

28 July 2021

## NITRO Q2 2021 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 releases its Appendix 4C Quarterly Cash Flow Report for the quarter ended 30 June 2021 (unaudited) and is pleased to provide the following update on financial and operating performance.

Nitro also advises an update to the calculation methodology of its SaaS metrics (non-IFRS/AASB metrics) to be consistent with SaaS industry best practices and to enable a clearer understanding of the operating performance of the business. The SaaS metrics for which the calculation methodology was updated are: Annual Recurring Revenue ('ARR'), Gross Retention Rate ('GRR') and Net Retention Rate ('NRR'). This update has not resulted in any material changes to historical or forecasted ARR. Details of this update are provided in Annexure 1.

### Q2 2021 Highlights (USD unless otherwise stated)

- ARR<sup>1</sup> at 30 June 2021 was \$33.8 million, up 56% compared to ARR at 30 June 2020, in line with FY2021 forecast.
- Transition to a SaaS business model continues, with subscription revenue comprising 63% of total revenue for 1H 2021, up from 48% in 1H 2020. In the larger Business sales<sup>2</sup> channel, 85% was subscription, with this transition on target to be complete by end of FY2021.
- Cash balance at 30 June 2021 was \$38.8 million with no debt<sup>3</sup>, providing a strong financial position to pursue growth opportunities.
- Product expansion included Mac, iPad® and iPhone® capabilities through the acquisition of PDFpen.
- Nitro Sign™ launched with full commercial availability as a standalone subscription offering in a new Nitro Productivity Platform pricing and packaging structure.
- Nitro reaffirms FY2021 ARR<sup>1</sup> guidance and provides updated guidance for revenue and operating EBITDA<sup>4</sup>.

<sup>1</sup> Based on the updated ARR definition. Please refer to Annexure 1 for details.

<sup>2</sup> Nitro Business sales comprise sales executed by Nitro's Sales team and exclude online/eCommerce sales.

<sup>3</sup> Excluding office leases.

<sup>4</sup> Operating EBITDA excludes share-based payments and foreign exchange gains and losses.

Sam Chandler, Nitro's Co-Founder and Chief Executive Officer, said: "The evolution of the Nitro Productivity Platform has continued to accelerate across the past quarter, with major milestones that have enabled us to offer a full suite of powerful productivity solutions to meet our customers' needs.

"In June, we announced the acquisition of PDFpen, adding Mac, iPad and iPhone capabilities to our platform and opening up new market opportunities. This month we have unveiled a comprehensive new pricing and packaging structure that, for the first time, includes the full commercial availability of Nitro Sign as a standalone subscription product offering.

"With these developments, our Platform offers customers the flexibility to tailor individual productivity solutions that remove barriers to growing their businesses in this fast-changing, post-COVID world."

### Performance in Q2 2021 and 1H 2021

Nitro's sales momentum continued in Q2 2021, with ARR at 30 June 2021 of \$33.8 million, in line with guidance, up 56% from the ARR at 30 June 2020. Key customer wins and expansions in the quarter included Silicon Valley Bank, FLSmidth & Co, Canadian Natural Resources, Thermo Fisher Scientific and AmSpec.

Subscription revenue in 1H 2021 represented 63% of total revenue. The transition to subscription in the dominant Business sales channel, where 85% of revenue in 1H 2021 was generated from subscription contracts, remains on target to be effectively completed by the end of FY2021.

Demand for the Nitro Productivity Platform set of products continues to be underpinned by the global shift to remote and digital work, accelerated by the COVID-19 pandemic, with more than 1 million eSign requests sent in 1H 2021. This is a significant achievement considering 1 million eSign requests were sent for the entirety of FY2020.

Cash receipts from customers were \$11.3 million in Q2 2021, up 14% from Q2 2020. Net cash outflow from operations in the period was \$2.7 million, largely reflecting Nitro's continued strategic investments in areas that will drive future growth, such as personnel, development of the product suite and sales strategy.

Nitro's cash balance of \$38.8 million at 30 June 2021 provides the Company with the financial flexibility to pursue both organic and inorganic growth opportunities.

## Acquisition of PDFpen

During Q2 2021, Nitro announced the acquisition of PDFpen – a suite of Mac, iPad and iPhone PDF productivity applications for Apple® desktop and mobile devices – for USD \$6 million in cash. The transaction was successfully closed in July 2021.

The acquisition of PDFpen – Nitro’s first acquisition since its IPO in December 2019 – expands the Company’s native PDF productivity solutions to more users across more devices and operating systems at a time when work-from-anywhere tailwinds are accelerating digital transformation.

## Product Development: Nitro Sign, Salesforce Integration

In July 2021, Nitro Sign was released with full commercial availability as a standalone subscription product in a comprehensive new pricing and packaging structure for the Nitro Productivity Platform. Given the challenges caused by the COVID-19 pandemic, Nitro Sign was initially made available to customers free of charge in June 2020. Following the conclusion of the launch and promotional period, the Company launched its premium Nitro Sign offerings on 21 July 2021, making Nitro Sign available as a standalone subscription or as part of a tailored productivity solution depending on the customer’s requirements.

Nitro Sign Essentials offers unlimited eSigning to everyone in an organisation, while Nitro Sign Advanced and Nitro Sign Enterprise add powerful features, such as custom branding, team collaboration and advanced systems integrations.

Continuing a significant period of product innovation, Nitro also launched a Nitro Sign integration with Salesforce this month to accelerate the closing of sales contracts and other critical agreements. Nitro’s Productivity Platform already integrates with key systems used by individuals and enterprises every day, including Zapier, Microsoft Power Automate, Microsoft SharePoint and cloud storage providers Box, Dropbox and Microsoft OneDrive.

Mr Chandler said: “With the introduction of native Mac and iOS capabilities, the full commercial availability of Nitro Sign as a standalone product and the launch of its Salesforce integration, Nitro’s flexible, customisable Productivity Platform enables organisations to accelerate work, save time and money, and improve productivity in more ways and places than ever before.”

## FY2021 Outlook

Following another strong growth quarter, Nitro is pleased to reaffirm its FY2021 guidance for Ending ARR<sup>5</sup> between \$39 million and \$42 million.

Revenue is expected to be between \$47 million and \$50 million, compared to the prior guidance range between \$45 million and \$49 million provided on 24 February 2021. The favourable revenue expectation is due to higher return on investment from some of the Company's 1H 2021 initiatives.

Operating EBITDA<sup>6</sup> loss is expected to be within the range of \$9 million to \$11 million, compared to the guidance range of \$11 million to \$13 million provided on 24 February 2021. The favourable Operating EBITDA expectation is due mostly to the overperformance on revenue, and to a more limited extent to cost efficiencies and timing of personnel hiring.

Nitro's financial results for 1H 2020 are currently being reviewed and expected to be released in full on 24 August 2021.

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<sup>5</sup> Based on the new ARR definition.

<sup>6</sup> Operating EBITDA excludes share-based payments and foreign exchange gains and losses.

## Annexure 1

### SaaS Metrics Definition Update (USD unless otherwise stated)

Nitro provides the following key SaaS metrics semiannually as part of ongoing reporting: Annual Recurring Revenue ('ARR'), Gross Retention Rate ('GRR') and Net Retention Rate ('NRR'). These are non-statutory, non-IFRS/non-AASB metrics<sup>7</sup>. Given advances in our systems and data capabilities, Nitro has updated the definitions for these three SaaS metrics to align with industry best practice and enable a clearer understanding of the operating performance of the business. Starting with the period ended 30 June 2021, Nitro will report these three SaaS Metrics according to the updated methodology. Specific updates to the calculation methodology for each of these metrics are detailed below.

#### ARR

**Prior definition:** For all historical reporting periods, ARR was calculated by multiplying the monthly subscription revenue in the last month of the financial reporting period by 12.

**Updated definition:** To align Nitro with industry best practice, for the current and future reporting periods, ARR will be calculated as the total value of subscription revenue contracts, that are in effect at the end of the reporting period, expressed on an annualised basis.

ARR at 30 June 2021 was \$33.8 million according to the updated definition. ARR guidance for the end of FY2021 remains unchanged at between \$39 million and \$42 million.

The impact of the change in methodology for prior periods is as follows:

Reporting Period	ARR – Prior Definition	ARR – Updated Definition
31 December 2020	\$27.7 million	\$28.5 million
30 June 2020	\$20.2 million	\$21.6 million
31 December 2019	\$16.9 million	\$16.6 million

<sup>7</sup> These non-IFRS metrics are operational metrics and may exclude certain transactions or represent transactions or balances on a different recognition and measurement basis from that required or permitted by accounting standards.

## GRR

**Prior definition:** For all historical reporting periods, GRR – previously referred to as customer retention rate ('CRR') – was calculated as the percentage of aggregate subscription annual contract value retained from the set of customers whose subscription agreements came up for renewal during that respective reporting period. Given that most Nitro subscription agreements have a three-year term, this prior methodology captured the retention behavior of only a fraction of Nitro's customers, most of which had entered into their agreements three years earlier.

**Updated definition:** For the current and future reporting periods, GRR will be calculated as the percentage of the overall ARR from all active subscription customers 12 months ago that was retained as ARR at the end of the current reporting period, including the impact of full or partial cancellations, but excluding ARR from expansion or new subscription customers.

The updated definition of GRR now aligns with ARR, which Nitro considers to be its most important business metric. The inverse of GRR is commonly referred to as churn rate.

GRR at 30 June 2021 was 95% according to the updated definition. The impact of the change in methodology for prior periods is as follows:

Reporting Period	GRR – Prior Definition (CRR)	GRR – Updated Definition
31 December 2020	85%	95%
30 June 2020	88%	96%
31 December 2019	90%	98%

## NRR

**Prior definition:** For all historical reporting periods, NRR was calculated as the ratio of (a) revenue generated in the last month of the financial reporting period from subscription customers who were using the Company's software in the same month of the prior year net of churn but including expansion, on an annualised basis; and (b) revenue generated in the last month of the same financial reporting period of the prior year from subscription customers, on an annualised basis. NRR was expressed as a percentage.

**Updated definition:** For the current and future reporting periods, NRR will be calculated as the ratio of (a) ending ARR for the current financial reporting period generated from customers who were existing customers at the end of the same financial reporting period of the prior year, net of churn but including

expansion; and (b) ending ARR for the financial reporting period 12 months prior. NRR is expressed as a percentage.

The updated definition of NRR now aligns with ARR, which Nitro considers to be its most important business metric. Using the updated definitions, NRR reflects GRR plus the impact of expansion.

NRR at 30 June 2021 was 114% according to the updated definition. The impact of the change in methodology for prior periods is as follows:

Reporting Period	NRR – Prior Definition	NRR – Updated Definition
31 December 2020	117%	117%
30 June 2020	118%	120%
31 December 2019	126%	126%

The updated calculation methodology for the SaaS metrics disclosed above allows for a clearer and more nuanced understanding of the operating performance of the business. While the updated methodology aligns Nitro with industry best practice, there is no standard definition of the above metrics across SaaS businesses. This means they may not be directly comparable to similarly titled metrics presented by other entities.

## Annexure 2

### Use of Funds Statement (Listing Rule 4.7C.2)

USD millions	As per IPO prospectus	Actuals till 30 June 2021	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	33.9	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 completed no acquisitions until 30 June 2021 and business activities are currently being funded from cash generated from operating activities and existing cash reserves.

Included in section 6.1 of the Appendix 4C for the quarter ended 30 June 2021 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.

## Ends

Authorised for release to the ASX by the Board.

# ENQUIRIES

## Investors

Nitro  
Investor Relations  
+1 650 507 4777  
[InvestorRelations@gonitro.com](mailto:InvestorRelations@gonitro.com)

## Media

Cato & Clive  
Brett Ward  
+61 437 994 451  
[Brett@catoandclive.com](mailto:Brett@catoandclive.com)

## Registered Office

Level 7, 330 Collins Street  
Melbourne  
Victoria 3000  
Australia

## Corporate Office

150 Spear Street, Suite 1850  
San Francisco  
California 94105  
United States of America

# ABOUT NITRO

Nitro is a global document productivity software company accelerating digital transformation in a world that demands the ability to work from anywhere, anytime, on any device. Nitro enables organisations to drive better business outcomes through 100% digital document processes and fast, efficient workflows. The Nitro Productivity Platform offers comprehensive business solutions, including powerful PDF productivity, unlimited eSigning and industry-leading analytics, all supported by a superior customer success team. Nitro has over 2.8 million licenced users and 13,000+ Business Customers in 155 countries, including over 68% of the Fortune 500 and three of the Fortune 10. Nitro is headquartered in San Francisco with hubs in Toronto, Dublin, London, and Melbourne.

For more information on Nitro, please visit:

- Website: <https://www.gonitro.com/>
- Investors: <https://ir.gonitro.com/Investor-Centre/>

## 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.

## 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 JUNE 2021

<b>Consolidated statement of cash flows</b>	<b>Current quarter US\$'000</b>	<b>Year to date (Six months) US\$'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	11,339	23,290
1.2 Payments for		
(a) research and development	(317)	(600)
(b) product manufacturing and operating costs	(1,473)	(2,752)
(c) advertising and marketing	(1,103)	(1,873)
(d) leased assets (Note 6)	(2)	(3)
(e) staff costs (Note 7)	(8,753)	(17,598)
(f) administration and corporate costs	(2,275)	(4,520)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	2
1.5 Interest and other costs of finance paid	(19)	(43)
1.6 Income taxes paid	(114)	(114)
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(2,717)</b>	<b>(4,211)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(47)	(156)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	(1,478)	(1,478)

Consolidated statement of cash flows		Current quarter US\$'000	Year to date (Six 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)	-	-
2.6	<b>Net cash from / (used in) investing activities</b>	<b>(1,525)</b>	<b>(1,634)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
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	106	332
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	-
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) (Note 6)	1,089	720
3.10	<b>Net cash from / (used in) financing activities</b>	<b>1,195</b>	<b>1,052</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	41,756	43,749
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,717)	(4,211)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,525)	(1,634)

Consolidated statement of cash flows		Current quarter US\$'000	Year to date (Six months) US\$'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,195	1,052
4.5	Effect of movement in exchange rates on cash held	63	(184)
4.6	<b>Cash and cash equivalents at end of period</b>	<b>38,772</b>	<b>38,772</b>

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	38,772	41,756
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details)		
5.5	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>38,772</b>	<b>41,756</b>

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	330
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>		

<b>7. Financing facilities</b> <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>	<b>Total facility amount at quarter end US\$'000</b>	<b>Amount drawn at quarter end US\$'000</b>
7.1 Loan facilities		
7.2 Credit standby arrangements		
7.3 Other (please specify)	541	27
7.4 <b>Total financing facilities</b>	541	27
7.5 <b>Unused financing facilities available at quarter end</b>		514
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.		

<b>8. Estimated cash available for future operating activities</b>	<b>US\$'000</b>
8.1 Net cash from / (used in) operating activities (item 1.9)	(2,717)
8.2 Cash and cash equivalents at quarter end (item 4.6)	38,772
8.3 Unused finance facilities available at quarter end (item 7.5)	514
8.4 Total available funding (item 8.2 + item 8.3)	39,286
8.5 <b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	14
<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: 28 July 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 flows for the principal portion of the Group's lease liabilities are presented within financing activities net.
7. The amount includes costs attributable to the R&D function of the business.