ASX Announcement

20 October 2021

Sovereign Cloud Holdings Limited (SOV)

Chair's Address and Managing Director and CEO's Presentation

In accordance with ASX Listing Rule 3.13.3, Sovereign Cloud Holdings Limited provides the following which will be presented at its Annual General Meeting commencing at 10am (AEST) in Brisbane today:

1. Chair's Address; and

2. Managing Director and CEO's Presentation.

Authorised for release by the Board

Michelle Crouch
Company Secretary
Sovereign Cloud Holdings Limited
P: +61 732 228 444
E: mcrouch@australiacloud.com.au

About Sovereign Cloud Holdings

Sovereign Cloud Holdings (operating as AUCloud) provides highly secure, standards based, sovereign cloud Infrastructure as a Service (IaaS) to Australian Government and Critical National Industry communities. This includes Federal, State and Local Governments and CNI organisations such as telecommunications, electricity, energy, financial services and similar utility providers.

Managed, operated and monitored in Australia by security cleared Australian citizens, all services and data hosted by Sovereign Cloud Holdings remains in Australia. This includes all customer data, account data, metadata, support data and derived analytics data.

For further information, please visit: AUCloud – Australian Sovereign Cloud (australiacloud.com.au)

Chair's Address Sovereign Cloud Holdings Limited (SOV)
Annual General Meeting
20 October 2021

On behalf of the Board of Directors of Sovereign Cloud Holdings Limited ("Company" or "SOV"), we are pleased to present to you our 2021 Annual Report. As most of you are aware, the company operates under the name "AUCloud".

AUCloud is an Australian sovereign cloud Infrastructure as a Service ("IaaS") provider exclusively focused on the Australian Government, the Australian Defence Force ("ADF") and Critical National Industry Communities ("CNI").

AUCloud's IaaS service provides its customers with a highly secure, scalable, automated cloud solution, delivering an efficient and effective hosting environment for critical and sensitive applications and systems. The services and data managed by AUCloud are all hosted and maintained in Australia. AUCloud's focus is to secure contracts from the Australian Government, ADF and CNI where is has the strategic advantage.

The Company has invested significantly over the past two years into creating two autonomous inter-connected Sovereignty Zones in Canberra and Sydney. Through the development of the Company's ecosystem of over 60 channel partners, AUCloud has built a significant pipeline of sales opportunities.

In the first half of Financial Year 2021 (FY21) the Company completed an IPO which resulted in the listing of its shares on the ASX in December 2020. This provides the resources for the Company to continue to fund its operations as its revenue base continues to grow.

A key driver of revenue growth is expected to come as the Government transitions from self-managed (or on-premise) legacy infrastructure to cloud infrastructure. As this occurs, we expect the Company's growth to benefit from its key competitive strengths of sovereignty, security and performance.

AUCloud currently has limited market share of the target addressable market in Australia, with the bulk of the potential workload still residing in on premise legacy infrastructure. As the transition to cloud infrastructure gains momentum, we consider our key competitors to be the large global cloud service providers. However ongoing changes to Federal Government policy continue to illustrate the increasing focus on and requirement to consider the specific sovereignty related risks associated with data classification requirements.

The Company expects to continue to significantly grow the customer base in FY22 under its 'land, expand and extend' strategy, which will in turn lead to an uptake in the balance of Total Contract Value held and revenue in FY22 and beyond, as the contracted services are consumed.

Our working capital requirements have to date been primarily funded through various equity capital raisings over the past three years. The Directors will continue to monitor the Company's liquidity and funding requirements, and if necessary, seek further capital through this avenue.

Sovereign Cloud Holdings Ltd
ACN: 622 728 189
W: australiacloud.com.au

Unit 7, 15-21 Beaconsfield Street,
Fyshwick, Canberra ACT 2609

PO Box 1048
Fyshwick, ACT 2604

On behalf of the Board, I would like to acknowledge the effort and commitment of all our staff, who continue to perform especially well during these difficult times impacted by Covid-19. I would also like to thank our shareholders, both those who have been with us for the entire journey and those who have joined us since our admission to the ASX, for their ongoing support of the Company's strategy. I remain firmly of the opinion that the investments made by the Company over the past few years will support and create value for the business in FY22 and beyond.

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AUCLOUD

Sovereign Cloud Holdings Ltd

FY21 Full Year Results

AGM Presentation - October 2021

"Our mission is to deliver the leading scalable IaaS platform and service sovereign to Australia, supporting Government and Critical National Industries, making their applications and systems more secure, more efficient and more effective for all users and citizens."

Sovereign
Data Protection

Agenda

1. Summary
2. Revenue, Customers & TCV
3. Partners
4. People
5. Accreditation
6. Ongoing Strategy

1.Summary

Key Milestones in FY21

- ASX Listing in December 2020
- Growth in Total Contract Value (TCV)
  - $7.7m TCV Closed in FY21
  - TCV Outstanding at 30 June 2021 - $6.0m
- Revenue consumption growth across FY21
  - $2.55m IaaS Revenue, inc. 124k Services
  - FY20 focus on vendor funded pilots to trial platform
- Increasing customer take-up through FY21 via projects of varying sizes and durations
- Increase in team size, predominantly in sales and service roles, to facilitate current and future growth.

Financial Results – FY21

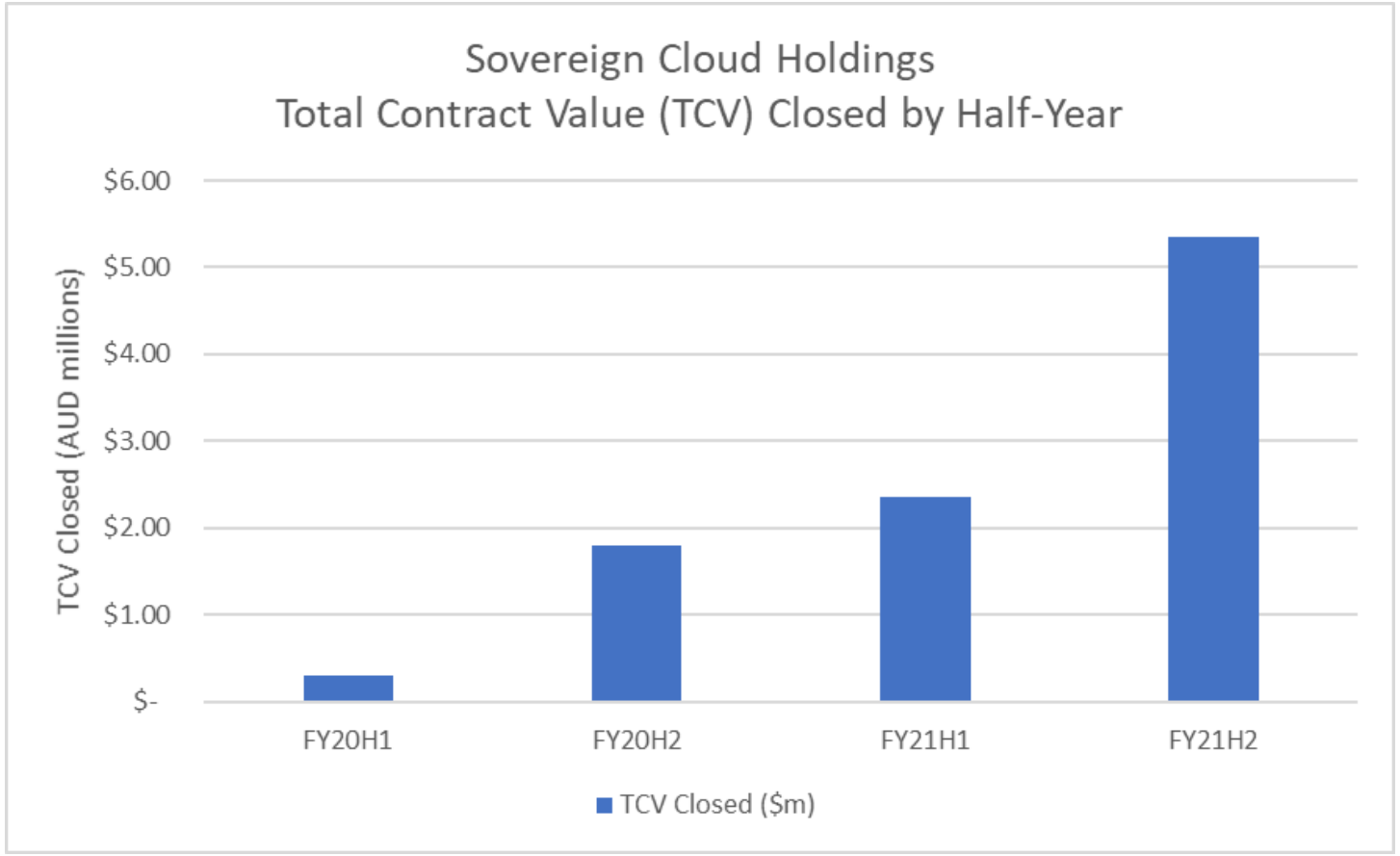
- FY21 Loss of $11.6m (FY20: $8.2m loss)
- FY21 net cash used in operation of $9.2m (FY20: $6.6m)
- Cash at year end $13.5m (June 20: $1.1m)
- Capex spend in FY21 $3.1m (FY20: $0.4m), primarily funded from key suppliers.

Refer to the FY21 Financial Report, including the Directors' Report, for further commentary and analysis of the FY21 Financial results, cash flows and balance sheet.

2. Revenue, Customers & TCV

Total Contract Value (TCV) Closed Gaining Momentum Each Half:

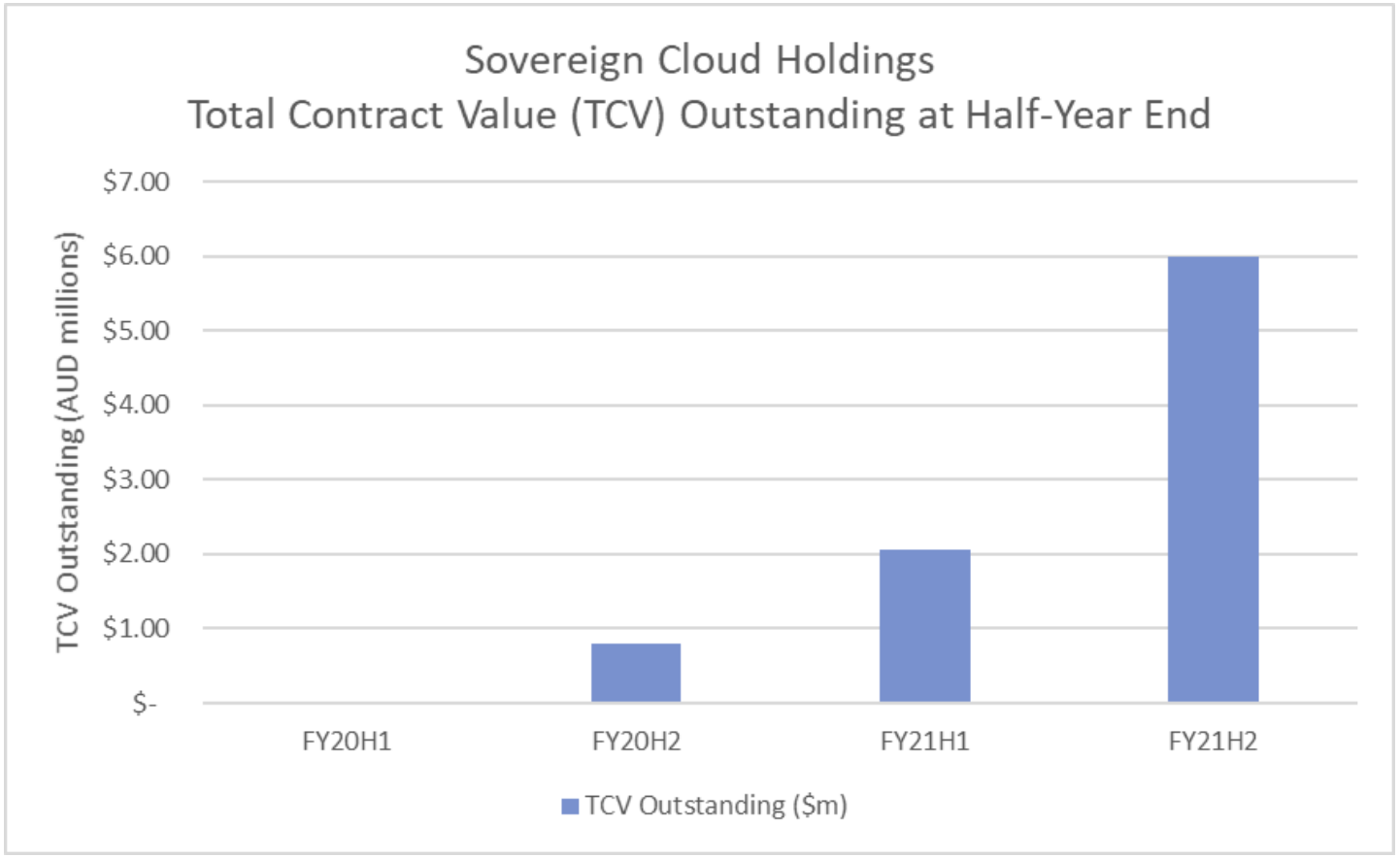
- Growth in H2 FY21 includes contract win with Australian Electoral Commission
- Land, expand and extend market strategy resulting in TCV gains.



2. Revenue, Customers & TCV (cont.)

Building on Outstanding TCV

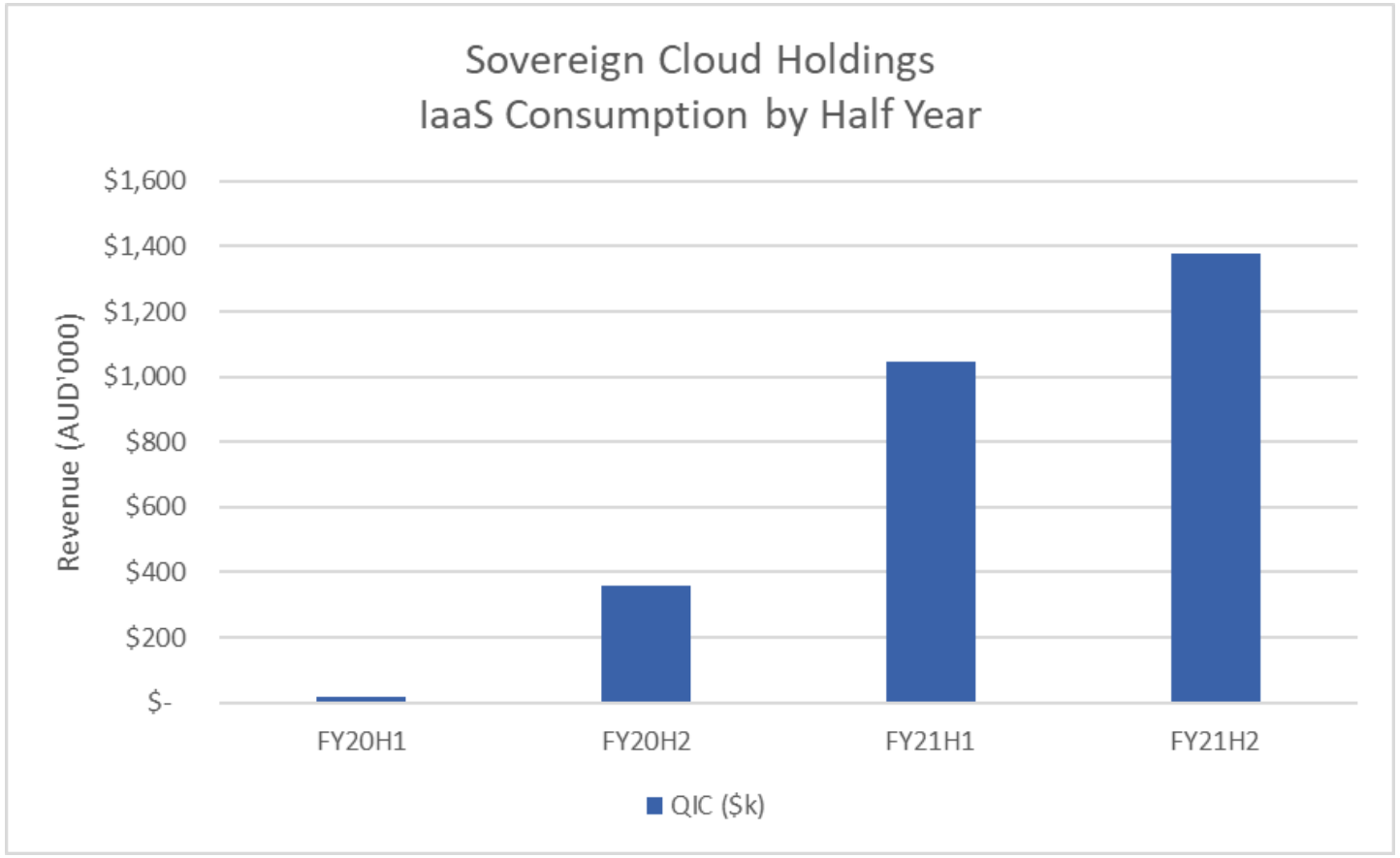
- Total Contract Value Outstanding reflects locked-in future revenue
- Illustrates revenue contractually secured and likely to be consumed over 12 months (on average)



2. Revenue, Customers & TCV (cont.)

IaaS Consumption/Revenue

- Growth in revenue consistent with growth in TCV
- Management focus in FY22 to continue exponential revenue growth
- Market acceptance of AUCloud gaining traction



2. Revenue, Customers & TCV (cont.)

Growing Customer Footprint

AUCloud's direct and indirect footprint is growing across:

- Federal Government, including two "Top Four" Agencies, DTA and AEC
- Education, building on ANU; and
- Early offerings for State Governments and Critical Industries

Australian Government

Australian Government
Department of Defence

Australian Government
Department of Home Affairs

AEC
Australian Electoral Commission

THE AUSTRALIAN NATIONAL UNIVERSITY

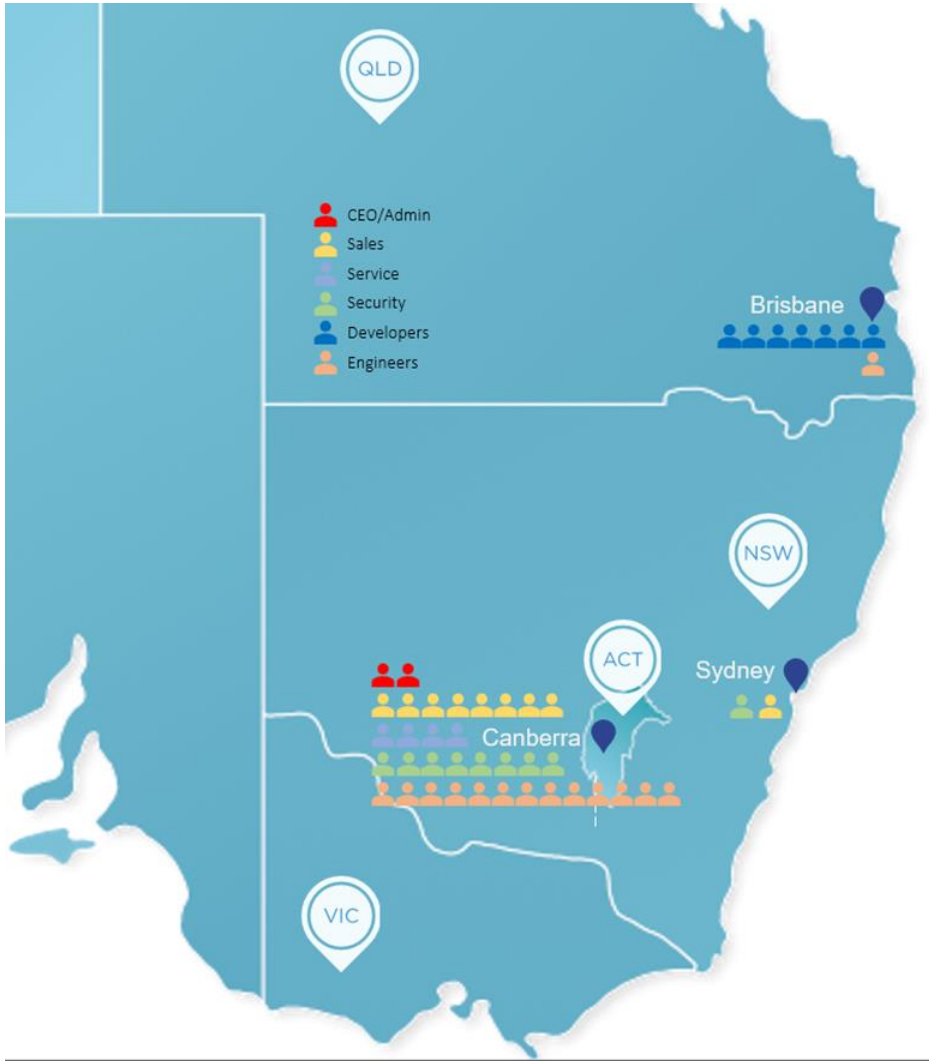
3. Partners

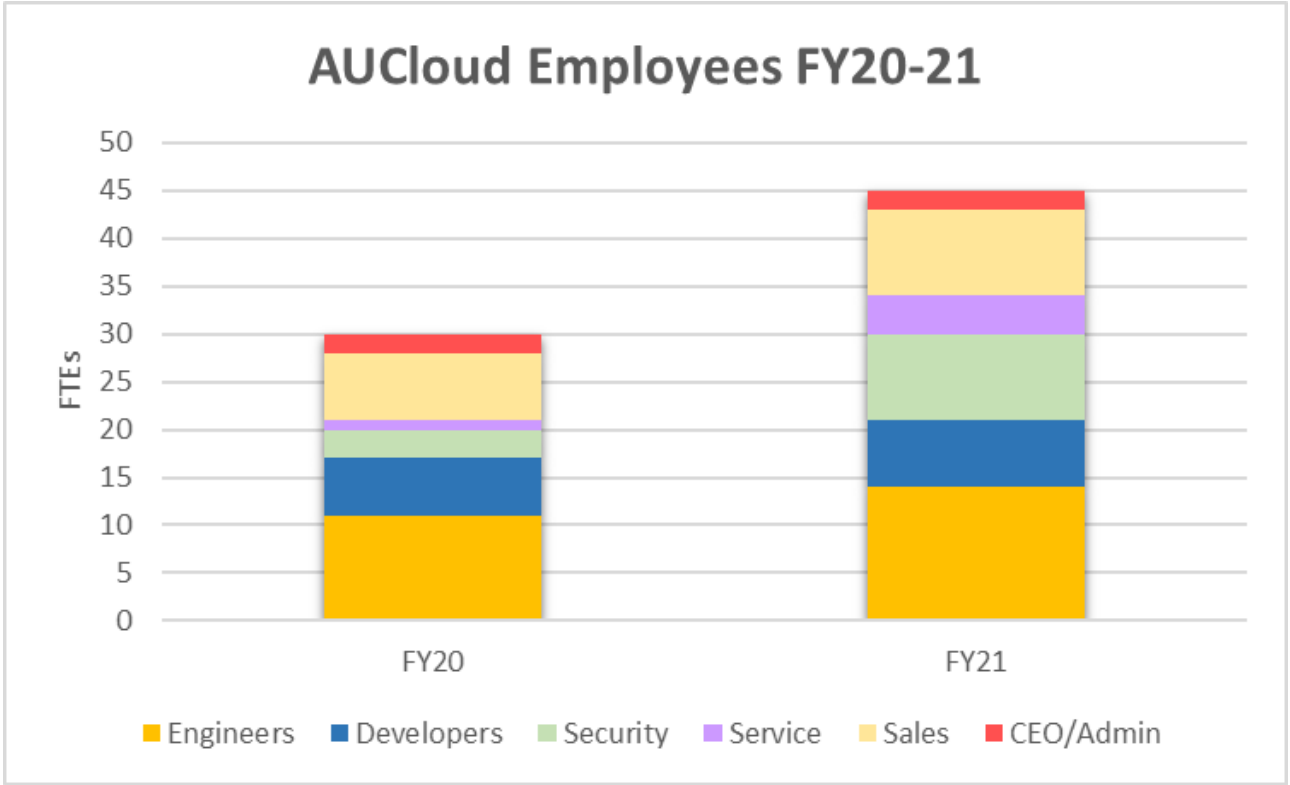
AUCloud's partners ecosystems continues to grow and includes:

- Global System Integrators - DXC, Hitachi Vantara.
- Software Providers – VMWare, e2e-Assure.
- Equipment Manufacturers – Cisco, Pure Storage.
- Australian Managed Service Providers – Downer, Interactive, Digital61, Insitec.
- Australian Scale-Ups – Archtis, Daltrey, Fifth Domain, Penten, SypaQ.

These partners offer entry to their customer base through project tendering encompassing AUCloud cloud platform.

4. People


QLD
CEO/Admin
Sales
Service
Security
Developers
Engineers
Brisbane
NSW
ACT
Sydney
Canberra
VIC


AUCloud Employees FY20-21
50
45
40
35
30
25
20
15
10
5
0
FTEs
FY20
FY21
Engineers
Developers
Security
Service
Sales
CEO/Admin

5. Accreditation

New Accreditation

- AUCloud is the **first** Cloud Service Provider to secure Cloud Assessment and Authorisation (CAAF) phase 2 “Authority to Operate”
- Confirms status as first ‘sovereign’ cloud provider to secure new accreditation

Australian Government
Australian Signals Directorate

ACSC Australian Cyber Security Centre

Anatomy of a Cloud Assessment and Authorisation

First published: July 2020
Last updated:

Introduction

Cloud computing offers a range of potential cyber security benefits for cloud consumers to leverage, providing access to advanced security technologies, shared responsibilities, fine-grained access management, comprehensive monitoring and highly redundant geographically dispersed cloud services. For many organisations, cloud computing can provide significant improvements to their cyber security, mitigating the risk of many current cyber threats.

While cloud computing can significantly enhance an organisation's cyber security, it also presents other risks that need to be considered, such as multi-tenancy architectures, reduction in visibility of the physical and virtualisation layers, and possible foreign interference.

At its core, cloud computing involves outsourcing a part, or all, of a consumer's information technology capability to a Cloud Service Provider (CSP). This outsourcing brings a reduction in control and oversight of the technology stack, as the CSP dictates both the technology and operational procedures available to the cloud consumers using its cloud services.

Cloud computing, by default, does not provide improved cyber security without effort on behalf of the cloud consumer to perform their security responsibilities in securing the cloud. If not properly managed, maintained and configured, it can increase the risk of a cyber security incident occurring. Cloud consumers need to consider the benefits and risks of cloud computing, including their own responsibilities for securing the cloud and determining whether cloud computing meets their security needs and risk tolerance.

One of the biggest barriers to cloud consumers adopting cloud computing is the difficulty identifying and understanding the risks of using a CSP and its cloud services. Cloud computing presents a uniquely complex and layered technology stack that is rapidly evolving and resists traditional point-in-time assessments. This document guides CSPs, cloud consumers and IRAP assessors on how to perform a comprehensive assessment of a CSP and its cloud services so that a risk-informed decision can be made about its suitability to store, process and communicate data.

6. Ongoing Strategy

- The adoption of cloud and IaaS services across Governments and Critical Industries is anticipated to continue to significantly increase, matching wider general uptake
- Land, expand and extend approach is expected to continue to drive IaaS services adoption into adjacent markets and additional service lines, both via partners and direct engagements
- The company's key strengths of sovereignty, security and performance see it well placed to support Global OEM Vendors, SaaS providers and local specialists by offering services aligned to the stated sovereign needs of Government and Critical Industries.
- The company expects to significantly grow the customer base and TCV in FY22
- Additional capex funding secured from existing supplier finance facilities
- Opportunities for a sovereign cloud provider in Australia continues to gain significant momentum

"Australian organisations spent $1.36 billion on IaaS in 2020, up 38 per cent from the $988 million* spent in 2019 and is on track to exceed $3 billion by 2025."

Telsyte Aug 2021

AUCLOUD