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ASX ANNOUNCEMENT

26 February 2019

amaysim 2019 half year result

Strong earnings performance driven by outperformance in the energy business

amaysim Australia Limited (ASX:AYS) ("**amaysim**" or "**Company**") today announced its results for the half year ended 31 December 2018 ("**1H19**") reporting Underlying EBITDA[1] of $29.2 million, on net revenue of $263.0 million.

KEY HIGHLIGHTS*

- Net revenue down 5.6% to $263.0 million
- Underlying EBITDA up 32.2% to $29.2 million[1]
  - Mobile underlying EBITDA of $10.6 million was down 4.6%
  - Energy underlying EBITDA of $18.7 million was up 69.2%
- Excluding the effect of the new Accounting Standard changes, on a comparable basis Underlying EBITDA was up 11.3% to $23.5 million
  - Mobile underlying EBITDA of $8.9 million was down 19.8% on a comparable basis
  - Energy underlying EBITDA of $14.6 million was up 45.6% on a comparable basis
- Net loss after tax from continuing operations of $4.8 million driven by an impairment charge related to energy customer contract and distributor relationship intangible assets[2]
- Net debt down $20.4 million from 30 June 2018 to $59.4 million
- Simplified the group by closing Devices and divesting the fixed line Broadband customer base
- Refreshed $30 / $40 / $50 mobile plans in September 2018 and launched a new $60 mobile plan in November 2018
- FY19 Underlying EBITDA expected to be in the range of $44.0 – $48.0 million[3] following the implementation of new Accounting Standard changes. For the purposes of comparison, under the previous Accounting Standards, the equivalent range would have been $33.0 – $37.0 million

* Refer to Appendix A in this ASX announcement for a summary of amaysim's key financial information as reported under the new Accounting Standards for the current and prior periods. Refer to note 2 (Operating Segment), note 5 (Discontinued operations) and note 12 (Changes to existing accounting policies and adoption of new Accounting Standards) in amaysim's 2019 interim financial report for a complete reconciliation of the effects of the new Accounting Standards and policies applied from 1 July 2018, as well as the effect of discontinued operations.

Commenting on the 1H19 financial results and key developments at the Company, Mr Peter O'Connell, Chief Executive Officer and Managing Director said:

"The 1H19 results included a strong performance in energy offset by a softer half for mobile, which continues to be under pressure from intense competition.

"It appears that history is repeating, with the mobile market experiencing intense competition in the run up to a generational technology change to 5G. With existing products having exhausted the features and advantages of 4G handsets and networks, price and inclusions are left as the key battleground. Whilst the industry conditions are likely to remain challenging in the near term, amaysim will work hard to maintain its position as the customer champion in mobile".

"*During the first half, we continued to develop a new disruptive amaysim energy product that we plan to launch in the second half of the 2019 financial year. We also made good progress on initiatives to streamline the business, including by closing Devices and divesting the fixed line Broadband customer base, and strengthening the Board and senior management team with the hiring of Gareth Turner as CFO and the addition of non-executive directors, Goetz Maeuser and Craig Jackson. These decisions will allow the Group to capitalise on the market opportunities in our core businesses – mobile and energy – and position us for long-term growth.*"

MOBILE

Mobile underlying EBITDA was down 4.6% to $10.6 million, on net revenue of $108.0 million (1H18: $125.7 million). Excluding the effect of the new Accounting Standard changes, Mobile underlying EBITDA of $8.9 million was down 19.8% on a comparable basis.

Mobile gross margin improved 289 basis points to 33.1% following the refresh of the amaysim mobile product suite. However, mobile revenue was adversely impacted by the continued shift in the subscriber base towards amaysim's lower value plans and an increase in data inclusions (resulting in lower excess usage revenue) that resulted in mobile ARPU declining by 19.3% to $15.34 per month.

In September 2018, the Company launched updates to its higher value $30 / $40 / $50 unlimited mobile plans, and in November 2018, launched its new $60 unlimited mobile plan. amaysim is pleased with the performance of its portfolio of unlimited plans.

Mobile subscribers grew by 3.9% to approximately 1,171,000 as at 31 December 2018 despite a very competitive trading environment. Continued growth in the mobile subscriber base is a strong result for the period in difficult circumstances. Churn in 1H19 remained steady at 2.3%. In January and February 2019, the Company experienced increased churn due to the natural expiry of approximately 124,600 'pay as you go' subscribers' plans coinciding with the relevant plan expiry period for these subscribers. As at 15 February 2019, the Group's mobile subscriber base was approximately 1,061,000. The loss of these subscribers does not negatively impact the Group's revenue or earnings for the year as these naturally expiring subscribers have not added credit to their account for over 12 months. This exceptional churn is expected to have a slight positive effect on ARPU.

Notwithstanding the commoditisation of the mobile industry and the near-term competitive threats, amaysim continues to believe strongly in the long-term future of mobile and the inherent strategic value of its growing subscriber base to amaysim and to its wholesale services provider.

ENERGY

The energy business continued to grow in a highly competitive market with underlying EBITDA up 69.2% to $18.7 million, on net revenue of $155.1 million (1H18: $153.1 million). Excluding the effect of the new Accounting Standard changes, Energy underlying EBITDA of $14.6 million was up 45.6% on a comparable basis.

Energy subscribers grew by 5.4% to approximately 194,500 as at 31 December 2018 driven by strong gross additions offset by higher than expected churn as energy remains under the media and political spotlight.

Energy ARPU declined 8.8% to $133.54 reflecting lower customer consumption and product mix changes as the Company expanded its NSW gas customer base.

Disciplined margin management over the period resulted in energy gross profit increasing 25.8% to $43.3 million and gross margin increasing by 543 basis points to 27.9%.

Given the strong performance of the energy business, amaysim has accelerated its investment in a new disruptive energy product suite, which is expected to assist in bringing much needed simplicity, customer centricity and transparency to the sector.

Mr O'Connell commented that: *"The retail energy market has all of the hallmarks of mobile from 10 years ago with opaque pricing constructs, no clear and ubiquitous access to usage data, bill shock, excessively long switching times and low satisfaction. We're excited at the prospect of launching our new energy product suite in the coming months. It will fit perfectly with our position as a customer champion. The new products will be transparent, simple and fair."*

During the first half, the Company performed a detailed review of its intangible assets that included acquired energy customer contracts, distributor relationships and channel partners. When amaysim acquired Click Energy in May 2017, under Australian Accounting Standards, these assets were separately identified and recognised as amortizing intangible assets rather than being included within goodwill. Following the review, the Company has shortened the expected useful lives of these acquired assets resulting in a reduction in their carrying values and recognition of a non-cash impairment charge of $15.7 million pre-tax. Given this charge is non-cash in nature, it has no impact on banking covenants or underlying EBITDA and will reduce amortization charges for the Company going forward.

UPDATE ON STRATEGY

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

In order to achieve this, the Company is focused on the following strategic growth initiatives:

- defending our position as a customer champion in mobile;
- building strategic value through growing the subscriber base across both mobile and energy;
- leveraging the growing mobile subscriber base for increased cross-sell opportunities into the higher ARPU energy products;
- developing innovative ways to disrupt the energy market;
- continuing to develop additional products and services that we can offer in mobile and energy;
- continuing to develop our software stack to improve operational efficiency and improve our agility in responding to customer needs; and
- improving our analytics and marketing capability to acquire and serve customers efficiently.

CAPITAL RAISING

amaysim has today launched an underwritten capital raising comprising of a 1 for 2.5 accelerated non-renounceable pro rata entitlement offer to raise approximately $50.6 million at $0.60 per share ("**Entitlement Offer**").

The net proceeds from the Entitlement Offer will be used to reduce debt and provide additional balance sheet strength and flexibility to support investment in new strategic growth initiatives, including:

- a significant increase in mobile marketing spend to boost brand awareness and accelerate mobile subscriber growth;
- complete the development and launch of a new disruptive energy product suite that is customer-centric, transparent, simple and fair; and

- drive operational efficiencies, as well as rapid innovation and reduced time-to-market, through an upgrade to the Company's Information technology stack, consolidating and simplifying operational systems and processes.

Further information in relation to the capital raising and new growth initiatives are available on the Offer website.

OUTLOOK

Notwithstanding the challenges presented by the prevailing market conditions, the Board and Management remain confident in the long-term outlook for the mobile and energy businesses.

Accordingly, the Company intends to ramp up its investment in marketing and product development over the next 3-years with a view to unlocking strategic value for its shareholders. This strategy is expected to result in lower earnings and cash flows in the short-to-medium term.

Following the implementation of new Accounting Standards and related changes on 1 July 2018, the FY19 Underlying EBITDA is now expected to be in the range of $44.0 – $48.0 million ("**Guidance**"). Under the previous Accounting Standards, the equivalent range would have been $33.0 – $37.0 million.

This Guidance reflects the Company's expectations of continued weaker comparative performance in mobile due to the intense competitive environment, softer performance in energy in 2H19 as margin transitions down to more sustainable long term levels, and the impact of an investment of approximately $8.0 – 10.0 million in new strategic growth initiatives.

The Guidance also assumes no material changes in, or adverse effects from, market conditions, operating environments, business circumstances or supplier arrangements

WEBCAST DETAILS FOR INVESTORS

Management will hold an investor and analyst briefing this morning at 10:00am (AEDT) to present the 2019 half year result and discuss the capital raising. To register and listen to the live (passive) webcast, please go to www.openbriefing.com/OB/3154.aspx.

ENDS

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Appendix A - 1H19 Key Financial Information for Continuing Businesses

Financial period ended 31 December $ million (unless stated otherwise)	1H19 Underlying	1H18 Underlying	Change
Reported basis			
EBITDA	29.2	22.1	+32.2%
mobile	10.6	11.1	(4.6%)
energy	18.7	11.0	+69.2%
Comparable basis (excluding the effect of new Accounting Standard changes)			
EBITDA (on a comparable basis)	23.5	21.1	+11.3%
mobile (on a comparable basis)	8.9	11.1	(19.8%)
energy (on a comparable basis)	14.6	10.0	45.6%

Financial period ended 31 December $ million (unless stated otherwise)	1H19 Statutory	1H18 Statutory	Change
Net revenue	263.0	278.7	(5.6%)
Gross profit	79.0	72.4	+9.2%
Gross profit margin (%)	*30.0%*	*26.0%*	*+408bps*
EBITDA	27.2	16.1	+69.5%
NPAT	(4.8)	2.5	(289.4%)
EPS (cps)[4]	(2.3)	1.2	(288.4%)
Subscribers ('000)			
mobile	1,171	1,127	+3.9%
energy	194	185	+5.4%
ARPU ($) per month			
mobile	15.34	19.02	(19.3%)
energy	133.54	146.50	(8.8%)

Percentage change movements reported in the table above have been calculated on exact numbers.

Appendix B - New Accounting Standards

Several new Accounting Standards are being introduced from FY19 onwards, including AASB 9 (Financial Instruments) and AASB 15 (Revenue from Contracts with Customers). The introduction of these new Accounting Standards will change amaysim's reported financials. To provide investors with comparable financials, the below table provides a summary of the Company's key financial metrics for 1H19 under these new Accounting Standards.

$ million	Prior Accounting Standards	New Accounting Standards
1H19 statutory net revenue (1H19)	264.5	263.0
1H19 Underlying EBITDA (1H19)	23.5	29.2
FY19 Underlying EBITDA (mid-point)	33.0 – 37.0	44.0 – 48.0

[1] EBITDA is a non-statutory financial metric representing earnings before interest, tax, depreciation and amortisation. NPATA is also a non-statutory financial metric representing net profit after tax and before amortisation. Non-statutory financial metrics have been extracted from the reviewed accounts. Underlying EBITDA and NPATA capture continuing businesses and exclude the impact of discontinued operations, non-core income and expenses, any expenses relating to acquisitions and disposals including consequential changes in the value of tax assets, integration and transaction costs with a related tax adjustment where applicable and impairment costs. Refer to Appendix A2 and A3 of amaysim's 2019 interim result presentation and the 2019 interim report for reconciliation between statutory and underlying results, including recent Accounting Standard changes.

[2] Refer to Note 1 in amaysim's 2019 interim financial report for more information.

[3] Refer to 1H19 Results Announcement for the detailed Outlook statement for further information.

[4] Statutory EPS is calculated as NPAT divided by the weighted number of shares on issue.

IMPORTANT DISCLAIMER

Forward-looking statements included in this announcement are based on the company's current views and assumptions as well as information known to date (subject to various risks and uncertainties). Actual results, performance or achievements could be materially different from those expressed in, or implied by, these forward-looking statements. These forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond amaysim's control. Past performance is not necessarily a guide to future performance and no representation or warranty is made by any person as to the likelihood of achievement or reasonableness of any forward-looking statements, forecast financial information or other forecast. All financial information provided in this announcement is based on management accounts and subject to review/audit by the Company's auditors.

All comparisons, unless otherwise noted, are half year ended 31 December 2018 compared to half year ended 31 December 2017 and refer to the continuing operations of the Company with all comparisons relating to prior periods adjusted to reflect only continuing operations. The Company discontinued selling devices on 27 August 2018 and divested its fixed line broadband customer base on 26 October 2018 (completed 30 October 2018). As a result, the results of these businesses are reflected as discontinued operations for all periods presented.

ABOUT AMAYSIM

amaysim exists to remove the unnecessary hassle from everyday life by simplifying mobile and energy services. Offering customers DIY account management backed by award-winning, online-first customer support, all amaysim products feature no lock-in contracts, and are built to deliver great customer experience, convenience and outstanding value. For more about amaysim visit www.amaysim.com.au.

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