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29 July 2020

Nitro releases its Quarterly Activities Report and Appendix 4C for the second quarter of FY2020

Nitro Software Limited (ASX:NTO) ("Nitro" or the "Company"), a global document productivity software company driving digital transformation in organisations around the world, today released its Appendix 4C Quarterly Cash Flow Report for the quarter ended 30 June 2020 (unaudited) and is pleased to provide the following update on financial and operating performance.

Highlights (USD unless otherwise stated)

- Completed the quarter and half year with revenue, ARR[1] and cash receipts at or above Nitro's prospectus forecast[2]; a strong balance sheet; and no material financial impact from COVID-19 experienced during the period.
- Q2 2020 cash receipts from customers of $10 million were up 10% from the previous quarter.
- Net cash inflows from operating activities were $0.6 million in Q2 2020, increase of $2.3 million from the previous quarter.
- H1 2020 subscription revenues increased to approximately 47% of total revenue compared to 37% for FY2019.
- Cash balance at the end of Q2 2020 of $43.9 million with no debt,[3] providing a strong financial position to pursue growth opportunities.
- Nitro Sign™ standalone eSignature solution launched during the quarter to expand Nitro's position in the digital productivity SaaS market.

Nitro's CEO and Co-Founder, Sam Chandler said: "In the initial response to the COVID-19 pandemic, we have seen organisations adapt and begin to focus on defining their new normal, with improved document productivity in a remote working environment at the heart of their business needs. The Nitro product offering provides strong operational and financial value to businesses in these times, and we have been pleased to deliver performance that has met our pre-COVID forecasts for the half year period.

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[1] Annual Recurring Revenue (ARR) is the annual amount of revenue that Nitro will recognise from subscription-based licensing agreements with customers. ARR is calculated by multiplying the monthly subscription revenue in the last month of the financial reporting period by 12.

[2] Refers to Nitro's phased internal forecast which aligns to the prospectus forecast for the year ending 31 December 2020.

[3] Excluding office leases.

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"The success of our business is due to the skills and attitude of our Nitronauts, who have responded positively to a new way of working and engaging with our customers. Over the period we continued to strengthen the team across number of areas, including the addition of a Senior Vice President Global Sales and Chief Product Officer, providing further strength to pursue the ambitions we have set for our growth and success."

Business Performance and COVID-19 Impact

Performance in Q2 2020 and H1 2020[4]

Nitro completed the quarter to 30 June 2020 with revenue and ARR ahead of the Company's prospectus forecast[5].

Net cash inflow from operations in the period was $0.6 million, an increase of $2.3 million from the previous quarter. Cash receipts from customers were $10 million in Q2 2020, up 10% from the previous quarter. Lower cash outflows also contributed to the overall improvement in net operating cash flows compared to the previous quarter, largely due to staff bonuses paid in the first quarter and a reduction in travel and event spending in Q2 due to COVID-19.

For the six months to 30 June 2020, cash receipts from customers of $19.1 million were up 7% compared to the six months ended 30 June 2019, while net cash outflows from operating activities were $1.2 million for the period. Subscription revenue comprised approximately 47% of total revenue for the first half compared to 37% for FY2019, reflecting Nitro's ongoing successful conversion to a subscription-based business model.

Nitro continued to secure new enterprise customers in the quarter, most notably BP, Suncor Energy, Zovio and Department of Transport Victoria. These customer wins contributed over 10,000 new licensed users in the period.

Further growth was delivered across Nitro's existing customer base with the Company continuing to achieve high levels of customer retention.

Assessment of COVID-19 Impact

Consistent with the update provided to the market on 28 April 2020, the COVID-19 pandemic has not had an overall material impact on Nitro's financial and operating performance. At the back end of Q1 2020 and early Q2 2020, Nitro observed delays in a

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[4] Financial metrics provided are unaudited results for the quarter and half year ended 30 June 2020.

[5] Refers to Nitro's phased internal forecast which aligns to the prospectus forecast for the year ending 31 December 2020.

number of new initiatives as customers focused on the pandemic response in their organisations. However, Nitro has also seen new and urgent demand in document productivity and eSigning capabilities as customers seek solutions for rapid digitisation to enable remote work productivity. This demand highlights the relevance and robustness of Nitro's product offering and business model.

Nitro will continue to closely monitor business performance and the potential impact of the COVID-19 pandemic in Q3 2020.

Product Development: Nitro Sign™

Product development and innovation is at the core of Nitro's strategy. Supporting the Company's focus in this area, the product management and engineering team increased from 42 to 51 employees over the six months to 30 June 2020.

In June 2020, Nitro Sign™ was launched as a standalone eSigning solution providing the opportunity to expand Nitro's position in the digital productivity SaaS market. Nitro Sign™ is available free to users for the remainder of 2020 to support businesses throughout the challenges and disruption caused by the COVID-19 pandemic. Further information on Nitro Sign™ is provided in the annexure.

The Nitro Team

During the half year ended 30 June 2020, the Nitro team has grown to support the strategic priorities for 2020 and beyond, with total employees of 156 at 30 June 2020, an increase of 24 over the period. Key senior appointments during the first half of 2020 included:

Mark Flannagan, Senior Vice President Global Sales: Mark joined Nitro in January 2020 as Vice President EMEA, and now serves as Senior Vice President, Global Sales, where he oversees all of Nitro's global sales, customer and revenue operations. Mark has a proven track record of driving high performance and business transformation through focused execution, often in challenging and highly competitive market segments. Prior to Nitro, Mark was a member of Marketo's senior leadership team in EMEA, during which the company was acquired by Adobe for US$4.7bn. He also served as Executive Vice President at Vistatec, and held various positions with PFH Technology, GlaxoSmithKline (GSK) and Hewlett Packard.

Sam Thorpe, Chief Product Officer: Sam rejoined Nitro as Chief Product Officer. He was most recently at Flow Kana, where he served as Chief Product Officer, responsible for formulating Flow Kana's technology and data strategy. Prior to Flow Kana, Sam served as the Director of Product Strategy at Nitro. Sam also previously built and led innovative, high-

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performance product organisations in start-up environments, including two different enterprise real estate systems that were acquired in succession by Fortune 500 companies.

The Future of Work Report

Nitro recently published the first part of its Future of Work Report, an analysis of knowledge worker behaviour as companies shift to a remote working environment in response to the COVID-19 pandemic. The report leverages data from Nitro Analytics, part of the Nitro Productivity Suite, which provides extensive business intelligence data and actionable insights to help customers measure and manage their digital transformation. Nitro Analytics data encompasses 197 countries, over 22 industries and tracks around 38 million daily product events.

Part 1 of The Future of Work Report looked at the aggregated Nitro Analytics data from February through March 2020 to assess the impact of the global pandemic on productivity across industries. The detailed report can be accessed at:

https://www.gonitro.com/future-of-work-part-1

Nitro expects to release Part 2 of its Future of Work Report in the coming months.

Changes in Accounting Treatment for Contract Assets

Nitro is currently preparing its interim report for the six months ended 30 June 2020 which the company expects to release on 25 August 2020. As part of that process, Nitro will no longer report long-term unbilled receivables related to multi-year, non-cancellable subscription contracts on its balance sheet but expects to continue to disclose the value of unbilled receivables as part of its discussion on operating activities. The changes mainly impact contract assets and the corresponding deferred revenue liabilities, and have no impact on net assets, the income statement or cash flow statement.

Ends

Authorised for release to the ASX by the Board.

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About Nitro

Nitro is a global document productivity software company driving digital transformation in organisations around the world across multiple industries. The Company's core solution, the Nitro Productivity Suite™, provides integrated PDF productivity, eSignature and business intelligence (BI) tools to customers through a horizontal, SaaS and desktop-based software suite. Nitro's software solution is highly scalable, serving large multinational enterprises and government agencies, as well as small business and individual users. Nitro has over 2 million licenses sold, and over 11,000 Business Customers in 144 countries around the world, including global market leaders across multiple industries, over 65% of the 2019 Fortune 500, and two of the 2019 Fortune 10. Nitro is headquartered in San Francisco and has offices in Dublin, London and Melbourne.

For more information on Nitro, please visit

Website: https://www.gonitro.com/

Investors: https://ir.gonitro.com/Investor-Centre/

All statistics provided are as of 31 December 2019. The presentation currency of the Company/Group is United States Dollars ("USD") and unless otherwise stated, all amounts are presented in USD.

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. 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 guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of Nitro. These factors may cause actual results to differ materially from those expressed in the statements contained in this announcement.

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Annexure

Use of funds statement (Listing Rule 4.7C.2)

USD millions	As per IPO prospectus	Actuals till 30 June 2020	Comments
Cash received by Nitro from the Offer to be used for the execution of the Company's business objectives (such as cost of sales, marketing spend, research and development, and general and administrative costs) and potential acquisition opportunities as outlined in the prospectus	34.9	-	On track

The earmarked funds have not yet been spent but operating expenses and cash balances continue to track to plan as the Company has made no acquisitions and business activities are currently being funded from existing cash reserves and cash generated from operating activities.

Included in section 6.1 of the Appendix 4C for the quarter ended 30 June 2020 are payments made to related parties of Nitro. These amounts relate to Directors' fees, salaries, allowances and short-term incentives paid to Directors and their associates.

About Nitro Sign™

In June 2020, Nitro Sign™ was launched as a standalone eSigning solution, offering customers a smarter way to get documents signed. With unlimited electronic signatures, advanced team features, integration within the Nitro Productivity Suite™, document intelligence and cloud storage integrations, Nitro Sign™ enables businesses to remain digital and productive from any location including while working remotely. Given the challenging times and the disruption caused by the COVID19 pandemic, Nitro Sign™ has been made available free of charge for the remainder of 2020.

Further information on the product can be found at nitrosign.com

Appendix 4C

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

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Name of entity	
NITRO SOFTWARE LIMITED	
ABN	**Quarter ended ("current quarter")**
15 079 215 419	30 JUNE 2020

Consolidated statement of cash flows		**Current quarter $USD'000**	**Year to date (6 months) $USD'000**
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	9,974	19,083
1.2	Payments for		
	(a) research and development	(393)	(589)
	(b) product manufacturing and operating costs	(1,333)	(2,680)
	(c) advertising and marketing	(848)	(1,318)
	(d) leased assets (Note 6)	(26)	(41)
	(e) staff costs (Note 7)	(5,281)	(11,270)
	(f) administration and corporate costs (Note 7)	(1,570)	(4,578)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	39	134
1.5	Interest and other costs of finance paid	(40)	(85)
1.6	Income taxes paid	-	104
1.7	Government grants and tax incentives	32	32
1.8	Other (provide details if material)	-	-
1.9	**Net cash from / (used in) operating activities**	**554**	**(1,208)**
2.	**Cash flows from investing activities**		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	(60)	(95)
	(d) investments	-	-
	(e) intellectual property	-	-

Consolidated statement of cash flows		Current quarter $USD'000	Year to date (6 months) $USD'000
	(f) other non-current assets	-	-
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) (Note 8)	-	(224)
2.6	**Net cash from / (used in) investing activities**	**(60)**	**(319)**

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	5	330
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	(241)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	(25)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material) (Note 6 and Note 9)	(445)	(329)
3.10	**Net cash from / (used in) financing activities**	**(440)**	**(710)**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	40,520	47,017
4.2	Net cash from / (used in) operating activities (item 1.9 above)	554	(1,208)

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Consolidated statement of cash flows		Current quarter $USD'000	Year to date (6 months) $USD'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(60)	(319)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(440)	(710)
4.5	Effect of movement in exchange rates on cash held	3,373	(833)
4.6	**Cash and cash equivalents at end of period**	**43,947**	**43,947**

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 $USD'000	Previous quarter $USD'000
5.1	Bank balances	43,947	40,520
5.2	Call deposits	-	
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)**	**43,947**	**40,520**

6.	Payments to related parties of the entity and their associates	Current quarter $USD'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	421
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

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7.	**Financing facilities** *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.*	**Total facility amount at quarter end $USD'000**	**Amount drawn at quarter end $USD'000**
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	536	36
7.4	**Total financing facilities**	**536**	**36**

7.5	**Unused financing facilities available at quarter end**	**500**

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.

The financing facilities available to the Company relate to corporate credit cards

8.	**Estimated cash available for future operating activities**	**$USD'000**
8.1	Net cash from / (used in) operating activities (Item 1.9)	554
8.2	Cash and cash equivalents at quarter end (Item 4.6)	43,947
8.3	Unused finance facilities available at quarter end (Item 7.5)	500
8.4	Total available funding (Item 8.2 + Item 8.3)	44,447
8.5	**Estimated quarters of funding available (Item 8.4 divided by Item 8.1)**	NA

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

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: NA

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: NA

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: NA

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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: 29 July 2020

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.

6 In accordance with the requirements of AASB 16 cash payments for the principal portion of the Group's lease liabilities are presented within financing activities aggregating $344K.

7 The amount includes costs attributable to the R&D function of the business.

8 The balance represents premiums paid to obtain foreign currency derivatives.

9 The balance includes amounts paid for the acquisition of treasury shares aggregating $101K.

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