

Mitula Group Limited ACN 604 677 796
Level 6, 330 Collins Street
Melbourne VIC 3000
Australia

31 July 2017

Cheng Tang
Senior Advisor
Listings Compliance
ASX Limited
20 Bridge Street,
Sydney NSW 2000
via email: cheng.tang@asx.com.au

Dear Ms Tang

Mitula Group Limited: Response to aware query

We refer to your letter dated 27 July 2017 (copy attached) and respond to your queries as follows (terms that begin with an initial capital letter have the meaning given in your letter):

- 1. Does MUA consider the Revised Forecast to be information that a reasonable person would expect to have a material effect on the price or value of its securities?**

Yes.

- 2. If the answer to question 1 is “no”, please advise the basis for that view.**

Not applicable.

- 3. If the answer to question 1 is “yes”, when did MUA first become aware of the Revised Forecast?**

It was not until after the market closed on 24 July 2017 that the Board received the Revised Forecast and had sufficient certainty that there was likely to be a material variance (and the quantum of that variance) to the existing market guidance as to the Company’s full year revenue and EBITDA numbers (in this regard, see the responses to question 6 below).

The Company made an announcement concerning the Revised Forecast prior to the commencement of trading on 25 July 2017.

- 4. If the answer to question 1 is “yes” and MUA first became aware of the information before the relevant date, did MUA make any announcement prior to the relevant date which disclosed the information? If so, please provide details. If not, please explain why this information was not released to the market at an earlier time, commenting specifically on when you believe MUA was obliged to release the information under Listing Rules 3.1 and 3.1A and what steps MUA took to ensure that the information was released promptly and without delay?**

Not applicable. MUA first became aware of the relevant information after the market closed on 24 July 2017.

- 5. Does MUA consider the Configuration Error to be information that a reasonable person would expect to have a material effect on the price or value of its securities?**

No, the Company does not consider that the Configuration Error, by itself, is information that a reasonable person would expect to have a material effect on the price or value of its securities.

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6. If the answer to question 5 is “no”, please advise the basis for that view?

- a) The Company continually monitors traffic levels through its core management information systems which form part of the Company's risk management framework. Each month the Company aggregates the traffic volumes across 104 sites, 51 countries and 19 languages. There are over 60 million visits on average per month to the Company's network of vertical search and portal sites. In this complex analysis, the Company looks at month on month as well as year on year fluctuations to determine underlying trends.
- b) As disclosed on 22 May 2017 (refer ASX release 'Market Update'), a decrease in traffic to the Company's Mitula branded websites was identified for the months of February and March 2017.
- c) The cause of this decrease in traffic was initially attributed by Management to a combination of a change in the Google search algorithm and to seasonal factors, as January is typically one of the Company's peak months for site visits.
- d) Management believed that the decrease in traffic was a temporary issue as this had occurred on multiple occasions in the past and on each occasion traffic had relatively quickly self-corrected.
- e) Based on an assessment of the available information, Management formed the view that the decrease in traffic in the first quarter would likely not have an impact on the Company's full-year financial forecast.
- f) During the February 2017 through April 2017 period, Management continued, as part of normal processes, to investigate all potential causes for the decrease in traffic. In late April 2017 Management identified that the data bandwidth for the Mitula branded sites was not properly configured (the 'configuration error'). The configuration error meant that Mitula site pages were being served to users at a slower rate than was historically the case. Since speed-to-serve is an important factor in the Google search algorithm, Mitula branded sites were effectively 'penalised' by Google in its search rankings, thereby impacting organic search traffic.
- g) The Google algorithm changes and seasonal factors referred to above had the effect of masking the configuration error as the key contributor of lower traffic to Mitula branded sites. Identification of the configuration error was further complicated due to conflicting information provided by the outsourced data centre provider.
- h) Management took the view that traffic would recover to normal levels within a short period of time following the correction to the configuration issue, and that any 'penalisation' by the Google algorithm should be short-lived. The Company notes that traffic did increase following correction of the error. In that regard, the Company notes that in its release to market on 22 May 2017 the following information was disclosed:
- i. traffic to Mitula branded sites decreased during February 2017 due to a change to the Google search algorithm and seasonality;
 - ii. organic search traffic was recovering; and
 - iii. the Company remained committed to its full year revenue and adjusted EBITDA guidance.
- i) It was not until the June traffic levels were able to be fully analysed in mid-July 2017 that Management was in a position to determine reliably that, even after correction of the configuration error, traffic, while improving, was not recovering at the rate expected.
- j) Based on this data, the Company immediately commenced a full re-estimation of traffic for the rest of the year, completed a detailed review of Group operations, and prepared a revised full year forecast (including for advertising and transaction based businesses). It was not until approximately 8.00pm on 24 July 2017 that these processes were completed and there was sufficient certainty regarding the likely impact on the Company's full year guidance.

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k) The Company made an announcement concerning the Revised Forecast and the Configuration Error prior to the commencement of trading on 25 July 2017.

7. **If the answer to question 5 is “yes”, when did MUA first become aware of the Configuration Error?**

Not applicable.

8. **If the answer to question 5 is “yes” and MUA first became aware of the information before the relevant date, did MUA make any announcement prior to the relevant date which disclosed the information? If so, please provide details. If not, please explain why this information was not released to the market at an earlier time, commenting specifically on when you believe MUA was obliged to release the information under Listing Rules 3.1 and 3.1A and what steps MUA took to ensure that the information was released promptly and without delay?**

Not applicable.

9. **Please confirm that MUA is in compliance with the Listing Rules and, in particular, Listing Rule 3.1.**

The Company confirms that it is compliance with the Listing Rules and, in particular, Listing Rule 3.1.

10. **Please confirm that MUA's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of MUA with delegated authority from the board to respond to ASX on disclosure matters.**

The responses to your questions above have been approved by the Board.

Yours sincerely



Lee Mitchell
Company Secretary
Mitula Group Limited

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27 July 2017

Mr Lee Mitchell
Company Secretary
Mitula Group Limited
Level 6, 330 Collins Street
MELBOURNE VIC 3000

By email: l Mitchell@convergencelegal.com.au

Dear Mr Mitchell

Mitula Group Limited (“MUA”): aware query

ASX Limited (“ASX”) refers to the following:

- A. MUA’s announcement entitled “Mitula Group Revises Full Year Guidance” lodged on the ASX Market Announcements Platform and released at 08:27 am on 25 July 2017 (the “Announcement”), disclosing the following information:

“The Company is now projecting revenues of between \$34.0 million and \$36.0 million, a decrease from its previous forecast of between \$38.0 million and \$41.0 million...The Company is also projecting an adjusted EBITDA of between \$12.0 million and \$13.0 million, a decrease from the previous forecast of between \$17.0 million and \$19.0 million.” (the “Revised Forecast”)

“Visitation to the Mitula branded sites were affected in the first half by a configuration error that occurred when the outsourced data centre changed bandwidth providers...The Company would have been on track for its original forecasts had the configuration error not occurred.” (the “Configuration Error”)

- B. The decrease in the price of MUA’s securities after the release of the Announcement as follows:

Time and Date	Price
Close – Monday, 24 July 2017	\$1.00
Open – Tuesday, 25 July 2017	\$0.60
Close – Tuesday, 25 July 2017	\$0.55

- C. Listing Rule 3.1, which requires a listed entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity’s securities.

- D. The definition of “aware” in Chapter 19 of the Listing Rules, which states that:

“an entity becomes aware of information if, and as soon as, an officer of the entity (or, in the case of a trust, an officer of the responsible entity) has, or ought reasonably to have, come into

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possession of the information in the course of the performance of their duties as an officer of that entity”

and section 4.4 in Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B “When does an entity become aware of information”*.

- E. Listing Rule 3.1A, which sets out exceptions from the requirement to make immediate disclosure, provided that each of the following are satisfied.

“3.1A Listing rule 3.1 does not apply to particular information while each of the following is satisfied in relation to the information:

3.1A.1 One or more of the following applies:

- It would be a breach of a law to disclose the information;*
- The information concerns an incomplete proposal or negotiation;*
- The information comprises matters of supposition or is insufficiently definite to warrant disclosure;*
- The information is generated for the internal management purposes of the entity; or*
- The information is a trade secret; and*

3.1A.2 The information is confidential and ASX has not formed the view that the information has ceased to be confidential; and

3.1A.3 A reasonable person would not expect the information to be disclosed.”

- F. ASX’s policy position on the concept of “confidentiality”, which is detailed in section 5.8 of Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*. In particular, the Guidance Note states that:

“Whether information has the quality of being confidential is a question of fact, not one of the intention or desire of the listed entity. Accordingly, even though an entity may consider information to be confidential and its disclosure to be a breach of confidence, if it is in fact disclosed by those who know it, then it ceases to be confidential information for the purposes of this rule.”

Having regard to the above, ASX asks MUA to respond separately to each of the following questions and requests for information:

1. Does MUA consider the Revised Forecast to be information that a reasonable person would expect to have a material effect on the price or value of its securities?
2. If the answer to question 1 is “no”, please advise the basis for that view.
3. If the answer to question 1 is “yes”, when did MUA first become aware of the Revised Forecast?
4. If the answer to question 1 is “yes” and MUA first became aware of the information before the relevant date, did MUA make any announcement prior to the relevant date which disclosed the information? If so, please provide details. If not, please explain why this information was not released to the market at an earlier time, commenting specifically on when you believe MUA was obliged to release the

information under Listing Rules 3.1 and 3.1A and what steps MUA took to ensure that the information was released promptly and without delay.

5. Does MUA consider the Configuration Error to be information that a reasonable person would expect to have a material effect on the price or value of its securities?
6. If the answer to question 5 is “no”, please advise the basis for that view.
7. If the answer to question 5 is “yes”, when did MUA first become aware of the Configuration Error?
8. If the answer to question 5 is “yes” and MUA first became aware of the information before the relevant date, did MUA make any announcement prior to the relevant date which disclosed the information? If so, please provide details. If not, please explain why this information was not released to the market at an earlier time, commenting specifically on when you believe MUA was obliged to release the information under Listing Rules 3.1 and 3.1A and what steps MUA took to ensure that the information was released promptly and without delay.
9. Please confirm that MUA is in compliance with the Listing Rules and, in particular, Listing Rule 3.1.
10. Please confirm that MUA’s responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of MUA with delegated authority from the board to respond to ASX on disclosure matters.

When and where to send your response

This request is made under, and in accordance with, Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by not later than half an hour before the start of trading (ie before 9.30 a.m. AEST) on Tuesday, 1 August 2017. If we do not have your response by then, ASX will have no choice but to consider suspending trading in MUA’s securities under Listing Rule 17.3.

You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, MUA’s obligation is to disclose the information “immediately”. This may require the information to be disclosed before the deadline set out in the previous paragraph.

ASX reserves the right to release a copy of this letter and your response on the ASX Market Announcements Platform under Listing Rule 18.7A. Accordingly, your response should be in a form suitable for release to the market.

Your response should be sent to me by e-mail at cheng.tang@asx.com.au. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

Listing Rules 3.1 and 3.1A

In responding to this letter, you should have regard to MUA’s obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*.

It should be noted that MUA’s obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

Trading halt

If you are unable to respond to this letter by the time specified above, you should discuss with us whether it is appropriate to request a trading halt in MUA's securities under Listing Rule 17.1.

If you wish a trading halt, you must tell us:

- the reasons for the trading halt;
- how long you want the trading halt to last;
- the event you expect to happen that will end the trading halt;
- that you are not aware of any reason why the trading halt should not be granted; and
- any other information necessary to inform the market about the trading halt, or that we ask for.

We may require the request for a trading halt to be in writing. The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted.

You can find further information about trading halts in Guidance Note 16 *Trading Halts & Voluntary Suspensions*.

If you have any queries or concerns about any of the above, please contact me immediately.

Yours sincerely

[Sent electronically without signature]

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