

1st March 2018

For Immediate Release

Wellington Drive Technologies announces audited results and confirms 2018 guidance.

Business highlights

NZD unless otherwise stated	2017	2016	Improvement
Revenue	\$43.3m	\$35.3m	+22.8%
IOT Data services	US\$0.713m	US\$0.244m	+192.2%
Gross profit	\$10.3m	\$8.5m	+22.3%
Gross margin %	23.9%	24.0%	-0.1%
EBITDA ¹	\$0.538m	\$0.204m	+163.7%
Loss for the year	\$1.98m	\$2.478m	+20.1%
Operating cash flows	\$1.257m	-\$0.048m	+\$1.305m

Wellington's revenue growth year over year was 22.8%. This is consistent with the compound annual growth rate for revenue (CAGR) of 22% for the last three years. The Company continued to deliver new product growth; ECR2 motor volume compared to last year grew 282% and SCS Connect volumes grew 308%.

Invoicing of data services related to Wellington's SCS smart controllers amounted to US\$0.713m in 2017 and US\$0.244m in 2016 of which US\$0.7m has been deferred on the balance sheet at 31 December 2017 to be recognised over future periods.

Digital services revenues related to the Company's Internet of Things (IoT) SCS products continues to grow and is core to future growth prospects. The company's expansion of its digital services was strengthened by increased adoption of the SCS Connect data solution, the expanding partnership with iProximity and commencement of trials by several customers testing iProximity's proximity marketing software.

Earnings before interest, tax, depreciation and amortisation (EBITDA¹) was a profit of \$0.5m (2016 \$0.2m). The result was affected by a weaker than expected third quarter, late in the year demand deferrals, a sales mix that oriented towards lower gross margin products as well



as a deliberate decision to increase certain operating costs in support of our rapidly developing IoT business.

The loss for the year was \$1.98m after charging \$0.603m of non-recurring finance costs in respect of preference shares settled in May 2017.

Operating cash flow for the year was positive at \$1.3m. The cash generative nature of the SCS data revenue stream, where multi-year contracts are paid for in advance, continued to support improving cash flows.

During the year the Company borrowed \$0.6m from Meta Capital Limited and \$0.5m from Smartshares Limited under the \$2m revolving facility that expires in March 2019. The cash balance at 31 December 2017 was \$1.6m.

2018 guidance

In January the Company issued guidance that H1 2018 revenue is forecast to be around 10% above the same period in 2017 with EBITDA¹ well above the \$1m recorded in 2017. That remains our expectation, however we are still experiencing uncertainty in silicon component supply which is driving alternative sourcing strategies and product redesign to alleviate and ensure we deliver for customers.

Also in January Wellington issued guidance for full year 2018 EBITDA¹ of between \$2m to \$4m and set a target to achieve a net profit. Due to the strength we are seeing in first half order flow and growing confidence in uptake of our SCS and ECR2 product we are reaffirming this guidance. Achieving these targets means Wellington should generate positive operating cash flow in FY2018 to meet its working capital needs and to enable the repayment of the Meta Capital Limited loan in H1.

On 28 February the Company announced the signing of an agreement to acquire iProximity. The impact on earnings from iProximity is expected to be minimal for the 2018 year; however the relationship is already benefiting Wellington's IoT revenues.

CEO Greg Allen commented, "We were incredibly pleased with our annual growth rate, with our primary focus being new product revenue momentum and winning customer share. Profit was below expectations due mainly to a weaker than expected third quarter and customers deferring demand into 2018, however we are now seeing the results of that demand deferral in order bookings for the first half of 2018. There were a number of new business wins in the year, for both EC motors and SCS Connect that will deliver new revenue in 2018. Our strategy to grow the EC motor business in the supermarket sector and to expand out IoT business through adding more digital solutions, such as iProximity marketing systems, is really gathering pace."

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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