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ASX Market Release

## H1 FY19 Result

### Catapult's elite business delivers a strong first half through continued high subscription growth, high margins & low churn

Catapult Group International Limited (ASX:CAT, 'Catapult' or the 'Group') is pleased to provide audited financial results for the half year ending 31 December 2018 (H1 FY19). These audited results are consistent with the preliminary results released last month (release dated 30 January 2019).

#### Group Highlights (all growth rates are YoY unless specified)

- Annual recurring revenue (ARR) of \$57.4m, up 25%
- Revenue of \$43.0m, up 32%
- Operating expense growth of 8%, down from 26% on a pro-forma basis in H1 FY18
- EBITDA loss of \$1.4m, improvement of \$3.8m or 73%
- Net loss after tax \$9.3m, improvement of 34%
- Free cash flow of negative \$1.6m which includes funding Prosumer start-up and growth initiatives in the core elite business

#### Core Elite Business

Catapult's core elite business continues to deliver high growth subscription revenue, strong margins, and low churn with most of the Group's first half core elite revenue now associated with SaaS software subscriptions.

Enhancing Catapult's position as the leading provider of a **full performance technology stack to elite sport** remains our core strategic priority. Although this strategy is in the early stages of execution, pleasingly the number of organisations with all three Catapult products (wearables, video, and AMS) is growing. This elite performance technology stack is globally unique and provides CAT with a long-term competitive differentiator. With 93% of Catapult clients still using only one Catapult product there remains a material cross-sell growth opportunity.

The strong half yearly Group results are underpinned by continuing momentum across the core elite business which is **on track to deliver its FY19 guidance objectives**. Historically Catapult experiences a stronger revenue and EBITDA contribution in the second half.

With growing global scale, **the core elite business is generating positive free cash flow** after funding reinvestment into product innovation and growth initiatives.

Key financial measures for the core elite business;

- ARR \$56.7m, up 25%
- Revenue \$40.3m, up 29%
- 73% of the growth in core elite revenue came from increased subscription revenue
- Underlying EBITDA \$3.6m up from \$0.1m
- Free cash flow of \$4.0m
- Gross margin reduced from 78% to 75% due to changing product revenue mix in the US business
- Churn of 3.5% in elite wearables subscription units not renewed, down from 8.4% a year ago.

The growing global scale of the core elite business is reflected by a client base comprising more than 2,100 organisations (up ~300 since June 2018) and 2,500 teams across 137 countries and 21 sports. The addressable market for Catapult's elite performance products remains a significant greenfield opportunity and the company sees enormous potential in the global unaddressed market as well as cross-sell of the product stack to existing clients.

During the half-year **world-class teams and associations continued to join** and extend relationships with Catapult. Notable signings and expansions included the French Football Federation, Real Madrid CF, NHL, Argentinos Juniors, Chelsea FC, Milwaukee Bucks, San Antonio Spurs, Confédération Africaine de Football (CAF) and the Alliance of American Football.

Performance for **elite wearables** included;

- ARR growth +32% to \$27.6m
- Revenue growth +38% to \$19.6m including sales of Playertek+
- Churn with 3.5% of elite wearables (EW) subscription units not renewed, down from 8.4% a year ago
- The subscription install base increased 17% from Dec. 2017 to 18,293 units
- ARPU increased to \$116 per month per unit (\$114 CC), up from \$106 a year ago
- The subscription to capital ratio of EW units (excl. Playertek+) was 58:42 on sales of 3,179 units. Including Playertek+, which has predominantly capital sales, the ratio was 34:66 on sales of 5,498 units.

Performance for **elite video** included;

- ARR growth +18% to \$29.1m
- Revenue growth +22% to \$20.7m
- Continued development of Catapult's tactical video solution, Catapult Vision, and first confirmed sales.

### **New Product Launches**

Investment in innovation and product leadership in the core elite business continues to create deeper competitive separation in the market following the launches of **Playertek+** and **Catapult Vision**, and the pending launch of **VECTOR**.

As the inventors of the elite wearables category and IP owners of associated patent families globally, Catapult is committed to extending its position as the category innovator. This has been reaffirmed with the announcement of the **2019 launch of VECTOR**, a next generation elite wearable product.

Developed over five years in conjunction with some of the world's leading performance practitioners, Vector delivers new levels of accuracy, usability and efficiency to inform critical decisions around performance, injury risk, and return-to-play. A miniaturised device with industrial design that leverages Catapult's Prosumer business experience, VECTOR delivers a range of new benefits and innovations including leading in-stadium performance and combined indoor and outdoor tracking. In a significant innovation VECTOR features heart rate monitoring embedded into the device together with a smart garment, removing the need for a separate heart rate strap or externally connected heart rate sensor to monitor heart rate and HRV.

**Catapult also launched PlayerTek+**, an enhanced version of Playertek, in October 2018. Playertek+ delivers a lower cost device that allows sub-elite teams to transition to a more elite offering over time. A level below the Optimeye series of products, it includes heart rate monitoring, live tracking functionality, enhanced software features, bulk charging, and premium garment design. Playertek+ has already delivered encouraging sales by providing lower-level elite and sub-elite teams with a price point similar to cheaper competitor devices whilst providing a future upgrade pathway to Catapult's superior elite offering.

On the elite video front, during the half Catapult continued developing its tactical analytics solution (**Catapult Vision**) for elite clients and closed its first sales. As development continues Catapult Vision will become a key part of the elite technology stack and will integrate the analytics from wearables into the video interface.

### **Prosumer Business**

As reported in the market update dated 30 January 2019, Catapult's Prosumer business delivered slower sales growth than had previously been forecast. In line with the milestones set by the Board for this early-stage operation, the Company reiterates that cash costs for the Prosumer business unit will be around \$3 million lower in FY19 than originally anticipated.

The Prosumer business unit delivered unit sales growth of 2.1x. Of note, the Consumer sub-segment comprising the product suite targeting individual athletes (PLAYR and Playertek Solo) achieved most of its sales via the company's own websites or through other online channels.

The Board continues to believe in the long-term potential of the Prosumer business and is committed to driving sustainable growth at a rate more consistent with current market maturity and off a significantly reduced expense base.

In addition to the \$3 million of cash cost reductions in FY19 the Board also anticipates further cash cost reductions for the Prosumer business in FY20.

### CEO recruitment process

As per the announcement dated 7 February 2019, Joe Powell has resigned as CEO of the Group. In line with his contractual obligations he provided 6 months' notice and is continuing to work during this period. The Board has delegated a sub-committee to appoint a new CEO and the company is conducting a global executive search. As Catapult is one of the largest sports technology companies in the world, the Board is confident of appointing a high-quality candidate who can continue to scale the Company and drive further innovation whilst delivering cashflow positivity in line with forecasts.

### FY19 outlook

Catapult is pleased the first half growth rates for the elite core business exceeded guidance growth rates and **reaffirms FY19 guidance**. Catapult notes there is usually a bias in revenue and earnings towards the second half attributable to the budgeting cycle for northern hemisphere elite sporting organisations.

The following table details Catapult's FY19 guidance\*, first communicated to the market in October 2018.

Measure	FY18 base	FY19 Guidance	Comment
Elite Core Revenue**	\$73.4m	Between \$86m and \$88m	Implies growth between 17% and 20%
Underlying Core EBITDA***	\$8.0m	Between \$11m and \$13m	Implies growth between 37% and 63%
Annualised recurring revenue (ARR)	\$53.4m	Growth above 20%	Accelerating growth

\*Assumes AUD to USD of 75 cents across all USD denominated transactions and no material impacts arising from the adoption of AASB15

\*\* Excludes Prosumer

\*\*\* Excludes Prosumer, investment in tactical analytics software and employee share plan expense

### Extended outlook

Commenting on the H1 FY19 results Catapult Executive Chairman, Dr. Adir Shiffman said the Board was pleased with the performance of the Company in the first half.

"Catapult's elite business continues to deliver high growth subscription revenue, strong margins, and low churn. Together with our innovation pipeline and recently released products the Board anticipates continued strong growth in the years ahead".

"The significant reduction in cash costs in the Prosumer business, combined with continued forecast growth in the elite business, is delivering on our commitment to positive cash flow at the Group level by FY21. In addition a body of work is being undertaken by management and the Board to explore the possibility of delivering positive cash flow sooner".

"The Board is focused on successfully executing the global search to appoint a new CEO, and appointing a CFO, whilst maintaining Catapult's consistently strong financial growth and growing the long-term value of the Company".

In addition to this results release announcement Catapult has also provided an investor presentation which details key financial and operating trends across the business.

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**Forward-looking statements**

Any forward-looking statements, opinions and estimates provided in this announcement rely on various contingencies and assumptions. Various factors and risks, both known and unknown, many of which are outside the control of Catapult, may impact upon the performance of Catapult and cause actual performance to vary significantly from expected results. There can be no guarantee that Catapult will achieve its stated objectives or that forward looking statements or forecasts will prove to be accurate.