DAMSTRA

ASX release
27 February 2020

Damstra on track to exceed FY20 prospectus targets, proven operating leverage with strong margin expansion, international growth accelerates

- First half revenue growth of 44% to $10.1 million, which is tracking ahead of prospectus forecast revenue growth for FY20 of 39%, driven by new contract wins and cross-selling product suite to existing client base
- Pro forma[1] earnings before interest tax depreciation and amortization (EBITDA) of $2.6m, up more than 3.7 times from $0.7m in the prior corresponding period (pcp)
- Operating leverage demonstrated in a 10.6% increase in gross margin from 58.2% in FY19 to 68.8% for H1 FY20, and a pro forma EBITDA margin for H1 FY20 of 25.2% versus prospectus forecast for FY20 of 20.3%
- Strong international revenue growth, including from excellent progress in the Newmont Corp rollout, which now accounts for over 25% of total revenue (compared to 13% in FY19)
- Increased investment in R&D to sustain technology leadership and accelerate future growth
- Damstra confirms positive outlook and that the full year revenue and EBITDA results are expected to exceed FY20 prospectus forecasts

Thursday 27 February 2020: Damstra Holdings Limited ("**Damstra**" or the "**Company**", ASX: DTC), today announced its financial results for the first half of FY20.

In its first results handed down after its October 2019 initial public offering on the Australian Securities Exchange, the Company delivered another record first half performance with a 44% increase in revenue to $10.1m, and pro forma EBITDA of $2.6m, significantly above the H1 FY19 result of $0.7m. A summary of our key financial metrics for H1 FY20 are shown in the table below.

Half Year Ended 31 December $m	H1 FY19	H1 FY20	*% Change*
Revenue	7.0	10.1	*+44%*
Gross profit	3.8	7.0	*+82%*
Gross margin (%)	54%	69%	*+1,440 bps*
Pro forma EBITDA	0.7	2.6	*+289%*
Pro forma EBITDA margin (%)	9%	25%	*+1,590 bps*
EBIT	(1.8)	0.1	*+105%*
Net profit after tax	(1.7)	0.4	*+122%*

The strong performance was driven by factors including implementation of contracts, progress on the rollout of the global Newmont Corporation agreement, new client wins, as well as increased usage and successful cross-selling of the Damstra product suite within existing clients.

As at 31 December 2019, Damstra has no debt (excluding finance leases) and a cash balance of $12m. Strong cash generation reflects Damstra's SaaS-based revenue model whereby clients typically enter into multiple year contracts and pay annual license fees in advance.

[1] Before IPO costs, share-based payments, income tax, finance expenses and acquisition costs

To sustain momentum and position Damstra to capture the global market opportunity, we are investing for future growth. Operating expenses of $7.7m were up from $6.9m in the first half of FY19, reflecting substantial increases in sales and marketing capability and Research & Development.

Continued organic revenue growth and margin expansion will underpin an expected full year EBITDA that will exceed the prospectus forecast of $4.3m. This excludes any contribution from acquisitions.

Commenting on the results, Chief Executive Officer Mr. Christian Damstra said, "*It is incredibly pleasing to deliver such a high quality set of numbers and favourable outlook in our first results handed down as a listed company. Our prospectus forecasts for FY20 represented significant advances in our financial performance, so to be on track to better them for the full year is a great outcome.*

"We have entered 2020 with great energy and excitement among our team. We recognise there is still much to be done to deliver on our vision and, in many respects, we are early in our journey. Among the immediate opportunities are greater usage of our platform solutions among clients, expanding on our channel partner strategy and exploiting our data by providing real-time and predictive insights about a workplace to help to improve efficiency and reduce the risk of compliance breaches or workplace injury.

"There is also an opportunity to gain additional market share and acquire attractive adjacent technology through targeted acquisitions of other workplace management software companies. Damstra will remain highly disciplined and focused on creating genuine shareholder value when M&A is undertaken, as was demonstrated in the recent bolt-on purchases of Scenario Workforce Advantage and APE Mobile."

Ends

Authorised for release to the 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. Operations are maintained in Australia, New Zealand, the United States, the United Kingdom and a global operations centre in the Philippines.

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 by 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-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.