

**31 January 2017**

The Manager  
Australian Securities Exchange  
Level 5, 20 Bridge Street  
Sydney NSW 2000



**By Electronic Lodgment**

**December 2016 Quarter Update**

MOQ Limited (ASX:MOQ) ("**MOQ**") is pleased to provide an update on its activities for the quarter ending 31 December 2016. MOQ also today released its Appendix 4C.

**Key Points:**

- **Strong revenue growth in Q1 and Q2 FY17**
- **A significant 3 year Managed Services contract for Toga Group 70 hotels worldwide, Head Office, and Development Sites, together with Data Centre operations management**
- **Solid sales pipeline momentum continuing into Q3 FY17**
- **Tetran integration update:**
  - **New market offerings from merged capabilities gaining momentum**
  - **Back-office business process & resource integration well progressed.**
  - **Transition of existing MOQ customers to leverage enhanced managed services model progressing well, with additional focus and forward investment to ensure a positive outcome for clients.**
  - **Business process improvements implemented to ensure a robust scalable managed services platform and excellence in customer service**
- **Skoolbag continues to grow in education and sports verticals whilst executing on business plan**

**Business Update**

The directors of MOQ are pleased to update that the group has continued to have a strong start to FY17. MOQ is reaffirming its target revenue in FY17 with an overall blended gross margin of 22%-25% on \$50m - \$55m.

As the MOQ business grows, management continues to remain focused by bringing forward investment to build momentum with the objective of growing its Recurring Services revenues and improving percentage margin contribution of these services in the context of the total market offering.

- **MOQdigital**

MOQ operates **MOQdigital**, an agile Systems Integrator that delivers technical solutions and drives outcomes for customers in a new digital world, and **Skoolbag** a market leading Software-as-a-Service ("**SaaS**") communications platform.

The MOQdigital business provides consulting, integration, and managed services across infrastructure, applications and data across ANZ with a Centre of Excellence (“COE”) in Colombo, Sri Lanka. The COE provides cost effective highly skilled resources that allows MOQdigital to broaden and enhance its offer to its customers including 24\*7 support.

The second quarter of FY17 has continued to track well, with strong revenue growth. As anticipated in the previous quarter, operating cashflows moderated somewhat as payments for technology deals from Q1 dropped into Q2, and there was a seasonal drop in activities towards calendar year end. Operating cashflows continue to be healthy and are anticipated to improve as activity picks up in the next 2 quarters. Overall cashflows were also impacted by a previously forecasted working capital adjustment payment of \$782K to the vendors of Tetran as a condition of the Tetran acquisition, with a final payment of \$97K forecasted in the next quarter to finalise the acquisition.

The momentum into Q3 FY17 continues to be strong with a healthy pipeline and sales to date. MOQdigital continues to focus on managed services and other recurring revenue opportunities alongside traditional revenue streams of professional services and technology sales.

Notable wins in the December Quarter include:

- A 3 year managed services contract for Toga Group managing 70 hotels worldwide;
- Renewal of significant 3 year managed services contract for Financial Services customer; and
- A large retail store application integration professional services project being deployed Australia wide.

The integration of the Tetran business into MOQdigital continues to progress well with a number of back-office functions and roles being consolidated to assist operational efficiency.

The transition of existing MOQdigital managed services customers to the improved integrated business model is also progressing successfully, albeit at a slower pace than originally anticipated. This is primarily due to a strategic decision to bring forward investment in our managed services platform to ensure it meets longer term capability and scalability needs. Additionally, MOQ’s Management team is taking a very considered approach to the integration work program, prioritising customer service and satisfaction.

The work program is progressing positively and is being diligently managed. However, it should be noted that previously stated guidance of typical margins from the managed services business will take longer to be realised than initially expected due to the strategic decision to bring forward investment, as we will not compromise on Customer Satisfaction during this process. However, MOQ is reaffirming its target revenue of between \$50m – \$55m revenue in FY17 with an overall blended gross margin of 22%-25%.

Concurrently, MOQdigital continues to successfully on-board newly acquired customers to the new integrated managed services model.

In line with our strategy and commitment to grow our NSW business, the Tetran acquisition has brought immediate scale to MOQdigital's NSW operations and together with MOQdigital's prior year investments in sales capability, has continued to see accelerated growth in that region. In addition, the MOQ and Tetran NSW offices are planning to consolidate to one premise in Q4.

The Queensland branch performance continues to be strong, reflective of the additional investment in sales capability, growth in Professional Services and leverage of the COE.

- **Skoolbag**

MOQ continues to invest in the Skoolbag platform (including Sportsbag and Bizbag products that leverage Skoolbag's market leading core technology). With management, development and sales teams primarily located in NSW, additional development and customer services capability is now also fully operational out of MOQdigital's Sri Lankan COE.

Skoolbag continues to execute on its product roadmap and sales strategy to grow product revenue by adding functionality, expanding geographically and targeting new industry verticals. In the golf sector, our channel partner's product "Dint Golf App" is powered by Sportsbag technology and is now the market leading product in mobile communication platforms for golf clubs in Australia.

The new customer admin console has been well received by customers and provides a platform for adding additional value and services. Skoolbag (and related vertical products) continue to grow, with over 1,000,000 end users and 3,000 customer subscriptions.

## **About MOQ Limited**

MOQ is a global award winning, cloud systems integrator with more than 200 employees which provides ICT Consulting, Integration, Managed Services and Solutions around data, applications, and infrastructure that enables digital business. Our strategy is to build annuity revenue streams through managed services and commercialised IP to capitalise on a rapidly growing digital economy.

Our purpose is to enable our customers to achieve more through the smart use of technology as they embrace digital transformation. We pride ourselves on building lifetime relationships with our customers by driving outcomes to get the best results the business needs.

---

### **For further information, please contact:**

Brad Cohen

Company Secretary

[bcohen@moqdigital.com.au](mailto:bcohen@moqdigital.com.au)

+61 2 8039 5015

## Appendix 4C

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

**Name of entity**

MOQ Limited

**ABN**

94 050 240 330

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

31 December 2016

<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	\$15,939	\$30,868
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(\$9,488)	(\$15,347)
(c) advertising and marketing	(\$98)	(\$208)
(d) leased assets		
(e) staff costs	(\$6,242)	(\$11,925)
(f) administration and corporate costs	(\$939)	(\$2,039)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	\$5	\$13
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	(\$52)	(\$111)
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(\$875)</b>	<b>\$1,251</b>

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	(\$75)	(\$136)
(b) businesses (see item 10)	-	-
(c) investments	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date ( 6 months) \$A'000
	(d) intellectual property	-	-
	(e) other non-current assets	(\$7)	(\$37)
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment	-	-
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Working Capital adjustment paid	(\$782)	(\$307)
2.6	<b>Net cash from / (used in) investing activities</b>	<b>(\$864)</b>	<b>(\$480)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of shares	-	-
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	\$90	\$90
3.4	Transaction costs related to issues of shares, convertible notes or options	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	<b>Net cash from / (used in) financing activities</b>	<b>\$90</b>	<b>\$90</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 quarter/year to date	\$5,588	\$3,078
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(\$875)	\$1,251

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date ( 6 months) \$A'000</b>
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(\$864)	(\$480)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	90	90
4.5	Effect of movement in exchange rates on cash held	-	-
<b>4.6</b>	<b>Cash and cash equivalents at end of quarter</b>	<b>\$3,939</b>	<b>\$3,939</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	\$3,939	\$5,588
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>\$3,939</b>	<b>\$5,588</b>

**6. Payments to directors of the entity and their associates**

6.1 Aggregate amount of payments to these parties included in item 1.2

6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3

6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

**Current quarter  
\$A'000**

\$304

-

**7. Payments to related entities of the entity and their associates**

**Current quarter  
\$A'000**

7.1 Aggregate amount of payments to these parties included in item 1.2

-

7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3

-

7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

--

**8. Financing facilities available**  
*Add notes as necessary for an understanding of the position*

**Total facility  
amount at quarter  
end  
\$A'000**

**Amount drawn at  
quarter end  
\$A'000**

8.1 Loan facilities

\$1,500

-

8.2 Credit standby arrangements

-

-

8.3 Other (please specify)

-

-

8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.

--

**9. Estimated cash outflows for next quarter**

**\$A'000**

9.1 Research and development

\$-

9.2 Product manufacturing and operating costs

(\$6,400)

9.3 Advertising and marketing

(\$33)

9.4 Leased assets

\$-

9.5 Staff costs

(\$6,250)

9.6 Administration and corporate costs

(\$1,000)

9.7 Working Capital Adjustment - Tetran

(\$97)


**9.8 Total estimated cash outflows**

**(\$13,780)**

10.	Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1	Name of entity	-	-
10.2	Place of incorporation or registration	-	-
10.3	Consideration for acquisition or disposal	-	-
10.4	Total net assets	-	-
10.5	Nature of business	-	-

### 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.

Sign here:  .....  
(~~Director~~/Company secretary)

Date: **30/01/2017** .....

Print name: **Brad Cohen** .....

### Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly 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 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.