

30 November 2018

ASX Release

Market Update

- As announced, the impact of unforeseen factors on trading in 1HY2019 reduced residual carrier billing revenue and Lead Generation/Customer Acquisition revenue in some sectors. A small loss in 1HY2019 is anticipated, returning to profitability in 2HY2019.
- Impelus forecasts a much stronger positive 2HY2019 driven by:
 - Ramp up in new Lead Generation product revenue in Health and Education and identified new sector developments;
 - A stronger UK operation; and
 - A greatly reduced cost base and enhanced financial flexibility.
- New Lead Generation/Customer Acquisition Technology is now starting to deliver higher average revenue per lead after only 7 months. In Australia new Premium Lead Generation solutions, including *Solvers* and media network, are delivering annualised total revenue of \$1.5 million on very limited roll-out.
- UK operations profitable and performing well. Premium Digital Lead Generation products in development to launch in UK shortly.
- Positive FY2019 earnings performance projected.

Digital Customer Acquisition and Lead Generation Company Impelus Limited (**ASX: IMS**) (**IMS, Impelus** or **Company**) is pleased to provide this market update to shareholders on the Company's FY19 performance to date. And to outline the strategic and cost measures identified, with many already implemented, by the board and management aimed at improving future performance.

FY2019 Trading Update

As the Company has previously announced to the market, trading in the first half of FY2019 has been impacted by a number of external factors including:

- The well-publicised impact of the Royal Commission into Banking and Insurance reduced Lead Generation and Customer Acquisition campaign activity in the Financial Services, Insurance and Call Centre sectors which affected some lead generation campaigns, and temporarily delayed the deployment of the new Premium Lead Generation technology, including *Solvers*, for high-value campaigns (*refer Chairman's Letter Annual Report ASX announcement 31 October*);
- The sudden and untimely exit of the remaining major Australian carrier from Direct Carrier Billing (**DCB**) operations which took away much needed revenue to fund operations and meet debt payments (*refer ASX announcement 24 July 2018*); and
- Impelus having to both recruit and deploy resources to non-revenue generating sales and business development activities to secure new client campaigns in the Health and Education sectors to counteract the temporary slow-down in campaign activity in the other sectors outlined above.
- The Australian DCB carriers and Impelus' largest insurance client combined comprised 27% of FY2018 total revenue (*refer Preliminary Final Report ASX Announcement 31 August 2018 page 52*). The cashflow impact of the combination of external factors and roll on affects outlined above in Q1FY2019 totalled \$1.07 million. Positive operating cashflows projected for full year FY2019.

As a result, Impelus expects a softer first half with revenue and earnings weighted significantly to 2HY2019. A small loss in 1HYFY2019 is anticipated, returning to profitability in 2HY2019. Notwithstanding the softer first half, the Company forecasts positive overall earnings for FY2019 as the revenue contribution from new campaigns in the Health and Education sectors start to contribute after the Christmas and New Year period, and newly identified sector opportunities are developed and launched.

Improvement to Balance Sheet and Cost Initiatives

The Company's balance sheet will again be strengthened this week with the bank debt being reduced by a further \$500,000 to \$5.3m (was \$7.97m in December 2017) together with a favourable restructuring of the debt which provides for a period of reduced monthly repayments. The Company is also owed \$490,000 from a major Australian carrier that ceased DCB operations in August. We are vigorously pursuing these funds which, upon receipt, will be applied to funding organic growth and to further reducing bank debt.

As announced on 20 November 2018, Impelus has pinpointed more cost savings with the monthly cost base now being progressively reduced by \$153,000 per month. The benefits of these reductions will become apparent in 2HY2019.

Legal Action

As announced in the Company's 2018 annual statutory accounts (*refer Post Balance Date events and Note 29*) contained within the 2018 Annual Report, the Company has commenced proceedings in the Federal Court of Australia against the vendors (and associated parties) of C2B Solutions Pty Limited for various matters relating to the acquisition of C2B. Further, the Company is seeking an order that the acquisition of C2B is void, refund of such of the purchase money as is determined by the Court to be just, and damages. Based on legal advice, the Board is highly confident of success. Further updates will be provided in due course.



Australian Operations Update

Impelus announced the commercial launch of its higher revenue per lead 'premium' Customer Acquisition/Lead Generation *Solvers* technology in March this year. Already this has delivered better qualified customer leads and with increasing rollout can improve margins. More roll-outs are planned.

Despite the slower deployment of Premium Lead Generation solutions, including *Solvers*, due to reduced campaigns in the sectors mentioned, some very successful but small roll-outs have occurred. Monthly revenue has grown from Zero in March to \$125,000 in October (\$1.5m annualised) as the solutions progressively deliver a growing number of premium leads. This is from four client campaigns in only two industry sectors, Education and Health.

This performance is very encouraging and is central to current business development and sales initiatives to existing and new clients in current and newly identified sectors. Impelus is confident that the Australian business will experience a much stronger second half as these new Premium Lead Generation solutions are launched.

Additionally, new and improved Customer Acquisition/Lead Generation technology is at an advanced stage of development. This will be launched early in the New Year to complement the current *Solvers* offering.

Businesses are increasingly demanding the more highly qualified leads that Impelus' Premium Lead Generation provides. Accordingly, the Company is building significant intellectual property (IP) in this area. This will boost our strong foothold in the market and will create a substantial competitive advantage.

Impelus's historical client pool is very valuable as the Company progressively markets its premium Customer Acquisition/Lead Generation technology with the aim of transitioning clients to higher margin campaigns. There are multiple industry sectors in this client base and Impelus will judiciously balance revenue per sector so that it can lessen the damage from unforeseen future shocks.

UK Operations Update

The UK operations have not been hit by the same challenges as Australia. We are pleased to report that the Company is trading well. A number of revenue streams are being developed through enhancement of our proprietary Lead Generation technology. Our Premium Customer Acquisition/Lead Generation technology will be launched shortly with a focus initially on the Health sector.

The UK operations have a strong base of owned publishing properties (websites) that are a very valuable component of the Company's Customer Acquisition/Lead Generation technology suite. These properties generate large amounts of valuable consented consumer data and supply large volumes of Digital Leads for UK clients on a monthly basis.

The UK has a deep client base with some highly respected brands. Greater emphasis on selling premium, higher revenue per lead Customer Acquisition/Lead Generation offerings (powered by Impelus' technology) will further drive growth and profitability.



Comment

Impelus CEO/Managing Director Neil Wiles said: *"Despite many external challenges all coming at us at once in the first half, we expect the second half to be much stronger. Reduced debt, a much lower cost base, but most importantly, much superior Customer Acquisition/Lead Generation technology, underpins our confidence.*

"Shareholders should now expect a steady stream of updates that focus on operational progress in Australia and the United Kingdom. We have quickly strengthened our Digital Lead Generation operations; we have proved that our Customer Acquisition/Lead Generation technology is rapidly adaptable to multiple sectors; and we firmly believe the benefits will now emerge."

FOR FURTHER INFORMATION, PLEASE CONTACT:

Rachael Mooney
Marketing Manager, Impelus Limited
+61 2 9360 3385
investor.relations@impelus.com

Ben Jarvis, Six Degrees Investor Relations: +61 413 150 448

ABOUT IMPELUS LIMITED

Impelus Limited (ASX: IMS) is a Customer Acquisition Engine that enables businesses to cost efficiently find customers through digital channels, at scale, globally. To learn more please visit www.impelusc corp.com or follow us on Twitter @ImpelusLimited.

DISCLAIMER

Forecasts and estimates may be materially different and may be affected by many factors such as the timely release of products and services, dependencies on third parties, the overall global economy, competition in the industry and other events beyond the control of or unforeseen by Impelus Limited and its subsidiaries.