



CATAPULT DELIVERS ACV GROWTH, REDUCED CHURN, IMPROVED MARGINS, AND STRONG FREE CASH FLOW, **DESPITE IMPACT OF COVID-19**



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Catapult Group International Limited (ASX:CAT, 'Catapult' or the 'Company') is pleased to provide its audited financial results for the half year ending December 31, 2020 (H1 FY21).

HIGHLIGHTS (all growth rates are YoY unless specified)

All financials are in USD (not in AUD as reported previously)

- **Growth of 8.3% in Annualised Contract Value (ACV), the key subscription metric used by the Company**
- **Reduction in ACV Churn to 4.5%, despite the severe COVID-19 challenges**
- **Customers with 2 or more solutions grew 19%, highlighting the value of Catapult's platform**
- **Increase in Contribution Margin to 50%, up 8% from 46%, as business efficiency rises further**
- **Once again free cash flow was strongly positive, at \$8.8m¹**
- **Average customer lifetime duration increased 1.6% to 6.1 years**
- **Continued Investment in future growth with solution upgrades, \$3.3m in R&D investment, and the Science for Sport acquisition**

¹ Including Science for Sport acquisition, free cash flow was \$8.4 million in H1 FY21.

STRONG PROGRESS AGAINST ALL KEY SAAS METRICS

Growth and Resiliency in the Face of COVID-19

Catapult is pleased to report strong progress against key SaaS metrics in H1 FY21. Importantly, this was achieved despite significant industry challenges related to COVID-19.

Annualised Contract Value (ACV), the key metric used by the Company to monitor the success of its subscription business, grew 8.3%. This was driven by an increase in ACV across all customer aged segments, namely short-, medium- and long-term customers.

This growth, together with reduced ACV Churn of 4.5%, highlight a successful focus on customer retention, upsell and cross-sell during a challenging period for Catapult's Pro sport customers.

Entering the half, the industry had initially hoped for an easing of COVID-19 restrictions. However, the worsening of the pandemic particularly in the US and UK meant customers were even more severely impacted by COVID-19 challenges. Professional sport reported revenue losses in the tens of billions with most leagues seeing revenue declines of between 10% and 30%. The NCAA (US collegiate sports), a major source of Catapult revenue, was particularly impacted with many sports not playing or playing without fans.

These headwinds, however, highlighted the strength of Catapult's subscription model and the essential nature of the Company's solutions to its customers' daily workflows. On the back of Catapult's strong customer focus, all key customer metrics were up. The average customer lifetime duration rose 1.6% to 6.1 years, and the focus on cross-selling to existing customers drove 19% growth in customers with 2 or more solutions.

Catapult Chief Executive Officer Mr. Will Lopes said: "The slowdown in our historically strong growth rate was purely the result of COVID-19, and we do not see any underlying performance issue. On the contrary we believe the business is in a better position to capitalise on the opportunities we expect will present themselves once a vaccine has been rolled out in the US and Europe."

Strength and Efficiency for Future Growth

Highlighting the strong health of the business, Catapult's scale and operating leverage was evidenced by a 8% increase in Contribution Margin to 50%, up 26% since 1H19. The overall performance led to another strong period of positive free cash flow, reaching \$8.8m.

Catapult continued to invest in future growth having increased R&D as a percentage of revenue to 10% from 9.4% and in November 2020 acquiring the profitable subscription online sport learning platform, Science for Sport Limited.

As communicated previously, Catapult's strategy involves transitioning away from capital sales to a full SaaS subscription business. The Company's strong cash position and positive cash flow have enabled the acceleration of this strategy, which was implemented in 1H FY21. This will have an impact on short-term revenue but over the medium and long term will create a stronger, more robust, more predictable, more profitable, and less risky company. The best measure of Catapult's ongoing success in driving its subscription business is the ACV metric which reflects committed, ongoing, future revenue.

FINANCIAL SUMMARY - RESILIENT SUBSCRIPTION REVENUE

Catapult reported revenue of \$33.3 million, a decline of 4.1%. This fall was due to the challenges in closing new business due to the severe COVID-19 industry impact, as outlined previously, and the decision to prioritise high-margin subscription sales over capital sales during this period. The Company expects that both factors will be transient.

The subscription revenue business model was resilient, accounting for 78.5% of total revenue and declining by 1.5%, with the decline attributed to the fall in demand for content licensing due to COVID-19, and two one-time deals recorded last year. Notably, recurring subscription revenue across the Company actually rose, while the Performance & Health segment, the largest solution category by revenue, saw total subscription revenue rise by 14%. Subscription revenue was flat for Tactics & Coaching.

EBITDA remained positive at \$2.6 million, a decline of \$1.3 million, with underlying¹ EBITDA only declining 1%. Free cash flow remained strong at \$8.8 million².

CUSTOMER FOCUS MAINTAINED THROUGH COVID-19 CHALLENGES

The Company's customers had to overcome huge logistical and financial challenges in dealing with impacts from COVID-19 on Pro sports. Through 2020, Catapult was heartened by the strong and trusted nature of its relationships with teams across all major sporting competitions globally, including the NFL, NCAA, NBA, MLS, AFL, NRL, MLB, Super Rugby, EPL, and major European and Asian soccer. As part of customers' daily workflows, Catapult's solution usage rose to record levels across the globe.

Although new business opportunities for Catapult were difficult to close in the current environment, it is the Company's view that these largely remain open and delayed rather than lost. Catapult's very low ACV Churn of 4.5%, the lowest it has ever seen, demonstrates the Company has been successful in renewing customers and closing deals despite the environment.

OPERATING HIGHLIGHTS

Sales momentum

Global sales highlights included a subscription deal with the Football Bowl Subdivision (FBS) teams to provide a video exchange service to all 130 Division 1 American football teams. The win signifies an accelerated step towards offering a broader platform of cloud services to Catapult's customers.

Catapult was also awarded a significant contract in Hungary with BMSK Sport Közhasznú Nonprofit Kft. to provide 16 sports academies and teams, across three core national sports, video analysis and wearable technology services. This contract is the single largest capital deal ever won by Catapult.

Catapult was appointed as the preferred supplier of technology to all teams that compete in France's Top 14 and Pro D2 professional rugby competitions for the next four years.

¹ Excludes discretionary non-executive employee share plan expenses, and employee severance costs

² Including Science for Sport acquisition, free cash flow was \$8.4 million in H1 FY21.

As part of the award, Catapult will support data exchange between any contracted club teams and the France national rugby union team ("Le XV de France") in a seamless two-way data sharing process.

A sample of new and recent customer signings highlights Catapult's leading position in the global sports technology sector. These include Sunderland AFC, Fulham Academy FC, Football Association of the Czech Republic, Durban University of Technology, Colorado State University FB, HJK Helsinki, Cricket NSW, Korea Ice Hockey Association, Washington State University FB and the Hong Kong Sports Institute.

Catapult is pleased to see the application of its SaaS solutions with new customers in sectors adjacent to Pro sport. During the period Catapult was awarded a Performance & Health contract with US Army Special Forces to assist them with performance monitoring of soldiers in training.

Deployment of new SaaS solutions

During the period there was record customer usage levels of Catapult's cloud-based SaaS solutions as Catapult responded to the COVID-19 challenge by providing Remote Athlete Solution and Athlete Proximity Reporting. Both solutions are heavily utilised by hundreds of customers.

Deployment of new solutions continued, including for American Football customers with cloud-based full resolution video analysis and a new seamless indoor-outdoor athlete monitoring experience for training sessions. The introduction of the player Movement Profile software analytics package for soccer was also a valuable enhancement for this important customer segment.

Preparations to scale

The "SaaS'ifying" and scaling of the organisation continues, with a focus on growing ACV, and clearly tracking and reporting the most relevant SaaS metrics. Catapult has also changed to reporting in USD and moved its financial year to a March year-end. This better reflects the Company's underlying successful operating and earnings profile, driven by its growth in the northern hemisphere market.

During the half, several US-based senior appointments commenced with Catapult, including ex Audible-Amazon executive Chris Cooper, who as Catapult's COO will further enhance the Company's ability to scale and drive strategic growth. In January 2021, Zoe Rumford joined Catapult. Ms. Rumford has extensive global experience driving growth and development across technology companies, and delivering high performance cultures, including international senior leadership positions driving people and culture teams at both Spotify and Amazon.

In November 2020 Catapult acquired the profitable subscription online sport learning platform, Science for Sport. Founded in 2016, Science for Sport has grown to become the leading source of content, online courses, and community engagement in the global sports science industry. With this strategic acquisition, Catapult can accelerate the development of its professional services solutions, providing professional and amateur customers with advanced training and education through industry-leading content and online courses.

PROSUMER RESET IS PROGRESSING WELL

Prosumer delivered further EBITDA improvement with a loss of \$0.2 million compared to a loss of \$0.3 million in 1H FY20 and a loss of \$2.4 million in 1H FY19. This was achieved despite revenue declining 7.6%, with sales impacted by COVID-19 lockdowns around the world. The overall operational improvement of Prosumer is attributable to the restructuring of this business to deliver cost containment and lower marketing spend, focused on understanding the key acquisition levers of the product set. Since 1H FY19, revenue has remained relatively constant (\$2.0m vs \$1.9m in 1H FY21), while customer acquisition cost (CAC) has declined more than 90%.

POSITIVE FREE CASH FLOW OF \$8.8 MILLION

Despite the COVID-19 impact on Pro sports, Catapult continued to generate strong free cash flow of \$8.8 million¹.

CONTINUED R&D FOCUS AND STRONG CASH BALANCE

Catapult continues to focus on R&D investment to enhance its platform and world class solutions. R&D investment in H1 FY21 of \$3.3 million represents 10.0% of revenue and is up from 9.4% in the prior period.

This investment is focused on the continued differentiation of the core solution categories across Performance & Health, Tactics & Coaching, and Management.

Catapult is committed to maintaining a strong balance sheet, had \$24.6 million of cash in the bank at 31 December 2020 and remains debt free having fully repaid all of the loan draw-down earlier in the year.

OUTLOOK

Based on the expected demand for athlete analytics globally and the identified potential for innovation in sports technology, Catapult is optimistic about its long-term growth opportunity. By broadening its suite of analytics solutions through organic growth and acquisitions, Catapult aims to substantially increase its addressable market opportunity, and generate significant ACV growth, across a range of customers in both the elite and prosumer segments.

The Company believes, that with a vaccine being rolled out and the industry's hard lessons learnt, the impact of the pandemic on global sport was at its worst during 1H21, and that Catapult has never been in a better position to capitalise on its strengths and industry-leadership position. The Company exited 1H21 with confidence and improved momentum against its key SaaS metrics.

The Company is committed to growing its high-quality recurring revenue base (as measured by ACV) and improving operating cost efficiencies (as measured by contribution and EBITDA margin) as it grows.

The Company expects to record a significant shift towards subscription revenue, away from capital revenue, in its Performance & Health solution from 1 January 2021 onwards as a consequence of enhancements made to the associated technology platform and the customer terms and conditions. Catapult does not expect this to impact free cash flow.

¹ Including Science for Sport acquisition, free cash flow was \$8.4 million in H1 FY21.

As part of its plans to scale, Catapult is reviewing its portfolio of global brands (including approximately \$4 million of acquired brands) and may consider rationalising some of these. Separately, as Catapult continues to improve its profitability it's worth noting that approximately two thirds of its tax losses are held off balance sheet, representing a significant potential benefit to the Company.

As previously mentioned, Catapult has changed its financial year-end to 31 March and the full-year FY21 financial results will be based on the nine-month reporting period ending 31 March 2021. The Company intends to separately publish an unaudited set of results for the 12 months ending 31 March 2021."

COMMENTS

Commenting on the results Catapult's CEO Will Lopes said:

"Our goals during this unprecedented period were to prioritise high-margin subscription sales over capital sales, drive multi-solutions adoption among our existing customers, keep churn low, generate cash, and continue to improve the position of Catapult for growth when this pandemic is behind us. We feel, despite this difficult climate, we delivered on these objectives very well.

"I am also very pleased to have seen how essential our solutions were to our customers. Despite the difficult period for our customers with slashed budgets and staff retrenchments, our ACV retention was the best we have ever seen. These results continue to demonstrate how resilient our business is and I am very bullish that we are well positioned to return to accelerating growth when this pandemic is behind us."

Authorised for release to ASX by the Catapult Board

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