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Sovereign Cloud Holdings Limited

FY24 Full Year Results

26 August 2024

A decorative graphic in the bottom right corner consisting of multiple thin, light blue wavy lines that create a sense of movement and depth.

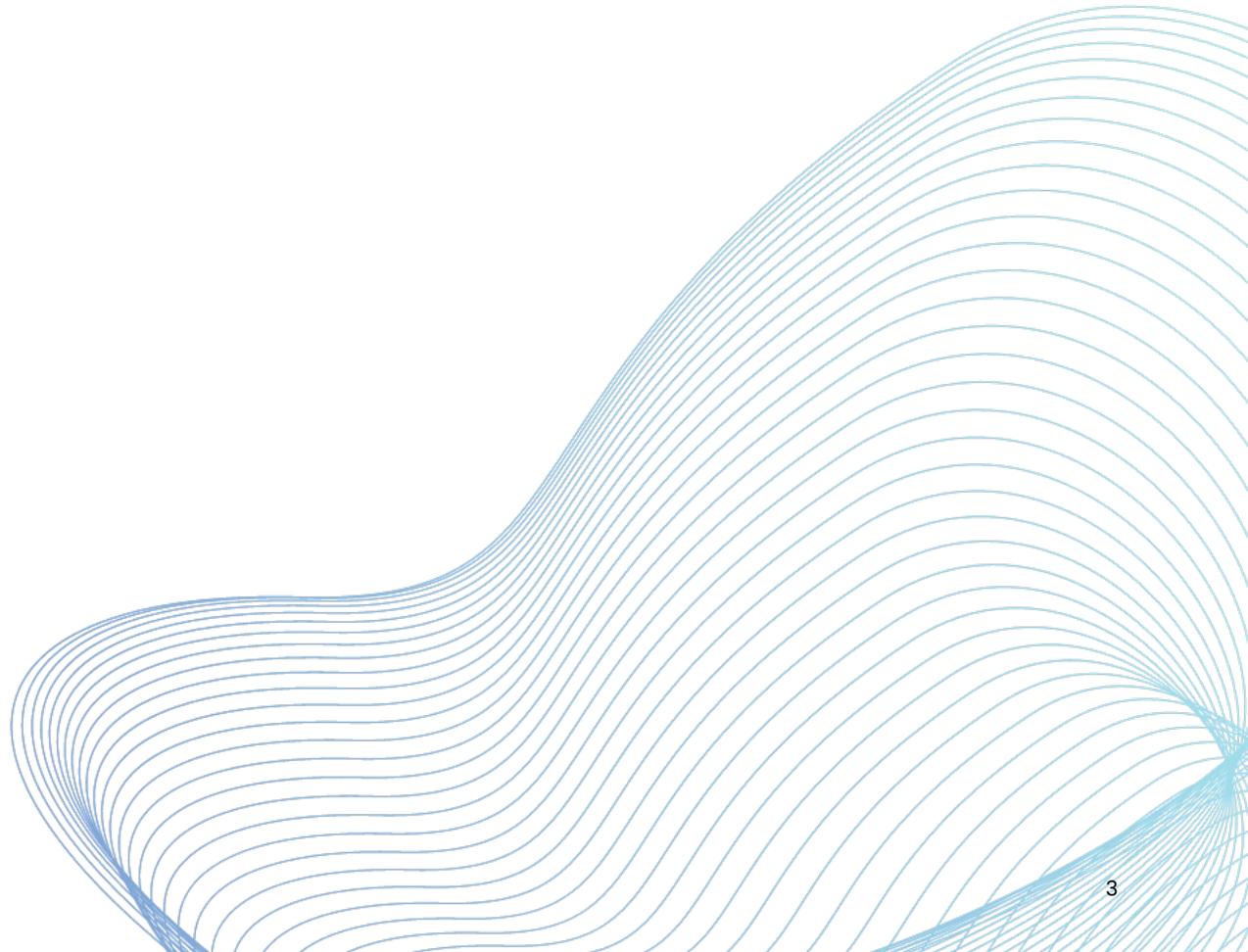
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Business Overview

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FY24 Key Numbers

\$22m¹

ARR

\$25m¹

TCV

\$107k¹

ARPU per annum

\$8.4m¹

Cash balance

\$30m

of capital raised for
acquisitions

3

Strategic acquisitions
completed

>\$9m

Executed annualised
synergies

\$4.0m

Revenue growth

0%

Churn in customers

7

Major industry awards

240¹⁺

Customers across
Australia

4

Dedicated sovereign
cloud zones

100¹⁺

Skilled cyber security & IT
Services professionals

>50%¹

Personnel security
cleared by ASD

**Expanded partner
network** with AWS, CISCO,
Commvault, Google, etc

5

Office locations

1. Key metrics are as at 30 June 2024.



Enhanced Capabilities and Market Position

“Our focus remains on growing our customer base in sovereign cloud services, cyber security solutions and managed services. Our expanded product portfolio now spans a broad spectrum of highly complementary solutions, supported by a diversified revenue base across various sectors, including government, financial services, law, technology and health.”

Peter Maloney

CEO and Managing Director

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

Protecting Australian Data



Every day Australian businesses & governments trust us to safeguard their most important assets; data, brand reputation & people.

AUCloud empowers Australian enterprise and government customers with the latest sovereign cloud infrastructure, cyber security solutions and managed IT services.

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Overview of AUCloud post acquisitions

Broader Product Portfolio

Broader 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 including AWS, CISCO, Commvault, Google, Microsoft, NetApp, Pure Storage, Rubrik, VMware, Veeam which when combined delivers cutting edge technology and expertise

Experienced Leadership

Highly skilled leadership team led by CEO and Managing Director Peter Maloney, combined with key executives from acquisition companies to take on leadership positions

Key AUCloud Metrics¹



Customers #
240+



ARR
\$22m



ARPU
\$107k



TCV
\$25m



Cloud Zones
4

¹. Key metrics are as at 30 June 2024.

Solutions

Capabilities and Opportunities



Cloud Solutions

- Secure sovereign cloud infrastructure
- Day-to-day management of customers' cloud and on-premises infrastructure and environments
- Managed back-up services
- Software & hardware licensing

- Cloud zones located across Sydney, Melbourne, Brisbane & Canberra
- Security accreditations: Certified Strategic and IRAP assessed Protected under the CAAF, ISO27001 and member of DISP



Cyber Security

- Security Operations Centre
- Governance, risk and compliance
- Cyber Security Strategy
- Cyber Security Maturity Assessments
- Cyber Security Awareness & Phishing Simulation

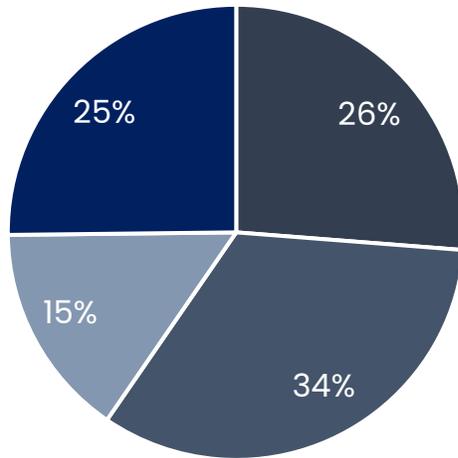
- Operates on the front line to detect cyber-crime with Security Operations Centre service protecting some of Australia's best-known brands with the latest detection and response services

Full-service secure cloud, MSP & cyber security provider

Pro forma Revenue Contribution and Gross Margin

Acquisitions Contribution¹ (\$m)

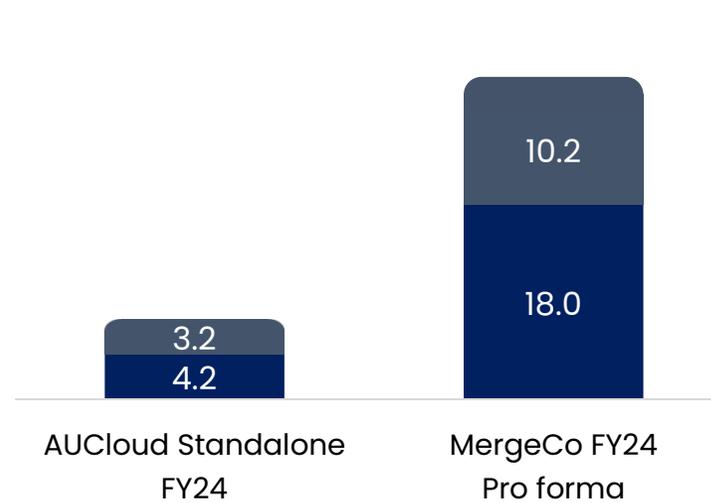
FY24 Pro Forma Revenue



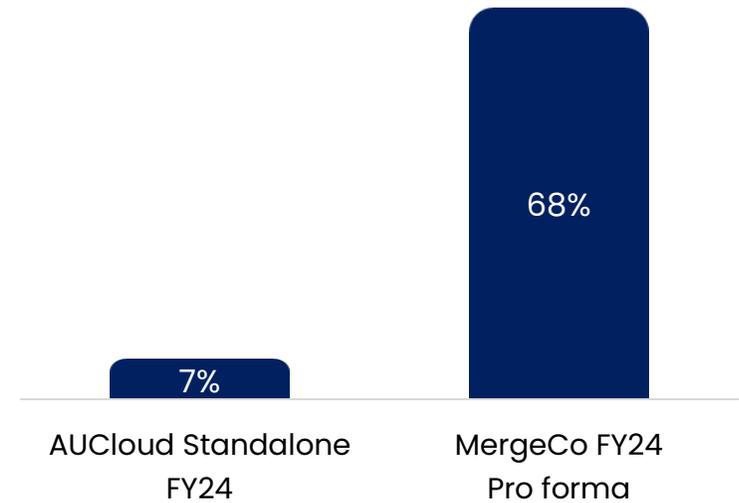
■ AUCloud ■ Arado ■ VennIT ■ PCG Cyber

Revenue by division¹ (\$m)

■ Cloud ■ Cyber



Pro forma Gross Margin¹ (%)



- Post acquisitions, AUCloud standalone contributes ~25% of total revenue. Acquisitions delivered greater customer spread, geographic reach and product diversification.

- Refocus on cyber security and managed services streams delivering near 60% of AUCloud revenue, further leveraging the Company to the industry's strong structural tailwinds

- Acquisitions gross margin accretive, driven by stronger contribution from high margin cyber security services and managed services
- Gross margin improvement also reflects cost realignment and scale efficiencies delivered through AUCloud

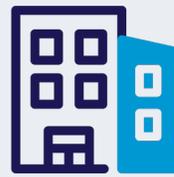
¹ Represents 12 months of pro-forma revenue as if the acquisitions had occurred on 1 July 2023.

Customer Segment

Revenue



Public Sector
Government



Corporate
Enterprise
Customers

Strategic Partnerships



Google



veeAM



1. Revenue mix as at 30 June 2024.

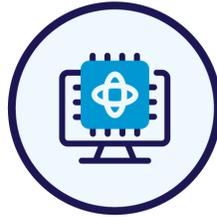
Existing customer industries



Government &
Public Sector



Defence



Technology



Legal



Financial



Healthcare



As a client of AUCloud, I can confidently say that their commitment to security and compliance has provided Komposition with a high-level of confidence in our platform operations. Their reliable and scalable solutions have been instrumental in supporting our growth and delivering exceptional value to our clients. We've recently enhanced our security posture significantly by leveraging AUCloud's 24/7 Security Operations Center (SOC). The proactive monitoring and rapid response capabilities of their team have given us peace of mind, allowing us to focus on our core competencies. Overall, AUCloud has not only met our expectations but has exceeded them, providing us with robust, reliable, and secure cloud solutions that truly align with our needs.

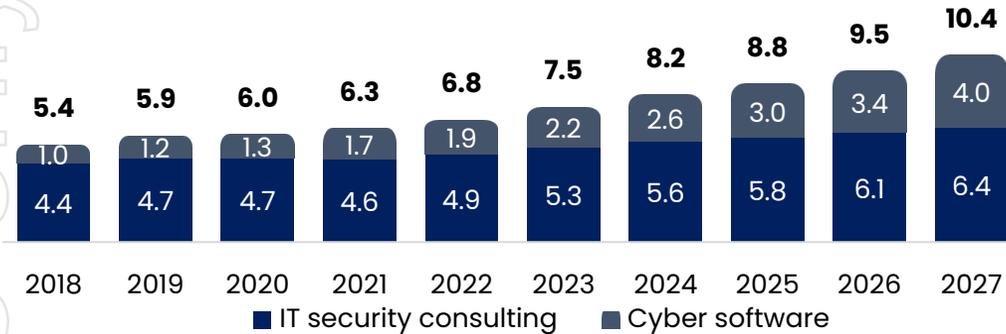


Michael Ninness

CEO & Founder | Komposition

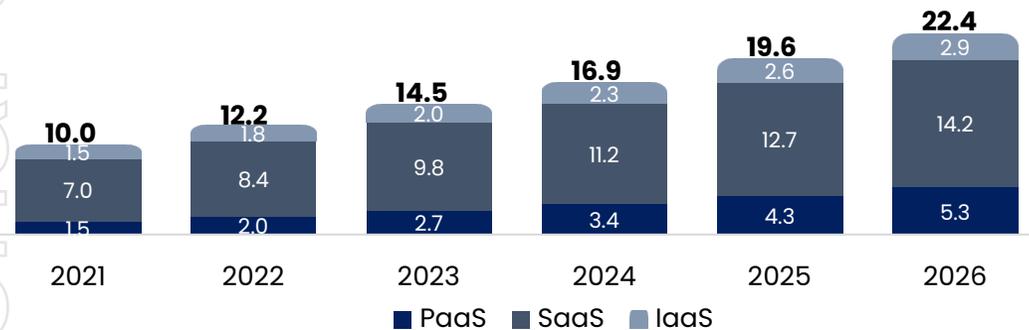
Cyber Security & Cloud Services Landscape

Australian Cyber Security Revenue Forecast (\$bn)



Source: 'IDC Semiannual Public Cloud Services Tracker', IDC, 2022.

Australia Public Cloud Services Spending (\$bn)



Source: 'Public Cloud Services Opportunities and Dividends to the ANZ Economies,' IDC White Paper, November 2022.

Key Market Tailwinds and Trends Driving Growth

<p>Highly fragmented industry Approximately 300 participants with an average of 4 employees</p>	<p>Significant cyber crime¹ Cybercrime is committed every 6 minutes costing Australia billions</p>
<p>Increased cyber budget³ >74% Australian companies expected to increase cyber budgets in 2024</p>	<p>Government tenders Government tenders more focused on addressing data sovereignty requirements</p>
<p>Legislation focus Ongoing reviews of legislation focused on enhancing data sovereignty laws</p>	<p>High-demand services</p> <ul style="list-style-type: none"> Enterprise full security GRC & IMA services PaaS, SaaS and Retainers

Gartner Forecasts IT Spending in Australia to Grow 7.8% in 2024²

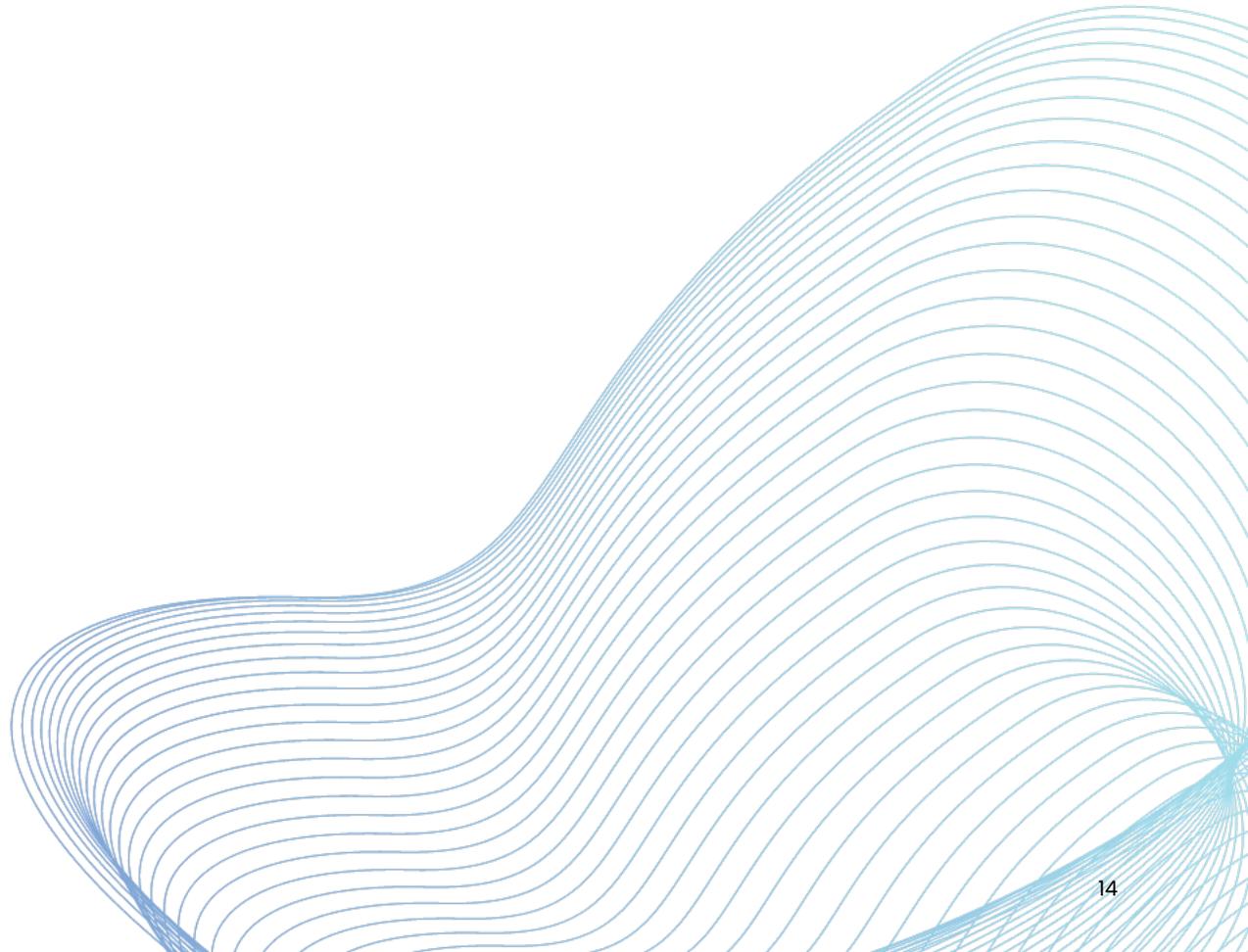
Australian CIOs are expected to direct the largest amount of new or additional funding in 2024 towards cyber security, cloud platforms, data and analytics, and application modernisation.

Source: 1. 'ASD Cyber Threat Report', Australian Signals Directorate, November 2023. 2. 'Gartner Forecasts IT Spending in Australia to Grow 7.8% in 2024', Gartner Newsroom, September 2023. 3. 'How does Australia fare in cybersecurity? Research', PwC, November 2023.



Strategic Focus

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Strategic Objectives and Key Initiatives

1

Integration of Acquisitions

Integrate recently acquired businesses in accordance with the Plan



2

Customer Growth

Drive organic growth through renewal, retention, upsell and cross-sell



3

Partnerships

Leverage partnerships with leading global technology firms to expand customer base



4

Expand Offerings

Create new features and functionality for customers to develop new revenue streams which complement the existing product portfolio



5

Improved Economics

Focus on a clear path to recurring profitability and improved cash flow



Integration

Integration progressing in-line with the plan and the recently acquired businesses are seeing the benefit from synergies and scale; including cross sell opportunities.

Acquired Business	People	System	Process	Brand
 PCGCYBER	Completed	Partially Integrated	Completed	Partially Integrated
 venn	Completed	Partially Integrated	Completed	Completed
 ARADO	Completed	Partially Integrated	Completed	Completed

Key steps undertaken

- A new Leadership Team structure has been created to align with key revenue divisions of Cloud Solutions and Cyber Security.
- Completed headcount reductions and cost out savings generating annualised savings equivalent to > \$9m.
- Finance & people systems integration completed
- Rationalised office locations in Brisbane & Canberra
- Rebranded to AUCloud & AUCyber

Next steps to achieve full integration

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

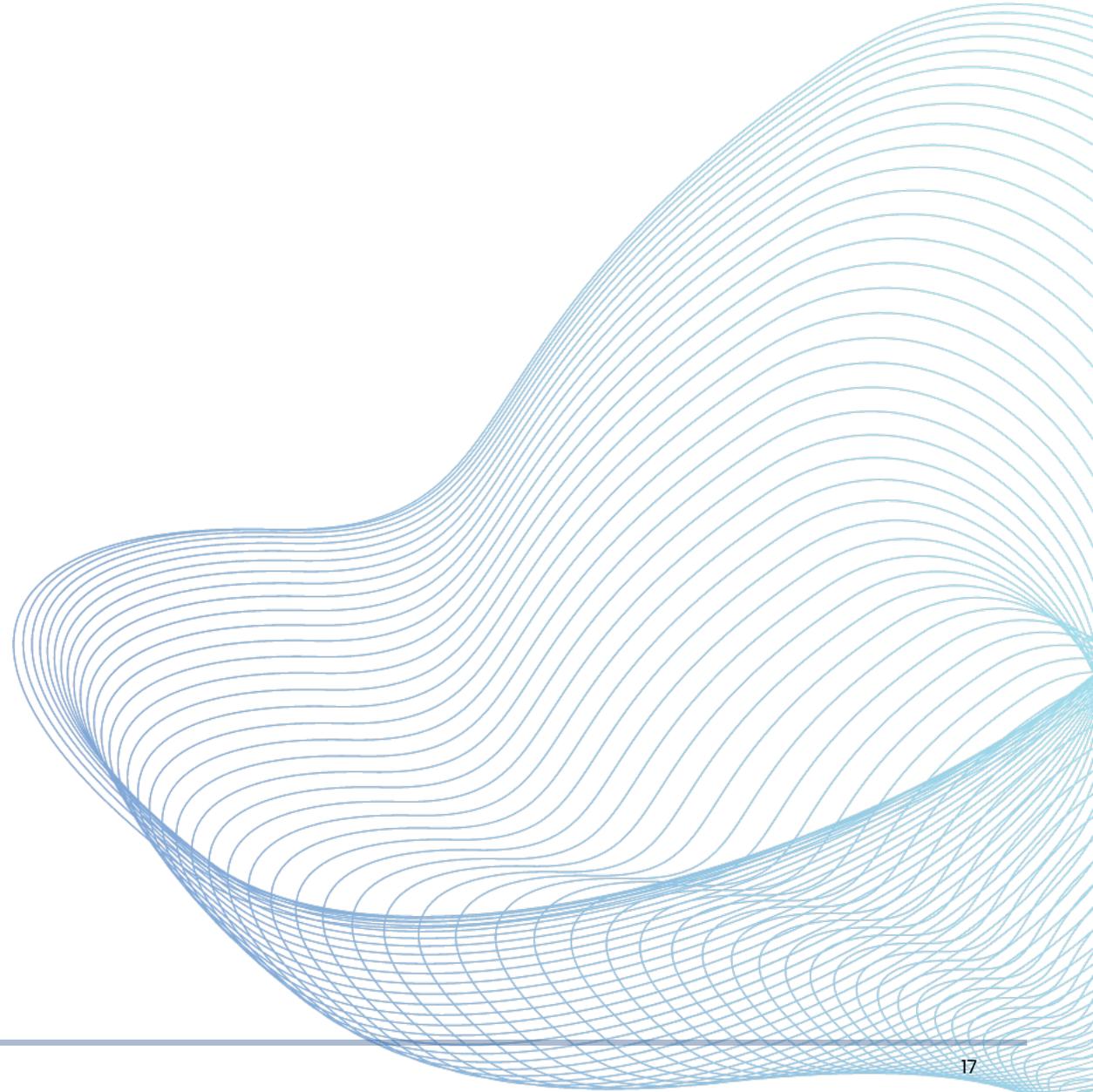
Focus on sales & marketing to accelerate cross-sell opportunities to existing customers & build the consolidated pipeline

Customer facing technology consolidation

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Financial Summary



Profit & Loss Summary

Impact of Acquisitions

Group revenue increased by \$4.0m.

- Excluding one-off project revenues in FY23 and FY24, prior to the acquisitions, AUCloud's underlying revenues increased by \$1.9 million (41%) via organic growth with Cloud up 33% and Cyber up 46%.
- Acquired entities recorded \$3.4m in revenue for two-months of trading.

Gross margin was 44% driven by decrease in direct costs, reduction in cloud cost and selling higher margin cyber security and managed services.

EBITDA loss reduced by \$2.4m, primarily due to an increase in gross profit.

- Underlying EBITDA loss, excluding one-off items, was \$4.3m lower compared to prior period. This decrease was due lower direct costs and a reduction in the underlying cost base of AUCloud pre-acquisition.

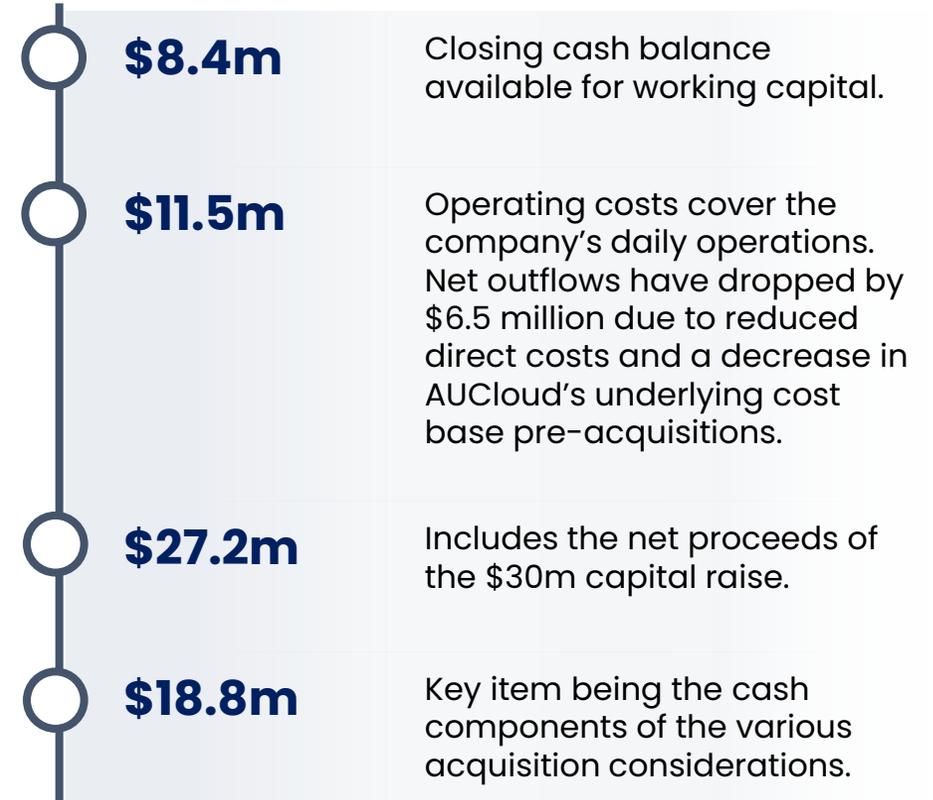
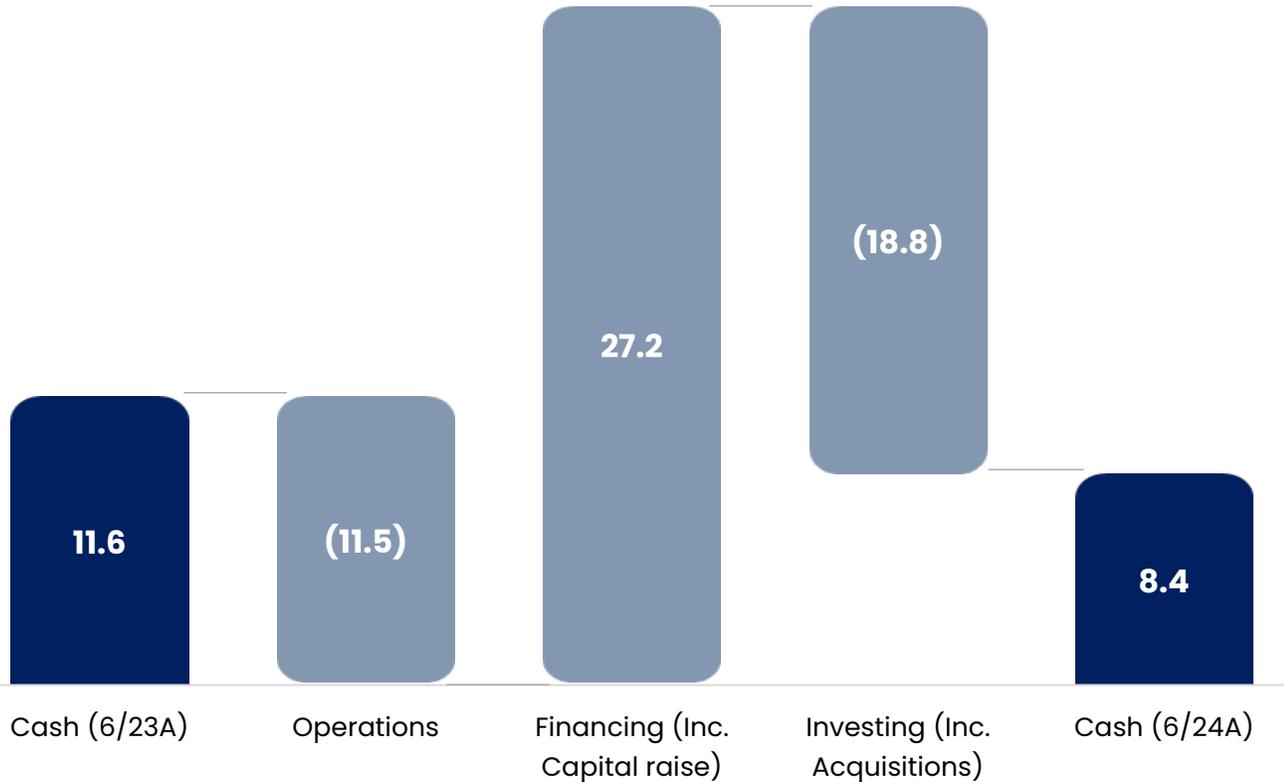
Financials

(\$m)	FY23A Stat.	FY24A Stat.
Revenue	6.8	10.8
Cost of Sales	(6.8)	(6.1)
Gross Profit	0.0	4.7
<i>Gross Margin %</i>	<i>0%</i>	<i>44%</i>
Operating Expenses	(15.5)	(17.8)
EBITDA	(15.5)	(13.1)
Underlying EBITDA¹	(15.5)	(11.2)
Depreciation-ROU Assets	(1.5)	(2.3)
Depreciation-Other Assets	(3.9)	(3.5)
Amortisation-Intangibles	-	(0.6)
Finance Costs	(0.2)	(0.2)
EBIT	(21.1)	(19.7)

¹. Refer to appendix 1 for reconciliation of underlying figures. Underlying figures exclude significant items that are non-recurring or items incurred outside of ordinary operations.

Cash Flow

Cash movement (\$m)



Balance Sheet

(\$m)	6/24A	6/23A
Cash and cash equivalents	8.4	11.6
Receivables	4.4	1.1
Other assets	2.1	4.5
Total current assets	14.9	17.2
Property, plant and equipment	6.8	9.9
Intangible assets	28.9	0.4
Right of use lease assets	5.1	5.9
Other assets	0.2	0.5
Total non-current current assets	41.0	16.7
Total assets	55.9	33.9
Payables	5.5	3.1
Lease liabilities	1.6	1.6
Provisions	2.2	0.5
Total current liabilities	9.2	5.3
Lease liabilities	3.5	3.6
Provisions	0.3	0.1
Total non-current liabilities	3.8	3.8
Total liabilities	13.1	9.0
Net Assets	42.8	24.9

\$8.4m

The closing cash balance reflects a \$30 million capital raise, with proceeds used to fund the cash consideration of the acquisitions and to pay transaction and restructuring costs. The remaining reduction in cash was due to working capital deployed to execute on the company's strategic initiatives.

\$28.9m

Intangible assets increased in Goodwill & Customer related intangibles following the acquisitions of PCG Cyber, Venn IT & Arado.

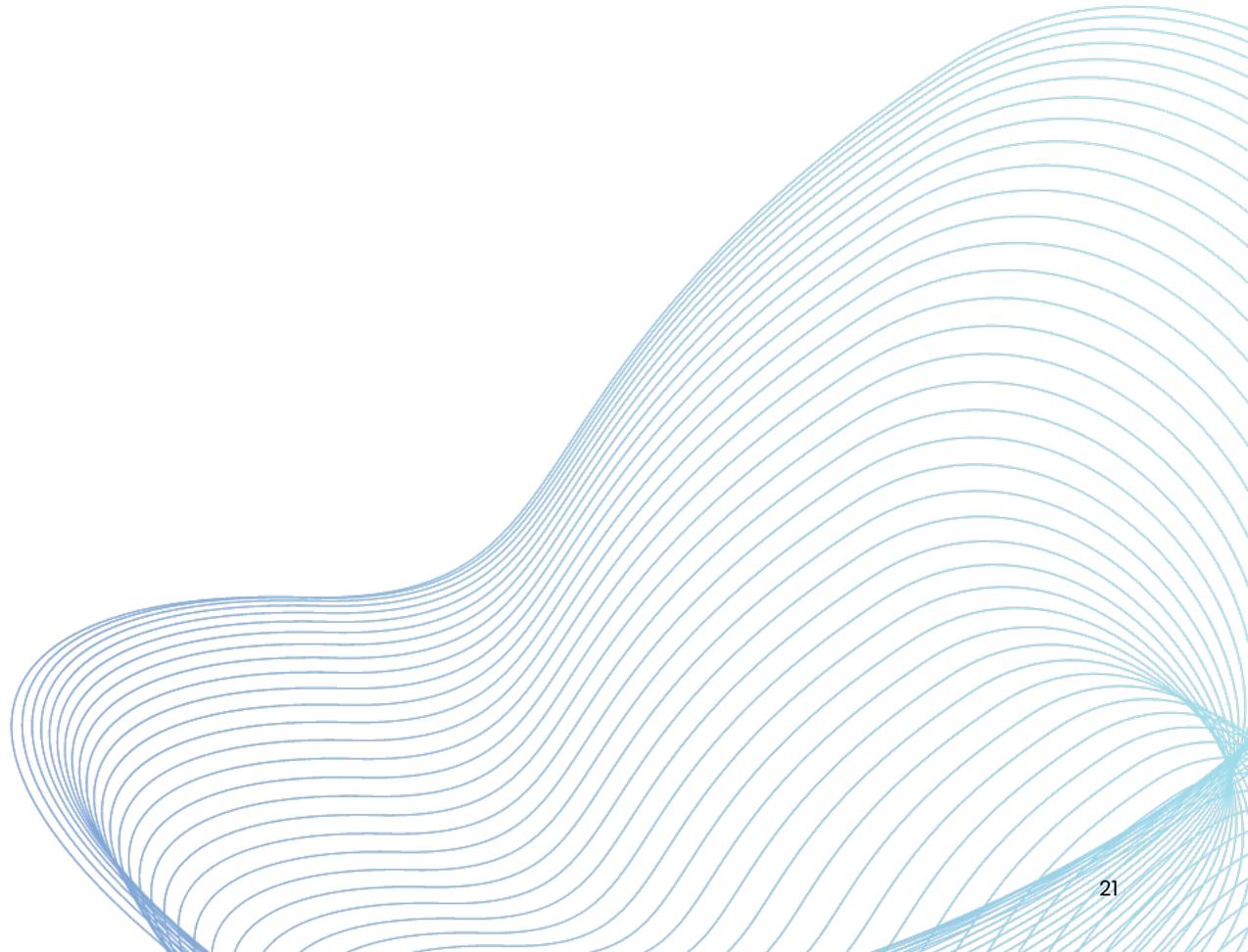
\$6.8m

Property, plant & equipment decreased by \$3.1m due to limited CAPEX spend and \$3.5m in depreciation of property, plant and equipment.



FY25 Guidance

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FY25 Guidance

Revenue Guidance: \$36.6 million



- Underpinned by:
 - Organic growth driven by positive demand trends
 - Cross-sell opportunities following strategic acquisitions in FY24

Underlying EBITDA Guidance: \$4.7 million



- Supported by:
 - Costs synergies derived from rationalization of operations and overheads of acquired businesses

Australian IT Market continues to perform strongly despite broader macro-economic conditions.

Demand for AUCloud's expanded portfolio of products continues to drive revenue growth.

Early signs of success in customers embracing the merged businesses. We achieved 100% contract renewals at the end of FY24, and we are seeing mutual customer and cross-sell opportunities.

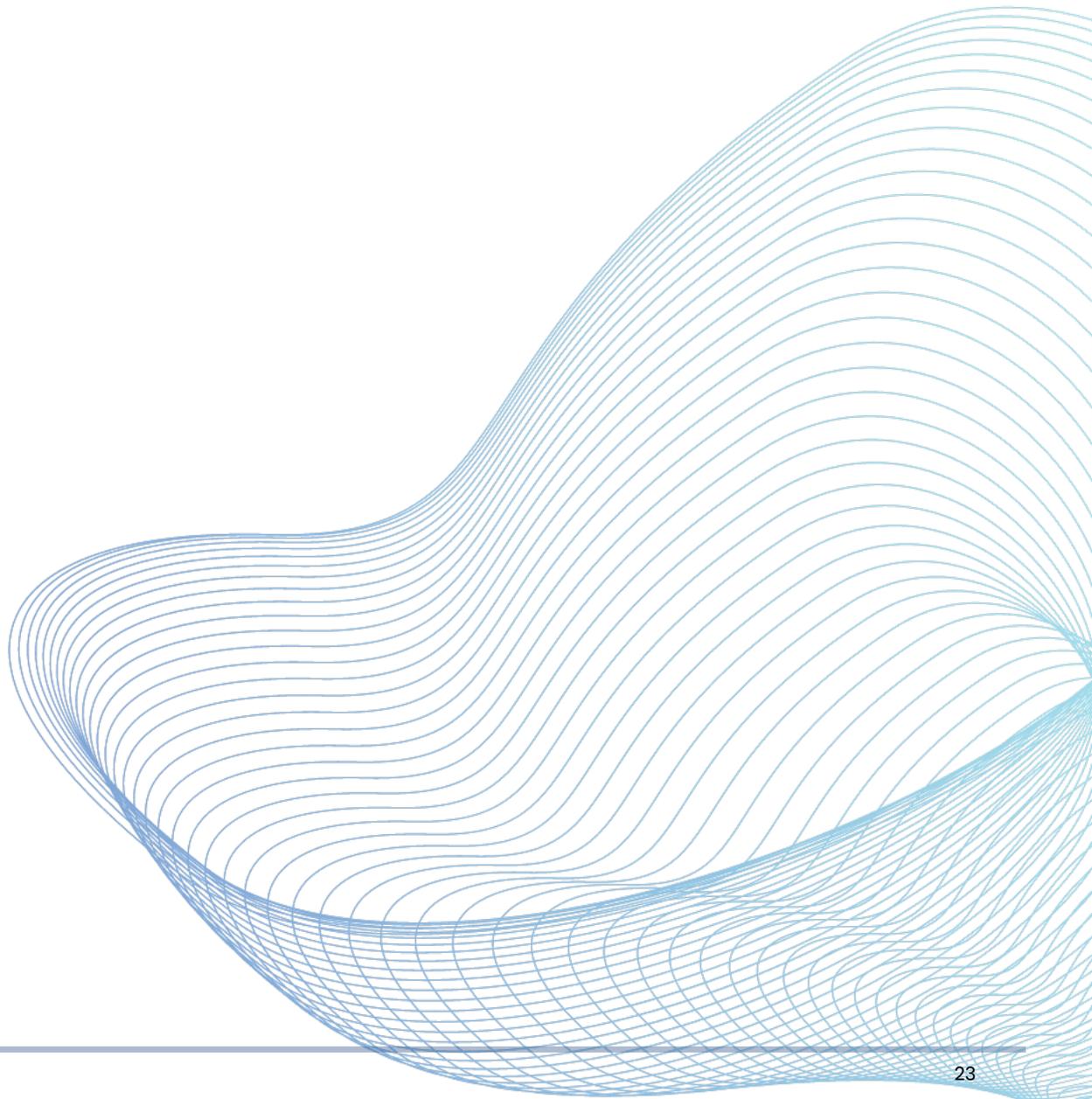
Consolidating our data centre footprint on to AUCloud sovereign cloud environments will reduce cost & increase operating leverage on the capital deployed on infrastructure.

Forecast to achieve positive monthly operating cash flow in 1H FY25.

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Appendix



Underlying EBITDA

(\$m) **FY24A
Stat.**

Underlying EBITDA **(11.2)**

Restructuring costs (0.8)

Business acquisition costs (0.9)

Shared based payments (0.2)

Reported EBITDA **(13.1)**

Depreciation-ROU Assets (2.3)

Depreciation-Other Assets (3.5)

Amortisation-Intangibles (0.6)

Finance Costs (0.2)

EBIT **(19.7)**

Tax -

NPAT **(19.7)**

Glossary

Term	Definition
AASB	Australian Accounting Standards Board
ACSC	Australian Cyber Security Centre
ARPU	Average Revenue Per User (ARPU) per annum is calculated by dividing ARR by the number of customers
ARR	Annual Recurring Revenue (ARR) is calculated as the average monthly revenue of the preceding rolling 3 months, multiplied by 4. ARR excludes one-off professional services or project-based revenue.
ASX	Australian Securities Exchange
AUCloud	Combined entity including AUCloud, Venn IT, PCG Cyber and the Arado business
CAPEX	Capital Expenditure
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation
IaaS / SaaS / PaaS	Infrastructure as a Service / Software as a Service / Platform 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
MDR / EDR / XDR	Managed Detection & Response / Endpoint Detection & Response / Extended Detection & Response
MSP	Managed Service Provider
MSSP	Managed Security Service Provider
SOV	Sovereign Cloud Holdings Limited ACN 622 728 189 (ASX : SOV)
TCV	Total Contract Value

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The non-IFRS financial information does not have a standardised meaning prescribed by IFRS. Therefore, the non-IFRS financial information is not a measure of financial performance, liquidity or value under the IFRS and may not be comparable to similarly titled measures presented by other entities, and should not be construed as an alternative to other financial measures determined in accordance with IFRS. Investors are cautioned, therefore, not to place undue reliance on any non-IFRS financial information included in this presentation.

Basis of Preparation

This presentation incorporates results on a statutory as well and non-statutory basis with financial results presented in AUD unless otherwise stated. Data used for calculating percentage movements have been based on whole actual numbers and estimates where appropriate. Please also see supplementary notes, footnotes, links and additional terms throughout the presentation.



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