

URBANISE FY2018 BUSINESS AND MARKET UPDATE

9 March 2018

Urbanise.com Limited (**Urbanise** or **Company**) (ASX: UBN) today announces that it has reached some important development milestones and commenced implementation of a program to simplify its current operating model which is supported by a cost reduction program that will significantly reduce expenditure in line with the strategy set out late last year.

The focus on recurring revenue is gaining traction and contracted annual recurring revenue is expected to grow when current large project implementations are completed.

Over the last 6 months the growth potential of the Strata and Services/CAFM product lines have been demonstrated through new business, strong pipelines and conversion rates. While strong pipelines also exist for IOT the ability to convert significant deals has not been demonstrated.

Strata

Revenue and pipeline are strong with contracted strata lots on the system now numbering 280,000, along with 250,000 lots in the pipeline contracted and due to be migrated on the system in the next 12 months. Further development is required over the next twelve -months to complete the PICA project and complete the redevelopment of the Strata Platform for Urbanise's significant global customer base. The Strata business is currently profitable (before allocation of corporate overheads).

We will continue to develop the Strata Platform and aggressively grow this part of the business.

CAFM (Asset Management/Services)

The CAFM Platform is essentially complete and fit for purpose. Revenue and pipeline are strong with wins of \$677k in January alone. Recent wins rates are high with most clients becoming customers after product presentations and live demonstrations. This business unit is expected to breakeven in July 2018.

With the CAFM Platform essentially completed, we will scale back associated development costs and aggressively grow sales.

IOT

The market for our IOT solutions continues to evolve. Notwithstanding significant customer interest and successful trials, it appears large scale deployments are still many months away. Given other more immediate revenue opportunities, we are restructuring our IOT division to better align with our cost base and go-to-market strategies. As a consequence, we intend to outsource (or sell) manufacturing of devices and ongoing development and operations whilst still providing Urbanises' customers continued access to the IOT solutions via the Urbanise platform. This will not only reduce operational expenditures, but will also remove the large capex associated with manufacturing new devices.

Cost reduction plan

Given recent milestones in software development and our go-to-market activities, the Company has reviewed and is rightsizing its cost base to position it for effective and sustained growth. The new operating model will allow Urbanise to focus operations on products with demonstrated growth potential and dramatically scale back its costs.

The cost reduction plan will result in annualised savings of between \$4 and \$5 million. The Company will incur spend of about \$0.9 million to implement the cost reduction plan. This cost will be incurred in quarter 3 and 4 of FY18.

The changes will be largely complete by April 2018.

Outlook

Implementing the cost reduction and achieving the projected growth in sales will allow the company to be in a cash neutral position in 18 to 24 months.

Based upon the recently finalised half-year operating results, and latest management forecasts, the Company is forecasting a full year revenue of between \$6 and \$7 million for FY2018.

At 28 February 2018 the Company was debt free and had a cash balance of \$5.0m.

Urbanise Chief Executive Officer Henry Arundel said:

"The Board and senior management team have spent considerable time over the last few months reviewing every part of the business and we are confident that these changes will materially improve profitability and our operating cash flow in H2 FY18 and beyond. Our platform development has matured considerably with our product to market now being highly attuned to our clients needs. Our pipeline of opportunities remains strong as we continue to win new business"

About Urbanise Urbanise is the creator of a cloud-based platform for delivering strata, building services and managing property related financial transactions. Designed for strata managers, service providers, and asset owners, the Urbanise Industry Cloud software-as-a-service platform is transforming the traditional engineering approach to building operations – improving customer service, removing operational costs and enabling new revenue streams. Urbanise technology is used in some of the tallest towers and most prestigious communities around the globe.

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