



Acquisition of Brace168

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Acquisition summary



Transaction Details

- Binding Term Sheet signed under which CPT will acquire 100% of the shares of Brace168 a managed security services business
- Brace168 team to join Cipherpoint
- Creates a new challenger to CyberCX and Tesserent (ASX:TNT) in the lucrative services market space and Archtis (ASX:AR9)

Consideration

- \$2m cash and 21.75m shares and 5.4375m 12 month options with a strike of 8c as initial consideration
- Deferred cash (12 months) of \$1m
- Further two tranches of 7.1m shares based on revenue milestones FY21 (\$3m) and FY22 (\$5m)
- Initial 2.5m in performance shares to each of co founders to vest at \$0.10c and a further 2.5m shares each on achieving FY21 milestone

Approvals and funding

- Acquisition subject to shareholder approval and a minimum capital raise
- Will be funded by a placement and non-renounceable pro-rata rights issue
- Funding will be used for cash elements of acquisition and working capital of merged business

Transaction highlights

Why Brace 168? – a transformational acquisition



Delivers services division
for managed detection and response



Scalable next generation
platform



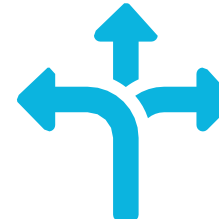
2021 momentum



Positions CPT for growth



Highly quality team
and core enterprise clients



Creates optionality for CPT



Possible re-rating



Unique IP



Attractive annuity revenues

Brace for growth

Medium term targets and outlook

FY2020



Revenues
\$1.2m*



97% Customer
retention



75% annuity
revenues

FY2021



H1 Revenues
\$1.3m*



Earnout
milestone \$3m

FY2022



Customer sectors

Financial (incl. tier 1 Bank)
Property (incl. ASX listed group)
Technology
Health
Industrial



Earnout
milestone \$5m



Target 25%
EBITDA



2-3 Year
MSAs

*unaudited

Transaction and investment rationale



Growing market



Customers need agile service providers not just roll ups



Brace168 are young and aggressive



CPT software (data protection and governance) complements Brace's service capability



Consolidation by others creates customer opportunities



Initial re-rating possible

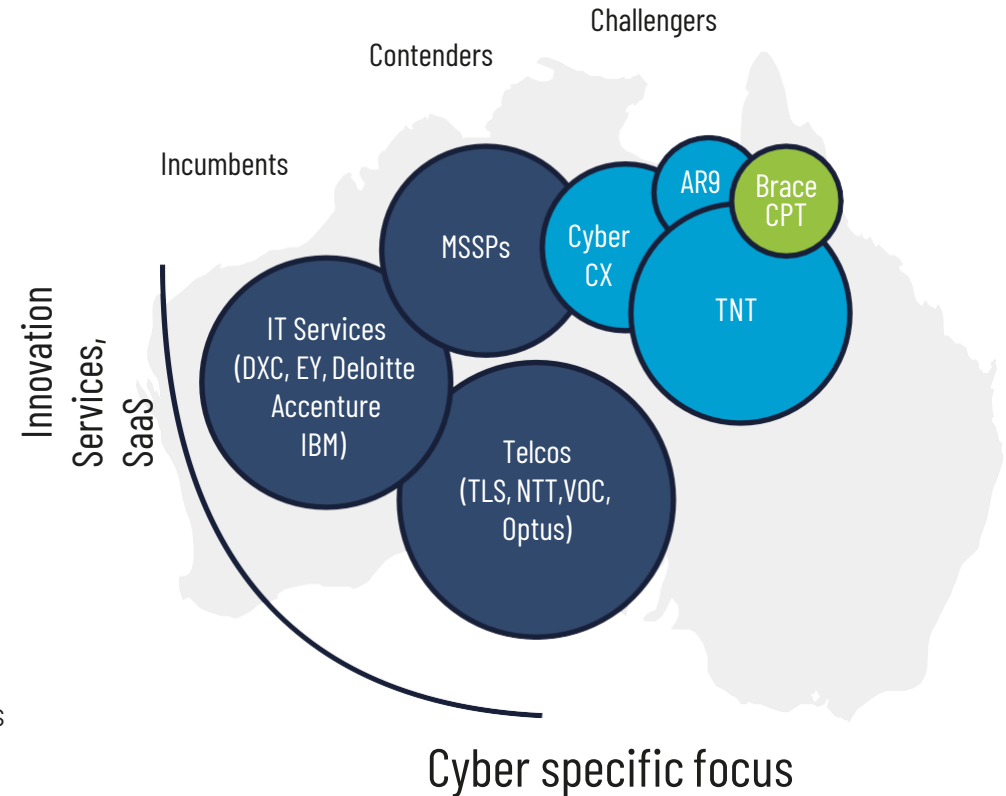


Opportunity to create greater value



Exit or merger becomes a possibility

Australian Landscape



Funding



CPT to raise capital in two stages

- ✓ \$1.0m by way of placing shares @4.7c per share
- ✓ Up to a further \$4m by way of non-renounceable pro-rata rights issue @4.7c per share
- Each subscriber in both stages will be entitled to 1 option for every 4 shares subscribed
- The options will have a strike of 8c per share, a term of 12 months and management will seek their listing on the ASX.
- The placement has already been settled. The rights issue will complete prior to the completion of the acquisition.
- Partial underwriting agreement entered to underwrite \$1.5m In subscriptions.

Sources	A \$millions	Uses	A \$millions
Cash Reserves	2.00	Initial Cash Consideration	2.00
Placement	1.00	Deferred cash	1.00
Rights issue	4.00	Transaction Fees	0.30
		Placement Fees	0.06
		Working capital	3.64
Total	7.00	Total	7.00

Shareholder approval will be sought by way of EGM for the acquisition, the issuing of options, performance shares and other related matters

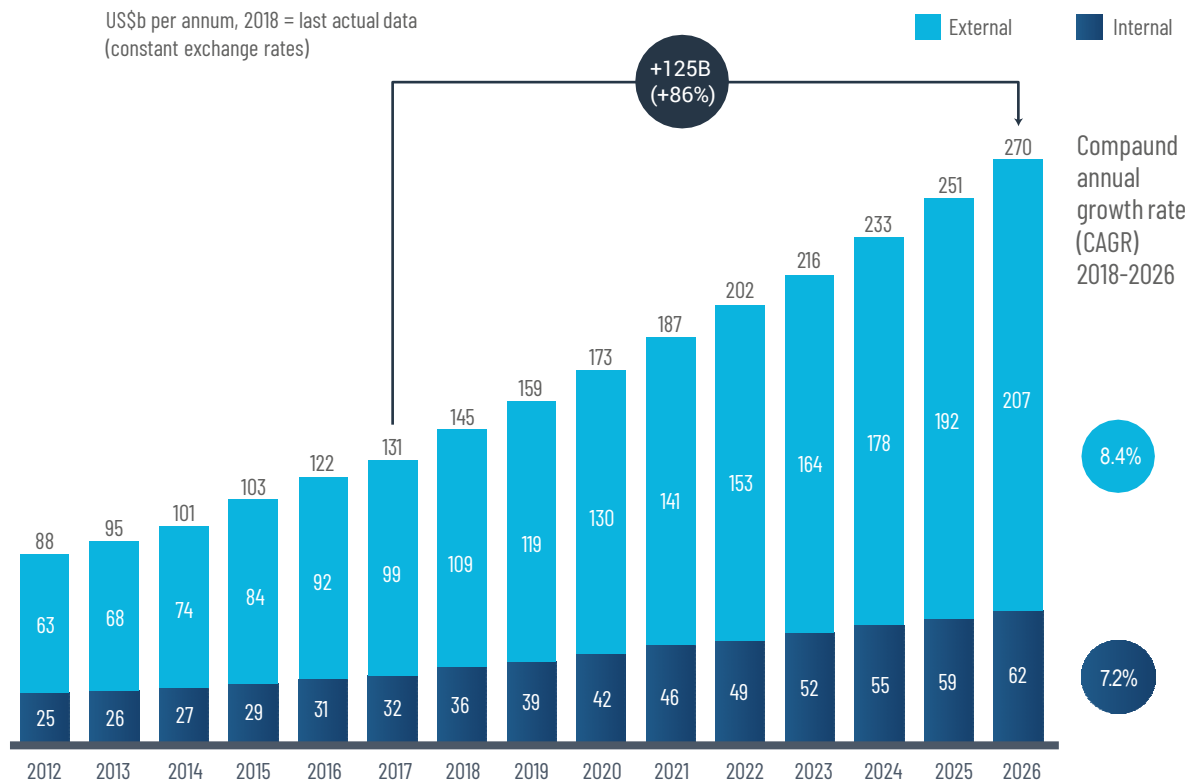
Cyber security industry overview



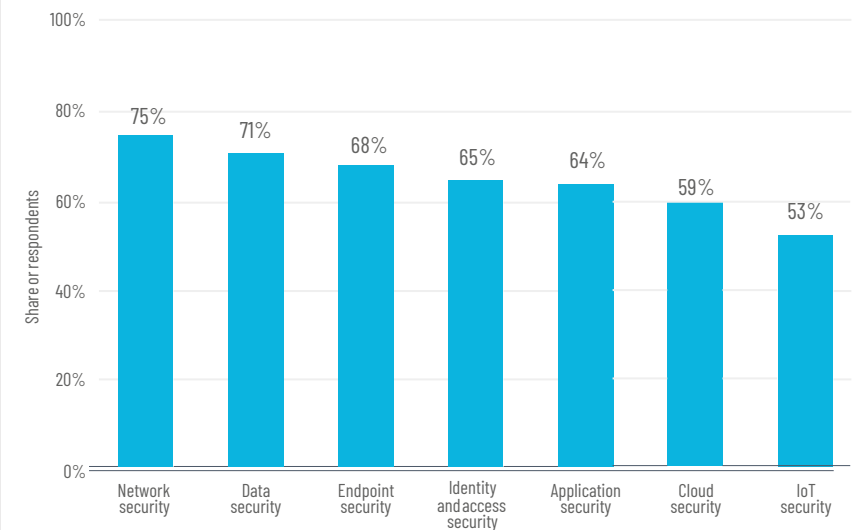
✓ US\$173B global cybersecurity market

✓ Forecast 86% growth to \$270B by 2026

✓ 75% of cybersecurity market spend is external



Top Artificial Intelligence (AI) Use Cases For Cybersecurity



Source: Australian Cyber Security Growth Network
<https://www.forbes.com/sites/louiscolombus/2020/04/05/2020-roundup-of-cybersecurity-forecasts-and-market-estimates/#5e9658cb381d>

Market opportunity

Australian cyber security: a new investment opportunity



Cyber security is one of Australia's most promising growth sectors.

By 2026, it is expected that:



The **US\$131 billion** global cyber security market will increase by 88%



An additional **\$31 billion** will be spent on cyber security in the Indo-Pacific region (greater increase than global average)

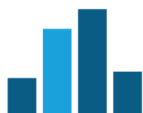


300% potential sector growth in Australia – from \$2 billion to **\$6 billion** – based on economic analysis security in the Indo-Pacific region (greater increase than global average)



7th

most committed
cyber security country



2nd

highest level of
cyber maturity in the Indo-Pacific



2nd

in the world for policies that support
cyber security and allow government
data to be openly available



Australia has a competitive advantage

Australia has an attractive set of drawcards for investment, including:



our services dominated economy



quality education system



sound governance settings



economic stability



low sovereign risk



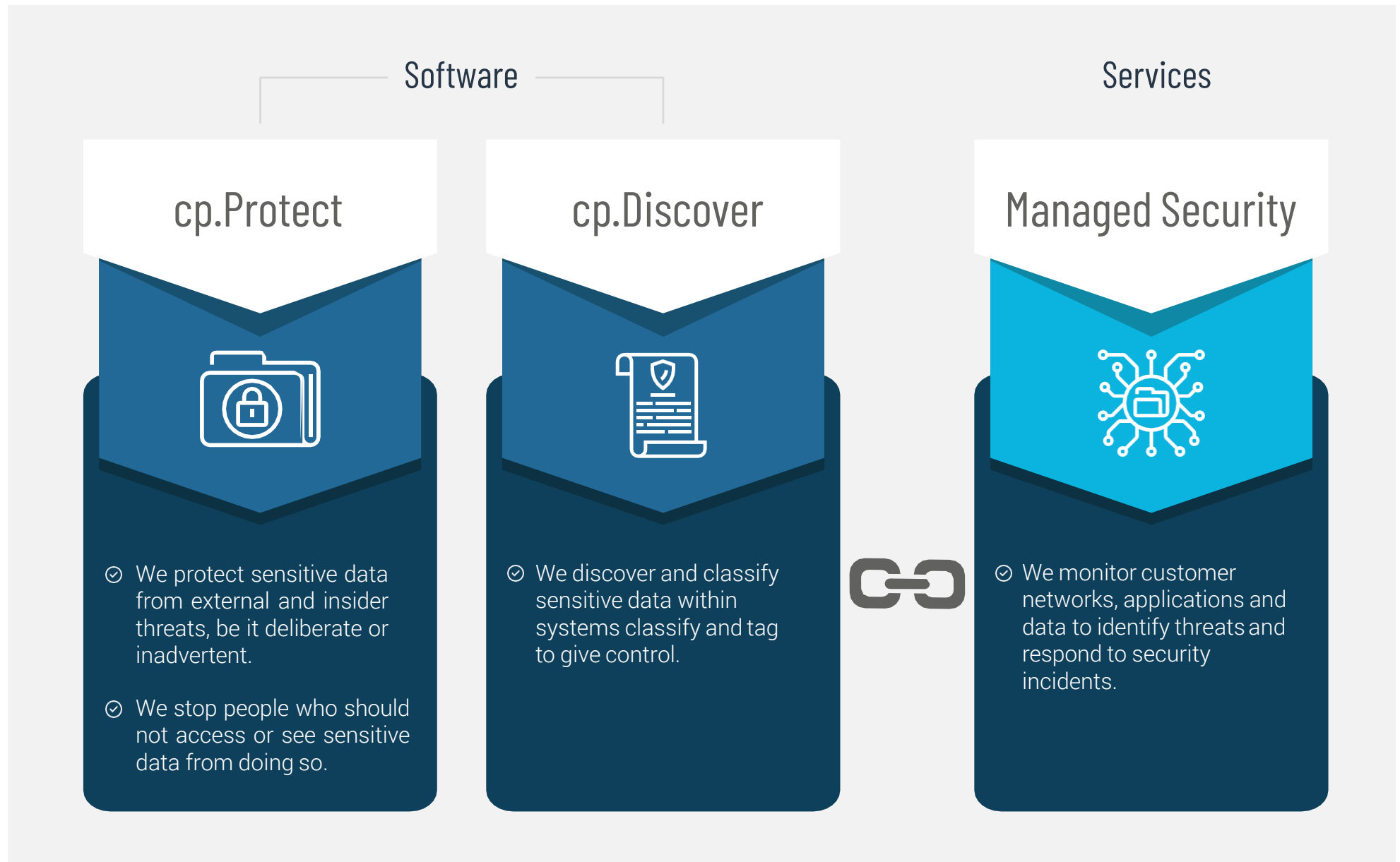
high living standards.

Australia has proven expertise in developing and commercialising innovative software and hardware solutions that protect confidential data and transactions throughout the global economy. We are also strong in the development and delivery of cyber security services. Deep technology cyber solutions are achieving global success in competitive markets such as the US, the UK and Indo-Pacific, with an increasing number of investments into Australian cyber security startups and companies.

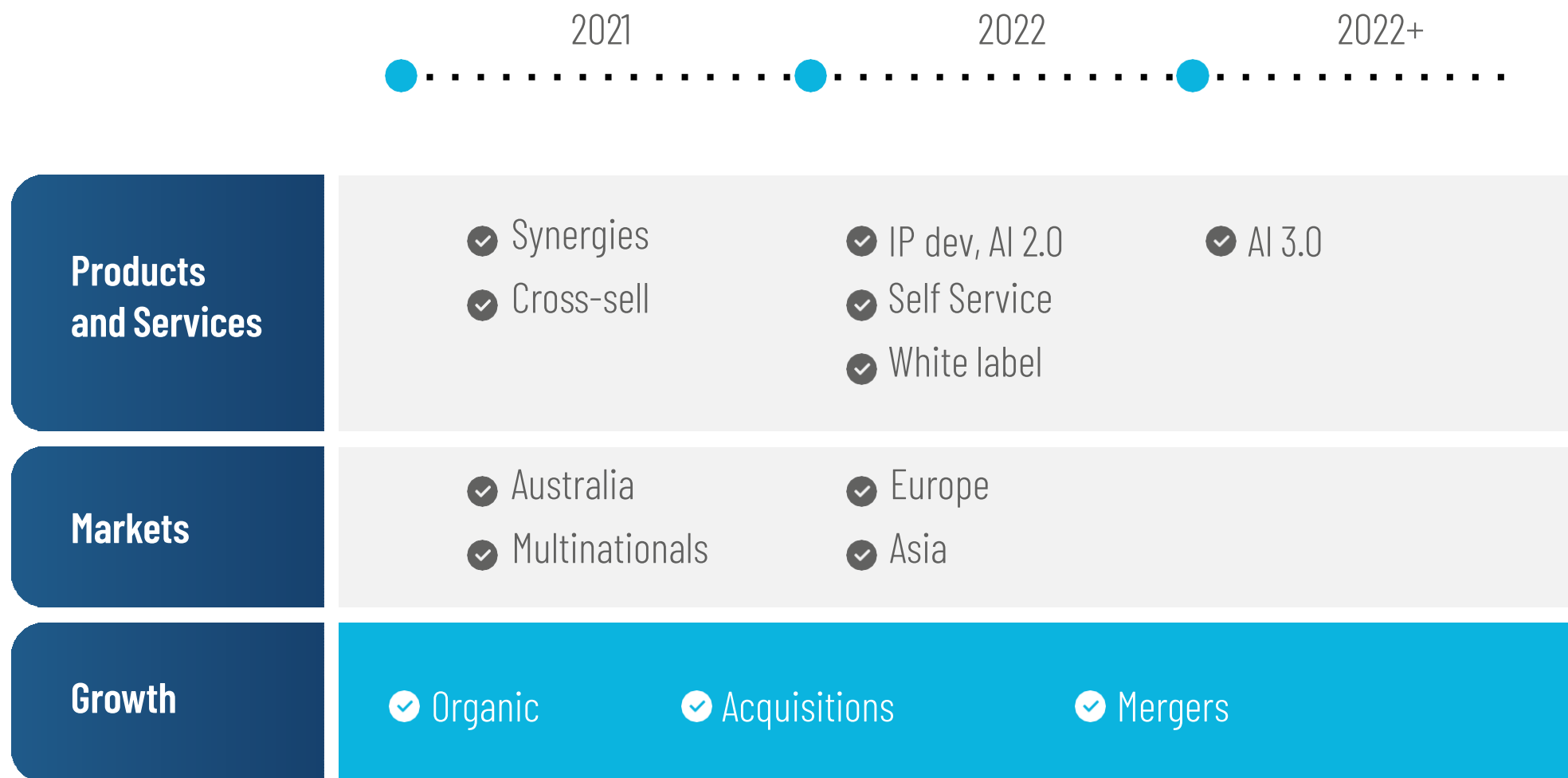
Post merger



The new post-acquisition entity will have three key capabilities

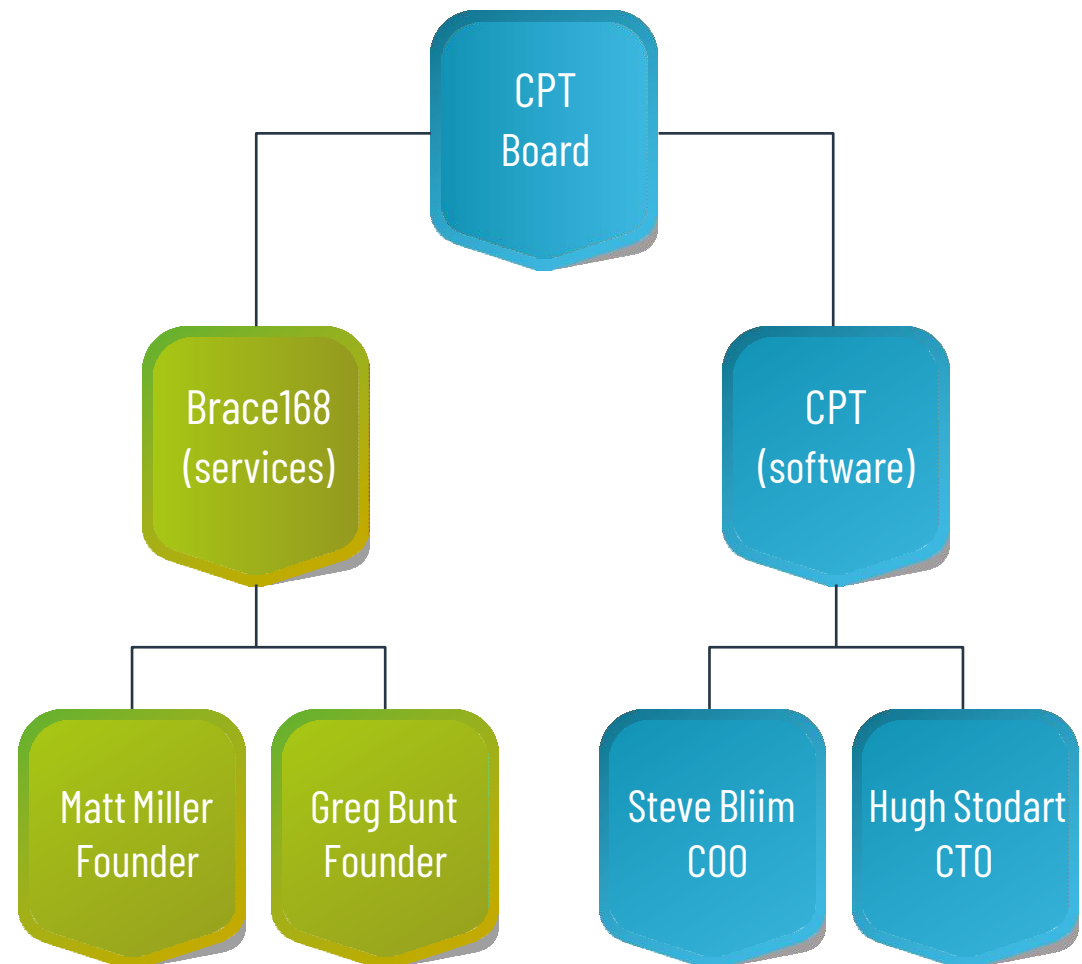


Opportunities for the merged entity



Team and structure

- ✓ Brace168 will operate as a separate division during earnout
- ✓ CPT Group will operate a unified strategy and senior management group
- ✓ Incentives will be aligned
- ✓ Over 150 years of experience





Brace168

Overview

Brace168 Overview



Established 2017



Mission - to provide Managed Detection & Response (MDR) services to medium to large customers



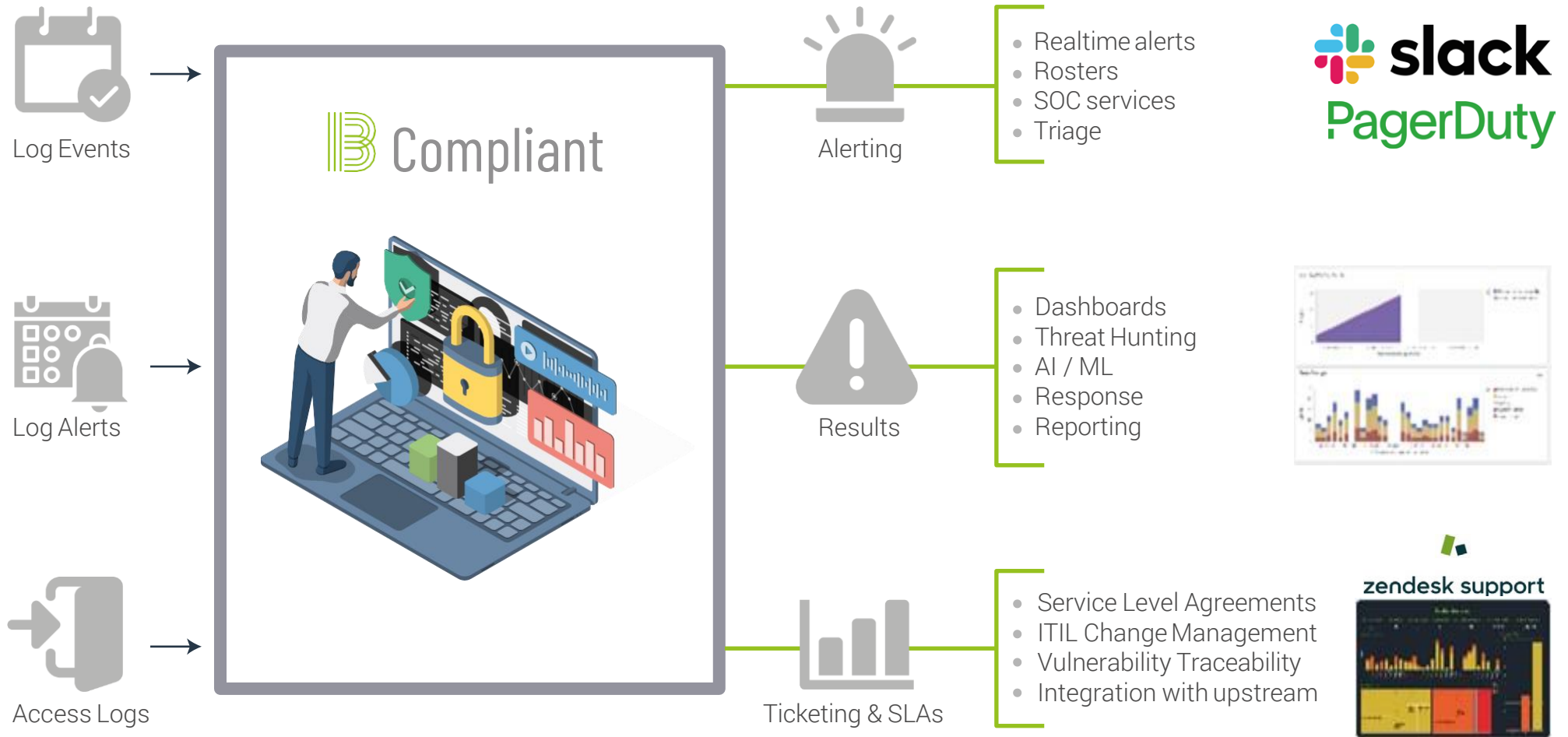
Have international capability for delivery of data sovereign regulation services such as GDPR



Direct and Channel led sales and delivery model



Brace168 Managed Detection and Response (MDR)





Brace168 Industry Vertical Solutions



Financial



Property



Manufacturing



Technology



Health





“Everything just worked!”



“Our business relies on technology. Since 2008 we have financed over 10,000 SaaS, IT&T and Energy business transactions. Our journey really started when we realised we had to ‘digitise’ to keep up in our competitive market. We’d developed our own App to improve and speed up our customer decision-making ability but needed a stable IT infrastructure to run it on, along with our ever-expanding global business.

Brace168 transformed our business from a typical ‘IT On-Premise model’ to totally in the Cloud, managing our global access (US, UK and Australia), ensuring our internet, network and data security including remote system patching, maintenance and upgrades to allow our App to continue to provide us a competitive market edge. All this for a simple per user cost each month.

When COVID-19 hit, our business was unaffected. Our ‘Work from Home’ transition was “invisible”. Everything just worked!

Since selecting Brace168, our business has grown. We no longer spend time and energy worrying about IT, Technology and Security issues. We now use this extra time to grow and develop our business, knowing we are always going to be ahead of the curve.

Brace168 personnel have always been there for us, like a partner in the business, providing proactive advice on all matters of technology, yet allowing us the flexibility of making our own final decisions.”





Cipherpoint Limited (ASX:CPT)

8 February 2021