



ASX Announcement

MGM Wireless Limited (ASX:MWR)

28 February 2020

FIRST HALF RESULTS – RECORD PERFORMANCE AND REVISED GUIDANCE

28 February 2020 –Technology company **MGM Wireless Limited (ASX:MWR)** ('MGM' or 'the Company') today reported results for 1H FY20.

- **Record revenue \$7.6 million, up 87%***
 - **First half exceeds total FY19 revenue**
- **Record gross profit \$5.1 million**
 - **GP margin of 67%**
- **EBITDA \$0.45 million**
- **Net loss \$2.7 million, due to one-off non-cash expense of options issued of \$2.4 million**
- **Cash of \$5.0 million and debt of \$1.75 million at 31 December 2019**
- **Post 1H FY20, new monthly AllMyTribe app subscription record of \$120,000 for January 2020, up 180%**
- **AllMyTribe app annualised run rate of \$1.44 million, up 180%**
- **FY20 revenue \$12 million - \$13 million expected, an increase of 70%-85% on FY19**

*all figures compare 1H FY2020 with 1H FY2019 (pcp) unless otherwise indicated

Commenting on the results, MGM Wireless CEO Mark Fortunatow said: "This is a strong result, with revenue for the half exceeding revenue for the full FY19 financial year. Distribution through retail stores trebled year on year, and the Christmas season was very successful with substantial promotion by partners building awareness of the SPACETALK all-in-one children's smartphone, watch and GPS device.

"We maintained a fast growth trajectory with strong wearables sales in Australia and New Zealand and now in the UK, capitalising on the growth of the exciting new wearables industry. During the half our partners' advertisements and promotions raised the profile of SPACETALK, significantly increasing brand awareness, and these continued during the Australian Tennis Open and with a new UK advertising campaign.

"Negotiations with mobile network operators (MNOs) and more bricks and mortar retailers continue, and we are optimistic that new agreements will be announced in the current half. Our product

MGM WIRELESS LIMITED (ASX:MWR)

ABN 93 091 351 530 | Phone (08) 8104 9555

The Parks, Suite 13, 154 Fullarton Road, Rose Park, South Australia, 5067 Australia

mgmwireless.com



continues to lead the market, with unmatched security, build quality and features, backed by a strong knowledge of providing services to schools and parents for nearly twenty years.

“We have strengthened our team, adding more talent in marketing, sales, product development and human resources, and are today a stronger and more capable company.”

Financial Results Summary

Results summary	1H FY2020	1H FY2019	% change
Six months ended 31 December			
<i>\$ million unless otherwise specified</i>			
Total revenue	7.60	4.07	87
Wearables revenue	6.34	2.64	140
School communication business revenue	1.26	1.43	(12)
Gross Profit	5.11	2.45	108
EBITDA	0.45	0.54	(17)
Options and share issue costs	(2.39)	(3.36)	29
Net loss	(2.70)	(3.27)	17

As reported in the group’s recent business update, revenue was a record \$7.6 million for the first half, up 87% on strong sales of SPACETALK which grew 140% to \$6.3 million including AllMyTribe app sales of \$0.5 million.

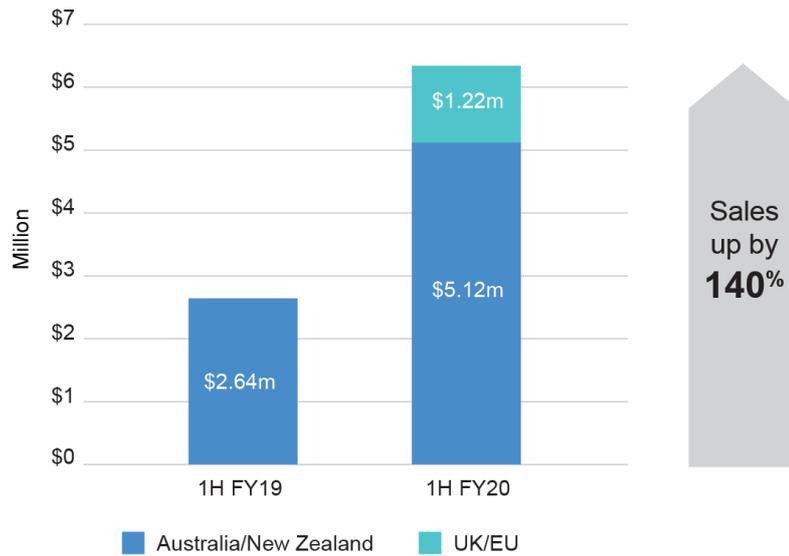
Gross profit more than doubled to \$5.1 million as sales of SPACETALK maintained a strong growth trajectory. Gross profit margins remain robust at 67%, although less than in the pcp when a greater proportion of revenue came from the Company’s school communication service with very low marginal costs.

EBITDA was \$0.45 million, below \$0.55 million in the pcp. Significant one-off non-cash expenses included options and share issue costs of \$2.4 million. Depreciation and amortisation were \$1.2 million, up from \$0.8 million.



At 31 December 2019 the group held cash of \$5.0 million and had a strong balance sheet. The Company has \$1.75 million debt associated with a \$2 million convertible note which helped fund expansion into the UK.

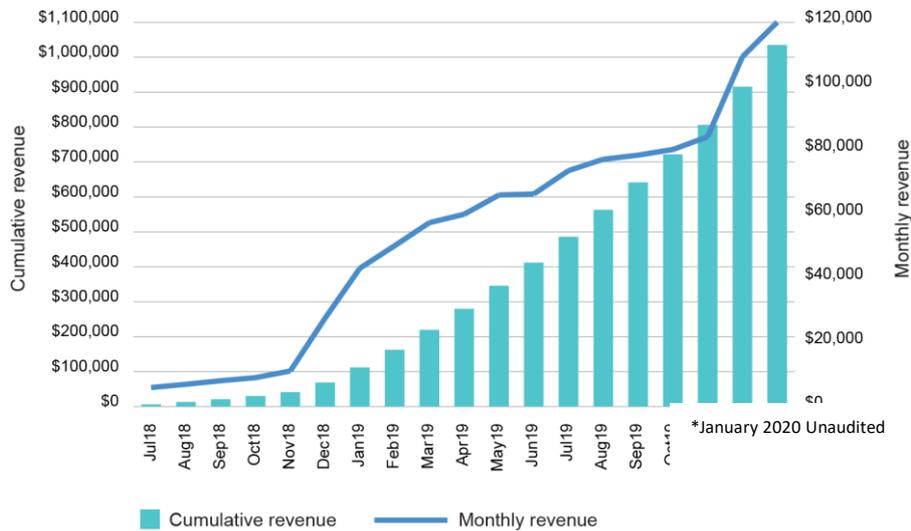
Wearables Revenue



Wearables revenues, which mostly reflect sales of the SPACETALK device and AllMyTribe app subscriptions, increased 140% to \$6.34 million. UK sales were reported for the first time, recording \$1.22 million in revenue mostly through Sky, Europe’s leading media, entertainment and telecommunications company, as well as Dixons Carphone’s Currys PCWorld online and the Company’s SPACETALK.co.uk website. The group’s distribution partners include JB Hi-Fi, Officeworks and The Good Guys in Australia and SPARK, Noel Leeming, Harvey Norman and JB Hi-Fi in New Zealand.



AllMyTribe App subscriptions



Monthly recurring revenue from AllMyTribe smartphone app subscriptions continued to grow and after completion of the half, hit a new monthly record of \$120,000 in January 2020, up from \$109,000 in December 2019. App subscriptions are now tracking on an annualised run rate of \$1.44 million, up 180% on the pcp.

The AllMyTribe app is currently the top grossing navigation app in Australia and in New Zealand, and has entered the top 20 in the UK. The app is in the top 50 grossing apps overall in Australia and New Zealand.¹

School communication business

School communication sales were \$1.3 million, reflecting a change in the billing cycle of a large state government education department contract as licence fee revenue was forwarded into the second half of FY20. The Company received a new contract from the Western Australia Department of Education on 25 February 2020 to supply MGM student absence and emergency messaging services to all WA government schools. The contract is valued at \$1.3 million over two years, which can be extended for a further two years, and replaces a previous contract. Full year revenue is expected to be consistent or marginally better than FY19.

¹ At February 27, 2020.

<https://www.applyzer.com/main.php?mmenu=rankings&submenu=getRanking&app=1273641588&market=1>



Guidance and outlook

Although the Company continues to expect strong annual growth, the slower than expected start to sales in the UK and delays in finalising agreements with MNOs and bricks and mortar retailers has led the Company to revise its FY20 target of 90,000 unit sales, and to provide a revenue forecast which it believes is a better indication of the Company's progress than unit sales alone.

The Company considers that strong annual revenue growth is sustainable, with a seasonal swing towards the first half which includes the Christmas sales period. Based on existing distribution channels, the Company expects 2H FY20 revenues will be approximately 75% up on the pcp, and that FY20 revenue will be in the range \$12 million - \$13 million, an increase of approximately 70-85% on the pcp.

While the Company is in advanced stages of negotiation with Australian MNOs and a number of bricks and mortar retailers in Australia and the UK, it is expected that the revenue benefit of further new agreements expected to be signed in FY20 will be realised in FY21.

UK sales are expected to grow strongly as brand awareness increases and as a result of a further phase of the UK marketing program currently underway.

Production at the Company's lead supplier, based in Shenzhen, ceased in line with Chinese government activity to reduce the impact of the coronavirus over Chinese New Year and recommenced in February. The Company has sufficient inventory and production has not been adversely affected. The Company will update the market should there be material changes.

Building distribution through MNOs is an important growth strategy for the Company as it provides significant marketing and store distribution opportunities. SPACETALK offers MNOs a new and responsible way to enter a new customer category in a young demographic, with the opportunity for the MNO to keep the customer as they transition to using a broader range of extensive telecommunications products and services.

Development of the Company's seniors watch is progressing well, with prototypes completed and discussions with retailers underway. The product has been very well received and completion of the watch for commercial release is expected in the second half. Development of the new model SPACETALK watch is continuing and scheduled for release 1HY21, in time for the Christmas 2020 sales period.



About MGM Wireless

MGM Wireless Limited is a technology company bringing safety and security to families and schools. The Company's all-in-one smartphone, watch and GPS device, SPACETALK, allows two-way phone calls and SMS messaging for children to a parent-controlled list of contacts and its GPS tracking alerts parents whenever children leave designated safe spaces, such as school or the home. SPACETALK doesn't give children access to social media, apps, open internet or other such services that can be dangerous to young children. The subscription-based AllMyTribe mobile app enables parents to manage SPACETALK devices.

For schools, MGM created the world's first SMS based Automated Student Absence Notification Solution and is recognised as a global leader in socially responsible and technology-enabled school communication. Over 1,200 schools and 1.7 million parents use MGM Wireless products including 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'.

To learn more please visit: www.mgmwireless.com

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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