



Sovereign Cloud Holdings Ltd

FY22 Half Year Results






16 February 2022

“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.”

A New Zealand flag on a tall, silver flagpole, positioned in the upper right quadrant of the slide. The flag is dark blue with a white stylized silver fern and four white stars. The flagpole is supported by a complex metal structure.

Sovereign
Data Protection

Sovereign Cloud Holdings Limited and its controlled entity, financial report for the half-year ended 31 December 2021 remains subject to the finalisation of auditor review and sign off. The Company will immediately make a further ASX announcement to the market if there are any material, differences between its unreviewed accounts and its final audit reviewed accounts. It is likely the Independent Audit Report will be lodged by 21 February 2022.

 Strong Revenue Growth	<p>IaaS revenue increased \$1.0m (95%) to \$2.1m¹</p> <ul style="list-style-type: none">• Two consecutive quarters of >\$1.0m in IaaS revenue• Project momentum returning post COVID lockdowns
 Total Contract Value	<p>TCV Outstanding increased \$4.5m (219%) to \$6.6m¹</p> <ul style="list-style-type: none">• AUCloud secured \$3.4 million in TCV Closed during 1HFY22• Increase in the period includes 30 new contracts/purchase orders made up of 9 new LAND customers, 5 EXPAND across existing partners and 16 contract EXTENSIONS
 Capitalised for Growth	<p>Cash at 31 December 2021 of \$40.6m following successful \$35m capital raising</p> <ul style="list-style-type: none">• Well capitalised to pursue ongoing investment across three pillars of growth: Platforms, Products & People• AUCloud continues to scale up its operations in response to growing customer demand for sovereign cloud services
 Network expansion	<p>Continued investment in AUCloud's expanding national footprint</p> <ul style="list-style-type: none">• Commenced works for new sovereignty cloud platform zone in Brisbane forecast to be in operation by 4QFY22• Established strategic partnerships with 19.99% investor NEXTDC Limited (ASX: NXT) and Arqit Quantum (NASDAQ: ARQQ)• Positioning for increased penetration of State Government, Critical Infrastructure and Enterprise markets
 Industry Tailwinds	<p>Data sovereignty, security and storage increasingly a key focus for Defence, Governments, Critical National Industries and Enterprises</p> <ul style="list-style-type: none">• AUCloud's sovereign credentials independently validated, becoming the first Cloud Services Provider to secure both the HCF 'Certified Strategic' and CAAF Phase 2 Authority to Operate²• Passing of New Federal Government legislation concerning "Critical Infrastructure and Systems of National Significance reforms" will continue to create opportunities with security-conscious enterprise through the inclusion of new industry sectors as Critical Infrastructure

Note: Refer Appendix on page 17 for Glossary and key definitions.

1. Percentage increase expressed relative to 1HFY21
2. Refer page 14 for further details

Financial Performance

Strong revenue growth offset by investment in the expansion of the national footprint



Total Revenues increased \$1.0m (73%) to \$2.5m¹



Underlying EBITDA (loss) of \$4.1m

- Costs in line with Management expectations as AUCloud continues to invest in scaling its operations
- 37% increase in Employee Costs in line with continued investment in the Team
- Increase in variable costs (License fees, power) in line with greater customer IaaS Consumption revenue



1HFY22 (Loss) before tax of \$6.3m (1HFY21: \$5.4m loss)

Profit & Loss Summary (\$m)	1HFY22	1HFY21	Change (%)
IaaS Revenue	2.1	1.1	94.5%
Other Revenue	0.4	0.4	6.8%
Total Revenue	2.5	1.5	72.9%
Employee Costs	(3.9)	(2.8)	37.0%
Licensing Fees	(1.2)	(0.6)	85.6%
Other expenses	(1.6)	(1.6)	1.8%
EBITDA	(4.1)	(3.6)	15.6%
EBITDA (Underlying)²	(4.1)	(3.1)	33.7%
Depreciation & Amortisation	(2.0)	(1.6)	23.4%
Finance Costs	(0.2)	(0.2)	(5.8)%
Profit / (Loss) before tax	(6.3)	(5.4)	17.3%

1. Percentage increase expressed relative to 1HFY21
 2. 1HFY21 excludes the impact of IPO transaction costs

AUCloud continues to experience strong growth in IaaS revenue



- IaaS revenue increased \$1.0m (95%) to \$2.1m¹
 - ~87% growth in IaaS Consumption revenue
 - Increase in one-off services revenue within the period supporting AEC implementation

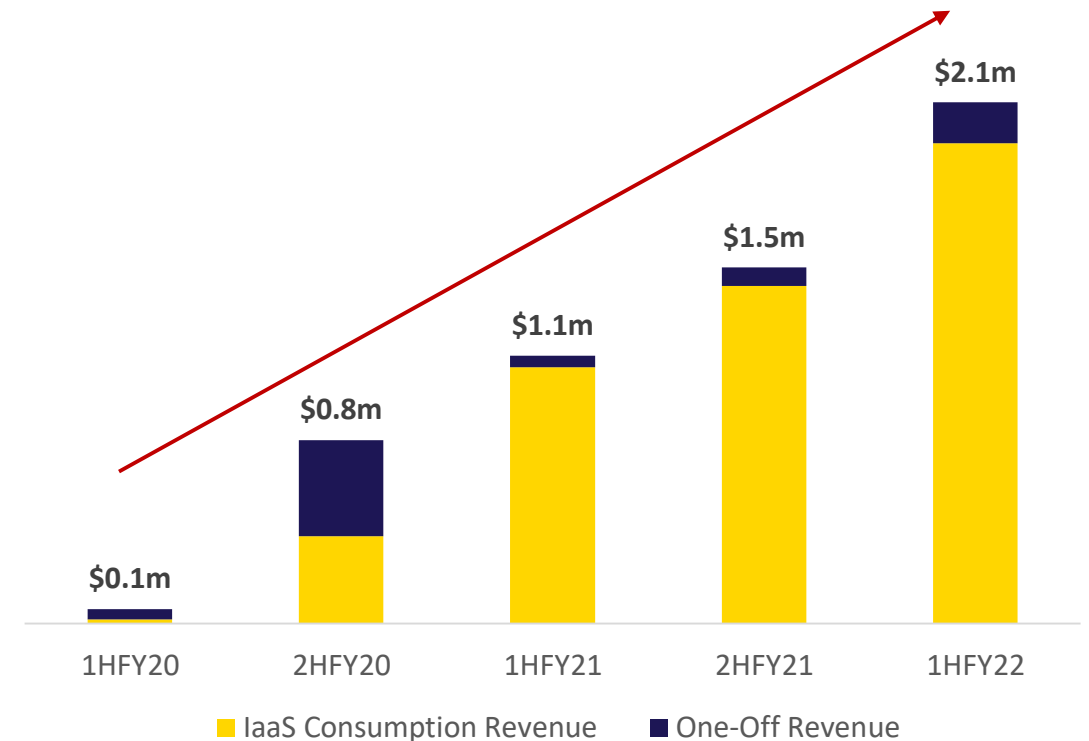


COVID impacts on the conversion of TCV to reported IaaS revenues reducing as activity levels normalise



Growth in New Customer and Partner footprint continued, with customer resilience services (Backup, Disaster Recovery, SOCaaS), facilitating market entry

IaaS Revenue Summary (\$m)



1. Percentage increase expressed relative to 1HFY21

Growth in Total Contract Value Outstanding underpins future IaaS revenues



TCV Outstanding increased \$4.5m (219%) to \$6.6m¹

- Offset by ANU’s wind-down of VDIaaS contract



Several successful customer contract renewals in 1HFY22, with extensions now forming an increasing proportion of the TCV Outstanding

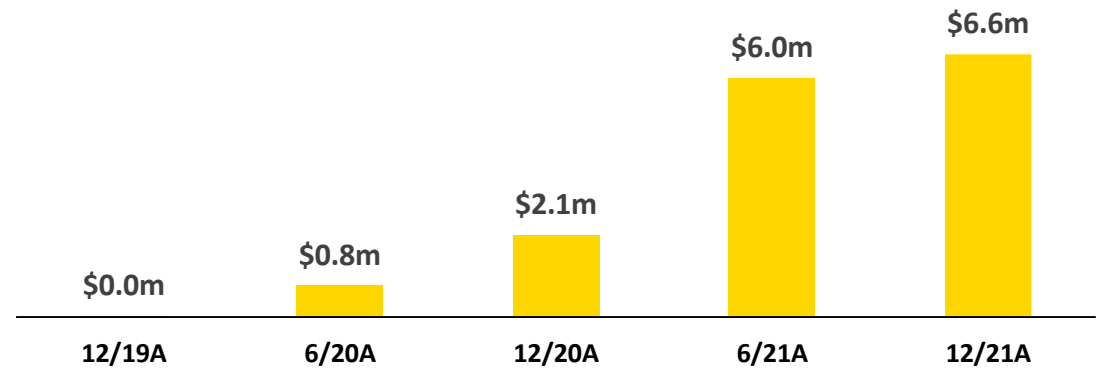
- AUCloud secured a further \$3.4 million in TCV Closed during 1HFY22



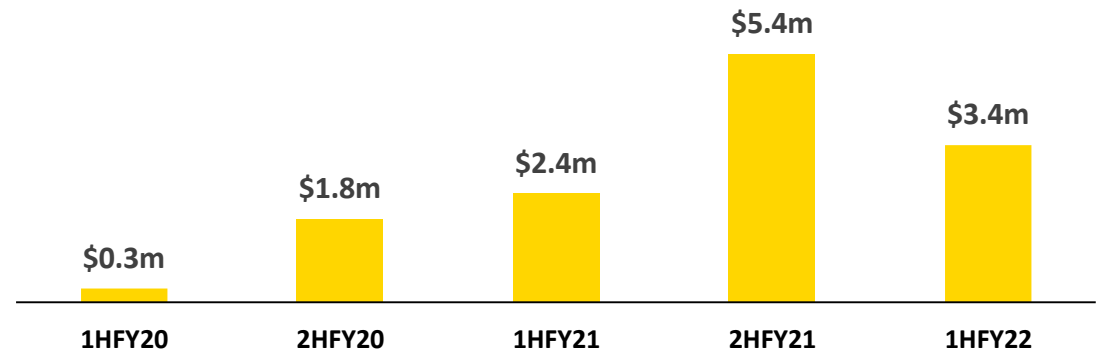
Continued focus on growing TCV through existing Channel Partners and direct to customer

- Positive sales momentum provides a growing pipeline into 2HFY22

TCV Outstanding (\$m)



TCV Closed (\$m)



1. Percentage increase expressed relative to 1HFY21

Well capitalised to pursue strategic growth initiatives



AUCloud is well-capitalised with cash of \$40.6m

- Cash from Investing represents net proceeds of equity raising (\$34.1m), less repayment of borrowings (\$2.1m)
- Net Assets of \$47.1m (12/21A)



Net cash outflow from Operations of \$3.9m

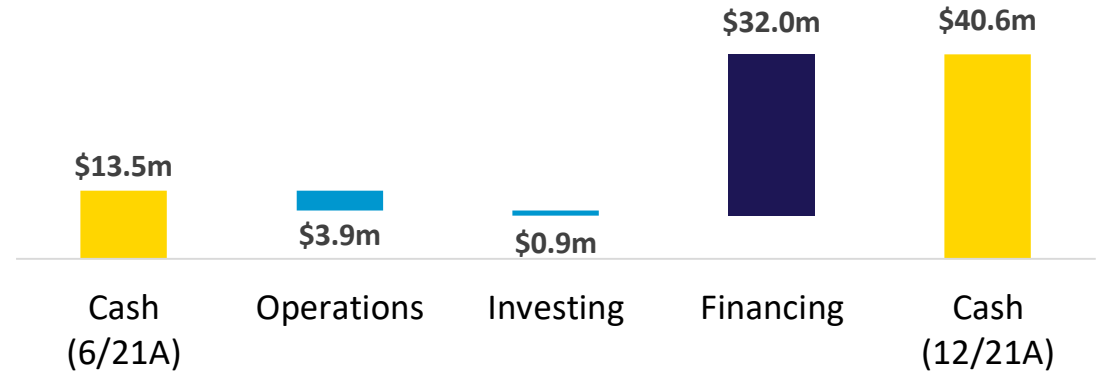
- Reflects increasing employment costs as AUCloud invests in expanding its national platform
- Record cash receipts from customers of \$2.2m



Capital expenditure payments during the period of \$0.9m

- Investment in storage and compute capacity for growth in existing and anticipated customer usage
- AUCloud expenses all R&D related costs

Cash Flow Summary (\$m)



Balance Sheet Summary (\$m)

	31 Dec 2021	30 June 2021
Cash and cash equivalents	40.6	13.5
Property, Plant & Equipment	6.1	3.4
Other Assets	9.6	7.4
Total assets	56.3	27.5
Lease Liabilities - Data Centres	2.9	3.5
Finance Leases – Computers / Software	2.0	3.6
Other Liabilities	4.3	1.3
Total liabilities	9.2	8.3
Net assets	47.1	19.2

Business Performance

Collectively accelerating the value for customers and partners through targeted investment across three key pillars of growth



Platforms

Deliver new regions for new communities



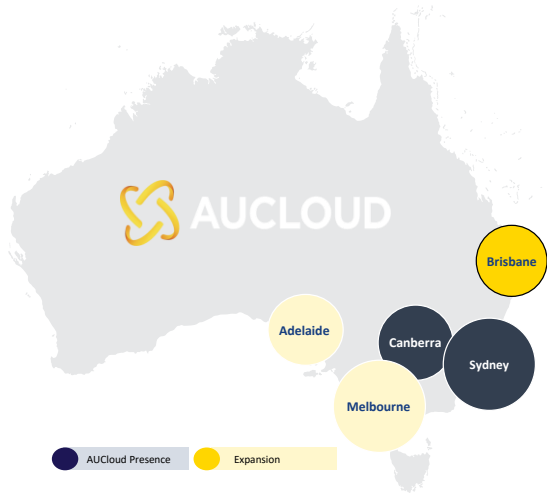
Products

Create new features and functionality for customers



People

Expanding the team to increase the scope of activities and geographic footprint



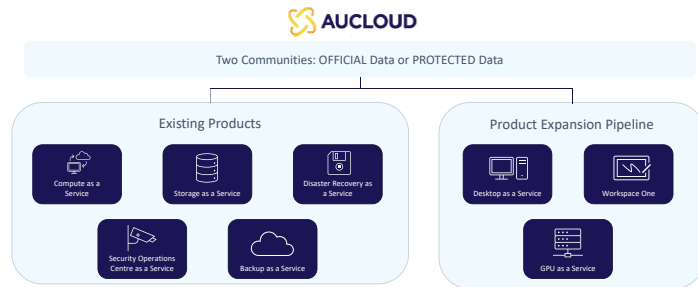
Strategic Focus

- Enable AUCloud to fast track its vision to become the leading sovereign cloud provider in Australia
- Leverage the new strategic partnership with NEXTDC



Achievements

- Planning and technical team well advanced for deployment of the first platform in Brisbane targeting completion in 2HFY22
 - Detailed architectural decisions and related bills of materials for SZ3, confirmed in collaboration with NEXTDC and vendors
 - Sales and Marketing underway, identifying early-stage opportunities in State Government, Critical Infrastructure and Enterprise
- Established a strategic partnership with Arqit Quantum Inc - AUCloud to provide the underlying infrastructure and accredited environments to Government, Defence, Space and Enterprise deployments in Australia (refer page 13 for further details)



Strategic Focus

- Create new features and functionality for customers within core IaaS and portfolio of resilience based product offerings
- Investment in product capability to enable global providers to operate within an environment that satisfies data sovereignty and security requirements



Achievements

- Release of VMware supported products that address corporate challenges of managing diverse, mobile workforces and maintaining security posture
 - Workspace ONE enables fully secure deployment of ‘any app on any device’ reducing cyber risks and supporting ‘Bring-Your-Own-Device’ policies
 - Desktop-as-a-Service (DaaS) enables organisations to control, scale and personalise access to a chosen suite of applications through remote desktops
- Proven ability to support API deployments at scale with over ten thousand VMs instantiated to support Fifth Domain’s delivery of national Cyber Taipan competition
- Selective developments underway supporting Partner deployment of environments that address GPU and High Performance Computing needs



Strategic Focus

- Investing in people to support growth at scale nationwide
- Deepening capabilities across Sales & Marketing, Security, Engineering and Operations, including through recruitment of key senior executives



Achievements

- Craig Scroggie, CEO and MD of NEXTDC joined the board as a Non-Executive Director
- Appointment of Chief Revenue Officer; to commence with AUCloud on 28 February
- Investment in growing AUCloud's bench strength across sales and operations
 - Team increased by 9 FTE (20%) to 53 during 1HFY22, with additions across the Secure Operations Centre cyber delivery team to support AEC and other SOCaaS contracts, and the Sales Team to support initial expansion into NSW
 - Continuing investment in NV1 security clearance levels for all technical, engineering and security staff
 - Expanding capabilities outside Canberra, with enhanced focus on Brisbane, Sydney and Melbourne based roles, with personnel now based in each city



- NEXTDC now a 19.99% shareholder in AUCloud
- AUCloud to embrace NEXTDC's deep market experience and customer/partner networks
- Rollout of AUCloud's new sovereignty cloud platforms to be hosted inside NEXTDC data centre facilities, leveraging their Australian owned and Certified Strategic provider status and enabling greater access to security-conscious enterprise
- AUCloud to benefit from increased exposure to NEXTDC's experience scaling a national business at pace across Australia



- Arqit Quantum Inc ("Arqit") (NASDAQ: ARQQ) provides unique quantum encryption Platform-as-a-Service which makes the communications links of any networked device secure against current and future forms of attack
- Aligned to growing strategic relationships with UK and US (AUKUS, Space Bridge, FTA)
 - Arqit has recently contracted with Australia's SmartsatCRC under an agreement between the UK and Australian Governments to deliver the first phase of work to Australia relating to Arqit's Federated Quantum System Project ("FQS")
- Recognises AUCloud capability to accelerate deployment of sovereign services into Government, Defence and CI sectors
- AUCloud relevance with Australian Space and Defence Industry engagements already positively impacted



Australian Government
Digital Transformation Agency

HCF ‘Certified Strategic’

- AUCloud secured certification as a “Certified Strategic” Cloud Services Provider under the Australian Government Digital Transformation Agency’s Hosting Certification Framework (HCF)
- The HCF was developed to “operationalise the principles outlined in the whole-of-government hosting strategy, and to support the secure management of government systems and data”¹
- ‘Certified Strategic’ status represents the highest level of assurance under the framework and recognises AUCloud’s sovereign nature of ownership and control over investment decisions



Australian Government
Australian Signals Directorate

ACSC Australian
Cyber Security
Centre

CAAF Phase 2 Authority to Operate

- AUCloud was the first organisation “Authorised” to provide PROTECTED level services, securing Phase 2 “Authority to Operate” under the Australian Cyber Security Centre (ACSC) Cloud Assessment and Authorisation Framework (CAAF) in August 2021
- The CAAF, mandated in July 2020, requires detailed information on ownership and overseas operational access for all data types, including metadata, support and analytics data

1. <https://www.hostingcertification.gov.au/>
Australia’s Sovereign Cloud Provider

FY22 Outlook



Industry tailwinds persist - demand for secure, sovereign cloud services continuing to accelerate



Closing TCV forecast to continue to grow on the back of AUCloud's robust sales pipeline

- EXPAND TCV to remain a key driver of growth



Forecast 2HFY22 operating expenditure driven by:

- Anticipated growth in demand from new and existing customers
- AUCloud scaling up its operations as it expands its national footprint in 2HFY22
- Continued investment in security, engineering and operations employees to support geographic expansion and product capabilities
- Expansion of the AUCloud executive team



Forecast Capital expenditure in 2HFY22 of \$3m-\$5m supporting:

- New cloud platform zone inside NEXTDC's Brisbane (B2) data centre facility forecast to be in operation by 4QFY22
- Initiation of Melbourne and Adelaide environments
- Expansion of new SaaS product offerings (e.g. Workspace ONE)

Appendix

Term	Definition
AASB	Australian Accounting Standards Board
ACSC	Australian Cyber Security Centre
ADF	Australian Defence Force
API	Australian Programming Interface
ASD	Australian Signals Directorate
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
CAAF	Cloud Assessment and Authorisation Framework
CNI	Critical National Industry
DISP	Defence Industry Security Program
GPUaaS	Graphics Processing Unit as a Service
IaaS	Infrastructure as a Service
ICT	Information and Communication Technology
IRAP	Information Security Registered Assessors Program
ISM	Information Security Manual
NEXTDC	NEXTDC Limited
SME	Small and Medium Enterprises
SZ3	Sovereignty Zone - Brisbane

Summarised below are the operating metrics adopted by 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 non enforceable customer contracts (e.g. purchase orders, statement of works). Invoices are raised typically on a monthly basis against these contracts based on actual customer 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)
- **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 recognised against the respective contracts
- **IaaS Consumption** is the revenue recognised based on the aggregated consumption of the IaaS services, excluding implementation, consulting and setup charges or one off non-recurring charges. In the Company's experience it is reasonable to expect IaaS consumption to be repeated in subsequent periods

