

ASX ANNOUNCEMENT



# March 2019 Quarterly Report

30 April, 2019

**USA:**  
Syntonic, Inc.  
119 First Avenue South  
Suite 100  
Seattle, WA 98104

**Australia:**  
Syntonic Limited  
945 Wellington Street  
West Perth WA 6005

Email: [ir@syntonic.com](mailto:ir@syntonic.com)

ABN: 68 123 867 765  
ASX Code: SYT



## Syntonic March 2019 Quarterly Review and Appendix 4C

### Highlights:

- Quarterly revenue of A\$1.76 million, up 232% from last year's corresponding period<sup>1</sup>
- Cash receipts of A\$0.88 million, up 181% from last year's corresponding period
- *mobifoneGo* launched on the MobiFone network, the first of many expected commercial deployments of the enhanced Revenue Generation Platform™
- Strong cash position following recent financing, positioning Syntonic to target a cash flow breakeven in Q3 FY20

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**Seattle, Washington – Syntonic Limited** ("Syntonic" or "Company") (ASX:SYT), a leading US-based mobile services provider, is pleased to provide its Appendix 4C – Quarterly Cash Flow report for the three months ending 31 March 2019, along with a summary of its business progress during the quarter.

### Syntonic CEO and Managing Director, Gary Greenbaum said:

"Syntonic's outlook remains very bright and we are very confident about the short and medium-term performance of the business. With new recurring revenue from MobiFone, plus the expected launch of our technologies with Vodacom, ZroNet, and others, the Company anticipates strong revenue growth in Q4 FY19."

"This quarter's revenue was affected by seasonality from some consumer deployments and cash receipts were also materially affected by late payments from our carrier customers. However, we are confident of greater platform usage, further deployments and therefore building revenue during the final quarter of the financial year, putting us on track for record annual revenue and for reaching our target of cash flow breakeven in Q3 FY20."

## Operational Progress

### Syntonic's Global Expansion

The Company continues to execute its strategy to aggressively grow its customer base in regions where mobile data tariffs remain relatively expensive, including Latin America, Sub-Saharan Africa, and Southeast Asia. Its progress during the quarter and new business pipeline is detailed below:

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<sup>1</sup> Q3 FY2019 revenue figures referenced in this report are unaudited



## Asia

A key milestone for Syntonic during the quarter was the launch on 22 March 2019 of *mobifoneGo* by MobiFone Telecommunications Corporation (“MobiFone”), one of the largest mobile carriers in Vietnam with more than 30% market share and approximately 50 million mobile subscribers<sup>2</sup>. The *mobifoneGo* service is the first white-labelled commercial deployment of Syntonic’s Revenue Generation platform that incorporates its recently acquired mobile commerce technologies. *mobifoneGo* offers consumers unlimited access to popular apps for a fixed fee, without impacting their data plan, with Syntonic sharing the revenues generated by consumer purchases.



Figure 1: *mobifoneGo* press conference launch event attended by Mobifone executives and Rahul Agarwal, CTO and co-founder of Syntonic

Syntonic is currently in negotiations to enhance the *mobifoneGo* service offering to include mobile advertising services including sponsored data and data rewards for growing brand awareness, customer acquisition, and subscriber retention. Additionally, Syntonic is working with its local partner, Thang Long Event Limited (“TLC”), to expand the Syntonic Revenue Generation Platform service to the other Vietnam carriers.

MobiFone will be ramping up their marketing efforts over the course of the current quarter with meaningful revenue generated from consumer use expected in Q4 FY19.



Figure 2: *RoamFree* promoted at International Terminal in Manila Ninoy Aquino

Smart Communications Inc. (“Smart” PSE:TEL, NYSE:PHI), a leading wireless provider in the Philippines with more than 57 million subscribers<sup>3</sup>, launched an updated version of its *RoamFree* iOS and Android app powered by Syntonic International Roaming Service™ in late Q2 FY19.

With early in-market success, Smart is seeking to enhance *RoamFree* in 2019 as a complete end-to-end travel service application to include the full suite of Syntonic Revenue Generation Platform services including payment handling. The proposed arrangement remains subject to the completion of negotiations and the execution of formal documentation.

The Company is working towards an agreement with Telkomsel Indonesia (NYSE:TLK), the largest telecommunications company in Indonesia, to deploy sponsored web services in the Telkomsel ROLi

<sup>2</sup> <http://www.mobifone.vn/wps/portal/public/gioi-thieu/gioi-thieu-chung/lich-su-hinh-thanh>

<sup>3</sup> <https://smart.com.ph/About/profile/>

application that currently provides its 193 million subscribers promotional access to leading content and services.

Syntonic continues to engage with its regional partners in China, Taiwan and Hong-Kong to support the potential licensing of the white-labelled Syntonic Revenue Generation Platform to local carriers.

#### Africa & Middle East

During the quarter, Syntonic signed an addendum to its August 2018 service agreement with Vodacom Group Limited (JSE: VOD), extending the initial engagement phase to 1 August 2019. Vodacom will deploy a white labelled version of the Syntonic Revenue Generation Platform to enhance Vodacom's mobile advertising business. The commercial launch is expected in Q4 FY19.

ZroNet continues to progress its plans to commercially launch a white-labelled version of the Syntonic Revenue Generation Platform service, branded *ZroNet*, on the three largest mobile carriers in Ghana: MTN Ghana, Vodafone Ghana and AirtelTigo. The Company expects a full commercial launch with carrier marketing support in Q4 FY19.

The Company is in active business negotiations with Vodafone Qatar to deploy a white-labelled content subscription service on the Vodafone Qatar network. Similarly, it continues to support Nazara Technologies to deploy a trial launch later this year with the Nazara Games Club subscription service on the Ooredoo mobile network, powered by Syntonic technologies.

#### Americas

Syntonic Brazil is fully operational with the asset transition nearly completed from Zenvia Mobile Servicos Digitais S.A. ("Zenvia"), which has been acting as the Company's agent for its business operations (invoicing and payment collection) from Syntonic customers. Syntonic Brazil is growing revenue from the acquired content agreements and has reached terms and conditions for 10 new content properties including a number of applications expected to be released in the next several months.

The Company's August 2018 acquisition of Zenvia's mobile commerce assets achieved marketplace validation as the service was commercially exported outside of Brazil to drive the commerce services for the recently launched *mobifoneGo* service. Moreover, the Company is in commercial discussions with all four Brazilian carrier customers –Vivo, Oi, Claro, and TIM, to expand its existing mobile commerce services with the full Revenue Generation Platform offering which includes mobile advertising and content monetisation.

#### Europe

AKTAY A.S. ("AKTAY"), Syntonic's Turkish reseller partner, is focused on securing key industry leaders including several banks, local municipalities and entertainment companies to launch

data-free versions of their applications. AKTAY is expecting have commercially available cross-carrier deployments on Türk Telekom, Turkcell and Vodafone Turkey by early FY20.

## Global

The Company is in formal business discussions with the Opari executive team to further expand the business relationship. The proposed agreement is expected to enhance the *opari* service, connecting apps and marketers to a global ecosystem of mobile operators and service providers, onto Syntonic's carrier partner network. The proposed arrangement remains subject to the completion of negotiations and the execution of formal documentation.

## **Mobile World Congress 2019 & Marketing**



Figure 3: Syntonic's MWC 2019 booth

Syntonic executives attended the mobile industry's leading tradeshow, Mobile World Congress 2019 ("MWC") in Barcelona, Spain in February 2019. MWC is attended by more than 109,000 participants, including enterprise decision makers and is the primary source of new lead generation for the Company.

At this year's MWC, the Company demonstrated and promoted two new features of its Revenue Generation Platform – its mobile commerce functionality and a captive web portal for prepaid subscribers who have zero balance. The new functionality was well received, resulting in more than 35 business meetings that included 9 telecommunication providers and 18 content or service providers. The Company expects that several of these initial discussions will lead to commercial opportunities in the next 12 – 18 months which will take place along standard enterprise sales timelines.

Also, Syntonic's CEO, Dr. Gary Greenbaum, joined a panel of leading mobile industry experts to discuss the evolution of the carrier business model. The panel was hosted by the Mobile Ecosystem Forum, a highly respected global trade body that represents the broadening mobile ecosystem. The full panel discussion video can be viewed here: <https://youtu.be/3TgslZscpC4>.





Figure 4: Syntonic's CEO, Gary Greenbaum, participates in a MWC 2019 panel discussion on the Future of Mobile Business Models

## Financial Highlights

Syntonic generates revenue from customers of its Revenue Generation Platform™ which integrates its existing Connected Services Platform™ with its recently acquired Mobile Commerce Platform into a unified software platform that helps telecommunication carriers access new revenue streams from the app economy.

The Company's quarterly unaudited revenue was A\$1.76 million. This represents a 232% increase on last year's corresponding quarter, but a modest 6% decline on the previous quarterly period. The small decline in revenue is due to the seasonal impact of consumer spending post the New Year holiday, impacting most consumer-focused businesses. Consumer discretionary spending historically ramps back in Q4 FY19, allowing the Company to continue on its growth trajectory for the fiscal year.

Cash receipts for the quarter were A\$0.88 million, representing a 181% increase on last year's corresponding period and a 21% decline on last quarter. The decline in quarterly cash receipts was a result of the late arrival of the March 2019 cash receipts from two carriers which were received in early April 2019. With the exception of these delayed payments, the cash receipts

continue to track broadly with revenue and are subject to payment terms which can extend for multiple months after services are rendered.

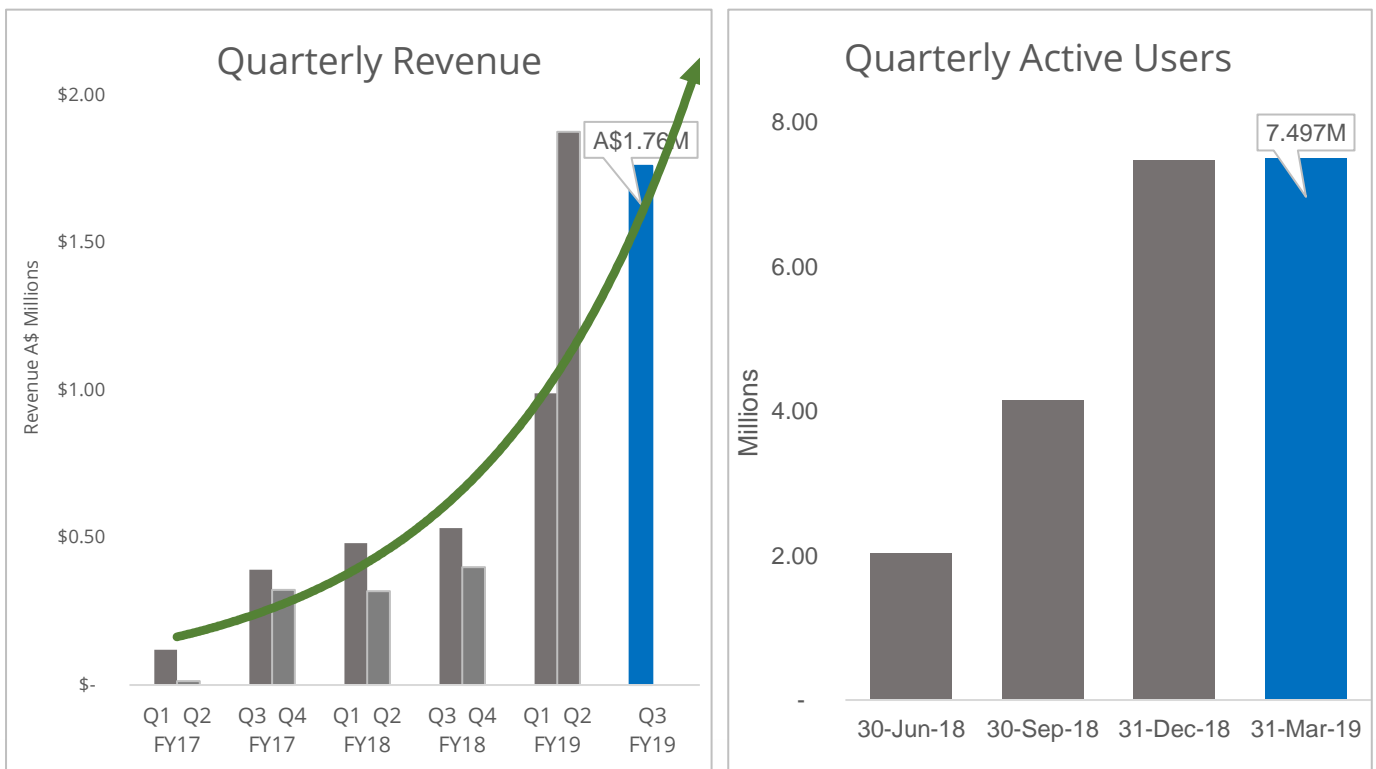
Total net cash outflows from operating activities were A\$1.819 million, up 22% from the previous quarter. This increase is primarily resulting from the late March 2019 payments and a one-time charge associated with an increase in R&D expenditure to integrate the acquired mobile commerce platform with the Company's Connected Services Platform and to validate the carrier-grade, launch readiness of the enhanced platform for its first customer, Mobifone. The Company remains committed to control of its cash outflows through prudent management of costs and working capital to target a positive net cash quarterly position in Q3 FY20.

Syntonic entered Q4 FY19 with a cash balance of A\$0.60 million. The cash balance was boosted by its April 2019 Placement which raised A\$1.84 million and from the allotment of the first tranche of new convertible notes to raise US\$1.00 million (A\$1.42 million). Further details of the April 2019 financing are in the Corporate Highlights section.

### Quarterly Active Users

Quarterly Active Users ("QAU") measures the revenue bearing potential from active and/or activated Syntonic services, i.e. actively used applications, activated SDK's, and deployed white-labelled applications, as well as consumers using the Syntonic Revenue Generation Platform for mobile purchases.

The QAU of Syntonic's Revenue Generation Platform for Q3 FY19 were 7,497,279 which represents a negligible 0.32% increase over the previous quarter's QAU of 7,473,579. As outlined previously, the QAU growth was impacted by the seasonal decline in consumer mobile use.



However, we expect a return to strong growth in Q4 FY19 on the back of further deployments and increased consumer use.

## Corporate Highlights

### Financing

Following the close of the period, Syntonic completed a capital raise with a placement and convertible note component raising A\$5.38 million (before costs)<sup>4</sup>. The financing consisted of a A\$1.84 million Placement and a Convertible Note facility with Obsidian Global Partners LLC (“Obsidian”) to provide up to A\$3.54 million.

The funds raised from the combined financing provides Syntonic with working capital to accelerate the Company’s growth to capture, manage, and support its pipeline of potential clients.

The Placement raised A\$1.84 million (before costs) through the issue of 233,336,450 fully paid ordinary shares at 0.79 cents each (“Placement Shares”). The Placement Shares were issued within the Company’s existing 10% capacity under ASX Listing Rule 7.1A. In addition to the Placement Shares, the Company issued 3,737,500 fully paid ordinary shares (“Commitment Shares”) at 0.79 cents each, as part payment in respect of a 2.5% commitment fee to Obsidian.

Under the convertible securities agreement with Obsidian, Syntonic has allotted the first tranche of the convertible notes, being 1,000,000 secured convertible notes to Obsidian following the receipt of US\$1.0 million (A\$1.42 million) (“Initial Notes”). The maximum number of ordinary shares that the Initial Notes can convert to is 152,640,050 fully paid ordinary shares. The Initial Notes were issued under the Company’s existing 15% capacity under Listing Rule 7.1.

### Outlook

Syntonic has continued its strong customer reach momentum in Q3 FY19 with the deployment and launch of *mobifoneGO* in Vietnam by MobiFone. In addition, the Company expects its technology licensees, including Vodacom and ZroNet, to launch their respective services, and the on-boarding of major content providers to use the Company’s mobile commerce services in Q4 FY19. The Company remains focused on continuing to build its pipeline of new deployments to further grow its global revenues and diversify its revenue streams.

Syntonic’s current revenue momentum, coupled with its recent financing have positioned the Company well to target cash flow break-even in Q3 FY20.

### About Syntonic

Syntonic Ltd (SYT.ASX) is a Seattle based software company which provides easy-to-deploy mobile services for telecommunication carriers to generate more revenue from mobile data and

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<sup>4</sup> Refer to ASX announcement dated 3 April 2019 and prospectus dated 9 April 2019 for further details





to participate in the app economy. Syntonic has created the world's leading mobile Revenue Generation Platform spanning mobile advertising, content monetisation, mobile commerce, and expense management for enterprise mobility. Syntonic's carrier-grade service has been designed with high availability, scalability and 100% revenue assurance in mind. The Syntonic platform has been deployed and validated on the world's largest networks.

To learn more about Syntonic, visit [www.syntonic.com](http://www.syntonic.com).

For further enquiries, please contact:

**Gary Greenbaum**

CEO and Managing Director, Syntonic

E: [ir@syntonic.com](mailto:ir@syntonic.com)

**Catherine Strong**

Investor and Media Enquiries

E: [CStrong@citadelmagnus.com](mailto:CStrong@citadelmagnus.com)

## Appendix 4C

### Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

**Name of entity**

Syntonic Limited

**ABN**

68 123 867 765

**Quarter ended ("current quarter")**

31 March 2019

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (9 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	882	2,597
1.2 Payments for		
(a) research and development	(749)	(1,411)
(b) product manufacturing and operating costs <sup>(1)</sup>	(666)	(1,801)
(c) advertising and marketing	(53)	(102)
(d) leased assets	-	-
(e) staff costs	(909)	(2,396)
(f) administration and corporate costs	(325)	(929)
1.3 Dividends received	-	-
1.4 Interest received	1	8
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (acquisition related)	-	(443)
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(1,819)</b>	<b>(4,477)</b>

*(1) \$281,011 in YTD advertising and marketing cash payments have been reallocated to product manufacturing and operating costs in order to better reflect the substance of these payments.*

*This reallocation has not affected the YTD net cash flow movement or cash flow movement for the period or any cash balances previously reported.*

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	(12)	(22)
(b) businesses (see item 10)	-	-

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (9 months) \$A'000</b>
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-
<b>2.2 Proceeds from disposal of:</b>		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-
<b>2.3 Cash flows from loans to other entities</b>	-	-
<b>2.4 Dividends received (see note 3)</b>	-	-
<b>2.5 Other (provide details if material):</b>	-	-
- Payment to acquire Brazilian mobile commerce business unit	-	(962)
<b>2.6 Net cash from / (used in) investing activities</b>	<b>(12)</b>	<b>(984)</b>

<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of shares	-	1,111
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	(39)	(55)
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	-	-
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
<b>3.10 Net cash from / (used in) financing activities</b>	<b>(39)</b>	<b>1,056</b>

<b>4. Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1 Cash and cash equivalents at beginning of quarter/year to date	<b>2,483</b>	<b>5,015</b>
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,819)	(4,477)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(12)	(984)



<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (9 months) \$A'000</b>
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(39)	1,056
4.5	Effect of movement in exchange rates on cash held	(13)	(10)
<b>4.6</b>	<b>Cash and cash equivalents at end of quarter</b>	<b>600</b>	<b>600</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	529	2,412
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (AmEx deposit)	71	71
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>600</b>	<b>2,483</b>

**6. Payments to directors of the entity and their associates**

- |     | <b>Current quarter<br/>\$A'000</b> |
|-----|------------------------------------|
| 6.1 | 175                                |
| 6.2 | -                                  |
| 6.3 |                                    |

Payments include executive directors' wages and associated payroll expenses

**7. Payments to related entities of the entity and their associates**

- |     | <b>Current quarter<br/>\$A'000</b> |
|-----|------------------------------------|
| 7.1 | 745                                |
| 7.2 | -                                  |
| 7.3 |                                    |

Software engineering services provided by Adroit Business Solutions Inc, a company associated with Mr Agarwal.

<b>8. Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

Not applicable.

<b>9. Estimated cash outflows for next quarter</b>	<b>\$A'000</b>
9.1 Research and development	(370)
9.2 Product manufacturing and operating costs	(900)
9.3 Advertising and marketing	(20)
9.4 Leased assets	-
9.5 Staff costs	(900)
9.6 Administration and corporate costs	(320)
9.7 Other	-
<b>9.8 Total estimated cash outflows</b>	<b>(2,510)</b>

<b>10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)</b>	<b>Acquisitions</b>	<b>Disposals</b>
10.1 Name of entity	-	-
10.2 Place of incorporation or registration	-	-
10.3 Consideration for acquisition or disposal	-	-
10.4 Total net assets	-	-
10.5 Nature of business	-	-

**Compliance statement**

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

[lodged electronically without signature]

Sign here: ..... Date: 30 April 2019  
(Director/Company secretary)

Print name: Kate Sainty

**Notes**

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.