



*A visionary adventure leisure company bringing
Specialised Experiential, Training and Simulation
solutions across the region.*

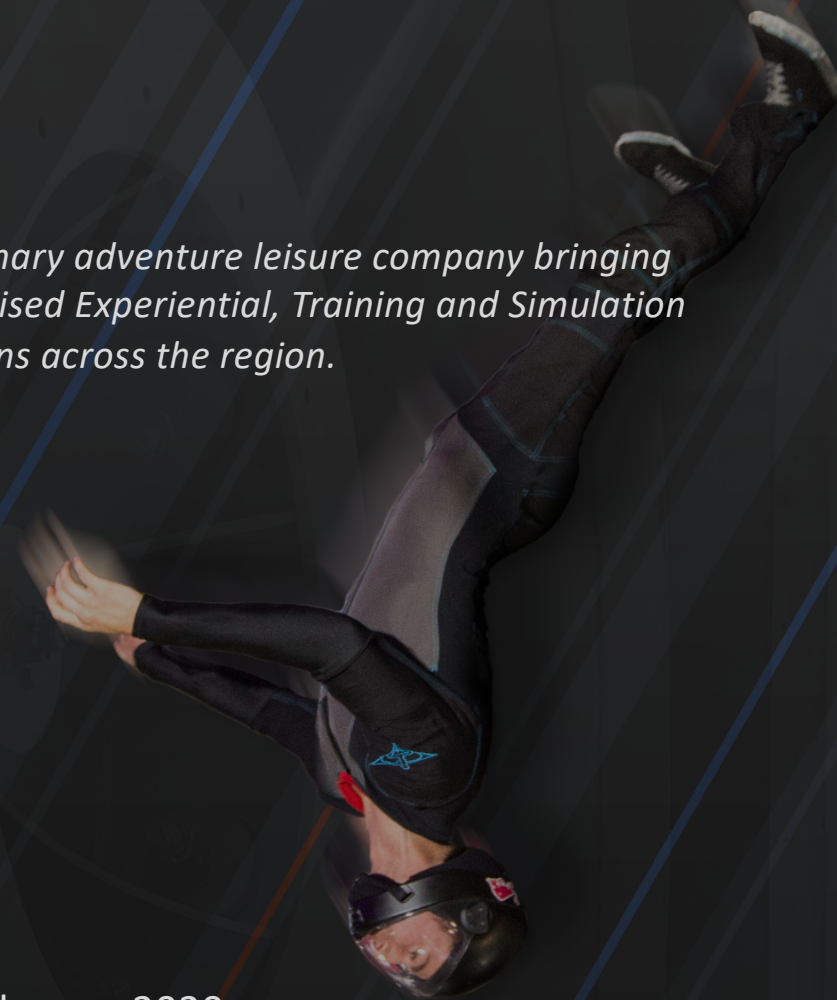
F R E A K

BEYOND REALITY



Half Year Results Presentation
For the period ended 31 December 2019

28 February 2020





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1. ISA Group Overview

ISA Group is a company that specialises in the experiential leisure industry. Providing experiences through indoor entertainment, realistic simulation and the training. Our wide market includes local and international tourists, families, thrill seekers and military.

The company has continued its repair, growth and diversification strategy over the past 6 months and is pleased to provide the following update on the key activities in 1H2020.

- **Launch of FREAK Entertainment – opened 13th Dec 2019**
 - Free roam, multiplayer Virtual Reality Arena and Arcade
 - Wholly owned subsidiary of ISA Group
 - Rapid expansion model with 2nd site opening in Mar/Apr on the Gold Coast, with further sites under consideration
- **Sale of Perth Asset – commenced 21st Aug 2019**
 - Total valuation of \$9.24m over 4 years
 - Completion of the Sale Asset sale occurred on the 21st Feb 20
 - Full repayment of SkyVenture loans
 - The sale marks the completion of all disputes with SkyVenture International
- **Capital Raise – 21st Aug 2019**
 - The company completed a \$2m capital raise on 21 Aug 2019
 - Use of funds included;
 - Launch of new website and booking system (Nov 19)
 - Launch of new Virtual Reality business (Dec 19)
 - Reduction in liabilities
 - Renewed marketing strategy (Dec 19/Jan 20)
- **New IT Systems Implemented - Nov – Dec 2019**
 - Streamlined accounting systems reducing overhead (Dec 19)
 - Point of Sale system (Nov 19)

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1. Overview
 2. **2020 Half Year Results**
 3. Strategy Update

2. 1H20 Results & Analysis Overview

	1H 2020 (‘000) <i>*does not include Perth facility</i>	1H 2019 (‘000) <i>*includes Perth facility</i>
Revenues	\$3,398	\$6,227
EBITDA	(\$1,651)	\$352
Underlying EBITDA with royalty*	\$ 17	\$ 1,046
NPAT	(\$3,376)	(\$1,171)
Underlying NPAT with royalty*	(\$1,240)	(\$315)

**HY19 excludes the effect of legal fees, Malaysia JV benefit, corporate reduction, DTA adjustment (NPAT)*

**HY20 excludes the loss on Perth sale and other non-operational expenses plus royalty free period as detailed*

1H20 commentary
<ul style="list-style-type: none"> Revenue, GP and EBITDA for the period reflects 2 facilities only due to the Sale of Perth – All revenue generated from the Perth facility has been removed for accounting purposes. Total revenue for period was \$3.96m 1H results have not had the benefit of the renewed marketing strategy and the new booking systems and website. These came into effect from late November. Reported EBITDA reconciles as; <ul style="list-style-type: none"> Perth sale loss and costs (\$997k) Share of JV losses (\$153k) Royalty Pre-payment (\$324k) Capital Raise and restructure (\$149k) Capital improvements (\$47k) NPAT reconciles as; <ul style="list-style-type: none"> As per EBITDA reconciliation A negative adjustment of \$468k to the DTA

2. 1H20 Results & Analysis - Balance Sheet

	31 Dec 19 ('000)	30 Jun 19 ('000)
Property, plant & equipment	25,332	26,286
Assets held for disposal	10,202	9,737
Other assets	10,362	1,660
Borrowings	10,872	11,106
Deferred revenue	787	760
Lease Liability	9,665	-
Liabilities held for disposal	7,308	6,722
Other liabilities	3,992	4,163
Net Assets	\$13,273	\$14,931

1H 2020 commentary

- Other assets includes the Right of use over Asset of \$9,226m and the Deferred tax asset of \$470k (reduced from \$938k)
- Westpac remain supportive with next covenant testing on the 30 Jun 20
- Deferred revenue represents prepaid sales in respect of flight time purchased in advance. An increase in pre-sales over the period with 2 facilities.
- Borrowings to decrease by a further \$1.2m following the partial conversion of the Birkdale loan facility in 2H20 – pending EGM

2. 1H20 Results & Analysis – Cashflow

	31 December 2019 (‘000)	31 December 2018 (‘000)
Receipts from customers	4,380	7,143
Payment of suppliers & employees	(3,809)	(7,391)
Payments for prior periods	(1,185)	0
Net Cash from operations	(735)	(745)
Net Cash from Investing Activities	(332)	(72)
Net Cash from Financing	1,241	371
Net cash movement	175	(446)

1H 2020 commentary

- Receipts from customers reflects 2 facilities from 24th August and no management fee from our JV in Malaysia for the period
- Net cashflow from operations includes the repayment of \$1.12m to aged creditors from prior periods.
- The group generated positive cashflows from normal operations during the half year of \$450k
- Investing activities include; FREAK Entertainment and the new website and booking systems

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1. Overview
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3. Strategy Update

✓ Repair

- Completion of Perth Asset Sale
- Capital Raise completed
- Conversion of \$1.2m from Birkdale loan – Pending EGM – 2H20

✓ Growth

- Organic through improved operations – changes have been implemented, expect results in 2H20
- Virtual Reality
 - Consumer/Entertainment – launched 13 Dec 2019, 2nd location to launch Apr 2020
 - Industry/B2B – under development

✓ Diversification

- Underway through Freak Entertainment – Franchise model
- Scoping and planning continues through FY20/21

3. Strategy Update – 2H20

Continued improvement in Operations

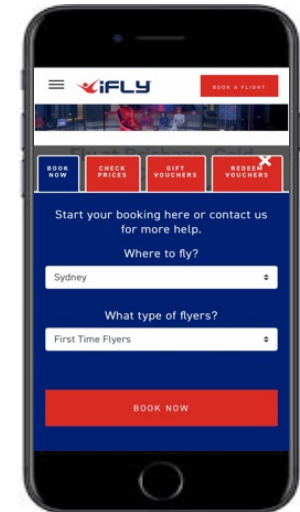
- Improve online sales through our new booking system
 - Results in Dec included an increase in eCommerce sales of 32% from Dec 18
 - Strong performing January despite natural disasters in Penrith and tourism disruption in the Gold Coast
 - Focusing on increasing operational margins by streamlining customer flow and less reliant on phone sales.

Continued reduction in Corporate overhead

- Board and senior management has been significantly reduced during 1H20, the benefits from these cost reductions will flow into the next 6 months and into 2021.

Growth through new business units

- FREAK Entertainment will continue to grow in 2H20 with at least 2 more locations expected to be opened organically.
- Franchise models are under development
- Our Industry and Training VR brand will continue to be developed with an anticipated launch within the financial year





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