

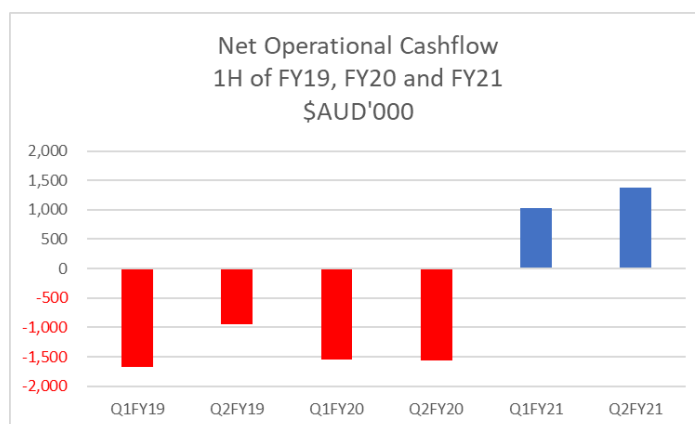
27 January 2021: ASX RELEASE

## Business Update and Appendix 4C – Q2 FY21

### Q1 & Q2 FY21 Positive operational cashflows

#### Highlights

- MSL's achieves \$1.377m positive quarterly operational cashflow, inclusive of \$0.281m in government subsidies – the Company's second successive quarter of positive operational cashflow
- 1HFY21 operational cashflow of \$2.404m, inclusive of \$1.197m in government subsidies – the first time a positive operational cashflow has been achieved in the first half since ASX listing
- Compared with Q2FY20, operational cashflow has improved by \$2.942m, whilst acknowledging that cash receipts are still yet to return to pre-COVID levels



- Cash balance of \$2.8 million as at 31 December 2020
- Westpac loan repaid in full, with a redraw capacity of \$1.02m available
- MSL secured \$2.5 million term loan facility with Export Finance Australia ("EFA")

#### As previously announced:

- Completed acquisition of SwiftPOS, a leading Australian hospitality and retail point-of-sale software company. The acquisition was completed on 17 November 2020 for \$4.25 million in cash and \$0.5m in shares, plus \$750k 12 month deferred payment and earn-out
- Acquisition grows MSL's customer base by more than 300% from 1,220 venues to more than 5,000
- Acquisition is EBITDA accretive, operating cashflow positive and increases recurring revenue on an annualised basis

## Operational Performance

Q2 FY21, the Company delivered positive operational cashflow of \$1.377 million, inclusive of \$0.281 million in government subsidies resulting in H1FY21 operational cash of \$2.404m, inclusive of \$1.197m in government subsidies. This represents a positive turnaround of more than \$5.5 million from the corresponding period in 1HFY20.

Recurring revenue for H1FY21 remained consistent between Q1 and Q2 FY21, following significant annual invoicing to the Australian venues business in June 2020 collected during Q1 FY21.

Non-recurring revenue is returning to pre-Covid 19 restriction levels within Australia with pipeline, orders, cash receipts and revenue all strengthening during Q2 FY21.

MSL capital options to support growth have been increased with the EFA facility. This is in addition to undrawn facilities in Australia (\$1.02m AUD), Denmark (1m DKK) and UK (150k GBP).

MSL Solutions CEO, Pat Howard, said:

*"MSL are incredibly pleased with the operational cash performance of the first half of FY21. The strong turnaround from the previous corresponding period has laid the foundation for a strong focus on growth in 2021. "The initial signs of the SwiftPOS acquisition have surpassed expectation. The acquisition has enhanced MSL's financial fundamentals, but also created a stronger technology roadmap, customer base, and broader reach through an extensive reseller network. The SwiftPOS acquisition has helped to position us to compete for enterprise customers, which should enhance the size and ease of completing larger deals. It has also provided us with a significantly stronger platform on which to engage in partnerships across golf and venues, in line with our growth strategy".*

*"MSL's advanced software, strong customer base and multiple points of contact with the customer give us strong confidence for 2021."*

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### Listing Rule 4.7C

In accordance with Listing Rule 4.7C, payments of \$122k made to related parties and their associates, included in item 6.1 of the Appendix 4C, are for Director fees and salaries (including superannuation and short-term incentive payments) paid to MSL Directors.

***Approved for distribution by the Board of Directors of MSL Solutions Limited***

**For further information, please contact:**

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## **About MSL Solutions Limited**

MSL Solutions Limited (ASX: MSL) is a leading SaaS technology provider to the sports, leisure and hospitality sectors. We help some of the world's most iconic venues around the world - stadiums & arenas, pubs & member clubs, sporting associations, golf federations and more – to deliver outstanding customer experiences during every engagement.

MSL develops and delivers fully integrated and modular systems that connect customers to venues through mobile and contactless entry, ordering and payment solutions. We seamlessly connect front-of-house to back-office, offering an end-to-end guest engagement platform which provides actionable insights on key success metrics to venues of all sizes.

MSL Solutions has over 5,000 customers with offices in Australia, UK and Denmark. To discover more about MSL, please visit [www.mslsolutions.com](http://www.mslsolutions.com).

## Appendix 4C

### Quarterly cash flow report for entities subject to Listing Rule 4.7B

**Name of entity**

MSL Solutions Limited

**ABN**

96 120 815 778

**Quarter ended ("current quarter")**

31 December 2020

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	5,996	12,687
1.2 Payments for		
(a) research and development	(645)	(1,607)
(b) direct costs of sales	(826)	(2,238)
(c) sales, advertising and marketing	(707)	(1,666)
(d) customer and technical services	(1,067)	(2,314)
(e) general and administration	(1,393)	(3,274)
(f) other working capital costs	-	-
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	4	18
1.5 Interest and other costs of finance paid	(69)	(142)
1.6 Income taxes received/(paid)	(117)	(22)
1.7 Government grants and tax incentives*	281	1,197
1.8 Other (Restructuring Costs)	(80)	(235)
<b>1.9 Net cash from / (used in) operating activities</b>	<b>1,377</b>	<b>2,404</b>

\* In Q2FY21, the Company received Australian Federal Government Jobkeeper payments of \$188k, Australian Federal Cashflow Boost of \$12k and UK Government Coronavirus Job Retention Scheme payments of \$AUD 81k.

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) entities	(4,250)	(4,250)
(b) businesses		
(c) property, plant and equipment	(17)	(19)
(d) investments		
(e) intellectual property	(284)	(540)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.2	(f) other non-current assets Proceeds from disposal of:		
	(a) entities		
	(b) businesses	50	100
	(c) property, plant and equipment		
	(d) investments		
	(e) intellectual property		
	(f) other non-current assets		
2.3	Cash flows from loans to other entities	-	212
2.4	Dividends received (see note 3)		
2.5	Other (provide details if material)		
2.6	<b>Net cash from / (used in) investing activities</b>	<b>(4,501)</b>	<b>(4,497)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)		
3.2	Proceeds from issue of convertible debt securities		
3.3	Proceeds from exercise of options		
3.4	Transaction costs related to issues of equity securities or convertible debt securities		
3.5	Proceeds from borrowings	2,500	2,561
3.6	Repayment of borrowings	(1,198)	(1,198)
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (Principal component of lease repayments)	(116)	(250)
3.10	<b>Net cash from / (used in) financing activities</b>	<b>1,186</b>	<b>1,113</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	4,764	3,806
4.2	Net cash from / (used in) operating activities (item 1.9 above)	1,377	2,404

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(4,501)	(4,497)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,186	1,113
4.5	Effect of movement in exchange rates on cash held	(12)	(12)
4.6	<b>Cash and cash equivalents at end of period</b>	<b>2,814</b>	<b>2,814</b>

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	2,457	4,407
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (Term deposits supporting bank guarantees to property bonds)	357	357
5.5	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>2,814</b>	<b>4,764</b>

**6. Payments to related parties of the entity and their  
associates**

- 6.1 Aggregate amount of payments to related parties and their  
associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their  
associates included in item 2

**Current quarter  
\$A'000**

122

N/A

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

**7. Financing facilities**

*Note: the term "facility" includes all forms of financing arrangements available to the entity.*

*Add notes as necessary for an understanding of the sources of finance available to the entity.*

	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
7.1 Loan facilities	3,520	2,500
7.2 Credit standby arrangements		
7.3 Other (bank overdrafts)	485	-
7.4 <b>Total financing facilities</b>	4,005	2,500

7.5 <b>Unused financing facilities available at quarter end</b>	1,505
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7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

The Company put in place a \$2m facility with Westpac in October 2018, with an indicative interest rate of 6.6% and amortisation of the limit over 36 months. There are no financial covenants and the facility is secured by a GSA over the Australian entities of the MSL Group. The Company had received approval from Westpac under the banks COVID-19 relief to defer monthly amortisation payments for 6 months. During this period, interest continued to accrue and be capitalised against the loan balance. The facility term has been extended a further 6 months to April 2022 to maintain the monthly amortisation payments. The balance owing as at 31 December 2020 is \$Nil with undrawn facility available of \$1.020 mil.

During December 2019 the Company finalised and had fully drawn down a \$2.5m term loan facility with Export Finance Australia ("EFA"). The loan has an interest rate of Base Rate plus a margin of 6.8% payable quarterly in arrears for the term of the facility. The term of the facility is to 30 September 2023 with equal monthly repayments of principle commencing 30 April 2021 and continuing for the term of the loan. There is a financial covenant that the Company maintain a month end consolidated cash balance of \$AUD 1.5 mil increasing to \$AUD 2.5 mil after 30 June 2021 until the Final Repayment Date. The facility is secured by a GSA over the Australian entities of the MSL Group which ranks second behind the Westpac GSA and the overseas entities have provided guarantees. The balance owing as at 31 December 2020 is \$2.5 mil.

The Bank overdrafts are held by the UK entities (£150k) and the Danish entity (DKK 1.0m) respectively.

The UK bank overdraft of £150k is with Royal Bank of Scotland and is secured by a first ranking debenture over the UK entities of MSL Group with an interest rate on drawn funds at B + 3.3%.

The Danish bank overdraft of DKK 1.0m is with Danske Bank and is unsecured with an interest rate on drawn funds at 4.5%.

<b>8. Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (Item 1.9)	1,377
8.2 Cash and cash equivalents at quarter end (Item 4.6)	2,814
8.3 Unused finance facilities available at quarter end (Item 7.5)	1,505
8.4 Total available funding (Item 8.2 + Item 8.3)	4,319
8.5 <b>Estimated quarters of funding available (Item 8.4 divided by Item 8.1)</b>	N/A

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: Not applicable

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: Not applicable

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: Not applicable

### Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 27 January 2021

Authorised by: By order of the Board



Andrew Ritter (Company Secretary)  
(Name of body or officer authorising release – see note 4)

### Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.