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archTIS Successfully Completes Merger with Nucleus Cyber

Highlights

- archTIS has smoothly and effectively combined the operations and procedures of both companies, creating underlying cost savings and go-to-market synergies.
- NC Protect total sales of \$2.35M, up 470% in 6-month period versus entire prior year.
- Additional consideration threshold achieved resulting in issuance of 6,087,272 shares.
- The NC Protect offering was validated by several industry awards including the *CyberSecurity Excellence Awards* with **six gold medals** for product excellence in multiple categories for Access Control, Application Security, Data-Centric Security, Data Leakage Prevention and Insider Threats.
- The newly-combined product development team has kicked off a further initiative around “KojNC”; the development of equivalent feature sets in both Kojensi and NC Protect.

archTIS Limited (ASX: AR9, archTIS or the Company), a global provider of innovative software solutions for the secure collaboration of sensitive information, is pleased to announce that it has successfully completed its merger with Nucleus Cyber; following the issuance of securities as the final instalment of deferred consideration due under the terms of the Merger.

Daniel Lai, Managing Director: “When we merged the companies in late-2020, we indicated that this would be a transformational combination for our shareholders and our overall market expansion. And that has proven to be the case. The overall market fit, increase in new customers and partners, retention of existing customers, and the added experience of the Nucleus Cyber executive team has helped archTIS towards becoming the leading cybersecurity software development firm on the ASX. I could not be any happier with the integration. We look forward to further scaling this success and exploring other merger opportunities.”

Deferred Consideration

Pursuant to the Merger Agreement, and as approved by Shareholders on 24 December 2020, the Company previously issued to vendors:

- (a) 15,171,879 ‘Initial Consideration Shares’; and
- (b) 1,011,769 ‘Second Tranche Shares’,

‘Initial Consideration Shares’ and ‘Second Tranche Shares’ each being as defined in the Notice of Meeting released on ASX on 23 November 2020 (**Notice of Meeting**).

In settlement of the deferred consideration component of the Merger Agreement, having achieved annual NC Protect recurring revenues of \$744,000 as at 30 June 2021, the Company has today issued a further 6,087,272 Third Tranche Shares (as defined in the Notice of Meeting) to the vendors, based on a deemed issue price of \$0.33 per Share (being the minimum deemed issue price provided for under the Merger Agreement, where the 30 trading day volume weighted average price was less than \$0.33).

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The Company has also made cash payments totalling \$250,000 and issued 303,030 Shares to certain retained employees in accordance with the Merger Agreement.

The above represents full and complete settlement of the consideration due under the Merger Agreement by archTIS Limited.

Merger Completion

The Company would like to provide a **six-month update on the successfully completed merger** between archTIS and Nucleus Cyber. In summary, the Company has seen continued customer product adoption, technology innovation, customer satisfaction, sales distribution growth, market awareness and system integration between the entities.

archTIS' consolidated technology offerings now solve a range of secure collaboration challenges; from secure access to top secret defence communications between war fighters in the battlefield, to securing protected supply-chain information between leading defence industrials and educational research institutes in communicating with defence and intelligence agencies, to preventing the US\$1 trillion in market losses from theft of intellectual property, personally identifiable information and key strategic documents in any type of enterprise.

Kurt Mueffelmann, Global COO and former CEO of Nucleus Cyber stated, "Having completed over 20 merger and acquisition deals in my career, the integration with archTIS was one of the smoothest. With our combined complementary products, technologies and talent, we saw an opportunity to solve these industry challenges together on a global scale. It is a true testament to both teams' ability to embrace the strategic vision of safeguarding the world's most sensitive information while tactically executing on the highest levels of customer satisfaction, market awareness and operational efficiencies."

Customer & Partner Validation

During the first six months of the merger (Jan-Jun 2021), the Company achieved over \$2.35M of total contract value in sales attributed to NC Protect. This is more than a 470% increase in just a six-month period over the \$500k of sales through the entire 2020 calendar year. Sales consisted of multi-year licenses and customer renewals, which are driving annual recurring revenue (ARR) as well as additional licensing into key accounts. Key wins cut across all geographical boundaries including:

- Contracted with an Australian National Security Agency to procure additional NC Protect software licenses and support with a total contract value of \$535,000;
- Expanded the deployment of NC Protect within an Australian Commonwealth National Security Agency with a total contract value of \$868,000;
- US National Institute for Health selected NC Protect to secure protected healthcare information;
- German social accident insurance company Berufsgenossenschaft für Gesundheitsdienst und Wohlfahrtspflege (BGW) selected NC Protect for secure employee and guest access in SharePoint;

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- Digital employee engagement provider, WyzeTalk chose NC Protect for secure Office 365 collaboration;
- A Dubai-based mobile communications company selected NC Protect to secure Office 365 / Teams;
- A European Oncology Biotech purchased NC Protect for Office 365 and Microsoft Teams information protection;
- A multi-billion-dollar US-based manufacturer selected NC Protect for a 2-year contract to secure intellectual property in SharePoint;
- Power generation organization to identify and secure sensitive and strategic business documents via a single policy engine across the enterprise in a hybrid Microsoft environment of SharePoint and Office 365 with NC Protect;
- PC distributor to ensure file integrity upon upload into NetApp virtualized file shares with NC Protect;
- Canadian specialist insurance company to limit access for sensitive court ordered documents in victim abuse cases within Office 365 using NC Protect; and,
- Real Estate Investment Trust to secure financial statements within Office 365 and Teams using NC Protect.

Sales Distribution Expansion

The company has expanded its sales team to a global, but focused regional model with key markets in the Americas, including the US Federal and Defence, Europe Middle East and Africa (EMEA), and broadening into New Zealand, Singapore and greater Asia through the Company's APAC team.

During the six-month period, the Company also signed twelve new Microsoft and general security reselling partners across all geographical areas and has entered new markets including New Zealand, Taiwan, Latin America and Singapore.

archTIS' alliance partnership with Microsoft continues to strengthen with a number of Microsoft IP Co-Sell Program wins along with an expanding pipeline of opportunities across large, regulated industries in all geographies.

Product Alignment

In early June, archTIS continued to enhance the NC Protect product line with a major version release that added new capabilities based on customer feedback and market requests. We have added several key new NC Protect capabilities and extended the file types supported. Most notably:

- Redaction
- File Integrity
- Duplicate Document Management
- OCR and CAD File Support

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The combined product development team kicked off a new initiative around “KojNC”; the development of equivalent feature sets in both Kojensi and NC Protect. Whether creating, securing or sharing information across the Kojensi platform to identifying, securing and accessing information across the Microsoft collaboration suite of offerings, core features and functionality will be consistent across all user experiences.

Significant Market Opportunity with Key Differentiation

We are at the forefront of a data-centric revolution in information security. According to research firm MarketsandMarkets the global data-centric security market size is projected to grow from USD 3,460 million in 2020 to **USD 9,763 million by 2026, at a CAGR of 23.1%**. With the migration to the Cloud, BYOD, and COVID-19 creating a world-wide remote workforce, there truly is no perimeter anymore.

Global organisations require a seamless way to adapt their cyber defences to also look towards proactively securing data from the inside out. Leveraging a **Zero Trust** approach toward data, NC Protect provides this ability across the Microsoft 365 suite of collaboration applications as well as other file share platforms. Going one layer deeper into strong competitive differentiation, the archTIS NC Protect solution uses **Attribute-based access control (ABAC)**, to control who accesses information and under what conditions which enables the right people to access the right information at the right time.

Significantly, the NC Protect offering was validated by several industry awards including the *CyberSecurity Excellence Awards* with **six gold medals** for product excellence in multiple categories covering Access Control, Application Security, Data-Centric Security, Data Leakage Prevention and Insider Threats.

Consolidated Operations

The Company has smoothly and effectively combined all operations and procedures including consolidation of accounting, CRM and marketing automation systems, deployment of HR systems and global managerial structural alignment; creating underlying cost savings. By month-end July, we will have also consolidated all branding under the archTIS company, folding NC Protect under archTIS and retiring the Nucleus Cyber corporate brand. The corporate brand consolidation will provide a solid foundation for archTIS to continue its growth path across geographic regions, markets and enterprises while exploring key acquisitions.

Authorised for issue by order of the Board of Directors.

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About archTIS Limited

archTIS Limited (ASX:AR9) is a global provider of innovative software solutions for the secure collaboration of sensitive information. The company's award-winning data-centric information security solutions protect the world's most sensitive content in government, defence, supply chain, enterprises and regulated industries through attribute-based access and control (ABAC) policies. archTIS products include Kojensi, a multi-government certified platform for the secure access, sharing and collaboration of sensitive and classified information; and NC Protect for enhanced information protection for file access and sharing, messaging and emailing of sensitive and classified content across Microsoft 365 apps, Dropbox, Nutanix Files and Windows file shares. For more information visit archtis.com or follow [@arch tis](https://twitter.com/archtis).