Blancco

Driving Sustainable Growth and Value

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- Operational Highlights of FY18

- Financial Review of FY18

- Market Opportunity & Growth Strategy

- Summary & Outlook

Operational Highlights
FY18

Positioning Blancco for Growth

✔ **Critical improvements have been made to stabilise the company and position for growth**

✔ **New executive and operational management team**

- Right breadth of skills to drive growth and value
- New CEO, CFO, Business Development Lead
- Upgraded Sales leadership

✔ **Identified three key markets where Blancco can focus and be a market leader**

✔ **Long term strategy built on company strengths**

✔ **Business delivered solid trading performance while important change was being implemented**

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2018 Operational Highlights:
Customer Wins

✔ **Mobile**

- Contracts valued at $10m+ with major US mobile carrier to March 2021 with over 6,000 retail stores to renew diagnostics contract and to use Diagnostic and Erasure product to process second-hand mobile phones.

- New contract valued at $1.0m for in-store diagnostics with major South Korea mobile carrier with over 13 million subscribers/1,100 retail stores

✔ **Enterprise / Data Center**

- Renewed contract with major multinational technology company to use Blancco Data Center Eraser solution to decommission servers in twenty of its global data centers

- Expanded relationship with one of world's largest multinational cloud-based software application firms to deploy Blancco Data Center Eraser solution in six new data centers opened during FY18

- New contract with major global retailer to use Blancco Drive Eraser on returned electronic purchases in locations across EMEA

- Signed new multi-year contract with a major Asian retailer to use Blancco Drive Eraser on returned electronic purchases

✔ **ITAD**

- Renewed contract with major multinational IT Asset Disposal company with over 1,000 enterprise customers to use Blancco Drive Eraser solution within their processing locations for additional multi-year term

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2018 Operational Highlights

✓ **Channel Expansion**

- New distribution agreements signed with Arrow Electronics (EMEA) and Ingram Micro (US, Canada & Australia) in the second half of the year

- Launched Erasure-as-a-Service (EaaS) offering through new Managed Service Provider Partner program in November 2017 leading to deals with 14 global and regional partners, including Fujitsu and Techchef

- Renewed agreements leading storage and security partners

✓ **Product Innovations**

- Data Center / Enterprise:
  - Introduced Erasure-as-a-Service
  - Optimized product for large-scale environments

- Mobile
  - Introduced Dynamic Workflow feature
  - Centralizing Configuration settings
  - Business Intelligence dashboard

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Financial Highlights
FY18

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Control Environment

- Robust controls and procedures in place

- Netsuite implemented for financial reporting across the group

- Salesforce implemented globally to monitor pipeline and interface with Netsuite

- All quotes for large sales or with extended payment terms approved by CFO

- First PwC audit validates the control environment

Income Statement

£'m	FY18	FY17	Growth
Revenue	**27.5**	**26.9**	+2%
Cost of goods sold	(1.1)	(1.1)	
Gross profit	**26.4**	**25.8**	+2%
Admin Expenses	(26.8)	(28.5)	-6%
Operating Loss	**(0.4)**	**(2.7)**	
Acquisition costs	-	1.6	
Restructuring costs	1.4	1.0	
Amort. of acquired intangibles	2.6	2.6	
Share based payments	(0.3)	0.7	
Adjusted Operating Profit	**3.3**	**3.2**	
Depreciation	*0.3*	*0.2*	
Amort of non acquired intangibles	*2.3*	*1.6*	
Adjusted EBITDA	*5.9*	*5.0*	
Adjusted Operating Profit margin	*12.1%*	*11.9%*	
Adjusted EBITDA margin	*21.3%*	*18.4%*	
Group gross profit margin	*96%*	*96%*	

- Revenue growth of 5% in constant currency terms

- Amortisation of intangibles has increased year-on-year as the business continues to capitalize development expenditure incurred to improve product offerings.

- Admin expenses have fallen year-on-year due to restructuring programme undertaken towards the end of 2017

- Restructuring costs in FY18 relating to employee terminations (£0.8m) and legal costs from contract reviews (£0.6m)

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Balance Sheet

£'m	FY18	FY17
Non current assets		
Intangible assets	68.6	71.0
Property, plant & Equip	0.4	0.4
Deferred tax assets	0.7	0.9
	69.7	**72.3**
Current assets / (liabilities)		
Inventory	0.1	0.1
Debtors	7.2	8.4
Trade & other payables	(10.1)	(14.3)
Contingent consideration	(2.0)	(1.7)
Other net current liabilities	(0.1)	(1.8)
	(4.9)	**(9.3)**
Net cash	**(2.7)**	**1.7**
Non current liabilities		
Contingent consideration	(0.2)	(2.4)
Provisions	(2.0)	(2.0)
Deferred tax	(3.2)	(3.8)
Other non-current liabilities	(1.7)	(1.7)
	(7.1)	**(9.9)**
Net assets	**55.0**	**54.8**

- Facility drawn of £8.9m of a total available cash facility of £12.4m

    - Cash within the Group of £6.2m

    - Facility extended to October 2020

- Net cash reduced due to

    - £1.9m of tax paid in the year

    - Contingent consideration payments of £1.2m

    - Restructuring costs of £1.4m

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Cashflow

£'m	FY18	FY17
Adjusted AOP	3.3	3.2
Add back depreciation and amortisation	2.5	1.8
Adjusted EBITDA	**5.8**	**5.0**
Decrease/(increase) in debtors	0.7	(0.9)
Decrease/(increase) in deferred revenue	(1.1)	1.8
Decrease in creditors/stock	(1.3)	(2.7)
Adjusted Operating Cashflow	**4.1**	**3.2**
Capex	(2.7)	(3.4)
Interest and tax	(2.1)	(1.1)
Dividends	-	(1.1)
Dividends to minority interest	(0.2)	(0.3)
Adjusted Cashflow after Interest, Tax & Dividend	**(0.9)**	**(2.7)**
Acquisition earn out payments	(1.2)	(1.0)
Acquisition of minority interests & related items	(0.5)	(1.5)
Payment of exceptional items	(1.9)	(0.9)
Discontinued operations	(0.2)	(2.6)
Share placing	-	9.5
Movement in Cash in the year	**(4.7)**	**0.8**
Opening net cash	1.7	1.0
Movement in cash	(4.7)	0.8
Other movements	0.3	(0.1)
Closing Net (Debt)/Cash	**(2.7)**	**1.7**

- Adjusted operating cashflow of £4.1m (FY17: £4.1m) = 123% of AOP

- Ongoing investments in R&D through capex.

- Interest and tax cash flow includes payment of prior period taxation.

- £0.2m of dividend paid to minority interest shareholdings in Japan.

- £1.2m of deferred consideration payments plus £0.4m of M&A and minority interest acquisition payments.

- £1.9m of exceptional cost including reorganisation, tax advice, final share placement costs and tidy up of minority interests.

- Discontinued cash flow - Mexico business.

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Product revenues

Invoiced Revenue[1]	FY18 £'m	FY17 £'m	Growth %	Growth CC[2]
End of life erasure	14.7	15.2	(3%)	(1%)
Mobile erasure	6.9	6.3	10%	14%
Active erasure	0.8	0.7	4%	5%
Professional Services	1.1	1.5	(28%)	(25%)
Diagnostics	4.0	4.1	0%	5%
Group total	**27.5**	**27.8**	**-1%**	**2%**

- End of life erasure - Declined slightly as the prior period included several large multi-year deals invoiced up front that were not due for renewal this financial year.

- Mobile - Strong performance from our Mobile product offerings with significant contracts wins in each region.

- Professional Services - Declined on one contract in Japan. It remains a small part of the Blancco offering.

- Diagnostics - In line with prior period as wind down of pre-acquisition Xcaliber contracts offset by large one-off contract in APAC.

1. Invoiced revenue recognises both volume and subscription sales at invoice, rather than spreading subscription sales over the term of the subscription
2. Growth in constant currency terms (i.e. if exchange rates had stayed the same between the two periods)

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Market Opportunities & Growth Strategy

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According to Gartner ...

What is Data Sanitization?

Data sanitization is the **consistently** applied, disciplined **process** of reliably and completely **removing all data** from a read/write medium so that it can no longer be read or recovered.
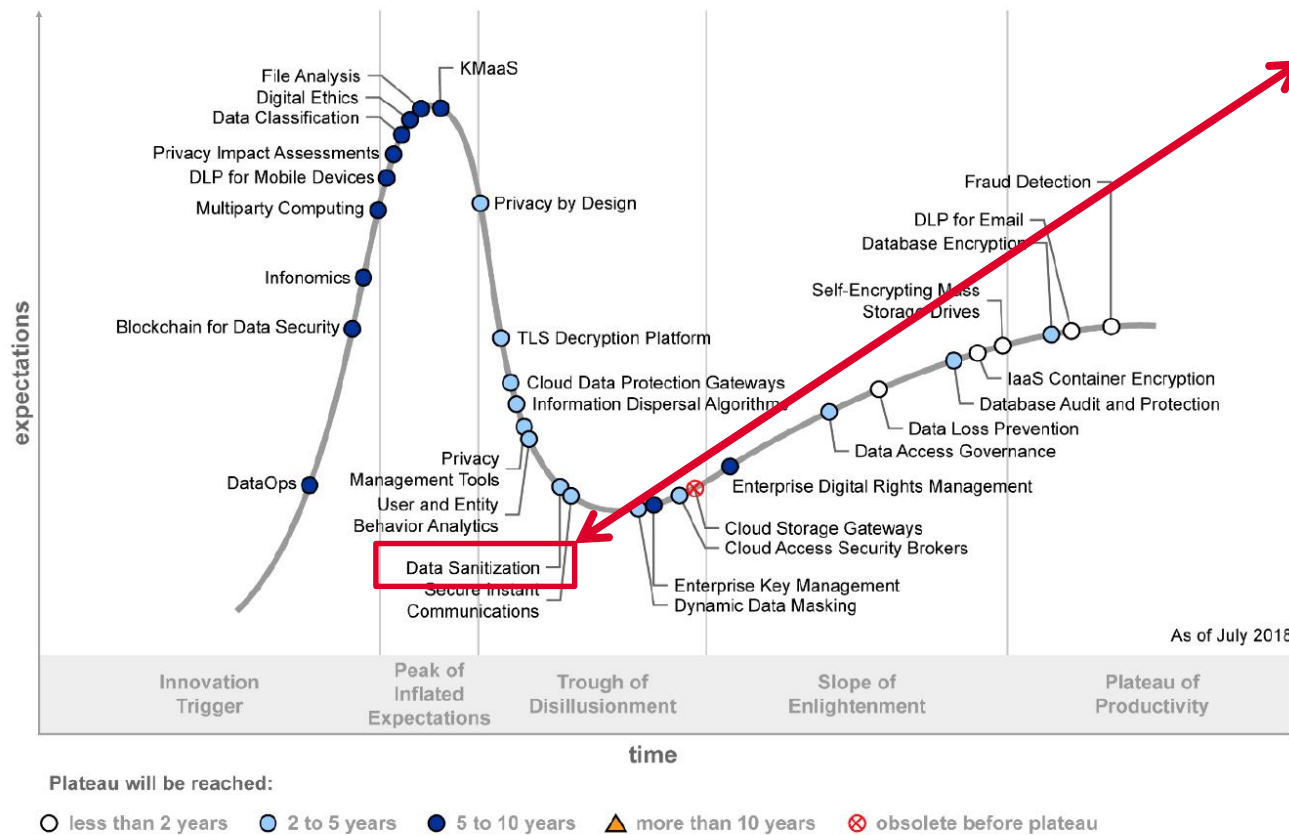
Select

Verify

Certify

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Figure 1. Hype Cycle for Data Security, 2018

'Data Sanitization' will hit mainstream adoption between 2018 – 2021.

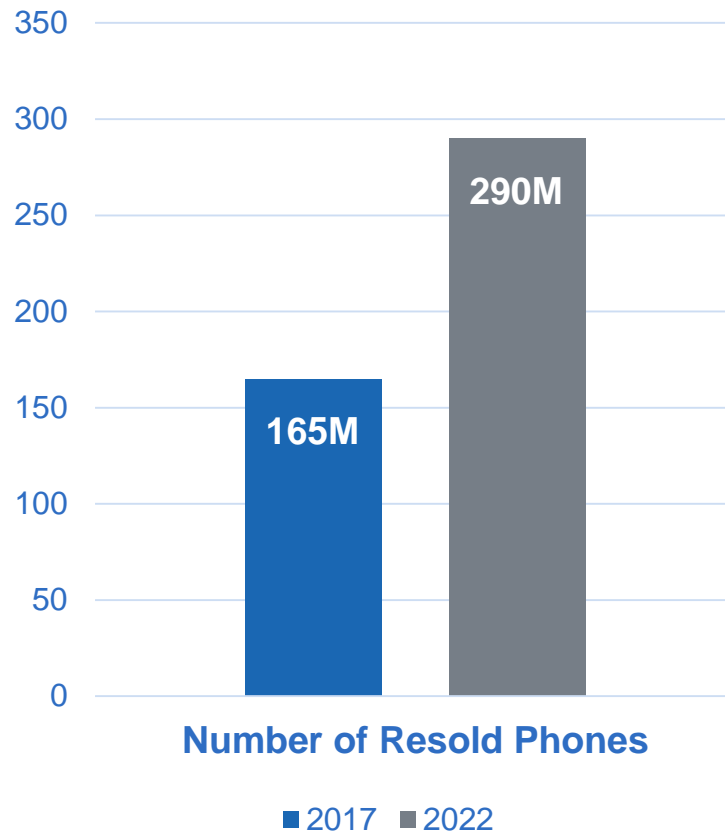Source: Gartner (July 2018)
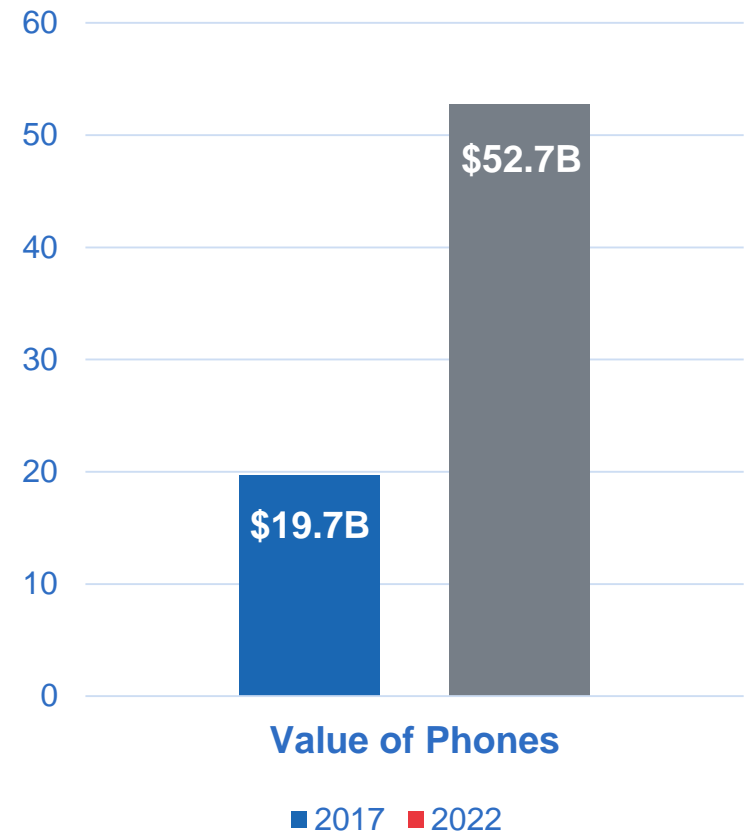
3 Major Subsegments in Mobile Ecosystem
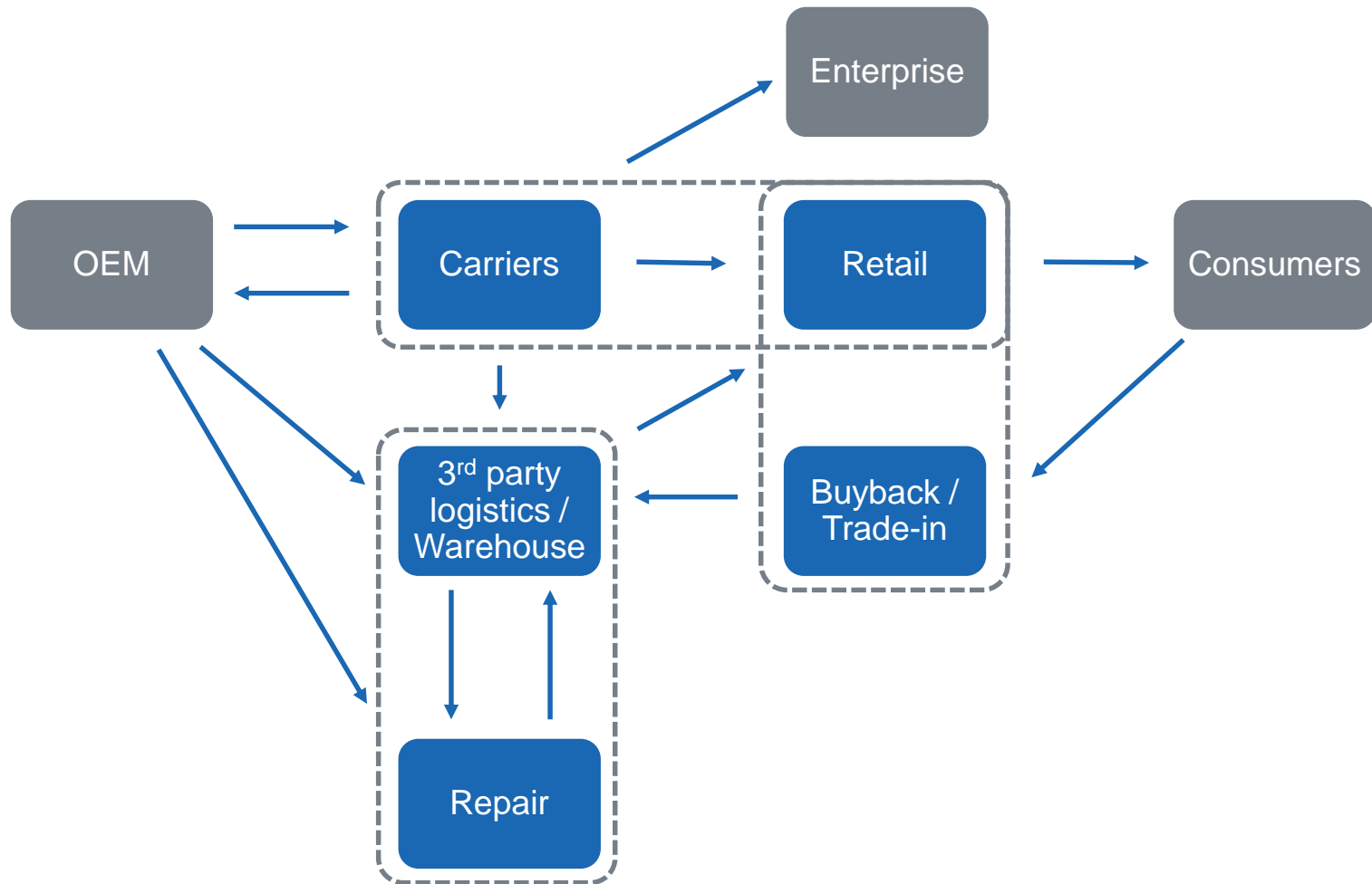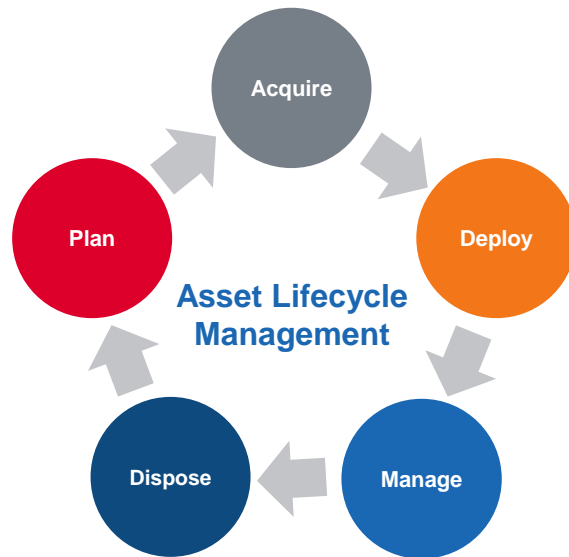
Market Opportunity: Mobile

Number of Resold Phones

■ 2017 ■ 2022

Compound Annual Growth Rates = 12%

- 165M (2017)
- 290M (2022)

Value of Phones

■ 2017 ■ 2022

Compound Annual Growth Rates = 22%

- $19.7B (2017)
- $52.7B (2022)

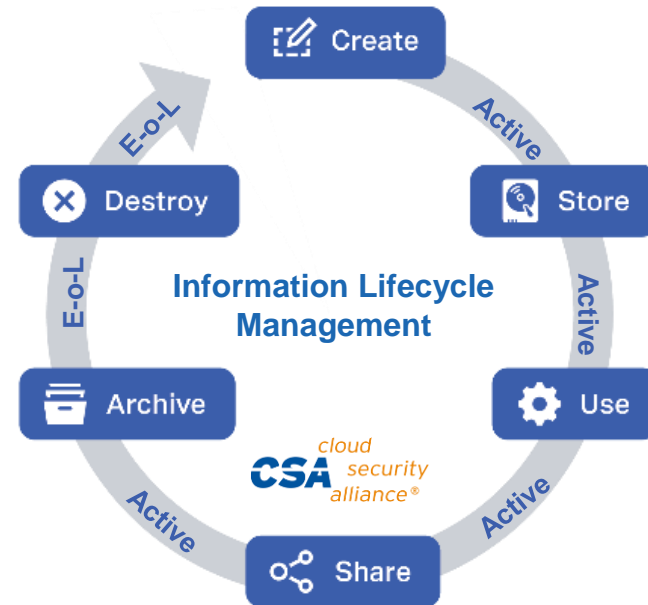Source: IDC

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How the Markets buy the product today:
Asset Lifecycle vs. Information Lifecycle Approach

IT Asset Disposition / Mobile

Enterprise

- ITAD & Mobile markets manage physical assets
- Enterprise markets manage data and information

Market Opportunity: Enterprise
Data is growing exponentially

Data stored in Data Centers to grow 4.6x

2021 – 1.3 ZB

2016 – 286 EB

Data stored on devices will be 4x higher than data stored in data centers

2021 – 5.9 ZB

Total amount of data created by any device will reach 847 ZB per year by 2021, two magnitudes higher than data stored.

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Blancco Strategic Vision

✓ **Become the market leading company for eraser and diagnostic software**

- Focus on three markets – Mobile, Enterprise, ITAD
- Further product innovation
- Strategic partnership

✓ **Industry leading position in the ITAD market**

- Focus on growth in Mobile and Enterprise whilst preserving position in ITAD market

✓ **Long-term strategy based on Blancco's strengths**

- The broadest set of technologies to serve the customer base
- 1000+ satisfied customers that include the largest Enterprise, Carriers and ITADs
- Worldwide footprint to sell and service our target markets
- Initial relationships with leading technology companies

✓ **Focus will deliver growth**

- The 3 market segments all have immediate needs to buy Blancco's products today
- Favorable trends from regulation, security risks and technology change
- Inherent synergies between the market segments
- Leadership in these market positions Blancco to be a leader in future opportunities
  - IOT, home devices, medical devices…

Mobile Market

✔ **Market Dynamics**

- Large market, high growth
- Diverse set of small competitors
- Buyers driven by improved efficiencies, increased customer satisfaction, analytics to understand health of the phone (longer term)
- Potential for consolidation over time

✔ **Strategic Focus**

- Create a leadership position in the Mobile Asset Lifecyle space by providing a broad range of software based processing solutions that reach across the 3 major market segments

- Blancco can build a chain of custody/history for each device (e.g. a health record of each device) removing the friction within the Mobile Asset Lifecycle

✔ **Development Focus**

- Organic development will be focused on core strengths
    - Eraser, Workflow, Development of APIs framework, partner integration

- Other development includes robotics integration, cosmetic grading and consumer facing app

- Mobile lifecycle analytics

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Enterprise Market

✔ Market Dynamics

- Very large market, high growth
- Little serious competition
- Customer awareness has held demand back, though market dynamics are quickly changing customer interest
- Buyers driven by compliance, security and privacy

✔ Strategic Focus

- Blancco will provide data sanitization software that integrates within the Enterprise ecosystem of products that manage data throughout the Information Lifecycle
- Blancco will build on its early leadership position by initially focusing on the Data Center market
  - A market where the product/market fit is high and initial use cases are well defined
  - Provides a springboard into the larger enterprise market
  - Build on existing partnerships with lead technology players

✔ Development Focus

- Organic growth arising from further development of Cloud based offerings
- Robust APIs architecture to support OEM and integration into broader enterprise applications
- Data Eraser analytics

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Data Center Use Cases:
Two Main Dimensions

Physical: Erase entire systems or servers on drive level

- Laptops and desktops, staff turnover
- Data Center decommissioning
- Server and storage tech refresh
- End of lease
- Break fix (RMA drives)

Logical: Erase Data from an operational environment

- Data migration, M&A ex.
- Customer Exit- Cloud Exit
- VM life cycles
- Repurposing system storage
- Temporary data
- Data retention policies

✔ **Market Dynamics**

- Small Market, Slower Growth

- Consolidation continues by the largest ITAD companies

- Blancco is the dominate supplier to the market

- Buyers driven by improved efficiencies

✔ **Strategic Focus**

- Maintain our industry leading position in the ITAD market while limiting investment from a product and sales & marketing perspective

- Leverage strong relationships with Major ITADs to expand our business into the Enterprise market

✔ **Development Focus**

- Product innovation will be driven by the Data Center and Enterprise markets

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Strategic Themes: Route to Market
Shifting to more channel focus

	MOBILE		ENTERPRISE		ITAD
	Carrier/3PL	**RETAIL**	**ENTERPRISE**	**DC**	
Goal	Acquisition / Account Mgmt	Customer Acquisition	Customer Acquisition	Customer Acquisition	Retention / Account Mgmt
Current Sales Model	Direct	Direct	Direct and Channel	Direct	Direct
Future Sales Model	Direct	Direct / Specific Channel	OEM / Channel	OEM/ Channel (SP)	Direct
Future Relationship Owner	AM	AM/Channel	ISR/Channel	Channel	ISR/AM

ISR = Internal Sales Rep / AM = Account Manager

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Summary & Outlook

Summary

✔ Company stabilised and positioned for growth

✔ New executive and operational management team

✔ Identified three key markets where Blancco can be a market leader

✔ Long term strategy built on company strengths

✔ Systems, procedures and controls in place to support long term growth

Outlook

✔ **Q1 trading encouraging**

- Good traction with existing customer base
- Strong performance across all territories

✔ **Cash generation continuing into FY19**

✔ **Investments being made into R&D, Sales and Marketing to position for long term growth**

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