MSL Solutions Ltd

Investor Presentation
Half Year Results – FY2019

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All figures in this document are in Australian dollars (AUD) unless stated otherwise.

Key Messages

1. Strong momentum in transition to Recurring Revenue SaaS business; providing greater shareholder returns in the future;

2. FY19 reinvestment year to accelerate future year revenue growth, on-track and generating positive outcomes.

Overview of MSL

Leading modular SaaS platform for the sport, leisure and hospitality industry

Who is MSL?

MSL is a leading provider of cloud & on premise solutions which manage and enhance member engagement with organisations in the sport, leisure and hospitality industry

What does MSL do?

Our MPower platform provide membership based organisations with software and modules covering member interaction, transactions and business intelligence

62%
1H FY19 Recurring % of Total Revenue

+16%
YoY Recurring Revenue Growth

17.7m
Dec 18 - ARR

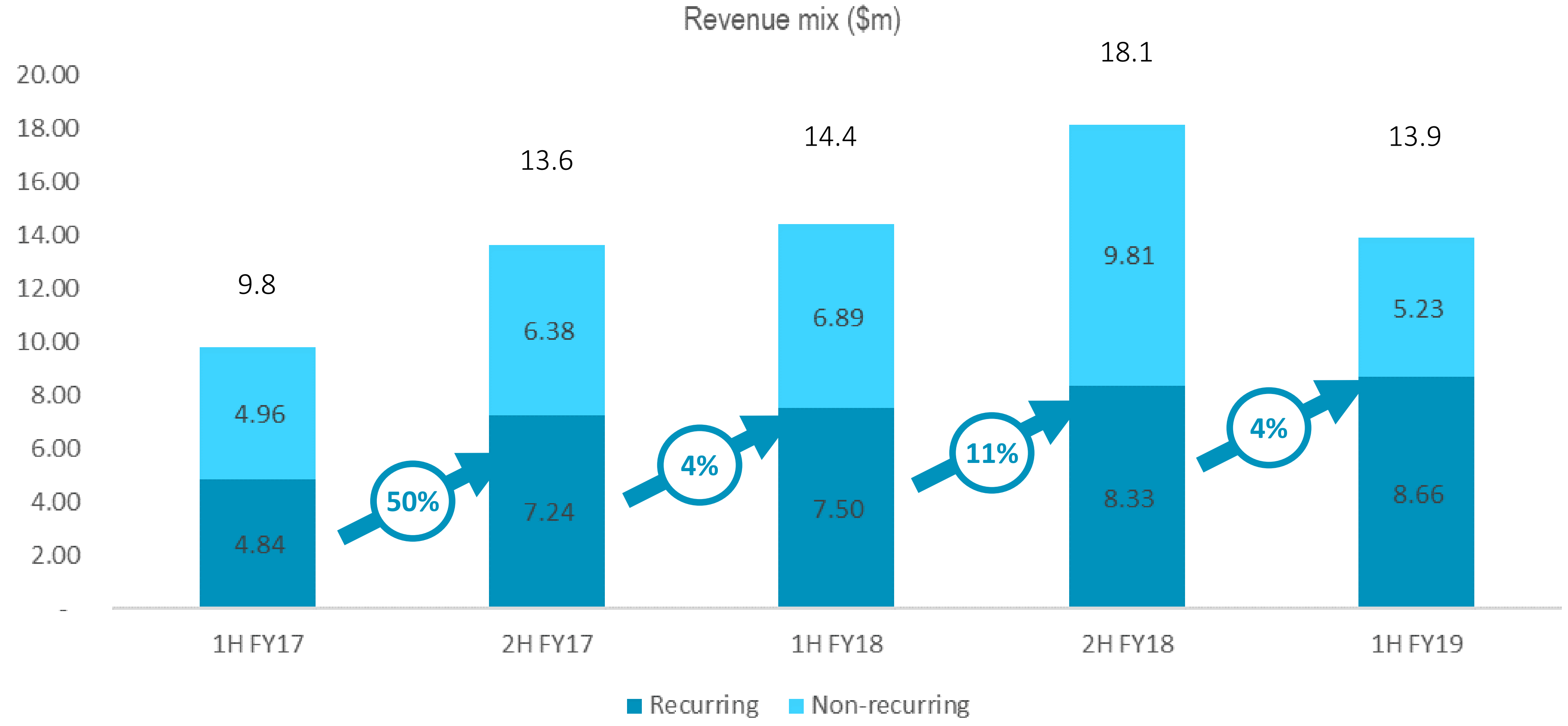
13.9m
1H FY19 Total Revenue

2,450+
Clients

160+
Employees

Growing recurring revenue base

MSL has significantly grown its recurring revenue base as it transitions to a SaaS model

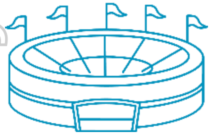


MSL Snapshot

Leading modular SaaS platform to the Sport, Leisure & Hospitality industry

2450+ Clients | 7 Offices | 160 Employees

STADIA & ARENA



GOLF

CLUBS & PUBS

SPORTING ASSOCIATIONS

RETIREMENT LIVING

M•POWER MSL

MOBILE POS

REAL-TIME ANALYTICS

CLOUD MEMBERSHIP

VENUE ANALYTICS

CLOUD GOLF SOLUTIONS

Large addressable markets

MSL has significant addressable markets in its target industries

STADIA & ARENAS

GOLF FACILITIES

CLUBS (MBOs)

ASSOCIATED MBO'S

MSL's market share <5% across all industries

2,450+ high profile customers

Trusted by some of the worlds most iconic sport, leisure and hospitality brands

Stadia and Arenas

Everton
MCG
Wembley
Atlético de Madrid
Manchester City
Chester Racecourse

MBOs

Sydney Roosters
St George Motor Boat Club
Sandringham Yacht Club
Leagues Club Broncos
City Tattersalls Club
Canterbury – Home of The Bulldogs

Golf facilities

Golf Australia
R&A
The Belfry Hotel & Resort
PGA Australia
Concord Golf Club – Est 1899

Other

merivale
arc Racing & Leisure Group
Ferrari World Abu Dhabi
Pizza Hut Restaurants
Wet'n'Wild

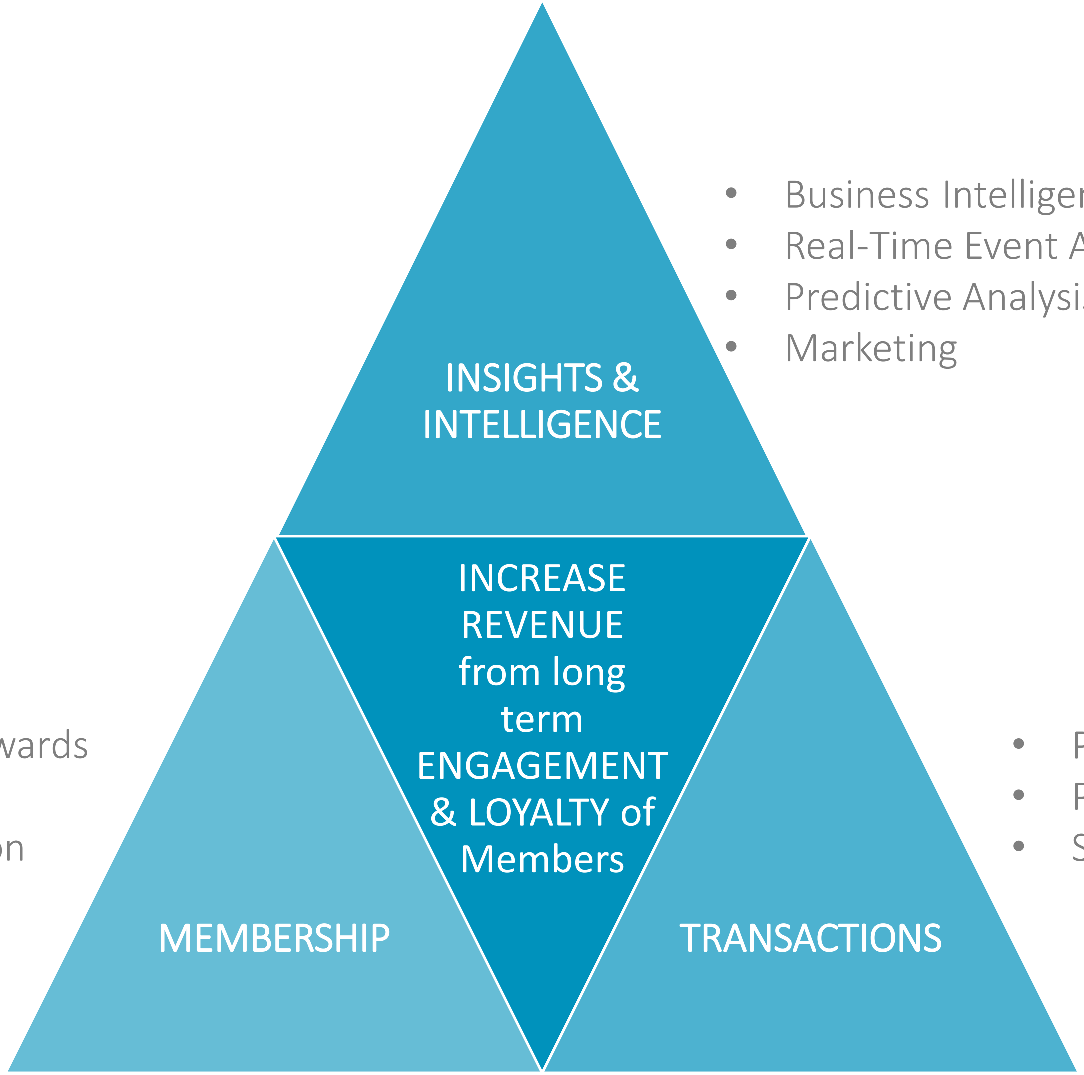
THE MPOWER SOLUTION PLATFORM

Leading integrated SaaS platform for Member & Fan Focused Organisations

THRIVE

SURVIVE

- Business Intelligence
- Real-Time Event Analytics
- Predictive Analysis
- Marketing



- Loyalty/Rewards
- CRM
- Gamification

- Point of Sale – Food & Beverage
- Point of Sale - Retail
- Subscriptions

Strong business case to customers - Example

Return on Investment (RoI) within 12 months

ST GEORGE MOTOR BOAT CLUB

About St George Motor Boat Club

- Kogarah Bay, Sydney
- Licenced club serving the Southern Metropolitan region of Sydney.
- Well renowned function facilities as well as a food & beverage venue. There are a number of venues to cater for different customers including The Waterfront Lounge, The Waterfront Function Centre, BayBreeze Café Pizza, Captains Grill Restaurant

MSL Solution Suite

- Membership
- Point of Sale
- Analytics – Business Intelligence & Real-Time
- Other:
  - MPower Connect Platform Integration,
  - Loyalty
  - Gamification
  - Marketing

Business Benefits

- 25% - 40% increase in Food & Beverage turnover by aligning Analytics with core Point of Sale & Membership
- 1 hour labour cost saved daily with wages integration into BI
- Increased efficiency by 60%. Reports now take minutes and not days to create.
- Single source of the truth with the data

Financial position

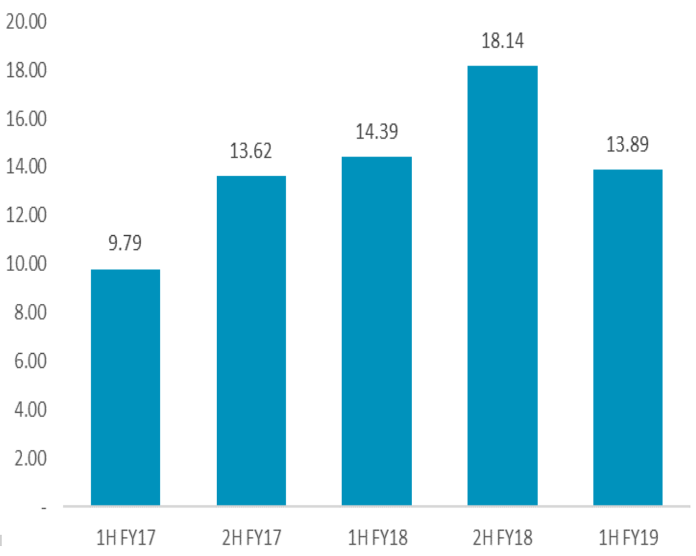
AUD $m’s	FY17 *12 months to June 2017*	FY18[5] *12 months to June 2018*	FY18 H1	FY19 H1	Notes
1. Annual Recurring Revenue (ARR)	**14.1**	**16.8**	**16.0**	**17.7**	
- Support ARR	10.3	9.2	9.8	10.0	
- SaaS / Subscriptions ARR	3.8	7.6	6.1	7.7	
2. Recurring Revenue	**12.1**	**15.8**	**7.5**	**8.7**	Up 16%
- Support Annuity	7.4	9.2	4.7	4.8	Up 2%
- SaaS / Subscriptions	4.7	6.6	2.8	3.9	Up 39%
3. Total Revenue	**23.4**	**32.5**	**14.4**	**13.9**	Revenue down overall due to the timing of recognition of upfront sales, and execution of more sales as SaaS contracts that have not yet contributed to revenue in the period.
- Revenue Growth		39%		(3%)	
- Organic Growth		15%		(8%)	
- Acquisition Growth		24%		5%	
4. Customer Venues	**2,066**	**2,406**	**2,205**	**2,471**	
5. R&D Expense	**4.3**	**5.4**	**2.3**	**3.1**	Increased R&D expense to target new opportunities e.g. World Golf Handicap, UAE localisation
- % of Revenue	18%	17%	16%	22%	
6. S&M Expense	**4.6**	**4.8**	**2.4**	**3.4**	Increased investment in growth initiatives and key trade shows in UK, UAE and Australia in the half-year.
- % of Revenue	20%	15%	17%	25%	
7. Adjusted NPATA	**2.9**	**5.0**	**0.1**	**(1.2)**	R&D is 100% expensed in the profit result during the period.
Adjusted EBITDA	**2.1**	**4.2**	**(0.2)**	**(3.0)**	

1. Annual Recurring Revenue (ARR) is the forward-looking annuity value contracted and recognised in the last month of the period.
2. Recurring Revenue represents annuity contracts.
3. Revenue Growth is the growth in Total Revenue for the period including Recurring Annuities (customer support & SaaS Subscriptions) and Non-Recurring Revenue (upfront license fees, services, hardware & advertising).
4. Customer Venues represents those venues using MSL software modules from the MPower Connect technology stack at period end.
5. FY18 has been restated as noted in Note 1a) of the interim financial statements for the period ended 31 December 2018. Further details in slide 24 of this pack.

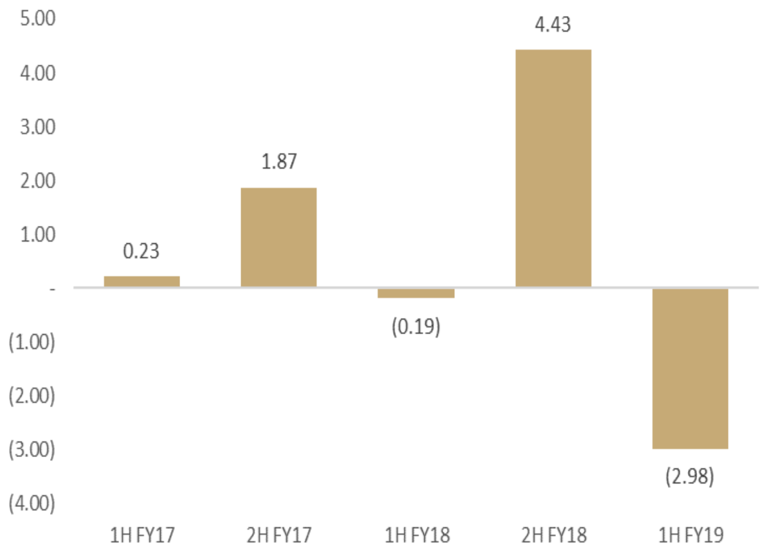
Revenue & Profitability…

Seasonal skew of revenue/profits to 2nd half, FY19 reinvestment year for growth

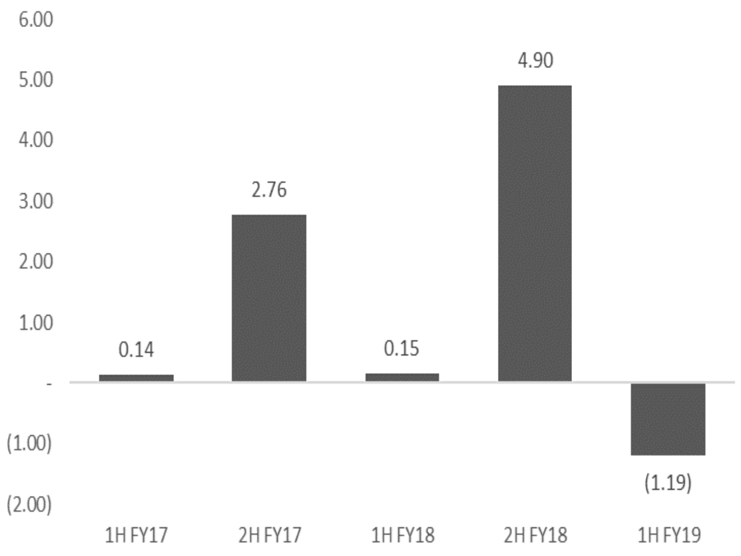
Revenue ($m)*



Adjusted EBITDA ($m)**



Adjusted NPATA ($m)***



*Revenue for 1H FY18 and 2H FY18 has been restated as noted in Note 1a) of the interim financial statements for the period ended 31 December 2018.
**Adjusted EBITDA represents EBITDA before significant and one off items. 1H FY18 and 2H FY18 Adjusted EBITDA has been impacted in line with the revenue adjustment above.
***Adjusted NPATA is net profit/(loss) after tax but before amortisation and significant one off items. 1H FY18 and 2H FY18 NPATA has been impacted in line with the revenue adjustment above.

Profit & Loss

Recurring Revenue covering 67% of Operating Expenses; Target 100%

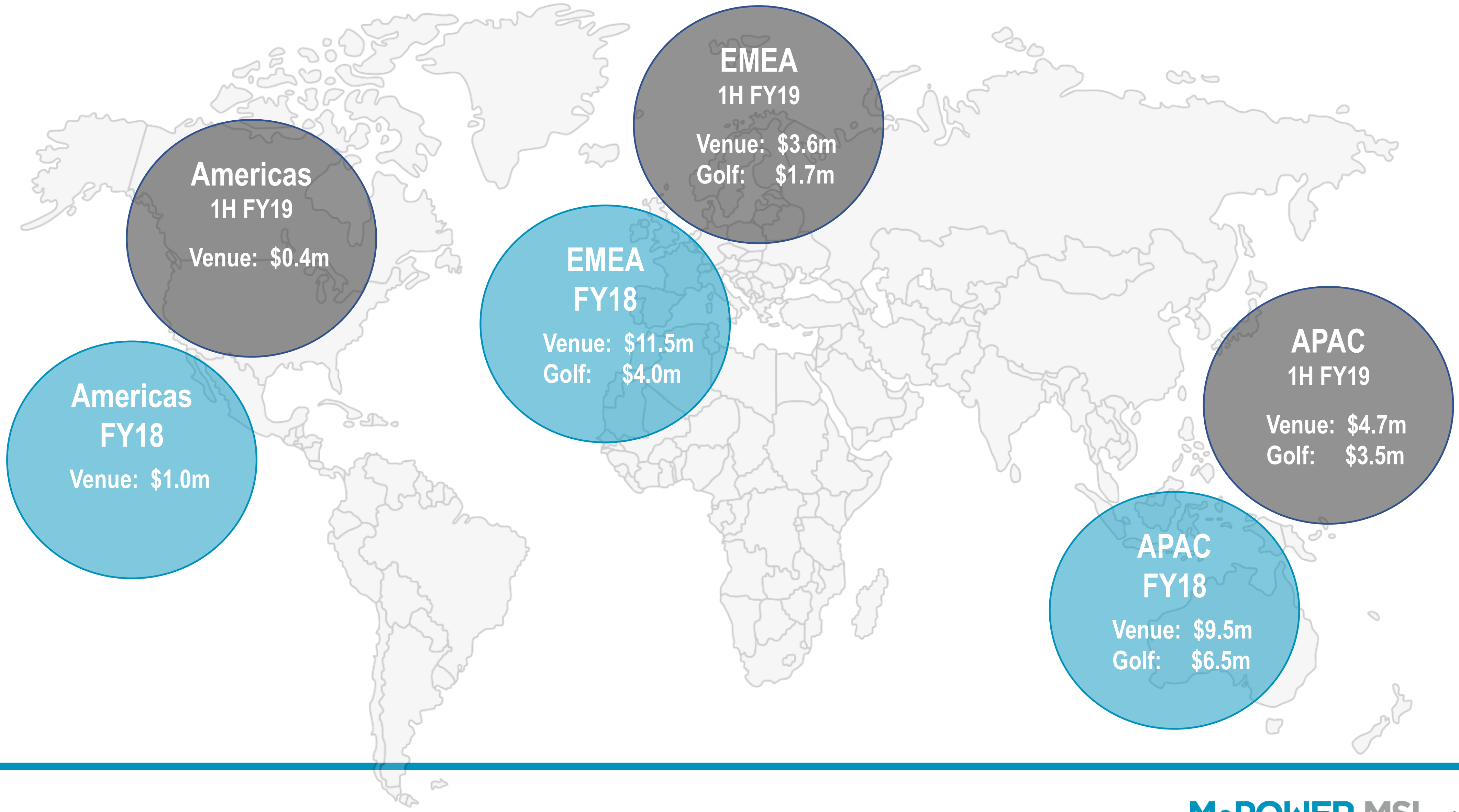
A$m	H1 FY18 Reported	H1 FY17 Reported
Recurring revenue	8.7	7.5
Non-recurring revenue	5.2	6.9
Revenue	**13.9**	**14.4**
Cost of Sales	(4.0)	(3.9)
Operating Expenses	(12.9)	(10.7)
Adjusted EBITDA	**(3.0)**	**(0.2)**
Significant items	(0.1)	(0.4)
EBITDA	**(3.1)**	**(0.6)**
Depreciation	(0.1)	(0.1)
Interest	0.0	0.1
Tax	1.9	0.3
NPATA	**(1.3)**	**(0.3)**
Amortisation	(2.3)	(2.1)
NPAT	**(3.6)**	**(2.4)**

Key Notes:

- Recurring revenue increase of 16%, SaaS component $3.9M up 39%.
- Timing of non-recurring revenue from capital software and hardware deals reflect push toward recurring revenue deals in line with the MSL strategy and some drift in capital deals to the 2nd half of the fiscal year.
- Operating expenses increased by $2.2M, of which $0.8M was in Research & Development and $1.0M in Sales & Marketing.

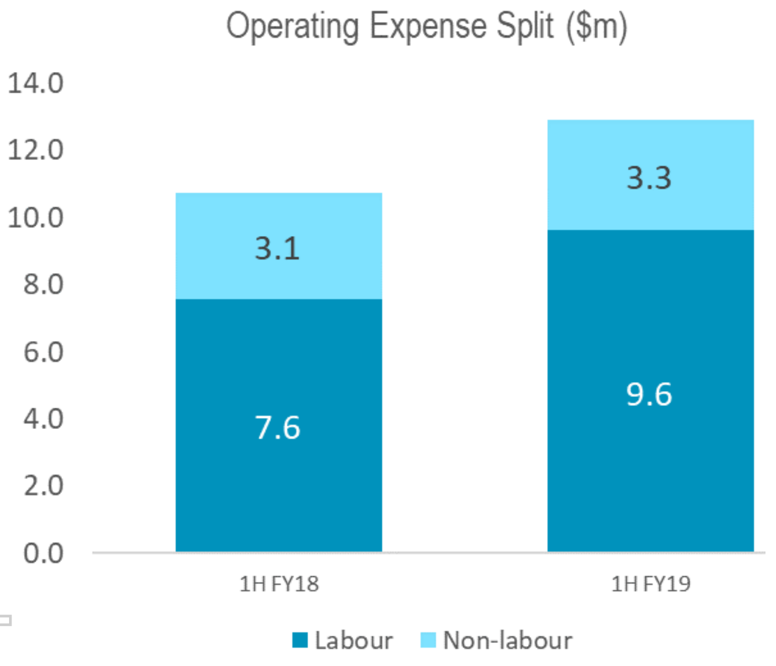
Revenue by region

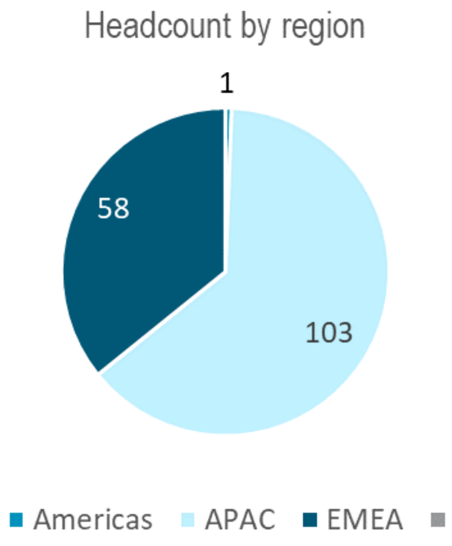
Global business opportunities in fragmented marketplace

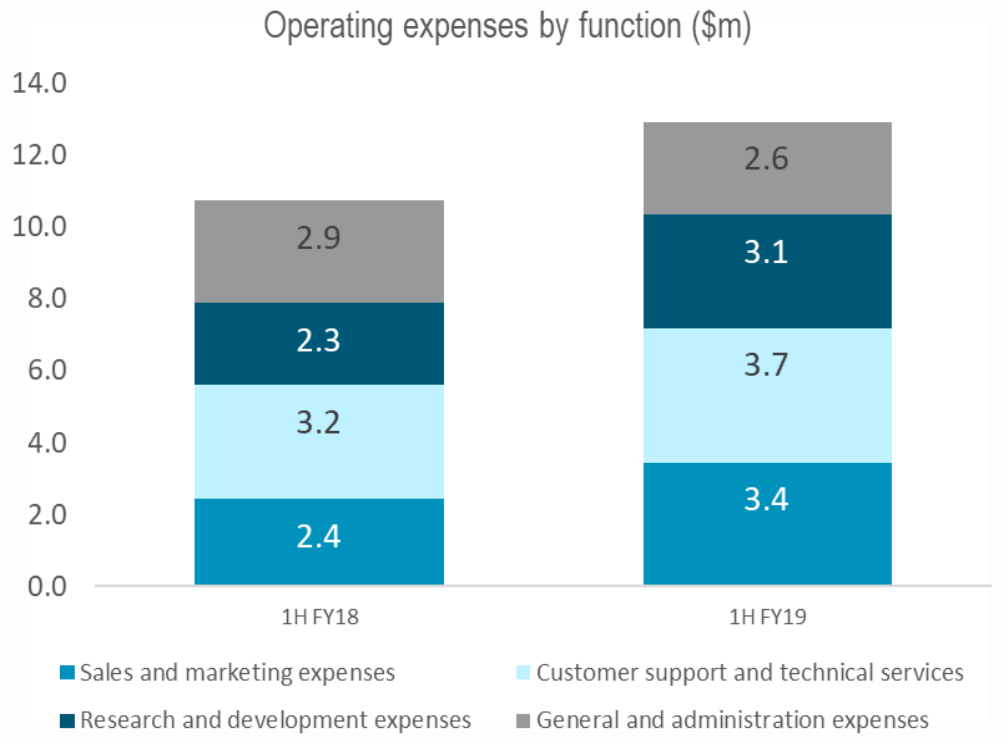


Expenses

Increased Research & Development and Sales & Marketing for future growth







Balance Sheet

A$m	Dec 2018	June 2018 - restated
Cash & cash equivalents	1.4	6.6
Trade & other receivables	8.5	7.9
Assets held for sale	1.9	1.9
Property, Plant & Equipment	0.3	0.3
Intangible assets	41.4	43.3
Other assets	1.0	1.0
Total Assets	**54.5**	**61.0**
Trade and other payables	(5.9)	(5.7)
Provisions	(1.7)	(4.4)
Borrowings	(1.4)	(0.0)
Deferred tax liability	(0.2)	(2.2)
Deferred revenue	(6.0)	(6.2)
Total Liabilities	**(15.2)**	**(18.5)**
Net Assets	**39.3**	**42.5**

Key Notes:

- Net cash of $1.4m plus available finance facilities of $1.1m
- Current working capital of $3.4m excluding deferred revenue
- Assets held for sale relate to Zuuse Pty Ltd. Other receivables include a loan owing from Zuuse of $0.8m.
- Intangible assets relate to acquired businesses
- Net Deferred tax liability primarily relates to intangible assets, partially offset by deferred tax asset for carried forward tax losses.
- Reduction in provisions relates to acquisition payments paid in 1H FY19

June 2018 has been restated as noted in Note 1a) of the interim financial statements for the period ended 31 December 2018

Cash Flow

A$m	H1 FY19	H1 FY18
Working capital	(2.6)	(0.9)
Interest received / (paid)	-	0.1
Net Operating Cash Flow	**(2.6)**	**(0.8)**
Capex	(0.1)	(0.1)
Free Cash Flow	**(2.7)**	**(0.9)**
Business combinations	(3.8)	(4.0)
Net proceeds on issue of share capital	-	-
Net proceeds from borrowings	1.3	(0.3)
Net Cash Flow Movement for the Year	**(5.2)**	**(5.2)**
Cash balance at end of period	**1.4**	**6.5**

Key Notes:

- Deferred acquisition payments of $3.8m during the period


FY19-FY22
INVEST 2 accelerate
M•POWER MSL

4-YEAR GROWTH STRATEGY

Strong organic annuity growth, accelerated with strategic acquisitions

Target **5,000 venues** with organic growth of 15%+ and acquisitions	Trend toward **75%+** revenue international
Trend toward **75%+** revenue annualized recurring	Increase modules and **average revenue** per customer

Target Regions and Customers

Australia:	UK:	Europe:	UAE:	Americas:
Golf, Stadia, Clubs & Pubs, Hospitality	Golf, Pubs & Clubs	Golf, Stadia & Arena	Golf, Stadia & Arena, Other Hospitality	Golf, Stadia

PROGRESS ON GAME CHANGERS

Additional R&D and S&M spent to drive future period growth

SaaS Transition

Continued strong growth toward total SaaS company

ARR at Dec 2018 of $17.7M, expected growth to $19.5M by June 2019

SaaS funding providers being used to manage working capital in this transition

Retirement Living

Early Stages of moving into this market

Establishing sales & marketing and product roadmap

UAE – Expo 2020

Registration of office complete and staff appointed on the ground in Dubai

Have established qualified sales opportunities already

Global Golf

MSL rolling out the World Handicap System in Australia, and will be providing the WHS services to its Scandanavian customers.

MSL is developing the modular WHS solution to run national centralised handicapping for various jurisdictions, several of which in Europe are currently in contracting.

FY19 Guidance

Reaffirming FY19 as a Reinvestment Year to accelerate future growth

	FY2018 - restated	FY2019 Range Low	FY2019 Range High
Annual Recurring - ARR	**16.8 million**	**19.5 million**	**19.5 million**
Revenue	**32.5 million**	**33.0 million**	**38.0 million**
Recurring	*15.8 million*	*18.0 million*	*18.0 million*
Non-Recurring	*16.7 million*	*15.0 million*	*20.0 million*
Other Income including Zuuse sale	**1.5 million**	**3.0 million**	**3.0 million**
Adjusted EBITDA	**4.2 million**	**1.5 million**	**3.6 million**
Adjusted NPATA	**5.0 million**	**2.3 million**	**3.9 million**

**FY18 has been restated as noted in Note 1a) of the interim financial statements for the period ended 31 December 2018. Further details in slide 24 of this pack.*
***Adjusted EBITDA represents EBITDA before significant and one off items. FY18 Adjusted EBITDA has been impacted in line with the revenue adjustment above.*
****Adjusted NPATA is net profit/(loss) after tax but before amortisation and significant one off items. FY18 NPATA has been impacted in line with the revenue adjustment above*
Guidance assumes a level of sales pipeline made as upfront capital deals. There is an opportunity for a portion of these deals to be made as recurring subscription / SaaS sales on a 3+ year term, which would impact how the revenue is recorded in the profit & loss statement.

APPENDIX

Change in accounting policies

As a result of the changes in the entity's accounting policies, prior year financial statements have been restated. As explained in note 2(b) in the interim financial statements for the period ended 31 December 2018, AASB 9 were adopted retrospectively with the cumulative effect of initially applying the standards recognised at the date of initial application (1 July 2018). The reclassifications and the adjustments arising from the new impairment rules are therefore not reflected in the restated balance sheet as at 30 June 2018 but are recognised in the opening balance sheet on 1 July 2018.

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and total disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more detail below:

	30 June 2018 Adjusted $'000	AASB 15 $'000	30 June 2018 Restated $'000	AASB 9 $'000	1 July 2018 Restated $'000
ASSETS					
Current assets					
Trade and other receiv ables	5,666	(1,647)	4,019	(176)	3,843
Contract assets	-	1,647	1,647	-	1,647
Total current assets	**14,995**	**-**	**14,995**	**(176)**	**14,819**
Current liabilities					
Deferred Rev enue	6,214	(6,214)	-	-	-
Contract liabilities	-	6,214	6,214	-	6,214
Total current liabilities	**16,007**	**-**	**16,007**	**-**	**16,007**
Non-current liabilities					
Deferred tax liabilty	2,211	-	2,211	(52)	2,159
Total non-current liabilities	**2,516**	**-**	**2,516**	**(52)**	**2,464**
Total liabilities	**18,523**	**-**	**18,523**	**(52)**	**18,471**
Net assets	**42,470**	**-**	**42,470**	**(124)**	**42,346**
EQUITY					
Accumulated losses	(21,004)	-	(21,004)	(124)	(21,128)
Total equity	**42,470**	**-**	**42,470**	**(124)**	**42,346**

Change in accounting policy: FY18 profit & loss restatement

	Jun-18 Reported	Adjustment	Jun-18 Restated
Revenue	**35,061**	**(1,071)**	**33,990**
Costs of Sales	(9,014)	438	(8,576)
Gross margin	**26,047**	**(633)**	**25,414**
Sales and marketing expenses	(4,819)	-	(4,819)
Customer support and technical services	(5,405)	-	(5,405)
Research and development expenses	(5,397)	-	(5,397)
General and administration expenses	(5,293)	(258)	(5,551)
Operating expenses	**(20,914)**	**(258)**	**(21,172)**
Adjusted EBITDA	**5,133**	**(891)**	**4,242**
Significant items	(918)	258	(660)
EBITDA	**4,215**	**(633)**	**3,582**
Depreciation	(154)	-	(154)
Amortisation	(4,557)	-	(4,557)
EBIT	**(496)**	**(633)**	**(1,129)**
Net Finance income/(costs)	(214)	274	60
NPBT	**(710)**	**(359)**	**(1,069)**
Income tax benefit	798	101	899
NPAT	**88**	**(258)**	**(170)**
NPATA	**4,645**	**(258)**	**4,387**
NPATA - Adjusted	**5,563**	**(516)**	**5,047**

The primary statements, except for the consolidated statement of cash flows, at 30 June 2018 have been restated to reflect the effect of adjustments identified as part of the 30 June 2018 year end audit. The net impact of the adjustments was not material to the Group's financial statements. However, it was determined that the adjustments should be reflected as the impact of these items could become material in the future. The adjustments principally relate to:

- Timing of revenue recognition for hardware sales (gross margin reduction in FY18 of $470k);
- Discounting impact of non-current receivables (loss before income tax reduction in FY18 of $89k); and

Income tax benefit increase of $100k for the tax impact of the above items. The below table illustrates the impact had on the profit and loss for the year ended 30 June 2018.

M-POWER MSL

ASX:MPW

STADIA & ARENA

GOLF

CLUBS & PUBS

SPORTING ASSOCIATIONS

RETIREMENT LIVING