

27 January 2022

ASX ANNOUNCEMENT

ACTIVITY REPORT AND APPENDIX 4C FOR THE QUARTER ENDED 31 DECEMBER 2021

Global cybersecurity technology company, FirstWave Cloud Technology Limited (ASX:FCT) (**FirstWave** or **Company**), provides its activity report and Appendix 4C for the second quarter of FY22 ended 31 December 2021.

Business Update

- Successful launch of Phase 1 of FirstWave's CyberCision platform on 27 October, which is targeting the provision of fully integrated email, web, firewall and end-point protection solutions for service providers, as well as increased automation and enhanced integration with internal service provider business systems.
- Acquisition of Opmantek Limited announced on 29 November with the release of a Bidders' Statement that identified a range of significant operational and strategic benefits for FirstWave, including:
 - Revenue growth through new channels to market globally and direct access to the lucrative US market through Opmantek's well-established managed services provider channel
 - Cost synergies
 - Opportunity for an expanded product offering
 - Strengthened leadership, with Opmantek Executive Chairman Danny Maher becoming FCT's Managing Director and CEO, and US based Opmantek CEO Craig Nelson becoming FCT's Chief Revenue Officer and Head of Global Sales.
- It should be noted that the acquisition was not completed until 14 January 2022 (ie. after quarter end) and therefore the financials contained in this report and accompanying Appendix 4C do not include any contribution from Opmantek. Commentary on Opmantek's Q2 performance will be provided in the shareholder update scheduled for Wednesday 9 February 2022.
- In support of the Opmantek acquisition, on 29 November FCT announced a \$14M capital raising that included:
 - \$7M placement split into two tranches with \$2.8M being raised immediately and a further \$4.2M committed for investment in January conditional on the completion of Opmantek acquisition
 - \$7M rights issue that was fully underwritten by Morgans, FCT's stockbroker.

Financial Highlights

- Strong cash position of \$13.34m incorporating the proceeds of the capital raised as per Item 5.1 of the accompanying Appendix 4C
- Total Q2 Revenue of \$1.77m up 2% QoQ
- Total Annualised Recurring Revenue (TARR)* of \$6.95m, consistent with Q1, and comprised of:
 - Australian Domestic ARR of \$6.26m up 4% QoQ, and
 - International ARR of \$0.69m down 23% QoQ. The majority of the reduction relates to a 5,000-seat order from DWS, originally retained as marketing inventory, that is no longer required as DWS have elected in favour of filling customer sales orders on a contract by contract basis.
- Continued focus on expense management delivering results:
 - Cash component of Operational Expenses[†] in total of \$3.75m (excluding \$0.53m one-off transaction costs) is down 10% QoQ, due to the net impact of:
 - \$0.8m savings in staff costs QoQ, and
 - \$0.3m additional bad debts provision QoQ mainly in relation to international debtors.
- Cash costs capitalised in the quarter of \$0.75m were in line with the \$0.76m in Q1.

* TARR is exit monthly recurring revenue x 12

[†] Cash component of Operational expenses excludes the non-cash items share based payments and depreciation & amortisation expenses.

Cash Flow Highlights

- Net cash generated from the quarter was \$6.47m with the main drivers being:
 - \$2.20m cash receipts from customers,
 - \$0.50m paid in relation to one-off transaction costs
 - \$3.47m in other operational costs, and
 - \$0.83m in investing activities
 - It is noted that \$9.76m raised as the result of a \$2.80m placement and a \$6.96m entitlement offer. The cashflow impact of these activities was \$9.14m after recognising \$0.62m in capital raising fees.
- Operating activities for the quarter resulted in \$1.77m cash outflow including;
 - Cash receipts of \$2.20m from customers which reflects a continued focus on collections
 - \$0.40m in Administration and Corporate costs which were lower than the previous quarter mainly due to \$0.55m in insurance premiums paid in advance for FY22 in Q1. (It is also noted that the year-to-date column (6 months) in the below cash flow report includes a \$0.20m reclassification to correctly classify Q1 amazon web services costs from 1.2(f) Administration and corporate costs into 1.2(b) Product manufacturing and operating costs.)
 - Product manufacturing & operating costs of \$0.80m was lower than the previous quarter of \$1.36m mainly due to \$0.50m upfront license COGS paid in advance for FY22 in Q1,
 - Staff costs of \$2.21m were lower than the previous quarter of \$2.98m mainly due to one-off termination payments in Q1 and the lower staff numbers in Q2,
 - \$0.50m paid in relation to one-off transaction costs incurred in the acquisition of Opmantek Limited, and
 - It is also noted that Q2, like Q1, does not have any cash receipts for the 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.
- Investing activities reported that the business capitalised \$0.75m in product development costs during the quarter, which is consistent with the Q1, and
- Financing activities reported a successful placement to institutional and sophisticated investors, followed up by an entitlement plan to all shareholders, with the Company raising \$9.76m by issuing 139,398,468 shares at \$0.07 per share.

As detailed in Item 6.1 of the accompanying Appendix 4C, the Company paid \$72k in relation to Directors' fees and associated superannuation.

The company has scheduled an update on FY22 Q2 performance via Teleconference at 9.30am (AEST) 9 February 2022. 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 31 December 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")

31 December 2021

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	2,191	4,788
1.2	Payments for		
	(a) research and development	-	-
	(b) product manufacturing and operating costs	(804)	(2,164)
	(c) advertising and marketing	(85)	(246)
	(d) leased assets	-	-
	(e) staff costs	(2,206)	(5,186)
	(f) administration and corporate costs	(374)	(1,583)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	3	8
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	4	21
1.8	Other	(503)	(439)
1.9	Net cash from / (used in) operating activities	(1,774)	(4,801)
2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	(83)	(121)
	(d) investments	-	-
	(e) intellectual property	(748)	(1,504)
	(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 (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	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(831)	(1,625)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	9,758	9,758
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	761
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(622)	(630)
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	(57)	(90)
3.10	Net cash from / (used in) financing activities	9,079	9,799

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	6,861	9,962
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,774)	(4,801)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(831)	(1,625)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	9,079	9,799

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 (6 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	13,335	13,335

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	13,335	13,335
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)	13,335	13,335

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

(72)

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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)	(1,774)
8.2	Cash and cash equivalents at quarter end (Item 4.6)	13,335
8.3	Unused finance facilities available at quarter end (Item 7.5)	300
8.4	Total available funding (Item 8.2 + Item 8.3)	13,635
8.5	Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	7.7

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: 27 January 2022

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

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.