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ASX Announcement: 2021\10

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WiseTech Global: 1H21 revenue up 16%, EBITDA up 43%

Underlying NPAT up 61%.
Efficiency initiatives on track to deliver $10 million of cost reductions in FY21

First half 2021 (1H21) overview

- Total Revenue of $238.7 million, up 16% on 1H20
- CargoWise revenue up 19% (1H21: $150.0 million; 1H20: $126.5 million), a testament to increasing customer usage of the CargoWise platform
- Acquisition revenue[1] of $88.7 million, up 12% on 1H20[2]
- Strategic investment (via in-house R&D and acquisitions) is driving CargoWise's revenue growth and market penetration delivering:
    - geographic expansion;
    - the addition of new functionalities and products; and
    - increasing momentum in the number of global customer roll-outs of CargoWise (eight new sign-ups since 1 January 2020[3]: Aramex, Hellmann, deugro, CEVA Logistics, a. hartrodt, cargo-partner, Seafrigo Group and Hankyu Hanshin Express)
- Organisation-wide efficiency initiatives including synergies from acquisitions delivered $6.1 million in cost reductions in 1H21 (net benefit $1.0 million post $5.1 million restructuring costs)
- EBITDA of $89.2 million up 43% and EBITDA Margin up 7pp – reflecting continued revenue growth and cost reduction initiatives
- Underlying NPAT[4] of $43.6 million up 61%
- Cash at 31 December 2020 of $251.4 million – 1H21 free cash flow of $48.7 million up 74% on 1H20
- Fully franked interim dividend of 2.70 cents per share declared, payable on 9 April 2021

Group financial metrics (1H21 v 1H20)

Group financial metrics	1H20	1H21	1H21 v 1H20
Total Revenue (A$m)	205.9	238.7	16%
Recurring revenue[5]	90%	91%	1pp
EBITDA (A$m)	62.5	89.2	43%
EBITDA margin	30%	37%	7pp
Statutory NPAT (A$m)	59.9	44.4	(26)%
Earnings per share (EPS) (cents per share)	18.8	13.7	(27)%
Underlying NPAT (A$m)	27.1	43.6	61%
Underlying EPS (cents per share)	8.5	13.4	58%
Interim dividend (cents per share)	1.70	2.70	59%
Free cash flow (A$m)	28.0	48.7	74%

[1] Acquisition revenue relates to revenue generated by businesses acquired since 2012 that are not included in CargoWise revenue
[2] Excluding acquisitions completed in FY20 and FY21, acquisition revenue in 1H21 was down $1.2 million on 1H20
[3] Previously disclosed are Aramex, Hellmann, deugro, CEVA Logistics, a. hartrodt, cargo-partner and Seafrigro Group. Hankyu Hanshin Express was signed since the last disclosure at the WiseTech Digital Investor Day 2020
[4] Underlying NPAT excludes fair value adjustments from changes to acquisition contingent consideration (1H21: $0.8 million; 1H20: $32.7 million)
[5] Recurring revenue is the sum of revenue categorised as Recurring On-Demand and Recurring One-Time Licence ("OTL") Maintenance revenue

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(Sydney): WiseTech Global Limited (WiseTech or the Company) today announced its financial results for the first six months of the 2021 financial year ended 31 December 2020 (1H21). The Company reported Total Revenue of $238.7 million up 16% on the first half of the 2020 financial year (1H20). 1H21 Statutory Net Profit after Tax (NPAT) of $44.4 million was down 26% on 1H20 (1H20: $59.9 million) reflecting fair value adjustments from changes to acquisition contingent consideration. 1H21 Underlying NPAT[6] of $43.6 million was up 61% on the prior corresponding period (pcp) (1H20: $27.1 million).

WiseTech Founder and CEO, Richard White said, "Notwithstanding the subsequent waves of COVID-19 in major markets, our business has continued to deliver solid revenue and EBITDA growth in 1H21.

"Our strategic focus on '*Product, Penetration and Profitability*' has enabled us to continue to expand the CargoWise ecosystem, increase our market penetration, with eight new global customer roll-outs signed since 1 January 2020 and deliver 61% growth in Underlying NPAT, demonstrating the step change in operating leverage that we are achieving by extracting acquisition synergies and implementing organisation-wide efficiencies."

COVID-19 impact in 1H21

As noted at the time of the Company's 2020 full year results (FY20), WiseTech saw volatility in global logistics markets during the early stages of the pandemic, with a marked slowdown in the movement of goods across all modes of transport. By mid-2020 however, the Company started to see a recovery, with momentum improving and resulting in 1H21 CargoWise shipment transaction[7] numbers up 19% on 1H20.

Mr White said, "We are continuing to see evidence of a 'goods-led' recovery in global trade, with consumer spending switching from services to physical goods, in response to COVID-19 mobility restrictions. This has had the effect of boosting demand for manufactured goods and global trade[8], driving an acceleration in logistics providers looking to replace legacy systems with integrated global technology such as CargoWise. This enables them to better plan, visualise and control their global operations, mitigate risk and more efficiently manage cross-border regulatory compliance."

Throughout 1H21, and consistent with FY20, the Company did not receive any material benefit from any COVID-19 government support programs globally.

Strong financial and operational performance

The Company reported **Total Revenue** growth of 16% in 1H21 (1H21: $238.7 million; 1H20: $205.9 million) reflecting both growth from its CargoWise platform and acquisitions. Total Revenue in 1H21 was impacted by a $3.6 million unfavourable foreign exchange (FX) movement compared to a $4.6 million favourable FX benefit in 1H20. Excluding the FX impact, Total Revenue grew by 18% in 1H21 on the pcp.

Revenue from the CargoWise platform grew 19% in 1H21 and was comprised of:

- existing customer growth of $17.5 million (1H20: $17.0 million); and
- new customer growth of $6.0 million (1H20: $7.3 million).

[6] Underlying NPAT excludes fair value adjustments from changes to acquisition contingent consideration (1H21: $0.8 million; 1H20: $32.7 million).
[7] A shipment is one of the most common transactions in CargoWise and is broadly reflective of activity levels in the global supply chain.
[8] Source: "*Global Economic Prospects*" (January 2021) A World Bank Group Flagship Report

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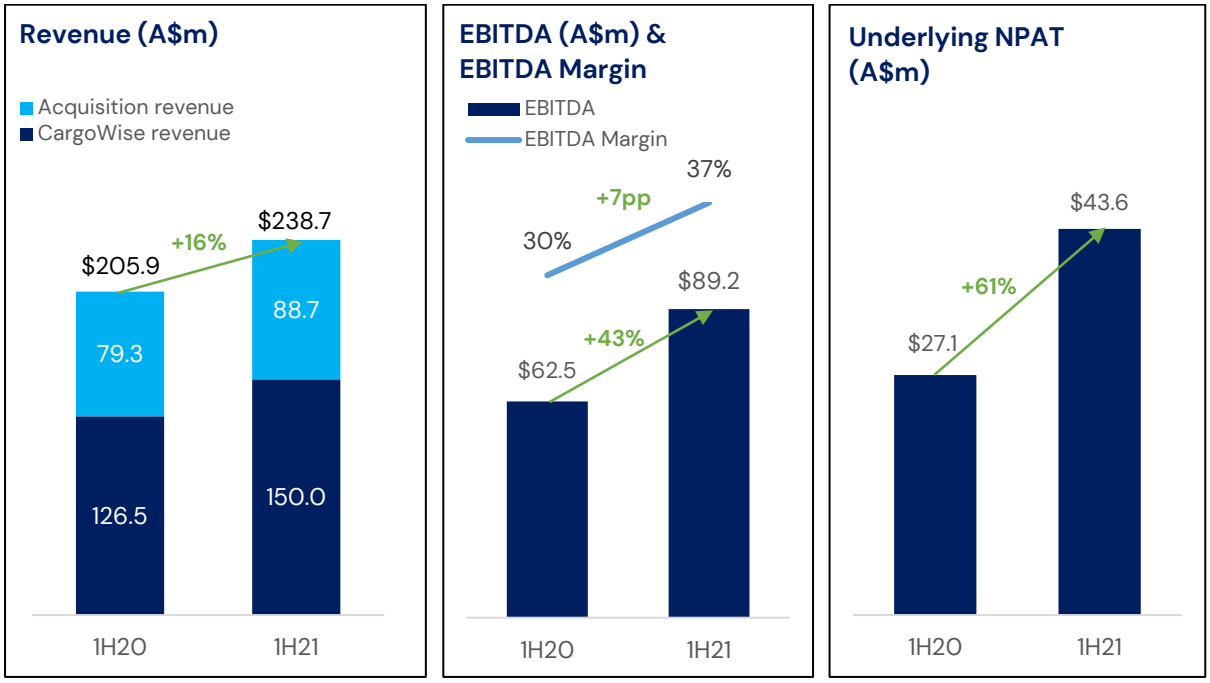
Existing and new customer revenue growth in the half reflects:

- increased usage through the addition of transactions, seats and new sites, the utilisation of additional products and modules and growth from industry consolidation; and
- a price increase ($5.7 million in 1H21) to offset increased product investment in research and development (R&D), data centre hardware and cyber security.

Excluding FX headwind of $1.4 million CargoWise revenue grew 20% in 1H21.

Acquisition revenue[9] grew 12% on the pcp, driven predominantly by the full-year impact of the five acquisitions completed in FY20. This growth was partially offset by a small delay in non-recurring services revenue due to COVID-19. It is noted that acquired businesses typically have higher levels of one-time licence (OTL) and/or support services revenue, as a result their revenues may be flat or reduce as they transition to the WiseTech commercial model. Excluding FX headwind of $2.3 million acquisition revenue grew 15% in 1H21.

Earnings before interest, tax, depreciation and amortisation (EBITDA) grew 43% on the pcp to $89.2 million reflecting continued revenue growth and the benefit from cost reduction initiatives.



WiseTech's investment in R&D increased 13% from $73.3 million in 1H20 to $83.0 million in 1H21.

The Company achieved an **EBITDA Margin** of 37% for the half year, up seven percentage points (pp) on 1H20. This improvement reflected:

- the impact of WiseTech's revenue growth; and
- the benefits of cost reductions (partially off-set by restructuring costs).

[9] Acquisition revenue relates to revenue generated by businesses acquired since 2012 that are not included in CargoWise revenue

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CargoWise's 1H21 EBITDA margin of 54% represents an increase of 5pp on 1H20. This improvement was driven by revenue growth from existing customers and the impact of reduced sales and marketing expenditure. In terms of the acquired businesses, significant progress has been made in implementing cost reduction initiatives to extract acquisition synergies and remove duplication.

Due to significant fair value adjustments made to earn-out contingent consideration in 1H20, **Statutory Net Profit after Tax** (**NPAT**) decreased to $44.4 million in 1H21, down 26% on pcp. **Underlying NPAT** increased by 61% to $43.6 million in 1H21 and **Underlying EPS** of 13.4 cents per share was up 58% on 1H20.

Strong balance sheet, cash flow generation and liquidity

WiseTech's financial position is robust. Cash as at 31 December 2020 was $251.4 million (with no outstanding debt excluding lease liabilities). Coupled with an undrawn debt facility of $190.0 million and a further $200.0 million accordion facility, the Company has significant financial headroom.

1H21 operating cash flows of $92.1 million were up 32% on 1H20 and the operating cash flow conversion rate was 103%. 1H21 free cash flow of $48.7 million was up 74% on 1H20, demonstrating the strength of the Company's highly cash generative operating model.

Strategic update

WiseTech's vision is to create the operating system for global logistics to drive efficiency and digital transformation. To achieve this, the Company's strategy is centred around Product, Penetration and Profitability (the 3Ps) with investment focused on:

- in-house R&D and Product Development;
- building in-house expertise through recruitment of technology and industry experts; and
- strategic (foothold and adjacency) acquisitions delivering technology, geographic reach and skill sets to expand the CargoWise platform.

Mr White said, "Our strategic investments are designed to build in-house capabilities and where appropriate to fast track the development of technology and know-how through acquisitions. These investments are inter-related and complementary and as such should be looked at holistically rather than on a piecemeal basis.

"Having completed 39 acquisitions since IPO in 2016, 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. Our focus going forward is on expanding the CargoWise ecosystem and extracting efficiencies across our business to maximise our operational leverage."

Since listing on the ASX in 2016, WiseTech's strategic investments have delivered[10]

- over 4,000 CargoWise product enhancements since FY16;
- 207% growth in CargoWise revenue (FY16: $85.8 million; FY20: $263.0 million);
- expansion of CargoWise EBITDA margins from 30% in FY16 to 54% in 1H21;
- 54% growth in CargoWise Registered Users from 1H17 to 1H21;
- growth in large global freight forwarders[11] (20 at FY16 growing to 34 at February 2021);
- a strong team of technology and industry experts (1,024 people at 1H21 up from 225 people at FY16); and
- expansion of CargoWise's geographic footprint (from 136 countries at FY16 to 167 countries at 1H21).

[10] Metrics are at end of period where applicable

[11] A large global freight forwarder is defined here as a CargoWise customer contracted to grow or who has grown orgnically to 10 or more countries and 400 or more registered users on CargoWise

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In 1H21, the Company continued to progress its 3Ps strategy with a focus on extracting value from its strategic investments.

1. Product

Product development and innovation continued to be a priority in 1H21. The Company invested $83.0 million in R&D (1H20: $73.3 million) adding 456 product upgrades and enhancements to the CargoWise platform during the half, which are designed to further improve its scalability, functionality, productivity and performance.

R&D investment in 1H21 also focused on longer-lead time product development including accelerating native customs and cross border compliance builds in Europe, Asia and South America. As of 31 December 2020, the CargoWise native customs functionality was well established in Australia, New Zealand, the United States, Canada the United Kingdom, South Africa, China, Singapore, and Taiwan. The Company is working towards CargoWise's customs functionality being live in France, Italy and Spain by the end of 2H21[12].

WiseTech is also progressing product development across global adjacencies in the areas of global rates management and ecommerce. The Company has completed the product integration of the global rates functionalities secured via the CargoSphere and Cargoguide acquisitions onto the CargoWise platform. This integrated product functionality is currently in pilot and work has commenced on the native rewrite of the global rates functionality onto the CargoWise platform.

Additionally, good progress was made in 1H21 in product development to extend enterprise wide functionality and other modules that enables CargoWise customers to access new products (such as automation and tracking) from the adjacency businesses, with customer integrations in pilot.

Also of strategic note in 1H21, was the deployment of the beta version of CargoWise Neo (Neo) to a select group of beneficial cargo owners (BCOs) via existing WiseTech customers. Neo is a web-based, integrated platform that enables BCOs (such as large manufacturers, importers, and exporters) to link directly with their logistics provider to plan, price, book, track, trace and manage their freight, thereby enabling existing CargoWise customers (third party logistics providers (3PLs)) to better serve their users. To date, WiseTech's CargoWise offering has catered to the needs of 3PLs (focused on consolidating road, rail, air and sea carriers into a full service) who operate in the Supply Chain Execution Expenditure market which is valued at approximately US$4.7 billion[13]. Whilst Neo is still in its very early stages and will take time before it is generates significant revenue, it has the potential to expand WiseTech's total addressable market to the broader Supply Chain Management Expenditure market which is valued at US$15.2 billion[13].

2. Penetration

CargoWise key performance indicators[14]	**1H20**	**1H21**	**1H21 v 1H20**
CargoWise revenue (A$m)	$126.5	$150.0	19%
Recurring revenue for CargoWise platform	99%	99%	-
CargoWise EBITDA margin	49%	54%	5pp
Number of large global freight forwarders	26	33	7
Number of countries where CargoWise is available	152	167	15

[12] Planned timings reflect expected completion of WiseTech devleopment work. Go-live is subject to customer testing and in some cases accreditation which, as with changes to government regulations, remains outside WiseTech's control
[13] Gartner – Market Share: Supply Chain Management, Worldwide, 2019, published 12 June 2020
[14] Metrics are at end of period where applicable

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WiseTech has continued to increase its penetration of the global logistics and supply chain market with eight new global roll-out contracts signed since 1 January 2020 (Aramex, Hellmann, deugro, a. hartrodt, CEVA Logistics, cargo-partner, Seafrigo Group and Hankyu Hanshin Express). These signings are in addition to the 26 large global freight forwarder customers that WiseTech has in place, which include the world's largest logistics organisations such as DHL Global Forwarding, DSV/Panalpina, and Bolloré. Given these large customers can take multiple years to roll out the CargoWise platform across their sites globally, usage and transaction revenues from these customers is expected to grow over time.

Eleven of the Top 25 Global Freight Forwarders[17] have either rolled out or are currently in the process of global rollouts on the CargoWise platform, with every CargoWise customer cohort since FY06, delivering year-on-year revenue growth.

3. Profitability

As noted at the time of the Company's FY20 Results, WiseTech has commenced work on an organisation-wide efficiency program that includes accelerating the extraction of synergy benefits from its acquired businesses. This program of work is designed to streamline processes and teams to deliver a $10.0 million benefit in FY21 (after the impact of restructuring costs). WiseTech expects a cost reduction run-rate for FY22 of $20 - $30 million.

The Company delivered cost reductions of $6.1 million in 1H21 (equating to a net benefit of $1.0 million after $5.1 million in restructuring costs). Efficiency initiatives implemented to date included:

- a gross reduction of 269 employees and contractors[15] relating predominantly to sales, marketing, technical and product support staff in acquired teams;
- office lease space and data centre consolidation; and
- streamlining facility and office support functions.

People

Following a short slowdown in recruitment in 2H20, WiseTech recommenced its investment in the recruitment of product and development talent and industry experts in 1H21. This recruitment drive is in addition to the expertise and talent secured as part of the Company's strategic acquisitions.

The Company has increased its product and development headcount by 32% over the last two years (31 December 2018 to 31 December 2020), reflecting significant investment pre-COVID-19 to accelerate long-term revenue growth. This investment was partially offset by cost reductions across the business and has delivered greater operating leverage with 53% of WiseTech's 1,935 workforce (as at 31 December 2020) focused on R&D (a 6pp increase on the 47% at 31 December 2018).

Dividend

The Board has declared a fully franked interim ordinary dividend of 2.70 cents per share (cps). The interim dividend is payable on 9 April 2021 to shareholders registered as at 15 March 2021 and represents a payout ratio of 20% of Underlying NPAT.

[15] 269 reflects the gross reduction of both employees and contractors across the Company. Net employee headcount in 1H21 decreased by 104 to 1,935 employees (1H20: 2,039 employees).

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Outlook and guidance

WiseTech has today increased the FY21 EBITDA guidance provided to the market on 19 August 2020 and reaffirmed at the Company's Annual General Meeting in November 2020.

This increase reflects the benefits expected to be generated from operational leverage as the Company continues to implement its organisation-wide efficiency initiatives and to extract acquisition synergies.

Based on the assumptions set out in the 1H21 results presentation and subject to no material adverse events arising, the Company reaffirms its expectation that FY21 revenue growth will be in the range of 9% to 19% (representing revenue of $470 million - $510 million) and updates its EBITDA growth expectations to be in the range of 30% to 50% (representing $165 million - $190 million), a $10 million increase from the previously disclosed range of 22% to 42%.

Mr White concluded, "The pandemic has provided the impetus for an acceleration in the longer-term structural shift towards consolidation, integration and digitisation of global logistics and supply chains. The recently announced proposed takeover of Kerry Logistics by SF Holdings and DSV's public comments about its increased appetite for M&A following its successful UTi and Panalpina acquisitions are evidence of this trend.

"We are seeing increasing demand amongst large global logistics service providers for our CargoWise offering with the momentum in sign-ups for CargoWise global roll-outs accelerating.

"Looking ahead, we will continue to innovate through our ongoing product development program with the aim of delivering a seamless, global logistics technology solution that improves productivity, functional depth, data integration and cross-border regulatory compliance for customers, with a specific focus on targeting the Top 25 Global Freight Forwarders and the Top 200 Global Logistics Providers."

//ENDS

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

Investor Presentation Please refer to the WiseTech Global 1H21 Results Investor briefing materials released today for detailed financial data and analysis.

Analyst Briefing The results presentation webcast to discuss WiseTech Global's 1H21 financial results will be held at 10.30am (Sydney time) today. The webcast and briefing audio will be available at https://webcast.openbriefing.com/6990/

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Contact information:

Investor Relations and Media

MEDIA:

Marijana Okanovic: marijana.okanovic@wiseetechglobal.com; +61 2 8001 2200

INVESTOR RELATIONS:

Christina Nallaiah investor.relations@wisetechglobal.com; +61 2 8001 2200

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[16] of the world's logistics companies across more than 160 countries, including 41 of the top 50 global third-party logistics providers and all of the 25 largest global freight forwarders worldwide[17]. 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.

At WiseTech, we are relentless about innovation, adding over 4,000 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 and cargowise.com

[16] Includes customers on CargoWise and platforms of acquired businesses whose customers may be counted with reference to installed sites
[17] 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.