

## 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.

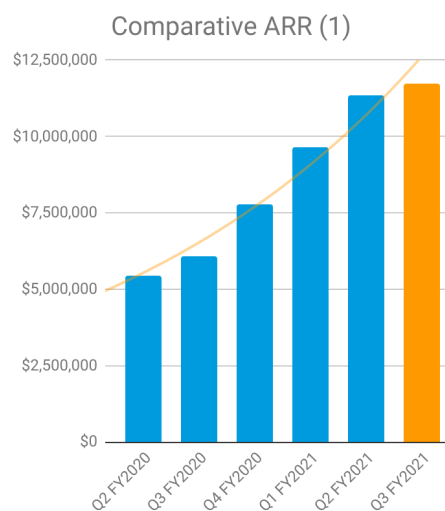
# PRIMED FOR OUR BIG TWO QUARTERS MAR QTR 2021 - APPENDIX 4C COMMENTARY & OPERATIONAL UPDATE

Family Zone, supporting & protecting every child's digital journey, is pleased to provide its quarterly Appendix 4C cash flow report and commentary for the March quarter 2021.

## KEY METRICS

Measure		YoY
<b>RECURRING Revenue<sup>1</sup></b>	<b>\$11.7 m</b>	<b>92%</b>
<b>STUDENTS Contracted Licenses</b>	<b>1.64 m</b>	<b>137%</b>
<b>SCHOOLS Contracted</b>	<b>3,135</b>	<b>135%</b>

"The massive US education market is enjoying unprecedented increases in funding. We're entering the key US sales period, well organised having invested in growing our team to be ready to handle a record sales pipeline." **Tim Levy, Managing Director**



<sup>1</sup> For the purpose of periodic comparison ARR is calculated at the Company's budgeted exchange rate for FY 2020/2021 of USD: 60c; NZD: \$1.10. At current rates of USD: 75c, NZD: \$1.05 estimated ARR is circa \$10.5 million.

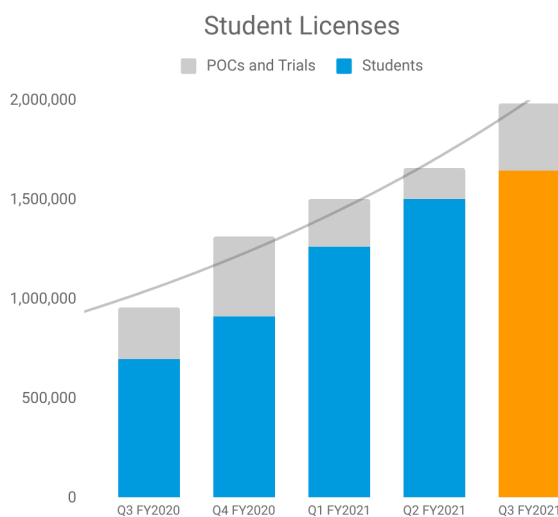
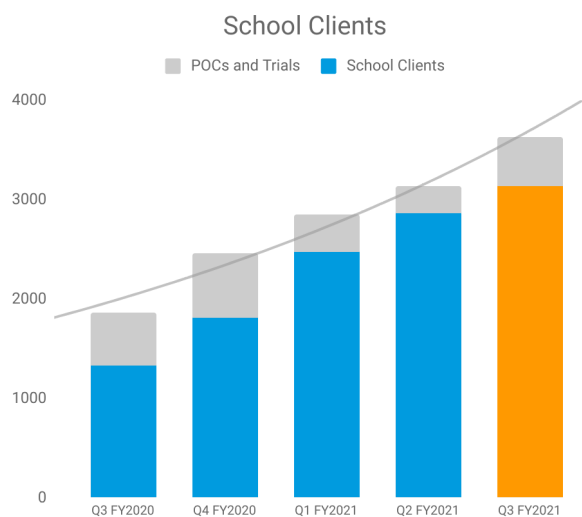


## Highlights for the quarter

- Launched Education sales in Canada, securing our first contract
- Significant funding tailwinds in the US education, driving unprecedented pipeline growth
- Expanded and integrated the team to handle the upcoming growth
- Ended the quarter with 3,135 contracted school (135% YoY growth), including 387 new contracted schools
- Ended the quarter with 1.65 million contracted students (137% YoY growth) including 201k new student licenses
- Signed contracts with an annual value of \$1.8 million (92% YoY growth) and a total value of \$3.6 million (97% YoY growth)
- Ended the quarter with ~2 million students and 3,627 schools on the platform (95% YoY growth)
- Ended the quarter servicing more than 3.5% of US school districts and with ~350k students in POC trials
- Ended the quarter well funded with cash balance of \$20.4 million

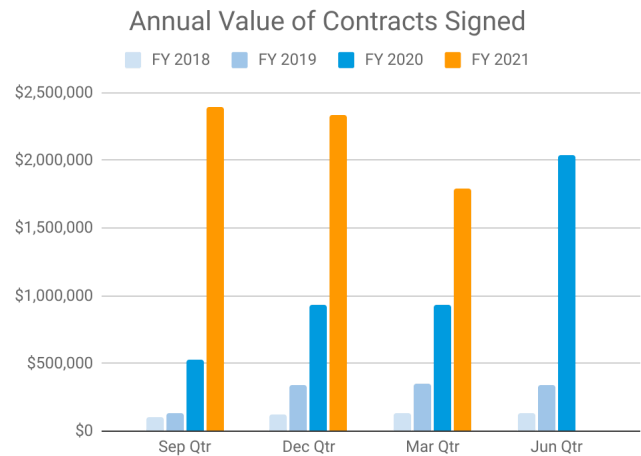
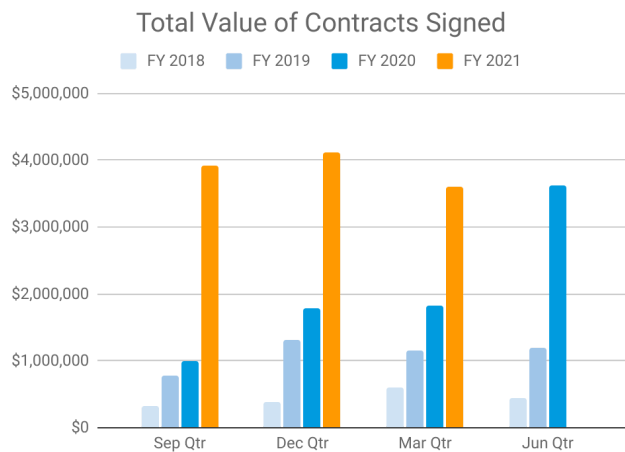
## Significant growth in schools and student numbers

The Company achieved outstanding sales success in the typically quiet March quarter. The Company has achieved greater than 130% YoY growth in the number of contracted schools and student licenses.



## Substantial growth in contracted revenue

The Company achieved 97% YoY growth in the total value of contracts sold in the quarter coming in at \$3.6 million.



Encouragingly the Company continues to see improvements in average license fees and sales conversion rates.

The Company ended the quarter with a record pipeline of more than 1 million student licenses.

## Cashflows

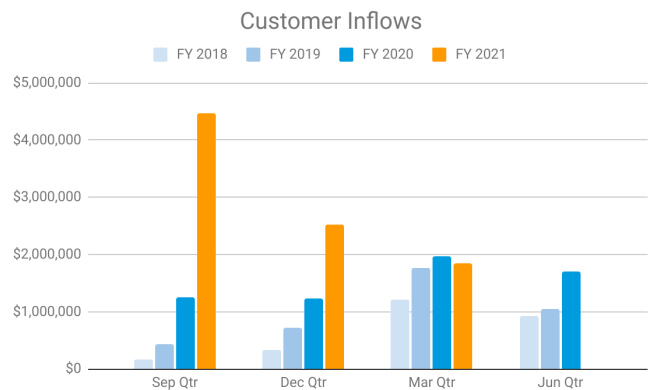
### Billings & Collections

Customer collections of \$1.8m for the quarter was in line with expectations and were impacted by changes in forex movements and timing of collections.

Whilst the Company's USD collections doubled in local currency these were impacted by the fall in USD to AUD. Forex changes are positively impacting cost structure (see below).

The Company ended the quarter with in excess of \$2.3m in debtors suggesting a strong end to the financial year.

The Company remains well funded to execute on its growth strategies with cash funds of \$20.4 million at the end of the quarter.



## Variable costs and operating leverage

The Company has been working on a substantial migration of hosting and data services from Amazon (AWS) to Google (GCP). This is a complex project and during the duration of this project the Company has been incurring cost duplication.

Following the migration of all Education platform data services to GCP, we are pleased to confirm that as at March 21 all education platform data and services have been migrated.

This is estimated to reduce data and hosting costs by at least AU\$2million per year with further significant savings anticipated. Accordingly the Company is confident it is now firmly on the path to improving its operating margins.

## Fixed costs

The Company has largely completed the scale up of staffing to support acceleration of product development and sales growth. This month the Company passed through 150 FTEs with staff payments for the quarter being \$4.3 million including \$2.0 million allocated to research and development as staff directly involved research and development activities.

The investment in talent and capacity represents an increase in fixed costs of circa \$9 million (gross) per annum from June 2020. It is estimated that at least half of these costs are directed to research and development activities which are expected to attract government rebates.

During the quarter the Company invested circa \$700,000 in one-off expenditures in recruiting, technology and consulting associated with upscaling. Pleasingly underlying fixed overheads (outside of wages) fell in the quarter by approximately 36% to FY2020 levels.

## R&D Grant

It is noted that the Company ceased using R&D financing mechanisms to smooth cashflows in 2020.

During the quarter the Company received no R&D grants funding. The next expected receipt of R&D grants is in the December quarter.

## Positive impacts of a strengthening AUD

The Company's data & hosting costs and approximately 33% of staffing costs are denominated in USD. This has provided a natural hedge against movements in the AUD:USD.

The increased AUD over the past year has created capacity for the Company to further invest in the US operation.

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.

## Outlook

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### Funding abounds and ready for the key US sales cycle

The Company's outlook is strong with substantial funding available in US education for the key annual sales period of April - September.

Last quarter 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.

This funding, which is to be drawn down over a number of years, portends massive expansion and a buoyant outlook for our industry and our Company in the US.

As set out in our sales update of 9 April 2021, the Company ended the March quarter with the equivalent of 350,000 student licenses in trials and a record pipeline of more than 1 million student licenses. These numbers have since grown.

### Entry into Canada

The Company is pleased to announce that it has commenced marketing into the Canadian education market and this quarter won its first deal.

### USA Consumer launch

The Company continues work on the launch it's consumer offerings into the US.

During the past 6 months the Company ran small trials of a sales model similar to that planned for the US. This achieved an impressive 17.5% conversion of free (Family Zone Insights) customers to the paid premium offering and augurs well for the coming US launch.

Family Zone Community will be soft launching in the US this quarter with a full launch planned for the September quarter.

## Related Party Payments

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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 \$153,000 relate to the portion of Directors' salaries received in cash, superannuation payments to Directors and professional fees paid to Grange Consulting for financial management services.

*This announcement was made on 30 April, 2021 and was authorised by the Board of Family Zone Cyber Safety Limited.*



## About Family Zone

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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.**

## 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 March 2021

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (9 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	1,854	8,850
1.2 Payments for		
(a) research and development	(2,843)	(6,970)
(b) product manufacturing and operating costs	(1,057)	(2,544)
(c) advertising and marketing	(257)	(645)
(d) leased assets	-	-
(e) staff costs	(2,353)	(6,388)
(f) administration and corporate costs	(997)	(3,556)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	5
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	2,976
1.8 Other (provide details if material)	418	418
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(5,235)</b>	<b>(7,855)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(372)	(1,513)
(d) investments	-	-
(e) intellectual property	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
	(f) other non-current assets	-	-
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)	-	-
2.6	<b>Net cash from / (used in) investing activities</b>	<b>(372)</b>	<b>(1,522)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)*	-	25,516
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	2	2
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	(260)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	(1,329)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	<b>Net cash from / (used in) financing activities</b>	<b>2</b>	<b>23,929</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	25,976	5,805
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(5,235)	(7,855)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(372)	(1,522)



Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	2	23,929
4.5	Effect of movement in exchange rates on cash held	(33)	(19)
4.6	<b>Cash and cash equivalents at end of period</b>	<b>20,388</b>	<b>20,388</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	20,388	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>20,388</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	153
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)	(5,235)
8.2	Cash and cash equivalents at quarter end (item 4.6)	20,338
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	20,338
8.5	<b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	3.89
<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: 30 April 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.