

RightCrowd FY23 Q4 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 June 2023.

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

- On the 30 June 2023 the Company signed a conditional Share Purchase Agreement with Bloom RC Holdings (Bloom) for the sale of the Workforce Access, Visitor Management and Presence Control businesses for \$13.5m. This is subject to shareholder approval at an upcoming EGM. RightCrowd will retain the SaaS-based earlier-stage, Access Analytics business and the completion of the transaction will allow it to focus on the rapidly growing, global Identity Governance and Cyber Security markets.
- The Company's sales revenue in Quarter 4 was \$4.0m (down from \$4.8m in the prior Quarter) and reached a sales revenue total of \$15.7m for the financial year. The Company achieved positive revenue growth for FY23.
- ARR closed at \$11.45m, up from \$11.4m at the end of last Quarter. ARR from new contract bookings this Quarter for both new and existing customers in the Workforce Access and Access Analytics parts of the business was \$0.4m. This was partially offset by customers in the Presence Control part of the business not renewing contracts. The Company was unable to fully achieve its FY23 target of growing ARR to over \$12m due to the impact of non-renewal of contact tracing customers, some new subscription invoicing delayed to Q1 FY24, and a small number of sales deal milestone slippages. Total Year-on-Year ARR growth is approximately 34%, although growth in ARR across Workforce Access and Access Analytics together is over 62%.
- Operating cash outflows during the Quarter were just over \$1.6m, an increase on the previous quarter. The \$0.5m increase was caused by timing differences in the quarterly payment, of items such as superannuation and withholding taxes plus leave payouts for some employees leaving the company. Customer receipts were close to \$4.0m for the Quarter, and at a similar level to Q3, 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 achieved a reduction in total costs of 9% for FY23, relative to FY22.
- YTD Customer churn has been stable for the last few quarters but increased to 9.5% of total ARR in Q4 (FY23 Q3 YTD Churn: 6.6%) which is predominantly due to customers choosing not to renew their contact tracing subscriptions post-pandemic of the Presence Control solution. YTD Churn across the remainder of the product portfolio remains very low at 1.2% of total ARR.
- The external debt funding line of \$1.4m announced last Quarter was drawn down in the current quarter to support operations. RightCrowd continued work with external advisors to secure further sources of funding to support revenue growth activities and to provide a sufficient working capital buffer for ongoing operations. This has resulted in the transaction with Bloom that is outlined above.

Financial Commentary:

Overall, the Company has had a mixed fourth Quarter. The renewal of the contract with one of the Company's major enterprise customers, and achievement of several important implementation milestones across the portfolio was offset by non-achievement of milestones in other large implementations and the continued contraction of the Presence Control business.

Sales Revenue: RightCrowd generated \$4.0m of sales revenue in Q4, down from \$4.8m last Quarter. FY23 Q4 revenue was 8% higher than the prior year's corresponding period (Q4 FY22: \$3.7m). The decrease in the Quarter was caused by the non-renewal of some contact tracing contracts, delay in invoicing of some project milestones (which is likely to be resolved in the first quarter of FY24) and the slippage in finalising an Access Analytics opportunity.

A new Workforce Access enterprise contract was signed during the Quarter, with the initial project scope generating \$135,000 in Year 1. This customer is a global Fortune 500 company, and this initial contract can lead to further contracts in future quarters.

The company generated positive revenue growth in FY23 versus the prior year. This demonstrates the strength of the product portfolio as we recover from the pandemic trading conditions with growing Workforce Access and Access Analytics sales more than offsetting the reduction in revenue from Presence Control solutions for contact tracing post COVID-19.

The Company generated more than 25% more revenue in H2 than H1 (\$8.8m in H2 compared to \$6.9m in H1) of the financial year.

Annual Recurring Revenues (ARR): Annual Recurring Revenue at the end of the year was \$11.45m, up from \$8.5m reported at the end of Q4 FY22 (a growth of 34%). Additional ARR was added during Q4 courtesy of new contracts signed during the Quarter and ARR commencing for large enterprise deals signed in earlier quarters. The Company's renewal program is also securing some pricing uplifts on renewal contracts which has also helped move ARR up during the Quarter. In particular, the Company has added 4 new Access Analytics customers in Q4 FY23 to a value of \$0.2m and taking ARR for this solution from \$0.35m to \$0.55m.

FY23 customer churn to date is 9.5% (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 Access and Access Analytics portfolio continues to remain very low at 1.2% for FY23.

Cash Position: RightCrowd closed the period with a cash & cash equivalents balance of \$2.4m, reducing by \$0.4m since prior Quarter (FY23 Q3: \$2.8m).

Operating cash outflows in the Quarter of \$1.6m is an improvement on the prior year (FY22 Q4 operating cash outflows: \$2.0m) but higher than the previous quarter. The increase in Q4 (over Q3) was principally due to payment timing differences in staff-related costs. The previous year comparison demonstrates the progress in both increasing customer receipts and reducing the Company's cost base.

RightCrowd has utilised the loan facility from RH Capital Finance Co. of \$1.4m. 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. The collation of documentation to support the R&D rebate is in its final stages at this time.

Costs: The Company was able to achieve an overall reduction in costs of 9% relative to FY22.

Business Update:

RightCrowd Workforce Access: Work continues generating new sales and servicing RightCrowd's enterprise customers. With the new sales added this Quarter, the Company has now added 7 major new enterprise deals in FY23 representing a strong increase in activity over the 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.

Changes to project implementation activities continue to be made to improve the timeliness of milestone achievement and cash conversion from project related activities.

RightCrowd Presence Control: The Company released its visitor tethering product and has seen 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 mid 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 a number of prospects entered Proof-of-Concept projects which are scheduled to close in Q1 FY24. To date, RightCrowd has added 10 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 Access enterprise use cases in the physical security market.

RightCrowd CEO and Managing Director, Peter Hill, said:

"The Company continues to make solid progress in its strategy to boost operating cash inflows. This quarter saw the addition of another Fortune 500 company, with the Workforce Access project expected to grow substantially over time, plus an increase in the renewal of RightCrowd's largest customer and Access Analytics added over \$200k in ARR with 4 new customers, which included our first 3 US-based wins.

The Company still faces challenges with its cash position and has signed an agreement with Bloom Equity Partners to divest the Physical Security related products (subject to shareholder approval on the 24th August), which includes Workforce Access, Visitor Management, and Presence Control businesses. The new owners will deliver the required resources and focus to the long-standing RightCrowd physical security business streams.

*The sale of the physical security businesses provides Gathid (the proposed new name for ASX-Listed, RightCrowd Ltd) with the necessary resources to accelerate into the rapidly growing Identity and Cyber Security Markets. Gathid, which has a patented way of easily finding anomalies in **gathered identities**, and their access, across enterprise systems, has faster sales cycles, requires minimal resources to deploy, and is a pure SaaS-based platform.*

The Gathid product now has proven deployments in Finance, Banking, Insurance, Mining, Food & Beverage, Government and Higher Education markets. The increasing number of deployments and enquiries give confidence the Gathid technology has found 'product-market fit' and will move into the scale-up stage as it targets the Identity and Cyber Security markets."

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")

30 June 2023

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	3,956	15,252
1.2 Payments for		
(a) research and development		
(b) product manufacturing and operating costs	(11)	(230)
(c) advertising and marketing	(123)	(763)
(d) leased assets	(194)	(722)
(e) staff costs	(4,811)	(17,428)
(f) administration and corporate costs	(430)	(2,525)
1.3 Dividends received (see note 3)		
1.4 Interest received	2	16
1.5 Interest and other costs of finance paid	(4)	(18)
1.6 Income taxes paid	(23)	(39)
1.7 Government grants and tax incentives	-	3,025
1.8 Other (provide details if material)		
1.9 Net cash from / (used in) operating activities	(1,639)	(3,433)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities		
(b) businesses		
(c) property, plant and equipment	(4)	(32)
(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)		
2.6	Net cash from / (used in) investing activities	(4)	(32)

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	1,400	1,400
3.6	Repayment of borrowings	(98)	(322)
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	1,302	1,077

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	2,753	4,766
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,639)	(3,433)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(4)	(32)

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)	1,302	1,077
4.5	Effect of movement in exchange rates on cash held	-	34
4.6	Cash and cash equivalents at end of period	2,413	2,413

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	2,294	2,634
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)	2,413	2,753

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	(94)
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	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
	<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>		
7.1	Loan facilities	1,465	1,465
7.2	Credit standby arrangements		
7.3	Other (please specify)		
7.4	Total financing facilities	1,465	1,465
7.5	Unused financing facilities available at quarter end		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.		
	<p>Outstanding loan facilities at quarter end relate to Insurance Premium funding of \$65k. 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 a loan facility with RH Capital Finance Co. for \$1.4m with an interest charge of 15% per annum. The loan is secured on the R&D Grant receivable in respect of FY23. This amount was drawn down during this quarter and reflected as Proceeds from Borrowings.</p>		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(1,639)
8.2	Cash and cash equivalents at quarter end (item 4.6)	2,413
8.3	Unused finance facilities available at quarter end (item 7.5)	
8.4	Total available funding (item 8.2 + item 8.3)	2,413
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	1.47
	<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?

On 4 July the Company announced it had signed a conditional Share Purchase Agreement for the sale of its physical security related businesses for \$13.5m. A shareholders meeting to vote on this divestment has been called for 24 August 2023. The Directors unanimously recommend shareholders vote in favour of this divestment in the absence of a superior competing proposal. Proceeds from the divestment will provide sufficient funding for the Company's future operations as the current main business undertaking of the Company will no longer require funding.

Should the divestment not proceed, the focus in the coming quarters is to maximise customer receipts courtesy of pipeline sales execution and project milestones completion and to further reduce costs in all of the Company's businesses. The R&D tax refund inflow (net of loan facility repayment) is expected within the next 3 to 4 months.

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?

Refer to comments at Item 8.6.1.

Should the divestment not proceed, the company will continue 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 provided will be deployed to strengthen the balance sheet and provide cover for any potential timing gaps between revenue receipt 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?

Refer to comments at Item 8.6.1 and 8.6.2. The company continues to work towards increasing net operating cash inflows and sourcing funding 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 July 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.