28 October 2020

Market Announcement

For immediate release

Wellington Drive Technologies Q3 results and trading update

Wellington Drive Technologies (Wellington and the Company), 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 nine months ended September 2020.

Financial Performance

Metric $	**Q3 2020**	**Q3 2019**	**Change**
Revenue	$26.5m	$45.9m	-42.3%
Wellington Connect™ IoT revenue	$9.2m	$17.5m	-47.4%
ECR® 2 motor revenue	$11.4m	$16.6m	-31.3%
ECR legacy motor revenue	$5.1m	$10.4m	-51.0%
Gross profit	$7.9m	$11.9m	-33,9%
Gross margin %	29.8%	26.0%	+3.8%
Operating expenses net of other income	$6.8m	$8.8m	-22.8%
EBITDA[1]	$1.07m	$3.10m	-65.4%
EBIT	-$1.14m	$1.30m	-$2.44m
Profit (loss)	-$1.47m	$0.58m	-$2.05m

In its Interim Report, the Company had reported that its first half result reflected COVID-19 related supply chain constraints in the first quarter and the weakening of customer demand in the second quarter due to customer factory closures, food and beverage brand equipment spend reductions and government mandated regional restrictions. As expected, the demand position did not improve in the third quarter with customer shutdowns and regional slow-downs continuing.

Revenue for the nine months ended 30 September 2020 was $26.5m, a 42.3% decrease over the same period last year. Third quarter revenue was $6.0m compared to $12.6m last year for the same period and $5.1m for the second quarter in 2020.

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Gross margin improved from 26.0% to 29.8% reflecting improved product mix.

As previously reported, the Company acted quickly to mitigate the impact of lower demand, with a range of cost reduction and cash initiatives that included board and management compensation reductions, company-wide salary reductions, New Zealand and overseas government wage support initiatives, capital spend deferrals, renegotiated supplier terms, trade finance improvements and a successful pro-rata rights issue.

Net operating expenses for the nine months to 30 September 2020 amounted to $6.8m, a $2.0m reduction compared to the same period last year. This included a $0.7m fair value revaluation gain in respect of contingent consideration for the iProximity business acquisition ($0.4m for the same period last year). Adjusting to exclude this fair value change, net operating expenses reduced from $9.2m to $7.5m, a $1.7m operating cost reduction.

A positive EBITDA of $1.07m was achieved. This is lower than for the same period in 2019 due to the impact of COVID-19 on customer demand and the strategic decision to maintain the capability needed to successfully launch new products. The Company incurred a loss for the period of $1.47m.

Cash at 30 September was $3.4m. Cash has been applied during the quarter to reduce interest bearing debt to the bank and suppliers. BNZ debt was $1.7m (the facility is $2.5m) and the Company's main suppliers are being paid to agreed terms. Trade receivables at 30 September 2020 were $8.1m compared to $9.9m at 30 June 2020. Inventory was $3.6m compared to $4.8m and trade payables $3.8m compared to $9.0m respectively.

Customers and Products

The Company made strong progress on new product development with Connect™ Monitor customer samples shipped in the quarter . In fourth quarter the Company expects to launch its Connect™ Monitor retrofit device for cooler and ambient applications and start production trials of its new connected controller to support its recently announced Imbera partnership. These new products are expected to contribute to revenue in 2021.

Demand from the Americas region is showing early signs of improving, with increasing orders in its US medical and food service cooling business and new orders from some Latin American customers. Europe continues to be a highlight with increasing orders for Supermarket related ECR2 Fanpack business, and is on track to be the only region that shows full year growth versus 2019. Australasian customers have continued to place Connect SCS and ECR2 orders through third quarter, demonstrating early signs of recovery in this market.

Outlook

Typically, beverage brand customers release next year's demand in late fourth quarter or early in the New Year, however there has been de-stocking throughout the supply chain due to COVID so we expect some orders earlier than normal to prepare for first quarter demand. Consequently the Company's latest forecasts indicate fourth quarter revenue of around $10m, lower than the $15.8m for the same period last year but a significant lift on that for the second and third quarters this year.

All regions continue to be impacted by COVID-19 customer slowdowns. Some customers are showing signs of improvement and early indications from food and beverage brands are that 2021 planned volumes will be greater than 2020, albeit lower than 2019 and with increased seasonal volatility. The company is setting up for growth in 2021 versus 2020, but at this stage is unable to provide specific guidance due to continued uncertainty in customer demand patterns and the potential for further regional COVID restrictions.

CEO Greg Allen commented; "Our strategy through the COVID crisis has been to reduce costs without sacrificing capability and continuing to develop and launch the new products needed to expand revenue options in 2021. It's been a tough couple of quarters, and no doubt the next few quarters will be volatile also. We are basing our plans on our new product success, retaining and strengthening customer relationships, diligent cash management and the support of our team who have been amazing throughout."

About Wellington Drive Technologieshgy

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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