

Tungsten Corporation plc

**RESULTS FOR THE
SIX MONTHS ENDED
31 OCTOBER 2015 (H1-FY16)**



IMPORTANT INFORMATION

This document contains forward-looking statements that may or may not prove accurate. For example, statements regarding expected revenue growth and trading margins, market trends and our product pipeline are forward-looking statements. Phrases such as "aim", "plan", "intend", "anticipate", "well-placed", "believe", "estimate", "expect", "target", "consider" and similar expressions are generally intended to identify forward-looking statements. Forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause actual results to differ materially from what is expressed or implied by the statements. Any forward-looking statement is based on information available to Tungsten as of the date of this statement. All written or oral forward-looking statements attributable to Tungsten are qualified by this caution. Tungsten does not undertake any obligation to update or revise any forward-looking statement to reflect any change in circumstances or in Tungsten's expectations.

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INTRODUCTION

Rick Hurwitz, Chief Executive Officer



H1-FY16 KEY MILESTONES

- Encouraging financial performance
 - Revenue up 28% to £13.1m
 - EBITDA loss down by £3.7m to £9.5m
 - Group net cash of £39.7m
- Underlying business momentum
 - 30% of FY16 contract renewals completed – 70%⁽¹⁾ uplift
 - New customers signed up
 - E-invoicing volume up 10% to 7.5 million; value up 14% to £55.9 billion
- Operational review completed, resulting in refreshed vision, strategy and action steps
 - Strategy realigned to pursue profitable growth
 - Owning Tungsten Bank non-core to profitable growth strategy: decision to sell Bank
- Early Payment progressing
- Cost base controlled, pursuing additional efficiencies
- New Board appointments for enhanced governance and increased independence
- CTO, CMO, Head of Corporate Development hired

Notes: (1) Weighted average basis

TUNGSTEN BANK

- Following strategic review, the Board concluded Tungsten Bank is non-core to the corporate strategy of pursuing profitable growth
- Agreement for change in control of Bank
- Sale price is c.£30m cash - net assets plus premium
- Group cost base to reduce by £2m per year after sale is completed
- Bank no longer strategic or required for Tungsten Early Payment funding
 - Funding arrangement with Insight Investment provides Group with required financing capacity
 - Additional third-party funding arrangements will be considered
- Transfer subject to PRA & FCA approval, expected within 6-12 months

VISION

*To be the world's most trusted business transaction network using data intelligently
to strengthen the global supply chain*

STRATEGY

Elevate our customer engagement by driving network benefits for them

Use end to end digital processes to ensure that our people and processes deliver effectively

Leverage our network and its data to deliver distinctive financing products

Increase the value we provide our customers by providing adjacent products and services

EXECUTION PATHS

Focus on our core

Improve operational performance

Disruptive supply chain financing

Expand into adjacent services

AREAS OF FOCUS FOR H2-FY16

- Improve rate of supplier releases
 - Working with buyers to accelerate their preparation for supplier releases
 - Organisational changes to integrate our supplier sales and implementation teams
 - Full year FY16 revenue guidance reflects impact of H1-FY16 new suppliers levels
- Focus on enhancing efficiency
 - Working capital management; already making progress reducing ageing of accounts receivable
 - Implementing further automation of internal processes
- Leverage network and network effect to deliver wider product range to customers
- Active corporate development

FINANCIAL REVIEW

David Williams, Chief Financial Officer



PERFORMANCE IN H1-FY16

- Group **Revenue** up 28% at £13.1m (H1-FY15: £10.2m)
- Group **EBITDA**⁽¹⁾ loss of £9.5m is down 28% (H1-FY15: £13.2m loss)
- **Impairment** charge of £6.8m against Tungsten Bank (H1-FY15: nil)
- Group **net cash** at half-year of £39.7m, including cash in Bank (30 Apr 2015: £32.6m)
- Cash outflow from operating activities £9.3m (H1-FY15: £16.3m) of which £2.4m one-off costs (H1-FY15: £6.0m)
 - Excluding one-off items, operating cash flow averaged £1.1m per month

Tungsten Network

- Revenue up 27% to £13.0m (H1-FY15: £10.2m), 21% excluding Workflow
- Buyer revenues up 38% to £5.1m (H1-FY15: £3.7m)
- Supplier revenues up 25% to £7.9m (H1-FY15: £6.3m)

Tungsten Network Finance

- Revenues £84k (H1-FY15: £22k)
- £43m invoices financed (H1-FY15: nil; H2-FY15: £32m), average gross yield 6.17%

Notes: 1) Defined as operating loss before exceptional items, depreciation, amortisation, impairment and share-based payments charges

H1-FY16 P&L

£'000 (unless stated)	H1-FY16	H1-FY15	% change
Revenue			
Tungsten Network	12,976	10,205	+27%
Tungsten Network Finance	84	22	+281%
Total Revenue	13,060	10,227	+28%
Operating Expenses (ex-D&A)	(22,541) ⁽¹⁾	(24,683)	+9%
EBITDA	(9,481)	(13,196)	+28%
Depreciation/Amortisation	(1,216)	(1,206)	11%
Impairment	(6,810)	-	-
Share-based expense	(267)	(54)	-395%
Operating loss	(17,774)	(14,456)	+23%
Net finance costs	(12)	(362)	+97%
Taxation	189	153	+23%
Loss for the year	(17,597)	(14,665)	-20%
Basic & diluted loss per share	(14.59p)	(14.52p)	-

⁽¹⁾ Corrected from (30,834) originally presented

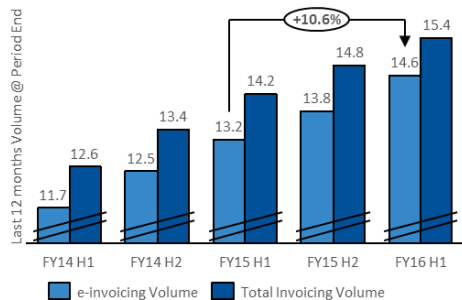
TUNGSTEN NETWORK – STEADY GROWTH

	H1-FY14 ¹	H2-FY14	H1-FY15	H2-FY15	H1-FY16
Revenue	£9.5m	£10.0m	£10.2m	£12.8m	£13.0m
EBITDA	(£1.5m)	(£1.2m)	(£2.5m)	(£2.6m)	(£2.7m)
One-off costs	n/r ²	n/r ²	£1.0m	£1.8m	£0.4m
EBITDA excluding one-offs	(£1.5m)	(£1.2m)	(£1.5m)	(£0.8m)	(£2.3m)
No. of buyers^{3,4}	122	124	168	173	178 ⁵
No. of suppliers⁴	140,000	168,000	171,000	181,000	194,500

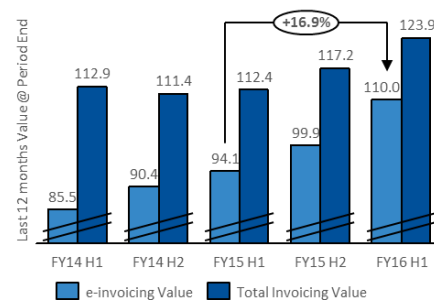
Notes:

1. Pro-forma and not reported
2. One-off costs not reported
3. Includes 43 Tungsten Workflow buyers from the acquisition of DocuSphere
4. At period end
5. 6 new less 1 merged

• Network Invoicing Volume (#million)



• Network Invoicing Value (£billion)



- Consistent growth in volume and value of e-invoices
- Increase of 11% in annualised volumes and 17% in annualised value H1-FY16 v H1-FY15
- Increase of 10% and 14% respectively half-on-half

TUNGSTEN NETWORK FINANCE – EARLY GROWTH

	H2-FY14	H1-FY15	H2-FY15	H1-FY16
Revenue	-	-	£0.1m	£0.1m
EBITDA	(£1.9m)	(£7.1m)	(£5.6m)	(£3.6m)
One-off costs	£1.9m	£4.0m	£2.3m	£1.3m
EBITDA excluding one-offs	-	(£3.0m)	(£3.3m)	(£2.3m)
No. of live suppliers	-	-	38	108
Flow through Tungsten nominated a/cs	-	-	£41m	£65m
Total value financed	-	-	£32m	£43m
Average financed duration	-	-	33 days	40 days
Average yield	-	-	5.27%	6.17%

- Commenced H2-FY14. Minimal revenue to date
- Total one-off costs to date of £9.5m, including £1.3m in H1-FY16
- Early stages of the product
- 67% of available financing taken

CORPORATE COSTS

	H1-FY14	H2-FY14	H1-FY15	H2-FY15	H1-FY16
Revenue	-	-	-	-	-
EBITDA	(£5.4m)	(£1.6m)	(£3.7m)	(£3.3m)	(£3.1m)
One-off costs	n/r	n/r	£1.0m	£1.1m	£0.7m
EBITDA excluding one-off costs	(£5.4m)	(£1.6m)	(£2.7m)	(£2.1m)	(£2.4m)

- Includes
 - Board and adviser costs
 - Transaction costs
 - PLC professional fees
 - Group resources (finance, legal, HR, marketing)
- One-off costs include costs associated with the strategic review of Tungsten Bank

COST BASE

£'000	H1-FY16	H1-FY15
Staff costs	14,118	11,626
Professional support	1,864	4,860
Office costs	1,537	1,503
IT costs	3,394	2,266
Marketing & communication	865	389
Other expenses / set-up fees	763	2,780
Total	22,541	23,424



H1-FY16 One-offs	H1-FY16 Ex-one-offs
911	13,207
1,361	503
-	1,537
41	3,353
79	786
-	763
2,392	20,149

Depreciation & amortisation	1,216	1,205
Impairment charge	6,810	-

-	1,216
6,810	-

H1-FY16 P&L – BY SEGMENT

£'000	Tungsten Network	Tungsten Network Finance	Corporate	TOTAL H1-FY16
Segment Revenue	12,976	84	-	13,060
Admin Expenses	(15,710)	(3,717)	(3,114)	(22,541)
EBITDA	(2,734)	(3,633)	(3,114)	(9,481)
Depreciation, amortisation & impairment	(1,082)	(6,858)	(86)	(8,026)
Share based payments	-	-	(267)	(267)
Net finance income/(costs)	-	-	-	(12)
Loss before taxation	(3,816)	(10,491)	(3,467)	(17,786)
EBITDA	(2,734)	(3,633)	(3,114)	(9,481)
One-off costs	442	1,268	683	2,392
EBITDA excluding one-off costs	(2,292)	(2,365)	(2,431)	(7,089)

BALANCE SHEET

£m	October-15	April-15
Non-current assets	120.2	131.0
Trade & other receivables	10.3	8.4
Invoice receivables	-	6.4
Cash and cash equivalent	15.9	32.6
Assets held for sale	28.9	-
Current assets	55.1	47.4
Non-current liabilities	(3.5)	(4.0)
Trade & other payables	(6.5)	(8.6)
Deferred income	(7.8)	(8.6)
Current liabilities	14.4	17.3
Liabilities re: assets held for sale	1.1	-
Net assets	175.3	178.3

- Net assets decreased by £3m
- Assets and liabilities of Tungsten Bank reclassified as assets held for sale:
 - £28.9m of assets
 - £1.1m of associated liabilities
- Increase in trade and other receivables, due to timing of billings and operational credit control issues

CASH POSITION

£'000	H1-FY16	H1-FY15
Cash flows from operating activities	(9,291)	(16,289)
Cash flows from investing activities	(576)	(30,452)
Cash flows from financing activities	16,721	11,763
Net increase/ (decrease) in cash	6,854	(34,978)
Cash at start of period	32,603	62,646
Cash at end of period	39,747	27,688

- Operating cash outflow of £9.3m, including £2.4m of one-off cash costs
- c.£1.1m per month underlying operating cash outflow
- Equity fundraising of £16.7m net
- Cash of £39.7m at 31 October 2016, including £23.8m in Tungsten Bank

Q&A

Rick Hurwitz, Chief Executive Officer
David Williams, Chief Financial Officer