

ASX / Press Release

10 August 2017

Mitula Group Delivers Record Half Yearly Revenue

The Mitula Group Limited (“**Mitula Group**” or “**Company**”) (ASX: MUA), a leading global classifieds group, today released its half year interim financial report for the six months ending 30 June 2017.

Key points

- Half year revenues increased by 15.7% year on year to a record \$15.7m, driven by an 11% increase in yield per visit to 4.0 cents and 4.9% growth in visits
- Net cash flow from operations was \$4.9m after operational expenses related to the Company’s ‘Closer to the Transaction’ growth and investment strategy
- Total traffic to the Company’s sites in July 2017 reached 71.8m visits, the second-highest performance in the Company’s history and an increase of 8.8% over July 2016
- DotProperty, the Company’s Asian property classifieds business, delivered strong growth during the half year with visits up 41.7% and revenues up 55.6% year on year
- Kleding BV (Fashiola) saw an increase in monthly visits of 34.4% and growth in revenues of 62.2% since the completion of the acquisition in March 2017
- The Company expects to deliver between \$34m and \$36m in revenues for the full year with an adjusted EBITDA of between \$12m and \$13m
- The Board reaffirms confidence in the underlying trajectory of the business and will take its fees from 1 July 2017 in the form of shares at \$1.00 per share; the Directors, on an individual basis, will consider buying shares in the Company following this announcement

Mitula Group’s CEO, Gonzalo del Pozo said: “We are pleased to have seen a strong recovery in our organic search traffic to Mitula-branded sites in July and are confident that visitation will return to our previous forecasts by the end of the year.

“Despite the disappointing revenue performance, the business continued to generate nearly \$5m in operational cash flow in the half, even after our planned investments in the ‘Closer to the Transaction’ strategy.

“We are pleased with the strong performance of our DotProperty and Fashiola business units, which are adding significant value to the Company by driving our overall yield per visit higher. We remain positive on the outlook for the Company and reaffirm the full year guidance of between \$34m and \$36m in revenues with an adjusted EBITDA of between \$12m and \$13m.”

For personal use only

Operational performance

The Company started strongly in 2017, with January a record month for traffic, click-outs, and revenue.

However, as disclosed in ASX announcement on 25 July 2017, the Company experienced a configuration error that resulted in a slowdown in service speeds on Mitula-branded websites, which were consequently penalised by Google's site-ranking algorithm. The result was a decrease in organic search traffic to these sites and a decrease in AdSense and Cost-per-Click (CPC) revenues.

The estimated impact was a decrease of between 20% and 25% of the expected traffic to the sites. The configuration error was corrected in late April and the company is now returning to normal traffic levels. This is expected to take until the end of the financial year.

KPI	2Q 2017	2Q 2016	Growth	1H 2017	2H 2017	Growth
Visits (m)	188.9	189.7	(0.4%)	394.2	375.7	4.9%
Click Outs (m)	256.9	276.2	(7.0%)	570.9	557.1	2.5%
Click Outs Sold (m)	126.6	112.1	13.0%	284.6	225.2	26.4%

Visits to the Company's sites in July 2017 were 71.8m – the second-best month for the Company. This was a growth of 8.8% over the prior corresponding period.

The Company is confident that following the correction of the configuration error, the Company is now seeing traffic levels return towards the underlying trend projected based on January visits.

KPI	July 2017	July 2016	Growth
Visits (m)	71.8	66.0	8.8%
Click Outs (m)	96.1	88.4	8.7%

Both DotProperty and Kleding/Fashiola performed well in the first half of 2017 and both had record months in July.

- For **DotProperty**¹, visits to their sites increased by 41.7% over the previous June half year, revenues increased by 55.6%, and the yield per visit increased by 9.8% to 18.9 cents.
- **Kleding/Fashiola**, which was acquired in March 2017, has also seen strong growth. Between March and July, monthly visits increased by 60.0% and click outs generated increased by 133.3%. During this reporting period, Kleding/Fashiola contributed approximately \$1.6m in revenues and \$458,000 in profit to the Group with a yield per visit of 18.6 cents.

¹ DotProperty was acquired on the 5th September 2016 while Kleding BV (Fashiola) was acquired on the 2nd March 2017.

For personal use only

Investments in growth

As discussed in prior disclosures, the Company's strategic priority is to maximise the value captured from each visit to the 110 vertical search sites owned by the Mitula Group (yield per visit).

To increase yield per visit, the Company commenced a range of initiatives in 2016 which have continued during the first half. These include:

- Investing in identifying and building detailed information on each of our 70m visits to allow for better targeting of products and services
- Developing advertising- and transactions-based products for existing and new customers (already launched in many countries)
- Acquiring advertising-based businesses, such as DotProperty (acquired in late 2016), in attractive emerging markets
- Acquiring transaction-based businesses, such as Fashiola (acquired in March 2017)
- Improving the sale of paid click-outs from each visit to our vertical search sites

Execution of this strategy required strong investment in building out new advertising and transaction based revenue streams. In the first half of the year, approximately \$3.1 million in operating expenses were related to investments in advertising and transaction based products and services (including the respective expenses for DotProperty and Fashiola).

Pleasingly we have already started to see results from these investments. Overall yield per visit was 4.0 cents for the period, an increase of 11.1% from 3.6 cents for the 6 months end 30 June 2016. Driving this increase in yield per visit were our advertising and transaction businesses. In particular, DotProperty had a yield per visit of 18.9 cents for the period and Fashiola has a yield per visit of 18.6 cents.

Financial performance

On a statutory² basis, the Company delivered strong revenue growth during the first half, with revenues reaching a record \$15.7m. Half-yearly revenues have now nearly doubled since the Group's IPO.

² The statutory accounts for the first half of 2017 reflect 6 months of Mitula Classified SL, Lokku Limited, Nuroa Classified SL and Dot Property Pte Ltd, and 4 months of Kleding BV (owner of the Kleding and Fashiola brands). The statutory accounts for the first half of 2016 reflect 6 months of Mitula Classified SL and Lokku Limited, and 4 months of Nuroa Classified SL which was acquired on the 29th February 2016.

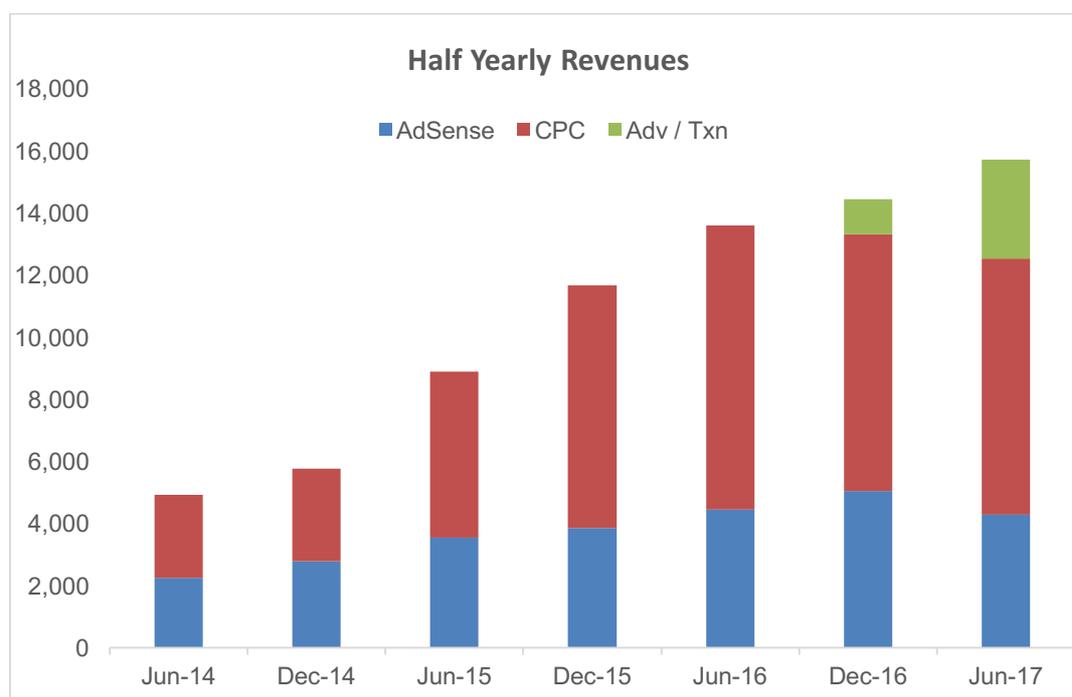
For personal use only

\$000's	6 Months to 30 June 2017	6 Months to 30 June 2016	Growth
Revenue	15,714	13,587	15.7%
Cost of Sales (Traffic)	(3,373)	(1,690)	99.6%
Operating Expenses	(6,935)	(5,332)	30.0%
EBITDA	5,405	6,565	(17.7%)
<i>EBITDA Margin</i>	34.4%	48.3%	
Total Comprehensive Income	2,731	4,431	(38.3%)
Operating Cash Flow	4,907	6,072	(19.2%)
Cash Balance (end of period)	10,877	22,239	(51.1%)

Foreign exchange had a 5.0% negative impact on the half year financials. On a constant currency basis, revenues would have been \$16.5 million for the half year.

\$000's	6 Months to 30 June 2017	6 Months to 30 June 2016	Growth
Revenue (Actual Currency)	15,714	13,587	15.7%
Revenue (Constant Currency)	16,547	13,587	21.8%

For the June quarter, 21.2% of revenues was from new advertising and transaction revenues streams including DotProperty and Fashiola.



EBITDA decreased by 17.7% to \$5.4m, resulting in an EBITDA margin of 34.4% for the first half of the year. Three factors were largely responsible for the decrease in EBITDA:

- Revenues for the first half were below expectations; as these revenues had no variable costs, they directly impacted the EBITDA

For personal use only

- Cost of sales, the purchase of traffic, was higher than expected due to the configuration error and consequent need to deliver to existing customer contracts
- The continued investment into the “Closer to the Transaction” strategy as set out above

Outlook

The Company expects to deliver revenue of \$34.0m to \$36.0m with an adjusted EBITDA of \$12.0m to \$13.0m.

The increase in second half revenues is expected to be driven by an increase in visits following the correction of the configuration error and by continued strong growth in advertising and transaction revenues. An improvement in second half EBITDA is expected due to the growth in AdSense and CPC revenues (which have minimal variable costs), lower traffic acquisition expenses, and strong expense management within the Company.

ENDS

For personal use only

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 110 vertical search sites across property, employment, motoring and fashion in 52 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 generated over 70 million visits in July 2017 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

Gonzalo del Pozo
CEO
gonzalo@mitulagroup.com

Simon Baker
Chairman
simon@mitulagroup.com

For personal use only