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## 2018-08-02 Smartvel's Investors Update

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Good morning/afternoon to everybody,

I do have the pleasure to send you our monthly newsletter for July 2018. In August we will make a very brief update, just focusing on the finance round milestones, as most of the team and customers will be on holidays.

This month as you may imagine has been mainly focused on the final details of the finance round. This has kept Esperanza and myself very busy, limiting our time to focus on other key aspects. We are confident on being able to get back on track on September, without the hassle of the round.

### Summary.

- Funding is expected to be signed on August 6th, the final figure will be €901,107.72 and we do expect a second closure within Q3 with 100-200 K more.
- We did increase a little bit the Monthly Recurring Revenue (MRR) from €58k to €61k. (Singapore and Iberia upselling).
- We've hired a new Inbound Sales Head, replacing Elena Navares that, unfortunately will leave us in August after receiving a proposal to work as Director of Art for a movie in Sydney. The new person Marta de Rada will join us in September 1st, with a good background for being the head of Inbound Marketing.
- We did have our strategy meeting before the summer, focusing on the needs for the next year in the four key areas : Sales, Operations, IT and Finance. In a nutshell we will use the funding 50% on Sales and Marketing, and the rest for IT, Op and Finance.

### Key Metrics:

- EBITDA out accrued amounted to €104k in June; so, slightly above budget (Budget of June: €102k), the improvement against last year is significant (+270 K EBITDA and +293 K without activation of costs).

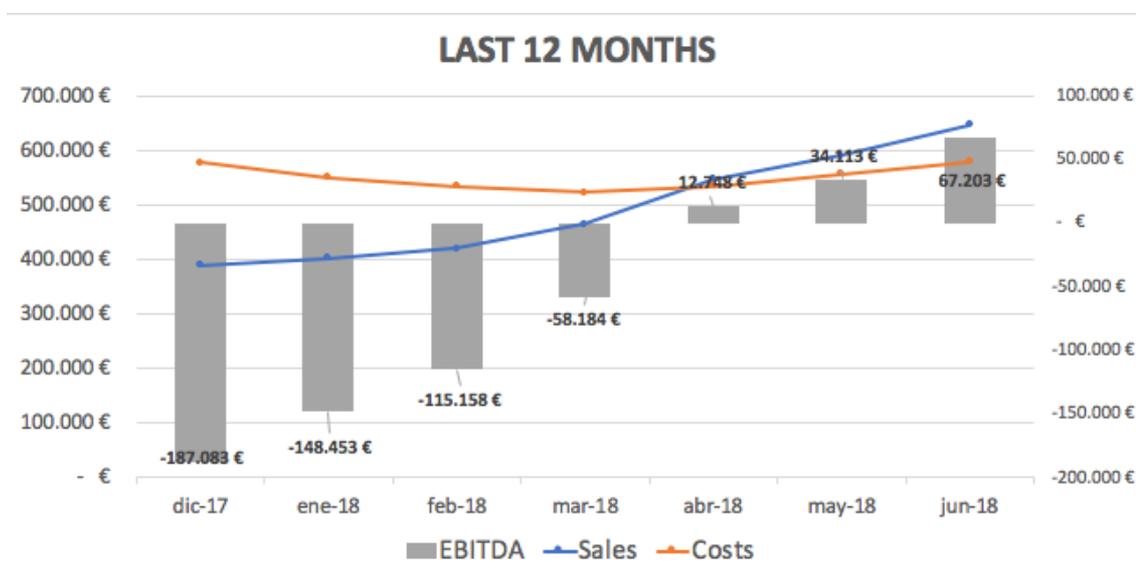
In thousands (€ k)

JUN 18				JUN 17		
Month	Budget	€	%	Month	€	%

<b>Total Revenue</b>	87,7	99,5	-11,7	-11,8%	31,6	56,2	178,1%
<b>Net Sales</b>	71,4	93,2	-21,8	-23,4%	17,4	54,0	309,5%
<b>Costs</b>	81,7	83,1	-1,5	-1,8%	58,6	23,1	39,4%
<b>EBITDA</b>	6,1	16,3	-10,3	-62,9%	-27,0	33,1	122,4%

	JUN 18				JUN 17		
	Accrued	Budget	€	%	Accrued	€	%
<b>Total Revenue</b>	438,2	428,3	9,9	2,3%	181,4	256,8	141,5%
<b>Net Sales</b>	376,0	390,6	-14,6	-3,7%	94,5	281,6	298,0%
<b>Costs</b>	334,4	326,8	7,7	2,3%	347,3	-12,9	-3,7%
<b>EBITDA</b>	103,8	101,5	2,3	2,2%	-165,9	269,6	162,6%

We do enclose a graph with the last 12 months figures (Revenue/Costs/EBITDA):



- Our MRR went up to €61k in July as a result of Singapore's and Iberia's increase. We expect to have a steady figure in August.
- Total invoices paid by our customers amounted to €44k in July, we are suffering delays from Globalia and Buenos Aires.
- As it is visible in the graph, the cost line (orange) is growing, as we are recovering the structure we think is needed for the company.
- Pipeline and Sales:
  - **Singapore Airlines** has agreed to increase the number of destinations from 20 to 25, and the contract has increased in 1.1 K € per month with a 12 months renewal. Our goal with them is to finish their requirements in UI that have been incorporated to our Roadmap, and be able to increase the number of destinations heavily by the end of the year. In this moment it was key to keep them as customers, as they are our best marketing tool. **Iberia** has increased their contract in 1 K aprox per month.
  - There has been relevant new leads or reopen leads, the more relevant is **LATAM Airlines**, that directly has approached us to talk about our latest proposal and right now we are on

pricing negotiations, **MINTUR (Minister of Tourism of Argentina)** is ongoing, but the process will take more time unfortunately, we also have open very good opps with the Pearlshare team as the **Rotana Hotel Group**, to name one. We are also participating in two RFPs, one with **TAP Airlines** that will be closed within August, and another in a **JV with Vodafone for a Smart Island Project in Mallorca** (Red.es contract with the Consell of Majorca).

- Other interesting out of our natural segments have been opened with direct emails from them as: **Changi Airport** (Singapore Airport), **StubHub** (ticket company that belongs to eBay), or **Anheuser-Busch InBev** (the world largest brewer). We did also reopen interesting meetings with key stakeholders in **Amadeus** (thank you José Antonio Guillén).
- Our churn accrued is 1,21%, the upselling in Singapore and Iberia has compensated Air Europe's reduction of scope of last month. Churn is equal to net loss (loss - upselling) on rolling basics (inter-annual contracts) divided by ARR. It is a very relevant metric, as it shows the strenght of the customer base.

### **Fundraising—Series A:**

As I am writing this email I will send the new Shareholders agreement, that includes the contract with the new investors as acquirers of units of Smartvel's equity. Although the agreed figure was 1,1 M €, finally, one investor that reserved 300 K € has reduced the commitment to 100 K €, as they work on a suscription model with their own investors. In the meeting were they've told this info (yesterday), they told us that most of their investors could not read the proposal because of the dates (holidays in Spain).

We agreed to close the funding as it is key for us to do it fully in August, so we have time to get into an agreement with the banks we are talking with, so we can restructure the debt that has to be paid in Oct 2018 (80 K) and Nov 2018 (250 K). We did start to have some talks with two banks, and with the funding finished the restructuring is totally possible, without the funding we will have hard times with it.

So, we will close the round with 900 K € this monday (August 6th) and we will leave the door open for a second closure in September, so the investors that could not get reached to in late July/August could be reach in September.

As you know, the Pre-money valuation totalled €5.6m, so the first closure €0.9m, will mean a dilution of 13,85%, and in the second closure (we do expect 0,1-0,2) the dilution will reach (accrued) 15,79%. You already have received an email informing you about your rights, giving you the formal notice to be able to execute them to avoid dilution.

### **Team**

As I mentioned in the last newsletter we are starting to recover the needed structure to be able to give proper service and grow. That means that a new backender will get back to work in September, and the replacement of Elena that already mentioned. Both employees will start on September 1st.

Our next hiring will be an KAM (Key Account Manager) to handle customer satisfaction, reporting and follow up/ upselling.

### **What's next**

- Get this round down and put money in the bank account.
- Rest !!!!!!! for mi Galicia, at Portonovo, if anyone gets closer let me know, it will be great to share some beer and “necoras”!

### **What I need help with**

Well, in August I think that most of us will be on holidays ... no homework :)

Happy to answer any questions you might have.

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