

RightCrowd FY22 Q4 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 30 June 2022.

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

- Quarterly sales revenue of \$3.7m in Q4 FY22 was in line with prior Quarter (Q3 FY22: \$3.7m) but down 33% versus prior comparison period (Q4 FY21: \$5.5m). The reduction reflects a drop in demand for the Company's contact tracing and social distancing product, Presence Control, with the accelerated easing of COVID-19 restrictions across the globe.
- FY22 revenue (unaudited) was \$15.1m, broadly in line with prior year (FY21: \$15.2m). New sales and contracts for Workforce Management and Access Analytics solutions helped to offset a drop in new sales and contract renewals for Presence Control software solutions.
- Contracted Annual Recurring Revenue (ARR)¹ at 30 June 2022 closed at \$8.5m which has reduced by \$0.3m since the end of the last Quarter (FY22 Q3: \$8.8m) but is up \$0.4m on prior year (Q4 FY21: \$8.1m). The reduction on prior Quarter was driven by a drop in renewals for Presence Control products, which was partially offset by new customers added and contract renewal increases for Workforce Management and Access Analytics solutions. Workforce Management solutions generate \$6.8m of ARR (up 24% from \$5.5m at end of FY21)
- As of 30 June 2022, RightCrowd's cash and cash equivalent balance closed at \$4.7m, reducing from \$6.9m in the prior Quarter primarily driven by \$2.0m of quarterly operating cash outflows. The Company expects cash outflows to reduce over the next few quarters with customer and grant receipts expected to largely off-set operational expenses.
- Demand for RightCrowd Workforce Management solutions is building with strong pipeline addition during the Quarter and further upsell opportunities to existing global top-100 customers are at contract stage.
- RightCrowd launched a brand awareness campaign for RightCrowd solutions titled Access Chaos to generate new leads during the Quarter. Targeted campaigns to specific industry verticals are also being currently rolled out to continue recent pipeline build.
- Work continues with external advisors to identify appropriate capital sources to fund anticipated revenue growth in FY23 and to provide sufficient buffer to ongoing operations.
- Preparations are underway for RightCrowd to exhibit at the Global Security Exchange (GSX) exposition in Orlando, USA in September.

¹ ARR is measured as the total annualised value of active customer contracts for annual subscription, support, and maintenance services as at 30th of June 2022.

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Financial Commentary:

Sales Revenue: RightCrowd generated \$3.7m of revenue in Q4, a drop of 33% on the prior year corresponding period (Q4 FY22: \$5.5m) driven primarily by a reduction in demand for Presence Control solutions, which in the prior year were in high demand for meeting the contact tracing and social distancing use-cases related to the COVID-19 pandemic.

Although progress in establishing channel distribution partnerships continues to be made, there is still further work to complete to strengthen current and new partners' ability to sell RightCrowd solutions. As part of the Company's efforts to build partnerships, RightCrowd is pleased to be supporting Johnson Controls at the upcoming GSX conference in the JCI Innovation Lab to showcase integrated Presence Control software solutions. This partnership is likely to provide access to many thousands of potential customers. RightCrowd expects that the revenue uplift from effective channel distribution will largely now begin to be visible in FY23 financial results.

Marketing efforts continue to focus on the Company's Access Chaos campaign which has been picked up by several industry publications including Securityinfowatch.com and Security Journal Americas.

<https://www.securityinfowatch.com/access-identity/access-control/article/21270430/how-to-define-and-overcome-access-chaos>



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. RightCrowd also expects companies to need support in managing potential economic slowdowns which may bring with it loss of staff and a resultant increased physical security challenges and associated access risks.

Total unaudited sales revenue for FY22 was \$15.1m, largely in line with prior year and at the lower end of the \$15m to \$16m range communicated by the Company in April with some key new enterprise license deals slipping from FY22 into a projected early FY23 close. Although the contract pipeline remains strong, 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.

Annual Recurring Revenues (ARR): Annual Recurring Revenue has reduced to \$8.5m at the end of the Quarter, down from \$8.8m reported at the end of Q3 FY22. Most of this reduction is pandemic related due to customers not renewing their Presence Control subscription contracts as contract tracing restrictions ease. Workforce Management solutions now generate \$6.8m of ARR (up 24% from \$5.5m at end of FY21), while presence control reduced to \$1.7m of ARR (down 35% from \$2.6m at end of FY21).

FY22 customer churn (as measured by ARR) moved up as a result of the changed market conditions for Presence Control solutions to 21.5%. The majority of the churn relates to customers either not renewing or placing subscriptions for contact tracing related Presence Control solutions on hold as the pandemic subsides. Churn across the Workforce Management portfolio continues to remain very low at 1.1% for FY22, while Access Analytics is in an early growth phase.

The Company has set ARR growth as its primary focus and is forecasting ARR to resume its strong growth in FY23.

Cash Position: RightCrowd closed the Quarter with a cash & cash equivalent balance of \$4.7m, a reduction of \$2.0m from prior Quarter (FY22 Q3: \$6.9m) which was driven primarily by operating cash outflows.

Operating cash outflows in the Quarter were driven by a shortfall between receipts from customers and ongoing expenditure on staff and administration / corporate costs. During the Quarter, the Company reclassified some of its product manufacturing and operating costs to be recorded as administration and corporate costs to reflect the underlying nature of these cashflows. This resulted in annual product manufacturing and operating cash outflows totaling \$1.8m which represents the expenditure directly related to building inventory during the period. With the current slow-down in demand for Presence Control solutions, this cash outflow for product manufacturing is forecast to be minimal over the next few Quarters as the company now has sufficient inventory by which to meet forecast sales.

RightCrowd is well positioned to submit its annual R&D tax claim earlier than previous years, which is likely to bring forward receipt of those funds to earlier in FY23 compared to when funds were received in FY22. The estimated receipt for R&D activities completed in FY22 is forecast to be approximately \$2.8m.

The Company has completed some restructuring and cost-cutting initiatives to ensure that the FY23 expenditure will remain below FY22 expenditure, without impacting its growth aspirations. Structural changes have included streamlining the executive management of the Company with Brian McIlravey now taking responsibility for all of customer operations including sales and marketing, Bart Vasevenant assuming the Chief Product Officer role and overseeing the combined product and engineering divisions, and James Stewart continuing as Company CFO and maintaining responsibility for all the Company's corporate functions.

The Company is also working with its external advisors to identify appropriate sources of capital to fund its continued growth.

Business Update:

RightCrowd Workforce Management: Work continues generating new sales and servicing RightCrowd's enterprise customers. The Company has been encouraged by the demand from our customers for extending their current rollouts which are generating extensions to current engagements.

Pipeline build continues to be strong as the Company receives requests from companies to safely manage the return of their workforces to the workplace. RightCrowd has developed a number of specific marketing campaigns which are being rolled out that is driving particular interest in solutions for Visitor and Workforce Management.

Two new customers were added during the Quarter with a resources company and utility based in Australia selecting RightCrowd products. The company also expanded subscription agreements with one of its major US enterprise customers during the Quarter.

RightCrowd Presence Control: Although there has been a slow-down in revenue generation over the last two Quarters, Presence Control badge-holder unit sales continue with 1,155 units sold during Q4, mostly to existing customers who are extending their use of the solution. Current Quarter sales were down from the 3,106 units sold in Q3, and 7,557 units sold in the prior corresponding period of Q4 FY21.

This trend is expected to continue in the short-term given the swiftly growing relaxation of COVID19 measures globally, however the Presence Control solution has developed a broader set of security use-cases required by customers including evacuation management. RightCrowd will also be releasing visitor tethering as a new use case for Presence Control which is expected to generate growth for the Company in FY23. A total of 18,720 badge holder units have been sold during FY22.

No new customers were added during the Quarter.

RightCrowd Access Analytics: The Company continues to focus on Access Analytics as a critical tool for customers to manage and identify gaps in and across their access control systems.

RightCrowd Access Analytics added two new customers during the Quarter, both in the Australian market. RightCrowd also went live with the solution at a global mining company during the Quarter.

RightCrowd CEO and Managing Director, Peter Hill, said:

"Q4 brings an end to a challenging year for RightCrowd. Expectations for overall continued growth did not materialize with difficult market conditions in the second half of the year for pandemic related

sales of our Presence Control solution, impacting our full-year results. We have also been navigating a number of delays in new sales of large Workforce Management projects and the completion of a number of project deployments.

That being said, as much as we see the pandemic related slow-down in Presence Control sales, we are seeing a material increase in opportunities for our large Workforce Management solution and growing activity in our recently launched Access Analytics product. Our sales pipeline has continued to grow, with new projects expecting to be won this half, along with several major customers increasing their use of the RightCrowd platform and commercial engagement.

Deploying over 45,000 Presence Control badgeholders at major enterprise sites throughout the pandemic has enabled RightCrowd to prove this new technology platform in real commercial environments at scale. It also provided the company valuable end-user feedback to innovate and release an improved second generation badgeholder. This experience now provides RightCrowd with the opportunity to work closely with several partners on the wider commercialisation of the Presence Control platform focusing on the core security use cases of visual authorization, evacuation management, presence reporting and visitor tethering.

We also expect to resume revenue growth in FY23 with a particular focus on continued healthy growth in Annual Recurring Revenue (ARR) as we focus on achieving a cashflow breakeven state as quickly as possible.”

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")

30 June 2022

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	3,461	16,974
1.2 Payments for		
(a) research and development		
(b) product manufacturing and operating costs	1,030	(1,839)
(c) advertising and marketing	(205)	(784)
(d) leased assets	(225)	(700)
(e) staff costs	(4,666)	(17,477)
(f) administration and corporate costs	(1,427)	(3,525)
1.3 Dividends received (see note 3)		
1.4 Interest received	2	8
1.5 Interest and other costs of finance paid	27	(67)
1.6 Income taxes paid	(2)	(4)
1.7 Government grants and tax incentives	(31)	3,095
1.8 Other (provide details if material)		
1.9 Net cash from / (used in) operating activities	(2,036)	(4,319)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities		
(b) businesses		
(c) property, plant and equipment	64	(190)
(d) investments		
(e) intellectual property		
(f) other non-current assets		

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities		
	(b) businesses		
	(c) property, plant and equipment	0	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	64	(178)

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	(94)	(642)
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	(94)	(642)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	6,899	9,872
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,036)	(4,319)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	64	(178)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(94)	(642)

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

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	(150)	(49)
4.6	Cash and cash equivalents at end of period	4,684	4,684

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	4,684	6,899
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)	4,684	6,899

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	

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.

7. Financing facilities <i>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.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities	129	129
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.		
<p>Outstanding loan facilities at quarter end relate to the following:</p> <p>1. Insurance premium funding – \$62k. 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.</p> <p>2. Small Business Administration loan – \$67k. 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.</p>		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(2,036)
8.2 Cash and cash equivalents at quarter end (item 4.6)	4,684
8.3 Unused finance facilities available at quarter end (item 7.5)	0
8.4 Total available funding (item 8.2 + item 8.3)	4,684
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	2.3
<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 July 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.

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