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## **ASX ANNOUNCEMENT**

26 October 2018

The Manager  
Market Announcements Office  
Australian Securities Exchange  
4<sup>th</sup> Floor, 20 Bridge Street  
Sydney NSW 2000

Dear Sir / Madam

### **2018 Annual General Meeting - Chief Executive Officer's Address**

amaysim Australia Limited (ASX: AYS) held its 2018 Annual General Meeting on Friday 26 October 2018.

The Chief Executive Officer and Managing Director presented the enclosed address at the Annual General Meeting. This should be read in conjunction with the 2018 Annual General Meeting Presentation.

Yours faithfully,

A handwritten signature in black ink, appearing to read "Alexander Feldman".

**Alexander Feldman**

amaysim | Chief Strategy Officer & General Counsel

**AMAYSIM AUSTRALIA LIMITED – 2018 ANNUAL GENERAL MEETING  
CEO ADDRESS - PETER O'CONNELL, CEO & MANAGING DIRECTOR**

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Thank you, Andrew, for the introduction and I'd like to extend a very warm welcome to all shareholders, employees and visitors.

Today provides me with an opportunity to:

- summarise our 2018 financial results,
- highlight what we have achieved over the past year,
- take you through our strategy to drive growth and value in your company, and
- provide you with an update for the business.

The 2018 financial year was transformational for amaysim. The company executed on our diversification strategy and established the amaysim business beyond telco.

At its core, amaysim is now an asset-light utility service provider. In mobile, we are Australia's fourth largest mobile service provider, with over 1.16 million subscribers. In electricity and gas, we are one of the leading retailers outside of the incumbents.

We are committed to delivering a great customer experience, convenience and outstanding value. That means, across mobile and energy, amaysim differentiates itself in the market with no lock-in contracts, simple plans, Do-It-Yourself customer account management and online-first customer support.

In the 2018 financial year, we made significant investments for the future as we targeted a new and growing segment of the mobile market and launched amaysim energy. Balancing this investment while achieving profitable growth in the short term was challenging, particularly given the highly competitive and fast changing sectors that we compete in. It's against this backdrop that I am pleased to report on the solid result we achieved in 2018.

I'll step you through these now.

Statutory net revenue was a record \$577.6 million compared with \$326.7 million in the previous year, an increase of 77%.

Statutory EBITDA was \$37.6 million compared with \$33.8 million in the previous year, an increase of 11%.

Underlying EBITDA was \$47.8 million compared with \$43.5 million in the previous year, an increase of 10%.

The result reflects solid growth in mobile and energy with new product launches, the refresh of the mobile product suite and successful marketing campaigns all contributing.

Our ability to achieve strong subscriber growth, year-on-year, is made possible by our unwavering commitment to simplicity and transparency in mobile and we seek to bring these characteristics to energy.

In the 2018 financial year, we built on our success as Australia's fourth largest mobile services provider by commencing a cross-sell strategy into our existing subscriber base. This began in November 2017 with the launch of amaysim energy.

This slide illustrates amaysim's transformation. In the 2016 financial year, statutory net revenue of \$253.5 million was generated solely from mobile services, compared to this past financial year where statutory net revenue from energy contributed \$310.0 million. At around 54% of statutory net revenue, energy has, for the first time, contributed the majority of the company's revenue which has provided growth and resilience in our business.

At the same time as achieving solid financial results, throughout the year we undertook initiatives important to the future of the business:

- we repositioned our mobile product portfolio into lower priced segments, much earlier than others in the market, allowing us to maintain our competitiveness and grow mobile subscribers,
- we launched amaysim branded energy plans at an attractive price, backed by amaysim's customer experience promise,
- we launched the "Just What you Need" marketing campaign which successfully doubled brand awareness and helped to drive customer growth, and
- we continued to develop our technology platforms to allow us to launch new services that underpin the cross-sell strategy.

amaysim's focus on its customers was recognised in a slew of awards we received for Australian's best Virtual Network Operator, best mobile plans and customer experience.

In recent surveys, approximately 90% of our mobile customers said that they would refer amaysim to their friends and family, and 68% of Australian's said they find it appealing to have more than one service with the same provider. We're seeing that intention translate into reality. Our results showed that the company continues to grow mobile and energy subscribers and the number of customers with multiple amaysim services totaled approximately 17,000 at the end of the year.

In my first 100-days as CEO, I've been assessing our business. In particular, I've been looking at the challenges facing it and how we are addressing them; and I've been looking at our core capabilities.

Our vision is to be Australia's best customer focused utilities provider.

The strategic pillars we are focused on to achieve this vision are to:

- defend our position as a customer champion in mobile and grow our share in profitable segments of the market,
- develop innovative ways to disrupt the energy market,
- continue to review additional products and services that we can offer in mobile and energy, such as expanding our services to small business,
- continue to develop our software stack to make the customer experience simple and have the ability to add more services to our technology platforms quickly and easily, and
- improve our analytics and marketing capability to acquire and serve customers efficiently.

As we look to the remainder of the 2019 financial year, we will be concentrating on four main priorities:

1. We will leverage our core skills to defend and grow in mobile through the launch of new products. A first glimpse of this has been our recent update to our higher value \$30 / \$40 / \$50 UNLIMITED mobile plans in September 2018.

We are also looking at ways to expand our mobile services into the attractive market segment of small business as well as scoping the opportunity that eSIMs and IoT present. The small business market acquisition behaviour is similar to a retail consumer-style purchase of services – it can be done online and quickly – and it is the ideal size for us between 5 and 25 SIMs. We also believe that eSIMs may present us with some superb opportunities as it will enable customers a quicker and easier way to switch carrier. And we feel, in that competitive environment of choice, that we will fare quite well,

2. We are planning to disrupt the energy sector, which I will touch upon later in this presentation. Expanding into energy has been a great move for amaysim, and we see that the energy market has many characteristics that telco had in Australia 9-10 years ago,
3. As announced at the time of the 2018 financial results, we have stopped selling multi-brand devices in the first half of the 2019 financial year. Instead we will consider building our relationships with locally distributed major brands, and
4. We announced today that the company will be exiting broadband by selling its fixed line broadband customer base to Southern Phone Company, which I'll discuss in more detail later.

These initiatives will enable the company to simplify its operating structure (thus reducing costs over time), concentrate on its core businesses and focus on growth. We will continue to explore additional products and services that we can offer to our significant mobile subscriber base. However, we will do this in a way that is profitable, delivers a great customer experience and aligns with our asset-light business model.

I'll now take you through each product in more detail.

The mobile business performed well in the face of challenging market conditions. The strategic broadening of amaysim's mobile product portfolio enabled the business to grow subscribers by 7.9% to 1.158 million subscribers as at 30 June 2018. We continue to give customers what they need at a great, non-promotional price and maintain strong customer satisfaction as

demonstrated by amaysim continuing to win industry awards for our outstanding mobile plans and customer experience. This was a key factor driving our subscriber growth and our ability to maintain a low churn rate.

As mentioned earlier, at the end of September we launched updates to our \$30 / \$40 / \$50 UNLIMITED mobile plans with the \$50 plan now offering a huge 40GB of data. This is a 20GB boost in data and is amaysim's best value unlimited talk and text mobile plan ever.

Looking now at energy.

Our energy business delivered a strong 2018 full year performance with statutory net revenue of \$310.0 million and underlying EBITDA of \$22.9 million. Despite increased competition in the sector, energy subscribers grew by 15.9% to 191,000 as at 30 June 2018.

Our result was driven through Click's existing channels, the launch of amaysim energy in late 2017 and sustained campaigning with attractive offers.

We're extremely pleased with our growth in energy and our cross-sell activity has progressively increased throughout the year as we have executed multiple tactical campaigns.

Now, I would like to discuss our views on recent developments in the energy sector.

It's been a challenging time for the industry, with heightened media and political focus on energy bills and the pressure on energy prices as a result of higher wholesale and network costs.

To put it bluntly, the Australian energy market is 'broken' and needs to be reset. Customers are confused and disenfranchised due to continually escalating prices, political rhetoric without policy outcomes, opaque product constructs that make fair comparisons impossible, slow switching times and barriers to churn, and limited access to data to enable them to better understand their usage.

71% of consumers are somewhat to very concerned about energy prices.<sup>1</sup> Australians know their energy prices are going up and their needs are not being met – but they're not clear on why, or how they can take back control.

A recent study by the Australian Institute for Progress found that the majority of those surveyed believed higher power prices were due to privatisation, driven by corporate greed and government mismanagement. While there may be some truth in this, the one thing that was obvious is the lack of understanding of the underlying factors driving energy prices higher.

In June, the ACCC released a review of the Australian retail electricity markets with the observation that the average residential customer bill in the last decade to 2017/18 has risen by 56% in real terms<sup>2</sup>. Responsibility for high prices and complexity in the sector is caused by a number of issues along the energy chain, with the growth in bills predominantly being driven by:

1. network costs that account for approximately 43% of the average customer bill and 35% of the increase in the average bill over the last decade, and
2. wholesale electricity costs that account for approximately 34% of the average bill and 22% of the increase in the average bill over the last decade.

To fix it, the Government is intending to attack energy retailers by threatening to wield the “big stick of regulation” and potentially introducing a default standing rate. They focus on this part of the chain even though retailers only represent approximately 16% of the average customer bill and our retail margin only represents approximately 8% of the bill.<sup>2</sup>

The Government knows that dealing with the inputs to generation, such as the cost of coal, gas and renewables, is complex and cannot be easily changed. Equally, the government can't focus too hard on network assets because many of these were recently privatised in key states by the government. Picking on retail is the easy option but what they are proposing won't necessarily convert to lower customer bills.

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<sup>1</sup> Source: Morgan Stanley Research (2018, July), *Who Pays the Loyalty Tax?* (AlphaWise - Annual Survey of Energy Consumers data)

<sup>2</sup> Source: Australian Competition & Consumer Commission (2018, July), *Restoring electricity affordability and Australia's competitive advantage*

With both sides of government trying to persuade Australian's of the cure for increasing electricity prices without addressing the root causes, it's no wonder Australians are so confused.

We see a huge opportunity to remove complexity from the retail market and provide a new and better customer experience. The energy market has many of the characteristics we saw in the mobile market in 2010. Since that time, we have built a brand that Australian consumers can trust to deliver exactly what today's energy market needs – great value, simplicity and transparency. In addition, we will continue to highlight the two simplest and most effective industry changes that governments ignore:

- First: ensuring that changing suppliers takes less than 24 hours, which currently can be anywhere up to 90 days, and
- Second: the provision of real time usage data to all homes.

We are learning about customer preferences and will look to disrupting the sector with a new customer friendly energy product in the second half of the 2019 financial year.

I would like to now provide you with an update on broadband.

As mentioned earlier, we announced today that the company will be exiting broadband by selling its fixed line broadband customer base to Southern Phone Company for a purchase price of approximately \$3 million subject to certain purchase price adjustments. We expect the transaction to complete by the end of October 2018.

The decision to exit broadband followed the company's review of its broadband business and is in line with its goal to maximise shareholder returns.

As per the decision to discontinue devices, the decision to exit broadband was not taken lightly. We have invested a significant amount of capital to create an industry leading product. However, the unsustainably high wholesale costs imposed by the nbn put untenable pressure on already low margins for a service that is widely criticised for its poor customer experience.

This transaction will enable the company to simplify its operating structure, defend and grow its core mobile and energy businesses, and invest in its technology platforms. We will continue to

explore additional products and services that we can offer to our significant mobile subscriber base and in a way that is profitable.

In addition, as part of this transaction we expect to recognise a non-cash impairment of approximately \$7 million pre-tax and write down the carrying value of the broadband assets to zero. The impairment charge will be finalised after the transaction completes and will be removed from underlying performance in the results for the 2019 financial year.

To wrap up my section of today's presentation, I would like to provide you with an update on outlook based on developments in the industries we operate in and the performance of our business to date in the 2019 financial year.

While we are optimistic about the mobile and energy sectors over the medium to long-term, our view is that the near-term challenges will put pressure on the business for the remainder of the financial year. We expect Group underlying EBITDA for the 2019 financial year to reflect:

1. continued earnings growth in energy, although a more modest growth, as we prepare for industry changes and shift focus to launch a new energy product in the second half of the 2019 financial year,
2. as anticipated, intense competition driven by MNOs continues to put pressure on the performance of the mobile business. As outlined earlier, in a move to defend and grow our position, we recently launched updates to our higher value plans and we are also currently in the process of wholesale negotiations to improve wholesale margins and our competitiveness.

As mentioned at the 2018 full year results, while competition in mobile is expected to remain intense, we believe there are a number of near-term positive catalysts that should result in a more rational Australian mobile market and support mobile ARPU. These include the investment in spectrum and mobile networks (4.5G and 5G) by carriers and funding thereof, the banning of Huawei from Australia's 5G infrastructure rollout (thus lessening build out price competition) and the potential consolidation of TPG and Vodafone,

3. the discontinuation of the device online shop and sale of the broadband business, and

4. the implementation of a new operating structure and continued focus on cost management.

Before handing back to the Chairman, I would like to take this opportunity to thank all of the company's employees who have worked exceptionally hard to deliver the solid results in 2018.

In particular, I would also like to take this opportunity to acknowledge Leanne Wolski, who will retire from the company as of today.

Leanne has been at amaysim from the very beginning, as financial controller and then Chief Financial Officer for the past 3 years. Leanne has consistently shown tremendous dedication, work ethic and a deep understanding for our business. Personally, I want to thank Leanne for her fantastic support over the past 8 years and after a successful career at amaysim, I wish her the very best as she retires from the company.

I'd also like to thank our Board of Directors, for their valuable oversight and the depth of experience and knowledge they contribute.

And finally, I would also like to thank all our shareholders for their ongoing commitment and support.

Thank you – and I'd now like to hand back to the Chairman.