



16 November 2015

Media Release

For Immediate Release

WELLINGTON DRIVE TECHNOLOGIES BUSINESS UPDATE

Wellington Drive Technologies Limited (“Wellington”) today announced its unaudited trading results for the 3rd quarter covering the three months ended 30 September 2015. The key financial performance indicators were:

	Q3 2015	Q3 2014	% Change
NZD Revenue	\$5.1m	\$3.8m	+31%
USD Revenue	USD 3.3m	USD 3.3m	+2.5%
No of motors supplied	211,000	185,000	+14%
Gross Margin (see note 1 below)	23.5%	18.2%	+5.3%

Revenue for the 9 months ended 30 September was NZD \$18.7 million compared to NZD \$14.4 million last year. The increase in revenue is due to increasing volumes from Latin American and Asia regions and the benefits of a lower NZ dollar versus the US Dollar. The average rate for the nine months was 0.659 compared to 0.844 for the same period last year.

Earnings before Interest and Taxation (EBIT) for the quarter was a loss of \$388,000 compared to a loss of \$643,000 for the same period last year.

The EBIT loss for the 9 months ended 30 September was a loss of \$0.6 million compared to a loss of \$2.8 million for the same period last year. The result for the 9 months included gains arising from foreign currency revaluation gains amounting to \$0.9m compared to \$0.5m last year. Excluding these gains the improvement in EBIT for the 9 months was \$1.8m, as a result of increased sales, improved gross margin stemming from reduced supplier costs, reduced operating costs and the benefits of the lower NZD exchange rate.

EBITDA (see note 2 below) for the period was a loss of \$322,000 compared to a loss of \$529,000 last year. The EBITDA loss for the 9 months ended 30 September was a loss of \$0.3 million compared to a loss of \$2.5 million for the same period last year.

New Product Update

ECR2 - Our new highly efficient and quiet EC motor has successfully completed regulatory approvals for Europe and we expect approvals for North America by the end of November.

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The company has been informed by a large US manufacturer that ECR2 will be designed into a new range of its display cases for manufacture in 2016. We expect additional customer success for ECR2 in the Americas and Europe in 2016. We are encouraged by interest from several US customers who will be using ECR2 as a means of complying with the new stricter energy standards required by the US Department of Energy in 2017.

SCSConnect - Our connected refrigeration controller and data management solution is continuing through final production approvals to ensure we have a strong supply chain ready for volume demand in 2016. In-market field trials in Asia and Latin America, underway for around 12 months, are practically complete and we are now moving into the commercial negotiation phase. We have also begun training of customer engineering staff to ensure they are ready to support SCSConnect in the field.

Wellington has recently entered several commercial discussions with a number of global branded consumer products customers to have SCSConnect approved for use in their cooling equipment. We are in advanced contractual discussions with one such customer and have been instructed to be ready to start supply in 2016. We are currently forecasting revenues of between USD \$1m and \$1.6m in 2016 for this customer but contracts are not yet finalised and volumes could change. As currently envisaged, a successful negotiation could result in a contract for ongoing supply of both SCSConnect controllers and data services. Our expectation is that a contract will be completed by the end of 2015.

CEO, Greg Allen commented “We are delighted by the customer discussions underway on our new products and expect to start shipping first orders in first quarter 2016. We are also commencing further in-market field trials on both SCS and ECR2 over the coming months. It is pleasing to see motor volumes increasing versus 2014, and also the boost we are getting from the more competitive New Zealand dollar. As we approach 2016 we are well positioned for further significant financial improvement, however we still have work to do on new market development, lower supply chain costs and delivering flawlessly for our customers.”

Note 1 – Gross margin is the gross profit percentage calculated from GAAP measures of revenue and gross profit

Note 2 - EBITDA (ie Earnings before interest, tax, 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 the differences in amortisation and impairment policies. EBITDA is calculated as the loss before interest and taxation less depreciation, amortisation and impairment of \$67,000 for Q3 and \$290,000 for the 9 months (2014 Q3 \$114,000; 2014 9 months \$320,000).

For further information visit www.wdtl.com.

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