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## **KNeoMedia Operations and Sales Update for June 2017**

- **Orders received for additional 500 Seat Licences in late June – will take total Licences sold to 7,200**
- **Renewal request for Seat Licences sold in mid 2016 received – renewal includes request for additional Seat Licences**
- **KNM has increased the number of schools using the KNeo programs from 25 to 31**
- **KNM well positioned to convert sales to 29 remaining schools in District 75 by end October**
- **Strong sales growth forecast in coming months with market growing**

Online education publisher **KNeoMedia Limited** (“KNeoMedia” or the “Company”) (ASX: KNM) is pleased to provide shareholders with this operations and sales update for the month of June 2017.

### **Confirmation of Seat Licences sold in June – orders received for an additional 500 Seat Licences in late June**

During the month, the Company continued to sell new Seat Licences for its KNeoEd and KNeoESP educational and Special Needs intervention products into the New York City Public School education market. A further 1,500 annual Seat Licences were sold into four new schools in June which will generate an additional US\$75,000 (~AUD\$100,000) of revenue. As previously advised, cash receipts from these sales will not be received until the current month, however, the value of sales and orders again exceeds monthly operating expenses.

KNeoMedia is also pleased to confirm that orders for a further 500 Seat Licences were received in late June but are yet to be invoiced due to personnel in the New York education system that were participating in a Curriculum Week in the last week of June being unavailable to process orders. Once invoiced later this month, this takes total Seat Licences sold to 7,200. Seat Licences are sold for US\$50.00 per Licence for a 12-month subscription.

### **First Seat Licence renewals received**

The Company has also received the first annual renewal of expiring Seat Licences. Pleasingly, new Seat Licences are being added to these renewals. A request for the renewal of 400 Seat Licences originally sold in mid 2016, together with an order for a further 100 new Seat Licences (collectively 500 Seat Licences), has been received from a New York Public School. This is a meaningful development for KNeoMedia as the renewals demonstrate the continuing appeal of the Company’s education content for students and teachers.

The Company expects the progressive renewal of all Seat Licences as they fall due thus demonstrating the annuity-style income stream that is being established.

### **Sales Pipeline is growing strongly following District 75 Funding Approval**

The outlook for sales in July and the first quarter of FY2018 is positive. The Company will continue to sell for Summer School applications which are also 12-month subscriptions. While many regular schools close over the US summer, Special Needs Schools remain open to care for the many students that require continuing day care. These schools are the only available and affordable venue for many students and carers.

Since May 2017, when New York City Education Department District 75 granted funding approval for New York Public Schools to purchase KNeoMedia’s educational content, the Boroughs overcame funding allocation delays. Of the 60 schools in District 75 which educate 26,000 Special Needs students, 31 schools have now purchased or

committed to purchase the Company's education content. **KNeoMedia anticipates the majority of the remaining schools, being 29, will do so between now and October which is the start of the new Scholastic Year.**

These potential sales will be a major achievement and revenue boost for KNeoMedia, and will position the Company as a much more relevant, visible and trusted education provider in New York City.

#### **Balance sheet strengthened**

In June, the Company strengthened its balance sheet with the holders of \$700,000 of convertible notes converting their notes into fully paid ordinary shares, substantially reducing the Company's debt and future interest expenses. There is now \$175,000 of convertible notes remaining and KNeoMedia has no other debt.

Convertible note holders also held entitlements to subscribe for new fully paid ordinary shares in KNeoMedia equal to the value of the notes converted and additional fully paid ordinary shares were issued, raising \$700,000 in new funds. With the growing pipeline of new sales and available cash, and given the Company's low cost base, KNeoMedia is well funded to continue executing on its current growth objectives.

#### **Content is appealing to a larger education market and delivering favorable outcomes to students and teachers**

KNeoMedia has been requested to fine tune its products for deployment to special needs pre-K, English as Second Language, Active Intervention Services (AIS) students and after school care programs, substantially increasing the likely number of participating schools and students.

This request from educators is a major step in the Company penetrating the greater New York City School system which is made up of approximately 2,300 elementary schools teaching more than 1.25 million students, including 220,000 Special Needs students.

KNeoMedia's educational software content has determined to be particularly well suited for pacifying, engaging, entertaining and educating Special Needs students and regular students.

Also driving sales enquiries is the now-established direct correlation between deployment of KNeo products and the reduction in adverse physical incidents at Special Needs schools. There is clear evidence that this is leading to less stress among students and teachers, and as a result, KNeoMedia will focus its sales efforts in the near term on its Special Needs content, KNeoESP, where it has a distinct market advantage.

As well as the very large addressable market in New York City, KNeoMedia plans to capture and convert more sales across the broader US market of approximately 23 million elementary students of which 8% are classified Special Needs (excluding pre-K, AIS and ESL students). This is now a key priority. The Company plans to deploy additional resources to increase conversion rates, adding modestly to its monthly cost base.

Despite the US market entering a vacation period, more sales from the New York Public Schools system will continue to materialise this month and the Company will report on these sales as soon as they occur.

– ENDS –

**About KNeoMedia Limited:**

KNeoMedia Limited is an online education publishing company that delivers world-class education assessment products and games-based learning to global educational and consumer markets.

KNeoMedia publishes and markets from its US-based subsidiary, KNeoWORLD Inc., and sells on a seat licence and micro-subscription and Apps basis through the KNeoWORLD.com games portal, Apps Stores and via distribution agreements and education departments.

Games Based Learning is an integral part of childhood education. Growth in educational markets, combined with advances in mobile devices and connectivity, will continue to accelerate innovation, adoption, and affordability of our products around the world.

KNeoWORLD is an education games portal where young and also special needs students play their way through a futuristic and epic world. They do this by playing compelling games that are subtly infused with validated educational content including numeracy, literacy, science, arts, reasoning and memory. KNeoWORLD products provide extensive analytical performance data to educators and comply with child online protection and the parent approved simple subscription model provides KNeoWORLD with a global opportunity to quickly deploy in a product vacuum and become a market leader.

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