



swift networks

Digital Media Advertising Strategy Discussion Paper

Swift Networks Group Limited (ASX: SW1)

Executive Summary

In line with its corporate strategy since listing, the Company has positioned itself at the epicentre of the digital media advertising space and has all the ingredients in place to revolutionise the Swift value proposition and the way advertisers connect with consumers in Swift's chosen market verticals.

- The last 24 months has seen rapid growth in deployments, both in Australia and overseas.
- The power of the technology and premium content at Swift's disposal means the Company is primed to generate material revenue from advertising to its captive audiences.
- The addition of artificial intelligence and the harnessing of data insights will ensure that as the digital media marketplace continues to expand, so too will the acceleration of Swift's business.
- With the addition of direct, targeted advertising, Swift continues to evolve into a premium media business.

1 World-class content delivered to...

2 Unique, owned, addressable audiences, receiving...

3 Premium targeted advertising driven by data science.





The Future Of Swift: How Digital Media And Advertising Will Drive Growth And Customer Acquisition In 2019 and Beyond.

Introduction

There is no doubt that digital advertising has grown to dominate the media industry in 2018, as online and video advertising are rapidly becoming the core focus of brand and marketing efforts across the globe. The US digital advertising market alone is expected to deliver ad revenues of US\$100 billion by 2021 (currently US\$84.7 billion)¹.

In an era where brands are searching for ever more effective ways to reach their target markets and make their products and services stand out, Swift Networks is perfectly positioned to provide brands with access to potential customers, their behaviours and their purchasing power like never before.

This discussion paper explores Swift's role in the digital advertising revolution by addressing the Company's business model and growth to date, the digital media and advertising landscape, and the ways in which Swift will leverage this digital shift to enhance its current business model and media offering. This paper will then go on to explore the additional benefits that data, artificial intelligence and machine learning will play in the future growth of the company.

¹ Interactive Advertising Bureau (September 2017) Guide to Digital Video Advertising, Practical Advice for Cross-Platform Video Advertising. Retrieved from https://video-guide.iab.com/sites/default/files/iab_guide_to_digital_video_advertising.pdf



Swift Networks:

An Ideal Advertising Environment

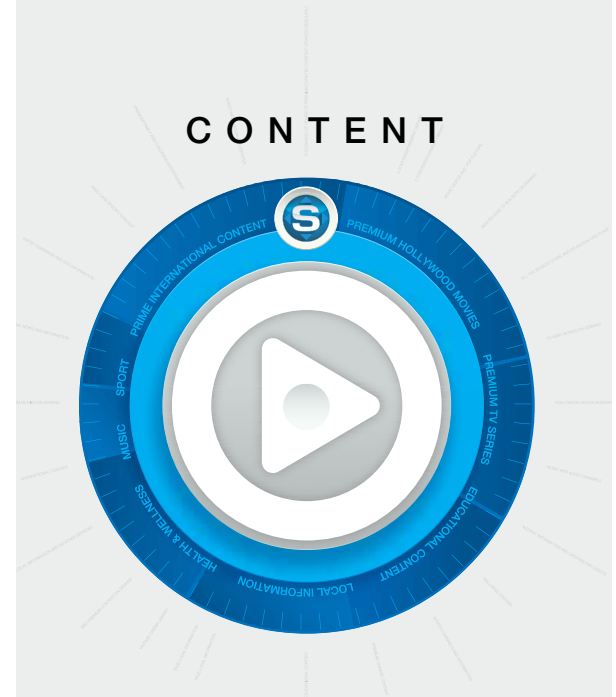
At inception in 2008, Swift Networks specialised in the deployment of digital entertainment systems on a business-to-business basis to accommodation providers in the resources industry. After listing the business on the Australian Securities Exchange (ASX) in 2016, Swift executed a rapid growth strategy, maintaining a focus on closed loop environments and targeting new market sectors including aged care, hospitality, commercial maritime, student accommodation, and government among others. This broadening of scope resulted in a 900% increase in site numbers in the two years post ASX listing - from 33 sites in June 2016, to deployment in 334 sites by June 2018.

Over this period, Swift not only grew its customer base but also delivered revenue growth of 54% and increased its gross margin to 42% - in part due to an expanded product offering which includes a wide range of media and content services.

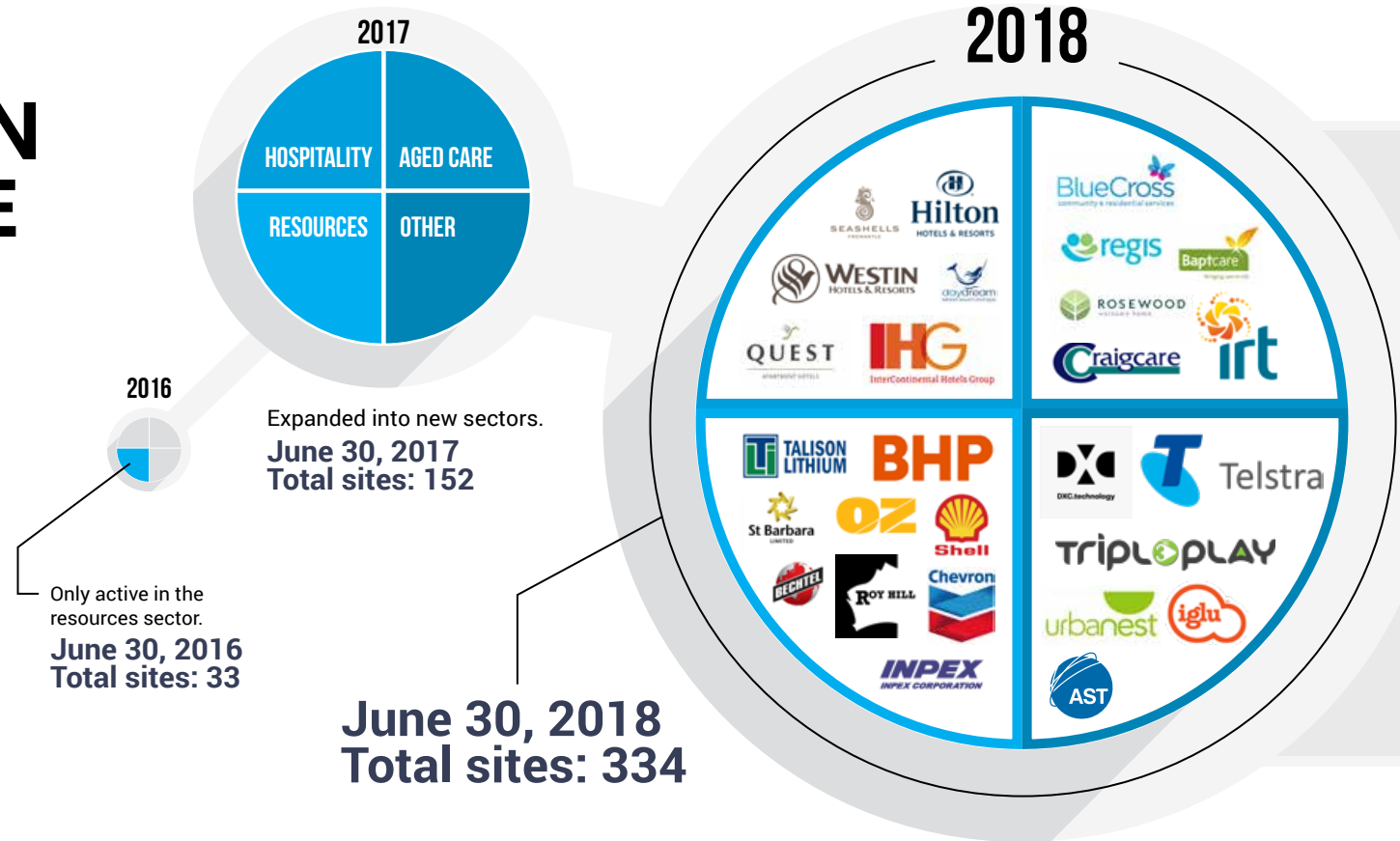
Swift also bolstered its market leading library of the latest Hollywood movies and video on demand content from the world's largest studios and added new applications to keep families, friends and communities connected – these are aptly named 'My Family' and 'My Community'. These additional features complement the existing free to air TV, pay TV and radio integration, concierge services and message boards, staff training, property management system integrations and much more. ²

Technologically, Swift has created a digital media ecosystem where the end user interacts with a TV or personal device. Whether watching a training video on an oil rig, booking a spa treatment in a hotel, sending a photo of the day's activities to the aged care community noticeboard or friends at home, or connecting to the Wi-Fi in student accommodation - Swift provides the technology and the insights which add value to both the end user experience and deliver additional revenue back to the operator.

² For more information please visit www.swiftnetworks.com.au

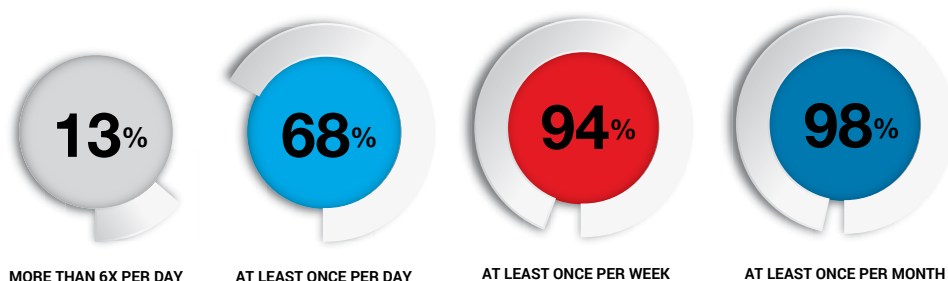


900% INCREASE IN SITES SINCE LISTING IN 2016.



Source: Google Marketing Platform ³

FREQUENCY OF USE OF ENTERTAINMENT APPS: (MARKET AVERAGE)



Source: Google Marketing Platform ³

AVERAGE USE FOR ENTERTAINMENT APPS: (MARKET AVERAGE)



AVERAGE ENGAGEMENT WITH SWIFT SYSTEM: (EXISTING CUSTOMERS)



Since listing, Swift has generated a customer base which holds real value to advertisers who are urgently seeking new ways to connect with consumers outside of traditional advertising channels. Swift offers world-class content delivered to unique, owned, addressable audiences who receive premium targeted advertising driven by data science. Swift's current audience interacts with the Swift system on average 6 times per day and in 2017 alone 1.6 million movies were viewed via the Swift system.

³ Google Marketing Platform http://services.google.com/fh/files/misc/google_display_and_video_360_guide_to_advertising_in_apps.pdf

SMART TV OR SET TOP BOX



Hospitality



Resources



Aged Care

Proprietary remote
designed for aged care.

SWIFT MOBILE APPLICATIONS:



Welcome to **swiftville**

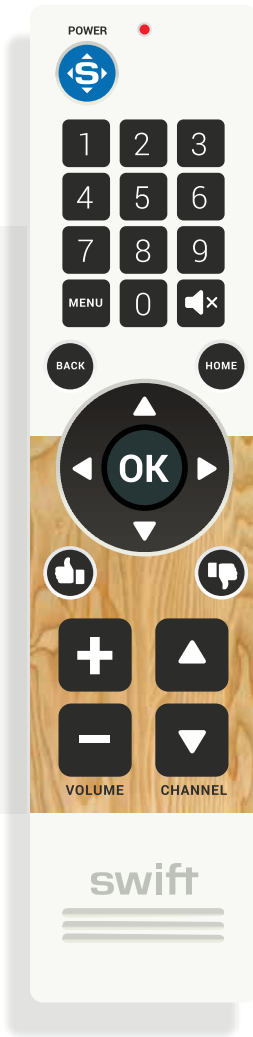
Check in to Swiftville for instant access to menus, location facilities, travel information, special offers, safety alerts and more. Swiftville allows you to access information about your accommodation or facility at the touch of a button, and for providers to send important information directly to guests via a popup alert system. Make the most of your stay.



swiftentertainment

Premium entertainment on demand. Movies, TV shows and more are waiting for you in the Swift entertainment app. More to see, more to explore, you just got more!





It has been estimated that Swift will generate 190 million user interactions in the next 12 months.

The most recent research from stockbroking group Hartleys, released in September 2018, projected that Swift's deployed rooms will continue to grow from the 63,000 rooms in June 2018 to 86,000 in 2019 ⁴ and Swift has projected that the user interactions generated will follow suit, with an estimated 190 million generated via the system within the next 12-month period.

⁴ <http://www.swiftnetworks.com.au/wp-content/uploads/2018/09/180910-Swift-Networks-Group-Ltd-Adland-Ready-to-Launch-in-the-Medishpere-Speculative-Buy.pdf>

Advertising is Only the Beginning:

The Benefits Of Artificial Intelligence And Machine Learning

“Machine learning is about figuring out the information you are not asking about. Once you have that information, you can generate insights before a question is asked. That can be a huge competitive advantage”⁵

As outlined above, Swift is driving shareholder value by adding advertising to its provision of content, digital entertainment and media, leveraging a huge library of data in the process. By overlaying machine learning and artificial intelligence, Swift can not only help to solve business issues for advertisers and customers but can also begin to provide answers to questions which haven't as yet been asked.

With the introduction of artificial intelligence into the Swift ecosystem, Swift can provide hyper personalised advertising, utilise deep learning insights based on millions of data points and provide valuable insights to Swift, its customers, brands, advertisers - not to mention content providers and technology partners.

In an age where “data is the new oil”⁵, the upshot for investors is that Swift plans to become an intrinsic part of every customer and advertiser's business model.

In effect, the Company will develop a living, breathing data centre which empowers clients to secure more customers through valuable consumer insights, while helping advertisers to ensure their ads are reaching the right people at the right time, with each interaction delivering value and revenue back to Swift.

⁵ MIT Technology Review & Google Analytics 360 Suite, Sagnik Nandy, Distinguished Engineer, Google. How Analytics and Machine Learning Help Organisations Reap Competitive Advantage. Retrieved from <https://s3.amazonaws.com/files.technologyreview.com/whitepapers/Google-Analytics-Machine-Learning.pdf>

Advertising Industry: The Growth of Digital Advertising

Advertising companies are increasingly searching for new ways to reach potential customers outside of traditional broadcasting, in February 2018, Bloomberg reported that “Television advertising sales in the US fell 7.8% to \$61.8bn last year, the steepest drop outside of recession in the last 20 years... television ad sales have fallen even as global advertising grows.”⁶

It has also been noted by Matthew Ball (Head of Strategy at Amazon Studios) that:

*“since 2010 the time that Americans under 35 have spent watching television has declined by about 50% ... where the number of hours of video entertainment consumed has grown about 700% in the same time.”*⁷ See figure 1 for changes in Australian viewing from 2016 to 2017.⁸

As a result of this decline in TV advertising and the search for new advertising mediums, the digital advertising market is booming, in the UK digital advertising is estimated to make up 63% of total spending in media for 2018⁹ and digital ad spending in the US is set to increase to \$99.7 billion in 2021 according to BI Intelligence estimates - See figure 2.¹⁰

As opposed to the declining broadcast TV advertising market, Swift is positioned in the rapidly growing “Connected TV” space. eMarketer has stated that “Connected TV advertising will be a big focus for 2018. The audience is primed and ready.”¹¹ Industry expectations are that advertising budgets will rapidly follow the significant growth in Connected TV audience numbers and usage.

⁶ Bloomberg February 2018

⁷ <https://www.theatlantic.com/business/archive/2017/08/tvs-ad-apocalypse-is-coming/536394/>

⁸ <https://oztam.com.au/documents/Other/AVVR-Q4-2017-Med%20Res%20Final.pdf>

⁹ www.emarketer.com/content/uk-digital-ad-spending-by-industry-2018

¹⁰ Interactive Advertising Bureau (September 2017) Guide to Digital Video Advertising, Practical Advice for Cross-Platform Video Advertising. Retrieved from https://video-guide.iab.com/sites/default/files/iab_guide_to_digital_video_advertising.pdf

¹¹ <https://www.emarketer.com/Report/Digital-Video-Advertising-Best-Practices-2018-Connecting-Dots-Across-Screens-Formats/200220910> www.bigcommerce.com.au



CHANGE IN TIME SPENT WATCHING BROADCAST TV PER MONTH BY AGE (Q4 2016 - Q4 2017)

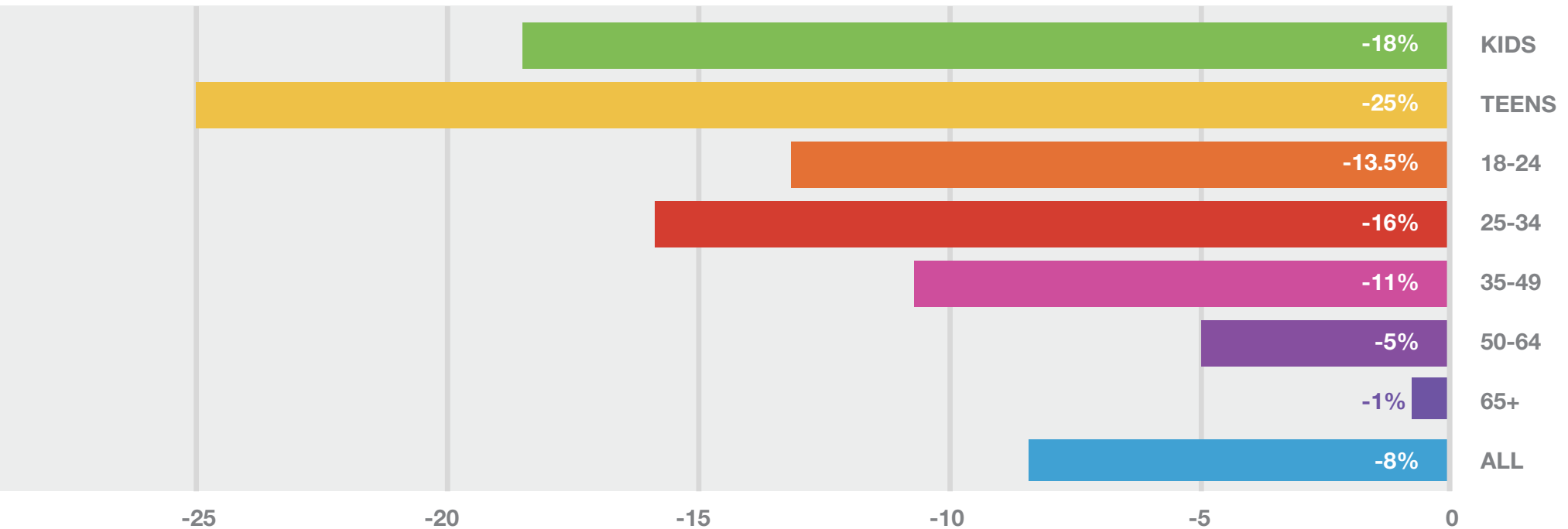
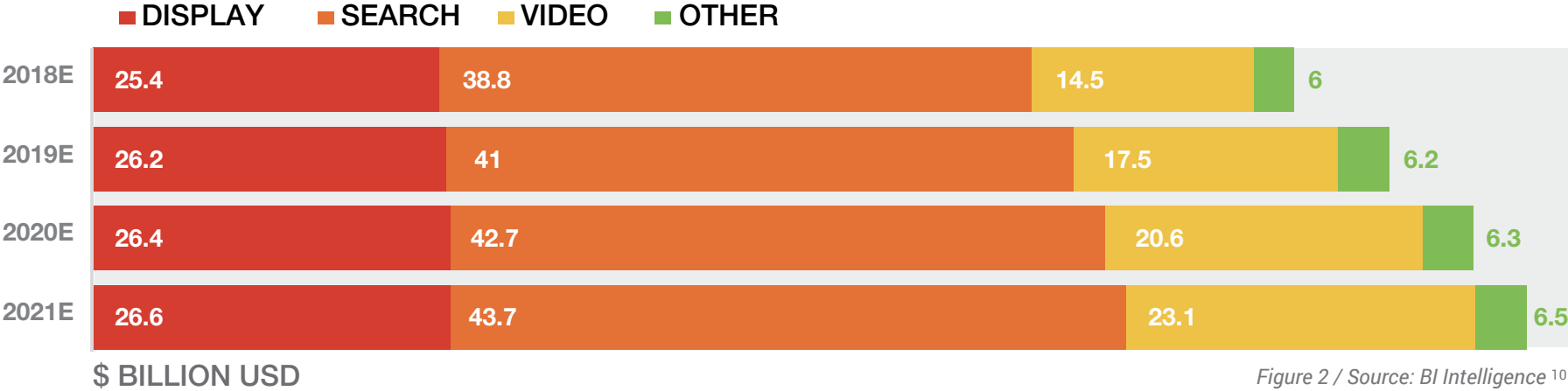


Figure 1 / Source: Australian Video Viewing Report. ⁸

FORECAST:
**U.S. DIGITAL AD REVENUE,
BY FORMAT**



WAYS IN WHICH THE SWIFT SYSTEM CAN BE MONETISED

FORMATS

PRE-ROLL



DISPLAY



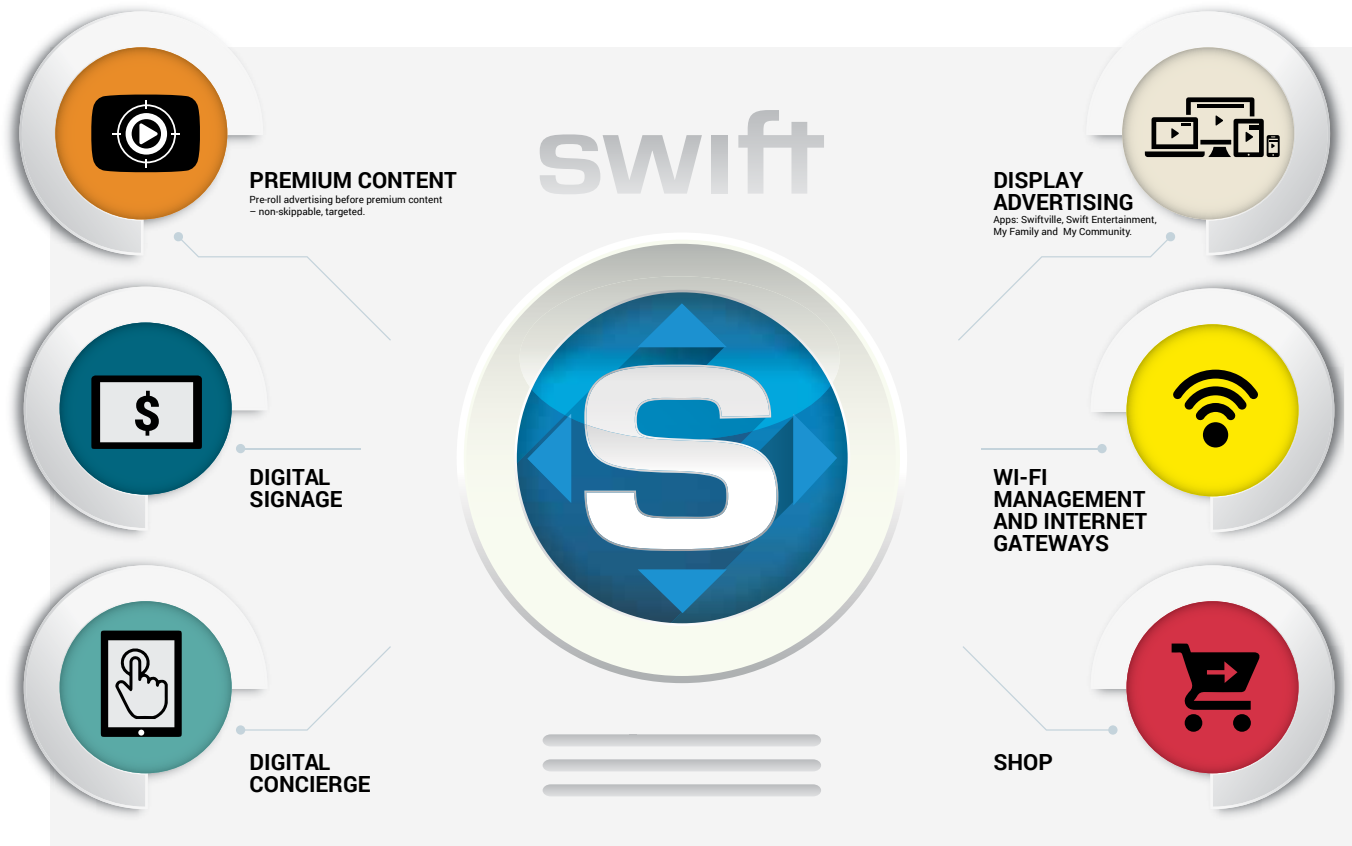
E-COMMERCE



Swift is perfectly positioned in the digital advertising space and spans a number of digital advertising verticals including digital video, mobile and connected TV and provides advertisers with new ways to target and connect with captive audiences.

Not only does Swift have the technology and the capability to empower advertisers to market to consumers in multiple ways across multiple devices, the Swift system also has the technology and increasingly valuable insights to ensure that advertisers can reach the right consumers at the right time.

WAYS IN WHICH AUDIENCES CAN BE TARGETED THROUGH SWIFT →



How does it work?

Swift sells advertising space to a range of companies across all market verticals. There are three primary components to the advertising platform being deployed.

VIDEO SERVER PLATFORM

This is the software that bridges the gap between the advertiser and Swift. The video server platform chooses which ad to serve to the viewer / customer. In under 1,000 milliseconds the ad server selects which ad to display based on price, specialised criteria and approved ad lists.

VAST

VIDEO AD SERVING TEMPLATE

This software is located on the set top box, personal device or smart TV and connects the end user device to the video ad server platform. It is VAST which plays pre-roll, mid roll and other ads and enables the key elements of targeting by providing key value parameters to narrow the ad server selection, VAST also provides placement of the ad and impression tracking.

REAL TIME ANALYTICS

AD INTELLIGENCE API

This is where a profile of the user is created which is then used for ad targeting. User data is gathered based on real time interactions with the Swift system and a profile of each user is created based on user actions (e.g. movie selection, menu clicks, room service orders). When deciding which ad to serve, the Ad Server queries the analytics engine which returns a set of keywords to the Ad server via VAST in order to select the most suitable ad.

Advertiser pricing models

In the US digital advertising market in FY 2016, CPM made up 35% of revenues, Performance Based, 64% and Hybrid only 1%. ¹²

The CPM rates that advertisers are willing to pay vary significantly and are based on a large number of factors. Companies such as Swift, which can offer specialised, highly targeted audiences and unique advertising environments can often expect to garner much higher CPM rates.

CPM: COST PER THOUSAND IMPRESSIONS

■ this is the price paid for every 1000 times an ad is played.

PERFORMANCE BASED

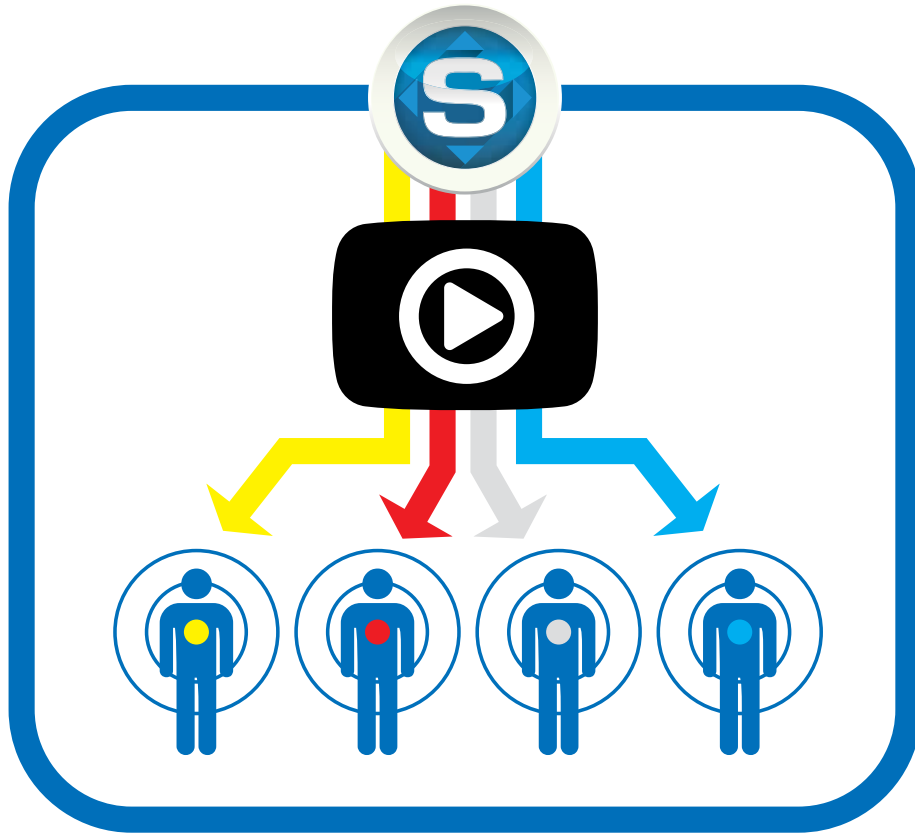
■ for example cost per click, sale, lead, completed customer application or revenue share;

OR A HYBRID OF THE TWO

For example, YouTube's standard CPM is around USD\$14 however US over-the-top streaming company Hulu earns US\$35 CPM due to its "content combined with limited inventory." Online health platform WebMD receives as much as US\$60 due to the difficulty pharmaceutical advertisers experience when reaching consumers online. ¹³ Offering a unique captive audience and highly targeted advertising, combined with premium content and multi-platform deployments, Swift has developed the ability to garner very strong CPM rates.

¹² Paul Verna, Annalise Clayton, Sean Creamer, Lauren Fisher (February 2018), Digital Video Advertising Best Practices: Connecting the Dots Across Screens and Formats.

¹³ www.bigcommerce.com.au



Why would advertisers choose Swift?

As advertisers spend more of their budgets on digital video, the old age-and-gender approach to TV advertising is giving way to far more precise methodology that takes into account other audience characteristics such as behaviour and location ... The industry is still in the early stages of harnessing this trove of user data, but progress is being made toward the utopian goal of true audience-based marketing.
– Paul Verna, Principal Analyst at e-Marketer¹⁴

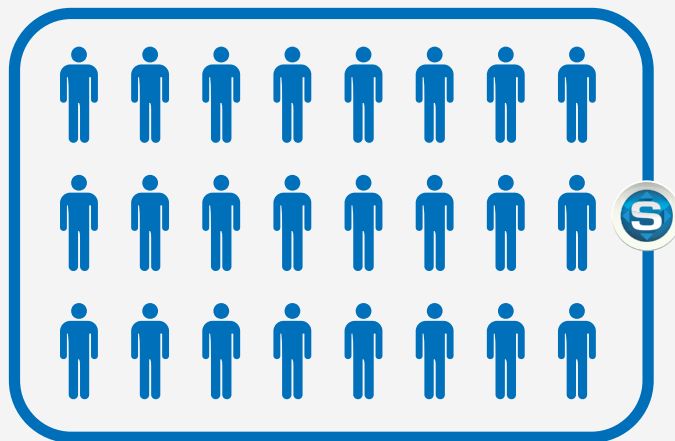
Advertisers routinely expect to gain insights into geographic location, audience demographics and key interests. Swift Networks can provide advertisers with a much larger data set and a broad spectrum of targeting capabilities in order to enable brands to connect with captive audiences and providing that 'utopian goal of true audience-based marketing'.

In many cases, it is Swift's technology which controls the TV, internet gateway, applications on personal devices and integrates with the accommodation provider's property management system. The collection of information (depersonalised and in accordance with privacy legislation) across all of these touch points will enable advertisers, via Swift, to target consumers at a micro level, increasing the value of each user impression generated. In short, Swift can provide advertisers and accommodation providers with unparalleled insight into their potential customer base and target audience in the closed loop environments in which it operates.

¹⁴ Paul Verna, Annalise Clayton, Sean Creamer, Lauren Fisher (February 2018), Digital Video Advertising Best Practices: Connecting the Dots Across Screens and Formats.



OWNED AUDIENCE



TARGETED ADVERTISING



In addition, the Swift system ensures that advertiser's content is actually and verifiably viewed by the customer.

Research shows that a high proportion of advertising is watched from start to finish when accompanied by high quality content in digital environments such as the Swift system.¹⁵

As opposed to many other online advertisers, the ads cannot be skipped and this ensures that advertisers are able to garnering their desired completion rates.

When advertisers partner with Swift, they gain more than enhanced targeting compared to broadcast TV advertising: they can also avoid many of the issues which currently plague the industry and detract from the value of their marketing spend.

¹⁵ Think TV, Is that a Connected TV in your Pocket: Fact Pack Broadcaster VOD Edition Jan – June 2018

The Biggest Issues for Digital Advertisers

A joint research report released by that Australian Association of National Advertisers (AANA), Interactive Advertising Bureau Australia (AIB), and Media Federation Australia (MFA) noted that three of the biggest issues for digital video advertisers (and the industry as a whole) are;

DIGITAL TRANSPARENCY

advertisers are unsure about the return on investment achieved by the complicated system of technologies in the advertising supply chain.

VIEWABILITY

“the opportunity for digital advertising to be seen by a human within a recognised time frame”

AD FRAUD & BRAND SAFETY

4% of the \$7.6 billion spent on online advertising in Australia last year was lost to fraud ¹⁶

When advertising via the Swift system, advertisers have confidence in the fact that the technology used is 'best of breed', the revenue model is straightforward and scalable, and the user impressions are legitimate, highly targeted and most of all - add value to their brand.

The Swift system is proving to be a desirable and mutually beneficial advertising opportunity attracting savvy brands who understand the power of targeted and trackable digital advertising.

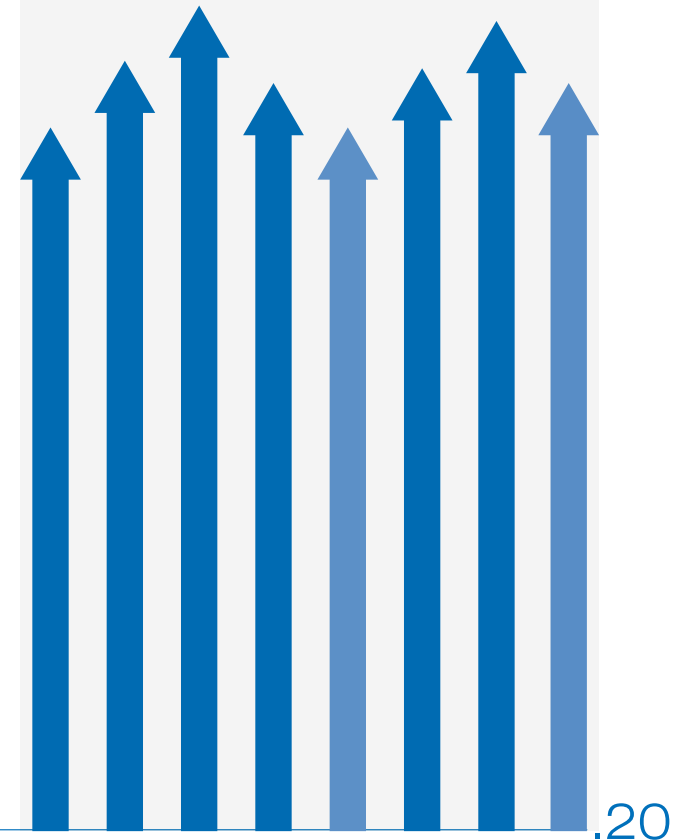
16 Australian Association of National Advertisers (AANA), Interactive Advertising Bureau Australia (AIB), and Media Federation Australia (MFA), July 2018, Australian Digital Advertising Practices


The Opportunity for Swift

Moving into advertising represents Stage Two of a strategy that began with fast tracking Swift products into closed loop market, maximising the Swift audience, and proceeds with capitalising on that audience.

The digital advertising proposition outlined above represents a lucrative opportunity to leverage Swift's existing customer base and generate additional robust recurring revenue streams with no interruption to the current Swift business. This model was successfully adopted by US streaming media company Roku (NASDAQ: ROKU) in early 2018. As a matter of fact, Roku recently reported that:

Its advertising revenue outgrew revenue generated from connected TV hardware sales in Q1 of 2018, a 96% increase (to USD \$90.3m) compared with a 24% increase in hardware revenue (USD \$66.5m).





When advertising revenue achieves critical mass, Swift may consider offering content as a free, ad-supported service...

The addition of advertising is complementary to Swift's revenue model. Accommodation providers (for example, resources companies – BHP, Rio Tinto, aged care providers – Regis, Craig Care, oil and gas companies - Shell, Chevron and hotel operators - the IHG Group) typically pay upfront for deployment and installation of the system, accompanied by ongoing monthly recurring fees (per room per month) for system licensing, content services, and support.

Swift's recurring revenues comprise 72% of total revenue in FY18 and revenue from advertising is predicted to make a positive impact on Swift's recurring revenue % in FY19 and beyond.

When advertising revenue achieves critical mass, Swift may consider offering content as a free, ad-supported service. In this business model, the advertising business would not only drive new revenues but could also boost customer acquisition, increase market share and widen Swift's competitive advantage.

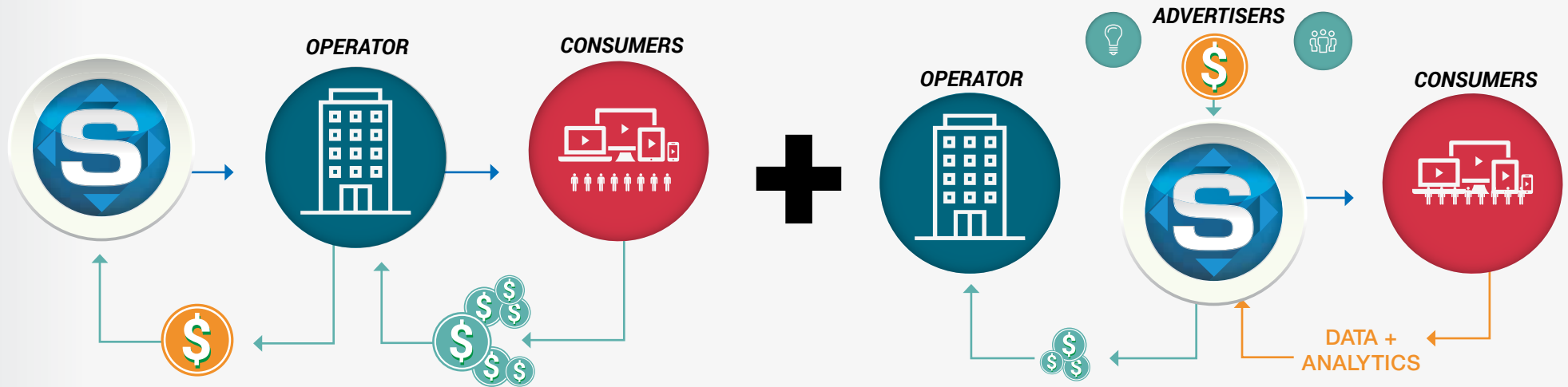
This could presage increasing numbers of rooms, end users, audience, CPMs and a huge volume of consumer data that becomes increasingly valuable. As Ooyala's Jim O'Neill commented, *"A critical best practice is making sure that content is metadata rich ... if the data is well conceived and applicable, you'll be able to maximise its value"*¹⁷

¹⁷ Paul Verna, Annalise Clayton, Sean Creamer, Lauren Fisher (February 2018), Digital Video Advertising Best Practices: Connecting the Dots Across Screens and Formats. Page 9

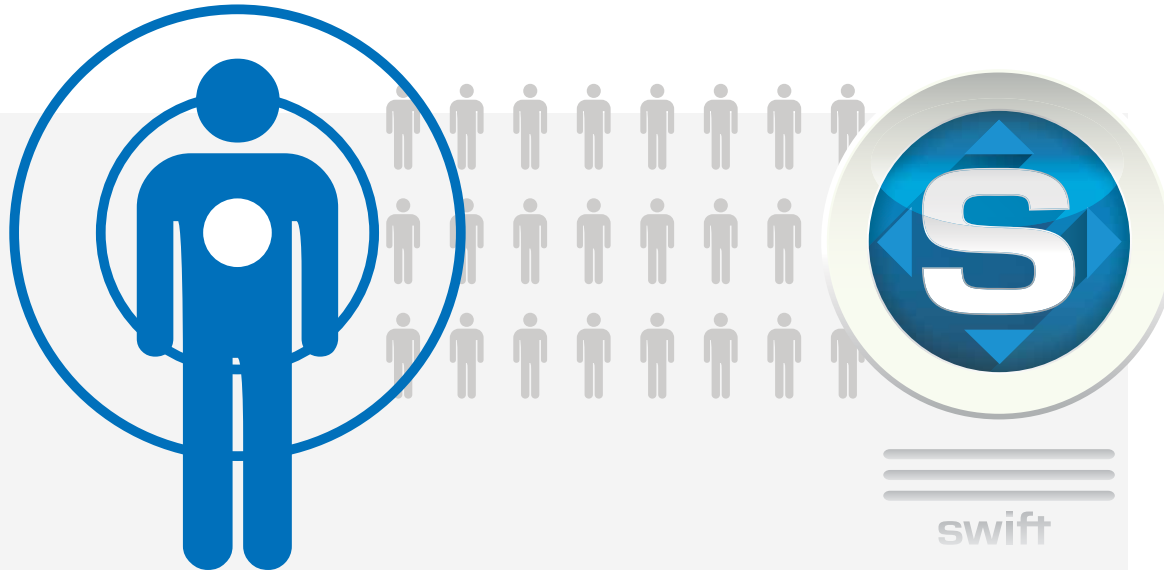
SWIFT REVENUE MODEL.

1. Current revenue model

2. Data and advertising revenue



INDIVIDUAL USER DATA AND A.I.



swift

Every click tells a story.

Whilst the site PMS gives us basic information such as location, sex, age etc, it is the interaction with the system that develops a profile of users specific interests. The genre of content, specific shows viewed, services ordered and browsing behaviour narrow the field of a guests interests at that specific time. A.I and machine learning are instantly profiling guest viewing patterns and behaviours. The system then delivers guests with specific advertising based on their interests in that exact moment. This provides guests with information they are actually interested in and dramatically increases the prospective return on investment for advertisers.



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