



28 April 2021

Market Announcement

For immediate release

Wellington returns to profit and forecasts record US\$ revenue in 2021

Wellington Drive Technologies (Wellington) is today announcing its unaudited trading results for the three months ending 31 March 2021 (Q1 2021) and updating its guidance for Q2 2021 and for the full year.

Q1 EBIT of NZ\$0.5m was in line with previous guidance and confirms the company's return to profitability after the difficult, COVID-affected trading in 2020. Over the last quarter, Wellington has experienced strong forward orders for both its Wellington Connect IoT products and its ECR 2 motor range.

Wellington Chairman and acting CEO Gottfried Pausch commented:

"Wellington has had a great quarter with strong trading, a big increase in our forward order position and a successful reception for the first two of the four new products we are launching this year. We are now expecting record US\$ revenue for the year. Even more significantly, our core growth products – our Connect IOT solution and our ECR 2 motor series - are expected to grow in US\$ revenue terms by 15-20% over our previous record performance in 2019 – prior to the COVID impacted downturn in 2020. Wellington is not just recovering – we believe we are back onto a solid medium-term growth path, driven by market share gains from our core growth products."

"2021 is expected to be a pivotal year for Wellington's medium-term strategy to lift growth and improve profitability. The successful launch of our 4 new products will allow us to take our Connect IoT solution into new, higher-value market segments as well as positioning us for growth with existing IoT customers via retrofit and upgrade sales cycles. While our forecast includes some small contributions from these products in 2021 – they will mainly be part of our 2022 and beyond performance."

"2021 will also see Wellington appoint a new CEO whose main task will be to build on the platform established by Greg Allen and guide the Company through its next phase of growth. Over the last few months Wellington's board has conducted a detailed search process for a successor for Greg and we have been very impressed with the quality of candidates we have interviewed. We are now closing in on a final decision and expect to be able to make an announcement in early May."

Details of the Q1 performance are shown in the table below. The result is consistent with previous guidance and is a continuation of the improvement in trading results since late 2020.

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Financial Metrics

Three months ended 31 March	2021	2020	Change
Revenue	\$14.6m	\$15.4m	-4.8%
Wellington Connect IoT Revenue	\$6.3m	\$6.8m	-7.2%
ECR2 motor revenue	\$6.0m	\$5.3m	+13.8%
ECR legacy motor revenue	\$2.1m	\$2.9m	-25.2%
Gross profit	\$4.2m	\$4.5m	-7.0%
Gross margin %	28.7%	29.4%	-0.7%
EBITDA reported	\$1.03m	\$1.50m	-31.3%
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

- Revenue for the quarter was \$US11.1m compared to US\$10.4m for the same period in 2020, an increase of 6.9%. The reduction in NZ\$ revenue is due to the higher NZD exchange rate in the current period. 114,000 Connect SCS controllers were sold (113,000 in Q1 2020) and 225,000 ECR2 motors (184,000 in Q1 2020).
- Gross margin was maintained around 29% however Wellington is experiencing cost increases for components and higher shipping costs due to supply chain constraints. Demand for 2021 is much higher than expected coming out of 2020 and this has meant that long lead time components must be sourced from other suppliers at higher prices. Wellington is seeking price increases to pass on the impacts of these increased costs.
- EBITDA¹ for the three months was \$1.0m, slightly improved on 2020 after excluding the \$0.49m non-cash accounting gain reported in Q1 2020 arising from a change in fair value of the contingent consideration payable for the acquisition of iProximity Pty Limited.
- After excluding the fair value gain in Q1 2020, EBIT was \$0.1m higher in the current period at \$0.5m and net profit before tax at \$0.5m was \$0.2m higher.
- Cash at 31 March 2021 was \$3.3m with \$1.9m remaining available under the BNZ trade finance facility.

Other achievements

- In March 2021, Wellington launched its latest product innovation, the Connect Monitor, an Internet of Things (IoT) device designed for easy retrofitting to existing cooler fleets. We are seeing strong early customer interest and have received pilot orders for the product.
- In October 2020 Wellington announced the signing of a commercial agreement with Imbera Cooling with a customised connected controller development almost complete and initial sales of the custom controller and bundled data services expected to start in H1 2021. Development was substantially completed as expected in Q1 2021 and orders have been received for supply in Q2 2021.



- Wellington is consolidating manufacture of products in Vietnam through East West Manufacturing. Production in China is expected to end in Q2 2021.

2021 updated guidance

Customer demand continues to be strong and Wellington's current US dollar revenue forecast for 2021 is in the range US\$41m to US\$46m compared to previous guidance of US\$40m – US\$43m. The top end of that range would be approximately 90% ahead of 2020 and 10% above 2019 – and would be a new US dollar revenue record for Wellington. This forecast would see Connect IoT and ECR 2 motor revenue 20% above the level achieved in 2019, with this offset by a decline in revenue from our legacy motor series.

Q2 2021 revenue is forecast to be approximately US\$12-14m compared to US\$2.9m in Q2 2020 which was a quarter that was significantly impacted by Covid19.

With 2021 US dollar revenue in this range, the Company is targeting EBITDA earnings in the range of \$2.5m to \$3m which would deliver a pre-tax profit of around breakeven. This EBITDA guidance range is unchanged as the Company is seeing cost and supply chain pressures. Forecasts have been prepared at a 0.70 US\$/NZ\$ exchange rate and are sensitive to the US\$/NZ\$ exchange rate (i.e. each 1c movement has an estimated \$0.2m impact on EBITDA). The current global component and commodity shortage situation could impact the Company's ongoing ability to deliver its revenue forecast. The Company is working closely with its supply base to mitigate this risk, with actions that include lengthening its supply forecast window and seeking alternate sources for some commodities.

About Wellington Drive Technologies:

Wellington is a leading provider of IoT solutions, cloud-based fleet management platforms, 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 for Smart Cities to the Australian market. Wellington's services and products 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

For further information visit www.wdtl.com

EBITDA¹ (i.e. Earnings before interest, taxation, depreciation, amortisation and impairment) is a non- GAAP earnings figure that equity analysts tend to focus on for comparable company performance analysis. Wellington considers that it is a useful financial indicator because it avoids the distortions caused by differences in amortisation and impairment policies.

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