

ASX RELEASE**Appendix 4C and Unaudited FY19 Result**

15 July 2019: MSL Solutions Limited (ASX: MPW) (MSL or the Company) has today lodged its Appendix 4C Report and provides the Company's unaudited financial result for the year ended 30 June 2019.

EXECUTIVE SUMMARY

- **Total Revenue and Other Income of \$31.2 million (\$33.9 million in FY18 restated).** This was a disappointing result and fell short of Management's expectations as a result of approximately \$2.7 million in sales orders contracted, but not recognised as revenue in the period, and drift of sales orders with a total contract value of approximately \$5.0 million past 30 June 2019.
- **EBITDA adjusted loss of \$0.4 million (\$4.2 million profit in FY18 restated).**
- **Cash balance of \$2.1 million as at 30 June 2019 (\$6.6 million as at 30 June 2018).**
- **Annual Recurring Revenue (ARR) of \$17.8 million at 30 June 2019 (\$16.8 million as at 30 June 2018).** ARR growth continues in line with company strategies, as the most important driver of company value into the future.
- **Strong investment in Research & Development of \$6.1m with \$2.1m costs capitalised to be recognised against the future economic benefit from the investment, subject to audit (FY18 \$5.4m with NIL capitalised) and Sales & Marketing of \$6.3m (FY18 \$4.8m).** Overall investment in these functions is \$2.2m higher than the prior corresponding period as part of the intended strategy to accelerate future growth.
- **Zuuse non-core asset sell-down completed generating \$3.4m profit on sale (included as "Other Income") and \$4.5m cash proceeds with \$0.7m cash proceeds expected to be collected in Q1 FY20 (all amounts are pre commission/brokerage totalling \$0.3m).**
- **The Board of MSL embarked on a significant strategic review of the Company in the fourth quarter, which is ongoing. The Board will provide a further update to the market shortly.**

Financial Performance (Unaudited)

Results Summary for the Year Ended 30 June 2019	FY19	FY18	Variance	
	(Unaudited)	(restated)	A\$ million	%
Statutory Results	A\$ million	A\$ million	A\$ million	
Revenue from Operating Activities	27.8	32.5	(4.7)	
Other Income ⁽¹⁾	3.4	1.4	2.0	
Total Revenue & Income	31.2	33.9	(2.7)	(8%)
Cost of Sales	(7.8)	(8.6)	0.8	
Gross Margin	23.4	25.4	(1.9)	(8%)
Operating Expenses before significant items	(23.9)	(21.2)	(2.7)	
Adjusted EBITDA ⁽²⁾	(0.4)	4.2	(4.6)	(110%)
Significant expense items	(0.6)	(0.6)	(0.0)	
EBITDA	(1.0)	3.6	(4.7)	(129%)

⁽¹⁾ Other income includes the gain on the sale of shares in Zuuse (FY18 gain on sale of shares in Zuuse \$0.6m and release of earn out provision \$0.5m).

⁽²⁾ Adjusted EBITDA excludes significant expense items of \$0.6m (FY18 \$0.6m restated, \$0.9m reported) predominantly related to transaction expenses and commission/brokerage on the sale of shares in Zuuse.

The key metrics table is set out below for FY19.

A\$ million	FY17	FY18 - restated	FY19 (Unaudited)
1. Annual Recurring Revenue (ARR)	14.1	16.8	17.9
Support ARR	10.3	9.2	9.8
SaaS Subscriptions ARR	3.8	7.6	8.1
2. Recurring Revenue	12.1	15.8	17.6
Support annuity	7.4	9.2	9.8
SaaS/Subscriptions	4.7	6.6	7.9
3. Total Revenue	23.4	32.5	27.8
Recurring Revenue	12.1	15.8	17.6
Capital Revenue	11.3	16.7	10.2
4. R&D Expense	4.3	5.4	4.1
% of Revenue	18%	17%	15%
5. S&M Expense	4.6	4.8	6.3
% of Revenue	20%	15%	23%
Adjusted EBITDA	2.1	4.2	(0.4)

Notes:

- Annual Recurring Revenue (ARR) is the forward-looking annuity value contracted and recognised in the last month of the period.
- Recurring Revenue represents annuity contracts.
- Total Revenue is the combination of the Group's recurring & capital revenue.
- FY18 has been restated as noted in Note 1a) of the financial statements for the period ended 30 June 2019.
- R&D Expense for FY19 is after \$2.1 million has been capitalised to be recognised against the future economic benefit of the investment.
- Adjusted EBITDA is EBITDA adjusted to include Other Income and exclude transaction costs, fair value expense, FX gains/losses.

Cash Flow Statement

MSL's Appendix 4C cash flow statement for the quarter and year ended 30 June 2019 is attached.

Cash receipts for the quarter were \$8.3 million, down from the previous quarter of \$9.1 million due to the slow down and deferral of sales revenue into FY20, and resulted in cash receipts of \$32.9 million for the full financial year.

Gross proceeds from the sale of Zuuse shares totalling \$1.8 million were received during the quarter bringing the total to \$4.5 million cash receipts for the full financial year with a further \$0.7 million expected to be received in Q1 FY20.

\$2.1 million of the cash incurred for R&D has been capitalised during FY19 to be recognised in line with the future economic benefit from the investment (FY18 NIL).

The Company has a term loan facility with Westpac to partly fund deferred acquisition payments. This facility is amortising over 36 months to October 2021 and had a balance of \$1.6 million at 30 June 2019 (FY18 NIL).

The Company has cash at bank of \$2.1 million at 30 June 2019 (FY18 \$6.6 million).

Business Update & Final Audited Financial Results

The Board intends to provide a more detailed business update within the next month and final audited financial results for FY19 by 31 August 2019.

Ends

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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 Connect Platform. MSL has a head office in Brisbane and offices in Australia, UK and Denmark. To discover more about MSL please visit www.mpowermsl.com.

About MPower Connect

MPower Connect, the industry-first collaboration platform, connects member organisations' business software and data needs to improve guest engagement and loyalty whilst improving operational efficiency and profitability. Our customers can select one or more modules and increase their footprint as they develop the intentional customer experience. MSL provide solutions to both small and large organisations and associations which can be deployed as a cloud-based SaaS, hosted or on-site deployed software.

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