

Dropsuite Limited

Protecting and recovering corporate data

Dropsuite Limited (ASX:DSE) delivers a secure, cloud software platform to enable businesses to easily backup, recover and protect themselves from all forms of data loss and help them comply with privacy regulations. The company was founded in 2012 and listed on the ASX through a reverse takeover of Excalibur Mining after raising \$5.3m at \$0.10/share. The company's most recent raise was in August 2021, when it secured \$20m from institutional and professional investors at \$0.21/share, to accelerate its organic growth and bolster the balance sheet ahead of potential acquisition opportunities. The company has expanded to more than 649,000 users across 100 countries serviced via more than 400 reseller partners globally and thousands of Managed Service Providers (MSPs) operating on behalf of IT distributors. Dropsuite's software suite integrates across any partner infrastructure including Microsoft 365 and Google Workspace, both on-premise and in the cloud, and can service clients across any vertical and of any size. The company delivered its maiden positive underlying EBITDA in CY2021 and expects to maintain underlying EBITDA profitability and positive operating cashflow while maintaining continuous reinvestment in future growth. Dropsuite also has highlighted that it is advancing accretive merger and acquisition opportunities to leverage existing internal growth and take advantage of the tailwinds around data protection.

Business model

Dropsuite provides a cloud-based email backup and archiving solution that helps businesses securely backup, manage, recover, comply and protect email data. The company's core email backup products target Microsoft Office 365 and Google Workplace users which are the two fastest-growing cloud-based platforms used by small-to-medium enterprises globally. The company operates a partner-led business model where revenue is generated via a Software-as-a-Subscription (SaaS) model. Customers pay a subscription per user, which in CY2021 averaged \$1.95/month per user, an increase of 19% on pcp, and was up 13% in constant currency terms. Annual Recurring Revenue has grown at a compound annual growth rate of 77% from CY2017 to CY2021.

Maiden operating and net profit, outlook for ongoing profits

The company reported Annual Recurring Revenue of \$15.2m at the end of CY2021, up 80% on the pcp. CY2021 revenue grew 66% to \$11.69m and the company delivered its maiden positive underlying EBITDA of \$0.39m and underlying NPAT of \$0.36m. Reported NPAT, which includes non-cash share-based payments, was a loss of \$0.03m, substantially improved on the \$2.15m net loss reported in CY2020. Dropsuite is now also cashflow positive, having delivered positive operating cashflow of \$0.26m in CY2021. The company ended the year with \$21.6m net cash. Dropsuite expects to maintain underlying EBITDA profitability and positive operating cashflow in the year ahead.

Look to listed SaaS-based workplace solutions peers

Dropsuite is a SaaS operator and we look to other ASX-listed SaaS peers that deliver workplace solutions to enterprises and corporates. We identify the following companies as SaaS peers of similar market size or lifecycle positioning: accounting solutions group 8Common (ASX:8CO), cyber security platform ArchTIS (ASX:AR9), workforce management solutions group Damstra (ASX:DTC) and identity verification platform Xref (ASX:XF1). This group is trading on a median EV/Revenue (12-months-trailing) multiple of 7.9x versus Dropsuite on 8.4x.

Historical earnings and ratios (in A\$m unless otherwise stated)

Year end	Revenue	EBITDA adj.*	NPAT adj.*	NPAT rep.	EPS adj.* (c)	EPS rep. (c)	EV/Revenue (x)^
12/18a	5.29	(0.91)	(1.46)	(1.46)	(0.30)	(0.30)	18.5
12/19a	4.72	(2.35)	(3.15)	(3.15)	(0.64)	(0.64)	20.7
12/20a	7.03	(1.41)	(1.79)	(2.15)	(0.32)	(0.39)	13.9
12/21a	11.69	0.39	0.36	(0.03)	0.04	(0.01)	8.4

Source: Company data; *EBITDA, NPAT and EPS adjusted for one-time, non-cash items

^calculated using current enterprise value

Software & Services

11th March 2022

Share Details

ASX code	DSE
Share price	\$0.175
Market capitalisation	\$119.3M
Shares on issue	681.9M
Net cash at 31-Dec-2021	\$21.6M
Free float	90.97%

Share Performance (12 months)



Upside Case

- Highly scalable platform
- Ability to cross-sell, upsell to client base
- Strong market tailwinds around data protection

Downside Case

- Cyberattack could undermine integrity
- Partners could develop and offer their own email backup solutions
- Regulatory risk in operating in many countries

Catalysts

- Continued operational positive cashflow
- Acquisitions

Comparable companies (Aust/NZ)

8Common (ASX:8CO), ArchTIS (ASX:AR9), Damstra Holdings (ASX:DTC), Xref (ASX:XF1)

Board and Management

Theo Hnarakis	Non-Executive Chair
Charif El Ansari	Managing Director/CEO
Bruce Tonkin	Non-Executive Director
Ridley Ruth	Chief Operating Officer
Manoj Kalyanaraman	Chief Technology Officer
Bill Kyriacou	Head of Finance

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FINANCIAL SERVICES GUIDE

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AFSL 456663

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- how we transact with you
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- complaint processes

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