

Sovereign Cloud Holdings Limited

FY23 Results Presentation

23 August 2023



FY23 Highlights¹



Revenue Growth

Revenue increased to \$6.5m

- Increased revenues reflect growth from new customers and existing customers and the strategic partnership with Arqit
- Cloud Services and Cyber Security has continued its growth, steadily increasing 11% YoY



Total Contract Value

TCV Outstanding increased \$360k (6%) to \$6.9m

- 0% customer churn ²
- Sales pipeline continues to gain momentum, with further focus on increase spread of revenue



Customer Unit Economics

Growing Customer Unit Economics

- ARR up 53% to \$4.4M
- ARPU ³ steady at \$87,000 p.a.



Network expansion

Eastern Seaboard Coverage

- Brisbane Sovereignty Cloud opened in December 2022 & Melbourne opened in June 2023
- Future capital to focus on Cloud Solutions & Cyber Security product expansion to capture increased share of wallet



Industry Tailwinds

Heightened market awareness in areas of cyber security and data sovereignty

- Significant cyber security breaches in high profile Australian companies
- Government tenders are increasingly focused on how data sovereignty requirements are to be addressed

1. Percentage changes expressed relative to FY22

2. All customers with monthly spend >\$1,000

3. ARPU defined as Average Revenue Per Customer per annum

Strategic Review Summary

The fundamentals are in place



The demand for Cyber Security and Cloud Solutions continues to build enabling broadening of solutions



Significant capital has been invested to build a network of **Sovereign Cloud Solutions designed for scale**



Security Operations Centre (SOC), relied on by high-profile customers, such as the AEC, with a significant opportunity to expand offering.



A network of over 60 Channel Partners including MSPs, ISVs & OEMs **to leverage market access**



Credentialed workforce & accredited systems including NV1 Cleared Personnel, IRAP Certification, PROTECTED Certification & ISO27001 Accreditation.

Strategy changes



Strengthen sales and marketing capabilities, with increased emphasis on channels to market, Enterprise sales whilst maintaining a dedicated Government team.



Expand the AUCloud offering in Cyber Security through building, partnering or buying capability, leveraging the success of the Security Operations Centre to move deeper into the cyber security ecosystem.



Partner in the Multi-Cloud and Public Cloud markets to leverage the capital invested in the existing four Sovereign Cloud platforms.



Targeted focus on industry specific solutions through the addition of complimentary products & services to the existing product suite.



Align cost base to the changed focus of the business and current activities.

Profit & Loss(\$m)¹

Revenue

- Total Revenue increased \$2.2m (51%)
 - Growth in Cloud and Cyber security services has come from new contracts, and through contract expansions. The Company benefited from stronger customer usage for compute and storage, and growth in cyber security services.
 - Technical project services revenue continues to benefit from the strategic partnership with Arqit, to support the deployment of the Asia Pacific region's first Quantum Safe Symmetric Key Agreement Platform as a Service.

Cost of Sales

- Cost of Sales increased by \$3.4m (136%)
 - The revenue uplift associated with Arqit is offset by higher licence fees represented in the increased cost of sales. The license fees and service costs continue to support the deployment of the Arqit contract and will continue to generate low incremental margins. These look-through profit margins will improve as new contract expansions are secured over time given the relatively fixed cost nature of the licence fees.
 - Further increases in licence and software fees are associated with the new cloud platforms in Brisbane and Melbourne.

Operating Expenses

- Employee costs increased 43%, this was largely driven by a significant increase of employees in the first half of FY23, followed by reductions in the second half post the incoming CEOs Strategic Review. Employee FTEs at HY23 was 74, compared to FY23 close of 64. Further reductions will be effected in H1 FY24.
- Other operating expenses decreased by 21% which can be attributed to greater streamlined processes and cost-reduction initiatives.

1. Percentage increase expressed relative to FY22

Profit & Loss Summary (\$m)	FY23	FY22	Change
Cloud & Cyber Security Services	4.4	4.0	11%
Technical Project Services	2.1	0.3	585%
Total Revenue	6.5	4.3	51%
Cost of Sales	(6.8)	(3.4)	100%
Gross Profit	(0.3)	0.9	-136%
Employee Expenses	(13.3)	(9.3)	43%
Other Operating Expenses	(2.1)	(2.6)	-21%
Total Operating Expenses	(15.3)	(11.9)	29%
EBITDA	(15.7)	(11.0)	42%
Depreciation & Amortisation	(5.4)	(4.2)	28%
Interest Expense, net	(0.2)	(0.3)	-23%
Loss after tax	(21.3)	(15.5)	37%

Revenue

Cloud & Cyber Security Services

- In FY23, annuity revenue from cloud and cyber security services increased by 11%.
- Growth was directly linked to an increase in new customers and, growth from existing customers.
- The new customer acquisition pipeline continues to grow, and the Company continues to focus on improved sales effectiveness.
- The company continues to expand its offerings in cyber security services through new solutions and moving deeper into the cyber security ecosystem.

Technical Project Services

- Technical project-based revenue increased as one-off performance obligations were met over the course of the year.

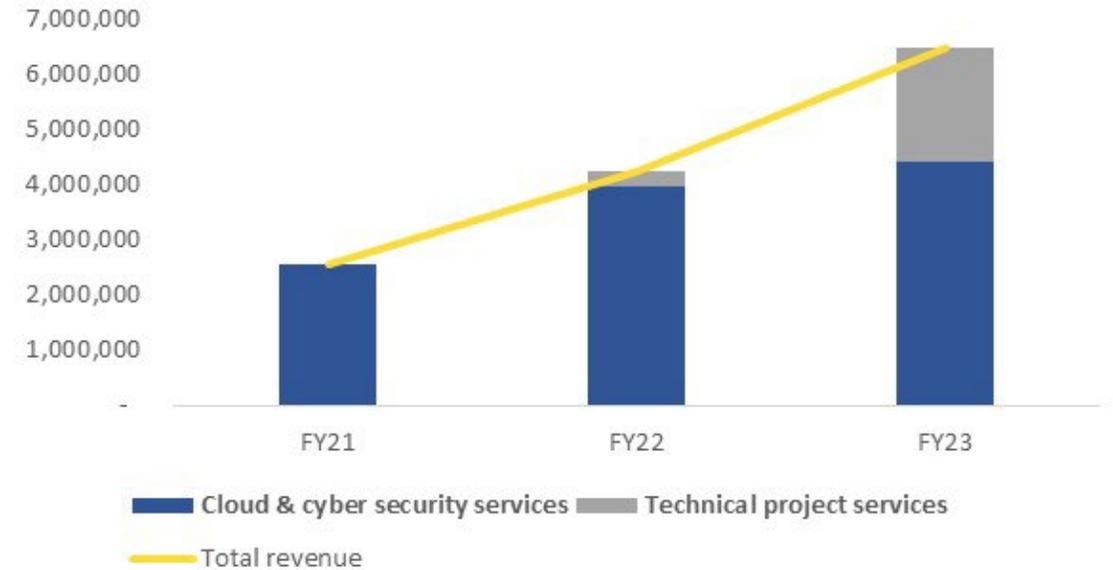
Key Metrics²

- TCV:
 - TCV outstanding increased \$0.4m (6%) to \$6.9m¹
 - TCV closed increased \$2.1m (40%) to \$7.5m¹
- ARR – 58% of total revenue is annual recurring revenue. Up 11% on FY22
- ARCD - \$13.6k at Q4 FY23, up \$1.3k per calendar day compared to Q4 FY22
- ARPU – remained stable at \$87k

1. Percentage increase expressed relative to FY22

2. Refer to appendix A for the definition of the key operating metrics

Revenue Summary (\$m)



Cash Flow

Cash of \$11.6m and debt of \$0.35m at 30 June 2023

Operating Activities

- Cash receipts of \$6mil offset by larger employer and overhead costs of \$23.8mil. The net cash outflows continue to reflect the company's investment to expand its national platform; resulting in higher operating costs, as expected, while the cash inflow from increased revenue has been less than expected.

Investing Activities

- Payment for property, plant & equipment in FY23 primarily relates to the new cloud platforms in Brisbane & Melbourne.

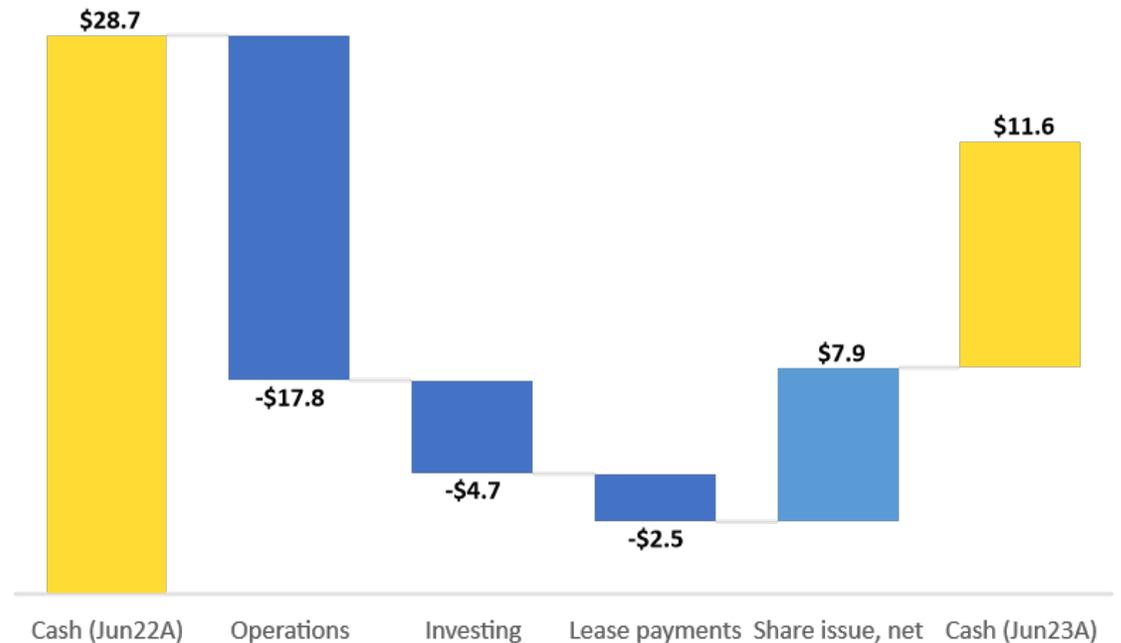
Financing Activities

- Share issue:
Net proceeds from share issue relate to the company completing an \$8mil Entitlement Offer in June 2023.
- Lease payments:
Lease payments relate to all data centres right of use assets and the funding of computer equipment & software

Lease liabilities relating to the computer equipment & software will be fully paid by November 2023

AUCloud is committed to reducing its operating cash burn by a) reducing CAPEX by ceasing to build new cloud platforms b) optimising operational efficiencies c) identifying cost-saving measures and d) reducing head count. The company continues to seek expansion opportunities to grow its current revenue streams.

Cash Flow Summary (\$m)



AUCloud Strategy



MARKET DRIVERS REMAIN STRONG

Demand for Cloud Services remains robust, while the Cyber Security market has exhibited strong growth following recent high profile attacks on Optus, Medibank, Latitude and others.



SCALABLE PLATFORMS DELIVERED

Sovereign Cloud has invested over 5 years, building scalable cloud platforms, which are IRAP and Certified PROTECTED, supported by a highly skilled workforce of over 60 people.



GROWTH OPPORTUNITIES IN CYBER SECURITY

The AUCloud Security Operations Centre (SOC) ensures continuous network monitoring for cyber threats and attacks for high profile Government Agencies such as the AEC. This capability positions AUCloud to expand cyber security revenue.



SOVEREIGN CLOUD PARTNERSHIPS

Capitalise on the emerging global market trend of hyperscale cloud providers partnering with domestic Sovereign Cloud providers to expand revenue into Multi-Cloud and Public Cloud markets.



SALES MOMENTUM

Following a period of investment in building a network of Sovereign Cloud Solutions, the Company is focused on driving revenue by building enterprise sales whilst not losing sight of the proven success in Government sales.

Glossary

Term	Definition
AASB	Australian Accounting Standards Board
ACSC	Australian Cyber Security Centre
ARCD	Annual Revenue per Calendar Day - calculated by the average monthly revenue of the preceding rolling 3 months, divided by the number of calendar days in the last completed month.
ARPU	Average Revenue Per Customer per annum - calculated by dividing ARR by the number of customers, multiplied by 12 months.
ARR	Annual Recurring Revenue - 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 or project-based revenue.
Customer Churn	Defined as a customer spending greater than \$1,000 per month that spent in the preceding month and not the current month.
FTE	Full Time Equivalent employee
GTM	Go-To-Market
IaaS	Infrastructure as a Service
IaaS Consumption	The revenue recognised based on the aggregated consumption of the IaaS services, excluding implementation, consulting and setup charges or one off non-recurring charges. In the Company's experience it is reasonable to expect IaaS consumption to be repeated in subsequent periods
ICT	Information and Communication Technology
IRAP	Information Security Registered Assessors Program
ISV	Independent Software Vendor
MSP	Managed Service Provider
NEXTDC	NEXTDC Limited
SaaS	Software as a Service
SOCaaS	Security Operations Centre as a Service
SOCI Act	Security of Critical Infrastructure Act 2018 and subsequent amendments (2021; 2022)
TCV	Total Contract Value - is the estimated value of an agreement, executed by a customer, to consume either Cloud Solutions or Cyber Security Solutions. Agreements are typically multi-year, but a minimum of 12 months. Agreements can be either fixed price per period or periodic invoices based on the agreement's actual customer usage.

