



Sovereign Cloud Holdings Ltd (ASX:SOV)

Investor Presentation

\$35 million Equity Raising

22 November 2021



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- a placement to NEXTDC Ventures Holdings No. 1 Pty Ltd (ACN 655 243 057) (**NEXTDC**), a wholly-owned subsidiary of NEXTDC Limited (ACN 143 582 521) (**Placement**); and
- a pro-rata accelerated non-renounceable entitlement offer to eligible institutional shareholders of AUCloud (**Institutional Entitlement Offer**) and eligible retail shareholders of AUCloud in Australia, New Zealand, the United Kingdom and Singapore (**Retail Entitlement Offer**) (together, the **Entitlement Offer**),

(together, the **Equity Raising**).

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Important Notices and Disclaimer (cont...)



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- **Disclaimer:** You acknowledge and agree that determination of eligibility of investors for the purposes of the Equity Raising is determined by reference to a number of matters, including legal and regulatory requirements, logistical and registry constraints and the discretion of AUCloud and the JLM Group, and each of those parties (and their respective related bodies corporate, affiliates, officers, directors employees, representatives, agents, consultants or advisers) disclaims any duty or liability (including for negligence) in respect of the exercise or otherwise of that discretion, to the maximum extent permitted by law.

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Investment Overview

 Industry Tailwinds	<ul style="list-style-type: none">• Growth trends built on the substitution of legacy on-premise infrastructure, the development of cloud native applications and the inexorable growth of data• Gartner predicts that by 2025, 85% of infrastructure strategies will integrate on-premises, colocation, cloud and edge delivery options, compared with 20% in 2020²
 Sovereignty	<ul style="list-style-type: none">• Greater emphasis on Sovereign cloud services, ensuring that all data remains within Australian legal jurisdiction• Data security and storage increasingly a key focus for Defence, Governments, Critical National Industries and many Enterprises• Governments aiming for ~20-30%¹ spend with Australian service providers
 Secure Capabilities	<ul style="list-style-type: none">• AUCloud is IRAP certified to PROTECTED, using ACSC CAAF and ISM. DISP, "Certified Strategic" and ISO27001 compliant• Security features increasingly drive Government and Critical National Industries purchasing decisions
 Capitalised for Growth	<ul style="list-style-type: none">• \$35m new equity, taking AUCloud's pro forma net cash position to \$41.5m as at 31 October 2021• Positions the business to quickly scale to critical mass• Funds new cloud platforms in Brisbane, Melbourne and Adelaide• Ready for expansion into security conscious enterprise customers with data sovereignty requirements
 NEXTDC	<ul style="list-style-type: none">• NEXTDC Limited (ASX: NXT) will become a new Strategic Investor (19.99%) and Partner• Leading provider of premium data centre facilities with a national footprint across Australia• NEXTDC is entitled to appoint one Director to the AUCloud board while NEXTDC and its related bodies corporate hold in aggregate at least 15% or more of the ordinary shares in AUCloud, which initially will be Mr Craig Scroggie (CEO & Managing Director of NEXTDC)• Provides AUCloud with access to a powerful national network of 1,500+ customers and 730+ channel partners

Note: Refer Glossary on page 28 for definitions.

1. A state gov example policy: BuyNSW, <https://buy.nsw.gov.au/resources/ictdigital-sovereign-procurement-commitments>

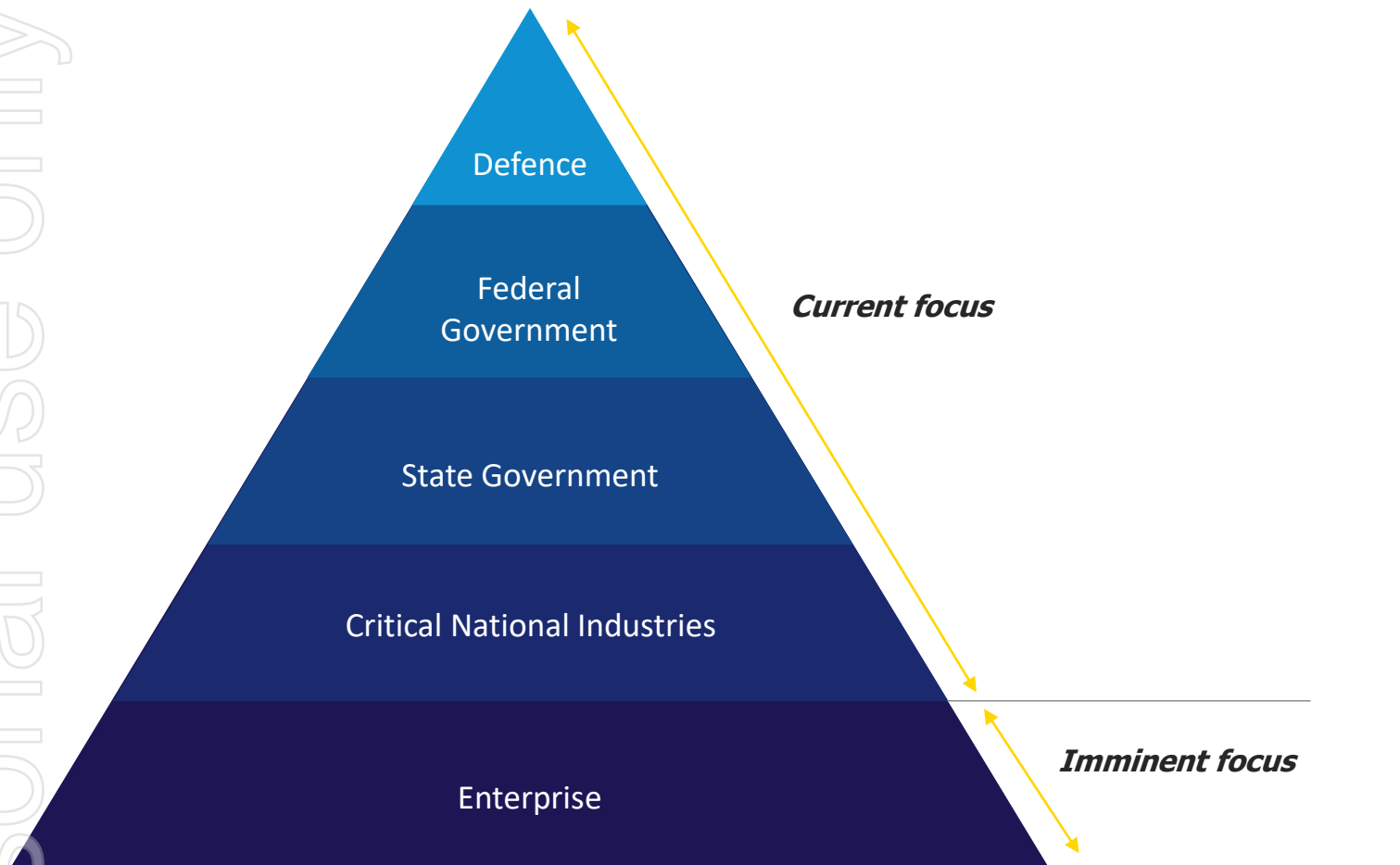
2. Gartner, "Your Data Center May Not Be Dead, but It's Morphing," Henrique Cecci, David Cappuccio, 17 September 2020

Equity Raising	<p>\$35.0 million equity raising comprising a Placement of ~\$12.4 million and Accelerated Non-Renounceable Entitlement Offer of ~\$22.6 million (Entitlement Offer)</p> <ul style="list-style-type: none">• NEXTDC investment of ~\$17 million for 19.99% (post Entitlement Offer)• Issuing approximately 70 million shares (~70% of existing shares on issue)
Offer Price	<p>\$0.50 per new share representing (Offer Price):</p> <ul style="list-style-type: none">• 18.0% discount to the last closing price of \$0.61 on Friday, 19 November 2021• 11.4% discount to the TERP⁽¹⁾ of \$0.56
Underwriting	<p>The Entitlement Offer is fully underwritten by Morgans Corporate Limited and Canaccord Genuity (Australia) Limited (the Joint Lead Managers)</p>
Ranking	<p>New shares issued will rank equally with existing AUCloud shares</p>
Use of Proceeds	<p>The proceeds of the Equity Raising will largely be deployed to assist with funding working capital requirements associated with scaling AUCloud to critical mass, together with investing in new cloud platforms in Brisbane, Melbourne and Adelaide</p>
Institutional & Retail Offers	<p>The Institutional Entitlement Offer will be conducted on Monday, 22 November and Tuesday, 23 November 2021. Entitlements not taken up under the Institutional Entitlement Offer will be offered to new and existing eligible institutions and sophisticated investors at the Offer Price on Tuesday, 23 November 2021.</p> <p>The Retail Entitlement Offer opens on Monday, 29 November 2021 and closes on Monday, 13 December 2021. Eligible retail shareholders in Australia, New Zealand and the United Kingdom, will be able to apply for additional shares over their entitlement under a “Top-Up Facility” as part of the Retail Entitlement Offer, subject to a cap of 50% of each shareholder’s entitlements under the Retail Entitlement Offer and the Company’s scale back policy</p>
Commitments	<p>The Joint Lead Managers have received pre-launch commitments from existing shareholders and NEXTDC representing \$12.4m (54.6%) who intend to take-up their full entitlement rights under the Entitlement Offer</p> <p>All the Non-Executive Directors intend to fully participate in the Entitlement Offer</p>

(1) The Theoretical Ex-rights Price (“TERP”) is calculated by reference to AUCloud’s closing price on Friday, 19 November 2021 of \$0.61 per share, being the last trading day prior to the announcement of the Entitlement Offer. TERP is a theoretical calculation only and the actual price at which AUCloud shares trade immediately after the ex-date of the Entitlement Offer and will depend on many factors and may not approximate TERP. TERP includes the new shares issued under the placement.

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Industry Overview



Australian Cloud IaaS market is expected to grow from \$988m in 2019 to **\$3.0bn in 2025**¹

*"By 2025, 85% of infrastructure strategies will integrate on-premises, colocation, cloud and edge delivery options, compared with 20% in 2020"*²

AUCloud will continue to focus on its core market segments of Defence, Government and Critical National Industries which are now beginning to transition legacy applications and build new cloud native applications on cloud IaaS

AUCloud, in partnership with NEXTDC will expand into the Enterprise market for security conscious customers with data sovereignty requirements

1. Telsyte: Australian IaaS Market soars beyond \$1.3bn 17 August 2021 [Australian IaaS market soars beyond \\$1.3Bn — Telsyte](#)

2. Gartner, "Your Data Center May Not Be Dead, but It's Morphing," Henrique Cecci, David Cappuccio, 17 September 2020



Sovereign IaaS (cloud processing power & data storage)



Australian Government ICT spend (2019)¹



Australian Government digital marketplace spend (2020)²



Proposed Australian Government cybersecurity spend (2020-2030)³



Proposed ADF information & cyber spend (2020-2030)⁴



Proposed ADF ICT spend (2020-2030)⁴

Australia strives to be one of the top three digital Governments in the world by 2025 for the benefit of all Australians



1. Combination of figures from Digital Transformation Agency, NSW and Victoria Government, 2017-2020
2. Digital Transformation Agency, 2020
3. Australian Government, 2020
4. Australian Defence Force (ADF), 2020 Defence Strategic Update

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AUCloud Overview

Sovereignty



Data securely stored locally

All data securely stored and managed within Australian controlled and located data centres



Built to Government specifications

Solutions developed in conjunction with, and for, Government and CNIs to operate to the highest level of security



Entering the enterprise market

Ready for expansion into security conscious enterprise customers with data sovereignty requirements

Security



IRAP certified to PROTECTED

Meets and exceeds the Australian Signals Directorate ISM control requirements



Data privacy assured

Sovereign ownership limits application of foreign legislation



Exclusive security

Implemented a world class threat security monitoring solution via e2e-assure

Performance



User centric and transparent pricing

Simple, consistent and competitive 'pay as you use' pricing model



Supported by major partners

Partnerships with VMware and Cisco to create a structurally sound technology stack



Efficiency enhancing technology

API first product development and a 'technology-managing-technology' process enhancing efficiency

Collectively accelerating the value for customers and partners through targeted investment across three key pillars of growth



Platforms

Deliver new regions for new communities



Products

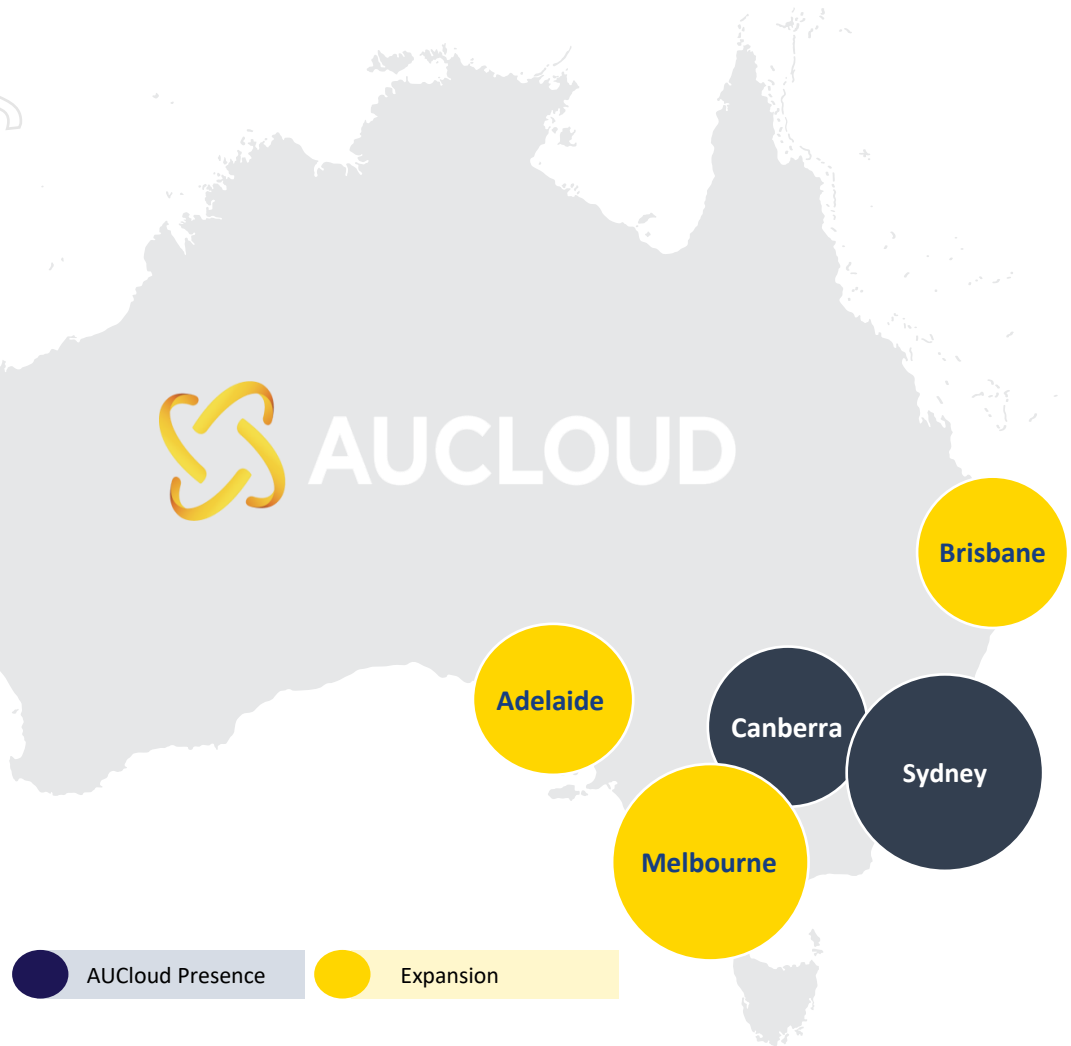
Create new features and functionality for customers



People

Expanding the team to increase the scope of activities and geographic footprint

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Enables AUCloud to fast track its vision to become the leading sovereign cloud provider in Australia

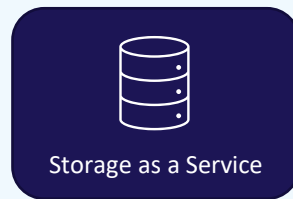
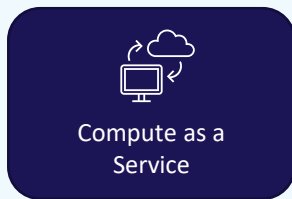
- Investments in Brisbane, Melbourne and Adelaide with the ability to accelerate into new markets utilising NEXTDC's national data centre footprint
- NEXTDC's brand, reputation and core relationships will be a key differentiator for AUCloud's go-to-market strategy
- Provides AUCloud access to NEXTDC's 1,500+ enterprise customers and 730+ channel partners for the rollout to the enterprise private cloud market for security conscious customers with data sovereignty requirements

Capitalised to continue investment in R&D to enhance product capability to support global providers to operate within an environment that satisfies sovereignty requirements

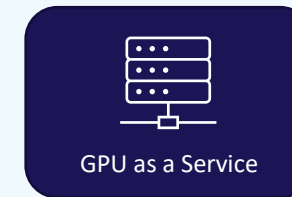
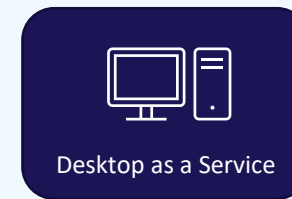


Two Communities: OFFICIAL Data or PROTECTED Data

Existing Products

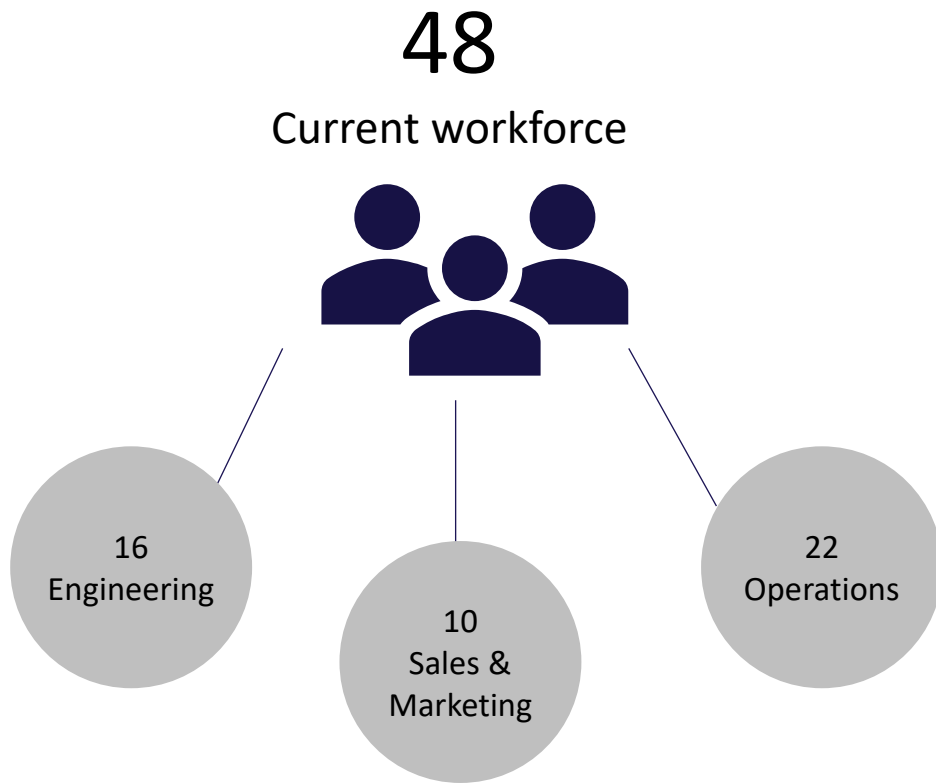


Product Expansion Pipeline



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Investing in people to support growth at scale nationwide



Significant investment in people as AUCloud expands nationwide, deepening capabilities across Engineering, Sales & Marketing and Operations



Board and Key Management

Board



Cathie Reid
*Chair &
Early Investor*

- Co-founder of Icon group, integrated cancer care services provider throughout Australasia
- Has provided significant support to the Company since inception as both an investor and director



Phil Dawson
*CEO &
Managing Director*

- Co-founder and CEO of UKCloud in 2011, UK's fastest growing technology company from 2012 - 2015
- Deep knowledge and experience within the cloud, SaaS and IaaS sectors



Ross Walker
*Non-Executive
Director*

- Chartered Accountant with significant experience within accounting and corporate finance
- Holds Non-Executive Director roles at ASX-listed companies RPM Global Holdings and Wagners Holdings Company



Allan Brackin
*Non-Executive
Director*

- 30 years' experience within the technology sector both founding and managing companies
- Non-Executive Director of ASX-listed 3P Learning
- Previous Chair of ASX-listed OptiComm, GBST Holdings and CEO of Volante Group

Note: Mr Craig Scroggie (CEO & Managing Director) will join the AUCloud Board as NEXTDC's nominee director following completion of the Equity Raising

Key Management



Brad Bastow
COO

Previously served as the CTO of the Department of the Prime Minister and Cabinet



Peter Farrelly
CISO

Extensive experience working in cyber security within government departments. Qualified IRAP assessor



Bernadette Jenkinson
Head of Sales

20 years' experience delivering complex technology initiatives to the public and private sector



Suzanne Roche
Head of Communication

Previous CEO of Health eSignature Authority and General Manager of the AIIA



Steve Clarke
Head of Software

Formerly UKCloud, experienced in virtualisation automation engineering and developing secure and scalable architecture

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Equity Raising Overview

The Equity Raising net proceeds are expected to be deployed to:



New Cloud Platforms: The addition of three new sovereignty cloud platform zones in Brisbane, Melbourne and Adelaide are forecast to be in operation by 4QFY22, 2QFY23 and 4QFY23, respectively. The build cost includes mostly network, compute & storage costs as well as resources to design, build and accredit each platform. The resources will be sourced both internally and externally using contractors. The new platforms will establish the capability to support adjacent enterprise communities with core products underpinned with best practice to government standards



Customer Capex: AUCloud's operating model requires ongoing investment in compute and storage capacity to meet customer demand. As revenue grows, computing capacity will need to be expanded in stages. Funds from the Equity Raising will also be used to fund projected platform capacity expansion from FY23+ in accordance with growth in demand



Working Capital: AUCloud expects to incur cash outflows from operations until H1FY24. Funds raised from the Equity Raising will in part be used to fund the Company's working capital requirements during this period. AUCloud currently has 48 employees located in Canberra, Brisbane and Sydney. The Company's resources are forecast to expand over the next 2 years to support forecast revenue growth in Canberra and Sydney plus personnel to be hired following completion of the New Cloud Platforms

Source of Funds	\$m
Equity Raising:	
- Placement	\$12.4
- Entitlement Offer	\$22.6
Net Cash / (debt) (31 Oct)	\$6.5
Total	\$41.5

Use of Funds	\$m
New Cloud Platform(s)	\$15.0
Customer Capex	\$ 8.0
Working Capital	\$17.5
Transaction costs	\$ 1.0
Total	\$41.5

Equity Raising Timetable

Date	Activity
22 November 2021	Trading halt and announcement
22 November 2021	Placement shares issued to NEXTDC
22-23 November 2021	Institutional Entitlement Offer conducted
24 November 2021	Announcement of completion of Institutional Entitlement Offer and trading resumes on an ex-entitlement basis
24 November 2021	Record Date for Entitlement Offer (7.00pm AEDT)
25 November 2021	Quotation of new securities issued under the Placement to NEXTDC
29 November 2021	Retail Entitlement Offer information booklet and personalised entitlement and acceptance forms dispatched to Eligible Retail Shareholders
29 November 2021	Retail Entitlement Offer opens
30 November 2021	Settlement of Institutional Entitlement Offer
1 December 2021	Allotment of securities taken up under the Institutional Entitlement Offer
2 December 2021	Quotation of new securities under the Institutional Entitlement Offer
13 December 2021	Closing date for acceptances under Retail Entitlement Offer (5.00pm AEDT)
16 December 2021	Announcement of results of Retail Entitlement Offer
17 December 2021	Settlement of Retail Entitlement Offer
20 December 2021	Allotment and issue of New Shares under Retail Entitlement Offer
21 December 2021	Quotation of New Shares issued under Retail Entitlement Offer
22 December 2021	Dispatch of holding statements

Appendices

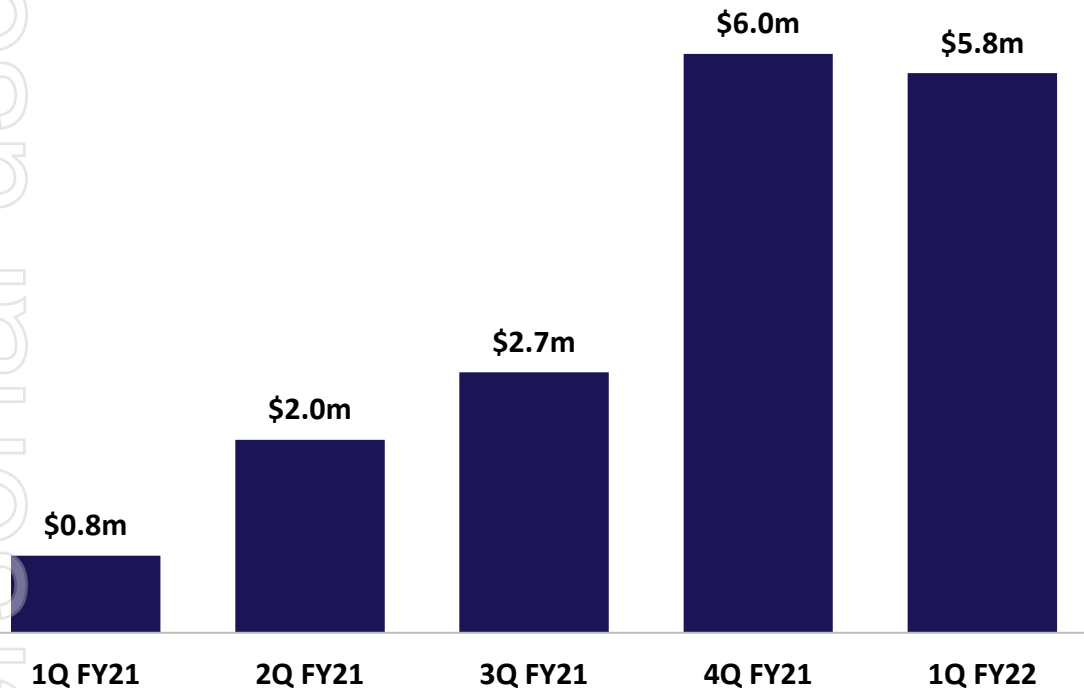
1. TCV and Revenue Growth
2. Key Risk Factors
3. Foreign Selling Restrictions
4. Glossary

1. TCV and Revenue Growth

Significant growth in high quality 'annuity-style' IaaS revenue base

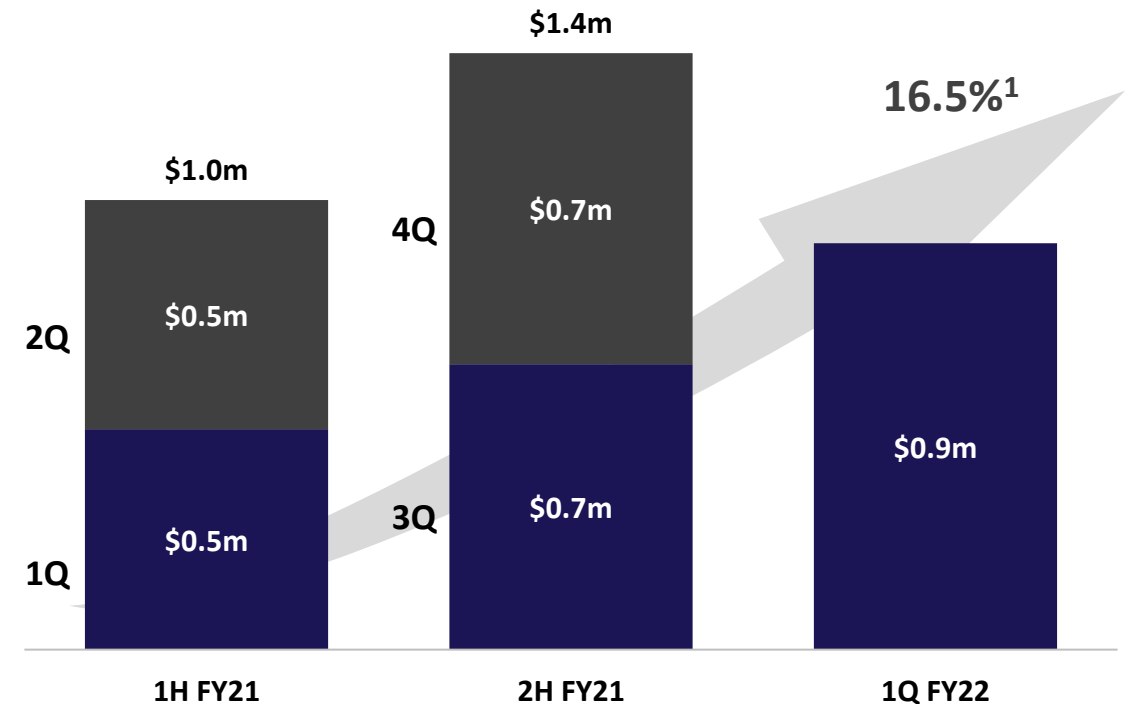
Quarterly TCV Outstanding

TCV Outstanding is the remaining aggregated balance of all signed contracts at a point in time, net of any consumption utilised to date recognised against the respective contracts



Quarterly IaaS Consumption

IaaS Consumption is the revenue recognised based on the aggregated consumption of IaaS services, including contractual implementation, consulting and setup charges



1. Compounding Quarterly Growth Rate calculated from 1Q FY21 to 1Q FY22

2. Key Risk Factors

- AUCloud is subject to various risk factors. Some of these are specific to its business activities, while others are of a general nature. Individually, or in combination, these risk factors could have a material adverse impact on AUCloud's assets and liabilities, financial position and performance, profits and losses and prospects, and the value of its shares. The key risk factors are described below. The risks set out below are not an exhaustive list of the risks associated with AUCloud or the industry in which it operates, or an investment in AUCloud shares either now or in the future, and this information should be used as guidance only. There can be no guarantee that AUCloud will achieve its stated objectives or that any forward-looking statement or forecasts will eventuate. Before deciding whether to invest in AUCloud, you should read the entire presentation and satisfy yourself that you have a sufficient understanding of these potential risks and should consider whether an investment in AUCloud is suitable for you after taking into account your own investment objectives, financial circumstances and tax position. If you are in any doubt as to anything in this presentation, you should consult your accountant, financial adviser, stockbroker, lawyer or other professional adviser.

SPECIFIC RISKS

- **Competitive landscape and actions of others:** AUCloud operates in a competitive landscape alongside a number of other service providers with competing technologies, product offerings and geographic presence. These include a number of global IaaS providers which offer competing services to AUCloud on a global scale. Although AUCloud is in a niche market, and notwithstanding the barriers to entry in that market, AUCloud may face competition from new entrants and existing competitors who may have significant advantages, including greater name recognition, longer operating history, lower operating costs, pre-existing relationships with current or potential customers or decision makers and greater financial, marketing and other resources. If competitor product offerings are perceived to be superior to AUCloud's, or competitors are able to compete effectively on price, AUCloud may lose existing or potential customers, incur costs to improve its network, or be forced to reduce prices.
- **Sustained losses:** Like many start up technology companies, AUCloud has incurred regular operating losses since inception. AUCloud may not be able to achieve or maintain profitability or positive free cash flow in the near term if at all and as such the business will likely require ongoing funding from cash reserves or from new equity issuances.
- **Cyber risk:** Given AUCloud's business model is premised on providing secure cloud services, any unauthorised access to customer data would severely prejudice AUCloud's reputation as a credible provider of such services to its targeted customers. While instances of "cyber-crime" are particularly damaging, other events, such as accidental loss of confidential data or experiencing significant network issues may also cause financial loss or reputational damage (or both). While AUCloud is particularly focused on mitigating the likelihood of cyber risk, given its business model, the consequences of the risk including the adverse effect on AUCloud's future financial performance and position, are potentially significant.
- **Changes to law or Government policy:** The storage of data, including the migration of systems to the cloud, for Governments and CNIs is a current focus of Government policy, which is evolving rapidly. As Government departments make the decision to transition legacy systems and datasets to third party hosted environments, including to the cloud, there is a growing focus on how Government agencies can ensure the security of that data. Rules and guidelines for Government departments and agencies in relation to outsourcing cloud functions, and the requirements of third party providers of those functions, have been developed, however there is no guarantee that the implementation of those rules and guidelines will occur in the manner currently anticipated by AUCloud. In addition, those rules and guidelines will likely be supplemented and varied over time. For example, AUCloud anticipates that those rules and guidelines will address the sovereign ownership of the service provider. While AUCloud has some capacity to predict policy developments, it is possible that policies will be implemented in the future that may preclude or hinder AUCloud's competition in the market for Government outsourcing of cloud services.
- **Authorisations and accreditations:** AUCloud relies on authorisations and accreditations to operate its business. In particular, AUCloud is required to be IRAP-accredited to provide its services to the Australian Government. IRAP is an ASD initiative. ASD endorses suitably qualified ICT professionals as IRAP assessors to provide relevant security services and highlight information security risks which aim to secure broader industry and Australian Government information (and associated) systems. The ACSC has also recently introduced a new Cloud Security Guidance and Cloud Assessment and Authorisation Framework. There is no guarantee that AUCloud will be able to obtain or retain the authorisations and accreditations it requires to compete in the market. Any failure by AUCloud to obtain additional authorisations or accreditations mandated by the Australian Government would materially adversely affect AUCloud's operational and financial performance.

2. Key Risk Factors (cont...)

- **Concentration of customer base and nature of customer contracts:** AUCloud has a relatively concentrated customer base. If AUCloud was to lose one or more of its key customers, AUCloud's business and financial condition could be adversely impacted. There may also be a long lead-time to customer contracts for AUCloud, and by their nature, such customer contracts are relatively short-term (with a typical contract term of between three months and five years). If AUCloud was to lose one or more of these customer contracts, its operations, earnings and financial condition could be adversely impacted. In addition, if one or more of these contracts is not renewed upon expiry and AUCloud is unable to add new customers, its business, financial condition and financial performance could be adversely impacted in the future.
- **Ability to attract and retain key employees:** AUCloud's business is dependent on attracting and retaining highly skilled and experienced employees. It is essential that appropriately skilled staff be available in sufficient numbers to support AUCloud's business. AUCloud requires staff to have a variety of skills and expertise, some of which are niche specialities in which there are limited practitioners available for recruitment. Accordingly, the loss of, or the inability to attract, skilled and experienced employees is a key risk for AUCloud. The loss of key staff to a competitor may exacerbate this impact. AUCloud's ability to attract and retain employees in a cost effective manner is subject to external factors such as unemployment rates, prevailing wage legislation and changing demographics in its operating markets. Changes that adversely impact AUCloud's ability to attract and retain quality employees could materially adversely affect AUCloud's future financial performance and position.
- **Short operating history:** AUCloud is recently established and has little operational track record. As a result, the execution of AUCloud's business plan may take longer to achieve than planned and the costs of doing so may be higher than budgeted. AUCloud's operational business plan requires upfront capital investment, and there can be no assurance that subsequent objectives will be achieved. Accordingly, AUCloud may need to raise capital again in the near future, and with fewer operational objectives achieved, which may have an adverse effect on AUCloud's share price.
- **Low customer uptake of service:** A lack of customer demand and aggressive competition could limit AUCloud's ability to achieve desired rates of return on investment, and have a material adverse effect on the growth prospects and/or financial position of AUCloud, which may cause AUCloud to require further funding. AUCloud will continue to seek to mitigate these risks by executing its business plan with efficiency and delivering AUCloud's strategic vision.
- **Funding and capital:** The continued growth of AUCloud relies on customer acquisition. Capital is required to maintain and grow the existing technology platform. AUCloud requires sufficient access to capital to fund this expenditure. Failure to obtain capital on favourable terms may hinder AUCloud's ability to expand and pursue growth opportunities, which may reduce competitiveness and have an adverse effect on the financial performance, position and growth prospects of AUCloud. AUCloud's continued ability to implement its business plan effectively over time may depend in part on its ability to raise future funds. There is no assurance that additional funds will be available in the future, and/or be secured on reasonable commercial terms. If adequate funds are not available or not available on reasonable commercial terms in the future, then AUCloud may not be able to take advantage of opportunities, develop new ideas or otherwise respond to competitive pressures.
- **Interruptions to operations, including infrastructure and technology failure:** AUCloud could be exposed to short, medium or long-term interruptions to its services, some of which is provided by third parties. AUCloud may be unable to deliver a service as a result of numerous factors, including:
 - human error;
 - power loss;
 - improper maintenance by entities not related to AUCloud;
 - physical or electronic security breaches;
 - fire, earthquake, hurricane, flood and other natural disasters;
 - water damage;
 - intentional damage to the networks from vandalism;
 - accidental damage to the networks from civil works;
 - war, terrorism and any related conflicts or similar events worldwide; and
 - sabotage and vandalism.

2. Key Risk Factors (cont...)

- **Change in technology:** Demand for cloud services can change rapidly because of technological innovation, new product introductions, declining prices and evolving industry standards, amongst other factors. New solutions and new technology often render existing solutions and services obsolete, excessively costly or otherwise unmarketable. As a result, the success of AUCloud depends on AUCloud being able to keep up with the latest technological progress and to develop or acquire and integrate new technologies into its product offering. Advances in technology also require AUCloud to commit resources to developing or acquiring and then deploying new technologies for use in operations.
- **Relationships with key intellectual property licensors and technology:** AUCloud relies on relationships with key intellectual property licensors and technology partners, from whom it licenses the right to use particular intellectual property and technology. AUCloud's ability to offer its cloud services is dependent on its ability to use particular intellectual property and technology, and any change in the ability to use or protect the intellectual property AUCloud relies on may have an effect on AUCloud's future financial performance and position.
- **Insurance:** AUCloud seeks to maintain appropriate policies of insurance consistent with those customarily carried by organisations in its industry. Any increase in the cost of the insurance policies of AUCloud or the industry in which it operates could adversely affect AUCloud's business, financial condition and operational results. AUCloud's insurance coverage may also be inadequate to cover losses it sustains. Uninsured loss or a loss in excess of AUCloud's insured limits could adversely affect AUCloud's business, financial condition and operational results.

GENERAL RISKS

- **AUCloud's share price may fluctuate:** AUCloud is subject to the general market risk that is inherent in all securities traded on a stock exchange. This may result in fluctuations in its share price that are not explained by the fundamental operations and activities of AUCloud. There is no guarantee that the price of AUCloud's shares will increase following the Offer, even if AUCloud's earnings increase. AUCloud's shares may trade at, above or below the Offer price due to a number of factors, including:
 - general market conditions;
 - fluctuations in the local and global market for listed stocks;

- changes to government policy, legislation or regulation;
- inclusion in or removal from particular market indices (including S&P/ASX indices); and
- the nature of the markets in which AUCloud operates.

Other factors that may negatively affect investor sentiment and influence AUCloud specifically or the stock market more generally include acts of terrorism, an outbreak of international hostilities, civil unrest, fires, floods, earthquakes, labour strikes, civil wars, natural disasters, outbreaks of disease or other man-made or natural events.

- **Trading in AUCloud's shares may not be liquid:** There can be no guarantee that there will be an active market for AUCloud's shares following completion of the Offer. There may be relatively few potential buyers or sellers of AUCloud's shares on ASX at any given time. This may increase the volatility of the market price of AUCloud's shares. It may also affect the prevailing market price at which shareholders are able to sell their AUCloud shares. This could result in shareholders receiving a market price for their AUCloud shares that is less than the price that they paid. Further, approximately 47.28% of AUCloud's shares, prior to the equity raising, remain subject to escrow arrangements, which will reduce the liquidity of trading in AUCloud's shares for the duration of the escrow period (i.e. until 14 December 2022). A significant sale of previously escrowed AUCloud shares, or the perception that such sale has occurred or might occur, could adversely affect the price of AUCloud's shares.
- **Shareholders may suffer dilution:** AUCloud may issue more shares in the future in order to fund acquisitions or investments or to reduce its debt. While AUCloud will continue to be subject to the constraints of the ASX Listing Rules regarding the percentage of its capital that it is able to issue within a 12 month period (other than where exceptions apply), any such equity raisings may dilute the interests of shareholders.
- **Taxation changes may occur:** The taxation treatment for shareholders is dependent upon the tax law as currently enacted in Australia. Changes in tax or stamp duty law or changes in the way tax or stamp duty law is expected to be interpreted in Australia may adversely impact AUCloud's returns or the dividends paid by AUCloud to shareholders. An investment in AUCloud shares involves tax considerations that differ for each investor. Investors are encouraged to seek professional tax advice in connection with any investment in AUCloud.

2. Key Risk Factors (cont...)

- **Expected future events may not occur:** Certain statements in this presentation constitute forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance and achievements of AUCloud to differ materially from any future results, performance or achievements expressed or implied in such forward-looking statements. Given these uncertainties, prospective investors should not place undue reliance on such forward-looking statements. In addition, under no circumstances should a forward-looking statement be regarded as a representation or warranty by AUCloud or any other person referred to in this presentation that a particular outcome or future event is guaranteed.
- **Impact of climate change:** Climate change presents a potentially material risk to AUCloud. The increasing severity of acute weather events (such as heatwaves, cyclones and storms) and chronic climate impacts may affect AUCloud's property (and associated communities) through physical damage, operating costs, and ability to trade, for example. These acute weather events may be sudden and acute or more gradual in nature. For example, property may be damaged by storms or flooding which requires extensive repairs. Alternatively, supply chains may be disrupted. Transitioning to a lower-carbon economy may entail extensive policy, legal, technology and market changes to address mitigation and adaption requirements related to climate change. These may require AUCloud to incur costs to address these changes. The transition to a low carbon economy may enable AUCloud to realise opportunities such as reducing its reliance on the electricity grid by generating onsite renewable energy which also protects its business from future energy market and policy uncertainty.
- **COVID-19:** The transmission of COVID-19 and efforts to contain its spread have recently resulted in international, national and local border closings, travel restrictions, significant disruptions to business operations, supply chains and customer activity and demand. Significant uncertainty remains with respect to the future impact of COVID-19 on AUCloud's business. The overall severity and duration of COVID-19-related adverse impacts on AUCloud's business will depend on future developments which cannot be predicted, including "state of emergency" declarations and other directives of government and public health authorities. Even after the COVID-19 outbreak has subsided, AUCloud may continue to experience material adverse impacts to its businesses, for example, as a result of reductions in Government spending on outsourcing (as a result budget pressures), delays in decision making or, more generally, a deterioration of worldwide credit and financial markets that could limit AUCloud's ability to obtain funding.
- **Force majeure events may occur:** Events may occur within or outside Australia that could impact upon the global and Australian economies, the operations of AUCloud and the price of AUCloud's shares. These events include but are not limited to acts of terrorism, outbreaks of international hostilities, civil unrest, fires, floods, earthquakes, labour strikes, civil wars, natural disasters, outbreaks of disease or other man-made or natural events that can have an adverse effect on AUCloud's ability to conduct its business.
- **Exposure to general economic conditions:** The operating and financial performance of AUCloud is influenced by a variety of general domestic and global economic and business conditions that are outside the control of AUCloud. A prolonged deterioration in general economic conditions may impact the demand for AUCloud's services and may have a material adverse impact on the financial performance, financial position, cash flows, dividends, growth prospects and share price of AUCloud.
- **Accounting standards may change:** The Australian Accounting Standards to which AUCloud adheres are set by the AASB and are consequently outside the control of AUCloud and the Directors. Changes in accounting standards issued by the AASB or changes to the commonly held views on the application of those standards could materially adversely affect the financial performance and position reported in AUCloud's financial statements.
- **Litigation and regulatory inquiries:** AUCloud may be subject to litigation, complaints and other claims or disputes, regulatory inquiries or investigations and other enforcement action initiated by customers, employees, suppliers, regulators or other third parties in the course of its business. Such matters may have a materially adverse effect on AUCloud's financial performance and position. Even if such matters are successfully defended or settled without financial consequences, they may have a material adverse effect on AUCloud's reputation.

3. Foreign Selling Restrictions

- This presentation does not constitute an offer of New Shares in any jurisdiction in which it would be unlawful. In particular, this presentation may not be distributed to any person, and the New Shares may not be offered or sold, in any country outside Australia except to the extent permitted below.
- **Australia:** The information in this presentation has been prepared on the basis that all offers of New Shares will be made to Australian resident investors to whom an offer of shares may lawfully be made without disclosure under Part 6D.2 of the Corporations Act. This presentation is not a prospectus, product disclosure statement or any other form of disclosure document regulated by the Corporations Act and has not been, and will not be, lodged with the Australian Securities and Investments Commission (**ASIC**). Neither ASIC nor ASX takes any responsibility for the contents of this presentation. Accordingly, this presentation may not contain all information which a prospective investor may require to make a decision about whether to subscribe for New Shares and it does not contain all of the information which would otherwise be required by Australian law to be disclosed in a prospectus, product disclosure statement or any other form of disclosure document regulated by the Corporations Act. This presentation does not take into account the investment objectives, financial situation or needs of any particular person. Accordingly, before making any investment decision in relation to the offer of New Shares or any other transaction in relation to AUCloud shares, you should assess whether that transaction is appropriate in light of your own financial circumstances or seek professional advice.
- **New Zealand:** This presentation has not been registered, filed with or approved by any New Zealand regulatory authority under the *Financial Markets Conduct Act 2013 (FMC Act)*. The New Shares are not being offered to the public within New Zealand other than to existing shareholders of AUCloud with registered addresses in New Zealand to whom the offer of these securities is being made in reliance on the FMC Act and the *Financial Markets Conduct (Incidental Offers) Exemption Notice 2016*. Other than under the Entitlement Offer, the New Shares may only be offered or sold in New Zealand (or allotted with a view to being offered for sale in New Zealand) to a person who:
 - is an investment business within the meaning of clause 37 of Schedule 1 of the FMC Act;
 - meets the investment activity criteria specified in clause 38 of Schedule 1 of the FMC Act;
 - is large within the meaning of clause 39 of Schedule 1 of the FMC Act;
 - is a government agency within the meaning of clause 40 of Schedule 1 of the FMC Act; or
 - is an eligible investor within the meaning of clause 41 of Schedule 1 of the FMC Act.

4. Glossary

Term	Definition
AASB	Australian Accounting Standards Board
ACSC	Australian Cyber Security Centre
ADF	Australian Defence Force
API	Australian Programming Interface
ASD	Australian Signals Directorate
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
Australian Accounting Standards	Australian Accounting Standards and other authoritative pronouncements issued by the AASB
CAAF	Cloud Assessment and Authorisation Framework
CNI	Critical National Industry
DISP	Defence Industry Security Program
GPUaaS	Graphics Processing Unit as a Service
IaaS	Infrastructure as a Service
ICT	Information and Communication Technology
IRAP	Information Security Registered Assessors Program
ISM	Information Security Manual
NEXTDC	NEXTDC Ventures Holdings No. 1 Pty Ltd (ACN 655 243 057), a wholly-owned subsidiary of NEXTDC Limited (ACN 143 582 521)
SME	Small and Medium Enterprises

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