

REVERSE CORP LIMITED

Annual General Meeting 26 October 2017

Management Presentation



Agenda

- ❑ Group Snapshot
- ❑ 1800-Reverse
- ❑ Online Contact Lenses
 - ❑ The Opportunity
 - ❑ OzContacts.com.au
 - ❑ NetOptical.com.au
 - ❑ WebContacts.com.au
- ❑ Capital Management
- ❑ Priorities

Full Group Snapshot

Year to 30 June (AUD)	2017	2016	Year-on-Year
Revenue	\$6.0m	\$6.9m	↓ 13%
EBITDA	\$1.1m	\$2.4m	↓ 54%
EBIT	\$0.9m	\$2.2m	↓ 59%
NPAT	\$0.3m	\$1.6m	↓ 81%
EPS	\$0.003	\$0.017	↓ 82%
Dividend per Share	1c	1c	-

- ❑ Business in transformation from reverse charge calling to online contact lens retailing
- ❑ NPAT includes: impairment charge of \$975,000 against the 1800-Reverse business as it approaches the end phase of its lifecycle, and a one-off gain of \$691,157 from the sale of our stake in OnTheHouse Holdings Limited (ASX: OTH) in Nov-16
- ❑ Progress in our Online Contact Lenses business slower than anticipated but positive steps taken in the delivery of key platforms which will enable scale with multiple brands
- ❑ Growth achieved through the acquisitions of competitor online contact lenses businesses NetOptical.com.au in Aug-16 and WebContacts.com.au in Aug-17
- ❑ Focus ahead: (i) Driving growth in our online Contact Lenses Business, (ii) Building our Team, (iii) Pursuing further acquisitions, and (iv) Maximising 1800-Reverse earnings

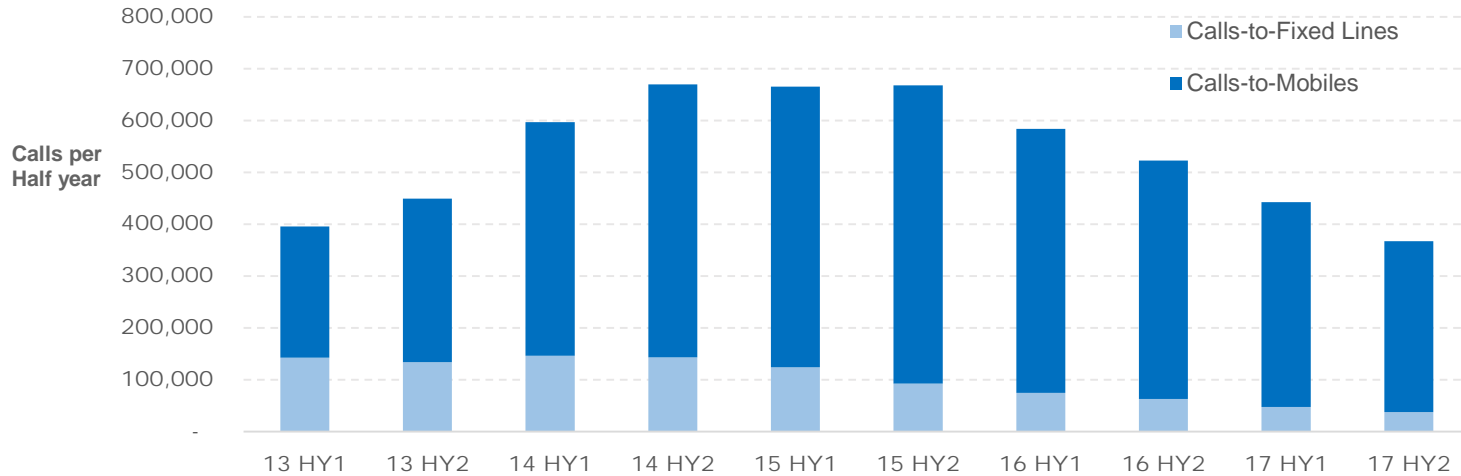
1800 Reverse - reverse charge calling

Year to 30 June (AUD)	2017	2016	Year-on-Year
Revenue	\$3.7m	\$5.4m	↓ 32%
EBITDA	\$1.6m	\$2.9m	↓ 45%
EBITDA margin	45%	53%	↓ 9% points

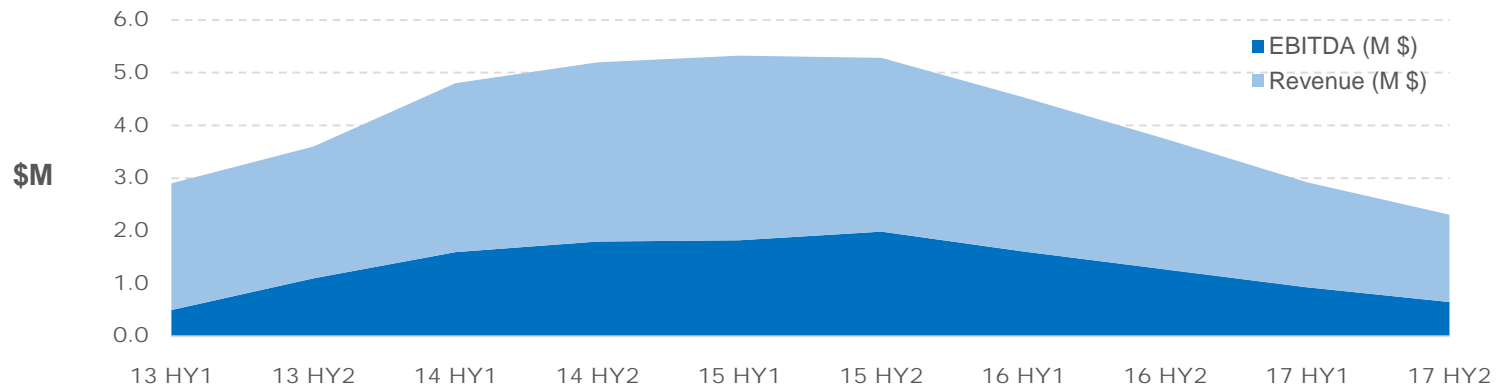
- ❑ Revenue and EBITDA declined as expected across the year as technological change and voice commoditisation continue to impact demand for reverse charge calling
- ❑ Faster decline in higher margin calls-to-fixed lines (only 11% of total calls) resulting in EBITDA margin decreasing from 53% to 45%
- ❑ Given the structural changes in the market, our focus has been profit maximisation
- ❑ Marketing spend reduced by 88% to \$12,140 with additional cost savings to be identified in the year ahead
- ❑ Product still benefits from ease of use via the phoneword and still provides a unique 24-7 'call-of-last resort' option in the market

1800-Reverse resilient but approaching end phase of its lifecycle

1800-Reverse Call Volumes & Type by Half Year Last 5 Years



1800-Reverse EBITDA & Revenue by Half Year Last 5 Years



Combined Online Contact Lenses Business – FY17 performance

Year to 30 June (AUD)	2017	2016	Year-on-Year
Revenue	\$2.3m	\$1.5m	↑ 53%
EBITDA	(\$0.1m)	-	↓

- ❑ Reverse Corp has a 95% stake
- ❑ Revenue up by 53% following the acquisition of NetOptical.com.au in Aug-16
- ❑ Business has been in enablement phase to support growth with investment in building the Team, key IT projects and our customer proposition to attract and retain users
- ❑ Marketing activity will increase in Q2 FY18 following the completion of key IT projects which include: new OzContacts e-commerce store, new multi-brand inventory management system, new digital marketing platform and new NetOptical website
- ❑ Total EBITDA loss of \$100,226 reflecting enablement phase and delayed launch of marketing and new propositions for both OzContacts.com.au and NetOptical.com.au
- ❑ Further growth through acquisitions following the purchase of WebContacts.com.au in Aug-17 which is expected to add \$1.3m in annualised revenue

The Online Contact Lenses Opportunity

Growing Sector. Fragmented Market

- Online market estimated at \$52m* pa with Contacts making up \$88m* of AUS total online optical market which is growing at c.5.7%* pa
- Our brands estimated to have 7% share of AUS online Contacts market
- Independents hold c.40% of total online + retail market so potential to win customers migrating online and acquire online competitors

Multi Brand Acquisition Strategy

- 2017 platform build provides the IT architecture, platform and processes to efficiently support the operation of multiple brands
- Multiple brands allows us to occupy more organic and paid positions on key google search results and vary our propositions for different segments

Retention Experience Fixes due Q2 FY18

- Key focus has been data cleansing to help enable the fastest, easiest anywhere re-order experience via segmented email + SMS so customers never need to worry about running out whilst still retaining control

Investment in Team, Systems & Proposition

- Key project delivery slower than anticipated due to the time to identify and build right Team with different skills to our core reverse business
- Combination of internal and off-shore agencies and contractors utilised
- Investment in marketing and proposition required to attract new customers

Achieving Scale Opens Next Stage Opportunities

- Challenge is to rapidly but efficiently build scale with the aim of creating a \$10m revenue pa business through acquisitions and marketing growth
- Achieving scale with trusted customer relationships creates opportunities in product cross sell, improved product buying and strategic partnerships

* IBISWorld Industry Report OD4089 Online Eyeglasses and Contact Les Sales in Australia – Oct 2016

^ IBIS World Industry Report Q8532 Optometry and Optical Dispensing in Australia – Mar 2016

OzContacts.com.au – FY17 performance

Year to 30 June (AUD)	2017	2016	Year-on-Year
Revenue	\$1.4m	\$1.5m	↓ (7%)
EBITDA	(\$0.2m)	-	↓

- ❑ Revenue down 7% due to the delay to Feb-17 in the launch and promotion of the new website built on the Magento 2 platform
- ❑ New responsive site delivering increased organic traffic and significantly improved fixed and mobile conversion rates, driving positive revenue growth YoY for HY2 17
- ❑ EBITDA impacted by the delay in resuming marketing activity and the investment needed to refresh the customer proposition to re-start base growth momentum
- ❑ Higher costs also incurred in software licences and building our Team with new digital and IT resource recruited to support key projects and ongoing trading (OZC EBITDA impacted by it bearing a higher proportion of corporate costs vs. Net Optical)
- ❑ Key marketing campaign throughout Nov and Dec to capitalise on seasonality from pre-holiday buying and customers utilising their annual private health optical extras

NetOptical.com.au – FY17 performance

Year to 30 June (AUD)	2017	2016	Year-on-Year
Revenue	\$0.9m	-	-
EBITDA	\$0.1m	-	-

- ❑ Acquired in Aug-16 for \$750,000 from South East Queensland based Optometrist
- ❑ Business achieved revenues of \$922,910 and EBITDA of \$139,310 which was less than anticipated
- ❑ Result impacted by a combination of transition issues including the inherited legacy web infrastructure and delays in migrating to a new e-commerce platform
- ❑ New website with refreshed propositions launched in late Sep-17, initial results positive with site traffic up, conversion up and improvements to google key word rankings
- ❑ New site provides an improved mobile and tablet experience and more flexible payment options through PayPal
- ❑ Short term focus is further improvements to the customer re-order experience and leveraging the recent website and proposition improvements for customer winback

WebContacts.com.au Acquisition

- ❑ Business acquisition completed 23 Aug-17 including core WebContacts.com.au brand and secondary brand YourContacts.com.au
- ❑ Similar to our acquisition in 2016, the business was set up by an independent Optometrist in South East Queensland and has operated since 2000
- ❑ Expected to deliver c.\$1.3m in annualised revenue and be earnings per share accretive in the 2018 financial year
- ❑ Total purchase price \$710,000
- ❑ Business has well established systems and processes making transition process smoother compared to the 2016 acquisition
- ❑ Integration of both websites with our internal inventory management system completed
- ❑ Improvements to re-order campaign management to be deployed over the next 6 months with YourContacts providing a 'test and learn' brand for the Group

Capital Management

Year to 30 June (AUD)	2017	2016	Year-on-Year
Total cash flow to 30 June	\$1.2m	(\$1.4m)	↑ 186%
Cash on hand as at 30 September	\$6.0m	\$4.5m	↑ 33%

FY17 cashflow impacts:

- ❑ Fully franked Dividend of 1c per share for FY16 paid in Sep-2016 (\$934,415)
- ❑ Proceeds of \$2,671,550 from OnTheHouse stake sold in Nov-2016 (net gain \$691,157)
- ❑ Reduced 1800-Reverse profitability with EBITDA down \$1,238,116 on FY16
- ❑ CAPEX of \$250,000 in platforms for our Contact Lenses business
- ❑ Investment in Contact Lenses customer proposition and marketing to support trading

FY18 known movements:

- ❑ Fully franked Dividend of 1c per share paid in Sep-2017 (\$934,415)
- ❑ Acquisition of WebContacts.com.au for \$710,000 in Aug-2017
- ❑ Further CAPEX of \$100,000 for our Contact Lenses business

Priorities ahead as we transform to online contact lens retailer

- 1. Drive customer base growth across all our online brands through efficient marketing activity following the completion of key IT projects in H1 FY18**
- 2. Continue to build our Team and resources to ensure access to the right digital and IT skills**
- 3. Complete further online contact lens business acquisitions to achieve scale**
- 4. Maximise profitability of the mature 1800-Reverse service**

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