

19<sup>th</sup> April 2018

## Vault Intelligence Limited March Quarterly Report and Appendix 4C

### Focused Performance and Major Software release produces Strong Quarterly results

Vault Intelligence Limited (**ASX: VLT**) (**Vault** or **the Company**), the leading SaaS business delivering solutions in the Risk, Environment, Health and Safety (**EHS**) sector is pleased to provide its 4C report for the third quarter of the 2017 - 2018 financial year.

#### March Quarter Highlights

-  **Vault achieved new Contracted Annualised Recurring Revenue (ARR) of \$451,500 for the quarter; an increase of 38% on the previous quarter.** Contracted sale value from software sales increased significantly this quarter with a record gain for a quarter of 38%. This coincides with the release of the new Vault 3 (**V3**) Enterprise Platform which is creating significant opportunities and momentum for the sales team.
-  **Contracted ARR Growth rate YOY after three quarters is at 47%.** Excluding Q4 sales and revenue, the contracted ARR growth rate for the Company is at 47% YOY growth compared with FY 16/17. New contracted ARR currently stands at \$1.24m for FY 17/18.
-  **Total Contracted ARR on target to meet \$4m Market forecast.** Total contracted ARR currently sits at approximately \$3.54m. Based on current projections and the sales pipeline for Q4, the Company is expecting to meet or potentially exceed the market forecast of \$4m contracted ARR at the end of FY 17/18.
-  **Record Total Cash Receipts; up 48% on previous quarter.** Total cash receipts from all revenues (customer receipts plus \$272k R&D Tax offset) totalled \$1.21m which is an excellent result for the quarter.
-  **Cash burn excluding financing rate down 49% on previous quarter.** Reductions in expenses and increased cash receipts have resulted in a 49% reduction in the cash burn rate for the quarter excluding financing. Corporate and administration costs continue to reduce quarter on quarter.





**Products fuel the performance and more to follow.** The release of V3 and its evolving momentum have started to influence cash receipts and ARR as the sales cycle gains traction. This momentum is expected to increase in Q4 and will be complemented with the recent release of Vault Solo (Lone worker application) which has created significant interest and sales opportunities to be realised in future quarters.

## Sales Performance

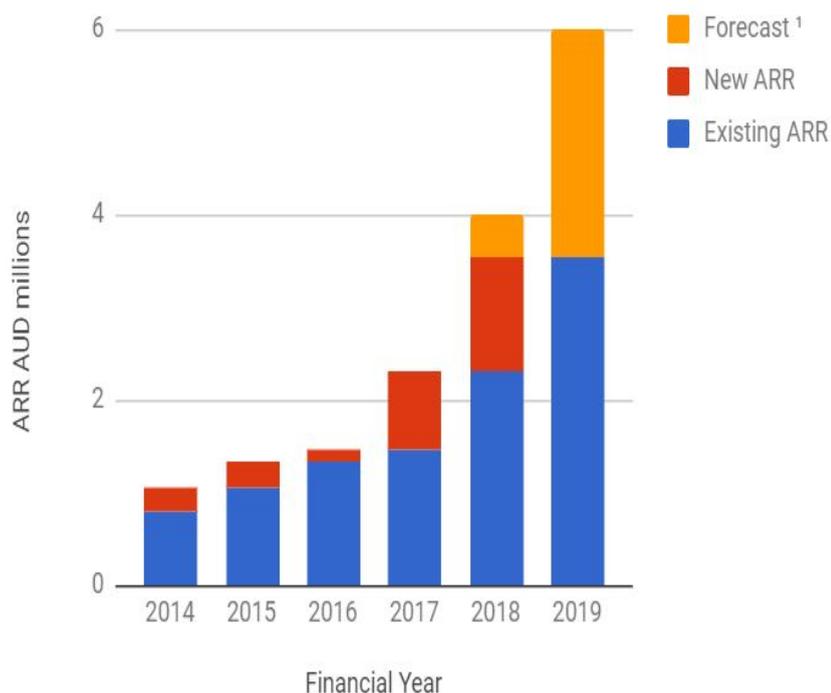
This quarter delivered **strong sales growth** on the previous quarter (**up 38%**) which is indicative of the sales strategy working and the successful launch of V3. The new product releases planned for this month are expected to **continue to drive this momentum through Q4**. Importantly this places Vault in a strong position to further drive sales growth in the new financial year with a **competitive portfolio** of core products and new leading edge products being added to the portfolio.

The result for Q3 although very strong, was **achieved without all sales positions being in place** which were identified as part of the strategic plan, but these key positions located in the Melbourne office will be filled in Q4. Vault now have sales and presales capability in **five geographic locations across Australia and New Zealand** covering all of the main centres as well as partner presences in additional locations.

Work continues on refining the strategic plan and implement new sales and marketing strategies to **target new markets and defined verticals**. Two of the key strategies identified in the strategic plan are underway and are to be implemented in Q4. The first one is to enable an **e-commerce platform** as a new global sales channel to **drive digital sales**. The second is the launch of the enhanced partner programme across ANZ and Southeast Asia and will be managed by an experienced Channels Manager focused on **delivering outcomes from the channels and partners**.

The healthy sales results for the quarter and the **momentum driving into Q4** has positioned Vault to achieve and potentially exceed market forecasts of **securing \$4m in Contracted ARR** by the end of this financial year. Currently the contracted ARR is at \$3.54m which represents an **increase of new ARR of 47% Year on Year (YOY)** with Q4 results still to be added to this positive growth percentage. Historically Q4 has been a strong quarter and with the committed sales team driving opportunities, we expect to build on the strong Q3 results. The additional sales conversions in Q3 have also contributed to the **excellent total cash receipts** received this quarter of \$1.2m with **continual growth in revenue from software** sales increasing quarter on quarter. The total cash receipts for Q3 was an increase of 48% on the previous quarter.

## Contracted ARR



<sup>1</sup> Projections for ARR are based upon current ARR and the ARR attained Q4 2016-17 in contracted sales, together with continuing sales momentum at the level achieved in that quarter. The Company believes this is reasonable as it has experienced a substantial lift in the sales pipeline over the prior six months. The Company believes the sales pipeline will continue to generate new sales at this level (AUD400k - AUD500k ARR per quarter) for the next two years as it continues to grow and develop its sales team. The Company has a sophisticated sales management system which provides substantial detail on how the sales process is advancing in terms of sales progress and this together with sales team experience is utilised in assessing the likelihood of future contracts closing. ARR is reported to the market on the basis of actual contract signing and there may be timing differences between the actual signing of new contracts and the commencement of payments by the new contracted party. For financial reporting purposes, the Company adheres to AASB 15 - Revenue from Contracts with Customers. As a guide payments typically commence within one to three months of contract signing.

## Marketing

The **Q3 marketing strategy** focused on three core areas:

- Digital Marketing
- Growth Driven Website Designs
- Lead Generation via an informative blogging program

Vault's Q3 marketing program continued the development of the Vault website which is continually being optimised to ensure that customers are easily able to navigate. Key pages with **high levels of web traffic** have been given refreshed designs to match the overall Vault branding. **Overall website visits were up 14%** from the previous quarter.

Vault's **organic channel** continues to be the core driver with a **28% increase for the quarter**. The key driver for this is content creation which focuses mainly around the regular, informative blogs that are posted out via social channels. The blogging program is focused around being problem solving and informative towards target industries and personas and has **gained momentum** in Q3 with a **healthy 57% increase** in overall views against the last quarter.

The **Q4 marketing strategy** will focus on four core areas:

- Digital Marketing & Lead Generation coupled with Continued Brand Building

- The Vault Solo Launch
- Website Conversion Optimisation Enhancements
- Improved Customer Communications

These core areas will provide Vault with the necessary marketing support to both generate **new business/revenue streams** and **improve the brand's visibility**.

Vault's Q4 marketing program will continue to attract engaged prospects at the top of the funnel, convert these into leads with compelling content offers, and nurture them until they are Sales Qualified. Furthermore, Vault's marketing program will continue to present the brand as a **thought leader in health and safety technology**, and strengthen their reputation as an **innovator in the sector** and most importantly assist with **expanding into new markets** and increase and maintain a stable share price for our investors.

With the impending release of the Vault Solo Suite, Vault will prepare a **comprehensive launch campaign** that focuses on the following 4 foundations:

- Creating compelling digital assets to introduce the product to market
- Driving online traffic to these assets for education and lead capture
- Leveraging PR support to build awareness, excitement and authority
- Communicating the product offering to existing customers and encouraging up-sell.

The **Vault Solo Suite** will be positioned as an **exciting leap forward in safety technology**, with applications across multiple industries. This campaign will reinforce the innovation and authority of the Vault brand, and reiterate the **Company's commitment to making the world a safer place through intelligent technologies**.

To further support our valued customer base, Vault will be increasing the level of direct communications and video-based tutorials in our support arsenal. This strategy is geared to increase customer happiness, retention and product knowledge.

## Product Development

This quarter Vault has **released Vault Solo to current customers**. Vault Solo allows workers to be monitored throughout their work day and send alerts from their mobile phones. This is now being groomed as a **standalone product that can be sold separately** from Vault's Enterprise system. Vault has also partnered with Samsung and is developing a standalone version of **Vault Solo on the Samsung Gear S3 watch**.



V3 Enterprise Platform is **completely translated to simplified chinese**. This allows Vault to now not only sell Vault Check in China but now the Vault Enterprise platform. Vault is now in discussion with Chinese hosting providers to meet government and SOE hosting requirements.



Vault is **developing a Partner Portal** to allow partners the ability see and interact with their customers. This will **improve Vault's sell-through capability** as partners can, at a glance, audit how their clients are performing and **allow the partner to aggregate data and trend** across their client base.

Vault has transformed it's development process to be more aligned with the Agile Development framework and the outcome of this will be higher quality and **faster development of new functionality and rapid resolution of issues**.

## Class Leading Support Portal

Vault's **Support Portal relaunch** has seen a massive **increase in knowledge base traffic** across a wide variety of platforms and regions this reporting quarter. The last month seeing 170% increase in views of Video support content with 14.5% of those views already being performed in **V3's help widget** functionality. Vault has **received great customer feedback** on Support Portal's intuitive layout and its increasing library of content, with the Vault users community embracing the improved discussion and feature request functionality, community interactions increasing month on month.

All video content is being progressively built into course material within our Learning Management System (**LMS**). Once completed, the **Vault Certification programme** will host multi-level courses ranging from complete system to single module certification and be flexible enough to meet the demands of a dynamic environment.

As well as creating demand and opportunities from the extensive product range the support portal will assist in maintaining the Company's **excellent retention rate** of 96+ percent.

## V3 Platform Ready for China / Southeast Asia

The formation of Vault as an **operating company in China** is expected to be finalised this month. This process has proven to be challenging but is seen as an essential requirement to **securing sales and credibility in the Chinese market**. With the registration of the company, the business intends to increase its **local presence** to assist in sales generation, support and technical advice for pre-sales and existing customers.

The V3 Enterprise Platform has been **fully translated** to simplified chinese and is now in production mode as **V3 Chinese**. It is envisaged there will be continual requirements for localisation of the product but the enterprise platform is **now available for the China market** and is being progressed with new customers expected to be announced in the upcoming quarters. This sales process is **well underway** with established partners and potential customers. As discussed in the previous quarterly report Vault will adapt an assertive approach in the **Energy / Power vertical** with the focus being to dominate this defined area and be respected as the go to brand for safety technology within the industry vertical. The opportunity in the Power / Energy vertical alone is significant but research is being undertaken to find **other suitable large verticals** and partners within the verticals to assist in the sales execution and ensure success is based on several verticals and opportunities.

## Vault Performance Metrics

FINANCIAL/SALES			
<b>+ 47%</b>	<b>+ 38%</b>	<b>\$451K</b>	<b>\$3.54M</b>
CONTRACTED ARR YOY GROWTH	ARR GROWTH ON PREVIOUS QUARTER	NEW ARR THIS QUARTER	TOTAL CONTRACTED ARR
<b>\$24.78 M</b>	<b>\$1.2 M</b>	<b>+ 48%</b>	<b>49%</b>
TLTV <small>*BASED ON 7 YEAR INDUSTRY AVERAGE</small>	TOTAL CASH RECEIPTS THIS QUARTER	CASH RECEIPT GROWTH ON PREVIOUS QUARTER	CASH BURN REDUCTION ON PREVIOUS QUARTER

MARKETING			
<b>+ 14%</b>	<b>+ 57%</b>	<b>185</b>	<b>40%</b>
WEB VISITS ON PREVIOUS QUARTER	BLOG VIEWS FOR QUARTER	# NEW LEADS PER QUARTER	CUSTOMER EMAIL OPEN RATE

CUSTOMERS			
<b>407</b>	<b>96%</b>	<b>16%</b>	<b>32</b>
# ENTERPRISE CUSTOMERS	RETENTION RATE	YOY GROWTH ENTERPRISE CUSTOMERS	# INDUSTRIES

## Corporate Financial Notes

The Company ended the quarter with AUD equivalent funds of **\$3.764 million** in cash and receivables (receivables \$252k). The Company is well positioned financially to execute its objectives and is significantly better placed than this time 12 months ago.

The group has **continued to invest in its product** each quarter, increasing both its research and development spend and intellectual property (i.e. **outsourced product development**) spend quarter on quarter. This demonstrates a continued **push to produce quality software**. Q4 will see the outsourcing spend (\$173k for Q3) reduce with the completion and release of the V3 Enterprise Platform. Staffing costs are also moving more towards development and away from other supporting roles in the business, noting the trend in **reduction of staff costs** quarter on quarter.

This quarter also saw the Company receive for the first time a refund from the Australian Government **R&D tax offset fund** (\$272k) for FY 16/17 which covered a partial period of the financial year. It is expected that the tax offset refund for **FY 17/18 should be considerably higher** as Vault commenced Australian R&D activities in January 2017, meaning it had only 6 months of eligible R&D expenditure on which to claim. Consequently, a claim for FY18 will cover a full year plus increased R&D expenditure and is anticipated to be received in December 2018.

The business has **reduced its administrative and corporate costs** quarter on quarter which demonstrates the business's **cost control plans** and the Company is committed to achieving a **cash flow positive position** using existing resources and funds. Management will continue to carefully manage costs in-line with the approved FY18 Strategy and budget. The company is firmly **on target to deliver and potentially exceed its key performance metric of Total ARR** contracted (\$4m) for the year.

Ends.

For more information:

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22k+  
Mobile App Users

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830+  
Businesses

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30+  
Industry Sectors

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400+  
Enterprise Customers

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1m+  
Workers Protected

### About Vault Intelligence Limited

Vault Intelligence Limited (ASX: VLT) is an online/SaaS development business specialising in creating solutions in the Risk, Environment, Health and Safety (EHS) sector. Vault operates across more than 30 industries and in several parts of the world.

Vault’s leading cloud-based systems provide its clients with the benefits of cost savings and the availability of real-time information to monitor, maintain and improve their businesses. Driven by a passionate team of developers and EHS industry experts, Vault delivers its enterprise-level software and mobile solutions to 1,000,000+ people across 30 industries.

To find out more about how Vault solutions can help to minimise risk and boost effectiveness in your workplace, visit [www.vaultintel.com](http://www.vaultintel.com)

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### **Caution Regarding Forward Looking Statements**

*This announcement may contain forward looking statements which involve a number of risks and uncertainties. These forward looking statements are expressed in good faith and believed to have a reasonable basis. These statements reflect current expectations, intentions or strategies regarding the future and assumptions based on currently available information. Should one or more risks or uncertainties materialise, or should underlying assumptions prove incorrect, actual results may vary from the expectations, intentions and strategies described in this announcement. Unless expressly stated, the Company does not provide any forecast regarding revenues that maybe derived from a particular customer contract, as such revenues are generally dependent upon the extent of the usage of the Company's product suite. Any forward looking statements are made as at the date of this announcement and the Company disclaims any intent or obligation to update publicly such forward looking statements, whether as the result of new information, future events or results or otherwise.*

## Appendix 4C

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

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

**Name of entity**

Vault Intelligence Ltd

**ABN**

15 145 040 857

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

31 March 2018

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (9 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	930	2,729
1.2 Payments for		
(a) research and development	(304)	(737)
(b) product manufacturing and operating costs	(119)	(312)
(c) advertising and marketing	(99)	(449)
(d) leased assets	(5)	(15)
(e) staff costs	(633)	(2,015)
(f) administration and corporate costs	(386)	(1,380)
1.3 Dividends received (see note 3)		
1.4 Interest received	10	19
1.5 Interest and other costs of finance paid	(5)	(21)
1.6 Income taxes paid	(2)	(4)
1.7 Government grants and tax incentives	272	272
1.8 Other (provide details if material)		
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(343)</b>	<b>(1,913)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	(22)	(26)
(b) businesses (see item 10)		
(c) investments		

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (9 months) \$A'000</b>
(d) intellectual property	(173)	(374)
(e) other non-current assets		
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 Other (provide details if material)		
<b>2.6 Net cash from / (used in) investing activities</b>	<b>(195)</b>	<b>(400)</b>

<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of shares	0	4,500
3.2 Proceeds from issue of convertible notes		
3.3 Proceeds from exercise of share options		
3.4 Transaction costs related to issues of shares, convertible notes or options	(8)	(324)
3.5 Proceeds from borrowings		
3.6 Repayment of borrowings		
3.7 Transaction costs related to loans and borrowings	(1)	(3)
3.8 Dividends paid		
3.9 Other (provide details if material)		
<b>3.10 Net cash from / (used in) financing activities</b>	<b>(9)</b>	<b>4,173</b>

<b>4. 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	4,062	1,687
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(341)	(1,913)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(195)	(400)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	(9)	4,173

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (9 months) \$A'000</b>
4.5	Effect of movement in exchange rates on cash held	(4)	(34)
<b>4.6</b>	<b>Cash and cash equivalents at end of quarter</b>	<b>3,513</b>	<b>3,513</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	3,195	3,679
5.2	Call deposits	404	391
5.3	Bank overdrafts	(86)	(8)
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>3,513</b>	<b>4,062</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**

137

Includes directors' fees, salaries and superannuation.

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

- 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

**Current quarter  
\$A'000**

8. <b>Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	329	(86)
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.		

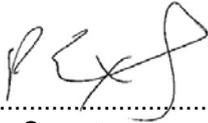
Variable interest rate overdraft facility with Westpac secured with a term deposit.

9. <b>Estimated cash outflows for next quarter</b>	\$A'000
9.1 Research and development	(277)
9.2 Product manufacturing and operating costs	(115)
9.3 Advertising and marketing	(75)
9.4 Leased assets	
9.5 Staff costs	(890)
9.6 Administration and corporate costs	(267)
9.7 Other (provide details if material)	
<b>9.8 Total estimated cash outflows</b>	<b>(1,626)</b>

10. <b>Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)</b>	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:  ..... Date: 19 April 2018  
Company Secretary

Print name: Paige Exley

**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.