

15 February 2017

Attention: Company Announcements
ASX Limited

By E-Lodgment

InvestSMART Business Update – Quarter Ending 31 December 2016

This is a summary of the financial performance, and performance against key metrics, of the group for the quarter and half year to 31 December 2016.

Reviewed Consolidated Accounts for H1 FY2017

We present below our reviewed financial results on a consolidated basis:

FY2017 FINANCIAL PERFORMANCE*	FY16 Q2	FY16 HY	FY17 Q2	FY17 HY
	(to Dec 2015)	(to Dec 2015)	(to Dec 2016)	(to Dec 2016)
Commissions income	1,947,488	4,124,892	1,814,281	3,787,245
Subscription income	871,525	1,642,582	1,651,867	3,452,986
Consulting Fees Δ	-	40,000	-	-
Other Income Θ	76,984	124,126	64,515	84,485
Total Income	2,895,997	5,931,600	3,530,663	7,324,716
Rebates Paid	-506,145	-995,259	-477,245	-1,015,489
Employee Costs	-1,115,479	-2,254,614	-1,307,827	-2,894,215
Other Expenses $\S$	-768,925	-1,531,769	-952,234	-1,891,007
Total Operating Expenses	-2,390,549	-4,781,642	-2,737,306	-5,800,711
Operating Profit Before Tax, Amortisation and EBE	505,448	1,149,958	793,357	1,524,005
<i>Less Employee benefit expense</i>		-308,336		-82,298
<i>Less Adjustment to fair value on unlisted equities</i>		0		-50,000
PBTA		841,622		1,391,707
<i>Less amortisation expense</i>		-562,300		-683,330
<i>Less tax (expense)/benefit</i>		-69,255		-225,736
Reported NPAT*		210,067		482,641
Cash at Bank (end of period)	3,530,848	3,530,848	4,836,718	4,836,718

*Half year results are reviewed and quarterly results have been prepared by management and are unaudited.

Δ Consulting fees in 2016 include fees from Forager contract that was cancelled.

Θ Other Income includes interest earned on cash-at-bank, profit on sale of Ventures investment.

$\S$ Other Expenses excludes employee benefit expense, adjustment to fair value on unlisted equities, amortisation of intangibles and tax.

Commentary on financial performance for Q2 FY2017

Management is pleased to release their quarterly results showing revenue has grown by 22% quarter on quarter over the past 12 months and operating profit has increased by 33% from \$1,149,958 in H1 FY16 to \$1,524,005 in H1 FY17.

Commissions

Commission income from funds under administration was down QTR on QTR due to legislative changes requiring fund managers to move members default super funds to non-trail paying My Super products before 1 July 2017. Growing revenue from our own products, though small at the moment, will continue to mitigate these issues.

Subscriptions

Subscription revenue increases in Q2 FY 2017 from Q2 FY 2016 reflect the acquisition of the Eureka Report and a reduction in discounting on our premium subscription product which provides members access to Eureka Report, InvestSMART and Intelligent Investor.

Rebates Paid

Commissions rebated to members as part of our cashback services were lower in Q1 FY2016 due to lower commissions received.

Employee costs and other operating Expenses

Employee costs and other operating expenses in Q2 FY2017 include Eureka Report expenses versus Q2 FY2016.

Core product performance metrics and commentary Q1 FY2017

Performance in our key metrics for the December 2016 quarter was as follows:

	Q2 FY2016	Q3 FY2016	Q4 FY2016	Q1 FY2017	Q2 FY2017
	(to 31 Dec 2015)	(to 31 Mar 2016)	(to 30 June 2016)	(to 30 Sept 2016)	(to 31 Dec 2016)
Unique visitors	446,271	567,926	807,713	861,076	883,262
Customers*	27,595	27,896	38,543	38,759	38,039
ARPC (\$)***	\$409	\$386	\$371	\$389	\$381

*Strong member growth and addition of Eureka Report resulted in large increases in customers in Q4 FY16, customer numbers are estimated and may include customers with multiple accounts

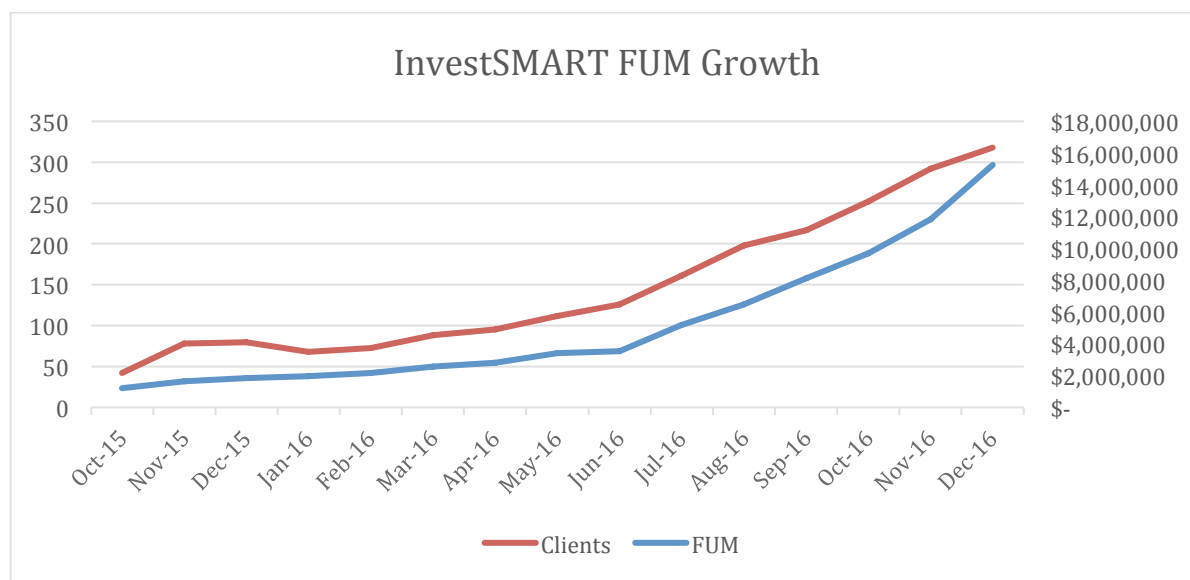
***Average annualised gross revenue per customer per annum (ARPC)

Total unique visitors to our websites continue to grow as we improve our member services, integrate systems and improve search engine marketing. Paying customers have dropped slightly QTR on QTR due to a clean-up of Eureka database and the new 3 in 1 subscription premium service having a higher price point than previous standalone Eureka products.

We remained focused on providing our members with premium fixed cost subscriptions and affordable investment products through our automated investment services.

FUM inflows continue to gather pace

Funds under management have increased significantly QTR on QTR up some 80%, albeit from a very low base. We expect this growth to continue as we come off a low starting base in our new investment products.



Our automated investment advice services continue to gain momentum with all assets being managed by our members increasing on average more than 10% QTR on QTR. We continue to help our members monitor and optimize their investment portfolios through the use of our proprietary software and low cost investment products.

	Sep-16	Dec-16	Change
Total Number of Portfolios on PM system	76,500	84,638	11%
Value of Shares	\$6.69B	\$7.87b	18%
Value of Funds	\$1.66b	\$1.83b	10%
Value of Property	\$5.9b	\$6.42b	9%
Value of Cash	\$1.38b	\$1.57b	14%

For further information or comment, please contact myself or Ron Hodge, Managing Director and CEO, at InvestSMART Group on 02 8305 6000



Paul Clitheroe AM
Chairman