FY20 RESULTS PRESENTATION TALKING POINTS

The following talking points accompany the FY20 Results presentation released to ASX on 31 August 2020.

Pippa Leary, CEO:
Introduction

Let me highlight the three key points in the presentation:

1. We are making good progress rebuilding Swift and have delivered resilient results this year despite the distractions of COVID. While I have called it a transition year previously, it is not overstating it to say that we have had to fundamentally rebuild the business across virtually every discipline. While there is more to fix, we have made good progress in a short period of time.

2. COVID-19 presents challenges and opportunities – you have heard me talk about access restrictions and lock downs affecting our ability to sell our entertainment and communications solutions. Aged Care facilities are rightly focused on biosecurity. Despite this, we have sold Swift Plus into 800 rooms in Residential Aged Care, but with the lockdown continuing on the Eastern Seaboard we are pivoting our short term sales focus to Mining and Resources where the production cycle is in full swing.

3. My final point is to assure you we are here to grow this business substantially. That's why Darren Smorgon, our chair, myself and the team are here. There are opportunities in both of our key verticals to grow Swift into a much, much larger company and we are focused on delivering on that potential.

CEO Messages

FY20 has been a transformational year – we had to strengthen critical parts of Swift to support long term growth:

- We made good progress in bringing in new talent

- We also had to sharpen our focus and concentrate our resources – 11 verticals down to 3
- Product development needed rejuvenating – we build all our own technology, that's part of our core domain expertise and when you're competing with generic free to air and Pay TV, the ability to develop fit for purpose technology and curate specific content for these audiences is a game changer.
- We also strengthened our financial base. COVID is a challenge and an opportunity – when it hit hard in March we moved quickly and reduced costs so we could endure a protracted downturn.
- In FY21 its more of the same – focus, focus, focus.
- Our number one priority is sales. The long lead times of 18 months in Mining and Resources and five months in Aged Care mean that Swift needs a sophisticated enterprise sales approach and we are rebuilding the sales pipelines behind this.

FY20 Performance Review

Our headline financial results saw some impact from COVID-19 in 2H, but still some encouraging signs – revenue up 9% includes full year contribution from the Medical Media acquisition, recurring revenue up 7%, project revenue up 18%. As part of our clean up work, we let go of less profitable rooms which saw a rise in our revenue per room. We maintained stable gross profit margins – despite some of our competitors dropping their prices. We also won $3.2m of new mining contracts in Q4 and have started to work on these – most revenue will be recognised in FY21.

These numbers reflect a full 12 month contribution from Medical Media in FY20 compared to 4.5 months in FY19. Medical Media was a loss making business which explains the divergence between revenue growth and a declining EBITDA.

At a headline level:

- Revenue growth of +9% driven by strong project revenue increases, mainly in the Mining and Resources vertical.
- Gross profit margin up 0.4pp driven by an increasing mix of Aged Care recurring revenues
- Management remains focused on refining the cost base to better support the go forward business verticals and navigate through the COVID uncertainty
- EBITDA decline was mitigated as the business took cost-out actions to protect profit in the second half of the year from the impact of COVID.

FY20 Strategic Improvements

At a high level we delivered what we promised last year:

- Upgraded skills on the board and leadership team
- We streamlined the business moving from 11 verticals to 3.
- We strengthened some of our core capabilities – product development and importantly sales
- And we continued to strengthen the financial base

I will call out one point – paying off the convertible debt. Last year the board entered into an equity loan financing agreement. The company could draw down funds in exchange for shares. L1 and Lind were the financiers. They sold their shares on market and it put tremendous pressure on the price and caused a great deal of frustration for shareholders. Our share price fell from 15c to 0.9c. We raised capital and paid off the notes. They are well and truly gone.

Fundamental Operational Rebuild

I wanted to show shareholders how much of an operational rebuild was required at Swift, and how much has been repaired. The business we inherited, the old Swift, lacked focus, was opportunistic rather than strategic, lacked core strengths such as product development and sales management and it had plenty of dissatisfied customers.

We lay out the improvements here, but in short, we are better organised, more streamlined and far more focused on the customer and meeting their requirements. We are building this business properly and it does take time. I won't talk of the past again, it's all about going forward now, but I did want to share this page for the record.

FY20 Progress by Vertical

The verticals highlights include:

- Launching Swift Plus on time and to budget – plus we made new sales of 800 rooms during the COVID lockdown.
- We signed $3.2m in new contracts in Mining and Resources – and included work for Rio Tinto, Mineral Resources and Atlas Iron.
- In Health and Wellbeing we managed Medical Media back to profitability. That's significant. We outsourced the sales of national advertising on patient facing screens to XTD and practitioner facing screens to Inside Practice. Both are guaranteed revenue which will further enhance

profitability. We have several inbound interest parties for this business and are considering ways to maximise value for shareholders.

- And we streamlined costs across the group – when COVID hit we moved quickly to realign our cost base. There are more costs to come out.
- So with recurring revenue, a lower cost base and increased project revenues in FY21 the signs are encouraging.

Financial Results Summary

Top line revenue for fiscal 2020 increased 9% largely driven by project revenues in Mining and Resources and the full year impact of the Medical Media acquisition. This is further seen in the 18% year on year growth within the project revenue category – and within this Mining and Resources project revenue was up over 50% year on year.

I would also highlight that while Aged Care as a category continues to navigate its way through the impact of COVID, this is a targeted growth vertical for Swift and we are pleased to note recurring revenue in Aged Care increased 40% year on year.

We have talked a lot about Medical Media and the impact it has had on the full year results. I think it's worth noting that Medical Media contributed $5 million in revenue and an EBITDA loss of $0.5m to the overall EBITDA result. Excluding the Medical Media business, underlying EBITDA improved 20% from the previous year.

The following table provides a disaggregated view of the FY20 summary results (and comparative to FY19), down to EBITDA, separating Medical Media from the rest of the business. Note Medical Media results in FY19 are only for that part of the year consolidated into Swift Media.

($ millions)	FY19	FY20	Change
SWIFT Media excluding Medical Media			
Revenue	18.6	18.1	(3%)
Gross Profit	6.7	5.9	
GP %	36%	33%	
Opex	(7.7)	(6.7)	13%
EBITDA	(1.0)	(0.8)	20%
Medical Media Results			
Revenue	2.6	5.0	92%
Gross Profit	2.0	3.6	
GP %	77%	72%	
Opex	(2.2)	(4.1)	(86%)
EBITDA	(0.2)	(0.5)	(150%)

In terms of understanding the impact of COVID on the business, revenue performance for the first nine months to March (which I consider an indicator of pre-COVID performance) was up 27% (compared to the FY 9%) and excluding the impact of the Medical Media acquisition was up 5% (compared to a full year -3%) and so we attribute this difference to the 4th quarter trading and supply chain impact of COVID.

Gross profit margin increased in line with revenue and lifted slightly from 40.9% to 41.3%, a 0.4 percentage point increase. The increase came from the full year impact of the Medical Media acquisition as margins within that business tend to be higher due to an absence of project costs, and an increasing Aged Care recurring revenue mix. With that said, Medical Media did come into Swift with a higher operating cost footprint which is noted in the operating expenses line.

On a consolidated basis, operating expenses increased 10% year on year, reflecting the full year impact of the Medical Media business, which was acquired in February 2019 – and was lossmaking at the time of acquisition. Excluding the Medical Media business, operating expenses declined by 13%. This underlying decline in operating expenses should be noted as it has occurred while the business has simultaneously been investing in leadership and executive skillsets to drive the go forward strategy.

Balance Sheet

FY20 was really a year of financial restructuring to enhance liquidity, reduce exposure to short term and expensive funding, and reset the asset base to reflect the transition to a much more focused business strategy.

The outcomes of these actions have been to increase our year end cash balance by $2m and a $7.5m increase in net working capital.

In addition to raising capital, and moving borrowings from current to long term, the business has taken a cautious view on its debtors balances as we see a number of customers still managing their own business through COVID, primarily in the Health and Wellbeing, and Hospitality verticals.

The business has taken a prudent view on the recoverability of legacy acquired assets and as a result took a $13.6m non-cash writedown of intangible assets, including goodwill. This was moderated by the writeback of financial liabilities made up of deferred consideration related to historic acquisitions that will no longer be realised.

Cash Flow Summary

In terms of the business' cash flow, FY20 continued to use cash in its operating activities reflecting a number of key elements in the business' transformation to long term profitability.

- Firstly, as previous mentioned, the full year impact of the Medical Media acquisition, while driving an increase in cash receipts, was a net user of cash from operations as the business came with a substantial cost base.
- Secondly, with the cost-out actions taken by the business to improve the Medical Media cash flow and respond to COVID, cash payments included $2.4m in non-recurring restructuring and acquisition related costs.
- Thirdly, the restructuring of the balance sheet included an increase in long term debt funding which both improved the capital structure and increased finance costs.

  It is worth highlighting that the underlying business, excluding Medical Media and normalising for the $2.4m in one-off costs, was breakeven on a full year operating cash flow basis and so we see a positive trend heading into FY21 – keeping in mind the aged care vertical continues to face a slow recovery due to COVID.

  From an investing and capital expenditure perspective, the business continued to invest in its Swift Media product suite and also screen assets in the Health and Wellbeing vertical. The business has an objective to scale down capital investment in the next fiscal year.

- Finally, the financing section of the cash flow reflects the previously mentioned balance sheet restructuring steps taken this year. Both equity and debt were raised this year and funded the ongoing operating and investing activities during this period of transition. Lastly, I would note the establishment of a Sydney-based office and lease costs associated with media screens in the Health and Wellbeing vertical resulted in an increase in lease payments over the prior fiscal year.

Growth Opportunities: Mining and Resources

Mining and Resources – this is where Swift makes the majority of revenue and profit. We service almost 30,000 rooms at 64 mining villages and camps. At 20% of the remote camp rooms in Australia Swift is a market leader, but with plenty of room for growth in share.

This sector is in full swing. While previous management had lost focus in mining – we are very much focusing on this vertical again.

Key drivers of growth are the rebuild of the pipeline through more aggressive prospecting at the senior level, capitalising on the $50bn capex boom in the industry and focusing our efforts not just on Iron Ore and Gold, but also Copper and Lithium which will power the carbon neutral energy boom.

We are also using the tech-lite product we built for Aged Care (Swift Plus) to move us earlier in the mine sales cycle by winning the exploration and mobile camps, which precede the larger permanent camps.

Growth Opportunities: Residential Aged Care

Aged Care is where we see Swift's long term growth opportunity. We like this sector because it has structural growth. Both COVID and the Royal Commission will lead to higher standards of care – this plays to our hand.

Our priority is to ensure we fully capitalise on the structural growth opportunity as access lifts.

We also know this customer base very well:

- Average age is 85 – primary device is TV – which is why we built a product delivered over RF
- 85% of rooms not serviced by anything other than free to air TV
- c.50% residents living with dementia, depression and suffering isolation
- 80% of Aged Care homes do not have good internal networks
- Carers are time poor and have high turnover
- Excellent value for money - our Swift Plus product has 10 times the functionality of Foxtel at a fifth of the cost making it an affordable option for all homes in the sector

Growth Opportunities: Health and Wellbeing

With Medical Media we inherited a loss making business. We have now fully remediated this business and it is profitable. Going forward we are focusing on:

1. Continuing to improve retention of current 1800+ small business customers to further enhance profitability
2. Creating a hyperlocal sales strategy that focuses on improving quality of screens, and rationalises the rest

3. New hybrid sales strategy that focuses on national franchises searching for local geo targeting opportunities – pharmacies, real estate, financial services, aged care
4. Outsourcing patient and practitioner facing advertising sales to guarantee profitable revenue: XTD, Inside Practice
5. As a result, we now have more strategic options to realise value here. We are getting a lot of inbound interest in acquiring this business. We will explore these to determine what makes most sense for shareholders.

Conclusion

We are a growth company with ambitions to build a substantially larger company - that's why this team is here. There are tremendous opportunities in both our key verticals. In FY21 we will continue to build for growth, there is more to do, and those foundations will support long term sustainable growth.

END

ABOUT SWIFT MEDIA LIMITED

Swift Media is a specialist media company delivering premium entertainment, communications, and advertising to an audience of 5M+ via 60,000 digital assets nationally across Mining and Resources, Residential Aged Care and Health & Wellbeing environments. We connect and engage communities through entertainment and communications solutions.

This announcement was approved and authorised for release by the Continuous Disclosure Committee.

FOR MORE INFORMATION, PLEASE CONTACT:

Pippa Leary	**Michael Brown**
Chief Executive Officer	Investor Relations
+61 2 9929 2763	+61 400 248 080
investor@swiftmedia.com.au	mbrown@pegasusadvisory.com.au