

Project Cornflower

The background features a dark blue grid of hexagons. Some hexagons are highlighted with a lighter blue glow. Scattered throughout the grid are several padlock icons, some in a lighter blue color and others in a darker blue. A solid yellow horizontal bar is positioned below the main title.

Investor Presentation – July 2023

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Summary

Crossword is on a clear **path to profitability** and is fund raising a **final working capital** round of **c£2.5m** to take Crossword to breakeven during 2024



Funding – £2.5m VCT convertible Loan Note and equity to take Crossword to cash flow breakeven and EBITDA profitability



Path to Profitability – clear focus on achieving EBITDA and cash breakeven during 2024



Trading Update – on target to achieve market expectations. Constant ‘temperature checks’ of the cyber market showing no indication of slow down amongst Crossword’s core regulated and CNI clients



Outlook – 2024 revenue expected to exceed £8m, pivot to EBITDA and cash breakeven during 2024

Use of Funds

- Sales and marketing £0.3m
- Product and services development and support £1.1m
- Working Capital £1.1m
- Total £2.5m

2023 results expected to **meet market expectations**

- No indication of slowdown in cyber market amongst Crossword's core regulated and CNI clients
- H1 Update – compared to H1 prior year
 - ✓ Revenue – growth of 27%
 - ✓ ARR – growth of 35%
 - ✓ Costs – remaining static and reducing as % of revenue
 - ✓ Other – Gross Margin improvement
- Product developments – Supply Chain Cyber & Trillion
- Total focus on organic revenue growth over the next 18 months
- Increased emphasis on targeting larger clients that can make full use of Crossword's range of products and services

Crossword is on a clear Path to Profitability



- **Cash and EBITDA breakeven** expected to be achieved on a monthly basis H2 2024
- **Focused revenue growth** plans. New initiatives include:
 - ✓ 10 Key accounts identified within current client base, each with the ability to be £1m revenue clients
 - ✓ Cross selling targets and incentives for all client facing consultants
 - ✓ Currently 100+ active clients
 - ✓ Engagement through CISO breakfasts and dinners
- **Cost reduction plan** activated
 - ✓ Headcount reduced by c12% in H1/2023
 - ✓ R&D spend expected to reduce as a percent of revenue and in absolute terms as core products reach maturity
 - ✓ Overheads as a percent of revenue expected to drop by half by the end of 2024 compared to 2022
- Total focus on **organic revenue growth** over the next 18 months
- Increased emphasis on **targeting larger clients** that can make full use of Crossword's range of products and services

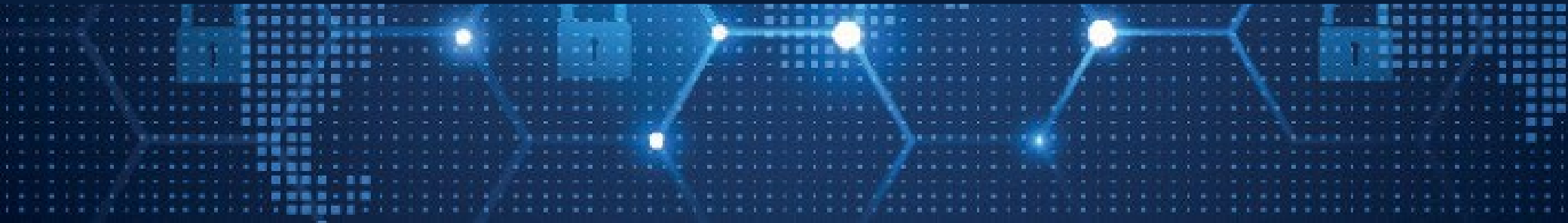
Revenue expected to increase by 30% to **£8m** in **2024**

- £8m+ revenue in 2024
- Reach monthly EBITDA and cash breakeven H2 2024
- Drivers for achieving breakeven
 - ✓ Revenue growth – 30% per annum
 - ✓ Product and consulting mix – continue to increase software as a proportion of overall revenue, aiming to increase from 17% in 2022 towards 25% in 2024
 - ✓ Margin improvement in services with continued economies of scale and delivery to larger clients
 - ✓ Cost control

Indicative CLN Terms & Timetable

- **Indicative CLN Terms**
 - ✓ 5 Year Term
 - ✓ 12% Interest Rate
 - ✓ Deferred Interest
 - ✓ Conversion Price at 15% discount
 - ✓ Redemption Premium equivalent to 12% interest over the life of the loan

Appendix



FT 2022 Financials

Consolidated Financial Statements

for Crossword Cybersecurity PLC company number 08927013

| Consolidated Statement of Comprehensive Income | | 12 Months ended | 12 Months ended |
|---|-------|---------------------------|---------------------------|
| | | 31st December | 31st December |
| | Notes | 2022 | 2021* |
| | | £ | £ |
| Revenue | 2 | 3,648,000 | 2,171,137 |
| Cost of Sales | 3 | (2,755,662) | (1,631,384) |
| Other income | 6 | 39,814 | 152,347 |
| Gross Profit | | <u>932,152</u> | <u>692,100</u> |
| Administrative expenses | 3,4 | (4,967,499) | (3,481,809) |
| Other operating expense | 7 | (304,457) | (104,124) |
| Finance income-bank interest income and foreign exchange | | (1,569) | 4,956 |
| Finance costs-other interest expense | 8 | (395,762) | (220,545) |
| Gain on remeasurement of financial assets and liabilities | 9 | 170,283 | 456,803 |
| Loss for the year before taxation | | <u>(4,566,852)</u> | <u>(2,652,619)</u> |
| Tax credit / (expense) | 11 | 1,144,302 | 378,995 |
| Loss for the Year | | <u>(3,422,550)</u> | <u>(2,273,624)</u> |
| Other Comprehensive Income | | | |
| Items that may be reclassified to profit or loss: | | | |
| Foreign exchange translation Gain / (Loss) | | 1,782 | (13,220) |
| Total Other Comprehensive Income | | 1,782 | (13,220) |
| Total Comprehensive Loss | | <u>(3,420,768)</u> | <u>(2,286,844)</u> |
| Loss for the period attributable to: | | | |
| Owners of the parent | | (3,408,149) | (2,229,296) |
| Non-controlling interests | | (14,401) | (44,328) |
| Total Loss for the Year | | <u>(3,422,550)</u> | <u>(2,273,624)</u> |
| Total comprehensive loss for the period attributable to: | | | |
| Owners of the parent | | (3,406,367) | (2,242,516) |
| Non-controlling interests | | (14,401) | (44,328) |
| Total Comprehensive Loss | | <u>(3,420,768)</u> | <u>(2,286,844)</u> |
| Loss Per Share (basic) | 23 | (0.04) | (0.03) |
| Loss Per Share (diluted) | | (0.04) | (0.03) |

All results are derived from continuing operations

* Restated (as per note1.2)

FT 2022 Financials

| Statement of Financial Position as at 31 December | | Group | Group | Company | Company |
|---|-------|------------------|------------------|------------------|------------------|
| | Notes | 2022 | 2021 | 2022 | 2021 |
| | | £ | £ | £ | £ |
| Non-Current Assets | | | | | |
| Intangible assets | 13 | 2,708,423 | 1,103,679 | 2,197,206 | 521,603 |
| Tangible assets | 14 | 45,039 | 5,460 | - | - |
| Goodwill | 15 | 875,277 | 875,277 | - | - |
| Unlisted investment | 16 | 456,834 | 456,834 | 456,834 | 456,834 |
| Investments in subsidiaries | 17 | - | - | 1,649,145 | 1,637,518 |
| Intercompany receivable greater than one year | | - | - | 1,067,185 | 918,206 |
| Total non-current assets | | 4,085,573 | 2,441,250 | 5,370,370 | 3,534,161 |
| Current Assets | | | | | |
| Trade and other receivables | 18 | 2,078,050 | 1,066,076 | 1,918,525 | 838,622 |
| Current tax receivable | | 398,511 | - | 368,393 | - |
| Cash and cash equivalents | | 2,077,771 | 3,373,062 | 1,746,530 | 3,106,817 |
| Total current assets | | 4,554,332 | 4,439,138 | 4,033,448 | 3,945,439 |
| Total Assets | | 8,639,905 | 6,880,388 | 9,403,818 | 7,479,600 |
| EQUITY | | | | | |
| Attributable to the owners of the Company | | | | | |
| Share Capital | 22 | 462,019 | 374,786 | 462,019 | 374,786 |
| Share premium account | 22 | 18,534,372 | 14,971,221 | 18,534,372 | 14,971,221 |
| Convertible debt reserve | | 195,685 | - | 195,685 | - |
| Equity reserve | 24 | 370,762 | 240,310 | 370,762 | 240,310 |
| Retained earnings | | (15,235,500) | (11,827,351) | (14,127,624) | (10,800,700) |
| Translation of foreign operations | | (13,210) | (14,992) | - | - |
| Attributable to owners of the parent | | 4,314,128 | 3,743,974 | 5,435,214 | 4,785,617 |
| Non-controlling interests | | (153,527) | (139,127) | - | - |
| Total equity | | 4,160,601 | 3,604,847 | 5,435,214 | 4,785,617 |
| LIABILITIES | | | | | |
| Current Liabilities | | | | | |
| Trade and other payables | 19 | 2,456,783 | 1,413,658 | 2,146,775 | 1,049,960 |
| Other current liabilities | 20 | 17,000 | 1,368,638 | - | 1,351,471 |
| Total current liabilities | | 2,473,783 | 2,782,296 | 2,146,775 | 2,401,431 |
| Long Term Liabilities | | | | | |
| Convertible loan notes | 30 | 1,329,678 | - | 1,329,678 | - |
| Bank loans | | 51,000 | 68,000 | - | - |
| Other non-current liabilities | 21 | 624,843 | 425,245 | 492,151 | 292,552 |
| Total long term liabilities | | 2,005,521 | 493,245 | 1,821,829 | 292,552 |
| Total Liabilities | | 4,479,304 | 3,275,541 | 3,968,604 | 2,693,983 |
| Total Equity & Liabilities | | 8,639,905 | 6,880,388 | 9,403,818 | 7,479,600 |

The company's loss for the year was £3,326,925 (2021: £1,964,825).