



Quarterly Statement

cyan AG

Third Quarter 2022



CYan
DIGITAL SECURITY

Quarterly Statement

The third quarter was characterized by the ongoing solidification of the strategy. The emphasis, however, shifted from cost reduction measures, while maintaining a high level of cost discipline in order to ensure that the savings achieved remain effective, to the standardization of processes and solutions in order to accelerate implementation. The results of the steps taken are already visibly reflected in the key figures.

The adjusted strategy encompasses everything from product development and sales to project and account management and has already had an impact. In addition to Orange in Slovakia, where a staged launch with incremental product enhancements has enabled faster revenue generation and better marketing, a major lighthouse project has been implemented with OTE Group. The network-based cybersecurity solution was successfully implemented from a technical side in just six weeks and has been available to business customers since November as COSMOTE OnNet Security integrated into tariffs. The partnership shows that cyan's solutions can be used to respond promptly to the growing demand for convergent security among telecom operators and their customers, especially in the SME environment. Due to the high scalability of the solutions nothing stands in the way of an expansion to other business areas after the successful pilot phase. Further project work took place with partners T-Mobile in Poland for an update of the solutions and Claro in Chile for initial implementation. Following the successful launch of the app-based solution at dtac in Thailand, work has also continued on the software development kit (SDK) and on standalone applications that round off cyan's digital cybersecurity portfolio.

In the BSS/OSS segment, the range of functions of the leading platform for mobile virtual network operators (MVNOs) was expanded with additional mechanisms for dynamic campaign control, rate adjustment and automated wholesales control. In particular, the multi-MNO and multi-tenancy capabilities were again proven through the cooperation with MTEL for three countries and for three different MNOs. By the end of the third quarter, MTEL successfully opened its first store in Switzerland. Further, a key new partnership with Viasat was announced in October. Viasat is a global communications company that has helped shape the way consumers, businesses and governments around the world communicate for over 35 years. Today, the company is developing a global communications network to enable high-quality, secure, affordable and high-speed connectivity. cyan, more specifically i-new, has been helping Viasat connect underserved and hard-to-reach areas with its BSS/OSS technology. This not only validates the high quality and broad range of use cases of the platform, but also demonstrates the capabilities of the teams and significantly expands the deployment options beyond MVNOs.

To underpin the positive developments, the Executive Board with the approval of the Supervisory Board resolved to conduct a cash capital increase with subscription rights on August 19, 2022. Using part of the authorized capital, the Company's nominal capital was increased by EUR 2,127,100 from EUR 14,889,700 to up to EUR 17,016,800 for this purpose. For this purpose, 2,127,100 new no-par value bearer shares were issued. The issue price per new share was EUR 2.63. The new shares carry full dividend rights from January 1, 2022. After approval of the securities information sheet, the shares were offered for purchase to the shareholders of cyan AG by way of statutory subscription rights in the period from September 5, 2022 to September 19, 2022. The subscription ratio was seven old shares to one new share. Shares not taken up by shareholders with subscription rights were offered for subscription to interested investors as part of a private placement. The capital increase was fully placed as of September 22, 2022 and entered in the commercial register in October. Thus, cyan was provided with additional leeway for the implementation of its strategy.

In addition to the operational purposes, the funds will be used in particular for strategic growth; including the future positioning of the business units, as well as the company's own branding. The aim is to leverage cost synergies within the Group, but to benefit from separate brands with their own brand equity when addressing customers, as both brands have a good reputation in their respective industries, i-new in the field of BSS/OSS for MVNOs and cyan for network-based cybersecurity. To achieve these aims, important steps have already been taken in the third quarter, which will be continued in the fourth quarter.

For the fourth quarter and subsequently for the coming year, further scheduled milestones are still outstanding, both internally and with partners. These include the incorporation of the subsidiary in Thailand, through which the recurring revenues will be billed as a central branch for dtac. Furthermore, the preparations for a relaunch in Poland on a new infrastructure, the integration with Claro in Chile as well as the work for the expansion with MTEL are running at full speed – these existing partnerships still offer significant revenue potential for the remaining months.

Although the macroeconomic and fiscal conditions led to a change in the investment climate globally, resulting in tighter budgets, cyan was also able to develop and win new partnerships. However, some of the progress and ultimately success depends, among others, on the approval of national regulators. At present, it can be assumed that the revenue potential will be realized this year. Thus, cyan is generally well positioned for the remaining quarter and the coming periods, albeit dependent on external factors, and is steadily approaching its goal of operating sustainably.

Earnings, Asset and Financial Position

Group revenues for the past three quarters of 2022 (nine months) amounted to a total of EUR 6.1 million (9M 2021: EUR 5.9 million) and consisted of EUR 3.8 million (9M 2021: EUR 3.8 million) from the BSS/OSS segment and EUR 2.3 million (9M 2021: EUR 2.1 million) from the Cybersecurity segment. After some significant project milestones were achieved in the second quarter of 2022 and in the comparable period of the previous year, respectively, and thus contributed to revenue, further significant milestones are only expected to be recognized in the fourth quarter again. Consequently, revenues in the third quarter amounted to EUR 2.0 million (Q3 2021: EUR 2.4 million). The projects mainly relate to the BSS/OSS segment, as revenue in the Cybersecurity segment increased in the third quarter. Annual Recurring Revenue (ARR), calculated from recurring revenues including pro rata revenues from license agreements, stood at EUR 10.3 million as of September 30, 2022, adjusted for exchange rate effects.

The Group also recognized other operating income in the amount of EUR 4.5 million (9M 2021: EUR 1.7 million), changes in inventories in the amount of EUR -0.3 million (9M 2021: EUR -0.4 million) and minor income from reversals of impairment losses. Other operating income mainly consisted of foreign currency effects, which further increased compared to the prior-year period due to exchange rate differences, and research grants. Changes in inventories resulted from the regular amortization of capitalized contract costs. Total earnings after nine months of the financial year 2022 thus amounted to EUR 10.3 million (9M 2021: EUR 7.3 million).

EBITDA after three quarters was EUR -5.0 million (9M 2021: EUR -10.5 million), a significant improvement due to the increase in total earnings and the decrease in costs. In total, expenses decreased from EUR 17.8 million to EUR 15.3 million. The main driver for the savings were personnel costs, which decreased due to the Performance Improvement Program. The margin in the third quarter improved again, and amounted to -53% (Q3 2021: -132%). However, additional one-off costs from the repositioning of the segments are expected this year in the fourth quarter.

Segment EBITDA for BSS/OSS was EUR -1.3 million compared to EUR -2.7 million in the same period last year. Not included in the revenue are the license/capex contracts, which contribute significantly to the cash flow. In the Cybersecurity segment, segment EBITDA after nine months amounted to EUR -2.9 million (9M 2021: EUR -6.7 million).

Depreciation and amortization expenses were also mostly scheduled in this quarter and at the same level of approximately EUR 1.4 million, and consequently added up to EUR 4.1 million, resulting in an operating result (EBIT) of EUR -9.3 million (9M 2021: EUR -14.8 million). The net income for the period amounted to EUR -5.1 million (9M 2021: EUR -11.8 million) due to a positive financial result of EUR 0.4 million (9M 2021: EUR 0.4 million) and deferred tax income in the amount of EUR 3.8 million (9M 2021: 2.5 million). Undiluted earnings per share for the first nine months amounted to EUR -0.36 (9M 2021: EUR -1.19).

As of September 30, 2022, total assets amounted to EUR 85.2 million (Dec. 31, 2021: EUR 95.7 million). The equity ratio increased from 76% (EUR 72.8 million) as of December 31, 2021 to 84% (EUR 71.8 million) as of September 30, 2022. Current assets amounted to EUR 12.0 million at the end of the third quarter of 2022 (Dec. 31, 2021: EUR 17.8 million) and included EUR 2.3 million (Dec. 31, 2021: EUR 8.5 million) in cash and cash equivalents. The funds from the capital increase of EUR 5.6 million completed in September were not received until the fourth quarter. This was contrasted by financial liabilities in the amount of EUR 3.7 million and leasing liabilities due to IFRS 16 totaling EUR 4.3 million, resulting in net debt of EUR 5.7 million (Dec. 31, 2021: EUR 4.2 million).

Cash flow from operating activities after nine months at EUR -3.2 million (9M 2021: EUR -6.5 million), which includes payments received from the existing license agreements with Virgin Mobile and ACN/Flash Mobile. In the third quarter, operating cash flow improved to EUR -0.2 million (Q3 2021: -1.5 million). As in previous periods, investment cash flow was insignificant. Financing cash flow amounted to EUR -1.1 million (9M 2021: EUR 7.2 million), as the funds from the capital increase could only be booked in the fourth quarter.

Key Figures

Earnings Figures		9M 2022	9M 2021
Revenue	in EUR million	6.1	5.9
Total earnings ^a	in EUR million	10.3	7.3
EBITDA	in EUR million	-5.0	-10.5
EBITDA-margin	in %	-82%	-177%
EBIT	in EUR million	-9.3	-14.8
EBIT-margin	in %	-153%	-250%
Net income/loss	in EUR million	-5.1	-11.8
Earnings per share (undiluted)	in EUR	-0.36	-1.19

^a Consists of sales revenues EUR 6.1 million plus other operating income EUR 4.5 million, income from reversals of impairment losses EUR 0.0 million and changes in inventories EUR -0.3 Mio.

Segment Figures		9M 2022	9M 2021
Revenue BSS/OSS	in EUR million	3.8	3.8
EBITDA BSS/OSS	in EUR million	-1.3	-2.7
Revenue Cybersecurity	in EUR million	2.3	2.1
EBITDA Cybersecurity	in EUR million	-2.9	-6.7

Cash Flow Figures		9M 2021	9M 2020
Operating cash flow	in EUR million	-3.3	-6.5
Investment cash flow	in EUR million	-0.0	0.1
Financing cash flow	in EUR million	-1.1	7.2

Balance Sheet Figures		30/09/2022	31/12/2021
Total assets	in EUR million	85.2	95.7
Equity	in EUR million	71.8	72.8
Net debt incl. IFRS 16 ^b	in EUR million	5.8	4.2

^b Consists of leasing liabilities EUR 4.4 million and financial liabilities EUR 3.7 million less cash and cash equivalents EUR 2.3 million.

Key Operating Figures		30/09/2022	30/09/2021
Number of staff		125	157

Further Information

Financial Calendar

Event	Date	Location
Deutsche Börse German Equity Forum	28-30/11/2022	DE Frankfurt
CF&B MidCap Conference Geneva	01-02/12/2022	CH Geneva

Current dates, upcoming events and news are continuously updated on the website.

🔗 ir.cyansecurity.com/news-events

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 the 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.

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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

This English version has been translated based on the German version. In case of deviations, the German version prevails. The report is available for download in both languages in the Investor Relations section of the website.

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Imprint

Publisher

cyan AG
Theatinerstraße 11
80333 Munich
Germany

VAT ID: DE315591576
HR Munich: HRB 232764

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Graphic design/layout

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