



SideChannel, Inc.

OTCQB: SDCH

As of September 30, 2024

# Disclaimer

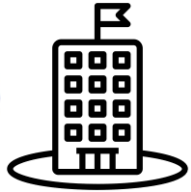
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# Company Brief



OTCQB Symbol:

**SDCH**



Headquarters:

**Worcester, MA**



Mission:

**Making cybersecurity  
simple and accessible.**

## Fiscal Year 2024\*

Revenue:

**\$7.4 Million**

YoY Growth:

**12.8%**

Annual Revenue Retention:

**69.2%**

\* Fiscal year ended on September 30, 2024.

# Deborah MacConnel, Chairwoman



SideChannel cleared an important milestone this year by becoming cash flow positive. Our Board of Directors wholeheartedly supported management's decision to sacrifice growth in order to protect the financial position of the company and appreciate achieving this critical objective.

As a former sales executive at IBM, I understand and appreciate the Company's desire to grow more and faster. With increased confidence in the Company's ability to generate cash from operations, the Board has increased its focus on helping the management team declare the right revenue growth strategies. We appreciate the opportunity to challenge the management team for growth with the tailwind of a strengthening balance sheet.

# Brian Haugli, Chief Executive Officer



Over the past year, our unwavering focus on disciplined growth and operational efficiency has begun to bear fruit, enabling us to generate positive operating cash flow while continuing to refine and broaden our cybersecurity solutions. Our flagship **Enclave** platform, now validated by key early adopters including a recent milestone engagement with a U.S. Department of Defense organization, is positioned to unlock substantial value as adoption accelerates.

Even amid challenging market conditions, we have demonstrated our ability to execute strategically—streamlining expenses, innovating in zero-trust network solutions, and strengthening our core vCISO services. We believe these advances set the stage for transformative long-term growth and enhanced shareholder value.

As we move forward, we invite you to deepen your investment in our vision and hold confidently as we advance toward a future where our solutions become indispensable across both government and private sectors.

# Business Strategy - Making cybersecurity simple & accessible

<b>Grow Proprietary Software Revenue</b>	<b>Increase vCISO Engagements</b>	<b>Expand Program Adoption</b>
<p>Obtain actionable insights from <b>Enclave</b> early adopters</p> <p>Develop go-to-market strategy for scaling adoption</p>	<p>Continue expanding footprint in mid-market</p> <p>Tailor affordable, scalable solutions for emerging market</p>	<p>Add capabilities through existing and new third-party relationships</p> <p>Implement client maturity model</p>
<p><b>Higher margin than services</b></p> <p><b>Multi year deals</b></p>	<p><b>Substantial need in market for services</b></p> <p><b>Growing demand for fractional C-suite</b></p>	<p><b>Easier to expand revenue than capture new revenue</b></p>

# Two Lines of Business

## Proprietary Software

- Novel, efficient, and cost-effective approach to microsegmentation
- Driven by a Zero Trust permissions model
- Newly launched product with growing customer list

**ENCLAVE**™

## Services

- Original business model from 2019
- Consulting and advisory services that identify, assess, and mitigate cybersecurity risks
- Led and staffed by veteran Chief Information Security Officers (CISO)



# Nick Hnatiw, Chief Technology Officer



We have been expanding **Enclave**'s capabilities to support its primary cybersecurity solution for micro-segmentation. The product can now deliver four additional cybersecurity protections on top of micro-segmentation: asset inventory, vulnerability management, secure web gateway, and machine identity management.

Each of the additions is a natural extension of the core platform and fulfills our objective of simplifying network management for IT professionals. Our cost-effective software solution is helping companies avoid costlier and more complex hardware dependent solutions for network segmentation. These new features also create more entry points for companies to explore **Enclave** as an essential tool in their cybersecurity program.



# Enclave: SideChannel's Proprietary Software Platform

**Enclave** is SideChannel's cutting-edge zero-trust platform, designed to revolutionize network security for organizations of all sizes. By seamlessly integrating asset intelligence, micro-segmentation, secure gateway functionality, and automated certificate management, **Enclave** empowers companies to meet complex compliance requirements while enhancing their security posture. This multi-stage platform adapts to varying levels of organizational maturity, ensuring scalability and long-term value.

**Enclave** addresses critical challenges such as vulnerability management, unauthorized access, and secure communication across hybrid and cloud environments. Its innovative design reduces attack surfaces, simplifies administration, and provides actionable insights, making it a vital component in safeguarding our clients' operations.

This year, **Enclave** has played a pivotal role in advancing SideChannel's mission to deliver robust, accessible, and scalable cybersecurity solutions, reinforcing our position as a leader in the market.

# ENCLAVE™

# Enclave Market Validation

Zero Trust Network Architecture reduces the digital attack surface

**43k** US companies with 500+ employees

**\$4.9 billion** total addressable market

Companies are seeking cost effective ways to achieve Zero Trust

# Matt Klein, Chief Operating Officer



Our commitment to building pragmatic, results-driven security programs has yielded strong customer retention and demonstrated measurable improvements in our clients' security postures.

Our vCISO services continue to demonstrate excellence in delivery and market reception. The expansion of our cybersecurity engineering services portfolio has further strengthened our market position and enhanced our ability to serve clients comprehensively.

All the great services work cannot happen without top talent. Our success in attracting and retaining top-tier cybersecurity talent has been remarkable. Our integrated approach to service delivery, coupled with our innovative solutions and strong talent base, provides a solid foundation for sustained success in the evolving cybersecurity landscape.

# Client Risk Management: “SideChannel Complete”

## Identify

- Day 1 to 30
- Assessment
- Planning

## Remediate

- Month 1 to 6
- Training
- Staffing
- Software

## Manage

- Ongoing
- Monitoring
- Adjusting

**Priorities informed by vCISO observations at clients**

**Allocate SDCH engagement budget in response to current maturity and anticipated threats**

# SideChannel Complete Extends Leadership to Program

Achieve operating leverage by growing Program Revenue at a faster rate than vCISO Revenue



# Services Market Validation

Cybersecurity risks continually escalate

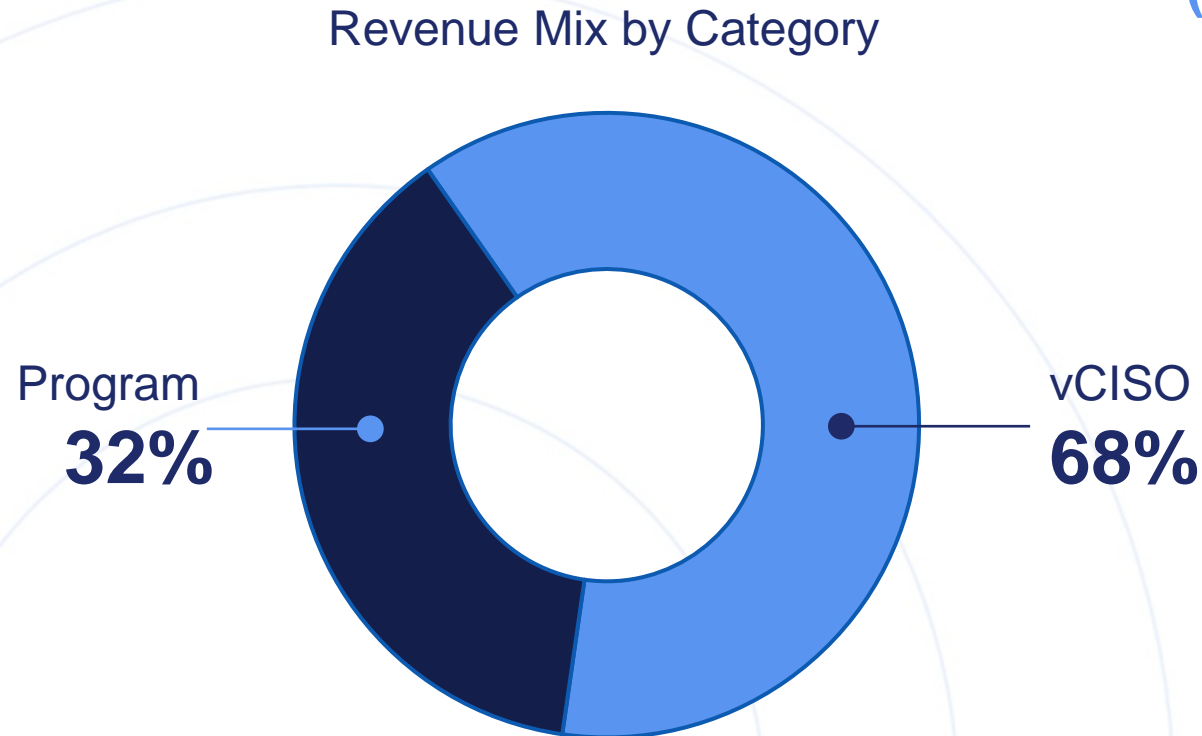
**276k** US companies with 50 to 500 employees

**\$29.7 billion** total addressable market

Clients increased demand for outsourced cybersecurity services

# vCISO Services Account for Two-thirds of Revenue

We report revenue in two categories



**vCISO**  
(virtual Chief Information Security Officer)

Leadership  
Governance  
Policies  
Processes

**Program**  
Security Engineering  
Software Sales  
Program Management



# Customer Satisfaction

- How likely are you to recommend SideChannel to a friend or colleague?

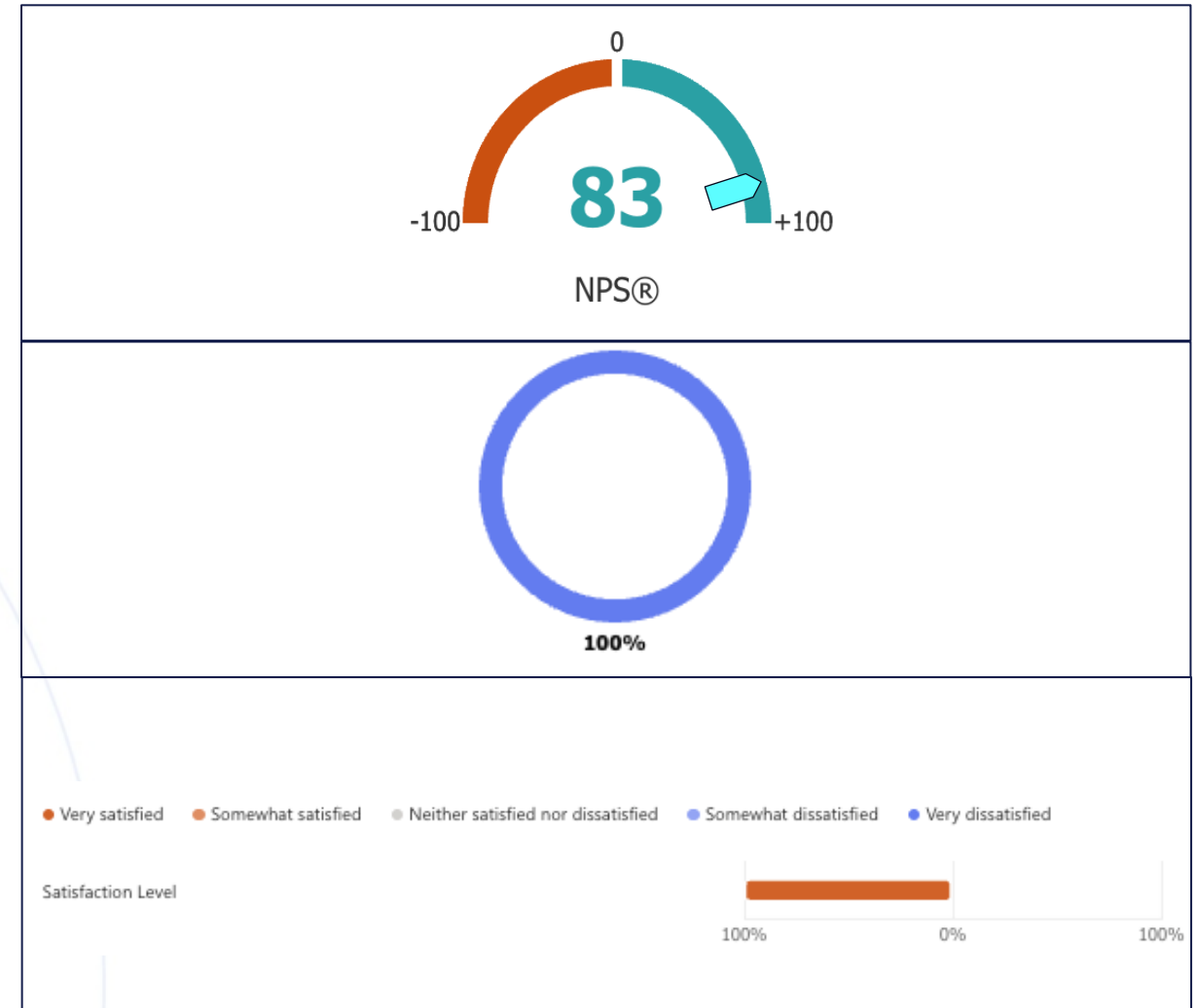
**83 NPS Score**

- Do you feel confident that our cybersecurity measures are effective in protecting your organization from cybersecurity threats?

**100% Confidence Rating**

- Overall, how satisfied are you with our cybersecurity services?

**100% Very Satisfied Rating**



# Customer Use Case #1: Global Asset Based Lending Company (October 2021)

## Why SideChannel?

- Increasing concern about cybersecurity risks amongst board and management
- Pressure from customers to protect data

## Program Evolution

- Month 1: Strengthened governance, risk and compliance (GRC) activities
- Month 6: Added managed services, employee training, and email protection
- Month 31: Added workstation and vulnerability management

## Benefits

- Continuous improvement in cybersecurity risk management
- Improved customer retention
- Streamlined completion of compliance audits

Our client was  
acquired in July  
2023

The new parent  
company placed  
SideChannel in  
another subsidiary

# Customer Use Case #2:

## Direct Response Marketing Company (November 2022)

### Why SideChannel?

- Pressure from key customer to prove cybersecurity protections
- Previous supplier failed to delivery cybersecurity improvements

### Program Evolution

- Quarter 1: Assumed program leadership, built multi-phased roadmap, mended customer relationship
- Year 1: Upgraded MDR, added robust identity controls, expanded employee training
- Year 2: Expanded vulnerability management to all assets, strengthened control of remote assets

### Benefits

- Comprehensive security monitoring
- Continuous improvement in cybersecurity risk management
- Improved customer retention

# Customer Use Case #3:

## Large Multi-National Manufacturer (March 2023)

### Why SideChannel?

- Failed penetration test highlighting a lack of investment over the years
- Manufacturing could be halted by a cybersecurity incident

### Program Evolution

- Month 1: vCISO
- Month 6: Added security engineering
- Month 13: Added **Enclave** & executive monitoring and protection capability

### Benefits

- Board and management visibility into threats and remediation plans
- Strengthened defense of the primary business function – manufacturing
- Increased customer confidence by improving on time order fill rates

# Customer Use Case #4: Crypto Mining Company (April 2024)

## Why SideChannel?

- Concerns about SEC cybersecurity risk disclosure
- Material weaknesses identified in IT systems and policies

## Program Evolution

- Month 1: Assessment and employee training
- Month 3: Performed penetration test
- Month 4: Added monthly vCISO subscription

## Benefits

- Improved cybersecurity risk posture
- Increased operations up-time
- Robust disclosure in Form 10-K

This is  
SideChannel's 2<sup>nd</sup>  
Crypto Mining client.

Both clients are in  
the top 3 largest  
currently operating.

# Ryan Polk, Chief Financial Officer



During our quarterly financial results calls with investors we reiterate that we have two catalysts necessary for us to increase open market buying of our stock:

- 1) becoming cash flow positive and
- 2) reporting sustainable growth in **Enclave** revenue.

One down. One to go.

We expect to generate cash through our services business and selectively deploy this capital into selling and marketing capabilities during fiscal year 2025. This source of cash is likely to be the only source available to us until the second half of fiscal year 2026. Until then, expect us to have modest growth in our services business while we allocate an overweight amount of cash flow to enable increased **Enclave** adoption.

# Financial Results

(in thousands)	Three Months Ended							
	12/31/22	3/31/23	6/30/23	9/30/23	12/31/23	3/31/24	6/30/24	9/30/24
Revenue	\$ 1,546	\$ 1,617	\$ 1,750	\$ 1,659	\$ 1,736	\$ 1,927	\$ 1,846	\$ 1,891
Gross Profit	865	737	874	856	845	868	902	917
Operating Expenses	1,472	1,595	1,354	1,171	1,104	1,128	1,056	1,184
Operating Loss [a]	(607)	(858)	(694)	(5,255)	(259)	(260)	(154)	(267)
Cash [b]	\$ 2,553	\$ 1,902	\$ 1,446	\$ 1,053	\$ 819	\$ 851	\$ 1,105	\$ 1,297
QoQ Change	(477)	(651)	(456)	(393)	(234)	32	254	192
Debt	\$ 50	\$ 50	\$ 50	\$ 50	\$ -	\$ -	\$ -	\$ -
Shares Outstanding	148,905	149,571	212,766	213,855	221,645	224,355	225,975	225,975

[a] Includes business combination costs and intangible asset impairment.

[b] Includes cash, cash equivalents, and short-term investments.

Please read our annual reports on Form 10-K for the years ended September 30, 2023 and 2024 which are available on the SEC website.



# Follow Our Progress

Financial results calls scheduled during 2025 at 4:30 pm Eastern Time on:

**Feb 5**

**May 7**

**Aug 6**

**Dec 3**

**IR Team**

[ir@sidechannel.com](mailto:ir@sidechannel.com)

**Email Newsletter**

<https://sidechannel.com/news/newsletter-sign-up/>