

Syntonic New Strategic Business Focus

Highlights:

- Syntonic shifting support from legacy products to content monetisation services using its Revenue Generation Platform™ (RGP)
- Transition to content monetisation allows Syntonic to reduce its engineering costs, increase margins and to assume more control over its business performance
- Termination of non-strategic legacy deployments and transition of key carriers to support content monetisation services

Seattle, Washington – Syntonic Limited (“Syntonic” or “Company”) (ASX:SYT), a mobile content services provider, is pleased to provide shareholders with an update on Syntonic’s new and refreshed strategic business focus and, by extension, the impact of its new strategy on existing business engagements.

Strategic Focus

Since Syntonic’s listing in 2015, the Company has been operating in an evolving and dynamic market where telecommunications carriers have explored multiple strategies to enter the app economy. At the same time, the value of data has become commoditised in the key geographic markets that Syntonic’s was originally targeting, i.e. the United States, India, and others. Responding to this shift and the curtailed revenue generation from Syntonic’s early customers, such as Verizon, for its sponsored data and data rewards products as standalone offerings, the Company sought new avenues to bolster revenue and generate shareholder value.

In the Company’s FY19 annual report, Syntonic generated 85.4% of its FY19 revenue through revenue share agreements with content providers driven by mobile content subscriptions transacted via the Syntonic RGP. This demonstrated the sale of premium content via Syntonic’s RGP delivers improved revenues, higher margins, and faster deployment cycles as compared to its legacy business, the licensing of white-labelled sponsored data and data rewards services to mobile carriers and local partners.

Having regard to the above, the Company has decided to implement a new strategy and business focus and to shift much of its product development, business development, and sales efforts away from DataFlex®, Freeway®, and the Connected Services Platform® to support content distribution and sales via the Syntonic RGP in Brazil and in other markets where the Company has an established presence, such as Vietnam, the Philippines and South Africa.

Sponsored data and data rewards technologies remain core to the Syntonic RGP, with a role in enhancing customer acquisition and engagement cost efficiency for Syntonic's premium content offerings. These proprietary technologies have been built and are continually innovated by Syntonic, giving it a uniquely differentiated offering that provides the complete customer journey, connecting premium content to mobile subscribers. The RGP benefits content providers by allowing them to remain focused on their core competency, i.e. creating quality content, with Syntonic focused on the marketing, distribution, and monetisation of that content.

The Company considers the impact of this strategic shift to be two-fold. Firstly, it significantly reduces Syntonic's engineering costs, specifically related to carrier integration, testing, and customisation and secondly, it provides Syntonic with more control over its business performance, enabling it to transact with consumers rather than licensing technology to mobile carriers.

In addition, the strong progress made by the Company with content providers, including Fox Sports, the Abril Group, and 14 content providers in the last quarter, further validates the Company's new strategic direction and focus on content monetisation.

Commenting on Syntonic's new strategic business focus, CEO and Managing Director, Gary Greenbaum said:

"The reorientation of Syntonic's business strategy will allow the Company faster and higher margin opportunities that leverage the Company's past technology investments and carrier relationships in Southeast Asia, Latin America, and Sub-Saharan Africa.

"This transformation is delivering growing revenues to the business, driving our confidence that shareholder value will be built by focusing our resources on growing our content monetisation customer base."

Legacy Deployments & Carrier Transition

Consistent with Syntonic's new strategic business focus, the Company has determined to vary and/or terminate certain carrier and partner engagements and to migrate several strategic accounts toward supporting the content monetisation opportunities provided by the Syntonic RGP.

The Company anticipates the loss of net income from these terminated engagements to be offset by the gains expected from content monetisation opportunities and continues to target achieving cash-flow positive in late FY20.

Below is a summary of the status of the Company's main deployments and carrier transitions:

Thang Long Event Limited ("TLC"): During the quarter TLC, Syntonic's Vietnam-based partner, executed an agreement to provide Syntonic RGP services to Viettel Telecom ("Viettel"), the largest mobile carrier in Vietnam with 63 million subscribers¹. Deployment with Viettel is anticipated later in Q2 FY20. The focus for the Viettel service and the currently deployed *MobifoneGo* app from

¹ <https://www.export.gov/apex/article2?id=Vietnam-Information-Technology>

Mobilefone is to use the Syntonic RGP to provide data-free mobile content subscriptions. With deployments across both carrier networks, the Syntonic RGP services will reach 97.6 million Vietnamese mobile subscribers, or 76% of the total market².

Vodacom Group: Syntonic will continue to support Vodacom's data-free and sponsored services; however, the Company is working with Vodacom to transition its focus to use these services for enhancing the mobile commerce value proposition of the RGP. Syntonic's ongoing support for Vodacom extends to the Vodacom Group and its subsidiaries, including Vodafone Qatar who is in formal business negotiations with the Company to provide data-free content and app subscription services.

Smart Communications ("Smart"): Syntonic is engaging with Smart to secure access to their direct-carrier-billing interfaces to support the RGP platform for providing content offerings to Smart subscribers. The Company is in process of terminating its licensed international roaming service that powers the Smart RoamFree application.

ZroNet: Syntonic remains committed to working with ZroNet in Ghana market, but is working with ZroNet to pivot the sponsored data and data rewards business toward content monetization across all four carriers in Ghana.

AQN / Telkomsel Indonesia: The Company has terminated its relationship with AQN, a reseller for the Syntonic technologies to Telkomsel.

Opari: Syntonic has terminated all engagements with Opari.

AKTAY A.S.: Syntonic has terminated its DataFlex agreement with AKTAY. As a result of the Company's decision to discontinue the DataFlex product, the minimum sales guarantee associated with this product (refer to the ASX announcement dated 3 April 2018) will no longer be applicable. The Company does not anticipate the loss of revenue from AKAY to impact the Company's target achieving cash-flow positive in late FY20.

About Syntonic

Syntonic Ltd (SYT.ASX) is a Seattle-based mobile content services provider which provides the complete customer journey connecting premium content to mobile subscribers. Syntonic has created the world's leading unified mobile revenue platform spanning mobile advertising, content services and mobile commerce. Syntonic's carrier-grade service has been designed with high availability, scalability and 100% revenue assurance in mind. The Syntonic platform has been deployed and validated by some of the world's largest content providers.

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



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