

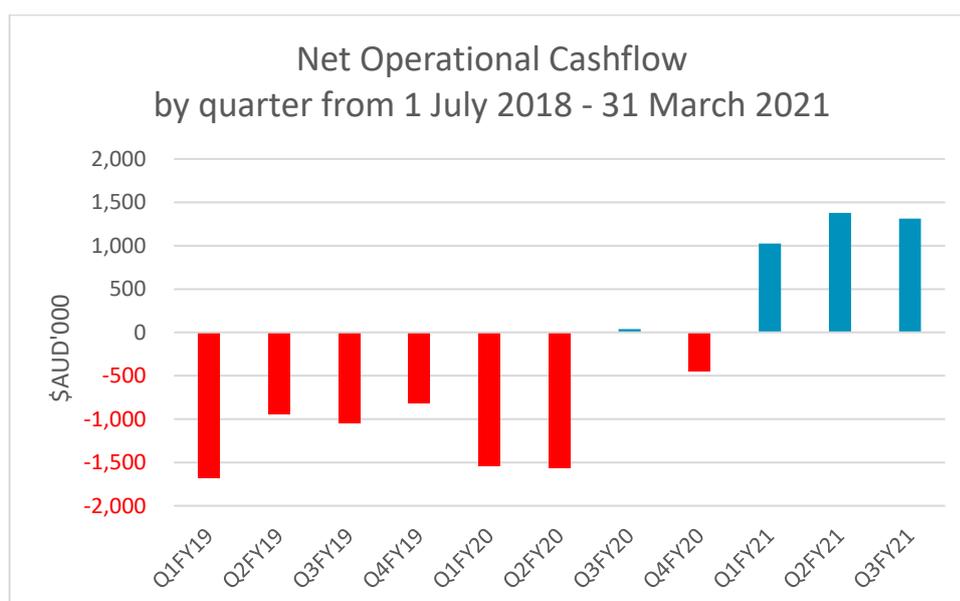
27 April 2021: ASX RELEASE

Business Update and Appendix 4C – Q3 FY21

Highlights

- MSL delivers its third successive quarter of positive operational cashflow, generating \$1.3 million from operating activities on \$7.2 million in customer receipts (+20% quarter-on-quarter)
- Consistently strong financial performance puts the Company on track for its first full financial year of operational cash flow generation since FY18
- SwiftPOS integration proceeding favourably, including the first version release as an MSL company
- Appointed distinguished industry veteran Tim Morgan as National Sales Manager
- After the end of the quarter, 5-year contract signed with leading global venue and event management company, ASM Global, to deploy mobile point-of-sale (POS) solutions to 22 ASM venues across the United Kingdom, providing a £188k (~AUD\$335k) boost to MSL's annualised recurring revenue with total contract value of £1.96 million (~AUD\$3.5 million)
- Cash balance of \$4.0 million as at 31 March 2021, with significant financial flexibility from undrawn facilities

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 31 March 2021.



Financial and operational performance

In Q3 FY21, MSL achieved its third consecutive quarter of positive operational cash flow, with net cash from operations rising by \$1.3 million year-on-year to \$1.3 million.

Building on MSL's strong H1 FY21 results, the Company is on track to record a full year of consistent cash generation from operations. This marks a step-change in the cashflow profile for the group, as indicated by the quarterly cashflow chart above.

The Company is proud to have achieved this result with reduced support from government subsidies in the quarter. The Company received \$AUD 50k in Government subsidies in the quarter, all from the UK Government Coronavirus Job Retention Scheme.

With a first full quarter contribution from SwiftPOS following its acquisition by MSL in November 2020, the Company achieved customer receipts of \$7.2 million, the highest quarterly total since Q1 FY20 and an increase of 20% from Q2 FY21.

Cost initiatives implemented last year kept operating expenses down during the quarter, supporting the outlook for earnings margins in the next phase of growth.

The Company retains significant financial flexibility. The Westpac facility remains undrawn with approximately \$840k available as at 31 March 2021, with overdraft facilities of approximately \$500k also undrawn. Repayments of the Export Finance Australia loan announced to the ASX on 14 December 2020 will commence on 30 April 2021.

After the end of the quarter, the Company continued its strong progress in Venues by signing a 5-year contract with leading global venue and event management company, ASM Global, to provide mobile point-of-sale (POS) solutions to 22 ASM venues across the United Kingdom.

This agreement will see some of the UK's most iconic sports, leisure and entertainment venues convert across to MSL and Kappture's stadium-specific POS solution, including:

- The 21,000-seat AO Arena in Manchester
- The 13,000-seat First Direct Arena in Leeds
- The 11,000-seat Utilita Arena in Newcastle
- The P&J Live Arena in Aberdeen, Scotland's largest entertainment venue
- The York Racecourse, an iconic horse racing venue in North Yorkshire

The contract will see MSL earn a combination of upfront software, hardware and services revenue plus annual support revenue over the initial 5-year term, with total contract value of £1.96 million (~AUD\$3.5 million) which will provide a boost to MSL's annualised recurring revenue of £188k (~AUD\$335k).

The contract builds upon MSL's existing relationships with ASM Global, Australia's largest venue operator, which in September 2020 saw the parties agree to a 5-year POS agreement covering RAC Arena in Perth, Australia.

Outlook

To varying extents, the activities of venue operators, sporting clubs and other MSL customers across leisure and hospitality continue to face the risk of disruption due to COVID-19. However, this risk has decreased over recent months, and while vaccine rollouts have been inconsistent across MSL's geographies, these efforts continue to support higher business confidence among our customers.

The UK particularly has benefitted from the pace at which it is vaccinating its population, while Australia's relatively low rates of community transmission have allowed an easing of the harsher restrictions on recreational activities which were imposed early in the policy response. This easing has allowed the Melbourne Cricket Ground to set a Southern Hemisphere post-pandemic record for event attendance on 25 March 2021, with fans numbering more than 51,000 to see Collingwood take on Carlton while as recently as 25 April 2021, 78,113 fans attended the Collingwood v Essendon match which is a global post-covid attendance record.

Management continues to explore acquisition and partnership opportunities which offer the potential to strengthen MSL's technology platform and product suite to accelerate revenue growth.

MSL Solutions CEO, Pat Howard, said:

“MSL is on track to achieve a full year of its operations generating the cash to fund its activities. This is an important milestone for our business as we continue to deliver our growth strategy.

“As venues and sporting organisations look to position themselves for the favourable conditions expected after the vaccine rollout, MSL’s upgraded product mix and growing international profile will fuel its ability to expand during the recovery.

“Recent strategic and marketing initiatives will allow the Company to leverage the shift from on-premises digital infrastructure to cloud-based infrastructure which was accelerated by the pandemic. Similarly, we expect the adoption of in-seat ordering and other guest experience enhancements that have been a by-product of restrictions to remain post-COVID and support interest in our POS extension and guest engagement solutions.”

Listing Rule 4.7C

In accordance with Listing Rule 4.7C, payments of \$109k made to related parties and their associates, included in item 6.1 of the Appendix 4C, are for Director fees and salaries (including superannuation and short-term incentive payments) paid to MSL Directors.

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 leading SaaS technology provider to the sports, leisure and hospitality sectors. We help some of the world's most iconic venues around the world - stadiums & arenas, pubs & member clubs, sporting associations, golf federations and more – to deliver outstanding customer experiences during every engagement.

MSL develops and delivers fully integrated and modular systems that connect customers to venues through mobile and contactless entry, ordering and payment solutions. We seamlessly connect front-of-house to back-office, offering an end-to-end guest engagement platform which provides actionable insights on key success metrics to venues of all sizes.

MSL Solutions has over 5,000 customers with offices in Australia, UK and Denmark. To discover more about MSL, please visit www.mclsolutions.com.

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 2021

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	7,175	19,862
1.2 Payments for		
(a) research and development	(1,034)	(2,641)
(b) direct costs of sales	(1,705)	(3,943)
(c) sales, advertising and marketing	(659)	(2,325)
(d) customer and technical services	(1,069)	(3,383)
(e) general and administration	(1,312)	(4,586)
(f) other working capital costs	-	-
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	14	32
1.5 Interest and other costs of finance paid	(107)	(249)
1.6 Income taxes received/(paid)	(37)	(59)
1.7 Government grants and tax incentives*	47	1,244
1.8 Other (Restructuring Costs)	-	(235)
1.9 Net cash from / (used in) operating activities	1,313	3,717
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	(4,250)
(b) businesses		
(c) property, plant and equipment	(5)	(24)
(d) investments		
(e) intellectual property	(288)	(828)
(f) other non-current assets		

* In Q3FY21, the Company received UK Government Coronavirus Job Retention Scheme payments of \$AUD 47k.

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	150
	(c) property, plant and equipment		
	(d) investments		
	(e) intellectual property		
	(f) other non-current assets		
2.3	Cash flows from loans to other entities	212	424
2.4	Dividends received (see note 3)		
2.5	Other (provide details if material)		
2.6	Net cash from / (used in) investing activities	(31)	(4,528)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)		
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		
3.5	Proceeds from borrowings	-	2,561
3.6	Repayment of borrowings	-	(1,198)
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (Principal component of lease repayments)	(106)	(356)
3.10	Net cash from / (used in) financing activities	(106)	1,007

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	2,814	3,806
4.2	Net cash from / (used in) operating activities (item 1.9 above)	1,313	3,717
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(31)	(4,528)

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

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)	(106)	1,007
4.5	Effect of movement in exchange rates on cash held	9	(3)
4.6	Cash and cash equivalents at end of period	3,999	3,999

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	3,642	2,457
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (Term deposits supporting bank guarantees to property bonds)	357	357
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	3,999	2,814

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**

109

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

7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i>		
<i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities	3,343	2,500
7.2 Credit standby arrangements		
7.3 Other (bank overdrafts)	479	-
7.4 Total financing facilities	3,822	2,500

7.5 Unused financing facilities available at quarter end	1,322
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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 had received approval from Westpac under the banks COVID-19 relief to defer monthly amortisation payments for 6 months. During this period, interest continued to accrue and be capitalised against the loan balance. The facility term has been extended a further 6 months to April 2022 to maintain the monthly amortisation payments. The balance owing as at 31 March 2021 is \$Nil with undrawn facility available of \$843 k.

During December 2019 the Company finalised and had fully drawn down a \$2.5m term loan facility with Export Finance Australia ("EFA"). The loan has an interest rate of Base Rate plus a margin of 6.8% payable quarterly in arrears for the term of the facility. The term of the facility is to 30 September 2023 with equal monthly repayments of principle commencing 30 April 2021 and continuing for the term of the loan. There is a financial covenant that the Company maintain a month end consolidated cash balance of \$AUD 1.5 mil increasing to \$AUD 2.5 mil after 30 June 2021 until the Final Repayment Date. The facility is secured by a GSA over the Australian entities of the MSL Group which ranks second behind the Westpac GSA and the overseas entities have provided guarantees. The balance owing as at 31 March 2021 remains \$2.5 mil.

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)	1,313
8.2 Cash and cash equivalents at quarter end (Item 4.6)	3,999
8.3 Unused finance facilities available at quarter end (Item 7.5)	1,322
8.4 Total available funding (Item 8.2 + Item 8.3)	5,321
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	N/A

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: 27 April 2021

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.