



DROPSUITE LIMITED

(ASX: DSE)

21 November 2018

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

By email: tradinghaltspert@asx.com.au

Dear Daniel

Response to ASX Aware Letter

I refer to the letter from ASX to Dropsuite Limited (**DSE** or **Dropsuite**) dated 14 November 2018 (**Aware Letter**).

Capitalised terms used in this letter have the meaning given in the Aware Letter, unless expressly defined otherwise.

On behalf of Dropsuite, I respond to the Aware Letter as follows:

1. When did DSE become aware of the Paid User and ARR Information? In answering this question, please advise when DSE became aware:

a. the user accounts were deactivated;

Dropsuite identified the de-activation of users internally on Monday, 29 October 2018 at approximately 11:00am AEST however the scale and scope of the de-activation was only confirmed with the partner at 2:30pm AEST Tuesday, 30 October 2018.

b. the users were not actively utilising the email service; and

Dropsuite obtained confirmation from the partner that the de-activated users were users who were not actively utilising the email service at 2:30pm AEST Tuesday, 30 October 2018.

c. of the decline in revenue by the deactivation of 420,000 paid users in October 2018

Dropsuite became aware of the financial impact of the user de-activation, including the ARR Information, at 5:00pm AEST Tuesday, 30 October 2018.

- 2. Noting the significant decline in DSE's share price, does DSE consider the Paid User Information to be information that a reasonable person would expect to have a material effect on the price or value of its securities?**

It is the view of Dropsuite that the ARR Information is a more appropriate measure to accurately value the securities of Dropsuite since the impact of the number of paid users can vary widely on the company's financials depending on the partner revenue per user. Insofar as it affects any calculation of ARR, information about the number of paid users may have a material impact on the price of Dropsuite shares.

- 3. If the answer to question 2 is 'no', please provide the basis for the view**

Not applicable.

- 4. Noting the significant decline in DSE's share price, does DSE consider the ARR Information to be information that a reasonable person would expect to have a material effect on the price or value of its securities?**

Yes.

- 5. If the answer to question 4 is 'no', please provide the basis for the view.**

N/A.

- 6. If DSE first became aware of the Paid User or ARR Information before the announcement on 31 October 2018, did DSE make any announcement prior to the release of the announcement which disclosed the Paid User or ARR Information? If so, please provide details. If not, please explain why the Paid User or ARR Information was not released to the market at an earlier time, commenting specifically on when you believe DSE was obliged to release the Paid User and ARR Information under Listing Rules 3.1 and 3.1A and what steps DSE took to ensure that the Paid User and ARR Information was released promptly and without delay.**

Dropsuite identified the user de-activation internally at approximately 11:00am AEST on Monday, 29 October 2018. Due to time zone differences, Dropsuite was not able to obtain immediate confirmation about the scope and scale of de-activation from the partner.

Dropsuite then undertook an investigation to confirm that the user de-activation occurred due to the actions of its partner and was not as a result of a cyber incident.

Dropsuite obtained confirmation of the scale and scope of the user de-activation from its partner at 2:30pm AEST Tuesday, 30 October 2018.

Once Dropsuite had obtained this confirmation, it commenced an assessment to determine the financial impact, including ARR Information, of the user de-activation.

Dropsuite became aware of the ARR Information at 5:00pm AEST Tuesday, 30 October 2018 and released the relevant information to the market in an announcement at 8:42am on Wednesday, 31 October 2018.

Throughout the course of its investigation into the user de-activation and subsequent assessment of financial impact Dropsuite monitored trading activity in its shares and believes that the information remained confidential and was insufficiently definite to warrant disclosure until the financial impact of the user de-activation was determined.

Yours Sincerely,

A handwritten signature in black ink, appearing to be 'Charif Elansari', written over a horizontal line.

Charif Elansari
Managing Director

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

14 November 2018

Mr Kobe Li

Dropsuite Limited
14 Outram Street
WEST PERTH WA 6005

By email

Dear Mr Li

Dropsuite Limited ("DSE"): ASX Aware Letter

ASX Limited ("ASX") refers to the following.

- A. DSE's announcement entitled '*Investor Presentation*' released on the the ASX Market Announcements Platform ("MAP") on 10 September 2018 which stated that there were '*750,000 paid users as of August 31st*'.
- B. DSE's announcement entitled '*September 2018 Quarterly Activities Update*' released on MAP on 31 October 2018 which stated that:

"Paid Users declined by 420,000 in October"

- *One partner from Latin America deactivated the backup service for an estimated 420,000 paid users.*
- *Partner deactivated those users who were deactivated were deemed as not actively utilising their email service.*
- *This follows an aggressive marketing campaign to add Dropsuite email backup to a large volume of this partner's email users.*
- *Total paid users as at 30 November are estimated at 350,000, being 64% year-on-year growth but a 53% decline from the 750,000 paid users reported on 10 September."*

("Paid User Information")

"Annualised Recurring Revenue (ARR) estimated to be \$4.6m at end of November"

49% year-on-year growth but down approximately 44% from the ARR reported 10 September."

("ARR Information").

- C. The change in the price of DSE's shares from a closing price of \$0.097 on Tuesday, 30 October 2018, to a closing price of \$0.044 on Wednesday, 31 October 2018.
- D. Listing Rule 3.1, which requires a listed entity to give ASX immediately 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.”

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

1. When did DSE become aware of the Paid User and ARR Information? In answering this question, please advise when DSE became aware:
 - a. the user accounts were deactivated;
 - b. the users were not actively utilising the email service; and
 - c. of the decline in revenue by the deactivation of 420,000 paid users in October 2018.
2. Noting the significant decline in DSE’s share price, does DSE consider the Paid User Information to be information that a reasonable person would expect to have a material effect on the price or value of its securities?
3. If the answer to question 2 is ‘no’, please provide the basis for the view.
4. Noting the significant decline in DSE’s share price, does DSE consider the ARR Information to be information that a reasonable person would expect to have a material effect on the price or value of its securities?
5. If the answer to question 4 is ‘no’, please provide the basis for the view.
6. If DSE first became aware of the Paid User or ARR Information before the announcement on 31 October 2018, did DSE make any announcement prior to the release of the announcement which disclosed the Paid User or ARR Information? If so, please provide details. If not, please explain why the Paid User or ARR Information was not released to the market at an earlier time, commenting specifically on when you believe DSE was obliged to release the Paid User and ARR Information under Listing Rules 3.1 and 3.1A and what steps DSE took to ensure that the Paid User and ARR Information was released promptly and without delay.

When and where to send your response

This request is made under, and in accordance with, Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, **by not later than 4.30 pm AWST on Monday, 19 November 2018**.

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, providing the information requested in this letter.

Further, if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, DSE's obligation is to disclose the information "immediately". This may require the information to be disclosed before the deadline set out in this letter and may require DSE to request a trading halt immediately.

If you wish to request a trading halt, you must tell us:

- the reasons for the trading halt;
- how long you want the trading halt to last;
- the event you expect to happen that will end the trading halt;
- that you are not aware of any reason why the trading halt should not be granted; and
- any other information necessary to inform the market about the trading halt, or that we ask for.

We will require the request for the trading halt to be in writing. The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted.

You can find further information about trading halts in Guidance Note 16 *Trading Halts & Voluntary Suspensions*.

Suspension

If you do not respond to this letter by the deadline set out above or if ASX does not consider your response to be satisfactory, ASX is likely to suspend trading in DSE's securities under Listing Rule 17.3.

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

Yours sincerely

Daniel Nicholson
Adviser, Listings Compliance (Perth)