

## ASX Announcement (SOV)

### Appendix 4C Release – Quarter to December 2020 (Q2 FY21)

Sovereign Cloud Holdings Limited (“SOV”, the “Company”), trading as AUCloud, is pleased to provide its quarterly activity update for the quarter ending 31 December 2020. SOV also released its Appendix 4C today.

#### Key Highlights

- New operating metrics introduced to improve reporting clarity and transparency: Total Contract Value (TCV), TCV Closed; TCV Outstanding and Quarterly IaaS Consumption (QIC).
- Significant growth momentum achieved: TCV Closed quarterly increase of 200% to \$1.8m. TCV Outstanding increase of 150% to \$2.1m and quarterly IaaS Consumption increase of 3% to \$525k.
- Secured formal IRAP accreditation to PROTECTED level.
- \$20.5m cash balance at 31 December 2020.
- Well placed to support growing partner community.

#### Introducing New Operating Metrics

Summarised below are new operating metrics adopted by SOV’s management for measuring the progress of business:

- *Total Contract Value (TCV)* is the total value of expected revenue from estimated consumption of infrastructure-as-a-service (IaaS) services secured through customer contracts (e.g. purchase orders, statement of works) but not enforceable. Invoices are raised typically on a monthly basis against these contracts based on actual usage. Such contracts generally form part of a larger contractual scope that is less defined but provides overarching commercial terms (e.g. Master Services Agreements, Channel Partner Agreements, Teaming Agreements). As such, TCV provides an estimate of the total IaaS consumption expected by a customer over a defined time period, typically 12 months.
  - *TCV Closed* in any period is the aggregated revenue associated with all signed commercial contracts in that period.
  - *TCV Outstanding* is the remaining aggregated balance of all signed contracts at a point in time, net of any consumption utilised to date against the respective contracts.
- *Quarterly IaaS Consumption (QIC)* is the revenue recognised within a quarterly period based on the aggregated consumption of IaaS services, excluding setup charges or one-off non-recurring charges. In the Company’s experience it is reasonable to expect QIC to be repeated in subsequent periods.

#### Operating Highlights

- Contract extensions and 16 new opportunities/expansions of existing customer/partner projects were secured in the quarter, which amounted to approximately \$1.8m in TCV Closed, representing a 200% increase on the previous quarter’s TCV closed of \$0.6m.
- TCV Outstanding at 31 December 2020 of approximately \$2.1m compared to \$0.85m at 30 September 2020 (150% increase in the quarter).

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- Unaudited revenue for the quarter of \$561k, which included \$525k of Quarterly IaaS Consumption (QIC), a 3% increase in QIC on the previous quarter. Cash receipts from customers during the quarter of \$514k was slightly less than the previous quarter due to timing of invoicing.
- The timing of TCV conversion into QIC revenue is largely dependent on the implementation timetables of the Company's customers and partners, however, based on TCV Outstanding at 31 December 2020 and expected timing of future consumption, management expect QIC revenue to increase significantly in the second half of FY21.

## Financial Highlights

- \$20m raised (\$18.3 in net transaction costs) following the IPO in December plus \$0.7m carried forward from pre-IPO capital raisings.
- Cash held at 31 December 2020 of \$20.5m.
- Investment of \$2.6m in IT platform expansion and \$0.6m in other assets at both Sydney and Canberra data centres, funded from increased lease finance facility with a major supplier.

## Secured Accreditation & Outlook

- In November 2020, SOV secured formal IRAP accreditation to PROTECTED under the Australian Cyber Security Centre's new Cloud Assessment and Authorisation Framework. As one of the first organisations to secure such accreditation, which specifies areas of risk around sovereignty and the implications of metadata flows outside Australia, SOV is now well placed to support our growing partner community.
- The on-going growth in cyber incidents is providing a growing source of opportunities not only across government but increasingly from organisations in critical national industries. The Company's sovereign security capabilities, combined with its broad range of channel partners, continues to provide a clear point of difference to meet customer needs and capitalise on the presenting opportunities.

## CEO Comment

Commenting on the SOV's performance for the quarter, Managing Director Phil Dawson said:  
"I am pleased to report the successful completion of the IPO and listing of the company's shares on ASX in December 2020, but more importantly, the increase in TCV and Outstanding TCV at 31 December 2020. The management team has been exceptional during the 2020 bushfire and COVID-19 challenges and we are looking forward to capitalising on our position as the sovereign cloud alternative to the global providers, across government and critical national industries."



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Philip Dawson  
Managing Director

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## Appendix 4C

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

**Name of entity**

Sovereign Cloud Holdings Limited

**ABN**

80 622 728 189

**Quarter ended ("current quarter")**

December 2020

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	514	1,075
1.2 Payments for		
(a) research and development		
(b) product manufacturing and operating costs	(399)	(636)
(c) advertising and marketing	(3)	(4)
(d) leased assets	(263)	(590)
(e) staff costs	(1,312)	(2,601)
(f) administration and corporate costs	(428)	(695)
1.3 Dividends received (see note 3)		
1.4 Interest received	5	6
1.5 Interest and other costs of finance paid	(61)	(107)
1.6 Income taxes paid		
1.7 Government grants and tax incentives	13	351
1.8 Other (provide details if material)		
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(1,934)</b>	<b>(3,201)</b>

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities		
(b) businesses		
(c) property, plant and equipment	(2,585)	(2,592)
(d) investments		
(e) intellectual property		

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

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
	(f) other non-current assets	(648)	(648)
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	Other (provide details if material)		
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(3,233)</b>	<b>(3,240)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	20,700	25,426
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	(1,677)	(1,687)
3.5	Proceeds from borrowings	3,218	3,218
3.6	Repayment of borrowings	(610)	(1,127)
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (provide details if material)		
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>21,631</b>	<b>25,830</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	4,054	1,129
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,934)	(3,201)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(3,233)	(3,240)

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

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	21,631	25,830
4.5	Effect of movement in exchange rates on cash held		
4.6	<b>Cash and cash equivalents at end of period</b>	<b>20,518</b>	<b>20,518</b>

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 \$A'000	Previous quarter \$A'000
5.1	Bank balances	20,518	4,054
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details)		
5.5	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>20,518</b>	<b>4,054</b>

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	0
6.2	Aggregate amount of payments to related parties and their associates included in item 2	0
<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>		

<b>7. Financing facilities</b> <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>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>																												
7.1 Loan facilities	5,845	5,845																												
7.2 Credit standby arrangements																														
7.3 Other (please specify)																														
7.4 <b>Total financing facilities</b>	5,845	5,845																												
7.5 <b>Unused financing facilities available at quarter end</b>																														
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.																														
<p>The company has historically funded part of the computer hardware &amp; related assets required to run its business under finance lease arrangements where the Company chooses the equipment required which is then purchased by a third party (often a company related to the supplier of the equipment). Details of each facility is summarised below:</p> <table border="1"> <thead> <tr> <th>Lender</th> <th>Balance Owing \$'000</th> <th>Maturity date</th> <th>Interest Rate</th> </tr> </thead> <tbody> <tr> <td>Cisco Capital #1</td> <td>1,892</td> <td>February 2022</td> <td>4.17%</td> </tr> <tr> <td>Cisco Capital #2</td> <td>875</td> <td>September 2024</td> <td>5.10%</td> </tr> <tr> <td>Cisco Capital #3</td> <td>747</td> <td>November 2024</td> <td>5.53%</td> </tr> <tr> <td>Cisco Capital #4</td> <td>1,464</td> <td>November 2024</td> <td>5.47%</td> </tr> <tr> <td>Other</td> <td>867</td> <td>May 2023</td> <td>7.0%</td> </tr> <tr> <td><b>Total</b></td> <td><b>5,845</b></td> <td></td> <td></td> </tr> </tbody> </table> <p>The above finance facilities are secured by the respective computer equipment and software assets acquired.</p> <p>The above facilities exclude lease liabilities relating to right-of-use leased assets, such as data centres. Payment relating to these facilities are included in cashflows from operating activities under "lease assets".</p>			Lender	Balance Owing \$'000	Maturity date	Interest Rate	Cisco Capital #1	1,892	February 2022	4.17%	Cisco Capital #2	875	September 2024	5.10%	Cisco Capital #3	747	November 2024	5.53%	Cisco Capital #4	1,464	November 2024	5.47%	Other	867	May 2023	7.0%	<b>Total</b>	<b>5,845</b>		
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<b>Total</b>	<b>5,845</b>																													

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(1,934)
8.2	Cash and cash equivalents at quarter end (item 4.6)	20,518
8.3	Unused finance facilities available at quarter end (item 7.5)	0
8.4	Total available funding (item 8.2 + item 8.3)	0
8.5	<b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	10.6
<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>		
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?	
	<div>Answer: NA</div>	
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?	
	<div>Answer: NA</div>	
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?	
	<div>Answer: NA</div>	
<i>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.</i>		

**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 January 2021

Authorised by: By the 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 – e.g. 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.