4 February 2021: ASX Media Release

Investor Update Conference Call

Leading Australian headquartered global cyber security company, **FirstWave Cloud Technology Limited (ASX: FCT) (FirstWave**), released a Q2 FY2021 Investor Update on Thursday 4 February 2021. The FirstWave Chairman and the Chief Executive Officer's speeches on the presentation are outlined below.

The presentation delivered and loaded onto the ASX earlier today was missing slide 15 titled “Cisco – engagement in major accounts now deeper” which is talked to in the narrative and has been added to the end of this release.

SLIDE 1 - INTRODUCTION

Hello and welcome to FirstWave Cloud Technology’s Q2 FY21 Investor 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 Chief Finance Officer Iain Bartram.

SLIDE 2 - DISCLAIMER

Please note the disclaimer on Slide 2.

SLIDE 3 - AGENDA

Moving to **SLIDE 3**

Our objective is to report FirstWave’s unaudited Q2 and H1 FY21 results and update you on Q3.

The presentation 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. The presentation will commence with an update from John. I will follow with the Q2 and H1 results. I’ll then provide an update on Q3.

Following my summary we will open the lines for Q&A.

Before we get into it, I want to remind you there is additional content and detail in the Appendix which expands on the main presentation and includes a description of our technology and an investor’s guide to our acronyms.

I invite you to review the entire slide deck at your leisure and raise any questions with us directly today or via email.

Let’s move to slide 4.

SLIDE 4 – Chairman’s Update

Good morning John…over to you please…

Thanks Neil and welcome to everyone on the call. Let’s move to slide 5.

SLIDE 5

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

- In H1, Total Revenue was up on plan and Recurring Revenue was on plan, with Domestic above and International below plan.
- The continuing impact of COVID-19 on our partners, particularly in EMEA and India, continued into Q2, not unexpectedly lowering the rate of growth in International Revenues.
- But, while we expect COVID to remain with us through H2, as I've said repeatedly, this is a numbers game, and we have many 'irons in the fire' around the world.

Expenses remained in line with plan in H1 and the closing cash balance was $1.4m ahead of plan. But there are many inputs to cash, and we are watching margins, payment flows from partners and foreign exchange. Neil will talk at length about where we sit in terms of outlook.

Overall, it is positive, but there are a number of 'balls in the air' and these will take a little time to land in order for us to have more certainty. But early indicators are positive.

Please turn to Slide 6 and I'll hand you over to Neil who will add more colour to all of this.

SLIDE 6 – Q2 Results

Thank you, John.

SLIDE 7 – Revenue explained

Moving to **SLIDE 7**

Before we get into the results, we use a lot of revenue metrics in this business and they are used throughout this presentation today. It can sometimes be quite confusing so let me take a couple minutes to explain.

MRR – Monthly Recurring Revenue – is revenue flowing from monthly subscriptions, normally ranging between 3 and 36 months, with end users.

NRR – Non-Recurring Revenue – is revenue flowing from one-off professional services engagements with our partners and, on occasions, end user customers.

ARR – Annualised Recurring Revenue – at the end of each month, the annualised value of subscriptions is reported as the total value of subscriptions in that month (MRR) times 12.

FirstWave reports MRR, NRR and ARR separately for its international Partners as IMRR, IARR and INRR, and its domestic Partners as DMRR, DARR and DNRR.

TR – Total Revenue in any month, quarter or year and is the sum of the MRR and NRR for each month in the respective period.

SLIDE 8 – Q2 key metrics

With that in mind, let's move to Slide 8, the Q2 results.

Although performance across the Q2 key metrics was a bit mixed, importantly, Total Revenue grew 3% QoQ and was on plan.

While domestic recurring revenue was up 6%, international recurring revenue took the brunt of the impact from COVID-19 continuing in the quarter, and its rate of growth QoQ was lowered to 33%, 26% down on plan.

Non-recurring revenue was minimal as you can see and is not a metric we give any significant focus to, but its shortfall to plan combined with the shortfall in international recurring revenue saw QoQ total revenue decline 2%, 5% down on plan.

With product mix favouring lower margin email and EPP and a shift in the domestic/international revenue ratio away from that in the plan, Gross Product Margin for the quarter was under plan.

We are mindful in reporting this that some of the invoices we get from our technology partners for the licences they provide us do not necessarily follow revenue timing and that Gross Product Margin is more accurate the longer the time period over which it is measured.

Closing Cash was $1.39m ahead of plan at $8.08m and we added 9 billing partners in the quarter and now have 46 billing partners – partners generating recurring revenue.

Next slide please…

SLIDE 9 – Q2 ARR

If there is one key metric indicative of the health of the business, it's annualised recurring revenue and how it trends over time. SLIDE 9 is a QoQ view of this over the last seven quarters.

It shows, that in Q2 Total Annualised Recurring Revenue grew 5% QoQ, albeit below plan.

- International Annualised Recurring Revenue grew 16% QoQ to break the $1m mark, and, importantly,
- Domestic annualised recurring revenue grew 4% QoQ to $6.51m – the first QoQ growth in domestic recurring revenue in five quarters.

Critically for your Company, Q2 FY21 is the first quarter in the Company's history that both international AND domestic revenue grew…this is a positive trend which we expect to continue despite the current operating environment.

SLIDE 10 – Q2 Cash

Moving to Slide 10.

The Q2 cash balance was $1.39m ahead of plan at $8.08m.

The company received a $2.06m R&D refund from the Australian Govt in early January, lifting the cash balance to $10.14m at the start of Q3.

You may have noted from the 4C that cash used in the quarter was higher than in Q1.

This was a result of changes in a supplier financing agreement with a major customer which has impacted the timing but not the quantum of payments from this customer; and several new billing partners being onboarded (9 in Q2) where the establishment of billing and reconciliation processes delayed invoicing and collections.

Finally on Q2, financing activities of $0.31m in the quarter were due to sub-underwriter options being exercised.

Next slide please.

SLIDE 11 – H1 Results

I am now going to review the H1 results and provide a regional update.

Moving to slide 12.

SLIDE 12 – H1 Results

On balance, the H1 performance was solid in a challenging environment and underpinned by growth in total revenue, diligent management of expenses and a careful watch on cash.

This has positioned your Company for further growth into H2. Let me pick the highlights out of this:

- COVID-19 impacted performance beyond Q1 as you have seen. To date, we estimate the impact is deferral of around $248k in annualised recurring revenue. BUT, we still have many irons in the fire and it is the rate of revenue growth which has been impacted not compounding revenue growth itself, per se.
- On the product front, we continue to expand our product portfolio on-boarding a new technology partner – Simplifyd Systems Limited out of the UK – and launching their Web Protect DNS product to deliver first revenues in December.
- We also delivered two major product feature releases in the half to ensure we maintain product leadership.
- We now have 13 platforms deployed up from 11 at June 2020 and our first on-premise platform outside Australia is in production in the Middle East.

  We now have traffic flowing on platforms on five continents.

- On Revenue, we closed the half 5% ahead of plan with total revenue at $4.07m.

  TARR closed 6% below plan at $7.51m due to the IARR underachievement.

  Growth in domestic annualised recurring revenue (DARR), which was 2% ahead of plan at $6.51m, partially offset IARR which was down on plan at $1.01m, but up 125% from the June 2020 exit.

- The cash balance at the half was the same as the Q2 exit, and
- We added 20 billing partners in the half and Cisco's sales efforts have positioned us stronger than ever in major global accounts with significant advances in particular being seen in North America late in the half.

TTL is now selling a full suite of our products in India; but on the other end of the spectrum, DWS in the UK has been seriously impacted by COVID with their sales teams remaining furloughed.

Moving to Slide 13

SLIDE 13 – Regional review EMEA

Let's look at what happened in each region in H1.

EMEA is the most COVID-19 impacted region.

You will recall our VP business development and sales, Sundar Bharadwaj who is based out of the UK, leads this region where the business conditions have remained significantly restricted.

The UK and Europe are now into another round of lockdowns and business activity, after emerging positively in Q1, effectively returned to the conditions we saw in H2 of last financial year.

Yet, despite all this, at the end of the half, EMEA had become the largest region by partners and the second largest region behind ANZ in revenue. H1 ARR growth was 71%.

This is largely because, Africa and the Middle East are showing signs of recovery.

Our on-premise deployment in the Middle East is on track; and the launch of the new Web Protect DNS product delivered immediate revenue in December.

This has partially offset the delays in converting Level 2 Partners in Europe to revenue, and the signing of the new Level 1 partner in Africa has been delayed until Q3.

Let's move to Slide 14

SLIDE 14 – APAC

In APAC we are cautious but encouraged as the region looks to be emerging from the impact of COVID-19.

A reminder that India and Asia are covered by both Sundar and your other VP business development and sales, Shekila Ramalingam.

Level one partners Vi and TTL will be the prime drivers of revenue in this region over time, but there are many smaller but very important partners that have collectively delivered 73% growth in ARR over the half to $0.24m.

We signed a new Level 2 partner in AlTel out of Malaysia but the signing of new Level 1 partner in Indonesia has been delayed to Q3.

We are in the process of recruiting an additional BD and Sales resource to take advantage of an emerging opportunity with a major telco and the Malaysian Govt which has announced almost USD500m funding to bolster cybersecurity in the country.

Let's move to Slide 15

SLIDE 15 – Cisco

Cisco takes our platform to market globally as the Cisco Security management Platform (CSMP).

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

Late in the half, we created an exclusively focussed Cisco Partner team with the specific mandate to turn current contracts into revenue and accelerate growth.

In H1, 13 Cisco partners billed $0.27m ARR up over 1200% from June.

Opportunity development continues; a ME opportunity has been delivered; and although revenue growth has been below expectations, our partnership has resulted in Cisco being selected as the preferred supplier to a global Tier 1 telco in North America.

Let's move to Slide 16

SLIDE 16 – ANZ **NEIL POLLOCK**

Turning now to ANZ, our largest region by revenue delivering $6.51m ARR in H1.

Led by Shekila and managed by Greg and the Australian-based business development and channel sales team.

- Telstra appears to have returned to growth as churn appears to have stabilised.
  It could still be lumpy as we enter the second half but the team is focussed on continuing to deliver growth in the domestic market.
- Negotiations on renewal of the Telstra Preferred Supplier Agreement are underway.
- Revenue flow from the TBCSS program has been disappointing due entirely to the re-allocation of the Telstra team responsible for driving sales to COVID-19 related tasks.
  Telstra has stated TBCSS is due for relaunch this month.
- There is positive momentum from the newly engaged Channel Partner development lead, and
- As a major input to cashflow, the annual advance payment which was scheduled to arrive this month has been commuted to a monthly payment.

Let's now move on to the Q3 Update.

SLIDE 17 – Q3 Update

and on to Slide 18.

SLIDE 18 – Q3 operating environment

Taking into account the experience of Q2, we see the Q3 operating environment has what the Chairman referred to as, 'a few balls in the air'.

I want to talk briefly about what's changed between June 2020 when we announced our FY21 plan and now, as we enter Q3.

In terms of revenue, margins and cash:

- In June we said a key assumption of the FY21 plan was that business would be back to doing business at pre-COVID levels by the start of Q2.
  That's clearly not happened and as I've mentioned a number of times already today, it is still present and impacting our partners and their revenues.
- I mentioned briefly a few slides ago that we projected our average product gross margin would improve to 59% driven by product mix
  – higher volumes of firewalls and web security: and by revenue mix
  – an increasing proportion of international revenue, particularly through Cisco, in the overall mix.
  Today, what we see is higher sales of email and endpoint protection products – which is totally expected in a COVID business world – and a lower ratio of international to domestic revenue.
  Both of these factors put pressure on our margins and we are keeping a close watch on this.
- On the cash front, although the H1 performance has been strong, Q3 will be impacted by two factors:
  - Firstly, the domestic customer annual prepayment I mentioned earlier and projected in February has been commuted to a monthly payment in arrears…again the revenue has not "gone" but it will now come monthly rather than annually in advance; and
  - Secondly, as international revenue grows as a % of overall revenue, the impact of any decline in USD and GBP to the Australian Dollar will be more keenly felt.

Clearly this impacts both revenue and expenses but it was not part of our projections in June 2020.

These call outs are not excuses.

They point to the reality of our operating environment and we are expecting to be dealing with them through H2.

You will see in a minute however that we are not just sitting around waiting for it to go away and what we are doing has already had a positive impact on our Q3 revenue.

SLIDE 19 – adapting to the reality

Now, with the scene set, I'm going to move onto slide 19 to update you on what we are doing about this right now.

Firstly, we've proactively moved to expand the product portfolio to give our BD and Sales teams more options for our partners:

- We've brought on a new technology partner with a new web cyber security offering called Web Protect DNS and as I mentioned earlier, we've already secured first revenues out of Africa, and
- We've redirected the development effort to meet new opportunities emerging under the Cisco OEM Agreement.

And secondly, we are growing and pivoting our go to market team by:

- expanding our Cisco account team with a focus on turning existing partner contracts into revenue,
- recruiting a new partner account manager domestically to bring on new partners in ANZ, and
- Accelerating our new WebProtect DNS offering into all markets.

Let's move to Slide 20.

SLIDE 20 – Q3 has started well

Q3 has started well and I am confident revenue growth can accelerate.

A positive early indicator is that, compared to December, we have seen a 38.5% uplift in International Annualised Recurring Revenue to $1.39m in January.

This has lifted TARR by 5% in one month.

Domestic revenue has remained flat which is not unexpected given the Christmas-New Year season in Australia.

International revenue now makes up 18% of the total annualised recurring revenue base. Just twelve months ago it was 3%.

What you will not see on this slide is a Q3 total revenue outlook for March and that is for all the reasons I have just spoken to…we are not trying to avoid the issue, but the facts are that there are simply too many balls in the air for us to be able to accurately forecast at this time.

I can imagine you will have a number of questions and we will get to the QnA session very soon, but let me try to answer some of the more obvious ones now:

1. Do I believe we can still make our plan?

a. In this regard, we are all dealing with an operating environment that is being driven by macro factors that are unique, hard to predict and variable, and are having a wide range of impacts across partners, end customers and geographies.

b. We have referred to having many irons in the fire.

Clearly this refers to the number of opportunities that exist with our partners across multiple geographies.

These have a spread of potential sales revenue outcomes and timing that is hard to predict with confidence given the operating environment.

But what is clear is that there is more business on foot each month; the opportunity pipeline is strong and, while the rate of revenue growth slowed in Q2, January has given us, and should give you, some comfort.

c. The bottom line however is that, in order to confidently answer this question, we need to see the actions we are taking play out over a little more time.

2. You might then ask, how does this impact on cash?

a. As we said earlier, there are a lot of variables to cash but, what we do know is:

i. We're $1.4m ahead of plan at the half and there are both positives and negatives to our planned cash flow which have and will continue to occur.

ii. We are tightly and conservatively managing how we apply your cash, and

iii. We've diverted some of that cash to activities which we believe will give us more positive outcomes in the short term.

b. But, again, in order to answer the cash question, some of the inputs such as sales mix, margins, foreign exchange and payments need to firm up to give us greater clarity.

3. So, it would be perfectly understandable now for some of you to say, that this is not very helpful and ask "when can you give us clarity?"

a. The answer to this question is "as soon as we can".

We will constantly be reviewing the situation as you would expect and, respectful of your investment in FirstWave and in the spirit of transparency we have always sought to give you, we will report to you monthly during Q3.

SLIDE 21 – Summary

We have covered a lot of ground this morning and there's a lot of information in this presentation, so let me summarise the key take outs:

SLIDE 22 – Summary

Please move now to Slide 22.

- Revenue is growing; International revenue is growing fast; the RATE of growth has been lower than projected, but the outlook for Q3 is for this to improve; however the reality is, as we've said, that we face a macro environment that is directly impacting the timing and extent of the realisation of these opportunities.

- Costs are in line with plan and are expected to remain so in Q3;

- Cash is ahead of plan and the Q3 outlook for cash remains positive,

- On balance, the outlook is positive:
  - H1 has given us good momentum,
  - January revenue has closed strongly – IARR up 38.5% on December as I said, and
  - We will report progress to you monthly during Q3 as ‘the balls land’.

Thank you for your attention. We will now open the line for questions.

Move to slide 23.

SLIDE 23 – QnA

Ruth, are there any questions please?

Thanks for your questions. I hope our answers have helped.

Let’s go to Slide 24 as I hand back to John to close.

SLIDE 23 – Scott Lidgett

Thanks Neil.

Before we close, I need to let you know that long-term Non-Executive Director, Scott Lidgett has informed us of his need to step down from the Board.

Scott was a co-founder of FirstWave Cloud Technology Limited in 2002 and has been a continuous board member for over fifteen years, chairing the business on three separate occasions, including the period prior to our listing on the ASX.

Scott has let us know that his full-time energies are now required in IPSec, a business he founded in 2017.

Scott’s contribution over the time I’ve been Chair and I presume since day 1, has been enormous.

He has brought a perspective on the technology and how it plays into our partners’ and end customers’ businesses that has significantly influenced our product and go to market strategies.

He has also contributed his real-world experience of building businesses from scratch.

Scott has indicated he will remain a shareholder and interested party and to give effect to this, he has agreed to continue as a member of our Technology and Markets Committee.

But for me, the best thing is that he said in leaving that he is confident in the team we have assembled to deliver on the promise.

We can ask no more than that from a founder and continuing shareholder.

Ladies and gentlemen, that closes the call.

Thank you for listening and for your continuing interest. We’ll talk again soon.

– ENDS –

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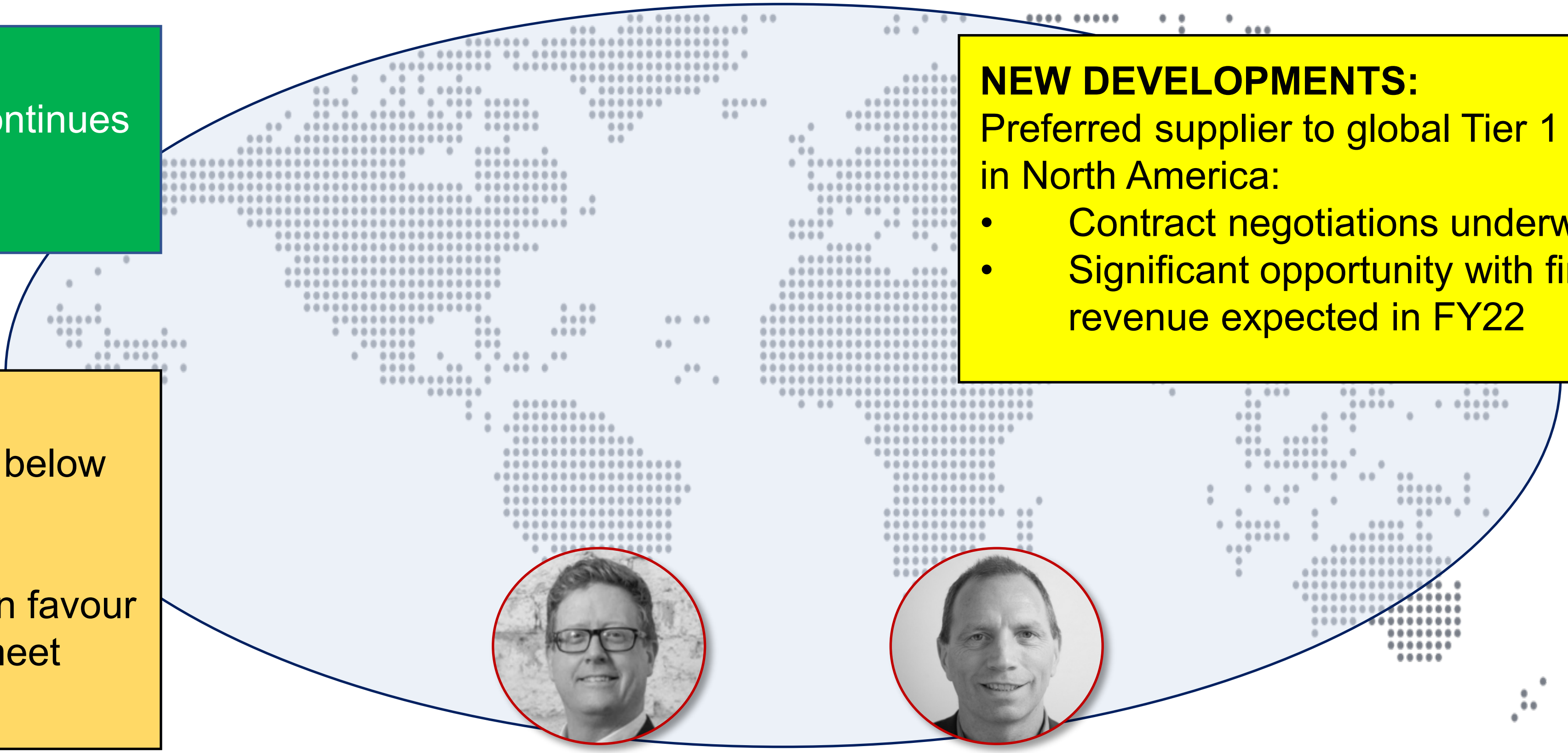
About FirstWave Cloud Technology Limited (FirstWave)

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.

Cisco – engagement in major accounts now deeper

Region: Global
Level 1: Cisco
Total partners: 13
H1 ARR: $0.27m (up 1269% from June 2020)



ON TRACK:
- Opportunity development continues
- ME opportunity delivered

NEW DEVELOPMENTS:
Preferred supplier to global Tier 1 telco in North America:
- Contract negotiations underway
- Significant opportunity with first revenue expected in FY22

DELAYED:
- Cisco OEM revenue growth below expectations
- New web security appliance development de-prioritised in favour of email enhancements to meet new market opportunity

Neil Pollock
CEO

Greg Maren
Global Alliances Director