

Canaccord Genuity

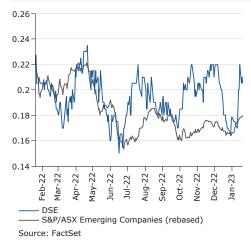
19 January 2023

Rating	Price Target
BUY	A\$0.34↑
unchanged	from A\$0.32
DSE-ASX	Price A\$0.22

Market Data

52-Week Range (A\$) :	0.15 - 0.24
Market Cap (A\$M) :	149.4
Shares Out. (M) :	679.3
Dividend /Shr (A\$) :	0.00
Dividend Yield (%) :	0.0
Enterprise Value (A\$M) :	127
Cash (A\$M):	22.3
Long-Term Debt (A\$) :	0.0

FYE Dec	2021A	2022E	2023E	2024E
Sales (A\$M)	11.7	19.7	27.7个	34.5个
Previous	-	-	27.4	34.2
Gross Profit (A\$M)	7.5	12.5	17.9	22.2
EBITDA (A\$M)	0.4	1.6	2.5个	3.7个
Previous	-	-	2.0	2.8
EBIT (A\$M)	0.4	1.6	2.5个	3.7个
Previous	-	-	2.0	2.8
Net Income Adj (A\$M)	0.4	1.7个	2.5↑	3.7个
Previous	-	1.6	2.0	2.8
Net Debt (Cash) (A\$M)	(22)	(23)	(26)↓	(29)↓
Previous	-	-	(25)	(28)
EV/Sales (x)	10.9	6.4	4.5	3.5



Priced as of close of business 19 January 2023

Dropsuite is a global cloud software platform founded in 2012 that provides cloud-based email and website backup, archiving and recovery solutions.

Raising Target Price

Dropsuite Ltd Software and Services

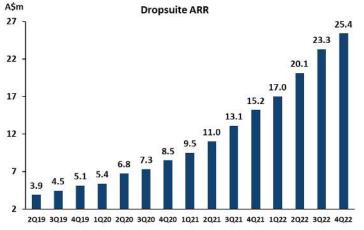
Owen Humphries | Analyst | Canaccord Genuity (Australia) Ltd. | ohumphries@cgf.com | +61.2.9263.2702

4Q22 +67% ARRg; multiple tailwinds at play

DSE printed another stellar quarter, with ARR slightly ahead of expectations and the company maintaining its FCF mantra. Bond yields are down and we believe growth should come back in vogue, with DSE remaining one of the fastest-growing small-cap stocks on the ASX. If we roll forward 24 months, on the current valuation (EV \$130m) and growth trajectory (>+50% p.a. revg), DSE would trade on ~2.5x gross profit, which is unheard of for a rule-of-80 stock. Ongoing migration to the cloud (particularly O365), increasing adoption of cloud recovery solutions (~20% of SME have an email back-up product) and ongoing market share gains for DSE should drive above-trend growth (industry growth +24% p.a.), in our view.

Earnings revisions: We make modest increases to our FY23E (7%), FY24E(6%) and FY25E (4%) ARR forecasts, noting DSE has remained in an upgrade cycle since we initiated on the stock, suggesting upside risk to our forecasts. We make limited changes to our EBITDA forecasts.

- **ARR increased to \$25.4m** (+10% qoq, +67% pcp [+58% cc]), in line with our estimate (CGe \$25m). This represents an incremental ARR uplift of \$2.1m in AUD terms, a ~20% beat to our quarterly incremental forecast of \$1.8m. Key ARR drivers of **ARPU and users** are both moving in the right direction, with ARPU +4% qoq to A\$2.26 (CGe \$2.27) and the incremental gross user adds of 63k, bringing the total user base to 935k. A one-off churn of 11k customers (due to legacy partner deactivation) moderated user growth; however, this has supported a shift to a higher ARPU and remains within DSE 3% p.a. churn target.
- **Gross profit margins** unexpectedly expanded 4ppts to 70% in the quarter (66% 3Q22; 64% 2Q22). The gross profit margin illustrates the operating leverage to growth given the limited S&M spending as well as the continued benefit of reduced cloud/storage costs.
- **OCF** of \$0.5m continues to trend positively, in line with the company's profitability mantra, translating to ~10% FCF margins. DSE has seen ARR increase threefold over the past 24 months which, paired with various product releases, has justified investment in headcount (+15% qoq) and marketing (+80% qoq). The company reported A\$22m cash, which is sufficient to support internal development or inorganic opportunities.
- DSE launched its QuickBooks Online backup solution in the quarter, which caters to 8m users, growing >15% p.a. The new product will be at a higher ARPU price point with DSE expecting to monetise the product from April 2023.



Source: Company reports

Canaccord Genuity is the global capital markets group of Canaccord Genuity Group Inc. (CF : TSX)

The recommendations and opinions expressed in this research report accurately reflect the research analyst's personal, independent and objective views about any and all the companies and securities that are the subject of this report discussed herein.

For important information, please see the Important Disclosures beginning on page 6 of this document.

DSE is emerging as one of the fastest-growing SaaS stocks on the ASX. Almost all of DSE's revenue comes from highly predictable, recognised subscriptions from its MSP customers with negligible churn. We maintain our BUY recommendation and increase our price target to \$0.34 (from \$0.30) following the roll forward of our DCF model.



Figure 1: Dropsuite (DSE-AU): Financial summary

Profit & Los (\$m) 2020A 2021A 2022F 2023F 2024F ARR 8.5 15.2 25.4 32.4 38.4 Sales Revenue 7.1 11.7 19.7 27.7 34.5 COGS -2.5 4.2 -7.3 -9.9 -12.3 Gross Profit 4.6 7.5 12.5 17.9 22.2 Opex -6.3 -7.2 -10.9 -15.3 -16.5 BITDA -1.7 0.4 1.6 2.5 3.7 D & A -0.5 0.0 0.0 0.0 0.0 REIT -2.2 0.4 1.6 2.5 3.7 Net Interest Expense 0.0 0.0 0.0 0.0 0.0 NPAT NPAT 2.1 0.4 1.7 2.5 3.7 Significant Items 0.0 0.4 0.0 0.0 0.0 Significant Items -3.3 % 8.3 % 9.1 % 10.8 % Cass	Dropsuite (DSE)					
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Operating EBTDA -1.7 0.4 1.6 2.5 3.7 - Interest & Tax Paid 0.0 0.0 0.0 0.0 0.0 - other 0.0 0.0 0.0 0.0 0.0 - other 0.0 0.0 0.0 0.0 0.0 Operating Cashflow -1.8 0.3 1.7 2.5 3.7 - Other Capex 0.0 -0.1 -0.1 -0.1 -0.1 - Intangibles/other 0.0 0.0 0.0 0.0 0.0 - Acquisitions 0.0 0.0 0.0 0.0 0.0 - Ord Dividends 0.0 0.0 0.0 0.0 0.0 - Equity /other 2.9 18.9 0.0 0.0 0.0 - Equity /other 0.0 0.0 0.0 0.0 0.0 - Stat beginning of period 1.4 2.4 21.6 23.2 25.6 +/- borrowings / other 0.0 0.0 0.0 0.0	ni / i maigin (//)	50.170	0.370	0.470	5.170	10.070
- Interest & Tax Paid 0.0 0.0 0.0 0.0 +/- change in Work. Cap. -0.2 -0.1 0.0 0.0 0.0 - other 0.0 0.0 0.0 0.0 0.0 Operating Cashflow -1.8 0.3 1.7 2.5 3.7 - Other Capex 0.0 -0.1 -0.1 -0.1 -0.1 - Intangibles/other 0.0 0.0 0.0 0.0 0.0 - Acquisitions 0.0 0.0 0.0 0.0 0.0 - Ord Dividends 0.0 0.0 0.0 0.0 0.0 - Ord Dividends 0.0 0.0 0.0 0.0 0.0 - Equity /other 2.9 18.9 0.0 0.0 0.0 - Equity /other 0.0 0.0 0.0 0.0 0.0 Cash at beginning of period 1.4 2.4 21.6 23.2 25.6 */- borrowings / other 0.0 0.0 0.0 0.0 0.0 Cash 2.5 21.6 23.2 25.6 29.3	Cash Flow (\$m)	2020A	2021A	2022F	2023F	2024F
+/- change in Work. Cap0.2-0.10.00.00.0- other0.00.00.00.00.0Operating Cashflow-1.80.31.72.53.7- Other Capex0.0-0.1-0.1-0.1-0.1- Intangibles/other0.00.00.00.00.0- Acquisitions0.00.00.00.00.0- Ord Dividends0.00.00.00.00.0- Ord Dividends0.00.00.00.00.0- Ord Dividends0.00.00.00.00.0- Ord Dividends0.00.00.00.00.0- Cash at beginning of period1.42.421.623.225.6+/- borrowings / other0.00.00.00.00.0Cash at end of period1.42.23.03.03.0Intentory0.00.00.00.00.00.0PE0.20.00.00.00.00.0Intangibles0.00.00.00.00.0Other assets0.20.30.40.40.4Total Assets4.324.126.729.132.8Deferred Revenue0.10.10.10.10.10.1Other Liabilities0.10.10.10.10.10.1Other Liabilities0.10.10.10.10.10.1 <td>Operating EBITDA</td> <td>-1.7</td> <td>0.4</td> <td>1.6</td> <td>2.5</td> <td>3.7</td>	Operating EBITDA	-1.7	0.4	1.6	2.5	3.7
other 0.0 0.0 0.0 0.0 0.0 Operating Cashflow -1.8 0.3 1.7 2.5 3.7 Other Capex 0.0 -0.1 -0.1 -0.1 -0.1 Intangibles/other 0.0 0.0 0.0 0.0 0.0 Acquisitions 0.0 0.0 0.0 0.0 0.0 Free Cashflow -1.8 0.2 1.6 2.4 3.7 Ord Dividends 0.0 0.0 0.0 0.0 0.0 Card Dividends 0.0 0.0 0.0 0.0 0.0 Equity /other 2.9 18.9 0.0 0.0 0.0 Net Cashflow 1.1 19.1 1.6 2.4 3.7 Cash at beginning of period 1.4 2.4 21.6 23.2 25.6 29.3 Balance Sheet 2020A 2021A 2022F 2023F 2024F Cash 2.5 21.6 23.2 25.6 <th< td=""><td>- Interest & Tax Paid</td><td>0.0</td><td>0.0</td><td>0.0</td><td>0.0</td><td>0.0</td></th<>	- Interest & Tax Paid	0.0	0.0	0.0	0.0	0.0
Operating Cashflow -1.8 0.3 1.7 2.5 3.7 - Other Capex 0.0 -0.1 -0.1 -0.1 -0.1 - Intangibles/other 0.0 0.0 0.0 0.0 0.0 - Acquisitions 0.0 0.0 0.0 0.0 0.0 Free Cashflow -1.8 0.2 1.6 2.4 3.7 - Ord Dividends 0.0 0.0 0.0 0.0 0.0 - Ord Dividends 0.0 0.0 0.0 0.0 0.0 - Equity / other 2.9 18.9 0.0 0.0 0.0 Net Cashflow 1.1 19.1 1.6 2.4 3.7 Cash at beginning of period 1.4 2.4 21.6 23.2 25.6 29.3 Peter Sheet 2020A 2021A 2022F 2023F 2024F Cash 2.5 21.6 23.2 25.6 29.3 Debtors 1.4 2.2 3.0 3.0 <td>+/- change in Work. Cap.</td> <td>-0.2</td> <td>-0.1</td> <td>0.0</td> <td>0.0</td> <td>0.0</td>	+/- change in Work. Cap.	-0.2	-0.1	0.0	0.0	0.0
- Other Capex 0.0 -0.1 -0.1 -0.1 -0.1 - Intangibles/other 0.0 0.0 0.0 0.0 0.0 - Acquisitions 0.0 0.0 0.0 0.0 0.0 Free Cashflow -1.8 0.2 1.6 2.4 3.7 - Ord Dividends 0.0 0.0 0.0 0.0 0.0 - Equity /other 2.9 18.9 0.0 0.0 0.0 Net Cashflow 1.1 19.1 1.6 2.4 3.7 Cash at beginning of period 1.4 2.4 21.6 23.2 25.6 t/- borrowings / other 0.0 0.0 0.0 0.0 0.0 Cash at end of period 2.5 21.5 23.2 25.6 29.3 Debtors 1.4 2.2 3.0 3.0 3.0 Inventory 0.0 0.0 0.0 0.0 0.0 PPE 0.2 0.0 0.0 0.0 0.0 Intangibles 0.1 0.1 0.2 0.2 0.2 <td< td=""><td>- other</td><td>0.0</td><td>0.0</td><td>0.0</td><td>0.0</td><td>0.0</td></td<>	- other	0.0	0.0	0.0	0.0	0.0
Intangibles/other 0.0 0.0 0.0 0.0 0.0 - Acquisitions 0.0 0.0 0.0 0.0 0.0 Free Cashflow -1.8 0.2 1.6 2.4 3.7 - Ord Dividends 0.0 0.0 0.0 0.0 0.0 Equity / other 2.9 18.9 0.0 0.0 0.0 Net Cashflow 1.1 19.1 1.6 2.4 3.7 Cash at beginning of period 1.4 2.4 21.6 23.2 25.6 t/- borrowings / other 0.0 0.0 0.0 0.0 0.0 Cash at end of period 2.5 21.5 23.2 25.6 29.3 Debtors 1.4 2.2 3.0 3.0 3.0 Inventory 0.0 0.0 0.0 0.0 0.0 PE 0.2 0.0 0.0 0.0 0.0 Intangibles 0.1 0.1 0.2 0.2 0.2	Operating Cashflow	-1.8	0.3	1.7	2.5	3.7
Acquisitions 0.0 0.0 0.0 0.0 0.0 Free Cashflow -1.8 0.2 1.6 2.4 3.7 Ord Dividends 0.0 0.0 0.0 0.0 0.0 Equity /other 2.9 18.9 0.0 0.0 0.0 Net Cashflow 1.1 19.1 1.6 2.4 3.7 Cash at beginning of period 1.4 2.4 21.6 23.2 25.6 t/- borrowings / other 0.0 0.0 0.0 0.0 0.0 Cash at end of period 2.5 21.5 23.2 25.6 29.3 Belance Sheet 2020A 2021A 2022F 2023F 2024F Cash 2.5 21.6 23.2 25.6 29.3 Debtors 1.4 2.2 3.0 3.0 3.0 Inventory 0.0 0.0 0.0 0.0 0.0 Other assets 0.2 0.3 0.4 0.4 0.4 </td <td>- Other Capex</td> <td>0.0</td> <td>-0.1</td> <td>-0.1</td> <td>-0.1</td> <td>-0.1</td>	- Other Capex	0.0	-0.1	-0.1	-0.1	-0.1
Free Cashflow -1.8 0.2 1.6 2.4 3.7 - Ord Dividends 0.0 0.0 0.0 0.0 0.0 - Equity /other 2.9 18.9 0.0 0.0 0.0 Net Cashflow 1.1 19.1 1.6 2.4 3.7 Cash at beginning of period 1.4 2.4 21.6 23.2 25.6 +/- borrowings / other 0.0 0.0 0.0 0.0 0.0 Cash at end of period 2.5 21.5 23.2 25.6 29.3 Balance Sheet 2020A 2021A 2022F 2023F 2024F Cash 2.5 21.6 23.2 25.6 29.3 Debtors 1.4 2.2 3.0 3.0 3.0 Inventory 0.0 0.0 0.0 0.0 0.0 PPE 0.2 0.3 0.4 0.4 0.4 Total Assets 4.3 24.1 26.7 29.1 32.8 <td>- Intangibles/other</td> <td>0.0</td> <td>0.0</td> <td>0.0</td> <td>0.0</td> <td>0.0</td>	- Intangibles/other	0.0	0.0	0.0	0.0	0.0
- Ord Dividends 0.0 0.0 0.0 0.0 - Equity /other 2.9 18.9 0.0 0.0 0.0 Net Cashflow 1.1 19.1 1.6 2.4 3.7 Cash at beginning of period 1.4 2.4 21.6 23.2 25.6 +/- borrowings / other 0.0 0.0 0.0 0.0 0.0 Cash at end of period 2.5 21.5 23.2 25.6 29.3 Balance Sheet 2020A 2021A 2022F 2023F 2024F Cash 2.5 21.6 23.2 25.6 29.3 Debtors 1.4 2.2 3.0 3.0 3.0 Inventory 0.0 0.0 0.0 0.0 0.0 PPE 0.2 0.0 0.0 0.0 0.0 Intangibles 0.0 0.0 0.0 0.0 0.0 Other assets 0.2 0.3 0.4 0.4 0.4 Total Assets 4.3 24.1 26.7 29.1 32.8 Defe	- Acquisitions	0.0	0.0	0.0	0.0	0.0
- Equity /other 2.9 18.9 0.0 0.0 0.0 Net Cashflow 1.1 19.1 1.6 2.4 3.7 Cash at beginning of period 1.4 2.4 21.6 23.2 25.6 +/- borrowings / other 0.0 0.0 0.0 0.0 0.0 Cash at end of period 2.5 21.5 23.2 25.6 29.3 Balance Sheet 2020A 2021A 2022F 2023F 2024F Cash 2.5 21.6 23.2 25.6 29.3 Debtors 1.4 2.2 3.0 3.0 3.0 Inventory 0.0 0.0 0.0 0.0 0.0 PPE 0.2 0.0 0.0 0.0 0.0 Other assets 0.2 0.3 0.4 0.4 0.4 Total Assets 4.3 24.1 26.7 29.1 32.8 23.3 Deferred Revenue 0.1 0.1 0.1 0.1	Free Cashflow	-1.8	0.2	1.6	2.4	3.7
Net Cashflow 1.1 19.1 1.6 2.4 3.7 Cash at beginning of period 1.4 2.4 21.6 23.2 25.6 +/- borrowings / other 0.0 0.0 0.0 0.0 0.0 Cash at end of period 2.5 21.5 23.2 25.6 29.3 Balance Sheet 2020A 2021A 2022F 2023F 2024F Cash 2.5 21.6 23.2 25.6 29.3 Debtors 1.4 2.2 3.0 3.0 3.0 Inventory 0.0 0.0 0.0 0.0 0.0 PPE 0.2 0.0 0.0 0.0 0.0 0.0 Intangibles 0.0 0.0 0.0 0.0 0.0 0.0 Other assets 0.2 0.3 0.4 0.4 0.4 Total Assets 4.3 24.1 26.7 29.1 32.8 Deferred Revenue 0.1 0.1 0.1 0	- Ord Dividends	0.0	0.0	0.0	0.0	0.0
Cash at beginning of period 1.4 2.4 21.6 23.2 25.6 +/- borrowings / other 0.0 0.0 0.0 0.0 0.0 Cash at end of period 2.5 21.5 23.2 25.6 29.3 Balance Sheet 2020A 2021A 2022F 2023F 2024F Cash 2.5 21.6 23.2 25.6 29.3 Debtors 1.4 2.2 3.0 3.0 3.0 Inventory 0.0 0.0 0.0 0.0 0.0 PPE 0.2 0.0 0.0 0.0 0.0 Other assets 0.2 0.3 0.4 0.4 0.4 Total Assets 4.3 24.1 26.7 29.1 32.8 Deferred Revenue 0.1 0.1 0.2 0.2 0.2 0.2 Trade Creditors 1.3 2.0 2.3 2.3 2.3 2.3 Unearned income 0.0 0.0 0.1 0.1 0.1 0.1 Other Liabilities 0.1 0.1	- Equity /other	2.9	18.9	0.0	0.0	0.0
+/- borrowings / other 0.0 0.0 0.0 0.0 0.0 Cash at end of period 2.5 21.5 23.2 25.6 29.3 Balance Sheet 2020A 2021A 2022F 2023F 2024F Cash 2.5 21.6 23.2 25.6 29.3 Debtors 1.4 2.2 3.0 3.0 3.0 Inventory 0.0 0.0 0.0 0.0 0.0 PPE 0.2 0.0 0.0 0.0 0.0 Intangibles 0.0 0.0 0.0 0.0 0.0 Other assets 0.2 0.3 0.4 0.4 0.4 Total Assets 4.3 24.1 26.7 29.1 32.8 Deferred Revenue 0.1 0.1 0.2 0.2 0.2 Trade Creditors 1.3 2.0 2.3 2.3 2.3 Unearned income 0.0 0.0 0.1 0.1 0.1 Other Liabilities 0.1 0.1 0.1 0.1 0.1 <td>Net Cashflow</td> <td>1.1</td> <td>19.1</td> <td>1.6</td> <td>2.4</td> <td>3.7</td>	Net Cashflow	1.1	19.1	1.6	2.4	3.7
Cash at end of period 2.5 21.5 23.2 25.6 29.3 Balance Sheet 2020A 2021A 2022F 2023F 2024F Cash 2.5 21.6 23.2 25.6 29.3 Debtors 1.4 2.2 3.0 3.0 3.0 Inventory 0.0 0.0 0.0 0.0 0.0 PPE 0.2 0.0 0.0 0.0 0.0 Other assets 0.2 0.3 0.4 0.4 0.4 Total Assets 4.3 24.1 26.7 29.1 32.8 Deferred Revenue 0.1 0.1 0.2 0.2 0.2 Unearned income 0.0 0.0 0.1 0.1 0.1 Other Liabilities 0.1 0.1 0.1 0.1 0.1	Cash at beginning of period	1.4	2.4	21.6	23.2	25.6
Balance Sheet2020A2021A2022F2023F2024FCash2.521.623.225.629.3Debtors1.42.23.03.03.0Inventory0.00.00.00.00.0PPE0.20.00.00.00.0Other assets0.20.30.40.40.4Total Assets4.324.126.729.132.8Deferred Revenue0.10.10.20.20.2Trade Creditors1.32.02.32.32.3Unearned income0.00.00.10.10.1Other Liabilities0.10.10.10.10.1	+/- borrowings / other	0.0	0.0	0.0	0.0	0.0
Cash 2.5 21.6 23.2 25.6 29.3 Debtors 1.4 2.2 3.0 3.0 3.0 Inventory 0.0 0.0 0.0 0.0 0.0 PPE 0.2 0.0 0.0 0.0 0.0 Intangibles 0.0 0.0 0.0 0.0 0.0 Other assets 0.2 0.3 0.4 0.4 0.4 Total Assets 4.3 24.1 26.7 29.1 32.8 Deferred Revenue 0.1 0.1 0.2 0.2 0.2 Trade Creditors 1.3 2.0 2.3 2.3 2.3 Unearned income 0.0 0.0 0.1 0.1 0.1 Other Liabilities 0.1 0.1 0.1 0.1 0.1 Total Liabilities 1.5 2.3 2.6 2.6 2.6	Cash at end of period	2.5	21.5	23.2	25.6	29.3
Cash 2.5 21.6 23.2 25.6 29.3 Debtors 1.4 2.2 3.0 3.0 3.0 Inventory 0.0 0.0 0.0 0.0 0.0 PPE 0.2 0.0 0.0 0.0 0.0 Intangibles 0.0 0.0 0.0 0.0 0.0 Other assets 0.2 0.3 0.4 0.4 0.4 Total Assets 4.3 24.1 26.7 29.1 32.8 Deferred Revenue 0.1 0.1 0.2 0.2 0.2 Trade Creditors 1.3 2.0 2.3 2.3 2.3 Unearned income 0.0 0.0 0.1 0.1 0.1 Other Liabilities 0.1 0.1 0.1 0.1 0.1 Total Liabilities 1.5 2.3 2.6 2.6 2.6						
Debtors 1.4 2.2 3.0 3.0 3.0 Inventory 0.0 0.0 0.0 0.0 0.0 0.0 PPE 0.2 0.0 0.0 0.0 0.0 0.0 Intangibles 0.0 0.0 0.0 0.0 0.0 0.0 Other assets 0.2 0.3 0.4 0.4 0.4 Total Assets 0.2 0.3 0.4 0.4 0.4 Deferred Revenue 0.1 0.1 0.2 0.2 0.2 Trade Creditors 1.3 2.0 2.3 2.3 2.3 Unearned income 0.0 0.0 0.1 0.1 0.1 Other Liabilities 0.1 0.1 0.1 0.1 0.1 Total Liabilities 1.5 2.3 2.6 2.6 2.6						
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PPE 0.2 0.0 0.0 0.0 0.0 Intangibles 0.0 0.0 0.0 0.0 0.0 Other assets 0.2 0.3 0.4 0.4 0.4 Total Assets 4.3 24.1 26.7 29.1 32.8 Deferred Revenue 0.1 0.1 0.2 0.2 0.2 Trade Creditors 1.3 2.0 2.3 2.3 2.3 Unearned income 0.0 0.0 0.1 0.1 0.1 Other Liabilities 0.1 0.1 0.1 0.1 0.1						
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Total Assets 4.3 24.1 26.7 29.1 32.8 Deferred Revenue 0.1 0.1 0.2 0.2 Trade Creditors 1.3 2.0 2.3 2.3 Unearned income 0.0 0.0 0.1 0.1 Other Liabilities 0.1 0.1 0.1 0.1 Total Liabilities 1.5 2.3 2.6 2.6	0		0.0			
Deferred Revenue 0.1 0.1 0.2 0.2 0.2 Trade Creditors 1.3 2.0 2.3 2.3 2.3 Unearned income 0.0 0.0 0.1 0.1 0.1 Other Liabilities 0.1 0.1 0.1 0.1 0.1 Total Liabilities 1.5 2.3 2.6 2.6 2.6						
Trade Creditors 1.3 2.0 2.3 2.3 Unearned income 0.0 0.0 0.1 0.1 0.1 Other Liabilities 0.1 0.1 0.1 0.1 0.1 Total Liabilities 1.5 2.3 2.6 2.6 2.6			24.1			32.8
Unearned income 0.0 0.0 0.1 0.1 0.1 Other Liabilities 0.1 0.1 0.1 0.1 0.1 Total Liabilities 1.5 2.3 2.6 2.6 2.6						
Other Liabilities 0.1 0.1 0.1 0.1 Total Liabilities 1.5 2.3 2.6 2.6 2.6	Trade Creditors	1.3	2.0	2.3	2.3	2.3
Total Liabilities 1.5 2.3 2.6 2.6 2.6	Unearned income	0.0	0.0	0.1	0.1	0.1
	Other Liabilities	0.1	0.1	0.1	0.1	0.1
NET ASSETS 2.8 21.8 24.0 26.5 30.1	Total Liabilities	1.5	2.3	2.6	2.6	2.6
	NET ASSETS	2.8	21.8	24.0	26.5	30.1

			Ch -		é a 22
				re Price	\$ 0.22
Valuation notice	20204	20214		rket Cap 2023F	\$ 149.4 2024F
Valuation ratios	2020A	2021A	2022F		
EPS (cps)	-0.4	0.0	0.2	0.2	0.2
Enterprise Value (\$m)	147	128	126	124	120
EV/ARR	17.3	8.4	5.0	3.8	3.1
EV/Revenue	20.7	10.9	6.4	4.5	3.5
EV/Gross Profit	31.6	16.9	10.1	6.9	5.4
EV/GPAPA (gp after S&M)	31.6	16.9	10.1	6.9	5.4
EV / EBITDA (x)	nmf	nmf	nmf	nmf	nmf
P/E (x)	nmf	nmf	nmf	nmf	nmf
DPS (cps)	0.0	0.0	0.0	0.0	0.0
Payout ratio (%)	0%	0%	0%	0%	0%
	070	070	0,0	070	070
Dupont Analysis	2020A	2021A	2022F	2023F	2024F
Net Profit Margin	-30.1%	-0.3%	8.4%	9.1%	10.8%
Asset Turnover	1.7	0.5	0.7	1.0	1.1
ROA (%)	-50.0%	-0.1%	6.2%	8.6%	11.3%
Financial Leverage	1.5	1.1	1.1	1.1	1.1
ROE (%)	-76.9%	-0.1%	6.9%	9.5%	12.3%
Balance Sheet ratios	2020A	2021A	2022F	2023F	2024F
Net Debt (cash)	-2.5	-21.6	-23.2	-25.6	-29.3
NTA per share (\$)	0.0	0.0	0.0	0.0	0.0
Price / NTA (x)	43.6	6.2	6.2	5.6	5.0
Shares on issue (m)	554.2	679.3	679.3	679.3	679.3
EFPOWA (m)	551.7	616.7	679.3	679.3	679.3
Assumptions	2020A	2021A	2022F	2023F	2024F
Revenue growth	50.5%	64.7%	68.8%	40.3%	24.6%
Gross profit margin	65.4%	64.5%	63.3%	64.4%	64.4%
Opex growth	17.1%	13.6%	51.9%	38.0%	44.0%
Users ('000)	431.0	649.0	931.0	1108.3	1237.9
MSP (#)	318	409	508	608	708
ARPU (A\$)	1.6	2.0	2.3	2.4	2.6
ARR (A\$m)	8.5	15.2	25.4	32.4	38.4
Intoxim Analysis	10204	34304	10344	2024 4	10225
Interim Analysis Revenues	1H20A 3.2	2H2OA 3.9	1H21A 5.0	2H21A 6.8	1H22E 8.9
Gross profit	2.1	2.6	3.3	4.2	5.6
EBIT	-1.3	-0.9	0.0	0.3	0.5
EBIT margin (%)	-38.7%	-22.9%	0.5%	4.9%	5.5%
DPS	0.0	0.0	0.0	0.0	0.0
Board of Directors / Substantial	Shareholders				
Board of Directors			Shareholding	%	
Theodore Hnarakis (NEC)			11.8	1.7%	
Charif Elansari (CEO)			29.5	4.3%	
Dr Bruce Tonkin (NED)			1.5	0.2%	

Source: Company reports, Canaccord Genuity estimates



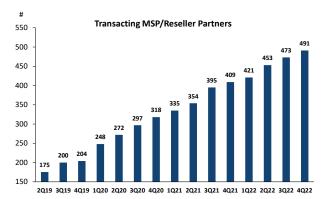
Figure 2: P&L assumptions, Balance sheet, and cash flow summary

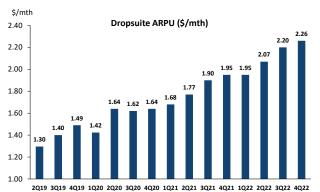
Profit & Loss		1H19A	2H19A	FY19A	1H20A	2H20A	FY20A	1H21A	2H21A	FY21A	1H22E	2H22E	FY22E	1H23E	2H23E	FY23E
5.	ц	175	004	004	070	010	010	005	400	100	450	500	500	550	600	000
Partners New partners added	# #	175	204 29	204	272 68	318 46	318 114	335 17	409 74	409 91	453 44	508 55	508 99	558 50	608 50	608 100
Users	'000	251	288	288	343	431	431	518	649	649	808	931	931	1028	1108	1108
User Growth	'000'		37.1		55.0	88.0		87.0	131.0	218.0	159.0	123.0	282.0	97.2	80.0	177.3
Users/partner	'000	1,430	1,412	1,412	1,261	1,355	1,355	1,546	1,587	1,587	1,784	1,833	1,833	1,843	1,823	1,823
ARPU	A\$/mth	1.30	1.49	1.49	1.64	1.64	1.64	1.77	1.95	1.95	2.07	2.28	2.28	2.35	2.44	2.44
ARR	A\$m	3.9	5.1	5.1	6.8	8.5	8.5	11.0	15.2	15.2	20.1	25.4	25.4	28.9	32.4	32.4
ARR growth	A\$m		1.2		1.6	1.7	3.3	2.5	4.2	6.7	4.9	5.3	10.2	3.5	3.5	7.0
Group Revenue	A\$m	2.3	2.4	4.7	3.2	3.9	7.1	5.0	6.8	11.7	8.9	10.9	19.7	13.0	14.8	27.7
COGS Gross Profit	A\$m A\$m	0.7 1.6	0.9	1.7 3.0	1.1 2.1	1.3 2.6	2.5 4.6	1.6 3.3	2.5 4.2	4.2 7.5	3.3 5.6	3.9 6.9	7.3 12.5	4.6 8.3	5.3 9.5	9.9 17.9
Gross profit margin	%	68%	61%	64%	65%	66%	65%	67%	62%	64%	62%	64%	63%	64%	64%	64%
Total Opex	A\$m	2.7	2.7	5.4	3.0	3.3	6.3	3.3	3.9	7.2	5.1	5.8	10.9	7.0	8.4	15.3
EBITDA	A\$m	-1.1	-1.3	-2.3	-0.9	-0.8	-1.7	0.0	0.4	0.4	0.5	1.1	1.6	1.4	1.1	2.5
Depreciation and Amortisation EBIT	<u>A\$m</u> A\$m	-0.4 -1.5	<u>-0.4</u> -1.7	-0.8 -3.2	<u>-0.4</u> -1.3	<u>-0.1</u> -0.9	-0.5 -2.2	0.0	0.0 0.3	0.0 0.4	0.0 0.5	<u>0.0</u> 1.2	0.0	<u>0.0</u> 1.3	<u>0.0</u> 1.2	<u>0.0</u> 2.5
Net Interest	A\$m	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
NPBT	A\$m	-1.5	-1.7	-3.1	-1.3	-0.9	-2.1	0.0	0.3	0.4	0.5	1.2	1.7	1.3	1.2	2.5
Tax Expense NPAT (normalised)	A\$m A\$m	0.0 -1.5	0.0 -1.7	0.0 -3.1	0.0 -1.3	0.0 -0.9	0.0 -2.1	0.0 -0.1	0.0	0.0 0.0	0.0	0.0	0.0	0.0	0.0	0.0
· · · · ·	АфШ													-		
Balance Sheet Cash	A\$m	1H19A 0.0	2H19A 0.0	FY19A 1.4	1H20A 3.0	2H20A 2.5	FY20A 2.5	1H21A 2.4	2H21A 21.6	FY21A 21.6	1H22E 21.6	2H22E 23.2	FY22E 23.2	1H23E 24.5	2H23E 25.6	FY23E 25.6
Receivables	A\$m	0.0	0.0	0.8	1.2	1.4	1.4	1.8	1.8	21.0	3.0	3.0	3.0	3.0	3.0	23.0
PPE	A\$m	0.0	0.0	0.0	0.0	0.2	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Intangibles	A\$m	0.0	0.0	0.5	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	A\$m	0.0	0.0	0.1	0.2	0.2	0.2	0.3	0.3	0.3	0.4	0.4	0.4	0.4	0.4	0.4
Assets	A\$m	0.0	0.0	2.9	4.5	4.3	4.3	4.5	23.8	24.1	25.0	26.7	26.7	28.0	29.1	29.1
Payables	A\$m	0.0	0.0	0.9	1.0	1.3	1.3	1.6	1.6	2.0	2.3	2.3	2.3	2.3	2.3	2.3
Provisions	A\$m	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest bearing liabilities	A\$m	0.0	0.0	0.1	0.1	0.1	0.1	0.2	0.2	0.1	0.2	0.2	0.2	0.2	0.2	0.2
Other Liabilities	A\$m A\$m	0.0	0.0	0.1 1.1	0.1 1.1	0.1 1.4	0.1 1.4	0.1 1.8	0.1 1.8	0.1 2.2	0.2	0.2	0.2	0.2 2.6	0.2 2.6	0.2
Liabilities	АфШ	0.0	0.0	1.1	1.1	1.4	1.4	1.0	1.0	2.2	2.0	2.0	2.0	2.0	2.0	2.0
Equity	A\$m	0.0	0.0	1.8	3.4	2.5	2.5	2.7	22.0	21.9	22.5	23.6				
ROE	%											_0.0	23.8	25.1	26.3	26.3
Financial leverage ratio				-174.9% 1.6	-74.0% 1.3	-69.9% 1.7	-84.4% 1.7	-5.3% 1.7	0.4% 1.1	-0.1% 1.1	1.4% 1.1	5.0% 1.1	23.8 7.0% 1.1	25.1 5.3% 1.1	26.3 4.5% 1.1	26.3 9.5% 1.1
Financial leverage ratio	70 X	1H19A	2H19A								1.4%	5.0%	7.0%	5.3%	4.5%	9.5%
Cash Flow Statement	x		2H19A	1.6 FY19A	1.3 1H20A	1.7 2H20A	1.7 FY20A	1.7 1H21A	1.1 2H21A	1.1 FY21A	1.4% 1.1 1H22E	5.0% 1.1 2H22E	7.0% 1.1 FY22E	5.3% 1.1 1H23E	4.5% 1.1 2H23E	9.5% 1.1 FY23 F
Cash Flow Statement	x A\$m	-1.1	2H19A -1.3	1.6 FY19A -2.3	<i>1.3</i> 1H20A -0.9	1.7 2H20A -0.8	1.7 FY20A -1.7	<i>1.7</i> 1H21A 0.0	1.1 2H21A 0.4	<i>1.1</i> FY21A 0.4	1.4% 1.1 1H22E 0.5	5.0% 1.1 2H22E 1.1	7.0% 1.1 FY22E 1.6	5.3% 1.1 1H23E 1.4	4.5% 1.1 2H23E 1.1	9.5% 1.1 FY23 2.1
Cash Flow Statement EBITDA Working Capital	x A\$m A\$m	-1.1 1.1	2H19A -1.3 1.3	1.6 FY19A -2.3 0.5	<i>1.3</i> 1H20A -0.9 -0.4	1.7 2H20A -0.8 0.3	1.7 FY20A -1.7 -0.2	<i>1.7</i> 1H21A 0.0 -0.1	1.1 2H21A 0.4 0.0	1.1 FY21A 0.4 -0.1	1.4% 1.1 1H22E 0.5 -0.6	5.0% 1.1 2H22E 1.1 0.6	7.0% 1.1 FY22E 1.6 0.0	5.3% 1.1 1H23E 1.4 0.0	4.5% 1.1 2H23E 1.1 0.0	9.5% 1.1 FY23 2.1 0.1
Cash Flow Statement EBITDA Working Capital Net Interest paid	x A\$m A\$m A\$m	-1.1 1.1 0.0	2H19A -1.3 1.3 0.0	1.6 FY19A -2.3 0.5 0.0	1.3 1H20A -0.9 -0.4 0.0	1.7 2H20A -0.8 0.3 0.0	1.7 FY20A -1.7 -0.2 0.0	1.7 1H21A 0.0 -0.1 0.0	1.1 2H21A 0.4 0.0 0.0	1.1 FY21A 0.4 -0.1 0.0	1.4% 1.1 1H22E 0.5 -0.6 0.0	5.0% 1.1 2H22E 1.1 0.6 0.0	7.0% 1.1 FY22E 1.6 0.0 0.0	5.3% 1.1 1H23E 1.4 0.0 0.0	4.5% 1.1 2H23E 1.1 0.0 0.0	9.5% 1.1 FY23 2.5 0.0 0.0
Cash Flow Statement EBITDA Working Capital	x A\$m A\$m	-1.1 1.1	2H19A -1.3 1.3	1.6 FY19A -2.3 0.5	<i>1.3</i> 1H20A -0.9 -0.4	1.7 2H20A -0.8 0.3	1.7 FY20A -1.7 -0.2	<i>1.7</i> 1H21A 0.0 -0.1	1.1 2H21A 0.4 0.0	1.1 FY21A 0.4 -0.1	1.4% 1.1 1H22E 0.5 -0.6	5.0% 1.1 2H22E 1.1 0.6	7.0% 1.1 FY22E 1.6 0.0	5.3% 1.1 1H23E 1.4 0.0	4.5% 1.1 2H23E 1.1 0.0	9.5% 1.1 FY23E 2.9 0.0 0.0
Cash Flow Statement EBITDA Working Capital Net Interest paid Income taxes paid Net operating cash flows	x A\$m A\$m A\$m A\$m A\$m	-1.1 1.1 0.0 0.0 0.0	2H19A -1.3 1.3 0.0 0.0 0.0	1.6 FY19A -2.3 0.5 0.0 0.0 -1.8	1.3 1H20A -0.9 -0.4 0.0 0.0 -1.3	1.7 2H20A -0.8 0.3 0.0 0.0 -0.5	1.7 FY20A -1.7 -0.2 0.0 0.0 -1.8	1.7 1H21A 0.0 -0.1 0.0 0.0 -0.1	1.1 2H21A 0.4 0.0 0.0 0.0 0.4	1.1 FY21A 0.4 -0.1 0.0 0.0 0.3	1.4% 1.1 1H22E 0.5 -0.6 0.0 0.0 -0.1	5.0% 1.1 2H22E 1.1 0.6 0.0 0.0 1.8	7.0% 1.1 FY22E 1.6 0.0 0.0 0.0 1.7	5.3% 1.1 1H23E 1.4 0.0 0.0 0.0 1.4	4.5% 1.1 2H23E 1.1 0.0 0.0 0.0 1.1	9.5% 1.1 FY23 2.5 0.0 0.0 0.0 2.5
Cash Flow Statement EBITDA Working Capital Net Interest paid Income taxes paid Net operating cash flows PPE	x A\$m A\$m A\$m A\$m A\$m A\$m	-1.1 1.1 0.0 0.0 0.0 0.0	2H19A -1.3 1.3 0.0 0.0 0.0 0.0	1.6 FY19A -2.3 0.5 0.0 0.0 -1.8 -0.1	1.3 1H20A -0.9 -0.4 0.0 0.0 -1.3 0.0	1.7 2H20A -0.8 0.3 0.0 0.0 -0.5 0.0	1.7 FY20A -1.7 -0.2 0.0 0.0 -1.8 0.0	1.7 1H21A 0.0 -0.1 0.0 0.0 -0.1 0.0	1.1 2H21A 0.4 0.0 0.0 0.0 0.4 0.0	1.1 FY21A 0.4 -0.1 0.0 0.0 0.3 -0.1	1.4% 1.1 1H22E 0.5 -0.6 0.0 0.0 -0.1 0.0	5.0% 1.1 2H22E 1.1 0.6 0.0 0.0 1.8 0.0	7.0% 1.1 FY22E 1.6 0.0 0.0 0.0 1.7 -0.1	5.3% 1.1 1H23E 1.4 0.0 0.0 0.0 1.4 0.0	4.5% 1.1 2H23E 1.1 0.0 0.0 0.0 1.1	9.5% 1.1 FY231 2 0.1 0.1 0.1 0.2. -0.
Cash Flow Statement EBITDA Working Capital Net Interest paid Income taxes paid Net operating cash flows	x A\$m A\$m A\$m A\$m A\$m	-1.1 1.1 0.0 0.0 0.0	2H19A -1.3 1.3 0.0 0.0 0.0	1.6 FY19A -2.3 0.5 0.0 0.0 -1.8	1.3 1H20A -0.9 -0.4 0.0 0.0 -1.3	1.7 2H20A -0.8 0.3 0.0 0.0 -0.5	1.7 FY20A -1.7 -0.2 0.0 0.0 -1.8	1.7 1H21A 0.0 -0.1 0.0 0.0 -0.1	1.1 2H21A 0.4 0.0 0.0 0.0 0.4	1.1 FY21A 0.4 -0.1 0.0 0.0 0.3	1.4% 1.1 1H22E 0.5 -0.6 0.0 0.0 -0.1	5.0% 1.1 2H22E 1.1 0.6 0.0 0.0 1.8	7.0% 1.1 FY22E 1.6 0.0 0.0 0.0 1.7	5.3% 1.1 1H23E 1.4 0.0 0.0 0.0 1.4	4.5% 1.1 2H23E 1.1 0.0 0.0 0.0 1.1	9.5% 1.1
Cash Flow Statement EBITDA Working Capital Net Interest paid Income taxes paid Net operating cash flows PPE Development costs	x A\$m A\$m A\$m A\$m A\$m A\$m A\$m	-1.1 1.1 0.0 0.0 0.0 0.0 0.0	2H19A -1.3 1.3 0.0 0.0 0.0 0.0 0.0	1.6 FY19A -2.3 0.5 0.0 0.0 -1.8 -0.1 0.0	1.3 1H20A -0.9 -0.4 0.0 0.0 -1.3 0.0 0.0	1.7 2H20A -0.8 0.3 0.0 0.0 -0.5 0.0 0.0	1.7 FY20A -1.7 -0.2 0.0 0.0 -1.8 0.0 0.0	1.7 1H21A 0.0 -0.1 0.0 0.0 -0.1 0.0 0.0 0.0	1.1 2H21A 0.4 0.0 0.0 0.0 0.4 0.0 0.0 0.0	1.1 FY21A 0.4 -0.1 0.0 0.0 0.3 -0.1 0.0	1.4% 1.1 1H22E 0.5 -0.6 0.0 0.0 -0.1 0.0 0.0	5.0% 1.1 2H22E 1.1 0.6 0.0 0.0 1.8 0.0 0.0	7.0% 1.1 FY22E 1.6 0.0 0.0 0.0 1.7 -0.1 0.0	5.3% 1.1 1H23E 1.4 0.0 0.0 0.0 1.4 0.0 0.0	4.5% 1.1 2H23E 1.1 0.0 0.0 0.0 1.1	9.5% 1.1 FY23E 2.! 0.0 0.0 0.0 2.! -0.: 0.0 0.0
Cash Flow Statement EBITDA Working Capital Net Interest paid Income taxes paid Net operating cash flows PPE Development costs Other/Acquisitions	x A\$m A\$m A\$m A\$m A\$m A\$m A\$m A\$m A\$m A\$m	-1.1 1.1 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0	2H19A -1.3 1.3 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0	1.6 FY19A -2.3 0.5 0.0 0.0 -1.8 -0.1 0.0 0.0	1.3 1H20A -0.9 -0.4 0.0 0.0 -1.3 0.0 0.0 0.0 0.0	1.7 2H20A -0.8 0.3 0.0 0.0 -0.5 0.0 0.0 0.0 0.0	1.7 FY20A -1.7 -0.2 0.0 0.0 -1.8 0.0 0.0 0.0 0.0	1.7 1H21A 0.0 -0.1 0.0 0.0 -0.1 0.0 0.0 0.0 0.0	1.1 2H21A 0.4 0.0 0.0 0.0 0.4 0.0 0.0 0.0	1.1 FY21A 0.4 -0.1 0.0 0.0 0.3 -0.1 0.0 0.0 0.0 -0.1	1.4% 1.1 1H22E 0.5 -0.6 0.0 0.0 -0.1 0.0 0.0 0.0 0.0 0.0	5.0% 1.1 2H22E 1.1 0.6 0.0 0.0 1.8 0.0 0.0 0.0 0.0 0.0	7.0% 1.1 FY22E 1.6 0.0 0.0 0.0 1.7 -0.1 0.0 0.0	5.3% 1.1 1H23E 1.4 0.0 0.0 0.0 1.4 0.0 0.0 0.0 0.0	4.5% 1.1 2H23E 1.1 0.0 0.0 1.1 0.0 0.0 0.0 0.0	9.5% 1.1 FY281 2. 0. 0. 0. 2. -0. 0. 0. 0. 0.
Cash Flow Statement EBITDA Working Capital Net Interest paid Income taxes paid Net operating cash flows PPE Development costs Other/Acquisitions Net investing cash flows	x A\$m A\$m A\$m A\$m A\$m A\$m A\$m A\$m A\$m A\$m	-1.1 1.1 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0	2H19A -1.3 1.3 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0	1.6 FY19A -2.3 0.5 0.0 0.0 -1.8 -0.1 0.0 0.0 0.0 0.0 0.0	1.3 1H20A -0.9 -0.4 0.0 0.0 -1.3 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0	1.7 2H20A -0.8 0.3 0.0 -0.5 0.0 0.0 0.0 0.0 0.0 0.0 0.0	1.7 FY20A -1.7 -0.2 0.0 0.0 -1.8 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0	1.7 1H21A 0.0 -0.1 0.0 0.0 -0.1 0.0 0.0 0.0 0.0	1.1 2H21A 0.4 0.0 0.0 0.0 0.0 0.0 0.0 0.0	1.1 FY21A 0.4 -0.1 0.0 0.0 0.0 -0.1 0.0 0.0 -0.1 18.9 0.0	1.4% 1.1 1H22E 0.5 -0.6 0.0 0.0 -0.1 -0.1 0.0 0.0 0.0 0.0 0.0	5.0% 1.1 2H22E 1.1 0.6 0.0 0.0 1.8 0.0 0.0 0.0 0.0 0.0 0.0 0.0	7.0% 1.1 FY22E 1.6 0.0 0.0 0.0 1.7 -0.1 0.0 0.0 -0.1 0.0 0.0	5.3% 1.1 1H23E 1.4 0.0 0.0 0.0 1.4 0.0 0.0 0.0	4.5% 1.1 2H23E 1.1 0.0 0.0 0.0 1.1 0.0 0.0 0.0 0.0 0.0	9.5% 1.1 FY231 2.3 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0
Cash Flow Statement EBITDA Working Capital Net Interest paid Income taxes paid Net operating cash flows PPE Development costs Other/Acquisitions Net investing cash flows Proceeds from issue of securities	x A\$m A\$m A\$m A\$m A\$m A\$m A\$m A\$m \$m \$	-1.1 1.1 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0	2H19A -1.3 1.3 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0	1.6 FY19A -2.3 0.5 0.0 0.0 -1.8 -0.1 0.0 0.0 0.0 0.0	1.3 1H20A -0.9 -0.4 0.0 0.0 -1.3 0.0 0.0 0.0 0.0 0.0 2.9	1.7 2H20A -0.8 0.3 0.0 -0.5 -0.5 -0.0 0.0 0.0 0.0 0.0 0.0	1.7 FY20A -1.7 -0.2 0.0 0.0 -1.8 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0	1.7 1H21A 0.0 -0.1 0.0 0.0 -0.1 0.0 0.0 0.0 0.0 0.0 0.0	1.1 2H21A 0.4 0.0 0.0 0.0 0.4 0.0 0.0 0.0	1.1 FY21A 0.4 -0.1 0.0 0.0 0.3 -0.1 0.0 0.0 0.0 -0.1 18.9	1.4% 1.1 1H22E 0.5 -0.6 0.0 0.0 -0.1 0.0 0.0 0.0 0.0 0.0	5.0% 1.1 2H22E 1.1 0.6 0.0 0.0 1.8 0.0 0.0 0.0 0.0 0.0	7.0% 1.1 FY22E 1.6 0.0 0.0 0.0 1.7 -0.1 0.0 0.0 -0.1 0.0	5.3% 1.1 1H23E 1.4 0.0 0.0 0.0 1.4 0.0 0.0 0.0 0.0 0.0	4.5% 1.1 2H23E 1.1 0.0 0.0 0.0 1.1 0.0 0.0 0.0 0.0 0.0	9.5% 1.1 FY231 2.3 0.0 0.1 0.1 0.1 0.1 0.1 0.1 0.1 0.1 0.1
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Cash Flow Statement EBITDA Working Capital Net Interest paid Income taxes paid Net operating cash flows PPE Development costs Other/Acquisitions Net investing cash flows Proceeds from issue of securities Net borrowings Net financing cash flows	x A\$m A\$m A\$m A\$m A\$m A\$m A\$m A\$m A\$m A\$m	-1.1 1.1 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0	2H19A -1.3 1.3 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0	1.6 FY19A -2.3 0.5 0.0 0.0 -1.8 -0.1 0.0 0.0 0.0 0.0 0.0 0.0 0.0	1.3 1H20A -0.9 -0.4 0.0 0.0 -1.3 0.0 0.0 0.0 0.0 0.0 2.9 0.0 2.9 0.0	1.7 2H20A -0.8 0.3 0.0 -0.5 -0.5 0.0 0.0 0.0 0.0 0.0 0.0 0.0	1.7 FY20A -1.7 -0.2 0.0 0.0 -1.8 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0	1.7 1H21A 0.0 -0.1 0.0 0.0 0.0 0.0 0.0 0.0 0.0	1.1 2H21A 0.4 0.0 0.0 0.0 0.0 0.0 0.0 18.9 0.0 18.9	1.1 FY21A 0.4 -0.1 0.0 0.0 0.0 -0.1 18.9 0.0 18.9 0.0 18.9	1.4% 1.1 1H22E 0.5 -0.6 0.0 0.0 -0.1 -0.1 0.0 0.0 0.0 0.0 0.0 0.0	5.0% 1.1 2H22E 1.1 0.6 0.0 0.0 0.0 0.0 0.0 0.0 0.0	7.0% 1.1 FY22E 1.6 0.0 0.0 0.0 1.7 -0.1 0.0 0.0 -0.1 0.0 0.0 0.0 0.0 0.0 0.0 0.0	5.3% 1.1 1H23E 1.4 0.0 0.0 1.4 0.0 0.0 0.0 0.0 0.0 0.0 0.0	4.5% 1.1 2H23E 1.1 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0	9.5% 1.1 FY23E 2.5 0.0 0.0 0.0 0.0 0.0 0.0 0.0

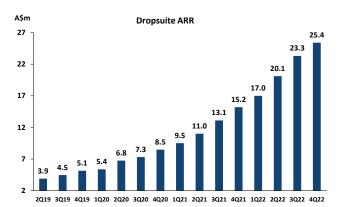
Source: Company reports, Canaccord Genuity estimates

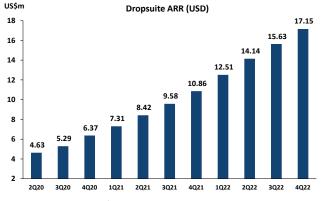


Figure 3: Key charts

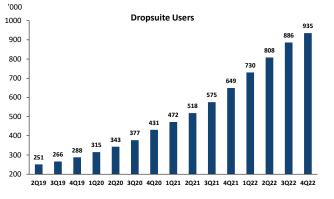


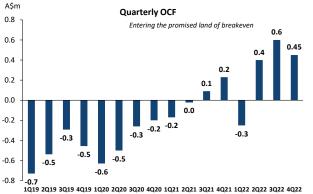






Source: Company reports, Canaccord Genuity estimates











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Investment Recommendation

Date and time of first dissemination: January 19, 2023, 01:56 ET

Date and time of production: January 19, 2023, 01:56 ET

Target Price / Valuation Methodology:

Dropsuite Ltd - DSE

DCF methodology (\$0.30ps, Ke 13%, β 1.5x, ERP 5.5%): Our terminal value incorporates a long-term cash EBIT margin of 35% (gross profit margin 65%, steady state S&M expense 5%, capex/G&A 25%) on our FY26E ARR expectations of \$46m (+25% CAGR).

Risks to achieving Target Price / Valuation:

Dropsuite Ltd - DSE

SMB spending headwinds

DSE's MSP partners sell directly to SMEs, and any change in SMB spending levels, or propensity to spend on cloud technology, could create headwinds for DSE. Further COVID-19 waves/restrictions, or a broader economic recession impacting spending patterns will be a headwind for DSE.

M&A risks

DSE holds a strong balance sheet and been open with investors about the potential for bolt-on acquisitions. While we do not anticipate transformation deals, DSE has not been acquisitive in the past and thus this new strategy poses a risk to investors.

Reputational harm

A successful cyberattack could have a negative impact on DSE's reputation and its ability to sign on new partners. While DSE has never had a breach and states its data encryption and storage capability is military grade, any breach would be a major business risk.

Competitive markets

DSE operates in the competitive data management and backup space with larger well-funded competitive with diverse products. DSE differentiates itself in the market by purely focusing in on MSPs, and longer term we believe the data backup space could become more competitive.

Inability to sign new MSP partners

DSE has materially increasing its distribution partners over the last three years. If DSE's product or prices become less competitive it may struggle to onboard new MSPs and this could impact its revenue profile.

Revenue concentration

66% of DSE revenues are sourced from its top 10 distribution partners. The high level of concentration risk and potential for these to churn poses a risk to our revenue and earnings forecasts.

Distribution of Ratings:

Global Stock Ratings (as of 01/19/23)

Rating	Coverag	Coverage Universe				
	#	%	%			
Buy	615	64.81%	25.53%			
Hold	159	16.75%	14.47%			
Sell	14	1.48%	0.00%			
Speculative Buy	150	15.81%	40.67%			
	949*	100.0%				

*Total includes stocks that are Under Review

Canaccord Genuity Ratings System

BUY: The stock is expected to generate risk-adjusted returns of over 10% during the next 12 months.

HOLD: The stock is expected to generate risk-adjusted returns of 0-10% during the next 12 months.

SELL: The stock is expected to generate negative risk-adjusted returns during the next 12 months.

NOT RATED: Canaccord Genuity does not provide research coverage of the relevant issuer.

"Risk-adjusted return" refers to the expected return in relation to the amount of risk associated with the designated investment or the relevant issuer.

Risk Qualifier

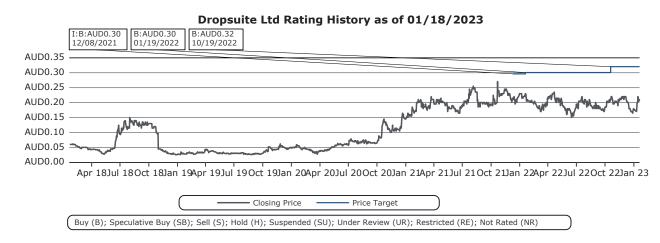
SPECULATIVE: Stocks bear significantly higher risk that typically cannot be valued by normal fundamental criteria. Investments in the stock may result in material loss.

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