

29 January 2021

ASX ANNOUNCEMENT

**ACTIVITY REPORT AND APPENDIX 4C FOR THE QUARTER ENDED 31
DECEMBER 2020**

Global cybersecurity technology company, FirstWave Cloud Technology Limited (ASX:FCT) (**FirstWave** or **Company**), provides its activity statement and Appendix 4C for the 2nd quarter of FY21 ended 31 December 2020.

Operating Highlights

- Total Revenue of \$2.01m down 1.9% QoQ due entirely to lower non-recurring revenue:
 - recurring revenue up 5.6% QoQ to \$1.87m
 - non-recurring revenue down 42.2% to \$0.14m.
- Total Annualised Recurring Revenue (TARR)* of \$7.53m up 5.6% QoQ comprised of:
 - Domestic ARR of \$6.52m up 1.3% QoQ, and
 - International ARR of \$1.01m up 14.8% QoQ.
- Expenses of \$4.70m (of which \$1.55m is non-cash share-based payments and D&A) increased by 2.0% QoQ.
- Closing cash balance of \$8.08m after \$0.31m of sub-underwriter options were exercised in the quarter.
- The R&D tax refund of \$2.06m was received shortly after the quarter-end.

** TARR is exit monthly recurring revenue x 12*

Business Update

The impact of COVID-19 and the rolling lockdowns continued to hamper our partners' sales activities and international revenue growth particularly in Europe, the UK where sales forces have been furloughed, and India where access to customers' premises has been limited. Despite this:

- The 'churn' experienced in domestic recurring revenue in Q4 FY20 and Q1 FY21 has stabilised and recurring revenue is expected to now return to growth.
- Growth in international revenue continued, passing the \$1m ARR milestone.
- Billing partners increased from 37 (Q1 exit) to 46 (Q2 exit).
- FCT signed new technology partner Simplifyd Systems Ltd for web cybersecurity product and delivered first revenues in December.
- A major platform release was completed in November delivering FirstCloud CyberCision Advanced Detection and Respond and firewall orchestration capabilities on the London and Mumbai platforms.
- The right-sourcing strategy was expanded in the quarter enabling 63% of low touch support tickets to be managed off-shore.

Cash Flow Highlights:

- The cash used in the quarter was \$4.19m compared to \$3.15m in Q1 as a direct result of delays in receipts from customers due to:
 - changes in a supplier financing agreement with a major customer. This has impacted the timing but not the quantum of payments from this customer, and
 - several new billing partners being onboarded where the establishment of billing and reconciliation processes delayed invoicing and collections.
- The higher than forecast R&D receipts and additional cash from sub-underwriter options that have been exercised is expected to offset the cash timing impacts of the changes to the supplier financing agreement noted above.

As detailed in Item 6.1 of the accompanying Appendix 4C, the Company paid \$88.9k in relation to Directors' fees and associated superannuation.

The company has sufficient cash to fund its Q3 and Q4 FY21 estimated cash outflows. It is anticipated that sub-underwriter option-holders will continue to exercise their options and a further \$0.80m will be raised from this source during H2 FY21.

The company has scheduled a full update on FY21 Q2 and H1 performance via Teleconference at 9am (AEDT) Thursday, 4 February 2021. The presentation for this update will be uploaded to the ASX website prior to the teleconference.

All numbers in this quarterly cash flow report and accompanying commentary for the quarter ended 31 December 2020 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 2020

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	74.9	1,352.7
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(844.8)	(1,841.1)
(c) advertising and marketing	(99.3)	(186.5)
(d) leased assets	-	-
(e) staff costs	(2,311.5)	(4,490.4)
(f) administration and corporate costs	(653.1)	(1,611.8)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	17.8	42.7
1.5 Interest and other costs of finance paid	-	(2.5)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	1.4
1.8 Other (provide details if material)	99.2	283.8
1.9 Net cash from / (used in) operating activities	(3,716.8)	(6,451.7)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(3.1)	(18.8)
(d) investments	-	-



Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B
Quarterly 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
	(e) intellectual property	(774)	(1,625.2)
	(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)	-	-
2.6	Net cash from / (used in) investing activities	(777.1)	(1,644.0)

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	307.5	539.4
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	Other (provide details if material)	-	221.5
3.10	Net cash from / (used in) financing activities	307.5	760.9

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	12,266.7	15,415.1
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(3,716.8)	(6,451.7)



Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Quarterly 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
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(777.1)	(1,644.0)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	307.5	760.9
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	8,080.3	8,080.3

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	7,946.5	12,132.9
5.2	Call deposits	-	-
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)	8,080.3	12,266.7

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	(88.9)
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



Quarterly cash flow report for entities subject to Listing Rule 4.7B
Quarterly report for entities subject to Listing Rule 4.7B

7. Financing facilities

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.

	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	-	-

7.5 **Unused financing facilities available at quarter end** -

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.

N/A

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(3,716.8)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	8,080.3
8.3 Unused finance facilities available at quarter end (Item 7.5)	-
8.4 Total available funding (Item 8.2 + Item 8.3)	8,080.3
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	2.2

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



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: 29 January 2021

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.

