CATAPULT DELIVERS FIRST POSITIVE EBITDA OF $4.1M, REVENUE GROWS 24%

Catapult Group International Limited (ASX:CAT, ‘Catapult’ or the ‘Group’) is pleased to provide audited financial results for the year ending 30 June 2019 (FY19).

GROUP FINANCIAL HIGHLIGHTS (all growth rates are YoY unless specified)

- First positive EBITDA of $4.1 million, an improvement of $6 million
- Annual recurring revenue (ARR) growth of 24% to $66.1 million
- Group revenue growth of 24% to $95.4 million
- Operating expense growth reduced to 9%, down from 14% (pro-forma basis)
- Net loss after tax of $12.3 million, an improvement of 29%
- $21.5 million cash at bank (at 16/08/19); up from $11.7 million at 30 June 2019
- Lower Elite Wearable subscription unit churn of 5.2%, down from 8.4%
- Client growth of over 1,100 new teams taking the total to 2,970 teams

SCALE AND OPERATING LEVERAGE DRIVING PROFITABLE GROWTH

Catapult is pleased to report its maiden positive EBITDA of $4.1 million in FY19, an improvement of $6 million, driven by strong revenue growth of 24% and slowing operating expense growth.

The increasing scalability of the Company delivered accelerating revenue growth in FY19, rising to 24% from 19% in FY18. At the same time operating expenditure growth decreased to 9% in FY19, down from 14% in FY18. The subscription business was the key driver with ARR rising 24% to $66.1m.

Catapult won a record number of new teams during the year, with the customer base growing by more than 1,100 teams to 2,970 teams. This performance reinforces Catapult’s position as global market leader in the sports performance technology industry, with teams in 137 countries across 39 sports now using Catapult’s solutions.
IMPRESSIVE GROWTH ACROSS ALL REGIONS

Significant revenue growth was achieved across all regions.

The Americas region continues to be Catapult’s largest market and the Company recently passed 1,000 teams in North America, including 11 of Catapult’s top 15 clients by revenue. Pleasingly, the Americas continued to deliver strong revenue growth, with revenue rising 19% to $65 million. This region accounts for 69% of Catapult’s revenue and continues to represent a key market opportunity with a very large unaddressed market.

Elsewhere, the EMEA region was a standout for growth with revenue growing 44% to $20 million. The promising Asia-Pacific (APAC) region grew revenue by 40% and the more mature Australia region still reported revenue growth of 20%.

AND STRONG GROWTH ACROSS ALL PRODUCTS

Elite Wearables delivers record sales, strong growth, low and falling churn

Catapult’s Elite wearables revenue grew by 33% to $45.3 million with an all-time record volume of units sold. Unit ARPU was stable and subscription churn fell further.

A record volume of 15.7k elite wearables units were sold during FY19, a rise of 67% compared to FY18. Subscription unit sales growth accelerated further, rising 4% to 5.6k subscription units in FY19.

This accelerating sales growth was complemented by a falling churn rate on subscription units, dropping to 5.2% in FY19 from 8.4% in FY18. Elite wearables ARPU on subscription units was stable at $108 per month (FY18: $109 per month). Non-subscription or capital ARPU was up 7% to around $3,000 per unit.

The launch of PlayerTek+ in FY19 enabled Catapult to more quickly address the lower segments of the elite market and FY19 unit sales included 5.9k PlayerTek+ units mainly sold on a non-subscription basis.

Late in FY19 Catapult launched its next-generation elite wearables platform, Vector. Vector provides a new standard for accuracy, usability and efficiency to empower critical decisions around performance, risk and return-to-play. The company is pleased with Vector’s initial take up by customers and is committed to remaining the industry’s global leader in technology and product innovation.

Large Elite Video business continues to grow and begins global expansion

Catapult’s elite video revenue grew 14% to $44.8 million, with 544 teams now using Catapult’s video products.

Coaching and recruiting video solutions remains the largest product category within elite video, growing 14.2% to $24.4 million. Demand continues to be strong, and in line with the Company’s growth strategy this product suite delivers high gross margin subscription revenue.

Whilst the video business unit has traditionally focused on North American clients, this division is beginning to develop a global footprint. FY19 was an important year for this global expansion following the launch of Catapult Vision, Catapult’s newest video solution that delivers high margin subscription revenue and addresses a wider range of international sports. There has been positive early adoption of Vision across all regions.

New or expanded video clients include Oakland Raiders, Washington Redskins, AFC Bournemouth, Sydney Kings, Al-Shabab FC, Jutendo University, Brigham Young University, Troy University, Weber State University and the University of Nevada.
PROSUMER RESIZED TO ACHIEVE STRATEGIC POTENTIAL WHILE MANAGING CASH FLOW

The prosumer category grew of 54% to $5.3 million, driven by the PLAYR consumer product. Total prosumer units sold grew by 47% to 20.5k units.

Consistent with Catapult's communicated strategy in February 2019, the prosumer division has been re-sized and is focused on controlling expenditure and cash flow and also capturing the large potential market opportunity across the sub-elite and consumer segments in a more measured way. Regular updates to the PLAYR offering have been further increasing the high engagement delivered to its growing customer base.

STRONG CASH AT BANK AND BALANCE SHEET

Pleasingly, and as seasonally expected, cash receipts are strong in the early part of FY20 and the cash balance as at 16 August 2019 was $21.5 million. Catapult is in a strong financial position as the business transitions to generating positive free cash flow.

As at 30 June 2019 cash at bank was $11.8 million. The reduction in cash during FY19 was impacted by two material non-recurring items:

• The Company becoming debt free having repaid a $3.3 million loan in the first half of FY19; and
• Investment in the consumer business ($7 million).

In addition there was a one-off incremental investment in labour ($ 5 million) to drive growth in elite sales and product revenue.

PERFORMANCE VERSUS GUIDANCE

Guidance was provided in October 2018 on a constant currency basis. Performance against guidance was:

• Elite Core revenue* of $86.9 million (+16%) vs guidance of $86-$88 million
• Elite Core underlying EBITDA** of $12.7 million (+59%) vs guidance of $11-$13 million
• ARR growth accelerated to 18% and $63.6 million vs >20% guidance (FY18: 16%)

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

OUTLOOK

The Board expects continued strong revenue growth, and the emerging scalability will further reduce operating expense growth.

Catapult is committed to subscription sales and ARR growth, with high quality, high margin revenue a strong value-creator for the Company.

Three key drivers exist to support continued growth: greenfield sales to new teams, up-selling additional capacity to existing clients, and cross-selling additional products to the more than 2,800 existing clients that still use only one Catapult product.

Executing these growth opportunities will progress Catapult’s transition to positive free cash flow. The Company reiterates its commitment to positive free cash flow by FY21, and Catapult is focused on bringing forward this positive free cash flow target with all executives aligned to this goal.
With $21.5m cash on hand at 16th August 2019, and growing operating leverage, we are well capitalised to take the Company through to positive cashflow.

COMMENTS
Commenting on the FY19 results Catapult’s Executive Chairman Dr. Adir Shiffman said:

“We are delighted to deliver our maiden EBITDA profit on the back of 24% revenue growth. Catapult has the hallmarks of a subscription software business with significant recurring revenue, high growth, strong margins, and low churn.

“We are beginning to experience the scalability typical of a successful subscription software business, with expense growth falling whilst revenue growth accelerates. The gap between revenue and expense growth is now widening as we pass this scalability inflection point.

“It is noteworthy that we delivered our maiden positive EBITDA result in a year that also included material investment in R&D and the launch of several new and innovative products. Our FY19 achievements included the launch of the new Vector platform as well as PlayerTek+, significant developments in Catapult Vision, our AMS product and PLAYR, and a large number of software upgrades.

“The Company is at an exciting time in its history. To maximise this opportunity the Board remains focused on successfully completing the global search to appoint a new CEO, and appointing a CFO, whilst maintaining Catapult’s consistently strong financial growth to deliver long-term value to shareholders”.

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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.