

archTIS June 2024 Quarterly Report

Positive Annual Operating Cash Flow Driven by Revenue Growth of 54% and an 18% Decrease in Operating Expenses

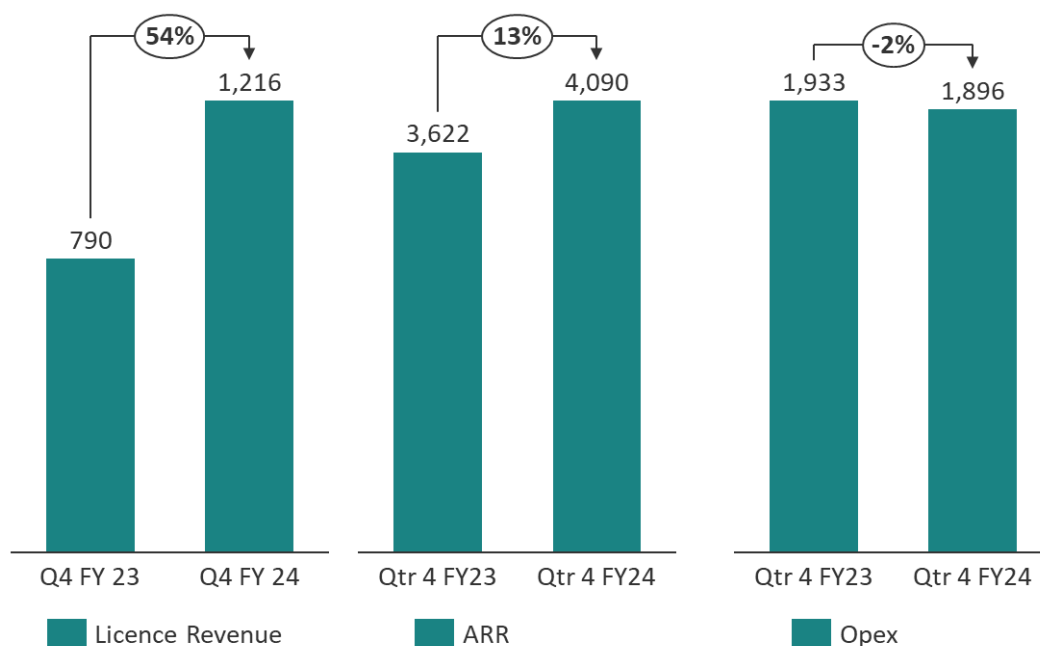
archTIS Limited (ASX:AR9, OTCQB:ARHLF, archTIS or the **Company**), a global provider of data-centric software solutions for the secure collaboration of sensitive information, is pleased to provide an update on its Quarterly Activities Report and Appendix 4C Cash Flow Report for the quarter ended 30 June 2024 (**Reporting Period** or **Quarter**).

Q4 / FY24 Highlights

- Annual Financial Performance (unaudited)
 - Strong annual revenue growth of 54%, with a 58% increase in licensing revenue
 - Increased gross margin percentages to 60% with a 79% expansion in gross margin dollars
 - Decrease in annual operating expenses by 18%
 - Positive annual operating cash of \$1.4M generated through record cash receipts. Overall cash outflows for operating and investing activities of (\$1.3M), an improvement of \$3.9M from the FY23 cash outflow of (\$5.3M).
- Annual Recurring Revenue (ARR) surpasses \$4M
- Continued growth in target markets, achieving wins with the Australia Department of Defence, Penten for an Australian intelligence agency, and key global defence suppliers
- Successful retention and expansion of the existing customer base across all geographical regions leading to net annual revenue growth of 104%
- Continuous technology investment and innovations lead to two CyberSecurity Excellence Award wins
- Newly appointed US Federal partner – Copper River
- Industry veteran Andrew Burns was appointed as Chief Financial Officer (CFO) and Co-Secretary

Daniel Lai, Managing Director and CEO, stated, “archTIS has had a productive quarter that will position it well for further growth in FY25. We have been disciplined in managing our cash expenditures across the past year, which has been supported by strong revenue growth and increasing margins. The most pleasing aspect of the quarter has been the increase in global sales activity driven by the need for defence allies and industry to solve their data-centric security and information sharing needs. I am looking forward to what we can achieve in the new financial year.”

Quarterly Key Metrics \$'000 (unaudited)

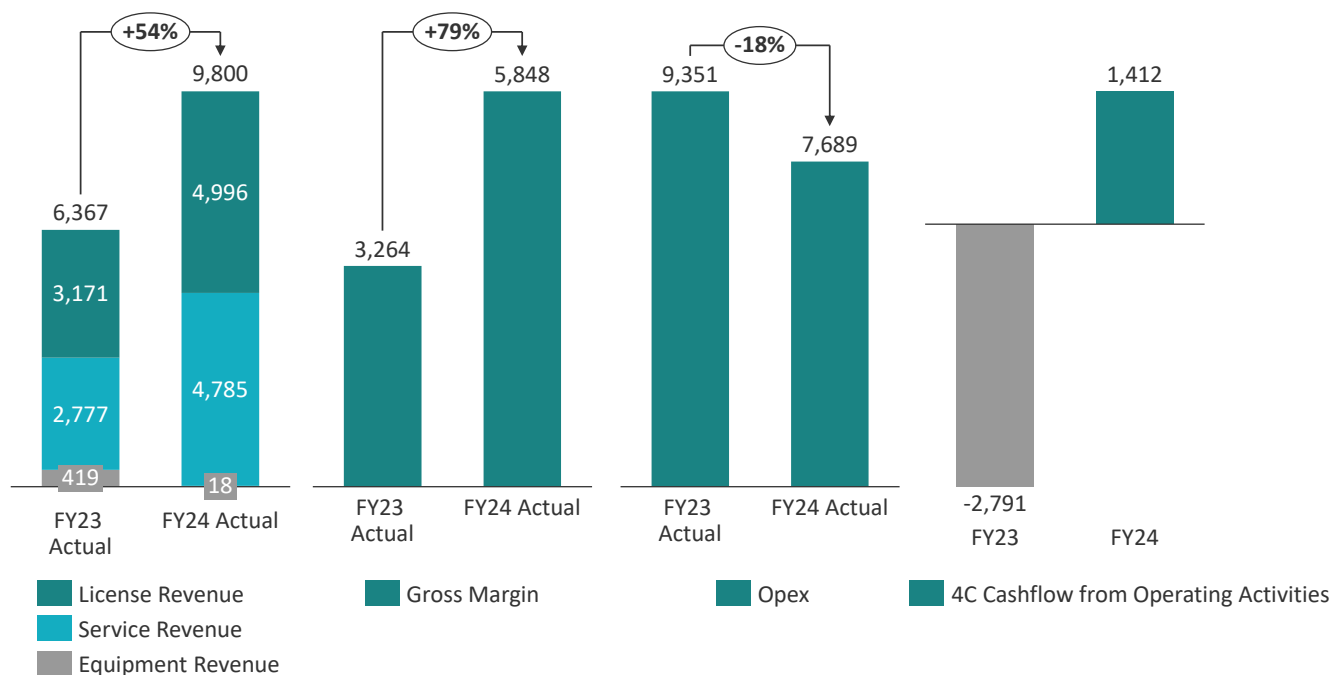


The business had a strong fourth quarter of 2024 relative to the prior comparative period (PCP) 2023 with significant increases in licence revenue and ARR while maintaining operating expenses for the period. Quarterly revenue was \$1.5M, driven by strong licencing revenue of \$1.2M up \$425K and 54% PCP. Services revenue was \$0.3M for the quarter which was as expected due to the drive to complete the outstanding service contracts in the third quarter of FY24.

Annual recurring revenue (ARR) as of 30 June 2024 is \$4.1M, an increase of \$470K and 13% over 30 June 2023.

Cash from Operating Activities for the quarter was positive with \$166K generated for the period and \$1.4M for the year.

Year to Date Financial Summary \$'000 (unaudited)



FY24 cash from operating activities was \$1.4M driven by continued revenue growth, increased margins and lower operating expenses. archTIS had record-breaking customer receipts of over \$12M.

YTD revenue was up 54% for the year, driven by a \$1.8M increase in licence revenue and a \$2M increase in services. Gross margin for the year was 60% or \$5.85M up 79% on FY23. The higher gross margins are derived through the increase in licence revenues and strong executional delivery on the services contracts.

The strategic objective of positive operating cash flow is reflected in the continued focus on the management of operating expenditure (Opex), resulting in a reduction of 18% for the year.

The Company finished the year with \$3.988M of available funding.

Continued Customer Wins and Expansions

archTIS delivered several new and expanded contracts across all geographical regions. A sampling of in-quarter deals includes:

- A licensing agreement with Penten to provide Kojensi as part of a solution for an Australian national security agency. This contract is archTIS' first sale as a sub-

contractor to Penten, an Australian-based cyber technology company specialising in Secure Mobility and Applied Artificial Intelligence solutions for Defence and Intelligence agencies. The contract is to implement Kojensi into an Australian national security agency to enable secure collaboration among internal parties regarding highly sensitive information. The contract will provide an annual recurring revenue licence fee of \$264K and implementation services of \$202K.

- Subsequent to quarter-end, the Australian Department of Defence renewed their annual license of Kojensi on-premises for \$775K.
- KPMG Australian Technologies Solutions (KTech) provided additional work orders of approximately \$300K for data-related architecture consulting services, including data taxonomy, modelling, and security for a Defence Data Program
- A command and control department within the Australian Department of Defence purchased \$630K of services to adopt NC Protect for the war-fighter network, with additional license purchases pending.
- Additional services to BAE Systems Maritime Australia to support ongoing efforts of a previously announced win (ASX:2Nov23).
- A US-based defence contractor selected NC Protect to secure Microsoft 365 to secure GCC High in assisting with CMMC (cyber security maturity model certification) and CUI (controlled unclassified information) compliance.

archTIS also experienced minimal customer churn with net revenue retention at 104% for the financial year. A sampling of in-quarter annual renewals included the Bank of Finland, DHL, two Australian research institutes, and several US-based defence companies and US Federal agencies. The company also successfully upsold additional NC Protect and Kojensi SaaS licenses to existing customers including Singapore partner i-Sprint, a US-based materials science company, a South Korean aerospace company and a division of the Australian Department of Defence.

The company remains actively engaged in a number of proof of concepts (POC) in key global markets, including NATO for the use of NC Protect across multi-coalition forces in the collaboration of information, various departments across the US Department of Defense, a number of key US and UK global manufacturers in the defence industrial base (DIB) and multiple Swedish municipalities through our regional Nordics partner Complier.

Partnership Alliances

The Company announced that Copper River Technologies, a leading provider of dynamic, comprehensive information technology solutions and services, has joined the company's Channel Partner Program in the United States. Copper River is a Federally Recognized Alaskan Tribal Small Disadvantaged Business owned by the Native Village of Eyak (NVE) specialising in information technology solutions and services for government and enterprises. It will resell and provide services for NC Protect in the United States, specifically, the US Department of Defense.

Kurt Mueffelmann, COO and US President, said, “As we close out a record-breaking FY24 where we achieved a significant number of milestones, we turn our attention to 2025. Our focused go-to-market strategy around product innovation, Defence-driven vertical attention and an expanding global distribution strategy have driven strong and near-term pipeline opportunities, increased partnership activity with Microsoft and a customer-centric approach toward product and solution expansion, all fueled by strong industry tailwinds.”

Corporate Announcements

archTIS won two awards in the 2024 Cybersecurity Excellence Awards. Kojensi was named the National Cyber Defense category winner, and NC Protect received the Data-centric Security category winner.

Andrew Burns was appointed as Chief Financial Officer (CFO) and Company Co-Secretary (ASX: 8APR). He will oversee the company’s financial planning and analysis, accounting and controllership, taxation, audit and compliance, corporate governance, and enterprise risk management functions.

Investor Updates

archTIS will host a quarterly results webinar on 30 July 2024 at 11:00am AEST (Sydney/Melbourne), 9:00am WST (Perth), 25 April 2024 at 9pm EDT (New York) to update the market on the quarterly results.

Register at: https://us02web.zoom.us/webinar/register/WN_ZhLmxnDLTOiSHpCf63zEOw

Authorised for issue by order of the Board of Directors.

ENDS

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archTIS Interactive Investor Hub

<https://investors.archtis.com/>

The archTIS Investor Hub is an online portal for investors to read and interact with announcements and updates. Investors can ask questions and add comments, which our team will respond to where possible.

About archTIS Limited

archTIS Limited (ASX:AR9, OTCQB:ARHLF) is a global provider of data-centric software solutions for the secure collaboration of sensitive information. The company's award-winning 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) and data protection 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, SharePoint on-premises, NetApp ONTAP, Nutanix Files and Windows file shares. For more information visit archtis.com or follow [@arch_tis](https://twitter.com/arch_tis) on X.

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

archTIS Limited

ABN

79 1230 986 71

Quarter ended ("current quarter")

30 June 2024

Consolidated statement of cash flows	Current quarter \$A'000	Year to date \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	2,759	12,082
1.2 Payments for		
a. research and development	-	-
b. product manufacturing and operating costs	(550)	(3,614)
c. advertising and marketing	(61)	(259)
d. leased assets	(57)	(224)
e. staff costs	(1,258)	(5,487)
f. administration and corporate costs	(671)	(3,298)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	12	93
1.5 Interest and other costs of finance paid	(5)	(9)
1.6 Income taxes paid	-	(26)
1.7 Government grants and tax incentives	-	2,154
1.8 Other (GST)	-	-
1.9 Net cash from / (used in) operating activities	169	1,412

2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	a. entities	-	-
	b. businesses	-	-
	c. property, plant and equipment	-	-
	d. investments	-	-
	e. intellectual property	(694)	(2,739)
	f. other non-current assets	-	-
2.2	Proceeds from disposal of:		
	a. entities	-	-
	b. businesses	-	-
	c. property, plant and equipment	-	-
	d. investments	-	-
	e. intellectual property	-	-
	f. other non-current assets	-	-
2.3	Cash flows from loans to other entities:	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Payments to settle liabilities on settlement including transaction costs	-	-
2.6	Net cash from / (used in) investing activities	(694)	(2,739)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	(2)
3.5	Proceeds from borrowings	1,000	1,000
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	1,000	998

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	2,440	3,245
4.2	Net cash from / (used in) operating activities (item 1.9 above)	169	1,412
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(694)	(2,739)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,000	998
4.5	Effect of movement in exchange rates on cash held	1	1
4.6	Cash and cash equivalents at end of period	2,916	2,916

Note: Reclassification of year-to-date Cash flows from investing activities. archTIS has reviewed the classifications of software development costs under AASB 107 (Statement of Cash Flows), specifically focusing on paragraph 16-2. The conclusion was that capitalised software development costs should be classified as cash flows from investing activities. This classification aligns with the standard's guidance and reflects the nature of these costs as investments in intangible assets, thereby enhancing transparency and comparability in financial reporting.

This reclassification has been reflected above in the current quarter and YTD cashflows.

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	2,916	2,440
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details)		
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	2,916	2,440
6.	Payments to related parties of the entity and their associates	Current quarter \$A'000	
6.1	Aggregate amount of payments to related parties and their associates included in item 1		115
6.2	Aggregate amount of payments to related parties and their associates included in item 2		-

Note: Amounts included at item 6.1 relate to payments to directors of the Board.

7. Financing facilities
Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.

- 7.1 Loan facilities
- 7.2 Credit standby arrangements
- 7.3 Other (please specify)
- 7.4 **Total financing facilities**

Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
2,000	1,001
100	27
-	-
2,100	1,028

7.5 **Unused financing facilities available at quarter end** 1,072

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

Unsecured corporate credit card facility of \$50,000 (annual interest rate 20.24%) with Westpac Banking Corporation. Unsecured corporate credit card facility of \$50,000 (annual interest rate 17.99%) with Commonwealth Bank.

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (Item 1.9)	169
8.2	Cash and cash equivalents at quarter end (Item 4.6)	2,916
8.3	Unused finance facilities available at quarter end (Item 7.5)	1,072
8.4	Total available funding (Item 8.2 + Item 8.3)	3,988
8.5	Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	23.60

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: N/A

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: N/A

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: N/A

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 30 July 2024

Authorised by: Board of Directors
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – e.g. Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.