



GEO PLATFORM SET FOR GROWTH WITH SHARPLY REDUCED CASH BURN

1 March 2018

GeoOp Limited (GEO, Company) announces its preliminary financial result for the six months to 31 December 2017.

Summary

- **GEO has reduced its net operating cash burn to less than \$0.14m per month and is initiating strategies to accelerate growth from FY19.** New CEO Kylie O'Reilly is focusing on revitalizing the Company's sales and marketing capabilities to capitalise on the launch of its upgraded GeoService app in Q4.
- **H1 financial result affected by ASX IPO process.** Revenues increased by \$0.10m to \$2.20m, a 4.8% increase over the prior corresponding period (PCP). EBITDA for the period was \$(2.20)m, with Underlying EBITDA (which removes costs of \$0.66m associated with the ASX IPO process and associated restructuring) of \$(1.55)m (PCP: \$(1.74m)).
- **GeoService subscription revenues grew by 18.1%** on PCP to \$1.21m, with annual ARPUs increasing by 10.5% to \$92.38. GeoSales subscription revenues declined by 12.3% on PCP to \$0.71m, due to the timing of sales campaigns using the GeoSales application, and a poor sales performance in the USA. The GeoSales sales pipeline shows an improvement in quality and sales trajectory in H2. GeoCare is in beta testing, with plans to bring into production in Q4.
- **Cash burn is improving materially.** A restructuring in Q2, implemented after termination of the ASX listing, has materially reduced operating costs from Q3. Average operating cash burn for the first half, excluding the IPO and restructuring costs, was \$0.22m per month (PCP: \$0.28m, H1 FY16, \$0.45m). Since balance date operating cash burn has averaged less than \$0.17m per month (before R&D grants), and approximately \$0.14m per month (after grants).
- **Interim funding was put in place to enable a smooth transition to the NZX Main Board.** In Q2, a \$0.2m Director loan was repaid and a \$1.50m working capital facility was put in place with the Company's major shareholder group, North Ridge Partners / Wentworth Trust, which at reporting date was drawn to \$0.45m.
- **Leadership transition completed.** Dr. Anna Cicognani resigned on 24 January 2018. On 1 February 2018 Ms. Kylie O'Reilly was appointed CEO and Mr. Mark Rushworth was appointed an independent Non-Executive Director.
- **Strategies are being activated to deliver growth.** The new GeoService application will offer an improved user experience, easier sign-ups and improved retention. A digital marketing partner is being engaged to restructure Geo's digital marketing funnel to drive more leads and improve conversions. New partner channels are being launched, including a global app marketplace, and integrations with existing channel partners are being enhanced.



Summary (cont.)

Six months ended	31 Dec 2017 \$'000	31 Dec 2016 \$'000	Variance \$'000	Variance %
Revenues				
- GeoService Subscriptions	1,214	1,028	+186	+18.1%
- GeoSales Subscriptions	711	810	-99	-12.3%
- Training & Implementation Fees	104	117	-13	-11.0%
- Other Revenues (incl. grants)	171	145	+26	+17.9%
Total Revenues	2,200	2,100	+100	+4.8%
Statutory EBITDA	(2,204)	(1,744)	-460	-26.4%
Underlying EBITDA (excluding ASX IPO costs) ¹	(1,549)	(1,744)	+195	+11.2%
Licenses				
- GeoService	26,482	25,448	+1,034	+4.1%
- GeoSales	1,141	1,542	-401	-26.0%
Annualised ARPU				
- GeoService	\$92.38	\$83.63	+\$8.76	+10.5%
- GeoSales	\$1,043.38	\$1,127.81	-\$84.43	-7.5%

Note 1: During the period the Company undertook a comprehensive but ultimately unsuccessful process to migrate the Company's share market listing to the Australian Stock Exchange, and incurred material costs (including legal and accounting firms and lead manager costs). Underlying EBITDA excludes the costs of this process (\$0.56m) and associated restructuring costs (\$0.10m). This non-GAAP financial metric does not have a standardised meaning prescribed by GAAP and therefore may not be comparable to similar financial information presented by other entities.

GeoService

GeoService subscription revenues increased to \$1.21m (up 18.1% vs PCP), licensed users increased to 26,482 (up 4.1% vs PCP) and ARPUs increased to \$92.38 (up 10.5% vs PCP). The ARPU for new GeoService licenses currently exceeds \$125.

GeoSales

GeoSales subscription revenues declined by 12.3%, licensed users reduced to 1,141 (-26.0% vs PCP) and ARPUs were ~\$1,043. Please note that:

- During H1, management actively exited low functionality/low ARPU licenses with a single client in the USA to enable more focus on higher ARPU clients. The result was a high headline reduction in license numbers, however revenues were significantly less affected.
- The revenue reduction also reflects the timing of client sales campaigns using the GeoSales application, and a poor sales performance in the USA, whose pipeline shows an improvement in quality and sales trajectory in H2.

Awards and Grants

GEO acknowledges Callaghan Innovation and NZTE for their ongoing support during the period through a growth grant and introducing business opportunities.

The Company was pleased to be recognized in the 2017 Technology Investment Network (TIN) Report.



Capital Raising and Cash Balances

Cash as at 31 December 2017 was \$0.25m (30 June 2016: \$0.86m). The \$1.50m working capital facility was undrawn by \$1.05m at reporting date. The Company announced in Q2 that it would undertake a modest rights issue and placement in Q4 2018.

Going Concern

The business has announced that it intends to raise additional capital to improve its cash position, and until that process is completed it has the ongoing support of its major shareholder group North Ridge Partners / Wentworth Trust through the \$1.5m line of credit put in place in October 2017. The Directors believe that appropriate action is being taken to reduce cash burn, focus on revenue generation, and streamline the organization to ensure it is in a strong position to start the new year.

Outlook

GeoOp remains focused on profitable growth. Directors have taken action to carefully reduce cash burn, which is now at its lowest point ever, and believe that the H1 result is not reflective of the higher growth rates that Geo can achieve with improvements to sales and marketing. In Q4 a range of growth initiatives will be launched to unlock higher growth rates, including improved digital marketing, a revitalized approach to sales, new partner channels and the new GeoService user experience.

Since Balance Date

Dr. Anna Cicognani resigned on 24 January 2018. On 1 February 2018 Ms. Kylie O'Reilly was appointed CEO and Mr. Mark Rushworth was appointed an independent Non-Executive Director. Kylie has a proven management track record with more than 20 years' experience in guiding technology and media companies through rapid and continuous growth cycles. Mark is Chairman of fintech start-up Genoapay, is a Non-Executive Director of NZX-listed Freightways, and was previously CEO of Paymark, Pacific Fibre and iHug.

Chair and CEO Statement

CEO Kylie O'Reilly said:

I'm delighted to have joined GEO. This company has a great team, building software products that clients love, and it has an opportunity to grow significantly. My immediate focus is on putting the tools and systems in place to accelerate growth.

For example, we will shortly launch a "growth sprint" with a digital marketing partner, to restructure Geo's digital marketing funnel to drive more leads and improve conversions.

At the same time, we are launching new partner channels, including a global app marketplace, and will enhance the Company's integrations with its existing channel partners.

Our focus on sales and marketing is important because the development cycle for our new GeoService application is quite advanced, and a beta version will be released to customers in Q4. This application has been designed based on feedback from dozens of customers, and will offer a vastly improved user experience. It will make sign-ups quicker and easier, and should boost retention. We see the new application being key to driving faster growth.

Roger Sharp, Chair, said:

"GEO enters calendar 2018 with a renewed focus on product, sales and marketing. We have left the distraction effect of the ASX IPO process behind us and have been developing strategies to accelerate growth.

We are pleased with the reduction in cash burn, which has halved in the past year and is now less than a third of the level three years ago. With reinvigorated sales and marketing, we expect this trend to continue.



A more detailed review of the Company's sales and marketing plans and financial outlook will be released with the final H1 report on 31 March 2018".

A handwritten signature in blue ink, appearing to read "Roger Sharp", is positioned below the text.

Signed on behalf of the Board on 1 March 2018 by Roger Sharp, Chair



GeoOp Limited (GEO)
Results for announcement to the market

Reporting Period	Six months to 31 December 2017	
Previous Reporting Period	Six months to 31 December 2016	
	Amount (\$'000)	Percentage change Incr. / (decr.)
Revenue from ordinary activities	2,200	+4.8%
Profit (loss) from ordinary activities after tax attributable to security holder	(2,829)	+29.2%
Net profit / (loss) attributable to security holders	(2,829)	+29.2%
Interim / Final Dividend	Amount per Security	Imputed Amount per Security
Dividend	No dividends paid or proposed	Not applicable
Record Date	Not applicable	
Dividend Payment Date	Not applicable	
Comments	Refer to attached 'Results Announcement' documents	
Details of Dividend Reinvestment Plan	Not applicable	
	Reporting Period	Previous Reporting Period
Net Tangible Assets per Security	-\$0.054	-\$0.011
Acquisitions / disposals during period	No entities over which control has been gained or lost	
Details of associates and joint venture entities	No associates or joint ventures.	



Consolidated interim statement of profit or loss and other comprehensive income

For the six months ended 31 December 2017

(Stated in New Zealand Dollars)	6 months Unaudited 31 Dec 17 \$'000	6 months Unaudited 31 Dec 16 \$'000
Revenue		
Operating revenue	2,029	1,955
Grant and Interest revenue	160	145
Other revenue	11	-
Total Revenue	2,200	2,100
Expenses		
Research and development	(1,297)	(1,253)
Sales and marketing	(933)	(1,014)
General operating and administration	(2,174)	(1,577)
Depreciation and amortisation	(602)	(445)
Total Expenses	(5,006)	(4,289)
(Loss) from operations before tax	(2,806)	(2,189)
Income Tax benefit	-	-
Net (loss) from operations for the period	(2,806)	(2,189)
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
(Loss) on translation of foreign operations	(23)	-
Total comprehensive (loss) for the period, net of tax attributable to shareholders	(2,829)	(2,189)
(Loss) per Share:		
Basic and diluted (loss) per share (cents)	(7.36)	(3.77)

Calculated on a weighted average basis of the number of shares and warrants on issue.



Consolidated interim statement of changes in equity

For the six months ended 31 December 2017

Unaudited (Stated in New Zealand Dollars)	Share Capital \$'000	Share Based Payments Reserve \$'000	Foreign Currency Translation Reserve \$'000	Accumulated Losses \$'000	Total Equity \$'000
Balance at 1 July 2016	20,861	88	(135)	(13,223)	7,591
Loss for the period	-	-	-	(2,189)	(2,189)
Currency translation movements	-	-	(20)	-	(20)
Total Comprehensive Income	-	-	(20)	(2,189)	(2,209)
<i>Transactions with Owners</i>					
Issue of shares	4,127	-	-	-	4,127
Net share-based payment expense	118	24	-	-	142
Balance at 31 December 2016	25,106	112	(155)	(15,412)	9,651
Balance at 1 July 2017	25,978	81	153	(16,786)	9,426
Loss for the period	-	-	-	(2,806)	(2,806)
Currency translation movements	-	-	(23)	-	(23)
Total Comprehensive Income	-	-	(23)	(2,806)	(2,829)
<i>Transactions with Owners</i>					
Issue of shares	691	-	-	-	691
Net share-based payment expense	-	171	-	-	171
Balance at 31 December 2017	26,669	252	130	(19,592)	7,459



Consolidated interim statement of financial position

As at 31 December 2017

(Stated in New Zealand Dollars)	Unaudited 31 Dec 17 \$'000	Audited 30 June 17 \$'000
Current assets		
Cash and cash equivalents	246	864
Trade and other receivables	642	786
Total current assets	888	1,650
Non-current assets		
Property, plant & equipment	83	86
Intangible assets	9,562	9,798
Related party loan	183	372
Other receivables	100	100
Total non-current assets	9,928	10,356
Total assets	10,816	12,006
Current liabilities		
Trade and other payables	1,427	1,090
Convertible note	1,466	1,466
Related party loan	454	-
Total current liabilities	3,347	2,556
Non-current liabilities		
Provision for long service leave	10	24
Total non-current liabilities	10	24
Total liabilities	3,357	2,580
Net assets	7,459	9,426
Equity		
Share capital	26,669	25,978
Share based payments reserve	252	81
Accumulated losses	(19,592)	(16,786)
Foreign currency translation reserve	130	153
Total equity	7,459	9,426

Consolidated interim statement of cash flows

As at 31 December 2017

(Stated in New Zealand Dollars)	6 months Unaudited 31 Dec 17 \$'000	6 months Unaudited 31 Dec 16 \$'000
Cash flows from operating activities		
<i>Cash was provided from (applied to):</i>		
Receipts from customers	2,213	1,923
Grants received	239	138
Interest received	3	8
Payments to suppliers & employees	(3,942)	(3,876)
Net cash (outflow) from operating activities	(1,487)	(1,807)
Cash flows from investing activities		
<i>Cash was provided from (applied to):</i>		
Purchase of property, plant and equipment	(15)	(8)
Capitalised development costs	(147)	(111)
Capitalised website & trademark costs	(23)	-
Net cash (outflow) from investing activities	(185)	(119)
Cash flows from financing activities		
<i>Cash was provided from (applied to):</i>		
Related party loans repaid	200	-
Related party loans received	454	-
Capital raising costs	-	(113)
Issue of ordinary shares	400	2,658
Net cash inflow from financing activities	1,054	2,545
Net decrease in cash held	(618)	619
Add cash and cash equivalents at start of the period	864	1,068
Balance at end of the year	246	1,687
Comprised of:		
Cash and cash equivalents	246	1,687



Additional notes

For the six months ended 31 December 2017

Basis of Preparation

The statements included in the Preliminary announcement are prepared in accordance with Generally Accepted Accounting Practice (NZ GAAP) and NZ IAS 34, Interim Financial Reporting.

The financial statements are presented in thousands of New Zealand dollars and are unaudited.

The same accounting policies and methods of computation are followed in these interim financial statements as were applied in the preparation of the Group's financial statements for the year ended 30 June 2017.