

Wednesday 31 January, 2018

Decimal Quarterly Report and Update – Q2 2018

BUSINESS UPDATE

- IFM increases investment in Decimal to 15 per cent
- Major bank extends digital advice pilot
- Q2 cash receipts increase 32 per cent quarter on quarter
- Expenses reduced a further 24 per cent
- Strong pipeline for ARR growth in Q3 with contract renewals
- Mobile First platform scheduled for release in Q3

Decimal Software Limited (ASX: DSX; “Decimal” or “the Company”) is pleased to provide this update on its financial and operational performance for the quarter ended 31st December 2017.

Appendix 4C quarterly cash flow report follows this update.

1. OPERATIONAL UPDATE

Decimal is continuing to focus on its core markets in Australian superannuation and banking, and is currently delivering several key projects across those sectors including a new offering from Statewide Super launching in early 2018.

IFM Investors continues to support Decimal and has increased its investment to a 15 per cent shareholding in the company. IFM’s global reputation as a successful investor and the firm’s detailed understanding of its superannuation fund stakeholders makes it a very strategic investor for Decimal.

A significant pilot contract with a major Australian bank has been extended and long-term renewals of some of the Company’s largest customers have been negotiated on improved commercial terms.

Annual Recurring Revenue (ARR) streams were steady for the quarter, however cash receipts increased 32 per cent from Q1. Significant growth is expected in Q3, with contract negotiations well advanced.

Total Statements of Advice issued grew 20 per cent in the quarter to 6,528.

Final beta testing of the Mobile First version of the Decimal platform is concluding with the commercial release planned for the first calendar quarter of 2018, delivering on demands from the market and customers for more direct and meaningful engagement with members.

Decimal’s go-to-market strategy is evolving to become more focussed on strategic partnerships to more effectively distribute the Company’s white label offering.

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2. IFM INCREASES STAKE IN DECIMAL TO 15 PER CENT

Decimal is pleased to announce that its cornerstone investor, global fund manager IFM Investors, has increased its stake in the company to 15 per cent as a result of a placement of 28,900,000 ordinary shares at \$0.03 per share.

IFM Investors is a global fund manager owned by 27 major superannuation funds with more than A\$98 billion in assets under management. It acquired its original 6.5 per cent shareholding as part of a previous capital raising by Decimal in January 2017.

Neil Carter, Head of Active Equities at IFM Investors, says the decision was made given the natural shift of the superannuation industry to embrace more digital services.

“Decimal, as the leading provider of enterprise level digital advice, enables the superannuation industry to seamlessly transition into providing members with comprehensive financial advice services,” he said.

“IFM Investors continues to support Decimal’s strategy to consolidate its position as the premier provider of digital advice technologies in Australia.”

The placement includes a voluntary escrow agreement which restricts the transfer of shares issued to IFM for a period of 12 months.

Funds have been received.

3. REVENUE AND ARR

Cash receipts from the quarter increased 32 per cent from \$222,000 to \$295,000. ARR grew marginally year on year to \$668,130, up from \$665,489.

Expenses for the period fell a further 24 per cent.

4. STRONG Q3 PIPELINE

Several key contracts including multi-year renewals are due in Q3, while a number of pilots are scheduled to move into production. With the software now proven, our customers, confident in the value the software platform brings, are renewing and expanding contracts at improved commercial terms.

In January, a major bank rolled its pilot program over to business as usual, and has extended its contract while evaluating additional deployments and use cases. A number of Decimal’s cornerstone customers are in the process of renewing and extending current contracts with multiyear terms at improved commercial rates.

Collectively, the Company expects these contracts will increase ARR significantly in Q3.

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

DECIMAL SOFTWARE LIMITED

ABN

31 009 235 956

Quarter ended ("current quarter")

31 DECEMBER 2017

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	295	517
1.2 Payments for		
(a) research and development	(482)	(1,041)
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	(170)	(309)
(d) leased assets	-	-
(e) staff costs	(354)	(865)
(f) administration and corporate costs	(235)	(405)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	6
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	1,171	1,171
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	226	(926)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(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	-	-
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)	-	-
2.6 Net cash from / (used in) investing activities	-	-

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	-	-
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	-	-
3.5 Proceeds from borrowings	150	600
3.6 Repayment of borrowings	(600)	(600)
3.7 Transaction costs related to loans and borrowings	-	(6)
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	(21)	(35)
3.10 Net cash from / (used in) financing activities	(471)	(41)

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of quarter/year to date	504	1,226
4.2 Net cash from / (used in) operating activities (item 1.9 above)	226	(926)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4 Net cash from / (used in) financing activities (item 3.10 above)	(471)	(41)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	260	260

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	220	464
5.2	Call deposits	40	40
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	260	504

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
127
Not applicable

6.1 includes payout of long service leave to Mr Jan Kolbusz during the quarter of \$70,497.

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. Financing facilities available <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	-	-
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.		

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9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	368
9.2 Product manufacturing and operating costs	-
9.3 Advertising and marketing	9
9.4 Leased assets	-
9.5 Staff costs	285
9.6 Administration and corporate costs	166
9.7 Other (provide details if material)	-
9.8 Total estimated cash outflows	828

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:



David Gardner
Company Secretary

31 January 2018

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.