

ASX Announcement

27 April 2021

Damstra Technology

(ASX: DTC)

QUARTERLY ACTIVITIES REPORT

Q3 Revenue, up 66% on PCP

Damstra Holdings Limited (**Damstra** or the **Company**, ASX: DTC), is pleased to provide an update on the Company's operations for the third quarter of FY21 ended 31 March 2021 (**Quarter**).

Financial Highlights

- Strong quarterly performance revenue of \$6.9m, up 66% on (PCP)
- Highest ever monthly revenue in March 2021
- ARR at 31 March of \$33m, up by 98% on (PCP)
- Operating cash receipts of \$7.2m for the Quarter
- Record Gross Margin: on a year to date (YTD) basis has now expanded to 81% from 67% (PCP)
- YTD EBITDA Margin of 20%, up from 15.3% (PCP)
- Improve financial flexibility with new \$20m debt facility¹

Other Highlights

- 30 new clients acquired during Q3, taking YTD new clients to 102
- The synergies target from the Vault acquisition of \$5.2m has been further upgraded and is now finalised at \$6m
- Active user numbers increased by 61% to 689,000 from 427,000 (PCP)
- Enterprise Protection Platform (**EPP**) positioning received positively by existing and potential clients

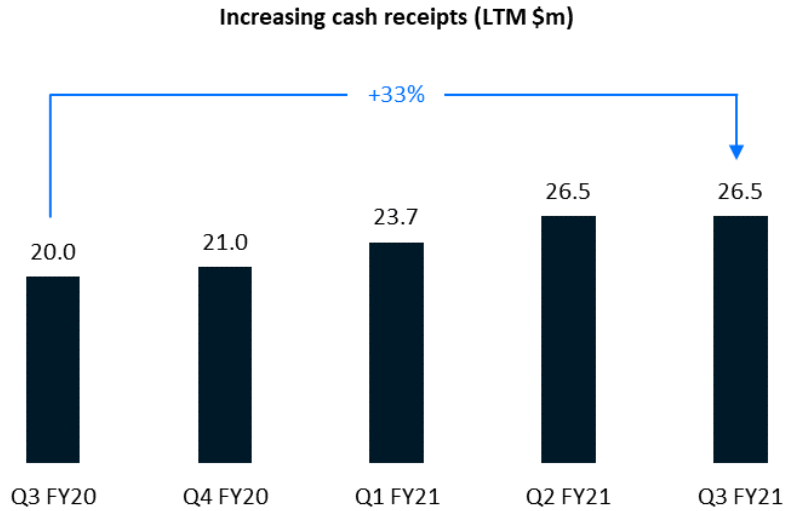
Key Financial and Operating Metrics

Metric	Q3 2021	Q3 2020	Variance
Users ('000)	689	427	61%
Clients	674	317	212%
Recurring revenue (%)	92%	92%	flat
Gross Margin % (YTD)	81%	67%	14%
Client churn	<1%	<1%	flat

1. Credit approved term sheet, 2-year term, 6.5%

Financial Review

Damstra delivered a strong operating performance in Q3 FY21, with revenue of \$6.9m, up 66% on PCP. This revenue outcome is coupled with operating cash receipts of \$7.4 m for the quarter, up 33% on PCP.

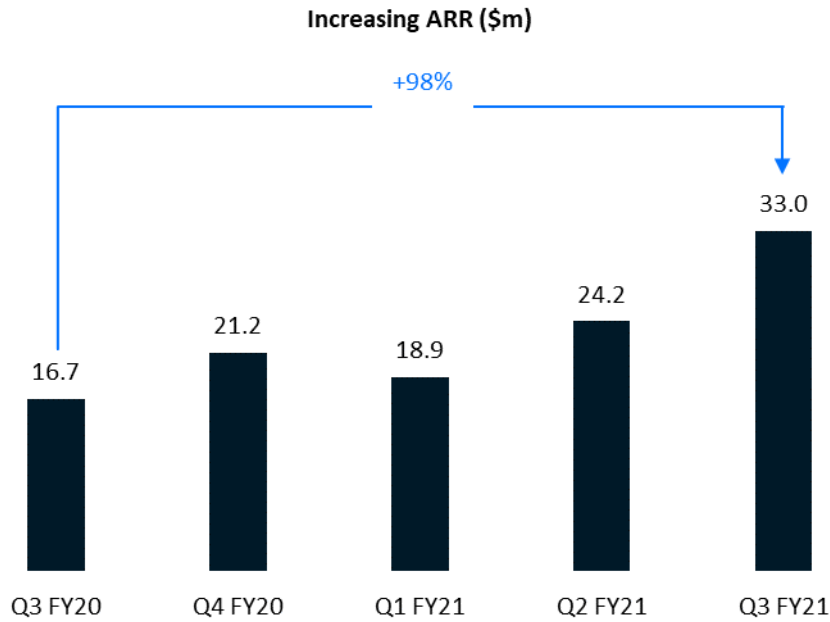


Revenue for March 2021 was the highest monthly revenue ever recorded for Damstra and demonstrates the accelerated growth occurring in the business.

Gross Margin continues to expand on a YTD basis, and is now at 81% YTD, reflecting continuing leverage from increased scale. EBITDA Margin also increased on a YTD basis, and is now at 20%. This strong financial performance results from the successful integration of Vault. Cost synergies of \$6m are now fully implemented and run-rated in the Company's ongoing financial performance. This synergy result is also a further increase from the already improved \$5.2m. Importantly, this reinforces the successful integration of past acquisitions by the Company.

To provide Damstra the fullest financial flexibility for pursuing its growth plans, Damstra has executed a credit approved term sheet with Longreach Credit Investors for a new \$20m debt facility. On finalisation of the debt facility, the present Westpac facility will be extinguished.

For the first time, we are reporting Annualised Recurring Revenue (ARR), on which Damstra intends to report on an ongoing basis. At the end of Q3 FY21, ARR stood at \$33m, up 98% compared to PCP.



Damstra CEO, Christian Damstra, commented:

“We are extremely pleased to see record Q3 revenues with an increase of growth accelerating to a record 66% growth level in the third quarter (versus PCP). We are now seeing a sustainable accelerating growth profile. This has been achieved due to strong organic growth in the construction, mining, and aged care sectors, underpinned by the strong cross sell of products to existing clients, in the workflow and mobility areas”.

“The Vault integration is now complete, and we are pleased to report final realised synergies of \$6m, which far outstrips our original forecast of \$4m. This has enabled Damstra to swiftly offset the financial impact of Vault’s previous operating cash loss business profile, as demonstrated by Damstra’s positive operating cashflows, EBITDA and increasing Gross and EBITDA margins”.

“Strategically, current, and prospective clients have responded extremely favourably to the launch of our new EPP positioning, recognising how Damstra’s product suites have evolved to work not only individually but also, critically, how they can orchestrate seamlessly into a fully unified offering. Large clients now have great confidence that we can deploy Damstra’s EPP at an enterprise level rather than be seen as a single point solution”.

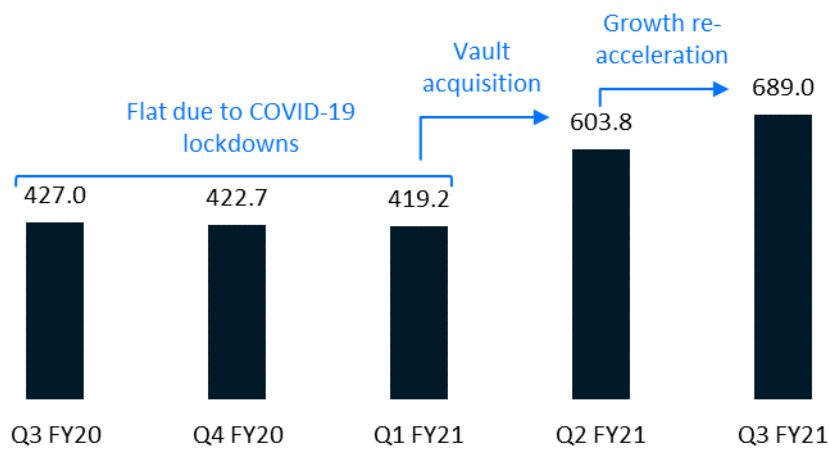
Business and Operational Review

Damstra is one of the first companies globally to successfully deliver a technology solution for enterprise-wide protection and safety of organisations. The success of our solution is demonstrated by our expanding geographic footprint: Damstra products are now used in the United Kingdom, Holland, Ghana, Antarctica, Hong Kong, Singapore, Philippines, and the USA, to name a few.

In the United Kingdom, Damstra is on two trial sites with Skanska, being the M42 Roadway and the City of London, with a final decision expected during Q4 FY21. In addition to our core offering, our workflow, paperless and mobility products are now actively being trialled by Skanska.

The overall business performance was driven by increased users within existing clients and new clients acquired during the quarter and the previous two quarters. Since December, the business has seen continued momentum, with new users and an underlying trend of decreasing non-renewals (users are generally on a 12-month renewal cycle).

Re-accelerating growth in users (thousands)



In FY21 YTD we have acquired 102 new clients, which results in new client growth of ~17% on a PCP YTD basis.

Our paperless forms module is now deeply integrated into the EPP. This offering allows our clients to increase the safety and compliance of their organisations and increase the productivity of their worksites at a reduced cost. It has had significant uptake across our enterprise customer base, particularly in mining and construction. Following a series of successful pilots, Damstra Digital Forms are now being rolled out across these larger Damstra clients. Due to the complexity of integration and the benefits to clients, this is now the Company’s highest priced product offering.

Strategically, we see this module of the EPP as a potential game changer. It paves the way for Damstra to extend our EPP offering to organisational workflow management, assisting organisations in the digital transformation of their protection and safety processes.

The Company’s partnership strategy continues to develop, with ~40 partners globally, targeting 12 different verticals. Continued expansion of a scalable and profitable partner program is a key component in Damstra’s revenue growth strategy. This has been built on a solid, sustainable platform designed to discover, develop, and execute significant revenue opportunities across targeted industry verticals, via a group of carefully selected partners. The TechnologyOne partnership continues to expand with 18 clients now onboarded and a significant pipeline of opportunities in place.

Damstra CEO, Christian Damstra, commented:

“The partner program has the potential to deliver significant and rapid revenue growth on top of revenue that is internally generated by the direct sales team. The ability to provide a touchless sales cycle complements our internal resources and efficiently allows our team to pursue other high value and complex opportunities. We are already achieving exceptional success with an ARR growth rate generated from the partner team exceeding 300% this Fiscal Year to date and a sales pipeline of qualified opportunities growing at a similar rate”.

Product and Technology Update

As part of our last Half Year results, we launched the Damstra Enterprise Protection Platform (EPP). With product innovation being the key differentiator for Damstra, we continue to implement new products, modules, and features. This now is under the umbrella of our EPP, a strategic pivot reflecting the breadth and depth of our rapidly expanding offering.

The EPP protects clients from unnecessary and unforeseen business risks in the four largest investment areas in any organisation, ensuring prepared people, safe workplaces, connected assets and accessible information.

Client feedback has been extremely encouraging and importantly has shifted conversations from single point solutions to an integrated, enterprise-grade solution to manage, mitigate and reduce business risks. It will be important for our clients to have the ability to clearly understand the enhancement and evolution of the EPP over the next 24-36 months. This makes the Damstra solution a sustainable platform which will grow as the needs of our clients evolve.

In terms of some specific product initiatives during Q3, below are three of the more material initiatives:

- Damstra’s Satellite offering, which enables remote workers to have continuity of communication coverage, i.e., connectivity in places outside standard coverage areas via satellite. We have several clients who are scheduled to go live in the upcoming period. Damstra is delighted to be trialling this offering with the Central Australian Aboriginal Congress, to support their operations in remote locations.
- Damstra Safety launched as both a standalone and integrated tool to manage daily risk and compliance in mobile environments, with business analytics at a central level. Restaurant Brands recently implemented this offering at Taco Bell and KFC in California.
- Expansion of our mobility offering beyond Samsung wearable devices, to now include Apple and lower cost Omate wearables. This will enable penetration into small to medium health care and industrial businesses.

Damstra has also established relationships with numerous global technology companies such as Oracle Innovation Hub, North American Microsoft Manufacturing Vertical Customer Group, and the AWS Amazon Partner Program. Damstra is working toward becoming a global leader in Enterprise Protection and is seeking alignment with organisations that have

an established market presence, to help mitigate the significant investment required to “go it alone” as an unknown organisation in highly competitive and fragmented markets.

Outlook

Damstra is now forecasting for FY21, revenue of between \$28.5 - \$30.5m.

The Company is focused on executing its long-term growth strategy and continuing to develop its EPP platform, while continuing client acquisition and converting opportunities in South East Asia and North America.

Investor Briefing

Damstra will host a virtual investor briefing today from 9:00am to 11:00am Australian Eastern Standard Time (**AEST**). To join the investor briefing please register via the following link:

https://zoom.us/webinar/register/WN_bS0vwwhLSPqGFBqSRZvHWQ

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

Ends

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

Enquiries

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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.

Appendix 4C

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

Name of entity

Damstra Holdings Limited [DTC.ASX]

ABN

74 610 571 607

Quarter ended ("current quarter")

31 March 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	7,202	21,700
1.2 Payments for		
(a) research and development		
(b) product manufacturing and operating costs	(2,004)	(6,227)
(c) advertising and marketing	(195)	(423)
(d) leased assets		
(e) staff costs	(2,856)	(9,024)
(f) administration and corporate costs	(2,522)	(5,011)
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	(375)	2,256

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities		
(b) businesses		
(c) property, plant, and equipment	(849)	(2,323)
(d) investments		
(e) intellectual property	(1,502)	(3,753)

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 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	(2,351)	(6,076)

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	429	1,421
3.6 Repayment of borrowings		
3.7 Transaction costs related to loans and borrowings		
3.8 Dividends paid		
3.9 Other (provide details if material)		
• Leased assets	(816)	(2,388)
• Interest received	27	64
• Interest and other costs of finance paid	(101)	(309)
3.10 Net cash from / (used in) financing activities	(461)	(1,181)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	7,551	9,365
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(375)	2,256
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(2,351)	(6,076)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(461)	(1,181)
4.5	Effect of movement in exchange rates on cash held		
4.6	Cash and cash equivalents at end of period	4,364	4,364

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	4,364	7,551
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)	4,364	7,551

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	454
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 January – 31 March 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 amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	Loan facilities		
7.2	Credit standby arrangements		
7.3	Other (please specify)		
	- Merchant prepayment	510	-
	- Asset finance	9,000	4,446
	- Bank guarantees	746	500
7.4	Total financing facilities	10,246	4,946

7.5 **Unused financing facilities available at quarter end** 5,300

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

- Facility 1: \$9m Revolving Leasing Facility with principal and interest repayments ("Leasing Facility"); and
- Facility 2: \$0.7m Bank Guarantee Facility with a 2.5% p.a. fee charged semi-annually;
- Facility 3: \$0.5m Merchant Prepayment Facility with no fixed repayment terms or interest

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (Item 1.9)	(375)
8.2	Cash and cash equivalents at quarter end (Item 4.6)	4,364
8.3	Unused finance facilities available at quarter end (Item 7.5)	5,300
8.4	Total available funding (Item 8.2 + Item 8.3)	9,664
8.5	Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	25

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: 27 April 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.