



## **ASX ANNOUNCEMENT**

15 June 2022

### **SHAREHOLDER UPDATE AND ONGOING SUSPENSION PENDING STRATEGIC REVIEW**

The Board of Cipherpoint (CPT) provides the following update.

#### **Appendix 4E**

Shareholders will note CPT has lodged its 4E for the 12-month period to 31 March 2022, CPT's FY22. Delays were encountered reconciling certain share-based payments due to a change in accounting system and the entry of incorrect opening balances. This has now been remedied.

#### **The CPT Group**

CPT consists of two managed security service providers Brace168 and VIT Cyber Services. CPT sold its software business during the FY22 year.

As stated in the Appendix 4E total group revenues were \$6.13M (which included \$1.75m profit from the sale of the software assets).

Revenue from continuing operations was \$4.38m, with revenue from the two operations units totalling \$4.21M for the reporting period.

The Board is currently reviewing the outlook for the business for the FY23 year.

#### **Brace168**

Brace168 contributes approximately 81% of our revenue with approximately a 64% of its revenue recurring.

Whilst we have invested in excess of an additional \$1.38m into Brace168 to support the push for growth (investing ahead of the curve), the 4th quarter revenues to 31 March 22 as disclosed in our Appendix 4C fell short of internal expectations. As evident from our March 4C and the Appendix 4E, but subject to final audit, Brace168 performance appears not to have met the targets for the Brace 168 founders to achieve their second milestone share earnout per the terms under which Brace168 was acquired.

That said the business successfully acquired a number of marque brand customers during the period as previously announced.

We also further advise that whilst Brace168 management secured the rollover of its Master Services Agreement with its major customer they were notified that they had been unsuccessful in a competitive price-based RFP to provide continuing services to that customer for managed detection and response. Having reviewed the customer on and off impact, it is anticipated that the monthly recurring revenues for Brace168 will reduce in the

short term by 20% from 1 July. However, we would expect Brace168 management to seek to ameliorate the impact by converting opportunities (recurring and non-recurring) that are in the Brace168 pipeline.

### **VITCS**

VITCS, its founder and the team, have performed above expectations and have met and exceeded all targets to date. As previously advised, we have made progress on identifying and securing a new site for our second SOC to be based in Tasmania. VITCS contributes (on a full year basis) approximately 19% of our revenue with approximately 51% of its revenue recurring.

### **Cost Reductions**

The Board recognises that through the transition from product to services and following completion of the acquisitions of Brace168 and VITCS costs need to be significantly reduced. Scoping of these cost reductions has been completed and is being mapped against minimum operational requirements.

Notwithstanding cost pressures CPT believes it can maintain operational integrity in supporting our existing customers upon the basis of securing additional funding.

### **Funding**

Based on expected revenues the group will need funding for the next 12 months to enable it to reach cashflow breakeven. In addition, further funding could also be used for a new EPS accretive acquisition. Discussions are underway with our brokers and advisors on this subject.

### **Strategic and Operational Review**

The Board is as a matter of urgency completing an extensive strategic and operational review the priorities of which are:

1. Investigating the availability of further funding for the core businesses
2. Significantly reducing costs to need to achieve cashflow breakeven
3. Considering our strategic options for the business

### **ASX Suspension**

We have today requested that the ASX continue the suspension of the Company's securities in order for us to complete our operational review and assess the prospects of a further capital raise and/or short-term divestment opportunities. The Board is working to complete the review as expediently as possible. Accordingly, the Company expects the suspension to remain in place for approximately 4 further days. ASX has confirmed that it has agreed to the Company's voluntary suspension.

This release has been authorised by the Board.

**Cipherpoint Limited (ASX:CPT)**

**Further information**

For further information, please visit <https://cipherpoint.com>

**Cipherpoint investor relations contact:**

Ted Pretty  
Chairman

Peter Taylor  
Investor Relations  
[Peter@nwrcommunications.com.au](mailto:Peter@nwrcommunications.com.au)  
+61 412 036 231

---