TUNGSTEN CORPORATION PLC

Half Year Results

14 December 2020

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Financial Review

H1 Financial Highlights

Revenue
£18.0m
-1%

Adjusted EBITDA
£0.8m
-£0.2m

Net cash flow
-£2.2m
-£0.4m

Total AP/AR deals
5
+3
TCV £1.3m
Recurring Revenue £0.3m
Expected 3 Year Revenue £2.4m

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H1 FY21 Results at a glance

	H1-FY21	H1-FY20
Operating Metrics		
Transactions £M	9.0	9.6
New Sales Billings £M	2.1	1.7
Total AP/AR deals	5	2
P&L		
Revenue £M	18.0	18.2
Adjusted EBITDA	0.8	1.0
Cash		
Net Cash £M	1.0	1.0
Net Cash Flow £M	(2.2)	(1.8)

- Group revenue (including TNF) decline of 2%, underlying business network grew 1%.
- The strengthening of the pound against the dollar this year has reduced growth which would have been 2% on a constant currency basis.

(1) Adjusted EBITDA is calculated as earnings before net finance cost, tax, depreciation and amortisation, impairment of intangibles assets, loss on disposal of assets, foreign exchange gain or loss, share based payment expense and exceptional items, and is adjusted to include cash rental expenses and rental income.
(2) Prior year includes prior year adjustments

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Revenue and gross profit

£m	H1-FY21	H1-FY20	Variance	% increase
Subscription	8.9	8.9	0.0	
Maintenance	0.9	0.9	(0.0)	
Recurring	9.8	9.8	0.0	
Transaction	5.5	5.7	(0.2)	
Archiving	1.4	1.4	0.1	
Repeatable	6.9	7.0	(0.1)	
Implementation	0.5	0.3	0.1	
Professional services	0.8	0.7	0.1	
Network	**18.0**	**17.9**	0.1	1%
Network finance		0.3	(0.3)	
Group	**18.0**	**18.2**	(0.2)	-1%
Cost of sales	(1.3)	(0.6)	(0.7)	
Gross profit	**16.7**	**17.6**	(0.9)	-5%

	H1-FY21	H1-FY20
Recurring Revenue %	54%	55%
Recurring & Repeatable Revenue %	93%	94%

REPEATABLE

- Transaction volumes down 0.6m year on year to 9.0m primarily due to Covid-19 impact

OTHER

- Implementation revenue increase of £0.2m due to AP/AR deals won in H2-FY20 and H1-FY21

COST OF SALES

- Increased costs of £0.7m – a £0.3m increase in bad debt to a one-off decrease in H1-FY20 in our loss provision, £0.2m increase in commission costs and £0.2m increase in AR costs due to launch of new AR customers

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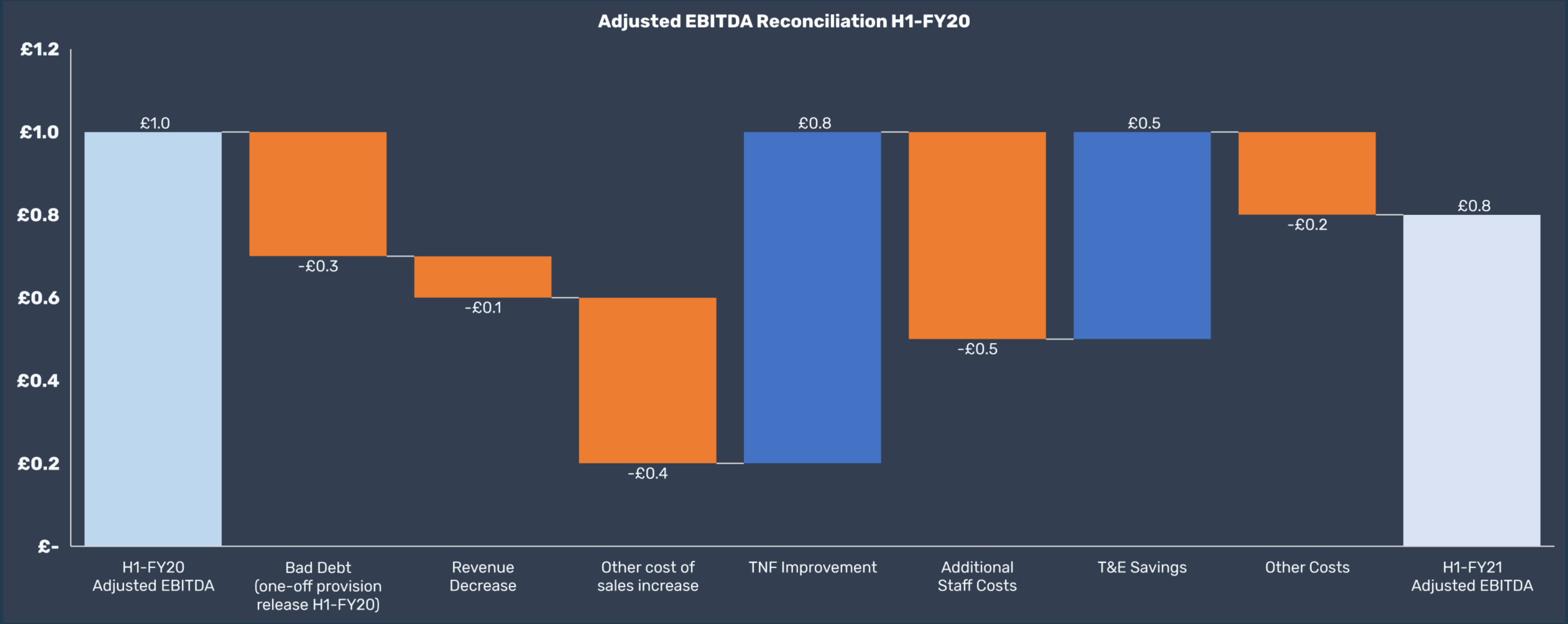
Adjusted EBITDA Reconciliation



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Profit before tax

£m	H1-FY21	H1-FY20	Variance
Adjusted EBITDA	**0.8**	**1.0**	(0.2)
IFRS 16 Adjustment	0.5	0.5	0.0
EBITDA	**1.3**	**1.5**	(0.2)
Depreciation and amortisation	(2.3)	(2.3)	0.0
Impairment	(26.2)	(0.6)	(25.6)
Foreign exchange gain/(loss)	(0.8)	0.2	(1.0)
Share-based payment expense	(0.1)	(0.4)	0.3
Exceptional items	(1.8)	(0.5)	(1.3)
Operating Loss	**(29.9)**	**(2.1)**	(27.8)
Net finance costs	(0.6)	(0.3)	(0.3)
Loss before tax	**(30.5)**	**(2.4)**	(28.1)

LOSS ON DISPOSAL OF ASSETS

- Non cash expense prior year as result of winding business down

FOREIGN EXCHANGE (LOSS)/GAIN

- Non-cash expense arising on retranslation of UK/USA intercompany loan balances/Working capital positions

GOODWILL IMPAIRMENT

- Further write down of OB10 carrying value given revised revenue and EBITDA expectations arising from FY20 performance and Covid-19

EXCEPTIONAL ITEMS

- £1.3m increase predominantly driven by restructuring activities

NET FINANCE COSTS

- Non-cash expense increase of £0.3 on retranslation of UK/USA intercompany loan balances

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Cash and liquidity

£m	H1-FY21	H1-FY20	Variance
Cash generated from operations	**0.1**	**0.3**	**(0.1)**
Capital expenditure	(1.7)	(1.3)	(0.4)
Lease payments	(0.6)	(0.5)	(0.1)
Interest	(0.2)	(0.2)	(0.0)
Exchange adjustments	0.2	(0.0)	0.2
Other	(0.0)	(0.0)	0.0
Net cash inflow/(outflow)	**(2.2)**	**(1.8)**	**(0.4)**
Net Cash	**1.0**	**1.0**	**(0.0)**
Drawn under RCF	2.0	1.0	1.0
Remaining RCF undrawn	2.0	3.0	(1.0)
Total available liquidity	**5.0**	**5.0**	**(0.0)**

CAPITAL EXPENDITURE

- Increase year on year driven by various projects including initiatives within service improvement programmes which was initiated to allow Tungsten to drive automation and improved experience for our customers whilst at the same time reducing customer support tickets/volumes.
- Liquidity
  - *Precautionary £1.0 drawn in March 2020 post COVID-19 outbreak*
  - *RCF renewed until December 2023*

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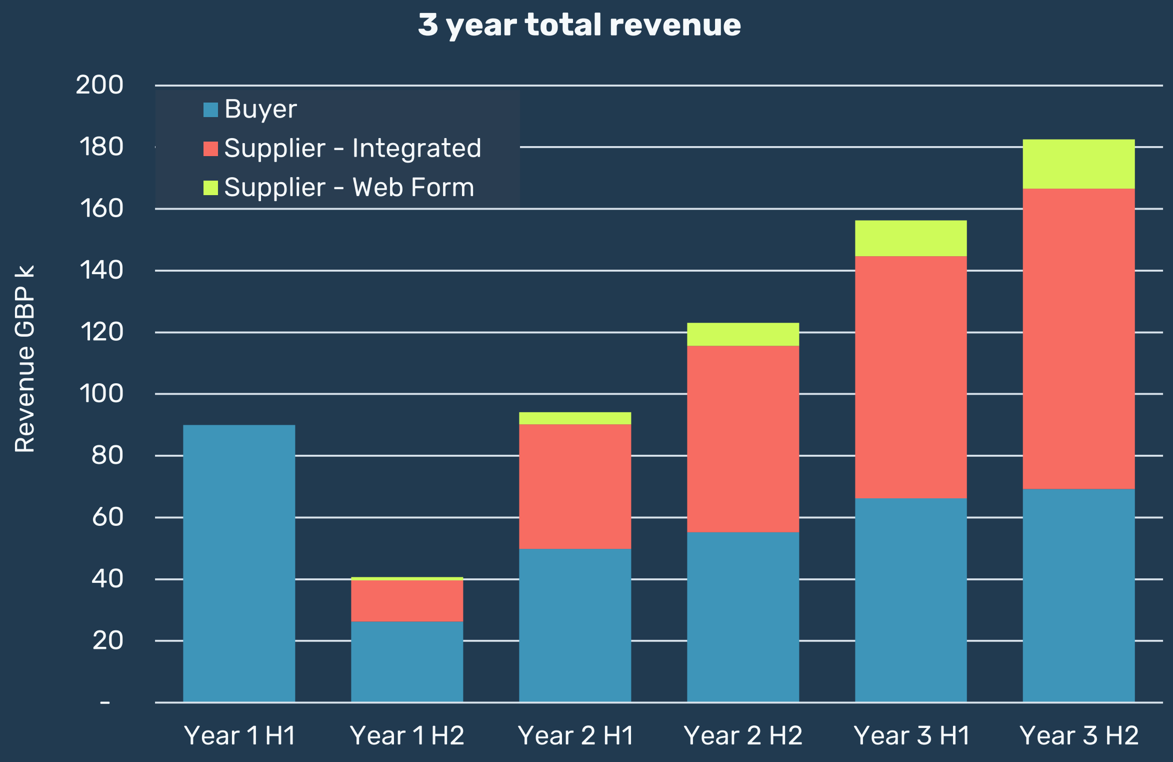
Journey/Revenue Flow of a New Customer



GBP k	Year 1 H1	Year 1 H2	Year 2 H1	Year 2 H2	Year 3 H1	Year 3 H2	Total
Buyer Revenue	90	26	50	55	66	69	327
IS Revenue	-	13	40	60	78	97	290
WF Revenue	-	1	4	8	12	16	40
Total Revenue	90	41	94	123	156	183	687
Supplier % of total revenue	0%	33%	43%	49%	50%	53%	42%
How 3 year revenue builds over time	13%	19%	33%	51%	73%	100%	100%

Assumptions

- Buyer revenue over 3 years from contract signature
- Builds up to 136,000 transactions to year 3
- Standard conversion rates would give 112 Integrated suppliers by year 3
- 80% transactions integrated suppliers/20% Webform
- Year 1 H1 includes one-off set up fees £70K

FY21 outlook

- H1 FY21 new business momentum continues with Tungsten securing 4 new customer wins. However, the Company is witnessing longer sales conversion cycle which is conservatively expected to continue for the remainder of the current financial year. As a consequence of this, coupled with declining transaction volumes, the Company expects FY21 revenues to be like FY20.
- Planned actions to curtail operating costs were actioned during H1-FY21, which will serve to improve the Group's future underlying EBITDA. Although this had a short-term negative impact on cash, the programme is expected to deliver annualized savings of £4 million from FY22 onwards, but we expect to utilize a portion to re-invest in the business to help drive future growth and efficiencies.
- The Company's net cash balance at the end of FY21 is anticipated to be similar to the balance as at 31 October 2020 of £1m. This represents cash of £3 million less £2 million drawn on the RCF. As of today, £2 million remains undrawn on the facility which expires in December 2023. This balance includes the impact of current year exceptional costs as well as the cash costs of prior year restructuring activities.

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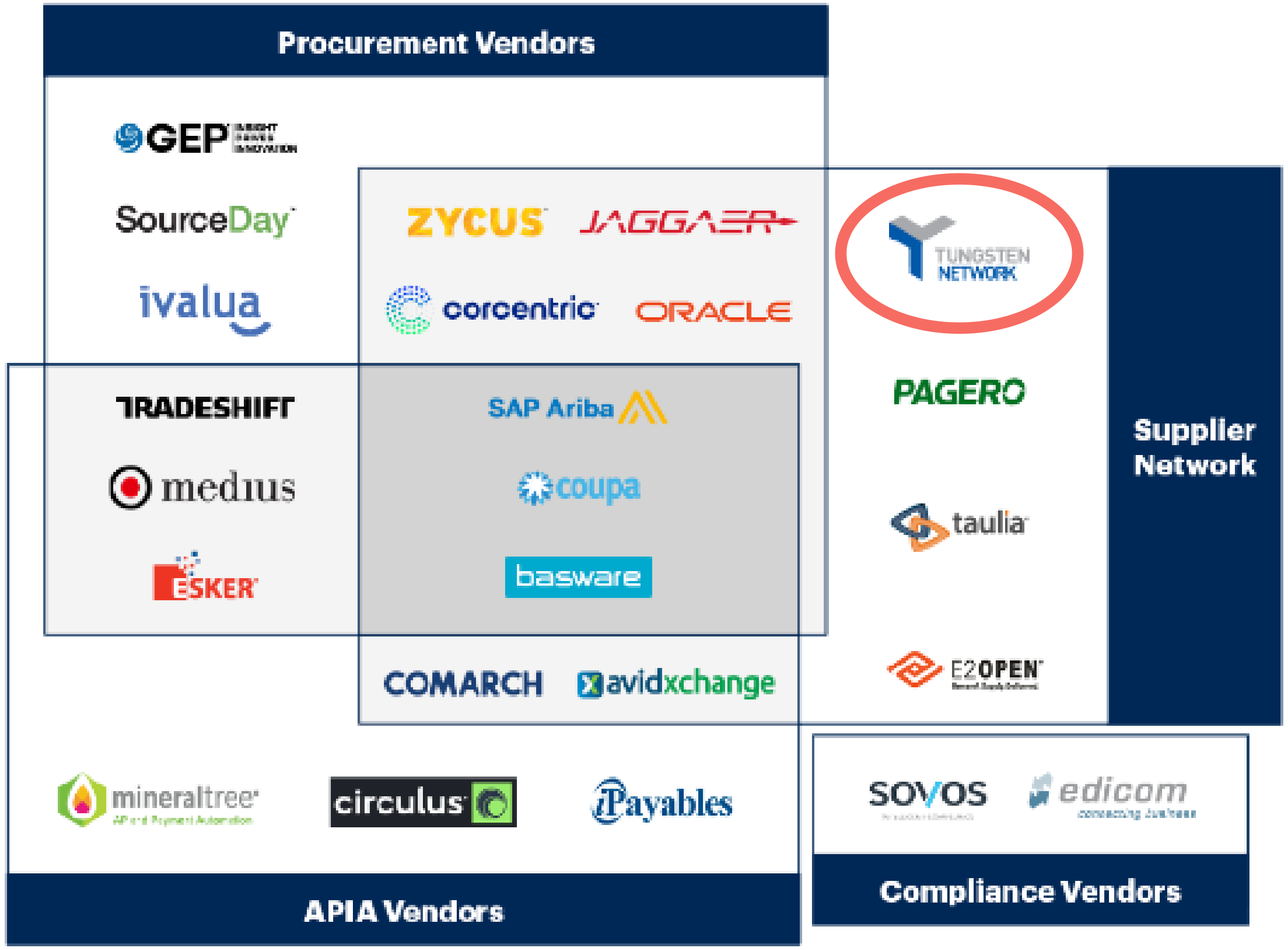
Looking Forward

E-invoicing is a distinct market opportunity

- Gartner forecast supplier e-invoicing to grow at a 5-year CAGR of 9-12%
- Supplier e-invoicing is forecasted to grow faster than any other procurement sub-segment



Sources:
Gartner - May 2020 - Growth Strategies for Tech CEOs of Supplier E-Invoicing Software Vendors
Gartner – August 2020 - Forecast Analysis: Supply Chain Management Software, 2Q20 Update

Our Strategy

Deepen relationships with existing customers

Increase our share of their invoice volume

Drive more value from our customer base

Additional product and services that complement e-invoicing

Drive the Network Effect

Expand market share by accelerating sales growth via direct and indirect routes to market

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Compelling investment case

1 **Fully invested network** with best in class straight through processing

2 **Over 90% revenues** repeatable and recurring allied to a value accretive financial model

3 **Blue chip customer base** provides a secure and geographically diverse customer base for future revenues

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