



ASX Announcement/Media release  
31<sup>st</sup> August 2016

ASX: SKF

## SKYFII DELIVERS RECORD REVENUE AND GROWTH IN FY16

### HIGHLIGHTS

- Record operating revenues for the full year of \$2.3 million<sup>1</sup> up 256% on the prior financial year
- Record recurring revenues for the full year of \$1.1 million up 362% on the prior financial year
- Strong growth in advanced stage pipeline in FY16, up 83% to \$53m<sup>2</sup>
- Significant growth in billing venues, up 335% on the prior financial year
- Significant growth in total registered user base of +346% year on year from 0.9 million to 3.9 million unique users
- Strong cash position of \$2.6 million - 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**) is pleased to present its financial results for the full year ended 30 June 2016 (**FY16**).

The Company commenced FY16 with the strategic aim of capitalising on its competitive advantage in the retail mall segment. With this strategic focus in FY16 and the continued investment in product development, staff and international growth opportunities, the Company experienced an incredibly strong uptake of its services and deployments within the retail mall segment across several major retail property groups.

At year end the Company had deployed and was billing for Analytics and Guest WiFi services across 74 predominantly large format retail malls, up 335% from 17 venues at the end of the prior year.

<sup>1</sup> Excluding interest, grant and other income.

<sup>2</sup> Assuming full rollout and 5 year contract terms excluding additional revenues from advertising and data services.

## Overview of financial performance

The Company achieved operating revenues of \$2.3 million in FY16, representing 256% growth on the previous corresponding period (FY15: \$0.7 million).

Underlying the growth in operating revenues in FY16 was an increase in recurring subscription revenues of 362% to \$1.1 million (FY15: \$0.2 million).

In line with the Company's continued investment to support the future growth and roll-out of its services internationally, the Company reported an operating net loss after tax of \$2.3 million (FY15: \$2.0 million loss) and operating loss before interest, tax, depreciation and amortisation of \$1.9 million (FY15 Operating EBITDA: \$2.0 million loss).

Reported net loss after tax of \$5.4 million in FY16 (FY15 NPAT: \$4.8 million loss) included one-off expenses totalling \$3.0 million, including non-cash acquisition costs relating to the issue of earn out shares.

Net operating cash outflows of \$2.0 million in FY16 remained in line with the previous financial year (FY15: \$2.0 million outflow), including the receipt of an R&D tax incentive rebate of \$0.8 million (FY15: \$0.5m).

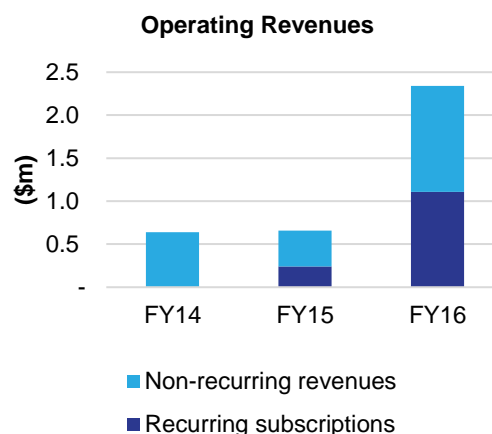
During the year, the Company also invested and capitalised \$1.8 million on software development activities relating to its SaaS platform (FY15: \$1.4 million).

### 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.

### Successful capital raising in FY16

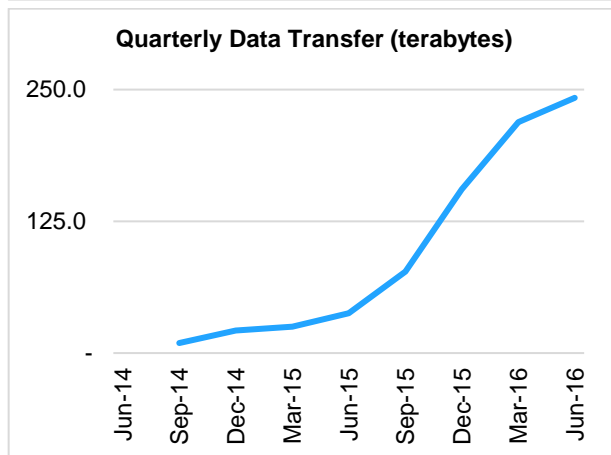
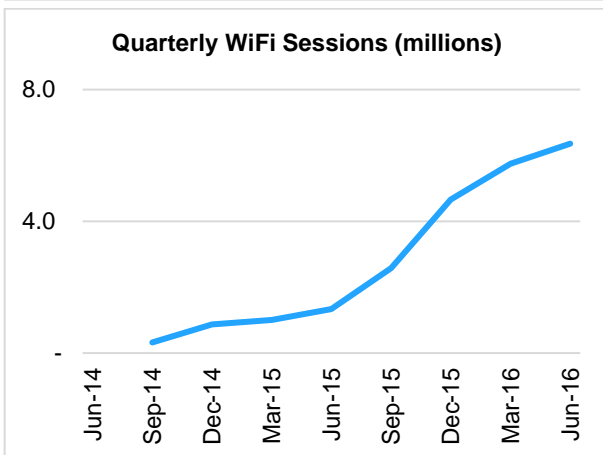
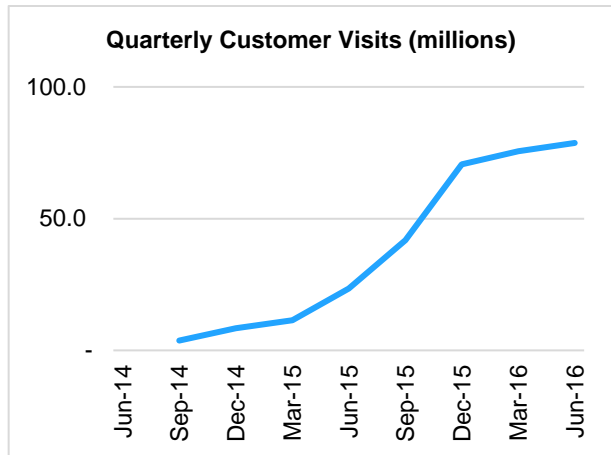
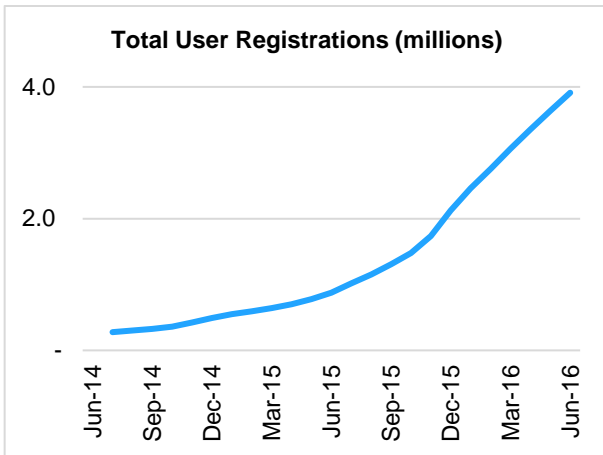
In November 2015, the Company conducted a placement to new institutional and retail investors combined with strong support from existing shareholders to raise an additional \$4.1 million (before costs) in order to accelerate the Company's business expansion and strengthen the Company's balance sheet. The placement, which was oversubscribed, was conducted at a price of \$0.15 per share, representing a 6.3% discount to the then trading price of Skyfii's shares.



## Significant growth in key operating metrics in FY16

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:

- Significant growth in total registered user base of +346% year on year from 0.9 million to 3.9 million unique users
- Significant growth in new unique registered users of +405% year on year
- Significant growth in WiFi sessions of +446% year on year
- Significant growth in customer venue visits of +468% year on year
- Significant growth in data transferred of +638% year on year



## New contract wins in FY16

The Company secured some notable contract wins in FY16, including:

- **Mirvac property group:** Skyfii was selected as the Analytics and Guest WiFi partner by Mirvac, through its relationship with Optus Business. Skyfii's services have since been rolled out across 2 retail shopping centres on a 3 year contract term, with the potential to roll out across further Mirvac portfolio assets.
- **The Blackstone Group:** Following a successful pilot, Skyfii was selected as Blackstone's preferred Analytics and Guest WiFi partner. The Company deployed its services in 5 retail shopping centres on 3 year contract terms, and expects to deploy into an additional 4 retail shopping centres in FY17.
- **Waverley Council:** Following a competitive tender process, Skyfii was selected as the preferred Analytics and Guest WiFi partner to deploy its services across 4 public precincts on an initial 12 month contract term, including Bondi Beach, Bronte and Tamarama beach precincts which will commence in FY17.
- **The Merivale Hospitality Group:** Skyfii deployed its Analytics and Guest WiFi services in 3 major Merivale venues including The Ivy, Establishment and The Newport.
- **Barangaroo's South precinct:** Following a competitive tender and successful pilot, Skyfii was selected as the preferred Guest WiFi provider at Barangaroo's south precinct.
- **The Lederer Group:** Skyfii successfully deployed its Analytics and Guest WiFi services at the Imperial Gosford shopping centre on a 3 year contract term, with the potential to extend its rollout across an additional 5 shopping centres.

In addition to the strong conversion of pilots to contracts and continuing to significantly grow its retail shopping centre portfolio in Australia, the Company has also unlocked new verticals within hospitality, municipalities (councils) and leagues clubs, all of which represent significant growth potential for the Company in FY17.

## Existing customer growth in FY16

In addition to new contract wins and opening up new and exciting verticals, the Company also delivered additional growth from existing customers.

- **Scentre Group** (contract delivered through Optus Business): Skyfii's services were deployed in an additional 21 shopping centres during FY16, bringing the total number of live venues to 29.
- **The GPT Group:** Skyfii's services were deployed in an additional 10 retail and office property venues during FY16, bringing the total number of live venues to 17.
- **World Square:** Skyfii successfully renewed its existing contract for its services at World Square in FY16, and subsequent to the acquisition of the asset by ISPT has extended its services and doubled its recurring revenues at the venue in early FY17.
- **IPOH:** Skyfii successfully renewed its existing contract for its services at the QVB, Chifley Plaza, Strand Arcade and Galeries retail centres in FY16.

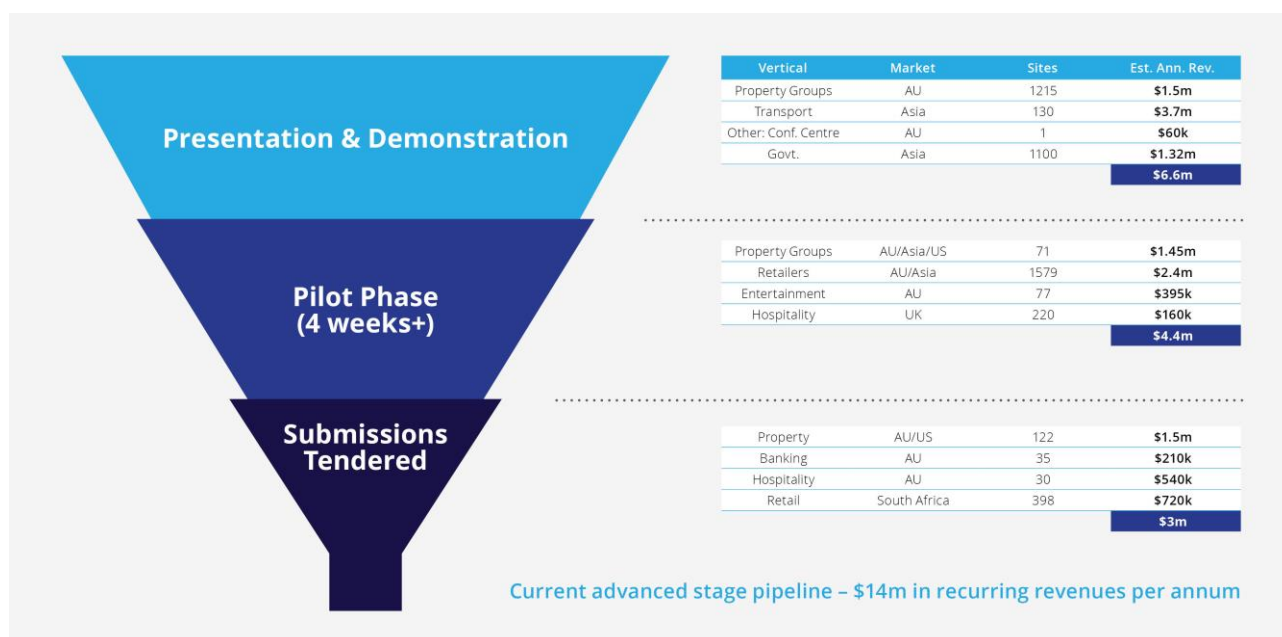
## Strong growth in Skyfii's sales pipeline

The Company's total advanced stage pipeline grew 83% in FY16 on the prior year, from \$29 million to \$53 million (assuming full rollout and 5 year contract terms).

The Company continues to build and progress its sales pipeline, noting that the speed to conversion in the previous two financial years has been influenced by relatively long enterprise sales cycles (typically 12-18 months) and delays where customers have had a lack of, or inadequate, wireless infrastructure to support the Company's services.

The Company is extremely pleased that a large proportion of its existing early stage sales pipeline from FY15 and early FY16 remains live and is progressing towards conversion, with an annual recurring revenue potential of \$14 million, and growing.

## Skyfii's sales pipeline as at FY16



## Skyfii maintains strong conversion of pilots to customer wins

Skyfii has continued to deliver a strong conversion rate of pilots to customer wins through its direct sales efforts in Australia. The Company delivered on 12 new pilots in FY16, leading to 7 customer wins, with 3 of those pilots still in progress. None of the concluded pilots that failed to convert to customer wins during FY16 were lost to a competitor.

## International highlights

The Company continued to extend its global footprint in FY16, with key strategic entries into the North American and UK markets in Q3 and Q4 FY16.

The Company has already begun to build very strong pipelines within the retail, transit, education and hospitality verticals across the North American, UK and Singapore markets with notable pilots currently underway with:

- a major retail property group, which represents a potential 40 large shopping centres (North America);
- two major international airports (North America);
- a major university (EMEA);
- a national 300 venue coffee retail chain (EMEA); and
- a high profile 15 venue fashion retail chain (Asia Pacific).

In addition, the Company is also in the late stages of negotiation with a major US based telecommunications company for a city wide wireless rollout project in North America.

Despite the challenging economic conditions in Brazil, the Company continued to expand its footprint with 5 additional deployments for Iguatemi, one of Brazil's leading shopping centre groups (FY16 total of 8 venues with an additional 6 venues anticipated in FY17), new contract wins with Saga Malls for an initial shopping centre and secured a small portfolio of 5 car dealerships. In addition, a number of notable pilots currently underway in Brazil include:

- a major international airport; and
- two major retail property groups which represent a potential 40+ shopping malls.

### Expansion of Skyfii's product and service capabilities

During FY16 the Company increased its product and service capabilities to extend its share of wallet from existing customer and to build greater stickiness with its customer relationships.

There was a continuation of the rapid pace of product development that was set in the prior year, resulting in a number of key product milestones being met during the year. The Skyfii IO platform and modules underwent a full visual rebuild, including a range of improvements to the platform's presentation layer.

These improvements led to an increase in customer engagement including increases in the number and length of user sessions. In addition to the considerable updates made across the entire product suite, including new analytics reports, data mining capabilities and improvements to the platform's Guest WiFi functionality, a key focus of new product development in FY16 was expanding on the platform's marketing and content delivery tools.

The full launch of Skyfii's Engage product (marketing tools) has enabled automated marketing campaigns, multiple marketing triggers, customer contact scheduling and new delivery media such as portal video. Bringing the enhanced Engage product to market has provided the Company with a new channel to drive incremental revenue growth from existing customers whilst solidifying Skyfii's key differentiator from its competitor's products.

The two key enhancements to the Company's offering which will provide continued incremental revenue growth including its new marketing tools subscriptions and data science capabilities.

Some examples of successful marketing campaigns delivered in FY16 using the Company's new marketing and content delivery tools include:

- **Department store launch:** Skyfii's platform was utilised to deliver a real-time and location triggered email campaign on the day of a department store launch to shoppers "seen" in a shopping centre to drive them to the store opening. The result of the campaign resulted in customers who received the email being 26% more likely to visit the new store on that day and stayed in the shopping centre for 14% longer than the average customer on that day.
- **Retail venue exit survey:** Skyfii's platform was utilised to deliver an exit survey to shoppers who were "seen" to have exited a retail venue, collecting quantitative and qualitative shopper intent data, resulting in a high quality data set for the retailer to understand "top of mind" shopper intent in real time.

Some examples of the Company's data science capabilities delivered for its customers in FY16 include:

- **Elevator analysis:** measuring asset utilisation to support decision making around asset development and investment.
- **Competitor impact analysis:** measuring change in shopper behaviour as a result of new anchor tenants launching at a competitor centre in the same trade area.
- **Audience segmentation:** validating audience segments based on in-centre behaviour.
- **Major retail store launch impact:** measuring impact of launch of a new anchor tenant on shopper behaviour.
- **Spend analysis:** correlating retail spend with centre dwell time to determine acceleration / deceleration of spend over time.
- **Precinct analysis:** analysing shopper behaviour in an under-performing precinct and comparing to rest of centre.

A summary of the key findings of the final two examples are annexed to this release.

**Commenting on the result, Skyfii's CEO Wayne Arthur said,** "I am extremely pleased at the progress the Company has made in FY16. Although we are still subject to long enterprise sales cycles it is extremely encouraging to note that the vast majority of our existing early stage sales pipeline from FY15 and early FY16 remains live. We have seen growth across all of our established markets, across our existing customer base and record growth in both our operating and annual recurring revenues. The combination of these trends and strong demand for our product in the North America and United Kingdom regions sets us up for an extremely exciting year in FY17."

**Commenting on the year ahead for Skyfii, Mr Arthur added,** "Whilst continuing to grow revenues within our established markets and existing customer base, the main focus in FY17 is on unlocking growth into the North America region in particular. I look forward to updating the market on exciting developments with North America in due course."

**For further information, please contact:**

**Wayne Arthur**  
**CHIEF EXECUTIVE OFFICER**  
**E** [wayne@skyfii.com](mailto:wayne@skyfii.com)  
**M** +61 410 600 145

**Investor Inquiries:**  
James Moses  
Media and Investor Relations  
Mandate Corporate  
**E** [james@mandatecorporate.com.au](mailto:james@mandatecorporate.com.au)  
**M** +61 420 991 574

## **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](http://www.skyfii.io).

### Case Study 1: Objective

Understand the relationship between visit length and visit spend, and whether it accelerates or decelerates.

**Solution: We analysed visitor behaviour and transaction size to identify common shopper behaviours**

**“Mission shopping”:**

- Short visits (under 60 min)
- Higher spend frequency, lower total spend
- Destinations

**“Casual shopping”:**

- Longer visits (60 min+)
- Lower spend frequency, higher total spend
- Exploration

Maximum visit duration (h:mm)	0:30	1:00	1:30	2:00	2:30	3:00	3:30	4:00
Average spent rate Per 30 min	\$112	\$73	\$57	\$44	\$41	\$27	\$44	\$43
Average total spend	\$112	\$146	\$171	\$176	\$205	\$162	\$309	\$345
	<b>Highest efficiency</b>			<b>Highest total value</b>				

**Insight:** We identified two common shopping behaviours, mission shopping and casual shopping, and the value of these two distinct groups over time in centre.

### Case Study 2: Objective

Diagnose why venue performance of one shopping centre precinct is better than other areas.

**Solution: We compared zone correlation and visitor behaviour in Precinct X to the rest of the centre**

**Visitors who start in Precinct X:**

**12% ↑**

End in Precinct X

**4.1% ↓**

End in other precincts

**Visitors who start in other precincts:**

**6.1%**

End in other precincts

**3.2%**

End in Precinct X

**Shoppers were twice as likely to remain in Precinct X compared to other precincts**



**Insight:** We were able to identify a visitation trap, and recommend initiatives to help drive shopper pollination across precincts.

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