

archTIS December 2024 Quarterly Report

Company Delivers Net Positive Cash from Operating Activities while Higher Licensing Revenue Percentages Drive Increased Gross Margin

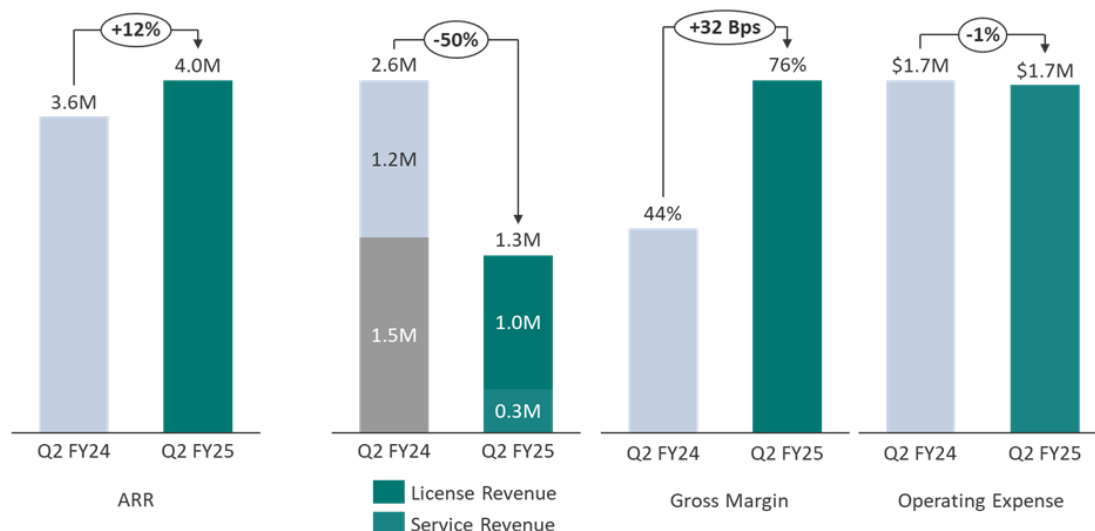
archTIS Limited (ASX:AR9, OTCQB:ARHLF, archTIS or the Company), a global provider of data-centric software solutions for the secure collaboration of sensitive information, is pleased to provide an update on its Quarterly Activities Report and Appendix 4C Cash Flow Report for the quarter ended 31 December 2024 (**Reporting Period** or **Prior Quarter (PQ)** or **Prior Corresponding Period (PCP)**).

Highlights

- Annual recurring revenue (ARR) of \$4.0m, up 12% on pcpc.
- Revenue of \$1.3m include:
 - Licensing \$1.0m
 - Services \$0.3m
- Gross margin increased to 78% - up 34 basis points (Bps) on pcpc.
- Operating expenses decrease to \$1.2M, a reduction on PCP.
- Net positive cash from operating activities of \$2.6M with \$6.1M available at quarter-end.
- Customer wins included BAE Systems Australia Ltd (BAESA), Accenture, Australian Naval Infrastructure Pty Ltd (ANI), and SAP, as well as key strategic wins and renewals across global Defence and Defence industry entities.
- Two key appointments announced in Dr Marcus Thompson AM non-executive Director and Mr Gerard Foley, Vice President and General Manager of Asia Pacific.
- Post quarter-end, signed a binding term sheet to acquire assets, including technology, customer base and employees, from Direktiv.

Daniel Lai, Managing Director and CEO of archTIS, stated, “During the December quarter, archTIS delivered positive cash flow from operating activities led by strong customer receipts and the R&D tax rebate. Our recent customer wins with BAESA, ANI, Accenture and a number of overseas accounts which demonstrate continued exposure to Defence as the preferred provider of policy-enforced data-centric security products and platforms. We look forward to closing the Direktiv asset purchase and expanding our technology and market opportunities. Finally, our ability to attract people of the calibre of Marcus Thompson and Gerard Foley speaks highly of our position and potential in the market. I welcome them both.”

Quarterly Financial Summary (unaudited)



ARR was \$4.0M, a 12% increase from PCP, demonstrating continued recurring new sales and customer retention. Gross margin increased 34 bps; 44% to 78% PCP. The higher gross margin was associated with increased licensing accounting for 76% of overall revenue.

Total revenue was \$1.3M, a decrease from the PCP. Revenue was split between licencing of \$1.0M, and services of \$.3M. The PCP revenue decrease, particularly in lower margin services and third-party software, was associated with a non-core related proof of concept (POC) that had both licensing and services revenue recognised in the prior period.

Operating expenses for the quarter maintained relatively flat at \$1.7M; reflecting a 1% decrease. The maintenance of operating expenses reflects the Company's continued cost management commitment to cash flow efficiency.

The Company generated net positive cash from operating activities of \$2.6M for the quarter including strong customer receipts of \$3.6M and the refund of the R&D tax grant, ending the quarter with \$6.1M in available funds.

Continued Customer Wins and Expansions

During the quarter, archTIS continued customer adoption across key vertical markets and geographies. A sampling of customer wins during the quarter include:

- Accenture engaged with archTIS on a \$704,000 services contract, including GST, to trial NC Protect through June 30, 2025 for existing and potential clients who face data-centric challenges in securing sensitive information stored and collaborated across M365.

- BAE purchased additional services of \$440k inclusive of GST to trial archTIS software for document sharing between Navy Shipbuilding and Sustainment Group and industry.
- A UK-based global defence firm that manages and operates extensive testing and evaluation capabilities for air, land, sea and target systems selected Kojensi SaaS for collaboration associated with AUKUS,
- A global munitions company selected Kojensi SaaS for their protected communications and collaboration with government,
- A European reseller partner chose NC Encrypt for encryption key management for their Microsoft 365 applications and SharePoint on-premises customer environments to maintain digital sovereignty and add data-centric protection to combat insider threats,
- An Austrian global supplier of communication and information systems selected Kojensi SaaS to share official sensitive information with other defence suppliers across Australia,
- A US-based Indian Community renewed its NC Protect for SharePoint on-premises license for the tenth consecutive year to secure sensitive information. This established customer relationship demonstrates the long-term product value and stickiness.
- and,
- SAP extended its licenses of Kojensi SaaS through 2028.

Direktiv – Binding Term Sheet for Select Assets

Post quarter-end, the Company announced it has signed a binding term sheet to purchase select assets, including the technology, customer base and employees of Direktiv, a San Francisco-based, venture capital-backed technology company. The purchase consideration totals USD\$750,000, structured across three tranches over a 12-month period.

Direktiv's technology is a cloud-agnostic event-driven orchestration engine for enterprises seeking to automate and streamline their operations. The platform simplifies the process of building serverless workflows using containers or code, which can be integrated into various environments without the need for re-engineering. The integration of the Direktiv technology and development teams in Australia and Germany will allow archTIS to expand the capabilities of its existing products and platform solutions for managing sensitive and classified data while opening new AI markets and expanding global operations.

Corporate Update

The Company made two key appointments during the quarter:

- Dr. Marcus Thompson AM was appointed as a non-executive director replacing retiring long-time Board member Ms Leanne Graham. Dr. Thompson is a retired Major General who served 34 years in the Australian Army. He holds a PhD in cyber security from the University of New South Wales and has worked with and supported many Australian entities, including Macquarie Technology Group, ParaFlare, several major banks and financial institutions, and the Melbourne Business School. He is a Non-Executive Director of Penten, Bank Australia, and Data Action.
- Mr Gerard Foley, a seasoned global strategic technologist and enterprise C-suite executive was appointed to lead archTIS' APAC region software business as Vice President and General Manager of Asia Pacific. Mr. Foley built a successful career

spanning 25 years at Raytheon Australia, where he held several senior executive positions, including Chief of Growth and Head of Strategy and Business Development. Additionally, he served as the Regional Director for South Asia at Raytheon International's Reston, VA office. Prior to that, as a graduate of the Royal Military, he served in various military roles encompassing command, training, and procurement, focusing on aviation engineering, leadership training, and major capital equipment acquisition.

The Company also held its Annual General Meeting with all resolutions passing.

Kurt A. Mueffelmann, Global COO and US President of archTIS, stated, "Delivering sustainable quarterly financial performance underscores the resilience of our business strategy and the dedication of our team. With exciting product innovations on the horizon, including the innovations surrounding the Direktiv technology and a robust pipeline of opportunities, we are well-positioned to drive sustainable growth and create long-term value for our stakeholders."

Investor Updates

archTIS will host a quarterly results webinar on Friday, 31 January 2025 at 11am AEDT (Sydney/Melbourne), 8:00am AWST (Perth), and 30 January 2025 at 7:00pm EDT (New York) to update the market on the quarterly results.

Register at:

https://us02web.zoom.us/webinar/register/WN_uGIBXPY_TCmNP2n_evPuxw

Authorised for issue by order of the Board of Directors.

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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 our 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 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 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, Nutanix Files and Windows file shares. For more information visit archtis.com or follow @arch_tis.

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")

31 December 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		3,592	4,859
1.2 Payments for			
a. research and development		-	-
b. product manufacturing and operating costs		(221)	(486)
c. advertising and marketing		(46)	(81)
d. leased assets		(57)	(115)
e. staff costs		(1,668)	(2,555)
f. administration and corporate costs		(795)	(1,680)
1.3 Dividends received (see note 3)		-	-
1.4 Interest received		27	35
1.5 Interest and other costs of finance paid		(39)	(52)
1.6 Income taxes paid		(12)	(38)
1.7 Government grants and tax incentives		1,856	1,893
1.8 Other (GST)		-	-
1.9 Net cash from / (used in) operating activities		2,637	1,780

2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	a. entities	-	-
	b. businesses	-	-
	c. property, plant and equipment	(2)	(2)
	d. investments	-	-
	e. intellectual property	(728)	(1,500)
	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	(730)	(1,502)

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	(857)	(857)
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	(857)	(857)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,291	2,916
4.2	Net cash from / (used in) operating activities (item 1.9 above)	2,637	1,780
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(730)	(1,502)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(857)	(857)
4.5	Effect of movement in exchange rates on cash held	(10)	(5)
4.6	Cash and cash equivalents at end of period	2,331	2,331

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	2,331	1,291
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)	2,331	1,291
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		150
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
3,500	144
380	3
-	-
3,880	147

- 7.5 **Unused financing facilities available at quarter end**

3,733

- 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. Unsecured corporate credit card facility of \$280,000 with American Express.

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (Item 1.9)	2,637
8.2	Cash and cash equivalents at quarter end (Item 4.6)	2,331
8.3	Unused finance facilities available at quarter end (Item 7.5)	3,733
8.4	Total available funding (Item 8.2 + Item 8.3)	6,064
8.5	Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	2.3

- 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 January 2025

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.