

Tungsten Corporation plc

RESULTS FOR THE SIX MONTHS ENDED 31 OCTOBER 2017 (H1-FY18)
14 DECEMBER 2017

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Fighting friction in the global supply chain



Welcome

TO THE H1-FY18 EARNINGS CALL

hosted by

Richard Hurwitz
Chief Executive Officer

David Williams
Chief Financial Officer

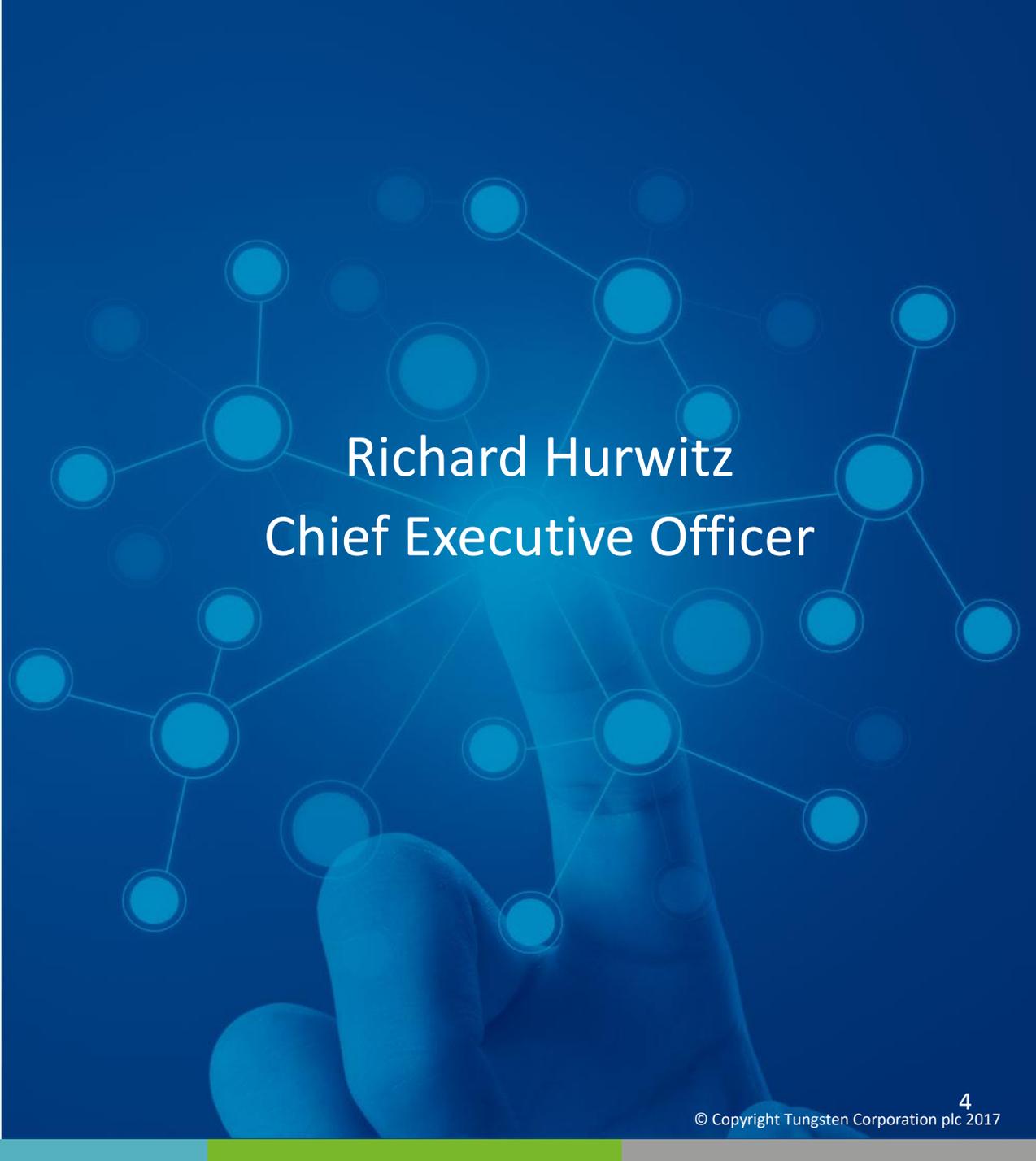
Important information

This document contains forward-looking statements that may or may not prove accurate. For example, statements regarding expected revenue growth and trading margins, market trends and our product pipeline are forward-looking statements. Phrases such as "aim", "plan", "intend", "anticipate", "well-placed", "believe", "estimate", "expect", "target", "consider" and similar expressions are generally intended to identify forward-looking statements. Forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause actual results to differ materially from what is expressed or implied by the statements. Any forward-looking statement is based on information available to Tungsten as of the date of this statement. All written or oral forward-looking statements attributable to Tungsten are qualified by this caution. Tungsten does not undertake any obligation to update or revise any forward-looking statement to reflect any change in circumstances or in Tungsten's expectations.

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Business and strategic delivery update



Richard Hurwitz
Chief Executive Officer

Financial highlights

“Revenue growth of 10% in the period was achieved with no increase in our adjusted operating expenses and we have now achieved total revenue growth of 32% over the past three half-year reporting periods, a CAGR of 20%.”

Revenue growth of **10%** to **£17.1 million**

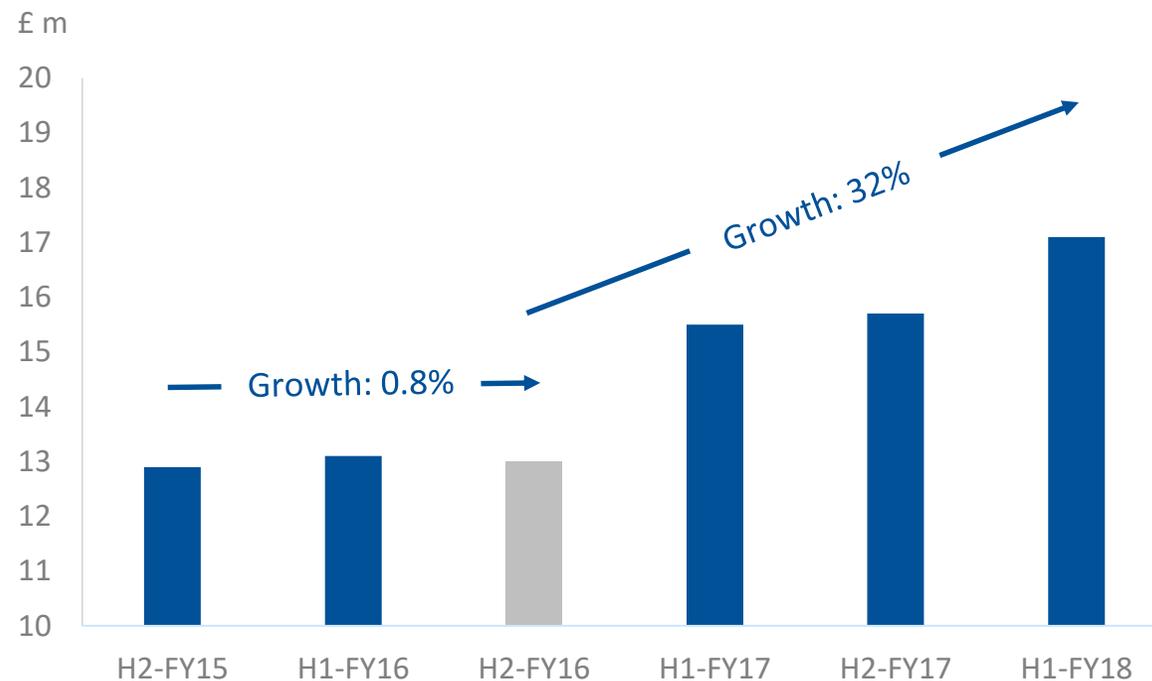
EBITDA loss reduced by **£1.3 million** to **£5.0 million**

Net cash and invoice receivables of **£12.2 million**

Higher growth

- New strategy delivering stronger revenue growth
- Elevated rate of growth proves the value of our strategic plan

Revenue growth – year on year ¹

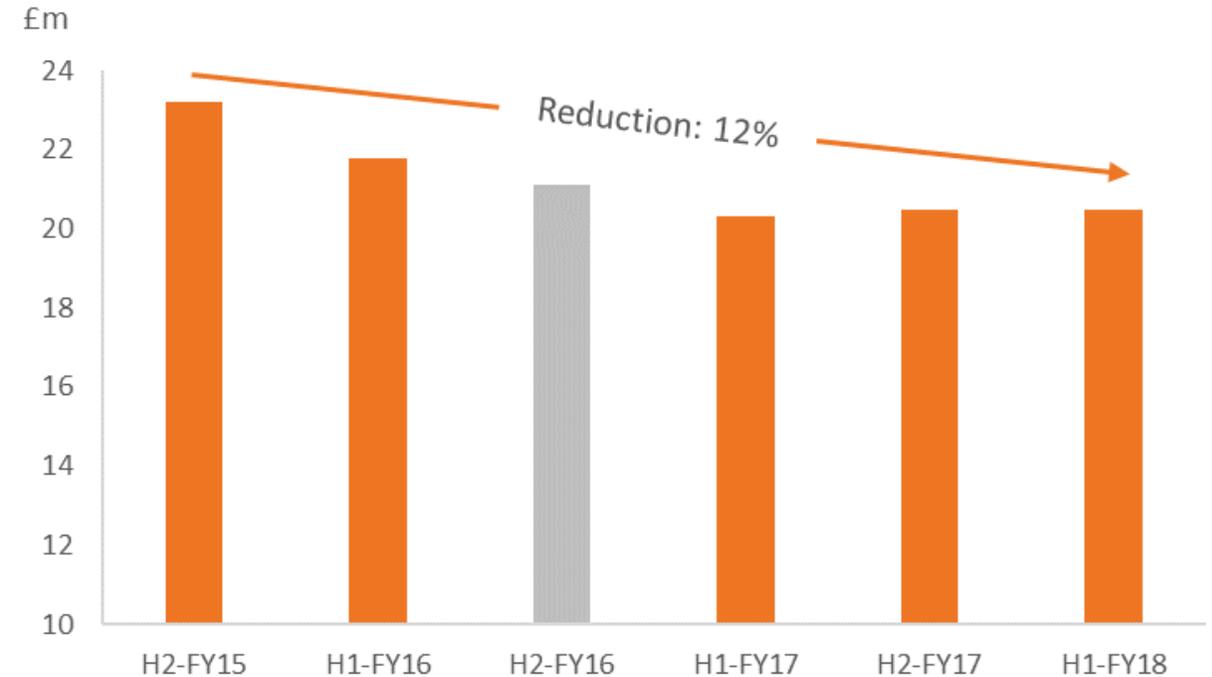


¹ H1-FY17 revenue excludes Tungsten Bank as a discontinued operation

Expense discipline

- Tightened management and tracking of costs – decoupled from revenue growth
- Reduced expenditure even while growing revenues and investing for productivity gains

Expense reduction – year on year ¹

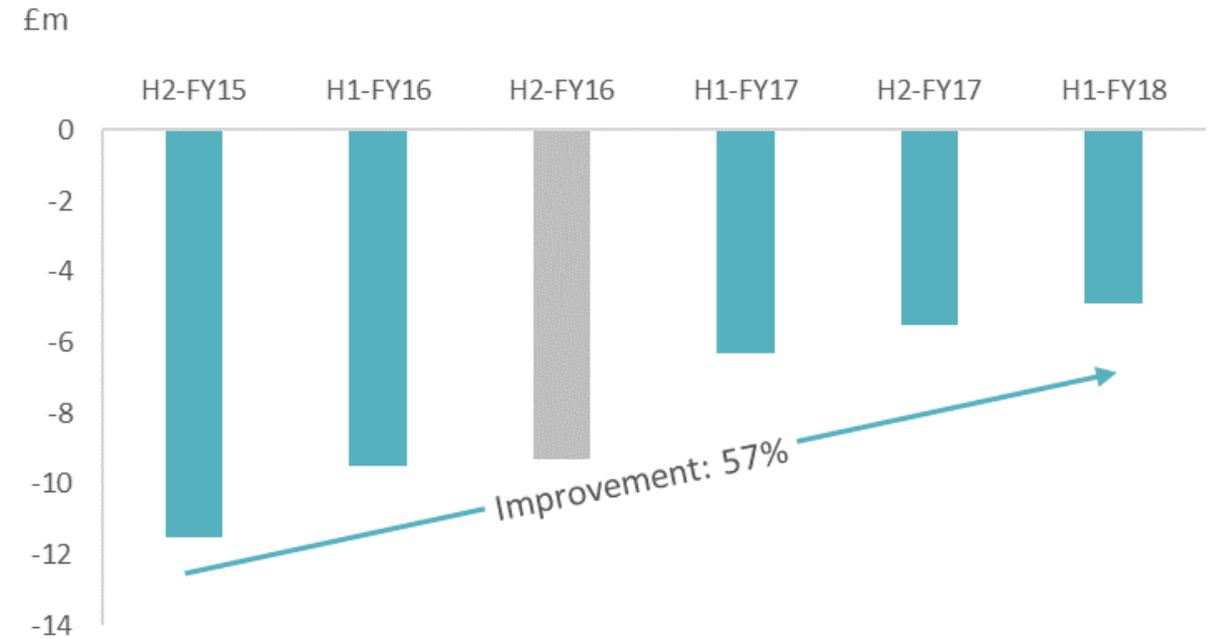


¹ Adjusted operating expenses defined as operating expenses from continuing operations excluding cost of sales and before depreciation, amortisation, share-based payments charge and restructuring costs

Improving EBITDA

- Consistent improvement in EBITDA performance
- Nearing run-rate EBITDA breakeven

Decreasing EBITDA loss ¹



¹ EBITDA loss defined as operating loss from continuing operations before other income, depreciation, amortisation, share-based payments charge and restructuring costs

Key performance metrics

Transaction volume growth of **0.5 million** to 17.8 million (annualised)

Average revenue per invoice increased to **£1.86** (FY17: £1.82)

Adjusted operating expenses steady at **£20.5 million** (H1-FY17: £20.4 million)

Tungsten Network Finance average outstandings of **£22.4 million** (£14.0 million in April 2017)

Progress in H1-FY18

Core Network

in USA now replaced with more reliable, secure, scalable platform

TNF

Tangible progress on products, partnerships, sales

Brand

awareness and MQLs increased

5 new Buyers

and 1 new Buyer in Nov17 signed up by new sales team

New products

launched including supplier analytics and e-billing enhancements

Committed campaigns

from key Buyers on Tungsten Network

ISO 27001

renewal &

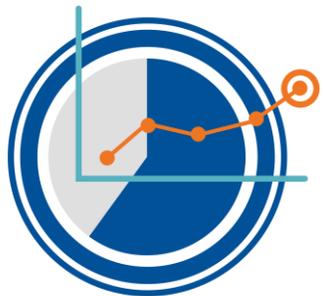
ISAE 3402

accreditation

“We are well progressed with our remediation activities to achieve the infrastructure that will support accelerated revenue growth”

Core Network | Salesforce | Portal

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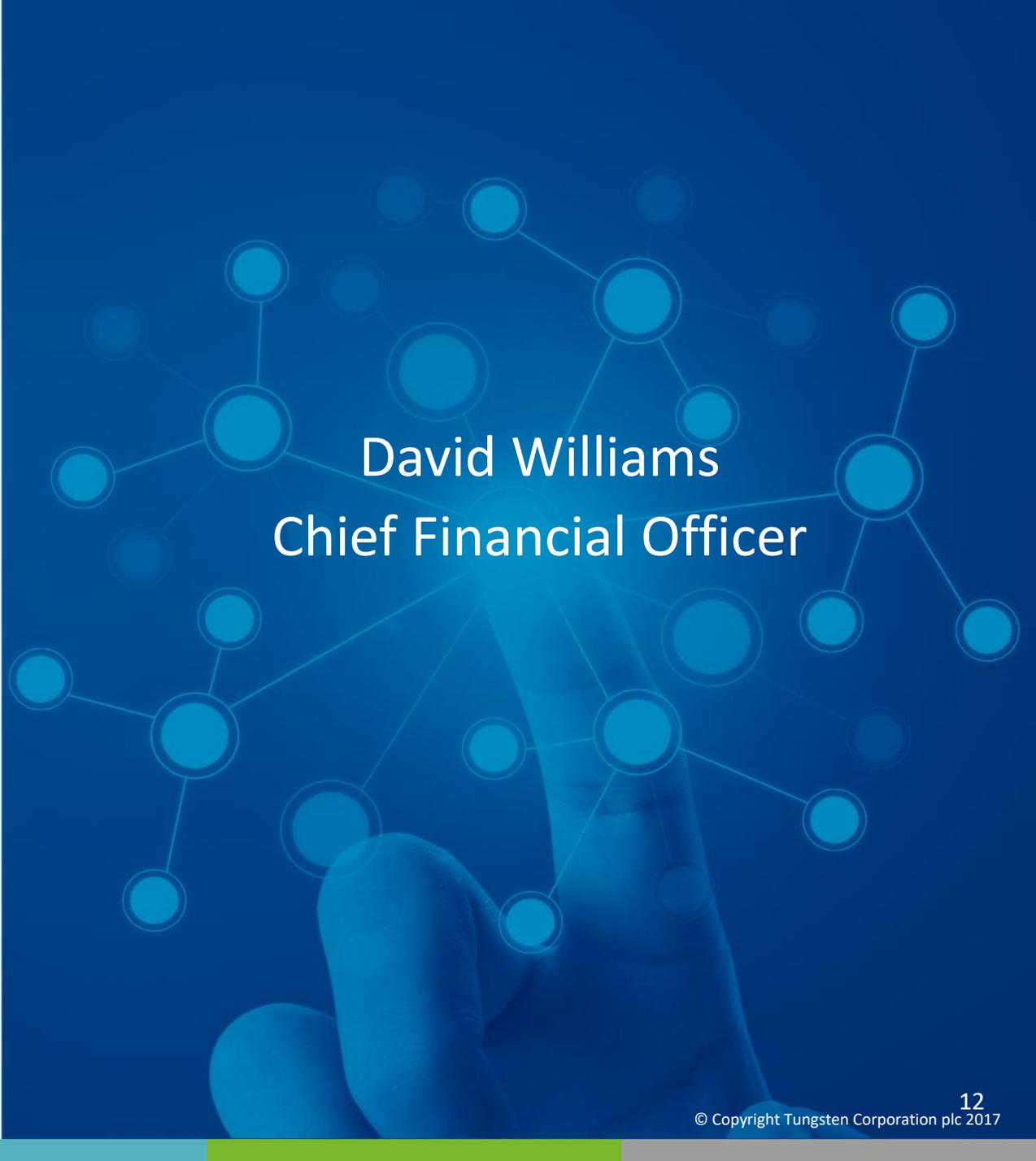


£3.6m total spend
in **H1-FY18**

£4.0m cost to complete over
H2-FY18 and **H1-FY19**

benefits from **H1-FY19** onwards of
greater efficiency, reliability and
scalability of Tungsten Network

Financial update



David Williams
Chief Financial Officer

Financial highlights

£'000 (unless stated)	H1-FY18	H1-FY17	Variance
Revenue¹			
Tungsten Network	16,888	15,528	+9%
Tungsten Network Finance	167	10	+1,536%
Total revenue	17,055	15,538	+10%
Cost of sales	(1,470)	(1,493)	-2%
Gross profit	15,585	14,045	+11%
Gross margin	92%	90%	
Adjusted operating expenses ²	(20,538)	(20,340)	-1%
EBITDA³	(4,953)	(6,295)	-21%
Depreciation/amortisation	(1,151)	(1,396)	18%
Exceptional items	(2,344)	-	n/a
Share-based expense	(383)	(171)	-124%
Operating loss	(8,831)	(7,862)	-12%
Net finance costs	(278)	4,782	
Taxation	626	127	
Discontinued operations	-	(1,504)	
Loss for the period	(8,484)	(4,457)	-90%
Basic loss per share	(6.73)p	(3.53)p	

¹ Prior year excludes Tungsten Bank as a discontinued operation

² Adjusted operating expenses defined as operating expenses from continuing operations excluding cost of sales and before depreciation, amortisation, share-based payments charge and restructuring costs

³ EBITDA loss defined as operating loss from continuing operations before other income, depreciation, amortisation, share-based payments charge and restructuring costs

Tungsten Network performance

“The EBITDA loss of Tungsten Network reduced by more than 50% over H1-FY18”

	H2-FY16	H1-FY17	H2-FY17	H1-FY18
Revenue (£m)	12.9	15.5	15.6	16.9
EBITDA (£m)	(3.0)	(2.2)	(2.0)	(0.9)
No. of Buyers (#)	175	178	183	185
No. of Suppliers (#)	203,000	213,000	251,000	264,000
No. of invoices (#m LTM)	16.1	16.5	17.1	17.8

“Tungsten Network Finance has supplied over £140m of liquidity since its relaunch in late 2016”

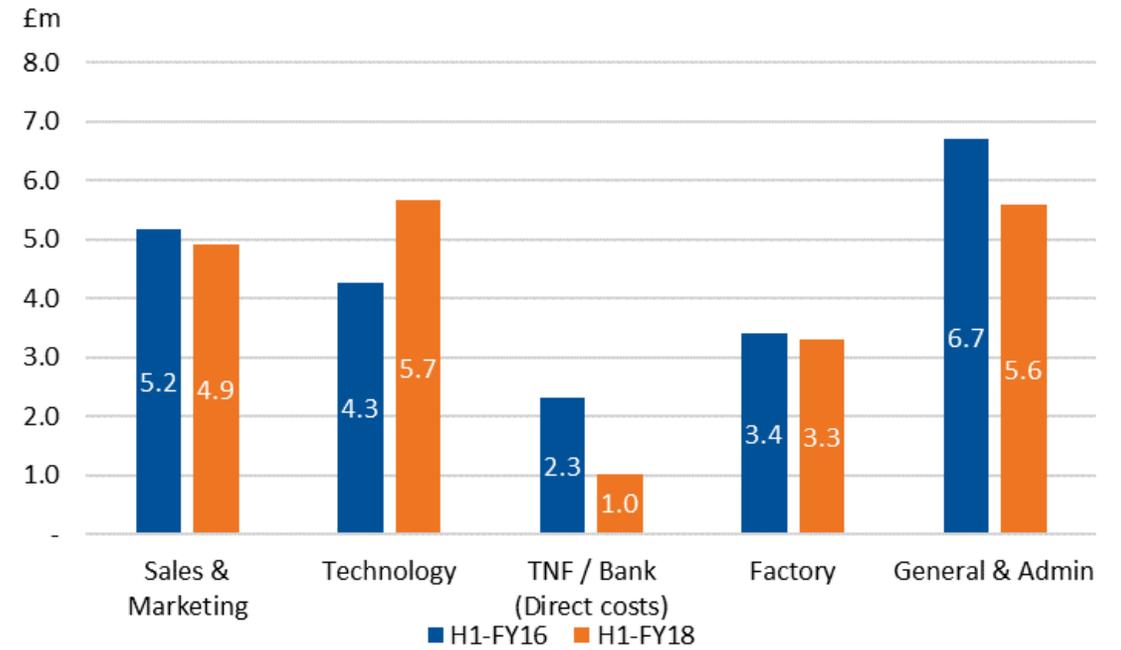
	H2-FY16	H1-FY17	H2-FY17	H1-FY18
Revenue (£m)	neg	neg	0.1	0.2
EBITDA (£m)	(1.4)	(0.8)	(1.0)	(1.1)
No. of Suppliers (#)	65	61	61	77
Outstandings ¹ (£m)	12.4	12.0	14.1	22.4

¹Daily average in the last month of the period

Tungsten Network Finance performance

Tungsten Group adjusted operating expenses

£m	H1-FY16	H2-FY16	H1-FY17	H2-FY17	H1-FY18
Tungsten Network	15.0	14.8	16.3	16.8	16.3
Tungsten Network Finance	2.4	1.4	0.8	1.0	1.1
Tungsten Bank	1.4	1.4	1.6	-	-
Corporate	3.1	3.5	3.3	2.6	3.1
Tungsten Group	21.8	21.1	22.0	20.5	20.5



We have reduced our cost base and today spend in different areas to two years ago

Over the first four months of the 2018 calendar year we expect to average **EBITDA breakeven** in each month

Positive EBITDA impact



Cumulative impact of 5 new Buyer sales in H1-FY18

Additional new Buyer sales in H2-FY18

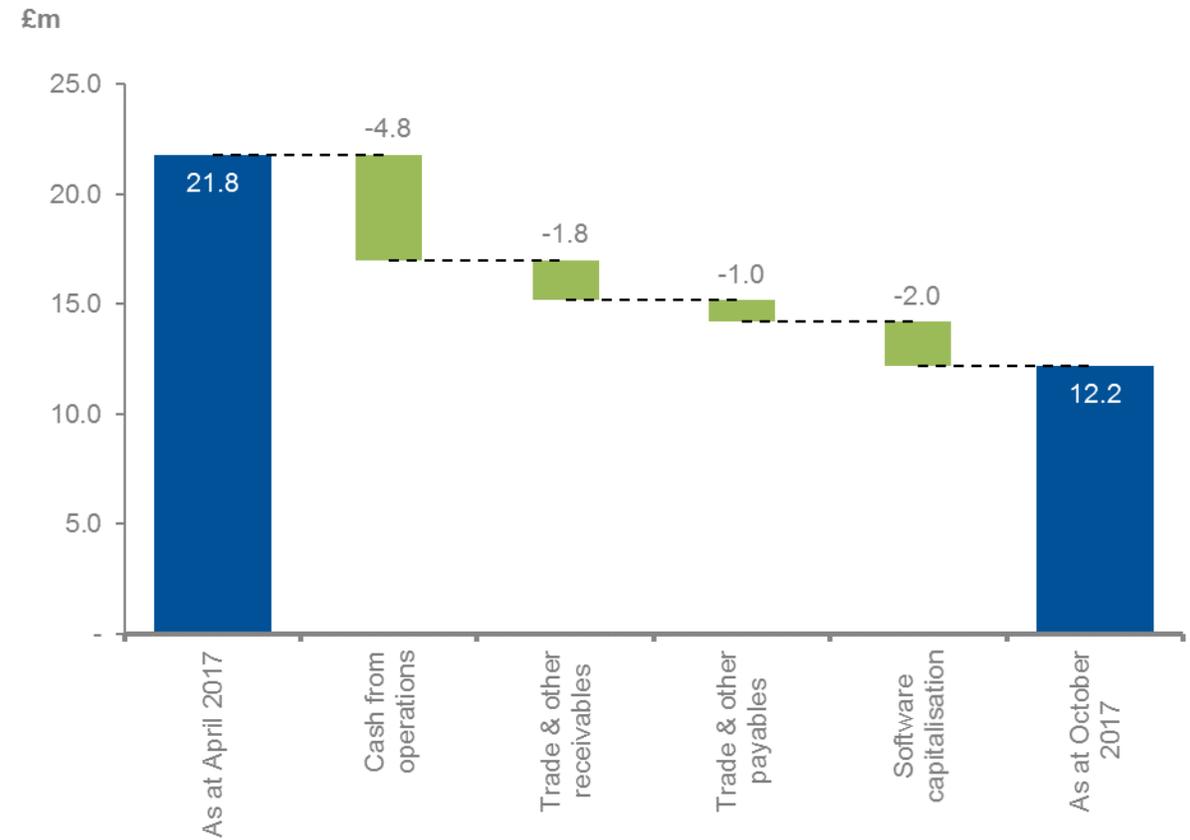
Realisation of initial benefits of technology infrastructure projects

Sales of new products including IDC, e-billing and supplier analytics

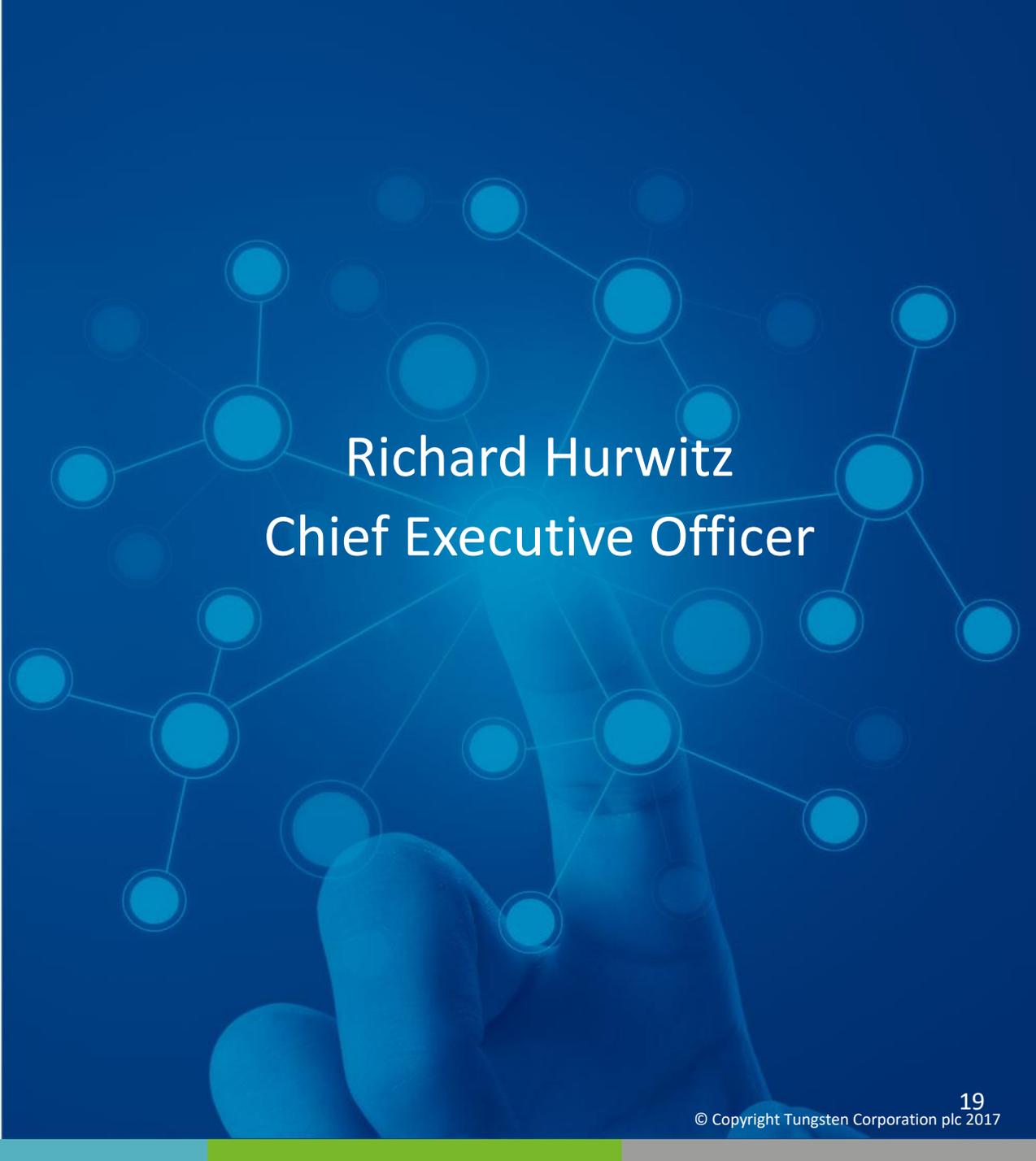
Growth in our trade finance solutions of Tungsten Network Finance

Group liquidity

Cash & invoice receivables



FY18 outlook and relative performance



Richard Hurwitz
Chief Executive Officer

FY18 outlook

Over the first four months of the 2018 calendar year we expect to reach **EBITDA breakeven**

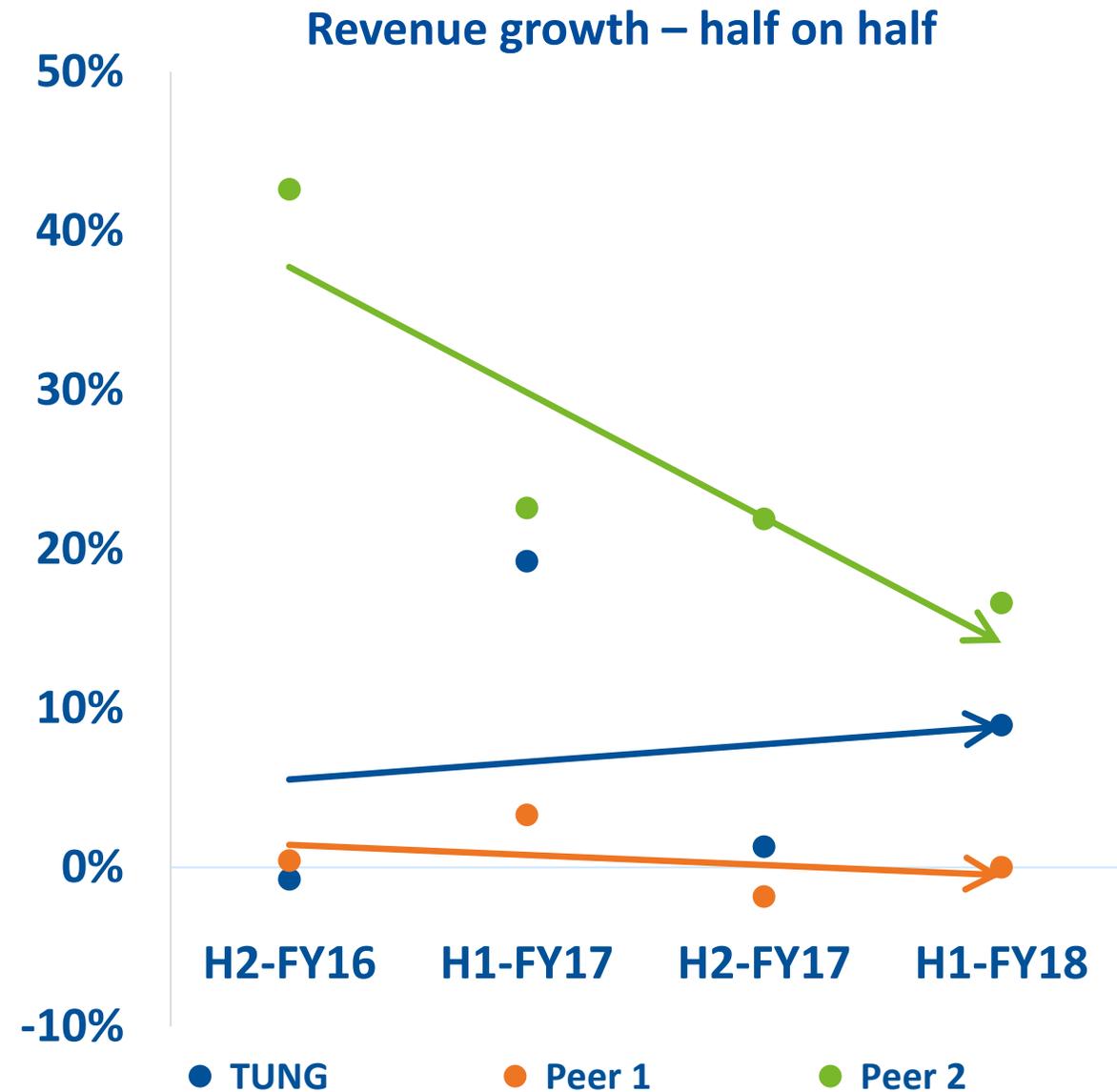


On track to deliver in FY18:

- Constant currency growth in revenue of at least 15% (FY17: 12%);
- Gross margin of at least 90% (FY17: 92.8%); and
- Adjusted operating expenses of less than £40 million (FY17: £40.8 million). This excludes one-off costs of approximately £3 million. One-off costs are now expected to be £1 million higher, primarily due to the cost of reducing our property footprint in the USA.

Positive momentum

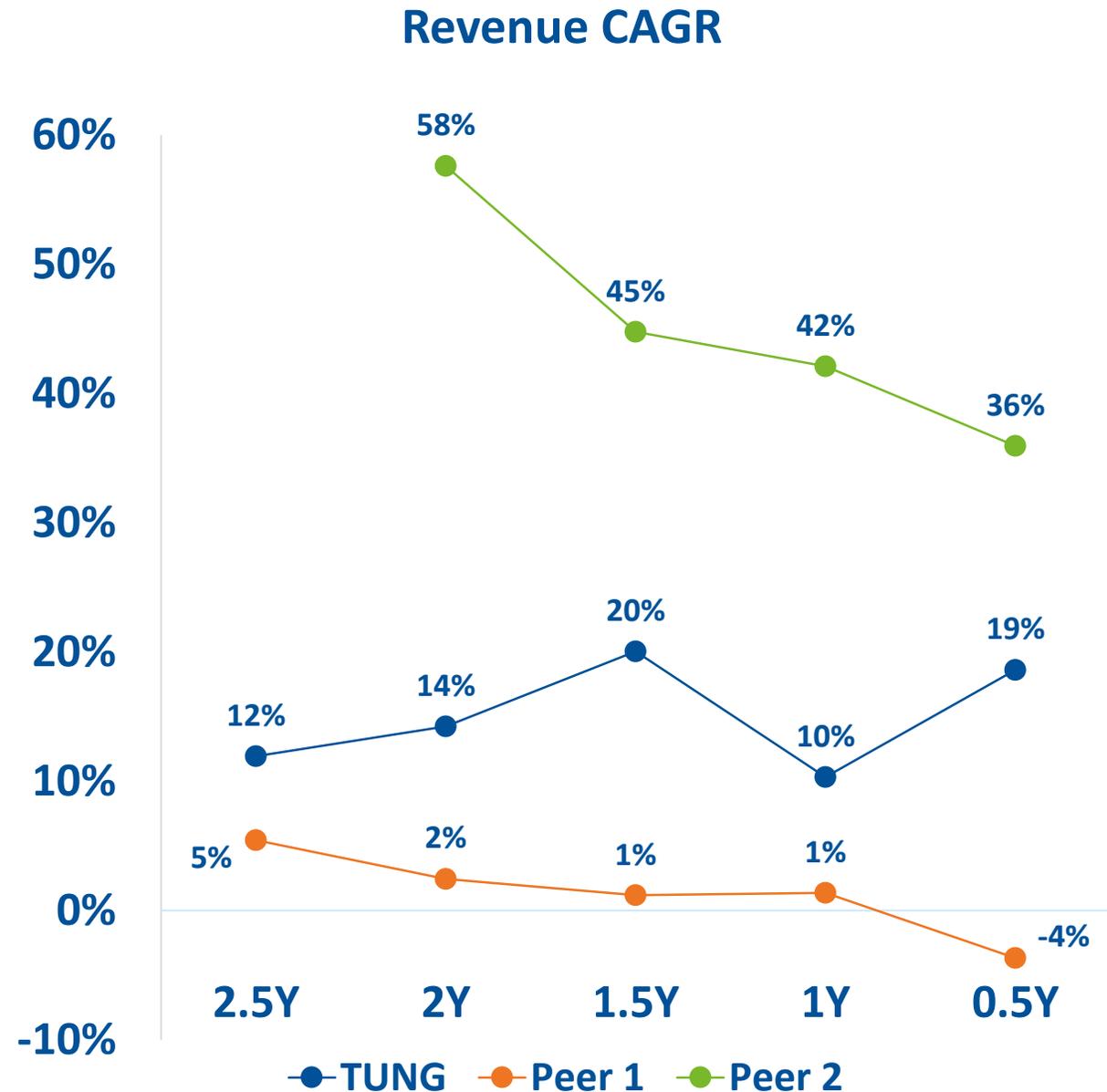
- Attractive revenue trajectory relative to two global peers



DATA SOURCES: Company statutory disclosure

Increasing revenue CAGR

- Sustainable revenue CAGR progress alongside strategy of pursuing profitable growth
- Revenue CAGR of two global peers decreasing



DATA SOURCES: Company statutory disclosure

Questions

Thank you