



31 January 2019

December 2018 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 December 2018.

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.

Acquisitions

On the 29th October 2018 the Company completed the acquisition of 100% of the shares in OffSite Vision Holdings Inc., a US-based security and safety solutions specialist. RightCrowd will benefit by extending its core product offering with an OffSite Vision integration, providing customers with more granular presence control over their people and assets. The acquisition will also provide a physical base for RightCrowd on the East Coast of the United States and better access to customers within the region.

The Company acquired OffSite Vision for a maximum purchase consideration of US\$2,277,778 (\$3,163,581 at an exchange rate of US\$0.72 for \$1), payable as US\$5,000 in cash and the remainder in fully paid shares in RightCrowd Limited, to be issued to the vendors at the equivalent of \$0.50 per share. The purchase consideration is comprised of US\$1,277,778 already paid in cash and RightCrowd scrip, and a further scrip earn-out of up to US\$1,000,000 over 2 years. OffSite Vision will use an estimated \$500,000 of RightCrowd's working capital to deliver current projects. The Company anticipates additional sales bookings in the current financial year of \$500,000 and over \$1,000,000 in FY20.

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.

Capital Management

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

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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 second quarter of FY 2019, the Company recognised revenue of just over \$2.47 million (including \$0.2 million from OffSite) (unaudited) and the Board is delighted that recognised revenue has reached \$4.38 million for the half year at a consolidated level. This aligns with the expectation that the revenue growth for this financial year will exceed last years and is currently projected to be in the order of 40% before adding additional recognised revenue from the acquired group companies.

The Board is also satisfied that the Company's cost base has stabilised and is being managed in a tightly controlled manner with employee and related costs at approximately the same level, after the planned slowing of hiring across the business. It should be noted that the increase in administration and corporate costs primarily related to fees in relation to the share placement and legal and professional fees in relation to the 2 acquisitions.

The forecast cash spend for the third quarter of FY 2019 takes into account the cash required in the 2 newly acquired entities. The forecast spend in the existing business will show a small increase over the last quarter but the Board considers this to be appropriate given the current business requirements.

The company received \$ 4.022 million from customers in the current quarter. Net cash inflow for the Quarter was \$ 4.127million.

Cash and cash equivalents at the quarter end totalled \$ 8.721million. In addition to cash at the bank, the accounts receivable balance stood at \$1.271million and the Company received an additional amount as a tax refund in relation to the R&D tax incentive of \$1.854 million on 7th January 2019 This gives cash and receivables (including R&D Tax Incentive rebate) of just over \$ 11.8 million at 31 December 2018.

Customers

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.

In the September 2018 Quarterly Activity report the Company mentioned two significant contracts with 2 of the world's top 25 Banking and Financial Services companies (based on market capitalisation). The implementation of RightCrowd solutions at both of these organisations has commenced. In addition to the current implementation activity, for one of these customers RightCrowd has quoted on a broader multi-million dollar rollout of the entire RightCrowd platform.

The Company more recently announced a significant sales contract with a major South American based Oil and Gas company, which is one of South America's leading integrated hydrocarbons exploration, production and refining companies and trades under a number of well-known brands

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regionally and internationally. The client will be using RightCrowd to streamline and automate its workforce and access management processes. The solution will enable the client to realise operational productivity and safety improvements, improve certification compliance and provide auditability of its workforce management processes. Total contract value is in excess of \$2 million, with 50% payment upfront and the remainder later in this financial year. Approximately 90% of the contract value is attributed to a 5-year software subscription, with the remainder being the first phase deployment-related services fees. RightCrowd anticipates additional services revenue from future deployment phases, which 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.

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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 December 2018

Consolidated statement of cash flows	Current quarter \$A	Year to Date (6 months) \$A
1. Cash flows from operating activities		
1.1 Receipts from customers	4,022,189	5,658,306
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	(26,779)	(78,112)
(d) leased assets	-	-
(e) staff costs	(3,305,011)	(6,125,560)
(f) administration and corporate costs	(1,107,745)	(1,792,318)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	15,333	28,860
1.5 Interest and other costs of finance paid	(2,446)	(6,203)
1.6 Income taxes paid	(12,566)	(12,566)
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(417,025)	(2,327,593)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant & equipment	(16,814)	(30,718)
(b) businesses (see item 10)	9,877	9,877
(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	(97,156)	(97,156)
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
2.6 Net cash from / (used in) investing activities	(104,093)	(117,997)

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	Current quarter \$A	Year to Date (6 months) \$A
3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	4,462,719	4,462,719
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	208,298	208,298
3.6 Repayment of borrowings	(67,486)	(158,442)
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	4,603,531	4,512,575
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	4,593,869	6,609,297
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(417,025)	(2,327,593)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(104,093)	(117,997)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	4,603,531	4,512,575
4.5 Effect of movement in exchange rates on cash held	44,871	44,871
4.6 Cash and cash equivalents at end of quarter	8,721,152	8,721,152

	Current quarter \$A	Previous quarter \$A
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 bank account		
5.1 Bank balances	8,721,152	4,593,869
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)	8,721,152	4,593,869

	Current quarter \$A
6. Payments to directors of the entity and their associates	
6.1 Aggregate amount of payments to these parties included in item 1.2	224,150
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.

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8. Financing facilities available

8.1 Loan facilities	-
8.2 Credit standby arrangements	-
8.3 Other (please specify)	150,563

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	80,000
9.4 Leased assets	-
9.5 Staff costs	4,286,000
9.5 Administration and corporate costs	901,000
9.7 Other (provide details if material)	-
9.8 Total estimated cash outflows	5,267,000

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

	Acquisitions	Disposals
10.1 Name of entity	OffSite Vision Holdings Inc	n/a
10.2 Place of incorporation or registration	USA	n/a
10.3 Consideration for acquisition or disposal	3,163,581	-
10.4 Total net assets / (liabilities)	(10,295)	-
10.5 Nature of business	Security and Safety Solutions	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:



Leslie Milne
(CFO and Company Secretary)

Date: 31 January 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.

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