

MOQ Limited - Annual General Meeting

Wednesday, 22 November 2017

Chairman's Introduction

Good morning ladies and gentlemen,

It is my pleasure to welcome you to the MOQ AGM for 2017.

MOQ has once again significantly grown the business in Financial Year 2017. This has been achieved across all key Lines of Business together with the completion of the successful integration of two acquisitions – Tetran and SkoolBag.

Importantly, half of our overall 60% revenue growth has been achieved organically, with the remainder through acquisitions.

Whilst we are obviously pleased with this achievement, we recognise that this is just another step in the process of building a long term, sustainable, market leading, business – so as per last year, we are satisfied but not complacent.

The CEO, Joe D'Addio, will provide an assessment of how the business is tracking against our key performance indicators. Suffice to say, there remains significant room for improvement.

Looking forward, disruption in our market continues as Cloud adoption and solutions, such as Software as a Service products, mature and move more into the mainstream of the corporate IT thought process. This is creating increased opportunity for MOQ to expand our market presence, through our high value services offerings.

Whilst the original Consulting and Integration Services side of the business continues to be our major source of revenue, we are consistently adding capability in the Applications and Data space. In addition to the acquisition of SkoolBag, MOQ has further invested in bringing disruptive Software as a Service solutions to market, through partnerships announced with:

- Literatu – a tool to assist teachers to enhance student success through the data generated from different school systems.
- Unit4 – a Student Management System that is changing the landscape in the University and Higher Education market.

Our commitment to growing recurring services income has also benefited from the integration of the Tetran and MOQ Managed Services capabilities and leverage off the offshore capacity we now have available in Sri Lanka. The pipeline for these types of services is growing as we take that capability to market more aggressively to existing and new prospective clients.

We continue to look at focused acquisitions that will enhance our market offerings and presence. As always, the priority for any acquisition will be a strong cultural fit and an earnings accretive result.

I would like to thank our customers who continue to support and promote us through the industry, our key technology and services partners and suppliers, who continue to build market leading solutions allowing us to produce high quality outcomes for our clients and of course our staff who make it all happen!

Finally, to you, our shareholders, thanks for your patience and ongoing support as we build momentum. We continue to be focused on building MOQ into a quality asset with excellent returns.

Chief Executive Officer's Address

Good morning everyone and welcome to the MOQ AGM of 2017.

At last year's AGM, we stated that focus, investment and effort through 2017 would be on the integration of our strategic acquisitions into a single operating entity. I would like to report that through FY17 the majority of this work was completed and finalization occurred in late September of 2017.

MOQ now operates as a single integrated business and has over 250 staff, with major offices in Sydney, Brisbane and Colombo (SL) and a small presence in Melbourne and Auckland (NZ).

Total revenues for FY17 were over \$55 Million (as David mentioned – over 60% increase from FY16) earned by delivering a range of Services and our own Products, as well as through the sale of market leading Technology Solutions.

As a result of our efforts in FY17, we are now able to offer a comprehensive range of services and solutions into the Australian market covering Applications, Data and Infrastructure – including Advisory, Implementation and Operational Services directly aimed at assisting our clients to adopt and achieve successful outcomes from adoption of available and emerging digital technologies.

I would like to stress how important a year FY17 was for our business. As we move forward I have no doubt that we will further acknowledge the significance of the foundation we established in this period – including:

- The establishment of a market leading Managed Services line of business which included the rollout of Cherwell – a service management solution that will allow us to scale the business as we grow organically and through acquisition.
- Strengthening of our market position and presence in Sydney. We have consolidated two offices into one – we now have a single team operating out of a professional office in this key market for MOQ.
- Enhancement of our end-to-end offering for customers as they migrate to the cloud.
- Continued focus on the key Educational vertical market – through the acquisition of SkoolBag.
- Operationally – consolidating into a single, united and focused Executive team and right sizing our Operating Expenses line, commensurate with the size of company we are today but with the capability to grow into a bigger business.

As we strive to build a long term, sustainable business our Management team continually measure ourselves against 5 Key Performance indicators that David mentioned at last year's AGM.

This is how I have rated our **FY17** effort:

1. **Market Standing – our ability to attract and retain customers, staff and suppliers:**
this is embedded in our business and we have done well this year across all three,

increasing our client base, whilst retaining key clients from acquired businesses, maintaining a very low staff turnover, but making hard decisions on consolidation and “right people, right seats, right numbers” and finally suppliers – we have had great support from our main partners, as they continue to drive more business through us.

2. **Innovative Performance – what we are doing this year that we didn’t do last year:** Quite simply, we have significantly enhanced our market offering by successfully completing the M&A activity and the improvements to our Managed Services offering. This is a major achievement.
3. **Productivity – Making it easier for our customers to do business with us and for our staff to work at MOQ:** This is an area of constant focus for MOQ. We established a steering group to strategically guide us through our own digital business transformation process – in other words, make it inherent in everything we do. This year we re-architected our Business Reporting – for Pipeline and Opportunity Management, Professional Services Management and Project Delivery Management using cloud based technology from Microsoft. We have plenty of room for improvement in this space. We have migrated to a cloud based Managed Services offering called Cherwell, that will allow us to scale our business organically and through acquisition.
4. **Cash Flow** – We have managed our collections well, negotiated favorable credit terms with volume technology suppliers and qualified our potential clients for financial viability. Our cash position has been steady through the year, despite investment outgoings, driven by M&A and consolidation.
5. **Profitability** – Despite growing the top line significantly we were unable to meet our Profitability objectives in FY17 – both at the EBITDA and NPAT levels. This is directly attributable to two factors – which have now been addressed:
 - a. Additional expenses incurred due to not acting early enough in the M&A process to consolidate management seats, address duplication of roles and non-performing staff.
 - b. Our initial FY16 investment in the NSW business did not meet our financial return expectations and needed to be addressed. We are confident that we now have a foundation – customers and staff - to build a successful operation in NSW.

These are key learnings for future M&A activity and whilst the business that has emerged provides a solid platform for the future, the integration and learning experience had a major impact on our profitability in FY17. Moving forward, there is significant room for improvement.

So, as we are now well and truly into FY18, I can report that progress is steady, our opportunity pipeline is very healthy, especially in Managed Services and that we are building towards a strong conversion rate into H2 of FY18. Our Operating Expenses are under control and we are producing more consistent positive monthly returns. Demand for our services continues to be strong and our staff and client retention is excellent.

We have good sales momentum so we are focused on closing and delivering these opportunities for our clients and continuing to build on that success.

Our priorities for FY18 have not changed from those published in the FY17 Annual Report:

- Continue to organically grow the NSW operation through new client acquisition and increasing breadth of sale to existing clients;
- Leverage the FY17 investment in Managed Services business to win new clients and improve delivery efficiency;
- Capitalise on our Education market vertical focus and the digital disruption opportunities in that sector to introduce new vendor application partners;
- Further leverage the SkoolBag distribution platform which has over 3,200 customer subscriptions and over 1,000,000 end users to offer the K-12 market access to an enhanced range of services and tools;
- Continue to capitalise the booming Data Analytics and Business Intelligence market;
- Continue to assess acquisition opportunities focused on Recurring Services, SAAS applications and potential regional expansion into Victoria;
- Leverage our strong partnership with Microsoft in the Cloud and Application platforms space, where Microsoft is growing market share significantly; and very importantly
- Improve Operating Profit.

We started this journey just on two and a half years ago, as a \$27 Million business with a strategy to develop, build and acquire complementary Cloud focussed technology companies to capitalize on the emerging opportunity being presented by digital disruption. Whilst we are very active in seeking further M&A opportunities, through the investment and hard lessons learnt in FY17, MOQ is now, not only genuinely placed to grow the business organically over the next few years, but much better able to qualify, manage and execute on acquisition opportunities that are identified.

This is an exciting time for MOQ. I would personally like to take the opportunity to thank all our staff who have come together over the last few years and are now working as one MOQ team, focused on exceptional customer service and positive outcomes for our clients.

Our ambition remains unchanged - to sustainably grow and build a market leading, respected business which with execution, gives me the confidence that this will lead to increased shareholder value and returns.

Thank you for your ongoing support for MOQ Limited.