



D A M S T R A

27 January 2021

QUARTERLY ACTIVITIES REPORT

Quarter ending 31 December 2020, 2nd Quarter

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 second quarter of FY21 ended 31 December 2020 (**Quarter** or **Q2**).

Key Highlights

- Record Quarter for revenue and cash receipts, validating recent acquisitions.
- Completed and fully integrated the acquisition of Vault Intelligence Limited (**Vault**).
- Revenue on an unaudited basis for Q2 of \$6.9m, representing growth of 33% on the previous quarter.
- Revenue and other income on an unaudited basis for Q2 of \$7.8m, representing growth of 46% on the previous quarter.
- Operating cash receipts of \$7.4 m for the Quarter, up 59% on the prior corresponding period (**PCP**).
- Operating cash flow for the Quarter was \$0.3m which included recent M&A transaction costs.
- Half Year Operating cash flow was \$2.6m; up by 103% on PCP.
- On an underlying basis (if M&A transaction and implementation costs were excluded) operating cash flow for half year was \$3.8m, which is 292% increase on PCP
- EBITDA for the Quarter (excluding other income) was \$1.4m, demonstrating the positive impact of increased scale and successful extraction of acquisition synergies.
- EBITDA Margin (excluding other income) for the Quarter was 21%, validating and proving the attractive unit economics of the business model.
- Gross Margin continues to expand to 77%, up from 72% at the end of previous quarter reflecting leverage from increased scale.
- Acquired 32 new customers during the Quarter. Total clients now stand at 670 which includes adding Vault clients and new clients acquired during the quarter.
- Original synergies target of \$4m previously upgraded to \$5.2m. This target has now been achieved and we are assessing if further synergies can be extracted.

Key Financial and Operating Metrics

Financial and Operating Metrics	Q2	Q1
Users ('000)	↑ 623	418
Client Numbers	↑ 670	326
Recurring revenue	↑ 88%	87%
Net \$ Client retention	↓ 100%	120%
Gross Margin	↑ 77%	72%
Client churn	< 0.5%	<0.5%

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Damstra CEO, Christian Damstra, said: "We are seeing growth accelerating in the second quarter and we expect our revenue run rate to increase in the remaining months of FY21. The Q2 performance was pleasing despite cycling off a comparable period in which there were strong contributions from Newmont and NBN contracts and the delayed conclusion of a small number of promising new client engagements. We are especially pleased with our operating cash flow and EBITDA considering we have just completed the Vault transaction, and this demonstrates how quickly we have integrated the business into Damstra from both a product and people perspective. It also reflects the advantages of the greater scale that these acquisitions have provided."

Vault Integration Update

Damstra is pleased to advise that integration of Vault remains ahead of plan:

- A new single organisational structure has been implemented, with all Vault staff now transitioned;
- Revenue is achieving internal targets;
- The Vault brand has been retired as foreshadowed;
- Synergies upgraded to \$5.2m. These have been delivered, with impact of this seen in December EBITDA;
- 30 duplicate systems and suppliers are being rationalised;
- The Solo product is now integrated into the Damstra core system and product suite; and
- The Enterprise solution is expected to be fully integrated into the Damstra core system by end of FY21.

Business Commentary

- Both revenue and cash receipts were record quarters with the smooth and successful integration of Vault. Revenues for Vault were in line with management expectations; albeit revenue in some international markets were impacted by COVID.
- EBITDA performance demonstrates the successful integration of Vault and proves synergies have been implemented and are now run rated in ongoing financial performance.
- EBITDA and operating cash performance for Q2 demonstrates integration risks presented by past acquisitions have been successfully mitigated.
- Cost have increased Quarter on Quarter by 14%, whereas Revenue has increased by 33%
- EBITDA margins for FY21 are anticipated to be comfortably above 20%, and we believe gross margins reported in the last two quarters will remain sustainable in the early- to mid-70 percent range.
- Focus for the business is now on accelerating the monthly revenue run rate.
- Total user numbers increased to 623k driven by the completion of Vault.
- In our infrastructure construction vertical user numbers increased to 71k from 52k at the end of December 2019.
- Clients numbers are 670 after including the carried over Vault clients. 32 new clients were acquired during the Quarter.
- Net \$ client retention has decreased due to a mining and telecommunications client cycling off larger comparable periods and now being in an operational phase.

Damstra expects to release its Appendix 4D and results for 1H FY21 on 26th February 2021. This will be accompanied with an investor call on that day, details for which will be released in due course.

*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.

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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>

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

Name of entity

Damstra Holdings Limited [DTC.ASX]

ABN

74 610 571 607

Quarter ended ("current quarter")

31 December 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	7,357	14,498
1.2 Payments for		
(a) research and development		
(b) product manufacturing and operating costs	(2,562)	(4,223)
(c) advertising and marketing	(150)	(228)
(d) leased assets		
(e) staff costs	(3,071)	(6,168)
(f) administration and corporate costs	(1,836)	(2,489)
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	535	1,373
1.8 Other (Stamp duty)	-	(132)
1.9 Net cash from / (used in) operating activities	273	2,631

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities		
(b) businesses		
(c) property, plant and equipment	(518)	(1,474)
(d) investments		
(e) intellectual property	(1,346)	(2,251)

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Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.2	(f) other non-current assets 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	(1,864)	(3,725)

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	390	390
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(359)	(359)
3.5	Proceeds from borrowings	441	992
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	(858)	(1,572)
	• Interest received	25	37
	• Interest and other costs of finance paid	(134)	(208)
3.10	Net cash from / (used in) financing activities	(495)	(720)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 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	9,637	9,365
4.2	Net cash from / (used in) operating activities (item 1.9 above)	273	2,631
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,864)	(3,725)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(495)	(720)
4.5	Effect of movement in exchange rates on cash held		
4.6	Cash and cash equivalents at end of period	7,551	7,551

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	7,551	9,637
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)	7,551	9,637

6. Payments to related parties of the entity and their associates

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

**Current quarter
\$A'000**

581

6.1 above is comprised of director fees and expenses paid to 6 directors for the period 1 October - 31 December 2020.

7.	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	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)		
	- Merchant prepayment	510	-
	- Asset finance	9,000	4,833
	- Bank guarantees	746	500
7.4	Total financing facilities	10,246	5,333

7.5 **Unused financing facilities available at quarter end** 5,167

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: \$9m Revolving Leasing Facility with principal and interest repayments ("Leasing Facility"); and
- Facility 2: \$0.7m Bank Guarantee Facility with a 2.5% p.a. fee charged semi-annually
- Facility 3: \$0.5m Merchant prepayment facility with no fixed repayment terms or interest

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (Item 1.9)	273
8.2	Cash and cash equivalents at quarter end (Item 4.6)	7,551
8.3	Unused finance facilities available at quarter end (Item 7.5)	5,167
8.4	Total available funding (Item 8.2 + Item 8.3)	12,718
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:

- 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?

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.

Date: 27 January 2021.....

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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