ASX Announcement (SOV)

SOVEREIGN CLOUD
HOLDINGS LIMITED

24 October 2023

AGM Chair and CEO Addresses

Sovereign Cloud Holdings Limited (ASX:SOV) will today address shareholders at its Annual General Meeting to be held at 10:00am (AEST) on Tuesday, 24 October 2023 in the Pitcher Partners Offices, Level 38, 345 Queen Street, Brisbane QLD 4000.

Attached is a copy of the address to be delivered by the Chair, Cathie Reid and the address to be delivered by the Chief Executive Officer, Peter Maloney.

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

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Sovereign Cloud Holdings Ltd
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2023 Annual General Meeting

Chair's Address – Cathie Reid

On behalf of the Board of Directors of Sovereign Cloud Holdings Limited, we are pleased to present our 2023 Annual Report. As most of you are aware, the company operates under the name "AUCloud".

AUCloud is a Cyber Security Managed Security Service Provider and Sovereign Cloud Infrastructure as Service specialist that supports the Australian Government, Critical National Industries (CNIs) and Australian businesses with the latest sovereign cloud infrastructure, backup and cyber security threat defence and response services.

AUCloud's Sovereign Cloud Service (IaaS) and Cyber Security Solutions are underpinned by a range of security certifications, including "Certified Strategic" on Digital Transformation Agency's Hosting Certification Framework (HCF), assessed to the PROTECTED controls of the Australian Signals Directorate's (ASD) Information Security Manual (ISM) through to the Australian Cyber Security Centre's Cloud Assessment and Authorisation Framework (CAAF), inclusive of the Information Security Registered Assessors Program (IRAP) certification and ISO 27001. This provides AUCloud's customers with confidence that their data is secure and that services are delivered to the highest standards.

In February 2023 the Company appointed a new Chief Executive Officer (CEO), Peter Maloney. The Group's vision to become the leading sovereign cloud provider in Australia remains unchanged, the strategy to expand geographically by building new cloud platforms has now been completed.

The new CEO conducted a strategic review of the business which was communicated in the Investor Presentation that accompanied the Entitlement Offer in June 2023.

The Company's future prospects rely on successful execution of the strategy changes; however the Company is confident that the fundamentals are in place, and the demand for Cyber Security and Cloud Solutions continues to build, enabling growth via the broadening of solutions on offer.

The Company completed a 1 for 1 non-renounceable rights issue at an offer price of 5 cents to raise approximately $8.2M net of transaction costs in June 2023.

With the completion of the sovereignty zones in Brisbane and Melbourne capital expenditure is expected to reduce in FY24, with the focus now on generating revenues from the capacity created by the previously deployed capital.

During FY23, AUCloud employee costs increased in the first half of the year, followed by reductions in the second half of the year post the incoming CEO's strategic review. AUCloud will continue to align the cost base to the strategic direction.

The Board is conscious that AUCloud's current cash reserves may prove to be inadequate given the cash burn rates that are expected to prevail in the short term, the Board expects it will need to raise new equity capital in the 2nd half of FY24.

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High profile cyber-attacks on Optus, Medibank, Latitude and others ensured that demand for cybersecurity services remains strong. AUCloud's Security Operations Centre (SOC) enables continuous network monitoring for cyber threats and attacks for high profile Government Agencies such as AEC, this positions AUCloud to continue to build on revenue derived from cyber security activities.

On behalf of the Board, we would like to acknowledge our highly skilled workforce and the service they have provided to our customers during FY23, and to thank our shareholders for their ongoing support. We remain of the opinion that the continued investment and focus made by the Company in the platform, product and people over the past few years will allow our new CEO and his leadership team to deliver on the findings of the strategic review and create value for the business and its shareholders in FY24 and beyond.

I would now like to hand over to our CEO, Peter Maloney.

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2023 Annual General Meeting

Chief Executive Officer & Managing Director's Address – Peter Maloney

Thank you Cathie

Firstly, I would like to echo Cathie's comments and thank all our shareholders for their investment in AUCloud.

I would also like to thank our customers for the trust & confidence they place in the AUCloud team to deliver mission critical solutions that help keep their businesses safe from cybercrime, and their businesses hosted in a highly secure sovereign cloud with high availability.

The biggest change in AUCloud in FY23 has been the transition of leadership from Phil Dawson to myself. I want to thank Phil not only for the energy he has invested in bringing AUCloud to life, but equally, for the active role Phil has played to make the transition as smooth as possible.

Having now invested capital to build cloud infrastructure; we are now focused on building a customer driven sales and marketing focused culture.

When it became evident that revenue growth was not at a pace that we would have desired; we reviewed the business and made adjustments to provide a greater focus on growing the Company.

In the 2nd half of FY23, structural changes were implemented in the Senior Management team; with a greater focus on optimising our sales & marketing effectiveness; partner engagement and broadening our channels to market.

We made changes to ensure that we had the right people in the right jobs & appointed a new Chief Marketing Officer, Chief Product Officer, Head of Sales and People & Culture leaders. We also rationalised our headcount, to align the cost base to the changed focus of the business and strategic direction.

In FY23 Annual Recurring Revenue grew by 38% to $4.4m; with momentum building in the second half of the financial year. Our outstanding customer service and product offering resulted no customer churn.

As Cathie mentioned, in FY23 we built additional capacity for Cloud Solutions, and we now have a footprint in all Eastern Seaboard States & Territories.

FY24 will be CAPEX light, as we focus on onboarding customers and leverage the characteristics of being a sovereign cloud specialist that make us unique; and we will look to partner in the multi-cloud and public cloud markets.

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We remain committed to growing our presence in the Government market as these contracts are typically long-term and generate sticky annual recurring revenue. We will however leverage our geographic expansion to broaden our footprint in the enterprise market through targeted industry solutions.

The market drivers and the demand for cyber security solutions exhibited strong growth, and we leveraged the success of our Security Operations Centre to launch new cyber security offerings. We intend to continue to expand the AUCloud offering in Cyber Security through building, partnering, or buying capability, to move deeper into the cyber security ecosystem.

Since joining AUCloud in February, I have been most impressed with the people we employ. The team at AUCloud have the skills, capabilities & know-how - along with the commitment to grow the company to build shareholder value.

Thank you again to our Shareholders, Customers, Partners and the team at AUCloud, and I will now pass you back to Cathie.

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About AUCloud

AUCloud is an Australian owned and operated Cyber Security Managed Security Service Provider (MSSP) and Sovereign Cloud Service (IaaS) specialist that supports Australian Governments, Critical National Industries (CNIs) with the latest sovereign cloud infrastructure, backup and cyber security threat defence and response services. AUCloud solutions enable customers to benefit from sovereign data protection with the scale, automation, elasticity and lower costs typically associated with global cloud offerings.

AUCloud's Sovereign Cloud Service (IaaS) and Cyber Security Solutions are underpinned by a range of security certifications, including "Certified Strategic" on Digital Transformation Agency's Hosting Certification Framework (HCF), assessed to the PROTECTED controls of the Australian Signals Directorate's (ASD) Information Security Manual (ISM) through to the Australian Cyber Security Centre's Cloud Assessment and Authorisation Framework (CAAF), inclusive of the Information Security Registered Assessors Program (IRAP) certification and ISO 27001. This provides AUCloud's customers with confidence that their data is secure and that services are delivered to the highest standards.

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