



27 April 2023

ASX ANNOUNCEMENT

ACTIVITY REPORT AND APPENDIX 4C FOR THE QUARTER ENDED 31 MARCH 2023

Global cybersecurity and network management company, FirstWave Cloud Technology Limited (ASX:FCT) (**FirstWave** or **Company**), provides its Activity report and Appendix 4C for the third quarter of FY23 ended 31 March 2023.

Business Update

With a continued focus on controlling costs, good collections after a seasonally high renewal period and receipt of over \$1M in R&D grants, the business had a cashflow positive quarter. This cashflow positive quarter was after an investment of over \$1.2M in sales and marketing personnel and activities.

Other items of note in the quarter included:

- Release of the Arcanine upgrade to CyberCision which adds features to support the government security standards, integrates Cisco's threat engine "Talos", as well as adding new security detectors and enhanced "track and threat hunting" capability.
- Extension of contracts with NASA, John Deere and Canadian Imperial Bank of Commerce (CIBC) with the NASA contract recently doubling and having quadrupled in the 2 years since initially winning the client.
- Appointment of two new sales account managers, one focused on monitoring in North America and the other on CyberCision with Telstra.

Other items of note during the quarter:

- 232M shares were released from escrow
- 0.58M options had lapsed and have been removed from the options register.

Financial Highlights

- Cash position at the quarter end was \$7.06m, an increase of \$0.39m compared to the previous quarter.
- Revenue was \$2.84m, down 17.7% QoQ which was driven by
 - A \$0.53m decrease in "one-off" revenues – in particular, software licence upgrades which occurred at the end of the financial year (December) for a number of LATAM customers.
 - Annualised Recurring Revenue (ARR)* was \$9.82m, down 0.4% QoQ.
- Gross profit was \$2.37m, down 18.3% QoQ, also due to the reduction in "once-off" revenues.
- The cash component of Operational Expenses⁺ in total was \$3.25m, down 7.7% QoQ.
- Development costs capitalised in the quarter were \$0.69m which is consistent with the previous quarter.

Cash Flow Highlights

Net cash generated in the quarter was \$0.39m including:

- \$3.67m cash receipts from customers.
- \$0.90m cash payments for product and operating costs.
- \$0.16m cash payments for advertising and marketing costs.
- \$2.31m cash payments for staff costs.
- \$0.44m cash payments for administration and corporate costs.
- \$1.17m cash receipts from R&D tax rebates associated with the FY22 financial year.
- \$0.64m 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 \$0.56m per month for Q3. This figure is arrived at after accounting for non-recurring revenues of \$0.11m per month, which is the average year to date.

As detailed in Item 6.1 of the accompanying Appendix 4C, the Company paid \$78k in relation to Directors' fees and associated superannuation.

The Company has scheduled an update on FY23 Q3 performance via Teleconference at 9.30am (AEDT) Thursday 27 April 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 March 2023 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 March 2023

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	3,670	9,687
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(903)	(3,099)
(c) advertising and marketing	(156)	(706)
(d) leased assets	-	-
(e) staff costs	(2,312)	(6659)
(f) administration and corporate costs	(436)	(1,833)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	22	46
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	1,165	1,165
1.8 Other	5	327
1.9 Net cash from / (used in) operating activities	1,055	(1,072)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	(3)
(d) investments	-	-
(e) intellectual property	(637)	(2,175)
(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 (9 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	(637)	(2,178)
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)
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)	(97)
3.10	Net cash from / (used in) financing activities	(33)	(99)
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	6,675	10,409
4.2	Net cash from / (used in) operating activities (item 1.9 above)	1,055	(1,072)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(637)	(2,178)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(33)	(99)
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	7,060	7,060

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	7,060	6,675
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)	7,060	6,675

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	(78)
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

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)	1,055
8.2	Cash and cash equivalents at quarter end (Item 4.6)	7,060
8.3	Unused finance facilities available at quarter end (Item 7.5)	300
8.4	Total available funding (Item 8.2 + Item 8.3)	7,360
8.5	Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	N/A
	<i>Note: If the entity has reported positive net operating cash flows in item 1.9, answer 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:

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 April 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.