

ASX Announcement

15 January 2025

Trading Update, Appendix 4C and Takeover Update

AUCyber Limited (ASX: CYB; **AUCyber** or **Company**) provides the market with an update on its unaudited trading performance for the six months ended 31 December 2024, its Appendix 4C cash flow activity update for the quarter ended 31 December 2024 (“**2QFY25**”), together with an update on the takeover process.

Overview

- Financial performance for the six months ended 31 December 2024
 - Unaudited revenue of \$12.2 million
 - Unaudited Underlying EBITDA loss of \$1.6 million ¹
- Cash of \$5.0 million and no debt as at 31 December 2024
- Negative operating cashflows of \$1.3 million for Q2FY25 and \$2.8 million for six months ended 31 December 2024. The Company also incurred a further financing cash outflow in respect of property and data center leases of \$0.5 million for Q2FY25 and \$1.0 million for six months ended 31 December 2024
- Board recommends shareholders **REJECT** 5GN Takeover Bid
- Brennan and other qualified parties are currently undertaking due diligence on the Company

Trading update

The Company generated an Underlying EBITDA loss of \$1.6 million on revenues of \$12.2 million for the 6 months ended 31 December 2024.

The Company’s financial performance is materially below the Board’s expectations based on the internal FY25 budget previously tabled by management. On 20 December 2024, the Board terminated the CEO and Managing Director, Peter Maloney.

The Company’s 2QFY25 unaudited revenues of \$5.95 million declined ~5% on 1QFY25 revenues of \$6.24 million. While the decrease in revenues is partially due to seasonality, AUCyber’s Cyber Security, Cloud Solutions, Managed Services and Professional Services operations, continue to perform below expectations. This is principally due to slower than expected new customer signings, recent customer churn and/or downsizing of customer contracts in some areas of the business. Furthermore, gross margins are lower than expected principally due to the business being resourced with a larger cost base to support a materially higher forecast revenue base.

The Company completed the four-way merger of AUCloud, PCG Cyber, Venn IT and Arado businesses in May 2024. Whilst integration of the acquired businesses people, systems

¹ Adjustments in respect of one-off costs related to due diligence and restructure and share based payments.

and processes is largely complete, the Board's recent review of the acquired businesses have highlighted several shortcomings in both risk management and execution of the business plan at the time of merger.

Alongside the recent takeover activity, the Board is currently evaluating opportunities to right size and optimise its cost base for the lower revenue and slower momentum that has been observed, as well as focusing on go to market initiatives to drive new business opportunities. A further update on this front will be provided to the market as part of the release of the formal 1H FY25 accounts in late February 2025.

The Company's search for a new CEO has been paused dependent on the outcome of the current takeover activity.

Appendix 4C – Key Commentary

The Company's Free cash flow (burn) was approximately \$1.8 million for the 2QFY24, which included approximately \$0.1 million of one-off items.

The Company had cash of \$5.0 million (\$4.7 million in available cash) as at 31 December 2024.

As noted above, AUCyber is currently evaluating strategies and initiatives to optimize its cost base, generate greater higher margin revenues and ultimately reduce its rate of cash burn with an objective of achieving sustainable profitability.

Operating activities

The Company received customer receipts of \$8.7 million in 2QFY25, which was below 1QFY25 of \$9.1 million. This decline has been a result of lower revenues following the above-mentioned customer churn, downsizing of customer contracts and the underperformance of new business wins during the period. The December quarter is also a seasonal low point in the financial year for the Cyber Security business units due to lower billable days during the holiday period.

Following this weaker than expected performance, the Company undertook to revisit its sales and go to market strategy during the quarter. Given the early stage of implementing this revised strategy the Company has not yet demonstrated a turnaround in the sales performance it is seeking to achieve.

Total net cash outflows from operating activities were \$1.3 million in 2QFY25, an improvement relative to the outflows of \$1.6 million observed in 1QFY25. This was primarily attributed to reduced staff costs of \$0.8 million and a reduction in one-off due diligence and restructuring costs of \$0.3 million, with the completion of restructuring efforts post the recent acquisitions, which more than offset the reduction in cash receipts observed during the period.

Investing activities

The Company incurred capex of \$0.1 million during 2QFY25, which principally related the leasehold improvements and purchase of computer equipment. This was below capex observed in Q1FY25 of \$0.3 million, which principally related to the fit out of the Company's new office in Brisbane.

Financing activities

During 2QFY25, the Company incurred Right of Use (**ROU**) asset payments of approximately \$0.5 million in related to property and data centre leases, which was largely consistent with that incurred in 1QFY25.

The Company made payments of \$187,938 to related parties, including directors during 2QFY25. This amount consisted of Non-Executive Directors Fees of \$62,500 and \$125,438 to its former CEO and Managing Director. The later amount related to ordinary salary, superannuation and employee entitlements.

Takeover update

On 20 December 2024, the Company received an unsolicited and unconditional on-market takeover bid from 5GN Networks for 100% of the ordinary shares in the Company at \$0.11 cash per share (**5GN Takeover Bid**).

On 24 December 2024, the Company then received a non-binding and conditional takeover proposal from the IT services company, Brennan to acquire 100% of the ordinary shares in the Company at \$0.14 cash per share.

On 3 January 2025, the Company released its Target's Statement recommending shareholders **REJECT** the 5GN Takeover Bid. The Company also advised that its financial adviser had commenced engagement with a select group of qualified third parties with interest in acquiring 100% of the Company. This process has advanced, with several interested parties, including Brennan having now executed Confidentiality Agreements and commenced due diligence. There can be no assurances that any competing takeover or similar transaction capable of being considered by shareholders will be forthcoming from this process.



This ASX announcement has been authorised by the Board of Directors.

For further information please contact:

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About AUCyber Limited (ASX: CYB)

AUCyber Limited encompasses award-winning brands AUCyber and AUCloud, Australian sovereign providers of comprehensive cyber security, secure private cloud and managed technology services. A publicly listed company, AUCyber Limited specialises in delivering highly secure cloud infrastructure alongside managed cyber security and consulting services for prominent enterprise and government customers.

With national operations, AUCyber leverages the latest sovereign cloud infrastructure and employs Australian security-cleared engineers, security analysts, IT professionals, and holds the highest security accreditations. AUCyber is recognised as one of the top 10 "Most Innovative Technology Companies" by the Australian Financial Review and has also been named "Employer of Choice" in the Australian Business Awards, leveraging a team of over 100 experts.

Our solutions are backed by key certifications, including the Digital Transformation Agency's Hosting Certification Framework and compliance with the Australian Signals Directorate's Information Security Manual. These certifications provide customers with confidence in the security and quality of our services.

Discover more about AUCyber's innovative solutions at www.aucyber.com.au

Appendix 4C

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

Name of entity

AUCyber Limited

ABN80 622 728 189**Quarter ended ("current quarter")**December 2024

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) * \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	8,655	17,746
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(3,384)	(6,458)
(c) advertising and marketing	(172)	(337)
(d) leased assets	-	-
(e) staff costs	(4,909)	(10,616)
(f) administration and corporate costs	(1,395)	(2,753)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	91	156
1.5 Interest and other costs of finance paid	(58)	(116)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (Due Diligence & Restructure costs)	(101)	(471)
1.9 Net cash from / (used in) operating activities	(1,273)	(2,849)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(62)	(358)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 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
2.6	Net cash from / (used in) investing activities	(62)	449

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	-	(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 Repayments)	(478)	(961)
3.10	Net cash from / (used in) financing activities	(478)	(965)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	6,843	8,395
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,273)	(2,849)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(62)	449

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) * \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(478)	(965)
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	5,030	5,030

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	4,658	6,471
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (Bank Guarantee)	372	372
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	5,030	6,843

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	188
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		-
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)	(1,273)
8.2	Cash and cash equivalents at quarter end (item 4.6)	5,030
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	5,030
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	3.95
<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>		
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: 15 January 2025

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.