

28 April 2022

ASX ANNOUNCEMENT

ACTIVITY REPORT AND APPENDIX 4C FOR THE QUARTER ENDED 31 MARCH 2022

Global cybersecurity technology company, FirstWave Cloud Technology Limited (ASX:FCT) (**FirstWave** or **Company**), provides its activity report and Appendix 4C for the third quarter of FY22 ended 31 March 2022.

Business Update

- Acquisition of Opmantek Limited "Opmantek" successfully completed on 14 January 2022 with 100% acceptances from Opmantek shareholders.
- The second tranche of the share placement announced 29 November 2021 was contingent on the acquisition being completed and consequently 60m shares were issued 20 January 2022 at \$0.07 per share, raising \$4.2m.
- Opmantek Executive Chairman Danny Maher became FirstWave's Chief Executive Officer on 10 January 2022 and formally joined the FirstWave board as Managing Director on 28 January 2022.
- Ray Kiley joined the board as Non-executive Director on 28 January 2022.
- Opmantek's US based CEO, Craig Nelson was appointed FCT's Chief Revenue Officer and Head of Global Sales effective 14 January 2022.
- Deal costs relating to the acquisition and capital raise as disclosed in the 29 November 2021 investor presentation all fully paid prior to the quarter end.
- Through the acquisition of Opmantek, FirstWave inherited a customer relationship with Microsoft and on 10 February 2022 made an announcement detailing a contract to monitor and secure an initial tranche of 20,000 Internet of Things (IoT) devices for Microsoft.
- A detailed plan to integrate the two businesses was developed during January with implementation commencing in early February and completion targeted for 30 June 2022. The implementation is going well and all significant activities are on track for delivery as planned prior to end of the financial year.
- Part of the integration plan included an organisational restructure of several parts of the business. As a result, 13 people left FCT in the quarter and a further 15 will leave prior to 30 June 2022. The Board and the executive team thank each of those leaving for the contribution they have made in their time at FCT (or Opmantek) and wishes them the very best in the next stage of their career. The combined business will have 81 FTE staff members at 30 June 2022.
- The completion of the organisational restructure was announced in an ASX release on 3 March 2022 noting actions that together with those taken in previous quarters, will result in the combined company's costs being approximately \$5.5m less per annum than the level existing at the start of the current financial year.
- Savings have been or will be made in other areas including: AWS platform fees, IT business systems and registry charges.
- Investment has been prioritised to sales and marketing with staff members increasing from 12 FTE pre the Opmantek acquisition to 23 FTE's targeted for FY23, with the vast majority in ANZ, the US and Latin America. This reflects a targeting of those markets where we have both strength and opportunity.
- Decisions have also been made to lead the Company's go to market activities with FCT's most commercially attractive products, CyberCision Frictionless Email (included in Phase II of the CyberCision launch scheduled for mid-May) and the Network Management products acquired with Opmantek.
- It was announced on 8 March 2022 that FirstWave's contract with Telstra was renewed for two years and expanded to include additional new security products and services aligned with Telstra's security product growth strategy.

Financial Highlights

- Strong cash position of \$12.71m incorporating the proceeds of the capital raised as per Item 3.1 of the accompanying Appendix 4C.
- The acquisition of Opmantek was completed on 14 January 2022 and therefore the accompanying Appendix 4C includes contribution from Opmantek from that date.

- The financials contained in this report are either from 14 January 2022, or stated as “pro forma” when they include the full quarter’s numbers or include Opmantek numbers in prior quarters’ comparatives.
- It is noted that Q3 vs. Q2 analysis has been performed on a pro forma basis for revenue but not for expenses.
- Pro forma analysis for expenses was not completed as this would not be representative of the go-forward costs within the combined business. There are staff members who will not be remaining with the business that are currently working out notice periods, and duplicated IT systems that are still under contract. This means it will be Q1 FY23 before the combined businesses’ costs have settled into a more representative pattern.
- Q3 Revenue was \$3.10m, up 11.8% QoQ on a pro forma basis.
- Q3 Gross profit was \$2.21m, up 17.7% QoQ on a pro forma basis.
- Annualised Recurring Revenue (ARR)* was \$10.90m, up 2.4% QoQ on a pro forma basis.
- The cash component of Operational Expenses⁺ in total were \$3.61m (excluding \$1.19m one-off transaction costs).
- Cash costs capitalised in the quarter were \$0.89m.

* ARR is the recurring revenue of the last month of the quarter x 12

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

Cash Flow Highlights

- Net cash used in the quarter was \$0.62m with the main drivers being:
 - \$3.15m cash receipts from customers
 - \$1.37m cash receipt in relation to the FY21 R&D income tax return
 - \$1.81m paid in relation to one-off transaction costs
 - \$4.50m in other operational costs, and
 - \$0.29m used in investing activities.
 - It is noted that the second tranche of the \$7m placement announced on 29 November 2021 resulted in net proceeds of \$3.78m after recognising \$0.42m in fees.
- Operating activities for the quarter resulted in a \$1.78m cash outflow including;
 - \$1.81m in one-off transaction costs incurred in the acquisition of Opmantek,
 - Cash receipts from customers of \$3.15m,
 - \$0.40m in Administration and Corporate costs,
 - \$0.23m in Advertising and marketing costs,
 - \$1.40m in Product manufacturing and operating costs,
 - \$2.46m in Staff costs, and
 - \$1.37m cash receipt in relation to the FY21 R&D income tax return.
- Investing activities reported that the business capitalised \$0.82m in product development costs during the quarter, and
- Financing activities for the quarter resulted in total new funds of \$1.44m after issue of equities raising \$3.78m net of costs, as described above and the repayment of \$2.28m related to borrowings in Opmantek that were repaid as part of the acquisition.

As detailed in Item 6.1 of the accompanying Appendix 4C, the Company paid \$75k in relation to Directors’ fees and associated superannuation.

The company has scheduled an update on FY22 Q3 performance via Teleconference at 9.00am (AEST) Thursday 28 April 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 March 2022 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 March 2022

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	3,153	7,941
1.2	Payments for		
	(a) research and development	-	-
	(b) product manufacturing and operating costs	(1,398)	(3,562)
	(c) advertising and marketing	(235)	(481)
	(d) leased assets	-	-
	(e) staff costs	(2,459)	(7,645)
	(f) administration and corporate costs	(403)	(1,986)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	3	11
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	1,373	1,394
1.8	Other	(1,810)	(2,249)
1.9	Net cash from / (used in) operating activities	(1,776)	(6,577)
2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	(121)
	(d) investments	-	-
	(e) intellectual property	(820)	(2,324)
	(f) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-

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

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
	(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 - Opening cash balance of the acquired entity	533	533
2.6	Net cash from / (used in) investing activities	(287)	(1,912)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	4,200	13,958
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	(421)	(1,051)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(2,282)	(2,282)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Repayment of lease liabilities	(55)	(145)
3.10	Net cash from / (used in) financing activities	1,442	11,241

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	13,335	9,962
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,776)	(6,577)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(287)	(1,912)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,442	11,241
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	12,714	12,714

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

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	12,714	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)	12,714	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

(75)

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

-

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

300

-

7.2 Credit standby arrangements

-

-

7.3 Other (please specify)

-

-

7.4 **Total financing facilities****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.

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (Item 1.9)	(1,776)
8.2	Cash and cash equivalents at quarter end (Item 4.6)	12,714
8.3	Unused finance facilities available at quarter end (Item 7.5)	300
8.4	Total available funding (Item 8.2 + Item 8.3)	13,014
8.5	Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	7.3

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

- 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: 28 April 2022

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

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.