

Address by the Chairman, Mark Fortunatow

to the 2015 Annual General Meeting of MGM Wireless Limited

Friday 13 November 2013

MGM Wireless launches new revenue stream.

Announces opening of Tribewear online store for smartwatch phones

On behalf of the directors, I would like to welcome shareholders and guests to the 2015 Annual General Meeting of MGM Wireless. While it is always a pleasure to meet with, and address, shareholders, this year is particularly pleasing on two counts:

- (1) our financial results in 2015 were the best yet recorded by MGM Wireless; and
- (2) we are now ready to announce the beginnings of a new revenue stream for the company which leverages our proven capability in smartphone and wearable applications that promote child safety and welfare.

First our 2015 financial results. The company's net profit after tax of \$1.04 million was up 45% on the previous year's, and record result of \$717, 541. Revenue was up 19% to \$3.87 million and year-end cash at bank up 60% to \$1.4 million. The increase in cash balance was recorded after reducing borrowings by 25% and funding research and development expenditure of \$1.1 million.

Your company has a long history of reinvesting retained earnings in research and development of products that will drive further growth, but we also subscribe to the discipline of providing shareholders with some distribution of the year's surplus. Accordingly, the annual dividend was lifted from 1.1 cents per share to 1.3 cents per share. Total Shareholder Return over the course of the financial year was 60%.

These exceptional growth rates are a result of a combination of 3 factors in the year's results.

First, ongoing growth in the number of contracted schools and early learning centres. At 30 June 2015 a total of 1,165 schools and early learning centres in Australia and New Zealand were under contract, up 7% on the previous year's figure of 1,088. Particularly pleasing was our success in retaining the Western Australian Department of Education contract for a further two years after it was retendered.

The second factor was the market success of the cloud and smartphone based products we have developed. As anticipated, the financial benefits of the investment we made in products such as RollMarker and Outreach Plus really emerged during 2015.

For schools and their communities these products are attractive for their convenience and economy as they perform tasks that were previously paper-based, time-consuming, and not integrated with school systems. For MGM Wireless, the products have generated additional revenue streams from existing customers, as they use more of our products more often in day-to-day tasks. The financial benefits were evident in our results as revenue growth outstripped customer growth and earnings and cash generation exceeded revenue growth.

The third factor in the earnings and cash results was the effort made to manage expenses. Our continual streamlining, automation of business processes and cost reduction contributed to an 11% improvement in cost of sales.

We increased our commitment to research, development and commercialisation of new products. We successfully trialled a new product, MGM SchoolEvents. This product provides schools with a smartphone platform solution for the communication, marketing, and if necessary booking, ticketing and payment for events including Parent Teacher interviews - all via smartphone. SchoolEvents proved popular at its trial schools and, with many schools averaging one or more event a week, we see a receptive market for the product when it launches in the March quarter 2016. SchoolEvents will add another revenue generator to our suite of products and make it much easier for our school client base to more effectively manage school events. Another labour-saving product from MGM Wireless.

The success of products such as RollMarker, Outreach and hopefully SchoolEvents has been borne out of our capability to build and innovate products that exploit new technologies to provide convenience, cost or peace of mind benefits for users.

Of course, technology continues to develop and provide new opportunities. Our research and development has positioned MGM Wireless to participate in the next wave of technological adoption: the proliferation of wearable devices and what is known as 'the internet of things' being created as internet connectedness expands

from computers and smartphones to everyday items as rudimentary as watches, household devices, clothing or pet collars.

It's a trend that is already underway, having started with fitness bands, and shifted into smartwatches, glasses, medical devices and so on. Adoption rates are growing with the variety and affordability of wearable devices. Earlier this year, leading network technology company Cisco forecast a five-fold increase in the number of wearable devices in the five years from 2014 to 2019, with growth from 109 million devices to 578 million devices.¹ And, as an indication of the future use of connected 'things', mobile traffic generated by wireless devices was forecast to grow 18 times over the same period.

For MGM Wireless, the adoption of this new technology has intersected with the child safety capabilities released last year in our MGM Pinpoint software application. Customer feedback, gaining a deeper understanding of our clients' needs, further innovation and product development resulted in the company releasing an updated new product, rebranded as the AllMyTribe app, during 2015.

AllMyTribe is a calculated next step to expand our company and market reach beyond schools and Australia into broader family living, welfare and international markets. Using smartphone and wearable device capabilities, AllMyTribe essentially provides a family locator platform that connects all the members of the modern family, to increase peace of mind for caregivers and improve the safety and quality of life for all, from the elderly to children and pets.

Provision of the product for free via the Apple App or Google Play stores is supporting the scaling of market presence with a view to monetisation in the longer term.

AllMyTribe is among the very first family living, welfare and health software products in the world developed to work across all mobile networks globally and both Apple and Google platforms. The app's capacity to connect devices together regardless of phone type and mobile network type is unique.

¹ Cisco® Visual Networking Index™ (VNI) Global Mobile Data Traffic Forecast for 2014 to 2019,

The AllMyTribe app provides a natural leverage point for the sale of wearable devices, especially reliable, competitively priced models that promote broader adoption of our product.

Tribewear online wearables store

Accordingly it's my great pleasure to announce today that the company has opened an online store for the supply of family wearable devices. The store, which can be found at www.tribewear.com, will initially offer smartwatches for 7- to 14-year-old children.

MGM has been working with suppliers of these watches for some time to develop a standalone smartwatch phone specifically for young children. The smartwatch phone can make and receive voice calls to a pre-set safe callers list (without the need for the child to also have a smartphone), track the child's activity and importantly, in the coming months, connect to our AllMyTribe platform to enable parents and other family members to be notified that their children have arrived at school, home, grandparents' house or any other important location.

Customers can order our affordable children's smartwatch phones right now at www.tribewear.com.

From early next year, as we develop the online store and our services, customers will be able to purchase a wearable device bundled with an active mobile and data plan for a monthly fee in the order of \$25-\$40 from anywhere in the world. The wearable devices will be shipped preloaded and enabled with our AllMyTribe app.

Sales will be focussed initially on Australia, with functionality progressively expanded and product range increased from the initial release. We will be looking to open the store for global sales from around March-April next year.

In the not too distant future, the range of smart devices available on Tribewear will be expanded to include seniors' smart devices for health and activity management; smart collars to locate pets that have strayed; and more, all at prices that encourage family use. It is relevant to note that we are not talking about exotic applications or aspirational demand that needs to be stimulated. It's simply about a product that addresses routine day-to-day concerns and tasks involved in modern family living.

We are starting from scratch in a new market segment which is currently at a very early stage of its development, globally, and forecast to grow rapidly in the coming three to four years.

As with any new and evolving market, business models and value chains are not completely known. But what is clear is that MGM Wireless has the product and capabilities relevant to the latent demand that exists and is expected to emerge and grow with broader adoption of wearable devices.

Turning to our current trading results and the future.

Our first quarter results, announced earlier this month, were entirely in line with our expectations. We are on track for a half-year revenue result similar to the record of \$2.21 million recorded in the 2015 first half. The December quarter has customarily been an important sales season and the coming weeks will provide a clearer indication of the half-year earnings outlook.

Our longer term outlook is positive. The need for attendance management within Australian schools is not diminishing. MGM Wireless offers the most sophisticated and integrated solution for schools, which we continue to improve and refine. We expect to continue to grow our earnings from our core attendance products. The emergence of internet based messaging platforms is creating new opportunities which, in the tradition of your company, we aim to exploit with products that deliver benefits for users and revenue and earnings for the company.

Ongoing market penetration by our newer products such as RollMarker and Outreach Plus will add further impetus to earnings, as will the new contribution that is expected from MGM SchoolEvents after its launch next year.

Collectively, these products amount to a leading school business that is generating strong cash flow sufficient to fund R & D of new products and dividends to shareholders.

On top of this, we now have the significant and large global opportunity in wearables, which, as I have outlined today, aligns with our existing product capabilities and which we are prosecuting with vigour.

It's an exciting time for the company. While we expect initial progress will be gradual, we are keenly looking forward to continuously achieving milestones and reporting further on our progress.

Finally on behalf of my fellow board members, and all shareholders, I would like to thank the members of our small team for the contribution to the year's results and their ongoing efforts as we take MGM Wireless forward.

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