



24 April 2024

## ASX ANNOUNCEMENT

### ACTIVITY REPORT AND APPENDIX 4C FOR THE QUARTER ENDED 31 MARCH 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 third quarter of FY24 ended 31 March 2024.

#### Business Update

Key aspects of the quarter included:

- \$2.375 million net of fees raised via Convertible Note on very favourable terms:
  - Conversion price of 3.6 cents and interest repayments of ~\$25k/month commencing in March
  - Repayment due August 2025 (no early payment penalties)
  - Establishes relationship with high-quality capital partner Formue Nord A/S.
- Extension of the Telstra Product & Services Agreement (PSA):
  - Extended by 15-months (until July 2025)
  - Underpins several strategic initiatives
  - Provides a mix of variable and fixed income streams
- With continuing delays in Q3 in converting the pipeline of sales opportunities, several executives were relocated to USA and LATAM to assess and accelerate the process.

#### Financial Highlights

- Cash position at the quarter end was \$3.50m, an increase of \$1.55m compared to the previous quarter;
- Annualised Recurring Revenue (ARR)\* of \$10.47m, up 2.8% QoQ;
- Revenue was \$2.77m, down 5.6% QoQ;
- Gross Profit in Q3 of \$2.14m, down 7.2% QoQ after exclusion of COGS adjustments relating to prior periods made in both quarters;
- The cash component of Operational Expenses<sup>†</sup> was \$2.99m, down 7.3% QoQ; and
- Capitalisation of development costs of \$0.56m, down 11.1% QoQ.

#### Cash Flow Highlights

Net cash generated in the quarter was \$1.55m including:

Cash inflows from:

- \$2.55m cash receipts from customers.
- \$2.50m convertible note with \$125k establishment fee resulting in \$2.375m cash proceeds.
- \$1.01m cash receipt from R&D rebates from the Australian government.

Cash payments of:

- \$2.11m cash payments for staff costs.
- \$0.92m cash payments for product and operating costs.
- \$0.63m cash payments for administration and corporate costs.
- \$0.55m used in investing activities which is mainly capitalized development personnel costs.

The Company's normalised<sup>#</sup> cash usage at the end of Q3 has been calculated at approximately \$281k per month. This includes \$25k of interest which appears for the first time in this calculation in this quarter as a result of securing the convertible note. The pre-interest figure is \$256k per month which is a \$127K improvement over the previous quarter end. The figure includes an amount for non-recurring revenue that is calculated as an average of the actual non-recurring revenue over the previous 12 months. However, actual non-recurring revenue varies

significantly and is not relevant to the underlying on-going run rate of the business. Hence, a figure focussing purely on the run-rate (excluding any non-recurring revenues) is also being provided for the end of the quarter. This figure was \$358k including the \$25k per month of interest payments. It should be noted however that normalised cashflow should not be taken as a proxy for actual short term cashflow as this will reflect the actual swings in inflows and outflows that the normalised calculation seeks to smooth.

As detailed in Item 6.1 of the accompanying Appendix 4C, the Company paid nil in relation to Directors' fees. The nil payment is the result of the Directors electing to take their fees in equity-based payments to reduce the cash burden on the business. Superannuation will still be paid in cash and has been accrued in the quarter for payment when due in Q4. 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 through the prudent management of costs and conversion of the existing pipeline of sales opportunities.

The Company has scheduled an update on FY24 Q3 performance via Teleconference at 9.30am (AEDT) Wednesday 24 April 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.*

*# Normalised includes: interest, capitalised development labour, monthly allocation for R&D grant, revenue rather than collections and smooths out other timings.*

**All numbers in this quarterly cash flow report and accompanying commentary for the quarter ended 31 March 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")**

31 March 2024

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	2,546	9,219
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(918)	(3,266)
(c) advertising and marketing	(41)	(427)
(d) leased assets	-	-
(e) staff costs	(2,113)	(7,452)
(f) administration and corporate costs	(637)	(1,498)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	7	58
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	1,005	1,005
1.8 Other	(41)	(188)
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(192)</b>	<b>(2,549)</b>

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(44)	(77)
(d) investments	-	-
(e) intellectual property	(551)	(1,956)
(f) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) entities	-	-
(b) businesses	-	-

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

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 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>(595)</b>	<b>(1,833)</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	2,500	2,500
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	(125)	(125)
3.8	Dividends paid	-	-
3.9	Repayment of lease liabilities	(33)	(99)
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>2,342</b>	<b>2,276</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	1,946	5,607
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(192)	(2,549)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(595)	(1,833)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	2,342	2,276
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>3,501</b>	<b>3,501</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	3,501	1,946
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>3,501</b>	<b>1,946</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	-
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>		<b>300</b>

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)	(192)
8.2	Cash and cash equivalents at quarter end (Item 4.6)	3,501
8.3	Unused finance facilities available at quarter end (Item 7.5)	300
8.4	Total available funding (Item 8.2 + Item 8.3)	3,801
8.5	<b>Estimated quarters of funding available (Item 8.4 divided by Item 8.1)</b>	<b>19.8</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: 24 April 2024

Authorised 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.