MGM Wireless (ASX:MWR)

Presentation to PAC Partners Technology Company event

30 September 2015



Mark Fortunatow, Managing Director

MGM Wireless innovates and commercialises disruptive software and technology that:

- increases productivity and reduces operating costs for schools
- improves student welfare & safety and promotes parent engagement
- supports welfare and safety for students and family members

#1

Largest provider of messaging communications solutions to Australian & NZ schools

1,165

Contracted schools

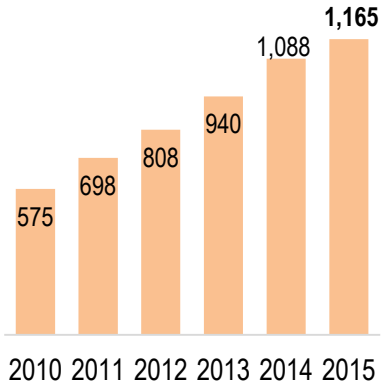
1.6 million

People who use a MGM Wireless product daily

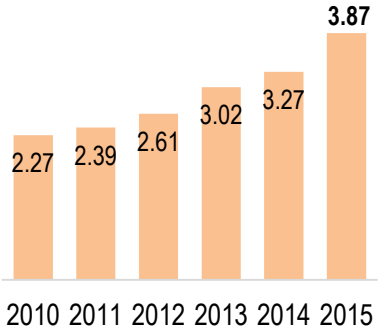
Financial performance

Track record. Sustained growth in customer base, earnings and cash

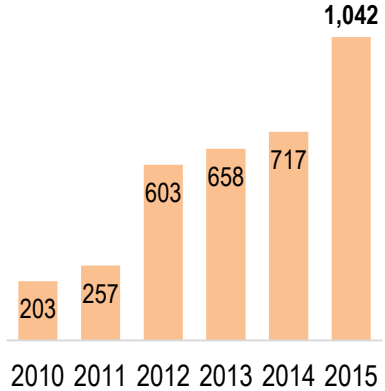
Operational customers



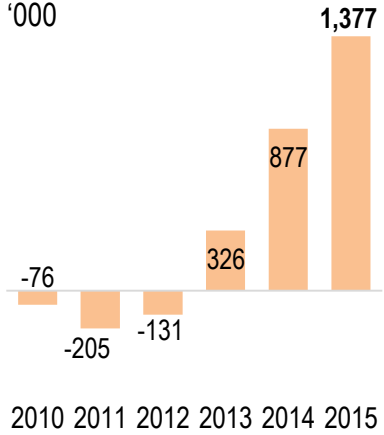
Revenue
$ million



Net profit after tax
$'000



Net cash/(debt)
$ '000



- Ongoing growth in penetration of schools in Australia and NZ market by established core products
- New products driving profit and cash growth in excess of revenue growth
- Cash balances growing strongly after funding research and development

School Business overview

MGM Wireless develops and provides schools with technology solutions to support attendance, student safety & welfare & parent engagement.

Schools

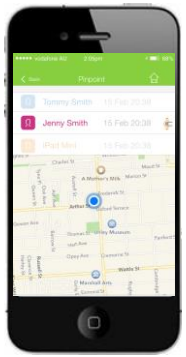


Using MGM product: 1,165

3 state government contracts

Fed Gov. funded in NT

MGM Products



messageyou

WatchLists

MGMOutReach+

MGMRollMarker

MGMSCHOOLEVENTS

pinpoint MGM

Users



Parent and caregivers; use school provided MGM solution

Using MGM solution: 1.6 million

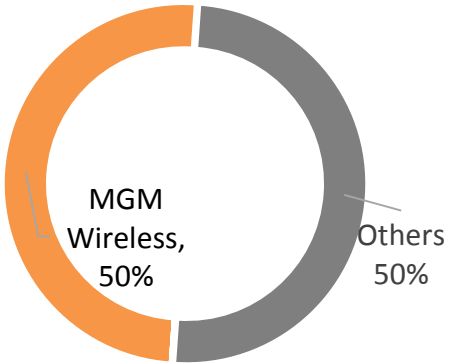
- Cost savings
- Efficiency
- Student attendance
- Community engagement

- Attendance
- Engagement Safety
- Welfare

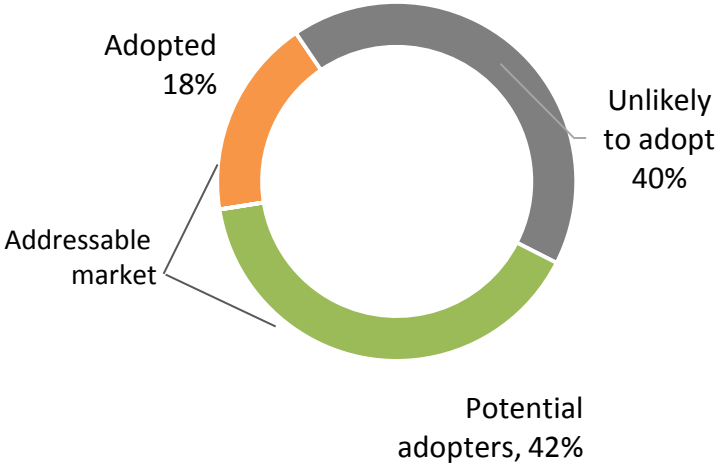
Market share

MGM Wireless is the largest player amongst current adopters, with growth through expansion in school customers and in new products

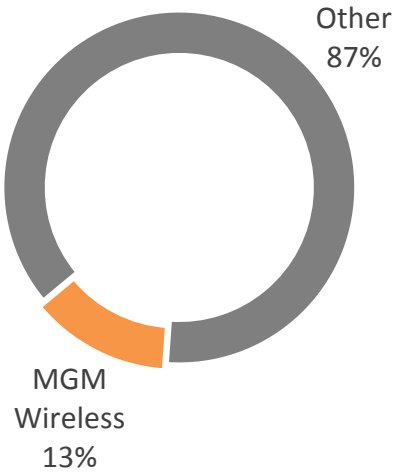
MGM Wireless' market share of schools using SMS systems



Schools currently adopting SMS Technology vs total schools



MGM Wireless' share of addressable market

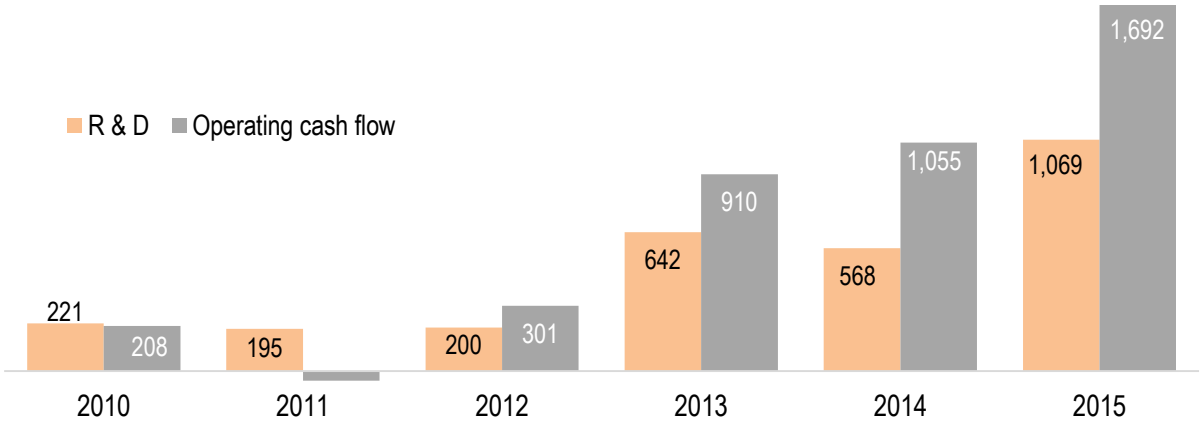


Commitment to Research and Development

Technology advances provide opportunity for new business **and** challenges to existing business

R & D payments and cash flow

$'000



- Ongoing innovation is core element of business model
- Research and development has generated the new products lifting revenue and margins. Ongoing and increased effort required in FY16 for new products and opportunities

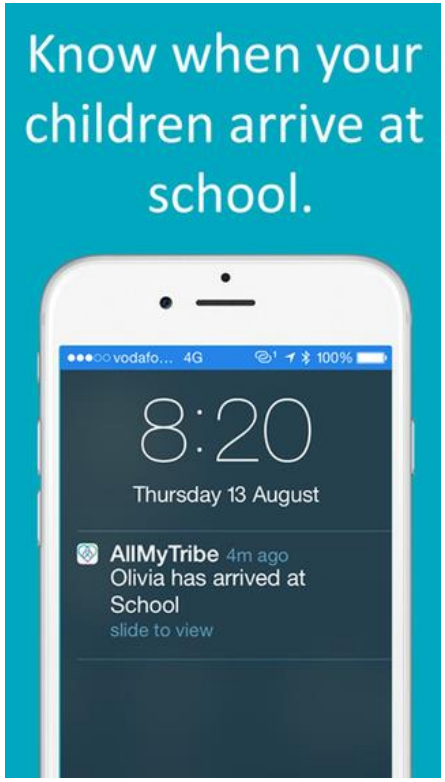
Product development

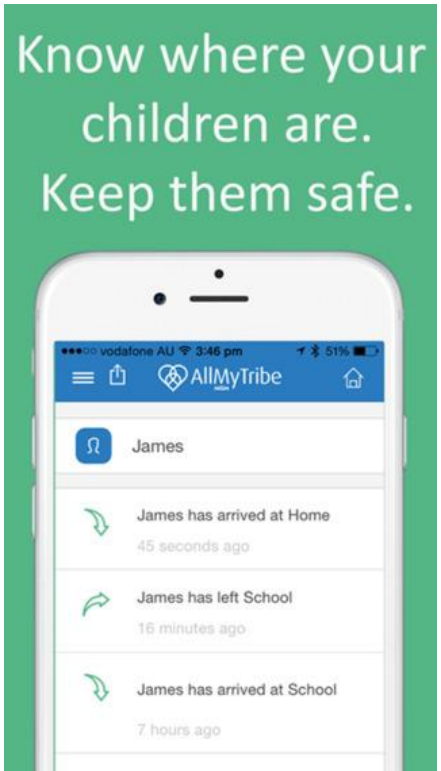
MGM product suite has developed with technology and societal changes.
New technology and products offering higher value & higher yields.

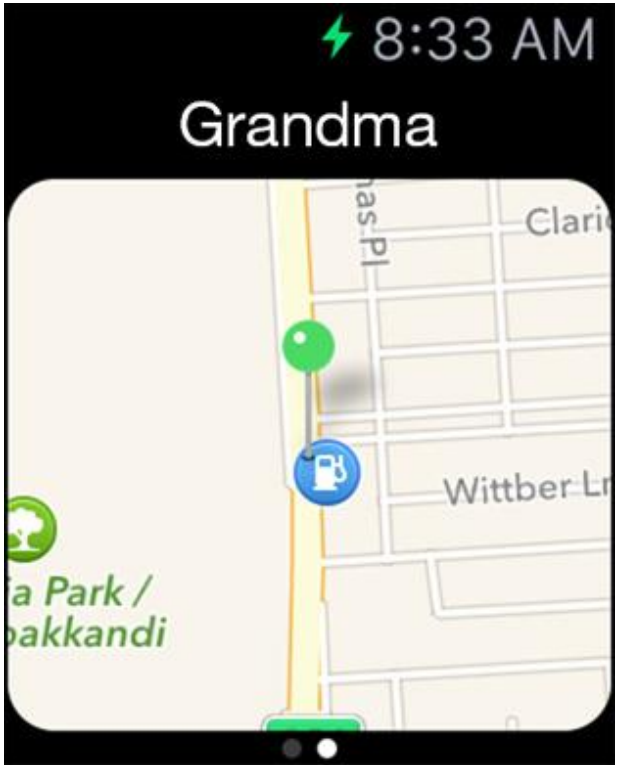


AllMyTribe
MGM









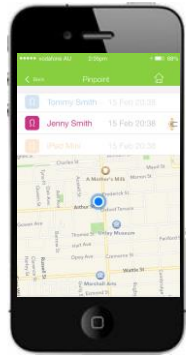
Internet of Things and wearable devices

Opportunity for MGM Wireless in family safety and supporting independent living

- First product: AllMyTribe, available Apple App Store
- Applies capabilities from MGM Pinpoint for family safety and independent living support
- Direct marketed to existing MGM product users
- Currently download for free to establish presence and user base prior to wearables offering
- Early days, but downloads have risen from 8 per day to 50 per day

AllMyTribe
MGM





Current product and market trends

Business is continuing to evolve and capitalise on market and technology developments

1. **Core attendance-focussed business**
   - messaging has superficial attraction but adds complexity of multiple exclusive platforms – not a global solution
   - SMS via a mobile offers single reliable channel
   - MGM developing sophisticated messaging app that provides optionality of SMS and messaging
   - potential to lift margin of core business over time
2. **Higher margin social messaging and engagement products**
   - Roll-out of MGM School Events, trialled in FY15, to add revenue stream
   - Growth from Outreach+
3. **Child safety and wearables**
   - early stages
   - looking to grow base, establish online presence to leverage product
   - taking revenue stream outside school markets
4. **Other product initiatives in train that leverage capabilities**

In summary

1. MGM Wireless is a world - leading developer and provider of disruptive software for schools
2. Sustained record of profit growth and cash generation over 6 years
3. Business model features strong cash conversion, high and improving margins
4. Opportunity-rich environment for MGM Wireless through technology advances and societal changes in cloud computing, smartphone use and now Internet of Things
5. Commitment to R & D and innovation of new products is expected to see product range continue to grow.
6. R&D to increase in FY16 as new product/projects developed
7. FY16 results expected to be consolidation on record FY15, as business transitions from being driven by SMS attendance focus to broader business base.

Appendices

MGM Wireless ASX: MWR

Company Snapshot

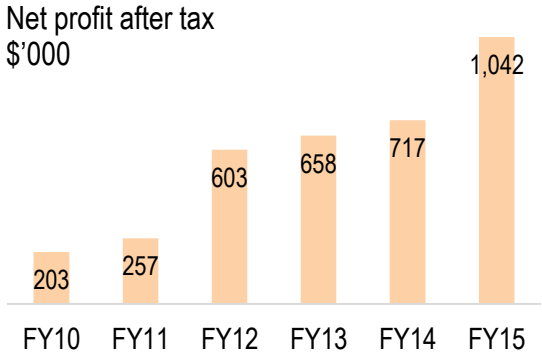
Key financial and share data

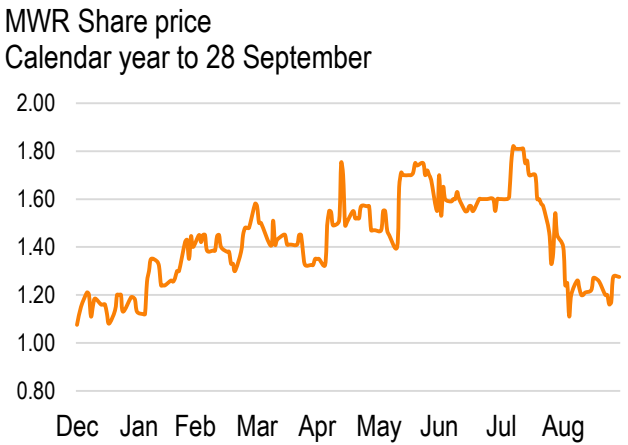
Share price range, financial year to date	$0.85 - $1.84
Shares on issue	8.57 mill
Market capitalisation[1]	$10.9 mill
Earnings per share (cents)	12.16
Cash flow per share (cents)	19.74
Net cash (debt)[2]	$ 1.376 mill

Major Shareholders

Fortunatow Family	16.8%
Hurd Family	6.7%

1. As at 28 September 2015
2. As at 30 June 2015





FY15 Financial results

Increased yield and margin, reduced costs have profit and cash generation exceeding revenue growth

- **Earnings and cash uplift**: new higher value products has replaced customer growth as the major revenue driver
- **Cost efficiencies** from scale and business streamlining
- **Increased R & D** to support growth through new products
- **Dividend increased** to 1.3 cps from 1.1 cps

$'000 unless indicated	2015	2014	Movement
Operational Customers (no)	**1,165**	1,088	7%
Revenue	**3,867**	3,267	19%
EBITDA	**1,996**	1,155	74%
Margin %	**51.6**	35.3	n/a
EBIT	**1,314**	983	35%
Net Profit	**1,042**	717	46%
Cash from operating activities	**1,692**	1,055	60%
(Net debt)/cash	**1,377**	877	57%
Earnings per share (cps)	**12.16**	8.49	44%
Dividend (cps)	**1.3**	1.1	18%
Return on capital %	**25**	22	n/a
Return on equity %	**25**	23	n/a

Balance Sheet

$'000 unless indicated	30 June 2015	31 Dec 2014	30 June 2014
Cash	**1,526.7**	1606.3	1077.8
Other current assets	**1,423.9**	1,309.7	1,260.0
Total current assets	**2,950.6**	2916.0	2,337.8
Intangibles	**2,016.2**	1,706.0	1570.4
Other non-current assets	**183.2**	186.5	201.5
Total Non current assets	**2,199.4**	1,892.4	1,771.9
Total assets	**5,150.0**	4,808.4	4,109.7
Current borrowings	**-**	-	-
Other Current liabilities	**906.7**	909.6	852.7
Total current liabilities	**906.7**	909.6	852.7
Non-current borrowings	**150.0**	200.0	200.0
Total Liabilities	**1,056.7**	1,109.6	1,052.7
Total equity	**4,093.3**	3,698.8	3,057.0

Financial performance

$'000 unless indicated	2010	2011	2012	2013	2014	2015	CAGR % pa
Operational Customers (no)	575	698	808	940	1,088	**1,165**	15%
Revenue	2,271	2,390	2,605	3,023	3,267	**3,867**	11%
EBITDA	467	566	859	1,385	1,155	**1,996**	34%
Margin %	20.6	23.6	32.9	45.8	35.3	**51.6**	n/a
EBIT	243	312	631	728	983	**1,314**	40%
Net Profit	203	257	603	658	717	**1,042**	37%
Cash from operating activities	208	(44)	301	910	1,055	**1,692**	52%
(Net debt)/cash	(76)	(205)	(131)	326	877	**1,377**	n/a
Earnings per share (cps)	2.8	3.3	7.5	8.1	8.5	**12.2**	34%
Dividend (cps)	-	-	-	1.0	1.1	**1.3**	n/a
Return on capital %	116	31	40	29	22	**25**	n/a
Return on equity %	102	40	48	31	23	**25**	n/a

MGM School Business Model







MGM Sales contact School

School Leadership decides

Parents receive SMS

Sales Process

Decision makers are School Leaders & Principal
Sales cycle 5 weeks to 3+ years
Ultimate Customer - Parents are not involved / informed

Revenue

One off consulting and training fee (if applicable) - $ 500 - $ 3,500 per school
Annual License Fee - $ 3 – 8 per student per year
SMS revenue $ 1.40 - $ 2.60 student pa
Systemic Sales can be financially structured differently

Established Flagship Products

messageyou

SMS Student Attendance Communication
- Automated
- 'Intelligent'
- Market leader

WatchLists

Analytics Engine
- Merges Attendance Records & SMS
- Management Tool for School Leaders

OutReach

Social Messaging Platform
- Web App
- School Event Reminders, Late Breaking News
- Crisis

MGMsmartsync

- Links MGM products to schools existing databases

New products, utilising cloud and smartphone technology

MGMOutReach+

Social Messaging Platform
- Upgrade to Outreach
- Cloud & Smartphone App
- SMS File Attachments
- Facebook, Twitter & LinkedIn

MGMRollMarker

- Cloud & Smartphone
- Integrated with messageyou & Outreach+
- Rollmarking App

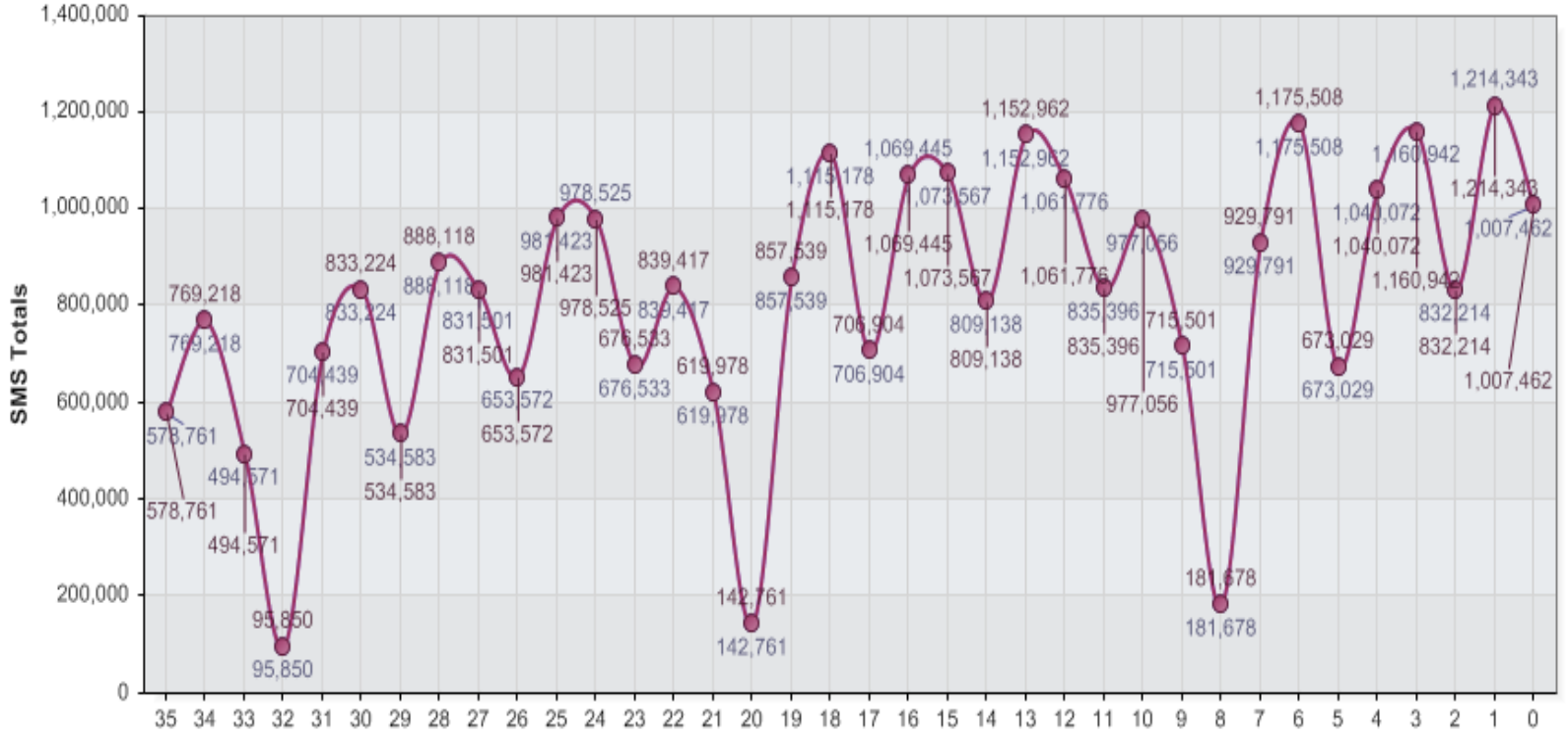
MGMSCHOOLEVENTS

Parent-Teacher Interview & School Booking App
- Integrated with Outreach+
- Mobile Platform

AllMyTribe MGM

Child Safety App
- Wearable interface
- Family Living

Growing Message Traffic



Months offset from September 28 2015



MGM Wireless Ltd
ABN 93 091 351 530

www.mgmwireless.com

Contact:
Mark Fortunatow
Chief Executive Officer
mfortunatow@mgmwireless.com
0421 328 984
08 8104 9508