

## ASX ANNOUNCEMENT

Family Zone Cyber Safety Limited

ASX:FZO ("Family Zone" or the "Company")



Our mission is to protect & support  
every child's digital journey.

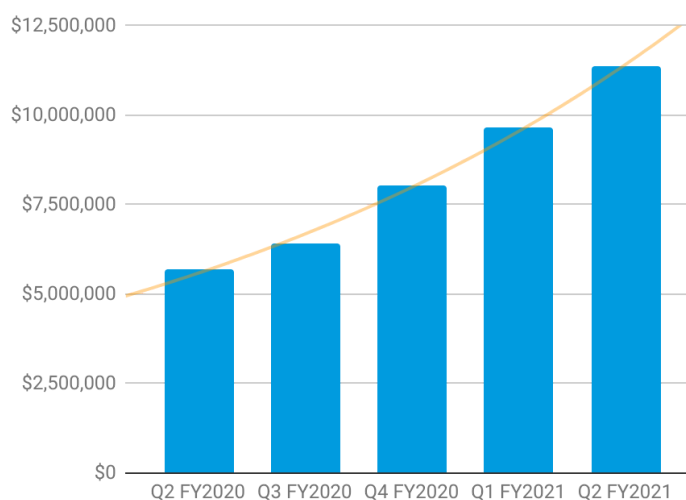
# DEC QTR 2020 - APPENDIX 4C COMMENTARY & OPERATIONAL UPDATE

Family Zone, supporting & protecting every child's digital journey, is pleased to provide its quarterly Appendix 4C cash flow report and commentary for the December quarter 2020

## KEY METRICS

<b>RECURRING</b> Revenue <sup>1</sup>	<b>\$11.3 m</b>	<b>99%</b>
<b>STUDENTS</b> Contracted Licenses	<b>1.50 m</b>	<b>145%</b>
<b>SCHOOLS</b> Contracted	<b>2,861</b>	<b>145%</b>
<b>PREMIUM</b> Accounts	<b>16.5k</b>	<b>19%</b>

## Comparative ARR (1)



<sup>1</sup> For the purpose of periodic comparison ARR is calculated at the Company's budget exchange rates of USD: 60c; NZD: \$1.10. At current rates of USD: 75c, NZD: \$1.05 estimated ARR is circa \$10 million.

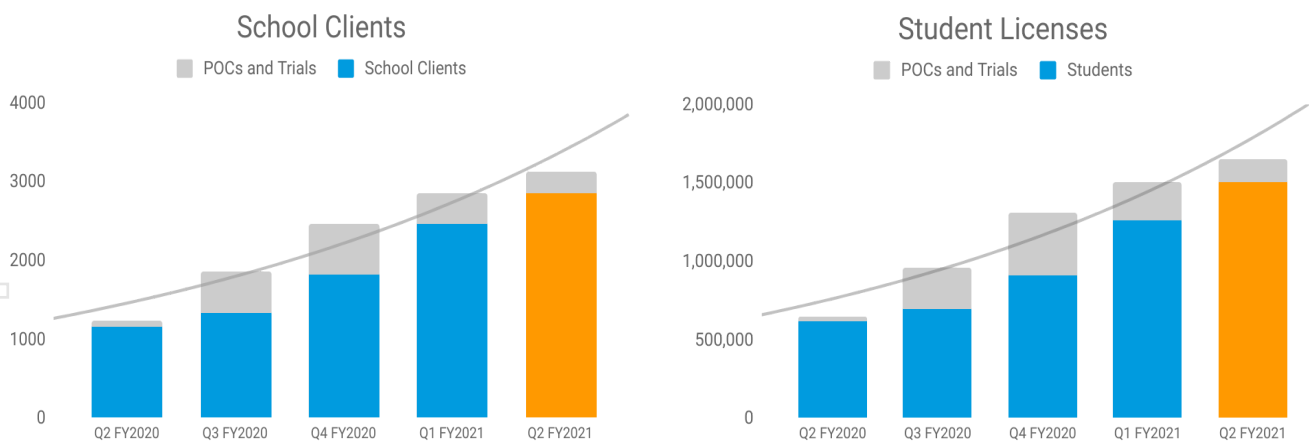


## Highlights for the quarter

- Contracted 425 new schools (143% YoY growth)
- Contracted 233,000 new student licenses (164% YoY growth)
- Signed contracts with an annual value of \$2.33 million (151% YoY growth)
- Signed a record of \$4.1 million in total value of contracts (103% YoY growth)
- Collected \$2.5 million from customers (101% YoY growth)
- Ended the quarter with +1.5 million contracted students and 1.67 million on the platform
- Ended the quarter with 324% YoY growth in the size of our pipeline of schools in trials
- Ended the quarter now servicing more than 3% of US school districts
- Ended the quarter with 3,133 schools on the platform (153% growth in 12 months)
- Ended the quarter with 2,862 contracted schools (145% growth in 12 months)
- Raised \$22 million to accelerate growth, through a \$20 million share placement to sophisticated and professional investors and \$2 million SPP offer to existing retail investors.

## Significant growth in schools and student numbers

The Company achieved outstanding sales success in the December quarter, significantly exceeding internal expectations.



## Substantial growth in contracted revenue

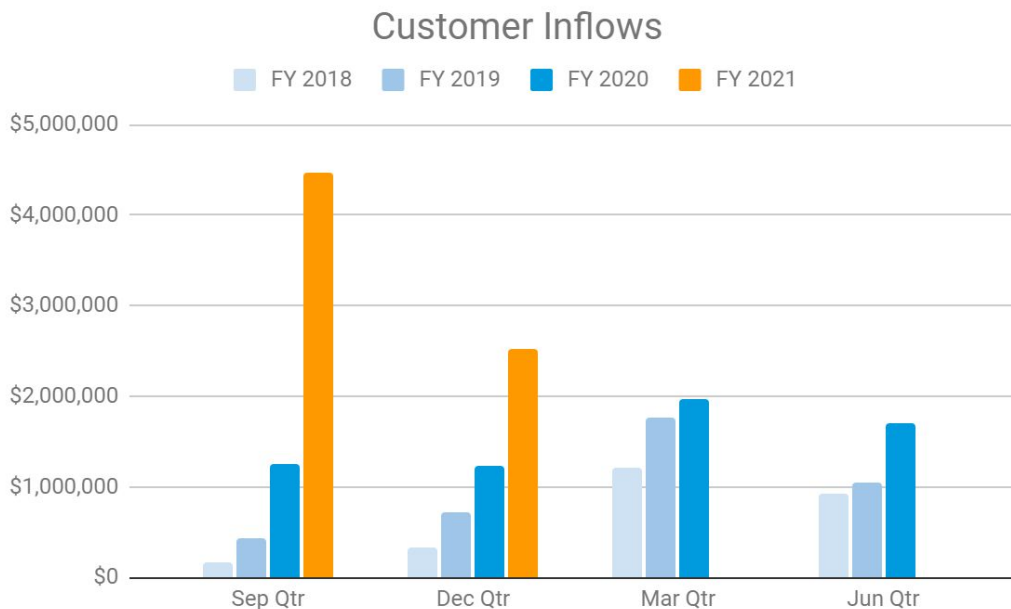
For the first time ever the Company signed in excess of \$4 million of contracts in the quarter.



Encouragingly the Company exceeded internal targets in all regions, experienced increasing average revenues per student and ended the quarter with a strong sales pipeline.

## Substantial growth in customer collections

With recent acceleration in sales, customer collections growth has followed with a 103% YoY increase in customer collections at \$2.5 million.



## Positive impacts of a strengthening AUD

The Company has a large amount of costs in USD with data and hosting and a significant amount of staff based in the USA. Due to this, the risk for the Company is currently on a weakening AUD (as there are more costs than revenue in USD), therefore the Company exercises prudence with its budgeting using a relatively low exchange rate.

The increasing AUD has resulted in a significant saving on the budgeted costs.

This has also had a corresponding impact on revenue with our USA denominated ARR (which now exceeds US\$4m) falling in nominal terms.

For the comparative purposes charts of ARR and contract values provided in this release are based on the Company's budgeted exchange rate. Cashflow is based on nominal rates.

## Investments in capability and acceleration

During the quarter the Company pushed further with a program of investments in building capability, with approximately \$2.8m spent on R&D. Noteworthy programs and achievements include the following.

### GCP Migration & Google Enterprise Agreement

Through 2020 the Company has been working on migrating hosting and data services from Amazon (AWS) to Google (GCP). This is a complex project which has been impacted by redeployment of staff to support sales growth during 2020.

With completion delayed through to 2021 the Company has been running AWS and GCP in parallel since August, which has doubled direct costs.

We're pleased to confirm that as December 31 the Company had migrated its education data into GCP delivering substantial cost savings. By the end of this quarter all education services will be in the Google Cloud platform with all data and applications on GCP comfortably by 30 June 2021.

Reflecting the scale of our platforms and deepening partnership with Google the Company is now one of a handful of Australian companies that has signed an Enterprise Agreement.

### Recruitment & organisational capability

This month the Company passed through 140 FTEs as investments are made in building our:

- engineering capacity & capability to deliver scale, new features and innovation;
- delivery capacity to ensure exceptional experiences for our customers; and
- management team and capability.

Recruiting continues with engineering capacity the key focus.

## R&D Grant

During the quarter the Company received approximately \$2.1 million in R&D grants funds relating to its investment in R&D activities in the 2020FY.

## Outlook

The Company's outlook is positive with continued strong sales momentum, expansion and integration of the team well advanced, current growth plans fully funded and accretive industry dynamics. Noteworthy matters for investors including the following.

- **US education sales cycle:** The key US education-tech sales cycle kicks off with conference season this quarter and the key sales period of April to September.
- **US stimulus measures:** This month the US government finalised an injection of US\$54 billion into the education sector through the 2021 Coronavirus Response and Relief Supplemental Appropriations Act. This funding is directed at supporting the sector to deal with COVID and follows the CARES Act injection of US\$12 billion in 2020.
- **USA Consumer launch:** The Company continues work on the launch it's consumer offerings into the US. Soft launches of Family Zone Community are planned for coming months.
- **New markets & products:** The Company continues work on planned entry into new markets and on the launch of new products into Education. We will update the market as these launches are made.

## Related Party Payments

In accordance with ASX listing Rule 4.7C.3, payments to related parties and their associates outlined in the Company's Appendix 4C for the quarter of approximately \$143,000 relate to the portion of Directors' salaries received in cash, superannuation payments to Directors and professional fees paid to Grange Consulting for financial management and company secretarial services.

*This announcement was made on January 29, 2021 and was authorised by the Board of Family Zone Cyber Safety Limited.*

## About Family Zone

Family Zone, **supporting and protecting every child's digital journey**, is an ASX-listed technology company and an emerging leader in the fast growing global cyber safety industry. Family Zone's unique innovation is its patented cyber safety ecosystem, a platform enabling a world-first collaboration between schools, parents and cyber safety educators. Family Zone's unique approach is delivering rapid growth in the education sector, as well as through direct sales and scalable reseller arrangements with telco providers.



To learn more about the Family Zone platform and the Company please visit [www.familyzone.com](http://www.familyzone.com).

## Contacts

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**Ends.**

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## Appendix 4C

### Quarterly cash flow report for entities subject to Listing Rule 4.7B

**Name of entity**

Family Zone Cyber Safety Limited

**ABN**

33 167 509 177

**Quarter ended ("current quarter")**

31 December 2020

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
<b>1.</b>	<b>Cash flows from operating activities</b>		
1.1	Receipts from customers	2,518	6,996
1.2	Payments for		
	(a) research and development	(2,843)	(4,127)
	(b) product manufacturing and operating costs	(633)	(1,487)
	(c) advertising and marketing	(221)	(388)
	(d) leased assets	-	-
	(e) staff costs	(1,964)	(4,035)
	(f) administration and corporate costs	(1,446)	(2,559)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	3	4
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	2,307	2,976
1.8	Other (provide details if material)		
<b>1.9</b>	<b>Net cash from / (used in) operating activities</b>	<b>(2,278)</b>	<b>(2,621)</b>
<b>2.</b>	<b>Cash flows from investing activities</b>		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	(519)	(1,141)
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	(9)
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(519)</b>	<b>(1,150)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)*	21,457	25,516
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(181)	(260)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(1,329)	(1,329)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>19,948</b>	<b>23,927</b>

\* Net of capital raising costs

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	8,655	5,805
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,278)	(2,621)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(519)	(1,150)



Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	19,948	23,927
4.5	Effect of movement in exchange rates on cash held	170	14
4.6	<b>Cash and cash equivalents at end of period</b>	<b>25,976</b>	<b>25,976</b>

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	25,976	8,655
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>25,976</b>	<b>8,655</b>

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	143
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>		

7.	<b>Financing facilities</b> <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	<b>Total financing facilities</b>	-	-
7.5	<b>Unused financing facilities available at quarter end</b>		-
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		

8.	<b>Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1	Net cash from / (used in) operating activities (item 1.9)	(2,278)
8.2	Cash and cash equivalents at quarter end (item 4.6)	25,976
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	25,976
8.5	<b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	11.40
<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>		
8.6	If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1	Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
Answer: N/A		
8.6.2	Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
Answer: N/A		
8.6.3	Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
Answer: N/A		
<i>Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.</i>		

## Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 29 January 2021

Authorised by: The Board of Family Zone Cyber Safety Limited  
(Name of body or officer authorising release – see note 4)

## Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.