

Syntonic acquires assets of Brazilian mobile commerce business unit

Highlights:

- Syntonic has acquired the assets of the mobile commerce (or “value-added-services”) business unit of Zenvia Mobile Servicos Digitais, a leading Brazilian Application-to-Person service provider
- Acquired assets include:
 - Zenvia’s Mobile Commerce Platform which enables direct-carrier-billing for mobile customers to make online purchases
 - assignment of all active mobile carrier and content provider agreements
 - the transfer of key employees to support the business operations
- Non-dilutive purchase consists of a cash consideration of US\$700,000 (A\$940,000) and a vendor earn-out of 20% of the first US\$21.5 million of contribution margin¹ over 3.5 years
- All acquired assets and business operations will be transferred and/or assigned to Syntonic Brazil, a newly incorporated Syntonic subsidiary, during H2 CY18 with all operating revenues to be recognised during the transition period

Seattle, United States – Syntonic Limited (“Syntonic” or “Company”) (SYT.ASX), a mobile platform and services provider, is pleased to announce that it has executed a formal binding asset purchase agreement (“Asset Purchase Agreement”) to acquire 100% of the assets of the mobile commerce business (“value-added-services or VAS”) unit of Zenvia Mobile Servicos Digitais S.A. (“Zenvia”), a leading Brazilian Application-to-Person (A2P) provider.

Consistent with the indicative terms of the acquisition (refer to the ASX announcement dated 18 June 2018), the asset acquisition includes the intellectual property for the Mobile Commerce Platform (“MCP”), assignment of all active mobile carrier and content provider agreements, and transfer of key employees. In consideration for this asset purchase, Syntonic has paid a purchase price of US\$700,000 (A\$940,000), and Zenvia will be entitled to an earn-out of 20% of the first \$21.5 million (A\$28.9 million) of contribution margin¹ generated by the acquired assets over 3.5 years.

The acquisition includes the transfer of 11 operations and business support staff to Syntonic’s new subsidiary, Syntonic Brazil, based in São Paulo, Brazil.

Assignment of all carrier and content provider agreements to Syntonic Brazil will occur during a transition period in H2 CY2018. During the transition period, Zenvia will continue to support the existing business operations and account to Syntonic the revenues generated from the deployed and



¹ “contribution margin” being the net revenue derived from the mobile commerce platform minus media marketing expenses as provided for in the Asset Purchase Agreement

operating acquired assets. By the end of the December 2018 quarter, it is anticipated that all business assets and operations will be transferred and/or assigned to Syntonic, allowing the business to be operating at full performance under Syntonic Brazil.

The Company has incurred acquisition costs, including closing costs and the consideration payment, in respect to the transaction of approximately A\$1.08 million which will be reflected in Q1 FY2019.

In CY2017, these assets generated for Zenvia (unaudited) gross revenue of R\$36.10 million (A\$13.95 million) and (unaudited) EBITDA of R\$2.27 million (A\$0.89 million).

Market Opportunity for Acquired Assets

The MCP, being the newly acquired operating asset, enables consumers to make online purchases either billed to their post-paid carrier account or debited from the stored mobile credit in their pre-paid carrier account, both methods referred to as direct-carrier-billing.

The MCP is integrated into all major Brazilian mobile operators, with an addressable reach of 235.7 million mobile subscribers and with ongoing contractual relationships with many of Brazil's major content providers. It is estimated that by 2019, total global carrier billing revenue will be worth more than US\$24 billion, with US\$1.2 billion coming from Latin America².

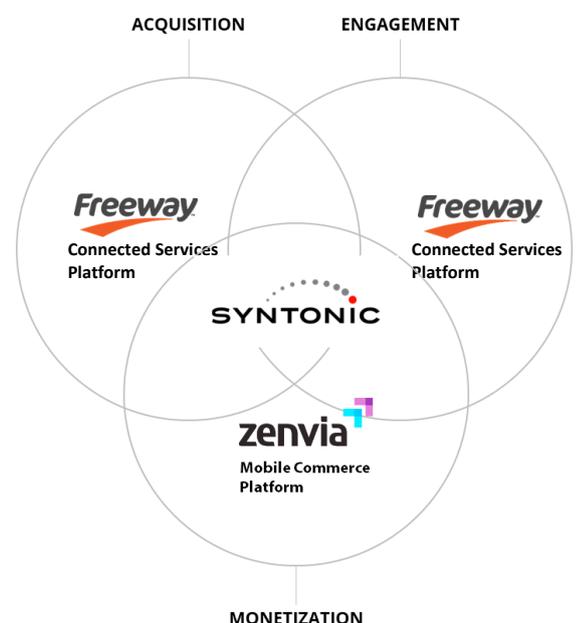
Strategic Rationale for the Acquisition

Syntonic expects the more significant market opportunity for the acquired assets is as an integrated service in the existing Syntonic Connected Services Platform ("CSP"). This integrated solution, expected to be commercially ready in H1 CY2019, will provide mobile carriers with:

- 1) a complete mobile advertising service for customer acquisition, engagement, and monetisation to participate in the growing US\$183.8 billion annual mobile advertising market; and
- 2) a mobile commerce service to participate in the growing US\$1.78 trillion generated by mobile transactions³.

Syntonic Brazil will initially run the MCP as a stand-alone business with focus on growing the existing opportunity in Brazil and expanding the service into other regions in South America. Syntonic Brazil will also leverage the local carrier and content provider relationships to grow the existing Syntonic business (Freeway and DataFlex) in Brazil, the world's 9th largest economy.

Once the platform merger is completed, the mobile commerce service will be offered by the Syntonic CSP, to be licensed to carriers world-wide to support their mobile advertising and mobile commerce requirements.



² Ovum Research, "Carrier Billing Global Market Trends and Forecast", 2015

³ eMarketer March 2018, July 2018; quoting 2018 forecasts.

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Gary Greenbaum, CEO and Managing Director of Syntonic, commented:

"The acquisition of the mobile commerce (VAS) assets of Zenvia represents a significant advance in Syntonic's global expansion strategy; enhancing the value proposition of the Syntonic platform to mobile carriers, brands and content providers; and building new revenue streams to create value for shareholders.

"The Mobile Commerce Platform brings Syntonic technology and capabilities in the mobile advertising and mobile commerce market, better enabling mobile carriers to participate in the new app economy."

The Company also wishes to advise that it is presently in the process of completing negotiations for a licensing agreement with a tier-1 multinational mobile operator and will provide shareholders with an update on the status of the licensing agreement by way of ASX announcement in due course. Note that such arrangement remains subject to the completion of negotiations and execution of formal documentation.

About Zenvia

Zenvia is a leading Brazilian service provider in the A2P (Application-to-Person) sector, and offers mobile interaction platforms for Blue-Chip corporations. Founded in 2003, the Company provides services that enable corporates to engage with customers in a direct, personal and relevant manner using digital channels. It offers its services to over 5,000 corporate clients from several industries, including finance, retail, education, healthcare, telecom, among others. Zenvia is headquartered in Porto Alegre with another office in São Paulo. The Company currently employs over 180 people.

For further information, please visit www.zenvia.com

About Syntonic

Syntonic (SYT.ASX) is a Seattle based software company which has developed two mobile technology services: Freeway by Syntonic®, which allows consumers unlimited mobile access to content and applications, supported by subscription and sponsorship; and Syntonic DataFlex®, which enables businesses to manage split billing expenses for employees when they use their personal mobile phones for work. Founded in 2013, Syntonic has developed worldwide strategic partnerships with leaders in the mobile ecosystem.

To learn more about Syntonic, visit www.syntonic.com.

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