

ASX RELEASE

APPENDIX 4C & OPERATIONAL UPDATE – MSL DELIVERS GROWTH

26 July 2018: MSL Solutions Limited (ASX: MPW) (**MSL or the Company**) has today lodged its Appendix 4C Report and is pleased to provide an update on the Company's expected performance for the financial year ended 30 June 2018.

The financial results for year ended 30 June 2018 are subject to the finalisation of MSL's audit, which is due by the end of August 2018.

HIGHLIGHTS

- **Total Revenue and Other Income of \$35.1 million is in line with forecast, and represents a 44% growth on the prior year;**
- **MSL Solutions has achieved NPAT of \$0.1 million for FY18, which exceeded forecast and an Adjusted⁽²⁾ NPATA of \$5.7 million, which is materially in line with guidance;**
- **Expansion overseas has continued, with 51% of MSL's global revenues generated offshore; and**
- **Annualised recurring revenue for FY18 is \$16.8 million, providing a strong platform for top line growth in FY19.**

Financial performance

The table below provides a summary of the FY18 unaudited results, with a comparison to the prior year's statutory performance:

Results summary for the year ended 30 June 2018 Statutory results (Unaudited)	FY18	FY17	Variance	
	A\$ million	A\$ million	A\$ million	%
Revenue from operating activities	34.0	23.7	10.3	
Other income ⁽¹⁾	1.1	0.7	0.4	
Total revenue & income	35.1	24.4	10.7	44%
Costs of sales	(9.2)	(5.4)	(3.8)	
Gross margin	25.9	19.0	6.9	36%
Operating expenses before significant items	(20.7)	(17.4)	(3.3)	
Adjusted⁽²⁾ EBITDA	5.2	1.6	3.6	225%
Significant expense items	(1.1)	(9.2)	8.1	
EBITDA	4.1	(7.6)	11.7	154%
Depreciation	(0.2)	(0.2)	-	
Amortisation ⁽³⁾	(4.5)	(4.1)	(0.4)	
EBIT	(0.6)	(11.9)	11.3	95%
Net finance income/(costs)	-	-	-	
NPBT	(0.6)	(11.9)	11.3	95%
Income tax benefit ⁽³⁾	0.7	1.1	(0.4)	
NPAT	0.1	(10.8)	10.9	101%
Adjusted⁽²⁾ NPATA	5.7	2.5	3.2	128%

(1) Other income includes the gain on the sale of Zuuse shares (\$0.6m) and release of an earn out provision (\$0.5m).

(2) Adjusted EBITDA and Adjusted NPATA excludes significant expense items of \$1.1m predominately relating to transaction related expenses; and

(3) The Company's NPAT benefited from a revision to the useful life of acquired intangible assets in FY17, resulting in a lower amortisation charge compared to forecast. Furthermore, the unaudited income tax estimate for FY18 was enhanced due to higher than forecasted R&D tax concessions and foreign based income at lower corporate tax rates.

Based on the unaudited results, MSL has delivered strong, profitable growth in FY18 that is materially in line with guidance, despite the delay in recognising approximately \$1.5 million in revenue from contracts that were executed prior to 30 June 2018, which will now contribute to the results for FY19.

The Company has achieved significant sales momentum, with management successfully delivering on its growth strategy. Record new customer sales orders of circa \$19.0 million were executed in FY18, which is up 42% on the prior corresponding period. Of the \$19.0 million in new orders, there were new sales orders of \$12.1 million executed in the second half of the financial year, with over \$8.0 million in the final fourth quarter.

MSL's revenue has grown at a Compound Annual Growth Rate (CAGR) of 57% over the last three years, and accordingly has built a strong base of annuity income and a foundation for future growth. For FY18, over 46% (\$15.8 million) of the global operating revenues were recurring annuity revenues, and the Company enters FY19 with annualised recurring revenue of \$16.8 million, which is expected to grow.

Due to the demand for our solutions in Europe, UAE and the United States, MSL brought forward investment of circa \$0.8 million to drive future growth in these regions. This included product enhancements, establishment of a branch office in Dubai and key resources to drive international expansion.

The FY18 Adjusted⁽²⁾ EBITDA of \$5.2 million (after removing \$1.1 million of significant items) represents a 225% increase on FY17. The FY18 EBITDA result was impacted by the following items:

- Approximately \$1.5 million of revenue from sales executed prior to 30 June 2018 was not able to be recognised in FY18 due to timing of delivery of obligations;
- Other income of \$1.1 million represents net proceeds from the sell-down of MSL's investment in Zuuse of \$0.6 million, and \$0.5 million from the release of an earn out provision;
- During the year MSL brought forward investment of circa \$0.8 million in product development and overseas expansion that was not forecasted, however is expected to deliver future growth in earnings; and
- In addition, the Company made key senior appointments to strengthen the management and sales teams globally.

Cash flow statement

MSL's Appendix 4C cash flow statement for the quarter and year ended 30 June 2018 is attached.

Cash receipts for the quarter were \$10.4 million, in line with the previous quarter and resulting in total cash receipts of \$37.5 million for the financial year. Approximately \$3.0 million of customer receipts have been delayed through timing relative to revenue recognised in relation to significant contracts.

As announced on 27 April 2018, the Company acquired Pricap Services Pty Ltd for \$1.6 million, which is included in the fourth quarter's investing cash flows. In addition, gross proceeds from the sale of Zuuse shares totalling \$1.0 million were received. The net accounting gain from these sales of \$0.6 million is included in the Company's profit and loss statement.

The business currently carries no bank debt and has approximately \$6.6 million cash in the bank.

Outlook

The Board and management team look forward to continuing and augmenting sales momentum through to FY19. Investment in product development and overseas expansion, along with a strengthening of the management and sales team, will underpin sales growth. In addition, the Company's growing recurring revenue base provides a strong foundation for growth in FY19.

The audited financial results for the year ended 30 June 2018 will be finalised next month, and the Company's Board of Directors look forward to providing shareholders with a more detailed report on MSL's first full year as an ASX listed company.

Ends

For further information, please contact:

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About MSL Solutions Limited

MSL Solutions Limited (ASX: MPW) is an Australian based global provider of hosted software as a service (**SaaS**) and on-site deployed solutions to clients in the sport, leisure and hospitality sector. MSL services member organisations across APAC, EMEA and North America through its MPower Platform. MSL has a head office in Brisbane and offices in Sydney, Melbourne, UK and Denmark. To discover more about MSL please visit www.mpowermsl.com.

About MPower Platform

MSL's MPower Platform connects member organisations' business software and data needs to improve guest engagement, loyalty, gain business efficiencies and improve governance. MSL provides scalable full venue business software applications and data solutions integrated through the MPower core integration architecture. This means that MSL can provide solutions to both small and large organisations and associations. MSL provides cloud based SaaS, hosted and on-site deployed software, data and loyalty/media solutions.

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Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

MSL Solutions Limited

ABN

96 120 815 778

Quarter ended ("current quarter")

30 June 2018

Consolidated statement of cash flows	Current quarter \$A'000	YTD (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	10,444	37,486
1.2 Payments for		
(a) research and development	(1,768)	(4,928)
(b) direct costs of sales	(3,681)	(10,370)
(c) sales, advertising and marketing	(1,004)	(4,819)
(d) customer and technical services	(1,090)	(5,998)
(e) general and administration	(1,130)	(6,225)
(e) other working capital costs	(1,720)	(3,194)
1.3 Dividends received (see note 3)		
1.4 Interest received	3	74
1.5 Interest and other costs of finance paid	-	(5)
1.6 Income taxes paid		
1.7 Government grants and tax incentives		
1.8 Other (provide details if material)		
(a) Prepaid & one-off costs	-	(734)
(b) Managements bonuses from FY17	-	(880)
1.9 Net cash from / (used in) operating activities	54	407
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	(113)
(b) businesses (see item 10)	(1,600)	(5,979)
(c) investments		

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Consolidated statement of cash flows	Current quarter \$A'000	YTD (12 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	957	957
(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	(643)	(5,135)
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	-	(129)
3.5 Proceeds from borrowings		
3.6 Repayment of borrowings	(9)	(191)
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	(9)	(320)
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	7,255	11,741
4.2 Net cash from / (used in) operating activities (item 1.9 above)	54	407
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(643)	(5,135)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	(9)	(320)

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Consolidated statement of cash flows		Current quarter \$A'000	YTD (12 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	(12)	(48)
4.6	Cash and cash equivalents at end of quarter	6,645	6,645

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	3,997	3,917
5.2	Call deposits	2,648	3,338
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)	6,645	7,255

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**

146

Fees and salaries paid to Directors and the Managing Director.

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 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

**Current quarter
\$A**

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8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A	Amount drawn at quarter end \$A
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	1,700
9.2 Direct costs of sales	3,500
9.3 Sales, advertising and marketing	1,100
9.4 Customer and technical services	1,300
9.6 General and administration	1,500
9.7 Other working capital	1,000
9.7 Other (acquisition payments)	200
9.8 Total estimated cash outflows	10,300

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity	Rocket Pty Ltd	
10.2 Place of incorporation or registration	Australia	
10.3 Consideration for acquisition (deferred instalment)	\$25,000	
10.4 Total net assets	\$279,049	
10.5 Nature of business	IT infrastructure sales and support and computer hardware sales.	
10.1 Name of entity	Pricap Services Pty Ltd	
10.2 Place of incorporation or registration	Australia	
10.3 Consideration for acquisition (initial payment, net of cash acquired)	\$1,575,000	
10.4 Total net assets	\$100,000	

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10.5 Nature of business	Software provider to venues in the Sports, Leisure and Hospitality market, mostly in the Australian golf sector.	
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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.

Sign here:



Company Secretary

Date: 26 July 2018

Print name:

Andrew Ritter

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.

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