WISETECH GLOBAL

1H24 RESULTS INVESTOR BRIEFING

21 February 2024

Speakers:

Richard White, CEO & Founder

Andrew Cartledge, CFO

Richard White CEO & Founder

Slide 5 – 1H24 highlights

Good morning everyone, and thank you for joining us today for our first half 2024 financial year results briefing.

Before we look at the financial highlights, I want to draw your attention to four key points we'd like to focus on in today's results:

- We have delivered a strong first half performance, with our margin rate ahead of expectations; as we continue to execute on our 3P strategy.
- We have invested over $1 billion in product development over the last five years with our accelerated rate of R&D investment and improved productivity over the last 12 months set to continue. This increasingly powerful engine, underpins our product delivery and drives revenue growth for WiseTech and value creation for our customers.
- We continue to enhance CargoWise's landside logistics capability with the addition of MatchBox Exchange which we acquired in October, while the integration of all our recent acquisitions is progressing well.

- And lastly, CargoWise momentum continues with three new Large Global Freight Forwarder rollouts including Sinotrans, which is a Top 25 Global Freight Forwarder, meaning we now have 13 of the Top 25 on global roll-outs.

I would like to call out the passion, dedication, hard work and focus of our team of more than 3,300 people around the world. I thank them all for the work they do, our success is only possible because of their efforts.

Slide 6 – 1H24 – strong financial performance

In the first half 24 we delivered a total revenue of $500.4 million, representing a $122.2 million, or 32% increase on our first half 23.

Organically, total revenue was up 15%.

The vast majority of growth came from CargoWise, with revenue up 40% to $420.7 million, an outstanding result which includes the benefit of our recent strategically significant acquisitions. This delivered CargoWise recurring revenue of 99%, and combined with incredibly low customer attrition of less than 1%, drives our ability to consistently grow revenue each year.

EBITDA was up 23% to $229.9 million versus the prior corresponding period. As we explained at the full year 23 results, due to the near-term dilutive impact of our recent acquisitions, our EBITDA margin is down 4 percentage points to 46% versus the first half 23. Our organic EBITDA was up 16%, with an EBITDA margin of 53%, flat on the first half 23. The margin rate is ahead of expectations which Andrew will talk about later.

Our Underlying NPAT for the half was up 5% to $128.4 million, and our free cash flow for the first half of 24 of $155.3 million was up 13% on the first half 23. We are delivering high quality earnings giving us plenty of headroom to execute on our organic growth plans and further acquisition opportunities that may arise.

The interim dividend of 7.7 cents per share is up 17% on the first half 23, representing a payout ratio of 20% of Underlying NPAT.

What these results show is the value of our 3P strategy, which we consistently deliver against through the strength of our software, diversity of our revenue growth, and the agility of our talented team to adapt to changes in the evolving logistics industry.

Andrew will now take you through our detailed financial performance.

Andrew Cartledge Chief Financial Officer

Slide 7 – 1H24 financial review

Thanks Richard and good morning, everyone. Before getting into the financials, I wanted to remind you that as we've previously explained and contemplated in our FY24 guidance, our recent acquisitions, while strategically significant and value accretive over the long-term, do have a near-term dilutive impact on margins, which is reflected in these results and noted throughout my commentary.

Slide 8 – 1H24 results

Starting with an overview of our first half financial performance on slide 8.

As Richard noted, the business delivered strong revenue growth in the first half, with Total revenue up 32% on 1H23 to $500.4 million, largely driven by strong CargoWise growth, which was up 40% to $420.7 million.

Organically, Total CargoWise revenues grew by 19% on 1H23, with recent M&A contributing an additional $53.0 million.

Gross profit for the half was up 29% on 1H23, with the gross profit margin of 84% down 2 percentage points on 1H23, reflecting dilution from recent M&A.

Organically, EBITDA grew by 16% to $230.6 million, with underlying EBITDA margin in line with first half 23 at 53%. Reported EBITDA was up 23%, with the EBITDA margin of 46%, reducing 4 percentage points on 1H23, again due to the dilutive impact of recent acquisitions and cost investments in product development to drive future growth.

Our first half margin rate is stronger than anticipated. As we progress with the integration of Envase and Blume some planned cost investments have been delayed or eliminated as we leverage WiseTech's global scale to recognize synergies. We've also focused our efforts on larger product initiatives, consequently this generates larger revenue growth opportunities slightly later than originally planned.

This strong organic EBITDA growth reflects our top line growth underpinned by Large Global Freight Forwarder rollouts, pricing, new product releases, as well as the impact of enhanced operating leverage and ongoing financial discipline. The increase in product investment for future growth held the organic EBITDA margin flat on 1H23.

The 17% growth in EBIT reflects a 46% increase from 1H23 in depreciation and amortization, equating to an increased cost of $17.2 million, driven by an additional $7 million of acquired amortization from recent M&A, $6.9 million from amortization, and a $3.2 million increase in depreciation.

The increase in acquired amortization included a favorable adjustment of FY23's preliminary acquisition accounting values. In 2H24, we expect acquired amortization to be approximately $12 million assuming no further acquisitions.

Underlying Net Profit after Tax for the half was up 5% on 1H23 to $128.4 million, with net finance costs of $9.0 million primarily reflecting interest on our drawn debt facility, to fund recent M&A, reducing NPAT growth by approximately 7 percentage points.

Underlying EPS was up 4% to 38.8 cents per share, with statutory NPAT up 8% to $118.2 million.

Slide 9 – 1H24 revenue growth

On slide 9, you can see the split between recurring and non-recurring revenues, as well as between CargoWise and non-CargoWise revenues.

For a SaaS and subscription-based business like WiseTech, recurring revenue represents revenues from customers who use our products consistently. Our high proportion of recurring revenues gives us good visibility over future performance.

In 1H24, recurring revenue grew by 31%, or $111.4 million excluding the impact of FX. This was driven by further Large Global Freight Forwarder rollouts, price increases to offset the impact of inflation and generate returns on product investment, new products released in prior periods, and revenues from recent acquisitions.

On the right-hand side of the slide, you can see the contribution from the strong organic growth in CargoWise revenue, which was up $58.6 million, or 19% excluding FX.

Of this, $50.1 million was from existing CargoWise customers, and $8.5 million was from new customers. This growth also reflects new Large Global Freight Forwarder rollouts, price increases, and new products released in prior periods.

Importantly, as Richard said, CargoWise customer attrition remains extremely low at less than 1%, demonstrating the 'stickiness' of the CargoWise platform for customers and emphasizing the significant long-term value generated from each CargoWise customer under our SaaS model.

Slide 10 – 1H24 operating expenses

On slide 10, you can see our operating expenses across Product design & development; Sales & marketing; and General & administration, where our strong revenue growth and efficient operating model continues to drive operating leverage.

Overall operating expenses as a percentage of revenue were up 1 percentage point from 1H23, with the impact of our recent M&A the main driver. Importantly, operating expenses as a percentage of revenue were down 2 percentage points from 2H23. This demonstrates our ongoing operating leverage, which is offsetting the previously mentioned gross profit margin dilution from recent M&A and underpins our confidence to return to 50%+ EBITDA margins in FY26.

Product design & development expenses increased by $27.4 million on 1H23 or 2 percentage points of revenue due to recent M&A and investments in CargoWise innovation and development. Expenses supporting maintenance of non-CargoWise platforms represented 23% of total PD&D expenses, down 8 percentage points on 1H23, a trend which is expected to continue. Sales & marketing expenses of $38.1 million increased 2 percentage points on 1H23 to 8 percent of revenue, with the increase attributable to recent M&A.

General & administration expenses as a percentage of revenue were down by 2 percentage points on 1H23, returning to pre-FY23 levels. Excluding M&A costs, G&A expenses were flat year-on-year at 14% of revenue.

Slide 11 – 1H24 research & development

Turning now to slide 11, where you can see our R&D investment, which as previously communicated has deliberately accelerated as we focus on innovation and product development as a strategic priority.

Our overall R&D investment increased by $62.4 million, or 54% versus 1H23, reflecting hiring activity to drive future revenue growth, and recent M&A activity.

Overall, this represents a reinvestment of 35% of our revenue in R&D, which is slightly higher than prior periods and increasingly weighted towards CargoWise.

54% of our 1H24 R&D investment was capitalized, up 1 percentage point on the prior corresponding period and remaining above the target range of 40%–50% as expected. This reflects the quality of our development process, which is delivering stronger productivity and lower defects, which allows our team to focus on developing new products, that will drive future revenue growth.

We expect this level of capitalization to continue through FY24 as we invest in new product releases across our six key development priorities, which can be seen in development costs for work in progress R&D increasing by 86% to $71.6 million at December 23, versus December 22.

We delivered 576 new product enhancements on the CargoWise application suite in the first half, bringing total enhancements delivered to more than 5,500 over the last five years from a total investment of over $1 billion. CargoWise product development resources increased by 86% versus 1H23, driven equally by increased hiring and M&A activity, with 62% of our global workforce now focused on product development, up 5 percentage points from 1H23.

Slide 12 – 1H24 balance sheet

Moving to slide 12, you'll see how our strong balance sheet and liquidity provide a solid platform for future growth.

At 31st December 23, we had total liquidity of $445 million, providing significant financial flexibility and headroom to fund strategic growth opportunities, as demonstrated by our recent acquisitions.

The $109.8 million increase in intangible assets was driven largely by investments in capitalized development and recent M&A, partially offset by amortization.

Turning to our liabilities, our borrowings decreased by $25 million as we took the opportunity to pay down some of our debt from free cash flow generation.

In October 23, we refinanced with a new 5-year, half a billion dollar unsecured debt facility maturing in FY29 which was well supported by a diversified panel of 9 banks.

The $102.9 million increase in share capital reflects new shares issued as consideration for acquisitions, as well as to the Employee Share Trust to fund our employee equity programs. Our employee equity programs are a key component of our policy to support staff retention, attract high-quality talent and encourage long-term value-creation across our workforce, which is reflected in the high proportion of our people with WiseTech shares and share rights.

Slide 13 – 1H24 cash flow performance

Finally, turning to our strong cash flow performance on slide 13.

In 1H24, our operating cash flows were up 23% versus 1H23 to $249.9 million, demonstrating the strength of our highly cash-generative operating model.

In 1H24, we increased the proportion of our operating cash flows reinvested to support long-term growth initiatives to $94.6 million, which were invested primarily in product development and data center capacity.

Our operating cash flow conversion rate remained strong at 109%, in line with the prior corresponding period.

Free cash flow for 1H24 was up 13% to $155.3 million, with higher operating cash flows partially offset by increased product investment.

Free cash flow conversion reduced by 6 percentage points on 1H23 to 68%, reflecting increased R&D investment and the dilution from recent M&A.

Taking the sum of our total revenue growth and free cash flow margins, our Rule of 40 was 63% in 1H24, which remains highly attractive when compared to SaaS businesses globally.

To summarize, we're pleased with WiseTech's financial performance in the first half of FY24. The business is continuing to grow at a healthy pace, with EBITDA margins ahead of our forecasts, and underlying earnings and cash flow remaining strong. Our highly cash generative business model and strong liquidity continue to provide a solid platform to fund long-term sustainable growth.

Back to you, Richard...

Richard White CEO & Founder

Slide 14 –Strategy & outlook

Thank you, Andrew.

Slide 15 – WiseTech's '3P' strategy

WiseTech's strategic vision is, to be ***the operating system for global logistics,*** and we continue to make excellent progress towards achieving this vision through consistent execution of our 3P strategy: Product, Penetration and Profitability.

The logistics industry is complex, dynamic, and ultra-competitive. CargoWise's competitive advantage is its proven ability to rapidly enhance productivity and capability, at scale and globally, delivering an accelerating continuum of competitive advantages to existing customers and attracting potential customers away from unproductive and increasingly problematic legacy systems. With the majority of the Top 25 Global Freight Forwarders now on or moving to CargoWise, CargoWise is rapidly becoming the de facto standard.

Slide 16 – Development priorities to extend the CargoWise ecosystem

Looking at product development, we continue to focus on six priorities, in order to deepen the value that we create from CargoWise and build even more capabilities over the long term. Five of the six priorities have now had significant product investment or have been strengthened by M&A. In the first half, we completed a tuck-in acquisition, Matchbox Exchange, and a Mexico foothold acquisition, Sistemas Casa. I'll touch on these in more detail later.

In each of these development priorities, we drive adoption of, or create increased attraction to implement CargoWise. Additionally, we are creating access to entirely new addressable markets, by solving deeply complex supply chain issues. R&D remains a critical component to our growth with over $1 billion invested in R&D over the last five years, delivering more than 5,500 product enhancements. In the first half 24 alone, we released 576 product enhancements.

As a product led company, we have a long-term strategy of not releasing new products commercially until we have delivered an industry leading or breakthrough component that provides the full set of features, functionality and usability that our customers need, at the quality and reliability that our customers expect in today's rapidly changing environment.

We currently have $71.6 million in process R&D, up from $38.5 million a year ago, with a large and growing number of customers signing up to our Early Access program, which allows them to gain access to advanced features still under development. Our mantra of *slower today, faster forever* drives the way we approach our product development and commercial release.

Slide 17 – Product development, machine learning, AI, big data

Now, I would like to give you a short update on the use of our machine learning, generative AI, big data and our business and product automations in general.

Firstly, I would like to remind you that we have spent over $1 billion in product development over the last five years alone, and we have been using machine learning, big data and automation extensively for over 10 years. Our first half 24 R&D investment has risen to $177.5 million, which is 54% higher than in the first half 23, with 35% of revenue reinvested in R&D. This investment, its continued growth, and our relentless pursuit of software development productivity, will drive revenue expansion opportunities, including within landside logistics and other major core and adjacent markets, as these large product developments come to market.

Some of you will have noticed that we said very little about AI last year, deliberately avoiding the buzzwords and hype often seen in this rapidly evolving AI space. We have been quietly working with a select set of new AI capabilities to enhance our existing machine learning, big data and automations, focusing on our capability and productivity, within our software development function, across the company's many teams and functions, and within our already highly productive CargoWise ecosystem.

This careful infusion of further AI automation and productivity enhancements is already providing a substantial number of major opportunities to improve our own business and the capabilities and productivity of our CargoWise customers.

This includes improved productivity and automation in areas such as software development, marketing, sales, training, staff development, product support, customer service, talent acquisition, industry training, WiseTech Academy courseware, across the business units and within our CargoWise ecosystem and customer base.

As a short, and hopefully entertaining, demonstration of this expanding capability, our publication of this script on our Investor Relations portal will include multi-lingual avatars of myself and Andrew speaking in English, French, German and Spanish. It is important to note that these foreign language videos are avatars machine translated from the English script but not otherwise verified, and should be treated as demonstration only.

Slide 18 – Expanding the CargoWise ecosystem

All of this investment in product and automation will continue to grow the platform and its customers, and drive further productivity and capability across our product portfolio, enhancing our customer value chain.

These product opportunities enhance our core international freight forwarding market and extend our reach into key adjacent markets like customs, compliance, warehousing and landside logistics. They are attractive to existing and new customers, and they expand our capabilities into new market segments.

As I mentioned in our full year 23 results, we have launched and deployed Neo to a growing number of customers. This deep additional value set allows our customers to better service their customers.

As I referred to earlier, in November we announced the acquisition of a customs foothold business in Mexico called Sistemas Casa. Mexico is the second largest economy in Latin America and now the largest trading partner with the US, it is also the 17th largest export economy globally.

Today, our CargoWise global customs capability covers approximately 55% of global manufactured trade flows. With active development projects underway and with our most recent foothold acquisition, Sistemas Casa, this will lift the under development coverage to more than 75%. We continue to build foothold capabilities to meet our long-term objective of covering 90% of global manufactured trade flows.

Slide 19 – CargoWise Landside Logistics

The expansion of our CargoWise ecosystem into landside logistics drives a significant increase in our addressable market, beyond international freight forwarding.

Our integration of Envase and Blume into the WiseTech group is progressing well, and as Andrew mentioned, we have reduced some investments as we refocused on larger product initiatives, and realized synergies faster than expected from the removal of duplication and the redeploying of talent into other development roles.

CargoWise can now manage marine and intermodal containers for US trucking, railroads, ocean carriers, intermodal equipment providers, global freight forwarders and BCOs, digitally linking and integrating planning, execution, and visibility.

Our acquisition of MatchBox Exchange in October was another key component in bringing strong container optimization into our capability stack. The MatchBox platform enables import containers to re-use directly to an export activity, which is a major efficiency improvement compared with returning the container to a container park.

Slide 20 – Penetration

Turning to our second 'P', *Penetration*, we can see the value and power of the CargoWise system in the progress we have made in securing further global rollouts in the first half 24. Adding to our list of Top 25 Global Freight Forwarders, we have secured a CargoWise global rollout with Sinotrans, bringing our penetration of the Top 25 Global Freight Forwarders now 'In Production' or 'Contracted and In Progress' to 13, which is more than half of the Top 25.

We have also secured two further Large Global Freight Forwarder rollouts with APL Logistics and Yamato Transport, which brings the total number of Large Global Freight Forwarder rollouts to 49.

CargoWise has become THE platform of choice for global logistics service providers.

Slide 21 – Top 25 'In Production' on CargoWise significantly outperform

Using Armstrong & Associates data which tracks the Top 25 Global Freight Forwarder marine container volumes, we know that our 'In Production' Large Global Freight Forwarder clients have over the last 12 years grown by 82% compared to 12% for the remaining Top 25. This difference is staggering.

CargoWise is likely to gain substantial additional customer attraction, given what we are presenting here today.

Slide 22 – Profitability

Finally, our third "P", *Profitability*.

We remain focused on driving returns through our high growth, scalable SaaS model which delivers strong profitability and operating cash flows.

Our company-wide efficiency program delivered a net benefit of $1.2 million in the first half 24, with the remainder of the forecast $15 million net savings on track to be realized in the second half, on our way to achieving $40 million of annual run rate savings. We are both growth and cost focused, and these programs continue to enhance our operating leverage.

As Andrew has mentioned, our integration focus has been on leveraging WiseTech's global scale to recognize synergies allowing us to delay or eliminate some planned cost investment in Envase and Blume. We expect EBIDTA margins to return to more than 50% in the full financial year 26.

Slide 23 – FY24 guidance reconfirmed

This leads me to our guidance for the full year 24 and our continued strong growth outlook. Our guidance is based on the assumptions we have set out in the appendix of our investor presentation.

Assuming there are no material changes to these assumptions and no unforeseen events that arise prior to 30 June 2024, we reconfirm guidance and expect to deliver full year 2024 revenue in the range of $1.04 billion to $1.095 billion, representing revenue growth of 27 to 34%, with CargoWise revenue expected to grow at the lower end of the 34 to 43% range overall.

In terms of full year 24 EBITDA, we expect to deliver $455 to $490 million, representing EBITDA growth of between 18 and 27%.

As outlined on the slide, we expect full year 24 revenue and earnings to be less weighted to the second half than in full year 23, which had a 46%/54% split, as this includes the impact of slight delays in several large product releases.

Slide 24 – Business model and strategy delivering sustainable shareholder value

We have delivered a strong track record of revenue, EBITDA and EBITDA margin growth since our listing on April 11, 2016. Delivering 34% revenue CAGR, and 43% EBITDA CAGR, and 54% free cash flow CAGR really demonstrates the focus on our strategy and the strength and resilience of our business model.

To wrap up today, I'd reiterate my comments from the start of the presentation.

- We have delivered a strong first half 24 performance as we continue to execute on our 3P strategy.
- We have invested over $1 billion in product development over the last five years with our accelerated rate of investment over the last twelve months set to continue.
- We continue to enhance CargoWise's Landside Logistics capability with the addition of MatchBox Exchange, while the integration of all our recent acquisitions is progressing well.
- And lastly, CargoWise momentum continues with three new global rollouts by large global freight forwarders including Sinotrans which is a Top 25, meaning we now have 13 of the Top 25 on global rollouts.

This is a truly exciting time for our business, our global team, and our customers. Our credo says it best: we are truly, deeply, passionate about what we do…. and we use all of our empathy, energy, focus, courage, talent, drive and logic to confront the really big stuff that others will not.

I'm excited by the huge potential we have ahead of us. My team and I look forward to reporting on our progress in the months and years ahead.

Let's open for questions.

Slide 25 – Q&A