



ASX Release
Powerhouse Ventures Limited
(ASX Code: "PVL")
NZ Company No. 1854396 / ARBN 612 076 169

Full Year Financial Results

Christchurch, New Zealand, 31 August 2018

Note: all currency figures are expressed in NZD unless otherwise stated.

Statutory loss after tax of NZ\$(10.4) million primarily due to Croplogic mark-to-market, other investment write-downs due to lack of milestone achievement and delayed capital raises for Tiro, Upstream and other companies that would have resulted in significant fair value gains. This follows the first half (1H) 18 loss after tax of NZ\$(4.4) million. As such the second half (2H18) loss was (\$6.0) million.

Revenues fall by \$4.2m to NZ\$(5.1) million against previous corresponding period (PCP).

Post revaluations, NTA is 32 cents per share which remains significantly above the current share price.

On an underlying basis, a loss after tax of \$(9.3) million was recorded. Powerhouse's income including fair value changes of \$(5.1) million fell by \$4.2m against the same period last year, driven by revaluation losses from portfolio companies. Post these revaluations Net Tangible Asset backing equated to 32 cents per share.

| Results summary for the full year | FY18 | FY17 | Change |
|---|-----------|-----------|----------|
| Fair value changes in portfolio (statutory) (\$m) | \$(6.31) | \$(4.53) | \$(1.78) |
| Total revenues (statutory) (\$m) | \$(5.13) | \$(0.91) | \$(4.22) |
| Net profit / (loss) after tax (statutory) (\$m) | \$(10.43) | \$(11.22) | \$0.79 |
| Net profit / (loss) after tax (underlying) (\$m) | \$(9.34) | \$0.78 | \$10.12 |
| Earnings per share (statutory) (cents) | (36) | (43) | 7 |
| Earnings per share (underlying) (cents) | (32) | 3 | (35) |
| Interim dividend per share | Nil | Nil | Nil |
| Net tangible asset backing per ordinary security (\$) | 0.32 | 0.68 | (0.36) |

Fair Value Changes in the Period

The key portfolio value changes in the period were as follows:

| Portfolio Company | Fair Value Change Recorded \$ million | Powerhouse Carrying Value at 30 June 2018 \$ million | Powerhouse Ownership Interest |
|---------------------------------|--|---|-------------------------------|
| Croplogic | (3.04) | 0.62 | 14.9% |
| Photonic | (1.09) | 0.74 | 29.9% |
| Motim | (1.01) | - | 74.7% |
| Veritide | (0.79) | 0.15 | 22.6% |
| SolarBright | (0.54) | - | 32.7% |
| Objective Acuity | 0.54 | 0.79 | 15.8% |
| Invert | 0.25 | 4.33 | 20.0% |
| Other devaluations | (1.31) | | |
| Other uplifts | 0.28 | | |
| Total fair value changes | (6.71) | | |

As a result of these changes in value, the overall carrying value of the Powerhouse portfolio of technology companies stands at \$11.5 million as at 30 June 2018 (\$17.5 million as at 30 June 2017).

Underlying Profit Analysis

The following adjustments to statutory profit are required to arrive at underlying profit for the period under review:

| | | Full year to 30 June 2018 \$ million |
|---|--------|---|
| Statutory profit / (loss) | | (10.43) |
| One off adjustments: | | |
| Termination payments | 0.18 | |
| Recovery of financial guarantee | (0.18) | |
| Reversal of provisions | (0.21) | |
| Bad debt expense | 0.89 | |
| Costs associated with investee liquidation and IP recovery action | 0.42 | |
| Underlying profit / (loss) | | (9.33) |

Strategic Review of Portfolio Holdings

Continuous review of the investment portfolio has resulted in the Company determining that some of its investments are “off-model” and therefore available for disposal. During the period under review, the Company sold all of its investment in the off-model company ArcActive Limited at 4x above cost.

A portion of the Company’s holding in Invert Robotics has been sold post balance date. Please refer to recent ASX announcements regarding this sale.

Dividend

No dividend was declared or paid by the Company in the period under review.

Outlook

The Company has completed its structural review, resulting a significant reduction in expected net operating costs to circa [\$1.1m] from the [\$3.4m] on a like for like basis in the FY18.

Powerhouse had expected in the second half of FY18 a significant uplift in value of the portfolio and it is now expected that anticipated increase will be achieved in the first half of FY19. This coupled with stringent cost control and the potential for value creation events is expected to result in much stronger earnings in H1 FY19.

The Directors note the current PVL share price does not reflect the underlying value of its investment portfolio, but with significantly improved financial performance expected in FY19 over the year just completed, this should translate into a restoration of shareholder value.

Powerhouse is working to ensure its expansion into Australia gathers pace. This has included growing University networks and connections to capital and when appropriate opportunities arise, investments into new spin-out entities. In addition, Powerhouse continues to explore talent networks in Australia, to ensure capable Board members, CEOs and CTOs are on standby for entry into new portfolio companies.

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About Powerhouse Ventures Limited

Powerhouse is a leading intellectual property commercialisation company which focuses on developing brilliant research from New Zealand and Australian universities into world changing businesses. It has developed a unique approach to develop these innovations and businesses by providing access to business building expertise, capital, networks, recruitment and ongoing business support. Powerhouse has a successful track record with an existing active portfolio of early stage to mature businesses across four main sectors: engineering and clean-tech, medical and healthcare, agritech and environmental and digital and ICT.