



ASX Announcement

MGM Wireless Limited (ASX:MWR)

16 November 2018

MGM Wireless Ltd AGM 2018

Chairman's Address

Highlights

- Production further increased by 5,000 units
- Total production so far for FY 2019 28,800 units
- Advertising campaigns generating strong market awareness
- FY 2019 YOY Revenues up 180%
- International Expansion commencing

Address

Welcome and thank you for attending today's AGM.

It's now just over 12 months since the launch of SPACETALK, and what an amazing year of company transformation, growth, achievements and increase in shareholder value it's been!

It took 4 and a half years... starting with nothing more than an idea... to painstakingly but passionately, conceive, design and manufacture a very high quality, secure and revolutionary wearable device for 5-12 year old children.

One year ago SPACETALK -- our all-in-one kids smartphone watch and GPS device -- was a totally unknown product, from an unknown company in a non-existent product category, and with no sales distribution channel. Consumers couldn't even comprehend that such a device was possible -- let alone exist. The task of successfully launching SPACETALK to the public was daunting.

Today, our progress and list of achievements is remarkable.

SPACETALK is being successfully sold in 270 stores plus 2 significant on-line stores across Australia and New Zealand.

In Australia, 197 JB Hi-Fi stores are selling SPACETALK and in New Zealand, 73 SPARK stores are selling SPACETALK.

JB Hi-Fi is Australia's leading consumer electronics retailer, ranked 7th largest consumer electronics retailer, GLOBALLY. It has a reputation of being one of the best. For us to secure a retail partner of the



calibre of JB Hi-Fi was no insignificant achievement. We had to prove to JB Hi-Fi that our company – with limited experience in retail, distribution or manufacturing --- would be able to meet their demanding requirements for quality, supply and support. We started off with a trial on their on-line store – which went very well – and now the rollout has widened to every one of their 197 stores.

This achievement immediately catapulted our company's standing and reputation to an international level. We now have credibility as a supplier to any of the largest retailers worldwide.

In all JB-Hi-Fi stores, SPACETALK is located in the coveted "Drive Aisle" location – known to be one of the best locations in the store. In about 94 of these stores – SPACETALK is also on display on their "Play Table" so customers can touch and feel the quality of the watch for themselves. For most stores – merchandising is complete, staff are in the process of being trained, and inventory is moving.

SPACETALK is also being sold by SPARK – New Zealand's largest and leading Mobile Network Operator, in 73 of its company stores across New Zealand and their online store. SPARK was formerly called Telecom New Zealand – and is recognised internationally as one of the world's leading and most innovative mobile network operators. Significantly, SPARK is selling SPACETALK on a \$NZ 17 monthly plan – which removes the upfront cost barrier for some parents to pay \$NZ 399 for the device. This opens up a larger market opportunity for SPACETALK – and something we're keen to establish in other markets.

Prior to ranging SPACETALK, SPARK comprehensively tested and certified SPACETALK and our company as an approved product and supplier. It's an extremely difficult, long and complex process for any supplier to have their product retailed by a Mobile Network Operator. There are large numbers of compliance, network testing and certification tests to pass, many health and safety regulations and approvals to obtain, security, quality and privacy standards and other government and regulatory testing and compliances to achieve and so on. It's even more challenging to do this for the first time for any supplier or new product – yet this was done in 'record time' and accordingly is a testament to the very high quality and security of our product. This was what we've worked so hard to achieve over the years and it's an enormous achievement by our company to have done so.

The SPARK experience positions us well for streamlined approvals for other distribution agreements, with other international network operators in the future.

SPACETALK is also being sold by the Leading Edge Group – a group of 120 independent business and retailers in regional areas across Australia. This followed positive SPACETALK sell through results from an initial group of 12 LEADING EDGE COMPUTERS stores which began stocking SPACETALK in July 2018. Leading Edge was our first bricks and mortar distributor and we value their support and early adoption.

Today, our own SPACETALK ecommerce store is tracking at annualised sales of over \$1 million dollars. Using any measure of success - this is a remarkable achievement and already makes our store a significant ecommerce business. This e-business did not exist 12 months ago.



Our bricks and mortar roll out, just before Christmas, is significant. To support it we are investing in an \$850,000 Australian advertising campaign to create awareness and drive demand. The campaign strategy comprises an enormous digital billboard using both still and video advertising in 71 leading shopping centres in the eastern states, as well as an extensive online digital campaign. It will run through to end of January 2019.

Increased production by 5,000 more units

One year ago – we had no idea how many SPACETALKS we would sell in the first 12 months. In fact – though our research had shown there was a gap in the market for this functionality -- we weren't sure whether a market for SPACETALKS existed at all. When we announced the launch back in October last year – we presented 3 scenarios to shareholders – sales of 3,000, 5,000 and an ambitious stretch target of 10,000 units.

Well, I'm very pleased that we sold 8,300 units for the period – a truly fantastic result.

It's hard to know with certainty how many SPACETALKS we will sell over the coming Christmas and back-to-school periods – but the last thing we want is to generate demand and interest – then run out of stock.

We have placed on order to manufacture an additional 5,000 SPACETALKS on top of our previously announced 23,800 units. This brings the total number of units being manufactured for delivery before 31 December, to approximately 28,800 (which doesn't include the first 3,000 production run 12 months ago).

SPACETALK market size

Market research from Gartner forecasts that within 2 years, 30% of all wearable devices will be sold in this new children's 5-12 year product category. Translated into the Australian market - this suggests a market size of 120,00 to 180,000 per annum. No-one knows whether this forecast is right - but our sales growth and modelling suggests it would be achievable. If our company were to capture the leading market share – which is exactly what we're aiming to do – that would suggest very significant increases in our revenue growth in the next few years.

Ongoing Research and Development

During the past year, we continued and even accelerated our R&D programs - releasing an impressive list of significant new features and updates:

- Torch
- Kids Messaging
- Alarms & Reminders
- Stopwatch



- Reward Stars
- Location on Demand
- Significant Battery Life improvements
- Weather Forecast
- Numerous App enhancements
- New Pink colour – a beautiful shade of Dusty Pink – which experts tell us is a very on-trend colour for girls.

Revenue

Our revenues are growing at a fantastic rate. We announced in our Trading Update on November 5 that FY 2019 YOY revenues to October are up 181%. With SPACETALK Christmas and Back to School sales about to kick-in, we are hoping to announce some very good revenue numbers for the Half Year. We're on track to book record Half Year and Full Year revenue for FY 2019.

School Communication Division

I'm very pleased to report that our School Communication Division had an all-time record revenue quarter for Q1 FY 2019. I've mentioned several times in the past – it's very challenging to achieve meaningful revenue growth in our school communication business for many complex reasons. The school sector is influenced by many unique, and non-economic factors that unfortunately can be hard to predict. But it's a great, stable and profitable business that generates steady, quality positive cashflow which we've been able to use to fund and establish our SPACETALK business. We expect our School Division to continue to perform in a stable manner - but unlikely to produce meaningful revenue growth in the short term, until we launch some new products and upgrades during 2019.

Company Valuation

An investment in MGM provides shareholders with direct access to the fast growing wearables sector via a publicly listed company – and is underpinned by a well-established, solid business.

I'm very pleased that the company has delivered a meaningful capital appreciation to our shareholders over the past 12 months. We have many long-standing shareholders who experienced a prolonged low share price for the 3-4 years that it has taken to develop SPACETALK and get it into the market.

It mustn't be forgotten that the entire development process, including the first production run of 3,000 units, was entirely funded from profits. So, it's great to see a return for our loyal shareholders coming through now.

A unique characteristic of MGM is that because we've operated a profitable, cashflow positive business for over 15 years, we have not, since 2008 up until recently, raised any capital since or issued new shares. This has kept the number of shares on issue to an extraordinarily small number– 12 million. All shareholders are now reaping the rewards of this strategy.



Today our market capitalisation is about \$50 million – which of course is a very pleasing increase compared to a year ago. But if you compare MGM's valuation to our wearable industry peers, take into account our fast revenue growth rates, our well-funded balance sheet, with almost no debt, our strong market position in this fast growing wearables category, and that our operations are underpinned by a well-established, solid and profitable school communication business – I think there's a case to argue there's still plenty of room left for further valuation increases.

International Expansion

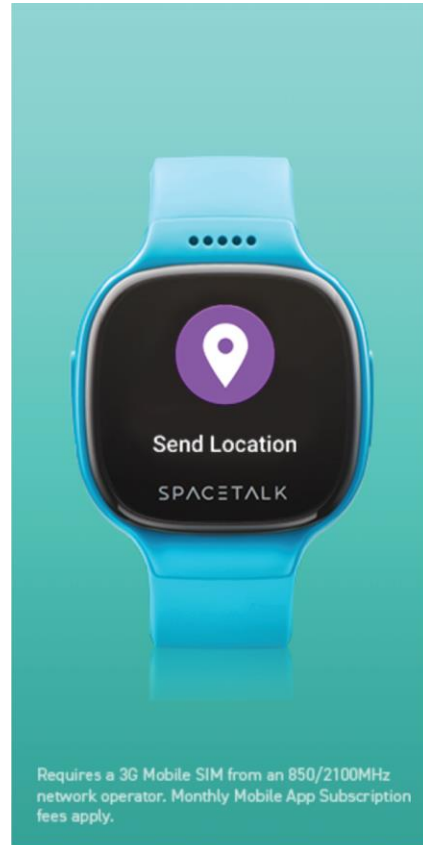
With key distribution channels now established in Australia and New Zealand, the company will now turn its focus to opening international markets. For most of 2018, we've been engaged with many International Mobile Network Operators and leading Consumer Electronics retailers in large international markets. The interest is strong. These international organisations recognise our achievements and respect the credibility of our relationships with JB Hi-Fi and SPARK – we're in good shape to be opening new international markets now.

In February, at the Mobile World Congress 2019 in Barcelona, we have a high profile stand in the very heart of the Wearables Pavilion. The annual Mobile World Congress is the world's largest such conference and will be attended by more than 110,000 delegates representing mobile network operators, technology companies and consumer electronics distributors and retailers from across the globe, with target markets 2, 3 or more times larger than Australia and New Zealand. We will be represented with a significant contingent of our senior SPACETALK executives and we are hopeful that new international revenues will emerge in 2019.

There's a lot more I could talk about – and I'm very happy to take questions afterwards, but in closing, I would like to sincerely thank the large number of people that have worked so hard, so passionately and for so long to get the company to where it is today. Thank you to our dedicated, smart and hardworking employees, to our contractors, advisors, our Board of Directors, to our Capital and Financial advisors, our new Institutional Investors, our Customers who have provided so many positive reviews and spread the word about SPACETALK to others, and of course to our Shareholders, many of whom have invested with the company for a very long time now.

I'm so happy that we're delivering meaningful results and rewarding you for your patience and faith in our company.

Thank you....



***INTERNET
& SOCIAL
MEDIA
NOT
INCLUDED**

Requires a 3G Mobile SIM from an 850/2100MHz network operator. Monthly Mobile App Subscription fees apply.

SPACETALK

LEARN MORE

Requires a 3G Mobile SIM from an 850/2100MHz network operator. Monthly Mobile App Subscription fees apply.



Example of Billboard Advertising now appearing
in 71 Australian Shopping Centers



In-store merchandising now appearing in all 73
SPARK New Zealand Stores



Example of latest images



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About MGM Wireless

MGM Wireless Limited (ASX:MWR) is a technology company designing, developing and commercialising Internet of Things (IoT) devices for children, and software for school communication and student absence management. The Company's AllMyTribe division has developed a wearable device called Spacetalk which allows two-way 3G communication, GPS tracking and alerts parents whenever children leave designated safe spaces such as school or the home.

MGM Wireless built its track record with school communication solutions after creating the world's first SMS based Automated Student Absence Notification Solution. It is recognised as a global leader and pioneer in socially responsible and technology-enabled school communications. Used by over 1,100 schools and 1.6 million parents, the Company's multichannel school communication solutions empower schools to effectively communicate to parents and caregivers through SMS, mobile in-app and other means to improve student attendance and safety, help schools reduce operating costs and increase parent engagement.

MGM Wireless products include student absence notifications 'messageyou', absence analytics software 'Watchlists', school news and messaging app 'School Star', a content management and messaging platform for mobile school communication called Outreach+, and student attendance management solution 'RollMarker'.

To learn more please visit: www.mgmwireless.com