

23 April 2020: ASX RELEASE

Appendix 4C – Q3 FY2020

MSL Solutions Limited (ASX: MPW) (“MSL or “the Company”) has today lodged its Appendix 4C cash flow report for the quarter ended 31 March 2020.

The cash flow results for Q3 FY2020 are attached and shows positive cashflow from Operating Activities of \$37k and overall positive cashflow of \$13k for the quarter. These results represent strong progress during the quarter against the Company’s stated objective to return the business to positive operating cashflow and profitability.

Q3 FY 2020 results are largely unaffected by the impact of COVID-19 on the broader economy and to the sectors in which MSL operates. The business right sizing and cash improvements undertaken by the Company during Q2 and Q3 FY20 allowed a rapid response to managing our cost base in line with an expected decrease in revenue as a consequence of COVID-19’s economic impact. These responses were detailed in our announcements dated 20 and 26 March 2020 respectively.

Further to those announcements, the Golf business continues to remain largely unaffected with revenues generated by Golf membership rather than Golf activities. The Company has identified further reductions in its operating cost base with the permanent reduction in salary costs via the planned departure of a number of resources (including contracting staff located outside of Australia and UK), resulting in a monthly decrease of \$80K. A review of IT and infrastructure costs and the consolidation of property leases are expected to yield further reductions in operating expenses over the next two quarters.

The Company will continue to closely monitor developments in relation to COVID-19 across its global operations including its eligibility to Government subsidies and support across the countries in which we operate.

The Company intends to access the Australian Federal Government Job Keeper program and the UK Coronavirus Job Retention Scheme. As detailed in the attached Appendix 4C, the Company has also been granted a debt repayment deferral with Westpac for six months in relation to its loan facility.

The Company is confident its balance sheet and available working capital provides a solid financial position and operational flexibility to resume full operations when the current community and business restrictions begin to lift.

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

About MSL Solutions Limited

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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Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

MSL Solutions Limited

ABN

96 120 815 778

Quarter ended ("current quarter")

31 March 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	6,703	21,154
1.2 Payments for		
(a) research and development	(933)	(3,380)
(b) direct costs of sales	(1,474)	(5,427)
(c) sales, advertising and marketing	(857)	(3,154)
(d) customer and technical services	(1,058)	(4,020)
(e) general and administration	(2,112)	(6,189)
(f) other working capital costs	-	-
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	77	104
1.5 Interest and other costs of finance paid	(66)	(231)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	40
1.8 Other (Restructuring Costs)	(243)	(1,179)
1.9 Net cash from / (used in) operating activities	37	(2,282)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses (see Item 10)	-	(180)
(c) property, plant and equipment	(8)	(22)
(d) investments	-	-
(e) intellectual property	-	(508)
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	50	50
	(c) property, plant and equipment	-	-
	(d) investments	-	652
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	212	212
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	254	204

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	5,431
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	(221)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(170)	(532)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (Principal element of lease payments)	(145)	(418)
3.10	Net cash from / (used in) financing activities	(315)	4,260

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	4,346	2,130
4.2	Net cash from / (used in) operating activities (item 1.9 above)	37	(2,282)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	254	204

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Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(315)	4,260
4.5	Effect of movement in exchange rates on cash held	37	47
4.6	Cash and cash equivalents at end of period	4,359	4,359

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	3,882	4,087
5.2	Call deposits	-	3
5.3	Bank overdrafts	-	(75)
5.4	Other (provide details)	477	331
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	4,359	4,346

6. Payments to related parties of the entity and their associates

6.1 Aggregate amount of payments to related parties and their associates included in item 1

6.2 Aggregate amount of payments to related parties and their associates included in item 2

**Current quarter
\$A'000**

121

Amounts included in item 6.1 are fees paid to Directors of the Company during the period.

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

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7. Financing facilities

Note: the term "facility" includes all forms of financing arrangements available to the entity.

Add notes as necessary for an understanding of the sources of finance available to the entity.

	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities	1,096	1,096
7.2 Credit standby arrangements		
7.3 Other (bank overdrafts)	542	0
7.4 Total financing facilities	1,638	1,096

7.5 **Unused financing facilities available at quarter end** 542

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

The Company put in place a \$2m facility with Westpac in October 2018, with an indicative interest rate of 6.6% and amortisation of the limit over 36 months. There are no financial covenants and the facility is secured by a GSA over the Australian entities of the MSL Group. The company has received approval from Westpac under the banks COVID-19 relief to defer monthly amortisation payments for 6 months. During this period, interest will continue to accrue and be capitalise against the loan balance. The facility term will extend a further 6 months to April 2022 to maintain the monthly amortisation payments.

The Bank overdrafts are held by the UK entities (£150k) and the Danish entity (DKK 1.0M) respectively.

The UK bank overdraft of £150 k is with Royal Bank of Scotland and is secured by a first ranking debenture over the UK entities of the MSL Group with an interest rate on drawn funds at B +3.3%.

The Danish bank overdraft of DKK1.0m is with Danske Bank and is unsecured with an interest rate on drawn funds at 6.95%.

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	37
8.2 Cash and cash equivalents at quarter end (Item 4.6)	4,359
8.3 Unused finance facilities available at quarter end (Item 7.5)	-
8.4 Total available funding (Item 8.2 + Item 8.3)	4,359
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1) Given positive cashflow from operating activities for the quarter, this metric is not applicable.	N/A

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

- Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer:

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer:

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer:

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 23 April 2020

Authorised by: By order of the Board



Andrew Ritter (Company Secretary)
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

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