

Decimal Software Quarterly Report and Update

Highlights

- **New client win with Energy Super**
- **Sales pipeline grows substantially**
- **Major reduction in cost and \$3.1 million of cash as at 31 March**
- **Funds Under Advice reaches \$3 billion**
- **New Decimal Robo-advice solutions launched to market**
- **ASIC weighs in on robo-advice**
- **Regional Manager appointed to grow market share**

Decimal Software Limited (“Decimal” or the “Company”; ASX: DSX) is pleased to report on the Company’s performance for the quarter ended 31 March 2016.

OPERATIONAL UPDATE

Decimal had a substantial amount of activity through the quarter, culminating in the Company being selected as the preferred vendor by Energy Super. This coincided with a successful media roadshow to release two new solutions built on the Decimal technology platform, as well as continued reduction in costs.

The Company’s capital placement was finalised in January, while continued cost saving measures over the past two quarters have resulted in the net cash burn rate being reduced by more than 50% and stabilised following the appointment of new staff.

The sales pipeline has grown significantly in the first quarter, driven by much increased inbound inquiry coupled with more focussed sales and marketing efforts. The robo-advice market has developed rapidly in the past six months and prospective customers are moving rapidly from education to purchase discussions.

Decimal has also been very focussed on identifying and qualifying suitable strategic partners for market leverage and scale. The response from significant global software brands, as well as global advisory firms, has been very strong and Decimal has made substantial progress with potential significant partnerships. Joint prospecting is already taking place with some global organisations in advance of formalising agreements.

DECIMAL SOFTWARE LIMITED

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ENERGY SUPER CHOOSES DECIMAL

Coinciding with the launch, Decimal is pleased to announce that leading Australian superannuation provider Energy Super has chosen Decimal's *Eqilize* for its robo-advice requirements.

"This is a very important milestone for Decimal as not only does it herald a new customer and the associated revenues, but validates the *Eqilize* strategy and offering," said Decimal CEO Nic Pollock.

"It is critical in a new market such as robo-advice that our customers can be confident of what they are buying, how much that will cost them to get off the ground and when they will be able to go live. As Decimal is the only vendor to have delivered these solutions successfully we can now industrialise the sales and implementation of this across the industry."

With some 49,000 members and \$5.9 billion in funds under management, Energy Super recently received a Platinum rating for Best Value for Money fund from independent researcher SuperRatings.

The fund's CEO, Robyn Petrou, said: "We like that Decimal has invested so thoroughly in its robo-platform, with customer-centric solutions we can use immediately for our current and prospective clients, gives good budget control, and can be integrated seamlessly with our existing systems."

Energy Super's new platform is expected to go live in the second half of the year.

CASH POSITION

Net operating cash outflow for the quarter was \$850,000, or \$283,000 per month. Taking annual R&D rebates into account, this reduces to below \$250,000 per month. This compares with a net operating cash outflow for the six months ending 31 December of \$680,000 per month – an approximate 60% reduction in net cash outflow for the quarter. The reduction is due to strong focus on cost management and the restructuring of the business in the second half of 2015.

There was a marginal increase in revenue for the quarter over the December 2015 quarter, with further revenue growth expected in coming months following the Energy Super contract signing and other anticipated successes from Decimal's strong pipeline of opportunity.

The Energy Super deal is representative of other recent commercial agreements, such as that with Mercer. These include a baseline annual fee over an initial three-year term, as well as professional services revenue, and then will scale up as more users and advice topics are taken up.

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\$3 BILLION IN FUNDS UNDER ADVICE

Decimal's foundation clients continue to build the value of funds under advice (FUA), having passed the \$3 billion mark recently. The bulk of FUA growth is from pure online advice and close to \$1 billion has been achieved since the end of December.

The planned launch of Mercer during the next quarter is likely to drive increased revenues as they introduce the solution to their 170 corporate super customers and 1.4 million members. As Mercer customers take up the service, more user logins and advice topics will be utilised which has a direct, positive impact on Decimal revenues under our contract.

LAUNCH OF NEW ENTERPRISE SOLUTIONS

Decimal's market-ready solutions, *Eqilize* and *Tentalon*, were launched at a media event in Sydney on 31 March.

Eqilize is an enterprise advice platform geared towards superannuation and financial institutions that want the benefits of robo-advice for their customers but do not have the time or resources to build their own, while *Tentalon* is a fully customisable technology stack that allows enterprises to create purpose-built solutions based around the underlying benefits of the Decimal system.

CEO Nic Pollock and Executive Director Jan Kolbusz completed back-to-back interviews with media, resulting in significant coverage across trade and mainstream business titles.

The two offerings will be presented to industry at events planned to commence in May.

ASIC GUIDANCE PAPER WELCOMED

During March, the Australian Securities and Investments Commission (ASIC) released a consultation paper and draft guidance on regulating robo-advice.

The paper seeks feedback on issues unique to digital advice businesses including the organisational competence obligation that applies in a digital advice context, as well as the ways in which digital advice licensees should monitor and test their algorithms.

The move was welcomed by Decimal, with CEO Nic Pollock saying it provided confirmation of the sector's growing maturity, reinforcing increasing acceptance by the market and highlighting the value of Decimal's in-built compliance.

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REGIONAL MANAGER APPOINTED

Experienced enterprise software sales executive Stewart Cochrane was appointed to the role of Regional Manager, Australia and NZ commencing in March.

Mr Cochrane brings significant experience to the Decimal management team, having worked in senior sales roles servicing the banking and financial services sector for a number of big name technology companies including SAI Global, HP and Salesforce.

In this newly created role, Mr Cochrane will lead the expansion of the Company's sales and distribution channels for its enterprise robo-advice platform for financial institutions, and be responsible for increasing Decimal's enterprise footprint with the banking and financial services sectors.

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Appendix 4C

Quarterly report for entities admitted on the basis of commitments

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

Name of entity

DECIMAL SOFTWARE LIMITED

ABN

31 009 235 956

Quarter ended

31 MARCH 2016

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (9 months) \$A'000
1.1 Receipts from customers	187	598
1.2 Payments for		
(a) staff and director costs	(778)	(3,482)
(b) advertising and marketing	(67)	(112)
(c) research and development	-	-
(d) leased assets	-	-
(e) other working capital	(210)	(1,586)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	18	44
1.5 Interest and other costs of finance paid	-	-
1.6 R&D rebate received	-	1,780
1.7 Other:		
-Payments in respect of restructuring	-	(383)
Net operating cash flows	(850)	(3,141)

+ See chapter 19 for defined terms.

Appendix 4C
Quarterly report for entities
admitted on the basis of commitments

	Current quarter \$A'000	Year to date (6 months) \$A'000
1.8 Net operating cash flows (carried forward)	(850)	(3,141)
Cash flows related to investing activities		
1.9 Payment for acquisition of:		
(a) businesses(see note in section 5.3)	-	-
(b) bank guarantees	-	-
(c) intellectual property	-	-
(d) physical non-current assets	-	(1)
(e) other non-current assets	-	(18)
(f) deposit repaid	3	3
1.10 Proceeds from disposal of:		
(a) businesses	-	-
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets	3	9
(e) other non-current assets	-	-
1.11 Loans to other entities	-	-
1.12 Loans repaid by other entities**	37	37
1.13 Other	-	-
Net investing cash flows	43	30
1.14 Total operating and investing cash flows	(807)	(3,111)
Cash flows related to financing activities		
1.15 Proceeds from issues of shares, options, etc.	1,377	3,351
1.16 Proceeds from sale of forfeited shares	-	-
1.17 Proceeds from borrowings	-	-
1.18 Reduction of capital payment	-	-
1.19 Dividends paid	-	-
1.20 Other – Convertible notes repaid	-	-
Net financing cash flows	1,377	3,351
Net increase in cash held	570	240
1.21 Cash at beginning of quarter/year to date	2,548	2,878
1.22 Exchange rate adjustments to item 1.21	-	-
1.23 Cash at end of quarter*	3,118	3,118

**-Repayment of loan by previous CEO, refer note 26(h), page 55 of annual report

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.24	Aggregate amount of payments to the parties included in item 1.2	109
1.25	Aggregate amount of loans to the parties included in item 1.11	Nil
1.26	<p>Explanation necessary for an understanding of the transactions</p> <div style="border: 1px solid black; padding: 5px;"> <p>Payments to Nic Pollock only included from 1 February when Mr Pollock became a director</p> </div>	

Non-cash financing and investing activities

- 2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

Not applicable

- 2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest

Not applicable

Financing facilities available

Add notes as necessary for an understanding of the position.

		Amount available \$A'000	Amount used \$A'000
3.1	Loan facilities	-	-
3.2	Convertible Note Facility	-	-

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Appendix 4C
Quarterly report for entities
admitted on the basis of commitments

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
4.1 Cash on hand and at bank	1,118	748
4.2 Deposits at call	2,000	1,800
4.3 Bank overdraft	-	-
4.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.23)*	3,118	2,548

Acquisitions and disposals of business entities

	Acquisitions (Item 1.9(a))	Disposals (Item 1.10(a))
5.1 Name of entity	Not applicable	Not applicable
5.2 Place of incorporation or registration	Not applicable	Not applicable
5.3 Consideration for acquisition or disposal	Not applicable	Not applicable
5.4 Total net assets	Not applicable	Not applicable
5.5 Nature of business	Not applicable	Not applicable

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act.
- 2 This statement does give a true and fair view of the matters disclosed.



Date: 27 April 2016
 Stef Weber
 Company secretary

+ See chapter 19 for defined terms.

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 wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
2. The definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report except for any additional disclosure requirements requested by AASB 107 that are not already itemised in this report.
3. **Accounting Standards.** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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