

Syntonic is proposing to acquire Brazilian mobile commerce business unit

Highlights:

- Syntonic is proposing to acquire the mobile commerce business unit of Zenvia Mobile Servicos Digitais S.A., a leading service provider in the A2P (Application-to-Person) sector
- Zenvia's mobile commerce platform is integrated with all major Brazilian mobile operators and accessible to over 235.7 million mobile subscribers¹
- Zenvia's mobile commerce business unit generated CY2017 (unaudited) gross revenue of R\$36.10 million (A\$13.95 million) and CY2017 (unaudited) EBITDA of R\$2.27 million (A\$0.890 million)²
- Indicative terms of the proposed acquisition include the transfer of all technical and operational assets and assignment of all contracts for an all-cash consideration, with no dilutive impact on Syntonic shareholders, of US\$700,000, together with an earnout of 20% of the first US\$21.5 million of contribution margin³ generated by the business assets over 3.5 years
- Integrating Zenvia's Mobile Commerce Platform ("MCP") into Syntonic's Connected Services Platform ("CSP") would provide content providers the complete tools for customer acquisition and engagement, using Freeway's sponsored data and data rewards services, and customer monetization using the cross-carrier MCP; and would provide mobile carriers additional revenue streams from mobile commerce and mobile advertising
- Syntonic intends to establish Syntonic Brazil, a new wholly-owned Syntonic subsidiary, to manage and operate the mobile commerce service following completion of the proposed acquisition, anticipated in H2 CY2018

Seattle, United States – Syntonic Limited ("Syntonic" or "Company") (SYT.ASX), a mobile platform and services provider, announces the proposed acquisition of the mobile commerce business unit of leading Brazilian service provider in the A2P (Application-to-Person) sector, Zenvia Mobile Servicos Digitais S.A ("Zenvia"). The proposed acquisition includes the core technology platform ("Mobile Commerce Platform"), operational assets, and the assignment of all contracts for a cash consideration of US\$700,000 (A\$940,000) and a vendor earn-out of 20%

¹ http://www.teleco.com.br/en/en_ncel.asp

² Assuming Dec, 2017 conversion of A\$1 = R\$2.588

³ Contribution Margin is defined as net revenue minus media marketing expenses

of the first US\$21.5 million (A\$28.9 million) of contribution margin generated by the acquired assets over 3.5 years.

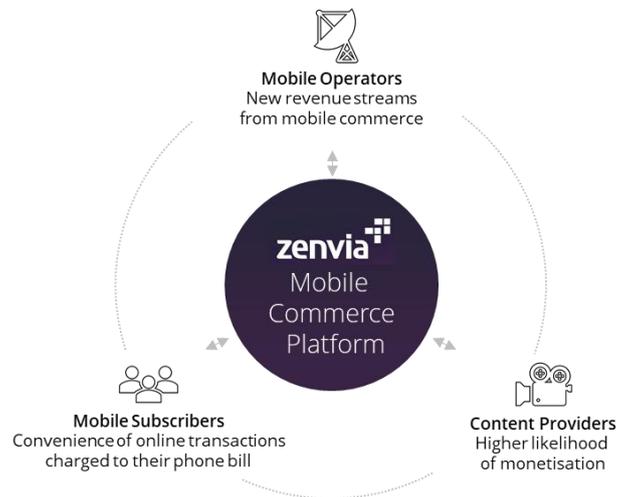
The acquisition is subject to Syntonic board approval and executing formal binding agreements.

Zenvia's Mobile Commerce Platform ("MCP"), the core asset of its mobile commerce business unit, enables consumers to make online purchases using the stored mobile credit in their carrier account, known as direct carrier billing. It is estimated that by 2019, total global carrier billing revenue will be worth more than US\$24 billion, with US\$1.2 billion from Latin America⁴.

Zenvia's mobile commerce business has an established market presence, uniquely differentiated with its platform integrated into all major Brazilian mobile operators and with ongoing contractual relationships with many of Brazil's major content providers. The platform has an addressable audience of 235.7 million mobile subscribers.

The MCP enables consumers to make online purchases directly charged to their mobile phone bill. This service provides benefit to all participants in the transaction value chain –

- **mobile operators:** provides new revenue streams based on mobile transactions to grow operator's average revenue per user (ARPU)
- **consumers:** offers the convenience of online purchases charged to their mobile phone bill
- **content providers:** provides a higher likelihood of monetising online consumers



Zenvia's mobile commerce business unit generates revenue based on the value of transactions processed by the platform, a portion of which is shared with the mobile operator. In CY2017, the business unit generated (unaudited) gross revenue of R\$36.10 million (A\$13.95 million) and (unaudited) EBITDA of R\$2.27 million (A\$0.89 million).

Subject to execution of formal agreements, Syntonic proposes to operate the MCP as a stand-alone business and as a value-added service integrated with Syntonic's Connected Services Platform. The integrated platform provides content providers and brands the full tools for customer acquisition and engagement, using Freeway's sponsored data and data rewards services, and customer monetization using the cross-carrier MCP. The combined platform enables the mobile operator to augment their business with revenue streams from mobile advertising and mobile commerce.

⁴ Ovum Research, "Carrier Billing Global Market Trends and Forecast", 2015

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

“The proposed acquisition of Zenvia’s mobile commerce business unit represents an exciting strategic development for Syntonic. The business is well established and generating revenues through its operator and content partnerships. The respective business and technical assets complement each other and allow us to enhance the Freeway value proposition for consumers, operators, and content providers, and to capture new revenue opportunities.

“Following completion of the proposed acquisition, Syntonic will be the only company with a mobile commerce platform integrated with all of Brazil’s major operators and partnerships with major content providers using the platform service.

“These established relationships form a solid foundation for Syntonic to offer tailored solutions to its partners and an ideal platform to launch Freeway service into Brazil, the 9th largest economy in the world.”

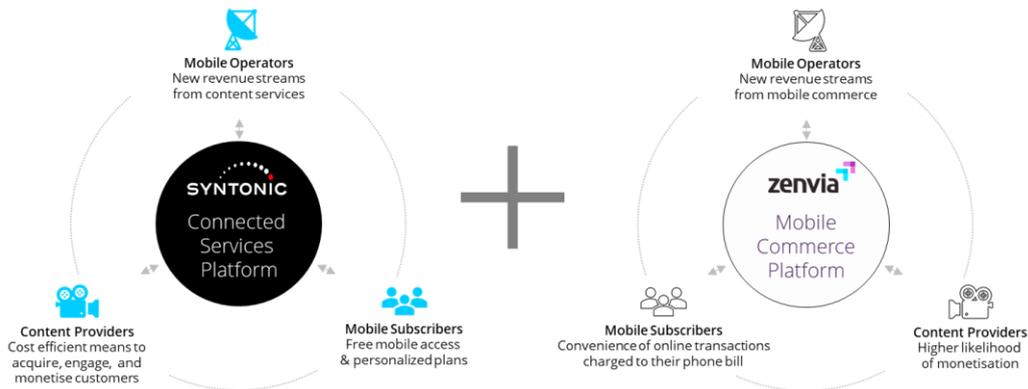
Indicative Terms of the Proposed Acquisition

Syntonic is pleased to advise that pending the parties agreeing and executing formal binding agreements, it is proposed that the acquisition will be on the following terms:

- Zenvia will transfer all technical assets and business agreements associated with Zenvia’s mobile commerce platform business to Syntonic in lieu of a cash consideration, non-dilutive for Syntonic shareholders.
- Consideration payable to Zenvia is US\$700,000 payable in two tranches, US\$350,000 following the execution of formal agreements and an additional US\$350,000 following the assignment of all of Zenvia’s business contracts to Syntonic.
- Zenvia will be entitled to a cash earnout of up to 20% of the first US\$21.5 million of contribution margin (net revenue minus media marketing expenses) generated by the MCP over a period of 3.5 years.
- Completion is proposed to occur in H2 CY2018.

Syntonic intends to establish a new and wholly owned subsidiary, Syntonic Brazil, that will manage and operate the mobile commerce business in Brazil. Following completion of the proposed acquisition, it is anticipated that approximately 15 operations and business support staff, working from offices in São Paulo and Porto Alegre, will be transferred from Zenvia to Syntonic Brazil.





Strategic Rationale for the Proposed Acquisition

Three principle tenets were used to rationalize this proposed acquisition:

1. Enhancing the value proposition of Syntonic products: Integrating the MCP infrastructure with Syntonic's CSP provides a full-feature mobile advertising platform for cost efficient customer acquisition, engagement, and monetization. The integrated platform provides additional value to the mobile operator with new revenue streams generated by mobile commerce and mobile advertising.
2. Accelerating revenue growth: The mobile commerce business has established revenue and recurring revenue streams from major content providers. Moreover, Syntonic intends to license the MCP and the integrated platform outside of Brazil to Syntonic's world-wide operator customer base.
3. Opening new markets for future growth: Well-established carrier and content provider relationships will assist Syntonic in expanding its business presence in Brazil, the world's 9th largest economy⁵ with over 235.7 million mobile lines as possible Freeway enabled devices.

About Zenvia

Zenvia is a leading Brazilian service provider in the A2P (Application-to-Person) sector, and offers mobile interaction platforms for Blue-Chip corporations. Founded in 2004, the company provides services that enable corporates to engage with customers in a direct, personal and relevant manner using digital channels. It offers its services to over 5,000 corporate clients from several industries, including finance, retail, education, healthcare, telecom, among others. Zenvia is headquartered in Porto Alegre with another office in São Paulo. The Company currently employs over 200 people.

For further information, please visit www.zenvia.com.

⁵ IMF, World Economic Outlook Database, April 2018



About Syntonic

Syntonic (SYT.ASX) is a Seattle based software company which has developed two mobile technology services: Freeway by Syntonic®, which allows consumers unlimited mobile access to content and applications, supported by subscription and sponsorship; and Syntonic DataFlex®, which enables businesses to manage split billing expenses for employees when they use their personal mobile phones for work. Founded in 2013, Syntonic has developed worldwide strategic partnerships with leaders in the mobile ecosystem.

To learn more about Syntonic, visit www.syntonic.com.

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