

# Q4 2020 Update - Investor Call

**Video recording of the session available at:**  
[www.swiftmedia.com.au/investor-presentations/](http://www.swiftmedia.com.au/investor-presentations/)

## **Pippa Leary – CEO, Swift:**

Good morning everybody and welcome to the Swift Q4 investor conference call. Thank you for joining us. We always appreciate your interest.

Before we start, I'd like to introduce Geoff Greenberg to you. Geoff is our new CFO based in Sydney. He started at Swift a month ago and this is his first quarterly investor call.

Today I'll go through the highlights of the fourth quarter and Geoff will take you through the cash report. We'll then be pleased to take any questions. Let's get started.

As we all know Q4 was clearly an extraordinary period with COVID. COVID is creating challenges and opportunities for Swift but in the quarter temporary disruptions to site access at mining villages and aged care facilities did impact our Q4 results. We also experienced supply chain issues deferring hardware installations for two mining projects into Q1, reduced advertising sales to small businesses in our Health and Wellbeing vertical and less revenue from hospitality clients as travel came to a stop.

Despite these difficulties, I am pleased to report we did make progress towards building a more streamlined, efficient and innovative Swift. As I have called out previously 2020 is a transition year. Even with the distractions, we are getting on with building a stronger business with a better growth outlook.

Before we get into details, I'll quickly recap on Swift for those of you that are new to the company.

Swift is a specialist media company. We provide entertainment and communication solutions to connect and engage with communities in closed loop environments. The closed loop is meaningful – it means there is less commoditisation and less competition than open media environments. We have long term contracts where the facility owner pays the fee to view. These contracts are usually 3-5 years in duration and generate recurring revenue. We typically charge on a per room per month basis, so the numbers of rooms we supply is an important driver. We supply over 60,000 rooms across the group.

Although we say we are a media company, that's content - not advertising. We are not driven by cyclical advertising revenues in our two key businesses – once the system is installed it's a recurring subscription model.

When I say we made ongoing progress towards our strategic goals in the quarter, I'll call out the following highlights:

1. We launched Swift Plus in the Aged care market and even with the lockdown we installed our proprietary new system into over 600 new rooms. We are making sales in lockdown. The top 9 operators own 20% of the sites and we are focusing on driving enterprise wide sales to build scale once the lockdown ceases.

Many of you will be familiar with Swift Plus. It is our new in house designed and built communication and entertainment system. It solves both the social isolation problems for residents and their families that Covid is highlighting, as well as helping the facilities meet their communication and OHS compliance requirements across multiple sites.

2. Second, as Covid first hit we moved quickly to streamline our cost base. We implemented an initial \$8m of annualised cost savings. Given the \$3.2m of contracts we subsequently won, we needed to bring back some resources in order to deliver those projects.

Job keeper was announced after the cuts and it does provide more flexibility, but we are running at a lower cost base than pre-COVID and we will remain disciplined about this. Geoff will talk more of the cash later.

3. Third, we started to implement these major new contract wins. That vertical is largely unaffected by COVID. It accounts for 55% of group revenue and mining production is in full swing. In the 4<sup>th</sup> quarter we also pivoted the Swift Plus product we built for Aged Care, into a communication and entertainment solution for mobile camps – both exploration and rail in the Mining sector. This has allowed us to successfully engage with miners far earlier in the mine life cycle.
4. We also took advantage of the opportunities from COVID and strengthened our skills base. As I like to say, we are building an A team that's far ahead of our market cap. As well as Geoff, we also appointed Peter Gibbons as our new NED. Peter is based in Perth and is very well connected in the mining and resources sector. He is introducing us to key customer contacts and new sales opportunities.
5. And in this quarter, we fixed the Medical Media business. Until now, it had been burning cash. We restructured the business, created a new sales model and today, it is profitable. Further to this, we announced our partnership with XTD. In a nutshell we have outsourced national sales on patient facing screens and in exchange we get a share of revenue with a good guaranteed minimum. XTD is a driven organisation that specialises in media sales. It is making good progress in the market with this synergistic offer and started generating sales for us in July. Today we announced a similar deal for advertising on our medical practitioner facing network called Connect. Again, its cost out in return for guaranteed minimum revenue with upside potential.
6. The successful entitlement offer was also a feature of the quarter. It was fully subscribed and raised \$3.3m. With \$440,000 of the proceeds we eliminated the Lind and L1 convertible debt. As many of our shareholders would know, this debt was very frustrating and damaged our share price. We are certainly glad to have it behind us now.

I'll now handover to Geoff.

**Geoff Greenberg - CFO, Swift:**

Thanks Pippa.

The Appendix 4C is our final cash flow report of the fiscal year and in addition to disclosing the quarterly cash flow result also provides the full year cash flow performance.

Before I get into the detail, let me highlight 3 key points:

1. Firstly, the underlying cashflow performance for the quarter was better than the headline results which included around \$1m dollars of one off costs.
2. Secondly, revenue held up better than our initial expectations when COVID first broke, which is encouraging.
3. Thirdly, we continued simplifying and strengthening the balance sheet during the quarter with a successful capital raise.

I'll now go through the underlying items within the cash flow statement.

Cash used in operations for the final quarter was \$1.5m. This was \$1.3m lower than the prior quarter and reflects the impact of two key factors.

1. Firstly, Q4 cash receipts fell quarter on quarter as we expected. They were down 18% from \$5.9m to \$4.8m.

There were two main reasons for the decline the first being the impact of COVID on subscription receipts in the hospitality vertical and a similar impact on local advertising clients in the health and wellbeing media vertical. We continue to work with customers to move them back onto regular payment cycles.

Mining and resources has been a more robust vertical through the pandemic, however cash receipts were impacted by the re-phasing of two project installations due to a supply chain slow-down also related to the pandemic. We expect these projects to be completed and billed this quarter.

2. The other factor to explain the Q4 operating cash flow deficit were one off items disclosed in the 4C release and worth reviewing here. These totaled \$1m and related to staff redundancy payments, early termination of contracts, advisor fees relating to the company's response to COVID, and some prior quarter catchup payments.

Moving further down the operating cash flow section, government grants of \$168,000 were received in Q4. This was the JobKeeper payment, and worth noting this represented one month of the subsidy. The business was eligible to receive the subsidy over the full quarter and so there are two additional months of the subsidy not yet received by the time the quarter was completed worth about \$330,000.

The last item I will highlight in the operating cash flow section is interest costs of \$53,000. This was the value of interest attributed to right of use contract lease payments. We negotiated deferred interest payments on our core lending facility during the quarter as part of our pandemic response.

Cash from investing activities provided \$223,000 during the 4<sup>th</sup> quarter. This source of funding was a result of the release of cash from bank guarantees. Payments for property plant and equipment and other non-current assets were lower quarter on quarter reflecting a lower level of development expenditure on the new Swift media products.

Cash provided by financing activities was \$1.8m. This was primarily a result of the proceeds from the rights issue net of costs and \$443,000 that was used to retire the convertible note.

In summary the quarter ended with a cash balance of \$2.4m, an increase of \$550,000 over the previous quarter.

I will hand back to Pippa now to conclude the business update.

**Pippa Leary – CEO, Swift:**

Thanks Geoff.

Let me finish by saying that we are determined to come out of the current COVID restriction period strongly. While aged care is in lock down everywhere, access will lift. Our new Swift Plus system is excellent and we will keep innovating. Our key priority is on building the sales pipeline.

Mining and resources on the other hand is in full production. We have been focusing on partnering with mobile camps earlier in the mine life cycle. And we want to make sure we are well placed to fully capitalize on the upcoming \$50bn mining camp capex boom. During this quarter we have been strengthening our senior relationships with the key miners, builders and facility managers and this has produced a robust pipeline for H1. There will be plenty more opportunities and our job is to execute well.

I am confident we can build a much, much larger business with these two long term growth engines.

**END****ABOUT SWIFT MEDIA LIMITED**

Swift Media is a specialist media company delivering premium entertainment, communications, and advertising to an audience of 5M+ via 60,000 digital assets nationally across Mining and Resources, Residential Aged Care and Health & Wellbeing environments. We connect and engage communities through entertainment and communications solutions.

This announcement was approved and authorised for release by the Continuous Disclosure Committee.

**FOR MORE INFORMATION, PLEASE CONTACT:**

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