

# APPENDIX 4D

## Company details

Name of the entity	Nitro Software Limited
ACN	079 215 419
Reporting period	For the half year ended 30 June 2022
Previous period	For the half year ended 30 June 2021

## Results for announcement to the market

For the six months ended 30 June	2022 US\$'000	2021 US\$'000	Movement US\$'000	Movement %
Revenue	32,718	24,115	8,603	36%
Loss from ordinary activities after tax attributable to members	(17,320)	(8,556)	(8,764)	102%
Loss attributable to members	(17,320)	(8,556)	(8,764)	102%

## Net tangible assets per ordinary share

For the six months ended 30 June	2022 US\$'000	2021 US\$'000
Net tangible assets	0.05	0.09

## Dividends

No dividends were declared or paid for the half year ended 30 June 2022.

## Basis of preparation

This report is based on the Consolidated Financial Statements of Nitro Software Limited, which have been reviewed by PricewaterhouseCoopers ('PwC'). PwC's review report is included within the Group's 2022 Half Year Report, which accompanies this Appendix 4D.

Other information requiring disclosure to comply with Listing Rule 4.2A is contained in the 2022 Half Year Report, which includes the Directors' Report.



# HALF YEAR REPORT

30 June 2022



# NITRO SOFTWARE LIMITED

## 2022 HALF YEAR REPORT

Nitro Software Limited is a company limited by shares that is incorporated and domiciled in Australia. The Company's registered office is c/o Acclime Australia, Level 7, 330 Collins Street, Melbourne, Victoria, Australia and principal place of business is 150 Spear Street, Suite 1850, San Francisco, California, United States of America.

This Interim Financial Report ('2022 Half Year Report') has been prepared in accordance with Australian Accounting Standards and the *Corporations Act 2001*.

The 2022 Half Year Report incorporates the assets and liabilities of Nitro Software Limited ('the Company' or 'Nitro') and of all its subsidiaries as at and during the half year ended 30 June 2022 (collectively referred to as 'the Group').

The 2022 Half Year Report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report should be read in conjunction with:

- The 2021 Annual Report for the year ended 31 December 2021 available at: <https://ir.gonitro.com/investor-centre/?page=annual-reports>
- Public announcements made in compliance with continuous disclosure obligations under the *Corporations Act 2001* and the Listing Rules issued by the Australian Securities Exchange ('ASX'), which are available at: <https://ir.gonitro.com/investor-centre/?page=asx-announcements> or <https://www.asx.com.au/> (ASX: NTO)

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# DIRECTORS' REPORT

The Directors submit their report on the consolidated entity consisting of Nitro Software Limited and the entities it controlled at the end of, or during the half year ended 30 June 2022. All amounts are presented in USD unless otherwise stated.

## Details of Directors

As at the date of this report, the details of the Directors of the Company are as follows:

Name	Position
Kurt Johnson	Chairman and Non-Executive Director
Sam Chandler	Executive Director and Chief Executive Officer ('CEO')
Michael Brown	Non-Executive Director
Lisa Hennessy	Lead Independent Non-Executive Director
Sarah Morgan	Independent Non-Executive Director
Peter Navin	Independent Non-Executive Director (from 8 February 2022)
Craig Scroggie	Independent Non-Executive Director

## Operating and financial review

This operating and financial review ('OFR') is designed to assist shareholders in understanding the Group's business performance and the factors underlying its results and financial position. It complements the financial disclosures in the 2022 Half Year Report on pages 11 to 23. The OFR covers the period from 1 January 2022 to 30 June 2022, as well as references the comparative prior period. To conform to the current period presentation, comparative figures have been reclassified where appropriate.

The OFR also includes Software-as-a-Service ('SaaS') metrics that we believe are critical to the understanding of the performance of the business. These SaaS metrics are non-IFRS measures and the manner in which these are calculated and trends they convey are explained in Appendix 1 to the 2022 Half Year Report.

# DIRECTORS' REPORT *(continued)*

Summary of financial results (unaudited) <sup>1</sup> US\$ millions	for the half year ended		Change	Change %
	30 June 22	30 June 21		
Subscription	23.5	15.1	8.4	55%
Perpetual licence, maintenance and support	9.2	9.0	0.2	2%
<b>Total revenue</b>	<b>32.7</b>	<b>24.1</b>	<b>8.6</b>	<b>36%</b>
Cost of revenues	(3.3)	(1.8)	(1.5)	80%
<b>Gross profit</b>	<b>29.4</b>	<b>22.3</b>	<b>7.1</b>	<b>32%</b>
Sales and marketing	(19.0)	(14.2)	(4.8)	34%
Research and development	(9.2)	(5.8)	(3.4)	58%
General and administrative	(7.5)	(5.3)	(2.2)	42%
<b>Operating EBITDA</b>	<b>(6.3)</b>	<b>(3.0)</b>	<b>(3.3)</b>	<b>107%</b>
Share-based payment expense	(3.2)	(4.1)	0.9	-22%
M&A and integration expenses	(1.6)	(0.2)	(1.5)	nm <sup>2</sup>
Foreign currency gain/(loss)	(1.4)	(0.1)	(1.3)	nm <sup>2</sup>
Other non-recurring items	(1.1)	–	(1.1)	100%
<b>EBITDA</b>	<b>(13.7)</b>	<b>(7.5)</b>	<b>(6.2)</b>	<b>83%</b>
Finance (cost)/income, net	(0.1)	(0.0)	(0.0)	89%
Depreciation and amortisation	(3.3)	(0.9)	(2.4)	255%
<b>Loss before income tax</b>	<b>(17.0)</b>	<b>(8.4)</b>	<b>(8.6)</b>	<b>102%</b>
Income tax expense	(0.3)	(0.1)	(0.1)	116%
<b>Loss for the period</b>	<b>(17.3)</b>	<b>(8.6)</b>	<b>(8.8)</b>	<b>103%</b>

SaaS Metrics	for the half year ended	
	30 June 22	30 June 21
Annual Recurring Revenue (ARR) \$million	51.5	33.8
Added ARR \$million	5.3	5.3
Gross Revenue Retention	94%	95%
Net Revenue Retention	113%	114%
LTV/CAC (ratio) <sup>3</sup>	4.2x	4.5x
Gross margin	90%	92%

- Totals may not add due to rounding errors caused by figures being rounded to the nearest tenth of a million dollars.
- Percentage change not meaningful to be disclosed.
- Excludes Connective which was acquired in December 2021.

## Revenue

### Subscription revenue

Subscription revenue increased by \$8.4 million or 55% to \$23.5 million for 1H2022, compared to \$15.1 million for 1H2021. This increase was primarily driven by new customers, expansion on existing customers, and the inclusion of subscription revenue from Connective. Subscription revenue was 72% of total revenue in 1H2022 as compared to 63% in 1H2021.

ARR at the end of 1H2022, including Connective, was \$51.5 million, up 52% as compared to \$33.8 million at the end of 1H2021. ARR, excluding Connective at the end of 1H2022 was \$44.8 million, up 32%. Added ARR illustrates ARR growth from sales of subscription licences to new customers and additional subscription licence sales to existing subscription customers. Added ARR was \$5.3 million during both 1H2022 and 1H2021.

### Perpetual licence, maintenance and support revenue

Nitro is a Business-to-Business Software-as-a-Service company, focused on serving its customers through subscription contracts. The Company continues to sell perpetual licences through its online e-commerce offering. However, given that the Company sells almost exclusively subscription licences in its dominant Business sales channel, perpetual revenue, which includes maintenance and support revenues, is expected to decline as a percentage of total revenue.

Perpetual licence, maintenance and support revenue also includes revenue from multi-year contracts with customers which are recognised at a point in time as these arrangements confer a 'right to use' the licence as opposed to a 'right to access' as is the case in our subscription contracts. These arrangements arise from legacy arrangements following the Connective and PDFpen acquisitions in 2H2021.

Perpetual licence, maintenance and support revenue increased by \$0.2 million or 2% to \$9.2 million for 1H2022, compared to \$9.0 million for 1H2021. Perpetual licence, maintenance and support revenue was 28% of total revenue for 1H2022 compared to 37% of total revenue for 1H2021. While perpetual revenue continues to reduce as a percentage of total revenue given the rapid growth in subscription sales and the success of the Nitro Productivity Platform, the slight increase in perpetual revenue for 1H2022 is primarily attributable to revenue from right to use arrangements that get recognised at a point in time when the performance obligations in these contracts are satisfied.

## Gross profit and gross profit margin

Gross profit increased by \$7.1 million or 32% to \$29.4 million for 1H2022 compared to \$22.3 million for 1H2021. The gross margin was lower at 90% for 1H2022 as compared to 92% for 1H2021. The reduction in gross margin is primarily attributable to a changing product mix with the inclusion of Connective products in 1H2022.

Cost of revenues includes the cost of third-party technologies that are used to host Nitro's cloud-based products, third-party technologies that are embedded in the Company's products, third-party hosting and transaction services for the Company's online storefront, and employee and other operating costs associated with the Company's customer support and professional services organisations.

## Operating expenses

### Sales and marketing

Sales and marketing expenses increased by \$4.8 million or 34% to \$19.0 million for 1H2022 compared to \$14.2 million for 1H2021. As a percentage of total revenue, sales and marketing expenses were 58% of total revenue in 1H2022 and 59% in 1H2021. The increase in sales and marketing expenses was primarily due to investments in the go-to-market strategy and headcount in its sales, marketing and customer success teams, including personnel added as a result of the acquisition of Connective in December 2021.

The Company measures the efficiency of sales and marketing by monitoring the LTV/CAC ratio which was 4.2x (excluding Connective) for 1H2022, in comparison to 4.5x in 1H2021. In July 2022, the Company implemented a restructure of its 'go-to-market' sales and marketing organisation having regard to current macro-economic conditions and the desire to preserve cash. The objective of the restructure is also to improve the Company's sales efficiency and effectiveness whilst maintaining its high standards of customer service and technical delivery.

### Research and development

Research and development expenses increased by \$3.4 million or 58% to \$9.2 million for 1H2022, compared to \$5.8 million for 1H2021. As a percentage of total revenue, research and development expenses were 28% of total revenue in 1H2022 and 24% in 1H2021. The increase in research and development expenses was primarily due to increased headcount in the product and engineering teams, including personnel added as a result of the acquisition of Connective in December 2021, reflecting Nitro's ongoing commitment to product innovation.

### General and administrative expenses

General and administrative expenses increased by \$2.2 million or 42% to \$7.5 million for 1H2022, compared to \$5.3 million for 1H2021. As a percentage of total revenue, general and administrative expenses were 23% of total revenue in 1H2022 and 22% in 1H2021. The increase in general and administrative expenses was primarily due to increased headcount to support the business, including personnel added as a result of the acquisition of Connective in December 2021.

## Other items impacting the results

In 1H2022, share-based payments expense was \$3.2 million as compared to \$4.1 million in 1H2021. 1H2021 included the impact of the equity awards issued as part of the executive team build out in FY2020 and 1H2021. The expense relating to the equity awards are recognised over the requisite service period for each separately vesting tranche as though each tranche of the award is, in substance, a separate award. This results in an accelerated recognition of share-based payments expense.

The results for 1H2022 were impacted by unfavourable foreign currency movements on account of strengthening of the US Dollar compared to the Euro and Australian Dollar. These arise on translation of monetary items in the financial statements held in foreign currency.

Included in the results for 1H2022 are expenses relating to the post acquisition integration of the Connective business and other non-recurring advisory and consulting costs.



## Cash flows

Gross receipts from customers rose 43% to \$33.2 million in 1H2022 as compared to \$23.3 million in 1H2021. Operating cash outflow of \$9.4 million in 1H2022 was higher than the operating cash outflow of \$4.3 million in 1H2021. The \$5.1 million increase in operating cash outflow flow was primarily due to an increase in operating expenses detailed above, of which \$2.2 million were non-recurring.

Investing activities included cash outflows relating to acquisition of computer and office equipment. Cash flow from financing activities included payments for leases and transaction costs relating to the capital raise in Q4 2021.

Cash and cash equivalents were \$35.2 million at 30 June 2022

## Connective integration update

Nitro 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 1H2022, 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 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's growth strategy

The Company's growth strategy is founded on five primary levers:

- Winning new customers
- Expansion within existing customers
- New product development
- Mergers, acquisitions and partnerships
- New markets and channels.

These growth levers, combined with the very large markets in which Nitro operates, and the accompanying trends observed in 1H2022, provide enormous opportunity for the Company. The serviceable addressable market in the two core markets of PDF productivity and eSigning that the Company is focused on today exceeds \$28 billion<sup>4</sup>.

With a strong history in selling these solutions into the largest organisations in the world, Nitro is excited to deploy its capital and resources to continue to grow its product offering and rapidly scale its customer base.

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4. 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.

# DIRECTORS' REPORT *(continued)*

## Significant changes in the state of affairs

It is the opinion of the Directors that there were no significant changes in the state of affairs of the Group during the financial period, except as otherwise noted in this report.

## Subsequent events

It is the opinion of the Directors that there were no subsequent events other than those disclosed on note 13 of the Half Year Report.

## Proceedings on behalf of the Group

No person has sought to bring proceedings on behalf of the Group, and the Group is not a party to any proceedings, for the purpose of taking responsibility on behalf of the Group for any such proceedings, or for a particular step in any such proceedings.

## Auditor independence

A copy of the Auditor's Independence Declaration, as required under section 307C of the *Corporations Act 2001*, is included on page 10 in this report.

## Rounding

The amounts contained in this report and in the financial report have been rounded to the nearest \$1,000 (unless otherwise stated) under the option available to the Group under ASIC Corporations (Rounding in Financial/Directors' Reports) Instruments 2016/191. The Group is an entity to which the legislative instrument applies.

This report is made in accordance with a resolution of the Directors.



**Kurt Johnson**  
Chairman

29 August 2022



**Sam Chandler**  
Chief Executive Officer

29 August 2022

# AUDITOR'S INDEPENDENCE DECLARATION



## Auditor's Independence Declaration

As lead auditor for the review of Nitro Software Limited for the half-year ended 30 June 2022, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Nitro Software Limited and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'Charles Christie', is written above the printed name.

Charles Christie  
Partner  
PricewaterhouseCoopers

Melbourne  
29 August 2022

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# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

US\$'000	Note	for the half year ended	
		30 June 2022	30 June 2021
Revenue	5, 6	32,718	24,115
Cost of revenues		(3,331)	(1,846)
<b>Gross profit</b>		<b>29,387</b>	<b>22,269</b>
Sales and marketing		(20,424)	(15,852)
Research and development		(10,533)	(6,768)
General and administrative		(10,687)	(6,999)
Other income/(loss), (net)		(1,406)	(128)
Finance costs		(74)	(43)
Depreciation and amortisation expense		(3,306)	(906)
<b>(Loss) before income tax</b>		<b>(17,043)</b>	<b>(8,427)</b>
Income tax benefit/(expense)		(277)	(129)
<b>(Loss) for the period</b>		<b>(17,320)</b>	<b>(8,556)</b>
<b>Other comprehensive income/(loss)</b>			
<i>Item that may be reclassified to profit or loss</i>			
Adjustment from translation of foreign controlled entities		(6,420)	(190)
<b>Other comprehensive (loss)/income for the year, net of tax</b>		<b>(6,420)</b>	<b>(190)</b>
<b>Total comprehensive loss for the period</b>		<b>(23,741)</b>	<b>(8,746)</b>
<i>Loss per share attributable to equity shareholders</i>			
<b>Earnings per share</b>			
Basic loss per share (US cents per share)	8	(7.2)	(4.5)
Diluted loss per share (US cents per share)	8	(7.2)	(4.5)

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

US\$'000	Note	As at	
		30 June 2022	30 Dec 2021
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		35,168	48,198
Trade receivables	6	12,301	11,567
Current tax receivables		36	31
Other current assets		3,050	3,927
<b>Total current assets</b>		<b>50,555</b>	<b>63,723</b>
<b>Non-current assets</b>			
Receivables and contract assets	6	1,132	198
Property, plant, and equipment		783	709
Intangible assets	9	80,613	89,580
Right of use assets		2,336	2,508
Other non-current assets		6,237	6,040
<b>Total non-current assets</b>		<b>91,101</b>	<b>99,035</b>
<b>Total assets</b>		<b>141,656</b>	<b>162,758</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade payables		5,426	6,407
Deferred revenue	6	27,487	26,238
Lease liability		983	1,245
Employee benefits	7	3,226	4,583
Other current liabilities		2,142	1,435
<b>Total current liabilities</b>		<b>39,264</b>	<b>39,908</b>
<b>Non-current liabilities</b>			
Deferred revenue	6	1,025	683
Deferred tax liability		6,060	6,580
Lease liability		1,410	1,292
<b>Total non-current liabilities</b>		<b>8,495</b>	<b>8,555</b>
<b>Total liabilities</b>		<b>47,759</b>	<b>48,463</b>
<b>Net assets</b>		<b>93,897</b>	<b>114,295</b>
<b>Equity</b>			
Contributed equity	10	189,272	189,161
Other reserves		9,685	12,874
Accumulated losses		(105,060)	(87,740)
<b>Total equity</b>		<b>93,897</b>	<b>114,295</b>

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

US\$'000	Contributed equity	Treasury reserve <sup>1</sup>	Warrant reserve	Employee equity benefits reserve	Foreign currency translation reserve	Accumulated losses	Total equity
<b>As at 1 January 2022</b>	<b>206,713</b>	<b>(17,552)</b>	<b>76</b>	<b>15,137</b>	<b>(2,340)</b>	<b>(87,740)</b>	<b>114,294</b>
Loss for the period	–	–	–	–	–	(17,320)	(17,320)
<b>Other comprehensive income</b>							
Exchange differences from translation of foreign operations	–	–	–	–	(6,420)	–	(6,420)
<b>Total comprehensive loss for the year</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(6,420)</b>	<b>(17,320)</b>	<b>(23,740)</b>
<b>Transactions with owners of the Company</b>							
Share-based payment expense	–	–	–	3,231	–	–	3,231
Exercise of options	192	–	–	–	–	–	192
Shares issued to employee share trust	775	(775)	–	–	–	–	–
Shares issued/allocated to participants <sup>2</sup>	(4,820)	4,820	–	–	–	–	–
Issuance costs on shares	(81)	–	–	–	–	–	(81)
<b>As at 30 June 2022</b>	<b>202,779</b>	<b>(13,507)</b>	<b>76</b>	<b>18,368</b>	<b>(8,760)</b>	<b>(105,060)</b>	<b>93,897</b>

1. The Group operates an Employee Share Trust ('the Trust') for the purpose of issuance of shares to participants on exercise of options and vesting of performance rights, performance shares and restricted shares. The balance in the Treasury Reserve represents the book value of shares held by the Trust for future issue to participants on exercise of options, vesting of performance rights, performance shares and restricted shares.
2. Shares issued/allocated to the participants from the Trust.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

US\$'000	Contributed equity	Treasury reserve	Warrant reserve	Employee equity benefits reserve	Foreign currency translation reserve	Accumulated losses	Total equity
<b>As at 1 January 2021</b>	<b>95,974</b>	<b>(5,630)</b>	<b>76</b>	<b>7,516</b>	<b>(2,581)</b>	<b>(66,057)</b>	<b>29,298</b>
Loss for the period	–	–	–	–	–	(8,556)	(8,556)
<b>Other comprehensive income</b>							
Exchange differences from translation of foreign operations	–	–	–	–	(190)	–	(190)
<b>Total comprehensive loss for the year</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(190)</b>	<b>(8,556)</b>	<b>(8,746)</b>
<b>Transactions with owners of the Company</b>							
Share-based payments expense	–	–	–	4,141	–	–	4,141
Exercise of options	339	–	–	–	–	–	339
Shares issued to employee share trust	23,961	(23,961)	–	–	–	–	–
Shares issued/allocated to participants	(2,528)	2,528	–	–	–	–	–
Payment of withholding taxes to tax authorities	(22)	–	–	–	–	–	(22)
<b>As at 30 June 2021</b>	<b>117,724</b>	<b>(27,063)</b>	<b>76</b>	<b>11,657</b>	<b>(2,771)</b>	<b>(74,613)</b>	<b>25,010</b>

# CONSOLIDATED STATEMENT OF CASH FLOWS

US\$'000	for the half year ended	
	30 June 2022	30 June 2021
<b>Cash flows from operating activities</b>		
Loss for the period	(17,320)	(8,556)
<b>Add back</b>		
Depreciation and amortisation	3,306	906
Share-based payments	3,242	4,141
Finance costs	74	43
Asset write-offs	(1)	24
Net exchange differences	1,923	300
<b>Change in operating assets and liabilities</b>		
(Increase)/decrease in trade and other receivables	(1,153)	(1,251)
(Increase)/decrease in tax receivable	(10)	(16)
(Increase)/decrease in other receivables	(28)	(179)
Increase/(decrease) in trade and other payables	(1,255)	216
Increase/(decrease) in deferred income	1,787	22
Increase/(decrease) in provision for income taxes	23	20
<b>Net cash inflow/(outflow) from operating activities</b>	<b>(9,411)</b>	<b>(4,330)</b>
<b>Cash flows from investing activities</b>		
Payments for property, plant and equipment	(328)	(156)
<b>Net cash inflow/(outflow) from investing activities</b>	<b>(328)</b>	<b>(156)</b>
<b>Cash flows from financing activities</b>		
Proceeds from exercise of share options	192	335
Transaction costs related to issue of shares	(843)	–
Finance cost paid	(74)	(43)
Payment for leases	(702)	(758)
<b>Net cash inflow/(outflow) from financing activities</b>	<b>(1,427)</b>	<b>(466)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(11,166)</b>	<b>(4,952)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>48,198</b>	<b>43,749</b>
<b>Effect of movement in exchange rates on cash held</b>	<b>(1,864)</b>	<b>(184)</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>35,168</b>	<b>38,613</b>



# NOTES TO THE FINANCIAL STATEMENTS

## 1. General and corporate information

Nitro Software Limited is a for-profit company incorporated and domiciled in Australia and limited by shares publicly traded on the Australian Securities Exchange ('ASX') under the ASX code 'NTO.'

The financial report covers the consolidated financial statements as at and for the half year ended 30 June 2022 of Nitro and its subsidiaries.

## 2. Basis of preparation

This Interim Financial Report for the half year ended 30 June 2022 has been prepared in accordance with AASB 134 *Interim Financial Reporting*. The 2022 Half Year Report does not include all of the information and notes required within the Annual Report. The 2022 Half Year Report should be read in conjunction with the Group's Annual Report for the year ended 31 December 2021 and considered together with any public announcements made by the Group during the half year ended 30 June 2022.

The 2022 Half Year Report is presented in United States Dollars (USD), the predominant functional currency of the Group's operations. In accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, amounts in the 2022 Half Year Report and Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

The preparation of the consolidated interim financial statements in conformity with AASB 134 *Interim Financial Reporting* requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the reported revenue and expense during the reporting period. All adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. The estimates and assumptions used in preparing its consolidated financial statements are reasonable. However, actual results could differ from those estimates. Operating results for the half year ended 30 June 2022 are not necessarily indicative of the results that may be expected for the year ending 31 December 2022.

The 2022 Half Year Report was authorised for issue by the Board of Directors on 29 August 2022.

## 3. Critical accounting policies, estimates and judgements

There have been no material changes in the critical accounting policies, estimates and judgments compared to those disclosed in the Group's consolidated financial statements as at, and for the year ended 31 December 2021. As more fully disclosed in note 3 of the 2021 Annual Report, on 20 December 2021, the Company acquired all outstanding stock of Connective NV, Belgium. ('Connective') for cash consideration of US\$79.70 million. The purchase consideration was allocated to the tangible and intangible assets and liabilities acquired as of the acquisition date, with the excess recorded to goodwill. The fair values of the acquisition-related intangibles were determined on a provisional basis using the following methodologies:

- Acquired customer relationships intangible assets using the income approach: excess earnings method
- Acquired technology and trademarks using the income approach: relief from royalty method
- Acquired backlog using the income approach

If new information obtained within one year of the date of acquisition about facts and circumstances that existed at the date of acquisition results in adjustments to the amounts, the acquisition accounting will be revised. There have been no adjustments to the acquisition accounting since 31 December 2021 .

# NOTES TO THE FINANCIAL STATEMENTS *(continued)*

## 4. New and amended standards adopted by the Group

The new standards, amendments to standards and interpretations are effective for annual periods beginning 1 January 2022, relate to Annual Improvements 2018–2020 and Other Amendments to AASB 1, AASB 3, AASB 9, AASB 116, AASB 137 & AASB 141. These have no material impact on the 2022 Half Year Report.

## 5. Segment information

The Group manages its operations as a single business operation and there are no separate parts of the Group that qualify as operating segments. The CEO is the Chief Operating Decision Maker ('CODM') and assesses the financial performance of the Group on an integrated basis as a single segment.

The CODM assesses the Group's performance on a product and service perspective:

- Subscription – being the sale of 'software-as-a-service' to businesses providing access to a licence.
- Perpetual licence and maintenance and support – being the sale of perpetual licence products (including optional maintenance and support services), arrangements that confer a right to use the software/ intellectual property and professional fees relating to delivery and installation of software/services.

US\$'000	half year ended 30 June 2022			half year ended 30 June 2021		
	Subscription	Perpetual	Total	Subscription	Perpetual	Total
Revenue	23,510	9,208	32,718	15,121	8,994	24,115
Cost of revenues	(2,278)	(1,053)	(3,331)	(1,054)	(792)	(1,846)
<b>Gross profit</b>	<b>21,232</b>	<b>8,155</b>	<b>29,387</b>	<b>14,067</b>	<b>8,029</b>	<b>22,269</b>
<b>Gross margin</b>	<b>90%</b>	<b>89%</b>	<b>90%</b>	<b>93%</b>	<b>91%</b>	<b>92%</b>

## 6. Revenue and contract balances

### Revenue from contracts with customers disaggregated by

Product characteristics \$US'000	for the half year ended	
	30 June 2022	30 June 2021
Subscription	23,510	15,121
Perpetual licences, maintenance and support revenue	9,208	8,994
<b>Total revenue</b>	<b>32,718</b>	<b>24,115</b>
<i>Subscription revenue as a % of total revenue</i>	<i>72%</i>	<i>63%</i>
<i>Perpetual licences, maintenance and support revenue as a % of total revenue</i>	<i>28%</i>	<i>37%</i>

Timing of revenue recognition \$US'000	for the half year ended	
	30 June 2022	30 June 2021
Products and services transferred at a point in time	8,746	7,436
Products and services transferred over time	23,972	16,679
<b>Total revenue</b>	<b>32,718</b>	<b>24,115</b>
<i>Revenue recognised at a point in time as a % of total revenue</i>	<i>27%</i>	<i>31%</i>
<i>Revenue recognised over time as a % of total revenue</i>	<i>73%</i>	<i>69%</i>

# NOTES TO THE FINANCIAL STATEMENTS *(continued)*

## Receivables, contract assets and contract liabilities

\$US'000	as at	
	30 June 2022	31 Dec 2021
Trade receivables, net	12,301	11,567
Contract assets	1,132	198
Deferred revenue	28,512	26,921

## Remaining performance obligations

US\$'000	2H2022	2023	2024	2025	2026	2027	2028	TOTAL
Subscription revenue	21,258	29,127	14,240	3,760	1,213	148	86	69,832
Maintenance and Support	228	71	30	–	–	–	–	329
<b>Total</b>	<b>21,486</b>	<b>29,198</b>	<b>14,270</b>	<b>3,760</b>	<b>1,213</b>	<b>148</b>	<b>86</b>	<b>70,161</b>
<b>% of total</b>	<b>31%</b>	<b>42%</b>	<b>20%</b>	<b>5%</b>	<b>2%</b>	<b>0%</b>	<b>0%</b>	<b>100%</b>

Remaining performance obligations represents total contractual commitments for which services will be performed. Remaining performance obligations include deferred revenue, which primarily consists of billings in advance of revenue recognition and unbilled future performance obligations that are committed under existing contracts. The transaction price allocated to remaining performance obligations is approximately US\$70.2 million as of 30 June 2022. Approximately 55% of the remaining performance obligations are expected to be recognised over the next 12 months with the remainder recognised thereafter.

## 7. Employee benefits

Employee benefit expenses \$US'000	for the half year ended	
	30 June 2022	30 June 2021
Wages and salaries	23,863	17,228
Superannuation	121	82
Share-based payments	3,242	4,141
<b>Employee benefit expenses</b>	<b>27,226</b>	<b>21,451</b>

Employee benefit liabilities \$US'000	as at	
	30 June 2022	31 Dec 2021
Accrued wages	2,465	3,753
Compensated absences	739	815
Long service leave	21	15
	<b>3,226</b>	<b>4,583</b>

# NOTES TO THE FINANCIAL STATEMENTS *(continued)*

## 8. Earnings per share

\$US'000	for the half year ended	
	30 June 2022	30 June 2021
Net loss attributable to ordinary equity holders	(17,320)	(8,556)
Net loss used in calculating diluted earnings per share	(17,320)	(8,556)

Weighted average number of ordinary shares on issue used in the calculation of	for the half year ended	
	30 June 2022	30 June 2021
Basic earnings per share	239,639,352	190,836,037
Diluted earnings per share	239,639,352	190,836,037

Earnings per share (US cents per share)	for the half year ended	
	30 June 2022	30 June 2021
Basic	(7.2)	(4.5)
Diluted	(7.2)	(4.5)

For the half year ended 30 June 2022, the Group's only potential dilutive ordinary shares are share awards granted under the employee share ownership plans. Diluted earnings per share calculation excludes instruments which are considered anti-dilutive. For the half year ended 30 June 2022, the effect of these shares is not included in the calculation of diluted earnings per share because they are anti-dilutive for the period(s) presented.

# NOTES TO THE FINANCIAL STATEMENTS *(continued)*

## 9. Intangible assets

### Reconciliation of carrying amounts 2022

US\$'000	Goodwill	Commercial- ised Software	Customer Lists	Back- log	Trade Marks	Intellectual Property	Soft- ware	Domains	Total
<b>Carrying value at beginning of year</b>	<b>58,467</b>	<b>20,524</b>	<b>9,474</b>	<b>891</b>	<b>223</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>89,580</b>
Amortisation	–	(1,525)	(575)	(219)	(55)	–	–	–	(2,374)
FX adjustments	(4,668)	(1,128)	(721)	(60)	(15)	–	–	–	(6,592)
<b>Carrying value at 30 June 2022</b>	<b>53,799</b>	<b>17,871</b>	<b>8,178</b>	<b>612</b>	<b>153</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>80,613</b>
<b>As at 30 June 2022</b>									
Cost	53,799	31,455	8,779	834	209	3	723	43	95,846
Accumulated depreciation	–	(13,584)	(601)	(222)	(56)	(3)	(723)	(43)	(15,233)
<b>Carrying value at 30 June 2022</b>	<b>53,799</b>	<b>17,871</b>	<b>8,178</b>	<b>612</b>	<b>153</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>80,613</b>

### Reconciliation of carrying amounts 2021

US\$'000	Goodwill	Commercial- ised Software	Customer Lists	Back- log	Trade Marks	Intellectual Property	Soft- ware	Domains	Total
<b>Carrying value at beginning of year</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>1</b>	<b>–</b>	<b>–</b>	<b>1</b>
Additions	–	6,106	–	–	–	–	–	–	6,106
Acquired through business combinations	58,563	15,060	9,512	906	226	–	–	–	84,267
Amortisation	–	(644)	(39)	(15)	(3)	–	–	–	(701)
FX adjustments	(96)	2	2	–	–	(1)	–	–	(93)
<b>Carrying value at end of year</b>	<b>58,467</b>	<b>20,524</b>	<b>9,474</b>	<b>891</b>	<b>223</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>89,580</b>
<b>As at 31 December 2021</b>									
Cost	58,467	32,634	9,531	906	226	3	723	43	102,534
Accumulated depreciation	–	(12,110)	(57)	(15)	(3)	(3)	(723)	(43)	(12,954)
<b>Carrying value at 30 June 2022</b>	<b>58,467</b>	<b>20,524</b>	<b>9,474</b>	<b>891</b>	<b>223</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>89,580</b>

# NOTES TO THE FINANCIAL STATEMENTS *(continued)*

## 10. Equity

Equity shares	1H2022		FY2021	
	No.	US\$'000	No.	US\$'000
<b>Balance at the beginning of the period</b>	<b>246,186,622</b>	<b>206,713</b>	<b>193,058,522</b>	<b>95,973</b>
Exercise of options	434,270	192	7,880,585	1,186
Settlement of performance rights	730,974	–	–	–
Release of restricted share awards	1,530,076	–	–	–
Shares issued to the employees share trust	730,974	775	12,317,306	26,934
Shares allocated to employees from the employee share trust	(2,686,137)	(4,820)	(7,404,169)	(15,012)
Shares withheld in relation to cashless exercise of options	(9,183)	–	(466,042)	–
Withholding taxes paid to tax authorities	–	–	(10,374)	(22)
Issue of shares	–	–	40,810,794	101,350
Expenses directly attributable to the issue of shares	–	(81)	–	(3,696)
<b>Balance at the end of the period including treasury shares</b>	<b>246,917,596</b>	<b>202,778</b>	<b>246,186,622</b>	<b>206,713</b>
Treasury shares unallocated	(6,061,939)	(13,506)	(8,017,102)	(17,552)
<b>Balance at the end of the period excluding treasury shares</b>	<b>240,855,657</b>	<b>189,272</b>	<b>238,169,520</b>	<b>189,161</b>

Treasury shares	1H2022		FY2021	
	No.	US\$'000	No.	US\$'000
<b>Balance at the beginning of the period</b>	<b>8,017,102</b>	<b>17,552</b>	<b>3,103,965</b>	<b>5,630</b>
Issue of shares to the employee share trust	730,974	775	12,317,306	26,934
Shares allocated to participants from the employee share trust	(2,686,137)	(4,820)	(7,404,169)	(15,012)
<b>Balance at the end of the period</b>	<b>6,061,939</b>	<b>13,506</b>	<b>8,017,102</b>	<b>17,552</b>

# NOTES TO THE FINANCIAL STATEMENTS *(continued)*

## 11. Share-based payments

Awards, in the form of the right to receive ordinary shares in the Company, have been granted under the following employee share ownership plans in the Historical Long-Term Incentive Plan ('Historical LTIP') and Current Long-Term Incentive Plan ('Current LTIP') Awards. Set out below are the details of the awards under the Current LTIP for the period ended 30 June 2022.

### Share options

Stock options granted to employees generally vest over a four-year period and expire ten years from the date of grant. During the half year ended 30 June 2022, 60,000 (FY2021: 1,257,467) unlisted options were issued to eligible employees. None (FY2021: None) of these options were issued to key managerial personnel ('KMP') of the Group. The Company estimates the fair value of stock options on the date of grant using the Black-Scholes option-pricing model.

### Share awards

During the half year ended, the Company issued 2,572,525 (FY2021: 3,493,424) shares to employees of the Group at an exercise price of Nil. None (FY2021: None) of these shares were issued to KMP of the Group. These awards generally vest over a period of four years. The fair value was measured based upon the closing price of the Company's shares on the date of the award.

### Measurement of grant date fair values

The following inputs were used in the measurement of the fair values at grant date of the share-based payment plans:

	Options
Date of grant	3 Jun 22
Date of vesting	over 48 months
Date of Expiry	3 Jun 32
Exercise price	AUD 1.41
Share price on date of grant	AUD 1.41
Fair value at grant date	AUD 0.82
Expected price volatility %	62.00%
Dividend yield%	0.00%
Risk free rate	3.25%
Estimated life (years)	5.83

The weighted average fair value of these awards is AUD 0.82 (FY2020: AUD 2.87) per award.

### Expense summary

For the half year ended 30 June 2022, the Group recognised US\$3.2 million of share-based payment expense (in FY2021 US\$4.1 million) in relation to:

- Stock options \$0.5 million (1H2021: \$1.3 million);
- Share awards \$2.4 million (2021: \$2.2 million); and
- Performance rights and performance shares \$0.3 million (2021: \$0.6 million).

# NOTES TO THE FINANCIAL STATEMENTS *(continued)*

## 12. Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and equity of the following subsidiaries in accordance with the accounting policy described in note 2.

Name of the entity	Country of incorporation	Equity holding	
		30 Jun 22	31 Dec 21
Nitro Software Inc.	USA	100%	100%
Nitro Software EMEA Limited	Ireland	100%	100%
Nitro Software Canada Limited	Canada	100%	100%
Connective NV	Belgium	100%	100%
Connective France SAS	France	100%	100%
Connective Digital Transformation	Spain	100%	100%
Nitro Software GmbH	Germany	100%	–
Nitro Software Hungary Kft.	Hungary	100%	–

## 13. Events occurring after the reporting period

In July 2022, pursuant to the approval by the Board, the Company initiated a restructure of its 'go-to-market' sales and marketing organisation considering the macro-economic conditions and demand/procurement landscape. The restructure is aimed at right-sizing the Company's operations to approach cash-flow breakeven by refocusing the 'go-to-market' approach while maintaining its high standards of customer service and technical delivery. The cost of the restructure is expected to be \$0.2 million. No other matters or circumstances have occurred subsequent to period end that have significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial years.



# DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Nitro Software Limited, we state that:

In the opinion of the Directors:

- a. The financial statements and notes of the Group are in accordance with the *Corporations Act 2001*, including
  - i. Complying with Accounting Standards AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
  - ii. Giving a true and fair view of the Group's financial position as at 30 June 2022 and of its performance for the half year ended on that date.
- b. There are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

On behalf of the Board,



**Kurt Johnson**  
Chairman

29 August 2022



**Sam Chandler**  
Chief Executive Officer

29 August 2022

# INDEPENDENT AUDITOR'S REPORT



## Independent auditor's review report to the members of Nitro Software Limited

### Report on the half-year financial report

#### Conclusion

We have reviewed the half-year financial report of Nitro Software Limited (the Company) and the entities it controlled from time to time during the half-year (together the Group), which comprises the consolidated statement of financial position as at 30 June 2022, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, significant accounting policies and explanatory notes and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of Nitro Software Limited does not comply with the *Corporations Act 2001* including:

1. giving a true and fair view of the Group's financial position as at 30 June 2022 and of its performance for the half-year ended on that date
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

#### Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report.

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

#### Responsibilities of the directors for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement whether due to fraud or error.

#### Auditor's responsibilities for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true

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# INDEPENDENT AUDITOR'S REPORT *(continued)*



and fair view of the Group's financial position as at 30 June 2022 and of its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

A handwritten signature in cursive script that reads 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

A handwritten signature in cursive script that reads 'Charles Christie'.

Charles Christie  
Partner

Melbourne  
29 August 2022

# APPENDIX 1: SAAS METRICS

## SaaS Metrics Definitions

Nitro provides the following key SaaS metrics semi-annually. These are non-statutory, non-IFRS/non-AASB metrics.

This Non-Statutory Information may exclude certain transactions, or present transactions or balances on a different recognition and measurement basis from that required or permitted by accounting standards. These metrics do not have prescribed definitions and therefore may not be directly comparable to similarly titled metrics presented by other entities.

## Annual Recurring Revenue ('ARR')

ARR is calculated as the total value of subscription revenue contracts that are in effect at the end of the reporting period, expressed on an annualised basis. Nitro's multi-year subscription-based licensing contracts provide visibility into revenue in future periods due to the recurring nature of those revenue streams.

## Gross Retention Rate ('GRR')

GRR is calculated as the percentage of the overall ARR from all active subscription customers 12 months ago that was retained as ARR at the end of the current reporting period, including the impact of full or partial cancellations, but excluding ARR from expansion or new subscription customers. The inverse of GRR is commonly referred to as churn rate.

## Net Retention Rate ('NRR')

NRR is calculated as the ratio of (a) ending ARR for the current financial reporting period generated from customers who were existing customers at the end of the same financial reporting period of the prior year, net of churn but including expansion; and (b) ending ARR for the financial reporting period 12 months prior. NRR is expressed as a percentage. NRR greater than 100% is a potential indicator of customer satisfaction and implies that customers are expanding their use of the Group's software solutions over time. NRR reflects GRR plus the impact of expansion.

## Lifetime Value/Customer Acquisition Cost ('LTV/CAC')

The LTV/CAC ratio compares the value of a customer over their lifetime to the cost of acquiring them. LTV/CAC is calculated as follows:

- $LTV = (\text{new bookings}/\text{number of new customers})/(1 - \text{customer retention rate})$ ; and
- $CAC = (\text{selling expense} + \text{direct marketing expense} + \text{marketing personnel expense})/(\text{number of new customers})$ .

# APPENDIX 1: SAAS METRICS *(continued)*

## EBITDA

EBITDA is earnings before interest, taxation, depreciation and amortisation. Nitro uses EBITDA to evaluate the operating performance of the Company without the non-cash impact of depreciation and amortisation, and interest and taxation. EBITDA should not be considered as an alternative to measures of cash flow under AASB and investors should not consider EBITDA in isolation from, or as a substitute for, an analysis of the results of Nitro's operations.

## Operating EBITDA

Operating EBITDA is EBITDA before share-based payments, foreign currency fluctuations, and other identifiable non-operating expenses such as IPO costs, expenses related to strategic acquisitions, business integration, fund raising costs, etc. Nitro uses this measure to evaluate the operating performance of the Company.

Nitro's calculation methodology for the SaaS metrics disclosed above allows for a clearer and more nuanced understanding of the operating performance of the business, as well as aligns with industry best practice. Nevertheless, investors should not place undue reliance on Non-Statutory Information because Non-Statutory Information is not based on AASB's, IFRS, or any other recognised body of accounting standards; it does not have prescribed definitions, and the way Nitro calculates these metrics may differ from similarly titled metrics used by other companies.

# CORPORATE INFORMATION

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