



ASX ANNOUNCEMENT

27 October 2016

Norwood Enterprise Strategy Update

“Sharing Economy” telecommunications pioneer Norwood Systems Ltd (“Norwood” or “the Company”) (ASX: NOR) is pleased to provide an update on the Company’s enterprise sales strategy. As previously outlined, the Company has prioritised Corona corporate and Europa carrier OTT (“Over the Top”) platform sales in the current and coming quarters. This has also involved the definition of a number of core target segments for the Company’s products including Enterprise, Telcos and Travel & Loyalty providers.

Norwood’s core value proposition for potential customers has been re-centred on solving a business need of the customer rather than leveraging simple price-based competition. Please refer to the related presentation attached to this announcement for a detailed review of the Company’s updated enterprise strategy.

As a result of the sharpened sales focus, Norwood has engaged in-depth with several dozen potential enterprise customers, covering a range of sectors such as insurance, airlines, loyalty program providers, media & communications, engineering services and resources. These potential customers range in size from sub \$10M turnover, to divisions of global firms with billions in revenues.

Discussions with these potential customers have confirmed the appeal of Norwood’s OTT solutions, particularly focusing on addressing issues with fleet management, identity management and compliance. The attached presentation details Norwood’s revised enterprise strategy covering these solutions. A number of unique and durable enterprise value propositions have been identified and targeted, each with significant addressable market size.

Corona Cloud 1.0 has now formally entered the released V1.0 stage, and is marketed now as a shipping and live product. Additionally, **World Phone 2.0** for iOS has been released on the Apple App Store. Both of these platforms as key to supporting Norwood’s revised enterprise strategy.

Norwood Systems’ CEO and Founder, Paul Ostergaard, commented:

“I’ve been extremely pleased with the level of access and attention our OTT solutions have been getting with potential enterprise customers. We’ve been able to present our solutions to the CIOs of significant corporates across a broad range of vertical sectors, and have seen intense interest across the board. Crucially, we have also confirmed that we are providing solutions to real business needs and problems, solutions that only an OTT player can provide, delivering enhanced functionality over and above traditional telephony.

These identified business needs are robust and economically valuable, and exist across a range of industries and sizeable markets. I’m confident we will see a strong response from a number of firms to our compelling solutions.

“Our sales process and pipeline continues to grow robustly and I look forward to updating shareholders as we continue to execute on our revised enterprise OTT strategy to deliver key account wins.”

Development on the announced products **World Wi-Fi** and **World Message** has also continued, with **World Message** in particular providing a strong compliance solution for heavily regulated sectors. **World Message** is now entering Alpha testing, alongside **World Wi-Fi** which has been undergoing continued testing during the quarter. Initial versions of both products are expected to ship in Q4, CY16.

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Company: Paul Ostergaard , CEO & Founder Office: +61 8 9200 3500 Web: www.norwoodsystems.com Twitter: @norwoodsystems, @paulostergaard	Investor Relations: Shane Murphy , FTI Consulting Office: +61 8 9485 8888 email: shane.murphy@fticonsulting.com Mobile: +61 420 945 291 Twitter: @ShaneWMurphy	Media: David Tasker , Professional Public Relations Mobile: +61 433 112 936 email: david.tasker@ppr.com.au
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Background

Individual travellers, businesses and governments globally are incurring significant international call roaming charges. Informa Telecom estimates that mobile operators today bill more than US\$55 billion annually in roaming charges* (source: *Juniper Research report on the Mobile Roaming Market, 2014*).

Norwood Systems' patented cloud service platforms and Apps integrate the international fixed phone network with short-haul Voice over Internet Protocol (VoIP) technologies to provide high quality, well priced calling abroad or at home.

Customers in over 5000 cities and 200 countries are using Norwood's services today. The Company has built up a significant pipeline of prospects, including global players in the areas of aviation, professional services, banking, telecommunications, engineering and legal services.

About Norwood Systems

Norwood Systems Ltd (ASX: **NOR**) is revolutionising the 'Shared Economy' delivery of high-quality telecommunications services for individual business travellers and organisations globally. The Company listed on the ASX on 16 June 2015.

Norwood Systems was founded in 2011 to develop and supply the best possible global voice, data and messaging solutions using Over-The-Top (OTT) technologies. The Company's breakthrough offerings, **Corona** and **World Phone™**, deliver the world's most advanced international and roaming calling solutions addressing a broad spectrum of customers - from individuals and business travellers, to enterprises and government clients.

Corona is an award-winning, enterprise-class services platform that integrates compatible mobile devices securely and seamlessly with the organisation's existing Unified Communication or PBX networks, independent of their location. It also offers a frictionless Corona Cloud option.

World Phone is an award-winning, revolutionary communications App, delivering 'Shared economy' consumer access to leading fixed-line network service providers around the world, providing unparalleled local access to high-quality voice networks in more than 90 countries. The App is available for Android and iOS.



World Phone

norwood
connect globally, locally™



Norwood Systems Enterprise Strategy Update

October 2016

Paul Ostergaard
CEO and Founder
Norwood Systems Ltd

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Norwood Systems' business:

-High-value, global Over-The-Top (OTT) services

5 international patent families

5 million App downloads

Most downloaded Travel App in 109 countries

Public company – listed on ASX

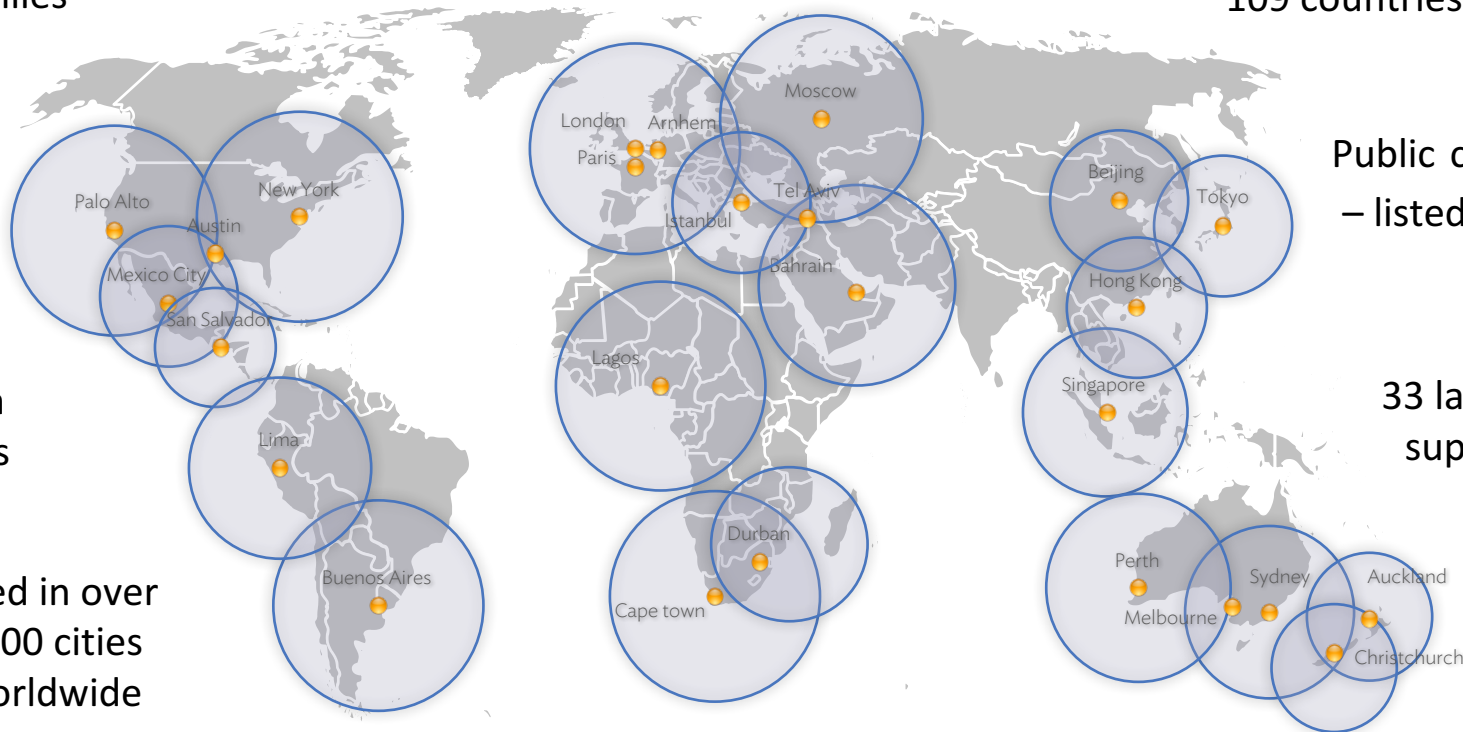
Top grossing Travel App in 125 countries

33 languages supported

Used in over 5100 cities worldwide

Innovative Shared Economy platform in over 70 countries

Representation on four continents



Strong Sales Pipeline

- Major corporate accounts
- White label solution for top International Loyalty Programmes
- Multiple telcos

What is an OTT Service?

An OTT service delivers value-added services, such as telephony, messaging or TV “Over The Top” of existing **data** services, e.g. VoIP over 3G/4G mobile data networks.

Notable examples are services such as WhatsApp, Skype or Netflix.

OTT voice and OTT messaging are often associated with a “race to the bottom” game:

“WhatsApp erased an estimated \$33 billion in SMS revenue from wireless operators in 2013. That number is growing.”

“Between 2012 and 2018 the entire telecommunications industry will have lost a combined \$386 billion because of OTT services like WhatsApp and Skype, according to Ovum Research.”

Source: Forbes

Norwood is changing the rules of the OTT game:

Norwood uses OTT technology to deliver new services to its clients, *where value is delivered through solving a business need of the customer rather than through basic price competition*

- Norwood develops and sells OTT solutions that create substantial operational benefits and savings for its clients
- We have clients and a strong developing pipeline across three sectors:
 - **Enterprises, Telcos, Travel & Loyalty**
- Our strategy is to create value through solving a business need of the customer, rather than through price-based competition (tariff arbitrage)
- Tight segment focus on different revenue streams – for example:
 - For **Enterprises**, Norwood provides compelling “Bring Your Own Device” (BYOD) solutions (covered further overleaf)
 - For **Telcos**, Norwood provides modernised end-to-end OTT service infrastructure (to be covered in a later update)
 - For **Travel & Loyalty service providers**, Norwood offers differentiated “white label” propositions for their members (to be covered in a later update)
- The Company owns and uses internally-developed, highly-evolved IP and technologies to service these segments, presented to clients as Apps and Cloud Service Platforms
- **Core revenue is driven by a per-seat Software as a Service (SaaS) model** in addition to per minute, per message and per GB revenue for for voice, messaging and data usage.

Tariff Arbitrage strategy:

- **Value is a function of price competition**
Dependent on pricing differences persisting between mobile and fixed networks for roaming and international calls
- **Variable geographic application**
Subject to wide market-by-market pricing variation. Voice and messaging OTT services require a roaming 3G/4G or Wi-Fi data connection
- **Exposed to price-based replication**
Exposed to competitive pricing moves by operators, for example the introduction of roaming day packs
- **Lower-margin Telco usage model**
Margin constrained by wholesale costs



Business Needs strategy:

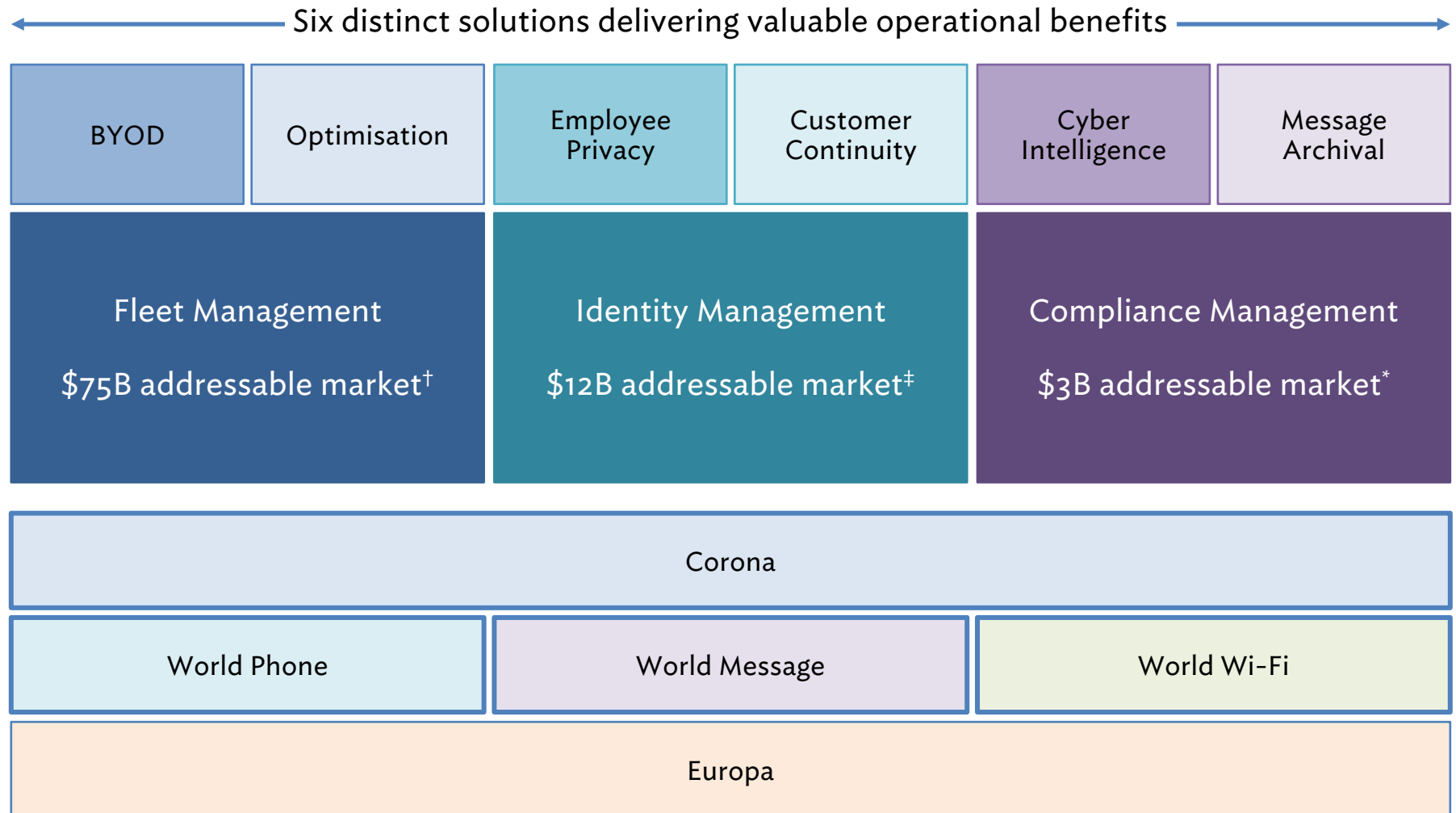
- **Value is a function of intrinsic demand**
Customer's need for Norwood's enterprise solutions is independent of prevailing pricing deltas between our services and standard mobile services
- **Universal application**
Many businesses worldwide currently issue mobile phones to their staff! Our service operates on domestic 3G/4G and local Wi-Fi data services
- **Difficult to replicate**
We use modified App-based user interfaces paired with global cloud servers, a capability not readily replicable by mobile operators, who are dependent on phone and messaging Apps developed by Apple and Google
- **High-margin SaaS revenue model**
Driven by per-seat software licensing fees

Business Needs Strategy bolsters longer-term positioning for Norwood's services
Tariff Arbitrage Strategy still valuable to drive incremental short-term value



This presentation focuses on the Enterprise Solutions segment

Further updates on our Telco and Travel & Loyalty segments will be issued in the near future.



[†] <http://www.grandviewresearch.com/industry-analysis/bring-your-own-device-market>

[‡] <http://www.marketsandmarkets.com/PressReleases/identity-access-management-iam.asp>

^{*} <https://www.lockpath.com/blog/the-grc-market-is-expanding-at-an-exponential-rate/>

Fleet Management

- Addressing enterprises with large fleets of mobiles (1000+) – e.g. drivers, mobile sales people, field technicians...
- **Bring Your Own Device:** Allows enterprise to provide a complete, centrally managed work calling function (via World Phone) onto employees' own device – enterprise pays the bill
- Centralised real-time billing provides better cost control, spending limits, and/or overseas/time-based call bars

Identity Management

- Allows centrally managed display of caller ID using a corporate number, rather than employees' personal number
- Highly applicable for sensitive sectors, e.g. health, education, legal, finance...
- Also applicable for customer relationship continuity – outbound calls by sales force, or return calls to technician – Individually assigned numbers per employee are possible

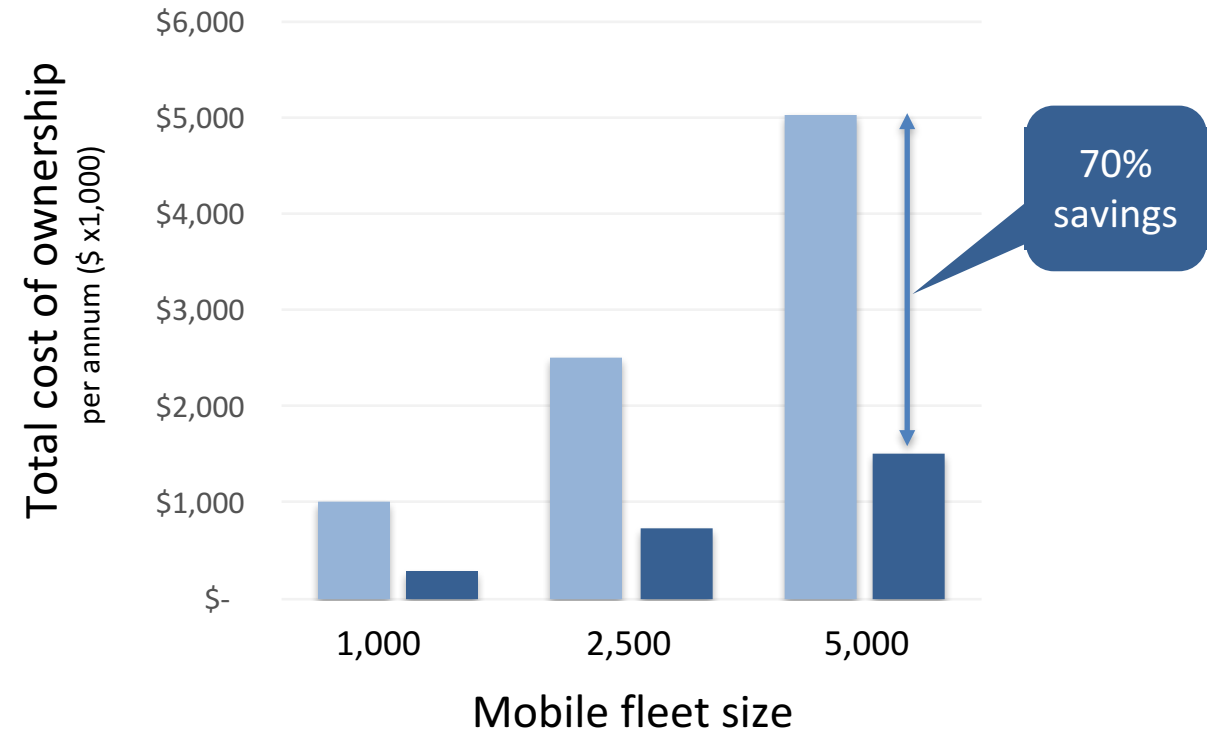
Compliance Management

- World Message allows complete recording of inbound and outbound SMS conversations for highly regulated industries, e.g. stockbroking, investment banking, hospitals...

Solutions	BYOD	Optimisation	Employee Privacy	Customer Continuity	Cyber Intelligence	Message Archival
Finance	✓	✓	✓	✓	✓	✓
Legal	✓	✓	✓	✓	✓	✓
Resources	✓	✓			✓	
Insurance	✓	✓	✓	✓	✓	
Aviation	✓				✓	
Media	✓		✓	✓	✓	✓
Engineering	✓	✓			✓	
Health	✓		✓	✓	✓	✓

Bring Your Own Device (BYOD) case study:

- How it works:
 - Staff install World Phone on own device
 - Business manages centrally via Corona Cloud
- Three sources of **savings**:
 - Reduction of hardware acquisition cost
 - Reduction of contracted service fees
 - Reduction of ongoing IT support
- Operational **benefits**:
 - Staff carry one device
 - Zero staff expense management overhead
 - Centralised business expense reporting
 - Credit allocations and spend policies centrally managed



Implementing Norwood's BYOD on an enterprise's 5,000-strong mobile fleet can save it more than \$3M p.a. generating \$600K of annual recurring SaaS revenue to Norwood






































World Phone

- **A virtualised business cellphone:** “A phone within a phone”
- Delivered as an App on an employee’s personal handset
- “Bullet-proof”, “utterly seamless” OTT voice calling
- Superb end-user experience and user interface
- Unique business-credit mode – zero employee record-keeping

Corona Cloud

- **Easy OTT management of large virtual mobile fleets**
- Real-time call logging and reporting
- Scalable from SMBs to Enterprises
- Centralised credit management and policies
- Secure Stripe-enabled payment back-end

Features					
High-quality App-to-App calling	 Highest performance under all conditions	 Calls are routed via host UC platform over VPN – high latency	 Medium performance	 Medium performance. App2App only.	 Medium performance. App2App only.
High-quality telephony access, out of office	 Shortest-path federated PSTN access	 VPN access back to host UC platform only – high latency	 Access via Skype network	 Not offered	 Not offered
Competitive long-distance calling rates	 Global federated PSTN access – 20,000 routes	 Not offered	 Access via Skype network. Similar coverage to Corona.	 Not offered	 Not offered
PBX/UC network connectivity	 Operates standalone or integrated with UC host	 Requires UC Host for most telephony features	 Operates standalone or integrated with UC host – complex	 Not offered	 Not offered
Telephony-oriented user experience	 World Phone 2.0: – Functionally same as native dialer	 Hybrid Messaging & Voice App. Focus on messaging.	 Skype user interface	 Facebook user interface. Focus on messaging.	 Slack user interface. Focus on messaging.
Integrated access to personal contacts	 Synchronised in real-time with users' personal contacts	 Contacts are from Corporate directory	 Contacts are from Skype contacts	 Contacts are from Facebook Workplace contacts	 Contacts are from Slack team contacts

- Norwood is engaged with multiple large enterprise clients across a range of vertical sectors, including Health, Insurance, TMT, Engineering, Resources, Legal, Travel, Loyalty and Aviation
- BYOD is a key pain point for many of these clients – they tell Norwood that World Phone 2.0 and Corona Cloud will likely address their BYOD needs more effectively than alternate solutions
- While the sales cycle for such accounts is typically lengthy, a number of these pipeline clients have already piloted Corona Cloud
- The public availability of World Phone 2.0 and Corona Cloud 1.0 will trigger 10+ scaled-up pilots with more than half of our current enterprise pipeline, who have been awaiting the production versions of both platforms
- Such pilots are the final step prior to contract with Norwood for supply of ongoing services
- Target Annual Recurring Revenue for each of these clients is between \$200K p.a. and \$3M p.a.



Platforms Update

Comprehensive OTT platform portfolio

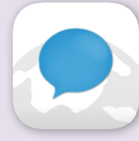
– Provides full service coverage



World Phone

Voice

72 country Points of Presence
5 million downloads to date
V2.0 just released



World Message

Messaging

2 billion
destination addresses
Shipping Q4, CY16



World Wi-Fi

Data

40+ million
Wi-Fi Access Points
Shipping Q4, CY16

europa

corona

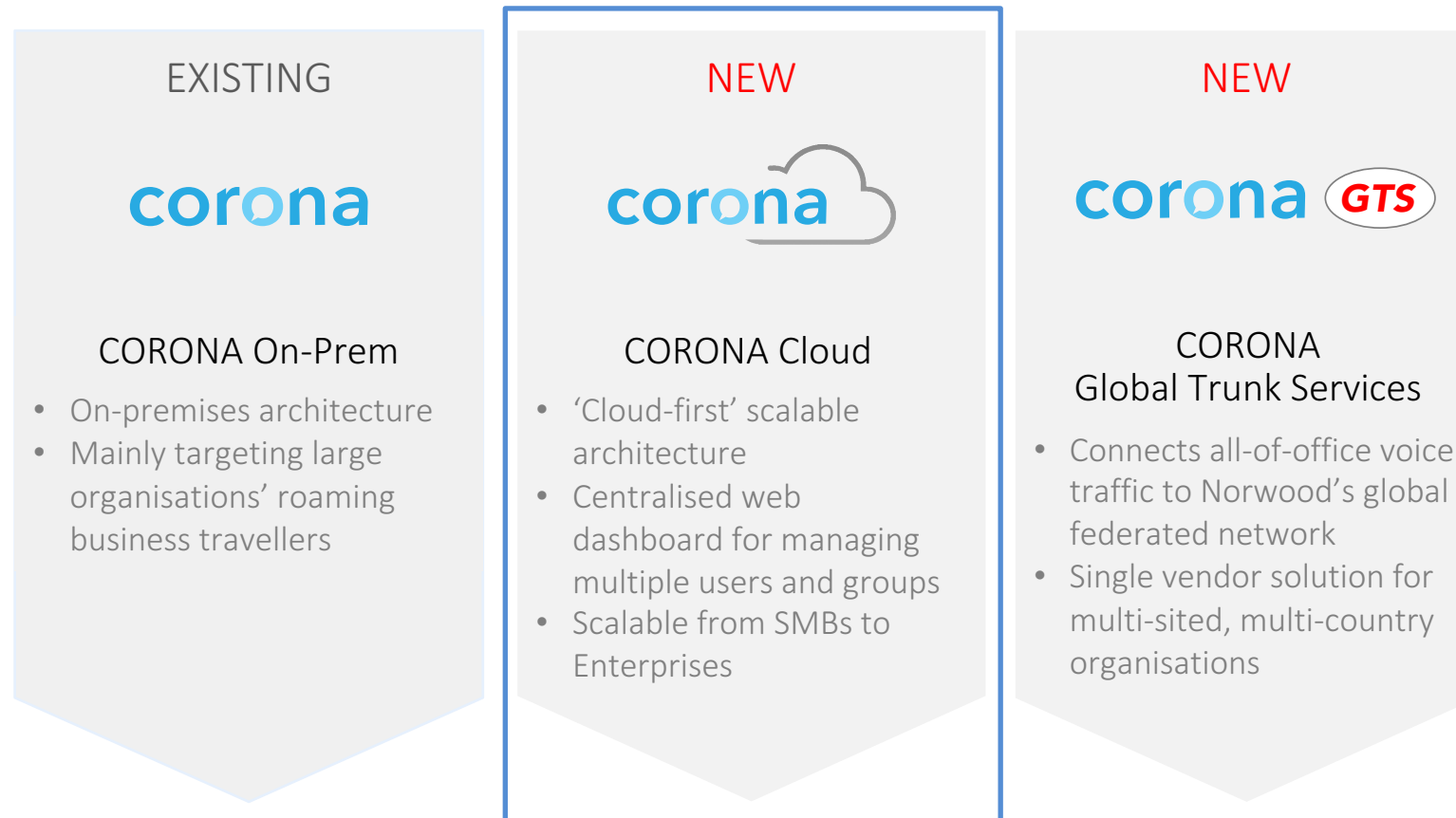
Norwood's multi-service federated networks

Corona Cloud – Just released and out of Beta!

– The key enabler of our unique enterprise solutions

corona

Voice, messaging and data products for Businesses – using patented, award-winning tech



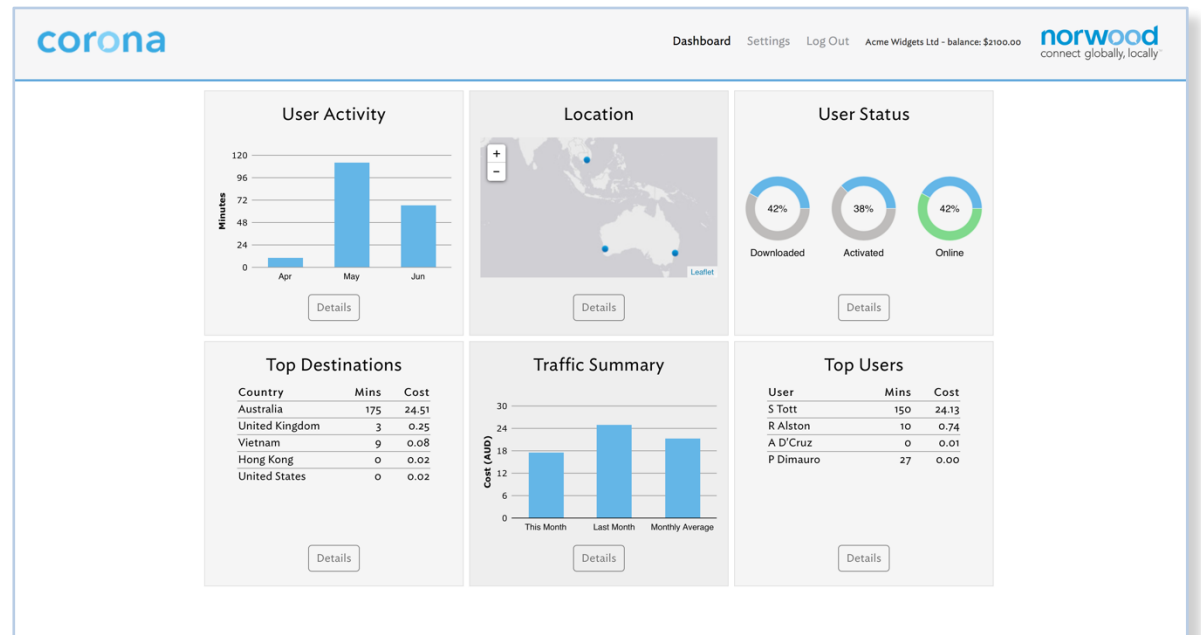
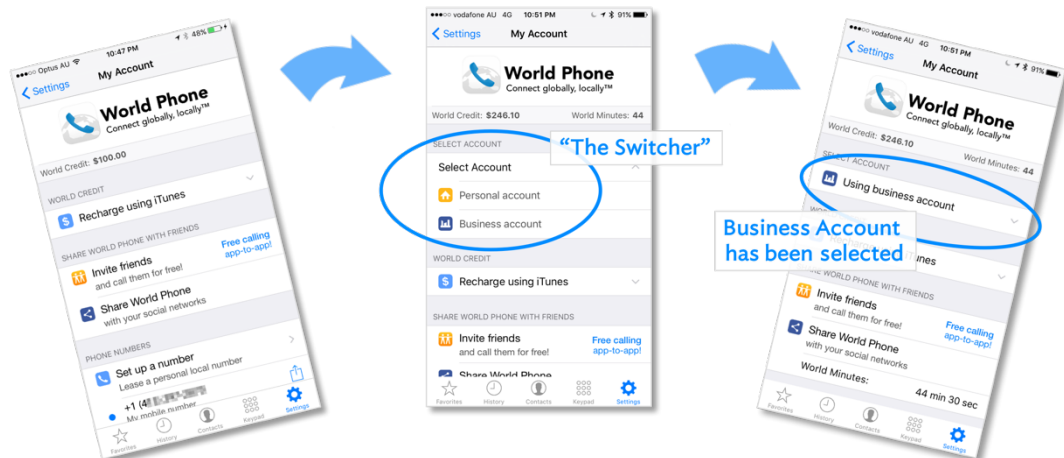
CORONA Cloud example:

– Simple, real-time management of mobile fleet OTT usage



World Phone user acts on activation email from CORONA Cloud administrator

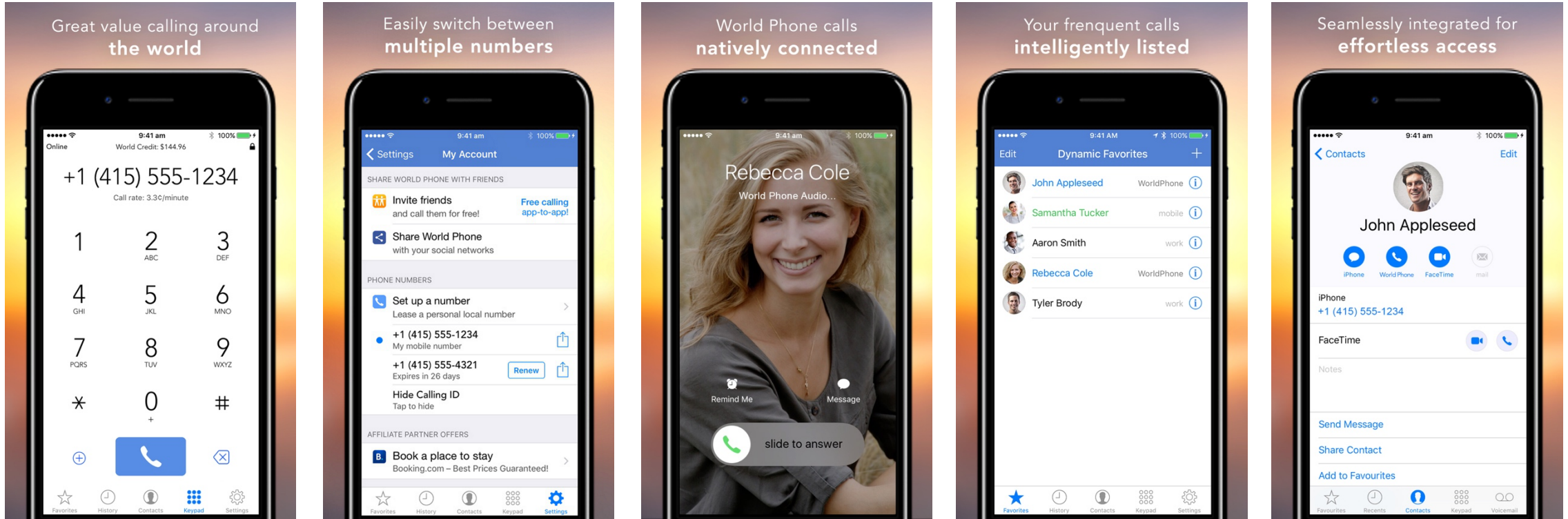
World Phone user selects Business Account to access calling credit and call reporting



- Real-time monitoring of usage and access
- Incredibly simple to administer and provision credit
- Tight coupling with World Phone 2.0 App
- First-rate employee user experience

World Phone 2.0: Just released!

– Great interface, utterly seamless, cost-effective



5 million downloads since launch end of July 2015



Average Rating ★★★★★ 130 Ratings

Click to Rate ★★★★★

(AU store only)



4.2
★★★★★
23,672 total

(Global)



Recap: – Why businesses trust World Phone performance

Call from World Phone



Minimal time on Internet



Maximal time on Federated Telco Network



Great quality, well priced call



Internet is where the lag and dropouts occur

Call from Standard VOIP



Maximal time on Internet



Minimal time on Telco Network



Cheap, no quality control



Delivering a revolutionary new user experience

Leveraging global Wi-Fi aggregator partnerships

Initial footprint > 40 million Access Points



In testing phase

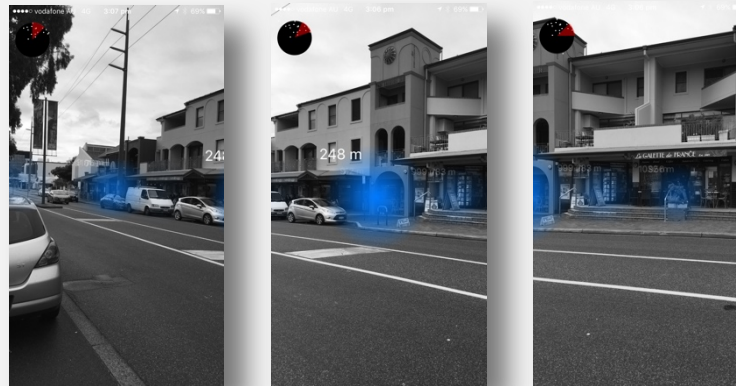
Solving fragmentation

- One sign-on
- Federated network
- Access to over 40 million access points



Solving discovery

- AR / Pokémon Go-style discovery of Wi-Fi hotspots



Solving security

- Trusted payment via World Credit
- Premium VPN service also available



Single
Sign-In



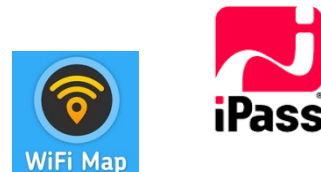
norwood

Federated
Network

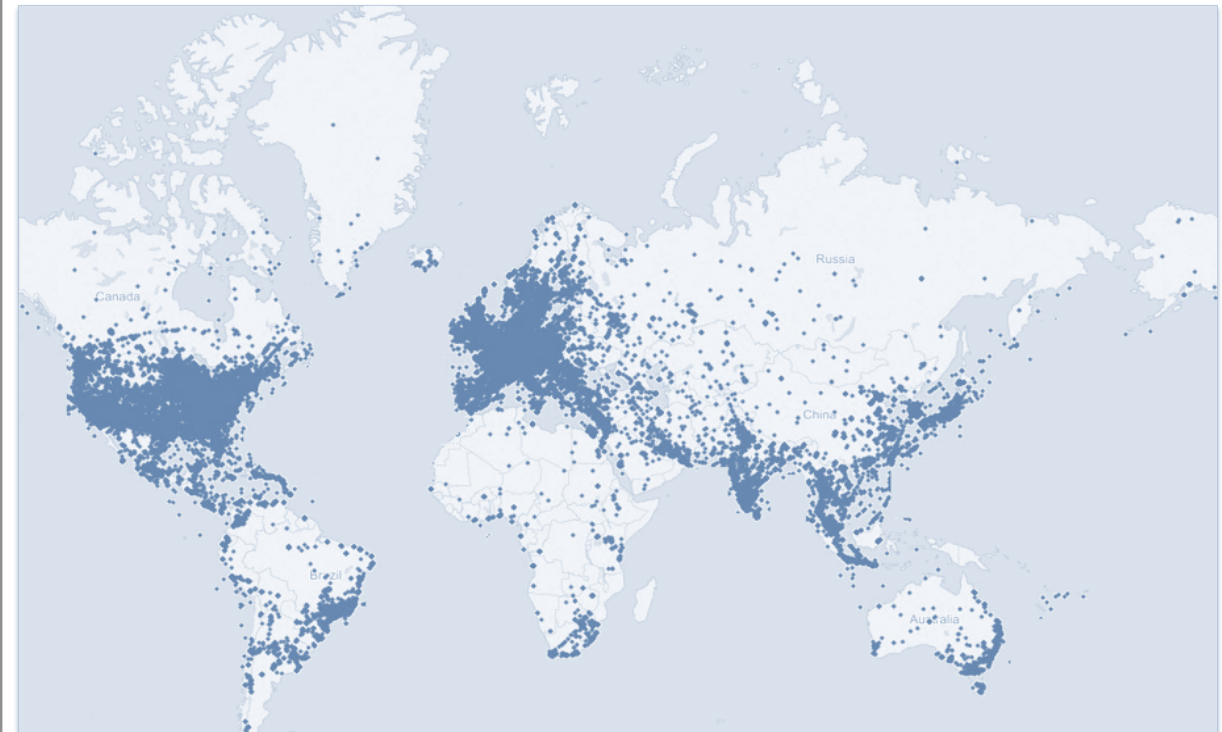
Partnerships in place:



Partnerships planned:



Global access to 40m+ hotspots



Seamless SMS and App-2-App messaging

Drop-in replacement for native messaging

First App to enable SMS archival for regulated financial services firms

DFA is “Dodd-Frank Act”

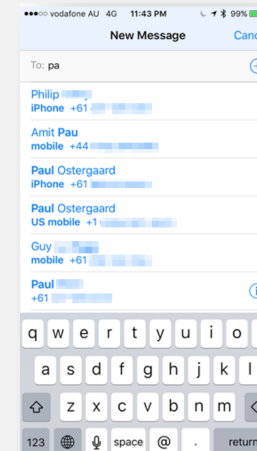


Alpha testing Oct 2016

- Send and receive SMS messages from the App
- Send to any number
- Can replace native messaging App (Mobile Device Management at Enterprise needed for iOS)

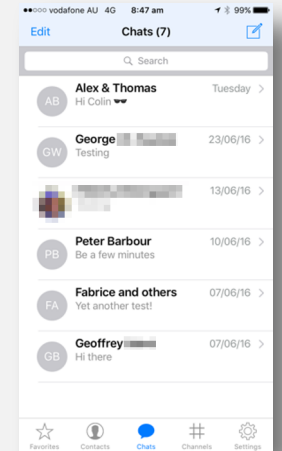


- Free on-net messages (App-to-App)
- Big savings versus international/roaming SMS costs
- Native address book fully integrated
- Planned integration with Slack, Twitter



First targeted corporate application:

- **SMS and App-to-App message archival** for Financial Services firms regulated under FINRA (UK) and Dodd-Frank Act (US) legislation





Appendices

Apple's new CallKit Framework:

- Full-screen inbound VoIP notifications, just like with cellular calls
- Answer VoIP calls from lock-screen without unlocking device
- Cellular calls cannot interrupt CallKit-enabled VoIP calls
- VoIP Call History and Favorites now integrated with native dialer user interface

Apple's updated PushKit Framework

- VoIP calls can be delivered to an iPhone without the App actually running
- Vastly reduced impact on phone's battery life – standby time is now largely the same as prior to installing the App

Android World Phone App being updated to support similar functionality

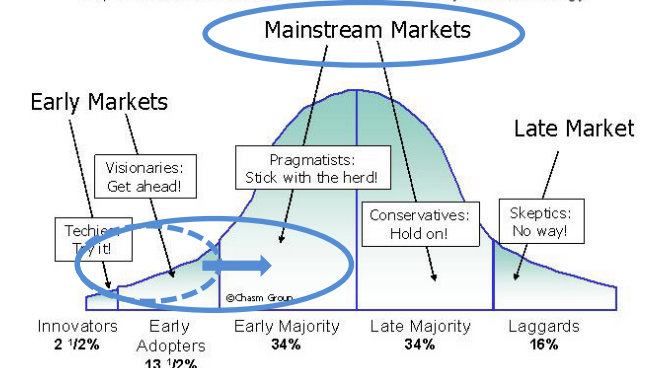
- Targeted for release Q4 2016

Implications for World Phone 2.0:

- For the first time, able to deliver fully virtualised instances of calling and messaging functionality that previously required a separate business cellphone to be issued to a staff member
- These new features make Norwood's OTT calling virtually seamless compared to cellular calling
- This in turn allows for substitution of a real mobile phone with an App
- New capabilities expands the addressable market for Norwood's offerings into the large mainstream corporate market



Groups are distinguished from each other based on their characteristic response to discontinuous innovations created by new technology



BYOD

- Allows organisation to pass on ownership of devices and contracts without hassle, lowering the cost of mobile communications to the organisation
- World Phone is used here as the simplest way possible to deal with the ensuing issue of expense management for company calls, by making it the primary means of communications for employees' business calls, inbound and outbound
- Corona Cloud is used to provision credit, apply usage policies and manage corporate in-dial numbers
- When World Phone is used in business mode, the outbound calling identity can be locked by the administrator to a number selected in the console.

Optimisation

- Allows organisation to reduce cost of ownership of devices and contracts without hassle

Employee Privacy:

- In certain service provider industries, nursing and teaching for example, it is a privacy concern to have the employee expose their personal mobile number to their clients. The only option currently available to address this concern, hiding the caller ID, leads to deterioration of outbound call completion rates and lowering of staff effectiveness.

Customer Continuity:

- In other industries, the organisation may require that the staff member always presents and uses the company number for communications with clients, to preserve the continuity of communications when a staff member leaves the organisation, or is on vacation temporarily. That core focus is to ensure valuable contact numbers stay with the company, rather than the departing staff member.
- World Phone and Corona Cloud provide the ability to use a separate number range, managed by the organisation, for all outbound and inbound business calls
- Such numbers can easily be passed on to successors for a given role within the company, and can easily be deleted or modified in the case of inbound abuse, spamming, etc.

Enterprise Solutions: – Cyber intelligence and archival

- In certain service provider industries, for example financial services, recent regulations have mandated the recording and archival of all client-facing communications
- This has led to the banning in some sectors of text message communications with clients
- World Message, World Phone and Corona Cloud provide a unique combined ability to record and archive both text messages and voice calls (future implementation) for an organisation
- These platforms will be made compliant with FINRA (UK) and FINA (US) regulations



A World Leader in Sharing Economy Telco Services

For further information contact:

Paul Ostergaard
CEO and Founder, Norwood Systems
+61 8 9200 3500
paul.ostergaard@norwoodsystems.com
www.norwoodsystems.com

Shane Murphy, FTI Consulting
Office: +61 8 9485 8888
email: shane.murphy@fticonsulting.com
Mobile: +61 420 945 291
Twitter: @ShaneWMurphy