Friday 17 February 2023

1H FY 2023 Results

Whispir Limited

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- Currency All amounts in this presentation are in Australian dollars unless otherwise stated.
- FY refers to the full year to 30 June.
- Rounding Amounts in this document have been rounded to the nearest $0.1m. Any differences between this document and the accompanying financial statements are due to rounding.

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Agenda

Introducing Whispir
Unique value delivers customer impact at scale

1H FY23 Financial Results
Strong growth in Asia, ANZ core growth continues, North America downsizing

Business Metrics
Strong NRR and LTV metrics

Outlook
Leaner company, to deliver positive earnings and cash flow for Q4 FY23

Jeromy Wells
Founder & Chief Executive Officer

Jenni Pilcher
Chief Financial Officer

Whispir today

3 Major Regions
ANZ, Asia and North America

ASX WSP

Whispir provides a cloud-based communications platform for corporate and public sector customers globally. Whispir's tools connect business and people unifying various messaging systems - SMS/MMS, voice, email, web, social and app alerts on one platform. The platform facilitates business coordination, customer engagement and crisis management. The product is billed on a blended subscription and usage basis and is sold directly and through a reseller partner network that include large international telecommunications carriers.

Whispir transforms how organisations communicate

Our intelligent platform makes communicating faster, smarter and more productive

Whispir provides low churn, business critical services to its customers. As such, the business is fundamentally well positioned to succeed in challenging market conditions.

As manual communication processes become automated at scale, many of our customers will utilise more Whispir platform capabilities as they unlock the benefits it delivers for them.

Our customers

a sample of customer logos:

Consumer

Education

Emergency Services

Finance, Insurance & Legal

Government

Healthcare

IT, Telecomms & Media

Resources Mining

Transport Logistics

Utilities Infrastructure

1H FY23 Financial Results

Company highlights

Asia delivers strong double-digit revenue growth, with Company poised to reach positive free cash flow for all of Q4 and beyond

ASIA revenue growth & contribution margins are accelerating - with large scale potential (> than the ANZ business)

- Revenue up 25.6% on PCP
- Contribution margin up 30.0% on PCP
- Potential to scale quickly with large pipeline of opportunities
- Telco partnership now delivering.

Strong performance from enterprise software metrics

- NRR 107.3%
- Revenue churn 5.4%
- LTV $0.58m
- ARR $62.0m.

Business on track to generate free cashflow from Q4 FY23

- Resilient and diversified ANZ business (ex Health) with revenue growth of 5.5%
- Organisational changes made in November 2022 and downsizing of North America set to deliver > $18m annual savings.

Regional highlights

Positive revenue and contribution margin growth across all regions (excluding ANZ Health) versus the prior half.

ANZ excluding HEALTH

- Revenue $21.49m -> up +5.5% vs PH; +0.7% vs PCP
- Contribution margin $2.37m -> up +17.6% vs PH, down -7.0% vs PCP
- Gross margin steady at > 60%.

Asia

- Revenue $4.02m -> up +13.0% vs PH, +25.6% vs PCP
- Contribution margin -$0.87m -> growth of +32.6% vs PH, +30.0% vs PCP
- Gross margin improves by 7.1 percentage points as region scales.

North America

- Revenue $0.81m -> up +5.5% vs PH, down -23.3% vs PCP
- Contribution margin -$1.74m -> growth of +21.9% vs PH and +27.7% vs PCP
- See next slide for update.

North America update

Whispir has made the strategic decision to withdraw resources from the U.S market in order to focus on growth opportunities at hand in Asia and the core business in ANZ. Existing US customers will continue to be serviced by a small US team.

Strategic rationale

- Revenue growth has not met expectations, sales cycles are lengthening
- Allows deployment of resources to focus on growth opportunities in Asia and core ANZ
- North America region has been loss-making for some time - this plan allows us to preserve Company's cash position & reduce FX exposure.

Financial impact

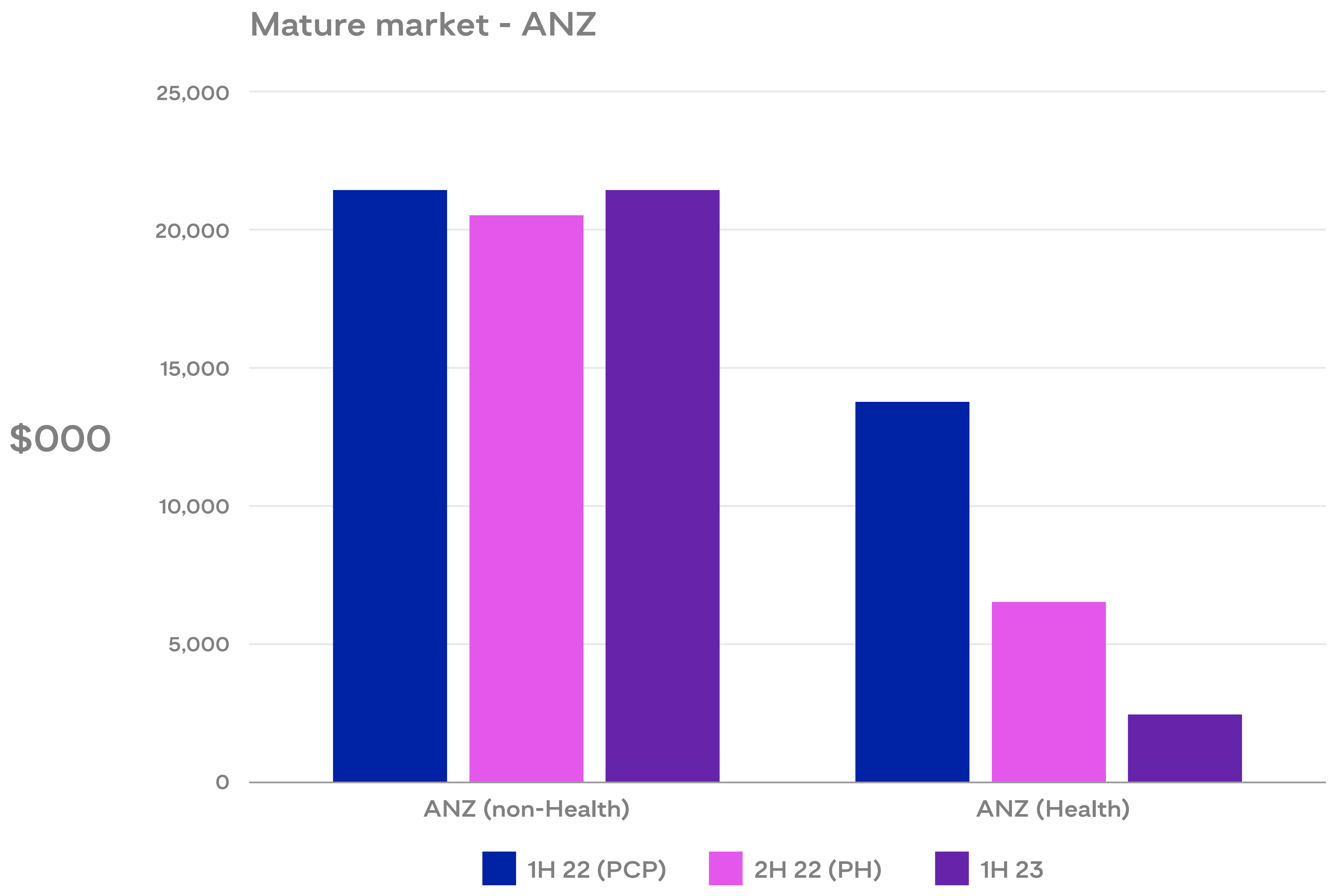
- Revenue of $0.87m for 1H23 (>100 customers) and associated gross profit is expected to continue as customers are serviced remotely
- Operating expenses of ~$4m per annum will be eliminated
- Minimal restructure costs expected (Q3).

Operational execution

- ~18 sales and marketing roles in the US will discontinue from end of Q3
- 5 marketing roles will be transferred to the Philippines, and 5 will be retained in ANZ/Asia
- Boulder, Colorado office lease will not be renewed following lease expiry in Q4
- Local data center infrastructure will continue to support existing customers.

Revenue by region

ANZ (non-health) up +5.5% on PH as region starts to rebound post-COVID



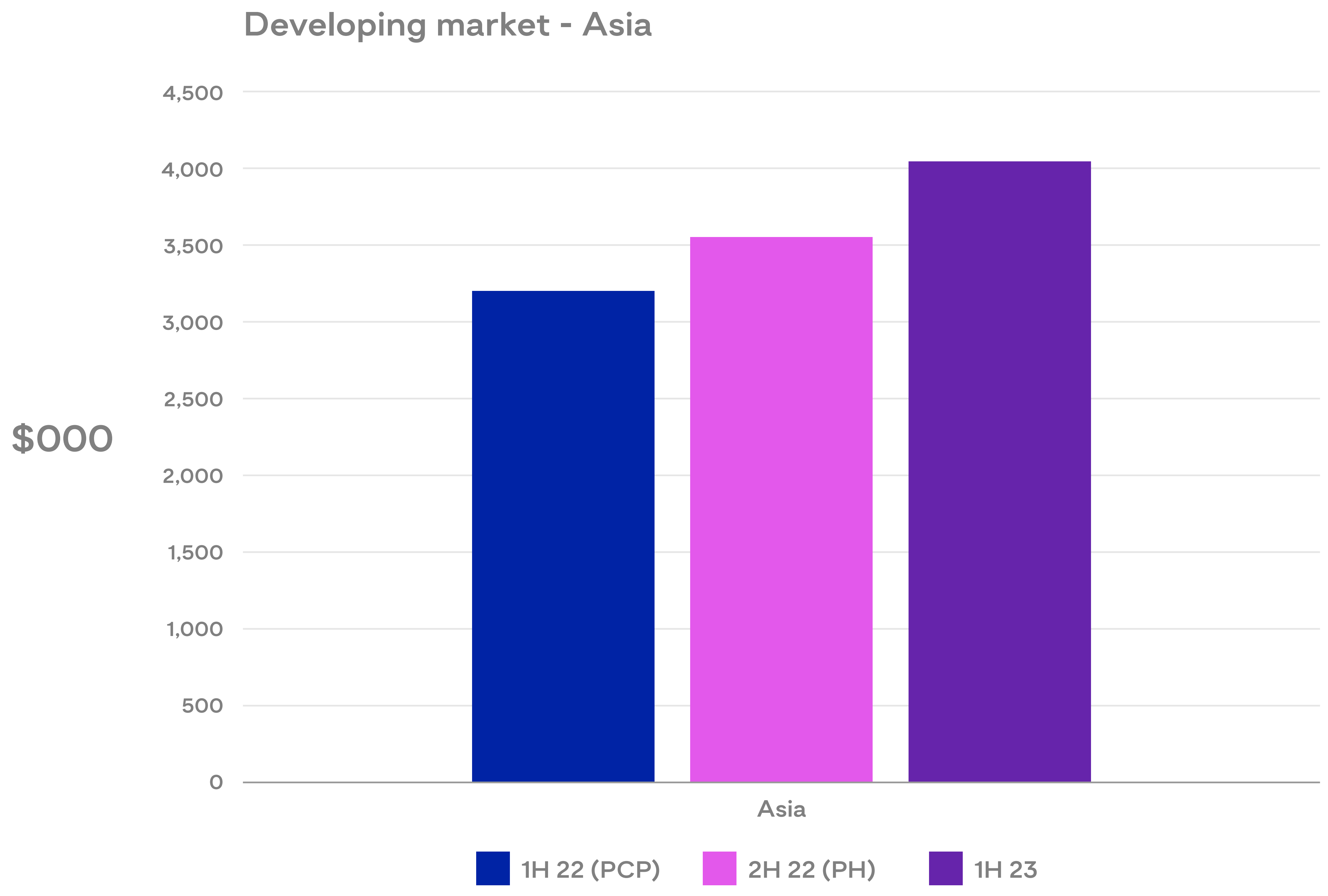
ANZ region delivers revenue growth of +5.5% (PH) and +0.7% (PCP) for its non-health* customers

- ANZ total revenue $23.92m -> down -11.0% on PH and -32.0% on PCP as COVID-19 vaccine related revenue ceases during the half
- ANZ remains Whispir's most significant market, where the Company enjoys the benefits of being an established player with a record of delivering proven value to customers. ANZ region is starting to rebound following COVID-19 pandemic (health aside)
- There has been continued expansion in core accounts as part of Whispir's land and expand strategy, including ANZ Bank, Greencross and Cubic Transport
- The recent acquisition of RMIT University for student communications, following a competitive tender, is an endorsement of Whispir's position in the market
- Whispir has enjoyed new business elsewhere from the government sector, including successfully assisting the Victorian Electoral Commission in the Victorian State election voter communication
- Revenue from State Health Departments related to the COVID-19 vaccine rollout campaigns has largely ceased as the management of COVID-19 related communication is now being handled by the local district health authorities.

**non-health means ANZ State-based health departments are excluded*

Revenue by region

Asia revenue $4.02m -> up 13.0% on PH and 25.6% on PCP as channel partner go-to-market campaign is launched

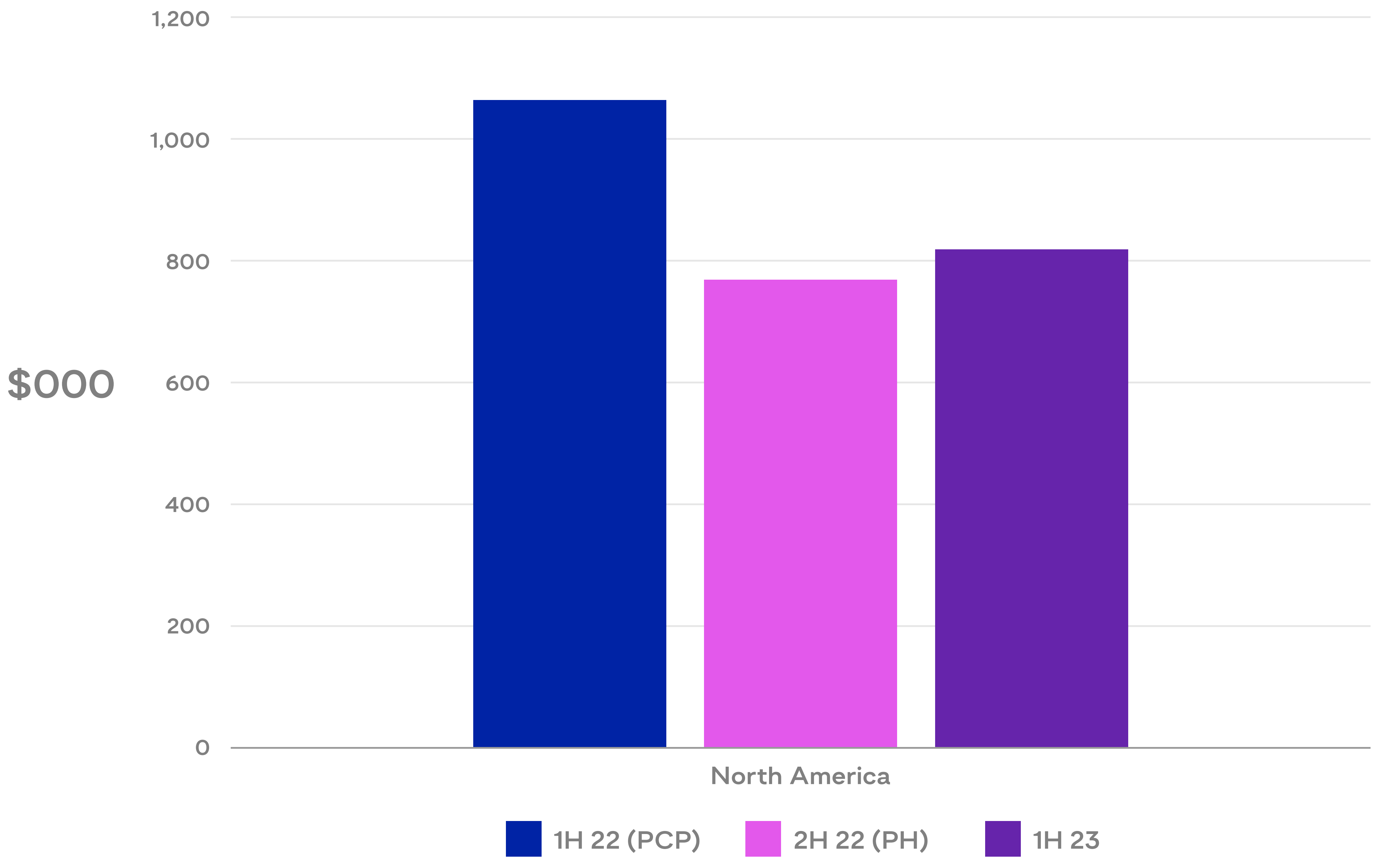


Asia starts to ramp up as partnerships deliver

- Market conditions following COVID-19 have materially improved and Whispir has established several new strategic sales partnerships in the region
- Go-to-market campaigns have begun with leading regional Telco partner
- New channel partnerships have been established in Philippines and Indonesia – which have already generated new business including the Bank of Philippine Islands which intends to use the Whispir platform to facilitate communications across more than 900 bank branches.

Revenue by region

North America revenue $0.81m -> up 5.5% on PH as new product features are launched



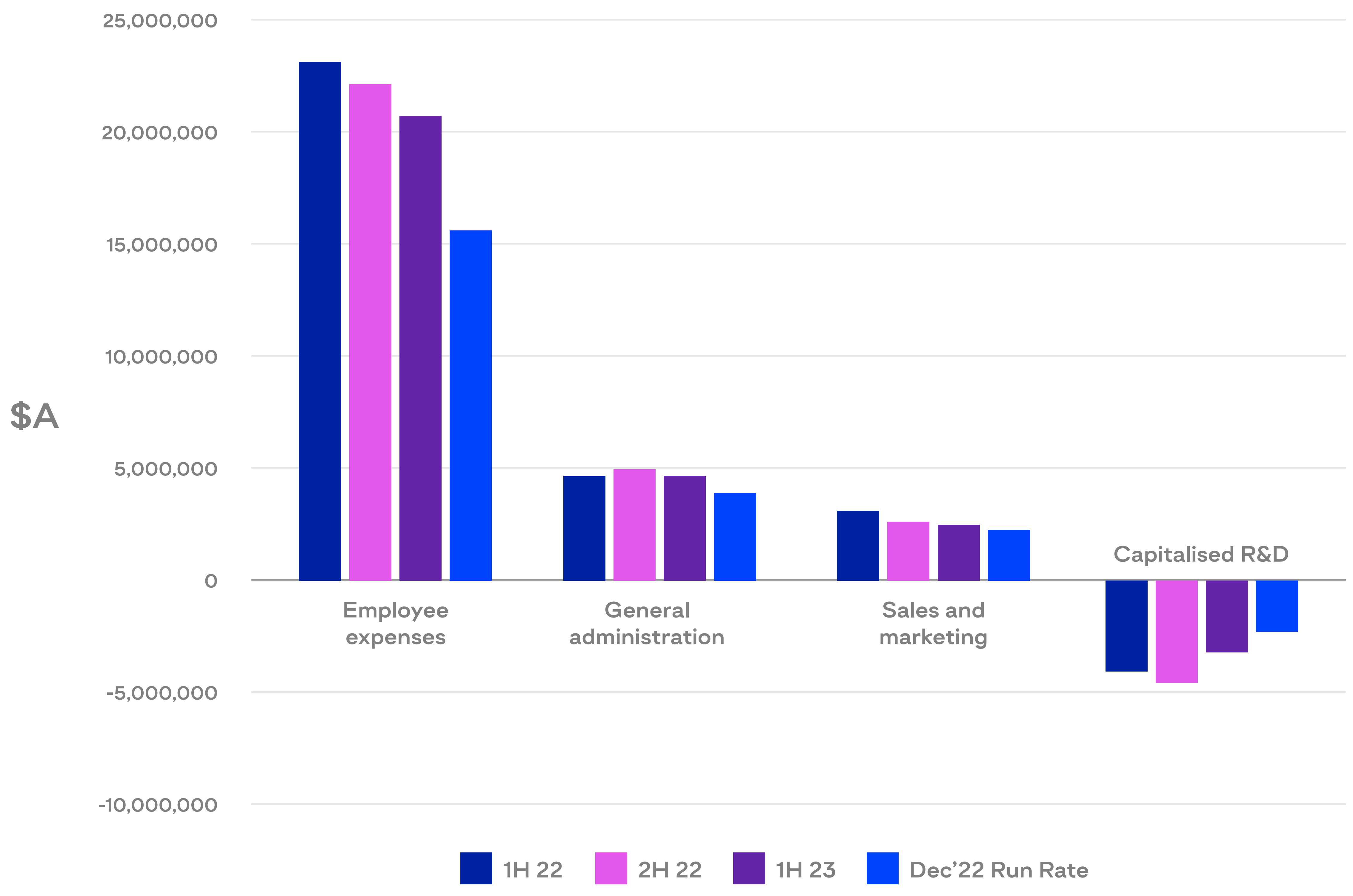
North America growth is slow, withdrawal of resources in Q3

- Product innovation is enhancing Whispir's product offering – ensuring the stickiness of the Whispir product and strong customer loyalty, driving use case adoption and revenue
- The Company's new Pay by Text feature launched in Q2 was the most successful feature launch ever in terms of quickly generating traffic and product demonstrations
- Greater need to demonstrate Whispir's strong ROI as general economic conditions are impacting business confidence & leading to longer sales cycles
- Following decision to withdraw resources from this market, revenue growth is likely to remain flat.

Operating expenses* $24.89m

On track to successfully deliver > $18m p/a savings following successful restructure and US down-sizing.

- Delivers 0.7% improvement (reduction) compared to the prior half (2H 22) of $25.05M
- Delivers 7.6% improvement (reduction) compared to the prior corresponding period (1H 22) of $26.92m
- Includes $2.34m of capitalised R&D, meaning cash expenses of $28.24m – a 4.6% and 9.0% improvement on PH and PCP respectively on relative terms
- Costs further reducing – demonstrated with December month run-rate (annualised) (before US restructure taken into account).



*Operating expenses before redundancies, share based payments, D&A, Interest and Tax.

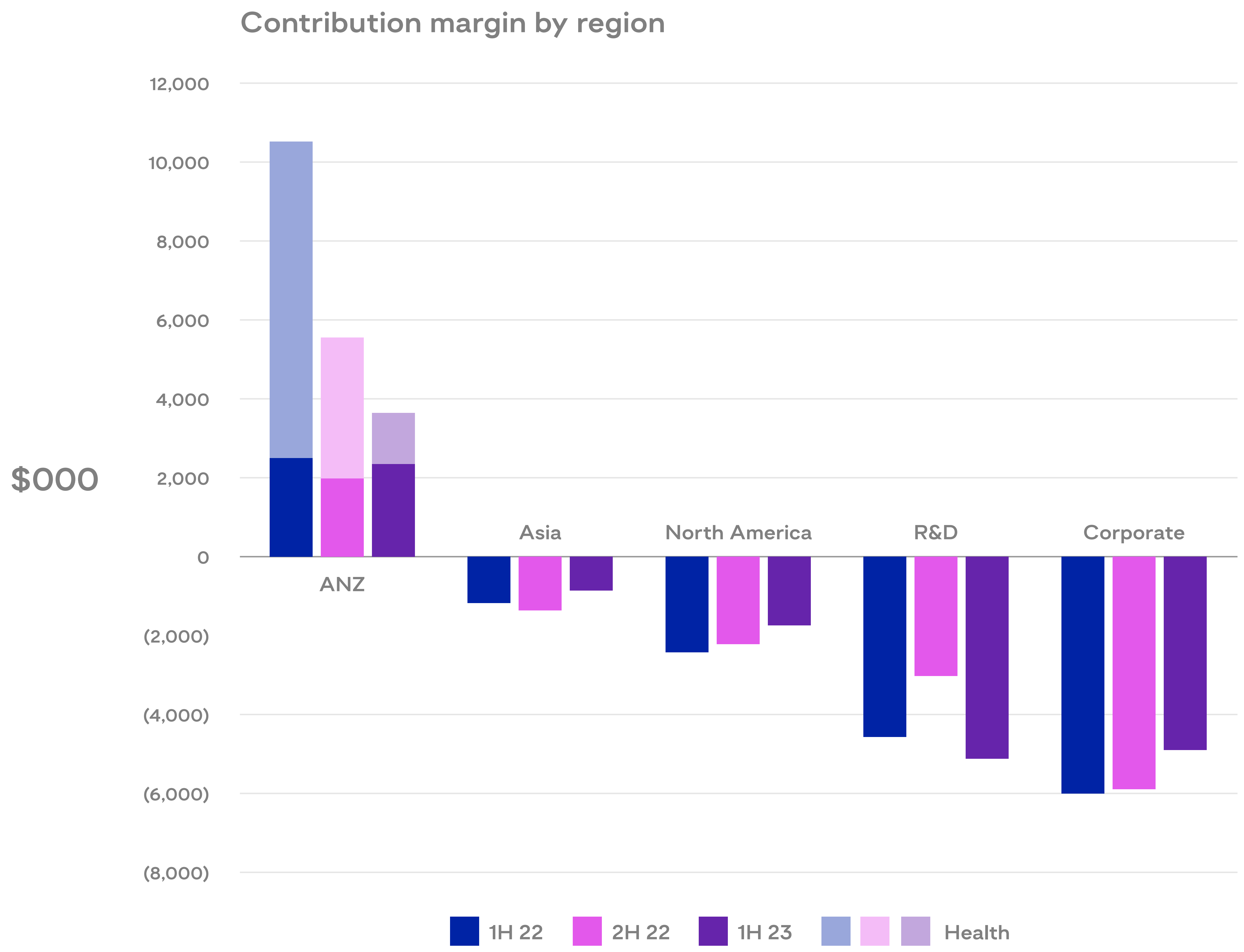
Contribution margin

Contribution margins are improving over the prior half – particularly in core ANZ (excluding ANZ Health) and Asia:

- ANZ (ex-Health) up 17.6% to $2.37m
- Asia up 32.6% to -$0.87m

Whilst North America is improving (up 21.9% to -$1.74m), the region is still posting a negative contribution margin with relatively small revenue growth.

ANZ contribution margins (total) have fallen (-33.8%) to $3.68m due to the fall in COVID-19 related revenues this half (compared to PH and PCP).



Cash

November restructure delivers >$14m annual savings

Downsizing in North America expected to deliver a further >$4m annual savings

- Company on track to deliver positive free cash flow for Q4 FY23 and beyond as expenses fall significantly, with Q3 now including modest restructuring costs
- Cash balance of $9.43m + $1.62m restricted cash at 31 December 2022
- Excess cash will be reinvested for growth as appropriate during FY24

1H FY23 Financial Result

- Revenue $28.75m, down 27.1% on PCP, down 7.8% on PH as COVID-19 vaccine roll-out completes
- Gross Margin improves by 0.2 percentage points to 58.6%
- Operating expenses are reducing - down 7.6% on PCP, down 0.7% on PH when redundancy costs are excluded from current period
- EBITDA loss has increased due to fall in revenue but is set to improve with forecast revenue growth and new cost base going forward.

Revenue

$28.75m

$39.42m 1H FY22 (PCP); $31.20m 2H FY22 (PH)

Gross Margin

58.6%

58.4% 1H FY22; 58.4% 2H FY22

Operating expenses*

$26.03m

Excluding redundancies

$24.89m

$26.92m 1H FY22; $25.05m 2H FY22

EBITDA**

$(8.78)m

$(3.65)m 1H FY22; $(6.93)m 2H FY22

*Excluding non-cash depreciation and amortisation and share-based payments
**Excluding non-cash share-based payments

Impact to 1H '23 result when excluding North America (for information purposes)

- All metrics improve except revenue – however revenue and gross profit are expected to continue as customer contracts will continue to be serviced remotely
- Certain marketing costs will still be retained across ANZ & Asia ~$1m (including roles transferred to Philippines).

Revenue

- Falls 2.8% from $28.75m to $27.94m

Gross Margin

- Improves by 1.05 percentage points to 59.7%

Operating Expenses

- Reduce by 10.5% to $27.00m

EBITDA & Cash flow

- EBITDA loss improves 32.8% to $6.03m
- Free cash out flow improves 23.4% to - $12.36m

Summary P&L and Balance Sheet

Half Year ended 31 December 2022

P&L	31 Dec 22 $'000	31 Dec 21 $'000
Software revenue	28,180	38,824
Professional services revenue	574	596
Total revenue	**28,754**	**39,420**
Cost of services	(11,897)	(16,384)
Gross profit	**16,857**	**23,036**
Interest revenue	53	141
Sales and marketing	(12,372)	(12,043)
Research and development	(8,056)	(6,314)
General and administration	(10,173)	(11,588)
Finance costs	(38)	(224)
Total expenses	**(30,639)**	**(30,169)**
(Loss) before income tax expense	**(13,729)**	**(6,992)**
Income tax expense	(2)	(2)
(Loss) after income tax expense	**(13,731)**	**(6,994)**
EBITDA (excluding share-based payments)	**(8,775)**	**(3,650)**

Balance Sheet	31 Dec 22 $'000	30 Jun 22 $'000
Cash and cash equivalents	9,433	26,077
Trade and other receivables	6,822	6,265
Prepayments	2,622	2,190
Contract acquisition costs	-	679
Interest bearing assets	1,934	1,957
Total current assets	**20,810**	**37,168**
Non-current assets	**20,567**	**17,915**
Total assets	**41,377**	**55,083**
Trade and other payables	9,624	10,145
Contract liabilities	1,941	2,966
Provisions	1,852	2,265
Lease liabilities	491	915
Total current liabilities	**13,908**	**16,291**
Non-current liabilities	**1,737**	**422**
Total liabilities	**15,645**	**16,713**
Net assets	**25,732**	**38,370**

Cash Flow Statement

For the half year ended 31 December 2022.

	31 Dec 22 2022 $'000	31 Dec 21 2021 $'000
Cash flows from operating activities		
Receipts from customers	29,265	41,737
Payment to suppliers and employees	(41,851)	(47,639)
Interest received	62	141
Interest and other finance costs paid	(37)	(219)
Income tax received / (paid)	10	(2)
Net cash used in operating activities	**(12,551)**	**(5,982)**
Cash flows from investing activities		
Payments for property, plant and equipment	(105)	(438)
Payments for intangibles	(3,417)	(4,093)
Payments from/(for) security deposits	(61)	(162)
Net cash used in investing activities	**(3,583)**	**(4,693)**
Cash flows from financing activities		
Proceeds from the exercise of options	14	9
Repayment of lease liabilities	(598)	(387)
Net cash used in financing activities	**(584)**	**(378)**
Net decrease in cash and cash equivalents	(16,719)	(11,053)
Cash and cash equivalents at the beginning of the period	26,077	49,173
Effects of exchange rate changes on cash and cash equivalents	75	1
Cash and cash equivalents at the end of the period	**9,433**	**38,121**

Business metrics

As at 31 December 2022

1H FY23 Business Metrics

- Strong net revenue retention at > 100%
- Revenue churn is still low at 5.4%, despite trending over the 5% target due to two specific customers that churned, expected to improve
- Customer lifetime value continues to grow, now at $0.55m
- ARR is stable at $62.0m.

NRR

107.3%

122.4% PCP = down 15.1 percentage points however still strong at > 100%

Revenue Churn

5.4%

1.8% PCP = up 3.6 percentage points and slightly over the Company's targeted churn of 5%

Customer Lifetime Value

$0.55m

$0.53m PCP +4.1% growth

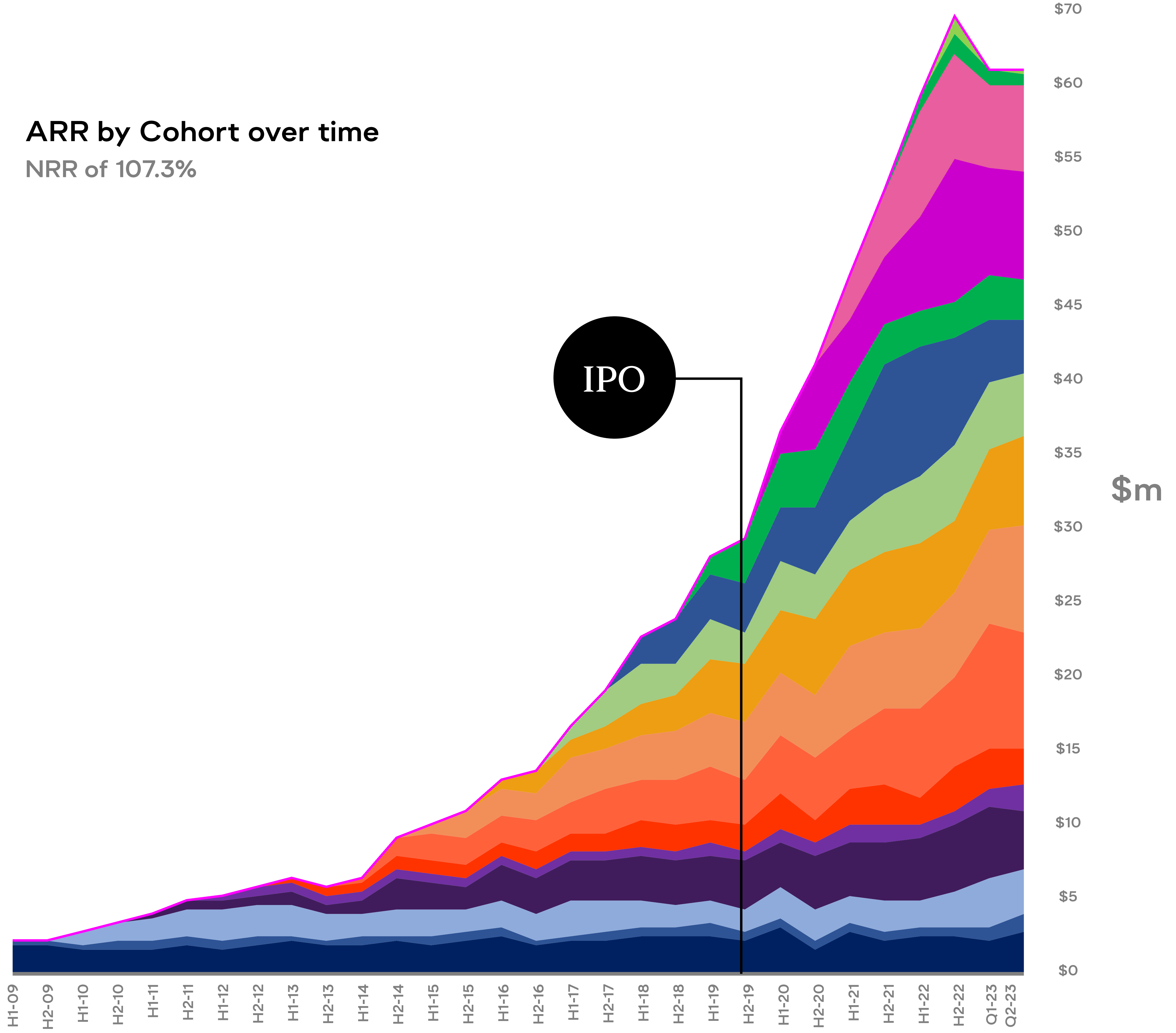
Annual Recurring Revenue (ARR)

$62.0m

$60.0m PCP +3.3% growth

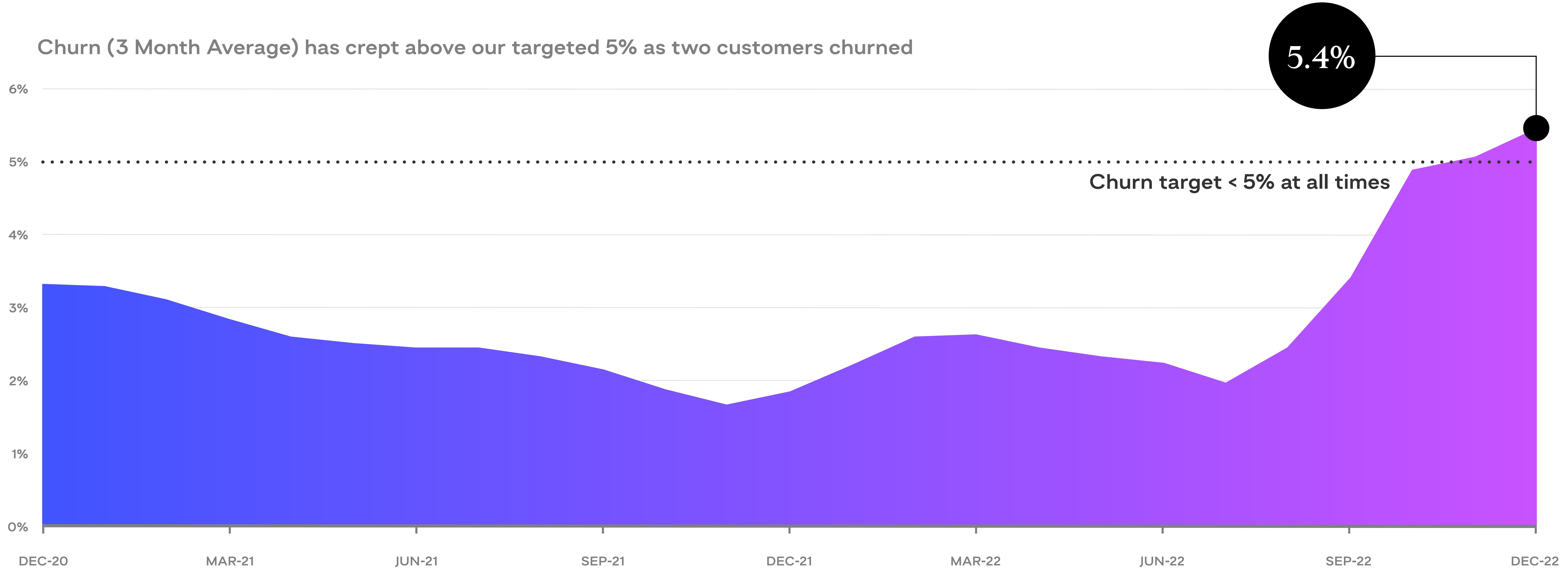
"Land & Expand" strategy increases customer revenue overtime

Organic growth from established customer base provides future revenue surety.



Revenue churn at 5.4% (3 month average)

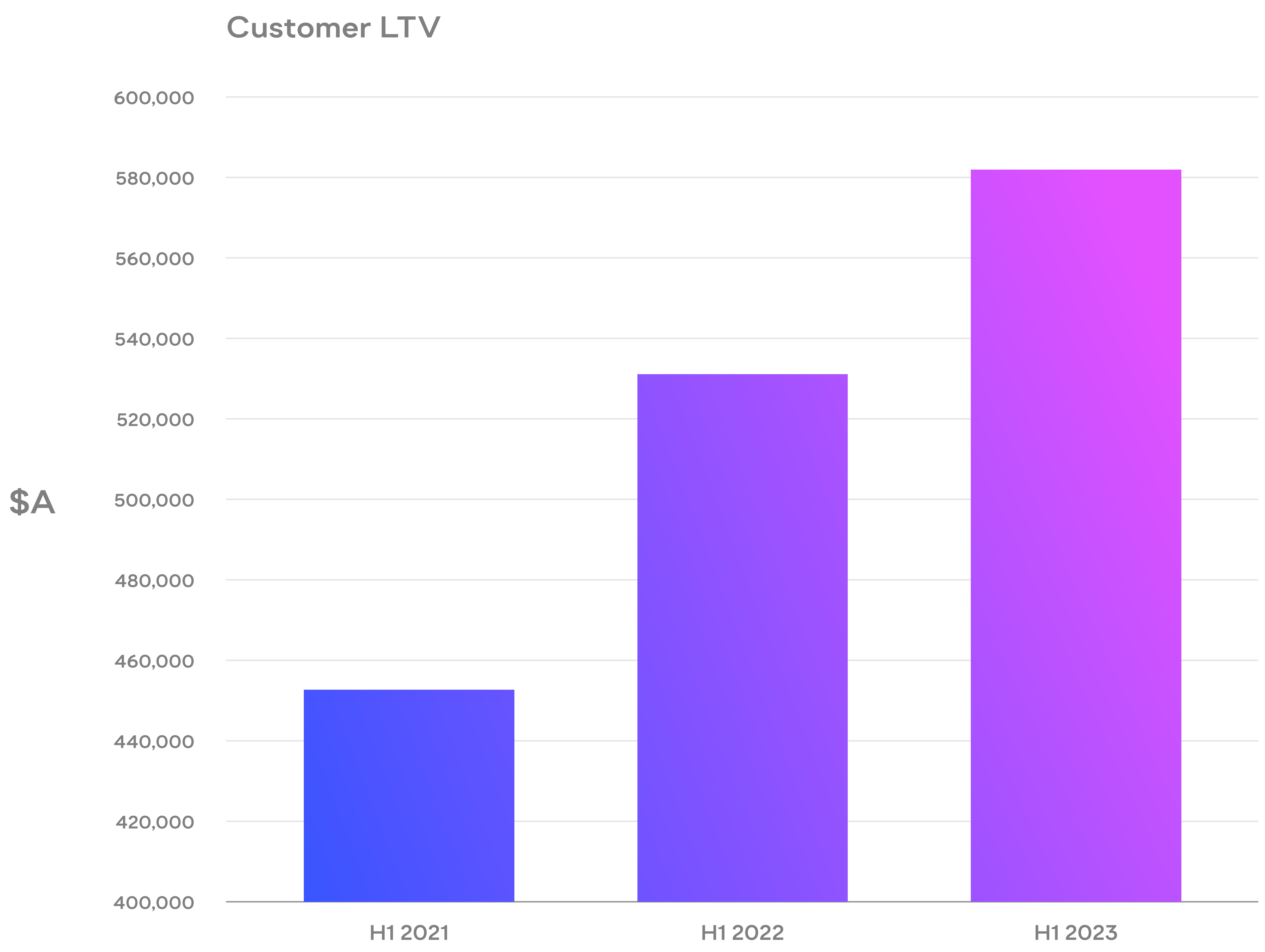
A slight increase in churn was primarily driven from the Health industry. This has resulted in a softer first half of the year. Our churn rates are historically below 5% and continue to remain close to that level.



Customer Lifetime Value (LTV)

Our successful customer acquisition and retention strategies are showcased with a 1H 23 LTV of $0.58m, representing a 9.5% increase from the prior corresponding period and 28.5% increase over 1H '21.

Our ability to increase the lifetime value of our customers highlights the sustainability and profitability of our business model.



Diverse customer base

Customer diversity de-risk growth plans

Revenue by Industry 1H FY23

Government	28%
Health	14%
Retail	10%
Logistics	8%
ITC	8%
Utilities	8%
Other	8%
Insurance	8%
Banking	5%
Mid Market	3%

>1000 Customers

Multiple Industries

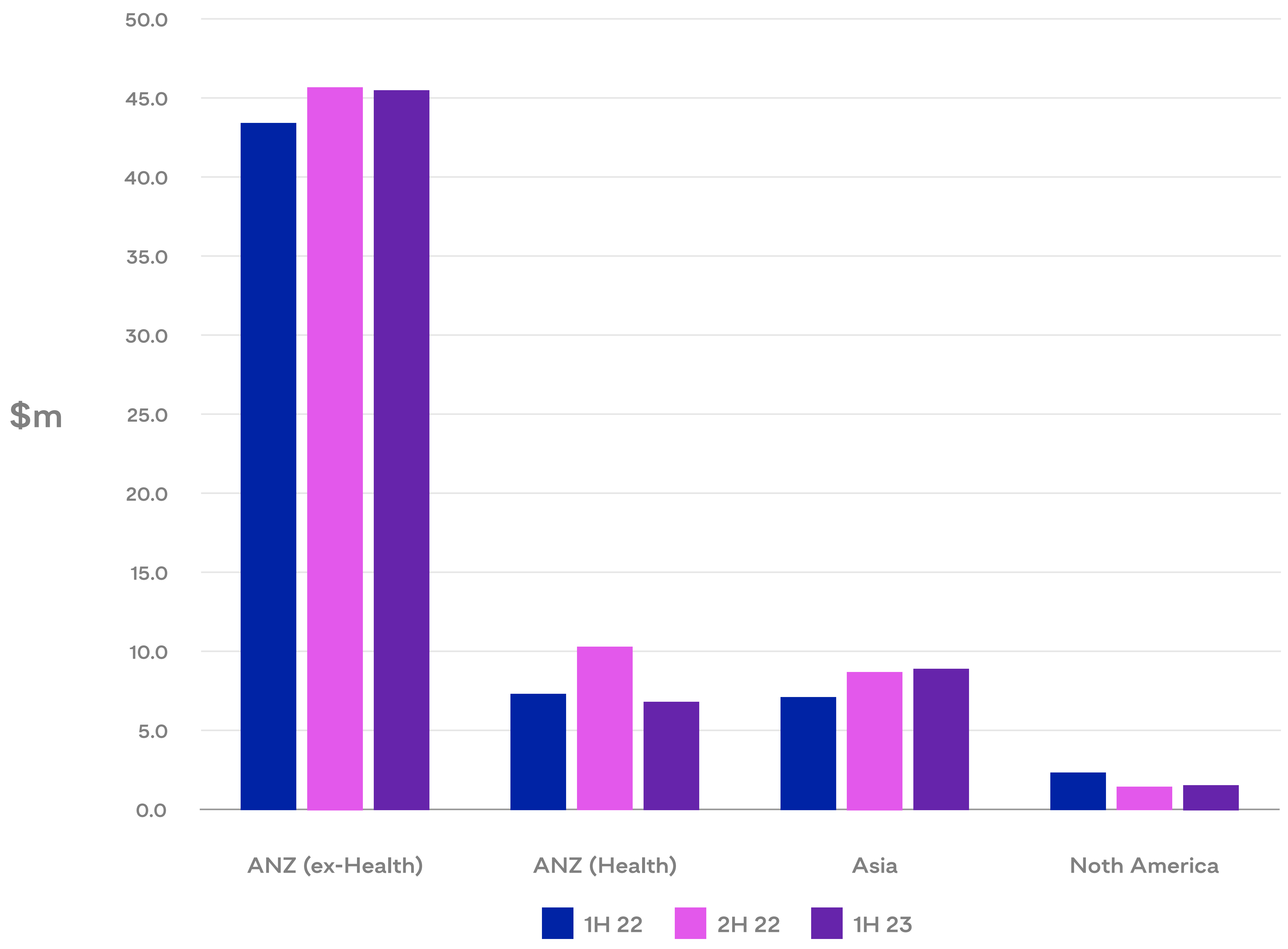
Multiple Countries

ARR by region

ARR (Group) at $62.0m is 3.3% up on the PCP, and 5.2% down on the PH – due to the churn in use-cases by the ANZ state-based health authorities, as demonstrated on the chart.

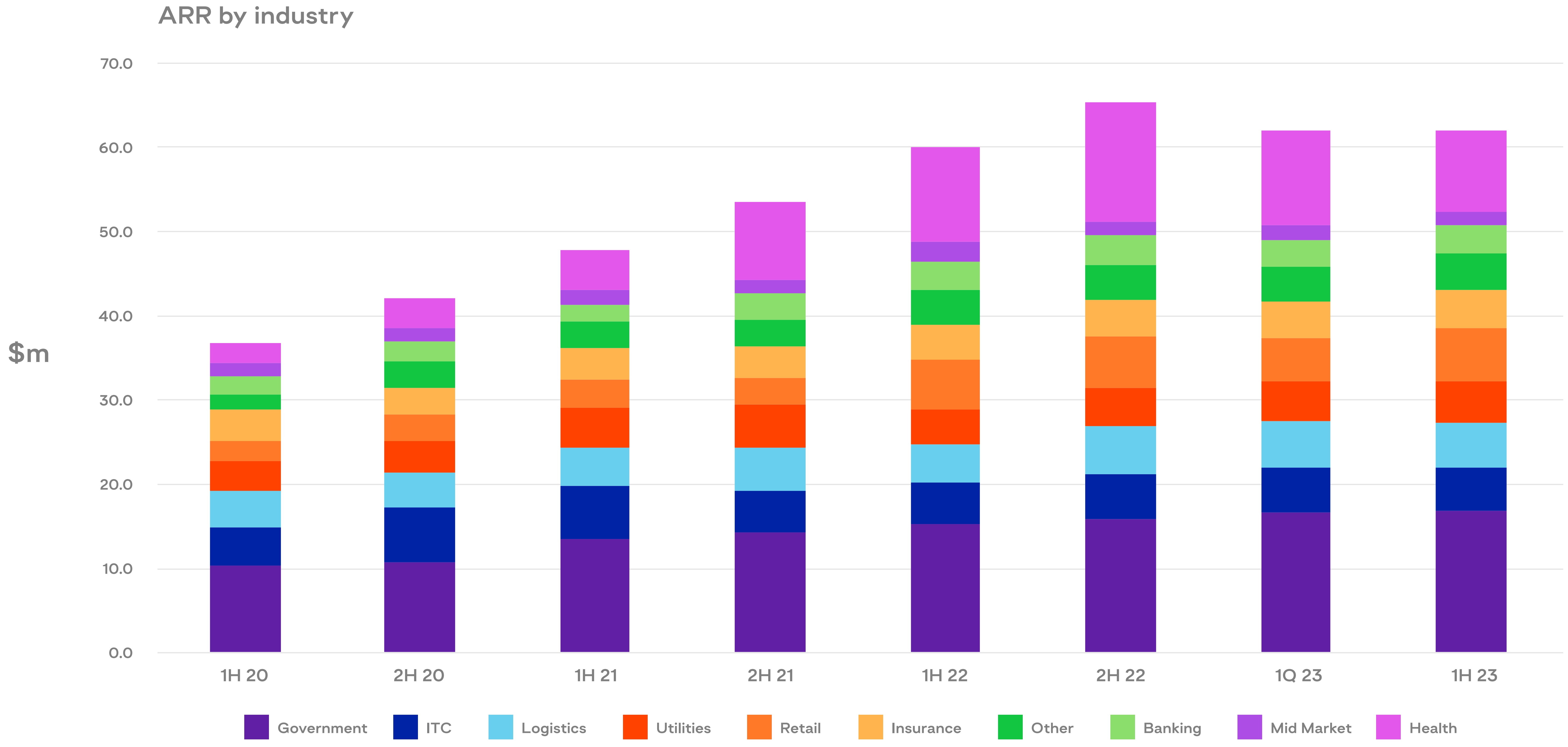
Regionally – ANZ (ex-health) is up 4.2% on the PCP, and largely flat against the PH reflecting the general economic environment.

Asia continues to grow, up 23.3% on the PCP, and 1.6% on the PH. This is expected to grow given recent contract signings that will start to flow into revenue in the second half of the financial year.



ARR by industry

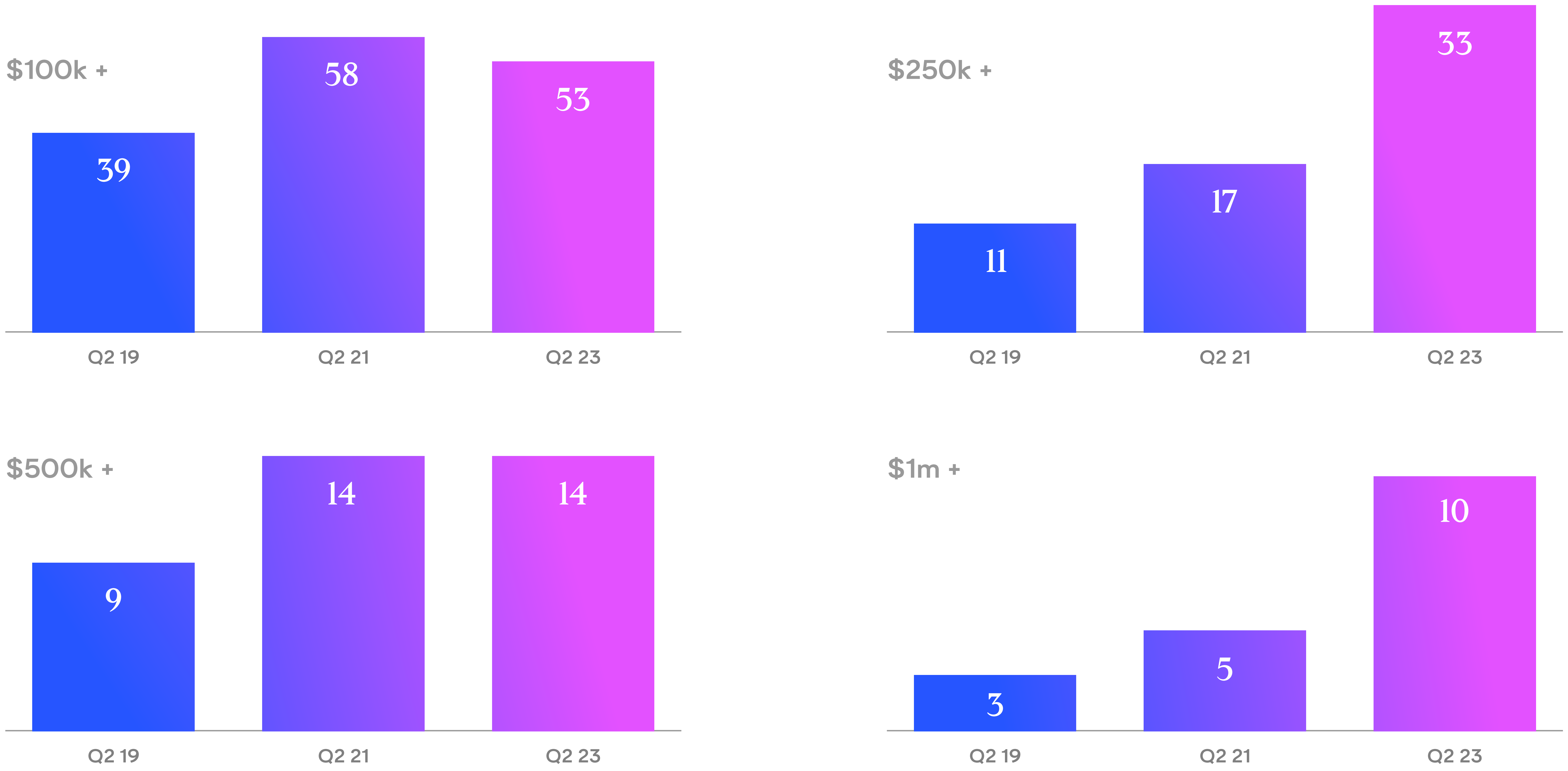
Customers expand usage over time



Continuing to increase our strategic value

Customers expand usage over time

Annual revenue per customer



Outlook

Whispir enters the new calendar year a leaner company, creating the baseline to generate positive earnings and cashflow. We have a strong, diverse, customer base and significant revenue growth opportunities.

Outlook

Despite soft start to FY23 with churned healthcare use cases, Whispir is well positioned for long term success.

Great customers

Industry leading product

Large and growing TAM

The right team

Lean operating model delivering positive free cashflow

FY23 OUTLOOK

Expectations by region

- Continued strong revenue growth in ASIA as region scales with channel partnerships
- ANZ (ex-health) to continue to deliver revenue growth
- Stabilise ANZ (health) ahead of next growth phase
- North America to contribute positively to profitability in Q4 FY23 following withdrawal of resources in Q3.

Company targets

- Generate positive free cash for the whole of Q4 and beyond
- Positive EBITDA for H2 FY23 and beyond
- Group anticipates revenue of $58m - $62m for FY23.

The Future – What to Expect

Medium Term (>3 years)

- Strong organic revenue growth +20% YOY
- Improvement in gross margin > 65% as regions scale
- Reinvestment of available profits to accelerate product road map & revenue growth – short/medium term
- >20% EBITDA margins – medium/long term
- Maintain strong cash position

Glossary

Profit or loss

- **Software revenue:** revenue generated from collecting contracted monthly licence and transaction fees from customers based on a contracted fee per user and cost per transaction;
- **Professional services revenue:** professional fees in respect of implementation, configuration, training and integration fees;
- **Cost of service:** the costs relating to the delivery of the software including the costs of running the data centre, wages and salaries of data centre based Whispir staff and the carrier cost in delivering transactions;
- **Gross profit:** total revenue less cost of services;
- **EBITDA:** earnings (or losses) before interest, income tax, depreciation and amortisation Management uses EBITDA to evaluate the operating performance of the business. EBITDA can be useful to help understand the cash generation potential of the business. EBITDA should not be considered as an alternative to measures of cash flow under IFRS and investors should not consider EBITDA in isolation from, or as a substitute for, an analysis of the results of Whispir's operations; and
- **EBIT:** earnings (or losses) before interest and income tax.

Definitions

- **TAM:** Total Addressable Market;
- **SME:** Small to Medium Enterprise;
- **SMB:** Small to Medium Business;
- **SI:** Systems Integrator;
- **ISV:** Independent Software Vendors.

Cash flow

- **Capitalised development:** proportion of the wages and salaries of employees whose activities relate to the development of software;
- **Capital expenditure:** investment in property, plant and equipment including leasehold improvements and IT equipment;
- **Working capital:** trade and other receivables, contract acquisition costs, other current assets, less trade and other payables and income received in advance;
- **Operating cash flow:** EBITDA after the removal of non-cash items in EBITDA (such as share-based payments, amortisation of contract acquisition costs and net foreign exchange difference) less net interest paid and changes in working capital; and
- **Free cash flow:** operating cash flow less capital expenditure.

Financial metrics

- **Gross margin:** gross profit divided by revenue expressed as a percentage;
- **EBITDA margin:** EBITDA expressed as a percentage of total revenue;
- **EBIT margin:** EBIT expressed as a percentage of total revenue;
- **Contract acquisition cost:** commission and other direct costs incurred in winning new customers;
- **Customer acquisition cost (CAC):** expenses directly incurred in winning new customers, which includes the contract acquisition costs, divided by the total number of new customers won in the period;
- **Customer revenue retention %:** revenue earned from customers in a year divided by the revenue from the same customer cohort in the corresponding prior year;
- **Customer churn %:** number of customers lost in the last twelve months (LTM) divided by number of opening customers in the period;
- **Revenue churn %:** Opening MRR of customers churned in LTM compared to opening MRR of customer cohort;
- **Lifetime value of customer (LTV):** ARR per customer multiplied by the gross margin for the period, divided by the customer churn in the period. The LTV of the customer cohort represents the LTV multiplied by the number of customers at the period end;
- **Annualised recurring revenue (ARR):** recurring revenue from the final month in a period (licence and transaction revenue) adjusted for Monthly Messaging Days multiplied by 12 months;
- **Monthly Messaging Days:** monthly messaging days vary each month depending on days within the transactional billing cycle (26th day to the 25th day of the reporting month). To enable monthly comparisons on a consistent basis, ARR and related SaaS metrics are adjusted to a standard number of days per month to remove this volatility. The standard month is 30.4 days (365 days / 12 months); and
- **Research and development % spend of revenue:** The total of the research and development expenditure recorded in the statement of profit or loss (excluding amortisation) and the capitalised spend in the period divided by revenue.

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