

29th January, 2017

ASX: SKF

SKYFII QUARTERLY BUSINESS REVIEW – Q2 FY 2018

HIGHLIGHTS

- Strong recurring revenues (sales) generated in the December ended quarter of \$879k¹, up 38% on the previous quarter
- Total operating revenues (sales) of \$1.8m, up 102% on the previous quarter, resulting from strong contract conversion in the UK, European and Australian markets
- Cash receipts from customers for the quarter of \$1.97m², up 155% on the previous quarter due to strong contract conversion in the UK, European and Australian markets
- New multi-year contracts signed during the quarter with a leading Italian Supermarket Chain, major shopping centre group in Europe, Aventus Property Group and post quarter end, HSBC Bank Australia
- Total registered user base up 12% on previous quarter reaching 13 million unique users
- Quarterly customer visits up 25% on the previous quarter to 206 million
- 1H FY18 Revenue and EBITDA forecast targets exceeded: operating revenue of \$2.7m and EBITDA approaching breakeven of -\$300k achieved, representing a 93% revenue increase and 600% improvement to EBITDA compared to 1H FY17
- Strong cash position with \$2.75m held at end of Q2 (31 December 2017), up from \$2.05m at the end of the previous quarter (30 September 2017)
- Outlook: operating revenues for the full year FY18 (1 July 17 to 30 June 18) already stand at \$4.8m (versus operating revenues of \$3.2m in full year FY17) a 50% increase, with five months remaining to positively grow the full year result from new contract flow across domestic and international markets

Data analytics and marketing services company Skyfii Limited (**Skyfii, the Company**) has today released its Appendix 4C Report for the three-month period ending 31 December 2017 (Q2 FY 2018) and is pleased to provide a review of progress made during the quarter.

Strong Q2 FY18 growth

The Company's cash receipts from customers for Q2 FY18 was \$1.97m, up 155% on the previous quarter. Revenue from operations for Q2 FY18 was \$1.8 million, up 102% on the previous quarter. Recurring revenues for Q2 FY18 was \$879k, up 38% on the previous quarter. The

¹ Recurring revenues, based on unaudited recurring revenue from operations (excluding interest, grants and other income) for the quarters ending 31 December 2017 and 30 September 2017.

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

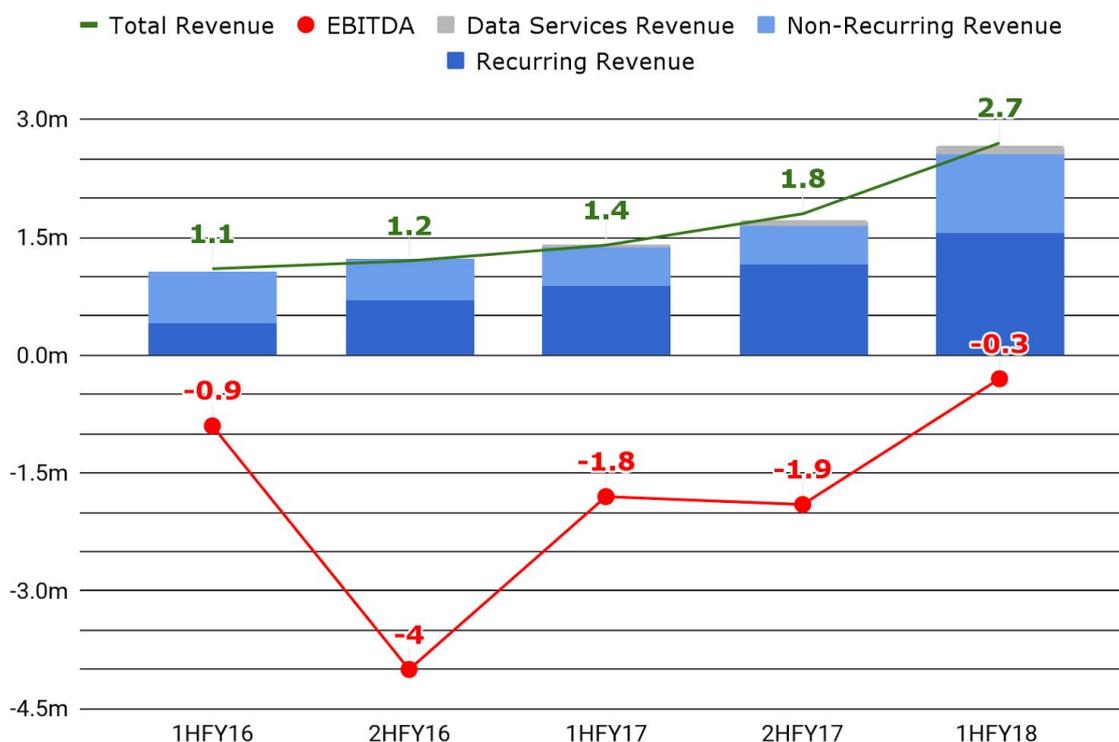
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acceleration of revenues is due to strong contract conversion during the quarter, in the United Kingdom, Europe and Australia, which is expected to continue in the coming quarters.

Forecast 1H FY18 revenues and EBITDA exceeded

On the 14th of December 2017, Skyfii announced the expectation of strong revenues and a significant improvement in EBITDA for 1H FY18. The announcement forecast operating revenues of \$2.6 million for 1H FY18. This target was exceeded with operating revenues reaching \$2.7 million, representing a 93% increase when compared with 1H FY17. The Company is approaching breakeven and achieved an EBITDA of -\$300k for 1H FY18, a 600% improvement on 1H FY17, exceeding its target of -\$360k.

1H FY18 Revenues and EBITDA (AU\$)



Post quarter events

HSBC Australia Master Services Agreement (MSA)

An agreement has been signed with HSBC on an initial three year term to provision and deploy Skyfii's 'IO' Platform across all HSBC branches throughout Australia. The agreement includes access to the full suite of services within Skyfii's 'IO' software as a service (SaaS) Platform, and enables HSBC branches across Australia to analyse customer behaviour in branch in order to personalise and improve the customer experience.

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Revenue pipeline

Skyfii continued to progress a large advanced stage revenue pipeline in Australia, North America, Europe, Middle East, Africa (EMEA), UK and Brazil markets, notably pipeline growth has been particularly strong in the Australian, United Kingdom and European markets. Skyfii continues to diversify into new verticals, outside of retail, with representation in health and lifestyle, banking and finance, and cultural centres (museums).

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

Aventus Property Group - Australia

A three year contract has been signed with Aventus Property Group to deploy the 'IO' Platform services across an initial four Aventus Shopping centres. The signed contract will give Aventus access to Skyfii's 'IO Connect' and 'IO Insight' products over three year contract terms. The signed contract represents another successful execution in the retail property vertical for Skyfii, reinforcing the Company's position as a leading service provider to the Australian retail industry.

McArthurGlen Designer Outlets - UK & Europe (announced as Major Shopping Centre Group, 25th November 2017)

Following the acquisition of Wicoms Wireless, Skyfii acquired contracts to deliver services to Wicoms' portfolio of customers including McArthurGlen Designer Outlets. Deploying across 22 shopping centres, the signed contract value is greater than three times the value of the original Wicoms acquisition, which was paid using \$247,000 worth of Skyfii scrip. Skyfii's Data Consulting Services (DCS) has been contracted across the term of the agreement.

Leading Supermarket Chain - Italy

Representing a five year contract term across 295 supermarkets, the signed contract with the leading supermarket chain marks the first contract in the Italian market. The contract replaces a former incumbent and was won in partnership with Italian distributor, Telcomms and their value added partner, Tecnosistemi a strategic partner for the region.

Update on new revenue sources

Data Consultancy Services

In January 2017, Skyfii launched Data Consulting Services (DCS) providing professional services to existing and new customer segments. The DCS team works alongside our customer base and also conducts bespoke projects for non-contracted customers. These projects are focused on delivering actionable research outcomes - answering the complex problem of understanding physical behaviour in a venue environment.

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During H1FY18 the team experienced a significant increase in average contract value, with paid projects totalling \$120k. The average project value increased 400%, as a result of larger project engagement. It is expected that the team will exceed this performance in the 2H FY18.

Marketing Services

The Marketing Services team is a newly developed business unit, focused on blending a consumer's physical and digital data points to deliver intelligent marketing outcomes for physical venues. The projects and services provided by Skyfii's marketing services team are complementary to the services provided by Skyfii's Data Services team and are led by our experienced team of marketers. Of significant importance is the value the marketing team brings to Skyfii's customer in achieving successful operation of the IO platform itself.

Appointment of Shaun Bonétt to Board of Directors

Shaun Bonétt is the founder and CEO of Precision Group, one of Australia and New Zealand's most successful private property investment companies. Shaun brings an exceptional wealth of experience to the Skyfii board from not only the retail and property sector, but also through his extensive experience in working with the finance sector, including the Chinese banking sector, particularly with the Bank of China. Shaun is also a board director and major shareholder in ASX listed company iSelect. His appointment follows a material investment in Skyfii Limited through his company Precision Group.

Product development

Following the refresh of the Captive Portal and Engage User Interfaces completed in the first half of FY18, Skyfii's Product and Engineering teams have focused on the design and development of new reports generated from additional behavioural data sources such as 2D and 3D Cameras. This capability enhances the richness and accuracy of Wi-Fi reporting. Additionally, these new reports provide the basis for new monetisation opportunities in both the 'IO' product and Data Services team. The reports have been rolled out to existing and new customers in Australia and the UK.

Improvement in business operations

A number of initiatives announced and successfully implemented in previous quarters during calendar 2017 targeted reducing operating expenditure. The full benefit of this strategy is to be realised across the balance of FY18.

Cash position

As at 31 December 2017, the Company maintained a strengthened cash position of \$2.75m, up from \$2.05m at the end of the previous quarter (30 September 2017).

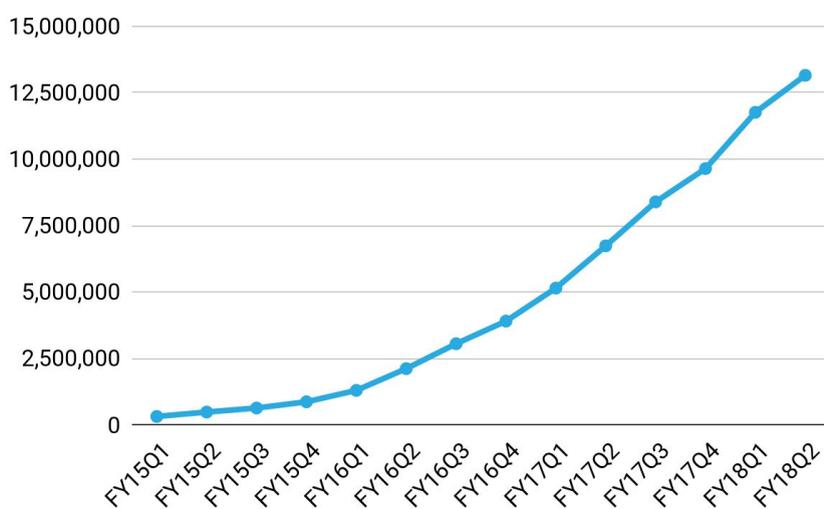
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Key user operating metrics

Total User Registrations continued to grow during the quarter and now stand at 13.1 million unique users, up 12% qoq.

Quarterly customer venue visits grew to 206 million, up 25% qoq.

Total User Registrations

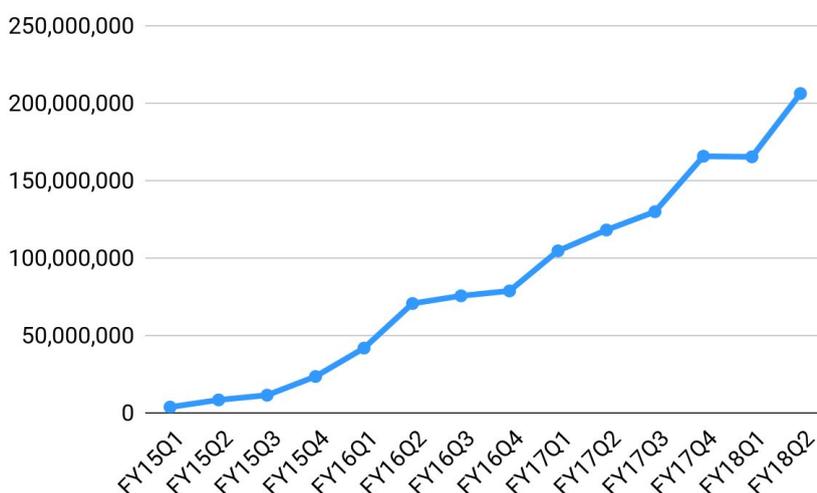


Total registered user base increased by **12%** qoq from **11.7 million** to **13.1 million** unique users.

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Quarterly Customer Visits



Quarterly customer visits increased by **25%** qoq from **165 million** to **206 million**.

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 are deployed.

Quarterly Customer Visits: The total number of people who visit venues where Skyfii's data analytics and marketing services are deployed.

Outlook

The strong revenue result in the 1H FY18, combined with the focus on rightsizing the Company's operations has positioned Skyfii well to deliver a strong full year FY18 result. Operating revenues for the full year FY18 (1 July 17 to 30 June 18) already stand at \$4.8m (versus operating revenues of \$3.2m in full year FY17) a 50% increase, with five months remaining to further grow the full year result.

The recent Q2 performance in the Australian market has now positioned Skyfii as the leading WiFi and data analytics provider in the Australian property REIT sector with further growth expected in the 2H FY18. Revenues generated from international operations continues to build momentum, with our UK and European markets now the fastest growing across all our regions.

The outlook for 2018 is very positive, Skyfii expects to announce a number of key contract wins in Q3 and remains in a strong position to continue with the current revenue growth trend.

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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 collection)
- IO Insight: venue performance, customer behaviour and, loyalty & engagement (data analytics)
- IO Engage: targeted content delivery, automated marketing and monetization (marketing tools)

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.

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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")

31 December 2017

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	1,971	2,744
1.2	Payments for ¹		
	(a) research and development	(7)	(22)
	(b) product manufacturing and operating costs	(460)	(1,178)
	(c) advertising and marketing	(46)	(120)
	(d) leased assets	-	-
	(e) staff costs	(1,184)	(2,221)
	(f) administration and corporate costs	(296)	(402)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	3	6
1.5	Interest and other costs of finance paid	0	(0)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	6	940
1.8	Other (provide details if material)	-	-
1.9	Net cash from / (used in) operating activities	(13)	(253)

¹ Cash flows are presented before the capitalisation of employee, contractor and other expenditure attributable to software development of approximately \$732k for the six months to 31 December 2017. The Company expects to capitalise this expenditure as an intangible software development asset in the half year accounts ended 31 December 2017.

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Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) property, plant and equipment	-	(3)
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property ¹	-	-
	(e) other non-current assets	(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	(11)	(3)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	726	726
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	726	726

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	2,049	2,281
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(13)	(253)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(11)	(3)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	726	726
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	2,752	2,752

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	2,752	2,049
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)	2,752	2,049

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 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

Current quarter \$A'000
57
-

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

7. Payments to related entities of the entity and their associates

- 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

Current quarter \$A'000
7
-

7.1 includes payment to Simple Machines a related party to Jason Martin (CTO).

8. Financing facilities available

Add notes as necessary for an understanding of the position

- 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.

Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
-	-
-	-
-	-

N/A

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9.	Estimated cash outflows for next quarter ***	\$A'000
9.1	Research and development	-
9.2	Product manufacturing and operating costs	(368)
9.3	Advertising and marketing	(40)
9.4	Leased assets	-
9.5	Staff costs	(1,204)
9.6	Administration and corporate costs	(286)
9.7	Other (provide details if material)	-
9.8	Total estimated cash outflows ***	(1,898)

*** 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 31 March 2018, DOES NOT REFLECT ANY ANTICIPATED CASH INFLOWS i.e. it excludes sales receipts from customers.

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: 29 January 2018

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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