



# Tungsten Corporation plc

RESULTS FOR THE YEAR ENDED 30 APRIL 2018 (FY18)

23 JULY 2018

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**Fighting friction in the global supply chain**



# Welcome

## TO THE FY18 EARNINGS CALL

### hosted by

Richard Hurwitz  
Chief Executive Officer

David Williams  
Chief Financial Officer

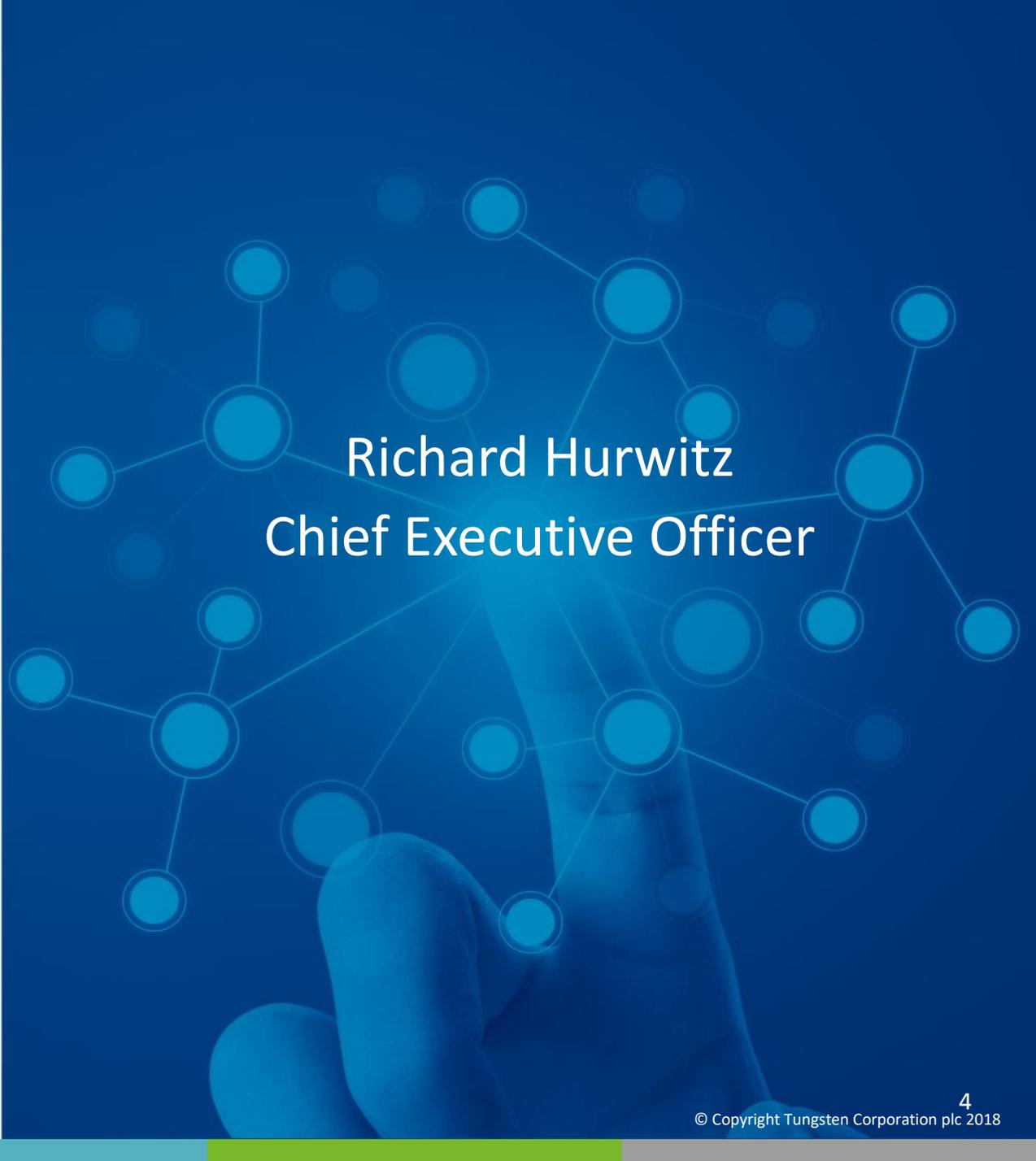
# Important information

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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# Business and strategic delivery update



Richard Hurwitz  
Chief Executive Officer

# Financial highlights

“We have brought Tungsten to an inflection point. We are now a diversified, multi-product business focused on profitable growth.”

Revenue growth of **9%<sup>1</sup>** to **£33.7m**

EBITDA loss reduced by **£7.2m** to **£4.6m**

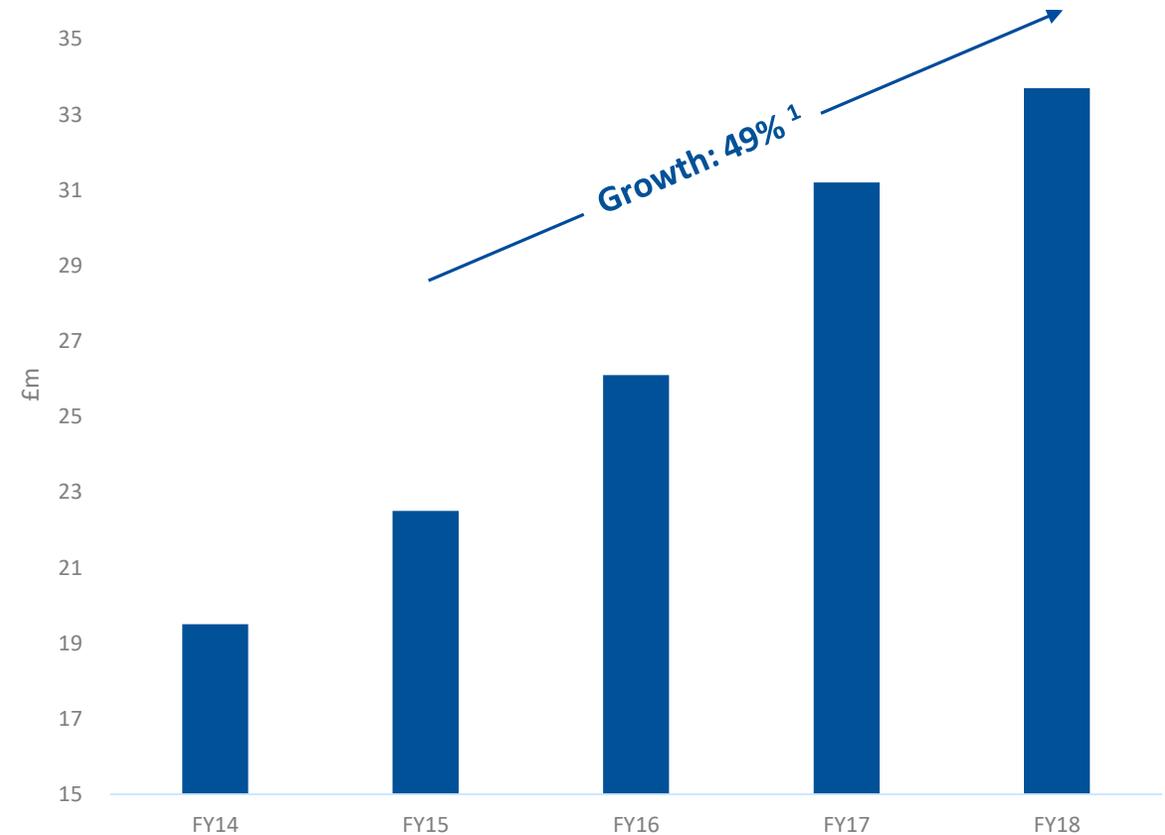
Cash of **£6.4m**

<sup>1</sup> Revenue growth of 9% calculated on a constant currency basis

# Superior growth

- Record annual revenue, longer sales cycles pared constant currency growth to 9%
- 3-year revenue CAGR of 14.4%, well in excess of relevant peers
- Revenue up 49% since current management team took over

## Revenue

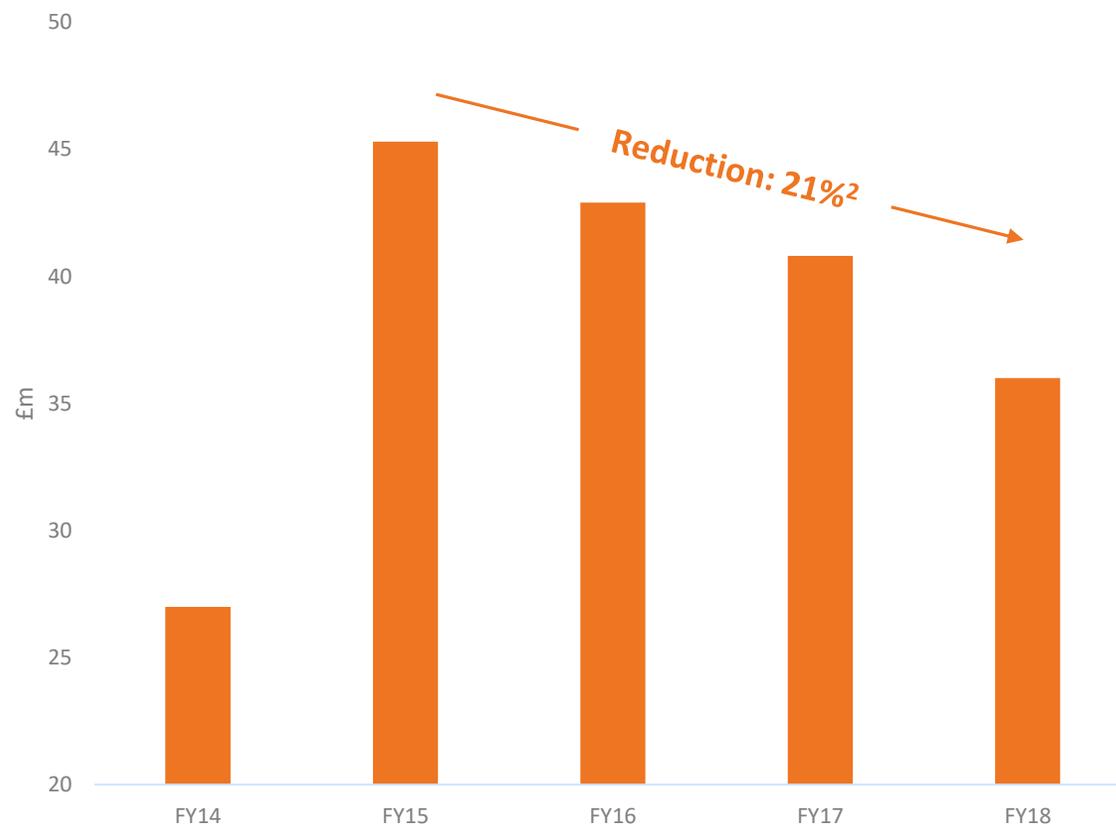


<sup>1</sup> Variance in annual revenue at reported exchange rates between year ended 30 April 2015 and year ended 30 April 2018

# Expense control

- Cost discipline implemented – decoupled from revenue growth
- Increased efficiency alongside growing revenues
- Productivity uplift augurs well for targeted shareholder returns

## Adjusted Operating Expenses<sup>1</sup>



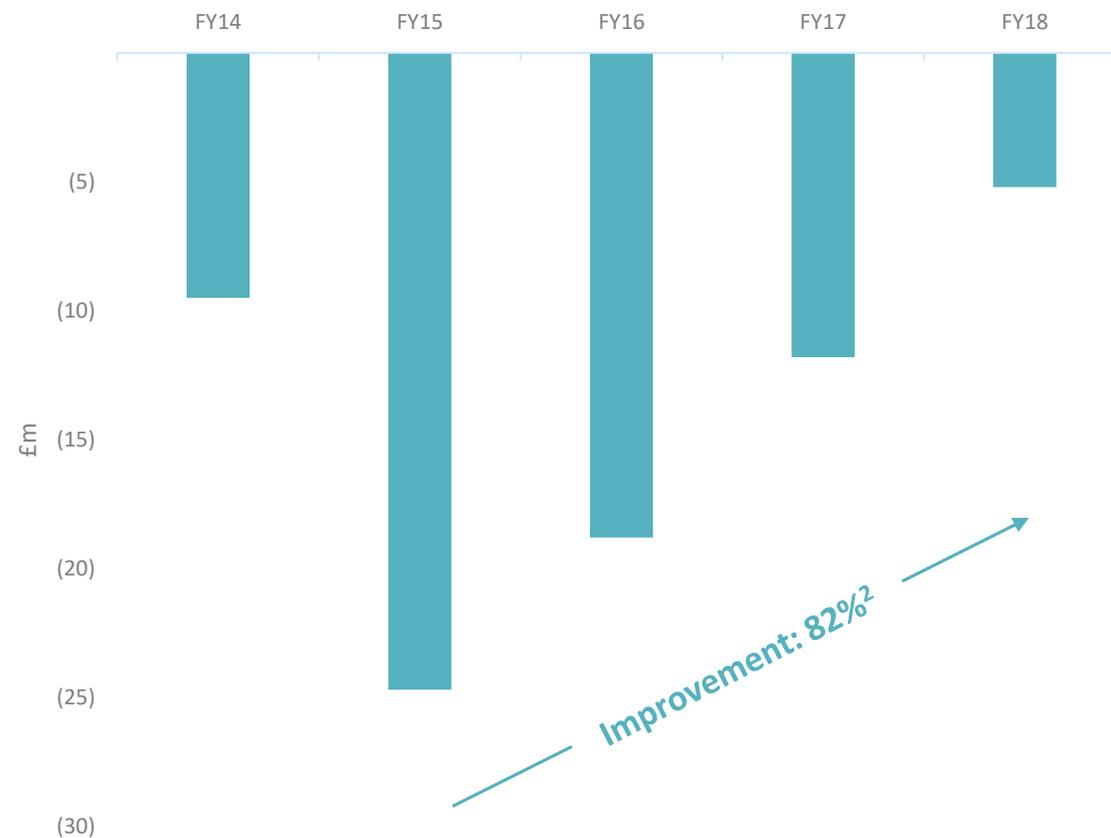
<sup>1</sup> Adjusted operating expenses defined as operating expenses from continuing operations excluding cost of sales and before depreciation and amortisation, foreign exchange gain or loss, share based payment expense and exceptional items

<sup>2</sup> Variance in annual adjusted operating expenses at reported exchange rates between year ended 30 April 2015 and year ended 30 April 2018

# Monthly breakeven

- Further improvement in EBITDA performance, with FY18 loss reduced by £7.2m to £4.6m
- For first time profitable on EBITDA basis over Jan-Apr 2018

## EBITDA<sup>1</sup>



<sup>1</sup> EBITDA is calculated as earnings before other income, interest, tax, depreciation and amortisation, foreign exchange gain or loss, share based payment expense and exceptional items.

<sup>2</sup> Variance in annual EBITDA loss at reported exchange rates between 30 April 2015 and 30 April 2018

# Key performance metrics

Transaction volume growth of **0.6 million** to 17.7 million

Average revenue per invoice increased to **£1.90** (FY17: £1.82)

Adjusted operating expenses down £4.8 million to **£36.0 million** (FY17: £40.8 million)

Tungsten Network Finance average outstandings of **£43.4 million** in Apr 2018 (£14.0 million in Apr 2017)

# Significant progress in **FY18**

## Core **Network**

transition to cloud and state-of-the-art technology completed, making platform more reliable, secure and scalable

## **TNF**

accelerating growth in outstandings reflects major progress on products, partnerships and sales

## **Brand**

recognition and **SQLs** increased

## **8** new AP

customers signed up and 35 contracts renewed at mean rate increase of 38%

## **New products**

developed, including e-billing for AR departments, more than doubling Tungsten's addressable market

## **Committed campaigns**

from key AP customers on Tungsten Network

**ISO 27001**  
renewal &  
**ISAE 3402**

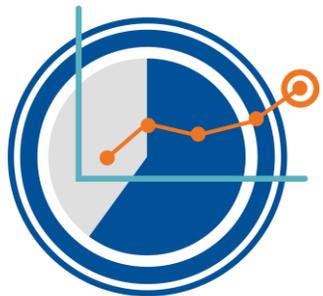
accreditation

# Capability to grow profitably in **FY19**

*“Tungsten can now process more transactions for our customers quicker and cheaper ... these improvements are set to support an acceleration of growth that was not possible 12 months ago”*

**Core Network | Salesforce | Portal**

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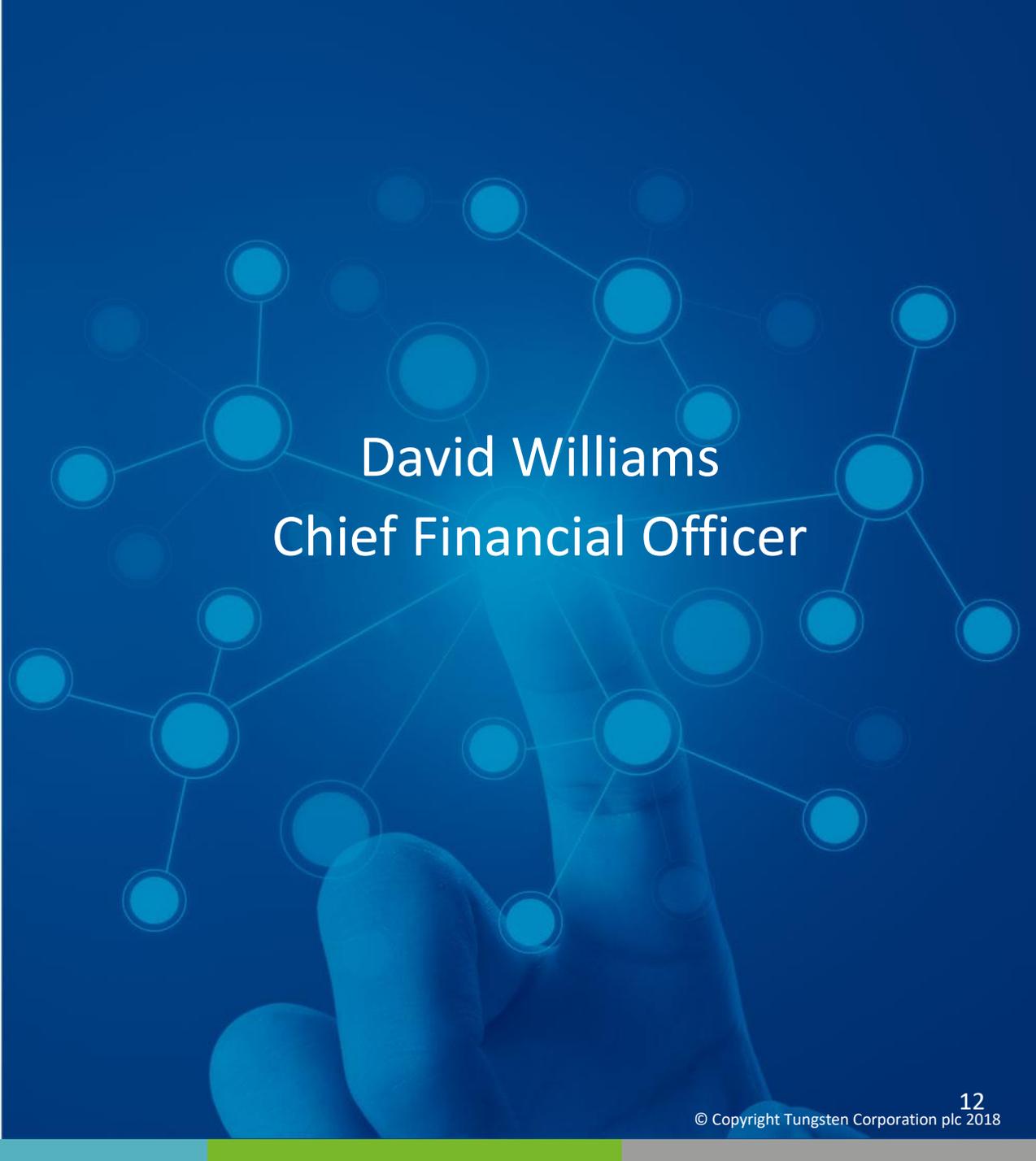


£7.2m technology and  
£2.4m change spend  
in **FY18**

capex savings of £3.5m  
in **FY19**

future annual run-rate savings of £0.9m  
from **FY19**

# Financial update



David Williams  
Chief Financial Officer

# Financial highlights

£'000 (unless stated)	FY18	FY17	Variance
<b>Revenue</b>			
Tungsten Network	33,321	31,117	+7%
Tungsten Network Finance	342	152	+125%
<b>Total revenue</b>	<b>33,663</b>	<b>31,269</b>	<b>+8%</b>
Cost of sales	(2,327)	(2,260)	+3%
Gross profit	31,336	29,009	+8%
<b>Gross margin</b>	<b>93.1%</b>	<b>92.8%</b>	
Adjusted operating expenses <sup>1</sup>	(35,983)	(40,793)	-12%
<b>EBITDA<sup>1</sup></b>	<b>(4,647)</b>	<b>(11,784)</b>	<b>-61%</b>
Depreciation/amortisation	(2,813)	(2,801)	
Exceptional items	(2,429)	-	
Share-based expense	(647)	(405)	
Foreign exchange gain / (loss)	(1,547)	2,342	
<b>Operating loss</b>	<b>(12,083)</b>	<b>(12,648)</b>	<b>-4%</b>
Net finance costs	(604)	(46)	
Taxation	768	433	
Discontinued operations	-	(230)	
<b>Loss for the period</b>	<b>(11,919)</b>	<b>(12,491)</b>	<b>-5%</b>
Basic loss per share	(9.45)p	(9.91)p	

<sup>1</sup> EBITDA excludes other income, interest, tax, depreciation, amortisation, foreign exchange gain or loss, discontinued operations, share-based payments charges and exceptional items.

<sup>2</sup> Adjusted operating expenses excludes cost of sales, other income, interest, tax, depreciation, amortisation, foreign exchange gain or loss, discontinued operations, share-based payments charges and exceptional items.

# Tungsten Network performance

“We have moved Tungsten Network to be EBITDA profitable”

	FY17	FY18
Revenue (£m)	31.1	33.3
EBITDA (£m)	(4.3)	2.3
AP customers (#)	183	187
AR customers (#)	251,000	300,000
Transactions (#m LTM)	17.1	17.7

“Tungsten Network Finance has supplied over £300m of liquidity since early 2017”

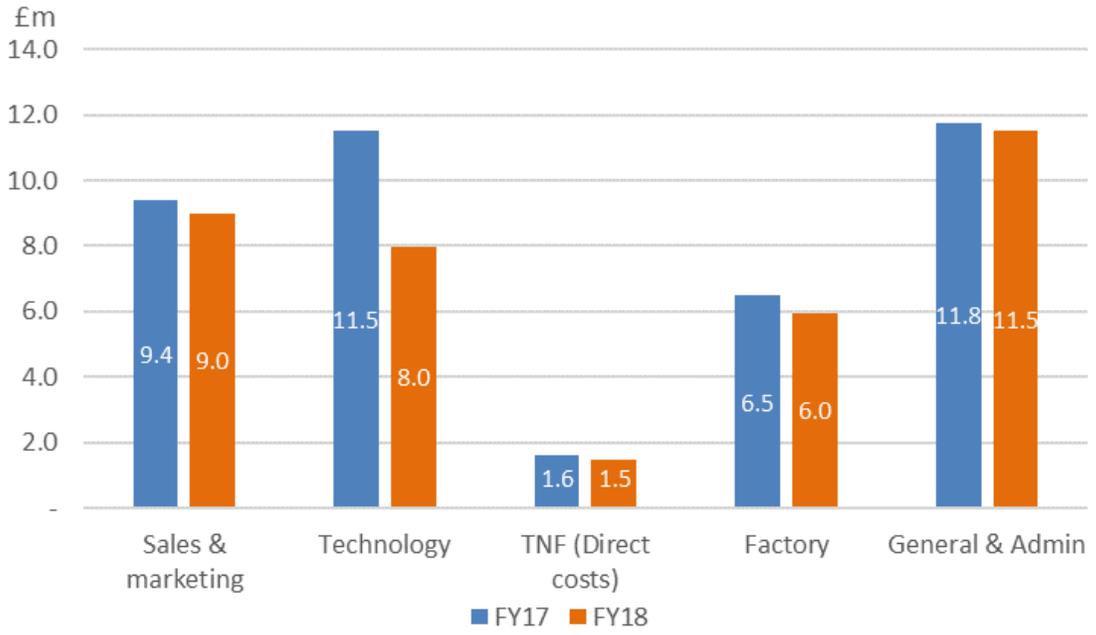
## Tungsten Network Finance performance

	FY17	FY18
Revenue (£m)	0.15	0.35
EBITDA (£m)	(1.7)	(1.3)
TNF customers (#)	61	129
Outstandings (£m)	14.1	43.4

# Tungsten Group adjusted operating expenses

£m	FY17	FY18
Tungsten Network	33.1	28.7
Tungsten Network Finance	1.8	1.6
Corporate	5.9	5.7

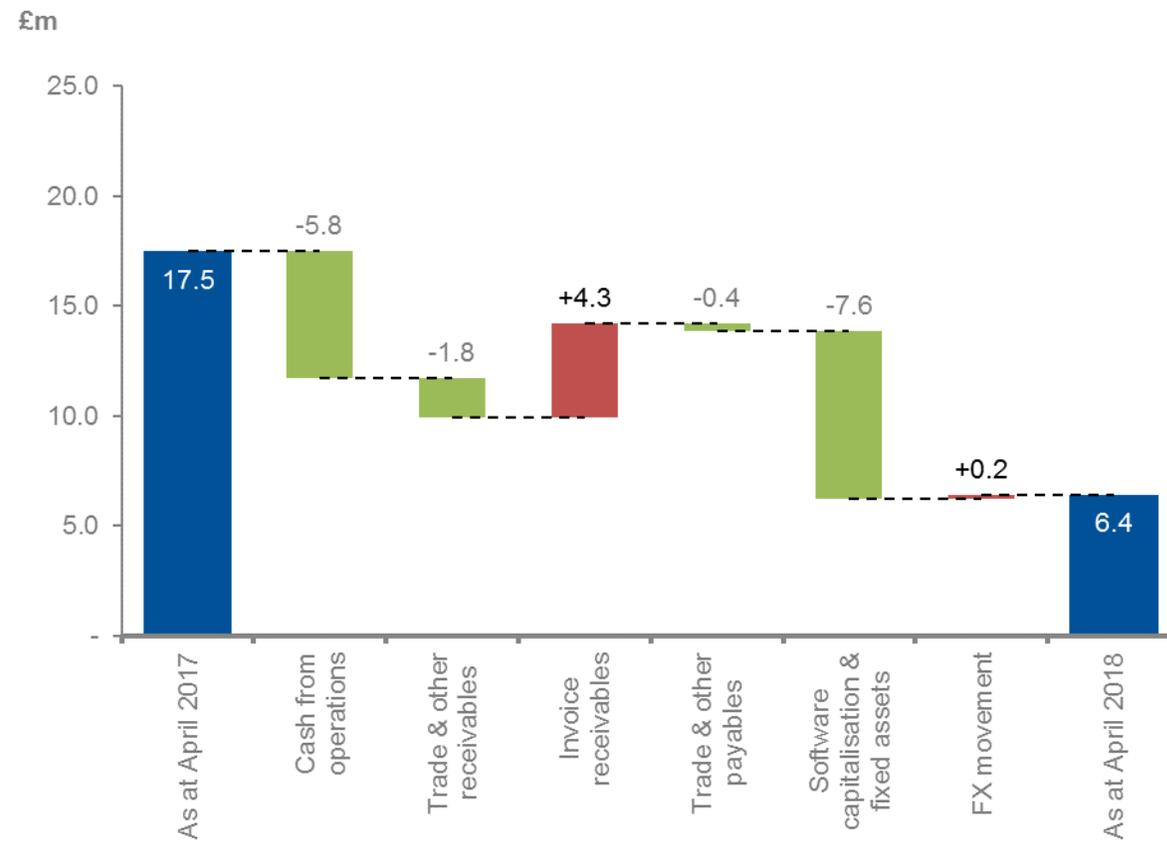
**Tungsten Group** 40.8 36.0



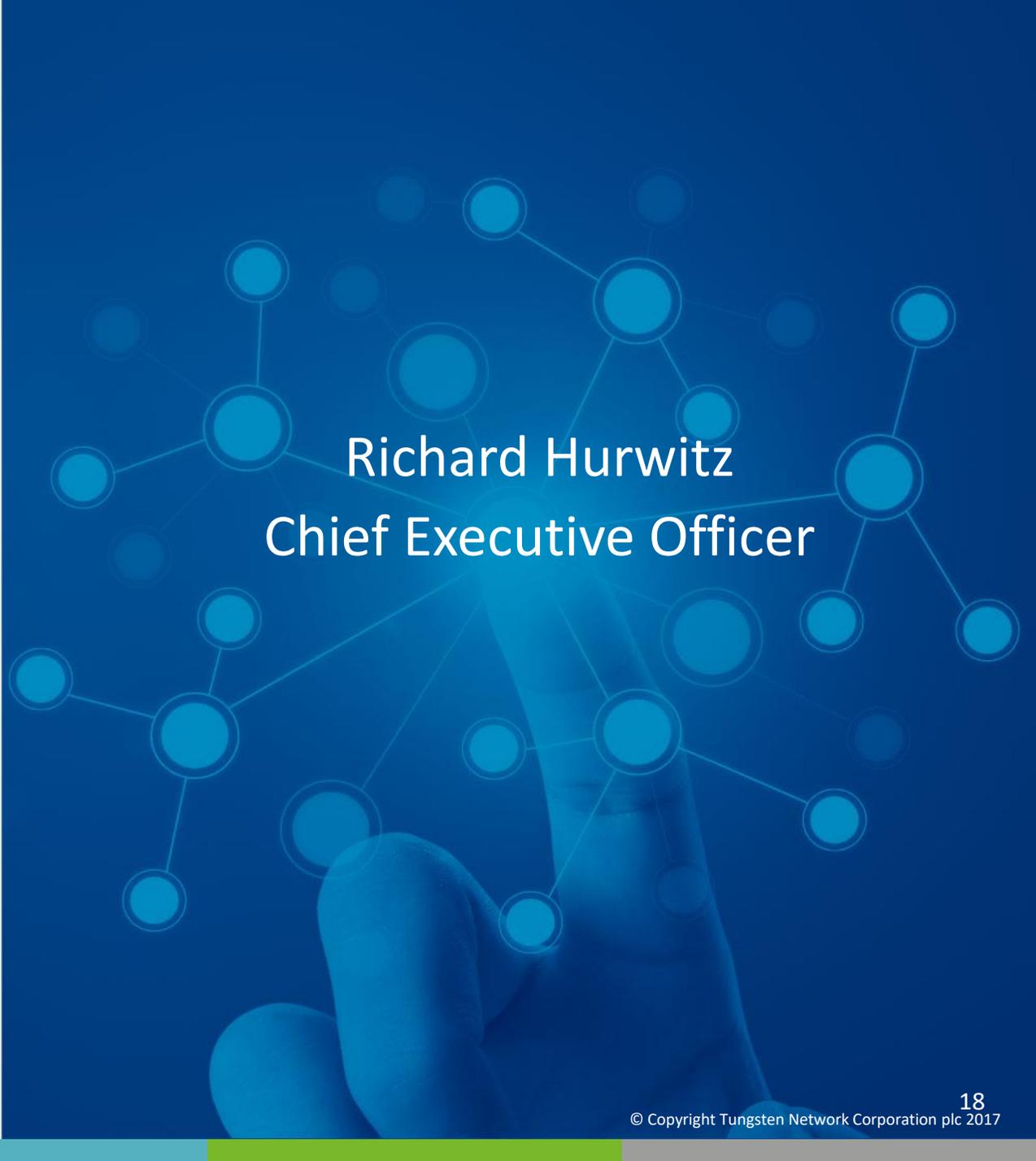
We have continued the reduction and reshape of our cost base

# Group liquidity

## Cash flow



# FY19 value drivers and outlook



Richard Hurwitz  
Chief Executive Officer

# Value drivers in **FY19**

Reduction in capital spending

Turned profitable and, with high operating leverage, incremental new revenue will fall to the bottom line

Customer value creation supports on- and off-  
Network cross-sell and upsell

Attractive recurring revenue and high customer retention rates

# Accelerated profitable growth in **FY19**

Completion of operational transformation and progress in growth initiatives gives the Board optimism about **Tungsten's outlook**

In FY19 the Board expects:

- Revenue of at least £37.5 million on a constant currency basis, weighted to the second half of the year
- Stable gross margin and adjusted operating expenses resulting in EBITDA profit for the full year, with phasing reflecting the evolution of revenue growth



# Questions & Answers

**Thank you**