

Wellington Drive Technologies Annual Shareholder Meeting May 26, 2021

Meeting Address



Good afternoon, I am Gottfried Pausch, currently the Executive Chairman of Wellington Drive Technologies. It's my pleasure to welcome you all to this years annual shareholders' meeting.

Can I firstly introduce your directors and senior management. Here in the room we have

- John McMahon, Keith Oliver
- Greg Allen is online from Vancouver and we have John Scott as an apology.
- We also have here Paul Seller from Deloitte, our auditor
- and our CFO Howard Milliner who is also the Company secretary
- as well as our our new CEO – Greg Balla

Greg, may I ask you to say a few words.

I am pleased to confirm that we have a quorum and therefore declare the 2021 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 11th May 2021.

Agenda

Today's meeting

- Executive Chair commentary
- Questions
- Formal business of the meeting



Our agenda today will take us through a commentary on the 2020 performance and our expectations for 2021.

We will then take your questions.

After questions we will proceed with the formal business of the meeting.

Business commentary



2020 was a challenging year which the Company navigated well.

Late in the first quarter of 2020, Wellington began to see the initial impact from COVID-19. This began as supply chain disruption in China and subsequently developed into a significant fall in customer demand as many customers temporarily stopped manufacturing.

The Company maintained its core operational capabilities, supply chain capacity and new product pipeline, to be ready to resume performance as customers progressively recommenced operations and ordering.

Wellington managed its costs and cash well, raised additional capital and hunkered down.

Demand started to progressively return during the third and fourth quarter.

This was a sound strategy looking back, as demand has returned strongly in 2021. I will comment on this later.

Please allow me to acknowledge every team member at Wellington for their contribution during those difficult times.

I want to use this opportunity to thank each and every one for their salary sacrifice which greatly helped the Company to get through this crisis situation.

I also want to extend this thank you to our shareholders who contributed \$5.3m to ensure the Company maintained its operations.

Key financial metrics and achievements

Wellington Drive FY2020 Financial metrics review

Metric (NZ\$ million)	FY 2020	FY 2019	Change Y/Y
Revenue	36.9	61.7	-40.2%
Wellington Connect™ IoT revenue	12.5	24.0	-48.1%
ECR® 2 motor revenue	16.6	22.5	-26.4%
ECR legacy motor revenue	6.7	13.4	-49.7%
Gross profit	10.5	16.6	-36.6%
Gross margin %	28.6%	27.0%	+1.6%
EBITDA	1.19	4.22	-71.8%
EBIT	(1.59)	1.51	-205.4%
Profit/(Loss) for the year	(2.15)	0.45	-2.60
Operating cashflow	0.34	2.99	-88.6%



This slide looks at Wellington's 2020 financial metrics.

Total revenue in 2020 decreased by 40.2% to \$36.9m, entirely the result of demand reductions caused by COVID-19.

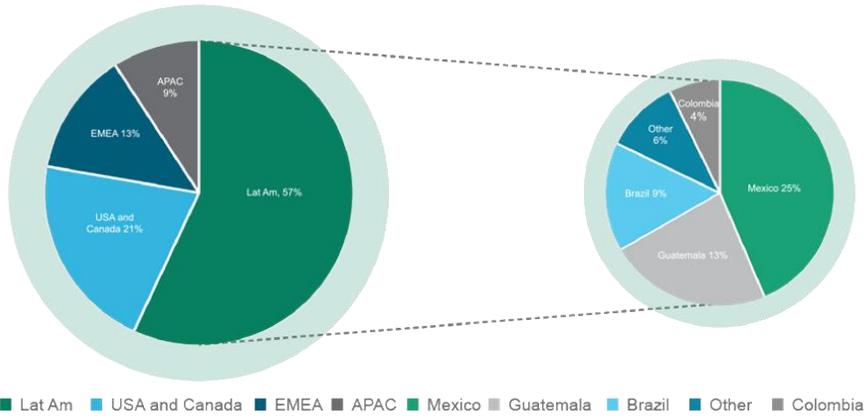
Food and beverage brands significantly reduced their capital spending on coolers for the year which impacted Wellington's OEM customers in turn resulting in lower demand.

Much of the Company's business in the America's and Asia was closed for a time.

Europe was the only region that demonstrated year over year growth in 2020 due to demand for our latest fan-pack design from supermarket customers.

Revenue FY2020

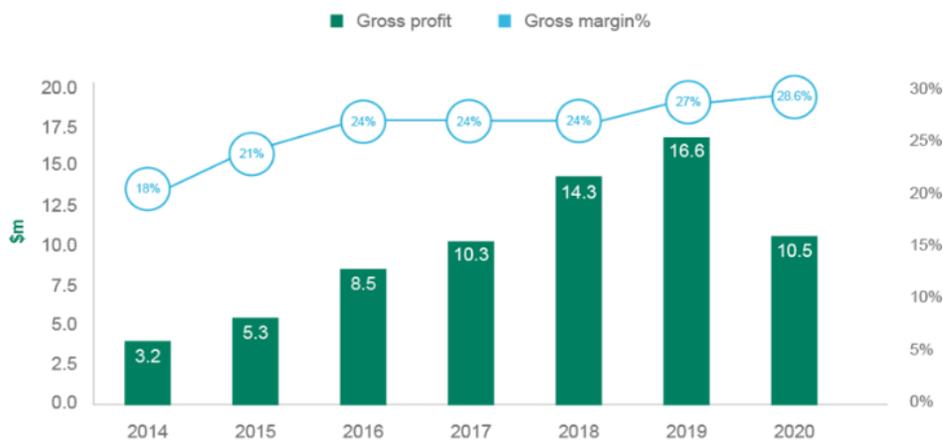
US\$ revenue by geography FY 2020



On this slide you can see the revenue distribution. Latin America still clearly being our largest region with 57% of total revenue.

Gross profit FY2020

Gross profit performance



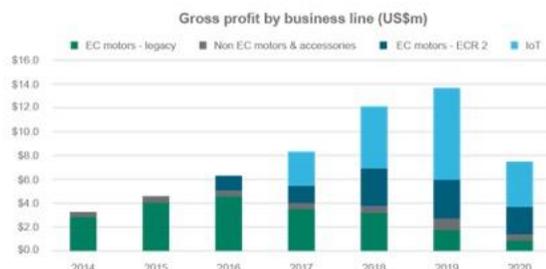
On the next slide we see the trend in gross profit dollars and gross margin %.

The reduction in gross profit dollars was solely driven by revenues.

Gross margin improved to 28.6% from 27.0%, reflecting the impact of:

- higher margin Connect SCS and data service revenue recognition,
- reduced lower priced motor volumes,
- lower customer rebates due to lower volumes and
- unit cost reductions.

Gross profit by business



IoT solutions contributed 51% of gross profit and ECR 2 motors 35%.

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Operating costs decreased to \$11.5m from \$12.9m in 2019, a \$1.4m reduction, demonstrating how the business effectively flexed its cost base to enable it to manage through COVID-19. Net operating costs after deducting government wage support was \$10.4m compared to \$12.9m for 2019.

EBITDA was a surplus of \$1.2m although this included a \$1.0m gain from fair value changes. Excluding this EBITDA was \$0.2m compared to \$3.8m on the same basis in 2019.

EBIT and the bottom-line result for the year were correspondingly lower than the previous year due to the impacts of lower revenues.

We ended the year with cash of \$4.6m and bank debt of \$0.6m. Our investment in trade receivables and inventory had been reduced from \$19.6m to \$12.0m, an excellent result in the circumstances. Wellington is well positioned for the 2021 year.

In summary, a poor trading result caused by external factors and the Company responded and acted appropriately.

Now, I would like to outline the strategic focus as we progress through 2021.

2021 Strategic update



2021 priorities



Return to growth

- Successfully launch and achieve initial volume shipments for the Imbera Cooling IoT partnership.
- Successful launch of new products.
- Strategic review of the Company's software product strategy.
- Further expand ECF® 2 Fanpack sales for supermarket display.
- Rebranding Wellington.
- Successful CEO recruitment and handover.



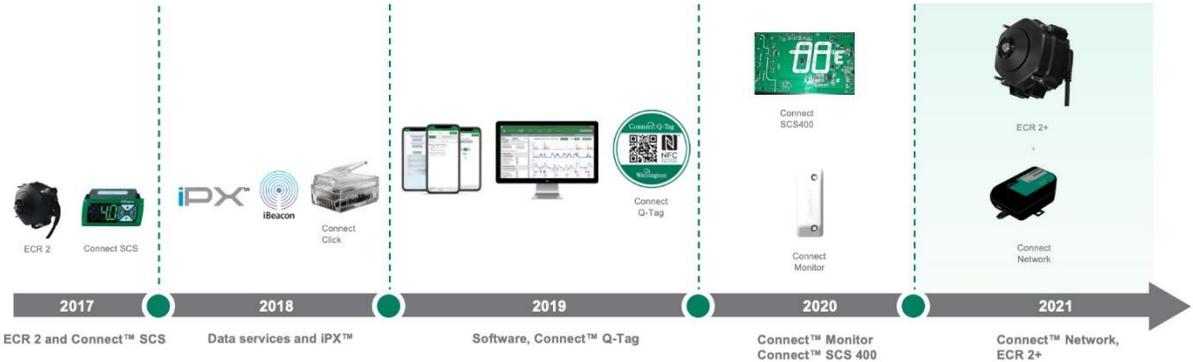
We have set strategic priorities for 2021.

Our primary goal is to return to the revenue and profit growth that the Company was achieving pre COVID-19.

I would like to comment on a few of these priorities.

In October we announced the signing of a strategic partnership agreement with Imbera Cooling for the exclusive supply of connected hardware, apps and data services. We have supplied the initial order of units and are now receiving regular orders and anticipate annual volumes of around 100,000 IoT units over coming years from just this one customer. A significant growth opportunity.

2021 Product launch targets



We completed the development of the 400 series controller, which initially is for the Imbera Cooling partnership. During the COVID-19 enforced shutdown we substantially progressed the development of our Connect Monitor, a battery retrofit connected device. The potential market for this solution is large. These products have been launched already. We expect to launch Connect Network, an “always on” device and a new higher powered ECR2 motor later in 2021.

I will close with a few comments on our first quarter performance and our outlook for the 2021 year.

Q1 FY2021 & FY2021 guidance

Metric (NZD)	Q1-2021	Q1-2020	Change	FC2021
Revenue	\$14.6m	\$15.4m	-4.8%	US\$41m to US\$46m
Gross profit	\$4.2m	\$4.5m	-7.0%	
Gross margin %	28.7%	29.4%	-0.7%	
EBITDA reported	\$1.03m	\$1.50m	-31.3%	NZ\$2.5m to NZ\$3.0m
EBITDA pre fair value adjustment	\$1.03m	\$1.01m	+2.0%	
EBIT	\$0.53m	\$0.91m	-\$0.38m	
Profit before taxation	\$0.48m	\$0.79m	-\$0.31m	around breakeven



Noting that the first quarter in 2020 was largely unaffected by COVID, Wellington's US Dollar revenue in 2021 increased 6.9% largely due to an increase in ECR2 motor sales.

As the NZ\$ has strengthened relative to the US\$, this resulted in the 4.8% decline in reported NZ\$ revenue.

Gross margin was maintained at around 29% and EBITDA was \$1.0m, consistent with Q1 2020.

Customer demand continues to be strong and well above last year's level.

Wellington is maintaining its existing guidance for 2021 as previously announced on 28th April with:

- Sales in the range of US\$41m to US\$46m
- EBITDA in the range of NZ\$2.5 to NZ\$3m
- and a pre-tax profit of around breakeven.

This seemingly wide range for revenue and earnings reflects uncertainty around the supply of components due to well documented supply chain constraints and significant product cost and freight cost increases.



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

[Chair and former 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.

All the resolutions being considered today are ordinary resolutions and are required to be passed by a simple majority of votes.

Resolution 1 – Election of Director

Notices of Motion



Resolution 1 – Election of Director

"To elect Greg Allen as a director of the Company."

Greg Allen is considered by the Board to be a non-independent director



NZX Listing Rule 2.7.1 requires that a director appointed by the Board must not hold office without election past the Annual Meeting of shareholders following their appointment.

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

All shareholders should already know Greg and of his achievements with Wellington. Greg, would you like to say a few words.

[Greg to speak]

Thanks Greg. Are there any questions?

[answer any questions]

I move, as an ordinary resolution, "To elect Greg Allen as a director of the Company."

If you haven't already completed the voting form, please do so now.

Resolution 2 – Re-Election of Director

Notices of Motion



Resolution 2 – Re-election of Director

"To re-elect John McMahon as a director of the Company ."

John McMahon is considered by the Board to be an 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.

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

John, would you like to say a few words.

[John to speak]

Thanks John. Are there any questions?

[answer any questions]

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

If you haven't already completed the voting form, please do so now.

Resolution 3 – Auditor’s fees

Notices of Motion

Deloitte.

Resolution 3

“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”.

If you haven’t already completed the voting form, please do so now.

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

[Answer any questions]

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

Please hand your voting form to the Computershare representative as you leave the room.

Thank you for your questions, your votes and for attending our meeting today. We are looking forward to seeing you next year.

I now declare the meeting closed.



Wellington