

30 August 2019: ASX RELEASE

MSL Solutions Limited (ASX:MPW) FY2019 Audited Results

MSL Solutions Limited (ASX: MPW) (MSL or the Company) announces its full year results for the financial year ended 30 June 2019 (FY19).

Key points:

- **The Company result was an EBITDA loss of \$2.7 million**
- **Impairment charge confirmed within guidance at \$11.5 million**
- **Recurring Revenue continues to grow**
- **Outlook is a return to profitability and positive operating cash flow**

Financial Performance:

FY19 results are summarised below.

- Recurring Revenue of \$17.6m up 11% on FY18 restated (prior corresponding period or PCP): \$15.8m made up as follows:
 - SaaS/Subscription Fees of \$7.9m up 20% on PCP \$6.6m;
 - Annuity Support Fees of \$9.7m up 6% on PCP \$9.2m;
- Total Revenue and Other Income of \$30.9m down 9% on PCP \$33.9m;
- Other Income includes the completed sell-down of the Zuuse non-core asset generating a net profit on sale \$3.1m;
- The company increased its investment in Research & Development and Sales & Marketing by \$2.2m on PCP as follows:
 - Research & Development of \$6.1m with \$0.4m capitalised against PCP \$5.4m with no capitalisation;
 - Sales & Marketing of \$6.3m against PCP \$4.8 million; and
- EBITDA negative (\$2.7m) against PCP EBITDA positive \$3.5m.

Balance Sheet:

- Cash balance of \$2.3 million as at 30 June 2019 with PCP \$6.6m;
- Net current assets of \$3.4m million excluding non-cash contract liabilities with PCP \$5.2m;
- Software development costs Capitalisation of \$0.4m with PCP nil; and
- Impairment of Goodwill of \$11.5m with PCP nil.

Outlook:

- Following the previously announced strategic review, the Company has commenced a program to right-size, restructure and refocus the company to return the business to profitability and positive operating cashflow in FY2020; and
- Initial target objective is to bridge the gap between Operating Expenditure and Recurring Revenues.

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Key Metrics:

A\$ million	FY17 Restated	FY18 Restated	FY19 Audited
	12 Months to June 2017	12 Months to June 2018	12 Months to June 2019
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	9.7
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	10.1
4. R&D Expense - pre capitalisation	4.3	5.4	6.1
% of Revenue	18%	17%	22%
5. S&M Expense	4.6	4.8	6.3
% of Revenue	20%	15%	23%
6. Adjusted NPATA	2.9	5.0	(1.3)
Adjusted EBITDA	2.1	4.1	(2.4)
7. Contracted Sales - not recognised in FY19			3.2
Recognisable in FY20			1.4
Contracted Annual Recurring Revenue - Not Recognised			0.5

Profit and Loss:

Results Summary for the Year Ended 30 June 2019 Statutory Results (Audited)	FY19	FY18 (restated)	Variance	
	A\$ million	A\$ million	A\$ million	%
Revenue from operating activities	27.8	32.5	(4.8)	
Other income ⁽¹⁾	3.1	1.4	1.7	
Total revenue & income	30.9	33.9	(3.1)	(9%)
Cost of sales	(7.8)	(8.6)	0.8	
Gross margin	23.1	25.3	(2.2)	(9%)
Operating expenses before significant items	(25.5)	(21.2)	(4.3)	
Adjusted EBITDA ⁽²⁾	(2.4)	4.1	(6.5)	(159%)
Significant expense items ⁽²⁾	(0.3)	(0.6)	0.3	
EBITDA	(2.7)	3.5	(6.2)	(177%)
Depreciation	(0.1)	(0.2)	0.0	
Amortisation	(4.8)	(4.6)	(0.2)	
Impairment	(11.5)	0.0		
NPBT	(19.1)	(1.3)	(17.8)	1402%
Income tax benefit	1.2	0.9	0.3	
NPAT	(17.9)	(0.4)	(17.5)	4686%
Adjusted NPATA ⁽²⁾	(1.3)	4.8	(6.1)	(128%)

(1) Other income includes the net 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 and Adjusted NPATA excludes significant expense items of \$12.1m (FY18 \$0.6m) predominantly related to impairment expense, transaction expenses and commission/brokerage on the sale of shares in Zuuse.

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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.

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