

DropSuite | JUNE QUARTER UPDATE

DROPSUITE SAFEGUARDS BUSINESS INFORMATION

JULY 2020





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AGENDA

Business Update



Cash Update



Update on Growth Strategy



Outlook Statement



Q&A



HIGHLIGHTS OF A SOLID JUNE 2020 QUARTER

- Annual recurring revenue (ARR*) continues to track up to \$6.74m at quarter end – a 13% increase on the prior quarter and 70% on previous corresponding period (PCP) on a constant currency basis
- Cash receipts up 17% to \$1.46m (Q1 2020: \$1.24m); normalized cash receipts up 28% on prior quarter to \$1.59m; DSE ended the quarter with \$3.02m cash and is well funded
- Excellent gross margin improvement to 69% in June (Mar'20: 63%)
- Total paid users up 9% quarter-on-quarter to 343,000 (Mar'20: 314,000)
- June Average Revenue Per User (ARPU) increases to \$1.64 – up 4% on prior quarter and 25% on PCP

*DSE will report ARR and ARPU trends on a constant currency basis given the majority of its revenue is earned overseas. Using a constant currency exchange rate eliminates the effect of currency fluctuations and enables DSE to show investors how the company performed independent of foreign currency movements.

** Normalized due to a handful of slightly late customer payments occurring just after quarter end

KEY BUSINESS METRICS - Q2'20

ANNUALISED RECURRING REVENUE¹

\$6.7M

QoQ² 13%
YoY² 70%

GROSS MARGIN

69%

QoQ +9%
YoY +3%

MONTHLY REVENUE/USER

\$1.64

QoQ² +6%
YoY² +25%

of TRANSACTING PARTNERS

272

QoQ +9%
YoY +57%

PAID USERS

343K

QoQ 9%
YoY 37%

ANNUAL REVENUE CHURN³

3.3%

QoQ -0.1%
YoY n/a

¹ Annualised Recurring Revenue (ARR) is defined as the value of the contracted recurring revenue multiplied by 12 months

² F/X normalized : in constant currency (June 2020)

³ June'20 Partner Revenue Churn is defined as Lost Revenue in June'20 divided by July'19 Revenue

CASH BURN EXPECTED TO DECLINE THROUGHOUT 2020

- Increase in sales receipts
- Selective investment in OpEx
- Cash Collection Controls
- Gross Margin improvement

In Q2 2020:













Cash Receipts: Normalised for cash receipts from partners who paid within a day or two after the end of the June quarter were at \$1.6M, an increase of 28% QoQ.

Normalised burn down by 21% QoQ and that is not including one-off payouts for board withheld wages of \$95K.
(25% of wages from Jul 2019-Feb 2020)

Key Cash Metrics

(\$Million)	Mar-20	Jun-20	QoQ
Cash Receipts	1.24	1.46	17%
Normalised Cash Receipts	1.24	1.59	28%
Net Cash from Operations	-0.63	-0.64	-1%
Normalised Net Cash from Operations	-0.63	-0.50	-21%
Cash at hand	3.68	3.02	-18%

THREE PILLARS OF OUR GROWTH STRATEGY

PILLARS 	Growth Through Partnerships	Continuous Product Innovation	Diversify Revenue & Boost ARPU
KPIs 	<ul style="list-style-type: none"> # of partners 272, up 57% from last year Annual Churn 3.3% (best-in-class) Strong funnel for remainder of 2020	<ul style="list-style-type: none"> #1 email backup by Info-tech, a software research firm 139 product upgrades and enhancements in 2020 to date G Suite backup v2 launched in June 2020	<ul style="list-style-type: none"> Top 10 Partner@ revenue 71%, down from 78% last year Email revenue mix at 77% vs 58% last year ARPU \$1.64, up 25% from last year
AREAS OF FOCUS/ INVESTMENT 	<p>Online presence to capitalize on product leadership validation</p> <p>Partner enablement for joint success (training, marketing..)</p>	<p>Increased functionality and optionality for partners and larger clients</p> <p>Further security enhancements and certification</p>	<p>Email Archiving to drive ARPU growth</p> <p>Monetise new large partners and mid-enterprise clients</p>

OUTLOOK

While it is impossible to predict the impact of COVID-19 in the foreseeable future, we continue to see favourable market and regulatory growth drivers in the markets we serve.

We will continue making selective investments in people and resources to delight and support our partners and customers who are the source of our long-term success. With increasing cash receipts and vigilance on cash and operating expenditures, expecting meaningful reductions in cash burn for the remainder of the year.

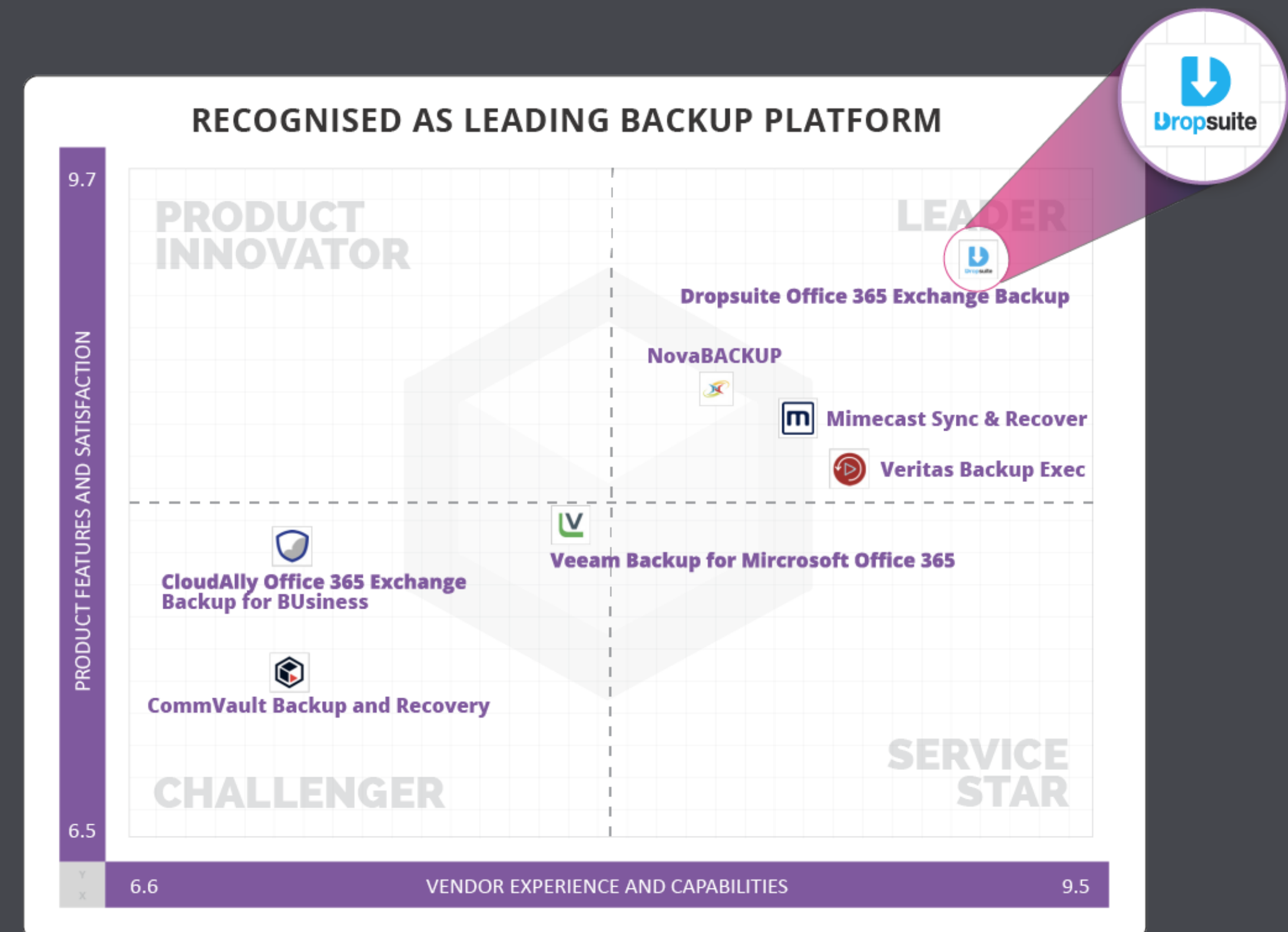
Our focus remains firmly set on building a healthy high-growth business for our stakeholders.

ANNUALISED REVENUE RUN RATE (\$M)

Constant Currency (June 2020)



Q&A



In April 2020, SoftwareReviews, a division of IT research and consulting firm Info-Tech Research Group, rated Dropsuite's product highest among software users for email backup.



dropsuite.com



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