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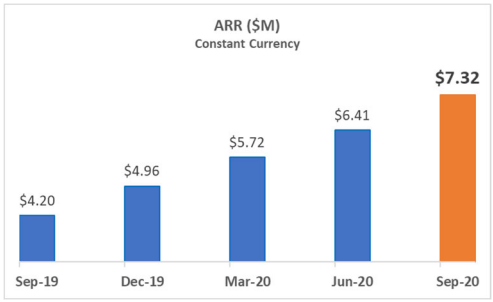
Dropsuite delivers 74% increase in ARR (PCP)

Material Reduction in Cash used in Operations

20 October 2020: Global cloud backup and archiving software provider Dropsuite Limited (ASX: DSE) ("Dropsuite" or the "Company") is pleased to provide an overview of the Q3 results and Appendix 4C for the period ending 30 September 2020.

Highlights

- **Annual Recurring Revenue** (ARR[1]) of $7.32m a 74% increase on previous corresponding period (PCP) on a constant currency basis
- **Paid users** increased to 377k up 10% quarter on quarter
- **Monthly ARPU up 4%** quarter on quarter on a constant currency basis
- **Cash receipts** up 16% to $1.69m on prior quarter
- **Cash used in Operations** down 80% to ($0.13m) on prior quarter
- Cash on hand of **$2.89m cash** ($3.02m June 2020)



Charif El Ansari CEO of Dropsuite stated: "Our ongoing focus on the quality of our service and continued innovation, in addition to the resilience of our partner reseller model, has seen us achieve six consecutive quarters of ARR growth. We are encouraged by these results and are well positioned for continued growth. Dropsuite is in a strong position with solid cash on hand, low burn rate and a growing and stable customer base."

Operational and Product Overview

Over the September quarter, Dropsuite launched four new notable partners globally:

- Leader Computers: One of Australia's largest IT distributors;
- Upstream: A leading IT distributor in the Nordic region;
- Phoenix Software: UK's leading Public Sector IT Solution and Service Provider;
- ESW: One of the fastest growing managed service providers in Canada;

These new partner relationships alongside the healthy growth from our existing partner user base delivered an increase in paid users of 10% to 377k with continued low partner churn[2] of ~3%, well below the industry average.

Dropsuite continues to focus on our partner relationships and received System and Organization Controls Type-1 (SOC2-1) certification in September 2020. This certification is a comprehensive and widely used reporting framework where an independent, third-party auditor uses SOC2 for assessing controls relevant to security, availability, processing integrity, confidentiality, and privacy. Dropsuite will continue enhancing this certification

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

2 September 2020 Revenue Churn is defined as Lost Revenue in September 2020 divided by October 2019 Revenue

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(including SOC2-Type 2), as we consider it beneficial in order to transact with larger clients through demonstrating our commitment to rigorous information security controls.

DSE continued to invest in sales and business development initiatives and enhanced the technology suite to maintain its market-leading position. The Company expanded its product offering with Google G Suite Email Archiving, providing a one-vendor story for all email and email applications for our partners. This is in addition to Insights and Analytics upgrades and improvements to enhance utility and user interface of our product to partners and end clients.

Total revenue from Dropsuite's top 10 partners equates to 70%. This is a decrease in revenue concentration of 1% on the prior quarter and within the Company's target range for 2020. Additionally, transacting partner numbers increased to 297 versus 272 from the prior quarter mostly driven by Dropsuite's growing brand and reputation in the IT Service Provider market.

The Company saw a slight decline in gross margin improvements achieved in the prior quarter, (30 September 2020: 66%; 30 June 2020: 69%), although an improvement on PCP (30 September 2019: 62%), driven by the requirement to add more capacity globally. We expect our gross margin percentage to stabilise or slightly increase from this level.

Financial Overview

Dropsuite delivered growth in key metrics of ARR and ARPU growing at 74% and 22% respectively on PCP and 14% and 4% on the prior quarter on a constant currency basis. ARR increased to $7.32m, up from $6.41m (14%) in the prior quarter and ARPU remained strong at $1.62, up 4% from the prior quarter on constant currency basis.

Actual F/X	Sep-19	Jun-20	Sep-20	QoQ	PCP
ARR ($M) AUD	4.46	6.72	7.32	9%	64%
ARR ($M) USD	**3.04**	**4.63**	**5.29**	**14%**	**74%**
Monthly ARPU (AUD)	1.41	1.63	1.62	-1%	15%
Monthly ARPU (USD)	**0.96**	**1.13**	**1.17**	**4%**	**22%**
F/X AUD/USD	0.68	0.69	0.72	5%	6%

Net Cash used in Operations was down significantly in the quarter but is expected to normalise[1] at around ($0.30m) in the upcoming quarters. The net cash used for operations of ($0.13m) for the quarter, with normalised net cash used of ($0.26m). The decrease in actual cash used was largely driven by delayed Q2 cash receipts from partners and customers received in Q3. Cash on hand for the Company remains broadly stable at $2.89m and expect that these funds will enable the Company to continue to grow the revenue base as the Company progresses towards cashflow breakeven.

($) Million)	Jun-20	Sep-20	QoQ
Cash receipts	1.46	1.69	*16%*
Normalised Cash Receipts	1.59	1.59	*0%*
Net Cash used in Operations	(0.64)	(0.13)	*-80%*
Normalised Net Cash used in Operations	(0.50)	(0.26)	*-48%*
Cash at hand	3.02	2.89	*-4%*

Receipts from customers were up 16% on the prior quarter to $1.69m (Q2 2020: $1.46m) and up 33% on PCP (Q3 2019: $1.28m). Normalised cash receipts[3] were $1.59m, on par with the prior quarter (Q2 2020 represented by strong collections of outstanding debtors), and up 51% on PCP (Q3 2019: $1.05m).

Corporate Update

On 1 September 2020, the Board granted a total of 10,470,000 performance rights to the Company's employees (Performance Rights), including 1,000,000 to the CEO and Managing Director, which is subject to shareholder approval. The Performance Rights are subject to certain vesting conditions including share price hurdles ($0.14/$0.18/$0.22). Full terms and conditions of the Performance Rights were disclosed in the ASX announcement dated 1 September 2020.

3 Cash receipts are normalised in order to capture delayed receipt of customer payments that occur just after quarter end.

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Payments to Related Parties - Listing Rule 4.7C.3

The Company has reported expenditure of $137,000 for salaries and director fees to related parties.

Outlook

Dropsuite is well positioned for a strong finish to the year. As outlined, we expect our normalised cash burn for calendar Q4 2020 to further decline as the business continues to grow its revenue base and manages the ongoing cost base appropriately to drive growth while also delivering improved financial results. In the coming 12 months, we intend to further expand global sales and marketing presence while investing in product development and innovation to maintain our leading industry standing and to deliver on our growth objectives.

It is important to note that the actual outcome may vary given the unprecedented nature of the challenges emanating from the COVID-19 pandemic.

Dropsuite will be hosting a Zoom Webinar to discuss the quarterly results.

Date: Thursday 22nd October 2020
Time: 11:00am AEDT
Registration Link: https://us02web.zoom.us/webinar/register/WN_xv8VEXpKQ8OXkB95Ls4ZBA

The announcement was approved by the Board of Directors.

- END -

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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

Appendix 4C

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

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Name of entity	
Dropsuite Limited	
ABN	**Quarter ended ("current quarter")**
91 008 021 118	30 September 2020

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	1,693	4,393
1.2	Payments for		
	(a) research and development		
	(b) product manufacturing and operating costs	(627)	(1,896)
	(c) advertising and marketing	(80)	(225)
	(d) leased assets		
	(e) staff costs	(977)	(2,988)
	(f) administration and corporate costs	(138)	(691)
1.3	Dividends received (see note 3)		
1.4	Interest received	4	14
1.5	Interest and other costs of finance paid		
1.6	Income taxes paid		
1.7	Government grants and tax incentives		
1.8	Other (provide details if material)		
1.9	**Net cash from / (used in) operating activities**	**(125)**	**(1,393)**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire or for:		
	(a) entities		
	(b) businesses		
	(c) property, plant and equipment	(9)	(27)
	(d) investments		
	(e) intellectual property		
	(f) other non-current assets		

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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**	**(9)**	**(27)**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	0	3,075
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	0	(190)
3.5	Proceeds from borrowings		
3.6	Repayment of borrowings		
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**	**0**	**2,885**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	3,022	1,424
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(125)	(1,393)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(9)	(27)

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)	0	2,885
4.5	Effect of movement in exchange rates on cash held		
4.6	**Cash and cash equivalents at end of period**	**2,888**	**2,888**

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	1,288	1,422
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (Term Deposits)	1,600	1,600
5.5	**Cash and cash equivalents at end of quarter (should equal item 4.6 above)**	**2,888**	**3,022**

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	137
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 $A'000**	**Amount drawn at quarter end $A'000**
7.1	Loan facilities		
7.2	Credit standby arrangements		
7.3	Other (please specify)		
7.4	**Total financing facilities**	0	0

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.

8.	**Estimated cash available for future operating activities**	**$A'000**
8.1	Net cash from / (used in) operating activities (item 1.9)	(125)
8.2	Cash and cash equivalents at quarter end (item 4.6)	2,888
8.3	Unused finance facilities available at quarter end (item 7.5)	0
8.4	Total available funding (item 8.2 + item 8.3)	2,888
8.5	**Estimated quarters of funding available (item 8.4 divided by item 8.1)**	23.10

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.

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?

Answer:

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?

Answer:

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?

Answer:

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.

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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: 20 October 2020

Authorised by: the Board
(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.

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