



**Safe-T Group Limited**

**Second Quarter 2021 Corporate Update Conference Call**

**August 26, 2021**

## C O R P O R A T E P A R T I C I P A N T S

**Shachar Daniel**, *Chief Executive Officer*

**Shai Avnit**, *Chief Financial Officer*

## C O N F E R E N C E C A L L P A R T I C I P A N T S

**Jacob Silverman**, *Alliance Global Partners*

**Brian Kinstlinger**, *Alliance Global Partners*

## P R E S E N T A T I O N

### Operator

Good morning, ladies and gentlemen, and thank you for standing by. Welcome to the Safe-T Group's Second Quarter 2021 Corporate Update Conference Call. During today's presentation, all parties will be in listen-only mode. Following the presentation, the conference will be opened for questions.

This conference is being recorded today, August 26, 2021.

Before we get started, I will read the disclaimer about forward-looking statements. This conference call may contain, in addition to historical information, forward-looking statements within the meaning of Safe Harbor provisions of the Private Securities Litigation Reform Act of 1995, and other federal securities laws. Forward-looking statements include statements about plans, objectives, goals, strategies, future events of performance and underlying assumptions, and other statements that are different than historical fact. These forward-looking statements are based on current management expectations and are subject to risks and uncertainties that may result in expectations not being realized, and may cause actual outcomes to differ materially from expectations reflected in these forward-looking statements.

Potential risks and uncertainties include those discussed under the heading Risk Factors in Safe-T's Annual Report on Form 20-F filed with the Securities and Exchange Commission on March 22, 2021, and in any subsequent filings with the SEC. All such forward-looking statements, whether written or oral, made on behalf of the Company are expressly qualified by these cautionary statements, and such forward-looking statements are subject to risks and uncertainties, and we caution you not to place undue reliance on these.

At this time, I'd like to turn the call over to Shachar Daniel, the Company's CEO. The floor is yours.

**Shachar Daniel**

Thank you, and welcome everyone to today's 2021 Second Quarter Corporate Update conference call for Safe-T Group. With me is Shai Avnit, our Chief Financial Officer.

The first half of 2021 has centered around the execution of key milestones in our mission to continue growth and the realization of the focused reorganization process that we started two years ago to become a world-leading company in the global cybersecurity and privacy industry for both enterprises and consumers. I would like to provide a short review of our business segments, summarize our accomplishments in the second quarter, and an outlook for the near future.

Our business today focuses on two sectors for two audiences, cybersecurity and privacy solutions to the enterprises and consumer markets. Our enterprise privacy solution is based on a business IP proxy platform, which we incorporated into our group in the second half of 2019, NetNut. Our privacy solution for organization is the world's fastest and the most advanced and secure business network that provides its clients accurate, transparent, and increasingly personal data from public online sources. In just two years since the acquisition, revenues generated by this platform increased from \$0.5 million to a range of between \$1.5 million to \$2 million per quarter by the end of this year.

I'm especially proud with the substantial organic growth for our enterprise privacy solutions, not only for its consistent growth, but also for the acclamation of our ability to identify business activities with a great potential. Our privacy solution for consumers includes thousands of paying users that utilize our IP proxy platform today. Our latest acquisition of CyberKick will top that with the integration of the thousands of CyberKick customers. Our privacy solutions are keeping online users' information private and secure, adding an encrypted secure layer for online privacy. Our consumer privacy business possess well-established online marketing capabilities and knowledge, as well high online performances. Based on preliminary results we achieved during the first half of the third quarter of 2021, I believe that we'll continue to enjoy growth from the privacy sector.

Moving on to the second part of our business, enterprise cybersecurity. The world, and our business, has changed considerably during the last 18 months as we continue to witness large scale cyber attacks alongside the changes businesses face in light of the COVID-19 pandemic. Cyber attack and vulnerabilities continue to be a massive global problem, which regularly make headline news. In the first half of 2021 alone, cyber attacks have impacted almost every sector ranging from small mid-sized businesses to banking institutions and Microsoft Exchange, including the critical infrastructure attack on the Colonial Pipeline.

Ransomware and cyber attacks activities have reached new heights since the beginning of the COVID-19 pandemic, further highlighting the alarming lack of cybersecurity and safety measures for protecting important and confidential digital transformation and infrastructure. Our enterprise cybersecurity solution is at the forefront of the two access technologies. Our ZoneZero, a Zero Trust Network Access solution provides secure access for on-premises and hybrid cloud environments. It is the only secure access platform that can use or replace an organization's legacy or existing VPN infrastructure and allow secure access across any type of users.

In the past year, we have partnered and connected with industry leaders worldwide, including Fujitsu, (Inaudible), Accenture and more, and we were added as an approved vendor for the NASA solution to enterprise-wide procurement contract vehicles. As we live and breathe the market, we see that the need for secure access solutions become more and more integrated. Having said that, status indicates that the market is still in its onset stage and demands are expected to grow rapidly, hitting \$70 billion by 2026. With our advanced technology and solutions, and our already-established distribution infrastructure, and

living partners around the globe, Safe-T is well positioned to seize any opportunity as market and organizations evolve.

Last but not least is our cybersecurity business for consumers. As part of CyberKick acquisition, we are getting ready to launch a new subscription-based protective cyber product that identifies, eliminates and helps avoid security and data breach threats. Utilizing CyberKick effective online marketing and sales platform, we believe that the company would be able to create traction for its new release. With the integration of CyberKick, in addition to our revenues, we finished the month of July 2021 with more than \$1 million monthly revenues, representing a run rate on an annual basis which may lead to a significant annual growth compared to 2020 revenues.

Our financials have continued to improve along with a strong cash position to support our growth plans.

Looking ahead, we have a well-defined roadmap for execution, innovative technology, and established expansion plan for the remainder of the year. As we are enjoying the fruits of our hard labor, we plan to continue investing in each of our segments to encourage further growth, as well as to explore potential integration and migration of our existing technologies to any of our segments.

But before going further, I would like to turn the call over to Shai to discuss the financials for the quarter. Shai?

#### **Shai Avnit**

Thank you, Shachar. I will summarize our second quarter 2021 financial results, which are compared to our second quarter 2020 results unless otherwise stated. All figures in the summary were rounded up for simplicity.

Revenue for the first quarter of 2021 totaled \$1.8 million, and revenue for the first six months ended June 30, 2021 was \$3.1 million. This compared to revenues of \$1.1 million and \$2.2 million, respectively, for the equivalent period in 2020. The increase in revenues is due to an increase in enterprise privacy business revenues. This increase was partially offset by a reduction in sales of the Secure Data Exchange, SDE product, as part of our strategic decision to focus on the privacy and Zero Trust solutions.

Gross profit for the second quarter of 2021 was \$0.7 million, compared to a gross profit for the corresponding period in 2020 of \$0.5 million. The increase in gross profit was primarily driven by the increased revenues. Operating expenses, excluding unique expenses such as contingent consideration adjustment resulting from our acquisitions, totaled \$3.1 million, compared to \$2.2 million in the equivalent quarter of 2020. The increase is mainly due to, one, higher enterprise privacy business development costs due to an expansion of the privacy solutions activity; two, higher subcontractor development costs and marketing and sales costs, all related to the Zero Trust solutions; three, higher G&A professional fees, mainly legal; and four, higher employees share-based compensation costs.

Net loss was \$2.4 million, which really means a loss of close to \$0.00 per share as compared to a net loss of \$2.2 million or a loss of \$0.01 per share in the second quarter of 2020. Net loss on a non-IFRS basis, which reconciles the effect of some non-cash expenses or income and certain other expenses was \$2.2 million as compared to a non-IFRS net loss of \$1.3 million in the second quarter of 2020.

Cash used in operating activities for the six months ended June 30, 2021 totaled \$3.4 million, compared to \$3.2 million for the year ago period. As of June 30, 2021, the Company's cash and cash equivalence balance and short-term investment balance totaled approximately \$19.3 million compared to \$11 million on December 31, 2020. The increase resulted mainly from cash raised in February 2021 through a

registered direct offering as well as cash raised through exercises of warrants, summing the Company's cash levels in 2021 to the highest levels to date.

Lastly, I wanted to touch base on our share count as it stands today. On an outstanding basis, we have around 1.2 billion ordinary shares, which equal to 30 million ADSs. On a fully diluted basis, we currently have around 1.6 billion shares outstanding, which equal to approximately 40 million ADSs. In order to simplify share-based instruments and subject to shareholders approval at our coming Annual Meeting in September, our ordinary shares will be aligned soon after, such that it will have one to one ratio with the ADSs, establishing the same share capital basis for both ordinary shares and ADSs.

With that, I'll turn the call back over to Shachar.

**Shachar Daniel**

Thanks, Shai.

In summary, during the second quarter this year, we made significant progress towards implementation of our vision. We delivered on our role of executive and significant roles and acquiring innovative technologies and enrolling talented entrepreneurs.

Looking ahead, we will continue to develop our position as a leading provider of privacy and cybersecurity solutions. The cybersecurity and privacy protection sectors are experiencing hyper growth in this global multi-billion dollar market due to the incredible volume of cyber attacks on organizations and individuals. In response, we are leveraging our expertise to expand sales with our current partnerships and grow into new markets. We look forward to the continued growth and innovation of our products and services with a strong second half of 2021.

With that, I would like to open up the call for any questions. Operator, please go ahead.

**Operator**

Thank you, sir.

Our first question comes from the line of Jacob Silverman with Alliance Global. Please proceed with your questions.

**Jacob Silverman**

Hi, everyone. Thank you for taking my questions.

You mentioned in the prepared remarks that you expect NetNut to grow to \$1.5 million to \$2 million per quarter. Can you tell us what's driving the growth there? Is it companies realizing the necessity of IP proxy?

**Shachar Daniel**

Thank you. This is Shachar. Thank you for this question.

The privacy as we mentioned in our presentation and also in my quote just a few minutes ago, the privacy exposure and the fact that organizations and even consumers cannot surf securely over the Internet is growing dramatically. We invested a lot in the first six months in our IP proxy infrastructure products and technology. We brought to the team the right people, and now we are identifying that we are even better

in the competition that we have been before. We have seen our product and our infrastructure as leaders maybe in the first two or three places in the world in this space, and the space is growing dramatically. It's the IP proxy, it's the anonymous surfing, and the data collection tools in order to get accurate data on the Internet, and in order to get transparent data on the Internet. That's what we see in the beginning of this quarter, that's what we see in the last two years.

As I mentioned, we are very proud in the fact that we bought the Company in something like \$0.5 million per quarter and now we are identifying a huge growth using the synergy and the capital and the right management of Safe-T Group. Thank you.

**Jacob Silverman**

How do you see the GSA approval playing into your U.S. strategy for ZoneZero with the recent public sector interest in Zero Trust Solutions?

**Shachar Daniel**

The GSA approval is the gateway or is the key to become a provider or a vendor of the U.S. government. It's a key that not everybody is getting. It took us significant time to achieve and to meet the criteria in order to be an approved vendor of the U.S. government.

Now, as you know, these processes are taking time. It's huge enterprises, it's huge organizations that now considering to move from legacy solutions for secure remote access to our new solution or to the ZTNA market, and we are one of the players. For us, it's a huge proud to be one of the players that are competing head-to-head with the big players of the world in order to achieve and to become a vendor, and to sell our products and technologies to the U.S. government.

**Jacob Silverman**

How are your reseller partnerships progressing in the U.S. and Europe? When do you believe you'll begin to see some significant process there for ZoneZero?

**Shachar Daniel**

Okay, thank you. It's a good question.

I will give you a short brief about this market. As you know, I guess, and if not I will explain—to move from legacy technologies like VPNs, like other technologies in the past, it's a process that takes time. But when it happens, it happens only to the players that have been there, have experienced the market, chose the right partners, put the right foot in the right places, and then you can bear fruits on this soil for years.

The ZTNA market is still very young, huge potential, you can read and identify it in all the big analysts of the world, like Gartner, like Forrester, like IDC that identify this potential. A lot of investors, VCs, private equities are coming in because the potential to become the new secure remote access tools is huge, especially due to the COVID; now everybody understands the importance of secure remote access tools due to the fact that the world has become digital and everybody is working from home, and maybe it will last forever. We are there. We are incorporating and finding the right partners. We have the best partners; I think some of them the best in Europe. We are now working on a common solution like MSSP, which is managed secure service providers, and others in Europe and in the U.S., and in other places in the world. We think that in the next period, as time will come and the organizations will be ready to move to the next stage with the secure remote access technology, Safe-T will bid big time because we are now working on the sales and marketing infrastructure on our technologies and on the best offering.

**Jacob Silverman**

With the acquisition of CyberKick, are you considering any further M&A?

**Shachar Daniel**

Okay. We already announced in 2018, and even today, that part of our strategy is M&A. I can tell you that, for now, we don't have something. We just finished the last acquisition. For us, it was a huge success because we found, I think, the best entrepreneurs in the consumers market in Israel, and maybe globally. Now, we are integrating, implementing, and working very hard on the synergy between the systems and the companies. So, for the coming period we don't have something that I can say that we are going to buy tomorrow morning, but yes, the strategy of Safe-T is M&As, and I guess that over the time it will find the best or a good alternative will keep the growth hand-in-hand with unorganic like M&As and organically.

But just to summarize, I think that after this acquisition, we bring our vision to the reality. In 2018, we said, and we put ourselves a target to become a leader in consumer and enterprise privacy and security markets, and now we are the full platform. We have the consumer, we have the enterprise, we have privacy, and we have cybersecurity. We finished one step in our vision and dream, and now we are starting to plan the next steps for the next year for Safe-T.

**Jacob Silverman**

All right. Thanks, Shachar.

**Shachar Daniel**

Thank you.

**Operator**

Thank you.

Our next question is from Brian Kinstlinger with Alliance Global Partners. Please proceed with your question.

**Brian Kinstlinger**

Hi, Shachar. One question on Zero Trust Network Access. How do you differentiate—when that becomes a huge market, how do you differentiate your product with the competition out there? Thank you.

**Shachar Daniel**

Okay, thank you. The main differentiation is the fact that we are the only solution that can come to an organization and say, "Okay, if for you it's a huge challenge to replace your current solution, which is mainly the VPN, don't replace. Don't flip a new page now. We will augment your solution. We will protect your network. We will become—we will make you a Zero Trust Network Access customer without replacing at this stage your current VPN." As you know, VPN is a technology of 20 years. Consumers or the end customer get used to work with this technology for the last 20 years; it's very challenging to replace it in one day. So, we build and we develop a unique solution that can come and not replace but to augment and secure your current infrastructure.

This is our main differentiation besides of some others, but they are less significant, and this is our main pitch with our partners and to the customers all over the world.

**Brian Kinstlinger**

Great. Thank you.

**Shachar Daniel**

You're welcome.

**Operator**

Thank you. At this time, we have no additional questions. I'll turn the floor back to Shachar Daniel for any further remarks.

**Shachar Daniel**

Thank you very much everybody for trusting us, for being a shareholder for Safe-T. We totally appreciate your huge belief and trust in our company, and we're working very hard in order to make you satisfied investors and to be proud in the fact that you trusted and believed in Safe-T in our first days. Thank you.

**Operator**

Thank you. This will conclude today's conference. You may disconnect your lines at this time, and thank you for your participation.