



26 July 2022

## FY2022 revised guidance and commitment to cash flow breakeven

### *Q2 2022 Quarterly Activities Report*

**Nitro Software Limited (ASX: NTO) ('Nitro' or the 'Company')**, a global leader in document productivity and eSignature SaaS solutions for business, provides an update to the Company's FY2022 guidance, together with commentary on the Company's financial and operating performance alongside its Appendix 4C Quarterly Cash Flow Report for the quarter ended 30 June 2022.

### **FY2022 revised guidance**

Nitro's FY2022 revised guidance is summarised as follows:

	Revised guidance	Previous guidance <sup>1</sup>
	(US\$m)	(US\$m)
Ending Annual Recurring Revenue ( <b>ARR</b> )	57-60 (YoY Growth 24%-30%)	64-68 (YoY Growth 39%-47%)
Revenue	Unchanged	65-69 (YoY Growth 28%-36%)
Operating EBITDA <sup>2</sup> Loss	10-13	15-18
Cash flow breakeven <sup>3</sup>	2H 2023	Expects to move toward a cash flow breakeven profile in 2H 2023

<sup>1</sup> Last Company Guidance dated 29 April 2022.

<sup>2</sup> Operating EBITDA excludes stock-based charges, foreign exchange gains and losses, Connective integration costs, transaction costs and other non-recurring items.

<sup>3</sup> Refers to cash flows from 'operating activities' excluding Connective integration costs, transaction costs and other non-recurring items, less capital expenditure and AASB 16 lease repayment costs.

Nitro has responded to macroeconomic and market conditions by reducing its cost structure, increasing efficiencies throughout the business, protecting its strong cash position and accelerating its return to cash flow breakeven.

Nitro is in the process of implementing several cost savings and efficiency initiatives, including a restructure of the Company's Go-to-Market (**GTM**) sales and marketing functions, deferral of planned new hires in R&D and a reduction in general overhead costs. These changes are expected to deliver cash cost savings of approximately US\$5.0 million against the Company's 2H 2022 internal cost plan. Accordingly, there is expected to be a corresponding material improvement in the Company's FY2022 Operating EBITDA Loss, given no change to FY2022 revenue guidance.

Commenting on the Company's FY2022 revised guidance, Nitro Co-Founder and Chief Executive Officer Sam Chandler said:

*"Given the current environment, Nitro is carefully balancing its pursuit of ARR growth with extracting greater efficiencies from existing resources and protecting our strong cash position. We are also focused on accelerating our return to cash flow breakeven."*

*"While in the near term these operating strategies will lower Nitro's ARR growth, they will underpin a significantly reduced Operating EBITDA Loss in FY2022. With our revenue guidance unchanged, we firmly believe this is the correct financial profile for today's macroeconomic and market conditions."*

*"We are committed to generating positive cash flow for the second half of 2023. While there are currently many uncertainties in the world, Nitro has a multi-billion-dollar market opportunity that will play out over the years and decades ahead, and our confidence in the scale of that opportunity is unchanged."*

## Q2 2022 highlights<sup>4</sup>

- ARR at 30 June 2022 up 52% YoY to US\$51.5 million
- Cash receipts from customers up 43% to US\$16.2 million
- Strong financial position, with cash of US\$35.2 million at 30 June 2022 and no debt<sup>5</sup>.

Commenting on the Company's Q2 2022 performance, Mr Chandler said:

*"Nitro continued to grow ARR in Q2 2022, with strong ARR expansion sales and ongoing growth in new customer acquisition. In parallel, we continued to focus on the Connective integration to ensure the Company is best positioned to realise the full benefits of this transformative acquisition, with its market-leading high-trust, enterprise-grade eSigning, eID and workflow capabilities. We're very pleased with how quickly we have been able to integrate the Connective team into the Nitro organisation, and the strength of the cultural fit."*

## Performance in Q2 2022 and 1H 2022<sup>6</sup>

### Revenue and ARR growth

Nitro achieved unaudited revenues of US\$32.7 million in 1H 2022, up 36% compared to 1H 2021 (excluding Connective, up 22%).

Revenue growth in 1H 2022 was underpinned by momentum in subscription revenues, up 55%, compared to 1H 2021 (excluding Connective, up 39%). Both subscription revenue and perpetual, maintenance and support revenue exceeded Nitro's internal expectations over 1H 2022.

Nitro ended 1H 2022 with ARR of US\$51.5 million, up 52% compared to 30 June 2021 (excluding Connective, up 32%).

Added ARR during 1H 2022 was US\$5.3 million (including US\$0.6m for Connective), in line with 1H 2021.

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<sup>4</sup> Percentage changes expressed relative to 1H 2021 (YoY).

<sup>5</sup> Excluding AASB 16 right-of-use leased assets and corporate credit cards.

<sup>6</sup> Financial metrics provided are unaudited results for the quarter and half year ended 30 June 2022. Financial metrics provided include Connective, unless explicitly indicated otherwise.

Added ARR attributable to Expansion<sup>7</sup> sales in 1H 2022 was particularly strong, driven by continued high demand from Nitro's existing customer base. Nitro's market-leading customer service and product experience continues to power a very high Net Promoter Score (**NPS**), with customer service NPS at 70 and product NPS at over 50 for both the PDF and Sign products.

Nitro's customer retention rates remain strong, with very limited additional churn experienced across its customer base. Nitro recorded a Gross Retention Rate (**GRR**) of 94% and Net Retention Rate (**NRR**) of 113% for 1H 2022, which was broadly in line with 1H 2021.

Strong growth in Expansion ARR was offset, in part, by added ARR attributable to Flip<sup>8</sup> sales reducing significantly in 1H 2022 from 1H 2021, due to the effective completion of the conversion from maintenance and support licensing agreements to subscription contracts in Nitro's Business sales<sup>9</sup> channel in 2H 2021.

Added ARR from New<sup>10</sup> sales was below internal expectations as sales cycles lengthened and customers delayed purchases given the uncertain macroeconomic environment. Nitro's GTM restructure is anticipated to lower costs, improve performance and drive greater efficiencies in the Company's sales and marketing function.

Key customer wins in Q2 2022 included Festo, Thales, ABM, Time Warner Cable, Nestlé, Julius Baer, GE, Grant Thornton, UGL and Workcover Queensland.

### **Commentary to Appendix 4C Cash Flow Report**

Nitro recorded cash receipts from customers of US\$16.2 million in Q2 2022, a 43% increase over Q2 2021. Cash receipts from customers in 1H 2022 amounted to US\$33.2 million, up 43% compared to 1H 2021. Trailing 12-month cash receipts from customers at 30 June 2022 were US\$61.4 million, up 31% over the prior corresponding period. Increased cash receipts were primarily attributable to an increase in billings arising on multi-year subscription contracts to customers.

Net cash outflow from operating activities for Q2 2022 and 1H 2022 was US\$4.7 million and US\$9.5 million respectively. Excluding non-recurring integration and other one-time expenses,

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<sup>7</sup> Added ARR generated from existing customers, net of churn.

<sup>8</sup> Added ARR generated from the conversion of maintenance and support perpetual licensing agreements.

<sup>9</sup> Nitro Business sales comprise sales executed by Nitro's Sales team and exclude online/eCommerce sales.

<sup>10</sup> Added ARR generated from new customer sales.

the adjusted cash outflows from operating activities for Q2 2022 and 1H 2022 were US\$3.9 million and US\$7.2 million respectively.

These outflows primarily reflect Nitro's strategic investments in areas that will drive future growth, such as personnel, product development and scaling of the GTM engine. This investment underpinned a continued increase in SaaS subscription revenues, which increased to 72% of total revenues in 1H 2022, compared to 63% in 1H 2021.

Nitro has retained a strong financial position, with cash of US\$35.2 million at 30 June 2022 and no debt<sup>11</sup>.

## Connective

The Connective business continues to perform broadly in line with Nitro's internal expectations on a local currency (EUR) basis, with USD reported revenues increasingly being impacted by the weakness of the EUR.

Nitro completed the implementation of a new Company-wide organisational structure that integrated the Connective team. Nitro has fully integrated Connective's employees into its global team on a function-by-function basis to ensure strong collaboration, accelerate product integration and maximise cross-sell potential.

During 1H 2022, Nitro deployed US and Australian local cloud environments and specialist support teams to also enable the sale of Nitro Sign Premium (previously Connective) in specific high-trust customer use cases in those regions, typically in highly regulated industries and government, which require local data sovereignty.

Key sales enablement activities have also been completed in the first half, and following those, Nitro began creating a sales pipeline for cross-sell opportunities and closing new sales that contribute to Connective synergy goals. The cross-sell opportunity pipeline is well distributed across Nitro's global markets, serving as key proof points beyond Connective's core European markets.

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<sup>11</sup> Excluding AASB 16 right-of-use leased assets and corporate credit cards.

Notwithstanding the successful integration and growing sales pipeline, enabling Nitro's sales team to sell Connective's products has taken longer than expected and sales cycles have been slower than anticipated given the more cautionary macroeconomic environment. Accordingly, these factors are delaying the revenue flow-through of anticipated synergies. Nitro was previously forecasting ARR synergies attributable to Connective of US\$2.5 million by 31 December 2022. This target has now been lowered to US\$1.0M.

### **Investor briefing brought forward to 9:30am AEST today**

Further to the ASX Announcement of 11 July 2022, Sam Chandler (Co-Founder and CEO) will provide a briefing on the Company's Q2 FY2022 performance via a live webcast at 9:30am AEST today.

Anyone already registered can use the same link provided to them. If not yet registered, to attend the investor briefing, please pre-register here:

[https://us02web.zoom.us/webinar/register/WN\\_tajKC8NoQriiZ3Ub6eTZCA](https://us02web.zoom.us/webinar/register/WN_tajKC8NoQriiZ3Ub6eTZCA)

An archive of the webinar will be made available on Nitro's Investor Centre after the event.

## Annexure 1

### Use of Funds Statement (Listing Rule 4.7C.2)

US\$ millions	As per IPO prospectus	Actuals through 30 June 2022	Comments
Cash received by Nitro from the Offer to be used for the execution of the Company's business objectives (such as cost of sales, marketing spend, research and development, and general and administrative costs) and potential acquisition opportunities as outlined in the prospectus.	34.9	25.45	On track

The earmarked funds have not yet been spent but operating expenses and cash balances continue to track to plan as at 30 June 2022.

Included in section 6.1 of the Appendix 4C for the quarter ended 30 June 2022 are payments made to related parties of Nitro. These amounts relate to Directors' fees, salaries and allowances paid to Directors and their associates.

## Ends

Authorised for release to the ASX by the Board.

# ENQUIRIES

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# ABOUT NITRO

Nitro is a global leader in document productivity and eSigning, offering comprehensive SaaS solutions to support the acceleration of digital transformation, and driving better business outcomes for organizations around the world through fast and efficient digital workflows. Nitro's Productivity Platform includes powerful PDF productivity tools, highly secure eSigning and digital identity capabilities, and industry-leading analytics, all supported by a best-in-class customer success team. With more than 3 million licensed users and 13,000+ business customers across 157 countries, Nitro serves 67% of the Fortune 500, including many of the world's best-known companies at scale.

For more information on Nitro, please visit:

- Nitro: <https://www.gonitro.com>
- Connective: <https://connective.eu>
- PDFpen: <https://pdfpen.com/pdfpenpro/>
- Investors: <https://ir.gonitro.com/Investor-Centre/>

## 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. 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 guarantees of future performance and involve known and unknown risks, uncertainties, and other factors, many of which are beyond the control of Nitro. These factors may cause actual results to differ materially from those expressed in the statements contained in this announcement.

## Appendix 4C

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

**Name of entity**

NITRO SOFTWARE LIMITED

**ABN**

15 079 215 419

**Quarter ended ("current quarter")**

30 JUNE 2022

Consolidated statement of cash flows		Current quarter US\$'000	Year to date (6 months) US\$'000
<b>1.</b>	<b>Cash flows from operating activities</b>		
1.1	Receipts from customers	16,174	33,202
1.2	Payments for		
	(a) research and development	(1,343)	(2,502)
	(b) product manufacturing and operating costs	(1,745)	(4,078)
	(c) advertising and marketing	(1,619)	(2,935)
	(d) leased assets	(2)	(3)
	(e) staff costs	(11,692)	(23,807)
	(f) administration and corporate costs	(3,542)	(6,758)
1.3	Dividends received	-	-
1.4	Interest received	5	16
1.5	Interest and other costs of finance paid	(34)	(74)
1.6	Income taxes paid	(156)	(254)
1.7	Government grants and tax incentives	-	-
1.8	Other (Note 1)	(816)	(2,293)
<b>1.9</b>	<b>Net cash from / (used in) operating activities</b>	<b>(4,727)</b>	<b>(9,486)</b>
<b>2.</b>	<b>Cash flows from investing activities</b>		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	(214)	(329)
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter US\$'000	Year to date (6 months) US\$'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	1
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received	-	-
2.5	Other (provide details if material)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(214)</b>	<b>(328)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
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	64	190
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(3)	(839)
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 (Note 2)	(349)	(702)
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>(288)</b>	<b>(1,351)</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	42,069	48,198
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(4,727)	(9,486)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(214)	(328)

Consolidated statement of cash flows		Current quarter US\$'000	Year to date (6 months) US\$'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(288)	(1,351)
4.5	Effect of movement in exchange rates on cash held	(1,672)	(1,865)
4.6	<b>Cash and cash equivalents at end of period</b>	<b>35,168</b>	<b>35,168</b>

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 US\$'000	Previous quarter US\$'000
5.1	Bank balances	35,168	42,069
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details)		
5.5	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>35,168</b>	<b>42,069</b>

6.	Payments to related parties of the entity and their associates	Current quarter US\$'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	281
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>		

<b>7.</b>	<b>Financing facilities</b> <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>	<b>Total facility amount at quarter end US\$'000</b>	<b>Amount drawn at quarter end US\$'000</b>
7.1	Loan facilities		
7.2	Credit standby arrangements		
7.3	Other (specified below)	661	158
7.4	<b>Total financing facilities</b>	661	158
7.5	<b>Unused financing facilities available at quarter end</b>		503
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.		
	The financing facilities available to the Company relate to Corporate Credit Cards.		

<b>8.</b>	<b>Estimated cash available for future operating activities</b>	<b>US\$'000</b>
8.1	Net cash from / (used in) operating activities (item 1.9)	(4,727)
8.2	Cash and cash equivalents at quarter end (item 4.6)	35,168
8.3	Unused finance facilities available at quarter end (item 7.5)	503
8.4	Total available funding (item 8.2 + item 8.3)	35,671
8.5	<b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	7
	<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?  <div style="border: 1px solid black; padding: 5px; min-height: 20px;">Answer: N/A</div>	
	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?  <div style="border: 1px solid black; padding: 5px; min-height: 20px;">Answer: N/A</div>	
	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?  <div style="border: 1px solid black; padding: 5px; min-height: 20px;">Answer: N/A</div>	
	<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: 26 July 2022

Authorised by: The Board of Directors

### Notes

- 1 Represents cash costs connected to Connective acquisition implementation costs, transaction costs and other non-recurring items.
- 2 Represents lease repayments in relation to AASB 16 right-of-use lease assets.