

25th October, 2017

ASX: SKF

SKF QUARTERLY BUSINESS REVIEW – Q1 FY2018

HIGHLIGHTS

- Recurring revenues in Q1 FY2018 of \$636k¹ up 2% on the previous quarter
- New services agreement with signed with Lexicon Shopping Centre (UK); contract renewal with GPT Group and acquisition of Wicom's Wireless portfolio of customers during the quarter
- Cash receipts from customers for the quarter of \$773k², down 37% on the previous quarter due to timing delay of customer payments received shortly after quarter end
- One-off cash injections of \$832k received under the Research and Development (R&D) Tax Incentive Program and \$111k received through the Export Market Development Grant (EMDG)
- Total registered user base up 18% on previous quarter reaching 11.7 million unique users
- New contracts signed with leading Italian supermarket chain post quarter end
- New multi-year contract signed with major shopping centre group, a novated customer from the Wicom's acquisition post quarter end
- Strong outlook
 - Recurring revenue growth in current quarter (Q2 FY2018) trending very positively, up 35% on Q1 FY2018
 - Reduction of corporate operating overhead in progress; streamlining of business functions and resource allocation, expected to reduce cash burn substantially moving into calendar year 2018

Data analytics and marketing services company Skyfii Limited (**Skyfii, the Company**) has today released its Appendix 4C Report for the three-month period ending 30 September 2017 and is pleased to provide a review of progress made during the quarter.

¹ Recurring revenues, based on unaudited recurring revenue from operations (excluding interest, grant and other income) for the quarters ending 30 June 2017 and 30 June 2016.

² Cash receipts from customers, based on 4C Quarterly Report, Section 1.1 (excluding interest, grant and other income, and accruals).

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Growth in the quarter

The Company's cash receipts from customers for the quarter totalled \$773k, down 37% on the previous quarter impacted by timing delay of customer payments received shortly after quarter end. Revenue from operations for the quarter was \$887k³, down 19% on the previous quarter. Recurring revenues were \$636k, up 2% on the previous quarter.

In addition to cash receipts from customers, during the quarter, a cash injection of \$832k was received from the Australian Taxation Office under the Research and Development (R&D) Tax Incentive Program, and \$111k was received under the Export Market Development grant (EMDG), provided by the Australian Trade and Investment Commission.

Acquisition of Wicom's Wireless portfolio of customers

In July 2017, Skyfii announced the successful acquisition of key assets from Wicoms Wireless Ltd ('Wicoms') to further expand global footprint in Europe and North America. Wicoms is a provider of guest WiFi services and user analytics to the retail sector. As part of that transaction, Skyfii acquired Wicoms' portfolio of customer contracts, including the delivery of services to a leading shopping centre group with operations in Europe and North America.

The Wicoms portfolio and key assets acquired by Skyfii is profitable, making the transaction a revenue accretive deal for Skyfii.

The transaction was completed using an all scrip consideration of 3,800,000 new Skyfii shares issued at \$0.065 per share ('consideration shares'), valued at \$247,000. The shares are subject to 12 month escrow provisions.

Post quarter events

New multi year contract signed with major shopping centre group, a novated 'Wicoms' customer (United Kingdom)

In July 2017, Skyfii announced that it had acquired Wicoms Wireless portfolio of customers including an owner and manager of a portfolio of shopping centres. At the time of the Wicoms transaction, Skyfii announced it had entered into the advanced stage of negotiation with this shopping centre group and we are pleased to announce we have successfully concluded these negotiations.

³Revenue from operations, based on revenue from operations (excluding interest, grant and other income) for the quarters ending 30 September 2017(unaudited) and 30 June 2017(audited).

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Post quarter end, Skyfii reached an agreement to deliver a significantly greater level of analytics and marketing services through the Skyfii 'IO' Platform, not provisioned under Wicoms' original service agreement. The new multi year agreement will see 'IO' platform services deployed across 22 shopping centres, with the opportunity to upsell into new shopping centres during the term of the agreement.

The newly signed contract is valued at greater than 3x the value of the original Wicoms acquisition and includes the provision of Data Consulting Services (DCS) for the term of the agreement.

Leading Italian supermarket chain (Italy) contract signed

A new contract was signed with one of Italy's prominent supermarket brands, a leading grocery chain operating 285 supermarket outlets, country wide. The five year contract will see Skyfii's IO Platform (IO Connect and IO Insight) deployed across the supermarket chain's 285 stores throughout Italy. The deployment follows Skyfii's strategy for targeting and acquiring contracts in new vertical markets, with this contract representing a successful execution into the grocery retail sector.

Revenue pipeline

Skyfii continued to progress a large advanced stage revenue pipeline in Australia, North America, Europe, Middle East, Africa (EMEA) and UK markets. The advance stage sales pipeline growth has been particularly strong in the Australian, United Kingdom and European markets, with retail and commercial property growth reinforcing Skyfii's market leading position in those verticals. A number of key deals are in the final stages of contract negotiation with the expectation these deals will be announced in the current quarter.

Material new contracts secured during the quarter

The GPT Group (Australia)

One of Skyfii's first enterprise customers, originally contracted in 2015, The GPT Group renewed its long-term Master Services Agreement (MSA) with Skyfii across 18 of GPT Group's retail and commercial premises for a further three years during the quarter. The agreement will broaden Skyfii's scope of work, including the provision of Data Consultancy Services (DCS), in addition to the previously provided full suite of analytics and marketing services provided through the 'IO' Platform.

The GPT Group is one of the largest diversified property groups and a top 50 ASX listed company by market capitalisation. GPT owns and manages a \$20 billion portfolio of office, logistics, business parks and prime shopping centres across Australia.

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Lexicon Shopping Centre (United Kingdom)

Lexicon Shopping Centre marks Skyfii's first deployment within the shopping centre vertical in the UK. Set to be a vibrant shopping centre with 580,000 square foot of new shopping, dining and leisure. With a number of new precincts built across the centre, Skyfii's IO Platform will be able to provide valuable analytics to support both operational and marketing teams at Lexicon.

Update on existing contracts

Woolworths Group (South Africa) rollout

Since announcing the Global Master Services Agreement (MSA) with Woolworths Group (South Africa) in April 2017, the Skyfii IO Platform is now deployed across 179 of the 500 stores that are under contract. The deployment is progressing to plan.

Premium Food Chain (United Kingdom) rollout

Announced in April 2017, Skyfii has been working with our UK Channel Partner, Jade Solutions, to deploy the IO subscription services across this premium UK Food Chain. In the final stages of deployment, IO subscription services are now deployed across 311 venues. This client will remain unnamed until the completion of the planned deployment.

Update on new revenue sources

Data Consultancy Services (DCS)

In January 2017, Skyfii launched Data Consulting Services (DCS) providing professional services to existing and new customer segments. The DCS team works alongside our customers to help solve the more complex problem of understanding physical behaviour in a venue environment. During the quarter, the team experienced a significant increase in demand, resulting in an increase in paid projects and average deal size per project.

New channel partnerships

Vanix (United Kingdom)

Vanix designs, builds and manages integrated networks. As part of the Ampito Group, Vanix are able to leverage the IT skills and expertise of diverse IT disciplines. Operating in the UK, Vanix are a valued component of Skyfii's partner strategy for the region. Skyfii is partnering with Vanix to secure new customers in the fitness and well being vertical and is already in advance stages of negotiating a number of key deals.

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Switch Shop (United Kingdom)

Founded in 2000, Switch Shop's professional team has many years of experience within the networking industry. Taking a consultative approach, their team of networking and communications experts support a broad range of customers with integrated network strategies. Skyfii is partnering with Switch Shop to deploy IO Platform services for the newly built Lexicon Shopping centre.

AM Networks (United Kingdom)

Headquartered in Somerset, United Kingdom, AM Networks are an experienced boutique system Integrator delivering sophisticated technology into large venue owners. Skyfii is working in partnership with AM Networks to deploy the IO Platform services across the portfolio of customers novated across to Skyfii as a part of the Wicoms transaction.

Habitat Digital (Australia)

A boutique media provider within the Australian market, Habitat Digital provide customers with sophisticated technology solutions to assist in delivering in-store communications. Leveraging Skyfii's data analytics and content delivery tools, Habitat Digital are able to provide customers with innovative media solutions for an enhanced in-venue experience.

Product development

IO Platform user experience refresh

During the quarter, Skyfii's product development team undertook a refresh of the User interface (UI) functionality and design of the IO Platform. The Platform upgrades focused on addressing the user experience, content building functionality of the tool and integration capabilities. These developments have improved the scalability of the IO Platform, supporting channel partners with an adaptive go to market solution, and customers with a product that now boasts a feature rich 'drag and drop' style content building tool.

Improvement in business operations

As part of the ongoing effort to improve business operations, Skyfii continues to execute on a number of key strategies during the quarter to reduce operating expenditure. These strategies included strict cost control, reduced headcount and the deployment of key management personnel into key growth markets as the company expands internationally. The adoption of these strategies which commenced early 2017 are well advanced and will result in a reduction in underlying operating expenditure reaching their full benefit by the end of the 2nd calendar quarter of 2018.

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TMT analyst equity research

Available on the Skyfii website is access to ongoing research coverage written by analyst, Marc Kennis of TMT Analytics. Please go to www.skyfii.io/investor to listen to or read the coverage.

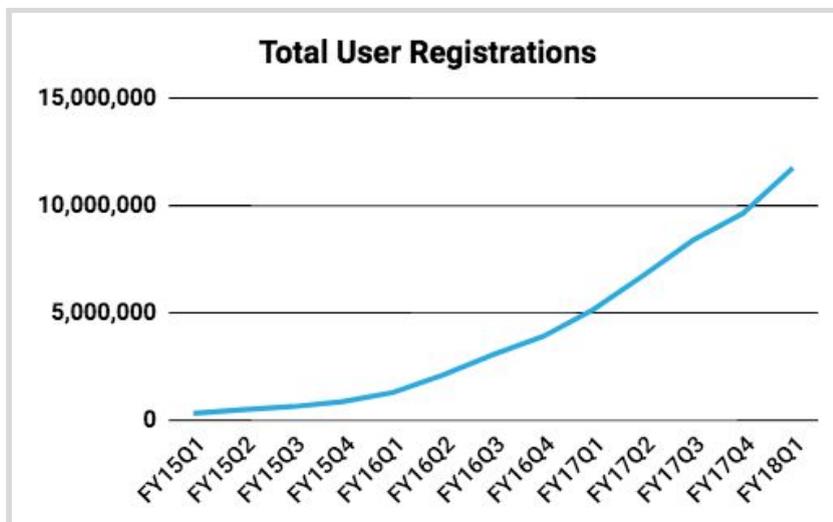
Cash position

As at 30 September 2017, the Company maintained a cash position of \$2.05m. A receivable of \$0.8m remains outstanding as part of a conditional placement conducted from February 2017.

Key user operating metrics

Total User Registrations continued to grow during the quarter and now stand at 11.7 million unique users, up 18% qoq.

Quarterly customer venue visits remained substantial at 166 million.



Total registered user base increased by **+18%** qoq from **9.9 million** to **11.7 million** unique users.

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Quarterly customer venue visits remained unchanged at **166 million**.

* Attributed plateau is due to seasonality (end of year break for Durham University), resulting in an approximate reduction of **30 million** recorded visits for the quarter.

Operating metric definitions

Total User Registrations: The total number of people who have registered to use guest WiFi in venues where Skyfii's data analytics and marketing services is deployed.

Quarterly Customer Visits: The total number of physical people visits to venues where Skyfii's data analytics and marketing services is deployed.

Outlook

Recurring revenue growth in the current quarter (Q2 FY2018) is trending very positively, up 35% on Q1 FY2018. This is the result of a high level of deal activity in the current quarter.

A reduction of the corporate operating overhead is in progress. This includes streamlining of business functions and resource allocation. It is expected that the full benefit of strategies to reduce underlying operating expenditure will be reached by the end of the 2nd calendar quarter of 2018.

The development of sales activity via our network of international channel partners continues to build momentum, particularly in the UK, Europe and North American markets. This is particularly the case in Skyfii's UK operations, where the team have managed to secure a number of landmark deals in both in UK and mainland Europe.

Beyond the current quarter, Skyfii continues to see strong interest in data analytics and marketing services across the verticals in which it operates, particularly large enterprise clients. Revenues attributed from new sources including Data Consulting Services (DCS) demonstrate Skyfii's ability to complement the 'IO' subscription based Software as a Service Platform offering.

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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 IO 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 in)
- IO Insight: venue performance, customer behaviour and, loyalty & engagement (Insights out)
- IO Engage: targeted content delivery, automated marketing and monetization

Skyfii also engages with clients to provide further revenue generating services such as Data Consulting Services (DCS) and Marketing Services (MS) arising from the insights gained from its three core services.

For more information visit www.skyfii.io.

Contacts:

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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")

30 September 2017

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	773	773
1.2	Payments for		
	(a) research and development	(15)	(15)
	(b) product manufacturing and operating costs	(553)	(553)
	(c) advertising and marketing	(73)	(73)
	(d) leased assets	-	-
	(e) staff costs	(1,201)	(1,201)
	(f) administration and corporate costs	(106)	(106)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	2	2
1.5	Interest and other costs of finance paid	(0)	(0)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	934	934
1.8	Other (provide details if material)	-	-
1.9	Net cash from / (used in) operating activities	(240)	(240)

Consolidated statement of cash flows		Current quarter	Year to date
		\$A'000	(3 months)
			\$A'000
2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) property, plant and equipment	(3)	(3)
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property ¹	-	-
	(e) other non-current assets	11	11
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	-	-
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	9	9

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	-
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	-	-

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	2,281	2,281
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(240)	(240)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	9	9
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	2,049	2,049

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	2,049	2,281
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)	2,049	2,281

6.	Payments to directors of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to these parties included in item 1.2	57
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	

6.1 includes directors' fees and salaries paid in the quarter.

7.	Payments to related entities of the entity and their associates	Current quarter \$A'000
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	

N/A

8.	Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
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.		

N/A

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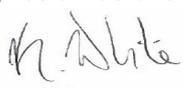
9.	Estimated cash outflows for next quarter ***	\$A'000
9.1	Research and development	(23)
9.2	Product manufacturing and operating costs	(675)
9.3	Advertising and marketing	(69)
9.4	Leased assets	-
9.5	Staff costs	(1,256)
9.6	Administration and corporate costs	(223)
9.7	Other (provide details if material)	-
9.8	Total estimated cash outflows ***	(2,246)

*** 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 September 2017, DOES NOT REFLECT ANY ANTICIPATED CASH INFLOWS i.e. it excludes sales receipts from customers. For the prior quarter ended 30 June 2017, receipts from customers was \$1,221k.

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: 25 October 2017

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.

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