amaysim

ASX ANNOUNCEMENT

26 August 2019

amaysim 2019 Full Year Financial Results

Foundations in place to accelerate mobile subscriber growth and disrupt energy market

amaysim Australia Limited (ASX: AYS) ("**amaysim**" or "**Company**") today announced its results for the full year ended 30 June 2019 ("**FY19**").

KEY HIGHLIGHTS

- Achieved financial results in-line with FY19 guidance and strategy for long-term growth
- Statutory EBITDA of $43.9 million[1] on statutory net revenue of $508.3 million. On a comparable basis, net revenue was down 7.4% to $510.9 million
- Under the new Accounting Standard changes and policies, underlying EBITDA was down 14.5% to $47.3 million and at the top end of guidance given at the half year
    - Mobile underlying EBITDA of $15.2 million was down 51.3%
    - Energy underlying EBITDA of $32.1 million was up 33.2%
- On a comparable basis, underlying EBITDA was down 33.3% to $36.1 million
    - Mobile underlying EBITDA of $13.6 million was down 56.5% amid an intensely competitive environment
    - Energy underlying EBITDA of $22.5 million was down 1.7%
- On a comparable basis, net profit after tax from continuing operations was down 153% at a loss of $7.4 million, mainly attributable to a non-cash impairment charge of $15.7 million related to acquired Click Energy intangible assets recognised in the first half of the financial year
- Gross profit margin remained strong across the Group, totalling $153.7 million (FY18: $155.2 million) on a comparable basis. Gross margin was 30.1% up 194 bps from 28.1% due to the strength of the mobile wholesale agreement and disciplined margin management in energy
- amaysim is positioned for growth following the successful capital raise; revitalised network supply agreement (NSA) with Optus; highly attractive new mobile plans in market from June 2019; the soft launch of new disruptive subscription energy plans in Victoria from April 2019; and investment in technology stack starting to be deployed to support growth
- FY20 underlying EBITDA expected to be in the range of $33 million - $39 million (under the new accounting standards. See page 4, outlook section for more details)

[1] New Accounting Standards AASB 15 "Revenue from Contracts with Customers" and AASB 9 "Financial Instruments" were adopted as of 1 July 2018. All comparisons in this announcement are full year ended 30 June 2019 compared to full year ended 30 June 2018 as reported in amaysim's income statement unless stated otherwise (and exclude discontinued operations). If noted on a "comparable basis" or "Excluding the effect of new accounting standards" the old GAAP Accounting Standards have been applied to 30 June 2019 numbers.

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 Segments), note 8 (Discontinued operations) and note 21 (Changes to existing accounting policies and adoption of new Accounting Standards) in amaysim's 2019 annual 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 FY19 financial results and operations for the year, Mr Peter O'Connell, Chief Executive Officer and Managing Director said:

"As we expected, our FY19 result reflects the intense competition in the mobile market and a challenging environment in energy. Against this backdrop, we met the top end of our guidance for FY19 and maintained our market share in mobile. We also commenced our investment in mobile growth in June 2019 and adjusted our energy plans to account for new Federal and Victorian regulation. As planned, we also started trialing our new disruptive subscription energy product in Victoria.

"The mobile market continued to be driven by lower prices and rising inclusions. We had anticipated these challenges, and as a result of successfully revitalising our network supply agreement with Optus, we have significantly improved the competitiveness of our mobile offers, launching new plans shortly after signing the new deal.

"Our new energy subscription plans were offered in Victoria in April, as planned: this is the first of many steps towards disrupting the energy market, as we did with mobile ten years ago. The plans are simple and deliver customers an unprecedented level of transparency, predictability and flexibility, just like our mobile plans.

"Our highly successful $50.6 million capital raise in March 2019 has given us the financial flexibility and balance sheet strength to restructure our debt, invest in technology and provided additional funding to ramp up sales and marketing activities to grow subscribers, and positions us for long-term, sustainable growth."

MOBILE

Mobile underlying EBITDA was down 51.3% to $15.2 million, on net revenue of $203.5 million (FY18: $241.5 million excluding devices). On a comparable basis, excluding the effect of the new Accounting Standard changes and policies, Mobile underlying EBITDA was down 56.5% to $13.6 million.

Mobile EBITDA was down due to lower ARPU amid the highly compeititve environment. The new plans, enabled by our revitalised NSA with Optus, are more competitive and there are early signs that the market is moving towards more sustainable pricing.

Mobile gross margin remained strong at 34.2%, which was an improvement of 34bps from 33.8% and gross profit was down 14.9% to $69.5 million.

As flagged at HY19, continued intense competition in the mobile market, coupled with a shifting consumer preference towards lower value plans, had an adverse effect on mobile ARPU.

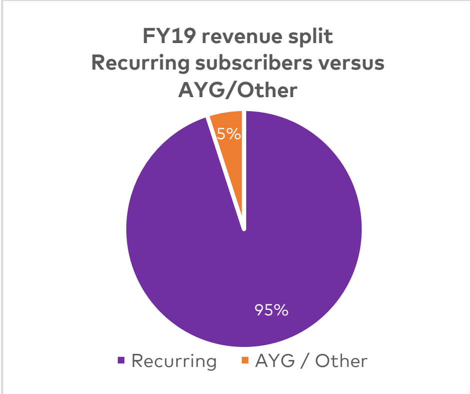
Mobile subscriber reporting

We have, for the first time, shown our revenue split between recurring revenue earned from our recurring subscriber base as distinct from revenue earned from our 'As You Go' (AYG) and other non-recurring sources. We have also changed the way that we report APRU, calculating it based on the recurring mobile subscriber base only and excluding AYG customers.

AYG customers are, by their nature, sporadic and unpredictable users and can remain in the customer base for over 12 months without using their mobile service or adding more credit (in accordance with the market practice on credit expiry terms).

Revenue from recurring mobile subscribers accounts for the majority of mobile revenue (95%) and therefore splitting these customers from the subscriber base provides better clarity around the recurring nature of the mobile business and our renewed focus on being a subscription business and growing our recurring revenue.

The recurring mobile subscriber base totalled 624k as at 30 June 2019 (down 4.8%) and as a result ARPU was $25.3 as at 30 June 2019, which was a comparable decline of 13.7% (FY18: $29.3).



During the year, amaysim maintained 34%[2] share of the MVNO market, despite the decline in mobile subscribers. The decline can be attributed to a competitive trading environment, higher churn and an intentional delay in commencing marketing investment until the revitalised Optus NSA was in place and new plans were live in June 2019. This delay reflected a disciplined approach to capital allocation for long term growth, at the cost of short term subscriber numbers, as it was not rational to continue investing in marketing until competitive new plans were available.

Since launching the new plans, growth of the recurring mobile subscriber base has been strong. The latest plans have been well received and over 8k recurring mobile subscribers were added in less than 7 weeks. As at 16 August 2019, recurring mobile subscribers totalled 632k.

ENERGY

The energy business reported underlying EBITDA of $32.1 million, an increase of 33.2%. On a comparable basis, underlying EBITDA was $22.5 million, which was down 1.7%. The significant adjustment to the comparable result is due to ~$10 million of expenses associated with subscriber acquisition being capitalised under the new accounting standards.

Energy net revenue was $304.8 million, versus $310 million in FY18 and energy subscribers grew by 8.3% to 207k as at 30 June 2019, driven by our unique mix of brands and sales channels in market.

Energy ARPU was 10.1% lower to $128.5 (FY18: $143.0) reflecting lower volumes across the energy market, attributable to milder weather, growing solar installations and increasing energy efficiency of devices and appliances. The higher energy prices seen throughout 2018 and 2019 also caused consumers to become more vigilant with their energy use. In NSW, the business also achieved strong growth of new gas customer accounts, that tend to be lower billing than electricity accounts.

Disciplined margin management resulted in energy gross profit increasing 12.4% to $82.7 million and gross profit margin increasing by 340 basis points to 27.1%.

The regulatory changes that became effective 1 July 2019 in the energy market are expected to play a role in driving energy margins lower, to more long-term sustainable levels. In April 2019, amaysim soft launched its new subscription energy plans in Victoria. The subscription energy plan will bring much needed simplicity, customer centricity and transparency to the sector, which is aligned to the regulators' goal to make energy pricing fairer for consumers.

As described in the half year results, 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 in May 2017, under Australian Accounting Standards, these assets were separately identified and recognised as amortising intangible assets rather than being included within goodwill. Following the

2 Telsyte Australian Mobile Services Market Study 2019

review, the Company 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 in the first half. Given this charge is non-cash in nature, it has no impact on banking covenants or underlying EBITDA and will reduce amortisation charges for the Company going forward.

GROWTH STRATEGY

The successful $50.6 million capital raising in February 2019 has strengthened the balance sheet following the debt repayment of $30 million and the Company closed the period with $30.7 million in cash and cash equivalents.

The funding also provided the Company with the capital to begin implementing its strategic growth initiatives that include:

- **Growing and defending mobile**
  - maintained MVNO market share of 34%.
  - increased marketing spend to boost brand awareness and grow subscribers, with activities commencing following the launch of the new plans in June.
  - recurring mobile subscriber base is returning to growth with over 8k net adds in less than 7 weeks.
  - the mobile subscriber base not only delivers value through revenue generation (directly and via cross-sell and up-sell), it is also strategically and inherently valuable with a wholesale recontracting event to occur on or before 30 June 2022.

- **Disrupting the retail energy market** with innovative subscription energy plans that are customer-centric, transparent, simple and fair
  - first plans were soft launched in Victoria in April 2019 and the plans were switched on in New South Wales and Queensland in August.
  - Plans are now being tested and new features being developed.

- **Continuing investment to enhance technology stack and support growth**
  - enhancement to drive operational efficiencies through increased automation and new architecture design to improve ability to service customers more effectively, to implement cross-selling initiatives and the launch of new products and services.
  - investment over the next two financial years will create the technology infrastructure to support long term agility and growth.
  - Subscription energy plans were launched on the newly implemented billing platform, purpose built for subscription plans.

OUTLOOK

Despite the challenges in mobile and energy, the Board and Management are optimistic for the medium to long term outlook for the business.

amaysim is well positioned to take advantage of growth opportunities with funding secured from the capital raise providing the financial flexibility to drive growth.

amaysim will continue to significantly reinvest in the business to support growth through its strategic initiatives. As such, FY20 will deliver materially lower earnings compared to FY19 with FY20 underlying EBITDA expected to be in the range of $33m - $39m (on a 'New GAAP' basis), down from $47.3m in FY19 (on a 'New GAAP' basis).

Guidance reflects:

- the mobile market continuing to remain highly competitive;
- a softer performance in energy due to no expected price rises in FY20 as the business transitions away from a front-book / back-book model;
- uncertainty in respect of the impact of recent changes in energy regulations;
- significantly higher marketing investment to fuel mobile subscriber growth; and
- investment into amaysim's technology stack.

The guidance also assumes no material changes in, or adverse effects from, market conditions, operating environments (including further regulatory change), business circumstances or supplier arrangements.

The focus is on driving mobile subscriber growth that will bring additional strategic value to the business. This is supported by the revitalised Network Supply Agreement (NSA) with Optus, which provides unprecendented agility and the foundation for amaysim to offer highly competitive plans. In addition, we expect that the network operators will focus more on sustainable and profitable growth to fund their investment in 5G, allowing amaysim to focus on its strong segments in 4G.

Energy consumption is expected to continue to trend lower across the market as device and appliance efficiency increases and solar installations continue to gain traction. The energy market also appears to be reaching the point of price elasticity, with consumers adapting their behaviour to lower their bills.

While the impact of the regulatory change in energy is still being realised, the new subscription plans and operating leverage means amaysim is well positioned to meet these challenges.

The Company's focus is squarely set on growth. It will continue to focus on increasing awareness of its subscription plans in energy and mobile while working to bring more simplicity, transparency, convenience and value to Australian households for the benefit of both consumers and shareholders.

WEBCAST DETAILS FOR INVESTORS

Management will hold an investor and analyst briefing this morning at 10:00am (AEDT) to present the 2019 full year result. To register and listen to the live conference call, please go to http://www.openbriefing.com/OB/3344.aspx.

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Appendix A - FY19 Key Financial Information for Continuing Businesses

Financial period ended 30 June $ million (unless stated otherwise)	FY19 Underlying	FY18 Underlying	Change
Reported basis			
EBITDA	47.3	55.3	(14.5%)
mobile	15.2	31.2	(51.3%)
energy	32.1	24.1	+33.2%
Comparable basis (excluding the effect of new Accounting Standard changes)			
EBITDA (on a comparable basis)	36.1	54.1	(33.3%)
mobile (on a comparable basis)	13.6	31.2	(56.5%)
energy (on a comparable basis)	22.5	22.9	(1.7%)

Financial period ended 30 June $ million (unless stated otherwise)	FY19 Statutory	FY18 Statutory	Change
Net revenue	508.3	551.6	(7.8%)
Gross profit	152.2	155.2	(2.0%)
Gross profit margin (%)	*29.9%*	*28.1%*	*+180bps*
EBITDA	43.9	48.3	(8.9%)
NPAT	(6.5)	14.8	(144%)
EPS (cps)[1]	(2.8)	7.0	(140%)
Subscribers ('000)			
Mobile (recurring subscribers only)	624	655	(4.8%)
energy	207	191	+8.3%
ARPU ($) per month			
Mobile (recurring subscribers only)	25.3	29.3	(13.7%)
energy	128.5	143.0	(10.1%)

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

Appendix B - New Accounting Standards

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

$ million	Prior Accounting Standards	New Accounting Standards
FY19 statutory net revenue	510.9	508.3
FY19 Underlying EBITDA	36.1	47.3

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