

31 August 2017

OPERATIONAL UPDATE

1. HIGHLIGHTS

- ✓ Ongoing product rollout across Asia-Pacific region for Chubb and American Express;
- ✓ Wi-Fi products have increased both ARPU and Conversion Rates;
- ✓ Global SIM ARPU increasing with consistent Conversion Rates;
- ✓ Increasing number of offers of United Networks' products during Q3 2018; with
- ✓ Operational results ahead of expectations.

In summary, **a very positive start to the year.**

2. 4E EXPANDED COMMENTARY

2.1 Overview

United Networks Limited ("United Networks") (ASX: UNL) has today lodged its Appendix 4E - Preliminary Final Report for 30 June 2017. This Operational Update expands the commentary contained therein and United Networks' Investor Update of 31 July 2017.

The Directors of United Networks are pleased to report that the FY2018 year has started in a very positive manner. The hard work and investment in the business which was undertaken during in FY2017 to build platforms, people and relationships is bearing fruit.

Having acknowledged that, the Directors recognise that FY2018 will be an *"implementation year"* where much of United Networks' focus is on the rollouts of:

- New products such as Wi-Fi, Location Tracking and Analytics ; and
- Expansion with its partners to new geographic regions.
- Noting the size of our new major partners and the time undertaken in rolling out our' products and services with these partners across multiple continents, the Directors believe that the full financial benefits from these clients are unlikely to materialise until FY2019. The opportunities, whilst large, have to be implemented in a systematic and controlled manner to allow optimum results.

At the same time, United Networks believes that the size of its partners and the depth of relationships provide a *"competitive moat"* for its business against its competitors.

2.2 Cashflow vs Growth

As at the start of August 2017 United Networks had cash at bank of **\$3.8 million**.

The size and nature of our partners means that each new territory is initially cashflow negative for United Networks. As the number of end customers ramps and the usage the initial investment is recouped. It has been the company's experience that it takes 3+ months before becoming cash flow positive.

As the end users of United Networks' white labelled products and services are existing clients of its partners, United Network has a low very low cost of end customer acquisition. As such, once immediate setup and establishment costs are recouped individual territories and partnerships usually remain cashflow positive.

Whilst reluctant to provide guidance as to profitability for the FY2018 year, the Directors expect that once the initial investment in ramping up for Chubb Insurance and American Express rollout has been incurred United Networks will return to being cashflow positive.

The level of profitability will dependent on a number of factors including:

- The speed of expansion into new territories and new products by its existing partners;
- Whether United Networks signs any new large partners; and
- The uptake of United Networks' white labelled products and services.

The challenge for United Networks is, as always, to balance the speed of growth with cashflow.

2.3 August 2017 Activities

Since United Networks' 31 July 2017 Investor Update, your company has continued its growth trajectory by:

- Expanding the number of products
- Geographical expansion with our existing partners; and
- Rolling out end customer offerings for new partners.

A summary of the milestones since the July 2017 are set out below.

United Networks' key goal for 1H FY2018 was the rollout of its products to Chubb Insurance and American Express customers in territories across Asia.

During August 2017 United Networks further implemented its **partner rollout plan** beyond its initial territories by:

- Extending American Express' offer to include customers from New Zealand;
- Extending Chubb Insurance's offer to include Singaporean customers; and
- Undertaking the necessary groundwork to allow a staged implementation of further market enablement for its partners across further territories.
- Development of new products and services.

United Networks is pleased to advise its shareholders that its **Global Wi-Fi** performance continues to improve during August 2017 with:

- Average Revenue per Wi-Fi subscriber of \$6.75;
- Partner Offer Conversion Rates on Wi-Fi have increased from 6% in May 2017 at the launch to >18%;
- United Networks' Wi-Fi App has been used in 33 countries with an average connection time of 135 minutes per user; and

- An increase in Number of Wi-fi Hotspots to 61+ million with a focus on expansion in Singapore and Australian markets.

United Networks' **Global SIM** performance has also been positive with:

- ARPU per SIM of \$76.75, an increase of 13% on the comparable period in August 2016;
- Offer Conversion Rate on Global SIM continues to be consistent at 10% with prior year period;
- Data usage rates increased 17.4% over July 2017 numbers accounting for 65% of all usage;
- Continued growth in data packs and bundled solutions; and
- New resellers live in Australia and Canada.

The "third leg" of United Networks' service offering to its partners is "**added value services**". In the short term the most recognisable of these is United Networks' "**Duty of Care Solutions**".

These solutions primarily involve providing messaging and alerts to clients of our partners when in the vicinity of accidents, catastrophes and terrorist events. United Networks receives revenue from its partners for both analysing which of its partners' clients are where and sending targeted messages to those who may be affected.

During August 2017 United Networks can advise that:

- United assisted 38 people to connect with their emergency assistance company during the recent terrorist attack in Barcelona using its proprietary real time emergency services messaging platform.
- United has also used its platform to locate people affected in the USA as result of Hurricane Harvey.

3. NEW CUSTOMER PIPELINE

As advised, the primary focus of United Networks over the period to 31 December 2017 is implementing the product and geographic expansion rollout of its services to its three large partners.

United Networks' preferred partners are those with:

- Large B2C businesses;
- A strong brand name;
- Strong customer loyalty;
- >5 million direct customers; and
- An ability to white label their current offering into telco services.

Whilst not discounting the importance of our current activities in implementing solutions for our existing partners, United Networks has selectively been seeking additional large B2C partners globally as well as locally.

Some of the corporate opportunities that United Networks has been in either advanced discussions or running trial programs include global participants in the insurance, travel, airline and banking sectors.

4. MANAGEMENT COMMENTARY

In updating shareholders, United Networks' Managing Director Nicholas Ghattas said:

"The FY2018 year has started off very positively for the United Networks business.

Whilst FY2017 was a building year, FY2018 is an implementation year. –The building blocks of systems, people and core clients are largely in place.

With our existing and new partners, United Networks has the basis for a strong and profitable business.

The challenge is to now implement our Business Plan to create value for our shareholders.

United Networks looks forward to meeting that challenge."

FOR FURTHER INFORMATION

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ABOUT UNITED NETWORKS LIMITED

United Networks was established in 2009, by Anthony and Nicholas Ghattas. It listed on the ASX in January 2017 with ASX code UNL.

United has developed the B2B, B2C Enterprise GAP Platform. GAP is a data management, processing, marketing, messaging and connectivity platform that allows white label partners to communicate in real time and extend beyond the traditional product offering customers products and services globally.

United derives the majority of revenue from "white labelling" the platform, connectivity products and location based messaging services.

United connectivity solutions offer end customers globally competitive data and telephone access.

United's three year growth strategy incorporates:

- *Expansion in existing products and channels under its white label program;*
- *Monetisation of analytical data and related transactions;*
- *Location based services;*
- *Using its network and GAP platform to offer global partners value added solution that enhance the partner engagement with the end client; and*
- *New products such as Wi-Fi, SIM-less technology and global wallet.*

Whilst United's Board recognises the need for the Company to achieve its short term operational and financial goals, they believe that building a strong and profitable business with high quality clients requires a medium term approach and continued investment.