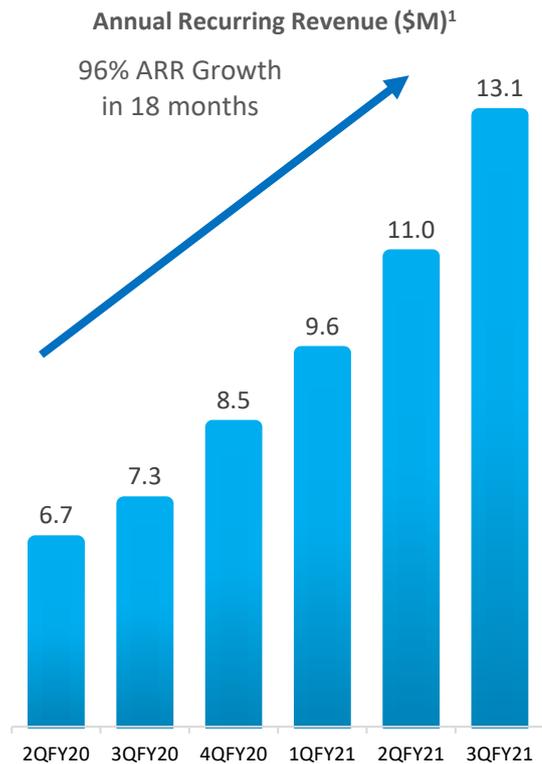


Revenue up 80% vs PCP. Cashflow positive quarter

20 October 2021: Global cloud backup and archiving software provider Dropsuite Limited (ASX: DSE) (“Dropsuite” or the “Company”) is pleased to provide an overview of the Q3 results and Appendix 4C for the period ending 30 September 2021.

Highlights

- > Delivered **first quarter of sustainable positive operational cashflow**
- > **Annual Recurring Revenue (ARR¹)** of \$13.1m, a 14% increase on the prior quarter and an 81% increase on previous corresponding period (pcp) on a constant currency basis
- > **Users** increased to 575k up 11% quarter on quarter and 52% on pcq
- > **Monthly ARPU** of A\$1.90 up 3% quarter on quarter on a constant currency basis (up 7% on actual basis)
- > **Successful placement** of \$20 million to new and existing institutional and sophisticated investors
- > DSE ended the quarter with **\$21.4m cash** following institutional placement and is well funded to progress product development initiatives and target complementary and accretive acquisitions



CEO Charif El Ansari stated: “I am pleased that Dropsuite has delivered its first quarter of sustainable positive cashflow reflecting the hard work of our team and the strength of our product offerings. The strong revenue growth and positive cashflow positions the company to deliver positive EBITDA for our fiscal year ending in December 2021. The positive cashflow results were underpinned by continued strong topline growth and a disciplined approach to managing operating expenditures.

“Over the past quarters, we have demonstrated our ability to deliver against our objectives and are now positioned to set and achieve new milestones to drive continued innovation and growth. With the inclusion of the \$20 million capital raise, the company is well resourced to drive internal organic growth

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

2. Cash receipts can be normalised to capture the delayed receipt of customer payments that occur just after quarter end.

opportunities whilst also strategically assessing accretive acquisition opportunities that provide complimentary offerings. We continue to assess a range of opportunities and are committed to delivering against this strategic objective in due course.”

Operational and Product Overview

Dropsuite is a global business with partners and customers in over 100 countries with over 60 staff and provides continued support to its network of Managed Service Providers (MSPs) partners. The Company continues to invest in product development, innovation and enhancing best practice solutions so as to improve the backup and archive experience for the Company’s partners and streamline their provisioning, billing and support processes. In the past quarters we have made significant inroads to expand our services offering to cover Google Workspace, enhance our backup and archiving offering for Microsoft 365, and introduced a new partner portal that further differentiates Dropsuite’s offering in the marketplace.

With substantial tailwinds within the cloud backup and archiving sector that are set to continue we are positioning the Company to be the one-stop-shop and all-encompassing backup and archiving solutions provider for email and productivity applications. Microsoft 365 users are anticipated to grow from ~300 million in 2020 to 500 million¹ and Google Workspace is currently supporting well over 6 million businesses. The underlying fundamentals are robust and the continued movement to cloud based offerings will provide further impetus for growth.

The Company also continues to invest in its people and culture and has expanded and retained a solid and motivated team. The quality of the product and an active approach to engagement with current and new partners places Dropsuite at the top of the Software Review’s ranking across 16 of the 20 metrics assessed. This is evidenced by the onboarding of 41 new transacting partners (a 12% increase on prior quarter), resulting in 395 directly transacting partners and a user base of 575,000 end users with continued low annual partner revenue churn³ of ~3%. Note that directly transacting partner figures exclude hundreds of MSPs transacting via our distributor partners. The proportion of total revenue from Dropsuite’s top 10 directly transacting partners is 66%, down from 68% in June 2021 and 71% September 2020, which is reducing our reliance on a few large partners as well as introducing new material contributors in the future.

Dropsuite continues to focus on investing in our existing business while assessing inorganic growth opportunities. The Company remains focused on driving product innovation and investing in new talent to sustain its market leading position.

Financial Overview

Dropsuite delivered strongly against its key growth metrics. ARR increased to \$13.1 million, up from \$11.0 million in the prior quarter. ARPU increased substantially to \$1.90, up from \$1.77 in the prior quarter driven by continued strong growth of the company’s higher priced products such as Microsoft 365 backup and archiving.

Actual F/X	Sep 2021	Jun 2021	Sep 2020	QoQ	PCP
ARR (\$m) – AUD	13.09	11.03	7.32	19%	79%
ARR (\$m) – USD	9.58	8.42	5.29	14%	81%
Monthly ARPU (\$m) -AUD	1.90	1.77	1.62	7%	17%
Monthly ARPU (\$m) – USD	1.39	1.35	1.17	3%	19%
FX AUD:USD	0.73	0.76	0.72		

¹ Source: William and Blair Equity Research July 2021

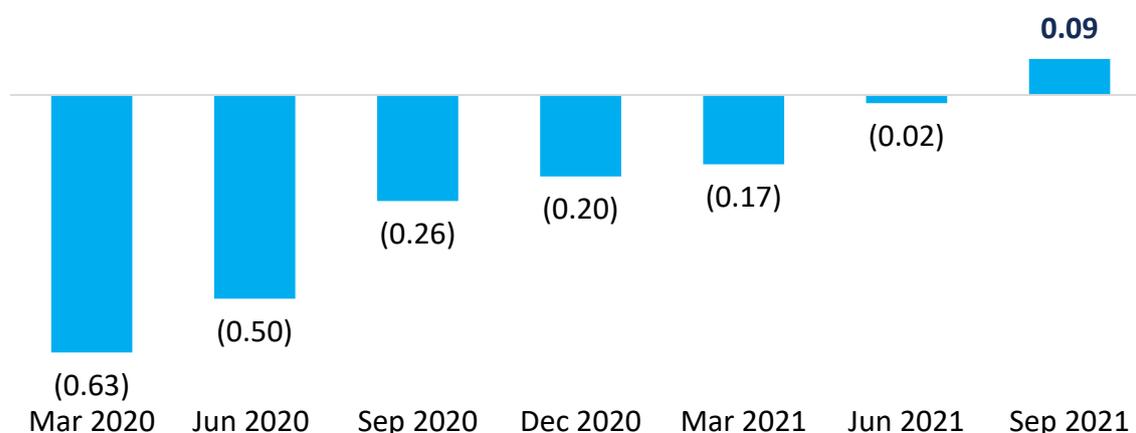
Normalised net cash generated from operations was \$0.09 million, the first quarter of positive cashflow for the Company off the back of moderate results for the prior quarter of (\$0.02) million. Cash on hand for the firm is \$21.4 million.

Cash Summary (\$m) by quarter	Sep 2021	Jun 2021	Sep 2020	QoQ	PCP
Cash receipts	2.84	2.40	1.69	18%	68%
Normalised cash receipts	2.84	2.41	1.59	18%	78%
Net cash generated in operations	0.09	(0.02)	(0.13)	505%	171%
Normalised net cash generated in operations	0.09	(0.02)	(0.26)	505%	134%
Cash at hand	21.40	2.40	2.89	790%	641%

Actual (non-normalised) cash receipts from customers increased on the prior quarter at \$2.84 million (Q2 2021: \$2.40 million) and up 68% on pcp (Q3 2020: \$1.69 million). Normalised cash receipts were also \$2.84 million and up 78% on pcp (Q3 2020: \$1.59 million).

The Company added storage capacity in all data centres to manage the additional storage requirements from higher ARPU products and to cater for forecasted seat and user growth, which has resulted in the gross margin settling at 64% for the quarter, (30 June 2021: 67%) with a decline versus pcp (Q3 2020: 65%). Our gross margin percentage is expected to stabilise in the short term.

Quarterly Operational Cashflow (A\$m)



Capital Raise

During the quarter, Dropsuite received binding commitments from a range of high quality institutional and sophisticated investors to subscribe for 95,238,096 shares at an issue price of A\$0.21 per share to raise \$20.0 million before costs (the Placement) (ref ASX release 17 August 2021). Funds will be primarily used to accelerate growth objectives, advance M&A opportunities, and strengthen the Company's working capital and balance sheet position. The issue price of A\$0.21 per share represented a 10.6% discount to the last traded price of \$0.235 per share. The Placement was strongly supported. The 95 million new shares issued represents approximately 16% of the existing company's shares on issue and was undertaken within the Company's existing capacity under ASX Listing Rules 7.1 and 7.1A.

Payments to Related Parties

The Company has reported expenditure of \$161,793 for salaries and director fees to related parties.

Outlook

Dropsuite is positioned to continue to deliver strong growth driven by our significant existing and growing partner base and a solid pipeline of new partners. Strong market tailwinds from data security and regulation are expected to stay for the foreseeable future.

Over the remainder of 2021 the company will continue to focus on:

- Delivering ARR growth via its partner ecosystem and strong sales pipeline
- Drive product innovation to maintain our leading position as a backup vendor of choice
- Achieving operating EBITDA profitability for fiscal year 2021
- Further investment in talent bench-strength as well as sales and marketing expansion
- Advancing M&A opportunities which are accretive and leverage existing internal growth, and take advantage of strong market tailwinds around data protection

Quarterly Investor Webinar

The Company will provide an investor webinar to discuss the quarterly results. To register please follow the link below.

Date: Thursday 21st October 2021

Time: 11:30am AEDT

Registration Link: <https://us02web.zoom.us/j/86143650972>

The announcement was approved by the Board of Directors.

- END -

For further information, please contact:

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About Dropsuite

Dropsuite is a cloud software platform enabling businesses to easily backup, recover and protect their important business information. Dropsuite's commitment to advanced, secure and scalable cloud technologies keeps us in the forefront of the industry and makes us the choice of leading IT Service Providers globally. For more information please visit: www.dropsuite.com

Appendix 4C

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

Name of entity

Dropsuite Limited

ABN

91 008 021 118

Quarter ended ("current quarter")

30 September 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	2,854	7,544
1.2 Payments for		
(a) research and development		
(b) product manufacturing and operating costs	(1,090)	(2,731)
(c) advertising and marketing	(141)	(282)
(d) leased assets		
(e) staff costs	(1,250)	(3,620)
(f) administration and corporate costs	(286)	(887)
1.3 Dividends received (see note 3)		
1.4 Interest received	1	4
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Government grants and tax incentives		
1.8 Other (provide details if material)		
1.9 Net cash from / (used in) operating activities	88	28

2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities		
(b) businesses		
(c) property, plant and equipment	(22)	(39)
(d) investments		
(e) intellectual property		
(f) other non-current assets		

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities		
	(b) businesses		
	(c) property, plant and equipment		
	(d) investments		
	(e) intellectual property		
	(f) other non-current assets		
2.3	Cash flows from loans to other entities		
2.4	Dividends received (see note 3)		
2.5	Other (provide details if material)		
2.6	Net cash from / (used in) investing activities	(22)	(39)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	18,926	18,926
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		
3.5	Proceeds from borrowings		
3.6	Repayment of borrowings		
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (provide details if material)		
3.10	Net cash from / (used in) financing activities	18,926	18,926

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	2,404	2,482
4.2	Net cash from / (used in) operating activities (item 1.9 above)	88	28
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(22)	(39)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	18,926	18,926
4.5	Effect of movement in exchange rates on cash held	1	0
4.6	Cash and cash equivalents at end of period	21,397	21,397

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	20,397	1,404
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (Term Deposits)	1,000	1,000
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	21,397	2,404

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	162
6.2	Aggregate amount of payments to related parties and their associates included in item 2	

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.

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

7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i>		
<i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities		
7.2 Credit standby arrangements		
7.3 Other (please specify)		
7.4 Total financing facilities	0	0
7.5 Unused financing facilities available at quarter end		0
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.		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	88
8.2 Cash and cash equivalents at quarter end (item 4.6)	21,397
8.3 Unused finance facilities available at quarter end (item 7.5)	0
8.4 Total available funding (item 8.2 + item 8.3)	21,397
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	242
<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1 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:	
8.6.2 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:	
8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
Answer:	
<i>Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.</i>	

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.

Date: 20 October 2021

Authorised by:the Board.....
(Name of body or officer authorising release – see note 4)

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 – eg 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.