



Acquisition of Nucleus Cyber

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archTIS Limited (ASX : AR9)

www.archTIS.com



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archTIS' vision is to be the most trusted company for managing the World's most valuable Information.



archTIS provides the world's most secure information access control platforms that enable people to create, collaborate and share their sensitive and classified information easily, compliantly and securely.



archTIS achieves this through the development of policy-based access control platforms that enable information owners to create, manage and administer the use and access to their sensitive and classified information anywhere, anytime.

1. Executive Summary

Executive Summary

Transaction Details	<ul style="list-style-type: none">➤ Binding term sheet signed under which archTIS will acquire 100% of Nucleus Cyber for up to A\$9.75m in archTIS shares➤ Transformational acquisition for archTIS which leverages our core capabilities to expand into the Microsoft product suite and creates new sales and distribution channels globally➤ Microsoft co-sell and price book inclusion allows Microsoft field and channels to distribute NC Protect directly➤ Key Nucleus Cyber team members to join the archTIS senior executive team, with 25 year technology veteran Kurt Mueffelmann scheduled to assume the role of Global COO based in the US
Consideration	<ul style="list-style-type: none">➤ A\$6.25m initial consideration payable in archTIS shares (subject to standard closing adjustments)➤ Up to A\$3.5m of deferred consideration payable in archTIS shares subject to Nucleus Cyber reaching defined revenue and other commercial targets
Nucleus Cyber	<ul style="list-style-type: none">➤ Nucleus Cyber's NC Protect product suite protects business-critical information across all key Microsoft Office 365 collaboration tools (both cloud and on-premises) including SharePoint, Teams, OneDrive, Exchange and Yammer) plus DropBox, Nutanix and Windows file shares➤ High quality core enterprise clients with historically low churn rates and high margins➤ Headquartered in Boston, MA with development office in Melbourne➤ Majority owned and controlled by CEO Kurt Mueffelmann

Transaction Highlights



Nucleus Cyber is a transformational acquisition for archTIS

- 1 Access to Microsoft Collaboration Suite:** expands the archTIS offering into the Microsoft business product suite, including Microsoft Teams with almost 100 million daily active users
- 2 Global Channels:** new global sales and distribution channels across key Microsoft and Security product partners throughout the Americas, EMEA and Asia Pacific
- 3 Core US Presence:** immediately establishes a US presence for archTIS, critical for our alignment with the US-FED / Five Eyes program and defence industrial complex
- 4 Revenue Enhancing:** significant subscription-based annual recurring revenue, with significant growth expected in FY21 and an established high-quality enterprise and government customer base.
- 5 Strong Synergies:** highly complementary product offering, immediate scale-up of archTIS global network and significant US and Microsoft product expertise added to the archTIS senior executive team

Strategic Rationale

1

Strong Technology and Market Fit

- Cross-sell opportunity to Kojensi customers and product line
- Removes barriers to archTIS product adoption
- Strong technological fit with shared ABAC foundations
- Excellent cultural fit – archTIS and Nucleus Cyber have a long and close working relationship
- Consolidation of road map strategy and development teams
- Data-centric protection across a number of large and rapidly growing market segments (DLP, CASB, data governance, encryption, etc.)

2

Global Sales & Marketing Presence

- Established US market presence, key for US-FED / Five Eyes and defence industrial complex
- Expands global sales and channel distribution across key Microsoft and Security partners
- Proven revenue and marketing threads across information protection use cases to drive new customer acquisition
- Decreased sales cycles and time to close through high-transaction volume model across expanded vertical markets
- Enable Microsoft collaboration suite through field IP co-sell

3

Financially Compelling

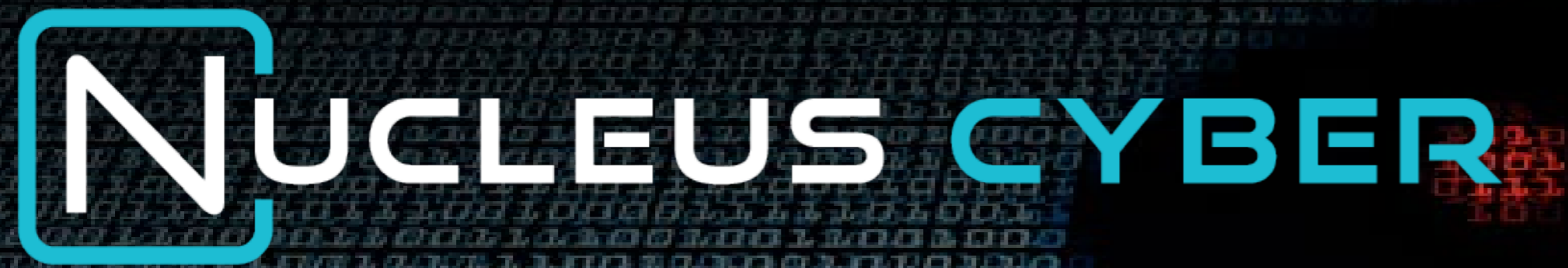
- 100% scrip transaction consideration conserves cash for accelerated growth development
- Established annual recurring revenue model (ARR) with very strong gross margins
- Strong sales growth forecast for calendar 2021
- Melbourne-based development team ensures eligibility for ATO R&D rebates

4

Operational Synergies

- Enhances senior executive team with deep US public market, early-stage and Microsoft product management experiences
- Establishes future M&A model for hyper-growth of complementary Cyber and ABAC technologies or expanded distribution
- Back office consolidation on Xero
- Provides 24x7 customer success model (follow the sun)

2. Nucleus Cyber Overview



Protecting Sensitive Information from Malicious Access and Oversharing



Provides attribute-based access control (ABAC) to content and manages what users can do with it and who they can share it with to dynamically secure it



High growth sector with large addressable market for cyber security, governance and compliance industry



Founded 2018 (US / AUS)
Mature product offering with over US \$10M invested in core development of technology



Marquee cross-industry global customers



Established and growing global partner channel including Microsoft alliance and Co-sell partnership



USA / EU / APAC sales and operations presence



Experienced management team with US public company and early stage growth experiences

NC Protect Customers



Key Use Cases

- Personally Identifiable Information (PII)
- Protected Healthcare Information (PHI)
- Legal / HR / Strategic business documents
- Intellectual Property
- Board Documents
- Dynamic Chat
- Information barriers
- Guest / Third party access & sharing

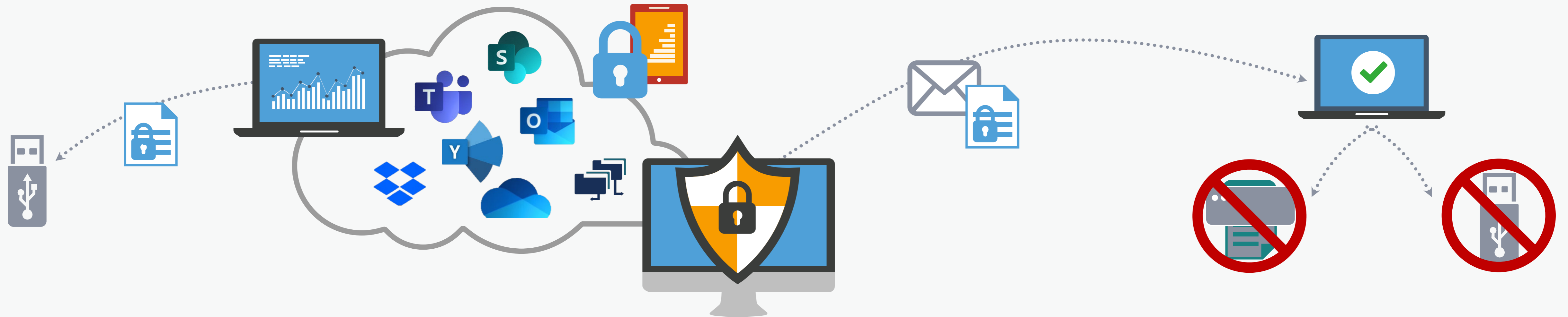
“ Nucleus Cyber has become the best product for securing unstructured information that provides coverage for data and files moving in and out of various Microsoft apps, namely O365, SharePoint, OneDrive, Teams and Exchange. Microsoft has nothing like it, and the granular flexibility NC Protect provides is unmatched.

Robert MacMillan, Head of Cyber Security, Virgin Mobile



NC Protect

Advanced Information Protection
Simpler. Faster. Cheaper.



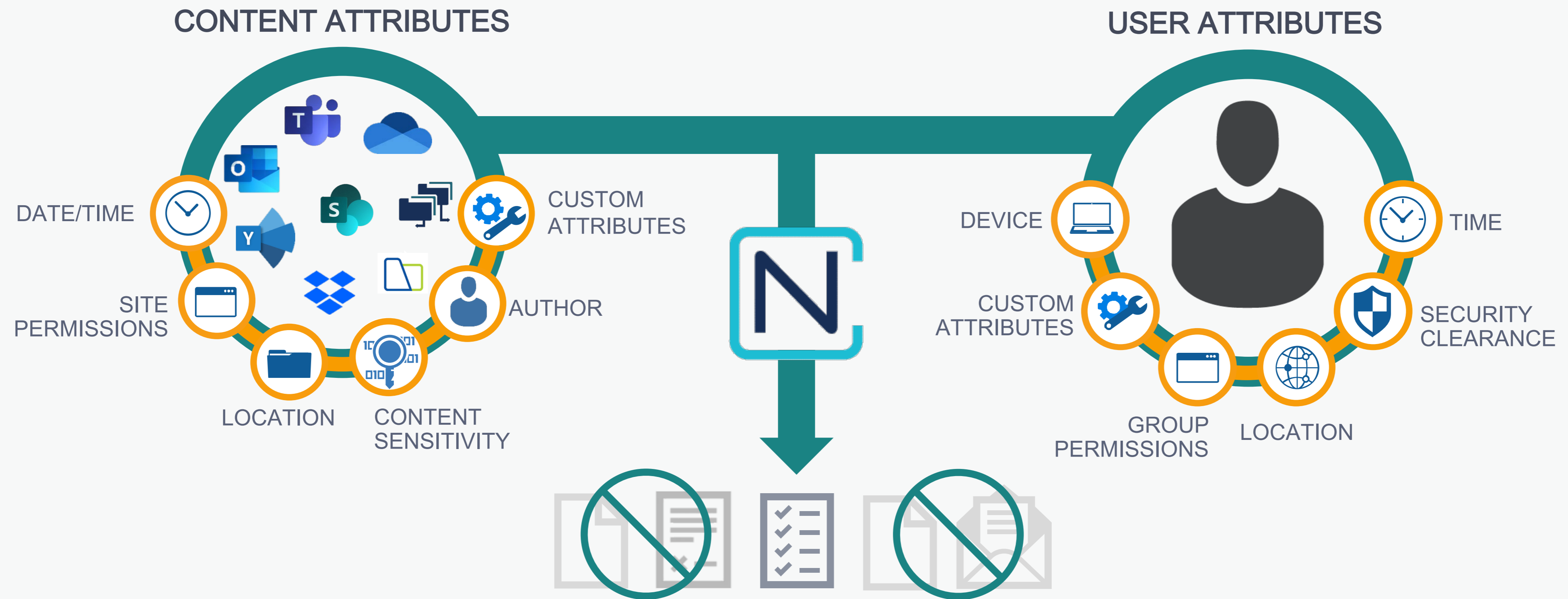
IDENTIFY, CLASSIFY &
SECURE SENSITIVE DATA

PROACTIVELY BLOCK &
PROTECT INFORMATION

AUDIT & REPORT FOR
COMPLIANCE

NC Protect – Secure Collaboration

Attribute Based Access Control & Sharing



What a user sees when viewing and searching for files

Whether a user can open, edit, copy or download a file

If a file is encrypted when saved, copied, or emailed

If a dynamic watermark should be applied to a file

If a file can only be viewed in a secure application

What actions are enabled in the Microsoft UI

Microsoft Partnership

Tight Product Partnership and Market Alignment for Technology Co-sell



90% of all enterprises use Microsoft cloud, tools or software to share unstructured data. Microsoft provides a gateway for easy integration into a well-understood and widely used product suite.



MISA Membership
Validation of Solution and Value -add

- More granular control and application of protection features
- MSFT account teams have validated the gaps in the out of the box that our solution fills



Data First Solution vs Application First

- Microsoft solution architecture analyses rules starting at the application level, NC Protect analyzes at the data level hence greater control with NC Protect



MSFT Roadmap Provides New Opportunities

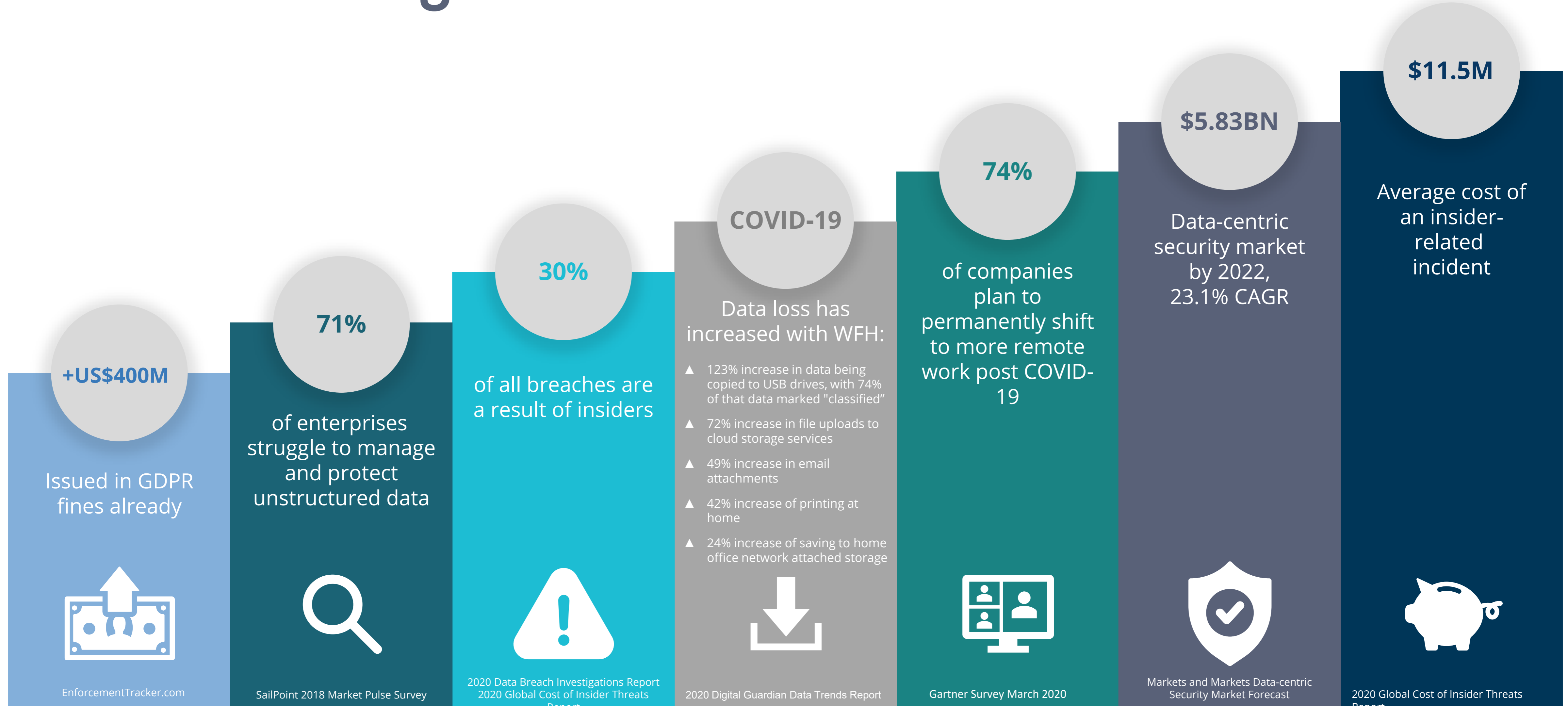
- New Insider Threat Dashboard announced at Ignite – Working with the Product Team for early adopter program
- Roadmap plan to integrate into our NC Protect for Teams app



Co-Sell and Azure Marketplace Opportunity

- Microsoft field reps and partners have opportunity to directly sell Nucleus Cyber solutions
- Provides extended relief of field quota and direct messaging into E3/E5 upgrade opportunities and Teams enablement scorecard

What is Driving Demand?



An Experienced Team



Kurt Mueffelmann
President & CEO

- 2x Deloitte Fast 500 CEO
- \$1B US-NASDAQ executive
- Successfully built & sold 3 techs

Brings over 25 years of technology leadership to Nucleus Cyber. He brings his passion for start-ups, and proven strategies for scaling go to market efforts and achieving hyper revenue growth to the role.

Kurt has overseen the growth and sale of four technology companies and earned two Deloitte Fast 500 company awards at previous companies.



Leigh Rowland
Chief Technology Officer

- Cyxtera
- Cryptzone
- HiSoftware

Leading global development teams for two-decades, he is responsible for driving the evolution of the company's technology to provide a secure, intelligent workplace.

Under his leadership, NC Protect has expanded from its core strength of protecting documents in SharePoint, to include the protection of Exchange emails and cloud storage repositories, social platforms and collaboration environments.



Dr. Steve Marsh
VP Product

- Metalogix
- Microsoft EU SharePoint Product Manager

Driving product management and product marketing to deliver first class customer experiences, strategic product roadmaps and key go to market messaging.

Steve brings almost 20 years of product experience to Nucleus Cyber from Microsoft, start-ups and academic research and development.



Irena Mroz
VP Marketing

- Infocyte
- Cryptzone
- HiSoftware

Responsible for defining the company's branding, demand generation and public relations.

An innovative strategist with impeccable attention to detail, Irena leverages more than 20 years of B2B marketing expertise to direct the company's marketing strategy and communications programs.

Trusted Access Solution for Every Information Sharing Problem



- archTIS' ABAC enabled Secure Information sharing platform for sensitive and classified information collaboration
- **Target:** G2G, G2B and B2B
- Developed by archTIS

Classified Information
Sharing



- A universal access control Platform that enables Access Policies (ABAC) to be applied to any data, infrastructure, file, service or third party product
- **Target:** G2G, G2B and B2B, SME's
- Currently being developed by archTIS

Policy Enforcement
Orchestration



- Provides policy enforced (ABAC) access to Enterprise Resource Planning platforms (SAP/Peoplesoft)
- **Target:** Government and Enterprise client
- Currently being resold by archTIS

Policy Enforcement
for ERP



- Provides Policy Enforcement (ABAC) across the Microsoft suite of collaboration tools
- **Target:** Government, Enterprise, SMEs, Microsoft users
- Currently being resold by archTIS

Policy Enforcement for
Microsoft Collaboration
Products



- Provides policy enforced (ABAC) access to applications, data and databases
- **Target:** Government and Enterprise
- Currently being resold by archTIS



Policy Enforcement for
Applications, Data and
Databases

3. Transaction Terms

Transaction Terms

Binding Term Sheet	<ul style="list-style-type: none">➤ Binding Term Sheet requires the parties to negotiate in good faith to execute full-form binding transaction documentation within 30 days of the date of the Term Sheet➤ archTIS has been granted exclusivity under the Term Sheet
Consideration	<p>Initial Consideration</p> <ul style="list-style-type: none">➤ A\$6.25m initial consideration payable in archTIS shares (subject to standard closing adjustments)➤ Number of shares to be issued will be determined by reference to the volume weighted average price (VWAP) of archTIS shares on the 30 trading days immediately prior to execution of the binding transaction documentation➤ Consideration will be subject to standard closing adjustments for working capital <p>Deferred Consideration</p> <ul style="list-style-type: none">➤ Up to A\$3.5m of deferred consideration payable in archTIS shares linked to the extent to which Nucleus Cyber achieves defined revenue and commercial milestones, including an ARR of A\$1m by 30 June 2021
Escrow	<ul style="list-style-type: none">➤ Shares issued to Kurt Mueffelmann shall be escrowed for periods of between 12 months and 24 months from the date of issue➤ Shares issued to other Vendors shall be escrowed for a period of 12 months from issue
Anticipated Closing	<ul style="list-style-type: none">➤ Binding transaction documents expected to be signed within 30 days, with transaction closing targeted before the end of calendar 2020➤ Issuance of vendor consideration shares will be subject to shareholder approval, to be obtained at the archTIS AGM (timing to be confirmed but expected to be held in late November or early December)

Accelerated Revenue Growth Opportunity

		 Trusted Information Sharing FY20	 FY20
Customer Revenue			
Subscription	A\$'000	232	819
Maintenance	A\$'000	20	-
Consulting	A\$'000	296	-
Other		-	49
Total	A\$'000	549	868
Other Income			
R&D Grants	A\$'000	664	401
Interest	A\$'000	7	0
Total	A\$'000	671	401
Total Income	A\$'000	1,220	1,269

Nucleus Cyber

- FY'19 ARR: A\$355k (@\$.70 currency)
- FY'20 ARR: A\$819k (@\$.70 currency)
- 131% growth YoY

archTIS

- FY'20 ARR: A\$232
- 1QTR FY21 New ARR: A\$750
- 323% growth
- 1QTR FY21 Services: A\$4m

Note: Nucleus Cyber has a December financial year-end. Prof-forma based on Nucleus Cyber management estimates, and is unaudited 12 months to 30 June

Opportunities for the Combined Business

Accelerate Growth & Create Predictability

Late 2020

2021

2022

2023

Foundational

- Simplify licensing and revenue model
- Solidify product core
- Stabilise customer base
- Confirm product / market fit
- Create collateral & sales enablement
- Develop initial awareness
- SFA / Marketing systems
- Identify channel partners
 - MSFT partners
 - Security partners
- Introduce Microsoft relationship

Expansion

- Direct regional expansion across UK / EU / MEA and APAC
- Channel management
- Expanded product alliance with Microsoft security and Teams
- Lead generation
- Awareness campaigns
- Complementary acquisitions
- US Federal and Central Government opportunities

Predictability

- High-velocity / in-side sales
- Self-services (sub-500 employee)
- Expanded marketing generation
- Automated sales engines
- Enterprise and mid market growth
- Expand Co-Sell agreements and alliances
- Complementary acquisitions



For anyone with sensitive, valuable
or classified information

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