



To protect & support every child's digital journey

MAR QTR 2023

4C COMMENTARY & OPERATIONAL UPDATE

ASX: FZO



## Qtr Highlights

*"With strong growth and cost control we're delighted to be continuing on our plan to achieve run-rate breakeven this financial year."*

Tim Levy, Managing Director



**ARR passes through \$90 million**

\$6 million nett ARR growth for the quarter



**Demonstrable cost control**

Fixed costs stable for 3 quarters in a row



**Strong SaaS metrics**

110% NRR, 85% Service Margin, < 3% Churn



**Exciting launches and roll-outs**

Qustodio, Pulse and Digital Experts Academy



**Imminent cash-flow breakeven**

Expecting to achieve run-rate operating cash-flow break-even this coming quarter

## 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



**Dr Jane Watts**

**Non Executive Director**

NED Liberty Financial Group, Orygen Youth Mental Health Foundation & Westpac Foundation

*Formerly:* Senior Executive at Westpac, BT Financial, Macquarie, MLC and Lend Lease.



**Georg Ell**

**Non Executive Director**

CEO Phrase  
Venture Partner, Craft Partners

*Formerly:* CEO at Smoothwall; Director or Europe at Tesla; GM Sales at Yammer and Senior Sales Executive Microsoft.



**Matthew Stepka**

**Non Executive Director**

Managing Partner, Machina Ventures  
Lecturer, Berkeley

*Formerly:* VP of Operations & Strategy at Google; GM at Drugstore.com and CEO/Founder of Big World Travel.



**Phil Warren**

**Non Executive Director**

MD Grange Consulting Group  
Experienced ASX Director and advisor



## AT A GLANCE

San Diego

Charlotte

Orlando

Leeds

Barcelona

✓ 12M students

✓ 24K schools

✓ 38% of UK schools

✓ 18% of US districts

✓ 345K paying subscribers

✓ \$91 million ARR

**Family Zone; the only  
truly global provider of  
digital safety & wellbeing  
solutions**

Perth

Sydney

Melbourne

Auckland



# Why Family Zone

## Untapped market

Massive untapped, fragmented, well funded & expanding global market for safety & wellbeing.

## Proven acquirer

Demonstrated ability to acquire (at pace), merge, add value and build a cohesive culture.

## Social impact

Addressing some of the world's most pressing and engaging topics; student safety, mental health and education.

## Scaled & ready

Scaled and inflecting, with strong and improving SaaS metrics and an outstanding executive team.

## Global leader

Winner away from home. The only truly global player and the most likely category owner.

## Increasing funding

Uniquely diversified with global revenue/costs; naturally hedged and exposed to consistently growing public funding pools.

## Compelling vision

Unique vision: 360 degree data driven safety & wellbeing platform.





## March Qtr Update



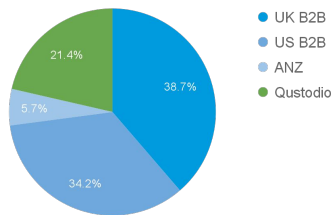
# GROUP

## Group ARR passes through \$91 Million

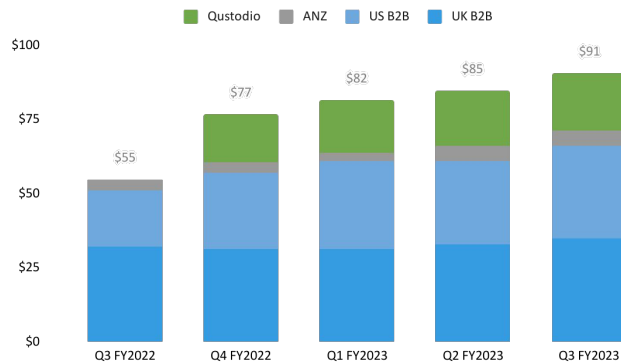
Group ARR passed through \$91 million; an exceptional result given the delayed start to the UK edutech selling season and our UK business actively churning non-core clients (~\$1m in the quarter).

A very strong ARR contribution was also delivered by our consumer business which add \$1.1m nett in the quarter

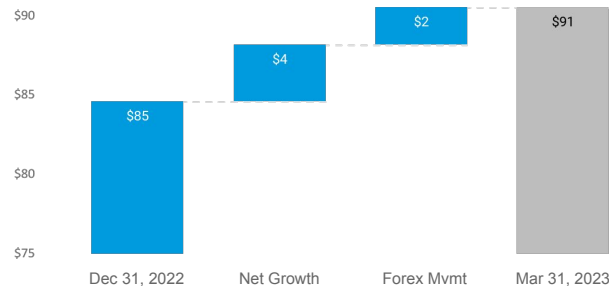
Annual  
Recurring  
Revenue  
Global Sales Mix %



## Annual Recurring Revenue Global Sales Mix | AUD Millions



## ARR Waterfall Group | AUD Millions





# GROUP

## Strong margins and growth in ARPU

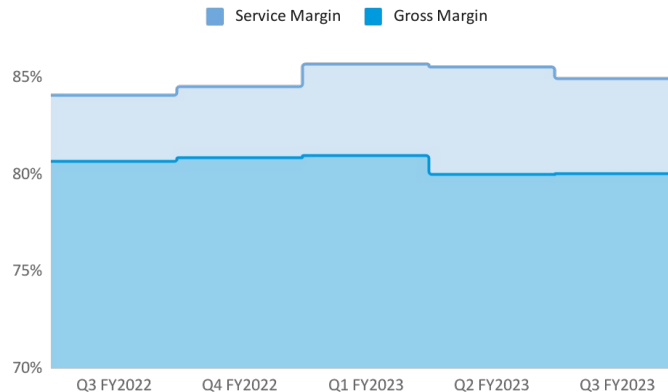
Pleasingly ARPs (average revenue per student) continues to climb now passing through \$6.2 pa. This reflects our broadening product range and capability in cross and upsells.

Continued growth is expected with a 2-3 year target of \$10 pa.

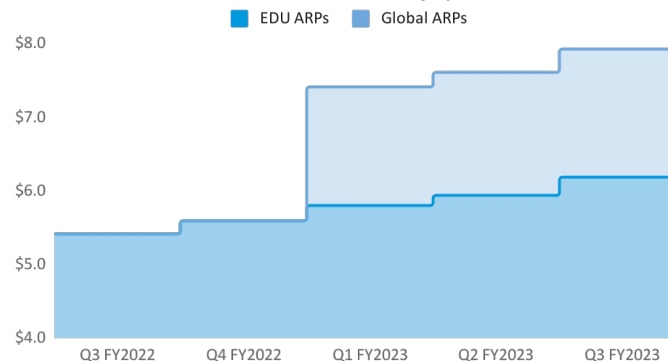
Across the group (Edu plus Consumer) ARPs is now at \$8 pa.

Whilst slightly variable, Service Margins remain strong and gross margin is comfortably on target at 80%.

## Group Service & Gross Margins Percentage of ARR



## Average Revenue per Student (ARPs) Education & Group | AUD







GROUP

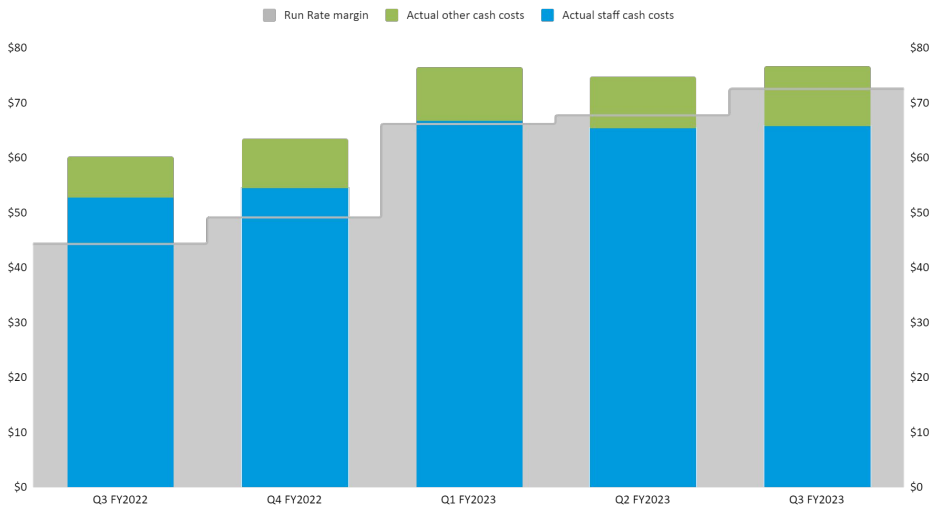
## Executing on our plan to break even

The Company consistently grows ARR and is maintaining strong margins and tight cost control.

At the end of March the Company achieved operating gross margins of ~ \$72 million against a fixed cash cost base of ~ \$76 million.

With strong growth in all business segments and in particular a massive K-12 pipeline for the June quarter, we are confident of passing through operating cash flow break-even (on a run-rate basis) this coming quarter.

### Run Rate Analysis Group | AUD Millions



Merger with Qustodio added \$15 million of ARR



# GROUP

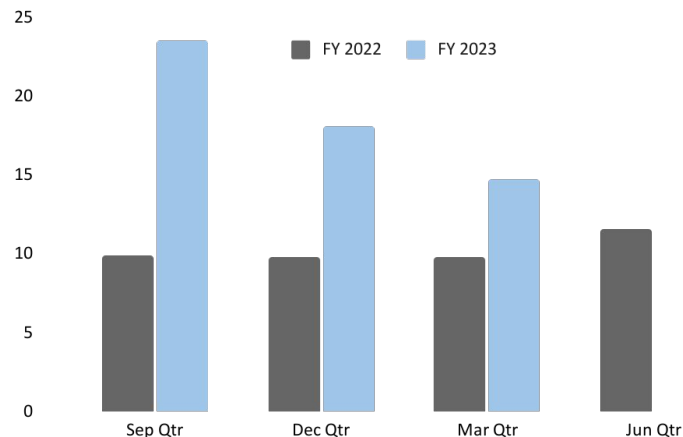
## Fully funded for success in FY 2024

A March Quarter record of \$15 million was collected which is 51% higher than last year. ARR conversion to cash is strong. The Company expects improving receipts from here and materially positive cash flows in the 2nd half.

The Company finished the quarter with circa \$17 million of available funding, with a further \$1.1 million due from Tranche 2 of the placement.

Pleasingly the Company's discussions with lenders for a debt facility to consolidate the Group's balance sheet have progressed to credit approvals. The process will now enter a period of exclusivity with a preferred lender soon to be chosen.

Cash Collections (nett)  
Group | AUD Millions





# EDUCATION

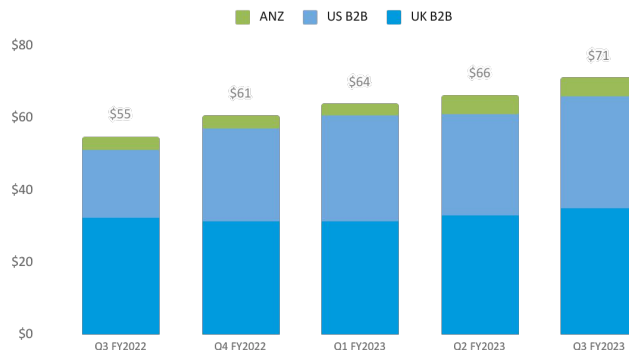
## Driving new and net new ARR growth

The Education division delivered strong ARR growth of ~ nett \$5 million. This is despite a delayed edu-tech sales period in the UK and the active churning of non-core (ie non-school) customers as part of our efficiency drive.

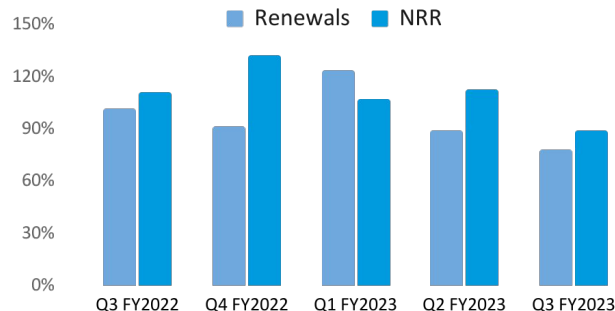
As a consequence of non-core churn global Net Revenue Retention (NRR) fell to 90%. Of core-business NRR came in at 104% globally. USA NRR continues to impress at close to 120%.

Overall rates of churn of school customers continue to be immaterial.

## Annual Recurring Revenue Education| AUD Millions



## Net Revenue Retention & Renewals





## Huge pipeline & exciting launches ahead

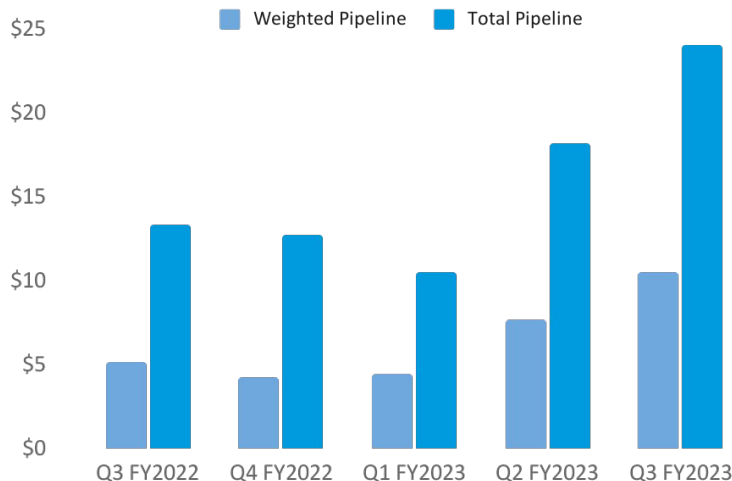
The Company's unweighted pipeline has now passed through an extraordinary \$24 million (up 104% YoY). On a weighted basis our pipeline passed thorough \$11 million for the first time (up 80% YoY).

As at March 31, the Company has a record 1,125,433 student licenses and in excess of \$6 million of Proof of Concept trials.

In addition to the pipe, we are delighted to be bidding into a number of million dollar deals across all of our markets and enjoying the progress of recent product launches.

The Company expects strong growth in the coming quarters.

Education Pipeline  
AUD Millions





## CONSUMER

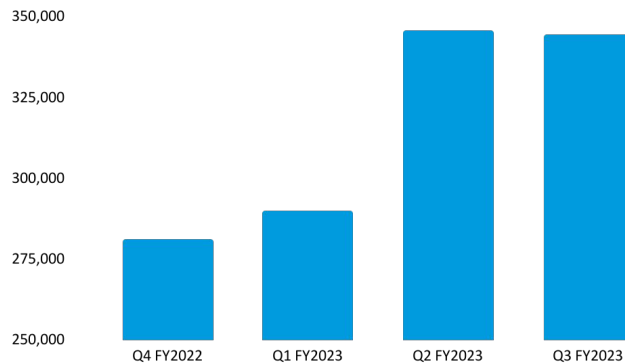
# Outstanding ARR growth in consumer

Our consumer operation (Qustodio) is reliably growing above target. ARR is now close to \$20 million and our consumer business is delivering a meaningful contribution to the group.

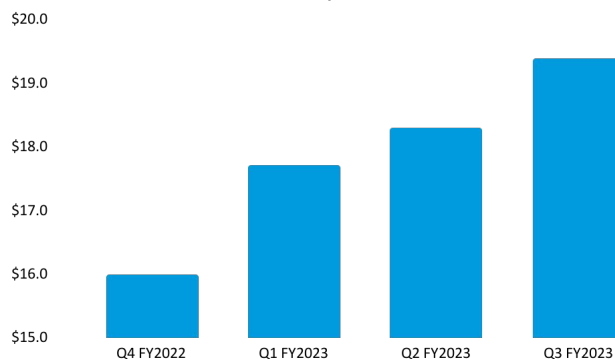
Volatility in our partner (telco) business has resulted in a slight fall in subscribers. However ARPUs from this segment are low, driving negligible financial impact.

The Qustodio team are successfully working with our education team to launch Community Connect (B2B2C) and continue to deliver innovative features and improve business performance.

Qustodio Premium Accounts  
All Channels | Count



Qustodio Annual Recurring Revenue  
All Channels | AUD Millions





# COMMUNITY

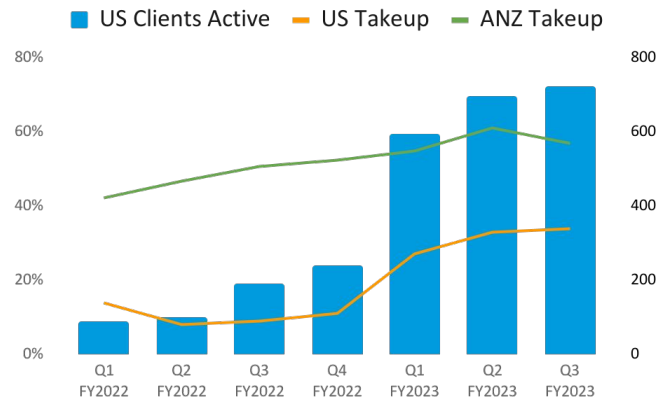
## Continued B2B2C progress

We continue to be pleased with the progress of our moves to introduce our consumer offering (Qustodio) through our US schools footprint.

Sign-ups to our Community programs continue to grow with 34% of our US districts onboarded.

From there we seek to promote Qustodio through our Community Connect proposition. To date we have launched into ~ 104,000 parents and are achieving ~ 3% parent take-up. Our engagement with US districts and parents has been outstanding and feedback on features and promotional mechanisms is being rapidly adding into our offerings and tools.

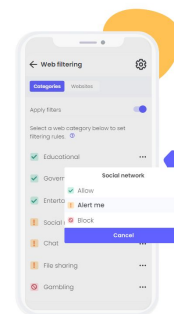
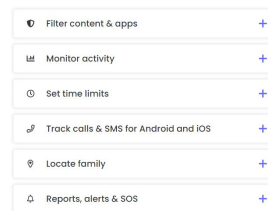
## School Community Take-up & Active US Clients



### Qustodio

#### All the parental control tools you need to protect your kids online

Click on the features below to see what you can do with Qustodio





## Going to the next level

The Company is executing exceptionally well to plan.

From a corporate perspective, within the next Quarter the Company will achieve (run-rate) operating cash flow break-even and expects to consolidate its balance sheet and support expansion through debt. We continue to tightly manage costs, and support strong growth as we target monthly EBITDA profitability in the next 12-18 months.

Operationally the Company continues to improve, with better and broader products. We look forward to rolling out our new brand Qoria starting with a Corporate rebrand next month (subject to shareholder approval).

### COMING TO FAMILY ZONE



#### **Expansion of Qustodio**

Continued launch of Qustodio across our EDU footprint



#### **Debt facility**

Consolidated balance sheet with debt funding



#### **Operational run-rate cash flow break-even**

Expected to be achieved in the June quarter 2023



#### **Global re-branding**

Corporate re-branding launching in May 2023



We are a global brand with something to say  
**It's time to tell a better story**



nal use only

It's the starting point for a story that has  
universal resonance with a global audience.



# QUARTERLY CASH-FLOW

## Commentary

Receipts from customers for the quarter were a ~\$15 million with the March Quarter the seasonally quietest quarter of the year. However this was still a record for the March Quarter and represents a 51% increase on last year.

**Direct costs:** \$4.9 million (from \$5.3m) the decrease is due to the December Quarter being the busiest marketing period for Qustodio across Black Friday and Christmas. *Note previous marketing costs have been reallocated from Fixed to Direct.*

**Staff costs:** \$15.8 million (inline with December - \$15.8m), savings from recent headcount changes will be realised in the June Quarter.

**Fixed other:** \$2.8 million (from \$3.0m) is reflective of a quieter selling period for the business.

Once again growth in overall cash costs is well controlled.

## 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 \$188k related to Directors salaries and superannuation payments and professional fees paid to Grange Consulting for company secretarial services.*

## NORMALISED OPERATING CASH-FLOW

Item	Jun 2022	Sep 2022	Dec 2022	Mar 2023*
Direct Costs	(\$2,771)	(\$4,233)	(\$5,281)	(\$4,998)
Staff Costs	(\$12,511)	(\$14,616)	(\$15,794)	(\$15,886)
Fixed Other	(\$2,333)	(\$2,675)	(\$3,018)	(\$2,853)

Normalised quarterly cash outflows in AUD Thousands. Adjusted for one-off / non-operational flows & timing.

## \*RECONCILIATION OF 4C TO NORMALISED CASH-FLOW

4C Cash flow	Mar '23 4C	Normalisation adjustments	Normalised
Direct Costs	(\$5,028)	(\$40)	Acquisition costs (\$4,988)
Staff Costs	(\$16,356)	(\$470)	Staff restructure (\$15,886)
Fixed Other	(\$3,319)	(\$466)	Lease exit & financing (\$2,853)
Other	(\$306)	(\$306)	Acquisition costs \$0



# CAPITAL

AVAILABLE FUNDING	\$17M <sup>1</sup>
ORDINARY SHARES	1,040,268,949
MARKET CAP (@18.0c)	\$187M
TOP 20 SHAREHOLDERS	65%
FOUNDERS & EXECUTIVES	4.5%

## Notes

At 31 March 2023

<sup>1</sup> Includes \$17M cash as at 31 March 2023 & following repayment of remaining WC facility and interest. Prior to receipt of \$1.125m in cash from Tranche 2 of the March Placement

<b>Performance Rights</b>	<b>84,348,160</b>	<b>Options</b>	<b>24,170,000</b>
		18c-24c (expiring 2023)	1,200,000
<b>Deferred Perf Rights</b>		50-60c (expiring 2025)	17,720,000
Qustodio	80,527,017	60c (expiring 2025)	5,250,000

## 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 2023

<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</b>		
1.1 Receipts from customers	14,818	56,441
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(3,262)	(11,567)
(c) advertising and marketing	(1,767)	(3,628)
(d) leased assets	-	-
(e) staff costs	(16,356)	(47,299)
(f) administration and corporate costs	(3,319)	(10,290)
1.3 Dividends received (see note 3)		
1.4 Interest received	12	37
1.5 Interest and other costs of finance paid	(380)	(691)
1.6 Income taxes paid	(15)	(37)
1.7 Government grants and tax incentives	-	73
1.8 Other - acquisition-related operating outflows	(306)	(455)
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(10,575)</b>	<b>(17,416)</b>

<b>2.</b>	<b>Cash flows from investing activities<sup>2</sup></b>		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) businesses	(462)	(19,399)
	(c) property, plant and equipment	(1,351)	(2,810)
	(d) investments	-	(25)
	(e) intellectual property	-	-
	(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	-	-
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>(1,813)</b>	<b>(22,234)</b>

<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>	18,875	18,875
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	946
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(1,271)	(1,271)
3.5	Proceeds from borrowings	5,500	5,500
3.6	Repayment of borrowings	(1,007)	(1,810)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other – Repayment of Lease Liabilities (Year to date adjustment)	(423)	(1,200)
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>21,674</b>	<b>21,040</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	6,155	32,746
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(10,575)	(17,416)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,813)	(22,234)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	21,674	21,040
4.5	Effect of movement in exchange rates on cash held	1,397	2,702
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>16,838</b>	<b>16,838</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	16,838	6,155
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>16,838</b>	<b>6,155</b>

<b>6.</b>	<b>Payments to related parties of the entity and their associates</b>	<b>Current quarter \$A'000</b>
6.1	Aggregate amount of payments to related parties and their associates included in item 1	(188)
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.</b>	<b>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:		
	1. Northcity Asset Pty Ltd working capital loan facility	-	-
	2. Santander bank loans & facilities	2,486	2,446
	3. Caixabank bank loans & facilities	961	959

	4. Other borrowings and facilities	1,009	954
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	<b>Total financing facilities</b>	<b>4,456</b>	<b>4,358</b>
7.5	<b>Unused financing facilities available at quarter end</b>		<b>98</b>
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.		
	<ol style="list-style-type: none"> <li>1. The Group's facility with Northcity Asset Pty Ltd was settled during the period. \$500,000 was repaid in cash while \$5,000,000 was converted into fully paid ordinary shares of Family Zone Cyber Safety Limited. For further details regarding the terms of the facility, please see most recent Family Zone Cyber Safety Limited Annual Report.</li> <li>2. A number of facilities provided to Qustodio by Santander bank, Spain. Facilities are unsecured and have interest rates of between 2.84% per annum and 3.75% per annum. Maturity dates are between 12 January 2026 and 1 April 2028.</li> <li>3. A number of facilities provided to Qustodio by Caixabank bank, Spain. Security provided by \$151,000 (100,000 Euro) collateral deposit. Interest rates are between 2.84% per annum and 3.75% per annum and maturity dates are between 12 January 2026 and 1 April 2028.</li> <li>4. Other borrowings and facilities represent insurance premium funding, accounting system financing facility and other minor borrowings.</li> </ol>		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(10,575)
8.2	Cash and cash equivalents at quarter end (item 4.6)	16,838
8.3	Unused finance facilities available at quarter end (item 7.5)	98
8.4	Total available funding (item 8.2 + item 8.3)	16,936
8.5	<b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	1.6
<p><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></p>		
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?	
	<p>No, the upcoming quarters will include seasonally higher cash inflows and therefore operating cash flows are expected to improve. The Group continues to focus on cost reduction and improving cash inflows with the target of reaching run-rate break-even operating cash flows in the June quarter.</p>	
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?	
	<p>The Company recently raised approximately \$20 million through the completion of a share placement on 9 March 2023. On the same date, \$5 million of the existing working capital facility with Northcity Asset Pty Ltd was converted to fully paid ordinary shares of Family Zone Cyber Safety Limited, reducing this future commitment of capital. The Company is now in a position to attract conventional debt funding. Discussions in this regard are well-advanced with a conclusion expected this calendar year.</p>	
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?	
	<p>Yes. Management's cash flow projections provide the basis for this expectation.</p>	
<p><i>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.</i></p>		



## 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 April 2023

Authorised by the Board of Family Zone Cyber Safety Limited

## 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.