

21 October 2024

Appendix 4C Release

Sovereign Cloud Holdings Limited (ASX:**SOV** or the “**Company**”) is pleased to provide its activity update for the quarter ended 30 September 2024 (“**1QFY25**”).

Highlights

- Integration of three (3) acquisitions is now largely complete
 - Data centre consolidation expected to be completed in 1H FY25
 - 1QFY25 results include the first full quarter from the acquisitions
- Cash balance of \$6.8 million
- Debt free

Key Commentary

Operating Activities

The Company's business units are now marketing only under the AUCloud or AUCyber brand names.

No major customer churn, with improving rates of cross-selling cyber security solutions into the existing customer base evident, together with a growing pipeline for new customer logos.

The Company received customer cash flow receipts of \$9.1 million in 1QFY25, which was in line with internal expectations.

Total net cash outflows from operating activities were approximately \$1.6 million in 1QFY25. During this period, the Company realised cost synergies equivalent to \$0.9 million on an annualised basis. These new cost savings included 'cost of sales' reductions which captured the initial benefits of data centre consolidation, together with improved supplier procurement arrangements.

The cash outflows in 1QFY25 also included one-off restructuring costs of approximately \$0.3 million. The majority of the integration activities have now been executed and the Company does not expect the same level of one-off costs going forward.

With integration drawing to a close, the focus of the Company is lifting its' sales effectiveness to improve organic revenue growth, whilst maintaining a continued focus on cost control.

Investing Activities

The Company received net cash payments of approximately \$0.8 million in relation to completion adjustments connected to the three recent acquisitions.

Capex during 1QFY25 related to fit out expenses following consolidation of the Company's new office in Brisbane.

Financing Activities

During 1QFY25, the Company incurred Right of Use (ROU) asset payments of approximately \$0.5 million in relation to property and data centre leases, which are expected to reduce in 2HFY25 following completion of the data centre consolidation project.

Payments of \$166,000 to related parties and their associates relate to Director's fees.

Approved for release by the Board of Directors of Sovereign Cloud Holdings Limited.

Further information, please contact:

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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.

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")

September 2024

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) * \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	9,091	9,091
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(3,075)	(3,075)
(c) advertising and marketing	(166)	(166)
(d) leased assets	-	-
(e) staff costs	(5,711)	(5,711)
(f) administration and corporate costs	(1,353)	(1,353)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	65	65
1.5 Interest and other costs of finance paid	(58)	(58)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (restructure costs)	(370)	(370)
1.9 Net cash from / (used in) operating activities	(1,577)	(1,577)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(295)	(295)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 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 (acquisition completion adjustments)	807	807
2.6	Net cash from / (used in) investing activities	512	512

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	(4)	(4)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (ROU asset payments)	(483)	(483)
3.10	Net cash from / (used in) financing activities	(487)	(487)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	8,395	8,395
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,577)	(1,577)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	512	512
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(487)	(487)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) * \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	6,843	6,843

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	6,471	8,077
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (Bank Guarantee)	372	318
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	6,843	8,395

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	166
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>Note: All amounts referred in Item 6.1 are Directors Fees</i>		

7.	Financing facilities <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>	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		-
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)	(1,577)
8.2	Cash and cash equivalents at quarter end (item 4.6)	6,843
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	6,843
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	4.34
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?	
	n/a	
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?	
	n/a	
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?	
	n/a	
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 October 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.