



ASX Announcement

MGM Wireless Limited (ASX:MWR)

22 August 2019

2019 Full Year Results

SPACETALK DELIVERS RECORD SALES GROWTH

Key Highlights

- **Total Revenue grew +161% to \$7.1m***
- **SPACETALK sales up +933% to \$4.6m**
- **SPACETALK unit sales up +1,023% to 18,270**
- **Cash at 30 June 2019 of \$1.6 million**

*all figures compare FY2019 with FY2018 unless otherwise indicated.

22 August 2019 – Technology company **MGM Wireless Limited (ASX:MWR)** ('MGM' or 'the Company') today reports full year results for the period ending 30 June 2019 ("FY19").

MGM Wireless CEO Mark Fortunatow said: "This was an outstanding result with sales of our SPACETALK smartwatch, mobile phone and GPS device increasing from 1,785 units in FY18 to 18,270 units in FY19. Total revenue grew 161% from \$2.7 million to \$7.1 million, as the rollout of SPACETALK gathered significant momentum with the signing of additional major international retail distribution agreements.

"We are operating in a new, fast growth market and benefiting from competitive advantages. Our product is the world leader in the children's wearables segment, because of its exceptional reliability, high quality, ease-of-use, while meeting the highest standards of data security and privacy standards. SPACETALK is becoming the 'hot, must have' mobile phone product among children aged between five and 12.

"Just as in the 1990s with the mobile phone, and the 2000s with the smartphone, we are now witnessing the emergence of a new mobile phone product category - the children's wearable mobile phone, in which SPACETALK is the market leader."

Smartwatch sales increased 933% from \$0.5 million in FY18 to \$4.7 million in FY19, while MGM's schools products revenue in Australia was stable at \$2.2 million. The company has funded R&D through cash flow, with inventory and marketing supported through a \$2 million convertible note



that was drawn to \$1.25 million at 30 June 2019 (\$1.75 million drawn at 21 August 2019). MGM also received grants of \$275,000 in FY2019.

Cost of sales increased from \$0.3 million to \$1.9 million. MGM anticipates EBITDA of \$0.25 million for FY2019, prior to non-cash options and share issue expenses of \$3.4 million. Cash at 30 June 2019 was \$1.6 million.

Sky Mobile UK Agreement

In the UK, which has an addressable market three times larger than Australia's, sales were boosted through a watershed agreement with Sky, Europe's leading media, entertainment and telecommunications company and is part of the Comcast group. Sky began selling SPACETALK through Sky Mobile on a £10 per month plan in August 2019.

The Sky Agreement represents a very attractive pricing for families with young children. Sky Mobile will market SPACETALK to Sky's 23 million subscriber base, as well as specifically targeting its 10 million subscribers that have children aged between five and 12. Sky has already reported strong sales without any specific marketing activities – with several stock re-fill orders placed in just the first week of sales. MGM Wireless receives full wholesale payment and recognises 100% of revenue when SPACETALK is sold to Sky.

Sales through QVC, UK's premium shopping channel, are being promoted through TV shows dedicated to SPACETALK, commencing August 2019. Exposure to QVC UK's 12.5 million customer base is expected to substantially increase awareness of SPACETALK.

The increased maturity of MGM's business has enabled extended payment terms with suppliers, freeing up cash flow. The Company continues to receive interest from telecommunication companies and retailers in the UK and mainland Europe, and MGM will be exhibiting at IFA - the world's leading trade show for consumer electronics and home appliances from 6 September to 11 September in Berlin, Germany.

Mr Fortunatow said: "The growth opportunities for SPACETALK are enormous. In the UK, we have already received extensive positive media coverage and feedback, and that's before the commencement of planned mass scale advertising and marketing. The SPACETALK watch is the most secure in the children's wearables market, is GDPR compliant and meets all UK, European and Australian standards for data privacy and security. We have also secured a US trademark.

"We are also working on the release of a 4G watch given strong interest from telecommunication companies to enter the children's smartwatch mobile phone category at that particular level. We believe our technology communication and GPS location platform for SPACETALK has further applications beyond the children's market which the Company is very excited about."



United States Trademark Secured

As part of strong interest being received in SPACETALK and the Company's own expansion plans with telecom and retail partners, the SPACETALK trademark has been secured successfully for the United States.

Outlook

Global smartwatch sales continue to grow strongly, and represent the largest proportion of the wearable device market. According to the global research & advisory leader, Gartner Inc, smartwatch sales are expected to grow from \$9.3 billion in 2017 to \$17.4 billion through 2021, with children's smartwatches becoming a major category. The Company maintains distribution in Australia through 196 JB Hi-Fi stores and, in July 2019, expanded sales in New Zealand through SPACETALK master distributor Spark from 75 to 193 stores with added retail distribution through Noel Leeming, Harvey Norman and JB Hi-Fi.

Given the favourable industry trends and the early stage market opportunity, MGM Wireless expects SPACETALK sales to continue on a dynamic growth trajectory.

The Sky agreement is potentially the most significant distribution agreement signed to date because of Sky's brand awareness, its commitment to market SPACETALK prominently to its entire subscriber base and the attractiveness of the £10 per month offer. Forecasting group sales is difficult and could, due to Sky's large customer base, be subject to significant variability. That said, the company is targeting sales of approximately 90,000 units in FY20 i.e. four times the number sold in FY19. Initial orders have been placed with suppliers to meet this demand. Further, given the pipeline of other networks and bricks and mortar distributors already in discussion we believe growth will continue beyond FY20.

About MGM

MGM Wireless Limited is a technology company designing, developing and commercialising a smartphone + watch wearables device for children, and software for school communication and student absence management.

MGM Wireless built its track record with school communication solutions after discovering in 2002 the SMS as a powerful method for parent engagement. The Company went on to create the world's first SMS based Automated Student Absence Notification Solution and many other innovations since then. It is recognised as a global leader and pioneer in socially responsible and technology-enabled school communication.

MGM Wireless products include student absence notifications 'messageyou', absence analytics software 'Watchlists', school news and messaging app 'School Star', a content management and



messaging platform for mobile school communication called Outreach+, and student attendance management solution 'RollMarker'.

Used by over 1400 schools and 1.7 million parents, the Company's school communication solutions empower schools to effectively communicate and engage parents and caregivers through SMS, mobile in-app and other means to improve student attendance and safety, help schools reduce operating costs and increase parent engagement. To learn more please visit:

www.mgmwireless.com

About SPACETALK

In 2013, MGM Wireless began developing wearable mobile phones for children and in 2017 the company's AllMyTribe® division launched its first device - a children's all-in-one smartphone, watch and GPS device called SPACETALK. The device allows two-way 3G phone calls and SMS messaging to a parent-controlled list of contacts. Other features include GPS tracking to alert parents whenever children leave designated safe spaces, such as school or the home.

SPACETALK is regarded as the market leader in the new and emerging product category of children's smartwatch + mobile phones. SPACETALK is an all-in-one children's smartwatch, mobile phone and GPS device. Specifically designed for children between the ages of 5 - 12, SPACETALK allows parents to be in constant contact with their children without exposing them to the dangers of social media, apps and unrestricted Internet access. It's considered to be a safe and responsible, parent controlled mobile phone perfect for young children before they get their first smart phone.

Developed in Australia, and one of the first mobile devices of its type worldwide, the child can make or receive calls from a list of contacts parents choose in the AllMyTribe® smartphone app. If the child needs help, a special SOS alert function can be customised to call parents and other guardians. Parents can see their child's location on their smartphone and the AllMyTribe® App features alerts so whenever children leave designated safe spaces such as school or home, parents are notified. A step counter tracks the wearer's physical activity.

SPACETALK has been independently verified by leading international cyber security experts as using best in class, world's best practice security and privacy features built in. It also meets European GDPR Data Privacy regulations. All data is hosted in Australia or the UK in highly secure data centres and protected by European GDPR Privacy and Data Security regulations. To learn more please visit: www.spacetalkwatch.com

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