

ASX Announcement

31st January 2022

Damstra Technology

(ASX: DTC)

Q2 FY22 Quarterly Report and Appendix 4C

Damstra Holdings Limited (ASX: DTC) (**Damstra** or the **Company**), a leading Australian-based global provider of integrated workplace management solutions, provides an update on the Company's operations for the second quarter of FY22 ended 31 December 2021 (**Quarter** or **Q2**).

Trading Highlights

- Quarterly revenue of \$7.2 m, up 16% on Q1 revenue of \$6.2m reflecting increased client activity and new client¹ wins.
- Positive start to Q3 with January revenue already tracking higher than Q2 of FY22.
- Our construction vertical exceeded \$2.5m of revenue with a growth rate of >30% over the half year ending 31 December 2021.
- FY22 Half year revenue (excluding Newmont) up 16% vs the prior corresponding period (**PCP**).
- FY22 revenue guidance of \$30m - \$34m reaffirmed².
- Annual recurring revenue ("ARR") of \$27.8m, up 15% on PCP.

Key Highlights Cash

- Quarterly Cash receipts of \$7 million for the Quarter.
- Improvement in operating cash flow (-\$323,000 vs -\$1.7m in Q1) and operating cash outflow (\$7.6 million vs \$9.5m in Q1).
- Australian operations are still generating positive operating cash flow.
- Completed a \$20m capital raise in December to support sales capability and investment in EPP.

"Second quarter revenue grew by 16% relative to the prior quarter, which is a pleasing result, following the rebasing of our business" said Christian Damstra, Chief Executive Officer of Damstra. "We are also pleased to report that early Q3 revenue is tracking higher than revenue at the same point in Q2. This improved performance was due to increased activity and client wins in ANZ, and we believe in this quarter some of our international opportunities will also eventuate. We have successfully completed our capital raise in December to strengthen our balance sheet and have sufficient capital to return to positive operating cash flows, whilst continuing to grow internationally, particularly in North America."

¹ Unaudited and includes proportional share of equity accounted joint venture

² Please see slide 28 of the Investor Presentation dated 2 December 2021 for the key assumptions underpinning this guidance.

Client Update

Key client activity continues to demonstrate the resilience of Damstra's business model, and provides confidence in the business outlook, including:

- None of Damstra's Top 10 client contracts are due for renewal during FY22, and only 3 will be up for renewal in FY23, bringing good near-term revenue visibility.
- As previously announced, during the Quarter 1, Damstra re-signed contracts with clients such as NBN and John Holland Group, both of which grew their respective first half revenue by more than 20% vs PCP.
- Damstra's construction vertical exceeded \$2.5 m of revenue in the first half of FY22 with a growth rate over 30% over the half year, driven by both new projects and increased site activity due to the relaxing of COVID restrictions. Damstra is currently in use on ~70 infrastructure construction projects across ANZ, with a further 10 projects confirmed with our clients that are scheduled to commence during FY22. Estimated new user registrations over the period of these projects is expected to be more than >30,000.³
- During December we implemented the expanded the scope of a contract with a key construction client that we announced on 29 November 2021, which will include the learning and digital forms module for all present and future projects. The revenue uplift of this is estimated to be \$550,000 per annum, with the contract at full run rate as of January and will add to ARR for Q3.
- Below are some key client metrics (which exclude Newmont), which provides insight into the underlying base business and organic performance of the business by removing the distortion of one client.

Metric	Q2 FY22	Q1 FY22	Q2 FY21 (PCP)	Variance (to Last Quarter)	Variance (to PCP)
Clients	763	733	670	30	93
Net Client retention %	105%	100%	100%	5%	5%
Client churn	0.6%	0.6%	<0.5%	0.1%	n/a

(note: above excludes TIKS acquisition and Newmont)

- During the Quarter Damstra added a net 30 new clients, meaning the total client number now stands at 763. While none of these individual clients are material, it demonstrates Damstra's continued track record in winning new clients.
- **North America:** Damstra is currently in final contractual and implementation discussions with a global mining client. The size and scope of the contract is now essentially complete with final technical reviews occurring. As previously disclosed, it is expected users will be >20,000 with scope to rollout to 13 countries covering the client's complete global operations. It is expected a final go- or no-go decision will be made before end of March, with immediate implementation to commence if a go decision is made.

³ Management estimate based on past projects having similar construction profile.

- The TechnologyOne partnership has now reached 18 clients, and Damstra is looking to expand this relationship to include other modules beyond learning and expand the partnership to the UK market.
- For global commercial real estate services company, CBRE, Damstra is rolling out the Permit To Work solution across their managed facilities. Damstra is now implementing with one global account and two regional accounts.

Operating Highlights

Damstra is well funded for growth following a successful \$20 million capital raise, which consisted of a fully underwritten institutional placement of new fully paid ordinary shares to raise approximately \$10 million at \$0.34 per share and a fully underwritten accelerated pro rata non-renounceable entitlement offer to all eligible security holders to raise approximately \$10 million at \$0.34 per share. The placement and entitlement offer were strongly supported by existing and, importantly, new institutional shareholders. The funds raised will be used to support growth in sales capability and resources, particularly in the North American market, ensure availability of funds for TIKS deferred consideration payment, further invest in development of Damstra's Enterprise Protection Platform (EPP) and for general working capital purposes.

The TIKS Solutions Pty Ltd (**TIKS**) acquisition was completed in Q1 FY22 with its revenue contribution to be reflected from Q3 and beyond. As previously announced, Sam Marciano, the former CEO of TIKS, was appointed Chief Commercial Officer for Damstra. This appointment will, accelerate the group wide integration of TIKS and reinvigorate ANZ Business Development.

Annual Recurring Revenue:

Damstra ARR was \$27.8m for Q2 FY22, representing an increase of 15% on PCP. While ARR has been negatively impacted by loss of a major client, we are pleased to demonstrate growth from the previous corresponding period.

Operating Cash Position

Damstra held \$18.7m of cash and cash equivalents as at 31 December 2021.

Operating cash flows were negative \$323,000 for the Quarter, compared to the previous quarter of a negative \$1.7million.

Operating cash outflows for the Quarter were \$7.3m vs \$9.4m for Q1 FY22. This is a material positive change and when capitalised development cost are added the improvement between Q2 and Q1 is \$383,000. Importantly, this reduced cash outflow improvement was achieved while revenue increased 16% Quarter on Quarter. We will continue to focus on reducing our operating cash outflows through a number of initiatives while increasing revenue.

While Damstra does not break down geographical financial performance, the Australian operations on a standalone basis are operating cash positive.

Outlook

Christian Damstra, Chief Executive Officer of Damstra, commented: "Good quarter on quarter revenue growth in Q2 and a strong start to Q3 gives us confidence in the outlook for Damstra. We have seen an increase in ANZ activity as we continue to make good progress with a number of international client opportunities, and we were pleased to provide solutions to many of our clients as they managed tracking and monitoring through the ongoing disruption from COVID."

"Consequently, we are pleased to reaffirm our revenue guidance of \$30m - \$34m for FY22.⁴"

Half year results

Damstra will issue its audited half year results on 28 February 2022.

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

Ends

Enquiries

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⁴ Please see slide 28 of the Investor Presentation dated 2 December 2021 for the key assumptions underpinning this guidance.

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> or visit our LinkedIn page <https://www.linkedin.com/company/damstra-technology>

Forward-Looking Statements

This ASX release includes certain forward-looking statements that are based on information and assumptions known to date and are subject to various risks and uncertainties. Forward-looking statements are based on:

- assumptions regarding the Company's financial position, business strategies, plans and objectives of management for future operations and development and the environment in which the Company will operate; and
- current views, expectations, and beliefs as at the date they are expressed, and which are subject to various risks and uncertainties.

Actual results, performance or achievements could be significantly different from those expressed in, or implied by, these forward-looking statements. Such forward-looking statements are not guaranteeing of future performance and involve known and unknown risks, uncertainties, and other factors, many of which are beyond the control of Damstra. These factors may cause actual results to differ materially from those expressed in the statements contained in this announcement.

The Company disclaims any responsibility for the accuracy or completeness of any forward-looking statement. The Company disclaims any responsibility to update or revise any forward-looking statements to reflect any change in the Company's financial condition, status or affairs or any change in the events, conditions, or circumstances on which a statement is based, except as required by law. The projections or forecasts included in this announcement have not been audited, examined, or otherwise reviewed by the independent auditors of the Company.

You must not place undue reliance on these forward-looking statements.

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

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 December 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	7,000	14,729
1.2 Payments for		
(a) research and development		
(b) product manufacturing and operating costs	(2,275)	(5,253)
(c) advertising and marketing	(125)	(193)
(d) leased assets		
(e) staff costs	(3,412)	(6,561)
(f) administration and corporate costs	(1,647)	(4,836)
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	161	186
1.8 Other (Stamp duty)	(25)	(25)
1.9 Net cash from / (used in) operating activities	(323)	(1,953)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities		
(b) businesses	(2,377)	(2,377)
(c) property, plant, and equipment	(309)	(487)
(d) investments		



Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
	(e) intellectual property	(2,181)	(2,918)
	(f) other non-current assets	(17)	4
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	(4,884)	(5,778)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	20,020	20,020
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	(1,088)	(1,088)
3.5	Proceeds from borrowings	2,000	2,000
3.6	Repayment of borrowings	(3,000)	(3,111)
3.7	Transaction costs related to loans and borrowings	(6)	(60)
3.8	Dividends paid		



Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
3.9	Other (provide details if material) <ul style="list-style-type: none"> Leased assets – equipment Leased assets – offices Interest received Interest and other costs of finance paid 	- (170) 9 (486)	- (296) 16 (862)
3.10	Net cash from / (used in) financing activities	17,279	16,619

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	6,650	9,834
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(323)	(1,953)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(4,884)	(5,778)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	17,279	16,619
4.5	Effect of movement in exchange rates on cash held		
4.6	Cash and cash equivalents at end of period	18,722	18,722

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	18,722	6,650
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)	18,722	6,650



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	\$334
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 October – 31 December 2021

7.	Financing facilities <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>	Total facility amounts at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	Loan facilities	20,000	11,000
7.2	Credit standby arrangements		
7.3	Other (please specify)		
	- Merchant prepayment	715	715
	- Insurance funding	-	-
	- Asset finance	-	-
	- Bank guarantees	345	345
7.4	Total financing facilities	21,060	12,060

7.5	Unused financing facilities available at quarter end	9,000
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7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

- Facility 1: \$15m Revolving Leasing Facility with interest only repayments ("Loan Facility"); and
- Facility 2: \$5m Revolving Leasing Facility with interest only repayments ("Loan Facility"); and
- Facility 3: \$0.7m Merchant Prepayment Facility with no fixed repayment terms or interest; and
- Facility 4: \$1.06m Bank Guarantee Facility with no fixed repayment terms or interest; and



8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (Item 1.9)	(2,260)
8.2	Cash and cash equivalents at quarter end (Item 4.6)	18,722
8.3	Unused finance facilities available at quarter end (Item 7.5)	9,000
8.4	Total available funding (Item 8.2 + Item 8.3)	27,722
8.5	Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	8

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.

On behalf of the Board

Date: 31 January 2022.....

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.

