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29 October 2020

Nitro Q3 2020 Quarterly Activities Report and Appendix 4C

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

Q3 2020 Highlights (USD unless otherwise stated)

- Completed Q3 2020 and nine months to 30 September 2020 with subscription revenue, ARR[1] and cash receipts above Nitro's prospectus forecast[2].
- Q3 2020 subscription revenues increased to approximately 56% of total revenue, up from 39% in Q3 2019.
- Q3 2020 cash receipts from customers of $11.6 million were up 17% from the previous quarter.
- Net cash inflows from operating activities were $0.4 million for the quarter.
- Cash balance at the end of the quarter was $44.4 million with no debt[3], providing a strong financial position to pursue growth opportunities.
- Completed hiring of key strategic executives in Q3, including Chief Financial, Marketing and Product Officers.
- Updated forecast of FY2020 revenue, ARR and Operating EBITDA (excluding share-based payments and FX) at or above prospectus forecast.

Nitro's CEO and Co-Founder, Sam Chandler said, "In the initial response to the COVID-19 pandemic, we saw 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. With most of the world's knowledge workers now remote, and an

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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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overwhelming developing long-term trend toward remote and digital work, customers are continuing to demand digital transformation solutions. The Nitro Productivity Suite, including Nitro Sign, provides strong operational and financial value to businesses in these times. We are pleased to deliver performance that is on track to meet our pre-COVID-19 revenue forecasts for the year and exceed our expectations for subscription sales, positioning us well for growth in 2021 and beyond."

Performance in Q3 2020

Nitro completed Q3 2020 with subscription revenue and ARR ahead of the Company's prospectus forecast[4].

Net cash inflow from operations in the period was $0.4 million, a decrease of $0.2 million from the previous quarter. Cash receipts from customers of $11.6 million in Q3 2020, up 17% from the previous quarter, were offset by higher personnel expenses and sales and marketing investments.

The number of employees increased from 148 at the end of Q2 to 168 at the end of Q3, and included a number of strategic new hires, in particular Ana Sirbu as Chief Financial Officer, Maria Robinson as Chief Marketing Officer, and Sam Thorpe as Chief Product Officer. With these additions, the FY2020 non-cash share-based payment expense is expected to be approximately $2.1 million greater than the IPO forecast of $1.3 million. This increase is primarily a function of accelerating key hires into 2020 to fuel future growth, combined with Nitro's higher share price yielding greater share-based payment costs.

Increased advertising and marketing spend in Q3 also reflected an investment to support future growth, and in particular the launch of Nitro Sign and the Future of Work report.

Q3 2020 subscription revenues increased to approximately 56% of total revenue, up from 39% in Q3 2019, reflecting Nitro's ongoing successful conversion to a subscription-based business model.

Nitro continued to secure key new enterprise customers in the quarter, contributing over 9,000 new licensed users in the period. These customer wins included the City of Baltimore, Eskom and Midwestern University, Royal Mail and Workcover Queensland, among others.

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

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

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renewing accounts in the period included Time Warner Cable/Spectrum, Toyota Motor Europe, Vizient, Albany Med, and many more.

Product Development:

In addition to the launch of Nitro Sign™ as a standalone product offering in Q2 2020, new product enhancements were delivered in Q3 2020, including integrations with Zapier, Microsoft SharePoint and Microsoft Power Automate. These integrations provide Nitro with the opportunity to expand its position in the digital and workflow productivity SaaS market.

Nitro Sign is available free to users for the remainder of 2020 to support businesses as they continue to navigate through the challenges and disruption caused by the COVID-19 pandemic. Further information on Nitro Sign is provided in the annexure.

The Future of Work Report

In partnership with Qualtrics, a global research and customer experience firm, Nitro published Part 2 of its Future of Work report, providing unique and valuable insights into the behavior of knowledge workers during the shift to a remote working environment.

Gina O'Reilly, COO of Nitro, said, "We are in the midst of a permanent shift towards a more flexible work environment, with remote work becoming the norm for many. Organisations across all industries will need to proactively address the workflow and productivity challenges faced by knowledge workers, especially when working remotely, to drive greater efficiencies and performance, as well as engagement and retention of employees."

The findings of this report reinforce the ongoing acceleration in digital transformation arising from the COVID-19 pandemic and the opportunity for Nitro to continue to deliver on its mission to make document productivity easy, powerful, affordable, and available to all. Nitro adds strong operational and financial value to organisations across the globe by providing the tools needed to drive digital transformation and change management.

For the full reports in Nitro's Future of Work series, visit:

- Part 1: https://www.gonitro.com/future-of-work-part-1
- Part 2: https://www.gonitro.com/future-of-work-part-2

FY2020 Outlook

Consistent with previous updates provided to the market, the COVID-19 pandemic has not had an overall material impact on Nitro's financial and operating performance.

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The rising demand for digitisation solutions, which enable document productivity and workflow from anywhere, is creating new opportunities for the Company, and Nitro is well positioned to deliver on its vision and growth potential.

The Company is pleased to provide the updated guidance for FY2020:

- With another strong quarter of growth, the Company reaffirms its revenue forecast of $40.5 million as per the IPO prospectus.
- Subscription ARR of $26.0 – 27.0 million as compared to $24.4 million in the IPO prospectus due to greater demand for the Company's subscription offering.
- With key growth investments being offset by managed cost savings, the Company forecasts an Operating EBITDA (excluding share-based payments and FX) loss of $4.0 million, in line with the IPO prospectus.
- EBITDA loss of $8.1 – 8.6 million as compared to $5.3m in the IPO prospectus, with ~75% of the difference resulting from the non-cash impact of share-based compensation (calculated at higher recent share prices) for strategic executive hires in Q3 2020, and ~25% of the variance from increased foreign exchange costs.

Ends

Authorised for release to the ASX by the Board.

Enquiries

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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 businesses and individual users. Nitro has over 2.2 million licenses sold, and over 11,000 Business Customers in 144 countries around the world, including over 68% of the 2019 Fortune 500, and three 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 30 June 2020. 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 Sep 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 September 2020 are payments made to related parties of Nitro. These amounts relate to Directors' fees, salaries and allowances 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. To assist organisations in navigating the disruption caused by the COVID-19 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 SEPTEMBER 2020

Consolidated statement of cash flows		**Current quarter US$'000**	**Year to date (nine months) US$'000**
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	11,638	30,720
1.2	Payments for		
	(a) research and development	(290)	(879)
	(b) product manufacturing and operating costs	(1,387)	(4,067)
	(c) advertising and marketing	(1,306)	(2,623)
	(d) leased assets (Note 6)	(24)	(65)
	(e) staff costs (Note 7)	(6,337)	(17,608)
	(f) administration and corporate costs	(1,861)	(6,439)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	22	156
1.5	Interest and other costs of finance paid	(36)	(121)
1.6	Income taxes paid	(55)	49
1.7	Government grants and tax incentives	9	42
1.8	Other (provide details if material)	11	11
1.9	**Net cash from / (used in) operating activities**	**384**	**(824)**
2.	**Cash flows from investing activities**		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	(54)	(149)
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-

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Consolidated statement of cash flows		Current quarter US$'000	Year to date (nine months) US$'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) (Note 8)	-	(224)
2.6	**Net cash from / (used in) investing activities**	**(54)**	**(373)**

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	44	374
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)	(359)	(1,133)
3.10	**Net cash from / (used in) financing activities**	**(315)**	**(1,025)**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	43,947	47,017
4.2	Net cash from / (used in) operating activities (item 1.9 above)	384	(824)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(54)	(373)

Consolidated statement of cash flows		Current quarter US$'000	Year to date (nine months) US$'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(315)	(1,025)
4.5	Effect of movement in exchange rates on cash held	433	(400)
4.6	**Cash and cash equivalents at end of period**	**44,395**	**44,395**

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 US$'000	Previous quarter US$'000
5.1	Bank balances	44,395	43,947
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)**	**44,395**	**43,947**

6.	Payments to related parties of the entity and their associates	Current quarter US$'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	272
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 US$'000**	**Amount drawn at quarter end US$'000**
7.1	Loan facilities		
7.2	Credit standby arrangements		
7.3	Other (please specify)	536	36
7.4	**Total financing facilities**		

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**	**US$'000**
8.1	Net cash from / (used in) operating activities (item 1.9)	384
8.2	Cash and cash equivalents at quarter end (item 4.6)	44,395
8.3	Unused finance facilities available at quarter end (item 7.5)	500
8.4	Total available funding (item 8.2 + item 8.3)	44,895
8.5	**Estimated quarters of funding available (item 8.4 divided by item 8.1)**	N/A

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: N/A

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: N/A

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: N/A

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: 29 October 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 $359K.

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 for the nine months ended 30 September 2020 includes amounts paid for the acquisition of treasury shares aggregating $101K.

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