

26 OCTOBER 2023

TradeWindow Investor Update

Quarter 2 - FY24



CORE BUSINESS UNDERPINS STRONG REVENUE GROWTH

Dear Shareholders,

The second quarter has been marked by successes and challenges.

The highlights included continuing strong demand for Trade Window's solutions, the issue of our first Australian Certificate of Origin, and the launch of new features in Cube, including a visibility feature allowing customers to accurately track shipments.

Indeed, I am pleased to report that Q2, FY24 was another quarter growing our trading revenue year-on-year. It has underscored the strengths of our core business and notably the extent to which our mature solutions are highly embedded in our customers' operations.

Against this, at the end of the quarter we received the unwelcome news that nChain was not able to settle on our strategic agreement as planned. Obviously, this is a huge disappointment, and it came as a surprise given the amount of work put into the deal by both sides.

We are still seeking to assert our rights under our agreement and remain convinced of the strategic benefits it offers. As previously signalled to the market we continue to explore funding alternatives to support the company's strategic growth initiatives.

Newsletter Highlights

Core Business Underpins Strong Revenue Growth

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 TradeWindow

www.tradewindow.io

FINANCIAL PERFORMANCE

Over the second quarter, we have continued to make steady progress with Q2, FY24 adding \$1.5 million to trading revenue, bringing the total of \$3 million for the half year ended 30 September 2023.

The winter months are a low season for many of our primary industry customers. Based on historical trading patterns we expect to see trade volumes and our transactional revenue pick up over spring and summer.

Comparing our performance to the same period last year we have seen recurring revenue grow by 27% to \$5.5 million. Drilling down into our two customer segments, shippers and freight forwarders, we see growth in Average Revenue Per Customer (ARPC) per month of more than 21% respectively.

Demand is being driven by customers taking up complementary solutions including Origin, TWL's Certificate of Origin service, our new Cube visibility functionality, or freight forwarders deploying the e-commerce module enabling them to cost effectively handle high volumes of small parcels by automating repetitive back-office processes. Customer take-up of the e-commerce module is part of an industry wide trend driven by consumers buying goods online from overseas based retailers and marketplaces. The e-commerce module has an on-demand revenue model which means customers can expand usage on an 'as needed' basis.

Key Performance Indicators - half year ended 30 September 2023 (H1FY24) (Unaudited)



Note, all comparisons are against first half FY23 (H1FY23) unless otherwise indicated.

Annual recurring revenue is calculated using subscription revenue for September 2023 and the monthly average of transaction revenue for H1FY24 annualised.

We're starting to see efficiency coming from streamlining our customer onboarding processes, a key factor in the company-wide gross margin increasing by five percentage points over the same period last year.

Our company-wide gross margin includes some of our solutions in the early stages of commercialisation. It is worth noting that the gross margin of our mature solutions is very healthy and with the mix of early-stage and mature products some of the highlights don't reflect.

Our customer numbers appear to be static over the 12 month period. However, the customer count of 475 doesn't accurately convey the challenging economic conditions under which the industry is operating and the wave of consolidation it is experiencing as a result. TWL is in fact picking up larger customers from competitors, while losing smaller customers as they close down their business or get acquired.

Our customer numbers, therefore, need to be read in conjunction with our customer retention rate which is a measure of retained revenue. At 96% this figure is up three percentage points and places TWL above the industry benchmarks at 93%¹.

Costs

Our investment in R&D has held steady at 89% of revenue. While we could choose to 'sweat' the current solutions and drive for profitability sooner, this could limit our medium-term opportunity to capture market share off large incumbents, many of which still lag behind when it comes to updating their technology from solutions which in some cases are over 20 years old. We acknowledge that we need to scale our innovation in line with available capital and in essence reduce the cost of which R&D is the main driver. TradeWindow management will be reactive to market trends and available capital to carry innovation and development costs.

PRODUCT DEVELOPMENT

Over Q2, FY23 we commercially released a new visibility function within Cube enabling customers to accurately track the shipments as they move through the supply chain.

Besides helping customers reduce the workload and costs associated with shipment tracking, the visibility function allows customers to more accurately coordinate landside logistics, warehousing, as well as closely monitor events triggering payments.

Container	Pickup	Active	Gate In	Cedo Release	Customs Release	MPI Release	Export Cleared	Load	ATD	Unload
MFCU4829724	Empty Container Release to Shipper	21 Aug 2023 at 3:23 pm	AIR-DH-423	24 Aug 2023 at 5:37 pm	25 Aug 2023 at 3:43 pm	25 Aug 2023 at 4:51 pm	26 Aug 2023 at 3:26 pm	01 Sep 2023 at 6:21 pm	02 Sep 2023 at 4:13 pm	Discharged
SCFI9351913	Empty Container Release to Shipper	21 Aug 2023 at 3:23 pm	AIR-DH-423	24 Aug 2023 at 5:37 pm	25 Aug 2023 at 3:43 pm	25 Aug 2023 at 4:51 pm	26 Aug 2023 at 3:26 pm	01 Sep 2023 at 6:21 pm	02 Sep 2023 at 4:13 pm	Discharged
SCFI9753814	Empty Container Release to Shipper	21 Aug 2023 at 3:23 pm	AIR-DH-423	24 Aug 2023 at 5:37 pm	25 Aug 2023 at 3:43 pm	25 Aug 2023 at 4:51 pm	26 Aug 2023 at 3:26 pm	01 Sep 2023 at 6:21 pm	02 Sep 2023 at 4:13 pm	Discharged
MSDU1048319	Empty Container Release to Shipper	21 Aug 2023 at 3:23 pm	AIR-DH-423	24 Aug 2023 at 5:37 pm	25 Aug 2023 at 3:43 pm	25 Aug 2023 at 4:51 pm	26 Aug 2023 at 3:26 pm	01 Sep 2023 at 6:21 pm	02 Sep 2023 at 4:13 pm	Discharged
MFCU1926891	Empty Container Release to Shipper	21 Aug 2023 at 3:23 pm	AIR-DH-423	24 Aug 2023 at 5:37 pm	25 Aug 2023 at 3:43 pm	25 Aug 2023 at 4:51 pm	26 Aug 2023 at 3:26 pm	01 Sep 2023 at 6:21 pm	02 Sep 2023 at 4:13 pm	Discharged

It allows customers to see when title transfer events have been completed including the loading of containers on a ship or delivery to a depot. We expect this will become a cornerstone of our offering moving forward.

¹ Source: Ord Minnett Technology Sector Update – Australian High Growth Pre-Profitable Companies

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MARKET DEVELOPMENTS

We welcome the Government's renewed commitment to growing New Zealand's export sector. We note National's election promise of growing the value of New Zealand's export sector by 100% over the next 10 years. While some of this value will come from onshore processing of commodities into value-add products, we expect most of the uplift will come from increased trading volumes associated with new Free-Trade Agreements (FTAs). These agreements provide an explicit revenue stream for TWL as exporters seek Certificates of Origin to access preferential duty rates and expedited customs clearance.

We have previously engaged with ex-Minister O'Connor outlining the benefits of digital trade facilitation – see a link to the report titled [NZIER: Digital trade is the way forward for New Zealand](#) commissioned by TWL in December 2021. This report prepared by one of New Zealand's leading trade economists highlights that digital trade facilitation could deliver benefits to New Zealand's supply chain participants in the ballpark of \$9 – 18 billion.

We intend to engage with the new Government once in office.

NCHAIN STRATEGIC PARTNERSHIP

We were surprised and disappointed by nChain not completing the settlement of the strategic investment deal. We understand that settlement has been delayed following a change of management at nChain.

Consequently, investment deals have been frozen while they work through a transition plan. TWL is asserting its rights under the unconditional agreement and continues to work with nChain and its advisors to reach a mutually acceptable conclusion.

Despite this situation, we will continue to advance the development of our global trade platform and we are making progress with our team across New Zealand, Australia and the Philippines moving the project forward.

We look forward to providing shareholders a further update when we release our financial results for the half year to the end of 30 September 2023, this will be on or before 30 November 2023.

Kind regards



AJ Smith,
Executive Director & CEO

