

ASX / Press Release

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Mitula Group Revises Full Year Guidance

The Mitula Group Limited (“**Mitula Group**” or the “**Company**”) (ASX:MUA) has today revised its full year revenue and adjusted EBITDA forecast for CY 2017.

The Company is now projecting revenues of between \$34.0 million and \$36.0 million, a decrease from its previous forecast of between \$38.0 million and \$41.0 million. The Company now expects to deliver a year on year revenue growth of between 21.4 and 28.6 percent.

The Company is also projecting an adjusted EBITDA of between \$12.0 million and \$13.0 million, a decrease from the previous forecast of between \$17.0 million and \$19.0 million.

The key driver of the revised forecast has been lower than expected AdSense and cost per click (“CPC”) revenue. This was due to a slower than expected growth in visits to the Mitula branded vertical search sites, especially in the second quarter.

Visitation to the Mitula branded sites was affected in the first half by a configuration error that occurred when the outsourced data centre changed bandwidth providers. This misconfiguration caused a slowdown in the delivery of pages resulting in Google penalising the Mitula branded vertical search sites. The Company’s Nestoria and Nuroa branded sites were not impacted by this misconfiguration.

The misconfiguration was initially masked by an update to the Google search algorithm. This configuration error has since been corrected and traffic is progressively returning to the originally forecasted levels. It is expected that this will take until the end of the year.

The decrease in revenues directly impacted the adjusted EBITDA as there were no variable costs associated with these revenues. In addition, the Company continues to invest strongly into advertising and transaction based products and services as part of its ‘Closer to the Transaction’ strategy.

The Company would have been on track for its original forecasts had the configuration error not occurred.

In parallel, the Mitula Group continues to invest in its ‘Closer to the Transaction’ strategy that is transitioning the business away from a reliance on AdSense and CPC revenues. The objective is to capture more value from existing visits by offering a targeted range of higher yielding advertising and transaction based products and services.

The roll out of this strategy has been successful over the first half with, for example, both the DotProperty and Fashiola business units delivering strong growth. Overall, advertising and transaction based products and services now account for around 25 percent of revenues.

Gonzalo del Pozo, CEO of the Mitula Group, commented: “It is extremely unfortunate that human error resulted in Google penalising the Mitula branded sites. The misconfiguration, which was extremely hard to identify and was masked by a change in Google’s search algorithm, has now been corrected. We have put in place systems and processes to minimise the chance of this happening again. The team is now working diligently on closing the gap in lost traffic which we expect to take until the end of the year.

“Had the configuration error not occurred, we would have been on track to deliver our full year forecast. Unfortunately, we are unable to make up this lost ground in the second half of the year and, as such, we have had to revise our forecasts downwards.

“We believe that the business is on the right track and that the issue faced in the first half is not a structural issue but a short-term issue that is in the process of being resolved.

“The good news for us has been the continued successful roll out of our ‘Closer to the Transaction’ strategy that sees us extracting more value from the existing visitors rather than relying on the volume of visits for revenue growth. For the first half, around 25 percent of our revenues will come from advertising and transaction based products and services with our DotProperty and Fashiola businesses continue to perform well and deliver strong growth.”

The company expects to report its interim results on 10 August 2017.

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About the Mitula Group

The Mitula Group was founded in 2009 and is a leading digital classifieds group operating vertical search, portals and transaction based sites.

- It operates 104 vertical search sites across property, employment, motoring and fashion in 51 different countries and 19 different languages. These sites operate under the Mitula, Fashiola, Kleding.nl, Nestoria and Nuroa brands.
- It operates 10 property portals in 9 South East Asian countries under the Dotproperty and Thailand-property brands.

The Mitula Group generates over 60 million visits per month to its network of vertical search and portal sites.

The Mitula Group monetises visits to these sites through a range of products and services including:

- Clicks based revenues – Google AdSense and cost-per-click (“CPC”) sales;

- Advertising based revenues – display advertising, listing sales (on portals), native ads, and other advertising products; and
- Transaction based revenues – cost-per-acquisition (“CPA”) and commission share products.

The Mitula Group customers include portals (property, employment and motoring), online fashion stores, general classified sites, real estate agents, developers and general display advertisers.

The Company listed on the Australian Securities Exchange (“ASX”) on 1 July 2015 and trades under the ASX code MUA.

Further Information

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