

MGM Wireless Limited  
ABN 93 091 351 530

## **2020 Annual General Meeting**

DATE: 12 November 2020 | TIME: 11:30 am (AEDT)

# **Chairman's Address**

Good morning ladies and gentlemen.

Today's meeting is a milestone for several reasons – it is our Company's first ever virtual AGM, and likely our Company's last ever where it will be known as "MGM Wireless Limited" – a name synonymous with leadership in communication technologies for schools and families, steeped in historic achievements for our shareholders and the community, and which my founding partners and I hold particularly dear.

### **SLIDE: OUR PURPOSE**

At Spacetalk we build socially responsible technologies for families to feel safe and connected, so that they can live with independence, confidence and joy. That defines our Purpose.

Whilst COVID-19 upended economic activity, it also served to highlight the importance of family support and connectivity; we believe these have now more than ever become structural themes which support our Purpose and the core value proposition of Spacetalk.

### **SLIDE: PERFORMANCE AND VALUE PROPOSITION**

Our Company's value proposition is both simple and compelling; it can be encapsulated in four parts:

- Firstly, we operate in a fast growing and massive global market.
- Secondly, we have multiple products, a presence in multiple markets and geographies, and we help solve the pragmatic, day-to-day needs of connectedness, safety and support for families.
- Thirdly, we are a leader in our niche – I will spend some time later in my speech on how we distinguish ourselves, and why Spacetalk engenders a passionately positive response from our customers.
- Finally, our focus is firmly on growth in customers and revenue, to consolidate our position as the market leader in our category. Whilst we feel like a start-up because of the excitement and growth of the category and Spacetalk, we uniquely benefit from nearly two decades of history with MGM Schools and family communications, which positions us like no other Company to have an in-depth understanding of what families want to feel safe and connected.

FY20 was a year of significant strategic progress in relation to each of these parts which drive our Purpose.

## *Growth*

FY20 saw us deliver strong revenue growth of 47 per cent yoy to \$10.5 million. Spacetalk revenue was up 65 per cent yoy to \$7.6 million, almost three times the size of the MGM Schools Division revenue, which was itself up 25 per cent yoy to \$2.7 million and contributed \$1.9 million to Group EBITDA. The growth in revenue of Spacetalk was driven by particularly strong devices revenue, which was up 53 per cent yoy to \$6.4 million, and App revenue up 180 per cent yoy to \$1.2 million, with Annualised Recurring Revenue (or ARR) from the App up 89 per cent yoy to \$1.5 million.

Our business growth is underpinned by the powerful dynamic of device sales acquiring new users to our App ecosystem. Device sales create the ‘top of the funnel’ effect of onboarding customers to our App, and the App facilitates a network effect of onboarding more users – all with known and common objectives and interests. The resultant highly scalable SaaS ecosystem forms the foundation for tremendous possibilities for our business – specifically, to grow a safe and connected environment for families, with endless options for social interaction and content which is ethical and age responsible, in areas such as media, entertainment, health, education (the list goes on).

## *New product – Spacetalk Life*

A few months ago we launched Spacetalk Life – a pioneering device designed for the unique needs of older Australians. It is a stylish, standalone mobile phone built into a GPS smartwatch for seniors. It creates a new way for senior family members to stay safe and connected with their adult children and grandchildren in independent, fun and engaging ways.

Spacetalk Life features include an SOS button, medication reminders, step counter and weather reports, with Bluetooth pairing to hearing assistive devices and car audio. It is water resistant, dust resistant, and provides advanced battery performance.

In a world first, Spacetalk Life also incorporates two innovations that work in tandem - the first is “safety call back,” which initiates a return call when the wearer is unable to answer due to a fall or other mishap. The second innovation is “location by request,” which enables approved contacts to instantly track and pinpoint their family member in the event of an emergency. If the wearer wants to retain their privacy, they can reject a location request from their device. Wearers have ultimate control over who can see their location.

The size of the seniors market is large and projected to increase more rapidly. Globally, there were 727 million persons aged 65 years or over in 2020. Over the next three decades, the United Nations projects this number to more than double, reaching over 1.5 billion in 2050, and the seniors’ share of the population to increase from 9.3 per cent in 2020 to around 16.0 per cent in 2050. Spacetalk Life caters to this expanding population, providing technology infrastructure for seniors to live connected, independent and purposeful lives.

Being launched in the midst of COVID-19 necessitated austerity, with a pared back go-to-market spend in keeping with the capital discipline called for at the time; in retrospect, perhaps we took an overly conservative approach. For most of the quarter, Spacetalk Life was sold only through our Company e-commerce website. This was despite the eagerness of our existing distributors to range the device, being unique in a new category, as the only wearable mobile phone smartwatch for seniors connected to a mobile network operator. It was only in October that we announced the first bricks and mortar retail distribution of Spacetalk Life, with JB Hi-Fi, a world leading – and Australia’s largest – consumer electronics retailer; with sales commencing nationwide through JB Hi-Fi’s 197 Australian stores in time for Christmas trading.

### *Market penetration*

This time last year, Spacetalk was selling through 777 stores across Australia and New Zealand; we are now in 902 stores across not only Australia and New Zealand, but also in the UK.

In FY20, we built on the successful launch of Spacetalk with JB Hi-Fi and New Zealand's largest telecommunications provider Spark. We entered into new agreements to sell via Vodafone, The Good Guys, Officeworks, Kogan, and Qantas across Australia; Sky and Amazon.co.uk in the UK; and JB Hi-Fi and Noel Leeming in New Zealand.

Our agreements with marquee mobile network operators Vodafone, Spark New Zealand and Sky are noteworthy for several reasons.

For the mobile network operator, the opportunity to range Spacetalk is compelling – it provides another opportunity to win the home and family, to transition the “kid” to their first smartphone, to create new connected growth in a flat-to-declining mobile phone market, and where for every sale a valuable new service opportunity is added to the network. For Spacetalk and our customers, the robust testing and certification process involved in onboarding bears testament to our product quality (the reason why only a small range of products are sold by mobile network operators), the monthly fee plans make our products more accessible to a larger proportion of the population, and our brand awareness is enhanced through leveraging the marketing engine and huge customer bases of these large telcos.

In the UK, green shoots from our involvement with Sky has led to our further investment in building brand awareness and growing sales through our sale of Spacetalk Kids on Amazon.co.uk. Amazon.co.uk is the most visited ecommerce website in the UK, reaching 51% of the population, receiving 34 million unique visits and 453 million total visits in August 2020, with Consumer Electronics and Technology being the highest audience interest category. Whilst the UK is a real and tantalising opportunity for our Company given its sheer population size and buyer behaviour similar to Australia, it takes time and investment to build brand awareness and sales traction, and we are learning quickly as sales ramp up.

In Australia, we are the market leader in our category for both product quality and market share growth. For the first time in FY20, with the Vodafone agreement, Australian parents can purchase Spacetalk with a mobile plan for one affordable monthly fee.

We continue negotiations with new retailers and major telcos in Australia, the UK and adjacent markets, and hope to be able to announce significant new agreements in the not too distant future.

### *Facing up to COVID-19*

As I touched on earlier, COVID-19 made 2020 an extraordinary year for every one of us. Facing significant uncertainty, the Company took decisive action to ensure cash preservation and mitigate the risks of a decline in consumer spending, with lockdowns having an unknown effect on demand for our services. Our mitigants focused on three areas – employee and customer safety, prudent financial management, and supplier and distributor disruption mitigation; and included directors and senior management agreeing to reduced pay, staff taking leave without pay and a reduction in full time positions, which in total reduced full time equivalent wage costs by over 20% for the period 1 April, 2020 to 30 September, 2020. The Company also reduced discretionary costs and benefited from government support initiatives. While COVID-19 impacted supply chains globally, our Company continued to meet the demands of customers without interruption, which is testament to our people and our culture.

Our concerns were real and substantiated by a global fall in watch wearable shipment volumes of minus (4.4) per cent from 35.3 million to 33.7 million. Pleasingly, however, our sales have continued to move in the right direction, albeit undoubtedly impacted. We ended FY20 in a position of financial strength with Cash at Bank of A\$3.1 million plus SPP cash of \$2.5 million, and no debt.

Whilst we began Q1 FY21 with sales improving, cash remained a key focus, and it was only during the last month of the quarter, in September 2020, that we again began to invest in growing the business.

The past quarter saw us deliver resilient revenue growth for the Spacetalk business of 18 per cent pcp to \$2.3 million, out of total Group revenue of \$2.7 million, up 10% pcp; a strong result during COVID-19. Device revenue, in the context of families being confined to their homes, maintained solid growth of 10 per cent pcp to \$1.9 million. It is the App though which has continued to capture users and as will become apparent later in my speech represents what's really exciting about the Spacetalk ecosystem we are creating; App revenue was up 75 per cent pcp to \$0.4 million, with ARR up 77 per cent to \$1.7 million.

The quarter also featured many operational highlights, including encouraging signs for Spacetalk Life (discussed earlier), considerable go-to-market planning for Spacetalk Kids 2 (its new name to be announced at launch), and exciting new retail distribution agreements, platform innovation and investments in systems for better performance tracking.

#### *Investing in talent*

Quality people talent is critical to our success. During the year we appointed new Board Directors and significantly expanded and upskilled our senior management team.

New board member Dr Brandon Gien is an internationally recognised industrial design expert. He is the Founder and CEO of Good Design Australia as well as Chair of the longest running national design award program, Australia's annual Good Design Awards. As an advocate for the value of design-led innovation to drive business competitiveness, Brandon has been appointed to multiple international honorary board positions throughout his 25 year career.

Also joining the board is Martin Pretty, an investment and finance industry expert with over 20 years' experience. He has had significant involvement over that time in investing in and supporting growing Australian technology businesses. Previously an investment manager with Thorney Investment Group, Martin has held management roles at ASX-listed companies Hub24, Bell Financial Group and IWL Limited. He has worked as a finance journalist with The Australian Financial Review and is currently the managing director of boutique investment firm Equitable Investors, and a non-executive director of ASX-listed financial services group Centrepont Alliance (ASX: CAF).

Governance, financial rigour, and product and design leadership were paramount considerations in seeking out the talents of Brandon and Martin, and we feel privileged to have them on our Board.

## SLIDE: LEADER IN OUR NICHE

I began this address acknowledging the historical significance of today being our Company's last ever AGM where the Company will likely be known as "MGM Wireless Limited."

MGM Wireless was founded in 2001 by Mark Hurd, Greg Sincock and myself (with our first name initials leading to the 'MGM' in our Company name). We set out to develop and commercialise mobile and internet convergent technologies. We are credited with discovering and pioneering the application of SMS messaging as a powerful new tool for school-to-parent communication. In 2003, MGM Wireless built the first automated (or Artificial Intelligence "AI", as the technology is now being called) SMS student absence notification system. This innovative technology has proven to be of immense social and productivity value, as for the first time parents were informed within minutes if their child didn't arrive at school when expected, rather than waiting 10 days to be informed by a letter in the mail as was previously the case. MGM messaging AI technology provides a very high level of personalisation and in the right context, which gives parents the impression that the school principal is directly communicating with them. We went on to successfully commercialise this technology, growing the business across Australia, New Zealand, India and the US, resulting in a very profitable, dividend paying return for our shareholders and free cash flow which funded the entire Spacetalk development program, including the first production run.

We understood from the beginning that parents rely on our systems to keep their children safe. With this came an appreciation of our social and moral responsibilities to make every effort to build the most reliable and secure technology possible. Over the years, MGM Wireless systems have been directly attributed to saving at least 7 children's lives that I am aware of. These 7 children, who for whatever reason did not arrive at school, had their safety put at imminent life-threatening risk. In all 7 cases, parents received an SMS from our systems, the children were located, and their lives were saved or revived. One of these cases occurred in Western Australia and received a great deal of media coverage. The Premier of Western Australia at that time, upon hearing what happened, immediately directed the Education Department to purchase our systems for every school in the state.

There are thousands of similar but less severe examples. And together they form part of the many tangibly positive outcomes, reviews and feedback about our business, which makes me and I know every one of our employees and long term shareholders, very proud of our Company's contribution to society.

When a child misses too many classes it can be very hard for them to catch up, resulting in disengagement and often dropping out of school altogether. Who would have thought that a simple SMS to parents – albeit constructed with very powerful AI technology which increases its effectiveness – could have such a profound impact on educational outcomes. We have been proven through numerous independent research studies to reduce unexplained student absences, improve overall student attendance and most importantly improve student learning outcomes.

As often happens when tech companies really listen to their customers, and relentlessly strive to meet their ongoing and changing needs, serendipity plays its part. When a parent unexpectedly receives an absence SMS, very often the immediate next question they ask themselves is, "where is my child?" Trying to solve this problem over many years directly led to the inception of Spacetalk back in 2014.

Three years ago, Mark Hurd, my co-founder at MGM, sadly passed away after a long battle with cancer. Mark was an exceptionally intellectually gifted and highly respected software engineer, who built our AI SMS technology. Upon his death he bequeathed a significant amount of his shares in MGM Wireless to his school,

Westminster, which used the grant to build arguably the best mathematical and computer science education facility in Australia. This facility, named the Hurd Design Laboratories, will be officially opened next week.

Mark's legacy lives on. Since 2003, over 8,000 schools have used our systems in Australia, New Zealand, India and the US. We have enabled over a quarter of a billion SMS messages to be sent, not just to let parents know their kids had not arrived at school, but also for emergencies such as floods, bushfires, bomb threats, storms and yes COVID, event reminders and most recently event ticketing. In the early stages of COVID -19, the MGM Schools Division performed strongly as our systems were extensively used; and earlier this calendar year being awarded a renewed contract to supply all WA Government schools.

### *Spacetalk business and strategy*

And now to the future... Spacetalk exists to keep families safe and connected.

Today's key challenge for the technology industry is gaining trust. Data privacy, security and product reliability have become the most valuable and crucial issues for technology's future.

Spacetalk is technology purpose-built to engender trust and confidence. At a time when consumer trust in the technology industry is at an all-time low, Spacetalk was built ground up to deliver the highest levels of privacy, reliability, security, ethics and integrity. There is no better platform for children, parents and grandparents to keep safe and connected.

Spacetalk Kids and Spacetalk Life are mobile phone smartwatches which are purpose built, with tailored features, design qualities and data protection, specifically for families. We have the best mobile phone reception bar none, lab tested to be as good as if not better than any other top tier smartphone; an amazing technological achievement and kudos to our engineers. We have the most accurate GPS location tracking available. We store all our data in Australia (or user country of residence), with the data being protected by Australian and European GDPR, and all other relevant privacy and security laws. We believe data privacy is a basic human right, and we feverishly protect it as such. Our parental controls allow parents to manage who is in contact with their child, track their location, set school mode and much more. I have already described the powerful tailored features that define the uniqueness of Spacetalk Life for the seniors market.

But is it about the watch? It is and it isn't. As I touched on earlier, our device sales create a funnel of new users to our App, and the App's network effect facilitates the onboarding of more users. This goes to the heart of our business model, amassing a dedicated user base with known and common objectives and interests, with immense possibilities for our business and users.

The elixir of growing a safe and connected ecosystem for families offers endless options for delivering content, including but not limited to media, entertainment, health, and education; all delivered in an ethical, socially and age responsible manner, that also protects user privacy and data. As we progress this agenda, our ability to provide an environment for safe and secure digital content consumption addresses the seminal issue facing technology – trust. Being the platform for our customers and content providers to interact in ways which will perfectly combine utility and personalisation is a win-win, with infinite business opportunity.

**SLIDE: REBRAND TO SPACETALK**

Currently there is no name and brand connection between MGM Wireless and the Company's wearables products and services, sold under the Spacetalk brand. The latter has already grown to be a business three times the size of the former, and represents the immediate and largest business opportunity for the Company.

The change of Company name to Spacetalk Ltd is logical, as it will unify the overall corporate brand with the Spacetalk brand, our marketing and communication.

The Company's ASX listing code will change from "MWR" to "SPA" if the change of name is approved.

I would like to now play you a video which provides an overview of Spacetalk's brand and vision.

*Video: Our Vision*

**SLIDE: LOOKING AHEAD**

The future for our Company looks very bright.

Our Company has been totally transformed. Your Board and Company management have innovated to develop a new, very successful and high growth business; from and outside of our traditional core of school-to-families communication expertise.

Spacetalk is a significant business, already over three times larger than our school business. We are now the leader in the fast growing and huge new family wearables global market.

And, during this remarkable shift, we have infused the same higher purpose and ethical values into our new Spacetalk business that drove and continues to drive our school communication business today.

I recognise that despite a tremendously successful year for the business, our efforts have not been reflected in the Company's share price. There are many reasons for this and of which your Board is acutely aware. Shareholder return is a key focus and something we are working very hard to address.

We have entered FY21 with confidence and optimism – launching the new Spacetalk Life device for seniors, readying for the imminent launch of the next-generation Spacetalk Kids 2 device (that is not its name), significant new and ongoing enhancements to our AllMyTribe subscription app, and targeting new distribution channels in the UK and sales from a launch in the US market. As such, despite the uncertainties of COVID-19, we expect continued growth of the business from the record revenues of Q1 FY21.

**SLIDE: THANK YOU**

I would like to close by thanking you, our shareholders, for your support during what has been an extraordinary year for us all and the Company. Despite COVID-19 and a disappointing share price, we have had a tremendously successful year and very positive Q1 FY21.

Our rapid growth and passionate focus would not be possible without the innovation, hard work and dedication of our employees, who have helped drive this extraordinary transformation.

Together with our sales growth, the company workforce has expanded tremendously in the past year. From 18 employees we now have 44 spread across the UK (Glasgow and London), China (Shenzhen), Sydney,



Melbourne and of course Head Office in Adelaide, and many more contractors and consultants spread all over the world. I would like to thank them for their effort and inspiration. The Board greatly appreciates all that you do and I believe so too do our shareholders.

Finally, I would like to thank our customers, because without them there would be no MGM Wireless or Spacetalik.

I know I can count on all your combined support as we prepare to seize the opportunities ahead of us.

Thank you.



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Chairman's Address  
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Our Purpose

Value Proposition

Leader in our Niche

Rebrand to Spacetalk

Looking Ahead

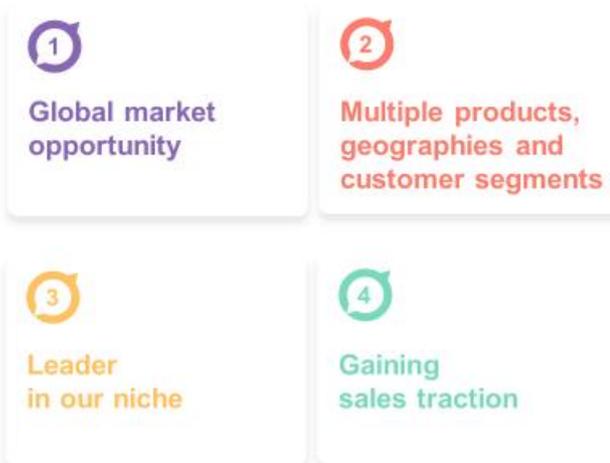
## Our purpose

To build socially responsible technologies for families to feel safe and connected, so that they can live with support, independence and confidence.

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## Value Proposition



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## Leader in our niche



**SPACETALK Kids: market leader**  
**SPACETALK Life: one-of-a-kind**

Reliable mobile coverage across ANZ and UK	✓
External Mobile antenna in watch frame maximises mobile reception	✓
High Accuracy Location Technology with licensed Google Maps™	✓
Scratch resistant glass touch screen	✓
High quality painted gloss finish	✓
Complies with Australian telecommunications network requirements	✓
Tested and certified to Australian standards and safe for kids	✓
Your family's data security stored in Australia	AUSTRALIA
Data protected by Australian privacy and security laws	✓
Apps 100% developed in Australia	AUSTRALIA
SPACETALK Life connected to a mobile network operator	✓



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**CORPORATE BRAND AND FLAGSHIP  
CONSUMER BRANDS UNITED UNDER  
ONE NAME...**



**SPACETALK**

**AND ONE BRAND  
COHESIVE  
STRATEGY.**



**SPACETALK**

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## Looking ahead

Family ecosystem  
Safe | Connected | Reliable



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