

20 September 2021

archTIS Acquires Cipherpoint Technology Assets and Customers

Accretive asset purchase adds to archTIS' rapidly growing annual recurring revenue, global distribution and industry-leading intellectual property

Highlights:

- archTIS acquires technology assets including customers, staff and the European operations of Cipherpoint Limited's software division.
- The acquisition represents significant value for shareholders at ~3.8x the acquired annual recurring revenue; while being immediately accretive to earnings.
- Strategic acquisition providing archTIS with a unique data discovery and encryption technologies that are complementary to NC Protect and can be upsold and cross-utilised within the existing Microsoft technology stack.

CANBERRA – 20 September, 2021 – archTIS Limited (ASX:AR9), a global provider of innovative software solutions for the secure collaboration of sensitive information, today announced the purchase of select assets including customers, technology and the European operations of Cipherpoint Limited's (ASX:CPT) software division.

The newly acquired software division includes the intellectual property to cp.Protect, an advanced SharePoint on-premises data encryption solution, as well as cp.Discover, a data discovery and classification platform. Both products complement archTIS' NC Protect solutions. Existing cp.Protect and cp.Discover customers include DHL, Bank of Finland, California State University, Arthur J Gallagher, US DARPA, Singapore Power, Singapore Tote and Acronym Media. Cipherpoint reseller NTT Data will continue to provide an ongoing sales channel for the cp products in Germany, Austria, Switzerland and Singapore regions. NC Protect will provide a migration path for customers moving to Microsoft 365 and Teams, as customers move toward Microsoft's Cloud or Hybrid platforms. Specifically, the acquisition will provide a growing suite of data-centric and zero trust architected platforms and products to support Microsoft customer environments for on-premises, hybrid and cloud deployments and assist the Company to grow its annual recurring revenues.

archTIS Global COO and US President, Kurt Mueffelman, said, "We have worked with the Cipherpoint software team for some time through our existing mutual reseller arrangements. The asset purchase is a logical next step in the relationship. The bolt-on acquisition represents excellent value for archTIS shareholders (~3.8x current annual recurring revenue) with the delivery of many long-serving, high profile customers and partners, as well as extending markets in Europe and Singapore. In particular, the asset purchases will provide archTIS with unique data discovery and classification technology that are complementary to NC Protect and can be cross-utilised with our existing technology stack. Moreover, the industry-ready Cipherpoint staff will slot readily into our active EU/America offices and bolster our sales efforts in these markets."

The purchase price consists of \$1.4M in cash with \$200K of the initial purchase price held in escrow until the novation of certain contracts. In addition, further consideration of up to \$1M is to be paid based on total contract values of contracts assigned to archTIS as of 31 March 2022. This additional consideration will be settled through the issue of shares under the Company's 15% placement capacity after 31 March 2022. Further material terms of the acquisition are set out in **Annexure A**.

The Cipherpoint software division currently provides \$370K in annual recurring revenue for the current contracts and has a deep and growing pipeline across Europe, Asia and the Americas, including a number of government and defence agencies. The asset purchase is projected to be immediately accretive to the archTIS financials with Cipherpoint staff in Europe (Heilbronn, Germany) joining the organization.

archTIS Acquires Cipherpoint Technology and Customer Assets

Cipherpoint Executive Director, Joint Company Secretary and COO, Steven Bliim, who will join archTIS as Vice President – Business Development, EMEA, said, “I am excited about this transaction, especially in its potential to deliver growth opportunities for both businesses in addition to the sales and support systems already well established in archTIS. With a number of new pipeline opportunities already underway, I look forward to further cultivating an even stronger working relationship as a member of the archTIS team.”

Daniel Lai, Managing Director and CEO of archTIS, stated, “I’m pleased to add the Cipherpoint technology, support and sales teams to archTIS. The acquisition clearly demonstrates our fiscal responsibility and our ability to consistently execute on what we have communicated to shareholders and the market around targeting acquisitive growth. We are capital efficient in how we price and evaluate deals and how we’re not afraid to look out of the box for this or other acquisitions.”

-ENDS-

Authorised for issue by order of the Board of Directors.

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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.

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Annexure A

A summary of the material terms and conditions of the Asset Sale Agreement between the archTIS Limited and Cipherpoint Limited and Cipherpoint GMBH is set out below.

Item	Description
Parties	Cipherpoint Limited and Cipherpoint GMBH (Vendors); and archTIS Limited (Purchaser).
Acquisition	The Purchaser will acquire select assets including customers, technology and the European operations of the Cipherpoint Limited software division.
Consideration	<p>The consideration payable to the Vendors is:</p> <ul style="list-style-type: none">a) \$1.2 million in cash to be paid on completion;b) up to \$200,000 to be paid in tranches upon the assignment or novation of select contracts to the Purchaser; andc) up to \$1 million deferred consideration to be paid after 31 March 2022 based on the total contract value of perpetual licence sales of products acquired determined as at 31 March 2022. <p>The deferred consideration in (c) above will be paid through the issue of shares at a price equal to the higher of:</p> <ul style="list-style-type: none">a) the share price which is a 15% discount to the closing price of the Purchaser's shares on the date of execution of the agreement; andb) the 30-day VWAP over the 30 days in which trades occur in the Purchaser's shares immediately prior to 31 March 2022. <p>The maximum number of shares that may be issued for the deferred consideration is therefore 3,095,975.</p>
Employees	The Purchaser will also assume certain liabilities relating to employees moving to work for the Purchaser.
Completion	Completion will occur two business days following the execution of the agreement.
Warranties	Standard warranties in relation to the ownership of the assets and the authority to dispose, as is customary for this type of agreement are included.