

## Market update

Techniche Limited is pleased to provide the following market update.

At the 2017 AGM we proposed a shift in focus from being a technology investment company to becoming a technology company, and I can now advise that the bulk of this work is complete.

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.

It also remains the Board's view 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 quality of customers that we deal with regularly.

## Corporate & Regional Structure

The Company has 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 & CEO, CFO, CTO and CMO.

## 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

Under the management of our CTO, Tom Caldwell, we are investing 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.

Our new offering addresses 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. Our focus is to create (build, buy or partner) a platform of applications that utilises our Urgent asset management application and our Statseeker network management application. Throughout this FY we expect to engage with some of our key customers for trial and validation of the initial commercial product.

## Group Marketing

We have centralised marketing under our CMO, Chris Ford, who was previously the Marketing Manager for Urgent. Our marketing activities are focussed on brand building, lead generation for our core products, Urgent & Statseeker, and utilising our marketing initiatives and collateral on a global basis.

A key goal from this activity is a significant improvement in lead generation and commensurate sales in FY20 for both products. We are pleased with the first of our major marketing inbound marketing campaigns – “The FM as a data scientist”. Recently launched around the Urgent Technology product in EMEA, the campaign has generated a large number of marketing qualified leads to fuel the sales channel.

As we move into FY20 our overall sales pipeline is improving.

### **Customer Focus**

There is greater customer focus across the regions through several initiatives including just simply visiting more customers, key account management, and provision of professional services.

This has resulted in increased professional services revenue and product upsells and will remain a key focus of the Company.

### **Financial Update**

The Company is expecting to report EBITDA loss of between \$700-800k and after recording the effect of the tax restructuring a Net Operating Loss After Tax of between \$1.15-\$1.25k for the year ended 30 June 2019.

Key metrics to note are as follows:

#### **Total Revenue**

Total revenues increased by 2% compared with FY18. For comparative purposes, this includes the Statseeker revenues for all FY18 despite Techniche owning 100% of this business since 30 January 2018.

#### **Recurring Revenue**

Recurring revenues increased by 4.2% across the Group. SaaS revenues from the Urgent product continued to build and were 14.9% higher than FY18. A number of new customers were added to the portfolio and revenues were enhanced with expanded offerings to existing customers.

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. While there has been a 3.9% decrease in overall Statseeker recurring revenues, subscription revenues have increased to 32% of Statseeker recurring revenues in FY19 and provide the Group with greater confidence in software renewals.

#### **Statseeker Licence Sales**

Commensurate to the shift to SAAS based revenues, Statseeker perpetual licence sales decreased by 58%.

#### **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 25.4% 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 in a range of lead generating activities 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 approx. at \$2.5m.

Karl Jacoby  
Chairman & CEO

## **About Techniche Limited**

Techniche Limited (ASX: TCN) (**Techniche**) 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;

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