wisetech global

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WiseTech delivers strong financial performance and outlook

CargoWise revenue up 40%, total revenue up 32%,
EBITDA margin ahead of expectations at 46%

WiseTech Global Limited (WiseTech or the Company) today announced its financial results for the six months ended 31 December 2023 (1H24).

1H24 highlights

- Total revenue of $500.4 million, up 32% (up 15% organically[1]) on 1H23
- CargoWise revenue of $420.7 million, up 40% (up 19% organically) on 1H23, driven by recent M&A and customer growth including new Large Global Freight Forwarder (LGFF) rollouts
- 46% EBITDA margin ahead of expectations
- Organic EBITDA up 16% to $230.6 million, with increased product investment for future growth contributing to flat organic EBITDA margins of 53%
- Underlying NPAT[2] of $128.4 million, up 5% on 1H23; with statutory NPAT of $118.2 million, up 8%
- Strong free cash flow of $155.3 million, up 13% on 1H23
- Interim dividend of 7.70cps, up 17% on 1H23; representing payout ratio of 20% of Underlying NPAT
- Over $1 billion invested in product development over the last five years, delivering more than 5,500 new product enhancements to underpin revenue growth
- Further enhanced CargoWise Landside Logistics capability with acquisition of MatchBox Exchange, extending and strengthening WiseTech's position in one of its six key development priority areas
- CargoWise customer penetration momentum continues with LGFF wins – Sinotrans[3] (Top 25), APL Logistics and Yamato Transport

Group financial metrics	1H23	1H24	1H24 vs 1H23
Total Revenue (A$m)	378.2	500.4	32%
Recurring revenue[3]	96%	97%	1pp
EBITDA (A$m)	187.3	229.9	23%
EBITDA margin	50%	46%	(4)pp
Statutory NPAT (A$m)	109.0	118.2	8%
Underlying NPAT (A$m)	121.8	128.4	5%
Underlying EPS (cps)	37.3	38.8	4%
Interim ordinary dividend (cps)	6.60	7.70	17%
Free cash flow (A$m)	137.8	155.3	13%
Free cash flow conversion rate	74%	68%	(8)pp

[1] Refers to revenue and EBITDA growth and EBITDA margin adjusted for recent M&A without full period comparisons, foreign exchange impacts, restructuring and M&A costs

[3] Underlying NPAT is Net profit after tax excluding fair value adjustments from changes to acquisition contingent consideration (1H24: nil, 1H23: nil), non-recurring tax on acquisition contingent consideration (1H24: $1.6 million, 1H23: $0.6 million), acquired amortization, net of tax (1H24: $8.3 million, 1H23: $2.9 million), contingent and deferred consideration interest unwind, net of tax (1H24: $0.4 million, 1H23: $0.3 million) and M&A costs (1H24: $3.1 million, 1H23: $10.1 million)

[3] Recurring revenue percentage is the sum of revenue categorized as Recurring On-Demand License revenue and Recurring One-Time License (OTL) Maintenance revenue divided by Total Revenue

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WiseTech Founder and CEO, Richard White said, *"I am pleased to announce a strong first half financial performance, driven by the focused execution of our 3P strategy by WiseTech's passionate and dedicated team of more than 3,300 people. Our highly cash generative business model and strong liquidity continues to provide a solid platform to fund long-term sustainable growth.*

"*We continue to focus on enhancing our core CargoWise platform in pursuit of our vision to be the operating system for global logistics. Innovation remains a critical driver of our growth. We have increased our investment in research and development over the last five years, investing over $1 billion to deliver more than 5,500 product enhancements which creates substantial value for our customers and underpins revenue growth.*

"Our acquisition of MatchBox Exchange in October added another key component to CargoWise's Landside Logistics capability and will deliver significant efficiency and productivity benefits for our customers. The integration of our recent acquisitions is also progressing well.

"CargoWise's strong momentum continued in the first half. 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 to 13, which is more than half of the Top 25. We also secured large global freight forwarder rollouts with APL Logistics and Yamato Transport, taking us to 49 LGFFs overall."

Strong financial and operational performance

The Company reported **Total revenue** growth in 1H24 of 32% to $500.4 million (1H23: $378.2 million) reflecting strong growth from the CargoWise platform (up 40%), a $53.7 million revenue contribution from recent M&A and a $11.0 million FX tailwind. Organically, Total revenue grew by 15% ($57.4 million) on the prior corresponding period (pcp), including a 16% increase in recurring revenue.

CargoWise recurring revenue in 1H24 grew by 39% on 1H23 to $414.7 million. Organically, CargoWise recurring revenue grew by 19%, primarily driven by LGFF rollouts, increased volumes from existing and new customers, price increases to offset inflation and generate returns on product investment and new product releases.

Earnings before interest, tax, depreciation and amortization (EBITDA) grew organically by 16% on the pcp to $230.6 million. The organic EBITDA margin of 53% was in line with 1H23 and reflected the benefit of price increases, new product releases, operating leverage and WiseTech's ongoing financial discipline, offset by increased investment in product development. As previously highlighted, dilution from recent M&A resulted in the reported EBITDA margin decreasing by 4pp on 1H23 to 46%, which is stronger than anticipated and ahead of expectations.

Strong balance sheet, cash flow generation and liquidity

1H24 operating cash flow of $249.9 million was up 23% on 1H23 and free cash flow of $155.3 million was up 13% on 1H23, demonstrating the highly cash-generative nature of the Company's operating model. The Company has significant financial headroom, with total liquidity of $445 million from cash and undrawn debt facilities.

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Strategic execution

WiseTech's '*3P strategy' – Product; Penetration; and Profitability* – is key to delivering its vision and enabling WiseTech to achieve sustainable growth through the cycle.

1. Product

The Company continues to make progress on its six key development priorities – landside logistics, warehouse, Neo, digital documents, customs and compliance, and international eCommerce.

In 1H24, WiseTech accelerated its innovation and product development efforts, increasing its R&D investment by 54% to $177.5 million (1H23: $115.1 million), equating to 35% of Total revenue. This investment delivered 576 new product enhancements in 1H24, taking total product enhancements delivered on the CargoWise application suite over the last five years to more than 5,500, from a total investment of over $1 billion.

In 1H24, capitalized development increased by 58% to $95.8 million, with 54% of total R&D investment being capitalized, above the target range of 40%-50%. This reflects the quality of WiseTech's development process, which delivers higher productivity and lower defects, enabling teams to focus on developing new products. This trend is expected to continue in FY24 due to continued investment in new product development to drive future revenue growth.

CargoWise product development resources increased by 86% in 1H24 vs 1H23, with 62% of WiseTech's global workforce now focused on product development (1H23: 57%).

WiseTech's organic growth is supplemented by targeted acquisitions to accelerate CargoWise product development and reach. In 1H24, the Company completed the acquisitions of MatchBox Exchange, which delivered important new digital landside logistics capabilities to CargoWise, and Sistemas Casa, which gives WiseTech a foothold in Mexico. As a result, WiseTech's global customs platform now covers ~55% of global manufactured trade flows, or ~75% with countries in development.

2. Penetration

WiseTech's market approach is to target the Top 25 Global Freight Forwarders[4] and top 200 global logistics providers, enabling the Company to benefit from large-scale global rollouts and consolidation within the logistics sector.

In 1H24, the Company secured new rollouts with Top 25 Global Freight Forwarder Sinotrans, as well as LGFFs APL Logistics and Yamato Transport. Two global rollouts also transitioned from 'Contracted and In Progress' to 'In Production' through increased adoption of CargoWise by Hankyu Hanshin and deugro. This takes the Company to a total of 49 LGFF rollouts, including 13 of the Top 25 Global Freight Forwarders.

[4] Based on Armstrong & Associates, Inc. Top 25 Global Freight Forwarders List ranked by 2022 gross logistics revenue/turnover and freight forwarding volumes - Updated 5 October 2023

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3. Profitability

WiseTech's strong revenue growth, efficient operating model, and continued strong financial discipline continues to drive operating leverage and robust margins. In 1H24, profitability also benefited from price increases to offset the impacts of inflation and generate appropriate returns on its investments, as well as new product releases.

A company-wide cost efficiency program is on track to deliver $15 million in net savings in FY24, as part of an overall target of $40 million in annual savings.

Recent strategic acquisitions will continue to dilute the overall EBITDA margin while being integrated, however, WiseTech is on track to return to 50%+ EBITDA margins in FY26 as previously guided.

Dividend

Reflecting its confidence in the underlying business performance and outlook, the Board has declared a fully franked interim ordinary dividend of 7.70cps, representing a 17% increase on the FY23 interim dividend. The interim dividend is payable on 5 April 2024 to shareholders registered as at 11 March 2024 and represents a payout ratio of 20% of Underlying NPAT.

Outlook and reconfirmed guidance

FY24 guidance is provided on the basis that market conditions do not materially change, and reflects current trends in supply chain volumes, noting that changes in industrial production and/or global trade (both favorable and unfavorable) may impact guidance. Subject to the assumptions set out in the WiseTech Global 1H24 Results presentation, the Company reconfirms its FY24 guidance range for revenue of $1,040 million–$1,095 million (representing revenue growth of 27%–34%) and EBITDA of $455 million–$490 million (representing EBITDA growth of 18%–27%). The Company's full year EBITDA margin guidance range increases to 44%-46%, due to 1H24 EBITDA margin strength.

Mr White concluded, "*This is an exciting time for our business, our global team, and our customers. The WiseTech team are truly, deeply, passionate about what we do, and we use all our empathy, energy, focus and talent to drive innovation and deliver substantial value to our customers. Our focus on our strategy and vision is driving four key outcomes:*

- *We have delivered a strong 1H24 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 12 months set to continue;*
- *We continue to enhance CargoWise's Landside Logistics capability with the addition of MatchBox Exchange; while integrations of all our recent acquisitions are progressing well, and*
- *CargoWise momentum continues with three new global rollouts by Large Global Freight Forwarders including Top 25 Global Freight Forwarder Sinotrans.*

"We remain steadfast in our long-term vision, continuing to relentlessly invest in enhancing CargoWise, making it the platform of choice for large logistics service providers."

//ENDS

Authorized for release to ASX by David Rippon, Corporate Governance Executive and Company Secretary.

Investor Presentation Please refer to the WiseTech Global 1H24 Results presentation released today for detailed financial data and analysis.

Analyst Briefing The WiseTech Global 1H24 Results presentation webcast will be held at 10.00am (Sydney time) today. The webcast will be available here.

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Forward-looking statements

Forward-looking statements in this release are based on information and assumptions known to date and are subject to various risks and uncertainties. Actual results, performance or achievements could be significantly different from those expressed in, or implied by, these forward-looking statements. Such forward-looking statements are not a guarantee of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of WiseTech Global. These factors may cause actual results to differ materially from those expressed in the statements contained in this announcement.

About WiseTech Global

WiseTech Global is a leading developer and provider of software solutions to the logistics execution industry globally. Our customers include over 17,000[5] of the world's logistics companies across 181 countries, including 45 of the top 50 global third-party logistics providers and 25 of the 25 largest global freight forwarders worldwide[6].

Our mission is to change the world by creating breakthrough products that enable and empower those that own and operate the supply chains of the world. At WiseTech, we are relentless about innovation, adding over 5,500 product enhancements to our global CargoWise application suite in the last five years while bringing meaningful continual improvement to the world's supply chains. Our breakthrough software solutions are renowned for their powerful productivity, extensive functionality, comprehensive integration, deep compliance capabilities, and truly global reach. For more information about WiseTech Global or CargoWise, please visit wisetechglobal.com and cargowise.com

[5] Includes customers on CargoWise and non-CargoWise platforms whose customers may be counted with reference to installed sites

[6] Armstrong & Associates: Top 50 Global 3PLs & Top 25 Global Freight Forwarders ranked by 2022 gross logistics revenue/turnover and freight forwarding volumes – Updated 5 October 2023