

MARKET RELEASE

30 May 2024

FINANCIAL RESULTS FOR THE YEAR TO 31 March 2024

TradeWindow delivers strong growth and demonstrates resilience

TradeWindow (NZX: TWL), the global trade software business, today announces its financial results for the full year ended 31 March 2024¹ showing strong growth in revenue and prudent management of capital against a backdrop of challenging economic and capital market conditions.

TradeWindow also reports it is delighted with the progress it has made in the first two months of the new financial year. The company continues to expect FY 25 revenue to range between \$7.3 million and \$8.3 million and to achieve monthly EBITDA breakeven by the end of the financial year.

HIGHLIGHTS¹

- **Trading revenue:** \$6.2 million, up 26% from \$4.9 million
- **Annual recurring revenue:** (ARR)²: \$6.3 million, up 21%, buoyed by strong customer retention and increased usage by existing customers
- **Gross margin:** Improved 8 percentage points to 54%, reflecting greater operational efficiency
- **Total operating expenses:** \$13.4 million down 23% following comprehensive cost-reduction strategies and an operational realignment
- **EBITDA³ loss:** \$6.6 million, down 43% from \$11.7 million
- **Net loss after tax:** \$8.0 million down 18% from \$9.8 million
- **Cash and cash equivalents:** Ended the year at \$0.2 million, but substantially improved after the year end with an oversubscribed \$2.2⁴ million capital raising.
- **FY 25 guidance:** Revenue of \$7.3 million to \$8.3 million and monthly EBITDA breakeven by March 2025.

Chair Alasdair MacLeod said: "I am immensely proud of - and on behalf of shareholders grateful for - the way the TradeWindow team have risen to the challenges of the past year. Amid difficult trading conditions and in the face of the necessary and deep reorganisation we undertook to preserve capital, TradeWindow has continued to grow at a rate ahead of most Australasian software companies.⁵

"This is testament to both the commitment and talent of the team and the value TradeWindow solutions offer to global exporters. We expect the successful and oversubscribed share issue we concluded in April to allow TradeWindow to build on this record and transition to financial sustainability in the current financial year."

¹ All comparisons are to the twelve-months ended 31 March 2023 unless otherwise stated.

² Annual recurring revenue (ARR) is calculated using subscription revenue for March 2024 and the monthly average of transaction revenue for Q4 FY 2024 annualised.

³ EBITDA is a non-GAAP measure of financial performance it is defined and reconciled to the GAAP measure of net loss after tax on page 16 of the investor presentation released to the NZX today.

⁴ Assumes shareholder approval of AJ Smiths' share subscription agreement on 6 June 2024

⁵ Ord Minnett Research, November 2023.

Chief Executive AJ Smith said: “The 2024 financial year has been one of the most challenging in the company’s history. While capital constraints – due to adverse capital market conditions – have prevented us from growing as quickly as we could have, we have still delivered an outstanding financial result.

“We have continued to strengthen our presence in the New Zealand export sector and extended our penetration into Australia. Around 50% of our customers are now based in Australia, a market more than seven times⁶ the size of New Zealand’s and one that offers enormous promise. We have also set TradeWindow on a path to breakeven and long-term sustainability.

“We have achieved this result by diligently executing our strategy, carefully managing risks and our capital, and effectively demonstrating the value of TradeWindow’s solutions. Through the trials of the last year we have meanwhile established deep reserves of resilience that will position us to thrive as the winds of the economy return to our favour.”

FINANCIAL UPDATE

Trading revenue was \$6.2 million, up 26% from the \$4.9 million achieved in the prior year reflecting solid organic growth. This result followed from increased sales across all core product lines.

Total customer numbers grew to 513 from 498⁷ a year earlier, but the rate of growth was diluted by industry consolidation in the freight forwarding sector. TradeWindow overcame these pressures by replacing lost smaller customers with larger customers who take more of the company’s services. Customer retention was steady over the year at 93%.

The silver lining of the current environment of subdued demand for trade services, rising costs and high interest rates, is that it is highly conducive to demonstrating the productivity benefits TradeWindow solutions offer.

Monthly average revenue per customer (ARPC) was up 32% to \$1,707⁶ for exporters and importers, and up 17% to \$638⁶ for freight forwarders. This improvement reflected customers using more of our services as well as the benefits of price increases as we passed on our higher costs to customers.

ARR was up 21% to \$6.3 million from \$5.2 million a year earlier. This figure does not include several large customers recruited before the end of the financial year and are in the process of being onboarded. Total income, which includes grants and other income, was \$6.8 million, up 18% from \$5.7 million.

Total operating expenses were down 23% to \$13.4 million, from \$17.4 million, with the fall reflecting a 58% reduction in staff numbers since the start of the financial year as we shifted our focus to putting the company on a sustainable financial footing rather than longer-term innovation and development projects.

We meanwhile lifted gross margins by 8 percentage points on the prior year to 54% as we have focused on improving cash generation by driving a reduction in the average sales cycle and maximising the sales opportunity of our existing customers.

Our EBITDA loss for the year was \$6.6 million, down 43% from \$11.7 million, and the net loss after tax reduced to \$8.0 million from \$9.8 million.

⁶ [Australia Trade | WITS Data \(worldbank.org\)](https://data.worldbank.org/Trade)

⁷ Customer numbers and categorisation methodology have been refined to include contracted and pay as you go customers. Prior year comparatives have been restated.

Monthly average cash consumption reduced from \$1 million in FY23 to \$0.7 million in 1H FY24 and \$0.3 million in 2H FY24. In line with guidance given during the capital raising, we expect this trend to continue in the new financial year as the significant cost savings and large new customer acquisitions flow through to our financial results.

CUSTOMERS AND GROWTH

Our growth strategy is now most focused on increasing usage among existing customers and attracting new ones. Product innovation continues to play an important role, but we now operate a self-sustaining model of iterative product development which is directed at meeting our customers' most acute needs. We have meanwhile offshored much development work to our Philippine team to manage costs.

With more than half of New Zealand's primary industry export volume being facilitated by TradeWindow software, our strongest prospects for new customer recruitment are now in Australia.

In the coming year we expect the Origin service, launched in Australia at the end of 2023, will play a key role in boosting revenue growth and bringing on new customers to our platform. Exporters need a certificate of origin to access preferential duty rates under free trade agreements, a service where TradeWindow stands out with its 24/7 availability in Australia and New Zealand.

After recruiting new customers to the Origin service, we can then more easily demonstrate the productivity benefits of our other functions in Cube, TradeWindow's global trade platform, including ocean carrier bookings, customs clearance, e-commerce, supply chain tracking, and encrypted data storage.

CAPITAL MANAGEMENT

At the end of March 2024 TradeWindow had cash reserves of \$0.2 million, down from \$1.8 million at the end of September 2023.

The successful share issue we concluded in April raised a total of \$2.2³ million from existing shareholders including cornerstone investors ASB Bank, TradeWindow CEO and Founder, AJ Smith and Co-Founder, Kerry Friend. It also attracted a new institutional investor and more than 1,000 new retail shareholders and has provided the capital to see us through to financial self-sustainability.

ASB meanwhile agreed ahead of the capital raising to the removal of the requirement for TradeWindow to carry consolidated cash balances of twice the amount of our bank facility limits. It also extended loan amortisation relief to 31 March 2025.

OUTLOOK

Mr Smith said the productivity benefits offered by TradeWindow solutions continued to resonate strongly with customers and he said he expected this to continue even as the company begins to see a stabilisation in shipping costs and an easing in inflationary pressures.

"We are well positioned to benefit from these trends should they translate into a broader economic recovery as we expect such a recovery to be accompanied by an increase in transaction volumes. New trade agreements and regulatory changes are also continuing to support digitisation of trade information and the long term outlook for the company.

"TradeWindow is delighted with the progress we have made in the first two months of the new

financial year and we are well positioned for the future. We have the talent and intellectual property, and now the capital, to advance our strategy. Our focus is now entirely back on matters that offer the greatest value for shareholders: executing on our plans to take advantage of the significant opportunities we see.”

Webcast

TradeWindow will host a webcast at 10am this morning NZT on the full year results. Participants can register for the conference by navigating to:

Phone registration: <https://s1.c-conf.com/diamondpass/10039347-ejw4or.html>

Webcast registration: <https://ccmediaframe.com/?id=y61uchF8>

Released for and on behalf of TradeWindow by:

AJ Smith
CEO and Executive Director

ENDS

About TradeWindow:

Founded in December 2018, TradeWindow is an NZX-listed software company that provides digital solutions for exporters, importers, freight forwarders, and customs brokers to drive productivity, increase connectivity, and enhance visibility. TradeWindow's software solutions integrate to form a cohesive digital trade platform that enables customers to more efficiently run their back-end operations, share information and securely collaborate with a global supply chain made up of customers, ports, terminals, shipping lines, banks, insurance companies, and government authorities.

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