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Prophecy International Holdings Ltd

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Company Announcement – 21 July 2021

Prophecy announces strong sales results in Q4

eMite new sales and ARR growth up significantly on previous year

eMite Sales	eMite ARR	Overall ARR
• $3.7M in new contracts • 32% growth YoY	• 76.7% growth • $7.6M up from $4.3M	• Overall ARR growth to $11M

Highlights

- Q4 sales of eMite and Snare strongest of the year - $1.7M for eMite and $1.5M for Snare and sales momentum continuing into Q1
- eMite new sales pipeline currently >$16M for FY22
- Snare new sales pipeline currently >$25M for FY22
- Snare Renewals up 17.7%
- Snare Central Sales up 47.3%
- Overall combined ARR across all products grown to $11M
- Acquisition for ARR growth on the radar

eMite

eMite Sales growth (represented by 1st year contract value or 1CV)

- $1.7m vs $409K in Q4 representing 316% growth against the same period last year.
- $2.9M in H2 vs $1.2M in same period last year representing 142% growth against the same period last year.
- $3.7M vs $2.8M for full year last year representing 32% growth against the same period last year.

Significant eMite customer wins

- Airbnb (4300 seats)
- Dept Human Services (8000 seats)
- Signet Group (850 seats)
- Johnson & Johnson (855 seats)
- Security Services Credit Union
- State of Missouri
- Bank of NZ
- AT&T/Dyson

State of the market

eMite continues to ride the industry wave of migration of the contact centre to the cloud. Major legacy vendors like Genesys and Avaya as well as disruptors like Amazon Connect from AWS and Twilio are facilitating customers moving from legacy, monolithic on-premise contact centre systems to true SaaS based solutions.

According to Contact Centre Weeks June Industry Review companies are viewing the contact centre more as a "value centre" and 65% of companies believe that their customer experience has become more important since COVID19 and 68% say that their contact centre team is more valuable now than prior to COVID19.

Important aspects of the contact centre are improving real time coaching using technology, revamping metrics to better signal what matters and gamification, scorecards and performance transparency.

Areas of focus include determining metrics for digital channels, collecting better data at each customer touch point and understanding the customers journey from end to end.

eMite has continued to grow and evolve in this market moving towards true end to end customer journey analytics. eMite 7.1 will be released in July and will enable more scalability, orchestration and real time alerting and even more flexibility to customise and analyse the metrics that are important to business.

As the market continues to mature, we see larger customers moving to the cloud and eMite is there ready for them when they do. FY21 has seen several very large companies with multiple thousands of contact centre agents become customers.

In FY21 we saw an acceleration in sales values as we acquired larger customers and average deal sizes increased. This has a strong flow on to increase ARR. At the commencement of FY21 we had an ARR of $4.3M and by the end of the year this had grown to $7.6M or 76.7% growth in ARR. As a result, we believe that the eMite business is significantly undervalued by the market compared to other ASX listed SaaS growth businesses addressing the contact centre market.

Snare

Snare Sales performance

- Q4 $1.50M vs $1.53M last year
- H2 $2.4M vs 2.817M last year
- FY $5.148M vs 6.83M last year.

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Snare sales did not reach the record result we achieved in FY20 primarily driven by fewer decisions in government sector in the US during the transition of the new administration and during the COVID period. In addition, we experienced the slowing in growth from one of our major MSSP partners that resulted in over $1M less in sales from that channel in FY21.

Direct sales to end users was in line with FY20 and the majority of the revenue decline came from the single large channel partner changing their product strategy over the course of the last 12 months.

The pipeline for FY22 is as strong as it has ever been at the start of the financial year and despite the slow down in FY21 we finished the year strongly with some very substantial sales in the final quarter. Our relationship with IBM continues to strengthen and we have significant joint pipeline with them in FY22. Our largest deal of the year was for Peraton and that was with IBM extending and complementing their QRadar solution with Snare.

Renewals by existing customer increased in FY21 – up 17.7% YoY and sales of Snare Central were up 47.3% over last year. Snare Central as a product line is a significant area of focus for us and we continue to drive sales of Snare Central to our existing customer base and to new prospects. We are at the start of the curve in getting Snare Central into our existing base with significant opportunities developing.

Significant Snare customer wins

- Peraton
- Markel
- Charles Schwab
- Occidental Petroleum
- South Carolina State Dept Admin
- QBE
- Signature Aviation
- UK Ministry of Defence
- Singapore Power

The need for Cyber Security and for monitoring your network has never been more important. Even the largest customers have shown that perimeter security is simply not enough and that when you are breached you will need effective security monitoring to ensure you can answer the questions like “How did they get in?” and “What did they take?”

Significant breaches continue with Solarwinds, PrintNightmare, Kaseya, Electronic Arts to name a few. One of the more troubling headlines is that “most victims are unaware’ that they have been breached, often for months. Detection of Advanced Persistent Threats (ATP) requires advanced detection methods including logging and forensics.

In May, the Biden administration issued an Executive Order on Cyber Security that should form the backbone of US responses to cyber threats going forward, particularly in the public sector. The importance of event logging, security analytics and tools like File and Registry Integrity Monitoring, Database Activity Monitoring and securing and maintaining the integrity of security event information continues to be highlighted.

In M&A activity in the logging market space we have seen Crowdstrike acquire logging specialist Humio for $400M and Sentinel One acquire logging start up Scalyr for $155M. Given that data is the lifeblood of analytics there will be a requirement for smart centralised logging to enable analysis and compliance for many years to come.

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Snare enables customers to detect many Advanced Persistent Threats and we map extensively against the Mitre Att&ck Framework and help companies achieve NIST 800-171 compliance. Snare is also verified by Veracode for application security giving customers peace of mind in relation to supply chain integrity.

Overall Company ARR

Combining recurring revenue from both Snare, eMite the few remaining legacy customers gives the business an overall Annual Recurring Revenue of approximately $11M.

This increase in recurring revenue is a strong leading indicator of FY22 revenues. This ongoing growth of recurring revenue should also result in a stronger valuation of the company as we continue to transition from a perpetual licensing model to subscription based across all products.

Given this level of recurring revenue we believe that the value of the Prophecy business is not adequately reflected in the current market capitalization.

COVID19

The macro-economic impacts of COVID 19 have continued to interrupt business over the last year. Europe has been particularly challenging given the fragmented nature of the market and the very severe impacts we have seen from COVID.

Our team has managed to continue operating by working remotely but this does make global collaboration more difficult, and in some countries we have also had staff fall ill due to COVD 19, although none too seriously. In the US we have seen impacts from COVID on business generally and have also seen uncertainty of budget allocation – particularly in the public sector in the US as the new administration has continued to transition.

This has had a delaying impact on decisions that we expected to be taken for Snare in some cases. FY21 continued to provide a challenging business environment for a small yet truly global organisation

About Prophecy International Holdings Limited

Prophecy International Holdings Limited is a listed Australian software company. Our two 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 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 and in Denver, USA.

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