

29th January 2019

ASX:SKF

SKYFII QUARTERLY BUSINESS REVIEW – Q2 FY2019

Q2 FY2019 Highlights

- Total Operating Revenues for the December-ended quarter, Q2 FY2019, of \$2.4m, up 7% on prior quarter, representing a strong continuation of successive growth quarters and a 34% increase when compared to Q2 FY2018
- Recurring Revenues for Q2 FY2019 of \$1.2m¹, up 10% on the previous quarter (Q1 FY2019) and up 37% when compared to Q2 FY2018.
- Service Revenues of \$608k, down 9% on previous quarter (Q1 FY2019)
- Key new contract wins: Habib's restaurant chain (360 venues, Brazil) and ISPT (32 shopping centres and commercial office towers, Australia)
- Total registered user base up 13.1% on previous quarter (Q1 FY2019), reaching 23.9 million unique registered users (growth of 82% compared to Q2 FY2018)
- Cash at bank of \$1.44m at end of quarter, up from \$1.1m at the end of the previous quarter (30 September 2018), including \$852k in R&D grants received in Q2 FY2019

1H FY2019 Highlights

- Total Operating Revenues for the first half of FY2019, of \$4.7m, exceeding the \$4.5m forecast announced in October 2018, representing a 34% increase compared to 2H FY2018
- First half profit at an EBITDA level of \$290k, demonstrating continued prudent capital management, whilst continuing to scale the business
- Outlook: The Company expects to deliver continued revenue growth and a positive EBITDA performance in 2H FY2019, whilst continuing to invest into our operating model to support our growth.

Q2 FY2019 Growth

Skyfii delivered a strong Q2 FY2019 quarterly (ending December 2018) result with Total Operating Revenues in the quarter of \$2.4m, up 7% on the previous quarter and a 34% increase when compared to Q2 FY2018 (unaudited).

Cash Receipts from customers for Q2 FY2019 were \$2.34m, up 7% from \$2.18m on the previous quarter (Q1 FY2019).

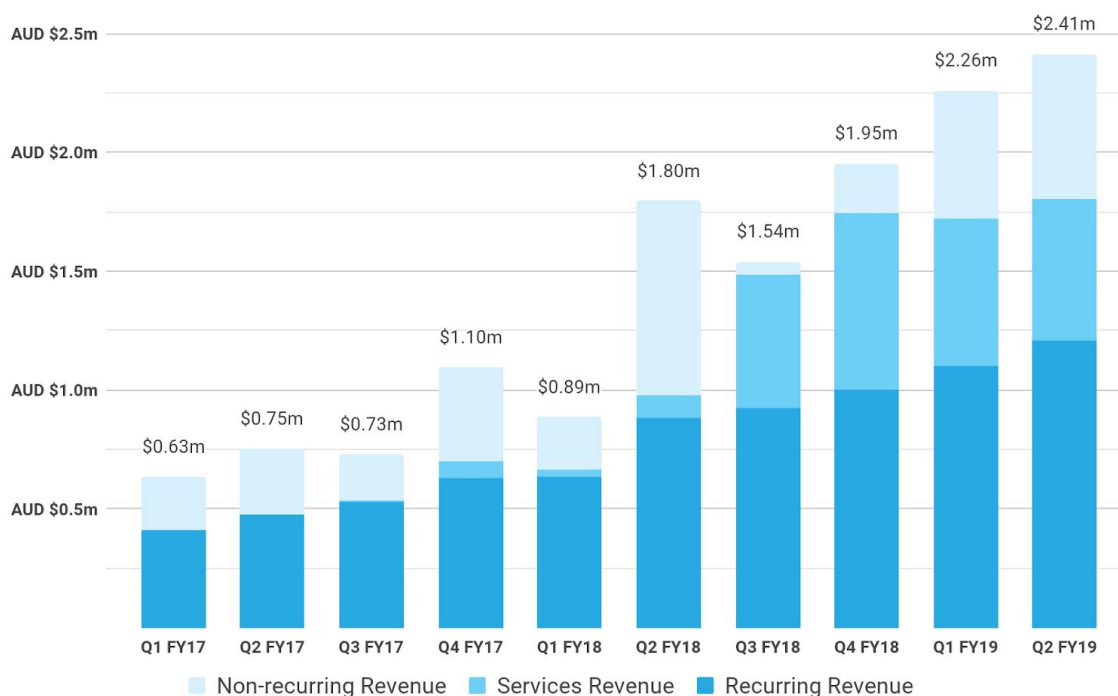
¹ Recurring Revenues, based on unaudited Recurring Revenue from operations (excluding interest, grants and other income) for the quarter ending 31 December 2018.

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Skyfii continued to deliver strong Recurring Revenue growth in the Q2 FY2019 of \$1.2m, up 10% on the previous quarter (up 37% when compared to Q2 FY2018).

The Company's revenues generated from services were \$608k, down slightly by 9%, a result of a movement towards services generated that are recurring in nature.

TOTAL OPERATING REVENUE



2H FY2019 Result

Skyfii delivered a record finish in 1H FY2019 (ending December 2018) of \$4.7m, exceeding our October 2018 forecast of \$4.5m. This result represents a 34% increase in revenues generated in the previous half year period and a 74% increase on 1H FY2018 of \$2.7m (unaudited).

In addition to the very strong revenue result, the Company delivered a \$290k profit at an EBITDA level. Increases in expenditure included the addition of 5 new headcount across domestic and international operations to support near term contract conversion.

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In addition, the company increased expenditure in sales and marketing activities in support of generating sales pipeline growth via our key global channel partners.

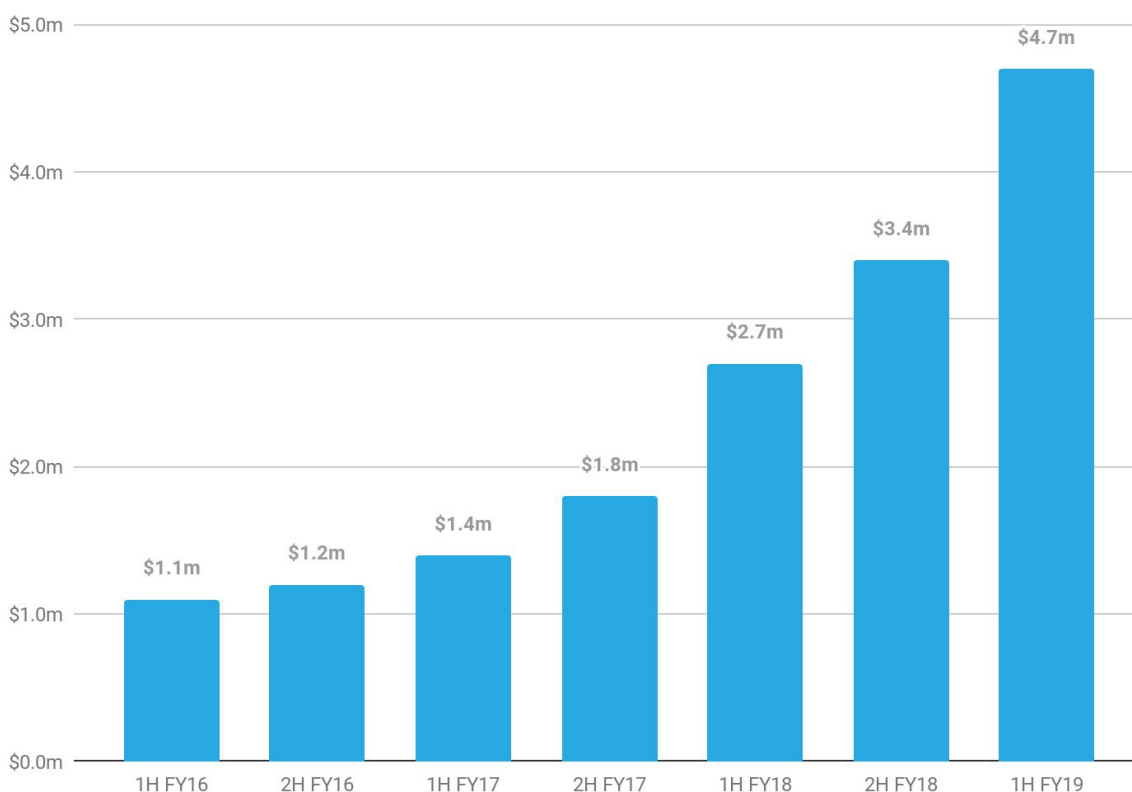
The Company plans to maintain its focus on capital management and as demonstrated during the quarter will continue to invest in expanding our operating model to deliver topline revenue growth.

In addition to the strong Total Operating Revenue growth, the Company is expecting to continue its consistent quarterly growth in Recurring Revenues and maintain a stringent focus on its cash position and a positive EBITDA performance in 2H FY2019 (ending June 2019).

Revenue Descriptions

- **Non-recurring Revenues** are generated from the deployment of hardware and infrastructure, implementations and upfront setup fees, which underpin Recurring Revenues
- **Recurring Revenues** are generated from ongoing subscription fees for access to Skyfii's 'IO' data analytics platform
- **Services Revenues** are generated from the payment of projects undertaken by both Skyfii's Data Consultancy Services (DCS) and Marketing Services (MS) divisions, including revenues generated from customers of the Causely (US) business, which was acquired in February 2018. Revenues generated from services are received as either recurring or fixed fee projects

HALF- YEAR TOTAL REVENUE



	1H FY16	2H FY16	1H FY17	2H FY17	1H FY18	2H FY18	1H FY19
EBITDA	-\$0.9m	-\$4.0m	-\$1.8m	-\$1.9m	-\$0.3m	\$0.3m	\$0.3m

Material New Contracts Secured During the Quarter

Skyfii signs multi year contract with Habib's restaurant chain in Brazil (16th of October 2018)

Further solidifying Skyfii's position in the Quick Service Restaurant (QSR) vertical, Skyfii signed a three year contract with Habib's, a restaurant chain in Brazil. The contract included the total deployment of Skyfii's 'IO Connect' (data collection) and 'IO Insight' (data analytics) across 360 Habib's venues. Infrastructure rollout commenced across 100 venues during December and has contributed to operating revenues delivered during the quarter.

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Skyfii signs contract with leading Australian property group ISPT (5th of November 2018)

Major Australian property group, ISPT, signed a one year contract for the deployment of Skyfii's 'IO Insight' (data analytics) across 32 shopping centres and commercial office towers located in Australia.

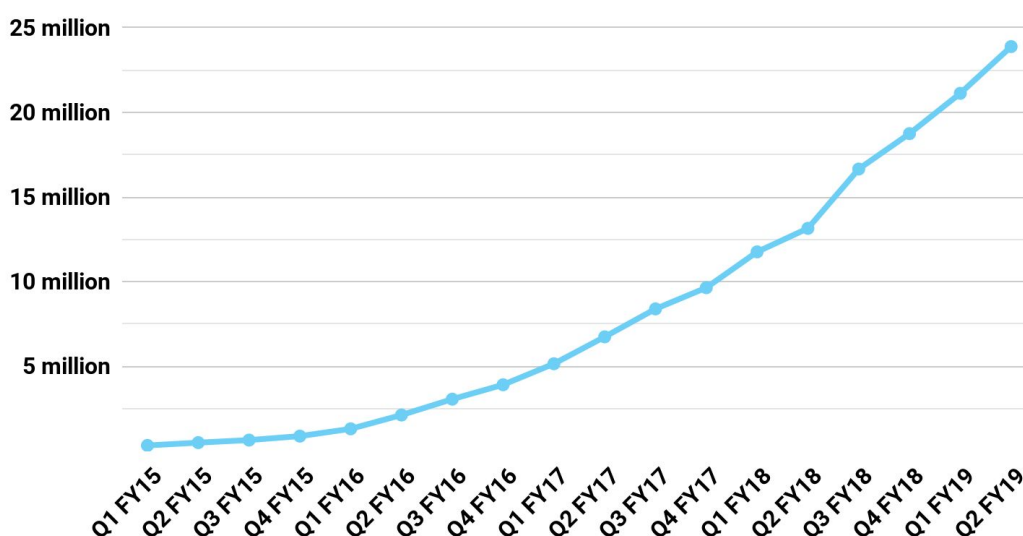
Cash Position

As at 31 December 2018, the Company maintained a cash position of \$1.44m, up from \$1.1m at the end of the previous quarter (ending 30 September 2018). In addition, Skyfii received \$852k in R&D grants in Q2 FY2019 (announced 21 November 2018).

Consistent with previous guidance, the Company does not need to raise any additional capital to maintain current operating activities.

Key User Operating Metrics

TOTAL USER REGISTRATIONS

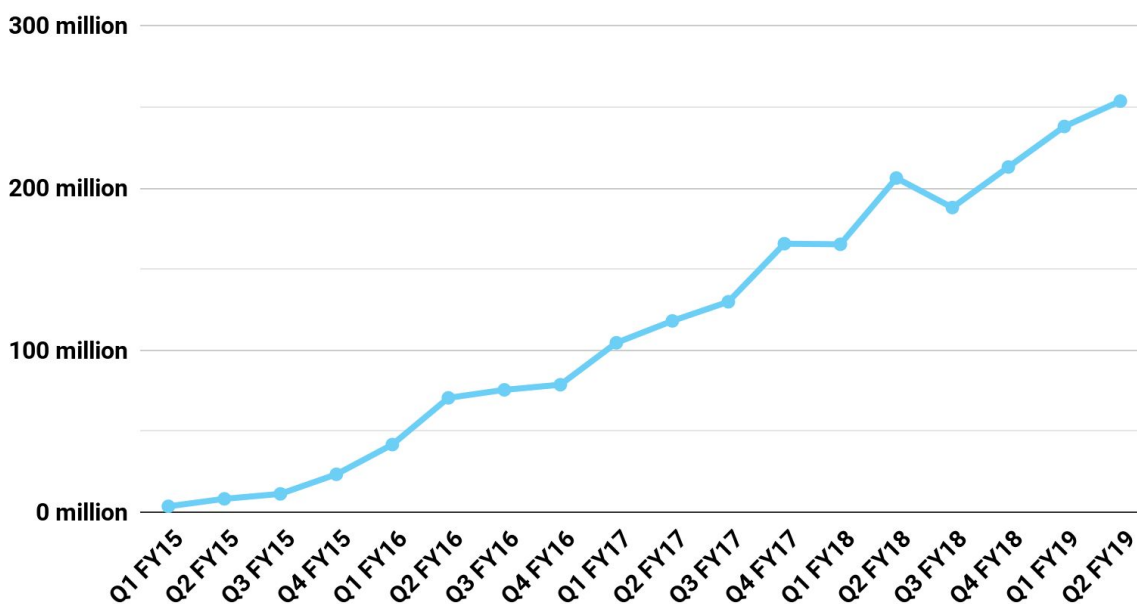


Total registered user base increased by **+13.1%** qoq from **21.1 million** to **23.9 million**

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QUARTERLY CUSTOMER VISITS



Quarterly customer visits increased by **6.7%** qoq from **238 million** to **254 million**.

Outlook

Following exceeding our 1H FY2019 revenue target, we remain focused on achieving a positive EBITDA result for the full year, whilst continuing to invest in our operating model to support our growth.

The Company is well advanced with negotiations for several customer contracts within the ANZ and Americas regions and expects to conclude these contracts in the current quarter.

In addition the Company expects to continue to diversify its addressable verticals with further growth expected within major transit venues, cultural centres and the ANZ retail vertical.

Our services offering remains a key differentiator in our go-to-market strategy as we help our customers drive actionable insights from their data strategy.

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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 2018

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	2,338	4,515
1.2	Payments for ¹		
	(a) research and development	(73)	(112)
	(b) product manufacturing and operating costs	(932)	(1,541)
	(c) advertising and marketing	(124)	(276)
	(d) leased assets	-	-
	(e) staff costs	(1,135)	(2,454)
	(f) administration and corporate costs	(574)	(963)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	2	2
1.5	Interest and other costs of finance paid	(1)	(1)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	852	852
1.8	Other (provide details if material)	-	-
1.9	Net cash from / (used in) operating activities	351	22

¹ Cash flows are presented before the capitalisation of employee, contractor and other expenditure attributable to software development of approximately \$1.029m for the six months to 31 December 2018. The Company expects to capitalise this expenditure as an intangible software development asset in the half year accounts ended 31 December 2018.

Consolidated statement of cash flows		Current quarter	Year to date
		\$A'000	(6 months)
			\$A'000
2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) property, plant and equipment	(15)	(63)
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property ¹	-	-
	(e) other non-current assets	(2)	(2)
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment	-	17
	(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	(17)	(48)

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	1,105	1,465
4.2	Net cash from / (used in) operating activities (item 1.9 above)	351	22
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(17)	(48)
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	1,439	1,439

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	1,439	1,105
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)	1,439	1,105

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	

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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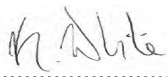
9.	Estimated cash outflows for next quarter ***	\$A'000
9.1	Research and development	(75)
9.2	Product manufacturing and operating costs	(500)
9.3	Advertising and marketing	(100)
9.4	Leased assets	-
9.5	Staff costs	(1,600)
9.6	Administration and corporate costs	(450)
9.7	Other (provide details if material)	-
9.8	Total estimated cash outflows ***	(2,725)

*** 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 2019, 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 2019

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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