



ASX Announcement

MGM Wireless Limited (ASX:MWR)

6 April 2020

## **QUARTERLY TRADING UPDATE AND IMPACT OF COVID-19, INCLUDING WITHDRAWAL OF GUIDANCE**

**6 April 2020** –Technology company **MGM Wireless Limited (ASX:MWR)** ('MGM' or 'the Company') today provided a trading update for the quarter ending March 31, 2020 (Q3).

- **Total Q3 revenue \$1.9 million, up 37%\***
  - **Year to date revenue \$9.5 million, up 74%\***
- **Q3 Wearables revenue \$1 million, down 15%\***
- **AllMyTribe app subscription revenue \$130,000 in March 2020, up 124%\***
  - **Annualised recurring app revenue increased to \$1.5 million**
- **Q3 School communication revenue \$0.9 million, up 350%\***
- **Cash of \$6.1 million and debt of \$1.75 million at 31 March 2020**

\* Figures are unaudited and compare the relevant FY2020 period with the previous corresponding period in FY2019 (pcp) unless otherwise indicated.

With the unprecedented challenges being generated by the COVID-19 pandemic, the Company would like to acknowledge the impact that this volatility may be having on our shareholders. The Company appreciates your support through this period of market instability.

Total revenue increased 37% to \$1.9 mill in Q3 in comparison with the pcp, however revenue from the Wearables division of \$1 mill was down 15% from \$1.18 mill on the pcp. Q3 AllMyTribe app subscription revenue of \$0.38 mill was up 153% from \$0.15 mill on the pcp and revenue from the sale of SPACETALK devices of \$0.62 mill decreased 40% from \$1.03 mill in the pcp due to bricks and mortar retailers running down inventory levels in the quarter. Whilst revenues from the sale of devices was down, the actual number of unit sales to consumers through all sales channels increased by 28% from the pcp which is reflected in the growing subscription revenues up 19% since December 2019. Sales to consumer numbers indicated that consumer demand in Australia and New Zealand during the initial stages of COVID-19 period was consistent with pcp and grew in the UK.

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The Company has two recurring and separate revenue streams, approximately \$1.5 mill from the AllMyTribe app, and approximately \$2.5 mill from our School Communication business. Our balance sheet is strong with over \$6 mill in cash, and our customer base is diverse which creates a level of protection in times of economic uncertainty.

AllMyTribe app monthly app subscriptions increased to a new monthly record of \$130,000 in March 2020, with subscriptions for the quarter up 19% from the previous quarter. Annualised recurring app revenue grew to \$1.5 million, up from \$0.7 million at 31 March 2019.

Our School Communication Division generated record quarter revenues of \$0.9 million, up by 350% from \$0.2 million in the pcp. The increase is attributable to a 310% surge in the use of messaging by schools due to COVID-19, an increase in the number of new schools purchasing MGM systems due to COVID-19, and the timing of invoicing for annual software license contracts. The Company's established school contracts provide strong, high margin recurring revenue, and during the quarter, MGM also entered into a new multi-year agreement with the Western Australian Department of Education.

### **Operational cost control**

The Company has taken action to ensure that cash is preserved. Cost-saving measures have included directors and senior management agreeing to reduce pay, staff taking leave without pay and a reduction in full time positions, which are expected in total to lower full time equivalent wage costs by over 20% for the period 1 April, 2020 to 30 September, 2020. At 31 March, 2020 the Company held \$6.1 million cash.

The Company has also reduced discretionary costs and expects to benefit from government support initiatives which will assist in meeting tenancy and other costs.

While COVID-19 has impacted supply chains globally, MGM has continued to meet the demands of its customers without interruptions.

MGM Wireless CEO Mark Fortunatow said: "Although overall sales have been sound and recurring revenue is growing, we have taken the necessary actions to reduce costs while the effects of the pandemic remain uncertain.

"We want to preserve our strong liquidity position which provides us with the capacity both to continue to fund our operating expenditure and to grow our business through the release of new and exciting products and services in the short to medium term."



### **Products well suited to challenge of isolation**

- COVID-19 closures drive schools business as messaging needs increase
- SPACETALK-to-SPACETALK keeps kids in touch with their mates
- Children use SPACETALK to call and message lonely grandparents

“Our products are well suited for these challenging times,” Mr Fortunatow said. “We’re seeing increased usage from children using their SPACETALKs to send messages and make phone calls to their isolated and lonely grandparents, and from messages sent by kids, SPACETALK to SPACETALK, staying in touch with their school friends while they’re not attending school.

“All of this can be done safely as parents control who can contact their child.

“Our school messaging business is experiencing unprecedented demand and message traffic, as schools, teachers, students and parents use our systems to stay connected.

“The next level for family connectivity is coming with our new SPACETALK smartphone watch for seniors. We’re creating whole new ways for grandparents to stay connected to their children and grandkids in a fun and engaging way, with additional features that are unique in terms of seniors safety, whether in aged care or living independently.

“Through our SPACETALK range, combined with these new circumstances we find ourselves in, we may be seeing the start of a structural and permanent change in the way families stay safe and connected.”

### **Outlook**

With the increasing level of uncertainty arising from COVID-19, the Company considers it appropriate to withdraw its previously announced FY20 guidance released to the market on 28 February 2020.

While the Company has ample liquidity, it anticipates a softer trading environment for its wearables business due to shutdowns and lockdowns in its Australian, New Zealand and UK markets. The Company’s balance sheet remains strong and MGM has significant headroom in its cash position and working capital.



The Company is on track to release its SPACETALK Seniors smartphone watch in June 2020, and SPACETALK 2 children's watch in time for the Christmas 2020 season. Amongst many new and breakthrough features, both devices will be 4G with an IP67 waterproof rating and improved battery performance.

### **About MGM Wireless**

MGM Wireless Limited is a technology company that designs and develops breakthrough technology, software and wearable devices that enrich connections between families, schools and society.

The Company is recognised as a global leader and pioneer in socially responsible technology for schools and families. Everything we do is built on our unshakeable desire for families to feel safe and secure so that they can live with freedom, independence and joy.

### **About SPACETALK**

SPACETALK is a mobile phone built into a smartwatch designed just for kids from the age of 5 to 12. SPACETALK allows two-way phone calls and SMS messaging for children to a parent-controlled list of contacts and 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.

### **About MGM's School Communication**

MGM created the world's first SMS based Automated Student Absence Notification Solution for schools 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](http://www.mgmwireless.com)

**-Ends-**



**Authorised**

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