



ASX ANNOUNCEMENT

21 January 2021

CIPHERPOINT TO ACQUIRE CYBER SECURITY SERVICES PLATFORM BRACE168

Cipherpoint Limited (ASX:CPT), Sydney, Australia 21 January 2021 - Cipherpoint is pleased to announce that it has entered into a binding term sheet to acquire 100% of the issued capital in cyber security services platform Brace168 Pty Limited (**Brace168**).

Brace168 was established in 2017 by its founder Greg Bunt, with Matt Miller joining as a Senior Executive, to provide managed detection and response services to medium and large-scale businesses and enterprises, based in North Sydney. The foundation of the business is its scalable next generation Security Operations Centre (**SOC**) platform aligned with ISO27001 and Crest accreditations and is NSW Government panel approved. From inception, Brace168 has invested heavily in intellectual property and standards' certifications. Brace168 derives its name from 'strengthened 24 x 7 security'.

Brace168 has a high percentage of annuity revenue. Brace168's FY20 revenues were A\$1.2M¹ and H1 FY21 of \$1.3m².

Brace168 builds innovative IT and cyber security solutions that work seamlessly across business and enterprises or government agencies. Its customers are across the financial property, manufacturing, technology and health sectors (including both ASX50 and ASX200 companies). Cipherpoint's existing products will be offered to those customers.

A unique feature of Brace168's offering is its ability to manage multi-vendor customer environments within and across national boundaries supported by data and security analytics. This is highly complementary to the data centric approach of CPT. Key customers access Brace168 services through points of presence in data centres in Australia, the US and Europe.

Acquisition Terms

The consideration for the acquisition of 100% of the issued capital of Brace168 from the shareholders of Brace168 (**Brace168 Vendors**) is a mix of cash and CPT securities, being \$3M cash, 21.75M shares and 5.4375M options, subject to any necessary shareholder or other regulatory approval which will be sought as a condition to the proposed acquisition.

The cash payment will be split over two payments, with \$2M payable on completion and \$1M twelve months post completion.

An additional 14.2M shares are to be issued on achieving FY21 and FY22 financial milestones described below. Shareholder approval will be sought for the issue of the consideration and earn-out shares as a condition to the proposed acquisition.

¹ Unaudited

² Unaudited

Further details are set out below:

Up-Front Cash Consideration. At completion, the Brace168 Vendors will receive A\$2.0M cash consideration (less any working capital and other balance sheet adjustments), to be shared by the Brace168 Vendors proportionate to their shareholding.

Up-Front Consideration Shares. At completion, the Brace168 Vendors will receive 21.75M shares (representing, on the basis of the current capital structure, approximately 15% of the current issued capital of CPT). The Brace168 Vendors will also receive 5.4375M options at an exercise price of \$0.08c with an expiry of 12 months from the issue of the Placement options (refer below). The up-front consideration shares and options shall be voluntarily escrowed until 30 September 2021.

Deferred Cash Consideration. Twelve months from completion of the transaction, the Brace168 Vendors will receive a further \$1M cash consideration, to be shared by the Brace Vendors proportionate to their shareholding.

Performance based consideration:

Further share issues will be made to the Brace168 Vendors on meeting certain earn-out milestones:

- **2021 Earn Out:** If at the conclusion of Brace168's FY2021 (12 months to 30 June 2021), the revenue for Brace168 is greater than A\$3.0M, then CPT shall allot a further 7.1M shares to the Brace168 Vendors.
- **2022 Earn Out:** If at the conclusion of CPT's FY2022 financial year (12 months to 31 March 2022), the revenue for Brace168 for that period is greater than A\$5.0M then CPT shall allot a further 7.1M shares to the Brace168 Vendors.

CPT will also execute executive agreements with Greg Bunt and Matt Miller comprising:

- market based salaries and short-term incentives;
- the issue to each of them of an initial 2,500,000 performance rights with vesting when CPT trades above 10c per share for 5 consecutive trading days; and
- a further 2,500,00 performance rights to be issued to each of them subject to the revenue for Brace168 achieving the 2021 earn out target.

CPT also intends to issue Brace168 employees share based incentives under its existing employee security ownership plans.

It is anticipated the transaction will complete by early March 2021 or shortly thereafter. The terms sheet is subject to certain conditions precedent usual for transactions of this nature, including the execution of formal documentation, confirmatory due diligence, CPT raising further capital of not less than \$2m pursuant to the Placement and rights issue (in combination) described below, and CPT obtaining shareholder and regulatory approvals and waivers. Certain conditions will be able to be waived by either or both parties.

Following completion of the Brace 168 transaction, CPT will focus on three key areas:

- Security Solutions – the Brace168 business;
- Data Protection – CPT's core business; and
- Data Discovery – a further growth opportunity.

Brace168 will be managed as a separate business during the performance period.

CPT Chairman Ted Pretty said *“The Cipherpoint team are excited that the founders of Brace168 will be joining us on the journey to offer best of breed solutions to the business and enterprise market both locally and internationally. Our focus has been to acquire a business with a strong and complementary platform, and which has an attractive organic growth trajectory. Acquiring Brace168 gives CPT the ability to compete aggressively in the market. In my opinion, it enables CPT to scale with an integrated offering and will be a more attractive investment option than other cyber consulting rollups underway in the market.”*

Brace168 spokesperson, Greg Bunt said *“We are excited about the prospect of joining Cipherpoint and its team at this critical stage of our growth journey. In our opinion, Brace168 has the potential to set new standards in cyber security including providing managed detection and response services, security analytics and data protection. We remain committed to ensuring our customers are provided best in class service and support and to be the clear choice of supplier, partner and employer.”*

Capital Raising

In conjunction with announcing the proposed acquisition of Brace168, CPT is pleased to advise that it has received binding commitments to a placement of ordinary shares of \$1 million at an issue price of \$0.047 per ordinary share (21,276,596 shares) together with 1 free-attaching option for every 4 shares under the Placement, with each option having an exercise price of \$0.08 with an expiry of 12 months from issue (**Placement**). The Placement shares and options will be issued under CPT's existing placement capacity under ASX Listing Rule 7.1 and 7.1A. The Placement shares are being issued at an 8% discount to the 15-day VWAP of CPT's ordinary shares. Cipherpoint has agreed to pay a fee of 6% of funds raised from the Placement and issue an aggregate of 4 million options (with the same terms as options under the Placement) to brokers who assisted Cipherpoint with the Placement.

In addition to the Placement, CPT intends to undertake a rights issue to raise not less than the balance of the capital required as a condition to the completion of the Brace168 acquisition (being \$1m). The rights issue will be a non-renounceable pro-rata rights issue to eligible shareholders at the record date. The rights issue will offer eligible shareholders (including the participants in the Placement) the opportunity to subscribe for 1 share for every 2 shares held at the record date at an issue price of \$0.047 per share to raise up to approximately \$4 million before costs. Subscribers in the rights issue will be issued with 1 free-attaching option for every 4 shares subscribed under the rights issue, with each option having an exercise price of \$0.08 with the same expiry date as the options under the Placement. Completion of the rights issue will be subject to shareholders approving the Brace168 acquisition. Further details of the proposed rights issue will be provided in the coming days.

It is Cipherpoint's intention to seek the official quotation (listing) of the options referred to in this announcement (including those issued under the Placement), subject to meeting ASX listing requirements. Cipherpoint is in discussions regarding the potential for the partial underwriting of the rights issue, with further updates to be provided in due course.

The net capital raised from the Placement and proposed rights issue will be applied as follows:

- meet costs of the Brace168 transaction;
- meet costs of integration of the Brace 168 and Cipherpoint businesses;
- fund the expansion of the existing Cipherpoint business following the integration above;
- fund the anticipated growth of the Brace168 business;
- establish a second point of presence for Security Solutions in Europe co-located with CPT's existing business in Heilbronn, Germany; and
- group working capital.

This announcement has been approved for release by the Board.

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About Cipherpoint

Cipherpoint empowers businesses to discover, protect and control sensitive information across multiple platforms and repositories, including industry best security for Microsoft SharePoint. Our customers and partners span the public sector, defence, utilities, health, logistics, finance and education.

Further information

For further information, please visit <https://cipherpoint.com>

About Brace168 Pty Limited

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See: <https://www.brace168.com/>

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