

28 February 2020: ASX RELEASE

MSL Solutions Limited (ASX:MPW)
Release of Appendix 4D and Interim Financial Report
31 December 2019

MSL Solutions Limited (“MSL” or “the Company”) today released its Interim Financial Report for the period 31 December 2019.

Financial Performance

The results for the 6 months to 31 December 2019 are summarised below:

- Recurring revenue of \$8.849 m up \$188 k from the prior corresponding period (pcp);
- EBITDA loss of \$1.563 m is an improvement of 48% from pcp;
- One-off charges as follows:
 - Goodwill impairment of \$10.672 m
 - Restructuring & transaction charges of \$936 k; and
 - Credit loss provision increase of \$616 k.

Balance Sheet

- Cash balance at 31 December 2019 of \$4.421 m v \$2.284 m as at 30 June 2019 following successful capital raisings to sophisticated and institutional investors, and to existing shareholders via a Share Purchase Plan;
- Increased provision of \$616 k against sales contracts and revenue recorded in prior periods; and
- Impairment of goodwill of \$10.672 m to nil as at 31 December 2019.

Patrick Howard, CEO of MSL described the 6 months to 31 December 2019 as “focusing on the rightsizing and recapitalising of the business, review of non-core products and businesses and a comprehensive review of the balance sheet.” He further stated that “the Company believes that with the improvement in the ratio between operating expenditure and recurring revenue it now has a baseline for shareholders to experience sustainable growth and a return to profitability.”

Outlook

The key focus areas for 2020 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.

Profit and Loss

Consolidated summary of results for the half year ended		
31 December 2019	Dec-19	Dec-18
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)

* 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 transaction 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.

Approved for distribution by the Board of Directors of MSL Solutions Limited.

MSL

MSL Solutions Limited (ASX: MPW) operates in the sports, leisure and hospitality sectors. Some of the world's iconic sports and entertainment companies and PGA's rely on MPower MSL every day. We create the systems that connect every department of a business from point of sale and membership to marketing and real time visibility on staff levels, customer engagement, profits and revenue. MPower MSL has 1,220+ customers with offices in Australia, UK and Denmark. To discover more about MPower MSL please visit www.mpowermsl.com.

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