Fighting friction in the global supply chain
Welcome

TO THE H1-FY19 EARNINGS CALL

Hosted by

Tony Bromovsky
Chair

Richard Hurwitz
Chief Executive Officer

David Williams
Chief Financial Officer
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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Governance and Board update

Tony Bromovsky
Chair
a NEW BOARD is leading a refreshed focus to support revenue growth and to enhance corporate governance

New Board members:
- Tony Bromovský, Duncan Goldie-Morrison, Andrew Doman

Remuneration review:
- External report on AIM / QCA best practice
- Revised NED remuneration implemented
- New Group remuneration structure approved by the Board, subject to shareholder consultation

Operating review:
- Initial results support Tungsten Network’s strong market position
- Further work underway to identify growth opportunities
Five new accounts payable contracts

42 customers to use Tungsten Network to connect to the Italian SdI

New accounts payable products sold to current customers ConAgra, DR Horton

Highest value sale ever of Tungsten Network Analytics
we continue to enhance the scalability, reliability and security of TUNGSTEN NETWORK

- Technology now 100% in the cloud
- Core transaction processing rebuilt – now more scalable, more secure
- Tungsten Network’s platform at the vanguard of mandatory e-Invoicing:
  - One of few international e-Invoicing providers to be an intermediary for the Italian tax authority
  - New payment receipt product in Mexico
- Delivering enhancements to customers experience, service availability and efficiency, starting with move to a new service automation platform based around Salesforce.com and New Voice Media
our CURRENT INITIATIVES to deliver profitable revenue growth

**TECHNOLOGY TRANSFORMATION**
- Now fully in the cloud
- 99.7% portal availability
- Portal experience enhancements
- New connectivity technologies

**SALES RECONFIGURATION**
- New leadership
- Reorganised structure
- Focus on recurring revenue

**NEW PRODUCT ROLLOUT**
- Suite of products available
- Broader offering
- Includes: Invoice Data Capture, Purchase Orders, E-Billing, Mastercard Track

**NEW MARKET OPENINGS**
- Italy government mandate from 1 January 2019
- Other European countries expected to follow
Financial update
Financial highlights

Revenue up 3% vs H1-FY18
- Growth of +6% vs H2-FY18
- 91% recurring revenues

Adjusted operating expenses down 16% vs H1-FY18
- Up +11% vs H2-FY18
- Annualised run rate of £34.5 million, before remuneration changes

EBITDA loss reduced by 84% vs H1-FY18
- EBITDA loss of £0.8m vs £0.3m EBITDA profit in H2-FY18
- Operating loss reduced from £9.0m in H1-FY18 to £1.2m in H2-FY19
**H1-FY19 earnings**

EBITDA loss in H1-FY19 primarily due to the **PLANNED INCREASE** in adjusted operating expenses to invest in **future revenue growth**

<table>
<thead>
<tr>
<th></th>
<th>£m H1-FY18</th>
<th>£m H2-FY18</th>
<th>£m H1-FY19</th>
<th>Variance to H1-FY18</th>
<th>Variance to H2-FY18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>17.1</td>
<td>16.6</td>
<td>17.6</td>
<td>3%</td>
<td>6%</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>(1.6)</td>
<td>(0.7)</td>
<td>(1.2)</td>
<td>25%</td>
<td>(71%)</td>
</tr>
<tr>
<td>Gross profit</td>
<td>15.5</td>
<td>15.9</td>
<td>16.4</td>
<td>6%</td>
<td>4%</td>
</tr>
<tr>
<td>Gross margin</td>
<td>91.0%</td>
<td>95.8%</td>
<td>93.2%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adjusted operating expenses</td>
<td>(20.5)</td>
<td>(15.5)</td>
<td>(17.2)</td>
<td>16%</td>
<td>(11%)</td>
</tr>
<tr>
<td>EBITDA</td>
<td>(5.0)</td>
<td>0.4</td>
<td>(0.8)</td>
<td>84%</td>
<td>(300%)</td>
</tr>
</tbody>
</table>

1. EBITDA excludes interest, tax, depreciation, amortisation, foreign exchange gain or loss, share-based payments charges and exceptional items.
2. Adjusted operating expenses excludes cost of sales, interest, tax, depreciation, amortisation, foreign exchange gain or loss, share-based payments charges and exceptional items.
### Our RECURRING REVENUE level is consistently above 90%

<table>
<thead>
<tr>
<th></th>
<th>£m H1-FY18</th>
<th>£m H2-FY18</th>
<th>£m H1-FY19</th>
<th>Variance to H1-FY18</th>
<th>Variance to H2-FY18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recurring revenue</td>
<td>15.3</td>
<td>15.1</td>
<td>16.1</td>
<td>5%</td>
<td>6%</td>
</tr>
<tr>
<td>One-off revenue</td>
<td>1.7</td>
<td>1.5</td>
<td>1.5</td>
<td>(13%)</td>
<td>2%</td>
</tr>
<tr>
<td>Total revenue</td>
<td>17.1</td>
<td>16.6</td>
<td>17.6</td>
<td>3%</td>
<td>6%</td>
</tr>
<tr>
<td>Recurring %</td>
<td>90%</td>
<td>91%</td>
<td>91%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Key performance metrics

➢ Transaction volume growth of 0.2 million: last 12 months transaction volume of 17.9 million

➢ Average revenue per transaction increased to £1.90 (H1-FY18: £1.86)

➢ Adjusted operating expenses down £3.2 million to £17.2 million (H1-FY18: £20.5 million)

➢ Tungsten Network Finance average outstandings of £68.5 million in October 2018 (£43.4 million in October 2018)

<table>
<thead>
<tr>
<th></th>
<th>Tungsten Network</th>
<th>Tungsten Network Finance</th>
<th>Corporate</th>
<th>Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue H1-FY19</td>
<td>£17.2m</td>
<td>£0.4m</td>
<td>-</td>
<td>£17.6m</td>
</tr>
<tr>
<td>Revenue H1-FY18</td>
<td>£16.9m</td>
<td>£0.2m</td>
<td>-</td>
<td>£17.1m</td>
</tr>
<tr>
<td>Variance</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>1.9%</td>
<td>119.0%</td>
<td>-</td>
<td>3.0%</td>
</tr>
<tr>
<td>EBITDA H1-FY19</td>
<td>£3.5m</td>
<td>(1.2)m</td>
<td>(3.1)m</td>
<td>(0.8)m</td>
</tr>
<tr>
<td>EBITDA H1-FY18</td>
<td>(0.9)m</td>
<td>(0.9)m</td>
<td>(3.1)m</td>
<td>(5.0)m</td>
</tr>
<tr>
<td>Variance</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(499.8)%</td>
<td>28.3%</td>
<td>1.1%</td>
<td>(84.8)%</td>
</tr>
</tbody>
</table>
Our cash outflow of £4.5m included £3.0m of NON RECURRING items

Cash and undrawn bank facilities of £6.0m is sufficient to deliver current plans

<table>
<thead>
<tr>
<th>Cash Flow</th>
<th>H1-FY19</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash flows from operating activities</td>
<td>£(2.5)m</td>
</tr>
<tr>
<td>Cash flows from investing activities</td>
<td>£(2.0)m</td>
</tr>
<tr>
<td>Cash flows from financing activities</td>
<td>-</td>
</tr>
<tr>
<td>Net decrease in cash &amp; cash equivalents</td>
<td>£(4.5)m</td>
</tr>
<tr>
<td>Exchange adjustments</td>
<td>£0.1m</td>
</tr>
<tr>
<td>Cash and cash equivalents at the start of the period</td>
<td>£6.4m</td>
</tr>
<tr>
<td>Cash and cash equivalents at the end of the period</td>
<td>£2.0m</td>
</tr>
<tr>
<td>Total available liquidity</td>
<td>£6.0m</td>
</tr>
</tbody>
</table>
Outlook

Richard Hurwitz
Chief Executive Officer
FY19 outlook

➢ FY19 revenue expectation now £36.0 million to £36.5 million, representing full year constant currency growth of 7% to 10%. This reflects H2-FY19 revenue growth over H1-FY19 of 5% to 8% (10% to 16% annualised), both at constant rates of exchange

➢ Stable gross margin and a reduction in adjusted operating expenses to £34.0 million arising from further cost savings and proposed changes to the Group’s remuneration structures

➢ EBITDA profit for the full financial year, as a result of reduced adjusted operating expenses

➢ Existing capital sufficient to deliver current plans
an increase in revenue and profit growth rates is achievable in FY20

- Impact of initiatives already delivered in Technology, Sales & Product
- Outcome of operating review to increase revenue growth rates
- Further technology enhancements to improve user experience (conversion / retention rates), reduce support calls (cost reduction), speed-up onboarding time (faster revenue and reduced cost)
- More cost reduction opportunities through further outsourcing, reviewing office footprints, etc
- Further partnership opportunities to increase product range at lower cost
Questions & Answers

Thank you