



ASX Announcement
ASX: DUB

10 April 2024

Company update, FY24 half-year results and fully underwritten \$24.06 million capital raising

Executive Summary

- Update on recent events and investigation into alleged misappropriation of funds.
- Release of FY24 half year results
- Revenue guidance reduced from \$45 million to a range of \$38.1 million – \$41.6 million
- Company to raise approximately \$24.06 million by way of a fully underwritten institutional placement and 1 for 1 accelerated non-renounceable pro-rata entitlement offer.
- Thorney Investment Group, Dubber's largest shareholder, has committed to take up \$2 million of its entitlement and sub-underwrite up to \$7 million of the retail component of the entitlement offer.
- Directors to participate approx. \$500,000 in capital raising

Dubber Corporation Limited (ASX: DUB) (**Company**) provides this update of recent events and its investigation into the alleged misappropriation of Company funds, releases its financial results for the half-year to 31 December 2023 and updated revenue guidance, and announces details of a capital raising.

Update on recent events and investigation

On 27 February 2024 the Board uncovered that Company funds, which were supposed to have been held by a trustee in a term deposit on behalf of the Company, may have been misused by either or both the Company's former Managing Director and CEO, Steve McGovern and the third-party trustee, Christopher William Legal (whose principal is Mark Madafferi).

The Company immediately commenced an investigation into the matter and on 1 March 2024 announced the suspension of the employment of Mr McGovern pending the outcome of the investigation. The matter was also referred by the Company to ASIC and the Legal Services Board of Victoria. Following this, and as a consequence of the Company's investigation, on 9 April 2024 the Company terminated the employment of Mr McGovern with immediate effect.

A summary of the results of the Company's investigation are set out below:

- Deposits to the third-party trustee were made within the Company's existing financial controls at the time, but the alleged misuse of funds occurred while under the control of the third-party trustee, beyond the Company's control, knowledge and supervision.
- Between mid-2019 and August 2021, the Company deposited \$60 million into a trust account for term deposits. However, a trust account ledger provided by Christopher William Legal revealed many unauthorised transfers in and out of the account, unknown to the Company.
- The Company was unaware of the trust account ledger until 27 February 2024 and documents that were likely falsified were presented to the Company and its external auditor to support the ongoing existence of the term deposits.
- A total of \$26.6 million remains unaccounted for, likely misappropriated by Mr McGovern and Mr Madafferi for unauthorised purposes, including payments to multiple third parties and entities.



- Recipients of payments included certain personnel of the Company or entities or individuals associated with them, which warranted further investigation, however no conclusive evidence has been identified to date that any individual connected to the Company other than Mr McGovern was involved in the alleged misappropriation of funds.
- Whilst the investigation uncovered sufficient evidence for the Company to terminate Mr McGovern's employment, the Board considered the evidence available did not warrant the Company taking disciplinary steps against any other current personnel.
- The alleged misappropriation of funds led to an overstatement of assets and earnings from interest income and additional unrecorded transactions which may have been valid Company transactions potentially means operating losses were understated by \$4,607,142 in aggregate for 2022 and prior years.
- The results of the investigation are reflected in the Company's consolidated financial statements for the six months ended 31 December 2023, which have been subject to review by the Company's external auditor.

The Company may undertake further investigations into the matter, including as part of its efforts to pursue recovery of missing funds.

For further details of the missing funds and the Company's investigation, see pages 5 – 8 of the investor presentation lodged with ASX today.

Financial review – Release of HY24 results

The Company today released its financial statements for the half year to 31 December 2023 (HY24).

Revenue

Overall, revenue in HY24 grew 37% to \$18,728,274 (HY23: \$13,677,547).

	Europe \$	Americas \$	Rest of world \$	Total \$
HY24 Revenue	12,722,955	4,532,874	1,472,445	18,728,274
Growth on HY23	37%	43%	19%	37%

Europe revenues grew 37% in HY24 to \$12,722,955, reflecting strong volume growth in end user volumes across a number of Tier 1 CSPs in the UK, along with completion of the migration of Vodafone's recording customer base from a legacy service to Dubber and additional contracts commencing with global financial institutions to provide compliant call recording commencing in the half year. End user volumes from elite partners continued to grow reflecting the initial results from the refreshed sales strategy and the continuing expansion of requirements for Microsoft Teams and other communication service provider (CSP) networks which have contributed in the half year.

Americas revenues grew 43% in HY24 to \$4,532,874, which combined volume growth through existing CSP partners with a range of new revenue generating network providers and enterprise customers. Cisco, as Dubber's key foundation partner, has continued its activation of Webex users, which includes a licence for Dubber Go within each Webex activation. The half year also saw increased penetration of Dubber premium recording products to Cisco users. Microsoft Teams service provider requirements continue to expand in this region also, as end user customers seek to unify their user experience across multiple platforms.

Rest of World revenues grew 19% in HY24 to \$1,472,445. Dubber's products for Telstra's Unified Communications service have been integrated into the customer onboarding portal in the half year which is starting to accelerate growth. Additionally the Dubber platform has been integrated into Optus mobile network with growth expected to continue to improve over the remainder of FY24.



Operating Costs

Overall, operating costs have reduced by 27% in the 6 months ended 31 December 2023 to \$33,164,801 (HY23: \$45,584,701).

	31-Dec-23	31-Dec-22
	\$	\$
Direct costs	6,542,256	7,280,091
Salaries and related expenses	17,500,445	27,779,622
Employees share based payments	2,123,731	1,709,182
General and administration costs	6,241,772	8,857,131
Foreign exchange losses/(gains)	756,597	(41,325)
	33,164,801	45,584,701

Direct costs decreased by 10% to \$6,542,256 (HY23: \$7,280,091), principally reflecting savings achieved in cloud and similar platform costs through optimising the efficiency and scalability of the platform for core call recording services. This is expected to allow for continued service volume and revenue growth with much lower direct cost increases, therefore increasing direct margins achieved over the medium term.

Salaries and related expenses were \$17,500,445 (HY23: \$27,779,622), down 37% on HY23. This reflected significantly lower average headcount across HY24 than HY23 due to the restructure undertaken in the second half of FY23, and consequently lower staff related costs such as travel and amenities that are linked to headcount. Employee share based payments increased 24% to \$2,123,731 (HY23: \$1,709,182) reflecting the value of share based incentive instruments granted to employees in the year and timing impacts of the issue of KMP short term incentives in HY24 compared to the timing of issuance of comparable incentives in FY23, and therefore the expense recognised was higher than in HY23.

General and administration costs decreased 31% to \$6,241,772 (HY23: \$9,031,610) principally reflecting the cost saving restructuring plan undertaken in the second half of FY23 which in addition to headcount reductions reduced discretionary costs across a number of areas such as marketing, travel, overheads, non-core software costs and other corporate expenses. Additionally, there were a number of one-off expenses incurred in the first half of FY23 related to non-recurring corporate activities that did not reoccur in HY24.

As a result, the group recorded a loss before depreciation, amortisation, impairment, interest and tax of \$14,436,527 (HY23: \$31,820,863), a reduction in loss of 55% on HY23.

Other income and expense

Finance income reduced by 92% to \$8,470 (HY23 Restated: \$101,874) due to significantly lower cash deposits resulting in lower interest income.

Finance costs increased 53% to \$800,719 (HY23: \$524,253) reflecting higher interest costs incurred on liabilities.

The group recognised goodwill impairment charges of \$3,211,455 (HY23: \$174,480) that relate to the Rest-of-World cash-generating unit's goodwill assets.

Depreciation and amortisation decreased 12% to \$4,123,838 (HY23: \$4,705,939) mostly due to favourable foreign exchange retranslation of GBP denominated finance leases and intangible assets reducing the current period depreciation expense.

HY24 income tax benefit was \$414,408 (HY23: \$170,689 expense) reflecting amortisation of deferred tax liabilities.

As a result, the group recorded a loss after income tax of \$22,149,661 (HY23 restated: \$37,294,350), a reduction in loss of 41% on HY23.



Cashflows

The group recorded operating cash receipts from customers of \$17,776,923 (HY23: \$17,802,429), consistent with HY23. Net cash outflows used in operating expenses were 57% lower than HY23 at \$11,423,119 (HY23: \$26,631,243) reflecting the lower cash based expenses incurred in the year as a result of the cost efficiencies achieved as a result of the restructuring programme, as well as a timing benefits on timing of payments in HY24 that are expected to rebalance over the second half of FY24.

During the period, the Company issued 73,214,286 shares to raise \$9,657,902 (net of issue costs).

The group had \$1,480,485 of cash and cash equivalents at 31 December 2023, in addition to \$1,150,000 of cash at call in a term deposit (classified as Other Receivables at 31 December 2023).

Updated guidance

Dubber's revenue guidance has reduced from \$45 million to a range of \$38.1 million – \$41.6 million¹ due to the impact of the alleged misappropriation of term deposit funds (as detailed above) and a contract dispute, while normalized expected FY24 cash costs² remain on track for \$65 million.

Gross profit margin grew to 65% in H1 FY24 and this is expected to continue to improve as the business scales.

Dubber has elevated its focus on reducing costs without impacting services and support to its partners and customers. The Company is targeting in excess of \$5 million in annualised savings to be delivered in FY25.

Appointment of Acting CEO

As announced on 9 April 2024, Executive Director, Peter Pawlowitsch, will remain in the role of Acting CEO until a suitable replacement is found. The Board has commenced a formal recruitment process.

Capital raising

The Company is undertaking a fully underwritten capital raising to raise approximately \$24.06 million at an issue price of \$0.05 per share (**Offer Price**) comprising:

- a 1 for 1 non-renounceable accelerated pro-rata entitlement offer to raise approximately \$20.92 million (**Entitlement Offer**); and
- an institutional placement to raise approximately \$3.14 million (**Placement**), together the (**Offer**).

Dubber intends to use the funds received from the capital raising for additional working capital; bringing ordinary business creditors back into normal payment terms (including the ATO and SROs); costs associated with the Company's financial investigation³; repayment of Thorney Loan⁴ (as defined below); and the costs of the Offer.

The Offer Price of \$0.05 per share represents a:

- 77.3% discount to the last traded price of \$0.22 on 27 February 2024;
- 77.2% discount to the 5-day VWAP up until the last day of trading of \$0.219; and
- 61.3% discount to theoretical ex-rights price (**TERP**)⁵ of \$0.129.

¹ For further details, including assumptions, see page 32 and 59 of the Presentation.

² Cash costs exclude share-based payment expenses, FX gains and losses, impairment, and non-recurring costs associated with the investigation into the misappropriation of funds and their recovery and the equity capital raising. For further details, including assumptions, see page 33 and 60 of the Presentation.

³ Costs associated with the Company's investigation into the misappropriation of funds.

⁴ For further information in relation to repayment of the Thorney Loan, which may increase the cash available to the Company, see pages 40 – 42 of the Prospectus.

⁵ Theoretical ex-rights price ('TERP') includes shares issued under the Placement, Institutional Entitlement Offer and Retail Entitlement



The Offer will result in the issue of approximately 481.13 million fully paid ordinary shares (**New Shares**). The New Shares issued under the Offer will rank equally with existing Dubber shares as at their date of issue.

The Offer is being made under a prospectus under section 713 of the Corporations Act 2001 that has been lodged with ASIC and ASX today (**Prospectus**).

Morgans Corporate Limited has been appointed as the underwriter to the Offer. Morgans Corporate Limited and Unified Capital Partners Pty Ltd have been appointed as the joint lead managers and joint bookrunners to the Offer (**Joint Lead Managers**).

Placement

All shares offered under the Placement will be issued at the same price as New Shares issued under the Entitlement Offer. New Shares issued under the Placement do not have rights to participate in the Entitlement Offer.

The Placement is being undertaken in reliance on a standard ASX Listing Rule 7.1 “supersize” waiver granted by the ASX.

Entitlement Offer

The accelerated institutional component of the Entitlement Offer (**Institutional Entitlement Offer**) is being conducted today and tomorrow, 10 and 11 April 2024, along with the Placement. Eligible institutional shareholders will be invited to participate in the Institutional Entitlement Offer. Entitlements not taken up under the Institutional Entitlement Offer will be offered to certain eligible institutional investors and existing eligible institutional shareholders through an institutional bookbuild at the Offer Price.

The retail component of the Entitlement Offer (**Retail Entitlement Offer**) is expected to open on 17 April 2024 to eligible retail shareholders with a registered address in Australia and New Zealand as at 7:00pm (Melbourne time) on 12 April 2024 (**Record Date**) and is expected to close at 5:00pm on 3 May 2024. Eligible retail shareholders in Australia and New Zealand as at the Record Date may participate in the Retail Entitlement Offer in accordance with the terms and conditions outlined in the Prospectus. A letter will be sent to eligible retail shareholders on or around 17 April 2024 containing instructions to access the Prospectus and their personalised entitlement and acceptance form.

The Retail Entitlement Offer will include a top up facility, which will allow eligible shareholders that have fully subscribed for their entitlements under the Offer to subscribe for additional New Shares in excess of their entitlement (**Additional New Shares**) that have not been taken up by other shareholders. Additional New Shares will be allocated at the discretion of Dubber (in consultation with the Joint Lead Managers), subject to applicable laws and scale back in accordance with the policy described in the Prospectus. There is no guarantee that eligible shareholders will receive the number of Additional New Shares applied for.

The Entitlement Offer is non-renounceable, and rights are not transferrable and will not be traded on the ASX or any other exchange. Eligible shareholders who do not take up their entitlement under the Entitlement Offer in full or in part, will not receive any value in respect of those entitlements not taken up.

Major shareholder and director support

Participation in Offer and repayment of Thorney Loan

Thorney Investment Group has agreed to support the Entitlement Offer and will take up \$2 million worth of New Shares in the Institutional Entitlement Offer (which represents approximately 48.1% of its full entitlement) and will sub-underwrite up to \$7 million of the Retail Entitlement Offer.

Offer. TERP is a theoretical calculation only and the actual price at which Dubber shares trade immediately following the ex-date for the Entitlement Offer may be different from TERP. TERP has been calculated as: (existing market capitalisation of Dubber plus additional equity raise) / total shares on issue following the Offer.



As announced to the ASX on 15 March 2024, Dubber secured bridging finance in the form of a secured loan for up to \$5 million from Tiga Trading Pty Ltd (**Thorney**), a company associated with Thorney Investment Group, Dubber's largest shareholder (**Thorney Loan**). The Company has now drawn down \$5 million under the Thorney Loan.

In relation to the amounts owing under the Thorney Loan, the amount payable by Thorney Investment Group under its sub-underwriting obligation is payable first by offsetting the amount owed to Thorney under the Thorney Loan up to \$5 million, and thereafter in cash. To the extent its sub-underwriting obligation is less than \$5 million, the Company will, subject to Shareholder approval for the purposes of the ASX Listing Rules, issue Thorney (or its nominees) such number of Dubber shares (**Offset Shares**) that is the lower of (i) the balance of the Thorney Loan divided by the Offer Price and (ii) the number of Offset Shares that will result in Thorney Investment Group holding a relevant interest in 19.90% of Dubber shares on issue. The subscription amount payable by Thorney Investment Group for these Dubber shares will be offset against the amount owing under the Thorney Loan, with the remainder of the amount owing under the Thorney Loan being repaid in cash.

Alex Waislitz, Executive Chairman, Thorney Investment Group, commented, "*Thorney continues to believe Dubber's core business model has sound prospects, with the company having built a substantial global client base that includes many Tier 1 communication service providers. Accordingly, we remain supportive of the current efforts to recapitalise the company.*"

Neil Wilson, Dubber Chairman, said, "*We are appreciative of the support for the company from Thorney, in particular on this capital raising and assisting with management of the company's working capital requirements ahead of the raising.*"

"*Dubber's management team continues its focus on achieving the company's business growth and efficiency objectives. The Board sincerely thanks the entire Dubber team and our partners, customers and suppliers for their ongoing commitment to the company during this period.*"

For further details on the Company's arrangements with Thorney Investment Group and the control implications for the Company, see pages 40 – 42 of the Presentation.

Thorney director appointment rights

Following completion of the Offer, Thorney Investment Group will be entitled to nominate up to two directors to the board of the Company, provided Thorney Investment Group holds at least 20% of the Shares on issue. If Thorney Investment Group holds at least 15% but less than 20% of the Shares on issue, Thorney Investment Group will be entitled to nominate one director.

For further detail on the Thorney director appointment right, see page 40 of the Presentation.

Director Participation

The directors have committed to subscribe for in aggregate \$400,000 worth of New Shares under the Entitlement Offer and Neil Wilson has agreed to sub-underwrite the Entitlement Offer up to \$100,000.

Lifting of ASX suspension

The Company has requested that the ASX lifts the suspension of trading in its shares upon the allotment and issue of New Shares under the Institutional Entitlement Offer and Placement (which is to occur on or around 17 April 2024).

The lifting of the suspension is subject to ASX's discretion and the satisfaction of certain reinstatement conditions imposed by ASX (see Section 8.11 of the Prospectus).

Accordingly, Dubber shares will remain suspended from trading until such conditions are satisfied and ASX exercises its discretion.



Indicative Timetable

Key event	Date
Announcement of Placement and Entitlement Offer (ASX suspension continues)	10 April 2024
Entitlement Offer Record Date	7:00pm 12 April 2024
Announcement of results of Placement and Institutional Entitlement Offer	12 April 2024
Placement and Institutional Entitlement Offer Settlement Date	16 April 2024
Issue and allotment of New Shares under the Placement and Institutional Entitlement Offer	17 April 2024
Expected lifting of suspension of trading in Dubber shares ⁶	
Despatch of the Prospectus and entitlement and acceptance form to eligible retail shareholders	17 April 2024
Retail Entitlement Offer opens	17 April 2024
Retail Entitlement Offer closes (Closing Date)	3 May 2024
Announcement of results of Retail Entitlement Offer	8 May 2024
Retail Entitlement Offer Settlement Date	9 May 2024
Issue and allotment of New Shares under Retail Entitlement Offer (including Additional New Shares) (Issue Date)	10 May 2024
Despatch of holding statements for New Shares issued under the Retail Entitlement Offer	13 May 2024
New Shares issued under Retail Entitlement Offer commence trading on ASX on a normal settlement basis	13 May 2024
General meeting to approve issue of Offset Shares (if applicable) and the issue of 10 million Dubber shares to Peter Pawlowitsch as announced on 9 April 2024	June 2024

All dates and times are indicative only and subject to change. Unless otherwise specified, all times and dates refer to Melbourne time. Dubber reserves the right to amend any or all of these dates and times, with the consent of the Joint Lead Managers, subject to the Corporations Act, the ASX Listing Rules and other applicable laws. In particular, Dubber reserves the right to extend the Closing Date and to accept late applications under the Offer without prior notice. Any extension of the Closing Date will have a consequential effect on the Issue Date for New Shares under the Offer. Any changes to the timetable will be posted on Dubber's website at www.dubber.net.

The commencement of quotation of New Shares is subject to the discretion of ASX.

⁶ The Company has requested that the ASX lifts the suspension of trading in its shares upon the allotment and issue of New Shares under the Institutional Entitlement Offer and Placement. The lifting of the suspension is subject to ASX's discretion and the satisfaction of certain reinstatement conditions imposed by ASX (see section 8.11 of the Prospectus). Accordingly, the Company will remain in suspension until such conditions are satisfied and ASX exercises its discretion.



Retail Investor Enquiries

Further details on the Offer are set out in the Presentation and Prospectus which were released to the ASX today. These will also be available on Dubber's website at www.dubber.net.

For further enquiries about the Offer, please do not hesitate to contact the Company's share registry from 8:30am to 7:00pm (Melbourne time) Monday to Friday on 1300 103 392 (called within Australia) or +61 2 9068 1925 (called outside Australia). You should also consult your broker, solicitor, accountant or other professional adviser to evaluate whether or not to participate in the Offer.

This announcement has been approved for release to ASX by the Board of Directors.

About Dubber

Dubber enables Communication Service Providers to unlock the potential of the network - turning every conversation into a source of value for differentiated innovation, retention, and revenue. Listed on the ASX, Dubber is one of the market leaders in conversation intelligence and unified conversational recording increasingly enabled by Artificial Intelligence (AI) capability - embedded in over 210 Communication Service Provider networks and services.

For more information, please visit Dubber on www.dubber.net or contact:

Peter Pawlowitsch
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You are strongly cautioned not to place undue reliance on forward-looking statements, particularly in light of the current economic climate and geopolitical tensions, including the conflict in Ukraine, Israel and Palestine.

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