

ASX Announcement

31st January 2024

Damstra Technology

(ASX: DTC)

Q2 FY24 Quarterly Report and Appendix 4C

Damstra Holdings Limited (ASX:DTC) (**Damstra** or the **Company**) today reports its second quarter trading update for the quarter ending 31 December 2023 (**Q2 FY24**).

Highlights

- Operating cash flow \$1.7m, vs pcp of \$1.9m
- Free cash flow¹ (\$0.5m), vs pcp negative (\$1.2m)
- Gross Profit of \$5.5m, vs pcp of \$5.3m
- 7th consecutive quarter of positive operating cash flow
- EBITDA² of \$1.7m, vs pcp of \$1.4m
- Cash on Hand at 31 December of \$6.24m
- Damstra enters into a Scheme Implementation Deed with Ideagen

Commenting on the financial results for Q2 FY24, Chief Executive Officer, Christian Damstra, said:

“Our Q2 results demonstrate the continuing improvement in our business after the major transformational activity we undertook in FY23. Further confidence in our business is underpinned by new contract wins where we are finalising commercial arrangements. We also continue to improve our Enterprise Protection Platform (EPP) and close down legacy systems”.

Financial HighlightsCashflow

Damstra continues its rebound in cash flow generation. Free cash flow for the quarter was (\$0.5m), a \$0.7m improvement on a pcp basis. A small number of client's normal renewal payments were received in early January. If these payments were received on time, free cash flow would have been breakeven for the quarter, and operating cashflow would have exceeded Q2 FY23.

Operating cash flow for Q2 FY24 was \$1.7m, this was down slightly by \$0.2m on Q2 FY23, where operating cashflow was \$1.9m. We have now achieved 7 consecutive quarters of positive operating cash flow.

Profitability

The Company is now generating ongoing profitability, with EBITDA of \$1.7m, \$0.3m higher than \$1.4m in Q2 FY23. EBITDA margin was 23%, up 4 pp on Q2 FY23. The increase in EBITDA reflects the continuing operating leverage within the business.

Gross Profit was \$5.5m, with Gross Margin improving by 4 pp YoY to 75% (Q2 FY23: 71%).

Costs

During FY23, our cost reduction program delivered ~\$9m of annualised savings, and in FY24, we implemented further cost optimisations. The additional \$3m annualised cost savings target has now been implemented.

Total costs as % of revenue for Q2 FY24 was 91%. Compared to a Q2 FY23 of 103%, which is a 12 pp improvement. For context, the FY23 profile was 98% of revenue.

Cash Reserves

Cash on Hand at 31 December of \$6.24m, prior quarter Q1 FY24 \$6.84m

¹ Free cash flow is defined as cash flows from operating activities less cash flows used for investing and financing activities, excluding cash used for acquisitions, repayment of debt and non-recurring restructuring costs.

² Pro forma EBITDA refers to Earnings Before Interest, Tax, Depreciation and Amortisation ('EBITDA') adjusted for non-cash share-based payments, acquisition costs, other non-recurring restructuring costs and impairment expenses.

³ Total costs include cost of sales, operating expenses and capitalised research and development costs.



Client Highlights

The business is focused on implementing and configuring recent client wins including clients who are upgrading to the EPP as well as new client acquisitions. These projects include clients in the mining segment, including the Barrick Africa rollout and the implementation of ANZ mining clients such as Coronado and Newhope.

On 15 December 2023, the Victoria Government announced contract signings for the North East Link Projects, Victoria's largest ever road project, with contracts to deliver the Eastern Freeway Upgrade and M80 Ring Road Upgrade. Damstra will be providing services to the two successful consortiums Nexus and AMA.

Our pipeline of near-complete contract wins and renewals remain robust and includes:

- We are in final contract negotiations with Idemitsu Australia, covering all their operations in Australia, after being advised we were successful in their tender process. Once the contract is finalised, we will move to immediate implementation.
- A contract extension with one of our larger clients, Holcim Australia, is being finalised with an expected 10%+ contract value increase.
- John Holland Group's tender process is complete, and we have been advised we are the successful tenderer. We already have operating locations with this client in one of their divisions and are targeting companywide implementation in 2nd half of FY24.
- Have been shortlisted as a tenderer with the Clean Energy Council.

Damstra enters a Scheme Implementation Deed with Ideagen

Damstra announced on the 25th January 2024² that it had entered into a binding Scheme Implementation Deed (SID) with Ideagen Limited (Ideagen), which provides for the acquisition by Ideagen of 100% of the shares in Damstra by way of a Scheme of Arrangement under Part 5.1 of the *Corporations Act 2001* (Cth) (Scheme) for \$0.24 cash per Damstra share.

- Damstra has entered into a Scheme Implementation Deed with Ideagen, under which Ideagen will acquire 100% of the shares in Damstra by way of a Scheme of Arrangement.
- Under the Scheme, Damstra shareholders will receive \$0.24 cash per share³, which represents a 140% premium to Damstra's undisturbed share price on 24th October 2023 of \$0.10 per share.⁴
- The Damstra Board (including the independent board committee formed for the purpose of considering the Scheme) unanimously recommends that Damstra shareholders vote in favour of the Scheme in the absence of a superior proposal and subject to the independent expert concluding that the Scheme is in the best interests of Damstra shareholders.
- The Directors of Damstra, who in aggregate hold or control approximately 19.7% of Damstra's shares as at the date of this announcement, intend to vote, or cause to be voted, all Damstra shares held or controlled by them in favour of the Scheme.
- Significant shareholders associated with Mr Johannes Risseeuw and Mr Christian Damstra controlling over 15.3% of Damstra's shares have agreed to grant Ideagen call options to acquire in aggregate a total of 15.3% of the issued Damstra shares.
- The transaction is subject to Foreign Investment Review Board approval, and other customary conditions, including Damstra shareholder and Court approval.

Payments to related parties of the entity and their associates

Included in section 6.1 of the Appendix 4C for the quarter ended 31 December 2023, payments of \$274,349 were made to related parties of Damstra. These amounts relate to Directors' fees, salaries, and allowances paid to Directors and their associates.

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

Ends

² See ASX Announcement dated 25 January 2024.

³ Assuming 287,810,732 Damstra shares on issue on a fully diluted basis.

⁴ No volume traded on 24 October 2023 with the last undisturbed trading day being 23 October 2023 with a \$0.10 closing share price.



Enquiries

Investors

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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.



Appendix 4C

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

Name of entity

Damstra Holdings Limited [DTC.ASX]

ABN

74 610 571 607

Quarter ended ("current quarter")

31 December 2023

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers (incl GST)	7,401	16,366
1.2 Payments (incl GST) for		
(a) research and development		
(b) product manufacturing and operating costs	(2,314)	(4,554)
(c) advertising and marketing	(22)	(39)
(d) leased assets		
(e) staff costs	(2,654)	(5,162)
(f) administration and corporate costs	(754)	(2,929)
1.3 Dividends received (see note 3)		
1.4 Interest received	36	73
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Government grants and tax incentives	-	253
1.8 Other (Restructuring costs – staff redundancies & leave payments)	(19)	(307)
1.9 Net cash from / (used in) operating activities	1,674	3,701

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities		
(b) businesses		
(c) property, plant and equipment	(148)	(429)
(d) investments		
(e) intellectual property	(1,319)	(2,938)
(f) other non-current assets		



Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
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 (contingent consideration relating to prior year acquisition)		
2.6	Net cash from / (used in) investing activities	(1,467)	(3,367)

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		
3.4	Transaction costs related to issues of equity securities or convertible debt securities		
3.5	Proceeds from borrowings		
3.6	Repayment of borrowings	(83)	(128)
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (provide details if material)		
	• Leased assets – equipment	-	-
	• Leased assets – offices	(193)	(428)
	• Interest received	-	-
	• Interest and other costs of finance paid	(535)	(987)
3.10	Net cash from / (used in) financing activities	(811)	(1,543)



Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	6,841	7,446
4.2	Net cash from / (used in) operating activities (item 1.9 above)	1,674	3,701
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,467)	(3,367)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(811)	(1,543)
4.5	Effect of movement in exchange rates on cash held		
4.6	Cash and cash equivalents at end of period	6,237	6,237

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 \$A'000	Previous quarter \$A'000
5.1	Bank balances	6,237	6,237
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)	6,237	6,237

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
\$A'000**

\$274

6.1 above is comprised of cash fees and expenses paid to directors for the period 1 October 2023 – 31 December 2023



		Total facility amounts at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1	Loan facilities	15,000	15,000
7.2	Credit standby arrangements		
7.3	Other (please specify)		
	- Merchant prepayment	-	-
	- Insurance funding	-	-
	- Asset finance	-	-
	- Bank guarantees	257	257
7.4	Total financing facilities	15,257	15,257

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

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.

- \$15m Revolving Loan Note Facility with interest only repayments ("Loan Facility")

	8. Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (Item 1.9)	1,674
8.2	Cash and cash equivalents at quarter end (Item 4.6)	6,237
8.3	Unused finance facilities available at quarter end (Item 7.5)	-
8.4	Total available funding (Item 8.2 + Item 8.3)	6,237
8.5	Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	N/A

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: N/A

- 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: N/A

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: N/A

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.

Authorised by: The Board

Date: 31 January 2024

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.