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Market Announcement

For immediate release

Wellington Drive market update on impact of COVID-19

Wellington Drive Technologies (Wellington) continues to monitor the impact of the 2019 novel coronavirus (COVID-19) on both its supply chain operations and forecast customer demand. Wellington supplies motors and IoT hardware to customers, along with related IoT data and digital marketing services. The company's hardware is manufactured for food and beverage brands and refrigeration manufacturers globally, with the predominant sources of revenue from Latin America and the USA.

The company's supply chain is global in nature although many components for its hardware products are sourced from China. As a result of COVID-19 emergency measures put in place by authorities, Wellington is continuing to experience some impact from both component supply and uncertainty in customer demand.

While the position is evolving, the current status of impacts are:

- The company is following the guidance provided by international authorities. In line with that advice and to protect our employees, customers and partners, the company has implemented a 4-week international travel ban, office visit restrictions and staff self-quarantine procedures that will be used as necessary. The company is also fully prepared and practiced in managing its operations remotely should its main offices in New Zealand and Mexico be disrupted;
- Wellington's East West Vietnam factory is fully operating and supplying Connect SCS and Motor products. Wellington's China-based supplier, Match-Well, is now open at a reduced capacity;
- There are indications that China-based component supply chains are beginning to improve although the resumption is early stage and slow, and some supply shortages remain. The company is seeing improved visibility on component supply;
- Shipping companies globally continue to have restricted throughout. Logistics generally across the Asia region are being delayed by related restrictions and freight costs are increasing in the constrained environment;
- There are continued constraints on movement of people and goods between Chinese provinces and within cities; some couriers and deliveries remain restricted. These constraints have now expanded beyond China with government mandated travel and assembly restrictions in all the company's major markets. In some regions customers are restricting visits to their offices.

2020 forecast

Factory production and component supply has improved somewhat since the company's market update on 13 February. As a result, Wellington's first quarter revenue forecast has improved to a level similar to 2019, albeit somewhat below planned expectations.

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Given updated supply and customer demand timelines, Wellington now assumes a longer period before more normal production and shipping patterns may be possible, with the end of Q2 and into Q3 more likely for some degree of normalisation. The estimated potential risk to revenue remains around approximately US\$3.6m (around NZ\$6m) through Q1 and Q2. The company reiterates that it does not expect all of this delayed supply will be perishable, so some catch up later in Q2 and into Q3 is possible. Forecasting the full year reduction of this revenue would take 2020 forecast sales to around NZD\$65m, which is below our initial guidance for FY2020 revenue growth of around 15% but higher than the FY2019 result.

The company cautions that the deteriorating global economic situation and business constraints brought about by government actions around COVID-19, means that potential volatility around the 2020 forecast outlook is high. Wellington typically only has around 60 to 90 days forward order visibility of customer demand so the outlook beyond Q2 has low certainty. Given this backdrop a wide range of revenue and earnings outcomes is possible.

Wellington will continue to update its forecast scenarios as further information about COVID-19 becomes available. If necessary, Wellington can defer planned incremental growth spending, which would somewhat mitigate the impact on forecast 2020 earnings.

About Wellington Drive Technologies:

Wellington is a leading provider of IoT solutions, cloud-based fleet management platforms, proximity marketing solutions, 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 solutions for global food and beverage brands as well as Smart City projects in the Australian market. Wellington's products and services 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

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