

27 January 2021

Nitro Q4 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, today released its Appendix 4C Quarterly Cash Flow Report for the quarter ended 31 December 2020 (unaudited) and is pleased to provide the following update on financial and operating performance.

Q4 2020 Highlights (USD unless otherwise stated)

- Completed Q4 2020 and FY2020 with ARR¹, subscription revenue, and cash receipts above Nitro's prospectus forecast.
- ARR at 31 December 2020 was \$27.7 million, up 64% from 31 December 2019 and ahead of the Company's previously upgraded forecast of \$26.0 million - \$27.0 million².
- For Q4 2020, subscription revenue increased to approximately 58% of total revenue and comprised approximately 78% of revenue across the dominant Business sales channel reflecting strong progress in Nitro's transition to a subscription revenue model³.
- Cash balance at 31 December 2020 was \$43.7 million with no debt⁴, providing a strong financial position to pursue growth opportunities.
- Over 1 million Nitro Sign eSignature requests were sent during the year.

Nitro's CEO and Co-Founder, Sam Chandler said: "We achieved a very strong finish to 2020 as the transition to digital workflows and productivity anywhere remains a priority for

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 This upgraded forecast was provided with the Q3 2020 4C. Prospectus forecast was \$24.4 million.

³ Nitro's Business sales channel represented 73% of total Company revenue in FY2020, and comprises sales executed by Nitro's sales team. Outside of the Business channel, the other channel is the Online channel, where purchases of <20 licenses are executed online via Nitro's website. The Online channel represented the balance of 27% of revenue in 2020.

⁴ Excluding office leases.

organisations of all sizes. Our results are testament to the quality of our products and the incredible efforts of the Nitro team in delivering continued acceleration in subscription sales and revenue. As the world navigates the ongoing disruption caused by the COVID-19 pandemic, we will continue to provide our customers with best-in-class solutions for remote work and digital productivity.

Throughout 2020 we built important foundations across the business to ensure the capacity and capability to realise our growth opportunities today and into the future. We bolstered our leadership team, began to serve over 700 new business customers, introduced Nitro Sign, sent well over 1 million eSignature requests for users, and neared the completion of our transition to a subscription business model in our Business sales channel.

We're honoured to serve 11,700 Business customers, including 68% of the Fortune 500, and we look forward to continuing to drive digital transformation around the world in 2021 and beyond."

Performance in Q4 2020 and FY 2020⁵

Nitro completed FY2020 with subscription revenue ahead of the Company's prospectus forecast of \$20.2 million. ARR at year-end was \$27.7 million, up 64% from 31 December 2019, ahead of the upgraded forecast of \$26.0 million - \$27.0 million and significantly higher than the prospectus forecast of \$24.4 million.

Subscription revenue comprised approximately 53% of total revenue for FY2020, compared to 37% for FY2019, reflecting Nitro's ongoing successful conversion to a subscription-based business model. Q4 2020 subscription revenue increased to approximately 58% of total revenue, compared to 41% for Q4 2019.

Nitro's successful transition to a subscription business model is evident across its Business sales channel, which represented 73% of total Company revenue in FY2020 and where sales are executed by Nitro's sales team⁶. In the Business channel, Q4 2020 subscription revenue increased to approximately 78% of total, compared to 55% for Q4 2019. The transition to a subscription business model across this channel will be effectively complete in FY2021.

⁵ Financial metrics provided are unaudited results for the quarter and the year ending 31 December 2020.

⁶ Note that outside of the Business channel, the other channel is the Online channel, where purchases of <20 licenses are executed online via Nitro's website. The Online channel represented the balance of 27% of revenue in 2020.

Net cash outflow from operations in the period was \$0.8 million, an increase of \$1.2 million from the previous quarter. Higher net cash outflows in Q4 2020 compared to Q3 2020 were attributable to the full quarter impact of increased headcount and marketing costs as the Company invests for future growth.

Cash receipts from customers in FY2020 amounted to \$42.7 million, up 6% compared to FY2019. Cash receipts in FY19 included significant upfront receipts from customers pertaining to multi-year, non-cancellable subscription contracts. Cash receipts from customers in Q4 2020 were \$12.0 million, up 3% from the previous quarter.

Nitro continued to secure key new enterprise customer wins in the quarter, including Fluor, Westpac, Southern Company, Monash University, Bank of Montreal, Adecco, Legal Aid Society, and PetSmart, among others. Jointly, the new customers highlighted here contributed over 26,000 new licensed users in Q4 2020.

Further growth was delivered across Nitro's existing customer base with the Company continuing to achieve high levels of customer retention. Key expanding and renewing accounts in the period included Lufthansa, Swiss Mobiliar, Pike Corporation, PPD, USI Insurance, and Citco.

FY2020 Outlook:

Nitro expects to deliver total revenue for FY2020 approximately in line with the Company's prospectus forecast of \$40.5 million.

Operating EBITDA (excluding share-based payments and FX) loss is expected to be within the range of \$2.1 million - \$2.6 million, compared to the \$4.0 million prospectus forecast.

EBITDA loss is expected to be within the range of \$6.0 million - \$6.5 million, compared to the updated EBITDA loss range of \$8.1 million - \$8.6 million provided on 29 October 2020.

The favourable EBITDA results are due to slower pace of planned hiring and lower required marketing investment to achieve Q4 sales goals.

Nitro's results for the year ended 31 December 2020 are currently being audited and expected to be released on 24 February 2021.

Ends

Authorised for release to the ASX by the Board.

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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 2.6 million licenses sold, and 11,700 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 31 December 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.

Annexure

Use of funds statement (Listing Rule 4.7C.2)

USD millions	As per IPO prospectus	Actuals till 31 Dec 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 31 December 2020 are payments made to related parties of Nitro. These amounts relate to Directors' fees, salaries, allowances and short-term incentives paid to Directors and their associates.

Appendix 4C

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

Name of entity

NITRO SOFTWARE LIMITED

ABN

15 079 215 419

Quarter ended ("current quarter")

30 DECEMBER 2020

Consolidated statement of cash flows	Current quarter US\$'000	Year to date (Twelve months) US\$'000
1. Cash flows from operating activities		
1.1 Receipts from customers	11,958	42,678
1.2 Payments for		
(a) research and development	(271)	(1,150)
(b) product manufacturing and operating costs	(1,697)	(5,764)
(c) advertising and marketing	(1,249)	(3,728)
(d) leased assets (Note 6)	(22)	(87)
(e) staff costs (Note 7)	(7,114)	(24,742)
(f) administration and corporate costs	(2,258)	(8,822)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	3	160
1.5 Interest and other costs of finance paid	(30)	(151)
1.6 Income taxes paid	(105)	(56)
1.7 Government grants and tax incentives	9	51
1.8 Other (provide details if material)	-	11
1.9 Net cash from / (used in) operating activities	(776)	(1,600)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(29)	(178)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter US\$'000	Year to date (Twelve 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	(29)	(402)

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	71	444
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)	(370)	(1,503)
3.10	Net cash from / (used in) financing activities	(299)	(1,325)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	44,395	47,017
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(776)	(1,600)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(29)	(402)

Consolidated statement of cash flows		Current quarter US\$'000	Year to date (Twelve months) US\$'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(299)	(1,325)
4.5	Effect of movement in exchange rates on cash held	458	59
4.6	Cash and cash equivalents at end of period	43,749	43,749

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	43,749	44,395
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)	43,749	44,395

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	299
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>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.</i>		

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 US\$'000	Amount drawn at quarter end US\$'000
7.1 Loan facilities		
7.2 Credit standby arrangements		
7.3 Other (please specify)	543	44
7.4 Total financing facilities	543	44
7.5 Unused financing facilities available at quarter end		499
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)	(776)
8.2 Cash and cash equivalents at quarter end (item 4.6)	43,749
8.3 Unused finance facilities available at quarter end (item 7.5)	499
8.4 Total available funding (item 8.2 + item 8.3)	44,248
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	57
<i>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.</i>	
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	
<i>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.</i>	

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 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 \$370K.
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 year ended 31 December 2020 includes amounts paid for the acquisition of treasury shares aggregating \$101K.