

2 November 2017

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ASX Release

## Market Update

### HIGHLIGHTS

- **AddGlu technology platform performing above expectations. New enhancements in development**
- **C2B business fully integrated and contributing to growth**
- **MBE investing in senior team to further drive Performance Marketing growth**
- **Well-placed for improved EBITDA for FY 2018**

Mobile Embrace Limited (**ASX: MBE**) (**MBE** or **Company**) is pleased to provide this update to shareholders. The Company is trading well and, although in the early stages, is well-placed to deliver improved Earnings before Interest, Tax, Depreciation and Amortisation (**EBITDA**) for the Financial Year 2018 (**FY2018**) in comparison to FY 2017 EBITDA of \$5.4M.

MBE is making strong progress in its evolution as a technology led digital Performance Marketing company. This new emphasis is de-risking MBE's broader operations and the transition is providing a stronger platform to drive returns for shareholders and improved earnings.

### Digital Performance Marketing Update

MBE continues to scale up its technology led Digital Performance Marketing business with operations in three key markets – Australia, New Zealand and the UK. MBE is building out market-leading platforms and infrastructure, so that its clients can utilise its proprietary technology, tools and data assets to seamlessly target and connect consumers to products they value, generating high quality customer acquisitions at scale, via online and mobile devices.

The Company is now well-advanced with its transition to a pure Digital Performance Marketing business which is underpinning this improved operational performance.

- **AddGlu technology platform performing above expectations. New enhancements in development**

MBE's proprietary Predictive Customer Acquisition technology platform, AddGlu for Marketers (**AddGlu**) which was launched in September (*refer ASX announcement 7 September 2017*), has enhanced Performance

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Marketing operations and is performing above expectations. MBE is continuing to invest in AddGlu, adding new functionality to ensure clients access the very best customer acquisition technology available. This investment is contributing to high client retention rates and live campaigns that are still exceeding 200+.

The Company has added new supply channel partnerships, expanding the number and diversity of digital supply channels that enable customer reach and the generation of customers for clients at scale via online and mobile devices. This is also enabling the generation of higher marketing transaction volumes that contribute to revenue.

Currently more than three million digital marketing transactions are materializing from MBE's Performance Marketing division each month.

- **C2B business fully integrated and contributing to growth**

The Company is also pleased to advise that the C2B Solutions business, acquired in August (*refer ASX announcement 14 August 2017*), is now fully integrated within MBE and benefiting from exposure to the Company's broader Digital Performance Marketing operations. C2B is developing new Performance Marketing products with the first having been launched with positive market uptake, profitable revenue generation and encouraging growth prospects.

C2B's co-founders are actively driving the growth and development of the business and have maintained 90%+ client retention levels. This added functionality that C2B has delivered to MBE's Digital Performance Marketing operations is contributing to improved customer conversion rates for clients and improved earnings margins.

Digital Performance Marketing is experiencing pleasing organic growth which validates the Board's decision to focus MBE's resources on scaling up the business. This is matched with a more stable, predictable and de-risked revenue and earnings profile.

The group's EBITDA margins will benefit from the greater focus on Performance Marketing, enabling stronger earnings off a lower revenue base and improved earnings per share.

#### **Investing in the Senior Team to Drive Organic Growth**

Following the completion of the acquisition earnout period, Andrew Kilday, CEO of The Performance Factory has committed to the Company for a further three years.

Mr. Kilday's appointment is a pleasing and noteworthy development for MBE as it demonstrates the Company is again investing in its people to drive earnings growth.

#### **Update on Non-Core Operations**

With a strong focus led emphasis on Digital Performance Marketing operations, MBE continues to reduce costs across the Carrier Billing business. External factors that have impacted the division remain, and the Company's earnings are better insulated by focusing on scaling up Digital Performance Marketing operations which have more predictable revenue and earnings streams which justifies the Company's transition and focus.



Given the external factors that have led MBE to put the Carrier Billing operations on hold, revenue-generating transactions are predominantly Performance Marketing and driving group earnings.

MBE, through its Performance Marketing operations, is adapting to being a business that delivers higher EBITDA margins, improved return on funds employed, and strong group earnings, off a lower revenue base.

As previously announced, the Board has determined that the Clipp business, of which it has a 97% shareholding, does not fit within MBE's future strategic direction and business plan and the Board is actively considering its options in relation to this investment.

### **Solid Financial Position**

MBE's is in a strong financial position with monthly cash generation comfortably meeting expectations, current cash reserves solid. MBE has sufficient financial flexibility to continue scaling up Digital Performance Marketing operations.

### **Commentary**

In relation to the strong start to FY2018, CEO and Managing Director, Neil Wiles, said:

*"MBE has begun trading well in FY2018. The Digital Performance Marketing business is growing, our recently launched Predictive Acquisition platform AddGlu is performing above expectations and is well regarded in the Performance Marketing sector, and cash generation is pleasing. The decision to focus our efforts on growing the Performance Marketing operations has proven to be the right one."*

*Particularly noteworthy is the added functionality that AddGlu and C2B are delivering to the Digital Performance Marketing operations. This is driving growth in campaign volumes and digital transactions, but importantly, we are now witnessing better earnings margins on some campaigns being delivered by MBE.*

*We are also pleased that Andrew Kilday has contracted with the Company through to 2020. Andrew has played a very important role in developing the Digital Performance Marketing business and brings significant expertise in identifying and delivering strategic initiatives to further drive business growth.*

*MBE's financial position is sound and, underpinned by pleasing cash generation and a comfortable cash balance. Although still in transition, our evolution to a pure Digital Performance Marketing business is nearing completion and we confirm that we are well-placed to deliver FY2018 earnings growth."*

### **About Mobile Embrace Limited**

Mobile Embrace Limited (ASX: MBE) is a technology led digital performance marketing 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](http://www.mobileembrace.com).

### **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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