ASX: SKF

SKF HALF YEAR BUSINESS REVIEW – DECEMBER 2016

HIGHLIGHTS

- **Strong growth in total operating revenues for the half-year period of $1.386m, up 26% on the prior corresponding period (pcp)** [1]

- **Strong recurring revenue growth of $883k up 117% on pcp** [1]

- **Advanced stage revenue pipeline continues to grow with $68m in late stage opportunities - up 22% for the half year period** [2]

- **Total registered user base continues to build strongly reaching 6.7 million unique users**

- **Several significant contracts announced during 1HFY17, including with Cincinnati Bell Telecom, Waverley Council, Mirvac Property Group, Durham University and Aliansce shopping centres**

- **Skyfii named as spotlight eco-system partner of Aruba Networks, a Hewlett Packard company**, for the global launch of the Aruba OS 8 platform

- **Successful capital raisings totalling $4.7m completed, with an additional $491k of funds raised under Share Purchase Plan post period end**

Data analytics and marketing services company, Skyfii Limited (**Skyfii**, **the Company**) is pleased to release its financial results for the half year period ended 31 December 2016 and is pleased to provide a review of progress made during the half year.

Significant growth in recurring revenues and significant increase in billing venue numbers

The Company's recurring revenues of $883k for the half-year ended 31 December 2016 increased significantly, up 117% on the prior corresponding period (**pcp**) to 31 December 2015. Total operating revenue for the half-year ended 31 December 2016 of $1.386 million, was up 26% on pcp.

Total venue billing numbers also grew significantly, up 145% on the previous half year period. These numbers included over 85 shopping centres and over 90 retail stores, bringing the total number of billing venues to 181.

Strong pipeline growth and imminent pipeline conversion

The Company continues to build a very strong advanced pipeline of customer prospects with an advanced stage revenue pipeline of $68m, up 22% for the half year period. [2]

In particular, there has been significant growth in the retail pipeline with five new retail property groups, representing 60+ shopping centres which are currently in advanced stage negotiations and 10 new retailer

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[1] Based on revenue from operations (excluding interest, grant and other income) for the half-years ended 31 December 2016 and 31 December 2015.
[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.

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groups, totalling 2,100+ retail stores either in pilot or advanced stage negotiations. The Company has also recently commenced pilots with several international airport groups.

Successful penetration into lucrative new verticals

The Company successfully signed two contracts within the **municipality** vertical market segment during the half year period and also its first major contract within the **education** vertical, shortly post the reporting period.

Municipalities

Skyfii signed its first major deal in North America, announcing a 3 year deal with Cincinnati Bell Telecom Services ('CBTS') to initially deliver its IO Connect (Guest WiFi), Insights (Analytics) and Engage (Marketing) services to the **city of Cincinnati, Ohio** over the city wide public WiFi network which is currently in roll-out, as part of the "Light up Cincinnati" campaign.

The roll-out will enable local businesses to analyse customer behaviour and market their products and services to the general public through accessing valuable analytics data generated from Skyfii's IO platform and also undertake direct marketing through the platform's marketing capability. Visitors and locals within the city will be able to access high quality free WiFi, powered by Skyfii.

The partnership with CBTS is expected to deliver additional customer contracts in the US within the key CBTS trade areas, which include the states of Ohio, Indiana and Kentucky.

In addition, the Company signed a landmark deal with **Waverley council in Sydney, Australia**, which includes the iconic Bondi Beach. Under this contract Skyfii is delivering its IO Connect (Guest WiFi) and Insights (Analytics) services to Waverley council which will provide valuable insights to the council around traffic flow, transit wait times, potential high dwell or congestion points and will lead to the more efficient allocation of municipal resources. Local businesses will be able to promote bespoke advertisements and offers to visitors. As a part of the service, visitors to Waverley council areas will be able to access free WiFi, powered by Skyfii.

Education

In January 2017, Skyfii signed an **initial three year contract with Durham University** in the United Kingdom, signifying a landmark deal for the Company within the profitable education vertical market segment.

As part of the Durham contract, Skyfii is delivering IO Insights (Analytics) services with its Engage (Marketing) services as a potential additional service to be purchased over time. The university plans to utilise the IO platform to better understand student movement patterns on campus, to minimise congestion and also to better locate and utilise facilities around the campus such as libraries.

As one of the UK's leading universities, Durham university has agreed to act as an advocate of the Skyfii value proposition for education which has already driven a large amount of demand from other tertiary education institutions across the UK and North America.

New retail contracts won and expanded upon

The Company successfully 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.

In Brazil, the Company has expanded its portfolio of shopping centres under contract to **50 shopping centres** through a major contract win with Aliansce group (post period announcement). The contract with Aliansce is a five year contract which includes IO Connect (Guest WiFi) and Insights (Analytics) services, and also grants the network commercial rights to Skyfii to attract targeted advertising revenues, on a revenue share basis with Aliansce group.

New revenue sources from advertising and sponsorship gaining momentum

Skyfii 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. During the period, the Company gained momentum in delivering on advertising and sponsorship revenues through targeted campaigns in both the Brazilian and Australian markets. We expect more growth in these services in 2017, as landlords and venues look for more targeted and relevant ways to market and advertise to their customers.

Further product alignment and sales pipeline growth through growing Aruba partnership

In August 2016, Skyfii was named a spotlight eco-system partner of Aruba Networks, a Hewlett Packard Enterprise (HPE) company, alongside a number of high profile US based companies. The significance of this recognition has further strengthened the collaborative partnership between Aruba and Skyfii and has resulted in immediate growth in pipeline opportunities being brought to Skyfii through the Aruba Networks sales channels across the major geographical markets in which Skyfii operates.

Also in the period Skyfii completed integration with Aruba's ClearPass Network Access Control solution, further solidifying the seamless alignment between the Aruba product set and Skyfii. This alignment has further incentivised Aruba sales personnel and channel partners to recommend Skyfii as a preferred analytics and marketing platform which has resulted in significant growth in new revenue opportunities in major global markets.

Cash position

As at 31 December 2016, the Company's cash position was $3.5m, including funds from a successful December 2016 capital raising which raised $2.5m (Tranche 1). Total R&D tax incentives received during the period amounted to $0.85m.

Post the period, on 6 February 2017, further funds from a conditional placement of $1.7m (Tranche 2) were approved at a General Meeting of shareholders. In addition, a Share Purchase Plan raised additional funds of $491k post period end in February 2017.
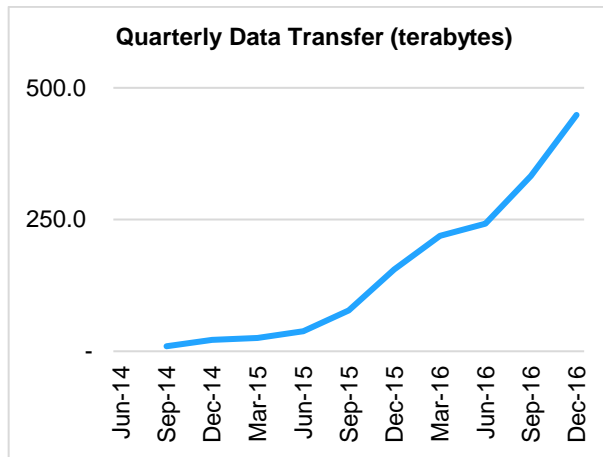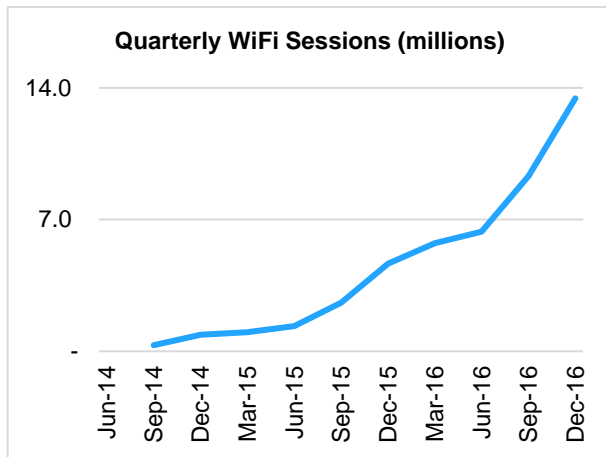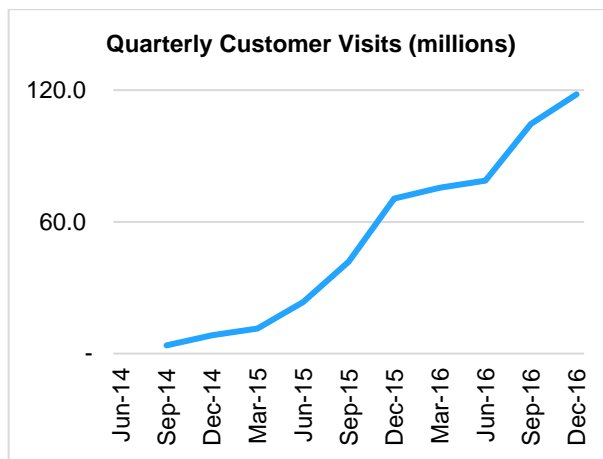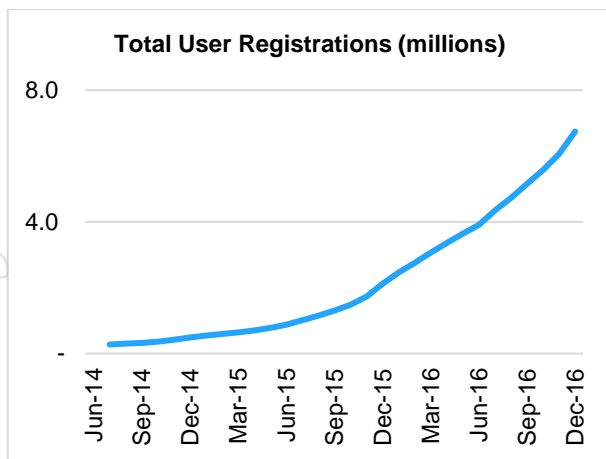
Key user operating metrics

The cloud-based Skyfii IO platform uses a number of existing input data to allow various types of venues to analyse behaviour of anonymous visitors and capture data from those who opt-in to free internet connectivity.

The WiFi user operating metrics below represent both a measurement tool for the number of visitors from which data is collected (one of a number of components of input data) and is also an avenue through which Skyfii's contracted venues and their commercial tenants, using the IO platform services, can draw insights (i.e., analytics) and engage (i.e., market to) with identifiable or unique WiFi using visitors by sending push notifications via email, coupons or SMS e.g. provide special offers. See About Skyfii at end of this announcement.

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

- Total registered user base increased by +217% on pcp from 2.1 million to 6.7 million unique users
- Growth in WiFi sessions of +214% on pcp
- Customer venue visits increased by +98% on pcp
- Data transferred grew by +236% on pcp

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Total User Registrations (millions)

Quarterly Customer Visits (millions)

Quarterly WiFi Sessions (millions)

Quarterly Data Transfer (terabytes)

Operating metric definitions

- **Total User Registrations**: The total number of people who have registered to use guest WiFi in venues where Skyfii is deployed.
- **WiFi Sessions:** The total number of WiFi sessions recorded within venues where Skyfii is deployed.
- **Customer Visits:** The total number of physical people visiting venues where Skyfii is deployed.
- **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. Skyfii has identified new revenue opportunities which will begin to be launched in market during the current and next quarters. These new revenue opportunities will be focussed around delivering further value to existing customers but will also provide a wider product and service offering for clearer differentiation in all global markets.

Skyfii's strategic focus will continue to be on execution within the North America and EMEA markets, where very significant convertible pipelines are continuing to be built and as demonstrated over the current and previous periods, opportunities are converting within new industry verticals.

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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.

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.

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