

RightCrowd FY23 Q3 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 31 March 2023.

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

- The Company grew sales revenue on prior Quarter to \$4.8m (up from \$3.7m in the prior Quarter) and added another Fortune 500 enterprise customer to its workforce management solution portfolio during Q3. The Company maintains its FY23 target of positive revenue growth relative to FY22.
- ARR closed at \$11.4m, up from \$10.7m at the end of last Quarter. ARR increased during the Quarter due to new contract bookings for both new and existing customers. The Company maintains its FY23 target of growing ARR to over \$12m which will represent Year-on-Year ARR growth of over 40%.
- Operating cash outflows during the Quarter were just over \$1.0m. Customer receipts increased this Quarter and are growing YoY courtesy of contract renewals and continued addition of new customers. The Company continues to see a gradual reduction in overall costs following cost restructuring announced and implemented in Q2. The Company maintains its FY23 target of reducing total costs by 10% relative to FY22.
- YTD Customer churn has stabilized at 6.6% of total ARR (FY23 Q2 YTD Churn: 6.1%) which is predominantly due to customers choosing not to renew their contact tracing subscriptions post-pandemic. YTD Churn across the remainder of the product portfolio remains very low at less than 1% of total ARR.
- An external debt funding line of \$1.4m has been approved to support operations as required. RightCrowd continues to work with external advisors to secure further sources of funding to support revenue growth activities and to provide sufficient working capital buffer for ongoing operations.

Financial Commentary:

Overall, the Company has had a pleasing third Quarter with another major new enterprise deal signed, several important implementation milestones achieved across the portfolio, strong customer receipts including revenue uplift on customer renewals, and a reduction in net operating cash outflows supported by the execution of cost reduction initiatives.

Sales Revenue: RightCrowd generated \$4.8m of sales revenue in Q3, up from \$3.7m last Quarter. FY23 Q3 revenue was also 30% higher than the prior year's corresponding period (Q3 FY22: \$3.7m). The increase was driven by contract execution for new and existing customers for workforce management solutions and upsell of Access Analytics to an existing strategic workforce management customer.

Two new Workforce Management enterprise contracts were signed during the Quarter, with one being with a global industrial Fortune 500 company resulting in \$0.5m of license revenue in February. The other enterprise license added arose from an upsell to an existing US banking group customer.

The company remains on track to generate positive revenue growth in FY23 versus prior year. This demonstrates the strength of the product portfolio with growing workforce management and access analytics sales, more than offsetting the reduction in revenue from presence control solutions for contact tracing post COVID-19.

The momentum generated in Q3 supports the Company's forecast to be close to an operational P&L break-even for the 2nd half, as communicated at the half-year investor presentation.

Annual Recurring Revenues (ARR): Annual Recurring Revenue at the end of the period was \$11.4m, up from \$8.5m reported at the end of Q4 FY22. Additional ARR was added during Q3 (FY23 Q2 ARR = \$10.7m) courtesy of new contracts signed during the Quarter and ARR commencing for large enterprise deals signed in Q2. The Company's renewal program is also securing some pricing uplifts on renewal contracts which has also helped move ARR up during the Quarter.

FY23 customer churn to date is 6.6% (as measured by ARR) which was mostly driven by the continuing trend of Presence Control customers not renewing their contact tracing solution subscriptions 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.

Cash Position: RightCrowd closed the period with a cash & cash equivalents balance of \$2.8m, reducing by \$1.1m since prior Quarter (FY23 Q2: \$3.9m).

Operating cash outflows in the Quarter of \$1.0m is an improvement on the prior year (FY22 Q3 operating cash outflows: \$1.3m) demonstrating progress in both increasing customer receipts and reducing the Company's cost base.

RightCrowd received approval from RH Capital Finance Co. for a loan facility of \$1.4m that is available for draw-down as required to support operations. This is a short-term vanilla debt facility at an interest cost of 15% p.a. which is secured on, and will be repaid from, the receipt of the ATO R&D rebate later this year.

Costs: The Company continues to reduce its spend where possible across the business to achieve a target of a 10% reduction YoY in total costs. The Company is currently tracking towards an overall reduction in costs of ~11% relative to FY22.

Business Update:

RightCrowd Workforce Management: Work continues generating new sales and servicing RightCrowd's enterprise customers. With the new sales added this Quarter, the Company has now added 6 major new enterprise deals in FY23 representing a strong increase in activity over prior year. These results help evidence the changing market conditions with companies becoming more active in securing solutions to manage their staff's return to the workplace.

RightCrowd Presence Control: The Company released its visitor tethering product and has had encouraging early lead generation from its marketing efforts. The company aims to convert this growing pipeline of interest into sales. However, any sales achieved are not expected to have an impact on results until early FY24.

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. Pipeline continues to build, and 3 more customers entered Proof-of-Concept projects which are scheduled to close in Q4. To date, RightCrowd has added 6 subscription customers for Access Analytics and in addition to logical security use cases, is also seeing interest in bundling the Access Analytics product as part of Workforce Management enterprise use cases.

RightCrowd CEO and Managing Director, Peter Hill, said:

"The Company is making good progress in its strategy to boost operating cash inflows by securing new enterprise contracts and cutting operating costs. With more favourable market conditions post-pandemic, customer receipts increased during this Quarter highlighting the Company's ability to resume its drive for revenue growth.

The Company still faces challenges with its current cash position but is pleased to have received approval for a \$1.4m debt facility with RH Capital which will be repaid from the receipt of the ATO R&D rebate later this year. To support its working capital needs as new customers wins are implemented, the Company acknowledges the potential requirement for additional funding sources. It continues to collaborate with its advisors to explore various options and determine the best course of action."

Related Entities: Payments to related entities during the Quarter were \$0.1m which represented the Managing Director's remuneration and fees paid to the Board of Directors 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")

31 March 2023

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	4,022	11,296
1.2 Payments for		
(a) research and development		
(b) product manufacturing and operating costs	-	(219)
(c) advertising and marketing	(152)	(640)
(d) leased assets	(232)	(528)
(e) staff costs	(4,116)	(12,618)
(f) administration and corporate costs	(554)	(2,095)
1.3 Dividends received (see note 3)		
1.4 Interest received	8	14
1.5 Interest and other costs of finance paid	(5)	(14)
1.6 Income taxes paid	(9)	(16)
1.7 Government grants and tax incentives	16	3,025
1.8 Other (provide details if material)		
1.9 Net cash from / (used in) operating activities	(1,021)	(1,794)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities		
(b) businesses		
(c) property, plant and equipment	(8)	(28)
(d) investments		
(e) intellectual property		
(f) other non-current assets		

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 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)		
2.6	Net cash from / (used in) investing activities	(8)	(28)

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	(163)	(225)
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	(163)	(225)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	3,893	4,766
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,021)	(1,794)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(8)	(28)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(163)	(225)
4.5	Effect of movement in exchange rates on cash held	52	34
4.6	Cash and cash equivalents at end of period	2,753	2,753

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	2,634	3,774
5.2	Call deposits	119	119
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)	2,753	3,893

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	(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>		

7.	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>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	162	162
7.2	Credit standby arrangements		
7.3	Other (please specify)		
7.4	Total financing facilities		
7.5	Unused financing facilities available at quarter end		
7.6	<p>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> <div style="border: 1px solid black; padding: 10px; margin-top: 10px;"> <p>Outstanding loan facilities at quarter end relate to Insurance Premium funding of \$162k. The Group entered into a funding arrangement with BOQ for settlement of the annual insurance premium. The repayment is in monthly instalments through to November 2023 with interest at the rate of 2.69% per annum.</p> <p>The Group has received approval for a loan facility with RH Capital Finance Co. for \$1.4m available for drawdown immediately with an interest charge of 15% per annum. The loan is secured on the R&D Grant receivable in respect of FY23.</p> </div>		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(1,021)
8.2	Cash and cash equivalents at quarter end (item 4.6)	2,753
8.3	Unused finance facilities available at quarter end (item 7.5)	
8.4	Total available funding (item 8.2 + item 8.3)	2,753
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	2.70
<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	<p>If item 8.5 is less than 2 quarters, please provide answers to the following questions:</p> <p>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?</p> <div style="border: 1px solid black; padding: 10px; margin-top: 10px;"> <p>The focus in the coming quarters is to further increase customer receipts courtesy of pipeline sales execution and project milestones completion. This will be augmented by continued reduction in costs from the execution of the restructuring to the Company's cost base. A loan facility has been approved with RH Capital Finance Co. to be drawn down as required for working capital purposes.</p> </div>	

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 review various sources of funding and will continue work with its advisors to put in place any necessary actions to support cashflow.

Any additional funding sought will be deployed to strengthen the balance sheet and provide cover for any potential timing gaps between revenue growth and cost reduction initiatives.

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 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.

28 April 2023

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.