ASX Market Announcements
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ASX Release
MGM Wireless Ltd

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March Quarter results.
Revenue and contracted schools up. Market growing.

- March quarter sales revenue up 5% on pcp
- Schools under contract up 9%
- Cash balances up 16%
- SchoolStar launch in April increases demand and momentum

School communication and software specialist MGM Wireless (ASX:MWR) has reported increased revenue and accelerating growth in its contracted schools in its third quarter results lodged with the ASX today.

March Quarter Trading Results

$'000	Mar Qtr 16	Mar Qtr 15	Change	YTD Mar 16	YTD Mar 15	change
Sales Revenue	**261.4**	248.0	**▲5%**	**1,789.3**	2,167.3	▼ (17)%
Total Revenue	**469.7**	442.1	**▲6%**	**2,362.9**	2,648.1	▼ (11%)
Cash balances	**1,290.2**	1,112.4	**▲16%**			
Contracted schools	**1,262**	1,156	**▲9%**			

Total revenue for the 3 months to 31 March was $469,668, 6% higher than the 2015 March quarter sales of $442,065. Sales revenue for the period recorded similar growth rising 5% to be $261,358.

Schools contracted as at 31 March was 1,262, the highest yet recorded by the company and 9% above the previous corresponding figure of 1,156. The 9% growth in contracted schools during the quarter was well above the 5% growth reported in the March quarter 2015. Cash balances of $1.29 million at 31 March were 16% higher than the 2015 comparative of $1.11 million.

The timing of the school year and holidays bring a distinct seasonal pattern to the company's trading results with the three months to March being the quarter with the lowest revenue and cash generation.

Year to date results showed modest improvement on the lower revenue trend reported in the 2016 half year result. Total revenue for the first nine months of 2016 was down 11% on the pcp compared with the 14% lower result reported for the six months to 31 December.

“Our March quarter revenue and customer results are positive and more significantly they clearly illustrate the trends playing out in the school communications sector” said Mr Mark Fortunatow, Managing Director, MGM Wireless.

“First and foremost, school demand for communications and safety solutions has accelerated in 2016. The spate of security threats and lockdowns at the start of the year reinforced the need for schools to be able to communicate rapidly and assuredly to all in their community and with tools that are not only secure and effective but provide the required verification. We are seeing that in our results with increased enquiry and school signings

“Second, mobile technology advancements are driving a societal transition from SMS based messaging to the new preference of in-app communications for reasons of enhanced experience and more effective engagement. While this is, as forecast, impacting our revenue from SMS messaging in the near term, we are now positioned to capture a significantly increased market share, and in time, generate additional sales which more than offsets lower SMS revenue” said Mr Fortunatow.

“Interest in, and demand to date for SchoolStar the new product we launched in April has exceeded the expectations we had for the product” he said. The availability of SchoolStar together with increased demand is continuing to drive growth in our contracted schools and increase our market share.’

SchoolStar, launched 19 April by MGM Wireless is the first school news and communication app in the world to offer schools the combination of a free 2 way personalised in app-messaging with automatic switchover to SMS where app communication is unavailable. “The feedback we are getting is extremely enthusiastic, especially as schools can now offer parents school-branded secure in-app communication and have the assurance that SMS back-up provides without having to pay extra for an SMS service’ he said.

The company anticipates revenue from SMS messaging will continue to reduce in line with the shift to app based communications. It is expected that lower SMS attendance revenue from existing clients will be, over time, more than replaced by additional revenue generated by a broader client base, adopting other MGM products.

“The companies that grow through technological change are those who have the strength and innovation to develop and successfully market, leading edge products. We have continued our commitment to innovation and R&D, and our business model generates more than enough cash for this to be sustained.

“Apart from SchoolStar we are continuing the R&D investment in our wearables product lines and the Allmytribe brand of child safety product lines to drive growth. The company continues to develop brand awareness of this product line and enhance the capabilities of wearable devices, especially child-friendly smart watches, and their application in the Internet of Things. We strongly believe this is a fast growing segment of the Australian and global economy.

“Our R & D and capabilities are right on pace with what is available in this evolving area and we believe given time they will generate significant growth from this area.”

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