

27 November 2019: ASX RELEASE

## MSL Solutions Limited (ASX:MPW) Chairman and CEO Address to Annual General Meeting

Good afternoon and welcome shareholders. I will take the Chairman's report for FY19 in the Annual Report as being read, however, I summarise it by saying fiscal year 2019 produced an unacceptable and disappointing result.

That said, prior to the completion of FY19 the Board commissioned a strategic review which resulted in significant changes to the organisation structure, operational expenses and balance sheet.

### Organisation changes

- The Chairman, John Down & Non-Executive Director Ian Daly retired from the Board;
- former CEO & Managing Director, Craig Kinross, transitioned to the position of Director of Strategy;
- I assumed the role as Executive Director & Chairman;
- Pat Howard was appointed as Chief Executive Officer (CEO);
- David Marshall was appointed as Chief Financial and Operating Officer (CFO/COO); and
- a number of management positions were discontinued.

### Operational Expenditure

- Headcount expenses and overall operating costs have been reduced, on an annualised basis, by in excess of \$5 million;
- our initial target objective is to bridge the gap between OPEX incurred and recurring revenues;
- restructuring costs related to headcount reduction cost of circa \$700,000, incurred during Q1FY20;
- operations in both UAE and Retirement Living have been discontinued; and
- there has been a significant decrease in professional services costs incurred.

### Balance Sheet Adjustments

- MSL had proposed (ASX Release of 15 July 2019) to capitalise software costs for FY19 amounting to \$2.1 million. This amount was reduced to \$450,000 on release of the Audited Preliminary Financial Report for the year ended 30 June 2019 (ASX Release of 30 August 2019);
- going forward the Company expects to continue to capitalise software development expenditure annually across the Group;
- impairment charge against Goodwill of \$11.5 million as at 30 June 2019 – I note that there was no impairment to the carrying value of the existing Software and Customer Contract assets; and
- we have recently completed a capital raise by way of a share placement to a value of \$2.73 million and separately announced to the market on Monday a Share Purchase Plan to all our existing shareholders registered on Friday, 22<sup>nd</sup> November 2019. The Share Purchase Plan closes at 5.00pm on 16 December 2019.

For personal use only

Each of the above measures adds to a more streamlined organisation focused on the core businesses of Stadia, Hospitality and Golf in Australia, Europe & UK.

There is a lot more to do, but we are starting to see the benefits of these changes as we progress through FY20. It is important to note implementation of these much need changes commenced in August 2019 so, therefore, the impact of these changes will be seen as we continue through FY20.

I will now pass over to Pat to provide more detail on progress to date.

For personal use only

For personal use only

**M-POWER MSL**

(ASX: MPW)

**Technology Provider**

*Sport, Leisure & Hospitality Industries*

**ANNUAL GENERAL MEETING**

*27<sup>th</sup> November 2019*



# IMPORTANT NOTICE & DISCLAIMER

This document is issued by MSL Solutions Limited, (“MSL Solutions”) to provide summary information about MSL Solutions and its associated entities and their activities current as at the date of this document. The information contained in this document is of general background and does not purport to be complete. It is intended only for those persons to whom it is delivered personally by or on behalf of MSL Solutions. By attending this presentation, you represent and warrant that (i) if you are in Australia, you are a person to whom an offer of securities may be made without a disclosure document (as defined in the Corporations Act 2001 (Cth) (“Corporations Act”)) on the basis that you are exempt from the disclosure requirements of Part 6D.2 in accordance with Section 708(8) or 708(11) of the Corporations Act; (ii) if you are in the United States, you are a qualified institutional buyer (as defined under Rule 144A under the U.S. Securities Act; (iii) if you are outside Australia and the United States, you are a person to whom an offer and issue of securities can be made outside Australia without registration, lodgement or approval of a formal disclosure document or other filing in accordance with the laws of that foreign jurisdiction. If you are not such a person, you are not entitled to attend this presentation. Please return this document and any copies and do not provide this document to any other person.

This document is not, and should not be considered as, an offer or an invitation to acquire securities in MSL Solutions or any other financial products and neither this document nor any of its contents will form the basis of any contract or commitment. This document is not a prospectus and does not contain all of the information which would be required to be disclosed in a prospectus.

In particular, this document does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. Securities may not be offered or sold in the United States unless the securities have been registered under the US Securities Act of 1933 or an exemption from registration is available.

Neither MSL Solutions nor any of its officers, employees, related bodies corporate, affiliates, agents or advisers guarantees or makes any representations or warranties, express or implied, as to, or takes responsibility for, the accuracy or reliability of the information contained in this document. MSL Solutions does not represent or warrant that this document is complete or that it contains all material information about MSL Solutions or which a prospective investor or purchaser may require in evaluating a possible investment in MSL Solutions or acquisition of MSL Solutions shares. Nothing contained in this document nor any information made available to you is, or shall be relied upon as, a promise, representation, warranty or guarantee, whether as to the past, present or the future. MSL Solutions has not carried out due diligence investigations in connection with the preparation of this document. You must conduct your own independent investigations and enquiries as you deem fit. The information set out in this document does not constitute or purport to be a recommendation by MSL Solutions, its officers, employees, agents or advisers and has been prepared without taking into account the objectives, financial situation or needs of individuals. The information in this document does not constitute financial product advice (nor investment, taxation or legal advice).

To the maximum extent permitted by law, MSL Solutions and its related bodies corporate and each of their respective directors, employees, officers, affiliates, agents and advisers expressly disclaim any and all liability (including without limitation for negligence) for representations or warranties or in relation to the accuracy or completeness of the information, statements, opinions or matters, express or implied, contained in, arising out of or derived from, or for omissions from, this document including, without limitation, any historical financial information, any estimates or projections and any other financial information derived therefrom. In particular, this document does not constitute, and shall not be relied upon as, a promise, representation, warranty or guarantee as to the past, present or the future performance of MSL Solutions.

This document contains certain forward-looking statements and opinion which are provided as a general guide only and should not be relied on as an indication or guarantee of future performance and involve known and unknown risks, uncertainties and other factors, many of which are outside the control of MSL Solutions. Past performance is not necessarily a guide to future performance and no representation or warranty is made as to the likelihood of achievement or reasonableness of any forward looking statements or other forecast.

Information in this document (“Confidential Information”) is confidential and by accepting the invitation and attending this presentation you agree to keep this information confidential and not to disclose it to anyone within your organisation except on a need-to-know basis and subject to these restrictions, or to anyone outside your organisation. You must not copy, use, publish, record or reproduce the Confidential Information or directly or indirectly disclose it to any person without the prior written consent of MSL Solutions, which may be withheld in its absolute discretion.

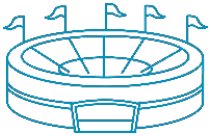
All figures in this document are in Australian dollars (AUD) unless stated otherwise.

# MSL Today

Technology Provider for the Sport, Leisure & Hospitality Industries

1220+ Clients | 6 Offices | 120 Employees

STADIA & ARENA



SPORTING ASSOCIATIONS



CLUBS & PUBS



GOLF



MOBILE POS



VENUE ANALYTICS



CLUB MEMBERSHIP



REAL-TIME ANALYTICS



CLOUD GOLF SOLUTIONS



**M-POWER MSL**

For personal use only

# MSL - FY19 Performance

For personal use only

Results for the Year Ended 30 June 2019	FY19	FY18	Variance	
	\$M	\$M	\$M	%
Revenue from Operating Activities	27.8	32.5	(4.7)	
Other Income <sup>(1)</sup>	-	0.8	(0.8)	
<b>Total Revenue &amp; Income</b>	<b>27.8</b>	<b>33.3</b>	<b>(5.5)</b>	<b>(17%)</b>
Cost of Sales	(7.8)	(8.6)	0.8	
<b>Gross Margin</b>	<b>20.0</b>	<b>24.7</b>	<b>(4.7)</b>	<b>(19%)</b>
Operating Expenses before significant items	(25.5)	(21.2)	(4.3)	
<b>Adjusted EBITDA (2)</b>	<b>(5.5)</b>	<b>3.5</b>	<b>(9.0)</b>	<b>(257%)</b>
Significant expense items	(0.3)	(0.6)	0.3	
<b>EBITDA</b>	<b>(5.8)</b>	<b>2.9</b>	<b>(8.7)</b>	<b>(300%)</b>
Depreciation	(0.1)	(0.2)	0.1	
Amortisation	(4.8)	(4.6)	(0.2)	
Impairment	(11.5)	0.0	(11.5)	
<b>EBIT</b>	<b>(22.2)</b>	<b>(1.9)</b>	<b>(20.3)</b>	<b>-</b>
NPBT	(22.2)	(1.9)	(20.3)	-
Income tax benefit	1.2	0.9	0.3	
Net Gain on Sale of Zuuse Shares <sup>1</sup>	3.1	0.6		
<b>NPAT</b>	<b>(17.9)</b>	<b>(0.4)</b>	<b>(17.5)</b>	<b>-</b>

(1) Other income excludes the gain on the sale of shares in Zuuse (FY19 = \$3.1m; FY18 = \$0.6m).

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

# Overview of MSL

*Technology Provider for the Sport, Leisure & Hospitality Industries*

## Who is MSL?

MSL is a Technology Provider who deliver cloud & on-premise solutions which manage and enhance member engagement in the Sport, Leisure and Hospitality industry.

## What does MSL do?

MSL provides software, support and professional services for transactions, membership management systems, golf world handicapping and real time analytics.

**\$17.6<sup>m</sup>**

FY2019  
Recurring revenue

**\$4.3<sup>m</sup>**

Increase in FY2019 OPEX  
Cost

**+20%**

FY19 SaaS revenue  
growth

**70%**

FY19 Recurring revenue ratio  
to OPEX (3mth trailing)

**\$27.8<sup>m</sup>**

FY2019  
Total Revenue

**1,220+**

Clients

For personal use only

# MSL – Q1 Performance (unaudited, management accounts)

Revenue up 6%, Operating costs down 6% – EBITDA \$767k ahead of PCP

The monthly OPEX in Oct 19 (\$1.662 m) is \$422k lower than the average OPEX in July 19 & Aug 19 (\$2.084 m). It is the beginning of the turnaround.

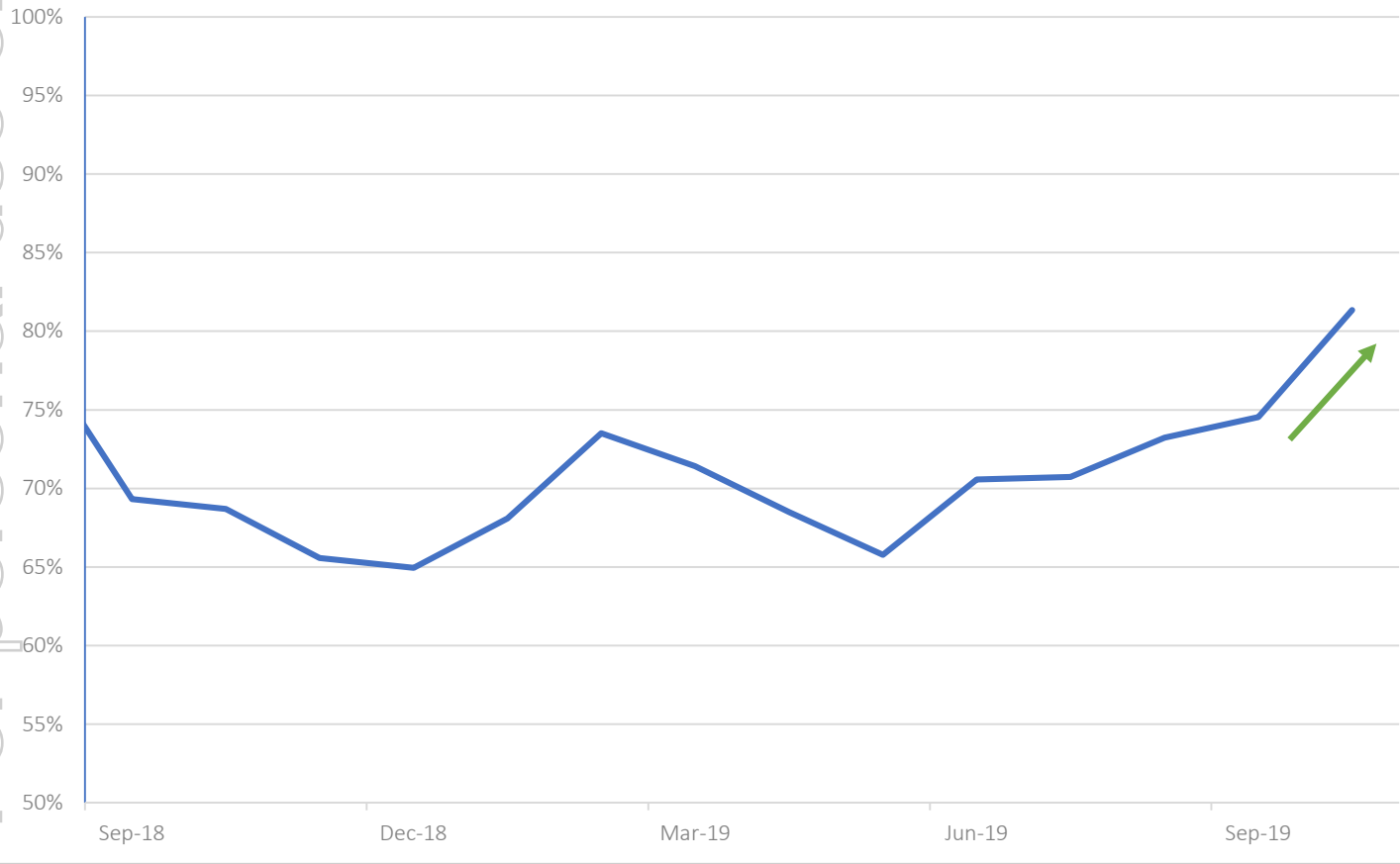
MSL SOLUTIONS LIMITED	Q1FY19	Jul-19	Aug-19	Sep-19	Q1FY20	VARIANCE		Oct-19
A\$'000						Q1FY19 v Q1FY20		
						\$	%	
<b>Revenue</b>	6,056	2,106	2,410	1,900	6,416	360	6%	2,349
Recurring Revenue - base	4,341	1,458	1,468	1,475	4,401	60	1%	1,491
Non-recurring Revenue	1,715	649	942	425	2,016	301	18%	858
Recurring as a % of total	72%	69%	61%	78%	69%			63%
<b>Gross Margin</b>	4,420	1,575	1,749	1,506	4,830	410	9%	1,736
Recurring Revenue - GM \$	3,759	1,244	1,257	1,266	3,767	8	0%	1,283
Non-recurring GM \$	661	331	492	240	1,063	402	61%	453
<b>Gross Margin</b>	73%	75%	73%	79%	75%		2%	74%
Recurring Revenue - GM%	87%	85%	86%	86%	86%		-1%	86%
Non-recurring GM %	39%	51%	52%	56%	53%		14%	53%
<b>Headcount Costs</b>	(4,639)	(1,636)	(1,490)	(1,341)	(4,467)	172	-4%	(1,268)
<b>Non-headcount costs</b>	(1,623)	(487)	(555)	(395)	(1,438)	185	-11%	(394)
<b>Operating expenses (OPEX)</b>	(6,262)	(2,123)	(2,045)	(1,743)	(5,905)	357	-6%	(1,662)
<b>EBITDA</b>	(1,842)	(548)	(296)	(237)	(1,075)	767	42%	74



# MSL – Target of Recurring Revenue to OPEX 100%+

For personal use only

Trailing 3 month: Recurring Revenue as Coverage of OPEX

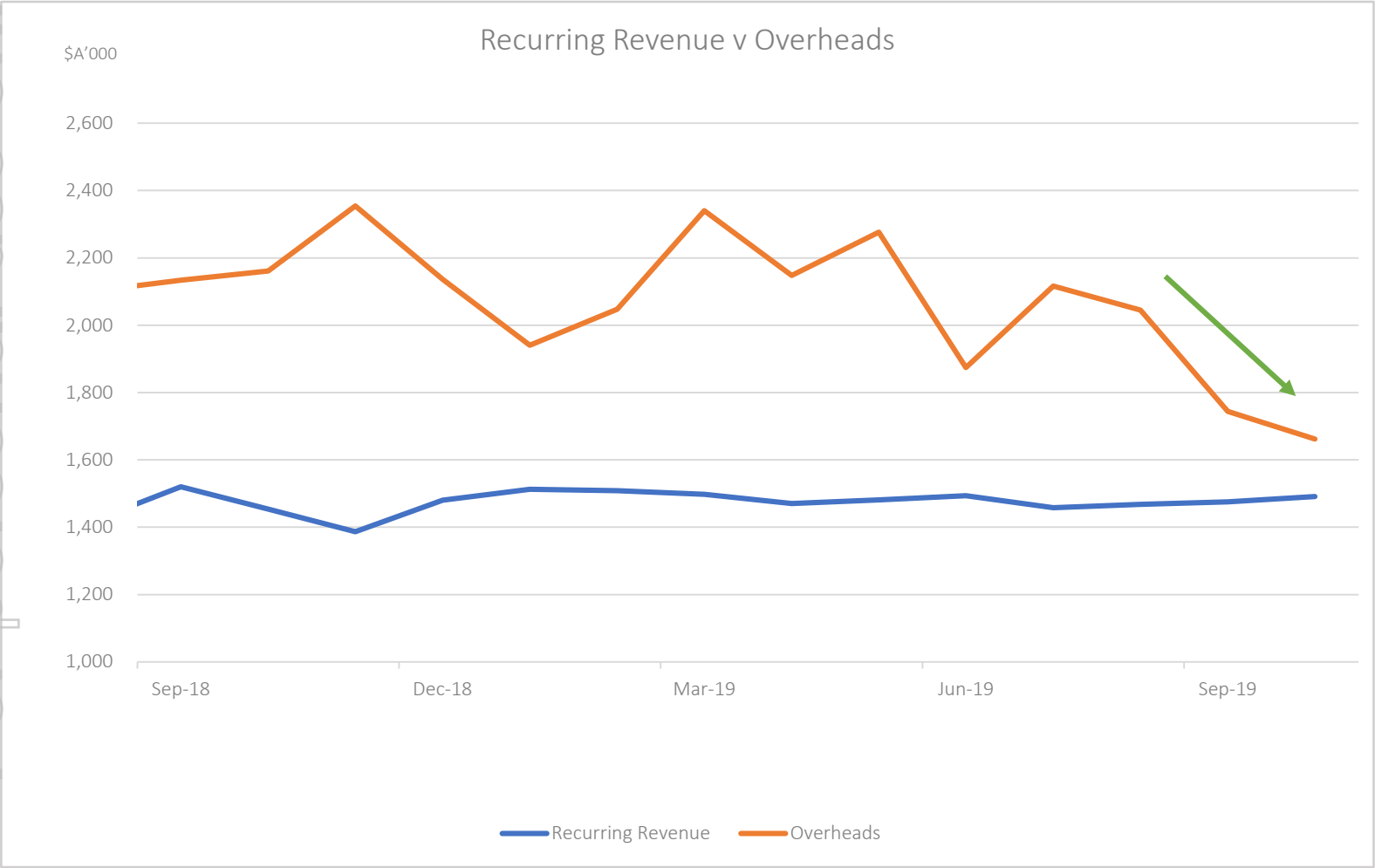


Commentary:

- Stage 1:
  - Recurring Revenue (3 month trailing exceeds OPEX (3 month trailing) – currently forecast for Q4FY20;
  - Continue to align OPEX to profitable, growth sectors (region and products) – note 75% of OPEX in headcount.
- Stage 2:
  - Focus on Recurring Margin exceeding OPEX;
  - Measure and reduce customer churn.

# MSL – Target of Recurring Revenue to OPEX 100%+

For personal use only



Commentary:

- Stage 1:
  - Recurring Revenue (3 month trailing exceeds OPEX (3 month trailing) – currently forecast for Q4FY20;
  - Continue to align OPEX to profitable, growth sectors (region and products) – note 75% of OPEX in headcount.
- Stage 2:
  - Focus on Recurring Margin exceeding OPEX;
  - Measure and reduce churn of recurring revenue.

# Building for Growth & Profitability

## FOCUS INITIATIVES

1. Return MSL to profitability and generating positive operating cashflows.
2. Drive sales and recurring revenue growth.
3. Customer focus in our core sectors –Stadia, Hospitality & Golf - generated out of our teams in Australia, UK & Denmark.
4. Changes at Board and Executive Management.



## OUTCOMES YTD

1. Stronger balance sheet. Green shoots have begun as the recurring revenue to OPEX improvement illustrates.
2. Continue Recurring revenue growth.
3. We continue to be in the best stadiums globally, a leader in Golf World Handicapping and dominate Golf Management in Australia & Scandinavia.
4. Rightsized the business and improved operations.

- \$2.73M - Successful Share Placement with Institutional Investors (4th November);
- Share Purchase Plan (SPP) to Eligible shareholders is currently in place to give existing shareholders the same opportunity as the Institutional Investors (announced 25th November);
- The use of funds will be determined by the amount raised from this SPP, however, it is expected the majority (if not all) will be used for working capital purposes as a continuation of the process that was announced in August 2019 to refocus the company to return the business to profitability and positive operating cashflow.

# MSL Outlook

Recurring Revenue (3 month trailing) exceeds OPEX (3 month trailing)

Q4 FY20 (Q4 FY19 : 70%)

Recurring Gross Margin (3 month trailing) exceeds OPEX (3 month trailing)

Q4 FY21 (Q4 FY19 : 60%)

Non-recurring revenue margin increased by 5-10%

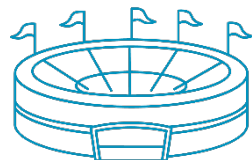
FY20 (FY19 : 48.2%)

*The future for MSL is to focus on our products and our sales to generate profits from our UK, European and Australian operations, whilst seeking to divest non-core assets on a case-by-case basis.*

# M-POWER MSL

ASX:MPW

STADIA & ARENA



SPORTING ASSOCIATIONS



CLUBS & PUBS



GOLF

