

GEO Revises Guidance and Provides Update on Strategic Review

Further to NZ RegCo's advice that, at the request of Geo Limited (**GEO, Company**), it had placed a trading halt on Geo's ordinary shares on 7 November 2023, GEO provides the following market update.

Background

GEO announced on 29 August 2023 that it was launching a strategic review. The Company's Board has approved changes to move immediately to EBITDA profit, and has decided to launch an immediate formal process to assess buyer interest in acquiring the Company (or a similar strategic transaction).

Update on Trading and Guidance

Annualised Recurring Revenue (ARR) is expected to be in the range NZ\$4.0m - \$4.2m at 31 December 2023, representing growth of 20-25% over the ARR run-rate as at 30 June 2023 and driven largely from recent price increases.

With its platform rebuild largely complete, new features in market and price increases implemented, GEO is undertaking further cost reductions. As a result, the Company now expects to achieve a sustainable positive EBITDA run rate (including capitalised R&D) by 31 December 2023.

Excluding the impact of R&D capitalisation, this equates to a ~\$20-30k monthly operating and investing cash flow deficit. The Company will seek to eliminate this ongoing minor cash burn through final efficiencies in its overhead cost base in early calendar 2024.

Achieving breakeven will require a range of cost reductions, including in customer acquisition activity. This will reduce short term growth (see Risks, below). GEO will assess and optimise the balance between revenue growth and bottom-line profitability once EBITDA breakeven has been achieved.

Sale Process

After consideration of the updated financial outlook and conclusions from its strategic review, the Board has decided to launch an immediate formal process to assess buyer interest in the Company. There is no guarantee that a transaction can be completed on satisfactory terms; however, in the Board's view, the initial interest received justifies launching a formal process.

Balance Sheet

The Company had previously guided to achieving EBITDA breakeven by the close of FY24 within current cash reserves.

With the accelerated move to EBITDA positive by December 2023, cash at 31 December 2023 is projected to be in the range of \$600k - \$800k after one-off restructuring costs.

GEO notes the need to cover the modest remaining monthly cash burn (\$20k - \$30k per guidance above) and the potential one-off legal, expert and advisory costs associated with any transaction process. To ensure the Company has a stronger liquidity buffer as it moves into a sale, GEO is investigating putting in place a small funding facility.

On 8th November 2023, Pioneer Capital clarified the definition of 'normal operating cashflows' with respect to covenants in its loan agreement. Until now, GEO understood that the definition excluded one-off restructuring costs. Having considered that advice, we are now aware that a technical breach of a facility covenant occurred due to the one-off restructuring costs incurred in September 2023.

Pioneer advises that the breach has been remedied to their satisfaction and there is no continuing event of default.

Risk Profile

The ARR outlined above reflects both new features and one-off price increases, and assumes that customer retention remains consistent with current levels. With future price increases likely to be lower, and customer acquisition activity reduced, the rate of growth experienced in H1 24 is unlikely to be sustained. Further, the additional cost reductions being implemented to achieve EBITDA breakeven will result in a smaller team with some potential for heightened operational risk.

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ABOUT GEO

Geo is a leading SaaS business that provides job management platforms for trades, 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.

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