

## Transformational FY2019 Positions Dropsuite for Growth

**27 February 2020: Global cloud backup and archiving software provider Dropsuite Limited (ASX: DSE) (“Dropsuite” or the “Company”)** provides this commentary for the preliminary and unaudited financial results for the year ended 31 December 2019:

- Total FY2019 Revenue \$4.7 million (FY2018 \$5.2 million).
- EBITDA loss of \$2.2 million (FY2018 loss of \$0.98 million) - 2019 decline as previously reported is mainly attributed to one-off 1H2019 migration of the then largest US website backup partner.
- Strong growth resumed from 2H2019 onwards, with January 2020 Annualized Recurring Revenue (ARR<sup>^</sup>) at \$5.45 million
- The company is now a multi-product, multi-channel and multi-segment maturing tech company, that has significantly de-risked its operations
- Email backup and archiving continue to grow significantly with low single-digit churn
- Successful, and strongly supported capital raise in February 2020

### Financial summary:

Total revenue was \$4.7 million (FY2018: \$5.2m, down 10%) and earnings before interest, tax, depreciation and amortisation (EBITDA) was a loss of \$2.2 million (FY2018 \$0.98m loss). As previously reported, 2019 revenue and financial performance was impacted by the migration of a major US website backup partner away from Dropsuite to their own platform. This one-off migration concluded in the second quarter. As a result of the growth drivers put into place, revenue and annualised recurring revenue (ARR) rebounded as the year progressed.

Table Summary	2019 (\$)	2018 (\$)	Change (\$)	Change (%)
Revenue from operating activities	4,673,391	5,218,418	(545,026)	(10.4%)
Other Income	72,933	142,095	(69,162)	(48.7%)
Net (loss) from ordinary activities	(2,994,068)	(1,456,949)	(1,537,119)	(105.5%)
Net (loss) after tax and normalisations	(2,994,054)	(1,458,540)	(1,535,514)	(105.3%)
EBITDA*	(2,229,069)	(981,115)	(1,247,954)	(127.2%)

\*Earning Before interest, Tax, Depreciation and Amortisation (EBITDA)

### Dropsuite well placed for growth after a transformational FY2019:

2019 was no-doubt a challenging year as reflected in the year-on-year financial comparisons, but it was also a transformational year. The Dropsuite team, in the short space in just over a year, transformed the company from a single product (website backup), single channel (web hosting partners) and single segment (micro and small business) company into a multi-product, multi-channel and multi-segment company. Dropsuite is now growing rapidly in new channels: the managed service provider and IT distribution channels, with new product lines: email and the Microsoft Office 365 full product suite backup and archiving; and new end-user segments: from micro businesses (<5 employees) through to now Enterprise-grade customers (1000s of employees).

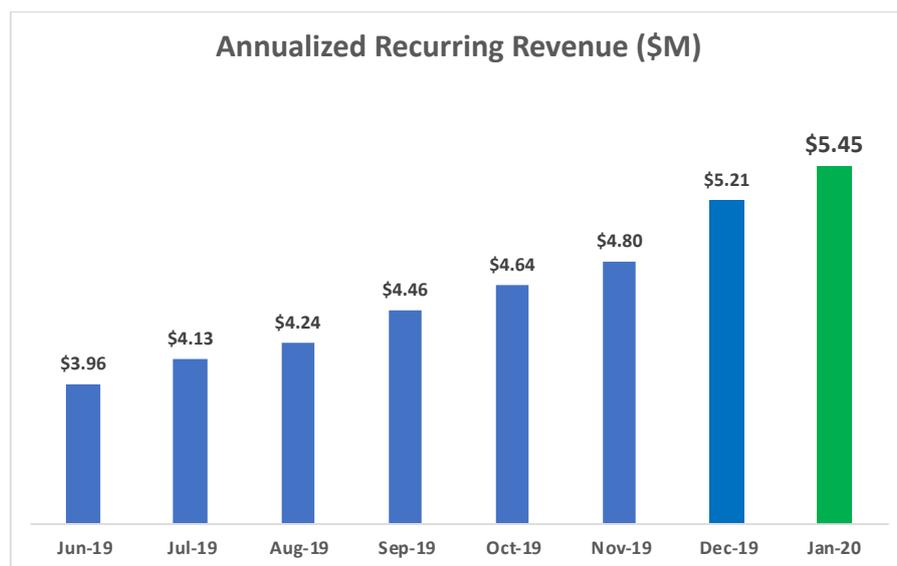
Dropsuite acted decisively to mitigate against the events of 2019 by diversifying and rebuilding the revenue base through high quality partnerships:

- Transacting partners grew to 230 by December 2019, up 64% year-on-year.
- Contribution from top 10 revenue generating partners down to 74% in December 2019 (>90% in December 2018).
- Revenue from email and Office 365 backup and archiving up to 72% in December 2019 (30% in December 2018 & so now 129% higher than the prior period).
- Average Revenue Per User (ARPU) grew to \$1.50 in December 2019 (\$1.21 in December 2018 – fx normalized).

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- Greater geographic revenue source diversity. i.e. America's regional revenue 72% in December 2019 (from >80% in December 2018).
- Annual partner revenue churn *excluding* the aforementioned partner is at 4.4% (December 2019 vs 2018)
- Equally significant, the turnaround in Dropsuite's performance is reflected by the growth in ARR since June 2019 when the US partner migration concluded.

ARR increased from \$3.96 million to \$5.45 million (a 38% increase) in six (6) months (see chart below):



**Chart 1: June 2019- January 2020**

**Comment:**

Dropsuite's Managing Director Charif Elansari said: *"The best reflection of Dropsuite's transformation in 2019 is the solid growth in ARR, the quality of the new partners we have secured across multiple geographic regions, the increase in ARPU achieved by diversifying our end-user base to include Enterprise-grade companies, and the ongoing evolution of our highly dependable technology suite deployed in public and private cloud platforms around the world which further solidifies our market-leading position.*

*"We are in a far healthier position as a company as we enter 2020. Our business is diversified, growing its ARR, has pipeline of solid prospects, has raised cash and enjoys strong shareholder support. The mitigation strategies following our challenge in early FY2019, has now placed Dropsuite on a solid footing for growth in 2020 and beyond. We look forward to reporting on progress as the year unfolds.*

^Annualised Recurring Revenue (ARR) is defined as the value of the contracted recurring revenue multiplied by 12 months.

This ASX release is authorised by the Board of Directors.

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**About Dropsuite**

Dropsuite is a global cloud software platform enabling businesses in over 100 countries to easily backup, recover and protect their important business information. Dropsuite's network of preferred reseller partners has a combined customer reach of millions of businesses worldwide. Dropsuite partners with some of the biggest global names in the hosting and IT service provider market. For more information please visit: [www.dropsuite.com](http://www.dropsuite.com)

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