



29 August 2022

## NITRO POSTS STRONG 1H2022 RESULTS

**Nitro Software Limited (ASX: NTO)** (Nitro or the Company), a global leader in document productivity and eSignature Software-as-a-Service (SaaS) solutions for business, today releases its results for the six months ended 30 June 2022 (1H 2022), a period that saw continued high growth in subscription revenues, with Annual Recurring Revenue (ARR) surpassing the US\$50 million mark.

### 1H2022 Highlights<sup>1</sup>

- Annual Recurring Revenue (ARR) of US\$51.5 million at 30 June 2022, up 52% from 30 June 2021
- Subscription Revenue of \$23.5 million, up 55%
- Total Revenue including Connective of US\$32.7 million, up 36%
- Subscription Revenue 72% of total, compared to 63% in 1H 2021
- Cash receipts from customers up 43% to US\$33.2 million
- Strong financial position, with cash of US\$35.2 million at 30 June 2022 and no debt<sup>2</sup>
- Reaffirmed FY2022 guidance, including being cash flow positive for 2H 2023<sup>3</sup>

Sam Chandler, Nitro's Co-Founder and Chief Executive Officer, said:

“Although the first half did not meet all our expectations for performance, it was still a period of growth in which ending ARR grew by 52% and scaled to over US\$51 million after more than doubling in the two years to June 30. Subscription revenue also grew fast, increasing 55% year-on-year. But macroeconomic conditions have been challenging, and sales cycles lengthened towards the end of the period. As a result, we revised our plan for the second half

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<sup>1</sup> Percentage changes expressed relative to 1H 2021 (YoY).

<sup>2</sup> Excluding AASB 16 right-of-use leased assets and corporate credit cards.

<sup>3</sup> Guidance updated on 26 July 2022.

including restructuring our Go-to-Market organisation for improved performance and efficiency, reducing costs by US\$5 million, and accelerating the pathway to cash flow positive.

“We are starting to see the benefits of the acquisition of Connective, whose people have now been fully integrated into Nitro and whose market-leading, high-trust eSigning and eID products are being incorporated into our Productivity Platform. In the first half alone, we identified more than 250 cross-selling opportunities for Nitro Sign Premium (formerly Connective) and have already closed our first sales with many more to come.

“In the second half, we remain focused on integrating and scaling Connective and our eSigning strategy, driving product innovation across our broader Productivity Platform and improvements to the efficiency and performance of the Company in line with our accelerated commitment to positive cash flow in 2H 2023. With a strong balance sheet and zero debt, we are well placed to cement and expand our position in the fast-growing US\$28 billion eSigning and PDF productivity market as customers increasingly demand the suite of high-security high-trust products we offer.”

## Financial Performance in 1H2022<sup>4</sup>

Total revenue was up 36% to US\$32.7 million (up 22% excluding Connective).

Revenue growth in 1H 2022 was underpinned by momentum in subscription revenue, up 55% to \$23.5 million (up 39% excluding Connective). Both subscription revenue and perpetual, maintenance and support revenue exceeded Nitro’s internal expectations over 1H 2022.

Added ARR during 1H 2022 was US\$5.3 million (including US\$0.6m for Connective), in line with 1H 2021. Added ARR was driven by a strong performance in Expansion sales with existing customers. Nitro’s customer retention rates remain strong, with very limited additional churn experienced across its customer base. Nitro recorded a Gross Retention Rate (GRR) of 94% and Net Retention Rate (NRR) of 113% for 1H 2022, which was broadly in line with 1H 2021.

Added ARR from New<sup>5</sup> sales was below expectations as sales cycles lengthened and customers delayed purchases, primarily driven by the uncertain macroeconomic environment

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<sup>4</sup> Financial metrics provided are unaudited results for the half year ended 30 June 2022.

<sup>5</sup> Added ARR generated from new customer sales

but also due to complexity arising from the integration of Connective into Nitro's sales processes. Major customer signings, expansions and renewals in 1H2022 included GE, Novartis, Festo, Silicon Valley Bank, Nestlé, Subsea7, Pioneer Natural Resources, Huron and Blue Origin.

In 1H 2022, Nitro continued to invest in strategic objectives outlined at the end of FY2021. Excluding the impact of non-cash share-based payments expense, foreign currency fluctuations, integration, M&A expenses and non-recurring expenses, the expenditure profile in 1H 2022 was as follows:

- Sales and Marketing expenses remained at 58% of revenue while increasing by 34% year-on-year (YoY), reflecting the addition of Connective and other investments in Nitro's go-to-market (GTM) initiatives.
- Research and Development expenses increased from 24% to 28% of revenue, reflecting a 58% YoY spend increase, primarily driven by headcount from the Connective acquisition, and reflecting Nitro's commitment to innovation and the evolution of its Productivity Platform.
- General and Administrative expenses increased from 22% to 23% of revenue, reflecting a 42% YoY spend increase, primarily driven by an increase in headcount to support the larger scale of the business following the Connective acquisition, including personnel added as a result of the acquisition.

Considering the impact of the macroeconomic environment, longer sales cycles observed during the half, and areas identified for efficiency and performance improvement, the Company has restructured its GTM organisation. This is expected to deliver lower costs, improved performance and greater efficiencies in the Company's Sales, Marketing and Customer Success function in 2H 2022 and beyond.

Nitro remains on target to achieve the previously identified cost savings of US\$5 million in 2H 2022 as part of its commitment to be cash flow positive<sup>6</sup> for 2H 2023.

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<sup>6</sup> Refers to cash flows from 'operating activities' excluding implementation costs, transaction costs and other non-recurring items, less capital expenditure and AASB 16 lease repayment costs.

## Connective Acquisition

The Connective business continues to perform broadly in line with Nitro's internal expectations on a local currency (EUR) basis, with USD reported revenues increasingly being impacted by the weakness of the EUR.

Nitro has now completed the implementation of a new Company-wide organisational structure that integrated the Connective team. Nitro has fully integrated Connective's employees into its global team on a function-by-function basis to ensure strong collaboration, accelerate product integration and maximise cross-sell potential.

During 1H 2022, Nitro deployed US and Australian local cloud environments and specialist support teams to also enable the sale of Nitro Sign Premium (previously Connective) in specific high-trust customer use cases in those regions, typically in highly regulated industries and government, which require local data sovereignty.

Key sales enablement activities have also been completed in the first half, and following those, Nitro began creating a sales pipeline for cross-sell opportunities and closing new sales that contribute to Connective synergy goals. The cross-sell opportunity pipeline is well distributed across Nitro's global markets, serving as key proof points beyond Connective's core European markets. Nitro reaffirms anticipated synergies from the Connective acquisition to US\$1million.

## FY2022 Outlook

In 2H 2022, 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 document productivity and eSigning is large and growing, supported by strong structural tailwinds and changing work practices accelerated by COVID-19, and estimated at US\$28 billion<sup>7</sup>.

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<sup>7</sup> Nitro Productivity Suite and Nitro Sign Total Addressable Market (TAM) calculated by estimating the total number of companies worldwide across our SMB, Mid-Market, Growth and Enterprise segments using LinkedIn data and applying an Average Contract Value (ACV) per segment for each product. Productivity Suite ACVs are based on Nitro's typical ACVs per segment achieved today, and Sign ACVs are based on typical eSigning contract values per segment currently achieved by market leaders, but discounted to reflect expected Nitro pricing and packaging.

Given the scale of the market opportunity and the Company's multiple growth levers, but considerate of the current macro environment, Nitro is making measured investments in FY2022, primarily focused on the integration and scaling of Connective and its eSigning strategy, continuing to develop features relevant to its customers across the broader Productivity Platform, and improving the efficiency and performance of its GTM operations. Nitro will also continue to explore other targeted investments in order to build capability and scale and further cement its leadership position in global document productivity and workflow.

The Company reaffirms its previous guidance for FY2022 provided on 26 July 2022:

- Ending ARR between US\$57 million and US\$60 million;
- Revenue between US\$65 million and US\$69 million;
- Operating EBITDA<sup>8</sup> loss between US\$10 million and US\$13 million; and
- Committed to being cash flow positive<sup>9</sup> for 2H 2023.

### **Investor briefing at 9:30am AEST today**

A briefing session with Sam Chandler (Co-Founder & CEO) on the 1H 2022 results is being held for investors and analysts at 9:30am (AEST) today. To participate, please register via:

<https://reg.lumiengage.com/nto1h22/register>

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<sup>8</sup> Operating EBITDA excludes stock-based charges, foreign exchange gains and losses, Connective integration costs, transaction costs and other non-recurring items.

<sup>9</sup> Refers to cash flows from 'operating activities' excluding implementation costs, transaction costs and other non-recurring items, less capital expenditure and AASB 16 lease repayment costs.

Authorised for release to the ASX by the Board.

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# ABOUT NITRO

Nitro is a global leader in document productivity and eSigning, offering comprehensive SaaS solutions to support the acceleration of digital transformation, and driving better business outcomes for organizations around the world through fast and efficient digital workflows. Nitro's Productivity Platform includes powerful PDF productivity tools, highly secure eSigning and digital identity capabilities, and industry-leading analytics, all supported by a best-in-class customer success team. With more than 3 million licensed users and 13,000+ business customers across 175 countries, Nitro serves 67% of the Fortune 500, including many of the world's best-known companies at scale.

For more information on Nitro, please visit:

- Nitro: <https://www.gonitro.com>
- Connective: <https://connective.eu>
- PDFpen: <https://pdfpen.com/pdfpenpro/>
- 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.