

ASX Announcement

22 July 2021

Damstra Technology

(ASX: DTC)

QUARTERLY ACTIVITIES REPORT**Damstra Delivers Record Quarterly Revenue of \$9.1m in Q4, up 75% on PCP****Record Cash Receipts of \$10m**

Damstra Holdings Limited (ASX:DTC) (**Damstra** or the **Company**), a leading Australian-based global provider of integrated workplace management solutions, is pleased to provide an update on the Company's operations for the fourth quarter of FY21 ended 30 June 2021 (**Quarter** or **Q4**).

"Q4 was a record Quarter for Damstra, as we delivered revenue of \$9.1 million¹, an increase of 75% from the prior year" said Christian Damstra, Chief Executive Officer of Damstra. "We also achieved record cash receipts of \$10 million and a record EBITDA margin of 30% for the Quarter, showing the operating leverage continuing to emerge within the business".

"In Q4 we continued to see material increases in users across all of our product modules and delivered increased value to our customers through constant product innovation. We remain in productive contractual negotiations with several potentially material clients in the United Kingdom and North America, all recognised leaders in their respective fields and each with more than 10,000 users and look forward to providing updates on the outcomes of these negotiations during the next quarter."

Key Highlights

- Record quarterly revenue of \$9.1 million, up 75% on prior corresponding period (**PCP**).
- Strong quarter-on-quarter revenue growth, increasing by 32% from Q3 to Q4.
- Record operating cash receipts of \$10 million for the Quarter, up 80% on PCP.
- Continued growth in recurring revenues, with ARR reaching \$35 million at 30 June, up 65% on PCP.
- Operating leverage drives continued Gross Margin expansion, which reached 78.4% for FY21.
- Record EBITDA Margin of 30% achieved in Q4, further showing the attractive unit economics of the business model.
- New AUD\$20 million debt facility with San Francisco Bay Area-based Partners for Growth VI, L.P. (PFG) provides enhanced financial flexibility for growth.
- 55 new clients acquired during Q4, taking new clients to 157 for FY21 and total clients to 724.
- Vault acquisition synergies completed at \$6.2 million, significantly outperforming the original target of \$4 million.
- Active user numbers increased by 74% to 737,000, up from 423,000 in PCP, driven by deepening client relationships.

¹ Includes proportional share of joint venture income

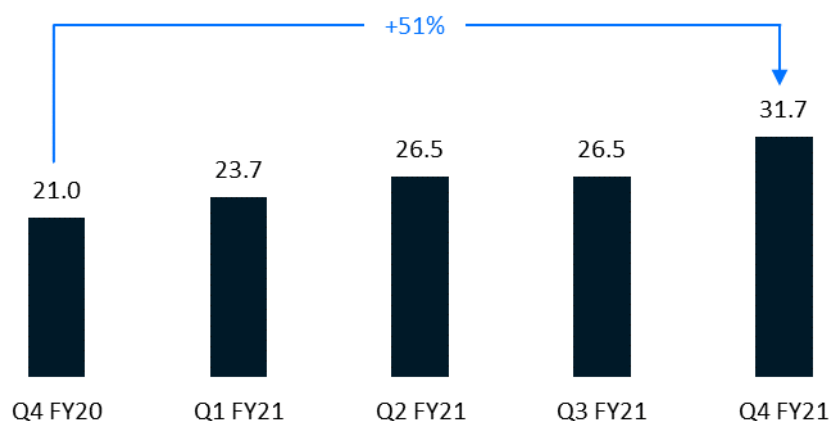
Key Financial and Operating Metrics

Metric	Q4 FY21	Q4 FY20	Variance
Users ('000)	737k	423k	74%
Clients	724	279	259%
Recurring revenue (%)	84.7%	86.8%	(2.1%)
Gross Margin % (Qtr.)	73.9%	66.9%	7%
Client churn	<1%	<1%	flat

Financial Highlights

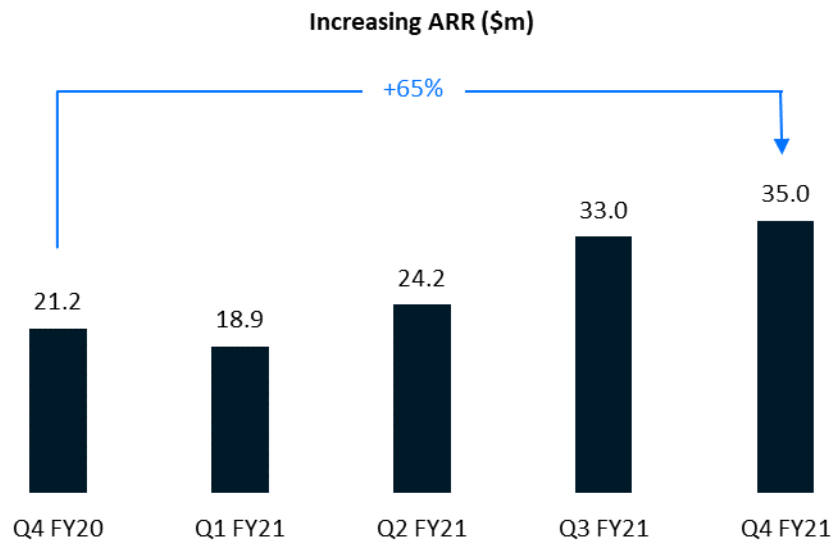
- Revenue:** Damstra delivered record quarterly revenue of \$9.1 million in Q4 FY21, an increase of 75% on PCP. The record revenue growth was coupled with record operating cash receipts of \$10 million in the Quarter, up 80% on PCP, demonstrating the strong momentum across Damstra's operations. Quarter-on-quarter revenue growth of 32% from Q3 to Q4 demonstrates the higher base revenue run rate in the business following the successful integration of Vault.

Increasing cash receipts (LTM \$m)



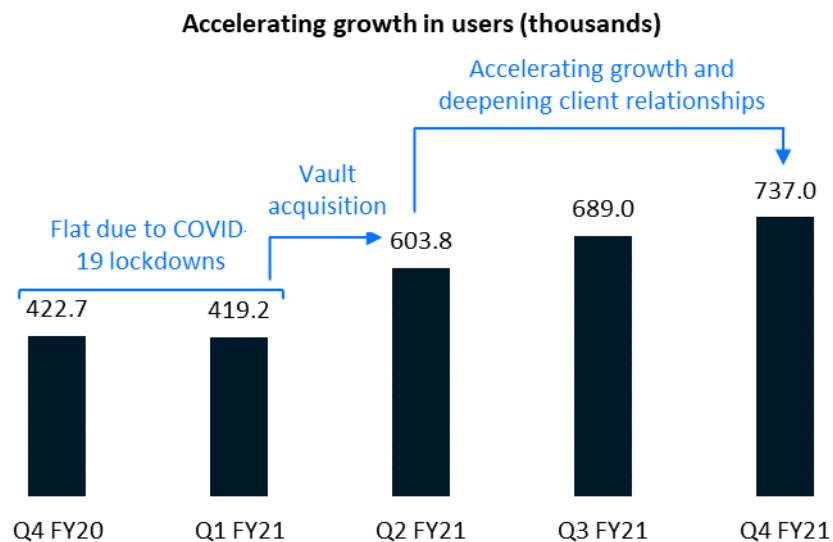
- EBITDA Margin** for Q4 FY21 of 30% reflects continued operating leverage driven by increased scale and the successful extraction of \$6.2 million of synergies from the Vault acquisition. Being able to absorb a business which was EBITDA and operating cash loss-making, while achieving a 30% EBITDA margin, shows a significant outperformance on the original integration target of \$4 million set by the business pre-acquisition.
- Debt Facility:** During the Quarter Damstra successfully refinanced its existing debt facilities, enhancing the Company's financial position to fund its ongoing product development and continued growth. The new secured debt facility of up to AUD\$20 million has been provided by Partners for Growth VI, L.P. (PFG), a well-known San Francisco Bay Area-headquartered specialist provider of growth funding solutions to technology companies.

- **Annualised Recurring Revenue (ARR):** At the end of Q4 FY21, ARR reached \$35m, up 65% compared to PCP.



Operational Highlights

- **User and client growth:** The record revenue performance was driven by continued growth in user numbers among existing clients and new clients acquired during the Quarter. From Q3 to Q4, total user numbers grew by 7% to 737k, as a result of deepening relationships with current clients, success in customer acquisition and continued improvement in reducing non-renewals. In Q4 Damstra added 55 new clients.



- **United Kingdom and North America:** Damstra is currently in contract negotiations with several potentially material clients in the United Kingdom and North America, all recognised leaders in their respective fields and each with more than 10,000 users, with a view to agreeing multi-year contracts to rollout Damstra's suite of products. In parallel with these negotiations, implementation work and detailed pilots are already progressing with these new potential clients. Negotiations on a multi-year contract extension with Damstra's largest North American client are progressing well.

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- **Technology:** Damstra Digital Forms (workflows) continues to see good take up by Damstra’s larger clients. Due to the complexity of integration and the benefits to clients, this is now the Company’s highest-priced product offering. Damstra’s Satellite offering, which enables remote workers to have continuity of communication coverage, is currently being trialled with a number of clients, and the Company views this a high value niche product offering. Damstra Safety, which is both a standalone and integrated tool to manage daily risk and compliance in mobile environments, with centrally managed business analytics, continues to generate positive client uptake.

- **Mobility:** Damstra’s Solo product continues to rollout strongly in the Health, Aged Care and Disability support sectors and this position has been strengthened with the Royal Commission findings into Aged Care paving the way for solutions such as Solo to assist.

Solo satellite capability has now been developed to work on mobiles and wearables in remote areas without 3G/4G telecommunications coverage. This extension to work on satellite allows use of Solo anywhere globally, providing complete coverage for transport and logistics and remote healthcare, where client trials are underway.

Solo is also currently being trialled with clients in the transport and waste sectors where monitoring workers and vehicles is deemed a critical control point. Solo is now also being used by some of Damstra’s mining and construction clients. In mining, the use case is in exploration where workers operating in remote locations can now utilise the recently released satellite capability. Keppel Offshore and Marine have now reached 50% of their planned rollout with 7,500 Solo licenses and smartwatches now deployed in its Singapore facility.

- **Partners:** Damstra during the Quarter achieved Partner status with Amazon Web Services (**AWS**) and is now working with AWS’s Global Mining team. Damstra used AWS to build its Enterprise Protection Platform (**EPP**) on the AWS global cloud infrastructure, which provides best-in-class availability and scalability.

Verdantix is an independent global research and advisory firm with expertise in digital strategies for Environment, Health & Safety, ESG & Sustainability, Operational Excellence and Smart Buildings. Verdantix has featured Damstra in two Global reports, one being the “Control of Work Software Applications” market², and Verdantix rating Solo one of “10 Exciting Connected Worker Solution Providers To Watch In 2021”.³

The United States Security Executive Council (SEC) is the leading research and advisory firm that specializes in corporate security risk mitigation solutions. Damstra is a solutions technology partner helping to support SEC’s member organizations.

- **ANZ:** Damstra signed a three-year extension with NBN Co Limited (**nbn**) with the potential to extend to 2027. Expected revenue for Damstra over the life of the contract is up to \$7 million⁴. Damstra’s enAble™ platform, designed for use by nbn, has been rolled out to all ~25,000 nbn workers and contractors Australia-wide.

² Buyer’s Guide: Control of Work Software Applications, Verdantix, 24 June 2021: <https://www.verdantix.com/blog/control-of-work-software-providers-focus-on-three-key-innovations-to-differentiate-from-competition>

³ 10 Exciting Connected Worker Solution Providers To Watch In 2021, Verdantix, 27 May 2021: <https://research.verdantix.com/report/10-exciting-connected-worker-solution-providers-to-watch-in-2021>

⁴ Please see Damstra’s announcement dated 7 July 2021 for more details.

Damstra CEO, Christian Damstra, commented: "Q4 FY21 has been a record Quarter for Damstra across our key SaaS and financial metrics and we are incredibly pleased to have achieved revenue growth of 75% on PCP, a breakout performance for the Company. Looking ahead, we are close to finalising a number of material commercial opportunities that are expected to underpin our accelerated growth, including some international contracts we expected to sign this quarter which we now hope to sign in FY22. Our existing book of business continues to grow due to our deepening relationship with current clients and our ever-expanding product suite, underpinned by our Enterprise Protection Platform (EPP), which is a key differentiator for Damstra".

FY21 Results Announcement Details

Damstra intends to release its FY21 results on Thursday 26 August 2021. A briefing is scheduled to be held at 09:30 AEST on that date, which participants can access using the below link. Registration is required.

<https://zoom.us/s/92605271747?pwd=akVzQ0locmlpNVZPTTBraUJRZHFuZz09>

Ends

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

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About Damstra

Damstra is a global leader in enterprise protection software. Its Enterprise Protection Platform (EPP) integrates an extensive range of modules and products that allows organisations to mitigate and reduce unforeseen and unnecessary business risks around people, workplaces, assets, and information.

Integral to the Damstra EPP, Damstra's Workforce Management, Learning Management and Connected Worker solutions combine to ensure Protected People. In creating workplaces that are Safe, Damstra's Access Control, Digital Forms and Safety Solutions are utilised. Assets are connected into operations, through integrated Asset Management enabling Asset mobilisation and offerings in RFID and IOT. And lastly Accessible Information, Reporting BI tools and Predictive Analytics are critical to ensuring customers are making the right decisions with the right information.

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.

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

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")

30 June 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	10,037	31,736
1.2 Payments for		
(a) research and development		
(b) product manufacturing and operating costs	(3,397)	(9,624)
(c) advertising and marketing	(77)	(500)
(d) leased assets		
(e) staff costs	(2,538)	(11,562)
(f) administration and corporate costs	(3,512)	(8,523)
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	-	1,373
1.8 Other (Stamp duty)	-	(132)
1.9 Net cash from / (used in) operating activities	513	2,768
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities		
(b) businesses		
(c) property, plant and equipment	(177)	(2,499)
(d) investments		
(e) intellectual property	(1,355)	(5,108)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
	(f) other non-current assets		
2.2	Proceeds from disposal of:		
	(g) entities		
	(h) businesses		
	(i) property, plant and equipment		
	(j) investments		
	(k) intellectual property		
	(l) 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	(1,532)	(7,607)
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
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	(359)
3.5	Proceeds from borrowings	12,000	13,421
3.6	Repayment of borrowings	(4,136)	(4,136)
3.7	Transaction costs related to loans and borrowings	(359)	(359)
3.8	Dividends paid		
3.9	Other (provide details if material)		
	• Leased assets – equipment	(694)	(2,716)
	• Leased assets - offices	(135)	(501)
	• Interest received	6	70
	• Interest and other costs of finance paid	(193)	(502)
3.10	Net cash from / (used in) financing activities	6,489	5,308

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
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4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	4,364	9,365
4.2	Net cash from / (used in) operating activities (item 1.9 above)	513	2,768
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,532)	(7,607)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	6,489	5,308
4.5	Effect of movement in exchange rates on cash held		
4.6	Cash and cash equivalents at end of period	9,834	9,834

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	9,834	4,364
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)	9,834	4,364

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	312
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 6 directors for the period 1 April – 30 June 2021

7.	Financing facilities <i>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.</i>	Total facility amounts at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	Loan facilities	20,000	12,000
7.2	Credit standby arrangements		
7.3	Other (please specify)		
	- Merchant prepayment	715	715
	- Insurance funding	108	108
	- Asset finance	-	-
	- Bank guarantees	746	746
7.4	Total financing facilities	21,569	13,569

7.5 **Unused financing facilities available at quarter end** 8,000

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: \$15m Revolving Leasing Facility with interest only repayments ("Loan Facility"); and
- Facility 2: \$5m Revolving Leasing Facility with interest only repayments ("Loan Facility"); and
- Facility 3: \$0.7m Merchant Prepayment Facility with no fixed repayment terms or interest; and
- Facility 4: \$0.7m Bank Guarantee Facility with no fixed repayment terms or interest; and
- Facility 5: \$0.1m in short term insurance funding with capital and interest repayment terms

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (Item 1.9)	513
8.2	Cash and cash equivalents at quarter end (Item 4.6)	9,834
8.3	Unused finance facilities available at quarter end (Item 7.5)	8,000
8.4	Total available funding (Item 8.2 + Item 8.3)	17,834
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?

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: 22 July 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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