



Prophecy International Holdings Ltd.

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PROPHECY INTERNATIONAL HOLDINGS LIMITED AGM 2016

CHAIRMAN'S ADDRESS TO SHAREHOLDERS

INTRODUCTION AND 2016 RESULTS

Welcome to the Prophecy International Holdings Limited 2016 AGM.

Prophecy results for FY 2016 turned in some record numbers for the full year. Group revenues at \$14.7 million were up 47% on the previous year, a record high for revenue. Earnings expressed as EBITDA of \$5.1 million were up 13% and also recorded a new high. Net operating cashflow was a very healthy \$4.9 million for the period and the full year dividend came in at 4.2 cents per share.

The revenue segmentation gave the SNARE business the largest share at \$7.6 million, up by 27%. The eMite business produced revenue of \$4 million and the older Legacy software came in at \$3.1 million to complete the \$14.7 million total for 2016. The SNARE business is to be congratulated for its healthy result and continued growth over the years.

Our focus today will be on the two key business areas of growth for Prophecy being SNARE and eMite. I will elaborate on the SNARE revenue growth plan through continued focus on partner activity and then I will call on Brad Thomas our General Manager of Sales for eMite to present on the growth to come from “out of the box” analytics to be sold alongside multiple 3rd party software solutions. Our Legacy systems continue to be supported and customers very stable. Overall Q2 revenue is expected to be in the range \$3.1m - \$3.5m, compared to \$3.5m for the same period last year.

SNARE

SNARE is our cyber security software product which operates in the Security Incident & Event Management (SIEM) part of this space.

SNARE is a software platform for logging all event data and is a component of an overall cybersecurity defence strategy. SNARE records all computer device events (log data) and then is able to filter for required key events, forward that information to multiple locations, store and analyse the data, and then report and provide alerts upon detecting intrusion or unusual behaviours. SNARE complements protection strategies and enhances the operation of a total site SIEM solution. A SNARE installation consists of individual SNARE agents that can operate on every computer device, collecting the raw activity data which is then filtered, encrypted and compressed before being forwarded to one or more central locations. One or more SNARE servers operate centrally to analyse and correlate all the collected data and provide alerts and analysis related to intrusion or unusual activity.

SNARE looks for patterns of behaviour through the analysis of past activity and provides alerts so that potential weakness can be identified and corrected. Through these processes SNARE makes available a detection strategy alongside the prevention strategy of a full cybersecurity system. SNARE is very strong on compliance with industry standards such as PCI, HIPAA, SOX, NISPO, NERC and many others. It provides the audit component for many systems. Forensics is another key aspect of the SNARE solution and detailed analysis is provided by the software so that for any incident, a focus can be directed to identify the who, what, where and how related to that incident. Analytics are now being more frequently utilised to identify out of the ordinary behaviour for a site. Regular reviews of the SNARE log data are used to confirm that trusted sources have not been compromised. The providers of Managed Security Services (MSSP) all require detailed log data to be correlated from multiple systems and rely on SNARE as the source of this key data. All large security solutions require SNARE type log data collection, filtering, encryption and forwarding to feed their key analysis processes.

SNARE software deployment ranges from the small installation of 10 endpoints right through to full enterprise deployment of 100,000 endpoints plus. SNARE is now supported in over 2000 sites and an open source (unsupported) community of some 100,000 sites. SNARE is very much cross industry with every



conceivable industry type represented within our customer base. The customer names are a who's who of business and government organisations. SNARE has sold very well in North America and Europe and runs in most countries around the world. The SNARE software runs on servers, PCs, workstations, desktops and laptops, at work and at home, on land, in the air and under the sea.

A simple SNARE deployment has SNARE agents on individual devices collecting event log data at a rapid rate, then filtering, encrypting and compressing that information before forwarding the result to a central location for storage, analytics, alerts, forensics and reports.

A complex SNARE deployment involves multiple locations, collections, storage and analysis plus additional forwarding to other major security systems to become part of a more complete cybersecurity system. SNARE aims to work well with all major players in the cybersecurity field.

The greatest potential for SNARE growth is in partnering with the major players in the security field and feeding their systems with the all-important raw data from SNARE. Players of interest include Dell, NTT, IBM, HP, RSA, Splunk and LogRhythm. SNARE aims to grow partner sales such that we achieve 50% of SNARE sales via partner activity with the rest coming from direct sales activity. We have established very good relationships with IBM and work very well with their QRadar security product. There are now some 60 sites that run SNARE with QRadar, but worldwide, there are some 5000 QRadar sites that could potentially utilise SNARE providing excellent potential growth for SNARE via IBM partner activity. SNARE now exists in some 300 Dell Secureworks sites, but potentially there are 6000 such customers that could utilise a similar SNARE solution. Our base of 100,000 Open Source customers is now starting to provide an avenue for conversion to the supported Enterprise version of SNARE supporting further growth.

Our SNARE go to market strategy involves continued direct sales activity with a focus on North America and Europe plus an added vertical market focus to build on existing strengths. We have a strong focus on account management to look for additional sales within our base of 2000 sites in the area of SNARE down to the desktop level which currently has quite a small penetration. Partners form a large part of our strategy and we have built a strong partners team now in both North America and more recently in Europe. We look forward to a string of new partners particularly in Europe where we have been previously less active. We are building strong alliances across the board. Strategic alliances being worked include IBM, HP, Symantec and EMC. Technology alliances at solution level include IBM QRadar, Arcsight and RSA. MSSP alliances include NTT, Verizon and AT&T.

Growth from the direct sales activity involves continued improvement in sales metrics. By building sales skills, presales support, evaluation support and targeted white papers we continue to improve the sales close rate. Improved marketing activities applied to a growing database of potential leads are being utilised to expand the target audience for direct sales of SNARE. Promotion of SNARE down to the desktop level is being used to increase the average deal size. Currently only some 5% of customers use SNARE down to the desktop level and there is a large opportunity for growth in this important area that deserves better coverage. Pairing eMite analytics with SNARE will provide for increased sales value with an improved set of product options.

The MSSP arena has been targeted by the SNARE team for additional growth. Secureworks is an important partner for SNARE and a series of training seminars has been implemented to educate their salesforce on the benefits and advantages of SNARE. Continuation of this project will help get SNARE into a larger portion of the very large Secureworks base and to also increase the average deal size in the process. We have a number of relationships in this MSSP space that are targeted for growth.

Our IBM relationship has continued to progress with our recent certification by IBM to allow SNARE to be part of the IBM QRadar App exchange system This provides SNARE with a significant marketing opportunity as the certification is considered to be very important by potential customers. The SNARE certification has enabled the process of signing up IBM partners as SNARE partners to open up access to the 5000 QRadar customers worldwide. The first two new IBM partners have been signed and we have already gained great exposure to their base customers. Many more are expected to come on board to provide a stronger



penetration into the IBM base. Similar expansion activity is planned with the other major operators in the security field.

EMITE

Brad Thomas will now take over and provide a picture of the eMite product set and its very large opportunity. I have always believed that eMite can grow to be bigger than the SNARE opportunity over time.

eMite is an Australia software business whose primary product development is in Sydney Australia.

eMite has operations in Australia, Singapore, United Kingdom and China, with Sales agents in both the United States and Singapore. Primary software development is done in Sydney with a test capability based out of China. Sales, Marketing and Management is based in Sydney.

eMite has been in business since 2003 and was acquired by Prophecy International a(ASX:PRO) in 2015.

PRODUCT OFFERING

eMite is a unique management information system software package that provides near real time operational data to business management & executives to optimise day to day operations

- Single solution across Contact Centres, IT Operations & Security
- Provides operational dashboards drawing on client's existing IT systems and business structures and data
- Integrates with over 70 leading IT Service Management, Contact Centre software and Database applications

VALUE PROPOSITION

eMite provides a platform for the visualisation of data to provide a wholistic state of the entire IT environment.

Combining data into meaningful metrics and KPI's helps to make key decisions easier

- Analysis of practically any data in a single interface provides a single point for information
- Understanding intra-day performance improves governance and reduces operational risk
- Proactively identify where to focus your energy
- Self Service real time dashboards reduces costly services costs
- Automated reporting makes monthly reporting obsolete
- Publishing dashboards makes information available to all users and customers
- eMite automation moves from reactive to proactive management.
- Recognised by Gartner as a market leader in IOBVD

EMITE APPLICATION OVERVIEW

eMite's application is built on leading edge technology that enables our customers to gather, consolidate and manipulate data like never before. Using our technology, we can enable customer to get both historical data



for analysis but also real time data to enable immediate action rather than having a view in the rear view mirror.

The eMite solution is available on premise and in the cloud.

eMite's architecture provides a complete solution from the point of data collection to the delivery of the data via its dashboards.

This framework utilises best of breed technologies used by leading technology vendors in areas such as cloud based hosting, big data warehousing, and high performance data processing. In addition to their technological value, these technologies are cost efficient and allow eMite to move into the world of Cloud Service Provision

- Our data collection and aggregation framework provides access to 70 + connectors, including database applications and systems like Interactive Intelligence, BMC Remedy, ServiceNow etc.
- The Real time data and analytical engine provides information updates in seconds that standard BI tools are unable to provide.
- Our Multilingual interface assists our customers who do not speak english
- Inbuilt best practice methodologies draw operational data and make it available in an easy to understand visualisation
- The use of big datawarehouse indexes avoids expensive database technology & custom development
- A modern HTML framework makes dashboards available across multiple platforms, including phone and tablet technology
- Simple drag and drop self-serve capability save significant expense with no development needed to create reports or KPI's.

MARKET OPPORTUNITY

eMite has multiple revenue streams across the markets and segment that we are targeting:

1. Adding incremental value to 3rd party software companies.

eMite was created specifically to address the problem of Business Intelligence reporting for IT based data sources. This is an area that the majority of IT vendors fail in, as referenced by IT Analyst Firm Gartner, in many of their analyses of IT solution space. The opportunity for eMite is to add incremental value for those vendors, whose customers are demanding a credible reporting platform.

- eMite works with a number of 3rd party software vendors to **complement** and **extend** their core offering with real time and historical Dashboards and Analytics.
- One vendor we work with has more than 4,000 customers and over 400 reseller partners.
- Another has over 4,700 customer across 120 countries and more than 300 partners
- By partnering with other software vendors we gain access to their customer base through either a traditional reseller relationship where they sell our solution OR an OEM relationship where they embed the eMite capability as part of their offering to all their customers.



2. Selling to Managed Service Providers/Outsourcers to manage their customers' IT infrastructure & operations.

Service Providers have a significant problem, having to provide reporting to all their customers. The historical practice of BI tools requiring significant services to deploy reports on a monthly basis has seen the requirement for teams of staff (sometimes hundreds) dedicated to providing contractual reports that are generally obsolete before they are created.

- eMite is able to automate Monthly Reports for our Service Provider customers
- eMite improves the value of the services delivered by Service Provider customers, through visualization of data in real-time, not end of month.
- We gain access to their extended customer base and sales force to sell to new end customers

3. Selling direct to large enterprise

- This was eMite core business, but the business model is changing to achieve greater scale. These custom implementations were not repeatable and did not result in enough re-usable IP. It was also necessary to have a significant on-site technical consulting effort up front to implement the software and would not enable eMite to scale globally.

EMITE STRATEGY

Part of the Prophecy plan was to adopt a similar strategy to the one that made Snare such a successful solution for the company. Taking the core strengths of eMite, the strategy was to rearchitect the technology and business model from the historic perpetual, low volume, high services sales engagements, to annuity based, high volume sales with low services commitments.

As a result of this strategy the following key changes to eMite have been implemented over the last twelve month.

- The re-architecture has enabled the eMite platform to be able to run in the Cloud with implementation times that previously took three weeks, now reduced to less than one day.
- Amazon Web Services (AWS) were chosen as the preferred cloud hosting vendor to allow cloud implementations in key geographical areas. This also enabled financial benefits that align to our sales model.
- Key business relationships have been established with leading vendors with inferior reporting solutions to their competitors, with eMite providing a key differentiator for those vendors. At present three relationships have been established.
- Out-of-box solutions have been developed specifically with those vendors providing significant value to the customers of those vendors.
- The eMite pricing model has been simplified and changed to an annuity model.
- All of the above points have reduced length and complexity of sale from 6 - 9 months to 6 – 8 weeks.

EMITE HAS 4 STRATEGIC PILLARS FOR GROWTH

- Achieve dominance as the reporting and analytics tool for contact centres by leveraging relationships with the largest global contact centre vendors



- Grow our footprint in the IT Service Management market with established and growing ITSM vendors
- Enter the security analytics market with our sister company Intersect Alliances' Snare product – providing dash boarding and analytics capability on top of Snare log management capability.
- Develop and implement a new sales and operating model to enable the business to scale.

To ensure we achieve these strategic objectives there are a number of milestones that we need to achieve.

Contact Centre Market

- Complete our initial partner relationship with a large Contact Centre vendor that is already in the pipeline.
 - 4000+ existing customers
- Educate the global direct and indirect sales force that partners with that vendor.
- Realise the partnership opportunity with telecommunications providers that we have in the Australian market.
 - We are already selling into this market

ITSM Market

- Leverage our existing relationships with vendors in the ITSM market including BMC, ServiceNow and Heat.
- Complete an OEM vendor relationship with an emerging vendor in the ITSM market that is currently in the pipeline.
 - 1200+ existing customers

Security Segment

- Complete and launch the eMite for Snare offering by the end of 2016.
 - 1800+ existing customers

New Sales & Operating Model

- Hire Global Sales Head to implement our expansion
 - Brad Thomas commenced in October 2016
- Automate core business processes for scale including billing, provisioning and contract management
- Refine global sales process
- Establish and launch partner program
- Grow eMite sales organisation
- Refine and implement marketing capability

MARKET OFFERINGS

Our core market offerings are:

eMite for Contact Centres

- Provides significant differentiator for our partners over their competitors
- Operational dashboards for contact centres
- Real time view of information



- Ability to improve grade of service, increase productivity, manage KPI's, manage queue's and agent performance.
- Empowers contact centre managers to manage operational more effectively
- Ability to bring data from other apps like CRM, Customer Sat (NPS) and financial data from sales mapping operational performance to financial performance
- Works with Industry leading contact centre offerings like Interactive Intelligence, Genesys & Avaya
- In this market our average deal size is approximately USD\$50,000 per annum

eMite for IT Service management

- Operational dashboard for IT Operations
- In house or via outsourcer or managed service provider
- Manage incidents and availability of key IT systems.
- Increase ability to transact business and/or improve end user satisfaction
- Ability to consolidate operational data from multiple data sources
- Already integrates with industry standard applications like BMC Remedy, CA, Cherwell, ServiceNow and Heat.
- Ability to bring contact centre stats into Service Management data
- Average deal size is USD\$30,000 – USD\$50,000 per annum

eMite for Security

- Operational dashboard for IT Security
- Working with Sister company Snare we have developed a dash-boarding functionality that allows IT security teams to effectively monitor and manage security incidents.
- Real time view of incidents
- This will be sold through the Snare global sales team and snare partners to their installed base of customers and prospects.
- Will enable Snare to move from a simple log management tool to a security analytics offering expanding their reach in the market
- We are also investigating the ability to offer dashboarding for specific compliance requirements like a Sarbanes Oxley, PCI or HIPPA.

PRICING MODELS

eMite has always had 3 pricing models:

One off perpetual for large enterprise

Custom solution with large “once off & up front” perpetual licence fee + annual maintenance with significant consulting fees up front to implement and configure solution, multiple data sources. Must be on site to implement. Connection to multiple data sources.

Multi-customer management platform for System Integrators and Outsourcers



Usually an “all you can eat” enterprise wide licence to enable them to manage their existing customers. Significant up front consulting to implement solution into their IT Infrastructure. Connection to multiple data sources.

“Out of the Box” dashboards and analytics for other software vendors

Smaller subscription licence paid monthly or annually with limited or no upfront consulting costs. Recurring annuity revenue. Connection to one primary data source or a limited number of related data sources.

In our partner model for other software vendors that are two models.

- An OEM model where we licence the vendor directly to embed the software as part of their solution.
- A reseller model where we provide a wholesale price to the vendor and their partners to resell the eMite solution as a separate product alongside their own solution.

Across all these models – even for direct sales to large enterprise we are transitioning to a subscription based licence model.

There are significant benefits to this model:

- It offers a lower cost of entry for customers, often meaning that large amount of capital is not required
- For eMite is smooths cash flow and delivers annuity revenue streams and over time a compounding effect as sales increase.

The down side is that as we transition to subscription based there is a slowing of revenue growth until the new licencing approach ramps up.

CUSTOMER & PARTNERS

Across our market segments eMite has significant reference customers and proof points to demonstrate success in our strategic approach:

Large Enterprise Customers

Customers include:

- Westpac
- CBA
- TAL
- IAG
- CUA
- Transport for NSW
- QBE
- ANZ
- ASB
- Globally Known Stock Exchange

Managed Service Providers

Customers include:

- CSC
- Cognizant
- HP
- HCL
- Optus

Software Vendor Partners

Customers include:

- BMC Remedy
- ServiceNow

- Snare
- Interactive Intelligence

Contact Centre Customers

Customers include:

- Entrust Energy
- TAL
- Actavo
- Southern Metropolitan Cemeteries Trust
- Touchcorp

