

TUNGSTEN CORPORATION PLC

# Full Year Results

## 7 September 2020

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# Overview

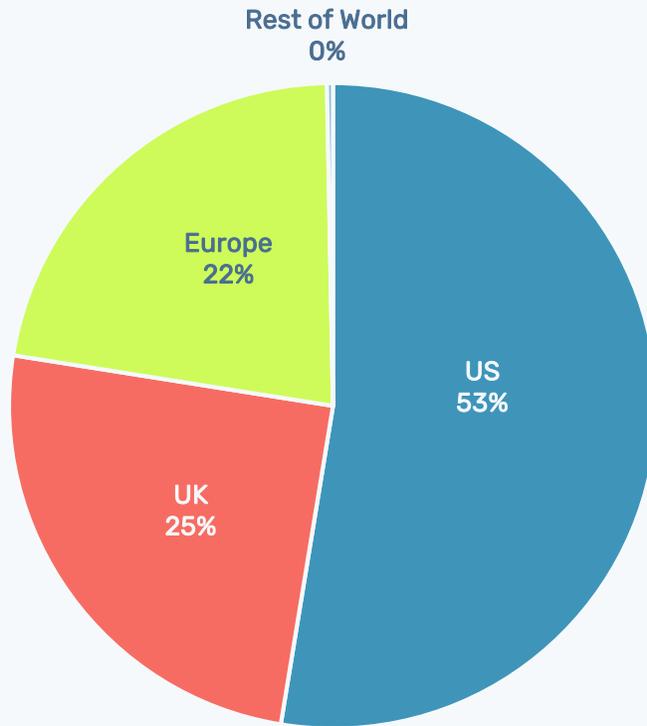
Tungsten Network is a leading provider of digital financial management products and software solutions: using the world's largest compliant business transaction network, we enable a touchless invoice processing

- Network of **130 AP buyers** & over **270,000 suppliers**
- Legally compliant in **54 countries**
- **Over 19 million** transactions worth **£195 billion** per annum
- **£50 million Enterprise Value**; listed on the London AIM market

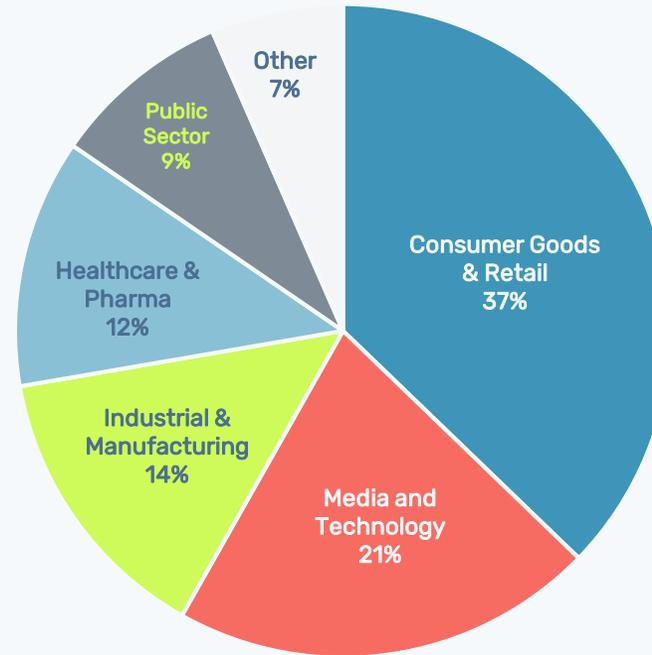
# Financial Highlights

<b>Revenue</b> £36.8m <b>+2%</b>
<b>Adjusted EBITDA</b> £2.7m <b>+£2.1m</b>
<b>Net cash flow</b> £0.4m <b>+£4.2m</b>

# Strong and stable customer base



Geographically Diverse



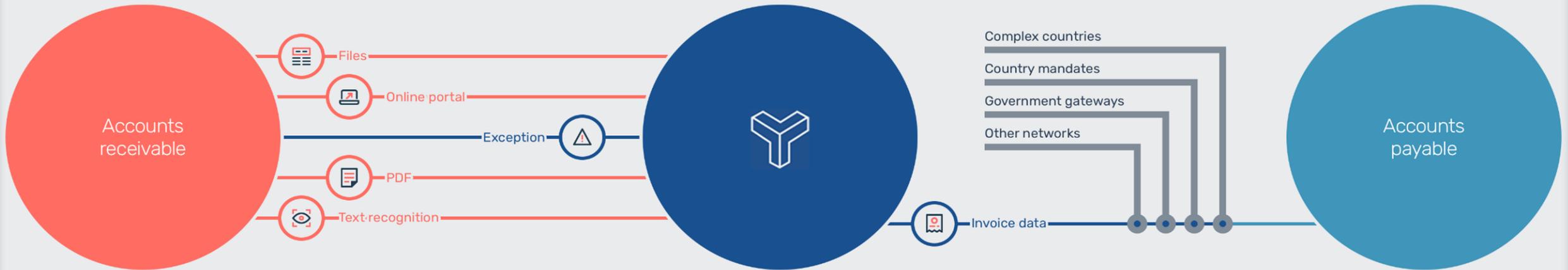
Broad Sector Coverage

Leading global buyers by volume



# Global Network connecting buyers and suppliers

The foundation of your world-class journey



# Why choose Tungsten?

- Multiple connection options
- Easy to do business with
- Excellence in straight through processing, lowering costs
- Delivering customer success
- Invoice compliance
- Seamless, efficient onboarding
- Proven, modern open platform



# Broad and established product portfolio

## Total AP

- Automating invoice processing for 100% of invoices for all types and all formats
- Superior data accuracy for a touchless solution

## Total AR

- Automating invoice processing for 100% of invoices for all types and all formats
- Delivering invoices in all formats across multiple networks

## Workflow

- Streamlining AP processes from invoice receipt to payment submission
- Permission driven and audit friendly solution

## Financing

- Optimising working capital management for suppliers on our network
- Partnering with Orbian to deliver an efficient solution

# Financial Review

Chris Allen

# Results at a glance

Operating metrics	P&L	Cash
<b>Transactions</b> 19.0m (FY19: 18.2m)	<b>Revenue</b> £36.8m (FY19: £36.0m)	<b>Net cash</b> £3.2m (FY19: £2.8m)
<b>New sales billings</b> £4.0m (FY19: £4.0m)	<b>Adjusted EBITDA<sup>(1)</sup></b> £2.7m (FY19: £0.6m)	<b>Net Cashflow</b> £0.4m (FY19: £(3.6)m)

(1) Adjusted EBITDA is calculated as earnings before net finance cost, tax, depreciation and amortisation, impairment of intangibles assets, loss on disposal of assets, foreign exchange gain or loss, share based payment expense and exceptional items, and is adjusted to include cash rental expenses and rental income.

# Revenue and gross profit

£m	FY20	FY19	Variance	% increase
Subscription	17.7	17.3	0.4	
Maintenance	1.9	1.7	0.2	
<i>Recurring</i>	<i>19.6</i>	<i>19.0</i>	<i>0.6</i>	
Transaction	11.5	10.9	0.6	
Archiving	2.9	2.6	0.3	
<i>Repeatable</i>	<i>14.4</i>	<i>13.5</i>	<i>0.9</i>	
Implementation	0.8	1.3	(0.5)	
Professional services	1.5	1.6	(0.1)	
<b>Network</b>	<b>36.3</b>	<b>35.4</b>	<b>0.9</b>	<b>+3%</b>
Network finance	0.5	0.6	(0.1)	
<b>Group</b>	<b>36.8</b>	<b>36.0</b>	<b>0.8</b>	<b>+2%</b>
Cost of sales	(1.6)	(1.9)	0.3	
<b>Gross profit</b>	<b>35.2</b>	<b>34.1</b>	<b>1.1</b>	<b>+3%</b>

## RECURRING

- Carry-over benefit from FY19 Italy mandate and RPI increases on AP and Workflow deal renewals

## REPEATABLE

- 4% transaction volume growth and Webform supplier price increase in August 2019

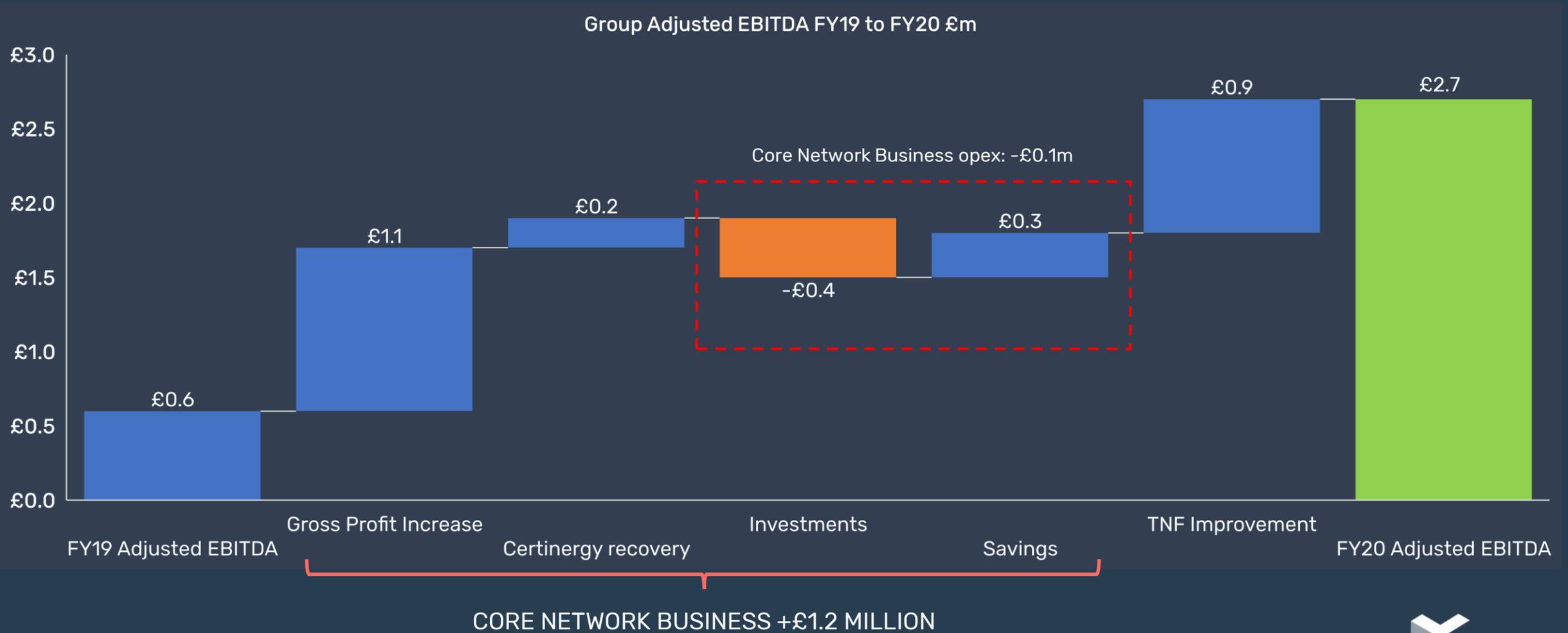
## OTHER

- FY19 benefit from Italy mandate, lower AP sales and lower Workflow upgrades

## COST OF SALES

- One-off recovery of historic debt with Certinergy purchased from TNF bank

# Adjusted EBITDA reconciliation



# Profit before tax

£m	FY20	FY19	Variance
<b>Adjusted EBITDA</b>	<b>2.7</b>	<b>0.6</b>	<b>2.1</b>
IFRS 16 adjustment	1.0	-	1.0
<b>EBITDA</b>	<b>3.7</b>	<b>0.6</b>	<b>3.1</b>
Depreciation & amortisation	(4.4)	(4.1)	(0.3)
Loss on disposal of assets	(0.6)	(2.2)	1.6
Goodwill impairment	(23.0)	-	(23.0)
Foreign exchange gain	0.8	1.7	(0.9)
Share based payments	(0.5)	(0.2)	(0.3)
Exceptional items	(1.5)	(1.0)	(0.5)
<b>Operating loss</b>	<b>(25.5)</b>	<b>(5.2)</b>	<b>(20.3)</b>
Net finance costs	(0.4)	(0.1)	(0.3)
<b>Loss before tax</b>	<b>(25.9)</b>	<b>(5.3)</b>	<b>(20.6)</b>

## GOODWILL IMPAIRMENT

- Partial write down of OB10 carrying value reflects unprecedented economic conditions

## EXCEPTIONAL ITEMS

- Restructuring of executive team and sales force (£0.9m); Board operating review (£0.4m); TNF wind down (£0.2m)

## FOREIGN EXCHANGE GAIN

- Arising on retranslation of UK/USA intercompany loan balances

## NET FINANCE COSTS

- Cash interest £0.1m lower on FY19; increase driven by IFRS16 interest on lease liabilities

# Cash and liquidity

£m	FY20	FY19	Variance
Cash from operations pre working capital	2.2	(0.4)	2.6
Working capital	1.9	-	1.9
<b>Cash generated from operations</b>	<b>4.1</b>	<b>(0.4)</b>	<b>4.5</b>
Capital expenditure	(3.0)	(3.3)	0.3
Lease payments	(1.1)	-	(1.1)
Interest	(0.3)	(0.4)	0.1
Tax	0.8	0.5	0.3
Exchange adjustments	(0.1)	-	(0.1)
<b>Net cash inflow/(outflow)</b>	<b>0.4</b>	<b>(3.6)</b>	<b>4.2</b>
Net cash	3.2	2.8	0.4
Drawn under RCF	2.0	1.0	1.0
Remaining RCF undrawn	2.0	3.0	(1.0)
<b>Total available liquidity</b>	<b>7.2</b>	<b>6.8</b>	<b>0.4</b>

## WORKING CAPITAL

- Strong £1.9m inflow reflects more efficient billing, cash collection and supplier payment terms

## IFRS16 LEASE PAYMENTS

- FY20 reclassification of lease payments from cash operating cashflow to financing cashflow

## TAXES

- Timing benefit from R&D tax credit booked in FY19 income statement

## LIQUIDITY

- Improved liquidity position; precautionary £1.0 drawn in March 2020 post COVID-19 outbreak
- RCF renewed until December 2023 on similar terms



## FY21 outlook

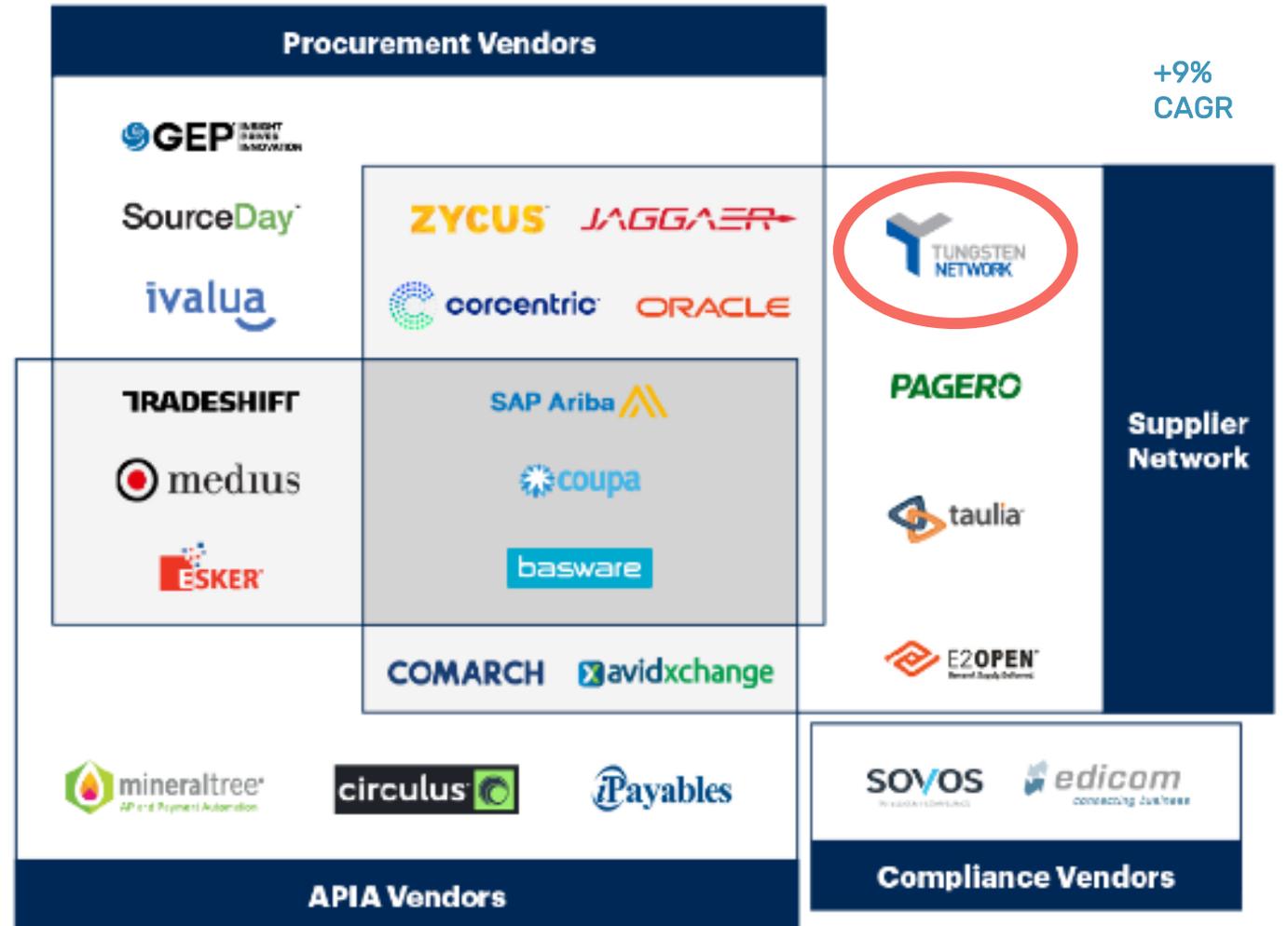
- Robust Q1 trading performance
  - 3 new customer wins
  - Major AP partnership with US bank
  - Orbian partnership begins generating revenue
- Despite the challenging external environment, we reiterate market expectations due to current pipeline visibility and expected sales improvements
- Full year revenue and EBITDA risk should transaction volumes remain at Q1 levels and fail to recover in line with expectations



# Priorities for the Year

Andrew Lemonofides

# E-invoicing is a distinct market opportunity



# Covid-19 Response

Impact	Actions	Liquidity
<ul style="list-style-type: none"><li>• No material financial impact to date</li><li>• Weaker transaction volumes</li><li>• No significant changes to sales cycle</li></ul>	<ul style="list-style-type: none"><li>• Plan implemented to enable remote working</li><li>• Review of property strategy underway</li><li>• Return to work committee established to review plans</li></ul>	<ul style="list-style-type: none"><li>• Refinanced RCF for another 40 months</li><li>• No cash bonuses paid for FY20</li><li>• Confident we have sufficient liquidity</li></ul>

# Our Strategy

Deepen relationships  
with existing customers

Increase our share of their invoice volume

Drive more value from our  
customer base

Additional product and services that complement  
e-invoicing

Drive the  
Network Effect

Expand market share by accelerating sales  
growth via direct and indirect routes to market

# Compelling investment case

1

**Fully invested network** with best in class straight through processing

2

Over 90% revenues repeatable and recurring allied to a value accretive financial model

3

**Blue chip customer base** provides a secure and geographically diverse customer base for future revenues



# Q&A

# Appendix

# New Executive Appointments

Improving our breadth and depth of expertise



**Andrew  
Lemonifides**

Chief  
Executive  
Officer

Joined from  
IWG plc



**Chris Allen**

Chief  
Financial  
Officer

Joined from  
WorldPay



**Jessica  
Oppenheimer**

Chief People  
Officer

Joined from  
IWG plc



**Eric Craig**

Chief Sales  
Officer

Joined from  
Sellex  
Consulting



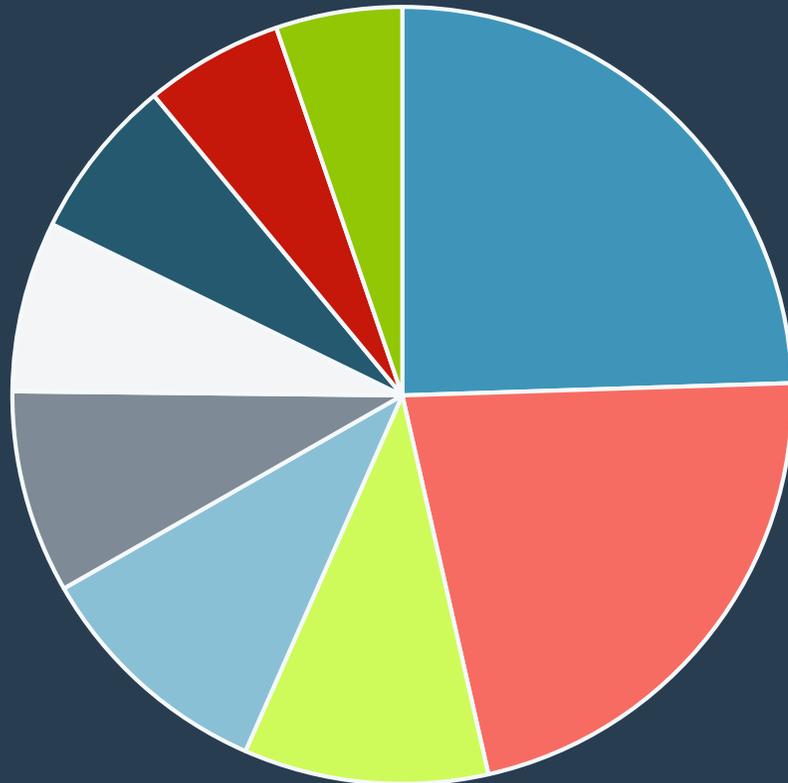
**Ian Kelly**

Chief  
Commercial  
Officer

Joined from  
Octave Music  
Group

# Significant Shareholders

A strong institutional investor base



- Odey Asset Management - 15.07%\*
- Disruptive Capital GP Limited - 13.07%
- Majedie Asset Management - 5.95%
- AXA Investment Management (Paris & London) - 5.95%
- Artemis Investment Management - 5.15%
- Miton Asset Management - 4.23%
- Invesco Perpetual Asset Management - 4.07%
- Hadron Capital - 3.43%
- Herald Investment Management - 3.14%

\*Inclusive of CFDs

# Case Studies



## Dixons extends e-invoicing strategy to all UK suppliers

Dixons Retail Group is a leading European retailing group, specialising in electrical goods who is no stranger to AP automation.

Despite processing 90% of its invoices through high-end EDI software and other methods, they still found that high volumes of invoices were being misdirected or submitted with incorrect data. Tungsten Network offered a solution that minimised invoicing exceptions and worked for Dixons Retail Group's manifold entities and suppliers.

*"We were already big proponents of electronic invoicing before working with Tungsten, but we needed an easy way of bringing e-invoicing to our suppliers who had not yet made the leap. With its expertise in supplier recruitment and a global e-invoicing network that is easy to use, Tungsten Network helped us achieve that goal."*



## Office Depot Europe sharpens its competitive edge with e-invoicing

Office Depot Europe is a major supplier of office produces to businesses throughout Europe and the Middle East. Operating in a highly competitive industry, it is imperative to seize any competitive advantage available.

Mired in manual payment processes, Office Depot Europe's back office was costing them time and money. However, as more and more of their major customers joined the network, they began to feel the benefits.

*"About 40% of our RFPs now ask about our e-invoicing capabilities, many of which ask if we are connected to Tungsten; being part of the network gives us an advantage." – Ellen Tosserams, e-Business Specialist Europe, Office Depot Europe"*

# Balance sheet adjustments from FY19 to FY20

£m	30 Apr 20	01 May 19	IFRS 16 impact	30Apr 19 restated	Restatements	30 Apr 19 originally reported
Goodwill	76.1	99.0	-	99.0	(3.1)	102.1
Intangible assets	17.7	18.7	-	18.7	-	18.7
Property, plant and equipment	1.6	1.7	(0.8)	2.5	-	2.5
Right-of-use assets	5.5	6.4	6.4	-	-	-
Other non-current assets	0.7	0.2	-	0.2	-	0.2
<b>Non-current assets</b>	<b>101.6</b>	<b>126.0</b>	<b>5.6</b>	<b>120.4</b>	<b>(3.1)</b>	<b>123.5</b>
Current receivables	6.2	7.5	-	7.5	-	7.5
Cash and cash equivalents	5.2	3.8	-	3.8	-	3.8
<b>Total assets</b>	<b>113.0</b>	<b>137.3</b>	<b>5.6</b>	<b>131.7</b>	<b>(3.1)</b>	<b>134.8</b>
Deferred taxation	-	-	-	-	1.5	(1.5)
Provisions	(1.3)	(1.4)	0.3	(1.7)	-	(1.7)
Lease liabilities	(6.2)	(6.9)	(6.9)	-	-	-
Borrowings	(2.0)	(1.0)	-	(1.0)	-	(1.0)
Other liabilities	(16.7)	(14.7)	0.4	(15.1)	(0.9)	(14.2)
<b>Total liabilities</b>	<b>(26.2)</b>	<b>(24.0)</b>	<b>(6.2)</b>	<b>(17.8)</b>	<b>0.6</b>	<b>(18.4)</b>
<b>Net assets</b>	<b>86.8</b>	<b>113.3</b>	<b>(0.6)</b>	<b>113.9</b>	<b>(2.5)</b>	<b>116.4</b>