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ASX Companies Announcements Office

Vault Intelligence Limited Half Year Results

Vault Intelligence Limited (**ASX:VLT**) (**Vault, the Company**), the leading SaaS business delivering solutions in the Risk, Environment, Health and Safety (EHS) sector today released its results for the six month period ended 31 December 2017.

The Company has had a very productive first half of the FY 2017-18 year, achieving major milestones including:

- Restructuring its New Zealand sales force and adopting a new sales strategy
- Record new contracted Annualised Recurring Revenue Sales (ARR) for the period of \$789K
- Record cash receipts of approximately \$1.8m
- Completed a successful \$4.5m capital raising
- Increased number of customers by 10%, with in excess of 400 enterprise level customers
- Commenced major enhancement of the **Vault Enterprise Platform (V3)**
- Continued development of new mobile Apps and enhancement of existing Apps
- Developed its first App for the China market and established a presence in Shanghai
- Made its first sale in the Chinese market
- Established a partnership with an experienced EHS group with operations in Singapore and Kuala Lumpur and completed its first sale
- Continued to increase levels of sales, technical and support personnel

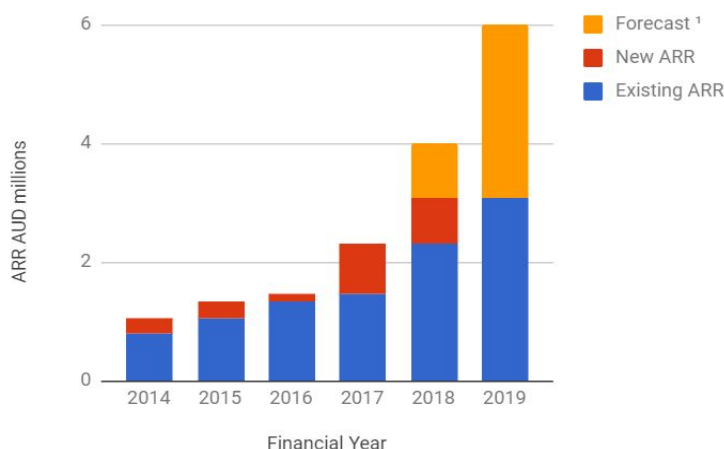
Vault CEO, David Moylan, said, "A first pass review of the numbers doesn't provide full insight into where the Company has come from and what it has achieved in the last six to twelve months. The Company conducted a major strategic workshop in July of 2017. From this, many of the current strategies adopted are either working well or are a work in progress. We have now firmly positioned the business to deliver on its potential in the upcoming quarters."

Sales generated by the Group has exceeded previous results and the expectation is for this to continue, as record ARR was contracted during the first six months in both New Zealand and Australia. David commented further, "Development of **V3** and the upcoming launch of new Apps is the foundation from which we accelerate our growth."



Financial Results

The Company is pleased to advise record new contracted ARR for the first six months of \$789K. The Company is on track to meet its ARR projections* for the full financial year of \$4m contracted ARR. With the **V3** platform now being rolled out to Q1 and Q2 customer signings, the sales team can now refocus on the many advanced sales prospects for the new system.



* Projections for ARR are based upon current ARR and the ARR attained Q4 2016-17 and Q1 & Q2 17-18 in contracted sales, together with continuing sales momentum at the level achieved in those quarters. The Company believes this is reasonable as it has experienced a substantial lift in the sales pipeline over the prior nine months. The Company believes the sales pipeline will continue to generate new sales at this level (AUD400k - AUD500k ARR per quarter) for the next two years as it continues to grow and develop its product offering sales team. The Company has a sophisticated sales management system which provides substantial detail on how the sales process is advancing in terms of sales progress and this together with sales team experience is utilised in assessing the likelihood of future contracts closing. ARR is reported to the market on the basis of actual contract signing and there may be timing differences between the actual signing of new contracts and the commencement of payments by the new contracted party. For financial reporting purposes, the Company adheres to AASB 15 – Revenue from Contracts with Customers. As a guide payments typically commence within one to four months of contract signing. In the recent case of V3 delay the term has increased to four to six months.

The Company generated a loss of \$1.79m which is up 17% on the prior year, whilst recorded received revenue was up 7% at \$1.4m. Product delivery delay has impacted the receipt of funds for the new ARR signings however, the Company expects this to be resolved in the coming two quarters. Higher than normal costs were incurred particularly in Q2, with significant expenses from outsourced offshore development associated with the new user interface and functionality for **Vault 3 (V3)**, which has now been completed. This expenditure will reduce over the following quarter and the Company is pursuing the Australian Government research and development grant which may offset a significant portion of expenditure on product development.

Increased costs are in general constituted by the following factors:

- The Increase in spend on research and development on the new Version 3 **Vault Enterprise Platform (V3)** has significantly exceeded the initial budget however, the Company considered it to be necessary as the **V3** platform now provides better work flow control and management, much improved user interface and user experience and the Company firmly believes it will provide a robust launch pad for increased sales;
- The Company has continued to expand its operations in Australia through building a sales, marketing and development team resulting in an increase in employment costs;



- Expansion into China and South-East Asia has led to costs not currently matching revenue as product for these markets is developed, enhanced and marketed;
- The Company restructured its New Zealand sales force and adopted a new sales strategy which resulted in significant one off costs;
- Administration costs continued to increase as items such as new tech and support hires, travel expenses, office premises and similar costs associated with an expanding business impacted the bottom line; and
- Foreign currency translation from New Zealand (NZD) to Australian Dollar had a negative effect as the NZD weakened by approximately 7%.

Technology Development

On the technical front, the Company initially commenced work on a new User Interface/User Experience (UI/UX) refresh of the existing **Vault 2 (V2) Enterprise Platform**. It soon became apparent during this process the Company should also look at creating new workflows and other enhancements which meant the project soon became a major revamp of **V2** and has recently been launched as **V3**.

As a consequence, the **V3** launch was pushed from an initial September/October 2017 launch to January/February 2018 launch. This caused a delay on delivery to a number of customers who wanted **V3** product which impacted cash receipts in Q2 as delivery has been pushed to Q3 and Q4. It also impacted the sales pipeline process as customers in the final stage of the sales process have also been delayed to Q3 and Q4.

The budget for the UI/UX work was exceeded and has impacted on costs however, the Company believes the new product positions **V3** very well for future sales growth and also enhances customer retention prospects.

Elsewhere technically, the Company has continued development of new Apps which are at or near launch mode and the Company is encouraged and excited by the current interest being generated by several of these products.

China and South-East Asia

The Company continued with a constrained capital approach to its China launch. This had some adverse effects as Vault Australian based software engineers worked with an unfamiliar language and different UI/UX logic. Regardless, the Company has had its first checklist sale and has been trialling product with another major group within the energy vertical and the App is functioning well. The Company has recently appointed a Melbourne based Mandarin speaking engineer to circumvent language and logic based issues as **V3** is converted to Mandarin and more Apps are considered for conversion. The Company has received enquiry about the enterprise platform and will be seeking to commence QA/QC and trialling of the **V3** China Enterprise product in Q3/Q4.

In conjunction with the China project the Company has engaged with a very experienced group of EHS specialists based in Singapore and Kuala Lumpur. The group, GRC Partners Asia (GRC), is well known to Vault and has had experience with several other specialist EHS platforms. GRC can provide marketing, pre-sales, sales, integration, learning and support services. GRC made their first sale in late Q2 and has an excellent pipeline of opportunities for both **V3** Enterprise Platform and stand alone Apps solutions.



Customer Success Programs

As sales growth and technical development increased the Company has had to add additional members to its team. With the increased sales the Company is particularly mindful of delivery of its Customer Success Program. It is important the client experience from implementation and integration to learning and then support is efficient and user friendly as rapid growth in sales can have poor unintended consequences when it comes to delivery and lack of personnel to deliver. At the time of writing, the Company has added two specialist people to the Customer Success program and is continuing to further streamline and enhance the customer experience.

Operations in general

The general operating environment for the Company has been good. The Company remains focused on servicing the SME market and is finding its recent reach into large major corporate transactions is gathering momentum.

The Company has been developing a twin approach to sales, being:

- Sales of the Enterprise Platform to larger customers; and
- A stand alone multiple App approach for smaller customers.

The latter sales approach allows a customer to buy one or all of the Company's Apps relevant to their business needs. The Apps have their own independent reporting, management, and configurable backend allowing customers to utilise individual or multiple Apps and then potentially migrate into the Vault Enterprise Platform at a later date should they wish.

Ends.

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About Vault Intelligence Limited

Vault Intelligence Limited (ASX: VLT) is an online/SaaS development business specialising in creating solutions in the Risk, Environment, Health and Safety (EHS) sector. Vault operates across more than 30 industries and in several parts of the world.

Vault's leading cloud-based systems provide its clients with the benefits of cost savings and the availability of real-time information to monitor, maintain and improve their businesses. Driven by a passionate team of developers and EHS industry experts, Vault delivers its enterprise-level software and mobile solutions to 1,000,000+ people across 30 industries.

To find out more about how Vault solutions can help to minimise risk and boost effectiveness in your workplace, visit www.vaultintel.com

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