

archTIS Delivers Expanding 1H FY2022 Results

archTIS Limited (ASX: AR9, archTIS or the Company), a provider of innovative software solutions for the secure collaboration of sensitive information, is pleased to provide the following commentary on its Appendix 4D and Half Year Audited Financial Report for the half year ended 31 December 2021 (**Half Year**).

1H FY2022 Audited Financial Performance and Operating Highlights

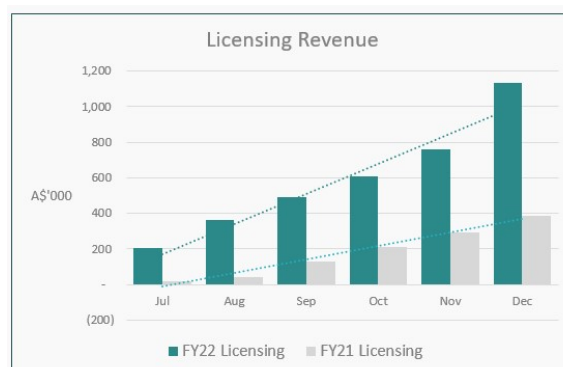
Annual recurring revenue of \$2.0M vs \$1M* on PCP, up 104%	Total revenue of \$2.4M delivered vs \$1.1M* on PCP, up 118%	Launched Kojensi V2.0 & NC Protect Data Connector for Azure Sentinel
International capital raise of \$6.9M with closing cash balance of \$12.5M	Commences quotation on the U.S.-based OTCQB Market	Acquisition of Ciphertext's Technology & Customers

*Figure relative to Prior Comparative Period (PCP)

Daniel Lai, archTIS Managing Director and CEO, said: “During the first half of this financial year, the Company executed on a number of global expansion and growth opportunities including customer and partner expansion, U.S. public market quoting on the OTCQB and the final merger integration of Nucleus Cyber and certain Ciphertext technology assets. We continued to drive Annual Recurring Revenue (ARR) from new customer wins and renewals. With the success of our internationally backed capital raising, the Company is well positioned to scale the business and continue driving product innovation. We look forward to executing on our growth initiatives for the remainder of FY22 and beyond.”

Strong Financial Growth Trends

The financial results for the half year ended 31 December 2021 show continuing growth with licence revenue up 195%, underpinned by key contract wins.



Half Year Audited Financial Summary. The table below shows some of the financial highlights for the Half Year.

A\$'000	1H FY22	1H FY21	% change
Licencing revenue	1,136	383	196%
Services revenue	1,287	729	77%
Total revenue	2,423	1,112	118%
Annual recurring revenue	2,018	990	104%
Gross Margin	71%	73%	(2%)
Operating costs	5,263	1,772	197%
Cash and equivalents	12,531	12,105	3.5%

Operational Summary

Key Customer Wins & Renewals

During the first half of FY22, the Company delivered key contract wins and experienced strong licensing revenue growth through positive ARR. The Half Year was highlighted by a contract win with an Australian National Intelligence and Law enforcement agency (ASX: 28 October 2021), the addition of a new Microsoft Co-sell customer (ASX: 27 January 2022) and the expansion of a key customer license (ASX: 27 January 2022).

In addition, the Company generated 25 Microsoft IP Co-sell pipeline opportunities totalling over \$5M. The expanded pipeline goes across all three sales regions with specific vertical focus on government defence agencies and global defence and intelligence corporations.

The Company renewed all major customer contracts with a 0.1% customer churn against ARR, exhibiting continued product value and stability in a tight and competitive market. A significant number of renewals included those from the recently acquired technology and customer assets of Cipherpoint.

Product Innovation

archTIS continued to develop leading-edge product technology and strategies. In a significant milestone for the Company, archTIS released Kojensi Enterprise v2.0 in the Australian markets, enhancing secure document and collaboration and sharing of sensitive content between government, industry base (DIB), and higher education institutions. The Company also announced the launch of the NC Protect Data Connector for Azure Sentinel in the Microsoft Azure Marketplace, an online store providing applications and services for use with Microsoft Azure.

Corporate

Placement and SPP

archTIS successfully completed a \$6.9M capital raise and share purchase plan which was well supported by existing shareholders, domestic and international institutions, sophisticated investors and members of the archTIS executive team and Board. The Company is in a strong financial position with over \$12.5M on the balance sheet to provide continued expansion of pipeline, sales expansion into new and existing markets, deliver product innovation and execute on a proven M&A strategy geared toward achieving greater ARR.

Listing on the U.S.-based OTCQB Market

The recent listing on the U.S. OTCQB Market (ASX 2 November 2021) under the stock symbol OTCQB:ARHLF broadens archTIS' international profile and provides U.S. institutional and retail investors with the ability to trade the Company's stock. Being quoted on the OTCQB helps to establish archTIS' presence in the U.S. market with key corporate executives, along with federal agencies and defence contractors.

M&A Update

archTIS 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. The merger has combined all operations and procedures, including consolidation of accounting, CRM and marketing automation systems, development of HR systems and global management structural alignments, creating underlying cost savings.

In September FY22, the Company completed the integration of Cipherpoint Limited's technology asset purchase, including customers, staff and European operations of the company's software division. With a purchase price of \$1.4M, the bolt-on acquisition represented a significant value opportunity for shareholders at ~3.8x the acquired annual recurring revenue.

Equity Structure

As of 10 January 2022, the Company maintained a tight capital structure through the following key metrics of stock ownership:

- 19.7% Directors, Executives & Founders
- 11.8% Institutional Investors
- 49.5% Top 40 Shareholders

Strong Outlook for 2H FY2022 and Beyond

- Focus on ARR – Capitalise on the digital transformation and zero-trust architecture trends via the differentiated archTIS product offerings.
- Continued focus on Microsoft IP Co-Sell partnership.
- Develop and execute on global sales pipeline strategy.
- Deliver U.S. Federal and Defence practice growth.
- Execute cross-sell opportunities with existing and acquired customers.
- Scale business via opportunistic acquisitions to enhance technical capabilities, regional reach and customer ARR.

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Authorised for issue by order of the Board of Directors.

ENDS

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About archTIS Limited

archTIS Limited (ASX:AR9, OTCQB:ARHLF) is a 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.