

26th January 2018

For Immediate Release

Wellington Drive grows revenue by 22.6% in 2017, grows SCS volumes by 308%.

Wellington expects to release its audited financial statements for the 2017 year on February 28th. These are being prepared currently and all figures stated in this release are subject to audit.

Wellington continued to generate significant revenue growth in FY2017, underpinned by the new SCS and ECR2 products. However, despite December being the strongest ever revenue month in the Company's history, delays in end of year seasonal orders for beverage coolers from carbonated soft drink bottlers meant that some orders from cooler suppliers expected in late FY2017 have spilled over into Q1 FY2018 and Wellington has fallen marginally below revenue guidance for the year.

- Revenue for Q4 2017 was USD 8.3m compared to USD 7.4m for the same period last year; an increase of 13%. Revenue for the 2017 year was USD 31.2m compared to USD 24.6m last year; an increase of 26.8%. In NZD terms revenue for 2017 was \$43.3m compared to \$35.3m last year, an increase of 22.6%. EC motor volumes increased 6% and SCS Connect volumes increased 308%.
- Pleasingly, revenue from providing data services related to Wellington's SCS smart controllers amounted to USD 713k compared to USD 244k in 2016. The amount of data revenue held on the balance sheet to be recognised over future periods was \$1,050k at 31 December 2017 and the amount recognised in the Income Statement for 2017 was \$228k. We view digital services related to the Company's Internet of Things (IoT) SCS products as being a core element of our future growth prospects.
- Wellington's performance over the last three years has been one of consistent quarter over quarter revenue growth:

	2017 USD 000's	2016 USD 000's	2015 USD 000's	CAGR
Q1	9,315	6,172	4,907	24%
Q2	7,794	6,562	5,194	14%
Q3	5,779	4,509	3,334	20%
Q4	8,320	7,387	3,930	28%
Total	31,208	24,630	17,365	22%



- Revenue from the USA & Canada for 2017 increased 97%, Latin America rose 30% and APAC revenue was up 10%. EMEA revenue was lower than 2016, continuing to reflect the difficult political and competitive environment in the region. We are currently working on the release of a new ECR2 motor version to improve sales in EMEA.
- Wellington's guidance for the 2017 year, issued in its Q3 update was that year over year growth would likely be at the lower end of a 25% to 35% range and possibly below if a seasonal late surge in orders was delayed. The late surge was weaker than anticipated, resulting in 22.6% revenue growth for the year.
- Revenue for the full year was almost \$1m lower than previous guidance, which will impact resulting EBITDA¹ earnings for the 2017 year. EBITDA¹ earnings for 2017 will be an improvement on that recorded for the 2016 year but will be below the projected \$1m, which is disappointing. While December was a record month for Wellington in terms of both revenue and EBITDA¹, it was not strong enough to reverse the poor Q3 result and return us to previously guided levels. We also note that the FY2017 EBITDA¹ result was affected by a sales mix that oriented towards more lower gross margin products than the Company expected, and a deliberate decision during the year to increase certain operating costs in support of our developing IoT business.

As we enter Q1 2018 we are seeing an additional factor causing some uncertainty in our ability to meet supply commitments. This results from strong global automotive and wireless demand putting pressure on the supply of some silicon, with two major silicon suppliers having notified us that components used in the SCS Connect and ECR2 motor products have extended their lead-times beyond twelve months. In one case a critical ECR2 part was subject to worldwide allocation, where the silicon supplier has withdrawn lead-time commitments due to over-booked supply and supply preference is being given to large Tier One OEM clients. This has caused certain components to not be delivered against agreed orders and delivery dates. We have implemented actions including sourcing and designing-in alternative components, placing long lead-time orders out to Q2 2019 and keeping 50% component buffer stock on order. We have been able to increase our allocation of components, but for ECR2 it is still not at the level needed to support customers' short-term demand.

We have improving visibility on demand for the first quarter and are starting to see orders for the second quarter. Accordingly, Wellington is expecting a strong H1, despite the silicon component supply issues referred to above. H1 revenue is currently forecast to be around 10% above the same period in 2017 with EBITDA¹ well above the \$1m recorded in 2016. We currently have little visibility on second half customers' requirements. While the Company is reaffirming previous guidance of 2018 EBITDA¹ between \$2m to \$4m, and is targeting a net profit, the ongoing demand volatility and learning from 2017 means we are suitably cautious in our plans. Nevertheless, achieving these targets means Wellington should generate positive operating cash flow in FY2018.

CEO Greg Allen commented, "We are disappointed by the shortfall in revenue in Q4, but much of it is flowing into 2018 and it doesn't negatively impact our long-term growth outlook. Q4 was still one of the highest revenue quarters we have had and December the highest ever month, although it wasn't enough to overcome the weak Q3. We think 300% volume growth on both SCS and ECR2 demonstrates how well these products are being received in the market. The combination of Wellington's SCS hardware, data services and iProximity digital marketing solutions is providing the Company with an IoT platform that is opening strategic options with new markets, customers, partners and channels. Nothing changes in terms of our short-term



target of achieving net profit in 2018 and long term leadership as an Internet of Things solutions provider to the food and beverage market”.

About Wellington Drive Technologies

Wellington Drive Technologies is a leading global provider of energy efficient electronic motors, airflows solutions and ‘Cloud Connected’ refrigeration control solutions for the commercial refrigeration markets. It serves some of the world’s leading food and beverage brands and refrigerator manufacturers with advanced products and solutions that improve their product sales, reduce their costs and reduces energy consumption. Wellington is headquartered in Auckland, New Zealand, and is listed on the New Zealand stock exchange under the ticker symbol NZ:WDT

Notes:

Note 1 - EBITDA is Earnings before Interest, Taxation, Depreciation, Amortisation and Impairment. Wellington has always reported the EBITDA result because this is the profit performance measure that avoids the distortions caused by differences in amortisation and impairment policies.

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