



ASX Announcement

26 November 2021

Damstra Technology

(ASX: DTC)

Annual General meeting – Chairman’s Address

Good morning, ladies, and gentlemen. My name is Johannes Risseeuw. I am Executive Chairman of Damstra Holdings Limited, and it is a great pleasure to be with you, albeit virtually, for the 2021 Damstra AGM.

Today we will review our results for 2021, update you on recent business performance and continue to show the evolution of our product suite under the strategic direction of our Enterprise Protection Platform. Our CEO, Christian Damstra, will cover these in more detail in his presentation.

Damstra is a leader in the enterprise protection software business, but I also would like to highlight our core purpose, which is “Connect and Protect Your World” as this positioning transcends how we work and engage with our clients and develop our products. In this context we use the words “Enterprise Protection Platform” or “EPP”, which integrates an extensive range of modules and products that allow organisations to mitigate and reduce unforeseen and unnecessary business risks around people, workplaces, assets, and information. The rollout of our EPP has been well received by our clients, both existing and new, and enables us to continue to build deeper client relationships and showcase the full breadth of Damstra’s capabilities.

Before I move onto the FY21 results and our future plans, as one of the company’s largest shareholders I share the disappointment in our recent share price performance with other investors. Despite achieving record revenue for the year of \$27.4m, the market appears to have lost short term confidence in the Company. As a Board, we acknowledge there have been issues both outside our control, such as the impact of COVID-19, and within our control, such as client specific activity as previously disclosed to the market, which have contributed to current investor sentiment. The first related to a contractual dispute with a client acquired through the Vault Intelligence Limited (Vault) acquisition, and the second to a descoping and reduction of service from a global mining client as they internalised their hardware and site access requirements.

Both were extremely disappointing and adversely impacted our near-term organic growth outlook, resulting in adjustments to our FY22 guidance. However, the Board and Executive team consider that the underlying business, with more than 700 clients, remains in excellent shape and while the recent client issues will not be dismissed as isolated commercial issues, they cannot become all-encompassing for the Company.

Putting these issues aside, FY21 was another transformational year for Damstra, having strategically repositioned our product offering under the EPP banner while delivering a strong revenue and EBITDA performance. We are also pleased at how successfully Vault has been integrated into the Damstra ecosystem following its acquisition, significantly outperforming targeted operational synergies.



FY21 Performance

Despite the impact of COVID-19, in FY21 the Group delivered significant revenue growth across its global business as it increased market penetration, customer usage and adoption of its technology. Revenue increased 40% to \$27.4 million, with 87% of total revenues now annually recurring, while cash receipts increased by 52% to a record \$31.7 million.

The Group also reported strong performance across its key operational metrics, with growth in user numbers and total clients. The Group added 157 customers to a total of 724 clients globally across 20 different countries, and ended the year with 737,000 paying users, up from 423,000 in the prior year.

Operating leverage saw gross profit margin expansion of 10.4ppts to 79%. EBITDA was maintained at \$6.6 million on the prior year, reflecting a robust EBITDA margin of 24.3% and synergies from the previously loss-making Vault business.

Damstra continued to make significant investments in innovation and product development, expanding its global footprint and securing strategic assets in new geographies and adjacent technologies, which together aim to accelerate future growth. The Group invested \$11 million in R&D in FY21, including capitalised costs, up 34% from the prior year. This was a significant increase as Damstra took the opportunity to accelerate investment in a number of new and exciting product extensions, which will assist in further developing the Company's software platform and innovation pipeline.

In terms of strategic highlights, the following are some of the Company's achievements during the FY21:

- We successfully pivoted our product to an EPP, which showcases the strength and integration capability of Damstra's expanded product offering;
- We successfully completed the Vault acquisition in October 2020 which is now fully integrated, with \$6.2 million of annual synergies achieved, significantly outperforming the original target of \$4 million;
- We carried out a debt refinancing with a new AUD \$20 million facility with Partners for Growth VI, L.P., providing financial flexibility to fund Damstra's growth ambitions; and
- We continued our product innovation with the launch of new and updated modules including Damstra Safety, Satellite, paperless forms, and workflows.

Acquisitions

Many shareholders ask about our acquisition strategy and Christian will provide an outline in his presentation of some of our transactions. Great international Software-as-a-Service (SaaS) businesses are continual acquirers as it is sometimes easier to accelerate product development and innovation via acquisitions than building capability internally. The best international SaaS businesses strike the right balance between growing well organically and accelerating growth via acquisitions.

We have yet to strike that balance, but still consider the right acquisitions to have sound strategic rationale and, from a product perspective, we are delighted with what we have achieved through our acquisitions. For example, the acquisition of Vault enabled the Group to accelerate product innovation in Safety and to expand the overall offering to include Solo, our mobility offering. The technology was fully integrated ahead of plan with the only disappointing aspect being the client contractual issue previously mentioned which tempered an expected acceleration in growth from Solo.

The acquisition of TIKS Solutions Pty Ltd (TIKS), which completed in October 2021, neatly complements Damstra's platform capability, providing onsite safety, security and compliance capabilities for staff, contractors and visitors, while also adding functionality in areas such as permit-to-work and mobile applications.

We continue to scale up in North America, our largest market, and pursue a wide array of client opportunities which are of a much larger scale than in Australia and New Zealand. Damstra's channel partnership strategy also continues to evolve as an important long-term growth lever, and we see this as a future driver of success where our effort to date hasn't been rewarded. Two of our main focus areas for FY22 will be North America and our partnership strategy.

Products and technology

We believe our evolving EPP is globally competitive and is the core of who we are at Damstra. We continued to implement new product releases across the platform, with product innovation remaining a key differentiator. The EPP enables clients to harness the power of the four largest investment areas in any organisation that carry the largest business risks, ensuring prepared people, safe places, connected assets and accessible information.

Strategically, current and prospective clients have responded extremely favourably to the launch, recognising how the Group's product suites have evolved to work not only individually but also, critically, how they can orchestrate seamlessly into a fully unified offering. We believe larger clients now have great confidence that the Group can deploy the EPP at an enterprise-level rather than being seen as a single point solution.

The Solo product continues to roll out strongly in the health, aged care and disability support sectors. Solo satellite capability has now been developed to work on mobiles and wearables in remote areas without 3G/4G telecommunications coverage. This extension to work on satellite allows the use of Solo anywhere globally, providing complete coverage for transport and logistics and remote healthcare, where client trials are underway.

FY22 trading and people

As Christian will highlight in his presentation, revenue for the first quarter of FY22 was unaudited \$6.2 million, with annually recurring unaudited revenue of 87.3%. Cash receipts were unaudited \$7.7 million and the number of paying users grew to 746,000. Unaudited revenue for the month of October was \$2.5 million, taking total unaudited revenue to the end of October 2021 to \$8.7 million.

We have today further updated our FY22 revenue guidance as outlined in the Quarterly Activities Report and Appendix 4C on 28th October 2021. Our new FY22 revenue guidance is now set at AUD\$30m - \$34m. This reflects now minimal contribution from Newmont and the UK business for the remainder of FY22 and, at the lower end of the guidance range, assumes minimal new client acquisition for the remainder of the financial year. Further to the Quarterly Activities Report, I note that the Company continues to operate at two Newmont locations.

While this is another guidance downgrade and we are disappointed by this, the guidance reflects a rigorous review by the Board and executives as the implications of the client issues mentioned above evolve.

It is important to highlight with our new guidance that our FY22 revenue is still expected to grow by 10% - 24% and, if Newmont was excluded entirely, our underlying revenue growth rate would be expected to be 21% - 37%.

As we grow, executive development and renewal will continue to be a focus area for the Board in FY22. To that extent, the Board engaged Egon Zender during the year to assist with the development of key roles in the Company. In addition, following feedback from some shareholders on executive remuneration, we will aim to improve disclosure and aspects of our remuneration plans to better align with shareholders' expectations, while also considering the competitive market for global technology roles, and the need to attract and retain executive talent.

As part of the Board's continual review of the Executive team and as previously disclosed, Sam Marciano will become Chief Commercial Officer reporting to Christian Damstra, with responsibility for ANZ Business Development, product commercialisation and accelerating partnerships in construction and facilities management. David Moylan, former CEO of Vault, will leave Damstra.

Today we have also announced the appointment of Andrew Ford as Chief Financial Officer, commencing in February 2022 based in Melbourne. Andrew has spent the majority of his 20-year career in CFO and senior finance roles, most recently as CFO/Finance Director for Infrabuild Ltd / GFG Alliance. Prior to this, he was the CFO of ASX-listed Godfreys Group Ltd. Andrew has also held finance positions with Cleanaway Ltd, Skilled Group Ltd, BlueScope Ltd, and professional services firm Deloitte. Andrew graduated with a commerce degree from the University of Melbourne.

The appointment of Andrew is positive for Damstra ahead of our next phase of global growth. We feel that Andrew's leadership attributes and experience will enhance our executive team. I am looking forward to working closely with Andrew as we execute on our growth plans.

I would like to thank the Damstra Board and Executive team and all staff for their drive and ambition to create a truly global business during FY21. Many of our employees are shareholders and are watching virtually today, and we appreciated the invaluable contribution they make to our Company. Our staff work across seven different countries, and our values are driven by a mantra of "connect and protect your world" as this is the basis for a work environment that is empowering and meaningful.

Despite the recent challenges, our business now has scale from which to grow in our key markets and I look forward to reporting on further progress in the months ahead.

Ends

Authorised for release to ASX by Johannes Risseeuw, Executive Chairman of Damstra Holdings Ltd.

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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> or visit our LinkedIn page <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.