

ASX Announcement

25th July 2022

Damstra Technology

(ASX: DTC)

Q4 FY22 Quarterly Report and Appendix 4C

Damstra Holdings Limited (ASX:DTC) (**Damstra** or the **Company**), a leading Australia-based global provider of integrated workplace management solutions, provides an update on the Company's operations for the fourth quarter of FY22 ended 30 June 2022 (**Quarter** or **Q4**).

Key Operating Highlights

- Highest quarterly revenue for FY22 of \$8.0m¹ (unaudited)
- H2 revenue growth of 25.2%² from H1
- Multiple client wins in North America including two large clients in Barrick Gold (**Barrick**) and Capstone Copper³
- Significantly improved cash flow trends reported across the business:
 - Q4 operating cash flow of \$1.3m, the first quarter of positive free operating cash flow for FY22;
 - Operating and investing cash outflow of \$1.2m, significantly ahead of Q3 (-\$4.7m) and the best quarter in FY22;
 - Cost optimisation project target savings upgraded to \$8m from \$5m, ~50% already achieved at current run rate;
 - International business continues strong momentum, moving towards positive operating cash flow;
 - Projecting to be free cash flow positive in 2HFY23, moving to reporting on a free cash flow basis from Q1 FY23⁴.

Commenting on the results, Christian Damstra, Chief Executive Officer, said:

"Q4 has been a breakthrough quarter for Damstra in many ways. With two large client wins in North America and Barrick rolling out our products over three initial international sites, our international business is now showing the benefits of our significant investment and we believe Damstra has the critical mass to grow at scale. We continue to see a growing sales pipe of opportunities in ANZ but also internationally. Our much improved cash flow outcomes are pleasing in the current environment, with a material and structural reduction in cash outflows in Q4. By the second half of FY23, we expect to be free cash flow positive and are optimistic about the outlook for the business globally."

¹ Unaudited and includes proportional share of SkillPASS joint venture

² Excludes Newmont, growth of 19.6% including Newmont

³ See announcements released to the market dated 2 May 2022 and 24 June 2022.

⁴ Free cashflow, includes operating, investing, and financing activities but excludes acquisitions and drawdown / repayment of debt. Damstra's expectation to be free cash flow positive in FY23 is predicated on the assumption that market conditions do not materially deteriorate, including a re-emergence of COVID-19 restrictions and resulting disruption to client and market activity.

Quarterly performance

Damstra delivered revenue of \$8.0m in the quarter, the Company's third consecutive quarter of revenue growth. This was driven by growth across much of the existing client base, particularly in the Company's two largest verticals of construction and mining, with new international clients already contributing and expected to contribute fully in FY23.

Metric	Q4 FY22	Q3 FY22	Q4 FY21 (PCP)	Variance (to Last Quarter)	Variance (to PCP)
Clients	953	836	724	117	229
Net Client retention %	108%	108%	100%	-	8%
Client churn	2.0%	2.2%	<1%	(0.2%)	>1%
Operating & Investing outflow	\$1.2m	\$4.7m	\$1.0m	\$3.5m	(\$0.2m)

(note: above metrics exclude Newmont. Clients includes TIKS from Q3 FY22, Client churn includes Vault customers from Q3 FY22)

Cash flow and Costs

Cash flow, defined as operating cash flow and investing cashflow excluding acquisitions, was an outflow of \$1.2m in Q4, a material improvement on previous quarters (Q3: outflow of \$4.7m, Q2: outflow of \$5.2m) and the best quarter for FY22. This significantly improved cash flow outcome was ahead of the \$1.5m outflow guidance provided in the Quarterly Activities Report in respect of Q3⁵ and the result of increased cash receipts and effective cost reduction across the business.

Operating cash flow was \$1.3m, the best operating cash generation for FY22.

Cash on hand at 30 June 2022 was \$10.1m, with a further \$5m in funds from the Company's credit facility currently undrawn.

Damstra previously advised the market of a cost optimisation program to achieve \$5m in annual cost savings.⁶ The targeted annual savings from this program are now upgraded to \$8m, and as at end June 2022, ~50% of the target has been achieved on a run rate basis, with the expectation of reaching the full run rate by the end Q2 FY23. The cost savings have been focused on non-revenue generating areas of the business, including infrastructure optimisation, hosting costs, software optimisation, office rationalisation, client self-configuration and organisational right sizing.

Based on current performance, recent new client wins, and additional savings identified under the cost optimisation program the business is projected to be free cash positive in 2H FY23. While quarterly reporting requirements generally focus on operating cash flow, moving forward Damstra will also report free cash flow⁷ in anticipation of investor focus on the net cash position of technology companies.

⁵ See announcement released to market on 29 April 2022 and reference to expected \$0.5m average monthly cash flow in Q4.

⁶ See announcement released to market on 29 April 2022. The cash optimisation program increased to \$5m from the originally advised \$1m in the H1 FY22 Results Presentation released to market on 28 February 2022.

⁷ Free cash flow includes operating, investing, and financing activities but excludes acquisitions and drawdown / repayment of debt.

North America Client Activity

During the Quarter, Damstra signed a number of North American clients that are anticipated to underpin its international growth in FY23. All contracts are SaaS arrangements with no hardware requirements and require minimal upfront investment.

Damstra's recent success in North America validates the Company's significant investment and Enterprise Protection Platform (**EPP**) product positioning which has evolved over the last 24 months. It reinforces the effectiveness of the strategy of offering single or multiple integrated models under the EPP to address particular client's needs without requiring bespoke software.

Recent client wins in North America include:

- Three-year master services agreement covering Barrick's global operations, with an initial contract value of at least USD\$1.2m and scope for significant expansion. Barrick is one of the world's largest gold and copper mining companies with operations in 13 countries, across 26 mine sites.⁸
 - Implementation has commenced and is progressing well at three initial sites: Nevada Gold Mine in Carlin, USA; Kibali Mine in the Republic of Congo; and Pueblo Viejo Mine in the Dominican Republic;
 - Currently in discussions for future rollouts at additional locations in Q2 & Q3 FY23.
- Three-year agreement with Capstone Copper Corp, an international copper miner headquartered in Canada, with operations in North America, Mexico, and Chile.⁹
 - Capstone will implement Damstra's EPP with the Workforce & Contractor Management, Security, Health, Safety, Training, Compliance & Incident Management modules. Rollout will commence immediately at its Pinto Valley mine in Arizona;
 - With Capstone, Damstra will displace one of its international competitors, which further validates the competitiveness of Damstra's EPP on an international scale.
- In parallel with securing larger clients in North America, Damstra has secured other smaller opportunities such as Coking Coal's (CCL) Pardee operation on the Kentucky/Virginia border.

ANZ Client Activity

Q4 demonstrated continuing positive trends in Damstra's ANZ business, with the construction vertical now serving more than 100,000 users. Damstra continues to see a growing sales pipeline of opportunities in our business.

It is important to highlight that Damstra specifically targets long-life civil construction projects and has no exposure to the residential or office construction sectors. Damstra is also strategically positioning itself for an opportunity to work with infrastructure companies, including some current clients, that are expected to build the projects to deliver Australia's energy transition road map. The Company views this as an exciting and potentially lucrative sector to be exposed to.

⁸ See announcement released to market on 2 May 2022 for further details.

⁹ See announcement released to market dated 24 June 2022 for further details.

Listed below are select projects that are currently in the mobilisation and ramp up phase across Australia. Each will ramp up to full operation during FY23 and have more than 5,000 users:

- **Victorian North East Link project:** Victoria's largest road project, to be delivered by the Spark Consortium;
- **Western Sydney Airport Station:** The new metro railway runs from St Marys through to the Western Sydney International Airport;
- **Warringah Freeway:** Sydney freeway upgrade;
- **M12 Motorway West:** East-west motorway in Sydney.

In addition to existing clients rolling out and implementing new projects, Damstra continues to add new clients in the construction vertical, including Gamada and UGL.¹⁰

Another growing adjacent vertical into which Damstra is pivoting is facilities management and commercial real estate services. In this area, Damstra has signed a global two-year agreement with CBRE, one of the world's largest commercial real estate services and investment firms, to provide its EPP integrated work order and permit to work modules for one of CBRE's global clients, Macquarie Group, across its ~110 offices in 30 countries.¹¹

The solution for CBRE covers all third-party suppliers entering Macquarie Group locations. The solution from a product perspective demonstrates further the evolution of the EPP platform, by combining permit to work modules with Damstra's EPP functionality, which demonstrates the material cross-sell capability of both platforms. The Damstra offering will also be available in 15 different languages, the first time it has been deployed in multiple languages for a single client.

Outlook

Damstra will provide guidance for FY23 in its FY22 results which will be announced to the market on the 28th August.

Damstra's expectation to be free cash flow positive in 2H FY23 is predicated on the assumption that market conditions do not materially deteriorate, including a re-emergence of COVID-19 restrictions and resulting disruption to client and market activity.

Payments to related parties of the entity and their associates

Included in section 6.1 of the Appendix 4C for the quarter ended 31 June 2022 payments of \$301,000 were made to related parties of Damstra. These amounts relate to Directors' fees, salaries, and allowances paid to Directors and their associates

Ends

Authorised for release to ASX by the Board of Damstra Holdings.

¹⁰ See announcement released to market dated 8 June 2022 for further details

¹¹ See announcement released to market dated 8 June 2022 for further details

Enquiries

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About Damstra

Damstra is a global leader in enterprise protection software. Its Enterprise Protection Platform (EPP) integrates an extensive range of modules and products that allows organisations to mitigate and reduce unforeseen and unnecessary business risks around people, workplaces, assets, and information.

Integral to the Damstra EPP, Damstra's Workforce Management, Learning Management and Connected Worker solutions combine to ensure Protected People. In creating workplaces that are Safe, Damstra's Access Control, Digital Forms and Safety Solutions are utilised. Assets are connected into operations, through integrated Asset Management enabling Asset mobilisation and offerings in RFID and IOT. And lastly Accessible Information, Reporting BI tools and Predictive Analytics are critical to ensuring customers are making the right decisions with the right information.

For more information, please visit <https://www.damstratechnology.com> or visit our LinkedIn page <https://www.linkedin.com/company/damstra-technology>

Forward-Looking Statements

This ASX release includes certain forward-looking statements that are based on information and assumptions known to date and are subject to various risks and uncertainties. Forward-looking statements are based on:

- assumptions regarding the Company's financial position, business strategies, plans and objectives of management for future operations and development and the environment in which the Company will operate; and
- current views, expectations, and beliefs as at the date they are expressed, and which are subject to various risks and uncertainties.

Actual results, performance or achievements could be significantly different from those expressed in, or implied by, these forward-looking statements. Such forward-looking statements are not guaranteeing of future performance and involve known and unknown risks, uncertainties, and other factors, many of which are beyond the control of Damstra. These factors may cause actual results to differ materially from those expressed in the statements contained in this announcement.

The Company disclaims any responsibility for the accuracy or completeness of any forward-looking statement. The Company disclaims any responsibility to update or revise any forward-looking statements to reflect any change in the Company's financial condition, status or affairs or any change in the events, conditions, or circumstances on which a statement is based, except as required by law. The projections or forecasts included in this announcement have not been audited, examined, or otherwise reviewed by the independent auditors of the Company.

You must not place undue reliance on these forward-looking statements.

***Unless otherwise specified, all amounts are provided in AUD and an unaudited basis and pro forma basis.**

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

Damstra Holdings Limited [DTC.ASX]

ABN

74 610 571 607

Quarter ended ("current quarter")

30 June 2022

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	7,280	27,900
1.2 Payments for research and development product manufacturing and operating costs advertising and marketing leased assets staff costs administration and corporate costs	(1,602) (149) (2,826) (1,509)	(9,529) (462) (12,663) (9,124)
1.3 Dividends received (see note 3)		
1.4 Interest received		
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Government grants and tax incentives	154	340
1.8 Other (Stamp duty)	-	(25)
1.9 Net cash from / (used in) operating activities	1,348	(3,563)

2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) entities		
	businesses		(2,241)
	property, plant, and equipment	(344)	(1,151)
	investments		
	intellectual property	(2,165)	(6,704)
	other non-current assets		3
2.2	Proceeds from disposal of:		
	(b) entities		
	businesses		
	property, plant, and equipment		
	investments		
	intellectual property		
	other non-current assets		
2.3	Cash flows from loans to other entities		
2.4	Dividends received (see note 3)		
2.5	Other (contingent consideration relating to prior year acquisition)		
2.6	Net cash from / (used in) investing activities	(2,509)	(10,093)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	20,020
3.2	Proceeds from issue of convertible debt securities		
3.3	Proceeds from exercise of options		
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	(1,408)
3.5	Proceeds from borrowings	-	9,000
3.6	Repayment of borrowings	(200)	(11,497)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid		
3.9	Other (provide details if material)		
	• Leased assets – equipment	-	-
	• Leased assets – offices	(323)	(831)
	• Interest received	17	43
	• Interest and other costs of finance paid	(136)	(1,410)
3.10	Net cash from / (used in) financing activities	(642)	13,917

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	11,898	9,834
4.2	Net cash from / (used in) operating activities (item 1.9 above)	1,348	(3,563)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(2,509)	(10,093)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(642)	13,917
4.5	Effect of movement in exchange rates on cash held		
4.6	Cash and cash equivalents at end of period	10,095	10,095

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	10,095	11,898
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details)		
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	10,095	11,898

6. Payments to related parties of the entity and their associates

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

**Current quarter
\$A'000**

301

6.1 above is comprised of director fees and expenses paid to 6 directors for the period 1 April – 30 June 2022

7.	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amounts at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	Loan facilities	15,000	10,000
7.2	Credit standby arrangements		
7.3	Other (please specify)		
	- Merchant prepayment	-	-
	- Insurance funding	-	-
	- Asset finance	-	-
	- Bank guarantees	406	406
7.4	Total financing facilities	15,406	10,406

7.5	Unused financing facilities available at quarter end	5,000
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7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

- \$15m Revolving Loan Note Facility with interest only repayments ("Loan Facility")

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (Item 1.9)	1,348
8.2	Cash and cash equivalents at quarter end (Item 4.6)	10,095
8.3	Unused finance facilities available at quarter end (Item 7.5)	5,000
8.4	Total available funding (Item 8.2 + Item 8.3)	15,095
8.5	Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	N/A

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

- Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: N/A

- Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: N/A

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: N/A

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

On behalf of the Board



Sign here:

(Director)

Date: 25 July 2022

Print name: Johannes Risseeuw

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – e.g., Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.