



ASX ANNOUNCEMENT

28 April 2017

Norwood Corporate Overview and Appendix 4C for March 2017 Quarter

Highlights:

- \$2.07 million capital raising underway (post quarter-end) via fully underwritten, non-renounceable pro-rata rights issue to fund marketing and sales activities
- Global partnership agreement signed with loyalty program provider, Affinion International, opening a high-margin distribution channel for Norwood's **World Apps**, across multiple jurisdictions, products and end user segments
- 37% growth in customer revenue achieved, quarter on quarter
- **World Message** App released for iOS devices, launching 'virtual business phone' service
- Revolutionary virtual mobile identity, **Virtual ID**, released and initially available in 15 countries, including US and UK.
- Contract signed with leading Australian services firm CommSys (post quarter-end) to deliver **Corona** services with an annual expected recurring revenue value of AUD\$300,000
- Strong pipeline growth in both Loyalty and Enterprise segments
- New Non-executive Chairman Amit Pau formally appointed
- San Francisco-based Will Hughs appointed Vice President, Americas, to lead sales strategy in that region

'Sharing Economy' telecommunications pioneer Norwood Systems Ltd (Norwood or the Company) (ASX: NOR) is pleased to provide an overview of the Company's activities for the March 2017 quarter and the accompanying Appendix 4C.

Affinion Loyalty Distribution for World Phone

One of the most significant activities in the Quarter for the Company was the signing of a global partnership and distribution agreement with leading loyalty and engagement program provider, Affinion International. The agreement will see Norwood's World Apps, **World Phone** and **World Wi-Fi**, offered into leading loyalty programs globally, under a high-margin Software as a Service (SaaS) revenue model.

Affinion will develop downstream offers for its clients, using white label custom versions of **World Phone** that include bundles of pre-paid calling minutes to 94 landline and 60 mobile network destinations around the world. Customised versions of **World Wi-Fi** will also be incorporated into Affinion's portfolio.

Under the commercial terms of the agreement, and based on uptake projections, Norwood and Affinion have modelled a multi-year annual revenue stream to Norwood of A\$3 million. First revenues under the distribution arrangement are expected in Q1 FY2018 (i.e. July to September 2018).

There is an increasing trend towards digital loyalty program benefits, as credit card issuers face significant pressure on transaction fees and move towards membership based services. The loyalty segment will remain a key sales focus for Norwood going forward.

Norwood Launches Virtual Business Phone Offering

In March, Norwood announced it had launched its virtual business phone offering with the release of **World Message**, **Virtual ID™** and new **Corona** capabilities.

World Message and **Virtual ID™**, together with the previously launched **World Phone**, have created a complete 'virtual identity' inside a user's phone for both calls and messages that can be used entirely for business purposes, while appearing to others as a standard mobile service.

World Message is a high quality iOS messaging App for corporate use, and is an easily integrated drop-in replacement for iMessage. **Virtual ID** allows companies to take back control of corporate numbers, while still delivering a mobile identity experience to the employee.

Corona and **World Phone** are already in use with paying corporate clients, including several multinational companies.

Virtual IDs for Australia and a major new, previously unannounced, feature for **World Phone** are due to be launched imminently. More details on the new **World Phone** feature will be revealed at launch. These two new capabilities will complete the **Virtual Business Phone** offering for Australian clients.

Norwood's CEO and Founder commented:

"With the release of the Virtual Business Phone concept, a major and coherent milestone on the strategy path that we laid out when we launched Corona in 2014, we have achieved a major advance in the OTT sector! We have made it possible for OTT services for the first time to pass the mobile telephony equivalent of the 'Turing Test'.

*"You will be able to subscribe to one of our Virtual IDs for only \$10/month, receiving a mobile identity that works **identically**, to all intents and purposes, to a regular mobile phone service that would cost many multiples of what we charge. Other parties that call you on this mobile Virtual ID, simply put, will not be able to tell that you are not using a regular mobile telephone SIM-based service.*

"Every aspect of that hardware-centric, SIM-dependent, mobile phone experience will be replicated by Virtual ID working with World Phone and World Message, allowing customers, in the 19 countries where we are launching, who need two mobile identities finally to migrate away from their second expensive handset and enjoy two mobile profiles in a single device."

Corona sales agreement signed with CommSys

Post quarter-end, Norwood was pleased to announce the signing of a sales contract with leading Australian cloud services firm CommSys to deliver **Corona** Global Trunk Services (**Corona GTS**) services. CommSys delivers innovative communications and IT services to Australian small & medium size businesses.

Corona services to be delivered under the CommSys agreement are now live, with billable operations having commenced. Over the coming quarter, revenue under the CommSys agreement is expected to ramp up to the projected recurring run-rate of A\$300,000 per annum, with total annual recurring revenues for Corona sales contract now projected in excess of A\$500,000.

Under the sales agreement, Norwood will provide CommSys with communications services using the **Corona GTS** platform, a service that enables Norwood's clients to connect directly to its low-cost global federated telco network, in more than 70 countries around the world.

Corona will also enable the CommSys hosted PABX platform with a sophisticated mobility solution which extends CommSys customer's desk IP phones to the **World Phone** App, further enhancing the customer solution.

Corporate

Capital Raising

Norwood has launched (post quarter) a fully underwritten 2-for-15 non-renounceable rights issue to existing shareholders at \$0.016 per Share to raise \$2.07m (before costs). Funds raised from the issue will be utilised to advance marketing and sales and further product development, which has included the aforementioned Affinion and CommSys contracts.

The Rights Issue is strongly supported by Norwood's Board of Directors with all members of the Board participating in the Rights Issue via sub-underwriting commitments with the underwriter. Details of the Offer, including the Board's participation in the Rights Issue can be found in the Offer Document announced on ASX on 5 April 2017.

The successful completion of the Rights Issue will allow the Company to meet current expenditure commitments and short term working capital requirements, and with growing revenue trends the Directors remain confident the Company will be able to secure any necessary medium to long term working capital funding requirements.

Chairman Appointment

Non-Executive Director Amit Pau took over as company Chairman during the Quarter from Michael Edwards, who stepped back to a Non-Executive Director role due to his appointment in an executive capacity at another company.

Europe-based Mr Pau had been transitioning into the role since late 2016. He has many years of experience in the technology, media and telecommunications industries, and has held a number of senior corporate positions. The Board once again would like to thank Mr Edwards for his significant support during his tenure as Chairman.

North American head of sales appointment

During the Quarter, the Company announced the appointment of Will Hughs who has been appointed as Vice President, Americas for Norwood. Based in San Francisco, Mr Hughs is responsible for driving Norwood's sales strategy for a segment of regulated industries looking for economic compliance solutions to enable archiving of employee-to-client text messages. Prior to joining Norwood, Mr Hughs was CEO of Telstra Americas for more than four years, driving sales, marketing, engineering and operations efforts throughout North and South America.

Mr Hughs' appointment comes alongside the launch of **World Message** and a complete virtual business phone offering, which in combination with the rest of the Norwood's **Corona** products, will allow firms to archive all employee and client message interactions in full to meet compliance obligations.

Regulatory agencies in a number of global jurisdictions, including the US Financial Industry Regulatory Authority (FINRA), require financial services firms to retain text messages sent to clients, as with any other form of electronic communication. Fines are regularly issued for non-compliance, leading to many financial services firms to prohibit the use of text messages in the absence of an effective compliance solution. Norwood's Corona suite of products now provide that solution, alongside significant other additional benefits for enterprises.

Norwood Systems' CEO and founder, Paul Ostergaard, commented:

"Norwood had a very active quarter both on an operational and corporate level. The delivery of a signed distribution agreement with loyalty program provider Affinion International represented a major growth milestone for the Company. We expect to have additional strong news to announce shortly with other clients in the Loyalty segment. We will continue to make this a growth focus area to drive higher revenues within our World Apps space."

"We have been pleased with the interest shown to date in the capital raising we launched just post the end of the quarter. Once complete, our strengthened position will see us build sales momentum and revenues across our suite of products."

"We have entered the current quarter with strong revenue growth projections, and a significant pipeline within targeted areas of growth across our two key segments of Loyalty and Enterprise SaaS services. My team and I are looking forward to continued commercial execution and delivery of results in this current quarter."

<ENDS>

Company: Paul Ostergaard , CEO & Founder Office: +61 8 9200 3500 Web: www.norwoodsystems.com Twitter: @norwoodsystems, @paulostergaard	Investor Relations: Shane Murphy , FTI Consulting Office: +61 8 9485 8888 email: shane.murphy@fticonsulting.com Mobile: +61 420 945 291 Twitter: @ShaneWMurphy	Media: David Tasker , Professional Public Relations Mobile: +61 433 112 936 email: david.tasker@ppr.com.au
--	---	--

Background

Individual travellers, businesses and governments globally are incurring significant international call roaming charges. Informa Telecom estimates that mobile operators today bill more than US\$55 billion annually in roaming charges* (source: *Juniper Research report on the Mobile Roaming Market, 2014*).

Norwood Systems' patented cloud service platforms and Apps integrate the international fixed phone network with short-haul Voice over Internet Protocol (VoIP) technologies to provide high quality, well priced calling abroad or at home.

Customers in over 5000 cities and 200 countries are using Norwood's services today. The Company has built up a significant pipeline of prospects, including global players in the areas of aviation, professional services, banking, telecommunications, engineering and legal services.

About Norwood Systems

Norwood Systems Ltd (ASX: **NOR**) is revolutionising the 'Shared Economy' delivery of high-quality telecommunications services for individual business travellers and organisations globally. The Company listed on the ASX on 16 June 2015.

Norwood Systems was founded in 2011 to develop and supply the best possible global voice, data and messaging solutions using Over-The-Top (OTT) technologies. The Company's breakthrough offerings, **Corona** and **World Phone™**, deliver the world's most advanced international and roaming calling solutions addressing a broad spectrum of customers - from individuals and business travellers, to enterprises and government clients.



World Phone

Corona is an award-winning, enterprise-class services platform that integrates compatible mobile devices securely and seamlessly with the organisation's existing Unified Communication or PBX networks, independent of their location. It also offers a frictionless Corona Cloud option.

World Phone is an award-winning, revolutionary communications App, delivering 'Shared economy' consumer access to leading fixed-line network service providers around the world, providing unparalleled local access to high-quality voice networks in more than 90 countries. The App is available for Android and iOS.

Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Name of entity

NORWOOD SYSTEMS LIMITED

ABN

15 062 959 540

Quarter ended ("current quarter")

31 MARCH 2017

Consolidated Statement of Cash Flows	Current Quarter \$A'000	Year to Date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	49	127
1.2 Payments for		
(a) research and development	(377)	(1,298)
(b) product manufacturing and operating costs	(133)	(411)
(c) advertising and marketing	(29)	(459)
(d) leased assets	-	-
(e) staff and sales consultants costs	(320)	(1,020)
(f) administration and corporate costs	(560)	(1,356)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	12
1.5 Interest and other costs of finance paid	(0.2)	(0.5)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	1,297
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(1,369)	(3,109)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(1)	(8)
(b) businesses (see item 10)	-	-
(c) investments	-	-

Consolidated Statement of Cash Flows		Current Quarter \$A'000	Year to Date (9 months) \$A'000
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment	-	-
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(1)	(8)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	-
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)	-	-
3.10	Net cash from / (used in) financing activities	-	-

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of quarter/year to date	2,142	3,889
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,369)	(3,109)

Consolidated Statement of Cash Flows		Current Quarter \$A'000	Year to Date (9 months) \$A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1)	(8)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	772	772

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	721	2,092
5.2	Call deposits	51	50
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	772	2,142

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 2.3

6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

**Current quarter
\$A'000**

(80)

-

- Managing Director's Salaries and Wages
- Non-Executive Director's and Chairman's fees.

7.	Payments to related entities of the entity and their associates	Current quarter \$A'000
7.1	Aggregate amount of payments to these parties included in item 1.2	(79)
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	
-	Consultancy Fees	

8.	Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
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.		

9.	Estimated cash outflows for next quarter	\$A'000
9.1	Research and development	(388)
9.2	Product manufacturing and operating costs	(123)
9.3	Advertising and marketing	(31)
9.4	Leased assets	-
9.5	Staff and Sales Consultants Cost	(379)
9.6	Administration and corporate costs	(397)
9.7	Other (Revenue – CORONA and World Phone)	84
9.8	Other (EMDG Grant)	40
9.9	Total estimated cash outflows	(1,194)

10.	Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
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	-	-

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.

28 April 2017

Sign here: Date:
(Director/Company secretary)

Steven Wood

Print name:

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.