

# Blanco

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Driving Sustainable Growth and Value  
Final results for the year ending 30 June 2019

- FY19 Highlights
- Financial Review of FY19
- Market Opportunity
- Segmental Overview
- Summary & Outlook

# FY19 Highlights

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## Financial

- Good revenue and profit growth across all regions and in Enterprise and ITAD segments
- Profit growth has led to strong cash generation and move into net cash position
- Confidence in future prospects, near and long term
- Post period end fund raise to support strategic acquisitions and strengthen balance sheet

## Operational

- Increased focus on R&D to strengthen product offering for the mobile and enterprise markets
  - Completed Inhance acquisition and ZroBlack consulting agreement, focused on mobile market
  - 11% increase in headcount to 272 at the end of June, primarily in R&D
  - IP position further enhanced with 7 new patents filed
- Completed executive team hiring by adding heads of Business Development and HR
- Increased marketing spend focused on Enterprise and Mobile and strengthened channel team
- Encouraging pipeline; continues to increase in breadth and visibility of opportunity



# Financial Highlights FY19

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# Income Statement

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£'m	FY19	FY18	Growth
<b>Revenue</b>	<b>30.5</b>	<b>26.9</b>	<b>+13%</b>
<b>Gross profit</b>	<b>28.9</b>	<b>25.8</b>	<b>+12%</b>
Admin Expenses	(28.6)	(26.6)	
<b>Operating Profit/(Loss)</b>	<b>0.3</b>	<b>(0.8)</b>	
Exceptional and Acquisition (income)/costs	(0.3)	1.4	
Amort. of acquired intangibles	2.6	2.6	
Share based payments	0.9	(0.3)	
Adjusted administrative expenses	(25.4)	(22.9)	+11%
<b>Adjusted Operating Profit</b>	<b>3.5</b>	<b>2.9</b>	<b>+18%</b>
<i>Depreciation</i>	<i>0.2</i>	<i>0.2</i>	
<i>Amort of non acquired intangibles</i>	<i>2.4</i>	<i>2.3</i>	
<b>Adjusted EBITDA</b>	<b>6.1</b>	<b>5.5</b>	<b>+13%</b>

<i>Adjusted Operating Profit margin</i>	<i>11.3%</i>	<i>10.8%</i>
<i>Adjusted EBITDA margin</i>	<i>20.2%</i>	<i>20.2%</i>

- Revenue growth of 13%, gross margin of 95% (FY18: 96%)
- Administrative expenses increased in the year due to investment in marketing and R&D
- Headcount increased by 11% to 272 at 30 June 2019 (300 as at 31 August 2019)
- Exceptional income from the release of provisions related to prior acquisitions no longer required (£0.7m), offset by £0.4m of acquisition costs as at 30 June
- Operating and EBITDA margins maintained despite investments

# Balance Sheet

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£'m	30 June 2019	30 June 2018
<b>Non current assets</b>	<b>70.2</b>	<b>69.7</b>
<b>Current assets / (liabilities)</b>		
Inventory	0.1	0.1
Debtors	7.4	7.0
Trade & other payables	(8.8)	(7.4)
Contingent consideration	(0.3)	(2.0)
Provisions	(0.8)	-
	<b>(2.4)</b>	<b>(2.3)</b>
<b>Net cash / (debt)</b>	<b>0.1</b>	<b>(2.7)</b>
<b>Non current liabilities</b>		
Contingent consideration	-	(0.2)
Provisions	(0.3)	(2.0)
Deferred tax	(3.6)	(4.0)
Other non-current liabilities	(1.3)	(0.3)
	<b>(5.2)</b>	<b>(6.5)</b>
<b>Net assets</b>	<b>62.7</b>	<b>58.2</b>

- Restatement of prior year balance sheet for IFRS15 and IFRS9 conversion
- Gross debt at 30 June 2019 was £6.5m (30 June 2018: £8.9m)
- Moved to net cash position
- Remaining contingent consideration relates to Xcaliber acquisition and to be settled in H1 2020

£'m	FY19	FY18
<b>Adjusted Operating Profit</b>	<b>3.5</b>	<b>2.9</b>
Depreciation on Property, Plant & Equipment	0.2	0.2
Amortisation of intangible assets	2.4	2.4
<b>Adjusted EBITDA</b>	<b>6.1</b>	<b>5.5</b>
Increase in receivables	(0.3)	(0.2)
Increase / (decrease) in payables, accruals and provisions	2.4	(2.2)
Acquisition costs	0.4	0.3
Restructuring costs	(0.4)	0.7
<b>Adjusted Operating Cash Flow (AOCF)</b>	<b>8.2</b>	<b>4.1</b>
<b>AOCF as % of Adjusted EBITDA</b>	<b>133.7%</b>	<b>74.6%</b>

- Net debt position cleared during period through trading
- 3 year contract valued at \$1.2m paid in full prior to year end, inflating cash generation but will unwind in future periods as revenue recognised over period of the contract
- \$1.5m paid to ZroBlack in April 2019, depressing cash balance
- £0.8m paid in the year relating to Xcaliber acquisition. Final payment due in H1 2020, estimated at £0.3m
- Placing of 8m shares at £1.25 announced on 11 July 2019 to fund Inhance acquisition, refinance ZroBlack investment and provide working capital

£'m	FY19	FY18
<b>Capitalised Internal R&amp;D Expenses</b>	<b>2.6</b>	<b>2.2</b>
Amortisation of Internal R&D Expenses	(2.2)	(1.9)
<b>Net credit to Income statement</b>	<b>0.4</b>	<b>0.3</b>



# Product & Geographical revenues

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Revenue	FY19 £'m	FY18 £'m	Growth %
Enterprise & Data Centre	10.3	8.6	20%
ITAD	10.2	8.6	18%
Mobile	10.0	9.7	4%
<b>Group total</b>	<b>30.5</b>	<b>26.9</b>	<b>13%</b>

Revenue	FY19 £'m	FY18 £'m	Growth %
North America	10.7	9.4	14%
Europe	11.4	10.1	13%
Asia and ROW	8.4	7.4	13%
<b>Group total</b>	<b>30.5</b>	<b>26.9</b>	<b>13%</b>

- Enterprise market continues to be our fastest growing market
- Mobile growth anticipated to accelerate in future periods following strategic investments
- 48% growth in channel revenue to £5.3m (FY2018: £3.6m), now representing 48% (FY2018: 38%) of Enterprise & Data Centre revenues
- Strong performance in all regions

# Market Opportunity

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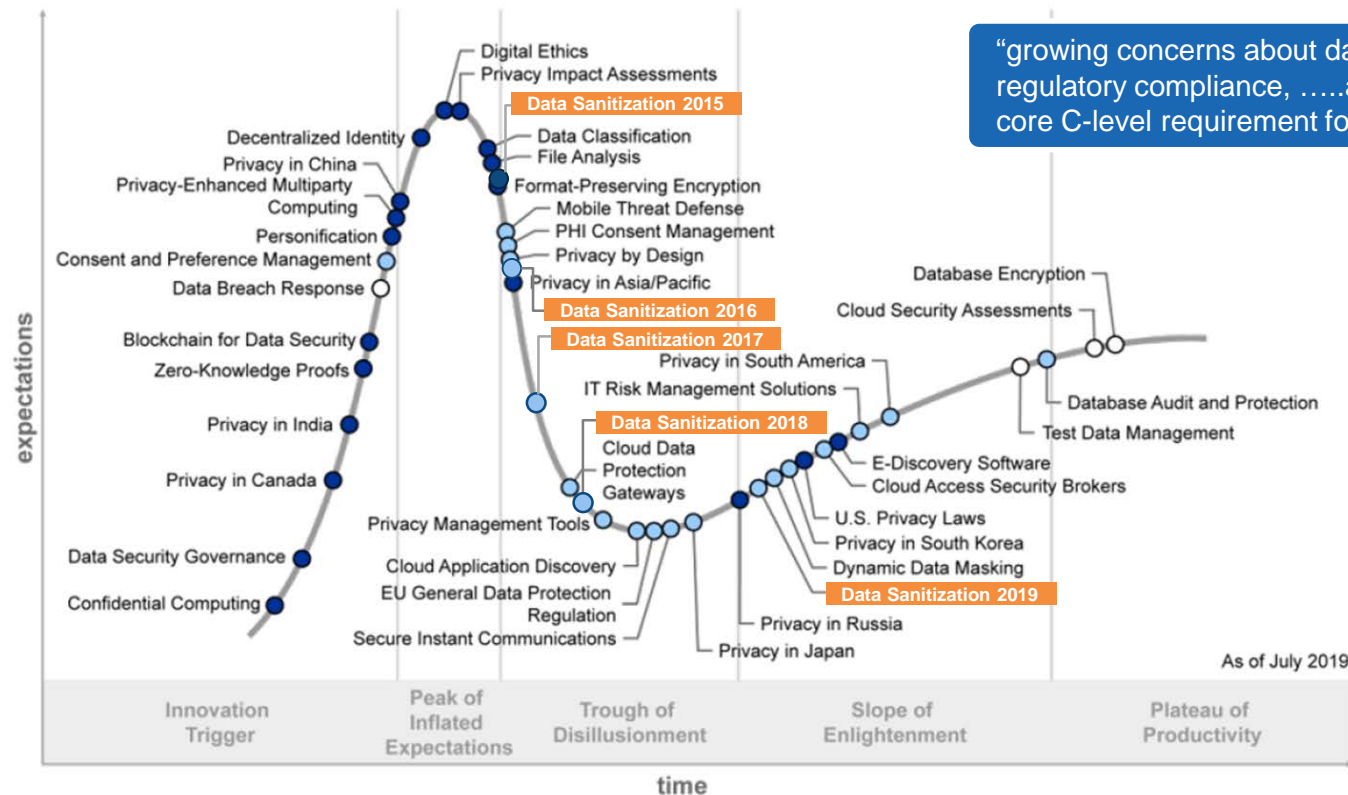
# Gartner Hype Cycles for Data Security and Privacy (July 2019)

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## Hype Cycle for Privacy, 2019

Data Sanitization is defined as “the disciplined process of deliberately, permanently and irreversibly removing or destroying the data stored on a memory device to make it unrecoverable.”

“growing concerns about data privacy and security, leakage, regulatory compliance, .....are making robust data sanitization a core C-level requirement for all IT organizations”



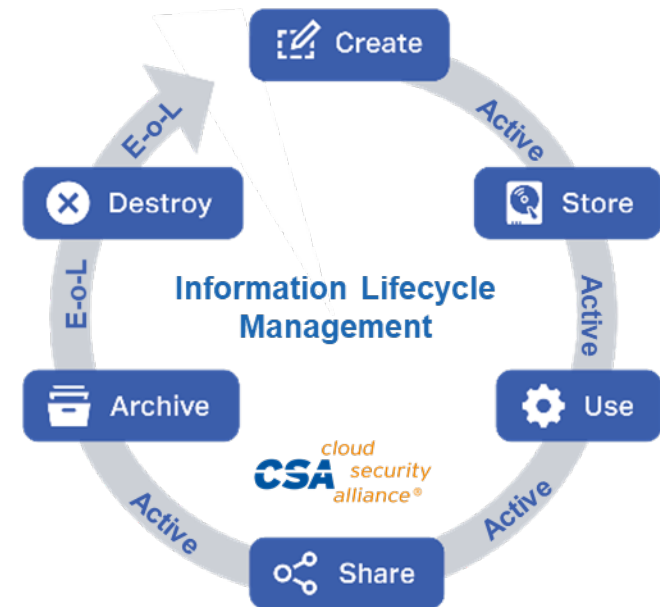
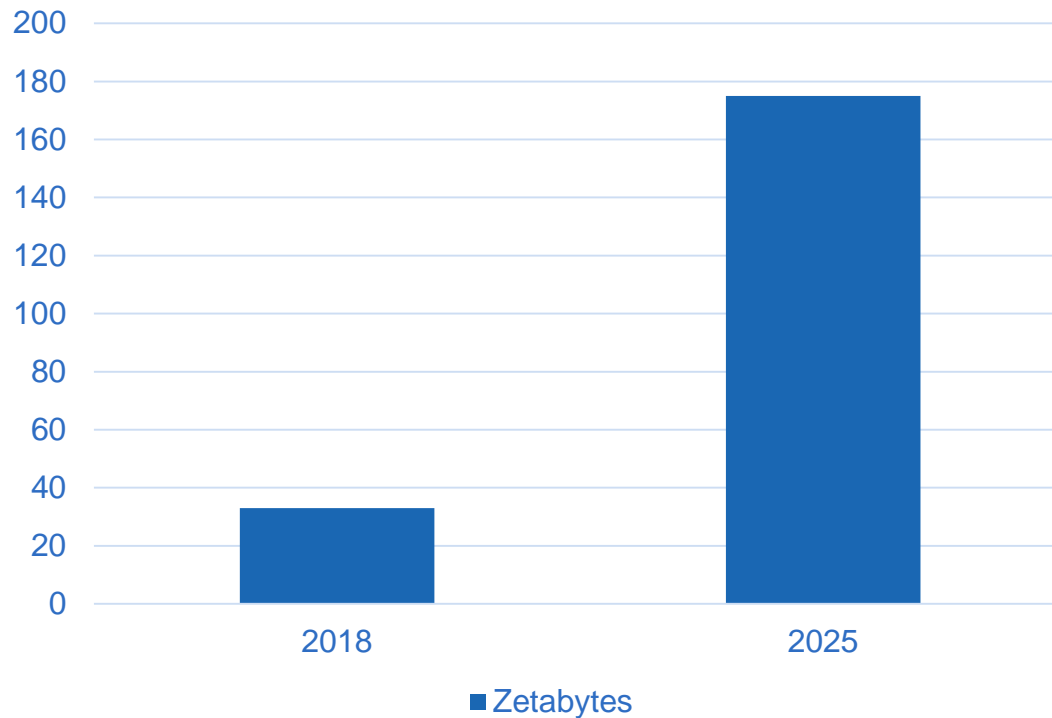
Plateau will be reached:

○ less than 2 years    ● 2 to 5 years    ● 5 to 10 years    ▲ more than 10 years    ⊗ obsolete before plateau

Source: Gartner  
ID: 369460

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IDC 2018 Forecast on volume of data to be stored by organisations globally (CAGR 61%)



# Regulations are here to stay – and growing

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## EU General Data Protection Regulation: Right to be Forgotten

- ✓ **FINES** - Non-Compliance could result in up to 4% of turnover OR €20 MM – whatever is GREATER!
- ✓ ANY EU citizen can demand his/her records be expunged – and the organization this is requested from must provide proof
- ✓ Went into effect May 2018—companies are already receiving large fines

## Most Countries Now Have Data Protection Laws

### Global & Regional Data Protection Laws & Standards

- ✓ Japan's Act on the Protection of Personal Information – right to erasure
- ✓ Security frameworks & regulations – NIST: SP 800-88r1 – sanitization in US
- ✓ ISO 27001 – requires any sensitive data be securely overwritten prior to disposal or re-use
- ✓ PIPEDA (Canada) & HIPAA (U.S.) specify healthcare data must be erased after it passes its retention date

### Number of country-specific data-protection laws:



1998



2019



# Segmental Overview

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## Objectives

Provide broad software solutions that reach across the three market sub-sectors

Add resource to the R&D division to accelerate product development

Leverage world wide sales force to expand offering

## Market Drivers

Increased cost of new handsets

Increased resale value of older handsets

Marginal advancements from new handsets

Environmental concerns

## Commentary

App based solution is key to sell into new market segments and grow sales pipeline

Speed of processing allows us to differentiate our offering

ZroBlack technology to be phased in over next three quarters

## Lucrative

Secondary mobile device market by 2022\*

**\$24.6Bn** 2017

**\$52.7Bn**

## Growth

Used smartphone shipment by 2022\*

**146M** 2017  
Devices

**293M**  
Devices

## Handset Value

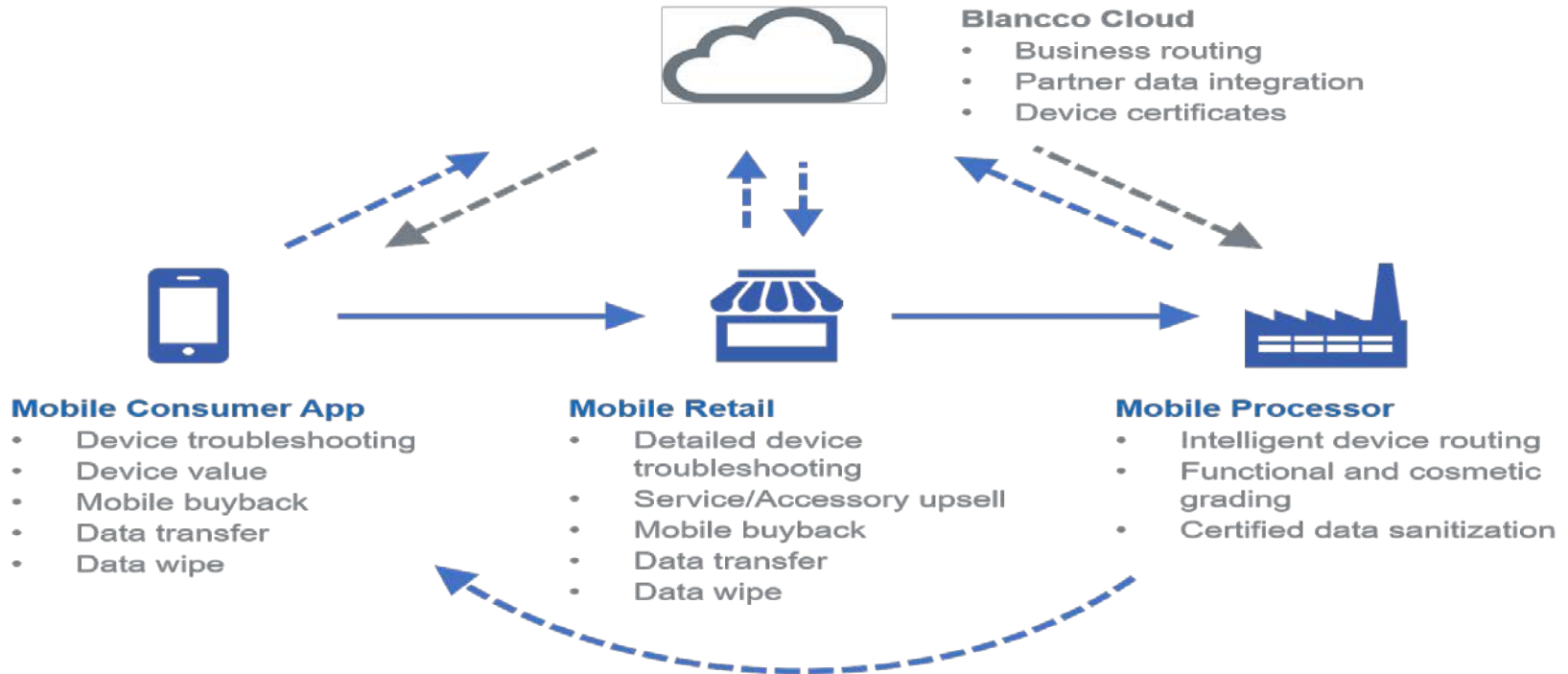
Average return for every used device traded in 2022\*

**\$168** 2017

**\$180**

\* IDC May 2018

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- New contract with a 3PL which is contracted by major Carrier to process all remanufactured devices on their behalf and also test all new OEM devices pre launch
- Purchasing both Mobile Erasure and Diagnostics
- Technical RFP won with new functionality from ZroBlack integration
- Initial improvements of 30-40% for speed of diagnostic and erasure available in September 2019

## Objectives

Expand indirect sales channels and strategic partnerships

Continue to innovate to produce best in class solution

## Market Drivers

Growth of Data

Regulatory Environment

Security Risks

Environmental Concerns

## Commentary

Contribution from indirect sales channels expected to continue to grow

Evaluate strategic partnerships to broaden value proposition



## Objectives

Retain market leading position in ITAD market

Gain increasing market share in a moderately growing market

## Market Drivers

Regulatory Environment

Resale Value of Used equipment

Environmental Concerns

## Commentary

Further enhance leadership position by continuing to innovate and gaining market share.

ITAD division will continue to generate cash to support the growth of the other markets

Enterprise innovations will benefit ITAD (ie Erasure as a Service)

# Summary & Outlook

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- ✓ Strong growth across all regions with important product advancements made
- ✓ Revenue growth has continued into the opening months of the new financial year in line with market expectations
- ✓ Integration of Inhance acquired subsidiary is well advanced
- ✓ First phase of ZroBlack innovation has been released to customers
- ✓ Investments in mobile market will lead to accelerated growth in market
- ✓ Continued growth in Enterprise market anticipated
- ✓ Company is now in a strong cash positive position