NZX and Media Release 28 August 2018

UNAUDITED FINANCIAL RESULTS FOR THE YEAR TO 30 JUNE 2018

GEO re-establishes growth momentum

Summary

- Strong revenue growth re-established from March 2018, with June 2018 Annualised Recurring Revenue (ARR)[1] 23.9% higher than December 2017; ARPU growth from pricing changes is driving the increase
- Total Subscription Revenue[2] of $4.0m, a 6.4% increase over FY17
- Underlying EBITDA[4] loss of $1.9m was a 43% improvement on the $3.4m loss in FY17, due to reduced costs, material increases in ARR and gains in revenue from other sources
- Monthly cash burn continues to improve, currently averaging $120k per month
- Net loss of $8.7m includes a $5.0m non-cash impairment of GEOSales intangibles and $0.7m of one-off costs attributable to the ASX IPO process and associated restructuring costs
- Recent capital initiatives leave GEO debt-free with sufficient capital to transition to positive EBITDA[3]
- In line with earlier guidance FY19 revenue growth is expected to exceed 30% with the Company generating a positive EBITDA run-rate by the middle of calendar 2019

GeoOp Limited (NZX.GEO), a global provider of Software-as-a-Service (SaaS) mobile workforce solutions, today announces it is on track to deliver its targets of revenue growth exceeding 30% for the 2019 financial year and to achieve a positive EBITDA[3] run-rate by mid-calendar 2019 as growth initiatives begin to deliver.

ARR at the end of June 2018 was $4.8m, 23.9% ahead of December 2017, with the rise due principally to existing customers moving to subscription pricing that reflects current market rates. Month-on-month growth in ARR averaged 4.5% in the final four months of the financial year.

Subscription revenues for the year to 30 June 2018 increased 6.4% to $4.0m from $3.8m in FY17. Growth in GEOService revenues offset weakness in GEOSales revenues. Revenue growth was subdued in the first eight months of the 2018 financial year due to the distractions associated with the now-withdrawn ASX IPO and management changes in January 2018.

The GEOSales business has been performing below its potential due to the Company focusing on its GEOService product during FY17-18. The Company is now executing a plan which is expected to see GEOSales return to growth in FY19.

Revenues from ordinary activities (including Training & Implementation) for the year to 30 June 2018 increased by 2.6% to $4.2m from $4.1m in FY17. Other Income reduced by 33% from $1.4m to $1.0m, with a 129% increase in Grants to $1.0m offset by a $1.0m decrease in other items (due to a one-off non-cash writeback of a $1.0m contingent liability that was recognised in FY17).

The annual underlying EBITDA loss of $1.9m was a 43% improvement on the $3.4m loss in FY17. This improvement reflects reduced costs, material increases in monthly ARR since March 2018 and the receipt of an Australian Government R&D incentive of $0.6m, which is expected to be ongoing.

The group net loss for the year to 30 June 2018 increased to $8.7m from a loss of $3.6m a year ago, reflecting a $5.0m non-cash write down in the value of the GEOSales business and $0.7m of costs associated with the ASX IPO process and associated restructuring costs.

GeoOp Financial Results Year Ended	30 June 2018 $'000 (5)	30 June 2017 $'000	Variance $'000	Variance %
Revenue from ordinary activities				
- GeoService Subscriptions	**2,591**	2,144	+447	+20.8%
- GeoSales Subscriptions	**1,446**	1,652	-206	-12.5%
- Training & Implementation Fees	**173**	309	-136	-44.0%
Total Revenues from ordinary activities	**4,210**	4,105	+105	+2.6%
Statutory EBITDA	**(2,583)**	(2,350)	-233	-9.9%
Underlying EBITDA	**(1,910)**	(3,352)	+1,442	+43.0%
Statutory Net Profit / (Loss)	**(8,687)**	(3,563)	-5,124	-143.8%

GEO Chairman Roger Sharp said: "The improvements we have seen in recent months reflect the growth initiatives put in place since the recommencement of trading on the NZX. We are seeing strong growth in subscription revenues as we shift our customers onto new subscription pricing plans. And – as signalled earlier this year – we are preparing to launch new initiatives to accelerate the acquisition of new customers later in FY19."

"GEOService saw subscription revenues in the year to June increase 20.8% from the same period a year ago to $2.5m, while GEOSales annual subscription revenue was down 12.5% to $1.4m."

"The GEOSales business has performed below its potential due to the Company focusing its resources on its GEOService product during FY17-18. GEOSales remains a strategic focus for us, and we are now implementing a plan which is expected to see GEOSales return to growth in FY19."

"Notwithstanding the board's and management team's view that GEOSales has significant untapped potential, we have taken a non-cash impairment of $4.9m to goodwill and a further $0.1m impairment to capitalised development costs."

Mr Sharp said the appointment of Mark Rushworth and Kylie O'Reilly in February of this year, as an independent Non-Executive Director and Chief Executive Officer respectively, had strengthened the leadership of the company."

"Kylie has a proven management track record in guiding technology and media companies through rapid and continuous growth cycles. Mark is Chairman of fintech start-up Genoapay, a Non-Executive Director of NZX-listed company Freightways, and was previously CEO of Paymark, Pacific Fibre and iHug."

"We have also strengthened the balance sheet, first with a $2.0m equity placement and then, after balance date, with the completion of a $1.6m rights issue. We have since redeemed $0.5m of our convertible debt for cash and converted the remaining $2.4m in convertible debt to equity on the same terms as the placement and rights issue."

"We are now debt-free and our financial metrics are showing continuous improvement. With the Company's cash burn currently averaging $120k per month, we believe that GEO has enough capital at hand to complete the journey to positive EBITDA in mid-calendar 2019."

Ms O'Reilly said the initial phases of the strategy to lift GEO's revenue growth were delivering strong results. The initiatives, announced in May of this year, included the launch of the new GEOService application, driving ARPU increases and activating new channels to market.

"We are very pleased with the progress we have made transitioning our customers onto the new subscription pricing. As we indicated in May, this transition will continue to drive material revenue growth through to the end of the current financial year.

"The move of legacy customers to new subscription pricing will lead to a reduction in license numbers, however GEO is focused on profitable growth and requires its licenses to generate a positive contribution at market prices.

"Customer acquisition was modest in FY18 and this trend has continued into the new financial year. However, as enhancements to our digital marketing take effect and new channels roll out, we expect these to begin to drive growth in customer numbers and licenses in the second half of FY19.

"All product websites are being consolidated into a single GEO website. We expect this to drive growth in trials, which can then be converted to paying subscribers. New branding initiatives will also be announced at the time of the website launch.

"Meanwhile, GEO will go live on the Ingram Micro Cloud channel in October. It is the first mobile workforce productivity app to appear on the channel globally. Ingram Micro Cloud is a fully automated ecommerce platform and web store. It is used by nearly 200,000 solution providers globally.

"The new GEOService application is now in live customer trials and is being well received. The application has been designed based on feedback from dozens of customers and offers a vastly improved user experience. As feature upgrades are released over the next few months, more customers will be migrated to the new application.

"The trial of our upgraded payments module GeoPay, which will allow customers to receive payment for services managed through the GEOService platform, has not yet delivered conclusive results. We continue to believe that payments represent an attractive growth opportunity but, until we have more proof points, are not factoring significant revenue from payments into our FY19 budget. We are continuing to test different options in the marketplace."

Outlook

"**GEO enters the 2019 financial year with confidence. The distraction of the ASX IPO process and management changes are now behind us. We are implementing strategies to achieve a minimum of 30% revenue growth in the current financial year and are now seeing sharply improved results. Cash burn is now at its lowest point in GEO's history, we are ungeared and are confident that the Company has sufficient cash at hand to move to a positive EBITDA run-rate by mid-2019**," Mr Sharp said.

For further information
Kylie O'Reilly, Chief Executive
kylie.o@geoop.com

Notes:

1. Annualised Recurring Revenue (ARR) is a non-GAAP financial performance measure used internally by GEO as a basis for its current revenue run rate. ARR is calculated based on the subscription revenue from its GEOService and GEOSales solutions in the reference month and then annualised using exchange rates at the end of the reference month.
2. Subscription revenues are the total reported recurring revenues in any given period generated by the GEOService and GEOSales platforms and exclude training and implementation fees.
3. EBITDA is statutory net loss from operations excluding interest, tax, depreciation, amortisation and impairments and does not have a standardised meaning prescribed by NZ GAAP.
4. Underlying EBITDA is EBITDA less non-operational revenue and expenses and does not have a standardised meaning prescribed by NZ GAAP. In FY18 it excludes the impact of $0.7m in ASX migration costs and associated restructure costs (FY17: $184k). In FY17, Underlying EBITDA included the impact of a $1.0m write back of a contingent liability previously taken up at the time of acquisition of Interface IT.
5. Unaudited.

About GEO:

Geo provides cloud-based business productivity tools and applications for small to large businesses with mobile and distributed workforces. Geo targets its productivity tools at customers across different functions and business areas that range from sole traders to multi-seat organisations, sometimes with hundreds of licences. The nature of Geo's platform means that it is designed to scale for organisations of various sizes and with various needs. For additional information, please visit www.geoservice.io or www.geo.tools

GeoOp.

GeoOp Limited (GEO)
Results for announcement to the market

Reporting Period	Year ended 30 June 2018	
Previous Reporting Period	Year ended 30 June 2017	
	Amount ($'000)	**Percentage change Incr. / (decry.)**
Revenue from ordinary activities	4,210	+2.6%
Profit (loss) from ordinary activities after tax attributable to security holder	(8,687)	-143.8%
Net profit / (loss) attributable to security holders	(8,494)	-159.4%
Interim / Final Dividend	**Amount per Security**	**Imputed Amount per Security**
Dividend	No dividends paid or proposed	Not applicable
Record Date	Not applicable	
Dividend Payment Date	Not applicable	
Comments	Refer to attached 'Results Announcement' documents	
Details of Dividend Reinvestment Plan	Not applicable	
	Reporting Period	**Previous Reporting Period**
Net Tangible Assets per Security	-$0.020	-$0.010
Acquisitions / disposals during period	No entities over which control has been gained or lost	
Details of associates and joint venture entities	No associates or joint ventures.	

GeoOp.

Consolidated statement of profit or loss and other comprehensive income

For the year ended 30 June 2018

(Stated in New Zealand Dollars)	12 months Unaudited 30 June 2018 $'000	12 months Audited 30 June 2017 $'000
Revenue	**4,210**	**4,105**
Other income	951	1,416
Expenses		
Research and development	(2,214)	(2,682)
Sales and marketing	(1,832)	(1,795)
General operating and administration	(3,125)	(3,210)
ASX listing costs	(572)	(184)
Write down of intangible assets	(4,971)	-
Depreciation and amortisation	(1,134)	(1,213)
Total expenses	**(13,848)**	**(9,084)**
(Loss) from operations before tax	(8,687)	(3,563)
Income tax benefit	-	-
Net (loss) from operations for the year	**(8,687)**	**(3,563)**
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Gain/ (loss) on translation of foreign operations	193	288
Total comprehensive (loss) for the period, net of tax attributable to shareholders	**(8,494)**	**(3,275)**
(Loss) per Share:		
Basic and diluted (loss) per share (cents)	(21.58)	(5.51)

Calculated on a weighted average basis of the number of shares and warrants on issue.

Consolidated statement of changes in equity

For the year ended 30 June 2018

Unaudited (Stated in New Zealand Dollars)	**Share Capital $'000**	**Share Based Payments Reserve $'000**	**Foreign Currency Translation Reserve $'000**	**Accumulated Losses $'000**	**Total Equity $'000**
Balance at 1 July 2016	20,861	88	(135)	(13,223)	7,591
Loss for the year	-	-	-	(3,563)	(3,563)
Currency translation movements	-	-	288	-	288
Total Comprehensive Income	**-**	**-**	**288**	**(3,563)**	**(3,275)**
Transactions with Owners					
Issue of shares	5,117	(118)	-	-	4,999
Net share-based payment expense	-	111	-	-	111
Balance at 30 June 2017	**25,978**	**81**	**153**	**(16,786)**	**9,426**
Balance at 1 July 2017	25,978	81	153	(16,786)	9,426
Loss for the period	-	-	-	(8,687)	(8,687)
Currency translation movements	-	-	193	-	193
Total Comprehensive Income	**-**	**-**	**193**	**(8,687)**	**(8,494)**
Transactions with Owners					
Issue of shares	2,741	(177)	-	-	2,564
Net share-based payment expense	-	180	-	-	180
Balance at 30 June 2018	**28,719**	**84**	**346**	**(25,473)**	**3,676**

Consolidated statement of financial position

As at 30 June 2018

(Stated in New Zealand Dollars)	Unaudited 30 June 2018 $'000	Audited 30 June 2017 $'000
Current assets		
Cash and cash equivalents	1,995	864
Trade and other receivables	1,297	786
Related party loans	194	-
Total current assets	**3,486**	**1,650**
Non-current assets		
Property, plant & equipment	86	86
Intangible assets	4,720	9,798
Related party loan	-	372
Other receivables	31	100
Total non-current assets	**4,837**	**10,356**
Total assets	**8,323**	**12,006**
Current liabilities		
Trade and other payables	1,642	1,090
Convertible note	1,466	1,466
Related party loan	1,528	-
Total current liabilities	**4,636**	**2,556**
Non-current liability		
Provision for long service leave	11	24
Total non-current liabilities	11	24
Total liabilities	**4,647**	**2,580**
Net assets	**3,676**	**9,426**
Equity		
Share capital	28,719	25,978
Share based payments reserve	84	81
Accumulated losses	(25,473)	(16,786)
Foreign currency translation reserve	346	153
Total equity	**3,676**	**9,426**

Consolidated statement of cash flows

For the year ended 30 June 2018

(Stated in New Zealand Dollars)	12 months Unaudited 30 June 2018 $'000	12 months Audited 30 June 2017 $'000
Cash flows from operating activities		
Cash was provided from (applied to):		
Receipts from customers	4,398	4,492
Grants received	794	236
Interest received	7	13
Payments to suppliers & employees	(7,383)	(7,801)
Net cash (outflow) from operating activities	**(2,184)**	**(3,060)**
Cash flows from investing activities		
Cash was provided from (applied to):		
Bonds matured	69	-
Purchase of property, plant and equipment	(38)	(25)
Capitalised development costs	(566)	(317)
Capitalised website & trademark costs	(36)	(47)
Net cash (outflow) from investing activities	**(571)**	**(389)**
Cash flows from financing activities		
Cash was provided from (applied to):		
Receipt of related party loan receivable	200	-
Receipt of related party loan obtained	1,499	-
Capital raising costs	(213)	(166)
Issue of ordinary shares	2,400	3,411
Net cash inflow from financing activities	**3,886**	**3,245**
Net increase / (decrease) in cash held	1,131	(204)
Add cash and cash equivalents at start of the period	864	1,068
Balance at end of the year	**1,995**	**864**
Comprised of:		
Cash and cash equivalents	**1,995**	**864**

GeoOp.

Additional notes

For the year ended 30 June 2018

Basis of Preparation

The statements included in the Preliminary announcement are prepared in accordance with Generally Accepted Accounting Practice (NZ GAAP).

The financial statements are presented in thousands of New Zealand dollars and are unaudited.

The same accounting policies and methods of computation are followed in these financial statements as were applied in the preparation of the Group's financial statements for the year ended 30 June 2017.