

ASX Announcement

28th October 2021

Damstra Technology

(ASX: DTC)

Q1 FY22 Quarterly Report and Appendix 4C

Damstra Holdings Limited (ASX:DTC) (**Damstra** or the **Company**), a leading Australian-based global provider of integrated workplace management solutions, provides an update on the Company's operations for the first quarter of FY22 ended 30 September 2021 (**Quarter** or **Q1**).

"The first quarter grew by 20% relative to the prior comparative quarter, which is below where we wanted to be, given our guidance of 32.5% to 40% revenue growth for the full year," said Christian Damstra, Chief Executive Officer of Damstra. "This is largely due to the impact of COVID but also some client-specific activity in Q1. However, with the environment improving as economies reopen, we are seeing accelerated growth in our construction verticals, and the pipeline of opportunities in North American is strong. We also completed the TIKS Solutions transaction and are already seeing tangible growth and cross-sell opportunities with this business."

Key Highlights

- Quarterly revenue of \$6.2 million, up 20% on the prior corresponding period (**PCP**).
- Cash receipts of \$7.7m million for the Quarter, up 8% on PCP.
- Annual Recurring revenue ("ARR") of \$29.3m, up 55% on PCP.
- Signed a 5-year Master Service Agreement with John Holland Group Pty Ltd (**John Holland**).
- Acquisition of TIKS Solutions Pty Ltd (**TIKS**) completed in October.
- FY22 revenue guidance updated to \$35.9 - \$38.9m, to include the TIKS acquisition and reflecting Q1 performance.

Key Financial and Operating Metrics

Metric	Q1 FY22	Q4 FY21 (Last Quarter)	Q1 FY21 (PCP)	Variance (to Last Quarter)	Variance (to PCP)
Users ('000)	746	737	419	9	327
Clients	733	724	326	9	407
Recurring revenue (%)	87.3%	84.7%	87.3%	2.6%	-
Gross Margin % (Qtr.)	76.9%	73.9%	72%	3.0%	4.9%
Client churn	5.7%	<1%	<0.5%	5.7%	5.7%

Q1 Revenue Performance and ARR

- **Revenue:**

Revenue for the quarter grew 20% and users increased to 746,000 which, while solid, was below the Company's expectations. This has been impacted by two events in the business, the first being COVID-19, which resulted in some client projects being delayed and fewer users at locations during lockdowns in NSW and Victoria. This is a non-recurring one-off event and we have already seen an acceleration in activity in late September and October. Despite the impact of COVID, we also saw our three largest construction clients achieve record quarterly revenue greater than \$1m for the first time from over 50 projects, up 74% on PCP. The overall impact from COVID on Q1 is estimated to be \$0.5m.

The second event impacting the Quarter was Newmont descopeing its arrangements with Damstra to internalise hardware and access and site control. Damstra has not been replaced by any competitor's product and we are in discussions with Newmont on future arrangements. The overall impact on Q1 is estimated to be \$0.8m. We are still operating at a number of locations at a reduced scope, with individual site-by-site discussions occurring, with a view to finalise longer-term relationships at those locations.

While our revenue growth was 20% on a PCP basis, if Newmont was removed from the PCP comparisons, growth for Damstra would have been 31%.

Despite the impacts of COVID and the Newmont scope reductions, we have seen some underlying positive trends in our business:

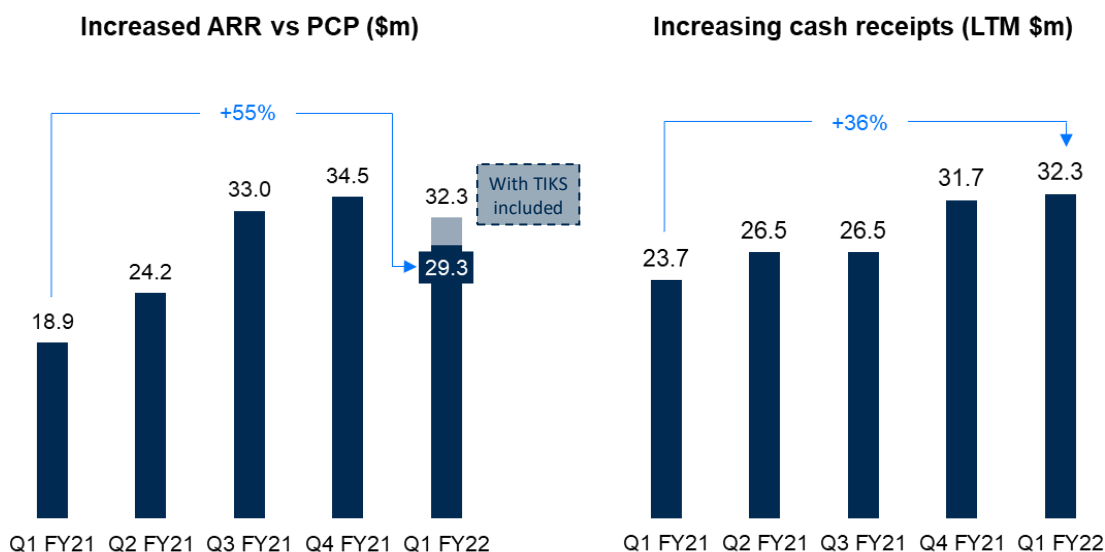
- During the Quarter we added a net 9 new clients, meaning our client numbers now stand at 733. While none of these individual clients are material, it demonstrates our continued success in winning new business.
- Our construction vertical continues to perform exceptionally. We see continued demand for implementation of new projects and demand for new modules. The TIKS acquisition is expected to further increase our penetration into this sector via facilities management and partnerships with other service providers.
- Our forms/workflow module, while in the early stages of development, continues to please. We are now at 15,000 users, which represents 50% growth on PCP.
- Total user and client numbers continue to grow across our products, especially in our Damstra Safety module. The growth in users did not offset the impact of the Newmont reduction, though, which had higher ARPU.
- We have again had proactive discussions with all our other Top 10 clients during the Quarter, and they have all reported positive relationships with Damstra. This is evidenced by the positive growth in our construction vertical, and new or renewed contracts with NBN and the John Holland Group.



- **Annual Recurring Revenue:**

Damstra's ARR was \$29.3m for Q1 FY22, representing an increase of 55% on the PCP, but a decrease from Q4 FY21 of \$34.5m. Gross Churn year-to-date increased to 5.7%. Both of these key metrics were essentially impacted by Newmont descopeing its services with Damstra.

While our ARR was negatively impacted between Q4 FY21 and Q1 FY22, we have also shown the impact of the TIKS acquisition on ARR, which is estimated to lead to a forward position ARR of \$32.3m. In terms of the TIKS acquisition, we have spoken to their Top 5 clients. They all see the benefits of the acquisition and have all reconfirmed their commitment to the business as clients, and they look forward to combined additional product offerings from Damstra and TIKS.



Operational Highlights

- Damstra signed a 5-year Master Service Agreement with **John Holland**. This agreement replaces the previous state-based arrangement with the Building Division of John Holland. The new agreement applies to the entire John Holland Group, which now includes all of their divisions: Building, Major Projects and Infrastructure, and Rail. During FY21, John Holland generated \$0.8m of revenue for Damstra, which is currently active on 11 projects with ~15,000 users registered.



- The new contract with **nbn** is now fully operational and is performing ahead of plan. Damstra recently launched new products with nbn including a digital card and a contractor business intelligence solution.
- **United Kingdom:** the commercial opportunity with a major international construction company is still in progress with the business case complete and implementation scope in detailed review. Damstra remains the only provider in ongoing discussions, which have been progressing for some time.
- **North America:**
 - Damstra is currently in deep discovery with a global mining client around final solution design which includes integration with its Oracle ERP/HR systems. This will lead to a preliminary statement of work and then a contracting stage expected in late Q2. While the size and scope of the relationship is still being finalised, it is anticipated to be rolled out to more than 20,000 users once commenced.
 - Damstra is currently operating at five sites with Teck Resources, Canada's largest diversified mining company, with the opportunity to expand to another eleven locations across the US and South America.
- Through the TIKS acquisition, Damstra has been working with **Amazon** on a global delivery partnership focused on digital transformation of the health and safety systems in its logistics operation. It is intended to roll out the offering to all 25 Australian operations.

Executive changes

In light of recent performance and the acquisition of TIKS the Board continues to review the executive team. We are pleased to announce that Sam Marciano will become Chief Commercial Officer reporting to Christian Damstra, with the responsibility of ANZ Business Development, product commercialisation and accelerating partnerships in the construction and facilities management areas. David Moylan, former CEO of Vault, will leave Damstra. We thank David for his contribution to the business. The Board will continue reviewing the structure of the executive team .



Outlook

Revenue guidance for FY22 provided on 26th August 2021:

Revenue growth of	32.5% - 40%
Revenue of	\$36.3m - \$38.3m

Based on Q1 performance and a review of the remainder of the financial year, Damstra has revised its guidance for FY22 to the following:

Revenue growth of	31% - 42%
Revenue of	\$35.9m - \$38.9m

FY22 EBITDA Margin guidance remains unchanged at 22.5% - 25%

Christian Damstra, Chief Executive Officer of Damstra commented: "With the exception of Newmont, which has had a significant bearing on our FY22 outlook, we are encouraged by existing client activity. With lockdowns now winding down we expect growth in the construction sector to approach 100% for FY22. While there have been some delays in securing new business wins, we will benefit from the acquisition of TIKS which is already delivering good growth opportunities. Our revised guidance assumes TIKS will deliver similar revenues to FY21 and securing the major contracts under discussion outlined above, as well as ongoing growth in our Solo product which is progressing well."

Payments to related parties and their associates during the Quarter was \$313,402. These payments related to Director fees and expenses.

INVESTOR CALL

Damstra will hold an investor call at **9.00am (AEDT) today** to provide an update on the Company's activities for the quarter.

An accompanying presentation will be made available on the ASX platform ahead of the call.

Conference call details

To pre-register for the investor call, please use the following link:

https://zoom.us/webinar/register/WN_m7cQ8grtS1qBbOxkDvBKKQ

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

Ends

Enquiries

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D A M S T R A
CONNECT + PROTECT YOUR WORLD

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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 September 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	7,729	7,729
1.2 Payments for		
(a) research and development		
(b) product manufacturing and operating costs	(2,978)	(2,978)
(c) advertising and marketing	(145)	(145)
(d) leased assets		
(e) staff costs	(3,148)	(3,148)
(f) administration and corporate costs	(3,167)	(3,167)
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	25	25
1.8 Other (Stamp duty)		
1.9 Net cash from / (used in) operating activities	(1,684)	(1,684)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities		
(b) businesses		
(c) property, plant and equipment	(178)	(178)
(d) investments		



Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
	(e) intellectual property	(737)	(737)
	(f) other non-current assets	21	21
2.2	Proceeds from disposal of:		
	(g) entities		
	(h) businesses		
	(i) property, plant and equipment		
	(j) investments		
	(k) intellectual property		
	(l) 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	(894)	(894)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)		
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	(111)	(111)
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		



Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
3.9	Other (provide details if material) <ul style="list-style-type: none"> Leased assets – equipment Leased assets – offices Interest received Interest and other costs of finance paid 	- (127) 7 (375)	- (127) 7 (375)
3.10	Net cash from / (used in) financing activities	(606)	(606)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	9,834	9,834
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,684)	(1,684)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(894)	(894)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(606)	(606)
4.5	Effect of movement in exchange rates on cash held		
4.6	Cash and cash equivalents at end of period	6,650	6,650

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	6,650	9,834
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)	6,650	9,834



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

\$333

6.1 above is comprised of director fees and expenses paid to 6 directors for the period 1 July – 30 September 2021

7. Financing facilities
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.

Total facility
amounts at quarter
end
\$A'000

Amount drawn at
quarter end
\$A'000

- 7.1 Loan facilities

20,000

12,000

- 7.2 Credit standby arrangements

- 7.3 Other (please specify)

- Merchant prepayment
- Insurance funding
- Asset finance
- Bank guarantees

715

715

-

-

-

-

746

746

- 7.4 Total financing facilities

21,461

13,461

- 7.5 Unused financing facilities available at quarter end

8,000

- 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.

- Facility 1: \$15m Revolving Leasing Facility with interest only repayments ("Loan Facility"); and
- Facility 2: \$5m Revolving Leasing Facility with interest only repayments ("Loan Facility"); and
- Facility 3: \$0.7m Merchant Prepayment Facility with no fixed repayment terms or interest; and
- Facility 4: \$0.7m Bank Guarantee Facility with no fixed repayment terms or interest; and



8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (Item 1.9)	(1,684)
8.2	Cash and cash equivalents at quarter end (Item 4.6)	6,650
8.3	Unused finance facilities available at quarter end (Item 7.5)	8,000
8.4	Total available funding (Item 8.2 + Item 8.3)	14,650
8.5	Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	9

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

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: N/A

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: 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.

Date: 28 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.

