

archTIS September 2024 Quarterly Report

Strong Q1 Sales with Solid Gross Margins and Decreasing OpEx

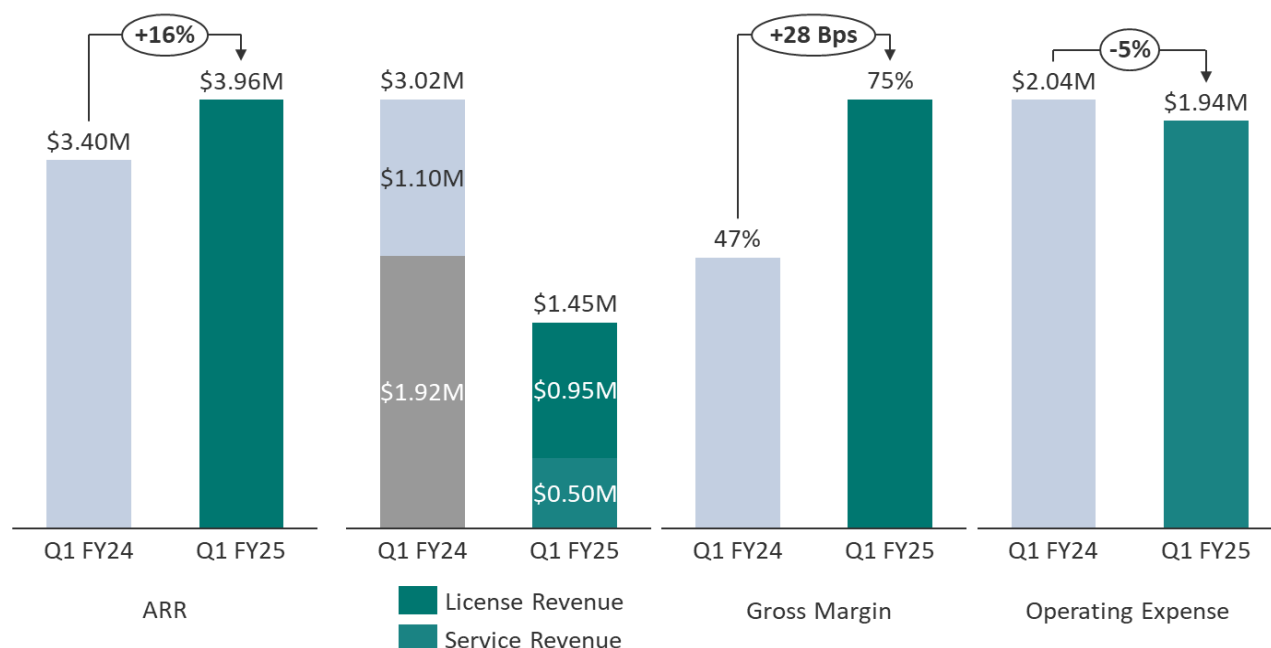
archTIS Limited (ASX:AR9, OTCQB:ARHLF, archTIS or the **Company**), a global provider of data-centric software solutions for the secure collaboration of sensitive information, is pleased to provide an update on its Quarterly Activities Report and Appendix 4C Cash Flow Report for the quarter ended 30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

Q1 FY25 Highlights

- Q1 Sales of \$3.8M closed in the quarter
 - The Australian Department of Defence (AUS Defence) Command and Control division signed and paid \$2.3M for new and expanded user licensing of NC Protect
- Annual recurring revenue (ARR) of \$3.96M, up 16% PCP
- Revenue of \$1.45M including:
 - Licensing \$0.95M
 - Services \$0.5M
- Gross Profit of \$1.1M, achieving a gross margin of 75%
- Reduced OpEx a further 5% PCP, now ~\$0.65M per month
- Launched archTIS Trusted Data Integration for the big data market for integrating, securing and governing sensitive and classified structured data from multiple sources
- October capital management including:
 - October cash collections of \$3.0M
 - Expansion of non-dilutive CBA loan facilities from \$2M to \$3.5M in total
 - Income Tax Return lodged with \$1.9M refund due

Daniel Lai, Managing Director and CEO, stated, “Sales, including new licences, services and renewals, were strong for the first quarter which will provide a backlog of licensing revenue into future FY25 quarters. We maintained our financial discipline as gross margins were 75%, and operation expenses decreased by 5%. We released a new solution, archTIS Trusted Data Integration, expanding into the structured data security market. It has already amassed a strong pipeline with new and existing government and defence industry customers looking to solve structured data integration and security challenges.”

Quarterly Key Metrics \$'000 (unaudited)



Revenue for the quarter was \$1.45M, consisting of \$0.95M in licensing and \$0.50M in services. While the Company experienced a decline in services revenue from Q1 FY24 to Q1 FY25, this reflects the impact of one-time revenue PoC recognised in the prior period and delays from in-quarter customer implementation projects. The services revenue was not lost but deferred until a future quarter, thus positioning the Company with stronger revenue moving forward.

With the lower level of services, the gross margin increased by 28 basis points to 75%, demonstrating the underlying licensing value within the business as licensing deals grow. This is also reflected in the 16% PCP growth in ARR to \$3.96M.

Operational expenditure was down 5% from the prior comparative quarter.

Continued Customer Wins and Expansions

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

- The Australian Department of Defence (AUS Defence) Command and Control division signed a \$2.3M for new and expanded user licensing of NC Protect to dynamically secure information by applying zero trust enforcement policies to data-centric controls across Microsoft 365 (M365), SharePoint on-premises and file shares.
- Australian Defence renewed their licensing and managed services contract for Kojensi Enterprise for a further 12-month period to share classified information.

- BGW Germany, through archTIS reseller Softlanding, doubled their annual subscription to NC Protect to secure and restrict employee, management and industry volunteer access.
- An Australian research university expanded its use of Kojensi SaaS to securely collaborate with industry and defence partners.
- A European bank selected NC Encrypt to provide policy-based encryption for information stored in M365.
- BAE procured additional services to build a collaboration environment to facilitate sharing between industry and Defence.

Product Innovation

The Company launched a new product, archTIS Trusted Data Integration (TDI), to expand into the \$474B big data market. The new TDI offering is a lightweight, fast and agile solution for integrating, securing and governing sensitive and classified structured data from multiple sources at scale and speed. It complements the existing unstructured product offerings, NC Protect and Kojensi, enabling archTIS to now offer an end-to-end product suite for all data – structured and unstructured.

Corporate Announcements

In October the Company had cash receipts of \$3.0M, adding to the total available funding.

The company has been approved for a new non-dilutive market rate lending facility with CBA of \$1.5M. The new facility has a term of 7 months ending on 16 May 2025. The new facility is in addition to the existing CBA market rate facility of \$2M, taking the total available funding to \$3.5M. There is a fixed and floating charge over the assets of the Company in relation to the facility.

During October the Company lodged the Australian Income Tax Return with a calculated \$1.9M refund once processed.

Subsequent to quarter-end, non-executive director Leanne Graham has decided not to seek re-election at the upcoming Annual General Meeting (AGM) on 22 November 2024. The Company has commenced a search for a replacement director.

Investor Updates

archTIS will host a quarterly results webinar on 31 October 2024 at 11:00am AEST (Sydney/Melbourne), 8:00am WST (Perth), 30 October 2024 at 8pm EDT (New York) to update the market on the quarterly results.

Register at: https://us02web.zoom.us/webinar/register/WN_3Elx5AbSRHubU3ELi85cqq

Authorised for issue by order of the Board of Directors.

ENDS

For further enquiries please contact:

Company enquiries

Daniel Lai
CEO and Managing Director, archTIS
E: investors@archtis.com

Media enquiries

Irena Mroz
CMO, archTIS
E: irena.mroz@archtis.com

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) policies. Products include archTIS Trusted Data Integration to simplify the complexity of structured data integration and security at scale; 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 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 September 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		1,267	1,267
1.2 Payments for			
a. research and development		-	-
b. product manufacturing and operating costs		(265)	(265)
c. advertising and marketing		(35)	(35)
d. leased assets		(57)	(57)
e. staff costs		(887)	(887)
f. administration and corporate costs		(885)	(885)
1.3 Dividends received (see note 3)		-	-
1.4 Interest received		7	7
1.5 Interest and other costs of finance paid		(13)	(13)
1.6 Income taxes paid		(26)	(26)
1.7 Government grants and tax incentives		37	37
1.8 Other (GST)		-	-
1.9 Net cash from / (used in) operating activities		(857)	(857)

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	(772)	(772)
	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	(772)	(772)

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	-	-
3.5	Proceeds from borrowings	-	-
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	-	-

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	2,916	2,916
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(857)	(857)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(772)	(772)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-
4.5	Effect of movement in exchange rates on cash held	4	4
4.6	Cash and cash equivalents at end of period	1,291	1,291

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	1,291	2,916
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)	1,291	2,916
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		129
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	2
-	-
2,100	1,003

7.5 Unused financing facilities available at quarter end

1,097

- 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)	(857)
8.2	Cash and cash equivalents at quarter end (Item 4.6)	1,291
8.3	Unused finance facilities available at quarter end (Item 7.5)	1,097
8.4	Total available funding (Item 8.2 + Item 8.3)	2,387
8.5	Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	2.79

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: 31 October 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.