



CROSSWORD
CYBERSECURITY

Annual Report & Accounts 2018

Investor Update

April 2019

Disclaimer

- ▶ Crossword Cybersecurity PLC (the "**Company**") is a company limited by shares.
- ▶ This documentation is sent to you by Hybridan LLP ("**Hybridan**"). Hybridan is authorised to carry on regulated activities by Financial Conduct Authority ("**FCA**") pursuant to the Financial Services and Markets Act 2000, as amended ("**FSMA**").
- ▶ The provision of this document to you and any contract which may be entered into in connection with this document are subject to the rules binding on Hybridan of the FCA, in particular the Conduct of Business Sourcebook ("**COBS**").
- ▶ If you are in any doubt about the contents of this presentation or the action you should take, you should consult a person authorised for the purposes of FSMA or, if you are taking advice in a territory outside the United Kingdom, from another appropriately authorised financial advisor.
- ▶ This document is available only to persons falling within the description of persons that, if each was a client of Hybridan, would be categorised as an **elective professional client** or an **eligible counterparty** within the meaning of Chapter 3 of COBS. Persons who do not fall within the descriptions of either an elective professional client or an eligible counterparty may not rely upon this document. If you are not certain whether or not you fall within the description of an elective professional client or eligible counterparty you should consult a professional adviser for advice.
- ▶ The distribution of this document in jurisdictions other than the United Kingdom may be restricted by law and persons into whose possession this document comes should inform themselves about, and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the laws of such other jurisdictions. In addition, this document is not for distribution outside the United Kingdom and, in particular, neither it nor any copy of it should be distributed, directly or indirectly, by any means (including electronic transmission) to persons with addresses in Canada, Australia, Japan, or the Republic of South Africa, and any other jurisdiction where to do so would be unlawful, or to persons with an address in the United States, its territories or possessions or to any citizens, nationals or residents thereof or to any corporation, partnership or other entity created or organised under the laws of any part thereof, or any territory or jurisdiction in which the distribution of this document may be restricted or prohibited. Any such distribution may result in a violation of the laws of any such restricted jurisdiction.
- ▶ This document has not been approved as a financial promotion or otherwise by a person who is authorised under FSMA for the purposes of section 21 of FSMA and rules made under such legislation or any other applicable securities laws of any other territory. This presentation has not been, and will not be, reviewed or approved by the FCA or any other authority or regulatory body.
- ▶ This presentation is being supplied to you solely for your information and does not constitute or contain any invitation or offer to any person to subscribe for, otherwise acquire, or dispose of any securities in the Company or advise persons to do so in any jurisdiction. This presentation has been prepared as a marketing presentation and is not a definitive explanation of the benefits or risks involved in any investment in the Company.
- ▶ Hybridan is acting exclusively for the Company and no-one else in connection with this document. Hybridan will not be responsible to anyone other than the Company for providing regulatory and legal protections afforded to customers (as defined in the rules of the FCA) of Hybridan nor for providing advice in relation to the contents of this document on any matter, transaction or arrangement referred to in it. Neither Hybridan (acting as broker to the Company) nor any of its officers, employees, agents, affiliates or representatives or advisers or any other person makes any representation or warranty, express or implied, as to the accuracy or completeness of the information or opinions contained in this document. Nothing contained herein should be relied upon as a promise or representation as to the future. The value of any investments may fall over time and you may receive less back than what you invested on the back of any investment.

Disclaimer (continued)

- ▶ Neither Hybridan nor its members, officers, employees, agents, affiliates or representatives or advisers nor any other person accepts any obligation or responsibility to advise any person of changes in the information set forth herein after the date hereof. Further, Hybridan has not authorised the contents of, or any part of, this document. To the fullest extent permitted by law, none of Hybridan (nor its members, officers, employees, agents or representatives) nor any other person accepts any liability whatsoever for any error, omission or inaccuracy in such information or opinions or for any loss, cost or damage suffered or incurred howsoever arising, directly or indirectly, from any use of this document or its contents or otherwise in connection with the subject matter of this document or any transaction. The contents of this document are not to be construed as legal, financial or tax advice. This document should not be distributed in whole or in part to other parties.
- ▶ This document should not be relied upon as being an independent or impartial view of the subject matter and, for the avoidance of doubt, constitutes **non-independent research** (as such term is defined in COBS to reflect the requirements of Regulation 600/2014/EU and Directive 2014/65/EU (known as **MIFID II**)). The individuals who prepared this document may be interested in shares in the company concerned and/or other companies within its sector, may be involved in providing other financial services to the company or companies referenced in this document or to other companies who might be said to be competitors of the company or companies referenced in this document. As a result both Hybridan LLP and the individual members, officers and/or employees who prepared this document may have responsibilities that conflict with the interests of the persons who receive this document. Hybridan LLP and/or connected persons may, from time to time, have positions in, make a market in and/or effect transactions in any investment or related investment mentioned herein and may provide financial services to the issuers of such investments.
- ▶ Some statements contained in this presentation are or may be forward-looking statements, including without limitation any forecasts or projections. Actual results may differ from those expressed in such statements, depending on a variety of factors. Any forward-looking information contained in this presentation has been prepared on the basis of a number of assumptions which may prove to be incorrect, and accordingly, actual results may vary.

Crossword's Strategy

- ▶ Crossword's objective is to be the European leader in the commercialisation of cyber security research originating from universities:
 - ▶ Identifying a large number of universities engaged in cyber security research
 - ▶ Providing strategy, product management, software development, business development and hands on entrepreneurial expertise to help universities commercialise their cyber security intellectual property (IP)
 - ▶ Employing two commercialisation models
 - ▶ University licenses its IP direct to Crossword who build a product in-house and generate revenue by distributing it widely. Revenue will typically be shared with the university, with the majority of revenue accruing to Crossword
 - ▶ Crossword supports the university to establish a company and Crossword generates support, development and product related revenue from the newly formed company. Crossword's model is not to invest in the companies it helps to establish, but it may end up with a share of the equity for its efforts in assisting the creation of the new company or a product licence.

- ▶ To complement the product side, Crossword's team of expert cyber security consultants leverages years of experience in national security, defence and commercial cyber intelligence and operations to provide bespoke advice tailored to its clients' business needs

- ▶ In December 2018, Crossword was admitted to AIM and raised £2.0m (gross)

Executive Summary – 45% revenue growth

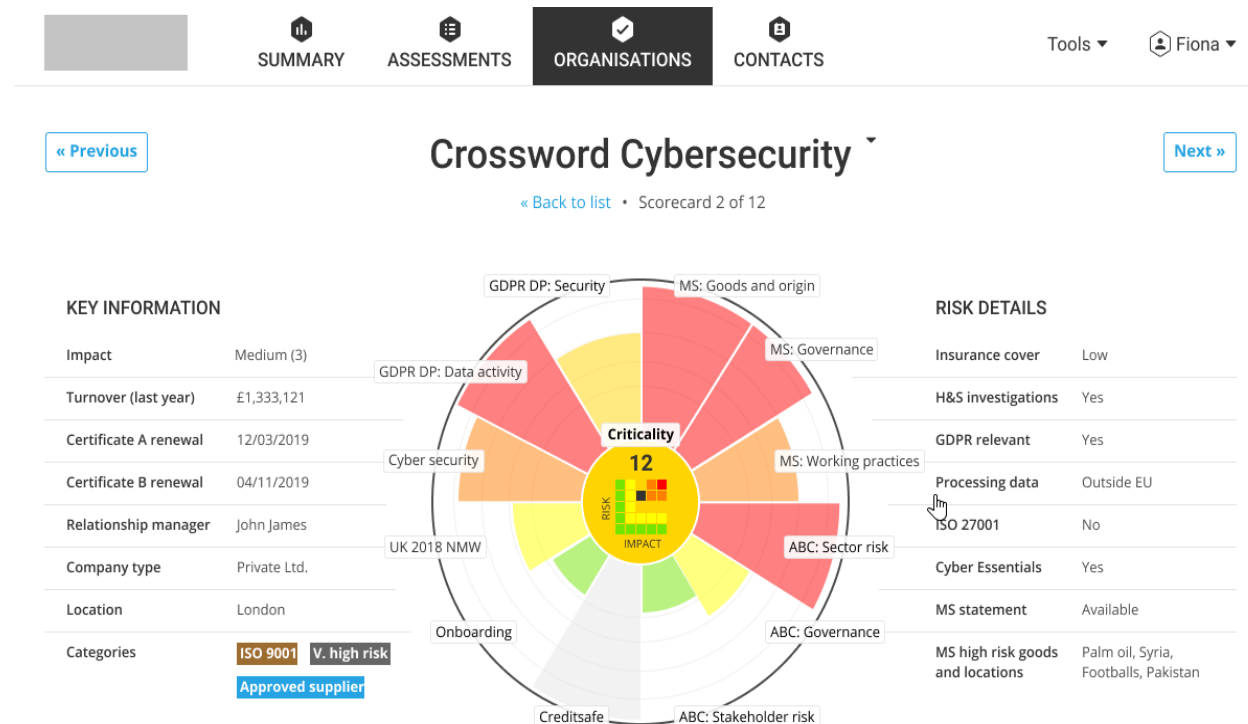
- ▶ Crossword’s audited accounts for the period to 31st December 2018 showed an uplift in revenue of 45% to £1.07m and achieved our first gross profit
- ▶ The past twelve months has been a period of rapid development as we continued to transition from R&D to revenue generating
- ▶ At the end of 2018, Crossword’s Rizikon Assurance sales pipeline stood at £1.4m across over 30 companies in a wide range of sectors and the sales pipeline has continued to grow steadily. We are seeing client wins coming through with a number of multi-year, recurring revenue deals signed across Health, IT Services, Nuclear & Professional Services
- ▶ Progress has been made on all fronts, as we build on Crossword’s success to date, to be in a position to scale up significantly over the coming years

Significant progress made on all fronts

- ▶ Raised £4.16m
- ▶ Doubled product revenue
- ▶ Sign an MoU with IP Group
- ▶ Built a strong product pipeline
- ▶ Recruited a mature sales team
- ▶ Managed two successful office moves
- ▶ Significantly grew consulting activities
- ▶ Established a world class Advisory Board
- ▶ Strengthened the Board and management team
- ▶ Secured an InnovateUK grant to extend Nixer's functionality
- ▶ Identified nearly 1,200 university based cyber security research projects as future sources of Crossword products

Rizikon Assurance sales coming through

- ▶ Rizikon Assurance is a cyber risk assessment SaaS platform for medium to large companies to assess their supplier base, for cyber risk, GDPR
 - ▶ a large market opportunity, driven by industry demand and regulatory drivers
 - ▶ We estimate the UK addressable market at £300m p.a.
- ▶ Strong current pipeline of over £1.4m is converting into contracts
 - ▶ Client wins announced with Nuvia & Kinnerton. Others not announceable
- ▶ Good progress with potential major distribution partners
- ▶ Product enhancements planned Q219



Building a portfolio of major products

- ▶ **Rizikon Assurance – revenue generating**
 - ▶ Cyber Risk Assessment tool, based on City, University of London research
 - ▶ Assesses the probability of being a victim of cyber attack and assesses GDPR compliance
 - ▶ Focus on supplier assessment
 - ▶ Cloud based SaaS service for businesses
- ▶ **Nixer v1.5 – in testing**
 - ▶ Automated attack tool service, including credential stuffing & application DDoS
 - ▶ Emerged from academics connected with Ministry of Defence Academy, Shrivenham/Cranfield University
 - ▶ AI/Machine learning algorithms
 - ▶ Tested at IOMart, cloud service company
- ▶ **CyberAI – in R&D**
 - ▶ 6 month programme with Imperial College, MIT, Edinburgh University plus major retail bank, global investment bank, leading insurer & Big 4 professional services firm
 - ▶ 50+ concepts down to one specific AI based proposition
 - ▶ Next steps is to create a proof of concept with industry partners
- ▶ **CyberOwl**
 - ▶ IoT large scale early warning platform, from Coventry University. Medulla product launched in March 2018
 - ▶ Secured an additional £1m investment
 - ▶ Crossword holds a stake in CyberOwl
- ▶ **ByzGen**
 - ▶ Defence sector, EPFL & Warwick research based
 - ▶ Raised £2m to date
 - ▶ Crossword has a commercial agreement with ByzGen

Historical Financial Information

Consolidated Statement of Comprehensive Income

12 Months ended 31st December

	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)
Total Comprehensive Loss	(773,364)	(965,322)	(1,200,889)	(2,153,846)
Earnings Per Share	(0.38)	(0.39)	(0.39)	(0.55)

All results are derived from continuing operations

Historical Financial Information

Consolidated Statement of Financial Position

	as at 31st December			
	2015	2016	2017	2018
	£	£	£	£
Non-Current Assets				
Tangible assets	3,635	2,280	12,408	12,066
Intangible assets	816	583	-	-
Investments in other unlisted investment & subsidiary	-	31	31	31
Total non-current assets	4,451	2,894	12,439	12,097
Current Assets				
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
Total current assets	1,258,244	1,727,060	665,670	2,782,093
TOTAL ASSETS	1,262,695	1,729,954	678,109	2,794,190
EQUITY				
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)
Total equity	1,203,129	1,625,874	586,033	2,511,172
LIABILITIES				
Current Liabilities				
Trade and other payables	59,566	104,080	92,076	283,018
Total current liabilities	59,566	104,080	92,076	283,018
Total Liabilities	59,566	104,080	92,076	283,018
Total Equity & Liabilities	1,262,695	1,729,954	678,109	2,794,190

Summary – continuing rapid growth

- ▶ Crossword has established itself as a fast-growing technology commercialisation Company focusing on the cyber security sector
- ▶ Our main focus is on rolling out Rizikon Assurance, and significantly scaling up our sales activity. The pipeline is growing rapidly and converting into client wins across a range of sectors including Health, IT services, Nuclear & Professional Services
- ▶ Our specialist cyber security consulting team continues to win new clients and work with existing clients and we expect to see steady growth in this area
- ▶ Our product pipeline is strong. With Nixer coming through and several other propositions close behind. We have excellent visibility of the range of cybersecurity research projects in universities in the UK, Europe and elsewhere
- ▶ 2018 was about the transition from R&D to revenue generating. 2019 is about scaling up – more Rizikon client wins, more recurring revenue deals, more consulting projects, more exciting partnerships!