



30 January 2024

## ASX ANNOUNCEMENT

### ACTIVITY REPORT AND APPENDIX 4C FOR THE QUARTER ENDED 31 DECEMBER 2023

Global cybersecurity and network management company, FirstWave Cloud Technology Limited (ASX:FCT) (**FirstWave** or **Company**), provides its Activity report and Appendix 4C for the second quarter of FY24 ended 31 December 2023.

#### Business Update

Following the organisational restructure in Q1, the added focus to converting the Company's strong pipeline to revenue in Q2 saw several transactions close and several other opportunities move closer to completion. Significant amongst those that closed in the quarter were:

- Extension of the Company's NMIS agreement with the US Space Agency, NASA.
- Extension of the Company's NMIS agreement with Mexico's largest telecommunications group, Telmex.
- Securing the first sale of our technology as part of our reseller engagement with Telmex. Telmex has utilised a range of FirstWave products since 2011. Under the newly expanded relationship, Telmex has become a reseller of FirstWave's industry-leading Network Management Information System (NMIS) platform by bundling the software with its network sales. This first successful sale was to a Mexican government client and the contract will deliver approximately A\$1 million in revenue to FirstWave over the next three years with a minimum of A\$400,000 in cash this financial year. The Company has since completed the implementation at the client and expects that, having proven the success of this sale and the use of NMIS as a point of differentiation when bundled with Telmex's network offerings, more opportunities will follow.

Other events in the quarter included:

- Release of the Company's Annual Report on 23 October.
- The Company's AGM on 23 November.
- Release of v5.0 of the Company's Open AudIT software – FirstWave's most popular 'freemium' product and most recently awarded 'world's best agent-less Discovery Tools for IT Asset Management' by Comparitech. The V5.0 release is the most significant update to Open-AudIT in over three years. Open-AudIT is one of the world's leading IT audit platforms, with over 130,000 organisations using the software to scan their network intelligently and store the configurations of the discovered devices. The upgrade will allow FirstWave to add new features much faster and further cement Open-AudIT's position as the number one tool in the market.

#### Financial Highlights

- Cash position at the quarter end was \$1.95m, a decrease of \$1m compared to the previous quarter;
- Revenue was \$2.94m, up 3.2% QoQ;
- Annualised Recurring Revenue (ARR)\* of \$10.18m, up 1.8% QoQ;
- Gross profit in Q2 of \$2.30m, up 4.5% QoQ after exclusion of COGS adjustments relating to prior periods made in both quarters;
- The cash component of Operational Expenses was \$3.21m, down 5.3% QoQ; and
- Capitalisation of development costs of \$0.64m, down 11.1% QoQ.

#### Cash Flow Highlights

Net cash used in the quarter was \$1.01m including:

- \$3.23m cash receipts from customers.
- \$0.55m cash payments for product and operating costs.
- \$0.10m cash payments for advertising and marketing costs.

- \$2.67m cash payments for staff costs (see note below).
- \$0.32m cash payments for administration and corporate costs.
- \$0.63m used in investing activities which is mainly capitalized development personnel costs.

On a normalised basis the Company's cash usage in Q2 was approximately \$383k per month, a \$115K improvement over the previous quarter.

Cash payments to staff included \$0.11m in one-off payments relating to the redundancies announced in the first quarter.

As detailed in Item 6.1 of the accompanying Appendix 4C, the Company paid \$69k in relation to Directors' fees and associated superannuation.

## **Outlook**

Based on the current rate of cash usage, management's expectation for new revenue, and the expected receipt of \$1 million in R&D rebates from the Australian government, the Company does not expect any material diminution of its cash position in the third quarter.

While the board and management are pleased that over the last 18 months the company's normalised monthly cash usage has reduced from over \$1m to under \$400k, the timing of reaching cash flow break-even is being impacted by the continued slippage in the conversion of some key sales in the pipeline. These key sales remain active and continue to progress towards an outcome, and completion of any one of these opportunities would positively and materially impact the Company's working capital position.

Management remains cognisant of the Company's working capital position and is focused on reducing the rate of cash usage as quickly as possible through the prudent management of costs and conversion of the existing pipeline of sales opportunities.

The Company is reviewing a number of options to provide working capital support to manage the possibility of further sales slippage.

The Company has scheduled an update on FY24 Q2 performance via Teleconference at 9.30am (AEDT) Tuesday 30 January 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*

*\* Cash component of Operational expenses excludes share based payments and depreciation & amortisation expenses.*

**# All numbers in this quarterly cash flow report and accompanying commentary for the quarter ended 31 December 2023 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 2023

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	3,225	6,673
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(554)	(2,348)
(c) advertising and marketing	(104)	(386)
(d) leased assets	-	-
(e) staff costs	(2,672)	(5,339)
(f) administration and corporate costs	(321)	(861)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	8	51
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other	100	(147)
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(318)</b>	<b>(2,357)</b>

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(28)	(33)
(d) investments	-	-
(e) intellectual property	(629)	(1,405)
(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 (6 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	-	200
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(657)</b>	<b>(1,238)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
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)	(66)
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>(33)</b>	<b>(66)</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	2,954	5,607
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(318)	(2,357)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(657)	(1,238)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(33)	(66)
4.5	Effect of movement in exchange rates on cash held	-	-
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>1,946</b>	<b>1,946</b>

## 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	1,946	2,954
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other	-	-
5.5	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>1,946</b>	<b>2,954</b>

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	(69)
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)	-	-
7.4	<b>Total financing facilities</b>	<b>300</b>	<b>-</b>

7.5	<b>Unused financing facilities available at quarter end</b>	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.

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (Item 1.9)	(318)
8.2	Cash and cash equivalents at quarter end (Item 4.6)	1,946
8.3	Unused finance facilities available at quarter end (Item 7.5)	300
8.4	Total available funding (Item 8.2 + Item 8.3)	2,246
8.5	<b>Estimated quarters of funding available (Item 8.4 divided by Item 8.1)</b>	<b>7.1</b>
<i>Note: If the entity has reported positive net operating cash flows in item 1.9, answer 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>		

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

- 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: 30 January 2024

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.