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PROPHECY

Q1 FY24 Business Growth Update

ASX: PRO
Market Announcement

Highlights:

- **Annualised recurring revenue (ARR) grew to $22.56M as at 30 September 2023**

- **Emite delivers year-on-year sales growth of $1.23M in Q1 FY24 with key customers including the Australian Tax Office, Service NSW, NZ Inland Revenue, Cochlear and Macy's and ARR of $15.42M (+15.5% year-on-year)**

- **Snare achieves $1.02M in new sales in Q1 FY24 through a diverse blue-chip client base including Verizon, Charles Schwab and Occidental Petroleum, with annualised subscription revenue growing by 95% year-on-year to $4.63M**

- **Market tailwinds remain positive for continued expansion in cloud data management, CX analytics and cybersecurity**

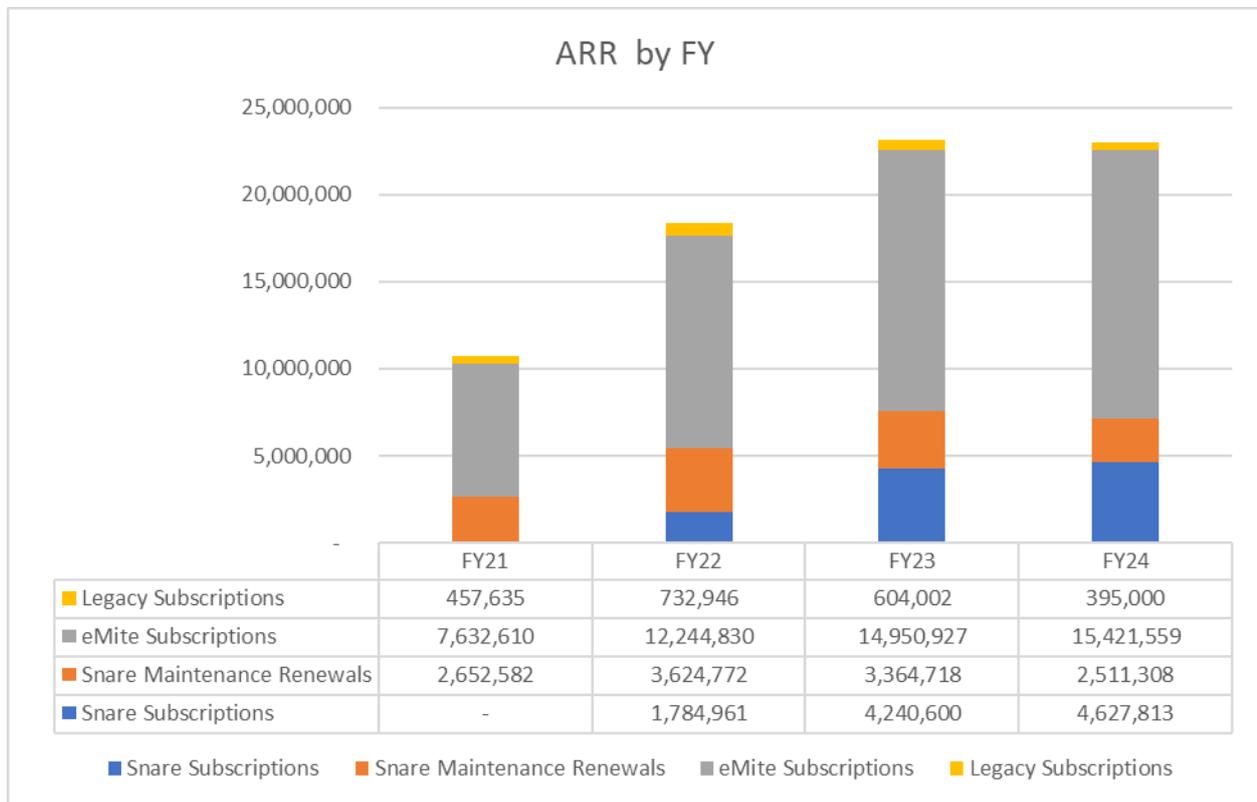- **Debt-free balance sheet with cash of $10.3M at end of Q1 FY24**

Sydney — 17 November 2023 — Business software developer Prophecy International Holdings Ltd (ASX: PRO, "Prophecy" or "the Company"), is pleased to advise of continued financial and operational progress across its business units in Q1 FY24.

Business momentum

Consistent sales growth continues to underpin growth in the Company's base of annualised recurring revenue (ARR). As at 30 September 2023, the Company's base of ARR had grown to $22.56M.

Prophecy continues to efficiently convert revenue into cash receipts, invoicing $5.96M in FY24 to the end of October, +10.7% YoY.

emite
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snare
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The Snare business continues to transition well to a primarily subscription-based model, with Snare subscription revenue increasing by 95% YoY. Although this change impacts revenue recognition and invoicing cashflow, the subscription model has been received well by customers and enhances the sustainability and scalability of Prophecy's business model.

ARR by FY

	FY21	FY22	FY23	FY24
Legacy Subscriptions	457,635	732,946	604,002	395,000
eMite Subscriptions	7,632,610	12,244,830	14,950,927	15,421,559
Snare Maintenance Renewals	2,652,582	3,624,772	3,364,718	2,511,308
Snare Subscriptions	-	1,784,961	4,240,600	4,627,813

■ Snare Subscriptions   ■ Snare Maintenance Renewals   ■ eMite Subscriptions   ■ Legacy Subscriptions

During the quarter, Prophecy was selected to be part of Oracle's Global Co-Sell Program that incentivises Oracle's sellers and partners to promote Snare and emite to their customers and partners. The partnership provides Prophecy with privileged access to more than 430,000 Oracle customers and is expected to accelerate Prophecy's global business development.

Prophecy's expects positive operating cash flow for the half and the full financial year saw the Company's cash balance move to $10.3M as at the end of Q1 FY24, down from $11.8M at the end of FY23. This was expected as many of the Company's annual contracts for services fall in Q1 affecting the short term cash position. The Company remains debt free with adequate financial flexibility to pursue its growth objectives.

Emite Performance

Prophecy's current focus on marketing through both the Genesys and Amazon Connect contact centre technology ecosystems continues to deliver growth in contracted sales for eMite, the Company's SaaS-based customer experience and contact (call) centre analytics platform.

Further to this, Prophecy's release in June 2023 of an Integration Platform as a Service (iPaaS) solution for emite enables the Company to address more of the CX marketplace, include other vendor tools with Genesys and Amazon Connect and open this new integration capability to the entire CX ecosystem.

The first significant contract for a non Genesys or Amazon customer is in the process of being finalized for a large European food delivery business. This contract requires integration to over 25 instances of various applications requiring more than 30 integrations to extract CX data for analysis and visualisation. It's is expected that this agreement will be finalized in November this year.

In Q1 FY24, Prophecy signed new eMite customer contracts with aggregate 1st year contract value (1CV) of $1.23M.

The latest emite sales activity reflects key contributions from a variety of new large customers in Q1, including the Australian Tax Office, Service NSW, Colonial First State, Abu Dhabi Commercial Bank, NZ Inland Revenue, Cochlear and Macy's.

Prophecy's new client momentum in this business has continued to boost eMite's base of ARR, growing to $15.42 million as of 30 September 2023, an increase of 15.5% YoY.

With an emite potential sales pipeline for the remainder of FY24 valued by the Company at $12.6M, Prophecy holds a positive view for continued customer growth on its emite platform as the Company's sales and marketing activity boosts the recognition of emite's ability to help businesses manage their data in the cloud and visualise and understand their customer's journey.

Snare Performance

Prophecy's focus on the USA, UK and Europe as key target markets continues to drive growth in both sales and pipeline for Snare, the Company's cybersecurity software product line. Through Snare, the Company provides critical government recommended or mandated security controls, including cyber threat detection, security information and event management (SIEM) and centralised log management.

In Q1 FY24, the Company signed new Snare contracts worth more than $1.02M with a diverse group of large enterprise and government customers. Key sales contributions made by customers which include Verizon, Charles Schwab, Broadview Federal Credit Union, Ineos Europe, Occidental Petroleum and the Office of the Israeli Prime Minister indicates the breadth of Snare's appeal across a range of global regulated and critical industries.

Customers are continuing to grasp the advantages of the Opex/Capex flexibility provided by Snare's subscription-based sales model with one third of all new Snare sales in Q1 taking advantage of subscription-based pricing. This is a smaller percentage than previous quarters due to a small number of large perpetual license sales that fell into Q1.

As part of the Company's selection by the Australian Government Department of Defence Export Office as part of Team Defence Australia, Prophecy exhibited on the Australia Pavilion at the Defence Security Equipment International (DSEI) UK show in October 2023. DSEI brings the global defence and security community together to innovate, partner and share knowledge under one roof.

The Company was also proud to sponsor the Innovate Cybersecurity Summit in Scottsdale, Arizona in October 2023, the premier cybersecurity show for CISOs.

Prophecy has identified a Snare potential sales pipeline for the remainder of FY24 valued at $9.8M, and Snare remains an active member of various consortia in a number of large bids for US Federal and Defence contracts that are yet to be awarded. These bids sit outside the pipeline number due to the uncertain nature and timing of these opportunities. Prophecy maintains a positive view for continued growth in Snare's business as the market for flexible cybersecurity and compliance solutions continues to expand and as companies struggle with the trade off between security, risk and cost from other major vendors.

The Company's debt-free balance sheet with $10.3M cash as at the end of Q1 FY24 provides adequate funding for Prophecy to pursue its key focus areas, which include the following priorities:

- Continue to expand sales and marketing to address growth opportunities in global markets
- Increase emite sales to large enterprise customers through both Genesys and Amazon Connect and to expand into the boarder CX market space outside Genesys and Amazon
- Increase penetration of Snare products with new and existing customers, focusing on opportunities for Snare in the Government & Defense segment in the USA
- Increase Snare partner revenue from Security services partners including System Integrators, MSSP's, Security Operation Centre (SOC) providers and Extended Detection and Response (XDR) platform providers
- Deliver the strong pipeline of product innovation already in progress for both Snare and emite
- Continue the managed transition of the Snare business to recurring subscription-based licensing

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About Prophecy International Holdings Limited

Prophecy International Holdings Limited (ASX: PRO) is a leading Australian designer and developer of innovative business software. Through its two products, Snare and emite, Prophecy serves the large and growing global markets of Cloud Data Management, Contact Centre Analytics and Cyber Security.

Emite provides a SaaS-based real time and historical analytics platform for customer experience in contact centre environments. It provides fast, accurate visibility into operational metrics that drive contact centre performance outcomes and superior customer service without adding pressure to busy business intelligence (BI) and management information (MI) teams.

The Snare product suite is a highly scalable platform of Centralised Log Management and Security Analytics products designed to enable customers to detect and manage cyber threats in real time and maintain regulatory compliance. It empowers customers to seamlessly detect threats as they emerge and review past events that may have led to system misuse.

Prophecy operates globally from Adelaide and Sydney in Australia, London in the United Kingdom and in Denver, USA.