

# Quarterly Statement

## Third Quarter 2020



**CYan**  
DIGITAL SECURITY

**cyan** AG, Munich DE

# Quarterly Statement

## Course of Business

The third quarter was strongly influenced by COVID-19 as well. We continue to experience increased demand for our products from existing customers – both malware and phishing activity during the lockdown caused by the pandemic, and the security needs of end customers who are in the home office, have increased sharply. At the same time, we are experiencing slow-moving business with new customer projects. On the one hand, the widespread short-time work among our telecom customers is causing a certain bottleneck in resources and thus integration projects. On the other hand, travel restrictions mean that customer contact is mainly virtual, which does not exactly help or speed up the conclusion of contracts. Our customers COVID-19 are also increasingly experiencing budget bottlenecks for new IT projects.

Nevertheless, the deals with Virgin Mobile and MobiFone confirm the positive demand for cyan's solutions and, given our significant pipeline of potential customers, we expect to sign further contracts in all business areas in the coming months.

We can report positive developments among our existing customers. In the BSS/OSS segment, the number of users on the MVNO platforms of Virgin and Grameenphone, for example, increased continuously. Furthermore, several interesting MVNOs in Latin America and Europe are in the process of signing contracts with cyan, which will further increase our customer base in this segment.

In the cybersecurity segment, we completed the installation of our child-protection app for both Android and iOS with MobiFone Vietnam. The joint product is already being marketed. In the next step, we are negotiating with MobiFone to expand the business relationship within the group as well as the rollout of our endpoint security solution. The Aon CySec app, released in the second quarter, entered the marketing phase. Here, the joint solution will first be distributed in Austria and Switzerland, then throughout Europe.

Perceptible progress has also been made at Orange. After handing over the software solution to Orange France at the beginning of the year, the technical testing phase has now also been completed. The next step was the start of "friendly customer testing". In addition, detailed discussions and negotiations with other Orange national companies have been initiated and are already at an advanced stage in some cases. Due to the less complex network environment in most of these countries, we expect a faster implementation and inclusion of all customer groups as well as the entire cyan cybersecurity product range from the beginning.

In December, a partnership with Secure64 was announced to develop 360-degree security solutions in the area of DNS technology. DNS infrastructure is an integral and critical component of all mobile and fixed network Internet providers. Secure64, based in Fort Collins, USA, is a market leader in the DNS-based network solutions segment and has numerous Tier-1 telecommunications companies as customers. The cyan software filter technology in turn is based exactly on the DNS node of the telecom network. With the joint approach, the know-how of both companies in different areas of the DNS business can be bundled to generate the best possible product offering for large Tier-1 operators.

First projects have already been launched, some of which are already at an advanced stage.

In order to further streamline the corporate structure, applications for the merger of several companies within the group were submitted to the competent registry courts in September and have since been implemented. Details of the target structure are explained in the Half-Year Report 2020.

🔗 [ir.cyansecurity.com/publications](https://ir.cyansecurity.com/publications)

In mid-September a change in the Management Board of cyan AG was announced. Peter Arnoth, CEO of many years, will retire from the board at his own request and resign at the end of December 2020. His designated successor is Frank von Seth, who will take up his new function on 1 January 2021. Over the past ten years, Frank has held various management positions at the world's leading risk adviser AON. Most recently, he was Chief Commercial Officer for Austria and Switzerland. There he was able to conclude numerous major contracts with multinational clients. Prior to this, Frank worked for QBE Insurance and Euler Hermes Kreditversicherungs AG, including about eight years in Japan and Australia.

There will also be a change in the Supervisory Board. Volker Rofalski will leave the board at his own request on 31 December 2020. The Supervisory Board will propose Alexander Schütz, one of the largest investors in cyan AG, for the court appointment as a new member to fill the vacant supervisory position. The change is expected to be completed by the end of the year.

## Annual General Meeting

At the second Annual General Meeting of cyan AG, which was held in virtual format this year due to COVID-19, the Management Board and Supervisory Board of cyan AG received great approval from the shareholders for the strategy and orientation adopted by the company. The attendance quorum was 64.43%. All items on the agenda were approved by a large majority (at least 80% for each item).

In addition to discharging the Management Board and the Supervisory Board and electing HLB Dr. Stückmann und Partner mbB as the auditing company for the 2020 financial year, the Annual General Meeting also approved the creation of new authorized capital and the corresponding amendment to the Articles of Association.

In addition, the Articles of Association were adapted to the second shareholder rights directive (ARUG II). This directive regulates the participation and submission of voting rights in the course of a virtual general meeting. Details of the Annual General Meeting, including the voting results, are available on the website in the Investor Relations section.

🔗 [ir.cyansecurity.com/news-events/#annual-general-meeting](https://ir.cyansecurity.com/news-events/#annual-general-meeting)

## Earnings, Assets and Financial Position

Recorded total earnings in the first nine months of 2020 amounted to EUR 21.5 million and consisted of EUR 18.4 million in revenue, EUR 0.7 million in other operating income, EUR 0.6 million in income from reversal of impairment and EUR 1.7 million in capitalized own work. The change in capitalized own work is attributable to the integration at Orange.

EBITDA amounted to EUR -2.7 million for the three quarters, due among others to the derecognition of receivables from Wirecard. In addition, the occurrence of contractually agreed preconditions for a waiver of receivables from Virgin Mobile in the amount of EUR 1.6 million (due to exchange rate effects as of 30 June 2020: EUR 1.7 million) and the likely achievement of the EBITDA thresholds for the year 2020 determined when cyan AG acquired I-New Unified Mobile Solutions AG (today: I-New Unified Mobile Solutions GmbH) triggering an additional purchase price payment of EUR 1.0 million was accordingly taken into account for accounting purposes in the second and third quarter respectively. Furthermore, exchange rate differences in the amount of EUR 1.8 million had a negative impact on EBITDA in the third quarter.

The operating result (EBIT) was EUR -7.1 million. Earnings before taxes (EBT) amounted to EUR -6.7 million and the loss after nine months was EUR 5.4 million. Accordingly, undiluted earnings per share in the first three quarters of 2020 were EUR -0.55.

Revenues in the first nine months are largely attributable to the BSS/OSS segment; a significant portion of revenues is attributable to the substantial license agreement with Virgin Mobile in the second quarter. The cybersecurity segment was negatively impacted by the write-down in connection with the Wirecard insolvency. Revenue and EBITDA in the third quarter are divided roughly equally between the two segments.

Total assets amounted to EUR 97.9 million as of 30 September 2020. Equity totals EUR 76.8 million, which corresponds to an equity ratio of 78.4%.

Cash flow from operating activities amounted to EUR -6.8 million in the first three quarters, cash flow from investing activities to EUR -0.5 million and cash flow from financing activities to EUR 0.4 million, bringing total cash flow to EUR -6.9 million.

Net debt thus totaled EUR 3.2 million as of 30 September 2020, with cash amounting to EUR 3.0 million. The change is mainly due to the increase in leasing liabilities in connection with IFRS 16, and a credit line that was agreed with an Austrian bank to secure liquidity.

## Outlook

The COVID-19 crisis appears to be far from over and is also having a significant impact on our company. After the relatively "normal" summer months, the whole of Europe is suffering from a second wave of the pandemic. As during spring, cyan as a digital company was able to continue integration work on customer projects almost unabated. However, due to often tightening budgetary situation, we are increasingly experiencing delays in decision-making regarding new projects.

The renewed travel restrictions are also making personal customer contact more difficult. In the medium term, however, we are confident that this crisis will provide a boost for digitization and thus also for mobile Internet protection. On the other hand, technical integrations, product launches, and the conclusion of contracts for our customer projects will tend to get pushed back even further.

# Key Figures

<b>Earnings figures</b>		<b>Q1-Q3 2020</b>	<b>Q1-Q3 2019</b>	<b>Q3 2020</b>	<b>Q3 2019</b>
Total earnings <sup>a</sup>	in EUR Mn.	21.5	11.9	2.2	4.0
EBITDA <sup>b</sup>	in EUR Mn.	-2.7	-2.3	-4.9	-1.3
EBITDA-Margin <sup>c</sup>	in %	-15%	-22%	-329%	-18%
EBIT	in EUR Mn.	-7.1	-6.6	-6.3	-2.7
EBIT-Margin <sup>c</sup>	in %	-39%	-61%	-424%	-39%
Net income (loss)	in EUR Mn.	-5.4	-6.5	-6.0	-2.6
Earnings per share	in EUR	-0.55	-0.67	-0.62	-0.26

<b>Segment Figures</b>		<b>Q1-Q3 2020</b>	<b>Q1-Q3 2019</b>	<b>Q3 2020</b>	<b>Q3 2019</b>
Revenue BSS/OSS	in EUR Mn.	16.1	n.a.	0.7	n.a.
Revenue Cybersecurity	in EUR Mn.	2.3	n.a.	0.8	n.a.
EBITDA BSS/OSS	in EUR Mn.	7.7	n.a.	-1.9	n.a.
EBITDA Cybersecurity	in EUR Mn.	-8.7	n.a.	-1.6	n.a.

<b>Cash Flow Figures</b>		<b>Q1-Q3 2020</b>	<b>Q1-Q3 2019</b>	<b>Q3 2020</b>	<b>Q3 2019</b>
Operating cash flow	in EUR Mn.	-6.8	-4.1	-2.5	-1.2
Investment cash flow	in EUR Mn.	-0.5	-2.7	-0.0	-2.7
Financing cash flow	in EUR Mn.	0.4	15.4	0.8	13.3

<b>Balance Sheet Figures</b>		<b>30/09/2020</b>	<b>30.09.2019</b>	<b>31.12.2019</b>	<b>31.12.2018</b>
Assets total	in EUR Mn.	97.9	87.5	99.3	81.7
Book equity	in EUR Mn.	76.8	70.6	82.2	50.6
Net debt <sup>d</sup>	in EUR Mn.	3.2	-10.4	-5.1	9.8

<b>Key Operating Figures</b>		<b>30/09/2020</b>	<b>30.09.2019</b>	<b>30.06.2020</b>	<b>30.06.2019</b>
Number of staff		145	126	145	121
Leads in advanced stage <sup>e</sup>		79	n.a.	79	n.a.
Addressable market <sup>f</sup>	in Mn.	65	50	65	50

<sup>a</sup> Consisting of sales revenue of EUR 18.4 million, other earnings EUR 0.7 million, income from reversal of impairment EUR 0.6 million, changes in inventories and unfinished goods and work in progress EUR 1.7 million

<sup>b</sup> Including the extraordinary write-down of the contract assets/claim from the Wirecard insolvency

<sup>c</sup> Calculated as EBITDA or EBIT divided by sales revenue

<sup>d</sup> Consisting of leasing liabilities EUR 5.1 million and other liabilities EUR 1.1 million less cash EUR 3.0 million

<sup>e</sup> Corresponds to leads according to the internal sales cycle phases: Proof of Concept, Request for Proposal/Quota, Close to Signing

<sup>f</sup> Existing contractual relationship where technical integration has already been started/implemented

# Further Information

## Financial Calendar

<b>Event</b>	<b>Date</b>	<b>Location</b>
20 <sup>th</sup> German Corporate Conference	18 Jan 2021	virtual
Annual Report 2020	29 Apr 2021	-
German Spring Conference 2021	17 - 19 May 2021	Frankfurt, DE

Current information about upcoming events and news for 2021 are continuously updated on the website.

🔗 [ir.cyansecurity.com/news-events/#financial-calendar](https://ir.cyansecurity.com/news-events/#financial-calendar)

## 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 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.

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