

## ASX / Media Release

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ASX code: **K2F**

# Quarterly Activities Update - Period ended 31 March 2017

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### Highlights:

- Significant revenue pipeline momentum – K2F has formally submitted tender responses for software and/or consulting services in excess of \$5 million
  - Strong growth in revenue for the quarter - up 300% to \$270,000 driven by accelerated growth in the K2F consulting division
  - High Gross Profit margin of 51% for the quarter reflecting strong sales growth and prudent cost management - gross profit margin expected to be maintained in next quarter
  - Increased market penetration in key existing markets of UK, South-east Asia, Australia - new partnership and distribution agreements validate global demand for core K2F offering
  - 3-year agreement executed with UK-based Capita plc for licencing and distribution of high demand Capita product offerings - right to extend agreement beyond initial term
  - Contract award with major WA-based utility - provides K2F the opportunity to significantly expand its presence in the key utilities sector
  - Contract extension with a tier-1 mining services client - maintains Company's exposure to mining sector
  - Milestone partnering agreement executed with US-based OBI Partners for licencing of OBI's Operational Business Intelligence Solutions in Australia
  - Strengthened board and management - Neil Canby and James Deacon appointed Directors and Robert Pradera joined the executive management team as Director of Asset and Works Management
  - K2F currently has approximately \$2 million in cash at the end of the Quarter
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## March 2017 Quarter Commentary

The March 2017 quarter represented a positive and successful period for K2fly in its first full quarter of operations post its ASX listing in November 2016. The quarter saw the Company begin to build on the successful foundations from the previous quarter. It delivered strong revenue growth for the quarter, up 300% to \$270,000 driven by accelerated growth in the consulting division and software sales.

This result was achieved on an average Gross Profit margin of 51%, reflecting strong sales growth whilst also minimising cost exposures. Importantly, K2fly expects to maintain this high gross profit margin through the next quarter, which will have a positive impact on the Company's financial position.

K2fly's consulting division performed strongly with significant engagements with clients in the utilities, infrastructure and mining services sectors. At the current run rate, the consulting division is on track to deliver an annualised revenue turnover of \$1 million for the 2017 calendar year.

Software sales of the Company's real-time analytical platform ADAM and its Mobile Solutions also performed well, with a number of strong new business opportunities generated and currently being pursued.

The Company has generated a significant revenue pipeline in its first full quarter of operations, with K2F having formally submitted tenders for software and/or consulting services totalling more than \$5 million. This qualified potential revenue pipeline does not include other business opportunities currently under negotiation at pre-tender stage.

Increased market penetration has been achieved within key existing markets, United Kingdom, South-east Asia, Australia, and new partnership and distribution agreements were executed validating the global demand for K2fly's core offerings.

The Company also continued to build on its key existing Partnership Agreements in the US, the UK and Europe as well as the ASEAN region.

During the quarter, K2fly executed two milestone partnership and reseller agreements which will strengthen its product offering and enhance its position as an active participant in key asset intensive sectors - utilities, electricity, water, gas and rail.

The Company's partnership and reseller agreement with UK and Europe based Capita plc provides K2fly with a 3-year agreement to licence and sell Capita's Affinity Fieldreach and Affinity Geofield Digital Mobile Solutions within Australia. K2F has actively engaged with a number of prospects that would benefit from the implementation of these technologies, and is currently pursuing these new business opportunities. In addition, it has already submitted tenders for the implementation of the Capita technologies.

An agreement was also executed with US-based OBI Partners which allows K2F to market, sell and implement the Business Intelligence Solutions of OBI Partners across Australia. The OBI Partners technology is a best-of-breed software offering which is directly applicable to electricity, power and water utilities. This technology has become part of the core offering of K2F as the Company seeks to achieve a dominant presence in this marketplace.

K2fly has a sound cash position at the end of the quarter, of approximately \$2 million. It is noted that the cash position was impacted by one-off costs associated with the Company's listing on the ASX. With these costs now covered, K2fly's total focus is on business growth and it is anticipated that current contracts and partnerships, along with the Company's continuing and expanding business development activities will drive strong revenues over the coming quarters.

K2fly has strengthened its board and management team with the appointment of James Deacon and Neil Canby as Non-Executive Directors of the Company and Robert Pradera to the Executive Management Team in the position of Director of Asset and Works Management.

These appointments provide the Company with extensive additional skills across asset intensive sectors and will be invaluable in positioning K2fly to establish a dominant market position.

Commenting on the quarterly activities and achievements, K2fly CEO and Executive Chairman Brian Miller stated,

*"K2fly has continued to build on the strong foundations of the previous quarter during which we completed our listing on the ASX. Our consulting division has continued to perform strongly during the quarter with our revenue up 300% to \$270,000 compared to the last quarter. Our software sales division is also performing well and we have been very active in submitting tenders for major consulting and software implementation contracts."*

*"We currently have a sales pipeline of in excess of \$5 million representing the new tenders that we have submitted during the quarter. Although there is no guarantee that we will be awarded any of this work, we are confident that the K2F offering is highly desired by major organisations in asset intensive industries. These responses have covered bids to organisations in Queensland, New South Wales, Victoria and Western Australia."*

*"K2F continues to achieve an increase in market penetration within existing markets of the United Kingdom, South-east Asia, Australia with new partnership and distribution agreements signed proving global demand for the core K2F offering."*

*"In 2017, we will continue to focus on the electricity, gas, water and rail sectors as we see these vertical industries as having an increased need for greater visibility and data interrogation functionality."*

### **Milestone Partnership Agreement with UK and Europe based Capita plc**

During the March quarter (ASX announcement, 3 March 2017) K2fly entered into a milestone Partnership Agreement with UK and Europe based Capital plc. Under the Agreement, K2fly has a three-year arrangement with Capita with the right to extend on a year-by-year basis, to licence Capita's Affinity Fieldreach and Affinity GeoField Digital Mobile Solutions within Australia.

K2fly will be targeting new contracts within the utilities, rail, electricity, water and telecommunications sectors and the Agreement with Capita will see it in a position to promote a leading-edge solution which is licensed on more than 50,000 mobile devices globally.

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K2F sees a number of different opportunities in Australia for the Affinity Mobile offerings. Prospective clients need only to look at the current client list of AMT-Sybex / Capita to appreciate that water, electricity, gas, rail and construction companies can all benefit from this application. K2F is currently responding to a number of tenders where it is hoped that this pedigree of software has a key role to play in the decision-making process.

The Capita solutions leverage a utilities' growing data to provide real-time "insight and analytics" which help make processes smarter, organisations more efficient and customer experiences better.

### Milestone Partnership Agreement with US-based OBI Partners

During the March quarter (ASX announcement, 18 January 2017), K2fly entered into a milestone Partnership Agreement with US-based OBI Partners (OBI), of Atlanta, Georgia. Under the Agreement, K2fly has the exclusive right to licence OBI's services and solutions within the utilities and rail sectors in Australia. OBI is an operational business intelligence solutions provider focused on the utility industry. It provides operational business intelligence solutions in electric and gas distribution companies, and power generation - ranging from hydro to nuclear.

### Significant new contract with major Western Australian-based Utility

In December 2016, the Company was awarded a significant milestone-based new business contract with a major Western Australian-based Utility (ASX announcement, 21 December 2016). K2fly will provide consultancy and advisory services as part of a business transformation program within the utility. It is expected that after the successful completion of phase one of the contract, the scope of contract will increase significantly - in the first half of 2017. The successful completion of this contract will position K2fly to win additional contracts in the utilities sector, which is a core focus for the Company.

### Extension of Major WA-Based Utility Contract

Pursuant to the initial contract executed in December 2016 between K2F and a major WA-Based Utility, the Company is pleased to advise that it has entered into a contract extension which will see K2F continuing to provide strategic asset management consulting solutions in the asset arena until the end of June which will deliver an additional \$175,000 in project related revenue. K2F is providing subject matter expertise to deliver operational efficiencies and maximise asset performance.

K2F continues to operate as a trusted advisor on specific project deliverables.

### Contract Extension with Tier-1 WA-Based Mining Services Company

During the March quarter (ASX announcement, 9 January 2017), the Company announced it had been awarded a significant contract extension with a tier-1 WA-based mining services company. This is K2fly's second contract extension with this client and signifies the strength in relationship it has with its clients. Under the contract extension K2fly will continue to provide asset-specific data management and analysis, and efficient asset maintenance profiling.

The mining services company provides Build-Own-Operate-Transfer (BOOT) and turnkey solutions to mining sector projects globally.

## Our Business

K2fly operates a Software-as-a-Service (SaaS) business model and seeks to develop, market, sell and implement leading edge software in large enterprise-scale companies who rely upon the performance of their assets.

K2fly licences its own proprietary software including the real-time analytical platform, ADAM, as well as a suite of mobile field working solutions. K2fly is also working with its international partners, such as OBI Partners, providing the Company with access to additional systems and software solutions, allowing K2fly to enhance its own software offering and become a value-added reseller in Australia.

K2fly derives revenue from multiple channels including software licencing, consulting, support and configuration.

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## About K2fly

K2fly Limited is an ASX listed Enterprise Asset Management technology company, which specialises in the provision of infrastructure asset management to asset intensive industries via a software technology platform and consulting services. K2fly's technology allows an organisation to manage and maintain its asset data and deliver more effective and efficient outcomes via a single, centralised system. The technology has a strong track record of empowering organisations to make better informed long term decisions in relation to the operation, management and maintenance of its physical assets.

K2fly owns the following proprietary asset management and asset maintenance technologies for use in vertically-integrated asset intensive industries:

**ADAM** Asset Data Analysis Management

**NovIn** Real Time Asset Inspection Management App

**DocMan** Mobility Solutions: Task Management App

**TagMan** Mobility Solutions: Asset Verification App

**HandoverNotes** Mobility Solutions: Electronic Information Sharing App

**PropertyInspector** Mobility Solutions: Asset Inspection App

K2F also re-sells market leading software which has been developed by industry leaders in the USA and UK. These solutions come from OBI Partners (USA) and Capita plc (UK), where they have an outstanding track record of delivering benefits to clients.

Finally, K2F provides cutting edge advice, consultancy and services when it deploys its subject matter experts who have extensive domain knowledge in such areas as Rail, Electricity, Gas, Water, Mining, Oil & Gas, Facilities Management, Aviation and Defence.