



checkit

Checkit plc Private Investor Presentation 04 November 2019

Keith Daley, Executive Chairman



Disclaimer

Checkit plc



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2019/20 Highlights

Creating value for Shareholders



- Disposal of Bulgin for £105m gross, net proceeds of £94m
- Tender offer at 65p to return £81m to shareholders via 2 for 3 repurchase
- Acquisition of Next Control Systems (renamed Checkit UK)
- Ophthalmic business up for sale
- Name change to Checkit plc
- Now a focused SaaS business
- 2019/20 results will cover a period of substantial change partially reflected in Interims



NEXT

TUTELA
monitoring systems

AXON

What we do now

Smart technology for real-time operations management



Checkit's real-time operations management software makes organisations smart, safe and efficient.

Our products use Internet of Things (IoT), mobile and cloud technologies to ensure our customers get the best out of their mobile teams, processes and buildings.

Value proposition

Digitising operations management drives improved business performance



Revenue

Consistently delivering intended service experience
Freeing up time to focus on customers

Productivity & efficiency

Automation and streamlining of front-line work
Improving management control

Environmental responsibility

Cutting energy costs,
improving building
efficiency

Risk

Improved compliance,
enforcement and
visibility



Checkit plc (listed on AIM – LSE:CKT)



Checkit Inc.



Checkit Europe Limited

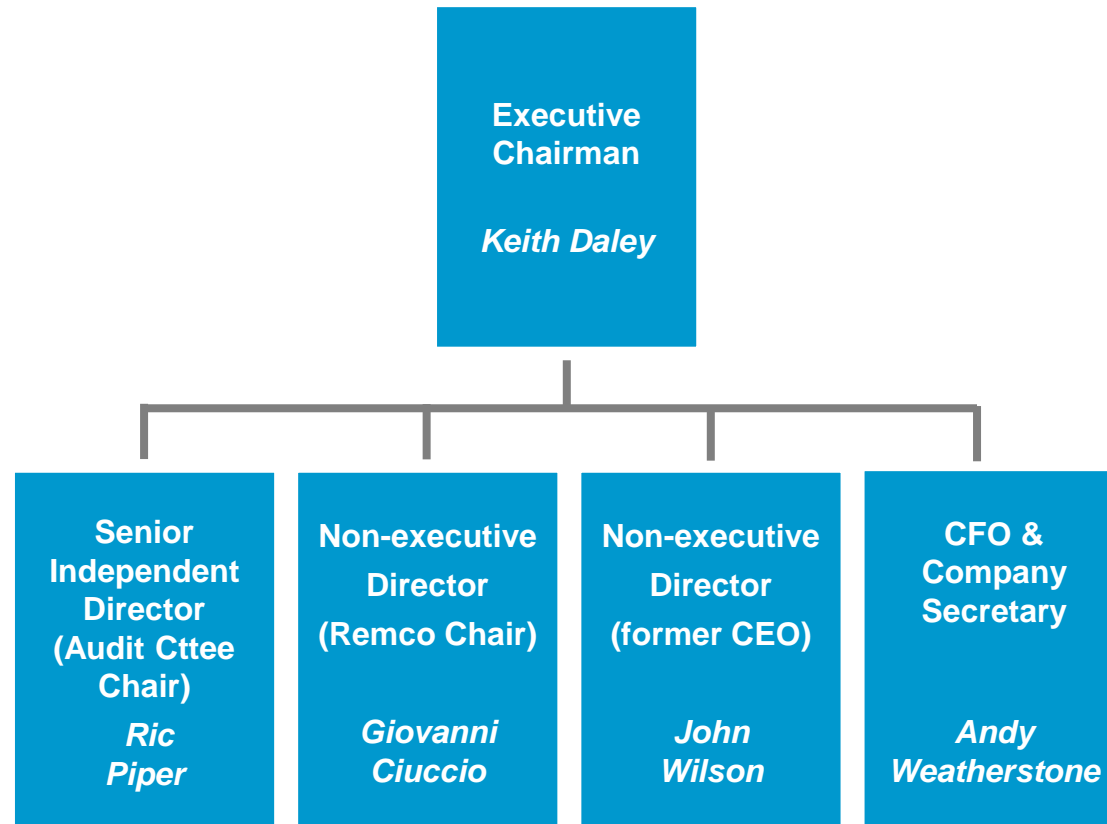
NEXT



AXON

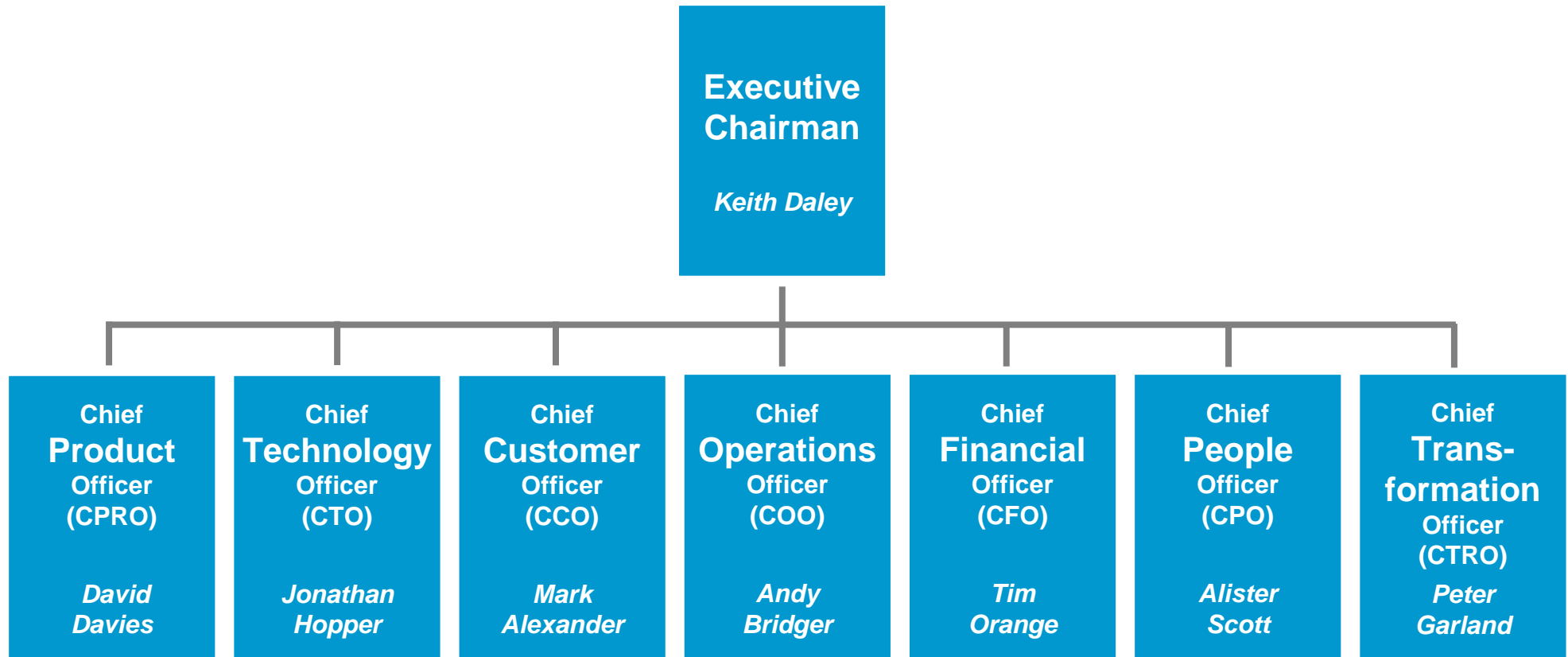
Checkit UK Limited

Board of directors



Executive Leadership Team

Experienced team in place



Products

Cloud based services to transform business performance and management



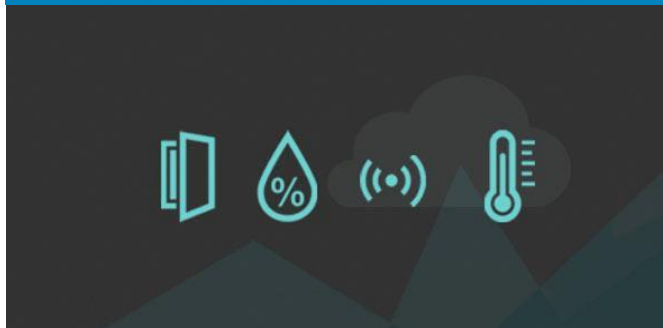
People Work Management



Fast to configure, easy to use.
Powerful mobile apps to define
and guide processes



Things Sensing



Wireless sensor ranges for
applications from high street
to labs



Buildings Management



Remote energy and building
management



Data
Analysis. Reporting. Intelligence

New Product Development

Investing in future growth



Continued NPD spend of ~£2m pa

	Highlights YTD	Innovation areas - up next
People: Work Management	Next generation Android app to expand the reach of users and applications - location based checks, captures photos, barcodes, process document management	Real time synching and collaboration of team work for distributed workforces iOS App version
Things: Sensing	Self contained wireless sensor for hot food monitoring - driven by the requirements of convenience food retailer. Sensing network end to end monitoring and alarming for improved quality of service	Low maintenance devices for longer service Customer-capable install and replacement
Data	New dashboard functionality to give users across an organisation real time availability and production scheduling data; derived from Work Management app	Rule based analytics to detect problems and trends automatically

Opportunity

Market size estimates (£annual recurring)



	Work Management ARR (£M)	Remote wireless Sensing ARR (£M)	Remote building and energy management ARR (£M)	Total
Current markets UK T1 & 2	150	90	100	340
All verticals UK T1 & 2*	540	180	140	860
USA current markets**	710	720	450	1,880
All verticals USA T1 & 2**	2540	1480	630	4,650
UK T3 & 4	430	NA	NA	430
Total opportunity	£3,510m	£1,660m	£770m	£5,940m



Retail & service,
healthcare &
scientific
plus office
building
Management

Source

Checkit estimates based on ONS employment figures; Frost & Sullivan

* based on companies 250 employees and above ** based on relative sizes UK and US markets

Customer segmentation

Sector	Service & retail	Healthcare, scientific & medical	Facilities & buildings	Industrial & infrastructure New sectors
	Retailers Leisure & hotel Soft FM / catering	Hospitals / healthcare Labs Pharma and life sciences Retail chemists	Commercial landlords Universities	Energy Transport Industrial and manufacture Construction
Example applications	Food safety Health & safety Stock and service availability Cleaning and security Site management Building and energy Team management	Sample and reagent environmental control Drug storage monitoring Compliance Buildings and energy Cleaning Patient food safety	Building and energy Food safety Cleaning and security Health & safety	Distributed workforce management Health and safety Process compliance
Example customers	JLP /Waitrose Tenpin, Center Parcs Dishoom, BP	NHS etc (Tutela) Biotech customers	British Land	Abellio

Checkit

Major customers



Retail & Corporate



Restaurants & Leisure



Food Manufacture



Healthcare & Life Sciences



Education



Hotels & Clubs



Customer overview

- 6 sites (5 in UK and 1 in Ireland) spread across 400 acres each
- Average of 4,000 guests per break, 1,500 employees per site

Customer challenges

- 2,500 temperature checks done manually
- Operation process visibility and management

Account development

- **In depth review of capabilities** in small pilot 2017
- **Roll out in UK sites** through 2018 for food service
- **Now** : deploying in new site in Ireland
- **Future**: Exploring potential for new applications in housekeeping

Products

- **Work Management**: Compliance: >2,500 checklists completed per day.
- **Monitoring**: >750 fridges and freezers.
- **Operational Insights**: dashboards used to focus on resolving problems in less than 24 hrs



“We can now reinvest saved time back in the business, improving controls and training people.”

Gavin Riley, Food, Beverage and Retail Manager



Customer benefits

- Able to set, measure and refine KPIs: ensuring 95% work completed on time
- Increased productivity - saving **20,000 hours of staff time per year**

Customer Overview

- Largest not-for-profit healthcare provider in the UK.
- Operate 31 Hospitals and 111 Fitness & Wellbeing Gyms.

Customer Challenges

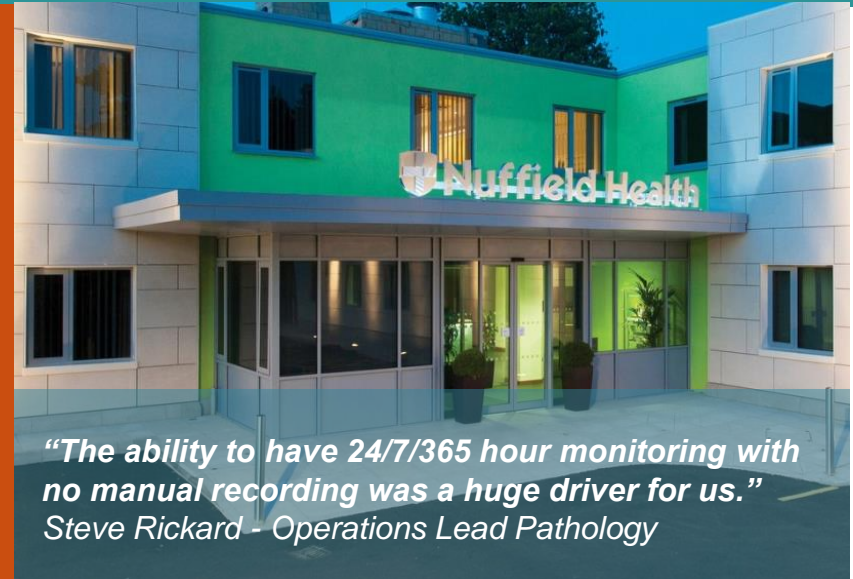
- Maintain CQC ratings - guarantee regulatory compliance
- Could not rely on manual recording of temperatures
- No visibility of problems, reporting, actions taken

Account development

- Customer since 2015 for temperature monitoring
- Pipeline of additional sites
- Exploring adoption work management in hospitals and fitness centres.

Products:

- **Monitoring:** 32 monitoring locations across hospitals with 1,254 sensors



Customer benefits

- Guaranteed compliance with MHRA, UKAS, HTA and FDA CFR 21 part 11
- Reduced inventory risk
- Automated and secure record keeping accessible by all stakeholders
- Remote monitoring and escalation through real people via a 24/7/365 alarm bureau

John Lewis Partnership

Checkit



Customer overview

- Market leader in premium retail sector. 50 John Lewis & Partners and 344 Waitrose & Partners shops.

Customer challenges

- Retail refrigeration - mitigating stock loss and reducing trading loss
- Refrigeration and store lighting and heating - reduce maintenance costs and energy use
- Food service – manage delivery high standards performance across estate

Account development

- **Next / Axon** – customer since 1992
- **Checkit Work Management and Automated Monitoring** since 2017.
- **Current Stage:** extending capability of technical response service to deepen relationship. Exploring broader use of Work Management in retail operations

Products

- **Monitoring:** >30,000 refrigerated systems monitored
- **Axon:** BEMS maintenance / Energy consultancy + engineering services
- **Work Management :** 14K food safety and management checklists completed every week.

“Next CSL have supported Waitrose and John Lewis for the past 25 years by ensuring our refrigeration equipment and buildings are monitored and managed efficiently”

Danny Ryan - Mgr Engineering and Central Specialists



Customer benefits

- Detailed view of work, team and site performance
- Stock loss mitigation
- Saving on engineering call outs and maintenance
- Energy efficiency
- >99.37% refrigeration asset availability

Customer overview

- Global energy business – operating in 29 countries
- Initial Checkit engagement with forecourt operations

Account development

- **Initial roll out to 320 company owned locations in UK**
- **Future UK expansion:** discussing roll-out across UK dealer-owned estate
- **International expansion:** evaluating roll out across a number of countries outside the UK including Netherlands.

Products

- **Work Management:** Food Safety and Compliance checks
- **Monitoring:** Accurate real-time temperature monitoring of fridges and freezers and industry-leading wireless hot hold sensor
- **Operational Insights:** dashboards used to analyse trends and performance and provide production planning



Customer benefits

- Improved visibility and reporting with real-time data
- Managed compliance, saving time on audits and improving quality of data
- Improved performance of production planning and waste management

Summary

Investment opportunity



- Significant Value Creation and cash return to shareholders
- Refocused on real-time operations management software
- Next Control Systems acquisition adds scale
- SaaS model with high levels of recurring revenue
- Very attractive markets with significant growth opportunity

Appendix



Revenue

£4.4m

+175%

Checkit UK

£2.6m

**revenue &
£0.2m profit**
(2.5 months)

LBITDA

£(1.6)m

Operating loss

£(3.0)m

Net operating cash outflow

£(3.0)m

Loss per share

(1.7)p

*numbers refer to continuing businesses only

	HY20 £m	HY19 £m	FY19 £m
Sales	4.4	1.6	3.6
Gross profit	1.4	0.7	1.7
<i>Gross margin</i>	31.8%	43.8%	47.2%
Underlying operating loss	(2.8)	(2.2)	(4.4)
Operating loss	(3.0)	(2.2)	(4.4)
Discontinued operations	1.3	3.2	8.6

Restated for continuing operations (Bulgin is included in discontinued)

Proforma like for like*	HY20 £m	HY19 £m	FY19 £m
Checkit Europe	0.6	0.4	1.0
Checkit UK	5.8	5.0	10.7
EET	1.2	1.2	2.6
Sales	7.6	6.6	14.3
Checkit Europe	(3.0)	(2.2)	(4.5)
Checkit UK	0.5	0.5	1.2
EET	0.1	-	0.1
Underlying operating loss	(2.4)	(1.7)	(3.2)

* includes full period results of Checkit, Checkit UK and EET for illustration

- Checkit UK contributed £2.5m sales and £0.2m profit since acquisition in May
- Checkit Europe sales up 50%. Losses increased due to increased marketing, product development and greater share of central overhead
- In the short term losses will widen as full cost of the plc and new management team are incurred but integration of CEL/CUK expected to deliver efficiency and synergies as the business is transformed

- Cash flow restated to eliminate movements re Bulgin discontinued operation
- Checkit UK acquired for £9.0m net of cash acquired and costs of acquisition
- Cash burn for continuing operations £3.0m in first half
- Financing costs relate to IFRS16 implementation

	HY20 £m	HY19 £m	FY19 £m
Ebitda-continuing	(1.6)	(1.2)	(2.6)
Working capital movements	(0.1)	-	-
Provisions	(0.4)	-	0.3
Cash generated from operations	(2.1)	(1.2)	(2.3)
Taxation	-	-	-
Capital expenditure	(0.7)	(0.6)	(1.4)
Business disposals/acquisitions	(9.0)	0.8	1.3
Financing	(0.2)	-	-
Other including discontinued	3.4	2.6	7.3
Net cash flow	(8.6)	1.6	4.9
Net cash b/fwd	10.1	5.2	5.2
Net cash c/fwd	1.5	6.8	10.1
Cash burn	(3.0)	(1.8)	(3.7)

Restated to treat Bulgin as discontinued

- Bulgin assets reclassified as held for sale at 31 July
- Intangible of £2.5m plus goodwill of £5.3m arising on purchase of CUK
- IFRS16 - leases introduced £1m of right of use tangible assets and £1m of lease liabilities
- Payables include £2m of accrued expenses re the sale of Bulgin

	Jul-19 £m	Jan-19 £m
Fixed Assets	11.9	5.0
Current assets		
Inventory	2.0	4.3
Receivables	3.1	5.1
Assets held for sale	4.8	-
Payables	(6.5)	(6.6)
Tax	(0.1)	(0.3)
Net current assets	3.3	2.5
Deferred tax	(0.4)	-
Lease liabilities	(1.0)	-
Provisions	(0.2)	(1.3)
Net cash	1.5	10.1
Net assets	15.1	16.3

Financial

Proforma balance sheet post tender offer



- Gain on sale of £89m will be realised at Group level
- Return of cash to be based on tender offer for 2 of every 3 shares held
- Offer will allow shareholders to tender for any under subscription by others. This will be on pro-rata basis
- November targeted for cash return

	Jul-19 £m	Jan-19 £m	Sale of Bulgin £m	Return of cash £m	Proforma £m
Fixed Assets	11.9	5.0	-	-	11.9
Current assets					
Inventory	2.0	4.3			2.0
Receivables	3.1	5.1			3.1
Assets held for sale	4.8	-	(4.8)		-
Payables	(6.5)	(6.6)			(6.5)
Tax	(0.1)	(0.3)			(0.1)
Net current assets	3.3	2.5	(4.8)	-	(1.5)
Deferred tax	(0.4)	-			(0.4)
Lease liabilities	(1.0)	-			(1.0)
Provisions	(0.2)	(1.3)			(0.2)
Net cash	1.5	10.1	94.0	(81.0)	14.5
Net assets	15.1	16.3	89.2	(81.0)	23.3
Share Capital	9.3			(6.2)	3.1
Share premium	5.4			(3.6)	1.8
Other reserves	0.3				0.3
Translation	(1.7)		1.7		-
Retained earnings	1.8		87.5	(71.2)	18.1
Total Equity	15.1	-	89.2	(81.0)	23.3

D&A Income Limited – 24.1%

Mr K Daley – 11.7%

Ruffer LLP – 10.7%

Chelverton Asset Management Limited – 6.3%

Mr J Kinder – 4.0%

Checkit 2012 Employee Benefit Trust – 3.3%

Directors' shareholdings

Mr K Daley – 11.7%*

Mr J Wilson – 1.4%*

Mr A Weatherstone – 0.3%*

Mr R Piper – 0.2%

Mr G Ciuccio – 0.01%

** Exclusive of share options*



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