Address by the Chairman, Mark Fortunatow
to the 2016 Annual General Meeting of MGM Wireless Limited
Friday 11 November 2016

The 12 months since our last Annual General Meeting has been a period of intense activity for our company.

We anticipated the 2016 financial year to be a period of consolidation. The previous 6 years had seen ongoing growth and increasing profit and revenue, driven by an expanding customer base and the market success of the products we developed that leveraged the proliferation of smartphones to deliver cost, efficiency gains for schools, student achievement and learning benefits and convenience and peace of mind to parents.

However, technological and societal change, as always, brings new challenges and opportunities. For MGM Wireless, this meant developing the next generation platform on which the company could sustainably build a new phase of growth; it meant upgrading technical, sales and marketing resources and capabilities to the levels required, and it meant managing our cash cost structure to align with the tasks ahead.

In broad terms, we were successful as the company:

- increased its schools under contract by 9% to 1,265;
- recorded its seventh consecutive year of profit, a net profit of $503,674;
- re-engineered its cash cost base;
- reduced borrowings by 23% to $115,000;
- concluded the year with cash balances of $1.4 million after record R & D expenditure of $1.2 million;
- declared a 1.3 cent per share dividend; and
- developed and released a ground-breaking school wide communications platform, School Star. I will discuss the significance of this product more, shortly.

A detailed account of the company's 2016 results has been provided in the annual report and other ASX announcements. Accordingly, I am not proposing to dwell on these results further other than in two respects.

First, the combination of profit, cash and dividend is uncommon in a relatively young technology company and it is indicative of the underlying strength of the company's core business model.

Second, as solid as these results were in a year of consolidation, our objective remains delivering growth that benefits shareholders. Having established a strong financial position, our objective is to extract the most we can from the leading-edge technologies we possess in our broad school product suite and in the new year, our wearable device software platform.

I would like to devote the bulk of my remaining comments to the future, and our plans and opportunities.

I would note that MGM Wireless' beginnings, and subsequent growth, has been driven by the confluence of two drivers:

- first, its capacity to continuously innovate and use technology for products that make school tasks and processes cheaper and more effective, and more convenient for parents.
- and second, the recognition that attendance and welfare of students, and the engagement of parents, is critical to school effectiveness.

Our experience over the current school year has demonstrated that, if anything, these two drivers are stronger than ever.

In respect of technology, MGM Wireless' history is one of taking emerging technology and innovating products which are ahead of current practice and conception, but which go on to win markets and grow customer numbers through intense customer education and as societal behaviours adopt and use the new technology.

We were the first in the world to invent SMS-based student absence communication and attendance management systems. We then went on

to innovate a range of products such as Outreach, RollMarker and Pinpoint which anticipated the rise of smartphones and mobile devices.

The success of our products did not rely on being the cheapest, (we are not); or just speed to market; but in the investment made to understand the deep needs of our customer base.

It was not good enough to develop and push out products that had technical sophistication. Our products had to be sophisticated in their understanding and satisfaction of critical school needs such as privacy, security, verifiable assurance, customisation and ease of use while also offering intelligently structured tools that added value, such as analytics, reports and alerts.

SchoolStar is the latest product in that tradition. We have devoted significant commentary to SchoolStar since its launch in April as we are, justifiably, proud of it. Like our first messaging products, it is a 'world-first'; we think SchoolStar is a game-changer in two respects.

First in its technical and communication features. SchoolStar is the first product in the world to offer a fail-safe, single product solution to the challenge schools face when requiring verifiable communication to their community using any combination of mobile app, SMS and social media connectivity.

It also offers the convenience, attraction and utility of today's social media platforms for the various aspects of school and old scholar life with the security, integrity and privacy that has long been a feature of MGM Wireless products.

The second aspect where SchoolStar is a game changer is its analytical capabilities, like those found on Facebook and Google Analytics. Put simply, SchoolStar gives schools the analysis and feedback on community engagement well beyond what has previously been available. We think that, with time, these analytical features will be shown to have 'raised the bar' for this product category through the more proactive management of attendance and engagement it enables.

I say ‘with time’ as, like our first attendance management products, the capabilities of SchoolStar are so different from what has been on offer. This has required the retraining and expansion of our own sales and technical staff and increased the education element of our customer support and marketing. This makes for a more time intensive process but it is what is required with ground-breaking products.

SchoolStar has been rolled out and enabled for all our school systems and we are getting on with the process of bringing the platform to new customers.

As sometimes happens when new ground-breaking technology is released – serendipity occurs. One of SchoolStar’s powerful features is its inbuilt 2-way secure messaging – with automatic switchover to SMS message delivery for those Parents that haven’t installed the app, have no mobile data or Wi-Fi.

When we released SchoolStar, this in-app messaging was provided at no cost to schools. However, with the benefit of 6 months live market feedback, we now see that we have misunderstood the significant value of this feature. We have made the decision to now monetise it.

We are seeing that schools seem to be very prepared and happy to pay a small cost for in-app messaging, because not only is it a much lower cost alternative to SMS, its actually far more secure, more flexible, and provides a far greater level of engagement measurement and analytics. Interestingly, by charging a fee, customer perception of the overall value of all our solutions seem to increase and be more attractive to schools.

As such, we have stopped offering in-app messaging for free to new clients, and have begun charging an incremental fee per message. I look forward to updating you later on the broader market acceptance and progress of this significant change.

SchoolStar’s analytical and management capabilities are of course, directly relevant to the second driver for MGM Wireless’ growth I mentioned earlier: the recognition that attendance and welfare of students, and the engagement of parents, is critical to school effectiveness.

Events since our annual general meeting last year have shown gathering momentum for this driver.

The year began with a spate of school threats and lockdowns in the eastern states which underscored the need for schools to have access to rapid notification systems that offered assured and verifiable communication with parents.

More recently, the Queensland Department of Education has mandated that all schools must provide same day notification to parents of unexplained student absence from schools. MGM Wireless was one of 4 providers selected by the Queensland state government for a Standing Offer Arrangement under which it is pursuing contracts with individual schools. We have been told the Queensland Education Department plans on certifying more suppliers in the future.

Early identification enabling effective early intervention is the critical ingredient for attendance management and student engagement. The example shown by the Queensland Department of Education is applauded. We are delighted to be given the opportunity to be part of what in Australia, is an unprecedented proactive effort to improve the safety and attendance of students. We are hopeful that other jurisdictions will note this commitment and we are determined to play our part in making this initiative a success which is replicated in other states.

Schools are also expressing their frustration with a growing difficulty in engaging busy time-poor parents, or as they are sometimes called 'helicopter' parents, who in this connected world, can also be receiving a constant wave of messages, notifications and other communications from a multitude of other sources including social media. While this is a relatively recent, broader societal phenomenon, we think SchoolStar's capacity to monitor and measure engagement will become even more valuable.

So we are optimistic about the outlook for our schools business. The drivers that have underpinned our business success and the growth of our market to date are as strong as ever and we believe we have the right product for the time.

Translating this into revenue and earnings is, as ever, an intensive incremental process as we work with individual schools. But our experience is that, by ensuring we best understand and recognise a school's needs and ensuring they understand the product, we build strong relationships, satisfied customers and lay the foundation for healthy message traffic through our product traction.

To further support growth, the company is making investments and significant efforts towards developing and upskilling our people – who ultimately are our greatest asset. We are conducting extensive business development and management training for our leaders, the benefits of which we expect to see in the coming year.

Before I turn to address current trading and our outlook, I will provide an update on the status of our wearable product development and distribution. Wearables is a new and developing market segment which is still at relatively early stages.

AllMyTribe, the software platform we developed from our PinPoint school app, has been available for download via online stores for just over a year now. The product compares very favourably with others on offer, but it is clear that close integration with the right type of hardware devices is required. Since the last AGM we have been engaged in development in this area and are making good progress. We are hopeful of making further announcements on wearables in this financial year.

Sales to date and outlook

Our objective for the current year is to record an improvement in sales and earnings over the previous year. Sales for the September quarter are broadly in line with that of the previous year, with sales for the period of $600,323 compared to $602,800 the previous corresponding period. As at 31 October the company had 1,279 schools under contract compared with 1,194 at the same time last year.

The December quarter is typically our peak sales season as commitments are made and contracts signed for the new school year. We are hopeful that sales for the year will be given added impetus by our previously mentioned award as a preferred supplier for the Standing Offer

Arrangement (SOA) by the Queensland government to provide same day notification services.

Since being advised of our success in late October, we have ramped up our sales resources to intensively engage in marketing to Queensland schools. This brings associated costs and, as I noted earlier, this is an incremental process as we work on a school by school basis; but the long-term opportunity is substantial. We currently service approximately 90 schools in Queensland and the SOA, which runs for 3 years covers 1,730 schools in the state.

We look forward to providing further advice on our sales performance in the December quarter, including our progress in Queensland in due course.

Finally, in closing and on behalf of my fellow board members, and all shareholders, I would like to thank the members of our small team for the contribution to the year's results and their ongoing efforts as we take MGM Wireless forward.

Our work in 2016 has set the company up well for the opportunity which lies before us. The market for, and awareness of the merit of, school communication systems has never been stronger and we have the products and balance sheet to translate that into future growth.