16th November 2017

For Immediate Release

Wellington Drive delivers 23% revenue growth in 3rd Quarter and confirms net profit target for 2018

Q3 2017 summary

- Continued strong revenue growth with NZD revenue increasing 23% to NZ $7.8m. In USD terms, revenue was 28% higher at USD $5.7m compared to USD $4.4m in 2016. Year to date revenues are tracking 26% higher than 2016, demonstrating Wellington Drive's continued product sales momentum and success with new customer wins.
- EC Motor volumes increased 14% year-on-year and SCS Connect volumes increased 260% over the same period in 2016.
- USA and Canada revenue was up 121% and Latin America rose 38% on last year, while Asia Pacific revenue was unchanged. EMEA (Europe, Middle East and Africa) revenue was lower than Q3 2016 reflecting the difficult competitive and macro-economic environment in the region.
- Momentum for the SCS data services offering remained strong, with booked data revenue at $136k year to date compared to $2k in 2016. Future data revenues held on the balance sheet at 30th September 2017 amounted to $800k.
- Wellington Drive successfully completed a multi-store trial in Latin America for our Smarter Cooler concept. The trial consisted of the Wellington SCS Connect and our partner's (iProximity) proximity marketing services. We worked with beverage brand advertising teams to design and deliver an 'at Cooler' consumer experience that demonstrated significant improvement in the customer's beverage sales.
- Year to date gross margins improved to 23.7% from 23.4% for the same period last year. The discrete Q3 gross margin of 20% was disappointingly lower than Q3 last year. The main reasons for the quarterly decline were product mix biasing towards our lowest margin customers, temporary delays in the start up of our lowest cost SCS manufacturing solution (these delays have now been resolved) and some increases in commodity prices flowing into unit costs on our legacy motor products. While customer driven mix is something we cannot control; all other factors are being resolved and will not adversely impact product cost in 2018. In Q4 2017 we expect to achieve lower product costs for our SCS Connect and ECR2 motors than in previous quarters.
- The EBITDA[1] loss for Q3 of $943k was worse than the $532k loss in Q3 2016. This was due to a deliberate increase in costs for higher headcount and marketing costs required to

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support new product revenue growth and customer support, (69 staff at September 2017 compared to 61 at September 2016).

- The unaudited result is:

NZD	Q3 - $000's				YTD - $000's		
	2017	2016	Change		2017	2016	Change
Revenue	7,787	6,307	23.5%		31,579	25,027	+26%
Gross Profit	1,569	1,645			7,498	5,856	
%	20.1%	26.1%	-6.0%		23.7%	23.4%	+0.3%
EBITDA[1]	(943)	(532)			59	(484)	
EBIT[2]	(1,390)	(789)			(1,208)	(1,594)	
Loss for the period[3]	(1,488)	(1,065)			(2,001)	(2,395)	

Q4 2017 update and 2018 outlook

Beverage customers are finalising their 2017 Q4 product requirements later than in previous years and as of early November the business had still not received all of its demand information from customers. Reasons for these demand delays include OEM's planning to carry less inventory over the year end and an overall push by customers to put more load into Q1 2018. This lateness in firming up demand and unwillingness to build up inventories could also create short-term Q4 capacity constraints in Wellington's supplier's factories in the event we do receive any order surge late in the quarter. Despite this backdrop we are anticipating stronger revenues and a return to profit in Q4.

Wellington's previous guidance was for 25% to 35% revenue growth for 2017 and for EBITDA[1] earnings in the range of $1.5m to $2.1m. Current customer demand delays, which have seen as much as $1m of revenue move from Q4 to Q1, and the possibility of further demand delays mean that the EBITDA[1] performance for 2017 will likely be at the lower end of this guidance and possibly below if the late surge in demand does not eventuate this year.

Looking forward to first quarter and FY2018, Wellington's provisional forecasts look positive and indicate a continuation of our growth trend. The Company's provisional forecasts for FY2018 indicate EBITDA[1] in the $2m to $4m range and accordingly we are targeting a net profit result.

CEO Greg Allen commented "We continue to be satisfied with our top line growth trend in Q3 but margin and profit performance was disappointing for the quarter. While we had expected to make a loss in Q3 due to seasonality of demand, it turned out worse than forecast. We do expect a stronger Q4, closer to revenue and margin levels seen earlier in the year, subject to the caveat that those later Q4 orders are reducing our normal revenue visibility. Our ECR2 motor and SCS Connect IoT solution continue to underpin our growth and we are working on new software and hardware developments to further complement these products. Our digital marketing solutions, provided by iProximity, are being marketed globally with multiple customers, further demonstrating our move away from pure hardware to become a hardware enabled software and solutions business. We believe iProximity's digital marketing solution provides additional incentives for our beverage customers to adopt our SCS Connect product range into their cooler networks. The Company's provisional FY2018 growth and earnings outlook are underpinned by the expectation of adding further new customers, continuing growth in demand for our new products and lower supply chain costs."

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.

Note 2 - EBIT is Earnings before Interest and Taxation

Note 3 – Loss for the period is the statutory result after taxation

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