



# Quarterly Statement

**cyan AG**

Third Quarter 2021



# Quarterly Statement

As already described in the half-year report, cyan AG is in a transformation year. Following the profit warning in August, a performance improvement program was launched, which has made rapid progress in recent months. This program mainly comprises cost reductions, repositioning of the BSS/OSS segment and ensuring financial stability through further capital measures.

In August, the Executive Board of cyan AG had to lower the revenue forecast made at the beginning of the year to 10-14 million for fiscal year 2021. Due to the high cost structure of the company compared to the now expected sales figures, comprehensive cost reduction measures became necessary. This also meant that cyan had to part with some employees and thus strategically streamline areas and teams or reallocate some resources. In addition, general costs that were not essential for core operations were considerably reduced. As of November, large parts of the measures have already been implemented. Initial effects are expected before the end of 2021.

Two capital increases were successfully carried out to finance the repositioning. On August 25, 2021, the Executive Board, with the approval of the Supervisory Board, resolved a cash capital increase with subscription rights (subscription ratio 4 to 1) for existing shareholders. The offer period was set at September 2 to September 15 and the issue price per new share at EUR 3.22. Shares not subscribed by shareholders were then offered to interested investors at the subscription price in a private placement. The capital increase was fully subscribed before the end of the subscription period and the private placement was significantly oversubscribed. As a result, the Company's share capital was increased by 2,481,686 shares from 9,926,745 shares to 12,408,431 shares with a nominal value of EUR 1.00, making partial use of the authorized capital. This capital increase generated gross issue proceeds of EUR 8.0 million. In the fourth quarter, by resolution of November 15, a further capital increase from authorized capital excluding the subscription rights of existing shareholders at a higher issue price of EUR 4.15 was announced. 977,453 shares were placed with institutional investors, resulting in gross issue proceeds of EUR 4.1 million for cyan. The share capital is subsequently divided into 13,385,884 shares. The new shares from both capital increases will carry full dividend rights from January 1, 2021. In total, cyan was able to raise EUR 12.1 million in liquid equity funding from shareholders and investors.

As a third key element, the evaluation of the positioning of the BSS/OSS segment has already made significant progress. In the context of the performance improvement program, the costs and their specific allocation in the companies within the Group as well as the potential growth areas were examined in particular. There are various strategic options reaching as far as a complete sale of the business segment. For the latter, there has been generally positive feedback following the announcement. The financial and managerial resources that would be freed up as a result of a sale of the business could be invested in the Cybersecurity segment for the segment to realize its full potential.

In addition, further measures will be adopted, such as the standardization of processes and solutions to accelerate implementation, which will enable earlier revenue generation in addition to cost reductions in the medium term. The transformation program should be completed in the first quarter of the coming year. The aim of these steps is to focus cyan on the high-growth area of cybersecurity for end customers of telecommunications companies to enable a sustainably successful new start from existing partners and from opportunities in the pipeline.

## **Business Operations**

On an operational side, some progress was made in the third quarter in both the BSS/OSS and cybersecurity segments. As such, four additional MVNOs were acquired in Latin America and Europe. cyan will provide solutions for both new and existing MVNOs including the migration of customers to 4G and 5G. Some of the new customer projects are expected to be completed this year. Fiscal year 2021 thus represents one of the most successful in terms of new customers and is an important step towards scaling the platforms. The pipeline in the BSS/OSS segment is promising, developing very positively and includes leads in existing markets as well as new regions.

For cyan's cybersecurity solutions, new partners were also won in the Southeast Asian region and in Europe, among others. Full attention is now directed to the fast execution of the implementation projects – including Orange in Slovakia, the second country of the Orange Group after France in which cybersecurity will be offered by cyan. During summer, the first phase was already completely handed over to the partner and since then cyan has been supporting the preparations for the launch. At Orange in France, additional customer segments are continuously being addressed with targeted marketing, while the sales strategy is constantly being optimized.

## **Earnings, Asset and Financial Position**

Consolidated Group revenues totaled EUR 5.9 million after nine months of fiscal 2021 (9M 2020: EUR 18.4 million). Revenue in the comparable period of the previous year included revenue from the old business with Virgin Mobile as well as the capex contract for 83 million end user licenses recognized in the BSS/OSS segment in accordance with IFRS 15. Sales in both segments increased slightly in the third quarter. The share of recurring revenue, which includes in particular revenue from subscriptions and recurring service and maintenance fees, amounted to 69%. Annual Recurring Revenue (ARR), calculated from recurring revenues including pro rata revenues from license agreements, stood at EUR 9.6 million as of September 30, 2021, adjusted for exchange rate effects.

In addition to revenue, the Group generated other operating income of EUR 1.7 million (9M 2020: EUR 0.7 million), income from reversals of impairment losses of EUR 0.1 million (9M 2020: EUR 0.6 million) and recognized changes in inventories in the amount of EUR -0.4 million (9M 2020: EUR 1.7 million). Other operating income increased compared to the previous quarter mainly due to exchange rate effects. Following the launch of the cybersecurity solution at Orange in France, the costs recognized so far are being amortized, which resulted in negative changes in inventories in the third quarter. Accordingly,

total earnings for the first nine months of 2021 amounted to EUR 7.3 million (9M 2020: EUR 21.5 million). Based on existing customers and customer projects that continue to progress well, cyan is thus on track for the adjusted forecast for 2021.

The BSS/OSS segment accounted for EUR 3.8 million (9M 2020: EUR 16.1 million) or around 64% of sales in the first nine months. On a quarterly basis, sales increased due to projects with existing customers and new contracts. At the same time, the projects and the associated services do not count as recurring revenues, which led to a slight reduction in the proportion of recurring revenues. Segment EBITDA was EUR -2.7 million (9M 2020: EUR 7.7 million) reflecting upfront expenses in ongoing projects and exchange rate differences due to existing contract assets in USD from the license agreements.

In the Cybersecurity segment, recorded revenues amounted to EUR 2.1 million; a slight reduction from EUR 2.3 million in the nine months last year. The decrease is mainly due to the planned end of support for the products of the past B2B business of the former cyan Networks Software GmbH. Compared to the previous quarters of the fiscal year, sales in the segment increased, albeit significantly less than had been forecast at the beginning of the year. The costs still being geared to the higher expected growth led to a negative EBITDA of EUR -6.2 million (9M 2020: EUR -8.7 million).

Group EBITDA after three quarters was EUR -10.5 million (9M 2020: EUR -2.7 million). The reduction is mainly related to the significantly lower revenue due to a lack of license deals compared to the previous year. Costs decreased from EUR 24.2 million in the same period of the previous year, which were impacted by one-off effects, to EUR 17.8 million. Personnel expenses decreased slightly in the third quarter with a headcount of 157 people (Dec. 31, 2020: 149), but were still above the costs of the comparable period of the previous year. This year, operating costs are to be reduced even further as part of the performance improvement program as a consequence of the reduced forecast.

Depreciation and amortization expenses remained at approximately EUR 1.4 million in the third quarter as well, resulting in an operating result (EBIT) of EUR -14.8 million (9M 2020: EUR -7.1 million). The net loss amounted to EUR -11.8 million (9M 2020: -5.4 million) due to a positive financial result and deferred tax income. Basic earnings per share for the first nine months amounted to EUR -1.19 (9M 2020: EUR -0.55).

As of September 30, 2021, total assets amounted to EUR 90.4 million (Dec. 31, 2020: EUR 96.3 million). The equity ratio decreased from 75% (EUR 72.7 million) as of December 31, 2020 to 70% (EUR 63.3 million) as of September 30, 2021. Current assets amounted to EUR 12.0 million at the end of the third quarter of 2021 (Dec. 31, 2020: EUR 10.8 million) and included EUR 2.9 million (Dec. 31, 2020: EUR 2.5 million) in cash and cash equivalents. This was offset by financial liabilities in the amount of EUR 7.1 million, leasing liabilities due to IFRS 16 in the amount of EUR 5.3 million and non-convertible convertible bonds in the amount of EUR 2.5 million, resulting in net debt of EUR 11.9 million (Dec. 31, 2020: EUR 7.3 million). The proceeds from the capital increase amounted to EUR 0.6 million in this quarter; the remaining parts were received in the fourth quarter of 2021.

Cash flow from operating activities was significantly higher than EBITDA at EUR -6.5 million (9M 2020: EUR -6.8 million) in the first nine months of 2021 due to cash inflows from the existing license agreements with Virgin Mobile and ACN/Flash Mobile. Cash flow from investing activities amounted to EUR 0.1 million (9M 2020: EUR -0.5 million) and financing cash flow was EUR 7.2 million (9M 2020: EUR 0.4 million). The latter increased in the fiscal year 2021 to date due to the proceeds from borrowings in the form of bank financing and convertible bonds as well as the issuance of shares. In the third quarter, a capital increase with subscription rights was announced, which increased the share capital. The main proceeds from the two capital increases, announced in September and November, will contribute to cash and cash equivalents in the fourth quarter. In total, a cash inflow of EUR 0.8 million in the three quarters of 2021 (9M 2020: cash outflow EUR 6.9 million) was recorded.

# Key Figures

<b>Earnings Figures</b>		<b>Q1-Q3 2021</b>	<b>Q1-Q3 2020</b>
Revenues	in EUR million	5.9	18.4
Total earnings <sup>a</sup>	in EUR million	7.3	21.5
EBITDA	in EUR million	-10.5	-2.7
EBITDA-margin <sup>b</sup>	in %	-177%	-15%
EBIT	in EUR million	-14.8	-7.1
EBIT-margin <sup>b</sup>	in %	-250%	-39%
Net income/loss	in EUR million	-11.8	-5.4
Earnings per share (undiluted)	in EUR	-1.19	-0.55

<b>Segment Figures</b>		<b>Q1-Q3 2021</b>	<b>Q1-Q3 2020</b>
Revenue BSS/OSS	in EUR million	3.8	16.1
EBITDA BSS/OSS	in EUR million	-2.7	7.7
Revenue Cybersecurity	in EUR million	2.1	2.3
EBITDA Cybersecurity	in EUR million	-6.2	-8.7

<b>Cash Flow Figures</b>		<b>Q1-Q3 2021</b>	<b>Q1-Q3 2020</b>
Operating cash flow	in EUR million	-6.5	-6.8
Investment cash flow	in EUR million	0.1	-0.5
Financing cash flow	in EUR million	7.2	0.4

<b>Balance Sheet Figures</b>		<b>30/09/2021</b>	<b>31/12/2020</b>
Assets, total	in EUR million	90.4	96.3
Equity	in EUR million	63.3	72.7
Net debt incl. IFRS 16 <sup>c</sup>	in EUR million	11.9	7.3

<b>Key Operating Figures</b>		<b>30/09/2021</b>	<b>31/12/2020</b>
Number of staff		157	149
Leads <sup>d</sup>		68	106
Addressable Market <sup>e</sup>	in million	99	74

<sup>a</sup> Comprises revenues of EUR 5.9 million plus other operating income of EUR 1.7 million, income from reversal of impairment losses of EUR 0.1 million and changes in inventories and capitalized own work of EUR -0.4 million.

<sup>b</sup> Calculated as EBITDA or EBIT divided by revenues.

<sup>c</sup> Consists of leasing liabilities EUR 5.3 million and financial liabilities EUR 7.1 million, convertible notes EUR 2.5 million less cash and cash equivalents EUR 2.9 million.

<sup>d</sup> Corresponds to leads of internal sales cycle phases: NDA, Proof of Concept, Request for Proposal/Quote, Close to Signing.

<sup>e</sup> Existing contractual relationship for which the technical integration has already been started/implemented.

# Further Information

## Financial Calendar

In the future, cyan AG will keep the capital market regularly informed about its business performance and will be (virtually) represented at several analyst and investor conferences internationally.

↖ The latest dates, upcoming events and news for the year 2021 and 2022 will be continuously updated on the website at [ir.cyansecurity.com/en/news-events](https://ir.cyansecurity.com/en/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.

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 materialize.

### 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 report. In case of deviations, the German version prevails. The interim report is available for download in both languages in the Investor Relations section of the website.

↖ [ir.cyansecurity.com](https://ir.cyansecurity.com)

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