

## SYNTONIC DECEMBER 2016 QUARTERLY REVIEW

Highlights during the quarter included:

- *Expanded partnership with Verizon Wireless to provide Sponsored Data services on two of the world's largest mobile carriers*
- *Freeway by Syntonic® 2.0 reaching an addressable audience of nearly 140 million smartphone subscribers in the U.S.*
- *Growing distribution coverage with Freeway by Syntonic in India and in the U.S. with iOS application availability*
- *New agreements signed with leading, worldwide content publishers*
- *Development of first cross-carrier, Over-the-Top (OTT) mobile video service*
- *Successful completion of oversubscribed A\$5,440,000 placement and well-funded to execute immediate growth opportunities*

**Seattle, United States – Syntonic Limited (“Syntonic” or “Company”) (SYT.ASX)**, a mobile platform and services provider, is pleased to provide investors an update on the Company's activities for Q2 FY2017 along with the accompanying Appendix 4C.

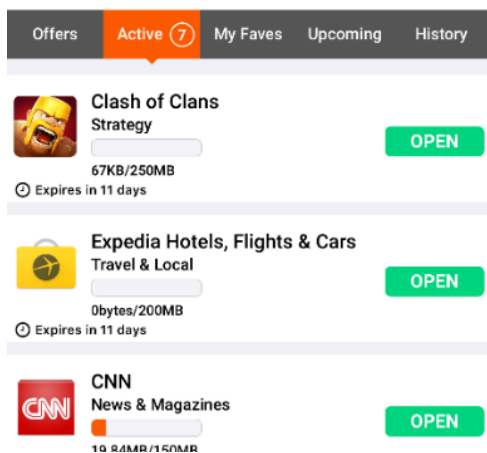
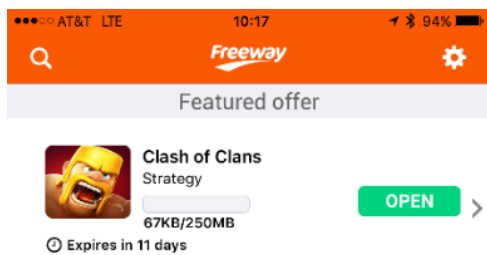
**Gary Greenbaum, CEO and Managing Director of Syntonic, commented:**

*“The last quarter was significant for Syntonic with steady progress executing existing business agreements and procuring new opportunities for deployment in 2017. We have not yet captured the hockey-stick revenue potential of our early stage market, but we are refining the platform; strengthening relationships with key tier-one telcos; signing contracts with highly recognized content providers; and generating broad marketplace awareness that will lead to significant revenue streams in the coming quarters”.*

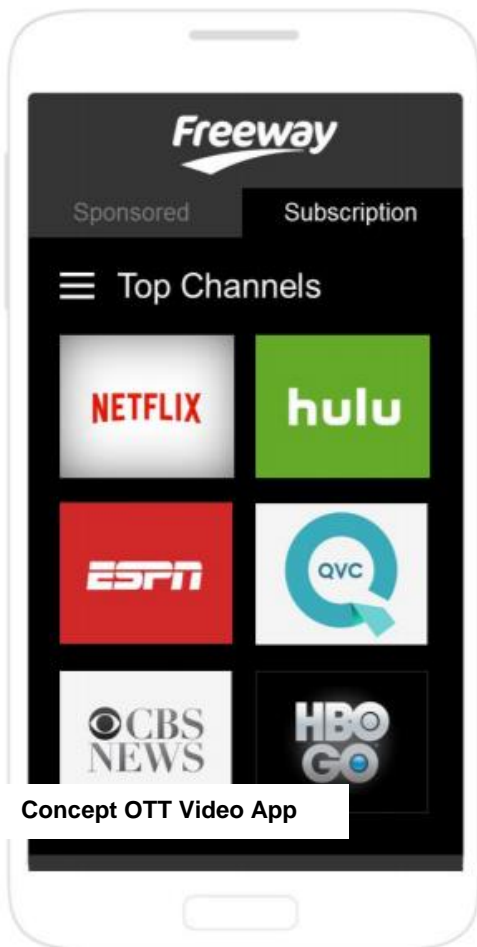
*“Freeway by Syntonic realized sizeable growth with a nearly 1000% quarterly increase in application downloads. This growth was primarily driven by Syntonic's expansion in India and continued adoption in Indonesia and Malaysia. Freeway's expansion in the U.S. on the Verizon network provided opportunity to reach 140 million U.S. smartphone subscribers. In addition to this substantial consumer growth, the Company successfully lowered its incremental end-user acquisition costs by 60% while simultaneously advancing the Freeway customer satisfaction rating by nearly 6%”.*

*“Moving forward, we will capitalize on our expanding Freeway consumer base and continue to grow in emerging markets, such as Southeast Asia, Latin America, and Africa, where data costs remain a significant barrier for mobile access; and in developed economies, such as the U.S. where the explosion of data heavy services, such as video, audio, and augmented reality, are impacting data plans and impeding consumer usage”.*

*“Revenue streams will be realized from platform licensing to mobile operators seeking out new revenue streams; from sponsored data fees charged to application providers and content publishers*



Freeway by Syntonic on iOS



using Freeway's platform for acquiring, engaging, and monetizing customers; and from our newest business line which is focused on cross-carrier, Over-the-Top ("OTT") video services. Syntonic will bring to market ad supported and subscription OTT mobile video services in two forms: a Freeway branded service and a white-labeled service for large content publishers."

### Major events during the Quarter:

i. Syntonic signed a second agreement with Verizon Wireless to provide Freeway by Syntonic sponsored data services on the Verizon FreeBee Data network, complementing the previously announced FreeBee Perks rewards agreement. As a result, Freeway is the only cross-carrier sponsored data services with an addressable audience of nearly 140 million smartphone subscribers in the U.S.;

ii. Successfully negotiated with AT&T for a discount of more than 70% in wholesale data pricing, opening opportunities for Syntonic to provide a multi-carrier, Over-the-Top ("OTT") mobile video service in the U.S.;

iii. Expansion of Freeway by Syntonic data rewards in India, made available on the four largest mobile carriers: Airtel India, Vodafone India, Idea Cellular, and Reliance Mobile. The launch provides the Company with access to over 200 million smartphones in India;

iv. Partnerships initiated with global brands, including Reliance Big Entertainment, a division of the Reliance Group; Nazara Technologies, publisher and distributor for premier game developers such as Electronic Arts; Zapak Digital Entertainment, India's largest gaming company; Hersch Games, which generated nearly US\$1 billion in net sales; Billaway, a world-wide content aggregator for premium mobile content offer; and the Perform Group, a digital sports content and media company, owner of GOAL, the world's number one digital football association, reaching over 60 million football fans monthly around the world;

v. Syntonic announced the development of the first **cross-carrier Over-the-Top (OTT) mobile video service** in the U.S. The OTT solution will provide both ad-sponsored and subscription access to mobile video content without affecting a user's mobile data plan. For example, mobile subscribers will be able to purchase a subscription to their favorite online content for viewing on their smartphone without impacting their mobile data plan. Syntonic will target major content providers and Multiple System Operators (MSOs) seeking to expand their programming delivery onto mobile devices;

vi. The Company commissioned new independent business research, conducted on its behalf by Information Solutions Group (ISG), titled "Syntonic 2016 Employee Survey: BYOD Habits and Attitudes", which further validated the need and opportunity for the Syntonic DataFlex solution.

## Operational Summary

Syntonic has outlined four key performance indicators for measuring how the Company is achieving key business objectives.

### Revenue Generation

The Company has made rapid progress and signed agreements with major telcos and brands for Freeway by Syntonic. Revenue opportunities from content and operator partnerships such as Verizon Wireless, Tata Communications, Reliance, and others are at an initial stage with revenue growth maturing over the course of upcoming quarters. In this context, Syntonic received customer receipts of A\$18K in the December quarter.

Given the early stage of the Freeway markets, Syntonic decided to extend the trial period for content publishers that have signed Freeway Insertion Orders (IO). Most of the extensions will expire this quarter. This extension allowed Syntonic to further enhance the Freeway product with six major application updates based on customer feedback. Moreover, the extension provided more complete download and engagement analytics for Syntonic's content publishers to better optimize their return-on-investment with sponsored content. Given the quarter's growth in application downloads, signed IOs from tier-1 content providers, and geographic footprint, Syntonic doesn't anticipate this extension will have any material impact on the revenue expectations for the fiscal year.

This year marks a big trend towards widespread availability of sponsored data, with accelerated partnerships occurring between mobile carriers, seeking to lift average revenue per user (ARPU) and customer retention with differentiated content offerings. As a result, Syntonic is well positioned to provide the enabling technologies, services, and content offerings to power the new mobile economy.

### Product Distribution

Product deployments were highlighted by the launch of Freeway across the leading mobile carriers in India, on the Verizon network, and on the Apple App Store. The net result was a 10X quarterly increase in Freeway's distribution and usage, largely driven by the growth in the India market.

Syntonic extended its geographical footprint with expansion into Asia-Pacific by launching Freeway data rewards services at the end of October in India, the world's second largest smartphone market with over 200 million users and the number one market for mobile app downloads. Driving the explosive growth in India is Freeway's focus on data rewards for premium games by leading Indian game publishers, including Reliance Big Entertainment, Nazara Technologies, and Zapak Digital Entertainment. With 185 million active mobile game users in the country, Syntonic will continue to focus on the gaming segment to capture this USD\$3.9b market.

In the quarter, Freeway also became the first cross-carrier, sponsored data service with its launch on the Verizon network in December. Amplifying Freeway's existing AT&T subscriber coverage, this successful integration and launch more than doubled Freeway's addressable audience in the U.S. to nearly 140 million subscribers. In developed economies, where mobile data is relatively inexpensive and consumers typically purchase sizeable data plans, Freeway's focus will be on heavy data consumptive services, such as video, audio, and augmented reality.

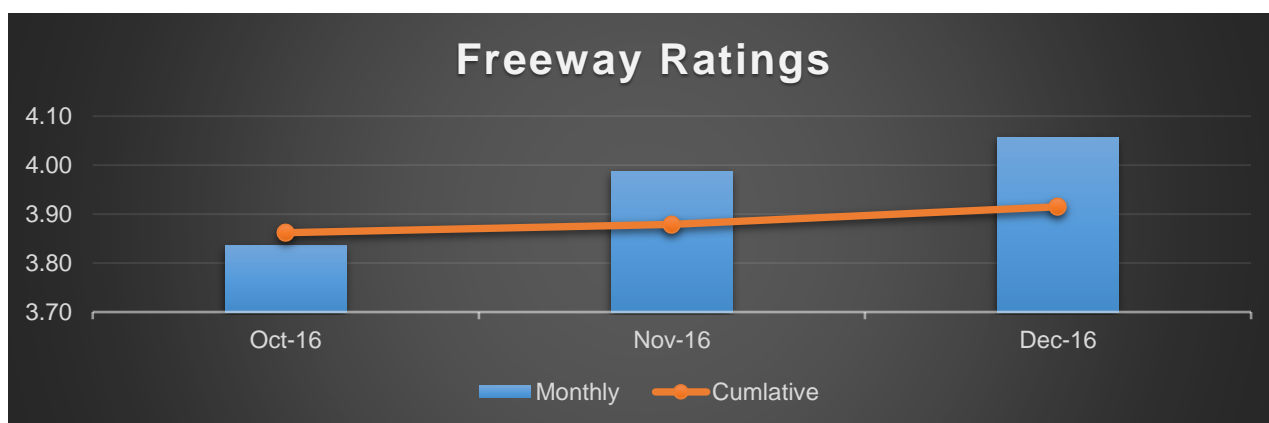
Although iPhones represent only 13% of smartphone sales world-wide, nearly 45% of the smartphones in the U.S. market are iPhones, with comparable distribution in other developed markets. To capture more developed geographies, Syntonic launched an iOS version of Freeway, with Android feature parity, in late December. Investment to grow Freeway's U.S. consumer base will

occur after the release of the next major Freeway revision which will support OTT subscription services.

Consumer demand for Freeway in Indonesia and Malaysia remain strong with nearly a 6x quarterly increase in app downloads. Syntonic is developing a robust consumer base for data rewards that will transition to sponsored data offers once Tata Communications deploys the white-labelled Syntonic Connected Services Platform across regional carriers.

### Customer Satisfaction

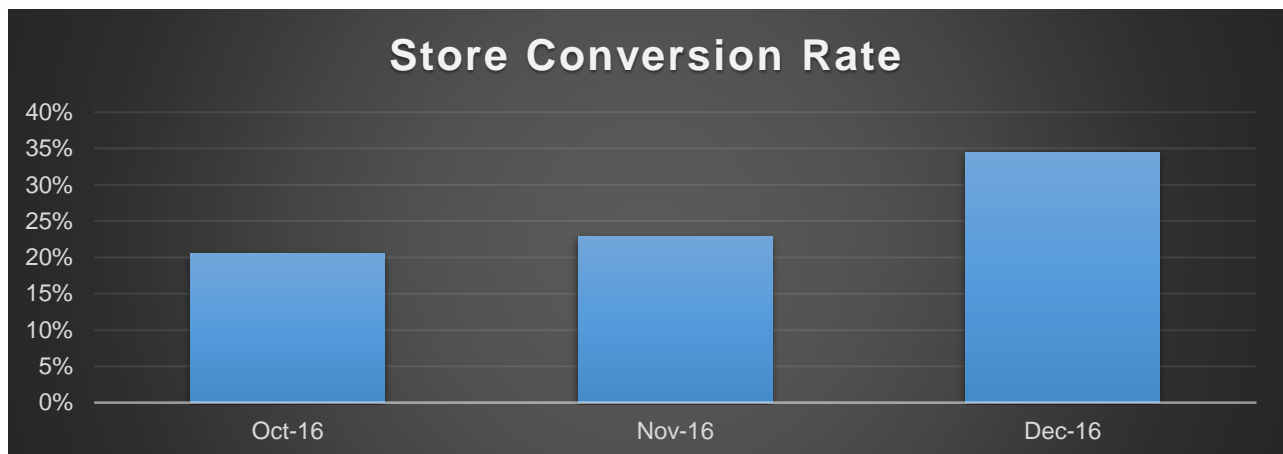
Customer satisfaction is directly correlated to increasing consumer stickiness and loyalty. The Google Play store's monthly ratings (scaled from 1 to 5) for Freeway rose by 5.7% over the last quarter. In December, the monthly average rating crossed, 4.0 for the first time, climbing to 4.056. The Company attributes this improvement to new consumer friendly enhancement, such as referral rewards and accelerated customer support response times.



### User Acquisition Costs

Syntonic improved its user acquisition cost this quarter by 43% through 1) use of social techniques, 2) smart demographic targeting, and 3) acquisition flow improvements.

Freeway introduced referral rewards last quarter. If a user enjoys the Freeway experience, they are incentivized to refer a friend to install and use the application. Nearly 22% of Freeway downloads came from this low-cost referral channel. During the quarter a feature was added that allowed consumers to optionally sign-in using their Facebook credentials. The resulting Facebook profile information not only allows Syntonic to provide the consumer with offers aligned with their interests, but also gives Syntonic the demographic information to refine the efficacy of its marketing spend for Freeway download, engagement and loyalty. Finally, the Company continues to improve the consumer journey, i.e. leading a prospective consumer to the application store, downloading, installing, registering, using, and sharing the app with friends and family. For example, one such metric tracked by Syntonic is the app store conversation rate – a measure of the percentage of users who went to Freeway in the Google Play store and downloaded the application. The conversion rate rose from 18.9% in September to over 34% in December, representing an 82% improvement with no additional user acquisition cost.



## Syntonic DataFlex

Syntonic DataFlex, the Company's enterprise mobile split billing service, developed from the same underlying platform technology supporting Freeway, is a core business pillar of the Company and directly supports a key Performance Milestone.

Syntonic has received no shortage of interest in its DataFlex product, particularly in California where there is threatened and pending class action litigation from employees who have not been reimbursed by their employer for their work-related mobile expenses. Syntonic DataFlex has only been offered through a non-revenue generating pilot program and receives 2 to 3 in-bound enterprise requests per week for participation in the program. The Company is learning from these pilots and has received strategic insight from the two independent reports commissioned by Information Solutions Group on employee and employer habits, trends and needs in mobile split billing.

Revenue to date has been principally generated from Freeway by Syntonic. With the world-wide growth projected in sponsored data this year, Syntonic has chosen to prioritize and devote the majority of its resources to Freeway for the next few quarters to quickly capture this burgeoning opportunity. Despite this temporarily reprioritization, the DataFlex product continues to indirectly mature through ongoing Freeway enhancements, performance optimizations, and innovations. For example, improvements to the Syntonic Connected Services Platform and support for iOS are immediately transferable to DataFlex.

## Subsequent to the quarter end, the Company has the following updates

- (i) Freeway by Syntonic 2.0 was made available on the Apple App store and therefore is now accessible to iPhone users. With the launch on the App store, Freeway has doubled its addressable audience to nearly 140 million post-paid U.S. mobile subscribers;
- (ii) Five months ahead of schedule, the Company exceeded its Performance Milestone 1 objective, reaching a 100 million addressable audience for the Freeway product. This was made possible due to the product's deployment on the Verizon network and recent availability on the Apple App Store;
- (iii) Syntonic will be co-hosting with the Mobile Ecosystem Forum (MEF) the first Sponsored Data panel discussion on 28 February in Barcelona, Spain at the Fira Gran Via at Mobile World Congress 2017, the mobile industry's largest and most prominent event. The panel will be moderated by Mr. Chetan Sharma, a world renown industry expert on evolving trends, emerging challenges and opportunities, new business models and technology advances in



the mobile communication industry. Mr. Greenbaum has agreed to provide a keynote presentation to the highly-qualified audience and will participate on a panel of mobile industry leaders discussing “New business models for monetizing mobile access in emerging and developed economies”.

- (iv) Syntonic continues to attract top industry expertise as directors, advisors, and executives. Added to Syntonic’s executive team is Mr. Randy Smith, a leader and pioneer in digital media for nearly twenty years, including executive positions at DTS, Microsoft, and Xing Technologies. Mr. Smith will be leading corporate and business development, allowing the Company to rapidly prospect and close business opportunities.

## **Corporate**

During the quarter, Syntonic completed an oversubscribed capital raising of 160 million shares to sophisticated investors, raising proceeds of A\$5.44 million. The funds will be used to accelerate the Company’s expansion plans, specifically: deepening the engagement with Verizon Wireless for the Syntonic platform services; development and demand generation for Over-the-Top video services from U.S. mobile subscribers; and further planned expansion in Southeast Asia.

## **About Syntonic**

Syntonic (SYT.ASX) is a Seattle based software company which has developed two technology services: Freeway by Syntonic®, allowing free-of-charge, mobile internet access on smartphones with brands sponsoring the data costs; and Syntonic DataFlex®, allowing businesses to manage split billing expenses for employees when using their personal mobile phones for work.

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**

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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**

68 123 876 765

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

31 December 2016

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	18	158
1.2 Payments for		
(a) research and development	(243)	(579)
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	(248)	(379)
(d) leased assets	-	-
(e) staff costs	(396)	(744)
(f) administration and corporate costs	(146)	(347)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	12	20
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(1,003)</b>	<b>(1,871)</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	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment	-	-
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material):		
	(a) cash acquired on reverse acquisition	-	3,779
	(b) transaction costs of reverse acquisition	-	(69)
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>-</b>	<b>3,710</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of shares	5,440	5,440
3.2	Proceeds from issue of convertible notes	(54)	(54)
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	-	(112)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	(135)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>5,386</b>	<b>5,139</b>

<b>4.</b>	<b>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	2,710	115
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,003)	(1,871)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	3,710



Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	5,386	5,139
4.5	Effect of movement in exchange rates on cash held	(47)	(47)
4.6	<b>Cash and cash equivalents at end of quarter</b>	<b>7,046</b>	<b>7,046</b>

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	7,046	2,710
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>7,046</b>	<b>2,710</b>

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

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 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

Current quarter  
\$A'000

417

-

Payments include executive directors' wages, non-executive directors' fees, superannuation, company secretarial services, provision of a fully serviced office, and provision of a software engineering services.

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

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 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

Current quarter  
\$A'000

-

-

Not applicable.

8. <b>Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
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.

9. <b>Estimated cash outflows for next quarter</b>	\$A'000
9.1 Research and development	(200)
9.2 Product manufacturing and operating costs	-
9.3 Advertising and marketing	(150)
9.4 Leased assets	-
9.5 Staff costs	(250)
9.6 Administration and corporate costs	(100)
9.7 Other (provide details if material)	-
<b>9.8 Total estimated cash outflows</b>	<b>(700)</b>

10. <b>Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)</b>	Acquisitions	Disposals
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.

Sign here: .....  
(Director/Company secretary)

Date: 31 January 2017

Print name: Gregory Swan

### **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.