# GENTRACK GROUP LTD (GTK)
# FY20—FULL YEAR RESULTS

AS AT 30 SEPTEMBER 2020

Gentrack

# 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 audited financial information for the full year ended 30 September 2020.

All figures are shown in NZ$.

# INVESTOR BRIEFING AGENDA

- CEO Introduction: Gary Miles
- Financial Results: James Spence
- Forward-focus: Gary Miles
- Q&A

# CEO INTRODUCTION: GARY MILES

**Experience**:

- 25 years in B2B software/services leadership
- Founded, ran and exited two successful companies
- Served on the executive team at Amdocs (DOX) – global leader

**Track Record:**

| | | | |
|---|---|---|---|
| Turn around | Technology infusion | Innovating while operating | Customer success and growth |

**Why Gentrack:**

| | | | |
|---|---|---|---|
| A global industry transforming at pace | Great customers in dynamic, early adopter countries | Proven capabilities in B2B / B2C across water and energy | Technology will play a pivotal role in this transformation |

# FINANCIAL RESULTS

**James Spence**

CHIEF FINANCIAL OFFICER

# FY20 – FINANCIAL HEADLINES

| REVENUE | ARR | EBITDA[1] | NPAT | | NET CASH |
|---|---|---|---|---|---|
| | | | ADJUSTED[2] | STATUTORY | |
| $100.5m | $81.3m | $12.1m | $2.4m | -$31.7m | $16.8m |
| Down 10% on FY19 | Up 4.9% on FY19 | Down 51% on FY19 | Down 75% on FY19 | Down from $3.3m in FY19 | Up 263% on FY19 |

- ✓ Improved working capital resulting in strong cash generation and balance sheet position at year-end
- ✓ Completed a cost-out process in February/March – lower H2 costs by $3.2m on H1
- ✓ ARR and CMRR Growth vs FY19 (4.9% and 18.3% respectively)
- ✓ Our Airports business (‘Veovo’) remains profitable despite industry downturn.

- Total FY20 revenue down on reduced project revenues
- Recurring revenue growth held back by UK supplier insolvencies and losses
- Reduction in revenue driving lower profitability, with partial improvement in H2 due to cost reductions
- Impairments of $34.5m reflecting uncertain outlook.

[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

# GROUP PROFIT AND LOSS

| NZ$'m '000 | UTILITIES FY19 | UTILITIES FY20 | AIRPORTS FY19 | AIRPORTS FY20 | GROUP FY19 | GROUP FY20 |
|---|---|---|---|---|---|---|
| **REVENUE** | **88.2** | **81.8** | **23.5** | **18.7** | **111.7** | **100.5** |
| Personnel Costs | 55.5 | 57.0 | 11.0 | 11.7 | 66.5 | 68.7 |
| R&D Capitalised | (5.0) | (0.3) | (0.1) | 0.0 | (5.1) | (0.3) |
| Other Costs | 17.7 | 14.9 | 7.8 | 5.1 | 25.5 | 20.0 |
| **EBITDA** | **20.0** | **10.2** | **4.8** | **1.9** | **24.8** | **12.1** |
| Depreciation and Amortisation | | | | | **(9.4)** | **(12.4)** |
| Acquisition and related costs | | | | | **0.4** | **0.9** |
| Impairment of goodwill and intangible assets | | | | | **(14.6)** | **(34.5)** |
| Net Finance Expense | | | | | **(0.8)** | **(0.4)** |
| Income Tax | | | | | **(3.7)** | **2.6** |
| **REPORTED NET PROFIT/(LOSS) AFTER TAX[1]** | | | | | **(3.3)** | **(31.7)** |

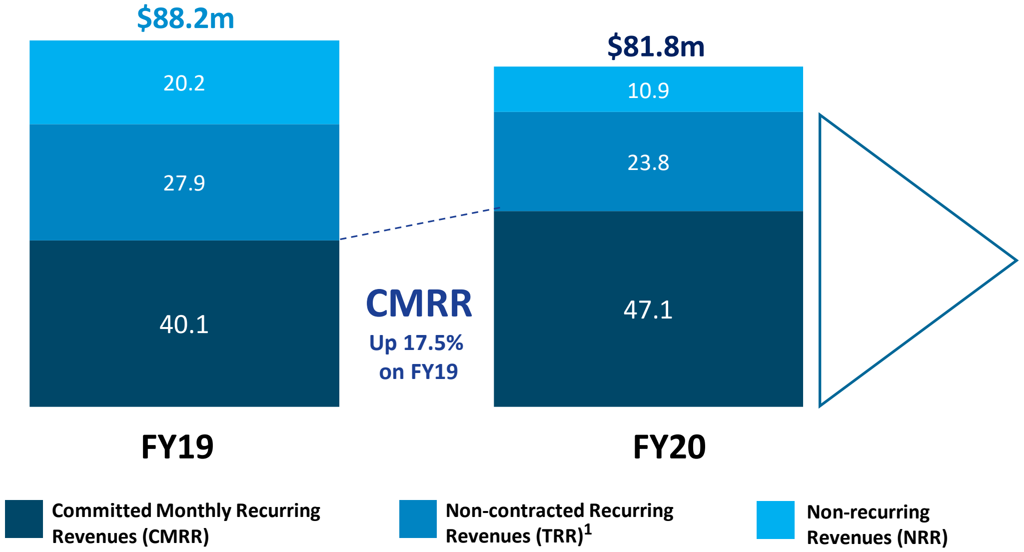
- All segments remain profitable; H2 run-rate improved
- Comments on revenue/opex/impairments on subsequent slides
- Other costs lower due to COVID, and cost saving measures, + impact of IFRS16
- Conservative approach to R&D capitalisation in FY20
- Depreciation and amortisation higher on adoption of IFRS16
- Finance expense minimised reflecting strong balance sheet position.

[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 24 for a reconciliation to reported net profit.

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

# UTILITIES – GROWTH IN RECURRING REVENUES

**UTILITIES REVENUE FY19 - FY20** (NZ$m '000)




**Total Revenue**

**$81.8m**

**Down 7.3% on FY19**

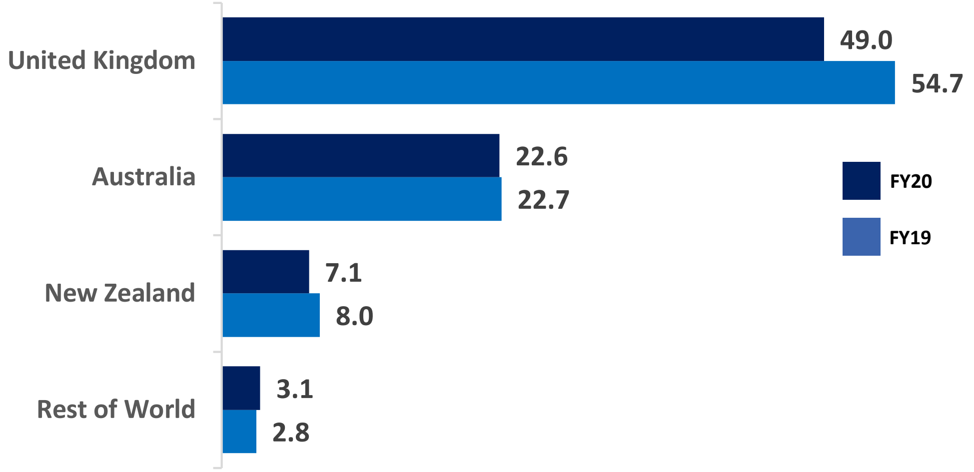
**Annual Recurring Revenue**

**$70.9m**

**Up 4.3% on FY19**

**87% of total utilities revenue**

**UTILITIES REVENUE BY GEOGRAPHY FY19 vs FY20 (NZ$m '000)**



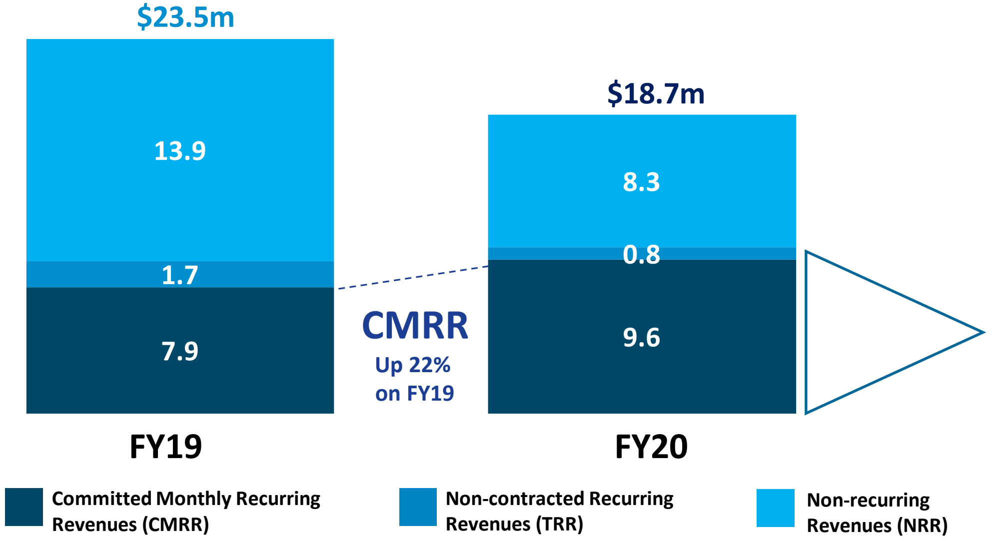

- Utilities has experienced growth in Committed Monthly Recurring Revenue (CMRR), up 17.5% on FY19
  - Driven by new business wins in the UK and Australia and increases in meter points for existing UK customers
  - Growth offset by some UK supplier insolvencies and losses.
- Non-recurring Revenues down due to the completion of large projects in UK and Australia

- Despite the Utilities segment deemed as 'essential services', worldwide uncertainty has led customers to delay committing to large transformational projects, resulting in a decline in non-recurring project revenue year on year.

[1] Evolve revenues shown in FY19 as CMRR have been restated above as Non-contracted/Transactional Recurring Revenues (TRR). This is due to the mix of subscription and service revenues associated with our assurance offering in FY20.

# AIRPORTS REMAIN PROFITABLE

### AIRPORTS REVENUE FY19 - FY20 (NZ$m '000)




**Total Revenue**

**$18.7m**

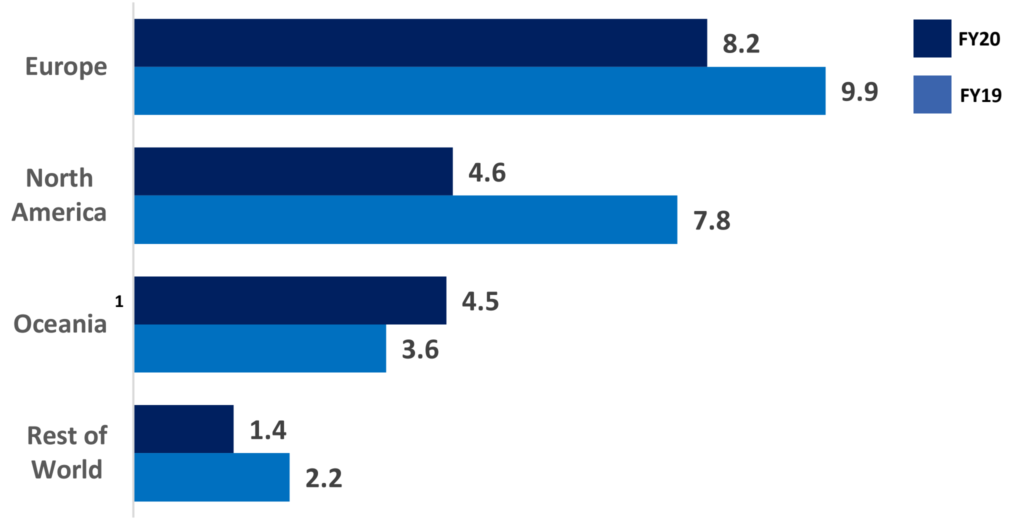
Down 20% on FY19

**Annual Recurring Revenue**

**$10.4m**

Up 8.8% on FY19
56% of total airports revenue

### AIRPORTS REVENUE ANALYSIS FY19 - FY20 (NZ$m '000)



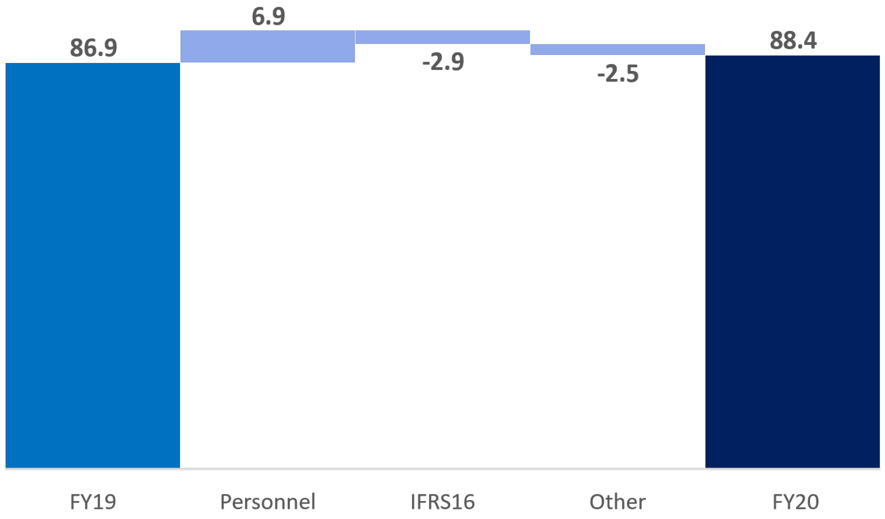

- Pandemic impact on Aviation has been dramatic during FY20. At the worst, airports temporarily closed. By September 2020, IATA report passenger numbers are still down 80%+. This has had a significant effect on all our airports customers, with unprecedented cost savings across the industry
- This has led to delayed signing of contracts, now being pushed to FY21 and FY22 by our customers.

- Veovo has been able to secure new customers in Sweden, Australia and Mexico
- Recurring revenues have been resilient thanks to the criticality of Veovo's systems to airport operations
- Pre-Pandemic "go-live" of projects in Florida and New York strengthened recurring revenues
- Completion of major projects in North America and the UK has meant a reduction in NRR as new contracts have been delayed in to FY21 and FY22 by the pandemic.

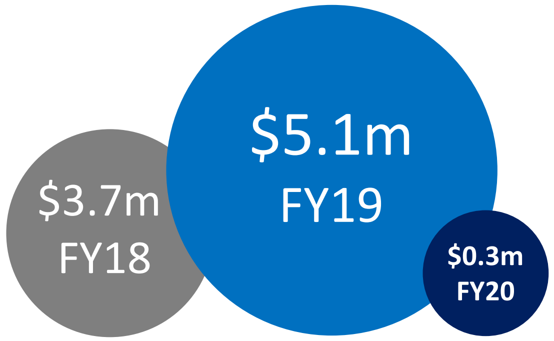
[1] Ports of New York and New Jersey revenues for FY19 have been reclassed from Oceania to North America

# OVERALL EXPENDITURE DOWN IN H2

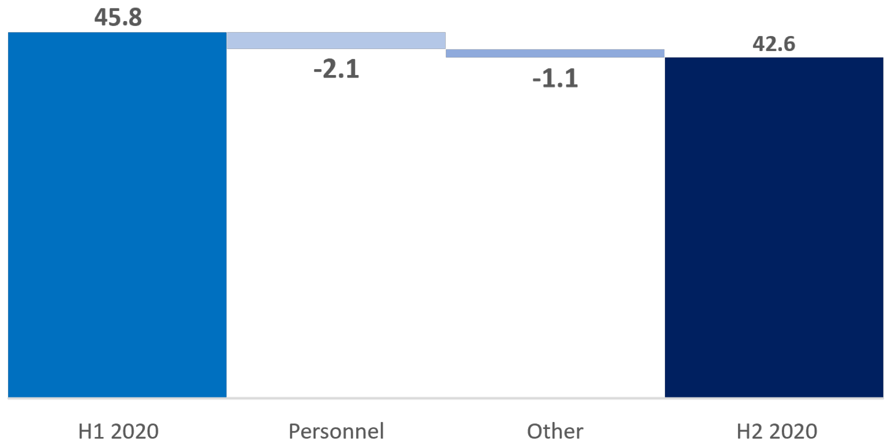
**GROUP COSTS – FY19 - FY20 ANALYSIS** (NZ$m '000)*



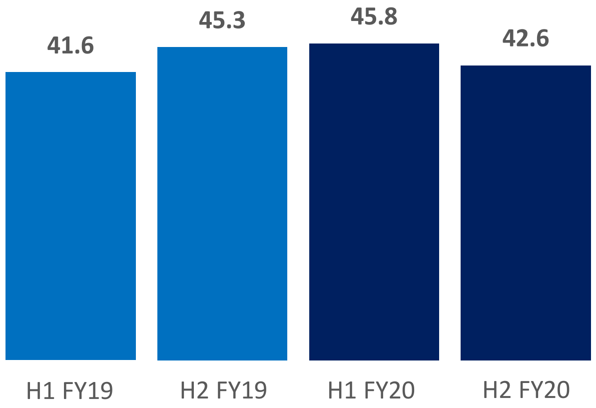

**Capitalised Development Costs** (NZ$m '000)




**GROUP COSTS – H1 20 – H2 20 ANALYSIS** (NZ$m '000)*




**Gentrack Costs HoH FY19-20** (NZ$m '000)*




- H1 FY20 increase in opex following hiring in FY19/early FY20
- Action taken in March 2020 led to lower personnel costs in H2: -$2.1m
- Additional cost savings due to COVID, and cost saving measures
- R&D capitalisation minimal in FY20 – conservative approach
- Further cost measures under review in FY21, with investment required in some areas.

*IFRS 16 came into effect 1/10/19 for Gentrack and has a 6 month impact of circa $1.44m – this is reflected from H1 FY20

# ASSET WRITE-DOWNS

| Intangible Asset | NZ$m |
|---|---|
| Capitalised Software | ($4.5m) |
| Goodwill/other | |
| Blip | ($10.7m) |
| Utilities | ($19.3m) |
| | **($34.5m)** |

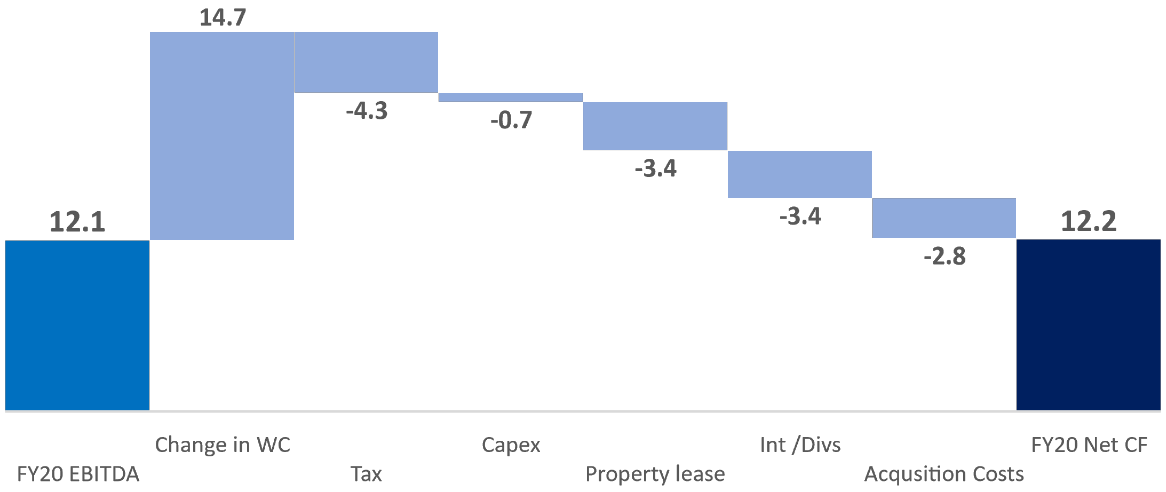
- Rationalisation of previously capitalised software
- Blip: as per H1, the impact of COVID-19 and ongoing uncertainty on BLIP business, full impairment of the $10.7m intangible asset carrying value in FY20
- Utilities: partial write-down of goodwill taken due to uncertainty.

# STRONG CASH FLOW IN YEAR

| | 1 October 2019 | 30 September 2020 |
|---|---|---|
| Cash | $8.6m | $19.3m |
| Debt | $4.0m | $2.5m |
| Net Cash | $4.6m | $16.8m |

- FY20 net cash generation of $12.2m driven by focus on management of receivables and cost control measures
- Capitalisation significantly reduced in FY20: $0.3m
- Low utilisation of $20m debt facility (maturity March 2022)
- Improvement in collections, primarily from UK business
- Y/E net cash position of $16.8m provides liquidity and scope for investment.

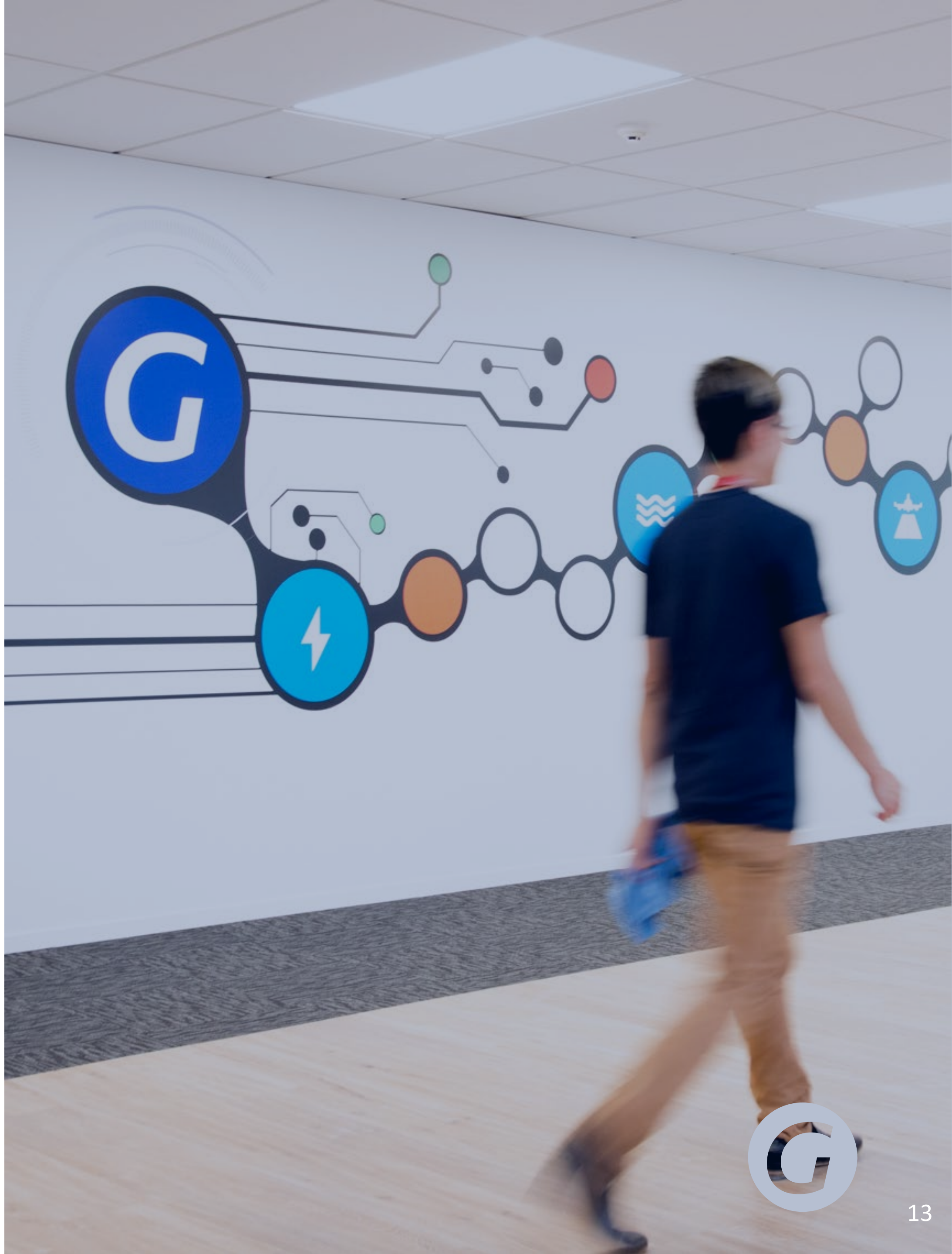
**EBITDA TO NET CASH FLOW FY20** (NZ$m '000)



# OUTLOOK REMAINS UNCHANGED

- We will not be providing further FY21 guidance at this stage
- The company continues to see market opportunities and will invest to provide market-leading solutions for our customers. We will also continue to invest in new skills and the development of our people in line with our tech strategy
- With upward pressure on costs as new skills are recruited, and increased competitive intensity, it is expected that the full year EBITDA[1] run rate for FY21 will be below that of H2 FY20
- This may potentially reduce FY21 profitability closer to break-even depending on levels of future product investment and other factors. Planning in relation to our product investment strategy is ongoing.
- A further update will be provided at the Annual Meeting in February.

[1] Underlying EBITDA being earnings before depreciation, amortisation, impairments and non-operating expenses related to acquisitions.



# FORWARD-FOCUS

**Gary Miles**

CHIEF EXECUTIVE OFFICER

# NEW LEADERSHIP

## Experienced Executive Team


Gary Miles
MD & CEO


James Spence
CFO


Zeev Berkowitz
COO


Loukas Tzitzis
CTO


Allan Sampson
Country Manager NZ


Mark Humphreys
Country Manager Australia


Paul Muscat
Region VP & GM UK


James Williamson
CEO - Veovo


Melina Lemalie
Head of HR

## New Board appointments


Andy Green – Chair


Nick Luckock


Fiona Oliver


Darc Rasmussen


Stewart Sherriff

# A SNAPSHOT OF OUR CURRENT MARKETS

Highly dynamic market as investment in renewables and system modernisations will shape global trends

Ongoing financial pressures on service providers

Increased GTK competition

**NZ** New tenders for system modernisation

**AU** New tenders for system modernisation

**GB** Service Provider consolidations and failures (SOLRs) continue

Remains primarily regulated with legacy systems

Introduction of metered services, improvement of CX and efficiency pressures beginning to drive change

**NZ** Regulated, fragmented and still

**AU** Metered services and need to automate are triggering tenders for system modernisation

**GB** Contested (B2B) water transforms while larger regulated market (B2C) is static

Passenger traffic and airport revenues down (e.g. 80% in many cases) while airports focus on costs

Re-prioritised transformation projects

Focusing on essential services

Airport operational systems are deemed an essential service

Passenger flow systems have a role to play in the COVID era

# MY ASPIRATIONS FOR GENTRACK

### A Technology First Company

Accelerate the industry's move to the cloud and automated operations

### Constantly Innovating

Lead the revolution to Cleantech

### Leading Globally with a Full Accountability Model

Build, deploy and operate our solutions around the world as the industry deregulates and transforms.

### As a Customer and People Centric Organisation

Be a place of choice for our customers, shareholders and employees

# OUR PRIORITY – RETURN TO GROWTH

- Improve customer service and profitability for existing energy and water customers
- Maintain profitability and our position as a loyal, dependable supplier for airports customers
- Roll out new solutions to support the dynamic cleantech initiatives of our customers
- Win new business and strengthen pipeline – several ongoing tenders
- Accelerate our investment in new tech and skills

**…while defining a longer-term growth strategy**


# Q&A


# APPENDICES

# GAAP TO NON-GAAP PROFIT RECONCILIATION

| Period NZ$m | 12 Months 30 Sep 19 | 12 Months 30 Sep 20 |
|---|---|---|
| Reported net (loss)/profit after tax | (3.3) | (31.7) |
| Add: Net finance expense | 0.8 | 0.4 |
| Less: Income tax (benefit) / expense | 3.7 | (2.6) |
| Add: Depreciation and amortisation | 9.4 | 12.4 |
| Less: Revaluation and acquisition related liability | (0.4) | (0.9) |
| Add: Impairment of goodwill and intangible assets | 14.6 | 34.5 |
| EBITDA | 24.8 | 12.1 |

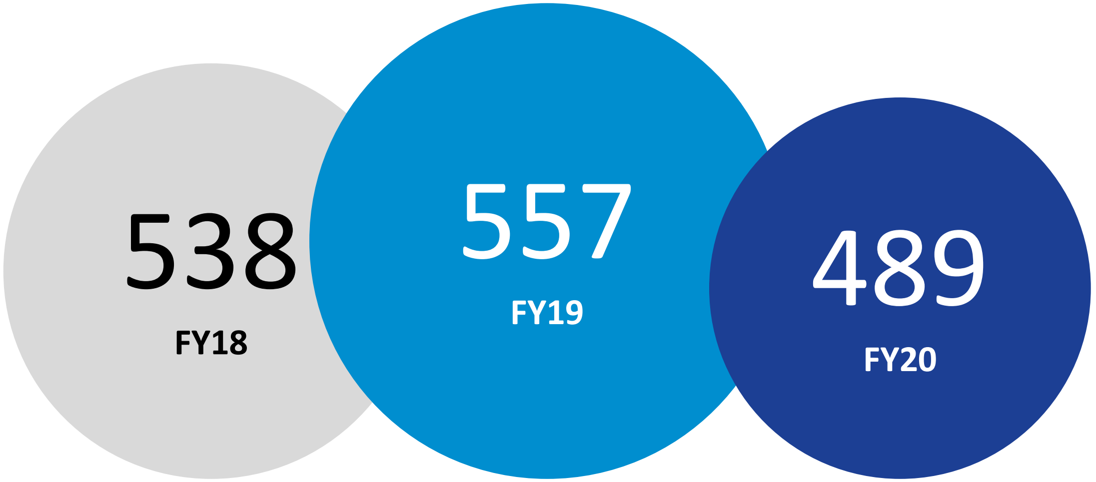
# FY20 ON A CONSTANT CURRENCY BASIS

| NZ$m | FY19 | FY20 | FY20 Constant Currency[2] | Difference | Δ % |
|---|---|---|---|---|---|
| **Revenue** | 111.7 | 100.5 | 98.1 | (2,434) | -2% |
| **Operating Costs** | 86.9 | 88.4 | 86.4 | (2,012) | -2% |
| **EBITDA[1]** | 24.8 | 12.1 | 11.7 | (422) | -3% |
| **Statutory NPAT** | (3.3) | (31.7) | (31.3) | 403 | -1% |

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 21 for a reconciliation to reported net profit.

2. Based on FY19 exchange rates applied to FY20 actuals

# END OF YEAR GLOBAL HEADCOUNT




**-68 on FY19**

- FY20 headcount reduction resulting from the cost review process across the global business in February/March 2020
- Ongoing recruitment for new skills globally to support our technology programme

# COVID-19: SUPPORTING OUR CUSTOMERS WITH PROVEN TECH

- We delivered fully remote technical, business and project services to customers globally
- Our people and our technology enabled utilities and airports to continue operating as providers of essential services
- We enabled our customers to provide hardship support and innovative tariffs to customers impacted by the pandemic
- We kept our people safe and actively engaged with customers, adapting as they evolved with the social impacts of the pandemic.

# CORPORATE AND SOCIAL RESPONSIBILITY

## DIVERSITY AND INCLUSION

As a global business, we are naturally diverse. This year we've taken steps to ensure that D&I remains a key part of our culture and values. It has shaped how we recruit our people globally, how we celebrate our diversity and ensured that our people know the real value of diverse thinking across our business.

## IN THE COMMUNITY

This year our teams globally have supported various community initiatives, fundraising for community causes including Gumboot Day to raise awareness of mental illness and suicide, Pink T-shirt day to make a stand against bullying and Movember for men's mental health, and much much more! Our people are taking the time to DO GOOD in our communities.


## SUSTAINABILITY

Just as our customers live and breathe sustainability, we too are doing our part for the environment through our global sustainability programme - *Project Gaia. Gaia,* translated as "Mother Earth", frames the various initiatives in the business targeting our environmental footprint and how we can play a greater role in the energy and water revolution.

## HEALTH AND SAFETY

The health and safety of our people is paramount. They have after all adapted and provided the platform in what has been an exceptional year, to ensure we can support our customers throughout COVID. This year we've remained focused on their wellbeing and mindfulness through our global Wellness Programme and remain committed to keeping them safe so they can continue to innovate and deliver their best.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