

## archTIS June 2021 Quarterly Report

### Record Revenue and Customer Receipts Close Out Strong FY'21

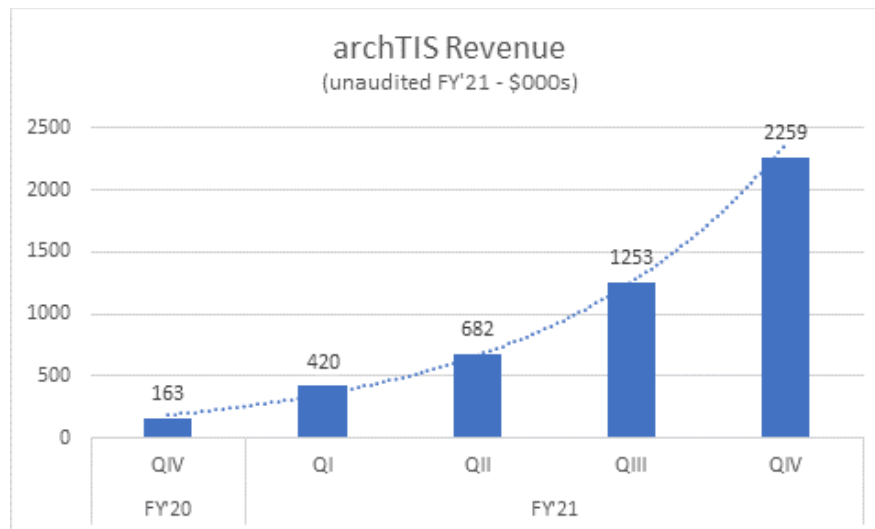
archTIS Limited (ASX: AR9, archTIS or the Company), a provider of innovative software solutions for the secure collaboration of sensitive information, is pleased to provide an update for the quarter ended 30 June 2021 (Reporting Period or Quarter).

#### Quarter Highlights (unaudited)

Total revenue of \$2.26M; up 80% from prior quarter	Record cash receipts from customers of \$3.22M	Available cash at quarter end for investment of \$12.7M
Gross profit up 86% from prior quarter	Operating expenses up 8% from prior quarter to support investments	Annual recurring revenue up 39% from prior quarter; 581% prior comparative quarter

Daniel Lai, Managing Director and CEO stated, “archTIS delivered a strong record-breaking quarter. We set out with a plan to scale the business through the expansion of a global sales distribution network, increased market awareness and technology-leading product innovation. This has provided shareholders with another quarter of record revenue growth, strong customer cash receipts and an increasing recurring licensing business.”

During the June quarter, the Company continued to deliver record metrics of revenue, cash receipts, ARR and gross profits. The acceleration of growth was driven through key customer wins and renewals across government agencies, defence contractors and broader commercial global markets, with wins for both the Kojensi and NC Protect product offerings. Sales distribution, market awareness and product innovation will continue to drive operating metrics while positioning the company for a strong FY'22.



## Quarterly Financial Summary

Total unaudited revenue for the quarter was \$2.26M, up 80% on the prior quarter of \$1.25M and up 1,289% from the same comparative quarter prior year of \$162K. The increase in revenue was largely attributable to a quarter over quarter increase of 39.1% in annual recurring licensing revenue, and consulting services delivered for the landmark Department of Defence contract.

Gross profit was \$1.48M, up 86% from the prior quarter of \$797K. Gross margin for the quarter was 66%, up 2% from the previous quarter.

Operating expenses for the quarter totalled \$2.3M, up 8.6% on the prior quarter; reflecting the Company's investment in sales and marketing resources to execute its go-to-market strategy.

The table below shows some of the unaudited financial highlights for the quarter:

A\$'000	Q4	FY21 (unaudited)			FY20 (audited)
		Q3	Q2	Q1	Q4
Total revenue	2,258.8	1,252.8	681.7	420.1	162.8
% increase on prior quarter	80%	84%	62%		
% increase prior comparative quarter	1,289%				
Annual Recurring Revenue	1,939	1,394	990.1	922.1	284.7
% increase on prior quarter	39.1%	40.8%	7.4%		
% increase prior comparative quarter	581.1%				
Gross margin	66%	64%	75%	76%	42%
OPEX (after capitalising development costs)	2,305	2,123.4	1,091.5	844.4	787.5
% increase on prior quarter	8.6%	95%	29%		

## Appendix 4C Cash Flow Report

The Company's Appendix 4C Quarterly Cash Flow Report for the quarter ended 30 June 2021 accompanies this announcement.

archTIS ended the Quarter with a cash balance of \$12.7M versus \$12.03M from the prior period. Cash receipts from customers for the June quarter were \$3.22M compared to \$1.50M from the prior March quarter. The increase in the cash position can be attributed to the sales and subsequent payment of significant multi-year licensing deals previously announced to the market. The strong and increased cash position continues to provide the Company with financial flexibility to execute on the go-to-market strategy while driving product innovation.

The Company expended a gross total of \$2.759M on the operations of the Company. This was comprised of product manufacturing and operating costs (\$178K), advertising and marketing (\$244K), leased assets (\$7K), staff costs (\$1.433M), and administrative and corporate costs (\$897K). The payments included at section 6.1 of the attached Appendix 4C relate to directors' fees and wages (\$97K).

## Quarterly Operational Review

### Customer wins driving commercial growth

archTIS has delivered several material contract wins for both its proprietary NC Protect and Kojensi product offerings, including within the Europe, Middle East and Africa (EMEA) region, a market of growing strategic importance. This demonstrates the Company's ability to deliver on its global strategy.

The following wins validate the Company's go to market strategy and demonstrate its global expansion successes as well as diversification of its business into new and fast-growing geographic regions.

### NC Protect

- An Australian National Security Agency to procure additional software licenses and support with a total five-year contract value of \$535K;
- Expanded deployment within an Australian Commonwealth National Security Agency with a total four-year contract value of \$868K;
- US National Institute for Health to secure protected healthcare information;
- German social accident insurance company *Berufsgenossenschaft für Gesundheitsdienst und Wohlfahrtspflege* (BGW) to secure employee and guest access in SharePoint;
- Digital employee engagement provider, WyzeTalk to secure Office 365 collaboration;
- A European Oncology Biotech for Office 365 and Microsoft Teams information protection;
- A multi-billion-dollar US-based manufacturer provided a 2-year contract to secure intellectual property in SharePoint;
- Power generation organisation to identify and secure sensitive business documents via a single policy engine across the enterprise in a hybrid Microsoft environment of SharePoint and Office 365;
- PC distributor to ensure file integrity upon upload into NetApp virtualised file shares;
- Canadian specialist insurance company to limit access for sensitive court ordered documents in victim abuse cases within Office 365; and,
- Real Estate Investment Trust to secure financial statements within Office 365 and Teams.

## Kojensi

- Australian Department of Defence contracted for on-prem license valued at \$578K which includes \$264K for an annual license and \$314K for hardware and services;
- A large German technology company selected Kojensi SaaS to provide regional collaboration of PROTECTED information with the Australian Department of Defence;
- An Australian defence contractor selected Kojensi SaaS to securely communicate with government agencies; and,
- Northrop Grumman renewal of Kojensi SaaS for business development communications.

## Key Partnership with Microsoft, Thales and Raytheon

archTIS entered a partnership with Thales Australia, Microsoft, and a number of Australian SMEs to launch Nexium Defence Cloud Edge (NDC Edge). The solution provides a secure Tactical cloud computing capability at the edge of the battlespace and includes archTIS' Kojensi platform to provide Australian Sovereign technology for highly secure sensitive/classified information collaboration and sharing.

archTIS' alliance partnership with Microsoft continues to strengthen with a number of Microsoft IP Co-Sell Program wins along with an expanding pipeline of opportunities across large, regulated industries in all geographies.

Raytheon Australia partnered with archTIS to take part in their industry program Capability Plus. The program aims to assist small and medium-sized Australian businesses win defence contracts within Australia and globally.

## Product Development

archTIS continued to enhance the NC Protect product line with a major version release that added new capabilities based on customer feedback and market requests. We have added several key new NC Protect capabilities and extended the file types supported. Most notably:

- Redaction
- File Integrity
- Duplicate Document Management
- OCR and CAD File Support

The combined product development team has kicked off a new initiative around "KojNC"; the development of equivalent feature sets in both Kojensi and NC Protect. Whether creating, securing or sharing information across the Kojensi platform to identifying, securing and accessing information across the Microsoft collaboration suite of offerings, core features and functionality will be consistent across all user experiences.

## Corporate

### Full integration of archTIS and Nucleus Cyber complete

The Company has now completed the full integration of Nucleus Cyber following the merger with Nucleus Cyber, Inc (Nucleus Cyber) under the Merger Agreement dated 26 November 2020 between

archTIS, Nucleus Cyber, Nucy Merger Sub, Inc and Kurt Mueffelmann (**Merger Agreement**), as announced on 23<sup>rd</sup> December 2020.

The integration included the combination of websites, CRM systems, sales teams, business development pipelines and the use of external advisors such as auditors and lawyers. The full integration of both companies will deliver ongoing operational cost efficiencies and strengthen the Company's sales model as it leverages the skills and networks of the combined team.

Whilst no Deferred Consideration Shares were issued during the Quarter, per the ASX announcement dated 26 July 2021, a final tranche of 6,087,272 Deferred Consideration Shares were issued to the vendors of Nucleus Cyber Inc following the end of the Quarter. No further Deferred Consideration Shares remain to be issued under the Merger Agreement. Refer to the ASX announcement dated 26 July 2021 for further details.

### **Appointment of Chief Financial Officer**

Kylie Sheather was appointed as Chief Financial Officer bringing a wealth of experience in financial planning and analysis and a strong background in technical accounting, ASX compliance and complex financial reporting. Sheather has also held senior financial positions at both medium and large listed companies where she has consulted extensively on project management and associated process re-engineering which will support the Company's expansion plans. Sheather will be responsible for developing the Company's financial management systems as well as strategic analysis and cost management to support archTIS' global expansion and distribution channels. She will also work with the Board and Management to minimise costs, drive operational efficiencies and provide key decision-making support.

### **Outlook**

The Board and Management team is focused on driving shareholder value through continued top-line revenue growth across high margined licensed offerings. Traditionally, Q1 is a slower sales quarter as Australian entities kick off the new fiscal year establishing budget parameters and the northern hemisphere has summer breaks. Accordingly, and as part of its long-term growth strategy, archTIS will focus on developing its capabilities across the following key areas:

- Building sales pipeline opportunities;
- Expanding product innovation through proprietary intellectual property to support our mission of securing the world's most sensitive information;
- Providing the highest levels of customer satisfaction and retention; driving predictability across renewable revenue streams;
- Capturing key market opportunities across Government agencies with particular focus on Defence, Defence industrial entities and regulated industries of financial services, insurance, healthcare, pharma and manufacturing that need to secure sensitive information;
- Exploring and continue to drive acquisition strategy that expands product offerings and geographical distribution for data-centric security; and,
- Executing on key global sales distribution and market awareness investments.

Authorised for issue by order of the Board of Directors.

**ENDS**

**For further enquiries please contact:**

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**About archTIS Limited**

archTIS Limited (ASX:AR9) is a global provider of innovative software solutions for the secure collaboration of sensitive information. The company's award-winning data-centric information security solutions protect the world's most sensitive content in government, defence, supply chain, enterprises and regulated industries through attribute-based access and control (ABAC) policies. archTIS products include Kojensi, a multi-government certified platform for the secure access, sharing and collaboration of sensitive and classified information; and NC Protect for enhanced information protection for file access and sharing, messaging and emailing of sensitive and classified content across Microsoft 365 apps, Dropbox, Nutanix Files and Windows file shares. For more information visit [archtis.com](http://archtis.com) or follow @arch\_tis.

## Appendix 4C

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

Name of entity

archTIS Limited

ABN

79 1230 986 71

Quarter ended ("current quarter")

30 June 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	3,222	6,970
1.2 Payments for		
(a) research and development	-	(10)
(b) product manufacturing and operating costs	(178)	(432)
(c) advertising and marketing	(244)	(456)
(d) leased assets	(7)	(145)
(e) staff costs	(1,433)	(4,376)
(f) administration and corporate costs	(897)	(2,568)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	3
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	11	1,040
1.8 Other (GST)	267	447
<b>1.9 Net cash from / (used in) operating activities</b>	<b>742</b>	<b>473</b>

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
<b>2.</b>	<b>Cash flows from investing activities</b>		
2.1	Payments to acquire:		
	(a) entities	-	331
	(b) businesses	-	-
	(c) property, plant and equipment	(7)	(104)
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(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	Payments to settle liabilities on settlement including transaction costs	-	(1,064)
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(7)</b>	<b>(837)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	8,400
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	2,790
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	(514)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-



Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
3.9	Other (provide details if material)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	-	<b>10,676</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	12,031	2,466
4.2	Net cash from / (used in) operating activities (item 1.9 above)	742	473
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(7)	(837)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	10,676
4.5	Effect of movement in exchange rates on cash held	(3)	(15)
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>12,763</b>	<b>12,763</b>

<b>5.</b>	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 \$A'000	Previous quarter \$A'000
5.1	Bank balances	12,763	12,031
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details)		
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>12,763</b>	<b>12,031</b>

<b>6.</b>	<b>Payments to related parties of the entity and their associates</b>	<b>Current quarter \$A'000</b>
6.1	Aggregate amount of payments to related parties and their associates included in item 1	97
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

Note: Amounts included at item 6.1 relate to payments to directors of the Board for fees and wages.

<b>7.</b>	<b>Financing facilities</b> <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	50	-
7.3	Other (please specify)	-	-
7.4	<b>Total financing facilities</b>	50	-

<b>7.5</b>	<b>Unused financing facilities available at quarter end</b>	33
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7.6 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.

Unsecured corporate credit card facility of \$50,000 (annual interest rate 20.24%) with Westpac Banking Corporation.

<b>8.</b>	<b>Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1	Net cash from / (used in) operating activities (Item 1.9)	742
8.2	Cash and cash equivalents at quarter end (Item 4.6)	12,763
8.3	Unused finance facilities available at quarter end (Item 7.5)	33
8.4	Total available funding (Item 8.2 + Item 8.3)	12,796
8.5	<b>Estimated quarters of funding available (Item 8.4 divided by Item 8.1)</b>	17.25

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

- 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

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

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

## 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 July 2021

Authorised by: Board of Directors

(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.