ASX:AND Ansarada Announcement - 31 January 2024

Quarterly Report Q2 FY24 - Consistent execution of strategy to build a scaled, high-margin business with recurring revenues, 7% ARR growth, and continued positive cash flow generation.

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FY24 Q2 Highlights

- **Record Customer Growth: +125% vs pcp**
  - Record customer[1] numbers of 13,691 total, up 125% year over year (YoY)
  - Freemium[2] customers 10,874, +263%, opportunity to convert to paid subscriptions
  - Subscriber[3] numbers ending 2,678 total, 4% YoY, flat QoQ
  - Significant growth in the e-commerce customer acquisition channel[4], ending with 1,325 active customers up 107% YoY
  - Non-Deal[5] customers increased to 192
- **Annual Recurring Revenue $11.9m, LT target $100m**
  - ARR[6] $11.9m, +7% year over year with revenue contributions from all products
  - Total revenue[7] of $14.5m in Q2, 10% YoY, 9% quarter on quarter (QoQ). Deferred revenue of $19.1m, up 14% YoY with the majority to be recognised over the next twelve months.
  - Revenue from Deals increased by 9% YoY. Non-Deal Revenue increased by 14% highlighting Ansarada's progress in building complementary new revenue streams
  - ARPA[8] up 15% YoY at $1,551 in Q2, 9% QoQ
- **Cash flow positive in Q2 - significant improvement on pcp. $24.6m net cash to fund growth strategy**
  - Positive cash flow from operations of $5.7m in Q2, compared to $2.1m in pcp. Ansarada has now generated positive cash flow from operations of $13.9m over the last 12 months
  - Cash balance with zero debt of $24.6m ending December 31, 2023
  - Cash flow self-funds investments in growth strategy outlined on investor day 2023 including digital channel, ESG, and expanding products to serve multiple use cases
- **Positive outlook for 2H FY24, underpinned by contracted deferred revenue[9] - maintain cash flow positive**
  - Positive outlook for 2H FY24. In H1 cash performance was ahead of expectations and we delivered revenue growth with improving M&A deal volumes. Deferred revenue contracted of $19.1m end of Q2 with the majority to be recognised over the next 12 months. Additional work is underway to make ESG and GRC product suites competitive in the market. Overall sales pipeline and new customer wins lay the foundations for continued growth and positive cash flow in FY24 and beyond.
  - ARR target $100m with continued disciplined execution of strategy to build scale in $52bn addressable market[10] to drive high-quality recurring revenues, sustainable growth and operating leverage

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Ansarada Group Limited (ASX: AND), a global information governance software provider, is pleased to report on its quarterly activities and cash flows for the three-month period to 31 December 2023.

Sam Riley, CEO said, "Q2's results demonstrate Ansarada's momentum. We grew revenue by 10%, deferred revenue was up 14% and customer growth increased by a record 125%.

The consistent execution of our growth strategy is delivering these returns. In addition to improving M&A deal activity, ARR was up 7% and ARR from Deal use cases increased by 15%. We are well placed to capture an uplift in deal activity as and when this occurs.

Q2 adjusted EBITDA was $3.0m. The renewal of Government contracts, and strong cash collections helped cash flow from operations to rise to $5.7m. With our continued focus on operational efficiency, free cash flow was up 188% to $3.6m. We ended the calendar year with a healthy balance sheet with $24.6m of cash in the bank and no debt.

Ansarada's competitive position is also strengthening. New wins in Q2 were up 20% on the prior year. In line with our strategy to scale our digital channel, 73% of these new clients came from digital acquisition, an uplift of 56% compared to the prior year.

We also adjusted prices on new wins from October onwards, which was the first price increase we've implemented for several years. ARPA overall increased by 15% in the quarter vs pcp. Encouragingly, win rates did not reduce following the price adjustment. The adjustment will continue to positively influence ARPA as the year progresses.

Procure secured a major multi year contract extension with Sydney Metro, Australia's biggest public transport project (not included in ARR reporting), and the team have a number of exciting domestic and international opportunities in the pipeline.

Work is underway to address the competitiveness and product fit of our GRC and ESG solutions. While the long-term outlook remains attractive, these issues are impacting delivery timelines and the generation of meaningful revenue growth and scale in the short term.

Our momentum has continued into January, and we have a confident outlook for 2H FY24. With positive cash flows and a robust financial position, we can continue to invest in early stage products, pursue the significant growth opportunities ahead of us and maintain the optionality to deliver increased profits.

	Q2FY23	Q2FY24	% variance
Total Customers	6,092	13,691	125%
Freemium Customers	2,999	10,874	263%
Subscribers	2,575	2,678	4%
ARPA	1,352	1,551	15%
AASB revenue	$13.2m	$14.5m	10%
Deferred Revenue	$16.8m	$19.1m	14%
Cash Flow from Operations	$2.1m	$5.7m	173%
Cash Balance	$18.7m	$24.6m	31%

Operational Performance

The Group saw a 125% increase in pro forma customer numbers compared to Q2 FY23, with total customer numbers reaching 13,691. Subscription customers ended 2,678, up 4% YoY driven by challenging macroeconomic conditions in M&A specifically, affecting new win volumes vs prior year.

Our e-commerce customer acquisition channel continued to improve its key metrics from acquisition to conversion, delivering +107% customer growth YoY. With a fast payback on customer acquisition costs and a strong balance sheet, we are well placed to continue scaling in FY24.

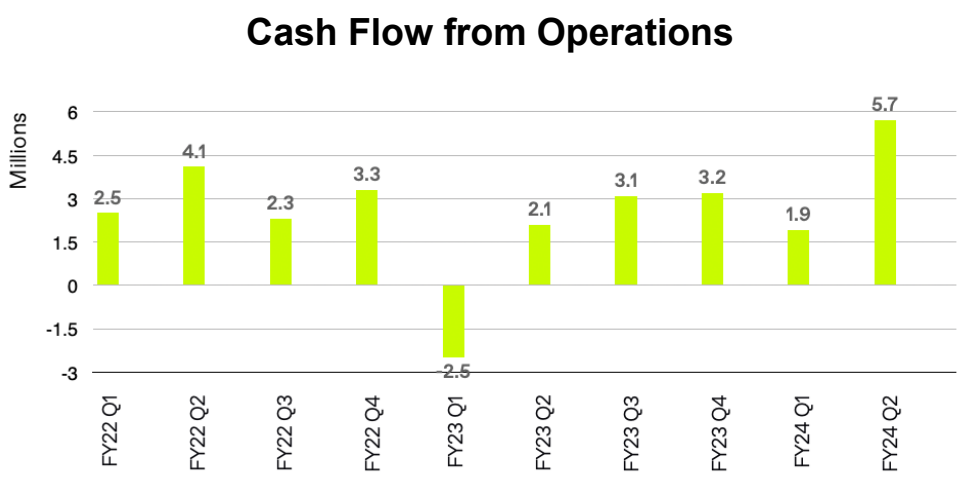
During the quarter, revenue reached $14.5 million, 10% YoY. The Group's LTM revenue increased 5% vs LTM December 2022.

In addition to our customer growth, ARPA increased 15% YoY from $1,352 in Q2 FY23 to $1,551 in Q2 FY24.

Deferred revenue contracted increased to $19.1m at the end of Q2 FY24, up 14% YoY, with the majority to be recognised over the following 12 months which provides confidence for continued financial performance.

The Group continues to build revenue scale and self-fund its growth with market-leading Deals and Procure software solutions, with emerging growth from GRC and ESG solutions. We have an attractive large global customer base and established acquisition channels that contribute to a high quality revenue profile.

The Group's cash flow balance increased to $24.6 million as at December 31, 2023, driven by positive $5.7 million in cash flow from operations. Cash flow from operations less capex (free cash flow) was positive in Q2 at $3.6 million.



The Group has a significant cash balance and no debt and expects to continue to self-fund its growth strategy and continue generating positive cash flows through FY24. Cash flow from operations increased to $5.7m in Q2 FY24, up from $2.1m in Q2 FY23.

Financial Summary

During the quarter, the Group recorded cash receipts from customers of $16.2 million, up 5% YoY.

Cash payments during the quarter were primarily directed towards staff costs ($5.6 million), research & development ($0.1 million), product and operating costs ($1.5 million), advertising & marketing ($1.8 million) along with administration & corporate costs ($1.7 million). Net operating cash flows for the quarter were $5.7 million.

The Group's closing cash balance was $24.6 million as at 31 December 2023.

The Group funded operations through operating cash flows and cash reserves and will be strategically investing in growth initiatives in line with the Group's stated objectives in the prospectus relating to capital and growth. Additionally, Ansarada remains open to pursuing strategic, technologically aligned, and culturally compatible acquisitions to accelerate growth.

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Outlook - growth and continued cash flow positivity in FY24

Improving M&A market activity drives Deal volumes as we progress building new recurring revenue streams in new less economically sensitive markets.

We will continue our focus on efficiency, maximising digital strengths, improving conversion rates, recurring revenue and our strong Procure pipeline.

-ENDS-

This announcement was authorised for release by the Board of Ansarada Group Limited.

About Ansarada (ASX:AND)

Ansarada is a SaaS Platform with products used by the world's top companies, advisors and governments to govern their most critical information and processes in Deals and Transaction Management, Board Management, Compliance and Procure. Ansarada enables organisations across the globe to be run more efficiently, with reduced risk and an increased ability to make fast confident decisions.

Ansarada is purpose-driven with a mission to help organisations be confident in every critical decision throughout their lifecycle so they can fully realise their potential.

For more information please visit www.ansarada.com or email at investors@ansarada.com

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[1] Customers refers to active customers and includes consolidated customers numbers for both Ansarada NewCo Pty Ltd and Ansarada Group Limited (formerly thedocyard) including periods prior to the FY21 merger plus TriLine GRC from Q2 FY22 onwards. Active customers include any subscription/contract with an active platform. Customers may have more than one deal platform, board portal or governance solution open at any given time. Customer numbers include customers acquired through the freemium strategy.

[2] Freemium customers refers to customers that are utilising the products and services of Ansarada but have not yet hit the trigger point for payment. Ansarada offers free access to most products giving the customer the opportunity to experience value before converting to a paid subscriber. Corporate freemium customers are included in Q4 FY23 after successful roll out and testing in Q3 FY23. Corporate freemium customers at the end of Q3 FY23 would have increased the total freemium from 3,450 to 5,540. Corporate freemium customers will be included going forward.

[3] Subscriber refers to pro forma active subscription contracts/customers at period end. Pro forma includes consolidated subscriber numbers for both Ansarada NewCo Pty Ltd and Ansarada Group Limited (formerly thedocyard) including periods prior to the merger and TriLine from the date of acquisition.

[4] Ecommerce customers refers to Customers acquired through the ecommerce channel.

[5] Non-Deal customers include active customers from GRC, ESG, Procure, Board and other non-deal related products.

[6] ARR or Annual recurring revenue refers to revenue, normalised on an annual basis, that Ansarada expects to receive from its ARR Subscribers for providing them with Ansarada's products or services. It is calculated by annualising MRR: Monthly Recurring Revenue (MRR) x 12. ARR Subscribers refers to the subscribers with an enterprise contract that generate annual recurring revenue.

[7] Unaudited AASB Revenue. Final audited AASB revenue may vary due to half year and year-end adjustments and completion of the audit process. Last twelve months (LTM) measures the accumulation of the prior 12 months AASB revenue. $0.2 million in revenue recorded in Q1 FY23 related to a specific contract that related to a prior period in FY22.

[8] ARPA represents the average monthly revenue generated from customers on subscription-based contracts (includes TriLine GRC from Q2 FY22 onwards but excludes Procure subscriptions)

[9] Deferred revenue consists of Platform Subscription and Transactional Usage which are expected to be recognised on a straight-line basis over the remaining life of the contract.

[10] https://www.grandviewresearch.com/industry-analysis/enterprise-governance-risk-compliance-egrc-market

Appendix 4C

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

Name of entity

Ansarada Group Limited

ABN	**Quarter ended ("current quarter")**
19 602 586 407	31 December 2023

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	16,238	29,418
1.2	Payments for		
	(a) research and development	(90)	(177)
	(b) product manufacturing and operating costs	(1,475)	(2,588)
	(c) advertising and marketing	(1,786)	(3,355)
	(d) leased assets	(40)	(86)
	(e) staff costs	(5,642)	(12,779)
	(f) administration and corporate costs	(1,681)	(3,119)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	150	262
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	(5)	(5)
1.7	Government grants and tax incentives	-	-
1.8	Other (provide details if material)	-	-
1.9	**Net cash from / (used in) operating activities**	**5,669**	**7,571**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	(22)	(30)
	(d) investments	-	-
	(e) intellectual property	(1,646)	(2,741)
	(f) other non-current assets	(434)	(719)

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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 (cash acquired from business combination)	-	-
2.6	**Net cash from / (used in) investing activities**	**(2,102)**	**(3,490)**

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	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material) - IFRS lease payments and purchase of treasuey shares	(640)	(1,165)
3.10	**Net cash from / (used in) financing activities**	**(640)**	**(1,165)**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	21,605	21,593
4.2	Net cash from / (used in) operating activities (item 1.9 above)	5,669	7,571

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Consolidated statement of cash flows		Current quarter $A'000	Year to date (6 months) $A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(2,102)	(3,490)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(640)	(1,165)
4.5	Effect of movement in exchange rates on cash held	27	51
4.6	**Cash and cash equivalents at end of period**	**24,559**	**24,559**

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	24,559	21,605
5.2	Call deposits	-	-
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)**	**24,559**	**21,605**

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	277
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

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.

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7.	**Financing facilities** *Note: the term "facility' includes all forms of financing arrangements available to the entity.* *Add notes as necessary for an understanding of the sources of finance available to the entity.*	**Total facility amount at quarter end $A'000**	**Amount drawn at quarter end $A'000**
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	**Total financing facilities**	-	-

7.5	**Unused financing facilities available at quarter end**	-

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.

8.	**Estimated cash available for future operating activities**	**$A'000**
8.1	Net cash from / (used in) operating activities (item 1.9)	5,669
8.2	Cash and cash equivalents at quarter end (item 4.6)	24,559
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	24,559

8.5	**Estimated quarters of funding available (item 8.4 divided by item 8.1)**	N/A

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.

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?

Answer:

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?

Answer:

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?

Answer:

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.

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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: 31 January 2024

Authorised by: Board of Directors
(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.

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