



D A M S T R A

29 January 2020

Record revenue for 1st half with growth of 44%; growth rate in excess of Prospectus forecast

Damstra Holdings Limited (**Damstra** or the **Company**, ASX:DTC), an Australian-based provider of integrated workplace management solutions, provides an update on financial and operational performance for the second quarter of FY20.

Key Highlights

- Total revenue for 1H FY20 was \$10.2m, up 44% on the prior comparative period. Damstra's revenue growth rate is in excess of Prospectus forecast revenue growth of 39.4% for FY20
- The Company currently expects pro forma EBITDA for 1H FY20 of approximately \$2.6m vs. Prospectus forecast for the FY20 full year of \$4.3m
- Cash receipts were \$4.6m for the quarter ended 31 December 2019; closing cash balance of \$12m
- International market revenue was 23% of total revenue in 1H FY20. International revenue performance demonstrates the ongoing implementation of Damstra's international strategic plan
- Completed the acquisition of the Scenario Advantage Workforce business (**Scenario**) on 20 December 2019, an Australian-based provider of integrated workplace management solutions
- Consistent with Damstra's growth strategy, 2Q FY20 was a key investment period with headcount in the research and development team increased to 40, an increase of 60% from 31 December 2018
- Run-rate financial performance is currently tracking above FY20 Prospectus forecasts for both revenue and pro forma EBITDA

Financial Commentary

Damstra's run-rate financial performance is currently tracking above FY20 Prospectus forecasts for revenue, pro forma EBITDA, and pro forma EBITDA margin. This is the result of strong operational outcomes achieved in Australia and internationally.

The Company currently expects pro forma EBITDA for 1H FY20 of approximately \$2.6m, compared to the Prospectus forecast for the FY20 full year of \$4.3m.

During the quarter ended 31 December 2019, Damstra generated cash receipts of \$4.6m. Operating cash flow was negative \$0.6m for the quarter, whilst net cash flow from operating activities in the half-year to 31 December 2019 was \$1.3m. Operating cash flow for 2Q FY20 was impacted by particular client payments amounting to \$1.7m that were due as at 31 December 2019, but not received until January 2020. On an underlying basis, operating cash flow for 1H FY20 was \$3m.

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As at 31 December 2019, Damstra had a cash balance of \$12m. The cash balance reflects payments made in relation to the acquisition of Scenario in December, hardware purchases that will be financed in 3Q FY20, the repayment of debt, and payment of IPO-related costs. IPO transaction costs were in line with those provided in the Prospectus.

Business Commentary

During the quarter ended 31 December 2019, Damstra continued to execute its growth strategy within Australia and internationally.

Excellent progress has been achieved in relation to the Newmont rollout with new sites continuing to be brought online. Newmont sites in Australia, North America, Suriname, Ghana and Peru are currently operational with over 14,000 Newmont users on the Damstra platform, and in excess of 200 hardware devices in the field. Hardware types implemented range across terminals, alcolisers and access control panels.

- Damstra continues to win new clients and rollout its products. Some highlights include: IMG, which supplies skilled tradespeople to undertake shutdowns and capital projects in New Zealand, has chosen to use Damstra across six locations;
- Continued growth in the mining sector with the signing of Metro Mining, an Australian-based exploration and mining company based in Brisbane, Queensland;
- Continued growth in new customers deploying Damstra's eLearning solution, including Newcastle Permanent Building Society, who have acquired 900 licenses for their company;
- Continued cross-selling of products across our existing clients, including CPB Contractors who have chosen Damstra as their eLearning platform and have acquired 15,000 licensed users which will be fully integrated into Damstra's workplace management platform; and
- Further development of Damstra's channel partner strategy, with Damstra's offering expected to be launched to TechnologyOne clients during 3Q FY20.

The acquisition of Scenario was completed on 20 December 2019. At the date of acquisition, Scenario generated unaudited annual recurring revenue of approximately \$1.3m. The acquisition has proceeded well, and Damstra expects further operating synergies and increased revenue growth under its ownership, which are expected to deliver an increased revenue contribution from Scenario from FY21 onwards. Damstra's Prospectus forecast for FY20 did not include any contribution from acquisitions.

Damstra is continuing to invest in research and development, and is increasing spending in this area to drive future growth. The Company's research and development related headcount increased by 60% over the 12 months to 31 December 2019, and now stands at 40 full-time equivalent employees (compared to corresponding prior period of 24).

FY20 Outlook

Damstra's CEO, Christian Damstra, said "Damstra has completed the first half of the financial year positively, with continued expansion across our existing clients, the addition of new clients, a successful acquisition, and the ongoing implementation of our international strategy."

"Our performance during the first two quarters now sees us tracking higher than our FY20 Prospectus forecast for both revenue and pro forma EBITDA."

Damstra 1H FY20 results are expected to be released to the ASX on Thursday, 27 February 2020.

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

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Ends

Authorised for release to ASX by Chris Scholtz, Chief Financial Officer and Company Secretary

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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.

Disclaimer

This announcement contains "forward-looking statements." These can be identified by words such as "may", "should", "anticipate", "believe", "intend", "estimate", and "expect". Statements which are not based on historic or current facts may be forward-looking statements. 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 of the Company could be materially different from those expressed in, or implied by, these forward-looking statements. The forward-looking statements contained within the announcement are not guarantees or assurances of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of the Company, which may cause the actual results, performance or achievements of the Company to differ materially from those expressed or implied by forward-looking statements. For example, the factors that are likely to affect the results of the Company include general economic conditions in Australia and globally; exchange rates; competition in the markets in which the Company does and will operate; weather and climate conditions; and the inherent regulatory risks in the businesses of the Company. The forward-looking statements contained in this announcement should not be taken as implying that the assumptions on which the projections have been prepared are correct or exhaustive. 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-

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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 presentation 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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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 December 2019

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	4,621	9,057
1.2 Payments for		
(a) research and development	(13)	(27)
(b) product manufacturing and operating costs	(1,588)	(2,497)
(c) advertising and marketing	(108)	(222)
(d) leased assets		
(e) staff costs	(2,246)	(3,414)
(f) administration and corporate costs	(1,249)	(1,598)
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		
1.8 Other (provide details if material)		
1.9 Net cash from / (used in) operating activities	(583)	1,299
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities		
(b) businesses	(3,905)	(3,905)
(c) property, plant and equipment	(2,162)	(3,286)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
	(d) investments		
	(e) intellectual property	(440)	(875)
	(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)	(2,196)
2.6	Net cash from / (used in) investing activities	(8,703)	(10,262)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	35,000	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)	(3,921)
3.5	Proceeds from borrowings	993	1,679
3.6	Repayment of borrowings	(8,926)	(8,926)
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		

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Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 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 	(2,290)	(2,756)
		(108)	(174)
		19	21
		(96)	(252)
3.10	Net cash from / (used in) financing activities	20,671	20,671

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	627	304
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(583)	1,299
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(8,703)	(10,262)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	20,671	20,671
4.5	Effect of movement in exchange rates on cash held		
4.6	Cash and cash equivalents at end of period	12,012	12,012

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	12,012	645
5.2	Call deposits		
5.3	Bank overdrafts		(18)
5.4	Other (provide details)		
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	12,012	627

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

399

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 4 directors for the period 1 October 31 December 2019

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

Total facility
amount at quarter
end
\$A'000

Amount drawn at
quarter end
\$A'000

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

7.1 Loan facilities

10,770

4,748

7.2 Credit standby arrangements

7.3 Other (please specify)

7.4 **Total financing facilities**

10,770

4,748

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

6,022

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: \$5.17m 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

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (Item 1.9)	(583)
8.2	Cash and cash equivalents at quarter end (Item 4.6)	12,012
8.3	Unused finance facilities available at quarter end (Item 7.5)	6,022
8.4	Total available funding (Item 8.2 + Item 8.3)	18,034
8.5	Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	30

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: 29 January 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

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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.

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