

United Networks Termination of Exclusive contract with Covermore

Inline with prior disclosures by United Networks from March 2017 concerning decline in revenue from one of United Networks partners Covermore, the company has received notice to terminate the exclusive contract to supply the Global SIM to Covermore customers.

The contract has a 90 day notice clause which means the business continues to provide and offer new Global SIMs to Covermore customers for this period. United Networks will be meeting with Covermore over the coming weeks to determine the timing of this and to negotiate arrangements for the immediate term and potentially beyond 90 day notice clause.

Given the contractual notice period, we expect that the termination of this agreement will have an effect on the revenue of the Global SIM business from September 2018, subject to an alternative arrangement with Covermore being reached, or other distribution partners expanding their engagement with the Global SIM.

The potential impact to United Networks is as follows;

- From September 2018 onwards based on current forecasts gross revenue will be approximately \$50,000 lower per month.
- This equates to a net contribution after cost reductions relating to this contract of \$15,000 to \$20,000 per month.
- This forecast revenue and net contribution figures do not take into account the positive impact of;
 - revenue from existing forward orders
 - orders that will be received in the termination period
 - active current accounts that will continue to use the service post termination
 - Global SIMs that are in the distribution channels that are yet to be activated.

United Networks is taking the following actions;

- Given the Covermore contract was on a exclusive basis United Networks will now offer Global SIM products to other insurers including existing partners and new partners in the travel Insurance market.
- United Networks is rolling out new partners over the next 6 months which will incorporate the Global SIM product as part of the new offer.

Nicholas Ghattas CEO, United Networks Limited said *"While this is disappointing it does allow United networks the flexibility to now offer its full suite of products including Global SIM, WiFi, SOS alerts and the new insurtech solution to all partners. We are confident that we will replace this revenue stream over the 2018-19 financial year. This development does not impact our ability to deliver on our short term target of being cash positive in the current quarter as disclosed in the 23 April business update."*

