



June 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 30 June 2018.

- Cash receipts from sales was solid \$1.06m (normalised cash receipts was \$860,000 when accounting for prepayments) – 21% quarter-on-quarter normalised growth (Q1 2018: \$707,000)
- Year-on-year growth in cash receipts was 62% (30 June 2017: \$529,000)
- Paid users at ~600,000 as at 30 July 2018 – year-on-year growth of 230%, and 50% increase since the 400,000-user announcement on 05 July 2018.
- ARPU lower due to significant contribution of key partner seats growth with favourable sign-on terms
- Cash at bank as at 30 June 2018 was \$4.03m with burn rate stabilised

Business and Corporate Update

Dropsuite is pleased to report solid progress for the quarter ended 30 June 2018, with strong growth in paid user numbers, increasing cash receipts, new partnerships and the cost base being maintained.

Top line growth has been particularly pleasing with receipts from customers for the quarter growing to \$1.06 million, which includes ~\$200,000 of prepayments. On a normalised basis, customer receipts increased 21% quarter-on-quarter to \$860,000 (Q1: \$707,000). Year-on-year, cash receipts grew 62% (30 June 2017: \$529,000).

This quarter's receipts from customers doesn't reflect the recent user growth, given that our partners' payment terms range between 30 to 60 days from date of invoice.

The increase in customer receipts is most pleasing and is driven by further uptake of the Dropsuite's cloud data backup platform by small and medium businesses (SMBs) across multiple markets.

Despite ongoing investment in sales and marketing and other growth initiatives, the Company reports that quarterly cash burn has stabilised at -\$318,000 (or -\$518,000 normalized) and is an improvement on the first quarter (31 March 2018: -\$610,000)

Locking in more partnerships to broaden the Company's geographical reach is a clear growth objective for Dropsuite. Dropsuite is pleased to announce two new reseller/distribution partnerships around Office 365 Backup and Archiving

- The Squalio Group, a large cloud provider in Eastern Europe
- The Tarsus Technology Group, an IT and cloud distributor in South Africa

Our products are now fully integrated, and sales and marketing activities with those partners will start shortly.

Ensuring a more diversified partnership base will help Dropsuite de-risk its revenue profile, ensuring sales are not concentrated within a small number of partnerships.

Dropsuite ended the quarter with \$4.03 million in cash at bank and our cost base contained and revenue growing each quarter, the Company is sufficiently funded to meet all current growth objectives.

Growth in Paid Users

- The Company is pleased to report continuing growth in paid users to ~600,000 at 30 July 2018, representing 230% Year-on-year growth (30 July 2017: ~180,000), **and a 50% increase since the 400,000-user announcement on 05 July 2018.**

Much of the growth in paid users is generated from a partnership secured in April with a large IT Service Provider where the partner has undertaken a very successful and extensive marketing campaign to attract paid users. Average revenue per (new) user (ARPU) from this partnership will be lower than normal due to favourable sign-on terms associated with the marketing program. Churn to date has been lower than Dropsuite anticipated, which is a pleasing development and reflects the appeal and dependability of the Company's cloud base software that SMBs clearly value.

Outlook

Dropsuite's focus is to continue to grow our revenue base and diversify our revenue sources from a broader base of customers and a broader base of products, while maintaining similar levels of operating expenditures with healthy gross margins. We expect that our new email product will show promising growth in 2018 and beyond. The size of the addressable market is huge, with hundreds of millions of email applications requiring the protection of our world class backup solution, and multi-billion-dollar markets especially when counting the archiving market that caters to regulated industries such as healthcare, manufacturing, finance and others. We strongly believe that this is an opportunity that we can capitalise on. While we remain bullish on our growth prospect, we also need to remain vigilant on churn in our existing business, and to further de-risk our revenue/user base through new partnerships, strengthening existing partnerships, and innovating new products and solutions to cater to our customers' needs.

For further information, please contact:

Zoran Grujic,
Company Secretary
zoran@dropsuite.com

Ben Jarvis
Six Degrees Investor Relations
+61 413 150 448

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