

RightCrowd FY22 Q3 Quarterly Activities Report, Business Update and Appendix 4C:

RightCrowd Limited ("RightCrowd") or ("Company"), a leading global developer of physical security, safety, and compliance software, is pleased to provide its Quarterly Activities Report in conjunction with the release of the Appendix 4C – Quarterly Cash Flow Report for the period ended 31 March 2022.

Summary: (All figures are unaudited and are expressed in Australian dollars unless stated otherwise):

- Quarterly sales revenue of \$3.7m in Q3 FY22, up 23% versus prior comparison period (Q3 FY21: \$3.0m).
- FY22 YTD Q3 revenue of \$11.4m is up 13% on prior corresponding period (FY21 YTD Q3: \$10.1m) which has been driven by new client sales and ongoing subscription renewals.
- Contracted Annual Recurring Revenue (ARR)¹ at 31 March 2022 closed at \$8.8m which has reduced by \$0.3m at the end of FY22 Q2 (FY22 Q2: \$9.1m). Most of the reduction in ARR was attributable to an appreciation of the Australian dollar over the period (\$0.2m) while new customers added during the quarter were offset by churn which resulted in a further net reduction in ARR of \$0.1m.
- The Company has adjusted its FY22 sales revenue outlook from \$19.8m down to a range of \$15m to \$16m reflecting the current contraction in demand for Presence Control solutions for COVID related contact tracing, a slower than anticipated ramp-up in sales execution via partner channels and timing of contract finalisation for new Workforce Management solutions customers slipping to FY23.
- As of 31 March 2022, RightCrowd's cash and cash equivalent balance closed at \$6.9m, reducing from \$8.2m in the prior quarter primarily driven by \$1.3m of operating cash outflows during the Quarter.
- RightCrowd Access Analytics won the SIA New Product Showcase award in the Threat / Risk Management Software category at the ISC West tradeshow held in Las Vegas during March.
- RightCrowd is launching several new campaigns addressing pressing industry-wide physical security issues which can be addressed by RightCrowd's solutions. RightCrowd has engaged an external US marketing agency to drive an increase in brand awareness and lead generation.
- Activities to extend partner channels continue and RightCrowd is working closely with new mid-tier US partners to attend their upcoming client conferences.

¹ ARR is measured as the total annualised value of active customer contracts for annual subscription, support, and maintenance services as at 31st of March 2022.

Financial Commentary:

Sales Revenue & FY22 Guidance: RightCrowd generated \$3.7m of revenue in Q3, a 23% increase on the prior year corresponding period (Q3 FY21: \$3.0m). When measured on a YTD basis, FY22 revenue Q3 YTD is \$11.4m, 13% higher than at the same point in time in the prior year (YTD FY21 Q3: \$10.1m)

The feedback from current and potential customers at the recent ISC West Security Conference in the USA confirmed that there will be disruption in the physical security solutions market and that RightCrowd's existing solutions will participate in this disruption.

RightCrowd had forecast an acceleration of sales revenue growth in the second half of FY22 resulting in guidance of FY22 sales revenue of \$19.8m (or 30% YoY growth) confirmed at the Company's AGM in November 2021. The anticipated growth in sales in the second half of the year is now forecast to be lower than forecast for the reasons outlined below.

RightCrowd has experienced a recent slow-down in Presence Control badge-holder unit sales with this trend expected to continue in the short-term given the swiftly growing relaxation of COVID19 measures globally. These market trends have resulted in a reduction in current demand for the contact tracing use-case met by RightCrowd's Presence Control solution. The Presence Control solution is developing a broader set of security use-cases requested by the market which is forecast to generate growth for the Company in FY23.

Although progress in establishing channel distribution partnerships continues to be made, there is still further work to complete in strengthening current partners' ability to sell RightCrowd solutions and adding new channels. This means that the revenue uplift from effective channel distribution will largely now begin to be visible in FY23 financial results.

Finally, a small number of large Workforce Management solution sales forecast to finalise in FY22 are now expected to be completed after 30 June 2022.

These factors culminate to the Company revising FY22 sales revenue guidance to now be within a range of \$15m to \$16m.

RightCrowd is also adjusting its sales strategy towards multi-year subscription and SaaS license sales from FY23 onwards. This will reduce the contribution from perpetual license sales recognized at inception but increase recurring revenue and the growth rate of ARR. Coupled with the reduction in the previously anticipated hardware revenue from Presence Control sales, the Company also withdraws its FY23 targets for sales revenue of \$30m and P&L break-even.

The revised FY23 outlook will be confirmed at the AGM in November 2022 when the Company will have a clearer view of market conditions and lead generation across its entire product suite.

Overall, the company continues to receive very positive signs from the market for its solutions and expects demand to return in FY23 as companies deal with the challenges of managing an effective return of their staff to the workplace which remains a challenging undertaking requiring the support of intelligent products such as those offered by RightCrowd. The Company continues to make good progress on extending the Presence Control solution to a broader set of use-cases with existing customers now extending the product to cover evacuation and visitor management use-cases. The Company is also building its sales pipeline on the back of strong market interest in the newly launched RightCrowd Access Analytics product.

Annual Recurring Revenues (ARR): Annual Recurring Revenue has reduced over the quarter to \$8.8m at the end of the quarter, down from \$9.1m reported at the end of Q2 FY22. Most of this reduction is due to an appreciation of the AUD (many contracts are based in USD). Workforce Management solutions generate \$5.8m of ARR (down from \$6.0m at end of Q2 FY22), while Presence Control reduced to \$3.0m of ARR (down from \$3.1m at end of Q2 FY22).

FY22 customer churn (as measured by ARR) has moved up to 8.7%, the majority of which relates to contact tracing related Presence Control solutions (7.6%). The company expects some further churn of Presence Control business in Q4 as the pandemic appears to taper, which will put some further downward pressure on ARR in the final quarter.

The Company has set ARR growth as its primary focus and is forecasting ARR to grow again with a boost of activity driven by Access Analytics, Workforce Management, and Presence Control sales in FY23.

Cash: RightCrowd closed the Quarter with a cash & cash equivalent balance of \$6.9m, a reduction of \$1.3m from prior quarter (FY22 Q2: \$8.2m) which was driven primarily by operating cash outflows.

The Company experienced strong cash receipts during the quarter of \$4.7m with several major clients renewing their annual contracts and prepayments also received for future consulting work.

Operating cash outflows will be positively impacted by further investment into Presence Control hardware being temporarily put on hold with sufficient inventory now available to meet current and forecast Presence Control sales orders in the short-term.

Business Update:

Workforce Management: Two new customers were added during the Quarter being an educational institution based in the US and a utility based in Australia. The company also extended license agreements with two existing Australian enterprise customers during the Quarter.

Presence Control: RightCrowd sold a further 3,100 Presence Control badgeholders in Q3. Despite a few customers not renewing or placing their subscriptions on hold as they adjust to changing local pandemic conditions, existing customers continue to extend their use of the Presence Control solution and RightCrowd also added 2 new customers during the Quarter based out of New Zealand and Australia.

A total of 17,500 badge holder units have been sold since the start of FY22.

Access Analytics: RightCrowd Access Analytics was selected as a winner of the prestigious Security Industry Association, New Product Showcase awards at ISC West, winning the Threat / Risk Management Software category. The award represents a major milestone in the launch of the RightCrowd Access Analytics product and the company has generated a great deal of PR activity in the United States security market on the back of the win.



Picture: RightCrowd wins SIA Award in Las Vegas

It was also pleasing to see a great deal of interest in RightCrowd from major security industry publications that reported on RightCrowd following ISC West. Publications include Security Journal Americas, Security World, Security Info Watch, and Loss Prevention Media. RightCrowd expects that this public relations activity will translate into an uptick in enquiries over the next few months.

RightCrowd Access Analytics wins SIA Showcase Award at ISC West 2022

April 12, 2022 4:19 pm



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RightCrowd Launches RightCrowd Access Analytics at ISC West 2022

Posted by Jay Bartlett © March 24, 2022 4:30 am Categories: Video Analytics
Tags: Access Analytics, Bart Vansevenant, Brian McIlravy, ISC West, RightCrowd.

Loss Prevention Technology News

SIA New Product and Solution Awards Announced at ISC West

By Loss Prevention Media - March 29, 2022

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ACCESS & IDENTITY

RightCrowd Access Analytics

RightCrowd Access Analytics instantly identifies people with inappropriate access to security systems, buildings, facilities, and critical areas

March 24, 2022

Related To: RightCrowd



Picture: Selection Access Analytics coverage from various publications

The ISC West trade show was considered a success for new lead generation and account management, giving the RightCrowd team an opportunity to meet existing and prospective customers face-to-face for the first time in several years.

Product Campaigns: RightCrowd sees several new opportunities building for its solution set in particular leveraging recent interest for RightCrowd Access Analytics. The company has engaged an external US agency and is in the process of running / launching several campaigns including:

- **Access Chaos:** A campaign is being launched focusing on the prevalent challenges companies have in identifying issues in their management of physical access across their operations. RightCrowd Access Analytics is a highly efficient and fast to implement product to help organizations deal with Access Chaos.
- **SOCI Compliance:** In passing the Critical Infrastructure Act 2021, Australia joins other leading nations in implementing a regulatory regime to protect its critical infrastructure assets from cyber-attacks. RightCrowd Access Analytics is focused on supporting companies address these threats specific to their physical access controls.

Channels and Alliances: RightCrowd completed initial sales training with newly appointed US based reseller, Prime Secured, and RightCrowd will be attending two Prime Secured customer conferences in July 2022. RightCrowd has also recently been approached by one of the large multi-national security companies to produce several integrated solutions for presentation at their innovation showcase, planned for the next large physical security conference, GSX, held in Atlanta in September 2022.

Investor Updates: RightCrowd published its Investor Newsletter during the Quarter which can be accessed [here](#).

RightCrowd CEO and Managing Director, Peter Hill, said:

"Winning the new product award at the major US security trade show for RightCrowd Access Analytics has confirmed its uniqueness and need in the global security market. The US launch of the product at the end of March was a success and has generated a pleasing sales pipeline."

RightCrowd continues to see strong opportunity for its solutions across the global market during a long period of great disruption. The Quarterly results confirm that this market continues to change quickly, and that the Company has been adversely impacted in the short-term by a slow-down in the demand for contact tracing."

The continued market disruption and tapering of the pandemic are now generating more favourable conditions for RightCrowd. As people return to the office, and businesses plan for the challenging security demands of a hybrid workforce, we are seeing delayed projects preparing to start as well as bringing strong opportunities for our new award winning, RightCrowd Access Analytics and enquiries on the new use-cases for the Presence Control product."

Related Entities: Payments to related entities during the Quarter was \$0.1m which represented fees paid to the Board of Directors and Key Management Personnel (KMP) of RightCrowd.

Note to Market:

None of the information included in this announcement should be considered individually material, unless specifically stated. All figures in this announcement are provided on an unaudited basis.

This Company presentation may include certain statements, estimates or projections with respect to the anticipated future performance of the Company, the projects or both. Those statements, estimates or projections are based on assumptions about future events and management actions that may not necessarily take place and are subject to significant uncertainties, many of which are outside the control of the Company. Those assumptions may, or may not, prove correct. No representation is made as to the accuracy of those statements, estimates or projections.

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The release of this announcement was authorised by the Board of Directors.

Appendix 4C

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

Name of entity

RightCrowd Limited

ABN

20 108 411 427

Quarter ended ("current quarter")

31 March 2022

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	4,700	13,513
1.2 Payments for		
(a) research and development		
(b) product manufacturing and operating costs	(1,096)	(2,870)
(c) advertising and marketing	(306)	(579)
(d) leased assets	(189)	(475)
(e) staff costs	(4,170)	(12,812)
(f) administration and corporate costs	(423)	(2,097)
1.3 Dividends received (see note 3)		
1.4 Interest received	1	6
1.5 Interest and other costs of finance paid	(26)	(94)
1.6 Income taxes paid	(1)	(2)
1.7 Government grants and tax incentives	242	3,127
1.8 Other (provide details if material)		
1.9 Net cash from / (used in) operating activities	(1,267)	(2,283)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities		
(b) businesses		
(c) property, plant and equipment	(81)	(255)
(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		12
	(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	(81)	(243)

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	(64)	(548)
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	(64)	(548)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	8,229	9,872
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,267)	(2,283)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(81)	(243)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(64)	(548)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	82	101
4.6	Cash and cash equivalents at end of period	6,899	6,899

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	6,899	8,229
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)	6,899	8,229

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	(124)
6.2	Aggregate amount of payments to related parties and their associates included in item 2	
<i>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.</i>		

7.	Financing facilities <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>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	Loan facilities	222	222
7.2	Credit standby arrangements		
7.3	Other (please specify)		
7.4	Total financing facilities		
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.		
	Outstanding loan facilities at quarter end relate to the following: 1. Insurance premium funding – \$154k. The group has an annual arrangement whereby the total cost of all insurance premiums is funded through a financial institution. The interest rate on the facility is 1.89% per annum and the maturity date is 30 October 2022. The group intends to renew the facility upon expiry. 2. Payroll protection program loan – \$4k. The Payroll Protection loan was granted to the Group's U.S. based entities, the purpose of which was to provide assistance in meeting payroll obligations during the COVID-19 pandemic. The loan has an interest rate of 1% p.a. The Group has received forgiveness from the U.S. government for most of the amount lent. The residual balance has a 30-year repayment term. 3. Small Business Administration loan – \$64k. The SBA loan was taken out for the Group's U.S. operations to provide further assistance during the COVID 19 pandemic. The loan has a 30-year repayment term with interest at the rate of 3.75% per annum.		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(1,267)
8.2	Cash and cash equivalents at quarter end (item 4.6)	6,899
8.3	Unused finance facilities available at quarter end (item 7.5)	0
8.4	Total available funding (item 8.2 + item 8.3)	6,899
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	5.4
	<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?	
	N/A	

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?

N/A

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?

N/A

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.

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.

29 April 2022

Date:

Board of Directors

Authorised by:
(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.