

ASX release
27 August 2020

Damstra delivers step change in business performance in FY20 Positioned for further growth and increased scale

FY20 Highlights

- Revenue and other income growth of 47% to \$23.5 million
- Pro forma¹ earnings before interest, tax, depreciation and amortisation (EBITDA) of \$6.8m (underlying² EBITDA of \$4.8m) versus \$1.8m in FY19
- Operating leverage demonstrated by a 10.3 ppt increase in gross margin from 58.2% to 68.5%
- Pro forma EBITDA margin of 32.9% (underlying EBITDA margin of 23.4%) versus FY19 of 11.8%
- Pro forma operating cash flow of \$5.2m versus \$0.3m for FY19³
- NPATA of \$6m versus (\$2.8m) for FY19
- Key metrics for the business at the end of FY20 are:
 - Users increased from 320,000 at the end of FY19 to 404,000
 - Clients increased from 129 at the end of FY19 to 279
 - Recurring revenue for FY20 was 90.7% of operating revenue
 - Churn “minimal” <1% of revenue
- Retain strong liquidity with cash balance at end of period of \$9.4m
- 30% increase in total⁴ R&D spend versus FY19 to accelerate product development
- Completion of Vault Intelligence Limited (“Vault”, ASX: VLT) acquisition⁵ remains on target for October 2020 with integration plans well advanced
- FY21 unaudited revenue guidance of \$33-35m subject to the completion of the Vault transaction⁶

In its first full year results, Damstra Holdings Limited (ASX:DTC) (“Damstra” or “the Company”) has delivered another record full year performance with revenue and other income of \$23.5m, and pro forma EBITDA of \$6.8m (underlying EBITDA of \$4.8m), which was significantly above the FY19 result of \$1.8m. A summary of our key financial metrics for FY20 are shown in the table below.

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

² Pro forma EBITDA excluding one-off other income

³ Excludes statutory and legal costs of acquisitions

⁴ Calculated as the sum of R&D expense per the pro forma income statement and capitalised development costs per the cash flow statement

⁵ On 8 July 2020 Damstra announced it had entered into an implementation agreement to acquire Vault by way of a recommended Scheme of Arrangement.

⁶ Based on Damstra 30-40% revenue growth guidance and Vault projection \$8m

Full Year Ended 30 June \$m	FY19	FY20	% Change
Revenue and other income	16.0	23.5	+47%
Gross profit	8.9	14.1	+58%
Gross margin (%)	58.2%	68.5%	+1,030 bps
Pro forma EBITDA	1.8	6.8	+278%
Pro forma EBITDA margin (%)	11.8%	32.9%	+2,110 bps
Underlying EBITDA margin	1.8	4.8	+167%
Underlying EBITDA margin (%)	11.8%	23.4%	+1,160 bps
EBIT	(2.3)	0.6	+128%
NPATA	(2.3)	6.0	+355%

The strong performance demonstrates Damstra's importance as a critical business tool during these challenging times, and customers have continued to rely on our solutions. During the height of the COVID-19 pandemic, there was no reduction in demand for our services across the key verticals of mining, construction, and telecommunications. Looking forward, we anticipate an increase in demand for our services and expanded product offering. In FY21, this is expected to be underpinned in Australia by federal and state funding for major infrastructure projects, whilst increased pressures to manage COVID-19 risk will support North American expansion⁷.

Damstra's channel partnership strategy continues to evolve as an important growth lever. The partnership with TechnologyOne already has had commercial success. In line with our North America growth focus we have recently signed channel partner agreements with Zivaro, Inc Brilliant IT and Government Acquisition, Inc.

The proposed purchase of Vault, which is scheduled to complete in October, demonstrates a targeted and considered approach to M&A. We adopt a disciplined and focused screening and integration methodology. These acquisitions add breadth to the Damstra platform, with products that can be sold to new and existing clients globally.

Commenting on the results, Chief Executive Officer Mr. Christian Damstra said,

"FY20 has been a transformational year for Damstra. We have delivered a high-quality set of results across all business metrics. To have delivered this performance during COVID-19 is a credit to the Damstra team and demonstrates the quality of our products and business model."

"We have entered fiscal 2021 with great energy and excitement and look forward to completing the Vault transaction. We see this as a year of evolution with our business having size, scale and increasing product innovation to accelerate international growth. From an investor perspective, this is important as we believe we have significantly reduced our overall risk profile while increasing our capability. We hope that our footprint as a business will increase dramatically in size from a client and user perspective. We will now have presence in SE Asia and will add significant resources in North America."

"We believe there remains an opportunity to increase our footprint and acquire attractive adjacent technology through targeted acquisitions. Damstra is committed and open about this strategy, as product innovation and development are at the heart of what we do."

Ends

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

Enquiries

⁷ Based on Management observations and client survey feedback

Katja Voegele
Damstra Technology
+61 411 628 839

K.Voegele@damstratechnology.com

Brett Clegg
Citadel-MAGNUS
+61 487 436 985

BClegg@citadelmagnus.com

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 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-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.