



ASX Announcement

MGM Wireless Limited (ASX:MWR)

29 January 2020

BUSINESS UPDATE

Highlights:

- **Unaudited total Company revenue \$7.6 million, up 86%¹**
 - **Wearables revenue \$6.3 million for 1H FY20, up 140%**
 - **Recurring app revenue monthly record \$109,000 in December 2019**
- **1H FY20 revenue exceeds total FY19 revenue**
- **1H FY20 unit sales exceed total FY19 unit sales**
- **25,000 SPACETALK units sold in 1H FY20, up 127%²**
 - **includes 19,800 units sold in Australia/New Zealand, up 80%**
 - **5,200 units sold in the UK (4x Australian post-launch sales after the same time)**
- **Cash balance circa \$5 million (unaudited) at 31 December 2019**

29 January 2020 –Technology company **MGM Wireless Limited (ASX:MWR)** ('MGM' or 'the Company') today announced unaudited revenue of \$7.6 million for 1H FY20, up 86% from \$4.1 million for H1 FY19. This includes a record contribution from wearables which continues to show significant growth in all its markets.

Sales of the SPACETALK all in one children's smartphone, watch and GPS device more than doubled, with approximately 25,000 SPACETALK units sold in 1H FY20, up 127% from 11,000 units in 1H FY19, when SPACETALK was distributed only in Australia and New Zealand. SPACETALK launched in the UK in May 2019.

¹ Results for 1H FY20 are unaudited

² Unit sales rounded to nearest 100

SPACETALK SALES



Australia and New Zealand sales of SPACETALK were 19,800 units in 1H FY20, up 80% on 11,000 units. SPACETALK distribution increased to 777 stores in 1H FY20, compared with 270 stores a year ago. During 1H FY20, the Company entered new bricks and mortar store agreements with Officeworks in September 2019 and The Good Guys in November 2019 and extended distribution in New Zealand.

UK sales of SPACETALK were 5,200 units in 1H FY 20. Initial sales were via the Company's SPACETALK.co.uk website that launched in May 2019. In August 2019, the Company entered into an agreement with Sky, Europe's leading media, entertainment and telecommunications company, owned by Comcast. Sky commenced selling SPACETALK on a 36 month, £10 per month plan, which includes the SPACETALK device, mobile services and AllMyTribe App. The Company receives full payment and recognises 100% of revenue when the device is sold to Sky.

In December, Sky launched an aggressive marketing campaign with television advertising, electronic and direct mail, instore displays and other marketing which drove higher market awareness of SPACETALK. Sky plans to spend a significant value with a further television advertising campaign expected to commence in February 2020. The Company also extended UK distribution through Dixons Carphone's Currys PCWorld online beginning 18 December, 2019.



School communications

School communication sales for the first half are expected to be \$1.26 million, approximately 12% below 1H FY19. The difference in revenue reported relates to a change in the billing cycle of a large state government education department contract licence fee that has been forwarded into the second half of FY20. Full year revenue is expected to be consistent or marginally better than FY19.

MGM Wireless CEO Mark Fortunatow said: “This is an outstanding sales and trading result. We’re starting to see meaningful growth in scale with significant volumes in units and revenue. Impressively, first half sales exceeded the Company’s entire FY19 revenue. We’re accelerating momentum on our strategy of selling a high-quality, reliable children’s mobile phone in the fast-growing wearables category.

“In the western world, we are the market leader in this early stage of a brand-new retail category – children’s wearables – which is growing extremely quickly. Analysts Gartner anticipate that global spending on wearables will be US\$52 billion in 2020, with smartwatches on pace to achieve the greatest revenue potential.

“Our Australian and New Zealand operations have continued strong progress with sales up 80% on 1H FY19 off a significant base. Customers love our product and distribution of SPACETALK has tripled since 1H FY19. Retailers’ own investment in marketing to promote SPACETALK has strengthened sales. JB Hi-Fi and Officeworks are actively promoting SPACETALK now in the important back-to-school period, before the school term begins in late January 2020. The Company is supporting retail partners during this period by way of high-profile TV advertising for the Australian Open Tennis.

View: <https://youtu.be/wVWENd7gge0>

“We are continuing negotiations with Australian and overseas mobile network operators (MNOs) and further agreements are anticipated in FY20. Relationships with MNOs drives trusted exposure for the brand, confidence to consumers, as well as enabling MNOs to very profitably grow their overall subscriber base and revenues, and without negatively affecting any parts of their existing business. SPACETALK enables MNO’s to acquire a new category of customer, a 5-10 year-old child. They’re currently not selling any mobile network services to young children, especially on a plan – so this is a great opportunity for MNO’s.

“The UK aggressive Christmas marketing campaign only began in mid-December. It generated tremendous volumes of sales for the 2-week period prior to Christmas. This 2-week period propelled sales to exceed sales for the preceding six months by 50%, resulting in 400% growth above Australian sales for the same



period after launch. We expect UK sales will continue to grow strongly, particularly with the next phase of the UK marketing program launching in February.

“We’re now sold through 100 Sky retail locations, enabling UK customers to see, touch and feel SPACETALK directly, increasing buyer confidence from the positive press coverage and user reviews already generated. SPACETALK’s initial online sales through Currys PCWorld have commenced, with marketing and advertising programs commencing in February. We will be continuing to expand sales opportunities with further UK bricks and mortar distributors.

The UK market has a different cycle to Australia’s, with their back-to-school period after the August holidays.

Negotiations for expanded distribution with more UK bricks and mortar retailers, and Australian and overseas mobile network operators (MNOs) distribution are in progress . Mobile Operator distribution provides SPACETALK product exposure and brand confidence to consumers, as well as enabling MNOs to profitably acquire a new category of customer and grow their overall revenues, without negatively affecting any part of their existing business in the fast-growth children’s wearables market.

Further agreements are anticipated in FY20.

TV Advertising Campaign

In Australia, the Company is currently promoting SPACETALK with a series of Television advertisements on Channel 9, Social Media and Internet.

Click to watch: <https://youtu.be/wVWENd7gge0>



ABOUT MGM Wireless

MGM Wireless Limited is a technology company designing, developing and commercialising a smartphone + watch wearable device for children, and software for school communication and student absence management. The Company's AllMyTribe division has developed a children's all-in-one smartphone, watch and GPS device called SPACETALK, which allows two-way 3G phone calls and SMS messaging to a parent-controlled list of contacts. Other features include GPS tracking to alert parents whenever children leave designated safe spaces, such as school or the home.

Importantly – a key safety feature of SPACETALK is that it doesn't give children access to social media, apps, open internet, YouTube or other such services that can be dangerous to young children. In addition, during school hours, the device can operate in 'School Mode' whereby all communication features are disabled to ensure children won't be distracted.

MGM Wireless built its track record with school communication solutions after discovering in 2002 the application of SMS communication in schools. The Company went on to create the world's first SMS based Automated Student Absence Notification Solution and many other innovations since then. It is recognised as a global leader and pioneer in socially responsible and technology-enabled school communication.



MGM Wireless products include student absence notifications 'messageyou', absence analytics software 'Watchlists', school news and messaging app 'School Star', a content management and messaging platform for mobile school communication called Outreach+, and student attendance management solution 'RollMarker'.

Used by over 1400 schools and 1.7 million parents, the Company's school communication solutions empower schools to effectively communicate and engage parents and caregivers through SMS, mobile in-app and other means to improve student attendance and safety, help schools reduce operating costs and increase parent engagement. To learn more please visit: www.mgmwireless.com

-Ends-

Authorised

Mark Fortunatow

CEO

Investor Enquiries:

Ashley Rambukwella, FCR

a.rambukwella@fcr.com.au

M: +61 407 231 282

Media Enquiries

Megan Coleman – MGM Wireless Marketing and E-Commerce Sales Manager

mcoleman@spacetalkwatch.com

M: +61 407 215 292