DAMSTRA

ASX release
26 February 2021

Operating leverage and product innovation drives strong H1 FY21 result

Damstra Holdings Limited (ASX: DTC) (“**Damstra**” or the “**Company**”) has released its half-yearly results for the six months ending 31 December 2020 (H1 FY21).

Key H1 FY21 Highlights

- Revenue and other income growth of 29.6% to $13.3 million
- Pro forma EBITDA (EBITDA) of $2.5m compared to $2.6m for H1 FY20
- Pro forma EBITDA margin of 21%, while absorbing a loss-making acquisition
- Operating leverage demonstrated by an increase in gross margin from 70.1% to 75.1%, gross profit up 28% on PCP
- Strong operating cash flow of $2.6m (including acquisition costs), underlying operating cash flow of $3.8m, up 292% on PCP
- Cash receipts of $14.5m, up 59% on PCP
- Completion of the Vault Intelligence Limited (“**Vault**”) acquisition, original synergies target of $4m upgraded to $5.2m and now implemented
- Client numbers stand at 670, with 72 new customers added during the half
- Minimal client revenue churn of <0.5%, essentially unchanged since Vault acquisition
- 64% increase in total R&D spend on PCP with six additional products/modules brought to market during H1 FY21
- Appointed a North American Advisory Board
- Q3 growth rate accelerating, building on positive Q2 momentum with January unaudited revenue up 61% on PCP

Damstra CEO, Christian Damstra, said: “Damstra has performed very well in the first half of FY21, despite some external challenges, and we continue to execute on our strategic growth agenda. We are particularly pleased with the benefits from the Vault acquisition. What was a loss-making business has been seamlessly integrated with minimal impact on our underlying financial performance.

“Our Gross Margin increased to 75% and EBITDA margin was maintained above 20% (at 21% compared to 25% in the PCP), demonstrating earnings leverage from increased scale. This was most clearly shown during Q2 where the rate of increase in costs was less than half the rate of increase in revenue. Looking forward, we are confident that structural costs will continue to rise at a rate of less than half that of revenue.

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"Pleasingly, we are now seeing growth accelerating, building on our positive Q2 momentum. January unaudited revenue was up 61% on PCP and we expect this positive trend to continue. COVID did impact some of our client operations, particularly in the northern hemisphere, which in some instances slowed contract signing and onsite installation of our product solutions. Importantly we did not lose any clients as a result of COVID and activity levels are beginning to return."

Key Financial and Operating Metrics

Half Year Ended 31 December $m	H1 FY21	H1 FY20	*% Change*
Revenue and other income	13.3	10.3	*30%*
Gross profit	9.1	7.1	*28%*
Gross margin (%)	75.1%	70.1%	*5pp*
Pro forma EBITDA	2.5	2.6	*(1%)*
Pro forma EBITDA margin (%)	20.9%	25.2%	*(4.3pp)*
NPATA	0.9	1.1	*(22%)*
Users ('000)	623	386	*161%*
Clients Numbers	670	279	240%
Net $ Client retention	114%	132%	*(18pp)*
Client Churn	<0.5%	<1%	*flat*

"During the first half we accelerated the capture of synergies and completed the technical integration of Vault ahead of plan. Given these are the largest risks in M&A activity, it means this key business risk is behind us. One of our priorities for driving long term growth is expanding our offshore footprints across South East Asia, the UK, and North America. There are several promising and attractive commercial opportunities ahead, which, if executed, would build on the client base we already have in these markets.

"Our revenue growth for the half was pleasing, particularly given it was impacted by Covid and changes in customer requirements. Our operating cash flow and EBITDA were strong considering the costs associated with the Vault transaction, which also demonstrate how quickly we have integrated the business into Damstra from both a product and people perspective."

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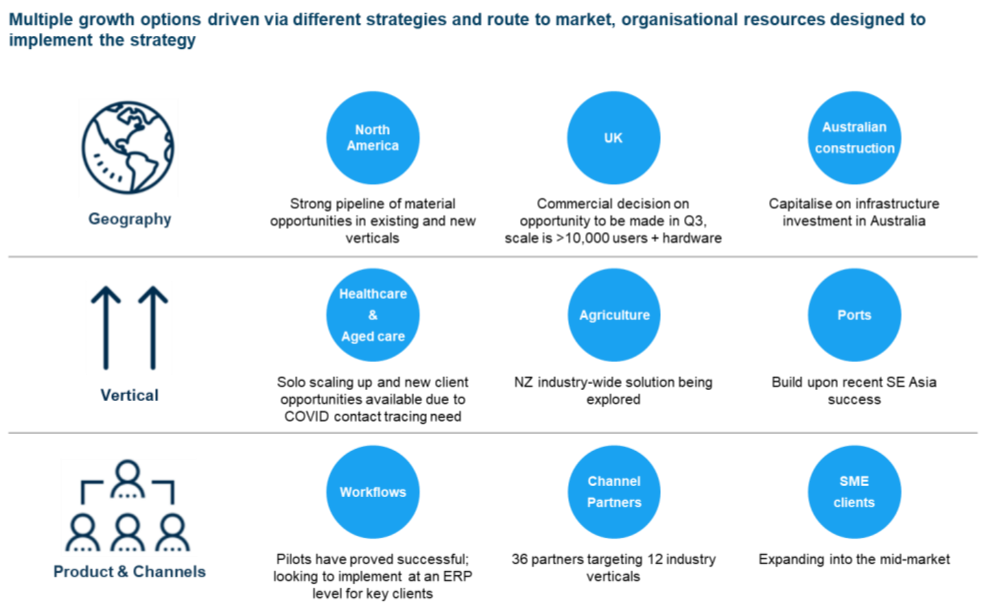
Business growth strategy



Evolving product offering

During the period, Damstra continued to implement new product releases across its platform, with product innovation being a key differentiator. This included evolving its product positioning to an enterprise protection platform (“**EPP**”), a strategic pivot reflecting the breadth and depth of its rapidly expanding offering. The Damstra EPP enables clients to harness the power of the four largest investment areas in any organisation that carry the largest business risks, ensuring prepared people, safe places, connected assets and accessible information.

During the half, Damstra launched six new products/modules and expects this level of innovation to continue. The Company increased its R&D resources with a 60% increase in full time employees to accelerate its product pipeline and improve its competitive position.

International growth focus

Damstra recently announced the formation of a North American Advisory Board. The Board includes senior executives from the technology, mining, and energy industries. It has been established to help Damstra management identify business development opportunities and accelerate the Company’s organic growth in the region. Foundational Advisory Board members Tim Davis, Ray Gogel, Pam Saxton and Ray Schiavone bring more than 120 years of combined industry experience.

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Greater usage from existing customers

Damstra aims to drive organic growth through increasing the use of its solutions among the existing customer base and by encouraging customers to license additional modules. It sees the largest opportunities in its workflow, mobility, and asset modules.

Deepening channel partner strategy

Damstra is furthering its channel partnership strategy as previously outlined. The Company now has 36 channel partners, with 10 being outside Australia and New Zealand. The partners are categorised into 5 different types, targeting 12 different industry verticals. Partners include telecommunications resellers, software solution providers to US federal and state governments and integrated third party product providers.

Update on acquisitions

The Vault integration is complete with all key milestones delivered ahead of plan. As previously announced, synergies were upgraded to $5.2m from $4m. Technical integration is now complete with the Vault Solo and Enterprise product fully integrated, as summarised below:

- A new single organisational structure has been implemented;
- The Solo product is now integrated into the Damstra core system and product suite; and
- The legacy Enterprise solution is now integrated, reconfigured, and relaunched as Damstra Safety, six months ahead of plan.

Key benefits of the integration include:

- Provides increased revenue and revenue diversity, greater scale, and a platform for accelerating growth;
- Enhances Damstra's module suite with the addition of mobile, remote, and lone worker solutions; and
- Extends Damstra's ability to track, manage and protect both large transient workforces and lone worker enterprises.

Ends

Authorised for release to the ASX by the Board.

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About Damstra

Damstra is an Australian-based provider of integrated workplace management solutions to multiple industry segments across the globe. The Company develops, sells, and implements integrated hardware and software-as-a-service (SaaS) solutions in industries where compliance and safety are of utmost importance. These solutions assist Damstra's clients to better track, manage and protect their staff, contractors and their organisations, and to reduce the risks associated with worker health, safety, and regulatory compliance.

The Company has been operating since 2002 and has grown from providing an Australian mining contractor management solution to an integrated workplace management solution provider with a growing client base in international markets. Operations are maintained in Australia, New Zealand, the United States, the United Kingdom, Singapore and a global operations centre in the Philippines.

Disclaimer

This announcement contains "forward-looking statements." These can be identified by words such as "may", "should", "anticipate", "believe", "intend", "estimate", and "expect". Statements which are not based on historic or current facts may by forward-looking statements. 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 of the Company could be materially different from those expressed in, or implied by, these forward-looking statements. The forward-looking statements contained within the announcement are not guarantees or assurances of future performance and involve known and unknown risks, uncertainties, and other factors, many of which are beyond the control of the Company, which may cause the actual results, performance, or achievements of the Company to differ materially from those expressed or implied by forward-looking statements. For example, the factors that are likely to affect the results of the Company include general economic conditions in Australia and globally; exchange rates; competition in the markets in which the Company does and will operate; weather and climate conditions; and the inherent regulatory risks in the businesses of the Company. The forward-looking statements contained in this announcement should not be taken as implying that the assumptions on which the projections have been prepared are correct or exhaustive. 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 presentation have not been audited, examined, or otherwise reviewed by the independent auditors of the Company.

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