

## FY17 Full Year Results

SYDNEY, Australia – Bulletproof Group Ltd (ASX: BPF) presents audited results for the FY17 year, and operational updates.

### FY17 Full Year Results

- Revenue of \$49.2m, 4% increase Year on Year
- Underlying<sup>1</sup> EBITDA \$2.2m and EBIT loss (\$2.1m)
- Underlying<sup>2</sup> operating cash flow \$0.2m, closing cash position \$1.5m
- Underlying<sup>1</sup> NPAT loss (\$0.2m), reported NPAT loss (\$6.1m) – including write downs and impairments of \$6.0m
- Extensive restructuring activities, costing \$1.3m delivering ongoing savings into future periods

### Operational Update

- New CFO commenced 1 May 2017, as part of a number of management and board changes
- Debt facility established with Moneytech in June 2017 to improve working capital position
- Revitalised product offerings and improved delivery capability, reducing churn and improving wins
- Major client project wins through the year, including Victoria's DELWP, Simplot and Mirvac
- Partnership with Accenture signed May 2017 now delivering joint engagements

Commenting on the Company's performance, Bulletproof CEO Anthony Woodward said, "During the FY17 first half, we continued to face headwinds and challenges that carried forward from the second half of FY16. We have now made significant changes to the business operations and profitability, resulting in a strong second half that reflected the impact of these changes. We are confident that with continued effort, FY18 will benefit from these and other ongoing changes to deliver stronger value to shareholders."

	FY17	FY16	Change to PCP
<b>Revenue</b>	\$49.2m	\$47.6m	+4%
<b>Underlying<sup>1</sup> EBITDA</b>	\$2.2m	\$4.7m	-53%
<b>Underlying<sup>1</sup> EBIT (loss)</b>	(\$2.1m)	\$0.9m	-\$3.0m
<b>Underlying<sup>1</sup> NPAT (loss)</b>	(\$0.2m)	\$0.8m	-\$1.0m
<b>Underlying<sup>2</sup> Operating Cashflow</b>	\$0.2m	\$5.1m	-

While the first half of the year experienced a significant loss of (\$2.7m) EBIT and (\$0.4m) EBITDA, many of the initiatives completed in the first half to improve the business began to deliver during the second half to bring the final underlying EBIT for the year to (\$2.1m) and underlying EBITDA for the year to \$2.2m, a significant turn-around to profitability half-on-half. The underlying profitability is c.\$0.2m under the Company's last guidance in early July, owing to adjustments identified during finalisation of the audit process.

The largest impacted area of revenue was Professional Services, experiencing a significant slowdown in activity from a couple of major clients during the first half. An extensive program to right-size and refocus the team resulted in removing 30 personnel

<sup>1</sup> Please see reconciliation between IFRS and underlying results at the end of this release

<sup>2</sup> Excluding restructuring costs and working capital adjustments

from the combined delivery team. The second half saw a significant improvement to this activity to bring the overall decline in professional services revenue to 15% year on year, closing at \$5.5m for the year.

Recurring revenue growth of 6.5% year on year to \$39.5m was impacted by significant churn in Public Cloud, reflecting a number of factors in the fast-moving public cloud space, including more sophisticated customer buying behavior to reduce costs or acquire infrastructure billing direct from vendors, and reducing managed services in line with business needs due to the appeal of those managed services. While this activity focused on a small number of more advanced customers, it peaked towards the end of the first half, and churn continues to improve. The Company continues its extensive program to develop and grow product offerings and partnerships that deliver and demonstrate value to customers, to continue their commitment to managed services fees and other value additions.

### Reconciliation – IFRS to Underlying

Please refer below for the reconciliation between underlying and IFRS statutory results:

	EBITDA	EBIT	NPAT
<b>Underlying result</b>	<b>\$2.2m</b>	<b>\$(2.1m)</b>	<b>\$(0.2m)</b>
Restructuring expenses	\$(1.3m)	\$(1.3m)	\$(1.3m)
Capitalised Software Dev't impairment	-	\$(4.3m)	\$(4.3m)
Goodwill Impairment NZ	-	\$(1.5m)	\$(1.5m)
Balance Sheet Cleanse	\$(0.2m)	\$(0.2m)	\$(0.2m)
Revalued Financial Instruments	\$1.3m	\$1.3m	\$1.3m
<b>Statutory Profit/(loss)</b>	<b>\$2.0m</b>	<b>\$(8.1m)</b>	<b>\$(6.1m)</b>

### Cash Flow and Balance Sheet Improvements

In June 2017, the Company secured a 24 month \$5m flexible financing facility with MoneyTech. An initial drawdown was made of \$1.5m with a balance owing as at 30 June 2017 of \$1.3m. The facility has an annual interest rate of 7.97% and a monthly competitive fee. As part of the facility the Group entered into a General Security Deed across its business assets.

The balance sheet net current assets of \$167k have strengthened year on year (2016: negative \$489k). With a detailed review of all carrying items and related impairments completed during FY17, it is expected that the Company is well placed to leverage this strengthening position moving forward. Details of the impairments made during FY2017 are as follows:

Balance Sheet Item	Impairment	Carrying Value as at 30 June 2017
Goodwill from acquired NZ business (2016)	\$1.4m	\$0.7m
Capitalised development and software	\$4.3m	nil
Balance Sheet/working capital adjustment	\$0.2m	nil

### New Zealand Business Update

The New Zealand business, which faced its own challenges through the year, delivered NZ\$3.0m revenue. During the second half, two of the Cloud House founders left the business to pursue other ventures, and a General Manager was put in place. The changes in management and focus in the second half has led to more reliable performance of that business, with strong prospects into FY18.

As previously advised, the Company received a claim in relation to the acquisition of Cloud House NZ from the previous founders of the business, which was lodged in the New Zealand High Court. The Directors remain of the view that the claim has no basis and therefore no provision has been made in the financial statements as at 30 June 2017. Legal advice has provided an estimate of legal costs to defend the case of c \$300k should the matter run to trial. The Company's defence to the claim was lodged in the New Zealand High Court on 24 August 2017.

**Customer and Partner wins**

Throughout the year, the Company continued to deliver on helping customers transform their business with the cloud, including with organisations such as Victoria's DELWP, Simplot, and Mirvac, among many others. The partnership with Microsoft was strengthened with the launch of Bulletproof's end to end offerings around the Azure public cloud platform, and a partnership with Accenture was signed that is expected to driver further professional services and managed services opportunities to complement that leading consulting firm's offerings to the enterprise, in future periods.

**FY18 Outlook**

The extensive work done during FY17 to restructure the company for profitable revenue growth continues into FY18, with an organizational review being completed by the end of Q1, and the extensive product refresh cycle picking up pace. These efforts are expected to result in a better FY18, especially during the second half. The Company expects to guide the market regarding FY18 performance at the Company's upcoming AGM, as it continues to execute on the above.

**For further details contact:**

Anthony Woodward  
Chief Executive Officer  
Tel: +61 414 565 061  
<http://www.bulletproof.net.au>

Paula Kensington  
Chief Financial Officer  
+61 404 678 483

**About Bulletproof**

Founded in 2000, Bulletproof is Australia's leading cloud services company, supporting business, enterprise and government customers across the globe. Bulletproof has consistently been first to market with public and private cloud based services and innovations. With over a decade of experience in cloud, Bulletproof continues to drive industry innovation. Since being the first provider in Australia to launch a VMware public cloud service in 2006 and the first in 2012 to provide Managed AWS services, in 2013 Bulletproof was given the status of the first AWS Premier Consulting Partner in Australia and New Zealand.

In 2014, Bulletproof became Australia's first publicly listed pure play cloud services company, with offices in Sydney, Melbourne, Auckland and Wellington. Bulletproof Group Limited shares are listed on the Australian Securities Exchange (ASX) and are traded under the code BPF.

With the launch in 2016 of Bulletproof Support™ for Microsoft Azure, Bulletproof is now the leading end-to-end multi-cloud services company, guiding customers on their journey to the cloud through consulting, implementation and support services.