



Operations Update

Global cloud software provider Dropsuite Limited (ASX: DSE) ("Dropsuite" or the "Company") provides this update on the planned migration of users by the Company's largest Website Backup partner as first reported in April'18 then last month.

The partner originally intended to undertake the migration over a 12-month (or longer) period, but has now decided to migrate all users by early April 2019. This is due to the fact that they have added more resources to manage the migration.

The total impact by the end of this migration will be approximately AUD\$115,000 of monthly revenue which will be first reflected in DSE's cash receipts in Q2 2019. As well, ARR will decline and cash burn will increase *in the short-term* as the Company aggressively ramps up existing partners and launches new partnerships. As a result, Dropsuite expects to still record positive year-on-year ARR growth (Dec'18 vs Dec'19). The Company is well-funded with a strong cash balance, diversified revenue streams and low cost base to execute on its growth strategy and comfortably absorb this migration.

Despite this faster than anticipated migration, the Company maintains an excellent relationship with the partner with continuing business and further joint product development initiatives.

As flagged, Dropsuite is very rapidly de-risking its revenue base so ARR comprises of revenue contributions from a wider spread of partners and products. The impact of this migration is being readily countered by:

- Healthy month-on-month growth in Paid Users from recently added Partners that are successfully selling Dropsuite's market-leading Email Backup and Archiving product;
- Diversification of the revenue base with further focus on larger size end clients;
- Solid growth in the sales pipeline with Dropsuite in advanced negotiations with various new partners that will contribute strongly to ARR once they go live progressively from this quarter onwards.

***Dropsuite's Chief Executive Officer Charif Elansari commented:** "While the migration timeline is shorter than expected given the partner's initial advice, we were already managing its impact through the ramp up of existing partnerships, adding new partners that make immediate contributions to ARR, diversifying our product suite, and managing costs. We stress this migration will have a short-term impact only, and is reflective of the shift in the ARR mix from a few large partners to multiple partners.*

"Our new business pipeline is in excellent shape with more product and partner launches to be announced progressively from this quarter onwards. We are also most encouraged by the gathering pace of sales by recently added US and European partners."

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About Dropsuite

Dropsuite is a global cloud software platform businesses 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