

Dropsuite Ltd

Software and Services

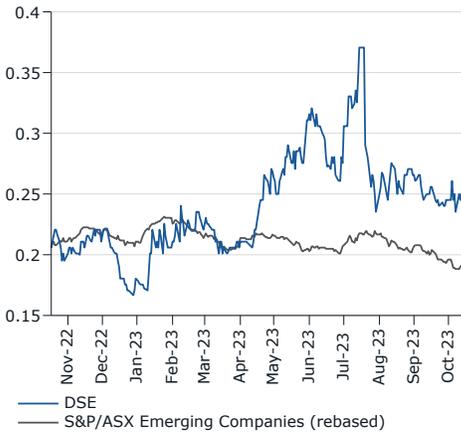
Owen Humphries | Analyst | Canaccord Genuity (Australia) Ltd. | ohumphries@cgf.com | +61.2.9263.2702
Annabelle Holden | Analyst | Canaccord Genuity (Australia) Ltd. | AHolden@cgf.com | 61.2.9263.2728

Rating BUY unchanged	Price Target A\$0.38 unchanged
DSE-ASX	Price A\$0.24

Market Data

52-Week Range (A\$) :	0.16 - 0.39
Market Cap (A\$M) :	159.6
Shares Out. (M) :	679.3
Dividend /Shr (A\$) :	0.53
Dividend Yield (%) :	0.0
Enterprise Value (A\$M) :	134.6
Cash (A\$M) :	25.0
Long-Term Debt (A\$) :	0.0

FYE Dec	2022A	2023E	2024E	2025E
Sales (A\$M)	21.0	30.1↑	39.4↑	50.6↑
Previous	-	28.3	38.1	49.3
Gross Profit (A\$M)	13.9	20.6	27.0	34.6
EBITDA (A\$M)	2.1	2.8	5.8↑	9.0↓
Previous	-	-	5.7	10.9
EBIT (A\$M)	2.1	2.7	5.7	8.9↓
Previous	-	-	-	10.9
Net Income Adj (A\$M)	2.1	2.7	5.7	8.9↓
Previous	-	-	-	10.9
Net Debt (Cash) (A\$M)	(22)	(25)	(31)	(40)↑
Previous	-	-	-	(42)
EV/Sales (x)	6.6	4.5	3.3	2.4

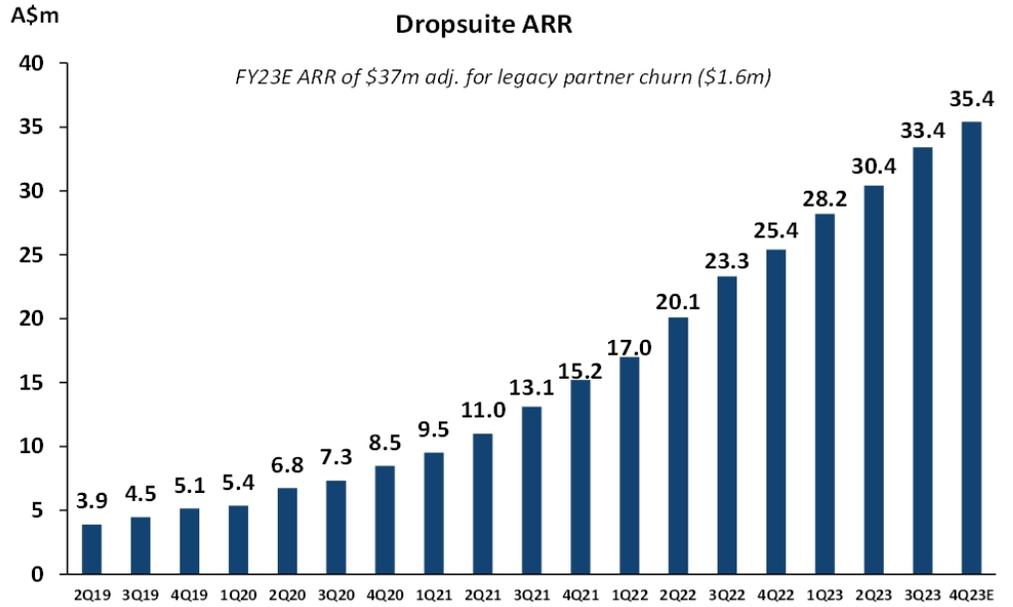


Priced intraday 16 October 2023

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

3Q23 ARRg +44% pcp, +17% FCF margins, scale continues to build

- 3Q23 ARR increased +10% qoq and +44% pcp to \$33.4m [CGe \$32m, +4% beat]** with the incremental quarterly ARR increase of +A\$3m above its previous three-year trend of A\$2m/qtr. This implies +7% upside to our previous FY23 forecasts (\$34m). **ARPU increased +9% qoq to \$2.57/mth** (+5% in USD), supported by: i) currency tailwinds (+4% qoq growth USD terms); ii) ongoing shift to higher ARPU product mix (Archiving) and; iii) churn of a low ARPU legacy customer (53k user churned in 3Q23 at APRU of US\$0.7/mth). We estimate an FY23E ARR drag of US\$0.9m/A\$1.6m from this legacy partner (118k churned users in FY23 x US\$0.7/mth x 0.62 FX adj.) and excluding this one partner, FY23E ARR would be tracking closer to \$37m representing adj. ARR growth of +44% (vs +40% reported). DSE provided guidance that its MSP partner churn remains <3% p.a.
- Cash flow remains strong with FCF of +\$1.4m representing FCF margin of +17%** with cash of \$25m. Cash costs held broadly flat qoq illustrating DSE's operating leverage to growth. **Gross margins held stable at ~68%** (1H23: 69%, 3Q23: 66%) with upside from moving to a private cloud hosting environment (i.e. gp margins >80%). **Gross user adds was a near record at 86k** (prev. record 1Q23 87k); however, net adds of 33k was impacted by legacy churn. We expect 4Q gross adds to be in line with the 3Q, with legacy partner user churn to be completed by 4Q23.
- Direct MSPs increased to 594** (+35 partners added) with incremental indirect/transacting partners increasing +209 to ~4k. The network effect from MSP partners should become increasingly valuable as user penetration expands within this partner network. TD Synnex is fully integrated and first customers have been onboarded and should support growth into FY24, in our view. TD Synnex is one of the world's largest distributors with >20k reseller partners.
- DSE maintains its belief that the MFSTs Syntex launch and accompanying back-up product announced in 2022 will have limited impact on its growth and market opportunity due to: i) the enterprise nature of MFST Syntex product; ii) limited true data independence given lack of separation of back-up data from operational data; and iii) its back-up product ingrained in a relatively expensive AI tool (i.e. >US\$8/mth).
- In our view, +44% ARRg coupled with +17% FCF margins remains one of the best metrics on the ASX** and thus deserves a premium multiple (CGe FY24E EV/ARR 2.8x). We see the potential for DSE's ARRg to accelerate into FY24, and thus could be a driver of a multiple re-rate, as it: i) monetises recently launched products (Govcloud, Quickbooks); ii) cycles the legacy user churn (CGe FY23E: \$1.6m ARR drag); iii) reaps the benefits of its reinvestment in S&M (CGe +53% opex growth in FY23E); and iv) drives user growth from onboarding TD Synnex.
- Our valuation remains unchanged at \$0.38/share, with modest upgrades to our growth forecasts offset by incorporating a higher discount rate. We maintain our BUY recommendation.



Source: Company reports, Canaccord Genuity estimates

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

						Share Price \$ 0.24 Market Cap \$ 159.6					
Dropsuite (DSE)											
Profit & Loss (\$m)	2021A	2022A	2023F	2024F	2025F	Valuation ratios	2021A	2022A	2023F	2024F	2025F
ARR	15.2	25.4	35.4	45.4	58.4	EPS (cps)	0.0	0.2	0.1	0.4	0.6
Sales Revenue	11.7	21.0	30.1	39.4	50.6	Enterprise Value (\$m)	138	137	134	129	120
COGS	-4.2	-7.1	-9.5	-12.4	-15.9	EV/ARR	9.1	5.4	3.8	2.8	2.1
Gross Profit	7.5	13.9	20.6	27.0	34.6	EV/Revenue	11.8	6.6	4.5	3.3	2.4
Opex	-7.2	-11.8	-17.8	-21.2	-25.6	EV/Gross Profit	18.3	9.9	6.5	4.8	3.5
EBITDA	0.4	2.1	2.8	5.8	9.0	EV/GPAPA (gp after S&M)	18.3	9.9	6.5	4.8	3.5
D & A	0.0	-0.1	-0.1	-0.1	-0.1	EV / EBITDA (x)	nmf	nmf	nmf	nmf	nmf
EBIT	0.4	2.1	2.7	5.7	8.9	P/E (x)	nmf	nmf	nmf	nmf	nmf
Net Interest Expense	0.0	0.0	0.0	0.0	0.0	DPS (cps)	0.0	0.0	0.0	0.0	0.0
NPBT	0.4	2.1	2.7	5.7	8.9	Payout ratio (%)	0%	0%	0%	0%	0%
Tax expense	0.0	0.0	0.0	0.0	0.0						
NPAT (Normalised)	0.4	2.1	2.7	5.7	8.9	Dupont Analysis	2021A	2022A	2023F	2024F	2025F
Significant items	-0.4	-0.6	0.0	0.0	0.0	Net Profit Margin	-0.3%	7.0%	9.1%	14.5%	17.7%
NPAT (Reported)	0.0	1.5	2.7	5.7	8.9	Asset Turnover	0.5	0.8	1.0	1.1	1.1
						ROA (%)	-0.1%	5.4%	8.7%	15.3%	19.4%
Gross Profit Margin (%)	64.5%	66.2%	68.5%	68.5%	68.5%	Financial Leverage	1.1	1.1	1.1	1.1	1.1
EBITDA Margin (%)	3.3%	10.1%	9.3%	14.7%	17.8%	ROE (%)	-0.1%	6.1%	9.8%	16.9%	21.0%
EBIT Margin (%)	3.0%	9.8%	9.1%	14.5%	17.7%						
NPAT Margin (%)	-0.3%	7.0%	9.1%	14.5%	17.7%	Balance Sheet ratios	2021A	2022A	2023F	2024F	2025F
						Net Debt (cash)	-21.6	-22.3	-25.2	-30.9	-39.8
Cash Flow (\$m)	2021A	2022A	2023F	2024F	2025F	NTA per share (\$)	0.0	0.0	0.0	0.0	0.1
Operating EBITDA	0.4	2.1	2.8	5.8	9.0	Price / NTA (x)	6.6	6.6	5.7	4.7	3.7
- Interest & Tax Paid	0.0	0.2	0.0	0.0	0.0	Shares on issue (m)	679.3	679.3	679.3	679.3	679.3
+/- change in Work. Cap.	-0.1	-1.4	0.0	0.0	0.0	EFPOWA (m)	616.7	679.3	679.3	679.3	679.3
- other	0.0	0.0	0.0	0.0	0.0						
Operating Cashflow	0.3	0.9	2.8	5.8	9.0	Assumptions	2021A	2022A	2023F	2024F	2025F
- Other Capex	-0.1	-0.1	-0.1	-0.1	-0.1	Revenue growth	64.7%	79.0%	43.8%	30.7%	28.4%
- Intangibles/other	0.0	0.0	0.0	0.0	0.0	Gross profit margin	64.5%	66.2%	68.5%	68.5%	68.5%
- Acquisitions	0.0	0.0	0.0	0.0	0.0	Opex growth	13.6%	64.3%	71.3%	36.9%	21.0%
Free Cashflow	0.2	0.9	2.7	5.7	8.9						
- Ord Dividends	0.0	0.0	0.0	0.0	0.0	Users ('000)	649.0	935.0	1151.7	1392.2	1688.1
- Equity/other	18.9	0.0	0.0	0.0	0.0	MSP (#)	409	491	609	709	809
Net Cashflow	19.1	0.9	2.7	5.7	8.9	ARPU (A\$)	2.0	2.3	2.6	2.7	2.9
Cash at beginning of period	2.4	21.6	22.5	25.2	30.9	ARR (A\$m)	15.2	25.4	35.4	45.4	58.4
+/- borrowings / other	0.0	0.0	0.0	0.0	0.0						
Cash at end of period	21.5	22.5	25.2	30.9	39.8	Interim Analysis	1H21A	2H21A	1H22A	2H22A	1H23E
						Revenues	5.0	6.8	8.9	12.1	14.1
Balance Sheet	2021A	2022A	2023F	2024F	2025F	Gross profit	3.3	4.2	5.6	8.3	9.7
Cash	21.6	22.3	25.2	30.9	39.8	EBIT	0.0	0.3	0.5	1.6	1.0
Debtors	2.2	4.1	5.4	5.4	5.4	EBIT margin (%)	0.5%	4.9%	5.5%	13.2%	7.3%
Inventory	0.0	0.0	0.0	0.0	0.0	DPS	0.0	0.0	0.0	1.0	3.0
PPE	0.0	0.1	0.1	0.1	0.1						
Intangibles	0.0	0.0	0.0	0.0	0.0	Board of Directors / Substantial Shareholders					
Other assets	0.3	0.5	0.8	0.8	0.8	Board of Directors	Shareholding	%			
Total Assets	24.1	26.9	31.5	37.2	46.1	Theodore Hnarakis (NEC)	11.8	1.7%			
Deferred Revenue	0.1	0.1	0.1	0.1	0.1	Charif Elansari (CEO)	29.5	4.3%			
Trade Creditors	2.0	2.5	3.3	3.3	3.3	Dr Bruce Tonkin (NED)	1.5	0.2%			
Unearned income	0.0	0.0	0.0	0.0	0.0						
Other Liabilities	0.1	0.1	0.1	0.1	0.1						
Total Liabilities	2.3	2.8	3.5	3.5	3.5						
NET ASSETS	21.8	24.2	28.0	33.7	42.6						

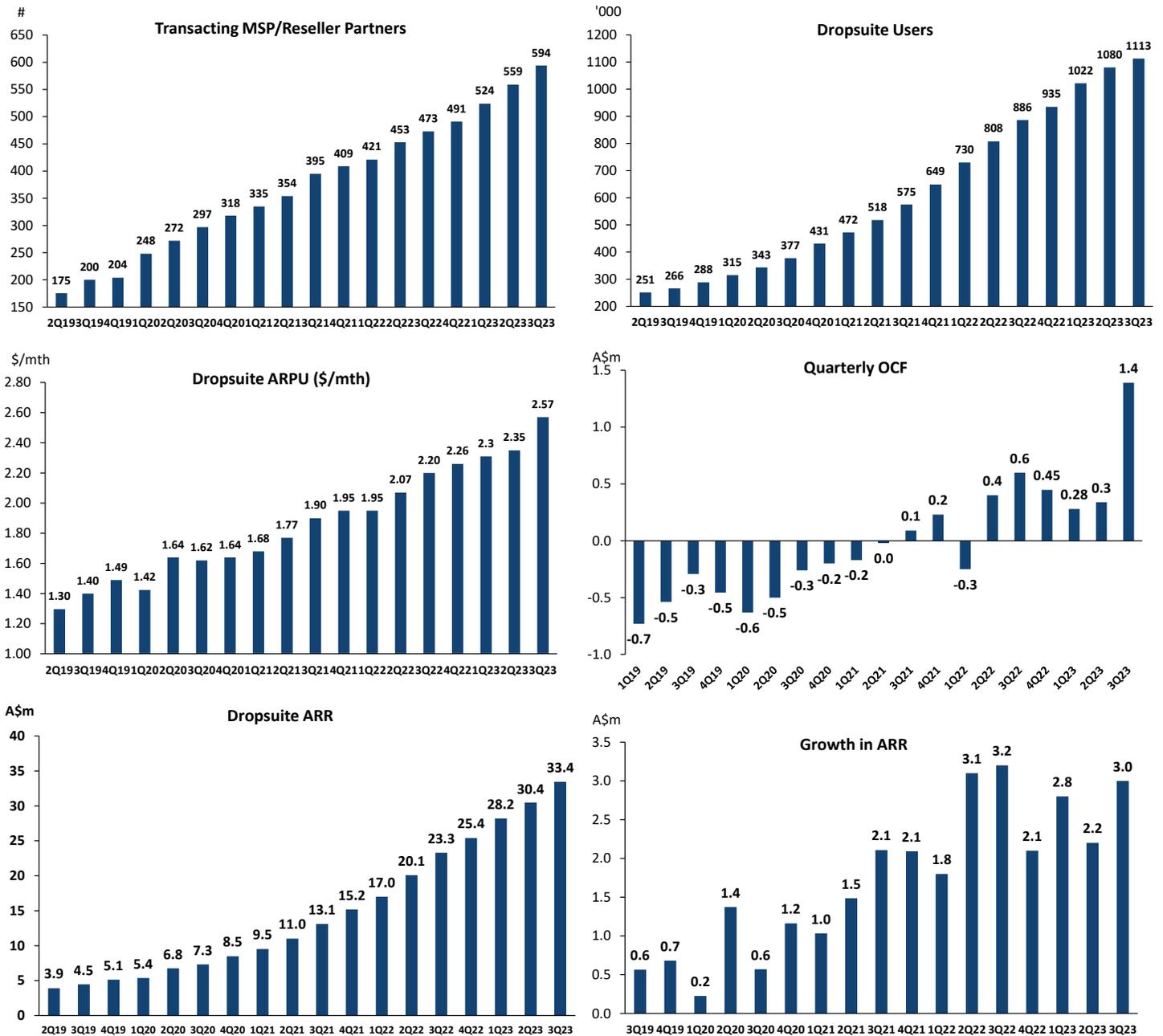
Source: Company reports, Canaccord Genuity estimates

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

Profit & Loss		FY19A	1H20A	2H20A	FY20A	1H21A	2H21A	FY21A	1H22A	2H22A	FY22A	1H23	2H23E	FY23E	1H24E	2H24E	FY24E
Partners	#	204	272	318	318	335	409	409	453	491	491	559	609	609	659	709	709
New partners added	#		68	46	114	17	74	91	44	38	82	68	50	118	50	50	100
Users	'000	288	343	431	431	518	649	649	808	935	935	1080	1152	1152	1276	1392	1392
User Growth	'000		55.0	88.0	143.0	87.0	131.0	218.0	159.0	127.0	286.0	145.0	71.7	216.7	124.4	116.2	240.5
Users/partner	'000	1,412	1,261	1,355	1,355	1,546	1,587	1,587	1,784	1,904	1,904	1,932	1,891	1,891	1,936	1,964	1,964
ARPU	A\$/mth	1.49	1.64	1.64	1.64	1.77	1.95	1.95	2.07	2.26	2.26	2.35	2.56	2.56	2.64	2.72	2.72
ARR	A\$m	5.1	6.8	8.5	8.5	11.0	15.2	15.2	20.1	25.4	25.4	30.4	35.4	35.4	40.4	45.4	45.4
ARR growth	A\$m		1.6	1.7	3.3	2.5	4.2	6.7	4.9	5.3	10.2	5.0	5.0	10.0	5.0	5.0	10.0
Group Revenue	A\$m	4.7	3.2	3.9	7.1	5.0	6.8	11.7	8.9	12.1	21.0	14.1	16.0	30.1	18.4	20.9	39.4
COGS	A\$m	1.7	1.1	1.3	2.5	1.6	2.5	4.2	3.3	3.7	7.1	4.4	5.1	9.5	5.8	6.6	12.4
Gross Profit	A\$m	3.0	2.1	2.6	4.6	3.3	4.2	7.5	5.6	8.3	13.9	9.7	10.9	20.6	12.6	14.3	27.0
Gross profit margin	%	64%	65%	66%	65%	67%	62%	64%	62%	69%	66%	69%	68%	68%	68%	68%	68%
Total Opex	A\$m	5.4	3.0	3.3	6.3	3.3	3.9	7.2	5.1	6.7	11.8	8.7	9.2	17.8	10.1	11.1	21.2
EBITDA	A\$m	-2.3	-0.9	-0.8	-1.7	0.0	0.4	0.4	0.5	1.6	2.1	1.1	1.7	2.8	2.5	3.2	5.8
Depreciation and Amortisation	A\$m	-0.8	-0.4	-0.1	-0.5	0.0	0.0	0.0	0.0	0.0	-0.1	0.0	0.0	-0.1	0.0	0.0	-0.1
EBIT	A\$m	-3.2	-1.3	-0.9	-2.2	0.0	0.3	0.4	0.5	1.6	2.1	1.0	1.7	2.7	2.5	3.2	5.7
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	0.0
NPBT	A\$m	-3.1	-1.3	-0.9	-2.1	0.0	0.3	0.4	0.5	1.6	2.1	1.0	1.7	2.7	2.5	3.2	5.7
Tax Expense	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	0.0
NPAT (normalised)	A\$m	-3.1	-1.3	-0.9	-2.1	-0.1	0.0	0.0	0.3	1.6	1.5	0.8	1.7	2.7	2.5	3.2	5.7
Balance Sheet	FY19A	1H20A	2H20A	FY20A	1H21A	2H21A	FY21A	1H22A	2H22A	FY22A	1H23	2H23E	FY23E	1H24E	2H24E	FY24E	
Cash	A\$m	1.4	3.0	2.5	2.5	2.4	21.6	21.6	21.6	22.3	22.3	23.0	24.6	25.2	27.7	30.8	30.9
Receivables	A\$m	0.8	1.2	1.4	1.4	1.8	1.8	2.2	3.0	4.1	4.1	5.4	5.4	5.4	5.4	5.4	5.4
PPE	A\$m	0.0	0.0	0.2	0.2	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Intangibles	A\$m	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	0.0	0.0	0.0
Other	A\$m	0.1	0.2	0.2	0.2	0.3	0.3	0.3	0.4	0.5	0.5	0.8	0.8	0.8	0.8	0.8	0.8
Assets	A\$m	2.9	4.5	4.3	4.3	4.5	23.8	24.1	25.0	26.9	26.9	29.3	31.0	31.5	34.0	37.2	37.2
Payables	A\$m	0.9	1.0	1.3	1.3	1.6	1.6	2.0	2.3	2.5	2.5	3.3	3.3	3.3	3.3	3.3	3.3
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	0.0
Interest bearing liabilities	A\$m	0.1	0.1	0.1	0.1	0.2	0.2	0.1	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Other	A\$m	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Liabilities	A\$m	1.1	1.1	1.4	1.4	1.8	1.8	2.2	2.6	2.7	2.7	3.4	3.4	3.4	3.4	3.4	3.4
Equity	A\$m	1.8	3.4	2.5	2.5	2.7	22.0	21.9	22.5	24.2	24.2	25.8	27.8	27.7	30.2	33.5	33.5
ROE	%	-174.9%	-74.0%	-69.9%	-84.4%	-5.3%	0.4%	-0.1%	1.4%	6.6%	6.1%	3.2%	6.2%	9.9%	8.3%	9.6%	17.1%
Financial leverage ratio	x	1.6	1.3	1.7	1.7	1.7	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1
Cash Flow Statement	FY19A	1H20A	2H20A	FY20A	1H21A	2H21A	FY21A	1H22A	2H22A	FY22A	1H23	2H23E	FY23E	1H24E	2H24E	FY24E	
EBITDA	A\$m	-2.3	-0.9	-0.8	-1.7	0.0	0.4	0.4	0.5	1.6	2.1	1.1	1.7	2.8	2.5	3.2	5.8
Working Capital	A\$m	0.5	-0.4	0.3	-0.2	-0.1	0.0	-0.1	-0.6	-0.8	-1.4	-0.7	0.0	0.0	0.0	0.0	0.0
Net interest paid	A\$m	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.2	0.2	0.3	0.0	0.0	0.0	0.0	0.0
Income taxes paid	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	0.0
Net operating cash flows	A\$m	-1.8	-1.3	-0.5	-1.8	-0.1	0.4	0.3	-0.1	1.0	0.9	0.6	1.7	2.8	2.5	3.2	5.8
PPE	A\$m	-0.1	0.0	0.0	0.0	0.0	0.0	-0.1	0.0	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Development costs	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	0.0
Other/Acquisitions	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	0.0
Net investing cash flows	A\$m	0.0	0.0	0.0	0.0	0.0	0.0	-0.1	0.0	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Proceeds from issue of securities	A\$m	0.0	2.9	0.0	2.9	0.0	18.9	18.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net borrowings	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	0.0
Net financing cash flows	A\$m	0.0	2.9	0.0	2.9	0.0	18.9	18.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net change	A\$m	-1.8	1.6	-0.5	1.1	-0.1	19.2	19.1	-0.1	1.0	0.9	0.5	1.7	2.7	2.5	3.2	5.7
Cash at beginning of period	A\$m	3.2	1.4	2.9	1.3	2.5	2.4	2.5	21.6	21.5	21.6	22.4	23.0	22.5	25.2	27.7	25.2
Cash at end of period	A\$m	1.4	3.0	2.4	2.4	2.4	21.6	21.6	21.5	22.5	22.5	23.0	24.6	25.2	27.7	30.8	30.9

Source: Company reports, Canaccord Genuity estimates

Figure 3: Key charts



Source: Company reports, Canaccord Genuity estimates

Appendix: Important Disclosures

Analyst Certification

Each authoring analyst of Canaccord Genuity whose name appears on the front page of this research hereby certifies that (i) the recommendations and opinions expressed in this research accurately reflect the authoring analyst's personal, independent and objective views about any and all of the designated investments or relevant issuers discussed herein that are within such authoring analyst's coverage universe and (ii) no part of the authoring analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by the authoring analyst in the research, and (iii) to the best of the authoring analyst's knowledge, she/he is not in receipt of material non-public information about the issuer.

Analysts employed outside the US are not registered as research analysts with FINRA. These analysts may not be associated persons of Canaccord Genuity LLC and therefore may not be subject to the FINRA Rule 2241 and NYSE Rule 472 restrictions on communications with a subject company, public appearances and trading securities held by a research analyst account.

Sector Coverage

Individuals identified as "Sector Coverage" cover a subject company's industry in the identified jurisdiction, but are not authoring analysts of the report.

Investment Recommendation

Date and time of first dissemination: October 15, 2023, 22:42 ET

Date and time of production: October 15, 2023, 22:42 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 back-up 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 back-up 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 10/15/23)

Rating	Coverage Universe		IB Clients
	#	%	%
Buy	613	67.36%	23.16%
Hold	119	13.08%	10.08%
Sell	14	1.54%	7.14%
Speculative Buy	155	17.03%	49.68%
	910*	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.

12-Month Recommendation History (as of date same as the Global Stock Ratings table)

A list of all the recommendations on any issuer under coverage that was disseminated during the preceding 12-month period may be obtained at the following website (provided as a hyperlink if this report is being read electronically) <http://disclosures-mar.canaccordgenuity.com/EN/Pages/default.aspx>

Required Company-Specific Disclosures (as of date of this publication)

Canaccord Genuity or one or more of its affiliated companies intend to seek or expect to receive compensation for Investment Banking services from Dropsuite Ltd in the next three months.

Dropsuite Ltd Rating History as of 10/13/2023



Past performance

In line with Article 44(4)(b), MiFID II Delegated Regulation, we disclose price performance for the preceding five years or the whole period for which the financial instrument has been offered or investment service provided where less than five years. Please note price history refers to actual past performance, and that past performance is not a reliable indicator of future price and/or performance.

Online Disclosures

Up-to-date disclosures may be obtained at the following website (provided as a hyperlink if this report is being read electronically) <http://disclosures.canaccordgenuity.com/EN/Pages/default.aspx>; or by sending a request to Canaccord Genuity Corp. Research, Attn:

Disclosures, P.O. Box 10337 Pacific Centre, 2200-609 Granville Street, Vancouver, BC, Canada V7Y 1H2; or by sending a request by email to disclosures@cgf.com. The reader may also obtain a copy of Canaccord Genuity's policies and procedures regarding the dissemination of research by following the steps outlined above.

General Disclaimers

See "Required Company-Specific Disclosures" above for any of the following disclosures required as to companies referred to in this report: manager or co-manager roles; 1% or other ownership; compensation for certain services; types of client relationships; research analyst conflicts; managed/co-managed public offerings in prior periods; directorships; market making in equity securities and related derivatives. For reports identified above as compendium reports, the foregoing required company-specific disclosures can be found in a hyperlink located in the section labeled, "Compendium Reports." "Canaccord Genuity" is the business name used by certain wholly owned subsidiaries of Canaccord Genuity Group Inc., including Canaccord Genuity LLC, Canaccord Genuity Limited, Canaccord Genuity Corp., and Canaccord Genuity (Australia) Limited, an affiliated company that is 80%-owned by Canaccord Genuity Group Inc.

The authoring analysts who are responsible for the preparation of this research are employed by Canaccord Genuity Corp. a Canadian broker-dealer with principal offices located in Vancouver, Calgary, Toronto, Montreal, or Canaccord Genuity LLC, a US broker-dealer with principal offices located in New York, Boston, San Francisco and Houston, or Canaccord Genuity Limited., a UK broker-dealer with principal offices located in London (UK) and Dublin (Ireland), or Canaccord Genuity (Australia) Limited, an Australian broker-dealer with principal offices located in Sydney and Melbourne.

The authoring analysts who are responsible for the preparation of this research have received (or will receive) compensation based upon (among other factors) the Investment Banking revenues and general profits of Canaccord Genuity. However, such authoring analysts have not received, and will not receive, compensation that is directly based upon or linked to one or more specific Investment Banking activities, or to recommendations contained in the research.

Some regulators require that a firm must establish, implement and make available a policy for managing conflicts of interest arising as a result of publication or distribution of research. This research has been prepared in accordance with Canaccord Genuity's policy on managing conflicts of interest, and information barriers or firewalls have been used where appropriate. Canaccord Genuity's policy is available upon request.

The information contained in this research has been compiled by Canaccord Genuity from sources believed to be reliable, but (with the exception of the information about Canaccord Genuity) no representation or warranty, express or implied, is made by Canaccord Genuity, its affiliated companies or any other person as to its fairness, accuracy, completeness or correctness. Canaccord Genuity has not independently verified the facts, assumptions, and estimates contained herein. All estimates, opinions and other information contained in this research constitute Canaccord Genuity's judgement as of the date of this research, are subject to change without notice and are provided in good faith but without legal responsibility or liability.

From time to time, Canaccord Genuity salespeople, traders, and other professionals provide oral or written market commentary or trading strategies to our clients and our principal trading desk that reflect opinions that are contrary to the opinions expressed in this research. Canaccord Genuity's affiliates, principal trading desk, and investing businesses also from time to time make investment decisions that are inconsistent with the recommendations or views expressed in this research.

This research is provided for information purposes only and does not constitute an offer or solicitation to buy or sell any designated investments discussed herein in any jurisdiction where such offer or solicitation would be prohibited. As a result, the designated investments discussed in this research may not be eligible for sale in some jurisdictions. This research is not, and under no circumstances should be construed as, a solicitation to act as a securities broker or dealer in any jurisdiction by any person or company that is not legally permitted to carry on the business of a securities broker or dealer in that jurisdiction. This material is prepared for general circulation to clients and does not have regard to the investment objectives, financial situation or particular needs of any particular person. Investors should obtain advice based on their own individual circumstances before making an investment decision. To the fullest extent permitted by law, none of Canaccord Genuity, its affiliated companies or any other person accepts any liability whatsoever for any direct or consequential loss arising from or relating to any use of the information contained in this research.

Research Distribution Policy

Canaccord Genuity research is posted on the Canaccord Genuity Research Portal and will be available simultaneously for access by all of Canaccord Genuity's customers who are entitled to receive the firm's research. In addition research may be distributed by the firm's sales and trading personnel via email, instant message or other electronic means. Customers entitled to receive research may also receive it via third party vendors. Until such time as research is made available to Canaccord Genuity's customers as described above, Authoring Analysts will not discuss the contents of their research with Sales and Trading or Investment Banking employees without prior compliance consent.

For further information about the proprietary model(s) associated with the covered issuer(s) in this research report, clients should contact their local sales representative.

Short-Term Trade Ideas

Research Analysts may, from time to time, discuss "short-term trade ideas" in research reports. A short-term trade idea offers a near-term view on how a security may trade, based on market and trading events or catalysts, and the resulting trading opportunity that may be available. Any such trading strategies are distinct from and do not affect the analysts' fundamental equity rating for such stocks. A short-term trade idea may differ from the price targets and recommendations in our published research reports that reflect the research analyst's views of the longer-term (i.e. one-year or greater) prospects of the subject company, as a result of the differing time horizons, methodologies and/or other factors. It is possible, for example, that a subject company's common equity that

is considered a long-term 'Hold' or 'Sell' might present a short-term buying opportunity as a result of temporary selling pressure in the market or for other reasons described in the research report; conversely, a subject company's stock rated a long-term 'Buy' or 'Speculative Buy' could be considered susceptible to a downward price correction, or other factors may exist that lead the research analyst to suggest a sale over the short-term. Short-term trade ideas are not ratings, nor are they part of any ratings system, and the firm does not intend, and does not undertake any obligation, to maintain or update short-term trade ideas. Short-term trade ideas are not suitable for all investors and are not tailored to individual investor circumstances and objectives, and investors should make their own independent decisions regarding any securities or strategies discussed herein. Please contact your salesperson for more information regarding Canaccord Genuity's research.

For Canadian Residents:

This research has been approved by Canaccord Genuity Corp., which accepts sole responsibility for this research and its dissemination in Canada. Canaccord Genuity Corp. is registered and regulated by the Canadian Investment Regulatory Organization (CIRO) and is a Member of the Canadian Investor Protection Fund. Canadian clients wishing to effect transactions in any designated investment discussed should do so through a qualified salesperson of Canaccord Genuity Corp. in their particular province or territory.

For United States Persons:

Canaccord Genuity LLC, a US registered broker-dealer, accepts responsibility for this research and its dissemination in the United States. This research is intended for distribution in the United States only to certain US institutional investors. US clients wishing to effect transactions in any designated investment discussed should do so through a qualified salesperson of Canaccord Genuity LLC. Analysts employed outside the US, as specifically indicated elsewhere in this report, are not registered as research analysts with FINRA. These analysts may not be associated persons of Canaccord Genuity LLC and therefore may not be subject to the FINRA Rule 2241 and NYSE Rule 472 restrictions on communications with a subject company, public appearances and trading securities held by a research analyst account.

For United Kingdom and European Residents:

This research is distributed in the United Kingdom and elsewhere Europe, as third party research by Canaccord Genuity Limited, which is authorized and regulated by the Financial Conduct Authority. This research is for distribution only to persons who are Eligible Counterparties or Professional Clients only and is exempt from the general restrictions in section 21 of the Financial Services and Markets Act 2000 on the communication of invitations or inducements to engage in investment activity on the grounds that it is being distributed in the United Kingdom only to persons of a kind described in Article 19(5) (Investment Professionals) and 49(2) (High Net Worth companies, unincorporated associations etc) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended). It is not intended to be distributed or passed on, directly or indirectly, to any other class of persons. This material is not for distribution in the United Kingdom or elsewhere in Europe to retail clients, as defined under the rules of the Financial Conduct Authority.

For Jersey, Guernsey and Isle of Man Residents:

This research is sent to you by Canaccord Genuity Wealth (International) Limited (CGWI) for information purposes and is not to be construed as a solicitation or an offer to purchase or sell investments or related financial instruments. This research has been produced by an affiliate of CGWI for circulation to its institutional clients and also CGWI. Its contents have been approved by CGWI and we are providing it to you on the basis that we believe it to be of interest to you. This statement should be read in conjunction with your client agreement, CGWI's current terms of business and the other disclosures and disclaimers contained within this research. If you are in any doubt, you should consult your financial adviser.

CGWI is licensed and regulated by the Guernsey Financial Services Commission, the Jersey Financial Services Commission and the Isle of Man Financial Supervision Commission. CGWI is registered in Guernsey and is a wholly owned subsidiary of Canaccord Genuity Group Inc.

For Australian Residents:

This research is distributed in Australia by Canaccord Genuity (Australia) Limited ABN 19 075 071 466 holder of AFS Licence No 234666. To the extent that this research contains any advice, this is limited to general advice only. Recipients should take into account their own personal circumstances before making an investment decision. Clients wishing to effect any transactions in any financial products discussed in the research should do so through a qualified representative of Canaccord Genuity (Australia) Limited or its Wealth Management affiliated company, Canaccord Genuity Financial Limited ABN 69 008 896 311 holder of AFS Licence No 239052.

For Hong Kong Residents:

This research is distributed in Hong Kong by Canaccord Genuity (Hong Kong) Limited which is licensed by the Securities and Futures Commission. This research is only intended for persons who fall within the definition of professional investor as defined in the Securities and Futures Ordinance. It is not intended to be distributed or passed on, directly or indirectly, to any other class of persons. Recipients of this report can contact Canaccord Genuity (Hong Kong) Limited. (Contact Tel: +852 3919 2561) in respect of any matters arising from, or in connection with, this research.

Additional information is available on request.

Copyright © Canaccord Genuity Corp. 2023 – Member CIRO/Canadian Investor Protection Fund

Copyright © Canaccord Genuity Limited. 2023 – Member LSE, authorized and regulated by the Financial Conduct Authority.

Copyright © Canaccord Genuity LLC 2023 – Member FINRA/SIPC

Copyright © Canaccord Genuity (Australia) Limited. 2023 – Participant of ASX Group, Cboe Australia and of the NSX. Authorized and regulated by ASIC.

All rights reserved. All material presented in this document, unless specifically indicated otherwise, is under copyright to Canaccord Genuity Corp., Canaccord Genuity Limited, Canaccord Genuity LLC or Canaccord Genuity Group Inc. None of the material, nor its content, nor any copy of it, may be altered in any way, or transmitted to or distributed to any other party, without the prior express written permission of the entities listed above.

None of the material, nor its content, nor any copy of it, may be altered in any way, reproduced, or distributed to any other party including by way of any form of social media, without the prior express written permission of the entities listed above.