks to expand in the region.

Post the end of the quarter, Non-Executive Director, Mathew Ratty was also engaged on a consultancy contract to further leverage his expertise in corporate finance and investor relations.

## BALANCE SHEET, REVENUE AND PROFITABILITY

TMP is pleased to advise that it recorded its first annual profits since relisting, with pre-audited FY17 net profit before tax (NPBT) estimated between \$500,000 to \$700,000. This was achieved whilst completing significant investment in technology and people over the past 12 months.

The Company is also pleased to report that FY17 revenue is expected to reach \$37 million, representing an increase of 15% on the previous corresponding year.

Revenue for the June quarter totalled \$7.4 million. With the strategic decision to remove low-quality traffic sources and prioritise quality over volume, the result was lower revenue for the quarter.

The Company has a cash balance as at 30 June 2017 of \$8.2 million, up from \$5.6 million as at 30 June 2016. This cash balance includes advanced funds of \$1.1 million under a debtor finance facility.

## OUTLOOK

Continued progress towards TMP's 'four pillar' technology strategy (see ASX announcement dated 3 April 2017) is expected to enhance the Company's ability to meet demand and will drive both future revenue and profitability. Acceleration of this strategy will continue into FY18, with the priority being the improvement of the quality and volume of traffic. A focus on improving TMP's ability to service strong client demand is anticipated to lead to increasing revenue and profitability from as early as the second quarter.

The Company's cash balance means it remains well funded to continue the implementation of its growth strategies as outlined in the recent Investor Presentation (see ASX announcement dated 7 June 2017).

Due diligence has also commenced on the expansion of operations to service the high-growth Asia Pacific (APAC) mobile advertiser market. Establishment of a suitable APAC presence will enable the Company to service major clients in every timezone across the globe. In order to take advantage of the opportunity presented by APAC's market growth, the Company anticipates it will have a lean business development team beginning to operate in the region before the end of the first half of FY18.

Tech Mpire Chief Executive Officer, Lee Hunter, said: "Inconsistency in volumes of high-quality supply is a problem that has, to date, prevented Tech Mpire from sustaining our highest peaks in campaign activity and revenue. Low-quality supply is not a challenge unique to Tech Mpire, but something experienced across the entire internet advertising ecosystem. I am confident that with our current business and technology strategies, funding, and expertise, we are well positioned to address this challenge with a long-term solution that will drive Tech Mpire's competitive advantage."

-Ends-

For more information, please contact:

### **Investor Enquiries**

Lee Hunter  
Chief Executive Officer  
Tech Mpire Limited  
08 9473 2500  
[investor.enquiry@techmpire.com](mailto:investor.enquiry@techmpire.com)

### **Media Enquiries**

Melissa Mack  
Media & Capital Partners  
0430 119 951  
[Melissa.mack@mcpartners.com.au](mailto:Melissa.mack@mcpartners.com.au)

## 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

**Name of entity**

Tech Mpire Limited

**ABN**

88 156 377 141

**Quarter ended ("current quarter")**

June 2017

| <b>Consolidated statement of cash flows</b>                                       | <b>Current quarter<br/>\$A'000</b> | <b>Year to date<br/>(12 months)<br/>\$A'000</b> |
|---|------------------------------------|---|
| <b>1. Cash flows from operating activities</b>                                    |                                    |   |
| 1.1 Receipts from customers   | 10,940                             | 36,842  |
| 1.2 Payments for  |                                    |   |
| (a) research and development (see additional note 1)                              | (577)                              | (1,987)   |
| (b) product manufacturing and operating costs including cost of services rendered | (5,670)                            | (27,164)  |
| (c) advertising and marketing   | (157)                              | (539)   |
| (d) leased assets   | -                                  | -   |
| (e) staff costs (see additional note 2)   | (1,487)                            | (5,033)   |
| (f) administration and corporate costs  | (103)                              | (363)   |
| 1.3 Dividends received (see note 3)   | -                                  | -   |
| 1.4 Interest received   | -                                  | 11  |
| 1.5 Interest and other costs of finance paid                                      | (37)                               | (37)  |
| 1.6 Income taxes paid   | (14)                               | (25)  |
| 1.7 Government grants and tax incentives  | -                                  | 188   |
| 1.8 Other (provide details if material)   | -                                  | -   |
| <b>1.9 Net cash from / (used in) operating activities</b>                         | <b>2,895</b>                       | <b>1,893</b>                                    |

For personal use only

| <b>Consolidated statement of cash flows</b>               | <b>Current quarter<br/>\$A'000</b> | <b>Year to date<br/>(12 months)<br/>\$A'000</b> |
|---|------------------------------------|---|
| <b>2. Cash flows from investing activities</b>            |                                    |   |
| 2.1 Payments to acquire:                                  |                                    |   |
| (a) property, plant and equipment                         | (17)                               | (84)  |
| (b) businesses (see item 10)                              | -                                  | (31)  |
| (c) investments   | -                                  | -   |
| (d) intellectual property                                 | -                                  | -   |
| (e) other non-current assets                              | -                                  | (34)  |
| 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 Net cash from / (used in) investing activities</b> | <b>(17)</b>                        | <b>(149)</b>                                    |

|   |              |              |
|---|--------------|--------------|
| <b>3. Cash flows from financing activities</b>                                  |              |              |
| 3.1 Proceeds from issues of shares  | -            | -            |
| 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 | -            | -            |
| 3.5 Proceeds from borrowings  | -            | -            |
| 3.6 Repayment of borrowings   | -            | -            |
| 3.7 Transaction costs related to loans and borrowings                           | -            | -            |
| 3.8 Dividends paid  | -            | -            |
| 3.9 Other (provide details if material):  | -            | -            |
| (a) Net short term advances under debtor factoring facility                     | 1,097        | 1,097        |
| <b>3.10 Net cash from / (used in) financing activities</b>                      | <b>1,097</b> | <b>1,097</b> |

For personal use only

| <b>Consolidated statement of cash flows</b> |  | <b>Current quarter<br/>\$A'000</b> | <b>Year to date<br/>(12 months)<br/>\$A'000</b> |
|---|--|------------------------------------|---|
| <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               | 4,280                              | 5,601   |
| 4.2   | Net cash from / (used in) operating activities (item 1.9 above)              | 2,895                              | 1,893   |
| 4.3   | Net cash from / (used in) investing activities (item 2.6 above)              | (17)                               | (149)   |
| 4.4   | Net cash from / (used in) financing activities (item 3.10 above)             | 1,097                              | 1,097   |
| 4.5   | Effect of movement in exchange rates on cash held                            | (72)                               | (259)   |
| <b>4.6</b>                                  | <b>Cash and cash equivalents at end of quarter</b>                           | <b>8,183</b>                       | <b>8,183</b>                                    |

| <b>5. Reconciliation of cash and cash equivalents</b>   | <b>Current quarter<br/>\$A'000</b> | <b>Previous quarter<br/>\$A'000</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   | 5,579                              | 4,280                               |
| 5.2 Call deposits   | -                                  | -                                   |
| 5.3 Bank overdrafts   | -                                  | -                                   |
| 5.4 Other (Term Deposit)  | 2,604                              | -                                   |
| <b>5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>                                  | <b>8,183</b>                       | <b>4,280</b>                        |

| <b>6. Payments to directors of the entity and their associates</b>                                       | <b>Current quarter<br/>\$A'000</b> |
|--|------------------------------------|
| 6.1 Aggregate amount of payments to these parties included in item 1.2                                   | 212                                |
| 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 |                                    |

For personal use only

| 7. <b>Payments to related entities of the entity and their associates</b>                                | Current quarter<br>\$A'000 |
|--|----------------------------|
| 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 |                            |

| 8. <b>Financing facilities available</b><br><i>Add notes as necessary for an understanding of the position</i> | Total facility amount<br>at quarter end<br>\$A'000 | Amount drawn at<br>quarter end<br>\$A'000 |
|--|--|---|
| 8.1 Loan facilities  | -  | -   |
| 8.2 Credit standby arrangements  | -  | -   |
| 8.3 Other: debtor factoring facility   | 2,142  | 1,097                                     |

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.

On 31 March 2017, a group company (Company) entered into a secured debtor factoring facility (Facility) with Pivot Financial Inc (Pivot), an unrelated party.

The Facility enables the Company to receive cash receipts in advance on certain of its customer invoices which are purchased by Pivot. The amount which may be advanced is limited to 90% of the face value of factored invoices with a maximum credit limit of USD \$3,600k. A fixed fee of 1.0% of the customer invoice purchased is charged by Pivot. Where the customer invoice remains unpaid after 30 days, a further fee of 0.033% of the invoice value is charged per day thereafter that the invoice remains unpaid. In addition to the fees, interest is payable on the average daily balance drawn based on the Bank of Montreal prime rate plus 3%.

In the event the customer invoice remains unpaid for 90 days from invoice date, the Company may be required to repay to Pivot all advances received for that invoice plus all related fees, interest and costs associated with that invoice.

At 30 June 2017, AUD \$1,097k had been drawn. The total facility limit on 30 June 2017 eligible debtors was AUD \$2,142k.

Under the current terms the Facility will terminate on 31 March 2018 (12 month term). The company is not obligated to factor a minimum value of customer invoices over the life of the facility.

For personal use only

| 9.         | Estimated cash outflows for next quarter  | \$A'000      |
|------------|---|--------------|
| 9.1        | Research and development  | 576          |
| 9.2        | Product manufacturing and operating costs including cost of services rendered (see additional note 3) | 5,539        |
| 9.3        | Advertising and marketing   | 135          |
| 9.4        | Leased assets   | -            |
| 9.5        | Staff costs   | 1,290        |
| 9.6        | Administration and corporate costs  | 110          |
| 9.7        | Other (provide details if material)   | 100          |
| <b>9.8</b> | <b>Total estimated cash outflows</b>  | <b>7,750</b> |

| 10.  | Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above) | Acquisitions | Disposals |
|------|---|--------------|-----------|
| 10.1 | Name of entity  | n/a          | n/a       |
| 10.2 | Place of incorporation or registration  | n/a          | n/a       |
| 10.3 | Consideration for acquisition or disposal                                       | n/a          | n/a       |
| 10.4 | Total net assets  | n/a          | n/a       |
| 10.5 | Nature of business  | n/a          | n/a       |

### 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.



Sign here: .....  
(Director/Company secretary)

Date: 27 July 2017

Print name: CLARE MADELIN

For personal use only

**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.

**Additional Notes**

1. Item 1.2(a), payments for research and development, comprises primarily staff costs relating to on-going technology development work.
2. Item 1.2(e), payments for staff costs, excludes those costs relating to on-going technology development work which are included instead at item 1.2(a) – see additional note 1 above.
3. Item 9.2, estimated cash outflows for next quarter - product manufacturing and operating costs including cost of services rendered, includes payments to supply partners for the cost of services rendered to advertising clients and consequently the estimated cash outflow is dependent primarily on estimated sales for the next quarter.

For personal use only