



26 February 2021

## Market Release

For immediate release

### Wellington's 2020 financial result

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 released its fully audited financial statements for the year ended 31 December 2020. The result is consistent with guidance provided on 28 January 2021.

2020 revenue was \$36.9m, well down on \$61.7m in 2019 due to previously disclosed impacts of COVID-19 on customer demand. Quarterly revenue performance was:

	Revenue NZ\$000's				
	Qtr1	Qtr2	Qtr3	Qtr4	FY
2020	15,355	5,129	6,044	10,352	36,880
2019	15,779	17,535	12,586	15,819	61,719
Change%	-2.7%	-70.7%	-52.0%	-34.6%	-40.2%

2020 started with a relatively normal first quarter, followed by significant revenue degradation in the second quarter, with Q2 revenue down around 70% versus the previous year. Third quarter saw ongoing weakness with a gradual improvement in fourth quarter. Although fourth quarter was also down versus the prior year, it did indicate that customer demand was starting to return; a trend that is continuing into first half 2021.

Despite the revenue decline in 2020, gross margin improved to 28.6% due to improved sales mix. Much of the Company's business in the America's and Asia was closed for most of second and third quarters, however the company's US medical cooler customer provided steady demand and the European supermarket motors business continued relatively normally. The European region was a highlight and was the only region that demonstrated year over year growth in 2020.

Operating costs decreased to \$11.5m from \$12.9m in 2019, a \$1.4m reduction, demonstrating how the business effectively adjusted its cost base to enable it to manage through COVID-19. Net operating costs after deducting other income was \$10.4m compared to \$12.9m for 2019. A number of mitigating factors were introduced to reduce costs and improve cashflow, including salary and fee reductions, a hiring freeze, travel spend restrictions and accessing various government wage subsidy schemes. In June 2020

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Wellington was grateful to receive the support of its shareholders as part of its multi-faceted approach to strengthen its balance sheet. The Company completed an oversubscribed 1 for 3 rights issue raising \$5.3m.

Earnings before interest, tax, depreciation, amortisation and impairment (EBITDA) was \$1.2m compared to \$4.2m in 2019. Earnings before interest and tax (EBIT) was a loss of \$1.6m compared to a profit of \$1.5m in 2019. The bottom line loss for the year was \$2.2m, entirely the result of demand degradation caused by the economic impacts of COVID-19.

<b>Metric (NZD)</b>	<b>2020</b>	<b>2019</b>	<b>Change</b>
Revenue	\$36.9m	\$61.7m	-40.2%
<i>Wellington Connect IoT revenue</i>	\$12.5m	\$24.0m	-48.1%
<i>ECR 2 motor revenue</i>	\$16.6m	\$22.5m	-26.4%
<i>ECR legacy motor revenue</i>	\$6.7m	\$13.4m	-49.7%
Gross profit	\$10.5m	\$16.6m	-36.6%
Gross margin %	28.6%	27.0%	+1.6%
EBITDA	\$1.19m	\$4.22m	-71.8%
EBIT	(\$1.59m)	\$1.51m	-205.4%
Profit (loss) for the year	(\$2.15m)	\$0.45m	-\$2.60m
Operating cash flows	\$0.34m	\$2.99m	-88.6%

Throughout 2020, Wellington's first priority was to ensure the safety of its staff and stakeholders. The Wellington team recognised early in the pandemic the need to enhance its already strong health and safety process in all global offices. The Company implemented a range of new health and safety policies, including travel restrictions, remote working and increased hygiene and hygiene equipment which are continuing into 2021. The Company continues to follow all local government and health authority COVID-19 related guidelines.

The Annual Report released today provides a full commentary on the result and the business generally, together with the outlook for 2021 which is consistent with the earnings upgrade announced on 24 February 2021.

2021 will be an important year for Wellington product expansion, as the Company launches four new products in the IoT and motor space. Wellington will also commence the first volume shipments for Imbera Cooling IoT solutions partnership and will continue progressing initiatives to expand the Connect IoT range beyond its core 'bottle cooler' market segment. It is anticipated that these developments will provide the opportunity to deliver additional revenue streams in 2021 that will somewhat mitigate ongoing COVID-related risks.

Wellington expects 2021 revenue to be between US\$40m and US\$43m, EBITDA to be between NZ\$2.5m and NZ\$3.0m, and a modest net profit. It should be noted that the US\$/NZ\$ exchange rate is currently providing a modest head wind to earnings. Wellington has adequate cash resources, including existing bank facilities, on the current outlook.



CEO Greg Allen commented; “2020 was a difficult year for our business as it was for many others and our thoughts go out to all those impacted by COVID-19. We are grateful for the support from our staff, shareholders, customers and suppliers and were inspired by the contribution of all our stakeholders in 2020. There are positive signs that demand is returning in 2021 and whilst this year will not be without risk, we are focused on working through its challenges and continuing to grow revenue and expand profits. Our strategy on maintaining investment in new products, despite the COVID-19 situation, is already proving to be valid, with Connect Monitor and Connect Series 400 launching in the first half of 2021 and revenue expected this year. Wellington will continue to be at the forefront of developing products needed to connect food and beverage equipment to the cloud and provide the software tools to help our customers operate their equipment more efficiently, save energy and grow their product sales.”

**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](http://www.wdtl.com)

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