

APPENDIX 4D

Company details

Name of the entity	Nitro Software Limited
ACN	079 215 419
Reporting period	For the half year ended 30 June 2021
Previous period	For the half year ended 30 June 2020

Results for announcement to the market

For the six months ended 30 June	2021 US\$'000	2020 US\$'000	Movement US\$'000	Movement %
Revenue	24,115	19,058	5,057	27%
Loss from ordinary activities after tax attributable to members	(8,556)	(2,068)	(6,488)	314%
Loss attributable to members	(8,556)	(2,068)	(6,488)	314%

Net tangible asset per ordinary share

For the six months ended 30 June	2021 US\$	2020 US\$
Net tangible assets	0.12	0.16

Dividends

No dividends were declared or paid for the half year ended 30 June 2021.

Basis of preparation

This report is based on the Consolidated Financial Statements of Nitro Software Limited, which have been reviewed by PricewaterhouseCoopers ('PwC'). PwC's review report is included within the Group's 2021 Half Year Report, which accompanies this Appendix 4D.

Other information requiring disclosure to comply with Listing Rule 4.2A is contained in the 2021 Half Year Report, which includes the Directors' Report.



HALF YEAR REPORT

30 June 2021



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NITRO SOFTWARE LIMITED

2021 HALF YEAR REPORT

Nitro Software Limited is a company limited by shares that is incorporated and domiciled in Australia. The Company's registered office is Level 7, 330 Collins Street, Melbourne, Victoria, Australia and principal place of business is 150 Spear Street, Suite 1850, San Francisco, California, United States of America.

This Interim Financial Report ('2021 Half Year Report') has been prepared in accordance with Australian Accounting Standards and the *Corporations Act 2001*.

The 2021 Half Year Report incorporates the assets and liabilities of Nitro Software Ltd ('the Company' or 'Nitro') and of all its subsidiaries as at and during the half year ended 30 June 2021 (collectively referred to as 'the Group').

The 2021 Half Year Report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report should be read in conjunction with:

- The 2020 Annual Report for the year ended 31 December 2020 available at: <https://ir.gonitro.com/investor-centre/?page=annual-reports>
- Public announcements made in compliance with continuous disclosure obligations under the *Corporations Act 2001* and the Listing Rules issued by the Australian Securities Exchange ('ASX'), which are available at: <https://ir.gonitro.com/investor-centre/?page=asx-announcements> or <https://www.asx.com.au/> (ASX: NTO)

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DIRECTORS' REPORT

The Directors submit their report on the consolidated entity consisting of Nitro Software Limited and the entities it controlled at the end of, or during the half year ended 30 June 2021. All amounts are presented in USD unless otherwise stated.

Details of Directors

As at the date of this report, the details of the Directors of the Company are as follows:

Name	Position
Kurt Johnson	Executive Chairman
Sam Chandler	Executive Director and Chief Executive Officer ('CEO')
Michael Brown	Non-Executive Director
Lisa Hennessy	Lead Independent Non-Executive Director
Sarah Morgan	Independent Non-Executive Director

Effective 20 May 2021, John Dyson and Richard Wenzel resigned from their respective positions as Non-Executive Directors of the Company.

Operating and financial review

This operating and financial review ('OFR') is designed to assist shareholders in understanding the Group's business performance and the factors underlying its results and financial position. It complements the financial disclosures in the 2021 Half Year Report on pages 11 to 24. The OFR covers the period from 1 January 2021 to 30 June 2021, as well as references to the comparative prior period. To conform to the current period presentation, comparative figures have been reclassified where appropriate.

The OFR also includes Software-as-a-Service ('SaaS') metrics that we believe are critical to the understanding of the performance of the business. These SaaS metrics are non-IFRS measures and the manner in which these are calculated and trends they convey are explained in Appendix 1 to the 2021 Half Year Report.

1H2021 FINANCIAL HIGHLIGHTS

\$33.8 million

ENDING ARR

(\$3.0 million)

OPERATING EBITDA¹

1. Operating EBITDA excludes stock-based payment expense, foreign exchange gains and losses and non-recurring expenses.



Up 56% YoY
ARR

\$24.1 million

REVENUE

\$38.6 million

ENDING CASH



Up 66% YoY
SUBSCRIPTION REVENUE

DIRECTORS' REPORT *(continued)*

Summary of financial results (unaudited) ¹ US\$ millions	Half year ended 30 June 21	Half year ended 30 June 20	Change	Change %
Subscription	15.1	9.1	6.0	66%
Perpetual licence, maintenance and support	9.0	9.9	(0.9)	-9%
Total revenue	24.1	19.1	5.1	27%
Cost of revenues	(2.0)	(1.8)	(0.2)	13%
Gross profit	22.1	17.3	4.8	28%
Sales and marketing	(14.0)	(8.7)	(5.4)	62%
Research and development	(5.8)	(4.0)	(1.8)	46%
General and administrative	(5.3)	(4.4)	(1.0)	22%
Operating EBITDA	(3.0)	0.3	(3.3)	nm²
Share-based payment expense	(4.1)	(0.7)	(3.4)	460%
Foreign currency gain/(loss)	(0.1)	(1.2)	1.1	-91%
Non-recurring M&A expenses	(0.2)	—	(0.2)	100%
EBITDA	(7.5)	(1.7)	(5.8)	351%
Finance (cost)/income, net	(0.0)	0.0	(0.1)	-172%
Depreciation and amortisation	(0.9)	(0.9)	(0.1)	8%
Loss before income tax	(8.4)	(2.5)	(6.0)	241%
Income tax benefit/(expense)	(0.1)	0.4	(0.5)	-132%
Loss for the period	(8.6)	(2.1)	(6.5)	314%

SaaS Metrics	Half year ended 30 June 21	Half year ended 30 June 20
Annual Recurring Revenue ('ARR') \$million	33.8	21.6
Added Annual Recurring Revenue ('Added ARR') \$million	5.3	5.1
Gross Revenue Retention ('GRR')	95%	96%
Net Revenue Retention ('NRR')	114%	120%
LTV/CAC (ratio)	4.5x	4.7x
Gross margin	92%	91%

1. Totals may not add due to rounding errors caused by the figures being rounded to the nearest tenth of million dollars.
2. Variance % is not meaningful.

Revenue

Subscription revenue

For 1H2021, subscription revenue increased by \$6 million or 66% to \$15.1 million, compared to \$9.1 million for 1H2020. Subscription revenue was 63% of total revenue in 1H2021 as compared to 48% in 1H2020. This increase was primarily driven by new customer wins, including many large enterprise customers, and expansion from existing subscription customers.

ARR at the end of 1H2021 was \$33.8 million, up 56% as compared to \$21.6 million at the end of 1H2020. Added ARR illustrates growth from sales of subscription licences to new customers, additional subscription licence sales to existing subscription customers, and the conversion of maintenance and support contracts to subscription license contracts. Added ARR added during 1H2021 was \$5.3 million as compared to \$5.1 million for 1H2020.

Perpetual licence, maintenance and support revenue

Nitro is a Business-to-Business Software-as-a-Service company, focused on serving its customers through subscription contracts. The Company continues to sell perpetual licenses through its online e-commerce offering. However, given that the Company sells almost exclusively subscription licenses in its dominant Business sales channel, and is effectively finalising the transition of perpetual license customers with maintenance and support contracts in this channel to its subscription offering during FY2021, perpetual revenue, which includes maintenance and support revenues, is forecast to decline as a percentage of total revenue. For 1H2021, perpetual licence sales and maintenance and support revenue declined by 9% to \$9.0 million, representing 37% of total revenue. For 1H2020, perpetual licence, maintenance and support revenue was \$9.9 million, representing 52% of total revenue. The Company expects perpetual revenue to continue to reduce as a percentage of total revenue given the rapid growth in subscription sales and the success of the Nitro Productivity Platform.

Gross profit and gross profit margin

Gross profit increased by \$4.8 million or 28% to \$22.1 million in 1H2021 compared to \$17.3 million during 1H2020. The gross margin was 92% for 1H2021, compared to 91% for 1H2020. Cost of revenues decreased during 1H 2021 as a percentage of total revenue compared to 1H2020 primarily due to the increased share of subscription licencing, which has a lower cost-of-sale than perpetual licencing.

Cost of revenues includes the cost of third-party technologies that are used to host Nitro's cloud-based products, third-party technologies that are embedded in the Company's products, third-party hosting and transaction services for the Company's online storefront, and employee and other operating costs associated with the Company's customer support organisation.

Operating expenses

Sales and marketing

Sales and marketing expenses were \$14.0 million in 1H2021, an increase of \$5.4 million or 62% as compared to \$8.7 million in 1H2020. As a percentage of total revenue, sales and marketing expenses were 58% and 46% of total revenue in 1H2021 and 1H2020, respectively. The significant increase in sales and marketing expense was primarily due to planned investments in the go-to-market strategy and headcount in its sales, marketing and customer success teams, in line with the continued scaling of the business.

The Company measures the efficiency of sales and marketing by monitoring the LTV/CAC ratio, which was 4.5x for 1H2021.

DIRECTORS' REPORT *(continued)*

Research and development

Research and development expenses were \$5.8 million in 1H2021, an increase of \$1.8 million or 46% as compared to \$4.0 million in 1H2020. As a percentage of total revenue, research and development expenses were 24% of total revenue in 1H2021 as compared to 21% in 1H2020.

The increase was primarily due to increased headcount in the product management and engineering teams, reflecting Nitro's ongoing commitment to product innovation and the evolution of the Nitro Productivity Platform. Activities during the half year included the development and launch of Nitro Sign™ with full commercial availability as a standalone subscription product in a comprehensive new pricing and packaging structure for the Nitro Productivity Platform, as well as the launch of the Nitro Sign integration with Salesforce to accelerate the closing of sales contracts and other critical agreements.

General and administrative expenses

In 1H2021, general and administrative expenses were \$5.3 million, an increase of \$1.0 million or 22% as compared to \$4.4 million in 1H2020. As a percentage of total revenue, general and administrative expense reduced to 22% of total revenue in 1H2021 from 23% of total revenue in 1H2020, showing increased efficiency and economies of scale in the Company's supporting functions.

Other items impacting the results

Share-based payments

In 1H2021, share-based payments expense was \$4.1 million as compared to \$0.7 million in 1H2020. The increase is primarily attributable to the increase in equity awards issued to senior executives pursuant to the appointment of several C-Suite executives in 2H2020. The details of the awards issued can be found in note 10 on page 20 of the 2021 Half Year Report.

Cash flows

Cash and cash equivalents were \$38.6 million as of 30 June 2021.

Operating cash outflow of \$4.3 million in 1H2021 was higher than the operating cash outflow of \$1.1 million in 1H2020. The increase in operating cash outflow for 1H2021 as compared to 1H2020 was primarily due to increase in operating expenses detailed above. Gross receipts from customers rose 22% to \$23.3 million in 1H2021 as compared to \$19.1 million in 1H2020.

Investing activities included cash outflows relating to acquisition of computer and office equipment.

Cash flow from financing activities included payments for leases.

Nitro's growth strategy

The Company's growth strategy is founded on five primary levers:

- Expansion within existing customers
- Winning new customers
- New product development
- Mergers and acquisitions
- New markets and channels

DIRECTORS' REPORT *(continued)*

These growth levers, combined with the very large markets in which Nitro operates, and the accompanying accelerating growth trends observed in 1H2021, provide enormous opportunity for the Company. The serviceable addressable market in the two core markets of PDF productivity and eSigning that the Company is focused on today exceeds \$28 billion³.

The COVID-19 pandemic is accelerating digital transformation around the world and increasing investments in document productivity, workflow and analytics solutions.

With a strong history in selling these solutions into the largest organisations in the world, Nitro is excited to deploy its capital and resources to continue to grow its product offering and rapidly scale its customer base.

Significant changes in the state of affairs

It is the opinion of the Directors that there were no significant changes in the state of affairs of the Group during the financial period, except as otherwise noted in this report.

Subsequent events

Nitro Sign and 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 launch and conclusion of the promotional period, the Company announced its premium Nitro Sign offerings on 21 July 2021, making Nitro Sign fully commercially available as a standalone subscription or as part of a tailored productivity solution, depending on the customer's requirements.

Nitro Sign Essentials offers simple unlimited person-driven eSigning to everyone in an organisation, while Nitro Sign Advanced and Nitro Sign Enterprise offer additional capabilities and features, such as custom branding, team collaboration and advanced systems integrations.

Continuing a significant period of product innovation, the Company also launched a Nitro Sign integration with Salesforce in July 2021 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.

Acquisition of PDFpen technology

On 9 July 2021, Nitro completed the acquisition of the PDFpen technology – a suite of Mac, iPad and iPhone PDF productivity applications for Apple® desktop and mobile devices – from US-based Smile, Inc. for \$6 million in cash.

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, furthering its mission to accelerate digital transformation in organisations around the globe.

The Directors are not aware of any matters or circumstances that have arisen since 30 June 2021 that have significantly affected or may significantly affect the operations of the Group in subsequent financial years, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

3. Nitro Productivity Suite and Nitro Sign Total Addressable Market (TAM) calculated by estimating the total number of companies worldwide across our SMB, Mid-Market, Growth and Enterprise segments using LinkedIn data and applying an Average Contract Value (ACV) per segment for each product. Productivity Suite ACVs are based on Nitro's typical ACVs per segment achieved today, and Sign ACVs are based on typical eSigning contract values per segment currently achieved by market leaders, but discounted to reflect expected Nitro pricing and packaging.

DIRECTORS' REPORT *(continued)*

Proceedings on behalf of the group

No person has sought to bring proceedings on behalf of the Group, and the Group is not a party to any proceedings, for the purpose of taking responsibility on behalf of the Group for any such proceedings, or for a particular step in any such proceedings.

Auditor independence

A copy of the Auditor's Independence Declaration, as required under Section 307C of the Corporations Act 2001, is included on page 10 in this report.

Rounding

The amounts contained in this report and in the financial report have been rounded to the nearest \$1,000 (unless otherwise stated) under the option available to the Group under ASIC Corporations (Rounding in Financial/Directors' Reports) Instruments 2016/191. The Group is an entity to which the legislative instrument applies.

This report is made in accordance with a resolution of the Directors.



Kurt Johnson
Executive Chairman

24 August 2021



Sam Chandler
Chief Executive Officer

24 August 2021

AUDITORS' INDEPENDENCE DECLARATION



Auditor's Independence Declaration

As lead auditor for the review of Nitro Software Limited for the half-year ended 30 June 2021, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Nitro Software Limited and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'Niamh Hussey'.

Niamh Hussey
Partner
PricewaterhouseCoopers

Melbourne
24 August 2021

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Half year ended 30 June 2021 US\$'000	Half year ended 30 June 2020 US\$'000
Revenue	5, 6	24,115	19,058
Cost of revenues		(2,019)	(1,782)
Gross profit		22,096	17,276
Sales and marketing		(15,679)	(8,820)
Research and development		(6,768)	(4,090)
General and administrative		(6,999)	(4,844)
Other income/(loss), (net)		(128)	(1,040)
Finance costs		(43)	(85)
Depreciation and amortisation expense		(906)	(864)
(Loss) before income tax		(8,427)	(2,467)
Income tax benefit/(expense)		(129)	399
(Loss) for the period		(8,556)	(2,068)
Other comprehensive income/(loss)			
<i>Item that may be reclassified to profit or loss</i>			
Adjustment from translation from foreign controlled entities		(190)	72
Other comprehensive (loss)/income for the year, net of tax		(190)	72
Total comprehensive loss for the period		(8,746)	(1,996)
<i>Loss per share attributable to equity shareholders</i>			
Earnings per share			
Basic loss per share (US cents per share)	8	(4.5)	(1.1)
Diluted loss per share (US cents per share)	8	(4.5)	(1.1)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 30 June 2021 US\$'000	As at 30 Dec 2020 US\$'000
Assets			
Current assets			
Cash and cash equivalents		38,613	43,749
Trade receivables	6	7,525	6,659
Current tax receivables		74	75
Other current assets		2,527	2,864
Total current assets		48,739	53,347
Non-current assets			
Property, plant, and equipment		468	507
Intangible assets		1	1
Deferred tax assets		31	32
Right of use assets		2,497	1,808
Other non-current assets		4,937	4,263
Total non-current assets		7,934	6,611
Total assets		56,673	59,958
Liabilities			
Current liabilities			
Trade payables		3,609	3,077
Deferred revenue	6	21,326	21,037
Lease liability		1,000	1,097
Employee benefits	7	2,649	2,877
Other current liabilities		844	848
Total current liabilities		29,428	28,936
Non-current liabilities			
Deferred revenue	6	884	1,152
Lease liability		1,351	572
Total non-current liabilities		2,235	1,724
Total liabilities		31,663	30,660
Net assets		25,010	29,298
Equity			
Contributed equity		90,661	90,343
Other reserves		8,962	5,012
Accumulated losses		(74,613)	(66,057)
Total equity		25,010	29,298

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

US\$'000	Contributed equity	Treasury reserve ¹	Warrant reserve	Employee equity benefits reserve	Foreign currency translation reserve	Accumulated losses	Total equity
As at 1 January 2021	95,974	(5,630)	76	7,516	(2,581)	(66,057)	29,298
Loss for the period	–	–	–	–	–	(8,556)	(8,556)
Other comprehensive income							
Exchange differences from translation of foreign operations	–	–	–	–	(190)	–	(190)
Total comprehensive loss for the year	–	–	–	–	(190)	(8,556)	(8,746)
Transactions with owners of the Company							
Share-based payment expense	–	–	–	4,141	–	–	4,141
Exercise of options	339	–	–	–	–	–	339
Shares issued to employee share trust	23,961	(23,961)	–	–	–	–	–
Shares issued/allocated to participants ²	(2,528)	2,528	–	–	–	–	–
Payment of withholding taxes to tax authorities ³	(22)	–	–	–	–	–	(22)
As at 30 June 2021	117,724	(27,063)	76	11,657	(2,770)	(74,613)	25,010

1. The Group operates an Employee Share Trust ('the Trust') for the purpose of issuance of shares to participants on exercise of options and vesting of performance rights, performance shares and restricted shares. The balance in the Treasury Reserve represents the book value of shares held by the Trust for future issue to participants on exercise of options and vesting of performance rights, performance shares and restricted shares.
2. Shares issued / allocated to participants from the Trust.
3. Payment of withholding taxes to tax authorities on the occurrence of taxing events relating to exercise of options. This is funded by withholding shares.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

US\$'000	Contributed equity	Treasury reserve ¹	Warrant reserve	Employee equity benefits reserve	Foreign currency translation reserve	Accumulated losses	Total equity
As at 1 January 2020	90,209		76	4,548	(2,920)	(58,517)	33,397
Loss for the period	–		–	–	–	(2,069)	(2,069)
Other comprehensive income							
Exchange differences from translation of foreign operations	–		–	–	72	–	72
Total comprehensive loss for the year	–		–	–	72	(2,069)	(1,998)
Transactions with owners of the Company							
Share-based payment expense	–	–	–	742	–	–	742
Cancellation of shares	(4)	–	–	–	–	–	(4)
Exercise of options	147	–	–	–	–	–	147
Shares issued to employee share trust	747	(747)	–	–	–	–	–
Repurchase of shares	–	(102)	–	–	–	–	(102)
Shares issued/allocated to participants ²	(54)	54	–	–	–	–	–
Issuance costs on shares	(21)	–	–	–	–	–	(21)
As at 30 June 2020	91,024	(795)	76	5,290	(2,848)	(60,586)	32,161

1. The Group operates an Employee Share Trust ('the Trust') for the purpose of issuance of shares to participants on exercise of options and vesting of performance rights, performance shares and restricted shares. The balance in the Treasury Reserve represents the book value of shares held by the Trust for future issue to participants on exercise of options and vesting of performance rights, performance shares and restricted shares.
2. Shares issued / allocated to participants from the Trust.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Half year ended 30 June 2021 US\$'000	Half year ended 30 June 2020 US\$'000
Cash flows from operating activities		
Loss for the period	(8,556)	(2,068)
Add back		
Depreciation and amortisation	906	864
Share-based payments	4,141	742
Finance costs	43	85
Provision for doubtful debts	–	36
Asset write-offs	24	–
Net exchange differences	300	767
Change in operating assets and liabilities		
(Increase)/decrease in trade and other receivables	(1,251)	(1,511)
(Increase)/decrease in deferred tax assets	–	(374)
(Increase)/decrease in tax receivable	(16)	(9)
(Increase)/decrease in other receivables	(179)	(5)
Increase/(decrease) in trade and other payables	216	(1,040)
Increase/(decrease) in deferred income	22	1,302
Increase/(decrease) in provision for income taxes	20	88
Net cash inflow/(outflow) from operating activities	(4,330)	(1,123)
Cash flows from investing activities		
Payments for property, plant and equipment	(156)	(95)
Premiums paid for currency derivatives	–	(224)
Net cash inflow/(outflow) from investing activities	(156)	(319)
Cash flows from financing activities		
Repayment of convertible notes	–	(25)
Proceeds from exercise of share options	335	330
Transaction costs related to issue of shares	–	(242)
Finance cost paid	(43)	(85)
Payment for leases	(758)	(673)
Purchase of shares by the employee share trust	–	(101)
Net cash inflow/(outflow) from financing activities	(466)	(796)
Net increase/(decrease) in cash and cash equivalents	(4,952)	(2,237)
Cash and cash equivalents at the beginning of the period	43,749	47,017
Effect of movement in exchange rates on cash held	(184)	(833)
Cash and cash equivalents at the end of the period	38,613	43,947

NOTES TO THE FINANCIAL STATEMENTS

1. General and corporate information

Nitro Software Limited is a for-profit company incorporated and domiciled in Australia and limited by shares publicly traded on the Australian Securities Exchange ('ASX') under the ASX code 'NTO'.

The financial report covers the consolidated financial statements as at and for the half year ended 30 June 2021 of Nitro and its subsidiaries.

2. Basis of preparation

This Interim Financial Report for the half year ended 30 June 2021 has been prepared in accordance with AASB 134 *Interim Financial Reporting*. The 2021 Half Year Report does not include all of the information and notes required within the Annual Report. The 2021 Half Year Report should be read in conjunction with the Group's Annual Report for the year ended 31 December 2020 and considered together with any public announcements made by the Group during the half year ended 30 June 2021.

The 2021 Half Year Report is presented in United States Dollars (USD), the predominant functional currency of the Group's operations. In accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, amounts in the 2021 Half Year Report and Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

The preparation of the consolidated interim financial statements in conformity with AASB 134 *Interim Financial Reporting* requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the reported revenue and expense during the reporting period. All adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. The estimates and assumptions used in preparing its consolidated financial statements are reasonable. However, actual results could differ from those estimates. Operating results for the half year ended 30 June 2021 are not necessarily indicative of the results that may be expected for the year ending 31 December 2021.

The 2021 Half Year Report was authorised for issue by the Board of Directors on 24 August 2021.

3. Critical accounting policies, estimates and judgements

There have been no material changes in the critical accounting policies, estimates and judgments compared to those disclosed in the Group's consolidated financial statements as at, and for the year ended 31 December 2020. Further, there has been no noticeable impact of the COVID-19 pandemic on the financial performance of the Group.

4. New and amended standards adopted by the Group

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning 1 January 2021, which are as follows:

- AASB 2020-4 Amendments to Australian Accounting Standards – Covid-19-Related Rent Concessions (AASB 16)
- AASB 2020-8 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform – Phase 2 (AASB 4, AASB 7, AASB 9, AASB 16 and AASB 139).

The new standards effective from 1 January 2021 have no material impact on the 2021 Half Year Report.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

5. Segment information

The Group manages its operations as a single business operation and there are no separate parts of the Group that qualify as operating segments. The CEO is the Chief Operating Decision Maker ('CODM') and assesses the financial performance of the Group on an integrated basis as a single segment.

The CODM assesses the Group's performance on a product and service perspective:

- Subscription — being the sale of 'software-as-a-service' to businesses providing access to a licence.
- Perpetual licence and maintenance and support — being the sale of perpetual licence products (including optional maintenance and support services).

US\$'000	Half year ended 30 June 2021			Half year ended 30 June 2020		
	Subscription	Perpetual	Total	Subscription	Perpetual	Total
Revenue	15,121	8,994	24,115	9,130	9,928	19,058
Cost of revenues	(1,054)	(965)	(2,019)	(660)	(1,122)	(1,782)
Gross profit	14,067	8,029	22,096	8,470	8,806	17,276
Gross margin	93%	89%	92%	93%	89%	91%

6. Revenue and contract balances

Revenue from contracts with customers disaggregated by

Product characteristics	Half year ended 30 June 2021 \$US'000	Half year ended 30 June 2020 \$US'000
Subscription	15,121	9,130
Perpetual licences, maintenance and support revenue	8,994	9,928
Total revenue	24,115	19,058

Timing of revenue recognition	Half year ended 30 June 2021 \$US'000	Half year ended 30 June 2020 \$US'000
Products and services transferred at a point in time	7,436	6,695
Products and services transferred at over time	16,679	12,363
Total revenue	24,115	19,058

Receivables and contract liabilities

	As at 30 June 2021 \$US'000	As at 31 December 2020 \$US'000
Trade receivables, net	7,525	6,659
Deferred revenue	22,210	22,189

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

Remaining performance obligations

Remaining performance obligations represents total contractual commitments for which services will be performed. Remaining performance obligations include deferred revenue, which primarily consists of billings or payments received in advance of revenue recognition and unbilled receivables that have not yet been recognised in the financial statements. The transaction price allocated to remaining performance obligations at 30 June 2021 is \$51.2 million (30 June 2020: \$38.7 million). Approximately 52% of the remaining performance obligations are expected to be recognised over the next 12 months, with the remainder recognised thereafter.

7. Employee benefits

	Half year ended 30 June 2021 \$US'000	Half year ended 30 June 2020 \$US'000
Employee benefit expenses		
Wages and salaries	17,228	10,920
Superannuation	82	50
Share-based payments	4,141	742
Employee benefit expenses	21,451	11,712

	As at 30 June 2021 \$US'000	As at 31 Dec 2020 \$US'000
Employee benefit liabilities		
Accrued wages	2,063	2,302
Accrued leave	574	567
Long service leave	12	8
Employee benefit liabilities	2,649	2,877

8. Earnings per share

USD'000	Half year ended 30 June 2021 \$US'000	Half year ended 30 June 2020 \$US'000
Net loss attributable to ordinary equity holders	(8,556)	(2,068)
Net loss used in calculating diluted earnings per share	(8,556)	(2,068)

Weighted average number of ordinary shares on issue used in the calculation of	Half year ended 30 June 2021	Half year ended 30 June 2020
Basic earnings per share	190,836,037	188,981,369
Diluted earnings per share	190,836,037	188,981,369

Earnings per share (US cents per share)	Half year ended 30 June 2021	Half year ended 30 June 2020
Basic	(4.5)	(1.1)
Diluted	(4.5)	(1.1)

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

For the half year ended 30 June 2021, the Group's only potential dilutive ordinary shares are share awards granted under the employee share ownership plans. Diluted earnings per share calculation excludes instruments which are considered anti-dilutive. For the half year ended 30 June 2021, the effect of these shares is not included in the calculation of diluted earnings per share because they are anti-dilutive for the period(s) presented.

9. Equity shares

Equity shares	1H2021		FY2020 ¹	
	No.	US\$'000	No.	US\$'000
Balance at the beginning of the period	193,058,522	95,973	188,928,996	90,209
Exercise of options and warrants	2,056,231	339	1,149,824	261
Shares issued to the employees share trust	11,128,301	23,962	3,705,644	6,083
Shares allocated to employees from the employee share trust	(1,848,771)	(2,528)	(611,242)	(457)
Shares withheld in relation to cashless exercise of options	(197,086)	–	(114,700)	–
Withholding taxes paid to tax authorities	(10,374)	(22)	–	–
Share issue expenses	–	–	–	(21)
Balance at the end of the period including treasury shares	204,186,823	117,724	193,058,522	95,973
Treasury shares unallocated	(12,383,495)	(27,063)	(3,103,965)	(5,630)
Balance at the end of the period excluding treasury shares	191,803,328	90,661	189,954,557	90,343

Treasury shares	1H2021		FY2020	
	No.	US\$'000	No.	US\$'000
Balance at the beginning of the period	3,103,965	5,630	–	–
Issue of shares to the employee share trust	11,128,301	23,961	3,705,644	6,083
Shares allocated to participants from the employee share trust	(1,848,771)	(2,528)	(611,242)	(457)
Forfeited shares bought back	–	–	9,563	4
Balance at the end of the period	12,383,495	27,063	3,103,965	5,630

1. Represents transactions for the year ended 31 December 2020.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

10. Share-based payments

Awards, in the form of the right to receive ordinary shares in the Company, have been granted under the following employee share ownership plans in the Historical Long-Term Incentive Plan ('Historical LTIP') and Current Long-Term Incentive Plan ('Current LTIP') Awards. Set out below are the details of the awards under the Current LTIP for the period ended 30 June 2021:

Share options

Stock options granted to employees generally vest over a four-year period and expire ten years from the date of grant. During the half year ended 30 June 2021, 880,038 (FY2020: 5,854,718) unlisted options were issued to eligible employees. None (FY2020: 1,030,097) of these options were issued to key managerial personnel ('KMP') of the Group. The Company estimates the fair value of stock options on the date of grant using the Black-Scholes option-pricing model.

Performance rights and shares

The Company recognises share based payment expense over the vesting term of the performance rights and performance shares. During the half year ended 30 June 2021, 51,690 (FY2020: 2,206,454) performance rights and 717,051 (FY2020: Nil) performance shares were issued to the senior executives of the Group. Included in the same were Nil (FY2020: 1,525,910) performance rights and 409,408 (FY2020: Nil) performance shares issued to KMP of the Group.

50% of these performance rights and performance shares contain a market-based vesting condition based on relative Total Shareholder Return ('rTSR'). The Company estimates the fair value the performance rights and performance shares using the Monte Carlo model for rTSR vesting grants.

50% of these performance rights and performance shares, contain a performance-based vesting condition based on internal compound revenue growth rate measure ('CAGR'). The probability of the actual shares expected to be awarded is not considered in the grant date valuation. The share-based payment expense will be adjusted over the vesting period, as further information becomes available to reflect the actual shares awarded

Share awards

During the half year ended, the Company issued 1,777,211 (FY2020: 2,805,644) shares to employees of the Group at an exercise price of Nil. None (FY2020: 1,157,488) of these shares were issued to KMP of the Group. These awards generally vest over a period of four years. The fair value was measured based upon the closing price of the Company's shares on the date of the award.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

Measurement of grant date fair values

The following inputs were used in the measurement of the fair values at grant date of the share-based payment plans:

	Awards issued during the half year ended 30 June 2021					
	Options			Performance rights	Performance shares	
Date of grant	21 Jan 21	24 Mar 21	21 May 21	21 Jan 21	21 May 21	
Date of vesting	Over a period of 48 months			31 Dec 22	31 Dec 23	
Date of Expiry	20 Jan 31	23 Mar 31	20 May 31	31 Dec 22	31 Dec 23	
Exercise price	AUD 3.05	AUD 2.60	AUD 2.75	AUD 0.00	AUD 0.00	
Share price on date of grant	AUD 3.15	AUD 2.61	AUD 2.75	AUD 3.15	AUD 2.75	
Fair value at grant date	AUD 1.80	AUD 1.48	AUD 1.56	AUD 2.96	AUD 2.44	
Expected price volatility %	63.00%	63.00%	63.00%	67.19%	66.78%	
Dividend yield %	0%	0%	0%	0%	0%	
Risk free rate	0.50%	0.83%	0.88%	0.08%	0.09%	
Estimated life (years)	6.09	6.01	5.95	1.94	2.61	

The share awards are issued on various dates throughout the half year ended 30 June 2021 and the weighted average fair value of these awards is AUD 2.87 (FY2020: AUD 2.53) per award.

Expense summary

For the half year ended 30 June 2021, the Group recognised \$4.1 million (1H2020: \$0.7 million) of share-based payment expense in relation to the stock options, performance rights, performance shares and restricted share awards.

11. Events occurring after the reporting period

On 9 July 2021, Nitro completed the acquisition of the PDFpen technology from US-based Smile, Inc. for \$6 million in cash, pursuant to the satisfaction of closing conditions precedent.

No other matters or circumstances have occurred subsequent to period end that have significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial years.

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Nitro Software Limited, we state that:

In the opinion of the Directors:

- a. The financial statements and notes of the Group are in accordance with the *Corporations Act 2001*, including:
 - i. Complying with Accounting Standards AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
 - ii. Giving a true and fair view of the Group's financial position as at 30 June 2021 and of its performance for the half year ended on that date.
- b. There are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

On behalf of the Board,



Kurt Johnson
Executive Chairman

24 August 2021



Sam Chandler
Chief Executive Officer

24 August 2021

INDEPENDENT AUDITOR'S REPORT



Independent auditor's review report to the members of Nitro Software Limited

Report on the half-year financial report

Conclusion

We have reviewed the half-year financial report of Nitro Software Limited (the Company) and the entities it controlled during the half-year (together the Group), which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, significant accounting policies and explanatory notes and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of Nitro Software Limited does not comply with the *Corporations Act 2001* including:

1. giving a true and fair view of the Group's financial position as at 30 June 2021 and of its performance for the half-year ended on that date
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report.

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibilities of the directors for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement whether due to fraud or error.

Auditor's responsibilities for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 30 June 2021 and of its performance for the half-year

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INDEPENDENT AUDITOR'S REPORT *(continued)*



ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

PricewaterhouseCoopers

PricewaterhouseCoopers

Niamh Hussey

Niamh Hussey
Partner

Melbourne
24 August 2021

APPENDIX 1: SAAS METRICS

SaaS Metrics Definitions

Nitro provides the following key SaaS metrics semi-annually. These are non-statutory, non-IFRS/non-AASB metrics.

This Non-Statutory Information may exclude certain transactions, or present transactions or balances on a different recognition and measurement basis from that required or permitted by accounting standards. These metrics do not have prescribed definitions and therefore may not be directly comparable to similarly titled metrics presented by other entities.

Annual Recurring Revenue ('ARR')

ARR is 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. Nitro's multi-year subscription-based licensing contracts provide visibility into revenue in future periods due to the recurring nature of those revenue streams.

Gross Retention Rate ('GRR')

GRR is 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 inverse of GRR is commonly referred to as churn rate.

Net Retention Rate ('NRR')

NRR is 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. NRR greater than 100% is a potential indicator of customer satisfaction and implies that customers are expanding their use of the Group's software solutions over time. NRR reflects GRR plus the impact of expansion.

Lifetime Value / Customer Acquisition Cost ('LTV/CAC')

The LTV/CAC ratio compares the value of a customer over their lifetime to the cost of acquiring them. LTV/CAC is calculated as follows:

- $LTV = (\text{new bookings} / \text{number of new customers}) / (1 - \text{customer retention rate})$; and
- $CAC = (\text{selling expense} + \text{direct marketing expense} + \text{marketing personnel expense}) / (\text{number of new customers})$.

EBITDA

EBITDA is earnings before interest, taxation, depreciation and amortisation. Nitro uses EBITDA to evaluate the operating performance of the Company without the non-cash impact of depreciation and amortisation, and interest and taxation. EBITDA should not be considered as an alternative to measures of cash flow under AASB and investors should not consider EBITDA in isolation from, or as a substitute for, an analysis of the results of Nitro's operations.

APPENDIX 1: SAAS METRICS *(continued)*

Operating EBITDA

Operating EBITDA is EBITDA before share-based payments, foreign currency fluctuations, and other identifiable non-operating expenses such as IPO costs, expenses related to strategic acquisitions, fund raising costs etc. Nitro uses this measure to evaluate the operating performance of the Company.

Nitro's calculation methodology for the SaaS metrics disclosed above allows for a clearer and more nuanced understanding of the operating performance of the business, as well as aligns with industry best practice. Nevertheless, investors should not place undue reliance on Non-Statutory Information because Non-Statutory Information is not based on AASB's, IFRS, or any other recognised body of accounting standards; it does not have prescribed definitions, and the way Nitro calculates these metrics may differ from similarly titled metrics used by other companies.

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