



## Dropsuite Delivers Solid Performance in March Quarter

Global cloud backup and archiving software provider Dropsuite Limited (ASX: DSE) (“Dropsuite” or the “Company”) is pleased to report solid financial and operational progress for the quarter ended 31 March 2019.

- Normalised Q1 cash receipts were \$1.1m – down from the \$1.8m reported last quarter and up 58% on Q1 2018: \$707k).
- Q1 2019 Revenue from Email Backup and Archiving up 1,400% year-on-year and now making up 37% of total revenue
- Annualised Recurring Revenue (ARR\*) stable at \$4.6m, up 26% year-on-year
- New partnerships launched in past two quarters delivering further revenue diversity

### Q1 Financial Summary

Q1 2019 cash receipts were \$1.0m (\$1.1m normalised), decreasing from Q4 2018. As stated in the prior Activities Update in Jan 2019, Q4 included the cash receipts from the abnormally higher revenue contribution from the South American partner. Q1 2019 cash receipts were up 58% on the same period last year. The stable revenue performance is after accounting for the previously reported migration of website backup users by one of our large partners. This loss has been mitigated in part by revenue now being booked from new partners that have been progressively on-boarded in Q4 2018 and Q1 2019.

Dropsuite continues to experience consistent demand for its Email Backup and Archiving product which made up 37% of the total revenue for the quarter. This is an important metric as it demonstrates the Company’s ability to bring new products to market that have near-instant appeal to partners and their end customers. The new revenue booked from this product reflects this.

ARR is stable at \$4.6m and is broadly in line with the previous quarter (Q4 2018: slightly exceeding \$4.6m) and up 33% on pcip (Q1 2018: \$3.4m).

The waterfall table below illustrates the gains and losses of Q1 2019 vs Q4 2018 revenue:

Dec 2018 Revenue	Revenue lost from Migration	Revenue Added - Existing Partners	Revenue Added - New Partners	March 2019 Revenue**
\$392,921	(\$39,429)	\$19,579	\$49,115	\$422,186*

\*A portion of March 2019 revenue is non-recurring (setup fees) and was not included in ARR calculation

Diversification and de-risking of the Company’s revenue base is now well underway. In March 2019, Email Backup products made up 43% of total revenue (31% in Dec 2018), representing 50% quarter-on-quarter growth (December vs March) and 1,400% year-on-year growth – an excellent development. Furthermore, the revenue contribution from the top 10 partners is down to 85% in Q1 2019 (89% in Q4 2018) and with new partners being signed on, revenue concentration is likely to reduce at a faster rate from the current quarter onwards. Q1 Gross Margin was 70%, down quarter-on-quarter due to the website backup partner’s migration and adding cloud capacity across multiple geographies to bring on new partners. Lastly, as of March 2019, APRU was \$1.20 and paid user count was ~320K.

As mentioned in the Q4 2018 update, OPEX was forecast to be higher in Q1 2019 due to one-off annual expenditure associated with various administrative and staff-related expenses. As a result, cash expenditures from Q2-Q4 2019 will most likely be lower than Q1.

## Q1 Operational Update

Dropsuite's Cloud platform allows businesses to easily backup, archive, discover and recover their data to protect themselves from all forms of data loss and to help them comply with privacy regulations. Provisioning, onboarding, user management and billing happens seamlessly through our partners who have at their disposal Dropsuite's APIs and plug-ins to integrate the Dropsuite backup and archiving solution into their infrastructure.

In Q1 2019, Dropsuite continued its focus on expanding on its Email Backup and Archiving product offerings while growing the relevant sales channels. Growth continues to be driven by:

1. **Expansion Through Global Reseller Partnerships:** With the latest launch on one of Europe's leading and most respected hosting providers, Strato (<https://www.strato.de/>), Dropsuite has established a solid footing in Europe thanks to this partnership as well as other previously announced European partnerships. Recently launched partnerships include Westcon and Intcomex, leading distributors in Brazil and Mexico respectively. Furthermore, the number of revenue generating partners has increased to 152 in the quarter, up from 142 in Q4 2018.
2. **Continuous Product Innovation and Differentiation with Scalable Technology:** The big product focus in Q1 2019 was developing and deploying the Dropsuite platform for deployment in the Private Clouds of hosting providers such as Strato. With such an implementation, all the end users' information would reside within a partner's data centre/network. The availability of this Private Cloud option opens up more opportunities for Dropsuite with Service Providers that require all their customers' data to reside within their infrastructure for security and privacy concerns.
3. **Increasing sales Through Existing Partners:** Partners added in the past several months such as ALSO Europe, Pax 8 North America, Giacom UK, Tarsus South Africa, DSD Europe, F12 Canada and most recently Strato Europe, are performing well. We expect increased sales traction as our sales and account management team continue with partner engagement and monetisation efforts. Progress to date has been most promising.

We are confident about Dropsuite's growth prospects, especially for our Email Backup and Archiving products, as the total serviceable market is very large (in the billions of dollars) and is exponentially larger than the website backup space where Dropsuite had its beginnings. The growing number and increasing sophistication of cyber threats, as well as more regulation of personal data being legislated by governments, coupled with a high win-ratio with our expanding partner-base, underpins our business model and future growth prospects.

## Outlook

- Q2 2019 cash receipts are expected to be higher than Q1 2019 partially due to slightly late payments that were received in early April (instead of late March) and thus cash burn will be considerably lower in Q2;
- Q2 2019 OPEX will be materially (15%) lower than Q1 2019;
- Our largest website backup partner will continue to migrate users to their platform with the remainder of the migration occurring in April and May, which will result in a short-term decline in ARR. As new partnerships ramp-up their sales, so too will ARR ramp up;
- Further monetisation of existing partners in the Americas, Europe and Australia will materialise;
- Ongoing product enhancements to bolster appeal especially in regulated industries such healthcare, finance, government, manufacturing and legal verticals is anticipated;
- The Q2 2019 sales pipeline is in great shape and we are in negotiations with various new partners that will contribute favourably to future revenue;
- More focus on partners with larger size end clients especially with the aforementioned product enhancements;
- Cash at bank of \$2.74m at quarter end. Dropsuite remains vigilant with respect to cost management.

**Managing Director Charif Elansari said:** "Q1 2019 has been a busy period for Dropsuite. We on-boarded a major new partner in Europe with Strato which gives us a solid foothold in a large and increasingly regulated market; we successfully managed to mitigate losses from our largest website backup partner; we further diversified and de-risked our revenue base by growing contributions from new partners added in the past two quarters, and we invested more in

*our leading SaaS cybersecurity suite of products to enhance their appeal and dependability to end users. Dropsuite is primed to capitalise on the large global SMB and mid-enterprise markets that are becoming increasingly vigilant with respect to online security and privacy. We look forward to reporting on progress.”*

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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](http://www.dropsuite.com)

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

\*\*All financial numbers provided are unaudited