



26 April 2019

March 2019 Quarterly Activity Report - RightCrowd Limited ASX: RCW

The following report details the operating and corporate activities of RightCrowd Ltd (Company or RightCrowd) for the quarter ended 31 March 2019.

The Board of Directors is also pleased to provide commentary on the Company's activities since the beginning of the current quarter of the 2019 fiscal year, evidencing solid progress against the plans detailed at the Company's AGM in November 2018.

Acquisition

As announced on 22nd November 2018 the Company executed an agreement to acquire 100% of the shares of Belgian-based, security wearables vendor, Ticto N.V. (Ticto), as well as its fully-owned US subsidiary Ticto Inc. The completion of this transaction occurred on 15 January 2019 following receipt of shareholder approval on that date. The acquisition further supports RightCrowd's vision of deploying its products to enable an organisation to adopt new forms of frictionless and continuous risk-based access and presence control, substantially increasing RightCrowd's addressable market. The Company anticipates the acquisition to add a product suite with the potential for very significant recurring revenue growth as it sets about transforming how security is viewed within the enterprise environment. The acquisition will also provide a physical base for RightCrowd in Europe.

RightCrowd acquired Ticto for 14,200,000 EUR (\$22,903,226 at an exchange rate of 0.62 EUR for \$1 AUD), payable in fully paid shares in RightCrowd Limited, to be issued to the vendors at the equivalent of \$0.50 per share. The Company's integration and expansion plan for Ticto will see an estimated \$2.5million of RightCrowd's working capital used to cover accelerated sales and marketing, current project delivery and further R&D.

During this quarter, the company started to integrate its newly acquired subsidiaries into the RightCrowd organisation and expects this to accelerate over the next quarter.

Capital Management

In the previous quarter, RightCrowd completed a share placement to raise approximately \$4.55 million (net \$4.35 million after related capital raise fees), to fund working capital required for accelerated commercialisation and integration of the two acquired companies mentioned above. The placement was partially subscribed by various Belgian-based funds and individuals connected to Ticto, showing ongoing support for the acquired company and the expanded RightCrowd group. RightCrowd's Chairman, also subscribed for \$100,000 of shares in the placement and following shareholder approval on 15th January 2019 the funds were received. The placement involved the issuance of approximately 15.2 million fully paid ordinary shares at a price of \$0.30 per share. With this net \$4.35 million placement in addition to existing cash, the Company considers that it has the sufficient funding to commence the acceleration of the sales and marketing of Ticto solutions and perform the initial integration of the technologies.

Financial Performance

During the third quarter of FY 2019, the Company recognised revenue of \$1.59 million (including \$0.125 million from OffSite) (unaudited) and the Board is delighted that recognised revenue has reached \$5.975 million for the year to date at a consolidated level. Recognised revenue in the existing RightCrowd business has exceeded full year recognised revenue for the previous financial year. This aligns with the expectation that the revenue growth for this financial year, for the existing RightCrowd business, will exceed last years and is currently projected to exceed 40% before adding additional recognised revenue from the acquired group companies.

The Board is also satisfied that the Company's cost base is being managed in a tightly controlled manner. Employee and related costs are at approximately the same level for the existing RightCrowd business, but have increased in total by the additional headcount from the European acquisition and a full quarter effect from Offsite Vision in the US.

The forecast cash spend for the final quarter of FY 2019 takes into account the cash required in operating the 2 newly acquired entities. The forecast spend in the business is considered to be appropriate given the current business requirements.

The company received \$1.369 million from customers in the current quarter. This amount is lower than the previous quarter as the previous quarter benefited from the achievement of deployment milestones and upfront funding for previously announced large contract wins.

In addition, the FY18 R&D Tax Incentive rebate of \$1.845 million was received.

Net cash outflow for the Quarter was \$0.827 million.

Cash and cash equivalents at the quarter end totalled \$7.994 million. In addition to cash at the bank, the accounts receivable balance stood at \$1.862million. This gives cash and receivables of just over \$ 9.8 million at 31 March 2019.

Customers

In February the Company announced an expanded contract with an existing Fortune 50 customer. The customer already has a global RightCrowd deployment and the order is to support their continued business growth and subsequent scaling of the RightCrowd solution. The order, with a total value of approximately \$750,000, includes additional perpetual software licensing, annual support fees and implementation services. The software and the first 12 months of support make up 80% of the total fees, with the remainder being professional service fees to assist with the initial implementation.

The Company is an enabler of the customer's large-scale security operations. The customer leverages RightCrowd's solution to streamline service delivery, automate workforce security management tasks and deliver a global visitor experience. The Company is working with the customer to determine the appropriate delivery schedule and deployment is expected to be completed within the 2019 calendar year.

The Company also announced an exclusive partnership agreement with Securitas Belgium to sell its new suite of wearables based, Presence Control solutions across Belgium and Luxemburg. The underlying technology was developed by recently acquired, Ticto. This will include Securitas using the Presence Control solution for its Belgium headquarters staff and visitors in a roll out in the first half of 2019.

During the current quarter, the Company has successfully delivered further consulting activity with

its larger customers on additional projects that drive digital transformation and improve business efficiency. These types of projects are expected to continue into future quarters.

Since the end of the third quarter, the Company announced a significant contract with a major European Energy company. The customer is one of Europe's leading diversified energy generation and services companies. This significant win was achieved in conjunction with an existing multi-national strategic partner. The customer will be using RightCrowd's software to streamline and automate its employee, contractor and visitor management processes. Total contract value is in excess of \$2.2m. Approximately half of the contract value is attributed to software licensing, with the remainder being deployment related services costs. The Company will receive most of the revenue from this contract over the next 12 months. RightCrowd anticipates that any additional project services phases will be contracted separately.

Pipeline & Marketing

The Company's sales pipeline has continued to improve during the quarter. In addition to opportunities recently signed, there are opportunities where RightCrowd is involved in discussions with procurement and legal teams and others continuing through the stages of the sales cycle. These opportunities relate to projects of varying size, but will mainly involve the RightCrowd Enterprise solution for large-scale organisations. RightCrowd is continuing to see significant interest from national and multi-national companies, including some in new market segments aiming to improve their physical security processes. Potential mid and large scale implementations are a complex buying decision for organisations, and the initial purchase decision and contract negotiation typically requires an extended timeframe to complete. Also, large scale implementations are typically completed over several reporting periods.

Appendix 4C
Quarterly report for entities subject to Listing Rule 4.7B

Name of Entity

RightCrowd Limited

ABN

20 108 411 427

Quarter ended ("current quarter")

31 March 2019

Consolidated statement of cash flows	Current quarter \$A	Year to Date (9 months) \$A
1. Cash flows from operating activities		
1.1 Receipts from customers	1,368,478	7,026,784
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	(33,162)	(111,274)
(d) leased assets	-	-
(e) staff costs	(3,536,411)	(9,685,222)
(f) administration and corporate costs	(591,498)	(2,353,991)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	18,647	47,507
1.5 Interest and other costs of finance paid	(2,447)	(8,650)
1.6 Income taxes refunded / (paid)	(9,786)	(22,352)
1.7 Government grants and tax incentives	1,854,782	1,854,782
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(931,396)	(3,252,415)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant & equipment	(10,559)	(41,277)
(b) businesses (see item 10)	116,534	120,050
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) property, plant & equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
2.6 Net cash from / (used in) investing activities	105,976	78,774

3. Cash flows from financing activities

3.1 Proceeds from issues of shares	100,000	4,562,719
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	-	-
3.5 Proceeds from borrowings	(0)	208,298
3.6 Repayment of borrowings	(53,204)	(211,646)
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
3.10 Net cash from / (used in) financing activities	46,796	4,559,371

4. Net increase / (decrease) in cash and cash equivalents for the period

4.1 Cash and cash equivalents at beginning of quarter/year to date	8,821,143	6,609,297
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(931,396)	(3,252,415)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	105,976	78,774
4.4 Net cash from / (used in) financing activities (item 3.10 above)	46,796	4,559,371
4.5 Effect of movement in exchange rates on cash held	(48,198)	(706)
4.6 Cash and cash equivalents at end of quarter	7,994,321	7,994,321

5. Reconciliation of cash and cash equivalents

	Current quarter \$A	Previous quarter \$A
At the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the bank account		
5.1 Bank balances	7,994,321	8,821,143
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)	7,994,321	8,821,143

6. Payments to directors of the entity and their associates

	Current quarter \$A'000
6.1 Aggregate amount of payments to these parties included in item 1.2	336,225
6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	
6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

Payments of salary and superannuation contributions made to and on behalf of Board of Directors including Non-Executive Directors.

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

Nil.

8. Financing facilities available

8.1 Loan facilities	-
8.2 Credit standby arrangements	-
8.3 Other (please specify)	174,414

8.4 Income below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured.

If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.

Insurance premium funding from Hunter Premium Funding with interest rate of 4.5%

9. Estimated cash outflows for the next quarter	Current quarter
	\$A
9.1 Research and development	-
9.2 Product manufacturing and operating costs	-
9.3 Advertising and marketing	273,000
9.4 Leased assets	-
9.5 Staff costs	4,365,000
9.5 Administration and corporate costs	928,000
9.7 Other (provide details if material)	-
9.8 Total estimated cash outflows	5,566,000

**10. Acquisitions and disposals of business entities
(items 2.1(b) and 2.2(b) above)**

	Acquisitions	Disposals
10.1 Name of entity	Ticto NV	n/a
10.2 Place of incorporation or registration	Belgium	n/a
10.3 Consideration for acquisition or disposal	22,903,226	-
10.4 Total net assets	645,564	-
10.5 Nature of business	Security wearables technology	n/a

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.

Sign here:


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(CFO and Company secretary)

Date: 26 April 2019

Notes:

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly 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 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.