

## RightCrowd FY23 Q1 Quarterly Activities Report, Business Update and Appendix 4C

RightCrowd Limited ("RightCrowd" or the "Company") is a leading global developer of physical security, safety, and compliance software. The Company 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 September 2022.

### Summary: *(All figures are expressed in AUD unless stated otherwise)*

- New enterprise contracts signed during the Quarter have increased contracted Annual Recurring Revenue (ARR)<sup>1</sup> on 30 September 2022 by 32% to \$11.2m.
- RightCrowd continues to build a strong pipeline and announces a new partnership with Microsoft to provide solutions to support Microsoft's vision for hybrid work and the Connected Workplace.
- The Company has been reorganised to support the anticipated resumption of revenue growth in FY23. This plan also reduces the overall cost base by more than 10% on the prior year, resulting in an acceleration along the path toward break-even.
- RightCrowd is working with external advisors to secure further sources of funding to support revenue growth activities and to provide sufficient buffer for ongoing operations.

### Strategic Direction:

The Company has recently completed a strategic review to evaluate and respond to the changed market conditions introduced by the COVID-19 pandemic. RightCrowd is now experiencing higher engagement levels with customers and prospects as they encourage people back to the workplace and deal with an increase in what RightCrowd refers to as "Access Chaos", due to years of pandemic-related changes to their businesses.

The outcome of the review is that RightCrowd is anticipating a return to revenue growth in FY23. To support this growth, the Company has been reorganised and refocused to align with the changed revenue-generating opportunities that have recommenced from the fading pandemic, whilst also reducing the overall cost base to provide a shorter path to cashflow breakeven.

The Company's focus has shifted back to its primary growth engine (which stagnated during the pandemic) of large enterprise Workforce Management sales, the commercialisation of the Cyber-Physical product, RightCrowd Access Analytics, and a decrease in spending on Presence Control engineering, as this product has been proven in the Contact Tracing market and now has the features added to support sales into the wider security use cases over the longer term.

For RightCrowd, the pandemic created significant turbulence as most major enterprise customers and prospects found their workforce absent from the workplace. This contributed to the delayed sale of new, and deployments of existing large projects in the Company's primary revenue generation area of Workforce Management. It also resulted in a long delay in the commercial launch of the Cyber-Physical product, RightCrowd Access Analytics, as technical resources from this team were required to support the rapid growth of RightCrowd's Presence Control solutions which related to COVID-19 contact tracing within the enterprise.

The revised strategic plan arising from the review narrows RightCrowd's focus to support the resumption of growth in the Workforce Management platform for very large existing enterprise customers who have been

<sup>1</sup> ARR is measured as the total annualised value of active customer contracts for annual subscription, support, and maintenance services.

increasing their engagements with RightCrowd and new projects which are expected to commence over the next 2 Quarters.

The Presence Control product was proven technically and commercially during the pandemic and with the development of several new security-related functions over the last 9 months, this product now has the feature set required to cover expected customer requirements in the security market. Engineering costs related to this platform have now been reduced considerably with the majority of the Presence Control engineering capability now reassigned to revenue-related activities being generated in several large Workforce Management projects in Europe.

The review of the Cyber-Physical product, RightCrowd Access Analytics has identified a mass market opportunity in both cyber and physical markets. This product is a result of 18 years of experience managing the provisioning and deprovisioning of people's "access rights" in physical security systems for a number of very sophisticated, global organisations. This experience has enabled RightCrowd to marry its physical and cyber-related skills to develop a patented, cloud solution, that provides a new, simple way to map identities across all systems. It also helps clean the "access rights" across all systems daily, enabling companies to have total visibility very quickly, of "who has access to what" and ensure they are "audit ready" at any time. The RightCrowd Access Analytics team, which has been fully reestablished after secondments to Presence Control during the pandemic, is focused on accelerating sales and a growing number of deployments.

### **Financial Commentary:**

**Annual Recurring Revenues (ARR):** Annual Recurring Revenue increased by 32% to \$11.2m at the end of the Quarter, up from \$8.5m reported at the end of Q4 FY22 which was driven by the addition of two new enterprise contracts. Workforce Management solutions generate \$9.8m of ARR (up 45% from \$6.8m at the end of FY22), while Presence Control deployments relating to COVID-19 Contact Tracing reduced to \$1.2m of ARR (down 30% from \$1.7m at end of FY22). The remaining ARR balance of \$0.2m relates to the Access Analytics product, which currently has 4 customers and is growing.

FY23 customer churn to date is 3.7% (as measured by ARR) which was mostly driven by Presence Control customers choosing not to renew their contact tracing solution contracts as the pandemic subsides. Churn across the Workforce Management portfolio continues to remain very low at less than 1% for FY23, while Access Analytics has no churn given that it remains in an early growth phase.

RightCrowd continues to receive requests from its existing customer base to help support extending the RightCrowd solution. The Company forecasts to continue strong ARR growth during FY23 driven by sales to existing and new customers.

**Sales Revenue:** RightCrowd generated \$3.1m of revenue in Q1, a drop of 13% on the prior year corresponding period (Q1 FY22: \$3.6m). The drop was 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.

The Company has increased its marketing efforts during the Quarter which included exhibiting at the GSX industry event at Atlanta in September. The Company received very strong publicity and interest at the event and partnered with Johnson Controls (JCI) to showcase integrated Presence Control use cases as part of JCI's Innovation laboratory. The Company continues to generate a lot of interest through its Access Chaos campaign resulting in strong lead generation during the Quarter.



**Picture:** RightCrowd at GSX 2022 event in Atlanta

**Cost Reductions:** As a result of the strategic review, the Company is reducing its cost base to accelerate its path to P&L and cashflow break-even. The plan is based upon a focused go-to-market enterprise sales approach and improved efficiencies in operations and project delivery. The plan is forecast to reduce the overall cost-base by more than 10% YoY without impact on revenue growth targets.

**Cash Position:** RightCrowd closed the period with a cash & cash equivalent balance of \$2.0m, reducing by \$2.7m since prior Quarter (FY22 Q4: \$4.7m).

Operating cash outflows in the Quarter were driven by a shortfall between receipts from customers and ongoing expenditure on staff, marketing, and administration costs. Customer receipts were weaker than expected at \$2.6m (FY22 Q1: \$4.5m) which was a result of limited new sales completed in prior Quarters. New sales began to pick-up towards the end of the period with associated cashflows projected to come through in Q2. Accounts receivable was \$5.9m at the end of the Quarter (FY22 Q4: \$4.6m).

RightCrowd has submitted its annual R&D tax claim and anticipates receipt of these funds during Q2. The estimated receipt for R&D activities completed during FY22 is forecast to be \$2.8m.

### **Business Update:**

**RightCrowd Workforce Management:** Work continues generating new sales and servicing RightCrowd's enterprise customers. The Company is very pleased to report that it has signed two major contracts during the Quarter. These contracts include the addition of a major global mining company to deliver the Workforce Management product to its Australian operations, and an extension of the Workforce Management solution at one of the Company's major US customers, a global fortune 50 company.

Pipeline continues to be strong as the Company receives requests from companies to safely manage the return of their workforces to the workplace. The Company has several new enterprise customers at contract stage and expects to be able to announce these as new customers during the next Quarter.

The Company is excited to announce that it has partnered with Microsoft as part of its Connected Workplace Ecosystem to help shape the future of hybrid work. This partnership will explore offering solutions to help modernize physical space with updated technology and providing valuable insights.

Microsoft released this statement in relation to the RightCrowd partnership.

"Delivering the promise of hybrid work requires collaboration across the Connected Workplace category," said Lars Johnson, Senior Director, Microsoft Teams and Connected Workplace. "With our Connected Workplace partner ecosystem that includes industry leaders like RightCrowd we are excited to help solve the changing workplace needs of our customers and transform spaces into places where colleagues can connect."

For more information, please access the Microsoft announcement here:

<https://www.microsoft.com/en-us/microsoft-365/blog/2022/10/12/introducing-microsoft-places-turn-your-spaces-into-places/>

**RightCrowd Presence Control:** The Company was pleased to report new sales at the end of the Quarter for a total of 800 badgeholders. This result was down slightly from prior quarter (FY22 Q4: 1,155 badgeholders).

The Company continues to focus on extended use-cases for Presence Control leveraging the success it has had with meeting contract tracing requirements during COVID which proved that the Company was able to quickly sell highly scalable SaaS licenses with fast deployments to meet customer requirements. The Company will continue to run selective marketing campaigns to help identify new opportunities and recent campaigns have generated good leads at large customers for visitor tethering, evacuation management and general security-related, presence control opportunities.

With new functionality now released within the Presence Control product, the Company will continue to work towards new sales and will make reductions to its existing Presence Control cost base to be cost-neutral in the interim. The cost reduction is being achieved by reallocating technical resources to revenue-related activities which will support several large Workforce Management projects in Europe.

One new customer was 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 and other key systems.

RightCrowd Access Analytics built a strong pipeline during the Quarter with a large number of new leads generated through a variety of marketing campaigns. The Company expects to execute sales contracts with a number of these new leads in the coming months.



**RightCrowd CEO and Managing Director, Peter Hill, said:**

“The Company is very pleased to report its 32% increase in ARR over the Quarter to over \$11m. This result demonstrates the Company’s ability to accelerate revenue growth given the right market conditions. The Company believes current market conditions are favourable for Workforce Management and Access Analytics and is busily working through more opportunities at the final contract stage.

We are also very excited to partner with Microsoft to help deliver the tools necessary to help organizations make it easier to manage the unique challenges associated with hybrid work arrangements. As more companies adopt a hybrid work model, they are forced to reconsider how they engage with workers in the office, and the flexibility of working where they want. RightCrowd is optimizing workspaces with solutions for hybrid working and workplace access, without compromising on safety, security and compliance.

Our strategic review has clearly identified opportunities to accelerate growth by narrowing our focus on our core software platform, Workforce Management, and also the rapidly emerging Cyber-Physical product, RightCrowd Access Analytics. The plan will also deliver cost savings to the Company which will support a faster path toward breakeven.

The challenge for the Company is its current cash position and the high operating cash net outflows due to customer churn on the COVID-19 related Presence Control portfolio and delayed customer receipts due to longer timelines to finalise new sales and achieve project delivery milestones across the broader portfolio. The Company is working hard to address these challenges. The Company expects an improved cash position in the next Quarter from net cash inflows generated by the recently executed new sales deals and completion of project milestones.

The Company recognises that it may need some additional funding sources to support working capital as new customers come on-line and is closely working with its advisors to consider its options.”

**Related Entities:** Payments to related entities during the Quarter were \$0.1m which represented fees paid to the Board of Directors of RightCrowd.

**Annual General Meeting (AGM):** The Company will hold its AGM on 15 November at 11am (AEST). Further information can be accessed [here](#).

**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 September 2022

| <b>Consolidated statement of cash flows</b>               | <b>Current quarter<br/>\$A'000</b> | <b>Year to date (12<br/>months)<br/>\$A'000</b> |
|---|------------------------------------|---|
| <b>1. Cash flows from operating activities</b>            |                                    |   |
| 1.1 Receipts from customers                               | 2,632                              | 2,632   |
| 1.2 Payments for  |                                    |   |
| (a) research and development                              |                                    |   |
| (b) product manufacturing and operating costs             | (133)                              | (133)   |
| (c) advertising and marketing                             | (326)                              | (326)   |
| (d) leased assets   | (182)                              | (182)   |
| (e) staff costs   | (4,082)                            | (4,082)   |
| (f) administration and corporate costs                    | (761)                              | (761)   |
| 1.3 Dividends received (see note 3)                       |                                    |   |
| 1.4 Interest received                                     | 3                                  | 3   |
| 1.5 Interest and other costs of finance paid              | (5)                                | (5)   |
| 1.6 Income taxes paid                                     | (0)                                | (0)   |
| 1.7 Government grants and tax incentives                  | 236                                | 236   |
| 1.8 Other (provide details if material)                   |                                    |   |
| <b>1.9 Net cash from / (used in) operating activities</b> | <b>(2,618)</b>                     | <b>(2,618)</b>                                  |
| <b>2. Cash flows from investing activities</b>            |                                    |   |
| 2.1 Payments to acquire or for:                           |                                    |   |
| (a) entities  |                                    |   |
| (b) businesses  |                                    |   |
| (c) property, plant and equipment                         | (19)                               | (19)  |
| (d) investments   |                                    |   |
| (e) intellectual property                                 |                                    |   |
| (f) other non-current assets                              |                                    |   |

| Consolidated statement of cash flows |   | Current quarter<br>\$A'000 | Year to date (12 months)<br>\$A'000 |
|--------------------------------------|---|----------------------------|-------------------------------------|
| 2.2                                  | Proceeds from disposal of:                            |                            |                                     |
|                                      | (a) entities  |                            |                                     |
|                                      | (b) businesses  |                            |                                     |
|                                      | (c) property, plant and equipment                     |                            |                                     |
|                                      | (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)                   |                            |                                     |
| <b>2.6</b>                           | <b>Net cash from / (used in) investing activities</b> | <b>(19)</b>                | <b>(19)</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   |             |             |
| 3.4         | Transaction costs related to issues of equity securities or convertible debt securities |             |             |
| 3.5         | Proceeds from borrowings  |             |             |
| 3.6         | Repayment of borrowings   | (62)        | (62)        |
| 3.7         | Transaction costs related to loans and borrowings                                       |             |             |
| 3.8         | Dividends paid  |             |             |
| 3.9         | Other (provide details if material)   |             |             |
| <b>3.10</b> | <b>Net cash from / (used in) financing activities</b>                                   | <b>(62)</b> | <b>(62)</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                             | 4,645   | 4,645   |
| 4.2       | Net cash from / (used in) operating activities (item 1.9 above)              | (2,618) | (2,618) |
| 4.3       | Net cash from / (used in) investing activities (item 2.6 above)              | (19)    | (19)    |



| Consolidated statement of cash flows |  | Current quarter<br>\$A'000 | Year to date (12 months)<br>\$A'000 |
|--------------------------------------|--|----------------------------|-------------------------------------|
| 4.4                                  | Net cash from / (used in) financing activities (item 3.10 above) | (62)                       | (62)                                |
| 4.5                                  | Effect of movement in exchange rates on cash held                | 44                         | 44                                  |
| 4.6                                  | <b>Cash and cash equivalents at end of period</b>                | <b>1,990</b>               | <b>1,990</b>                        |

| 5.  | Reconciliation of cash and cash equivalents<br>at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts | Current quarter<br>\$A'000 | Previous quarter<br>\$A'000 |
|-----|--|----------------------------|-----------------------------|
| 5.1 | Bank balances  | 1,990                      | 1,990                       |
| 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>1,990</b>               | <b>1,990</b>                |

| 6.  | Payments to related parties of the entity and their associates                          | Current quarter<br>\$A'000 |
|---|---|----------------------------|
| 6.1   | Aggregate amount of payments to related parties and their associates included in item 1 | (87)                       |
| 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><br><i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i><br><i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>  | <b>Total facility<br/>amount at quarter<br/>end<br/>\$A'000</b> | <b>Amount drawn at<br/>quarter end<br/>\$A'000</b> |
| 7.1       | Loan facilities   | 72  | 72   |
| 7.2       | Credit standby arrangements   |   |  |
| 7.3       | Other (please specify)  |   |  |
| 7.4       | <b>Total financing facilities</b>   |   |  |
| 7.5       | <b>Unused financing facilities available at quarter end</b>   |   | 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:<br><br>1. Small Business Administration loan – \$72k. 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.        |   |  |

  

|           |   |                |
|-----------|---|----------------|
| <b>8.</b> | <b>Estimated cash available for future operating activities</b>   | <b>\$A'000</b> |
| 8.1       | Net cash from / (used in) operating activities (item 1.9)   | (2,618)        |
| 8.2       | Cash and cash equivalents at quarter end (item 4.6)   | 1,990          |
| 8.3       | Unused finance facilities available at quarter end (item 7.5)   | 0              |
| 8.4       | Total available funding (item 8.2 + item 8.3)   | 1,990          |
| 8.5       | <b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>   | 0.76           |
|           | <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?   |                |
|           | The next quarter is expected to have strong cash inflows courtesy of customer receipts and the receipt of the FY22 R&D grant of \$2.77m during Q2. These receipts are forecast to result in net operating cash inflows for Q2.  |                |
|           | 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?  |                |
|           | The focus continues to be on accelerating revenue growth and increasing the receipts from customers whilst in parallel reducing operating cash outflows where possible. The company continues to consider alternate sources of funding and is working with its advisors to put in place any necessary facilities to support cashflow. |                |

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?

The company continues to work towards increasing net operating cash inflows and source additional funding as required. Courtesy of these measures, the company expects to be able to continue its operations.

*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.

31 October 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.