

ASX Release



27 April 2023

Q3 FY23 QUARTERLY ACTIVITIES REPORT & APPENDIX 4C

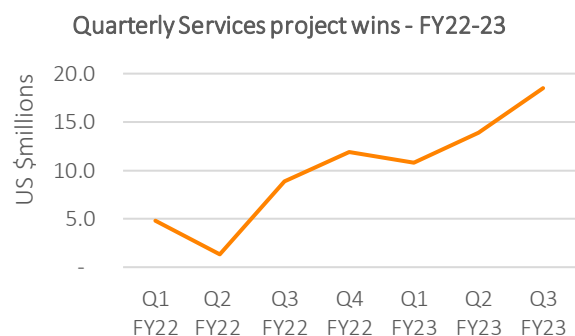
DUG Technology Ltd (ASX: DUG) (“DUG” or the “Company”) is pleased to provide this update on activities and the Appendix 4C for the quarter ended 31 March 2023.

Highlights

- **US\$18.5 million in new Services projects awarded** during the quarter, a 108% increase on Q3 FY22.
- **Total revenue in Q3 FY23 was US\$12.7 million**, an increase of 55% on Q3 FY22.
- **EBITDA for Q3 FY23 of US\$3.7 million**, an increase of US\$2.5 million on Q3 FY22.
- **Operating net cash inflows for Q3 FY23 of US\$4.9 million**, a US\$2.6 million increase on Q3 FY22. Net financing cash outflows for Q3 FY23 of US\$1.6 million.
- **Total cash held at 31 March 2023 was US\$5.5 million** with net cash (excluding AASB 16 leases) at 31 March 2023 of US\$2.1 million.

Operational update

Services project wins have continued to grow with US\$18.5 million of orders received during the quarter. Total services project awards for the last twelve months were US\$55.1 million, a record high for the business. Current quarter wins include US\$7.5 million in new projects for the Asia-Pacific region which have had historically lower activity levels relative to the Houston and London offices.



Revenue remained strong at US\$12.7 million for the quarter, softening slightly on record high Q2 FY23 revenues due to minor project delays in select services projects. Software revenue continues to grow quarter on quarter, revenue from HPCaaS softened.

The EBITDA result of US\$3.7 million for the quarter brings the year to date EBITDA delivered to US\$11.3 million.

Operating cash inflows were US\$4.9 million for the quarter with a cash balance of US\$5.5 million at 31 March 2023 and net cash of US\$2.1 million.

Managing Director Dr Matthew Lamont said: “Order intake in the Services business continues to set new records, leaving the business well positioned for the next 12-18 months and beyond. It is particularly pleasing to see a material level of orders coming into the Asia-Pacific region this quarter.

Our cash flows and balance sheet are going from strength to strength. To be in a net cash position enables us to invest in growth opportunities to further broaden our revenue base.”





Revenue

Total revenue was US\$12.7 million for Q3 FY23. The table below summarises the break-down of revenue across the Company's three product lines:

Product line	Q3 FY23 (US\$ million)	Q3 FY22 (US\$ million)	Variance Q3 FY23 to Q3 FY22 (%)
Services	10.0	5.6	79%
Software	1.8	1.4	29%
HPCaaS	0.9	1.2	(25%)
Total	12.7	8.2	55%

Services revenue grew by 79% on Q3 FY22 and fell by 12% on Q2 FY23. Activity remained high in this product line with some minor delays on select projects impacting revenue for the quarter.

Software revenue grew by 29% on Q3 FY22 and 6% on Q2 FY23 following strong renewals and new customer wins during the quarter. HPCaaS revenue fell by 25% on Q3 FY22.

Cash flow

Cash inflows from operating activities were US\$4.9 million for Q3 FY23 (Q2 FY23: inflow of US\$2.1 million), including interest payments of US\$0.4 million (Q2 FY23: US\$0.3 million). The improvement on the previous quarter was due to the unwinding of working capital build up from certain large services projects in the first half of FY23.

Cash outflows from financing activities for the quarter were US\$1.6 million and included two quarterly repayments of US\$0.5 million on DUG's term loan facility with CBA due to the timing of payments over the Christmas break. The term loan has reduced to US\$3.0 million and matures in July 2024.

At 31 March 2023, total cash held by the Company was US\$5.5 million, an increase of US\$3.0 million compared to 31 December 2022.

Payments to related parties of the entity and their associates

The amount included in section 6.1 of the Appendix 4C comprises fees and salaries paid to directors of US\$153,146.

This ASX Announcement has been approved for release by the Board of DUG Technology Ltd.

Ends



For more information:

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About DUG

DUG is an ASX listed technology company, headquartered in Australia, that specialises in analytical software development and reliable, green, high-performance computing (HPC). The company is built on a strong foundation of applied science and a history of converting research into practical, real-world solutions. DUG delivers innovative software products and cost-effective, cloud-based HPC as a service backed by bespoke support for technology onboarding. DUG's expertise in algorithm development and code optimisation enables clients to leverage big data and solve complex problems.

DUG is a global company with offices in Perth, London, Houston and Kuala Lumpur, supporting a diverse industrial client-base that includes radio-astronomy, biomedicine and meteorology, as well as the resource, government and education sectors. DUG designs, owns, and operates a network of some of the largest and greenest supercomputers on Earth. The company continues to invest and innovate at the forefront of software and HPC, working towards a climate-positive future.

To learn more, please visit www.dug.com.

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

DUG Technology Ltd

ABN

99 169 944 334

Quarter ended ("current quarter")

31 March 2023

Consolidated statement of cash flows	Current quarter \$US'000	Year to date (9 months) \$US'000
1. Cash flows from operating activities		
1.1 Receipts from customers	15,507	34,155
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(2,393)	(3,870)
(c) advertising and marketing	(551)	(1,454)
(d) leased assets	-	-
(e) staff costs	(6,669)	(18,285)
(f) administration and corporate costs	(622)	(1,947)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	1
1.5 Interest and other costs of finance paid	(364)	(973)
1.6 Income taxes received/(paid)	(14)	(131)
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
Non recurring redundancy costs	-	(161)
1.9 Net cash from / (used in) operating activities	4,894	7,335
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(142)	(1,244)
(d) investments	-	-
(e) intellectual property	(46)	(105)

Consolidated statement of cash flows	Current quarter \$US'000	Year to date (9 months) \$US'000
(f) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	72
(d) investments	-	-
(e) intellectual property	-	-
(f) 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	(188)	(1,277)

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2 Proceeds from issue of convertible debt securities	-	-
3.3 Proceeds from exercise of options	-	-
3.4 Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5 Proceeds from borrowings	-	319
3.6 Repayment of borrowings	(1,155)	(1,925)
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Repayment of leases	(484)	(1,440)
3.10 Other	-	-
3.11 Net cash from / (used in) financing activities	(1,639)	(3,046)

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	2,531	2,656
4.2 Net cash from / (used in) operating activities (item 1.9 above)	4,894	7,335

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (9 months) \$US'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(188)	(1,277)
4.4	Net cash from / (used in) financing activities (item 3.11 above)	(1,639)	(3,046)
4.5	Effect of movement in exchange rates on cash held	(117)	(187)
4.6	Cash and cash equivalents at end of period	5,481	5,481

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 accounts	Current quarter \$US'000	Previous quarter \$US'000
5.1 Bank balances	5,481	2,531
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)	5,481	2,531

6. Payments to related parties of the entity and their associates	Current quarter \$US'000
6.1 Aggregate amount of payments to related parties and their associates included in item 1	153
6.2 Aggregate amount of payments to related parties and their associates included in item 2	-
<p><i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i></p> <p>Amounts included in 6.1 are remuneration payments made to Directors.</p>	

7.	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$US'000	Amount drawn at quarter end \$US'000
7.1	Loan facilities – Term Debt	3,000	3,000
7.2	Loan facilities – Credit standby arrangements	1,000	549
7.3a	Other (Premium Funding Loan)	80	80
7.3b	Other (Bank Overdraft)	670	-
7.3c	Other (Asset Finance)	283	283
7.4	Total financing facilities	5,032	3,912
7.5	Unused financing facilities available at quarter end		1,120
7.6	<p>Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.</p> <div style="border: 1px solid black; padding: 5px;"> <p>Commonwealth Bank of Australia:</p> <ol style="list-style-type: none"> 1. USD Term Debt: US\$3,000,000 <ol style="list-style-type: none"> a. Interest rate: SOFR rate plus 4.25% line fee. b. Maturity date: 1 July 2024 c. Secured or Unsecured: Secured 2. Contingent Instrument Facility: US\$1,000,000, drawn down to \$US549,000 <ol style="list-style-type: none"> a. Interest rate: Line fee of 1.00% plus utilisation fee of 2.95% on amounts drawn. b. Maturity date: Subject to annual review c. Secured or Unsecured: Secured 3. Overdraft Facility: A\$1,000,000 (US\$669,900 as at 31 March 2023 spot rate). <ol style="list-style-type: none"> a. Interest rate: Line fee of 1.50% plus Overdraft Index Rate as quoted on CBA's website b. Maturity date: Subject to annual review c. Secured or Unsecured: Secured <p>Other facilities include a premium funding loan for the Group's insurance policies which is unsecured, and asset financing facilities which is secured against assets purchased with those facilities.</p> </div>		
8.	Estimated cash available for future operating activities	\$US'000	
8.1	Net cash from / (used in) operating activities (item 1.9)	4,894	
8.2	Cash and cash equivalents at quarter end (item 4.6)	5,481	
8.3	Unused finance facilities available at quarter end (item 7.5)	1,120	
8.4	Total available funding (item 8.2 + item 8.3)	6,601	
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	N/A	
<p><i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i></p>			

8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:

8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer:

N/A

8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer:

N/A

8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer:

N/A

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

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.

Date: 27 April 2023

The Board

Authorised by:
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow 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 cash flow 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.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.