



**CYan**  
DIGITAL SECURITY

# Quarterly Statement for the third quarter 2019

**cyan** AG, Munich DE



# Quarterly Statement

## Course of business

Looking back on a successful third quarter of 2019, we are pleased to publish a quarterly report with consolidated figures for the first time. This underpins our goal of uplisting to the Prime Standard of Deutsche Börse in 2020.

After the first half of 2019 was characterised by the integration of i-new, the focus was on growth following the successful capital increase in July 2019. Especially in the areas sales and business development as well as software development targeted recruitment took place. Due to the increased transparency and awareness of the company in the cyber security industry after signing with Orange, we were able to headhunt some top people from our direct competitors, especially in the sales area. Most of the additional staff has already been identified and will be onboarded over the next two quarters.

In addition to investments in organisational and personnel build-up, the first potential customers for so-called “market invest” were identified as announced with the capital increase. Part of this strategy is to support new customers in marketing expenses or to incentivise with sales discounts for faster contracting.

By far the most important cyan project remains the integration at Orange, which is well advanced in France and, according to Orange, fully on schedule. cyan will be able to generate its first revenues with Orange this year. In 2020, the go-live of the cyber security solution in France is planned first for B2B, later for the B2C segment. At the same time, the roll-out in other European and African countries where Orange is operating is being prepared.

In beginning of July 2019, a strategic cooperation was concluded with Wirecard, a leading global provider of payment services and risk management solutions. Wirecard supplies banks and FinTech providers with software systems in which cyan’s cyber security products are being implemented. The first major project launch is scheduled in the first quarter of 2020.

Our existing partnerships have also developed successfully. The cooperation with Magenta Telekom (formerly T-Mobile Austria) was extended ahead of schedule until the end of 2022. The potential customer base of cyan grew by around 50%, mainly due to the acquisition of UPC and the integration of fixed-line customers.

In addition, a test phase (proof-of-concept) at Telecom Argentina, a large Argentine telecommunications company with around 20 million end customers, was launched in August, and successfully completed in Q3. We are currently in commercial negotiations.

Within our MVNO Services (BSS/OSS), our most important customers are developing very well. In addition to the agreement signed with American ACN Group in October, Skitto in Bangladesh recently broke through the one-million-barrier and had to purchase an additional cyan end-user license block. With Spark/Skinny from New Zealand, the relationships are deepened in the wake of new projects.

Within our research, the total number of our analysis methods increased from 23 to 25 in the third quarter. The two new methods are algorithms designed specifically for cryptocurrency threats. On 29 August 2019, the recently approved patent for detecting malicious actions on websites or in smart-phone apps using sandboxing technology was also formally issued by the European Patent Office and subsequently registered in the most important countries.

## Outlook 2019

The contract signed with the ACN Group at the beginning of October 2019 is a great success and validates cyan in the BSS/OSS segment. ACN/Flash Mobile is the fastest growing MVNO in Latin America, who has now chosen cyan as an MVNE provider for the long term. The contract includes the sale of 60 million monthly end customer licenses, which ACN can consume in all active countries. The contract will have a significant contribution to sales and earnings for the full 2019 year.

Also promising is the project status with Aon. The launch of cyan's integrated seamless security solution as part of the Aon app is scheduled for early 2020 in Austria and Switzerland. Subsequently, Aon plans to roll out cyan's white-labelled seamless security solution worldwide. Moreover, cyan's solution has been introduced to several Aon customers, predominantly global insurers.

The investments made possible by the capital increase will significantly increase our medium-term growth. This expectation is reflected in the increase in the medium-term revenue forecast for 2021 from EUR 60 million to EUR 75 million. For 2019, management confirms the revenue forecast of EUR 35 million and adjusted EBITDA to EUR 14 million during the quarter.

## Business performance

Total revenue in the first three quarters of 2019 was EUR 11.9 million. On 1 October 2019, the contract with ACN was signed with a volume of USD 10.2 million. Approximately 80% to 90% of the revenue from this agreement is expected to be recognised in the fourth quarter. Accordingly, total revenue in the first three quarters of 2019, including ACN, would range between EUR 19.3 million and EUR 20.3 million. In addition to ongoing business, further contracts are expected to be closed in the fourth quarter.

The EBITDA was partly due to the far-reaching organisational restructuring and the associated expenses in the current year at EUR -2.3 million. The expected earnings contribution from the contract with ACN would increase the EBITDA to between EUR 5.1 million and EUR 6.0 million, which corresponds to an EBITDA margin of around 30%. The

operating result (EBIT) amounted to EUR -6.6 million. Earnings before taxes (EBT) amounted to EUR -6.7 million, the net loss for the year to EUR 6.5 million. Accordingly, basic earnings per share for the first three quarters of 2019 equalled EUR -0.67.

The total assets of the group as of 30 September 2019 totalled EUR 87.5 million (31 December 2018: EUR 81.7 million). On 10 July 2019, a total of 888,594 new shares from a capital increase from authorised capital against cash contributions were placed with institutional investors as part of an accelerated bookbuilding process. The placement price was EUR 28.00 per share. As a result of the placement of new shares, the company received gross proceeds of EUR 24.9 million. After the capital increase, the Company's share capital amounts to EUR 9,774,538.00 and is divided into 9,774,538 shares. Equity now amounts to EUR 70.6 million (31 December 2018: EUR 50.6 million); this corresponds to an equity ratio of 80.7% (31 December 2018: 61.9%).

Operating cash flow amounted to EUR -1.2 million in the third quarter and cash flow from financing activities was EUR 13.3 million, mainly due to the capital increase. The proceeds from the capital increase were used to reduce short-term loans - so the company is debt-free as of 30 September 2019. The net cash position was EUR 10.4 million at the end of the third quarter.

## Expected developments, risks and opportunities

The opportunity and risk profiles have not changed significantly compared with the presentation in the Interim Report 2019 (from page 17).

# Key Figures

<b>Earnings Figures</b>		<b>Q1-Q3 2019</b>	<b>Q3 2019</b>
Total earnings <sup>1</sup>	in TEUR	11,910	3,978
EBITDA	in TEUR	(2,312)	(1,277)
EBITDA margin	in %	-22%	-35%
EBIT	in TEUR	(6,552)	(2,732)
EBIT margin	in %	-61%	-75%
Consolidated profits	in TEUR	(6,522)	(2,555)
Earnings per share	in EUR	(0.67)	(0.26)

<b>Cash Flow Figures</b>		<b>Q1-Q3 2019</b>	<b>Q3 2019</b>
Operating cash flow	in TEUR	(4,131)	(1,185)
Investment cash flow	in TEUR	(2,746)	(2,738)
Financing cash flow	in TEUR	15,391	13,287

<b>Balance Sheet Figures</b>		<b>30/09/2019</b>	<b>31/12/2018</b>
Assets total	in TEUR	87,516	81,694
Equity	in TEUR	70,603	50,578
Net debt <sup>2</sup>	in TEUR	(10,428)	9,759

<b>Key Operating Figures</b>		<b>30/09/2019</b>	<b>30/06/2019</b>
Number of staff		126	121
Theoretically addressable market <sup>3</sup>	in mio.	50	50

<sup>1</sup> Consisting of sales revenues of EUR 10.7 million plus other revenues EUR 1.2 million

<sup>2</sup> Particularly, due to capital increase in July 2019 now net cash position

<sup>3</sup> Existing contractual relationship, under which technical integration has already commenced

# Notices

## Financial calendar

<b>Event</b>	<b>Date</b>	<b>Location</b>
Publication of Annual Report 2019	29 Apr 2020	-
Telefon conference: analysts and investors	29 Apr 2020	-
German Spring Conference   Equity Forum	19 May 2020	Frankfurt
Quarterly Statement Q1 2020	28 May 2020	-
Annual General Meeting 2020	2 Jul 2020	Munich
Publication of Interim Report 2020	30 Sep 2020	-
German Equity Forum (EKF)	17 Nov 2020	Frankfurt
Quarterly Statement Q3 2020	27 Nov 2020	-

## Disclaimer

### Statements on future events and developments

This report contains statements on future events and developments, based on current assessments of the management. Such statements are based on current expectations and certain assumptions and estimates made by management. They are subject to risks, uncertainties and other factors that may cause the actual circumstances, including cyan's assets, financial and earnings positions, to differ materially or to be more negative than those expressly or implicitly assumed or described in these statements.

The business activities of cyan are subject to a number of risks and uncertainties that may cause statement, estimate or prediction in relation to future events and developments to be inaccurate. Statements on future events and developments must not be perceived as guaranties or assurances that such future events or developments will actually materialise.

### Note on rounding

The figures in this report have been rounded in accordance with prevailing commercial principles. Consequently, rounding differences may occur. Therefore, the sum of the individual values shown may differ from the precisely shown total.

### Gender-neutral formulation

In the interest of legibility, gender-differentiating formulations have been dispensed with throughout. The relevant terms apply to all sexes within the framework of equal rights. The shortened manner of speech has only editorial reasons and does not represent any evaluations on the part of cyan.

### English translation

The interim report is also available translated in English. In case of deviations, the German version prevails. The interim report is available for downloading in both languages in the Investor Relations section of the website (<https://ir.cyansecurity.com/en/financial-publications/financial-reportings>).

## Imprint

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