

21 April 2023

Appendix 4C Release – Quarter to 31 March 2023

Sovereign Cloud Holdings Limited (“SOV” the “Company”), trading as AUCloud, is pleased to provide its activity update for the quarter ended 31 March 2023 (“Q3FY23”).

Key Highlights – Q3FY23

- Total Revenues of \$1.7 million
- Net Change in Cash outflow \$5.4 million, an improvement of \$2 million compared to \$7.4 million in Q2FY23 and \$7.9 million in Q1FY23
- Cash Balance net of debt of \$7.2 million

Revenues

AUCloud revenues comprised of Cloud Services and Cyber Security Solutions were up \$0.27 million (20%) on Q2FY23.

AUCloud’s Total Contract Value (TCV) metrics are as follows:

Summary of TCV Metrics	Q1FY23 \$'m	Q2FY23 \$'m	Q3FY23 \$'m
Opening Total Contract Value (TCV)	6.49	8.71	8.40
Add: TCV Closed	3.40	1.14	1.05
Less: Revenue	(1.18)	(1.45)	(1.72)
Less: Expired/unused	-	-	(0.56)
Closing TCV Outstanding	8.71	8.40	7.17

AUCloud completed in Q3FY23 a successful Proof of Concept with a customer that had a signed Purchase Order for \$500k in Q2FY23, however the proof of concept has not translated to revenue generation and the company has decided to remove the amount from TCV.

Free Cash Flow

The Company experienced negative free cash flow (“FCF”), before financing activities of \$4.7 million during Q3FY23, consisting of:

- Net cash outflow from operations of \$3.4 million; and
- Cash outflow from investing activities (capital expenditure) of \$1.3 million

The Company expects that a material reduction in capital expenditure as a result of completing building the cloud services in 4 locations.

Included at item 6.1 of the Appendix 4C are payments to related parties and their associates of \$232,243 for director fees, excluding reimbursements of out-of-pocket expenses.

AUCloud had cash of \$7.9 million and debt of \$0.7 million at 31 March 2023.

Commentary

The average revenue per calendar day from Cloud Services and Cyber Security Solutions increased 20% in Q3FY23 versus Q2FY23 and is up 38% in Q3FY23 versus Q1FY23. In Q3FY23, the company benefited from stronger PAYG customer usage for compute and storage, and growth in Cyber Security services revenue, including hosting the recent Aston by-election.

Total Contract Value (TCV) declined by 15% QoQ as a result of consumption growth exceeding new contract revenue growth, and adjustment to the opening contract balance. The Company has a deep pipeline of new customer opportunities and expects contract revenue to grow further with greater investment in sales and marketing initiatives aided by the strong tailwinds associated with cyber security risks.

Material new customer acquisition included 4 Federal Government Agencies and multiple Enterprise accounts.

Headcount has reduced from its peak in September 2022 of 75 to 66 in March 2023. The Company has all but completed building the final new Sovereign Cloud locations in Melbourne, to complement Sydney, Canberra and Brisbane and now the Company is focussed on rebalancing the organisation structure to invest more human capital in sales and marketing and proprietary product to drive top line revenue growth. Recent key personnel recruited include a Chief Marketing Officer, Manager, People & Culture and Chief Product Officer.

As part of the Company's strategy to build customer value through cloud native solutions, the Company launched Tanzu Kubernetes an enterprise ready Kubernetes runtime built to run consistently with any application on any cloud.

Strategic Review & Capital Raise

The Company is finalising a strategic review and will provide shareholders with further information on the observations and focus areas as part of the upcoming capital raise planned for Q4FY23.

NEXTDC and the Reid Family account for approximately 31% of the Company's shares outstanding and remain supportive of AUCloud's market opportunity and expect to take up 100% of their entitlement in the upcoming capital raise.



Peter Maloney
Managing Director

END

This ASX announcement was authorised for release by AUCloud's Board of Directors.

Further information, please contact:

Michelle Crouch
Chief Financial Officer and Company Secretary
P: +61 417 123 292
E: mcrouch@australiacloud.com.au

About AUCloud

AUCloud is Australia's sovereign cloud Infrastructure-as-a-Service (IaaS) provider, exclusively focused on the Australian Government, Defence, Intelligence, Critical Industry communities and security conscious enterprises.

Located, owned, and operated in Australia by security cleared Australian citizens, all AUCloud services and the hosted data, remains in Australia. This includes customer data, account data, metadata, support and administrative data and derived analytics data.

AUCloud is Certified Strategic in accordance with the DTA's Hosting Certification Framework, Cloud Assessed and Authorised under the Australian Cyber Security Centre's framework to support Protected data, a VMware Sovereign Cloud Provider and ISO27001 certified across all aspects of the business.

AUCloud enables customers to benefit from sovereign data protection with the scale, automation, elasticity, and lower costs associated with hyperscale public cloud offerings.

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

Appendix 4C

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

Name of entity

Sovereign Cloud Holdings Limited

ABN80 622 728 189**Quarter ended ("current quarter")**March 2023

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) * \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	1,599	4,055
1.2 Payments for		
(a) research and development		
(b) product manufacturing and operating costs	(776)	(4,709)
(c) advertising and marketing	(23)	(114)
(d) leased assets		-
(e) staff costs	(3,427)	(9,793)
(f) administration and corporate costs	(746)	(2,849)
1.3 Dividends received (see note 3)		-
1.4 Interest received	20	143
1.5 Interest and other costs of finance paid	(66)	(167)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	163
1.8 Other (IPO costs expensed)	-	-
1.9 Net cash from / (used in) operating activities	(3,419)	(13,271)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(1,329)	(5,724)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) * \$A'000
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)	-	-
2.6	Net cash from / (used in) investing activities	(1,329)	(5,724)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	
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	-	
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(266)	(786)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (ROU Repayments)	(379)	(1,017)
3.10	Net cash from / (used in) financing activities	(645)	(1,803)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	13,309	28,714
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(3,419)	(13,271)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,329)	(5,724)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) * \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(645)	(1,803)
4.5	Effect of movement in exchange rates on cash held		
4.6	Cash and cash equivalents at end of period	7,916	7,916

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	7,831	13,224
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (Bank Guarantee)	85	85
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	7,916	13,309

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	232,243
6.2	Aggregate amount of payments to related parties and their associates included in item 2	0

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.

7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000																								
<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>																										
7.1 Loan facilities	652	652																								
7.2 Credit standby arrangements																										
7.3 Other (please specify)																										
7.4 Total financing facilities	652	652																								
7.5 Unused financing facilities available at quarter end		0																								
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 & 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 #2</td> <td>133</td> <td>September 2023</td> <td>5.10%</td> </tr> <tr> <td>Cisco Capital #3</td> <td>160</td> <td>November 2023</td> <td>5.53%</td> </tr> <tr> <td>Cisco Capital #4</td> <td>294</td> <td>November 2023</td> <td>5.47%</td> </tr> <tr> <td>Other</td> <td>65</td> <td>May 2023</td> <td>7.0%</td> </tr> <tr> <td>Total</td> <td>652</td> <td></td> <td></td> </tr> </tbody> </table> <p>The above finance facilities are secured by the respective computer equipment and software assets acquired. The above facilities exclude lease liabilities relating to right-of-use leased assets, such as data centres.</p>			Lender	Balance Owing \$'000	Maturity date	Interest Rate	Cisco Capital #2	133	September 2023	5.10%	Cisco Capital #3	160	November 2023	5.53%	Cisco Capital #4	294	November 2023	5.47%	Other	65	May 2023	7.0%	Total	652		
Lender	Balance Owing \$'000	Maturity date	Interest Rate																							
Cisco Capital #2	133	September 2023	5.10%																							
Cisco Capital #3	160	November 2023	5.53%																							
Cisco Capital #4	294	November 2023	5.47%																							
Other	65	May 2023	7.0%																							
Total	652																									

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(3,419)
8.2 Cash and cash equivalents at quarter end (item 4.6)	7,916
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	7,916

8.5 **Estimated quarters of funding available (item 8.4 divided by item 8.1)**

2.3

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.

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?

Answer: NA

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?

Answer: NA

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?

Answer: NA

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.

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: 21 April 2023

Authorised 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 – 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

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

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.