

28 April 2015

SYNETY Group plc
(the “Group” or the “Company”)

**Key performance indicators (“KPIs”) update for Q1 2015 and
Strategy update**

- **Annualised Recurring Revenue (“ARR”) up by 19% to £3.61m (Q4 2014: £3.02m)**
- **Incremental ARR added in Q1 2015 is 44% greater than the same quarter last year**
- **End users up by 17% to 8,995 (Q4 2014: 7,705)**
- **Recurring revenue per user (“RRPU”) across the whole customer base is up a further 2% in the quarter to £31.03 (Q4 2014: £30.48)**
- **RRPU from new customers in Q1 2015 is above £41**

KPI UPDATE Q1 2015

The Group is pleased to report that the KPIs for Q1 2015 continue to demonstrate positive upward momentum, with good growth across all KPIs. Within the published RRPU figure, which covers the whole customer base, the contribution from new customers in Q1 is above £41 per user, demonstrating clearly the benefit of continuing product enhancement coupled with a greater focus on larger customers who are increasingly taking more of the Company’s higher priced products.

	31 Dec 2013	Q1 31 Mar 2014	Q2 30 Jun 2014	Q3 30 Sep 2014	Q4 31 Dec 2014	Q1 31 Mar 2015	Growth Q1 %
ARR - Annualised Recurring Revenue	£0.87m	£1.28m	£1.72m	£2.22m	£3.02m	£3.61m	19%
No of End Users	2,678	3,866	4,834	6,156	7,705	8,995	17%
RRPU - Recurring Revenue per User	£24.10	£25.04	£26.31	£29.59	£30.48	£31.03	2%
Average New Users per Month	224	396	359	386	419	430	3%
No of Licences	5,160	7,836	10,702	14,025	19,221	24,879	29%
Average Users per Customer	10.1	11.3	11.8	12.0	11.7	13.4	15%
For full KPI definitions please see below							

STRATEGY UPDATE

To date, Synety’s strategy has been centred on high growth through rapid customer acquisition, with particular emphasis on building ARR. It was the Board’s belief that this higher early growth would be more valued by the market when looking at the position and value of the Company when it eventually came to break-even. However, whilst continuing to positively support the Company, through recent events the market has given the Board clear direction that in the current climate, loss-making, early stage UK technology companies such as Synety should be focused on a strategy which balances sustainable growth with a need to preserve and generate cash, thereby putting break-even and the

ability to becoming self financing as a higher priority than outright aggressive growth.

As a consequence, the Board is implementing specific actions that will enable it to respond positively to this sentiment and considering further additional measures. Through the implementation of an updated strategy, the Board will implement those specific measures which, it believes, will help enable the Company to deliver sustainable, but still impressive, growth, with a prioritised focus on cash burn and accelerated break-even.

The Board believe that this key objective of balanced growth with earlier break-even can be achieved through a number of actions, many of which are already in motion. These actions include;

- **Focusing on existing integrated CRMs** - Marketing to new CRM partners to expand the addressable market will be reduced until profitability is reached.
- **Increased emphasis on larger customers** – The extension of an initiative to focus sales and marketing resource on larger customers. This is expected to lead to a lower number of new customers but should have limited impact on numbers of end users, whilst lowering the average customer acquisition costs.
- **Increase in consultation and onboarding charges** - Greater emphasis will be placed on set up / configuration and consultative sales charges, benefitting cashflow and near-term profitability, whilst ensuring that resources are available for successful customer on-boarding.
- **Reduction of overheads** - Through a number of cuts (including Executive Director’s remuneration), some of which have already been implemented, and a delay in some proposed expansion plans, the Board believes they can further reduce cash burn and further contribute towards earlier break-even.

The Board believe that as result of this change in strategy, the Company will be re-positioning itself to deliver a balance of growth and profitability, whilst readying the Company for further growth acceleration in future.

As a consequence of this revised strategy, the Board has taken the decision to no longer publish quarterly KPIs, however, the Company will deliver performance updates through its Annual Report and Accounts and Interim Results Statement.

Simon Cleaver, SYNETY’s Executive Chairman, commented:

“By listening to the market and some of our key investors and taking these actions now, we are in the process of resetting Synety’s rheostat to what we consider is a reasonable compromise between growth and short term profitability. Indeed these changes have already had a positive impact on our underlying cash burn. I also believe that as we are simply deferring most of our expansion plans until they can be internally funded, this approach is not expected to damage Synety’s long term growth prospects.

As a consequence of this revised strategy, the Board has taken the decision to no longer publish quarterly KPIs, however, the Company will deliver performance updates through its Annual Report and Accounts and Interim Results Statement.”

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Key Performance Indicators Definitions

Annualised Recurring Revenue (ARR)

ARR is a forward looking number based on products sold to date. To calculate the ARR, we strip out any one-off invoices such as set-up, hardware sales or professional fees and simply take the ongoing monthly recurring licence fees customers have subscribed for and add in the projected telecommunications income (average daily telecommunications spend X working days in an average month). This figure is then multiplied by 12 to give the expected annual recurring revenue.

The Board believes that this is the clearest way of expressing the underlying annualised recurring revenue as it levels out inconsistencies that may be caused by how many working days there are in any particular month– telecoms revenues that are not included in any calling package, are particularly sensitive to these fluctuations. It further removes any anomalies that may be introduced by large customers coming on-stream partway through the month which lower the ARPU since they are only billed for a partial month.

No of Users

Number of End Users (sometimes denoted as ‘seats’) is defined as the actual number of individual users licenced to access the CloudCall platform.

Recurring Revenue per End User (per month) (RRPU)

This figure is not simply the ARR divided by the number of End Users. RRPU is calculated by combining the actual billed subscription revenue with the monthly subscription fees ordered, together with an estimate of the related telecommunications spend (eliminating any one-off billings) and dividing by number of End Users. To reduce the effects of monthly variations, RRPU published is the average RRPU of the preceding three months.

Average New Users per Month

The average monthly increase in users (after taking into consideration all new subscribed users and any losses) since the start of the year.

Number of Licences

A licence is a customer agreement to pay monthly fees (occasionally annually) for the use of a Synety package or service. Example of licences include; CloudCall Click, Unlimited UK landlines calls package, extended call recoding (7 year option) etc. An ‘End User’ may purchase multiple licences depending upon the services that they subscribe to.

Average Users per Customer (AUPC)

This is simply the average customer size calculated as the number of End Users divided by the number of customers.

About SYNETY

SYNETY is a leading cloud-based software and communications business based in Leicester, UK and Boston MA, US.

The company develops and provides a suite of cloud-based software products and services known as CloudCall which are aimed at enabling organisations to use their communications more effectively. The CloudCall suite of products allows companies to fully integrate their telephony systems into their existing software, enabling calls to be made, recorded, logged, categorised and detailed reports easily generated.

Since 2011 SYNETY has grown rapidly, seeing considerable increases in both the number of end users and in the number of CRM companies integrated with its software.

For additional information about SYNETY please visit www.synety.com