



MSL Solutions Ltd
(ASX:MPW)

Company Overview Half Year Results FY20

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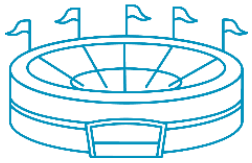
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All figures in this document are in Australian dollars (AUD) unless stated otherwise.

KEY MESSAGES

STADIA & ARENA



GOLF



CLUBS & PUBS



SPORTING ASSOCIATIONS



- *MSL has gone through a period of right sizing, impairment of goodwill, bad debt review and recapitalising the balance sheet.*
- *Review of sustainable and non-sustainable operations has been completed, including the sale of iSeekGolf.com*
- *Significant decrease in Operating costs with full impact not to be realised until FY21.*
- *Recurring revenue has had modest growth*
- *Global Launch of World Handicapping, now completed in 7 countries*
- *Share price discount compared with peer basket on EV/recurring revenue*

MOBILE POS



REAL-TIME ANALYTICS



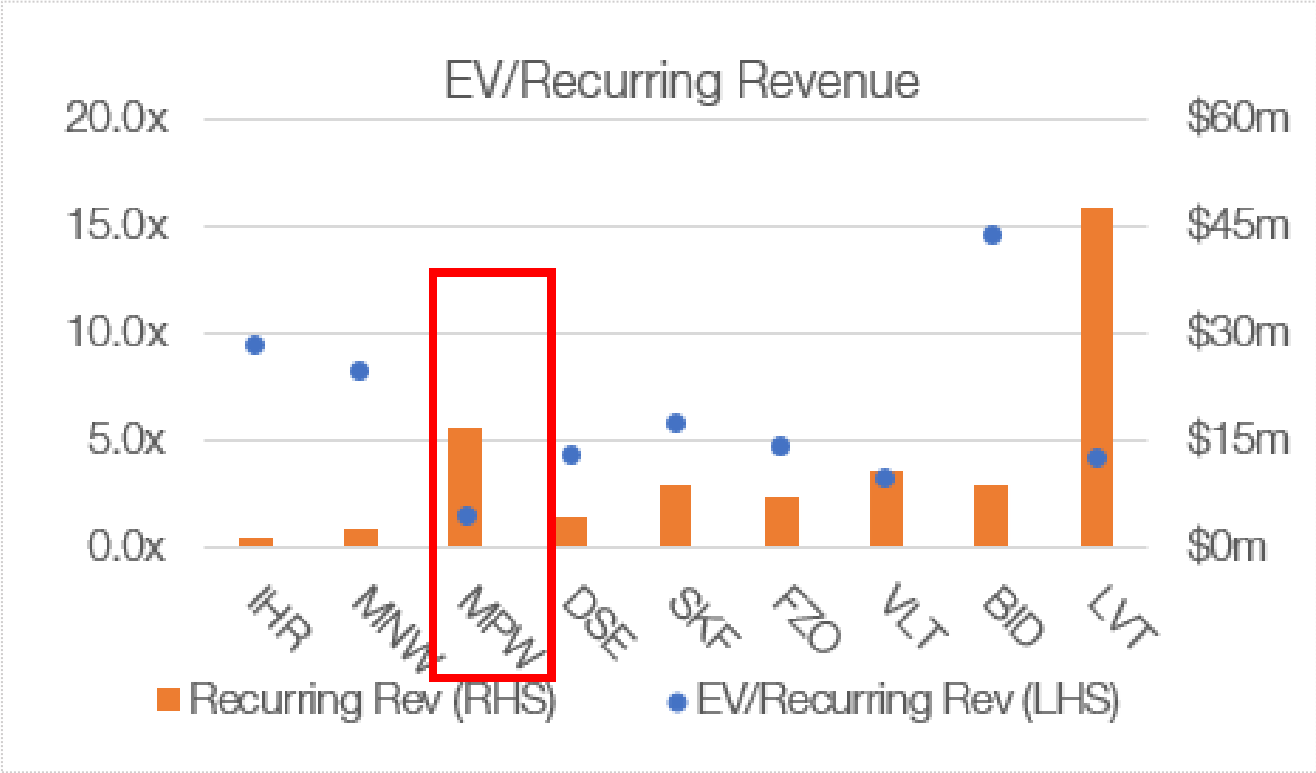
VENUE ANALYTICS



CLOUD GOLF SOLUTIONS



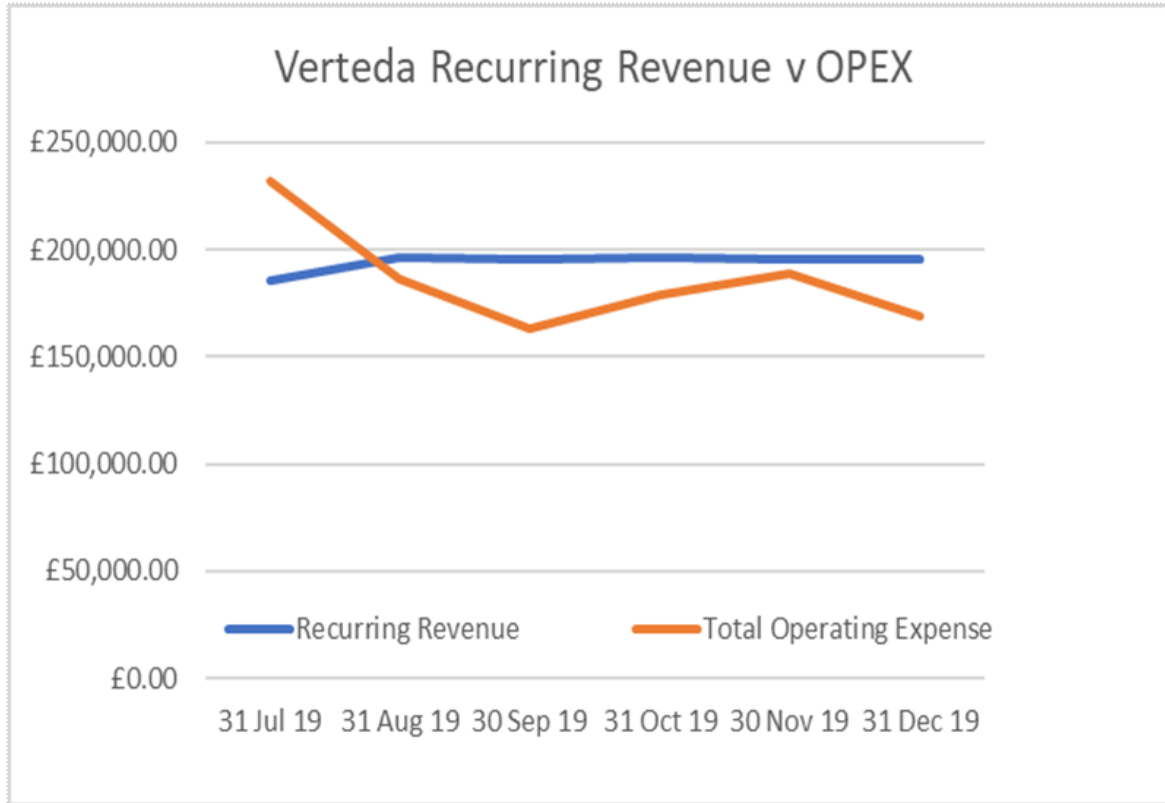
MSL Share price discount compared with peer basket



Source: Blue Ocean Equities



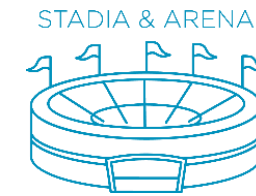
Focus on Profitability - 2 out of 3 regions now profitable



European Golf business (Golfbox) and UK venues business (Verteda) now profitable

Further work to do in Australia to match Opex expenditure to recurring revenues.

Australian pipeline strongest of all regions



MSL Operational FY20 Goals and Scorecard

Successful
On track
At Risk
Unsuccessful
Work In Progress

Recurring Revenue (3 month trailing) exceeds OPEX (3 month trailing)

Q4 FY20 (*June 2019 : 70%*) Approaching 90%

Recurring Gross Margin (3 month trailing) exceeds OPEX (3 month trailing)

Q4 FY21 (*June 2019 : 60%*)

Non recurring revenue margin increased by 5-10%

FY20 (*FY19 : 48.2%*)

Operational efficiencies

Opportunities identified Oct 30,
commence implementation Nov 30

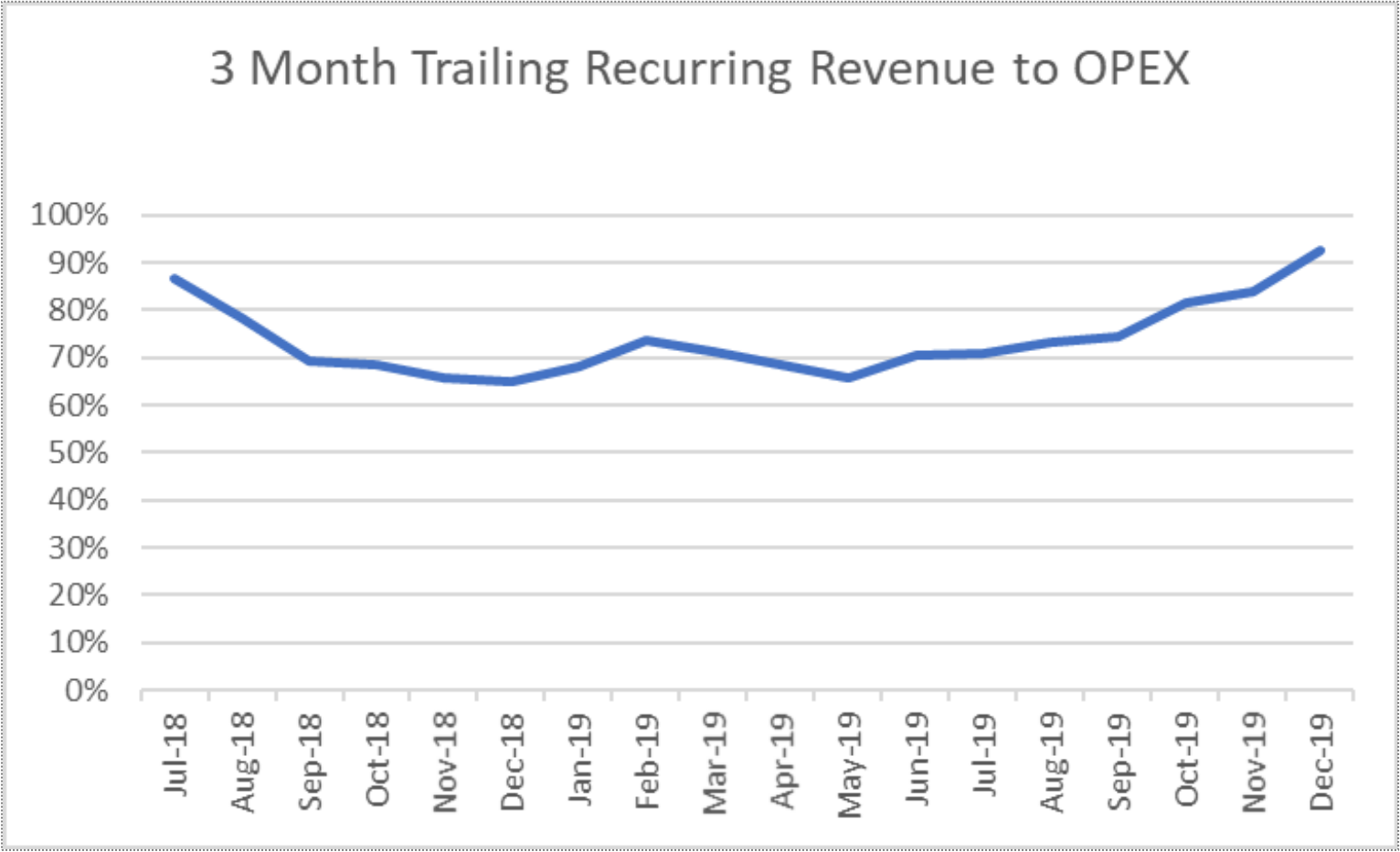
Annual recurring revenue growth \$1.7m per year

FY20 ongoing – *FY18: \$1.8m, F19 : \$1.7m*

Customer Churn – 3 month trailing (*reported on quarterly*)

Q4 FY20 Less than 2%

MSL – Target of Recurring Revenue to OPEX 100%+



MSL – Cleaning house

Building the base

- Review of bad debt, 79% relates to 2-3 year old aged debtor with legal proceedings implemented
- Full impairment of \$10.7m of goodwill intangibles
- EBITDA losses have begun to turnaround off the back of a sustainable operations base
- Further Opex reductions will be realised in last quarter of FY20
- Contracts have been won but not recognised in 1H FY20 results with Jan 20 and Feb 20 showing continued improvement

Consolidated summary of results for the half year ended 31 December 2019	1H FY20	1H FY19
Statutory results	A\$'000	A\$'000
Revenue	12,926	13,914
Cost of sales	(3,702)	(3,982)
Gross margin	9,224	9,932
Operating expenses	(10,787)	(12,951)
EBITDA *	(1,563)	(3,019)
Depreciation and amortisation	(2,833)	(2,436)
Restructure and transaction costs	(936)	(76)
Expected credit loss - prior period	(616)	-
Impairment expense	(10,672)	-
EBIT	(16,620)	(5,531)
Net finance income/(costs)	(139)	-
NPBT	(16,759)	(5,531)
Income tax benefit	776	1,881
NPAT	(15,983)	(3,650)

MSL – Key Financial Metrics (1st Qtr. & 2nd Qtr.)

Consolidated summary of results for the half year ended 31 December 2019						
	1HFY20	1HFY19	\$ Var	% Var	Jul-Sept 19	Oct-Dec 19
EBITDA	A\$'000	A\$'000	A\$'000	%	A\$'000	A\$'000
Revenue	12,926	13,914	(988)	-7.1%	6,416	6,510
Recurring Revenue	8,849	8,661	188	2.2%	4,400	4,449
Non-Recurring Revenue	4,060	5,233	(1,173)	-22.4%	2,016	2,044
Other Income	17	20	(3)	-15.0%		17
Recurring Revenue as a % of total revenue	68.5%	62.2%	6.2%		68.6%	68.3%
Gross Margin \$	9,224	9,932	(708)	-7.1%	4,828	4,396
Headcount Costs	(8,427)	(9,655)	1,228	12.7%	(4,467)	(3,960)
Non-Headcount Costs	(2,360)	(3,296)	936	28.4%	(1,438)	(922)
Operating Expenses	(10,787)	(12,951)	2,164	16.7%	(5,905)	(4,882)
EBITDA *	(1,563)	(3,019)	1,456	48.2%	(1,077)	(486)

- Management implemented changes at end of August 2019
- 2nd Quarter has seen impact of initial changes but there are more to go.
- Two further redundancies of senior Executives reduce cost base by >\$0.5m

* EBITDA excludes the effects of significant non-recurring items of income and expenditure which may have an impact on the quality of earnings such as restructuring and transactions costs, material credit loss provision increase relating to sales and revenue from prior periods, impacts from fair value movements through the income statement (including impairment of goodwill) and gains resulting from acquisition accounting.

Outlook

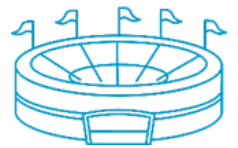
The key focus areas for FY20 are:

- *Managing operating expenses as a ratio of recurring revenues;*
- *Continuing the review of non-core products and businesses;*
- *Assessing opportunities to transition from a reseller model to owning our own intellectual property; and*
- *Improving the quality and strength of our pipeline and a focus on our core products.*

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