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26 October 2020

QUARTERLY ACTIVITIES REPORT
Strong results for Q1, FY21

Damstra Holdings Limited (**Damstra** or the **Company**, ASX:DTC), an Australian-based provider of integrated workplace management solutions, provides an update on the Company's operations for the first quarter of FY21 ended 30 September 2020 (**Quarter**).

Key Highlights

- Record first Quarter for revenue, cash receipts and operating cash flow
- Revenue on an unaudited basis for Q1 of $5.2m, representing growth of 34% on the prior corresponding period (**PCP**)
- Cash receipts of $7.1 m for the Quarter, up 61% on the prior corresponding period (**PCP**)
- Operating cash flow of $2.4m for the Quarter, up 25% on PCP
- Cash balance of $9.6m, which includes costs associated with the Vault Intelligence Limited transaction
- Gross Margin expansion to 72%, up from 69% in FY20, underlining strong operating leverage
- User numbers increased to 418,000 and 47 clients added during the Quarter
- Completed acquisition of 100% of issued capital in Vault by way of a recommended Scheme of Arrangement (**Scheme**) on 19 October 2020
- Damstra now has truly Global footprint, with offices in ANZ, UK, North America and South East Asia
- Successful cross sell to Vault customers of Damstra modules achieved, with three clients already contracted
- Synergies representing $2.5m of the $4m targeted from Vault integration already delivered with full implementation by end Q2 FY21
- Appointment of Sara La Mela as Non-Executive Director to the Damstra Board
- New generation temperature and facial recognition solution has achieved early commercial success, with solution being deployed in various industries across Australia and North America
- Further product innovation continues with soft launch of new SME offering, and an upgraded skills matrix document making client onboarding faster, easier and more accurate

Damstra will present updated operating performance commentary at our Annual General Meeting on 16 November 2020, which will include metrics regarding the recently acquired Vault business and further detail on integration activities.

Key Financial and Operating Metrics

Financial and Operating Metrics	Results Q1 FY21
Users ('000)	418
Client Numbers	326
Recurring revenue	87%
Net Client retention	120%
Gross Margin	72%
Client churn	<0.5%

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Damstra CEO, Christian Damstra, said: "We have started FY21 strongly and successfully completed the Vault transaction. We see this as a year of continued evolution with our business having increasing size, scale and product innovation to accelerate international growth. From an investor perspective, this is important as we believe we have significantly reduced our overall risk profile while increasing our organisational capability. We now have a presence in South East Asia and will continue to add significant resources in North America. Below is a graphic to illustrate that Damstra now has a truly global footprint."



Vault Integration Update

The transaction was completed on the 19 October 2020. Significant activities have already commenced, and a clear implementation plan and pathway forward has been developed.

Organisation

- A new single organisational design has been implemented, with all Vault staff transitioned into Damstra. A new global Damstra executive structure has also been implemented.
- David Moylan (ex-CEO of Vault) has assumed the role of Chief Global Partnerships and will report directly to the Damstra CEO, Christian Damstra.
- David Rose (ex-COO of Vault) is now Chief Service Delivery Officer and will report directly to the Damstra CEO, Christian Damstra.

Synergies

- Synergy and cost rationalisation activities have commenced and already $2.5m of synergies have been implemented. The targeted $4m synergies is reaffirmed.
- As part of delivering the synergies, 30 duplicate systems and suppliers are being rationalised.

Technology

- The Solo product will be fully integrated into the Damstra core system by end of Q2 FY21.
- The Enterprise solution will be fully integrated into the Damstra core system by end of FY21.

Product

- The Vault Brand will be retired, but the Solo Brand will remain.
- Cross sell teams have been implemented, and it has been pleasing that Damstra modules have already been sold to three Vault clients before deal completion.

Appointment of Sara La Mela as non-executive Director to the Damstra Board

We have recently been joined by seasoned technology and sales executive Sara La Mela who has brought tremendous energy, new thinking and insights.

Sara has extensive international experience as a senior technology executive in both Australia and the United States, serving in various roles at both Twitter and Google. At Twitter she was a founding member of its global sales team. Sara has served as the Chief Operating Officer of Local Measure for the last six years, a business that provides a next-generation customer experience platform to help identify, understand and engage customers around the world to drive loyalty.

Senior Staff Appointments

We are actively building the capability of our people at all levels of the organisation. In the previous quarter we announced the expansion of our North American team and have since made more senior appointments based in Australia as detailed below. Both Kimberley and Kathryn will report to the CEO, Christian Damstra.

Kimberley Marshall, Chief People Officer

Appointed Kimberley Marshall as Chief People Officer for Damstra. Kimberley is an outstanding Human Resources practitioner and has significant experience in helping technology companies that are on an accelerated growth path. In her career she has worked for companies such as Buzz Products, Optus, and was Human Resources Director at SEEK.com.au for five years.

Kathryn Vosper, Chief of Sales and Business Development ANZ

Kathryn Vosper has been appointed Chief of Sales and Business Development ANZ, who will be responsible for customer satisfaction and ongoing revenue growth. In her most recent roles, she was APAC Sales and Marketing Manager at Maptek, a global provider of software, hardware and services, and General Manager of Sales at IFS Australia. Kathryn is a strategic technology leader with more than 17 years' experience across a range of sectors including Telco, Mining, Oil and Gas, Construction and Aerospace and Defence.

Business Commentary

Q1 has been a strong start to the financial year, some key highlights as follows:

- Total user numbers increased to 418k, with client churn being negligible and strong net client retention.
- 47 new clients in Australia and North America, across a variety product module. Clients numbers now stand at 326.
- In our core construction vertical user numbers increased to ~68,000 from ~62,000 at end of FY20. This has been driven by new project rollouts, mobilisation of workforce for large infrastructure projects, and return to work on workers with COVID restrictions lifting.
- NBN users plateaued during the Quarter, but a positive outlook given the recent Federal Government announcement of fibre to home deployment.
- Velpic user number were up by 12% for the Quarter from 17,000 to 19,000 users, showing continued uptake of online learning solutions.

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- Since launch we have secured a range of client orders for the next generation of fever detection facial recognition solution. The solution will be deployed in various industries across Australia and North America. At this stage, the solution is slated to be deployed at 40 different locations.
- The value of the confirmed fever detection commitments at the end of Q1 was ~$750,000 of annual recurring revenue. This revenue will be fully run rated by end Q2. These contract wins, and ongoing client enquiries, is a positive development for continued growth for this module.
- In North America we continue to expand our Channel Partners strategy, with Venture Source and Mission now active focussing on Federal, State and Local Government.
- The Paperless module has won new standalone clients. Critically, during the Quarter, three Damstra clients have been sold the module, which validates our cross-sell strategy.
- Vault clients have signed contracts for Damstra modules. One client has taken the paperless module and other two clients our Learning module. These clients were secured before the transaction completed. This supports one of the strategic objectives of the Vault acquisition, being multiple cross sell opportunities.

*Unless otherwise specified, all amounts are provided in AUD and an unaudited basis and pro forma basis.

Ends

Authorised for release to ASX by the Board of Damstra Holdings.

Enquiries

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About Damstra

Damstra is an Australian-based provider of integrated workplace management solutions to multiple industry segments across the globe. The Company develops, sells and implements integrated hardware and software-as-a-service (SaaS) solutions in industries where compliance and safety are of utmost importance. These solutions assist Damstra's clients to better track, manage and protect their staff, contractors and their organisations, and to reduce the risks associated with worker health, safety and regulatory compliance.

The Company has been operating since 2002 and has grown from providing an Australian mining contractor management solution to an integrated workplace management solution provider with a growing client base in international markets.

For more information, please visit

https://www.damstratechnology.com

https://www.linkedin.com/company/damstra-technology

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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. Forward-looking statements are based on:

- assumptions regarding the Company's financial position, business strategies, plans and objectives of management for future operations and development and the environment in which the Company will operate; and
- current views, expectations and beliefs as at the date they are expressed, and which 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 guaranteeing of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of Damstra. These factors may cause actual results to differ materially from those expressed in the statements contained in this announcement.

The Company disclaims any responsibility for the accuracy or completeness of any forward-looking statement. The Company disclaims any responsibility to update or revise any forward-looking statements to reflect any change in the Company's financial condition, status or affairs or any change in the events, conditions or circumstances on which a statement is based, except as required by law. The projections or forecasts included in this announcement have not been audited, examined or otherwise reviewed by the independent auditors of the Company.

You must not place undue reliance on these forward-looking statements.

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Appendix 4C

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

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Name of entity	
Damstra Holdings Limited [DTC.ASX]	
ABN	**Quarter ended ("current quarter")**
74 610 571 607	30 September 2020

Consolidated statement of cash flows		Current quarter $A'000	Year to date (3 months) $A'000
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	7,141	7,141
1.2	Payments for		
	(a) research and development		
	(b) product manufacturing and operating costs	(1,661)	(1,661)
	(c) advertising and marketing	(78)	(78)
	(d) leased assets		
	(e) staff costs	(3,097)	(3,097)
	(f) administration and corporate costs	(653)	(653)
1.3	Dividends received (see note 3)		
1.4	Interest received		
1.5	Interest and other costs of finance paid		
1.6	Income taxes paid		
1.7	Government grants and tax incentives	838	838
1.8	Other (Stamp duty)	(132)	(132)
1.9	**Net cash from / (used in) operating activities**	**2,358**	**2,358**
2.	**Cash flows from investing activities**		
2.1	Payments to acquire:		
	(a) entities		
	(b) businesses		
	(c) property, plant and equipment	(956)	(956)
	(d) investments		
	(e) intellectual property	(905)	(905)

Consolidated statement of cash flows		Current quarter $A'000	Year to date (3 months) $A'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 (contingent consideration relating to prior year acquisition)		
2.6	**Net cash from / (used in) investing activities**	**(1,861)**	**(1,861)**

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	551	551
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)		
	• Leased assets	(714)	(714)
	• Interest received	12	12
	• Interest and other costs of finance paid	(74)	(74)
3.10	**Net cash from / (used in) financing activities**	**(225)**	**(225)**

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Consolidated statement of cash flows		Current quarter $A'000	Year to date (3 months) $A'000
4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	9,365	9,365
4.2	Net cash from / (used in) operating activities (item 1.9 above)	2,358	2,358
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,861)	(1,861)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(225)	(225)
4.5	Effect of movement in exchange rates on cash held		
4.6	**Cash and cash equivalents at end of period**	**9,637**	**9,637**

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	9,637	9,365
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)**	**9,637**	**9,365**

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	278
6.2	Aggregate amount of payments to related parties and their associates included in item 2	

6.1 above is comprised of director fees and expenses paid to 5 directors for the period 1 July -30 September 2020.

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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)		
	- Asset finance	10,000	4,733
	- Bank guarantees	500	500
7.4	**Total financing facilities**	10,500	5,233

7.5	**Unused financing facilities available at quarter end**	5,267

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.

• Facility 1: $10m Revolving Leasing Facility with principal and interest repayments ("Leasing Facility"); and
• Facility 2: $0.5m Bank Guarantee Facility with a 2.5% p.a. fee charged semi-annually

8.	Estimated cash available for future operating activities	**$A'000**
8.1	Net cash from / (used in) operating activities (Item 1.9)	2,358
8.2	Cash and cash equivalents at quarter end (Item 4.6)	9,637
8.3	Unused finance facilities available at quarter end (Item 7.5)	5,267
8.4	Total available funding (Item 8.2 + Item 8.3)	14,904
8.5	**Estimated quarters of funding available (Item 8.4 divided by Item 8.1)**	N/A

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: N/A

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?

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Answer: N/A

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: N/A

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.

On behalf of the Board

Sign here: ..... Date: 26 October 2020

(Director/Company secretary)

Print name: Chris Scholtz

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 – e.g. 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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