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Nitro Delivers Strong FY2021 Results, Transformative eSign Acquisition

Nitro Software Limited (ASX: NTO) ('Nitro' or the 'Company'), a global document productivity software company driving digital transformation in organisations around the world, today releases its Appendix 4E, audited financial statements and results for the year ended 31 December 2021, and is pleased to provide the following update on its financial and operating performance.

FY2021 Highlights

- Annual Recurring Revenue ('ARR') excluding Connective at 31 December 2021 was US\$40.1 million, an increase of 41% compared to 31 December 2020, in line with guidance. ARR at 31 December 2021 including Connective was US\$46.2 million, representing a 62% increase year-over-year.
- FY2021 revenue excluding Connective was US\$50.7 million, an increase of 26% compared to FY2020, at the top end of the upgraded guidance range. FY2021 revenue including Connective was US\$50.9 million.
- FY2021 operating EBITDA¹ loss excluding Connective was US\$7.4M, and including Connective was US\$7.6 million, in line with the upgraded guidance range.
- Exceeded 1 million active subscription PDF licences, reaching 1.1 million at year-end.
- Executed 2.2 million Nitro Sign eSignature requests excluding Connective eSignatures, up 102% compared to FY2020, and more than 22 million eSignature requests including Connective.
- Successfully completed a A\$140.0 million capital raise through the combination of an institutional placement and a retail entitlement offer.
- Successfully completed the €70.0 million acquisition of Connective, which closed on 20 December 2021.
- Cash and cash equivalents amounted to US\$48.2 million including Connective as at 31 December 2021 with no debt².

¹ Operating EBITDA excludes stock-based payments, foreign exchange gains and losses, and one-time expenses related to M&A.

² Excluding leases covered under AASB 16.

Nitro's Co-Founder and Chief Executive Officer, Sam Chandler, said: “FY2021 was the most dynamic year in Nitro’s history, with the achievement of a number of major strategic milestones, including a successful capital raising and our biggest and most important acquisition to date – Connective. The addition of Connective’s market-leading capabilities and the earlier acquisition of PDFpen – delivering native Mac and iOS capabilities – means Nitro can now serve virtually any customer need in PDF productivity and eSigning. With these acquisitions, Nitro has cemented its status as a global document productivity and eSign SaaS platform.

“FY2021 was the year in which we exceeded US\$50 million of revenue, with a strong sales trajectory in the final quarter and the momentum continuing into the new year. Nitro’s mission for the coming year is to continue this momentum and to build on the strategic milestones and successes of FY2021 by scaling the Nitro Productivity Platform. This will involve fully integrating Connective’s best-of-breed technologies – a process now well underway – and using Nitro’s proven go-to-market network to upsell and cross-sell Nitro and Connective products to a combined 13,000+ Business Customer³ base. We will remain focused on customer acquisition, retention and expansion, as well as responding to competition at a time when customers are signaling their dissatisfaction with legacy providers and increasingly demanding one vendor who, like Nitro today, can offer multiple solutions.”

FY2021 Performance

A strong focus on customer acquisition, expansion and retention delivered ARR excluding Connective at 31 December 2021 of US\$40.1 million, an increase of 41% compared to 31 December 2020 and in line with guidance reaffirmed in October 2021 of US\$39 million - US\$42 million. ARR at 31 December 2021 including Connective was US\$46.2 million, representing a 62% increase year-over-year.

Total revenue in FY2021 excluding Connective was US\$50.7 million, at the top end of the upgraded guidance of US\$49 million - US\$51 million provided in October 2021. Including the contribution from Connective, FY2021 revenue was US\$50.9 million.

³ A Business Customer is a PDF Pro customer with 10 or more licenced users, or an eSign customer.

Nitro's transition to a SaaS business model continues⁴, with subscription revenue in FY2021 comprising 66% of total revenue – and 71% in Q4 – compared to 53% for FY2020. The transition to subscription in the dominant Business sales⁵ channel was effectively completed in FY2021, with 87% of revenue in FY2021 generated from subscription contracts.

Key operating successes in FY2021 include a doubling of Nitro Sign eSignature requests to 2.2 million, and a substantial increase to 22 million eSignatures in total including Connective. More than 3 billion documents were opened in Nitro PDF Pro in FY2021, and Nitro surpassed the milestone of 1 million PDF subscription licences, ending the year at 1.1 million.

FY2021 was a year of significant investment in Nitro's go-to-market engine to drive future revenue growth and research and development (R&D) initiatives to deliver further enhancements to the Nitro Productivity Platform.

- FY2021 sales and marketing (S&M) expense amounted to US\$29.4 million, representing 58% of revenue – a 45% increase from FY2020, reflecting significant investments in Nitro's go-to-market initiatives as ARR and subscription revenue scale.
- FY2021 R&D expense totaled \$13.5 million, representing 27% of revenue – a 44% increase from FY2020, primarily driven by headcount, reflecting Nitro's commitment to innovation and evolution of its Productivity Platform.
- FY2021 general and administrative (G&A) expense was US\$11.6 million – a 25% increase from FY2020 and steady at 23% of revenue, as Nitro pursues economies of scale in supporting functions.

FY2021 operating EBITDA⁶ loss was US\$7.4 million excluding Connective, and US\$7.6 million including Connective, in line with the upgraded guidance of a loss of US\$7.5 million – US\$8.0 million provided in January 2022. Reflecting Nitro's strong revenue performance and management's continued focus on cost-efficiency, the operating EBITDA⁶ loss for FY2021 was significantly lower than the guidance range of US\$11 million – US\$13 million provided at the beginning of FY2021.

⁴ All numbers in this paragraph refer to Nitro's revenue excluding Connective.

⁵ Nitro Business sales comprise sales executed by Nitro's Sales team and exclude online/eCommerce sales.

⁶ Operating EBITDA excludes stock-based payments, foreign exchange gains and losses, and one-time expenses related to M&A.

In Q4 2020, Nitro successfully completed a A\$140.0 million capital raise through the combination of an institutional placement and a retail entitlement offer to fund the acquisition of Connective. Nitro's cash balance of US\$48.2 million at 31 December 2021 provides the Company with the financial flexibility to pursue continued growth opportunities.

Connective Acquisition

On 20 December 2021, Nitro completed the €70.0 million acquisition of Connective NV, Belgium's leading eSign SaaS business. Connective's business focuses on serving the eSign needs of enterprise and government customers that require high levels of trust, security and regulatory compliance, while also offering expansive electronic identity ('eID') support and a powerful document workflow automation solution.

The integration of Connective is well underway, with Connective's market-leading products already available to be sold into Nitro's customer base. In addition to upsell and cross-sell opportunities across the combined customer base of over 13,000 Business Customers, Nitro believes the expanded product suite delivered by the Connective acquisition will drive substantial opportunities in the fast-growing US\$17 billion global SaaS eSign market as organisations around the world increasingly demand high-trust and highly secure eSign and workflow solutions. Nitro expects sales of Connective products to Nitro customers to deliver annualised run-rate revenue synergies of ~US\$2.5 million by the end of FY2022.

Board Update

On 8 February 2022, Nitro announced the appointment of former DocuSign Chief Human Resources Officer Mr Peter Navin as a new independent non-executive director, effective immediately, marking a key milestone in the Company's Board renewal process. US-based Mr Navin is a proven strategic human resources leader with over 30 years of experience driving business performance in high-growth, global organisations. Mr Navin will also serve as Chair of the Board's Remuneration and Nomination Committee.

In September 2021, Nitro announced the appointment of Mr Craig Scroggie as an independent non-executive director. With more than 25 years of experience in the ICT industry, Mr Scroggie is recognised as one of Australia's most successful technology executives and brings valuable skills and expertise to help guide the Company through its next stage of growth.

FY2022 Outlook

In FY2022, Nitro will continue to focus on delivering its platform product strategy, driving increased adoption of the Company's PDF productivity, eSigning and analytics solutions across new and existing customers in its enterprise, mid-market and SMB segments.

Nitro's total addressable market in PDF productivity and eSigning is vast and supported by strong structural tailwinds and workplace changes accelerated by COVID-19, particularly the shift to remote and digital work. Nitro estimates the total addressable market at US\$28 billion, comprising the US\$11 billion PDF productivity market and the US\$17 billion eSign market. With the acquisition of Connective, Nitro has a clear competitive advantage and an opportunity to capture a bigger share of this market.

Given the scale of the market opportunity and the Company's multiple growth levers, Nitro will continue to make strategic investments in FY2022, primarily focused on the scaling and integration of Connective into Nitro's business, developing features relevant to its customers and scaling its go-to-market engine. Nitro will also continue to explore other targeted investments, including potential acquisitions, to build capability and scale, and further cement its position as a global leader in eSigning and document productivity.

The Company provides the following guidance for FY2022:

- Ending ARR between US\$64 million and US\$68 million;
- Revenue between US\$65 million and US\$69 million; and
- Operating EBITDA loss between US\$18 million and US\$21 million.

Ends

Authorised for release to the ASX by the Board.

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ABOUT NITRO

Nitro is a global document productivity SaaS company accelerating digital transformation in a world that demands the ability to work from anywhere, anytime, on any device. As a global player in the eSign and workflow productivity market, Nitro enables organisations to drive better business outcomes through 100% digital document processes and fast, efficient workflows. The Nitro Productivity Platform offers comprehensive SaaS business solutions, including highly secure eSigning and e-ID, powerful PDF productivity and industry-leading analytics, all supported by a superior customer success team. Nitro has over 3 million licensed users and 13,000+ Business Customers in 157 countries, including over 67% of the Fortune 500 and three of the Fortune 10. Nitro is headquartered in San Francisco with nine global hubs.

For more information on Nitro, please visit:

- Website: <https://www.gonitro.com/>
- Investors: <https://ir.gonitro.com/Investor-Centre/>

Forward-Looking Statements

This ASX release includes certain forward-looking statements that are based on information and assumptions known to date and are subject to various risks and uncertainties. Actual results, performance or achievements could be significantly different from those expressed in, or implied by, these forward-looking statements. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of Nitro. These factors may cause actual results to differ materially from those expressed in the statements contained in this announcement.