



27 October 2022

ASX ANNOUNCEMENT

ACTIVITY REPORT AND APPENDIX 4C FOR THE QUARTER ENDED 30 SEPTEMBER 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 first quarter of FY23 ended 30 September 2022.

Business Update

There were several new client wins in the quarter including L3Harris and Viaero Wireless in North America who both licensed FirstWave's monitoring products in multiyear deals of 2 and 3 years respectively. A number of existing monitoring clients in all regions, most notably NASA in North America, as per the Artemis detail below, and Services Australia, increased the number of devices under their licence agreements, and engaged the professional services team adding to the Company's recurring and non-recurring revenues respectively.

FirstWave's security team was commissioned to build a sovereign email platform in Australia to comply with the "information security manual" as defined by the Australian Cyber Security Centre. The build has commenced, and it is anticipated the platform will be launched to the Australian government and large enterprise market in Q3 FY23.

Other items of note from the quarter included:

CyberCision platform release Sydney AWS

The launch of CyberCision™ on AWS significantly enhanced the functionality and ease of adoption for FirstWave's partners.

NASA Artemis Launch

FirstWave secured an extension and expansion of the monitoring licence agreement with NASA to support the Artemis (www.nasa.gov/specials/artemis/) missions.

One Brand Strategy and Opmantek Brand Retirement

FirstWave launched a refreshed strategy together with a new brand following the integration of Opmantek (acquired in January 2022). The Opmantek brand began being phased out from 15 September 2022. All products and services previously offered under the Opmantek brand are now consolidated under the FirstWave brand.

The Company's new website, www.firstwave.com, is a substantial initiative that was launched on September 15. It provides an extensive range of integrated, back-end marketing automation tools to accelerate lead generation and sales conversion, and will be accompanied, over time, by further improvements to the 'look and feel' of the website's front end.

Implementation of the one brand strategy aligns to the Company's new strategic focus on providing integrated solutions for network discovery, management and cybersecurity for enterprises, managed service providers (MSPs), and telecommunications carriers globally.

Feature release - opCharts Enterprise Services

The Enterprise Services Monitoring extension to FirstWave's infrastructure visualisation platform, opCharts, re-imagines monitoring for IT networks and services and allows administrators and management to monitor and provide alerts based on genuine business impacts, while drilling down for root cause identification in a single click.

As well as enhancing the capabilities of opCharts, the new extension integrates and empowers a range of other network monitoring modules including FirstWave's industry leading Event Management platform opEvents. The extension has already been successfully implemented with an Australian government department that requested to remain anonymous, but whose collaboration has proven the real-world application and value of the enhancements.

After quarter end but of key significance to the business:

Mr James Morzelewski was appointed as Sales Director, North America.

James has over 15 years of sales experience with 10 years in the Network Management and Security sectors. He brings a strong understanding of Networks, Systems, and IT Infrastructure, as well as building out and scaling sales teams. His focus will be to build strong sales growth on the back of a strong pipeline in the North America region.

Prior to joining FirstWave, James was a Sales Director at SolarWinds (a competitor to FirstWave's NMIS products) for over 8 years where he led a variety of teams, from the Commercial/Mid-Market to Strategic Accounts teams in North America. During his time at SolarWinds, he won large blue chip accounts like Uber, Marriot and NCR. He also worked at InsideOut Development, a professional services firm that provides learning, coaching, and consultative solutions.

James' appointment will give the Company, for the first time, dedicated leadership for the North American business. Previously, CRO Craig Nelson managed this territory alongside his global CRO duties.

A new CRO based in Australia has been appointed – commencing November 2nd – and to be announced in the upcoming weeks. Craig Nelson has moved to an advisory role for the North America business to focus on key accounts. The appointment of an Australian based CRO will add executive strength to drive the Telstra relationship forward and provide global leadership as part of the key executive team in Australia.

Financial Highlights

- Solid cash position of \$8.57m.
- Annualised Recurring Revenue (ARR)* finished the quarter at \$9.71m, down 11.0% QoQ. Notably, this adjustment is because:
 - Contracts (largely recharges) that were in place at either zero or negative margin have been removed. These contracts, while providing ARR, were a cash and resource drain on the Company and have been removed in line with the Company's strategy to focus on higher margin, higher growth business and capital efficiency.
 - Contracts that were running at a loss and with disputes and bad debts, have been removed from the ARR number while the Company exits or restructures these agreements and continues to seek payment over the debts.
 - 2 clients were lost to Telstra (not due to FirstWave's products) and as a result, the revenue has churned from FirstWave.
- Notably, Q1 Revenue was \$3.11m, up 7.5% QoQ.
- Also Notably, Q1 Gross profit was \$2.22m, up 6.0% QoQ.
- The cash component of Operational Expenses⁺ in total were \$2.91m (excluding \$0.02m one-off integration costs), 3.4% lower QoQ.
- Cash costs capitalised in the quarter were \$0.79m.

Cash Flow Highlights

Net cash used in the quarter was \$1.84m including:

- \$3.20m cash receipts from customers.
- \$1.40m cash payments for product and operating costs.
- \$0.25m cash payments for advertising and marketing costs.
- \$2.02m cash payments for staff costs which includes \$0.1m in staff redundancy costs and leave entitlement payments for personnel no longer with the business.
- \$0.70m cash payments for administration and corporate costs which includes an annual insurance payment of \$0.30m.
- \$0.82m used in investing activities which is mainly capitalized development personnel costs.

Analysis of the financial and cash flow data leads to an estimation of normalised cash burn of \$0.52m per month for Q1. Taking into account the continued cost savings and gross profit optimisation, the normalised monthly cash burn run rate is now under \$0.50m. Anticipated ARR growth and a number of non-recurring revenues that the business is aiming to close in the upcoming quarter will further reduce the actual cash used and the ongoing cash burn.

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 FY23 Q1 performance via Teleconference at 9.30am (AEDT) Thursday 27 October 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 September 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 September 2022

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	3,196	3,196
1.2	Payments for		
	(a) research and development	-	-
	(b) product manufacturing and operating costs	(1,397)	(1,397)
	(c) advertising and marketing	(246)	(246)
	(d) leased assets	-	-
	(e) staff costs	(2,018)	(2,018)
	(f) administration and corporate costs	(700)	(700)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	12	12
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	-
1.8	Other	158	158
1.9	Net cash from / (used in) operating activities	(995)	(995)
2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	(1)	(1)
	(d) investments	-	-
	(e) intellectual property	(816)	(816)
	(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 (3 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	-	-
2.6	Net cash from / (used in) investing activities	(817)	(817)
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	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
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	(31)	(31)
3.10	Net cash from / (used in) financing activities	(31)	(31)
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	10,409	10,409
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(995)	(995)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(817)	(817)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(31)	(31)
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	8,566	8,566

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	8,566	10,409
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)	8,566	10,409

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)	(995)
8.2	Cash and cash equivalents at quarter end (Item 4.6)	8,566
8.3	Unused finance facilities available at quarter end (Item 7.5)	300
8.4	Total available funding (Item 8.2 + Item 8.3)	8,866
8.5	Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	8.9

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 October 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.