

28 May 2020

WiseTech Global updates acquisition earnout arrangements

WiseTech Global (ASX: WTC) today announced it has renegotiated earnout arrangements for a number of its strategic acquisitions, to allow for better alignment of resources and to further strengthen its robust balance sheet.

Through 2H20, we have worked collaboratively with 17 of our acquired businesses to simultaneously reduce and close-out future earnouts and replace significant cash payments with equity. While this action further strengthens our balance sheet and liquidity, our priority across our strategic acquisitions is to accelerate CargoWise platform expansion and development, tighten focus and better align those resources into our core CargoWise operations.

WiseTech Global Founder and CEO, Richard White, said, “The current environment provided us with the opportunity to restructure previously agreed acquisition earnouts, ensuring we can better drive those resources, accelerate their contribution to CargoWise development, and further improve our commercial efficiency. Through our small, targeted, strategic acquisitions in recent years we captured hard-to-access capability, development capacity and feet-on-the-ground in key geographies. Our shared vision and alignment with our Founder MDs enabled us to close out these arrangements efficiently, remove significant contingent cash obligations and reduce future contingent liabilities. The leaders across our acquired organisations remain in the Group and are focused on delivering value for shareholders.”

These negotiations resulted in:

- Reduction in contingent liabilities overall from \$215.5m to \$68.5m
- Removal of \$151.5m of future contingent cash liabilities
- Equity issuance of \$81.4m of which \$45.7m remains escrowed for 12 months
- Complete close-out of all future earnouts for ABM Data, CargoIT, Cargoguide, CargoSphere, CustomsMatters, DataFreight (LSI), Microlistics, Pierbridge, SmartFreight, Softcargo, SaaS Trans, Trinium, and Xware
- Replacement of cash earnouts with equity for Cypress, Depot Systems, Forward, and SISA: part immediate equity close-out, and part future equity earnouts of \$10.9m based on product development

In the coming months, we will embark on a similar earnout review for a number of remaining acquisitions, which are primarily geographic footholds with product development targets already in place.

The change in fair value estimate of contingent consideration is expected to necessitate a one-off \$69.5m fair value gain in the 2H20, however this non-cash, non-taxed item does not affect revenue nor EBITDA. We do not anticipate any impairment of goodwill as a result of these earnout changes.

WiseTech Global Founder and CEO, Richard White, said, “Our financial position continues to be strong as our unique commercial model delivers robust cash generation, positive free cash flow and significant liquidity to support our strategic and operational initiatives, including significant investment in R&D and global rollouts for the world’s largest logistics organisations.”

“Today’s actions further strengthen our balance sheet and align our global resources. We expect digital transformation to accelerate, driving demand for global technology and integrated platforms, such as CargoWise. In the current environment, our business continues to demonstrate resilience and tracks in line with our expectations. Throughout this period and into FY21, we will continue to take the necessary actions to prioritise critical technology development, drive cost, cash and capital efficiency, and build our competitive position globally.”

Table A: Reconciliation of estimated contingent consideration

Movements	\$m	Notes
Contingent consideration at 31 Dec 2019	197.8	
Additions – 2H20 acquisitions	8.1	SISA SAD EC
Payments in 2H20	(3.1)	Taric, Systema, EasyLog
FX differences	9.8	
Unwinding interest	2.9	
Balance pre-negotiations	215.5	
Payments for re-negotiated earnouts	(81.5)	ABM Data, CargoIT, Cargoguide, CargoSphere, CustomsMatters, Cypress, DataFreight (LSI), Depot Systems, Forward, Microlistics, Pierbridge, SmartFreight, Softcargo, SaaS Trans, Trinium, SISA and Xware
Change in fair value estimate	(69.5)	Non-cash, non-taxed P/L gain
Unwinding interest	4.0	Accelerated P/L fair value interest charge
Balance post-negotiations	68.5	
Impact of negotiations	(147.0)	

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

About WiseTech Global

WiseTech Global is a leading developer and provider of software solutions to the logistics execution industry globally. Our customers include over 15,000 of the world’s logistics companies across 150+ countries, including 40 of the top 50 global



empowering and enabling global logistics

third-party logistics providers and 25 of the 25 largest global freight forwarders worldwide¹. Our flagship platform, CargoWise, forms an integral link in the global supply chain and executes over 50 billion data transactions annually.

At WiseTech, we are relentless about innovation, adding ~3,500 product enhancements to our global platform in the past 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.

The WiseTech Global group includes CargoWise, ABM Data Systems, ACO Informatica, BorderWise, Bysoft, Cargoguide, CargoIT, CargoSphere, CMS Transport Systems, Containerchain, CustomsMatters, DataFreight, Depot Systems, EasyLog, Fenix, Forward, Intris, LSP Solutions, Microlistics, Multi Consult, Pierbridge, ProLink, Ready Korea, SaaS Transportation, SAD EC, SISA, SmartFreight, Softcargo, Softship, Systema, Taric, Trinium Technologies, Ulukom, Xware, zsoft and znet Group.

For more information about WiseTech Global or CargoWise, please visit [wisetechglobal.com](https://www.wisetechglobal.com) and [cargowise.com](https://www.cargowise.com)

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¹ Armstrong & Associates: Top 50 Global Third-Party Logistics Providers List, ranked by 2018 logistics gross revenue/turnover. Armstrong & Associates: Top 25 Global Freight Forwarders List, ranked by 2018 logistics gross revenue/turnover and freight forwarding volumes.