



ASX ANNOUNCEMENT

26 February 2018

amaysim 2018 half year result^{1,2}

Strong growth in subscribers and record net revenue. Increased investment to drive future growth across the business

SUMMARY

- Record statutory net revenue of \$294.0 million (up 115.1%) driven by strong subscriber growth across the Group and the addition and acquisition of new verticals
- Invested in strategic initiatives to drive future business growth, including the successful launch of 'amaysim energy' and 'amaysim devices' and new mobile products targeting the sub-\$20 market
- Statutory EBITDA of \$10.2 million (down 41.0%)
- Underlying EBITDA of \$17.8 million (up 2.9%) after adding back costs incurred in connection with the integration of Click, investment in new mobile products, and the launch of 'amaysim devices' (a new vertical)
- An additional \$6.0 million receivable relating to the first half has been reflected as a subsequent event in the 2018 half year results. If this subsequent event were included, statutory EBITDA would be \$16.2 million and underlying EBITDA would be \$23.8 million
- Underlying NPATA of \$7.5 million (down 27.6%) driven by increased amortisation of software and interest costs associated with the acquisition of Click, partially offset by a reduced tax expense
- Strong underlying operating cash flow after capex of \$37.7 million implying a cash conversion of 212% of underlying EBITDA
- Strong mobile subscriber growth continuing in January and February 2018 and early progress has been made on the Group's long-term cross-sell strategy
- Industry leading customer satisfaction and mobile plans winning the 2017 Canstar Blue award for Most Satisfied Customers – Mobile SIM Only³ and two gold Money Magazine Best of the Best 2018 awards⁴

amaysim Australia Limited (ASX:AYS) today announced its results for the half year ending 31 December 2017. The Group reported strong growth in subscribers across all verticals with mobile subscribers up 10% to 1.127 million; energy subscribers up 18% to 185,000 (since the acquisition of Click on 1 May 2017) and broadband subscribers of 13,000 (from 5,000 in June 2017). The growth in subscribers was backed by long-term growth initiatives, including new product launches and successful marketing campaigns, contributing to a record first half 2018 net revenue of \$294.0 million.

¹ All comparisons are half year ended 31 December 2017 compared to half year ended 31 December 2016 unless otherwise noted. Subscriber numbers in this announcement are rounded to the nearest thousand.

² Underlying figures have been calculated from statutory data and exclude the impact of non-core income and expenses, strategic investments, any acquisition related expenses including consequential changes in the value of tax assets, integration and transaction costs with a related tax adjustment where applicable. Refer to appendix for reconciliation between statutory and underlying results.

³ Canstar Blue Most Satisfied Customers – Prepaid Mobile Services award in 2013 & 2014; Canstar Blue Most Satisfied Customers – Mobile Phone Plan Providers in 2014; Canstar Blue Most Satisfied Customers – Mobile SIM Only Postpaid in 2016 & 2017

⁴ amaysim won gold in the Best Value Prepaid Mobile Plan (Low Usage) category for its \$10 UNLIMITED 1GB mobile plan and its \$30 UNLIMITED 5GB plan was named the Best Value Mobile Plan in the International Calls category; Vaya was named Best Postpaid Month-to-Month SIM for its Unlimited XL Month to Month plan at the 2017 finder Awards; 3. NPS tracking survey of 2103 customers, Nov 2017

During the period, amaysim made significant investments across its business, particularly to target a new and growing segment of the mobile market and launch and promote amaysim's simple energy plans and online device store. Excluding these investments, underlying EBITDA in the first half of the 2018 financial year was \$17.8 million, up 2.9% on the prior period. This figure for underlying EBITDA does not include a \$6.0 million receivable relating to the first half which has been reported as a subsequent event. If this subsequent event were included, underlying EBITDA would have been \$23.8 million.

amaysim's Chief Executive Officer and Managing Director Julian Ogrin said: "We are achieving strong subscriber growth across our business, adding new customers every day. After completing our diversification strategy, we have been focussed on broadening each vertical's product offering, increasing brand awareness and executing on targeted cross-sell campaigns across the base.

"In our mobile business, we increased data inclusions, while also expanding into the sub-\$20 market – a previously untapped segment of the market. We successfully launched our small but mighty \$10 unlimited mobile plans with the "Just What You Need" marketing campaign. This campaign almost doubled the Group's unprompted brand awareness, drove strong uptake of the new plans and supported the Group's broader cross-sell strategy. In fact, we have already made progress in this regard with approximately 1.1% of amaysim branded mobile subscribers taking up a product from another amaysim branded vertical.

"Traditional, single-vertical customer acquisition models are expensive because the only way for these businesses to grow customers is to effectively buy them in the open market through marketing and promotions. Our strategy is different. We will predominantly drive growth through our mobile vertical, which remains our most cost-efficient channel for acquiring new households with a low cost-per-acquisition and efficient cost-to-serve. This allows us to focus on cross-selling higher ARPU broadband and energy products to these subscribers who have already chosen to be with our brand for their mobile plan."

MOBILE

In its mobile business, amaysim broadened its suite of UNLIMITED products to capture a greater share of the sub-\$20 market and increased data inclusions. This strategic move has given the Company an early lead into this significant price sensitive segment of the market and supports the cross-sell strategy by driving strong growth.

The amaysim Group's mobile subscriber base grew by 10%, at a low churn rate of 2.0%, to close at 1.127 million as at 31 December 2017. This was achieved despite increased competition. The strong subscriber growth continued in January and February 2018 with amaysim's Group mobile subscriber base closing over 1.140 million as at 20 February 2018.

Despite this subscriber growth, mobile statutory net revenue was flat due to a 15.0% reduction in mobile ARPU. Excluding devices from the mobile result, statutory net revenue decreased by approximately 7%, gross margin was 30.2% and underlying EBITDA was \$11.1 million (down 35.9%). ARPU was primarily impacted by the broadening of the mobile portfolio which resulted in existing subscribers migrating towards lower price plans and fewer subscribers purchasing data top ups as inclusions were increased across the portfolio.

amaysim's Chief Executive Officer and Managing Director Julian Ogrin said: "Despite a very competitive mobile market, we maintain a positive outlook on the trajectory of our mobile business and will explore tactical initiatives to incentivise customers to take up and remain on higher value mobile plans."

“We’re also really pleased that we continued to demonstrate our dedication to customer service and satisfaction, recording one of the lowest levels of complaints in the industry.⁵ The level of satisfaction remains very high with 89% of our subscribers saying they would recommend amaysim to their family and friends.⁶”

amaysim launched its online device store in October 2017 following strong demand from its mobile subscribers for a device offering. The initial results since then reinforce the device strategy to boost amaysim’s top line growth through new customer acquisition and retention. In the half, the Group shipped approximately 16,300 device store orders across the amaysim, Vaya and a number of smaller tech brands.

BROADBAND

After launching amaysim’s nbn plans in the second half of the 2017 financial year, the broadband business has achieved solid growth. In the 2018 half year, the Company undertook promotional activity to support awareness and invested in building its own national core network to improve long term margins and customer experience. The broadband business had 13,000 subscribers as of 31 December 2017.

amaysim’s Chief Executive Officer and Managing Director Julian Ogrin said: “Our broadband business has performed well and within management’s expectations. Encouragingly, around 40% of amaysim nbn subscribers have a relationship with our business, affirming our cross-sell strategy and strength of customer relationship.

“With customer experience front of mind, we are particularly proud of our industry leading activation efficiency, where we are connecting customers twice as fast as the average industry rate.”

ENERGY

The Company’s energy business experienced strong growth in the first half of the 2018 financial year with approximately 185,000 subscribers at 31 December 2017 (up approximately 18% since the acquisition of Click on 1 May 2017). This growth followed the launch of new amaysim energy plans in October 2017, increased level of disciplined investment in customer acquisition and a solid performance from Click’s existing channels.

Energy delivers a higher average revenue per user than other business verticals. Through the period, amaysim achieved an increase in ARPU to \$146.50 from \$139.82⁷ in the 2017 financial year. Gross margins remain healthy and as expected at 23.0%.

amaysim’s Chief Executive Officer and Managing Director Julian Ogrin said: “amaysim is the most exciting new entrant in the Australian retail energy market in the last 10 years and its energy plans offer great value, are easy to understand and reflect the business’ ‘amazingly simple’ philosophy.

“In the last six months we have been focussed on building out our channels to market. This saw the launch of a range of simple energy plans under the amaysim brand, ahead of schedule in October 2017, rather than the second half of 2018.”

“Looking ahead, we have locked in electricity wholesale agreements for the 2019 financial year, excluding Victoria which is up to the first half of the 2019 financial year and aligned with the regulatory cycle, and are

⁵ amaysim received 1.4 complaint per 10,000 customers which was one of the lowest levels of industry complaints when compared with other carriers, including Telstra, Optus, Vodafone, Pivotal and Other participants, Telecommunications Complaints in Context, October - December 2017. Applies only to amaysim brand

⁶ NPS tracking survey of 2,103 customers, Nov 2017

⁷ FY17 Energy ARPU reflects ~2 months contribution from Click that was acquired on 1 May 2017

positioned for further growth. With energy costs top of mind for customers across the country, we have a terrific opportunity to cross-sell into our significant existing household base.”

CROSS-SELL TO THE AUSSIE HOME

In November 2017, the Group began to market multiple services across targeted segments of its subscriber base, with a 2021 financial year vision to have approximately 300,000 accounts with multiple products generating a total ARPU of \$200 per month. With the recent launch of the amaysim energy plans, the amaysim online device store and amaysim’s new mobile plans, the Group is actively pursuing this vision, as it markets higher ARPU energy and broadband plans to existing subscribers.

The decision to broaden the amaysim mobile portfolio and associated marketing campaigns are directly tied to this cross-sell strategy as both initiatives underpinned strong mobile growth at a low cost-per-acquisition (“CPA” of approximately \$32⁸ for the period). The objective is to maintain an efficient CPA and to cross-sell the lower ARPU mobile subscribers with strong energy and broadband offers, both of which have significantly higher ARPUs (\$146.50 and \$64.95 respectively). This customer acquisition approach for broadband and energy gives the Company a competitive edge over its more traditional single vertical competitors. The finishing touch is to continue to drive cost-to-serve efficiency by empowering subscribers to self-serve using amaysim’s intuitive DIY technology platform.

amaysim’s Chief Executive Officer and Managing Director Julian Ogrin said: “After a short time in the market we are already seeing initial wins from our cross-sell strategy across targeted segments of the subscriber base. At the start of February 2018, we have recorded approximately 1.1% of the amaysim branded subscriber base taking up a product from another amaysim branded vertical. The opportunity to grow from here is substantial.”

DIVIDEND

The Board decided to review the Company’s capital allocation and dividend policy in light of the company’s growth and cross-sell strategy.

The Company has moved into an accelerated growth phase across all verticals and the Board has formed a view that, in this context, it is in the best interest of shareholders for the Company to retain a greater proportion of profits in the business.

This change will ensure that the Company has the ability to continue to invest, setting it up for long-term success. While investment is likely to be focused on incremental near term organic growth and cross-sell, the Company also needs the flexibility to consider any potential accretive M&A opportunities across its key sectors.

To achieve this, the Board has made the decision not to declare an interim dividend for the 2018 financial year. The Board also does not anticipate paying a final dividend for the 2018 financial year and expects this approach to continue for the short to medium term.

The Board regularly reviews its approach to capital allocation with a view to ensuring that returns to shareholders are maximised. If, in the future, the Company has capital in excess of its investment needs, then the Board will consider all appropriate avenues of returning value to shareholders, including through dividends and/or accretive share buy-backs.

⁸ Cost per acquisition or the acquisition cost per subscriber, calculated as total marketing costs divided by gross subscriber additions over the relevant period

The Group is conservatively geared with strong underlying operating cash flows after capital expenditure of \$37.7 million implying a cash conversion rate of approximately 212%.

OUTLOOK

The Company believes that the market opportunity to further grow across multiple verticals is significant. It's positioning as a customer-centric, technology focused provider of simple and competitive household services is resonating with customers. By launching products in three new verticals, the amaysim brand has entered its next growth phase to cross-sell and increase share of the household wallet.

amaysim's Chief Executive Officer and Managing Director Julian Ogrin said: "We have proactively positioned our business for future success: we have the right portfolio of products now in place and an increased level of brand awareness. We are already seeing strong momentum in the first two months of the second half of the 2018 financial year.

"Today we have outlined key initiatives to help drive growth of multi-product subscribers. These involve enhancements to our IT architecture to improve speed and efficiency across all verticals and a continued marketing plan to boost brand awareness and subscriber numbers.

The Company is positioned for top-line growth across the Group for the full year. The outlook is supported by the strong growth experienced in the first half and the continuation of that growth in January and February.

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1H18 Key Financial Information

Financial half-year ended 31 December \$ million (unless stated otherwise)	1H18 Underlying	1H17 Underlying	1H18 v 1H17
EBITDA	17.8	17.3	3%
EBITDA - mobile	11.1	17.3	(36%)
NPAT	3.0	8.3	(65%)
NPATA ⁹	7.5	10.3	(28%)
EPS (cps) ¹⁰	1.4	4.6	(69%)
Financial half-year ended 31 December \$ million (unless stated otherwise)	1H18 Statutory	1H17 Statutory	1H18 v 1H17
Net revenue	294.0	136.6	115%
Gross profit	72.3	40.5	79%
<i>Gross profit margin (%)</i>	<i>24.6%</i>	<i>29.6%</i>	<i>(503bps)</i>
EBITDA	10.2	17.3	(41%)
NPAT	(2.4)	8.4	-
NPATA ⁹	2.1	10.3	(80%)
EPS (cps) ¹⁰	(1.1)	4.6	-
Subscribers ('000)			
Mobile	1,127	1,025	10%
Energy	185	-	-
Broadband	13	-	-
ARPU (\$)			
Mobile	19.02	22.37	(15%)
Energy	146.50	-	-
Broadband	64.95	-	-

⁹ NPATA means NPAT and after adding back the tax affected amortisation relating to acquired contracts and intangibles other than software

¹⁰ Statutory EPS/underlying EPS is calculated as NPAT/underlying NPAT respectively divided by weighted number of shares on issue