



Operational Update & 4C Commentary

June Quarter 2024

Sovereign Cloud Holdings Limited
ASX: SOV
[AUCloud.com.au](https://www.auccloud.com.au)



Overview and Strategy



Our Vision and Strategy



Our vision

To become **Australia's preferred partner to Government & Enterprise in cloud, data protection & cyber security**

Our strategy

Build, partner or acquire capabilities to create a **diversified cyber security and cloud solutions business** with a national footprint, at scale

Delivered through

Strategic Objectives

Integration of Acquisitions | Customer Growth | Partnerships | Expand Offerings

Enabled by

Full-service secure cloud, MSP & cyber security provider at scale



Sovereign Cloud Infrastructure



Managed Cyber Security



Managed IT Services

Solutions

Capabilities and Opportunities



Sovereign Cloud Infrastructure

- ✓ Secure sovereign cloud infrastructure which hosts Enterprise, Federal, State & Local Government customers' applications and data at scale
- ✓ Cloud zones located across Sydney, Melbourne, Brisbane & Canberra
- ✓ Security accreditations: Certified Strategic and IRAP assessed Protected under the CAAF, ISO27001 and member of DISP



Managed Cyber Security

- ✓ 24/7 monitoring, governance, risk and compliance strategies, auditing a customer's security posture or testing a customer's ability to react to a cybercrime
- ✓ Operates on the front line to detect cyber-crime with Security Operations Centre service protecting some of Australia's best-known brands with the latest detection and response services



Managed IT Services

- ✓ Day-to-day management of customers' Cloud and On-Premises infrastructure and environments
- ✓ Enterprise Managed Services, Data Protection & Backup Solutions
- ✓ Signed Premier Partner Agreement with Broadcom by VMWare, protecting AUCloud's existing position and opening up a new channel to resell VMWare licences to other MSPs

Full-service secure cloud, MSP & cyber security provider

AUCloud Today



Broad Product Portfolio

Broad product portfolio aligned to customer needs, with revenue spread across the broad spectrum of cyber security and cloud solutions

Expanded Customer Base

Combined **240 customers bring scale and diversified revenue** across local, state and federal Government agencies, mining, finance, professional services, education, health and distribution sectors

National Footprint

Strengthening cyber security position with the platform to create **a cyber security national footprint**

Improved Partner Network

Expanded partner network will include AWS, CISCO, Commvault, Google, Microsoft, NetApp, Pure Storage, Rubrik, VMware, Veeam which when combined delivers cutting edge technology and expertise

Experienced Leadership

Highly skilled team, with continuous investment in uplifting skills, capabilities & know-how

Key AUCloud Metrics¹



Customers #
240+



ARR
\$22m



ARPU
\$107k



TCV
\$25m



Team
104

¹. Key metrics are as at 30 June 2024.



Operations Report

June Quarter 2024

AUCloud completed **three (3) strategically aligned acquisitions** on 30 April 2024 with the combined business focused on a **capital-light, diversified cyber security** and **cloud solution offering** with a national footprint.

The acquisitions have broadened AUCloud's customer base, geographic reach and product-mix; reducing the reliance on Government revenue in favour of the enterprise market.

AUCloud's Q4 FY24 results include 2 months from the acquired companies and as such the comparability of performance is not meaningful when compared to Q3 FY24.

- Revenue increased to \$5m
- Customer count increased to 240
- Annual Recurring Revenue (**ARR²**) increased to \$22m
- Total Contract Value (**TCV**) increased to \$25m

ARR increased to \$22m in Q4 24, compared to \$6m Q3 FY24, with TCV increasing to \$25m. Over \$10m customer contracts, including contract extensions, were signed in the quarter, of which \$7.6m was ARR related. Several major customer contracts were renewed including the AEC, Department of Home Affairs, Department of Employment & Workplace Relations and IP Australia.

Acquisition payments and costs were \$19.3m, with year-end **closing cash balance of \$8.4m available for working capital**. During Q1 FY25, AUCloud is expected to receive cash payments totalling approximately \$500,000 via the completion mechanism related to the acquisitions.

The Company re-affirms previously provided guidance to achieve FY25F Underlying EBITDA of ~\$4.7m on FY25F revenue of \$36.6m, with transition to positive monthly operating cash flow in 1H FY25.¹

1. ASX Announcement 18 March 2024 – Strategic Acquisitions and Equity Raising. 2. Annual Recurring Revenue (ARR) is calculated by the average monthly revenue of the preceding rolling 3 months, divided by 3, then multiplied by 12. ARR excludes one-off professional services, project-based revenue and hardware & software licencing.

Quarterly Cashflow

Quarterly Cash Flow	Reported in 4C \$'000s
Receipts from customers	6,485
Payments to employees & suppliers	(9,201)
Operating Activities	(2,716)
Payments to acquire acquisitions	(18,758)
Payments for other non-current assets	(116)
Investing Activities	(18,874)
Proceeds from the issue of securities, net of transaction costs	12,664
ROU Repayments	(340)
Financing Activities	12,324
Cash & Equivalents at start of period	17,661
Cash & Equivalents at end of period	8,395

Operating Activities

Cash outflows from operating activities was up 7% to \$2,716k, compared to cash outflows of \$2,533k in Q3 FY24. Operating cash outflows includes \$588k associated with one-off restructuring expenses and \$231k associated with the three acquisitions. Excluding non-recurring items cash outflows were \$1,897k; representing a net improvement of 25% compared to Q3 FY24. The Q4 to Q3 comparison is not a like for like comparison due to both the additional revenues post the April 30th acquisitions, and the subsequent integration activities & realised synergies.

Customer receipts were \$6,485k, up from \$1,678k in Q3 FY24, and in line with expectations. Customer receipts include 3 months of AUCloud training plus 2 months trading from the acquired entities. Customer migration to AUCloud, post completion of the acquisitions, has been strong with no customer losses, all major contracts renewed and continuity of customer spending patterns. Cross selling opportunities; particularly in cyber security, continue to arise.

Operating expenses were \$8,926k, compared to \$3,800k Q3 FY24 following merging the combined businesses cost base. Cost of Sales increased to \$2,737k, marketing increased to \$268k, staff costs to \$4,895k and administration expenses to \$1,026k. Synergies realised in Q4 FY24 (equivalent to annualised savings of approximately \$8,900k), will have an immediate effect on lowering the operating expenses in Q1 FY25.

Investing Activities

The Company invested \$18,758k on the acquisition of PCG Cyber, Arado and VennIT in Q4 FY24. The integration of the acquired companies is progressing to plan and is executing on the forecast synergies. The Company's capex invested was \$108k in Q4 FY24.

Financing Activities

Proceeds received in Q4 FY24 from issue of equity securities was \$13,223k, less \$559k in costs (\$16.8m less \$977k in costs in Q3 FY24). The capital raise was supported by major shareholders and broadened the institutional shareholder base. Right of Use cash expense for property and data centre leases was \$340k.

Net change in cash was \$9,266k; with the capital deployed used to largely fund the transformational acquisitions; creating a platform for growth in FY25. 8

Acquisitions Update



All acquisitions completed on 30 April 2024.

A new Leadership Team structure has been created to align with key revenue divisions of Cyber Security, Cloud and Managed Services; incorporating the leaders from both AUCloud and the acquired entities, complimented with new leaders that bring highly complementary skills & capabilities and deep industry experience.

Strong support from acquired customers, evidenced by 100% of customer contracts being novated and all major customer renewals due before 30 June being secured. Cross-selling highly complementary solutions is already taking effect; providing further certainty for the FY25 Guidance.

Completed headcount reductions generating annualised savings equivalent to approximately \$8.9m. Annualised employment costs from 1 July 2024 reduced to \$18.6m in line with FY25 Guidance.

Synergies from operating expenses continue to be realised with the consolidation of office locations, office technology and process improvements. Brisbane and Canberra office consolidation will occur in Q1 FY25.

Consolidation of cloud infrastructure into AUCloud's Data Centres is progressing ahead of plan and forecast to be completed in early 2025.














Arado rebranding to AUCloud is complete, Venn IT and PCG Cyber will be rebranded in Q1 FY25.

The merged businesses have come together efficiently & effectively; and are well advanced in acting as a single company.

Acquisitions Update (cont)



Aligned to deliver a full-service secure cloud, MSP & cyber security provider at scale

Cloud Infrastructure Managed Services Cyber Security	Value Proposition <ul style="list-style-type: none">• A full-service provider delivering secure, high-performance and resilient cloud computing solutions with end-to-end whole of business cyber security protection• Customer delivery unpinned by security cleared personnel and best practice compliance standards. Security accreditations including Certified Strategic and IRAP assessed Protected under the CAAF, ISO27001 and member of Defence Industry Security Program (DISP)• Managed Services Provider (MSP) providing data resilience & back up protection, consulting / professional services and cyber security prevention, detection & response services against evolving global threats through continuous threat monitoring and proactive cyber security threat detection and response solutions						Impact of Acquisitions <ul style="list-style-type: none">✓ Revenue, product & geographic diversification spanning cyber security and secure cloud solutions to increase competitiveness✓ Expanded customer base with predictable contracted ARR✓ Increased ARPU via fully integrated model of product bundling✓ Acquisitions leverage capital deployed in sovereign cloud infrastructure
	Secure Cloud Infrastructure	Managed Security Services Provider	Managed Services & Consulting Provider	Full-Service Cloud & Security MSP			
Post Completion MergeCo Key Numbers	 Customers # 240+	 Employees 105	 Jun-24 ARR \$22m	 Jun-24 ARPU \$107,000	 FY25F Revenue \$36.6m	 Cloud Infrastructure Invest. to date \$23.2m	
Supported by our Core Capabilities	 Secure Cloud Infrastructure	 Managed Service Provider (MSP)	 MSSP Delivering Cyber & Data Security	 Highest Compliance Standards	 100% Australian Sovereignty	 Extensive Partner + Customer Network	 Security Cleared Experts



This ASX announcement was authorised for release by AUCloud's Board of Directors.

For further information:

Rafe Berding
Investor Relations
+61 431 333 560
rberding@aucloud.com.au

Tash Jobson
Media Relations
+61 7 3180 3666
media@aucloud.com.au

About AUCloud

AUCloud (ASC: SOV) is an Australian owned and operated Cyber Security Managed Security Service Provider (MSSP) and Sovereign Cloud Service (IaaS) specialist that supports Australian Governments, Critical National Industries (CNIs) with the latest sovereign cloud infrastructure, backup and cyber security threat defence and response services. AUCloud solutions enable customers to benefit from sovereign data protection with the scale, automation, elasticity and lower costs typically associated with global cloud offerings.

AUCloud's Sovereign Cloud Service (IaaS) and Cyber Security Solutions are underpinned by a range of security certifications, including "Certified Strategic" on Digital Transformation Agency's Hosting Certification Framework (HCF), assessed to the PROTECTED controls of the Australian Signals Directorate's (ASD) Information Security Manual (ISM) through to the Australian Cyber Security Centre's Cloud Assessment and Authorisation Framework (CAAF), inclusive of the Information Security Registered Assessors Program (IRAP) certification and ISO 27001. This provides AUCloud's customers with confidence that their data is secure and that services are delivered to the highest standards.

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Appendix 4C

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

Name of entity

Sovereign Cloud Holdings Limited

ABN

80 622 728 189

Quarter ended ("current quarter")

June 2024

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) * \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	6,063	12,274
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(2,737)	(6,533)
(c) advertising and marketing	(268)	(668)
(d) leased assets	-	-
(e) staff costs	(4,895)	(13,647)
(f) administration and corporate costs	(1,026)	(2,706)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	104	263
1.5 Interest and other costs of finance paid	(44)	(179)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	318	318
1.8 Other (Due Diligence costs)	(231)	(635)
1.9 Net cash from / (used in) operating activities	(2,716)	(11,513)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	(15,183)	(15,183)
(b) businesses	(3,575)	(3,575)
(c) property, plant and equipment	(108)	(108)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	(8)	(8)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) * \$A'000
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	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(18,874)	(18,874)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	13,223	30,537
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	(559)	(1,752)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	(353)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (ROU Repayments)	(340)	(1,290)
3.10	Net cash from / (used in) financing activities	15,528	27,142

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	17,661	11,640
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,716)	(11,513)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(18,874)	(18,874)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) * \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	12,324	27,142
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	8,395	8,395

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	8,077	17,641
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (Bank Guarantee)	318	20
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	8,395	17,661

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	156
6.2	Aggregate amount of payments to related parties and their associates included in item 2	0
<p><i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i></p> <p>All amounts referred in Item 6.1 are Directors Fees.</p>		

7.	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	Loan facilities	-	-
7.2	Credit standby arrangements		
7.3	Other (please specify)		
7.4	Total financing facilities	-	-
7.5	Unused financing facilities available at quarter end		0
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.		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(2,716)
8.2	Cash and cash equivalents at quarter end (item 4.6)	8,395
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	8,395
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	3.09
<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>		
8.6	If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1	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:	
8.6.2	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:	
8.6.3	Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
	Answer:	
<i>Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.</i>		

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: 24 July 2024

Authorised by: The 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 – eg 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.