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30 April 2021: ASX Media Release

FirstWave Q3 FY21 Investor Update Speech

Leading Australian headquartered global cyber security company, **FirstWave Cloud Technology Limited (ASX: FCT) (FirstWave)**, released a Q3 FY2021 Investor Update on Thursday 29 April 2021. The FirstWave Chairman and the Chief Executive Officer's speeches on the presentation are outlined below.

SLIDE 1 - INTRODUCTION

Hello and welcome to FirstWave Cloud Technology's Q3 Investor Update. I'm John Grant, Executive Chairman of FirstWave.

SLIDE 2 - PICTURES

Joining me today is our Chief Executive Officer, Neil Pollock and Chief Financial Officer Iain Bartram.

Today's update is on FirstWave's unaudited Q3 results.

The presentation has been lodged on the ASX portal and emailed to the address provided with your registration.

Following the presentation, we will open the lines for QnA.

There is additional content in the Appendix which expands on the main presentation and includes a description of our technology.

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

SLIDE NOT NUMBERED – CAP RAISE UPDATE

But, before we get onto the Q3 update, as you're likely aware, FCT entered a trading halt on Wednesday to undertake a capital raise. The placement component of \$6m to institutional and sophisticated investors was oversubscribed and closed late Wednesday. The placement price was 9 cents which represented a discount to the 5 day VWAP to 27 April of 8.3%, or a discount of 14.3% to the closing price on the 27th.

The 66.7m shares that will be issued as a result represent 10% of the issued capital.

We've also announced an SPP capped at \$2.5m which will open on 7 May and close on 28 May.

My and the Company's sincere thanks go to those of you who have supported the placement or, through the SPP, will support this raise.

The rationale for the raise is two-fold:

- Firstly, together with cash on hand, it will provide working capital to offset the change in payment terms with Telstra flagged previously from annual in advance to monthly in arrears, and secondly
- To support existing partners take our products to market, position ourselves to capitalise quickly on UK/EUR/ME markets coming out of CV-19, and finally, and we'll discuss this in more detail in a



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moment, to take control of an evolving relationship with Cisco to improve the outcomes we are currently getting.

I'll be very happy to take your questions on anything related to the raise at the end.

SLIDE 3 – Q3 HIGHLIGHTS

Let's now move to the Q3 Update and the headlines which I'll run through before Neil expands on each of these and summarises.

Firstly international revenues, which we've always said is the proof statement of the value of this business, continue to grow strongly. The most recent data point is Q3's growth over Q2 which was 96%, but this has largely been the trend throughout the year.

Secondly, we continue to get more partners committed to sell our portfolio of offerings. At the end of Q3 we had 49 billing partners up from 46 at the end of Q2 and as Neil will explain, average revenues per partner are accelerating.

Thirdly, we're delivering more cybersecurity services from our platform for our partners to sell. 3 new services will deliver new revenue in Q4.

Costs are down in Q3 and projected to be in the order of \$2m down on FY20 by year end and we see the potential for further reductions in Q4. These will be offset by investments we'll make following the raise.

And finally, the Cisco Agreement, which has always held promise but frustratingly for both parties and also for shareholders, has failed yet to deliver to expectations, is under review and we are in discussions to evolve the relationship to a form that provides greater opportunity for FCT to directly engage with Cisco customers and reduce our investment.

As Neil will explain, when these discussions finalise, compared to the current situation, the net impact will be positive to FirstWave.

So in summary, we're very pleased that in spite of the continuing market uncertainty, all the key metrics are heading in the right direction:

- International revenues are up
- Number of billing partners is up
- Average billing per partner is up
- Number of services available is up
- Expenses are down, and
- Our relationship with Cisco is potentially heading to a better place.

Let me turn over to Neil to elaborate further.

SLIDE 4 – IARR

Thank you John...good morning everyone and thank you for your time...

Moving to slide 4...

Our international annualised recurring revenue is growing strongly.

The graph shows the QoQ growth during FY21 and in summary:

Q1 revenue was up 95% over the June 2020 exit.



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Q2 was softer up only 16% over Q1 due to contract timings but it is the first time the company broke thru \$1m in IARR, and

In Q3 growth returned to 96% QoQ to almost \$2m.

Domestic revenue, which is effectively Telstra at the moment, is flat but we continue to explore new offers to take to market to return domestic revenue to growth with Telstra as well as exploring other partner opportunities in Australia.

Based on our view of current opportunities, we have a reasonable expectation that what we're currently experiencing will continue in Q4 and FY22

SLIDE 5 – MORE BILLING PARTNERS BILLING MORE

Slide 5 shows that we have increased the number of both our Level 1 and billing partners.

We exited Q3 with 49 billing partners – up from 46 in Q2 and up from 26 at the start of the FY.

Level 1 billing partners grew to 9 – up from 7 in Q2 and 5 at the start of the financial year – opening new markets for us.

The average billing per international billing partner also grew strongly – up 84% QoQ...my note here is that this is an increase on a small number and is a point of time measure so it will fluctuate but what this shows is an improving trend...

Our focus for Q4 is continuing to bring on new partners while harvesting our existing partner base to continue to grow our international run rate revenue.

SLIDE 6 – MORE SERVICES

We are also continuing to bring on more services for our partners to sell...

Our product portfolio is continuing to expand:

Acknowledging the situation in India, both our partners and our team members are facing a torrid time with COVID-19 and our thoughts are with them at this time...in spite of this we continue to work with our partner Vi to launch a new multi-tenant next generation firewall service based on Palo Alto technology which is integrated onto our cloud content security platform.

We are also in the final stages of negotiation to launch a new offering for advanced detection and response which we're calling FirstCloud CyberCision, a joint development with our partner SHELTL Global out of the Middle East.

In its first release, CyberCision will build on our current threat prevention capabilities for email but by the end of the calendar year we plan to have it also apply to our web, firewall and endpoint protection services.

This is a first for the SMB market and is aligned to our mission of democratising enterprise-grade cybersecurity as a service for that segment of the market.

Not only will it enhance our offering in new opportunities but we will take it to our existing partners for current customers as an upgrade to their current service.

Thirdly, in the Q2 update we announced a new exclusive web security service (FirstCloud WebProtectDNS) with Simplifyd Systems in the UK which uses an opt-out deployment model where SMB end user customers automatically get the service as part of their broadband subscription and have to opt-out to turn it off and not





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to be billed for it. This is a new way of taking our products to market and is more sticky and adoption is much easier...

As mentioned before, we have opened new markets in Africa on the back of this launch and initial sales contributed strongly to the Q3 result. This is expected to continue into Q4 and beyond when we will also take it to market in all other regions.

Moving to slide 7

SLIDE 7 – COSTS

Reflecting our continued focus on cost management,

Cash on hand at the end of Q3 was \$6.3m.

Total expenses at year end are forecast to be down \$2m (circa 10%) YoY.

Additional cost out is planned in H1 FY22 including reduced corporate costs (rent, AWS and other) and reduced employee expenses.

We have increased investment in sales and marketing as intended and sustained investment in product and development enabling us to release additional services as I've just mentioned.

SLIDE 8 – CISCO

As John mentioned, our relationship with Cisco is evolving and Slide 8 details how.

As a refresher or for those of you who are new to FirstWave:

We signed an Agreement with Cisco in July 2018 for an initial term of five years with an option to renew for two years thereafter.

Under this agreement the responsibilities are very clear: We are responsible for software engineering and development, Cisco is responsible for business development, sales, marketing and revenue turn on

Both parties have expressed frustration at the low rate of growth of revenue. Even though there are presently 29 contracted Level 2 partners and customers, 14 of whom are billing, the monthly recurring revenue is frustratingly low.

So, discussions are underway to evolve the relationship from the current Agreement and its obligations, to a form that provides greater control of both revenue and costs through us engaging directly with Cisco customers and partners and their account teams and significantly reducing costs associated with product development.

Should discussions conclude in line with current indications, there is only upside for FCT and it's our view that the net impact will be a significant improvement on the current situation.

SLIDE 9 – SUMMARY

Moving to Slide 9, in summary...

We are expecting continued strong growth in International ARR.

We are well-positioned for the post-COVID-19 recovery, and we will invest in ramping up momentum, in the UK, Europe and North America, as businesses emerge from COVID-19.



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The global roll-out of WebProtectDNS is expected to continue to drive revenue growth in Q4 revenues from existing and new customers.

Our CyberCision advanced detection and respond offering is expected to deliver first revenues in Q4.

MT PAN NGFW to be launched with Vodafone Idea in India is also expected to deliver first revenues in Q4.

And I flagged a potential change in the Cisco relationship to improve current situation.

We will now open the lines to QnA

– ENDS –

Authorised for release by the Chief Executive Officer.

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Follow FCT on its Twitter investor relations feed: https://twitter.com/FirstWave_FCT

About FirstWave Cloud Technology Limited (FirstWave)

Leading Australian headquartered global cloud security technology company, FirstWave, has delivered Security as a Service (SaaS) solutions since 2004. FirstWave provides safety through the most accessible and adaptive cloud-based cybersecurity 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 cybersecurity. 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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