

27 October 2017

## September 2017 Quarterly Update

### 1. Highlights

- ✓ Successful trials with **American Express and Chubb**;
  - Approval to extend into new regions;
  - Decline in revenues from one customer in process of being offset by new partners.
  
- ✓ **New products** being launched;
  - With both new and existing clients;
  - Creating closer links with clients;
  
- ✓ **Wi-Fi and Global SIM** business KPIs trending positively
  - Wi-Fi conversion rates now >25%
  - Global SIM margins up.
  
- ✓ **Investment in Business** for the medium term;
  - Cash as at 30 September 2017 \$2.96 million;
  - Building a “moat” by being market leader; and
  - Expect to return to cashflow positive in 2H FY2018.



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## 2. Overview

United Networks Limited (ASX: UNL) (“United” or “the Company”) would like to update shareholders regarding its activities for the 3 months ended 30 September 2017.

The September 2017 Quarter is one where United’s management were focussed on delivering its objectives of:

- i. Extending the Chubb APAC rollout to 3 countries;
- ii. Growing and diversifying the customer base;
- iii. Expanding the product offering;
- iv. Developing commercialised real-time engagement platform;
- v. Implementing local area targeted marketing solutions; and
- vi. Adding depth to the executive management team.
- vii. Onboarding new clients to derisk dependency on existing clients

United Networks has continued to execute on its business plan. One of the goals of the September 2017 Quarter was the addition of new enterprise partners and markets to provide diversification from one key customer. Unfortunately we have seen a volume drop off in Global SIM offers greater than expected from one of the existing key partner than had been budgeted. United Networks anticipates that revenues from new clients for global sim and products will have a net positive effect and more than offset the revenue losses from 1Q 2018 onwards, on an ongoing basis.

In addition to Chubb and American Express, United Networks’ sales pipeline continues to grow. We anticipate a number of significant announcements over the course of the remainder of FY2018 with new large B2B clients.

## 3. Operational Performance

### ✓ **Wi-Fi: early days but positive, conversion rates of 25%**

- Wi-Fi revenue of \$24K for the September 2017 Quarter
- Average revenue per Wi-Fi subscription: \$4.41
- In September offer and acceptance rates climbed to 25%
- Number of hotspots for United Wi-Fi has grown to >64 million
- Month-on-month growth for activations, usage and revenue continues to climb

# Wi-Fi



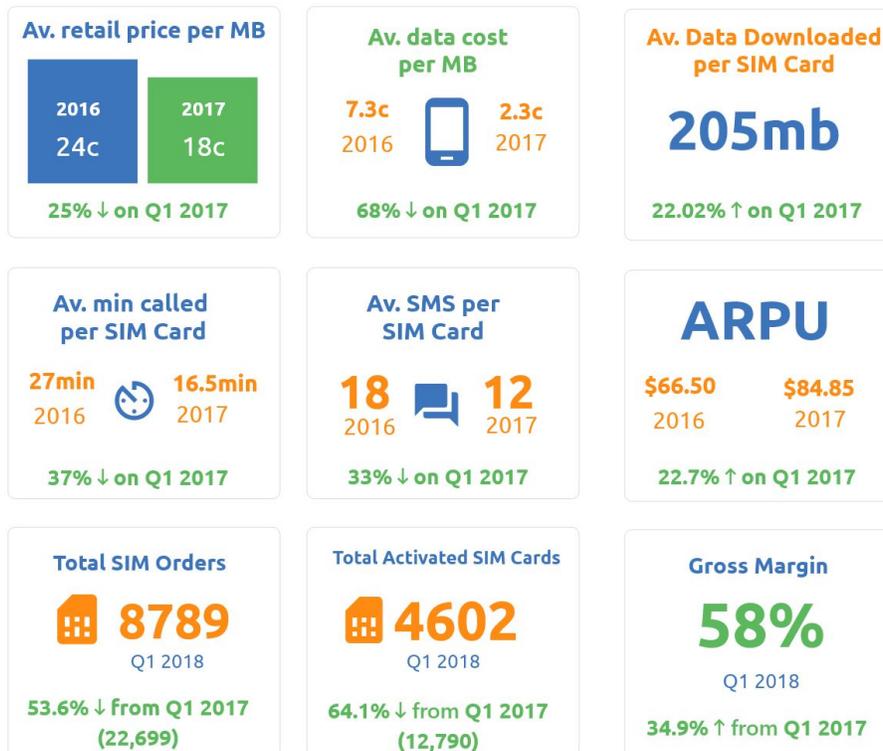
## ✓ Chubb & American Express: trials successful, expanded relationship

- United has launched the WiFi solution across the following countries and partner channels
  - Chubb Australia May 2017
  - American Express in conjunction with Chubb Australia July 2017
  - American Express in conjunction with Chubb New Zealand August 2017
  - Chubb Singapore September Chubb New Zealand September 2017
  - Priceline Protects Travel Insurance October 2017
  
- United Networks Wi-Fi product is a value added offer when travel insurance product is purchased. United Networks currently charges the partner for each successful registration. The partner includes the solution free for the end user. At the end of the free period the customer has the option to extend by purchasing a paid subscription.

✓ **Global SIM: one customer down but margins up, ARPU up**

- 8,789 Global SIM orders in 1Q FY18 with 4,714 activations;
  - Down on same time last year due to delays in systems by one key partner. This still continues to affect the business. 1Q FY2017 orders were 22,699 for the quarter.
  - We continue to onboard new corporate customers in Australia and Asia. Revenue building into the new year.
- The average revenue per SIM card has increased from \$69 (1Q FY17) to \$89 (1Q FY18) per user.
- A number of positives
  - Gross Margin increased to 58% from 43%
  - Data usage up 22% due to improved retail data prices  
204mb up from 168mb per SIM in the same period last year
  - Data margins increased to more than 82% from 65% due to the increased breakage and better purchase prices

## Global SIM



✓ **Trust Platform: upgrades being undertaken, new features added**

- GAP platform re-named “United Trust”
- Development amounting to \$0.262m in the quarter
  - Release of the new multi-product website template [www.unitednetworks.net.au](http://www.unitednetworks.net.au)
  - New features
    - i. Enhanced LBS
    - ii. Automated Proactive emergency event feeds
    - iii. Enhanced analysis of geo-fence query and send features
- In development (release end 2017, early 2018)
  - Global luggage tracker
  - Insurance-based products
- United continues to commercialise platform:
  - Delivered stage 2 of the integrated targeted location based services messaging platform;
  - Current negotiations with global partner to service enterprise clients and B2C clientele; and
  - Extension of the platform to include new products directly relating to clients requests

✓ **Emergency messaging solution: added value service being “valued” by clients**

- Regularly being used to support our partners
- Upgraded to include more advanced tracking for emergencies and risk related events.
  - Trialling further value-added duty of care services with clients due in market November 2017
  - Allowing partners to engage in real time with their customers and allowing customers to update their status in the event of emergencies.
- New connected community features being added include
  - Aggregation of trusted emergency sources 24/7.
  - Proactive real time location querying of customers based on event
  - Automated communication and alerts sent to affected customers
  - Ability for customers to update designated emergency contacts and the medical assistance and mark them self as Safe or need help
  - Assistance management platform to allow partners to see single view of affected customers within a targeted zone.

✓ **Customer Pipeline: expect further announcements in 4Q FY2018**

- New global partners rollouts are taking 3-6 months from signing to go live and generating revenue.
- New distribution launched this quarter - Priceline, American Express Australia & New Zealand, Chubb Singapore.
- A number of trials in market and contracts near execution including
  - large airlines,
  - travel partners,
  - loyalty providers,
  - online booking engines; and
  - large airport retail operations.

✓ **Sales and Management Team: adding quality and depth**

- During the last quarter, United sought to add management depth to allow it to better implement its business plan.
- Iain Pringle, New Global Roaming Business Development Manager, comes from the loyalty and Airline background. Previously Senior Manager of Retail, Travel partnerships at Virgin Atlantic and before this, Head of strategy at the Avios Group Limited with over 20 years experience.
- We expect to grow the management team over the coming year by hiring a sales and marketing managers.

## **4. Financial Overview**

### **4.1 Revenue**

Revenue for the period compared to September 2016 Quarter is down. The business has migrated contracts from the one key partner focus to multiple key partners and the change in the revenue model as previously outlined, means revenue is booked when it's either used or credit is expired. The change in model is not expected to normalise until 3Q FY18.

We expect global Sim revenue to grow in the coming year as we onboard more customers for the core products and the related products.

During the course of 1Q FY2018 United Networks has increased both average revenue per SIM user and margins. The volume decrease from the key partner has effected the top-line sales. The business is well placed to benefit from the increase in new partners and reinvigoration of current partners, as a result of

United Networks' renegotiation of data pricing. The effects of these movements are highlighted below in both the SIM margins and the increased traction and rollout of the Wi-Fi.

| Unaudited Sales results                                      | Q1 FY 18         | Q1 FY 17           |   |
|--|------------------|--------------------|---|
| <b>Total Sales Revenue (excluding Key Partner rebilling)</b> | \$900,127        | \$827,622          | This is the like for like sales of total customer usage and billings without the effect of change in partner contract. Whilst volume of orders has drop the total booked revenue has increased. |
| <b>Wi-Fi</b>   | \$25,850         | \$0                | New Revenue Stream.   |
| <b>Income Received under previous rebilling model</b>        |                  | \$1,221,782        | Charges relating to old commercial model with non margin attributed in previous year  |
| <b>R&amp;D</b>   |                  | \$379,000          | FY17 included an under accrual from FY16 of \$379K it was booked in July 16   |
| <b>Total Revenue</b>   | <b>\$925,977</b> | <b>\$2,428,404</b> | <b>61% down on total revenue</b>  |

## 4.2 Cashflow

The company continues to invest in the rollout of our global partners and platform. A large portion of the investment made in the period for the deployment of new key partners and developing out the suite of United Networks products.

It is anticipated that the cash burn will be reduced and become positive over Q3 and Q4 of FY2018 as the revenue from the new partners and new products gains traction.

Summary of Cashflows for the quarter:

- Cash at Bank as September 2017: **\$2,959,957**, (September 2016: \$190,369);
- Cash used for Development in Q1 2018: **\$268,385**, (Q1 2017: \$192,503);
- Cash used relating to set up of strategic APAC key partner rollouts \$140,000;
- Loan Repayment in Q1 2018: **\$193,874**, (Q1 2017: \$24,307).
- Net Cash used in Operating Activities in Q1 2018: **\$792,278**, (Q1 2017: \$449,020).

## 5. Shareholder Offer

United Networks acknowledges the support of its shareholders. We continue to offer to our shareholders access to United's Wi-Fi App for 30 Days for Free. The Wi-Fi App provided unlimited data downloads in over 125 countries at >64 million WiFi hotspots. To get your free 30 Day United Wi-Fi Pass go to [unitednetworks.net.au](http://unitednetworks.net.au) and register an account.

Use the promo code is available on request to shareholders, please email:

As a further reward to its shareholders, United also will be offering in November 2017 an additional 1GB of data on their United Global SIM cards in our 113 Zone 1 Countries. This includes USA, UK and most of EU. To see a detailed list of countries please visit [www.unitedglobalsim.com](http://www.unitedglobalsim.com) click on rates and coverage.

United Networks shareholders who wish to take up these offers should contact us on [shareholders@unitednetworks.com.au](mailto:shareholders@unitednetworks.com.au)

## 6. Outlook

In the September 2017 Quarter, United Networks has been building out its business, focussing on:

- Continuing to on-boarding large global partners with potential to significantly increase customer numbers, revenues and profits;
- Derisking the reliance on a single key partner;
- Introducing new alerts platform and Global tracker to enhance customer relevance, stickiness and revenues.;
- Commercialising the proprietary United Trust platform into multiple revenue streams; and
- Investing in management capability and systems to support our growth;

Whilst the revenues from one customer in September 2017 Quarter have been disappointing, the Board anticipates United Networks' December 2017 Quarter onwards will see much of that being overcome by new partners and products.

On the positive side, the September 2017 Quarter saw:

- ✓ Global SIM ARPU and gross margins are up;
- ✓ Conversion rates for Global Wi-Fi of 25% are significantly beyond budget expectations;
- ✓ Chubb and Amex relationship has been expanded geographically and in product offering.

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### FOR FURTHER INFORMATION

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## **ABOUT UNITED NETWORKS LIMITED**

*United Networks was established in 2009 by Anthony and Nick Ghattas. The company listed on the ASX in January 2017.*

*United is an international Mobile Virtual Network Enabler (“MVNE”) providing telecommunications, data and value added services. With operations in Australia, Canada, New Zealand and Malaysia, United provides services in more than 190 countries.*

*United Networks is a B2B business. It derives the majority of revenue from “white labelling” its global roaming and data products for large B2C businesses such as insurers, airlines, banks and travel agents.*

*In providing global roaming as an add-on service to their own customers, United Networks’ corporate customers are able to develop other revenue opportunities, assisted by the location based service, made possible from the underlying United network and Trust platform.*

*United Networks’ three year growth strategy incorporates:*

- 1. Expansion in existing products and channels under its white label program;*
- 2. Monetisation of analytical data;*
- 3. Location based services;*
- 4. Using its network and CRM platform to offer global partners local solutions for end users; and*
- 5. New products such as Wi-Fi and SIM-less technology.*