



ASX Announcement

30 November 2022

Damstra Technology

(ASX: DTC)

ANNUAL GENERAL MEETING – CHAIRMAN’S ADDRESS

Today we will review our results for 2022 and we will update you on recent business performance and continued evolution of our product suite under the Enterprise Protection Platform (EPP), which we now confidently can say is a globally competitive solution.

I will start by focusing on our products, as great technology is first and foremost about the product. Before anything else, you need to have a passion and belief in your product and its continual evolution to solve client’s needs. Then you need to ensure the product is delivered by a scalable robust business model. We have both, and Damstra is a leader in enterprise protection software. Our Enterprise Protection Platform 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.

Importantly I would like to highlight our core purpose, which is “Connect and Protect Your World”, as this positioning guides how we work, engage with our clients, and drives the continual development of our platform. We believe this core purpose is essential for our short-term focus and long-term success. In this overarching context we use the words “Enterprise Protection Platform” or “EPP” with passion.

Before I move on to the FY22 results and our future, as one of the Company’s largest shareholders I share the frustration along with all shareholders in our share price performance. Damstra’s share price has declined along with a broader sell off in the technology sector, and many shareholders would be asking “When will things change?”. As Chairman, my view, and that of the wider Board, is that the only answer is business performance, in particular the key priority of generating free cashflow. We believe that with our client base and operating model this is something we can achieve, and something that will differentiate ourselves compared to others in the technology sector. I will also remind shareholders that we have in past generated free cashflow, and we see no reason why we can’t do it again.

FY22 was a challenging year for Damstra; being impacted by COVID, cycling off some historical client issues and bedding down past acquisitions, all of which resulted in an unsustainable cash burn profile. However, what has been extremely pleasing is how we have addressed these issues with an unrelenting focus to develop a clear pathway forward.

The improvement in cashflow in the fourth quarter of FY22 is a clear demonstration of this, where operating and investing cash outflow reduced to \$1.2m, compared to an average cash outflow of \$3.4m in the previous three quarters. This is an improvement of \$2.2m (65%) compared to the average of Q1 to Q3.

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In achieving this outcome, we have aggressively pursued a cost optimisation program, while continuing to grow the business, and proving to ourselves once again that our business model can deliver real leverage as we continue to scale.

During FY22 we increased our cost optimisation target from \$5m to \$8m, demonstrating the importance of achieving our key priority of generating free cashflow. To explain our approach, our starting cost base assumption was the cost base as of February 2022. As at the end of June 2022, we had delivered 48% of the cost savings target (\$3.8m annualised) and as at the end of October 2022, this increased to 81% (\$6.4m annualised). We are projecting to hit full run rate at end of December 2022 (\$8.0m annualised).

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. This will reduce costs as a percentage of revenue and allow for margin expansion. With a proportion of our subscription revenue paid in advance, the increased revenue, and cash receipts, along with increased profitability from the leverage benefit, will further increase our ability to improve cash generation.

Now moving onto client activity, the standout achievement during FY22 has been the securing of new North American clients. The securing of the significant agreement with Barrick Gold has been a game changer for Damstra and we have just completed an implementation covering some 18,000 workers. Barrick is one of the world's largest gold and copper mining companies with operations in 13 countries, across 26 mine sites and implementation has now been completed at three sites, being Nevada Gold Mine in USA, Kibali Mine in the Republic of Congo, and Pueblo Viejo Mine in the Dominican Republic. This is something we are especially proud of. Furthermore, we are currently in the advanced stages of discussions for future rollouts to other Barrick locations, and of different products, which is a great opportunity to extend our partnership. We will provide shareholders and the market with further details at the relevant time in line with our continuous disclosure obligations.

Our recent success in North America validates the Company's past and present investment in North America and our Enterprise Protection Platform. This recent success reinforces the effectiveness of the strategy of offering single or multiple integrated models under the EPP to address clients' needs without requiring bespoke software. It clearly demonstrates the attractiveness of Damstra's products for large global mining companies in North America. We believe Damstra now has the critical mass to grow at scale in the North American market with proven solutions for global sized clients.

In ANZ business, the construction vertical is now serving more than 100,000 users. It is important to highlight that Damstra specifically targets long-life civil construction projects and has no exposure to the residential or office construction sectors. Damstra is also strategically positioning itself for an opportunity to work with infrastructure companies, including some current clients, that are expected to build the projects to deliver



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Australia's energy transition road map. The Company views this as an exciting and potentially lucrative sector to be exposed to.

Another growing adjacent vertical into which Damstra is pivoting is facilities management and commercial real estate services. In this area, during FY22 Damstra signed a global two-year agreement with CBRE, one of the world's largest commercial real estate services and investment firms, to provide its EPP integrated work order and permit to work modules for one of CBRE's global clients, Macquarie Group, across its ~110 offices in 30 countries. The solution from a product perspective demonstrates further the evolution of the EPP platform, by combining permit to work modules with Damstra's EPP functionality, which demonstrates the significant cross-sell capability of both platforms. The Damstra offering will also be available in 15 different languages, the first time it has been deployed in multiple languages for a single client.

Moving to our financial results, despite the impact of COVID-19, in FY22 the Group delivered revenue of \$29.3m with growth of 18%. Following the easing of COVID-19 restrictions, we have seen customer activity increase with revenue in the second half of FY22 growing at 25% compared to the first half. Revenue was supported by strong growth in our Australian construction and mining businesses, and in late Q4 we saw the first revenue contribution from North America.

More recently, our Q1 FY23 results has seen a pleasing start to the financial year, showing continued growth in the business while structurally lowering our cost base. During Q1 FY23 Damstra achieved revenue of \$7.4m, up 17% on pcp (or 25% excluding the runoff of Newmont revenue recognised in Q1 FY22) and positive operating cashflow of \$0.3m vs pcp of negative (\$1.7m).

We all see what is happening in the global environment, having to deal with geo-political tensions, impact of still having to live with COVID, changes in our macro environment due to inflationary and interest rate pressures. However, what continues to stand out for Damstra is that our sector focus somewhat shields us from these overarching marco conditions. From a Damstra perspective our sales pipeline has never been larger. So, while many industries are facing headwinds, we are seeing our present clients demanding more from us, as issues of compliance and reducing risk have never been higher. Coupled with this, many of our clients are at varying stages of the digitisation journey and that is simply what we do.

On the matter of cyber security which we have as always done significant work on, we are constantly reviewing our risk profile in this area to ensure we maintain the highest levels of protection. We take our privacy and data protection obligations seriously given the large amounts of users we have. I can provide shareholders with a level of confidence that cyber security is something the Board is very focused on. Importantly we spend significant investment in our people in terms of constant training, upskilling and segregation of duties.



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On our outlook, our Company's guidance for FY23 was provided on the 25th of August 2022 and remains unchanged. The assumptions to our guidance were provided in the investor presentation dated 25 August 2022. Our FY23 guidance is Revenue of between \$32m and \$34m, EBITDA Margins of between 14% and 18% and Free Cash Flow of between (\$2.5m) and (\$0.5m).

I would like to close by thanking the Damstra Board, the Executive team and all staff for their drive and resilience during FY22. Many of our employees are shareholders, and we appreciate the invaluable contribution they make to our Company. Our staff work across seven different countries, and our values are driven by a mantra of "Connect and Protect your world" as this is the basis of our work environment that is empowering and meaningful.

Ends

Authorised for release to ASX by Johannes Risseeuw, Executive Chairman of Damstra Holdings Ltd.

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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 at <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.

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