01 May 2020

Market Announcement

For immediate release

Wellington Drive Technologies Q1 result and COVID-19 Update

Wellington Drive Technologies (Wellington), a leading provider of Internet of Things (IoT) solutions and energy efficient motors to the retail food and beverage industry, today announced its unaudited trading results for the three months ending 31 March 2020 (Q1 2020).

Financial Metrics

Three months ended 31 March	2020	2019*	Change
Revenue	$15.4m	$15.8m	-3%
Wellington Connect IoT Revenue	*$6.8m*	*$7.1m*	*-6%*
ECR2 motor revenue	*$5.3m*	*$4.3m*	*+24%*
ECR legacy motor revenue	*$2.9m*	*$3.9m*	*-27%*
Gross profit	$4.5m	$4.1m	+8%
Gross margin %	29.4%	26.2%	+3.2pp
EBITDA reported	$1.50m	$0.99m*	+51%
EBITDA pre fair value adjustment	$1.01m	$1.09m	-7%
EBIT	$0.91m	$0.38m*	+$0.53m
Profit before taxation	$0.79m	$0.09m*	+$0.70m

* Comparatives for Q1 2019 were required to be restated to account for the acquisition of iProximity Pty Limited. Accordingly, EBITDA, EBIT and the profit before taxation for that period were reduced by $96,000.

- Revenue for the quarter was $15.4m, consistent with the same period in 2019. There was some level of impact on Q1 2020 revenue due to COVID-19 disrupting the company's Asian supply chain, however, these supply constraints were largely resolved during March and the supply chain and manufacturing operations are currently operating normally.
- Gross margin improved from 26.2% to 29.4% reflecting the ongoing focus on implementing various productivity improvement measures and the increasing IoT product share of revenue.
- EBITDA[1] for the three months was $1.5m versus $1.0m for the same period last year, a result which included a $0.5m non-cash accounting gain arising from a change in fair value of the contingent consideration payable for the acquisition of iProximity Pty Limited. EBITDA[1] excluding this gain was $1.0m, 7% lower than 2019.
- Net profit before tax for the three months, including the fair value adjustment, was $0.8m, up from $0.1m last year.

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- The company shipped 9% fewer motors for the same period in 2019. ECR2 motor revenue grew 24% compared to Q1 2019. Wellington's legacy motor volume reduced as expected.
- Wellington SCS Connect shipments were 14% lower compared to the same period in 2019.

<u>2020 Update and Cost Initiatives</u>

COVID-19 related factory and border shutdowns are impacting Wellington's customers globally. The duration of the shutdowns in the company's key markets is uncertain as is the pace and timing of recovery in demand. The impact of COVID-19 on the capital expenditure plans of major food and beverage brands is also not clear but the company is planning for demand to be well down on 2019 levels.

The company has successfully navigated the New Zealand level 4 lockdown and similar lockdowns in its overseas offices. Despite the work-from-home mandates the company has continued progress on new product development, supply chain right sizing and maintaining customer support.

The focus for the board and management is on maintaining financial liquidity and being in a strong position to support customers as they exit their shutdowns. As most customers have temporarily closed their factories and office operations for varying periods, receivables collection and product demand have been impacted. Customers have been cancelling or deferring purchase orders, seeking to reschedule demand and taking extensions of their payment terms.

The company is implementing a range of measures to help mitigate the impact of changes in the market. These include:

- a number of temporary compensation changes which the company expects to be in place for much of 2020 with the position to be reviewed every three months:
    - Board of Director fees reduced by 50%
    - Chairman fees reduction of 100%
    - CEO salary reduction of 30%
- postponement of the 2019 performance payment into 2021.
- implemented a hiring freeze for the balance of 2020.
- reduction of travel expenses to near zero for the balance of 2020.
- deferred $2m of capex spend, with the balance of $1m allocated to complete the development of new Connect SCS products, new proximity marketing software solutions and the ECR2+ motor.
- secured extended terms from the company's main suppliers to match delayed receipts from customers.
- applied for and received a $434,000 wage subsidy payment from the New Zealand government. Other wage support grants in Australia, USA and Singapore have been applied for.
- negotiated a rent reduction for the Auckland and Turkish office premises.

Wellington is also exploring or considering additional initiatives to ensure the company emerges from the pandemic in a strong position and will update the market as these initiatives progress.

Wellington's CEO Greg Allen commented; "We were pleased with our first quarter results, especially with the backdrop of the COVID-19 challenges emerging during the quarter. These are challenging times for all businesses. Our team has done exceptional work to date to meet customer demand after supply constraints were resolved and we continue to target the launch of new IoT products during 2020. The team is working hard to ensure we conserve cash at the same time as maintaining our ability to supply customers and support their product needs as demand returns."

About Wellington Drive Technologies:

Wellington is a leading provider of IoT solutions, cloud-based fleet management platforms, energy-efficient electronic motors and connected refrigeration control solutions. It serves some of the world's leading food and beverage brands and refrigerator manufacturers and offers proximity-based marketing for Smart Cities to the Australian market. Wellington's services and products improve sales, decrease costs and reduce energy consumption. Headquartered in Auckland with a global reach, Wellington is listed on the New Zealand stock exchange under the ticker symbol NZ:WDT
For further information visit **www.wdtl.com**

EBITDA[1] (i.e. Earnings before interest, taxation, depreciation, amortisation and impairment) is a non- GAAP earnings figure that equity analysts tend to focus on for comparable company performance analysis. Wellington considers that it is a useful financial indicator because it avoids the distortions caused by differences in amortisation and impairment policies.

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