

ASX RELEASE

31 JANUARY 2018

QUARTERLY ACTIVITIES REPORT: PERIOD ENDED 31 DECEMBER 2017

KEY HIGHLIGHTS

- **Revenue of \$5.2 million.** The Company's current priority is driving revenue growth. Until recently, the focus has been on setting the correct foundations for growth through significant improvements to TrafficGuard®, improving the quality of traffic supply, the launch of an Asia Pacific (APAC) sales operation and North American team upskilling, incentive restructure and cost efficiencies. The Company is now confident the correct settings are in place and have early indications of improved revenue potential. Tech Mpire has commenced initial engagements with a number of Tier 1 clients in the APAC region and are pleased to have a strong pipeline.
- **Successful launch of the Asia Pacific (APAC) growth strategy.** This commenced with the establishment of a Singapore-based sales operation in December 2017. The Company has now signed initial test budgets with two new APAC clients and there are positive engagements with Tier 1 advertisers in the region including one of the top 3 video streaming companies in the world. First revenues remain on track to be realised during the March 2018 quarter.
- **Improvements in the efficiency of the Company's sales operation.** This has been through a reduction in the cost base and an improved sales incentive model to better align sales staff remuneration with revenue growth.
- **Successful completion of \$3 million capital raising.** This new capital will enable Tech Mpire to expand aggressively into APAC and service Tier 1 clients within the region.
- **Exploring new revenue opportunities** through the potential of licensing Tech Mpire technology to third parties.
- **Significant improvements to TrafficGuard®.** Recent improvements to TrafficGuard® to protect clients from fraudulent app installs has strengthened the competitive advantage afforded by Tech Mpire's technology. This represents a unique and powerful differentiator in the mobile marketing space and the Company is now focused on raising awareness of its benefits to drive new revenue growth.

Revenue

Tech Mpire Limited ("the Company" or "Tech Mpire") recorded \$5.2 million revenue in the December 2017 quarter, up from the \$5.1 million recorded in the September 2017 quarter. The revenue result is attributed to several factors:

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- **Establishing the appropriate foundations for global growth.** Until recently, Tech Mpire has focused on establishing the appropriate foundations for global growth and to service Tier 1 global clients. The Company is now confident the correct settings are in place and are now focused on driving revenue growth. Tech Mpire's traditional base has been North America, where the majority of revenues have historically been generated. In order to grow global revenues, the Company has completed several actions which have established the correct foundations for future growth. These actions include adding significant improvements to TrafficGuard®, launching the APAC sales operation and optimising the North American sales operation.
 - **Completion of the North American sales team restructure.** In North America, the Company reduced the cost base, optimised the incentive scheme to provide sales staff with more upside potential for revenue growth and completed sales training to enable a greater focus on Tier 1 customers.

To drive revenue, the Company is prioritising the following:

- **Driving APAC revenue growth.** Early indications from APAC are positive. James Dutton, Managing Director of APAC, brings extensive Tier 1 relationships and a strong track record of business development. The Company is pleased with the initial engagements from Tier 1 clients and APAC performance. The Company will provide further market updates regarding the progress of material engagements in due course.
- **Upskilling the North American sales team** to enable them to service Tier 1 clients. In particular, both clients and staff have required some education and training on the benefits of Tech Mpire's proprietary anti-fraud technology, TrafficGuard®.
- **Upselling existing clients.** TrafficGuard® is a key differentiator and a primary reason for existing clients to increase their expenditure with Tech Mpire.
- **Targeting lower tier opportunities.** The Company is concurrently working on a pipeline of lower tier client opportunities with more immediate revenue potential.
- **New revenue lines.** The Company is exploring new revenue opportunities through the potential licensing of its proprietary technology to third parties. The Company will provide further updates as appropriate.

Asia Pacific Momentum

Tech Mpire is experiencing good momentum with its APAC growth strategy. APAC has been identified as a growth area for the Company, with the region containing some of the world's fastest growing mobile markets. Tech Mpire's APAC strategy is to increase and diversify revenues by expanding the Company's geographic and client mix.

Tech Mpire's APAC entry commenced with the establishment of a Singapore-based sales operation in December 2017, led by new APAC Managing Director, James Dutton. Mr Dutton brings significant experience and networks in the global adtech sector and a deep understanding of the APAC region.

Tech Mpire is pleased to announce that the Company has already cultivated a strong customer pipeline in APAC, with initial test budgets signed with two new APAC clients, and multiple positive engagements with

Tier 1 advertisers in the region. Of note is the Company's recent announcement that it has been selected, alongside a small number of other marketing organisations, to assist in the development of an Asia Pacific media strategy for one of the top 3 video streaming companies in the world.

First revenues from APAC are expected to be realised in the March 2018 quarter financial results.

These new client engagements provide Tech Mpire with an opportunity to demonstrate the effectiveness of its proprietary nxus® software to find new app users at scale, and the ability of TrafficGuard® to block fraudulent activity. These competitive advantages are designed to enable a higher return on investment (ROI) for advertisers and higher, more sustainable budgets to Tech Mpire.

Operations

Tech Mpire continued to increase the efficiency of its operations through its:

- **North American team restructure.** This reduced the cost base, and optimised the sales incentive scheme to more closely align incentives with revenue growth.
- **Capital raising providing growth working capital funding.** This will enable Tech Mpire to expand aggressively into APAC and service Tier 1 clients within the region.

During the December 2017 quarter, the Company paid abnormal levels (\$903k) of costs relating to its North American restructure and establishment of its APAC presence. At the same time, the Board commenced a review of all costs in order to reduce expenditure on non-critical areas of the business. These measures have already resulted in savings and will ensure the Company operates in a systematic and cost-effective manner. Given the timing, the financial benefit of the cost savings was only partly captured in the December 2017 quarter and the Company expects further savings to be realised over the remainder of the financial year.

Outlook

The Company expects to provide further updates to the market about first revenues in the APAC region and any material new contracts.

Tech Mpire CEO, Lee Hunter said:

“Our biggest priority is driving revenue growth.

To achieve globally scalable revenue growth and service Tier 1 clients, I have initially focused on establishing the appropriate foundations for growth. I am now confident that we have the correct settings for scalable and sustainable growth.

A key task has been adding significant developments to our TrafficGuard technology. We wanted to ensure that TrafficGuard was operating at a sophisticated level before offering it to global Tier 1 clients. This has

now been completed and TrafficGuard has proven to be a powerful differentiator and key competitive advantage with global Tier 1 clients.

In North America, we have completed several actions. We upskilled our team to equip them with the skills to highlight the benefits of TrafficGuard to Tier 1 clients. We also completed a sales incentive restructure which results in overall cost savings but also provides staff with increased remuneration upside for overperformance.

In APAC, we are pleased with the strong performance of our new team in the region. I'm very excited for Tech Mpire's selection to be one of a small group of marketing partners to assist in the development of an APAC media strategy for one of the top 3 video streaming companies in the world. We've been selected due to the strength of our technology and our ability to detect and block ad fraud through our TrafficGuard product. It's a strong validation of our Tier 1 strategy and the competitive advantage afforded through our technology.

Along with the Board, and in particular Executive Director, Mathew Ratty, we've been rapidly improving the efficiency of our operations and ensuring we're smart about reducing our cost base.

I am confident that our Tier 1 and APAC growth strategies, combined with the unique value of TrafficGuard, will help drive further shareholder value growth."

About Tech Mpire (TMP)

TMP provides cost-per-install (CPI) advertising for the world's biggest brands, helping them acquire users for their mobile apps wherever they are in the digital world.

Clients are attracted to TMP's success-fee based pricing model, its ability to deliver results at scale through its nxus[®] technology platform and its ability to ensure installs and user acquisition are high quality through its TrafficGuard[®] fraud-prevention technology.

-Ends-

For more information, please contact:

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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")

December 2017

| Consolidated statement of cash flows | Current quarter \$A'000 | Year to date (6 months) \$A'000 |
|---|------------------------------------|--|
| 1. Cash flows from operating activities | | |
| 1.1 Receipts from customers | 5,041 | 10,425 |
| 1.2 Payments for | | |
| (a) research and development (see additional note 1) | (599) | (1,289) |
| (b) product manufacturing and operating costs including cost of services rendered | (4,459) | (8,217) |
| (c) advertising and marketing | (130) | (279) |
| (d) leased assets | - | - |
| (e) staff costs (see additional note 2) | (944) | (1,939) |
| (f) administration and corporate costs | (422) | (791) |
| (g) establishment and restructuring costs (see additional note 3) | (903) | (903) |
| 1.3 Dividends received (see note 3) | - | - |
| 1.4 Interest received | 9 | 16 |
| 1.5 Interest and other costs of finance paid | (27) | (65) |
| 1.6 Income taxes paid | - | - |
| 1.7 Government grants and tax incentives | - | - |
| 1.8 Other (provide details if material) | - | - |
| 1.9 Net cash from / (used in) operating activities | (2,434) | (3,042) |

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| Consolidated statement of cash flows | Current quarter \$A'000 | Year to date (6 months) \$A'000 |
|---|----------------------------|---------------------------------------|
| 2. Cash flows from investing activities | | |
| 2.1 Payments to acquire: | | |
| (a) property, plant and equipment | (6) | (18) |
| (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) | - | - |
| 2.6 Net cash from / (used in) investing activities | (6) | (18) |

| | | |
|---|--------------|--------------|
| 3. Cash flows from financing activities | | |
| 3.1 Proceeds from issues of shares | 3,000 | 3,000 |
| 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 | (120) | (120) |
| 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 | (397) | (896) |
| 3.10 Net cash from / (used in) financing activities | 2,483 | 1,984 |

| Consolidated statement of cash flows | | Current quarter \$A'000 | Year to date (6 months) \$A'000 |
|---|--|------------------------------------|--|
| 4. | Net increase / (decrease) in cash and cash equivalents for the period | | |
| 4.1 | Cash and cash equivalents at beginning of quarter/year to date | 6,806 | 8,202 |
| 4.2 | Net cash from / (used in) operating activities (item 1.9 above) | (2,434) | (3,042) |
| 4.3 | Net cash from / (used in) investing activities (item 2.6 above) | (6) | (18) |
| 4.4 | Net cash from / (used in) financing activities (item 3.10 above) | 2,483 | 1,984 |
| 4.5 | Effect of movement in exchange rates on cash held | (19) | (296) |
| 4.6 | Cash and cash equivalents at end of quarter | 6,830 | 6,830 |

| 5. Reconciliation of cash and cash equivalents | Current quarter \$A'000 | Previous quarter \$A'000 |
|---|------------------------------------|-------------------------------------|
| 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 | 4,581 | 2,970 |
| 5.2 Call deposits | - | - |
| 5.3 Bank overdrafts | - | - |
| 5.4 Other (Term Deposit) | 2,249 | 3,836 |
| 5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above) | 6,830 | 6,806 |

| 6. Payments to directors of the entity and their associates | Current quarter \$A'000 |
|--|------------------------------------|
| 6.1 Aggregate amount of payments to these parties included in item 1.2 | 202 |
| 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 | |
| | |

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| 7. Payments to related entities of the entity and their associates | 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. Financing facilities available <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 | 471 | 200 |

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 31 December 2017, AUD \$200k had been drawn. The total facility limit on 31 December 2017 eligible debtors was AUD \$471k.

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.

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| 9. | Estimated cash outflows for next quarter | \$A'000 |
|------------|---|--------------|
| 9.1 | Research and development | 645 |
| 9.2 | Product manufacturing and operating costs including cost of services rendered (see additional note 4) | 5,041 |
| 9.3 | Advertising and marketing | 51 |
| 9.4 | Leased assets | - |
| 9.5 | Staff costs | 769 |
| 9.6 | Administration and corporate costs | 379 |
| 9.7 | Other: income tax | 102 |
| 9.8 | Total estimated cash outflows | 6,987 |

| 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: 31 January 2018

Print name: TIM ALLISON

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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 1.2(g), payments for restructuring and expansion costs relate expenditure incurred as part of the Company's sales and marketing restructure and APAC establishment costs.
4. 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.