

ASX: SKF | 27th July 2022

RECORD REVENUE QUARTER AS INVESTMENT FOR GROWTH DELIVERS MOMENTUM INTO FY23

Q4 FY22 Highlights

- Total Operating Revenues for Q4 FY22 of \$6.9m, up 40% on pcip
- Recurring Revenues for Q4 FY22 of \$3.8m, up 13% on pcip
- Quarterly Cash Receipts from customers of \$6.5m up 4% on Q3 FY22
- c.\$1.6m in outstanding project receipts, due to supply chain issues, expected to be received during 1H FY23
- Company secured a \$1.8m project financing facility with Export Finance Australia
- \$5.7m in Total Contract Value¹ converted during the quarter
- Rolling 12 month pipeline includes over \$33m of advanced stage deals

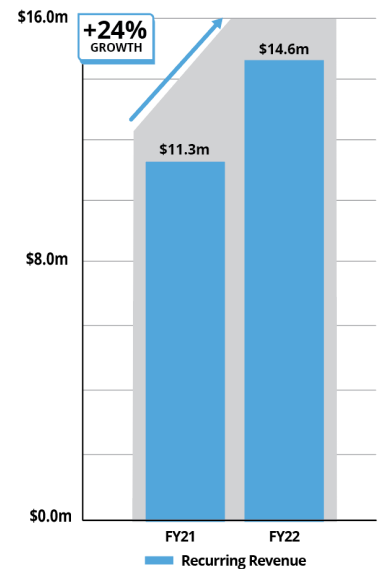
FY22 Highlights

- Total Operating Revenues of \$23.6m, up 49% vs FY21
- Recurring Revenues of \$14.6m, up 24% vs FY21
- Recurring revenue accounted for 62% of total revenue (74% in FY21) due to a greater proportion of project and implementation work conducted in FY22 which will lead to recurring revenue generation in FY23 and beyond
- Proforma Annualised Recurring Revenue (ARR) exited FY22 at \$16.0m²
- Operating EBITDA loss of \$1.8m and net cash outflow from operating activities of \$1.7m reflecting the Company's stated investment for growth program conducted in FY22
- Strong balance sheet with total available cash funds of \$5.1m³

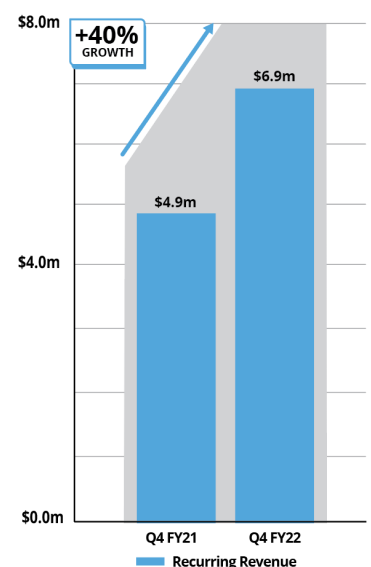
Outlook

- Increasing adoption of advanced behavioural intelligence technology solutions such as LiDAR continues to drive a strong pipeline across all regions
- Costs rationalisation and efficiency initiatives are underway, including offshoring of talent, to deliver material cost savings and strengthen margins
- Operating cash flow is expected to improve significantly during 1H FY23 and the Company re-confirms expectations to achieve a sustainable cash flow breakeven position during 2H FY23

Recurring Revenue



Total Operating Revenue



¹ Total Contract Value (TCV) refers to the entire revenue generated from a contract and is inclusive of both recurring and non-recurring revenues. Skyfii's typical contract term is ~36 months.

² Annual Recurring Revenue (ARR) based on contracted recurring revenues as at June 2022 including suspension of services

³ Cash available includes \$4.2m of cash at bank and a drawdown of \$0.9m from the \$1.8m Export Finance Facility

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Commenting on the June quarter, Skyfii CEO and Managing Director Wayne Arthur said:

"Skyfii has executed a deliberate strategy to drive growth and scale via a strategic acquisition and the allocation of capital in FY22 specifically targeted to build our sales, business development and service delivery capability. These growth initiatives have helped us to expand our customer footprint, driven our ARR to over \$16 million and resulted in a strong revenue outlook for FY23.



Public venues such as malls, stadiums, train stations and airports across the globe are increasingly relying on crowd analytics and occupancy management solutions to deliver real time data to drive their decision making processes and improve the customer experience through their venues. The long term and sustainable value provided by our technology solutions is reflected in our customer retention rate of >96%.

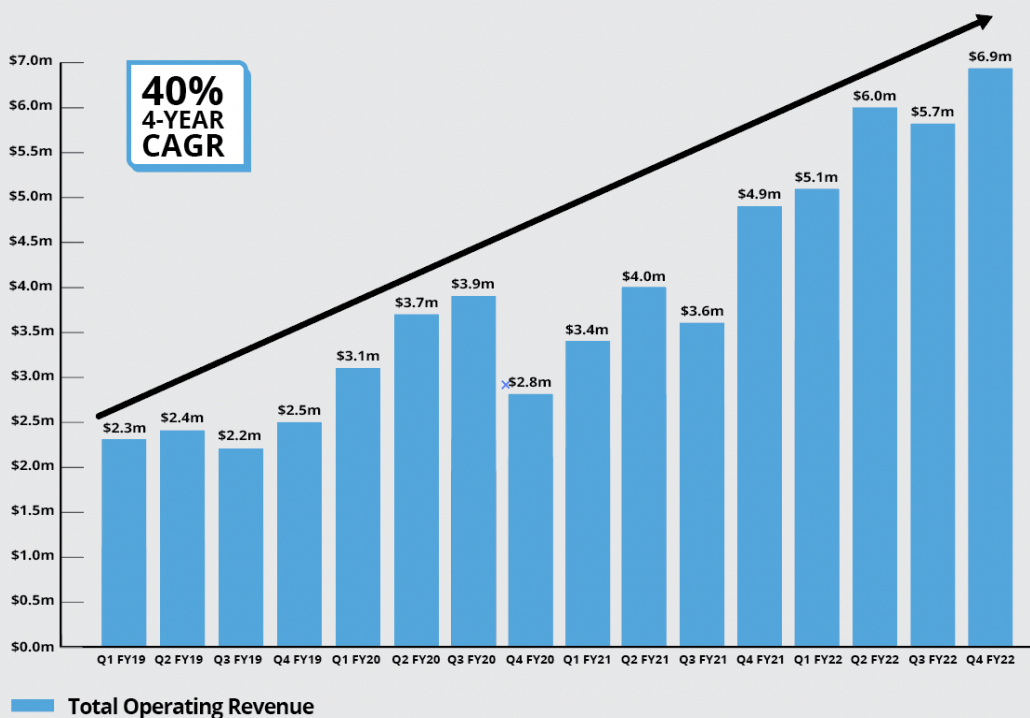
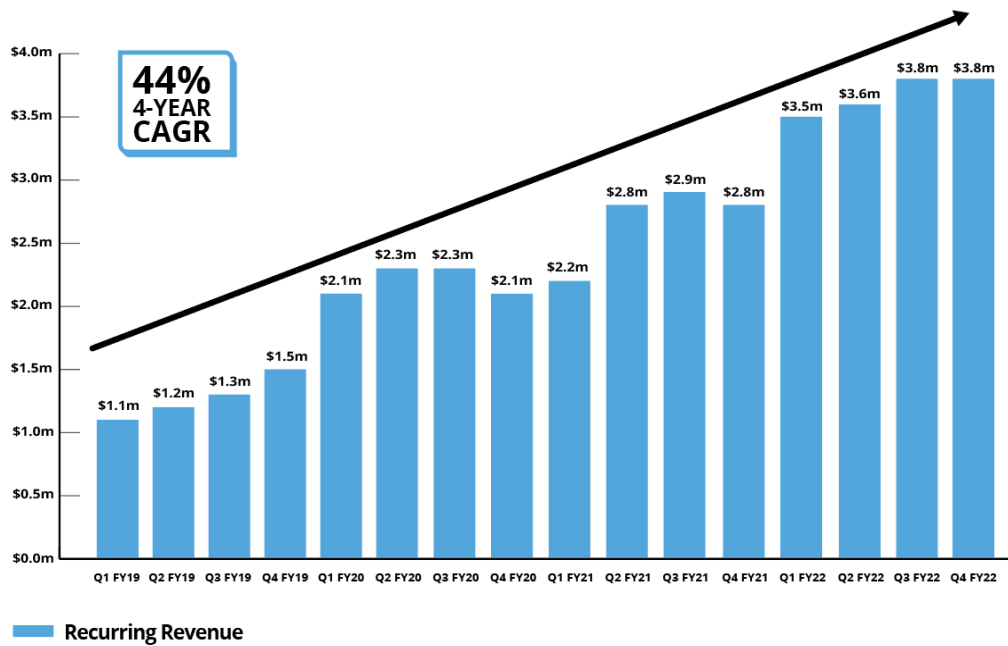
Our sales pipeline currently includes some of the world's most iconic airports, commercial properties, QSR brands, municipalities and stadiums throughout the world. We expect another year of strong sales conversion, ARR growth and importantly through our cost rationalisation initiatives expect to show genuine operating leverage during FY23. Our 3 year outlook looks very encouraging and we are excited to be on track to deliver strong shareholder value during this period".

Key Performance Metrics (FY19 - FY22)

	FY19	YoY	FY20	YoY	FY21	YoY	FY22	YoY
Total Operating Revenue	\$9.4m	+52%	\$13.5m	+44%	\$15.9m	+18%	\$23.6m	+49%
Recurring Revenue	\$5.1m	+50%	\$8.8m	+72%	\$11.3m	+27%	\$14.6m	+24%
ARR	\$6.0m	+39%	\$10.0m	+67%	\$14.0m	+40%	\$16.0m	+14%
Operating EBITDA	\$0.9m	+49%	\$2.1m	+142%	\$1.6m	-22%	-\$1.8m	-213%
True Gross Margin⁴	65%	-	66%	-	64%	-	58%	-
Churn	1%	-	2%	-	4%	-	4%	-

⁴ True Gross Margin is inclusive of both cost of sales and project delivery team labour costs

Q4 FY22 Performance

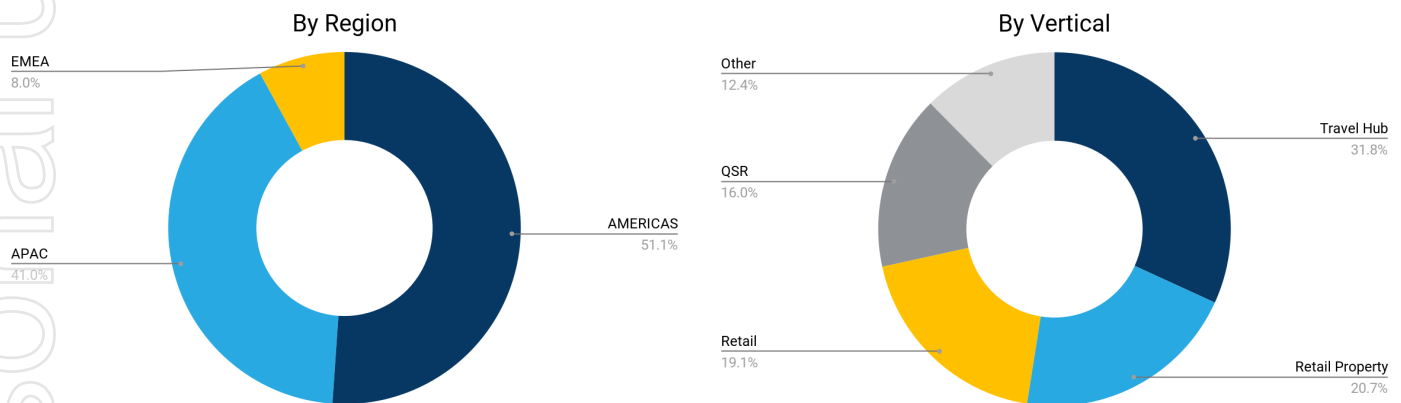


Strong Quarter of New Contract Wins

The Company delivered a number of contract wins in the quarter across a range of geographies⁵ and verticals, delivering a **Total Contract Value (TCV) of over \$5.7m**.

Highlights:

- >50% of new contract wins secured in the Americas
- Primary verticals of retail, retail property and airports driving new contract wins
- Recurring revenue represented 48% of the \$5.7m
- 65% of deals closed won were created in the last 6 months, representing an improved sales cycle



Cash Position

The Company reported \$5.1m of cash as at 30 June 2022 (\$5.0m at 31 March 2022).

In order to provide additional balance sheet flexibility and working capital cover as cost out initiatives are implemented, the Company has secured a \$1.8m project financing facility with Export Finance Australia.

The facility will be largely utilised for our international project pipeline delivery and has been secured for an initial 1 year term and can be renewed each anniversary for a further 1 year term.

The undrawn portion of the Export Finance Australia facility, coupled with c.\$5.1m of cash at bank will provide the Company with sufficient capital flexibility to execute on our stated growth initiatives, including sufficient runway to achieve sustainable positive cash flow in the second half of FY23.

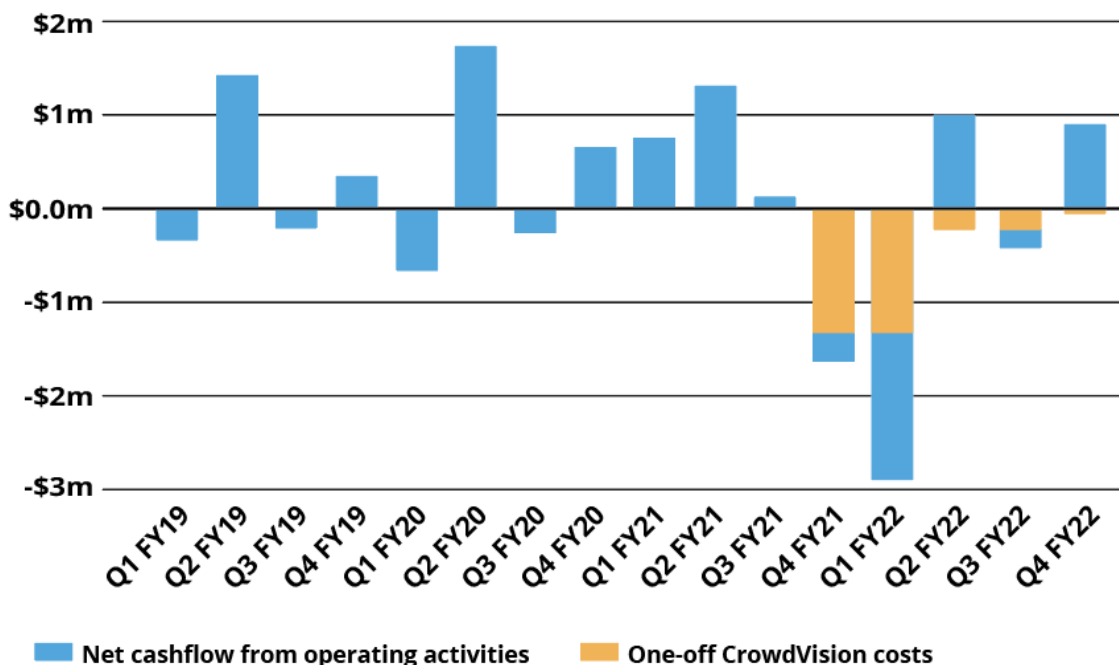
⁵ EMEA - Europe, Middle East & Africa; Americas - North and South America; APAC - Asia-Pacific

Net Cash Flow from Operating Activities

In Q4 FY22 the Company generated cash flow from operating activities of \$0.84m, which was inclusive of the impacts of capitalisation of employee, contractor and other expenditure attributable to software development. Other key areas of business operations that influenced cash flow during the quarter included:

- 1. Settlement of CrowdVision Acquisition** - During the quarter a final \$70k payment for the acquisition of CrowdVision as previously disclosed was completed. As part of the completion of the CrowdVision acquisition, a total of \$3.1m in non-recurring payments were required to settle CrowdVision's legacy net debts (including aged payables). The \$3.1m cost was offset against the total purchase price paid to the vendors of CrowdVision. However, under the accounting standards, these payments were required to be classified as cash outflows from operating activities. The outflows of \$3.1m have to date been settled/paid as follows: \$1.3m in Q4 FY21, \$1.3m in Q1 FY22, \$220k in Q2 FY22 and \$210k in Q3 FY22 and a final payment of \$70k in Q4 FY22.
- 2. Project delivery delays** - The company experienced a number of challenges in our operations, including the impacts of wage inflation, a global talent shortage, supply chain cost increases and delays with the delivery of key hardware items, which have collectively delayed our ability to finalise a number of technology implementation projects. The delay in the closure of these projects has extended the invoicing cycle, impacting both revenue recognition and cash flow generation in 2H FY22. The Company is working through a range of initiatives to fast track the closure of these projects in 1H FY23, which will drive the commencement of ongoing SaaS recurring revenue and improve cash flow generation.

Net cashflows from operating activities



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Corporate

Post the end of the quarter, the Company announced the appointments of Mr Mark Devadason and Mr Bob Alexander as Non-Executive Directors.

- Mr Mark Devadason has more than 30 years of international banking and leadership experience across corporate, private banking and broad-based sustainability work. Mark is also a Non-Executive Director of Melbourne based mutual bank, Bank First and an executive coach and mentor with Stephenson Mansell Group.
- Mr Bob Alexander is an experienced Non-Executive Director, previously holding board and advisory roles in the technology solution, intellectual property and digital media and advertising industries. Bob was a Non-Executive Director and Chairman of the Audit & Risk Committee for former ASX-listed software company, The Citadel Group Limited, as well as Xenith IP Group Limited and QMS Media Limited.



John Rankin, Chief Operating Officer and Executive Director has relocated to Europe to drive the Company's initiatives in the rapidly growing Europe, Middle East, Africa (EMEA) region. With Chief Executive Officer Wayne Arthur already located in the USA, the Company's two most senior executives are located in our core high-growth regions.

As noted in Section 6 of the Appendix 4C, the Directors' fees stated were made to the Directors of the entity during the quarter, comprising salaries and fees for Executive and Non-Executive Directors. No other payments were made to any related parties or their associates of the entity.

Outlook

Skyfii has commenced the new financial year in a strong position with a growing pipeline of new business opportunities. Operating cash flow is expected to improve significantly in 1H FY23 and the Company reconfirms expectations to achieve a sustainable cash flow breakeven position during 2H FY23. Specific areas of focus for the Skyfii team in FY23 will include:

- Focus on revenue conversion in the rapidly growing North America and EMEA regions
- Continued business development focus on key verticals including airports, stadiums, transit hubs and quick service restaurants
- Resolution of supply chain issues and delivery challenges that have carried over from 2H FY22 and recognition of delayed project revenues
- Costs rationalisation and efficiency initiatives, including offshoring of talent, to deliver material cost savings and maintain margins
- Operating cash flow is expected to improve significantly during 1H FY23 and the Company reconfirms expectations to achieve a sustainable cash flow breakeven position during 2H FY23
- The Company expects to deliver another year of strong revenue growth and expects ARR to grow to >\$20m during FY23

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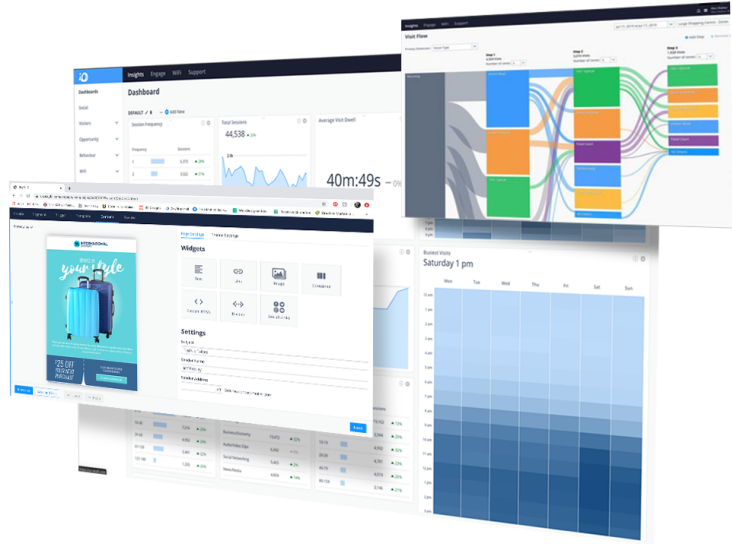
About Skyfii

Skyfii helps organisations activate the power of their data through technology & human ingenuity, to find new ways to optimise the spaces where we live, work, shop, travel & play.

Skyfii's IO platform unifies your data points on one proprietary platform to give you the insights needed to solve the complex challenges of your present and future.

We ingest data from a diverse range of technologies including WiFi, Camera, People counting, LiDAR, CCTV and IoT devices. We combine these datasets with contextual data like weather, retail sales and sociodemographic to improve operational performance for retailers, airports, stadiums, smart cities and other public and commercial venues.

Skyfii further augments insights generated by the IO Platform with its Data & Marketing Services offering: A team of data science and digital marketing consultants who help our clients harness more value from their data.



This announcement has been approved by Skyfii Limited's CEO.

Learn more at www.skyfii.io or follow Skyfii updates at <https://au.linkedin.com/company/skyfii>

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Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

SKYFII LIMITED

ABN

20 009 264 699

Quarter ended ("current quarter")

30 JUNE 2022

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	6,477	23,714
1.2 Payments for ¹		
(a) research and development	(7)	(142)
(b) product manufacturing and operating costs	(1,567)	(8,544)
(c) advertising and marketing	(308)	(930)
(d) leased assets	-	-
(e) staff costs	(2,711)	(15,006)
(f) administration and corporate costs	(918)	(1,680)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	14	25
1.5 Interest and other costs of finance paid	(10)	(51)
1.6 Income taxes paid	(159)	(211)
1.7 Government grants and tax incentives ²	33	1,148
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	844	(1,676)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses ³	-	(314)

¹ Cashflows are presented after the capitalisation of employee, contractor and other expenditure attributable to software development of approximately \$2.4m for the twelve months to 30 June 2022.

² Government grants and tax incentives includes the ATO Research & Development Tax Incentive of \$1.09m and Export Market & Development Grant (EMDG) of \$0.06m

³ In September 2020, the Company announced the acquisition of Blix with a deferred consideration payment based on revenue targets achieved. During the 2nd quarter in 2022, the final settlement payment was made of \$314k.

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
	(c) property, plant and equipment	(185)	(330)
	(d) investments	-	-
	(e) intellectual property	(1,359)	(2,409)
	(f) other non-current assets	(12)	(12)
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(1,556)	(3,065)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	1	384
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	880	880
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	881	1,264

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	4,951	8,596
4.2	Net cash from / (used in) operating activities (item 1.9 above)	844	(1,676)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,556)	(3,065)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	881	1,264
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	5,119	5,119

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	4,239	4,951
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	880	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	5,119	4,951

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1 ⁴	289
6.2	Aggregate amount of payments to related parties and their associates included in item 2	
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>		

⁴ *Salaries and Director fees for Executive and Non-Executive Directors

7. Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities	1,800	880
7.2 Credit standby arrangements	0	0
7.3 Other (please specify)	0	0
7.4 Total financing facilities	1,800	880
7.5 Unused financing facilities available at quarter end		920
7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	844
8.2 Cash and cash equivalents at quarter end (item 4.6)	5,119
8.3 Unused finance facilities available at quarter end (item 7.5)	920
8.4 Total available funding (item 8.2 + item 8.3)	6,039
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	N/A
<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
Answer:	
8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
Answer:	
8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
Answer:	
<i>Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.</i>	

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 27 July 2022

Authorised by: The Board of Skyfii Limited
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.