



## ASX Announcement

PERTH - 30 July 2018

# QUARTERLY ACTIVITIES UPDATE AND APPENDIX 4C COMMENTARY

Family Zone Cyber Safety Ltd (ASX: FZO, Family Zone or the Company) is pleased to provide an update on its activities and achievements in the June 2018 quarter. All financial information set-out herein is unaudited.

## HIGHLIGHTS FOR THE YEAR

Family Zone is pleased to provide preliminary results for the financial year across key business metrics.

In the year the Company has achieved circa 150% increases in top line and customer revenue through growth in school clients and paying subscriptions.

Pleasingly the Company's channels to market are delivering strong average revenues per account and low costs of acquisition.

These achievements demonstrate the Company's strategies for product and go-to-market are delivering.

## HIGHLIGHTS FOR THE QUARTER

Highlights for the quarter ended 30 June 2018 include a:

- 20% QoQ growth in revenue
- 9% QoQ increase in partner schools
- 14% QoQ increase in paying subscribers

Notably, the Company's operational costs fell by ~10% and cash burn fell by ~15% QoQ. This was achieved through a combination of solid collections and improvements in overheads and cost structure.

At 30 June 2018 the Company had a cash balance of of \$2.5m. Subsequently, the Company entered into an agreement with Tellus Matrix to underwrite a \$5m placement at \$0.50 per share, a 6% premium to the Company's share price on 26 July 2018.

## FINANCIAL YEAR

(YoY)

Accounting Revenue	\$5.1m	+150%
Invoiced to customers	\$3.3m	+150%
Paying accounts added (nett)	51k	
Schools added	288	
Partner schools added	144	
Average revenue/accounts	\$71	
Average cost to acquire accounts	\$22	

## JUNE 2018 QUARTER

(QoQ)

Revenue	\$897k	+20%
Invoicing to customers	\$702k	-59%
Customer collections	\$932k	-22%
Paying subscribers	51k	+14%
Partner schools	164	+9%
Contracted revenue	\$5.1m	
Cash balance	\$2.5m	



With research and development tax incentives and export grants expected in the second half of the calendar year the Company is well funded to support its business plans.

At the conclusion of the quarter the Company is well positioned for expansion and success. Family Zone is a mature and rapidly developing product, enjoyed by customers and receiving positive feedback. The recent Linewize acquisition is delivering customers and revenues in New Zealand, is being rapidly rolled out in Australia and is offering a step change in our cost to deliver and service customers. The Company has flexibility through many channels to market with Education the stand-out. The Company is dynamic and agile and is expanding into exciting markets such as Indonesia, India and USA.

## OPERATIONAL COMMENTARY

Family Zone has developed a world-first universal approach to cyber safety. Under this model, interoperable technology can be installed on any device and in any network to manage the digital experience of users. The Company's commercialisation strategy is to drive consumer adoption of cyber safety products through building relationships with schools, telcos and device manufacturers.

The Company is now demonstrating that this approach, particularly through education, achieves revenue growth and lower costs to acquire consumer customers. Our model continues to be unique and sets us apart in the marketplace.

In the March quarter of 2018, Family Zone achieved a step-change in revenue primarily through our earlier sales efforts into education in 2017 now converting into sales invoices.

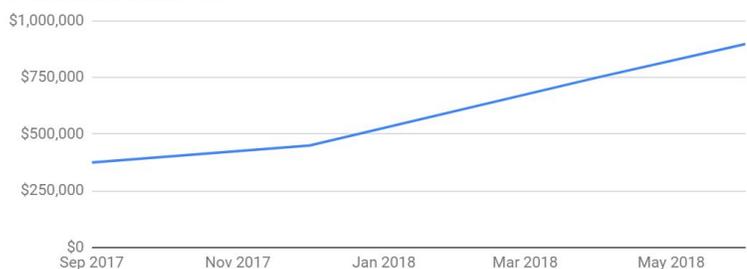
The Company's primary objective for the June quarter was to maintain sales traction and grow revenue in what is the slowest quarter in edu-tech sales.

We are pleased to report strong progress following a stellar March quarter.

### Revenue

The Company has continued strong growth in customer (accounting) revenue (+20% QoQ). Accounting revenue amortises contracts over their life. As Family Zone continues to successfully build a contracted base, revenue continues to build.

Customer Revenue

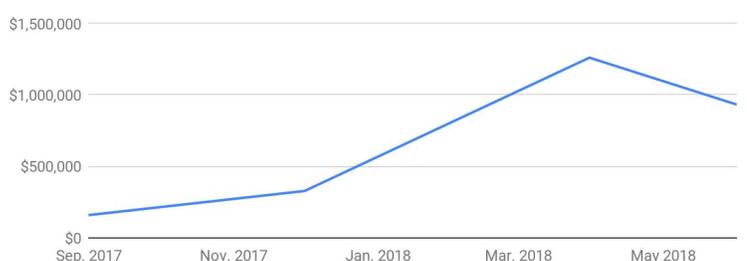


### Billing and Collections

Despite the June quarter typically being a slow sales period the Company achieved strong results, invoicing \$720k and collecting in excess of \$930k from customers.

Average billings per school continues to grow with invoices being 116% higher in Australia and 29% higher in New Zealand than 2017 averages.

Customer Collections



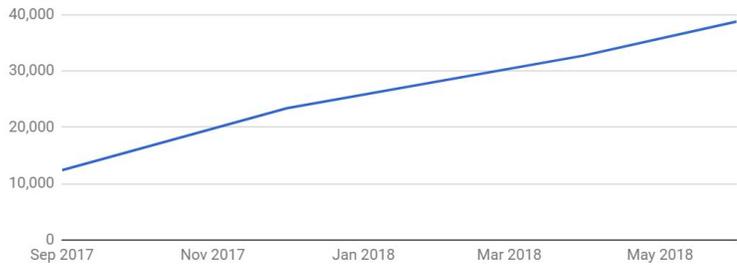
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## Subscriber Accounts

Overall paying account subscriptions across all channels continues to grow, recently passing through 50,000.

Paying Family Packs / Accounts



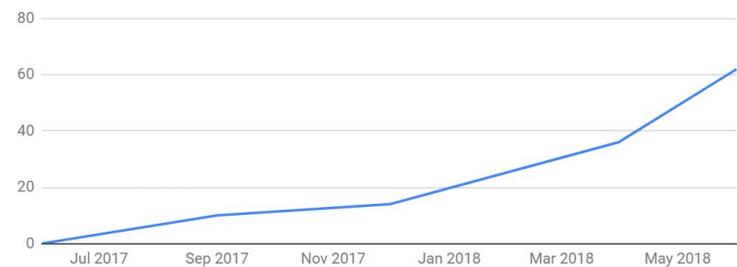
## Schools and Partner Schools

The Company continues to win new Partner Schools with 30 joining in Australia and New Zealand in the quarter.

The Company has recently passed 160 Partner Schools and of these in excess of 60 are live, working with us, to promote cyber safety programs within their community.

We continue to achieve exceptional adoption by parents in our Partner Schools, now in excess of 24%.

Partner Schools Live



## Expansion into USA

In the past quarter, Family Zone has been preparing its go-to-market plans for the important USA market.

Having long since established Family Zone's presence in West Virginia, the Company has planned a bigger USA sales and marketing push to follow the full integration (now complete) of School Manager (Linewize).

Family Zone's expansion into North America is now taking shape. The Company has signed four Partner School campuses, is working on a substantial roll-out of Mobile Zone and has attracted an experienced senior sales executive to join the Family Zone USA team.

## International - Telco Sales

As previously reported, Family Zone has established reseller agreements with major globally-relevant telcos and device manufacturers. The following table provides a summary of these opportunities and status.

Client	Opportunity	Status
Telkomsel Indonesia	Telkomsel has in excess of 160m subscribers and is one of the largest mobile carriers in the world. Estimated to have over 10m child users.	In pilot. Small penetration < 10,000 customers.
PLDT Philippines	Philippines' main long distance provider. Primarily a provider of business services.	Live. Small penetration < 1,000 customers. Primary launch expected in CY Q3, 2018.
Smart Philippines	Philippines' incumbent mobile carrier with over 60m subscribers, Estimated to have in excess of 8m child users.	Family Zone development complete. Launch pending client work and expected in CY Q3, 2018.

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Maxis Malaysia	Malaysia's incumbent telco provider with over 12m subscribers. Estimated to have circa 2m child users.	Family Zone development complete. Launch pending client work and expected in CY Q3, 2018.
Vodafone India	Largest telco in India with over 430m subscribers.	Scoping phase. Launch expected in CY Q4, 2018.
Alcatel Mobile	Third most sold smart device in Australia.	Alpha released. Launch expected in CY Q4, 2018.
Micromax India	One of the largest manufacturers of Android devices in India.	Scoping phase. Launch expected in CY Q4, 2018.

The Company and our clients in telecom are committed to and confident in these partnerships, and the impending launches. The Company is working with our partners to develop streamlined approaches to offer our features through their networks in a more simplified and expedited fashion. These new modes of interaction and go-to-market are expected to be in trial at the end of this calendar year.

## Product Update

A notable achievement in the quarter was the completion of major upgrades to and integration of the Linewize platform into Family Zone. This platform, now called "School Manager", is being rapidly rolled out across our Australian schools and upgraded through New Zealand.

Pleasingly, in line with our ambitions for the Linewize platform, deployment times are remarkably fast, customer feedback has been extremely positive and our product costs are lower.



The Company continues to invest in expanding and improving the Family Zone product suite. Notable new features rolled out in the quarter include:

- A major upgrade to Mobile Zone agents for PCs and Macs including advanced filtering and malfeasance mitigation.
- A major upgrade to Mobile Zone agents for Android to support on-device full-packet-inspection.
- Upgrades to search and safe search functions across our network and consumer platforms.
- Major upgrades to our school network filtering platform including adding support of upstream proxy, configurable SSL inspection and multi-tenant (ie. groups of schools) support.
- Adding a number of new features for teaching staff to better and more easily manage classroom activity including student messaging, support for viewing students screens on Edge, pushing new tabs to student browsers.
- A range of end (parent) user experience improvements.
- Alpha release of Family Zone Managed Devices (on eSchoolPad).

Our continued rapid development of the Family Zone platform strategically positions the Company to take advantage of the upcoming busy sales period in education and to more strongly push into the USA market later this year.

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## CORPORATE COMMENTARY

With continued growth in sales and cost structure improvements the Company has started to achieve traction in reducing cash burn, with net cash outflow for the June quarter reducing by 15% QoQ to just under \$2.5m.

At the end of the quarter, the Company had a cash balance of approximately \$2.5 million. Following the end of the quarter the Company entered into an agreement with Tellus Matrix to underwrite a \$5 million share placement. The funds raised will be used to support investment in Family Zone's service delivery capability, business development activities, particularly in education and global partnerships, and strengthen the Company's balance sheet.

The share placement will be undertaken at \$0.50 per Share a 6% premium to the Company's closing share price on 26 July 2018, providing a strong endorsement of the Company's strategic platform and universal approach to cyber safety.

During the quarter, Family Zone achieved the first of the three performance milestones agreed with the founders as part of the Company's IPO. This milestone achieved was 15,000 paying subscribers generating at least \$100,000 revenue per month. Consequently, 10,500,000 Class A Performance Shares were converted into 10,500,000 ordinary fully paid shares and 1,483,333 Class A Performance Rights vested.

## STRATEGIC PARTNERSHIPS

Beyond our operational progress and product development, the Company continues to drive forward a series of strategic partnerships. These partnerships offer Family Zone opportunities to access markets, improve cost structure and to source capital.

### 180C LICENSING AND COLLABORATION AGREEMENT

Family Zone announced in April that it had entered into a commercial agreement with 180C Limited, a Hong Kong-based edutech company provider specialising in education and device management technologies, which has developed the innovative 'eSchoolPad' device management and classroom tool.



Family Zone and 180C entered into two specific agreements – a licensing agreement whereby 180C licenses Family Zone to re-sell eSchoolPad and 180C agrees to develop and support interfaces between eSchoolPad and Family Zone; and a collaboration agreement within which 180C and Family Zone agree to work together to promote Family Zone to 180C's clients across the globe.

The parties expect to make an integrated offering available for sale to Family Zone and 180C customers before 30 September 2018.

180C's flagship offering is eSchoolPad, a device management platform that leverages the education and enterprise device management capabilities of Apple and Android to provide teachers and schools with fine-grained control of student devices.

eSchoolPad supports Chinese and English and is currently deployed in more than 500 schools, including as a white-labeled service through the Education division of Hong Kong Telecom.

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## LANDMARK COLLABORATION WITH NETSWEEPER

In May, Family Zone signed a collaboration agreement with leading internet content filtering and categorization provider Netsweeper, Inc.

Netsweeper is a leading global provider of enterprise internet content filtering services with more than 500 million registered devices on its platforms. Telcos in 60 countries deploy Netsweeper's services.



Family Zone's consumer products use Netsweeper for back-end web address categorisation. Under the collaboration agreement, Netsweeper will be rolled out across all Family Zone offerings, including schools and telcos around the world. The agreement includes arrangements to interface Netsweeper's telco deployments into the Family Zone policy ecosystem - opening up the potential of many telcos and millions of users to seamlessly enter Family Zone.

Pursuant to this agreement Family Zone pre-paid for \$1 million of future Netsweeper services in consideration for the issue of 2,087,436 shares in the Company<sup>1</sup>.

## INDIA LAUNCH WITH VODAFONE AND MICROMAX

During the quarter, Family Zone signed a binding term sheet with Vodafone India under which Vodafone intends to wholesale Family Zone's cyber safety service, Mobile Zone, across its prepaid and postpaid segments. Under the terms, Vodafone agreed to offer Mobile Zone as a discrete value-added service and also as a bundled service offering.

Where sold as a value-add, a revenue sharing arrangement has been agreed and otherwise a service fee applies. As with all of Family Zone's telecom service provider arrangements, the telco is responsible for promotion, marketing, provisioning and first-tier support. Family Zone is responsible for back-end services and escalated support.

Vodafone India, 100% owned by the Vodafone Group, is India's leading telecommunications company with a 42% customer market share. Vodafone India, following its recent merger with Idea Cellular Ltd, is now the largest telco in India with more than 430m subscribers. It is the largest Vodafone subsidiary globally.

Family Zone also signed a binding agreement with device manufacturer Micromax under which Micromax has agreed to pre-install Family Zone's Mobile Zone technology on all its devices at the factory.



Like previous agreements with device manufacturers, Micromax receives no commission or revenue share for the generation of Family Zone subscriptions but offers the embedded Family Zone features to both customers and telco channels.

Established in 2000, Micromax is India's second largest and the world's 10th largest device manufacturer. Headquartered in Gurgaon, Micromax has pioneered the democratisation of technology in India - by offering affordable innovations through product offerings and removing barriers for large-scale adoption of advanced technologies. It sells more than 30 million devices a year through 125,000 retail outlets in India.

<sup>1</sup> Shares to be issued in September quarter.

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## UK FIRM TELLUS MATRIX APPOINTED AS STRATEGIC ADVISOR

Family Zone appointed UK firm Tellus Matrix as strategic advisors in April. Tellus Matrix is a UK-based team of world renowned leaders in finance, wealth management, defence and security.



Tellus Matrix operates as a strategic advisory firm specialising in supporting world challenging ideas and technology through its extensive experience and networks. The firm has a track record of fostering investment and growth in areas covering cybersecurity, renewable energy, artificial intelligence, Internet of Things, robotics, fintech, biotech and environmental technologies.

Tellus Matrix identified Family Zone’s ecosystem as a platform of global significance and engaged with the Company to support its commercialisation and drive for global scale. Tellus Matrix is currently acting as a strategic advisor and is working with Family Zone on corporate and business strategy, having leveraged its network to facilitate a \$5 million investment in Family Zone subsequent to the end of the June quarter.

Pursuant to the advisory agreement, Tellus Matrix is entitled to fees and the issue of 101,825 shares<sup>2</sup>.

## WORLD FIRST PARENT PLATFORM WITH SCHOOLTV

During the quarter, Family Zone formed a collaboration agreement with SchoolTV.



SchoolTV is the leading Australian parenting resource. It is spearheaded by renowned child and adolescent psychologist, Dr Michael Carr-Gregg.

Family Zone and SchoolTV both aim to better inform parents about the continuing rise of online threats, and to offer real solutions. They will leverage this partnership to boost their penetration in thousands of schools and among parents in Australia and New Zealand. The partnership provides schools and parents with the most advances and easily accessible platform relating to online safety technology.

Family Zone and SchoolTV will launch a holistic ‘Wellbeing-Hub’ to help schools and their parent community to deal with the challenges of modern parenting. The Wellbeing-Hub will be sold to schools across Australia and New Zealand from July 2018 as a value-add to Family Zone’s school offerings.

SchoolTV is the direct result of a growing need that reveals a major gap in parents’ understanding and ability to deal with modern-day issues facing young people, especially online.

SchoolTV is to be sold by Family Zone sales and relationship teams as part of our school offerings.



<sup>2</sup> To be issued in September quarter.

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## About Family Zone

Family Zone is an ASX-listed technology company focused on cyber safety. Meeting a growing demand to keep kids safe online and manage digital lifestyles, Family Zone has developed a unique and innovative cloud-based solution which combines Australian innovation with leading global technology.

To learn more about the Family Zone platform and the Company please visit [www.familyzone.com](http://www.familyzone.com).

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## Appendix 4C

### Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

**Name of entity**

Family Zone Cyber Safety Limited

**ABN**

33 167 509 177

**Quarter ended ("current quarter")**

30 June 2018

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	932	2,617
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(555)	(1,995)
(c) advertising and marketing	(213)	(979)
(d) leased assets	-	-
(e) staff costs	(2,115)	(8,256)
(f) administration and corporate costs	(773)	(3,692)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	4	19
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	72	2,656
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(2,647)</b>	<b>(9,629)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	(56)
(b) businesses (see item 10)	-	(180)
(c) investments	-	-

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Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
(d) intellectual property	(51)	(516)
(e) other non-current assets	-	-
<b>2.2 Proceeds from disposal of:</b>		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-
<b>2.3 Cash flows from loans to other entities</b>	-	-
<b>2.4 Dividends received (see note 3)</b>	-	-
<b>2.5 Other (provide details if material)</b>	-	14
<b>2.6 Net cash from / (used in) investing activities</b>	<b>(51)</b>	<b>(738)</b>

<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of shares	227	11,378
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	-	-
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	-	-
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
<b>3.10 Net cash from / (used in) financing activities</b>	<b>227</b>	<b>11,378</b>

<b>4. Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1 Cash and cash equivalents at beginning of quarter/year to date	4,936	1,480
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(2,647)	(9,629)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(51)	(738)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	227	11,378

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
4.5	Effect of movement in exchange rates on cash held	(5)	(30)
<b>4.6</b>	<b>Cash and cash equivalents at end of quarter</b>	<b>2,461</b>	<b>2,461</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	2,461	4,937
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>2,461</b>	<b>4,937</b>

**6. Payments to directors of the entity and their associates**

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 3.6
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

<b>Current quarter \$A'000</b>
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(106)

-

Director wages and salaries

**7. Payments to related entities of the entity and their associates**

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

<b>Current quarter \$A'000</b>
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(26)

-

Company secretarial and financial management services

<b>8. Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

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<b>9. Estimated cash outflows for next quarter</b>	<b>\$A'000</b>
9.1 Research and development	-
9.2 Product manufacturing and operating costs	315
9.3 Advertising and marketing	225
9.4 Leased assets	-
9.5 Staff costs	2,142
9.6 Administration and corporate costs	847
9.7 Other (provide details if material)	-
<b>9.8 Total estimated cash outflows</b>	<b>3,529</b>

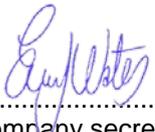
<b>10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)</b>	<b>Acquisitions</b>	<b>Disposals</b>
10.1 Name of entity	-	-
10.2 Place of incorporation or registration	-	-
10.3 Consideration for acquisition or disposal	-	-
10.4 Total net assets	-	-
10.5 Nature of business	-	-

-

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**Compliance statement**

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here:  ..... Date:30/07/2018.....  
(Company secretary)

Print name: Emma Wates.....

**Notes**

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.

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