

TICKER

FZO

PRICE

\$0.52

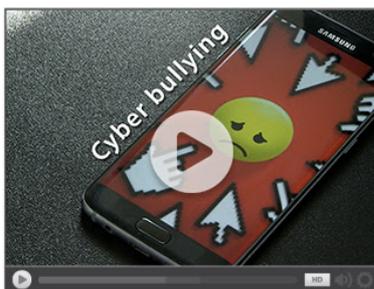
TARGET

\$1.24

## Family Zone: Solid quarter as paying client base grows further

**Family Zone Cyber Safety (ASX:FZO)** is the first company to develop and implement an ecosystem approach to parental control and cyber safety for children at home, at school and on mobile devices. The company has released a positive quarterly report, highlights of which include the following.

- Revenue \$2.1 million (62% increase QoQ – includes \$1.6 million in grants)
- Paying subscriptions 30,000 (100% increase QoQ)
- International subscriptions 5,000 (+400% increase QoQ)
- Partner schools 120 (90% increase QoQ)
- Contracted schools 582 (98% increase QoQ)
- School Zone networks 574 (91% increase QoQ)
- Cash balance \$7.8 million as at 31 December 2017



Parental Control Industry



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**Analyst comment:** the focus for Family Zone during the past year has been continued expansion and adoption of its respective platforms, both domestically and abroad.

We see the most critical aspect to measuring this success as growth in the number of paying clients/users; in recent years we have witnessed numerous other companies in the technology sector having what appeared to be great ideas and a large number of users or downloads, this however did not translate into paying clients, which typically resulted in these companies' undoing.

Pleasingly, Family Zone has surpassed expectations, with the number of paying accounts exceeding 30,000 during the past quarter. This exceptional result has translated into growth of 114% compared to the previous quarter (September quarter – 14,000 accounts) and

172% growth (June quarter –11,000 accounts) since our initiation on Family Zone just over six months ago. We expect this rapid growth to continue in the coming year as the company continues its growth here and overseas.

Looking to the quarter ahead, we anticipate further growth from the number of paying accounts, as well as an expansion in the number of partnering schools (currently 120) as the new school year commences in Australia and New Zealand.

We also anticipate an update with respect to Family Zone's telecommunications strategy, particularly with the launch of its white-labelled 'Family Protect' product in partnership with Telcomsel, one of the world's largest telecommunication providers. And, while we do not forecast significant revenue from Family Zone's telecommunication partnerships in the next few years, we do see this area as important to the company's long-term success and growth strategy, in overseas markets in particular.

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**Valuation:** we reduced our valuation for Family Zone to **\$1.24 /share (previously \$1.33/share)**, due to increased dilution from the recently completed \$5 million capital raising.

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