



Gentrack

Gentrack Group Ltd (GTK) FY19 Full year results presentation

28 November 2019

DISCLAIMER

This presentation may contain forward-looking statements. Forward-looking statements often include words such as 'anticipate', 'expect', 'plan' or similar words in connection with discussions of future operating or financial performance.

The forward-looking statements are based on management's and directors' current expectations and assumptions regarding Gentrack's business and performance, the economy and other future conditions, circumstances and results. As with any projection or forecast, forward-looking statements are inherently susceptible to uncertainty and changes in circumstances. Gentrack's actual results may vary materially from those expressed or implied in its forward-looking statements.

This presentation includes audited financial information for the full year ended 30 September 2019.

All figures are shown in NZ\$.

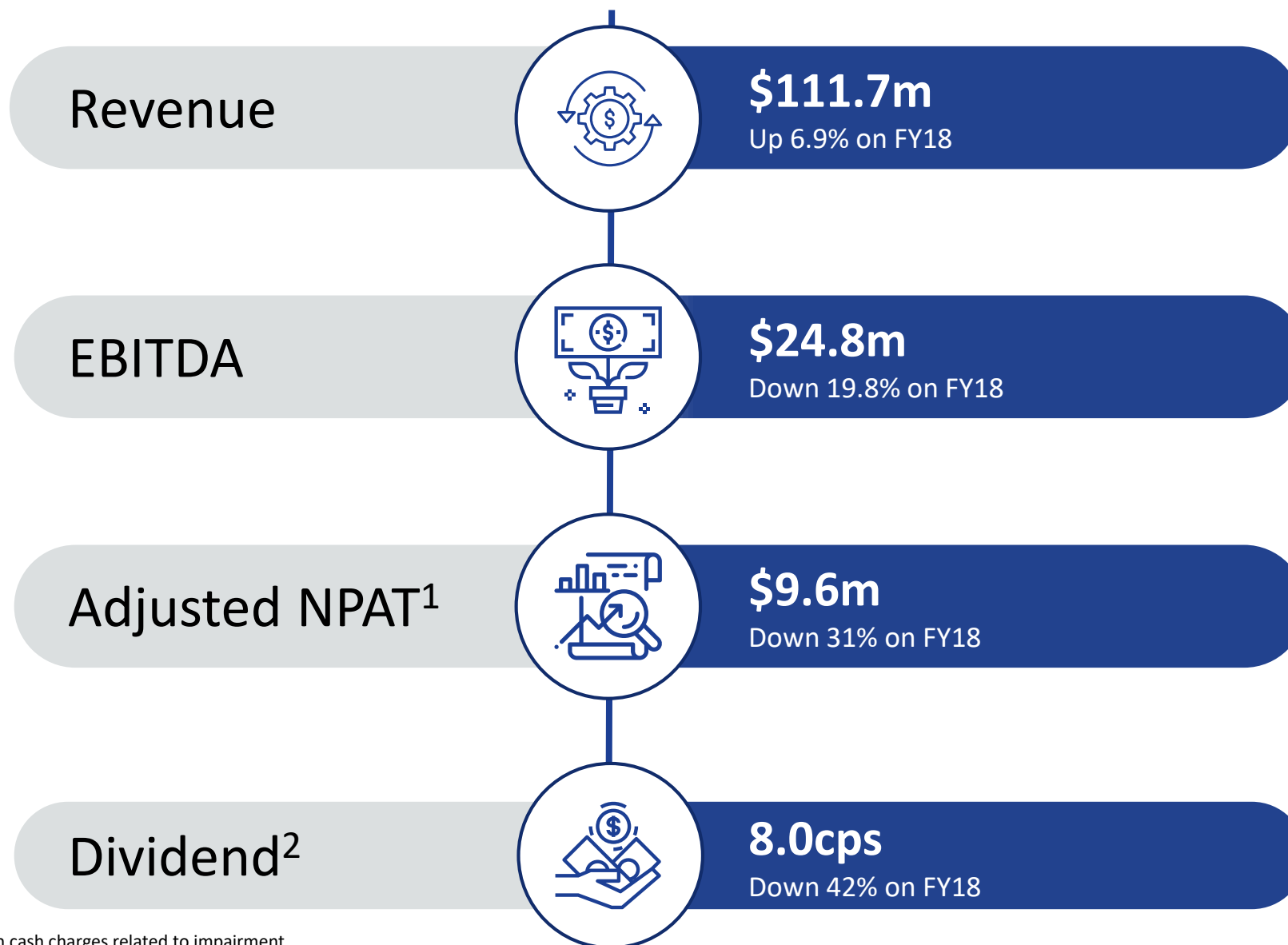
ENTERPRISE SOFTWARE FOR UTILITIES AND AIRPORTS

Gentrack provides software solutions which are deeply embedded and mission critical.

- Utilities rely on our billing and customer management platform to lower service costs, maintain compliance and drive innovation, delivering enhanced customer service.
- Airports depend on our enterprise solutions to unlock operational, revenue and passenger insights to improve airport efficiency.



FY19 FINANCIAL SUMMARY



¹ Adjusted NPAT – Underlying NPAT before non cash charges related to impairment

² Full year FY19 including final dividend 3.0cps

MARKET DYNAMICS – UTILITIES

▶ Market leading position in New Zealand, Australia and the UK for energy and water billing and customer information

Energy Price Caps in the UK and Australia impacting energy retailer profits

Financial pressure increasing for energy retailers

Consolidation and failure of some UK businesses

Uncertain UK Political environment

Challenges with a high level of system change with the roll-out of smart meters

Emerging competitors in the UK and Australia

FY19 HEADLINES

CUSTOMER WINS



7 New utilities



3 Evolve Assurance upsells



3 New airports

GROUP RECURRING REVENUE

\$78.2m

Full Year
Recurring Revenue
Up 22% year on year

ANNUALISED COMMITTED RECURRING REVENUE

\$59.7m

Up 15% year on year
based on month 12
run rate

CA+ RESTRUCTURE

\$13.3m

Impairments

Full write-off of goodwill and intangibles
recorded in H1 FY19, net of tax effects

\$0.6m

Doubtful debts

Full year provisions

UK ENERGY METERS BILLED USING GENTRACK SOFTWARE

c.6.3m
12% market share

1.1m energy meters
added in FY19.
Up 21% on FY18

PRODUCT DEVELOPMENT

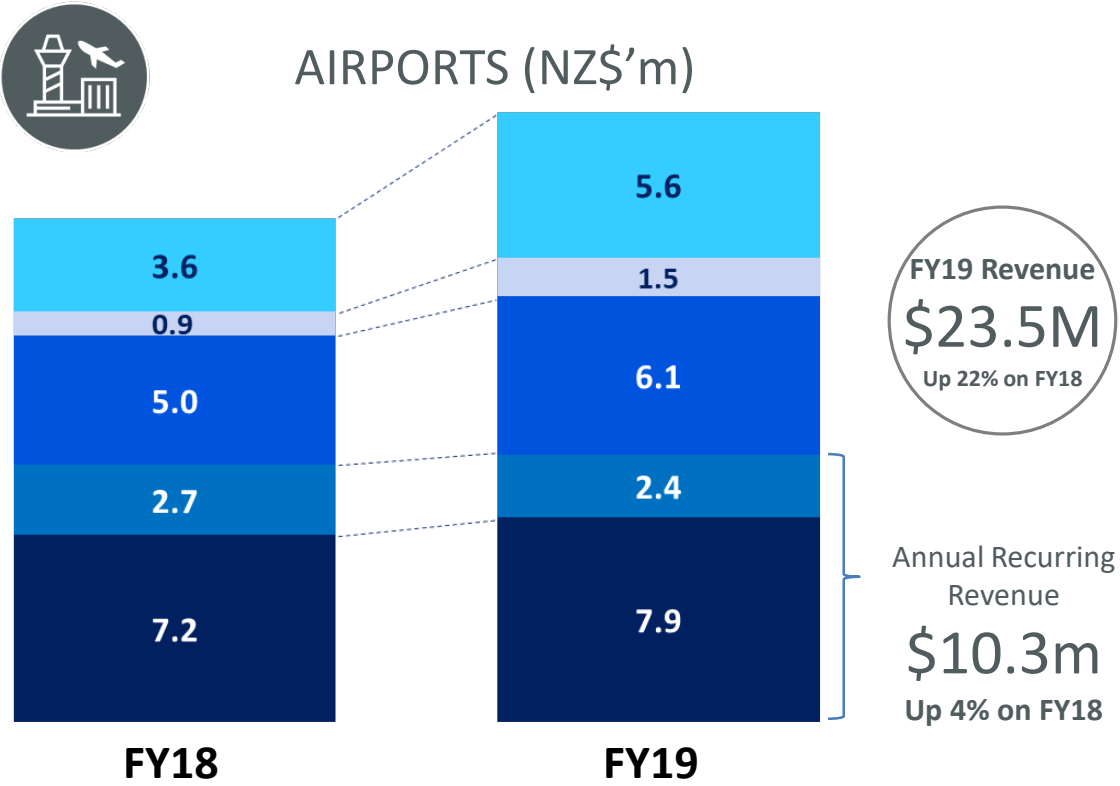
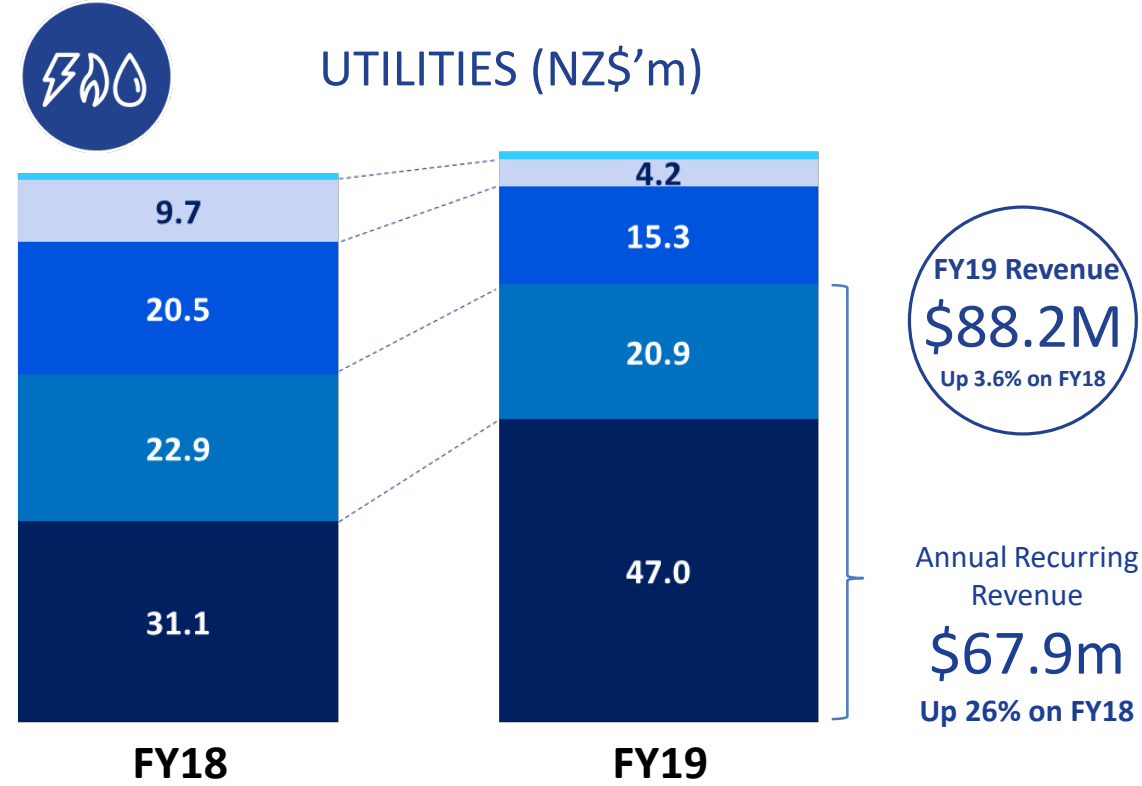
Productised SaaS solutions for:

Total R&D
\$13.5m
(\$5.1m
Capitalised)

- Energy and water retail in the UK
- Water and energy retail in Australia
- Energy retail in Singapore
- Meter data services for Australia

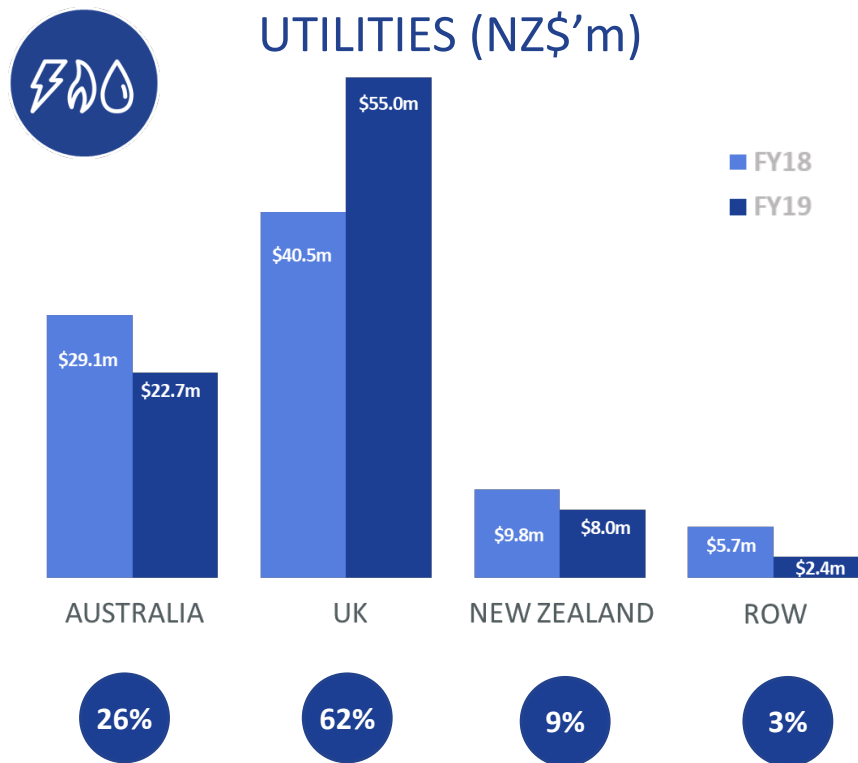


SEGMENT REVENUE ANALYSIS

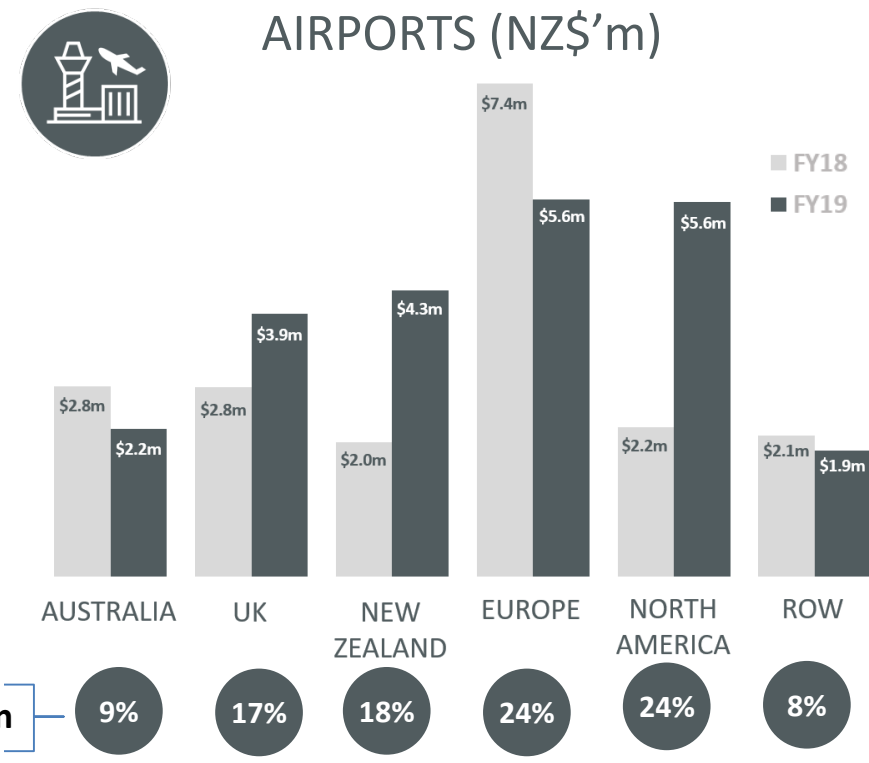


- Committed Recurring Revenue (CRR) – Contracted annual support and licence fees
- Non-Contracted Recurring Revenue – Support Services
- Non-recurring Revenue (NRR) – Project Services
- Licences – Enterprise licencing
- Other – Third party and R&D Grant

SEGMENT GEOGRAPHIC SPLIT






- Utilities revenue from the UK up 36% on FY18 due to new customer wins and ongoing projects
- Utilities revenue from Australia down 24% on FY18, the result of no major projects during the year



- Airports revenue from North America up 155% on FY18, driven by new projects at Orlando International and Newark Liberty International Airports
- Airports revenue in the UK up 39% on FY18 due to projects at Belfast and Bristol Airports but revenue from Europe is down 24%
- Airports revenue from New Zealand higher with projects at Auckland and Wellington during the year

GROUP NPAT AND DIVISIONAL BREAKDOWN

NZ\$/m						
	FY18	FY19	FY18	FY19	FY18	FY19
REVENUE	85.1	88.2	19.4	23.5	104.5	111.7
Personnel Costs	48.3	55.5	9.1	11.1	57.4	66.5
R&D Capitalised	(3.2)	(5.0)	(0.5)	(0.1)	(3.7)	(5.1)
Other Costs	13.8	15.9	5.8	7.2	19.6	23.1
Bad Debt	0.2	1.8	-	0.6	0.2	2.4
EBITDA	26.0	20.0	5.0	4.8	31.0	24.8
					(7.0)	(9.4)
					(1.3)	--
					3.8	0.4
					(4.0)	(14.6)
					(1.8)	(0.8)
					(6.9)	(3.8)
REPORTED NET PROFIT/(LOSS) AFTER TAX¹					13.9	(3.4)

GROUP

- Full impairment of CA+ intangibles and goodwill \$14.6m recognised at the half year
- Continuing transition to SaaS in utilities influences the overall Group result
- Average headcount FY19: 549 (FY18: 502)

UTILITIES

- \$1.8m of doubtful debt provisions in UK as a result of four customers becoming insolvent


AIRPORTS/VEOVO

- CA+ accounts for \$1.0m EBITDA losses of which \$0.6m from doubtful debt provisions. CA+ now operating at break-even for integration into main Veovo business

¹ Adjusted NPAT – Underlying NPAT before non cash charges related to impairment

UK MARKET - BILLING AND CUSTOMER MANAGEMENT

FY19 - UK energy meters billed through Gentrack increased 21% over FY18 to 6.3m (12.1% market share)



4

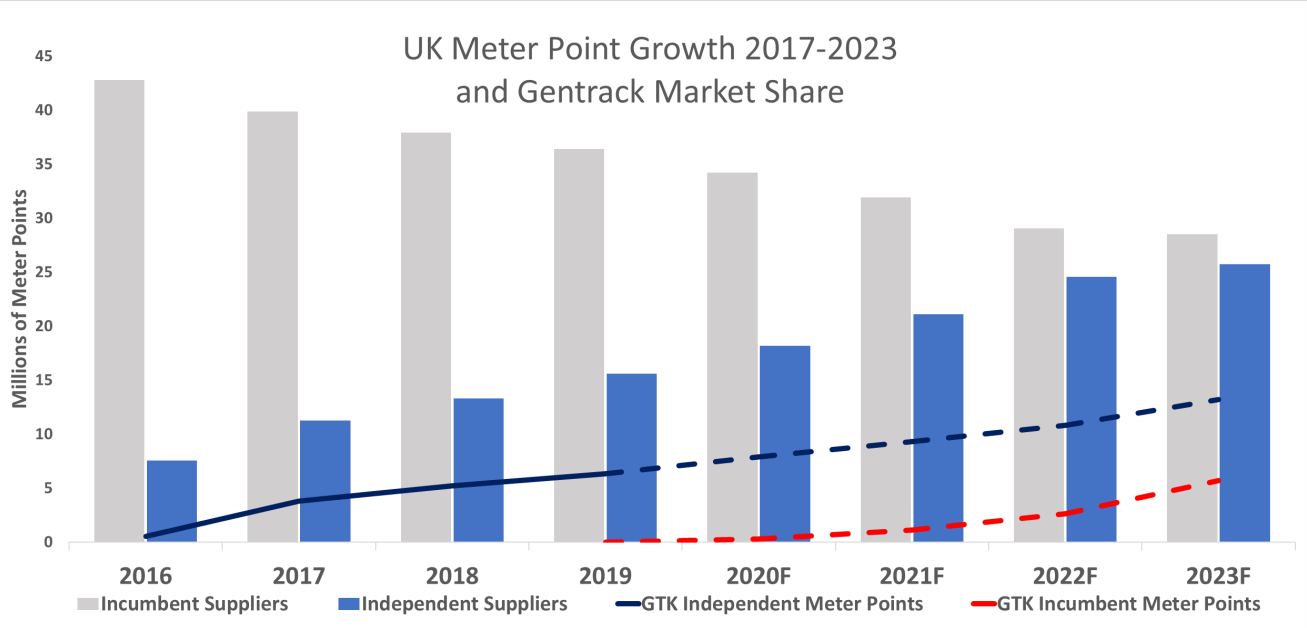
New UK energy suppliers added

40%

Market Share of Independent UK Energy Supplier Meter Points

E.on, EDF, Npower

commence billing on Gentrack



Sources: Ofgem actuals to FY19 with Gentrack estimates and projections beyond FY19

LEADING MARKET SHARE - UK

Gentrack is the market leader in the UK with 40% share of independent supplier² meter points and chosen as a digital disruption platform for incumbent suppliers¹.

CONTINUED GROWTH BUT CONSOLIDATION OF INDEPENDENTS

Independent energy suppliers forecast to take c.5% p.a. market share from incumbents to 2023, driving c.15% CAGR organic meter point growth for Gentrack.

FURTHER PENETRATION INTO THE INCUMBENT SUPPLIER SEGMENT

Adoption by large incumbent suppliers, is expected to deliver 4m meters to Gentrack's market share over the next 4 years.

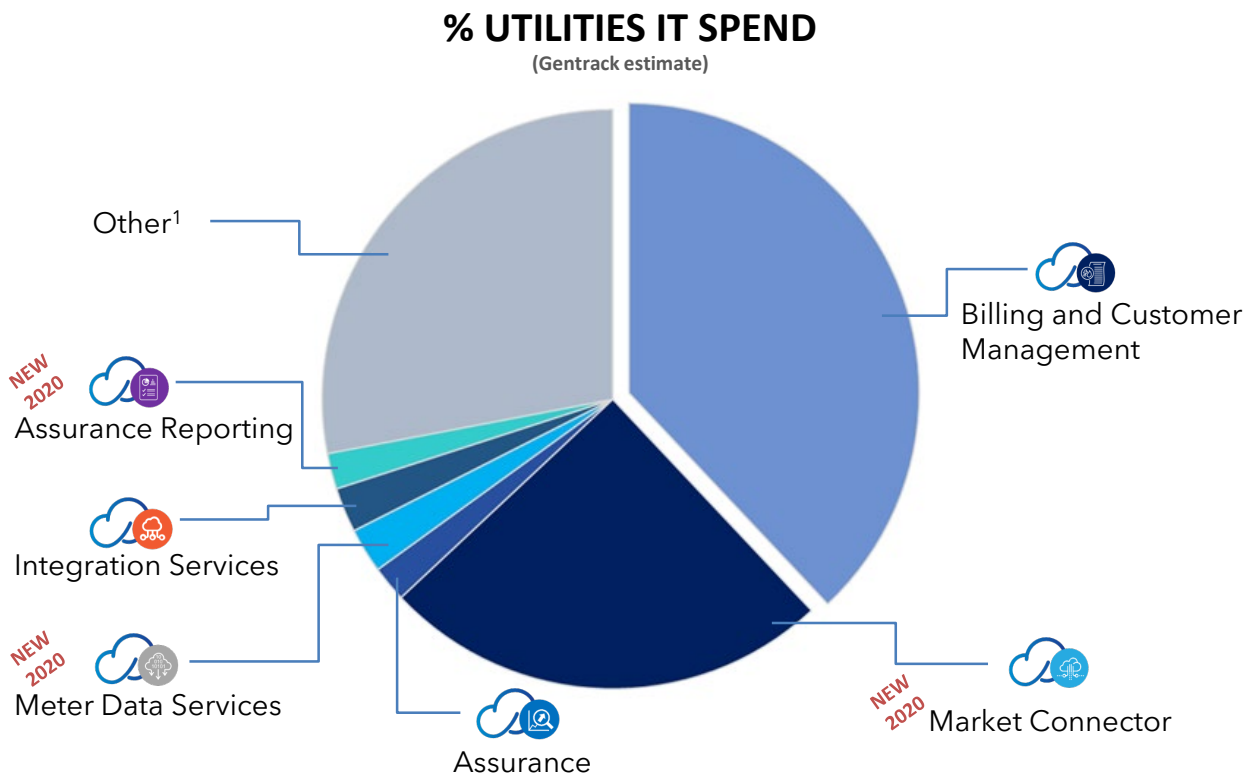
¹ **Incumbent Energy Suppliers (also known as the 'Big 6')** - Npower, SSE, E.on, EDF, British Gas and Scottish Power. Consolidation and changes of ownership are currently altering the competitive landscape with Ovo Energy acquiring SSE and E.on acquiring Npower.

² **Independent Energy Suppliers** - New entrant challenger companies (c.60) which have gained 30% market share from Incumbents in the last 7 years.

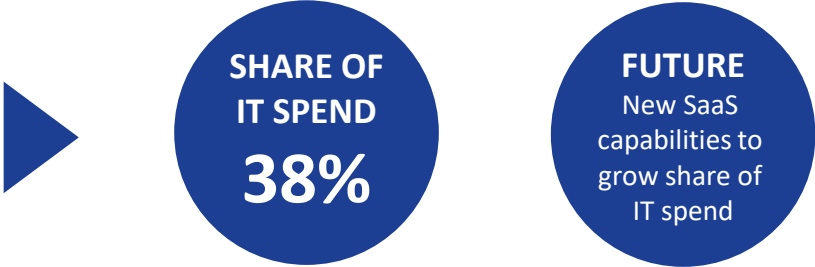


INCREASING REVENUE PER METER

Cross-sell of additional SaaS capabilities increases our potential revenue per meter



¹ Other: includes Managed Services and IT related consulting services



BILLING AND CUSTOMER MANAGEMENT

The number of UK energy meters billed in Gentrack software at YE FY19 was 6.3m, up 1.1m on FY18.

Independent energy suppliers typically spend approximately 38% of their IT budget on Billing and Customer Information solutions.

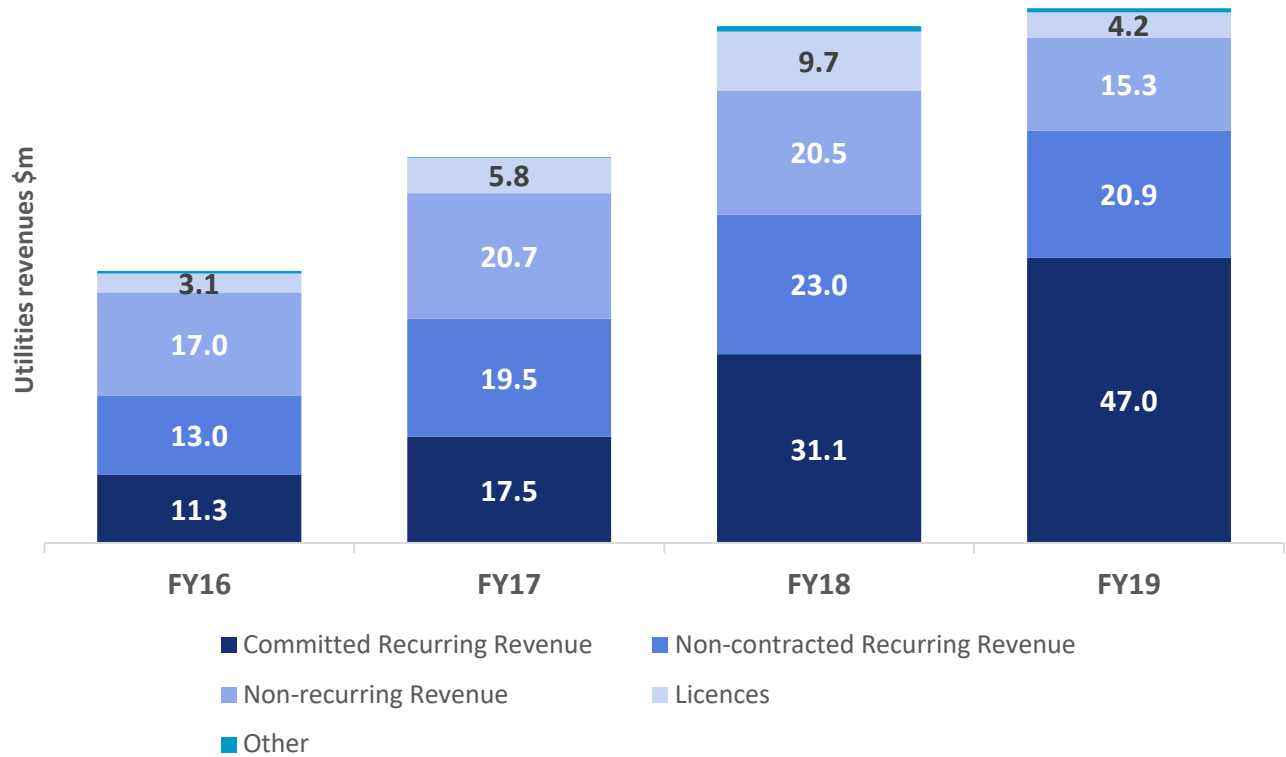
TARGETING ADDITIONAL SHARE OF IT SPEND THROUGH NEW SAAS CAPABILITIES

We are extending our SaaS products to increase our potential share of IT spend, deliver greater customer value and drive stronger retention rates.



UTILITIES - A CHANGING REVENUE MIX

Increase in annual recurring revenues



►

- Utilities CRR is up 51% on FY18
- Non-recurring revenue is down 35% on FY18
- Licence revenue down 57% on FY18

SAAS FIRST

All new customers in FY19 contracted under subscription model

REDUCED IMPLEMENTATION EFFORT

SaaS productised solutions are reducing implementation effort (< 3 months)

PREDICTABLE REVENUE BASE

Growing CRR – Up 169% on FY17

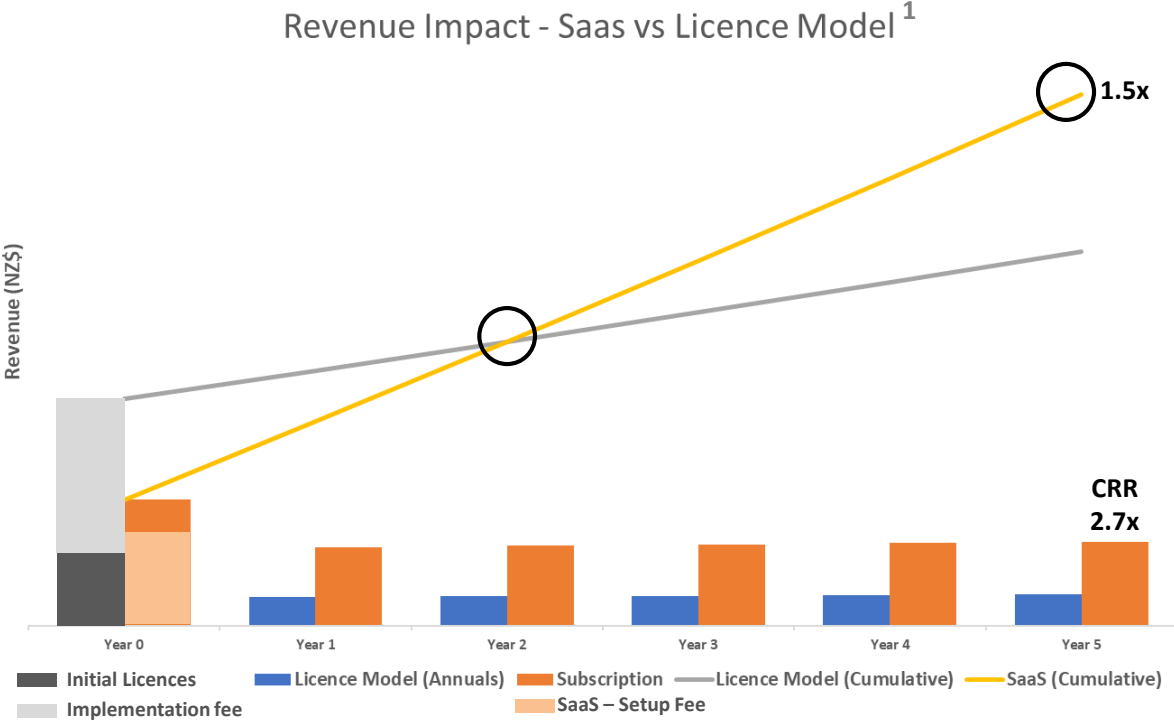
READY TO SUPPORT THE SAAS TRANSITION

Supporting customers’ transition to SaaS when they are ready



SAAS REVENUE MULTIPLIER

SaaS commercial model drives higher recurring revenues than licencing



Implementation fees are lower for SaaS offering.

►

CRR in year 5 would be 2.7x

Cumulative SaaS revenue in 5 years would be 1.5x

Year 1 SaaS Revenues would be 45% lower

CUMULATIVE SAAS PRODUCT REVENUE MULTIPLIER VS LICENCING

- 5 years: 1.5 times
- 10 years: 2.3 times

Upselling additional capabilities to customers is expected to grow the SaaS revenue multiplier.

SAAS CONTRACT ADOPTION

>85% of UK customers have SaaS subscription agreements.

¹ Modelling based on a typical contract for similar type of customer



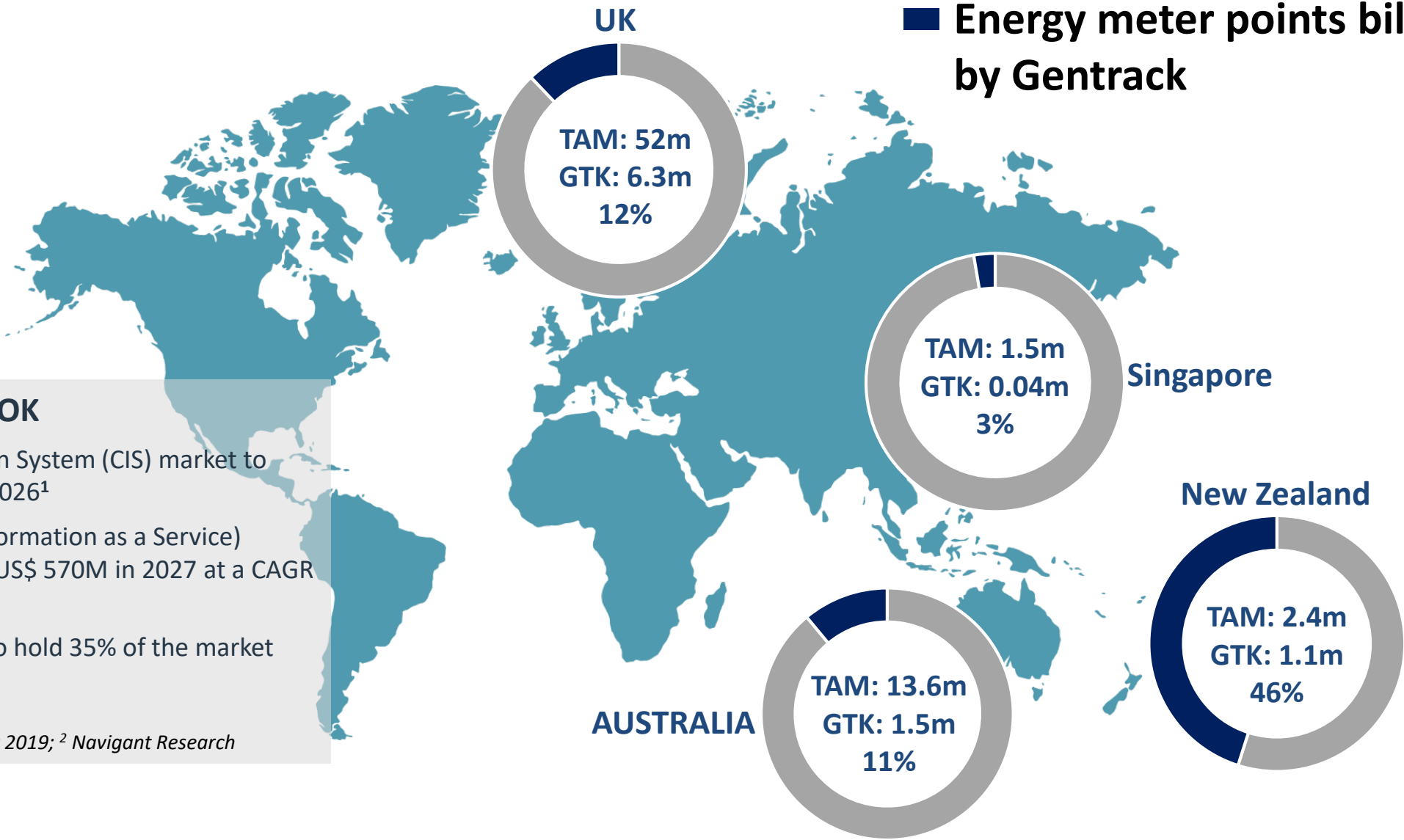
UTILITIES MARKET SHARE – ENERGY

■ Energy meter points billed by Gentrack

CIS MARKET OUTLOOK

- Customer Information System (CIS) market to reach US\$ 2.06B by 2026¹
- CISaaS (Customer Information as a Service) expected to grow to US\$ 570M in 2027 at a CAGR of 15.7%²
- Cloud deployed CIS to hold 35% of the market by 2026¹

Sources: ¹ Reports and Data - July 2019; ² Navigant Research



AIRPORTS HIGHLIGHTS



- + **Passenger Predictability**
- + **Operations Optimisation**
- + **Revenue Maximisation**

- Veovo CEO appointed
- Three new airports signed:
 - Mexico City
 - London Luton
 - Buenos Aires
- Go live at Orlando Airport (50m PAX) - utilising the Veovo airport operations solution
- Expansion into Flow Management (“kerb to gate”) at Schiphol Airport and Keflavik Airport
- New Veovo product: 3D camera technology
- Projects completed at Wellington and Belfast Airports.

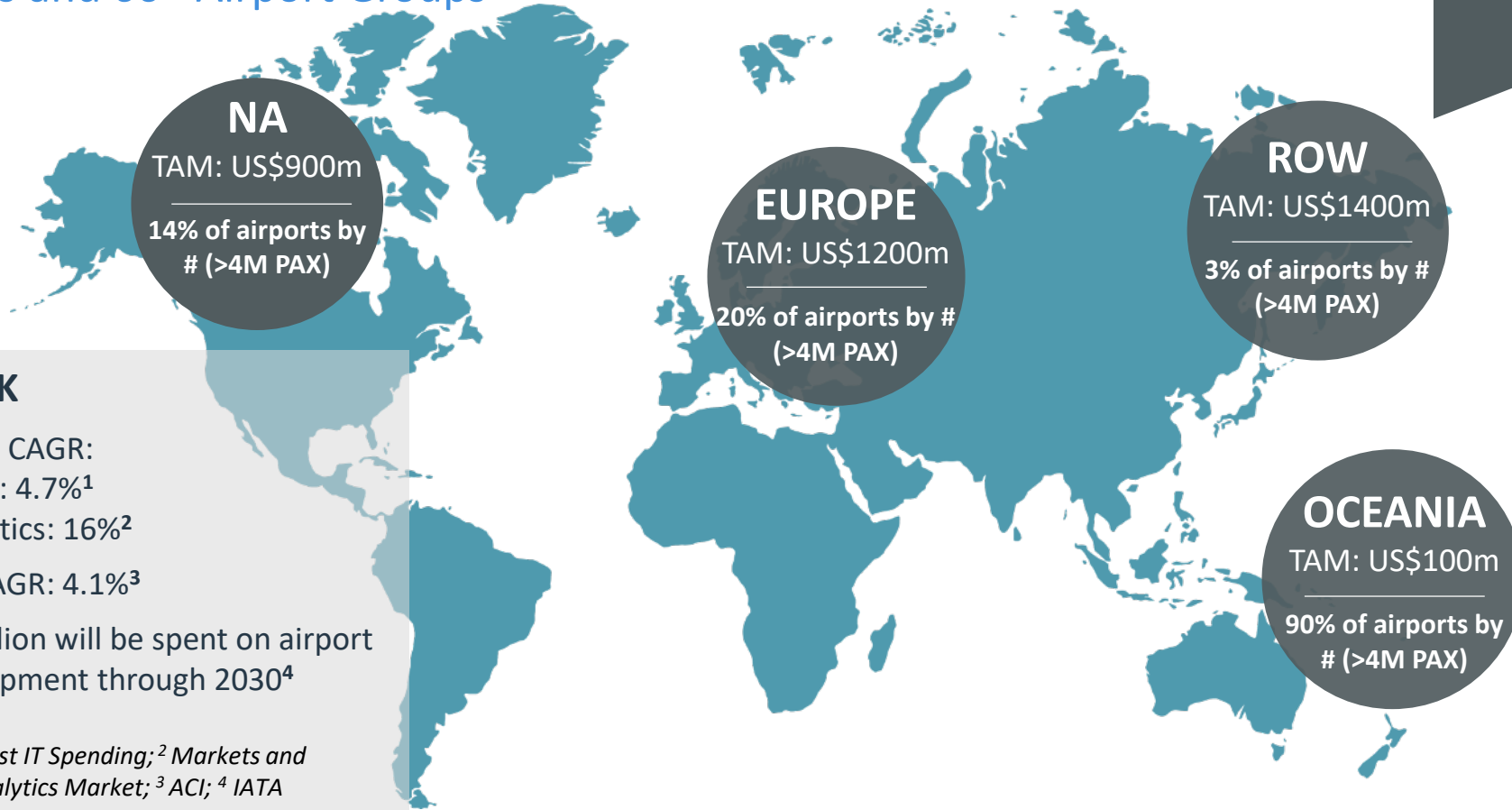
AIRPORTS MARKET SHARE

5-year Veovo Addressable Market of US\$3.6B+

1500+ Airports and 60+ Airport Groups



20 of Top 100
global airports
rely on Veovo



A STRONG OUTLOOK

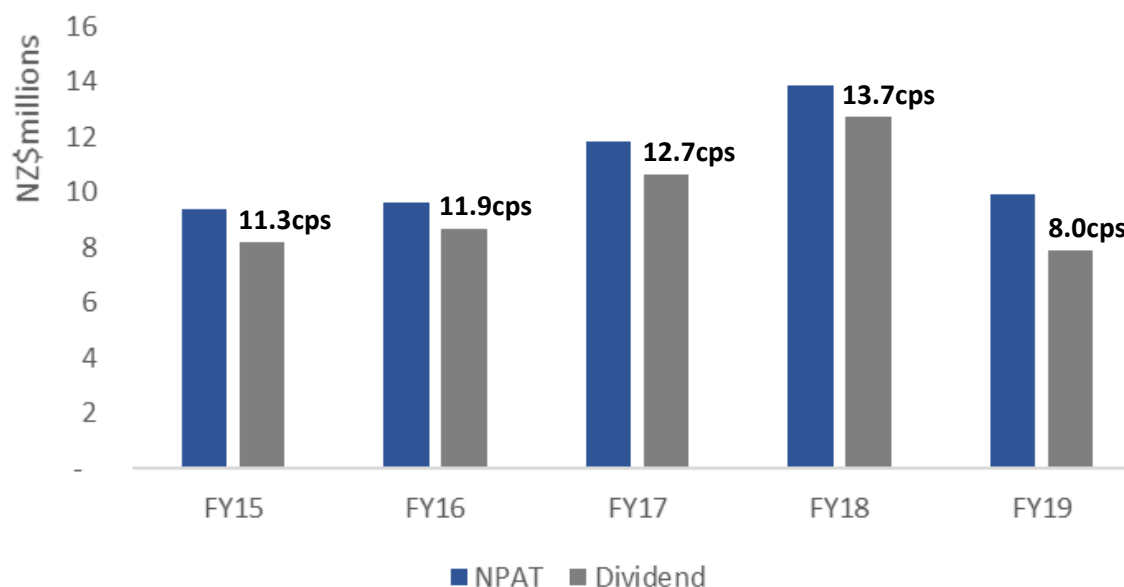
- + Addressable Markets CAGR:
 - Smart Airports: 4.7%¹
 - Location Analytics: 16%²
- + Passenger Growth CAGR: 4.1%³
- + US\$1.2 to US\$1.5 trillion will be spent on airport infrastructure development through 2030⁴

Sources: ¹ MarketWatch – Forecast IT Spending; ² Markets and Markets – Forecast Locations Analytics Market; ³ ACI; ⁴ IATA

DIVIDEND

- Final dividend of NZ 3.0 cents per share¹ declared bringing the full year dividend for FY19 to NZ 8.0 cents per share
- Represents 82% FY19 Adjusted NPAT²
- **Dividend Policy:** Dividend payout of at least 70% of Adjusted NPAT subject to outlook, capital and liquidity requirements
- **Dividend Record Date:** 9 December 2019
- **Dividend Payment Date:** 18 December 2019

NPAT AND DIVIDEND HISTORY



Total pay-out:
\$7.9m (82% of NPAT²)

¹ Dividend fully imputed for NZ tax residents and 10% franked for Australian tax residents

² Adjusted NPAT excluding effects of goodwill impairment net of tax and financial liability revaluation.

OUTLOOK

- Expect FY20 results broadly flat
- UK market conditions remain unpredictable
- Expect growth in recurring revenue from installed customer base offset by reduction in project revenue
- We have contracts with major UK energy utilities with significant long-term growth potential
- We need to continue to invest in our products to meet market requirements
- Annual performance remains dependent on timing of projects and contracts
- We will update the outlook with the half year results



WWW.GENTRACK.COM

GAAP TO NON-GAAP PROFIT RECONCILIATION

Period NZ\$'000	12 Months 30-Sep-19	12 Months 30-Sep-18
Reported net profit/(loss) for the period (GAAP)	(3,315)	13,870
Add back: net finance expense/(income)	763	1,820
Add back: income tax expense	3,758	6,863
Add back: depreciation and amortisation	9,440	6,987
Add back: acquisition costs	--	1,268
Less: revaluation of acquisition related financial liability	(384)	(3,835)
Add back: Impairment of goodwill	14,551	3,984
EBITDA	24,813	30,957

FY20 RESULTS ON A CONSTANT CURRENCY BASIS

NZ\$000	FY18 (NZ\$m)	FY19 (NZ\$m)	FY19 Constant Currency ³	Difference	Δ %
Revenue	104,477	111,682	112,650	968	1%
Operating Costs	73,521	86,869	(87,805)	(936)	1%
EBITDA ¹	30,956	24,813	24,845	32	0%
NPAT ²	13,869	9,642	9,220	(422)	-5%

¹ Underlying EBITDA, being earnings before net finance expense, income tax, depreciation, amortisation and non-operating costs.

EBITDA is a non-GAAP measure – refer to slide 20 for a reconciliation to reported net profit.

² Adjusted NPAT - Underlying NPAT before non cash charges related to impairment

³ Based on FY18 exchange rates applied to FY19 actuals