

19 August 2020

**WTC continued strong growth: revenue up 23%, EBITDA up 17%**

*WTC delivers strong financial results through unprecedented COVID-19 environment; Revenue and EBITDA growth in line with guidance, positive strategic and financial outlook*

**FY20 highlights**

- Revenue up 23% and EBITDA up 17% – in line with guidance
- Solid revenue growth despite COVID-19 headwinds
- CargoWise revenue up 20% (FY20: \$263.0 million; FY19: \$219.6 million), demonstrating the strength of the core CargoWise platform
- Strong momentum in CargoWise market penetration – recent large global roll-out contract wins include Hellmann Worldwide Logistics, Aramex, a. hartrodt and Seafrigo Group
- Revenue attributable to acquired businesses of \$166.4 million (up 29% on FY19)
- Integration of strategic acquisitions progressing well – COVID-19 provided impetus to restructure earnouts achieving greater alignment for delivering the CargoWise technology pipeline
- EBITDA margin strong at 30%, reflecting continued revenue growth and 2H20 cost savings (CargoWise EBITDA margin at 48% in FY20)
- Underlying NPAT<sup>1</sup> flat on FY19 at \$52.6 million despite a 66% increase in depreciation and amortisation
- NPATA<sup>2</sup> up 3% at \$64.6 million
- Balance sheet, cash flow and liquidity strengthened with operating cash flow up 16% (FY20: \$146.3 million)
- Cash at 30 June 2020 of \$223.7 million with undrawn debt facility of \$190.0 million in place
- Fully franked final ordinary dividend of 1.60 cents per share declared, payable on 2 October 2020

**Group financial metrics (FY20 v FY19)**

Group Financial Metrics A\$m	FY19	FY20	YoY change
Total revenue	348.3	<b>429.4</b>	<b>+23%</b>
Recurring revenue (%)	88%	<b>89%</b>	<b>+1pp</b>
EBITDA <sup>3</sup>	108.1	<b>126.7</b>	<b>+17%</b>
EBITDA margin	31%	<b>30%</b>	<b>(1)pp</b>
Net profit attributable to equity holders	54.1	<b>160.8</b>	<b>+197%</b>
Earnings per share (EPS) (cents)	17.7	<b>50.3</b>	<b>+185%</b>
Underlying NPAT	52.6	<b>52.6</b>	<b>0%</b>
Underlying EPS (cents)	17.2	<b>16.4</b>	<b>(4)%<sup>4</sup></b>
NPATA	63.0	<b>64.6</b>	<b>+3%</b>

<sup>1</sup> FY20 underlying NPAT excludes the fair value gain of \$111.0 million and \$2.9 million of contingent consideration interest unwind (net of tax) realised upon the closeout of earnouts relating to 22 acquisitions as disclosed by the company in May and July 2020, along with adjustments in 1H20 (FY19: \$1.6 million fair value gain).

<sup>2</sup> NPATA – net profit after tax attributable to equity holders of the parent before acquired amortisation net of tax, contingent consideration interest unwind (net of tax) and fair value changes to contingent consideration. NPATA is a non-statutory measure and is a primary measure used by the Chief Operating Decision Maker (CODM) for the purpose of assessing the Group's performance.

<sup>3</sup> The Group applied AASB 16 Leases from 1 July 2019 resulting in a positive \$6.4 million EBITDA increase, minimal impact on NPAT and no change to revenue in FY20.

<sup>4</sup> Decline in Underlying EPS reflects issue of new shares in 2H19 and FY20.

Final dividend per share (cents)	1.95	<b>1.60</b>	<b>(18)%</b>
Operating cash flow	126.4	<b>146.3</b>	<b>+16%</b>

(Sydney): WiseTech Global Limited (WiseTech or the Company) today announced its financial results for the 12 months ending 30 June 2020 (FY20). The Company reported Statutory Net Profit after Tax (NPAT) of \$160.8 million, up 197% on the prior corresponding period (pcp) (FY19: \$54.1 million). This includes a non-cash, non-taxed fair value gain of \$111.0 million generated as a result of the renegotiation of acquisition earnout obligations and adjustments in the first half of 2020 (1H20). Excluding this fair value gain and associated finance costs of \$2.9 million (net of tax), FY20 Underlying NPAT was flat on FY19 at \$52.6 million reflecting increased investment in research and development (R&D) and the amortisation of acquisitions which resulted in a 66% increase in depreciation and amortisation.

WiseTech Founder and CEO, Richard White, said “Notwithstanding the unprecedented challenges of COVID-19, our business has remained resilient, delivering solid revenue and EBITDA growth in FY20, in line with our guidance.

“Importantly, our CargoWise platform has continued to deliver strong revenue growth in FY20 through increased usage by existing customers and growth in new customer numbers. Our strategic acquisitions over the past three years have further extended our market reach, enabling us to increase our penetration of the \$13 trillion<sup>5</sup> global logistics and supply chain market.

“COVID-19 market disruptions have provided a long-term tailwind for growing our market share as the need for digitalisation across the global logistics execution market accelerates and significantly increases the value and demand for CargoWise. In FY20 we saw a number of our large logistics customers such as DHL Global Forwarding and DSV/Panalpina expand their global rollouts on the CargoWise platform.

“In addition, CargoWise recently signed global contracts that include freight forwarding and customs global rollouts with Aramex (35 countries), Seafrigo Group (12 countries) and top-25 global forwarder Hellmann Worldwide Logistics (42 countries).

### **COVID-19 impact in 2H20**

As noted by the Company at the time of its 1H20 results, the unexpected outbreak of COVID-19 and the ensuing lockdown restrictions had a distinct negative flow-on effect on industrial production output and supply chains, resulting in a temporary slowing of economic trade globally.

WiseTech’s foremost priority was, and continues to be, keeping the Company’s people, partners, and the communities it operates in as safe and productive as possible. The Company continues to support its people globally through a largely remote working environment and is committed to supporting its customers globally.

WiseTech initially saw volatility in global logistics markets and a marked slowdown in the movement of goods across all modes of transport, with lower transaction volumes recorded in late January and February due to the COVID-19 impact in China, and in March through to May due to the impact in Europe, the Middle East, Africa (EMEA) and the Americas. This resulted in forfeited revenue growth of an estimated \$10 million to \$20 million in 2H20. In response to the changed macro economic conditions, the Company implemented a number of cost savings and deferred certain new product

<sup>5</sup> Armstrong & Associates Global 3PL Market Size Estimates as of March 2020 (US\$9.0 trillion converted to AUD).

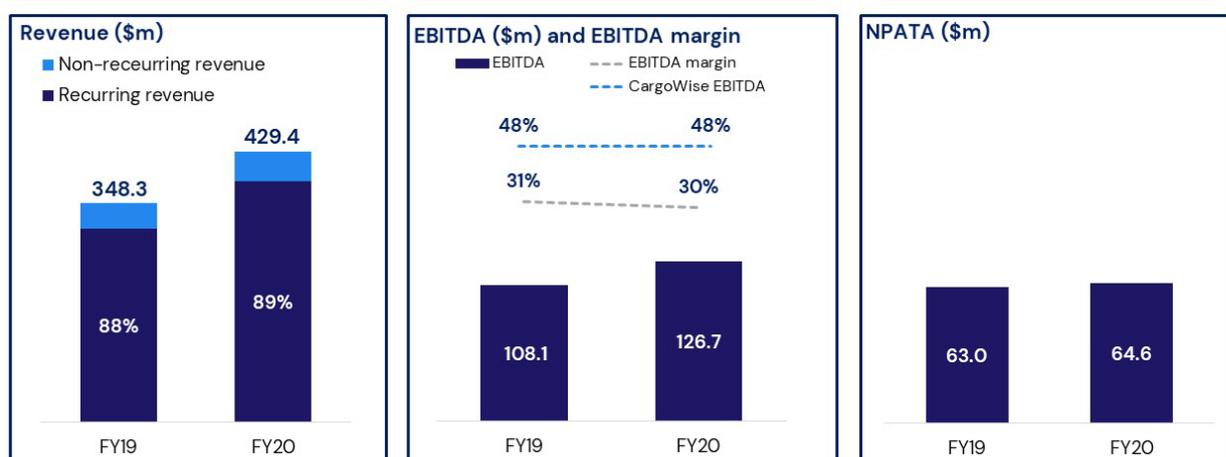
launches that had been planned for 2H20, until there was greater stability in the global logistics industry. This deferment resulted in a further estimated \$10 million to \$15 million of forfeited potential 2H20 revenue growth.

By June however, a moderate recovery was experienced with momentum improving and continuing into July. By the end of July, CargoWise user numbers were close to pre-COVID-19 levels. Throughout this period the Company has noted a continuing demand amongst CargoWise’s larger customers for the acceleration of development and delivery of customer co-funded product enhancements to better navigate the logistical challenges posed during the pandemic.

### Strong financial and operational performance despite COVID-19 headwinds in 2H20

The Company reported **total revenue** growth of 23% in FY20 (FY20: \$429.4 million; FY19: \$348.3 million) reflecting growth from both its CargoWise platform and its strategic acquisitions. CargoWise delivered revenue growth of 20% in FY20 with solid gains in new customers and deeper existing customer penetration, partially offset by lower transaction volume due to the impact of COVID-19 on the logistics sector globally. Acquired businesses contributed 29% of growth, driven predominantly by the full-year impact of the 14 acquisitions completed in FY19 and the five acquisitions completed in FY20.

**Earnings before interest, tax, depreciation and amortisation (EBITDA)** grew 17% to \$126.7 million and includes a one-time EBITDA benefit of \$6.4 million from the implementation of AASB 16 *Leases* which was offset in depreciation and finance costs.



WiseTech’s previously announced increased investment in R&D by 30%–40% to drive future revenue growth, and the dilutive impact of acquisitions, resulted in a reduction in FY20 EBITDA which was partially offset by cost savings realised in the second half of FY20 (2H20).

The Company achieved **EBITDA Margins** of 30% for the year, reflecting the impact of WiseTech’s acquisition revenue growth and 2H20 cost savings. The CargoWise FY20 EBITDA margin remained strong at 48% demonstrating the resilience of the business through COVID-19.

COVID-19 provided the impetus for WiseTech to renegotiate and completely or partially close-out 22 acquisition earnout obligations. These close-outs included the replacement of various cash payouts with equity resulting in improved overall liquidity and better alignment of the acquired businesses to the Company’s objective of accelerating technology development and improving commercial efficiency. In accordance with AASB 9 *Financial Instruments*, a non-cash, non-taxed fair value gain of \$111.0 million was recorded which increased **Net Profit after Tax (NPAT)** to \$160.8 million, up 197% on

FY19. Excluding this fair value gain and associated finance costs (net of tax) of \$2.9 million, FY20 underlying NPAT was flat on FY19 at \$52.6 million in FY20 and **Underlying Earnings per Share (EPS)** of 16.4 cents per share was down 4% on FY19 reflecting the issue of new shares in 2H19 and in FY20.

**Net profit after tax and amortisation (NPATA)**, which excludes the \$111.0 million fair value gain and other acquisition related expenses, increased to \$64.6 million, up 3% on FY19. This reflects increased depreciation and amortisation expenses in FY20 due to greater investment in R&D and new product development.

### **Strong balance sheet, cash flow generation and liquidity**

WiseTech's financial position is robust. The Company is well-positioned to execute its strategic and operational initiatives under a range of possible scenarios.

Cash as at 30 June 2020 was \$223.7 million (with no outstanding debt excluding lease liabilities) which, coupled with an established undrawn debt facility of \$190.0 million and a further \$200.0 million accordion facility in place, provides significant financial headroom and flexibility.

The business is highly cash generative and the Company does not intend to raise additional capital or debt.

The Company's contingent consideration liability was significantly reduced through the renegotiation and early close-out of future acquisition earnout obligations which replaced cash payments with equity grants. This, along with adjustments in 1H20, resulted in a \$111.0 million reduction in the estimated value of earnouts payable. The Company completed impairment testing on goodwill, and in accordance with AASB 136 'Impairment of Assets', no impairment was required.

### **Strategic update**

#### **1. Increasing CargoWise penetration**

<b>CargoWise key performance indicators</b>	<b>FY19</b>	<b>FY20</b>	<b>YoY change</b>
Organic revenue growth (\$m)	\$219.6	\$263.0	+20%
Recurring revenue for CargoWise platform	99%	97%	(2)pp
EBITDA margin	48%	48%	Opp
Annual customer attrition rate	<1%	<1%	Opp

Throughout FY20 WiseTech continued to increase its penetration of the global logistics and supply chain market. Large customers continued to on-board new users, and demand for customer co-funded enhancements and platform adoption grew, despite some partial offsetting as a result of COVID-19 disruptions on industry volumes and the deferred release of some new products previously planned for 2H20.

Organic revenues from existing and new CargoWise customers delivered 20% growth in FY20 equating to \$43.4 million of additional revenue on FY19. This organic revenue growth reflects the addition of new products and features and increased usage of the CargoWise platform by existing customers who added transactions, seats and new sites. It also reflects existing customers adopting additional CargoWise products and modules and consolidating operations. Importantly, every CargoWise customer cohort, as measured over the last 12 years, once again grew revenue in FY20.

Overall, 42 of the top 50 global third-party logistics providers (3PLs)<sup>6</sup> are now WiseTech customers, as

<sup>6</sup> Armstrong & Associates: Top 50 Global Third-Party Logistics Providers List, ranked by 2019 logistics gross revenue/turnover.

are all of the top 25 Global Freight Forwarders<sup>7</sup>, with 23 of those using the CargoWise platform.

Mr. White said, "With penetration of automated, global logistics solutions still in early stages, the Company's opportunity for growth is vast. We believe CargoWise is the market-leading platform for global logistics execution and is well-positioned to strengthen its position in the global market over the near-term and long-term.

"The opportunity for growth that exists is evident by the fact that 10 of the Top 25 global freight forwarders have either rolled out or are currently in the process of global rollouts on the CargoWise platform. Given new large customers take multiple years to rollout the CargoWise platform across their sites globally, usage and transaction revenues will continue to grow over time."

## **2. Strategic acquisitions and integration process**

In FY20, the Company completed five strategic acquisitions across North America, South Korea, Poland and Switzerland.

In recent years, WiseTech has completed more than 40 acquisitions which have delivered significant development resources to optimise the Company's technology pipeline, and amplified its geographic footprint.

The Company is now focused on integrating these acquisitions into its core offering and leveraging the enhanced technology and global reach that the acquisitions provide.

WiseTech's acquisition integration is a multi-staged, multi-year process. The operational integration of most acquisition assets is well-progressed with the focus now on leveraging the acquired technology and skill sets to expand the CargoWise platform with native components and to convert customers onto the CargoWise platform.

The final stage of integration will involve taking action to deliver operational and cost efficiencies, including eliminating duplication and inefficiencies across all functions, growing revenues and enhancing margins.

Mr White said, "Having completed over 40 acquisitions in recent years, we have now assembled significant resources and development capability to fuel our CargoWise technology pipeline and therefore intend to slow our acquisition activity in the near term."

## **3. Innovation initiatives**

Since FY16 WiseTech has invested approximately \$440.0 million in product innovation, adding over 3,900 product enhancements to the CargoWise global platform, as well as investing in over 40 acquisitions to secure strategic assets with over 1,200 leading technologists and logistics industry experts in development centres across 23 countries.

WiseTech's ongoing product development and innovation continue to be a priority. The Company added over 1,100 product upgrades and enhancements to the CargoWise platform in FY20, and invested in technology development across geographic footholds and global adjacencies in the areas of global customs, rates management, border compliance, transport management solutions and landside logistics.

The Company continues to actively invest resources in machine learning, natural language processing, process automation and guided decision support. WiseTech's extensive volumes of transactional and

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<sup>7</sup> Armstrong & Associates: Top 25 Global Freight Forwarders List, ranked by 2019 logistics gross revenue/turnover and freight forwarding volumes.

global data sets provide it with insights that can be leveraged to enable enhanced compliance, due diligence, risk assessment and risk mitigation.

## **Dividend**

As a sign of confidence in the strength of WiseTech's business, the Board has declared a fully franked final ordinary dividend of 1.60 cents per share (cps). The final dividend is payable on 2 October 2020 to shareholders registered as at 7 September 2020. Coupled with the FY20 interim dividend of 1.70 cps, the total dividend equates to 3.30 cps and represents a payout ratio of 20% of Underlying NPAT.

## **Outlook and guidance**

The impacts of COVID-19 are continuing to evolve with the situation remaining fluid. Whilst there has been a marked short-term recovery as economies reopen, considerable uncertainty remains given recent COVID-19 outbreaks.

WiseTech provides the following guidance on the basis that market conditions do not materially change, noting in particular that changes in industrial production and/or global goods trade (both favourable and unfavourable) may impact guidance. Based on and subject to the underlying assumptions set out in the WiseTech FY20 Investor Presentation, the Company currently anticipates FY21 revenue growth in the range of 9% to 19% (representing revenue of \$470 million – \$510 million) and EBITDA growth of 22% to 42% (representing \$155 million – \$180 million).

Mr White concluded, "The COVID-19 challenges faced by the global logistics and supply chain sectors are accelerating the longer term trend towards consolidation and integration. Within this environment, we are seeing increased demand amongst large global logistics service providers for our technological and digital solutions that drive efficiencies and productivity improvements.

"WiseTech is ideally placed to address this growing demand, with our logistics execution technology and 40 development centres delivering seamless, global capabilities that improve productivity, functional depth, data integration and visibility, regulatory compliance and value for over 17,000<sup>8</sup> customers worldwide."

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Authorised for release to ASX by David Rippon, Corporate Governance Executive and Company Secretary.

**Investor Presentation** Please refer to the WiseTech Global FY20 Results Investor briefing materials released today for detailed financial data and analysis.

**Analyst Briefing** The results presentation webcast to discuss WiseTech Global's FY20 financial results will be held at 10.30am (Sydney time) today. The webcast and briefing audio will be available at <https://webcast.openbriefing.com/6226/>

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<sup>8</sup> Includes customers on CargoWise and platforms of acquired businesses whose customers may be counted with reference to installed sites.

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## Forward looking statements

Forward-looking statements in this release are based on information and assumptions known to date and are subject to various risks and uncertainties. Actual results, performance or achievements could be significantly different from those expressed in, or implied by, these forward-looking statements. Such forward-looking statements are not a guarantee of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of WiseTech Global. These factors may cause actual results to differ materially from those expressed in the statements contained in this announcement.

## About WiseTech Global

WiseTech Global is a leading developer and provider of software solutions to the logistics execution industry globally. Our customers include over 17,000<sup>9</sup> of the world's logistics companies across 160 countries, including 42 of the top 50 global third-party logistics providers and 25 of the 25 largest global freight forwarders worldwide<sup>9</sup>. Our flagship platform, CargoWise, forms an integral link in the global supply chain and executes over 60 billion data transactions annually.

Our mission is to change the world by creating breakthrough products that empower those that own, enable and operate the supply chains of the world. We strive to create products that are renowned for their productivity, functional depth, data integration, regulatory compliance, global capability and value.

At WiseTech, we are relentless about innovation, adding over 3,900 product enhancements to our global platform in the past five years while bringing meaningful continual improvement to the world's supply chains. Our breakthrough software solutions are renowned for their powerful productivity, extensive functionality, comprehensive integration, deep compliance capabilities, and truly global reach.

For more information about WiseTech Global or CargoWise, please visit [wisetechglobal.com](https://www.wisetechglobal.com) and [cargowise.com](https://www.cargowise.com)

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<sup>9</sup> Armstrong & Associates: Top 50 Global Third-Party Logistics Providers List, ranked by 2019 logistics gross revenue/turnover. Armstrong & Associates: Top 25 Global Freight Forwarders List, ranked by 2019 logistics gross revenue/turnover and freight forwarding volumes.