

Tech:niche.

Techniche Limited (ABN 83 010 506 162) and its Controlled Entities

29th August 2019

APPENDIX 4E MARKET RELEASE FOR THE YEAR ENDED JUNE 30, 2019 - COMMENTARY

The company recorded a loss after tax attributable to members of (\$1,250,398) [2018: (\$3,496,295)] for the year ended 30 June 2019. The Earnings Before Interest, Tax Depreciation and Amortisation (EBITDA) was a loss of (\$774,906) from continuing operations [2018: (\$1,889,800)]. Continuing operations have excluded results from ERST which was disposed of during the comparative year to 30 June 2018.

Key metrics to note are as follows:

Total Revenue & ARR

Revenue from continuing operations increased by 55%, however this was primarily due to the Company taking control of Statseeker from 30 January 2018 and only consolidating for the part-year to 30 June 2018. For comparative purposes the full year on year growth in total revenue was 2%.

On a similar basis full year on year comparative Group Annual Recurring Revenues increased by 4%.

Urgent

Interest in the Urgent product continues to grow and is a result of customer recommendations and a range of new marketing initiatives.

SaaS revenues from the Urgent product continued to build and were 14% higher than FY18. Several new customers were added to the portfolio. These included a major petrol retailer in the Netherlands encompassing a regional network of approximately 400 service stations, via our partner company AECOM. Revenues were also enhanced with expanded offerings to existing customers.

Techniche has invested in a range of marketing initiatives including targeted speed dating events, trade shows and in-bound marketing campaigns to promote the Urgent product. These have resulted in a material increase in marketing qualified leads compared to the prior year.

Statseeker

At the beginning of FY18, the Company made a strategic decision to encourage Statseeker customers to shift from traditional support fees on the perpetual licence model to subscription (SAAS) based fees. During the year, subscription revenues have increased to 33% of Statseeker recurring revenues in FY19 and provide the Group with greater confidence in software renewals. While for the full year on year comparative there has been a 4% decrease in overall Statseeker recurring revenues as the growth in subscriptions revenues have been offset by the shift away from perpetual licences.

Significant investment is being made in both the Statseeker product and new lead generation activities. Version 5.5 will be released in September, with new versions planned to be released on 6 monthly cycles.

As well, a new website, integrating the Hubspot marketing automation platform, is being built and will form the basis for new global inbound marketing campaigns, the first of which to be launched in Q2. Other initiatives include peer review white papers, additional sales enablement material, and the appointment of additional sales staff in the US and the UK.

Professional Services

The Group has focussed on building its capability in delivering professional services across both Urgent and Statseeker customers. Professional services relating to mobilisation of new customers and services to existing customers have seen Urgent Professional Services revenues increase by 29% over FY19.

Statseeker have not previously offered material professional services as a part of the customer offering. With increased capability in this area there is an opportunity to build a material revenue stream starting with first revenues in FY20.

Marketing Expenses

There was approx. \$150k of additional marketing expenses incurred in the period that we are seeing generate a broad range of leads that we expect will generate new business in FY20.

Restructuring Expenses

There were further unbudgeted one-off restructuring expenses of approx. \$200k incurred in FY19. It is anticipated that there will be no further material one-off expenses in FY20.

Cash

The Group maintained healthy cash balances despite incurring the restructure expense items and the investment in marketing activities. Cash at bank at year end is \$2,355,523.

General Update

As previously advised in our market update of July 16 2019, over the past 12 months there have been a range of initiatives and actions taken to reset the direction and operation of the company that the Board and management believe will deliver for shareholders in the mid to long term.

We have made customer focus and engagement a priority. I have personally spoken to many Statseeker and Urgent customers across all regions and can confirm that both products are well regarded, and opportunities exist to provide additional product and/or services.

The Company has also completed the corporate restructure with Regional General Managers managing our key geographical subsidiaries - Techniche EMEA (covering Europe, Middle East & Africa), Techniche Americas and Techniche APAC (covering Asia & the Pacific). In each region, we are growing our sales capability, local marketing, professional services, and support resources.

Supporting the regions is a core management team made up of myself as Chairman & Chief Executive Officer, Chief Financial Officer, Chief Technology Officer and Chief Marketing Officer.

Tax Restructuring

As part of implementing the corporate restructure, the Company sought independent advice which recommended forming a consolidated tax group in Australia. While this will have long term benefits, in the short term it has resulted in the carrying value of Deferred Tax Assets being written off.

Product Development

We continue to invest a significant amount in product development based around 3 offerings, the Urgent asset management product, the Statseeker network management product, and our new converged offering.

Following significant customer and market engagement, the annual development plans for the Urgent and Statseeker products have been mapped and approved, with major releases for both products scheduled for Q1 and Q3 of this financial year.

New Offering

We remain very excited about our new converged offering of our Urgent asset management product and our Statseeker network management product, which address the need to manage an increasing range of IP enabled operational assets (IoT) on a network. Operations groups must now look at three core pillars of monitoring these Assets: Availability, Performance and Cybersecurity.

Any new solution must include automation and Artificial Intelligence (AI or AIOps), including cybersecurity to help organisations move from a reactive facilities management model to a more active monitoring solution that is predictive, preventative, and proactive.

Throughout this FY we expect to engage with some of our key customers for trial and validation of the initial commercial product.

In summary, the Board's view remains that the current share price does not reflect the true value of the underlying technologies that we own, or the markets that we operate in, or the contracted recurring revenues from high quality customers that we deal with regularly.

The directors have determined that the best use of shareholder funds is to continue reinvesting in growing the business and have decided that no dividend is to be paid for the current reporting period.

We remain confident that the new direction for Techniche will deliver for shareholders in the longer term. Our focus this year is on getting closer to our customers, investing in our products and people, and developing targeted marketing campaigns that deliver quality leads for our salespeople.

Karl Jacoby
Chairman & CEO

About Techniche

Techniche (ASX: TCN) is a niche global software house with many Fortune 100 clients using our asset & network management applications. With offices and teams in the 3 regions of EMEA, APAC and the North America, our focus is to continue to grow revenues with our current products while developing a new platform to address the emerging need to manage the increasing range of IP enabled operational assets (IoT) on a network, particularly in light industry, where asset reliability and availability is critical. Techniche has two existing product lines known as Statseeker and Urgent Technology.

Contact

To learn more about Techniche or about this Market Release please visit our website <https://technichigroup.com/> or contact;

Karl Jacoby, Chairman & CEO

Phone: +61 1300 55 66 73

Email: karl.jacoby@technichigroup.com