



Interim Results to June 2023

Nadeem Raza,
Chief Executive Officer

Nick Wightman,
Chief Financial Officer

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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



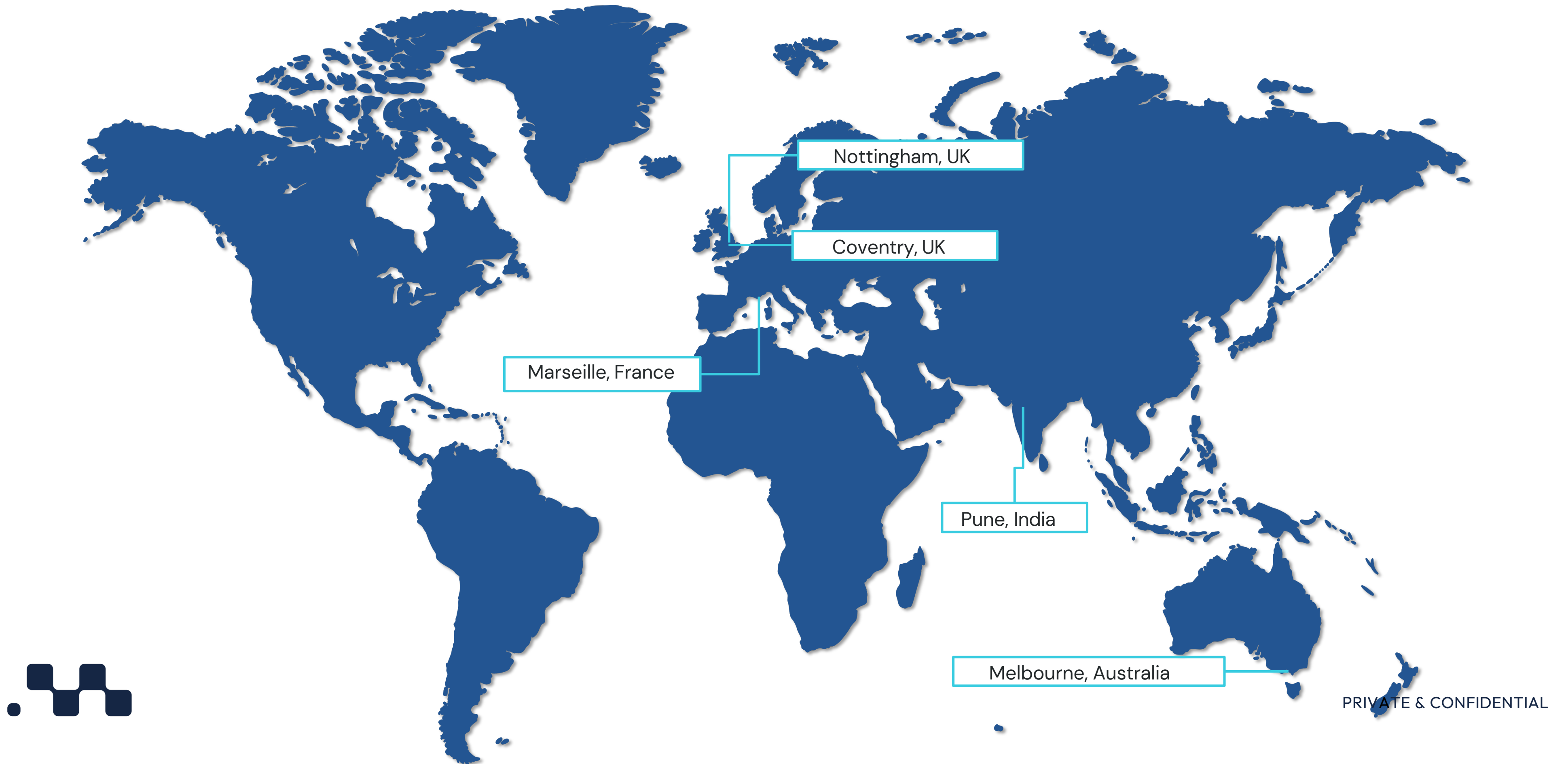
Elimination of
Delivery
Paperwork



Enhanced
Customer
Experience

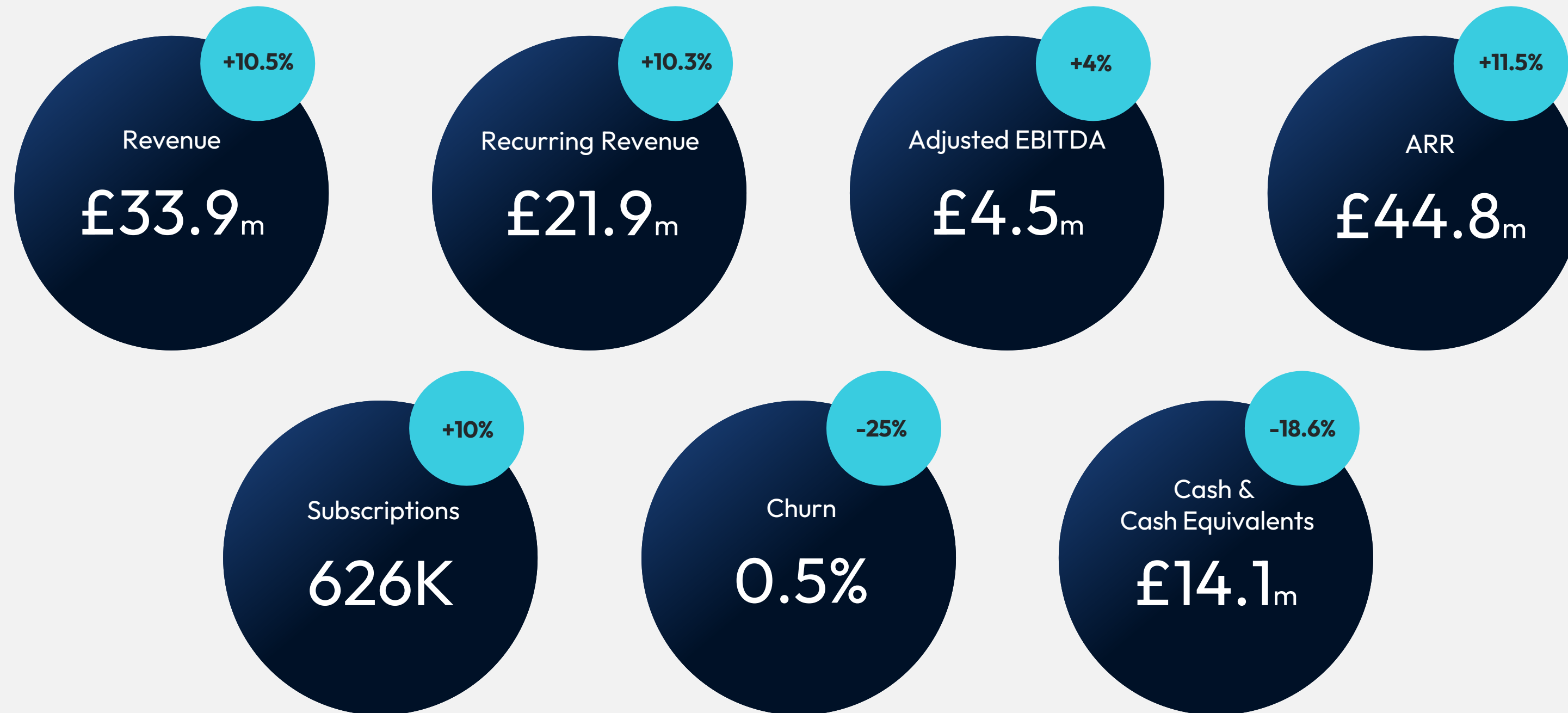


Our Locations



Highlights

(H1 2023 vs H1 2022)



A Proprietary Modular Platform

Enabling Global Enterprises To Run Highly Complex Logistics Supply Chains



Newer, Higher Value, Higher margin

*Market pricing for solutions, not Microlise product pricing

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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

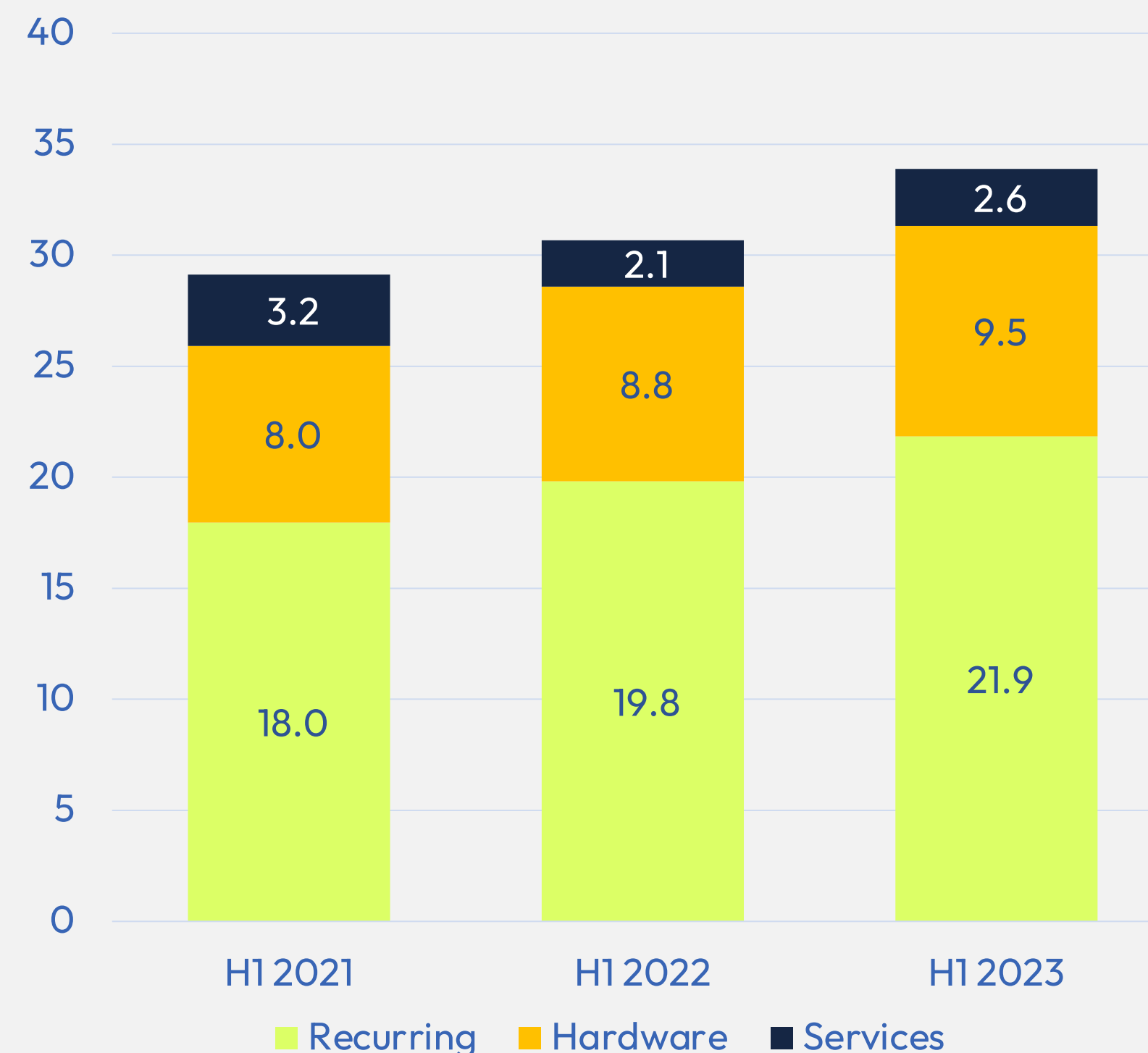


Financial Review



- ✓ 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.

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- ✓ 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

Cash Flow

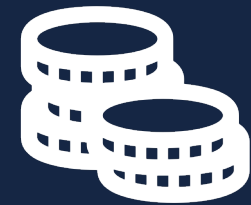
Six Months Ended 30 June 2023	H1 FY23 (£m)	H1 FY22 (£m)	Change
Adjusted EBITDA	4.5	4.3	0.2
Working capital and other items	(0.9)	1.4	(2.3)
Cash flow generated from operations	3.6	5.7	(2.1)
Capex - property, plant and equipment (PPE)	(1.6)	(0.8)	(0.8)
Capex - intangible assets	(1.3)	(0.8)	(0.4)
Payments 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



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



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

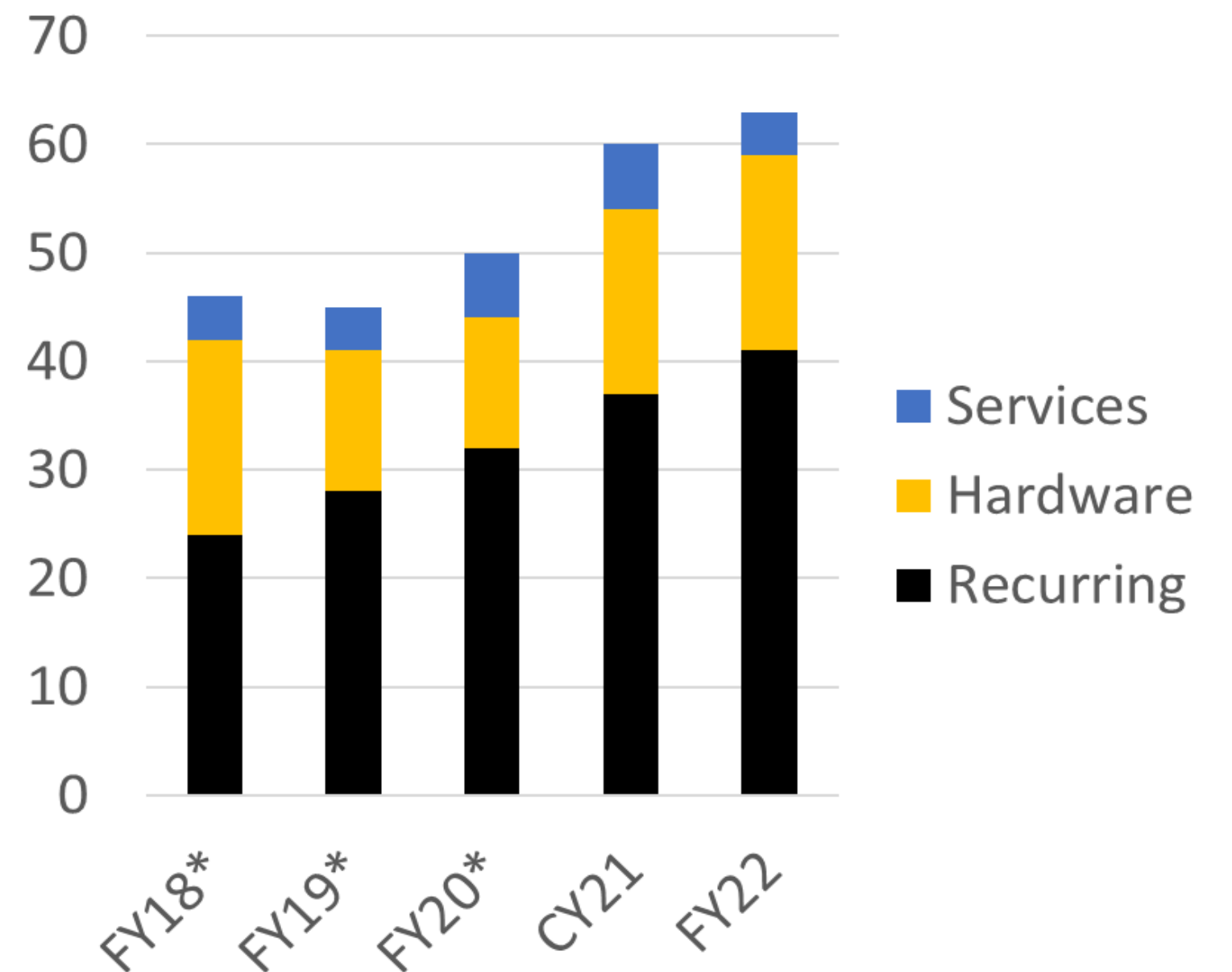


Significant market opportunities with international growth and selling new products to existing customer base



Track record of consistently growing recurring revenues

Revenue Split



*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



- 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 CO₂ 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



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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



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Balance Sheet

			6 months to Jun-23 £000's	6 months to Jun-22 £000's	Change		
					£000's	%	
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 Liabilities		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 Liabilities			(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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