

# MOQ Limited

## Investor Presentation

FY20 H1 Business Update and Financial Results

February 2020



MOQ Limited  
ASX:MOQ

# H1 FY20 – MOQ Limited moving forward

*“Undoubtedly the highlight for H1 FY20 has been the completion of the Wardy IT Solutions acquisition. The introduction of Wardy IT into the MOQ business significantly strengthens our Digital Transformation Services value proposition as this market space continues to experience high growth.*

*Importantly this acquisition will grow and reshape MOQ’s revenue streams and results. The immediate impact is growth of high value Recurring Services by over 65% and Digital Services & Solutions now providing over 50% of Services revenues, as the Applications & Data market focus, complements our traditional Infrastructure Services offerings.*

*This reshaped MOQ business is the basis for our next growth stage and provides an excellent platform for improving returns over the next 12 to 18 months, as we organically grow and seek further quality acquisition opportunities”*

**Quote from Joe D’Addio – Executive Director and CEO MOQ Limited**

# MOQ Limited

ASX:MOQ currently consists of three go to market operating entities - and in future will totally merge MOQdigital and Wardy IT Solutions.

- 389 Staff
- Offices in Sydney, Brisbane, Melbourne and Colombo (SL)



MOQ Limited (ASX: MOQ)



## Key Strategic Objective

To build a market leading digital technology business and pursue positive growth by both organic investment and through synergistic acquisitions in the technology sector.

# A. Financial Information

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# A. MOQ Limited - Key financial metrics H1 FY20



\$'000	H1FY20	H1FY19
<b>Underlying EBITDA</b>	<b>1,391</b>	<b>1,504</b>
less:		
M&A Advisory Costs	(445)	
Wardy Integration Costs	(50)	
Wardy establishment of provision for doubtful debts	(106)	
MOQdigital additional doubtful debts for project	(172)	
AASB16 adjustment	335	
<b>Reported EBITDA</b>	<b>953</b>	<b>1,504</b>
Interest Income	2	11
Depreciation & Amortisation	(1,788)	(328)
<b>Net Profit before Tax</b>	<b>(832)</b>	<b>1,188</b>

Statutory	H1FY20 \$'000	H1FY19 \$'000	% Change
Revenue from ordinary activities	32,702	34,679	-6%
Gross Profit	7,848	6,873	14%
EBITDA	953	1,504	-37%
EBIT	(834)	1,176	-171%
NPAT	(761)	855	-189%
EPS (cents)	-0.54	0.53	-202%

- Revenue drop, primarily in Technology of \$7,034k, only partially offset by Wardy revenues for 4 months to Dec'19.
- Statutory EBIT and EBITDA impacted by adoption of leasing standard AASB16, impact on income statement shown in the next slide.
- There are also material abnormal costs in H1FY20, some affecting EBIT and others affecting EBITDA that have also been called out in the following slide. Most of these material amounts are Wardy acquisition-related costs.

# A. MOQ Limited - EBITDA reconciliation H1 FY20



- **Application of AASB16** Leasing standard impacts on income statement (see table across)

- Pre-AASB16 earnings include abnormal costs, which have been listed below.

• M&A costs, primarily Wardy	\$445k
• Wardy related integration costs	\$50k
• Wardy provision for doubtful debts	\$106k
• MOQdigital additional provision for doubtful debts – project	\$172k
• Wardy intangibles amortisation	\$989k

**TOTAL ABNORMAL COSTS** **\$1,762K**

Consolidated Half Year (\$'000)	31 Dec 2019 Statutory	31 Dec 2019 AASB16 Adjustment	31 Dec 2019 pre-AASB16	31 Dec 2018 pre-AASB16 (Statutory)
<b>Revenue from operations</b>	<b>32,702</b>		<b>32,702</b>	<b>34,679</b>
Other Income (excluding interest)				56
Cost of sales	(24,856)		(24,856)	(27,806)
Gross Profit	7,846		7,846	6,929
Expenses				
Occupancy	(403)	(391)	(793)	(553)
Other expenses	(6,435)		(6,435)	(4,871)
Finance costs	(54)	54	-	-
<b>Total expenses (excl. Depreciation &amp; Amortisation)</b>	<b>(6,892)</b>	<b>(336)</b>	<b>(7,228)</b>	<b>(5,424)</b>
<b>EBITDA</b>	<b>953</b>	<b>(336)</b>	<b>618</b>	<b>1,504</b>
Interest Income	2		2	11
Depreciation & Amortisation	(1,789)	355	(1,434)	(328)
<b>Profit (Loss) before Income Tax</b>	<b>(833)</b>	<b>19</b>	<b>(814)</b>	<b>1,187</b>
<u>add back abnormal costs</u>	1,762		1,762	-
<b>Underlying Profit before Income Tax</b>	<b>929</b>	<b>19</b>	<b>948</b>	<b>1,187</b>
<b>Underlying EBITDA</b>	<b>1,727</b>	<b>(336)</b>	<b>1,391</b>	<b>1,504</b>

# A. MOQ Limited - Balance Sheet and Cashflow H1 FY20



Summary Balance Sheet (\$'000)	H1FY20	H2FY19	\$ Variance	% Change
<b>Cash</b>	<b>741</b>	<b>5,231</b>	<b>(4,490)</b>	<b>-86%</b>
<b>Current Assets</b>	<b>13,118</b>	<b>16,109</b>	<b>(2,991)</b>	<b>-19%</b>
<b>Current Liabilities</b>	<b>20,215</b>	<b>13,682</b>	<b>6,533</b>	<b>48%</b>
<b>Net Tangible Assets</b>	<b>(5,351)</b>	<b>6,277</b>	<b>(11,628)</b>	<b>-185%</b>
<b>Current Ratio</b>	<b>0.65 : 1</b>	<b>1.18 : 1</b>		<b>-45%</b>

Summary Cashflow (\$'000)	H1FY20	H2FY19	\$ Variance	% Change
Net cash flows from operating activities	(1,623)	453	(1,170)	-458%
Net cash flows used in investing activities	(2,516)	(900)	(1,616)	180%
Net cash flows used in financing activities	(350)	0	(350)	
<b>Net increase /(decrease) in cash</b>	<b>(4,490)</b>	<b>(447)</b>	<b>(4,043)</b>	<b>905%</b>

- Cash balance impacted by combination of seasonal low point for cash collections (Christmas), weak trading conditions and payment for Wardy acquisition of \$1.9m plus \$445k in related advisory costs.
- Current cash balance as at 31 January 2020 is circa \$2.9m (unaudited).

- Current Ratio impacted by an accrued amount of \$6m conservatively provided for assuming a maximum payment of Wardy earnout, of which a minimum of one third is to be paid in cash, and the balance in shares to be issued at a minimum value of 27.5c\*, or cash at MOQ's discretion.

- Cash from operating activities materially impacted by lower volumes of Technology sales, as well as M&A advisory costs.

\*please refer to ASX announcement for details of the transaction  
<https://www.asx.com.au/asxpdf/20190812/pdf/447d9fhxv1h4zj.pdf>

## B. Business Update

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Key Items to note for H1 of Financial Year 2020 and beyond that are covered in this presentation include:



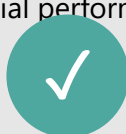
1. H1 Result heavily impacted by a sharp drop in Technology Sales.

Whilst Professional Services slowly recovered after a flat H2FY19, this was not sufficient to replace the lack of Technology Sales deal conversion that was experienced in H1FY20



2. Wardy IT Onboarding

As of September 1, 2019 Wardy IT became a fully owned subsidiary of MOQ Limited, after M&A completion. A positive start with integration progressing well and strong financial performance.



3. Strengthening of the Executive Team and Key Hires

A number of key hires have occurred in H1, to ensure MOQ has the ability to scale its business and execute on the M&A activity



4. Continuing Organic growth and Further M&A focus

As the Wardy IT business is integrated, we are continuing to focus on organic growth in Digital Services as well as seeking further quality M&A prospects in this space



# 1. Result impacted by Technology Sales Shortfall – H1 FY20



1. H1 Result heavily impacted by a sharp drop in Technology Sales.

Technology Sales down by circa 37% on H1FY19.



- Despite improving momentum late in H1 on the Services side, major Technology Sales Opportunities did not close in H1 FY20.
- Through the whole of calendar year 2019, we have experienced deteriorated opportunity pipeline and delayed decision making for projects, where major technology spend was involved.
- Gross Profit from Technology Sales has had a direct impact on Operating Profit result.
- However, clients continue to invest in Digital Transformation initiatives – Applications and Data, with apparent hesitancy to outlay on infrastructure unless necessary.
- The onboarding of Wardy IT has helped with replacing some of the Gross Profit, albeit only from September 2019, being when MOQ acquired the business.

# 1. Result impacted by Technology Sales Shortfall – H1 FY20

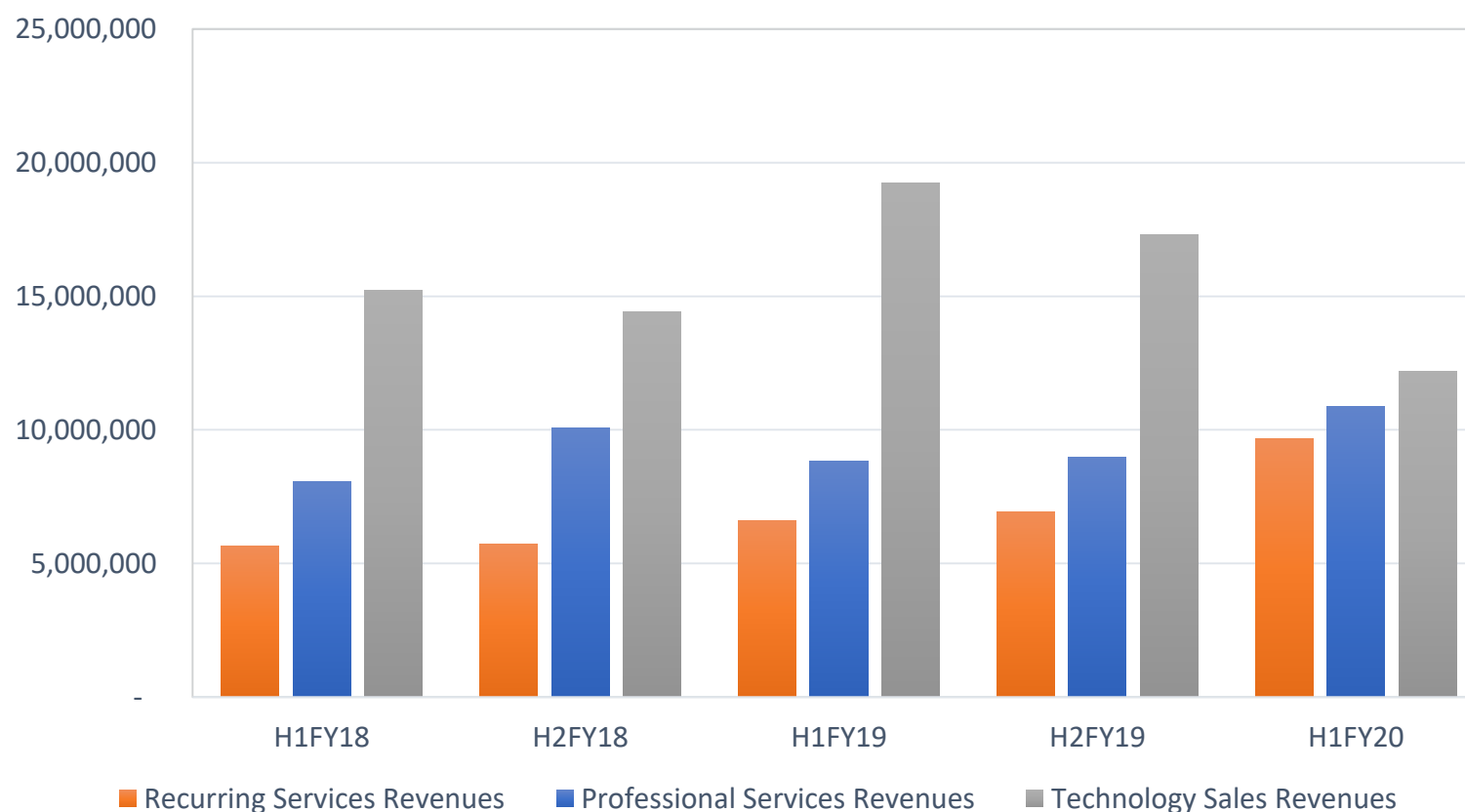


## 1. Evolving Revenue source blend for MOQ Limited

Whilst Technology Sales have dropped high value services are replacing the revenue stream.



## Revenue Sources - Last 5 Half Year Periods



\*H1FY20 Revenues include Wardy contribution from September to December 2019.

## 2. Wardy IT – Reshaping the MOQ business



### 2. Wardy IT Onboarding

As of September 1, 2020 Wardy IT became a fully owned subsidiary of MOQ Limited, after M&A completion. A positive start with Integration progressing well and strong financial performance.

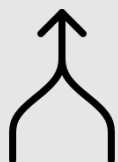


- Transaction completed early September 2019, so MOQ has benefited from 4 months of positive performance from Wardy IT.
- Strengthened capability and capacity in Digital Transformation Services – Applications and Data, through improved and high value services.
- Improved Revenue and Gross Profit for Recurring Services – through a combination of improvement in MOQdigital and the introduction of Wardy's Virtual DBA offering.
- Integration of key functions is on track with positive response from customers, staff and partners such as Microsoft.
- The opportunity pipeline for Digital Services business is growing as we combine the MOQ and Wardy IT sales and go to market focus and effort, while leveraging each other's market knowledge and connections.

## 2. Key Inflection Point for MOQ – Wardy IT Acquisition



### Digital Transformation Services across Applications and Data



#### 2. Wardy IT Onboarding

The MOQ business has significantly expanded its Digital Transformation Services offerings **as a result of the acquisition of Wardy IT**



#### Business Applications

##### Application Modernisation and Innovation



Transforming line of business functions through App Modernisation and Integration of Applications & Systems

##### Collaboration, Automation & Connected Customer



Business productivity and customer connection enhancement through Application platforms

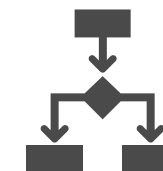
#### Data and Analytics

##### Virtual Database Administration



Eliminates the costs for clients associated with hiring, training and retaining in-house database administrators

##### Data Platform



Maximises client technology investments by providing support with planning design, upgrade support and performance optimisation

##### Data Analytics



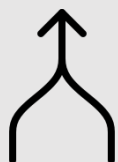
Transforms data into easy-to-consume formats to enable organisations to make informed data driven decisions

As a result of the WardyIT acquisition MOQ's value proposition, for clients who are driving Digital Transformation initiatives, has increased substantially and the combination of both Application and Data capability and capacity is differentiating.

## 2. MOQ Revenues Sources – Services and Solutions

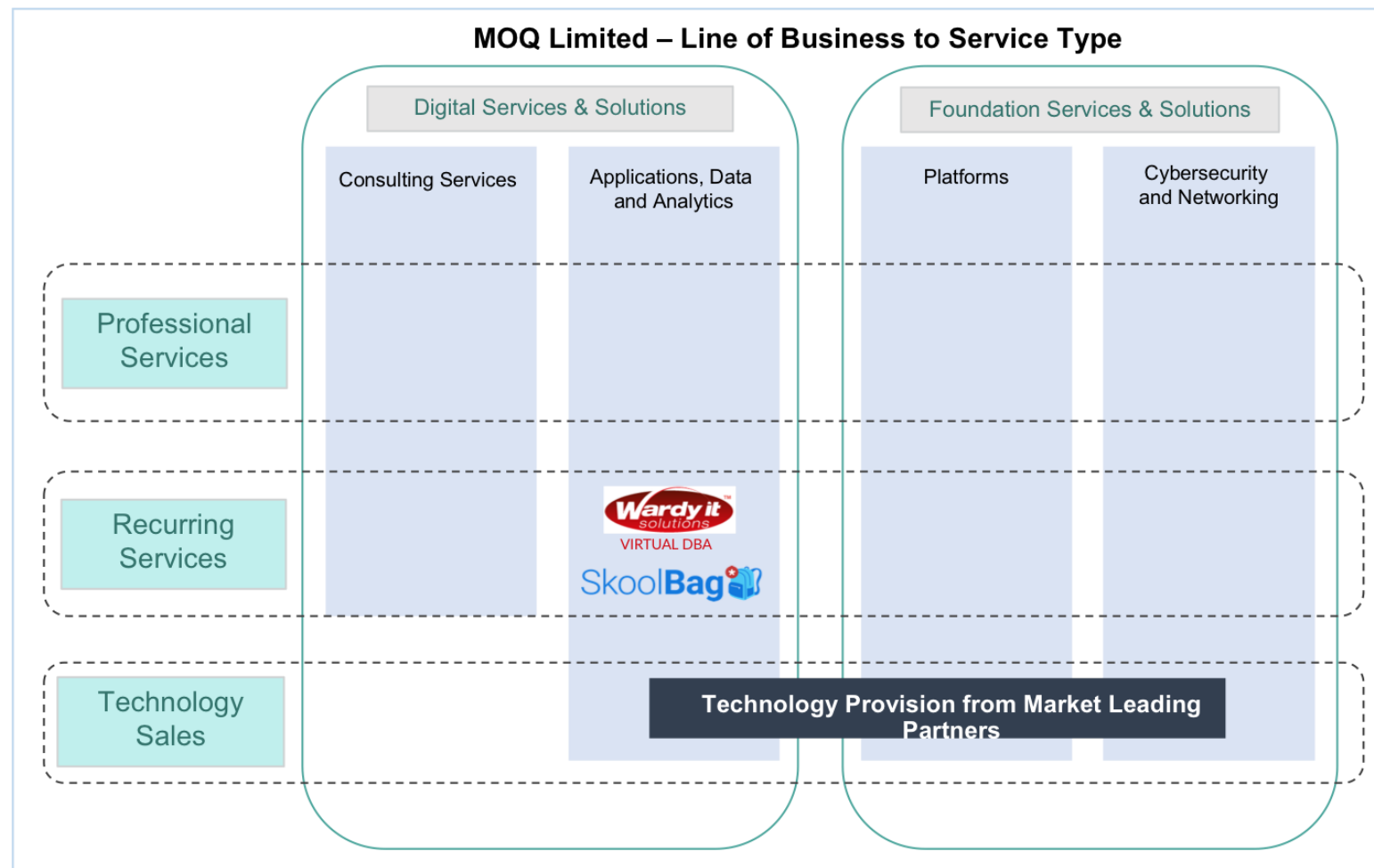


### High value specialist services - Advisory, Integration and Operations



#### 2. Wardy IT Onboarding

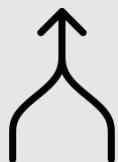
Digital Services now complements the traditional Foundation Services Line of Business and has its own critical mass. Revenues are generated across Professional Services, Recurring Services and Solutions and Technology Sales



## 2. Wardy IT -Accelerating shape and growth of Services for MOQ

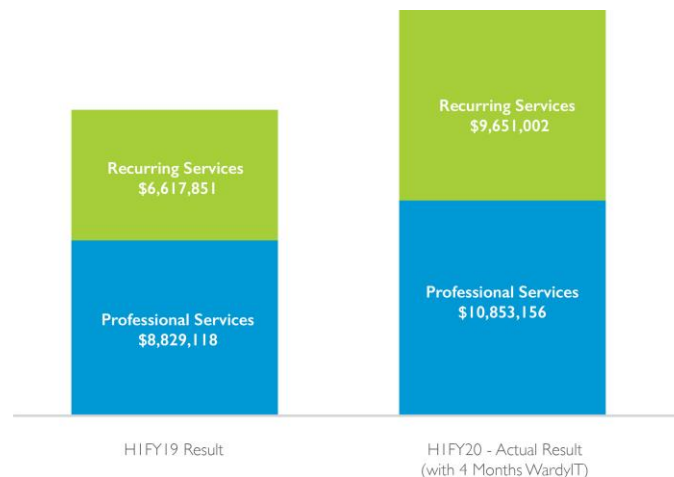


The following Financial information comparing **H1 FY19 to H1 FY20** highlights the changes:<sup>1</sup>



### 2. Wardy IT Onboarding

The merging of Wardy IT's services has changed the shape of the business and subsequently revenue/ gross profit blends have also evolved with increased contribution from Recurring and Digital Transformation Services

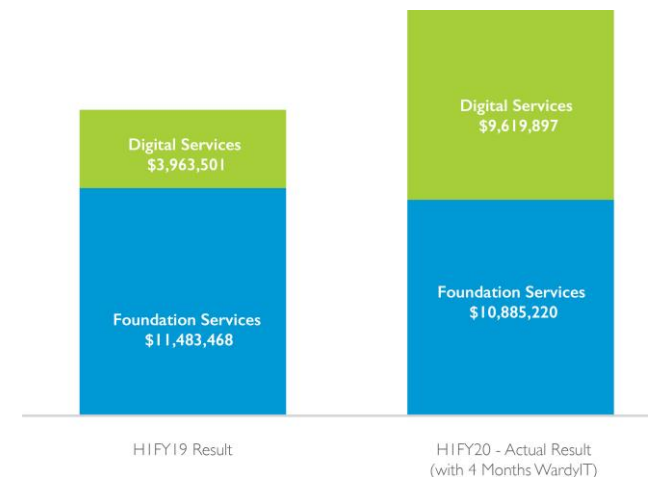


### Services Revenue

**\$20.5m**

Increased **33%** from H1FY19 – with Recurring Services **up by 46%**.

Services Revenue now provides 88% of Gross Profit, up from 74%, Technology Sales the balance



### Digital Transformation Services Growth to:

**\$9.6m**

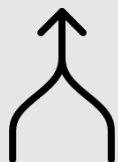
Increased 143% from H1FY19 – through combined MOQ and Wardy IT contribution

1. Note that this includes only 4 months of Wardy IT trading for MOQ from Sept 1, 2019.

## 2. Baseline – Pro forma with 6 months of Wardy IT

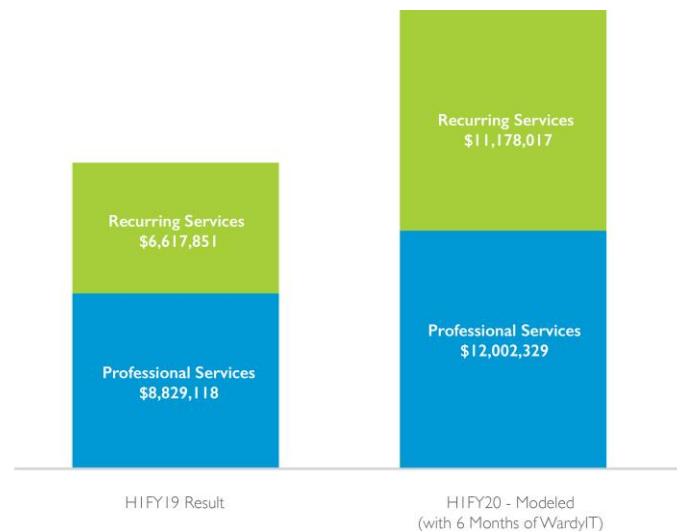


This is a Pro forma representation comparing **H1 FY19 to H1 FY20**  
Inclusive of pre acquisition Wardy IT Results for the July and August of FY20:<sup>2</sup>



### 2. Wardy IT Onboarding

Changing shape of the MOQ business.  
To assist Investors to assess the impact of the Wardy IT acquisition we are presenting 6 months Wardy IT performance overlayed on MOQ results.

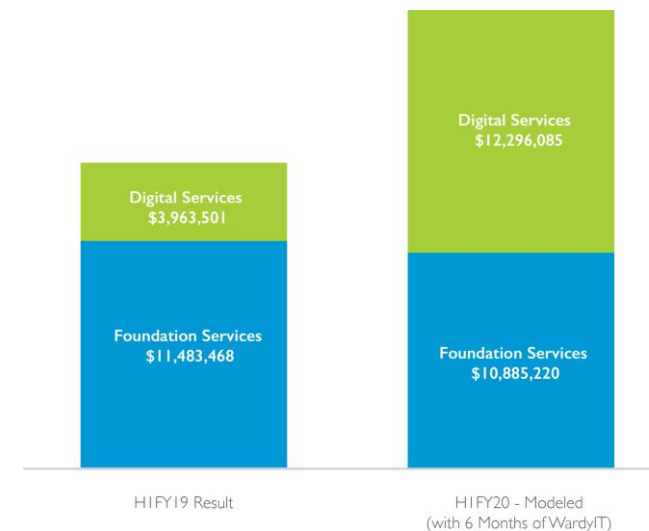


### Services Revenue

**\$23.2m**

Increased **50%** from H1FY19 –  
with Recurring Services **up by 69%**.

Services Revenues approaching a run rate  
of **\$4M** per month with recurring revenues at approx.  
**48% of total services**



### Digital Transformation Services Growth to:

**\$12.3m**

Digital Services and Solutions now on a run rate  
of **over 53%** of all services revenues

2. Note that this data includes only 4 months of Wardy IT trading for MOQ from Sept 1, 2019, plus audited results for last 2 months of trading for Wardy IT – pre MOQ acquisition, which do not form part of MOQ's results for H1FY20.



### 3. FY20 H1 – Key Appointments



#### 3. Strengthening of the Executive Team and Key Hires

A number of key hires have occurred in H1, to ensure MOQ has the ability to scale its business and execute on the M&A activity



Steve Goldsmith  
General Manager  
Professional Services

Steve has over 20 years of experience in the Integration Services market having specialised in growing and scaling our Professional Services businesses. This is a new created role within MOQdigital



Wayne Keyser  
Chief Product Officer  
Skoolbag

Wayne comes with 23 years of technology and software experience has held product leadership positions for the past 7 years during which he has built high performing teams who have delivered a number of successful products to market



Kushan Ratnapal  
Country Manager  
Sri Lanka

Kushan has taken over our Sri Lanka operation. He has extensive experience in Management and Operations of Services business in Sri Lanka, servicing the requirements of organisations through Asia and Europe.



Andrew O'Leary  
Practice Manager – Cyber  
Security and Networking

Responsible for managing and driving a key set of technology offerings and services to market while ensuring these offerings are delivered to clients at a high standard and in a profitable manner for MOQ.

## 4. Focused on Growth and Acquisition



### 4. Continuing Organic growth and Further M&A focus



- Our challenge is to identify and qualify businesses that fit our criteria and profile, as potential M&A targets.
- For M&A we are seeking:
  - High value businesses with an alignment to our vision and go to market strategy
  - Profitable and well run
  - Cultural Alignment
  - Blend of high value services, including recurring services and preferably with differentiating IP
- We continue to qualify a range of quality M&A opportunities to ensure they meet our criteria which then require MOQ to provide an overlay – expertise in management and scaling.
- MOQ is focusing on completing further M&A's and is investing in the MOQ leadership team to ensure we are able to successfully execute post completion

## 4. Skoolbag – Focus on the Product and Client base



### 4. Skoolbag Vision

To bring every school and organisation community closer together through simple, unified and reliable communication



Institutions & organisations



Teachers, coaches & leaders



Parents, families & communities

Deliver further value via productivity improvements, new features and integrated services.

Increase usage via improved user experience, easier access to personalised information. Deliver further value via premium content, products and services.

Revenue Models:

- Subscriptions
- Premium features and services – build, partner or acquire
- Premium content





### 4. Continuing Organic growth and Further M&A focus

Whilst integrating the Wardy IT business, we are continuing to focus on organic growth in Digital Services as well as seeking further quality M&A prospects in this space



- A continuation of the positive momentum in the Services Business for MOQdigital and Wardy IT – particularly in Digital Services through high market demand and strong sales activity
- Potential improvement in Technology Sales based on current pipeline view.
- Growth in Recurring Services pipeline conversion during H2FY20 for both Wardy IT and MOQdigital
- Further positive progress of the integration program for Wardy IT, whilst ensuring positive financial performance through the process
- Skoolbag to commence the release of its next gen backend for its Software as a Service engine.
- Focus on qualification of potential M&A opportunities.

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MOQ is well positioned to integrate Wardy IT, is focused on achieving organic growth and improved profitability



MOQ will continue to invest in its people and strategic partnerships to ensure a high value proposition into market



MOQ is actively seeking further strategic M&A opportunities



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