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## Letter to Shareholders

**6 May 2020:** Impelus Limited (**Impelus, Company**) (ASX: **IMS**) provides this letter to supplement the information contained in the Company's announcement to ASX dated 30 April 2020. The letter also outlines the Board's plans to counter the severe impact of COVID-19 on Impelus.

Over the past seven weeks, Management has worked diligently to construct and refine realistic future plans. These plans have been presented to the Board four times, dissected and amended.

We believe our plans and forecasts are realistic and conservative. That said, a lot depends on outside influences which are uncertain in their scope, and the effects of which are unknown.

To be candid, Impelus faces serious problems at present. Moreover, it seems these problems are not going to disappear in the short term. Nonetheless, given good management and with gritty concentration on improving the fundamentals we believe that the business will survive.

***"If Winter comes, can Spring be far behind" - Percy Bysshe Shelley***

### **AU Operations**

The near-term repercussions of COVID-19, which became apparent in mid-March 2020, delivered an unexpected jarring jolt. This continued into April when Australian revenue plummeted by 90% due to the indirect impact of the virus. At this point it seems likely that this state of "suspended animation" will hold until September 2020. We have planned accordingly.

All employees are presently working from home and most are on the Government JobKeeper program. Significant overhead savings have been realised already; a reduction in office rent is under negotiation; and further Government assistance is being actively pursued.

In addition, the Board has decided to operate our AU operations directly from the UK. Some seventy to eighty percent of our AU employees will be retained so that the high level of support that our Australian customers have enjoyed will be maintained. We expect that the level of disruption under the new arrangements will be small. Location is a minor consideration in the digital marketing world. Already some AU and NZ campaigns are comfortably run from the UK.

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## **UK and EMEA Operations**

UK revenues and profits to date have shown resilience to COVID-19 depredations. You may recall from my November 2019 AGM address that our UK operations were to receive increased managerial and financial support. This has happened, resulting in some exciting prospects being unearthed in the UK and Europe. These will enable us to accelerate growth, capitalising on our existing expertise and data bases. It should be remembered that Impelus overall, and in the UK in particular, possesses valuable intellectual property that is undervalued by the market and widely unrecognised.

With the help of the UK Government, 40% of the UK staff are now on the Coronavirus Job Retention Scheme, which means the UK Government will pay 80% of the employees' wages for the Company. This scheme reduces the stress on the UK team while helping to maintain a positive monthly net cash flow.

We will avoid unprofitable work at all costs. In this respect, our improved financial accounting systems, which provide accurate and timely reporting, will help greatly.

## **Budget Forecasts to December 2020**

Our updated Consolidated Budget indicates that Impelus can survive – and can even emerge strongly when the upturn arrives. In short, we have a good and sustainable business model.

Improving Impelus' operational performance remains the Board and Management's primary focus. However, other possibilities such as mergers, takeovers, and joint ventures remain under active consideration.

## **Management Changes**

We announce that Simon Allison has resigned from his position as CFO. Simon has given outstanding service to Impelus (formerly Mobile Embrace) over many years. The Board, our employees and our customers wholeheartedly acknowledge a deep gratitude to Simon. All is not lost however – Simon has willingly offered his services on an "as needs" basis.

Felix Chen, our Financial Manager, and understudy to Simon for a number of years, has been appointed Acting CFO. Felix's work has consistently been outstanding, especially in improving our financial systems. He is more than capable and fully deserves his expanded role.

## **Other Matters**

The Company has secured a further loan of \$150,000 from Brendan Birthistle, Chairman, to meet ongoing working capital requirements. The loan attracts interest at a rate of 13.71% per annum and matures on 15 December 2022. The loan is unsecured, and no equity is being issued in respect of the loan.

On 16 April 2020, Impelus reached a settlement with the liquidators of Careers Australia Group Limited which the board considered as satisfactory. (See ASX announcement of 12 November 2019 for details of this matter).

The Chairman continues to receive no remuneration for his services and the Company's senior independent director, David Haines, has taken a further 17.9% reduction in his director's remuneration.

## **The Future**

Without doubt, the future at least to December 2020 will be tough.

Our UK business model is sound, has been consistently profitable over many years, and offers scope for expansion. The AU business model – a different model by the way – needs more refinement to achieve acceptable profit margins. We are re-thinking our approach while expanding UK influence in Australia.

In summary, the Board and Management will concentrate on avenues that have worked in the past, expand them, and improve efficiencies through automation and rigorous cost control.

We will rely on Percy Bysshe Shelley to inspire us throughout.

## **Brendan Birthistle**

### **Non-Executive Chairman**

This release was authorised for lodgment by the Chairman of Impelus Limited.

#### **FOR FURTHER INFORMATION, PLEASE CONTACT:**

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