



ASX: SKF

QUARTERLY BUSINESS UPDATE

HIGHLIGHTS

- Operating revenues for the quarter of \$785k¹ up 72% on the previous quarter
- Operating revenues for the full year of \$2.3 million² up over 250% on the prior financial year
- US market penetration has already commenced with a landmark partnership with Major US Mall media company, McGavren Guild Malls
- Skyfii entered the lucrative Australian Municipality sector securing a deal with prominent NSW Council
- Total revenue pipeline growth continues to build - \$53m from advanced stage pipeline (up 10% on the prior quarter)³
- Billing venues up 12% on previous quarter, with 8 new venues going live
- Total registered user base continues to build strongly reaching 4 million unique users
- Strong cash position of \$2.6m - Skyfii remains well-funded to continue expansion
- Specific focus on US and UK markets over next 12 months with an ongoing commitment to our large and growing local customer base

Data analytics services company Skyfii Limited (**Skyfii, the Company**) has today released its Appendix 4C Report for the three-month period to 30 June 2016 and is pleased to provide a review of the progress made during Q4 FY16.

Strong Customer & Revenue Growth

Skyfii continued to install its guest WiFi and analytics services in a growing number of venues, with 8 new venues going live during the quarter.

Total operating revenue for the quarter was \$785k¹, up 72% on the previous quarter due to a number of one-off implementation fees recognised in June 2016 for Guest WiFi and Analytics deployments in several Australian shopping centres. Recurring analytics fees were up 5% on Q3 FY16 due to additional Analytics deployments having only been completed in late June 2016.

With a strong fourth quarter, the Company's total operating revenues for the full year of \$2.3 million² represents growth of over 250% on the prior financial year.

¹ Based on unaudited revenue from operations (excluding interest, grant and other income) for the quarters ending 30 June 2016 and 31 March 2016.

² Based on unaudited revenue from operations (excluding interest, grant and other income) for the years ending 30 June 2016.

³ Assuming full rollout and 5 year contract terms excluding additional revenues from advertising and data services

Launch of new and improved content delivery capability

Following release of new content delivery tools in the previous quarter Skyfii has contracted two of its customers on a monthly subscription service for its marketing tools, which provides incremental revenue growth on the existing contract. In addition to the anticipated revenue uplift potential on the marketing tool subscriptions, Skyfii is in final stage negotiations on several large advertising revenue contracts which will significantly impact the revenues in the following 12 months.

Accelerated growth into the North America market

Skyfii has hit the ground running in the North American market signing a landmark partnership with McGavren Guild Malls (**MG Malls**), who own media rights within 3,000+ shopping malls in the North American market.

Under the Agreement, MG Malls will incorporate Skyfii products into MG Malls' shopping centre media products' offering, and will market Skyfii products to its shopping centre property owners, groups and developers in North America - with the goal of driving new business for Skyfii's products.

Strategic Investment Opportunity with Chapmans Opportunities Limited (COL)

Chapmans Opportunities Limited failed to satisfy the conditions precedent in the share subscription agreement announced on the 25th February 2016 and as a result the transaction has been terminated.

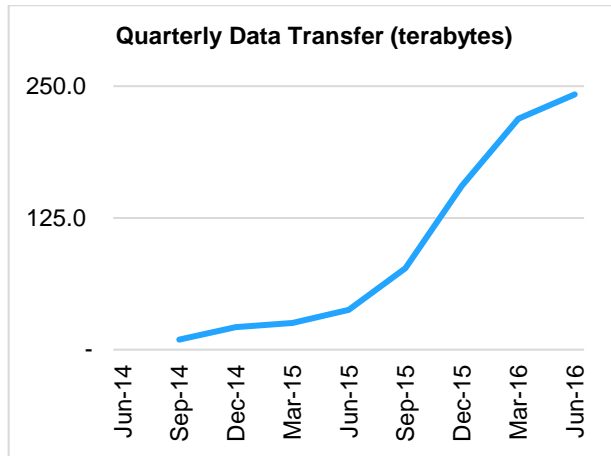
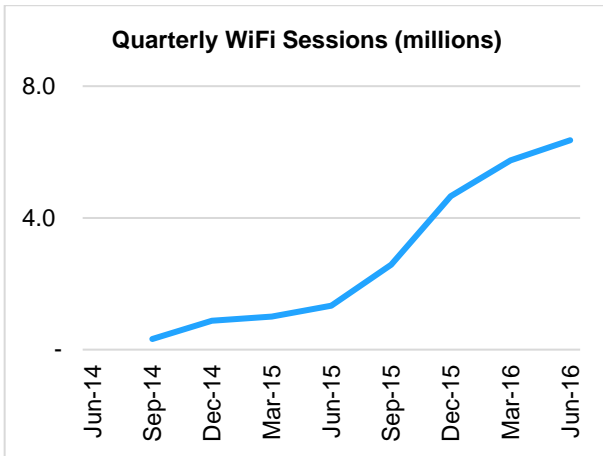
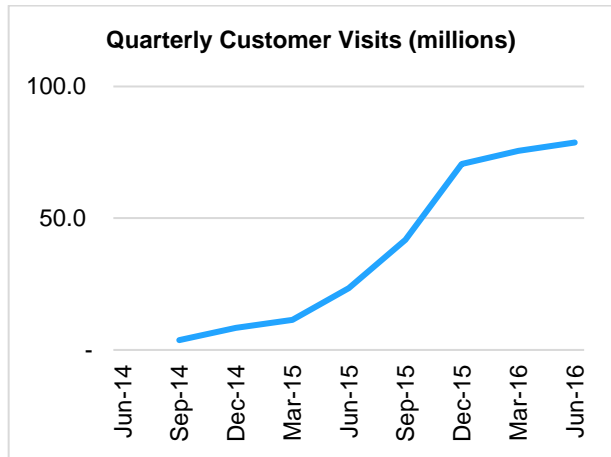
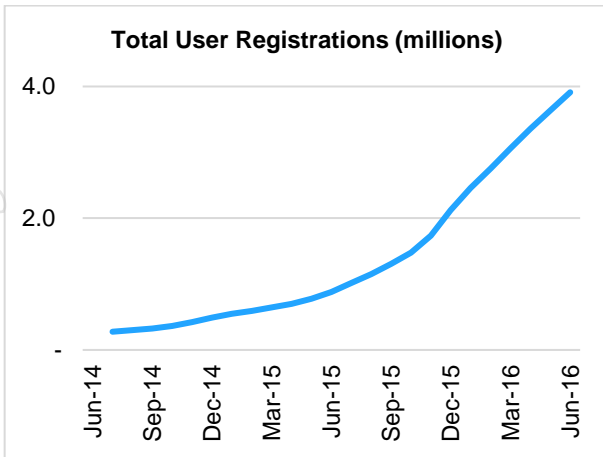
Strong Cash Position

As at 30 June 2016, the Company had a strong cash position of \$2.6m. In addition, the Company expects to receive an R&D tax incentive rebate of \$0.85 million in FY17 relating to research and development expenditures undertaken in FY16.

Key User Operating Metrics

In line with the Company's continued growth in contract deployments, all key operating metrics continue to experience significant growth, lending strong user validation of Skyfii's services:

- Total registered user base increased by +28% qoq from 3.1 million to 3.9 million unique users
- Growth in WiFi sessions of +11% qoq
- Customer venue visits increased by +4% qoq
- Data transferred grew by +11% qoq



Outlook

Skyfii continues to focus on delivering contracts within the Australian and New Zealand markets. Outside of our strong core focus on the shopping centre groups, we have begun to focus on medium sized and smaller retailers and have already secured pilots within a number of these groups over the past quarter. The evolution of the Skyfii product and the launch of the improved content delivery capability has begun to open up new conversations within this key vertical.

In addition to retailers, and following our contract announcement with a major NSW council, we see strong growth potential within the municipality sector locally and globally and this will also be a key focus over the next 12 months. Finally, due to the inherent retail offering within large transit hubs such as airports, train stations and depots, Skyfii has also begun to focus attention in the transit vertical and we look forward to being able to make significant contract announcements in this vertical during the next quarter.

Our investment internationally has begun to bare fruit and in particular the Company has several very significant contracts under final negotiation in Brazil which the Company anticipates being able to announce during the next quarter.

The North American effort is well and truly underway and the Company is extremely pleased with the pipeline growth during the past three months coupled with the strong appetite for Skyfii’s product in the region. The Company is very well positioned and in the final stages on a very large project currently, the result of which will be determined early in the coming quarter.

We remain extremely confident in our market leadership position in Australia and are highly focussed on achieving significantly higher growth with the North American market. Through our very strong vendor partnerships, in conjunction with our experienced US based team, we are very well placed to grow revenues significantly during FY17 and we look forward to updating the market on significant contract wins in the coming months.

For further information, please contact:

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ABOUT SKYFII

Advancements in cloud, mobile technology and Wi-Fi systems have enabled bricks-and-mortar venues to become more competitive by better understanding the needs of their diverse types of visitors. Today, every smartphone is a chatterbox of information. The cloud-based Skyfii platform uses existing Wi-Fi infrastructure, BLE beacon networks, door-to-people counters, video sources, web and social platforms to allow various types of venues to not only analyse behaviour of anonymous visitors, but also capture data from those who opt-in to free Internet connectivity. In doing so, it converts the data into a critical sales and marketing tool that allows venues and their commercial tenants to deliver content that is catered to each visitor's needs and interests. For more information visit www.skyfii.io.

Appendix 4C

Quarterly report for entities admitted on the basis of commitments

Name of entity

Skyfii Limited

ABN

20 009 264 699

Quarter ended ("current quarter")

30 June 2016

Unaudited consolidated statement of cash flows

| Cash flows related to operating activities | | Current quarter \$A'000 | Year to date (12 months) \$A'000 |
|--|---|-------------------------------|--|
| 1.1 | Receipts from customers | 512 | 1,845 |
| 1.2 | Payments for ¹ | | |
| | (a) staff costs | (1,106) | (3,048) |
| | (b) advertising and marketing | (134) | (228) |
| | (c) research and development | (159) | (265) |
| | (d) leased assets | - | - |
| | (e) other working capital | (483) | (2,251) |
| 1.3 | Dividends received | - | - |
| 1.4 | Interest and other items of a similar nature received | 9 | 43 |
| 1.5 | Interest and other costs of finance paid | - | (1) |
| 1.6 | Income taxes refunded/ (paid) | - | - |
| 1.7 | Other: | | |
| | (a) Government grant revenue | 107 | 146 |
| | (b) R&D tax rebate | - | 792 |
| | Net operating cash flows | (1,255) | (2,966) |

¹ Operating cash flows are presented after the capitalisation of employee, contractor and other expenditure attributable to software development of approximately \$820k for the half year ended 31 December 2015. The Company expects to capitalise additional employee, contractor and other expenditures of approximately \$999k as an intangible software development asset for the remainder for the full-year ended 30 June 2016.

| | Current quarter \$A'000 | Year to date (12 months) \$A'000 |
|--|-------------------------------|--|
| 1.8 Net operating cash flows (carried forward) | (1,255) | (2,966) |
| Cash flows related to investing activities | | |
| 1.9 Payment for acquisition of: | | |
| (a) businesses (item 5) | - | - |
| (b) equity investments | - | - |
| (c) intellectual property ² | - | (820) |
| (d) physical non-current assets | (5) | (165) |
| (e) other non-current assets | (3) | 17 |
| 1.10 Proceeds from disposal of: | | |
| (a) businesses (item 5) | - | - |
| (b) equity investments | - | - |
| (c) intellectual property | - | - |
| (d) physical non-current assets | - | - |
| (e) other non-current assets | - | - |
| 1.11 Loans to other entities | | |
| (a) employee advances | 9 | (1) |
| 1.12 Loans repaid by other entities | - | - |
| 1.13 Other | - | - |
| Net investing cash flows | 1 | (969) |
| 1.14 Total operating and investing cash flows | (1,255) | (3,935) |
| Cash flows related to financing activities | | |
| 1.15 Proceeds from issues of shares, options, etc. | - | 4,105 |
| 1.16 Proceeds from sale of forfeited shares | - | - |
| 1.17 Proceeds from borrowings | - | - |
| 1.18 Repayment of borrowings | - | - |
| 1.19 Dividends paid | - | - |
| 1.20 Other | | |
| (a) capital raising costs | 8 | (243) |
| Net financing cash flows | 8 | 3,862 |
| Net increase (decrease) in cash held | (1,246) | (72) |
| 1.21 Cash at beginning of quarter/year to date | 3,859 | 2,685 |
| 1.22 Exchange rate adjustments | - | - |
| 1.23 Cash at end of quarter | 2,612 | 2,612 |

² Represents software development expenditure capitalised as an intangible asset in the half year ended 31 December 2015. The Company expects to capitalise additional employee, contractor and other expenditures of approximately \$999k as an intangible software development asset for the remainder for the full-year ended 30 June 2016.

Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

| | | Current quarter \$A'000 |
|------|--|----------------------------|
| 1.24 | Aggregate amount of payments to the parties included in item 1.2 | 129 |
| 1.25 | Aggregate amount of loans to the parties included in item 1.11 | - |

1.26 Explanation necessary for an understanding of the transactions

1.24 includes directors' fees and salaries paid in the quarter.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

N/A

2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest

N/A

Financing facilities available

| | | Amount available \$A'000 | Amount used \$A'000 |
|-----|-----------------------------|-----------------------------|------------------------|
| 3.1 | Loan facilities | - | - |
| 3.2 | Credit standby arrangements | - | - |

Reconciliation of cash

| Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows. | | Current quarter \$A'000 | Previous quarter \$A'000 |
|---|--------------------------|----------------------------|-----------------------------|
| 4.1 | Cash on hand and at bank | 2,612 | 3,854 |
| 4.2 | Deposits at call | - | 5 |
| 4.3 | Bank overdraft | - | - |
| 4.4 | Other (provide details): | - | - |
| Total: cash at end of quarter (item 1.23) | | 2,612 | 3,859 |

Acquisitions and disposals of business entities

| | Acquisitions (Item 1.9(a)) | Disposals (Item 1.10(a)) |
|---|-------------------------------|-----------------------------|
| 5.1 Name of entity | - | - |
| 5.2 Place of incorporation or registration | - | - |
| 5.3 Consideration for acquisition or disposal | - | - |
| 5.4 Total net assets | - | - |
| 5.5 Nature of business | - | - |

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.
- 2 This statement does give a true and fair view of the matters disclosed.

Dated 29 July 2016

Heath Roberts
 Company Secretary

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Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
2. The definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report except for any additional disclosure requirements requested by AASB 107 that are not already itemised in this report.
3. **Accounting Standards.** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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