

Attn: Isabelle Andrews

Senior Adviser, Listings Compliance (Perth)
ASX Limited, Level 40, Central Park, 152-158
St Georges Terrace, Perth WA 6000

By email: isabelle.andrews@asx.com.au

Dear Isabelle,

Dropsuite Limited (ASX: DSE) – Aware Query

Dropsuite Limited (ASX: DSE) (**Dropsuite or the Company**) refers to the above letter received on 18 October 2019, and responds as follows.

1. *Does DSE consider the Agreement to be information that a reasonable person would expect to have a material effect on the price or value of its securities?*

Yes.

2. *If the answer to question 1 is “no”, please advise the basis for that view.*

Not applicable.

3. *When did DSE first enter into the Agreement?*

As noted on the Friday 18 October 2019 ASX release, “1&1 IONOS is a division of United Internet Group www.united-internet.de which has a stable of well-respected brands providing ISP, mobile subscription and website and email hosting services, mainly in Europe and the USA. The group also owns Strato, a successful Dropsuite partner that has been on-boarded since March 2019.”

The relationship between DSE and IONIS 1&1 arises by way of an extension of services provided under the same substantive agreement with Strato (disclosed in March 2019). On 19 September 2019, Strato and DSE under the Addendum to expand the range of services under the Agreement to include services to be provided to the customer base of STRATO AG’s affiliated entity, 1&1 IONOS.

As a SaaS provider, the Company regularly to deploy additional services that are generally subject to and conditional upon successful integration of the Company’s SaaS technology with the relevant delivery platform, and formal acceptance testing of the services being satisfactorily completed by the counterparty. The Company’s announcement on Friday immediately follows successful completion.

The 1&1 IONOS Services were launched on 1&1 IONOS’ platform in a live environment on 16 October 2019, and the acceptance testing procedures were successfully concluded on the evening (after market close) of 17 October 2019, at which time the on-boarding of the 1&1 IONOS Services became effective under the Strato Agreement. The Company announced the 1&1 IONOS Services as soon as reasonably practicable on 18 October 2019 (pre market open at 9.39 am).

4. *If DSE entered into the Agreement before the relevant date, did DSE make any announcement prior to the relevant date which disclosed the Agreement? If so, please provide details. If not, please explain why this information was not released to the market at an earlier time, commenting specifically on when you believe DSE was obliged to release the information under Listing Rules 3.1 and 3.1A and what steps DSE took to ensure that the information was released promptly and without delay.*

Please refer to Question 3. No announcement identifying this partner was made prior to 18 October 2019, because the Company:

- a. formed the view that the relevant commercial agreement was confidential;

- b. has a policy of announcing details concerning relevant partnerships upon launch, when revenue may be predicted with confidence; and
- c. and 1&1 IONOS were in the process of integrating the solution and testing into 1&1 and IONOS's its operational capability to ensure a seamless partner-branded customer experience; and
- d. had still to accept the testing procedures.

In the June Quarterly Activities Update, Dropsuite foreshadowed that an important deal will be launched in Q3, and Friday's announcement represents this achievement.

5. *When did the partnership with IONOS start generating Annual Recurring Revenue for DSE?*

Once the acceptance testing procedures were successfully concluded on the evening (after market close) of 17 October 2019, at which time the on-boarding of the 1&1 IONOS Services became effective.

6. *Noting the date of the Announcement, 18 October 2019, disclosing the securing of a new commercial partnership with IONOS, please explain how the partnership agreement was already generating Annual Recurring Revenue?*

That statement is based on the nature of the contract, which consists of a one-item set-up fee, monthly maintenance fees and recurring revenue sharing arrangements from end users. Therefore, excluding the one-item set-up fee, the Annualised Recurring Revenue began to immediately accrue from 17 October 2019 (after 6pm EADT).

7. *Does DSE consider that the Annual Recurring Revenue being generated is information that a reasonable person would expect to have a material effect on the price or value of its securities?*

Yes. Given that 1&1 IONOS is one of the world's largest hosting providers, and given the encouraging track record we have witnessed from the March 2019 launch of Strato (1&1 IONOS being 3 times larger), we have good reasons to believe that this partnership can generate material impact on over time.

It is important to note that in our announcement dated 18 October 2019, we did re-iterate our December'19 ARR forecast of \$4.8m-\$5m, as disclosed in our Half Year Results Announcement on 30 August 2019, is current and incorporates expected uplift from 1&1 IONOS in this initial onboarding phase of our partnership.

Dropsuite is a Software as a Service (SaaS) company and growth in Annualised Recurring Revenue is a key measure of success (or failure) in this industry.

8. *If the answer to question 7 is "no", please advise the basis for that view.*

Not applicable.

9. *If DSE started receiving Annual Recurring Revenue from IONOS before the relevant date, did DSE make any announcement prior to the relevant date which disclosed the information? If so, please provide details. If not, please explain why this information was not released to the market at an earlier time, commenting specifically on when you believe DSE was obliged to release the information under Listing Rules 3.1 and 3.1A and what steps DSE took to ensure that the information was released promptly and without delay.*

Dropsuite announced this ARR at the first opportunity - refer to 3 above. Accordingly, this information was disclosed this prior to the markets opening on 18 October 2019, before 10:00 AEDT.

10. *Please confirm that DSE is complying with the Listing Rules and, in particular, Listing Rule 3.1.*

The Company confirms that it is in compliance with the Listing Rules and in particular Listing Rule 3.1.

11. *Please confirm that DSE's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of DSE with delegated authority from the board to respond to ASX on disclosure matters.*

The Company confirms this to be the case.

Yours sincerely,

Julian Rockett, Company Secretary

For further information, please contact:

Julian Rockett

Company Secretary
julian@dropsuite.com

Ben Jarvis

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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



18 October 2019

Reference: 09177

Mr Julian Rockett
Company Secretary
Dropsuite Limited
Ground Floor, 14 Outram Street
West Perth WA 6005

By email:

Dear Mr Rockett

Dropsuite Limited ('DSE'): Aware Query

ASX refers to the following:

- A. The change in price in DSE's securities from a low of \$0.031 on 1 October 2019 to a high of \$0.037 on 17 October 2019.
- B. DSE's announcement entitled "New Commercial Partnership Secured with one of the World's Largest Hosting Providers 1&1 IONOS" lodged on the ASX Market Announcements Platform and released at 09:37 AM on 18 October 2019 (the 'Announcement'), that disclosed the following information:
 - (a) That DSE had entered into a partnership with 1&1 IONOS ('IONOS') ('Agreement');
 - (b) That DSE and 1&1 IONOS had created a "seamless 1&1 IONOS-branded customer experience"; and
 - (c) That the partnership was already generating Annualised Recurring Revenue.
- C. The change in price in DSE's securities from an intra-day low of \$0.045 to an intra-day high of \$0.055 on 18 October 2019.
- D. Listing Rule 3.1, which requires a listed entity to immediately give ASX any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities.
- E. The definition of "aware" in Chapter 19 of the Listing Rules, which states that:

"an entity becomes aware of information if, and as soon as, an officer of the entity (or, in the case of a trust, an officer of the responsible entity) has, or ought reasonably to have, come into possession of the information in the course of the performance of their duties as an officer of that entity" and section 4.4 in Guidance Note 8 Continuous Disclosure: Listing Rules 3.1 – 3.1B "When does an entity become aware of information."
- F. Listing Rule 3.1A, which sets out exceptions from the requirement to make immediate disclosure, provided that each of the following are satisfied.

"3.1A Listing rule 3.1 does not apply to particular information while each of the following is satisfied in relation to the information:

3.1A.1 One or more of the following applies:

 - *It would be a breach of a law to disclose the information;*
 - *The information concerns an incomplete proposal or negotiation;*

- *The information comprises matters of supposition or is insufficiently definite to warrant disclosure;*
- *The information is generated for the internal management purposes of the entity; or*
- *The information is a trade secret; and*

3.1A.2 *The information is confidential and ASX has not formed the view that the information has ceased to be confidential; and*

3.1A.3 *A reasonable person would not expect the information to be disclosed."*

- G. ASX's policy position on the concept of "confidentiality", which is detailed in section 5.8 of Guidance Note 8 *Continuous Disclosure*: Listing Rules 3.1 – 3.1B. In particular, the Guidance Note states that:

"Whether information has the quality of being confidential is a question of fact, not one of the intention or desire of the listed entity. Accordingly, even though an entity may consider information to be confidential and its disclosure to be a breach of confidence, if it is in fact disclosed by those who know it, then it ceases to be confidential information for the purposes of this rule."

Request for Information

Having regard to the above, ASX asks DSE to respond separately to each of the following questions and requests for information:

1. Does DSE consider the Agreement to be information that a reasonable person would expect to have a material effect on the price or value of its securities?
2. If the answer to question 1 is "no", please advise the basis for that view.
3. When did DSE first enter into the Agreement?
4. If DSE entered into the Agreement before the relevant date, did DSE make any announcement prior to the relevant date which disclosed the Agreement? If so, please provide details. If not, please explain why this information was not released to the market at an earlier time, commenting specifically on when you believe DSE was obliged to release the information under Listing Rules 3.1 and 3.1A and what steps DSE took to ensure that the information was released promptly and without delay.
5. When did the partnership with IONOS start generating Annual Recurring Revenue for DSE?
6. Noting the date of the Announcement, 18 October 2019, disclosing the securing of a new commercial partnership with IONOS, please explain how the partnership agreement was already generating Annual Recurring Revenue?
7. Does DSE consider that the Annual Recurring Revenue being generated is information that a reasonable person would expect to have a material effect on the price or value of its securities?
8. If the answer to question 7 is "no", please advise the basis for that view.
9. If DSE started receiving Annual Recurring Revenue from IONOS before the relevant date, did DSE make any announcement prior to the relevant date which disclosed the information? If so, please provide details. If not, please explain why this information was not released to the market at an earlier time, commenting specifically on when you believe DSE was obliged to release the information under Listing Rules 3.1 and 3.1A and what steps DSE took to ensure that the information was released promptly and without delay.
10. Please confirm that DSE is complying with the Listing Rules and, in particular, Listing Rule 3.1.

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11. Please confirm that DSE's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of DSE with delegated authority from the board to respond to ASX on disclosure matters.

When and where to send your response

This request is made under Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by no later than **09:00 AM AWST Monday, 21 October 2019**.

ASX reserves the right to release a copy of this letter and your response on the ASX Market Announcements Platform under Listing Rule 18.7A. Accordingly, your response should be in a form suitable for release to the market.

Your response should be sent to me by e-mail at ListingsCompliancePerth@asx.com.au. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

Listing Rules 3.1 and 3.1A

In responding to this letter, you should have regard to DSE's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*. It should be noted that DSE's obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

Suspension

If you are unable to respond to this letter by the time specified above ASX will likely suspend trading in DSE's securities under Listing Rule 17.3.

Enquiries

If you have any queries or concerns about any of the above, please contact me immediately.

Yours sincerely

Isabelle Andrews
Senior, Adviser, Listings Compliance (Perth)