TUNGSTEN CORPORATION PLC.

TUNGSTEN NETWORK
Trusted connections. Streamlined transactions.

TUNGSTEN E-INVOICING

INTERIM RESULTS PRESENTATION
SIX MONTHS ENDED 31 OCTOBER 2019 (H1-FY20)

IMPORTANT INFORMATION

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FY20 INTERIM RESULTS

TONY BROMOVSKY
CHAIRMAN

ANDREW LEMONOFIDES
CEO

DAVID WILLIAMS
CFO

RESULTS FOR THE SIX MONTHS ENDED 31 OCTOBER 2019 (H1-FY20)
12 DECEMBER 2019

AGENDA

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INTRODUCTION

TONY BROMOVSKY, CHAIRMAN

THE JOURNEY
H1-FY20

APR 19 – Tungsten year-end

MAY 19 – New CRO appointed

JUN 19 – Commencement of sales team restructure

JUL 19 – Announcement of Tungsten Redefined

AUG 19 – Total AP deal closed

SEP 19 – New CEO joined

Total AP deal closed

OCT 19 – First Total AR deal signed with Elekta

NOV 19 – Second Total AR deal signed with Wolters Kluwer

DEC 19 – New Trade Finance partnership with Orbian agreed

H1-FY20 FINANCIAL REVIEW

DAVID WILLIAMS, CFO

AT A GLANCE
H1-FY20

EXCLUDING TNF

£17.9m H1-FY20	4% H1-FY20	£1.8m H1-FY20	10% H1-FY20	£1.0m H1-FY20
Revenue £m	Revenue growth %	EBITDA £m	EBITDA margin %	Net cash £m
H1-FY19 17.2	H1-FY19 1	H1-FY19 0.5	H1-FY19 3	H2-FY19 2.8

INCLUDING TNF

£18.2m H1-FY20	3% H1-FY20	£1.3m H1-FY20	7% H1-FY20
Revenue £m	Revenue growth %	EBITDA £m	EBITDA margin %
H1-FY19 17.6	H1-FY19 3	H1-FY19 (0.8)	H1-FY19 (4)

94% H1-FY20

Recurring & repeatable revenue	%
H1-FY19	92

3 H1-FY20

Total AP & Total AR Sales	
H1-FY19	5

£100k FY20

Av revenue per buyer	£k
H1-FY19	93

9.6m H1-FY20

Transaction volumes	m
H1-FY19	9.0

INCOME STATEMENT
£M.

	H1-FY20	H1-FY19	H1-FY20	H1-FY19
	Excluding TNF		Including TNF	
Revenue	17.9	17.2	18.2	17.6
Cost of sales	(0.6)	(1.2)	(0.6)	(1.2)
Gross profit	17.3	16.0	17.6	16.4
Gross margin	*96.9%*	*93.0%*	*97%*	*93.2%*
Adjusted operating expenses	(15.5)	(15.5)	(16.4)	(17.2)
Adjusted EBITDA	1.8	0.5	1.2	(0.8)
Adjusted EBITDA margin	*10%*	*3%*	*7%*	*4%*
Other operating expenses	(2.6)	(0.4)	(3.3)	(0.4)
Operating (loss) / profit	(0.8)	0.1	(2.1)	(1.2)
Net finance (costs) / income	(0.3)	0.2	(0.3)	0.2
(Loss) / profit before taxation	(1.1)	0.3	(2.4)	(1.0)
Taxation	0.1	1.1	0.1	1.0
(Loss) / profit for the period	**(1.0)**	**1.4**	**(2.3)**	**-**

Excluding TNF:

- Revenue increase of 4% due to:
  - New buyers & suppliers
  - Transaction growth; offset by
  - Fall in one-off revenues
- Decrease in cost of sales – primarily reduction in trade receivables loss allowance
- Adjusted EBITDA growth of 289% to £1.8m excluding TNF & £1.2m including TNF
- Double digit EBITDA margin excluding TNF
- Statutory loss for the period of £1.0m – £2.4m worse than prior year, primarily due to FX translation differences (non-cash item)

REVENUE
£M. EXCLUDES TNF

	H1-FY20	H1-FY19	Change	
RECURRING REVENUE – *BUYER AND SUPPLIER ANNUAL FEES* – *WORKFLOW MAINTENANCE FEES*	9.8	9.2	+6.3%	• 2 new Total AP, 1 new Total AR and new Analytics customer Contributing £0.3m Compares to 5 in H1-FY19 • 300 new integrated solution suppliers contributing £0.3m Compares to £0.3m in H1-FY19
REPEATABLE REVENUE – *BUYER AND SUPPLIER TRANSACTION & ARCHIVING FEES*	7.0	6.5	+8.3%	• 9.6m transactions processed Compares to 9.0m H1-FY19
OTHER REVENUE – *BUYER AND SUPPLIER IMPLEMENTATION, MODIFICATION AND PROFESSIONAL SERVICES FEES*	1.0	1.5	-31.3%	• 6 upgrades to workflow 5.0 and other professional services • H1-FY19 benefited from one-off projects, including connecting customers to the Italian SdI

RECURRING REVENUE IS 55% OF TUNGSTEN NETWORK REVENUE

RECURRING & REPEATABLE REVENUE IS 94% OF TUNGSTEN NETWORK REVENUE

EXPENSES
£M.

	H1-FY20	H1-FY19	Change
Sales & marketing	(2.8)	(2.9)	0.1
Service delivery	(3.8)	(3.8)	-
Technology & product	(5.2)	(5.2)	-
Finance, administration & central overheads	(3.7)	(3.6)	(0.1)
Adjusted operating expenses	(15.5)	(15.5)	-
Cost of sales	(0.6)	(1.2)	0.6
Other operating expenses, exc fx & TNF	(3.0)	(2.6)	(0.4)
Fx gains (non-cash)	0.2	2.2	(2.0)
Operating expenses, exc TNF	(18.9)	(17.1)	(1.8)
TNF expenses, including impairment	(1.4)	(1.6)	0.3
Statutory operating expenses	(20.3)	(18.8)	(1.5)

Operating & capital expenses exc TNF			
Adjusted operating expenses	(15.5)	(15.5)	-
Capital expenditure	(1.3)	(2.0)	0.7
Adjusted operating & capital expenses	(16.8)	(17.5)	0.7

- Key reason for increase in operating expenses is non cash reduction in fx gains on the retranslation of intercompany balances (£2.0m variance)
- Adjusted operating expense maintained at £15.5m, despite increase in sales
- Cost of sales reduction of £0.6m from collection of provided receivables
- Other operating expenses exc. fx TNF increased by £0.4m primarily due to share based payments (£0.2m) and exceptionals (£0.2m)
- TNF expenses of £1.4m include £0.6m of non-cash impairment of internally generated software
- Total operating & capital expenses exc TNF reduced by £0.7m

CASH & LIQUIDITY
£M

	H1-FY20	H2-FY19	H1-FY19
Cash from operating activities	(0.1)	2.2	(2.5)
Cash from investing activities	(1.3)	(1.3)	(2.0)
Cash from financing activities	(0.4)	1.0	-
Net movement in cash	**(1.8)**	**1.9**	**(4.5)**
Exchange adjustments	-	(0.1)	0.1
Cash at the start of the period	3.8	2.0	6.4
Cash at the end of the period	**2.0**	**3.8**	**2.0**
Drawings under RCF	(1.0)	(1.0)	-
Net cash	**1.0**	**2.8**	**2.0**
Availability under RCF	4.0	4.0	4.0
Total liquidity	**5.0**	**6.8**	**6.0**

- £1.8m cash outflow for the period
- Compares to £0.9m inflow in H2-FY19 (before RCF drawings) and £4.5m outflow in H1-FY19
- Outflow was anticipated and follows seasonal pattern:
  - Cash bonuses and other year-end liabilities, which were paid in H1-FY20 (outflow from trade and other payables of £1.3m); and
  - Workflow maintenance contracts of c.£2m are collected in H2 each year
- Total liquidity at end of H1-FY20 of £5.0m (including £3m undrawn on RCF)
- By end of FY20 expect cash balances to return to levels at end of FY19

H1- FY20 OPERATING REVIEW

ANDREW LEMONOFIDES, CEO

H1-FY20 OPERATING REVIEW

STRATEGIC UPDATE ON KEY INITIATIVES

TOTAL AR

- First Total AR contract signed in October 2019 with Elekta
- Second Total AR contract signed (after period end) with Wolters Kluwer
- Strong pipeline of additional opportunities

E-PROCUREMENT PARTNERSHIPS

- Significant progress on partnership with major P2P provider
- Tungsten to provide its services integrated to wide P2P offering

CONNECTIVITY WITH OTHER PLATFORMS

- Pilot underway with major P2P provider
- Allows Tungsten's suppliers to connect with new buyers
- If successful, gives access to up to 1,000 additional buyers

TRADE FINANCE STRATEGY RESET

- New partnership agreed with Orbian for supply chain finance
- New approach to Trade Finance
- Current TNF operations to be wound-down

H1-FY20 OPERATING REVIEW

OPERATIONAL UPDATE

SALES PERFORMANCE

PRODUCTS & TECHNOLOGY

SERVICE DELIVERY

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MOVING FORWARD – H2-FY20 AND BEYOND

ANDREW LEMONOFIDES, CEO
DAVID WILLIAMS, CFO

MOVING FORWARD
H2-FY20 KEY FOCUS

GROW PARTNERSHIPS
+
BUILD & CLOSE SALES PIPELINES
=
OUTLOOK FOR H2-FY20

Grow Partnerships
- E-procurement provider
- Launch new Orbian partnership
- New countries
- Other partnerships being discussed

Build & Close Sales Pipelines
- Total AR
- Total AP
- Trade event marketing
- Strong and growing pipeline
- Increase in New Sales Billings in H2-FY20
- Sales team reconfiguration

Outlook for H2-FY20
- Net cash to return broadly to level as at the end of FY19 (£2.8 million)
- New sales billings of at least £4 million in H2-FY20
- FY20 revenues slightly below expectations
- Low double-digit adjusted EBITDA margin in H2-FY20

SUMMARY

TONY BROMOVSKY, CHAIRMAN

SUMMARY

STRATEGY DELIVERING RESULTS

NEW CONTRACT SIGNINGS

GROWING SALES PIPELINE

EXCITING PARTNERSHIP OPPORTUNITIES

Q&A

APPENDICES

BALANCE SHEET

	H1-FY20	H2-FY19
Goodwill	102.1	102.1
Intangible assets	17.6	18.7
Other non-current assets	7.9	2.7
Total non-current assets	**127.6**	**123.5**
Trade & other receivables	7.1	7.5
Cash & cash equivalents	2.0	3.8
Total current assets	**9.1**	**11.3**
Total assets	**136.7**	**134.8**
Total non-current liabilities	**(8.4)**	**(3.4)**
Trade & other payables	(6.4)	(7.1)
Provisions	(0.1)	(0.2)
Lease liabilities	(0.8)	-
Borrowings	(1.0)	(1.0)
Contract liabilities	(6.5)	(6.8)
Total current liabilities	**(14.8)**	**15.1**
Total liabilities	**(23.2)**	**(18.4)**
Total equity	**113.8**	**116.3**
Total equity & liabilities	**136.7**	**134.8**

- Non-current assets increased following IFRS 16 adoption: £6.2m right to use asset
- £0.4m reduction in trade receivables, primary due to reduction in trade & other receivables
- Non-current liabilities increased following IFRS 16 adoption: £5.6m lease liabilities (additional £0.8m lease liabilities in non-current liabilities
- Trade & other payables reduction of £1.0m due to settlement of year end bonuses and other payables
- £1.0m drawings under HSBC RCF
- Equity reduction of £2.5m:
  - (£0.5m) adoption of IFRS 16
  - (£2.0m) statutory loss
  - (£0.2m) currency translation; less
  - £0.2m share based payments

ALTERNATIVE PERFORMANCE MEASURES – EBITDA AND RESULTS EXCLUDING TNF

The Group uses certain measures to assess the financial performance of its business. These measures are alternative performance measures because they exclude amounts that are included in, or include amounts that are excluded from, the most directly comparable measure calculated and presented in accordance with IFRS, or are calculated using financial measures that are not calculated in accordance with IFRS.

The Group uses alternative performance measures of EBITDA and group results excluding TNF.

EBITDA is defined as loss before finance income and costs, taxation, depreciation, amortisation, loss on disposal of assets, foreign exchange gains and losses, share based payment expense and exceptional items. The most directly comparable IFRS measure to segment EBITDA is operating loss for the period. Management utilises EBITDA to monitor performance as it illustrates the underlying performance of the business by excluding items management consider to be not reflective of the underlying trading operations of the Group or adding items which are reflective of the overall trading operations, as applicable. The Group believes that this measure and similarly titled measures are used widely by certain investors, securities analysts and other interested parties as supplemental measures of performance and liquidity.

Group results excluding TNF presents the results of the group in FY20 and the comparative period excluding the results of TNF. Such measures include revenue, EBITDA, EBITDA margin and operating loss. Management utilises this measure to understand the performance of the ongoing business as if the divestment had already occurred.

The above measures may not be comparable to other similarly titled measures used by other companies and have limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of the Group's operating results as reported under IFRS. The Group does not regard these Alternative Performance Measures as a substitute for, or superior to, the equivalent measures calculated and presented in accordance with IFRS.