

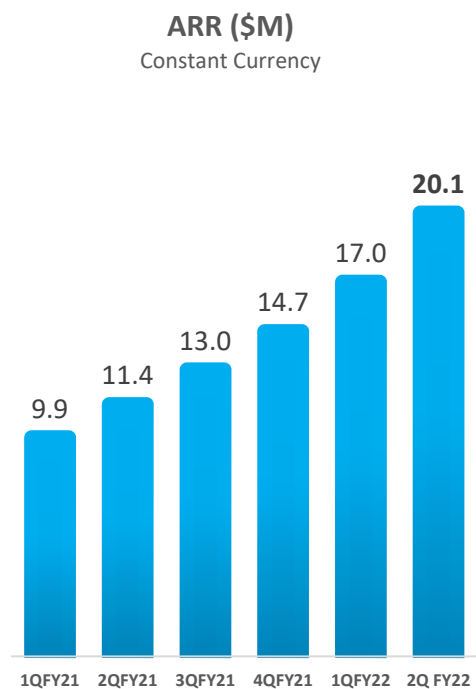


ARR exceeds \$20m. Record Positive Cashflow

18 July 2022: Global cloud backup and archiving software provider Dropsuite Limited (ASX: DSE) (“Dropsuite” or the “Company”) is pleased to provide an overview of the Q2 results and Appendix 4C for the period ending 30 June 2022.

Highlights

- > Annual Recurring Revenue (ARR¹) of \$20.1m, a 13% increase on the prior quarter and a 68% increase on previous corresponding period (pcp) on a constant currency basis
- > Q2 FY22 normalised cashflow of \$0.40m. The Company maintains guidance of positive cashflow for 2022
- > Users increased 78k to 808k up 11% quarter on quarter and 56% on pcp
- > Monthly ARPU of A\$2.07 up 1% quarter on quarter on a constant currency basis
- > Product gross margin of 64%
- > Churn rate remains below 3%
- > Strengthened management with appointment of head of channel sales of Australia and New Zealand
- > DSE ended the quarter with \$21.6m in cash and remains well funded to progress on acquisitions and internal product development initiatives



CEO Charif El Ansari stated: “It is exceptionally pleasing to deliver another quarter of revenue growth and importantly, a return to positive quarterly cashflow which is in line with our target to achieve the same for the full year. It was also an honour during the quarter to be ranked number one in the 2022 Email Backup Solutions Data Quadrant report from Software Reviews for the third consecutive year. The award is a recognition of not only our leading technology but also our dedicated team and their excellent level of customer service and support.

”With a combination of a growing ARPU and expanding customer base, we are well positioned to continue to deliver future revenue growth. Our well capitalised balance sheet and our highly experienced and motivated team, ensures that Dropsuite will stay at the forefront of the strong industry tailwinds we are witnessing in the global data security sphere and create value for our shareholders over the course of 2022 and beyond.”

1. Annualised Recurring Revenue (ARR) is defined as the value of the contracted recurring revenue multiplied by 12 months

Financial Overview

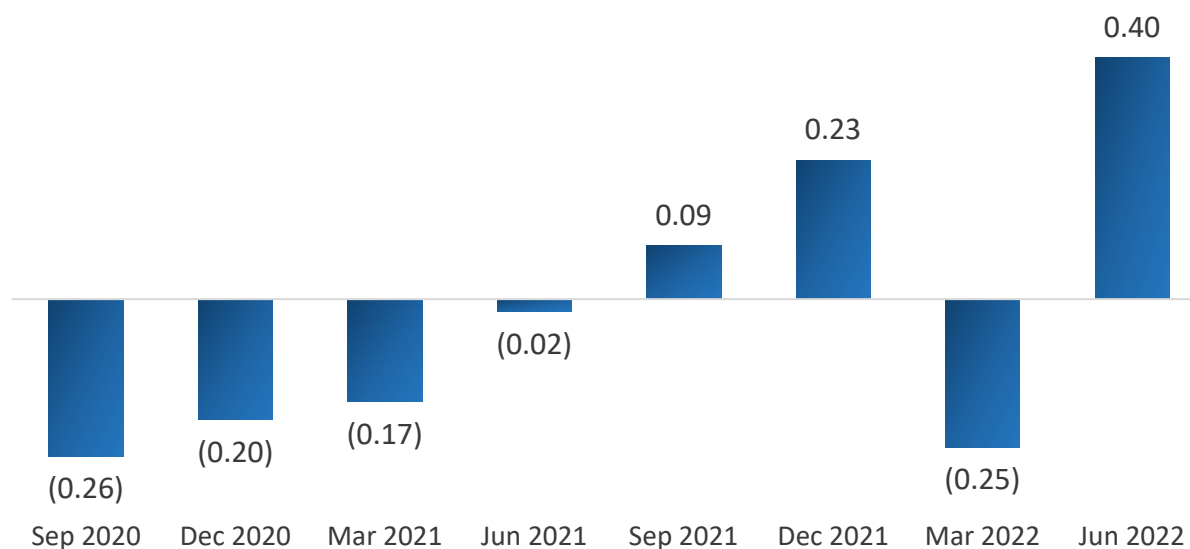
ARR & ARPU	June 2022	Mar 2022	June 2021	QoQ	PCP
ARR (\$m) – AUD	20.14	17.00	11.03	18%	83%
ARR (\$m) – USD	14.14	12.51	8.42	13%	68%
Monthly ARPU (\$m) -AUD	2.07	1.95	1.77	6%	17%
Monthly ARPU (\$m) – USD	1.45	1.43	1.35	1%	7%
FX AUD:USD	0.70	0.74	0.76		

- Material Prior Corresponding Period (PCP) and Quarter on Quarter (QoQ) ARR and ARPU growth aided by the recent 5% appreciation of the USD/AUD. This was partially offset by the depreciation of EUR/SGD currency pairing, depreciating 3% over the quarter.
- Strong PCP and QoQ ARR and ARPU in constant currency.

Cash Summary (\$m)	June 2022	Mar 2022	June 2021	QoQ	PCP
Cash receipts	4.34	3.72	2.40	17%	81%
Normalised cash receipts	4.34	3.72	2.40	17%	81%
Net cash used in operations	0.40	(0.52)	(0.02)	179%	n/a%
Normalised net cash used in operations	0.40	(0.25)	(0.02)	266%	n/a%
Cash at hand	21.55	21.07	2.44	2%	796%

- Actual (non-normalised) cash receipts from customers were \$4.34 million, up 17% on Q1 2022 (\$3.72 million) and up 81% on pcp (\$2.40 million).
- Normalised net cashflow from operations of \$0.40 million, reversing the performance of the previous quarter and returning to the trend of previous positive cashflow quarters.
- The Company reaffirms its guidance for positive cashflow in 2022.
- During the quarter, ongoing cost saving initiatives in storage resulted in gross margin increasing to 64% at end of June, up one percentage point from 63% at the end of March.
- Cash on hand is \$21.6 million. The Company is well funded to continue to grow the revenue base and expand our product offering to customers.

Quarterly Normalised Operational Cashflow (A\$M)



Operational and Product Overview

The Company continues to invest in people, skills and culture, and has expanded and retained a solid and motivated team across all functions. The focus is on investing in its customer facing and product and engineering teams over the quarter. During this time, the Company:

- Onboarded 38 new direct and 233 indirect transacting partners
- Total direct transacting partners of 453 and total indirect transacting partners of over 2,200
- Added 78K paid users to take our total user count to 808k, up 11% on the prior quarter and up 56% on PCP
- Delivered low annual partner revenue churn² of sub~3%
- Participated in various partner tradeshows and events in North America and Europe
- Rolled out new partner portal with enhanced overall experience including integrations and payment optionality
- Several updates and feature enhancements to our core email and productivity backup and archiving products
- Won the number 1 spot in Infotech's software reviews for Email backup for the 3rd consecutive year

As per prior quarter, the company continued to add further storage and compute capacity across all data centres to manage the increases in storage resulting from new user growth and higher ARPU products mix. With continued data storage cost efficiencies via various initiatives, the company saw a 100 basis points improvement in Gross Margin to 64% at the end of quarter.

2. Partner Churn is defined as lost revenue in current year divided by revenue in previous corresponding period

Management Update

During the period, Dropsuite has strengthened its senior management team with the appointment of Jamie Deveaux as Head of Channel Sales ANZ. Jamie has almost 20 years of sales experience. His last role was at N-able (NYSE-NABL), a well-established technology firm catering to Managed Service Providers globally, where Jamie started as a sales representative and left as the Director of Sales for APAC.

Corporate

The Company has reported expenditure of \$150k for salaries and director fees to related parties.

Outlook

Dropsuite is well positioned to continue to deliver strong annual recurring revenue growth driven by our significant existing partner base and a growing pipeline of new partners. The strong market tailwinds from data security and regulation are expected to remain with a growing pool of Microsoft 365 and Google Workspace users, expected to exceed 570 million by 2026, providing a significant growth opportunity.

Over the remainder of 2022 the company will focus on:

- Continuing to deliver ARR growth via existing partner ecosystem and strong sales pipeline.
- Achieving continued operating profitability and positive cash flow in 2022.
- Driving product innovation to maintain our leading position as a backup vendor of choice.
- Continuing to invest in talent bench-strength as well as sales and marketing expansion.
- On track to introduce new data protection service by calendar Q4 2022
- Exploring high conviction 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: Wednesday 20th July 2022

Time: 3:00pm AEST

Registration Link: https://us02web.zoom.us/webinar/register/WN_IGhxn79uRNKfgJALxV-ayQ

The announcement was approved by the Board of Directors.

- END -

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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

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")

30 June 2022

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		4,344	8,064
1.2 Payments for			
(a) research and development			
(b) product manufacturing and operating costs		(1,821)	(3,415)
(c) advertising and marketing		(240)	(434)
(d) leased assets			
(e) staff costs		(1,739)	(3,483)
(f) administration and corporate costs		(161)	(595)
1.3 Dividends received (see note 3)			
1.4 Interest received		24	25
1.5 Interest and other costs of finance paid			
1.6 Income taxes paid			
1.7 Government grants and tax incentives			
1.8 Other (Due Diligence expenses)		0	(273)
1.9 Net cash from / (used in) operating activities		407	(111)
2. Cash flows from investing activities			
2.1 Payments to acquire or for:			
(a) entities			
(b) businesses			
(c) property, plant and equipment		(13)	(26)
(d) investments			
(e) intellectual property			
(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 (provide details if material)		
2.6	Net cash from / (used in) investing activities	(13)	(26)

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		
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (provide details if material)		
3.10	Net cash from / (used in) financing activities	0	0

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	21,073	21,604
4.2	Net cash from / (used in) operating activities (item 1.9 above)	407	(111)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(13)	(26)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	0	0
4.5	Effect of movement in exchange rates on cash held	85	85
4.6	Cash and cash equivalents at end of period	21,552	21,552

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	2,552	2,073
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (Term Deposits)	19,000	19,000
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	21,552	21,073

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	150
6.2	Aggregate amount of payments to related parties and their associates included in item 2	

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.

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

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	407
8.2	Cash and cash equivalents at quarter end (item 4.6)	21,552
8.3	Unused finance facilities available at quarter end (item 7.5)	0
8.4	Total available funding (item 8.2 + item 8.3)	21,552
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1) <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>	N/A
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: 18 July 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.