Gentrack

GENTRACK GROUP LTD (GTK)
FY20 – HALF YEAR UPDATE

AS AT 31 MARCH 2020

DISCLAIMER

This presentation may contain forward-looking statements. Forward-looking statements often include words such as ‘anticipate’, ‘expect’, ‘plan’ or similar words in connection with discussions of future operating or financial performance.

The forward-looking statements are based on management’s and directors’ current expectations and assumptions regarding Gentrack’s business and performance, the economy and other future conditions, circumstances and results. As with any projection or forecast, forward-looking statements are inherently susceptible to uncertainty and changes in circumstances. Gentrack’s actual results may vary materially from those expressed or implied in its forward-looking statements.

This presentation includes unaudited financial information for the half year ended 31 March 2020.

All figures are shown in NZ$.

H1 FY20 – HEADLINES

REVENUE
$50.6m
Down 7% on H1 FY19

EBITDA[1]
$4.3m
Down 67% on H1 FY19

NPAT: STATUTORY **($12.8m)** | ADJUSTED[2] **($1.0m)**

NET CASH
$6.4m
Up $1.8m | Operating Cashflow $8.6m

H1 DIVIDEND
No interim dividend

- Revenue and EBITDA impacted by market conditions including uncertainty with current and new projects in utilities and airports
  - UK and Australia revenue down 7% and 4% respectively
  - OPEX increased $6.2m (Pre IFRS16) on H1 FY19 driven by investment in the UK
  - Committed Recurring Revenue improvement - up 11% on H1 FY19
  - EBITDA in line with guidance range prior to a positive IFRS16 adjustment of $1.4m
  - NPAT Loss impacted by $11.8m impairment and software write-down
- Strong operating cashflow in the period driven by working capital improvement, especially in the UK
- Executive level changes implemented to support our SaaS repositioning
  - New CFO appointed and CEO search continues
  - Added SaaS expertise at the Board level – Darc Rasmussen joined in December
- Completion of our cost review and headcount reduction (65 people) across the global business in March 2020
- New energy and water projects in the UK, and Veovo projects at Luton Airport and Swedavia, Sweden's Aviation Authority
- No Interim dividend to be paid – exercising prudence given the earnings result and COVID-19 uncertainty.

[1] EBITDA: Earnings before depreciation, amortisation, impairments and non-operating expenses related to acquisitions.

[2] Adjusted NPAT - Underlying NPAT adjusted for the impairment of Goodwill and intangible assets

MARKET AND COVID-19 UPDATE

Energy Price Caps in the UK and Australia continue with further changes expected

Financial pressures on Retailers continue, exacerbated by COVID-19

Delays in industry projects to support rapid switching and smart meter data

Emergence of stronger competition disrupting the market with new offerings

Air travel shutdown has seen revenues decline 90%+ for many airports globally

Uncertainty regarding the duration and impact of COVID-19

Opportunities for innovation – crowd management and social distancing

Market recovery will be staggered with Nordic regions and North America likely to be first movers

COVID-19 BUSINESS IMPACT

- We were well prepared to implement new ways of working having successfully tested business continuity measures through H1
- Substantial majority of client work remains "business as usual". We have kept projects moving and leveraged technology to maintain productivity and services to customers
- We have stress tested our net cash forecast and while we continue to monitor carefully, concluded no need for amendments to existing banking facilities in the near-term
- We continue to monitor government health advice and various financial relief mechanisms for our employees and the business should they be required.

STRATEGIC FOCUS

1. **Investing to develop the leading SaaS platform for utilities**
   Leverage industry best practice from 50+ energy retailers in the UK, ANZ and SE Asia
   Enable lowest Cost to Serve and next generation tariff innovation: Smart Metering, EV, Battery, Demand Response

2. **Targeting the largest and most innovative utilities**
   Residential and Business markets; Energy and Water

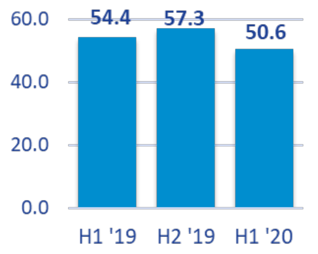
3. **Migrating existing customers to Gentrack Cloud**
   Grow Annual Recurring Revenue, reduces support costs, enables upsell of new functionality

4. **Deploying Veovo predictive capabilities to support COVID-19 recovery**
   Adapting passenger tracking to post COVID-19 applications in crowd density and virtual queue management
   Application in new market segments including train stations

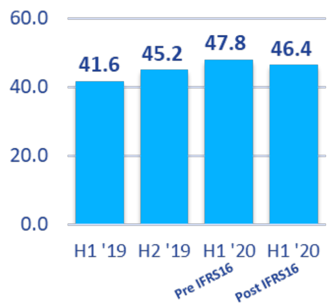
COMPARATIVE RESULTS

(NZ$m)

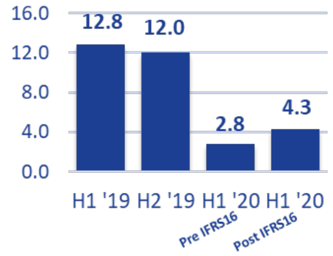
Revenue



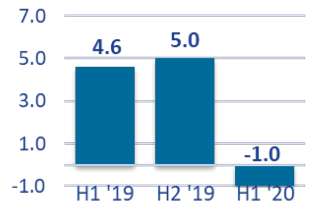
OPEX/Direct Costs



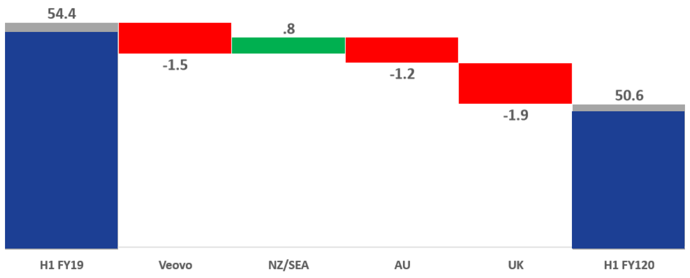
EBITDA[1]



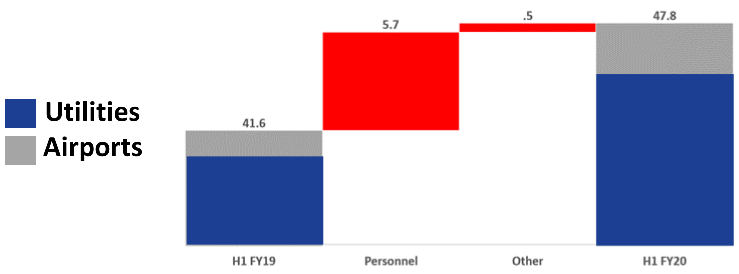
NPAT[2]



Revenue Analysis



Cost Analysis

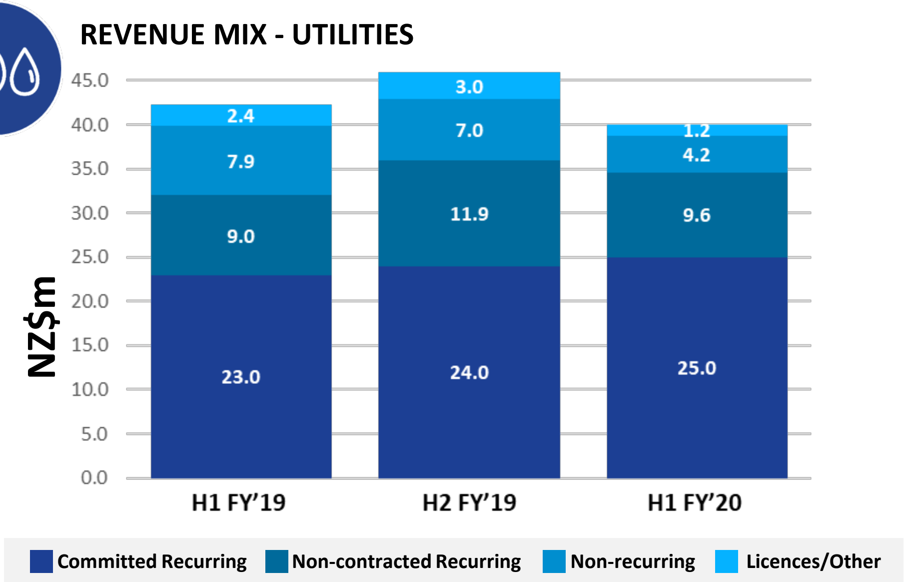


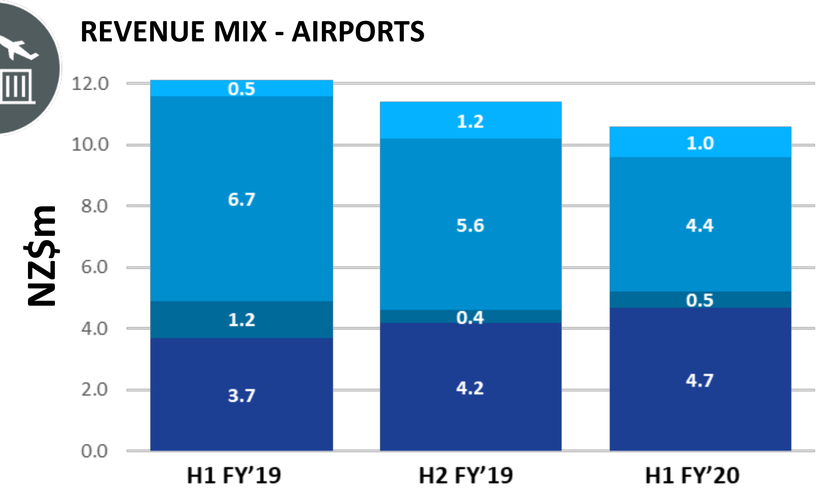
- Revenue reductions in UK and Australia, partially offset by increases in recurring revenues from new business and higher existing customer volumes
- H1 FY20 profitability weakness due to combined impacts of revenue reduction without commensurate cost reduction
- Cost base addressed through workforce reductions in February/March 2020
- Numbers shown with/without IFRS16 adjustments.

[1] Underlying EBITDA being earnings before depreciation, amortisation, impairments and non-operating expenses related to acquisitions. EBITDA is a non-GAAP measure – refer to slide 14 for a reconciliation to reported net profit.

[2] Adjusted NPAT - Underlying NPAT adjusted for the impairment of Goodwill and intangible assets

CHANGING REVENUE MIX





H1 FY20
Committed Recurring Revenue up 11% on H1 FY19 to $29.7m

- Overall revenue reduction due to UK customer losses and non-recurring revenue reduction in Australia
- Total recurring revenue accounts for 79% of total revenue for the half, up from 68% in H1 FY19
- Committed revenue increase driven by new business wins in UK and Australia and increased UK meter points
- Airports committed revenue continues to increase
- Recurring revenue increase consistent with SaaS transition.

ASSET WRITE-DOWNS

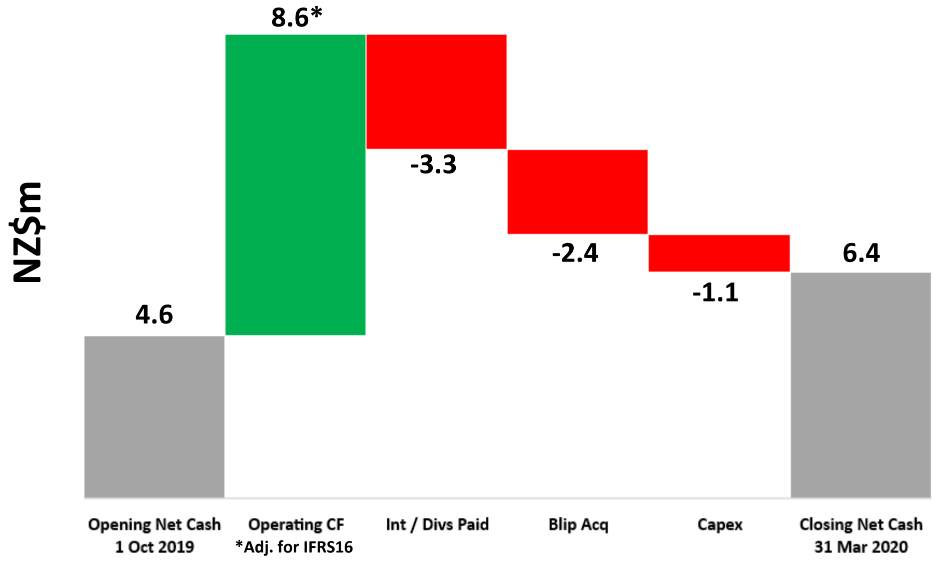
Intangible Asset	NZ$m	
Capitalised Software for UK Energy Retail	($1.5m)	Product rationalisation to remove overlapping products
Blip Intangibles	($10.7m)	COVID-19 impacted
Tax Effect	$0.4m	
	($11.8m)	

- Blip Systems was acquired in April 2017 as an innovative supplier of passenger tracking solutions for airports
- With the Blip impacted by COVID-19 and with uncertainty over when the business will return to business as usual, we are taking a full impairment of the $10.7m intangible asset carrying value
- We are continuing to leverage Blip IP and expert resources through full integration of the business and capabilities into Veovo
- We see a strong pipeline of opportunities as airports, rail and theme parks globally look to technology to address crowd management and social distancing requirements essential to the COVID-19 recovery.

CASH FLOW / BALANCE SHEET

	1 October 2019	31 March 2020
Cash	$8.6m	$11.1m
Debt	$4.0m	$4.7m
Net Cash	$4.6m	$6.4m

H1 FY20 CASHFLOW ANALYSIS



- Positive cashflow leading to improved net cash position
- Strong operating cashflow in the period driven by working capital improvement, especially in UK where overdue balances reduced sharply
- Liquidity outlook remains favourable with long-term ASB facility in place providing significant headroom.

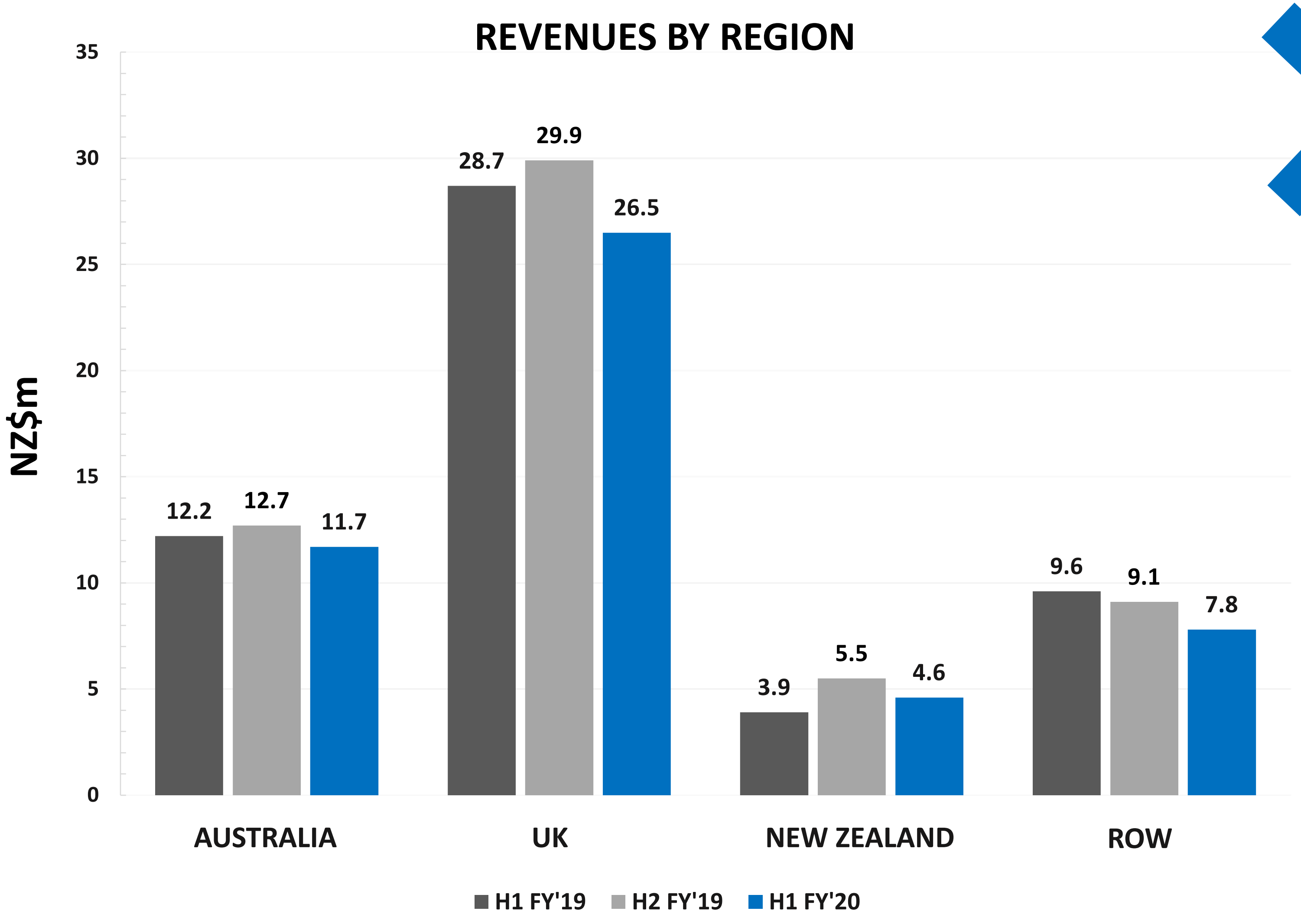
OUTLOOK

- Utilities: COVID-19 impact on energy retailers creates a level of uncertainty with the risk of further failures and consolidation.
- Airports: Veovo revenues have been impacted by the travel shut down and we are seeing some reduction in income from smaller Veovo customers.
- With the benefit of reduced people costs, we expect H2 EBITDA to be ahead of our first half and to remain cash flow positive.
- Longer term, our SaaS products deliver cost savings and improved operations and efficiency to Utilities and Airports on mission critical systems. Gentrack is well positioned to emerge from the current difficult market conditions and return to consistent profit growth.

Q&A

APPENDICES

GEOGRAPHIC ANALYSIS



H1 FY20 vs H1 FY19

- Australia: Down 4%
- UK: Down 7%
- NZ: Up 18%
- ROW: Down 19%

GAAP TO NON-GAAP PROFIT RECONCILIATION

Period NZ$m	6 Months 31 Mar 20	6 Months 31 Mar 19	12 Months 30 Sep 19
Reported net profit/(loss) for the period (GAAP)	**(12.8)**	**(8.7)**	**(3.3)**
Income tax (income) / expense	(0.7)	0.7	3.8
Net finance (income) / expense	(0.9)	1.5	0.8
Impairment of Goodwill and intangible assets (pre-tax)	12.2	14.6	14.6
Revaluation of acquisition related financial liabilities	0	-	(0.4)
Depreciation and amortisation	6.4	4.7	9.4
EBITDA	**4.3**	**12.8**	**24.8**

H1 FY20 ON A CONSTANT CURRENCY BASIS

NZ$m	H1 FY19	H1 FY20 Constant Currency[3]	H1 FY20	Difference	Δ %
Revenue	54.4	49.3	50.6	1.3	3%
Operating Costs	-41.6	-44.4	-45.8	-1.4	3%
EBITDA[1]	12.8	4.9	4.8	-0.1	-3%
NPAT[2]	4.6	0	-1.0	-1.0	Large

1. Underlying EBITDA, being earnings before depreciation, amortisation, impairments and non-operating expenses related to acquisitions. EBITDA is a non-GAAP measure – refer to slide 14 for a reconciliation to reported net profit.

2. Adjusted NPAT - Underlying NPAT adjusted for the impairment of Goodwill and intangible assets

3. Based on H1 FY19 exchange rates applied to H1 FY20 actuals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