

Family Zone - Vodafone India Agreement Expands Telco Addressable Market Past 700M Potential Users

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Summary - Vodafone India agreement expands Telco addressable market past 700M potential users

Family Zone Cyber Safety (ASX:FZO) has issued two key announcements relating to the company's ongoing expansion into international markets, as well as cost reductions. Highlights of those announcements include the following.



- Family Zone is positioned to become the leading provider of cyber safety solutions in India, having signed an agreement with Vodafone India (430 million subscribers) and Micromax, that country's second largest manufacturer of mobile phones and tablet devices.
- Vodafone India has agreed to resell Family Zone's services across its pre- and post-paid segments, while Micromax will embed Family Zone's mobile app on its devices and promote it through its 125,000 retail outlets in India.
- The target commercial launch for both is 4Q18.
- Netsweeper will be rolled out across all Family Zone offerings, including schools and telco carriers worldwide (Netsweeper provides enterprise-filtering services – it categorises tens of billions of web addresses, has +500 million registered devices in its platforms and is used by telecommunications groups in 60 countries).

Analyst comment: Australia remains Family Zone's major market for revenue generation in the short to medium term; however, the above mentioned announcements highlight the company's aggressive global expansion strategy as it lays the groundwork for becoming a globally recognised brand.

Family Zone's agreement with Vodafone India increases the former's total addressable telecommunications market in Asia to more than 720 million potential users; indeed, it's unlikely any other parental control technology can claim this reach. With further, similar

agreements likely in the future, we would not be surprised if this potential addressable market exceeds a billion users during the next 12 months.

With Family Zone's global footprint now well and truly established, the next step is to commercialise this vast opportunity. We believe Family Zone's agreement with Telcomsel – its most advance telecommunication agreement at this stage – could be the first to ramp up to revenue generation, with other markets, most probably in India, following suit later this year. However, we should highlight that TSI-forecast revenue generation from Family Zone's Asian telco strategy won't commence until 2019.

That said, once revenue from this strategy does hit the bottom line in a meaningful way, the company is likely to attract the attention of larger parental-control organisations seeking quick access this potential market.

Family Zone's collaboration with Netsweeper should not be overlooked, as we believe it will have benefits in both the short and long term.

In the short term, costs for Family Zone will be reduced, as it has switched to wholesale terms rather than its previous standard services agreement. In the long term, meanwhile, such a collaboration will no doubt open countless doors to new opportunities as Family Zone continues to extend its reach globally, particularly in view of Netsweeper's strong presence in North America.

The information in this email should not be the only trigger for your investment decision. We strongly recommend you seek professional financial advice whenever making financial investment decisions.

Valuation: we increased our valuation for Family Zone to **\$1.49 /share (previously \$1.36/share)**, the driver for this being the increase in the addressable market for India as a result of the Vodafone announcement, as well as slightly adjusting our operating costs due to the Netsweeper announcement. This, however, is slightly offset by the slower ramp-up in revenue generation for the company's telecommunications strategy, forecast by us to occur from 2019 onwards.

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