

ASX Release
Friday 28 April 2017

Decimal Quarterly Report and Update - Q3 2017

HIGHLIGHTS

- **60 per cent growth in Annual Recurring Revenue (ARR) Year on Year (YoY)**
- **Commercial engagement with major institutions signifies growth**
- **Mercer deal targets 2 million + new *Eqilize* customers**
- **IFM cornerstone investment in \$2.295m capital raise**
- **Partner network further expanded**

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 31 March 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.

Revenue was steady with an increase of 6 per cent between the quarters or 38 per cent YoY, while expenses were down 7 per cent between the quarters.

The business is focussed around the growth of ARR streams which have increased 60 per cent YoY.

The Company’s cornerstone customers, including QSuper and Mercer, continue to develop and in turn offer Decimal solutions to their respective markets.

Two significant pilot projects are also underway with major Australian financial institutions, further validating the Decimal solution and underpinning future revenue growth.

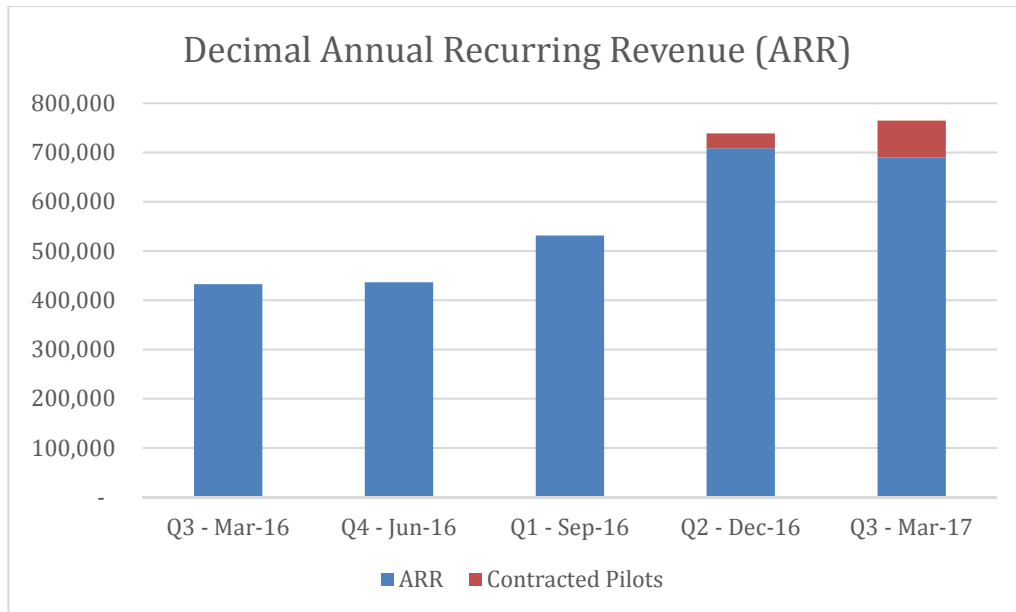
As reported in the previous quarterly report, Decimal secured a cornerstone investment from global fund manager IFM Investors in January, following a successful A\$2.295 million capital.

The company’s consolidated cash reserve is \$2,589,000.

2. SIGNIFICANT GROWTH IN ANNUAL RECURRING REVENUE (ARR)

Decimal’s ARR has grown 60 per cent year on year to \$690,000. ARR, a metric used by SaaS and subscription businesses with term subscriptions, is the value of the contracted recurring revenue components of term subscriptions normalised to a one-year period.

Recurring revenue is the portion of a company’s revenue that is highly likely to continue in the future. Decimal ARR does not include additional one-off payments, implementation services revenue or contracted pilots. These contracted pilots continue to deliver increased revenue and a highly qualified pipeline for Decimal. Tier 1 customers will typically pilot before agreeing to multi-year contracts.



3. COMMERCIAL ENGAGEMENT WITH MAJOR INSTITUTIONS SIGNIFIES GROWTH

Decimal is currently delivering two paid pilots with two major financial institutions, due to go live this calendar year. Both pilots are contracted to rollover on completion to production and are at standard commercial rates including platform rental.

Such pilots are important as a demonstration of major institutional interest in Decimal as well as a key qualifier for future recurring revenue (ARR) streams.

4. MERCER TARGETS TWO MILLION *EQILIZE* USERS

Decimal announced a new deal with Mercer that will see the global consulting leader offer the *Eqilize* digital financial advice solution across the funds it services, including its flagship superannuation product the Mercer Super Trust.

Mercer, which is one of Decimal's foundation clients and partners, is now offering the pre-configured solution to more than two million Australians, representing approximately \$65 billion in Assets Under Administration.

5. CORNERSTONE INVESTMENT FROM IFM

DECIMAL Software announced a cornerstone investment from global fund manager IFM Investors, following a successful A\$2.295 million capital raising with the issue of 57,374,631 ordinary shares at \$0.04 cents per share.

IFM Investors is a global fund manager established more than 20 years ago and owned by 28 major superannuation funds with over A\$72 billion in Assets Under Management. It now has an overall 6.5 per cent stake in the Company following the capital raising that was led by Bell Potter Securities Limited.

6. PARTNER NETWORK EXPANDED WITH SEQUENTIAL

The signing of a Memorandum of Understanding with private financial services consultancy Sequential Limited (Sequential) signals another major milestone for Decimal.

The agreement will see Sydney-based Sequential bring to the table its established and trusted customer relationships with some of Australia's tier-one financial services institutions.

Sequential CEO Adrian Johnstone said the deal followed a significant increase in the number of inquiries from superannuation providers wanting to offer members a digital advice solution.

"We're fielding an increasing amount of interest from superannuation funds about how to move seamlessly into digital member engagement," Mr Johnstone said. "Decimal, having already built the software and established itself in the market, allows this to happen immediately."

The partnership will increase Decimal's reach into the market and affirms the strength of our technology as robust and scalable to meet the demands faced by the superannuation sector.

7. CASH POSITION

At 31 March 2017, Decimal had consolidated cash reserves of \$2,589,000 and expenditure remained flat during the period.

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 MARCH 2017

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	162	883
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	(119)	(401)
(d) leased assets	-	-
(e) staff costs	(914)	(2,603)
(f) administration and corporate costs	(381)	(1,129)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	13	33
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	1,499
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(1,239)	(1,718)
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 (9 months) \$A'000
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) property, plant and equipment	(2)	(2)
(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 (Net proceeds on assignment of Sydney lease)*	(2)	144
2.6 Net cash from / (used in) investing activities	(4)	142

*Decimal's Sydney lease was assigned effective 1 July 2016. This led to a net cash inflow of \$146k which was the proceeds of the security deposit less the rent incentive payment.

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	2,295	-
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	(135)	-
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	-	-
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
3.10 Net cash from / (used in) financing activities	2,160	-

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	1,672	2,005
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,239)	(1,718)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(4)	142
4.4 Net cash from / (used in) financing activities (item 3.10 above)	2,160	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	2,589	429

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	1,544	672
5.2	Call deposits	1,045	1,000
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)	2,589	1,672

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
156
Not applicable

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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
-
-

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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	-
9.2 Product manufacturing and operating costs	-
9.3 Advertising and marketing	146
9.4 Leased assets	-
9.5 Staff costs	979
9.6 Administration and corporate costs	361
9.7 Other (provide details if material)	-
9.8 Total estimated cash outflows	1,486

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

28 April 2017

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.