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ASX Release

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Impelus Reports HY1 FY2018 EBITDA of \$2.2 million

- **HY1 FY2018 EBITDA of \$2.2 million (Underlying EBITDA¹ \$2.8 million);**
- **Group Revenue of \$15.5m reflecting scale back of Carrier Billing operations;**
- **Digital Performance Marketing (DPM) HY revenue grew 29% to \$8.4¹m;**
- **Decision by the Board as a component of the transition to DPM to restructure the balance sheet and incur a reduction in Goodwill of \$20m;**
- **DPM UK operations performing strongly;**
- **Investment in DPM technology platforms and customer engagement sites is starting to deliver higher margin DPM revenue² and**
- **Further cost and efficiency gains materialising and cash position at \$3.3m**

Impelus Limited (**ASX: IMS**) (**IMS, Impelus or Company**) is pleased to report revenue and earnings for the six months ended 31 December 2017.

HY1 2018 Earnings Before Interest, Tax, Depreciation and Amortisation (**EBITDA**) were \$2.2 million (HY1 FY2017: \$2.1 million) and underlying EBITDA was \$2.8 million. Net profit after tax for the half was \$0.4 million (before write-off of Goodwill) (HY1 2018: \$0.7 million).

Revenue for the half was \$15.5 million (HY1 FY2017: \$27.1 million). Revenue and earnings were both lower in the half due to the expected and planned scaling down of Direct Carrier Billing (**DCB**) operations, in line with the Company's strategy of shifting its major focus to be a technology-led Digital Performance Marketing (**DPM**) Company as announced last year.

¹ Underlying EBITDA is EBITDA adjusted for one off restructuring costs.

² DPM HY1 FY2018 includes 1st Screen NZ now consolidated into DPM and C2B (acquisition announced August 2017).

The revenue growth from the DPM business was favourable, increasing 29% year on year (YOY) for the half to \$8.4 million (HY1 FY2017: \$6.5 million), strengthened by a solid performance from the UK DPM operations (originally Marketing Punch acquired in 2015).

The Company having made a positive start to the financial year, seeing a higher ratio of EBITDA to revenue this half year compared to the previous corresponding period, and as a component of the Company's transition to Digital Performance Marketing, the Board resolved to undertake a Balance Sheet restructure with a view to the future and incur a significant impairment in relation to Goodwill of approximately \$20m. This was the result of a number of factors including:

- Advice in regard to reducing the proportion of Goodwill as a percentage of total asset value;
- Impact upon the business as a result of the transition from a Direct Carrier Billing (DCB) focus to a technology-led Digital Performance Marketing Business including Telstra's decision to prematurely cease providing DCB services (as announced 9 February 2018);
- The amalgamation of the Company's individual cash generating unit entities under the DPM umbrella;
- Write downs in relation to non-core assets including \$4m in relation to Clipp;
- The age of some components of the intangible assets;
- The result of the bi-annual asset impairment testing process including consideration of a number of macro assumptions such as market conditions; and
- Impairment testing indicated the Company needed to incur an impairment of at least \$7.3m but due to the factors particularised above, a decision was made to incur an amount of \$20m.

This restructuring of the Balance Sheet positions the business for a healthier future.

The Company's key focus during the half was the continuing scale up of its DPM business through the investment and roll-out of technology-led customer acquisition platforms that deliver better qualified customer leads to clients more cost effectively, and the ongoing scaling down of loss making (Clipp) and other non-core operations (DCB).

Half Year 1 FY2018	Dec 16	Dec 17
IMS Revenue	\$27.1M	\$15.5M
IMS EBITDA	\$2.1M	\$2.2M
DPM Revenue	\$6.5M	\$8.4M

Operations Update

IMS's evolution to a 'pure play' global DPM customer acquisition business has continued with considerable progress made during the half:

- **Multiple technology enhancements released:** Technology enhancements have been developed and released, and the Company's technology platforms, including AddGlu, are being consolidated under the 'AddGlu Suite' of technologies that will provide the Company with global infrastructure that is more flexible and scalable, and importantly, will enable IMS to deliver programs for international brands simultaneously across multiple territories, and at scale.
- **Launch of new customer acquisition platforms:** New DPM platforms (e.g. premium website assets that connect consumers with highly relevant offers) have been developed and launched in the test phase and are now generating up to 10 times more average revenue per marketing transaction. While still in a launch phase, the early performance of these assets is encouraging, and they offer the Company access to substantial multi-territory growth opportunities. DPM customer acquisition campaigns in the Financial Services and Investment categories show great promise and are delivering favourable margins.

- **Investing in talent:** Additional technology specialist staff have been recruited, strengthening and bolstering the in-house team and its capabilities.
- **A unified global go-to-market brand launched:** The Company's subsidiaries in the UK, Australia and New Zealand were rationalised and commenced trading under the global Impelus brand, (the Digital Performance Marketing financial segment), in line with the corporate name change that occurred in December.

Divestment and Closure of Non-Core Assets

The consolidation and divestment of non-core assets and associated costs including the progressive decrease in revenues from DCB has continued. While some residual revenue and earnings continue to materialise from some historical DCB databases, that are in run-off.

As previously announced, the Board has determined that the 97%-owned Clipp business does not fit within IMS's future strategic direction and the Board is actively considering its options in relation to this investment. IMS anticipates that by May of this year, the revenue from and cost of running Clipp will be neutral and not impact the Company's cash reserves.

Outlook

Impelus is now well advanced in establishing itself as a growing digital-led customer acquisition business underpinned by the very best technology platforms.

In a rapidly changing marketing landscape, leading companies and brands are demanding better outcomes from their promotional partners, including delivery of more qualified customer leads, improved customer lifetime value, and greater cost effectiveness. Impelus' platforms are now doing this.

The Company will increase its investment in the growth and development of the new DPM assets throughout HY2 FY2018, given they are expected to generate higher average revenue per transaction, and will lessen activity on lower value, lower average revenue per transaction products.

The UK operations are trading well, and new client relationships are being established with growth opportunities identified in other European markets. IMS sees considerable scope for growth in the UK operations, and the Company is well advanced with plans to establish a greater presence there to deliver organic revenue and earnings growth. Updates to the market will be provided in due course.

Given the impact of recent changes to the DCB operations as reported on 9 February, and the continued investment this half in the DPM business, clearer revenue and earnings visibility is anticipated in the first half of FY2019. Objectives for this half include:

- Scale-up and deployment of technologically-enhanced DPM operations in Australia, NZ and more so, the larger UK and European markets;
- Launch of new consumer engagement technology platforms to deliver improved margins; and
- Strengthening the UK operations and improved efficiency gains.

Impelus looks forward to reporting on these milestones progressively in the near term. The Board and management team is very confident in the Company's prospects and opportunities for growth.

~ ENDS ~

FOR FURTHER INFORMATION, PLEASE CONTACT:

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ABOUT IMPELUS LIMITED

Impelus Limited (ASX: IMS) is a customer generation engine that enables businesses to acquire customers at scale via digital channels and devices. To learn more please visit www.impelus.com or follow us on Twitter @ImpelusLimited.

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