

28<sup>th</sup> February 2015

For Immediate Release

## **Wellington Drive announces 2014 results, a promising start to 2015 and a fully underwritten rights issue to fund its growth turnaround.**

Our audited results for 2014 are consistent with previous guidance and show disappointing revenues of \$17.8m with gross margin of 18.0% and a loss for the year of \$4.5m. As highlighted previously, our Latin American business was the cause of our revenue decline, while the European and Asia regions both grew by more than 20%. The team is however encouraged by the strong cost and margin performance and ability to mitigate losses despite a \$7.8 million decline in refrigeration revenue versus 2013.

### 2014 key points:

- Total revenues decreased by 35% to \$17.8m attributable to discontinuance of the ventilation product in 2013 and weakness in Latin American demand;
- US Dollar revenue breakdown:
  - Refrigeration revenue was US\$14.8m versus US\$20.7m in 2013.
  - Revenues in Latin America decreased 46% due to lower market demand from several customers in that region. The contributing factors included reduced demand from our largest customer in the region, impact of the Mexican “sugar tax”, Argentine foreign exchange restrictions impacting purchasing in that area, slower transition from shaded pole to EC motors in Brazil, and customer de-stocking in all areas due to the lower demand.
  - Europe revenues increased 27% as a result of improved volume from major customers in that region, including our new supermarket manufacturer.
  - Asian revenues increased 27% due to increased sales in Thailand and Australia.
- Inventory increased from \$4.0m to \$4.7m as a result of strategic inventory built for the East West Manufacturing transfer and this inventory was slow to be consumed due to Latin American demand issues;
- Ended the year with a cash balance of \$1.2m, a result of previously discussed demand issues and inventory build-up impacting cash-flows;
- Successful completion of the supply chain transition to East West Manufacturing with no cost over-runs or customer delivery issues;
- Successfully completed the transfer of electronics manufacturing to a lower cost factory in Indonesia;
- Commenced new sales distribution partnerships with East West USA, Ting International China, and sales agents in Australia, United Kingdom and South Africa. These partnerships are expected to contribute sales in 2015;
- Commenced field trials of the SCSCConnect Smart Controller system with global beverage brands;
- Shipped samples of the highly efficient ECRWhisper motor to selected bottler cooler and supermarket refrigeration equipment manufacturers;



The revenue performance in 2014 means our growth turnaround plan to bring the company to breakeven has been delayed by a year. Our objectives to reduce cost, diversify customer growth through new products and further improve supply chain performance remain the focus for 2015 and in the coming year we expect to return to growth with improving revenue and margin.

### 2015 Outlook

The company has started 2015 positively. Revenues for January 2015 were \$2.4m and when improved margins, exchange gains and reduced operating costs are taken into account, this gave an unaudited profit before interest and taxation of \$227,000. Volumes in Q1 2015 are expected to be solid, and whilst it is still early in the year, we are seeing a modest recovery in Latin American demand and other regions are tracking to expectations.

We commenced customer trials of our new Smart Controller in Q4 2014. These trials are well advanced with customers indicating that the product provides benefits that others do not and that they will adopt our controller. We anticipate first orders in the second half of 2015. Our new ECRWhisper motor, which addresses customers' requirements for efficiency, noise and cost performance is in final testing with production expected by June. These new products will deliver revenue in 2015 and significant revenues thereafter.

We have achieved further supplier cost reductions and expect further reductions by Q3 2015. We have also further reduced our headcount cost. The cost improvements we are making are expected to reduce our breakeven revenue point from NZ\$43m seen in 2013 to around NZ\$25m in 2015. As a result, we believe a breakeven result is possible in 2015, although much depends on some level of recovery in the market issues we experienced in 2014.

Greg Allen, Wellington's CEO commented: "Latin American demand declines have resulted in us being one year behind in our growth turnaround plan. Despite this, our team is energised, working diligently on further cost reduction, new product launch and customer development. Our partnership with East West and indeed our other strategic suppliers is very strong and these relationships are helping us improve margins and develop new business opportunities."

### Capital Raising

To ensure the business successfully launches its new products and executes on its growth recovery, the company will raise additional capital by way of a fully underwritten pro rata rights issue of ordinary shares to all shareholders. The key features of the offer include:

- Raising approximately \$3m through a 5:6 rights issue at 3 cents per new share;
- The offer is expected to close in April with the new shares issued early in May 2015;
- The issue is fully underwritten by SuperLife Limited, a major shareholder in the Company;
- The Company will seek shareholder approval at the Annual Shareholder Meeting for SuperLife to increase its holding above 20% pursuant to the underwriting commitment.

Wellington Chairman Tony Nowell said: "We are grateful to SuperLife for supporting our continued growth recovery plans and underwriting our capital needs in 2015. We welcome other shareholders participating alongside SuperLife in the capital raising. The team is pleased with the way 2015 has



started and the new capital will ensure we successfully launch our new products and deliver profitability."

SuperLife commented: "The Company continues to make progress in its turnaround efforts over the last 3 years and we believe that it's important to ensure their plans are supported to completion. We believe that the Wellington team are building a strong customer proposition and building the foundation for shareholder value".

### **About Wellington Drive Technologies**

Wellington Drive Technologies is a leading global provider of energy efficient electronic motors, airflows solutions and 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.

### **About SuperLife**

SuperLife is a specialist financial service solution providing superannuation, KiwiSaver, investment and insurance options to over 35,000 members. It has over \$1.2 billion of assets invested and has been in the superannuation business for over 16 years and has 40 staff.

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