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**ASX Code: ZYB**

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ASX Market Announcements

## **Zyber expands market reach and product range through option agreement to acquire mobile/IoT security company Iota Security**

### **Highlights**

- Zyber given option to acquire 100% of Canadian-based Iota Security Inc through execution of a binding term sheet
- Iota's suite of mobile and Internet-of-Things (IoT) security products is highly complementary to Zyber's secure file sharing solutions
- The deal will give Zyber significant new revenue opportunities and foothold in the fledging IoT security market, estimated to grow to US\$28.9 Billion annually by 2020
- Iota Security's patent-pending approach to securing devices uses machine learning to identify new and emerging attacks against mobile and IoT devices.
- The technology will further strengthen Zyber's intellectual property (IP) advantage in the cybersecurity space
- Deal terms do not require Zyber to raise any additional finance

**Zyber Holdings Limited** (ASX: ZYB) ('Zyber' or 'the Company') has signed a binding term sheet with leading mobile and Internet-of-Things ('IoT') security company Iota Security Inc ('Iota') that gives the option for Zyber to acquire 100% of the issued shares in Iota.

Canadian-based Iota Security develops next generation "machine-learning" security solutions for mobile and IoT devices that are more effective at detecting cyber threats. This is due to its patent pending approach that leverages machine-learning algorithms. These are trained to recognise the fundamental patterns of maliciousness, enabling Iota Security to detect 94.5% of "zero-day" threats, including malware missed by other security companies that rely on human analysts and signatures..

In 2014, the global cost of Cyber Crime was estimated at \$480 Billion, and attackers have been focusing on the financial industry. One recent cyber bank heist (the Carbanak attack) stole US\$1 billion from over 100 financial institutions in 30 countries. The mobile banking channel is also under particular attack, with mobile banking transactions exceeding branch-based transactions.

Traditionally, security companies have large numbers of human security analysts searching for viruses and creating the "virus definitions" or signatures to detect threats. However, an attacker can easily evade these systems using polymorphic or obscured code. As such, signature-based detection cannot effectively detect new threats.

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Machine- learning technologies can respond faster to potential cybersecurity threats than waiting for a signature or rule to be developed and then downloaded to the target system. This time advantage in securing sensitive endpoints can make the difference between being protected and having the device compromised and loss of all of the sensitive data on the device.

Mobile security is the start for Iota Security, with a focus on preventing cybercrime in the medical and financial industries. However, Iota Security's architecture and product roadmap extend beyond mobile into Internet of Things (IoT) devices. The IoT cybersecurity market is expected to grow to US\$28.9 billion by 2020 ("Markets and Markets")

Iota Security has a strong and seasoned management team already in place. The CEO, Yaron Vorona has global experience in electronic supply chain management, finance consulting, and energy and security policy. Technology development is lead by Dr. Richard Krueger, Chief Software Architect, who was a part of the core Amazon engineering team that built the popular Amazon Prime offerings from inception to scale. Iota Security's advisors are: Mario Chiock (Security Advisor), former Chief Information Security Officer at global energy company Schlumberger; Dr. Ofer Shai (Data Science Advisor), currently Chief Science Officer at Meta and former data science lead at Kontagent (acquired by Upsight) and Kobo (acquired by Rakutan); and Bohdan Zabawskyj (Venture Advisor), currently CTO at Mercatus Technology and former CTO at Ryppe (acquired by Salesforce).

Iota Security is currently in discussions with multiple major banks in North America, South America and Asia, and has recently signed a first trial with a major bank in Asia.

Iota Security's products are highly complementary to Zyber's secure file sharing solutions and opens up a significant market opportunity in the fledging IoT sector, which is already estimated to be worth approximately US\$6 billion annually.

### **Terms of the Acquisition**

Under the agreement, Zyber will advance Iota Security an initial loan of \$500,000, with a further equal advance being committed subject to Iota Security achieving agreed commercial outcomes. The loan is convertible into Iota Security shares and will carry an interest rate of 8% a year. The provision of the loan is intended to allow Iota Security time to further develop its security products before Zyber is required to make a decision to acquire Iota Security.

Zyber and shareholders in Iota Security have also agreed to grant each other options that will result in Zyber acquiring Iota Security, if exercised, for a total consideration of \$4.5 million payable upfront in escrowed Zyber shares and \$4.5 million of performance shares which will convert into ordinary Zyber shares (subject to escrow) upon Iota achieving certain performance and revenue based milestones. If the acquisition proceeds, the shares will be issued at the lower of \$0.05 each and the 10 day VWAP for Zyber's shares immediately prior to settlement of the acquisition.

The agreement also remains conditional on mutual due diligence, Zyber obtaining all required regulatory/shareholder approvals and the Iota Security shareholders agreeing to a 12 month voluntary escrow period on any Zyber shares issued to them.

"Our strategic investment in Iota Security will significantly accelerate the growth of Zyber by opening new markets and presenting us with cross-selling opportunities as we engage with

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enterprise customers for the Zyber secure file sharing solution,” said Clay Epstein, Zyber’s chief executive officer.

“With Iota Security, we can offer a more complete extensive suite of security solutions to a large and growing cybersecurity market, which is forecast to reach over US\$155 billion globally by 2019.”

The CEO of Iota Security Yaron Vorona commented: “There are strong strategic reasons for Zyber and Iota Security to join forces. Our highly complementary cybersecurity technologies allow us to effectively address massive market opportunities. Together, we can create a group with significant intellectual property and growth potential, whilst leveraging significant synergies between the companies.”

Zyber will update the market on the status of the transaction as it progresses.

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**About Zyber:**

*Zyber Secure Mobile Solutions builds secure file sharing business applications with an emphasis on security, scalability and functionality. Zyber uses a unique encrypted “data projection” technology to protect sensitive shared files and its platform automates confidential information flow processes for industries including government, banking, healthcare, retail, and the public sector.*