MARKET RELEASE

29 November 2023

FINANCIAL RESULTS FOR THE HALF YEAR TO 30 SEPTEMBER 2023

TradeWindow charts path towards financial sustainability

TradeWindow (NZX: TWL), the global trade software business, today announces its interim financial results[1] showing global trade dynamics continuing to support revenue growth.

However, with capital markets continuing to show reticence towards early-stage growth companies, TradeWindow also confirms that - following consultation with staff - it has proceeded with the previously flagged reorganisation to move the company towards a sustainable financial footing.

HIGHLIGHTS

- **Trading revenue -** $3.0 million, up 25% lifted by a 21% increase in Average Revenue Per Customer (ARPC).
- **Annual recurring revenue**[2] $5.5 million, up 27%.
- **Gross margin -** 51%, up 5ppt benefiting from onboarding performance improvements.
- **Total operating expenses -** $7.7 million, down 10% following cost reductions announced in March 2023.
- **EBITDA loss -** $4.7 million, down 20%, expected to reduce further in 2H 24 in line with expense reductions announced in October 2023.
- **Net loss after tax -** $4.8 million, down 32%.
- **Cash and cash equivalents -** $1.8 million, an additional $500K has been raised since.
- **Revenue guidance for FY 24** affirmed at $6.0 million to $6.5 million.

TradeWindow Chair, Alasdair MacLeod said: "We have seen strong growth across the year with revenue supported by the company attracting larger customers, and existing customers taking up complementary solutions.

"However, as we highlighted earlier this month, our customer growth has slowed reflecting the challenging economic conditions and the ongoing wave of consolidation in the freight forwarding industry. The full implementation of our growth plans has also been hampered by investor reticence towards funding early-stage companies such as TradeWindow and the non-settlement of our strategic agreement with the UK-based technology company nChain.

"These constraints have necessitated a further reorganisation, as signalled earlier this month, to conserve capital, and put the company on an accelerated path to financial sustainability. The measures we have confirmed today will assist TradeWindow to achieve monthly EBITDA breakeven in FY 25."

Chief Executive AJ Smith said: "Despite the multiple challenges, TradeWindow has continued to consolidate its presence in the New Zealand export sector and keep growing despite the headwinds. We have increased our penetration into the Australian freight forwarding market,

[1] All comparisons are to the six-month period to 30 September 2023 unless otherwise stated.
[2] Annual recurring revenue is calculated using subscription revenue for September 2023 and the monthly average of transaction revenue for Q2 FY 2024 annualised.

assisted by our achievement of becoming an accredited issuing body for Australian Certificates of Origin.

"Constraints on funding have required the company to refocus on our 'land' and 'grow' pillars of our strategy. This means scaling back innovation and development and instead focusing on growing revenues from profitable core products, including Prodoc, Freight, Cube, Origin and SpeEDI.

"These changes, which come at the cost of integrating our solutions into a single global trade platform, continued expansion of our service offering and a scaling back of our team, are the hard but necessary actions we must take to right size the company to the current capital market conditions."

"However, they will not compromise our commitment to help our customers make their supply chains more productive, connected, and visible. Indeed, customers can expect ongoing enhancements to TradeWindow's service offering with solutions such as the just-released-to-market including our capability in Australian Certificates of Origin, and Visibility, shipment events tracking within Cube."

FINANCIAL UPDATE

Trading revenue was $3.0 million, up 25% from $2.4 million, reflecting solid organic growth. This followed from increased sales across all core product lines with Cube (the cornerstone of the global trade platform) growing revenue by 92% to existing customers.

TradeWindow has meanwhile offset the impact of industry consolidation by replacing lost smaller customers with larger customers who take more of the company's services. It has also effectively passed on many inflation-driven operating cost increases to customers.

TradeWindow's monthly average revenue per customer (ARPC) was up 21% to $1,612 for exporters and importers, and up 21% to $690 for freight forwarders. Annual recurring revenue (ARR) grew by 27% to $5.5 million, the result of sales growth and a 96% customer retention rate. Recurring revenue as a proportion of trading revenue was 94%, up from 87% in FY 23. Total income was $3.0 million, up 12% from $2.7 million.

Expenses remain ahead of revenue in line with the company's growth strategy. However, total operating expenses were down 10% to $7.7 million, from $8.6 million, reflecting previously announced cost reductions and driven mainly by a 22% reduction in staff numbers.

The half year EBITDA loss was $4.7 million, down 20% from $5.9 million, and the net loss after tax reduced to $4.8 million[3] from $7.1 million. Monthly average cash burn reduced from $1 million in FY23 to $0.7 million in 1H FY24 and $0.6 million in 2Q FY24. These figures do not reflect the reorganisation and the resulting cost savings we have confirmed today.

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[3] The amount includes a fair value gain on contingent consideration revaluation. Further detail is provided in the investor presentation.

REORGANISATION

TradeWindow announces – following consultation with staff – that it has elected to reduce FTEs by approximately 40% to 48 as well as a number of staff and directors taking temporary pay reductions. The reorganization will be substantially completed by the end of this month.

Mr Smith said: "Innovation and development of future looking products is important, and we see the long-term benefit to our clients. However, sustainability and shift of focus to accelerating EBITDA break-even through reorganisation is our priority in the short term, while markets are uncertain and capital for innovation and development is scarce.

"We take a portfolio approach to innovation and development. We have received clear guidance from capital markets to allocate capital towards projects that will deliver strong revenue growth in the near term."

TradeWindow is continuing discussions to divest the Rfider business and its Assure+ traceability product. As previously signalled, it will also work to assist all staff affected by the process to find alternative employment through its networks.

CAPITAL MANAGEMENT

At the end of September 2023 TradeWindow had cash reserves of $1.8 million. Since the end of the half year, the company has raised an additional $500K from key existing investors, including Executive Directors AJ Smith and Kerry Friend and a new shareholder, Phil Richards, an experienced global Software as a Service (SaaS) entrepreneur.

As a result of the capital raising, TradeWindow's lender ASB has extended an interim waiver of a lending covenant breached on the company's $1.1 million debt facility because of the delay to the nChain deal. The covenant waiver has been extended to 30 June 2024.

TradeWindow is continuing discussions with nChain over the company's unconditional agreement, which includes providing TradeWindow $2.4 million in new capital. TradeWindow is also progressing alternative funding options.

OUTLOOK

Mr Smith said trade sector dynamics were still supportive of TradeWindow.

"Our core customers trade in non-discretionary items where volumes and therefore transactions are less affected by macro-economic conditions. Shipping costs are falling, and inflationary pressures are easing.

"Meanwhile, new trade agreements, regulatory changes and demands for product traceability are supporting digitisation of trade information. Together these trends incentivize shippers and freight forwarders to seek out TradeWindow's solutions and the productivity benefits they offer.

"We continue to expect trading revenue for the year ending March 2024 to range between $6 million to $6.5 million, although recognise this forecast remains subject to changes in the macroeconomic environment," Mr Smith said.

"We expect revenue growth, coupled with the reorganisation we have confirmed today, and other changes we are making in the business, will result in a progressive reduction in monthly cash outflow to below $200k in the final quarter of the current financial year. We also believe these changes will allow TradeWindow to fund its operations for the next 12 months[4].

"TradeWindow continues to anticipate achieving monthly EBITDA breakeven in the second half of FY25. We look forward to providing an update to shareholders when we release out third quarter shareholder update in January."

Webcast

TradeWindow will host a webcast at 11am 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/10035080-bdy7ng.html

Webcast registration:
https://ccmediaframe.com/?id=MMUJkMxq

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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[4] For the assumptions underlying this statement please refer to Company's going concern assumption detailed in full on pages 11 & 12 of the Interim Financial Statements for the six months ended 30 September 2023 released to the NZX today. Note these assumptions relate to the 12 months from today's date.