



Dropsuite Primed for Growth after Strong First Half

2018 Half Year Financial Highlights

- Revenue up 70% to \$1.91m on HY 2017
- Annualised Revenue Run Rate up 91% to \$4.87m (HY2017: \$2.54m)
- Gross Margin increases to 81% versus 78% HY2017
- EBITDA loss decreases by 30% to \$0.77m versus a \$1.1m loss in HY2017
- Cash position solid at \$4.03m at 30 June 2018. Well-funded to continue delivering strong organic growth

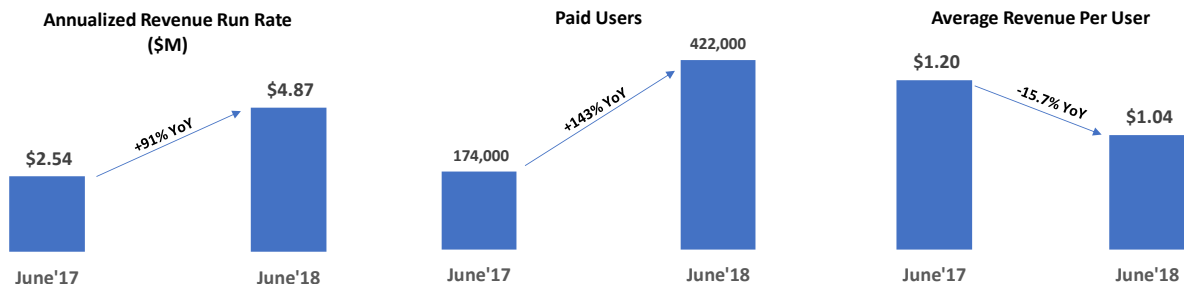
Operational Highlights

- Paid Users up 143% on HY2017
 - Paid users at 600,000, up 230% Year on Year as at 30 July 2018
- Paid User churn from our large partner's extensive marketing programs is lower than expectations
- ARPU at \$1.04 down 16% half-on-half driven by favourable volume pricing provided to one large partner
- Reseller Partners increased to ~140 globally – a 100% increase on HY2017

Global cloud software provider **Dropsuite Limited (ASX: DSE)** ("**Dropsuite**" or the "**Company**") is pleased to report strong financial and operational performance for the six months ended 30 June 2018.

By almost every measure, the Company has outperformed with top line growth exceeding expectations, the annualised revenue run rate tracking above budget, gross margins improving, losses almost halving, Paid User numbers reaching record levels with churn remaining well below expectations, Reseller Partners doubling and geographical expansion continuing.

The Company has established a very strong foundation to continue outperforming across all these metrics and strengthen its position as a trusted and dependable data protection company for small and medium sized businesses (SMBs) globally.



Financial Summary

Revenue of \$1.91m for the half was particularly pleasing and this top line growth reflects the broad appeal of the Company's proprietary cloud-based email back-up solution for SMBs. The increase in the annualised revenue run rate to \$4.87m is also a very pleasing measure and illustrates the underlying stability of the revenue base, so too does the Average Revenue per User (ARPU) of \$1.04 which is lower than last year, due only to the impact of the ramp up of one major new Reseller partnership.

The narrowing half-year EBITDA loss to \$770,000 for the half shows that Dropsuite has continued to maintain a conservative cost base with the increase in revenue dropping straight to the bottom line. With a growing revenue base

and a strong cash position of \$4.03m as at 30 June 2018, Dropsuite has the necessary financial flexibility to meet its growth objectives for an extended period.

Business and Operational Update

Dropsuite's achieved strong Paid User growth in the first half of 2018, and accelerated further to exceed 600,000 as at 30 July 2018. The solid growth in Paid Users is attributable primarily to a new Reseller Partnership secured in April 2018 and also to the continuing growth and diversification of Reseller Partner numbers, which numbered 140 globally at the end of the half. Churn to date remains lower than anticipated, which is a pleasing development and reflects the appeal and dependability of the Company's cloud base software, clearly valued by SMBs.

Notable partnerships secured during the period include:

- Squalio - one of the largest cloud services providers in Eastern Europe;
- Tarsus – an IT and cloud distributor in South Africa;
- UOL – Brazil's largest digital services company; and
- Mat Bao – Vietnam's leading hosting provider.

Ensuring a more diversified partnership base is assisting the company diversify and re-risk its revenue base. Further, the Company believes ongoing geographical expansion augments this.

The Company is focused on selling through IT Service Providers to deliver broad reach with low touch, and more importantly provides SMEs 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's team is bullish on continuing to grow the sales pipeline and expects to launch several key partnerships in the second half of 2018.

To capitalise on its growth prospects, Dropsuite has expanded its product, sales and marketing team, especially in North America. Total full-time headcount as at 30 June 2018 was 27, with additional hires being considered. The Company's software development office in Bandung, Indonesia continues to provide Dropsuite with access to high-quality software and engineering talent, enabling best-of-breed product development cost effectively.

Outlook

Dropsuite has entered the second half in a very strong position with enhanced content, an expanded Reseller Partner network across multiple markets, and increased visibility in SMB markets which is driving Paid User numbers. Aside from ARPU, which declined year-on-year, all other key growth metrics are tracking up. A more comprehensive update on progress with the latest KPIs will be provided in early September.

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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, Ingram Micro, the world's largest distributor of computer and technology products and Universo Online (UOL), the world's largest Portuguese speaking portal and Brazil's largest digital services company. For more information please visit: www.dropsuite.com