



MEDIA RELEASE

2018 Half Year Results

MGM Wireless Limited (ASX:MWR)

MGM WIRELESS HY 2018 RESULTS

SPACETALK SALES EXCEEDING EXPECTATIONS

COMPANY ON CUSP OF SIGNIFICANT INCREASE IN REVENUE GROWTH & INTERNATIONAL EXPANSION

Operational Highlights

- SPACETALK, an all-in-one kids phone, GPS tracker and smartwatch launched after a three year development in October 2017
- Internal online SPACETALK 'stretch' sales targets leading up to Christmas exceeded by more than 150%
- Strong interest with Australia's largest bricks and mortar retailers. Discussions underway
- International expansion underway. SPACETALK this week (February 26 – March 1) is being exhibited at Mobile World Congress (MWC18) in Barcelona, meetings with international mobile network operators, distributors and retailers booked
- Product trials with several Australian and international distributors/retailers commenced
- Product trials with South East Asian distributor commenced
- Australian market size expectations upgraded from 3,000 to 10,000 units per annum to 120,000 – 180,000 units (\$30 million to \$60 million per annum)
- Leading Australian bricks and mortar retailers recommending to MGM Wireless management to upgrade its rollout strategy and to aim much higher to achieve mass market take up and leadership

Financial Highlights

- **Funding.** After funding all development, manufacturing, inventory, marketing and sales launch costs, closing cash balance remained strong at \$1.4 million as compared to \$1.6 million last year - with no debt
- **Profits.** Company recorded a net profit of \$15,013 after absorbing non-operating and non-cash amortization, depreciation, share and option expenses of \$895,320.
- **EBITDA** – was \$613,259 as compared to \$811,356 last year, excluding option issue costs
- **Revenue.** For the equivalent period last year, the company achieved recorded HY revenue of \$1.64 million after being awarded an agreement with the Queensland Education Department to be one of



several preferred suppliers of school communications products. This HY, nearly all that record revenue result was replaced with SPACETALK sales. Overall, the company achieved a 4% reduction in revenues for the current period to \$1.58 million.

- **Costs.** Expenses were 10% higher than last year, totaling \$1.56 million due to SPACETALK launch and production costs. All expenses were met from internally generated operational cash flows and a small rights issue to existing shareholders at 35 cents per share in October 2017, raising \$293,030 before expenses.

28 February 2018 Technology company **MGM Wireless Limited (ASX:MWR)** ('MGM' or 'the Company') is pleased to advise that during the reporting period, and after a gruelling three year endeavor, it launched and successfully began commercialising SPACETALK – its all-in-one kids phone, GPS tracker and smartwatch.

Launching SPACETALK and already generating meaningful sales is a significant company milestone. In such a short time since its launch, SPACETALK'S increasing popularity validates a significantly bigger growth opportunity than initially anticipated. In addition, immediate opportunities exist in international markets and are being presented.

Feedback from SPACETALK customers is overwhelmingly positive, with many excellent reviews, referrals and additional sales, as can be seen on social media. The technical, supply chain and customer service operations are working well. Customers continue to praise product performance, quality and after sales service. (Testimonials below.)

Our Customers say that SPACETALK solves a key important family need – the ability for parents to stay connected with their young children using a mobile/internet device, without exposing their kids to the dangers of social media apps, such as Facebook, Instagram, YouTube, Google and unrestricted access to the Internet.

Conceived, designed and developed in Australia, SPACETALK is currently only sold online via the website www.allmytribe.com (All My Tribe is a division of MGM Wireless).

To the best of MGM's knowledge, it has chalked up a world first by launching a quality, high performing kids watch while, at the same time, achieving meaningful sales volumes.

Based on excellent sales and customer feedback, MGM Wireless now believes the Australian market for SPACETALK is likely to be larger than the company previously expected, and in the vicinity of between 120,000 and 180,000 units per annum, or between \$30 million and \$60 million per annum. These market size levels are closer to those produced by Gartner 1 – which forecasts 30% of all smartwatch sales will be to young children.

¹ <https://www.gartner.com/newsroom/id/3790965>



Internal company online stretch targets for SPACETALK leading into Christmas were exceeded by more than 150%.

Discussions with several Australian bricks and mortar retailers began in December 2017 and remain in progress. Several small initial trial orders from bricks and mortar retailers have already been received.

Feedback from leading consumer electronics retailers is very positive. Retailer feedback suggests MGM Wireless should review its rollout sales and marketing strategy and aim much higher to capture and achieve market share and leadership in the mass market.

The strong sales have also prompted MGM Wireless to bring forward its international expansion strategy. The company decided to exhibit and promote SPACETALK at the Mobile World Congress – which is currently underway in Barcelona. (February 26 – March 1, 2018).

The annual Mobile World Congress is the world's largest such conference and attended by more than 100,000 delegates representing mobile network operators, technology companies and consumer electronics distributors and retailers from across the globe.

SECURITY AND PRIVACY COMPLIANCE

SPACETALK has been designed with the highest level of data security and privacy. Throughout the three year development process, the company used leading international cyber security experts to test and ensure compliance with strict European privacy and other international standards. SPACETALK meets all current international privacy and security legislation and policies – including European and German.

FINANCIAL PERFORMANCE AND HALF YEAR RESULTS

The company ended the period with very pleasing financial results, despite completing the herculean SPACETALK effort to design, manufacture, fund inventory and fund launch costs from existing operations.

Closing cash balances were solid at \$1.4 million (down 12% on 2017 HY of \$1.6 million). Net Profit was \$15,013 after absorbing non-operating amortisation and depreciation expenses and non-cash share and option expenses of \$895,320.

Revenue. During the equivalent period last year, the company's school business experienced record revenues due to it being awarded an agreement from the Queensland Education Department. The Queensland Government introduced a new "Same Day Absence Notification" policy to enforce schools to contact every parent of every absent student on the same day. The Department provided schools with grant funding to buy communication systems in order to comply with the policy. MGM Wireless was included on the preferred suppliers list. This resulted in the company securing contracts with 102 schools and achieving a record level of HY revenue.



This year, the company is very pleased to report that revenue from SPACETALK sales largely replaced last year's record school business revenue, resulting in overall HY revenue in this period to be similar (down 4%) to last year.

School Business

Exciting new revenue growth opportunities are emerging for the company's school business. The way schools need to communicate and engage with parents is undergoing change and challenges, as consumers move away from the computer desktop to a wide range of types (or channels) of mobile phone based consumption of content.

Apart from MGM's systems supporting SMS, they also support a comprehensive omni channel approach to a range of mobile specific channels, whereby Chatbots, SMS, email, Mobile App, In-App messaging, Social Media and Mobile web can all be used in any combination to effectively communicate and engage with parents.

With the emergence of and access to artificial intelligence and machine learning technologies, MGM Wireless believes opportunities exist to incorporate these new technologies into its products to further improve the effectiveness of company products while driving revenue growth.

The company's current product range remains very strong, competitive and attractive to schools. And the company sees an ongoing positive future for its school business.

Co-Founder, Chairman & CEO Commentary

MGM Wireless Co-Founder, Chairman & CEO Mark Fortunatow:

"After three busy years of developing SPACETALK, the wearable device was launched in October 2017," Mr Fortunatow says.

"It's been only four months since the launch and we are delighted with the market response. Strong SPACETALK sales exceeded all our expectations.

"We are operating in a growth industry and immense opportunities exist to significantly increase SPACETALK sales around the globe.

"The market opportunity for SPACETALK is much bigger than we initially anticipated. Gartner is forecasting the children's market will make up 30 per cent of all smartwatch sales. In our view, that now seems plausible. That's a huge number and it's very exciting for MGM – as market research shows we have the best kids smartwatch on the market.



“MGM Wireless is on the cusp of really meaningful revenue growth and international expansion. We’ve already made good advancements, but I’m looking forward to being able to announce the first significant sales contracts with bricks and mortar retailers, or mobile network operators (or both) by the end of this financial year.

“MGM Wireless is still only a \$10 million market cap company. We have very significant immediate growth opportunities ahead of us, and we’re well funded, have no debt and all R&D, manufacturing and inventory is paid for. We also have a strong, well established business underpinning our expansion into kids wearables”

POSITIVE FEEDBACK FROM SPACETALK USERS

Kim bought a SPACETALK watch for each of her three children.

“The watch offers peace of mind knowing that my husband and I can track the location of our children at any time and call and message them,” Kim says.

“What we love most about SPACETALK is that it has the same main call functions as a mobile phone without the unnecessary and distracting applications.”

Rebecca says her 12-year-old is able to enjoy his independence while remaining within her view through the app.

“We’ve found it more useful than a mobile phone, which always gets left in the bottom of his bag and can’t be heard ringing,” Rebecca says. “Our school pick-up arrangements change all the time and I love being able to send him a text message confirming what’s happening at pick-up.”

Andrea bought the watch for her eight-year-old son. “The GPS is 100 per cent accurate and the calls are crystal clear,” she says. “The watch is of excellent quality and the service is absolutely sensational.”

SMARTWATCH GROWTH

Research firm CCS ¹ Insight recently forecast that 71 million smartwatches will be sold worldwide in 2018, doubling to 140 million in 2022.

On its website, CCS Insight shows wearables sales growing an average of 20% each year over the next five years, becoming a \$29 billion market with 243 million unit sales by 2022.

CCS Insight says that in 2017, connected watches for kids delivered the largest volume of smartwatch sales, with 25 million being shipped in China alone.



CCS Insight says smartwatches continue to be the product most widely associated with wearables. It says the Apple watch has been a trailblazer in this category.

However, there is room for competition in this solidly growing category. And SPACETALK, as a leader, operates in a somewhat niche, young and growing market, as it's targeting children aged between four and 12.

Ends

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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

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for mobile school communication called Outreach+, and student attendance management solution 'RollMarker'.

To learn more please visit: www.mgmwireless.com or www.AllMyTribe.com

^{i i} <https://www.ccsinsight.com/press/company-news/3375-ccs-insight-forecast-predicts-apple-watch-and-hearables-to-fuel-growth-in-wearables>