



Operational Update & 4C Commentary

March Quarter 2024



Operations Report

March Quarter 2024

Quarterly Cashflow

Quarterly Cash Flow	Reported in 4C \$A'000s
Operating Activities	(2,533)
Investing Activities	-
Financing Activities	15,528
Cash & Equivalents at start of period	4,666
Cash & Equivalents at end of period	17,661

COMMENTARY

Operating Activities

Cash outflow from operating activities was \$2.5m including \$400k associated with acquisitions, compared to cash outflow of \$3.4m in Q3 FY23 and improvement of 26%, or 38% excluding the cost of acquisitions.

Customer receipts was \$1.7m, up from \$1.5m on Q3 FY23, and all cost items decreased on Q3 FY23; Cost of Sales (decreased 43%), marketing (decreased 43%) due to improved supplier marketing development fund rebates, staff costs (decreased 21%) and administration expenses (decreased 16%).

Investing Activities

The Company had no CAPEX in Q3 FY24. The Company remains focused on lifting the utilisation of the built capacity in the cloud infrastructure. In FY24, the Company has incurred no CAPEX, compared to \$5.7m in the 1st three quarters of FY23.

Financing Activities

Proceeds received in Q3 FY24 from issue of equity securities was \$16.8m, less \$977k in costs. The Capital raise was supported by major shareholders and broadened the institutional shareholder base. Right of Use expense was \$309k, resulting in new inflow of \$15.5m.

Highlights

- **Launched \$30m equity raise** on 18 March. The growth focussed capital raising closed on 15 April and was well supported, enabling AUCloud to fund **3 strategically aligned acquisitions** (expected to complete on 30 April 2024) with the combined business focused on a **capital-light, diversified cyber security** and cloud solution offering with a national footprint.
- **Closing cash balance \$17.6m**, with remaining \$12.9m inflow of net proceeds from capital raise to occur by 1 May 2024
- Acquisition payments and costs of \$19.5m, with approximately **\$9m available for working capital from 1 May 2024**
- Underlying performance of the core AUCloud business continues to improve in Q3 FY24 compared to Q3 FY23.
 - Revenue up 23% to \$1.5m
 - Operating Expenses down 15% to \$0.5m
 - CAPEX reduced 100% to \$0m
 - Cost of Sales down 6% to \$1.45m
 - Salary & Wages down 25% to \$2.4m
 - Cash burn reduced 44% to \$3m
- Q3 FY24 **Annual recurring revenue** increased 23% to \$6m compared to Q3 FY23, with Total Contract Value increasing 15% to \$8.2m. **Sales momentum in the underlying cloud & cyber security solutions business** continues to build. The majority of new customers were non-government accounts, including 7 new cyber security customers for a range of recently launched services including Cyber Bundles, Managed Detection & Response and Security Awareness.
- AUCloud signed Premier Partner Agreement with Broadcom by VMWare, protecting AUCloud's existing position and opening up a new channel to resell VMWare licences to other MSPs.
- AUCloud Software engineers completed Google Cloud Certification & opportunities being explored to overlay AUCloud's sovereign capabilities for GCP.



Acquisitions Update

March Quarter 2024

Acquisitions Update



All 3 acquisitions expected to complete on 30 April 2024

- **PCG Cyber** is a Canberra based cybersecurity consultancy firm specialising in Australian Government security advice and operations
- **Venn IT** Venn IT is a Queensland and South Australia based MSP and professional consulting business, data resilience & backup protection specialist servicing customers in the mining, financial services, education, and distribution sectors
- **Arado** is a suite of cloud and managed services, with a strong presence in Queensland. Arado has a customer base in State & Local Government and enterprises accounts across various sectors, including agriculture, industrial, health and resources

Progress to date

- 1 Capital raise completed raising \$30m less costs. All acquisitions on target to complete on 30 April
- 2 General Meeting held on 24 April approved allocation of Consideration Shares to align vendors to creating shareholder value
- 3 MergeCo management structure defined with key management from VennIT & PCG Cyber retained and assuming broader leadership positions
- 4 Forecast synergies on target to be realised in Q4 FY24. Integration planning well advanced including consolidation of office locations, office technology, systems and processes to remove duplication and enhance customer experience
- 5 Mutual customer and cross-selling opportunities are already materialising

Acquisitions Update (cont)



Recently announced acquisitions significantly expand AUCloud's product portfolios.

Sovereign Cloud Infrastructure



Secure sovereign cloud infrastructure hosts Enterprise, Federal, State & Local Government customers' applications and data at scale. With Cloud zones located across SYD, MEL, BNE & CBR, AUCloud's scalable Cloud Infrastructure is IRAP Accredited & Certified 'Strategic' to host 'Protected' information. Customers' data is managed and protected by AUCloud experts; security cleared by the Australian Signals Directorate (ASD).

Managed IT Services



Day-to-day management of customers' Cloud and On-Premises infrastructure and environments. Enterprise Managed Services, Data Protection & Backup Solutions. AUCloud employs a vendor agnostic approach, delivering highly skilled support staff and engineers with a depth & breadth of skills across a vast range of world leading technologies.

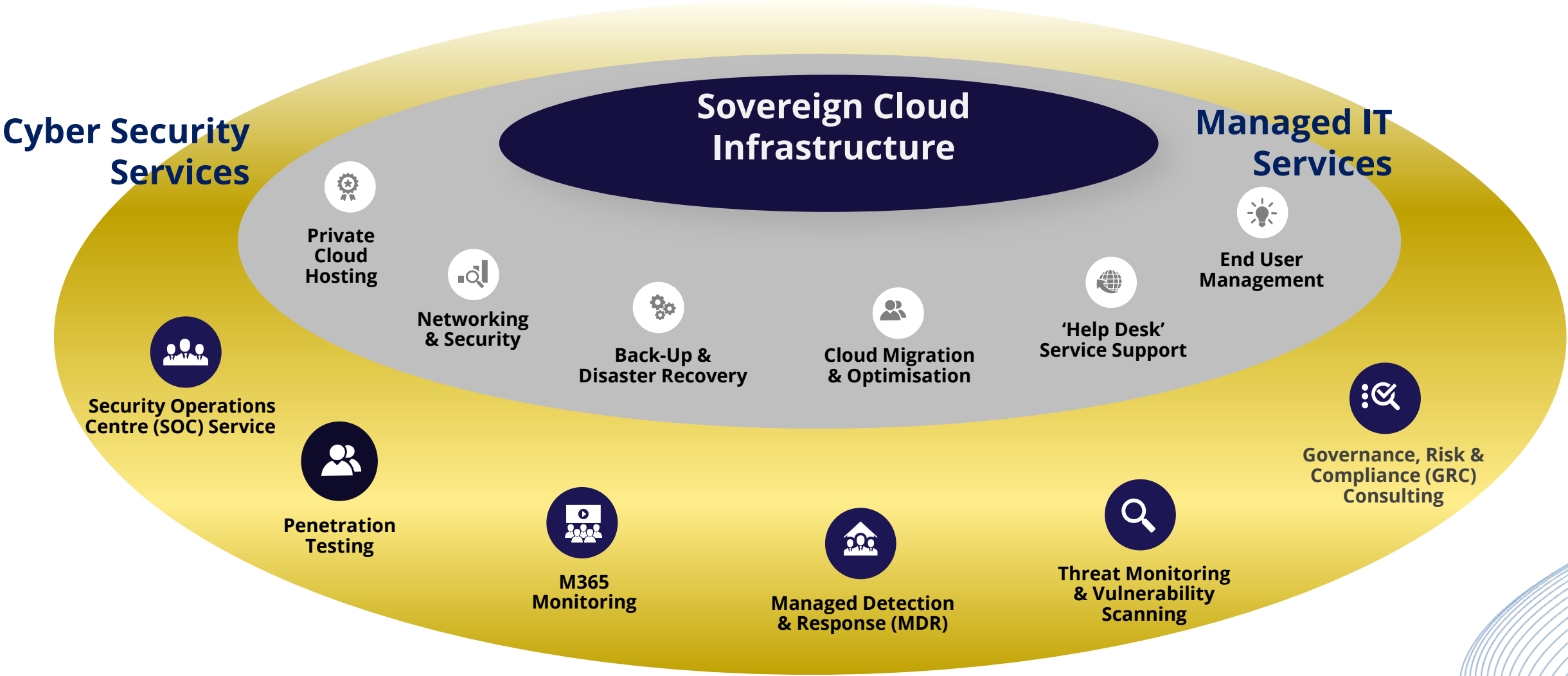
Managed Cyber Security



Focused on strengthening a customer's security posture, whether that be through 24/7 monitoring, governance, risk and compliance (GRC) strategies, auditing a customer's security posture or testing a customer's ability to react to a cybercrime. AUCloud operates on the front line to detect cyber-crime with our Security Operations Centre (SOC) service protecting some of Australia's best-known brands with the latest detection and response services. When cybercrime does occur AUCloud's Incident Response solutions can be rapidly deployed to secure a breached environment & guide a customer through the response.

Acquisitions Update (cont)














Full-service secure cloud, MSP & cyber security provider



Acquisitions Update (cont)

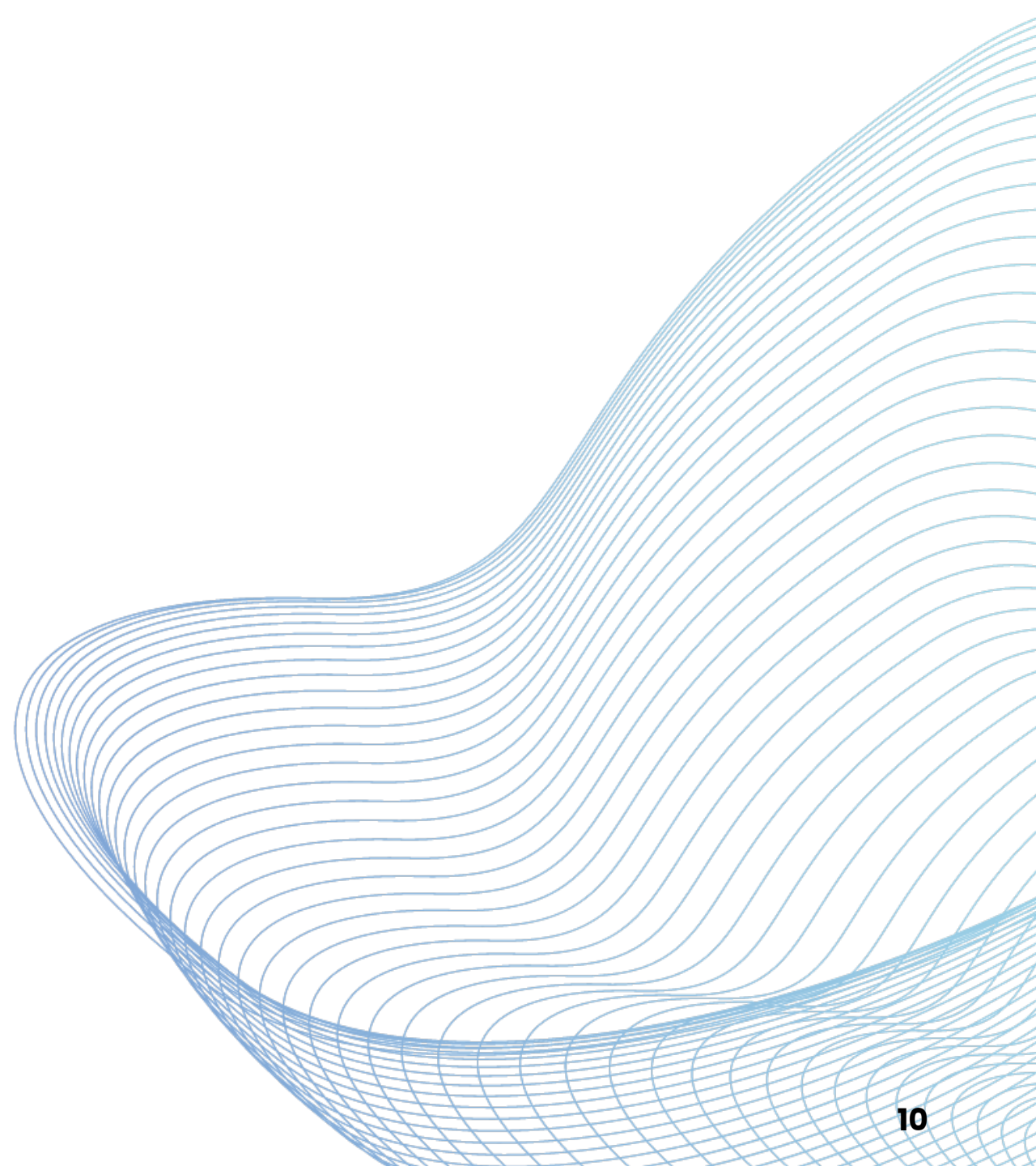


Aligned to deliver a full-service secure cloud, MSP & cyber security provider at scale

Cloud Infrastructure Managed Services Cyber Security	Value Proposition <ul style="list-style-type: none">• A full-service provider delivering secure, high-performance and resilient cloud computing solutions with end-to-end whole of business cyber security protection• Customer delivery unpinned by security cleared personnel and best practice compliance standards. Security accreditations including Certified Strategic and IRAP assessed Protected under the CAAF, ISO27001 and member of Defence Industry Security Program (DISP)• Managed Services Provider (MSP) providing data resilience & back up protection, consulting / professional services and cyber security prevention, detection & response services against evolving global threats through continuous threat monitoring and proactive cyber security threat detection and response solutions						Impact of Acquisitions <ul style="list-style-type: none">✓ Revenue, product & geographic diversification spanning cyber security and secure cloud solutions to increase competitiveness✓ Expanded customer base with predictable contracted ARR✓ Increased ARPU via fully integrated model of product bundling✓ Acquisitions leverage capital deployed in sovereign cloud infrastructure
	Secure Cloud Infrastructure	Managed Security Services Provider	Managed Services & Consulting Provider	Full-Service Cloud & Security MSP			
Post Completion MergeCo Key Numbers	 Customers # 200+	 Employees 150	 Dec-23 ARR \$25m	 Dec-23 ARPU \$173,000	 FY25F Revenue \$36.6m	 Cloud Infrastructure Invest. to date \$23.2m	
Supported by our Core Capabilities	 Secure Cloud Infrastructure	 Managed Service Provider (MSP)	 MSSP Delivering Cyber & Data Security	 Highest Compliance Standards	 100% Australian Sovereignty	 Extensive Partner + Customer Network	 Security Cleared Experts



Sovereign Cloud Holdings Limited
ASX: SOV
[AUCloud.com.au](https://www.AUCloud.com.au)



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")

March 2024

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	1,678	6,116
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(444)	(3,656)
(c) advertising and marketing	(13)	(402)
(d) leased assets	-	-
(e) staff costs	(2,719)	(8,677)
(f) administration and corporate costs	(624)	(1,800)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	32	160
1.5 Interest and other costs of finance paid	(39)	(134)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (Due Diligence costs)	(404)	(404)
1.9 Net cash from / (used in) operating activities	(2,533)	(8,797)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	-
(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	-	-

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	16,814	17,314
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	(977)	(1,193)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	(353)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (ROU Repayments)	(309)	(950)
3.10	Net cash from / (used in) financing activities	15,528	14,818

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	4,666	11,640
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,533)	(8,797)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-

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)	15,528	14,818
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	17,661	17,661

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	17,641	4,603
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (Bank Guarantee)	20	63
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	17,661	4,666

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	263
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>		

7.	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	Loan facilities	-	-
7.2	Credit standby arrangements		
7.3	Other (please specify)		
7.4	Total financing facilities	-	-
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.		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(2,533)
8.2	Cash and cash equivalents at quarter end (item 4.6)	17,661
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	17,661
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1) <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>	6.97
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:	
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:	
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:	
<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: 30 April 2024

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 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.