

ASX Announcement

26th August 2021

Damstra Technology

(ASX: DTC)

DAMSTRA FY21 FINANCIAL RESULTS

Strong performance with 40% revenue growth

Damstra Holdings Limited (ASX:DTC) (**Damstra** or **the Company**), a leading Australian-based global provider of integrated workplace management solutions, is pleased to announce its full year financial results for the 12 months ending 30 June 2021 (**FY21**).

Financial highlights

- Annualised Recurring Revenue (ARR) of \$34.5 million, up 63% on the prior corresponding period (pcp)
- Strong revenue growth of 40% on pcp to \$27.4 million¹, with 87% of this revenue being annually recurring
- Operating leverage drives continued gross margin expansion to 78.9% (FY20: 68.5%²)
- Strong EBITDA result of \$6.6 million, consistent with pcp following the acquisition of the previously loss-making Vault business
- EBITDA margin remains robust at 24.3%
- Cash receipts of \$31.7 million, up 51% on pcp
- Key operating metrics:
 - Users increased by 74% to 737k (FY20: 423k)
 - Clients increased by 159% to 724 (FY20: 279)
 - Churn remains minimal at ~1%

Damstra reported a strong performance across all key financial and operational metrics in FY21, delivering growth in revenue, cash receipts, user numbers and total clients.

ARR grew by 63% to a record \$34.5 million, driving total revenue growth of 40% to \$27.4 million, with 87% of total revenues now annually recurring. Cash receipts increased by 51% to a record \$31.7 million. Operating leverage drove gross profit margin expansion of 10.4ppts to 78.9%. EBITDA performance maintained at \$6.6 million relative to pcp, reflecting a robust EBITDA margin of 24.3% and the successful integration and synergy capture of the previously loss-making Vault Intelligence Limited (**Vault**) business.

Damstra ended FY21 with 724 total clients (FY20: 279) and 737k users across ~20 countries (FY20: 14), an increase of 74% on the pcp, with client churn remaining pleasingly low at approximately 1%.

Strategic highlights

- Successful strategic product pivot to an 'Enterprise Protection Platform' showcases the strength and integration capability of Damstra's expanded product offering
- Acquisition of Vault successfully completed in October 2020 and fully integrated, with \$6.2 million of annual synergies achieved, significantly outperforming the original target of \$4 million

1. Includes \$0.3m revenue share related to SkillPASS joint venture with Energy Skills Queensland
2. Earnings before IPO costs, share based payments, income tax, finance expenses and acquisition costs and excluding one-off other income

- Debt refinanced with new AUD \$20 million facility with Partners for Growth VI, L.P., providing financial flexibility to fund Damstra’s growth ambitions
- Continued product innovation with launches of new and updated modules: Damstra Safety, Satellite, paperless forms, and workflows
- Signed a three-year contract extension with NBN Co Limited, with the potential to extend to 2027 and up to \$7 million expected revenue for Damstra over the over the fully extended life of the contract
- Finalising a contract extension with Newmont Mining, Damstra’s largest North American client

Damstra CEO, Christian Damstra, said: “FY21 has been a transformational year for Damstra, having strategically repositioned our product offering under the Enterprise Projection Platform (EPP) banner, while delivering strong revenue growth and EBITDA performance. The rollout of EPP has been well received by our clients, both existing and new, and EPP enables us to continue to build deeper client relationships and showcase the full breadth of Damstra’s capabilities. We are pleased to have successfully integrated Vault into the Damstra ecosystem following its acquisition during the year. Significantly outperforming the targeted operational synergies from the deal has helped us to drive strong operating leverage in the business, resulting in robust EBITDA and margins in FY21.”

Contractual dispute with SurePlan New Zealand Limited

Following the acquisition of Vault, contractual commitments from SurePlan were expected to have increased the Company’s revenue by \$1.6m in FY21 (**SurePlan Fees**), however such amounts remain due and unpaid. Damstra is presently in dispute with SurePlan over this 5-year contract. Damstra is considering its legal options to recover the SurePlan Fees. During FY21, Damstra accounted for revenue from this contract, which has now been reversed in the FY21 financial accounts as part of our end of financial year process. If the full contract revenue had been accounted for, Damstra would have exceeded its revenue guidance of \$28.5m that was published on the 27th of April 2021. Due to the ongoing dispute, Damstra believes it is prudent to assume zero contribution from this contract as part of its FY22 guidance set out below.

Outlook

During FY21, the Company was impacted by COVID-19, however an immediate positive impact was seen when regional restrictions were lifted. For FY22, the Board expects the predominant negative impact of COVID-19 is likely to result from restrictions placed on Damstra’s construction clients in New South Wales and Victoria. Currently these industries are still operating, albeit at reduced capacity, and we would expect to see a positive change once restrictions are lifted, which is anticipated to be during late Q2 of FY22 (based on current Government announcements).

Importantly, Damstra expects that >60% of its revenue growth in FY22 will come from international markets, highlighting the benefits of the Company’s diversified business model. Therefore, the impact of COVID-19 in Australia in FY22 is expected to be mitigated relative to FY21.

Damstra remains in contract negotiations with several potentially material clients in the United Kingdom and North America, all of which are recognised leaders in their respective fields. This includes a large global mining company with over 30,000 potential users, which is in its final trial stage. The Company expects to enter contract negotiations in September, with implementation soon afterwards. The Company will update the market in accordance with its continuous disclosure obligations.

Notwithstanding the uncertainty currently being experienced by the Australian market due to COVID-19, Damstra is a diversified international business with global opportunities for growth. As such, the Company provides the following guidance for FY22:

- Revenue growth of 32.5 – 40%
- EBITDA Margin of 22.5 -25%

FY21 results announcement details

Today's briefing is scheduled to be held at 09:30am AEST, which participants can access using the below link. Registration is required.

<https://zoom.us/j/92605271747?pwd=akVzQ0locmlpNVZPTTBraUJRZHFuZz0>

Authorised for release to ASX by the Board of Damstra Holdings.

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About Damstra

Damstra is a global leader in enterprise protection software. Its Enterprise Protection Platform (EPP) integrates an extensive range of modules and products that allows organisations to mitigate and reduce unforeseen and unnecessary business risks around people, workplaces, assets, and information.

Integral to the Damstra EPP, Damstra's Workforce Management, Learning Management and Connected Worker solutions combine to ensure Protected People. In creating workplaces that are Safe, Damstra's Access Control, Digital Forms and Safety Solutions are utilised. Assets are connected into operations, through integrated Asset Management enabling Asset mobilisation and offerings in RFID and IOT. And lastly Accessible Information, Reporting BI tools and Predictive Analytics are critical to ensuring customers are making the right decisions with the right information.

For more information, please visit:

<https://www.damstratechnology.com>

<https://www.linkedin.com/company/damstra-technology>

Forward-Looking Statements

This ASX release includes certain forward-looking statements that are based on information and assumptions known to date and are subject to various risks and uncertainties. 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 could be significantly different from those expressed in, or implied by, these forward-looking statements. Such forward-looking statements are not guaranteeing of future performance and involve known and unknown risks, uncertainties, and other factors, many of which are beyond the control of Damstra. These factors may cause actual results to differ materially from those expressed in the statements contained in this announcement.

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 announcement 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.