

Q1 FY23 Business Growth Update

ASX: PRO
Market Announcement

Highlights:

- **eMite delivers year-on-year sales growth of 87.1% in Q1 FY22 through diverse new client wins**
- **Market tailwinds positive for continued expansion in both CX analytics and Cyber Security**
- **Annual cost savings of \$400k realised through in-housing of Philippines team**
- **Annualised recurring revenue (ARR) grew to \$19.4 million as at 30 September 2022**
- **Significant new sales partnerships established with Optus (Australia) , Fujitsu (Australia) , Jupiter Technology Corporation (JTC) (Japan) and Novacoast (United States) to expand pipeline opportunities locally and in global markets**

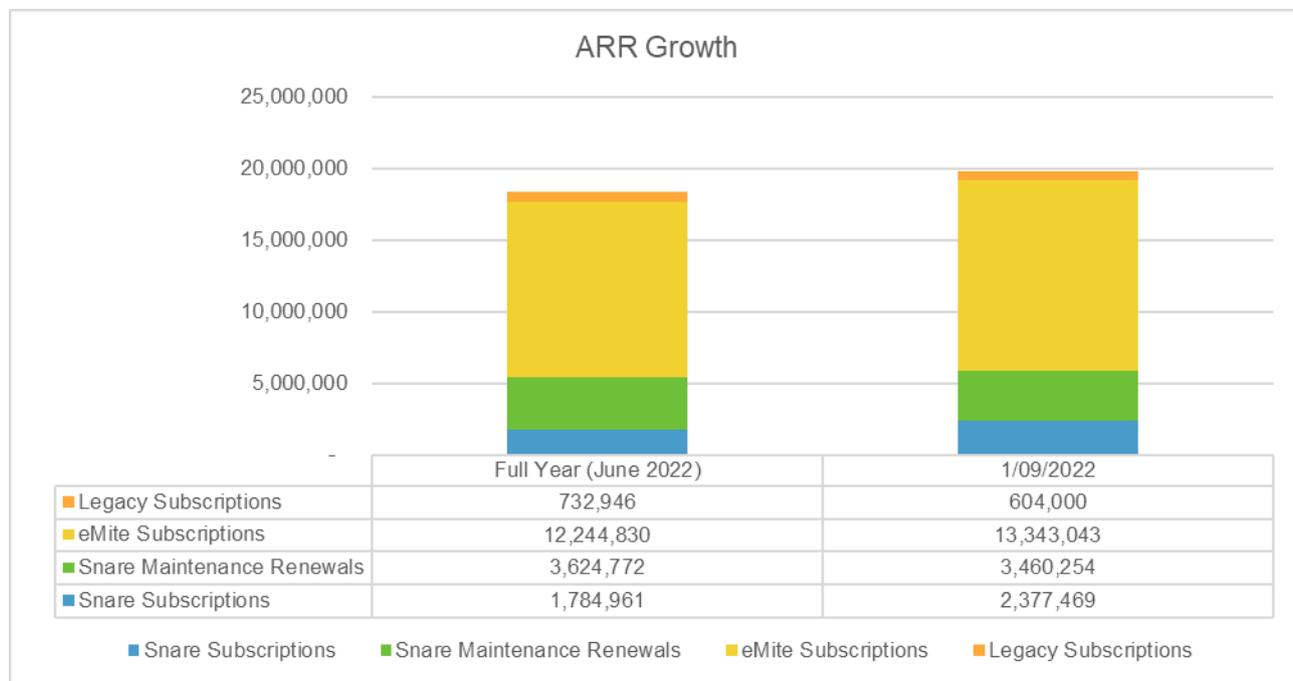
Sydney — 29 November 2022 — Business software developer Prophecy International Holdings Ltd (ASX: PRO, "Prophecy" or "the Company"), is pleased to advise of continued financial and operational progress across its business units.

Business Momentum

Q1 FY23 saw a continued shift in the nature of the Company's revenue as Prophecy transitions the Snare business to a predominantly subscription-based model. It was in this context that Prophecy achieved new sales contracts of \$2.65 million in Q1 FY23, which at the headline level represents year-on-year (YoY) change of -11.2% but primarily reflects a decline in perpetual license sales as the Company continues to aggressively market subscription licensing to new customers and prospects. The benefit of this shift is continued expansion of the Company's base of annualised recurring revenue (ARR), which stood at \$19.45 million as at 30 September 2022, an increase of 5.8% from 30 June 2022.

The eMite business continued to contribute strongly to Group momentum with new sales during the quarter up 87.1% compared to Q1 FY22.

More than \$2.37 million of the Company's ARR is now contributed by Snare subscriptions - a pleasing result less than one year after Prophecy began offering Snare under a subscription-based sales model.



During Q1 FY23, Prophecy established a new wholly owned subsidiary in the Philippines, Prophecy Software Solutions Philippines Inc. This subsidiary delivers customer support, software development, cloud operations and end customer training capability for the group globally across all product sets.

Bringing the offshore team in-house and away from a third party outsourcer brings many flexibility benefits to the Company and will result in savings of approximately \$400k per annum.

eMite Performance

Prophecy's focus on international 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.

In Q1 FY23, Prophecy signed new eMite customer contracts covering more than 6,800 seats with aggregate 1st year contract value (1CV) of \$1.45m. This new customer activity represents growth of 87% compared to eMite 1CV sales in Q1 FY22.

The latest eMite sales activity includes a diverse range of pleasing new client wins, including:



He Kaupare. He Manaaki.
He Whakaora.
prevention. care. recovery.



- Car-as-a-service provider LeasePlan (EMEA)
- Healthcare benefits administrator Nations Benefits (USA)
- New Zealand Crown entity, the Accident Compensation Commission (NZ)
- Title insurance and real estate technology provider First Canadian Title (Canada)

The rising new client activity has continued to boost eMite's base of ARR, growing to \$13.34 million as of 30 September 2022, an increase of 8.9% since the end of FY22.

Prophecy holds a positive view for continued growth in customer activity on its eMite platform as its sales and marketing function boosts the recognition of eMite's ability to help businesses visualise and understand their customer's journey.

In October 2022 Genesys announced the end of life and end of new development for a number of legacy platforms and products, including their leading on-premise solution "Engage". Prophecy believes that this announcement should accelerate the migration to cloud solutions for a large proportion of their on-premise customers in the large enterprise and government sectors. Early indicators of this shift are positive, with a number of new large household name potential eMite clients coming into the sales pipeline within the first month of this announcement being made.

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 FY23, the Company signed new Snare contracts with more than 100 customers across medium and large enterprise and government segments, generating sales of \$1.2 million, down from \$2.1 million in Q1 FY22. The change in sales contract value reflects both a change to subscription licensing from perpetual pricing and a slowing of decision making in US commercial customers and continued delays in large US Government bids being awarded.

A selection of the Company's larger sales to new and existing customers follows below.



As demonstrated by these brands, Snare continues to appeal to a broad range of regulated industries including banking & finance, energy, oil, gas and utilities, retail and health as well as government.

Snare customers are continuing to grasp the advantages of the Opex/Capex flexibility provided by Prophecy's new subscription-based sales model with 83% of all new Snare sales in Q1 taking advantage of the new subscription pricing.

The rise in average deal size and continued shift towards subscription sales for Snare indicate Prophecy's strong competitive position and its ability to upsell. However, the Company notes that Snare sales growth has been somewhat softer than budgeted forecasts, primarily due to delays in customer decision making particularly in the United States. To a large extent, these delays are a response to extensions in the release of budgeted funds as certain government program funding has been redeployed elsewhere.

New M21-31 regulation from the White House, which mandates compliance with standards for event log collection and establishes a maturity model for event log management, is expected to have a positive impact on the Company's ability to sell Snare into US government agencies. The model documents various levels of maturity from Level Zero (Ineffective) to Level Three (Advanced). Snare enables agencies to meet advanced requirements in a matter of hours once Snare is deployed.

The Company holds a positive view for continued growth for Snare, as the market for flexible cybersecurity and compliance solutions continues to expand. For enterprise customers, recent high-profile incidents involving household name Australian brands are bringing into sharp focus the rising financial and reputational consequences of data breaches, malware and ransomware. Increased cyber breach reporting regulations in the US, UK and Australia, along with new critical infrastructure cyber regulation in data breach reporting mandates from the SEC all add to the market opportunity for snare.

Snare is also a member of various consortia in a number of large bids for US Federal and Defence contracts that are yet to be awarded.

Partner Activity

During Q1 FY23, Prophecy advised that the Company had signed a 5-year Master Supply Agreement (MSA) with Australian telecommunications leader Optus Networks Pty Ltd ("Optus"). The MSA allows for Prophecy to supply both eMite and Snare to Optus group companies and customers.

The initial opportunity to supply eMite to just one out of Optus' many customers has been estimated at approximately \$2 million over the next 3 years. The first eMite deal under the MSA, with a key Optus government customer, has progressed to proof-of-concept (POC) stage with Prophecy having received an initial order valued at \$50k during Q1 FY23.

A pipeline of additional potential eMite and Snare deals have been identified through the partnership developed by the signing of the MSA. Prophecy is in ongoing dialogue relating to these pipeline opportunities and is pleased by the progress to date through this milestone partnership for the Company.

The Company is also pleased to advise that it has partnered with Fujitsu Australia Limited through a partnership and reseller agreement to enable Fujitsu to sell and deploy Snare software to their government

and commercial customers in Australia. This agreement complements existing sales relationships with Fujitsu in Singapore and in the United Kingdom.

Prophecy has identified potential for its agreement with Fujitsu to open opportunities to supply Snare to organisations responsible for the defense of Australia and its national interests. The Company will keep investors updated as these opportunities progress through the deal pipeline.

Prophecy is also pleased to announce a new partnership with IT and compliance services, product development and cybersecurity provider Novacoast in the US. Novacoast helps organizations find, create & implement solutions for a powerful security posture through advisory, engineering, development & managed services. This new agreement is with the Managed Security Services (MSSP) division of Novacoast and is working on a plan to bring Snare software to the current Novacoast customer base across large commercial and government segments in the United States.

The company is also pleased to announce a new partnership in Japan, opening a significant new market for Snare, with Jupiter Technology Corp (JTC). Jupiter Technology, founded in 2001 is a leading provider of log & network management and security in Japan serving more than 5,000 customers. The company delivers a portfolio of management and security services providing localised support for its customers ranging from SMB's to large enterprises and the public sector.

Japan has been a large mature market that is effectively a greenfields geography for Snare. JTC brings a new opportunity with large enterprise customers in Japan looking to optimize their SIEM and achieve regulatory compliance.

The Company ended September 2022 with an unaudited cash balance of \$11.8 million, providing adequate funding 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
- 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 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
- Identify and execute on acquisition opportunities to accelerate growth and increase capability, capacity and coverage

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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 Contact Centre Analytics and Cyber Security.

CX Intelligence by eMite provides a SaaS based real time and historical analytics platform, dashboards, wallboards, KPI and orchestration products for Customer Experience, Contact Centre environments.

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.

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

APPENDIX A
Optus MSA - Material Information

Term of Agreement	The base terms continue for a term of 5 years from commencement.
Nature of Products and Services	Prophecy designed software and services on a perpetual license and subscription basis.
Value of Contract	Approximately \$2.5 million over the first 3 years of the 5-year contract term.
Other Material Information	<p>Optus may terminate the MSA or a supply contract in whole or part for convenience by giving Prophecy at least 60 days' notice. Any supply contracts within the term will require prorated payment of 50% of monthly recurring charges for the remainder of the term.</p> <p>Prophecy may terminate any supply contract or the MSA or both with immediate effect by giving written notice to Optus if Optus breaches any material provision and fails to remedy the breach within 30 days after receiving written notice requiring it to do so.</p> <p>A security deposit of an amount representing 5% of the total estimated value of a Statement of Work may be requested by Optus from time to time, which Prophecy will provide to Optus.</p>