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ASX Market Announcements
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**ASX Release**
**MGM Wireless Ltd**

**23 December 2015**

## Trading update

- FY16 first half revenue and earnings expected to be lower than FY15 comparative;
- Strong cash position maintained with balance of $1.65 million anticipated at 31 December;
- Investment in new products and launches.

School messaging and software specialist MGM Wireless (ASX: MWR) advises that revenue and earnings for the 2016 first half are now expected to be lower than recorded in the previous corresponding period due to the timing of sales and increased investment in new products and revenue streams.

Revenue for the six months to 31 December 2015 is now expected to approximate $1.9 million, compared with $2.2 million in the previous corresponding period.

Cash balances of $1.65 million are anticipated at 31 December 2015, up from $1.53 million at the beginning of the period and in line with the previous corresponding figure of $1.61 million.

Managing Director Mark Fortunatow said that the lower sales and earnings expectation compared with the previous year was attributable to a number of factors including the deferral of sales recognition resulting from negotiation of new client contract renewals and the increased school take-up of internet based messaging apps rather than SMS.

“Technological progress is a reality and also an opportunity for MGM Wireless. We have been investing in next generation products continuously for many years to capitalise on these underlying emerging technology changes and new market trends and are well prepared and positioned to continue to grow into the future”.

New sales in the six months to December were also dampened by the impending release of a next generation school messaging service, currently in the final stages of development and testing. Details will be released early in 2016.

"MGM will be taking school messaging services to a new level", said Mr Fortunatow. "We have been researching messaging technologies for some time, and have been careful and deliberate to commit the time and effort to make sure our new products are properly designed to meet market requirements". "We will be releasing our sophisticated new messaging products and services early in the FY16 second half, and we know they will be very well received".

Investment in this and other new products to drive growth, including the wearable children's smartwatch phone, AllMyTribe family locator app, online store and preparation for the roll-out of School Events, alongside an increased amortisation charge will result in a lower interim profit for the period.

Current expectations are for a net profit after tax of approximately $0.1 million compared with $0.6 million in the 2015 first half. Increased amortisation and tax expense is expected to account for $0.4 million of this movement.

"In terms of financial reporting, our revised expectations represent the reality of a growing and evolving tech company that, after recording 7 consecutive years of growth and investment, is making profits, generating cash and paying company tax. We are also heading into our next growth phase. We are experiencing one of the most exciting periods in our history, with the impending rollout of opportunities that we have been carefully developing and preparing for some time now. The company is financially stronger than ever before, profitable, and funding all growth investments - including the payment of dividends from operations. We continue to maintain large cash reserves."

MGM Wireless anticipates releasing its 2016 first half financial results at the end of February.

***About MGM Wireless Ltd and Messageyou, LLC***

*MGM Wireless is recognised in Australia and internationally as a pioneer of socially responsible technology-enabled school communications with a proven track record in designing, developing and successfully commercialising innovative world class technology products.*

*The company's patented SMS school communication solutions empower schools to effectively communicate to parents and caregivers using SMS text messaging to improve student attendance, welfare, safety and parent engagement. Measurable benefits for schools include reduced operating costs, increased productivity and improved parent and community engagement, which ultimately improve student learning and social outcomes.*

*Schools in Australia and New Zealand use Messageyou software in their day to day operations.*

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