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TV2U ANNOUNCES MAJOR CONTRACT WITH PGASCOM IN INDONESIA

TV2U International Ltd (ASX: TV2) is pleased to announce that that it has signed an agreement with PT PGAS TELEKOMUNIKASI NUSANTARA (“PGAS”), Indonesia’s largest telecoms provider.

Under the terms of the contract, which has an initial term of 3 years (with roll-over contract extensions anticipated), TV2U will provide its technology, know-how and access to content in return for monthly management, integration and service fees. Installation of TV2U technology in Indonesia has already started with launch of service to commence by September 2017.

HIGHLIGHTS

- **FIRST INVOICE** - first revenue from PGAS to be invoiced in June 2017, to provide Headend deployment at PGAS data centre for OTT supply of the services throughout Indonesia
- **PAYMENT** - for June invoicing expected from PGAS in July
- **SERVICE AVAILABILITY** - to be made available to multiple Operators across Indonesia, including Telcos, Mobile Operators and ISPs
- **PGAS backbone has access to over 70% of all Internet Service Providers, direct to the home**
- **PGAS to provide the service delivery network (including CDN) across Indonesia at no cost to TV2U**
- **OTT services expected to launch in September 2017**
- **TV2U ongoing revenues to be a monthly management fee per subscriber per month**

PGAS CONTRACT

Under the terms of the agreement, PGAS will provide a white-label consumer service that allows Operators to deliver basic TV and movie content under their own brands using TV2U’s OTT technologies. PGAS currently has a reach of 61 million households representing some 250 million people and 70% of all ISPs in the region. Subscriber numbers are expected to be significant, with the first Operator already preparing for launch. Additional Operators including Mobile, Telco and ISP are expected to follow. TV2U’s technology is expected to become the market standard for services in the region.

TV2U and PGAS also agreed to enter into short-form contracts for Operators that sign up for the services, with the management fee, and any customisation fees or other direct customer considerations noted in the short-form contract. This method gives both PGAS and TV2U pricing flexibility in the individual contracts with each customer to cover circumstances such as an Operator wanting the supply of additional premium channels in the future.

UNITED KINGDOM
MALAYSIA

GLOBAL OFFICE LOCATIONS
HONG KONG
SYDNEY

INDONESIA
PERTH

REVENUE

TV2U will raise an invoice immediately for approximately \$640,000 (payable in July), bringing TV2U revenues for June to approximately \$770,000. This amount will cover technical equipment costs as well as implementation fees, and PGAS will separately be procuring equipment locally to complete the technology needed for the launch of the services.

The company expects monthly billing to commence immediately at the time of launch and be permanent and ongoing, increasing significantly as services and subscribers are ramped up by PGAS bringing additional Operators on board.

MOBILE OPERATORS

The first target group for the services are Mobile Operators and several have already been engaged. TV2U expect to make the announcement for the first customer of the services in the near future. Additional customer deals are likely to start rolling out between Q4 2017 and Q1 2018 as the service in Indonesia beds in and begins to gain traction. Thereafter, TV2U expects further significant customer acquisition to come from the ISP and Telco communities.

Commenting on the structure of the deal, TV2U CEO Andy Brown:

“Obviously, it’s taken us a long time to get this business over the line, and we’re delighted with the outcome. We’ve worked incredibly hard with PGAS to bring them up to speed with our technology and the market opportunities it promises. They get it. They understand the technology and they understand the market opportunities. We couldn’t ask for a better partner. They’re already in discussions with a number of service providers – including Smartfren who will begin marketing shortly to their 14m subscribers. Together we’re developing a refined business model that carries value for each of the players in the chain.

The biggest challenge was the structure of the original deal. This gave us a one-off payment of US\$3.5m followed by a monthly management fee. It didn’t work that well for TV2U. The margins on the monthly fees were low. The upside of this business has significant potential, especially given the size of the addressable market. Initially, TV2U were happy to take the modest upfront payment but had to sacrifice long-term subscriber revenue. We went back to basics with our business model and came up with something that works better for everyone – for PGAS, for subscribers and for TV2U and, of course, our shareholders. It was no small feat. Keep in mind, during the course of getting this over the line we pretty much restructured the entire company and brought in a substantially new management team. Things are starting to gel now as the new team work together in our second quarter within TV2U.

The realigned agreement gives TV2U a massive improvement in the terms of contract:

-Upfront investment by PGAS into the Headend deployment, in total being in the region of \$800,000. This investment covers the full cost of launching the services into the Indonesian market, including our own internal costs

-With PGAS taking full cost responsibility for the delivery of the content to the consumer, TV2U will now enjoy a significantly improved margin

We never lost sight of the impact that the reduced investment gives to TV2U, it was always a key consideration throughout our negotiation. A major consideration was that the cost of equipment dropped, as one of our key hardware vendors brought out a new line that gives improved functionality at lower cost. That had a major impact on our strategy.

While all this was going on, we put a lot of effort into providing working capital for the company to build a stable platform for the kind of growth we want to deliver. We're getting there. When monthly fees start rolling in and we see some growth, we now have the structures we'll need to deliver the kind of shareholder value we believe we're capable of.

Indonesia is a huge market. This agreement shows that TV2U has what it takes to deliver value for shareholders and puts us in a great position to realise value as we move forward and expand."

Talking about the Indonesian market potential, TV2U Chairman Nick Fitzgerald adds:

"Indonesia is the world's 4th largest country. The sheer size of this market dictates there will be a significant presence for TV2U's services as we roll out over Q3 and Q4.

Mobile Operators will deliver the first wave of subscribers and we'll quickly follow up with the ISP community.

This is where the relationship with PGAS really works for TV2U because the geography, which includes over 900 inhabited islands, has created a fragmented ISP community.

Getting relationships for sales opportunities becomes a bigger challenge in a fragmented market but PGAS have already done the heavy lifting with their fibre optic backbone. This gives TV2U access to an addressable market that would otherwise be impossible to reach.

As a government organisation, PGAS are not seen by any of the ISPs as a potentially competitor – a clear benefit that will help TV2U develop our subscriber base.

We're not done yet. Expect further TV2U announcements on the Indonesian market. We believe it's going to be very substantial indeed."

INVESTOR ENQUIRIES:

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ABOUT TV2U

TV2U is a global complete entertainment platform that enables businesses, such as telecommunications companies, to quickly and easily offer streaming content to their customers. The service includes movies, television programs, karaoke content and games through an encrypted channel for enhanced copyright protection. TV2U also offers unique real-time viewership analytics to enable businesses to send highly targeted advertising to end-users to maximise their revenue streams. TV2U is changing the face of online entertainment and advertising.