



ASX Announcement

27 April 2020

Nitro releases Appendix 4C and Activities Report for the first quarter of FY2020

Nitro Software Limited (ASX:NTO, “Nitro”, “the Company” or “the Group”), a global document productivity software company driving digital transformation in organisations around the world, today released its Appendix 4C cash flow report for the quarter ending 31 March 2020 (the “Quarter”) and provides an update on business performance during the COVID-19 crisis.

Key Highlights (USD unless otherwise stated)

- Completed the Quarter with revenue, ARR¹ and cash receipts at or above Nitro’s internal plan relative to its prospectus forecast; a strong balance sheet; and no material financial impact from COVID-19 experienced during the period.
- Cash receipts from customers of \$9.1 million were up 11% compared to the prior corresponding period (“PCP”), while net cash outflows from operating activities were \$1.8 million in the Quarter.
- With a robust balance sheet of \$40.5 million in cash and no debt², Nitro is well-capitalised to manage business growth during challenging global conditions related to COVID-19. Nitro’s strong financial position enables the Company to pursue value-creating acquisition opportunities.
- Data from Nitro Analytics shows a rapid and accelerated digital transformation across the global Nitro customer base in response to COVID-19, including a 52% reduction in printing, a 67% increase in digital annotation and collaboration, a 92% increase in digital form filling and a 108% increase in electronic signature requests.
- Opportunities for the Nitro Productivity Suite to enable work-from-home (“WFH”) productivity and cost savings to meet organisational needs today and into the future.
- The Company instituted a mandatory WFH policy in March, with strong productivity and high customer service levels maintained across Nitro’s workforce.

¹ Annual Recurring Revenue (ARR) is the annual amount of revenue that Nitro will recognise from subscription-based licensing agreements with customers. ARR is calculated by multiplying the monthly subscription revenue in the last month of the financial reporting period by 12.

² Excluding office leases.



Business Performance and COVID-19 Early Impact Assessment

Performance in Q1 2020²

Nitro completed the Quarter with revenue and ARR ahead of the Company's internal targets which correspond to the prospectus forecast for the year. Net cash outflow from operations in the Quarter was \$1.8 million, while cash receipts from customers totalled \$9.1 million or an increase of 11% compared to the PCP.

Nitro continued to secure new enterprise customers in the Quarter, most notably The Royal Bank of Scotland, the French Ministry of the Interior, Sandvik and the Australian State Government of Victoria. These customer wins contributed over 9,000 new licensed users in the period.

Assessment of COVID-19 Impact

To date, Nitro has not experienced any material impact on its financial performance from the impact of COVID-19. In fact, the Company has seen new and urgent demand across a number of areas as customers seek solutions for rapid digitisation to enable remote work productivity with a strong focus on document collaboration and eSigning capabilities. This demand highlights the relevance and robustness of the Company's product and business model. However, at the end of March, the Company did observe some slowdown in expected closed contracts as customers deferred procurement decisions to focus on their pandemic response. Looking forward, the Company expects the macroeconomic environment to remain challenging for some time, which may have an impact on future financial performance.

Executive Chairman, Kurt Johnson, said, "Nitro's financial position is the best it's ever been. With a balance sheet free from debt³, a strong cash position and low operating cash requirements, the Company is well-positioned to manage the business impact during this unprecedented period.

"We will continue to closely monitor business performance and the potential impact of the COVID-19 pandemic on our prospectus forecast and keep the market informed as appropriate."

Observable Trends in Digital Transformation

Nitro Analytics, part of the Nitro Productivity Suite, provides extensive business intelligence data and actionable insights, enabling customers to measure and manage their digital transformation journey, gain visibility of user adoption and benchmark performance. This data covers 197 countries, over 22 industries and tracks around 38 million daily product events. Nitro Analytics has provided a unique and valuable perspective on knowledge worker behaviour as companies shift to a remote working environment in response to the COVID-19 pandemic.

² Financial metrics provided are unaudited results for the quarter ended 31 March 2020.

³ Excluding office leases.



During March, Nitro Analytics data showed a 52% decline in global printing as customers' employees transitioned to a work from home environment.⁴ With reduced access to printers and scanners, many physical processes have been replaced with digital workflows, driving:

- A 67% increase in digital annotation and collaboration;
- A 61% increase in digital signing;
- A 92% increase in digital form filling; and
- A 108% increase in electronic signature requests.

Electronic signature requests are being completed 43% faster with more recipients working from home and often close to their computer and smartphone.

Nitro CEO & Co-Founder, Sam Chandler, said, "These observable shifts have been rapid and significant, reflecting a sudden acceleration in digital transformation across our existing customer base. Generally, digital transformation is planned over a period of years. However, to maintain workforce productivity and business continuity within a work from home environment, this evolution is now occurring in many cases over a matter of weeks.

"We are seeing the digital future of work being accelerated into reality in a few short months, with productivity and processes anywhere, anytime, suddenly the new normal. While the impacts of COVID-19 have been devastating for individuals and companies, we believe the pandemic is accelerating digital transformation to become a permanent feature of the business landscape, with ongoing material reductions in printing, digital documentation becoming standard and eSigning moving pervasively into the mainstream.

"Additionally, across the globe, companies are strongly focused on cost reduction initiatives in response to the current economic uncertainty. The value of the Nitro Productivity Suite is typically twice that associated with many of our peers, providing a single solution for both document productivity and eSigning that is easy and fast to implement. This provides us with significant opportunity to deliver a solution that enables both work-from-home productivity and cost savings, to meet this demand today and into the future."

The Nitro Team

The health and safety of Nitro's global team is always the Company's number one priority. In early March, as the COVID-19 pandemic escalated, Nitro made the decision to mandate a WFH policy for all employees across its offices in San Francisco, Dublin, Melbourne and London. Throughout the organisation, employees have been fully equipped with the tools they need to work effectively from home, enabling the Company to provide the highest levels of service in supporting the changing demands and requirements of each existing and prospective customer.

⁴ Data observed from Nitro Analytics during the weeks of 17 February 2020 through 30 March 2020.



Ends

Authorised for release to the ASX by Kurt Johnson, Executive Chairman.

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About Nitro

Nitro is a global document productivity software company driving digital transformation in organizations around the world across multiple industries. The Company's core solution, the Nitro Productivity Suite, provides integrated PDF productivity, eSignature and business intelligence (BI) tools to customers through a horizontal, SaaS and desktop-based software suite. Nitro's software solution is highly scalable, serving large multinational enterprises and government agencies, as well as small business and individual users. Nitro has over 2 million licenses sold, and over 10,982 Business Customers in 144 countries around the world, including global market leaders across multiple industries, over 65% of the 2019 Fortune 500, and two of the 2019 Fortune 10. Nitro is headquartered in San Francisco and has offices in Dublin, London and Melbourne.

The statistics above are as at 31 December 2019.

The presentation currency of the Company/Group is United States Dollars (USD) and unless otherwise stated, all amounts are presented in USD.

For more information on Nitro, please visit

Website: <https://www.gonitro.com/>

Investors: <https://ir.gonitro.com/Investor-Centre/>



Forward-Looking Statements

This ASX release may include forward-looking statements that are based on information and assumptions known to date and 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 Nitro. These factors may cause actual results to differ materially from those expressed in the statements contained in this announcement.

Annexure

Of the \$75.4m raised during the IPO in December 2019, \$40.3m was spent on transaction costs, debt repayment and payments to selling shareholders, all in line with expectations. There is no additional capital required for these items.

Uses of Funds	Per "Use of funds" statement in Prospectus dated 21 November 2019	Actual expenditure since Admission to 31 March 2020
	US\$m	US\$m
Transaction costs	6.9	6.7
Debt repayment	3.2	3.2
Cash received by Nitro from the Offer to be used for the execution of the Company's business objectives (such as cost of sales, marketing spend, research and development, and general and administrative costs) and potential acquisition opportunities as outlined in the prospectus	34.9	-
Payments to selling shareholders	30.4	30.4
Total	75.4	40.3

The remaining funds have not yet been spent but operating expenses and cash balances continue to track to plan as the Company has made no acquisitions and business activities are currently being funded from existing cash reserves and cash generated from operating activities.

Included in section 6.1 of the Appendix 4C for the quarter ended 31 March 2020 are payments made to related parties of Nitro. These amounts relate to Directors' fees, salaries, allowances and short-term incentives paid to Directors and their associates.



Appendix 4C
Quarterly cash flow report for entities
subject to Listing Rule 4.7B

Name of entity

NITRO SOFTWARE LIMITED

ABN

15 079 215 419

Quarter ended ("current quarter")

31 MARCH 2020

Consolidated statement of cash flows		Current quarter \$USD'000	Year to date (3 months) \$USD'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	9,109	9,109
1.2	Payments for		
	(a) research and development	(196)	(196)
	(b) product manufacturing and operating costs	(1,347)	(1,347)
	(c) advertising and marketing	(469)	(469)
	(d) leased assets (Note 6)	(15)	(15)
	(e) staff costs (Note 7)	(6,212)	(6,212)
	(f) administration and corporate costs (Note 7)	(2,785)	(2,785)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	95	95
1.5	Interest and other costs of finance paid	(46)	(46)
1.6	Income taxes paid	104	104
1.7	Government grants and tax incentives		
1.8	Other (provide details if material)	-	-
1.9	Net cash from / (used in) operating activities	(1,762)	(1,762)

Consolidated statement of cash flows		Current quarter \$USD'000	Year to date (3 months) \$USD'000
2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	(35)	(35)
	(d) investments	-	-
	(e) intellectual property	-	-
	(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 (provide details if material) (Note 8)	(224)	(224)
2.6	Net cash from / (used in) investing activities	(259)	(259)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	325	325
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(241)	(241)

Consolidated statement of cash flows		Current quarter \$USD'000	Year to date (3 months) \$USD'000
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(25)	(25)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material) (Note 6)	(329)	(329)
3.10	Net cash from / (used in) financing activities	(270)	(270)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	47,017	47,017
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,762)	(1,762)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(259)	(259)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(270)	(270)
4.5	Effect of movement in exchange rates on cash held	(4,205)	(4,205)
4.6	Cash and cash equivalents at end of period	40,520	40,520

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 \$USD'000	Previous quarter \$USD'000
5.1	Bank balances	40,520	47,017
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)	40,520	47,017

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 \$USD'000
629
-

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

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 \$USD'000	Amount drawn at quarter end \$USD'000
-	-
-	-
546	36
546	36

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

510

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.

The financing facilities available to the Company relate to corporate credit cards

8. Estimated cash available for future operating activities	\$USD'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(1,762)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	40,520
8.3 Unused finance facilities available at quarter end (Item 7.5)	510
8.4 Total available funding (Item 8.2 + Item 8.3)	41,030
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	23

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

- 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:

- 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:

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:

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: 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 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.
6. In accordance with the requirements of AASB 16 cash payments for the principal portion of the Group's lease liabilities are presented within financing activities.



- 7 The amount includes costs attributable to the R&D function of the business.
- 8 The balance represents premiums paid to obtain foreign currency derivatives.