

## Quarterly activities report and Appendix 4C

- Annualised recurring revenue (ARR\*) at the end of the quarter was \$6.65m – up 28% on prior quarter (\$5.21m) and 49% on preceding six months (\$4.46m)
- Normalised ARR at \$6.01m when taking into account the depreciation of the Australian dollar
- March was the 9th consecutive month of ARR growth
- Cash receipts increased 13% to \$1.24m (Q4 2019: \$1.1m)
- Total paid users up 9% quarter-on-quarter to 314,000 with ARPU also growing favourably
- No material adverse impact on operations from COVID-19 pandemic – cost vigilance remains in place

27 April 2020: Global cloud backup and archiving software provider Dropsuite Limited (ASX: DSE) (“Dropsuite” or the “Company”) is pleased to provide this business activities and cash flow report (Appendix 4C) for the three month period ending 31 March 2020.

### Appendix 4C Commentary

The Cash balance at the end of the quarter was \$3.69m.

Receipts from customers of \$1.24m increased 13% over the previous quarter (\$1.1m) and increased 28% year-on-year.

Net Cash Used in Operating Activities for the quarter was (\$632k), a 39% increase over previous quarter (\$456k) and a 13% decrease year on year.

The increase in Cash Used in Operating Activities in the current quarter against previous quarter was due to the timing of payments for product and hosting costs, where the company paid a total of three-monthly hosting invoices in the current quarter, and only two hosting invoices in the previous quarter. Going forward, the Company will continue to pay hosting invoices on a monthly basis.

The year-on-year decrease in Cash Used in Operating Activities in the current quarter is represented by higher cash receipts in-line with increased monthly revenue and lower staff costs between the two periods, with no senior management bonuses approved for the 2019 year that would have ordinarily been paid in Q1 this year.

As released in ASX announcements on 17<sup>th</sup> and 18<sup>th</sup> February and 11<sup>th</sup> March, the Company successfully completed a capital raising via a share placement for \$2,788,743 and a share purchase plan for \$286,000, for a total raise of \$3,074,743 (before costs).

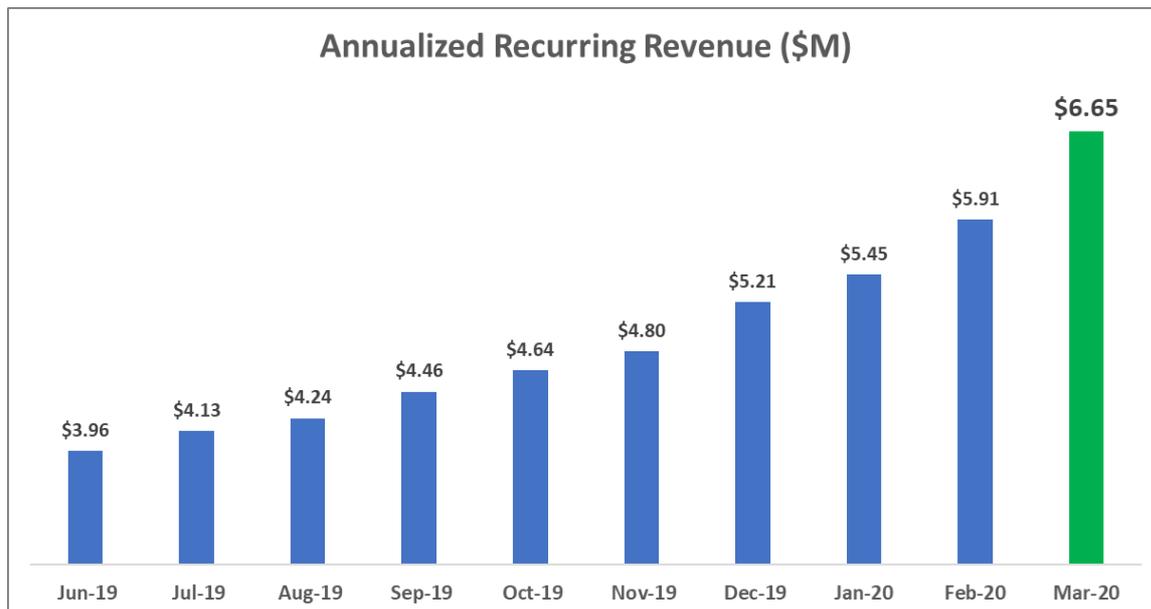
The Company continues to vigilantly manage cashflow by monitoring budgeted expenditure and increasing controls around cash collection.

### Key areas of activity during the first quarter of calendar year 2020

#### **Solid financial performance**

At the end of the quarter, annualised recurring revenue was \$6.65m (\$6.01m normalised when taking into account the depreciation of the Australian dollar). This marks a 28% increase on the prior quarter (Q4 2019: \$5.21m - 15% QoQ growth normalised) and a 49% increase over a six-month period. This growth is due to the increasing demand for Dropsuite’s leading cloud backup platform from an expanding global footprint of partners and users.

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Dropsuite continued its strategy of de-risking and diversifying its revenue base, with the top 10 partners now accounting for 71% of total revenue, down from 75% in the prior quarter. The number of transacting partners grew from 230 in Q4 2019 to 249 at the end of Q1 2020.

Total paid users increased 9% quarter-on-quarter from 288,000 to 314,000. Average revenue per user (“ARPU”) also grew 18% (7% when normalised for the depreciation of the Australian dollar) to \$1.76 (Q4 2019: \$1.49). Gross margin increased to 63%, which is slightly up on the previous quarter. These increases are due to the Company onboarding more quality, higher ARPU small to medium businesses and enterprise end users.

Pleasingly, the Company has also achieved a historically low rate of annualised partner revenue churn\*\* which now sits at 3.2% compared with 4.4% in the previous quarter.

#### Corporate and operational progress

Dropsuite successfully completed a placement of 60,472,080 fully paid ordinary shares at a price of \$0.045 each to raise \$2.7 million in new equity. The placement was strongly supported by new and existing institutional investors, and attracted an existing US-based growth fund as a large cornerstone investor, Topline Capital.

In parallel, the Company raised an additional \$286,000 from a share purchase plan (“SPP”). The SPP was set for a maximum of \$500,000 and Dropsuite was pleased with the amount raised in difficult market conditions. The SPP included commitments from all directors, who took up their maximum entitlements.

The Company expanded its presence with new revenue-generating partners, and accelerated opportunities with existing partners which has underpinned growth. Dropsuite also progressed initiatives to expand its footprint with strategic partners due to the increase in demand for business continuity software.

Dropsuite continued to broaden its product capabilities for both Microsoft Office 365 and Google’s G Suite backup and archiving. This strengthens the Company’s offering and increases the addressable market for its solutions. Further, the Company launched its services on the Google Cloud platform in the UK and Japan, which gives partners and customers added choice in addition to Amazon Web Services (AWS) and on-premise offerings. Finally, Dropsuite also rolled out new infrastructure to support its growing partner and user base.

### **Listing Rule 4.7C1 and 4.7C.3**

The Company has detailed material business activities in the paragraphs above including any material activities during the quarter. The material effect on the balance sheet was the previously announced successful capital raising of \$3,074,743 from a combination of share placement and share purchase plan.

The Company has reported expenditure of \$101,695 for salaries and director fees to related parties. This amount includes payments to the Managing Director, Mr Charif Elansari of \$58,584, Chairman Mr Theo Hnarakis of \$28,949 and Non-Executive Director Dr Bruce Tonkin of \$13,162.

### **COVID-19 impact**

Dropsuite has not witnessed an adverse impact on operations due to COVID-19, however has streamlined a number of its day-to-day operations to meet the pandemic specific challenges. This included implementing working from home policies, while ensuring high levels of service are maintained, and implementing customer responsiveness and productivity initiatives. Dropsuite's team is healthy and safe, and this remains our highest priority.

Dropsuite continues to be vigilant in managing its cost base. Currently, only critical hires are being on-boarded and operations pertaining to travel and marketing events have ceased. The Company has shifted a portion of its travel and marketing budget to online marketing, and is confident that more cost savings will be achieved without compromising our brand presence and other ongoing business development initiatives.

### **Outlook**

Dropsuite is exceptionally positioned following its strong start to the year. The Company has a healthy cash balance of \$3.69m, a growing revenue base and steady monthly cash flows. Management's focus continues to be on delivering ongoing, stable growth for shareholders.

The Company is preparing for increased demand for business continuity software given the current COVID-19 pandemic. Further demand is likely to be generated as more workforces switch to remote environments and cloud services.

Dropsuite is well-gearred to support this reality, with growing awareness about an increased need for data protection and back up as being an increasingly critical component of nearly every modern business.

### **Comment**

**Dropsuite's Managing Director Charif Elansari said:** *"Dropsuite has made a strong start to the 2020 calendar year delivering on a number of growth objectives despite challenging market conditions. Across all operational and financial metrics, we have performed very well.*

*"We have an increasingly diversified revenue base that continues to grow steadily, irrespective of the current market, and our focus is to further position Dropsuite as a highly dependable cloud focused technology company that thrives in all market conditions. The performance in the last quarter clearly shows that we are delivering on this.*

*"Investing in our technology suite of course remains a priority so that we maintain a market-leading position, and we are introducing more infrastructure to support our existing partners and readily integrate new partners in the coming months. We look forward to keeping shareholders informed of progress and other material developments."*

It is important to note that the actual outcome may vary given the unprecedented nature of the challenges emanating from the COVID-19 pandemic. Current expectations and assumptions are based on business performance to date and on various recent discussions the management team has had with many of our key partners globally.

The announcement was approved by the Board of Directors.

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**About Dropsuite**

Dropsuite is a cloud software platform enabling businesses to easily backup, recover and protect their important business information. Dropsuite's commitment to advanced, secure and scalable cloud technologies keeps us in the forefront of the industry and makes us the choice of leading IT Service Providers globally. For more information please visit: [www.dropsuite.com](http://www.dropsuite.com)

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

\*\* Revenue Churn is defined as partner lost revenue from April'19 till March'20 divided by March'19 revenue. As we have done for Q42019 calculation, this excludes the US-based partner that was referenced in multiple previous announcements who migrated the bulk of their users in the first half of 2019 away from Dropsuite's product to an in-house solution that partner acquired. Yet it is important to note that the migration is complete per this partner's confirmation, and they remain a valuable transacting partner.

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## Appendix 4C

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

**Name of entity**

Dropsuite Limited

**ABN**

91 008 021 118

**Quarter ended ("current quarter")**

31 March 2020

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	1,244	1,244
1.2 Payments for		
(a) research and development		
(b) product manufacturing and operating costs	(611)	(611)
(c) advertising and marketing	(72)	(72)
(d) leased assets		
(e) staff costs	(928)	(928)
(f) administration and corporate costs	(269)	(269)
1.3 Dividends received (see note 3)		
1.4 Interest received	4	4
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Government grants and tax incentives		
1.8 Other (provide details if material)		
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(632)</b>	<b>(632)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) entities		
(b) businesses		
(c) property, plant and equipment	(9)	(9)
(d) investments		
(e) intellectual property		
(f) other non-current assets		

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
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 (provide details if material)		
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(9)</b>	<b>(9)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	2,903	2,903
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		
3.5	Proceeds from borrowings		
3.6	Repayment of borrowings		
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (provide details if material)		
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>2,903</b>	<b>2,903</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	1,424	1,424
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(632)	(632)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(10)	(10)

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
4.4	Net cash from / (used in) financing activities (item 3.10 above)	2,903	2,903
4.5	Effect of movement in exchange rates on cash held		
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>3,685</b>	<b>3,685</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	1,282	524
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details)	2,403	900
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>3,685</b>	<b>1,424</b>

**6. Payments to related parties of the entity and their associates**

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

**Current quarter  
\$A'000**

101

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

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**7. Financing facilities**

Note: the term "facility" includes all forms of financing arrangements available to the entity.

Add notes as necessary for an understanding of the sources of finance available to the entity.

- 7.1 Loan facilities
- 7.2 Credit standby arrangements
- 7.3 Other (please specify)
- 7.4 **Total financing facilities**

Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
0	0

**7.5 Unused financing facilities available at quarter end**

0

- 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.

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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)	(632)
8.2	Cash and cash equivalents at quarter end (Item 4.6)	3,685
8.3	Unused finance facilities available at quarter end (Item 7.5)	0
8.4	Total available funding (Item 8.2 + Item 8.3)	3,685
8.5	<b>Estimated quarters of funding available (Item 8.4 divided by Item 8.1)</b>	5.83

- 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:

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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:

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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:

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## 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: 27 April 2020.....

Authorised by: Approved by the Board of Directors  
(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 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.