GEOOP LIMITED (NZX:GEO)
Commentary on Preliminary Results (all figures NZD)
Tuesday 30 August 2016

GeoOp reports 64% organic revenue growth, completes acquisition to double its size and reduces cash burn

GeoOp Limited (GEO) is pleased to provide commentary on its preliminary results for the 12-month period to 30 June 2016, showing strong revenue and customer growth, achievement of significant milestones and a progressive decrease in its cash burn rate.

GEO's audited FY16 result, as previously released to NZAX, includes one month of revenue from its recent acquisition of InterfaceIT Pty Limited (IIT), which settled on 1st June 2016. GEO's FY15 audited results, which cover a 15 month period, and FY16 (12 months) are summarised in the Appendix.

To enable shareholders to see the progress being made in GEO's pre-acquisition business, GEO sets out below like-for-like pro forma (unaudited) results for the twelve months to 30 June 2016 versus the prior corresponding period.

Pre-Acquisition Performance Metrics

The business reported strong growth metrics in the 12 months to 30 June 2016 when compared to the 12 months to 30 June 2015:

Key Metrics (NZD currency)	FY15	FY16	% improvement
Revenue	$1,086,232	$1,777,194	+64%
Licenced Users	19,009	23,717	+25%
Annual Recurring Revenue	$1,312,048	$1,794,301	+37%
Closing Monthly Recurring Revenue	$109,337	$149,525	+37%
ARPU p.a. - NZD	$74	$81	+10%
Revenue churn (monthly)	4.3%	2.1%	+51%

InterfaceIT Acquisition

GEO acquired IIT on 1 June 2016. The audited financial results to 30 June 2016 include one month of IIT results.

Pro-forma unaudited revenues to 30 June 2016, as if GEO and IIT had operated as a combined entity during FY16, were NZD 4,576,000 versus a projection of NZD 4,500,000 in the Independent Expert's Report (IER) by Simmons Corporate Finance Limited released with the Notice of Special Meeting on 15 April 2016.

As disclosed in the GEO's 11 July market update, IIT's US customers decreased their license count late in the fourth quarter of FY16 resulting in a negative variance to the projection contained in the IER. As a result of the short term decline in US licence numbers, GEO's FY17 revenue growth is anticipated to moderate slightly before accelerating from FY18.

Since integration, the merged business has reduced its total cost base by 14%, compared to a projection in the IER of between 10% and 15%. Some of these savings will be reinvested for growth.

Platform and Product Suite

GEO continued to invest significantly in its core technology platform over the period, which has now been rebranded as GeoServices. New features were introduced such as GeoPay and JobShare, while integrations with other leading SaaS applications, such as MYOB, were increased.

IIT's product, now rebranded as GeoSales (™ pending), powers field sales forces in New Zealand, Australia and the USA. Available on iOS and Android tablets, this market-leading application is used by leading utility, telecommunications and energy efficiency companies to manage, track and audit their field sales and campaigns. The GeoSales ARPU was NZD 1,212 in FY16.

The GeoSales and GeoServices application suite now serves nearly 25,000 SME and Enterprise customers in more than 30 countries whose employees sell to, service or collect payment from customers in the field.

Team

New senior appointments include a Chief Product and User Experience Officer, Chief Technology Officer, and Chief Financial Officer.

While GEO's revenue run rate has doubled with the acquisition of IIT, GEO has maintained its full-time employees at around 40, including the IIT team.

Revenues per full-time equivalent employee increased from $27,155 (audited) to $114,100 (unaudited, pro forma).

Awards and R&D

GEO continues to be recognised for its commitment to research and development, receiving a Growth Grant and two R&D Experience Student Grants in 2016 from Callaghan Innovation. GEO is proud of its association with Callaghan.

Governance

GEO has been through a significant governance reset as has been previously released to the market.

Reflecting the importance of the Australian market to the company, GEO intends to recruit an Independent Director in Australia.

Outlook

GEO completed FY16 with pro-forma annualised revenues of $4.5m, a comprehensive product suite, strong growth prospects and reducing cash burn.

GEO believes that its existing operations can scale significantly without adding material incremental costs, with new revenues generating gross margin of around 80%.

Underpinning GEO's growth strategy are four main areas of activity:

1. added focus on larger SME and Enterprise customers
2. vertical product specialisation, to cater for specific industry needs
3. expansion, via channels and partners, into other geographies
4. M&A, where adjacent customer bases and products can be acquired and integrated

These four areas of growth provide a strong platform for future growth.

Capital Position

GEO's analysis shows that with annual growth rates of 30-50% in recurring revenues, it will move into profit within 24-36 months, requiring an incremental $2-4m in capital.

GEO will shortly announce a capital raising to fund its FY17 plan, with significant commitment from its Directors and major shareholder.

GEO had NZ$1,068,000 of cash reserves at 30 June 2016. An additional $425,000 was injected by Directors and related parties subsequent to year end to provide additional liquidity until completion of the forthcoming capital raising.

Investor Calendar

27 Oct 2016 – Annual Report released
17 Nov 2016 – Annual General Meeting

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Appendix: Summary of Audited Results

GEO's audited FY16 result includes one month of revenue from its recent acquisition of Interface IT Pty Limited (IIT), settled on 1st June 2016. The Company's FY15 result covers a 15 month period.

	FY15 - 15 months	**FY16 - 12 months**
Revenue	1,729,000	2,339,000
Licence numbers	19,009	25,048
Net (loss)	(5,828,000)	(2,721,000)

For further, more detailed disclosures on the Company's audited accounts, please refer to the audited FY16 financial report.