



ASX Announcement

26th October 2022

Damstra Technology

(ASX: DTC)

Q1 FY23 Quarterly Report and Appendix 4C

Damstra Holdings Limited (ASX:DTC) (**Damstra** or the **Company**), the Company who protects and connects your world via its Enterprise Protection Platform (**EPP**), provides an update on the company's operations for the first quarter of FY23 ended 30 September 2022 (**Quarter** or **Q1**).

Highlights

- Revenue of \$7.4m growth at 25%¹ vs. pcg;
- Positive EBITDA² with EBITDA margin %'s now growing towards double digits;
- Positive operating cashflow of \$0.3m vs pcg of negative (\$1.7m);
- Cost optimisation target of \$8m with end of September 22 run rate achieved of \$6.1m (76%);
- Go live for Barrick Gold scheduled for 7th November, covering ~18,000 users over three distinct geographic regions; Nevada in the United States, Republic of Congo in West Africa, and the Dominican Republic in the Caribbean.

Commenting on the results, Chief Executive Officer, Christian Damstra, said:

"Q1 FY23 has been a pleasing start to the financial year, showing continued growth in the business while structurally lowering our cost base. Our targeted improvement in cash burn profile is tracking as planned and we have total confidence we will, at a minimum, reach our \$8m cost out target".

"It is important to highlight the structural improvement in our cashflow which can be best demonstrated by free cash outflows being \$1.8m for the quarter compared to the average quarterly outflow of \$3.4m in FY22, which is a 47% improvement".

"This demonstrates that we have structurally lowered our cost base when coupled with increasing revenue, reinforcing our target of becoming free cash positive in second half of FY23. In addition, our Q1 EBITDA was positive, with EBITDA margin %'s approaching double digits, which demonstrates the business has now returned to profitability".

"From a client perspective the single largest activity during the quarter has been the implementation of Barrick Gold, with whom we previously signed a three-year Global master services agreement³. With successful implementation milestones achieved "go live" now is confirmed for early November. We will be going live in three different countries covering some ~18,000 workers, at the Nevada Gold Mine in Carlin, USA, Kibali Mine in the Republic of Congo, and Pueblo Viejo Mine in the Dominican Republic. Successful execution of this project is a significant milestone in the underpinning and execution of our international strategy".

¹ Excludes Newmont (Q1 FY23 \$nil, Q1 FY22 \$0.4m)

² EBITDA before share based payments and restructuring and other costs.

³ See ASX announcement dated 2 May 2022 'Damstra Signs Global Master Services Agreement with Barrick Gold' for further details.



Cash flow and Costs

One of our key priorities is delivering cost savings of \$8m while not impacting future revenue growth. During the course of FY22 we increased our cost optimisation target from \$5m to \$8m, with key features as follows:

- The starting cost base assumption was the cost base as at February 2022;
- At the end of September 2022, we had delivered 76% of the cost savings target (\$6.1m annualised);
- We are projecting to hit full run rate at end of December 2022 (\$8.0m annualised);
- Cost savings are inclusive of staff salary increases in FY23.

The cost savings achieved so far are now clearly being reflected in our financial results via lower cash burn and the movement to a positive EBITDA position.

In addition to the benefits of a lower, more efficient cost base, increasing revenue will provide a leverage benefit with costs not increasing in proportion to revenue growth. With this platform in place, increases in revenue and corresponding gross margin, will be reflected in EBITDA and operating cashflow.

In Q1 FY23, our free cash outflow⁴ was \$1.8m, a \$1.6m or 47% improvement on the average \$3.4m in Q1-4 FY22. Including a large cash receipt that was due in Q1 but was received in first week of October, Q1 free cash outflows would have been \$1.4m. This demonstrates a material and structural improvement compared to FY22.

Building on our Q1 results with increasing revenue, and with the expected delivery of the remaining \$1.9m of annualised cost savings in Q2, we remain on track to becoming free cash positive in second half of FY23. Positive cashflows will allow further reinvestment in driving future revenue.

Cash on hand at the end of September 2022 was \$8.0m, with a further \$5m in funds from the Company's credit facility currently undrawn.

Client Activity

Our products are now used in more than 20 countries globally and are now available in 15 different languages showing the globalisation of business and modules. International revenue was 13% of total revenue in FY22, this % will increase in FY23 due to the implementation of new North American clients wins. Earnings in USD will also increase, to the benefit of Damstra, as international growth accelerates.

Q1 client activity has focussed predominantly on the successful global implementation of North American clients as this will demonstrate to other prospective clients our ability and capability to operate and implement large scale deployments on multiple continents.

In May 2022, we signed a three-year master services agreement covering Barrick Gold's global operations, with an initial contract value of at least USD\$1.2m. Barrick is one of the world's largest gold and copper mining companies with operations in 13 countries, across 26 mine sites.

- Implementation has been in progress for some months and "go live" has been confirmed for three of Barrick's largest mining sites: Nevada Gold Mine in Carlin, USA; Kibali Mine in the Republic of Congo; and Pueblo Viejo Mine in the Dominican Republic;
- Go live will cover some 18,000 workers;
- We are currently in discussions with Barrick for future rollouts at additional locations and potential expanded scope. We will advise the markets accordingly once these arrangements are formalised.

⁴ Free cashflow includes operating, investing, and financing activities but excludes acquisitions, drawdown/repayment of debt, other funding transactions and one-off restructuring costs (Q1FY23 \$0.2m).



The implementation of North America clients validates the Company's significant investment in international growth and the product positioning of the Enterprise Protection Platform (**EPP**) which has evolved over the last 24 months. These clients have pushed our product design to reach a higher level of functionality than expected, which will benefit both us and our clients going forward. It reinforces the effectiveness of the strategy of offering single or multiple integrated models under the EPP to address particular client's needs.

In ANZ, in the construction vertical we continue to see a growing pipeline of opportunities leveraging off present client projects and ongoing implementation of new projects, such as the Victorian North East Link project, and the Western Sydney Airport motorway.

Another growing adjacent vertical into which Damstra is pivoting is facilities management and commercial real estate services. CBRE, one of the world's largest commercial real estate services and investment firms, global implementation with Macquarie Bank is progressing with revenue now being generated. We are in discussions with CBRE to expand this relationship.

Quarterly Performance

Damstra achieved revenue of \$7.4m, up 25% on pcp. If prior period revenue from Newmont was included growth would have been 17%. Newmont PCP revenue will cycle off at the end of Q2 FY23. Revenue was supported by strong growth in our Australian construction verticals, and contribution from our new North America clients.

Metric	Q1 FY23	Q4 FY22	Q1 FY22 (PCP)	Variance (to Last Quarter)	Variance (to PCP)
Net Client retention %	104%	108%	100%	(4.0%)	4.0%
Client churn	2.6%	2.0%	< 1%	(0.6%)	>(1.6%)
Free cash outflow ⁵	\$1.8m	\$1.6m	\$3.1m	(\$0.2m)	\$1.3m

(note: above client metrics exclude Newmont.)

- Net client retention of 104% (Q1 FY22: 100%) reflecting the growth of existing clients;
- Client churn of 2.6% (Q1 FY22: 0.6%). While an increase, this remains a low churn outcome (revenue impact <\$0.2m) and demonstrates the relative "stickiness" of clients once acquired.

At the end of Q1, ARR stood at \$28.4m, a reduction from June 22 predominantly due to the churn of smaller customers.

⁵ Free cashflow includes operating, investing, and financing activities but excludes acquisitions, drawdown/repayment of debt, other funding transactions and one-off restructuring costs (Q1FY23 \$0.2m).



Outlook

The Company's guidance for FY23 provided on the 25th August 2022 remains unchanged. The assumptions to our guidance were provided in the investor presentation dated 25 August 2022.

FY23 Guidance	
Revenue	\$32m - \$34m
EBITDA Margin	14% – 18%
Free Cash Flow	(\$2.5m) – (\$0.5m)

As at 24 October 2022, the Damstra share price was \$0.14 which gives a market capitalisation of \$36.1m⁶. This translates to 1.1x revenue multiple based in mid-point of FY23 revenue guidance of \$33m.

Payments to related parties of the entity and their associates

Included in section 6.1 of the Appendix 4C for the quarter ended 30 September 2022 payments of \$274,000 were made to related parties of Damstra. These amounts relate to Directors' fees, salaries, and allowances paid to Directors and their associates.

Annual General Meeting (AGM) Investor Conference Call

Damstra Holdings Limited (ASX:DTC) will hold its next Annual General Meeting (AGM) on Wednesday, 30 November 2022 at 10.00am (Melbourne time). Further details of the meeting will be advised on the Notice of Meeting which will be made available shortly.

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

Ends

Enquiries

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⁶ Based on 257,696,388 shares on issue.



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.



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 2022

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 (incl GST)	8,641	8,641
1.2 Payments (incl GST) for		
(a) research and development		
(b) product manufacturing and operating costs	(2,755)	(2,755)
(c) advertising and marketing	(86)	(86)
(d) leased assets		
(e) staff costs	(3,037)	(3,037)
(f) administration and corporate costs	(2,262)	(2,262)
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		
1.8 Other (Restructuring costs – staff redundancies & leave payments)	(224)	(224)
1.9 Net cash from / (used in) operating activities	277	277
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities		
(b) businesses		



Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
	(c) property, plant and equipment	(295)	(295)
	(d) investments		
	(e) intellectual property	(1,514)	(1,514)
	(f) other non-current assets		
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	(1,809)	(1,809)

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	(59)	(59)
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 	- (208) 36 (340)	- (208) 36 (340)
3.10	Net cash from / (used in) financing activities	(571)	(571)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	10,095	10,095
4.2	Net cash from / (used in) operating activities (item 1.9 above)	277	277
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,809)	(1,809)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(571)	571
4.5	Effect of movement in exchange rates on cash held		
4.6	Cash and cash equivalents at end of period	7,992	7,992

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	7,992	7,992
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)	7,992	7,992



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

\$274

6.1 above is comprised of director fees and expenses paid to 6 directors for the period 1 July – 30 September 2022

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.

- 7.1 Loan facilities
- 7.2 Credit standby arrangements
- 7.3 Other (please specify)
- Merchant prepayment
 - Insurance funding
 - Asset finance
 - Bank guarantees

7.4 Total financing facilities

Total facility
amounts at quarter
end
\$A'000

Amount drawn at
quarter end
\$A'000

15,000

10,000

370

370

15,370

10,370

7.5 Unused financing facilities available at quarter end

5,000

- 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.

- \$15m Revolving Loan Note Facility with interest only repayments ("Loan Facility")



8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (Item 1.9)	277
8.2	Cash and cash equivalents at quarter end (Item 4.6)	7,992
8.3	Unused finance facilities available at quarter end (Item 7.5)	5,000
8.4	Total available funding (Item 8.2 + Item 8.3)	12,992
8.5	Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	46

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.

On behalf of the Board

Sign here:



(Director)

Date: 26 October 2022

Print name: Johannes Risseeuw



DAMSTRA
CONNECT + PROTECT YOUR WORLD

Suite 3, L3, 299 Toorak Road, South Yarra VIC 3141

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 – e.g., 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

