

28 April 2017

The Manager
Australian Securities Exchange
Level 5, 20 Bridge Street
Sydney NSW 2000



By Electronic Lodgment

March 2017 Quarter Update

MOQ Limited (ASX:MOQ) ("**MOQ**") is pleased to provide an update on its activities for the quarter ending 31 March 2017. MOQ also today released its Appendix 4C.

MOQ operates **MOQdigital**, an agile Systems Integrator that delivers technical solutions and drives outcomes for customers in a new digital world, and **Skoolbag**, a market leading Software-as-a-Service ("**SaaS**") communications platform.

Key Points:

- Continuing strong revenue in Q3 FY17 with solid sales pipeline momentum continuing into Q4 FY17.
- MOQ reaffirms revenue guidance of \$52-57m, however the blended gross margin is likely to be at the lower end of the 22%-25% previously published. Operational expenses (Opex) is consistent with previous guidance of \$8.9m - \$9.1m for FY17*.
- Cost reductions in the order of \$1.8 million p.a. have been realized as a result of recent management and staff changes. The Board believes MOQ now has a cost base commensurate with its current revenue base and has a leaner more agile management team.
- Investment into the Managed Services platform will continue through the remainder of this financial year with a focus on delivering exceptional customer service and improved scalability.
- Skoolbag has migrated its application suite to Microsoft Azure, which will enable the integration of leading complementary product technologies to enhance the Skoolbag customer offering and user experience and provide further product scalability.

*Guidance provided is excluding Corporate costs and one-off integration/transition costs

Business Update – Additional Information

- **MOQdigital**

The MOQdigital business provides consulting, integration, and managed services across infrastructure, applications and data across ANZ with a Centre of Excellence (“**COE**”) in Colombo, Sri Lanka. The COE provides cost effective highly skilled resources that allows MOQdigital to enhance its offer to its customers including 24*7 support.

MOQdigital’s activity in Q3 FY17 has been focused around the following key areas:

1. **Opportunity conversion and revenue generation** - the momentum of Q1 and Q2 has been successfully maintained, in what is typically the quietest quarter of the year. With the integration of Tetran nearing completion and an investment in new sales staff in NSW, a growing proportion of business is emanating from the NSW market – a critical component in our diversified growth strategy. Importantly the pipeline, in both NSW and Queensland leaves the business well placed for Q4.
2. **Continuing investment in Managed Services** – the program of works to improve business processes and scalability is progressing well and nearing completion. Kelly Wilkes, a senior MOQdigital executive, has been appointed as Regional Manager to our COE for Managed Services and has relocated to Sri Lanka. We have employed approximately 20 additional staff, mostly in Colombo, to cater for increased workloads as we onboard key clients whilst maintaining an exceptional customer service focus. The Toga Group (80 hotels), a new major long term managed service client, was successfully on-boarded in Q3 using a genuine partner model with the client, resulting in substantial service improvements. The Company has made an investment in a new IT Service Management platform that is due to go live in the current quarter at which point the COE will offer a truly scalable Managed Service platform.
3. **Achieved cost reduction** - we are pleased to announce a significant reduction in expenses in the order of \$1.8 million p.a., mainly through simplifying the senior management structure and via cost of sales savings in selected professional services practices. Importantly, these savings are a natural synergistic outcome of successfully consolidating four technology businesses over the past two years and will not impact MOQ’s ability to generate and deliver revenue or provide excellent customer service. MOQ now has a cost base commensurate with its current revenue base and has a leaner more agile management team.

Q3 is generally weak due to the holiday period resulting in weaker cashflows. Furthermore, Q3FY17 cashflows were impacted by a combination of other factors, including termination payments of \$225k as a result of management changes, continued investment into managed services of \$177k, as well as delayed receipt of receivables at the end of the quarter which were subsequently collected post 31 March 2017.

- **Skoolbag**

Skoolbag continues to execute on its product roadmap and sales strategy to grow product revenue by adding functionality, expanding geographically and targeting new industry verticals. It has recently migrated its application suite to Microsoft Azure, which will enable the integration of leading complementary product technologies to enhance the Skoolbag customer offering and user experience and provide further product scalability. The customer base now counts over 3,200 customer subscriptions.

About MOQ Limited

MOQ is a global award winning, cloud systems integrator with more than 200 employees which provides ICT Consulting, Integration, Managed Services and Solutions around data, applications, and infrastructure that enables digital business. Our strategy is to build annuity revenue streams through managed services and commercialised IP to capitalise on a rapidly growing digital economy.

Our purpose is to enable our customers to achieve more through the smart use of technology as they embrace digital transformation. We pride ourselves on building lifetime relationships with our customers by driving outcomes to get the best results the business needs.

For further information, please contact:

Brad Cohen

Company Secretary

bcohen@moqdigital.com.au

+61 2 8039 5015

Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Name of entity

MOQ Limited

ABN

94 050 240 330

Quarter ended ("current quarter")

31 March 2017

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	\$12,659	\$43,527
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(\$5,948)	(\$21,295)
(c) advertising and marketing	(\$69)	(\$276)
(d) leased assets		
(e) staff costs	(\$6,551)	(\$18,476)
(f) administration and corporate costs	(\$961)	(\$3,001)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	\$2	\$14
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	(\$23)	(\$134)
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(\$891)	\$359

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(\$55)	(\$191)
(b) businesses (see item 10)	-	-
(c) investments	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
	(d) intellectual property	-	-
	(e) other non-current assets	(\$4)	(\$41)
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment	-	-
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Working Capital adjustment paid	(\$98)	(\$404)
2.6	Net cash from / (used in) investing activities	(\$157)	(\$636)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	-
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	\$90
3.4	Transaction costs related to issues of shares, convertible notes or options	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	-	\$90

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of quarter/year to date	\$3,939	\$3,078
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(\$891)	\$359

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(\$157)	(\$636)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	90
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	\$2,891	\$2,891

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	\$2,891	\$3,939
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	\$2,891	\$3,939

6. Payments to directors of the entity and their associates

6.1 Aggregate amount of payments to these parties included in item 1.2

6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3

6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Current quarter \$A'000
\$444
-

Item 6.1 includes a payment for the termination of a director's executive employment contract.

7. Payments to related entities of the entity and their associates	Current quarter \$A'000
7.1 Aggregate amount of payments to these parties included in item 1.2	-
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

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8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	\$1,500	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		


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9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	-
9.2 Product manufacturing and operating costs	(\$5,800)
9.3 Advertising and marketing	(\$70)
9.4 Leased assets	-
9.5 Staff costs	(\$6,000)
9.6 Administration and corporate costs	(\$1,000)
9.7 Working Capital Adjustment - Tetran	-
9.8 Total estimated cash outflows	(\$12,870)

10.	Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1	Name of entity	-	-
10.2	Place of incorporation or registration	-	-
10.3	Consideration for acquisition or disposal	-	-
10.4	Total net assets	-	-
10.5	Nature of business	-	-

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.

Sign here:  Date: **27/04/2017**

(Director/Company secretary)

Print name: **Brad Cohen**

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly 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 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.