

27<sup>th</sup> October 2016

For Immediate Release

## Wellington Drive 3<sup>rd</sup> quarter result shows 25% increase in 3<sup>rd</sup> quarter revenues

Wellington Drive's unaudited result for the 3<sup>rd</sup> quarter ended 30 September (Q3) is consistent with earlier guidance.

Revenue for the quarter was \$6.3m compared to \$5.1m for the same period in 2015 – a 25% improvement. The EBIT<sup>1</sup> result for the quarter was a loss of \$895k. The EBITDA<sup>3</sup> result, adjusted to exclude foreign exchange revaluations of the Mandatory Convertible Preference Shares (MCPS), was a loss for the quarter of \$427k (versus a \$607k loss for Q3 2015).

Year to date revenues are 34% above the same period in 2015, demonstrating continuing growth momentum. Revenue achievement year to date has already exceeded 2015 full year figures. Gross margins improved to 23.6% for the first three quarters of 2016, from 21.9% for the same period last year, with Q3 Gross margin at 25.7%. Whilst further supply chain cost reductions will have less measurable impact, we are seeing some benefits flowing with overall volume increases.

The business is anticipating stronger revenues in Q4 and is confident that the Company will achieve its full year guidance of significantly higher revenues than those recorded for 2015 and the possibility of a modest EBITDA profit.

### Q3 2016 Highlights:

- Revenue growth of 25% to NZD\$6.3m (or in US Dollar terms 34% to USD\$4.5m). The average USD / NZD rate in Q3 was 0.703 compared to 0.656 for the same period in 2015;
- Continued growth in SCS Connect and ECR2 product shipments;
- Further supply chain cost reductions improving gross margin to 25.7% for the quarter; and
- Secured a \$2m debt facility from SuperLife to support growth working capital for SCS Connect and other new products.

The unaudited result for Q3 is:

	Q3 – \$000's			Q3 YTD – \$000's		
	2016	2015	Change	2016	2015	Change
Revenue	6,335	5,080	+25%	25,027	18,666	+34%
Gross Profit	1,625	1,190		5,911	4,096	
%	25.7%	23.4%	+2.3%	23.6%	21.9%	+1.7%
EBIT <sup>1</sup>	(895)	(388)		(1,594)	(600)	
Depreciation, amortisation & impairment <sup>2</sup>	363	67		1,110	291	
EBITDA <sup>3</sup>	(532)	(321)		(484)	(309)	
MCPS revaluation loss / (gain)	105	(286)		339	(950)	
EBITDA adjusted <sup>3</sup>	(427)	(607)		(145)	(1,259)	



CEO Greg Allen commented “Our revenue in Q3 was higher than Q3 last year. We took a dip after the highs of the first and second quarters but that was expected due to the usual seasonal factors. We continue to build growth momentum with our new ECR2 and SCS products as we enter Q4 and are also seeing an uptick in demand for our ECR1 motor product. We expect a strong Q4, closer to revenue levels earlier in the year, and are targeting achievement of a modest EBITDA profit for the full year. Next year is looking exciting for the Company, with continued demand increases for our new products, and we expect to update our 2017 guidance as demand for the new season is known. The team is currently focused on putting in place additional supply chain capacity and customer field support to meet its 2017 requirements.”

### 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 reduce their costs improve product sales and reduce 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 - EBIT is Earnings before Interest and Taxation*

*Note 2 - Depreciation and amortisation charges increased this year as the Company commenced amortising capitalised development costs for the new ECR2 motor and the SCS Connect controller from 1 January 2016, that being the date development of the products was completed and the products became available for sale.*

*Note 3 - 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. EBITDA YTD In the 2016 year we have isolated the effects on EBITDA of the revaluation of MCPS for NZD/USD exchange rate movements which is “non cash” and does not arise from the company’s business activities.*

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