

RightCrowd FY23 Q2 Quarterly Activities Report, Business Update and Appendix 4C

RightCrowd Limited ("RightCrowd" or the "Company") is a leading global developer of physical security, safety, and compliance software. The Company is pleased to provide its Quarterly Activities Report in conjunction with the release of the Appendix 4C – Quarterly Cash Flow Report for the period ended 31 December 2022.

Summary: *(All figures are expressed in AUD unless stated otherwise)*

- The Company grew sales revenue on prior quarter to \$3.7m (\$3.2m in prior quarter) and added 2 new major enterprise customers for its workforce management solutions during Q2. One of these contracts will commence revenue & ARR contribution in Q3.
- ARR closed at \$10.7m, up from \$8.5m at the end of FY22. ARR reduced during the Quarter down from \$11.2m at end of FY23 Q1 predominantly due to a strengthening AUD. One of the new enterprise contracts signed during the second Quarter is forecast to add more than \$0.7m in ARR by the end of FY23. Pipeline to add more ARR remains strong for the second half of FY23.
- Strong operating cash inflows during the Quarter of \$1.8m which helped to increase the cash balance to \$3.9m. This was driven by \$4.6m in receipts from customers (up from \$2.6m in prior Quarter) and the receipt of \$2.8m in grant income relating to R&D activities conducted in FY22.
- The Company has made pleasing progress in restructuring the business having reduced headcount from 165 FTE to 147 FTE as at the end of the Quarter.
- RightCrowd continues to work with external advisors to secure further sources of funding to support revenue growth activities and to provide sufficient buffer for ongoing operations.

Financial Commentary:

Overall, the Company has had a strong second Quarter with important new enterprise deals signed, increasing operating cash inflows, and continued execution of cost reduction initiatives.

Sales Revenue: RightCrowd generated \$3.7m of sales revenue in Q2, up from \$3.2m last quarter. FY23 Q2 revenue was 12% lower on the prior year corresponding period (Q2 FY22: \$4.2m). The drop was driven primarily by a reduction in demand for Presence Control solutions, which in the prior year were in high demand for meeting the contact tracing and social distancing use-cases related to the COVID-19 pandemic.

Two new Workforce Management enterprise contracts were signed during the Quarter, with one of these deals forecast to have first revenue begin to flow during Q3 helping to drive a strong second half of FY23.

The Company continues to generate a lot of interest through its Access Chaos campaign resulting in continued strong lead generation during the Quarter. Several Access Analytics sales are in proof-of-concept or late contract stages with several new customers forecast to be added by end of Q3.

Annual Recurring Revenues (ARR): Annual Recurring Revenue at the end of the period was \$10.7m, up from \$8.5m reported at the end of Q4 FY22. Most of this growth was achieved in Q1 with the addition of two new enterprise contracts. In Q2 two more enterprise customer contracts were signed, one of which is not yet included in ARR as product installation and invoicing are not yet completed. This contract is forecast to add a further \$0.7m in ARR prior to end of FY23. ARR did reduce from the end of Q1 which was mainly due to the appreciation of the AUD (\$0.4m) and some net churn (\$0.1m).

FY23 customer churn to date is 6.1% (as measured by ARR) which was mostly driven by the continuing trend of Presence Control customers not renewing their contact tracing solution subscriptions as the pandemic subsides. Churn across the Workforce Management portfolio continues to remain very low at less than 1% for FY23, while Access Analytics has no churn given that it remains in an early growth phase.

Cash Position: RightCrowd closed the period with a cash & cash equivalent balance of \$3.9m, increasing by \$1.8m since prior Quarter (FY23 Q1: \$2.1m).

Operating cash inflows in the Quarter were driven by increasing customer receipts and grant funding received from the ATO relating to R&D expenditure incurred during FY22. Customer receipts grew to \$4.6m (FY23 Q1: \$2.6m) which was a result of a pick-up in commercial activity for Workforce Management and Access Analytics solutions.

Costs: RightCrowd continues to make good progress in restructuring its cost base having reduced its headcount from 165 to 147 as at the end of the Quarter. The Company also continues to reduce its spend where possible across the business to achieve a target of a 10% reduction YoY in total costs.

Business Update:

RightCrowd Workforce Management: Work continues generating new sales and servicing RightCrowd's enterprise customers. The Company is very pleased to report that it has signed two major enterprise contracts during the Quarter. These contracts include the addition of the USA operations of a major global technology company and a fortune 500 global automotive company. This takes the tally of major new enterprise deals to 4 for FY23, a strong increase in activity over prior year, evidencing a focus on companies looking for solutions to manage their staff's return to the workplace. Total ARR value of the 4 new Workforce Management contracts added in FY23 is \$3.4m, of which \$0.7m still to be added to the current reported ARR once the implementations go-live.

The Company also continues to work with Microsoft as part of its Connected Workplace Ecosystem to help shape the future of hybrid work. This partnership will explore offering solutions to help modernize physical space with updated technology and providing valuable insights.

RightCrowd Presence Control: The Company reports new sales at the end of the Quarter of 585 badgeholders. This result was down slightly from prior quarter (FY23 Q1: 875 badgeholders). Two major customers renewed their annual subscriptions for contact tracing during the Quarter.

The Company, together with one of its major customers, successfully executed rollouts of the presence control evacuation management and mustering system, demonstrating the additional benefits of the presence control system during the Quarter. The Company will continue to run selective marketing campaigns to help identify new opportunities for visitor tethering, evacuation management and general security-related presence control opportunities.

RightCrowd Access Analytics: The Company continues to focus on Access Analytics as a critical tool for customers to manage and identify gaps in and across their access control and other key systems. Pipeline continues to build, and 3 customers entered Proof-of-Concept projects which are scheduled to close in Q3. To date, RightCrowd has added 6 customers for Access Analytics and is also seeing a lot of interest in bundling the Access Analytics product as part of Workforce Management enterprise contracts.

RightCrowd CEO and Managing Director, Peter Hill, said:

"The Company continues to make good progress on its strategy of increasing operating cash inflows through the addition of new enterprise contracts and reducing operating cash outflows through cost reductions where possible. The increasing customer receipts during this quarter demonstrates the Company's ability to accelerate revenue growth given the right market conditions. The Company believes current market conditions are favourable for Workforce Management and Access Analytics and is busily working through more opportunities at the final contract stage.

The challenge for the Company is its current cash position and the impact on operating cash net outflows due to customer churn on the COVID-19 related Presence Control portfolio and delayed customer receipts due to longer timelines to finalise new sales and achieve project delivery milestones across the broader portfolio. The Company is working hard to address these challenges and is making good progress.

The Company recognises that it may need some additional funding sources to support working capital as new customers come on-line and continues to closely work with its advisors to consider its options."

Related Entities: Payments to related entities during the Quarter were \$0.1m which represented the Managing Director's remuneration and fees paid to the Board of Directors of RightCrowd.

Note to Market:

None of the information included in this announcement should be considered individually material, unless specifically stated. All figures in this announcement are provided on an unaudited basis.

This Company presentation may include certain statements, estimates or projections with respect to the anticipated future performance of the Company, the projects or both.

Those statements, estimates or projections are based on assumptions about future events and management actions that may not necessarily take place and are subject to significant uncertainties, many of which are outside the control of the Company. Those assumptions may, or may not, prove correct. No representation is made as to the accuracy of those statements, estimates or projections.

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The release of this announcement was authorised by the Board of Directors.

Appendix 4C

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

Name of entity

RightCrowd Limited

ABN

20 108 411 427

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	4,642	7,274
1.2 Payments for		
(a) research and development		
(b) product manufacturing and operating costs	(86)	(219)
(c) advertising and marketing	(162)	(488)
(d) leased assets	(114)	(296)
(e) staff costs	(4,419)	(8,501)
(f) administration and corporate costs	(780)	(1,541)
1.3 Dividends received (see note 3)		
1.4 Interest received	3	6
1.5 Interest and other costs of finance paid	(5)	(9)
1.6 Income taxes paid	(7)	(7)
1.7 Government grants and tax incentives	2,772	3,008
1.8 Other (provide details if material)		
1.9 Net cash from / (used in) operating activities	1,845	(773)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities		
(b) businesses		
(c) property, plant and equipment	(1)	(20)
(d) investments		
(e) intellectual property		
(f) other non-current assets		

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 (provide details if material)		
2.6	Net cash from / (used in) investing activities	(1)	(20)

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	-	(62)
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (provide details if material)		
3.10	Net cash from / (used in) financing activities	-	(62)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	2,111	4,766
4.2	Net cash from / (used in) operating activities (item 1.9 above)	1,845	(773)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1)	(20)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)		(62)
4.5	Effect of movement in exchange rates on cash held	(62)	(18)
4.6	Cash and cash equivalents at end of period	3,893	3,893

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	3,774	1,988
5.2	Call deposits	119	119
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)	3,893	2,111

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	(87)
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	320	320
7.2	Credit standby arrangements		
7.3	Other (please specify)		
7.4	Total financing facilities		
7.5	Unused financing facilities available at quarter end		0
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.		
Outstanding loan facilities at quarter end relate to the following: <ol style="list-style-type: none"> 1. Small Business Administration loan – \$68k. The SBA loan was taken out for the Group's U.S. operations to provide further assistance during the COVID 19 pandemic. The loan has a 30-year repayment term with interest at the rate of 3.75% per annum. 2. Insurance Premium funding - \$253k. The Group entered into a funding arrangement with BOQ for settlement of the annual insurance premium. The repayment is in monthly instalments through to November 2023 with interest at the rate of 2.69% per annum. 			

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	1,845
8.2	Cash and cash equivalents at quarter end (item 4.6)	3,893
8.3	Unused finance facilities available at quarter end (item 7.5)	0
8.4	Total available funding (item 8.2 + item 8.3)	3,893
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?	
The Company benefited from the receipt of a government grant in this quarter which will not occur in the next two quarters. The focus in the coming quarters will be further increases in customer receipts courtesy of pipeline sales execution and project milestones completion. This will also be augmented by continued reduction in costs with the execution of the restructuring to the Company's cost base.		

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?

The focus continues to be on accelerating revenue growth and increasing the receipts from customers whilst in parallel reducing operating cash outflows where possible.

The company is reviewing various sources of debt and equity funding and is working with its advisors to put in place any necessary actions to support cashflow, if needed, in the short-term. Additional funding will be deployed to strengthen the balance sheet and provide cover for any potential timing gaps as revenue growth and cost reduction initiatives bear results.

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?

The company continues to work towards increasing net operating cash inflows and source additional funding as required to be able to continue its operations.

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.

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: 30 January 2023

Board of Directors

Authorised by:
(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.