

## Business Update

### Highlights:

- FOX Sports Gol continues to lead the Company's content business: the service generated 444,484 paid transactions (a 9.9% average monthly growth rate<sup>1</sup>) and 38.9% of the content monetisation revenue for the first half of the current quarter
- As of 1-February 2020, the Company had an accounts receivable (unreceived cash from services delivered) balance of \$893,000 and is advancing progress to receive overdue payments more promptly from mobile carriers and content providers
- Syntonic is in negotiations with its strategic carrier customers and partners for a "buy-out" license of Syntonic's legacy products – Freeway® sponsored data and data rewards, allowing the Company to eliminate all product development, operational, maintenance and support costs for these products
- Thang Long Event Limited is the first company to agree to a buy-out license of Syntonic's legacy products for its Vietnamese carrier customers, representing 63 million mobile subscribers<sup>2</sup>

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**Seattle, Washington – Syntonic Limited ("Syntonic" or "Company")** (ASX:SYT), a mobile content services provider, is pleased to provide shareholders with a progress update on Syntonic's newly implemented business strategy and results in the current quarter.

### FOX Sports Gol Update

Last quarter, Syntonic was granted syndication rights from Fox Latin American Channel LLC, ("Fox Sports") for the FOX Sports Gol service in Brazil and Mexico. The FOX Gol service enables soccer fans to follow their favorite teams and leagues, through a subscription package that gives them access to video and other curated content.

The FOX Gol service remains the Company's most popular and largest revenue generating content offering. During the first half of the current quarter, the service comprised 46.6% of the platform transactions (444,484 paid transactions) and 38.9% of the content monetisation revenue. Since transitioning the services to the Syntonic Revenue Generation Platform™ ("RGP") in October 2019, the Company has processed 1.26 million paid transactions for the FOX Gol service. This growth represents a 9.9% average monthly growth rate of paid transactions since the service launched on the Syntonic RGP. The Company anticipates continued advancement in

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<sup>1</sup> For the period 1 October 2019 to 31 January 2020

<sup>2</sup> <https://www.export.gov/apex/article2?id=Vietnam-Information-Technology>

both transactions and revenue during the quarter despite the seasonal slowdown associated with the Brazilian Carnival holiday.

### Accounts receivable

Syntonic continues to accumulate significant accounts receivable, totalling \$893,000 as of 31 January 2020. The Company is confident that it will collect the outstanding amounts; however, cash receipts can be delayed by as much as a quarter between services rendered and collection.

The accounts receivable are unreceived cash from mobile carriers and content providers for services rendered. Syntonic's agreements have net payment terms between 30 – 90 days from the date the invoice is received. However, the time to generate an invoice is often a lengthy process due to reconsolidation and purchase order issuance from the mobile carrier. The Company is working with its carriers and content providers to improve the efficiency of the payment cycle and will seek to impose stricter penalties for overdue payments.

### Syntonic Business Transition

As disclosed in the Company's ASX announcement dated 15 November 2019, Syntonic has implemented a new business strategy focused on content distribution and sales via the Syntonic RGP. The fundamental shift imposed by this strategy is the target customer – from mobile carriers to premium content providers. Selling to this new target customer allows for a shorter sales cycle, higher margins, and greater control over the business performance – all recently validated by the FOX Sports engagement.



The first phase of this business transformation commenced last quarter with the winding-down and/or terminating of legacy non-strategic and non-material customer agreements as detailed in the Company's ASX announcement dated 15 November 2019.

This quarter starts the second phase of the business transformation with the Company negotiating with carriers and partners for a "buy-out" license to Syntonic's legacy products – the Freeway sponsored data and data rewards service. The new license will grant the licensee the right to develop new functionality on the platform with the assumption of all operations, support and maintenance responsibilities.

Once these arrangements are completed, the Company can fully focus its resources on the new business strategy of content distribution and sales via the Syntonic RGP and will entirely eliminate the staff and vendors associated with product development, operations, support and maintenance of its legacy products.

Thang Long Event Limited (“TLC”), Syntonic’s Vietnam-based partner with commercial agreements with Mobifone Telecommunications Corporation and Viettel which collectively represent 63 million mobile subscribers, is the first to execute a buy-out license to the Syntonic legacy products. The terms of the deal are summarized below:

**Agreement Terms:**

1. Syntonic granted TLC a fee-bearing license to use, duplicate, store, modify, change, make or have made derivative works, sublicense, market, sell, distribute and redistribute Syntonic’s sponsored data and data rewards platform.
2. Consideration for this license grant will be four cash payments based on satisfaction of service transition milestones with a duration not to exceed a three-month transition period from the agreement execution date.
3. For a period of one-year, the license grant will be limited to Vietnam, Myanmar, Laos and Cambodia. Additionally, Syntonic will grant TLC a five-year exclusivity for use of the licensed technology in Vietnam. The Company believes this limited duration exclusivity will not materially impair its ability to offer a “buy-out” license for its legacy products to other potential licensees.
4. After the three-month transition period, Syntonic shall have no obligation to support TLC or the service it operates for its current or future carrier customers.
5. The agreement will remain in effect in perpetuity. The parties may only terminate the agreement based on a non-remediable or uncured material breach.

This announcement has been approved by the Board of Syntonic.

**About Syntonic**

Syntonic Ltd (SYT.ASX) is a Seattle-based mobile content services provider which provides the complete customer journey connecting premium content to mobile subscribers. Syntonic has created the world’s leading unified mobile revenue platform spanning mobile advertising, content services 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 by some of the world’s largest content providers.

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

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