



ASX ANNOUNCEMENT

28 August 2017

amaysim 2017 full year result

Record result driven by strong growth in mobile subscribers, disciplined cost management and solid 2-month contribution from energy

HIGHLIGHTS^{1,2}

- Statutory EBITDA of \$33.8 million up 35%. Underlying EBITDA of \$43.5 million up 23%
- Statutory net revenue of \$326.7 million up 29%
- Statutory gross profit of \$99.1 million up 16%
- Disciplined cost management with underlying operating costs in the mobile business of \$45.9 million down 8%. Total underlying operating costs were \$55.5 million up 11% due to the launch of new vertical businesses
- Underlying NPATA³ of \$25.2 million up 16%
- Final dividend (fully franked) of 5.1 cps taking total dividend (partially franked) for 2017 to 9.1 cps up 10%
- Strong underlying operating cash flow after capex⁴ of \$38.9 million implying 89% cash conversion of underlying EBITDA
- Strong growth in mobile with closing subscribers of 1.074 million up 11%
- Successfully launched amaysim nbn™ broadband with the business performing to plan
- Solid 2-month contribution from Click Energy Group Holdings Pty Ltd (Click) driven by excellent growth in subscribers and energy usage

amaysim Australia Limited (ASX:AYS) today announced its results for the full year to 30 June 2017.

amaysim's Chief Executive Officer and Managing Director Julian Ogrin said, "I am very pleased to report a record result across all financial metrics, driven by profitable growth in mobile subscribers, disciplined cost management particularly in the mobile business, and a strong 2-month contribution from Click, amaysim's new energy business. In what has been an extremely busy year building our business, the amaysim Group has performed exceptionally.

"While maintaining momentum in our core mobile business, we made significant progress diversifying into new product areas to capture a greater share of household wallet. The successful execution of our strategy saw the Group launch amaysim branded nbn plans; launch the Vaya online device store; and add energy to our stable through the acquisition of Click. We are rapidly working on bringing devices and energy under our core amaysim brand.

¹ All comparisons are full year ended 30 June 2017 compared to financial year ended 30 June 2016 and are for the amaysim Group, which includes mobile (including devices), broadband and energy

² Underlying figures have been calculated from statutory data and exclude the impact of IPO expenses, non-core income and expenses, any acquisition related expenses including consequential changes in the value of tax assets, integration and transaction costs with a related tax adjustment where applicable

³ NPATA means net profit after tax and after adding back the tax affected amortisation relating to acquired contracts and intangibles other than software

⁴ Underlying operating cash flow after capex has been calculated from statutory data and excludes repayment of Optus liability assumed on acquisition of Vaya, repayment of Optus activation fee liability on debt restructure, acquisition related expenses including integration and transaction costs, non-core expenses, net interest and tax paid

“Alongside our diversification efforts, we have continued to improve and leverage our technology platforms to create an even richer amaysim customer experience, and to support organic and profitable subscriber growth. Our innovations included an industry-leading single sign-on experience across amaysim branded mobile and nbn.

“We continue to develop our technology platform to make it easier for our customers to manage their household services. Our subscribers are now experiencing an unprecedented level of control, convenience and empowerment. As we further develop our technology, amaysim subscribers will be able to add new products, manage their accounts and change plans to suit their needs - all from the palm of their hand. We are taking customer experience to a new level of convenience and simplicity.

“Our leadership in technology and customer experience was recognised this past year with amaysim being named Australia’s best MVNO at the Edison Awards and amaysim’s Help platform was named Best Telco Customer Innovation at the Finder Innovation Awards.”

MOBILE

The amaysim Group mobile business had a solid year and delivered on 2017 financial year mobile guidance⁵ with statutory net revenue of \$278.5 million (up 10%) and underlying EBITDA of \$43.1 million (up 22%).

Mr Ogrin said, “The telecommunications sector is continuing to experience a structural shift in consumer preferences. Consumers are demanding the freedom obtained by de-coupling their phone from their mobile plans and the desire to easily switch plans as their needs change. amaysim’s bring-your-own device, no-lock in contract, online-led mobile offering has positioned us well to take advantage of this structural shift in consumer expectations and demand.

“Our market leading position in this segment has created a strong competitive edge and enabled the Company to deliver robust organic growth in subscribers of 11% to 1.074 million and a low churn rate of 2.0%. The churn rate was driven by industry high customer satisfaction with amaysim again recording one of the lowest levels of complaints in the industry.⁶ I am also particularly proud of the fact that 93% of subscribers say they would recommend amaysim to their family and friends.⁷

“Importantly, our continued growth in mobile comes at a time of intense competition to win customers. Our asset-light and efficient business is designed to flourish in highly competitive environments and we embrace competition as a positive, not only for us, but for all Australian consumers. We continue to benefit from our strong, mutually beneficial and long-term relationship with Optus, supporting our competitive positioning.

“Average revenue per user excluding GST (ARPU) has been an important measure for the market and we are pleased to report mobile ARPU of \$22.46 for the year. This is aligned with our expectations of stabilisation and an increase in the second half of the 2017 financial year, as the impact of product initiatives to grow subscribers in the 2016 financial year fully washed through.

“With a focus on disciplined cost management, we were able to reduce mobile underlying operating expenses by 8% to \$45.9 million through greater emphasis on driving a low cost-per-acquisition.”

⁵ Refers to the FY17 guidance for the amaysim Group, including mobile, nbn broadband and energy business segments, provided 4 May on slide 16 of amaysim’s Macquarie Australia Conference presentation. This can be located on [amaysim’s investor centre](#) and on page 5 of this ASX release

⁶ amaysim received 1.0 complaint per 10,000 customers which was one of the lowest levels of industry complaints when compared with other carriers, including Telstra, Optus, Vodafone, Pivotel and Other participants, Telecommunications Complaints in Context, April – June 2017. Applies only to amaysim brand

⁷ NPS tracking survey of 2679 customers, May 2017

BROADBAND

In August 2016, the amaysim Group acquired AusBBS accelerating its broadband strategy and providing the Company with access to a proven proprietary platform purpose built for broadband. The AusBBS team and its technology have been successfully integrated into the business. In May 2017, amaysim celebrated the soft-launch of its nbn product which is performing in-line with expectations.

Mr Ogrin commented, “amaysim nbn is rolling out according to plan, with a focus on marketing to our existing subscriber base. We experienced early success with good flow of sales and over 1,000 nbn subscribers activated over May and June 2017 at an ARPU of approximately \$68, bringing total subscribers for broadband⁸ to approximately 5,000 as at 30 June 2017. We expect nbn ARPU over the long-term to migrate towards the previously guided \$62⁹ driven by product mix. In line with 2017 financial year guidance⁵, broadband achieved an underlying EBITDA loss of \$2.6 million.

“Outside of price, we are differentiating our nbn experience by offering a market leading technology platform. We are particularly proud of our activation efficiency which is one of the fastest in the market¹⁰, enabling existing amaysim mobile customers to order direct from their computer or phone in just a few touches of a button.”

ENERGY

In addition to the launch of amaysim nbn, the Company achieved a significant milestone by completing the acquisition of Click in May 2017. Since then, Click has experienced strong subscriber growth closing the year with approximately 165,000 accounts (up 25% on the 2016 financial year) driven by solid uptake of dual-fuel households in Victoria and New South Wales. This resulted in a strong 2-month positive contribution from Click with statutory net revenue of \$45.7 million, statutory gross profit of \$10.0 million and underlying EBITDA of \$3.1 million.

In commenting on the move into energy, Mr Ogrin said, “We see energy as a terrific product to cross-sell to over 800,000 of our household customers – further monetising our greatest asset. There is a significant opportunity for a virtual energy retailer to disrupt the Australian energy market as public awareness of energy costs increases and consumers seek better service, price and more transparency.

“Click continues to have a conservative approach to hedging its wholesale exposure. In the 2018 financial year, Click is not exposed to fluctuating electricity demand or prices and has minimised its exposure to gas wholesale risk with a hedge that has been closely aligned to Clicks’ customer demand.

“Bringing Click into our business will be integration light, with the Click management team continuing to operate in Melbourne and only the necessary parts of its technology platforms being integrated into the Group’s adaptable technology platform. We remain committed to delivering approximately \$5 million in cost synergies and expect the acquisition to be 20%+ EPS accretive for shareholders on an underlying NPATA

⁸ Group broadband includes amaysim nbn broadband and AusBBS

⁹ Refers to the amaysim nbn broadband ARPU (ex. GST) of ~\$62 provided 4 May on slide 9 of amaysim’s Macquarie Australia Conference presentation. This can be located on [amaysim’s investor centre](#)

¹⁰ amaysim nbn broadband spent an average of 5.9 days to activate a customer, which was ~41% quicker than the industry average on similar technologies (excluding satellite). Source: amaysim Company data and NBN Co Company data, 21 July 2017

basis¹¹ post-cost synergies and before transaction and integration cost in the 2018 financial year, which is in-line with communication to the market at the time of the acquisition.”

OUTLOOK AND SUMMARY

In summary Mr Ogrin said, “The 2018 financial year has started well. We are seeing good momentum across our product verticals and expect further growth in each of them. Our three priorities for the year are to: continue to develop and leverage our technology platform, increase subscribers and grow our share of household wallet through cross-sell.

“With these in mind, we will be incorporating energy into our single sign-on platform, to complement the existing amaysim branded mobile and nbn capabilities. We will further tap into subscriber demand for affordable energy and devices by launching amaysim energy in the first half of the 2018 financial year and the amaysim online device store later in the 2018 financial year. In the year ahead, amaysim’s subscribers will be able to order mobile plans, devices, energy and nbn, with ease. We are taking convenience and simplicity to a new level.

“I am also excited about the plans underfoot for our upcoming campaign to increase amaysim’s share of voice and presence in the mobile, energy and nbn markets. While our marketing spend will remain measured, our strategy and ambition is not.

“With a strong suite of products, unique and scalable technology platform and a high customer satisfaction level, we are well-positioned for continued growth in the 2018 financial year. I look forward to updating you on our progress throughout the year.”

DIVIDEND

The Board of directors announced a 2017 final dividend per share of 5.1 cents (fully franked) taking the total dividend for the 2017 financial year to 9.1 cents per share (partially franked) up 10% on the 2016 total dividend and in line with 2017 financial year guidance⁵.

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¹¹ EPS accretion is based on underlying NPATA. Payments in relation to the transaction and integration costs have been excluded although debt funded costs increase the interest expense. Acquisition accounting adjustments have not been undertaken and EPS accretion does not include the impact of these adjustments

FY17 guidance provided May 2017

update

- amaysim diversification acceleration through the launch of amaysim broadband and acquisition of Click
- acquisition of Click completed 1 May 2017
- amaysim Group 2017 financial year guidance has been revised upward to include 2-months contribution from Click
- 2017 full year dividend to be partially franked and expected to represent a full year payout ratio toward the middle of the 60 to 80% underlying NPATA target¹

FY17F guidance^{2,3}

\$ million (unless stated otherwise)	mobile	broadband	mobile + broadband	energy	amaysim Group
net revenue	279.0 - 280.0	2.0 - 3.0	281.0 - 282.0	40.0 - 41.0	322.0 - 323.0
gross profit	89.0 - 90.0	-	89.0 - 90.0	10.0 - 11.0	99.0 - 100.0
gross profit margin (%)	32.0%	n.a	31.0% - 32.0%	25% - 26%	30.0% - 31.0%
total underlying operating expenses	45.5 - 46.5	2.5 - 3.0	48.0 - 49.0	7.0 - 8.0	56.0 - 57.0
underlying EBITDA	42.5 - 43.5	(2.5 - 3.0)	40.0 - 41.0	2.0 - 3.0	42.0 - 43.0
closing subscribers ('000)	1,072 - 1,073 ⁴	4 - 5	1,076 - 1,078	164 - 165	1,240 - 1,243
ARPU (\$)	22.40 - 22.50				

1. dividend payout ratio represents the total interim dividend as a ratio of amaysim's underlying NPATA (net profit after tax and adding back the tax effected amortization expense related to acquired intangibles, IPO expenses, any acquisition related expenses including integration and transaction costs, non-core income and expenses); 2. the 2017 financial year forecast financial information has not been audited and been prepared based on management forecasts; 3. no cost or revenue synergies have been included in the FY17F guidance; 4. forecast closing subscribers as at June 2017 includes the expected impact of the 2G Optus network shutdown

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Source: Macquarie Australia Conference May 2017, Slide 16

FY17 Key Financial Information

June year end	FY17	FY16	FY17 v
\$ million (unless stated otherwise)	Underlying	Underlying	FY16
EBITDA	43.5	35.4	23%
EBITDA margin (%)	13.3%	14.0%	(65bps)
EBITDA - mobile	43.1	35.4	22%
EBITDA - mobile margin (%)	15.5%	14.0%	150bps
NPAT	21.2	19.9	7%
NPATA ³	25.2	21.8	16%
EPS (cps) ¹²	11.3	11.3	flat
June year end	FY17	FY16	FY17 v
\$ million (unless stated otherwise)	Statutory	Statutory	FY16
Net revenue	326.7	253.5	29%
Gross profit	99.1	85.4	16%
Gross profit margin (%)	30.3%	33.7%	(338bps)
EBITDA	33.8	25.1	35%
EBITDA margin (%)	10.4%	9.9%	44bps
NPAT	11.5	12.3	(7%)
NPATA ³	15.5	14.2	9%
EPS (cps) ¹²	6.1	6.9	(12%)
Mobile ARPU (\$)	22.46	25.24	(11%)
Closing mobile subscribers ('000)	1,074	966	11%

¹² Statutory EPS/underlying EPS is calculated as NPAT/underlying NPAT respectively divided by weighted number of shares on issue