Microlise

Interim Results to June 2023

Nadeem Raza,
Chief Executive Officer

Nick Wightman,
Chief Financial Officer

The Presentation Team

NADEEM RAZA
Chief Executive Officer

Joined Microlise in 1987. Led a management buyout of the Group in 2008, when he became CEO. He is a board member of Trakm8 Holdings plc and is a Deputy Lieutenant for Nottinghamshire. Nadeem was named in the FT Top 100 BAME leaders in 2018.

NICK WIGHTMAN
Chief Financial Officer

Nick joined Microlise in 2012 and played a key role in the Group's refinancing and re-organisation in 2018, its acquisition of TruTac in 2020, the IPO in 2021, acquisition of Vita Software in 2023, and in establishing the Group's offices in India, France and Australia. Nick is a Chartered Management Accountant.

Microlise

A Leading Provider Of Transport Management Solutions To Enterprise Customers

- Solving complex needs with proprietary software and hardware solutions
- Automating critical processes and providing real time data
- Customers benefit from cost savings, emissions reductions and other efficiencies
- High barriers to entry, sticky customer base and high revenue visibility
- Clear Growth Strategy, upsell existing UK customers, new UK and international markets, margin enhancement and M&A

Microlise in Numbers

1982
Established in UK

623K+
Active Subscriptions

690+
Staff

<1%
Very low customer churn rate

400+
Enterprise Customers

£63M
FY 2022 Revenue (£42.6m ARR)

197
Countries with deployments

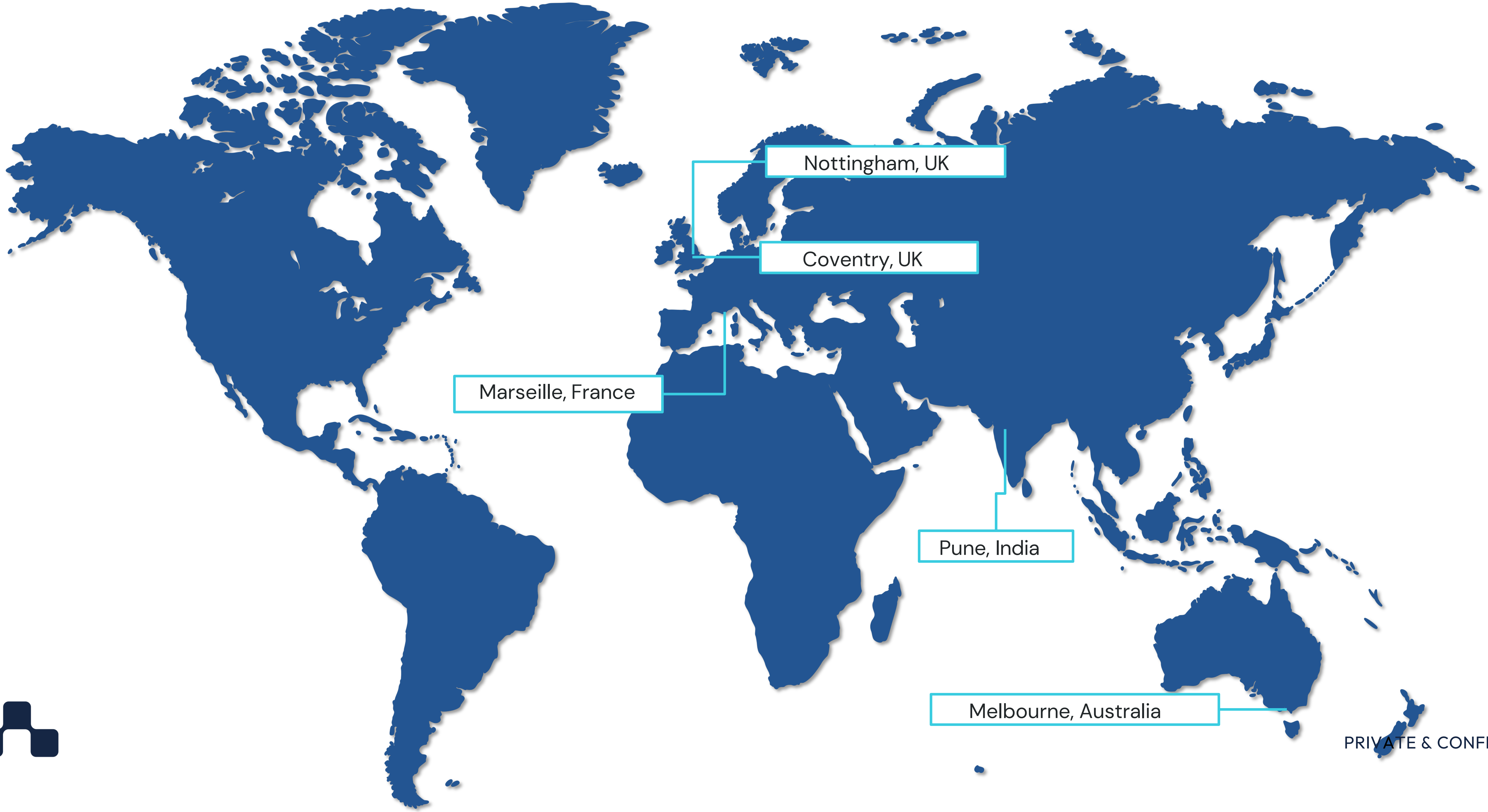
3
Queen's Award for Enterprise

Helping Customers Meet Their Commitments

Improving KPI’s Including Environmental Emissions, Operating Efficiency And Safety Standards

- Reduced Mileage Travelled
- Improve Driver Performance
- Reduce Fuel Use
- Reduced Emissions
- Reduce Vehicle Wear & Tear
- Reduced Accidents
- Reduced Insurance Premiums
- Improved Fleet Efficiency & Utilisation
- Elimination of Delivery Paperwork
- Enhanced Customer Experience

Our Locations



Highlights

(H1 2023 vs H1 2022)

+10.5%
Revenue
£33.9m

+10.3%
Recurring Revenue
£21.9m

+4%
Adjusted EBITDA
£4.5m

+11.5%
ARR
£44.8m

+10%
Subscriptions
626K

-25%
Churn
0.5%

-18.6%
Cash &
Cash Equivalents
£14.1m

A Proprietary Modular Platform

Enabling Global Enterprises To Run Highly Complex Logistics Supply Chains

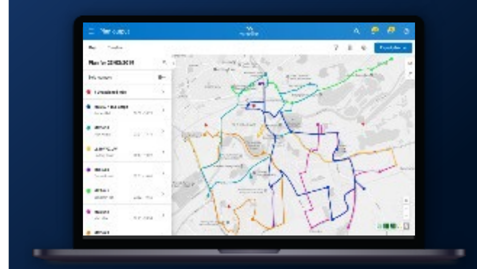
Transport Management System

£50-£100*

- Building, costing and invoicing of orders
- Collection management
- Surcharge management
- Sub-contractor management

Planning & Optimisation

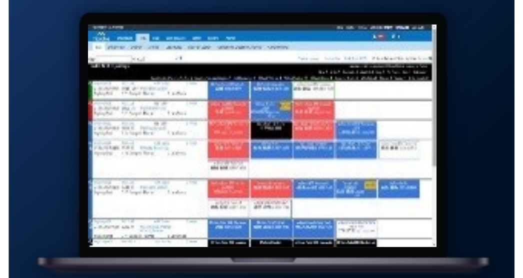
£40-£60*



- Reduces planning time
- Allows operators to do more with less
- Reduces fleet mileage travelled
- Produce highly accurate plans

Journey Management

£25-£35*



- Real time visibility of fleet performance vs schedule
- Facilitates proactive customer service
- Identifies issues early
- Provides planned vs actual comparison

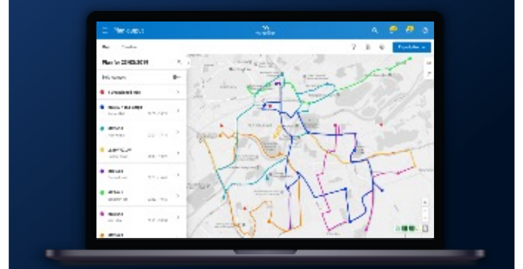
Driver Connected Mobility

£15-£30*

- Range of hardware options for drivers
- Facilitates driver management and communications
- Staged & supported by Microlise

Fleet Performance

£15-£20*



- Vehicle Tracking & Utilisation
- Driver Performance
- Performance KPIs, dashboards & reports

Fleet Compliance

£5-£20*

- Suite of compliance software solutions
- DVSA Earned Recognition Approved
- Covering fleet maintenance, tachograph compliance, drivers hours & more

Fleet Safety

£5-£30*

- Safety module with Incident Data Recorder & Contextual Speeding
- ClearVision camera solutions
- Bridge strike avoidance app, panic alarms & door sensors
- Monitor performance of trailer brakes

Newer, Higher Value, Higher margin

*Market pricing for solutions, not Microlise product pricing

Some of Our Customers

Case Studies available here: https://www.microlise.com/case-studies/

Highlights

Acquisition of
Vita Software

Great Place to Work
2023 Success

Growth ANZ
Food Retailers

2 TMS Contracts
Into Existing Customers

12 Major Multi-Year Renewals
Bidfood, Pall-ex, Tesco

UKI New Business Growth
LF&E, McCulla, STL

Product Investments

Security – Zero Trust implementation

Integration across newly acquired products

Localisations

Standardisation & Scalability

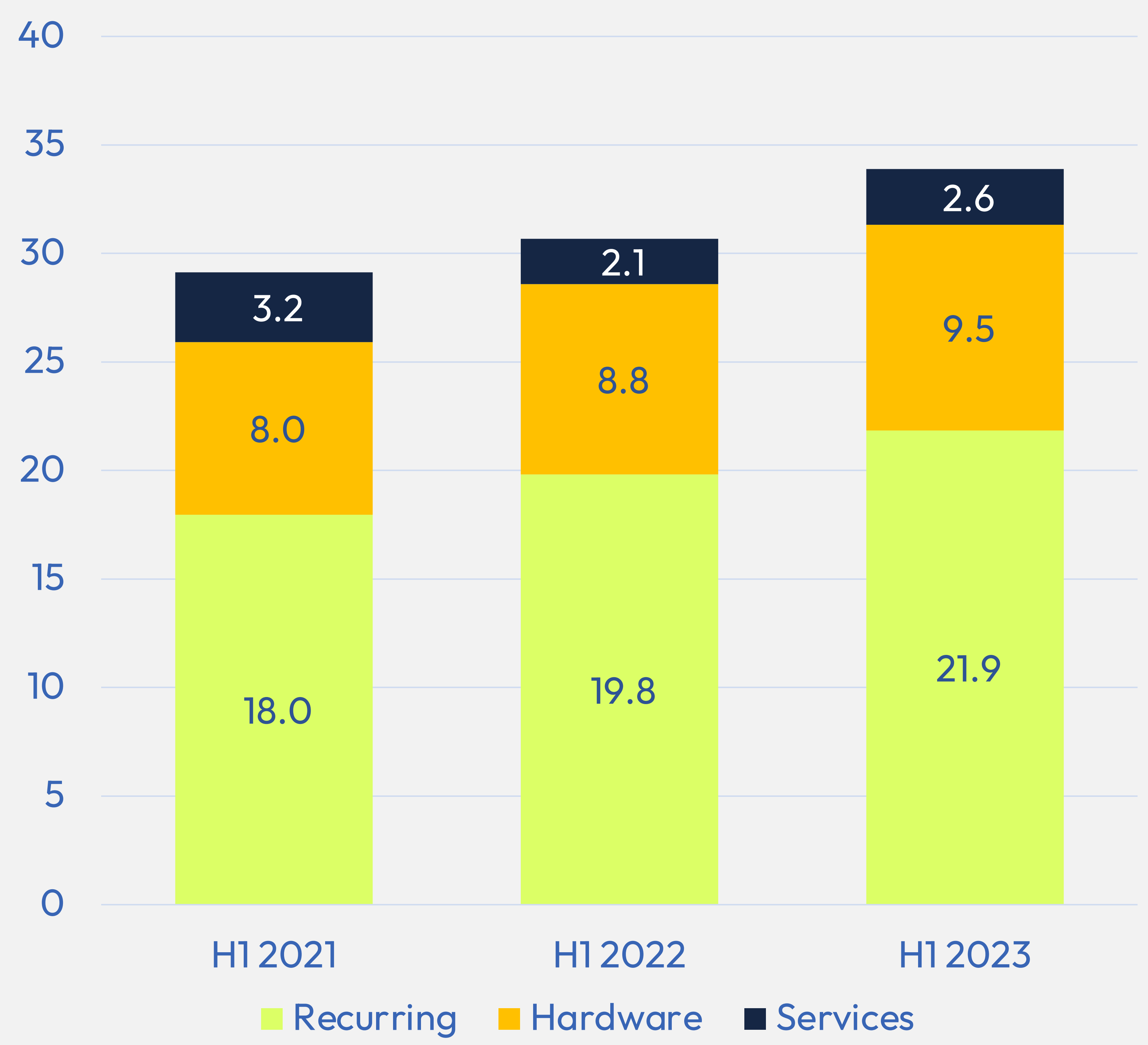
Reduce Implementation Time & Costs

Innovation

Financial Review

- Total revenue has increased **10.5% to £33.9m** from £30.7m in H1 2023
- Recurring revenue increased **10.3%** to **£21.9m** from £19.8m in H1 2023 as a result in strong growth in revenues from both direct and OEM customers
- Annual Recurring Revenue (ARR) has increased **11.5%** to **£44.8m**
- Hardware revenue increased **7.9%** to **£9.5m** from £8.8m in H1 2023 as a result of strong demand from OEM customers and new contract wins in ANZ
- Services revenue also increased **22.9%** to **£2.6m** in H1 2023 from £2.1m as a result of increase in hardware and installation sales in the previous 12 months which is now positively impacting

Revenue Split



Profit & Loss

			6 months to Jun-23 £000's	6 months to Jun-22 £000's	Change %
Revenue	Non Recurring	Hardware	9,465	8,769	7.9%
		Services	2,567	2,089	22.9%
			12,032	**10,858**	**10.8%**
	Recurring		21,854	19,817	10.3%
			33,887	**30,675**	**10.5%**
Gross Margin	Non Recurring	Hardware	2,077	2,326	(10.7)%
		Services	1,309	1,183	10.7%
			3,386	**3,509**	**(3.5)%**
	Recurring		17,127	14,844	15.4%
			20,513	**18,353**	**11.8%**
			61%	*60%*	
Other operating income			540	459	17.7%
Operating expenses			(16,579)	(14,509)	14.3%
Adjusted EBITDA (1)			**4,474**	**4,304**	**4.0%**
Share based payments			(245)	(181)	35.3%
Depreciation & Amortisation			(2,904)	(2,415)	20.2%
Adjusted EBIT			**1,326**	**1,708**	**(22.4)%**
Share of profit/(loss) of associate net of tax			204	(127)	(260.7)%
Interest			(9)	(141)	(93.6)%
Adjusted PBT			**1,521**	**1,440**	**5.7%**
Tax Provision			(299)	(350)	(14.6)%
Retained Earnings			**1,222**	**1,090**	**12.2%**
EPS			**1.05p**	**0.94p**	**12.1%**

- Revenue Growth of **10.5%** year on year
- Gross Margin growth of **11.8%** reflecting impact of growth in higher margin subscription business
- Continued strong demand from OEM coupled with material premiums have impacted hardware margins
- Overall improvement in gross margin from 60% to **61%**
- Operating expenses increased **15% to £16.6m**
- Employee costs grew 14% to £14m reflecting the continued investment in the global sales force, costs associated with the employee engagement strategy and commissions due to contract wins
- Adjusted EBITDA increased **4% to £4.5m** an increase of **4% YoY** reflecting the planned investment in the global workforce and employee engagement strategy
- Depreciation & amortisation charges increased due to increased investment in security related PPE and increased capitalised development costs
- Margin Enhancement programmes focussing on efficient and effective use of 3rd party software services. Sales of higher value software services (P&O & TMS) and lastly, integration to 3rd party hardware providers (Lytx)

(1) Adjusted EBITDA excludes, depreciation, amortisation, share of loss of associate, interest, tax and share based payments.

Cash Flow

- Working Capital movements were lower than expected due to £2.8m of debtor receipts being received post period end
- H1 2023 cash conversion rate reduced to 80% as a result of the late debtor receipts. (adjusted cash conversion 142%)
- Capex PPE reflects acceleration of investment in increased security measures
- Capex intangibles reflects continued investment in the innovation and development of the product range
- M&A - acquisition spend includes £1.8m cash consideration paid for Vita Software Ltd and the final £1m deferred consideration payment for TruTac Ltd
- RCF remains in place and undrawn meaning total headroom of £34.1m of headroom to support growth plans

Six Months Ended 30 June 2023	H1 FY23 (£m)	H1 FY22 (£m)	Change
Adjusted EBITDA	**4.5**	**4.3**	**0.2**
Working capital and other items	(0.9)	1.4	(2.3)
Cash flow generated from operations	**3.6**	**5.7**	**(2.1)**
Capex - property, plant and equipment (PPE)	(1.6)	(0.8)	(0.8)
Capex - intangible assets	(1.3)	(0.8)	(0.4)
Payments of principal on lease liabilities	(0.5)	(0.4)	(0.1)
Operating cash flows	**0.2**	**3.7**	**(3.5)**
Interest paid	(0.2)	(0.1)	(0.0)
Interest received	0.2	0.0	0.2
Free cash flow before tax	**0.2**	**3.6**	**(3.4)**
Tax	(0.0)	(0.0)	(0.0)
Free cash flow	**0.1**	**3.6**	**(3.4)**
M&A - acquisition spend	(2.8)	(1.0)	(1.8)
Other income and other items	0.1	-	0.1
Dividends paid			-
Shares issued for cash			-
Underlying increase / (decrease) in net cash / (debt)	**(2.6)**	**2.6**	**(5.2)**
FX and other items	(0.0)	0.0	(0.0)
Increase in net cash / (debt)	(2.6)	2.6	(5.2)
Opening net cash / (debt)	16.7	13.2	3.5
Closing net cash / (debt)	**14.1**	**15.8**	**(1.7)**
Cash Conversion rate	**80%**	**133%**	

MARKET POSITIONING & STRATEGY

PRIVATE & CONFIDENTIAL

OUR CUSTOMER'S MARKET

COSTS, COMPLEXITY AND COMPETITION CONTINUE TO RISE

Increasing pressure to deliver high customer service for less and using less. Particular sectors such as parcels and post under higher pressures

INCREASING NET ZERO PRESSURES

Customers actively responding to increasing pressure on reducing environmental impact of operations and accurately reporting of progress.

HEALTH & SAFETY + COMPLIANCE

New Direct Vision 2024 standard, changes for identifying Vulnerable Road Users, and demand for driver fatigue management

ZERO EMISSION VEHICLE UNCERTAINTY

Customers are uncertain which technology to back; Electric, Hydrogen, or continue with Diesel and Gas with Synthetic e-fuels

Microlise's solutions support customers to manage all of these problems

Operational Environment

- Component shortages expected through to mid-2023 with normality to supply predicted in H2 2023
- New vehicle availability has impacted direct customers' ability to upgrade fleets impacting direct customer implementation projects
- Strong demand for Microlise products due to challenging operating conditions as a result of industry specific and macroeconomic conditions
- Some inflationary pressures coming from suppliers. Some price increases have been passed through to customers. Largely netting out

Execution on a Clear Growth Strategy

Structural Growth → Upsell → New Products

Existing Customer Growth

- Continued growth in OEM and resellers in Middle East and Africa
- Growth in OEM sales through additional models (JCB – 30+ new vehicle models in 2024)
- Sell new products into existing customers (New TMS cross sold into 2 existing contracts in H1)
- If all our products sold to all our existing customers, it would increase Recurring revenue by £70m.
- Renew contracts with incremental revenue through additional products and services

UK → Smaller Fleets & LCV's → International

New Customer Growth

- New wins include Europa, McCulla, LF&E, Creed Foodservices, HSS Hire, PD Ports, STL
- International growth with wins such as Woollies and Metcash (ANZ)
- Growth in medium sized fleet segment with 250 new customer wins

+

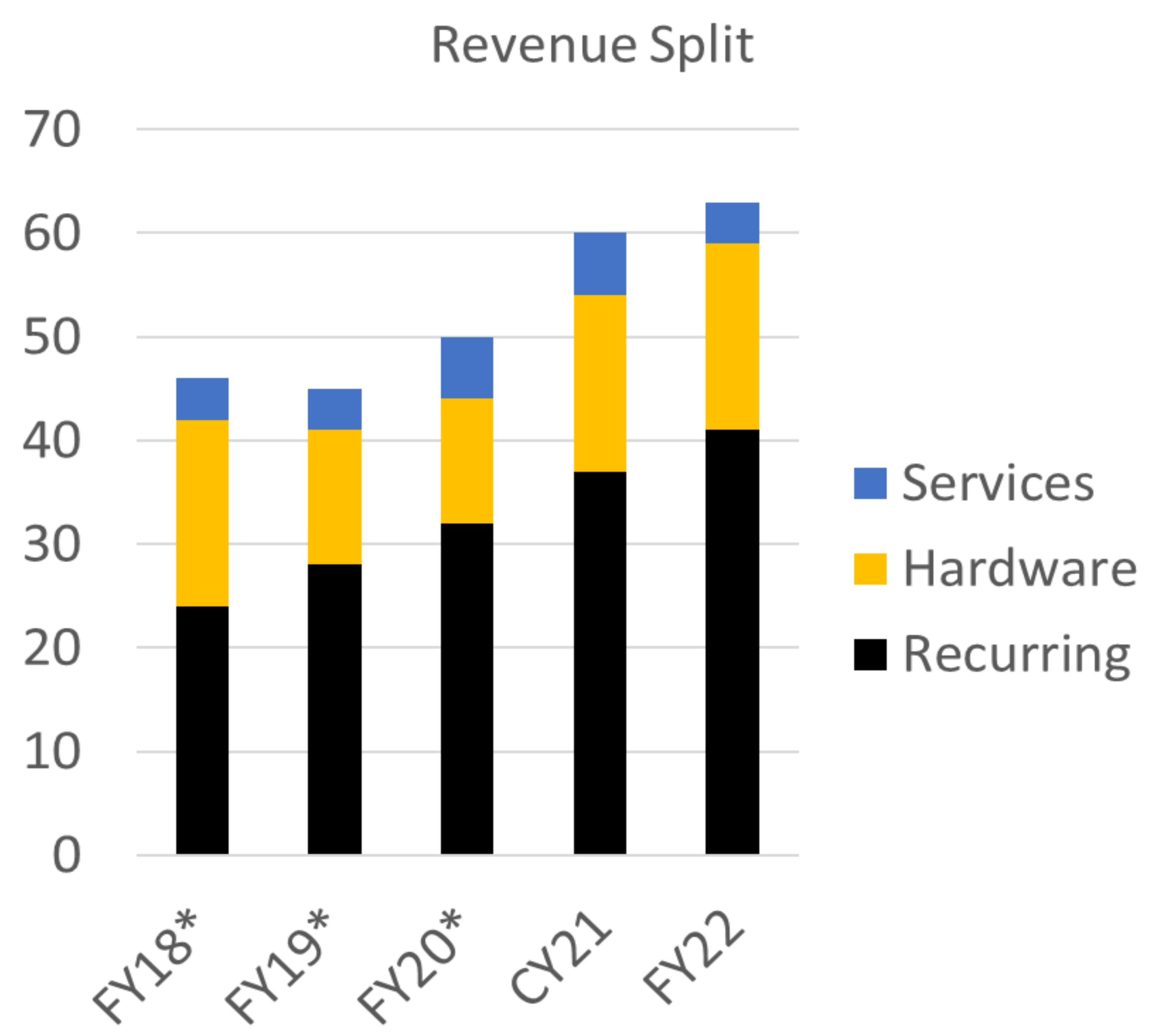
New Geographies → New Products

M & A Growth

- 2020 – TruTac Acquired
- 2023 – Vita Software Acquired

Investment Case

- Typical 5+ year contracts give long term visibility of contracted revenue
- Low customer churn rate
- Selling multiple products into customers makes us more sticky and difficult to substitute
- Margin enhancement with new products and improvements in supply chain and direct customer sales
- Significant market opportunities with international growth and selling new products to existing customer base
- Track record of consistently growing recurring revenues



*FY18, *FY19, *FY20 statutory account years ending in June, CY21 calendar year January to December 2021, FY22 statutory account year ending in December 2022.

ESG Commitments

EMPLOYEE EVENTS

Increased to 22 planned annual internal staff events

ISO 45001

Investing in H&S operations to obtain accreditation in 2024

GPTW

Great Place To Work Accreditation and Top 100 Rankings

SOLAR PANELS

502 panels installed at UK Headquarters

EV CAR SCHEME

EV Salary Sacrifice Scheme

STRONG CHARITY WORK

Increasing support for Transaid & numerous charities

DECARBONISE FLEET

Group Engineer Fleet Being Phased To EV

transaid transport for life

Best Workplaces™ for Women Great Place To Work. UK 2023

Best Workplaces™ for Wellbeing Great Place To Work. UK 2023

Best Workplaces™ Great Place To Work. UK 2023

Best Workplaces™ in Tech Great Place To Work. UK 2023

- Microlise is continuing to develop its ESG credentials with projects underway to offset the Group's carbon footprint
- Highlights include our installation of 502 solar panels at our Nottingham HQ which is estimated to reduce our carbon footprint by over 80 tonnes of CO_2 annually
- We also have plans to increase the number of charging points for staff, as the uptake of the EV Salary Scheme increases
- Microlise was awarded with the Great Place To Work accreditation, as well as being UK ranked #82 Best Workplaces for Women™ (Large), #29 Best Workplaces for Wellbeing™ (Large), #43 Best Workplaces™ (Large), Top 100 Workplaces in Tech™ (Large & Super Large)

OUTLOOK

Outlook

- Microlise delivered another strong performance during H1 2023 as we successfully executed our growth strategy. We secured new customers in our key geographies beyond the UK including France, Australia and New Zealand, expanded our customer base, and efficiently integrated our latest acquisition.
- We have successfully navigated the Company through global supply chain issues and subsequent delays in new vehicle availability, maintaining strong relationships with our valued customers. We are seeing significant improvements in all these situations, which we expect to have normalised by the start of 2024.
- During the second half of the year, our focus will remain on investing in growth, expanding our product portfolio, and growing our strong customer base and geographical presence.
- Although we have not declared any dividends, we still intend to become a dividend paying stock in the future.
- We are continuing to evaluate several other acquisition opportunities to continue to enhance our product portfolio and grow our international presence.
- Whilst it is sensible to look to the future with a degree of caution, given the continuing global macro-economic challenges, the Company's positive trading performance during the period and proven ability to navigate these challenges, underpin the Board's confidence that the Group's performance for FY23 will be in line with market expectations.

Nadeem Raza,
Chief Executive Officer

MICROLISE TRANSPORT CONFERENCE 2024

- 19th March , at The Coventry Building Society Arena
- One of Europe's Largest Transport Conferences
  Over 1,100 delegates attended
- Previous Speakers : Bosch, DfT, DVSA, National Highways and many more industry leaders
- 98% Visitors said they would recommend the event to others
- Breakout session for Investors

APPENDIX

Balance Sheet

			6 months to Jun-23 £000's	6 months to Jun-22 £000's	Change £000's	Change %
Assets	Non-current Assets	Property, plant and equipment	9,414	8,645	769	9%
		Intangible Assets	76,595	75,373	1,222	2%
		Investments in associate	1,572	1,719	(147)	(9)%
		Loan to associate	1,000	0	1,000	100%
		Trade & other receivables	2,976	2,285	691	30%
			91,557	88,022	3,535	4%
	Current Assets	Inventories	3,335	3,516	(181)	(5)%
		Trade & other receivables	22,714	18,817	3,897	21%
		Corporation tax recoverable	1,437	1,160	277	24%
		Cash & cash equivalents	14,063	15,774	(1,711)	(11)%
			41,549	39,267	2,282	6%
	Total Assets		**133,106**	**127,289**	**5,817**	5%
Liabilities	Current Liabilities	Financial Liabilities / Borrowing	(1,056)	(768)	(288)	38%
		Trade & other payables	(34,372)	(32,468)	(1,904)	6%
			(35,428)	(33,236)	(2,192)	7%
	Non-current Liabilites	Financial Liabilities / Borrowing	(718)	(817)	99	(12)%
		Trade & other payables	(16,830)	(15,092)	(1,738)	12%
		Deferred tax	(5,259)	(5,278)	19	(0)%
			(22,807)	(21,187)	(1,620)	8%
	Total Liabilites		**(58,235)**	**(54,423)**	**(3,812)**	**7%**
	Net Assets		**74,871**	**72,866**	**2,005**	**3%**
Equity	Issued share capital		116	116	0	0%
	Share Premium				0	
	Capital Redemption Reserve				0	
	Share Based Payment Reserve & Other Reserves		17,630	17,630	0	100%
	Retained earnings		57,125	55,120	2,005	4%
	Total Equity		**74,871**	**72,866**	**2,005**	**3%**

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