

ASX: SKF

SKF QUARTERLY BUSINESS REVIEW – Q3 FY2017

HIGHLIGHTS

- Cash receipts from customers for the quarter of \$832k¹ up 20% on the previous quarter
- Significant growth in recurring revenue from operations for the quarter of \$532k² up 12% on the previous quarter
- Significant growth in revenue pipeline - \$74m from advanced stage pipeline - up 10% on the previous quarter³
- Global master services agreement signed with international retailer, Woolworths Group of South Africa
- Services agreements signed with Durham University (UK) & Aliance Shopping Centres (Brazil)
- Services agreements signed with 151 Property group (Australia) & premium UK food chain (post quarter)
- Analytics and marketing capability continues to grow strongly with total registered user base up 24% on previous quarter reaching 8.4 million unique users
- Cash position of \$3.5m including \$1.4m additional funds received from share purchase plan and conditional placement conducted in February 2017

Skyfii Limited (ASX: SKF) (**Skyfii, the Company**) a data analytics and marketing services company, has today released its Appendix 4C Report for the three-month period ending 31 March 2017 and is pleased to provide a review of progress made during the quarter.

Significant growth in recurring revenues

The Company's cash receipts from customers for the quarter increased to \$832k⁴ up 20% on the previous quarter. Revenue from operations for the quarter was \$730k⁵, slightly down 3% on the previous quarter due to lower non-recurring fees. Recurring revenue from operations increased 12% on the previous quarter to \$532k⁶.

Significant growth in revenue pipeline

¹ Based on 4C Quarterly Report, Section 1.1 (excluding interest, grant and other income, and accruals).

² Based on unaudited recurring revenue from operations (excluding interest, grant and other income) for the quarters ending 31 March 2017 and 31 December 2016.

³ 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.

⁴ Based on 4C Quarterly Report, Section 1.1 (excluding interest, grant and other income, and accruals).

⁵ Based on unaudited revenue from operations (excluding interest, grant and other income) for the quarters ending 31 March 2017 and 31 December 2016.

⁶ Based on unaudited recurring revenue from operations (excluding interest, grant and other income) for the quarters ending 31 March 2017 and 31 December 2016.

Skyfii continued to grow its advanced stage revenue pipeline to \$74m - up 10% on the previous quarter², with particularly strong growth in the pilot stage pipeline across the UK and North America. All international markets continued to show strong pipeline growth during the quarter.

New contracts secured during quarter

Woolworths Group

On the 28th March 2017, Skyfii announced it had commenced the roll out of its services to a major international, South African head quartered retailer. The Company further announced and disclosed on the 26th April that it had concluded a master services agreement (MSA) and confirmed that the retailer was Woolworths group of South Africa, a group which owns several large Australian retail brands, including David Jones and Country Road.

Under the MSA, Skyfii will roll out its IO Connect services initially to up to 500 Woolworths venues within South Africa and continental Africa. As at the end of the March quarter, the Company had already installed within 118 venues. Importantly, the MSA, which runs for an initial period of three years with a two year extension option, covers all Woolworths group of South Africa entities globally and will give Skyfii the opportunity to upsell additional services to the group such as IO Insight, IO Engage and data services.

Durham University

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 Insight (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 is now acting as an advocate of the Skyfii value proposition for education, and the university's support has driven a large amount of demand from other tertiary education institutions across the UK and North America.

Aliansce group

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. The contract with Aliansce is a five year contract which includes IO Connect (consumer data collected through the provision of 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 contracts secured post quarter

One Five One Property group

On the 4th April 2017, the company announced that it had signed agreements to roll out its IO Software as a Service (SaaS) platform in 9 of One Five One Property's managed retail centres across Australia, with each property contracted for an initial three year term.

Skyfii is well advanced in deploying its IO platform across 9 of the managed shopping centres in New South Wales, Victoria, Queensland and South Australia. This followed a successful trial of Skyfii's IO platform in One Five One Property's Top Ryde City Shopping Centre in Sydney in early 2016.

The rollout is expected to be completed by June 2017 across retail properties within the One Five One managed shopping centre portfolio, including Figtree Grove, Warrawong Plaza, Brimbank, Forest Hill Chase, Greensborough Plaza, Clifford Gardens, Strathpine and Rundle Place shopping centres, in addition to Top Ryde City Shopping Centre.

In partnership with One Five One Property, the Skyfii IO platform will provide the shopping centre management teams with the capability to build a rich database, gathering valuable insights on shopper behaviour. The insights gained will help marketers deliver more targeted campaigns and arm the centre operations team with an understanding of utilisation and movement of shoppers within the centre.

Premium UK food chain

On the 11th April 2017, Skyfii announced that it had commenced roll out of its subscription based IO Software as a Service (SaaS) platform to a premium fast-food chain, based in the United Kingdom (UK).

Skyfii has already rolled out its IO platform to the first 12 premium fast food stores and has been contracted to deploy the IO platform across a total of 342 stores throughout the UK.

The UK headquartered fast-food chain is a leading retail food group with 390 premium fast-food stores in 6 countries including North America. The initial contract is expected to run for three years with an option to extend for a further three years. This follows an extensive pilot program.

Deployment of the IO platform services will take place through Skyfii's UK channel partner, Jade Solutions, who are a leading provider of enterprise mobility services for the UK retail sector.

The partnership between Skyfii and Jade Solutions is important strategically, as both companies are highly experienced within the retail sector. A qualified advanced stage pipeline has been established under the partnership and is expected to generate additional UK contracts in the near term.

New revenue sources

Skyfii successfully launched its Data Science Services (DSS) offering during the current quarter. The DSS team work with 'Big Data' available in a venue environment to inform decisions and help solve complex problems. Analysing over 600 million visitor experiences every year for some of the world's leading retailers and property owners, the team are experts in behavioural analytics for venues, delivering a wealth of unique IP and expertise to every project.

New International partnerships

The Company signed reseller agreements with two highly strategic partners, Jade Solutions and Infoprotect, during the quarter. The agreements are expected to drive future revenue growth while allowing Skyfii to maintain a low cost overhead structure.

Jade Solutions – Strategic UK reseller

Skyfii signed a reseller agreement with Jade Solutions to become a channel partner for the UK region in March 2017 and immediately announced its first customer under that agreement, with a premium UK food chain.

Jade Solutions is a market leader in mobile enterprise, wireless infrastructure solutions and advanced in-store Wi-Fi based customer engagement solutions. Jade Solutions' experience enables customers' requirements to be understood in detail, and allows best-of-breed solutions to be accurately specified. Another key strength is an ability to rapidly deploy complex technical projects within a wide variety of mission critical environments.

Infoprotect – Strategic South African reseller

Skyfii signed a reseller agreement with Infoprotect group to become a channel partner for the South African market in March 2017.

Infoprotect is a leading South African based ICT services provider which offers peace of mind solutions; from IT Security (antivirus, email security, encryption and web security), to Data Backup (offsite and onsite), ISP and Cloud (co-location, connectivity, hosted exchange, virtual servers and VOIP), Networking/WiFi as a Service and Information Management.

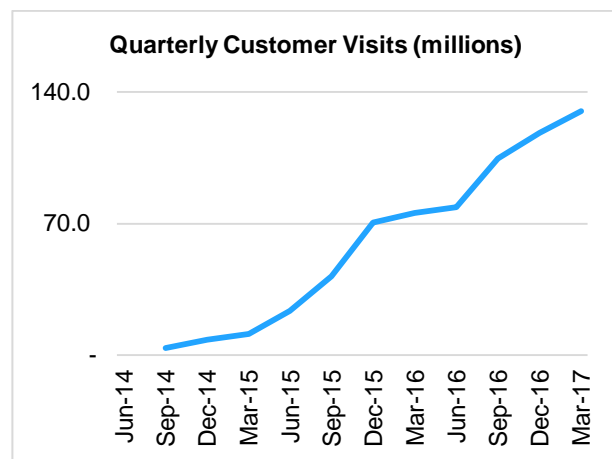
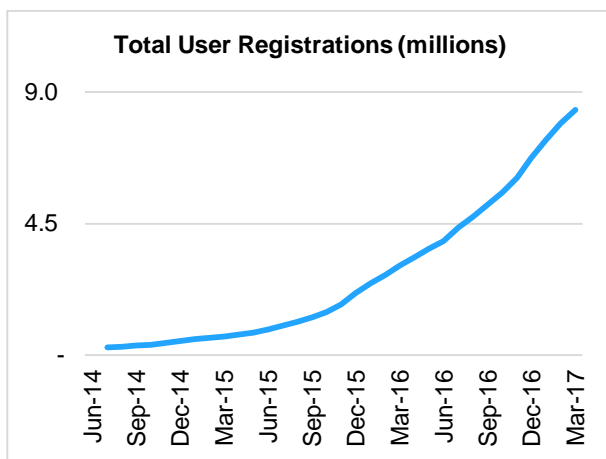
Cash position

As at 31st March 2017, the Company maintained a cash position of \$3.5m, which included the receipt of \$1.4m from its share purchase plan and conditional placement conducted in February 2017. The Company anticipates the receipt of an additional \$0.8m from deferred payments on the conditional placement in the current quarter.

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 analytics and marketing services capability:

- Total registered user base increased by 24%, quarter on quarter (qoq) from 6.7 million to **8.4 million unique users**
- Customer venue visits increased by 10% 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 Customer Visits: The total number of physical people visits to venues where Skyfii is deployed.

Outlook

The Company continues to focus on delivering growth with a particular focus on accelerating revenue identified within its sizable advanced pipeline. In the quarter ended 31st December 2016 Skyfii identified and began to test potential new revenue streams, based on customer feedback and during the March ended 2017 quarter, successfully launched IO Data Services, following significant demand from existing and new customers.

IO Data Services is the first of several new revenue channels which the Company is currently evaluating and testing with current customers, highly complementary to the existing subscription based IO software as a service (SaaS) offering.

In addition to the focus on unlocking new revenue channels from its existing footprint, the Company is especially focussed on conversion of its advanced stage pipeline and particularly its pilot projects where it continues to maintain a very high conversion rate, both within key markets (ANZ, US, UK and South Africa) and across verticals (retail, municipalities, transit and education).

Skyfii anticipates strong continued growth within the retail vertical in Australia, the UK and North America during the next quarter and also expects to begin to deliver contracted revenues from recently launched IO Data Services.

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.

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 March 2017

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	832	2,639
1.2	Payments for ¹		
	(a) research and development	(41)	(41)
	(b) product manufacturing and operating costs	(275)	(1,527)
	(c) advertising and marketing	(74)	(240)
	(d) leased assets	-	-
	(e) staff costs	(1,381)	(2,845)
	(f) administration and corporate costs	(380)	(888)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	5	13
1.5	Interest and other costs of finance paid	-	(1)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	12	874
1.8	Other (provide details if material)	-	-
1.9	Net cash from / (used in) operating activities	(1,302)	(2,016)

¹ Cash flows are presented after 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 capitalised this expenditure as an intangible software development asset in the half-year accounts ended 31 December 2016.

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Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) property, plant and equipment	(19)	(52)
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property ¹	-	(749)
	(e) other non-current assets	-	(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	(13)	(58)
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(32)	(867)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	1,356	3,879
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	(57)	(159)
3.10	Net cash from / (used in) financing activities	1,299	3,720

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	3,485	2,612
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,302)	(2,016)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(32)	(867)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,299	3,720
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	3,450	3,450

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	3,450	3,485
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)	3,450	3,485

6.	Payments to directors of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to these parties included in item 1.2	57
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	

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

7.	Payments to related entities of the entity and their associates	Current quarter \$A'000
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	

N/A

8.	Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
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.		

N/A

9. Estimated cash outflows for next quarter ***		\$A'000
9.1	Research and development	(29)
9.2	Product manufacturing and operating costs	(426)
9.3	Advertising and marketing	(76)
9.4	Leased assets	-
9.5	Staff costs	(1,389)
9.6	Administration and corporate costs	(273)
9.7	Other (provide details if material)	-
9.8	Total estimated cash outflows ***	(2,193)

*** The company is an operating business that generates cash inflows each quarter, including receipts from customers generated from sales. As per reporting requirements of Section 9 in this report, the above summary of anticipated cash outflows for the next quarter ending 30 June 2017, DOES NOT REFLECT ANY ANTICIPATED CASH INFLOWS i.e. it excludes sales receipts from customers. For the prior quarter ended 31 March 2017, receipts from customers was \$832k.

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

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

Sign here:
(Company secretary)

Date: 26 April 2017

Print name: Heath Roberts

Notes

- 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.
- 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.
- 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.