

For personal use only



FY20 Results

28 August 2020



Legal Disclaimer

This presentation provides additional detail on the Annual Report of Envirosuite Ltd and its subsidiaries (the Group) for the 12 months ended 30 June 2020. Therefore, it should be read in conjunction with the detailed information provided in those documents.

The material in this presentation is general background information and is current at the date of the presentation. The information is given in summary form and does not purport to be complete.

Information in this presentation is not intended to be relied upon as advice to investors or potential investors and does not take into account the investment objectives, financial situation or needs of any particular investor. Investors should consider the appropriateness of the information having regard to these matters, any relevant offer document and seek independent financial advice before making any investment decision. No representation is made as to the accuracy, completeness or reliability of the presentation.

Certain statements in this presentation constitute forward looking statements. Such forward looking statements involve both known and unknown risks, assumptions, uncertainties and other factors, many of which are beyond the control of the Company and which may cause actual results, performance or achievements to differ materially from those expressed or implied by such statements. There are a number of other important factors that could cause actual results to differ materially from those projected in such statements, including (without limitation) the risks and uncertainties

associated with the ongoing impacts of COVID-19, the Australian and global economic climate and market conditions. Further information is contained in the Group's Annual Financial Report for the 2020 financial year, which is available at www.envirosuite.com. Actual results may vary, with materially positive or negative impacts. Investors are cautioned not to place undue reliance on these forward-looking statements. Past performance is not indicative of future performance and no guarantee of future returns is implied or given.

While all reasonable care has been taken in relation to the preparation of this presentation, none of the Group, or their directors, officers, employees or advisors accepts responsibility for any loss or damage resulting from the use of or reliance on this presentation by any person.

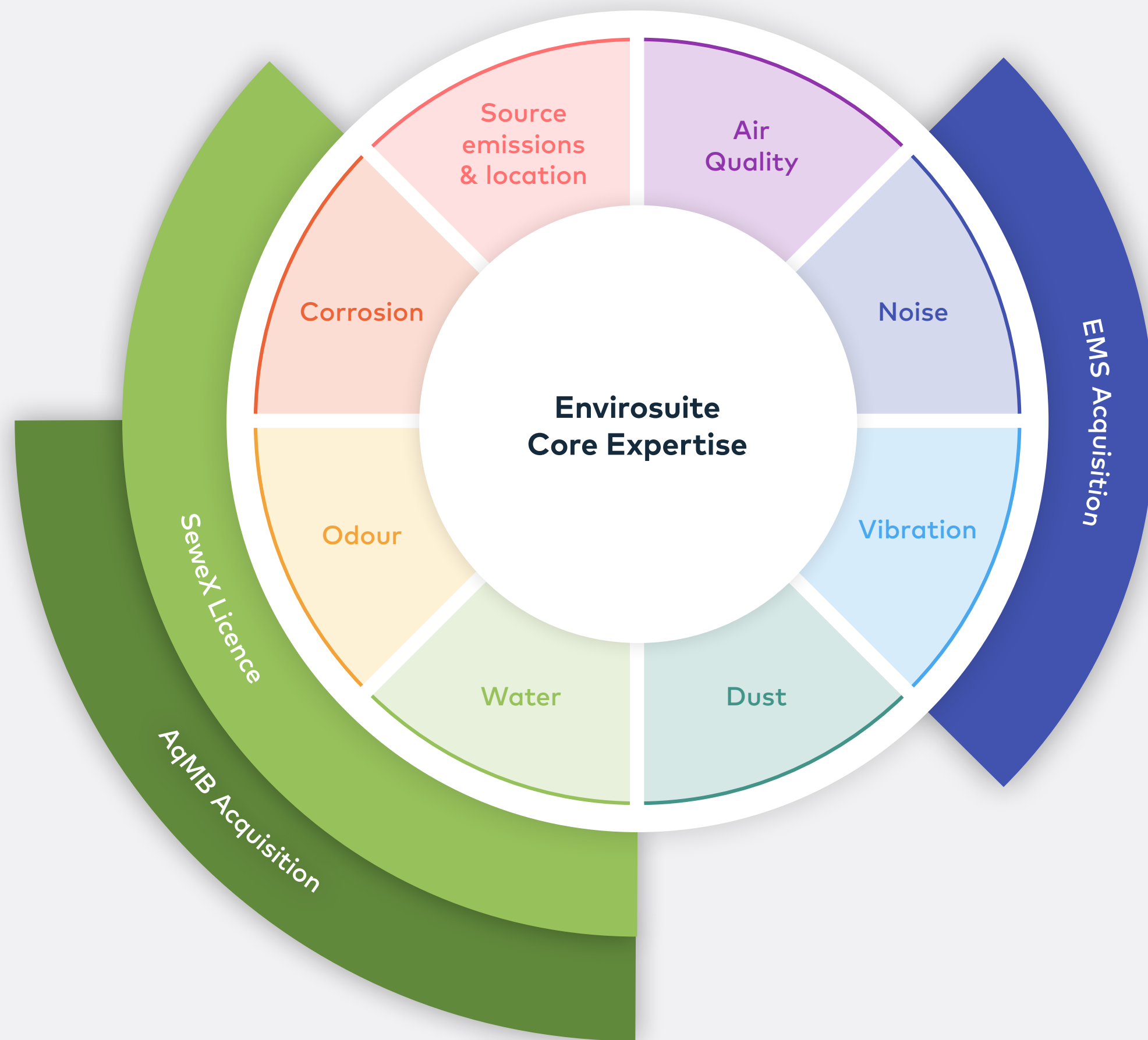
Some of the information in this presentation is based on unaudited financial data which may be subject to change.

This presentation is not a prospectus, disclosure document or investment statement, nor an offer of shares for subscription, or sale, or the solicitation of an offer to buy, in any jurisdiction.

Any opinions expressed reflect the Group's position at the date of this presentation and are subject to change.

All amounts are in Australian dollars unless otherwise stated.

FY20 - a transformational year



FY20 has firmly set the foundation for the company's future growth

- ✓ Acquisition of EMS Brüel & Kjær
- ✓ Launch into China market with strategic partner
- ✓ Licensing of SeweX technology
- ✓ Acquisition of AqMB water processing technology
- ✓ Building out of the Executive team

What is Environmental Intelligence?

Harnessing the power of

 Big Data

 Artificial Intelligence

 Analytics

to produce actionable insights that enable...

 Companies

 Governments

 Communities

to make fast confident decisions that optimise operational and environmental outcomes



Industry view on Environmental Intelligence

FROST & SULLIVAN

According to an upcoming Frost & Sullivan report, surveying over 250 senior executives globally:

- > **34%** of survey respondents indicated that they were familiar with the concept of 'environmental intelligence' and were currently applying it within their organisations.
- > In addition, **44%** suggested that they were planning to implement environmental intelligence approaches in the next two years.



COVID-19 impact on airports

> Airports still need to monitor noise to comply with their regulatory licence

> Since COVID-19 minimal effect on EVS recurring revenue

> Several airport projects have been delayed (non-recurring revenue)

> EVS expects demand for noise monitoring to increase post-COVID due to increase in noise complaints from community

> EVS has launched a new product in FY20 to help airports manage the increased complaint levels

FY20 Highlights – Strong top line trends



Accelerated entry into China market

Entered agreements with ZZL Pty Ltd and Beijing BHZQ with \$5m of new deals already announced and \$3m of revenue in FY20



Established platform to leverage for growth

Completed acquisition of EMS in February 2020, adding noise and vibration monitoring to its portfolio and obtaining an established platform to leverage for growth



Global market leader

Envirosuite is a global leader in environmental intelligence providing environmental technology solutions to the world's leading industry operators in airports, cities, mining, construction and waste & wastewater



Growing recurring revenue base

Trading revenue up 228% as a result of EMS acquisition as well as organic growth from underlying business
75% of revenues in FY20 were recurring



Positive EBITDA by March 2021

Announced \$11m of costs to be removed from the business through removal of duplicate roles and operating synergies post EMS acquisition



Well capitalised

Cash and cash equivalents of \$24m as at 30 June 2020

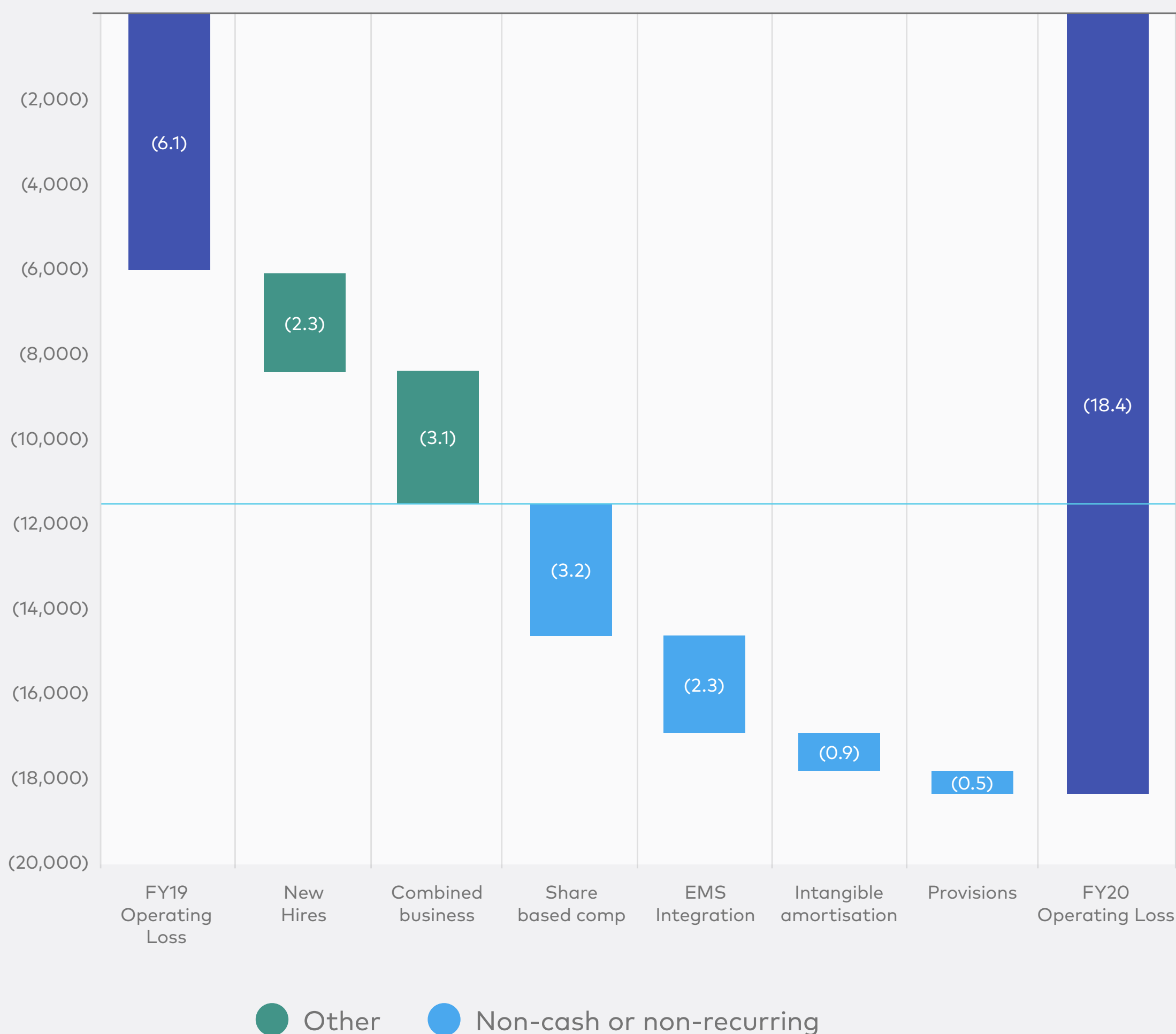
FY20 Financial performance

\$24m of revenue of which 75% is recurring

- > Gross margin of 31% lower than prior year due to initial entry into China market
- > Operating loss driven by:
 - Initial establishment of China operations
 - Increased investment in people and technology in H1 FY20
 - Share based payments of \$3.2m
 - Transaction and integration costs associated with EMS business of \$2.3m
 - Duplicate cost base from EMS for portion of year
- > \$8m of costs to be removed from the business in relation to duplicate and redundant roles with additional \$3m identified from operational synergies

A\$000	FY20	FY19	Movement
Total revenue	23,857	7,701	16,156
<i>Recurring as % of Total</i>	75.1%	47.3%	27.8%
Cost of revenue	(16,463)	(4,996)	(11,467)
Gross margin	7,394	2,705	4,689
<i>Gross margin %</i>	31.0%	35.1%	-4.9%
Operating expenses	(25,616)	(8,869)	(16,747)
FX gains/(losses)	(155)	101	(256)
Operating loss	(18,377)	(6,063)	(12,314)
Add back: Depreciation and amortisation	3,241	1,240	2,001
EBITDA	(15,136)	(4,823)	(10,313)
Less: AASB 16 Depreciation & interest	(656)	-	(656)
Less: R&D costs capitalised	(1,873)	(1,385)	(488)
Add back: Share-based payments	3,154	13	3,141
Add back: Foreign currency losses/(gains)	155	(101)	256
Add back: Transaction and integration costs	2,263	-	2,263
Adjusted EBITDA	(12,093)	(6,296)	(5,797)

Operating results - FY20 vs FY19



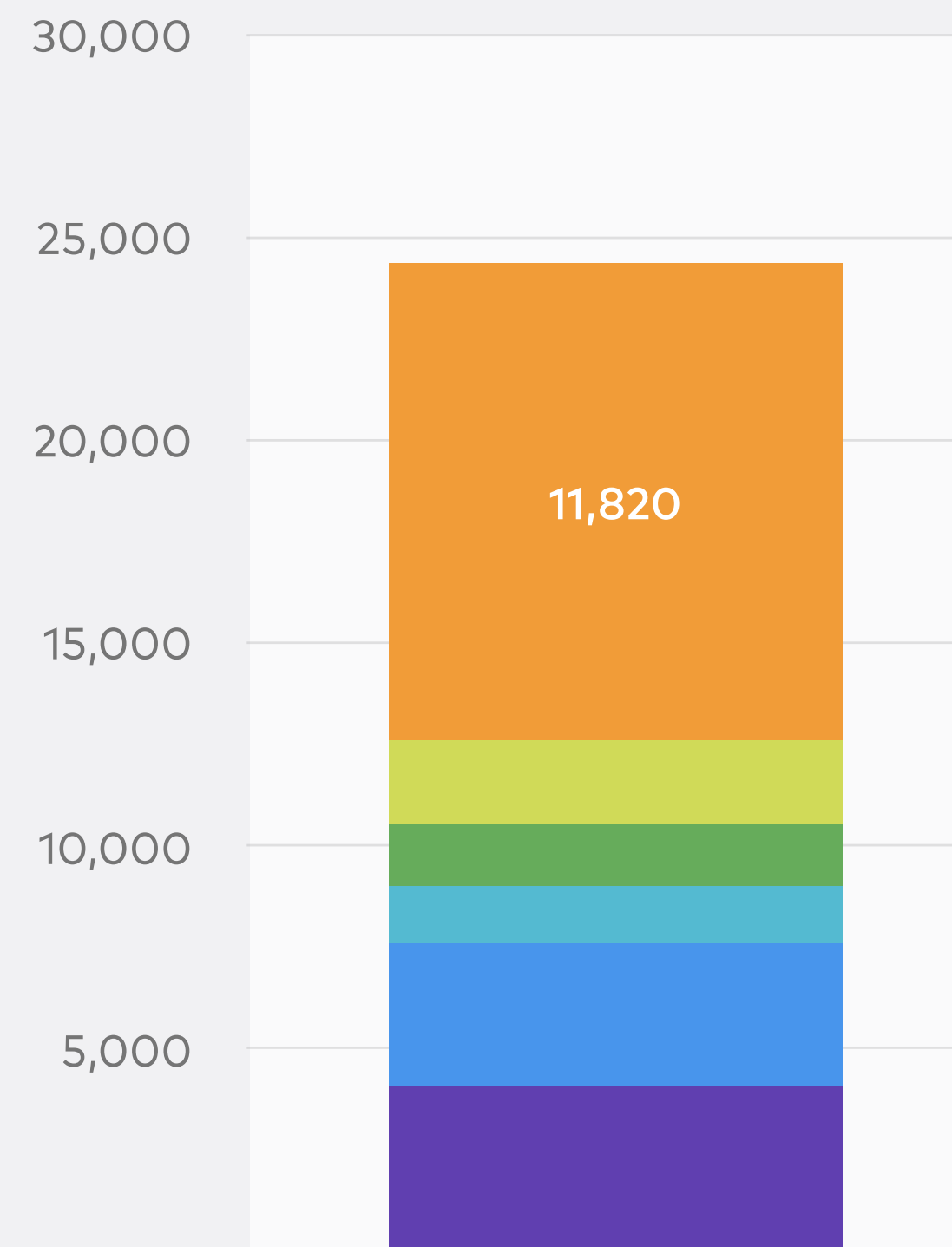
Key Drivers

- › **New Hires:** in FY20, EVS hired various senior executives to enable the Company to pursue growth globally including China.
- › **Combined business:** increased cost base post-merger which includes duplicate personnel, IT, professional fees, and other costs prior to cost-out initiatives.
- › **Share based compensation:** in FY20, the Group recognized a P&L expense of \$3.2m for non-cash options and performance rights issued to Directors and certain executives.
- › **EMS integration:** the Group incurred transaction costs in connection with the acquisition as well as external costs connected with the integration and termination benefits.
- › **Intangible amortisation:** 4 months of amortisation of intangibles recognised as part of EMS acquisition
- › **Provisions:** additional provisions including increasing receivable provisioning reflecting considerations of potential COVID-19 economic impact

Well funded and capitalised

\$24.4m of cash and cash equivalents

- > \$4.2m remaining settlement for EMS (normal working capital adjustments)
- > \$3.5m of pay-outs for redundant roles (includes redundancy pay, annual leave and long service leave payments all provisioned at 30 June)
- > \$2.0m reserved for cash backed guarantees (assume no banking facilities established)
- > \$1.6m for working capital requirements
- > \$1.3m for AqMB acquisition
- > **\$11.8m residual available to fund operations**



Cash and cash equivalents

- Cash available for operations
- Reserve for cash backed guarantees
- Working capital requirements
- AqMB settlement
- Redundancy payments
- EMS settlement

Driving operational efficiencies to scale

\$11m of costs to be taken out of combined business

People:

- › Removed redundant and duplicate roles (including in Corporate)

Procurement:

- › Remove duplicate spend on technology platform and professional fees; challenge of vendor arrangements and driving category management of major spend buckets

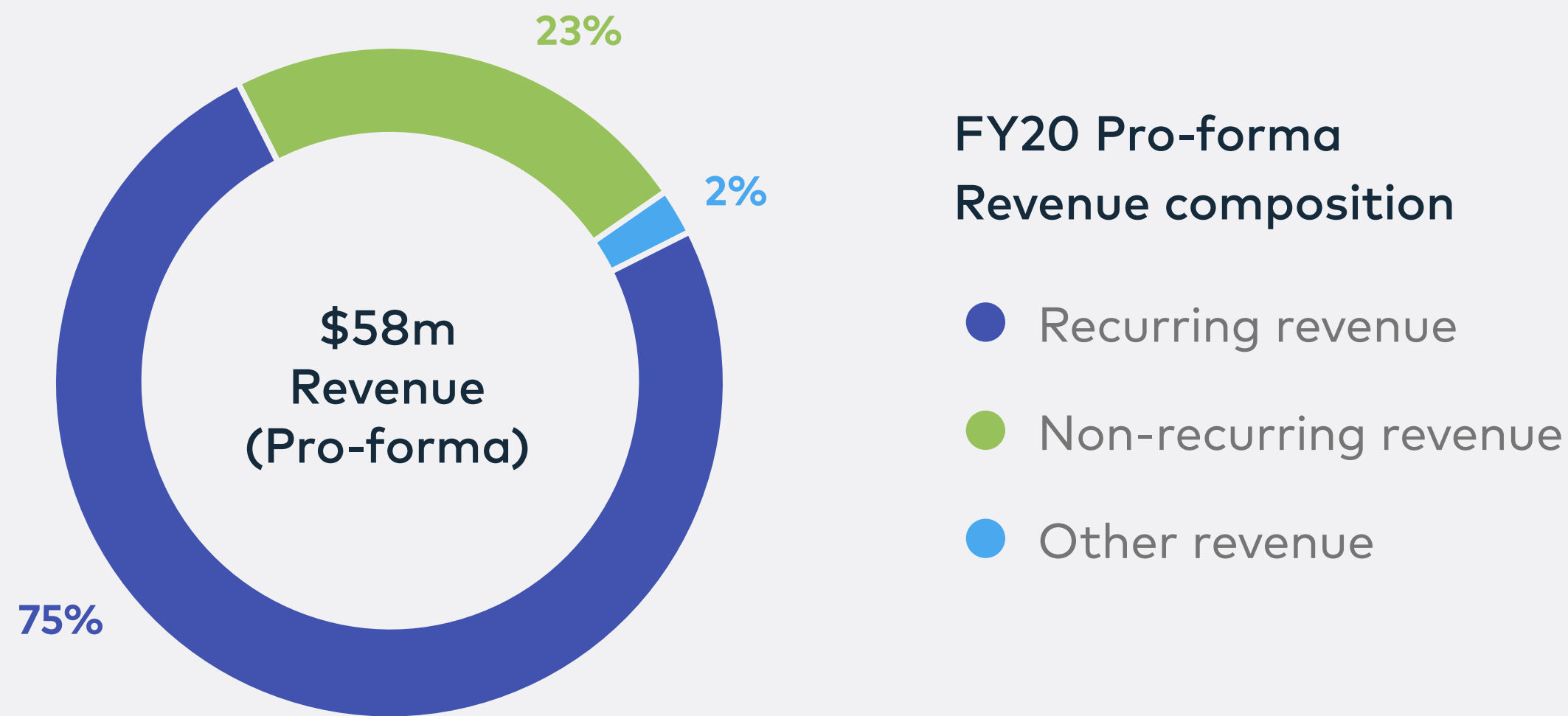
Office space:

- › Reassessing office needs given shifts in WFH likely to continue

Capital allocation:

- › Planning our investment decisions in line with strategic priorities around product development and increased automation

Strong fundamentals to scale a SaaS driven business



	Airports	Non-Airports	Combined
ARPS**	\$205,872	61,420	123,155
Churn %	1.5%	3.8%	2.1%
Contribution margin***	84.0%	77.6%	82.2%

** Average Revenue per Site

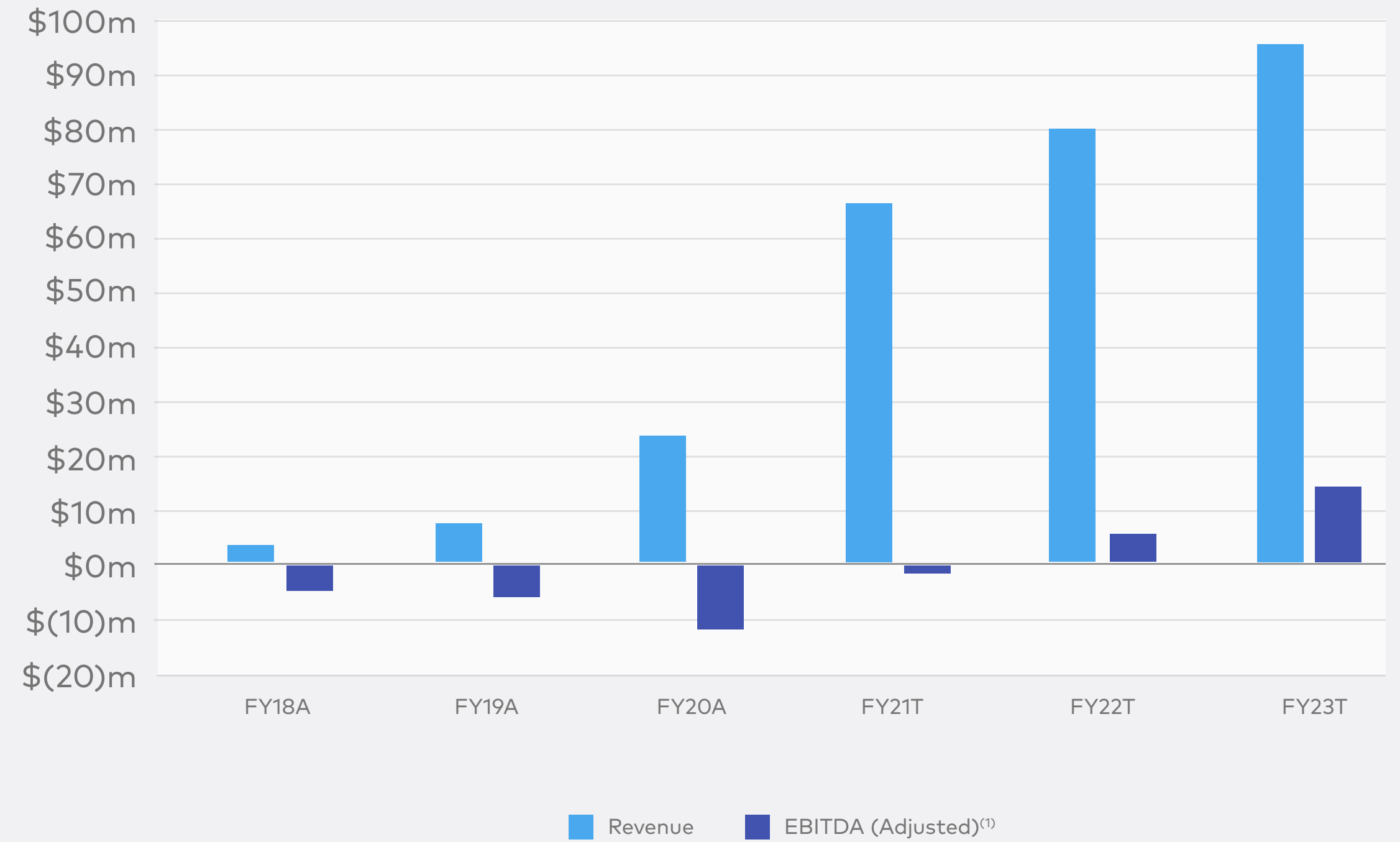
***Contribution margin is recurring revenue less direct cost to sell which include variable external costs incurred that are directly attributable to the revenue generated.

*The Serviceable Addressable Market (SAM) has been defined through Company research. The sizing has been calculated based on number of serviceable sites, multiplied by average deal size within the applicable sector.

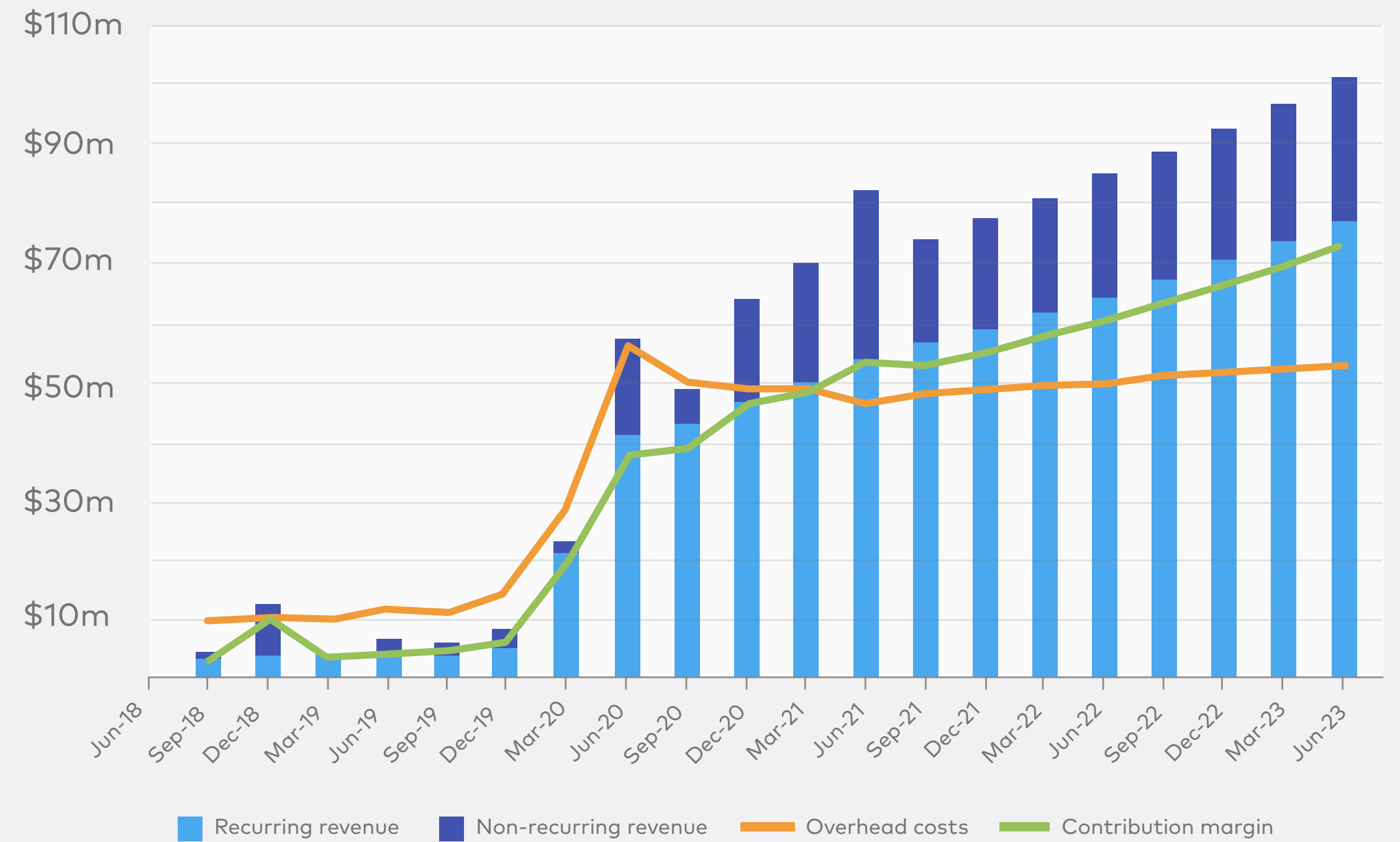
Target of \$100m of revenue by June 2023 is just the beginning

\$2.3bn market with Envirosuite increasing the ability to go deeper with existing and potential customers as a result of recent acquisitions and technology roadmap to move from compliance to value-driven ROI

Target Revenue and EBITDA (Adjusted)⁽¹⁾



Annualised Revenue vs Operating Cost



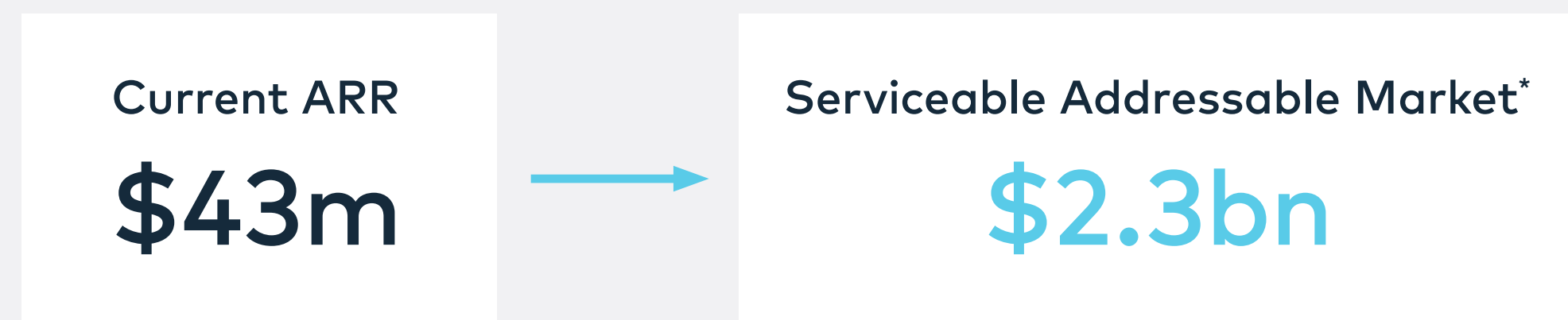
⁽¹⁾EBITDA (Adjusted) is calculated as statutory operating profit/(loss) after adding back interest, taxes, depreciation and amortisation (EBITDA) and adjusted to deduct depreciation and interest related to AASB 16 leases, and add back FX gains and losses, share-based payments, and transaction and integration costs connected with acquisitions.

Contribution margin is revenue less direct cost to sell which include variable external costs incurred that are directly attributable to the revenue generated.

Operational costs represent all operating expenses and cost to sell which are not direct costs, including salaries and wages for personnel that support customers and excludes the impact of capitalising R&D costs.

Large and growing addressable markets with massive opportunities

Additions in SeweX and AqMB deepen our penetration and ARR potential into these markets



*The Serviceable Addressable Market (SAM) has been defined through Company research. The sizing has been calculated based on number of serviceable sites, multiplied by average deal size within the applicable sector.



Strategy roadmap

Why we exist

We harness the power of environmental intelligence, so industries grow sustainably, and communities thrive.

We are driven to create world-leading technology solutions that produce actionable insights from environmental data so our customers can realise their full potential.

Strategy & Timeframe

Transform

Today

- › Optimise operating model to increase focus on scalable, higher margin solutions
- › Cement our market leadership in the emerging EI market
- › Simplify our technology stack for future growth and innovation

Scale

Years 1,2

- › Drive our product portfolio deeper into customer operations
- › Increase our sales velocity
- › Drive continued operational excellence

Expand

Year 3 onwards

- › Expand corporate partnerships and M&A opportunities
- › Increase addressable market through new products

Enablers

Innovation

Operational excellence

People and Culture

Marketing & Sales digitalisation

Sensor differentiation

Corporate partnerships

Summary



Global Leadership

- > Across Air, Noise, Water, Vibration
- > Fragmented competitor base



Market

- > \$2.3 billion identified SAM and growing
- > Global tailwinds in Environmental Intelligence



Solution as a Service

- > High % of revenues recurring (75%)
- > Low churn rate (<2.5%)



Resilient Recurring Revenue

- > Even during COVID-19 airports still need EVS solution
- > Launch new solution to address expected increase demands post-COVID



Strong Financials

- > EBITDA positive by Mar 21
- > Targetting \$100m revenue by June 23
- > Well capitalised



Technology Platform

- > Investments into noise and vibration solution portfolio
- > Additions of Smart Water - SeweX and AqMB

*"Our relationship with Envirosuite has grown over time to the point where the platform is now an **integrated part of our operations**. We use Envirosuite across our business to support world's best practices in our mining and port operations enabling continued improvement in terms of our environmental, community and financial outcomes. I would recommend to my peers in other mining operations globally to consider adopting the platform to enable the improvement of critical controls and performance metrics."*

Jon Evans, COO of Cerrejón
Mining



Cerrejón is one of the largest open-pit mining operations in the world with a consortium comprising BHP Billiton, Anglo American and Glencore.

Appendix

Balance sheet

in A\$000	30 Jun 20	30 Jun 19	Movement
ASSETS			
Cash and cash equivalents	24,385	7,564	16,821
Trade and other receivables	10,730	1,501	9,229
Inventories	3,102	328	2,774
Other current assets	1,195	172	1,023
Total current assets	39,412	9,565	29,847
Property, plant and equipment ⁽¹⁾	7,047	277	6,770
Intangible assets	108,939	5,555	103,384
Deferred tax assets	1,250	453	797
Other non-current assets	422	-	422
TOTAL ASSETS	157,070	15,850	141,220
LIABILITIES			
Trade and other payables	13,010	1,201	11,809
Revenue in advance	3,230	1,483	1,747
Provisions	6,203	625	5,578
Lease liabilities and other borrowings	1,348	42	1,306
Total current liabilities	23,791	3,351	20,440
Provisions	230	63	167
Lease liabilities and other borrowings	3,059	107	2,952
Deferred tax liabilities	4,005	-	4,005
TOTAL LIABILITIES	31,085	3,521	27,564
NET ASSETS	125,985	12,329	113,656

\$98m of gross proceeds from equity raised in FY20 of which \$70m used to acquire EMS and excess cash retained to fund operations⁽²⁾

- Cash and cash equivalents increased by \$16.8m connected with the additional equity raised in February 2020. Of this amount, \$4.2m has been subsequently used to settle completion payments in connection with EMS acquisition.
- Property plant and equipment increased by \$6.8m which includes the adoption of IFRS 16 Leases which resulted in \$3.7m of building leases and data centers being capitalised on the balance sheet (offset by borrowings recognized in liabilities).
- Intangibles increased by \$101.3m which reflects the recognition of goodwill of \$88.9m and other intangibles of \$14.0m connected with the EMS acquisition.
- Provisions increased by \$5.6m of which \$1.4m was provision for termination benefits and \$3.6m represented accrued employee long service and annual leave entitlements connected with the EMS business.
- Borrowings increased by \$4.3m as a result of the adoption of IFRS 16 Leases as noted above.
- Deferred Tax Liabilities increased by \$4.3m connected with the intangibles recognized with the EMS acquisition.

All other material movements can be attributed to the EMS acquisition

⁽¹⁾ Includes Right of Use assets disclosed separately on face of statutory balance sheet

⁽²⁾ Total purchase price of \$107m for EMS of which \$33m paid in shares and options

For personal use only

For more information please contact:

Peter White
Chief Executive Officer

Email: investor@envirosuite.com
Phone: 02 8072 0619

www.envirosuite.com

