

# REVERSE CORP LIMITED

## Annual General Meeting 14 November 2018

Management Presentation



# Agenda

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

# Full Group Snapshot

Year to 30 June (AUD)	2018	2017	Year-on-Year
Revenue	\$8.06m	\$6.02m	↑ 34%
EBITDA	\$0.57m	\$1.09m	↓ (48%)
EBIT (excludes impairments)	\$0.2m	\$0.9m	↓ (78%)
NPAT	(\$0.5m)	\$0.3m	↓ (267%)
EPS	(\$0.005)	\$0.003	↓ (267%)
Dividend (per share)	5.5c	1c	↑ +4.5c

- ❑ Strong growth in our online contact lenses business following the start of marketing for OzContacts.com.au and the acquisition of WebContacts.com.au
- ❑ EBITDA impacted by strategic investment in marketing to grow OzContacts with advertising spend for Contact Lenses business increasing from \$31k to \$564k
- ❑ NPAT includes: impairment charge of \$400k against 1800-Reverse as it enters its final year, as well as depreciation and amortisation of \$385k
- ❑ 1800-Reverse will close end Jul-2019 following the termination of key billing agreements
- ❑ Focus ahead: (i) Consolidate on CL business growth and achieve positive cashflow  
 (ii) Maximise 1800-Reverse earnings ahead of July 2019 closure  
 (iii) Identify the best future company structure to maximise value for shareholders including potential sale of the CL business

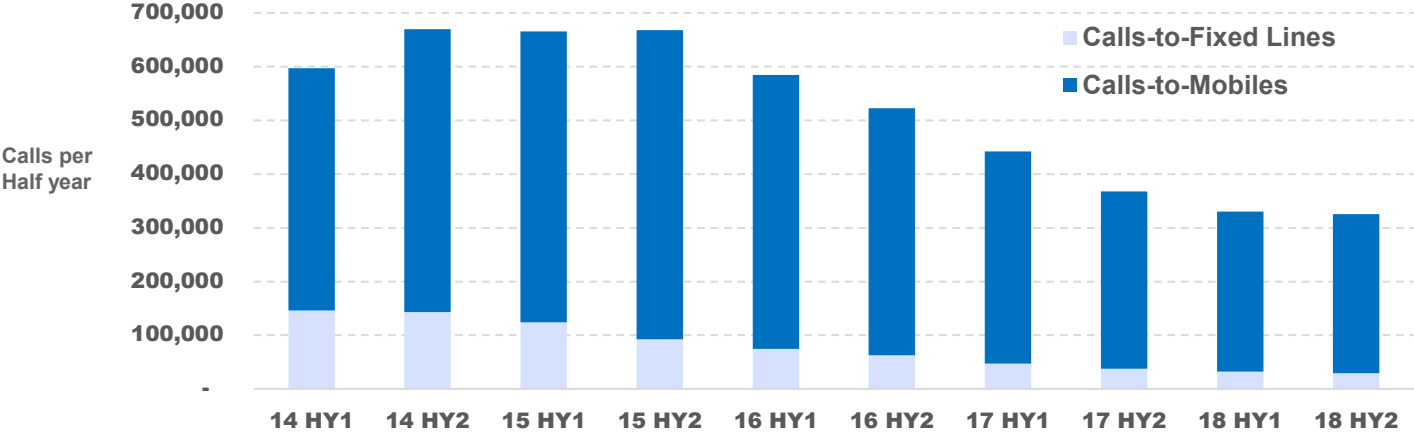
# 1800 Reverse - reverse charge calling

Year to 30 June (AUD)	2018	2017	Year-on-Year
Revenue	\$3.54m	\$3.68m	↓ (4%)
EBITDA	\$1.59m	\$1.64m	↓ (3%)
EBITDA margin	45%	45%	-

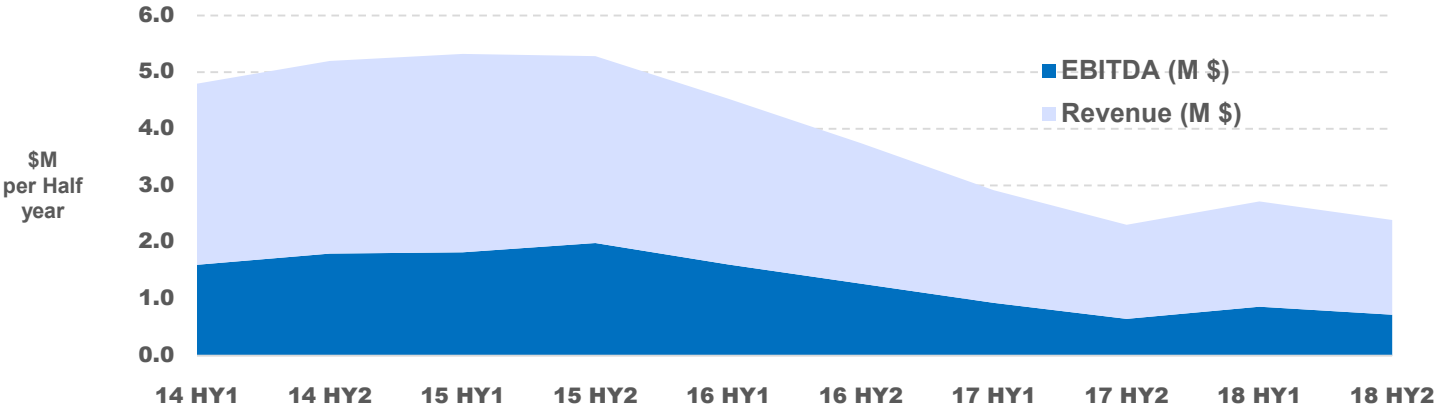
- ❑ Call volume declines of 19% largely mitigated by price changes resulting in revenue and EBITDA declining 4% and 3% respectively on the previous year
- ❑ EBITDA margin stable at 45% with calls-to-fixed lines mix down marginally to 9% of total calls
- ❑ Product unviable from 1-Jul-2019 following termination of billing agreements for Optus mobiles on 24-Aug 2018 and Telstra mobiles on 30-Jun 2019 (call types represented 66% of FY18 revenue)
- ❑ Platform closure and decommissioning of all equipment to occur in Jul-2019 with remaining staff to be made redundant
- ❑ Product has operated profitably since 2000

# 1800-Reverse resilient across FY18

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



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



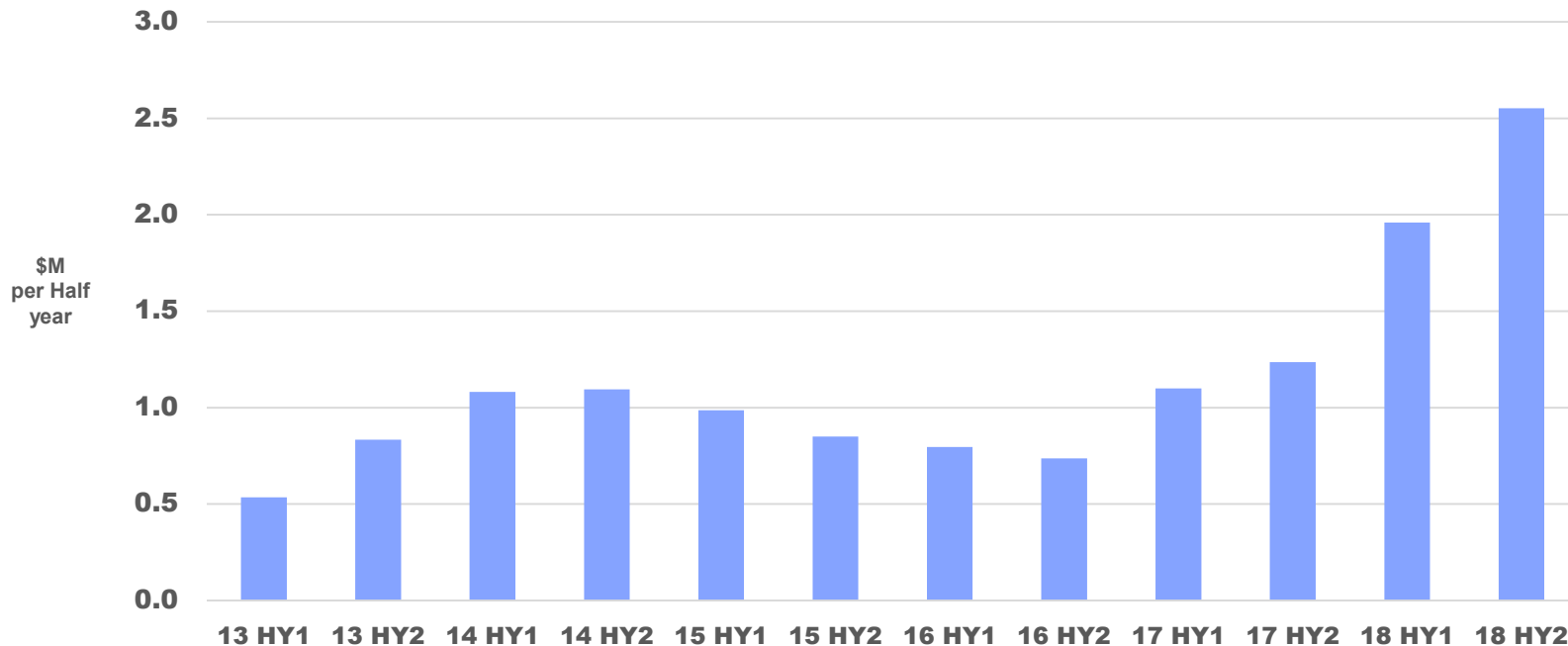
# Combined Online Contact Lenses Business

Year to 30 June (AUD)	2018	2017	Year-on-Year
Orders	34,308	16,629	↑ 106%
Revenue	\$4.51m	\$2.34m	↑ 93%
Revenue per Order	\$132	\$141	↓ (6%)
Marketing	\$0.57m	\$0.03m	↑ +\$0.53m
Gross Profit Margin	19.2%	20.9%	↓ (8%)
EBITDA	(\$0.57m)	(\$0.10m)	↓ (\$0.52m)

- ❑ Strong growth with revenue up 93% following WebContacts acquisition in Aug-2017 and the commencement of major marketing on OzContacts from Q2 onward
- ❑ Total active customer base up to 20k at Oct-2018
- ❑ \$566,226 EBITDA loss reflects our investment in advertising and the customer proposition to grow the base. Marketing spend focused on OzContacts brand primarily through digital activity
- ❑ Growth required to meet our 3-year target in 2016 of \$10m in annualised revenue harder to achieve than forecast on both marketing side and business acquisitions
- ❑ FY19 plans adjusted to ensure the business is cashflow positive. Review underway to identify the best future business structure, given 1800-Reverse closure in Jul-2019, including potential sale

# Contact Lenses Business Revenue

## Combined CL Business Revenue by Half Year Last 5 Years



### Key Growth Drivers Last 5 Years:

1. Acquisition of Net Optical in Aug-2016
2. Acquisition of WebContacts in Aug-2017
3. New OzContacts website launch in FY17 and start of major marketing in Q2 FY18

# OzContacts.com.au – FY18 performance

Year to 30 June (AUD)	2018	2017	Year-on-Year
Total Orders	20,439	9,976	↑ 105%
Revenue	\$2.52m	\$1.42m	↑ 77%
Revenue per Order (average)	\$124	\$143	↓ (13%)
Marketing	\$0.49m	\$0.03m	↑ +\$0.46m
Gross Profit Margin	18.1%	19.4%	↓ (7%)

- ❑ Orders up 105% and revenue up 77% to \$2.5m with the start of major marketing activity from Q2
- ❑ Marketing activity included investing in the customer proposition through shipping promotions and absorbing some supplier cost increases – impacts reflected in lower revenue per order and marginally lower gross profit margins (despite better buying from increased volume)
- ❑ Range of advertising activity (majority digital) tested throughout the year including Google Adwords and Shopping, retargeting, display, social media and email + SMS marketing
- ❑ Cost of acquiring customers varied significantly depending on spend levels, activity and seasonality with overall range \$25 to \$72
- ❑ Base retention now critical with reorder experience improvements launched in H2 to support



# NetOptical.com.au & WebContacts.com.au

Year to 30 June (AUD)	NetOptical	WebContacts *
Total Orders	7,056	6,813
Revenue	\$0.94m	\$1.05m
Revenue per Order (average)	\$134	\$154
Marketing	\$12k	\$57k
Gross Profit Margin	19.4%	21.7%

## NetOptical

- ❑ Orders and revenue stable with key focus of the brand retention
- ❑ New web platform (key gains in mobile & tablet) and improved shipping value deployed in Sep-2017
- ❑ Majority of re-orders are direct via email, straight to site or SMS – minimising risk of competitor interference

## WebContacts (inc. YourContacts)

- ❑ Acquisition completed 23 Aug-2017 including core WebContacts brand & secondary YourContacts brand
- ❑ Total purchase price \$710k
- ❑ Integration with single inventory & customer management system completed smoothly
- ❑ Improvements to reorder experience deployed across the year with revenue and orders stable

\* Figures are from acquisition date of 23-Aug 2017 only so not a full 12 month period

# Capital Management

Year to 30 June (AUD)	2018	2017
Total cash flow to 30 June	(\$1.97m)	\$1.25m
Cash on hand as at 9 November	\$0.40m	\$5.67m

## FY18 cashflow impacts:

- ❑ Acquisition of WebContacts.com.au for \$710k in Aug-2017
- ❑ Group EBITDA down 48% to \$566k
- ❑ CAPEX of \$157k to complete major platform investment in Contact Lenses business
- ❑ Significant investment in Contact Lenses customer proposition and marketing to drive growth

## FY19 known movements:

- ❑ Fully franked special dividend of 5.5c per share paid in 28 Sep-2018 (totalling \$5.1m)
- ❑ 1800-Reverse to remain EBITDA positive throughout FY19
- ❑ Close down costs for 1800-Reverse with staff redundancies the main component
- ❑ Reduced stock holding levels in our Contact Lenses business to support cashflow
- ❑ Potential sale of the Contact Lenses business

# Priorities for FY19

- 1. Ensure the Online Contact Lenses business is cashflow positive, and explore options for a sale**
- 2. Maximise profitability of 1800-Reverse until close down in July 2019**
- 3. Identify the best future company structure in order to achieve the best return for shareholders**

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