

ASX: SKF

SKF QUARTERLY BUSINESS REVIEW – Q2 FY2017

HIGHLIGHTS

- Strong recurring revenue growth for the quarter of \$474k¹ up 16% on the previous quarter
- Significant growth in revenue pipeline - \$68m from advanced stage pipeline - up 17% on the previous quarter ²
- Total registered user base up 22% on previous quarter reaching 6.7 million unique users
- First major US contract announced with Cincinnati Bell Telecom
- Expansion of current contract with Mirvac Property Group
- First major contract in the education sector with Durham University (post end of quarter)
- New major shopping centre contract secured in Brazil with Aliansce group of 33 centres (post end of quarter)
- Successful equity placement of \$4.1m+ concluded during December 2016
- Cash position of \$3.5m with additional funds from conditional placement of \$1.6m expected in February 2017

Data analytics and marketing services company Skyfii Limited (Skyfii, the Company) has today released its Appendix 4C Report for the three-month period ending 31 December 2016 and is pleased to provide a review of progress made during the quarter.

Significant growth in recurring revenues

The Company's recurring revenues of \$474k¹ increased significantly, up 16% on the previous quarter. This is largely due to additional shopping centre and other retail assets coming online during the quarter. Total operating revenue for the quarter was \$752k¹, up 18% on the previous quarter.

Significant contracts won and expanded upon

Skyfii signed its first major deal in North America, announcing a landmark deal with Cincinnati Bell Telecom Services ('CBTS') to initially deliver guest WiFi, analytics and marketing services to the city of Cincinnati over the city wide public WiFi network which is currently in roll-out and as part of the "Light up Cincinnati" campaign.

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

² Assuming full rollout and 5 year contract terms excluding additional revenues from advertising and data services. Advanced stage Pipeline defined as proposals presented, pilots underway and submissions tendered.

The partnership with CBTS promises to deliver additional customer contracts within the key CBTS trade areas.

The Company also expanded its service offering to new assets within the Mirvac group retail property portfolio, contracting five additional Mirvac retail centres, in partnership with Optus Business.

Significant growth in revenue pipeline

Skyfii continued to grow its advanced stage revenue pipeline to \$68m - up 17% on the previous quarter². North America, Europe, Middle East, Africa (EMEA) and UK markets have shown particularly strong pipeline growth during the quarter and the company is confident of delivering new contract wins in these regions in the short term.

Post quarter announcements

Skyfii signed a three year initial contract with Durham University in the United Kingdom, signifying a landmark deal for the company within the lucrative education vertical.

In addition the company has expanded its portfolio of shopping centres in Brazil under contract to over 50 centres through a new major contract win with Aliansce group. Aliansce is a five year contract which includes subscription services and also grants lucrative brand and advertising sponsorship rights to Skyfii on a revenue share basis with Aliansce group.

Continued investment in new verticals, products & services

The Company's plans to release a number of new commercial products and services throughout calendar 2017 are well progressed. These new products and services are being developed as part of Skyfii's stated strategy to enter new qualified vertical markets beyond the original focus on the consumer retail market, such as the education market. Under the expanded offering, a wider diversity of industry verticals will be able to benefit from the Skyfii technology, and the Company expects this to yield fast tracked revenue growth.

These new products and services are focussed around developing exciting data science services and advertising services to complement existing data already being captured by the Skyfii IO platform and build differentiation into the Skyfii offering. This strategy will unlock meaningful revenue growth in the medium term.

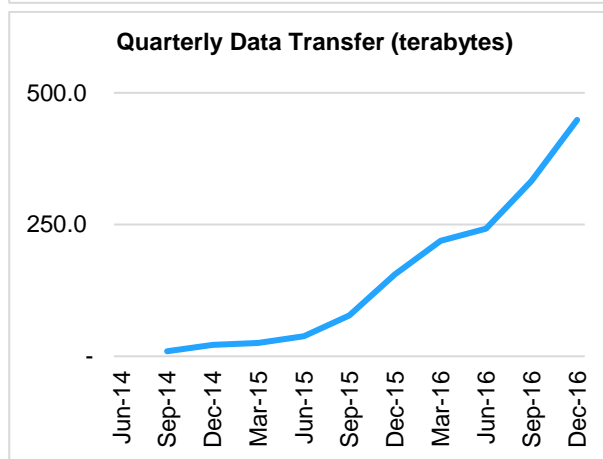
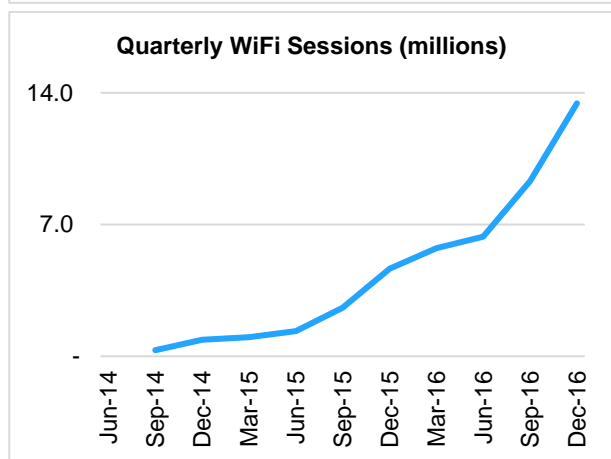
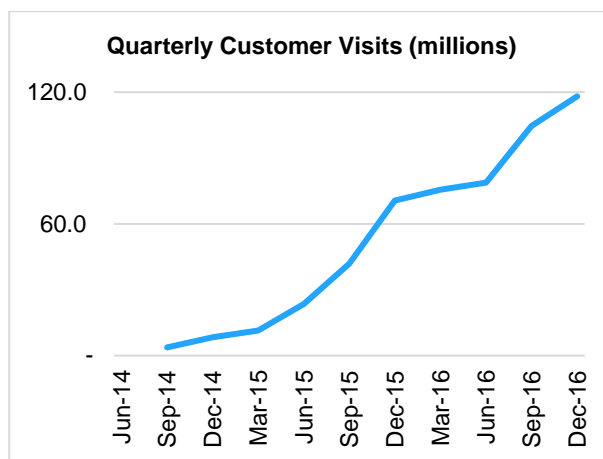
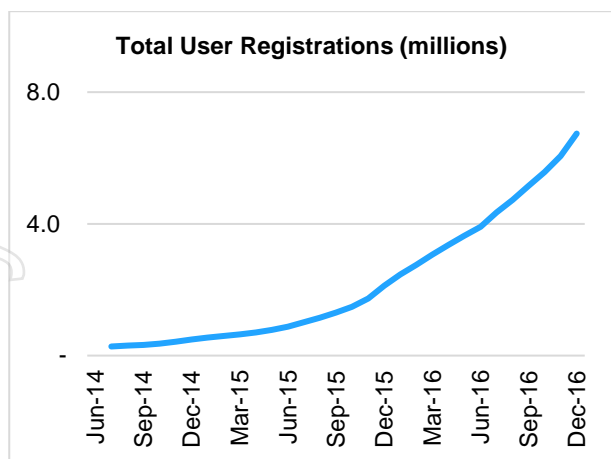
Cash position

As at 31 December 2016, the Company maintained a sound cash position of \$3.5m. In addition, the Company anticipates the receipt of additional funds of approximately \$1.6m from its recent capital raising that is subject to shareholder approval on 6 February 2017.

Key user operating metrics

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

- Total registered user base increased by +31% qoq from 5.2 million to **6.7 million unique users**
- Growth in WiFi sessions of +44% qoq
- Customer venue visits increased by +13% qoq
- Data transferred grew by +35% qoq



Operating metric definitions

Total User Registrations: The total number of people who have registered to use guest WiFi in venues where Skyfii is deployed.

Quarterly WiFi Sessions: The total number of WiFi sessions recorded within venues where Skyfii is deployed.

Quarterly Customer Visits: The total number of physical people visits to venues where Skyfii is deployed.

Quarterly Data Transfer: The quantity of WiFi data being used by users of WiFi within venues where Skyfii is deployed.

Outlook

The company continues to focus on delivering growth with a particular focus on accelerating revenue. We have identified new revenue opportunities which we will begin launching in market during the next two quarters. These new revenue opportunities will be focussed around existing customers but will also provide a wider product and service offering for clearer differentiation in all global markets.

Our strategic focus will continue to be on execution within the North America and EMEA markets, where we continue to build very significant convertible pipelines and as demonstrated over the current and previous quarter, Skyfii is converting opportunities within new industry verticals.

For further information, please contact:

John Rankin

Managing Director – ANZ

Skyfii

P: +61 2 8188 1188

E: john.rankin@skyfii.com

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.

Skyfii offers a cloud-based solution in a subscription model consisting of three core 'IO' services:

- IO Connect: a data portal where data is collected (Data in)
- IO Insight: venue performance, customer behaviour and, loyalty & engagement (Insights out)
- IO Engage: targeted content delivery, automated marketing and monetization

Skyfii also engages with clients to provide further revenue generating services such as data science, targeted advertising and sponsorships, arising from the insights gained from its three core services.

For more information visit www.skyfii.io.

Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Name of entity

Skyfii Limited

ABN

20 009 264 699

Quarter ended ("current quarter")

31 December 2016

| Consolidated statement of cash flows | | Current quarter \$A'000 | Year to date (6 months) \$A'000 |
|--------------------------------------|---|-------------------------------|---------------------------------------|
| 1. | Cash flows from operating activities | | |
| 1.1 | Receipts from customers | 693 | 1,807 |
| 1.2 | Payments for ¹ | | |
| | (a) research and development | (34) | (86) |
| | (b) product manufacturing and operating costs | (375) | (1,252) |
| | (c) advertising and marketing | (125) | (166) |
| | (d) leased assets | - | - |
| | (e) staff costs | (1,173) | (2,125) |
| | (f) administration and corporate costs | (289) | (509) |
| 1.3 | Dividends received (see note 3) | - | - |
| 1.4 | Interest received | 4 | 8 |
| 1.5 | Interest and other costs of finance paid | (1) | (1) |
| 1.6 | Income taxes paid | - | - |
| 1.7 | Government grants and tax incentives | 858 | 862 |
| 1.8 | Other (provide details if material) | - | - |
| 1.9 | Net cash from / (used in) operating activities | (441) | (1,462) |

¹ Cash flows are presented before the capitalisation of employee, contractor and other expenditure attributable to software development of approximately \$749k for the six months to 31 December 2016. The Company expects to capitalise this expenditure as an intangible software development asset in the half-year accounts ended 31 December 2016.

| Consolidated statement of cash flows | | Current quarter \$A'000 | Year to date (6 months) \$A'000 |
|--------------------------------------|---|-------------------------------|---------------------------------------|
| 2. | Cash flows from investing activities | | |
| 2.1 | Payments to acquire: | | |
| | (a) property, plant and equipment | (26) | (34) |
| | (b) businesses (see item 10) | - | - |
| | (c) investments | - | - |
| | (d) intellectual property ¹ | - | - |
| | (e) other non-current assets | (7) | (7) |
| 2.2 | Proceeds from disposal of: | | |
| | (a) property, plant and equipment | - | - |
| | (b) businesses (see item 10) | - | - |
| | (c) investments | - | - |
| | (d) intellectual property | - | - |
| | (e) other non-current assets | - | - |
| 2.3 | Cash flows from loans to other entities | | |
| | (a) employee advances | 1 | (45) |
| 2.4 | Dividends received (see note 3) | - | - |
| 2.5 | Other (provide details if material) | - | - |
| 2.6 | Net cash from / (used in) investing activities | (32) | (86) |

| | | | |
|-------------|---|--------------|--------------|
| 3. | Cash flows from financing activities | | |
| 3.1 | Proceeds from issues of shares | 2,523 | 2,523 |
| 3.2 | Proceeds from issue of convertible notes | - | - |
| 3.3 | Proceeds from exercise of share options | - | - |
| 3.4 | Transaction costs related to issues of shares, convertible notes or options | - | - |
| 3.5 | Proceeds from borrowings | - | - |
| 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) | - | - |
| | (a) Capital raising costs | (102) | (102) |
| 3.10 | Net cash from / (used in) financing activities | 2,421 | 2,421 |

| | | | |
|------------|--|--------------|--------------|
| 4. | Net increase / (decrease) in cash and cash equivalents for the period | | |
| 4.1 | Cash and cash equivalents at beginning of quarter/year to date | 1,537 | 2,612 |
| 4.2 | Net cash from / (used in) operating activities (item 1.9 above) | (441) | (1,462) |
| 4.3 | Net cash from / (used in) investing activities (item 2.6 above) | (32) | (86) |
| 4.4 | Net cash from / (used in) financing activities (item 3.10 above) | 2,421 | 2,421 |
| 4.5 | Effect of movement in exchange rates on cash held | - | - |
| 4.6 | Cash and cash equivalents at end of quarter | 3,485 | 3,485 |

| 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 | 3,485 | 1,537 |
| 5.2 | Call deposits | - | - |
| 5.3 | Bank overdrafts | - | - |
| 5.4 | Other (provide details) | - | - |
| 5.5 | Cash and cash equivalents at end of quarter (should equal item 4.6 above) | 3,485 | 1,537 |

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Current quarter
\$A'000

55

-

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

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

Current quarter
\$A'000

-

-

N/A

8. Financing facilities available*Add notes as necessary for an understanding of the position*

- 8.1 Loan facilities
- 8.2 Credit standby arrangements
- 8.3 Other (please specify)
- 8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.

Total facility amount
at quarter end
\$A'000Amount drawn at
quarter end
\$A'000

-

-

-

-

-

-

N/A

| 9. | Estimated cash outflows for next quarter | \$A'000 |
|-----|---|----------------|
| 9.1 | Research and development | (41) |
| 9.2 | Product manufacturing and operating costs | (455) |
| 9.3 | Advertising and marketing | (113) |
| 9.4 | Leased assets | - |
| 9.5 | Staff costs | (1,551) |
| 9.6 | Administration and corporate costs | (183) |
| 9.7 | Other (provide details if material) | - |
| 9.8 | Total estimated cash outflows | (2,342) |

| 10. | Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above) | Acquisitions | Disposals |
|------|---|--------------|-----------|
| 10.1 | Name of entity | - | - |
| 10.2 | Place of incorporation or registration | - | - |
| 10.3 | Consideration for acquisition or disposal | - | - |
| 10.4 | Total net assets | - | - |
| 10.5 | Nature of business | - | - |

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.

Sign here:
(Company secretary)

Date: 31 January 2017

Print name: Heath Roberts

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 that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly 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 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.