

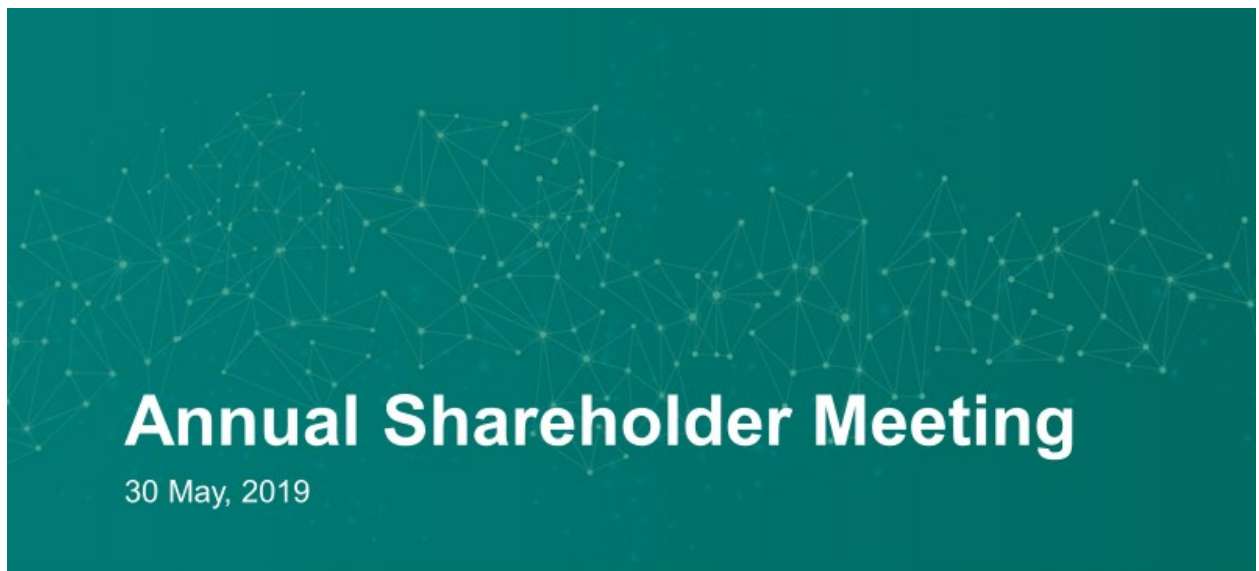


Wellington Drive Technologies Limited

ANNUAL MEETING

30 May 2019

ADDRESSES TO THE MEETING



® is a registered Trade Mark of Wellington Drive Technologies

WT9187

Wellington Drive Technologies Ltd

P: +64 9 477 4500 **E:** info@wdtl.com

21 Arrenway Drive, Rosedale, Auckland 0632

PO Box 302-533 North Harbour, Auckland 0751, New Zealand

www.wdtl.com



Notes:

© is a registered Trade Mark of Wellington Drive Technologies Ltd

There are statements in this document that are “forward-looking statements”. As these forward-looking statements are predictive in nature, they are subject to a number of risks and uncertainties relating to Wellington, its operations, the markets in which it competes and other factors (some of which are beyond the control of Wellington). As a result of the foregoing, actual results and conditions may differ materially from those expressed or implied by such statements. In particular, Wellington's operations and results are significantly influenced by the extent to which energy efficient motor technology is promoted in Wellington's key markets, competitor product development and demand and pricing, fluctuations in key commodity prices or costs in the countries of Wellington's suppliers, availability of key components, relative exchange rates and profitability of customers, all of which can have a substantial impact on Wellington's results of operations and financial condition. Other risks include customer concentration risk and misuse of, and challenge to, Wellington's intellectual property.

All references in this document to \$ or "dollars" are references to New Zealand dollars unless otherwise stated.

EBITDA (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. The Company considers that it is a useful financial indicator because it avoids the distortions caused by the differences in amortisation and impairment policies. EBITDA is calculated as the loss before interest and taxation, less depreciation, amortisation and impairment.



Wellington's business has changed over the last several years as the result of a clear strategy to diversify the company's markets and start a new business in IoT solutions for Commercial Refrigeration.

The Wellington Company is now two businesses supporting food and beverage brands globally.

- 1) Energy efficient EC motors**
- 2) Internet of Things (IoT) solutions**

The Wellington Group is now two businesses:

- 1) Energy efficient EC motors for coolers and freezers
- 2) Internet of Things solutions include connected hardware bundled with software services

These two businesses provide the company with new growth options across more markets.



Key Financial Metrics

Wellington Drive FY2018 key financial metrics review

Metric (NZ\$ million)	FY 2018	FY 2017	Change Y/Y	CAGR 3-year
Revenue	58.8	43.3	35.7%	33.7%
IoT revenue	17.2	10.3	66.2%	n.a.
Motor revenue	38.6	30.3	27.4%	17.7%
Gross Margin	14.3	10.3	37.9%	39.4%
Gross Margin %	24.3%	23.9%	1.6%	4.3%
Selling General & Admin	11.8	9.8	20.3%	17.0%
EBITDA	2.5	0.5	358.0%	n.a.
Net Profit/(Loss)	-0.7	-2.0	n.a.	n.a.
Operating Cashflow	1.8	1.3	47.1%	30.4%
Capitalised R&D	2.1	2.3	7.0%	5.1%
Inventory	4.9	3.0	61.7%	9.7%



This slide looks at 2018 and our year-on-year progress, as well as longer term growth rates where relevant.

Revenue growth was strong, largely on the back of growth in the company's Connect IoT products which are now beginning to gain significant traction. I'll talk more about revenue trends and sales mix a couple of slides along.

Our SG&A costs have expanded for a couple of reasons.

First we are now servicing a broader customer base. IoT diversifies our market opportunities with the associated increase in global sales, field and technical support.

Second is a specific factor related to IoT; we now have a software business embedded in what was historically mainly just hardware and while that team is still fairly small, it has been expanding and will require additional resources going forward.



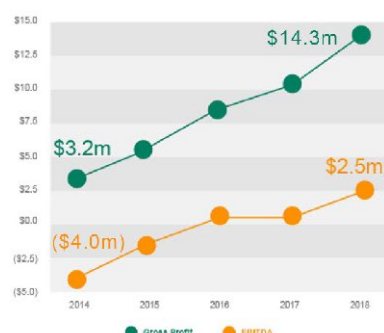
EBITDA continues to steadily improve. Shareholders should note that our EBITDA is helped by capitalisation of costs related to R&D associated with new product development. While these capitalised costs are not included in EBITDA, and they mainly involve labour, they nevertheless do utilise cash. The company is continuing to manage its inventory well; around \$5m of inventory is supporting nearly \$60m of revenue, which we think is efficient. Wellington is running with net debt of around \$3m, part of which relates to the acquisition of iProximity last year, and part of which is used to cover increasingly large swings in the company's seasonal working capital. The high interest debt is scheduled to be repaid this year and a trade facility has recently been established with BNZ.

Gross Profit and EBITDA Trends

Achievements

Gross Profit and EBITDA

NZ\$m



EBITDA (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.

Selected achievements

- iProximity acquisition closed. Contributed to beer brand win.
- 4Q revenue \$18.0 million, a 54% YoY increase.
- Connect SCS volume grows 62%
- ECR2 motor volume grows 75%.
- Data Services billings increases to \$2.1m, from \$1.0m.
- 11 inventory turns, compared to 10 turns in 2017



Looking at Wellington's Gross Profit and EBITDA trends over the past four years, we're pleased at the ongoing improvement, even in the face of headwinds from a more difficult market for our legacy motors.



The most significant event during 2018 was the acquisition of iProximity. We have the two principals from iProximity – Rohan and David – here today and Rohan will later give a demo of some of the functionality that system provides.

There were two main reasons for the acquisition.

The first was iProximity's software functionality that allows our customers to provide innovative marketing solutions and helps with customer intelligence. We know our large retail customers want to get closer to their end consumers and iProximity's solutions will help them get to that point. We also know that this is likely to be a slow journey for some of those large retail operators as they experiment with different approaches to point-of-sale consumer engagement as well as updating their own systems and processes to integrate with these types of solutions.

The second reason was we could see that extending the functionality of the Connect SCS platform beyond operational efficiencies, into data analytics and capabilities for customer marketing and engagement would enhance the value of the Wellington solution and that would have the potential to materially assist SCS sales. iProximity has given Wellington a strong point of differentiation and it has already contributed to winning Connect SCS business with a major global beer brand.

I'd also make the point that data services and software analytics and functionality that give insight and customer engagement are far less prone to commoditisation and much stickier with our customers than just providing a pure hardware solution.

The rest of the achievements on the page are fairly straightforward and trending in the right direction. The only one I think needs further explanation is Data Services where you'll note we say "billings" rather than "revenue". When we sell a Connect SCS it is typically bundled with a multi-year data and digital services supply contract that covers collecting the data the SCS



produces, sending to the cloud for analytics and reporting services such as iProximity provides. As a hypothetical example, with one SCS we might sell a five-year contract at \$6 per year. The customer pays the entire \$30 upfront included with the purchase of the Connect SCS. Wellington therefore receives the entire five years of the data services contract price upfront in cash and that's what we term billings. However, in our income statement, we only recognise \$6 per year in each of the five years of the contract period. The bit of that upfront billings that we don't immediately recognise for profit purposes, but hold for future years, sits on our balance sheet in the Contract Liabilities number.

I talked on the previous slide about how our EBITDA and cash were affected by capitalising R&D expenditure. In that case, capitalisation raises EBITDA but still utilizes cash.

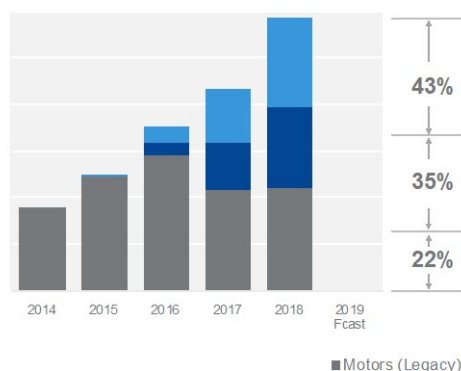
Data services has the reverse effect. EBITDA is lower than what might be assumed given what we've actually invoiced, and our cash is higher than our EBITDA number would imply.



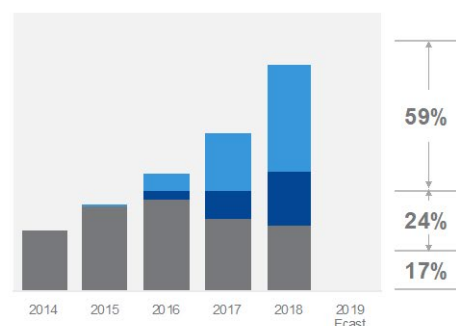
Product Mix (Revenue and Gross Profit) Changes

Changing revenue & gross profit mix

Revenue by product group



Gross profit by product group



I've already mentioned the changing product mix, especially weakness in legacy motors, and these two charts demonstrate how these have played out over the last few years in terms of revenue and Gross Profit.

Firstly, we're flagging a broadly flat revenue outlook for the current financial year and the revenue chart shows why. It's from the drop off in legacy motor volumes that's masking the ongoing underlying revenue improvement from our newer products, especially our Wellington Connect IoT platform and SCS Connect. It's a similar story with Wellington's Gross Profit where lower volumes coupled with price and margin pressure is eroding the gross profit from legacy motors. Our newer products do have higher margins, particularly our IoT products where we are also selling bundled data services and software solutions that have much higher gross margins.

Lastly, look at those IoT bars on both charts. Wellington has gone from zero in 2015, to four years later trending towards half the company's revenue and



around 60% of Gross Profit. We think this is a secular growth story that, subject to our ongoing ability to execute operationally, has a number of years to run.

I'll now hand over to Greg to outline the strategy of where we go and some of the ways we're looking to get there.



Strategic Update



Wellington's Product Groups



As John mentioned earlier Wellington is now two businesses. Actually, with the addition of iProximity, Wellington has two main businesses and a start-up focused on Smart Cities solutions.

- Our first business is ECR motors. Our energy efficient refrigeration fan motor is used by many of the world's largest food and beverage brands in their cooler fleets.
- Our second is Wellington Connect IoT. This is a range of hardware and software solutions (including iProximity's platform) for food and beverage, that connect brands to their cooler fleet and enables consumer engagement.
- Our start-up business is focused on Smart Cities. This is separate from our core food and beverage business, however uses the same



iProximity toolset to connect citizens and tourists to city events and services. We have a couple of Australian cities signed up and are exploring how we expand outside of Australia over the next 12 or so months.

In 2018 - motors made up 64% of our revenue, and 51% of gross profit, whilst IoT was 31% of revenue, and 45% of gross profit. IoT is helping deliver margin expansion, and we see this revenue mix potentially moving more towards 50/50 in 2020.

We see Smart Cities as a small revenue contributor going forward but potentially significant in terms of margin because there is a higher software service component to the business model.

With these three product groups we are delivering value for customers and enabling a more diversified revenue and gross profit mix that will benefit the company.

IoT Ecosystem

An IoT ecosystem...delivering business value through four main features



Our motors and IoT products enable and manage point of sales coolers for the world's largest food and beverage brands. Think of global soft drink brands, large European supermarket chains and some of the world's large beer brands. There you will find our EC motors lowering energy costs and IoT solutions helping to track assets, reporting and managing maintenance activities, providing sales insights to retailers and with iProximity delivering marketing campaigns direct to consumers.

We deliver a comprehensive IoT solutions stack, with connectivity, APP's, a cloud based platform and connection to third party systems. Our IoT ecosystem combines a number of technologies;

- mobile APP's providing connectivity, which we design in-house, these are all being concurrently developed;



- connected hardware utilising Bluetooth wireless, with new wireless technologies being worked on. This connected hardware roadmap is about 50% complete;
- An operational infrastructure, resident on the cloud for reporting and marketing services – up and running today; and
- A range of API's to connect with third party enterprise systems and SDK's to connect to customer APP's. We customize and develop based on customer platform needs.

This ecosystem is continually evolving as we and our customers learn about what the market needs.

Some of the exciting areas we are researching include new IoT cellular based connected hardware and machine learning in areas such as Image Recognition. We are also expanding the Wellington IoT software platform to deliver new digital services, for example in areas such as inventory management.



Wellington's Growth Journey

Wellington is uniquely positioned given its international exposure to large food and beverage markets and IoT growth trends. This offers investors an opportunity to play within a global theme.

I am now going to focus mainly on our rapidly developing IoT business, which is only in its fourth year of operation. This business has delivered around 800,000 connected devices to customers since 2015, and we now have the world's largest fleet of connected commercial coolers across multiple beverage brands.

One just has to look around - at home, on the street and in offices to see how pervasive 'connected things' are. I can now pay for my parking from a mobile APP, I can track my local bus on an APP and pay from the same APP. With a Wellington SCS I can locate my cooler, manage its performance and deliver promotions to a potential buyer of my beverage or food product.

Wellington's journey entering the third stage

Well-positioned to leverage global IoT mega trend, with 800,000 connected devices shipped since 2015

Global IoT Market Forecast \$B



Note: Market defined as total spend of end-users on IoT solutions.
Source: IoT Analytics Research 2018



IoT is on top of CEOs priorities. This technology is considered to be the most disruptive for industries and business models, and is the one having the highest investment

- PWC, 2018



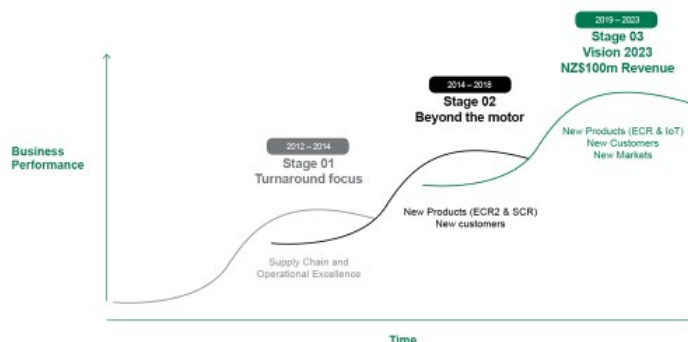


The IoT market is in its early stages, and we have entered an inflection point of wider market adoption. Market Growth forecasts in the IoT space are significant. IoT analytics put CAGR's at 39% growing to a \$1.6 trillion market over the coming years.

In our case the 'thing' in the Internet of Things is the Wellington Connect SCS hardware. We offer and will keep developing layers of services delivered through APP's and Cloud based tools. Being able to deliver a total product that both connects to a customer and also provides software tools to improve their business makes the difference. This is why we provide bundled hardware & software solutions to our customers.

Wellington's journey entering the third stage

\$100m revenue target delivered through a five pillar strategy



When I joined the company at the end of 2011 and until around 2014 we were on a turnaround journey, restructuring and shedding unprofitable customers. At that stage we were relying on a small number of beverage cooler motor customers to deliver sales growth.



In 2014 we started our pivot – moving the product roadmap to add the ECR2 motor focused on supermarkets and the Connect SCS focused on IoT. In 2018, a few years after our pivot, I am delighted to say we have doubled revenue since 2014 and are solidly generating EBITDA.

Our expanded product roadmap and around 95 customer relationship, up from around 44 in 2012, has delivered a three-year CAGR of 34% since 2015, and we will target around 15% CAGR over the next 5 years.

The company is entering the third phase of its growth journey. Further new product innovation and accessing adjacent markets beyond beverage leads us to our growth vision of \$100m plus of revenue over the next 5 years.

Strategy Execution



Our execution performance gives us the confidence to work on longer range growth goals. Over the last 7 years we have brought together a team who have built business processes that have improved our execution. This was essentially the second stage of the journey I talked about earlier.

All the vision and strategy in the world means nothing if we don't first focus on execution – execution is our strategy, you could say.

Gross Profit improved from \$3m back 2014 to \$14m in 2018, with EBITDA improving in line with that (and enabling investment in new projects). To support growth, we have added \$4m of R&D and sales team opex since



2014, re-investing some gross profit gain back into new IoT skills, products and customer adoption projects.

We will execute our growth vision using a five-pillar execution model – and all of these areas have been learned and developed over the last seven years.

Number 1 - The Wellington business model, which includes our three product groups, our IoT solution stack and our cash generative IoT business model.

Number 2 and number 3 - product innovation using the customer to inform us on the problems to be solved, for example it was customers that told us they needed a low cost way to track their coolers which were getting lost in large numbers (in this case Bluetooth and a TRACK APP), and then servicing the heck out of the customers with our supply chain system.

Number 4 - Ongoing expansion of our Connect IoT platform. An example could be a new pay for use service, such as an image recognition based stock management offering.

And number 5 - by delivering revenue across new markets, such as food service and Smart Cities, we ensure revenue diversification. Our platform based approach means we can cross into adjacent markets using the core aspects of existing products.

All underpinned by an amazing team, with continually improving business processes and clear success metrics.



The Wellington business has transformed rapidly over the last four years. We weren't an IoT solutions company just a few years ago but have now shipped around 800,000 connected devices (with data services). This is a massive data set that our customers can leverage, and we can use to develop new services. The IoT business is underpinned by a relatively stable, medium growth motor business, often with the same customers.

We are excited by the future innovations that will come from the Wellington team. These innovations, focused on managing refrigeration assets, providing the sales insights that customers need and helping them connect to the consumer will create growth opportunities that will allow us to achieve our growth goals.

I will now hand back to John to go through our expectations for 2019.

2019 Outlook



Thanks Greg.

In 2018 we were EBIT profitable, meaning for the first time ever the company fully funded its D&A and capitalized R&D investment.

We took on high interest debt to continue to invest in new projects, and because we didn't want to raise further equity (in fact we haven't raised new equity since 2015). The debt raising was a deliberate financing choice, and if we hadn't made that choice, but raised equity instead we would have been NPAT positive in 2018.

In 2018 net cash in-flow from operating activities was \$1.8 million. This was before the \$1.7 million of predominantly capitalized labour investment in new product development.

Forward perspective

2018 Priority...IoT market development

H1 2019

- Improved EBITDA
- Continued growth in IoT and ECR2
- Reduction in legacy motor revenue
- Some customers delaying timing of IoT adoption

FY 2019

- Revenue flat compared to 2018
- EBITDA and Net Profit improving with company using some of the increase to fund hiring and new IoT projects
- IoT growth of around 20%
- Legacy EC Motors declining
- New products – Wellington Connect IoT hardware and software, ECR2+ Motor

2020

- Targeting return to revenue growth
- Investing in IoT and non bottle cooler markets
- Growth in digital marketing services
- Smart Cities growth



We are focused on increasing value for shareholders over the medium term. We are still in a strategic mode where our priority is investing in new products and IoT growth. We will re-invest part of our profit growth in new revenue opportunities, customer acquisition and hiring for technical and sales skills. This investment strategy will temper our profit growth in the short term, but it will ensure we give ourselves the best capability to achieve our vision of revenue growing to 'north of \$100m' and gross margins significantly higher as a result of IoT solutions forming a growing part of our revenue mix. We remain concerned about global macroeconomic and trade risks, but we also think 'we make our own weather' by not standing still and relying on existing products and markets. We find growth opportunities, they don't find us.

In 2019 motor forecasts are lower than last year, and motor margin pressure continues, however, we see growth in some of the markets we service for IoT products. Wellington's IoT business is expected to continue its growth in 2019 with several new programs underway and new IoT products being developed. IoT is an evolving area for many of the company's customers and Wellington is subject to timing risks as individual customers adapt their IoT roll-out plans.



Our first quarter of 2019 was significantly stronger than the prior year, with revenue significantly up and EBITDA in excess of \$1 million.

For the first half, Wellington anticipates revenues higher than the same period in 2018, probably up by slightly more than 10%. Better sales mix means EBITDA for the first half should exceed \$2 million, and maybe close to the EBITDA figure for entire FY2018. If we achieve our current expected first half EBITDA then Wellington will achieve a modest interim positive net profit.

I would caution there is volatility in the company's monthly financial results as timing and changes in customer orders is normal. We are not forecasting that we can extrapolate the strong first half result into the outlook for the second half of the year. This is for two reasons; first, we are expecting the previously mentioned legacy motor weakness and pricing pressure to be more of a second half story; it didn't have much effect in the first half. Second, the breadth of growth opportunities we now have available means we are now deliberately adding further software development, product support and sales resource which is increasing our cost structure. This will progressively start to bite into our earnings growth through the second half, but we believe it builds the platform for future sustainable growth.

Due to the forecast weakness in motors and planned competitive strategies in the lower end of the bottle cooler market, countered somewhat by expected growth in the 20% to 30% range for IoT, the company's total revenue in 2019 is expected to be close to flat when compared to 2018.

For 2019 overall, EBITDA and Net Profit are expected to be modestly ahead of 2018 as Wellington reinvests some of the growth in Gross Profit back into the business to accelerate new product development and delivery and broaden our customer base. Importantly, our current forecast shows operating cashflows are expected be stronger than 2018.

We believe reinvesting in new growth programs, particularly in IoT, will deliver a better long term outcome for shareholders.