



D A M S T R A

21 April 2020

QUARTERLY ACTIVITIES REPORT

Record Q3 cash receipts, strong operating cash flow, and well capitalised

Damstra Holdings Limited (**Damstra** or the **Company**, ASX:DTC), an Australian-based provider of integrated workplace management solutions, provides an update on the Company's operations, business, funding and liquidity in the context of COVID-19 for the third quarter of FY20 ended 31 March 2020 (**Quarter**).

Key Highlights

- Record cash receipts of \$7.2m for the Quarter, representing growth of 120% on the prior corresponding period (**PCP**) and a record for the Company in terms of quarterly cash receipts.
- Positive operating cash flow of \$3m for the Quarter, compared to a negative result in the PCP. March operating cash flow was strong, reflecting growth in volumes and improved gross margins. Positive operating cash flow is expected to continue for the remainder of FY20.
- Damstra remains well capitalised to manage through the current disruption caused by COVID-19, with a closing cash balance of \$10.4m, no debt and undrawn debt facilities of \$5.4m. In addition, the Company is well positioned to take advantage of value-creating acquisition opportunities that may emerge.
- There has been no reduction in user numbers or revenue from our 10 largest clients (by revenue) in the Quarter, which is continuing in early April trading. This is in large part driven by our product offering being considered critical to business operations of our clients, but also the diversified sectors they operate in, such as telecommunication, mining, and construction of infrastructure projects which are not subject to the Government's restrictions on "non-essential services".
- Underpinning our business during the Quarter, recurring revenue was 92% and net dollar retention remains strong at 121%.
- The Quarter saw us launch new products as an extension of our Access Control offering. This includes a unique suite of easy to deploy, fully integrated fever detection solutions which we believe have long term demand as a result of changing workplace practices and health restrictions following COVID-19.
- Seamless move to remote working globally, with no disruption to our clients or operations. The global supply chain for our hardware products are currently unaffected due to mitigation strategies put in place by management.
- Full year FY20 revenue growth is forecast to be in the range of 30-40%. Full year FY20 pro forma gross margin and EBITDA is forecast to exceed prospectus forecasts on the back of strong operating leverage.

Damstra CEO, Christian Damstra, said "Damstra has demonstrated great resilience in these trying times, and we are pleased that our products, as critical business tools, as well as the client industry verticals we operate in, have proven robust to date against a difficult economic backdrop. Where we have experienced an impact, it has so far been minimal, with some projects being delayed which are slated to recommence in FY21. Demand for new products has been promising. Accordingly, Damstra will be accelerating development in areas where customer demand indicates a structural tailwind in a number of our present and new product offerings.

"Given our resilient business model and balance sheet strength, we believe we are strategically well-placed to navigate the disruptions caused by COVID-19. We anticipate new opportunities may unfold due to clients seeking solutions which reduce business and workforce risks. There may also be benefits from future infrastructure investments by federal and state governments in Australia as part of post COVID-19 economic growth policies.

"As always, our people are our first priority. We took the necessary steps to ensure the health and wellbeing of our global workforce with all employees able to work from home. Our Philippines operations centre were moved

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seamlessly in a 24-hour period to remote work arrangements with no client impact. This was underpinned by our operations being totally cloud based.”

Financial Commentary

As at 31 March 2020, Damstra had a cash balance of \$10.4m. This reflects payments made in relation to the acquisition of APE Mobile in February, and transaction costs related to other recent acquisitions.

To date, the impact of COVID-19 on the overall business has been minimal given the majority of income is derived from contracted and recurring revenue. Contracts for key clients are typically 3-5 years. In addition, our solutions are often critical to business operations, while many of our clients are in sectors such as telecommunication, mining, and construction of infrastructure projects which have not been impacted by the Government’s restrictions on “non-essential services”.

There has been an impact on our revenue from COVID-19 in relation to delays across several greenfield sites and projects. This impact is across three areas specifically:

- rollout of Newmont in South America has been put on hold due to COVID-19 related shutdowns;
- our United Kingdom business has seen a delay in the awarding of a major tender for which we were previously shortlisted due to the lock down presently in the United Kingdom. The tender is not expected to be awarded until Q1/Q2 FY21; and
- a planned North American client rollout in Q4 FY20 has been deferred until FY21.

Damstra’s financial performance at end of the Quarter, and present outlook considering COVID-19, means:

- considering specific client project delays, we anticipate FY20 revenue growth to be in the range of 30-40%;
- we can reaffirm that pro forma gross margin percentage and EBITDA are forecast to exceed prospectus forecasts; and
- the foreign exchange impact of the USD/AUD has been immaterial, given that a number of supplier contracts are USD denominated.

The Appendix 4C for the Quarter is attached to this announcement. Additional information required under ASX Listing Rule 4.7C is also annexed.

Business Commentary

During the Quarter, Damstra continued to demonstrate its importance as a critical business tool during these unprecedented times, and customers have continued to rely on our solutions. To date, we have seen no reduction in demand for our services as the telecommunications, mining and construction industries continue to be excluded from the Government’s restrictions on “non-essential” or “restricted” business activities. Key highlights are:

International

- United Kingdom business is presently shortlisted for a tender with a leading European construction company. The awarding of this tender is expected to occur in Q1/Q2 FY21. If successful, they would be among our top 10 clients (by revenue) once fully rolled out. The Company will update the market on this process in accordance with its continuous disclosure obligations.
- Newmont operations are performing well, with sites now installed in Australia, North America and Suriname.
- We have secured a new Hong Kong utility client.

Australia

- Damstra continues to win new clients in our core domestic business, including Evolution Mining, peopleTerracom and the City of Newcastle.
- Present construction proceeding, such as the Cross River Project in Brisbane, which has registered 1,500 users since February 2020.

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Channel Partners

- Damstra's channel partner strategy with TechnologyOne has had initial success since soft launch with the signing of three clients, and a pipeline of opportunities across the complete TechnologyOne customer network. From a revenue perspective, each new client will generate a minimum revenue contribution of \$10,000 per annum.

eLearning

- Continued cross-selling of products across our existing clients, including Bengalla Mining who have moved away from on-site face-to-face training to the Damstra eLearning solution.
- Growth in new customers including AusGroup, an established project and asset services provider.

Product Development

We are accelerating the rollout of a number of products and enhanced features, where clients are able to increase the protection of their workforces and further reduce the requirement of human interaction at worksites. These include increased fever detection, online training, and touchless operations supported by a paperless solution.

Our key new product offering is a unique fever detection access solution, integrated into the Damstra platform, which includes:

- solution for large worksites and workforce;
- automatic human temperature measurement;
- temperature screening, highly accurate temperature reading +/-0.3 Celsius;
- safe and contactless measurement between 1.5 and 3m distance;
- fully integrated with access control to ensure workers registering a high temperature are not able to enter worksite; and
- real-time alerts to make informed decisions with daily, weekly, monthly reporting options.

To support the above, we will continue to increase resources in the research and development team, which now stands at 47 people, up from 40 people at December 2019.

Acquisitions

Damstra's acquisition of APE Mobile (as announced on 27 February 2020) was driven to expand its paperless product suite. APE Mobile is a leading provider of digital form and workflow management solutions to the civil construction and mining industries. Its paperless solution digitises safety and compliance requirements ranging from inspections and audits, risk assessments, incident and hazard management, and health and safety.

Total purchase consideration of cash and scrip of \$5.5m was funded by \$2.5m in cash from Damstra's existing reserves, as well as the issue of Damstra shares to the vendors equivalent to up to \$3.0m. In terms of shares issued, on 28 February 2020 there were 2,054,793 fully paid ordinary shares issued to the vendors, and up to 684,931 fully paid ordinary shares are expected to be issued on 26 November 2020.

Both the Scenario Advantage Workforce and APE Mobile transaction implementations are proceeding well. Integration is on track and all key staff have been retained and are now embedded in the Damstra organisation. All clients since these acquisitions have been retained by Damstra, and the businesses are performing according to plan.

*Unless otherwise specified, all amounts are provided on an unaudited basis and pro forma basis.

Ends

Authorised for release to ASX by the Board of Damstra Holdings.

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About Damstra

Damstra is an Australian-based provider of integrated workplace management solutions to multiple industry segments across the globe. The Company develops, sells and implements integrated hardware and software-as-a-service (SaaS) solutions in industries where compliance and safety are of utmost importance. These solutions assist Damstra's clients to better track, manage and protect their staff, contractors and their organisations, and to reduce the risks associated with worker health, safety and regulatory compliance.

The Company has been operating since 2002 and has grown from providing an Australian mining contractor management solution to an integrated workplace management solution provider with a growing client base in international markets.

For more information, please visit

<https://workplace.damstratechnology.com/>

<https://www.linkedin.com/company/damstra-technology/>

Forward-Looking Statements

This ASX release includes certain forward-looking statements that are based on information and assumptions known to date and are subject to various risks and uncertainties. Forward-looking statements are based on:

- assumptions regarding the Company's financial position, business strategies, plans and objectives of management for future operations and development and the environment in which the Company will operate; and
- current views, expectations and beliefs as at the date they are expressed, and which are subject to various risks and uncertainties.

Actual results, performance or achievements could be significantly different from those expressed in, or implied by, these forward-looking statements. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of Damstra. These factors may cause actual results to differ materially from those expressed in the statements contained in this announcement.

The Company disclaims any responsibility for the accuracy or completeness of any forward-looking statement. The Company disclaims any responsibility to update or revise any forward-looking statements to reflect any change in the Company's financial condition, status or affairs or any change in the events, conditions or circumstances on which a statement is based, except as required by law. The projections or forecasts included in this announcement have not been audited, examined or otherwise reviewed by the independent auditors of the Company.

You must not place undue reliance on these forward-looking statements.

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Annexure

The Quarter is a period which is covered by the Uses of Funds statement as outlined in the Replacement Prospectus dated 30 September 2019. A summary of the expenditure to date is outlined below:

Uses of Funds	Per Replacement Prospectus dated 30 September 2019	Actual Expenditure since Admission to 31 March 2020
	AUD\$m	AUD\$m
Transaction Costs	5.4	6.7 ¹
Debt repayment – certain Westpac facilities	6.6	6.5 ²
Velpic contingent consideration	2.1	2.2 ³
EIFY contingent consideration	1.5	1.6 ⁴
EIFY deferred consideration	1.5	0.0 ⁵
General corporate purposes, including flexibility to support Damstra's growth strategy	18.3	18.3 ⁶
Payments to selling shareholders	14.3	14.3
Total	49.7	49.6

Payments to related parties and their associates during the Quarter was \$384,000. These payments related to Director fees and expenses.

¹ An excess of cash was spent on listing costs, which was funded out of operating cash generated. These mainly related to legal and accounting fees that were more than planned for in the prospectus.

² All cash borrowings have been repaid and facilities to the value of \$5.4 million remain available. Minor differences relate to rounding and changes in interest accruals

³ Paid as envisaged. Minor differences relate to rounding and changes in interest accruals

⁴ Paid as envisaged Minor differences relate to rounding and changes in interest accruals

⁵ Remains to be paid. As per the prospectus, the extent to which contingent consideration in respect of the acquisition of EIFY is payable by Damstra will depend on the revenue performance of the EIFY business over an 18-month period ending in or around April 2020. \$1.5 million reflects Damstra management's assessment of the amount of contingent consideration that is likely to be payable. It is possible that the final amount will be more or less than \$1.5 million.

⁶ On track, with the two current year acquisitions (\$7m) included, and includes general operating expenses and cash balances

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Appendix 4C

Quarterly cash flow report for entities
subject to Listing Rule 4.7B

Name of entity

Damstra Holdings Limited [DTC.ASX]

ABN

74 610 571 607

Quarter ended ("current quarter")

31 March 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	7,186	16,243
1.2 Payments for		
(a) research and development	(10)	(37)
(b) product manufacturing and operating costs	(1,572)	(4,069)
(c) advertising and marketing	(49)	(271)
(d) leased assets		
(e) staff costs	(2,060)	(5,474)
(f) administration and corporate costs	(780)	(2,377)
1.3 Dividends received (see note 3)		
1.4 Interest received		
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Government grants and tax incentives	305	305
1.8 Other (provide details if material)		
1.9 Net cash from / (used in) operating activities	3,020	4,320
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities		
(b) businesses	(3,086)	(6,991)
(c) property, plant and equipment	(1,008)	(4,294)
(d) investments		

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Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
(e) intellectual property	(776)	(1,651)
(f) other non-current assets		
2.2 Proceeds from disposal of:		
(a) entities		
(b) businesses		
(c) property, plant and equipment		
(d) investments		
(e) intellectual property		
(f) other non-current assets		
2.3 Cash flows from loans to other entities		
2.4 Dividends received (see note 3)		
2.5 Other (contingent consideration relating to prior year acquisition)	-	(2,196)
2.6 Net cash from / (used in) investing activities	(4,870)	(15,132)

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	-	35,000
3.2 Proceeds from issue of convertible debt securities		
3.3 Proceeds from exercise of options		
3.4 Transaction costs related to issues of equity securities or convertible debt securities	-	(3,921)
3.5 Proceeds from borrowings	852	2,531
3.6 Repayment of borrowings	-	(8,926)
3.7 Transaction costs related to loans and borrowings		
3.8 Dividends paid		

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
3.9	Other (provide details if material) <ul style="list-style-type: none"> IPO related costs Leased assets Interest received Interest and other costs of finance paid 	(59) (525) 16 (70)	(2,815) (699) 37 (322)
3.10	Net cash from / (used in) financing activities	214	20,885

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	12,012	304
4.2	Net cash from / (used in) operating activities (item 1.9 above)	3,020	4,320
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(4,870)	(15,132)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	214	20,885
4.5	Effect of movement in exchange rates on cash held		
4.6	Cash and cash equivalents at end of period	10,376	10,376

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts		Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	10,376	12,012
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details)		
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	10,376	12,012

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	384
6.2	Aggregate amount of payments to related parties and their associates included in item 2	

6.1 above is comprised of director fees and expenses paid to 5 directors for the period 1 January -31 March 2020

	Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.	<p><i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i></p> <p><i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i></p>		
7.1	Loan facilities	5,330	500
7.2	Credit standby arrangements		
7.3	Other (please specify)		
	- Asset finance	4,600	4,594
	- Bank guarantees	500	500
7.4	Total financing facilities	10,430	5,094

7.5 Unused financing facilities available at quarter end	5,336
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7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

- Facility 1: \$0.5m Bank Bill Business Loan with interest only repayments ("Working Capital Facility");
- Facility 2: \$4.83m Bank Bill Business Loan with principal and interest repayments ("Acquisition Facility");
- Facility 3: \$4.6m Revolving Leasing Facility with principal and interest repayments ("Leasing Facility"); and
- Facility 4: \$0.5m Bank Guarantee Facility with a 2.5% p.a. fee charged semi-annually

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8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (Item 1.9)	3,020
8.2	Cash and cash equivalents at quarter end (Item 4.6)	10,376
8.3	Unused finance facilities available at quarter end (Item 7.5)	5,336
8.4	Total available funding (Item 8.2 + Item 8.3)	15,712
8.5	Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	n/a

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: N/A

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: N/A

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: N/A

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 21 April 2020

Authorised by: The Board
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this

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report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.

3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [*name of board committee – eg Audit and Risk Committee*]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

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