



**30 April 2018**

**March 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 March 2018.

At the end of the third quarter of the financial year, the Board of Directors is pleased to provide the Activity Report evidencing solid progress against the plans detailed in the IPO Prospectus and at the Company's AGM in November 2017.

**Financial Performance**

During the quarter, the Company received \$1,591k from customers including invoicing from all revenue sources. Total amount for the year to date is \$4,527k. These amounts are as expected during the present business cycle. The executive team expects a similar outcome in the fourth quarter of FY 2018.

The Board is also satisfied that the Company's cost base is increasing in a tightly controlled manner with employee and related costs at a slightly increased level, after the planned slowing of hiring across the business. The level of costs specifically related to corporate governance this quarter have also decreased, with the IPO and associated activity now completed and paid for.

Cash and cash equivalents at quarter end totalled \$8,095k.

The Board would draw your attention to the lower value of Administration and Corporate costs in the statement and this is due to a half-year adjustment made in the Half Year Report after discussion with the auditor. This was in relation to the capitalisation of IPO costs. This item does not affect the cash balance at the end of quarter 2 and 3.

**Customers**

During the quarter, the Company has closed a sales contract with and commenced deployment of a security management solution with an Australian Government owned entity across selected locations nationally. The client is deploying solutions to streamline manual security management processes while delivering enhanced safety, security and compliance. The solution provides automated procedures, designed to meet the client's specific process and compliance regime. The subscription and implementation revenue for this contract is around \$200,000. The more significant aspect of this win is its deployment on an InnerRange physical access control system, which supports RightCrowd's decision to invest further in technology interfaces with market leading security systems. This investment over the last 2 to 3 financial years has allowed RightCrowd to increase the addressable market to support around 70% of the access control market globally.

The Company also closed its first RightCrowd Essentials contract in the Europe region and whilst this is not revenue-material is significant as the contract was closed with a government agency through a new partner in that region who will also deploy the RightCrowd solution.

Across the quarter, RightCrowd has been working with a large Middle Eastern petrochemical processing company to deploy a Continuous Workforce Assurance and Emergency Management system. In April 2018, the petrochemical company and RightCrowd achieved GO LIVE, successfully deploying the solution across all their sites. This contract was won through RightCrowd's partnership with Honeywell. These solutions provide the client with an automated system that manages in real-time, physical access and compliance information on all company staff, contractors, visitors, trainees and vendors who enter their buildings and process areas. The system reconciles Customer information from multiple of its Enterprise systems with a key goal of ensuring employee safety. This deployment on Honeywell EBI is a further validation of RightCrowd's decision

to invest in additional technology interfaces with leading security systems and further cements our relationship with the vendor.

During the financial year and continuing through the current quarter, the Company has successfully delivered further consulting activity with its larger customers on additional projects that improve business efficiency. These types of work are expected to continue into future quarters.

At the end of April 2018 RightCrowd will be participating in a customer roadshow with the objective of providing additional market education to a group from the Australian investment community. This group will be able to see at close quarters the business operation of a number of companies who have already successfully implemented the RightCrowd solution at global scale and are at the forefront of global technology change.

#### Pipeline & Marketing

Potential mid and large scale implementations are a complex buying decision for organisations and an initial purchase decision takes place over an extended timeframe.

The Company's sales pipeline has improved further during the quarter with a number of opportunities reaching the later stages of the sales cycle. Some of these have reached the stage of legal and commercial negotiation. These opportunities are likely to commence as mid-sized RightCrowd projects with the significance of these opportunities being the interest shown by organisations operating different physical security platforms and in new market segments for the Company.

The Company also expects a positive impact on the pipeline through leads delivered from its recent attendance at the ISC West 2018 conference. The interest at this event showed again the improvement in recognition of the RightCrowd brand within the wider security market, and organisations increasing awareness of the importance of considering solutions that also achieve efficiencies within their physical security, safety and compliance operations.

In addition to attendance at ISC West, the Company has been making great progress in building new marketing materials that will be released during the next quarter.

#### Technology

During the quarter, the Company achieved certification with Genetec and Honeywell ProWatch physical access control platforms for its core software products, RightCrowd Enterprise and RightCrowd Essentials. The integration enables clients of Genetec and Honeywell ProWatch to address complex business problems that involve security, safety and compliance. The integration further increases the addressable market and available channels for RightCrowd solutions.

Value Added Resellers of both Genetec and Honeywell ProWatch will now be able to offer clients advanced enhancements to the existing access control investment, such as automated access provisioning, time on site monitoring, fatigue management, evacuation management, visitor and contractor management and automatic access revocation.

In addition, RightCrowd continued development of new software solutions that over the next few quarters will bring the Company's Enterprise technology further into the cybersecurity space. The Company expects that further details will be available in the market within the next 2-3 quarters and is pleased with the current level of feedback from potential customers who are being demonstrated the beta version of the solution.

To support this effort the company has further broadened the experience of the Engineering team through the hire of a small number of highly experienced individuals from outside the physical security market. The Company announced the hiring of its new VP of Engineering in an earlier Quarterly statement but can also announce the hire of Zoran Radenkovic to its Engineering group. Zoran has over a decade of experience in cyber security at IBM and will provide strong, market-lead support to the team as the new product is brought to market.

#### Strategic Partnerships

The Company has technology partnerships with a number of the leading multi-national security companies. Through this quarter, it has entered into negotiations with several of these in order to

form closer long-term technology and commercial relationships. Whilst it is not yet possible to determine the likelihood of additional revenue being generated from these closer relationships, the company does expect that these closer relationships will improve its ability to market RightCrowd solutions across the customer base of the partner companies.

**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 2018**

| Consolidated statement<br>of cash flows   | Current quarter<br>\$A | Year to Date<br>(9 months)<br>\$A |
|---|------------------------|-----------------------------------|
| <b>1. Cash flows from operating activities</b>                                  |                        |                                   |
| 1.1 Receipts from customers   | 1,590,776              | 4,527,837                         |
| 1.2 Payments for  |                        |                                   |
| (a) research and development  | -                      | -                                 |
| (b) product manufacturing and operating costs                                   | -                      | -                                 |
| (c) advertising and marketing   | (36,346)               | (97,327)                          |
| (d) leased assets   | -                      | -                                 |
| (e) staff costs   | (2,948,039)            | (7,971,898)                       |
| (f) administration and corporate costs  | (231,706)              | (1,400,854)                       |
| 1.3 Dividends received (see note 3)   | -                      | -                                 |
| 1.4 Interest received   | 23,086                 | 59,444                            |
| 1.5 Interest and other costs of finance paid                                    | (5,193)                | (29,315)                          |
| 1.6 Income taxes paid   | -                      | -                                 |
| 1.7 Government grants and tax incentives  | -                      | 1,647,084                         |
| 1.8 Other (provide details if material)   | -                      | -                                 |
| <b>1.9 Net cash from / (used in) operating activities</b>                       | <b>(1,607,421)</b>     | <b>(3,265,028)</b>                |
| <b>2. Cash flows from investing activities</b>                                  |                        |                                   |
| 2.1 Payments to acquire:  |                        |                                   |
| (a) property, plant & equipment   | (15,377)               | (225,420)                         |
| (b) businesses (see item 10)  | -                      | -                                 |
| (c) investments   | -                      | -                                 |
| (d) intellectual property   | -                      | -                                 |
| (e) other non-current assets  | -                      | -                                 |
| 2.2 Proceeds from disposal of:  |                        |                                   |
| (a) property, plant & equipment   | -                      | 20,877                            |
| (b) businesses (see item 10)  | -                      | -                                 |
| (c) investments   | -                      | -                                 |
| (d) intellectual property   | -                      | -                                 |
| (e) other non-current assets  | -                      | -                                 |
| 2.3 Cash flows from loans to other entities                                     | (885)                  | (885)                             |
| 2.4 Dividends received (see note 3)   | -                      | -                                 |
| 2.5 Other (provide details if material)   | -                      | -                                 |
| <b>2.6 Net cash from / (used in) investing activities</b>                       | <b>(16,262)</b>        | <b>(205,428)</b>                  |
| <b>3. Cash flows from financing activities</b>                                  |                        |                                   |
| 3.1 Proceeds from issues of shares  | -                      | 9,250,000                         |
| 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 | -                      | (1,020,374)                       |
| 3.5 Proceeds from borrowings  | 181,911                | 181,911                           |
| 3.6 Repayment of borrowings   | -                      | (2,020,871)                       |
| 3.7 Transaction costs related to loans and borrowings                           | -                      | -                                 |
| 3.8 Dividends paid  | -                      | -                                 |
| 3.9 Other (provide details if material)   | -                      | -                                 |
| <b>3.10 Net cash from / (used in) financing activities</b>                      | <b>181,911</b>         | <b>6,390,666</b>                  |

|   |                  |                  |
|---|------------------|------------------|
| <b>4. Net increase / (decrease) in cash and cash equivalents for the period</b> |                  |                  |
| 4.1 Cash and cash equivalents at beginning of quarter/year to date              | 9,539,743        | 5,177,761        |
| 4.2 Net cash from / (used in) operating activities (item 1.9 above)             | (1,607,421)      | (3,265,028)      |
| 4.3 Net cash from / (used in) investing activities (item 2.6 above)             | (16,262)         | (205,428)        |
| 4.4 Net cash from / (used in) financing activities (item 3.10 above)            | 181,911          | 6,390,666        |
| 4.5 Effect of movement in exchange rates on cash held                           | <u>(2,623)</u>   | <u>(2,623)</u>   |
| <b>4.6 Cash and cash equivalents at end of quarter</b>                          | <b>8,095,349</b> | <b>8,095,349</b> |

|   |                        |                         |
|---|------------------------|-------------------------|
| <b>5. Reconciliation of cash and cash equivalents</b>   | <b>Current quarter</b> | <b>Previous quarter</b> |
|   | <b>\$A</b>             | <b>\$A</b>              |
| 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   | 8,095,349              | 9,539,743               |
| 5.2 Call deposits   | -                      | -                       |
| 5.3 Bank overdrafts   | -                      | -                       |
| 5.4 Other (provide details)   | <u>-</u>               | <u>-</u>                |
| <b>5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>                                      | <b>8,095,349</b>       | <b>9,539,743</b>        |

|  |                        |
|--|------------------------|
| <b>6. Payments to directors of the entity and their associates</b>                                       | <b>Current quarter</b> |
|  | <b>\$A'000</b>         |
| 6.1 Aggregate amount of payments to these parties included in item 1.2                                   | 112,075                |
| 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)      | 181,911 |

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.

The Group has taken advantage of an unsecured facility to spread the payment of corporate insurance over a twelve month term. This facility is through Hunter Premium Funding at an interest rate of 4.5%. The Group has no other financing facilities.

|  | Next Quarter<br>\$A |
|--|---------------------|
| <b>9. Estimated cash outflows for the next quarter</b> |                     |
| 9.1 Research and development                           |                     |
| 9.2 Product manufacturing and operating costs          |                     |
| 9.3 Advertising and marketing                          | 101,000             |
| 9.4 Leased assets                                      |                     |
| 9.5 Staff costs  | 3,068,000           |
| 9.5 Administration and corporate costs                 | 554,000             |
| 9.7 Other (provide details if material)                |                     |
| <b>9.8 Total estimated cash outflows</b>               | <b>3,723,000</b>    |

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

|  | Acquisitions | Disposals |
|--|--------------|-----------|
| 10.1 Name of entity                            | n/a          | n/a       |
| 10.2 Place of incorporation or registration    | n/a          | n/a       |
| 10.3 Consideration for acquisition or disposal | -            | -         |
| 10.4 Total net assets                          | -            | -         |
| 10.5 Nature of business                        | n/a          | 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: 30 April 2018

**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.