Geo

NZX and Media Release 22 August 2022

UNAUDITED FINANCIAL RESULTS FOR THE YEAR ENDED 30 JUNE 2022

GEO MAKES SIGNIFICANT INVESTMENTS IN PRODUCT IMPROVEMENTS AND UK MARKET LAUNCH

GEO (NZX.GEO, the **Company**) today announces its unaudited financial results for the year ended 30 June 2022, with details of the accelerated investment programme undertaken following its capital raise in October 2021.

Summary

- **Financial Result to 30 June 2022:** Reflecting the Company's accelerated investment in product and technology capability and the launch of its UK office, its net loss from operations increased by 77.7% to $(3.2)m[1], its EBITDA[2] loss increased by 160.2% to $(2.0)m and operating and investing cash outflow (excluding impact of $1.3m funds invested into term deposits) increased by 113.8% to $(2.7)m.
- **Revenues:** Subscription revenues were up 1.2% to $3.1m, while the annualised recurring subscription revenue run rate (ARR) at year end increased by 5.9%. Group revenues decreased by 11.2% (due to prior year impact of discontinued operations and now-discontinued COVID-19 subsidies).
- **Customer Wins:** FY22 saw a continuation of the strong positive trendlines in customer acquisition:
  - new customer wins up sharply with 85% growth over PCP, new licence sales up 72% on PCP, and new customer ARR up 80% on PCP;
  - new customer growth of 55% on starting customer numbers; and
  - new customer ARR growth (i.e. before churn) of 23.6% for FY22, with the year-end run rate up to 30.4% (v 18.6% at end of FY21[3]).
- **Licence numbers per customer:** New customers onboarded averaged 3.5 licences versus the existing customer base average of 9.0 licences. *Geo* customers typically sign up at lower licence levels and then gradually increase licences over time as their businesses grow or broaden usage of the product across entire teams.
- **Retention:** Average ARR retention decreased from 90.5% in FY21 to 83.8% due to a mix of large new customer numbers and churn from the Company's legacy platform. Significant product upgrades from September 2022 and improved onboarding approaches are expected to improve retention rates from Q2FY23.
- **Cost base:** Operating costs increased by 18.1% due primarily to increase in customer acquisition marketing costs and the partial year impact of the doubling of the Company's Product & Development teams. R&D costs increased by 4.2%, while general overheads were reduced by 7.9%.
- **UK:** All major UK launch expenses were incurred in FY22, with initial conversion rate improvements observed due to the establishment of a local presence.
- **Sales and Marketing:** staffing and spend increased by 84% as customer acquisition activities grew in ANZ and launched in the UK, delivering an 85% increase in new customer sales over FY21. Increasing spend in alignment with product releases is expected to drive sustained growth.
- **Cash Flows and Capital Position:** Investing and operating cash outflows (excluding cash invested on term deposit) increased by $1.5m to $2.7m, reflecting increased marketing ($0.4m), staffing (including capitalised R&D) ($0.2m) and one-off COVID grants and sale proceeds from discontinued operations received in PCP ($0.4m). Monthly operating and investing cash burn averaged ~$0.4m in Q4 reflecting the full run rate of new staffing costs. As at 30 June 2022, GEO had $4.1m in cash at hand and on term deposit.

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1. All figures are for the twelve months ended 30 June 2022 unless otherwise stated.
2. Earnings before Interest, Tax, Depreciation and Amortisation, excluding discontinued operations
3. Based on Q4 rate annualised
4. All comparisons are versus FY21 unless otherwise stated

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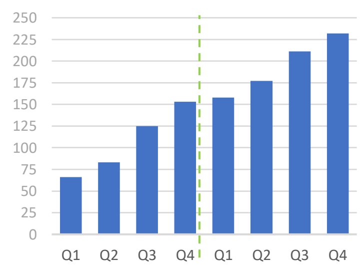
Financial Year Summary

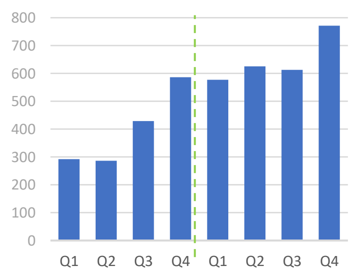
YEAR ENDED 30 JUNE	2022 $'000	2021 $'000	VARIANCE $'000	VARIANCE %
Revenues from continuing operations				
Geo recurring subscription revenue	3,110	3,074	36	+1.2%
Training & implementation fees	3	-	3	nm
Other revenues (incl. grants)	395	623	(228)	-36.6%
Total revenues excl. discontinued operations	3,508	3,697	(189)	-5.1%
Add: discontinued operations	-	255	(255)	-100.0%
Total revenue incl. discontinued operations	3,508	3,952	(444)	-11.2%
Geo Annual Recurring Revenue - at 30 June	*3,332*	*3,147*	*185*	+5.9%
Earnings				
Statutory net (loss) after tax	(3,180)	(1,790)	(1,390)	+77.7%
EBITDA (excluding discontinued operations)	(2,009)	(772)	(1,237)	+160.2%
Operating & investing cash flows (excl. impact of funds invested in term deposit) [1]				
Operating cash flows	(1,648)	(670)	(978)	+146.0%
Investing cash flows (excl. term deposit investment)	(1,091)	(611)	(480)	+78.6%
Total underlying operating & investing cash flows	(2,739)	(1,281)	(1,458)	+113.8%

Quarterly Trend Summary (FY21 – FY22, eight quarters)

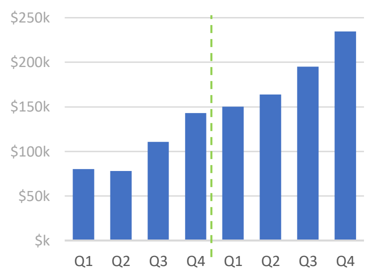
NEW CUSTOMERS



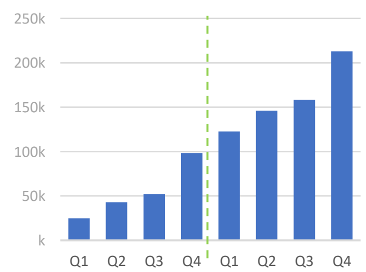
NEW LICENCES



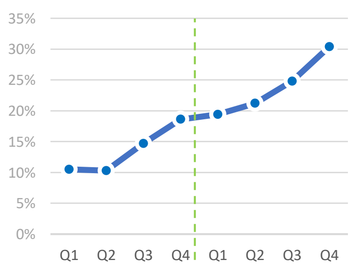
NEW ARR



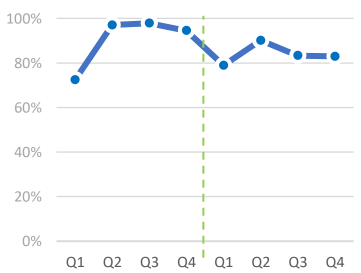
MARKETING SPEND



ARR GROWTH RATE - NEW CUSTOMERS (ANNUALISED)



ARR RETENTION RATE (ANNUALISED)



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1. Cash invested in term deposits for a period greater than 90 days were classified as an investing cash outflow in FY22. Funds held by GEO on term deposit are due to mature in November 2022. To allow for ease of comparison to prior period, the impact of cash invested in term deposit has been removed from Operating and Investing Cash Flows for the purpose of this summary.

Commentary

CEO Commentary FY22

Tim Molloy said:

"We are delighted to have delivered four consecutive record quarters in new customer growth during FY22. Our go-to-market and sales operations are well established in Australia and New Zealand, and we have progressively increased our investment in them on the back of strong results.

"In the UK we now have dedicated resources on the ground addressing this large and attractive market. Our UK results continue to improve as we learn and respond to the subtle differences of that market. Our investment there provides a compelling medium-term growth opportunity for GEO.

"Our strong new customer revenue growth was offset by lower customer retention than expected. Q1 retention was affected by COVID, with Q2 bouncing back to target levels. In Q3 and Q4 retention dropped due to a combination of lingering COVID and product issues, which we are rapidly resolving. With the first of a number of major product upgrades scheduled from September 2022, we are confident that retention will trend back to targeted levels.

"We have accelerated our investment in product and engineering in order to innovate at speed and deliver the product features our customers want. Major new functionality releases will improve customer retention and enable the business to scale through customer acquisition.

"While the combined investment in product, technology and the UK have driven an increased cash burn, we are confident these investments will underpin customer retention, new customer acquisition and improved financial metrics moving forward. We note that at Q4 rate of customer acquisition, a reversion to targeted retention rates would result in net ARR growth of ~21%.

"I would like to thank the GEO team for their dedication, hard work and focus as we continue to advance our company."

Chair Commentary FY22

GEO Chair Rod Snodgrass said:

"With a solid shareholder base encouraging GEO to innovate and grow faster, we have doubled the size of our product and engineering teams, laid the groundwork for faster innovation and have opened our first international office, in the UK. We are confident these measures will deliver strong metrics."

For more information:

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ABOUT GEO

Geo is a leading SaaS business that provides smart software platforms for tradies, field and home service businesses. The market for Geo's products is growing quickly as the global mobile workforce expands. Geo's simple yet powerful software platform helps business owners reduce the complexity of running their business whilst saving time and improving cashflow. For more information: www.geoworkforcesolutions.com

NZX NEW ZEALAND'S EXCHANGE TE PAEHOKO O AOTEAROA

Results announcement

Geo

Results for announcement to the market		
Name of issuer	Geo Limited	
Reporting Period	12 months to 30 June 2022	
Previous Reporting Period	12 months to 30 June 2021	
Currency	NZD	
	Amount (000s)	**Percentage change**
Revenue from contracts with customers	$3,113	+1.3%
Total Revenue & Other Income	$3,508	-5.1%
Net profit/(loss) from continued operations	$(3,180)	+60.4% (increase in loss)
Net profit/(loss) attributable to security holders	$(3,676)	+106.3% (increase in loss)
Interim/Final Dividend		
Amount per Quoted Equity Security	No dividends paid or proposed	
Imputed amount per Quoted Equity Security	Not Applicable	
Record Date	Not Applicable	
Dividend Payment Date	Not Applicable	
	Current period	**Prior comparable period**
Net tangible assets per Quoted Equity Security	$0.012	-$0.011
A brief explanation of any of the figures above necessary to enable the figures to be understood	Refer to attached 'Results Announcement' documents	
Authority for this announcement		
Name of person authorised to make this announcement	Tim Molloy	
Contact person for this announcement	Tim Molloy	
Contact phone number	+61 411 592 180	
Contact email address	tim.molloy@geoworkforcesolutions.com	
Date of release through MAP	22 August 2022	

Unaudited financial statements accompany this announcement.

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2022

STATED IN NEW ZEALAND DOLLARS	2022 $'000	2021 $'000
Revenue and other income from continuing operations		
Revenue from contracts with customers	3,113	3,074
Other income	395	623
Total revenue and other income	**3,508**	**3,697**
Expenses		
Research and development	(1,228)	(1,179)
Sales and marketing	(2,122)	(1,131)
General operating and administration	(2,166)	(2,352)
Depreciation and amortisation	(1,072)	(915)
Total expenses	**(6,588)**	**(5,577)**
Finance expense	(100)	(103)
(Loss) from operations before tax	**(3,180)**	**(1,983)**
Income tax benefit	-	-
Net (loss) from continuing operations for the year	**(3,180)**	**(1,983)**
Profit (loss) on discontinued operations, net of tax	-	193
Net (loss)	**(3,180)**	**(1,790)**
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
(Loss)/gain on translation of foreign operations	(496)	8
Total comprehensive income for the year, net of tax attributable to shareholders	**(3,676)**	**(1,782)**
Earnings per share attributable to the ordinary equity holders:		
Profit or (loss)		
Basic (loss) per share (cents)	(2.13)	(1.95)
Diluted (loss) per share (cents)	(2.13)	(1.95)
Profit or (loss) from continuing operations		
Basic (loss) per share (cents)	(2.13)	(1.76)
Diluted (loss) per share (cents)	(2.13)	(1.76)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2022

STATED IN NEW ZEALAND DOLLARS	SHARE CAPITAL $'000	SHARE BASED PAYMENT RESERVE $'000	FOREIGN CURRENCY TRANSLATION RESERVE $'000	RELATED PARTY LOANS – CONVERTIBLE NOTE $'000	ACCUM-ULATED (LOSSES) $'000	TOTAL EQUITY $'000
Balance at 1 July 2020	32,874	146	284	202	(33,022)	484
(Loss) for the year	-	-	-	-	(1,790)	(1,790)
Gain/(loss) on translation of foreign operations	-	-	8	-	-	8
Total comprehensive income	**-**	**-**	**8**	**-**	**(1,790)**	**(1,782)**
Transactions with Owners in their capacity as owners						
Issue of shares	1,935	(116)	-	-	-	1,819
Convertible note	-	-	-	34	-	34
Share based payment	-	263	-	-	-	263
Balance at 30 June 2021	**34,809**	**293**	**292**	**236**	**(34,812)**	**818**
(Loss) for the year	-	-	-	-	(3,180)	(3,180)
Gain/(loss) on translation of foreign operations	-	-	(496)	-	-	(496)
Total Comprehensive Income	**-**	**-**	**(496)**	**-**	**(3,180)**	**(3,676)**
Transactions with Owners in their capacity as owners						
Issue of shares	6,861	(224)	-	-	-	6,637
Share-based payment	-	435	-	-	-	435
Balance at 30 June 2022	**41,670**	**504**	**(204)**	**236**	**(37,992)**	**4,214**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

STATED IN NEW ZEALAND DOLLARS	2022 $'000	2021 $'000
Current assets		
Cash and cash equivalents	2,786	927
Term deposits	1,260	-
Trade and other receivables	635	504
Total current assets	**4,681**	**1,431**
Non-current assets		
Property, plant & equipment	136	225
Intangible assets	2,244	2,027
Other assets	52	50
Total non-current assets	**2,432**	**2,302**
Total assets	**7,113**	**3,733**
Current liabilities		
Trade and other payables	855	704
Contract liabilities and other deferred income	637	696
Related Party Loans	1,264	-
Lease liabilities	120	116
Total current liabilities	**2,876**	**1,516**
Non-current liability		
Liability for long service leave	23	19
Related party loans – convertible note	-	1,264
Lease liabilities	-	116
Total non-current liabilities	**23**	**1,399**
Total liabilities	**2,899**	**2,915**
Net assets	**4,214**	**818**
Equity		
Share capital	41,670	34,809
Share-based payments reserve	504	293
Related party loans – convertible note	236	236
Accumulated losses	(37,992)	(34,812)
Foreign currency translation reserve	(204)	292
Total equity	**4,214**	**818**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2022

STATED IN NEW ZEALAND DOLLARS	2022 $'000	2021 $'000
Cash flows from operating activities		
Cash was provided from (applied to):		
Receipts from customers	3,086	3,148
Grants received	316	562
Receipt of COVID-19 government subsidies	-	189
Interest received	6	3
Payments to suppliers & employees	(4,916)	(4,543)
Payment of contract acquisition costs	(140)	(29)
Net cash (outflow) from operating activities	**(1,648)**	**(670)**
Cash flows from investing activities		
Cash was provided from (applied to):		
Bonds matured/(purchased)	-	10
Cash put on term deposit	(1,260)	-
Purchase of property, plant and equipment	(29)	(6)
Capitalised development costs – application software	(1,062)	(769)
Capitalised trademark costs and other intangibles	-	(26)
Sale of discontinued operations	-	180
Net cash (outflow) from investing activities	**(2,351)**	**(611)**
Cash flows from financing activities		
Cash was provided from (applied to):		
Related party loans received	-	277
Related party loans interest paid	(90)	(88)
Capital raising costs	(384)	(185)
Principal paid on lease liabilities	(120)	(102)
Interest paid on lease liabilities	(10)	(15)
Issue of ordinary shares	7,021	2,005
Net cash inflow from financing activities	**6,417**	**1,892**
Net increase in cash held	**2,418**	**611**
Cash and cash equivalents at start of the period	927	313
Exchange (losses)/gains on cash and cash equivalents	(559)	3
Balance at end of the year	**2,786**	**927**

Liquid investments not included above:

Cash held on term deposit	1,260	-

BASIS OF PREPARATION

The consolidated financial statements of the Group are prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP") and comply with the New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS"). The financial statements comply with International Financial Reporting Standards ("IFRS"), Part 7 of Financial Markets Conduct Act 2013 and the NZX Listing Rules.

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand ($000), except as otherwise indicated.

The financial statements are in the process of being audited and the opinion is expected to note that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern (refer to further detail below). The audit opinion is not expected to be modified in respect of this matter.

KEY ACCOUNTING POLICIES AND CHANGES

Going Concern

The consolidated financial statements have been prepared using the going concern assumption which assumes that the Group has the intention and ability to continue its operations for the foreseeable future.

The Group incurred a net loss of $3,180,000 for the year ended 30 June 2022 (loss of $1,790,000 for the year ended 30 June 2021).

The net cash outflow from operations and investing activities (excluding cash invested on term deposit) for the year was $2,739,000 (2021: net cash outflow of $1,281,000).

Directors note that at the time of time of this report, several known future circumstances and capital initiatives are in process and are expected to lead to a material improvement in net current assets, including:

- forecast receipt of approximately $321,000 in Australian government research and development grants by October 2022;
- expected conversion to equity of a majority of the Company's existing $1,500,000 convertible note facility; and
- the Group has historically funded its operations and development of its software-as-a-service platform via capital raisings conducted through the public equity markets. Based on this prior support and regular communications with both existing shareholders and external investors, the Directors have cause to believe that equity market funding will continue to be available in the future to allow the Group to continue to meet its commitments.

Given available cash and the current cashflow run rate, the Group has sufficient cash to fund its operations until mid 2023. The Group, therefore, will need to secure new revenue opportunities and raise additional capital to continue operations for at least 12 months from the date of signing these financial statements.

Directors note that while the Group's revenues from its core *Geo* product have remained largely stable throughout the COVID period and new customer sales have grown materially over the 2022 financial year, there remain uncertainties in meeting the forecasted financial performance. In addition to this, the going concern assumption is also dependent on raising sufficient cash through future capital raising initiatives. The uncertainty of meeting forecasted financial performance and dependency on future fund raising creates a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern, and therefore may be unable to realise its assets and discharge its liabilities in the normal course of business. These consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded assets amounts, nor to the amounts and classification of liabilities that may be necessary should the Group be unable to continue as a going concern.

Notwithstanding the uncertainty to meet forecasted financial performance and dependency on raising further funding the Directors are confident that the Group remains a going concern and are confident of being able to meet forecasted financial performance and raise further funding from the equity capital markets consistent with prior history.

Accordingly, the Directors believe the going concern assumption is valid and have reached this conclusion having regard to the circumstances which they consider likely to affect the Group during the period of one year from the date these financial statements are approved.

Adoption of New or Revised Standards and Interpretations

No new or amended standards and interpretation that impact the financial statements have been adopted in the current year.

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2022 reporting periods of the Group. These standards are not expected to have a material impact on the current or future reporting periods, nor on foreseeable future transactions.