

ASX RELEASE

26 OCTOBER 2017

## QUARTERLY ACTIVITIES REPORT: PERIOD ENDED 30 SEPTEMBER 2017

### HIGHLIGHTS

- **Revenue of \$5.1 million, with growing momentum into the December quarter.** The September quarter revenue was \$5.1 million as continued strategic removal of low-quality traffic sources reduced supply, and diminished the Company's capacity to meet advertiser demand. New sources of high-quality traffic began to deliver improved revenues in the month of September, indicating positive momentum coming into the December 2017 quarter.
- **Improvements to TMP's technology-driven competitive advantage.** Enhancements to TrafficGuard, TMP's proprietary fraud prevention technology, has resulted in improved engagements with premium global advertisers. Recognised as a significant competitive advantage, new premium advertiser campaigns are expected to begin in the December 2017 quarter.
- **Asia-Pacific growth strategy progressing well.** TMP commenced recruitment of a Managing Director for the Company's Asia Pacific operation, with an expectation of first revenues in the March 2018 quarter.

### REVENUE

September quarter revenue was \$5.1 million, reflecting an expected lower period as the Company continued to strategically remove low-quality traffic sources. Additionally, TMP experienced delays in onboarding higher-tier traffic partners due to more stringent requirements put on the quality of supply sources. Taken together, these factors reduced the Company's capacity to meet the demand from advertisers.

#### Improving revenues, and quality of traffic

Towards the end of the September quarter, the revenue trend improved, reflecting new sources of high-quality traffic coming onboard and new campaigns with premium clients. To further speed up this onboarding process, the Company is making rapid improvements in the calibre of staff, operational ability, and prioritisation of technology associated with improving traffic supply.

As reported last quarter, measures to drive both quality and volume of online advertising traffic remain the highest strategic priority for TMP. These measures are critical to the Company's ability to satisfy sustained, long-term demand from high-calibre clients.

### OPERATIONS

#### TrafficGuard continues to strengthen TMP's competitive advantage

TMP's proprietary fraud prevention solution, TrafficGuard, has demonstrated significant value on two

fronts:

- Firstly, for **existing advertisers**, the increasing sophistication of TrafficGuard to detect and eliminate low-quality traffic sources, has resulted in a measurable increase in the overall quality of traffic TMP is able to provide. Current campaigns are delivering significantly higher quality, and satisfaction from advertisers is continuing to improve.
- Secondly, for **prospective advertisers**, TrafficGuard has proven to be a powerful business development tool. TMP's ability to protect an advertiser's spend from the impact of invalid traffic and ad fraud is a significant competitive advantage, and feedback from premium clients has been very positive. The results of this improved business development is expected to see results from the December 2017 quarter onwards.

### **Expansion into Asia Pacific, and establishing a Silicon Valley presence**

As outlined in the Company's Annual Report presentation for FY17, developing a dedicated Asia Pacific sales operation represents a core growth strategy for TMP. The Company is currently recruiting the Managing Director for the Asia Pacific operation, with an announcement expected before the end of the year, and expectation of first revenues in the March 2018 quarter.

Additionally, TMP is planning on expanding its North American sales operation, commencing investigations to open a San Francisco office. This has started with the temporary relocation of senior sales staff to better engage with premium clients, and assess the most appropriate format for a permanent presence in Silicon Valley. Additionally, in late November 2017, the Company will be hosting a premium client event in San Francisco, focused on fraud prevention and the value of TrafficGuard.

### **OUTLOOK**

Despite the weaker September 2017 quarter, the Company expects revenue growth to build over coming quarters, back-weighted to the second half of FY18. This will be due to new sources of high quality traffic, the growing competitive advantage afforded by TrafficGuard, and the establishment of new sales operations, most notably for the Asia Pacific region.

Tech Mpire Chief Executive Officer, Lee Hunter, said: "Despite the weaker quarter, the outlook for Tech Mpire remains strong. Fraud and invalid traffic is currently the most significant issue facing the performance marketing industry, and securing quality traffic is of paramount importance to advertisers. Through the ongoing sophistication of TrafficGuard, our strategy of removing sources of low quality traffic has proven to be prescient, and has positioned us extremely well for future campaigns with premium advertisers. This strategy is beginning to bear fruit, and we're already seeing improving revenues and new campaigns from high-calibre clients."

-Ends-

For more information, please contact:

#### **Investor Enquiries**

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Chief Executive Officer

Tech Mpire Limited

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## Appendix 4C

### Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

**Name of entity**

Tech Mpire Limited

**ABN**

88 156 377 141

**Quarter ended ("current quarter")**

September 2017

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (3 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	5,384	5,384
1.2 Payments for		
(a) research and development (see additional note 1)	(690)	(690)
(b) product manufacturing and operating costs including cost of services rendered	(3,758)	(3,758)
(c) advertising and marketing	(149)	(149)
(d) leased assets	-	-
(e) staff costs (see additional note 2)	(995)	(995)
(f) administration and corporate costs	(369)	(369)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	7	7
1.5 Interest and other costs of finance paid	(38)	(38)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(608)</b>	<b>(608)</b>

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (3 months) \$A'000</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	(12)	(12)
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
<b>2.6 Net cash from / (used in) investing activities</b>	<b>(12)</b>	<b>(12)</b>

<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of shares	-	-
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	-	-
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	-	-
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material):	-	-
(a) Net short term advances under debtor factoring facility	(499)	(499)
<b>3.10 Net cash from / (used in) financing activities</b>	<b>(499)</b>	<b>(499)</b>

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (3 months) \$A'000</b>
<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of quarter/year to date	8,202	8,202
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(608)	(608)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(12)	(12)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(499)	(499)
4.5	Effect of movement in exchange rates on cash held	(277)	(277)
<b>4.6</b>	<b>Cash and cash equivalents at end of quarter</b>	<b>6,806</b>	<b>6,806</b>

<b>5. Reconciliation of cash and cash equivalents</b>	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts		
5.1 Bank balances	2,970	5,598
5.2 Call deposits	-	-
5.3 Bank overdrafts	-	-
5.4 Other (Term Deposit)	3,836	2,604
<b>5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>6,806</b>	<b>8,202</b>

<b>6. Payments to directors of the entity and their associates</b>	<b>Current quarter \$A'000</b>
6.1 Aggregate amount of payments to these parties included in item 1.2	221
6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

7. <b>Payments to related entities of the entity and their associates</b>	Current quarter \$A'000
7.1 Aggregate amount of payments to these parties included in item 1.2	-
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

8. <b>Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other: debtor factoring facility	1,370	597

8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.

On 31 March 2017, a group company (Company) entered into a secured debtor factoring facility (Facility) with an unrelated party (Lender).

The Facility enables the Company to receive cash receipts in advance on certain of its customer invoices which are purchased by the Lender. The amount which may be advanced is limited to 90% of the face value of factored invoices with a maximum credit limit of USD \$3,600k. A fixed fee of 1.0% of the customer invoice purchased is charged by the Lender. Where the customer invoice remains unpaid after 30 days, a further fee of 0.033% of the invoice value is charged per day thereafter that the invoice remains unpaid. In addition to the fees, interest is payable on the average daily balance drawn based on the Bank of Montreal prime rate plus 3%.

In the event the customer invoice remains unpaid for 90 days from invoice date, the Company may be required to repay to the Lender all advances received for that invoice plus all related fees, interest and costs associated with that invoice.

At 30 September 2017, AUD \$597k had been drawn. The total facility limit on 30 September 2017 eligible debtors was AUD \$1,370k.


Under the current terms the Facility will terminate on 31 March 2018 (12 month term). The company is not obligated to factor a minimum value of customer invoices over the life of the facility.

9.	Estimated cash outflows for next quarter	\$A'000
9.1	Research and development	690
9.2	Product manufacturing and operating costs including cost of services rendered (see additional note 3)	6,260
9.3	Advertising and marketing	63
9.4	Leased assets	-
9.5	Staff costs	1,033
9.6	Administration and corporate costs	336
9.7	Other (provide details if material)	-
<b>9.8</b>	<b>Total estimated cash outflows</b>	<b>8,382</b>

10.	Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1	Name of entity	n/a	n/a
10.2	Place of incorporation or registration	n/a	n/a
10.3	Consideration for acquisition or disposal	n/a	n/a
10.4	Total net assets	n/a	n/a
10.5	Nature of business	n/a	n/a

### Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here:  .....  
(Director/Company secretary)

Date: 26 October 2017

Print name: TIM ALLISON

**Notes**

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.

**Additional Notes**

1. Item 1.2(a), payments for research and development, comprises primarily staff costs relating to on-going technology development work.
2. Item 1.2(e), payments for staff costs, excludes those costs relating to on-going technology development work which are included instead at item 1.2(a) – see additional note 1 above.
3. Item 9.2, estimated cash outflows for next quarter - product manufacturing and operating costs including cost of services rendered, includes payments to supply partners for the cost of services rendered to advertising clients and consequently the estimated cash outflow is dependent primarily on estimated sales for the next quarter.