

FirstWave

31 January 2023

ASX ANNOUNCEMENT

ACTIVITY REPORT AND APPENDIX 4C FOR THE QUARTER ENDED 31 DECEMBER 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 second quarter of FY23 ended 31 December 2022.

Business Update

The business continued to expand its pipeline of sales and maintain its control on costs with investments being made in sales and marketing.

Notably:

- A new CRO joined the company – Dino DaVanzo, based in Sydney;
- The Pipeline consists of multiple clients providing many pathways to success;
- Claro Dominican Republic (Telco) during the quarter committed to licencing the recently released NMIS 9.4 suite of products with the agreement including US\$300k in up-front fees;
- Telmex (Telco) extended their agreement with FirstWave for a further 12 months - approximately US\$300k in annual revenues;
- Several other new clients.

Other items of note during the quarter.

- The business established an opt-out unmarketable sale facility during the quarter for holders with less than \$500 worth of shares as at 20th October 2022. Morgans, the company's broker, was engaged to find buyers for the holders that had not opted out. This resulted in just over 2.5M shares being sold and a reduction in over 2,000 holders from the register.

Financial Highlights

- Cash position at the quarter end was \$6.68m with an additional \$1.16m expected in Q3 in R&D tax rebates associated with the FY22 financial year.
- Revenue was \$3.45m, up 10.9% QoQ which was driven by
 - a \$0.43m increase in "one-off" revenues – in particular software licence upgrades.
 - Annualised Recurring Revenue (ARR)* increasing to \$9.86m, up 1.5% QoQ.
- Gross profit was \$2.90m, up 30.6% QoQ.
- The cash component of Operational Expenses⁺ in total was \$3.52m, up 21.1% QoQ. The increase is mainly due to planned increased investment in sales and marketing and a reduction in the amount of development resource that was capitalized compared to the previous quarter (as a result of holidays taken over the Christmas period).
- Development costs capitalised in the quarter were \$0.70m down 12.3% on the previous quarter.

Cash Flow Highlights

Net cash used in the quarter was \$1.89m including:

- \$2.82m cash receipts from customers.
- \$0.80m cash payments for product and operating costs.
- \$0.30m cash payments for advertising and marketing costs.
- \$2.33m cash payments for staff costs.
- \$0.70m cash payments for administration and corporate costs.
- \$0.72m 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 \$0.48m per month for Q2. This figure is arrived at after accounting for R&D incentives that are yet to be received and non-recurring revenues including software licensing fees of \$0.20m per month across the quarter.

As detailed in Item 6.1 of the accompanying Appendix 4C, the Company paid \$77k in relation to Directors' fees and associated superannuation.

The Company has scheduled an update on FY23 Q2 performance via Teleconference at 9.30am (AEDT) Tuesday 31 January 2023. 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 31 December 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 December 2022

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	2,821	6,017
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(799)	(2,196)
(c) advertising and marketing	(304)	(550)
(d) leased assets	-	-
(e) staff costs	(2,329)	(4,347)
(f) administration and corporate costs	(697)	(1,397)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	12	24
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other	164	322
1.9 Net cash from / (used in) operating activities	(1,132)	(2,127)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(2)	(3)
(d) investments	-	-
(e) intellectual property	(722)	(1,538)
(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 (6 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	(724)	(1,541)
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	(2)	(2)
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	(33)	(64)
3.10	Net cash from / (used in) financing activities	(35)	(66)
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	8,566	10,409
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,132)	(2,127)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(724)	(1,541)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(35)	(66)
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	6,675	6,675

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	6,675	8,566
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)	6,675	8,566

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	(77)
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)	(1,132)
8.2	Cash and cash equivalents at quarter end (Item 4.6)	6,675
8.3	Unused finance facilities available at quarter end (Item 7.5)	300
8.4	Total available funding (Item 8.2 + Item 8.3)	6,975
8.5	Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	6.2

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: 31 January 2023

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.