



# Investor Presentation

7 August 2017

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# About Defenx

**Founded in 2009, Defenx is a fast-growing and profitable cyber-security software group that offers a range of Security, Backup and Protection solutions for smartphones, PCs and networks.**

A channel sales strategy, focused on flexibility, white-labelling and profit-share arrangements with distributors, telecoms companies and hardware manufacturers, enables Defenx to compete with established industry incumbents. Defenx's global distribution partners currently include 3Italia, Türk Telekom and Western Digital, amongst others including telecoms operators, systems integrators and original equipment manufacturers.

Defenx was admitted to trading on AIM on 3 December 2015, acquired Memopal Srl in August 2016 and announced a strategic partnership with BV-Tech, an Italian IT solutions provider, in April 2017. These have allowed the Company to diversify its product portfolio and grow its customer base by adding proprietary cloud backup and encryption technology as well as new channel partners.

# Defenx is a cyber security software developer

...with a growing product portfolio focused on fast-growing mobile usage

What we build
<b>Security</b>
Mobile Security Suite PC Security Suite Encrypted Calling/Messaging
<b>Backup</b>
Memopal Cloud Backup
<b>Protection</b>
Privacy Advisor Parental Control SOS




# Defenx is a cyber security software developer

...distributed by channel partners for whom we generate incremental profit

What we build	How we sell
<b>Security</b>	Telcos
Mobile Security Suite PC Security Suite Encrypted Calling/Messaging	OEMs
<b>Backup</b>	Distributors
Memopal Cloud Backup	System Integrators
<b>Protection</b>	Others
Privacy Advisor Parental Control SOS	

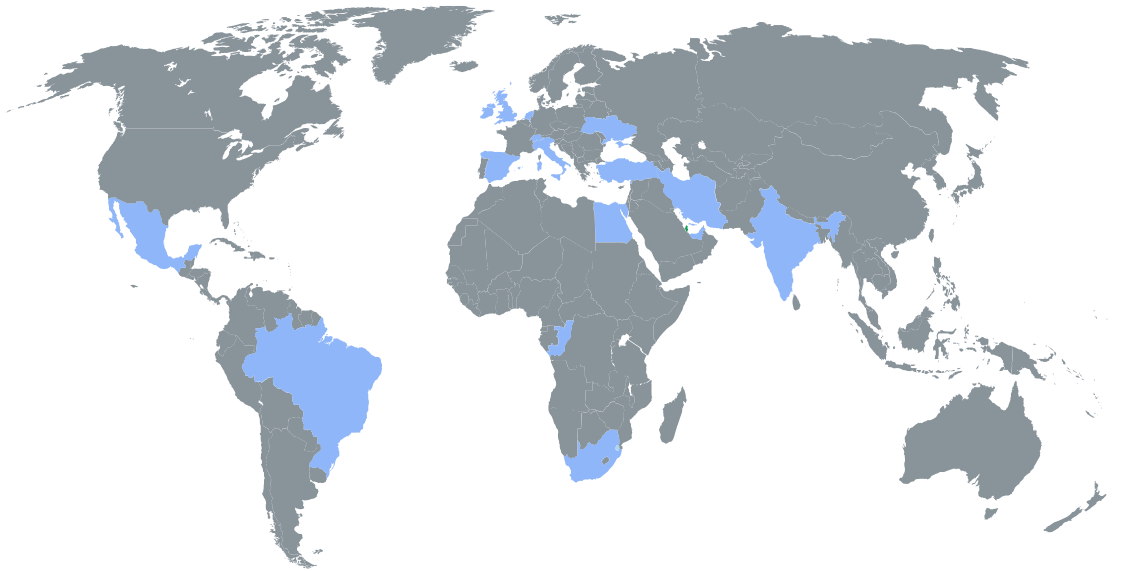
# Defenx is a cyber security software developer

...to distinct end-user segments with different needs

What we build	How we sell	Who we target
<b>Security</b>	Telcos	Corporates 
Mobile Security Suite PC Security Suite Encrypted Calling/Messaging	OEMs	
<b>Backup</b>	Distributors	Families 
Memopal Cloud Backup	System Integrators	
<b>Protection</b>	Others	Individuals 
Privacy Advisor Parental Control SOS		

# Defenx is building a distribution platform

...sold B2B to consumers and now corporate customers too



- **High growth markets**
  - 5.7bn smartphones by 2020<sup>1</sup>
  - Mobile security market forecast to grow to \$5.8bn by 2019<sup>2</sup>
  - Android overtaken Windows
- **Optimised software**
  - Small footprint
  - Works on older devices and OS
- **Leverage channel partners**
  - Revenue share
  - White labelling
  - Back-end integration
  - No disintermediation
- **Reference channel partners<sup>3</sup>**

# 2016 highlights

## Real operational and financial progress since IPO

### Operational Highlights

- Memopal acquisition brought IP, customers and internal development & customer support capacity:
  - Cloud Backup + Sync
  - Doubled team headcount to 15
  - Reference customers Türk Telekom & Western Digital
- Eight new channel partners, including:
  - 6x distribution channel partners: Brigantia, Itway, MCR Media Group, Dylog/Buffetti, InfoCert & Bizmatica/Econocom
  - 2x telco channel partners: Ringo & Mandarin
- Enhanced product portfolio with four new products launched:
  - Mobile Security Suite for Windows 10 Phone
  - SOS and Privacy Advisor Android Apps
  - Parental Control web portal and Android App

### Financial Highlights

- Fifth year of profitable growth
  - 58% year on year growth to €7.09m
  - 10% increase in ARPU
- 88% growth in operating profits (before transaction costs) to €1.84m
- Strong cash generation: €2.32m operating cash inflow (before development costs)
- Shareholder approved placing and subscription raised €1.53m net of expenses to accelerate software development in October 2016



# 2016 financials

## Continued profitable growth

- 58% revenue growth from
  - 4 new products
  - 8 new channel partners
  - Memopal acquisition
- Strong cost control driving operating margins towards 30% target
- Over 4x increase in EPS
- Focus on working capital driving operating cash flow
- Equity placing and debt to accelerate software investment
- Net debt €0.78m  
= 8% debt-to-equity  
= 0.4x operating profit
- See appendix for 5-year track record (from slide 29)

Year ended 31 December	€'000	2016	2015
Revenue		7,088	4,489
Gross profit		5,848	3,977
Operating profit before transaction costs		1,840	979
Net profit		1,221	192
Basic EPS		18.5¢	4.2¢
Net cash flow from operating activities		2,322	(1,022)
Capitalised software development		(3,989)	(1,351)
Free cash flow		(1,667)	(2,373)
Other investment cash flows		(568)	-
Financing cash flow		1,916	3,512
Net cash flow		(319)	1,139
Cash		1,178	1,334
Net debt		(774)	-
Net assets / total equity		9,651	5,812

# Cyber security news flow is driving investment

## **WannaCry made ransomware real for everyone**

The impact of ransomware on business and challenges of protecting mobile devices in the workplace are set to drive corporate investment.

The EU General Data Protection Regulation (GDPR) arriving May 2018 also requires investment in security.

## **Cyber security is now a board level issue**

**Consumer awareness of mobile vulnerabilities continues to increase**

*“WannaCry should make people treat cyber-crime seriously”*

The Economist 18 May 2017

*“Ransomware Cyberattack Goes Global”*

Bloomberg, 27 June 2017

*“Yeah, WannaCry hit Windows, but what about the WannaCry of apps?”*

The Register, 20 July 2017

*“The Russian Trail in the Latest ‘Ransomware’ Attack”*

Bloomberg, 29 June 2017

*“Corporate Procrastination: IT Security’s Biggest Weakness”*

Huffington Post UK, 20 June 2017

*“How SMEs can prepare for the General Data Protection Regulation”*

Telegraph.co.uk, 28 June 2017

# 2017 YTD highlights

## BV-Tech strategic partnership = endorsement of our strategy

### BV-Tech strategic partnership

- A leading independent IT solutions provider in Italy with around 600 staff and €57m revenues
- Became our largest shareholder through:
  - Acquisition of encrypted voice & messaging software platform for €2.65m in shares at 114 pence
  - Share subscription of €1.15m at 114 pence
  - Purchase in the market, increased its holding to 29.3%.
- Encryption software acquisition enhances the Defenx product portfolio eg encrypted Cloud Backup
- Partnership provides access to:
  - BV-Tech's government, public administration & corporate customers
  - their end-users

- Data protection sales campaign
  - GDPR comes into force May 2018
  - Combining data protection & legal expertise to present solutions built on Defenx products
  - Targeting 200 meetings in 3Q and 4Q

### Growing the core business

- Continuing to add channel partners
  - Multi Time – a field marketing agency serving well-known brands like Bose, Canon and LG
  - Arnavalle – a Spanish telecoms distributor operating in Europe, Latin & South America
  - Combined initial orders exceed €1 million with more anticipated once Defenx products are established in their sales channels.
- Building a UK-based sales team
  - New VP sales with major corporate expertise
  - Pipeline to grow revenues and diversify country risk

# Vision to be top 5 by 2020

...in mobile security,  
backup + protection

...for consumers + SMEs  
+ corporates

...in our chosen markets.

- **Cyber security is exciting and growing rapidly**
  - Mobile security market to grow to \$5.8bn by 2019
- **Channel partner model is different**
  - leverage existing relationships to grow more quickly, cost effectively with lower risk
- **BV-Tech strategic partnership**
  - accelerates entry into corporate market with manpower and established customer base
- **Using AIM to accelerate growth through M&A**
  - Memopal delivered Cloud backup, reference customers, people, revenue and profit.
- **Delivering profitable growth in line with management's expectations**
- **Ready to invest to accelerate growth...**

# Investment & Funding Plan

**Defenx proposes a coordinated investment in its product portfolio, delivery and sales capacity over the next 12 months to accelerate growth in existing and corporate markets**

The time is right – cyber security is a “hot” sector – we want to capitalise on the positive sentiment

We will be building on our existing IP base to better leverage its hidden value

Accelerating growth into corporate and non-Italian markets will de-risk future revenues

# Investment to accelerate growth (1)

To accelerate growth, bring forward future plans and de-risk the Group

## What we propose

Coordinated investment in Defenx product portfolio, delivery and sales capacity over the next 12 months:

Broaden development and operations teams to support our growing product portfolio	€0.2m
Continue accelerated software development	€3.0m
Recruit experienced senior sales executives with corporate channel experience	€0.4m
Modest B2C marketing to create end-user engagement and drive renewal revenue	€0.5m
Total	€4.1m

## Overview of accelerated development spend

- Corporate versions of our consumer products eg Enterprise Security Suite and Mobile Device Management
- Building on Memopal's 'MGFS' technology eg end-2-end Encrypted Cloud Backup
- Building privacy protection into our products eg addressing GDPR requirements
- Adding features and integrating products to provide 360° protection
- Accelerating the update cycle of our most popular mobile products
- Building/acquiring complementary new functionality.

# Investment to accelerate growth (2)

To accelerate growth, bring forward future plans and de-risk the Group

## Why now?

- Cyber security is an active sector with huge opportunities - we want to capitalise on the positive sentiment to grow rapidly and profitably
- The introduction of GDPR is a time-limited opportunity
- BV-Tech's customer base and resources are available to us now
- Market seasonality drives sales into H2 so investing now maintains YTD momentum

## Benefits

- Accelerate revenue growth to be able to compete for larger, potentially global contracts
- Building on our existing IP base to maximise its value
- De-risk the business by:
  - diversifying into corporate customers and outside Italy
  - reducing customer concentration and payment terms
  - expanding the management team
- Deliver positive free cash flow in FY18
- Potentially secure a re-rating of the shares

# Investment structure

## Creating the right capital structure

- **Equity**

- £1.5-2m institutional placing by WH Ireland and Beaufort Securities
- BV-Tech expected to follow-on
- Utilise existing authority to allot new ordinary shares
- Fully EIS/VCT eligible; probably for the last time

- **Convertible bond**

- Auction by UK Bond Network (UKBN) to HNWI, Sophisticated, Professional & Institutional Investors
- Convertible at 25% premium to the equity issue price
- 3-year term with an 8-10% per annum coupon paid quarterly
- Up to £2m with £1.25m underwritten at 10% coupon

- **Shareholder circular to call an EGM**

- Seek authority for bond conversion and re-instate normal authorities
- Irrevocable undertakings to be secured from BV-Tech, Andrea Stecconi and all other directors



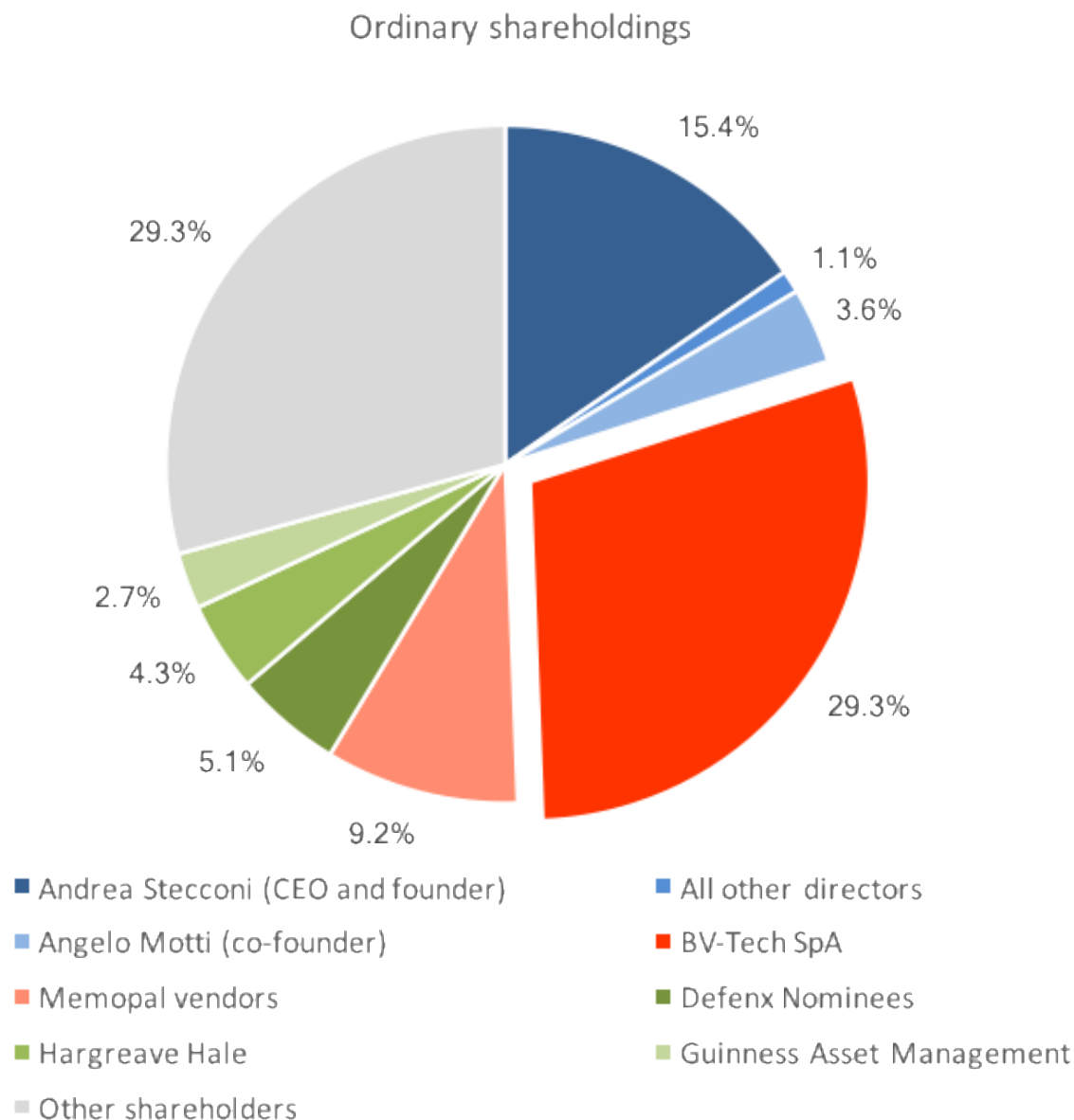
# Convertible bond key terms

Issuer	Defenx PLC
Instrument	Secured Convertible Bonds
Amount	Up to £2m; £1.25m underwritten at 10% coupon
Coupon	8% -10% per annum payable quarterly in arrears Final rate determined by UK Bond Network auction process
Term	36 months
Issue price	Par value
Conversion price	125% of the equity issue price
Redemption price	100% of the issue price
Callable	At any time after two years, subject to the share price being greater than 130% of the conversion price for 20 consecutive dealing days
Security	An all assets debenture from the Issuer and its subsidiaries Defenx SA and Memopal SRL A guarantee from Defenx SA and Memopal SRL
Other	Standard anti-dilution and takeover protection

# Securities Information

As at 3 August 2017

- Market: AIM
- Ticker: DFX
- Share price: 185.5p  
(69-214p 52-week range)
- Market cap: £21.8m
- 2016 net profit PE ratio: 11.2x
- Capital structure
  - Ordinary shares issued: 11.86m
  - Earn-out shares: up to 238,035
  - Options: 257,625 at 80-148p
  - Warrants: 186,989 at 80-200p
- LTIP to be implemented in 2017
- Not in public hands: 46%  
(after issue of consideration shares)



# APPENDICES

# Board biographies



**Anthony (Tony) Reeves**  
Chairman and independent  
Non-Executive Director

Tony has over 45 years' experience in the recruitment sector.

From 1986 he built the Lifetime Corporation, an overseas recruitment agency, which was sold to Olsten for \$660 million. From 2001 he was chairman and CEO of the hotgroup plc until its acquisition by Trinity Mirror Group in 2005.

He is now a private investor in early stage companies.



**Andrea Stecconi**  
Founder and CEO

Andrea founded Defenx in 2009 to build on his channel marketing skills.

He was CEO at Exa Media Spa a software distributor based in Ancona, Italy, from 1999 to 2009. In 2005, he started to distribute Kaspersky PC security software in Italy.

He is based in Switzerland and fluent in Italian and English.



**Philipp Prince**  
CFO

Philipp joined Defenx in 2015 with 20 years' experience as a chartered accountant, having qualified with Stoy Hayward (now BDO LLP) in 1995. He spent 16 years in corporate finance, becoming a partner in 2002, and spent two years building BDO's government and infrastructure team.

He is a fellow of the ICAEW, fluent in English and French and based in London.



**Raffaele Boccardo**  
Deputy Chairman and Non-Executive Director

Raffaele is an entrepreneur and President of the BV-Tech Group, which he founded in 2005 to become one of Italy's leading independent corporate IT solutions providers.

He received the Order of Merit of the Republic from the President of Italy in 2010.

He is one of BV-Tech's nominated directors and speaks fluent Italian and English.



**Leonard Seelig**  
Independent Non-Executive Director

Leonard has had a successful career in finance spanning over 25 years and including senior positions in the US and Europe with America's largest banks.

He is currently actively involved both at an operating and board level in several companies in the technology sector and was until recently non-executive chairman of APC Technology Group Plc, an AIM listed 'green-tech' company.



**Franco Francione**  
Non-Executive Director

Franco has 30 years' experience in finance and administration.

In 2001, he joined Segesta SpA, now part of the Euronext-listed Korian Group, where he was CFO and real estate director responsible for finance, treasury, estates and M&A.

In March 2017, Franco joined BV-Tech SpA as CFO. He is one of BV-Tech's nominated directors and speaks fluent Italian and English.

# Product Overview

The Defenx proposition is to solve our end-users' security needs on the devices they use, for their own protection and that of their data.

Our products fit into three complementary segments:

## **Security**

**Anti-malware software**

*Complete security for you, your family and your business*

## **Backup**

**Cloud-based backup and synchronisation**

*All your files in one place, secure in the Cloud*

## **Protection**

**Applications to monitor, manage and secure online activities**

*Protecting you and your loved ones' safety and privacy*

# Endpoint security

Focused user needs for both developed and emerging markets



- **Mobile security solution optimised for emerging markets with lower feature phones**
  - Lower battery consumption
  - Lower memory footprint
- **Offers all the key solutions required by distributors**
  - Mobile: Security Suite
  - PC: Security Suite (client & network)
  - NAS: Seagate Security
- **Platform agnostic**
  - Available for Android, iOS, Windows 10
  - Allows different platforms to work together.

# Defenx Mobile Security Suite

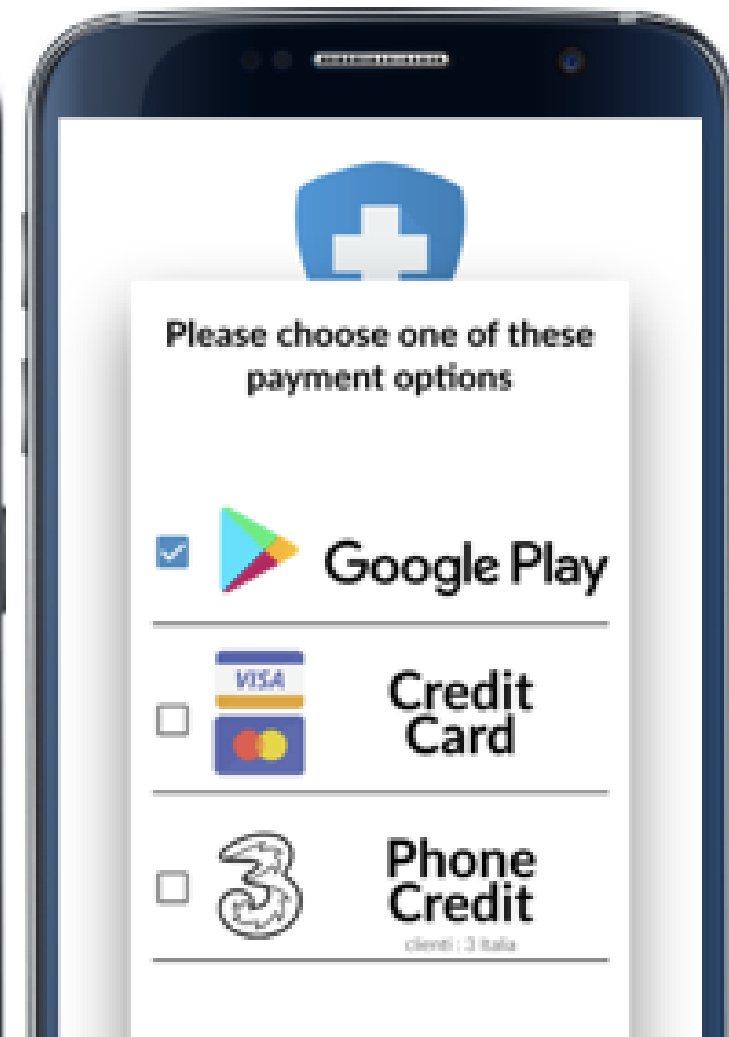
Defenx branding



White labelled



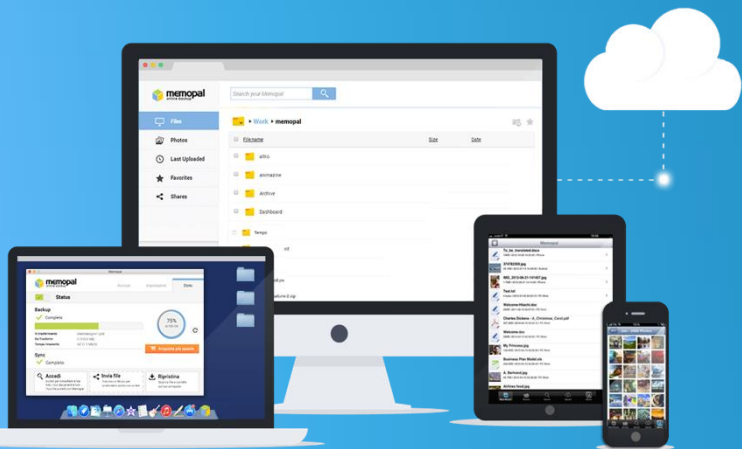
Telco integration



# Strengthening the product set by acquisition

Memopal is built with smart software layer on commodity hardware

- **Strong technology**
  - Backup + Sync data from any device
  - Share and collaborate across platforms
  - Works in 16 different languages
  - Unlimited versioning
  - Only true protection against ransomware
- **Price competitive**
  - Smart software + commodity hardware = lower cost per GB
  - Can white label + maintain margins
- **Owned + controlled IP**
  - Security + backup integration
  - Facilitates customisation.





# Memopal Cloud Storage




Search your Memopal



demo@memopal.com

 Backup

 Sync

 Photos

 Last Uploaded

 Favorites

 Shares

 Photos



2014



2010



2008

Used space

29 MB / 4 GB

0.8%

Buy more space

Invite a friend



# Defenx Cloud Backup

The interface shows the 'Cloud Backup' section with a green checkmark icon. Below it, the 'Backup' status is 'Running' at 81% completion, indicated by a green progress bar. The file being transferred is 'bg\_scansched.png' with 54372 (12.0GB) left to transfer. The 'Sync' status is 'Completed' with a green checkmark. At the bottom, there are three action buttons: 'Access' (View your photos, documents and all your files protected with Defenx Cloud Backup), 'Send File' (Drag a file here to activate secure file sharing), and 'Restore' (Download folders and files from Defenx Cloud Backup to your pc).

Defenx Cloud Backup

Cloud Backup My Account Settings

Backup

Running 81%

Transferring: bg\_scansched.png

Left to transfer: 54372 (12.0GB)

Sync

Completed

Access View your photos, documents and all your files protected with Defenx Cloud Backup

Send File Drag a file here to activate secure file sharing

Restore Download folders and files from Defenx Cloud Backup to your pc

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Defenx Cloud Backup

Cloud Backup My Account Settings Dashboard

What to backup?

Backup

My Documents Desktop, Documents, Media

Custom Select folders

Sync

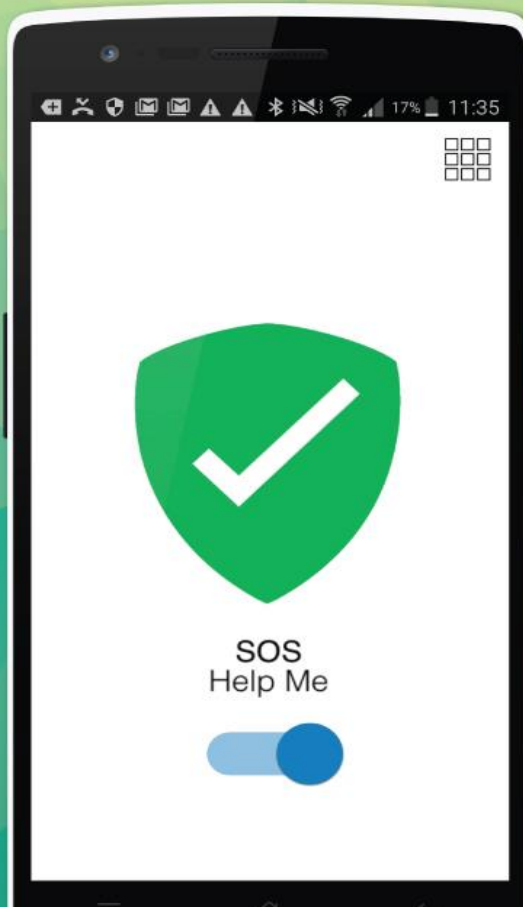
Defenx Sync Move to the Defenx Sync folder, the files you want to synchronise on all your computers

Sync folder /Users/Vannuchi/Desktop/Defenx Sync Modify

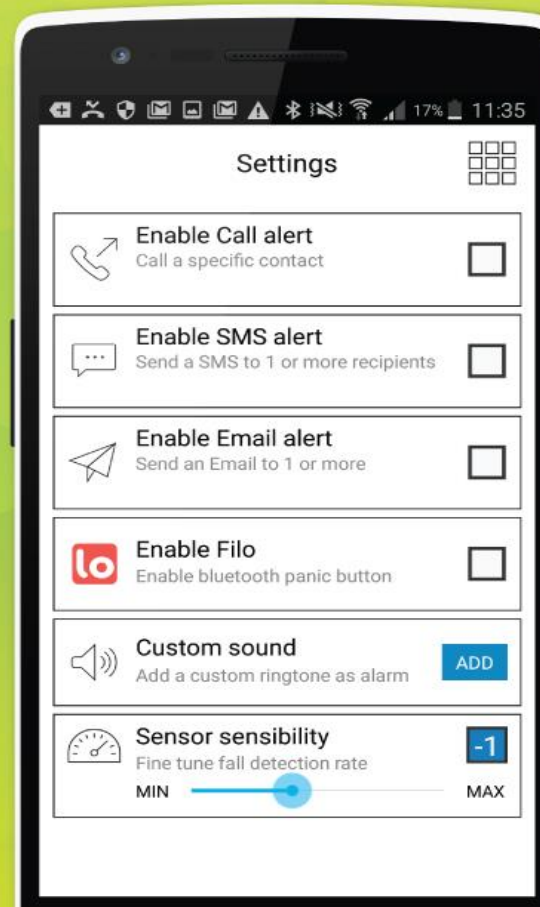
Advanced Next

# Defenx SOS

DETECT FALLS  
IN REAL-TIME



SEND AUTOMATIC  
NOTIFICATIONS



# Protection and privacy

Solutions built around end users' basic needs



- **Simple solutions**
  - leverages endpoint security Apps
  - lightweight management layer
- **Range of solutions to provide channel partners with multiple sales opportunities**
  - Privacy Advisor App - low cost engagement
  - SOS + Parental Control Apps - consumer focus
  - Mobile Device Management - SME focus
- **Modular development approach provides flexibility**
  - SDK for integration into 3rd party solutions
  - White-label ready
- **Platform agnostic.**

# 5-Year Track Record

Defenx PLC reports under IFRS in Euros.

The consolidated financial results on the following three slides have been extracted from the relevant audited financial statements.

# Profit & loss

Year ended 31 December	€'000	2016	2015	2014	2013	2012
<b>Revenue</b>		<b>7,088</b>	<b>4,489</b>	<b>2,382</b>	<b>2,077</b>	<b>891</b>
<i>Year-on-year growth %</i>		57.9%	88.5%	14.7%	133.1%	n/a
Gross profit		5,848	3,977	2,034	1,557	439
<i>Gross margin %</i>		82.5%	88.6%	85.4%	75.0%	49.2%
Sales & marketing		(2,588)	(1,916)	(663)	(507)	(90)
Research, development & operations		(469)	(162)	(38)	(10)	(41)
Administration		(950)	(920)	(528)	(629)	(194)
Expenses		(4,007)	(2,998)	(1,229)	(1,146)	(325)
<b>Operating profit before transaction costs</b>		<b>1,840</b>	<b>979</b>	<b>805</b>	<b>410</b>	<b>114</b>
<i>Operating margin %</i>		26.0%	21.8%	33.8%	19.8%	12.8%
Profit before tax		1,590	362	761	409	113
<b>Net profit</b>		<b>1,221</b>	<b>192</b>	<b>536</b>	<b>329</b>	<b>128</b>
Basic EPS		18.5¢	4.2¢	16.7¢	11.5¢	4.5¢
Diluted EPS		16.9¢	3.9¢	15.9¢	11.5¢	4.5¢

# Cash flows

Year ended 31 December	€'000	2016	2015	2014	2013	2012
<b>Operating profit before transaction costs</b>		<b>1,840</b>	<b>979</b>	<b>805</b>	<b>410</b>	<b>114</b>
Amortisation & depreciation		1,032	477	160	-	5
Transaction costs		(188)	(614)	-	-	-
Share based payments, interest & tax		40	56	(43)	-	-
Working capital movements		(402)	(1,920)	(534)	252	(268)
<b>Net cash flow from operating activities</b>		<b>2,322</b>	<b>(1,022)</b>	<b>388</b>	<b>662</b>	<b>(149)</b>
Capitalised software development		(3,989)	(1,351)	(1,211)	(658)	15
<b>Free cash (out)/inflow</b>		<b>(1,667)</b>	<b>(2,373)</b>	<b>(823)</b>	<b>3</b>	<b>(135)</b>
Memopal acquisition (incl software license)		(546)	-	-	-	-
Purchase of plant & equipment		(22)	-	-	-	(2)
Net proceeds from share issues		1,529	3,512	1,026	-	47
Increase in net debt		387	-	-	-	-
<b>Net cash (out)/inflow</b>		<b>(319)</b>	<b>1,139</b>	<b>203</b>	<b>3</b>	<b>(5)</b>

# Balance sheets

As at 31 December	€'000	2016	2015	2014	2013	2012
Fixed assets		8,112	2,607	1,721	658	-
Trade receivables		5,332	2,829	1,020	756	65
Other receivables		172	476	20	470	910
Cash		1,178	1,334	206	3	1
<b>Total assets</b>		<b>14,794</b>	<b>7,246</b>	<b>2,967</b>	<b>1,887</b>	<b>976</b>
Trade payables		(1,393)	(656)	(478)	(882)	(481)
Other payables		(1,798)	(778)	(440)	(212)	(58)
Loans and borrowing		(1,952)	-	-	(336)	(308)
<b>Net assets</b>		<b>9,651</b>	<b>5,812</b>	<b>2,048</b>	<b>457</b>	<b>129</b>
Non-controlling interests		(21)	-	-	-	-
<b>Equity attributable to holders of the parent</b>		<b>9,630</b>	<b>5,812</b>	<b>2,048</b>	<b>457</b>	<b>129</b>





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