



March 2018 Quarterly Activities Update

Global cloud software provider **Dropsuite Limited (ASX: DSE)** ("**Dropsuite**" or "**the Company**") is pleased to release its consolidated Quarterly Cash Flow for the quarter ended 31 March 2018.

Key highlights:

- Cumulative cash receipts were approximately \$707,000, a 39% quarter-on-quarter increase and a 107% year-on-year increase
- Cumulative cash outflows from operating activities increased 8% quarter-on-quarter with a 38% year-on-year reduction
- Dropsuite well-funded to meet growth objectives with solid cash position of \$4.35m
- Annualised revenue run rate of approximately \$3.4m¹ up 8% quarter-on-quarter and 64% year-on-year
- Paid users slowed with an increase 4% for the quarter and 54% year-on-year to 229,000, due to lower website backup new user growth with our largest partner
- Dropsuite well placed for continued growth in paid users from geographical expansion, strong sales pipeline, and new partners

Business and Corporate Update

Dropsuite is pleased to report solid growth in cash receipts of approximately \$707,000 for the quarter, a 39% increase on the prior quarter (Q3 2017: ~\$509,000). The pleasing increase in cash receipts was driven again by higher revenue per user, and further uptake of the Dropsuite's cloud data backup platform by small and medium businesses (SMBs).

The 107% year-on-year increase in cash receipts is a pleasing reflection of the traction Dropsuite has achieved in a short period of time to strengthen its presence in the SMB sector primarily through its partnerships with IT service providers, both large and small.

The annualised revenue run rate is up 8% quarter-on-quarter and 64% year-on-year to approximately \$3.4m based on the current operations.

Dropsuite has again been vigilant managing its cost base and expenditure with cash outflows increasing only 8% to \$1,174M, with investments in its sales and marketing capability. This is a pleasing deliverable given the growth in cash receipts was measurably much higher. Last year, the Company relocated its software engineering operations to Indonesia which has greatly increased the rate of innovation and productivity and kept R&D expenditure in check. For the balance of the year, we will remain vigilant managing costs and our cash position, and the management team will be targeting business development activities with high return prospects.

¹ Keeping FX constant for like-for-like comparison over time

Cash at the end of the quarter was solid at \$4.35m, and together with the growing revenue streams and ongoing management of the cost base, Dropsuite has considerable financial flexibility to fund its global expansion.

Paid User Numbers and Diversifying Our Partner Base

Paid user numbers grew 4% quarter-on-quarter to 229,000 (Q3 2017: 220,000) with the year-on-year increase being 54%.

The slower quarterly growth rate in total user numbers is due solely to a drop in the volume of new website backup orders from our largest partner. New orders from this partner will slow with only high-end hosting packages and international website backup business continuing with Dropsuite. To compensate for this, Dropsuite is in ongoing dialogue with this partner to explore areas of further cooperation with respect to new complementary product offerings.

As well, the Company is actively broadening its partner network to deliver a more balanced and evenly weighted spread of revenue per partner in the future. The recently announced agreement with UOL Brazil, that country's largest digital services company, reflects this. Dropsuite's dialogue with some of the world's leading IT service providers regarding new partnerships is advancing very well and significant developments will be reported.

Partnerships with small and medium-sized IT service providers is another channel Dropsuite is tapping to diversify its source of paid users. In March 2018, the Company introduced a more seamless process to onboard smaller resellers with encouraging results. In March alone, Dropsuite on-boarded 29 small and medium-sized partners of which about 1/3 are already adding new paid users. The Company is working closely with those resellers on sales and marketing activities to accelerate the adoption of its backup products by their end customers.

Dropsuite is also placing a special focus on selling more email backup solutions where the size of the addressable market is larger, and the average revenue per user is higher. This will give the Company a competitive market advantage.

The addition of Insights to the email backup platform late in the quarter has been well received by existing and prospective partners. Dropsuite will leverage the (Big) Data collected for this backup to present more actionable business Insights to partners and users.

Insights by Dropsuite answers questions such as:

- Which staff are efficiently managing emails, and which are falling short?
- Which recipients are being sent emails/attachments and at what frequency?
- Are there employees exhibiting unusual email behaviour?
- What process issues are revealed by analysing patterns of usage?

For more information: <https://dropsuite.com/products/insights-email-reports/>

Outlook

Partner diversification, continued geographical expansion, and strengthening the core product suite is Dropsuite's focus in the current quarter and beyond.

Despite the aforementioned slowdown from one partner, increasing the rate of growth in users is the clear priority for the Company and this is underpinned by pursuing multiple channels to market. Our longer term outlook continues to be positive with substantial partners coming on line over the next 12 months.

For further information please contact:

Zoran Grujic,
Company Secretary
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About Dropsuite

Dropsuite is a global cloud software platform enabling SMBs in over 100 countries to easily backup, recover and protect their important business information. Dropsuite's network of preferred reseller partners has a combined customer reach of millions of small and medium-sized businesses worldwide. Dropsuite partners with some of the biggest global names in the hosting and IT service provider market, including GoDaddy, the world's largest domain name registrar, and Ingram Micro, the world's largest distributor of computer and technology products.

For more information please visit: www.dropsuite.com

Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

Dropsuite Limited

ABN

91 008 021 118

Quarter ended ("current quarter")

31 March 2018

| Consolidated statement of cash flows | Current quarter \$A'000 | Year to date (3 months) \$A'000 |
|---|------------------------------------|--|
| 1. Cash flows from operating activities | | |
| 1.1 Receipts from customers | 707 | 707 |
| 1.2 Payments for | | |
| (a) research and development | | |
| (b) product manufacturing and operating costs | (162) | (162) |
| (c) advertising and marketing | (104) | (104) |
| (d) leased assets | | |
| (e) staff costs | (712) | (712) |
| (f) administration and corporate costs | (196) | (196) |
| 1.3 Dividends received (see note 3) | | |
| 1.4 Interest received | 2 | 2 |
| 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) | | |
| 1.9 Net cash from / (used in) operating activities | (465) | (465) |
| 2. Cash flows from investing activities | | |
| 2.1 Payments to acquire: | | |
| (a) property, plant and equipment | (3) | (3) |
| (b) businesses (see item 10) | | |
| (c) investments | | |

| Consolidated statement of cash flows | | Current quarter \$A'000 | Year to date (3 months) \$A'000 |
|--------------------------------------|---|----------------------------|---------------------------------------|
| | (d) intellectual property | (142) | (142) |
| | (e) other non-current assets | | |
| 2.2 | Proceeds from disposal of: | | |
| | (a) property, plant and equipment | | |
| | (b) businesses (see item 10) | | |
| | (c) investments | | |
| | (d) intellectual property | | |
| | (e) 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 | (145) | (145) |

| | | | |
|-----------|---|----------|----------|
| 3. | Cash flows from financing activities | | |
| 3.1 | Proceeds from issues of shares | | |
| 3.2 | Proceeds from issue of convertible notes | | |
| 3.3 | Proceeds from exercise of share options | | |
| 3.4 | Transaction costs related to issues of shares, convertible notes or options | | |
| 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 quarter/year to date | 4,962 | 4,962 |
| 4.2 | Net cash from / (used in) operating activities (item 1.9 above) | (465) | (465) |
| 4.3 | Net cash from / (used in) investing activities (item 2.6 above) | (145) | (145) |
| 4.4 | Net cash from / (used in) financing activities (item 3.10 above) | 0 | 0 |

| Consolidated statement of cash flows | | Current quarter \$A'000 | Year to date (3 months) \$A'000 |
|--------------------------------------|--|----------------------------|---------------------------------------|
| 4.5 | Effect of movement in exchange rates on cash held | | |
| 4.6 | Cash and cash equivalents at end of quarter | 4,352 | 4,352 |

| 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 | 4,352 | 4,352 |
| 5.2 | Call deposits | | |
| 5.3 | Bank overdrafts | | |
| 5.4 | Other (provide details) Term Deposit | | |
| 5.5 | Cash and cash equivalents at end of quarter (should equal item 4.6 above) | 4,352 | 4,352 |

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

**Current quarter
\$A'000**

120

Payments represent Directors wages and fees for the quarter.

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

**Current quarter
\$A'000**

None

| 8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i> | Total facility amount at quarter end \$A'000 | Amount drawn at quarter end \$A'000 |
|--|--|---|
| 8.1 Loan facilities | | |
| 8.2 Credit standby arrangements | | |
| 8.3 Other (please specify) | | |
| 8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well. | | |

None

| 9. Estimated cash outflows for next quarter | \$A'000 |
|--|--------------|
| 9.1 Research and development | |
| 9.2 Product manufacturing and operating costs | 195 |
| 9.3 Advertising and marketing | 100 |
| 9.4 Leased assets | |
| 9.5 Staff costs | 740 |
| 9.6 Administration and corporate costs | 250 |
| 9.7 Other (provide details if material) | |
| 9.8 Total estimated cash outflows | 1,285 |

| 10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above) | Acquisitions | Disposals |
|--|--------------|-----------|
| 10.1 Name of entity | | |
| 10.2 Place of incorporation or registration | | |
| 10.3 Consideration for acquisition or disposal | | |
| 10.4 Total net assets | | |
| 10.5 Nature of business | | |

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.



Sign here:
(Director/Company secretary)

Date:27 April 2018.....

Print name:Zoran Grujic.....

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly 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 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.