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Techniche Limited (ABN 83 010 506 162) and its Controlled Entities
Ground Floor, 143 Coronation Drive, Milton, Brisbane QLD

26 November 2020

# AGM Presentation

Please find attached the Chairman's presentation which will be given at the Company's annual general meeting today.

This announcement is authorised by the Board.

**About Techniche**

Techniche (ASX: TCN) is a niche global software house with many Fortune 100 clients using our asset & network management applications. With offices and teams in the 3 regions of EMEA, APAC and North America, our focus is to continue to grow revenues with our current products while developing a new platform to address the emerging need to manage the increasing range of IP enabled operational assets (IoT) on a network, particularly in light industry, where asset reliability and availability is critical. Techniche has two existing product lines known as Statseeker and Urgent.

## Contact

To learn more about Techniche or about this Market Release please visit our website [https://technichegroup.com/](https://technichegroup.com/) or contact;

Karl Jacoby, Chairman & CEO
Phone: +61 1300 55 66 73
Email: karl.jacoby@technichegroup.com

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# Annual General Meeting 2020

# Techniche history

| 1.0 | 2.0 | 3.0 | 4.0 |
|---|---|---|---|
| **1985** | **1987-2007** | **2007-2017** | **2018-now** |
| Founded as tech investment company | Acquiring & selling tech companies | Acquired Urgent & 50% stake in Statseeker | Acquired balance of Statseeker & pivoted to a technology company |



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# Techniche today

Urgent.

Statseeker.

bp

Q8

Walmart

Scotiabank.

OPTUS yes

20+

YEARS

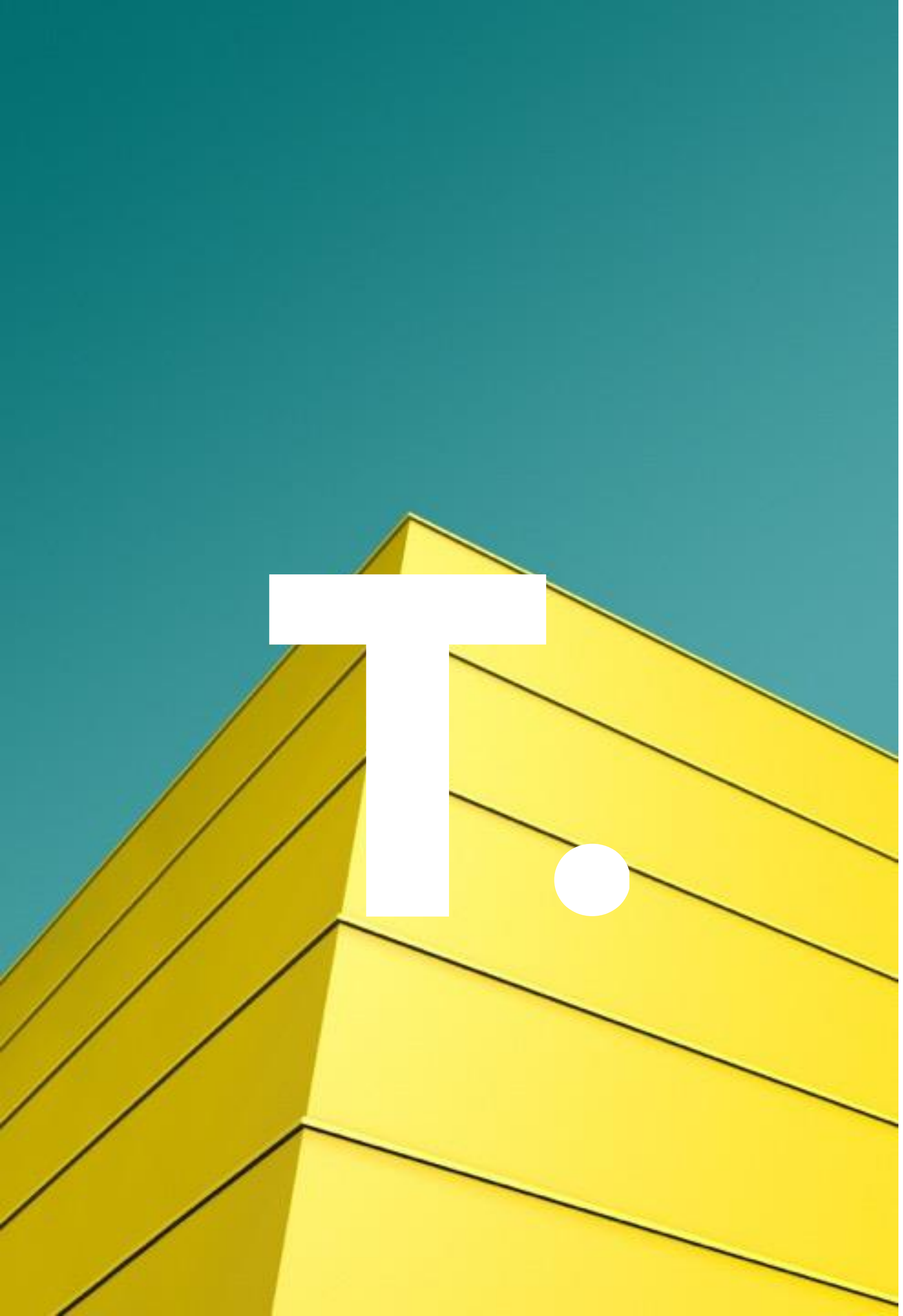
**Global Presence**

**Flagship Products**

**Long-term Customers**

**Deep Knowledge**

Techniche is a global technology company with offices in the UK, USA and Australia. Our two flagship products, Urgent and Statseeker have led the way in managing and maintaining the critical operational assets of leading companies and government organizations across the globe for more than 20 years.

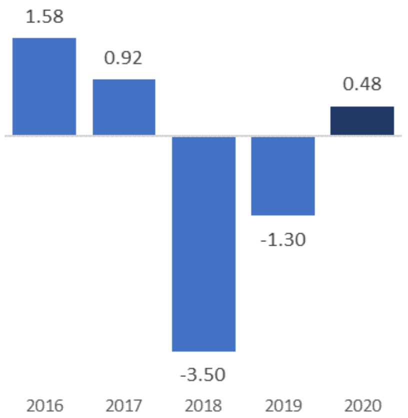


# Our future

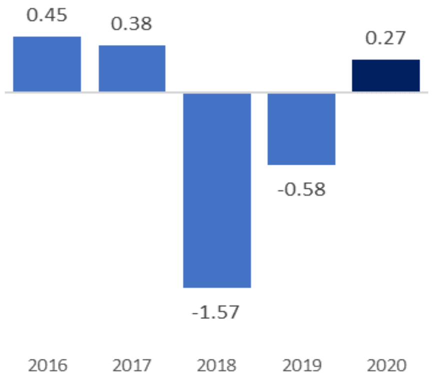
Techniche is an Australian
software company with one aim
– to be the trusted solution for companies in managing, maintaining and optimising the performance of their critical operational assets.

# Financial Performance

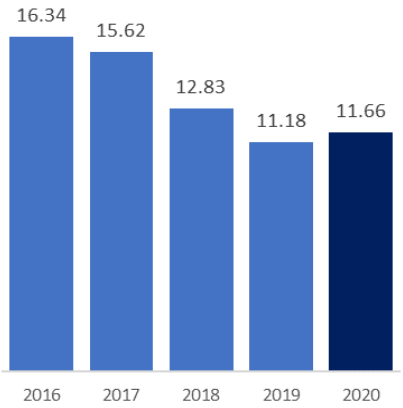
Operating Profit
(AUD millions)



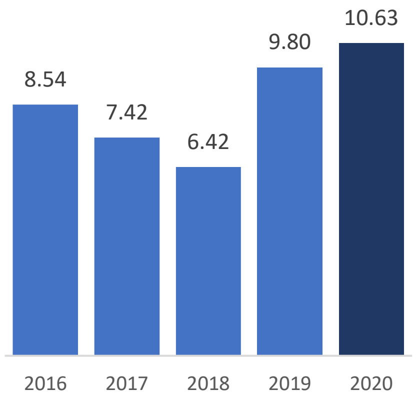

Earnings Per Share
(AUD millions)



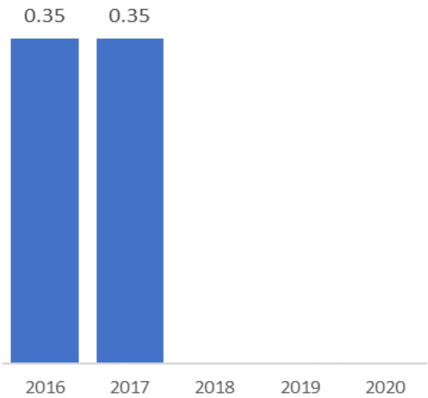

Net Assets
(AUD millions)



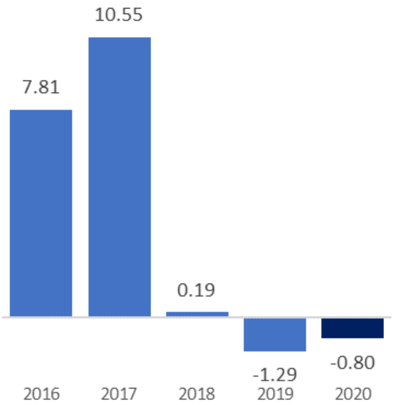

Revenue from Provision of IT Services
(AUD millions)




Dividends Per Share
(AUD millions)




Net Tangible Assets
(AUD millions)




## Commentary

- Group revenue increased 8.5%
- ARR increased 8%
- Professional Services increased 14%
- Operating expenses were down 6%
- EBITDA improved by more than $2 million to $1,237,422.
- Cash at bank increased to $4,468,562 at year end

# Our Products – Urgent

**Urgent**, Techniche's powerful multi-tenant cloud-based computer-aided facilities management solution (CAFM or CMMS) services more than 40,000 fuel retail sites globally. It is becoming the Number 1 choice for the world's leading fuel and convenience retailers for 5 key reasons:

- We have developed deep sector expertise in the fuel retail sector.
- We understand improving customer experience builds their brand and revenue.
- We understand the critical nature of compliance across multiple regions.
- We understand the health and safety of their staff is a priority.
- We understand that by helping optimise the performance of their critical assets will help them save money and make money.


# Urgent – global and scalable

- Revenues increased by 14.4%
- Annual Recurring Revenues increased 12%
- Professional Services revenues increased 30%
- Primary vertical fuel & convenience retail
- Developing modules to sell into the mid-market
- Investing in the North American market
  – largest market opportunity
- Secured further revenue in the Aged &
  Assisted Care market
- Growth and strong pipeline despite Covid impacting enterprise sales efficiency, demand for professional services and speed of enterprise decision making
- Winning new business from new & existing customers

# Our Products – Statseeker

**Statseeker**, is a highly scalable network monitoring and management tool. Sector agnostic, it's used by our customers to monitor collectively more than 65 million interfaces globally, every 60 seconds. It's fast and flexible, delivering real-time results from a minimal server footprint and can monitor networks of any size, collecting network data and health metrics.

Key features:

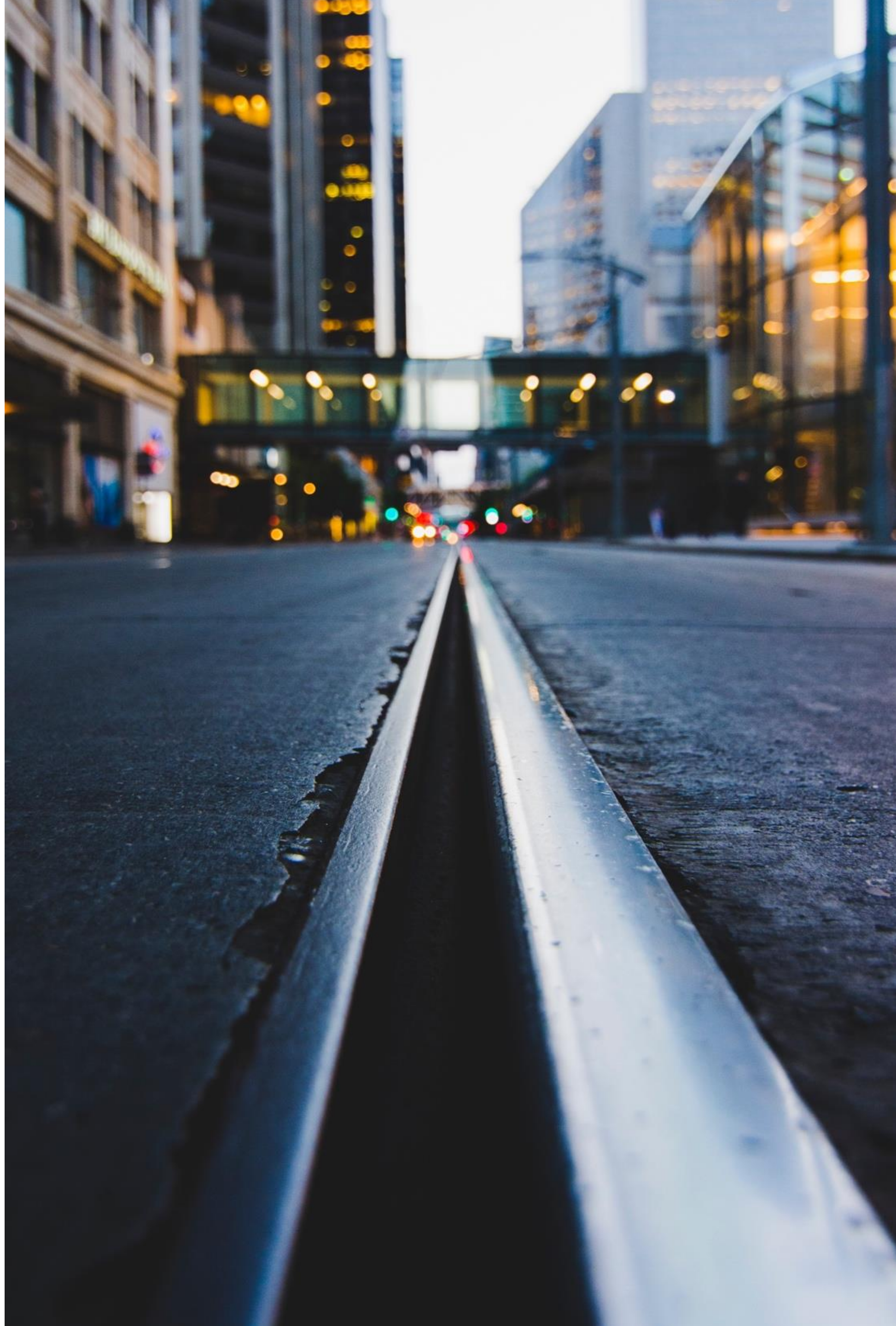
- It's scalable, fast and flexible, offering blanket network monitoring right up to the edges.
- It monitors networks of any size, collecting key data as well SDN configuration and health metrics.
- It provides minute-by-minute visibility with 60-second polling and ultra-fast reporting.
- Its anomaly detection alerts the business to any behavioural change as soon as it happens.
- Data history is stored in its original granularity, enabling accurate analytics and capacity planning.

# Statseeker – global and scalable

- Limited impact from any flow-on effects of COVID-19
- Launch version 5.5
- Revenue increased 2.5%
- Annual Recurring Revenues increased 4%
- Non-recurring revenue decreased as we transition customers to SaaS contracts
- Non-recurring perpetual licence revenue is being replaced by a growing capability to deliver Professional Services
- New marketing & lead generation campaigns being developed

# New Product Offering

- Developing a new product solution that converges Urgent's maintenance & asset capabilities & Statseeker's network management capabilities
- Focus on managing IP-enabled operational assets (IoT) on a network.
- ADAPTS
  - Asset Discovery (what IP-enabled assets are on the network),
  - Asset Availability (are the assets available and working),
  - Asset Performance (are my assets performing as planned) and
  - Tailored Surveillance (which assets are posing a risk to the network).
- Currently in trial with several customers



# Outlook

- Directors continuously consider the best option to provide a realisable return to our shareholders.
- The Company has internally mapped the following targets for the 3-5 year horizon;
    - To achieve and maintain 20%+ compound ARR growth
    - Target revenue $20m+
    - Positive EBITDA performance
        - Maintaining comfortable working capital balances
        - Reinvesting cash from profits into business growth – Product, Sales/Marketing
    - Aggressive pursuit of product roadmap delivery across three core products
- Achieving strongly against these targets supports us to:
    - Realise an exit for all shareholders: likely competitive trade sale to Strategic Buyer
    - Achieve a healthy valuation based on multiples of ARR underpinned by quality growing customer base

# Proposed Delisting

- The Company's reason for seeking removal from the ASX official list is that we believe the Company and its shareholders do not benefit from being publicly listed for the following reasons:
    - the price of the Company's shares is consistently and materially lower than the underlying value of the Company;
    - this limits the ability of the Company if it wishes to raise funds as the current valuation would have a material dilutionary impact on Shareholders;
    - low liquidity levels in trading of the Company's shares has resulted in limited trading opportunities for Shareholders; and
- The Board believes that removal from the ASX official list will allow the Company's board and management to reset the Company valuation and will open up the potential for alternate private market valuations, funding alternatives and strategic transactions as the Company executes on its business strategy.



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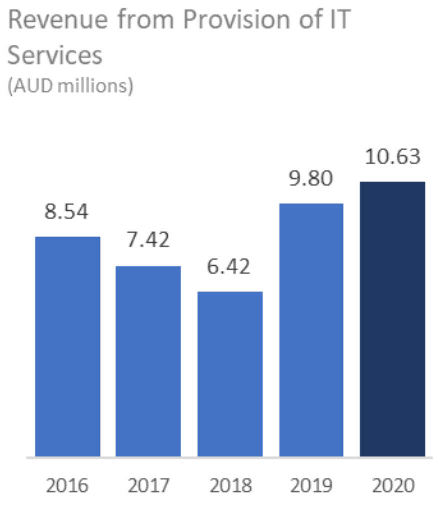
# Proposed Delisting – Underlying Valuation

- Technology companies, with growing ARR, are valued on a multiple of revenues
- Examples include
  - Domestic Listed Comparables – Average 4.6x
  - Relevant Domestic Transactions – Average 3.3x
  - US Public Market Multiples (revenue growth 10-20%) – Median 5.4x
- Techniche is now a growing tech company
  - $10m recurring revenues
  - approx. 90% is earned from Europe and North America
  - customers include multiple Fortune 500 companies
  - $4.5m cash
  - Enterprise Value approx. $4m
- Techniche's Enterprise Value based on the current share price is approx. A$9 million, which after taking cash at bank into account puts the company at significantly less than 1x revenue
- Our goal is to continue to drive revenue growth and realise a higher market capitalisation liquidity event for all shareholders in the next 3-5 years



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# Proposed Delisting – Australian Tax Losses

David Wilson, our CFO, will provide a brief overview.

**<u>Retention of tax losses – Continuity of Ownership Test (COT)</u>**:

- Current test for listed companies groups all shareholders with less than 10% as a single holder. This group currently owns 63%.
- Unlisted companies with 50+ shareholders must comply with the above COT test but also show that 75% of shares are owned by at least 20 holders. The current top 20 shareholders own approx. 71%.
- Thus at this time it is likely the company will continue to benefit from carried forward tax losses post any potential delisting however it will be an issue that we will need to monitor.

**<u>Valuation of tax losses</u>**:

- Techniche has accumulated tax losses of approx. $53m which can be used to offset taxable income in Australia only.
- Profits derived in overseas jurisdictions are taxable where they are earned
- A consolidated tax group in Australia formed in July 2018 following the acquisition of 100% in Statseeker. Taxable income in Australia can be partly offset against tax losses.
- Potentially 15+ years to fully realise the value of tax losses. Present value of <2 cents per share.



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# Proposed Delisting – Share Trading

- The Company will remain on market until January 22, 2021.
- The Company has announced a share buy back to provide liquidity support prior to delisting
- Following delisting, the company will maintain a register of interested buyers & sellers. There is no restriction by the company on buying or selling shares.

**Agenda item 1**
Financial Reports

# Agenda item 2
Questions & Comments

# Agenda item 3
# (Resolution 1)

Re-Election of Anastasia Ellerby
as Director



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# Agenda item 4
# (Resolution 2)

Remuneration Report

# Agenda item 5
# (Resolution 3)
Delisting from ASX

**Agenda item 6**
**(Resolution 4)**
Renewal of Proportional Takeover Provisions

# Concluding Remarks

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Good Morning,

**Slide 2 – Techniche History**

Techniche was founded in 1985 as a technology investment company, focussed on Australian technology companies, and was listed on the ASX in 1987. Techniche had some success in its early years but by 2006 Techniche it was essentially a shell with approximately $1.5m cash at bank and approx. $54m of tax losses.

With the appointment of a new Board in 2006-07, a capital raise and reset direction, Techniche commenced its next journey continuing as a technology investment company, but with a more global focus, ultimately acquiring ERST Technology GmbH, Urgent Technology, and a 50% stake in Statseeker. Each business was run as an independent profit centre, with the bulk of earnings generated by ERST.

This model was reasonably successful, reporting profits and providing a dividend to shareholders each year. Ultimately though, we were holding small niche technology companies that needed investment to grow. As well, we were very reliant on ERST as our cash cow, which was essentially a services company with limited growth opportunities and only 2 customers.

As a portfolio of standalone businesses delivering independent investment returns, the subsidiaries had been unable to utilise market and territory coverage, share resources and applications, nor obtain sufficient market visibility to attract investment interest. As a result, the share price reflected only historic growth and profitability, rather than reflect the future value of the exceptional position that our operations and technologies have in their respective markets.

At the 2017 AGM, we proposed a shift in focus from being a technology investment company to becoming a technology company. In my 2019 report, I advised that the company was well positioned to grow both revenues and profits since the bulk of the work in shifting Techniche to a technology company was complete.

**Slide 3 – Techniche Today**

Techniche's product solutions, Urgent and Statseeker, have led the way in managing and maintaining the critical operational networks & assets of leading companies and government organisations across the globe for more than 20 years.

**Slide 4 – Our Future**

Today, Techniche is an Australian software company with one aim – to be the trusted solution for companies in managing and optimising the performance of their critical operational assets.

**Slide 5 - Financial Performance**

I pleased to advise that we have delivered on the commitment to grow, with increased revenue and profit across the group in FY2020.

Just as importantly, we saw no immediate impact to annual recurring revenue (ARR) from the COVID-19 pandemic, and our teams are continuing to work closely with our customers to minimise any future repercussions.

Group Revenue increased by 8.5% to $10.6 million, ARR increased by 7.9% to $9.5 million and Professional Services revenue increased by 14.4% to over $1 million, while Operating Expenses were down approx. 6% .This resulted in a significant increase in Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) of than $2 million, to approx. $1.2 million.

As a result of increased revenues and an 8.7% decrease in Cost of Sales, Gross Profit also increased by 15.5% for the period.

I am also pleased to advise that the Group's cash reserves increased to approx. $4.5 million at year end.

**Slide 6 – Our Products - Urgent**

Urgent is Techniche's powerful multi-tenant cloud-based computer-aided facilities management solution that services more than 40,000 fuel retail sites globally. It is becoming the Number 1 choice for the world's leading fuel and convenience retailers.

**Slide 7 – Urgent – global and scalable**

Urgent Revenue increased by 14.4% to $5.6 million and ARR increased by 11.8% to $4.7 million. Continued demand for Professional Services by new and existing customers resulted in a non-recurring revenue increase by over 30%.

While it is pleasing to see continued improvements in Urgent's ARR, the Board and Management's view is that the growth potential of Urgent is substantial.

Urgent's primary market vertical has been, and continues to be, fuel and convenience store retail. The product was originally developed for BP, who still is a major customer along with many other fuel retailers across Europe, Australia, and North America.

In the past, Urgent sales have been typically large, enterprise type deals. In the future, while we will continue to chase enterprise type customers, our focus is to grow market share in fuel & convenience retail in the mid-market. To do this, we have been modularising our product, and will be offering a range of modules that better match the needs of this market.

The largest market opportunity is in the US, where we have invested, and will continue to invest in additional sales capability & marketing support.

During the year, we also won another deal in the age & assisted care market. This reinforces our belief that this market could become a future growth area for the company.

COVID-19 has been a concern for the Urgent business despite the strong performance through FY20, and that concern continues into the current year. Marketing and selling large enterprise software deals requires new approaches and tactics. Professional services revenues have temporarily slowed into this new year, and decision making in enterprises has been delayed in some cases. Despite these headwinds I am pleased to advise that with the Urgent sales team now across the 3 key geographies of the Americas, EMEA and APAC we have been able to secure new business and advance a number of significant opportunities in the pipeline.

**Slide 8 - Our Products – Statseeker**

Statseeker is a highly scalable network monitoring and management tool. Sector agnostic, it's used by our customers to monitor collectively more than 65 million interfaces globally, every 60 seconds.

It's fast and flexible, delivering real-time results from a minimal server footprint and can monitor networks of any size, collecting network data and health metrics.

**Slide 9 - Statseeker – global and scalable**

With the impact of COVID, my major concern was the likely impact on Statseeker ARR. While the Urgent product could be considered business critical, Statseeker coexists with other products and potentially could have been at risk at renewal.

I wrote in the Annual Report that I am pleased to report that the Statseeker customer team has managed to protect us to date from any flow-on effects of COVID-19, and with the launch of version 5.5 we are seeing further opportunities for growth. We have also seen an increased interest from key accounts for custom development and integrated solutions.

As with Urgent, COVID has impacted the demand for professional services, while there has been limited ARR loss due to our account management team continuing to work closely with our customers.

In the last financial year, Statseeker revenue increased by 2.5% to $5 million and ARR increased by 4.2% to $4.8 million. Non-recurring revenue decreased by 33.5% to $150,936 as a result of perpetual licences being replaced by ARR contracts. It is our intent to replace some of this non-recurring perpetual licence revenue by a growing our capability to deliver Professional Services.

Statseeker is a sector agnostic network monitoring solution with large and small customers across all regions. Since acquiring the balance of Statseeker in 2018, our primary focus was to build account management and pre/post sales teams to support current customers and actively secure new business.

We have a clearly defined sales process, and are confident of our conversion rates, with our focus now a range of marketing strategies to generate additional leads.

**Slide 10 - New Product Offering**

As I mentioned in last year's annual report, we commenced research into a new product solution that converged the Urgent and Statseeker capabilities to primarily manage IP-enabled operational assets (IoT) in a networked environment.

The solution is wrapped around 4 components, known internally as ADAPTS.

ADAPTS stands for Asset Discovery - what IP-enabled assets are on the network, Asset Availability - are the assets available and working, Asset Performance -are my assets performing as planned and Tailored Surveillance - which assets are posing a risk to the network.

We have now developed a working version and have been conducting trials with several customers in the United States.

**Slide 11 - Outlook**

The Directors continuously consider the best options to provide a realisable return to our shareholders. For a number of years I have written in my reports that the Board's view remains that the current share price does not reflect the true value of the underlying technologies that we own, or the markets that we operate in, or the contracted recurring revenues from high quality customers that we deal with regularly.

I have included some internal targets that outline in more detail our focus for the future. We have set an internal target to grow our ARR by a compound growth of 20% per annum, with an expected time frame of 3-5 years, we have set a target revenue for Techniche of A$20m plus.

By product, with Urgent, our focus is on fuel & convenience retail, which is a market that we believe that we should own. We have defined the addressable market and are developing targeted campaigns to assist our sales team. Our product is a leader in this market, but our brand is not well known, and particularly in the US. We believe that this is significant growth opportunity for Urgent in this market.

With Statseeker our focus is building brand awareness, primarily through referral-based campaigns. This is a more competitive space, so getting cut through is not easy, but we know from experience that once we get a prospect on a trial subscription, our conversion rates are solid.

We are now trialling our new converged offering that combines our network monitoring & management capability with our maintenance & asset management capability to provide real time monitoring & management of critical assets. Whether this becomes a module of Urgent or is sold under a separate brand is still to be determined, but the issue of real time asset discovery, availability, & performance is an issue raised by our customers today, along with security risks that occur when connecting new devices to a network.

Finally, technology companies, with growing ARR, are valued on a multiple of revenues. As I mention further on, it is not uncommon to see low growth companies trade on 2-4 times multiples, while high growth companies trade on multiples of 10x or better.

The company is now in a solid position for continued growth and we are constantly looking at improving its performance. We have great products, a good understanding of our markets, developing more focused marketing, growing sales team, investing in product development, and working on some exciting opportunities.

The Directors have therefore determined that the best use of shareholder funds is to continue reinvesting in growing the business and have decided that no dividend is to be paid for the current reporting period.

**Slide 12 - Proposed Delisting**

As you are aware, the Company has submitted a formal request to the Australian Securities Exchange (ASX) that the Company be removed from the ASX official list. This would mean that the Company's shares would no longer be quoted on the ASX. ASX has approved the Company's request and resolved to remove the Company from the ASX official list, subject to the satisfaction of certain conditions that were provided to shareholders in the Company's proposed delisting from ASX document dated 22 October 2020.

The Company's reason for seeking removal from the ASX official list is that we believe the Company and its shareholders do not benefit from being publicly listed for the following reasons:

• the price of the Company's shares is consistently and materially lower than the underlying value of the Company;

• this limits the ability of the Company if it wishes to raise funds as the current valuation would have a material dilutionary impact on Shareholders;

• low liquidity levels in trading of the Company's shares has resulted in limited trading opportunities for Shareholders; and

The Board believes that removal from the ASX official list will allow the Company's board and management to reset the Company valuation and will open up the potential for alternate private market valuations, funding alternatives and strategic transactions as the Company executes on its business strategy.

Some shareholders have raised some concerns relating to elements of the proposed delisting which I will aim to address.

**Slide 13 - Proposed Delisting – Underlying Valuation**

As mentioned earlier, successful technology companies are valued on a multiple of revenues, and in particular, annual recurring revenues. It is not uncommon to see low growth companies trade on 2-4 times multiples, while high growth companies can trade on multiples of 10x or better.

Some comparable data provided includes listed technology companies with an average EV to sales 4.6 times, and domestic private technology transactions with an average EV to sales of 3.3 times, and US public market multiples with a median EV to sales of 5.4x.

We are a growing technology company with great products, a starting ARR of approx. $10m of which approx. 90% is earned from Europe and North America, an exceptional customer base including multiple Fortune 500 companies, and cash at bank of approx. $4.5m.

Our shares have been thinly traded for some time and this lack of liquidity has limited the ability for the market to appropriately value us as true technology company.

Our focus is to deliver on our revenue targets, which will open the potential for a revenue based valuation, possible funding alternatives and strategic transactions, that we believe will provide a material return to all shareholders in the next 3-5 years.

**Slide 14 - Proposed Delisting – Australian Tax Losses**

Karl: There have been a number of queries in relation to the value of our tax losses and whether there is a risk of losing these if we delist. I am going to pass you over to our CFO, David Wilson to respond to this issue.

David: Thanks Karl. I'll firstly give a brief overview of our tax position here in Australia. The tax losses were incurred some time ago and have been available to offset taxable income here in Australia. Profits derived in overseas jurisdictions are taxable where they are earned. Following the acquisition of 100% in Statseeker in 2018, we formed a consolidated tax group in Australia which combined Techniche with the local operations of Statseeker. As a result of the relative weightings, we are able to apply 66% of Australian taxable income against the accumulated tax losses.

In order to retain tax losses we need to pass a Continuity of Ownership Test (COT). The test for unlisted companies with more than 50 shareholders is more complex compared to listed companies. We still need to demonstrate there has been continuity of ownership using the existing rules, however there is an additional test where 75% of shares must be held by at least 20 shareholders. Currently, the top 20 shareholders own approx. 71%.

On page 49 of the 2020 annual report, note 7 provides a "potential tax benefit" of about $14.5m on tax losses of $53m. However, this value can only be crystalised by earning taxable income here in Australia. As most of our revenue is earned offshore and we need to comply with international transfer pricing it could take up to 15 years or more to realise this value. In present value terms this this is less than 2 cents per share.

**Slide 15 - Proposed Delisting – Share Trading**

Prior to delisting, the Company will remain on market until January 22, 2021 during which time shareholders who do wish to remain a shareholder may sell. The Company has also announced a share buyback to provide liquidity support prior to delisting. Following delisting, the company will maintain a register of interested buyers & sellers and under our constitution, there is no restriction by the company on a shareholder buying or selling shares.

**Our Thanks**

Techniche has close to 60 people located across the UK, Germany, Sri Lanka, Australia, the USA, and Canada. As a technology company, our people are our most critical asset, and we are fortunate to have many very capable and highly committed people who look after our customers, build our products, deliver on projects, and manage the operations. I would like to pass on our thanks for their continued dedication and commitment.

I would also like to thank our shareholders for their continued support, and to our Directors who go “above and beyond” to ensure the success of Techniche.