

ASX ANNOUNCEMENT

19 February 2015

Strongly Improving Per-User Monetisation Trends for World Phone

Monthly Highlights:

- **Cumulative Revenue up 25% (exceeding USD \$400,000)** since 19 January, demonstrating strong monetisation momentum
- **Cumulative downloads up 14%, now exceeding 3.6 million**, (1.85M iOS, 1.75M Android)
- **Increasing monetisation per installed user** – revenue continuing to trend up faster than downloads
- **Currently in a market calibration phase**, the team focus has been on optimising revenue generation per user and calibration of customer acquisition costs, ahead of significant World Credit and Global Dynamic Pricing releases
- **Total spending on user acquisition reduced by 50%** on prior month, with current acquisition costs reaching \$0.35 per download

“Sharing Economy” telecommunications pioneer Norwood Systems Ltd (“Norwood” or “the Company”) (ASX: NOR) is pleased to report on customer downloads and revenue from the Company’s **World Phone** consumer telecommunications platform, covering the period 20 January to 17 February 2016. Norwood is moving to quarterly reporting of these statistics.

Norwood’s continued efforts on driving monetisation and optimal customer acquisition costs ahead of pure download metrics continues to pay dividends, with both increasing revenue per installed user and reduced user acquisition costs recorded over the past month.

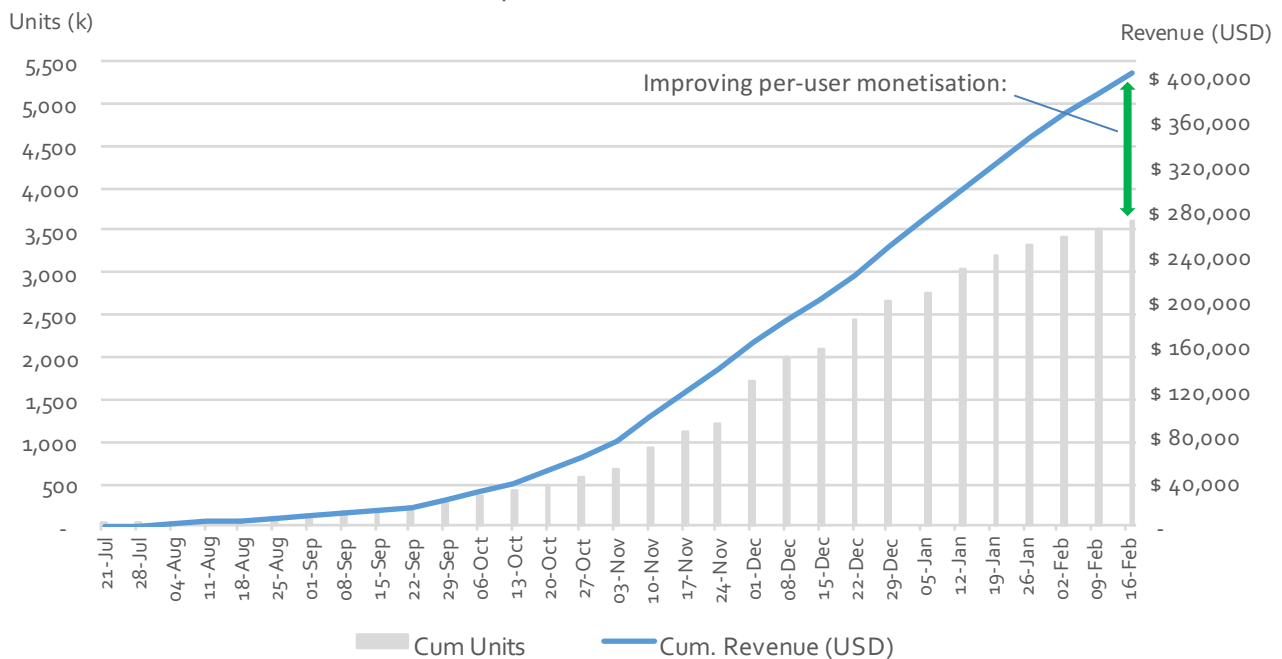
One-day (17 Feb) typical snapshot of Norwood’s global reach – location of sales (i.e. monetised users)



World Phone	As at 19 January	As at 17 February	Increase
Cumulative Downloads:			
iOS	1,750,000	1,850,000	6%
Android	1,400,000	1,750,000	25%
Total	3,150,000	3,600,000	14%
Cumulative Revenue:			
Total	USD 320,000	USD 400,000	25%

World Phone enables users to connect easily with their contacts for roaming or long-distance calls using high-quality, low-cost local landline networks – making it easy and affordable to make international voice calls from a mobile device, anywhere around the globe. **World Phone** also allows users to “Be Local™” whilst travelling or communicating from overseas and effortlessly set up and subscribe to a nearby local number, so that contacts can call users without the inconvenience and cost of dialling their international number.

World Phone – Weekly Cumulative Downloads and Revenue



Norwood earns revenue from the portion of the installed **World Phone** user base that converts into making purchases. These may be ‘one-off’ in nature such as additional calling minutes inside **World Phone** and Booking.com commissions, or subscription revenue – which is primarily comprised of leasing local numbers, and plans such as the ultimate flat rate monthly plan available on **World Phone**.

As noted in the recent strategy update, Norwood has been planning for potential revenue volatility during this calibration phase, as Global Dynamic Pricing goes live, and the Company has already been conducting pre-launch testing in number of geographic markets. Calibration of optimal pricing strategies will continue post release and can be expected to continue for up to several months’ post launch.

Norwood Systems' CEO and Founder, Paul Ostergaard, commented:

*"I am delighted to observe substantial momentum on downloads, as well as marked ongoing improvement in our per-user monetisation statistics, all while we have been significantly restraining our marketing acquisition spend during this past month, ahead of major forthcoming releases. **World Phone** continues to demonstrate the considerable strength of its monetisation model in the lead-up to the launch of one of our most significant platform updates.*

"I draw attention once again to the significant popularity and share of revenue we see being realised in Europe and North America. In this release we have shared a snapshot of the typical geographic diversity of our monetised users on a given recent day.

*"This month we will launch **World Credit, Global Dynamic Pricing and Free App-to-App Calling**, marking a major step up in the revenue generating and engagement potential of **World Phone**. Ahead of this launch we have been careful to contain marketing expenses and continue our focus on per user monetisation metrics."*

*"**Global Dynamic Pricing** is the platform that will allow us to target and monetise inefficiently priced Telco markets worldwide, for roaming and now also for long-distance calling. By varying prices per calling "corridor" to optimise gross contribution per region, we will maximise the economic returns globally for our services.*

*"Alongside **Free App-to-App Calling**, which will increase user engagement over time while lowering our marketing costs on trial periods, and **World Credit**, we will now have a complete set enhanced capabilities, systems and platforms to drive positive cash flow generation from our entire global user base moving forward."*

Norwood will provide one further monthly update on **World Phone** downloads and revenues this Quarter on approximately 24 March, after which the Company will move in line with the market standard of quarterly updates for revenue reporting, as per ASX Listing Rule requirements.

-ENDS-

For Further information, please contact:

Paul Ostergaard , CEO & Founder Office: +61 8 9200 3500 Web: www.norwoodsystems.com Twitter: @norwoodsystems, @paulostergaard	Shane Murphy , FTI Consulting Office: +61 9485 8888 email: shane.murphy@fticonsulting.com Mobile: +61 420 945 291 Twitter: @ShaneWMurphy
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Glossary:

A number of consumer mobile App industry metrics are referred to in this release, alongside traditional financial metrics. For the benefit of readers, these metrics are defined further below.

Revenue for mobile apps refers to gross revenue earned from sale of the application to the consumer, i.e. prior to any commission, allocation, sales share or overhead etc. taken by an App store such as the Apple iTunes App Store for iOS or Google Play Store for Android. Typically, these App stores levy an overhead of circa 30% of revenue.

"One off" versus "Subscription" Revenue discusses the split between purchases that are one off in nature such as additional calling minutes inside **World Phone**, or future booking.com commissions and subscription revenue which is primarily comprised of leasing local numbers, and plans such as the ultimate flat rate monthly plan available on **World Phone**. One off revenue, such as purchasing additional calling minutes, is still classed as one off even if the same user makes multiple purchases in the same month, or regular purchases over an extended period of time.

Revenue Annual Run Rate refers to the approximate Annual Revenues from **World Phone** that would be received, should the current weekly average revenue continue unchanged (along with similar Foreign Exchange Rates) for a full 12-month period. As **World Phone** has only been on sale since 31 July 2015, an annual figure for sales is not yet available. This metric is NOT a forecast of future revenues, but an illustration to assist investors in determining the significance of current run rate revenue figures.

Average Revenue per User or ARPU is simply the total amount of revenue earned divided by the number of users over the relevant period, such as weekly or monthly. In the industry, a monthly period is most commonly used. Given the large numbers of non-paying users present in any consumer mobile app, *average* revenue figures will always be much lower than available spending options as the revenue from spending users is averaged out across the entire user base. Typically, only a few percent of a consumer mobile App user base will spend money on a mobile App after downloading the App for free.

Engaged Users refers to users who have done more than simply download a mobile app, i.e. they have opened and used the App on their mobile device at least. Engaged Users cease to be counted as engaged if they have not interacted with the App for a given time period. **Engagement** similarly refers to users actually using the app, rather than simply downloading the app.

Background

Individual travellers, businesses and governments globally are incurring significant international call roaming charges. Informa Telecom estimates that mobile operators today bill more than US\$55 billion annually in roaming charges*, which is forecast to grow to more than \$80 billion by 2018 (source: *Juniper Research report on the Mobile Roaming Market, 2014*).

Norwood Systems' patent-pending cloud service platforms integrate the international fixed phone network with short-haul Voice over Internet Protocol (VoIP) technologies to optimise roaming business travellers' telephony experiences.

Australian businesses and individual business travellers are using Norwood's services today on multiple continents. The Company has built up a significant pipeline of prospects, including global players in the areas of aviation, professional services, banking, telecommunications, engineering and legal services.

About Norwood Systems

Norwood Systems Ltd (ASX: **NOR**) is revolutionizing the 'Sharing Economy' delivery of high-quality telecommunications services for individual business travellers and organisations on a worldwide basis. The Company listed on the ASX on 16 June 2015.

Norwood Systems was founded in 2011 to develop and supply the best possible global mobility and roaming solutions using Over-The-Top (OTT) technologies. The Company's breakthrough offerings, **CORONA™** and **World Phone™**, deliver the world's most advanced international fixed-line roaming solutions addressing a broad spectrum of customers, from individual business travellers all the way through to large enterprise and government clients.

CORONA is an award-winning, enterprise-class cloud services platform that integrates compatible mobile devices securely and seamlessly with the organisation's existing Unified Communication or PBX networks, independent of their location.

World Phone is an award-winning, revolutionary communications App, delivering effortless 'Sharing economy' consumer access to leading fixed-line network service providers around the world, providing unparalleled local access to high-quality voice networks in more than 90 countries.



World Phone