

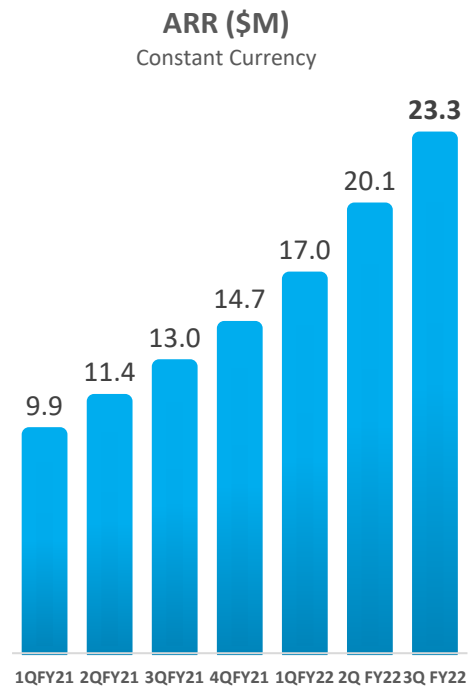


ARR surpasses \$23m. Record Positive Cashflow

18 October 2022: Global cloud backup and archiving software provider Dropsuite Limited (ASX: DSE) (“Dropsuite” or the “Company”) is pleased to provide an overview of the Q3 results and Appendix 4C for the period ending 30 September 2022.

Highlights

- > Annual Recurring Revenue (ARR¹) of \$23.3m, +11% on the prior quarter and +63% on the previous corresponding period (pcp) on a constant currency basis
- > Q3 FY22 positive cashflow of \$0.6m. The Company maintains guidance of positive EBITDA and Operating Cashflow for 2022
- > Users increased to 886k up 10% quarter on quarter and 54% on pcp
- > Monthly ARPU of A\$2.20 up 1% quarter on quarter on a constant currency basis
- > Product gross margin of 66%, up 2 percentage points on prior quarter driven by storage cost initiatives
- > Partner Churn rate remains below 3%
- > Strengthened management with appointment of Full Time Chief Financial Officer and Head of Channel Sales for ANZ
- > DSE ended the quarter with \$22.3m in cash and remains well funded to progress on acquisitions, recruit new capabilities, staff skill development, and internal product development initiatives



CEO Charif El Ansari stated: “The strong industry tailwinds in the global data security sphere coupled with our strong execution continue to drive healthy revenue and user growth. Importantly, we continue to profitably grow and deliver positive cashflow. Operationally, our focus on optimizing Cloud operations drove further improvements in our operating margin. We also continued improving the functionality and utility of our products for partners and users during the quarter.

“With a strong cash balance sheet and a highly experienced and motivated team Dropsuite remains well positioned to continue our growth trajectory and we remain focused on ensuring we create meaningful and long-lasting value for our shareholders.”

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

Financial Overview

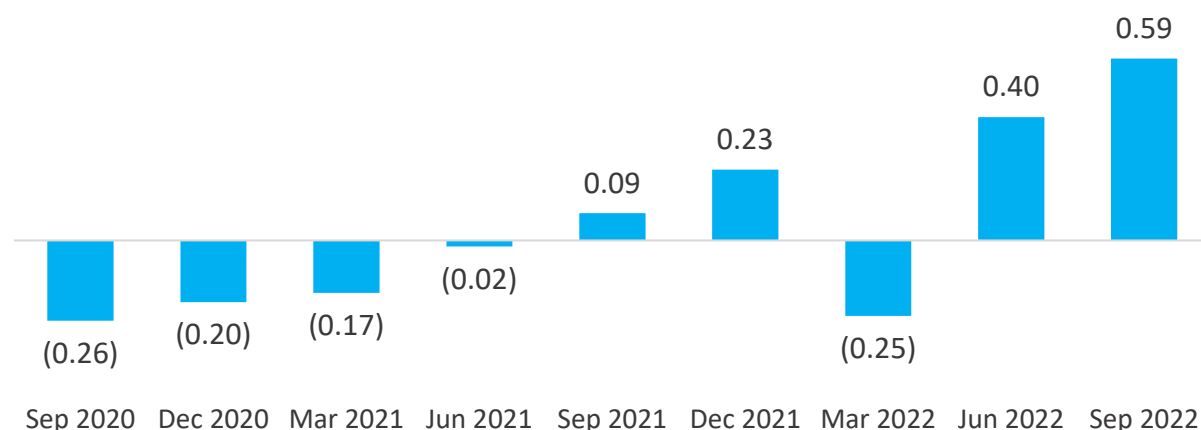
ARR & ARPU	Sep 2022	June 2022	Sep 2021	QoQ	PCP
ARR (\$m) – AUD	23.28	20.14	13.09	16%	78%
ARR (\$m) – USD	15.63	14.14	9.58	11%	63%
Monthly ARPU (\$m) -AUD	2.20	2.07	1.90	6%	16%
Monthly ARPU (\$m) – USD	1.47	1.45	1.39	1%	6%
FX AUD:USD	0.67	0.70	0.73	(5%)	(9%)

- Material ARR and ARPU growth (PCP and QoQ) aided by the ~5% appreciation of the USD:AUD over the Sept quarter.
- Double digit ARR growth QoQ in constant currency in line with prior quarter growth

Cash Summary (\$m)	Sep 2022	June 2022	Sep 2021	QoQ	PCP
Cash receipts	5.15	4.34	2.84	19%	81%
Net cash generated from operations	0.59	0.40	0.09	45%	>100%
Cash at hand	22.25	21.55	21.40	3%	4%

- Cash receipts from customers were \$5.15 million, up 19% on Q2 2022 (\$4.34 million) and up 81% on pcp (\$2.84 million).
- Net cash generated from operating activities of \$0.59 million, and the Company reaffirms its guidance for positive cashflow in 2022.
- During the quarter, ongoing cost saving initiatives in storage resulted in gross margin improving to 66% at end of September, up from 64% at the end of June.
- Cash on hand is \$22.25 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

Our Company continues to invest in people, programs and tools, and has expanded, upskilled and retained a solid and motivated team across all functions. The Company continues to work through opportunities to improve the backup and archive experience for DSE's partners, to reduce their resource costs and streamline sales, provisioning, billing and support processes for their end users. During the quarter the Company:

- Onboarded 20 new direct and 146 indirect transacting partners
- Total direct transacting partners of 473 and total indirect transacting partners of over 3,000
- Added 78K paid users to take our total user count to 886k, up 10% versus the prior quarter and up 54% vs PCP
- Delivered low annual partner revenue churn² of sub~3%
- Continued global roll out of the new partner portal with an enhanced partner experience
- Increased billing and payment optionality for our partners globally with the introduction of Stripe's payment processing platform
- Introduced a Content Management System (CMS) into our new partner portal to scale content sharing and communications with our growing partner footprint
- Onboarded new partners to our recently launched Autotask Professional Services Automation (PSA), a leading workflow management platform for MSPs in all major markets
- Several product performances updates and feature enhancements to our core email and productivity backup and archiving platform
- Further costs optimisation to our growing cloud footprint driving gross margin improvement

Management Update

During the period, Dropsuite has strengthened its senior management team with the appointment of:

- Bill Kyriacou as Chief Financial Officer. Bill has transitioned from part-time to a full-time CFO role as at 1st September 2022. Prior to joining Dropsuite, Bill has worked at Computershare and as Group Financial Controller in various listed online and technology companies.
- 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 \$155k 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. Over the remainder of 2022 the company will focus on:

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

- 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 upskilling staff and attracting high calibre leaders, as well as sales and marketing expansion.
- On track to introduce new data protection product in Beta by October 2022
- Advancing 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: Thursday 20th October 2022

Time: 11:30am AEDT

Registration Link: https://us02web.zoom.us/webinar/register/WN_iAtaIWidSgWfxbbm2bwXEg

The announcement was approved by the Board of Directors.

- END -

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

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 September 2022

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	5,153	13,218
1.2 Payments for		
(a) research and development		
(b) product manufacturing and operating costs	(2,068)	(5,484)
(c) advertising and marketing	(246)	(680)
(d) leased assets		
(e) staff costs	(2,007)	(5,490)
(f) administration and corporate costs	(313)	(907)
1.3 Dividends received (see note 3)		
1.4 Interest received	72	96
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	591	480
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities		
(b) businesses		
(c) property, plant and equipment	(15)	(42)
(d) investments		
(e) intellectual property		
(f) other non-current assets		

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 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	(15)	(42)

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	21,550	21,604
4.2	Net cash from / (used in) operating activities (item 1.9 above)	591	480
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(15)	(42)

Appendix 4C
Quarterly cash flow report for entities subject to Listing Rule 4.7B

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 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	122	206
4.6	Cash and cash equivalents at end of period	22,248	22,248

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	3,348	2,552
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (Term Deposits)	18,900	19,000
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	22,248	21,552

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	155
6.2	Aggregate amount of payments to related parties and their associates included in item 2	0

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.

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

7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<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	
7.2	Credit standby arrangements	
7.3	Other (please specify)	
7.4	Total financing facilities	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)	591
8.2	Cash and cash equivalents at quarter end (item 4.6)	22,248
8.3	Unused finance facilities available at quarter end (item 7.5)	0
8.4	Total available funding (item 8.2 + item 8.3)	22,248
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	N/A
<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: 18 October 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.