# Gentrack Group Ltd (GTK)

## Annual Meeting 2020

26 February 2020

# 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$.

# INTRODUCTIONS

## Directors

**John Clifford**
Chairman (2007)

**Nick Luckock**
Non-executive Director (2018)

**Fiona Oliver**
Non-executive Director (2019)

**Andy Coupe**
Non-executive Director (2014)

**Leigh Warren ***
Non-executive Director (2008)

**Darc Rasmussen ****
Non-executive Director (2019)

## Executives

**Jon Kershaw**
Company Secretary & GM
Commercial and Legal

**Jan Behrens**
CTO

**Phil Eustace**
Interim CFO

**James Williamson**
CEO - Veovo

**Tony McGlennon**
VP
NZ/Asia Pacific

**Paul Muscat**
Regional VP and GM
Europe

**Mark Humphreys**
Country Manager
Australia

* Resolution for re-election
** Resolution for election

# CEO AND CFO CHANGES

- Announced this week that Ian Black has resigned as CEO
- John Clifford taking over as executive chairman
- A global search has commenced for a new CEO
- An interim CFO is in place - Phil Eustace

# FY19 SUMMARY

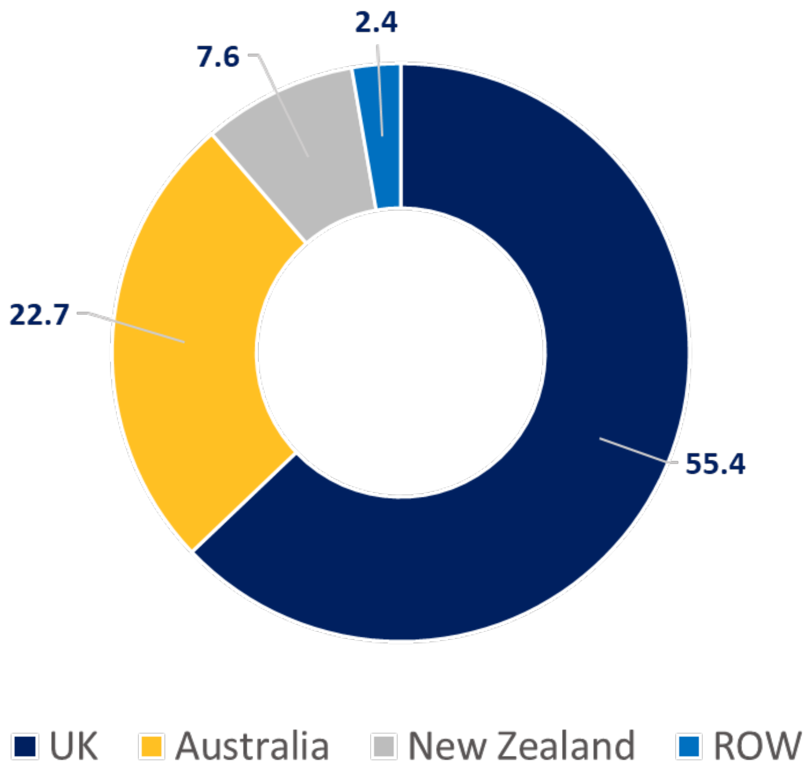
| | | |
| --- | --- | --- |
| Revenue | $111.7m | Up 6.9% on FY18 |
| EBITDA[1] | $24.8m | Down 19.8% on FY18 |
| Adjusted NPAT[2] | $9.6m | Down 31% on FY18 |
| Dividend[3] | 8.0cps | Down 42% on FY18 |

- **Utilities Revenue**
  NZ$88.2m (up 3.6% on FY18)
- **Veovo Revenue**
  NZ$23.5m (up 22% on FY18)
- **Group Recurring Revenue**
  NZ$78.2m (up 22% year on year)
- **Annualised Committed Revenue**
  NZ$59.7m (up 12% year on year based on month 12 run rate)
- **Customer wins**
  7 new utilities and 3 new airports

[1] EBITDA: Earnings before net finance expense, tax, depreciation and amortisation and other non-operating expenses. Non-operating expenses are costs relating to acquisition.
[2] Adjusted NPAT – Underlying NPAT before non cash charges related to impairment
[3] Full year FY19 including final dividend 3.0cps

# UTILITIES – FY19 SUMMARY

## UTILITIES REVENUE (NZ$'m)




**$88.2m** FY19 Revenue
**Up 3.6% on FY18**

**$20.0m** FY19 EBITDA[1]
**Down 23% on FY18**

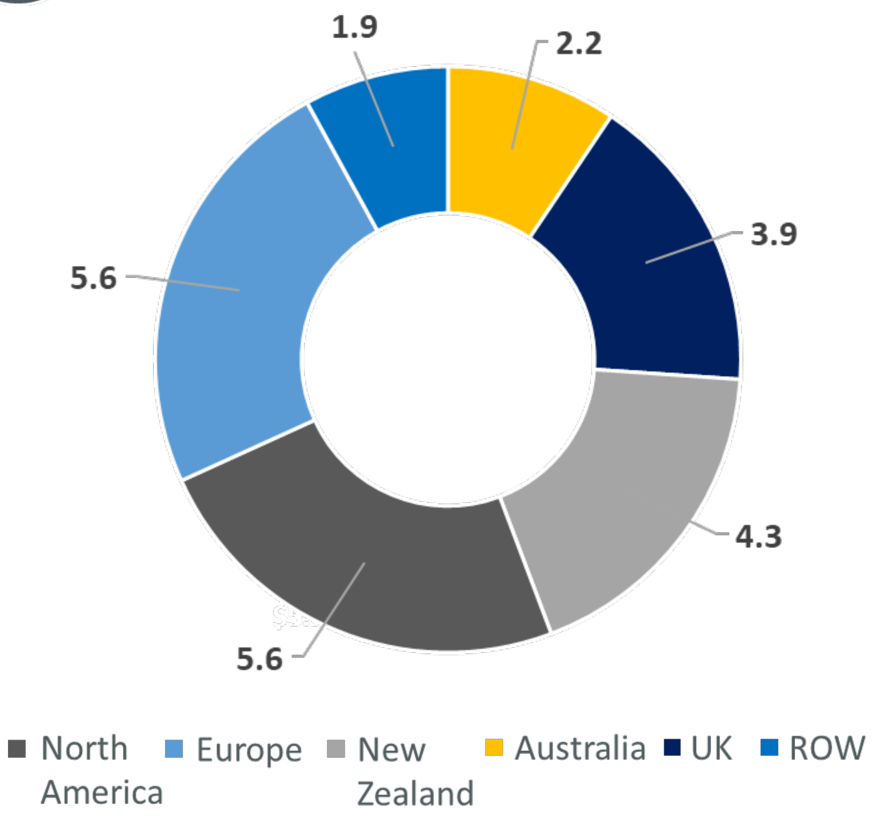
**7** New utilities

**3** Evolve Assurance upsells

[1] EBITDA: Earnings before net finance expense, tax, depreciation and amortisation and other non-operating expenses. Non-operating expenses are costs relating to acquisition.

# VEOVO – FY19 SUMMARY

## AIRPORTS REVENUE (NZ$'m)




**$23.5m** FY19 Revenue
**Up 22% on FY18**

**$4.8m** FY19 EBITDA[1]
**Down 4% on FY18**

**3** New airports

**20** of Top 100 busiest airports as customers

[1] EBITDA: Earnings before net finance expense, tax, depreciation and amortisation and other non-operating expenses. Non-operating expenses are costs relating to acquisition.

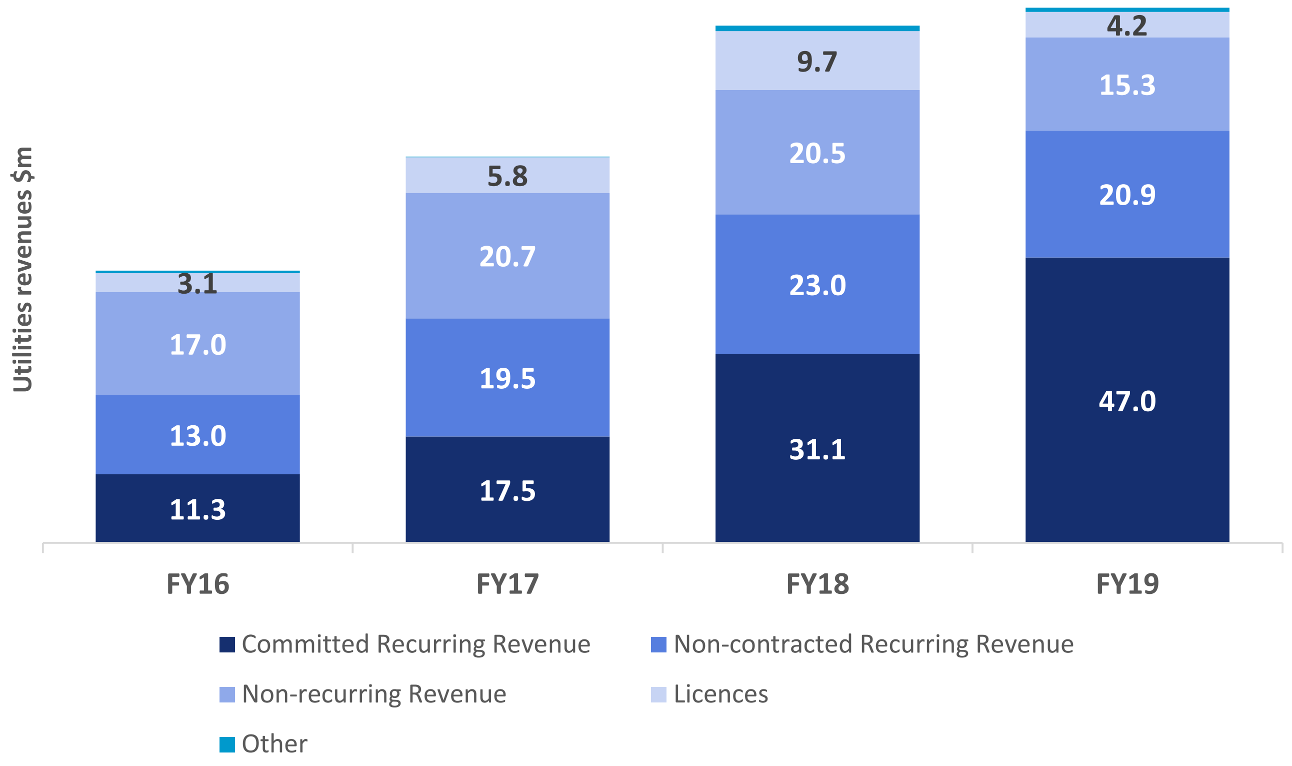
# UTILITIES – SHIFT TOWARDS RECURRING REVENUE

- Changing our revenue mix
- Increasing annual recurring revenues

Utilities CRR is up 51% on FY18

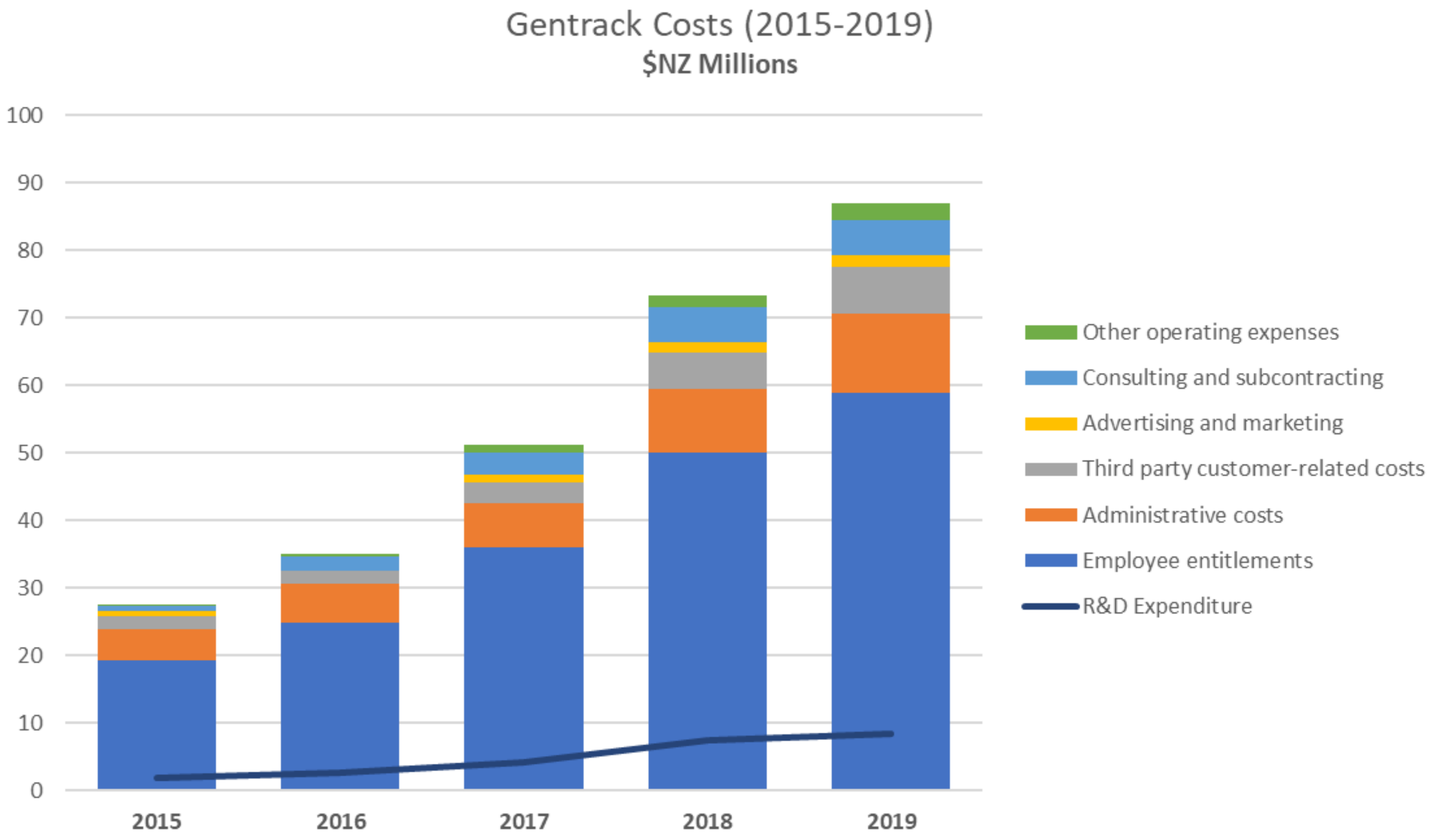
Non-recurring revenue is down 35% on FY18

Licence revenue down 57% on FY18




- **SaaS first**
  All new business is based on a SaaS recurring revenue model
- **Reduced implementation effort**
  SaaS productised solutions are reducing implementation effort – providing a competitive advantage but reducing NRR
- **Recurring SaaS revenues are more predictable**
- **Transitioning customer base to SaaS**
  New functionality is being delivered in the cloud on a subscription basis as opportunity arises

# COST REDUCTION AND OPERATIONAL REORGANISATION




- We have reduced our costs by c NZ$8m run rate, c NZ$4m in FY20, principally head count reduction, without reducing key product investment
- We have restructured our customer delivery and support functions to achieve higher productivity, improved product quality and customer responsiveness

# PRESSURE ON ENERGY RETAILERS IN THE UK AND AUSTRALIA

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

Rapid ongoing change in the UK regulatory environment

Financial pressure increasing for energy retailers

Regulatory changes in Australia

Failure and M&A of UK energy retailers

Emerging competitors in the UK and Australia

## UNCERTAINTY WILL CONTINUE

- Further government intervention – lowering price caps and encouraging easier switching
- Further energy retailer failures likely in the UK
- No sign yet of up turn in energy retailer confidence

# STRONG FUNDAMENTALS

- A market leader in energy and water utilities billing and customer management in the UK, Australia and New Zealand
- A large sticky customer base
- Extensive IP:
  - Meter-to-cash solutions for utilities
  - Revenue and operations solutions for airports
- Significant barriers to market entry for competition
  - but new competitors have emerged in Australia and the UK
- Gentrack remains a profitable, cash generative business with a strong balance sheet

# OUR PATHWAY BACK TO GROWTH

1. Continued investment in SaaS products to maintain competitive advantage
   - 100+ people in product development
2. Focus on migrating existing customers to our new SaaS capabilities
   - accelerating the uptake of our Gentrack Cloud product offering
3. Focus on our existing markets – UK, Australia and NZ
   - UK and Australia are long term growth markets despite current regulatory uncertainty, with opportunities to follow our customers into Europe
4. Develop the SE Asia opportunity from a starting point
   - Building on Singapore success and local expertise
5. Synergistic acquisitions
   - We target synergistic products with cross sell opportunities

# OUTLOOK

- Guidance unchanged for FY20 EBITDA[1] expected to be between NZ$8m – $12m
- 1H FY20 EBITDA[1] expected to be between NZ$2m – $3m (1H FY19 $12.8m)
  - Cost reductions benefit 2H
- UK and Australia energy market conditions remain unpredictable
- Expect 5% growth in Contractually Recurring Revenue from existing customers
- We will continue to invest in our products to meet market requirements
- Results depend on timing of projects and contracts
- We will update the outlook with the half year results

[1] EBITDA: Earnings before net finance expense, tax, depreciation and amortisation and other non-operating expenses. Non-operating expenses are costs relating to acquisition. References to FY20 EBITDA do not reflect changes resulting from the implementation of IFRS16 that became effective for FY20 reporting.

# APPENDIX - 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** |

# APPENDIX - ADJUSTED NPAT RECONCILIATION

| Period NZ$'000 | 12 Months 30-Sep-19 |
|---|---|
| **NPAT reported** | **(3,315)** |
| Add back: CA+ Intangibles Impairment | 14,551 |
| Add back: Associated Deferred Tax Adjustment | (1,210) |
| Add back: Blip Systems Option Revaluation | (384) |
| **Adjusted NPAT** | **9,642** |