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ASX Announcement: 2020/010

19 February 2020

WTC continued strong growth, revenue up 31%, EBITDA up 29%

Key results 1H20 vs 1H19

- Total 1H20 revenue of $205.9m, up 31%
- NPATA[1] of $33.5m, up 22%
- Net profit attributable to equity holders of $59.9m, up 160%
- EBITDA $62.5m, up 29%
- Fully franked interim dividend of 1.70 cents per share

$m	1H19	1H20	% change
Total revenue	156.7	**205.9**	**+31%**
Gross profit	129.0	**169.4**	**+31%**
Operating profit	35.9	**42.0**	**+17%**
NPATA	27.5	**33.5**	**+22%**
Net profit attributable to equity holders	23.1	**59.9**	**+160%**
Earnings per share (cents)	7.6	**18.8**	**+147%**
Dividend per share (cents)	1.50	**1.70**	**+13%**

Key performance indicators 1H20 vs 1H19

- Recurring revenue 99% for CargoWise platform
- <1% annual attrition rate for CargoWise customers
- Strong organic CargoWise revenue growth +24%
- EBITDA margin 30%, EBITDA margin excluding acquisitions 49%
- Customers: 15,000 logistics organisations

$m	1H19	1H20	% change
Total operating expenses	(80.4)	**(106.9)**	**+33%**
EBITDA*	48.5	**62.5**	**+29%**
EBITDA margin	31%	**30%**	**(1)pp**
Free cash flow	30.7	**28.0**	**(9)%**

Strong growth in revenues while investing in growth

Founder and CEO, Richard White, said "We continued to deliver high quality growth in 1H20 with revenues up 31% to $205.9m and EBITDA up 29% to $62.5m, a reflection of the strength of our CargoWise business and strategic actions, along with increased adoption by the world's largest logistics organisations while we continued to expand our technology platform and grow our global footprint."

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[1] *NPATA – net profit after tax attributable to equity holders of the parent before: acquired amortisation net of tax, contingent consideration interest unwind net of tax and fair value changes on contingent consideration.*
**If AASB 16 Leases had been applied in 1H19 this would have increased reported EBITDA by $3m.*

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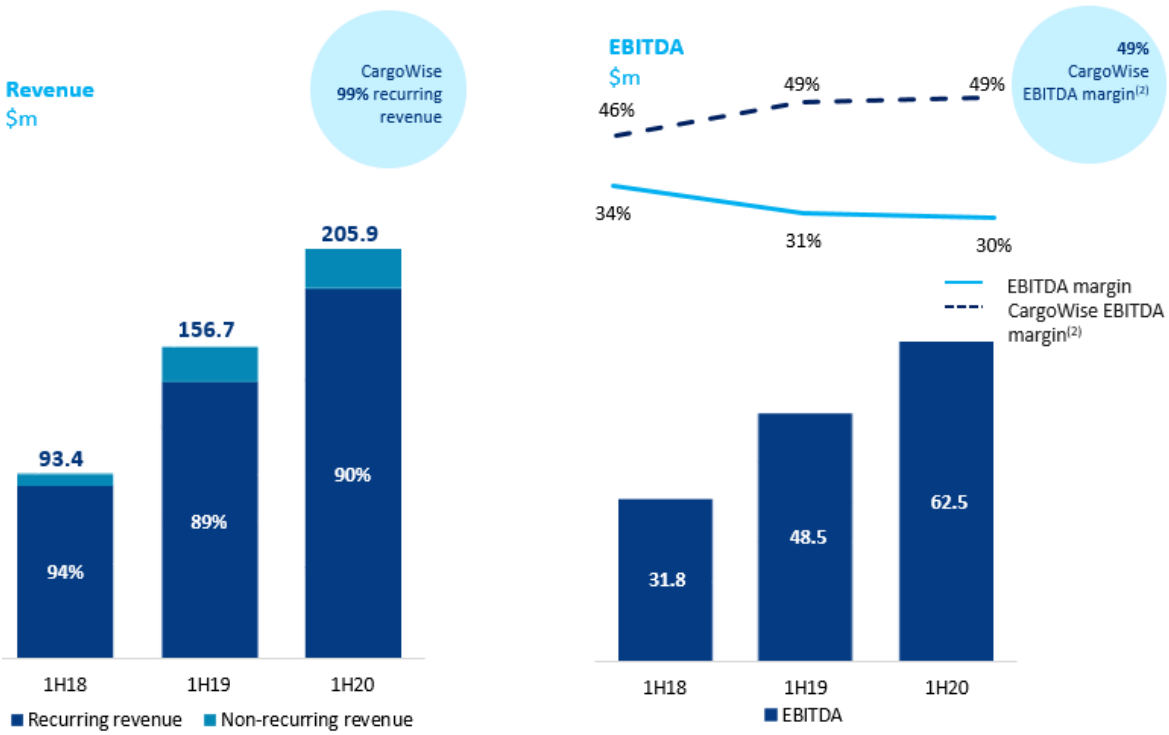
"We are investing to grow. In the last 5 years alone, we have invested over $360m in product innovation, adding 3,500 product enhancements to our global platform. All while also securing over 40 strategic assets with 1,200 leading experts, technologist and logistics industry people across 35 countries, thus capturing centuries of hard-to-access capability and significant development capacity to further resource our technology pipeline for future growth."

"We made significant progress in global rollouts with DHL Global Forwarding, DSV's integration of Panalpina and top 10 logistics leader, Bolloré. We continue to deepen and diversify our customer base so that our top 10 customers are now only 19% of revenue and none are more than 5%. Now, 40 of the top 50 global 3PLs and all of the top 25 global freight forwarders are using our solutions somewhere in the world."

"With the addressable market in technology for global logistics in the hundreds of billions, and the spend on digital transformation itself hundreds of millions more again, we are moving fast to build out our technology lead. We are investing in simultaneously expanding out from the CargoWise of today capturing new customers and markets, along with increasing usage and scope of our technology solutions."



Organic revenues from our existing and new CargoWise customers delivered $24.3m of growth on 1H19. Growth in organic revenue from existing and new CargoWise customers was 24% and driven by:

- continued increased usage of the CargoWise platform by existing customer organisations – adding transactions, users, new sites, moving into new modules, and consolidating operations;
- transition of customer licensing to standard transaction-based licensing;
- revenue from new products and features; and
- onboarding of new sales and increased usage by new CargoWise customers.

[2] *Acquisitions are those businesses acquired since 2012 and not embedded into CargoWise One.*

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Revenue from customers on acquired platforms increased by $24.9m, primarily driven by the full period impact of acquisitions completed in FY19. We buy strategic assets in the form of software companies and specialist technology teams. These bring additional skills, increase speed to market and access to IP to converge with our own technology.

We delivered *EBITDA* of $62.5m for 1H20 (almost doubled since 1H18) with a healthy margin of 30% including our acquisitions. EBITDA margin excluding acquisitions was stable at 49%, as we continue to see the benefits of our disciplined and highly efficient commercial model for our core CargoWise business.

Highlights from execution of strategic growth initiatives

- We delivered significant revenue growth of 31% driven by continued strong organic growth across our global business, the addition of over 450 internally developed product enhancements and features to our CargoWise One platform, and the acquisition of small strategic assets in new geographies and adjacent technologies which we will utilise in resourcing our future growth.
- Strong organic CargoWise revenue growth with revenues from existing and new customers up $24.3m, 24% yoy. Importantly, every CargoWise One customer cohort, as measured in the last 12 years, once again grew revenue in 1H20.
- Overall, 40 of the top 50 global 3PLs[3] are now customers, as are all 25 of the top 25 Global Freight Forwarders[4] with 23 of those on CargoWise, yet global penetration is still in the early stage with significant runway for years to come. Additionally, we now have 10 of the world's largest logistics providers in global rollout with current rollouts for DHL Global Forwarding, DSV/Panalpina and Bollore Logistics progressing well.
- We have since signed a further multi-year freight forwarding and customs global rollout to commence from FY21 with UAE-based Aramex International for 35 countries.
- The attrition rate for the CargoWise One platform continued to be extremely low, at under 1% per annum, as it has been for the previous seven years since we started measuring. Our customers stay and grow their transaction usage due to the productivity of our platform.
- EBITDA overall has nearly doubled since 1H18 while our EBITDA margin (excluding acquisitions but including M&A costs) rose to 49% – as we continue to see the benefits of our disciplined and highly efficient commercial model in our core operations.
- We progressed product development in China, Italy, Germany, Brazil, Ireland, the US, and Australasia and across our global adjacencies including global rates management, border compliance, transport management solutions and landside logistics.
- We invested resources into machine learning, natural language processing, process automation and guided decision support, driven by vast volumes of transactional and border agency data sets to enable enhanced compliance, due diligence, risk assessment and risk mitigation.
- We drove forward the integrations of our strategic assets across key geographies and adjacent technologies. Our businesses are performing well through various stages of operational integration, product and technology development, and reshaping their commercial foundation, while managing their day-to-day operations. Once fully embedded over the coming years, these businesses will expand the functionality, scope and value of our industry-leading technology and provide a strong base for further accelerating our long-term organic growth.
- In addition, since 1 July 2019, we have completed a further 4 valuable geographic and adjacent acquisitions across North America, South Korea and Switzerland.

[3] Armstrong & Associates: Top 50 Global Third Party Logistics Providers List, ranked by 2018 logistics gross revenue/turnover.
[4] Armstrong & Associates: Top 25 Global Freight Forwarders List, ranked by 2018 logistics gross revenue/turnover and freight forwarding volumes.

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- Overall our net profit for the half year grew 160% to $59.9 – reflecting both the strong growth in profit, year on year, to $27.2m, and a required P/L adjustment of fair value gain this period of $32.7m, resulting from reduced contingent consideration liabilities in relation to acquisition earnouts. Each period, we gain a clearer picture of the operational performance and potential of our acquired businesses. This allows us to update our assessment of the contingent consideration payable pursuant to performance conditions. In this period, these reassessments resulted in a fair value gain of $32.7m.

Delivery on our growth strategy

The key strategic focal points, investment areas and developments in 1H20 were:

Expansion of our global platform

In 1H20 we invested $73.3m and 49% of our people in product development, further expanding our pipeline of commercialisable innovations, and delivered over 450 product enhancements and upgrades seamlessly across the CargoWise platform. We are accelerating our development capability within our development teams in over 20 countries.

The hundreds of 1H20 product enhancements and upgrades included initiatives such as:

- implemented enhancements to container and air waybill automation, including additional air and ocean carriers;
- extended localisation of our comprehensive accounting solution to further countries and a focus on EU and LATAM high tax-complexity countries;
- increased rates shopping functionality and increased functionality of hubs and gateway operations, rating and billing;
- completed air advance reporting for the United States and Brazil;
- launched web-based international fulfilment ecommerce integrated solution for 3PLs in Australia and New Zealand; and
- delivered regulatory upgrades for a myriad of government changes including UK regulatory CDS platform replacement, China Trade Single Window, US Air Cargo Advance Screening and Automated Commercial Environment consolidated express filings, and German customs ATLAS release.

We progressed our larger pipeline components including:

- web-based international fulfilment ecommerce managing shipments from origin to door with Shipper Portal, export consolidation warehouse and import deconsolidation warehouse;
- comprehensive global port integration direct to CargoWise for largest trading ports. France is currently in development ahead of the Bollore Logistics rollout;
- next-generation accounting functionalities such as automated Hubs, Gateway billing and universal transaction messaging;
- additional predictive machine learning and assistive natural language models that process myriad integrated data sources across the supply chain that are monitored, retrieved and processed automatically;
- expansion of the Universal Customs Engine designed to deliver complex, multi-year localisations;
- design and development ahead of Brexit customs implementation;
- progress in the development of CargoWise ‘neo’ (formerly nexus), the platform for users of logistics services to engage with their logistics solutions provider in a fully digital process. Early beta release on track for select customers by the end of calendar year 2020;
- integration of acquired adjacencies and our innovation developments to build out the cargo chain

ecosystem for rates, schedules, contracts, quoting and bookings; and
- ongoing scaling of database models (including new SQL and non-SQL database structures), additional scaleout of WiseCloud infrastructure, increasing redundancy and expanding performance capacity.

Within our acquired strategic assets, development work is progressing to address new customer segments or expand regional presence. A sample of activities includes:
- simultaneous build-out of embedded customs for acquired geographies;
- integration with our specialist Transport Management Solutions ("TMS") adjacencies;
- expanding adjacent technology developments in ratings, classifications and messaging;
- Containerchain launch of Notifications, vehicle booking system ("VBS"), to Australian depots and VBS rollout for European customers; and
- utilising our local acquired operations to build out regional components for our global engines.

Greater usage by existing customers

We experienced continuing existing CargoWise customer revenue growth of $17.0m in addition to:

- our large CargoWise customer base increasing its use of the platform, adding transactions, users and geographies and moving into more modules;
- increasing usage by many of the world's largest freight forwarding groups. Across the Group, we have 25 of the top 25 global freight forwarders as customers, with 23 of the top 25 using CargoWise. Additionally, 10 large global forwarders have completed or are in the process of completing global forwarding rollouts in CargoWise, including DSV/Panalpina, DHL, Toll, Bollore and Yusen. The DHL Global Forwarding rollout for sea freight and air freight continued to make significant progress in 1H20;
- continued transition of customer licensing (excluding acquisitions), with 99% of CargoWise revenues generated from On-Demand licensing, an access-as-needed, monthly payment based on usage licence. STL now accounts for 95% of CargoWise revenues (1H19: 71%);
- further growth in revenue from larger multi-region customers with 40 of the top 50 global 3PLs now customers, yet even our global relationships are still in early penetration and our top 10 customers contribute only 19% of revenue (1H19: 25%); and
- each cohort of CargoWise customers from FY06 to FY20 grew revenue in the period.

Increasing the number of new customers on the CargoWise technology platform

We continue to bring new customers onto the platform across domestic, multi-region and global commitments. New wins in 1H20 included Shanghai Coil Dragon International Logistics, Green Worldwide Shipping and PT Yamato Indonesia. Since period end, we have also secured a further freight forwarding and customs global rollout with UAE-based Aramex International.

New CargoWise customers take time to roll out and then transaction revenue grows over time. Our Delta sales team builds relationships with global 3PLs and international freight forwarders. As we increase our global penetration, we also continue to sign new deals with customers where we have a pre-existing CargoWise relationship, which add to our existing customers' revenue. We are seeing larger potential global logistics organisations engaging with us and we expect to see this trend expand into further major new customer contracts. However, we are still in early penetration of both new and existing customers.

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In addition, through industry consolidation, CargoWise is capable of capturing large global rollouts without further sales activity, as is the case with DSV's acquisition of Panalpina during 2019 creating a joint global operation, no. 4 in the world. DSV[5] has announced strong integration progress with acquired operations transitioning onto CargoWise over FY20 and FY21.

Stimulated network effects

We harness important natural network effects that exist because of the necessarily collaborative nature of supply chain execution and the inherent effect of our deeply integrated global software platform. We further stimulate these effects with targeted partner programs through CargoWise Partners, CargoWise Certified Professional and deeper CargoWise Industry programs for freight forwarding network groups globally.

We now have over 280 external CargoWise Partner organisations across the world, actively referring, promoting or implementing our platform. In 1H20, we certified over 3,700 CargoWise practitioners, who work within the logistics industry across our customer or partner organisations. We have completed over 19,000 certifications of practitioners who utilise or promote the features of our platform. We now have 48 partner networks with a member base of ~9,000 logistics service professionals.

In addition, each new geography and adjacency we acquire adds a valuable point on our strategic map, accelerates the network effects and has the potential to make CargoWise even more compelling to local and global logistics providers and their customers. In 1H20, we continued to leverage our acquired business relationships with key global customers and explored connections between the adjacent acquisitions, CargoWise and geographic footholds.

Our reach now extends out from international freight forwarding and 3PL , making inroads into the 2PL, 1PL and domestic transportation globally. During 1H20, we implemented development pilots with select customers for key technological expansions of our CargoWise technology platform capabilities, designed to drive product value and network effects across the customer base.

Strategic acquisitions: securing valuable resources and market entry

In expanding geographically, we buy into market positions that would take years to build, and we then integrate the acquired industry and developer talent and customers over time to accelerate our growth. We further utilise acquisitions in key adjacent technologies to facilitate our development of globally scalable innovations, to fuel the convergence of technologies that add to our next generation of automations and machine learning, and to grow and enhance our extensive global data and transaction sets.

In 1H20, we have progressed product development in key geographies including Australasia, Brazil, China, Taiwan, Europe, and the United States and across our global adjacencies. In addition, since 1 July 2019, we have completed a further four valuable geographic and adjacent acquisitions across North America, South Korea and Switzerland.

Since 1 July 2019 to date, our acquisitions for geographic expansion comprised:

- on 31 December 2019, we completed the acquisition of *Ready Korea*, a leading customs, bonded

[5] *DSV Public Market Briefing 7 February 2020.*

warehouse and trade compliance solutions provider in South Korea; and
- on 3 February 2020, we completed the acquisition of *SISA Studio Informatica SA*, a leading customs and freight forwarding solutions provider in Switzerland.

Since 1 July 2019 to date, our acquisitions for adjacencies and technologies convergent with our innovation pipeline comprised:

- on 16 September 2019, we completed the acquisition of early-stage machine-learning classification technology developer, *Cypress*; and
- on 1 October 2019, we completed the acquisition of *Depot Systems*, a leading US-based container yard and terminal management logistics solutions provider.

Our acquisitions are at various stages of integration and, once fully embedded over the coming years, they will expand the functionality, scope and value of our industry-leading technology and provide a strong base for further accelerating our long-term growth.

Outlook FY20

WiseTech Global Founder and CEO, Richard White, said "The predicted early 2020 recovery from the end of 2019 trade volume softness within the logistics industry (as a result of US-China trade war), was in effect in early January. However, the unexpected outbreak of coronavirus (COVID-19) and the effective shutdown of China, a critical driver of the global manufacturing supply chain and a ~16% contributor to global GDP, is creating negative flow-on effects to manufacturing, slowing supply chains and economic trade across the world. While we have a diversified array of revenue drivers that provide resilient organic revenue growth across our global platform, we do anticipate that the manufacturing slowdown will delay execution of logistics activities by logistics service providers."

"The speed of recovery of China manufacturing, replenishment of inventories worldwide and restoration of supply chain volumes, once started, will likely create a significant rebound in volumes and logistics transactions, however, the interim delay may cause some transactional revenues to move into the next reporting period and potentially delay the launch of new products planned for 2H20."

"Despite this, what has not changed throughout this period is the accelerating adoption and continued rollout of the CargoWise solution among our customers. While these short-term challenges represent immediate headwinds for industry and the world economy, they in no way diminish the rising demand drivers for our platform among logistics providers. Our success has been founded on a long-term focus and strategy which has enabled us to make deep investments to cement our technology and product leadership. We will continue to focus on delivering on our five levers of growth as we build the operating system for global logistics."

"We have delivered strong progress in 1H20 across our technology and operations, which will create long-term value for our shareholders, and we will continue to drive the business through 2020 and beyond in the uncompromising execution of our strategy."

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Guidance for FY20 revenue and earnings

Founder and CEO, Richard White, said "In considering adjustment to our guidance for FY20 we have prudently taken into account the potential impact of COVID-19 on manufacturing and export trade, along with the continued growth of the Group during 1H20, the power of the CargoWise platform, drivers of organic growth, annual customer attrition rate of less than 1% and continued relentless investment in innovation and expansion across our global business. Together, these give us the basis to expect, subject to currency movements[6]**:**

FY20 revenue of $420m - $450m, revenue growth of 21% - 29%,

EBITDA[7] of $114m - $132m, EBITDA growth of 5% - 22%."

"We appreciate and have regard to the human impact of COVID-19 across families and communities. WiseTech has four offices in China and customers throughout the country. We have long-established connections in the region and share the hope of a near-term resolution and containment for the country and its people."

/ENDS

Authorised for release to ASX by David Rippon, Corporate Governance Executive and Company Secretary.

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Investor Presentation Please refer to the WiseTech Global 1H20 Results Investor briefing materials released today for detailed financial data and analysis.

Analyst Briefing The results presentation webcast to discuss WiseTech Global's 1H20 financial results will be held at 10.30am (Sydney time) today. The webcast and briefing audio will be available at http://webcast.openbriefing.com/5711/

[6] Our revenue is invoiced in a range of currencies, reflecting the global nature of our customer base and as a result is impacted by movements in foreign exchange rates. Our FY20 guidance is based on rates provided within the Investor briefing materials released to the ASX on 19 February 2020.
[7] The application of AASB 16 Leases brought into effect from 1 July 2019, is expected to add $6m to EBITDA for FY20, with no change to revenue. The total is reflected in the guidance provided.

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Forward looking statements

Forward-looking statements in this release are based on information and assumptions known to date and are subject to various risks and uncertainties. Actual results, performance or achievements could be significantly different from those expressed in, or implied by, these forward-looking statements. Such forward-looking statements are not a guarantee of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of WiseTech Global. These factors may cause actual results to differ materially from those expressed in the statements contained in this announcement.

About WiseTech Global

WiseTech Global is a leading developer and provider of software solutions to the logistics execution industry globally. Our customers include over 15,000 of the world's logistics companies across 150+ countries, including 40 of the top 50 global third-party logistics providers and 25 of the 25 largest global freight forwarders worldwide[8]. Our flagship platform, CargoWise One, forms an integral link in the global supply chain and executes over 50 billion data transactions annually. At WiseTech, we are relentless about innovation, adding ~3,500 product enhancements to our global platform in the past five years while bringing meaningful continual improvement to the world's supply chains. Our breakthrough software solutions are renowned for their powerful productivity, extensive functionality, comprehensive integration, deep compliance capabilities, and truly global reach.

The WiseTech Global group includes CargoWise One, ABM Data Systems, ACO Informatica, BorderWise, Bysoft, Cargoguide, CargoIT, CargoSphere, CMS Transport Systems, Containerchain, CustomsMatters, DataFreight, Depot Systems, EasyLog, Fenix, Forward, Intris, LSP Solutions, Microlistics, Multi Consult, Pierbridge, Prolink, Ready Korea, SaaS Transportation, SISA, SmartFreight, Softcargo, Softship, Systema, Taric, Trinium Technologies, Ulukom, Xware, zsoft and znet Group.

For more information about WiseTech Global or CargoWise One, please visit wisetechglobal.com

[8] Armstrong & Associates: Top 50 Global Third Party Logistics Providers List, ranked by 2018 logistics gross revenue/turnover. Armstrong & Associates: Top 25 Global Freight Forwarders List, ranked by 2018 logistics gross revenue/turnover and freight forwarding volumes.