

28 July 2020: ASX RELEASE

Business Update and Appendix 4C – Q4 FY20

Sports, leisure and hospitality SaaS technology provider MSL Solutions Limited (ASX: MSL, “MSL” or “the Company”) is pleased to provide its Appendix 4C cash flow report for the quarter ended June 2020. The report indicates that the challenges of COVID-19 have not prevented the Company from continuing to achieve a strong financial and operational turnaround.

Highlights:

- **78% year-on-year improvement in half-year cash performance, driven by strong customer engagement, new contract wins, a resilient Golf business and rigorous cost control**
- **MSL delivered growth in its recurring revenue despite the impacts of COVID-19 and business restructuring in FY20, reaching \$17.9m for the year ended 30 June 2020**
- **New product launches and reseller agreement with Kappture position MSL to expand its global market penetration into stadium and large event venues, focusing on growth opportunities across Europe, the UK and Asia-Pacific**
- **Healthy cash position of \$3.8 million as at 30 June 2020**

Operations

The Company experienced operating cash outflows of \$444k in Q4 FY20. Apart from the positive operating cashflow that the Company achieved in Q3 FY20, this represents the best operating cash outcome since June 2018, with quarterly cash outflows reduced by approximately 45% compared to the June 2019 quarter. The cash outflow for the 6 months to June 2020 of \$407k compares very favourably to the June 2019 half-year outflow of \$1.853m, representing a 78% year-on-year improvement in cash performance. Despite operating in market segments which have weathered COVID-related uncertainty, the Company is pleased that its proactive outreach to existing and new customers has yielded cash results in Q4 FY20 that are much improved from the previous corresponding period.

MSL’s cash performance has been underpinned by robust recurring revenues which have remained strong throughout the second half of FY20 allowing the Company to achieve annual growth. The unaudited recurring revenue of \$17.90m in FY20 was despite the Company providing short terms cash flow relief to support its customers by way of reductions or deferrals to their recurring revenue invoices. The improved cash management and balance sheet strength has allowed MSL to provide this critical support to its customers as conditions progressively return to normal.

The June quarter is traditionally a low seasonal invoicing period for MSL. Whilst we have secured new contracts such as the Yas Bay Arena (Abu Dhabi) and the Brisbane Racing Club in the last quarter, the impact of COVID-19 has slowed the rate of new sales. The Company is therefore pleased to have ended the quarter in a strong cash position of \$3.8m, with unused standby facilities available of \$488k.

In the June quarter, MSL introduced a range of innovative new products to help boost customers’ productivity as they re-open under changing health and safety regulations. These new products include in-seat ordering, click and collect, the Janus patron registration application and supportive analytics all designed to enhance the customer experience.

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During the quarter, MSL was pleased to introduce the modern and proven Kappture point of sale (POS) technologies to its customers, having signed a 5-year reseller agreement with Kappture's owner, Advance IT Limited. Kappture develops stadium and event-specific POS and payment technologies which enable multiple touch points with patrons. Kappture's technology is tailored to high-volume operations and can be integrated with MSL's own technologies in analytics, in-seat ordering and inventory management.

This reseller agreement empowers the Company to expand its global market penetration into stadium and large event venues from the current level of less than 5%, focusing on growth opportunities across Europe, the UK and Asia-Pacific. The range of strategic growth initiatives pursued during the quarter has broadened the Company's product offering, which is driving improving sales interest and an even stronger pipeline.

MSL Solutions CEO, Pat Howard, said:

"While no one could have foreseen COVID-19 last year, we are very fortunate that we have been focused on costs throughout the financial year, such that we had largely right-sized the business prior to COVID-19's impact. These actions have positioned us well for the future despite these challenging times and be ready to serve our customers with software solutions that can help them to build momentum and manage their customers better and more effectively.

"We are already seeing positive signs of growth in activity with our customers and larger partners, and look forward to delivering sustainable growth for all stakeholders in FY21 as customers increasingly adopt our safe and efficient technology solutions."

Corporate

On 29 May 2020, the Company proceeded with a change in its ASX Ticker Code from 'MPW' to 'MSL'. This change represented an important step in the Company's corporate and operational review and in the streamlining of the way in which customers, shareholders and employees identify with MSL's business.

On 25 May 2020, the Company advised of the expiry of 720,000 Unlisted Performance Rights, expiring 30 July 2022, which lapsed due to cessation of employment with the Company.

The Company's Appendix 4C – Quarterly Cash Flow Statement follows.

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

For further information, please contact:

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About MSL Solutions Limited

MSL Solutions Limited (ASX: MSL) is a SaaS technology provider which operates in the sports, leisure and hospitality sectors. Some of the world's most iconic stadium and large event venues, sports and entertainment companies and Professional Golfers' Associations (PGAs) rely on MSL every day. We create the systems that connect every department of a business, from point of sale and membership to marketing, providing real time visibility on staff levels, customer engagement, profit and revenue.

MSL has over 1,220 customers with offices in Australia, UK and Denmark. To discover more about 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")

30 June 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	5,237	26,391
1.2 Payments for		
(a) research and development	(969)	(4,755)
(b) direct costs of sales	(1,195)	(6,622)
(c) sales, advertising and marketing	(869)	(4,023)
(d) customer and technical services	(879)	(4,899)
(e) general and administration	(2,360)	(8,803)
(f) other working capital costs	-	-
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	8	112
1.5 Interest and other costs of finance paid	(38)	(269)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives*	621	661
1.8 Other (Restructuring Costs)	-	(925)
1.9 Net cash from / (used in) operating activities	(444)	(3,132)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities		
(b) businesses	-	(180)
(c) property, plant and equipment	(5)	(27)
(d) investments		
(e) intellectual property	-	(102)

* In Q4FY20, the Company received Australian Federal Government Jobkeeper payments of \$384k, Australian state Payroll Tax refunds of \$69k and UK Government Coronavirus Job Retention Scheme payments of \$AUD 164k.

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
	(f) other non-current assets		
2.2	Proceeds from disposal of:		
	(a) entities		
	(b) businesses	50	100
	(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
2.4	Dividends received (see note 3)		
2.5	Other (provide details if material)		
2.6	Net cash from / (used in) investing activities	45	655

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	-	(532)
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (Principal component of lease repayments)	(95)	(513)
3.10	Net cash from / (used in) financing activities	(95)	4,165

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	4,359	2,130
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(444)	(3,132)

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

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	45	655
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(95)	4,165
4.5	Effect of movement in exchange rates on cash held	(59)	(12)
4.6	Cash and cash equivalents at end of period	3,806	3,806

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	3,419	3,882
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (Term deposits supporting bank guarantees to property bonds)	387	477
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	3,806	4,359

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**

96

N/a

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

During Q4FY20, \$96k was paid to Directors being agreed fees for director services.

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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	1,097	1,097
7.2		
7.3	488	-
7.4	1,585	1,097

7.5 **Unused financing facilities available at quarter end** 488

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

The Danish bank overdraft of DKK 1.0m is with Danske Bank and is unsecured with an interest rate on drawn funds at 4.5%.

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(444)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	3,806
8.3 Unused finance facilities available at quarter end (Item 7.5)	488
8.4 Total available funding (Item 8.2 + Item 8.3)	4,294
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	9.7

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

1. 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: Not applicable

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: Not applicable

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: Not applicable

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: 28 July 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.