

MSL Solutions Ltd
(ASX:MPW)

Company Overview
Half Year Results FY20

For personal use only

IMPORTANT NOTICE & DISCLAIMER

This document is issued by, and approved for distribution by, the Board of Directors of 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.

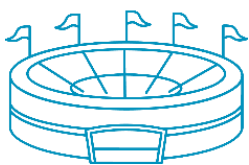
Information in this document (“Confidential Information”) is confidential and by accepting the invitation and attending this presentation you agree to keep this information confidential and not to disclose it to anyone within your organisation except on a need-to-know basis and subject to these restrictions, 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.

KEY MESSAGES

For personal use only

STADIA & ARENA



GOLF



CLUBS & PUBS



SPORTING ASSOCIATIONS



- *MSL has gone through a period of right sizing, impairment of goodwill, bad debt review and recapitalising the balance sheet.*
- *Review of sustainable and non-sustainable operations has been completed, including the sale of iSeekGolf.com*
- *Significant decrease in Operating costs with full impact not to be realised until FY21.*
- *Recurring revenue has had modest growth*
- *Global Launch of World Handicapping, now completed in 7 countries*
- *Share price discount compared with peer basket on EV/recurring revenue*

MOBILE POS



REAL-TIME ANALYTICS



VENUE ANALYTICS

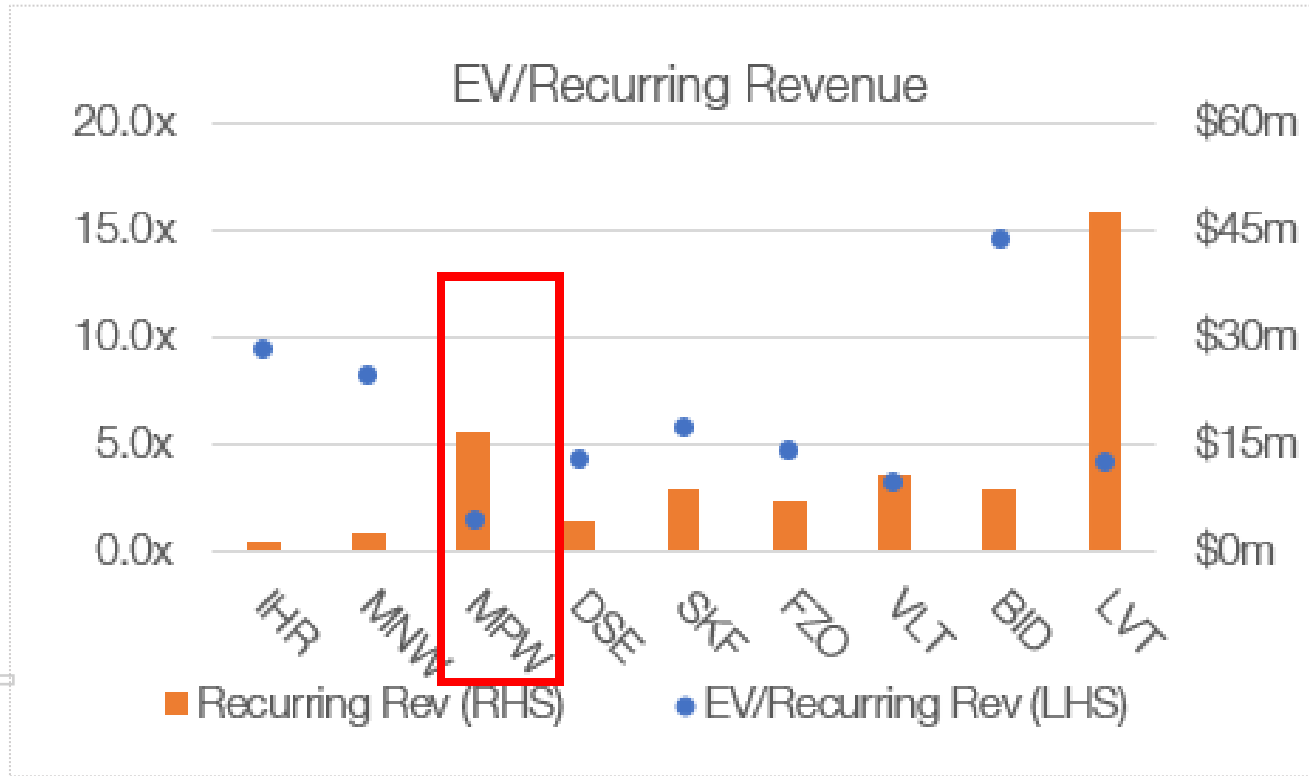


CLOUD GOLF SOLUTIONS



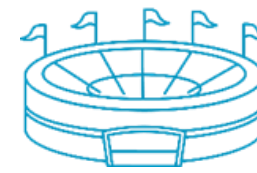
MSL Share price discount compared with peer basket

For personal use only



Source: Blue Ocean Equities

STADIA & ARENA



GOLF



MOBILE POS

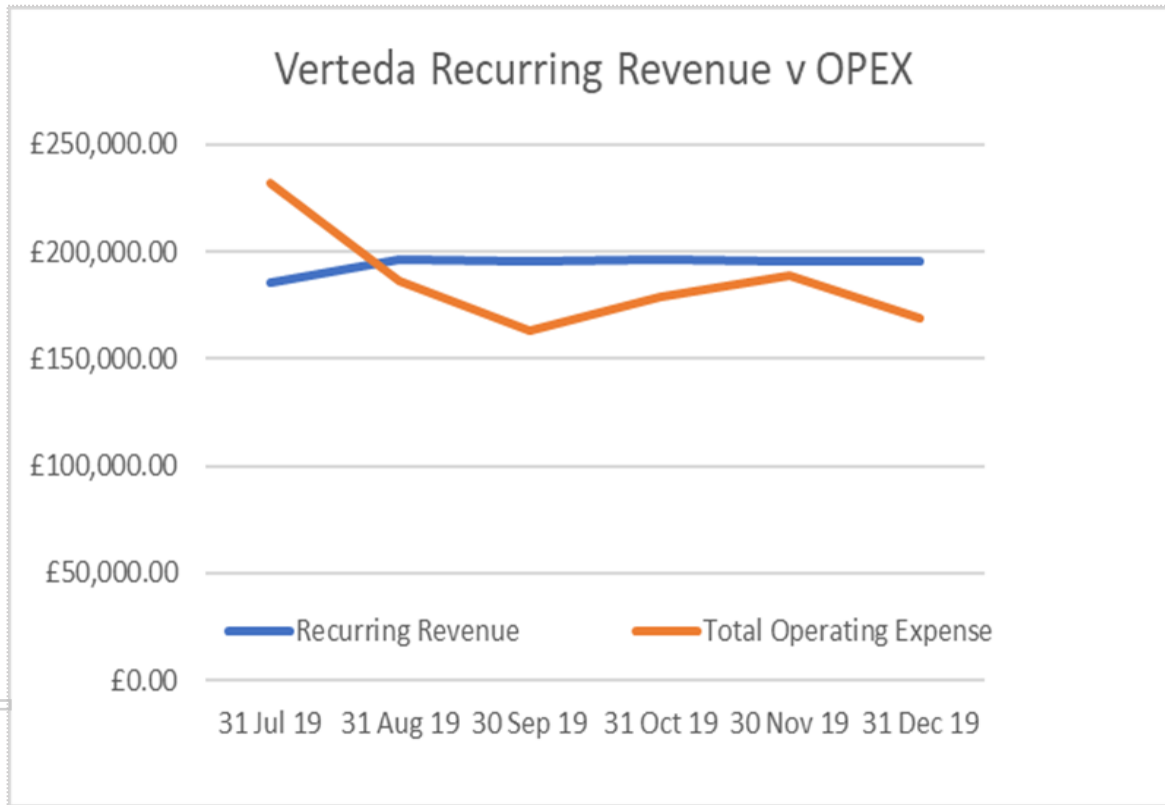


REAL-TIME ANALYTICS



Focus on Profitability - 2 out of 3 regions now profitable

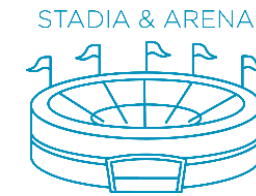
For personal use only



European Golf business (Golfbox) and UK venues business (Verteda) now profitable

Further work to do in Australia to match Opex expenditure to recurring revenues.

Australian pipeline strongest of all regions



MSL Operational FY20 Goals and Scorecard

Successful
On track
At Risk
Unsuccessful
Work In Progress

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

Q4 FY20 (June 2019 : 70%) Approaching 90%

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

Q4 FY21 (June 2019 : 60%)

Non recurring revenue margin increased by 5-10%

FY20 (FY19 : 48.2%)

Operational efficiencies

Opportunities identified Oct 30, commence implementation Nov 30

Annual recurring revenue growth \$1.7m per year

FY20 ongoing – FY18: \$1.8m, F19 : \$1.7m

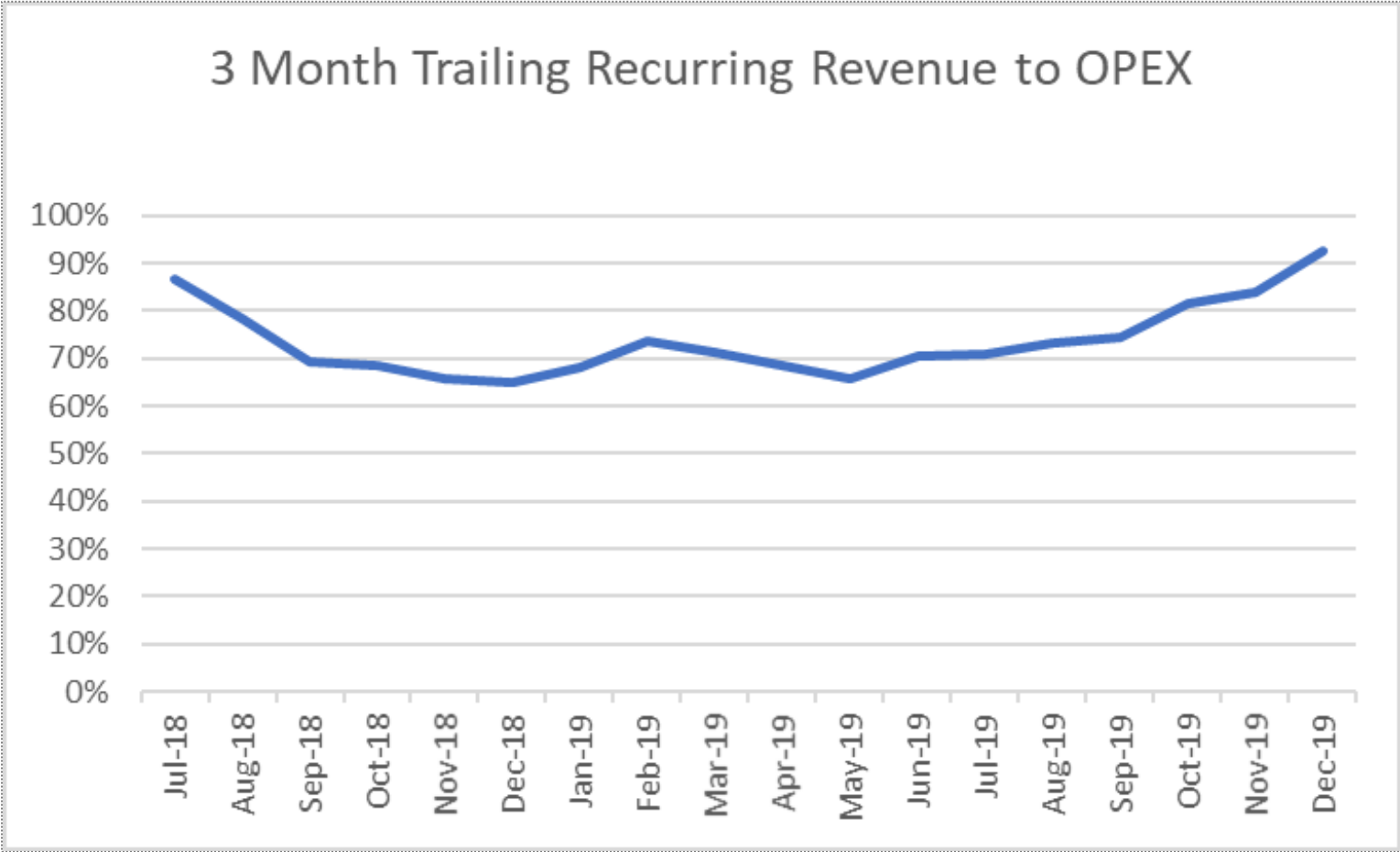
Customer Churn – 3 month trailing (reported on quarterly)

Q4 FY20 Less than 2%

For personal use only

MSL – Target of Recurring Revenue to OPEX 100%+

For personal use only



MSL – Cleaning house

Building the base

- Review of bad debt, 79% relates to 2-3 year old aged debtor with legal proceedings implemented
- Full impairment of \$10.7m of goodwill intangibles
- EBITDA losses have begun to turnaround off the back of a sustainable operations base
- Further Opex reductions will be realised in last quarter of FY20
- Contracts have been won but not recognised in 1HFY20 results with Jan 20 and Feb 20 showing continued improvement

Consolidated summary of results for the half year ended 31 December 2019	1HFY20	1HFY19
Statutory results	A\$'000	A\$'000
Revenue	12,926	13,914
Cost of sales	(3,702)	(3,982)
Gross margin	9,224	9,932
Operating expenses	(10,787)	(12,951)
EBITDA *	(1,563)	(3,019)
Depreciation and amortisation	(2,833)	(2,436)
Restructure and transaction costs	(936)	(76)
Expected credit loss - prior period	(616)	-
Impairment expense	(10,672)	-
EBIT	(16,620)	(5,531)
Net finance income/(costs)	(139)	-
NPBT	(16,759)	(5,531)
Income tax benefit	776	1,881
NPAT	(15,983)	(3,650)

MSL – Key Financial Metrics (1st Qtr. & 2nd Qtr.)

Consolidated summary of results for the half year ended 31 December 2019					Jul-Sept 19		Oct-Dec 19	
	1HFY20	1HFY19	\$ Var	% Var	A\$'000	A\$'000	A\$'000	A\$'000
EBITDA	A\$'000	A\$'000	A\$'000	%				
Revenue	12,926	13,914	(988)	-7.1%	6,416	6,510		
<i>Recurring Revenue</i>	8,849	8,661	188	2.2%	4,400	4,449		
<i>Non-Recurring Revenue</i>	4,060	5,233	(1,173)	-22.4%	2,016	2,044		
<i>Other Income</i>	17	20	(3)	-15.0%		17		
<i>Recurring Revenue as a % of total revenue</i>	68.5%	62.2%	6.2%		68.6%	68.3%		
Gross Margin \$	9,224	9,932	(708)	-7.1%	4,828	4,396		
Headcount Costs	(8,427)	(9,655)	1,228	12.7%	(4,467)	(3,960)		
Non-Headcount Costs	(2,360)	(3,296)	936	28.4%	(1,438)	(922)		
Operating Expenses	(10,787)	(12,951)	2,164	16.7%	(5,905)	(4,882)		
EBITDA *	(1,563)	(3,019)	1,456	48.2%	(1,077)	(486)		

- Management implemented changes at end of August 2019
- 2nd Quarter has seen impact of initial changes but there are more to go.
- Two further redundancies of senior Executives reduce cost base by >\$0.5m

* EBITDA excludes the effects of significant non-recurring items of income and expenditure which may have an impact on the quality of earnings such as restructuring and transactions costs, material credit loss provision increase relating to sales and revenue from prior periods, impacts from fair value movements through the income statement (including impairment of goodwill) and gains resulting from acquisition accounting.

Outlook

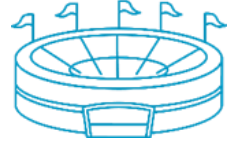
The key focus areas for FY20 are:

- *Managing operating expenses as a ratio of recurring revenues;*
- *Continuing the review of non-core products and businesses;*
- *Assessing opportunities to transition from a reseller model to owning our own intellectual property; and*
- *Improving the quality and strength of our pipeline and a focus on our core products.*

CLUBS & PUBS



STADIA & ARENA



MOBILE POS



REAL-TIME ANALYTICS



For personal use only

M-POWER MSL

ASX:MPW

STADIA & ARENA



GOLF



CLUBS & PUBS



SPORTING ASSOCIATIONS

