

28 February 2017
Market Release

Catapult reports positive underlying EBITDA and reaffirms guidance. Strong revenue growth at both group level +250% and elite wearables business +51%

Catapult Group International Limited (Catapult, ASX:CAT) today announced its interim financial results for the half-year ended 31 December 2016 (H1 FY17). The company continues to report strong growth, and key highlights for the period include:

- Revenue from elite wearables business rose 51% to \$10.7m and subscription fleet rose 93% to 11,125 units
- Group revenue rose to \$24.8m, up 250% on a statutory basis compared to H1 FY16³
- Group annualised recurring revenue (ARR) ended the period at A\$44.7m, up 375% in the past twelve months (and up 13% compared to 30 June 2016 pro-forma ARR of \$39.5m)
- Prosumer solution achieved orders of 1,146 units¹
- Catapult transitioned to underlying EBITDA profitability

As a result of the continued strong growth, **Catapult has confirmed it is on track to reach FY17 guidance of \$61.0m - \$65.5m group revenue** (226% - 250% statutory revenue growth and 21% - 30% pro-forma revenue growth)

Long term competitive advantage

Catapult is focused on owning the performance technology stack in elite sports, and then leveraging this expertise and halo effect into the prosumer markets. The Company has made further progress in cementing its long-term competitive differentiators in H1 FY17 across its three core businesses:

Elite Wearables

- Strong growth continues internationally, with subscription fleet up 93% on H1 FY16
- Continued high gross margins at 86%
- Team subscriptions continue to be executed over three-year contract terms, with negligible churn in existing contracts and high rates of contract renewals
- Continued global market share dominance in elite wearables
- Large “greenfield” addressable market, still estimated at 80% unpenetrated globally²

XOS Video Analytics

- Now fully integrated into the broader Catapult business
- Revenue and EBITDA continues to perform strongly, with a \$14.1m revenue contribution to Catapult in H1 FY17³
- Majority of revenue continues to be SaaS/subscription, with \$27.6m of ARR as at Dec 31 2016
- New products launched in H1 FY17 include Thunder Baseball, targeting college and professional baseball
- Matt Bairos, XOS CEO, joined Catapult senior leadership team

Prosumer Wearables

- Size of prosumer market estimated at 10-20x that of elite wearables²
- Catapult has a unique marketing benefit from the halo effect of its marquee elite team client base
- PLAYERTEK pilot continues to demonstrate appetite for prosumer product, with 1,146¹ units sold in H1 FY17
- New Consumer CEO Benoit Simeray building out a high-quality global team
- Development of brand positioning and go-to-market strategy well underway

¹ 802 units post close of acquisition on 11 August 2016

² Company estimate

³ Excludes XOS revenue from 1 July – 12 August 12 2016

Key financial results

Catapult recorded the following key underlying and statutory results for H1 FY17:

Underlying result	H1 FY17	H1 FY16	Change
Total revenue	\$24.8m	\$7.1m	+250%
EBITDA	\$1.8m	(\$2.0m)	+191%
NPAT	(\$2.2m)	(\$2.0m)	(13%)
ARR	\$44.7m	\$9.4m	375%

Statutory results	H1 FY17	H1 FY16	Change
Total revenue	\$24.8m	\$7.1m	+250%
EBITDA	(\$1.6m)	(\$2.8m)	+42%
NPAT	(\$5.3m)	(\$2.6m)	(105%)

The H1 FY17 result captures the impact of Catapult's acquisitions of US-based XOS Technologies Inc (XOS) and Ireland-based Kodaplay Limited (trading as PLAYERTEK), following their completion in August 2016.

Summary H1 FY17 Income Statement

Summary underlying P&L ⁴	H1 FY17 \$m	H1 FY16 \$m	Change %
Wearables revenue	10.7	7.1	+51%
Video analytics revenue	14.1	0	
Other income	0.1	0.7	(81%)
Total Income	24.9	7.8	+218%
Cost of materials	(5.0)	(1.3)	(292%)
Operating expenses	(19.1)	(7.8)	(145%)
Depreciation and amortisation	(4.3)	(0.7)	(517%)
Other expenses	(2.1)	(1.5)	(58%)
Loss before income tax	(5.5)	(3.4)	(59%)
Income tax credit	0.1	0.8	(83%)
Loss After Income Tax	(5.3)	(2.6)	(105%)

Commenting on the result, Catapult CEO Shaun Holthouse said: "This result is a real milestone for the company. For the first time since we launched our subscription business we have posted an underlying EBITDA profit and demonstrated positive operating cash flow. Our revenue is up 250% on a statutory basis over H1 FY16. The core elite wearables business is still growing strongly with 51% revenue growth, and as of February we have finished the project integrating XOS which was acquired in August of last year. We are very positive about the business and its prospects, and having further built out our executive leadership team, we feel we are on the precipice of a new chapter of growth for the company.

"We've increased the percentage of elite wearable orders under subscription again this period leading to growth in our subscription fleet of 93% year-on-year. With subscription sales, much of the revenue only appears in the following period so we're very encouraged as we look forward.

"Catapult continues to be a high-growth, high-margin, globally dominant business with a huge addressable market to target. We have made great progress penetrating this market with a range of compelling products that continue to evolve, providing greater value to our clients whilst opening additional revenue opportunities for the company, so are well positioned to grow significantly over the coming years".

⁴ Adjusted for one-off costs and other extraordinary items. These include litigation costs, transaction costs, distributor restructure costs and share based payments

Elite wearables business continues strong growth trajectory

Catapult's core original business of elite wearables continues to deliver strong growth through increased market penetration. In Q1 FY17 Catapult sold 2,039 units, up 45% on Q1 FY16 with a record 73% of units sold on subscription. In Q2 FY17 Catapult sold 1,731 units, totalling 3,770 units for H1 FY17, an increase of 35% on H1 FY16⁵. Note that Q2 FY16 included 2 Australian league-wide deals. League wide deals are inherently larger and less frequent than team sales. Catapult expects this year's league wide deals to be from international markets and fall in H2 FY17.

In total, Catapult sold 67% of units on subscription in H1 FY17, lifting the subscription base to 11,125 units as at 31 December 2016, a rise of 93% in the past year.

Shaun Holthouse, CEO, said: "Our elite wearables subscription business has great economics. It's high gross margin, incredibly sticky, and high-growth. The 11,125 existing units give us a great revenue base and, as is the nature of subscription businesses, many of those units will only begin making a significant revenue contribution in H2 FY17. On top of this base we continue to record strong growth in new orders and have an enormous green field market still to penetrate."

Acquisition and integration of XOS Digital

The integration of XOS into the wider Catapult Group has progressed ahead of schedule, with the combined group well-positioned to capitalise on the cross-sell opportunity to the large number of existing XOS clients that have no wearable solution in place.

Commenting on the recent acquisition of XOS, Mr Holthouse said: "The XOS business, which was a huge strategic deal for us and financially transformative, is really exciting. It's made a significant contribution to both our revenue and subscription revenue (ARR) in this first half. Going forward, we think it also creates huge revenue synergy opportunities from cross selling products and building a more integrated sports analytics platform. We are very positive about the XOS business and its prospects and it has also strengthened our leadership group, including the CEO Matt Bairos who has joined Catapult's global executive leadership team.

Data monetisation and fan engagement

Over the past 6 months in both Australia and the United States, Catapult reached some significant early milestones towards its strategy of monetising elite wearables data beyond teams.

In the Australian National Basketball League (NBL), on the back of a league wide deal signed in October 2016, Catapult streamed data into the media broadcast feed for the first time. This showcased the ability of Catapult wearable solutions to provide deeper analytics and fan engagement through innovative applications.

In the US Catapult teamed up with Reese's Senior Bowl, a key recruiting event for NFL teams to view the best NCAA (College) football players. Catapult wearable solutions delivered athlete profiling and ranking across key performance metrics including: maximum velocities, player workload (Playerload®), and high-intensity movements.

"Incorporating XOS and Catapult technology into Senior Bowl week allows us to better showcase the talents of the participants and provide greater insight to all the scouts, coaches, and executives in attendance," Senior Bowl executive director Phil Savage said.

The pursuit of league wide deals and other fan engagement initiatives will continue to be a key strategic focus for Catapult.

Compelling prosumer opportunity

In early 2016, Catapult made a strategic decision to test the timing of entry into the prosumer market. The number of tier-1 elite teams currently using Catapult provides a compelling halo for lower down markets, and Catapult's expertise in the elite space delivers significant competitive advantage.

In August 2016 Catapult acquired PLAYERTEK to accelerate entry into these markets, and to form the core of our prosumer development team. Development of a compelling, purpose-built solution for the prosumer market is underway, while PLAYERTEK continues to sell its existing range of products, achieving orders of 1,146 units⁶ in H1 FY17.

Benoit Simeray was appointed in H1 FY17 to lead Catapult's Consumer division. Mr Simeray, previously Vice President of Global Sales at consumer wellness technology firm JawBone, brings with him two decades of experience building global consumer electronics businesses. He has already begun building out a global team to focus on these market segments.

⁵ Excluding new units ordered as part of a league wide deal agreements.

⁶ 802 units post close of acquisition on 12 August 2016

Guidance for FY17 confirmed

Catapult has re-affirmed its FY17 guidance, with group revenue expected to be in the range of \$61.0m-\$65.5m. This represents statutory growth of 226%-250% and pro-forma growth of 21%-30% on FY16.

Catapult's elite wearable business historically delivers approximately 60% of its revenue in the second half of the financial year. The second half will also include a full 6 months of XOS revenue for the first time. In addition, a large portion of future revenue is locked in as a result of an ARR of \$44.7m at December 31 2016.

Shaun Holthouse, CEO, said: "The H1 FY17 results reinforce our confidence of reaching our full year FY17 guidance. Catapult Group International remains focused on continuing to be a high-growth, high-margin business that dominates its markets. We continue to build momentum in the elite category, both across wearables and XOS video analytics. The longer-term goal is the creation of a world-first integrated analytics platform. "

"Recent work in key leagues makes us excited about the potential for data monetisation and fan engagement to add high-margin, incremental revenue. In addition, we have high conviction in our staged approach to investment in the prosumer space. These are huge, greenfield markets that we believe we can eventually dominate".

Results conference call

Shaun Holthouse, Chief Executive Officer, and Shane Greenan, Chief Financial Officer, will host a conference call today at 10.15am (AEDT). Analyst and investors who wish to participate in the teleconference should dial **1800 123 296** (toll-free) or **+61 2 8038 5221** and quote the conference ID '**71243765**'. (Note: media are welcome to listen to the presentation, however the limited question time available is for investors and analysts).

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