

## Syntonic September 2019 Quarterly Review and Appendix 4C

### Highlights:

- Quarterly net operating cash outflows declined to \$1.32 million, down 41.8% on Q4 FY19 (\$2.27 million), as the Company advances towards cash flow breakeven targeting late FY20
- Unaudited quarterly revenue of \$1.72 million, up 73.9% from last year's corresponding Q1 FY19 (\$0.989 million), and down 30.9% on Q4 FY19 (\$2.49 million) due to strategic focus on higher margin engagements
- Cash receipts of \$0.568 million, down on Q4 FY19 (\$0.72 million) mainly due to Oi, one of the four major Brazilian telecommunication carriers supporting the Syntonic RGP, withholding a one-time charge for its infrastructure upgrade
- Syntonic to distribute and sell Fox Sports Gol mobile content in Brazil and Mexico, now live and generating first revenues
- Financial restructuring continuing and Syntonic will provide shareholders with an update shortly.

**Seattle, Washington – Syntonic Limited** ("Syntonic" or "Company") (ASX:SYT), a mobile content services provider, is pleased to provide its Appendix 4C – Quarterly Cash Flow report for the three months ending 30 September 2019, along with a summary of its business progress during the quarter.

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

"FY2020 began as transformative period in Syntonic's history, as we transition from selling our legacy products, such as Freeway®, DataFlex®, and the Connected Services Platform®, to our Revenue Generation Platform™ ("RGP"). The change is from low margin, long enterprise carrier sales cycles, and lengthy integration and testing cycles to higher margin and more rapid time-to-market content monetisation opportunities in the territories where Syntonic has established a strong foothold – specifically, Latin America, Southeast Asia, and Sub-Saharan Africa.

"During the quarter, we executed two agreements with Fox Sports to monetise their premium Fox Sport Gol content in Brazil and Mexico using our RGP. Time-to-market was less than two weeks after contract agreement, demonstrating how quickly we can activate new customers, and validating our compelling offering for content providers.

"Our content provider customers appreciate our management of the whole customer journey from customer acquisition to monetisation. Syntonic's strategy to build our content provider customer base, along with our ongoing financial restructuring, and a focus on continued cost reduction will enable Syntonic to target reach cash flow breakeven in late FY20."

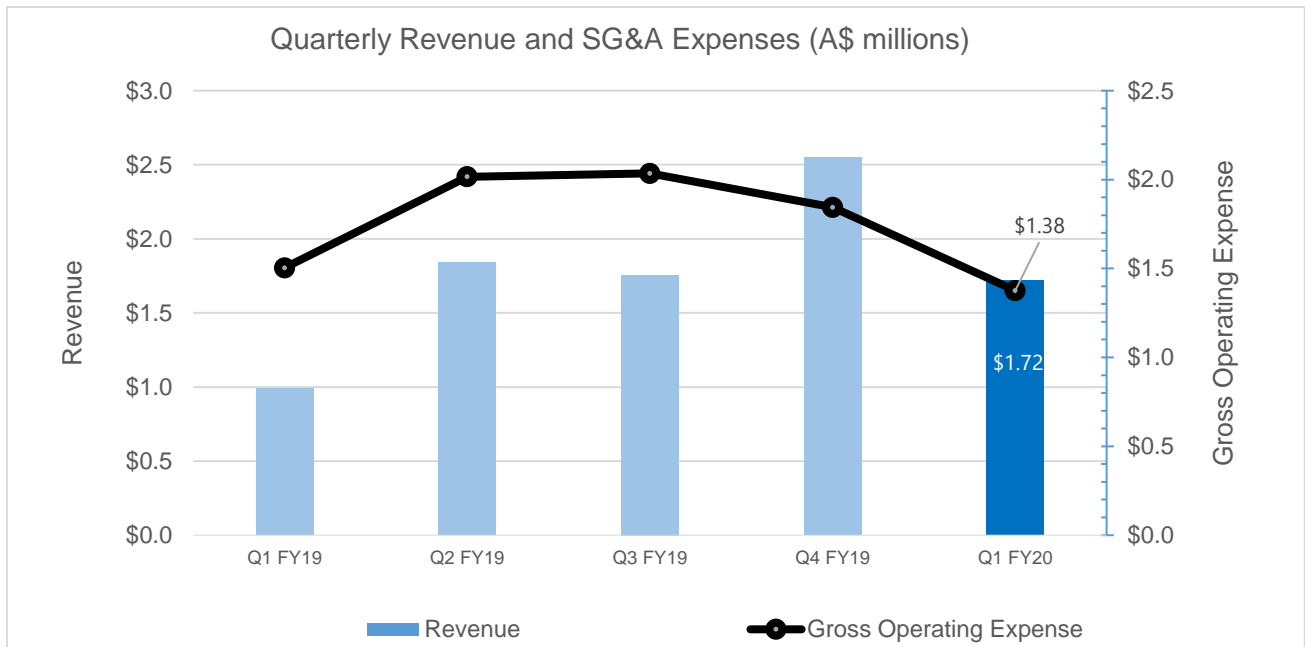
## Financial & Corporate Update

Syntonic generated revenue in Q1 FY20 principally through revenue share agreements with content providers driven by mobile content subscriptions transacted via the Syntonic RGP. Syntonic also generated revenue during the quarter from its legacy business, licensing a white label version of the Syntonic RGP to carriers and local partners.

The Company's quarterly unaudited revenue reached \$1.72 million. This represents a 73.9% increase on last year's corresponding quarter (Q1 FY19 \$0.989 million), but a 30.9% decrease on the previous quarterly period (Q4 FY19 \$2.49 million).

The quarter on quarter revenue decline is a consequence of the Company's deliberate efforts of eliminating poorly performing legacy engagements and stemming the Company's media spending to improve bottom line performance.

Syntonic was able to lower its net operating cash outflows by 41.8% over last quarter, decreasing from \$2.27 million to \$1.32 million. Cost savings came from reduced media spending and reductions in its fixed costs, i.e. sales, general and administrative expenses (SG&A).



Cash receipts for the quarter were down 20.7% on the previous quarter at \$0.568 million. Much of this decline was the result of Oi, one of the four major Brazilian telecommunication carriers supporting the Syntonic RGP, withholding payment for a one-time charge for their upgraded Service Delivery Platform.

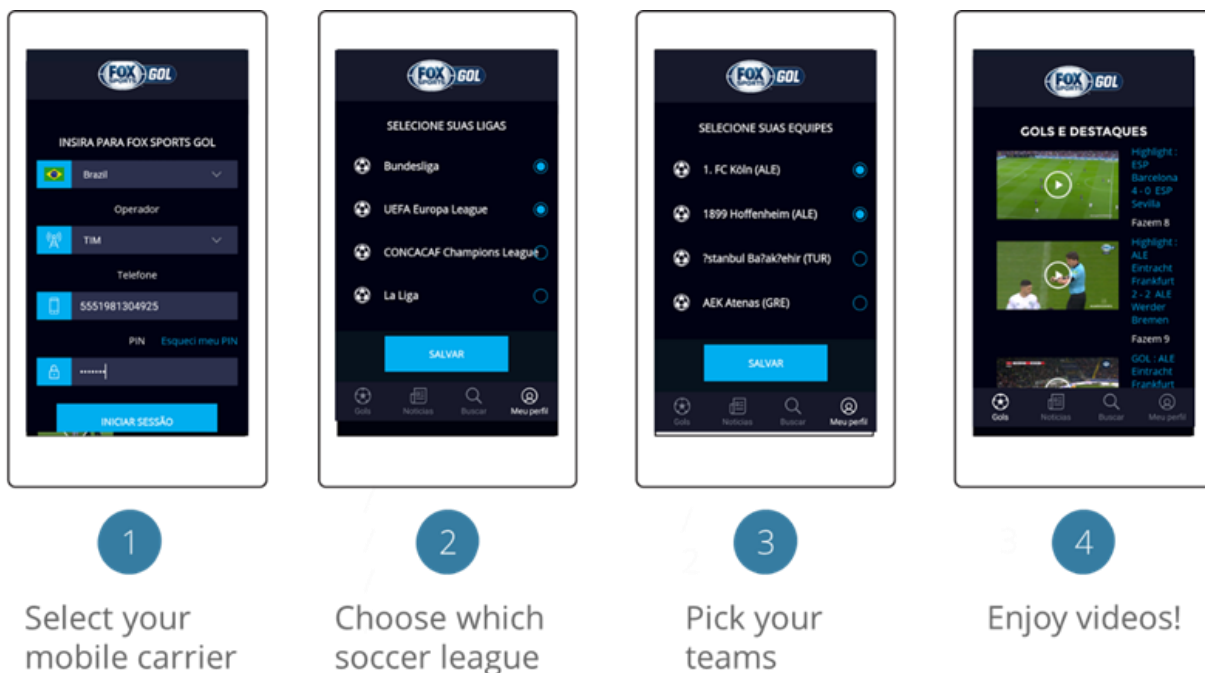
Syntonic entered Q2 FY20 with a cash balance of \$0.074 million. The Company is taking steps to raise further cash to fund its operations, including undertaking discussions with potential investors that would provide additional working capital via the issue of equity. The Board believes these steps will be successful, and the Company expects to be able to continue its operations and to meet its business objectives based on these steps being taken.

## Operational Progress

Strong progress was made with content providers during the September quarter, as outlined below:

In September 2019, Syntonic signed two binding Memorandums of Understanding (MOUs) with leading pay television sports aggregator Fox Sports for the right to distribute and sell Fox Gol mobile content via Syntonic's RGP in Brazil and Mexico. Syntonic and Fox Sports continue to work towards definitive agreements for each territory and see scope to significantly grow transactions in Brazil and Mexico in the future. The parties work toward completion of definitive agreements governing the commercial, technical and operational relationship; meanwhile, the parties are governed by the terms and conditions detailed in the MOUs.

- The Fox Gol application enables Brazilian and Mexican soccer fans to follow their favorite teams and leagues, through a subscription package that gives them access to video and other curated soccer content. The service currently has slightly more than 200,000 paying subscribers with weekly subscriptions priced up to BRL 4.99 (A\$1.75).
- The Fox Gol service was successfully transferred to the Syntonic platform and went live on 15 October 2019, activating a new revenue stream for Syntonic which is aligned with its new strategic focus to monetise premium content for mobile consumers.



The Abril Group, one of the largest and most influential content distributors in Latin America, continues to be a key customer for Syntonic, generating nearly half of the RGP revenue in the September quarter. Through Syntonic's RGP, Abril mobile content is marketed, distributed and sold under a revenue share arrangement.

During the quarter, Syntonic's RGP supported 14 content providers servicing 55 different content offerings including Tô Aqu (also marketed as Tô Chegando or Radar) by ProUser, a geolocation service which allows users to see the location of family and friends and Kidsa, an online language course for children.

Syntonic's RGP is well positioned to distribute content through its integration with all four of the major Brazilian mobile carriers: Vivo, Oi, Claro, and TIM. This coverage represents an addressable reach of 235.7 million mobile subscribers. Starting with the delivery of Fox Gol content, Syntonic's RGP has been extended into Mexico, currently on the Telcel network, the leading provider of wireless communications services in Mexico with a 64% market share<sup>1</sup>. The Company will be expanding its content offerings across other carrier networks in FY20.

The Company is currently in the process of reviewing its strategic business focus in parallel with its financial recapitalisation and expects to be able to provide an update on its progress and transition shortly.

### **Industry Conference**

Following the close of the period in late October 2019, Syntonic CEO, Dr Gary Greenbaum gave a keynote presentation on content monetization at MEF's Future of Mobile Summit in Sao Paulo, Brazil. He also participated with industry experts from Fox Sports, Napster, Samsung, and Vivo (a subsidiary of Telefónica) on a panel discussion titled, "Engaging your customs with mobile content. The monetization game".



The Summit was held in Brazil for the first time, reflecting the country's growing mobile economy, as part of Futurecom 2019, the a key Latin American B2B industry conference for the technology and telecommunications industry. The event provides Syntonic a network of key carriers and content providers in Latin America.

### **Financial Restructuring**

Syntonic is currently suspended from trading pending an announcement in respect of financial recapitalisation. The financial recapitalisation is presently in the process of being finalised and the Company will provide shareholders with an update on the status and progress of its recapitalisation by way of an ASX announcement.

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<sup>1</sup> Data representing Q4 CY2018 as reported by Statista 2019



## Outlook

Syntonic is focused on growing its customer base of premium content providers in Brazil and in other markets where it has an established presence, such as Vietnam, the Philippines and South Africa. The Company expects this strategy to grow revenues, margins, cash receipts and improve the deployment speed of Syntonic's technologies in Q2 FY20 and beyond.

Following execution of agreements with Fox Sports, and the rapid launch of the Fox Gol content on Syntonic's RGP in October, the Company expects meaningful revenues to be realized in FY20.

This strategy, the financial restructure, and a program of continued cost reduction will enable the Company to reach cash flow breakeven targeting late FY20.

## About Syntonic

Syntonic Ltd (SYT.ASX) is a Seattle-based mobile content services company which provides easy-to-deploy mobile services for telecommunication carriers and content providers to generate more revenue from participation in the app economy. Syntonic has created the world's leading unified mobile revenue platform spanning mobile advertising, content monetization and mobile commerce. 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 and content providers.

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

For further enquiries, please contact:

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## 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")**

30 September 2019

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (3 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	568	568
1.2 Payments for		
(a) research and development	(272)	(272)
(b) product manufacturing and operating costs	(510)	(510)
(c) advertising and marketing	(45)	(45)
(d) leased assets	-	-
(e) staff costs	(648)	(648)
(f) administration and corporate costs	(412)	(412)
1.3 Dividends received	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (insert details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(1,319)</b>	<b>(1,319)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	-

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (3 months) \$A'000</b>
(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>	-	-
<b>2.6 Net cash from / (used in) investing activities</b>	-	-

<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of shares	-	-
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	-	-
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>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>1,400</b>	<b>1,400</b>
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,319)	(1,319)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4 Net cash from / (used in) financing activities (item 3.10 above)	-	-

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (3 months) \$A'000</b>
4.5	Effect of movement in exchange rates on cash held	(7)	(7)
<b>4.6</b>	<b>Cash and cash equivalents at end of quarter</b>	<b>74</b>	<b>74</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	74	1,399
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (AmEx deposit)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>74</b>	<b>1,399</b>

<b>6.</b>	<b>Payments to directors of the entity and their associates</b>	<b>Current quarter \$A'000</b>
6.1	Aggregate amount of payments to these parties included in item 1.2	69
6.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-
6.3	Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

Payments include executive directors' wages and associated payroll expenses

<b>7.</b>	<b>Payments to related entities of the entity and their associates</b>	<b>Current quarter \$A'000</b>
7.1	Aggregate amount of payments to these parties included in item 1.2	272
7.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3	Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

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	(250)
9.2 Product manufacturing and operating costs	(400)
9.3 Advertising and marketing	(50)
9.4 Leased assets	-
9.5 Staff costs	(600)
9.6 Administration and corporate costs	(370)
9.7 Other	-
<b>9.8 Total estimated cash outflows</b>	<b>(1,670)</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: 31 October 2019  
(~~Director~~/Company secretary)

Print name: Edward Meagher

### **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.