



30 April 2018

ASX ANNOUNCEMENT

APPENDIX 4C: QUARTERLY CASHFLOW REPORT AND COMMENTARY FOR THE QUARTER ENDED 31st MARCH 2018

FirstWave Cloud Technology Limited (FCT: ASX) ("FirstWave" or "Company"), Australia's pioneering cloud security technology company, lodges its Appendix 4C for the 3rd Quarter of FY2018 ended 31st March 2018 with the Australian Securities Exchange.

FirstWave FY2018 Operating Activity Update

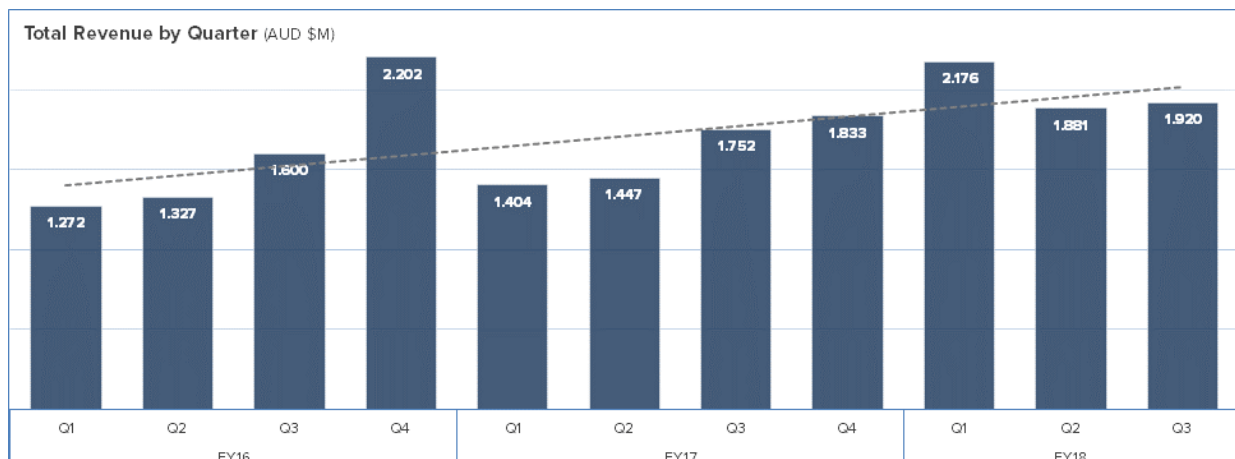
FirstWave continues to progress with the "enable" phase and is preparing for the "expand" phase of its business strategy. FirstWave has deepened the resources of its Singapore office and established its presence in North America with the appointment of a North American business development executive based in San Francisco. Essentially this investment represents the completion of the "enable" phase of the Company's expansion strategy and readying for commencement of the "expand" phase.

The following operational milestones have been achieved during the "enable" phase:

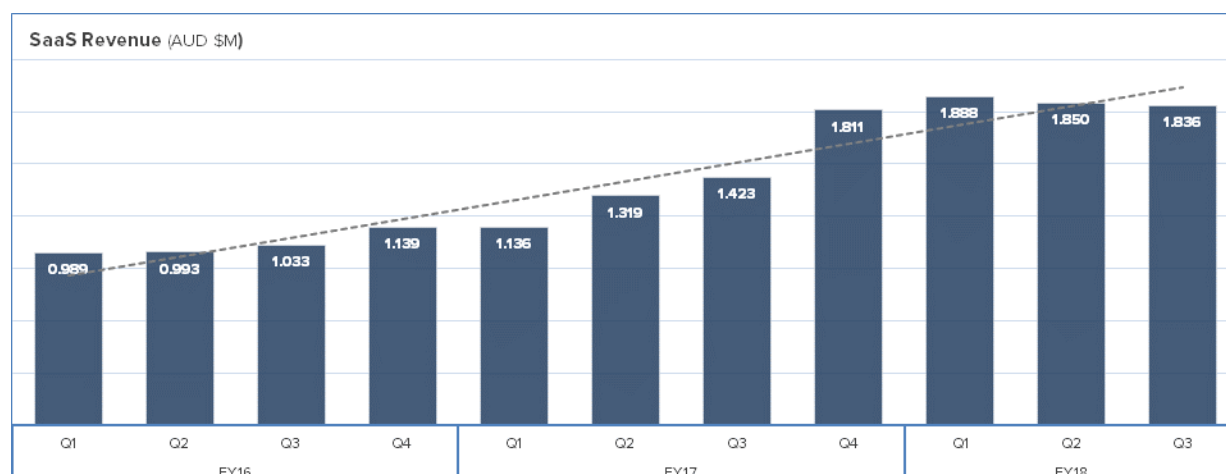
- Leveraging its foundation of innovation and demonstrating the depth of its technical collaboration with its Global Security Vendor (GSV) partner **Cisco**, FirstWave launched on the 20th of December 2017, its first public cloud security platform operational on **Amazon Web Services (AWS)** using a Cisco Amazon Machine Image (AMI) optimized security appliance
- FirstWave's first Australian distribution agreement with the world's largest wholesale technology distributor and global leader in IT supply chain and mobile device lifecycle services – **Ingram Micro**, who will distribute FirstWave's FirstCloud Mail Security solution to its 7,500+ Australian partners. The FirstCloud Mail offering has launched on the Ingram Micro public facing website in April, targeting small and medium businesses
- Established an international partnership with **Mind Flow Sdn Bhd**, a recognized Malaysia status company (MSC) and a leading Malaysian based reseller, to sell its "FirstCloud Mail Security" product to Malaysia's large and small to medium businesses

Q3 Operating Update

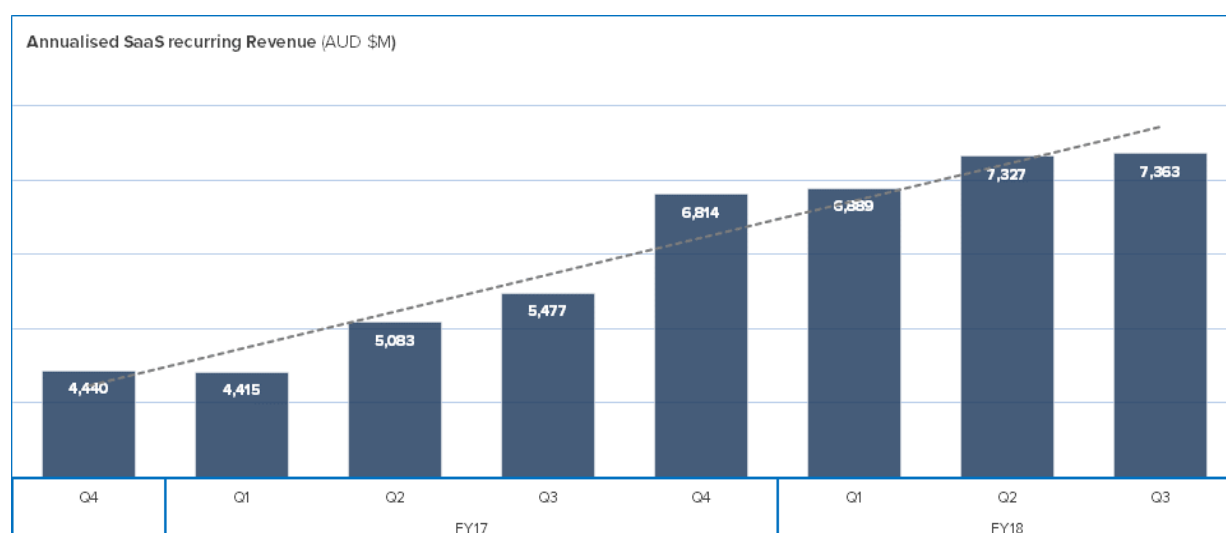
Revenue increased by 10% to \$1.92m vs. \$1.75m PCP



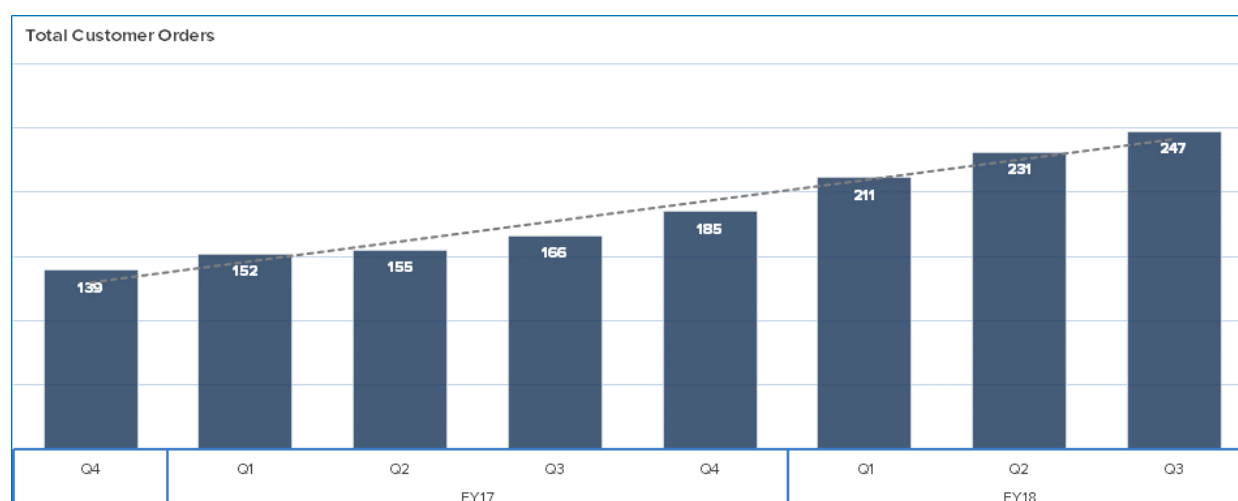
Security as a Service (SaaS) revenue increased by 30% to \$1.84m vs. \$1.42m PCP



Gradual increase in annualised recurring revenue – Q3 increased 34% from PCP



Q3 customer orders have increased 49% from PCP - Including 19 “First Cloud Mail Security” customer orders



Q3 sales below expectation at \$277k.



Cash Flow:

- FirstWave's cash balance at the end of Q3 FY2018 was \$2.7m (including bank guarantee deposits of \$0.1m)
- Gross customer cash receipts for Q3 FY2018 were \$1.8m, down from \$1.9m in Q2 FY2018 due to one-off prepayments in the prior quarter
- Operating cash payments for Q3 FY2018 were \$3.6m decrease from \$3.7m in Q2 FY2018
- Investing cash payments for Q3 FY2018 were \$0.5m, \$0.2m higher than estimate due to costs associated with the Singapore office fit-out, up \$0.2m on previous quarter
- The net cash flow position for Q3 FY2018 was an outflow of \$1.5m

Operating cash payments by FirstWave business segments:

- Domestic Business (Australia) - \$1.9m
- International Business - \$0.4m
- Corporate Services - \$1.8m

All customer cash receipts were associated with the domestic business.

Q4 FY2018 Outlook

Q4 FY2018 the focus of the company is to continue the momentum from prior quarter in growing the business, both domestically and internationally.

FirstWave anticipates:

- Receiving its first International order in Q4 FY2018
- Full year consolidated revenue to close at approximately \$8m
- Slower than anticipated sales volumes will impact the exit consolidated recurring revenue profile

FirstWave advises that it continues in well-developed commercial negotiations with one of its Global Security Vendor partners and Global and Regional Telco's in relation to sales and software distribution agreements and is scaling its Australian and offshore operations in order to properly pursue these opportunities. Whilst there are no binding agreements in place, FirstWave will make announcements as and when binding agreements are consummated. Directors are actively engaged in establishing the capital structure to support the company through the "expand" phase of its business strategy.

Estimated cash outflow for Q4 FY2018

Cash outflows are expected to be \$4.8m, comprising of:

- \$4.4m of operating expenditure:
 - Domestic Business (Australia) - \$1.8m
 - International Business - \$0.9m
 - Corporate Services - \$1.7m
- \$0.4m of investing expenditure

All numbers in this quarterly cash flow report and accompanying commentary for the quarter ended 31 March are unaudited.



Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

FirstWave Cloud Technology Limited [FCT.ASX]

ABN

35 144 733 595

Quarter ended ("current quarter")

31 March 2018

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	1,767.9	8,280.4
1.2 Payments for		
(a) research and development		
(b) product manufacturing and operating costs	(568.9)	(2,401.4)
(c) advertising and marketing	(18.3)	(86.3)
(d) leased assets	(53.1)	(163.6)
(e) staff costs	(1,852.8)	(5,085.5)
(f) administration and corporate costs	(1,132.8)	(3,422.0)
1.3 Dividends received (see note 3)		
1.4 Interest received	11.7	32.9
1.5 Interest and other costs of finance paid	-	(1.4)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	789.1	789.1
1.8 Other (provide details if material)	8.3	27.3
1.9 Net cash from / (used in) operating activities	(1,048.9)	(2,030.5)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(98.7)	(125.9)
(b) businesses (see item 10)		
(c) investments		
(d) intellectual property (capitalized development costs)	(367.9)	(1,103.0)
(e) other non-current assets		

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment	-	-
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) 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)	-	-
2.6	Net cash from / (used in) investing activities	(466.6)	(1,228.9)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares		
3.2	Proceeds from issue of convertible notes		
3.3	Proceeds from exercise of share options		
3.4	Transaction costs related to issues of shares, convertible notes or options		
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	Other (provide details if material)		
3.10	Net cash from / (used in) financing activities	-	-

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of quarter/year to date	4,214.7	1,895.7
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,048.9)	(2,030.5)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(466.6)	(1,228.9)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	4,062.9

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	2,699.2	2,699.2

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	1,565.4	3,080.9
5.2	Call deposits	1,000.0	1,000.0
5.3	Bank overdrafts	-	-
5.4	Other (deposits backing bank guarantees)	133.8	133.8
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	2,699.2	4,214.7

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Current quarter
\$A'000

132.3

-

6.1 above is comprised of director fees paid to 5 directors for the period Jan – Mar 2018

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

Current quarter
\$A'000

-

-

N/A

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	300.0	150.3
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		
8.1 above comprises of a lease facility with NAB to finance purchases of office equipment, plant and machinery.		

9. Estimated cash outflows for next quarter – Q4 FY 2018	\$A'000
9.1 Research and development	-
9.2 Product manufacturing and operating costs	1,260
9.3 Advertising and marketing	75
9.4 Leased assets	49
9.5 Staff costs	1,889
9.6 Administration and corporate costs	1,174
9.7 Other (provide details if material)	378
9.8 Total estimated cash outflows	4,825

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity	N/A	N/A
10.2 Place of incorporation or registration		
10.3 Consideration for acquisition or disposal		
10.4 Total net assets		
10.5 Nature of business		

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.
- 3 Other cash flows in 9.7 above represents expected outlay on property, plant and equipment and intangible assets.

Sign here:



Date: 30 April 2018

(Director)

Print name: Drew Kelton

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly 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 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.