

Investor Update & Release of Preliminary FY20 Financial Statements (4E)

31 August 2020

RightCrowd Limited (“RightCrowd”) or (“Company”), a leading developer of physical security, safety and compliance software, is pleased to provide an investor update in conjunction with the release of the Appendix 4E – Preliminary Financial Statements for the period ending 30 June 2020.

RightCrowd is pleased to release its preliminary final report (4E) to the market. The Company is currently in the process of finalising the FY20 external audit and will release its audited FY20 annual report before the end of September 2020. The annual report will be accompanied by an investor presentation with a more detailed review of the FY20 results and FY21 outlook, including a progress update on the rapidly emerging market for RightCrowd’s Presence Control solutions.

P&L highlights from the preliminary final report (4E):

PROFIT OR LOSS (AUD'000s)	FY2020	FY2019	% Change YoY
Sales Revenue	11,534	9,379	23%
Other Income	4,658	2,313	101%
Total Income	16,192	11,692	38%
Total Expenses excl. Impairment	-21,606	-17,799	21%
Loss before Income Tax & Impairment	-5,414	-6,107	11%
Impairment Expense	-1,364	0	
Income Tax Expense	-7	-63	88%
Net Loss for the Year	-6,786	-6,171	-10%

- Annual sales revenue increased by 23% on FY19 to a record \$11.5m. Total income also reached a record \$16.2m, an increase of 38%. While RightCrowd provided guidance for 40% target revenue growth in FY20, and was on track to achieve the projected target, the COVID-19 pandemic impacted on-track performance late in the final financial quarter. Sales revenue growth in FY20 was driven mainly within the Core business unit courtesy of new customer sales, predominantly in North America, and several new module sales and projects completed for existing customers.
- With recently closed enterprise deals and strong tailwinds for RightCrowd solutions in the global market, the RightCrowd revenue growth rate is expected to return to above 40% in FY21. This increase will be driven largely by a material increase in Annual Recurring Revenues (ARR) which is targeted to double from the current \$4.0m ARR as at end FY20. Events during FY20 re-iterated the global demand for enterprise workforce and visitor management solutions provided by the Core business unit will continue to be strong.

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- RightCrowd continues to also grow its global export revenue. 85% of FY20 sales revenue was generated from outside Australia. RightCrowd has a significant brand and physical presence in the United States with 67% of all sales revenue coming from North America.

SALES REVENUE BY REGION	FY2020	%
North America	7,763	67%
Europe, Middle East and Africa	1,173	10%
Latin America	895	8%
Oceania and Australia	1,703	15%
Total Sales Revenue	11,534	100%

- Cost management remains a priority with any increased expenditure oriented around commercial growth of the business. Overall, expenses excluding impairment grew by 21% in FY20 which was mostly due to the inclusion of a full year of costs relating to the entities acquired in FY19. Additionally, an impairment expense of \$1.4m was taken in FY20 relating to the acquisition of the Offsite Vision business. The Offsite Vision business has been adversely affected by a delay in sales due to the economic impact of COVID-19 in North Eastern USA, where the business is located.
- With the forecast strong sales growth in FY21, RightCrowd expects to make material progress towards P&L break-even in FY21. The overall FY21 Company costs are projected to stay largely in line with FY20, apart from selective increments that are directly tied to revenue generation.
- RightCrowd prides itself on its deep technology investment, giving it the capability to compete and win contracts at a global scale with some of the most well recognised companies in the world. The Company expensed all R&D costs in FY20 as it has done in prior years. Included in the FY20 result are R&D costs totalling \$6.4m with a corresponding R&D Tax Incentive Rebate of over \$2.5m for FY20.

Business Unit Performance:

- RightCrowd can be viewed internally as two operating segments – the RightCrowd Core and New Products business units.

PROFIT OR LOSS (AUD'000s)	CORE Business Unit		New Products Business Unit	
	FY2020	FY2019	FY2020	FY2019
Sales Revenue	11,126	8,675	408	704
Other Income	3,536	2,313	1,122	0
Total Income	14,661	10,988	1,531	704
Total Expenses excl. Impairment	-15,736	-14,464	-5,870	-3,336
Impairment Expense	0	0	-1,364	0
Income Tax Expense	-7	-63	0	0
Segment Loss	-1,082	-3,539	-5,704	-2,631

- The RightCrowd Core business unit develops and sells enterprise security software solutions, typically to large multi-nationals, and includes global deployments at multiple Fortune 50 companies. The Core business unit has been growing revenue consistently since the RightCrowd IPO in 2017 as the transformation from primarily Research and Development to full scale commercialisation has materialised.
- The Core business unit continued its progress towards P&L break-even, closing with a loss of \$1.1m in FY20, reduced more than two thirds when compared to the \$3.5m loss in FY19. The Core business unit has had a strong start to FY21, winning a large contract with another Fortune 50 company. This contract is expected to contribute revenue of approximately \$2m in FY21, with recurring software support fees of almost \$0.5m per annum in subsequent years. The deployment is also relatively narrow in functionality and scope, providing

further potential for revenue growth in future years. This new client deployment coupled with a recent large contract renewal helps to materially lift the recurring revenue base. The Core business unit is targeting, and is on track, to achieve a profit in FY21.

- The New Products business unit contains early stage investments in new areas of innovation relating to Presence Control and “Insider Threat” to enterprise systems. RightCrowd has made a significant investment into these innovative products over the last 2 financial years. Due to the precipitous and changing market conditions created by COVID-19, and the requirements to enable a safe and secure return to work for organisations at scale, the New Products business unit is now experiencing the rapid emergence of the Presence Control market in particular.
- The majority of the FY20 operating loss is attributable to the New Products business unit with an FY20 loss of \$5.7m compared to a \$2.6m loss in FY19 as the full year cost base of the two acquisitions was borne in FY20. While the growth in sales in these businesses has initially taken longer than envisaged; the COVID-19 pandemic has generated a significant acceleration of demand, particularly for Presence Control products which improves an organisation’s security environment and also now supports the safe and secure return of staff to the workplace with COVID-19 related functionality.
- RightCrowd recently added 30 new customers through the purchase of small Presence Control starter-kits to support pilot projects, for a total of \$0.1m invoiced. Several of these customers have now progressed to initial rollout phases and have placed orders exceeding \$0.9m, with approximately half of the revenue being recurring in nature. The New Products business is expected to reduce its net loss significantly in FY21.

Balance sheet highlights from the preliminary final report (4E):

BALANCE SHEET (AUD'000s)	FY2020	FY2019	% Change YoY
Cash and cash equivalents	1,472	4,972	-70%
Trade and other receivables	5,132	4,371	17%
Other current assets	705	598	18%
Total Non-Current Assets	16,432	16,098	2%
Total Assets	23,741	26,040	-9%
Total Current Liabilities	7,284	4,377	66%
Total Non-Current Liabilities	1,232	224	451%
Total Liabilities	8,516	4,601	85%
Net Assets	15,224	21,439	-29%
Issued capital	40,089	39,651	1%
FX translation differences & Reserves	738	783	-6%
Retained earnings	-25,602	-18,995	35%
Total Equity	15,224	21,439	-29%

- As announced in June, RightCrowd secured \$5m in additional staged funding via government stimulus programs in the United States and Australia, together with debt facilities and refundable tax offsets through the Australian Government R&D Tax Incentive scheme. The Company also successfully raised \$4m in capital in early FY21. This enables RightCrowd to accelerate the manufacture of the Presence Control hardware products and support the projected sales growth while also strengthening the balance sheet. As at today, the Company has over \$9m in cash and cash equivalents and trade and other receivables.
- The increase in total liabilities was due to additional borrowings, the adoption of AASB16 (Leasing) with the recognition of right-of-use liabilities relating to RightCrowd’s office leases, and an increase in contract liabilities representing prepaid revenue received from the growing customer base.

Note to Market

None of the information included in this announcement should be considered individually material, unless specifically stated. All figures in this announcement are provided on an unaudited basis.

This Company update may include certain statements, estimates, or projections with respect to the anticipated future performance of the Company, the projects or both. Those statements, estimates or projections are based on assumptions about future events and management actions that may not necessarily take place and are subject to significant uncertainties, many of which are outside the control of the Company. Those assumptions may, or may not, prove correct. No representation is made as to the accuracy of those statements, estimates or projections.

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The release of this announcement was authorised by the Board of Directors of RightCrowd.