

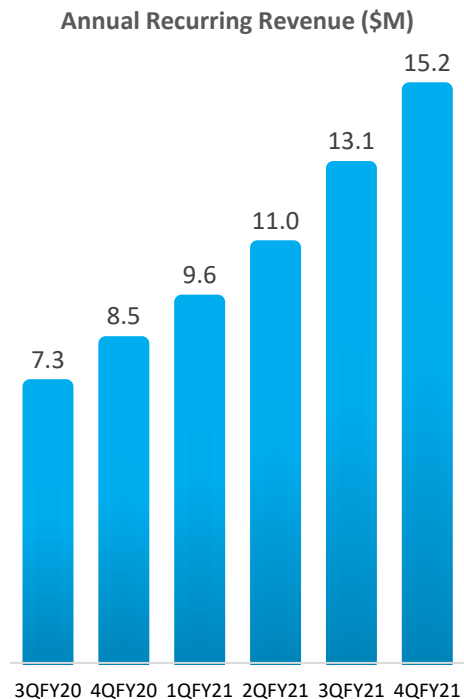


## Cashflow positive and delivering on expectations

19 January 2022: Global cloud backup and archiving software provider Dropsuite Limited (ASX: DSE) (“Dropsuite” or the “Company”) is pleased to provide an overview of the Q4 results and Appendix 4C for the period ending 31 December 2021.

### Highlights

- > Ongoing growth in **Annual Recurring Revenue** (ARR<sup>1</sup>) of 13% on the prior quarter to \$15.2m reflecting a 70% increase on previous corresponding period (pcp) on a constant currency basis
- > Delivery of sustainable positive operational cashflow of \$0.23m
- > **Users** increased to 649k up 13% quarter on quarter and 51% on pcp
- > **Monthly APRU** of A\$1.95 up 3% quarter on quarter (marginal increase on a constant currency basis)
- > DSE ended the quarter with **\$21.6m cash** and remains well funded to progress on acquisitions and internal product development initiatives



CEO Charif El Ansari stated: “We have continued our solid momentum and trajectory in the December quarter delivering strong growth in ARR and positive cashflow. We are focused on driving meaningful growth and enhancing our market leading position by executing well and investing back into various facets of our business. With our revenue growth and a robust balance sheet we are well positioned to drive further growth organically and through complementary and accretive acquisitions.”

### Operational and Product Overview

Dropsuite is a global business with operations in over 100 countries and over 70 staff supporting a growing network of Cloud Distributors, Hosting Providers and Managed Service Provider (MSP) partners. Dropsuite continues to be recognised as a leader in the backup and archive sector through its commitment to its partners, underpinned by continued product innovation and improvement. The Company remains focused on investing back into the business to propel further organic growth and

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1. Annualised Recurring Revenue (ARR) is defined as the value of the contracted recurring revenue multiplied by 12 months
  2. Cash receipts are normalised in order to capture delayed receipt of customer payments that occur just after quarter end.

maintain its market position and reputation. Additionally, management continue to assess inorganic growth opportunities following the capital raise completed in August 2021 with a focus on accretive opportunities that would expand the scope or scale of operations. Management continues to actively assess potential acquisition opportunities that will align with the long-term strategic objectives and deliver value to our shareholders.

In the past quarter, the Company has continued to work through opportunities to improve the backup and archive experience for DSE's partners, to reduce their resource costs and streamline backend processes for client's customers. The Company has made significant inroads to expand its services offering to cover Google Workspace, enhance the backup and archiving offering for Microsoft O365 and invest in backend offerings that differentiate Dropsuite's offering from other backup and archiving providers. These include efficient search and recover functionality, advanced backend reporting along with compliance and archiving capabilities.

Among numerous product enhancements in the December quarter the Company achieved the following:

- > Introduced increased backup functionality to Microsoft's fast-growing Teams product
- > Received SOC2-2 certification after a full one-year audit
  - A comprehensive and widely used reporting framework where an independent, third-party auditor uses SOC2 for assessing controls relevant to security, availability, processing integrity, confidentiality, and privacy. Dropsuite will continue enhancing this certification, including SOC2-Type 2, as it is beneficial in transacting with larger clients as it demonstrates a commitment to rigorous information security controls.
- > Launched the integration with Autotask, one of the world's largest Enterprise Resource Planning systems for Managed Services Providers
  - Enabling thousands of MSPs to offer Dropsuite's fully managed backup and archiving solution seamlessly to their end user clients

In November 2021, DSE was a key sponsor in the world's largest MSP tradeshow in Florida, USA after a long hiatus due to Covid-19. This tradeshow further solidified DSE's market leading position with strong positive feedback from both new and existing partners on the strength and quality of DSE's product and team.

In conjunction with substantial tailwinds within the backup and archiving sector that are set to continue the Company is positioning itself to be the one-stop-shop and all-encompassing backup and archiving solutions provider for email and productivity applications. Microsoft O365 users are anticipated to grow from ~300 million in 2020 to ~500 million in the next five years and Google Workspace is currently supporting over 6 million businesses. The underlying fundamentals are robust and the continued movement to cloud based offerings will provide further impetus for growth.

The Company continues to invest in people and culture and has expanded and retained a solid and motivated team across all functions with a focus on investing in its customer facing and product and engineering team over the quarter. The quality of the product and an active approach to engagement with current and new partners continues to place Dropsuite at the top of the Software Review's ranking across 16 of the 20 metrics assessed. This is evidenced by the onboarding of 14 new transacting partners resulting in 409 direct transacting partners and a user base of 649k end users reflecting an increase of 13% on the prior quarter and a 51% increase over pcp with continued low annual partner revenue churn<sup>1</sup> of ~3%. Total revenue from Dropsuite's top 10 directly transacting partners was stable at 66%.

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1. Partner revenue churn is defined as lost revenue in current year divided by revenue in previous corresponding period.

## Financial Overview

Dropsuite continues to demonstrate strong growth across its key metrics of ARR and ARPU growing at 70% and 13% respectively on pcp and 13% and flat growth respectively on the prior quarter on a constant currency basis. Actual ARR increased 16% to \$15.2 million, up from \$13.1 million in the prior quarter and actual ARPU increased 3% to \$1.95, up from \$1.90 in the prior quarter driven by consistent growth of the company's higher priced products.

Actual F/X	Dec 2021	Sep 2021	Dec 2020	QoQ	PCP
<b>ARR (\$m) – AUD</b>	<b>15.19</b>	13.09	8.46	16%	80%
<b>ARR (\$m) – USD</b>	<b>10.86</b>	9.58	6.37	13%	70%
<b>Monthly ARPU (\$m) -AUD</b>	<b>1.95</b>	1.90	1.64	3%	19%
<b>Monthly ARPU (\$m) – USD</b>	<b>1.40</b>	1.39	1.23	0%	13%
<b>FX AUD:USD</b>	<b>0.72</b>	0.73	0.75		

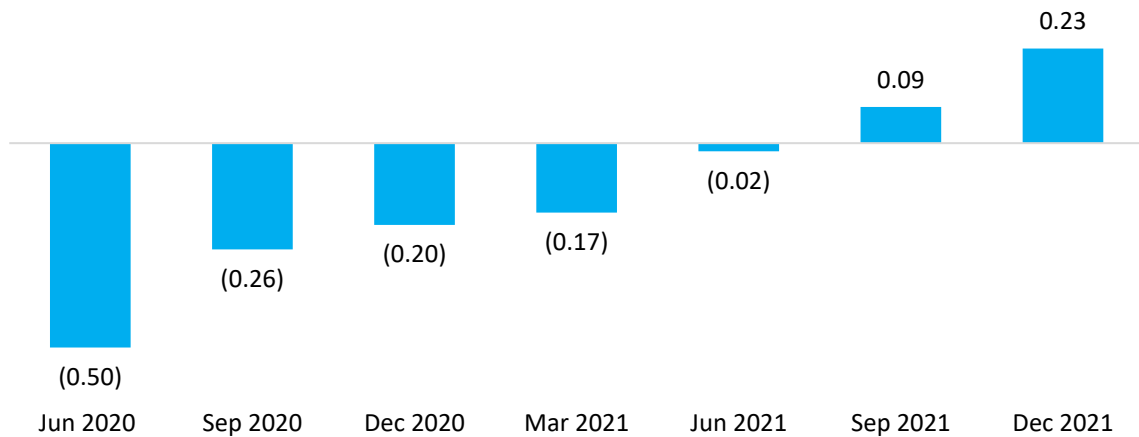
Normalised net cash from operations was \$0.23 million, further building on the prior quarter of positive cashflow for the Company of \$0.09 million. Cash on hand for the firm is \$21.6 million and it is expected that these funds will enable Dropsuite to continue to grow the revenue base as the Company progresses towards cashflow breakeven for CY22. The upcoming quarter is expected to be a higher outgoing payments quarter, as per historical trends, given annual payments related to subscriptions, insurance and potential staff bonuses.

Cash Summary (\$m)	Dec 2021	Sep 2021	Dec 2020	QoQ	PCP
<b>Cash receipts</b>	<b>3.42</b>	2.84	1.70	20%	102%
<b>Normalised cash receipts</b>	<b>3.42</b>	2.84	1.89	20%	81%
<b>Net cash generated from operations</b>	<b>0.23</b>	0.09	(0.41)	162%	157%
<b>Normalised net cash generated from operations</b>	<b>0.23</b>	0.09	(0.20)	162%	214%
<b>Cash at hand</b>	<b>21.60</b>	21.40	2.48	1%	770%

Actual (Non-normalised) cash receipts from customers increased 20% on the prior quarter at \$3.42 million (Q3 2021: \$2.84 million) and up 102% on pcp (Q4 2020: \$1.70 million). Normalised cash receipts were also \$3.42 million and up 81% on pcp (Q4 2020: \$1.89 million).

The Company continued to add further storage capacity across all data centres to manage the increases in storage from new user growth and higher ARPU products, which has resulted in gross margin tempering to 62% for the quarter, (30 September 2021: 64%). With various initiatives underway, gross margin percentage is expected to stabilize within this range in the short term.

### Quarterly Operational Cashflow (A\$M)



### Corporate Update

On 11 October 2021, the Board confirmed the issuance of 2,600,000 fully paid ordinary shares issued to employees as part of the Employee Long Term Incentive Plan (LTIP) with 250,000 of these fully paid ordinary shares issued to the Managing Director and CEO, Mr Charif Elansari. The performance rights were implemented with the aim of improving team performance and commitment by providing meaningful long-term rewards that were aligned with business performance and shareholder value. Full terms and conditions of the LTIP were disclosed in the ASX announcements dated 11 October 2021 and 1 September 2020.

### Payments to Related Parties

The Company has reported expenditure of \$142k for salaries and director fees to related parties.

### Outlook

Dropsuite is positioned to continue to deliver strong annual recurring revenue driven by our significant existing partner base and a solid pipeline of new partners. Strong market tailwinds from data security and regulation are expected to stay for the foreseeable future.

The Company remains focused on:

- Delivering continued ARR growth via existing partner ecosystem and strong sales pipeline
- Drive product innovation to maintain our leading position as a backup vendor of choice
- Achieving continued operating profitability and positive cash flow for calendar year 2022
- Continue to invest in talent bench-strength as well as sales and marketing expansion
- Advancing the right M&A opportunities which leverage existing internal growth and take advantage of strong market tailwinds around data protection

## **Quarterly Investor Webinar**

The Company will provide an investor webinar to discuss the quarterly results. To register please follow the link below.

Date: Thursday 20<sup>th</sup> January 2022

Time: 11:30am AEDT

Registration Link: [https://us02web.zoom.us/webinar/register/WN\\_EOT7VDLITz6MTZm-1cd9VQ](https://us02web.zoom.us/webinar/register/WN_EOT7VDLITz6MTZm-1cd9VQ)

The announcement was approved by the Board of Directors.

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### **For further information, please contact:**

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### **About Dropsuite**

Dropsuite is a cloud software platform enabling businesses to easily backup, recover and protect their important business information. Dropsuite's commitment to advanced, secure and scalable cloud technologies keeps us in the forefront of the industry and makes us the choice of leading IT Service Providers globally. For more information please visit: [www.dropsuite.com](http://www.dropsuite.com)

## Appendix 4C

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

**Name of entity**

Dropsuite Limited

**ABN**

91 008 021 118

**Quarter ended ("current quarter")**

31 December 2021

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	3,419	10,963
1.2 Payments for		
(a) research and development		
(b) product manufacturing and operating costs	(1,387)	(4,117)
(c) advertising and marketing	(271)	(553)
(d) leased assets		
(e) staff costs	(1,420)	(5,040)
(f) administration and corporate costs	(111)	(998)
1.3 Dividends received (see note 3)		
1.4 Interest received	1	4
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Government grants and tax incentives		
1.8 Other (provide details if material)		
<b>1.9 Net cash from / (used in) operating activities</b>	<b>231</b>	<b>259</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities		
(b) businesses		
(c) property, plant and equipment	(24)	(63)
(d) investments		
(e) intellectual property		
(f) other non-current assets		

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 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 (provide details if material)		
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(24)</b>	<b>(63)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	20,000
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	-	(1,074)
3.5	Proceeds from borrowings		
3.6	Repayment of borrowings		
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (provide details if material)		
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>-</b>	<b>18,926</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	21,397	2,482
4.2	Net cash from / (used in) operating activities (item 1.9 above)	231	259
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(24)	(63)

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	18,926
4.5	Effect of movement in exchange rates on cash held	0	0
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>21,604</b>	<b>21,604</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	20,604	20,397
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (Term Deposits)	1,000	1,000
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>21,604</b>	<b>21,397</b>

<b>6.</b>	<b>Payments to related parties of the entity and their associates</b>	<b>Current quarter \$A'000</b>
6.1	Aggregate amount of payments to related parties and their associates included in item 1	142
6.2	Aggregate amount of payments to related parties and their associates included in item 2	
<i>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.</i>		



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

<b>7. Financing facilities</b>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
<i>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.</i>		
7.1	Loan facilities	
7.2	Credit standby arrangements	
7.3	Other (please specify)	
7.4	<b>Total financing facilities</b>	0
7.5	<b>Unused financing facilities available at quarter end</b>	0
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.	

<b>8. Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1	232
8.2	21,604
8.3	0
8.4	21,604
8.5	93
<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6	If item 8.5 is less than 2 quarters, please provide answers to the following questions:
8.6.1	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:	
8.6.2	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:	
8.6.3	Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?
Answer:	
<i>Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.</i>	

## 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: 19 January 2022

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.