



Dropsuite Limited (ASX:DSE) Release of Full Year 2018 Preliminary Financial Report

Dropsuite Limited (ASX: DSE) (“Dropsuite” or the “Company”) is pleased to announce its preliminary results for the 12 months ended 31 December 2018. The final results, which are subject to changes if required by the auditors, are due by the end of March.

The Key financial highlights include:

- Revenue increased to \$5,218,418 (2017: \$2,555,159). 104% Increase
- Cash Receipts from operations of \$4,705,740 (2017: \$2,303,913). 104% increase
- Net Loss after tax \$1,286,589 (2017: \$2,175,919 loss). 40% Decrease
- EBITDA loss of \$985,303 (2017: \$1,866,605 loss). 48% Decrease
- Cash at Bank of \$3,486,932 (2017: \$4,962,123). 30% Decrease

The company saw a 104% increase in revenue to \$5.2m compared to the previous corresponding year. This was driven by growth in our Email Backup and Archiving and new seats added by our growing partner base. On the back of this growth, Cash Receipts increased 104% to \$4.7m, with Net cash (cash burn) used in operating activities at (\$0.98m), a 64% reduction from the previous corresponding year. Year on Year growth in OPEX (29%) has been much lower than Revenue growth (104%), reducing the EBITDA loss by half in 2018 vs 2017. Cash at Bank remains solid at \$3.5m, enabling the company to fund organic growth prospects.

Business Highlights:

- Increased total revenue by >100% year on year and reduced EBITDA loss by about 50%
- Expanded global footprint by doubling revenue generating partners to 142
- Growth and de-risking of Annualised Recurring Revenue*(ARR) with sales accelerating from recently-added Partners
- Product enhancements and new products added - SME and Enterprise grade catering to large addressable and serviceable market
- Ongoing sales mix shift in sales to market-leading Email Backup and Archiving products
- Well positioned to further expand and grow in 2019

Business and Operational Update

The Company is focused on selling through IT Service Providers to deliver broad reach with low touch, and more importantly provides small and medium sized businesses (SMEs) and mid-Enterprise customers with seamless access to easy-to-use, affordable data backup and recovery as part of their purchases of website, database, and email services from those service providers. Dropsuite is focused on two distinct IT Service Provider channels:

- Managed Service Providers and Distributors who service SMEs (10-200 employees) and Enterprise (200-1000s of employees) various IT needs including email, security, backup and a myriad of other IT services
- Mid-sized and large Website Hosting Providers who predominantly offer website and email hosting to mostly micro businesses (<5 employees).

We report progress on the 4 Key tenets of our strategy:

1. Growth through Global Reseller Partnerships

Dropsuite made big strides expanding its global footprint with more than 70 new partnership launches. That is equivalent to the number of partners that were launched in the previous 5 years (2013-2017). In 2018, the company has been trusted and endorsed by some of the leading IT Service Providers globally.

The partner growth along with the high win-ratio against competitors that Dropsuite has experienced is a testament to the increase in interest in its backup and archiving product portfolio. Furthermore, the quality and quantity of potential partners in the sales funnel is exceptionally strong.

2. Diversify Revenue and boost ARPU

Ensuring a more diversified partnership base is assisting the company diversify and de-risk its revenue base. The Company has witnessed approximately 40x growth in revenue from its Email Backup and Archiving solutions from December 2017 to December 2018. Revenue from this solution is >30% of total December 2018 revenue, compared to 1% in December 2017.

In December 2017, revenue from Dropsuite's top 10 partners contributed 95% in total revenue. By December 2018, this contribution decreased to 89% with three new partners entering the top 10.

3. Continuous Product Innovation with scalable technology

The quality and dependability of Dropsuite's cloud technology is a key to the company's competitive advantage, with more than 60% of full-time employees working in product and software engineering.

As evidenced from the hyper-growth of use of Dropsuite's Email and Backup and Archiving product in the last 12 months, the product and engineering team has successfully created a scalable and highly useable Email Backup solution. The software is compatible with any email platform and can process billions of files/objects daily, all done seamlessly in the Cloud.

The team has just completed a total user interface refresh to solidify a best-in-class user experience. Further, an enhanced product has been rolled out with updated security features for Microsoft Office 365, allowing partners and users to effortlessly safeguard 100% of Office 365 applications.

The Dropsuite solution for Office 365, the world's fastest growing business email platform, allows partners and their end clients to effortlessly backup, archive, discover and recover data within Exchange Online (email), SharePoint, OneDrive, Groups and Teams in a "single pane of glass" control panel.

4. Increase Sales Through Existing Partners

The majority of our existing 2017 partners have grown year-on year. It is important to note that the success of a partnership is a function of a set of variables including: install-base size; sales & marketing capabilities and spend; end-client profile (vertical and geography) and their intent/ prioritisation to sell value-added services in general; and backup/archiving in particular. Some partners add new Paid Users relatively quickly, while others take time, and some will make negligible contributions.

As previously reported, we encountered two challenges in 2018 with the Company's largest Website Backup partner migrating a large portion of their users from Dropsuite's platform to an in-house platform (first announced in April'18 with subsequent announcement in Dec'18 and Feb'19), as well as the massive growth from one partner from a marketing campaign who then de-activated a large portion of their paying user-base (announced in Oct'18). Dropsuite has been already managing the impact through the ramp up of existing partnerships, adding new partners that make immediate contributions to ARR, expanding on the product suite and managing costs, with very encouraging results to date. Dropsuite expects to still record positive year-on-year ARR growth (Dec'18 vs Dec'19).

Outlook

Favourable market dynamics and multi-billion-dollar markets especially when taking into account the necessity for email archiving from highly regulated industries such as healthcare, manufacturing and financial services, and increasing global regulation governing the protection of customer data. Dropsuite expects to deliver on its growth objectives for 2019 leveraging its existing cash position and maintaining vigilance over operating expenditures:

- Further monetisation of existing partners in the Americas, Europe and Australia.
- Sales pipeline in great shape and we are in advanced negotiations with various new partners that will contribute strongly going forward
- Ongoing product enhancements to bolster appeal in regulated industries - Includes compliance tools combined with organisation user insights and analytics.
- Continued de-risking and diversification of the revenue base with exponential growth in the Email Backup and Archiving platform
- Further focus on larger size end clients especially with the aforementioned product enhancements.
- Migration by the Company's largest website backup Partner to be counteracted by increasing Partner numbers and growing Paid Users of Email Backup and Archiving.

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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

*Annualised Recurring Revenue (ARR) is defined as the value of the contracted recurring revenue multiplied by 12 months. The revenue figures are unaudited.