

Tungsten Corporation plc

RESULTS FOR THE SIX MONTHS ENDED 31 OCTOBER 2018 (H1-FY19)

13 DECEMBER 2018

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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

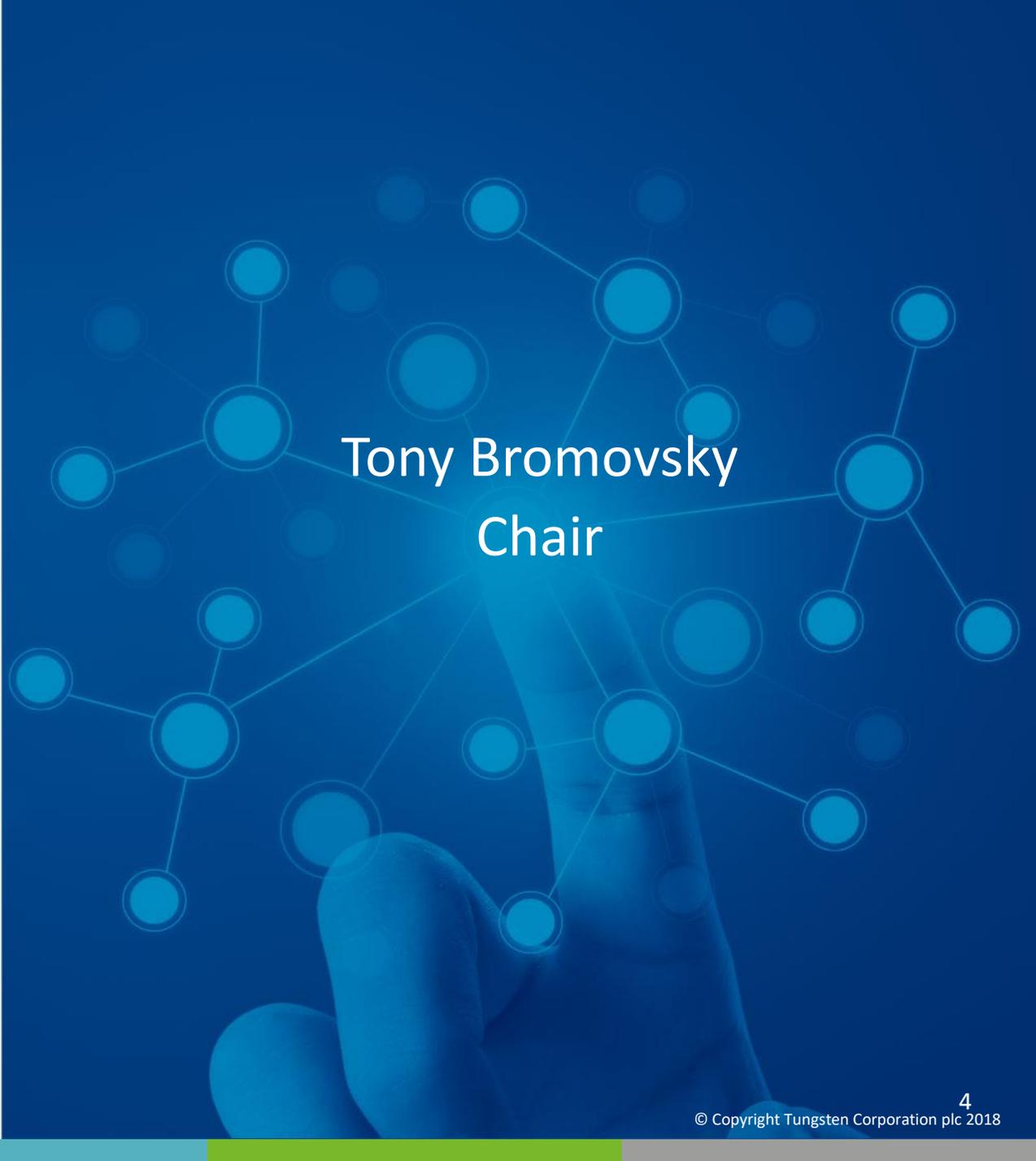
Important information

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

A network diagram on a dark blue background. It features a central node with the text "Tony Bromovsky Chair" in white. This central node is connected to several other nodes, which are further connected to more nodes, creating a web-like structure. In the foreground, a hand is shown in a light blue color, with the index finger pointing towards the central node. The overall aesthetic is professional and tech-oriented.

Tony Bromovsky
Chair

a **NEW BOARD**

is leading a **refreshed focus** to support revenue growth and to enhance corporate governance

New Board members:

- Tony Bromovsky, Duncan Goldie-Morrison, Andrew Doman

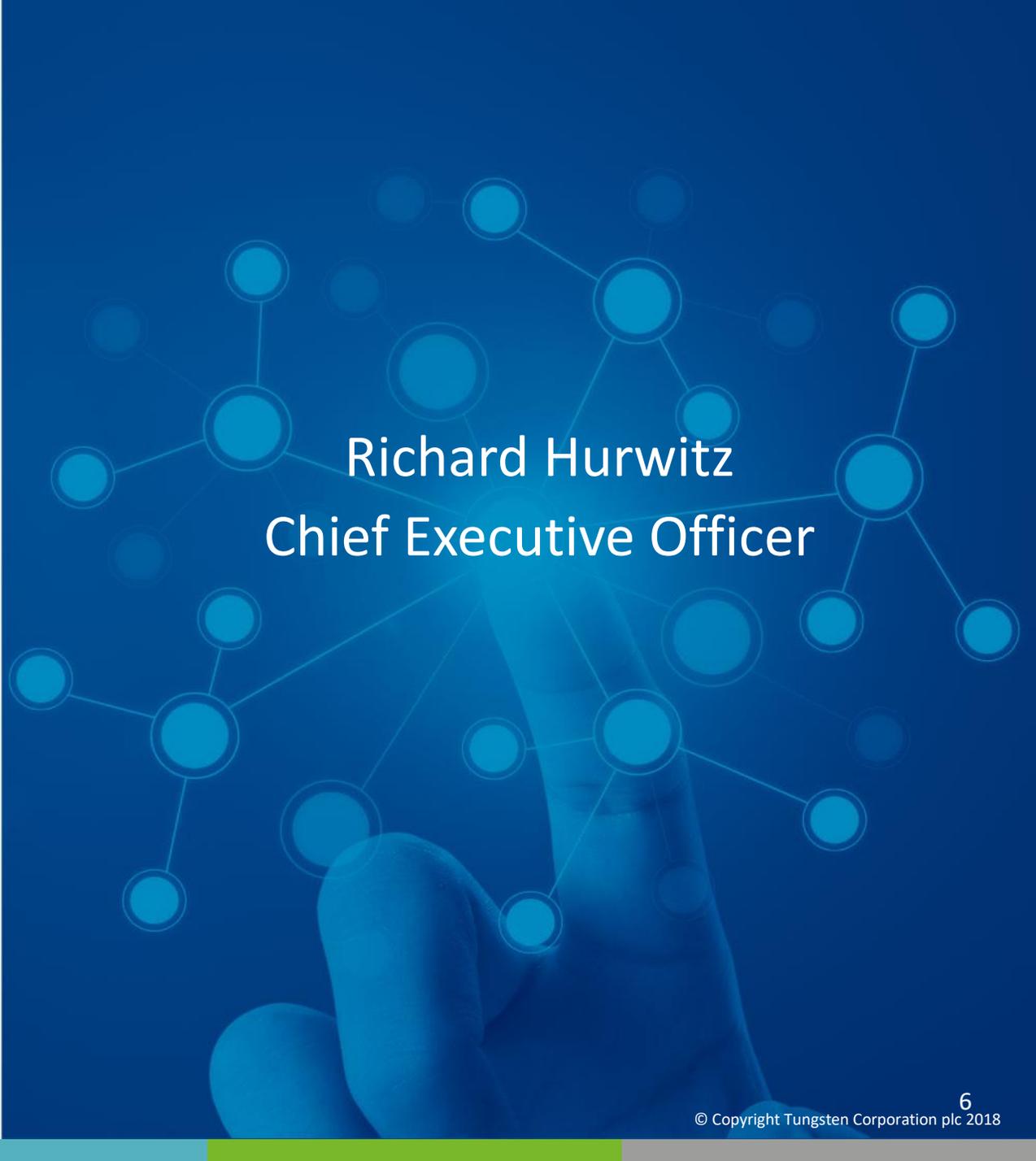
Remuneration review:

- 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

Business update



Richard Hurwitz
Chief Executive Officer



the business **achieved a**
number of
CUSTOMER SUCCESSES
in the first six months of the
financial year

- **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

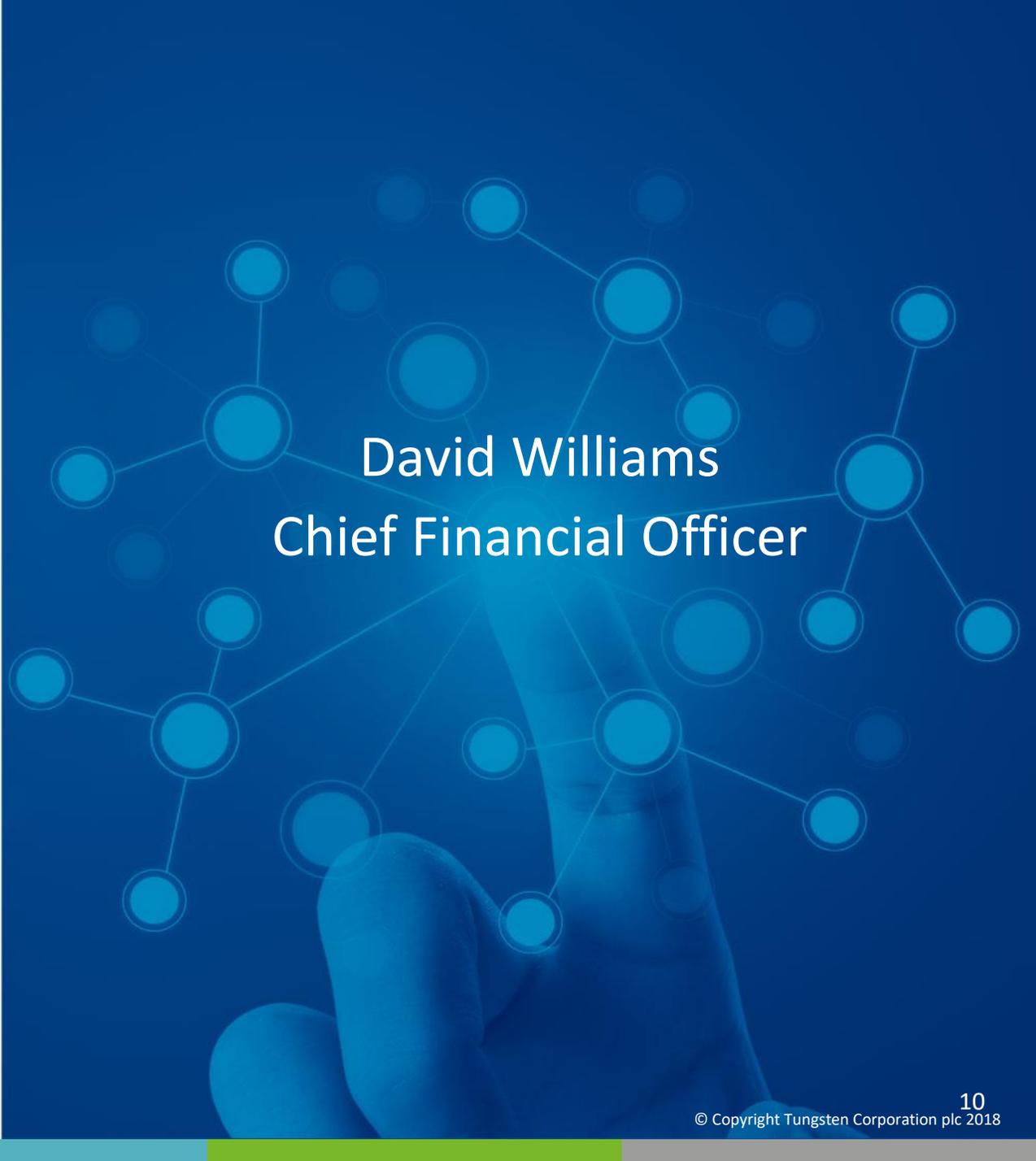
NEW PRODUCT ROLLOUT

- 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



David Williams
Chief Financial Officer

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

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

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%

	£m H1-FY18	£m H2-FY18	£m H1-FY19	Variance to H1- FY18	Variance to H2- FY18
Recurring revenue	15.3	15.1	16.1	5%	6%
One-off revenue	1.7	1.5	1.5	(13%)	2%
Total revenue	17.1	16.6	17.6	3%	6%
<i>Recurring %</i>	90%	91%	91%		

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 2017)

	Tungsten Network	Tungsten Network Finance	Corporate	Group
Revenue H1-FY19	£17.2m	£0.4m	-	£17.6m
Revenue H1-FY18	£16.9m	£0.2m	-	£17.1m
<i>Variance</i>	1.9%	119.0%	-	3.0%
EBITDA H1-FY19	£3.5m	£(1.2)m	£(3.1)m	£(0.8)m
EBITDA H1-FY18	£(0.9)m	£(0.9)m	£(3.1)m	£(5.0)m
<i>Variance</i>	(499.8)%	28.3%	1.1%	(84.8)%

Segmental performance

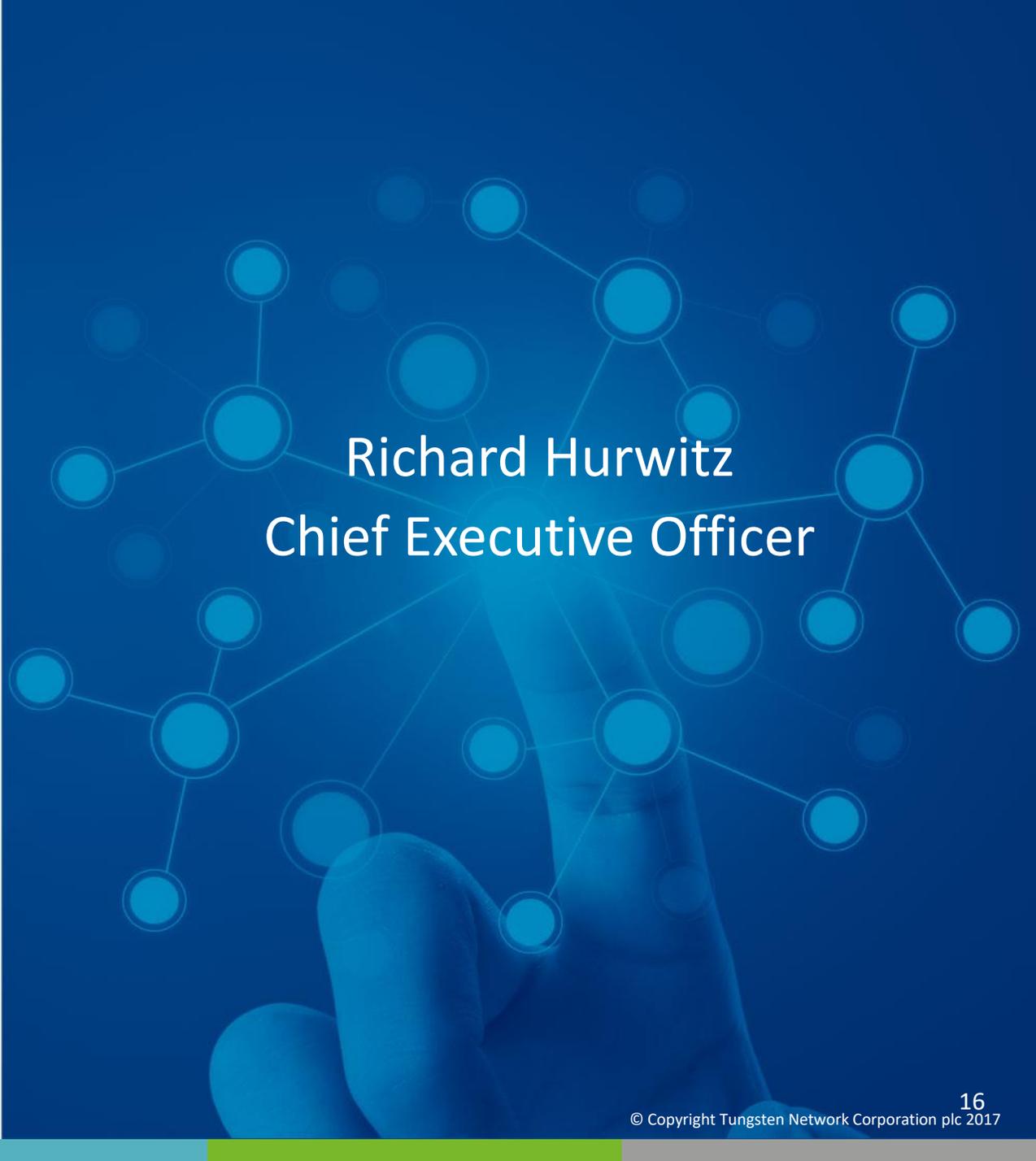
Our cash outflow of £4.5m included £3.0m of NON RECURRING items

Cash and undrawn bank facilities of £6.0m is

sufficient to deliver current plans

Cash Flow	H1-FY19
Cash flows from operating activities	£(2.5)m
Cash flows from investing activities	£(2.0)m
Cash flows from financing activities	-
Net decrease in cash & cash equivalents	£(4.5)m
Exchange adjustments	£0.1m
Cash and cash equivalents at the start of the period	£6.4m
Cash and cash equivalents at the end of the period	£2.0m
Total available liquidity	£6.0m

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