



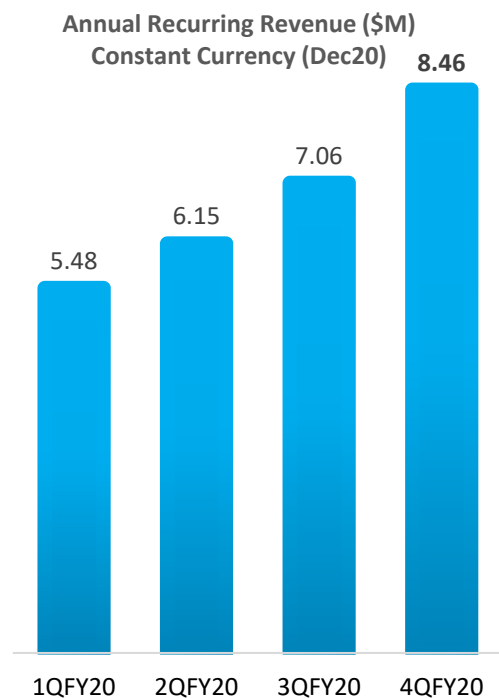
Quarterly activities report and Appendix 4C

Record Quarter Across All Key Metrics

20 January 2021: Global cloud backup and archiving software provider Dropsuite Limited (ASX: DSE) (“Dropsuite” or the “Company”) is pleased to provide an overview of the Q4 results and Appendix 4C for the period ending 31 December 2020.

Highlights

- > **Annual Recurring Revenue (ARR¹)** of \$8.46m, a 20% increase on the prior quarter and a 78% increase on previous corresponding period (pcp) on a constant currency basis
- > **Users** increased to 431k up 14% quarter on quarter and 49% on pcp
- > **Monthly APRU** of \$1.64 up 5% quarter on quarter on a constant currency basis
- > **Normalised Cash used in Operations²** decreased 22% quarter on quarter to (\$0.20m)
- > DSE ended the quarter with **\$2.48m cash** and is well funded (\$2.89m September 2020)
- > Decreasing cash burn rate, and expansion of product offerings and growing ARR, anticipated over the course of 2021 as DSE moves steadily towards profitability and cashflow breakeven



Charif El Ansari CEO of Dropsuite stated: “We have continued to make strides over the quarter to expand our user base and deliver the highest quality backup and archiving service to our partners and users. With continued focus on product excellence and partner success, we see significant opportunity for growth as we leverage Dropsuite’s status in the market as a leader in the email backup and archiving sector.”

“As we close out 2020, we are pleased to have delivered seven consecutive quarters of growth in ARR and see significant opportunity for continued growth in 2021 and beyond. We have finished the year with a strong cash position and a decreasing cash burn rate and look forward to providing further insight into our future plans for growth at our full year results and AGM later in the year.”

1. Annualised Recurring Revenue (ARR) is defined as the value of the contracted recurring revenue multiplied by 12 months

2. Cash receipts are normalised in order to capture delayed receipt of customer payments that occur just after quarter end.

Operational and Product Overview

Over the quarter, Dropsuite continued to drive growth through strong partner relationships. Dropsuite ended the year with 318 direct revenue-generating partners, a 38% increase over pcp, with continued low annual partner revenue churn³ less than 3% - well below the industry average. Total revenue from Dropsuite's top 10 partners equates to 70%, flat on the prior quarter and remains within the Company's target range and down from 74% pcp.

DSE continued to invest in sales and business development initiatives and enhanced its technology suite to maintain its market-leading position. Dropsuite has upgrades across its core offerings to enhance the overall user experience as well as product performance. The Company is also undertaking extensive development to enhance partner integration, functionality and reporting for our expanding partner-base.

The Company achieved gross margin improvements of 1% over the prior quarter to 67% in December 2020: (30 September 2020: 66%), with a 5% improvement on pcp (31 December 2019: 62%). This was achieved with improved supplier pricing and a greater mix of high margin products for the month.

Financial Overview

Dropsuite delivered growth in key metrics of ARR and ARPU growing at 78% and 19% respectively on pcp, and 20% and 5% on the prior quarter on a constant currency basis. ARR increased to \$8.46m, up from \$7.06m in the prior quarter (constant currency basis), and ARPU increased to \$1.64 due to an increase in the mix of higher priced products such as O365 Backup and Email Archiving.

(\$Million)	Dec-19	Sep-20	Dec-20	QoQ	PCP
ARR (\$M) AUD	5.21	7.32	8.46	15%	62%
ARR (\$M) USD	3.59	5.29	6.37	20%	78%
Monthly ARPU (AUD)	1.50	1.62	1.64	1%	9%
Monthly ARPU (USD)	1.04	1.17	1.23	5%	19%
F/X AUD/USD	0.69	0.72	0.75		

As previously indicated, normalised net cash used in operations has stabilised at (\$0.20m) however, cash used in the upcoming quarter is expected to increase, as per historical trends, given one-off payment related to subscriptions and potential staff bonus payments. Cash on hand for the firm remains broadly stable at \$2.48m and it is expected that these funds will enable Dropsuite to continue to grow the revenue base as the Company progresses towards cashflow breakeven.

(\$Million)	Dec-19	Sep-20	Dec-20	QoQ	PCP
Cash Receipts	1.10	1.69	1.70	0%	54%
<i>Normalised Cash Receipts</i>	<i>1.10</i>	<i>1.59</i>	<i>1.89</i>	<i>19%</i>	<i>72%</i>
Net Cash from Operations	(0.46)	(0.13)	(0.41)	224%	-11%
<i>Normalised Net Cash from Operations</i>	<i>(0.61)</i>	<i>(0.26)</i>	<i>(0.20)</i>	<i>-22%</i>	<i>-66%</i>
Cash at hand	1.42	2.89	2.48	-14%	74%

Non-normalised receipts from customers were flat on the prior quarter at \$1.70m (Q3 2020: \$1.69m) and up 54% on pcp (Q4 2019: \$1.10m). Normalised cash receipts were \$1.89m, a 19% increase on the prior quarter and up 72% on pcp (Q4 2019: \$1.10m).

3. December 2020 Revenue Churn is defined as Lost Revenue in December 2020 divided by December 2019 Revenue

Corporate Update

On 10 December 2010, the Board confirmed the issuance of 3,007,500 fully paid ordinary shares issued to non-executive employees as part of the Employee Long Term Incentive Plan (LTIP). The performance rights were primarily issued to employees who joined the Company after it went public and who had not been awarded LTIs previously and were implemented with the aim of improving team performance and commitment by providing meaningful long-term rewards that were aligned with business performance and shareholder value.

Full terms and conditions of the LTIP were disclosed in the ASX announcements dated 10 December 2020 and 17 July 2019.

Payments to Related Parties¹

The Company has reported expenditure of \$138,000 for salaries and director fees to related parties.

Outlook

The Company has retained a strong cash position with a decreasing cash burn rate leaving the business well positioned to fund its organic growth. Dropsuite will continue to expand its product offering and diversify its customer base over the course of 2021 as it moves steadily towards profitability and cashflow breakeven in the second half of the year. In addition, strong macro tailwinds and a structurally growing market are anticipated to benefit the Company.

Dropsuite has an established reputation and will continue to solidify its market leading position by continuing to enhance product functionality and end user utility. The Company has plans to sustain its growth trajectory and will outline these in the full year results release in March.

Quarterly Investor Webinar

The Company will provide an investor webinar to discuss the quarterly results. To register please follow the link below.

Date: Thursday 21st January 2021

Time: 11:30am AEDT

Registration Link: https://us02web.zoom.us/webinar/register/WN_hGlezW6qS4qu7CLvtoTBhg

The announcement was approved by the Board of Directors.

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About Dropsuite

Dropsuite is a cloud software platform enabling businesses to easily backup, recover and protect their important business information. Dropsuite's commitment to advanced, secure and scalable cloud technologies keeps us in the forefront of the industry and makes us the choice of leading IT Service Providers globally. For more information please visit: www.dropsuite.com

Appendix 4C

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

Name of entity

Dropsuite Limited

ABN

91 008 021 118

Quarter ended ("current quarter")

31 December 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	1,696	6,089
1.2 Payments for		
(a) research and development		
(b) product manufacturing and operating costs	(689)	(2,584)
(c) advertising and marketing	(64)	(289)
(d) leased assets		
(e) staff costs	(1,053)	(4,041)
(f) administration and corporate costs	(297)	(988)
1.3 Dividends received (see note 3)		
1.4 Interest received	2	16
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Government grants and tax incentives		
1.8 Other (provide details if material)		
1.9 Net cash from / (used in) operating activities	(405)	(1,797)

2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities		
(b) businesses		
(c) property, plant and equipment	(1)	(30)
(d) investments		
(e) intellectual property		
(f) other non-current assets		

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'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	Net cash from / (used in) investing activities	(1)	(30)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	0	3,075
3.2	Proceeds from issue of convertible debt securities		
3.3	Proceeds from exercise of options		
3.4	Transaction costs related to issues of equity securities or convertible debt securities	0	(190)
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)		
3.10	Net cash from / (used in) financing activities	0	2,885

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	2,888	1,424
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(405)	(1,797)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1)	(30)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	0	2,885

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.5	Effect of movement in exchange rates on cash held		
4.6	Cash and cash equivalents at end of period	2,482	2,482

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	882	1,288
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (Term Deposits)	1,600	1,600
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	2,482	2,888

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	138
6.2	Aggregate amount of payments to related parties and their associates included in item 2	

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.

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)		
7.4	Total financing facilities	0	0
7.5	Unused financing facilities available at quarter end		0
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.		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(406)
8.2	Cash and cash equivalents at quarter end (item 4.6)	2,482
8.3	Unused finance facilities available at quarter end (item 7.5)	0
8.4	Total available funding (item 8.2 + item 8.3)	2,482
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	6.11
	<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:	
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:	
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:	
	<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: 20 January 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.