

# Project Aries

April 2020



**CROSSWORD**  
CYBERSECURITY

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# CROSSWORD CYBERSECURITY PLC

British cyber security business

commercialising knowledge

developed in world class universities into

products and services



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# EXECUTIVE SUMMARY

## Proposed Fundraise - Summary

- Propose to raise £1m
- EIS Advance Assurance Mar 2020
- 2019 results in line with market expectations
- Rizikon Assurance traction – pipeline almost £4m, 30% increase since Sept 19
- Consulting pipeline £1.9m
- Rizikon V2 launched Sept 2019
- Product and Consulting Revenue increased by 51% in 2019
- Consulting division launched its vCISO service (virtual Chief Information Security Officer), securing its highest value, recurring revenue deal, extending to 2022
- Worked with Imperial College London on enhancements to our second product, Nixer CyberML, launched Nov 2019



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“The partner agreements signed in 2019, potentially give thousands of customers access to Rizikon. Rizikon is in a very strong position going in to 2020 with multiple opportunities with our partners and directly, some of considerable size.” Tom Ilube, Feb 2020

# EXECUTIVE SUMMARY

## Proposed Fundraise - Summary

- Appointed a new Advisory Board made up of senior figures from academia, the corporate world and government
- Agreed two major distribution deals
- Deal signed Mar 20 with Satisnet, leading IT Security reseller
- Issued £1.4m Convertible Loan Notes
- COVID – 19
  - causing uncertainty in the market
  - specific sectors very hard hit; travel, leisure
  - some delay in delivering contracted work
  - security even more important in this period
  - Crossword has identified actions to be taken
- 3 contracts signed week commencing 23<sup>rd</sup> Mar



“Our staff numbers have increased by almost 40% in 2019, and along with the recent appointment of a very experienced Group Sales Director strengthening the Leadership team, gives us the power to deliver growth in 2020.” Tom Ilube, Feb 2020

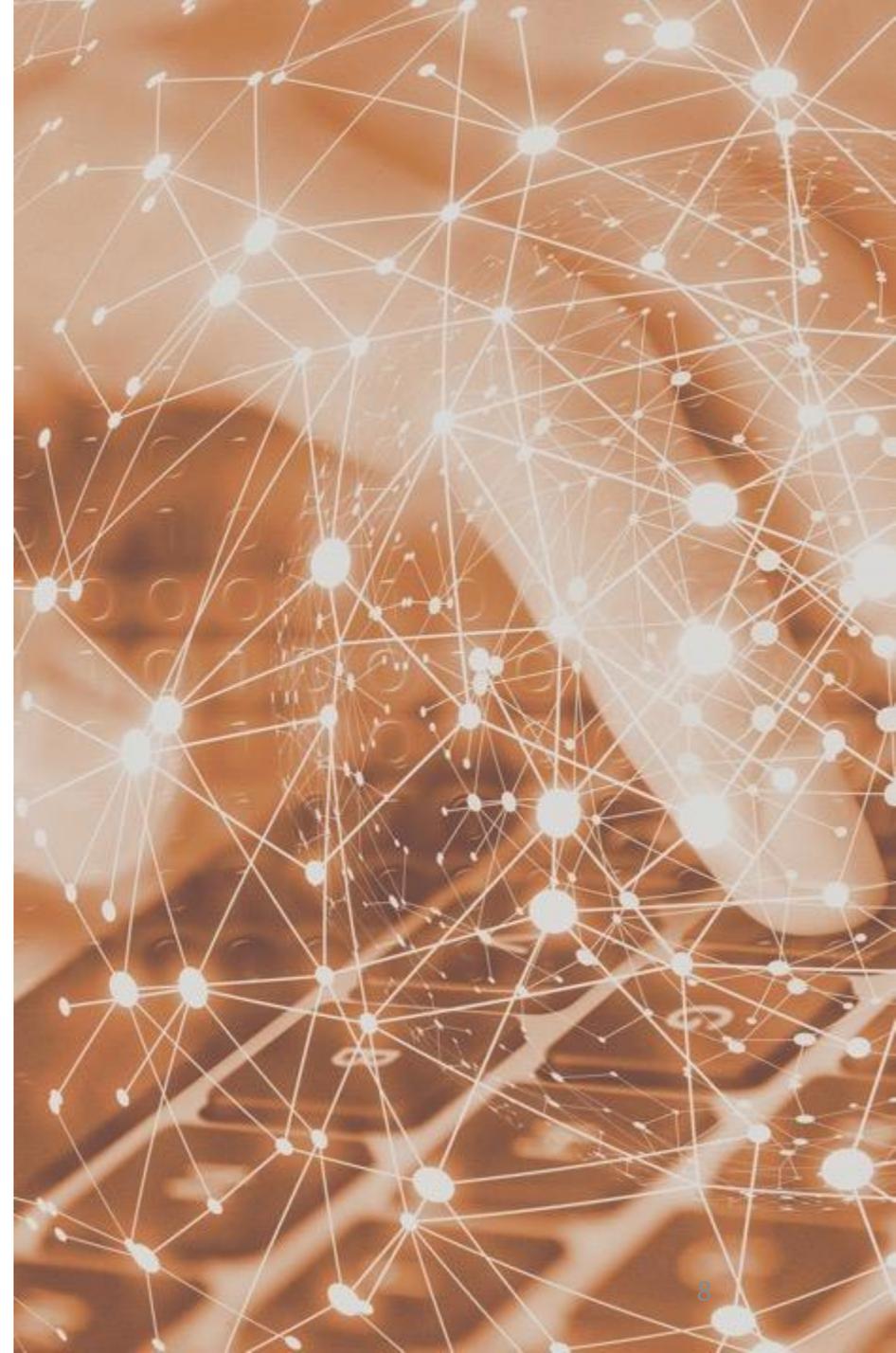
# Trading Update – Feb 2020

- Results for the Financial Year ended 31 December 2019, in line with market expectations
- Overall revenue during the year is expected to increase by 22% to £1.3m. Within that, revenues from product and consulting revenue are anticipated to expand by 51%, reflecting the Company's shift from software development services to its core of product and consulting revenue. Cash balances as at 31 December 2019 were £1.5m.
- As well as continuing to grow the internal pipeline for Rizikon during 2019, Crossword began collaborations with Leonardo MW Ltd, a global high-tech Aerospace Defence and Security company, and NCC Group plc, the global cyber security expert, to use Crossword's third party assurance product, Rizikon, to support their client services delivery.
- Nixer CyberML, a new family of machine-learning based security and anti-fraud software products that help organisations easily and quickly build these capabilities into applications, was launched in November 2019.
- The Consulting division launched its vCISO (virtual Chief Information Security Officer) solution and signed its largest contract to date, spanning three years.



# Cyber-Security – the Opportunity

- **Growth** - The cyber-security market grew by roughly 35X over 13 years to 2017. Cybersecurity Ventures' 2019 Cybersecurity Market Report June 10, 2019
- **Spend** - Cyber-security Ventures predicts global spending on cybersecurity products and services will exceed \$1 trillion cumulatively over the five-year period from 2017 to 2021. Cybersecurity Ventures' 2019 Cybersecurity Market Report, Jun 2019
- **Value** - The cyber-security market size was valued at \$104.60 billion in 2017 and is projected to reach \$258.99 billion by 2025. Allied Market Research Cyber Security Market Outlook – 2025, Mar 2019



# UK has historically been a world leader in **research** but is not as skilled at **commercialisation**

Bletchley Park heralded the birth of the information age with the industrialisation of codebreaking processes.

There are 2 parties required to turn research into commercial success;

1. University with a technology to share
2. Business that wants to develop the technology

(OECD) figures from 2015 show that while UK business was spending 1.12% of GDP on R&D, the OECD average was 1.65%

The Science and Technology Committee Chair Andrew Miller MP, said: “The UK’s university and science sector is a global success, but the challenge for Government is how that world class academic research can be translated into commercial activity.”

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## Strong Leadership Team

- Chair Sir Richard Dearlove KCMG OBE, former head of MI6, Chair of Trustees of University of London
- CEO and founder Tom Ilube CBE, Non-Exec Director BBC, ex-Goldman Sachs, PwC, former CIO Egg Banking plc, Advisory Fellow St Anne's College, Oxford University
- Advisory Board: Dr. Robert Coles, Professor Nick Jennings, General Sir Nick Houghton & Dr. Una-May O'Reilly (MIT)
- Group Sales Director, Sean Arrowsmith, appointed Dec 2019. Brings 19 years of pure sales experience, building consulting and product sales teams in information security at Altran World Class Centre (IRM Ltd), Siemens Insight Consulting

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Leader in the commercialisation of cyber security research originating in universities

- Database of 1,200 cyber security research projects in universities globally equals unique overview of who is doing what in cybersecurity research
- Working relationships with academic leaders in cyber security
- MoU with IP Group, main market listed tech & IP transfer company



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## Products



Rizikon	Enterprise-class Third-party Risk Assurance – v2 launched Sept 2019
Nixer CyberML	Machine-learning based Application protection
Product 3	Workshops with 3 world-class AI Research Universities (Edinburgh, Imperial, MIT) and 4 major companies
Consulting	Cyber Security Consulting
CyberOwl	Intrusion early warning system from Coventry University
ByzGen	Blockchain systems for Defence & Intelligence, from ideas generated at Warwick University and EPFL, Switzerland



## Rizikon Assurance

Online system that improves Third-Party Assurance and Risk Management, through efficiency, automation and better visibility.

Started as a cyber-risk tool based on initial research by City, University of London.

Rizikon V2 released in Sept 2019 includes Creditsafe integration, 360-degree Supplier Scorecards and a world-first Assurance Framework Dashboard showing a complete view of supply-chain risk. Within a month of release, we had signed up a FTSE 250 client.

Two Distribution Partnerships signed in 2019, broadening the reach of Rizikon and provide the potential for cyber security offerings at Government, Defence and Critical National Infrastructure both in the UK and internationally

- NCC Group plc, global cyber security experts
- Leonardo MV, a global high-tech Aerospace Defence and Security company.

# Rizikon Assurance

SUMMARY

ASSESSMENTS

ORGANISATIONS

CONTACTS

Tools ▾

Fiona ▾



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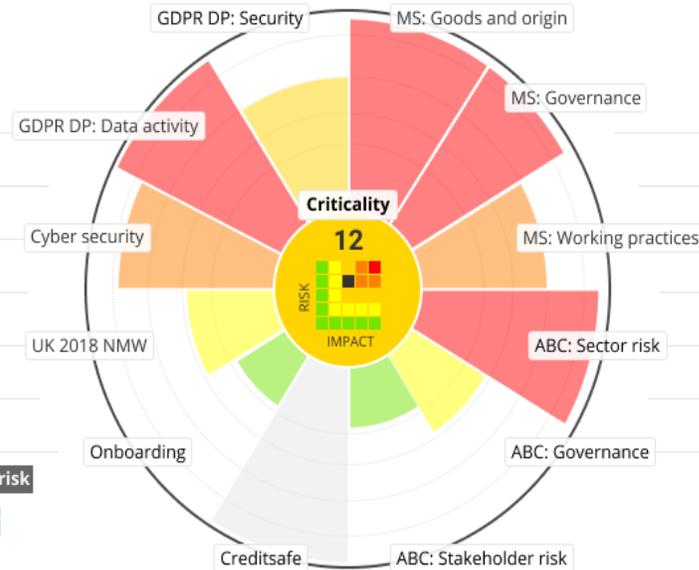
## Crossword Cybersecurity ▾

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### KEY INFORMATION

Impact	Medium (3)
Turnover (last year)	£1,333,121
Certificate A renewal	12/03/2019
Certificate B renewal	04/11/2019
Relationship manager	John James
Company type	Private Ltd.
Location	London
Categories	<b>ISO 9001</b> <b>V. high risk</b> <b>Approved supplier</b>



### RISK DETAILS

Insurance cover	Low
H&S investigations	Yes
GDPR relevant	Yes
Processing data	Outside EU
ISO 27001	No
Cyber Essentials	Yes
MS statement	Available
MS high risk goods and locations	Palm oil, Syria, Footballs, Pakistan

# Rizikon Traction



Luxury Car  
Manufacturer

**NMC** Nursing &  
Midwifery  
Council



Government Department

**Barron  
McCann**

FTSE 250 Chemical

Housing Association



**NUVIA**



Multi Academy Trust

UK Rail ROC

Top 30 Accountancy Firm



**CAMMELL LAIRD**

# Revenue and Client growth – Rizikon Traction



- UK market size estimated at £300m per annum.
- Rizikon pipeline continues to grow, currently almost £4m
- Clients are from multiple sectors
- Multi-million pound Partner led opportunities (not included in £4m pipeline)

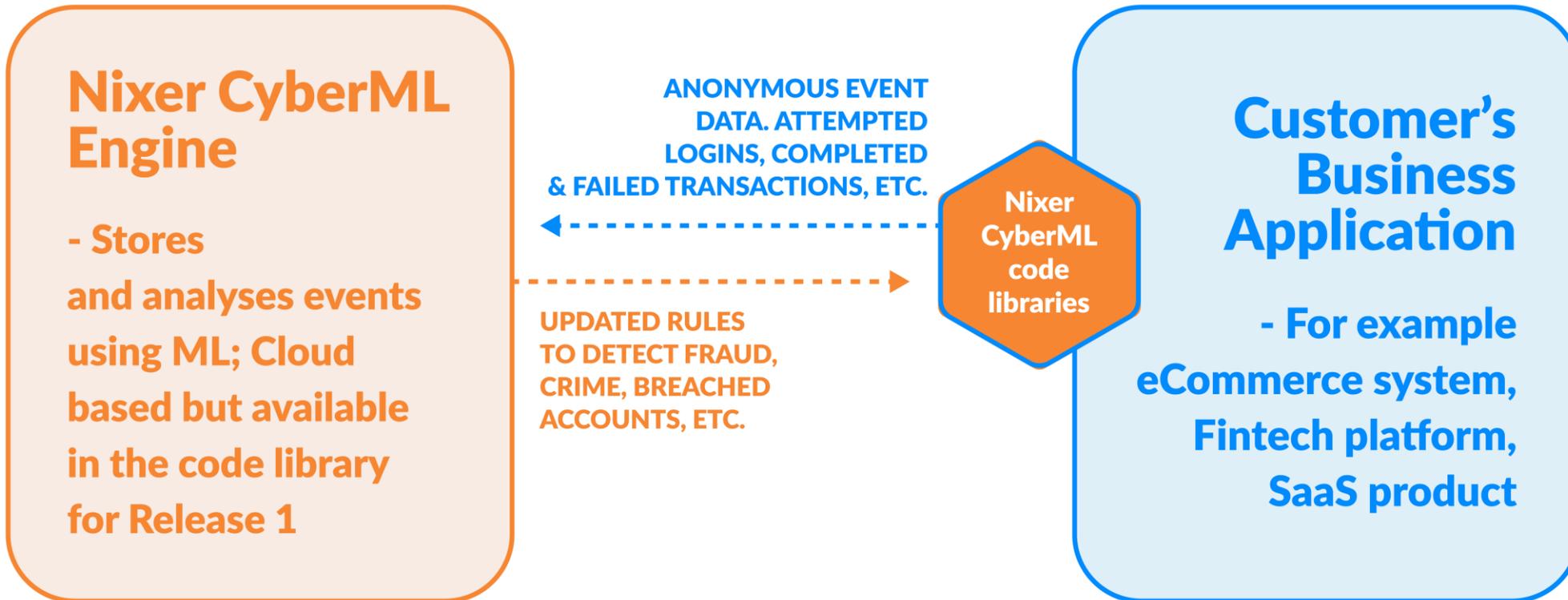




# User Behaviour & ML

- Cyber crime, fraud, ATOs, cyber-human hacking, and malicious user behaviour happen on an industrial scale
- Existing application protection solutions help, but not enough
- Enterprises and SaaS vendors need to build the ability to learn how to distinguish normal user behaviour from malicious activity into their applications
- Machine-learning applied to User Behaviour isn't easy or quick, and requires new skills and tools. This led to Nixer CyberML





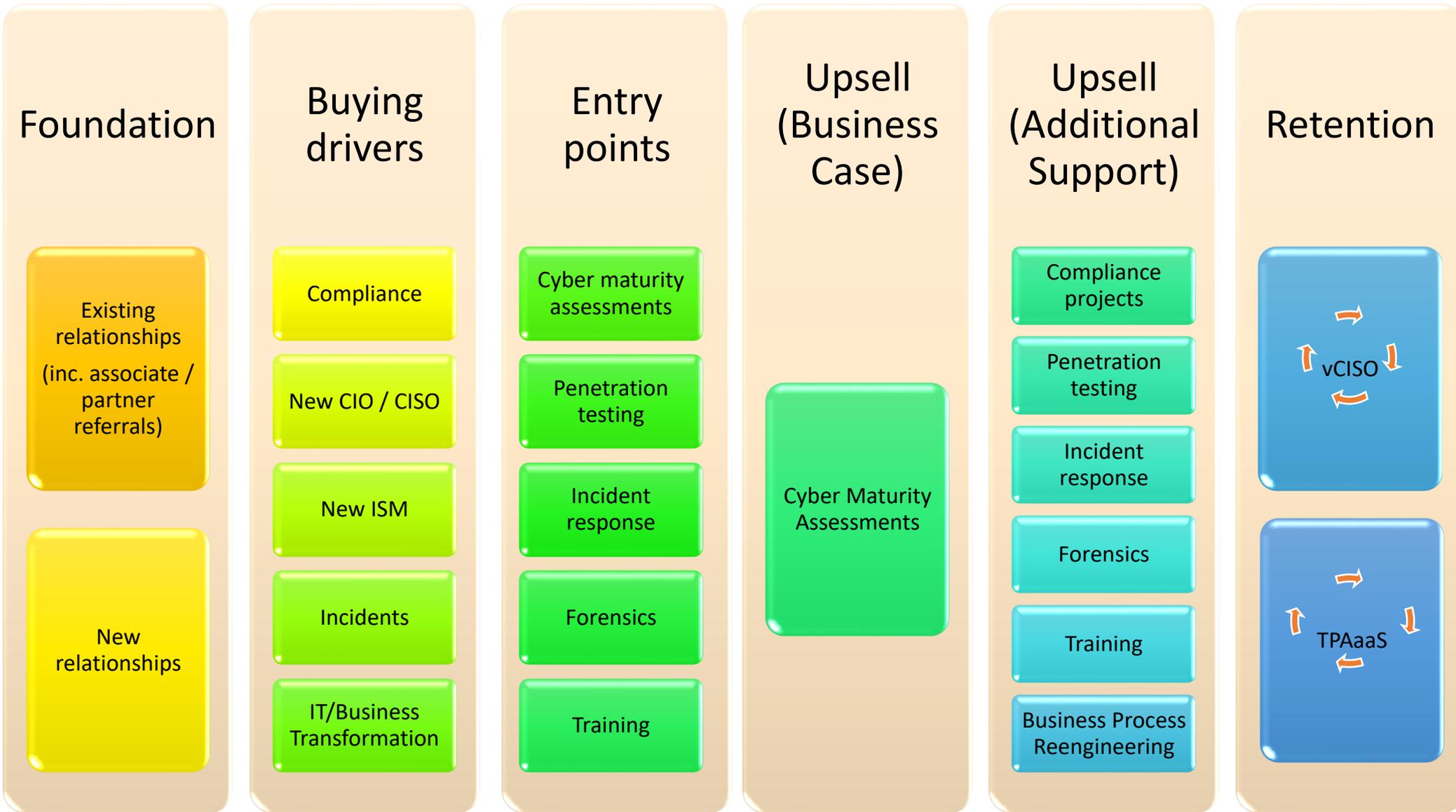


# CONSULTING



- Strategic to our product business and vice versa
- Worked with over 50 clients across multiple sectors to date
- CREST accredited in 2019 for penetration testing services
- Multiple Rizikon Assurance driven, third party risk consulting opportunities
- Launched vCISO proposal in 2019





Crossword Consulting target client journey



# Revenue and Client Growth - Consulting



- Consulting pipeline is £1.9m
- Clients are across sectors Professional Services, Financial Services, Nuclear, Technology
- Consulting launched its vCISO service and secured its highest value, multi-year contract to date in 2019. For a monthly retainer, clients get tailored information security support
- 5 vCISO contracts signed, 11 in pipeline with average annual contract value of £82k.



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# Facts and Figures



- Founded Mar 2014; Admitted to AIM Dec 2018
- 2 offices; Richmond, Surrey & Krakow, Poland
- Total staff of 42
- Engaged with 40+ universities
- Rizikon V2 launched Sept 2019
- Nixer CyberML launched Nov 2019
- Strong product revenue growth; 2019 total revenue growth of 22%, in line with market expectations; Product and Consulting revenue growth of 51%. Rizikon pipeline more than doubled in 2019
- Consulting launched its vCISO service and secured its highest value, multi-year contract to date in 2019
- Raised £1.4m in convertible debt in Dec 2019
- Good start to 2020 with multiple contracts signed
- Over £600k revenue in hand for next twelve months



# Use of Proceeds/Timetable



- Crossword is looking to raise up to £1 million gross by way of a placing of Ordinary Shares
- Tom Ilube, CEO, plans on investing in this fundraise when the Company is out of a close period
- Funds raised together with existing capital expected to be sufficient to meet Crossword's working capital needs for 12 months
- Crossword is taking measures to react to any negative impact of Coronavirus, eg CBILS application, deferred payments, furlough employees
- Funds will be used for:
  - Marketing and sales £0.5m
  - Product development £0.4m
  - General working capital £0.1m
  - **Total £1.0 million**

<b>30 March to 6 April</b>	<b>Roadshow</b>
<b>On or around 7 April</b>	Book Close
<b>On or around 8 April</b>	Send Placing letters/subscription letters
<b>On or around 9 April</b>	Placing Letters returned/Sign placing agreement
<b>On or around 14 April</b>	Placing Announced
<b>On or around 20 April</b>	Admission of new shares to AIM

# Historical Financial Information



## Consolidated Statement of Comprehensive Income

12 Months ended 31st December

	Audited			
	2015	2016	2017	2018
	£	£	£	£
Revenue	20,613	344,736	736,546	1,067,609
Cost of Sales	(247,630)	(788,666)	(1,062,350)	(1,013,521)
Gross Profit (Loss)	(227,017)	(443,930)	(325,804)	54,088
Other operating income-research & development tax credits		78,354	97,716	192,149
Administrative expenses	(530,414)	(585,329)	(956,126)	(2,335,228)
Share based payments	(16,455)	(18,636)	(15,784)	(45,751)
Finance income-bank interest receivable	2,181	1,354	976	3,727
Finance costs-other interest payable	-	(73)	(1,402)	(1,237)
Loss for the year/period before taxation	(771,705)	(968,260)	(1,200,424)	(2,132,252)
Tax expense	-	(3,267)	(4,730)	(8,052)
Loss for the Year / Period	(771,705)	(971,527)	(1,205,154)	(2,140,304)
Other Comprehensive Income				
Items that may be reclassified to profit or loss:				
Foreign Exchange Translation Gain (Loss)	(1,659)	6,205	4,265	(13,542)
<b>Total Comprehensive Loss</b>	<b>(773,364)</b>	<b>(965,322)</b>	<b>(1,200,889)</b>	<b>(2,153,846)</b>
Earnings Per Share	(0.38)	(0.39)	(0.39)	(0.55)

# Historical Financial Information



## Consolidated Statement of Financial Position

as at 31st December

	Audited			
	2015	2016	2017	2018
	£	£	£	£
<b>Non-Current Assets</b>				
Tangible assets	3,635	2,280	12,408	12,066
Intangible assets	816	583	-	-
Investments in other unlisted investment & subsidiary	-	31	31	31
Right of use asset				
<b>Total non-current assets</b>	<b>4,451</b>	<b>2,894</b>	<b>12,439</b>	<b>12,097</b>
<b>Current Assets</b>				
Trade and other receivables	30,763	178,154	175,580	559,387
Cash and cash equivalents	1,227,481	1,548,906	490,090	2,222,706
<b>Total current assets</b>	<b>1,258,244</b>	<b>1,727,060</b>	<b>665,670</b>	<b>2,782,093</b>
<b>TOTAL ASSETS</b>	<b>1,262,695</b>	<b>1,729,954</b>	<b>678,109</b>	<b>2,794,190</b>
<b>EQUITY</b>				
Attributable to the owners of the Company				
Share Capital	119,173	156,015	159,173	234,022
Share premium account	2,080,827	3,413,416	3,555,522	7,513,906
Other reserves	16,455	35,091	50,875	96,626
Retained earnings	(1,010,385)	(1,981,912)	(3,187,066)	(5,327,370)
Translation of foreign operations	(2,941)	3,264	7,529	(6,013)
<b>Total equity</b>	<b>1,203,129</b>	<b>1,625,874</b>	<b>586,033</b>	<b>2,511,172</b>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Trade and other payables	59,566	104,080	92,076	283,018
<b>Total current liabilities</b>	<b>59,566</b>	<b>104,080</b>	<b>92,076</b>	<b>283,018</b>
Borrowings				
Lease Liabilities				
<b>Total Liabilities</b>	<b>59,566</b>	<b>104,080</b>	<b>92,076</b>	<b>283,018</b>
<b>Total Equity &amp; Liabilities</b>	<b>1,262,695</b>	<b>1,729,954</b>	<b>678,109</b>	<b>2,794,190</b>



# CROSSWORD CYBERSECURITY PLC

British business with a diversified portfolio operating in an exciting area of growth

SaaS and recurring revenue models provide income stream into the future

Institutional investor support reflects the market's confidence in Crossword's ability to capitalise on the Cybersecurity opportunity

A photograph of two business professionals shaking hands over a desk with papers and a pen. The image is overlaid with a semi-transparent brown filter. A white rectangular box with a thin orange border is centered over the handshake, containing the text 'THANK YOU' in white, bold, uppercase letters.

**THANK YOU**