

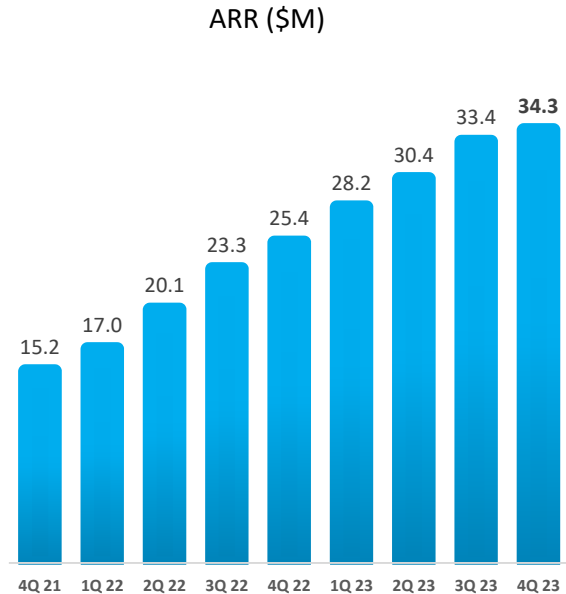


DSE continues to deliver scalable and sustainable growth

18 January 2024: Global cloud backup and archiving software provider Dropsuite Limited (ASX: DSE) (“Dropsuite” or the “Company”) is pleased to provide an overview of the Company’s financial and operating performance for the quarter ending 31 December 2023.

Highlights

- > Annual Recurring Revenue (ARR¹) of \$34.3m, up 35% on the Previous Corresponding Period (PCP)
- > ARR was up 3% on prior quarter (QoQ), with momentum impacted by the stronger AUD:USD exchange rate. ARR was up 7% QoQ on a constant currency basis
- > Q4 FY23 operating cashflow of \$0.27m and unaudited FY23 cashflow of \$2.3m
- > Monthly ARPU of \$2.46 down 2% QoQ due to AUD appreciating and up 9% on PCP
- > Product gross margin of 70%, up 2% QoQ and inline with PCP
- > Onboarded 26 new direct and 231 indirect transacting partners
- > Total users now exceed 1.16 million
- > Appointment of Eric Martorano as an independent non-executive director
- > DSE remains well-funded with \$24.3m cash as at 31 December 2023.



CEO Charif El Ansari stated:

“The December quarter highlighted the Company’s highly scalable and sustainable growth with positive momentum across all of our key financial and operational metrics. Our performance continues to be driven by favourable market tailwinds from data security and regulation in an environment of increasing cyber-attacks, the scalability of our product suite, and importantly the excellent service and support we provide to our clients. As we grow, we will continue to ensure that we have the right people, processes, structure and governance in place to deliver sustainable returns and we are delighted to welcome Eric Martorano to the Board of Dropsuite during the quarter. Eric’s extensive experience brings a unique skill set to the Board and one that complements the background of our existing directors. With the growth, motivation and experience in our team, alongside our well-capitalised balance sheet, we remain confident that the Company will continue to execute on our profitable growth strategy and create value for our shareholders.”

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

Financial Overview

ARR & ARPU	Dec 23	Sep 23	Dec 22	QoQ (%)	PCP (%)
ARR (\$m) - AUD	34.32	33.41	25.41	3%	35%
ARR (\$m) - USD	23.00	21.47	17.15	7%	34%
Monthly ARPU (\$m) - AUD	2.46	2.51	2.26	(2%)	9%
Monthly ARPU (\$m) - USD	1.65	1.61	1.53	2%	8%
FX AUD:USD	0.67	0.64	0.67	4%	(1%)

Cash Summary (\$m)	Dec 23	Sep 23	Dec 22	QoQ (%)	PCP (%)
Receipts from Customers	7.77	8.10	5.58	(4%)	39%
Payments to Suppliers	(7.72)	(6.88)	(5.27)	12%	46%
Interest Income	0.23	0.18	0.14	28%	67%
Net Cash Generated from Operations	0.27	1.39	0.45	(80%)	(39%)
Cash at hand	24.30	24.56	22.34	(1%)	9%

Cash Summary (\$m)	FY 2023	FY 2022	PCP (%)
Receipts from Customers	28.65	18.80	52%
Payments to Suppliers	(27.07)	(18.10)	50%
Interest Income	0.70	0.23	200%
Net Cash Generated from Operations	2.28	0.93	146%
Cash at hand	24.30	22.34	9%

- USD monthly ARPU growth of 2% QoQ benefited from a higher ARPU product mix including the de-activation of lower ARPU seats.
- Cash receipts increased within expectations, though below Q3 which incorporated slightly delayed receipts from Q2.
- Cashflow generated from operating activities of \$0.27 million, incorporating 2024 prepayments for marketing conferences and annual IT expenses.
- Gross Margin was up 2% in the December quarter and inline with PCP.
- Cash on hand is \$24.3 million. The cash on hand reduction in Q4 incorporates \$522k negative FX impact of exchange rates on cash held and USD receivables balance for the quarter. The Company remains operating cashflow positive whilst continuing to reinvest in expanding the company's global capabilities.

Operational and Product Overview

Dropsuite continues to invest into internal initiatives such as new product development, increased global sales footprint, expanded customer service facilities to improve the backup and archive experience for DSE's partners and streamline the support processes for end clients. The company anticipates continued internal investment in FY24 to drive scalable growth.

Key activities during the quarter include:

- Onboarded 26 new direct and 231 indirect transacting Managed Service Provider (MSP) partners.

- Continued to grow total paid user count in excess of 1.16 million, with 93k of new gross paid users added. The additions were offset by the final deactivation of 38k low ARPU users from a legacy partner.
- Launched US GovCloud for Microsoft 365 Backup and Archiving with 2 strategic distributors.
- Launched and activated “Partner Serv”, a fully managed Dropsuite service to help MSPs migrate data from other backup providers into Dropsuite.
- Multiple updates and feature enhancements to end user products and partner portals.

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:

- Delivering ARR growth via existing partner ecosystem, strong sales pipeline and expanded product line.
- Increasing investment in Research & Development and Go-To-Market functions in 2024 to sustain growth momentum.
- Maintaining cashflow and profitability broadly in line with FY23 levels.
- Driving product innovation to maintain our leading position as a backup vendor of choice.
- Pursuing high conviction M&A opportunities taking advantage of strong market tailwinds around data protection.

The announcement was approved by the Board of Directors.

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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