



To protect & support every child's digital journey

MAR QTR 2022

4C COMMENTARY & OPERATIONAL UPDATE

ASX: FZO



# About

Our mission is to save and better children's lives; to empower parents; to deliver for tomorrow's educators and be a key influencer in cyber safety globally. We seek to deliver for our staff their best ever employment experience and deliver exceptional returns for our investors.



**Peter Pawlowitsch**  
Chairman



**Tim Levy**  
Managing Director



**Crispin Swan**  
COO



**Jordan Foster**

**Chief Wellbeing Officer**  
2020 Telstra Business Women  
2018 WA Young Achiever  
World leading Cyber Expert  
Clinical Psychologist



**Matthew Stepka**

**Non Executive Director**  
Machina Ventures  
Lecturer, Berkeley  
VP, Operations & Strategy, Google  
GM, Drugstore.com  
CEO/Founder, Big World Travel



**Georg Ell**

**Non Executive Director**  
Venture Partner, Craft Partners  
CEO Smoothwall  
Director, Western Europe, Tesla  
GM EMEA, Yammer  
EU Sales Executive, Microsoft

# Highlights

*"A record March quarter was driven by an outstanding UK result where we beat ARR sales targets by 21% and global targets by 10%. With a sales pipeline above \$12 million, 951,000 student licenses in proof of concept trials and accelerating cross selling the Company is confident of a record breaking June quarter."*

Tim Levy, Managing Director



## \$7 million nominal ARR added \*

\$4 million nett organic growth  
\$3 million from the acquisition of Cipafilter



## Outstanding success of Monitor in US

Grew monitored users to 200,000 since the US soft launch in November 2021



## Continued growth from the base

Achieved > 110% net revenue retention  
Achieved > 102% gross retention rate



## Growing penetration into the US

Passed through 23,800 schools serviced  
Passed through 15% of US school districts served



## Moving to sustainable cash flow

Achieved gross margins of 82%  
Achieved a record \$13.2 million of gross invoicing #

\* \$4m of nett ARR growth plus \$3m acquired from Cipafilter. Note, forex movements and accounting adjustments resulted in a nett growth of \$3 million in the quarter. # Customer receipts are nett of reseller commissions which average 15-20% of revenue.



## AT A GLANCE

Leeds

Charlotte

San Diego

Orlando

# Family Zone; a global leader in online safety

Family Zone is the dominant online safety provider in the UK and an emerging leader in the US. We're achieving above industry growth rates in both markets.

✓ 11 million students

✓ 23,800 schools

✓ 38% of UK schools

✓ 15% of US districts

✓ \$55 million ARR \*

Perth

Sydney

Melbourne

Auckland



## Sales and renewals

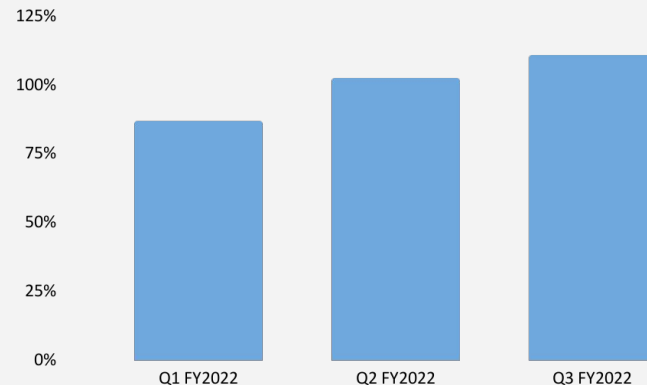
The Company achieved record sales performance in the quarter driven mostly through our UK operations exceeding sales target by 21%. UK performance metrics for the quarter included a remarkable 98% renewal and 111% net revenue retention rate in the UK's biggest seasonal sales and renewals period.

The March quarter is not typically a busy period in US K-12 however the Monitor product, launched late 2021, drove significant improvements in 'existing customer' business where a remarkable 113% net revenue retention rate was achieved in the Quarter.

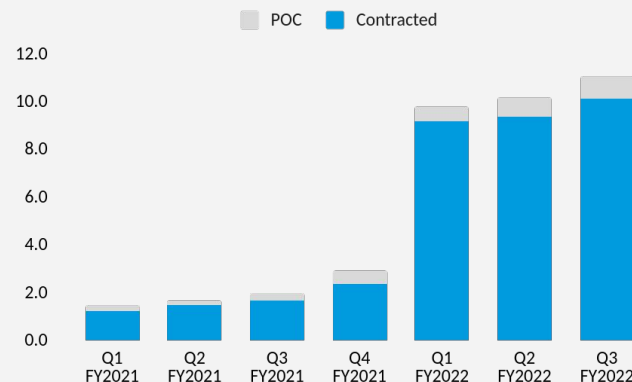
Average sales price and average license fees continued their upward trends with Average License Fee per student on new deals exceeding \$10 pa for the third quarter in a row.

During the quarter the Company passed through 10 million contracted students and 11 million on the platform including proof of concept trials in US districts. Overall the Company now services in excess of 23,800 schools across the world accounting for 38% of UK state funded schools and 15% of US school districts.

### Net Revenue Retention Group | % or Renewal Deals in Qtr



### Student Licences Group | Count | Millions





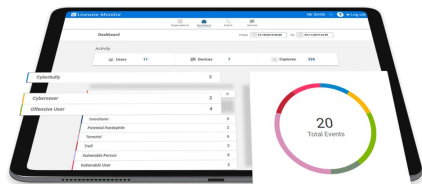
## The launch of Monitor in the US

Family Zone's digital safeguarding product sold as Linewize Monitor in the US was soft launched in November 2021. The Company has achieved instant success.

Since it's US launch, Monitor has detected in excess of 106,000 incidents of toxicity and has intervened in 293 situations where children were exposed or at risk of harm.

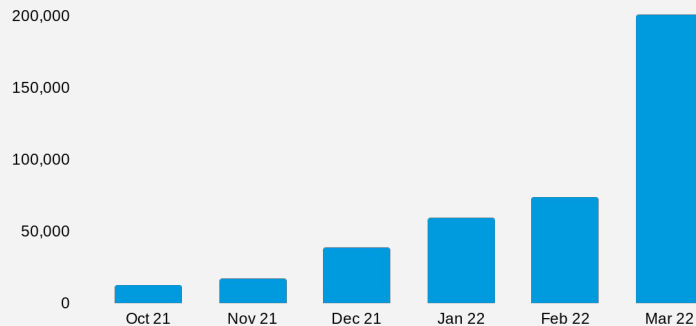
As our monitoring capability has been demonstrated, take-up has accelerated as is shown in the chart right. As of March 31, 2022 our pipeline for Monitor exceeds 650,000 students.

*"We are seeing massive growth potential in digital monitoring now being reflected in funding where US states such as North Carolina and Minnesota are now providing specific funding allocations. We expect funding to expand quickly throughout the USA".*

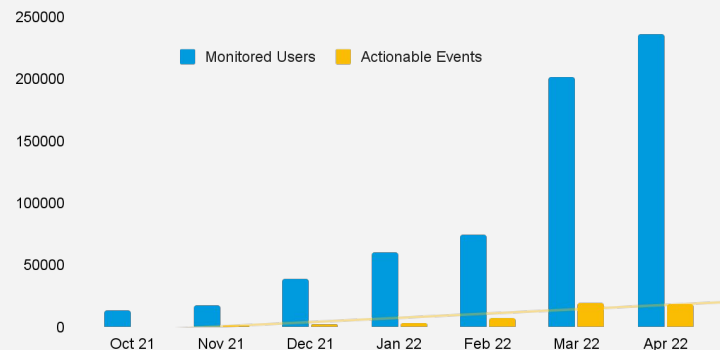


**Crispin Swan, Chief Operating Officer**

Users of Linewize Monitor  
US Only | Count



Actionable Events detected by Monitor  
US Only | Count



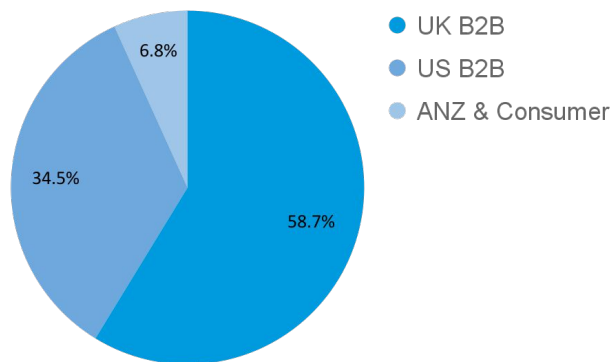


## Annual Recurring Revenue

The Company added gross ARR of ~\$7 million in the quarter being ~\$4 million from nett sales and ~\$3 million through the acquisition or Cipafilter.

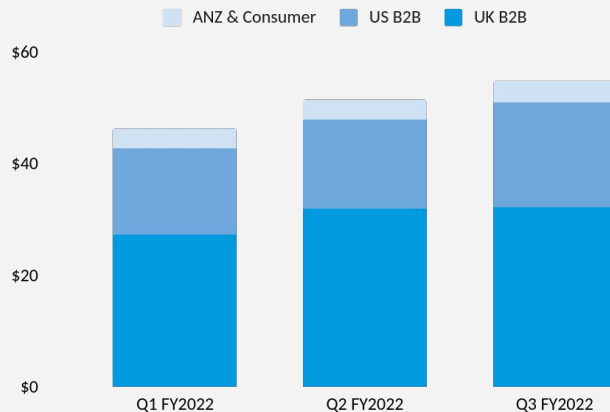
AUD strengthening between 31 Dec 2021 and 31 March 22 impacted topline ARR by ~\$3 million. An accounting adjustment performed in the quarter reclassified ~\$1 million of Cipafilter ARR into upfront hardware revenues.

The Company ended the quarter with more than \$55 million of ARR split 59% UK and 34% US.



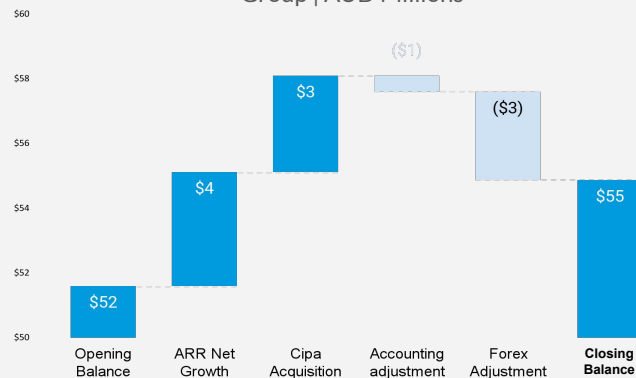
## ARR by Region

Group | AUD Millions



## ARR Waterfall

Group | AUD Millions





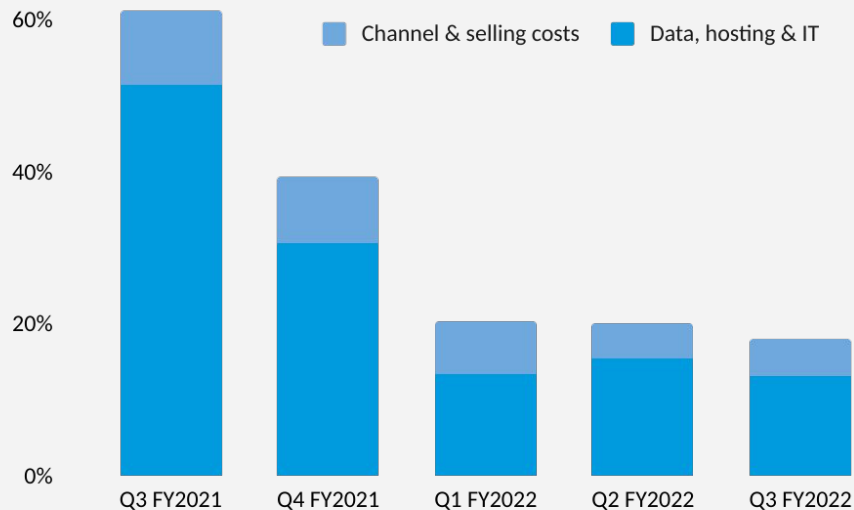
## Operating leverage

The Company's continued focus on operating leverage has seen data & hosting costs drop below A\$65c per student per annum.

Overall direct costs as a percentage of revenue continue to trend downwards inline with the Company's objective to balance investments in cost structure and feature advancement.

The Company's current service margins exceed +82% and we are confident of ongoing improvements this year through both top and bottom line initiatives.

Direct Costs by Category  
Group | % of ARR





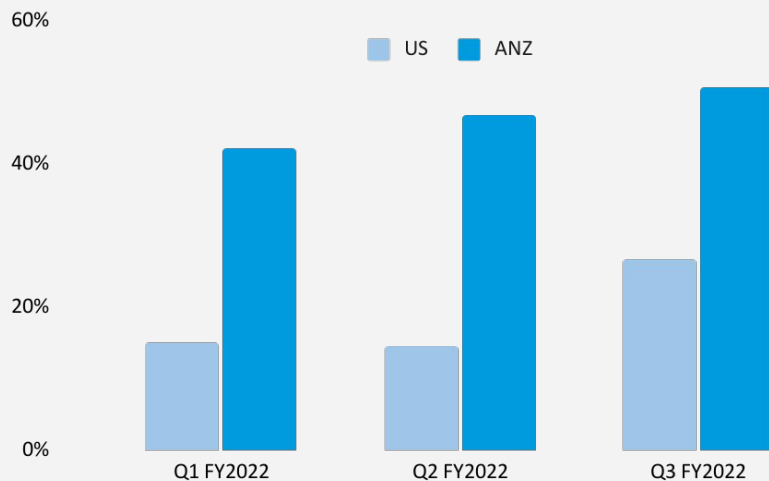


## Community

The Company's continues to roll out its community strategy with the first step having School Districts joining onto the Community Hub, providing valuable insights on cyber safety for the students, parents and teachers in a school community. In the US, 27% of our School District clients have signed up which is all the more an impressive given constant growth in US presence.

The roll out of Family Zone parental controls within US districts continues through the pilot phase with feedback from customers driving product enhancements required for the US market.

### Community Penetration by Region Group | % of Clients with a Community Hub



*"This past year has seen remarkable change in demand for online safety educational services to schools. States in the US and Australia are now mandating student and parent education and providing specific funding. This market is real and growing swiftly."*

**Jordan Foster, Chief of Education & Wellbeing**

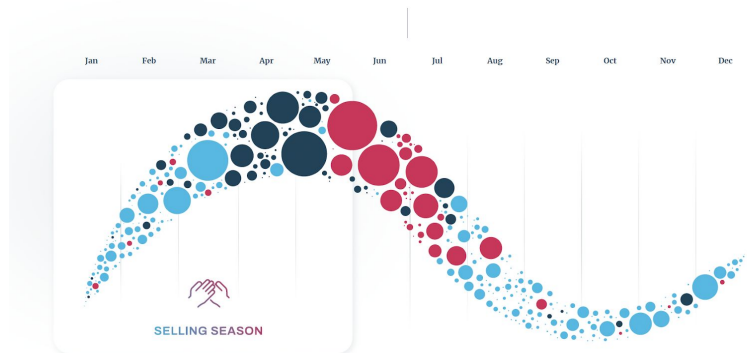


## Sales outlook

The Company's UK and US sales teams have been developing strong sales pipelines with the the US in particular entering the peak K-12 selling season of May-July. The Company ended the quarter confident of a record Jun quarter with 951,000 students in POC trials and a record unweighted sales pipeline of \$13.4 million of annual contract value.

### US K-12 DISTRICT SALES CYCLE

A GUIDE FOR PRODUCT AND MARKET DEVELOPERS



#### Gathering Info For District Purchases

Educators, especially those who serve on curriculum product selection committees, gather data on vendor products / services.



#### Quote Requests

Districts request proposals all year; however, April and May are peak season.

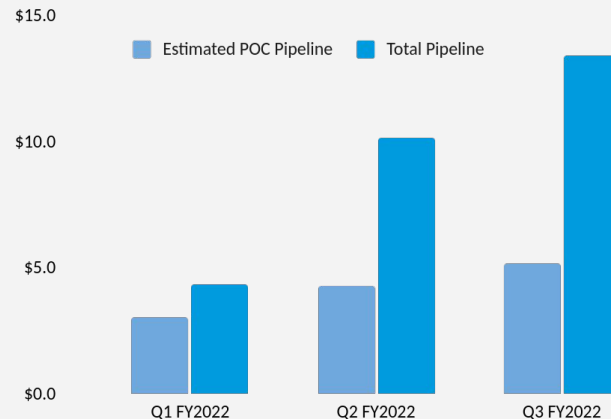


#### District Purchase Orders

The majority of school district purchases occur in June at the end of the school fiscal year.

MCH Strategic Data

## B2B Sales Pipeline Group | AU\$ Millions



*"Our sales pipeline is 300% of where it was a year ago and with our conversion rates of 40-50% of pipeline deals and 80-90% of POCs we have high confidence of a record June quarter."*

**Tim Levy, Managing Director**



## Moving to sustainability

The Company is progressing as planned to sustainable cash flow.

- Recurring revenue continues to grow strongly with rapid conversion to invoicing which was \$13 million for the quarter;
- Cash receipts for the quarter was up 427% YoY at \$10 million (nett of commissions); and
- Gross margins continue to strengthen past 82%.

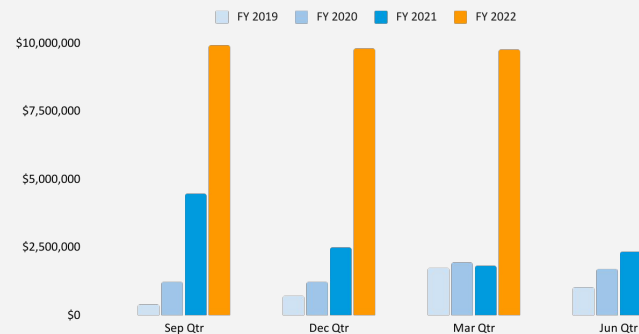
The Company continues to focus hard on driving operational efficiencies which have been achieved through scale and considered integrations across the group. Our target of identifying \$4 million per year of operational efficiencies has been achieved and these are being implemented over the course of this calendar year.

## Smoothwall positive cash flow

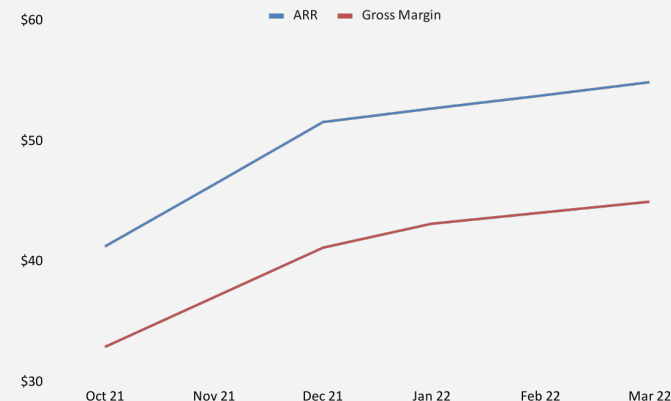
Pleasingly the Company's UK operation, Smoothwall had a strong sales quarter and has started generating positive cash flow. This follows previously announced cash flow impact of Smoothwall's move to annualised billing arrangements from its pre-acquisition multi-year upfront contracting & invoicing model.

\* Excludes corporate, abnormal, forex movements and share based payments.

Customer Receipts | Group | Nett of Commissions



Operational Run Rate



## General comments on quarterly cash flow

Receipts from customers for the quarter were \$10m (net of channel commissions), being slightly above expectations as a result of strong UK sales. Key cash outflows for the quarter included staff payments of \$11.8m (up from \$11.3m) and admin/corporate costs of \$4.0m (down from \$4.2m) which were in line with expectations.

This quarter also saw finalisation of a number of one-off operating expenditures including legal fees, tax and audit costs relating to the our corporate activity of ~ \$950k and payments relating to acquisition of NetRef of \$1.04m.

## Funding

The Company finished the quarter with circa \$17 million of available funding including cash and equivalents on hand and funding facilities.

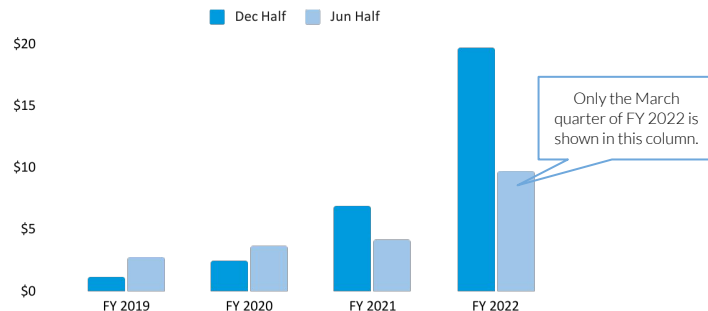
As shown right, the December half (H1) is typically the biggest contributor to cash flows. Note, this chart only includes one quarter (Mar) of the Jun half (H2) and receipts are nett of channel commissions.

## Related Party Transactions

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 \$287k related to Directors salaries and superannuation payments and professional fees paid to Grange Consulting for company secretarial services.

## Collections by Half (nett of comms)

Group | AU\$ Millions





## Team



**Peter Pawlowitsch**  
Chairman



**Tim Levy**  
Managing Director



**Phil Warren**  
Non-Exec Director



**Ben Trigger**  
CTO



**Todd Morcombe**  
CFO



**Jordan Foster**  
Chief of E&W



**Crispin Swan**  
COO



**Matthew Stepka**  
Non-Exec Director



**Georg Ell**  
Non-Exec Director



**Ross Young**  
EVP North America



**Gavin Logan**  
EVP UK



**Nadine Mills**  
Chief of People



**Emma Wates**  
Company Secretary

AVAILABLE FUNDING	\$17M <sup>5</sup>
ORDINARY SHARES	730,800,887
MARKET CAP (@46c)	\$336M
TOP 20 SHAREHOLDERS	61%
FOUNDERS & EXECUTIVES	5%

## Notes

At 27 April 2022

1 Remaining Linewize acq securities have target of NZ\$9.25M ARR from NZ and Linewize technology.

2 Exec salaries received PRs in lieu of cash

3 Employee incentives time based milestones

4 Various performance based targets

5 Includes \$7M cash as at 31 Mar 2022 & \$10M undrawn WC facility described on the next page

## Perf Shares/Rights

\$9.25m Rev' from NZ<sup>1</sup>

Exec salaries<sup>2</sup>

Employee<sup>3</sup>

Employee & Exec<sup>4</sup>

**46,194,565**

3,000,000

3,754,233

13,042,832

26,397,500

## Options

21c (expiring 2022)

18c-24c (expiring 2023)

50-68c (expiring 2025)

ZEPOs (expiring 2024)

60c (expiring 2026)

**25,369,246**

4,537,500

2,700,000

13,131,746

2,000,000

3,000,000

## 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 2022

<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<sup>2</sup></b>		
1.1 Receipts from customers	9,742	30,371
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(2,547)	(6,730)
(c) advertising and marketing	(731)	(1,452)
(d) leased assets	-	-
(e) staff costs	(11,462)	(33,923)
(f) administration and corporate costs	(3,844)	(13,765)
1.3 Dividends received (see note 3)		-
1.4 Interest received	2	4
1.5 Interest and other costs of finance paid		(61)
1.6 Income taxes paid		-
1.7 Government grants and tax incentives	983	3,767
1.8 Other (provide details if material) <sup>1</sup>	(198)	(1,383)
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(8,057)</b>	<b>(23,171)</b>

<sup>1</sup> Quarterly VAT payment

<b>2. Cash flows from investing activities<sup>2</sup></b>		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	(941)	(143,342)
(c) property, plant and equipment	(261)	(1,314)
(d) investments	-	-
(e) intellectual property	-	(113)

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	-	(26)
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>(1,202)</b>	<b>(144,796)</b>

<sup>2</sup> Approx. \$4.1m prior periods transaction related costs have been re-categorised from investing activities to operating activities

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities) <sup>3</sup>	-	146,578
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	233	358
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	(7,089)
3.5	Proceeds from borrowings	-	2,767
3.6	Repayment of borrowings	(89)	(3,054)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	107	107
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>251</b>	<b>139,667</b>

<sup>3</sup> 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	16,032	34,933
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(8,057)	(23,171)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,202)	(144,796)



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)	251	139,667
4.5	Effect of movement in exchange rates on cash held	21	413
4.6	<b>Cash and cash equivalents at end of period</b>	<b>7,046</b>	<b>7,046</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	7,046	16,032
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>7,046</b>	<b>16,032</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	(287)
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>		

<b>7. Financing facilities</b> <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>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	10,000	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 <b>Total financing facilities</b>	10,000	-
7.5 <b>Unused financing facilities available at quarter end</b>		10,000
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.		
Working Capital Financing Facility Lender: Northcity Asset Pty Ltd Interest: 10% pa on funds drawn and 1% pa on undrawn funds Term: 5 years, secured Refer to December 4C Commentary and Operational Update Presentation (page 19) lodged with ASX on 19 January 2022 for further terms and conditions		

<b>8. Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (item 1.9)	(8,057)
8.2 Cash and cash equivalents at quarter end (item 4.6)	7,046
8.3 Unused finance facilities available at quarter end (item 7.5)	10,000
8.4 Total available funding (item 8.2 + item 8.3)	17,046
8.5 <b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	2.12
<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

*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: 29 April 2022

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.