



March 2021 Quarterly Report

UPDATE FOR THE QUARTER ENDED
31 MARCH 2021

PUBLISHED 27 APRIL 2021



ARCHTIS IS TRUSTED TO SAFEGUARD THE WORLD'S MOST SENSITIVE INFORMATION

archTIS's solutions apply and enforce dynamic, policy-driven access controls that leverage both user and data attributes to ensure your users and partners access, share and collaborate on sensitive, classified and top secret information, securely.



March 2021 Quarterly Report (Jan – Mar 2021)

(Against previous quarter)

Revenue

+84%

Recurring Revenue

+57%

Gross Profit

+57%



Nucleus Cyber
Integration Completed

Cash Available

\$12M



Sales Regions Expanded
to US-FED, London and
Singapore

ASX Announcement

27 April 2021

ARCHTIS MARCH 2021 QUARTERLY REPORT

AR9 Delivers Record Breaking Revenue and Recurring Licensing

HIGHLIGHTS

- Total Revenue of \$1.25M up 84% on prior quarter
- Gross Profit of \$802k up 57% on prior quarter
- Nucleus Cyber Integration completed
- Recurring License Revenue of \$421k up 57% on prior quarter
- Available Cash at quarter end for investment of \$12.0M
- Sales Regions expanded to US-FED, London and Singapore

archTIS Limited (ASX: AR9, archTIS or the Company), a global provider of innovative software solutions for the secure collaboration of sensitive information, is pleased to provide an overview of its operational and commercial achievements for the quarter ended 31 March 2021.

Daniel Lai, Managing Director and CEO stated, “archTIS delivered a strong record-breaking quarter with revenue, recurring licensing and gross profitability, all eclipsing prior quarter results. We continue to have a clear line of sight toward future aggressive growth trends in revenue while making key strategic investments in sales distribution, market awareness and product innovation.”

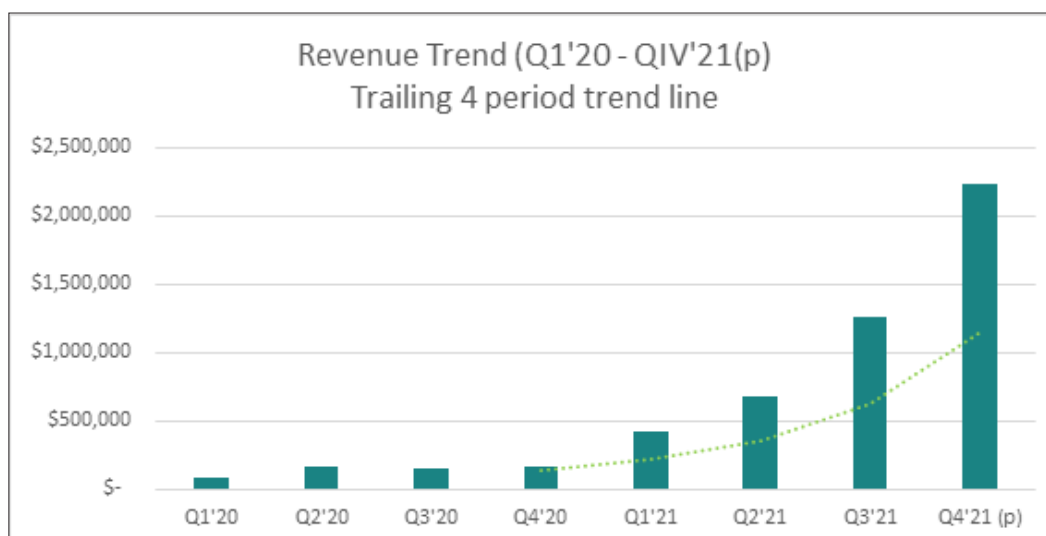
During the March quarter, the Company continued its strong growth trajectory for accelerated revenue and recurring licensing through internal sales which were enhanced by the recent completion of the Nucleus Cyber acquisition in December 2020. archTIS has also significantly expanded its customer base with multiple contract wins with leading global companies for its Kojensi and NC Protect product offerings.

The company has ramped up its global sales distribution strategy to ensure continued delivery of customer growth, expanded its executive team and created greater overall market awareness for customers, prospects, partners, employees and shareholders.

QUARTERLY FINANCIAL SUMMARY

Total revenue for the quarter was \$1.25M, an increase of 84% on the prior quarter and up 776% year-on-year.

This increase was largely driven by a strong annual recurring revenue from software license of \$421.6k for the quarter; up 57% over the prior quarter, and the delivery of consulting services to the Department of Defence.



Forecast revenue for Q4-2021 is based on contracted revenue from existing customers only, and does not include any revenue from new customer contracts that may be won during the remainder of Q4-2021

archTIS delivered a gross profit of \$802k for the period; up 57% on the prior quarter. Gross margin for the quarter was 64% (down from 75% the previous quarter) due to an increased proportion of revenue from consulting services which is at a lower margin than software licensing and a one-time pass-through hardware requirement.

Operating expenses for the quarter totalled \$2.12m up 95% over the prior quarter; reflecting the completed integration of Nucleus Cyber becoming part of the Company for the full quarter (having been acquired 23 Dec 2020) and the Company's investment in sales and marketing resources to execute its go-to-market strategy which was in line with the 'Use of Funds' as presented to shareholders during the November 2020 share placement and subsequent Investor update March 2021. The main operating cash investments for the March quarter were payments for staff and contractors with \$1.05m being invested in additional sales distribution and marketing activities.

archTIS ended the March 2021 quarter with a solid cash balance of \$12.03M providing the Company with strong financial flexibility to execute on its commercial growth strategy as it continues to drive product innovation.

FINANCIAL HIGHLIGHTS

The table below shows some of the financial highlights for the quarter:

| | FY21 | FY20 | | |
|---|---------|---------|-------|-------|
| A\$'000 | Q3 | Q2 | Q1 | Q3 |
| Total revenue | 1,252.8 | 681.7 | 420.1 | 143.1 |
| % increase on prior quarter | 84% | 62% | | |
| % increase prior comparative quarter | 776% | | | |
| License revenue (recurring) | 421.6 | 267.7 | 191.5 | 62.6 |
| % increase on prior quarter | 57% | 40% | | |
| % increase prior comparative quarter | 574% | | | |
| Gross margin | 64% | 75% | 76% | 50% |
| OPEX (after capitalising development costs) | 2,123.4 | 1,091.5 | 844.4 | |
| % increase on prior quarter | 95% | 29% | | |

Kurt Mueffelman, Global COO and US President stated, “The March quarter was very foundational for archTIS as we continued to tactically execute and deliver across all areas of the business. Key customer wins, expanded sales regions, partnerships and alliances combined with new and exciting product innovations has set the stage for a strong QIV while positioning us for an even stronger FY22.”

KEY GLOBAL CUSTOMER WINS VALIDATING THE BUSINESS MODEL

archTIS delivered several significant global customer wins, contract renewals and the expansion of existing customer licenses. These milestone achievements strongly endorse the Company’s secure information sharing platforms, NC Protect and Kojensi, as world-leading technology products. The following wins further validate archTIS’ strategy to drive future sales growth across a diversified, global customer base serving government, defence industry, corporations, and SMEs.

NC PROTECT

- Australian Department of Defence renewed NC Protect for \$148,688, increasing recurring annual subscription revenue from the Australian Department of Defence to \$950,000.
- WyzeTalk (Africa) selected NC Protect for secure Office 365 collaboration.
- A European oncology biotech company selected NC Protect for Office 365 and Microsoft Teams information protection.
- Berufsgenossenschaft für Gesundheitsdienst und Wohlfahrtspflege (BGW) a large German insurer selected NC Protect for secure guest access to SharePoint.
- A Dubai-based mobile communications company selected NC Protect to secure Office 365 / Teams and
- A multi-billion-dollar US manufacturer selected NC Protect for a 2-year contract to secure intellectual property in SharePoint.

KOJENSI

- Office of Australian Information Commissioner (OAIC) selected Kojensi SaaS to share and collaborate on sensitive information.
- A large German technology company selected Kojensi SaaS to provide regional PROTECTED information collaboration with Australian Defence.
- Flinders University selected Kojensi SaaS to share and collaborate on research information.

GLOBAL SALES DISTRIBUTION AND PARTNERSHIPS

The Company continued to tactically execute on its investment growth strategy to expand sales distribution and broaden market awareness. archTIS established a regional presence in London to target Europe, Middle East, and Africa (EMEA) as well as Singapore to expand the APAC presence. These new locations are in addition to existing teams in Australia and the Americas.

Additionally, to expand the Company's prior successes in the Australian government and defence industry, archTIS created a US Federal and Defence focused business unit to serve key US government agencies including Defence and Intelligence, as well as the Defence Industrial Base (DIB) including Northrop Grumman, BAE, Raytheon, Lockheed, Leidos, Thales and others.

Raytheon Australia, in conjunction with Prime Minister Scott Morrison, announced archTIS as one of 10 Australian businesses to take part in their industry program Capability Plus. The program aims to assist small and medium-sized Australian businesses win defence contracts within Australia and globally.

archTIS also continued to make key introductions and presentations across Microsoft field sales through its membership in Microsoft's IP Co-sell program. The Company signed 7 new channel partners in multiple geographical regions to further scale licensing distribution.

PRODUCT INNOVATION

Kojensi continued to make advancements across the enterprise and SaaS platforms with key functional and infrastructure additions throughout the quarter. NC Protect provided its latest software release to the market to simplify security, access and sharing of content for Microsoft Teams. The latest release empowers Microsoft Team owners to apply security using default rule sets to prevent accidental sharing, data loss and misuse, as well as enable secure guest access and sharing.

The product releases solve the key challenges identified in The Cybersecurity Insiders “2021 State of Remote Work Report” sponsored by archTIS and Nucleus Cyber that revealed while 90% of organizations are likely to continue supporting a remote workforce, more than three-quarters of respondents (79%) reported they had concerns about potential security risks being introduced by an increasingly distributed workforce.

The market and industry continued to validate the need for secure collaboration products with NC Protect winning six Gold Awards in the 2021 Cybersecurity Excellence Awards in the categories of Access Control, Application Security, Data-Centric Security and Data Leakage Prevention (DLP), and Insider Threat Solution (2).

The Company also launched ‘KojNC’, an internal initiative to more closely align the features and functionalities between Kojensi and NC Protect into a single solution set to align capabilities up and down the various layers of secure collaboration up to the Top-Secret level.

The Company will present the product roadmap strategy and initiatives during a shareholder presentation on the 25th of May 2021. More details about this presentation will be released to the market in the coming weeks.

PAYMENTS TO RELATED PARTIES

During the quarter, the Company made payments to members of the Board of \$117k.

APPOINTMENT OF JOINT COMPANY SECRETARIES

Erlyn Dale and Winton Willesee were appointed Joint Company Secretaries to further strengthen the Company’s governance and compliance. Together, Dale and Willesee have more than 30 years of combined experience in governance roles at several ASX listed companies across a broad range of industries.

OUTLOOK

archTIS’ vision is to be the leading cyber technology company that safeguards the world’s most sensitive information. Strong macro-economic tailwinds and continued investment in cybersecurity to combat insider threats such as compromised credentials, corporate espionage, and human error, increasing government regulations and security requirements to support an increasingly remote global workforce are anticipated benefits for the Company in the foreseeable future.

The Company expects to:

- Continue to invest in the scalable growth of the Company, particularly the sales and marketing functions, which will be in line with our 'Use of Funds' disclosed as part of last year's capital raise. Specifically, the Company will continue to invest to expand global sales distribution and increase market awareness and product innovation.
- Deliver strong revenue growth coupled with an increasing recurring licensing stream; continuing to drive gross profit and margins higher.
- Not require any additional capital raises for the operational growth of the Company; and,
- Continue exploring strategic acquisitions to expand upon the product breath, distribution and top-line revenue of the company.

archTIS will host a quarterly results webinar on Tuesday 27th April 2021 at 11:00am EST (Sydney/Melbourne), 9:00am WST (Perth) to update shareholders on recent announcements. Register at: https://us02web.zoom.us/webinar/register/WN_jyz14OGYQySW8T-bXHLzDw.

ENDS

The announcement has been authorised by the Board of archTIS Limited.

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ABOUT ARCHTIS LIMITED

archTIS Limited (ASX:AR9) 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 ABAC 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, Dropbox, Nutanix Files and Windows file shares. For more information visit archtis.com or follow us on twitter @ [arch_tis](https://twitter.com/arch_tis).



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