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Prophecy International Holdings Ltd

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Company Announcement – 8 February 2021

H1 Market Update & Results

No debt	$3.6M Cash	$6.7M revenue	($557K) FX Impact	($1.2M) EBITDA

H1 Performance

The global economic environment continues to be challenging and this has led to an inconsistent start to the sales year from Prophecy, especially from Snare direct sales in the US and most notably in November and December.

Snare had a particularly strong December in 2019 and that was a major contributor to last year's revenue growth and we have been unable to replicate that sales result in 2020. Our largest eFoundation (Legacy) customer also moved from a one-off annual licence fee to a monthly subscription. This had an impact of effectively moving $458K of recognisable revenue from December to revenue that is recognised month by month. It does increase the overall ARR of Prophecy and the revenue will flow as a monthly subscription into H2.

As a result, preliminary and unaudited Prophecy revenue at the half is expected to be $6.7 M down from $7.3M in the same period last year. EBITDA is expected to be ($1.16M) down from $746K last year.

A few other changes also had a significant impact on revenue and profit in H1.

Approximately 70% of all sales are made in US dollars for the group. A strengthening Australian dollar had a significant negative impact on profitability in H1. Changes to the FX rates and the US dollar weakening against the Australian dollar had a negative impact of $557K on the bottom line.

Our major sales regions are the US and Europe for both Snare and eMite. Increased "Level 4" controls and lockdowns in the UK and more than 1 million COVID cases per week in the US, as well as uncertainty during the transition of the incoming administration of the US president, has delayed some sales orders, especially in the US, over December and into January.

Fewer direct sales of Snare perpetual licences than forecast in November and December in the US was the other primary reason for the lower than expected revenue in H1. We expect to continue to see uncertainty in US markets until the new administration has completed transition and COVID vaccinations become more widely available and administered.

US Dept of Commerce Small Business Pulse Survey shows that across all Small Business in the US there has been an average reduction of business of 30.7%. 75% of all small business has reported a moderate or large negative impact due to the COVID Pandemic.

Genesys, our major global partner for eMite also have changed their financial year to the end of January this year and we expect a higher January result as Genesys drives to close their sales year. We had forecast our largest ever enterprise deal for eMite through Genesys for December but that has been delayed during contract signing and I am pleased to announce that this sale has now been completed in January. This deal is for a Genesys Cloud customer for 6,000 seats committing to a 3 year term.

eMite revenue continues to increase as the large enterprise sales that were closed last year ramp up their usage and new accounts are added. Churn remains low and is generally restricted to industries suffering significant impact from COVID (higher education, hospitality etc).

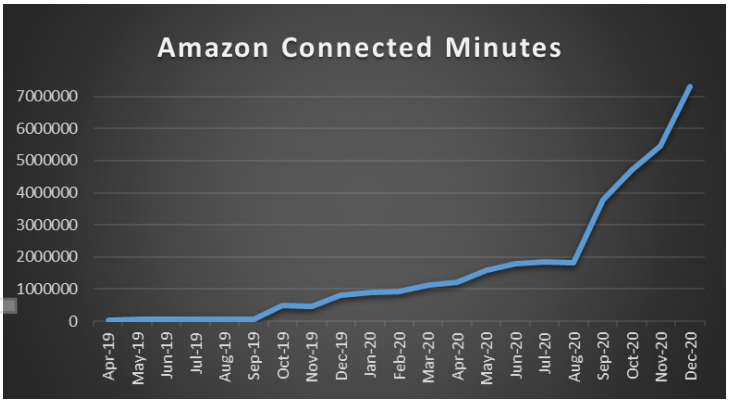
Recurring Revenue

ARR for the group continues to grow to form a significant part of the revenue across all three product groups. ARR is now $9.9M (eMite $5.9M, Snare $3.5M and eFoundation $500K) and will continue to see growth as Snare begins to see success with subscription and cloud based offers.

eMite revenue increased from $1.7M to $2.3M an increase of 35% over the same period last year.

eMite ARR from customers under contract has increased from $4.3M to $5.9M

Minutes billed each month from Amazon connect customers continues to increase to over 7M minutes per month and should continue to increase as other large enterprise accounts complete their implementations.



Significant eMite customers in the first half include Alcon Labs, Jones Lang LaSalle (USA), Johnson & Johnson, Enterprise Holding (world's largest rental car operator) and TAB New Zealand.

Snare Central sales have begun to increase with 53 instances being sold in H1 against only 21 instances in the same period last year. Snare has also been down selected as a preferred provider for a global company planning to implement 60 instances of Snare Central across their 30 sites to provide compliance, reporting and threat detection capabilities.

Significant new Snare licencing sales in H1 include Accenture/Proquire, Occidental Petroleum, Signature Aviation, QBE and UPS.

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Partnerships

Significant progress has been made in signing new sales partnerships for eMite.

Vodafone New Zealand has signed as a partner for eMite for Amazon Connect, Cognizant has extended their existing agreement to include eMite for Genesys, Amazon Connect and Avaya to sell into their global customer base, CCNA in Australia has signed as a partner to address the Avaya market and has already signed their first customer for eMite in the Emergency Services market.

Telstra resigned the existing contract for the provision of eMite to their Genesys Cloud customers and also started using eMite internally for IVR based reporting.

Snare has also had success in attracting new sales partnerships.

SunData in Australia becomes one of our first local MSSP's to sign on to use Snare to deliver logging and security services to their Australian customers.

VCloud Tech in North America has chosen Snare as the platform for Centralised Log Management for the Mid Market and Enterprise customers as well as their customer at the State and Local Govt level and in Education.

Converge Technology Solutions – an umbrella group for 13 separate service providers has chosen Snare to provide the logging platform to facilitate services to their clients across the group.

Single Point of Contact has also chosen Snare as the logging platform of choice for their clients. "Single Point of Contact is proud to announce a partnership with Snare, the leader in centralized logging," says Fernando Leon, Vice President of Sales/Marketing at Single Point of Contact. "Snare is an ideal partner that pairs any SIEM or Security Analytics platform. This partnership will allow us to continue delivering a security solution that saves our channels and client's money, time & most important, reduce risk."

Product

In November 2020 Snare also released Version 8.3 of Snare Central with significant product enhancements especially around dynamic search and query to enable sophisticated threat hunting.

Snare was also made available as a cloud solution and is supported in Amazon Web Services, Azure and Oracle Cloud. We plan support for Google Cloud in Q3 this financial year.

On the eMite side we launched our Avaya capability as a stand-alone product and have signed our first partner and customer opening a new line of business and additional revenue stream for eMite.

Outlook

While the global economic environment continues to be challenged by the global Pandemic (especially in our two major markets in the US and UK/Europe) we expect to see continued uncertainty from customers. This contributes to fewer and slower IT projects and delays in procurement and allocating budgets. This makes forecasting revenue difficult until more normal business conditions return.

Our product line up is strong and continues to get stronger, enabling us to solve more customer problems and add more value to our clients. We continue to add new partners increasing our coverage and capacity globally. We also continue to add new Blue Chip customers on a consistent basis. The business continues to be strong financially and maintains a strong cash balance.

Given these factors we expect to see an improved second half as the US stabilises after the new administration settles and COVID vaccines become more widely administered.

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About Prophecy International Holdings Limited

Prophecy International Holdings Limited is a listed Australian software company. Our two main products are Snare and eMite.

CX Intelligence by eMite provides a SaaS based real time and historical analytics platform, dashboards, wallboards, KPI and orchestration products for Customer Experience, Contact Center & IT Operations environments.

The Snare product suite is a highly scalable platform of Centralized Log Management and Security Analytics products designed to enable customers to detect and manage cyber threats in real time & maintain regulatory compliance.

Prophecy operates globally from Adelaide and Sydney in Australia, London in the United Kingdom, Denver in the USA and Manilla in the Philippines.

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