

ASX:AND Ansarada Announcement - 25 January 2023

Q2 results - Continued customer expansion, 45% ARR growth and return to positive cash flow generation.

Quarterly Report Q2 FY23

Q2 Highlights

- **Lower M&A market affecting volume, strong progress expanding the customer base and building new complementary, recurring revenue streams in less economically sensitive markets**
- **Record Customer Growth: +66% vs pcg**
 - Record customer¹ numbers of 6,092 total, up 66% year over year (YoY)
 - Freemium² customers 2,999, +913%, opportunity to convert to paid subscriptions
 - Subscriber³ numbers ending 2,575 total, -8% YoY
 - Significant growth in the ecommerce customer acquisition channel⁴, ending with 640 active customers up 45% YoY
 - Non-Deal⁵ customers increased to 617, up 234% YoY
- **Strong Revenue Growth, +0% vs pcg**
 - Total revenue⁶ of \$13.2m in Q2, flat YoY, up 2% quarter on quarter (QoQ)
 - ARPA⁷ up 8% YoY at \$1,294 in Q2, flat QoQ
 - ARR⁸ \$10.1M, +45% with growth across all products and regions
- **Cash flow positive in Q2. Return to cash flow positive in 2H with \$18.7m net cash to fund growth strategy**
 - Positive cash flow from operations (ADJ)⁹ of \$2.7m in Q2, positive \$8.1m over last 12 months
 - Zero debt with cash balance of \$18.7m ending December 31, 2022
 - Cash flow self funds investments in growth initiatives including digital channel and expanding products to serve multiple use cases
- **Positive outlook for 2H FY23, underpinned by contracted deferred revenue¹⁰ - maintain cash flow positive in 2H**
 - Deferred revenue contracted of \$16.8m in Q2 with the majority to be recognised over the next 12 months, coupled with sales pipeline of new customer wins provides confidence for continued financial performance
 - Continued disciplined execution of strategy to build scale in \$52bn addressable market¹¹ to drive high quality sustainable growth

Ansarada Group Limited (ASX: AND), a global information governance software provider, is pleased to report on its quarterly activities and cash flows for the three-month period to 31 December 2022.

Sam Riley, CEO said, “In Q2 we made good progress delivering on our key strategic initiatives to expand our customer base and build new, high quality recurring revenues in complementary markets.

We delivered 66% growth in customers with strong freemium growth. This gives us a larger pipeline of opportunities to convert to paid subscriptions at attractive unit economics in the future. We maintained revenues against an elevated pcg despite a ~30% drop in M&A activity¹² and to assist investors understanding the value of the continuing transformation to our business model we have begun to report ARR at \$10.1m, an increase of 45% with growth across multiple products and regions.

Furthermore, we are delivering on commitments to ensure we continue to grow profitably, self fund our growth investments and maintain a strong, debt free balance sheet. We also returned to cash flow positivity in Q2, at least a quarter ahead of guidance.

We have a generational opportunity to help organisations bring order to their critical processes and information management. The markets for solutions that improve risk, operational efficiency and sustainability / ESG performance are enormous and growing. We successfully launched new solutions in Q2 and have more coming in Q3. We are ideally placed to continue to grow across these new markets.

We have proven solutions to suit varying economic conditions and a highly diverse range of industries, geographies and size of clients that we can serve. With our increased deferred contracted revenue, which will be recognised over FY23 & 24, and our sales pipeline across all products, we enter 2H with positive momentum.”

While it is great to see Ansarada becoming much stronger and resilient, even in challenging market conditions, I truly believe we are just getting started.”

	FY22 Q2	FY23 Q2	% variance
Total Customers¹	3,670	6,092	66%
Freemium¹¹ Customers	296	2,999	913%
Subscribers¹²	2,805	2,575	-8%
ARPA⁷	1,200	1,294	8%
AASB revenue⁶	\$13.2m	\$13.2m	0%
Deferred Revenue¹⁰	\$15.6m	\$16.8m	8%
Cash Flow from Operations (Adj)⁹	\$4.4m	\$2.7m	-37%
Cash Balance	\$20.9m	\$18.7m	-11%

Operational Performance

The Group saw a 66% increase in pro forma customer numbers compared to Q2 FY22, with total customer numbers reaching 6,092. Subscription customers ended 2,575, down 8% YoY.

New wins¹³ in Q2 were down 27% YoY reflecting a lower volume M&A macro environment in Q2 FY23.

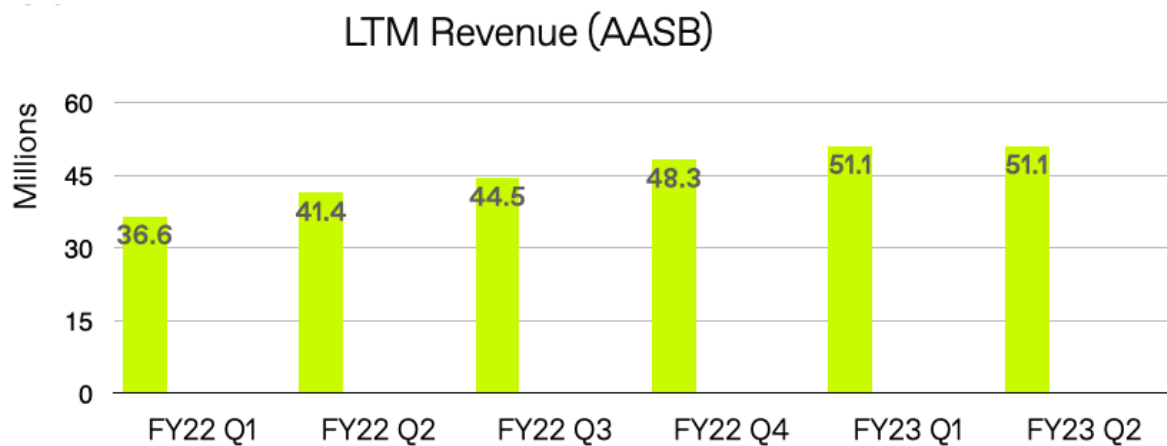
Our e-commerce customer acquisition channel continued to improve its key metrics from acquisition to conversion, delivering +45% customer growth YoY. With a fast payback on customer acquisition costs and a strong balance sheet, we are well placed to continue scaling in 2H FY23.

During the quarter, revenue reached \$13.2 million, flat YoY. The Group’s LTM revenue increased 23% vs LTM Dec 2021.

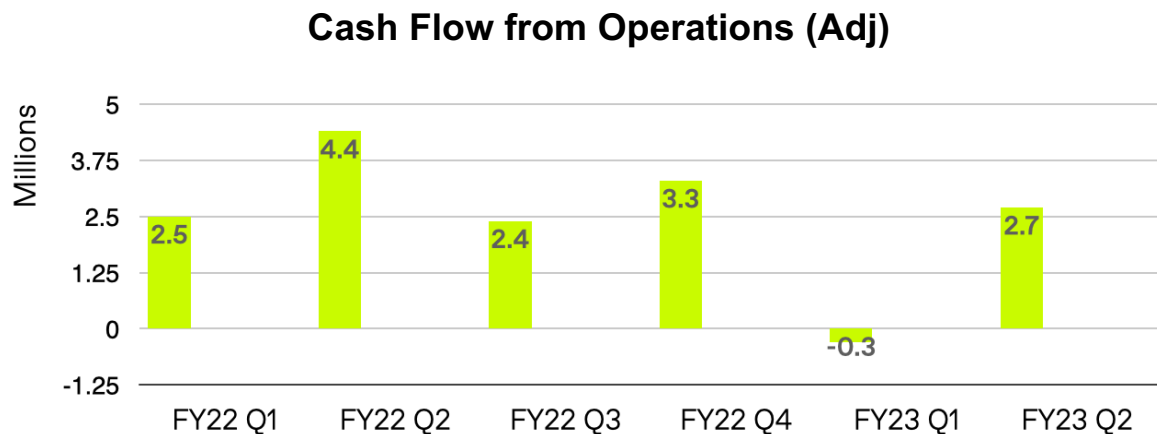
In addition to our customer growth, ARPA increased 8% YoY from \$1,200 in Q2 FY22 to \$1,294 in Q2 FY23.

Deferred revenue contracted from 30 June FY22 to \$16.8m end of Q2 FY23, but up 8% YoY, with the majority to be recognised over the following 12 months which provides confidence for continued financial performance.

The Group continues to build revenue scale and self fund its growth. Market-leading Deals, Board, Procure & GRC software solutions, an attractive customer base and acquisition channels contributes to a higher quality revenue profile.



The Group's cash flow balance increased to \$18.7 million as at December 31, 2022, driven by \$2.2 million in cash flow from operations. Cash flow from operations adjusted for one-time or annual payments (\$0.5 million) was \$2.7 million. Cash flow from operations less capex (free cash flow) was positive in Q2 at \$0.8 million.



The Group has a significant cash balance and no debt and expects to continue to self fund its growth strategy and return to generating positive cash flows in 2H FY23. Cash collections reached \$15.4 million in Q2, up 6% YoY.

New wins clarification

Following a detailed review, the company has identified a definitional error in the historical reporting of a non-statutory performance measure, new wins growth. The error resulted from an incorrect inclusion of a category of freemium customer new wins rather than only including new paying customer wins. This error has been corrected as below. The error is isolated to new wins and has no impact on, or change to any current or previous statutory financial reporting including key performance measures of revenue, profits and cash flows.

	Q2 FY22	Q3 FY22	Q4 FY22	Q1 FY23
Reported new wins growth - as previously reported	26%	7%	28%	-11%
New wins analysis				
New paying customer wins growth - updated numbers	18%	-5%	-7%	-30%
New freemium customer wins growth	1,042%	6,738%	829%	189%
Total customer wins growth	51%	61%	61%	4%

Financial Summary

During the quarter, the Group recorded cash receipts from customers of \$15.4 million, up 6% YoY.

Cash payments during the quarter were primarily directed towards staff costs (\$6.4 million), research & development (\$0.1 million), product and operating costs (\$1.6 million), advertising & marketing (\$2.8 million) along with administration & corporate costs (\$2.2 million). Net operating cash flows for the quarter was \$2.2 million.

The Group's closing cash balance was \$18.7 million as at 31 December 2022.

The Group funded operations through operating cash flows and cash reserves and will be strategically investing in growth initiatives in line with the Group's stated objectives in the prospectus relating to capital and growth. Additionally, Ansarada remains open to pursuing strategic, technologically aligned and culturally compatible acquisitions to accelerate growth.

Outlook - growth and return to cash flow positivity in 2H FY23

Lower M&A market activity impacting volumes as we progress building new recurring revenue streams in new less economically sensitive markets.

We will continue our focus on efficiency, maximising digital strengths, improving conversion rates and our strong Procure pipeline.

-ENDS-

This announcement was authorised for release by the Board of Ansarada Group Limited.

About Ansarada (ASX:AND)

Ansarada is a SaaS Platform with products used by the world's top companies, advisors and governments to govern their most critical information and processes in Deals and Transaction Management, Board Management, Compliance and Procure. Ansarada enables organisations across the globe to be run more efficiently, with reduced risk and an increased ability to make fast confident decisions.

Ansarada is purpose-driven with a mission to help organisations be confident in every critical decision throughout their lifecycle so they can fully realise their potential.

For more information please visit www.ansarada.com or email at investors@ansarada.com

¹ Customers refers to active customers and includes consolidated customers numbers for both Ansarada NewCo Pty Ltd and Ansarada Group Limited (formerly thedocyard) including periods prior to the merger plus TriLine GRC from Q2 FY22 onwards. Active customers include any subscription/contract with an active platform. Customers may have more than one deal platform, board portal or governance solution open at any given time. Customer numbers include customers acquired through the freemium strategy

² Freemium customers refers to customers that are utilising the products and services of Ansarada but have not yet hit the trigger point for payment. Ansarada offers free access to most products giving the customer the opportunity to experience value before converting to a paid subscriber.

³ Subscriber refers to pro forma active subscription contracts/customers at period end. Pro forma includes consolidated subscriber numbers for both Ansarada NewCo Pty Ltd and Ansarada Group Limited (formerly thedocyard) including periods prior to the merger and TriLine from the date of acquisition.

⁴ Ecommerce customers refers to Customers acquired through the ecommerce channel.

⁵ Non-Deal customers include active customers from GRC, Procure, Board and other non-deal related products.

⁶ Unaudited AASB Revenue. Final audited AASB revenue may vary due to year end adjustments and completion of the audit process. AASB Revenue for period ending 31 December 2022. Last twelve months (LTM) measures the accumulation of the prior 12 months AASB revenue. \$0.2 million in revenue recorded in Q1 FY23 related to a specific contract that related to a prior period in FY22.

⁷ ARPA represents the average monthly revenue generated from customers on subscription-based contracts (includes TriLine GRC from Q2 FY22 onwards but excludes Procure subscriptions)

⁸ ARR or Annual recurring revenue refers to revenue, normalised on an annual basis, that Ansarada expects to receive from its ARR Subscribers for providing them with Ansarada's products and services. It is calculated by annualising MRR: Monthly Recurring Revenue (MRR) x 12. ARR Subscribers refers to the subscribers with an enterprise contract that generate annual recurring revenue.

⁹ Cash Flow From Operations is the amount of cash generated by the regular operating activities of a business for the specified time period. Adjusted Cash Flow From Operations ('Cashflow (ADJ)') adjusted for one time (including business combination costs and restructure payments) or costs associated with prior periods (including Short Term Incentive payments in Q1 FY23 only).

¹⁰ Deferred revenue consists of Platform Subscription and Transactional Usage which are expected to be recognised on a straight-line basis over the remaining life of the contract.

¹¹ <https://www.grandviewresearch.com/industry-analysis/enterprise-governance-risk-compliance-egrc-market>

¹² <https://www.refinitiv.com/perspectives/market-insights/steepest-ever-decline-in-world-wide-ma/>

¹³ A win represents Ansarada closing a paying subscription/contract customer.

Annexure

In accordance with ASX Listing Rule 4.7C, Ansarada Group provides the following information:

Proceeds from the issue of shares related to the merger totalled \$45.0 million. The Group recorded one-off cash payments relating to the repayment of the Convertible Notes of \$25.0 million and transaction costs related to the issue of equity securities of \$6.8 million. The Company's closing cash balance was \$18.7 million as at 31 December 2022.

Net funds received by Ansarada were approximately \$14.3 million after the repayment of Convertible Note holders and transaction related costs from the issue of shares.

Q2 FY23 is a period which is covered by the Use of Funds statement as outlined in the Prospectus dated 8 December 2020.

A summary of the expenditure to date is outlined below:

Use of Funds	Funds allocated under Prospectus	Funds used in FY22	Funds used in Q1 FY23	Funds used in Q2 FY23	Cumulative Expenditure
Redemption of Ansarada Convertible Notes ¹	\$25 million	\$25 million	\$0	\$0	\$25 million
Product Design and Development ²	\$3.5 million	\$0.7 million	\$0.3 million	\$0.5 million	\$1.5 million
Sales and Marketing	\$4.0 million	\$2.6 million	\$0.2 million	\$0.2 million	\$3.0 million
Integration Costs	\$0.5 million	\$0	\$0	\$0	\$0
Transaction Costs ³	\$8.7 million	\$7.8 million	\$0	\$0	\$7.8 million
Additional working capital	\$10.3 million	\$5.3 million	\$0	\$0	\$5.3 million

Total	\$45 million	\$41.4 million	\$0.5 million	\$0.7 million	\$42.6 million
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¹ Prospectus outlined \$21 million plus an additional \$4 million out of existing cash held by Ansarada will be used to fund the redemption of Ansarada Convertible Notes

² Includes costs associated with the exercise of Ansarada's option to acquire 100% of the share capital in Pyramid Vietnam SPV under the PYCO MSA

³ Prospectus outlined Transaction costs of approximately \$5.7 million in costs relating to the Offer, with the remaining \$3.0 million related to transaction costs associated with the merger which will be paid out of the Company and Ansarada's existing cash balances.

⁴ Ansarada acquired TriLine GRC for a purchase price of \$5.3 million from cash on the 29th October 2021.

Payments to related parties and their associates during Q2 was \$0.2 million. These payments were related to gross salaries and superannuation to S. Riley, S. Clout, D. Pullini and P. James.

Appendix 4C

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

Name of entity

Ansarada Group Limited

ABN

19 602 586 407

Quarter ended ("current quarter")

31 December 2022

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	15,431	27,799
1.2 Payments for		
(a) research and development	(83)	(170)
(b) product manufacturing and operating costs	(1,596)	(3,112)
(c) advertising and marketing	(2,844)	(5,242)
(d) leased assets	(138)	(295)
(e) staff costs	(6,415)	(15,457)
(f) administration and corporate costs	(2,171)	(3,812)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	39	41
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	2,223	(248)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	(66)
(d) investments	-	-
(e) intellectual property	(1,360)	(2,366)
(f) other non-current assets	(97)	(604)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 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 (cash acquired from business combination)	-	-
2.6	Net cash from / (used in) investing activities	(1,457)	(3,036)

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	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material) - IFRS lease payments and purchase of treasury shares	(413)	(746)
3.10	Net cash from / (used in) financing activities	(413)	(746)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	17,922	22,438
4.2	Net cash from / (used in) operating activities (item 1.9 above)	2,223	(248)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,457)	(3,036)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(413)	(746)
4.5	Effect of movement in exchange rates on cash held	420	287
4.6	Cash and cash equivalents at end of period	18,695	18,695

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	18,695	17,922
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)	18,695	17,922

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	237
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>		

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 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	-	-
7.5	Unused financing facilities available at quarter end		-
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)	2,223
8.2	Cash and cash equivalents at quarter end (item 4.6)	18,695
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	18,695
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	N/A
	<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: 25 January 2023

Authorised by: 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.