



December 2019

Quarterly Report

29 January, 2020



Syntonic Wireless, Inc.

119 First Avenue South, Suite 100
Seattle, WA 98104
USA

Syntonic Limited

Level 26, 140 St Georges Terrace
Perth WA 6000
AUS

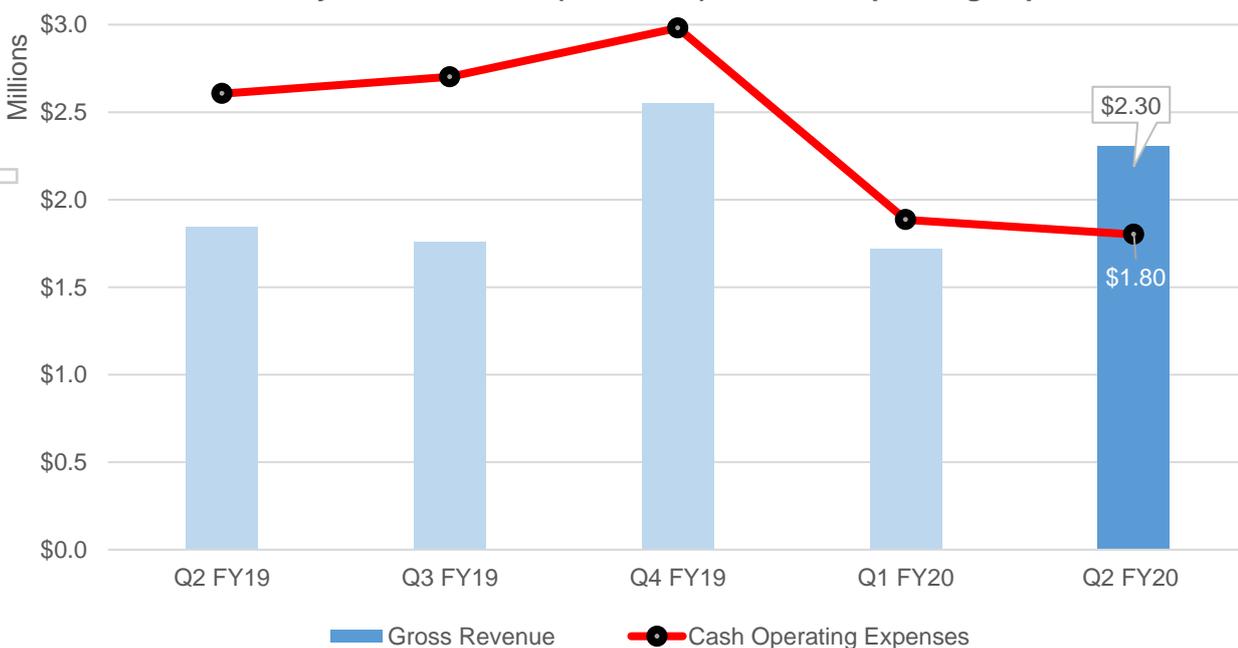
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Syntonix December 2020 Quarterly Review and Appendix 4C

Highlights:

- Unaudited quarterly revenue of \$2.30 million, up 34.7% on Q1 FY20 (\$1.72 million) with revenue growth principally attributed to the Company's sales of FOX Sports Gol subscriptions
- Cash operating expenses of \$1.80 million, down 5% from prior quarter and 31% down from the corresponding quarter in FY19
- FOX Sport Gol service was the fastest growing subscription service supported by the Syntonix Revenue Generation Platform™ during the quarter, comprising 46.9% of the platform transactions and 36.6% of the content monetisation revenue
- Cash receipts of \$0.50 million, down 12% on Q1 FY20 (\$0.57 million) due to delays in transitioning payments from two of the Brazilian mobile carriers, TIM and Claro, for the FOX Sports Gol service
- Mr. David Wheeler appointed as a non-executive company director and Mr. Tim Slate appointed, subsequent to the end of the quarter, as the new Company Secretary
- Financial restructuring completed in December 2019 with \$3.47 million raised (before costs) through an underwritten non-renounceable entitlement offer with proceeds used to pay off the Company's outstanding convertible notes and to provide working capital (replacing the undrawn convertible notes that were cancelled)

Quarterly Gross Revenue (unaudited) and Cash Operating Expenses



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Seattle, Washington – Syntonic Limited (“Syntonic” or “Company”) (ASX:SYT), a mobile content services provider, is pleased to provide its Appendix 4C – Quarterly Cash Flow report for the three months ending 31 December 2019, along with a summary of its business progress during the quarter.

Syntonic CEO and Managing Director, Gary Greenbaum said:

“This past quarter represented the first full quarter of Syntonic’s new corporate strategy, focused on content monetisation using the Syntonic Revenue Generation Platform™. We had solid overall business performance resulting from growth in our content catalogue, highlighted by Syntonic’s exclusive syndication of the FOX Sports Gol service; growing our customer reach by expanding our platform into new geographic markets, such as Mexico; and transitioning our existing strategic carriers customers such as Mobifone (Vietnam) and Smart Communications (Philippines) to the Syntonic RGP for content monetisation.

The FOX Sports engagement provided a significant validation of the Company’s refocus on content monetisation where the entire business process from contract agreement, content onboarding, commercial deployment, and recognizing recurring subscription revenues all occurred in the span of a single quarter.

Through the recent financial recapitalization, the Company eliminated all outstanding debt, replacing the undrawn working capital reserves from the now cancelled convertible notes with funding received from the entitlement offer. We believe these measures will provide a foundation for a future of positive growth for the Company and means to achieve its business goals in FY20 and beyond.”

Financial Highlights

Syntonic generated revenue in Q2 FY20 principally through revenue share agreements with content providers driven by mobile content subscriptions transacted via the Syntonic RGP.

The Company’s quarterly unaudited gross revenue was \$2.30 million, a 34.7% increase from the previous quarterly period (Q1 FY20 \$1.72 million) and up 25.1% from last year’s corresponding period (Q1 FY19 1.84 million).

A significant contribution to this quarterly revenue growth was fueled by sales of FOX Sports Gol subscriptions in Brazil and Mexico. Since this new service debuted on the Syntonic RGP in early October 2019, it has become Syntonic’s fastest growing and highest revenue generating content service offering. During the quarter, there were 813,487 paid transactions for FOX Sports Gol content which represented 46.9% of platform payment transactions and 36.6% of the content monetisation revenue in the December FY20 quarter.

The Company reduced its quarterly cash operating expense by 5% to \$1.80 million, down 31% from the corresponding quarter in FY19. The decrease in operating expenses was a result of ongoing cost reductions associated with the Company’s new business focus:

- a 50% reduction in monthly product development expenses with long term cost savings to be recognized in Q3 FY20;
- termination of personnel in geographies not in the Company's current focus, i.e. South America, Southeast Asia, and Africa; and
- more than 50% savings in cloud services expense that resulted from the termination and scale-back of legacy business customer deployments.

Additional savings arose from Syntonic's elimination or replacement of vendors providing the Company certain corporate support operations as well as a 31.7% reduction in executive salaries, specifically for Mr Gary Greenbaum, CEO, and Mr Rahul Agarwal, President/CTO, with no bonus and salary raise until the Company achieves a positive EBITDA.

Cash receipts for the quarter were \$0.50 million, down 12% on Q1 FY20 (\$0.57). This decline was due to delays in updates to the vendor payment systems at TIM and Claro associated with the quick-to-market launch of the FOX Sports Gol service. Syntonic is targeting that the TIM and Claro payment systems be updated this quarter (Q3 FY20) with the past-due cash receipts available from March 2020.

Syntonic entered Q3 FY20 with a cash balance of \$0.88 million.

Operational Progress

Syntonic has implemented a new strategy and business focus to support content distribution and sales via the Syntonic RGP. The platform supports the complete customer journey, connecting premium content to mobile subscribers in a cost-efficient manner. The RGP benefits content providers by allowing them to remain focused on their core competency, i.e. creating quality content, with Syntonic focusing on content promotion and marketing, customer acquisition, content distribution, and monetisation. This new strategic focus enables Syntonic to participate in the higher margin revenues generated through content subscription sales.



The full implementation of this strategy, detailed in the Company's Strategic Business Focus announcement on 15 November 2019, involved first winding-down and/or terminating legacy and non-strategic customer agreements, including Smart Communications' Roamfree service, AQN/Telkomsel Indonesia, Opari Inc., and AKTAY A.S. (Syntonic DataFlex™). By the end of the December FY20 quarter, all non-strategic and non-material agreements were terminated without any material financial impact to the Company.

In parallel, Syntonic has been working with its existing strategic carrier customers which include Vodacom in South Africa; Viettel and Mobifone in Vietnam; and Smart Communications in the Philippines to transition their use of the Syntonic RGP for content monetisation (refer to the Company's Business Update announcement on 23 December 2019). All of Syntonic's strategic

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carrier customers have, in principle, accepted to support content monetisation using the Syntonic RGP though subject to final negotiated agreement.

The content monetisation business strategy involves execution excellence in 1) building the Company's content portfolio for distribution and sales, ("syndicated content") and 2) growing consumer reach by expanding into new geographic markets.

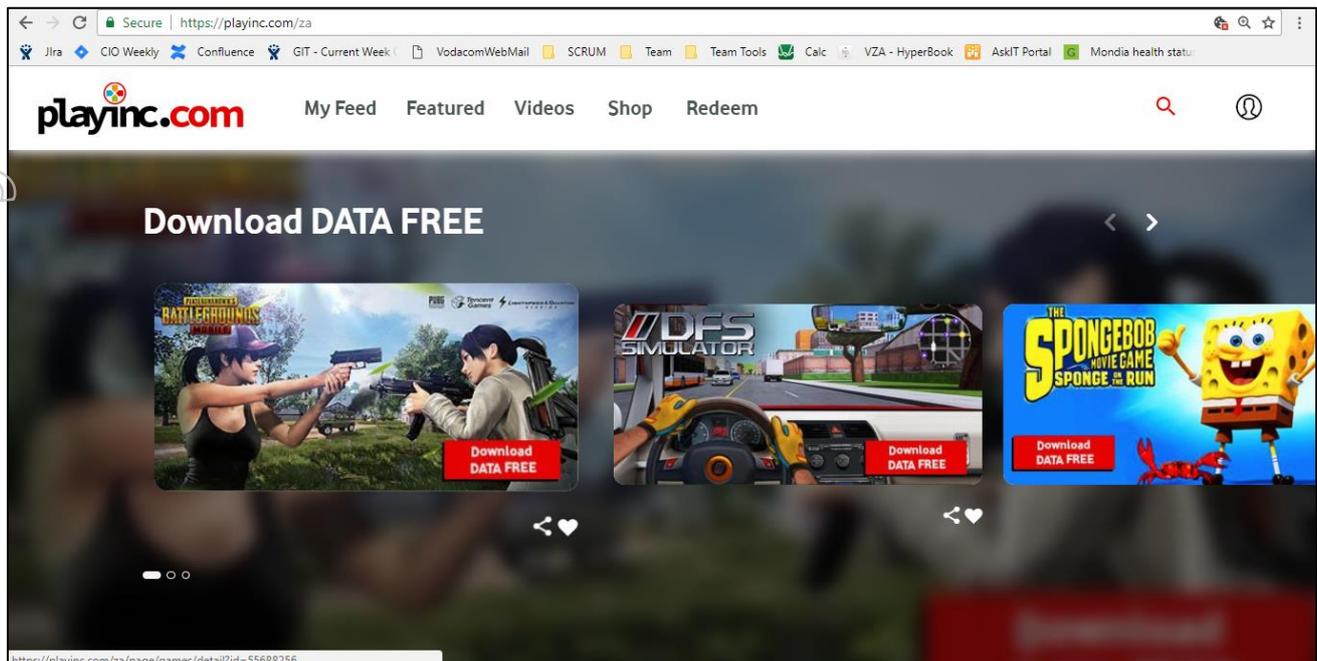
Implementation highlights of this strategy during the December FY20 quarter include:

- On 15 October 2019, less than three weeks after executing an agreement with Fox Latin American Channel LLC, ("FOX Sports"), Syntonic starting selling the Fox Sports Gol service to mobile subscribers on the Telecom Italia Mobile (Brazil) and América Móvil's Claro (Brazil) network. In less than one quarter, the FOX Sports Gol service generated 36.6% of the Company's content monetisation revenue.
- Several new distribution and sales agreements were executed with content and application providers including *Saude 4 Patas*, a unique smartphone service that combines veterinary care coverage for 24/7 emergency and dog and cat consultations and emergency care; and *Clube Quero Vantagens*, a leading Brazilian subscription based online discount shopping application.
- Viettel Telecom ("Viettel"), the largest mobile carrier in Vietnam with 63 million subscribers¹, has agreed to launch in Q3 FY20 their subscription-based, data-free content and application service using the Syntonic RGP. With Syntonic RGP deployment launched in Q2 FY19 on Mobifone and available later this quarter on Viettel, the Syntonic RGP services will reach 97.6 million mobile subscribers, or 76% of the total Vietnamese mobile market².
- During the quarter, Syntonic has been working to finalize an agreement with Smart Communications ("Smart" PSE:TEL, NYSE:PHI), a leading wireless provider in the Philippines with more than 57 million subscribers³, to accommodate Syntonic RGP transaction via Smart's billing DCB services. Contingent on completion of a negotiated agreement, Syntonic plans on developing content offers from the Company's existing portfolio of content and apps for Smart subscribers.
- Syntonic remains committed to support the Vodacom Group Limited (JSE: VOD, "Vodacom") with the Syntonic RGP services that include Vodacom's *DataPass* sponsored data application, the data-free TurnUp music service, and PlayInc, Vodacom's recently launched subscription-based gaming service.

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

² <https://www.export.gov/apex/article2?id=Vietnam-Information-Technology>

³ <https://smart.com.ph/About/profile/>



Black Friday 2019 Playinc (Vodacom) promotion for data-free download of applications using the Syntonic RGP

Corporate Highlights

Financing

The Company completed a pro-rata non-renounceable entitlement offer on 20 December 2019. The Entitlement Offer was fully underwritten by CPS Capital Group Pty Ltd ("CPS") for the total amount of \$3.47 million. The main purpose for the Entitlement Offer was to raise funds for:

- (a) repayment of US\$750,000 to Obsidian Global Partners LLC (Obsidian) in respect to its convertible notes;
- (b) repayment of A\$750,000 to Pentin Pty Ltd in respect to the short-term loan facility with Pentin Pty Ltd, an unrelated third party, provided in immediate working capital to the Company;
- (c) ongoing working capital requirements, i.e. sales, marketing, and on-going product development for the Syntonic Revenue Generation platform.

Director Changes

Mr Nigel Hennessy, a Syntonic non-executive director, stepped down from his role on the Board of Syntonic Limited effective 13 November 2019. Mr Hennessy has served on the Syntonic Board of Directors since July 2017 and is moving on to focus on his other commercial interests. The Board thanks Nigel for his contribution to the Company during his tenure and wishes him all the best on his future endeavours.

Coincident with Mr. Hennessy's resignation, the Syntonic Board appointed Mr. David Wheeler as a non-executive director. Mr. Wheeler has more than 30 years of senior executive management, board and corporate advisory experience gained across Australia, the United States, United Kingdom, Europe, New Zealand, China, Malaysia, Singapore and the Middle East. Mr. Wheeler is currently a founding Director and Partner of Pathways Corporate, a boutique Corporate Advisory firm that advises a range of family offices, private clients, and ASX listed companies.

Subsequent to the end of the December FY20 quarter, Syntonic appointed Mr Tim Slate as the Company Secretary effective 9 January 2020. Mr. Tim Slate is a Chartered Accountant, an Associate Member of the Governance Institute of Australia and a Graduate of the Australian Institute of Company Directors. With the appointment of Mr Slate, the Company terminated its long-standing service agreement with Mr Steven Wood and Mr Ed Meagher, as Joint Company Secretary. The Board would like to record its appreciation for the contributions Messrs Wood and Meagher have made to the Company and wishes them every success in the future.

Furthermore, the Company will hold a General Meeting on 13 February 2020 to seek shareholder approval for:

- Consolidation of share capital;
- Re-election of Mr David Wheeler as director; and
- Approval of the issue of options.

Outlook

At the end of the December FY20 quarter, Syntonic has a strong market presence with its content monetisation services in Brazil with Vivo, Oi, Claro, and TIM with a collective addressable reach of 235.7 million mobile subscribers; in Mexico on the Telcel network, the leading provider of wireless communications services in Mexico with a 64% market share⁴; in Vietnam with Mobifone and soon with Viettel, the largest carrier in Vietnam; and in South Africa on the Vodacom network with 20.3 million mobile data customers, representing more than 40% of the South African telco market⁵.

With the global brand FOX Sports on-boarded and providing validation of the Company's platform and service, Syntonic is on a growth path focused on growing its customer base of premium content providers in markets where Syntonic currently has an established presence and also into new geographies.

With a new business focus and replacement of its past debt financing, the Company expects continued successful execution of its strategy to grow revenues, margins, cash receipts and improve the deployment speed of Syntonic's technologies in Q3 FY20 and beyond.

⁴ Data representing Q4 CY2018 as reported by Statista 2019

⁵ Vodacom's "Annual Results for year ended 31 March 2018" presentation



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.

For further enquiries, please contact:

Gary Greenbaum

CEO and Managing Director, Syntonic

Tim Slate

Company Secretary

E: ir@syntonic.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 2019

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	499	1,066
1.2 Payments for		
(a) research and development	(281)	(553)
(b) product manufacturing and operating costs	(283)	(793)
(c) advertising and marketing	(27)	(72)
(d) leased assets	-	-
(e) staff costs	(751)	(1,399)
(f) administration and corporate costs	(439)	(850)
1.3 Dividends received	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(20)	(20)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (insert details if material)	-	-
1.9 Net cash from / (used in) operating activities	(1,302)	(2,621)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	-

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Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
(d) intellectual property	-	-
(e) other non-current assets	-	-
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	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material):	-	-
2.6 Net cash from / (used in) investing activities	-	-

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	3,472	3,472
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	(233)	(233)
3.5 Proceeds from borrowings	750	750
3.6 Repayment of borrowings	(1,845)	(1,845)
3.7 Transaction costs related to loans and borrowings	(25)	(25)
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
3.10 Net cash from / (used in) financing activities	2,119	2,119

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	74	1,400
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,302)	(2,621)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4 Net cash from / (used in) financing activities (item 3.10 above)	2,119	2,119

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Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	(14)	(21)
4.6	Cash and cash equivalents at end of quarter	877	877

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	882	74
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (AmEx deposit)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	882	74

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**

184

-

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

**Current quarter
\$A'000**

281

-

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

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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.		

Not applicable.

9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	(212)
9.2 Product manufacturing and operating costs	(335)
9.3 Advertising and marketing	(33)
9.4 Leased assets	-
9.5 Staff costs	(725)
9.6 Administration and corporate costs	(255)
9.7 Other	(100)
9.8 Total estimated cash outflows	(1,660)

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	-	-

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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: XX January 2020

Print name: Timothy Slate

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.

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

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ABN

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	(d) intellectual property	-	-
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2.2	Proceeds from disposal of:		
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	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material):	-	-
2.6	Net cash from / (used in) investing activities	-	-

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6.	Payments to directors of the entity and their associates	Current quarter \$A'000
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7.	Payments to related entities of the entity and their associates	Current quarter \$A'000
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[lodged electronically without signature]

Sign here:
(Director/Company secretary)

Date: 29 January 2020

Print name: Timothy Slate

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