

December 2017 4C and Quarterly Update Investor Call

Investor Transcript - 5.2.18 9:15am

1. Introduction

Thanks everyone for joining us today. You will have seen the ASX releases that were lodged last week.

The call should take 10 -15 minutes.

On the line from United Networks we have:

- Anthony Ghattas United Non-Executive Chairman
- Nick Ghattas United CEO
- Michael Potts United Company Secretary

Just a reminder to put yourself on mute when you are not asking a question. There will be time at the end of the report to ask questions so if you could please wait until then to ask any questions.

2. Reporting and Disclosures

AG

We hope by now most of you had a chance to review the 4C and management update that were sent out on Wednesday. Today we will go through a summary of the results and overview on performance of the business in the last 6 months. Nicholas Ghattas will speak in detail about the performance and outlook moving forward.

The year to date results show revenue down on the same period last year due to the effect of the reduced performance of a Major client as outlined previously. We have completed our planned development cycle on the new products and have started to commercialise these. We have reacted to current market conditions and have instituted a restructuring of the business to return it to cash flow positive position.

We have implemented a series of cost savings to restructure the cost base in line with current revenue levels whilst still maintaining our SLA's and current pipeline of customers. We estimate these savings to be approximately \$0.9 million on an annualised basis. Most have been actioned. We expect to see the final cost initiatives to be finalised by end of 3Q (this quarter) 2018. As a result, we expect in 2H FY2018 to be operationally cash flow positive.



This estimate is based on current levels of business with two caveats

1. R&D grant we expect to finalise in the coming weeks and
2. Some new revenue from conversion of the existing pipeline of clients which are expected to contribute to revenue in this quarter.

Our focus moving forward is to **drive** revenue in the Wi-Fi, SIM and Trust platform.

We have limited spending on development to the existing clients other than:

- “go lives” with new large clients with confirmed contracts and committed revenue;
- the launch of Flight Delay insurance and enhanced mobile messaging.

We launched the first part of the enhanced messaging platform in December. The first partner is Chubb insurance with users now having access to the SOS alert and messaging system that has been successfully used with other Global SIM clients over the last 4 years. We expect more clients to go live with this solution over the coming six months. Nicholas will talk more about this.

From the Board’s perspective, the next 12 months should see the turnaround of the business’ cashflow as FY2017’s investment in the business is converted into operating revenue.

I like to now hand over to Nicholas Ghattas (CEO).

Thanks Anthony, I go through now an update on the operations and major revenue and cost initiatives we have been working on and will be delivering in the coming half.

2. Operations and Outlook

NG

United has made substantial progress over the period. The major achievements have included:

- our product is successfully embedded with Chubb and American Express with international rollouts accelerating;
- take up rates have exceeded budgets at (32%)
- re-engaged with our key partner.
- Pipeline of clients has advanced significantly.
- We have gained a critical level of market acceptance/credibility which is opening up new clients and revenue opportunities

On a product basis we have

- Increased Gross margins on SIM and Wi-Fi
- Wi-Fi has increased to 64 million hotspots
- We rolled out new products with committed clients and revenues.

Despite having good take up rates we have learned that United’s business model can be further improved by embedding the price of the service into every policy.

To achieve this outcome, we had to first gain credibility by proving that the United services offered:

- added value to end users; and
- can increase the take up rates of the partners' core products.

As such, United has better aligned our revenue growth directly with our partners offerings. The focus right now is to drive a higher volume of connected clients through the TRUST platform and leverage this volume to add transaction related revenues which will boost the returns per client for all parties.

Beyond this our trust platform continues to add innovative and valuable products. The SOS enhancements which Anthony spoke about earlier is one of these innovations and is now generating revenues as a value-added inclusion for every eligible Chubb customer in all out active markets.

The key highlights

- Implemented a restructure to reduce the operational costs of the business by \$900K¹ on a annualised basis.
- Wi-Fi revenue continues to grow quarter on quarter. Supported by the increasing opt in rate over 32%²
- Significantly improved the gross margin percentage from 48% of sales YTD compared to 36% last year³.
- Increased the average revenue per SIM card to \$79 up from \$69 last year.⁴
- Re-engaged with our key partner and launched new Data promotions at the end of December and we have actively planned promotions for the last quarter to focus on the busy European travel.
- Released the SOS enhancements in December which represents a significant upgrade to the trust platform.
- Launched a new revenue stream in January with Chubb SOS available now in all active markets and partners
- Launched Priceline Wi-Fi offers and SIM reseller promotions.
- large pipeline with several opportunities in the final stages of being finalised.

New Business

We continue to develop our pipeline of new business focusing on expanding our current territories with partners and valued added services. Our pipeline of new opportunities are with Tier 1 companies that do take some time to finalise. We hope to update the market shortly of a new large customer we expect to bring to market.

New Products

The Trust Platform

The Trust platform has been identified by the insurance industry as a platform that can help large insurers engage with clients consistently. At the same time help them overcome some of the challenges they face from the fintech industry by giving them the ability to offer innovative products cost effectively, decrease fraud, improve pricing through geolocation and reduce administrative costs.

¹ Page 1 December 2017 Quarterly Update lodged with ASX on 31.1

² Page 1 December 2017 Quarterly Update lodged with ASX on 31.1

³ Page 1 December 2017 Quarterly Update lodged with ASX on 31.1

⁴ Page 4 December 2017 Quarterly Update lodged with ASX on 31.1

SOS Aerts

Action: (Show on screen)

The United Trust Platform live streams global incidents, of all severities from trusted sources. The platform automatically categorises these events and assigns severity levels, giving the app user up-to date, relevant real-time information using the geolocation tools. In the event of a emergency the customer will receive a notice if they are in the affected area to update the status this will immediately update your nominated contacts and the emergency assistance team at Chubb.

This enhances the Duty of Care of care product for insurance and employers allowing them to communicate directly with the user and proactively warn of events.

Flight Delay Insurance

Flight Delay is one of the new initiatives designed to leverage the end users in our ecosystem and create new transaction revenues whilst driving our partners core revenues.

The new type of insurance will be launched in conjunction with Chubb. The smart technology allows quick claim-less payouts for insured users when cancellations or delays are reported from a verified 3rd party flight data source.

If a plane is delayed customers will receive payment within 1 hour of the delay into a United wallet allowing them to transfer with no need to initiate a claim. The reduction in claims process and reduce admin cost is a win-win for both the insurance company and the customer.

United will be receiving an agreed percentage of each policy.

So, moving forward our focus remains on

- Returning to operational cash flow positive
- Deeper integration with existing clients including rolling out to their clients.
- Delivery growth on the current products and partners
- Finalise the launch of the new insurance products
- Converting the existing pipeline to active clients.

Thank You, I'll now hand back to Anthony to moderate any questions you might have.

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. 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.*