



## Dropsuite Delivers Solid First Half 2020 Performance

### Highlights

- 1HY20 Revenue is up 38% year-on-year to \$3.25M and annualised recurring revenue (ARR\*) on a constant currency basis up 70% to \$6.74M at end of June 2020
- Revenue trajectory underpinned by healthy growth in user numbers, ARPU and transacting partners
- EBITDA loss of \$0.88M, an 18% improvement on previous corresponding period (PCP)
- Well placed for growth for the remainder of CY2020 and into CY2021 – ARR at the end of July was \$6.84M and building favourably

**27 August 2020: Global cloud backup and archiving software provider Dropsuite Limited (ASX: DSE) ("Dropsuite" or the "Company")** is pleased to provide this financial and operational report for the Half Year ending 30 June 2020. The Company has performed well during the period and delivered favourable operational and financial gains. Dropsuite is very well positioned to deliver solid growth in ARR, partner numbers, average revenue per user (ARPU) and user numbers in the current half and into 2021.

### FINANCIAL SUMMARY:

Revenue for the half was encouraging, increasing 38% on the previous corresponding period (PCP) to \$3.25M (first half 2019: \$2.34M). Top line performance is pleasing given operating expenditure, excluding depreciation and amortisation, was only 12% up on the prior period at \$2.97M (first half 2019: \$2.65M).

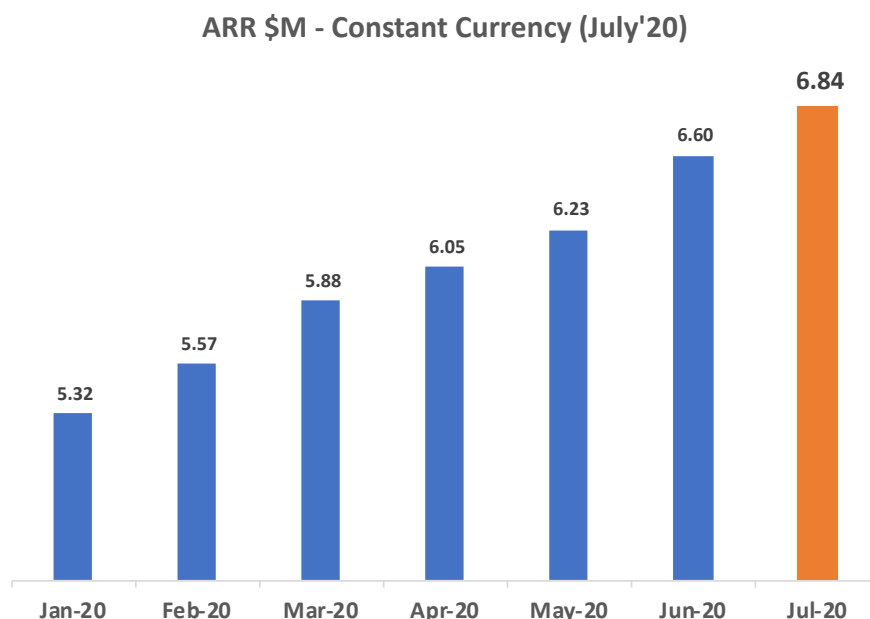
Earnings before interest, tax, depreciation and amortisation (EBITDA) was a loss of \$884,988 which was an 18% improvement on the previous half (first half 2019: \$1.08M loss). June gross margin was up 3% to 69% underpinned by renegotiating terms with Dropsuite's primary cloud hosting provider and improved data centre utilization in key geographic locations due to user growth. Operating Expenditures (Opex) increased by 12% PCP predominantly driven by investments in sales, marketing and software development. The Company ended the half with a solid cash balance exceeding \$3M, no debt and a reduced normalised cash burn.

As reported in the June quarterly activities report, annualised recurring revenue (ARR), a key performance benchmark for Dropsuite, continued to track up favourably to \$6.74M at the end of the half, a 70% increase on the previous corresponding period. The solid growth in ARR growth reflects on Dropsuite's track record delivering best of breed cloud-based email backup and archiving solutions to its partners and customers worldwide.

	1HY2020	1HY2019	CHANGE
Revenue	3,245,398	2,346,121	38%
Operating Expenditure	2,972,100	2,653,586	12%
Operating EBITDA	(884,988)	(1,079,126)	18%
Cash and cash equivalents	3,021,918	2,197,907	37%

Chart 1: First half 2020 financial summary

ARR on a constant currency basis continues to trend up and was \$6.84M at the end of July 2020:



**Chart 2: ARR growth for the 7 months ending 31 July 2020 (AUD continued its appreciation against USD)**

#### **A SOLID FIRST HALF PERFORMANCE:**

As of June 2020, paid user numbers have increased to 343,000 from 261,000 a 31% improvement, and average revenue per user (ARPU) was strong at \$1.63, up 26% on the prior half. Supporting paid user growth and ARPU is the number of transacting partners which have grown 49% on the prior half to 272. As reported last month, partner churn is at an industry-leading low of 3.3%. Dropsuite's focus on de-risking and diversifying its revenue base is reflected in the reduced revenue concentration of its top 10 partners which now stands at 71%, down from 78% as at 30 June 2019.

#### **A FAVOURABLE OUTLOOK:**

Dropsuite operates in a large addressable market and we expect the business of data protection to only grow in relevance. Several persistent macro factors reinforce the favourable outlook, including growth in cybersecurity threats; increasing data privacy regulation; and the IT industry's continuous shift to cloud-based software applications that in turn generate recurring revenue streams.

The Company has established its position as an industry-leading technology business and is becoming the backup vendor of choice for a growing number of partners and customers.

Dropsuite is well positioned to maintain its growth trajectory supported by world-class partners and a solid sales pipeline with a number of exciting near-term growth developments.

With forecasted increase in sales and cash receipts and vigilance on managing operating expenditure, the Company expects cash burn to reduce and EBITDA to improve for the remainder of the year.

#### **Comment:**

**Dropsuite's Managing Director Charif Elansari said:** "We have delivered a solid half year performance based on all key metrics and this is best demonstrated by the growth in revenue and ARR especially given the modest increase in our cost base."

"Our focus remains firmly on building a high-growth business with a well demonstrated and understood formula to deliver best-of-breed, cloud-based SaaS backup and archiving solutions to SMBs and Enterprise grade customers through our well-established global partnership model. By continuing to add more quality partners and consequently end users, we will further expand and diversify our revenue streams."

It is important to note that the actual outcome may vary given the unprecedented nature of the challenges emanating from the COVID-19 pandemic. Current expectations are based on business performance to date and the Company's latest views and assumptions on the business outlook.

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](http://www.dropsuite.com)

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