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Wellington Drive Technologies update on the impacts of Coronavirus

Wellington Drive Technologies (Wellington) is closely monitoring the impact of the 2019 Novel Coronavirus (nCoV) on its supply chain operations. Wellington supplies motors and IoT hardware to customers that are manufactured by its supply partners East West Vietnam and Match-Well China.

The company's supply chain is global in nature and components that suppliers need for production are sourced globally, and from across Asia, including China, which is the predominant or sole source of certain componentry. As a result of the nCoV emergency and measures put in place in China by local and central government, Wellington is expecting an impact on product supply. This is due to government restrictions on factory openings, restrictions in movement of people and port and logistics facility closures.

Some known impacts are as follows:

- Wellington's East West Vietnam factory is open; however, production will be impacted by China-sourced component supply shortages.
- Wellington's China-based supplier, Match-Well, had its post New Year factory opening delayed by local authorities. As of February 11th, the factory partially opened with reduced staff. Several China-based component suppliers for Connect SCS and ECR2 motors remain closed with minimal visibility on opening dates and supply recovery plans;
- Chinese ports and shipping companies have restricted throughout. There is limited feedback from these Chinese ports and customs departments on incoming and outgoing deliveries or release of shipments currently in transit. Logistics generally across the Asia region are being delayed by related restrictions; and,
- There are significant constraints put on movement of people and goods between Chinese provinces and within cities; couriers and deliveries have been restricted, and in some cases cancelled.

Wellington is in the process of switching more production to East West's Vietnamese factory until products can resume shipment into and out of China. In addition, the company is working with alternate sources for some components to mitigate some of the supply risk.

The company has implemented travel restrictions to and within mainland China and is reducing international travel generally in order to protect employees. It is following travel and health guidance provided by international governments and authorities.

2020 forecast

There are some indications from authorities that factory production in China will restart towards the end of February and into March. Initial forecast scenarios are being prepared that assume the company is only able to supply product from existing inventory until such a time as the China component supply chain situation is resolved. Wellington is currently assuming resumption of normal production and shipping around the end of

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April 2020. These initial forecasts indicate a potential risk to revenue of approximately US\$3.6m (around NZ\$6m) from February to April. The company does not expect that all of this delayed supply will be perishable, so some catch up later in Q2 currently appears likely. Forecasting the full loss of this revenue would take 2020 forecast sales to around NZD\$65m, which would be below our existing guidance for revenue growth of around 15% over 2019.

The company will continue to update its forecast scenarios as further information about nCoV becomes available. If necessary, Wellington can defer planned incremental expansion spending, which would somewhat mitigate the flow through impact on the forecast 2020 profit.

2019 results update

The company expects to release its 2019 results by the end of February 2020. There is no impact to 2019 as a result of NCov related issues with revenue and profits expected to be consistent with guidance, which was for EBITDA between \$3.5m and \$4.0m and a net profit.

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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