



# Investor Presentation

## Q3 2024 Update

October 2024

ASX:DSE



ersonal use only



# We help businesses stay in business

Dropsuite is a partner-centric company building secure, scalable and highly useable cloud backup technologies for businesses, big and small



**~135**  
employees



**>100**  
countries



**~1.5M**  
paid users



**>750**  
direct partners



**~\$43M**  
ARR

# What We Believe to be True

## 1 | Right team

### ~135 team members

11 countries across North America, Europe and APAC

### 60%

Staff focussed on product and engineering

### #1

Microsoft 365 Cloud Backup provider by Software Reviews for 4 consecutive years

## 2 | Right time

### 400 Million

Office 365 and Google Workspace users globally in 2022<sup>1</sup>

### \$10.5 Trillion

Expected cost of cyber-attacks by 2025<sup>2</sup>

### 67%

Organisations cite increase in ransomware and malware<sup>3</sup>

## 3 | Right Place

### >750

IT reseller partners globally<sup>4</sup>

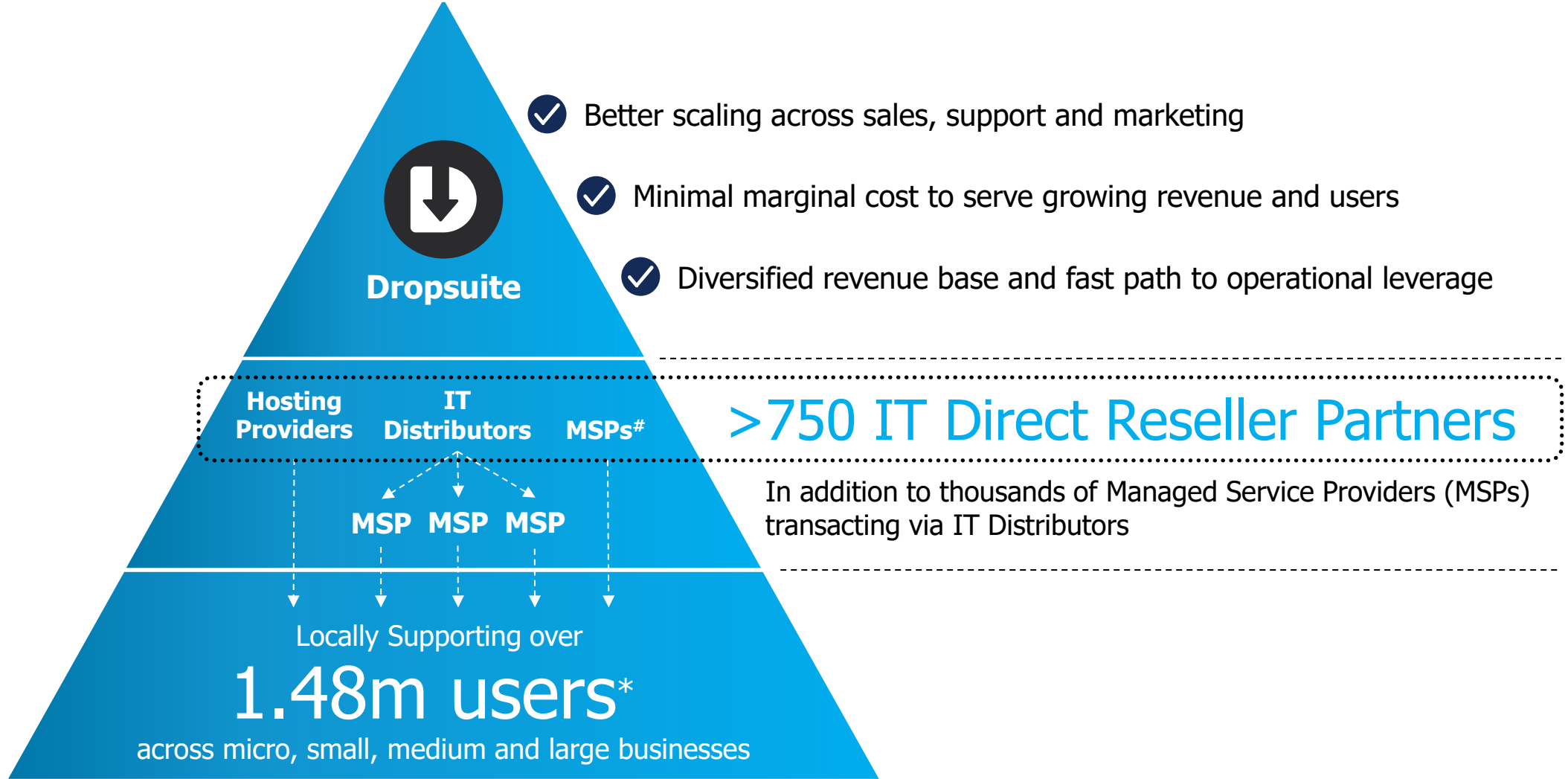
### >5,000<sup>4</sup>

MSP providers transacting via IT distributors

### Scalable

Marginal cost to serve growing revenue and users

# Benefits of a Partner-led Business Model



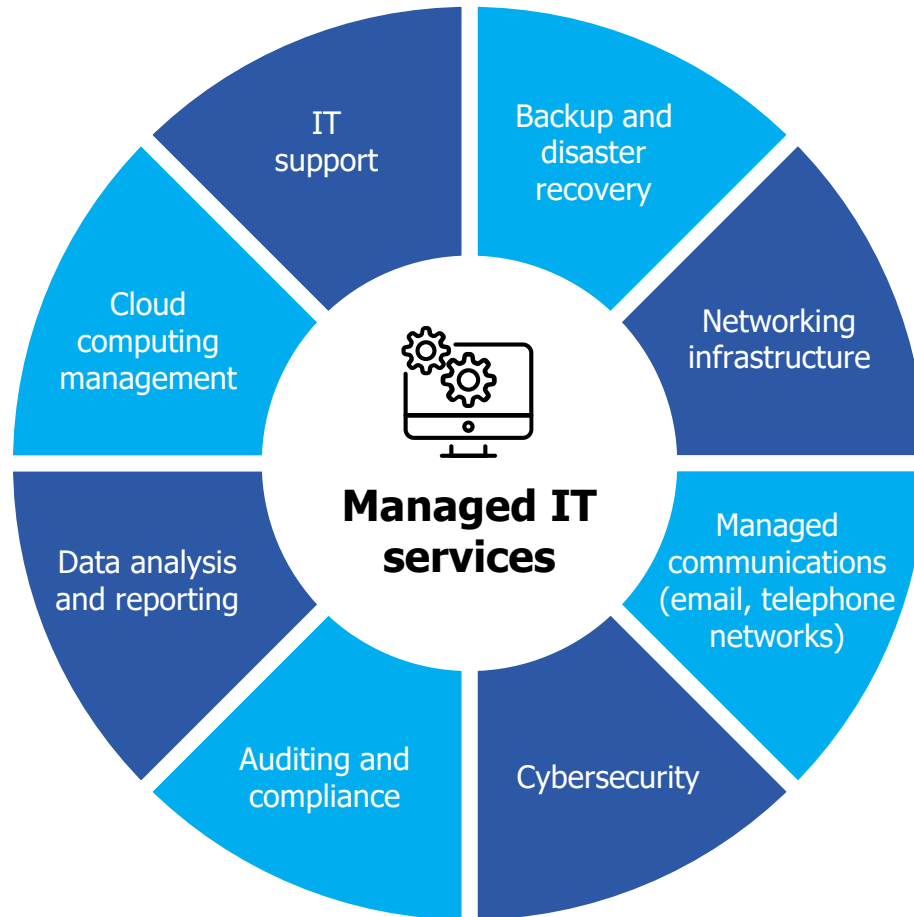
MSP: Managed Service Provider is an outsourced IT provider ensuring business availability and security for mostly small and mediums businesses (SMBs)

\* # of MSPs: As at 30 September 2024

ersonal use only

# The Managed Service Provider (MSP). Our Customer

MSPs are outsourced IT providers servicing small to medium businesses with limited IT function



## MSPs by the numbers



- 73% of MSPs have less than 100 clients
- 71% of MSP clients have 20 to 200 employees
- 95%+ of MSPs have total revenues <\$5M annually
- 132K+ MSPs globally \$757B market by 2030 with a 12.6% CAGR

## Profile of an MSP



- Value ease of use, quality, automation, and security
- Security offerings are the #1 driver of MSP growth
- Challenged with hiring, training, and operationalising
- Challenged with supporting multiple clients, risk assessments, governance, and data loss prevention

# Key Drivers for Record Seat Growth and Profitable ARR



## Net Revenue Retention

Strong NRR from existing partners sustained by continued investment in core products and industry leading Customer Success and Technical Support



## New Partners Growth

Strong growth in new transacting partners driven by contributions from both direct and distribution partners



## PartnerServ Go to Market Motion

Paid migration service from other backup vendors drove material paid seat additions for DSE in Q3



## Bring Your Own Storage (BYOS)

Expansion of OEM offering BYOS model is starting to contribute with more upside expected

# Q3 2024 Results

(July to September)

# Key Business Metrics Delivered in Q3 FY24

ARR

**\$42.6m**



9%\* on QoQ  
34%\* on PCP

Gross Margin

**69%**



Stable QoQ and  
PCP

Operating Cashflow

**\$0.78m**



46% on QoQ  
(44%) on PCP

ARPU

**\$2.39**



(1%)\* on QoQ  
1% on PCP

Paid Users

**1.48m**



10% on QoQ  
34% on PCP

Cash Receipts

**\$9.68m**



4% on QoQ  
20% on PCP

## Commentary

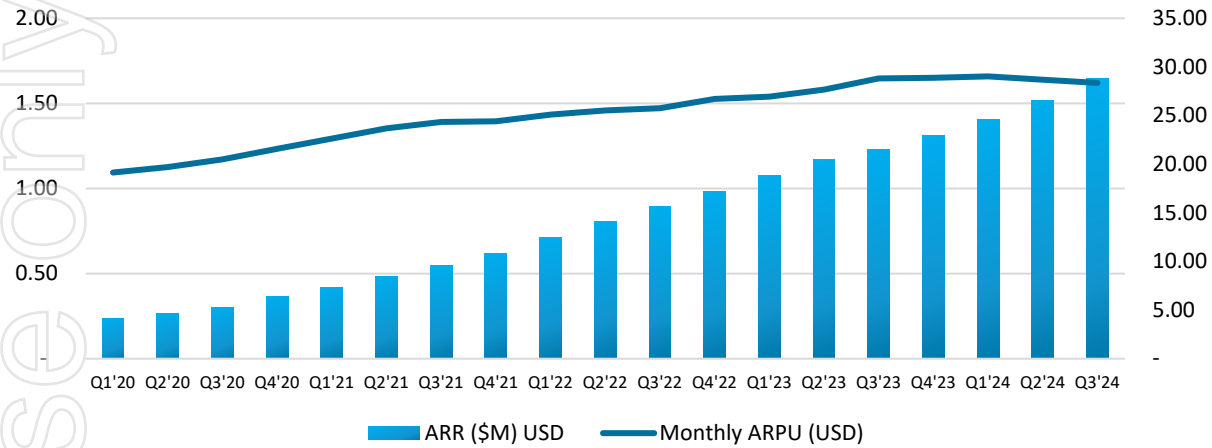
- Record US\$2.3m of incremental ARR added
- +135K user adds in Q3
- +319K user adds YTD
- Churn stable below 3% level

\* On a constant currency basis

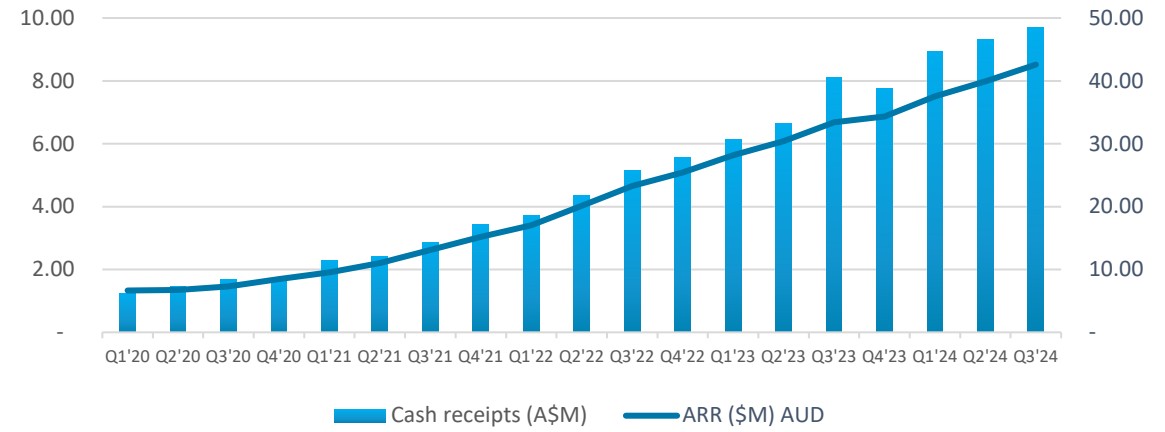


# Positive Growth Momentum

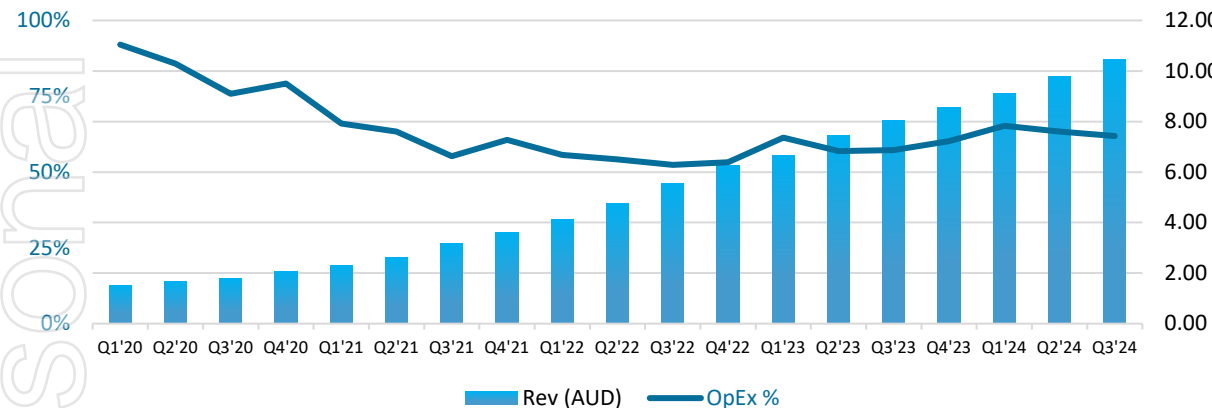
### ARR and Monthly ARPU - USD (\$M)



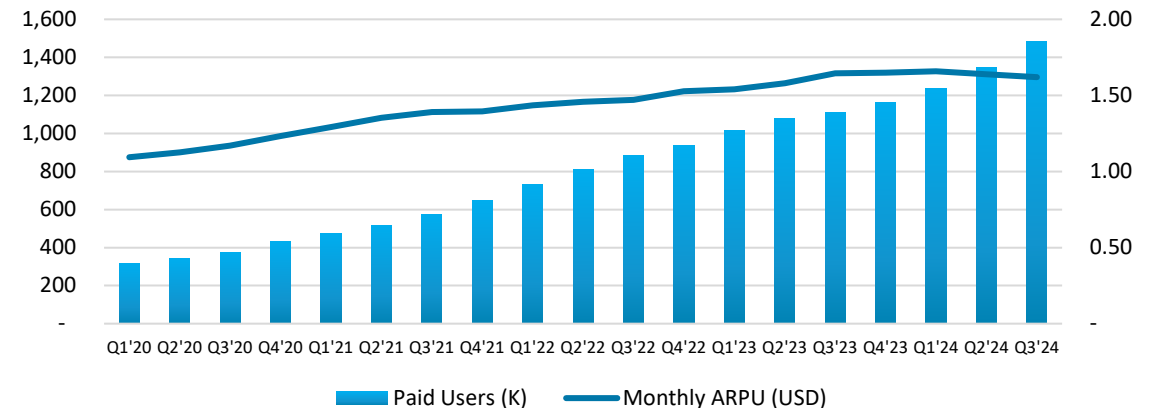
### Cash Receipts and ARR growth - AUD (\$M)



### Operating Expense to Revenue Ratio - AUD (\$M)



### Paid Users and ARPU (USD) growth



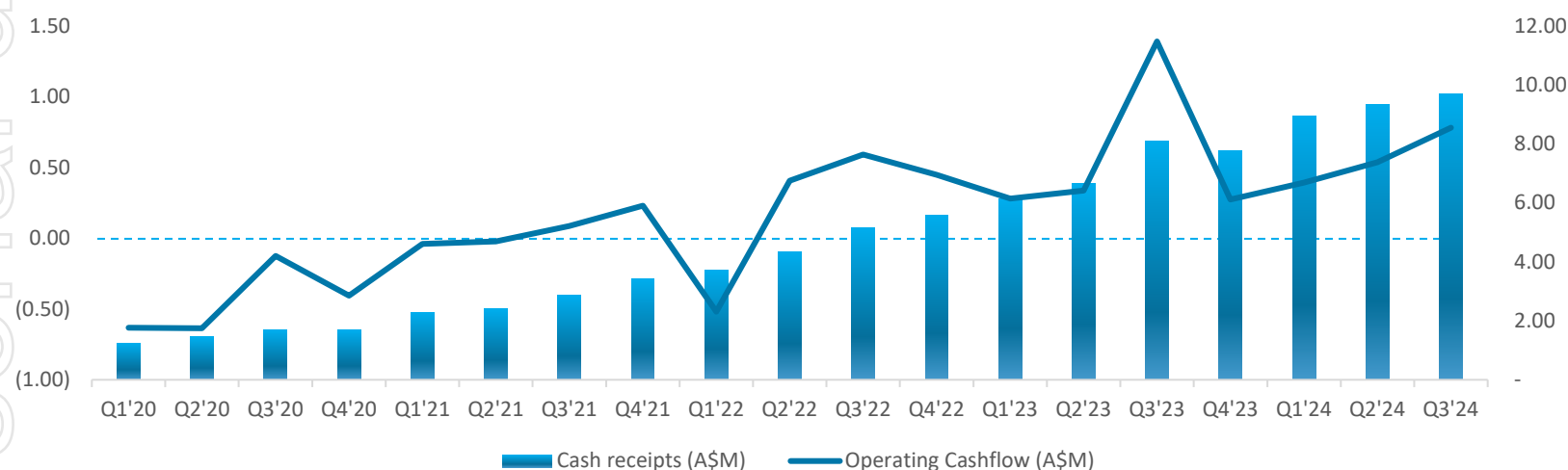
# Positive Cashflow Generation

A\$ Million (normalised) <sup>1</sup>	Sep 24	Jun 24	Sep 23	QoQ (%)	PCP (%)
Receipts from customers	9.68	9.33	8.10	4%	20%
Payments to suppliers	(9.15)	(8.99)	(6.89)	2%	33%
Interest received	0.24	0.20	0.18	22%	39%
Net cash generated from operations	0.78	0.54	1.39	46%	(44%)
Cash on hand	25.48	25.13	24.56	1%	4%

## Cashflow momentum continues

- Receipts growth consistent with prior quarters
- Payments to suppliers increased within expectations
- Operating cashflows generated circa \$0.78m

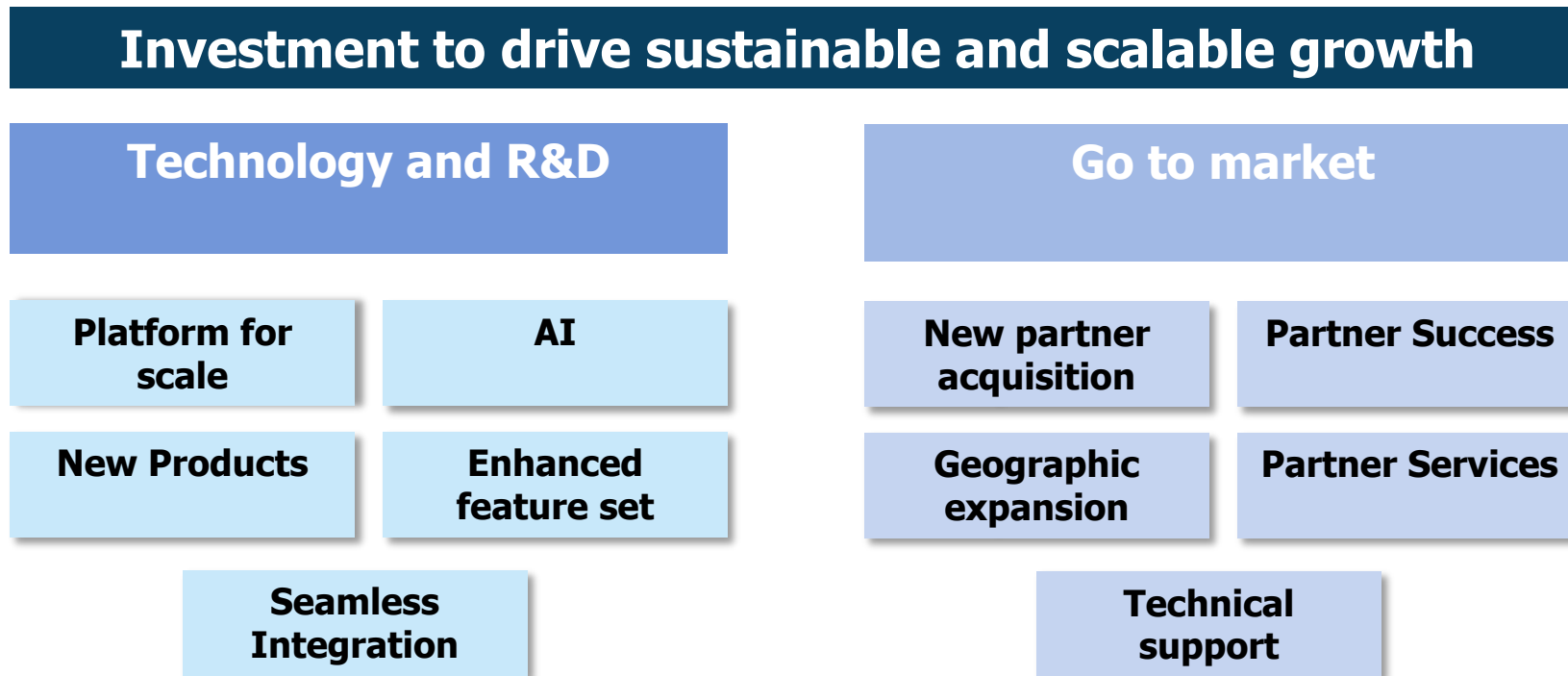
## Operating Cashflow and Cash Receipts - AUD (\$M)



# Delivering Future Growth

# Investing to Deliver Future Growth

Multiple initiatives to enhance growth and increase partner and customer satisfaction



Balanced investment whilst maintaining FY24 guidance for positive cashflow and profitability

# Our Capital Allocation and Growth Framework

To deliver growth rates that exceed industry growth for data protection and managed services

## Products



*Italics = growth framework*

ersonal use only  
Customer/market

## Outlook



Strong market tailwinds from cyber security and regulation



Market leading position in Microsoft 365 backup



Highly engaged team with structure to support growth



Pursuing accretive M&A opportunities



ARR growth via partner ecosystem and strong sales pipeline



Internal investment to drive continued growth



FY24 guidance for positive EBITDA and Operating Cash Flow

# Appendix

# Quad 1: Defend and Grow Core Products in Existing Markets

Creating value and customer loyalty in our core business



## **Sustained product leadership**

Through fast-evolving features/capabilities, platform scaling and security hardening



## **Integrations into MSP workflows and distributor platforms**

More integration ecosystem players with native reporting and insights



## **Partner Success at scale**

Hybrid high-touch and automated Customer Success coverage with best-in-class technical support

**Increase ARR and NRR whilst sustaining Gross Margins**



# Quad 2: New Markets with Existing Products

Expand and acquire customers with existing products by adding features or re-packaging



## Double down on archiving and compliance

New regulatory requirements emerging creating opportunities for Archiving & Backup in new verticals



## US GovCloud, education, and non-profit

Increase in demand from government, educational institutions, and non-profit organizations with unique requirements



## Enable mid-market customers

Through Bring-Your-Own-Storage (BYOS), enhanced security capabilities, and scalable user experience

**Increasing our SAM by leveraging our core products**

# Quad 3: Cross/Up sell New Products to Existing Customers

Expanding our TAM through new product offerings



## **Broader data protection solutions**

Expand platform to solve for emerging data protection challenges



## **Pursue high conviction bolt-on acquisitions**

Target high quality companies with complementary data protection products



## **Increase partner "share of wallet"**

Programmatic sales and marketing motions to support expanding product portfolio

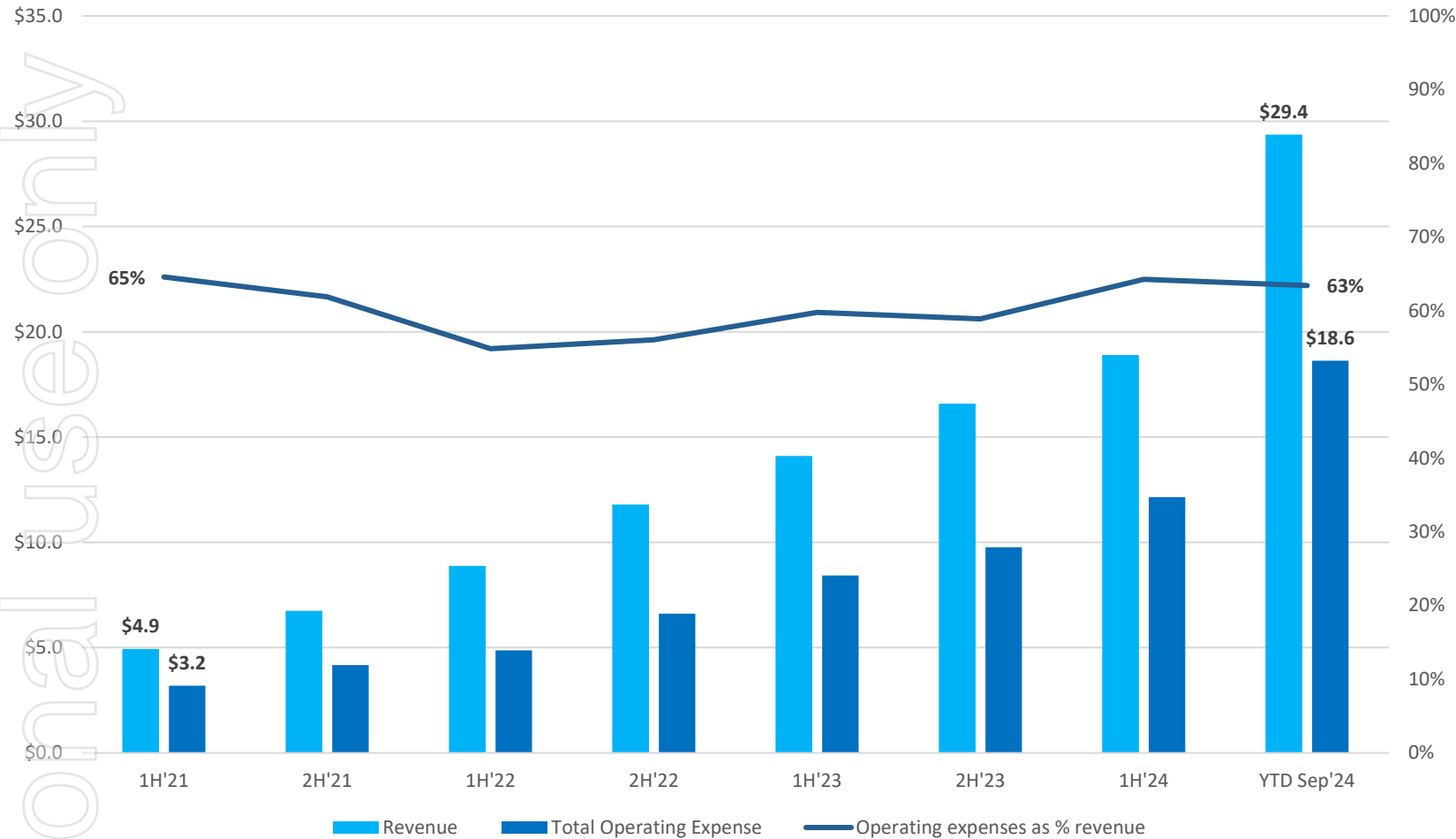
**Increase ARR, drive ARPU and sustain Gross Margins**

ersonal use only

# Consolidated Statement of Cash Flows

A\$ million	Sep 24	Jun 24	Sep 23	QoQ (%)	PCP (%)
Receipts from customers	9.68	9.33	8.10	4%	20%
Cloud Hosting	(3.19)	(2.93)	(2.84)	9%	12%
Advertising & marketing	(0.25)	(0.57)	(0.29)	(55%)	(12%)
Staff costs	(4.14)	(4.06)	(3.10)	2%	33%
Administration & corporate costs	(1.57)	(1.43)	(0.65)	9%	140%
Total Payments	(9.15)	(8.99)	(6.89)	2%	33%
Interest received	0.24	0.20	0.18	22%	39%
Net Cash Generated/(Used) from Operations	0.78	0.54	1.39	46%	(44%)
Cash flow from investing activities (PPE)	(0.04)	(0.06)	(0.05)	(33%)	(19%)
Cashflow from financing activities (all)	-	-	-	-	-
Effect of movement in exchange rates on cash held	(0.40)	(0.29)	0.26	26%	(254%)
Net increase/(decrease) in cash for the period	0.35	0.19	1.60	112%	(78%)
Cash on hand	25.48	25.13	24.56	1%	4%

# A Balanced Approach to Investing in Growth



## Operating Expenses

- DSE has managed operating expenses whilst increasing revenue
- Operating expenses in YTD'24 included:
  - Increase wages as staff grew from 98 to ~135;
  - Investment in Technology R&D to drive product development; and
  - Go to market Functions including marketing and business development initiatives
- DSE will continue to invest in research and development as well as go-to-market functions across the remainder of FY24 to drive future growth.

# Board and Management



**Theo Hnarakis**

Non-Executive  
Chairman



**Dr. Bruce Tonkin**

Non-Executive  
Director



**Eric Martorano**

Non-Executive  
Director



**Charif El Ansari**

Managing  
Director



**Bill Kyriacou**

Chief Financial  
Officer



**Deepika Garg**

Global Head  
of HR



**Manoj Kalyanaraman**

Chief Technology  
Officer



**Eric Roach**

SVP Global Channel  
Sales & Marketing



**Mark Kirstein**

Chief Product  
Officer

# Exceptional User Experience

Simple intuitive interface that is packed with useful and powerful features, including search, insights and reporting



\*Entra ID - new backup product targeted at Entra ID (formerly Azure Active Directory), which is Microsoft's cloud-based identity and access management solution providing authentication and authorization to a wide range of Microsoft products.

# Glossary

**ARR:** Annualised Recurring Revenue - is defined as the value of the contracted monthly recurring revenue multiplied by 12 months

**ARPU:** Average Revenue Per User

**CAGR:** Compound Annual Growth Rate

**Churn:** Partner Revenue Churn is defined as Lost Revenue in current period divided by previous period Revenue

**MSP:** Managed Service Provider is defined as an outsourced IT provider ensuring business availability and security for mostly small and medium businesses

**NRR:** Net Revenue Retention is defined as percentage of revenue retained from existing partners over a 12 month period

**PCP:** Prior Corresponding Period

**QBO:** QuickBooks Online

**QoQ:** Prior Quarter Comparative Period

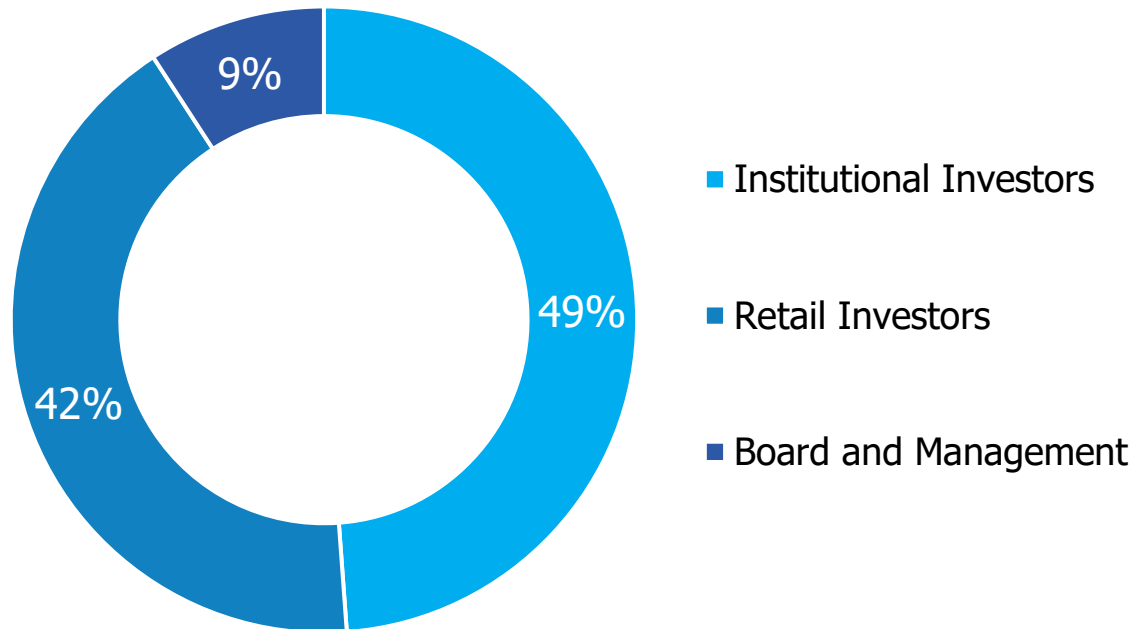
**SAM:** Serviceable Addressable Market

**SME:** Small to Medium enterprise

# Corporate Overview

## Share registry breakdown

As at 30 September 2024



## Financial Information

Share price as September 30, 2024	\$3.40
Ordinary Share on Issue (M)	70.3
52-week trading (low/high)	2.20/3.63
<b>Market Cap (\$)</b>	<b>\$239M</b>
Cash (Sept 30, 2024)	\$25.48M
Debt (Sept 30, 2024)	nil



# Disclaimer

This presentation has been produced by Dropsuite limited and may contain forward looking statements that are based on management's current expectations, beliefs and assumptions and are subject to a number of risks and uncertainties. Forward looking statements contained in this presentation are not guarantees of future performance and involve risks and uncertainties that are difficult to predict, and are based upon assumptions as to future events that may not prove accurate. Therefore, the actual outcomes and results may differ from those described. In any forward-looking statement in which Dropsuite limited expresses an expectation or belief such expectation or belief is expressed in good faith and believed to have a reasonable basis, but there can be no assurance that the statement or expectation or belief will result or be achieved or accomplished. We are not under any duty to update forward-looking statements unless required to by law. This investor presentation is not an offer of securities, and does not form part of any prospectus that has or may be issued. Dropsuite limited and its directors, employees, associates, affiliates and agents, make no: a. Representations or warranties, expressed or implied, in relationship to this presentation or the accuracy, reliability or completeness of any information in it or the performance of Dropsuite Limited; and b. Accept no responsibility for the accuracy or completeness of this presentation. This presentation is intended to provide information only and does not constitute or form an offer of securities or a solicitation or invitation to buy or apply for securities, nor it or any part of it form the basis of, or be relied upon in any connection with any contracts or commitment whatsoever. The information in this presentation does not take into account the objectives, financial situation or particular needs of any person. Nothing in this presentation constitutes investment, legal, tax or other advice. This presentation does not, nor does it purport to, contain all the information prospective investors in Dropsuite limited would desire or require in reaching an investment decision. To the maximum extent permitted by law, Dropsuite Limited, their officers, directors, employees, associates, affiliates or agents, nor any other person accepts any liability for any loss, claim, damages, costs or expenses of any nature (whether foreseeable or not), including, without limitation, any liability arising from fault or negligence on the part of any of them or any other person, for any loss arising from the use of this presentation or its content or otherwise arising in connection with it or any errors or omissions in it. The distribution of this presentation in jurisdictions outside of Australia may be restricted by law. This presentation has not been filed, lodged, registered or approved in any jurisdiction and recipients of this presentation should keep themselves informed of and comply with and observe all applicable legal and regulatory requirements. In Australia, this presentation is made only to sophisticated or professional investors under the corporations act, but will be released on the ASX.



[dropsuite.com](https://dropsuite.com)



[dropsuite](https://twitter.com/dropsuite)



### Dropsuite Limited

Level 30, 35 Collins Street  
Melbourne VIC 3000, Australia



### Charif Elansari

Managing Director, Dropsuite  
[charif@dropsuite.com](mailto:charif@dropsuite.com)



### Bill Kyriacou

CFO, Dropsuite  
[bill@dropsuite.com](mailto:bill@dropsuite.com)



Investor Relations

### Craig Sainsbury

Automic Markets  
[craig.sainsbury@automicgroup.com.au](mailto:craig.sainsbury@automicgroup.com.au)  
+61 428 550 499

This presentation is authorised by the Board of Directors