



27 July 2022

ASX ANNOUNCEMENT

ACTIVITY REPORT AND APPENDIX 4C FOR THE QUARTER ENDED 30 JUNE 2022

Global cybersecurity and network management company, FirstWave Cloud Technology Limited (ASX:FCT) (**FirstWave** or **Company**), provides its Activity report and Appendix 4C for the fourth quarter of FY22 ended 30 June 2022.

Business Update

- Q4 rounds out a very busy FY22 for FirstWave. Following completion of the acquisition of Opmantek in early January, both organisations have worked very hard to complete the integration. On 1 July, the business transitioned to one CRM and accounting system providing a significant lift in productivity and further savings as we decommission systems that are no longer required. While some remaining work will continue into Q1 FY23, all necessary retrenchments have now been made and full savings will flow through in Q1 FY23. The business is now actively looking for additional resources in software development and sales.
- The integration project has gone exceedingly well. The newly implemented sales and marketing strategy brings a product and geographical focus that has already delivered a significant pipeline of opportunities that give us confidence that the outlook for the business is strong albeit growth in the quarter was marginal.
- The 5-year Network Monitoring and Intelligence deal with Macquarie Cloud Services announced in early June broadens the Company's domestic footprint and is expected to grow substantially over time as Macquarie increases the number of devices monitored by FirstWave's NMIS network monitoring and management software.
- Q4 also saw the launch of CyberCision Phase II, delivering real-time cyber-security visibility in a mobile app for end users and frictionless email protection for service providers. Phase II provides FirstWave with increased access to high growth markets and empowers FirstWave's partners to rapidly onboard customers at scale.

In relation to the financials provided in this report:

- The acquisition of Opmantek was completed on 14 January 2022 and therefore the accompanying Appendix 4C includes contribution from Opmantek from that date.
- The financial highlights are also either from 14 January 2022 or stated as "pro forma" when they include Opmantek numbers for the entire quarter.
- Q4 vs. Q3 analysis has been performed on a pro forma basis for revenue but not for expenses.
- Pro forma analysis for expenses was not completed as the current costs are not representative of the go-forward costs in the combined business. There are significant staff costs for individuals who have not been retained by the business, and duplicated IT systems that are still under contract. It will be Q1 FY23 before the combined businesses' costs have settled into a more representative pattern and Q2 FY23 before all the overlapping costs have been removed.

Financial Highlights

- Strong cash position of \$10.4m.
- Annualised Recurring Revenue (ARR)* was \$10.92m, flat QoQ on a pro forma basis.
- Q4 Revenue was \$2.89m, down 6.8% QoQ on a pro forma basis.
- Q4 Gross profit was \$2.09m, down 5.4% QoQ on a pro forma basis.
- Q4 revenue and gross profit were both down as Q3 numbers included \$0.40m in revenue adjustments that increased the period's revenue and gross profit above the underlying growth rate.
- Q4 revenue and gross profit were 4.4% and 11.5% up respectively on pro forma Q2 results.
- The cash component of Operational Expenses⁺ in total was \$3.01m (excluding \$0.34m one-off restructure, integration, and transaction costs).
- Cash costs capitalised in the quarter were \$0.70m.

Cash Flow Highlights

Net cash used in the quarter was \$2.31m including:

- \$3.22m cash receipts from customers
- \$0.27m cash receipt in relation to the FY21 R&D income tax return and foreign tax offset incentive
- \$0.42m paid in relation to one-off transaction costs
- \$4.57m in other operational costs, and
- \$0.76m used in investing activities which is mainly capitalized development personnel costs.

Both the financial and cash flow costs contain significant one-offs that have been highlighted in this commentary. For personnel who have been made redundant, any redundancy specific payments are included in these one-off costs, however, their salaries, including any payout of annual leave balances is included in the normal operational costs. These costs have been calculated at \$0.35m for the quarter with \$0.25m having been paid in the quarter and hence appearing in the cash flow 1.2e "staff costs" total.

As detailed in Item 6.1 of the accompanying Appendix 4C, the Company paid \$50k in relation to Directors' fees and associated superannuation.

The company has scheduled an update on FY22 Q4 performance via Teleconference at 9.30am (AEST) Wednesday 27 July 2022. The presentation for this update will be uploaded to the ASX website prior to the teleconference.

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

+ Cash component of Operational expenses excludes share based payments and depreciation & amortisation expenses.

All numbers in this quarterly cash flow report and accompanying commentary for the quarter ended 30 June 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")

30 June 2022

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	3,215	11,156
1.2	Payments for		
	(a) research and development	-	-
	(b) product manufacturing and operating costs	(1,625)	(5,187)
	(c) advertising and marketing	(227)	(708)
	(d) leased assets	-	-
	(e) staff costs	(2,440)	(10,085)
	(f) administration and corporate costs	(71)	(2,057)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	7	18
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	(209)	(209)
1.7	Government grants and tax incentives	267	1,661
1.8	Other	(418)	(2,667)
1.9	Net cash from / (used in) operating activities	(1,501)	(8,078)
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	(761)	(3,085)
	(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 (12 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
2.6	Net cash from / (used in) investing activities	(761)	(2,673)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	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	-	(1,051)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	(2,282)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Repayment of lease liabilities	(43)	(188)
3.10	Net cash from / (used in) financing activities	(43)	11,198

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	12,714	9,962
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,501)	(8,078)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(761)	(2,673)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(43)	11,198
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	10,409	10,409

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	10,409	12,714
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)	10,409	12,714

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	(50)
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 <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>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
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
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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)	(1,501)
8.2	Cash and cash equivalents at quarter end (Item 4.6)	10,409
8.3	Unused finance facilities available at quarter end (Item 7.5)	300
8.4	Total available funding (Item 8.2 + Item 8.3)	10,709
8.5	Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	7.1

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

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

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: 27 July 2022

Authorised 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.