



M-POWER MSL

Developing Loyal Communities

MSL Solutions Limited (ASX:MPW) H12018 Investor Update

A black and white photograph of a large crowd of people, with many hands raised in the air, suggesting a concert or a large gathering. The image is slightly blurred, focusing on the movement and energy of the crowd.

Our Vision

MSL exists to Develop Loyal Communities for Sports, Leisure & Hospitality businesses.

We believe everyone wants a premium, personalised experience being part of a community organisation.

We leverage our unique software & data platform to drive customer loyalty.



Highlights:

Winning strategy in large global market:

- Fragmented market spend \$7.6bn per annum on software and growing at 2.4% CAGR;
- Momentum in Australasia, Europe, US and UAE.

Platform for growth:

- Strong balance sheet, with no debt & cash of \$6.5m;
- CAGR on statutory revenue of 60% since FY15;
- Advancing acquisition opportunities.

Results in line with expectations:

- Revenue of \$14.4 million for the half-year;
- Recurring annuity revenue 52% of total revenue, an increase of 30%.

Financial highlights: on track to meet guidance

\$6.5m

Net Cash
No Debt

\$14.4m

Revenue
41% annual target

52%

Recurring
Revenue

60%

3-Yr CAGR
*on statutory
revenue*

\$2.3m

R&D
*16% Revenue; All
Expensed*

\$(0.2)m

EBITDA
*Adjusted, Profit
skew to H2*

Global Market Evolution

34k+

Global Golf
Facilities

10k+

Stadia
Worldwide

\$7.6bn

Annual
tech spend

6k+

Clubs in
Australia

68%

Of Australia
a Member

Plus growth in Leisure facilities, Franchise chains and Boutique Retirement Living.

Technology Trends Clear:

- **Engagement:** Target a totally integrated & immersive member/fan engagement experience to drive increased visitation and revenues;
- **Data:** Capture & leverage data insights, look for predictive analysis;
- **Cloud & Mobile:** This deployment of technology has relative cost efficiencies & provides customer convenience;
- **Open Platforms:** Future proofs the business for technology enhancements that are available at a rapidly increasing rate.



Winning Business Model

- **Install Base:** Growing in over 2,000 clients in 20+ countries serviced by MSL team of 140+ employees in Australia, UK & Denmark offices;
- **Full Venue Focus:** Successfully deploying software & data solutions on a modular basis, and integrating best of breed 3rd party solutions. We focus on the venue and the member/fan community covering membership / CRM, marketing, loyalty, data analytics, food & beverage point of sale as well as back office financials & workforce management;
- **Scalable Business Development:** An internal sales force supported by licenced resellers, key industry association endorsements and online subscriptions;
- **Revenue Generation:** Customers get a return on investment on fees paid in less than 12 months. Target growth of annuity fees (currently > 50% of revenues). Modular solutions sold generating recurring annuity subscription and support fees, upfront software licencing & install fees, database media revenue & transaction fees;
- **Growth Strategy:** Competing in an extensive fragmented market provides great opportunity to add value. Focus is to grow organically in the target segments; cross-sell products across regions and to accelerate growth through strategic acquisitions.



Business Highlights: H1 FY18

Venues

- First European stadium outside of the UK;
- Village Roadshow upgrade – first TopGolf site in Australia & deployment of membership product into US site.

Golf

- Expansion of tournament solution into Singapore, now 16 national unions using the solution;
- Endorsement of MSL products by the PGA's of Europe.

Business Intelligence

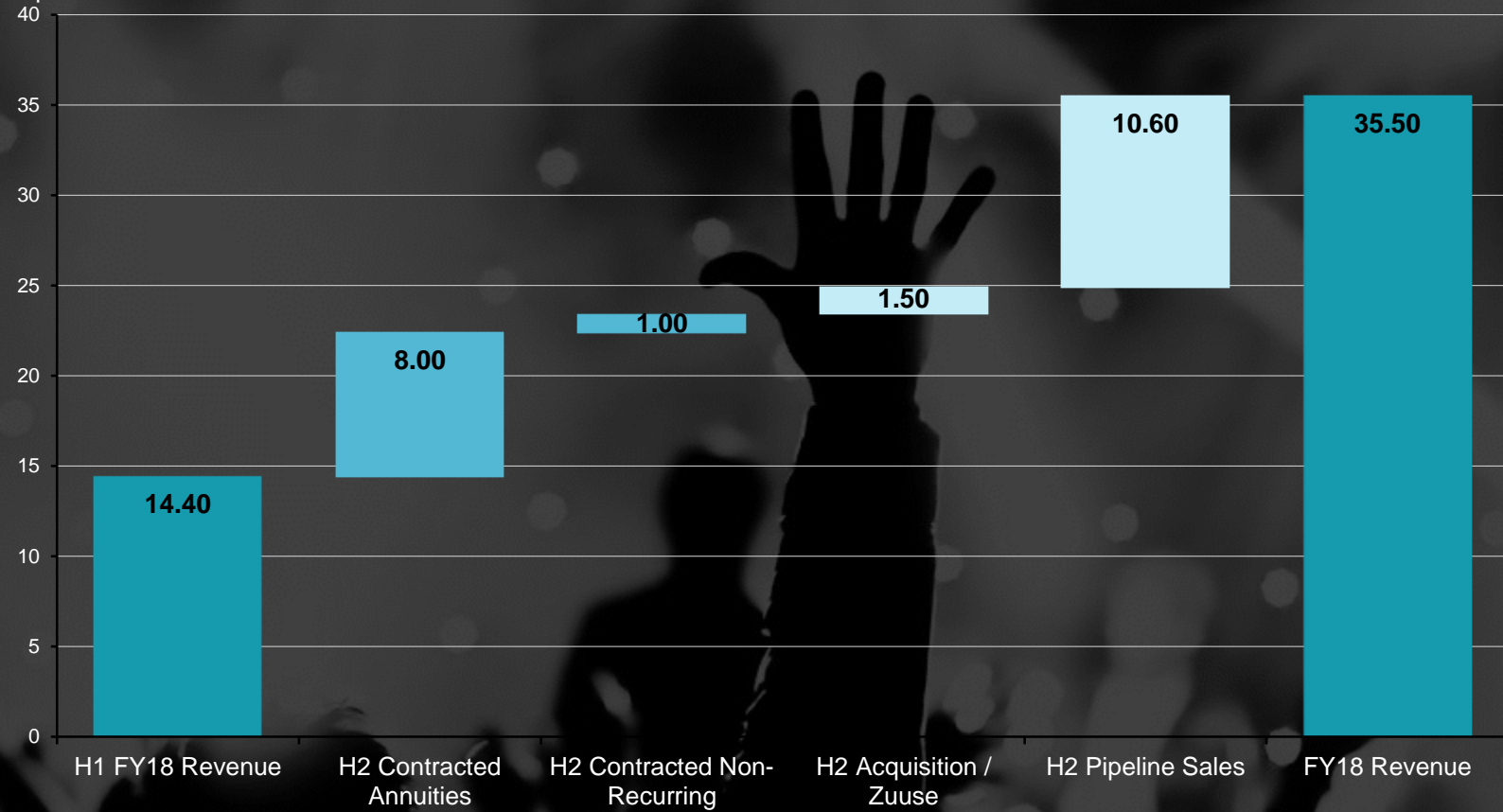
- Endorsement by Maxgaming (Tatts) in their client roadshow;
- Growth into 60+ venues.

Media

- Partnership with Community First Credit Union;
- Xcite Media assets adding 130+ NSW customer sites.

Outlook to deliver forecast guidance:

Revenue
A\$m



Appendix



Balance Sheet

A\$m	Dec 2017	June 2017
Cash & cash equivalents	6.5	11.7
Trade & other receivables	6.5	7.2
Assets held for sale	2.2	2.2
Property, Plant & Equipment	0.3	0.3
Intangible assets	39.7	41.9
Other assets	0.5	1.0
Total Assets	55.7	64.3
Trade and other payables	(4.3)	(6.8)
Provisions	(4.5)	(6.7)
Borrowings	-	(0.2)
Deferred tax liability	(3.5)	(4.0)
Deferred revenue	(5.4)	(5.8)
Total Liabilities	(17.7)	(23.5)
Net Assets	38.0	40.8

Key Notes:

- Strong balance sheet.
 - Cash of \$6.5m, No Loan Debt;
 - Current ratio of 1.7 (excluding deferred revenue)
- Assets held for sale relate to Zuuse Pty Ltd, being held at 6c per share. Other receivables include a loan owing from Zuuse of \$0.8m.
- Intangible assets relate to acquired businesses
- Other payables include deferred consideration on business combinations
- Net Deferred tax liability primarily relates to intangible assets, partially offset by deferred tax asset for carried forward tax losses.

Cashflow

A\$m	H1 FY18	H1 FY17
EBITDA (incl significant items)	(0.7)	(1.7)
Working capital	0.1	0.8
Non-cash items	(0.3)	(0.6)
Interest received / (paid)	0.1	(0.4)
Net Operating Cash Flow	(0.8)	(1.9)
Capex	(0.2)	(1.5)
Free Cash Flow	(1.0)	(3.4)
Business combinations	(4.0)	(14.9)
Net proceeds on issue of share capital	-	1.0
Net proceeds on issue of borrowings	(0.2)	16.1
Net Cash Flow Movement for the Year	(5.2)	(1.2)
Net Cash Balance	6.5	1.4

Key Notes:

- Strong cash balance of \$6.5m at December 2017 with no loan debt
- Deferred acquisition payments of \$4.0m during the period

Profit & Loss - Statutory

A\$m	H1 FY18 Statutory Actual	H1 FY17 Statutory Actual
Revenue	14.4	9.2
Cost of Sales	(3.9)	(2.1)
Operating Expenses	(10.7)	(6.9)
Adjusted EBITDA	(0.2)	0.2
Significant items	(0.5)	(1.9)
EBITDA	(0.7)	(1.7)
Depreciation	(0.1)	(0.1)
Interest	0.1	0.0
Tax	0.3	1.0
NPATA	(0.4)	(0.8)
Amortisation	(2.1)	(2.1)
NPAT	(2.5)	(2.9)

Key Notes:

- Significant income & expense items of \$0.5m are detailed in note 5 of the financial statements
- R&D costs fully expensed
- Tax benefit due to R&D tax incentives
- Amortisation relates to the acquisition of intangibles

Profit & Loss – Pro Forma

A\$m	H1 FY18 Pro Forma Actual	H1 FY17 Pro Forma Actual
Recurring revenue	7.5	5.7
Non-recurring revenue	6.9	8.5
Revenue	14.4	14.2
Cost of Sales	(3.9)	(3.7)
Operating Expenses	(10.7)	(10.0)
Adjusted EBITDA	(0.2)	0.5
Significant items	(0.5)	-
EBITDA	(0.7)	0.5
Depreciation	(0.1)	(0.1)
Interest	0.1	-
Tax	0.3	(0.1)
NPATA	(0.4)	0.3
Amortisation	(2.1)	(2.1)
NPAT	(2.5)	(1.8)

Key Notes:

- Recurring revenue increase of 30% on a pro forma basis, showing strong annuity growth
- Timing of non-recurring revenue from hardware sales and project implementation revenue impacted the results
- Operating expenses increased by \$0.5m (in constant currency), reflecting investment in new overseas markets and appointment of senior resources to implement growth strategy

H1 FY18 Statutory Results

MSL GROUP SUMMARY	MPower Venue			MPower Golf			MPower Media			MPower BI			Corporate			MSL TOTAL		
STATUTORY RESULTS (A\$'000s)	H1 FY17	H1 FY18	H1 Variance	H1 FY17	H1 FY18	H1 Variance	H1 FY17	H1 FY18	H1 Variance	H1 FY17	H1 FY18	H1 Variance	H1 FY17	H1 FY18	H1 Variance	H1 FY17	H1 FY18	H1 Variance
Annuity Revenue	2,862	3,742	880	1,819	3,233	1,414	0	259	259	135	265	130	0	0	0	4,816	7,499	2,683
Other Revenue	2,159	5,516	3,357	2,047	1,201	(846)	163	79	(84)	16	95	79	0	0	0	4,385	6,891	2,506
Total Revenue	5,021	9,258	4,237	3,866	4,434	568	163	338	175	151	360	209	0	0	0	9,201	14,390	5,189
3rd Party COGS	(1,897)	(3,446)	(1,549)	(150)	(392)	(242)	0	(4)	(4)	(20)	(29)	(9)	0	0	0	(2,067)	(3,871)	(1,804)
Overheads	(2,150)	(5,009)	(2,859)	(3,149)	(2,984)	165	(264)	(306)	(42)	(345)	(383)	(38)	(998)	(2,050)	(1,052)	(6,906)	(10,732)	(3,826)
Total Expenses	(4,047)	(8,455)	(4,408)	(3,299)	(3,376)	(77)	(264)	(310)	(46)	(365)	(412)	(47)	(998)	(2,050)	(1,052)	(8,973)	(14,603)	(5,630)
EBITDA	974	803	(171)	567	1,058	491	(101)	28	129	(214)	(52)	162	(998)	(2,050)	(1,052)	228	(213)	(441)
Significant items													(1,937)	(517)	1,420	(1,937)	(517)	1,420
Depreciation													(75)	(106)	(31)	(75)	(106)	(31)
Amortisation													(2,104)	(2,136)	(32)	(2,104)	(2,136)	(32)
Interest													(37)	81	118	(37)	81	118
Tax													1,005	375	(630)	1,005	375	(630)
NPAT	974	803	(171)	567	1,058	491	(101)	28	129	(214)	(52)	162	(4,146)	(4,353)	(207)	(2,920)	(2,516)	404
NPATA	974	803	(171)	567	1,058	491	(101)	28	129	(214)	(52)	162	(2,042)	(2,217)	(175)	(816)	(380)	436

Note: Refer to the interim financial report for the period ended 31 December 2017 for more details. Note 5 details the significant one-off income and expense items.

H1 FY18 Pro Forma Results

MSL GROUP SUMMARY	MPower Venue			MPower Golf			MPower Media			MPower BI			Corporate			MSL TOTAL		
PRO FORMA RESULTS (A\$'000s)	H1 FY17	H1 FY18	H1 Variance	H1 FY17	H1 FY18	H1 Variance	H1 FY17	H1 FY18	H1 Variance	H1 FY17	H1 FY18	H1 Variance	H1 FY17	H1 FY18	H1 Variance	H1 FY17	H1 FY18	H1 Variance
Annuity Revenue	3,293	3,742	449	2,315	3,233	918	0	259	259	135	265	130	0	0	0	5,743	7,499	1,756
Other Revenue	6,689	5,516	(1,173)	1,604	1,201	(403)	163	79	(84)	16	95	79	0	0	0	8,472	6,891	(1,581)
Total Revenue	9,982	9,258	(724)	3,919	4,434	515	163	338	175	151	360	209	0	0	0	14,215	14,390	175
3rd Party COGS	(3,496)	(3,446)	50	(150)	(392)	(242)	0	(4)	(4)	(20)	(29)	(9)	0	0	0	(3,666)	(3,871)	(205)
Overheads	(4,591)	(5,009)	(418)	(2,578)	(2,984)	(406)	(264)	(306)	(42)	(345)	(383)	(38)	(2,251)	(2,050)	201	(10,029)	(10,732)	(703)
Total Expenses	(8,087)	(8,455)	(368)	(2,728)	(3,376)	(648)	(264)	(310)	(46)	(365)	(412)	(47)	(2,251)	(2,050)	201	(13,695)	(14,603)	(908)
EBITDA	1,895	803	(1,092)	1,191	1,058	(133)	(101)	28	129	(214)	(52)	162	(2,251)	(2,050)	201	520	(213)	(733)
Significant items														(517)	(517)		(517)	(517)
Depreciation													(137)	(106)	31	(137)	(106)	31
Amortisation													(2,104)	(2,136)	(32)	(2,104)	(2,136)	(32)
Interest													(39)	81	120	(39)	81	120
Tax													(91)	375	466	(91)	375	466
NPAT	1,895	803	(1,092)	1,191	1,058	(133)	(101)	28	129	(214)	(52)	162	(4,622)	(4,353)	269	(1,851)	(2,516)	(665)
NPATA	1,895	803	(1,092)	1,191	1,058	(133)	(101)	28	129	(214)	(52)	162	(2,518)	(2,217)	301	253	(380)	(633)

Note: Refer to the interim financial report for the period ended 31 December 2017 for more details. Note 5 details the significant one-off income and expense items.

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