

15:29 29 Oct 2020

archTIS enters Microsoft market with acquisition of global information protection business Nucleus Cyber

archTIS Ltd (ASX:AR9) has entered into a binding term sheet to buy global information protection business Nucleus Cyber Inc for a total potential consideration of up to \$9.75 million in shares.

The acquisition will create a global, geographically diverse company that supports archTIS' strategy of being the world's premier provider of policy enforced access control platforms for securing and sharing digital information.

It leverages on its core capabilities, expands its offering into the Microsoft Corporation's (NASDAQ:MSFT) product suite and instantly opens new commercial and geographic markets via Nucleus Cyber's Microsoft co-sell agreement through Microsoft field sales and channel resellers.

Transformative acquisition

Price: 0.305

Market Cap: \$68.09 m

1 Year Share Price Graph



January 2020 August 2020 January 2021

Share Information

Code: AR9

Listing: ASX

52 week High Low
0.6 0.045

Sector: Software & services

Website: www.archtis.com

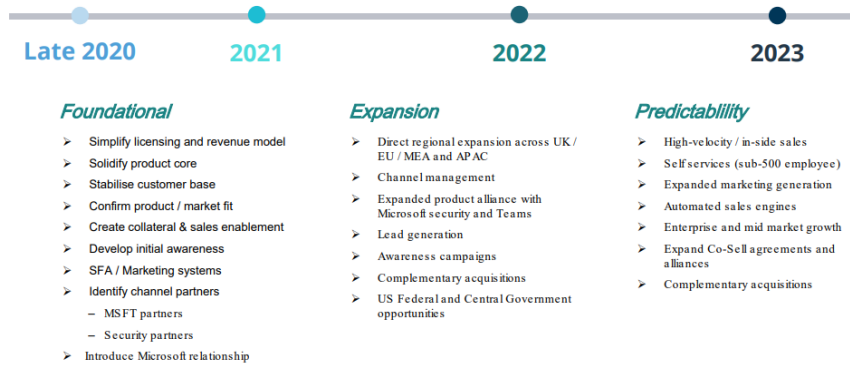
Company Synopsis:

archTIS Limited (ASX:AR9) is an award winning, Canberra-based technology company focused on protecting sensitive information.

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Opportunities for the Combined Business

Accelerate Growth & Create Predictability



archTIS CEO Daniel Lai said: "This acquisition is transformative for archTIS.

"The acquisition of Nucleus Cyber expands our offering into the Microsoft business product suite and opens up new global sales and distribution channels and provides significant new revenue streams to the business.

"This forms a critical component of our global strategy of being the world's premier provider of policy enforced access control platforms for securing and sharing digital information.

"We have known and worked with the Nucleus Cyber team for an extended period, and we look forward to welcoming them to the archTIS business and continuing to facilitate secure collaboration and information protection for our clients."

Shares were as much as 15% higher today to 41.5 cents.

Market-leading information security solutions

Nucleus Cyber chief executive officer Kurt Mueffelman said: "Nucleus Cyber and archTIS teams share a long relationship and common technology approach of using Attribute Based Access Control (ABAC) in securing sensitive

information.

"Secure information sharing across enterprise and government is an ongoing problem, exacerbated by the exponential increase in remote work and the use of Microsoft's collaboration tools that have been fuelled by the pandemic.

"The combination of archTIS and Nucleus Cyber technologies and talent ensures we are at the forefront of providing market-leading information security solutions.

"I look forward to joining archTIS as its chief operating officer and continuing to accelerate our growth."

Acquisition details

Under the terms of the agreement, archTIS will acquire a 100% interest in Nucleus Cyber in exchange for:

? Initial consideration of \$6.25 million, payable in archTIS shares, subject to standard closing adjustments; and

? Up to \$3.5 million deferred consideration payable in archTIS shares upon reaching certain defined revenue and corporate milestones.

All key senior executives from Nucleus Cyber have agreed to join archTIS' senior management team.

An Experienced Team



Kurt Mueffelmann
President & CEO



Leigh Rowland
Chief Technology Officer



Dr. Steve Marsh
VP Product



Irena Mroz
VP Marketing

archTIS recently completed its first Nuclear Cyber licence sale to 12th Level, demonstrating the benefit the acquisition will provide to accelerate cross-sales.

Completion remains subject to standard documentation and is expected to close before the end of 2020.

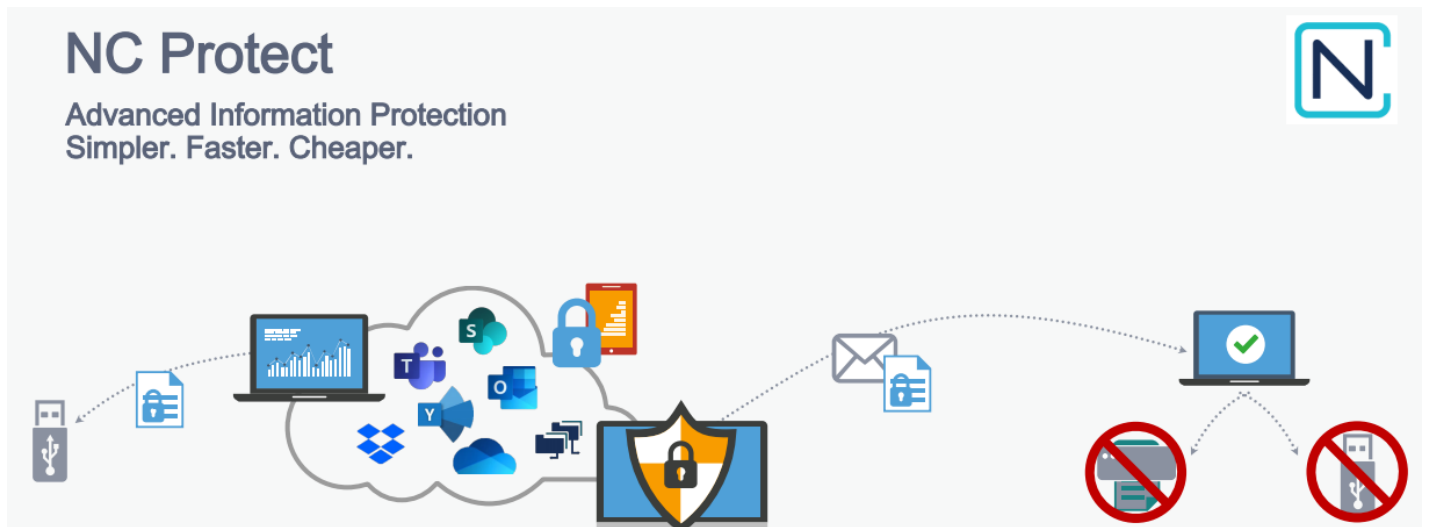
By utilising a scrip swap deal, archTIS remains in a strong cash position with around \$4 million cash at hand, plus a further \$1 million cash proceeds expected from the exercise of expiring options by July 2021.

Nucleus Cyber

Nucleus Cyber provides advanced information protection solutions that prevent data loss and protect against insider threats across the Microsoft software suite.

Microsoft is the world's largest supplier of digital collaboration products to government, enterprise and small and medium-sized enterprises (SME), including 115 million daily Teams users, and the Nucleus Cyber technology solutions operate seamlessly in conjunction with these products.

For mid-size to large enterprises and regulated industries, it protects business-critical content in cloud collaboration tools Microsoft Office 365 - SharePoint, Teams, OneDrive, Exchange, and Yammer, plus Dropbox, Nutanix Files and Windows file shares.



NC Protect's easily configured rules evaluate all available data and user attributes to tailor information protection for file sharing, messaging and chat across collaboration tools.

Nucleus Cyber is headquartered in Boston, Massachusetts, US, with a development office in Melbourne, Australia.

The company generates revenue from its high-margin annual subscription-based software platform, with high-quality enterprise clients that have historically strong customer retention.

It has customers in a wide range of industries across government and defence, financial services, healthcare, pharmaceuticals, energy and manufacturing including Corning Inc (NYSE:GLW) (FRA:GLW), State Street Bank, the Australian Department of Health, the Australian Department of Defence, and Care First.

Co-sell deal with Microsoft

Nucleus Cyber recently entered into a co-sell agreement with Microsoft, which means Microsoft will actively promote and sell Nucleus Cyber's Protect product throughout the Microsoft field sales and channel resellers.

This agreement has just commenced in the US and is intended to expand globally through the Microsoft Start-up program.

As a result, archTIS expects significant growth in this revenue stream from 2021.

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