

29 October 2020

ASX Announcement: AR9

archTIS enters Microsoft market with transformational acquisition of global information protection business

Nucleus Cyber

Highlights

- archTIS will acquire 100% of global information protection business, Nucleus Cyber (NC), for a total potential consideration of up to A\$9.75m in archTIS shares.
- The acquisition will create a global, geographically diverse company that supports archTIS' strategy of being the world's premier provider of policy enforced access control platforms for securing and sharing digital information.
- This is a transformational acquisition that leverages our core capabilities, expands our offering into the Microsoft product suite, and instantly opens new commercial and geographic markets via Nucleus Cyber's Microsoft co-sell agreement through Microsoft field sales and channel resellers.
- The new combined product offering creates increased revenue diversity, greater recurring revenues, and a platform for accelerated growth.
- By utilising a scrip swap deal, archTIS remains in a strong cash position with circa A\$4m cash at hand plus a further A\$1m cash proceeds expected from exercise of expiring options by July 2021.
- Key Nucleus Cyber team members will join the archTIS senior executive team, significantly enhancing our North American and Microsoft product suite expertise.

archTIS Limited (ASX: AR9, archTIS or the Company), an award-winning, global technology company focused on protecting sensitive information, is pleased to announce it has entered into a binding term sheet to acquire global information protection business, Nucleus Cyber Inc.

About Nucleus Cyber

Nucleus Cyber provides advanced information protection solutions that prevent data loss and protect against insider threats across the Microsoft software suite. Microsoft is the world's largest supplier of digital collaboration products to Government, Enterprise and SME's including 115 million daily Teams users, and the Nucleus Cyber technology

solutions operate seamlessly in conjunction with these products. For example, the company's NC Protect solution provides a simpler, faster and cheaper solution to tailor information protection for file sharing, messaging and chat across collaboration tools. For mid-size to large enterprises and regulated industries, it protects business-critical content in cloud collaboration tools Microsoft Office 365 – SharePoint, Teams, OneDrive, Exchange, and Yammer, plus Dropbox, Nutanix Files and Windows file shares.

NC Protect's easily configured rules evaluate all available data and user attributes to tailor information protection for file sharing, messaging and chat across collaboration tools.

Nucleus Cyber is headquartered in Boston, Massachusetts, USA, with a development office in Melbourne, Australia. The company generates revenue from its high-margin annual subscription-based software platform, with high quality enterprise clients that have a historically strong customer retention.

Nucleus Cyber has high quality customers in a wide range of industries across government and defence, financial services, healthcare, pharmaceuticals, energy and manufacturing including: Corning, State Street Bank, the Australian Department of Health, the Australian Department of Defence, and Care First.

Of material note, Nucleus Cyber has recently entered into a co-sell agreement with Microsoft. This means Microsoft will actively promote and sell Nucleus Cyber's Protect product throughout the Microsoft field sales and channel resellers. This agreement has just commenced in the United States and is intended to expand globally through the Microsoft Start-up program. As a result, archTIS expects significant growth in this revenue stream from 2021.

About the acquisition

archTIS and Nucleus Cyber have entered into a binding term sheet which sets out the key terms upon which the acquisition is expected to be completed.

Under the terms of the agreement, archTIS will acquire a 100% interest in Nucleus Cyber in exchange for:

- Initial consideration of A\$6.25 million, payable in archTIS shares (subject to standard closing adjustments); plus
- Up to A\$3.5 million deferred consideration payable in archTIS shares upon reaching certain defined revenue and corporate milestones

The acquisition is highly strategic and transformational for archTIS. Through this acquisition archTIS gains an immediate presence in the key North American market, as well as access to the Microsoft business product suite. This transaction represents a

key step in archTIS' strategy of being the world's premier provider of policy enforced access control platforms for securing and sharing digital information.

The Nucleus Cyber business and team is well known to archTIS due to previous partnering agreements and represent a close cultural fit for our business. All key senior executives from Nucleus Cyber have agreed to join archTIS' senior management team, significantly enhancing our North American and Microsoft product suite expertise.

archTIS recently completed its first Nuclear Cyber licence sale to 12th Level; demonstrating the benefit the acquisition will provide to accelerate cross sales.

Completion of the transaction remains subject to standard documentation and is expected to close before the end of calendar year 2020.

Daniel Lai, archTIS CEO, said: "This acquisition is transformative for archTIS. The acquisition of Nucleus Cyber expands our offering into the Microsoft business product suite and opens up new global sales and distribution channels and provides significant new revenue streams to the business. This forms a critical component of our global strategy of being the world's premier provider of policy enforced access control platforms for securing and sharing digital information. We have known and worked with the Nucleus Cyber team for an extended period, and we look forward to welcoming them to the archTIS business and continuing to facilitate secure collaboration and information protection for our clients."

Kurt Mueffelmann, Nucleus Cyber CEO, said: "We are excited to be joining archTIS. Nucleus Cyber and archTIS teams share a long relationship and common technology approach of using Attribute Based Access Control (ABAC) in securing sensitive information. Secure information sharing across enterprise and government is an ongoing problem, exacerbated by the exponential increase in remote work and the use of Microsoft's collaboration tools that have been fuelled by the pandemic. The combination of archTIS and Nucleus Cyber technologies and talent ensures we are at the forefront of providing market leading information security solutions. I look forward to joining archTIS as its Chief Operating Officer and continuing to accelerate our growth."

Approved for issue by order of the Board of Directors

ENDS

For further enquiries please contact:

Investors

Daniel Lai
Managing Director
E: investors@archTIS.com

Chris Shopov
archTIS
E: investors@archTIS.com

Media

Daniel Paperny
Mojo Media
E: daniel.paperny@mojomedial.com.au

About archTIS Limited

archTIS Limited (ASX:AR9) is an award winning, global technology company focused on protecting sensitive information. Leveraging its strong pedigree with Government and Defence, the company has developed industry-leading information security platforms for sharing and collaborating on sensitive or classified information.