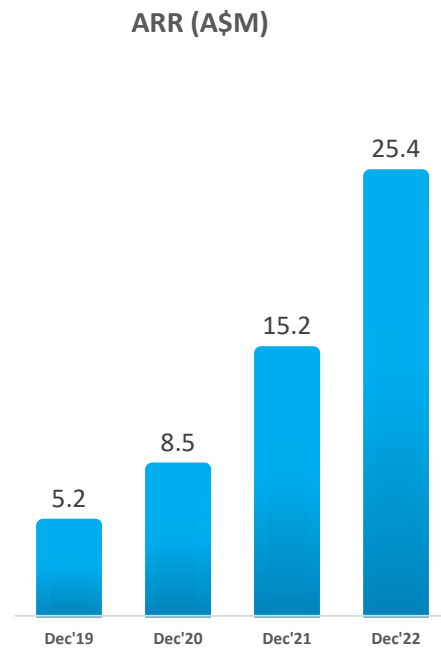


## ARR surpasses \$25m. Gross margins continuing to track higher

19 January 2023: Global cloud backup and archiving software provider Dropsuite Limited (ASX: DSE) (“Dropsuite” or the “Company”) is pleased to provide an overview of the Q4 results and Appendix 4C for the period ending 31 December 2022.

### Highlights

- > **Annual Recurring Revenue (ARR<sup>1</sup>) of \$25.41m**, up 10% on prior quarter and 58% on previous corresponding period (pcp) on a constant currency basis
- > Q4 FY22 **operating cashflow of \$0.45m**, the 3<sup>rd</sup> consecutive positive quarter of cashflow growth, with FY'23 expected to also be operating cashflow positive.
- > Monthly **ARPU of A\$2.26** up 4% quarter on quarter on a constant currency basis
- > Product **gross margin of 70%**, up 4 percentage points on prior quarter
- > DSE ended the quarter with **\$22.3m cash** and remains well funded to progress on acquisitions and internal reinvestment for growth initiatives.



CEO Charif El Ansari stated: “Powerful industry tailwinds in the global data protection space, together with our market leading position as a Software-as-a-Service backup provider continued to drive healthy growth in our revenue and user numbers. We also continued to grow profitably, delivering a third consecutive quarter of positive cashflow. Operationally, throughout the year we maintained our relentless focus on reducing Cloud costs while sustaining our operating leverage, helping to drive up our operating margins.

“With a highly experienced and motivated team along with our well capitalised balance sheet, we remain confident that the Company will maintain its strong momentum and be well positioned to take advantage of the positive industry environment to achieve robust growth in coming periods.”

1. Annualised Recurring Revenue (ARR) is defined as the value of the contracted recurring revenue multiplied by 12 months

## Financial Overview

ARR & ARPU	Dec 2022	Sep 2022	Dec 2021	QoQ	PCP
ARR (\$m) – AUD	25.41	23.28	15.19	9%	67%
ARR (\$m) – USD	17.15	15.63	10.86	10%	58%
Monthly ARPU (\$m) -AUD	2.26	2.20	1.95	3%	16%
Monthly ARPU (\$m) – USD	1.53	1.47	1.40	4%	9%
FX AUD:USD	0.668	0.674	0.72	1%	(6%)

- USD monthly ARPU growth of 4% benefited from a higher ARPU product mix including the deactivation of low ARPU customers in the quarter by a legacy hosting partner. AUD monthly ARPU growth was impacted by the depreciation of the USD:AUD over the December quarter.

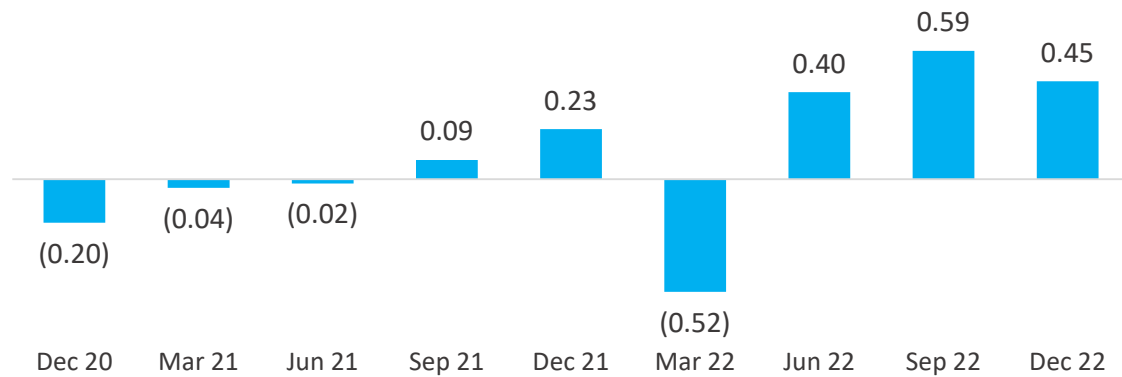
Cash Summary (\$m)	Dec 2022	Sep 2022	Dec 2021	QoQ	PCP
Cash receipts	5.58	5.15	3.42	8%	63%
Net cash generated from operations	0.45	0.59	0.23	(24%)	93%
Cash at hand	22.34	22.25	21.60	0%	3%

Cash Summary (\$m)	FY 2022	FY 2021	PCP
Cash receipts	18.80	10.96	72%
Net cash generated from operations <sup>2</sup>	0.93	0.26	261%
Cash at hand	22.34	21.60	3%

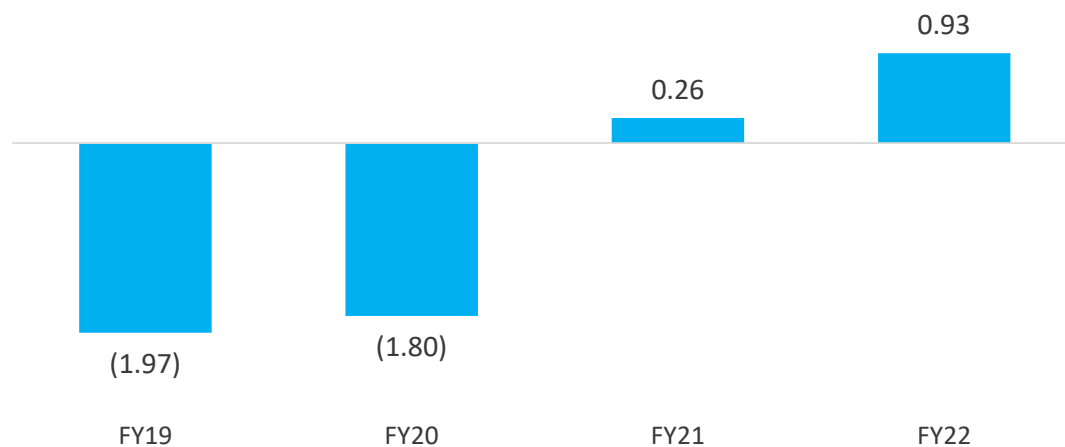
- Cash receipts from customers were \$5.58 million, up 8% on Q3 2022 and up 63% on pcp. The slower cash receipts growth was off the back of strong cash collections in the prior quarter and the effect of the USDAUD depreciating in the last two months of the quarter on USD receipts received.
- Cashflow generated from operating activities of \$0.45million.
- During the quarter, the company converted AUD\$3.8m into USD\$2.5m. In the same quarter with USDAUD depreciating, this movement affected the revaluation of higher US dollars held on hand and triggered a negative effect of movement in exchange rates on cash held during the last two months of the quarter for an overall quarterly movement total of \$323k.
- Continued investment in team expansion (Wages spend +15% QoQ, Marketing spend +80% QoQ), contributed to QoQ operating cashflow reduction.
- Cash on hand is \$22.3 million. The Company continues to be operating cashflow positive whilst reinvesting for growth.
- Upcoming quarter is expected to be a higher outgoing payments quarter per historical trends, including annual payments related to subscriptions, insurance and anticipated staff bonuses.

<sup>2</sup> Net Cash generated from Operations includes \$0.27 of payments for Due Diligence during the year.

### Quarterly Operational Cashflow (A\$M)



### Annual Operational Cashflow (A\$M)



### Operational and Product Overview

The Company continues to invest in people, skills and culture, and has expanded and retained a solid and motivated team across all functions. The Company continues to work through opportunities to improve the backup and archive experience for DSE's partners, to reduce their resource costs and streamline their support processes for partners and their end clients.

During the quarter the Company:

- Launched QuickBooks Online (QBO by Intuit NSDQ: INTU) Backup in closed Beta to a select number of partners. Intuit/QBO is North America's leading online accounting software used by millions of SMBs. Our plan is to make QBO backup available from March 2023 with monetisation starting in April'23. The launch coincides with Intuit/QBO launch in the MSP channel.
- Welcomed Eric Roach as SVP for Global Sales and Marketing. Eric comes with formidable experience and achievement in the channel with previous executive roles at various successful software companies, including Microsoft.

- Onboarded 18 new direct and 243 indirect transacting partners
- Added new gross paid users of 63k (excluding churn of 11k users leaving DSE's platform as a legacy hosting partner deactivated those users). The deactivation of the legacy hosting partner's end users, coupled with the 63k new users added, partially aided the increase in USD ARPU during the period. Our total user count ended at 935k, up 6% versus the prior quarter and up 44% vs PCP. The loss of the legacy hosting end-users is recognised in the customer churn which remains sub 3%.
- Continued to add further storage and compute capacity across all data centres to manage the increases in storage resulting from new user growth. With various Cloud cost initiatives rolled out in Q4, the company saw improved Gross Margin to 70%. The current quarter Gross Margin is pleasing, reflecting a range of cost mitigation measures and we expect 2023 to operate within a similar range to 2022, notwithstanding any impact from foreign exchange movements with USD.

### **Corporate**

The Company has reported expenditure of \$159k for salaries and director fees to related parties.

### **Outlook**

Dropsuite is well positioned to deliver strong annual recurring revenue growth driven by our significant existing partner base and a growing pipeline of new partners and new products. The Company remains focussed on:

- Continuing to deliver ARR growth via existing partner ecosystem and strong sales pipeline.
- Remaining profitable and cash flow positive in calendar year 2023
- Driving product innovation to maintain our leading position as a backup vendor of choice.
- Continuing to invest in talent bench-strength, as well as sales and marketing expansion and product innovation.
- Advancing high conviction M&A opportunities which leverage existing internal growth and take advantage of strong market tailwinds around data protection.

### **Quarterly Investor Webinar**

The Company will provide an investor webinar to discuss the quarterly results. To register please follow the link below.

Date: Monday 23 January 2023

Time: 10:30am AEDT

Registration Link: [https://us02web.zoom.us/webinar/register/WN\\_kk\\_mE1doRvuVtXQTT-NaCQ](https://us02web.zoom.us/webinar/register/WN_kk_mE1doRvuVtXQTT-NaCQ)

The announcement was approved by the Board of Directors.

- END -

**For further information, please contact:**

**Corporate**

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**About Dropsuite**

Dropsuite is a cloud software platform enabling businesses to easily backup, recover and protect their important business information. Dropsuite's commitment to advanced, secure and scalable cloud technologies keeps us in the forefront of the industry and makes us the choice of leading IT Service Providers globally. For more information please visit: [www.dropsuite.com](http://www.dropsuite.com)

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## Appendix 4C

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

**Name of entity**

Dropsuite Limited

**ABN**

91 008 021 118

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

31 December 2022

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
<b>1.</b>	<b>Cash flows from operating activities</b>		
1.1	Receipts from customers	5,578	18,796
1.2	Payments for		
	(a) research and development		
	(b) product manufacturing and operating costs	(2,184)	(7,668)
	(c) advertising and marketing	(442)	(1,122)
	(d) leased assets		
	(e) staff costs	(2,315)	(7,805)
	(f) administration and corporate costs	(325)	(1,233)
1.3	Dividends received (see note 3)		
1.4	Interest received	136	233
1.5	Interest and other costs of finance paid		
1.6	Income taxes paid		
1.7	Government grants and tax incentives		
1.8	Other (Due Diligence expenses)	0	(273)
<b>1.9</b>	<b>Net cash from / (used in) operating activities</b>	<b>448</b>	<b>928</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	(36)	(78)
	(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		
	(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>(36)</b>	<b>(78)</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		
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>0</b>	<b>0</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	22,248	21,604
4.2	Net cash from / (used in) operating activities (item 1.9 above)	448	928
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(36)	(78)

## 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
4.4	Net cash from / (used in) financing activities (item 3.10 above)	0	0
4.5	Effect of movement in exchange rates on cash held	(323)	(118)
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>22,336</b>	<b>22,336</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 \$A'000	Previous quarter \$A'000
5.1	Bank balances	7,536	3,348
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (Term Deposits)	14,800	18,900
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>22,336</b>	<b>22,248</b>

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	159
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. <b>Financing facilities</b> <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>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
7.1 Loan facilities		
7.2 Credit standby arrangements		
7.3 Other (please specify)		
7.4 <b>Total financing facilities</b>	0	0
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.		

8. <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)	448
8.2 Cash and cash equivalents at quarter end (item 4.6)	22,336
8.3 Unused finance facilities available at quarter end (item 7.5)	0
8.4 Total available funding (item 8.2 + item 8.3)	22,336
8.5 <b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	N/A
<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?	
Answer:	
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?	
Answer:	
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?	
Answer:	
<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: 19 January 2023

Authorised by: The Board of Directors  
(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.