



30 OCTOBER 2024

ASX ANNOUNCEMENT

ACTIVITY REPORT AND APPENDIX 4C FOR THE QUARTER ENDED 30 SEPTEMBER 2024

Global cybersecurity and network management company, FirstWave Cloud Technology Limited (ASX:FCT) (**FirstWave** or **Company**), provides its Activity Report and Appendix 4C for the first quarter of FY25 ended 30 September 2024.

Business Update

Key aspects of the quarter included:

- Cash flow positive over the quarter.
- Extended and uplifted Microsoft agreement for FirstWave's NMIS network monitoring suite.
- Removal of recharges (zero margin revenues) for Telstra CSX2 cloud infrastructure platform.
- Lower non-recurring revenues than the previous quarter.

Financial Highlights

- Cash position at the quarter end was \$1.679m, \$1k higher than the balance of the end of the previous quarter;
- Annualised Recurring Revenue (ARR)* of \$8.461m, down \$1.595m being a 15.9% reduction QoQ;
 - \$1.152m of the drop in ARR (i.e. 72% of the drop) was due to the removal of Telstra CSX2 cloud infrastructure recharge that is at zero gross profit margin, as disclosed in the ASX announcement on 4th June 2024.
 - \$388k of the drop in ARR (i.e. 24% of the drop) was due to Telstra decommissioning their Gateway Protection Advanced (GPA) firewall product which was also covered in the ASX announcement on 4th June 2024.
 - Therefore 96% of the drop in is ARR related to the ASX announcement on 4th June 2024.
 - \$239k of the drop in ARR (i.e. 15% of the drop) was due to Claro Guatemala (GT) moving their support agreement for their NMIS licence to a 3rd party – Claro GT continue to be a client and use our software.
 - On the upside, there was a \$242k increase in ARR from the combined impact of the uplift in the Telstra customer extension announced 11th June 2024 and the Microsoft expansion and extension of their NMIS licence agreement announced on 21st August 2024.
- Revenue of \$2.248m down \$475k being a 17.3% reduction QoQ;
 - \$242k of the drop in revenue (i.e. 51% of the drop) was due to the removal of the Telstra recharge.
 - \$91k of the drop in revenue (i.e. 19% of the drop) was due to the decommissioning of GPA.
 - Therefore, 70% of the drop in revenue was related to the ASX announcement on 4th June 2024.
 - \$97k of the drop in revenue (i.e. 20% of the drop) was due to lower non-recurring revenues in Q1 than the previous quarter.
 - \$60k of the drop in revenue (i.e. 13% of the drop) was due to Claro GT moving their support agreement
- Gross Profit in Q1 of \$1.986m, down \$145k being a 6.8% reduction QoQ after exclusion of COGS adjustments relating to prior periods made in previous quarter;
 - \$97k of the drop in gross profit (i.e. 67% of the drop) was due to the lower non-recurring revenues in Q1, and
 - \$60k of the drop in gross profit (i.e. 41% of the drop) was due to Claro GT moving their support agreement.
- Capitalisation of development costs of \$0.52m, down 31.6% QoQ which reflects lower overall operational expenditure.

In relation to the removal of Claro GT ARR from these reported financials, it is noted that this is due to certain support services being moved to a FirstWave partner and that Claro GT remains a client/user of the NMIS software with continued potential commercial upside for FirstWave.

Cash Flow Highlights

Net cash received in the quarter was \$1k, which was a result of the following movements:

Cash inflows from:

- \$3.97m from customers.

Cash payments of:

- \$1.93m for staff costs.
- \$0.97m for product and operating costs.
- \$0.56m for administration and corporate cost, and
- \$0.54m in investing activities which is mainly capitalized development personnel costs.

The Company's normalised[#] cash usage at the end of Q1 has been calculated at \$251k per month. The normalised cash usage does not include any non-recurring revenues (which averaged \$50k per month over the prior 12 months) but does include \$25k per month of interest against the convertible note. Normalised cashflow is not a proxy or forecast for short term cashflow. Short Term cashflow has time based cyclical variations (primarily over a 12 month period) in inflows and outflows that the normalised cashflow calculation seeks to smooth to illustrate an average cash usage per month without any growth in recurring revenues and any inflow of non-recurring revenues. The Company's normalised cash usage has been declining for the past 2 years.

As detailed in Item 6.1 of the accompanying Appendix 4C, the Company paid \$17K in relation to the US Based Director's fees. There was nil payment for the Australia based Directors' fees which is the result of the Directors electing to take their fees in equity-based payments to reduce the cash burden on the business. Superannuation was paid in cash and has been accrued in the quarter for payment when due in Q1. It is also noted that Item 6.1 does not include payments made to Danny Maher under his employment agreement as Managing Director and CEO.

Outlook

Management remains cognisant of the Company's working capital position and is focused on reducing the rate of cash usage as quickly as possible, firstly through the prudent management of costs and conversion of the existing pipeline of sales opportunities, and secondly, through investigation of all other options open to it. As disclosed at the previous quarter end, even assuming no new net sales, based on working capital modelling the Company has sufficient cash to operate until the end of FY25 Q3.

The Company has scheduled an update on FY25 Q1 performance via Teleconference at 9.30am (AEDT) Wednesday 30 October 2024. 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

Normalised (cash usage) is geared at illustrating average monthly cash usage over a 12-month period. Normalised cash usage per month does not consider actual cash usage per month. Normalised cash usage includes: interest, capitalised development labour, monthly allocation for a 12 month R&D grant, recurring revenues and smooths out other timings for expenses and incomes that relate to a 12 month period but which flow/impact unequally per month over that 12 month period. In summary, normalised cash usage is an average of cash usage with no growth across 12 months period based on current operational run rate and does not include revenues such as non-recurring revenues, nor any consideration of sales growth or churn.

All numbers in this quarterly cash flow report and accompanying commentary for the quarter ended 30 September 2024 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")

30 September 2024

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	3,969	3,969
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(969)	(969)
(c) advertising and marketing	(50)	(50)
(d) leased assets	-	-
(e) staff costs	(1,933)	(1,933)
(f) administration and corporate costs	(555)	(555)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	14	14
1.5 Interest and other costs of finance paid	(77)	(77)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	223	223
1.8 Other	(52)	(52)
1.9 Net cash from / (used in) operating activities	570	570

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(2)	(2)
(d) investments	-	-
(e) intellectual property	(534)	(534)
(f) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) entities	-	-
(b) businesses	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 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 – cash received from the acquired entity	-	-
2.6	Net cash from / (used in) investing activities	(536)	(536)

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	-	-
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)	(33)
3.10	Net cash from / (used in) financing activities	(33)	(33)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,678	1,678
4.2	Net cash from / (used in) operating activities (item 1.9 above)	570	570
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(536)	(536)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(33)	(33)
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	1,679	1,679

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	1,679	1,678
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)	1,679	1,678

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	(17)
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)	2,500	2,500
7.4	Total financing facilities	2,800	2,500

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. FCT has entered into a \$2.5m convertible note arrangement with Formue Nord (A/S). The \$2.5m funding attracts an interest rate of 8% plus BBSW (approximately 12% per annum), with the interest payable quarterly in arrears, there is no penalty for early repayment. The lender has the option to convert the loan at strike price of \$0.036 up until the loan maturity date of 22 August 2025..

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (Item 1.9)	570
8.2	Cash and cash equivalents at quarter end (Item 4.6)	1,679
8.3	Unused finance facilities available at quarter end (Item 7.5)	300
8.4	Total available funding (Item 8.2 + Item 8.3)	1,979
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".</i>		

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

Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.

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

- This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- This statement gives a true and fair view of the matters disclosed.

Date: 30 October 2024

Authorised by: the Board

Notes

- 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.
- 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.
- 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.
- 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".
- 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.