

# Blanco

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Strategic Progress: Continued Revenue and Profit  
Growth Across All Segments and Geographies

Interim results for the six months ended 31 December 2019

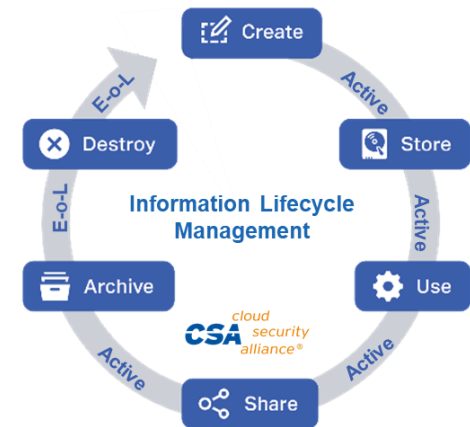
- Market Trends
- FY20 H1 Highlights
- Financial Review of FY20 H1 Results
- Summary & Outlook

# Market Trends

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## Companies must ingrain Data Lifecycle Management into all parts of their business

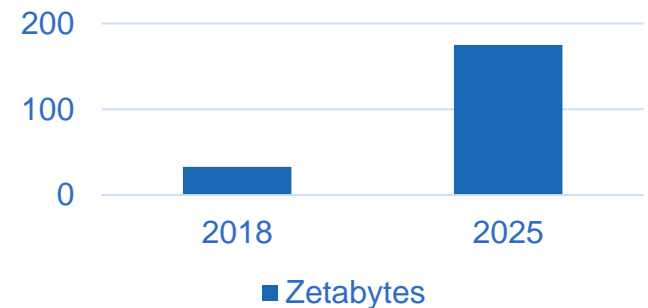
- “Data lifecycle management technology innovations represent an existential threat to organisations that don’t embrace them, but also an unparalleled opportunity for those that do” Gartner 2020 Planning Guide of Data Management



## Data continues to grow in both real terms and in its importance as an asset

- “Data is at the heart of digital transformation, the lifeblood of this digitisation process”
- “As data is shifting from a consumer-centric model to an enterprise-centric model the enterprise’s role as a data steward continues to grow” The Digitisation of the World IDC whitepaper Nov 18

IDC 2018 Forecast on volume of data to be stored by organisations globally (CAGR 61%)

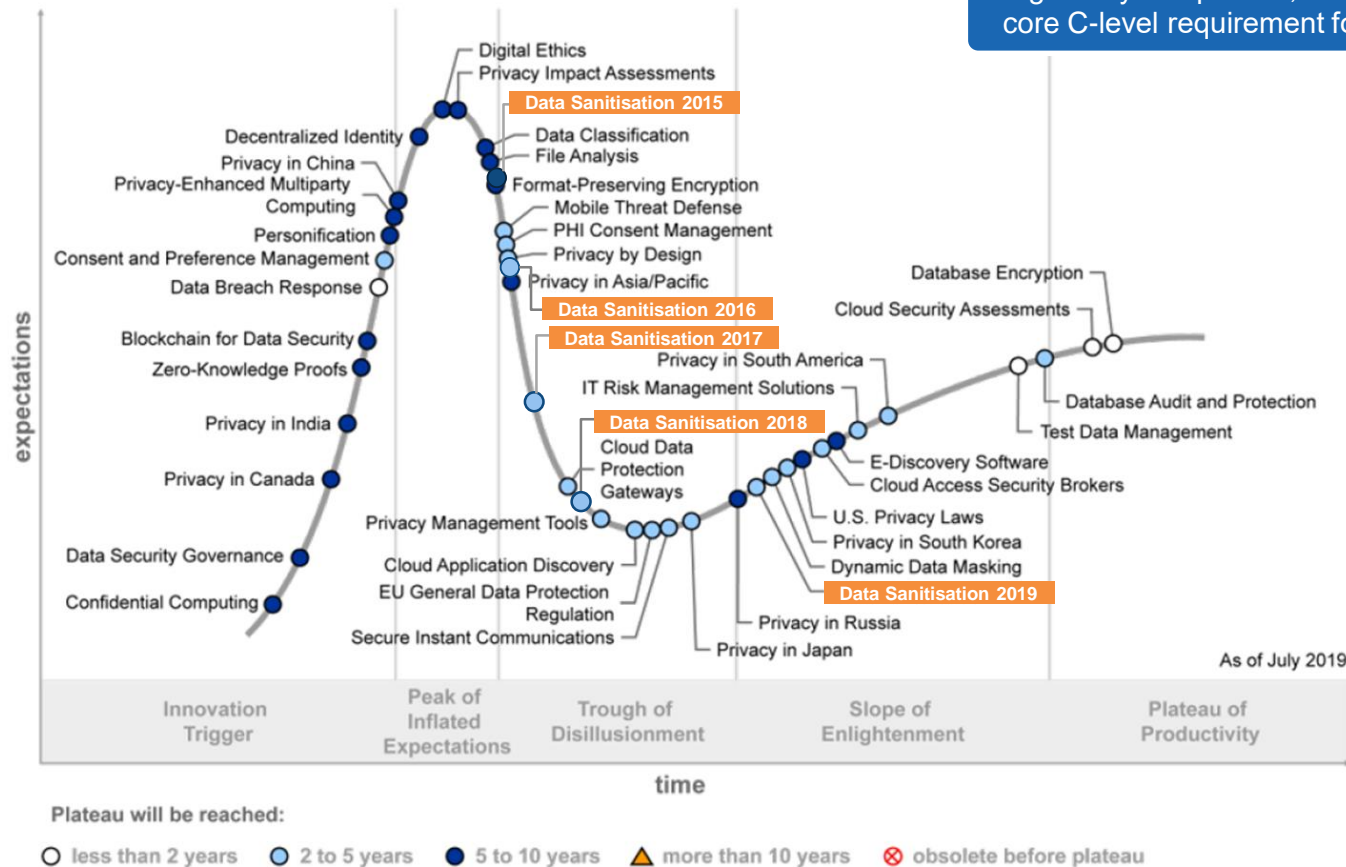


# Gartner Hype Cycles for Data Security and Privacy (July 2019)

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## Hype Cycle for Privacy, 2019

“growing concerns about data privacy and security, leakage, regulatory compliance, .....are making robust data sanitisation a core C-level requirement for all IT organisations”





## California Consumer Privacy Act

- ✓ Right to know what personal information is being collected
- ✓ Right to know whether personal information is being sold and to whom
- ✓ Right to request deletion of all personal information
- ✓ Applies to any company that does business in California or has customers in the state

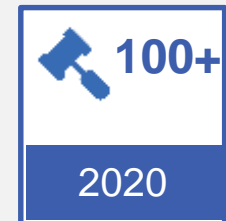
## Most Countries Now Have Data Protection Laws



## Global & Regional Data Protection Laws & Standards

- ✓ Japan's Act on the Protection of Personal Information – right to erasure
- ✓ Security frameworks & regulations – NIST: SP 800-88r1 – sanitisation in US
- ✓ ISO 27001 – requires any sensitive data be securely overwritten prior to disposal or re-use
- ✓ PIPEDA (Canada) & HIPAA (U.S.) specify healthcare data must be erased after it passes its retention date

Number of country-specific data-protection laws:





## Secondary Device Market

### Lucrative

Secondary mobile device market by 2023\*

**\$30Bn**

2018

**\$67Bn**

### Growth

Used smartphone shipment by 2023\*

**175M**

Devices

2018

**332M**

Devices

### Handset Value

Average return for every used device traded in 2023\*

**\$172**

2018

**\$201**

\* IDC January 2020

## ESG

- The Governance & Accountability (G&A) Institute research team has found that eighty-six percent (86%) of the companies in the S&P 500 Index® published sustainability or corporate responsibility reports in 2018. [Source](#)
- According to HSBC, nearly 50 per cent of the businesses surveyed had their own ESG strategy. [Source](#)
- In a recent study by KPMG International, more than one-third (36%) of C-suite and board members surveyed indicated that investor pressure had increased the company's focus on ESG. [Source](#)
- Press release: [28 companies with combined market cap of \\$1.3 trillion step up to new level of climate ambition](#)
  - To date, 600 of the world's largest businesses are setting science-based greenhouse gas emissions reduction targets aligned with the Paris Agreement. [Source](#)



# FY20 H1 Highlights

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## Financial

- Good **revenue, profit and margin growth across all regions and market segments**
- Fund raising in July 2019 supported **strategic acquisitions and strengthened the balance sheet**
- Acquired minority interest in Blancco Japan and Blancco APAC, leaving a 20% holding of Aucnet Inc as the only remaining minority interest.
- **Confidence in future prospects**, near and long term

## Operational

- Continued investment in R&D to **strengthen our IP position** - 5 new patents filed in H1 2020
- The **integration** of Inhance Technology and technology from ZroBlack continue **on schedule**
- **Achieved Advanced Technology partnership status with Amazon Web Services**, supporting our future channel focus
- Received **London Stock Exchange Green Economy accreditation** and released the first part of a three-stage market program on “Erase vs. Destruction”
- Catherine Michel joined the Blancco Board

## Integration Timeline

- ✓ ZroBlack technology was first introduced in Blancco's product in September 2019, BMDE 4.1
- ✓ Version 4.2 was released in January 2020
- ✓ Two additional release are scheduled for this fiscal year
- ✓ Evaluating future technologies from ZroBlack for integration in FY2021 and beyond

## Customer Use Case

- A large US based third party logistics companies that helps carriers manage their mobile supply chain

## Why Blancco won:

- We were able to show we had the most efficient diagnostics and eraser software and to easily integrate into their existing warehouse workflows

## Customer Value:

- Initial value is approximately \$750K annually with the opportunity to double the value over time as we expand our footprint in the Nashville facility add products (Buy Back/Trade In)

## Integration Timeline

- ✓ Business Unit:
  - ✓ Inhance (now Blancco Ireland) is fully integrated—people, processes, training, systems. ISO certification is in process
- ✓ Technology:
  - ✓ Converted Inhance suit of products to Blancco branding
  - ✓ Inhance product is now the Blancco Mobile Solutions (BMS) Apps
- ✓ Market
  - ✓ Opens up the Insurance market to Blancco

## Customer Use Case

- Large international insurance companies in the US and Europe

## Why Blancco is gaining traction in the insurance market:

- We are able white label our BMS app so the customer could expand their offerings to their mobile customers. Strong analytics and reporting capabilities

## Customer Value:

- Initial deal values are approximately \$100K annually, but expect them to grow substantial as our customers extend these capabilities geographically

# How Does Blancco Support the Circular Economy & Corporate Social Responsibility Initiatives ?

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- ✓ Securely erase assets for re-use, resale or recycling
- ✓ Earn carbon credits for responsibly sanitizing hardware
- ✓ Donate sanitized assets to organizations in need
- ✓ Keep assets out of the landfill
- ✓ Reduce negative environmental impact





## Mobile Workflow

### Patent-Pending

- Systems and methods for providing workflows for performance of mobile processing
- Includes but not limited to Mobile Erasure and Diagnostics
- Significant importance to the Mobile Asset Processing Ecosystem



## Mobile Device Erasure

### Patent-Pending

- Permanent erasure of all data from smartphones and tablets
- iOS, Android, Windows and BlackBerry operating systems
- Iterative erasure and verification process to remove previously stored content
- Mitigates against poorly implemented factory reset methods



## Android Battery Wear

### Patent-Pending

- Determine battery wear based on log data collected on the device
- Wear level is the percentage of the Actual Capacity lost from the original Design Capacity
- Log data includes charge intervals, charge times and durations fed into a proprietary algorithm



## Crypto-Erase Verification

### Patent-Pending

- Designed to build on popularity of “factory-reset” in mobile devices or firmware based erasure has executed properly
- Validates successful execution of embedded OEM sanitisation or cryptographic data lock procedures
- Intended for use with emerging technologies



## Intelligent Diagnostics

### Patent-Pending

- Use built-in device components to assist in automating functional tests
- Actuators, loudspeaker, vibration motor, microphone, etc.
- For example, to test the speaker use the built-in microphone to measure the speaker output





## Erasure Process for NVMe in High-Speed Fabric

### Patent-Pending

- Extension of the granted Blancco proprietary SSD erasure approach
- Targets functionality used in Data Centre and Enterprise environments
- Target large mass storage arrays comprised of NVMe devices



## User Guidance Based on Erasure Reports

### Patent-Pending

- Guide user on best erasure method based on accumulated data of previous erasures on that drive model
- iOS, Android, Windows and BlackBerry operating systems
- Iterative erasure and verification process to remove previously stored content
- Mitigates against poorly implemented factory reset methods



## Data Erasure Agent

### Patent-Pending

- Remotely deploys Blancco's industry leading data erasure technology
- Unique ability to remotely erase data from different media types in a consistent way across any geography at any time.
- Reduce costs, drive operational efficiencies and improve their overall security posturing

# High barriers to entry: Blanco's Certifications and Accreditations

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## Global Certifications



NYCE



Netherlands National  
Comms.Security Agency



National Cyber Security Centre



Federal Service for Technical  
and Export Control

**ABW**

The Polish Internal Security Agency



BSI - Federal Office  
for Information Security\*



Certified for Common Criteria  
(ISO15408)



Swedish Armed Forces



Central Information  
Systems Security Division

## Global Approvals and Recommendations



Asset Disposal &  
Information Security Alliance

**NSM**

Norwegian National  
Security Authority



Defence INFOSEC Product  
Co-Operation Group of the UK\*\*



TÜV Saarland

Finnish Transport and Communications Agency

Finnish Communications  
Regulatory Authority



NATO\*

## Third-Party Endorsements

**Ontrack**

Ontrack



AWS Advance Technology  
Partner



## We go above and beyond to achieve compliance

We meet the highest standards for secure data erasure in accordance with privacy and security regulations across the globe. Blancco Data Eraser solutions support 25+ erasure standards, including:

- ✓ Air Force System Security Instruction 5020
- ✓ Aperiodic Random Overwrite
- ✓ Australian Government Information Security Manual (AGISM)
- ✓ Blancco SSD Erasure
- ✓ Bruce Schneier's Algorithm
- ✓ BSI-GS
- ✓ BSI-GSE
- ✓ CESG CPA – Higher Level
- ✓ DoD 5220.22 M
- ✓ DoD 5220.22 M ECE
- ✓ NIST 800-88 Clear
- ✓ NIST 800-88 Purge
- ✓ Firmware Based Erasure
- ✓ Extended Firmware Based Erasure
- ✓ HMG Infosec Standard 5, Higher Standard
- ✓ HMG Infosec Standard 5, Lower Standard
- ✓ National Computer Security Center (NCSC-TG-025)
- ✓ Navy Staff Office Publications (NAVSO P-5239-26)
- ✓ NSA 130-1
- ✓ OPNAVINST 5239.1A
- ✓ Peter Gutmann's Algorithm
- ✓ U.S. Army AR380-19
- ✓ Royal Canadian Mounted Police RCMP TSSIT OPS-II
- ✓ BSI-2011-VS
- ✓ Cryptographic Erasure
- ✓ TCG Cryptographic Erasure
- ✓ Random Byte Overwrite (3x)

# Financial Highlights

## H1 FY20

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# Income Statement

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£'m	H1 FY20	H1 FY19 (Restated)	Growth	FY19 (Restated)
<b>Revenue</b>	<b>17.4</b>	<b>14.6</b>	<b>+19%</b>	<b>30.5</b>
Cost of goods sold	(0.9)	(0.9)		(1.5)
<b>Gross profit</b>	<b>16.5</b>	<b>13.7</b>	<b>+20%</b>	<b>29.0</b>
Admin Expenses	(15.7)	(13.0)		(28.9)
<b>Operating Profit</b>	<b>0.8</b>	<b>0.7</b>		<b>0.1</b>
Exceptional and Acquisition (income)/costs	(0.4)	(0.7)		(0.1)
Amort. of acquired intangibles	1.5	1.3		2.6
Share based payments	0.6	0.4		0.9
Adjusted administrative expenses	(14.0)	(12.0)	<b>+16%</b>	<b>(25.5)</b>
<b>Adjusted Operating Profit</b>	<b>2.5</b>	<b>1.7</b>	<b>+47%</b>	<b>3.5</b>
<i>Depreciation</i>	<i>0.5</i>	<i>0.5</i>		<i>0.9</i>
<i>Amort of non acquired intangibles</i>	<i>1.4</i>	<i>1.3</i>		<i>2.5</i>
<b>Adjusted EBITDA</b>	<b>4.4</b>	<b>3.5</b>	<b>+26%</b>	<b>6.9</b>
<i>Adjusted Operating Profit margin</i>	<i>14.3%</i>	<i>11.6%</i>		<i>11.6%</i>
<i>Adjusted EBITDA margin</i>	<i>25.4%</i>	<i>23.4%</i>		<i>22.8%</i>

- Revenue growth of 16% at constant currency
- Adjusted operating margin increased to 14.3% from 11.6% in H1 2019
- Operating gearing is driving increased profitability

£'m	H1 FY20	FY19 (restated)
<b>Non current assets</b>		
	<b>72.7</b>	<b>71.7</b>
<b>Current assets / (liabilities)</b>		
Inventory	0.1	0.1
Debtors	7.2	7.4
Trade & other payables	(8.2)	(9.9)
Contingent consideration	(0.3)	(0.3)
Provisions	(0.5)	(0.8)
Tax liability	(0.1)	(0.2)
	<b>(1.8)</b>	<b>(3.7)</b>
<b>Net cash</b>	<b>5.4</b>	<b>0.1</b>
<b>Non current liabilities</b>		
Provisions	(0.2)	(0.3)
Deferred tax	(3.3)	(3.6)
Other non-current liabilities	(1.4)	(2.0)
	<b>(4.9)</b>	<b>(5.9)</b>
<b>Net assets</b>	<b>71.4</b>	<b>62.2</b>

- Balance sheet has been strengthened by the increase in net assets of £9.2m due to the share placing in July 2019 which raised £9.6m.
- Restatement of prior year balance sheet for IFRS 16 conversion.
- RCF paid down in full in H1 (£6.5m). The group now has no external borrowings.
  - Cash within the Group of £5.4m



£'m	H1 FY20	H1 FY19 (Restated)	CY19
<b>Adjusted Operating Profit</b>	2.5	1.7	4.3
Depreciation on Property, Plant and Equipment	0.5	0.5	0.9
Amortisation of intangible assets	1.4	1.2	2.6
<b>Adjusted EBITDA</b>	<b>4.4</b>	<b>3.4</b>	<b>7.9</b>
Decrease/(increase) in receivables	0.1	(0.6)	0.5
(Decrease) in payables, accruals and provisions	(3.3)	(0.6)	(0.4)
Acquisition costs	0.3	-	(0.2)
Exceptional income	0.9	0.7	0.8
<b>Adjusted Operating Cash Flow (AOCF)</b>	<b>2.4</b>	<b>2.9</b>	<b>8.6</b>
<b>AOCF as % of Adjusted EBITDA</b>	<b>53%</b>	<b>85%</b>	<b>108%</b>

- New incentivisation bonus scheme introduced and paid in H1 2020
- Various deals in H2 2019 paid up front and delivered in H1 2020
- Ongoing cash conversion target of +90% for the full year
- Increased capitalisation due to larger R&D headcount and acquisition of Inhance

£'m	H1 FY20	H1 FY19 (Restated)	CY19
Blanco Capitalised Internal R&D Expenses	1.4	1.1	2.9
Inhance Capitalised Internal R&D Expenses	0.4	-	0.4
<b>Total Capitalised Internal R&amp;D Expenses</b>	<b>1.8</b>	<b>1.1</b>	<b>3.3</b>
Amortisation of Internal R&D Expenses	(1.2)	(1.1)	(2.3)
<b>Net credit / (debit) to Income Statement</b>	<b>0.6</b>	<b>-</b>	<b>1.0</b>

# Revenue by Segment & Geographical

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Revenue	FY20 £'m	FY19 £'m	Growth %	CC Growth %
Enterprise & Data Centre	6.0	4.7	28%	26%
ITAD	5.6	4.9	15%	13%
Mobile	5.8	5.0	15%	10%
<b>Group total</b>	<b>17.4</b>	<b>14.6</b>	<b>19%</b>	<b>16%</b>

Revenue	FY20 £'m	FY19 £'m	Growth %	CC Growth %
Americas	5.9	5.3	10%	5%
Europe	6.7	5.6	20%	21%
Asia and ROW	4.8	3.7	32%	25%
<b>Group total</b>	<b>17.4</b>	<b>14.6</b>	<b>19%</b>	<b>16%</b>

- Acquisition of Inhance in July 2019 with revenue due in H2 2020.
- Group's largest customer in revenue terms, (8% in H1 FY 2020) moved from a model where mobile handsets were being diagnosed in store to being diagnosed in warehouses. New agreement signed albeit at a lower annualised value
- US-based Arrow withdraws from ITAD market. Revenue replaced with growth from their global competitors

- Issued 854,939 shares in return for 29% of Blancco Japan subsidiary and remaining 30% in Blancco APAC
- 20% holding in Blancco Japan by Aucnet Inc is the only minority interest remaining in the Group
- Aucnet keen to retain Joint Venture status in Japan while benefitting from global partnership
- Key benefits to cashflow and tax
- Japan subsidiary had revenue of £6.0m and net profit of £1.2m in FY19

# Summary & Outlook

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- ✓ Strong growth across all regions with important product advancements made
- ✓ Revenue growth has continued into the opening months of the new financial year in line with market expectations
- ✓ Integration of Inhance acquired subsidiary is well advanced
- ✓ First phase of ZroBlack innovation has been released to customers
- ✓ Investments in mobile market will lead to accelerated growth in market
- ✓ Continued growth in Enterprise market anticipated
- ✓ Company is now in a strong cash positive position