

21 October 2021

ASX ANNOUNCEMENT

**ACTIVITY REPORT AND APPENDIX 4C FOR THE QUARTER ENDED 30
SEPTEMBER 2021**

Global cybersecurity technology company, FirstWave Cloud Technology Limited (ASX:FCT) (**FirstWave** or **Company**), provides its activity report and Appendix 4C for the first quarter of FY22 ended 30 September 2021.

Business Update

- FirstWave Executive Chair John Grant stepped into the role of Interim CEO following the resignation of former CEO Neil Pollock in early July.
- John undertook a preliminary review of the Company's processes, product roadmap and financial plan prior to updating shareholders at the Q4 Update on 27 July 2021, indicating that the strategic rationale for the Company's ultimate success remains intact, its platform and services remain world-class, there had been a lack of organisational focus and that certain elements of the platform and core services created 'friction' for services providers and end users that needed to be removed to allow rapid and simple adoption.
- He further indicated that the Company would prioritise removal of the 'friction' in its software and pause actively selling the core product portfolio until this was completed, while directing its sales activities to 'point' solutions such as WebProtectDNS, Advanced Detection and Response (ADR) and multi-tenant Palo Alto firewall and lower operating costs to counter an expected dampening of growth in revenue.
- The Product Management and Software Development teams efforts were directed to remove the 'friction' in the software, onboarding a new technology Watchguard End Point to the platform and preparing for a major software release in Q2.
- The Platform and Customer Support teams were consolidated into Sydney to remove inefficiency in the support processes.
- 17 FTEs departed the business in the quarter (excluding the CEO, who the Company plans to replace), resulting in \$174K of one-off payments for termination settlements and accrued leave. These departures result in a \$188k reduction in monthly costs, with the full benefit to be felt from 1 October 2021.
- Other cost saving activities were implemented during the quarter and included the continued reduction in Amazon Web Services (AWS) costs and the pausing of Sydney head office rent while a smaller office within the same building is configured. When complete, this move will save approximately \$25k per month in rental costs.
- First sales of the ADR product were recorded in the quarter, with one international and one domestic customer signing up to the new service, as well as potential customers being identified for sales in Q2 and a significant number of prospects for WebProtectDNS working towards service launches.

Financial Highlights

- Strong cash position of \$6.86m as per Item 5.1 of the accompanying Appendix 4C.
- Total Annualised Recurring Revenue (TARR)* presented in the FY21 Q4 announcement at \$9.32m comprising of domestic ARR of \$6.31m and international ARR of \$3.01m is revised below at the FY22 AUD:USD FX rate: 0.75 (FY21: 0.65) and after an audit adjustment on domestic revenue resulting in a reduction of \$9.2k per month;

Revised FY21 Q4 TARR of \$8.82m comprising:

- DARR of \$6.21m
- IARR of \$2.61m

At the end of Q1 TARR has fallen QoQ by 21% to \$6.95m comprising:

- DARR \$6.04m
- IARR \$0.91m

The reduction in IARR relates to the revision of the treatment in contracts with CSquared and Telum as disclosed in the market announcement on 19 October 2021, and the reduction in DARR relates to a number of small cancellations as a result of a detailed review of inactive customers and aging debtors untaken as part of the FY21 audit.

- Continued focus on expense management that has resulted in over \$2.5m in annualised cost reductions being achieved by the end of Q1.

** TARR is exit monthly recurring revenue x 12*

Cash Flow Highlights:

- Net cash used in the quarter was \$3.10m which included:
 - \$2.60m cash receipts from customers,
 - \$0.76m received from sub underwriter options, and
 - various one-off costs such as the \$0.17m termination payments noted above, and \$0.55m in insurance premiums paid in advance for FY22.
- Operating activities for the quarter resulted in \$3.03m cash outflow including;
 - Cash receipts of \$2.60m from customers which is considerably higher than the prior year's quarterly collections and reflects the continued unwinding of the Telstra prepayment and improved collections processes,
 - \$1.42m in Administration and Corporate costs that included the \$0.55m insurance costs noted above,
 - Staff costs of \$2.98m that are higher than previous quarters due to the one-off termination payments noted above, the ceasing of salary sacrifice arrangements (equating to approximately \$100k per month) and a companywide increment to match industrywide increases,
 - It is also noted that Q1 does not have any cash receipts for FY21 R&D income which is estimated at \$1.28m and is forecast to be received in FY22 Q3. Smoothed across the year this cash inflow from FY21 R&D would be approximately \$0.32m per quarter.



Quarterly report for entities subject to Listing Rule 4.7B

- Investing activities reported that the business capitalised \$0.76m in product development costs during the quarter, which is lower than previous periods but in line with the reduction in the size of the development team, and
- Financing activities reported \$0.76m in receipts from sub-underwriter options and represented the final payments to be received under the sub-underwriter options agreement from the May 2020 capital raise.

As detailed in Item 6.1 of the accompanying Appendix 4C, the Company paid \$69.4k in relation to Directors' fees and associated superannuation.

The company has scheduled an update on FY22 Q1 performance via Teleconference at 9.00am (AEDT) Thursday, 21 October 2021. The presentation for this update will be uploaded to the ASX website prior to the teleconference.

All numbers in this quarterly cash flow report and accompanying commentary for the quarter ended 30 September 2021 are unaudited.



Appendix 4C

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

Name of entity

FirstWave Cloud Technology Limited [FCT.ASX]

ABN

35 144 733 595

Quarter ended ("current quarter")

30 September 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	2,598	2,598
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(1,148)	(1,148)
(c) advertising and marketing	(163)	(163)
(d) leased assets	-	-
(e) staff costs	(2,980)	(2,980)
(f) administration and corporate costs	(1,421)	(1,421)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	5	5
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	17	17
1.8 Other (provide details if material)	65	65
1.9 Net cash from / (used in) operating activities	(3,027)	(3,027)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(38)	(38)
(d) investments	-	-
(e) intellectual property	(756)	(756)
(f) other non-current assets	-	-



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

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 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	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(794)	(794)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	761	761
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(8)	(8)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Repayment of lease liabilities	(33)	(33)
3.10	Net cash from / (used in) financing activities	720	720

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	9,962	9,962
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(3,027)	(3,027)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(794)	(794)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	720	720



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

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	6,861	6,861

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	6,861	9,962
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	6,861	9,962

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
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

(69)

-

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

7. Financing facilities

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.

- 7.1 Loan facilities
- 7.2 Credit standby arrangements
- 7.3 Other (please specify)
- 7.4 **Total financing facilities**

Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
300	-
-	-
-	-
300	-

7.5 Unused financing facilities available at quarter end

300

- 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.

FCT has an asset leasing facility for \$300,000 with NAB which is secured against the assets being purchased. The facility is available on a revolving basis with repayment terms ranging from 1 to 3 years from the draw-down date. FCT does not currently and has not previously used this facility.



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

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (Item 1.9)	(3,027)
8.2	Cash and cash equivalents at quarter end (Item 4.6)	6,861
8.3	Unused finance facilities available at quarter end (Item 7.5)	300
8.4	Total available funding (Item 8.2 + Item 8.3)	7,161
8.5	Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	2.4

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

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

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

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

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.

Compliance statement

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

Date: 21 October 2021

Authorised by: By the Board
 (Name of body or officer authorising release)

Notes

- 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.
- 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.
- 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.
- 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".
- 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.

