

Tuesday 25 July 2017

Decimal Quarterly Report and Update – Q4 2017

HIGHLIGHTS

- **76% Annual Recurring Revenue (ARR) growth YoY**
- **31% Revenue Growth in Q4**
- **AMP enters commercial pilot**
- **Former ASFA CEO Vamos appointed to Decimal Board**
- **Compliance bar raised after completion of independent report on ASIC Guidelines**
- **Mercer goes live with Eqilize for its 2 million customers**

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 30 June 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 paid pilot with AMP Limited’s direct advice business.

The Company continues to build its Annual Recurring Revenue (ARR) streams, with further growth over the quarter increasing the year-on-year (YoY) revenue by 76 per cent. Quarterly Revenue grew 31 per cent in the fourth quarter, while expenses were up slightly at 8 per cent.

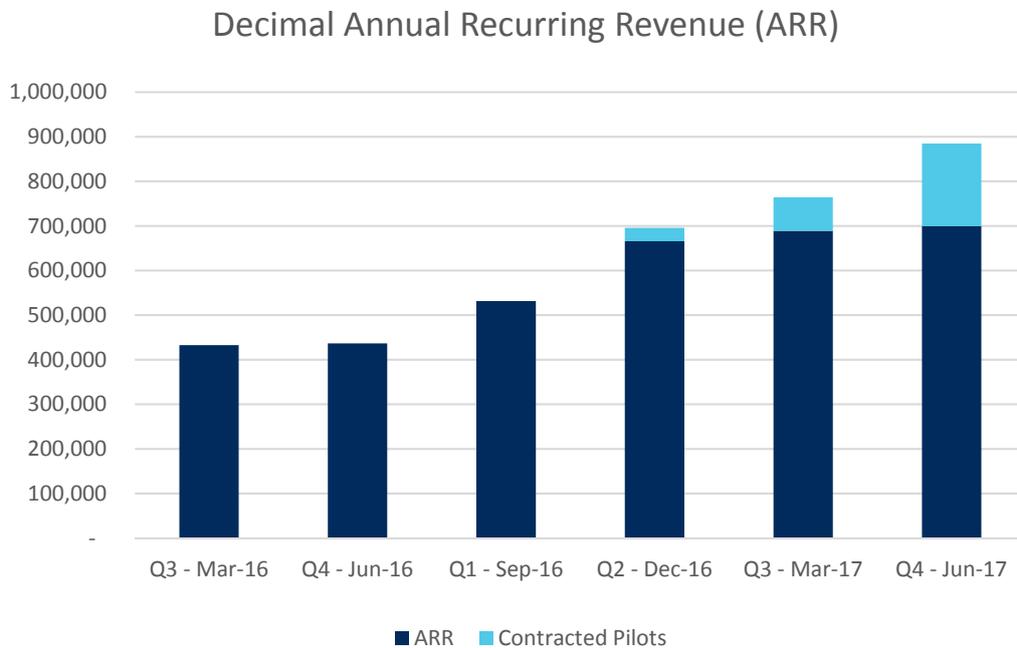
Funds Under Advice has now reached a total of \$8.48 billion.

The Eqilize solution will be offered by Mercer to more than 2 million members in the Mercer Super Trust (MST) as well as the 170 funds under its administration.

Decimal welcomed new Non-Executive Director Pauline Vamos to its Board, with the former CEO of Association of Superannuation Funds of Australia (ASFA) adding further significant industry strength to the team. In July Ms Vamos was also appointed to the Board of Mercer Superannuation (Australia) Limited (Mercer).

2. SIGNIFICANT GROWTH IN REVENUE AND ARR

Decimal recorded a revenue growth of 31 per cent for the quarter with a total of \$338,703. In addition, ARR continued to grow with an increase of 76 per cent YoY to \$646,160 for FY2017, compared to \$366,809 YoY in FY2016. This is exclusive of the contracted pilots in delivery.



3. AMP ENTERS COMMERCIAL PILOT

In April Decimal has signed a pilot contract to trial its software in AMP Limited’s direct advice business.

The scope involves the automatic generation of compliant Statement of Advice (SOA) documents for the direct advice team. The engagement is a paid pilot under standard commercial terms.

4. FORMER ASFA CEO PAULINE VAMOS JOINS BOARD

The company is pleased to announce that distinguished financial services expert and former CEO of ASFA Pauline Vamos has been appointed as a Non-Executive Director to the Company’s Board.

Ms Vamos is highly regarded globally as an executive leader and ambassador in financial services, complemented by her extensive superannuation knowledge and expertise.

She was CEO of ASFA for nine years and previously was Director, Financial Services Regulation – Licensing and Business Operations with ASIC.

5. DECIMAL RAISES COMPLIANCE BAR WITH INDEPENDENT REPORT

An independent review of Decimal's software against the requirements of the Australian Securities and Investments Commission's (ASIC) Regulatory Guide 255 (RG255) was successfully completed during the quarter.

The review was undertaken by leading global risk management and regulatory compliance firm Promontory Financial Group Australasia, an IBM Company. Proactively commissioned by Decimal, the aim was to assess how effectively the technology enabled superannuation funds and banks to provide compliant advisory services in line with ASIC's RG255 guidelines on digital advice.

The review gives the financial services sector greater confidence that Decimal, as an outsourced provider, understood their compliance needs and can manage third party risk.

6. MERCER GOES LIVE WITH EQILIZE

Mercer Australia has successfully implemented Decimal's Eqilize solution. Mercer is one of Decimal's foundation clients and partners, and now has the capability to offer the Eqilize digital advice solution to more than two million Australians through its Mercer Super Trust (MST) and over 170 funds it administers. The successful implementation of Eqilize, which was completed within just a few months of the scope being agreed, positioned Mercer at the forefront of innovative, meaningful engagement with members.

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")

30 JUNE 2017

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	286	1,169
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	(124)	(525)
(d) leased assets	-	-
(e) staff costs	(972)	(3,575)
(f) administration and corporate costs	(601)	(1,731)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	12	46
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	(1,399)	(3,117)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(7)	(9)
(b) businesses (see item 10)	-	-
(c) investments	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 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)	142
2.6 Net cash from / (used in) investing activities	(9)	133

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	45	45
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	45	2,205

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	2,589	2,005
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,399)	(3,117)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(9)	133
4.4 Net cash from / (used in) financing activities (item 3.10 above)	45	2,205

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	1,226	1,226

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	386	1,544
5.2	Call deposits	840	1,045
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)	1,226	2,589

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
160
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	80
9.4 Leased assets	-
9.5 Staff costs	897
9.6 Administration and corporate costs	491
9.7 Other (provide details if material)	-
9.8 Total estimated cash outflows	1,468

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

25 July 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.