

ASX:SKF

SKYFII QUARTERLY BUSINESS REVIEW – Q3 FY2018

Highlights

- Strong Recurring Revenue growth in Q3 FY2018 of \$925k¹, up 5% on the previous quarter (up 74% when compared to Q3 FY2017)
- Total Operating Revenues of \$1.54m, down 14% on the previous quarter, due to significant one-off new contract setup fees booked in prior quarter (up 111% when compared to Q3 FY2017)
- Strong revenues generated from services in Q3 FY2018 of \$561k, up 603% on the previous quarter - first time contribution from Causely acquisition, part of ramp up of North American expansion
- Master Services Agreement signed with HSBC Australia and new multi-year contract signed with Nuffield Health (UK)
- Post quarter announcements: New multi-year contracts signed with Precision Group and Lewis Land Group, both in the ANZ shopping centre vertical
- Lincoln Brown appointed to the Skyfii Board to ramp up North American growth
- Total registered user base up 26% on previous quarter reaching 16.6 million unique users (growth of 98% when compared to Q3 FY2017)
- Strong cash position maintained with \$2.1m held at end of Q3 FY2018 (31 March 2018), down from \$2.74m at the end of the previous quarter (31 December 2017) due to costs associated with expansionary business activities
- Outlook and forecast: Skyfii expects to deliver a very strong FY2018 result with full year revenues to exceed \$6.0m (up 87% on FY2017)

Data analytics and marketing services company Skyfii Limited (**Skyfii, the Company**) is pleased to release its Appendix 4C report for the three-month period ending 31 March 2018 (Q3 FY2018) and provide a review of progress made during the quarter.

The Skyfii team is delighted with the positive sales and revenue trajectory. With current estimates, the Company is well positioned to report a very strong Q4 and full year FY2018 result to exceed \$6.0m (up 87% on FY2017).

¹ Recurring revenues, based on unaudited recurring revenue from operations (excluding interest, grants and other income) for the quarter ending 31 March 2018.

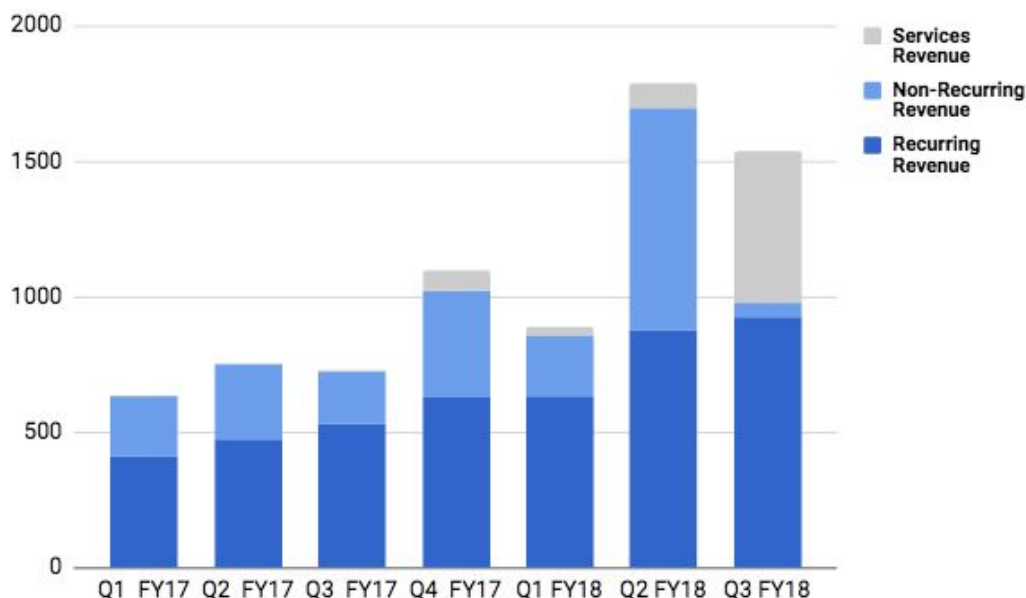
Q3 FY2018 Growth

Skyfii continued to deliver strong Recurring Revenue growth in the March quarter (Q3 FY2018) up 5% on the previous quarter (up 74% when compared to Q3 FY2017). The March quarter, however, was marginally softer than the December quarter (Q2 FY2018) on a Total Operating Revenue basis due to one off contributions from new contract set up fees generated in the December quarter.

The Company's revenues generated from Data Consulting Services (DCS) and Marketing Services (MS), in the March quarter were \$561k, up 603% on the previous quarter, positively influenced by the integration of the Causely business, acquired during the period (consolidated from February 2018). Total Operating Revenues of \$1.54m, down 14% on the previous quarter, were down due to significant one-off new contract setup fees booked in prior quarter (growth of 111% when compared to Q3 FY2017). The Company's cash receipts from customers for Q3 FY2018 was \$1.64m, down 16.9% from \$1.97m on the previous quarter.

The March quarter results demonstrate that Skyfii is benefiting from a more diversified product and services offering. Recurring Revenues generated from subscriptions to the platform (monthly recurring revenues, typically contracted on 3-5 year terms) provide Skyfii with a solid foundation of annuity revenues. Revenues generated from services, both recurring and repeatable, now feature more prominently in Skyfii's revenue mix.

Total Operating Revenue



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Revenue Descriptions

- **Non-recurring revenues** are generated from the deployment of hardware and infrastructure, implementations and upfront setup fees, which underpin recurring revenues.
- **Recurring revenues** are generated from ongoing subscription fees for access to Skyfii's 'IO' data analytics platform.
- **Services revenues** are generated from the payment of projects undertaken by both Skyfii's Data Consultancy Services (DCS) and Marketing Services (MS) divisions, including revenues generated from customers of the Causely (US) business, which was acquired in February 2018. Revenues generated from services are received as either recurring or fixed fee projects

NOTE: All services revenues underpin Skyfii's IO platform sales and a large portion of revenues generated under Skyfii's services divisions are recurring and repeatable revenues.

Year to Date (YTD) FY2018

The underlying performance of the business and growth trajectory remain very strong. When comparing year to date FY2018 with the same period in FY2017, Skyfii has delivered strong performance including:

- Total Operating Revenues \$4.2m YTD FY2018 versus \$2.1m YTD FY2017, up 99%
- Recurring Revenues \$2.4m YTD FY2018 versus \$1.4m YTD FY2017, up 73%

Full Year FY2018 Forecast

The quarterly results delivered in Q3 FY2018 positions the company to deliver a very strong 2H FY2018 and full year result. Total Operating Revenue for 2H FY2018 are expected to exceed \$3.3m (up 23% over 1H FY2018). FY2018 full year Total Operating Revenue is expected to exceed \$6.0m, to exceed 87% year on year growth.

Material New Contracts Secured During the Quarter

Skyfii signs Master Services Agreement with HSBC, Australia (16th of January 2018)

Representing Skyfii's first customer in the Banking and Financial sector, the Master Services Agreement (MSA) with HSBC, provisions the deployment of Skyfii's entire suite of 'IO Platform' services across HSBC's entire Australian branch network, on a three-year contract term.

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Skyfii Ramps up North America Presence through Causely Acquisition (5th February 2018)

Skyfii acquired Causely in February 2018 including its portfolio of existing contracts in an all scrip transaction, issuing 25 million new ordinary shares in Skyfii Limited at \$0.14 per share, valuing the transaction at AU\$3.5 million.

As part of the acquisition by Skyfii, the sale of the asset by the incumbent Causely investors (sellers) has an underwriting agreement in place to guarantee a minimum net profit (defined as being net sales less all costs, before taxes) of US\$1.625 million over a three year period. The performance of this guarantee will be reviewed formally on a quarterly basis.

The transaction resulted in the purchase of various assets of Causely including its intangible assets such as trading name, trademarks, intellectual property, customer contracts, contract pipeline and data in the US market.

Skyfii signs contract with Nuffield Health, United Kingdom (28th of March 2018)

Nuffield Health operate 31 hospitals and 111 Health and Wellbeing gyms across the United Kingdom. The three year contract will see the deployment of Skyfii's IO Connect (data collection) and IO Insight (data analytics) solutions within an initial 70 venues across the Nuffield portfolio. The contract was delivered in partnership with infrastructure and security company Ampito Group.

Post Quarter Events

Skyfii signs Multi-year contract with Precision Group, Australia (11th of April 2018)

The Precision Group signed a three year contract term for the deployment of Skyfii's full suite of 'IO Platform' services across five shopping centres. In addition to subscribing to the IO platform services, Precision Group have provisioned Marketing Services to accelerate and support the application of their digital and data strategy, a core focus for the organisation's long term competitive advantage.

Skyfii sign Multi-year contract with Lewis Land Group, Australia (18th of April 2018)

Skyfii has signed a three year contract with Lewis Land Group. Lewis Land Group own two large open plan shopping centres, Harbour Town Adelaide and Harbour Town Gold Coast that have been heralded by the the Australian Tourism Awards for excellence in specialised tourism services.

Skyfii's three-year deployment across the two assets will provide Lewis Land Group with the IO Platforms unique data analytics and data collection services, in what Chris Calvert, CEO Lewis Land Group described as "bringing their first-class retail experience to life". The engagement also included the deployment of infrastructure to the two properties (non-recurring, one-off upfront charges).

30th April 2018

Lincoln Brown joins Skyfii Board of Directors to Drive North American Growth (27th of April 2018)

Lincoln's appointment follows a period of twelve months where he worked closely with Skyfii to embed the Company's IO suite of products and services, operating as a Skyfii reseller in the North American market. This relationship culminated in the recent acquisition of Causely, a North American marketing services business (announced 5th February 2018). Lincoln served as Chairman of Causely for five years and during his tenure, supported and guided the business to accomplish significant growth.

During his professional and executive career, Lincoln has supported the development and growth of a number of technology companies within the North American market, ranging from startups to organisations operating with >400 employees. He recently sold his mobile technology business to Zynga - specialising in data science and Machine Learning.

Revenue Pipeline

The company continues to benefit from a strong advanced stage pipeline across all operating regions including Australia, North America, Europe, Middle East, Africa, UK and the Brazilian markets. Skyfii is further diversifying outside of retail and into new verticals, with representation in health and lifestyle, banking and finance, and cultural centres (museums). The introduction of Skyfii's Data Consulting Services and Marketing Services offering, continues to offer opportunities for the Company to upsell its services, anchored by its IO SaaS platform.

In North America, the Company is benefiting from the recent acquisition of the Causely Marketing Services business. The transaction included a select number of personnel who have transitioned across to the Skyfii business. The Causely team, prior to the acquisition, were a value added reseller of Skyfii's suite of products and services and join the Skyfii team with a qualified sales pipeline and existing client base in North America.

Cash Position

As at 31 March 2018, the Company maintained a strong cash position of \$2.1m, down from \$2.75m at the end of the previous quarter (ending 31 December 2017). The reduction in cash at bank can largely be attributed to a number of key factors that were isolated to the quarter. These include:

- A. Timing of accounts payable, a direct result of a number of large scale one off new contract infrastructure deployments delivered in the Australian operations in Q2 FY2018 with Skyfii incurred payables carrying into Q3 FY2018

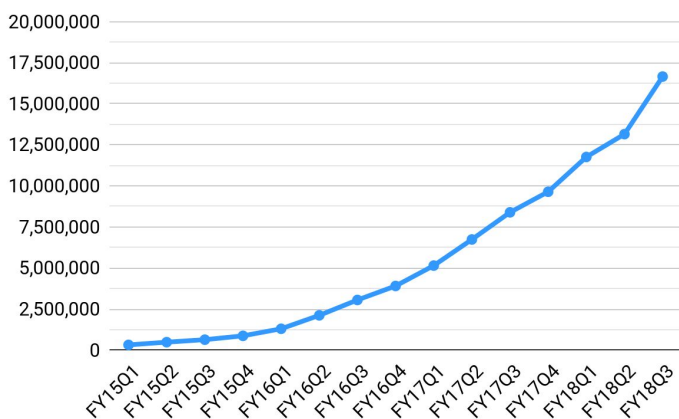
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- B. One time transaction charges related to the Causely transaction completed during the quarter (February 2018)
- C. Seasonal reduction in sales activity around winning new contracts, resulting from the extended holiday period across the Christmas season into the New Year

Consistent with the guidance provided in the previous quarter, Skyfii has maintained tight cost control measures in our efforts to steer the company towards a breakeven on EBITDA level.

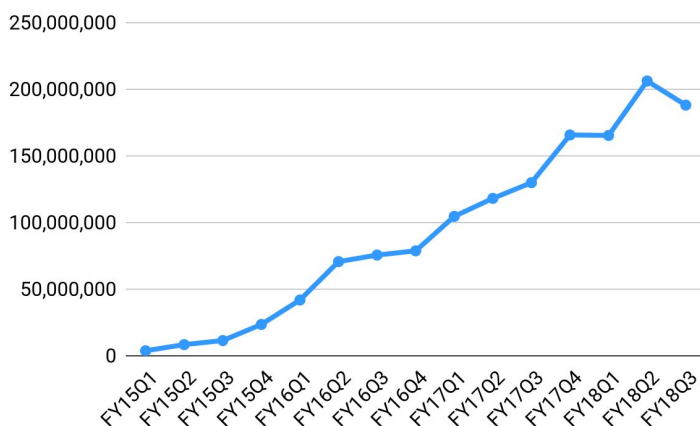
Key User Operating Metrics

Total User Registrations



Total registered user base increased by **26%** qoq from **13.1 million** to **16.6 million** unique users.

Quarterly Customer Visits



Quarterly customer visits decreased by **8%** qoq from **206 million** to **188 million**.

***Decrease due to seasonal fluctuations of education deployments.**

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Outlook

Skyfii maintains a strong outlook for the coming quarter and beyond into FY2019. The company expects to deliver in excess of \$6m in revenue for the full year and make substantial progress towards achieving its objective of an EBITDA breakeven position.

In addition, the company continues to focus on building significant pipeline growth within North America, ANZ and EMEA with the expectation to convert new customer contracts imminently within the current quarter.

Specific areas of focus for the June quarter include:

- Continued management of cash flow and operations costs, with a strong focus on cash position
- Contract conversion and continued sales pipeline growth, particularly in the UK, EMEA and North America
- Growth of Data consulting and Marketing services revenues, which underpin Skyfii's IO platform sales
- Conversion of new SME contracts and the Causely customer pipeline

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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 collection).
- IO Insight: venue performance, customer behaviour and, loyalty & engagement (data analytics).
- IO Engage: targeted content delivery, automated marketing and monetization (marketing tools).

Skyfii also engages clients to provide further revenue generating services:

- Data Consultancy Services (DS): Experts in delivering compelling and actionable research outcomes through the fusion of digital and behavioural data.
- Marketing Services (MS): Delivering best in-class data-driven marketing practices, empowered through the fusion of digital and behavioural data.

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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 2018

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	1,637	4,382
1.2	Payments for ¹		
	(a) research and development	(15)	(37)
	(b) product manufacturing and operating costs	(687)	(1,865)
	(c) advertising and marketing	(78)	(197)
	(d) leased assets	-	-
	(e) staff costs	(1,146)	(2,635)
	(f) administration and corporate costs	(406)	(808)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	3	9
1.5	Interest and other costs of finance paid	(1)	(1)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	3	943
1.8	Other (provide details if material)	-	-
1.9	Net cash from / (used in) operating activities	(690)	(210)

¹ Cash flows are presented **after** the capitalisation of employee, contractor and other expenditure attributable to software development of approximately \$732k for the six months to 31 December 2017. The Company capitalised this expenditure as an intangible software development asset in the half-year accounts ended 31 December 2017.

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	-	(3)
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property ¹	-	(732)
	(e) other non-current assets	-	-
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	4	4
2.3	Cash flows from loans to other entities		
	(a) employee advances	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	4	(731)
3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	8	734
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	-	-
3.10	Net cash from / (used in) financing activities	8	734
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	2,752	2,281
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(690)	(210)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	4	(731)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	8	734
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	2,074	2,074

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	2,074	2,752
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)	2,074	2,752

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

66

-

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

-

-

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'000	Amount drawn at quarter end \$A'000
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N/A

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9. Estimated cash outflows for next quarter ***		\$A'000
9.1	Research and development	-
9.2	Product manufacturing and operating costs	(425)
9.3	Advertising and marketing	(70)
9.4	Leased assets	-
9.5	Staff costs	(1,200)
9.6	Administration and corporate costs	(340)
9.7	Other (provide details if material)	-
9.8	Total estimated cash outflows ***	(2,035)

*** 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 including costs of generating forecasted sales for the next quarter ending 30 June 2018, DOES NOT REFLECT ANY ANTICIPATED CASH INFLOWS i.e. it excludes sales receipts from customers.

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: 30 April 2018

Print name: Koreen White

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.