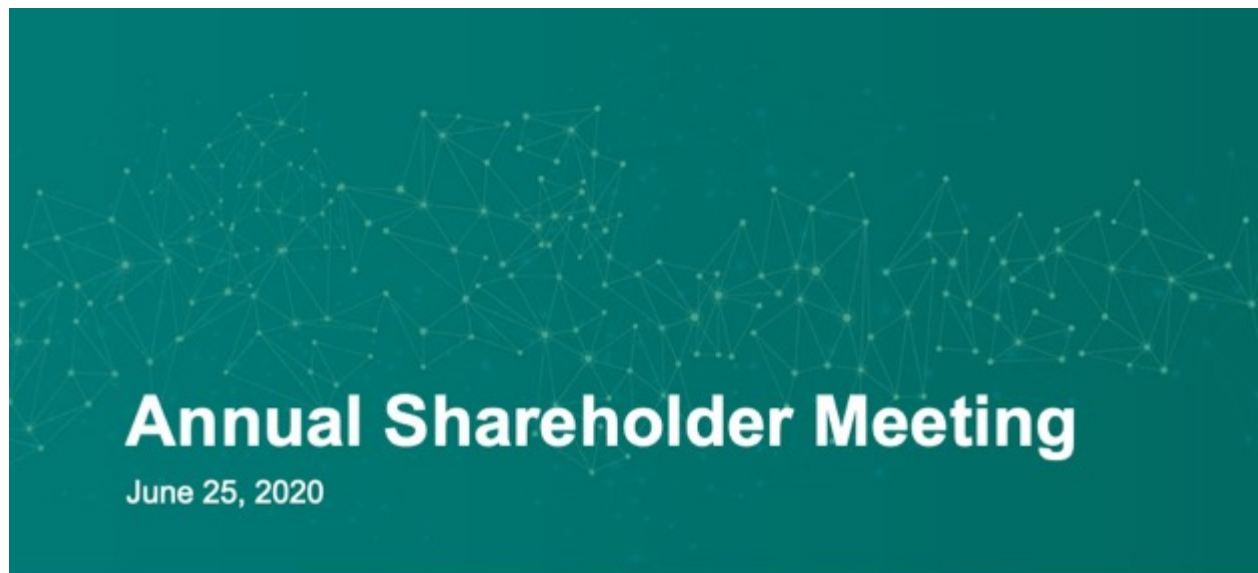


# Wellington Drive Technologies Annual Shareholder Meeting June 25, 2020

## Meeting Address



Good afternoon, I am John McMahon, the Chairman of Wellington Drive Technologies and it's my pleasure to welcome you all to this annual shareholders' meeting. As you are aware, today's meeting is being held online via the Lumi platform.

An online only meeting is not Wellington's preferred option, and for next year we intend to have a mixed format with both in-person and online attendance.

The Lumi platform allows shareholders and proxies to ask questions and vote on resolutions. I shall provide further details on how you do this shortly.

I am pleased to confirm that we have a quorum and therefore declare the 2020 Annual Shareholders' Meeting of Wellington Drive Technologies open.

The items of business for this meeting and the resolutions to be considered by shareholders are contained in the Notice of Meeting which was sent to shareholders on 10<sup>th</sup> June.

## Agenda



- Voting and questions process
- Chairman & CEO commentary
- Rights Issue announcement
- Proxies and postal votes
- Formal business of the meeting
- Questions
- ASM Meeting conclusion



Our agenda today will take us through a Chair and CEO commentary on the 2019 performance, outline the actions taken by Wellington in response to the COVID-19 crisis, discuss the rights issue announced earlier today, and then proceed with the formal business of the meeting.

I will now explain the voting process.

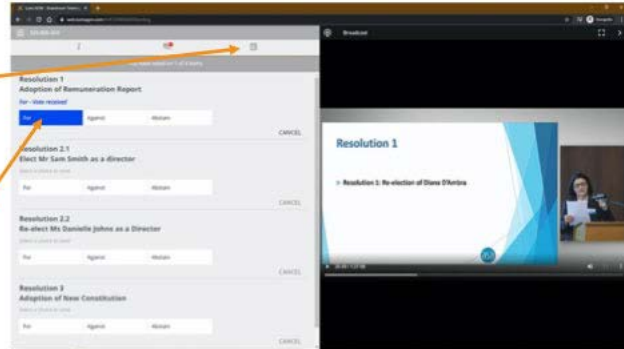
You will be able to vote from now, on the resolutions that are to be considered at this meeting. If you're eligible to vote, a polling icon will appear on your screen.

## Online Attendees – Voting process

- When the poll is open, the vote will be accessible by selecting the voting icon at the top of the screen



- To vote simply select the direction in which you would like to cast your vote, the selected option will change colour.
- There is no submit or send button, your selection is automatically recorded.



Selecting this icon will bring up the list of resolutions and present you with voting options. To cast your vote, simply select one of the options. The vote will be automatically recorded.

Up until the time the poll is declared closed, you may change your vote by selecting another option or you may cancel your vote by clicking 'cancel'.

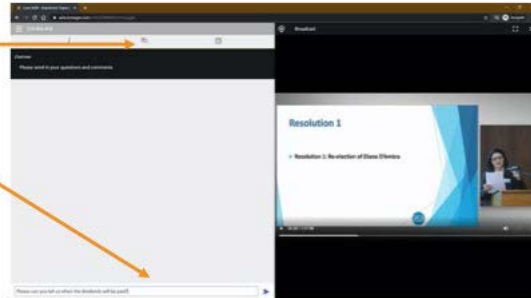
You may submit questions on each resolution being put to shareholders at any time.

## Online Attendees – Question Process

- When the Question function is available, the Q&A icon will appear at the top of the app.



- To send in a question, simply click in the 'Ask a question' box, type your question and then press the send arrow
- Your question will be sent immediately for review



To ask a question, click on the speech bubble icon as indicated on the slide – depending on your device it may be in a slightly different part of the screen. This will open a new screen. At the bottom of the screen, there is an area for you to type your question. Once you have finished typing, please click on the arrow symbol to send.

Whilst you can submit questions from now on, we will not address them until the relevant time in the meeting. Note that your questions may be moderated or, if we receive multiple questions on one topic, these will be combined. However, if you don't consider your question has been addressed, please resubmit it.

Finally, to ensure all shareholders have a chance to ask a question, please limit yourself to two questions. We may run out of time to answer all questions, and if this happens, we will make sure that we respond following the meeting.

Now I will move on to my review of the business results from 2019, followed by Greg on our updated 2020 strategy; then I will discuss the actions we have taken in response to COVID and the rights issue.

# Business Commentary



Before reviewing 2019, I do want to note that during Q1 this year we started to see the impacts of the COVID-19 pandemic and acted quickly to manage through what were initially supply chain challenges and, more recently, customer demand challenges. Many of the Company's customers are located in the Americas, a region that is currently being hit by the pandemic, however, we are seeing early encouraging signs from some European customers who are starting to order again.

The board and management's focus since Q1 has been preparing for and managing through COVID-19. We have aimed to ensure our staff, suppliers and customers were safe and then taken operational decisions and actions to manage through the subsequent economic impact.

Looking back at 2019, Wellington's business continued its positive growth and profit trend with all key financial metrics trending upwards. We think these results highlight how far the Company has come and what the Company has the potential to do once COVID-related demand issues start to abate.

# Key Financial Metrics and achievements

## Wellington Drive FY2019 Financial Metrics Review

Metric (NZ\$ million)	FY 2019	FY 2018	Change Y/Y	CAGR 5-year
<b>Revenue</b>	<b>61.7</b>	<b>58.8</b>	<b>+5.0%</b>	<b>16.5%</b>
Wellington Connect IoT revenue	24.0	18.2	+31.6%	
ECR2 motor revenue	22.5	17.8	+26.3%	
ECR legacy motor revenue	13.4	20.6	-35.2%	
<b>Gross Profit</b>	<b>16.6</b>	<b>14.3</b>	<b>+16.7%</b>	<b>39.1%</b>
Gross Margin %	27.0%	24.3%	+2.7%	8.5%
<b>EBITDA</b>	<b>4.22</b>	<b>2.46</b>	<b>+71.2%</b>	
EBIT	1.51	0.45	+233.6%	
<b>Profit/(Loss) for the year</b>	<b>0.45</b>	<b>(0.71)</b>	<b>1.16</b>	
Operating Cashflow	2.99	1.85	61.5%	



This slide looks at Wellington’s 2019 financial metrics, showing year-on-year progress, as well as CAGR trends where relevant.

With continued growth in Wellington Connect IoT hardware and data products and continued ECR2 motor growth the Company saw its highest revenue and best profit performance ever.

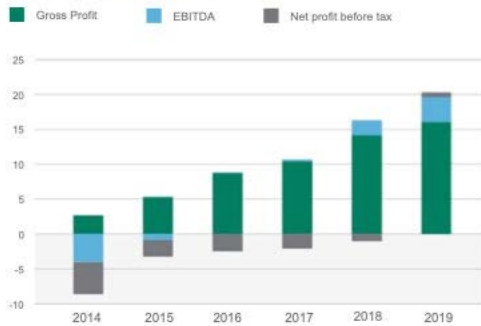
EBITDA was a surplus of \$4.22m, up from \$2.46m in 2018. The Company achieved a maiden net profit of \$0.45m, up from a loss of \$0.71m in 2018. Connect IoT products and ECR2 motors continued to gain significant traction, including attracting new customers in the food and beverage market and for ECR2 specifically, a new customer in the medical cooler market.

EBITDA and profit continued to improve into Q1 2020, until the impact of COVID-19 started to impact customer demand.

Wellington paid back all of its high interest debt in Q4 2019 following the successful capital raise in October 2019.

## 2019 Achievements

### Profit performance



### Selected highlights

- **Maiden net profit:** net profit for the year of \$0.45m, a \$1.16m improvement on the prior year
- **Product sales growth:** Connect SCS sales grew by 31.6% to \$24.0m. ECR2 motor sales grew by 26.3% to \$22.5m.
- **Gross margin improvement:** Gross margin of 27.0% compared to 24.3% in 2018. Gross profit improved by \$2.3m.
- **Growth Funding:** Successfully completed a 1:5 rights issue, raising \$5.2m to pay back high interest debt and support new products.



Looking at Wellington's profit trends over the past few years, we are pleased at the consistent and ongoing improvement, particularly given headwinds from increased competitive pressure on our legacy motors business.

Gross Profit expansion was delivered primarily by the increased sales of our Connect SCS platform, which includes our data services.

The board and staff were very pleased to record Wellington's first ever full year net profit, a direct result of the new product innovation, operational excellence and customer relationships the team has built and delivered over a number of years.

The continued success of our Connect SCS and ECR2 product platforms drove the profit expansion in 2019. As the COVID-19 crisis unwinds we believe those products, along with new developments that we are launching later in 2020, should underpin improved financial performance.

# Revenue and Gross Profit

## Product Contribution



Wellington’s revenue and gross profit mix continued to be dominated by its Connect IoT products and its ECR2 motor as growth from these products offset the declining growth from legacy motors.

Revenue billings from Connect IoT products and services, including Connect SCS hardware, data services, and iProximity software was \$24.0m, a 32% increase over 2018. Invoicing of IoT data services increased 32% to \$2.7m.

ECR2 motor unit sales were 20% higher, and revenue increased 26% to \$22.5m. This was primarily due to increasing demand for the ECR2 product in the USA. The legacy motor business declined 35% in the year.

The Company continues to work with a number of customers on iProximity marketing services trials in the food and beverage market and on some interesting targets in other sectors.



I would like to provide one further update before I hand over to Greg.

You would have recently seen our announcement on Gottfried Pausch spending more time in the business to assist and support the New Zealand team as they work through COVID strategies and look for new improvement opportunities and strategy creation as we move towards a new post-COVID normal. This is an interim arrangement until our CEO and management team are able to more freely travel to customers and global offices, or we have more clarity around post-COVID market conditions.

I'll now hand over to Greg to outline the strategic focus as we work through the challenges of 2020.



## **Wellington's 2020 Priorities**

Thank you John

As John mentioned earlier, the Wellington team is now focused on managing through the impact of COVID on the business. The board and I think it's critical to maintain the Company's core capabilities and new product options, so the Company is ready to resume its positive performance trend once customers start to come back on line.

Even while customers have temporarily reduced their demand, they are continuing to discuss and demand new technology options. We think that one of the impacts of the COVID pandemic could be a greater focus by our customers on ensuring their cooling solutions are even more reliable and their cooler fleets are managed more efficiently.

Our Connect SCS and proximity marketing platform is particularly relevant as consumer engagement and buying behaviour may also change, with more consumers and retailers requiring mobile connectivity to their point of sale coolers.

## 2020 Priorities



### Effectively manage through the COVID situation to ensure the company emerges in a strong position

- Reduce operating costs and conserve cash.
- Retain viable product development and sales capability to enable resumption of business when conditions normalise.
- Continue to develop and launch new IoT hardware and software products to increase revenue options.
- Strengthen marketing activities in new markets and with new customers.



Our primary goal is to effectively manage through the COVID situation and ensure the Company comes out of the other side in a strong position

Our main focus areas in 2020 are.

- Reduce operating costs and conserve cash. The team has stepped up here and sacrificed on average 20% of their salaries for the

balance of 2020 to support reduced cash burn. This is in addition to other cost savings and significant reductions in capital expenditure.

- Retain viable product development and sales capability to enable resumption of business when conditions begin to normalise. We have purposely not significantly reduced development capability nor sales and customer capability. Through the downturn, we have continued technical and marketing discussions with all customers.
- Continue to develop and launch critical new IoT hardware and software products to ensure increased revenue options. While we have put a freeze on all hiring, we have continued the work on our new product roadmap so we can launch new products as customers come back online.
- Strengthen marketing activities for Wellington's solutions in new markets and with new customers. Continuing to market our products to new customers and into new markets (such as medical coolers) is a key objective.

## Take Action – Maintain Capability

### Spend actions:

- Board compensation reduced by 50%
- CEO compensation reduced by 30%
- Staff salary sacrifice 20%-25%
- Hiring and operating spend freeze
- Reduced capex by \$2m
- Renegotiate supplier terms



### Capability:

- International sales and marketing
- Full stack software development
- Complex electronics design
- Product innovation for connected equipment
- Digital proximity marketing



We acted early.

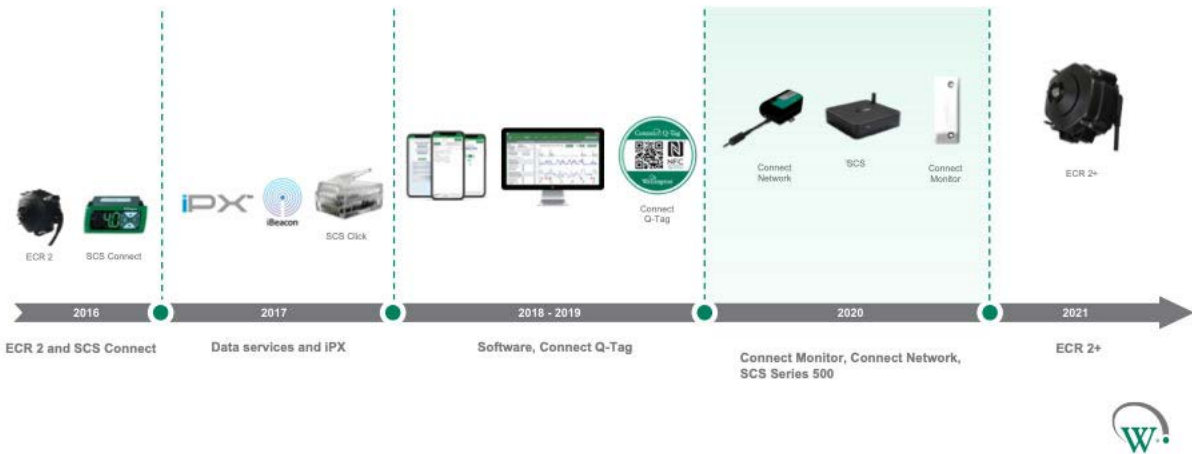
In March we cancelled our planned hiring, reduced capex spend by around \$2m, and our travel costs dropped to zero. Then in May, with staff and board support, we reduced our salary and board costs by around \$2m. We also worked with suppliers to extend payment terms to match the payment delays we are seeing from customers.

Through doing this, we believe we are able to maintain most of the operational capability we need to execute for customers and regain our financial performance momentum as the market begins to recover from customer and regional shutdowns.

Underpinning our ability to access new revenue opportunities is the continued work on new product launches, targeted for later in 2020. As part of capex reduction, we have rescheduled some targeted launches. We are focusing on accelerating new Connect SCS hardware and software products as we think that is where the predominant customer opportunities will be as the market returns to more normal levels of demand.

# New product launch targets

## 2020 Product Launch Targets



In 2019 we continued to develop our software apps and data platform for customers to connect with their beverage and food service equipment and improve their asset management.

Some examples of our product launches targeted over the coming 12 months include:

- The *Connect Monitor*, which is a battery operated, low-cost refrigeration sensor, primarily targeted at after-market and retrofit opportunities.
- The *Connect Network* with updated software apps for real-time monitoring of equipment. Network powers 'always on' data connectivity through 4G and Wi-Fi technologies.

- The ECR2+ motor, a higher power derivative of the successful ECR2 platform, engineered to access a broader range of cooling applications

The new product launch plans targeted for 2020 will continue to demonstrate the evolution of the Company's roadmap towards higher value asset management solutions.

Before handing over to John, I will close with a few comments on our expected first-half performance

## First Half Estimates

Metric (NZD)	H1 2020 (Est)	H1 2019 (Act)	Change
Revenue	\$20.6m	\$33.3m	-38.2%
Gross Profit	\$6.3m	\$8.8m	-28.0%
Gross Margin %	30.7%	26.4%	+4.3%
Operating expenses net of other income	\$5.2m	\$6.3m	-17.3%
EBITDA	\$1.1m	\$2.4m	-55.8%
EBIT	-\$0.1m	\$1.3m	-\$1.4m
Cash net of debt	\$1.1m	-\$3.0m	\$4.1m



The impact of COVID-19 on customer demand varies by geographical region, with the Americas region currently feeling the effects of customer shutdowns and the European region starting to emerge from shutdowns.

While our Q1 results were strong and continued the growth trends from prior years, we envisage much weaker second and third quarters as most of our customers are just starting to reopen and it is unclear when their production volumes will return to a more normal level.

The current estimated sales for Q2 is around \$5m, with a moderate EBITDA loss expected for the quarter. However, given the strong Q1 performance, the Company expects a modest EBITDA profit for the first half.

Given the lower first-half volumes and uncertainty over the balance of 2020 both in terms of demand and customer payment terms, the board has decided that it is important to strengthen the Company's balance sheet.

With that goal in mind, I'll now pass over to John to discuss Wellington's funding plans.



## Rights Issue Highlights



Wellington

Thanks Greg.

This morning Wellington announced a rights issue to support the Company through the period of financial uncertainty. This will provide Wellington with the financial capacity to continue to deliver for customers as they come out the other side of the pandemic.

## Cash Actions

- Compensation reductions by board, CEO and staff
- Delay payment of 2019 STI bonuses until 2021
- Implemented hiring and general operating spend freeze, travel expenses to near zero
- Furloughs and part time working
- Deferred \$2m of capex spending
- Extended supplier payment terms
- Negotiated rent reductions in Auckland and offshore
- Claimed New Zealand, USA and Australia wage subsidies
- Extended BNZ trade finance facility by \$0.5m to \$2.5m



Wellington took prompt action to conserve cash and reduce costs to weather the storm of COVID-19. This was all within a framework of ensuring we maintained business capability and new product growth options to expand our future revenue opportunities.

Reducing costs further at this stage, while possible, would impair Wellington’s ability to deliver results as our customers progressively recover from the impact of the pandemic.



## Reason for New Capital

- Support revenue declines while customers in hiatus
- Bridging working capital gap due to extended customer terms
- Continue with strategic product development to increase revenue options



Capital is required to support the financial effect of currently lowered revenues, as well as manage the flow through effect into working capital pressure.

The new funds will be used to bridge the financial outturn of the demand gap caused by COVID-19 and provide Wellington with the subsequent ability to launch the new products that can open up new revenue streams.

Coupled with already implemented cost and cash actions, which may, if required, include further operational initiatives over the next 12 months, the board believes that this new cash should be adequate to manage through the period impacted by COVID.

## Rights Issue Structure

### Structure

- 1 for 3 @ 5c
- Issuing up to 107,962,197 new shares
- Targeting a \$5.4m raise
- Firm plus oversubscriptions commitment at 100%
- Rights renounceable / not quoted on NZX

### Timing (2020)

- Notification: 25 June
- Ex date/Record Date: 26 June / 29 June
- Offer opens: 30 June
- Offer closes: 5pm 16 July
- Shares allotted: 22 July



The rights issue is targeting a raise of \$5.4m before costs. The structure of the rights issue is a 1 for 3 offer at 5c.

The issue price represents a 52% discount to the last closing price of Wellington's shares on the NZX on 24 June 2020 (being \$0.104). It is a discount of 45% to the theoretical ex-rights price of \$0.0905.

We have firm commitments and statements of intent to take up rights and apply for oversubscription from large institutions, our strategic partner and professional investors to 100% of the offer size.

We are deeply grateful to our shareholders and our staff for their support through this period. We believe that the momentum and performance Wellington delivered up to the end of first quarter shows that the Company is on the right track.

The board and staff are working extremely hard to ensure we regain revenue momentum as our customers begin to recover from COVID.



# Questions on Business Update

We will now pause to take questions on the business update and rights issue.

Again; To ask a question, click on the speech bubble icon on your screen. This will open a new screen. At the bottom of the screen there is an area for you to type your question. Once you have finished typing, please click on the arrow symbol to send.

**[Chair and CEO take questions]**

# Business of the Meeting



We will now move to the business of the meeting.

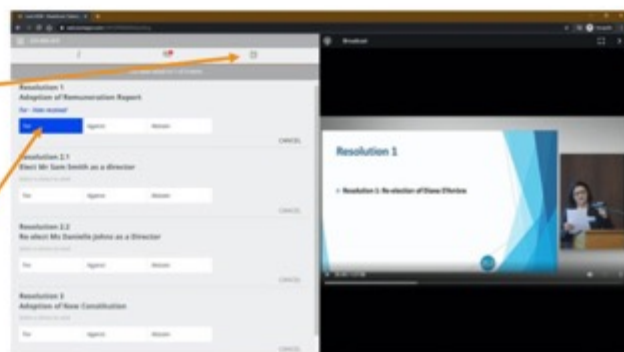
Voting will be by way of poll and through proxy submission. Once all the votes have been cast, they will be counted by the Company's share registrar, Computershare. The results of today's meeting will be released on the NZX on the completion of verification of voting.

## Online Attendees – Voting process

- When the poll is open, the vote will be accessible by selecting the voting icon at the top of the screen



- To vote simply select the direction in which you would like to cast your vote, the selected option will change colour.
- There is no submit or send button, your selection is automatically recorded.



As a reminder; You have been able to vote since the meeting opened. If you're eligible to vote, a polling icon would have appeared on your screen.

Selecting this icon will bring up the list of resolutions and present you with voting options. To cast your vote, simply select one of the options. The vote will be automatically recorded.

Up until the time the poll is declared closed, you may change your vote by selecting another option or you may cancel your vote by clicking 'cancel'.

I would also ask you to start asking your questions on these resolutions now, and I will address those questions as we discuss each resolution.

Resolutions 1 and 2 are ordinary resolutions and are required to be passed by a simple majority of votes. Resolution 3 is a special resolution and is required to be passed by 75% of the votes cast.

## Resolution 1 – Re-election of Director

### Notices of Motion



#### Resolution 1 – Re-election of Director

“To re-elect Gottfried Pausch as a director of the Company.”

Gottfried Pausch is considered by the Board to be a non-independent director



NZX Listing Rule 2.7.1 requires that the Company's Directors must not hold office without re-election past the third Annual Meeting of shareholders following their appointment or three years, whichever is longer.

Gottfried Pausch will retire from office at this year's Annual Meeting. Being eligible, he offers himself for re-election as a Director of the Company. His biography was in the Notice of Meeting.

I'll take that as read and ask Gottfried to say a few words.

**[Gottfried to speak]**

Good afternoon everyone, my name is Gottfried Pausch. Since 2014, when I joined Wellington Drive Technologies as a director, we have seen significant changes and a tremendous improvement in our financial performance. As John mentioned earlier, the current situation resulting from the global COVID pandemic limits our CEO, who resides in Canada, and other senior management team from traveling. For the foreseeable future and in close alignment with Greg, my task will be to provide on the ground leadership here in our Auckland office. I will assist the New Zealand team as they identify new improvement opportunities and support Greg in formulating our strategies for the time post-COVID. This is an interim arrangement until our CEO, and the management team are able to travel again more freely and until we have a clearer picture around market conditions going forward.

Thank you, and now I will hand back to John.

**[answer any questions]**

I move, as an ordinary resolution, "To re-elect Gottfried Pausch as a director of the Company."

I would remind you at this time, if you haven't already voted for this resolution, please do so using the Lumi app

## Resolution 2 – Auditor’s Fees

### Notices of Motion

**Deloitte.**

#### Resolution 2

“To authorise the directors of the Company to fix the remuneration of the auditor for the ensuing year.”



Deloitte is the existing auditor of the Company and is automatically re-appointed by virtue of section 207T of the New Zealand Companies Act 1993. The proposed ordinary resolution is required to authorise the Directors of the Company to fix the auditor’s remuneration for the purposes of section 207S of the New Zealand Companies Act 1993.

**[answer any questions]**

I now move, as an ordinary resolution “To authorise the directors of the Company to fix the remuneration of the auditor for the ensuing year”

I would remind you at this time, if you haven’t already voted for this resolution, please do so using the Lumi app.

## Resolution 3 – Special Resolution to amend Constitution

### Notices of Motion



#### Special Resolution

"That the Company amend its existing Constitution, in the manner marked in the Constitution as presented to shareholders at the meeting and signed by the Chairman of the Board for the purposes of identification."



The Company's current Constitution was approved by shareholders on 26 November 2004. A number of amendments to it are required to be made to ensure that it meets the requirements of, and is consistent with, the current NZX Listing Rules (as required by NZX Listing Rule 2.18.1) and to reflect changes in legislation and to better reflect current commercial practice.

These changes are summarised in the Notice of Meeting.

The proposed changes are compliance driven.

**[answer any questions]**

I now move, as a special resolution "That the Company amend its existing Constitution, in the manner marked in the Constitution as presented to shareholders at the meeting and signed by the Chairman of the Board for the purposes of identification".

I would remind you at this time, if you haven't already voted for this resolution, please do so using the Lumi app.

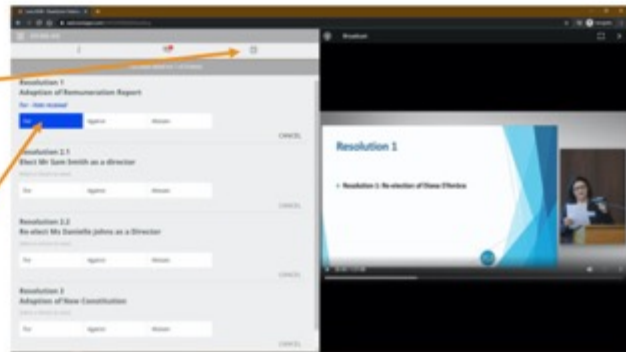


## Online Attendees – Voting process

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- To vote simply select the direction in which you would like to cast your vote, the selected option will change colour.
- There is no submit or send button, your selection is automatically recorded.



If not already done so, please cast your votes now

[pause for 10 secs]

If there are any other questions on the matters discussed today this is your final opportunity to ask questions in the meeting.

The results of today's meetings will be published on the NZX once Computershare have collated the online voting.

Thank you for your questions, your votes and for attending our meeting today. Stay safe, and we will look forward to seeing you next year.

I now declare the meeting closed

**Meeting Closed**  
**Thank you**

Wellington