H1 FY2023 Results

17 February 2023

Urbanise.com Limited
ABN 70 095 768 086

About Urbanise

Urbanise is a leading provider of industry-specific cloud-based SaaS platforms to strata and facilities managers

$12.3m **Contracted ARR**	**88.0%** **Recurring revenue**	**96.3%** **Customer retention**
17 **Markets**	**~689k** **Strata lots billed**	**~2.45k** **FM users**

Agenda

1	H1 FY2023 Result Overview – Simon Lee, CEO
2	H1 FY2023 Financial Result – Dave Goldbach, CFO
3	Growth Strategy & Outlook – Simon Lee, CEO

H1 FY2023 Result Overview

H1 FY2023 Key Metrics vs pcp[1]

Revenue

$6.32m

↓ **0.6%**

- Licence fees up 2.6%
- Excluding 3 Ventia contracts, underlying growth was 8.6%[2]
- Professional fees down 19.2% ($0.18m) due to integration delay relating to major customer and significant one-off project in H1 FY2022

ARR[3]

$11.28m

↓ **0.6%**

- New customers and organic growth across strata and FM largely offset the loss of 3 Ventia contracts[2] from 1 April 2022
- Excluding the Ventia contracts, ARR growth was 5.2%

CARR

$12.3m

↑ **0.4%**

- Contracted ARR increased by 0.4% vs pcp reflecting on-going demand for Urbanise's platforms from strata and facilities managers
- In Feb 2023 Urbanise secured a large Middle East customer adding a further $0.2m to backlog

Net cash position

$2.83m

No material debt

- Urbanise exceeded the $2.5m cash burn reduction target set in Q3 FY2022 by $0.2m in Q2 FY2023.
- Underlying average monthly cash used of $98k vs $347k in H1 FY2022

Customer retention rate[4]

96.3%

- Customer retention rate of 96.2% and 96.6% for Strata and FM respectively
- ARR retention rate[5] of 99.1% and 97% for Strata and FM respectively
- Loss of small Strata customers in APAC and MENA; small FM customers in APAC (customer funding issues)
- ACV[6] of lost customers was $14k in H1 FY2023

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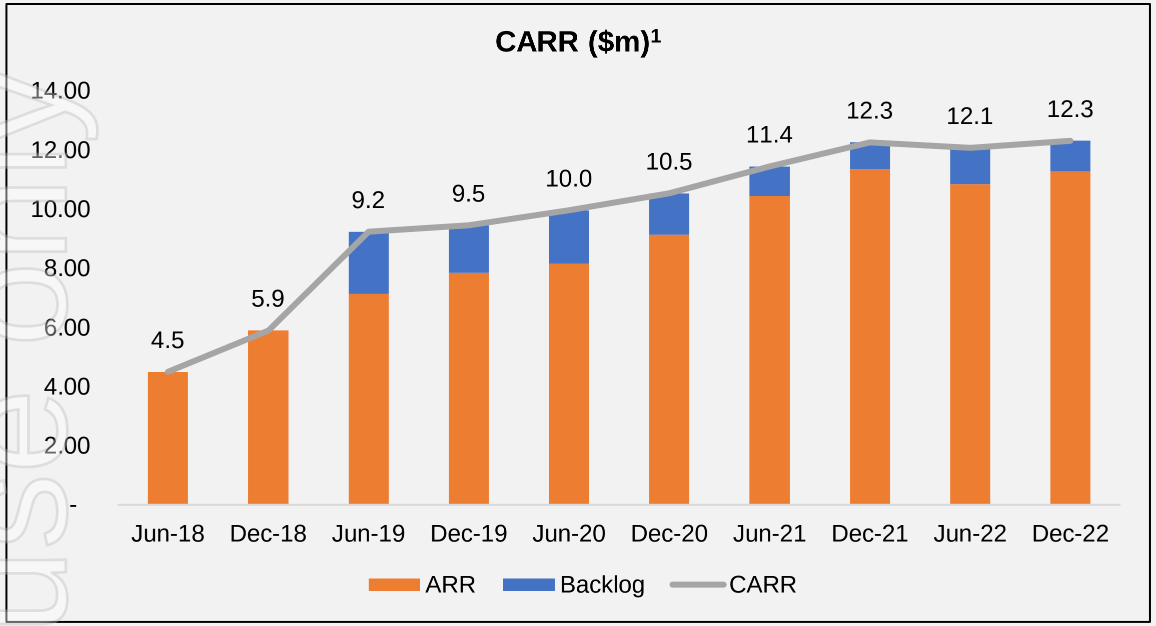
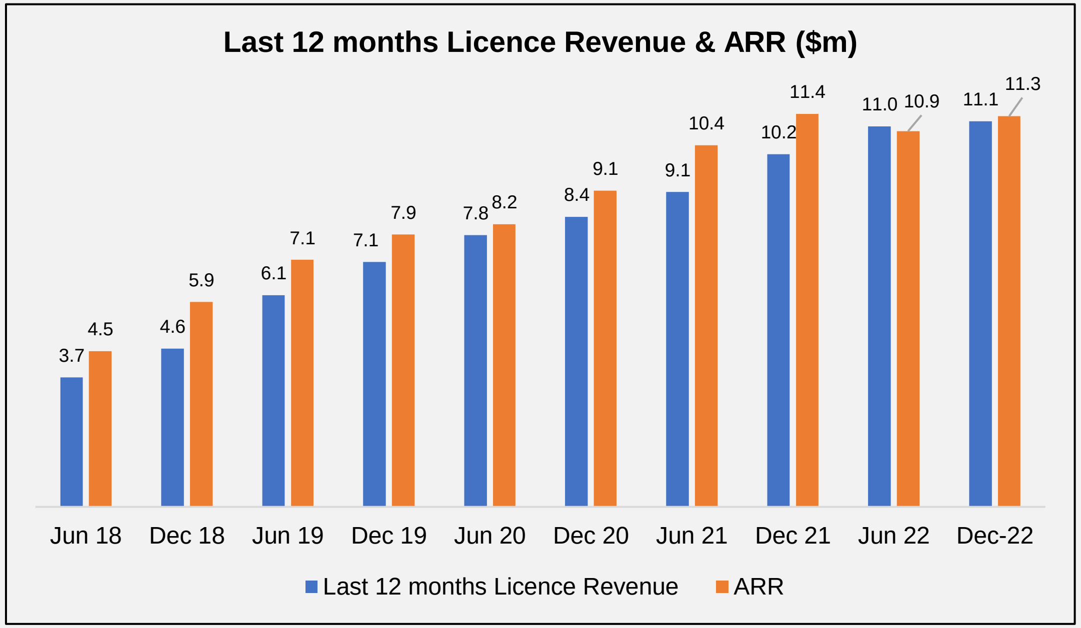
[1] Prior comparative period.
[2] From 1 April 2022, Ventia reduced its requirements for user licences on 3 contracts due to implementation of a single standardised enterprise system across that business. ARR impact of $0.63m and $0.3m in licence revenue in H1 FY2023 on pcp
[3] Annualised Recurring Revenue (ARR) based on December 2022 licence revenue.
[4] Customer retention rate for H1 is based on the number of customers from the beginning of the period, that were retained.
[5] ARR retention rate based on $10.85m ARR at the beginning of July 2022
[6] Average contract value

Delivering consistent growth in CARR





- Contracted Annual Recurring Revenue (CARR) consists of Annual Recurring Revenue and Backlog (yet to be implemented)
- CARR increased by 0.4% from December 2021, replacing the loss of Ventia ($0.63m ARR) at December 2022

- ARR was down by 0.6% on pcp as new customer and organic growth largely offset the loss of Ventia[2]
- Excluding the 3 Ventia contracts, ARR growth was 5.2% on pcp

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[1] CARR includes ARR and Backlog, FY2018 backlog was not reported to market.
[2] From 1 April 2022, Ventia reduced its requirements for user licences on 3 contracts due to implementation of single standardised enterprise system across that business. ARR impact of $0.63m and $0.3m in licence revenue in H1 FY2023 on pcp

H1 FY2023 Key Metrics[1]

- Dec 2022 ARR growth vs pcp impacted by loss of $630k in ARR from 3 Ventia contracts. Excluding this, ARR growth was 5.2% vs pcp
- Facilities ARR growth from new customers, backlog and organic growth, partly offset 3 lost Ventia contracts
- Strata ARR continues to grow steadily from new and backlog contracts and growth from existing customers
- Feb 2023 agreement with a large Middle East customer added $0.2m to strata backlog[2]

Total Contracted Revenue of ~$12.3m

	Jun 18	Dec 18	Jun 19	Dec 19	Jun 20	Dec 20	Jun 21	Dec 21	Jun 22	Dec 22	Backlog as at 1 Jan 2023
Strata lots	**~212k**	~278k	**~300k**	~320k	**~331k**	~392k	**~636k**	~678k	**~681k**	~689k	**~41k**
Strata ARR*	*$3.28m*	*$3.95m*	*$4.36m*	*$4.66m*	*$4.83m*	*$5.83m*	*$6.89m*	*$7.13m*	*$7.21m*	*$7.39m*	**Est. ~$0.3m**
Facilities users	**~0.76k**	~1.25k	**~1.84k**	~2.21k	**~2.23k**	~2.30k	**~2.47k**	~2.61k	**~2.32k**	~2.45k	**5 contracts**
Facilities ARR*	*$1.21m*	*$1.95m*	*$2.77m*	*$3.19m*	*$3.33m*	*$3.30m*	*$3.55m*	*$4.22m*	*~3.64m*	*~3.89m*	**Est. ~$0.7m**
Total ARR*	***$4.49m***	***$5.90m***	***$7.13m***	***$7.85m***	***$8.16m***	***$9.13m***	***$10.44m***	***$11.35m***	***$10.85m***	***$11.28m***	**Est. ~$1.0m**

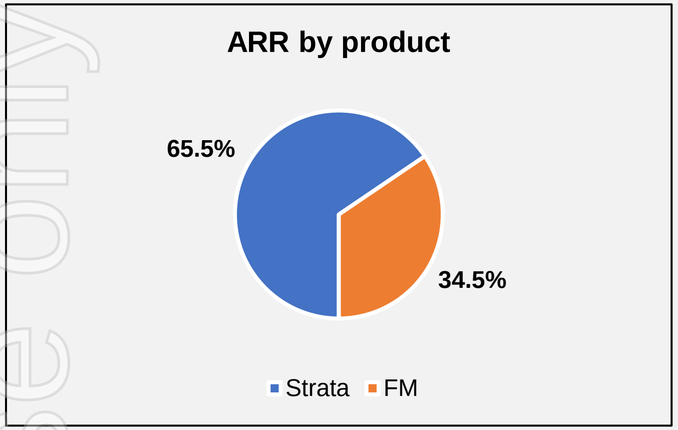
ARR growth YoY

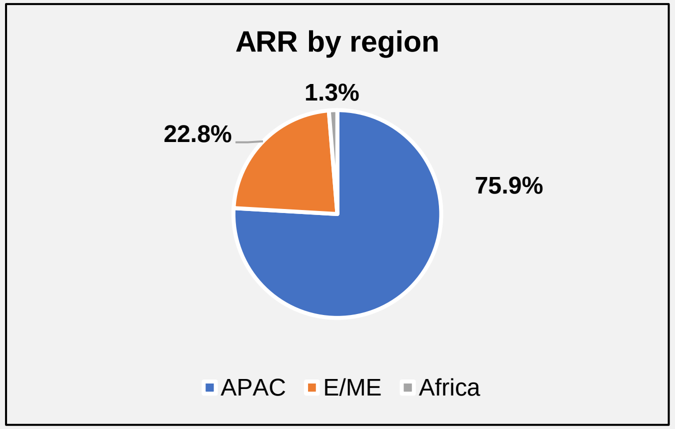
33.1% | 16.3% | 24.3% | (0.6%)
Underlying 5.2% (Ex Ventia)

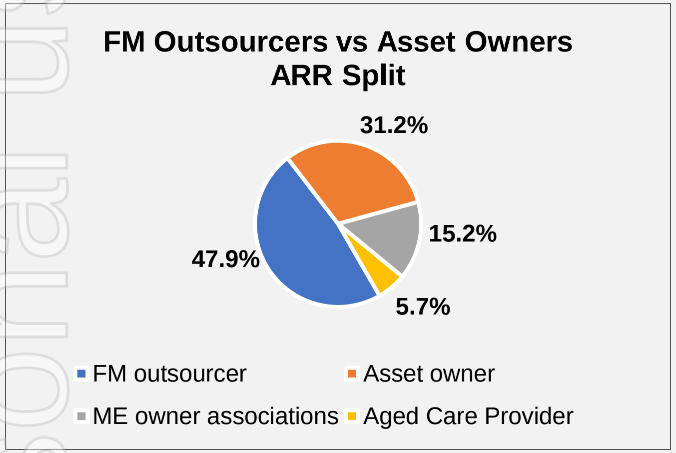
[1] Annualised Recurring Revenue based on licence revenue for the month of June/December
[2] Not included in backlog at 1 January 2023

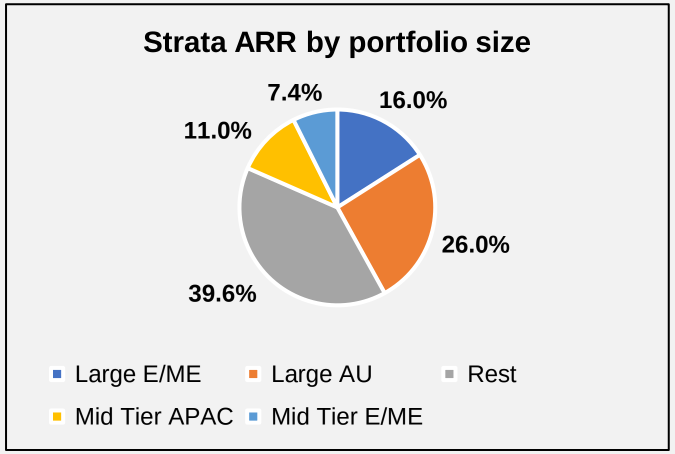
ARR mix by customer and product

ARR composition highlights Urbanise' current pipeline opportunities[1]





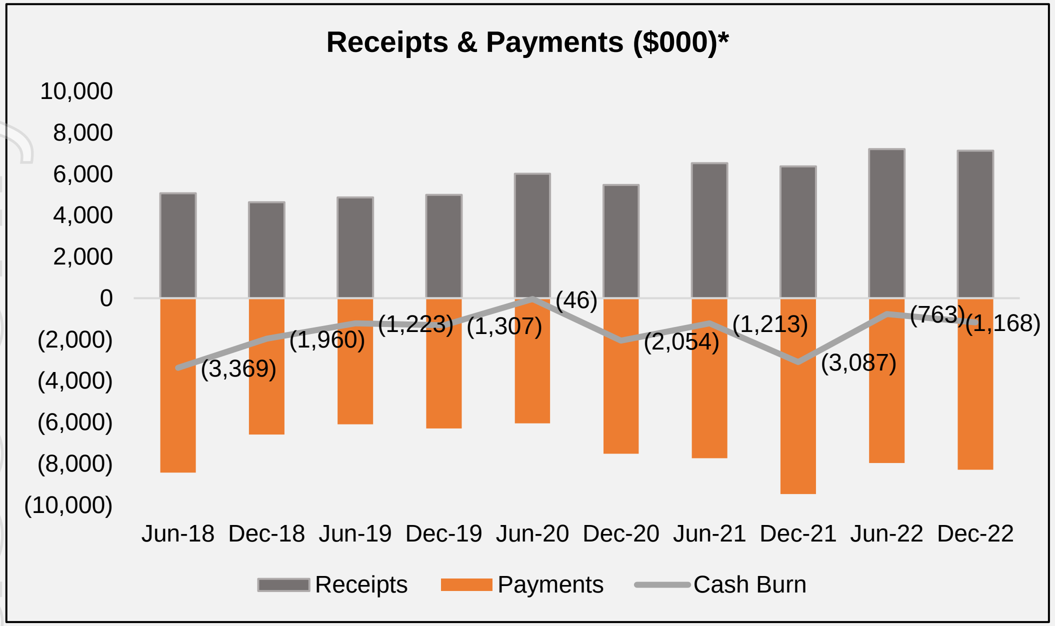


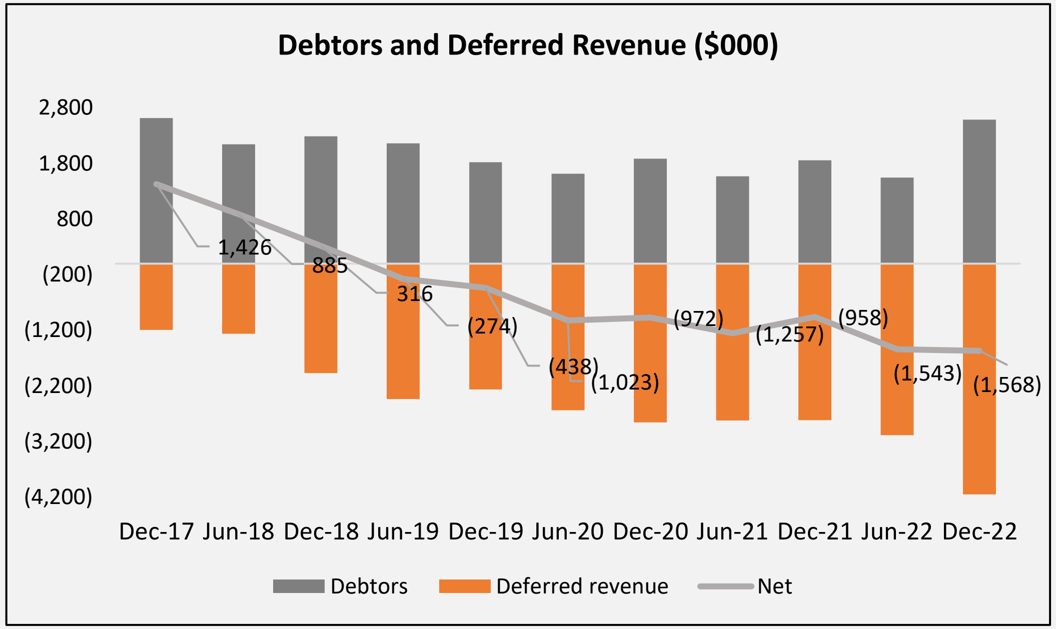


- Focus on new sales remains consistent with June 22 and includes customers of similar size and nature to existing portfolio.
    - **APAC FM:** Focus for APAC FM is on aged care, FM outsourcers and commercial property as well as organic growth from existing FM outsourcers to support their tender pipeline. Typical average annual contract value (ACV) of \$50k to \$450k.
    - **MENA Strata and FM:** Large Middle East property developers and owners associations requiring both strata and FM to manage large property portfolios. Typical average ACV of \$10k to \$600k.
    - **APAC Strata:** Targeting new small to mid-tier strata managers and the typical average ACV of \$5k to \$200k.

[1] Annualised Recurring Revenue based on December 2022 revenue

Focus on cash management





- H1 FY2023 cash burn of $1,168k significantly lower vs pcp ($3,087k) due to the successful execution of $2.7m ($2.5m target) in cash burn reductions over 12 months and inclusion of one off employee termination costs in H1 FY2022
- H1 FY2023 cash burn was higher than H2 FY2022 ($763k) mainly due to late receipts from MENA customers and timing of payments to suppliers

- Net working capital remains negative in line with cash in advance model. Increase in deferred revenue reflects the cash in advance initiative over the last 12 months
- Debtors increased in December 2022 primarily due to late receipts from MENA customers and reflects cash in advance initiatives

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* Excluding capital raise and private placement

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H1 FY2023 Financial Result

H1 FY2023 Financial Summary

H1 FY2023 licence fee growth despite loss of Ventia

$000s	H1 FY2023	H1 FY2022	Var	Var %
Licence Fees	5,563	5,420	143	2.6%
Professional fees	761	943	(181)	(19.2%)
Other revenue	-	2	(3)	(100.0%)
Total revenue	6,324	6,365	(41)	(0.6%)
Operating Expenses	(8,467)	(8,614)	147	(1.7%)
EBITDA	(2,143)	(2,249)	106	(4.7%)
Depreciation and amortisation	(586)	(961)	375	(39.0%)
Total other costs	(112)	(459)	347	(75.5%)
Other income	1	6	(5)	(83.3%)
Net loss	(2,840)	(3,663)	823	(22.5%)

Key Operational Metrics	H1 FY2023	H1 FY2022	Var	Var %
Recurring revenue	88.0%	85.2%	2.8ppt[3]	-
ARR($m)[1]	$11.28m	$11.35m	$(0.07m)	(0.6%)
Backlog($m)[2]	~$1.0m	~$0.9m	$0.1m	11.1%

Total revenue was down 0.6% vs pcp mainly due to:

- 2.6% growth in licence fees from new and existing customers offsetting the loss of Ventia (underlying growth ex Ventia of 8.6%)
- Professional fees were down $181k or 19.2% primarily due to the delay in integration of a major customer in H1 FY2023 and the inclusion of a significant one-off project in pcp

Total operating expenses were down 1.7% vs pcp from:

- Employee termination and one-off costs in H1 FY2022;
- Lower headcount in H1 FY2023 from cash burn initiatives;

Partially offset by:

- H1 FY2023 includes development costs ($476k), capitalised in pcp;
- Additional implementation and customer support staff;
- Investment in E/ME development (contractors & associated costs);
- Third party (partner) software directly driving licence fee growth and AWS costs

Dep & Amort down $375k primarily due to Strata IP assets now fully depreciated.

Total other costs down $346k mainly due to unrealised foreign exchange gain on intercompany balances

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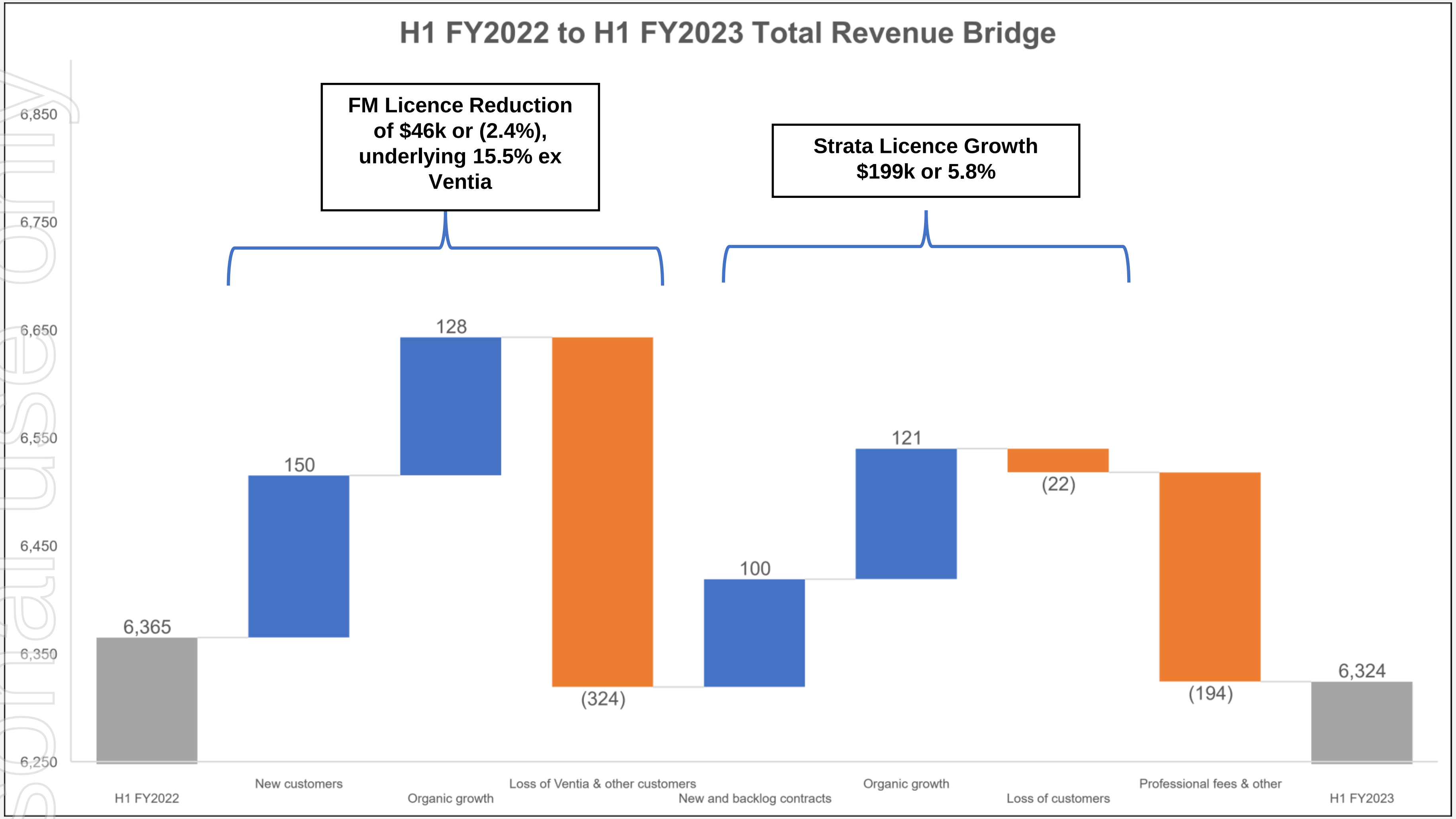
1. Annualised Recurring Revenue based on the month of December revenue
2. Backlog as of 1 January 2023
3. Percentage points

New customers and organic growth offset loss of Ventia



- H1 FY2023 total revenue was down by 0.6% with a 2.6% growth in recurring licence fees vs pcp;
- FM licence revenue was down by 2.4% vs pcp (15.5% growth ex Ventia) led by:
  - Loss of Ventia ($300k) and other customers;
  - Offset by conversion of backlog & new contracts with FM outsourcers and aged care providers;
  - Growth from existing customers.
- Strata licence revenue was up 5.8% vs pcp reflecting:
  - New customers migrated to the Urbanise platform
  - Growth from existing customers
- Professional fees were down 19.2% reflecting the integration delay of a major customer in H1 FY2023 and the inclusion of a significant one-off project in pcp.

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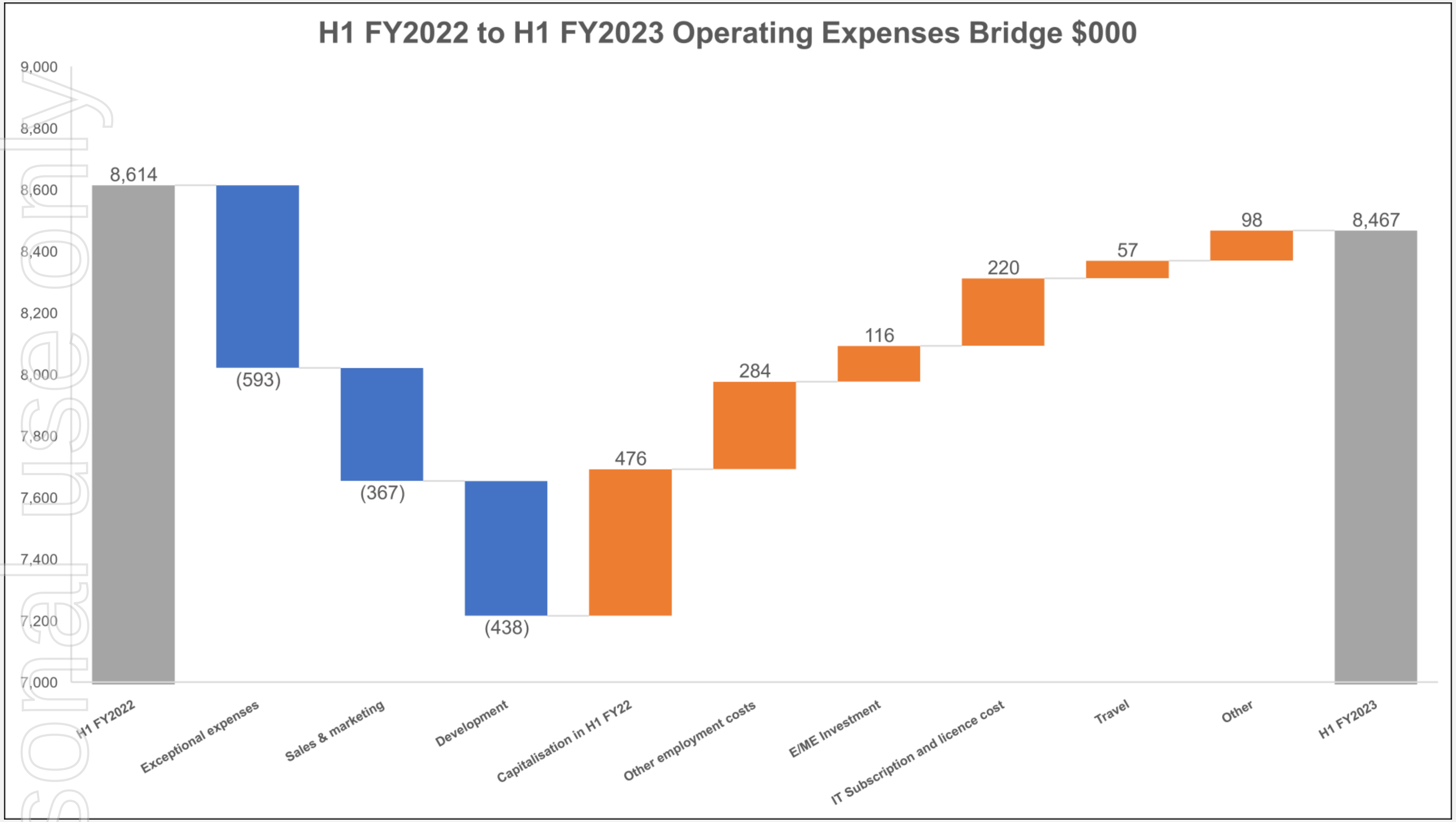
Operating Expenses reduced from cash-burn activities



- H1 FY2023 total Operating expenses were 1.7% lower vs pcp due to;
  - Employee termination and one-off costs in H1 FY2022;
  - Lower headcount in H1 FY2023 in Sales & Marketing and Development;

  Offset by

  - A $476k increase in operating expenses as a result of change in capitalisation treatment from FY23;
  - Additional implementation (project managers) and customer support;
  - Investment in E/ME development (contractors & associated costs);
  - Third party (partner) software directly driving licence fee growth and AWS costs; and
  - Return of travel as H1 FY2022 was impacted by Covid restrictions.

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H1 FY2023 Facilities Management Summary

The loss of 3 Ventia contracts partly offset by new customers and organic growth

$000s	H1 FY2023	H1 FY2022	Var	Var %
Licence Fees	1,897	1,943	(46)	(2.4%)
Professional fees	354	647	(293)	(45.3%)
Total revenue	2,251	2,590	(339)	(13.1%)
Licence fees % total	**84.3%**	**75.0%**		

	Month of Dec 2022	Month of Dec 2021	Var	Var %
Facilities Users Billed	~2.45k	~2.61k	~(0.16k)	(6.1%)
ARR*	$3.89m	$4.22m	($0.33m)	(7.8%)

	As at 1 Jan 2023
Backlog	~$0.7m

- Licence fees of $1.90m, down 2.4% vs pcp. This is largely due to the loss of Ventia ($300k) offset by growth from new and existing customers.
- Licence fee growth ex Ventia was 15.5% vs pcp
- Lower professional fees reflects the integration delay of a major customer in H1 FY2023 and a significant one-off project in H1 FY2022
- Total revenue of $2.25m, down 13.1% mainly due to lower professional fees
- Recurring revenue represents 84.3% of total revenue in December 2022
- Backlog as at 1 Jan 2023 includes 5 contracts estimated at $0.7m in annual licence fee revenue

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* Annualised Recurring Revenue based on the month of December revenue

H1 FY2023 Strata Summary

Growth generated from winning and implementing small to medium Strata customers

$000s	H1 FY2023	H1 FY2022	Var	Var %
Licence Fees	3,657	3,458	199	5.8%
Professional fees	407	296	111	37.5%
Total revenue	4,064	3,754	310	8.3%
Licence fees % total	**90.0%**	**92.1%**		

	Month of Dec 2022	Month of Dec 2021	Var	Var %
Strata Lots Billed	~689k	~678k	~11k	1.6%
ARR*	$7.39m	$7.13m	$0.26m	3.6%

	As at 1 Jan 2023
Backlog	~$0.3m

- Licence revenue of $3.66m, up 5.8% driven by the roll-out of backlog customers and growth from existing customers
- Professional fees were 37.5% higher on pcp from a major project relating to a Middle East customer
- Total revenue of $4.06m, up 8.3%; recurring revenue of 90.0%
- Total estimated backlog of $0.3m at 1 January 2023
- In February 2023, Urbanise secured a new agreement with a leading strata manager in the Middle East which is expected to contribute approximately $0.2m in ARR. This is included in the current strata backlog (not at 1 January 2023). Go-live is expected in H2 FY2023

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* Annualised Recurring Revenue based on the month of December revenue

H1 FY2023 Cash Flow

$000s	H1 FY2023	H1 FY2022
Opening Cash Balance	**3,970**	**7,820**
Receipts from customers	7,135	6,377
Payments to suppliers and employees	(8,240)	(8,931)
Interest	(27)	(29)
Net cash used in operating activities	**(1,132)**	**(2,583)**
Payments for equipment	(36)	(30)
Payments for intangibles / capitalised development	-	(477)
Net cash used in investing activities	**(36)**	**(507)**
Net increase in cash and cash equivalents	**(1,168)**	**(3,090)**
Effect of movement exchange rates on cash balances	27	3
Net cash flow for the period	(1,141)	(3,087)
Cash at 31 Dec	**2,829**	**4,733**
Average Monthly Cash Used	**(190)**	**(515)**
Net cash flow for the period	**(1,141)**	**(3,087)**
Termination payouts	-	327
Recruitment costs	-	193
STI for ex CEO	-	144
Late customer receipts	552	342
Underlying cash flow for the period	**(589)**	**(2,081)**
Underlying Average Monthly Cash Used	**(98)**	**(347)**

- Receipts of $7.14m up by $0.76m (11.9%) primarily driven by cash in advance initiatives
- Underlying average monthly cash used[1] for H1 FY2023 was $98k vs pcp of $347k. The reduction in cash burn is primarily due to:
  - Cash outflow in H1 FY2022 relating to non-recurring exceptional items (primarily termination costs)
  - Lower salaries & wages in sales, marketing and development in H1 FY2023 as a result of restructuring in FY2022
  - Cash-in-advance as noted above

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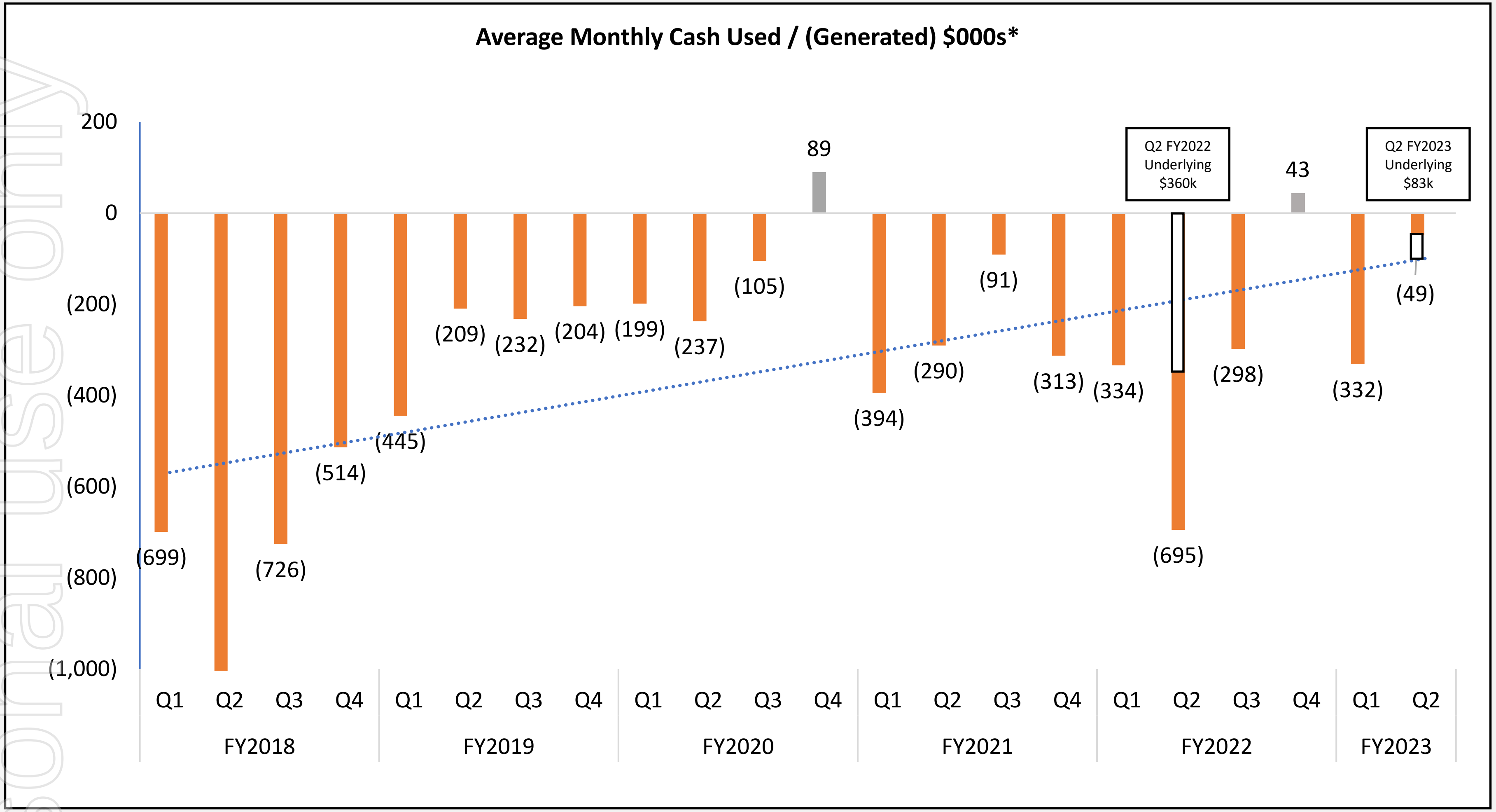
[1] Underlying average monthly cash used excludes one-off items and late receipts.

Cash Used



- The average monthly cash used for Q2 FY23 was $49k with underlying cash used of $83k after adjusting for late receipts for the quarter
- Urbanise exceeded the $2.5m cash burn reduction target set in Q3 FY2022 by $0.2m in Q2 FY2023
- Underlying cash used per month reduced from $360k for Q2 FY2022 to $83k for Q2 FY2023, showing a strong focus on cash management
- Urbanise continues to pursue the cash-in-advance strategy with both existing and new customers, where appropriate

*Excluding capital raise/placement

H1 FY2023 Balance Sheet

$000s	31-Dec-22	30-Jun-22
Cash and cash equivalents	2,829	3,970
Trade receivables	2,459	1,405
Contract assets	127	141
Other assets	168	194
Prepayment	296	375
Total current assets	**5,879**	**6,085**
Property, plant and equipment	128	168
Development	2,873	3,271
Goodwill and other intangibles	5,647	5,667
Right of use asset	532	624
Other assets	126	127
Total non-current assets	**9,306**	**9,857**
Total assets	**15,185**	**15,942**
Trade and other payables	(2,559)	(1,880)
Provisions	(826)	(787)
Lease liabilities	(172)	(199)
Deferred revenue	(3,575)	(2,426)
Total current liabilities	**(7,132)**	**(5,292)**
Deferred revenue	(578)	(663)
Provisions	(4)	(16)
Lease liabilities	(345)	(424)
Total non-current liabilities	**(927)**	**(1,103)**
Total liabilities	**(8,059)**	**(6,396)**
Net Assets	**7,126**	**9,546**
Issued capital and contributed equity	107,955	107,769
Employee Share Option Reserve	469	457
Foreign currency translation reserve	141	(58)
Accumulated losses	(101,439)	(98,621)
Total equity	**7,126**	**9,546**

- Cash decreased by $1,141k, impacted by $552k of late receipts
- Trade debtors increased by $1,054k from 30 June 2022 largely due to the impact of late receipts from ME customers ($552k), cash-in-advance and licence fee growth
- Development relates to the capitalisation of development costs. The reduction from June reflects the change in accounting treatment as the development costs no longer meet the accounting requirement for capitalisation
- Right of use asset reduced due to the amortisation of the lease liability as per AASB 16 requirement
- Trade and other payables increased by $679k due to timing of payments and cash management initiatives
- Total deferred revenue for Dec 22 ($4,153k) increased by $1,064k from Jun 22 ($3,089k) mainly due to increase in cash in advance and growth in licence fees
- Movement in foreign currency translation reserve reflects unrealised foreign exchange loss from the revaluation of inter-company debt

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Growth Strategy

Driving sustainable growth

Expand and maximise footprint of strata lots and facilities users:

1. Core markets of Australia, New Zealand, Middle East and parts of Asia
2. Other regions to follow once successful in core markets
3. Licence and professional fees

Execution
1. Develop products to maturity both FM & Strata based on direct customer input and research
2. Cloud 'one instance' offering
3. Direct sales & delivery

Increase revenue per user or customer:

1. Functionality and integrations driven
2. Automations within platform
3. Additional licence or recurring revenues

Execution
1. Build on maturity of products
2. Direct and indirect sales & delivery (partners)

Leverage footprint of strata lots and facilities users:

1. Better connect Strata and Facilities Managers and trades through both platforms
2. Consider other services such as financing and insurance

Execution
- Services offered within platform
- Leverage high retention customer base

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Strata - Why Urbanise?

The **Urbanise Strata** platform is used to manage strata schemes for apartment buildings and large housing communities. The system is cloud-based and integrates management, communication and accounting functions all on one integrated platform.

Why strata managers need software?

- Required for 10+ buildings to manage workload
- Compliance with strata specific legislation
- Bank transactions
- Reporting to owners
- Communicating with owners
- Acquisitive strata businesses unifying their portfolio

Key differentiators

- Cloud-based platform
- Modern user interface and experience
- Continuous updates to support changes to strata legislation
- Additional features to win work
- Integration with FM

Urbanise's Growth Plan

Direct sales model supported by brand awareness marketing.

Develop features and integrations based on sector research and customer feedback.

Australia

- Expand market share in all states with particular focus on small to mid-tier strata managers which involve lower customer acquisition costs.
- Continue to work with large strata managers like PICA.

Middle East

- Growing market demand due to continuous changes to legislation. Urbanise is well placed to update platform to comply.
- Leverage appeal of integrated FM & Strata offering to large developers.

FM - Why Urbanise?

The **Urbanise FM** platform is specifically designed to assist facilities managers with their work orders to direct trades, track their asset management and keep on top of their customer contractual obligations.

Why FM's need software?

- FMs with scale cannot manage without a system
- Make operations more efficient and reduce cost
- Management tool for repairs and maintenance
- Compliance reporting
- Management of multiple vendors
- Customer contract management

Key differentiators

- Quick to implement and mobilise, reducing margin risk for FMs
- Sector expertise in FM delivery
- Flexible workflow configuration
- Mobile app to liaise with suppliers and contractors

Urbanise's Growth Plan

Direct sales model supported by brand awareness marketing. Leverage on FM Outsourcer network.

Deepen features and integrations developed with key FM customers.

Asia Pacific:

- Roll-out across Tier 1 FM Outsourcers recently secured
- Convert Tier 2 FM providers and asset owners (aged care, utilities, mining, education)

Middle East

- Leverage appeal of integrated FM & Strata offering to large developers
- Convert Tier 2 FM providers

Sales and Delivery

WINNING NEW WORK

Direct sales approach

- Subject Matter Experts direct selling
- Marketing presence across trade shows, social media
- Inbound sales
- Reference clients

ON-BOARDING NEW CLIENTS

In-house implementation

- Data migration
- Configuration and set-up
- Training
- Go-live

RETAIN & GROW

Customer Success & Subscription Management

- Additional services & subscriptions
- Platform utilisation
- Product feedback

CUSTOMER SUPPORT

Technical Support

- Troubleshooting
- Additional training

Strata

1 – 6 months conversion → 3 – 9 months implementation → Licence fee per lot

Facilities

3 – 9 months conversion → 1-3 months implementation → Licence fee per user

Implementation fees

Licence fees (from data migration or go-live)

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Outlook

H2 FY2023 Outlook

Delivering growth with sustainable cash flow

- Drive revenue growth across core markets
- Continue to implement backlog including Middle East strata customer secured in February 2023
- Complete FM development with key Tier 1 customer, deepening the product
- Progress strata development in the Middle East to grow customer base in the region

Q&A

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