

25 August 2021

## CargoWise revenue up 31% (ex FX) – strong momentum

*WiseTech revenue up 18%; EBITDA up 63% – increasing operating leverage*

### Full Year 2021 (FY21) overview

- FY21 Total Revenue of \$507.5 million, up 18% (24% ex FX) on FY20 – at top end of guidance range
- CargoWise revenue of \$331.6 million, up 26% (31% ex FX) on FY20, reflecting growth in usage
- Acquisition revenue<sup>1</sup> of \$175.9 million, up 6% (12% ex FX) on FY20
- Market penetration gaining pace with six new global rollouts secured in FY21 and the sign up of FedEx post 30 June 2021
- Ongoing product development delivered geographic expansion of the CargoWise customs functionality, integration of real-time global rates onto CargoWise and deployment of the beta testing of CargoWise Neo
- Organisation-wide efficiencies and acquisition synergies delivered \$22.0 million of gross cost reductions in FY21 (net benefit \$13.8 million – exceeded \$10 million target)
- EBITDA of \$206.7 million up 63% on FY20, exceeded guidance
- EBITDA Margin of 41% up 11 percentage points (pp) on FY20, reflecting enhanced operating leverage and cost reductions
- Underlying NPAT<sup>2</sup> of \$105.8 million, up 101% on FY20
- Robust free cash flow of \$139.2 million, up 149% on FY20
- Strong outlook: FY22 guidance of 18% – 25% revenue growth and 26% – 38% EBITDA growth

### Group financial metrics (FY21 v FY20)

Group financial metrics	FY20	FY21	FY21 v FY20
Total Revenue (A\$m)	429.4	507.5	18%
Recurring revenue (%) <sup>3</sup>	89%	90%	1pp
EBITDA (A\$m)	126.7	206.7	63%
EBITDA margin	30%	41%	11pp
Statutory NPAT (A\$m)	160.8	108.1	(33)% <sup>4</sup>
Underlying NPAT (A\$m)	52.6	105.8	101%
Underlying EPS (cents per share)	16.4	32.6	99%
Final ordinary dividend (cents per share)	1.60	3.85	141%
Free cash flow (A\$m)	55.8	139.2	149%
Free cash flow conversion rate	44%	67%	23pp

<sup>1</sup> Acquisition revenue relates to revenue generated by businesses acquired since 2012 that are not included in CargoWise revenue

<sup>2</sup> Underlying NPAT excludes fair value adjustments from changes to acquisition contingent consideration (FY21: \$2.2 million, FY20: \$111.0 million) and contingent consideration interest unwind net of tax (FY21: nil, FY20: \$2.9 million)

<sup>3</sup> Recurring revenue percentage is the sum of revenue categorised as Recurring On-Demand and Recurring One-Time Licence ("OTL") Maintenance revenue divided by Total Revenue

<sup>4</sup> Decline reflects a lower fair value gain in FY21 compared to FY20 in relation to acquisition contingent consideration

WiseTech Global Limited (WiseTech or the Company) today announced its financial results for the 12 months ended 30 June 2021 (FY21). The Company reported **Total Revenue** of \$507.5 million, up 18% on the 2020 financial year (FY20). FY21 **Statutory Net Profit after Tax** (NPAT) of \$108.1 million was down 33% (FY20: \$160.8 million) reflecting fair value adjustments in FY20 from changes to acquisition contingent consideration. FY21 **Underlying NPAT** of \$105.8 million was up 101% on the prior corresponding period (pcp) (FY20: \$52.6 million).

WiseTech Founder and CEO, Richard White said, “Our strong CargoWise revenue growth in FY21 demonstrates industry recognition of our customer value proposition. We have continued to gain momentum in our market penetration with six new CargoWise global rollouts by large global freight forwarders secured in FY21, and the signing of FedEx post 30 June 2021. Importantly, we have a strong pipeline of potential new global customers, which we are actively pursuing.

“Our top line revenue growth, coupled with our ability to implement organisation-wide efficiencies and extract acquisition synergies, has enabled us to achieve a marked step change in operating leverage that is evident in our strong FY21 financial performance.”

### **Market conditions**

Mr White said, “We have continued to see a ‘goods-led’ recovery in global trade resulting in tighter capacity, congestion and higher rates in global logistics channels<sup>5</sup>. Whilst these higher rates do not translate into immediate revenue growth for WiseTech, we are benefitting from the acceleration of the longer-term structural changes that they are driving. In particular, we are seeing consolidation within the sector and increased investment in replacing legacy systems with integrated global technology, such as CargoWise, that drives productivity and facilitates planning, visualisation and control of global operations.”

### **Strong financial and operational performance**

The Company reported **Total Revenue** growth of 18% in FY21 (FY21: \$507.5 million; FY20: \$429.4 million) reflecting growth from both its CargoWise platform and acquisitions. Total Revenue growth in FY21 was impacted by \$23.4 million of unfavourable foreign exchange (FX) movements compared to a \$12.1 million FX benefit in FY20. Excluding the FX impact, Total Revenue grew by 24% (\$101.4 million) in FY21 on the pcp. Of this \$101.4 million revenue growth, \$97.3 million was **recurring revenue** growth and \$4.2 million was **non-recurring revenue** growth.

**CargoWise revenue** in FY21 grew by \$68.6 million, or 26% on FY20. Excluding \$13.6 million FX headwind experienced in the year, CargoWise revenue grew by 31% reflecting:

- increased usage by existing customers (through the addition of transactions, seats and new sites, utilisation of additional products and modules and growth from industry consolidation and global rollouts) equating to \$52.2 million of the FY21 revenue growth (FY20: \$31.0 million); and
- new customer growth which delivered \$16.4 million of revenue growth in FY21 (FY20: \$12.4 million).

CargoWise’s FY21 revenue growth also reflects a price change during the year to partially offset increased investment in product research and development (R&D), data centre hardware and cyber security. A price change in 1H21 contributed approximately \$22 million to Total Revenue in FY21.

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<sup>5</sup> Source: “Global Economic Prospects” (January 2021) A World Bank Group Flagship Report

**Acquisition revenue**<sup>6</sup> grew 6% on the pcp, driven predominantly by the full-year impact of the five acquisitions completed in FY20 (which delivered a \$10.5 million increase in acquisition revenue in FY21). This growth was partially offset by a \$1.4 million reduction in revenue attributable to FY19 and prior acquisitions. The acquired businesses typically have higher one-time licence and/or support services revenue. As a result, as they transition to the WiseTech commercial model their revenues may be flat or reduce. Excluding FX headwind of \$9.7 million, acquisition revenue grew 12% in FY21.

**Earnings before interest, tax, depreciation and amortisation (EBITDA)** grew 63% on the pcp to \$206.7 million. The Company achieved an **EBITDA Margin** of 41% for the year, up 11pp on FY20. This improvement reflects the impact of WiseTech's revenue growth and the benefits of cost reductions (partially off-set by restructuring costs). **CargoWise's FY21 EBITDA margin** of 55% represents an increase of 7pp on FY20.

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

WiseTech's financial position is robust. Cash as at 30 June 2021 was \$315.0 million (with no outstanding debt excluding lease liabilities). The Company recently<sup>7</sup> completed a refinancing of its debt facility. A new unsecured four-year, \$225 million, bi-lateral facility supported by six banks is now in place, providing a solid financial foundation for future growth.

The Company continued to generate strong cash flows demonstrating the highly cash-generative nature of its business and the strength of WiseTech's underlying operating model. FY21 operating cash flow of \$229.9 million was up 57% on FY20 and free cash flow of \$139.2 million was up 149% on FY20.

### **Strategic update**

WiseTech's vision is to be *the* operating system for global logistics.

Mr White said, "Our strategy of focusing on the '3Ps' – *Product; Penetration; and Profitability* – is designed to deliver our vision by building our capabilities and, where appropriate, fast-tracking our technology development and know-how through acquisitions."

Having completed 39 acquisitions since its IPO in 2016, WiseTech has assembled significant resources and development capabilities to fuel its CargoWise technology pipeline. While the Company remains open to strategically significant acquisition opportunities, it has slowed its near-term acquisition activity in order to focus on expanding the CargoWise ecosystem and extracting synergies from acquisitions to maximise operational leverage and drive scalability.

#### **1. Product**

Product development and innovation continued to be a priority in FY21. WiseTech invested \$167.1 million in R&D (FY20: \$159.1 million) equating to 33% of Total Revenue. The Company also made significant progress in the continued alignment of acquisition development teams to support development priorities, and established another centre of excellence in Bangalore. In addition, recruitment of technology and industry talent recommenced in FY21, following a short slowdown in 2H20 at the outset of COVID-19. The Company continues to leverage its broad geographic footprint to recruit from the global talent pool.

Throughout FY21 the Company's top development priority was to accelerate native customs and cross border compliance builds in key markets. As of 30 June 2021, the CargoWise native customs

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<sup>6</sup> Acquisition revenue relates to revenue generated by businesses acquired since 2012 that are not included in CargoWise revenue

<sup>7</sup> Post 30 June 2021

functionality was in 'Production Release'<sup>8</sup> across jurisdictions accounting for ~45% of manufactured trade flows (up from ~35% in FY20).

WiseTech also completed the product integration of global rates functionalities (secured via the CargoSphere and Cargoguide acquisitions) onto the CargoWise platform. This integrated functionality is currently in production with several major customers and work has commenced on the native rewrite onto the CargoWise platform. Additionally, 1,096 CargoWise new product features and enhancements were delivered throughout the year and solid progress was made in extending CargoWise enterprise-wide functionalities (such as automation and tracking) from the adjacency businesses, with customer integrations well advanced.

Also, of strategic note in FY21, was the deployment of the beta version of CargoWise Neo (Neo) to a select group of beneficial cargo owners (BCOs) via existing WiseTech customers and the commencement of work on extending aspects of Neo for customer specific needs. Neo is a longer-term development priority that will deliver a web-based, integrated platform enabling BCOs to link directly with their logistics provider to plan, price, book, track, trace and manage their freight.

## 2. Penetration

CargoWise key performance indicators <sup>9</sup>	FY20	FY21	FY21 v FY20
CargoWise revenue (A\$m)	\$263.0	\$331.6	26%
CargoWise recurring revenue (%) <sup>10</sup>	97%	97%	-pp
CargoWise EBITDA margin	48%	55%	7pp
Number of Large Global Freight Forwarder rollouts	30	36 (+FedEx post 30 June 2021)	6 (+FedEx post 30 June 2021)
Number of countries where CargoWise is available	160	169	9

WiseTech's market penetration approach is to target the Top 25 Global Freight Forwarders<sup>11</sup> and the top 200 global logistics providers. This enables the Company to benefit from global rollouts and consolidation within the logistics sector as large customers acquire other industry players and add them to their rollout on the CargoWise platform. DHL's recently announced acquisition of JF Hillebrand and JAS' recently announced acquisition of Greencarrier Freight Services International are good examples of the consolidation activity taking place in the logistics sector.

In FY21 six new global rollouts were secured<sup>12</sup>, with FedEx signed post 30 June 2021. These new global rollouts are in addition to the 30 existing global rollouts that WiseTech already has in place. Ten of the Top 25 Global Freight Forwarders have rollouts on the CargoWise platform 'In Production'<sup>13</sup> or are 'Contracted and in Progress'<sup>14</sup>. Given these large customers can take multiple years to roll out CargoWise across their sites globally, usage and transaction revenues are expected to continue to grow over time.

<sup>8</sup> CargoWise Customs is defined as in "Production Release" for a particular country when the product module has been released into the main CargoWise release build, available for production use by any customer, and is able to be used for all major customs import/export procedures

<sup>9</sup> Metrics are at end of period where applicable

<sup>10</sup> CargoWise recurring revenue percentage is the sum of CargoWise revenue categorised as Recurring On-Demand and Recurring One-Time Licence ("OTL") Maintenance revenue divided by CargoWise revenue

<sup>11</sup> Based on Armstrong & Associates, Inc. Top 25 Global Freight Forwarders List ranked by 2020 logistics gross revenue/turnover and freight forwarding volumes (revenues are company reported or Armstrong & Associates estimates). Updated 10 August 2021

<sup>12</sup> deugro; a. hartrodt; CEVA Logistics; cargo-partner; Seafriigo Group; Hankyu Hanshin Express

<sup>13</sup> In Production refers to CargoWise customers who are operationally live on CargoWise and using the platform on a production database (rolled out in 10 or more countries and 400 or more registered users on CargoWise)

<sup>14</sup> Contracted and in Progress refers to CargoWise customers who are contracted to grow to rolling out CargoWise in 10 or more countries and for 400 or more registered users

### **3. Profitability**

As noted at the time of the Company's FY20 Results, WiseTech has commenced work on an organisation-wide efficiency and acquisition synergy extraction program. This program of work is designed to streamline processes and teams, maximise operating leverage and ensure appropriate allocation of resources to support scalability and delivery of the Company's strategic vision.

In FY21 this program delivered a \$13.8 million net benefit (after recognising \$8.2 million of restructuring costs), exceeding the Company's previously announced \$10 million target. These cost reductions have partially offset WiseTech's increased investment in product development and talent recruitment of technology specialists throughout the year to support ongoing growth. The Company is on track to achieve a cost reduction run-rate of ~\$40 million for FY22 exceeding its previous \$20-30 million target.

#### **Dividend**

The Board has declared a fully franked final ordinary dividend of 3.85 cents per share (cps) representing a 141% increase on the FY20 final dividend. The final dividend is payable on 8 October 2021 to shareholders registered as at 13 September 2021. Coupled with the FY21 interim dividend of 2.70 cps, the total FY21 dividend equates to 6.55 cps and represents a payout ratio of 20% of Underlying NPAT.

#### **Outlook and guidance**

Supply chain disruption, capacity constraints and the outbreak of new COVID-19 strains in key markets will likely continue to impact global trade until there is widespread rollout of vaccines.<sup>15</sup>

WiseTech provides FY22 guidance on the basis that market conditions do not materially change, noting that changes in industrial production and/or global trade (both favourable and unfavourable) may impact guidance. Subject to the assumptions set out in the WiseTech FY21 Results presentation the Company anticipates FY22 revenue growth of 18% to 25% (representing revenue of \$600 million - \$635 million) and EBITDA growth of 26% to 38% (representing \$260 million - \$285 million).

Mr White concluded, "The strong growth in CargoWise revenue and margins we have seen in FY21 is testament to our product-led strategy, which is delivering increased usage by existing customers and new global rollout wins. We are benefitting from the acceleration in structural shifts from legacy systems to integrated global software solutions and industry consolidation, as large customers acquire businesses and add them to their CargoWise rollouts. Looking ahead we remain focused on R&D that delivers breakthrough products that enable and empower those that own and operate the supply chains of the world."

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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 FY21 Results Investor Briefing Materials released today for detailed financial data and analysis.

**Analyst Briefing** The WiseTech FY21 Results presentation webcast will be held at 10.30am (Sydney time) today. The webcast will be available at <https://webcast.openbriefing.com/7548/>

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<sup>15</sup> Ti Research "Global Freight Forwarding 2021 Report" issued June 2021. Ti Research is a UK headquartered logistics research company

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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 18,000<sup>16</sup> of the world's logistics companies across more than 165 countries, including 41 of the top 50 global third-party logistics providers and 24 of the 25 largest global freight forwarders worldwide<sup>17</sup>. Our flagship platform, CargoWise, forms an integral link in the global supply chain and executes over 72 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. At WiseTech, we are relentless about innovation, adding over 4,300 product enhancements to our global platform in the last 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](http://wisetechglobal.com) and [cargowise.com](http://cargowise.com)

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<sup>16</sup> Includes customers on CargoWise and platforms of acquired businesses whose customers may be counted with reference to installed sites

<sup>17</sup> Armstrong & Associates: Top 50 Global 3PLs & Top 25 Global Freight Forwarders ranked by 2020 logistics gross revenue/turnover and freight forwarding volumes