

ASX ANNOUNCEMENT



December  
2018  
Quarterly  
Report

24 January, 2019

**USA:**  
Syntonic, Inc.  
119 First Avenue South  
Suite 100  
Seattle, WA 98104

**Australia:**  
Syntonic Limited  
945 Wellington Street  
West Perth WA 6005

Email: [ir@syntonic.com](mailto:ir@syntonic.com)

ABN: 68 123 867 765  
ASX Code: SYT

For personal use only



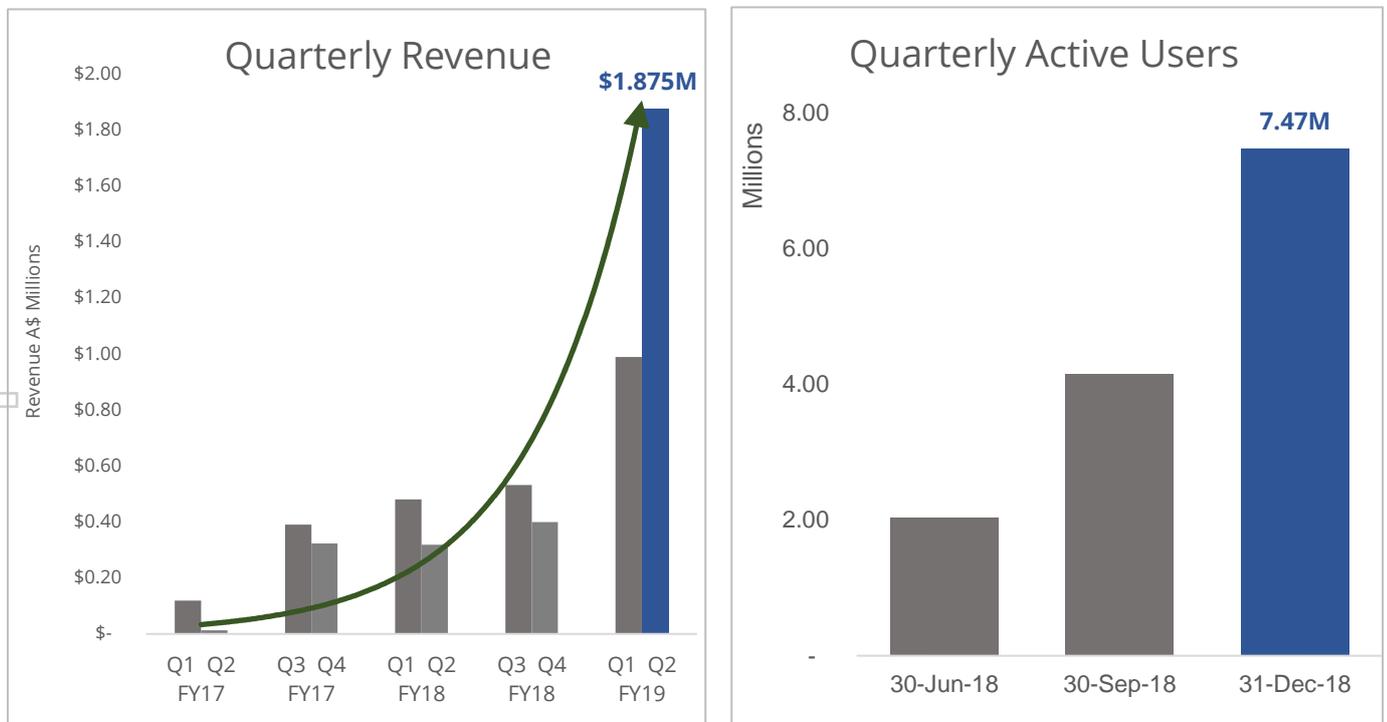
## Syntonic December 2018 Quarterly Review and Appendix 4C

### Highlights:

- Record quarterly revenue of A\$1.875 million, up 90% on the previous quarter (Q1 FY19 \$0.989 million)<sup>1</sup>
- Cash receipts up 88% on previous quarter to reach A\$1.120 million (Q1 FY19 A\$0.594 million), tracking with revenue subject to extended carrier payment terms
- Quarterly active users grew to 7,473,579, up 80.1% on the previous quarter
- New Syntonic customer deployments: Tata Communications' digital commerce platform, *opari*<sup>TM</sup>, and Smart Communications' international traveller application, *RoamFree*<sup>TM</sup>

**Seattle, Washington – Syntonic Limited** (“Syntonic” or “Company”) (ASX:SYT), a leading US-based mobile services provider, is pleased to provide its Appendix 4C – Quarterly Cash Flow report for the three months ending 31 December 2018, along with a summary of its business progress during the quarter.

The key metrics for the business, revenue and QAUs, demonstrated strong quarterly progress:



<sup>1</sup> All Q1 and Q2 FY19 revenue figures referenced in this report are unaudited

For personal use only

**Syntonic CEO and Managing Director, Gary Greenbaum said:**

“Syntonic continues to advance its global footprint and broadening of the business base to deliver record revenue, cash receipts, and active users. These achievements demonstrate the market demand for Syntonic’s technologies and services from globally recognised mobile carriers.

“Q2 FY19 is our second consecutive quarter of very strong top-line growth coming from multiple customers deploying our Revenue Generation Platform, which allows carriers to participate in the US\$2.5 trillion ‘App-Economy’ dominated by mobile advertising and mobile commerce<sup>2</sup>.”

## Financial Highlights

Syntonic’s quarterly revenue grew significantly to reach a record A\$1.875 million. This represents a 90% increase on the previous quarterly period (Q1 FY19 A\$0.989 million) and a 135% increase on last year’s corresponding period (Q2 FY18 A\$.799 million). The quarterly increase was driven by new carrier deployments and early ramping of revenue from SYNTONIC BRASIL TECNOLOGIA LTDA, (“Syntonic Brazil”).

The recently acquired Mobile Commerce Platform (“MCP”) has now been successfully integrated into Syntonic’s Connected Services Platform™ (“Syntonic CSP”), enabling the Company to now sell a single, unified platform – the Syntonic Revenue Generation Platform™. Revenues from this unified platform will be reported on a regular basis.

The Company’s cash receipts in Q2 FY19 were A\$1.120 million, representing an 88% increase on the previous quarterly period (Q1 FY19 A\$0.594 million) and a 149% increase on last year’s corresponding period (Q2 FY18 A\$0.449 million). Growth in cash receipts continues to track broadly with revenue growth and is subject to payment terms which can extend for multiple months after services are rendered.

Total cash outflows from operating activities increased 47% quarter-on-quarter. This increase in outflows were related to one-time acquisition related costs that carried into the December quarter, additional staff expenses due to the addition of Syntonic Brazil employees, payments to content providers for their share of the mobile transactions processed by the Revenue Generation Platform, and increased media spending to enhance consumer awareness for the Brazilian content services.

Syntonic is committed to reduce its total cash outflows through prudent management of costs and working capital to achieve a positive net cash quarterly position.

Syntonic entered Q3 of FY19 with a cash balance of A\$2.48 million.

<sup>2</sup> App Annie Report, 2017

## Operational Progress

During the quarter, the Company remained focused on progressing the global adoption and deployment of the Syntonic platform, procuring new carrier and partnership opportunities, and integrating the recently acquired Mobile Commerce Platform into Syntonic's Connected Services Platform.

The resulting platform, Syntonic's Revenue Generation Platform, provides a unified solution for managing the complete consumer lifecycle from acquisition, to engagement, and then to monetisation. The first carrier customer using the complete services offered by the Revenue Generation Platform will be Mobifone Telecommunications Communications in Vietnam.

### Quarterly Active Users

Syntonic reports that Quarterly Active Users ("QAU") grew steadily throughout the quarter, led by new carrier deployments and Syntonic Brazil commerce transactions. QAU measures the revenue bearing potential from active and/or activated Syntonic services, i.e. actively used applications, activated SDK's, and deployed white-labelled applications, as well as consumers using the Syntonic Revenue Generation Platform for mobile purchases.

QAU for Q2 FY18 was 7,473,579 which represents an 80.1% increase over the previous quarter's QAU of 4,149,269 and consistent with the 90% quarterly revenue growth.

### Syntonic's Global Expansion

The Company continues to aggressively expand its customer base and operations principally in Latin America, Sub-Saharan Africa, and Southeast Asia – regions where mobile data tariffs remain relatively expensive.



Figure 2: Syntonic carrier engagements

#### Asia

During the quarter, Smart Communications ("Smart") released an updated version of both its iOS and Android *RoamFree* traveller app, powered by a white-labelled version of Freeway Roaming Services™ and made available to their 57.7 million mobile subscribers<sup>3</sup>.

Smart commenced *RoamFree* consumer marketing in late December. Smart's primary marketing period for *RoamFree*, however, is the Tết and Chinese New Year holiday period in February, the peak period for overseas travel.

Smart's *RoamFree* release has generated significant interest in the Freeway Roaming Service from other tier-1 mobile operators. For example, Syntonic is working towards an agreement to support the Freeway Roaming Services with the 'Bridge Alliance' – a mobile operator consortium representing 34 premier operators, including Singtel Optus Pty Limited, that has a collective

<sup>3</sup> [http://www.pldt.com/docs/default-source/presentations/2018/1q2018-presentation\\_final\\_.pdf?sfvrsn=0](http://www.pldt.com/docs/default-source/presentations/2018/1q2018-presentation_final_.pdf?sfvrsn=0)

For personal use only

reach of 800 million subscribers<sup>4</sup>. The proposed arrangement remains subject to the completion of negotiations and the execution of formal documentation.



Figure 3: Location sampling of the Smart Communications' RoamFree app, powered by Syntonic, usage as of 20-January-2019

Subsequent to the quarter, Syntonic disclosed the execution of a definitive agreement with its local Vietnamese partner Thang Long Event Limited (“TLC”), a spin-out company of TecaPro Limited, to sublicense the Syntonic Revenue Generation Platform to MobiFone Telecommunications Corporation (“MobiFone”) to launch a white-labelled service that will be branded *mobifoneGo*.

MobiFone is one of the leading mobile providers in Vietnam with over 50 million subscribers and total revenue of approximately USD 2 billion in 2017<sup>5</sup>. MobiFone will initially deploy a white-labelled Freeway Overpass™ service, enabling its subscribers to purchase content subscriptions with unlimited data access. The commercial launch of the *mobifoneGo* service is expected in early Q4 FY19.

<sup>4</sup> <https://www.bridgealliance.com>

<sup>5</sup> <http://www.mobifone.vn/wps/portal/public/gioi-thieu/gioi-thieu-chung/lich-su-hinh-thanh>

For personal use only

Syntonic has been working with a local partner in Indonesia, to enable several of the local tier-1 carriers to deploy sponsored data and international roaming services. The Company is presently in negotiations in respect to an agreement with Telkomsel Indonesia (NYSE:TLK), the largest telecommunications company in Indonesia, to deploy sponsored web services in the Telkomsel *ROLi* application that currently provides its 193.6 million subscribers promotional access to leading content and services<sup>6</sup>. The proposed arrangement remains subject to the completion of negotiations and the execution of formal documentation.

Syntonic continues to engage with several local partners focused on China, Taiwan, and Hong-Kong to support the licensing of the white-labelled Syntonic Revenue Generation Platform to the regional carriers.

#### Africa & Middle East

In August 2018 Syntonic signed a service agreement with Vodacom Group Limited (JSE: VOD), granting it a license to deploy a white-labelled version of the Syntonic Revenue Generation Platform to enhance their mobile advertising business initially with their South Africa telecom, with intention to expand this service to the entire Vodacom pan-African network spanning over 103 million customers. Vodacom is currently assisting Syntonic to secure support for the Syntonic platform with the other major carriers in South Africa, MTN and Cell C, to enable a mobile advertising solution with nearly 95% reach in South Africa<sup>7</sup>. Vodacom's advertising group is in process of on-boarding several major entertainment apps, retailers, banks, insurance companies, and other local and regional brands.

The Company's partner, ZroNet Limited, is expected to commercially launch a white-labelled Freeway service in the coming weeks on the three largest mobile carriers in Ghana: MTN Ghana, Vodafone Ghana and AirtelTigo who collectively represent nearly 34 million mobile subscribers<sup>8</sup>. The service will be branded *ZroNet* and will offer sponsored data offers and unlimited mobile access to content for a fixed subscription fee.

The Company is presently in negotiations with Vodafone Qatar in respect to the deployment of a white-labelled Freeway Overpass service on the Vodafone Qatar network. This engagement, further advances the Company's strategic relationship with Vodafone, one of the world's leading telecommunications groups, which has significant presence in Europe, the Middle East, Africa and Asia Pacific. The proposed arrangement remains subject to the completion of negotiations and the execution of formal documentation.

Syntonic is supporting Nazara Technologies to deploy a trial launch in H2 FY19 of the Nazara Games Club subscription service on the Ooredoo mobile network, to enable unlimited data access for game subscribers.

<sup>6</sup> Telekom's March 2018 Quarterly Report.

<sup>7</sup> <https://businesstech.co.za/news/telecommunications/265237/the-most-popular-mobile-network-in-south-africa/>

<sup>8</sup> GSMA, *Country Overview: Ghana*, 2017

### North & South America

During the quarter, Syntonic Brazil successfully transitioned the staff responsible for managing the Mobile Commerce Platform business from Zenvia Mobile Servicos Digitais S.A (“Zenvia”) to Syntonic Brazil. Outstanding to this transition are reassignment of a number of business agreements which will be completed in the upcoming months. During the transition period, Zenvia will continue to act as an agent to Syntonic Brazil to invoice and collect from those carriers and content providers with agreements not yet reassigned to the Company.



Syntonic completed the integration of the acquired MCP assets with the Syntonic CSP to provide a complete solution for mobile carriers to manage and generate revenue from the entire subscriber’s lifecycle – acquisition, engagement, and monetisation. Syntonic Brazil has started promoting this unified platform to all four Brazilian carrier customers: Vivo, IO, Claro, and TIM.

As advised in the Company’s September 2018 quarterly report and 15 November progress update, Verizon Wireless has begun a strategic shift away from content services to focus on its 5G services, such as connected autonomous cars, smart communities, industrial IoT, and immersive education. As a result of this strategic shift, the relative revenue contribution from Verizon was minimal during the quarter.

### Europe

Working with its Turkish reseller partner AKTAY A.S., Syntonic is integrating and testing the Syntonic Revenue Generation Platform to enable white-labelled Freeway and DataFlex services with the 3 largest operators in Turkey: Türk Telekom, Turkcell, and Vodafone Turkey. The Company is progressing with the installation of the technologies with deployments scheduled for later this fiscal year. Several banks, including Denizbank and İşbank (the largest bank in Turkey) and the Istanbul Municipality are AKTAY customers awaiting to launch a data-free version of their mobile applications.

### Global

Following the commercial launch of its digital commerce platform, *opari*, on the Safaricom network by Tata Communications (“Tata”) in October, Syntonic is now generating early revenues from its platform license Agreement. The companies, collectively, are working to on-board several local and regional entertainment, lifestyle, and e-commerce applications to the *opari* platform.

For personal use only



## Corporate Highlights

### Financing

During the quarter Syntonic completed a capital placement of 201,999,998 shares at \$0.0055 each to raise \$1.1 million (before costs). The funds raised will be used to continue the acceleration of the Company's global customer footprint through new deployments and agreements aligned with its global growth strategy.

### Director Changes

One of the Company's Non-Executive Directors, Mr Chris Gabriel, stepped down from his role on the Board of Syntonic Limited effective 31 December 2018. Mr Gabriel accepted a role as Chief Executive Officer and Executive Director of new airline, *FlyBosnia*, and plans to relocate to Bosnia and Herzegovina to take up the position. The Board thanks Chris for his contribution as a director of the Company and wishes him all the best in his future endeavors.

Accordingly, the Board has commenced the process of searching for an Australian resident Non-Executive Director to replace Mr Gabriel.

### Advisory Board Appointment

Following the close of the quarter, Syntonic has appointed Mr Gavin Dunhill to its Corporate Advisory Board to assist the Company with the development of its growth strategy and communications. Mr Dunhill, is a high net worth investor and an experienced businessman, who

has recently become a substantial holder in the Company with personal ownership of 154,000,000 shares in Syntonic (5.16% holding). He has been involved in venture capital and property investments for the last ten years.

Mr Dunhill will be compensated exclusively with Company stock options per the below schedule:

Unlisted Option Class	Number	Exercise Price	Vesting Date	Expiry Date
Class A	5,000,000	\$0.02	Following the completion of 12 months of service under this Agreement.	1 January 2024
Class B	10,000,000	\$0.04	Following the completion of 24 month' of service under this Agreement	1 January 2024

### Executive Compensation

Company's Executive Directors, Dr Gary Greenbaum, CEO and Mr Rahul Agarwal, CTO have voluntarily undertaken to forego any bonus relating to calendar year 2018. The Executive Directors took this action to demonstrate their commitment to prudent cost management.

### Mobile World Congress 2019

Syntonic is partnering with the Mobile Ecosystem Forum ("MEF"), a highly respected global trade body that represents the broadening mobile ecosystem, to host a panel discussion on the Future of Mobile Business Models on Monday 25 February 2019 at Mobile World Congress 2019, in Barcelona, Spain. Syntonic's CEO, Dr. Gary Greenbaum, will join a panel of leading mobile industry experts to discuss the evolution of the carrier business model.

Syntonic's attendance at Mobile World Congress ("MWC") has proven to be highly efficient for procuring new business prospects for the Company. Many of today's current business opportunities, such as Tata Communications and the current carrier interest in the Freeway Roaming Services, were initiated at past MWC events.

This year, the Company will demonstrate and promote two recently added features to its Revenue Generation Platform: mobile commerce and a captive web portal for prepaid and international roamers with zero balance. Syntonic anticipates strengthening its new business pipeline as a result of its meetings with new mobile carriers, network equipment providers, and content providers attending MWC 2019.

### Outlook

With continued broadening of the business base and strong growth in revenues, cash receipts, and quarterly active users, the operational outlook for the Company is positive. The Company expects business growth from existing deployments, execution of new tier-1 multi-national telecommunications provider and partnership agreements, and new revenue streams introduced by the unified Revenue Generation Platform.



The Company's management team is highly focused on continuing its revenue progress and operational momentum in Q3 FY19 and beyond while continuing to manage costs and working capital to achieve these results.

### **About Syntonic**

Syntonic Ltd (SYT.ASX) is a Seattle based software company that has developed a revenue generation platform for telecommunication carriers to generate new revenue streams from the app economy – mobile advertising, content monetisation, mobile commerce, and expense management for enterprise mobility. Syntonic's carrier-grade service is designed with high availability, scalability and 100% revenue assurance in mind. The Syntonic platform has been deployed and validated on the world's largest networks.

To learn more about Syntonic visit [www.syntonic.com](http://www.syntonic.com) and to follow the Company's activities visit <https://twitter.com/Syntonicinc>

### **For further enquiries, please contact:**

Gary Greenbaum  
CEO and Managing Director, Syntonic  
E: [ir@syntonic.com](mailto:ir@syntonic.com)

Catherine Strong  
Investor and Media Enquiries  
E: [CStrong@citadelmagnus.com](mailto:CStrong@citadelmagnus.com)

## Appendix 4C

### Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

**Name of entity**

Syntonic Limited

**ABN**

68 123 867 765

**Quarter ended ("current quarter")**

31 December 2018

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	1,120	1,714
1.2 Payments for		
(a) research and development	(345)	(662)
(b) product manufacturing and operating costs	(590)	(852)
(c) advertising and marketing	(296)	(331)
(d) leased assets	-	-
(e) staff costs	(872)	(1,487)
(f) administration and corporate costs	(318)	(604)
1.3 Dividends received	-	-
1.4 Interest received	2	7
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (acquisition related)	(187)	(443)
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(1,486)</b>	<b>(2,658)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	(10)	(10)
(b) businesses (see item 10)	-	-
(c) investments	-	-

For personal use only

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
(d) intellectual property	-	-
(e) other non-current assets	-	-
<b>2.2</b> Proceeds from disposal of:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-
<b>2.3</b> Cash flows from loans to other entities	-	-
<b>2.4</b> Dividends received (see note 3)	-	-
<b>2.5</b> Other (provide details if material):	-	-
- Payment to acquire Brazilian mobile commerce business unit	-	(962)
<b>2.6</b> <b>Net cash from / (used in) investing activities</b>	<b>(10)</b>	<b>(972)</b>

<b>3.</b> <b>Cash flows from financing activities</b>		
<b>3.1</b> Proceeds from issues of shares	1,111	1,111
<b>3.2</b> Proceeds from issue of convertible notes	-	-
<b>3.3</b> Proceeds from exercise of share options	-	-
<b>3.4</b> Transaction costs related to issues of shares, convertible notes or options	(16)	(16)
<b>3.5</b> Proceeds from borrowings	-	-
<b>3.6</b> Repayment of borrowings	-	-
<b>3.7</b> Transaction costs related to loans and borrowings	-	-
<b>3.8</b> Dividends paid	-	-
<b>3.9</b> Other (provide details if material)	-	-
<b>3.10</b> <b>Net cash from / (used in) financing activities</b>	<b>1,095</b>	<b>1,095</b>

<b>4.</b> <b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
<b>4.1</b> Cash and cash equivalents at beginning of quarter/year to date	<b>2,876</b>	<b>5,015</b>
<b>4.2</b> Net cash from / (used in) operating activities (item 1.9 above)	(1,486)	(2,658)
<b>4.3</b> Net cash from / (used in) investing activities (item 2.6 above)	(10)	(972)

For personal use only

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,095	1,095
4.5	Effect of movement in exchange rates on cash held	8	3
<b>4.6</b>	<b>Cash and cash equivalents at end of quarter</b>	<b>2,483</b>	<b>2,483</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	2,412	2,809
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (AmEx deposit)	71	67
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>2,483</b>	<b>2,876</b>

**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

<b>Current quarter \$A'000</b>
174
-

Payments include executive directors' wages and associated payroll expenses

**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

<b>Current quarter \$A'000</b>
337
-

Software engineering services provided by Adroit Business Solutions Inc., a company associated with Mr Agarwal.

For personal use only

8. <b>Financing facilities available</b> <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.		

Not applicable.

9. <b>Estimated cash outflows for next quarter</b>	\$A'000
9.1 Research and development	(400)
9.2 Product manufacturing and operating costs	(340)
9.3 Advertising and marketing	(130)
9.4 Leased assets	-
9.5 Staff costs	(1,000)
9.6 Administration and corporate costs	(320)
9.7 Other (detail if material)	-
<b>9.8 Total estimated cash outflows</b>	<b>(2,190)</b>

10. <b>Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)</b>	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	-	-

For personal use only

### 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.

[lodged electronically without signature]

Sign here: .....  
(Director/Company secretary)

Date: 24 January 2019

Print name: Kate Sainty

### 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.

For personal use only