



FIRSTWAVE
CLOUD SECURITY TECHNOLOGY

28 October 2020: ASX Media Release

Investor Update Conference Call

Leading Australian headquartered global cyber security company, **FirstWave Cloud Technology Limited (ASX: FCT) (FirstWave)**, released a Q1 FY2021 Investor Update on Wednesday 28 October 2020. The FirstWave Chairman and the Chief Executive Officer's speeches on the presentation are outlined below.

SLIDE 1 – INTRODUCTION: NEIL POLLOCK

Hello and welcome to FirstWave Cloud Technology's Q1 FY21 Market Update.

My name is Neil Pollock and I am the Chief Executive Officer of FirstWave.

Joining me today is our Executive Chairman, John Grant, and our advisor to the FirstWave Technology and Markets Committee - Kevin Bloch. I'd like to thank Kevin for taking time today to join us for this update. I am sure you have a number of questions for him so let's get going.

SLIDE 4 – AGENDA: NEIL POLLOCK

Moving to Slide 4, the Agenda slide.

Our objective today is to report FirstWave's unaudited Q1 FY21 results and outline for you the Company's outlook for the first half ("H1") and the rest of the financial year.

The presentation you are about to see has been lodged on the ASX portal and emailed to the address provided with your registration. During the presentation we will refer to the slide number we are talking to.

For reference, I am now on Slide 4.

The presentation will commence with an update from John. I will follow with a refresher on the FY21 Plan put to you in July. This will be followed by an update on the Q1 results. I'll then provide an outlook for the rest of the first half and update you on prevailing market conditions and projects underway to deliver our full year results.

I will then invite Kevin to update you on his initial insights on FirstWave's Cloud Content Security Platform before I return to close the presentation and ask for your questions. At this point, we will then open the lines for Q&A.

Before we get into it, I want to draw your attention to the appendix at the end of the presentation pack.

There is a lot of additional content and detail which expands on the main presentation including a description of our technology and an investor's guide to our acronyms.

Some of you may be new to FirstWave and this may be your first shareholder update. So, I invite you to review the entire slide deck at your leisure and raise any questions with us directly today or by email.

Good morning John, over to you please.



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SLIDE 5 – CHAIRMAN'S UPDATE: JOHN GRANT

Thanks Neil and good morning to everyone on the call.

Since joining FirstWave 16 months ago we have put increasing effort into clearly and simply articulating the rationale for shareholders to invest in FirstWave. Core to this is articulating, also clearly and simply, why FirstWave's technology is a global game changer, the problems it solves and for whom, the size of the addressable market and how we get to these markets with the fundamental belief that if shareholders understand this then they will see the value in their investment.

We have had some success in doing this but, in my view, we've not yet quite cracked the nut.

So please indulge me once again while I have another crack at it.

Let's go to Slide 6.

SLIDE 6 – FCT'S TECHNOLOGY – CCSP (CLOUD CONTENT SECURITY PLATFORM): JOHN GRANT

Working from the top

FCT's Technology appeals to end users who do not want to own and operate their own perimeter security infrastructure.

This opens multiple markets given:

- a. Firstly, the enterprise grade quality of the current suite of perimeter core technologies – and I say 'current' because we will continue to bring the latest technology advances onto the platform as they become available – but today they are email and web from Cisco, firewall from Palo Alto and Fortinet, end point from Cisco and Trend Micro and multi-factor authentication from Duo – all technology providers who are leaders in the enterprise security market.
- b. Secondly, the fact that CCSP virtualises in the cloud, multi-tenants and manages these core technologies via a single 'pane of glass' all of which are 'gold' for both the service provider and the end user.
- c. And thirdly, the fact that the multi-tenanting capability of CCSP delivers these enterprise grade technologies at a very significant discount to enterprise pricing.

Of these markets, the SMB/Small and Home Office is clearly a very large global market and a significant beneficiary of CCSP given they can't afford enterprise pricing, are significantly impacted in a threat filled environment, have little inhouse expertise and need a managed perimeter solution at an SMB price.

But equally, CCSP appeals to the enterprise end user – and by enterprise, I mean large private and public organisations – which need enterprise grade solutions, want to use their inhouse expertise on core business rather than on security infrastructure, and are prepared to outsource.

And also, to those enterprise end users who provide security services to owned entities from a central IT function and are prepared to own and operate private infrastructure to do so.

FirstWave accesses these end user customers through multiple and different channels – the SMB/SOHO sector via the Telco e.g. Telstra and Vodafone Idea; the enterprise end user prepared to outsource via the Managed Security Services Provider e.g. SHELTON or NTT Data; and the internal enterprise IT provider via the enterprise reseller or Technology Partner e.g. Cisco.



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Our focus to date has been primarily on the Telco and our technology partner, Cisco.

Distilling all of this to the simplest of messaging, we are referring to this on Slide 7...

SLIDE 7: JOHN GRANT

as 'Democratising enterprise grade cybersecurity-as-a-service' where, on Slide 8.....

SLIDE 8: JOHN GRANT

the Free Dictionary by Farlex defines 'democratising' as 'to make of or for the people'.

So, the company you have or are considering making an investment in is making enterprise grade cybersecurity-as-a-service available to all organisations around the world who don't want or can't afford to own and operate their own security infrastructure inhouse and want to subscribe to managed perimeter security as a service from the cloud.

This is proving to be a game changer!

On Slide 9.....

SLIDE 9 – DEMOCRATISING ENTERPRISE GRADE CYBERSECURITY-AS-A-SERVICE: JOHN GRANT

In the FY20 Annual Report we set this proposition out in detail. We explain the problem for the service provider and for the end user. We explain CCSP the solution. And given we use a lot of what many shareholders would see as technical terms, we also explain in some detail each of these terms and why they are important.

And finally, we explain our Partner Model under which we source enterprise grade technologies and deliver them as managed cybersecurity-as-a-service to end users. I have been told by one of our significant shareholders that, despite his being involved with the company since listing in 2016, this explanation is the clearest he has yet seen.

He suggested that every shareholder should read it and they too will be imbued with the same enthusiasm and belief that he has – strong recommendation!

So, we recommend it to you as well. Please take a look and let us know what you think.

Thank you for your indulgence on this.

Moving now to Slide 10 and to our Q1 update

SLIDE 10 – FY21 PROGRESS AGAINST PLAN: JOHN GRANT

Neil will elaborate on all of what I am now about to say but in summary:

- COVID-19 continues to impact our partners and end customers with the degree varying within and between regions. As you'll recall our FY20 plan assumed a return to pre-COVID conditions by the end of Q1. This isn't any excuse as you'll see but it is a fact, we all have to deal with.
- But, as I've said repeatedly to you before, this is a numbers game, and we have many 'irons in the fire' around the world.

In terms of performance:

- Q1 closed above our FY21 Plan on all key metrics.



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- Our outlook for Q2 is tracking to plan.
- But the key to the full year is in the second half where Plan revenue accelerates and where those key opportunities amongst the 'many irons in the fire' can provide the bridge we need to the second half.

Please turn to Slide 11 and I'll hand you over to Neil in Sydney who will add more colour to all of this.

Over to you Neil.

SLIDE 11 – FY21 PLAN REFRESHER: NEIL POLLOCK

Thank you, John.

SLIDE 12 – FY21 PLAN REFRESHSER*: NEIL POLLOCK

You may recall I said in July that our FY21 plan is focused on doing only those things that will drive revenue and diligently manage expenses to meet our cashflow objectives.

I said, assuming a return to pre-COVID-19 business activity levels from October this year, we would deliver:

- Total revenue growth of 38% to \$11.3m;
- In-year total recurring revenue of \$10.5m up 43% from FY20; and
- International annualised recurring revenue of \$9.5m – up from \$448k in FY20.

Further:

- Expenses were projected to be in line with FY20 at \$18.8m; and
- The closing cash balance was projected to be \$4.8m from an opening balance of \$15.4m.

Product-wise we committed to launch:

- An advanced detection and response capability branded CyberCision to enhance our email, web and firewall offerings progressively over the year;
- A new multi-tenant web security appliance;
- We projected billing partners to increase from 26 to 40; and
- We said we would build out another four platforms on top of the 11 already deployed.

SLIDE 13 – Q1 RESULTS: NEIL POLLOCK

Slide 13: I will now provide an update to the Q1 results against that full year plan.

SLIDE 14 – Q1 CLOSED ABOVE PLAN ACROSS ALL KEY METRICS: NEIL POLLOCK

Moving to Slide 14.

Your company started FY21 on a positive footing as Q1 closed above plan across all key metrics despite the continuing impact of COVID-19 on business. As the Chairman said, at the end of Q1, we have many more "irons in the fire" to deliver the plan.

- Q1 TOTAL REVENUE was 16% ahead of plan at \$2.05m; and
- Q1 CLOSING CASH balance was 10% ahead of plan at \$12.27m.





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In addition to these solid Q1 revenue and cash flow results, our product developments continue, and we signed new Level 1 partners – most recently Vodafone Idea and Tata TeleServices in India - confirming the world class capability of our platform.

Our Level 1 partners are critical to us, they enable an entirely new channel ecosystem to market – Level 1 partners sell to many Level 2 partners who sell to many more end user customers. The more Level 1 partners we have the more revenue opportunities we open up.

We also continued to convert contracted partners to billing partners: 37 billing partners up from 26 in June.

Billing partners are also a key indicator in our channel partner ecosystem as they deliver actual compounding annuity revenue growth. Our billing partners remain committed even though they are being impacted to varying degrees by COVID-19.

Lastly, we closed Q1 in the final stages of the deployment phase of our first on-premise private platform outside Australia and we are now supporting revenue generating partners across five continents.

Move to the next slide please.

SLIDE 15 – Q1 TOTAL REVENUE 16% AHEAD OF PLAN AT \$2.05M: NEIL POLLOCK

SLIDE 15 shows a graphical representation of our Q1 revenue results against plan.

Total revenue was 16% ahead of plan at \$2.052m vs \$1.766m. In-quarter international recurring revenue was \$180k vs \$173k plan.

Importantly, Q1 international monthly recurring revenue grew 82% to \$68k per month delivering an increase in international annualised recurring revenue from \$448k in June to \$816k in September.

The international revenue numbers are still small, but we are within striking distance of \$1m international annualised recurring revenue and the momentum is positive.

SLIDE 16 – FY21 CASH BALANCE 10% AHEAD OF PLAN: NEIL POLLOCK

Moving to Slide 16 we see that the closing cash balance in September was 10% ahead of plan at \$12.267m.

SLIDE 17 – Q1 CASH WELL AHEAD OF PLAN: NEIL POLLOCK

The next slide, Slide 17, shows the Q1 cash flow summary.

The detailed Appendix 4C Q1 FY21 Cash Flow Report has been lodged with the ASX this morning and shows we are well ahead of plan for the quarter and in good shape over the course of the financial year.

Next slide please...

SLIDE 18 – H1 OUTLOOK: NEIL POLLOCK

I will now provide an outlook for the rest of the H1 and the bridge we see to H2.

SLIDE 19 – H1 IARR PROJECTED TO HIT \$1.4M IN DEC – UP 220% ON JUNE: NEIL POLLOCK

I am now moving onto SLIDE 19.

Our total revenue outlook remains positive to the first half of FY21 and H1 international annualised recurring revenue is projected to hit \$1.4m in December up 220% on June.



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In-quarter international recurring revenue is forecast slightly behind plan but there is good momentum.

SLIDE 20 – H1 CASH BALANCE AHEAD OF PLAN AT \$9.4M: NEIL POLLOCK

Moving to Slide 20.

Maintaining the positive outlook, the H1 cash balance also remains ahead of plan with a projected cash balance of \$9.4m in December. This is attributable principally to the early receipt of the R&D claim.

Please move to the next slide...

SLIDE 21 – MARKET CONDITIONS VARY WITHIN AND BETWEEN REGIONS: NEIL POLLOCK

I am now on Slide 21.

The next four slides are an expansion of a single slide in our FY21 Plan presentation from July.

Slide 21 talks to conditions and progress in the EMEA region. That's the UK, Europe, the Middle East and Africa. Our VP of Business Development and Sales, Sundar Bharadwaj who is based out of the UK, leads this region where the conditions have recently changed...significantly.

The UK and Europe are now entering a second wave of COVID-19. Business activity, after emerging positively in Q1, has once again been restricted and effectively returned to the conditions we saw in the second half of last financial year. This has resulted in a slowdown in momentum in this region reflected in the delayed turn on of a European Tier I telco through our partner NTT Data (UK).

Africa and the Middle East are showing signs of recovery. Our on-premise deployment in the Middle East is on track; our Cisco OEM revenue is growing, and we are in Beta trial with one customer on CyberCision. We've also seen new developments with two new geographies now billing in Africa - small revenue to start as expected – but now partners in Kenya and Liberia are billing. We have also, only in this week, launched our endpoint protection offering on a major telco's marketplace in Nigeria. Billing is expected to commence in November. These results have come through the efforts of an additional sales specialist on the ground in Africa.

SLIDE 22 – MARKET CONDITIONS VARY WITHIN AND BETWEEN REGIONS: NEIL POLLOCK

Moving to Slide 22 – APAC and India.

APAC and India are covered by both Sundar and your other VP of Business Development and Sales, Shekila Ramalingam who is based out of Malaysia.

The market conditions in this region also vary. There are clear signs of "getting on with business" in India despite very high cases of COVID-19 whilst Asia is seen as emerging cautiously as borders open progressively.

Despite this, we've signed two new Level 1 partners, launched a new next generation firewall solution with Vodafone Idea and Tata TeleServices – with initial orders received from both – and our second CyberCision Beta customer is in this region.

Restrictions in Malaysia have resulted in delayed revenue turn on from one of our Level 2 partners. But, in new developments, a new Level 1 channel partner signing is imminent in a new geography – Indonesia – and a new pre-sales specialist has joined us to support our growth in India.





SLIDE 23 – MARKET CONDITIONS VARY WITHIN AND BETWEEN REGIONS: NEIL POLLOCK

Slide 23 looks at the Americas where our entire effort is under our OEM agreement with Cisco Systems Inc. and where business is still essentially in lock down. It appears the trigger to return to some form of new normality could be the arrival of an effective vaccine.

Greg Maren, our Director of Global Alliances and I, jointly manage our relationship with Cisco with the support of our pre-sales engineering team.

The good news is revenue under the OEM agreement in the Americas has commenced (again small) and a new web security appliance about to be Beta tested. This is exciting news as it makes the platform even more compelling.

We are also interviewing for an additional pre-sales specialist to support our BD and sales efforts in the region.

SLIDE 24 – MARKET CONDITIONS VARY WITHIN AND BETWEEN REGIONS: NEIL POLLOCK

I'm now on Slide 24 which covers our ANZ region - led by Shekila and managed on the ground by Greg and the Australian-based business development and channel sales team.

- There is very clearly heightened awareness and publicity about cybersecurity and although business is not yet back to pre-COVID-19 levels of activity, we are seeing positive momentum in the market.
- Importantly, the Q1 result and Q2 outlook are indicative that churn in our #1 partner Telstra has stabilised.
- The replacement web security solution we talked about in July is in the market and a new cybersecurity-in-a-box offering is under development.

There is positive momentum.

- Disappointingly, the initial excitement around the Telstra Business Cyber Security Solution for SOHO has not resulted in revenue growth yet due to the re-allocation of teams working on this product to essential COVID-19-related operations.
- An additional channels sales specialist resource has recently joined the team and discussion with potential additional partners in ANZ will progress through him.

SLIDE 25 – OUTLOOK FOR H1 TRACKING TOWARDS PLAN ACROSS KEY METRICS: NEIL POLLOCK

Please move to Slide 25.

That concludes my regional review.

In Summary, the outlook for the H1 has us tracking towards plan across key metrics.

We expect COVID-19 impact to continue and change at any time, but we have many "irons in the fire" to provide a bridge from H1 to H2 when we expect accelerated revenue growth.

Still, we expect:

- Total revenue to remain above plan;
- International annualised recurring revenue to reach \$1.4m in December – a 220% increase from June to December;
- We expect the H1 cash balance to be ahead of plan at \$9.43m;





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- We expect a successful start to the new web security appliance Beta testing;
- Our billing partner growth is expected to exceed our FY21 plan of 40 billing partners (up from 26 at the end of FY20);
- We expect to have seven Level 1 partners billing to provide a critical bridge to accelerated revenue growth in H2; and
- And we expect to have 12 platforms built and carrying operational traffic across five continents.

SLIDE 26 – TECHNOLOGY INSIGHTS: NEIL POLLOCK

That's all from me for now. Please move to Slide 26.

I will be back shortly but now I'm pleased to introduce Kevin Bloch. Kevin joined FirstWave on July 30 this year as our first external advisor. He brings almost 40 years of global technology experience to FirstWave and in the time since he joined, I can confirm that the value he brings through his insights, experience and direct approach has been clearly evident. Prior to joining us, from 2008 to 2020, Kevin was the CTO-ANZ at Cisco leading strategy, innovation and engineering after nine years in other leadership roles across the organisation.

He is widely regarded as one of Australia's leading technology minds and through his own company – Bloch Advisory – he is helping organisations like FirstWave make strategic investments in innovation, commercialise their technology and export it to the world...a perfect fit for us!

Kevin, good morning, and welcome. Over to you please.

SLIDE 27 – TECHNOLOGY INSIGHTS - KEVIN BLOCH

SLIDE 28 – Q&A: NEIL POLLOCK

Thank you, Kevin. It really is great to have you on board.

Moving to Slide 28 - I will now take any questions.

SLIDE 29 – THANK YOU: NEIL POLLOCK

All that is left for me to do is thank you for your attendance and attention this morning and wish you a great day ahead.

– ENDS –

The recording of the investor update conference call can be accessed through the following link:
<https://corptechservices.box.com/s/tkmvdpjpdjd080i86emjai3gv7hh9hn>

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About FirstWave Cloud Technology Limited (FirstWave)

Australian headquartered global cyber security company, FirstWave, has delivered Security as a Service (SaaS) solutions since 2004. FirstWave provides safety through the most accessible and adaptive cloud-based cyber-security solutions that are affordable, easy and fast to implement enabling SaaS. Its unique proprietary cloud-platform orchestration is available for service providers and enterprises of any size, anywhere. In an increasingly vulnerable digital world, FirstWave believes that safe business is good business and that all companies should have access to enterprise-quality cyber-security. FirstWave's infrastructure, management and security processes are certified to ISO 27001 Information Security Management System Standard and ISO 9001 Quality Management System Standard.



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