



31 JULY 2024

ASX ANNOUNCEMENT

ACTIVITY REPORT AND APPENDIX 4C FOR THE QUARTER ENDED 30 JUNE 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 fourth quarter of FY24 ended 30 June 2024.

Business Update

Key aspects of the quarter included:

- 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
- Contract extension and ~20% uplift for our largest CyberCision customer under the Telstra PSA
 - ISM compliant platform as the forerunner to the new all-of-government platform with Telstra
- Formal confirmation by Telstra of the end of service date as 30 June 2024 for GPA firewall security and 30 September 2024 for CSX2 cloud infrastructure platform. This is anticipated to impact FY25 from Q1 as follows:
 - GPA - \$770K reduction in ARR resulting in \$440K reduction in Annualised Recurring Gross Profit (ARGP)
 - CSX2 - \$1.2m reduction in ARR and no reduction in ARGP as CSX2 revenue is a recharge of platform costs
- Several new sales and contract renewals for FirstWave's Secure Traffic Management (STM) product (IP acquired from Saisai Inc.) through partners Innova IT in Peru and Smartlabs in Korea.
- New US based Director Daniel Friel joined the FirstWave Board.

Financial Highlights

- Cash position at the quarter end was \$1.68m, a decrease of \$1.82m on the balance of the end of the previous quarter;
- Annualised Recurring Revenue (ARR)* of \$10.06m, down 3.9% QoQ;
- Revenue of \$2.72m down 1.8% QoQ;
- Gross Profit in Q4 of \$2.13m, down 0.2% QoQ after exclusion of COGS adjustments relating to prior periods made in both quarters;
- The cash component of Operational expenses was \$2.43m, down 18.7% QoQ; and
- Capitalisation of development costs of \$0.76m, up 35.7% QoQ.

Cash Flow Highlights

Net cash used in the quarter was \$1.82m including:

Cash inflows from:

- \$2.43m cash receipts from customers.

Cash payments of:

- \$1.74m cash payments for staff costs.
- \$0.83m cash payments for product and operating costs.
- \$0.73m cash payments for administration and corporate costs.
- \$0.83m used in investing activities which is mainly capitalized development personnel costs.

The Company's normalised[#] cash usage at the end of Q4 has been calculated at \$283k per month and includes \$25k of interest against the convertible note. The comparable figure in Q3 was \$358k including the \$25k per month of

interest payments. Normalised cashflow is not a proxy for forecast short term cashflow as it 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 \$11K in relation to the superannuation on the Directors' fees. There was nil payment for the Directors' fees which is the result of the Directors electing to take their fees in equity-based payments to reduce the cash burden on the business. Superannuation was 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, firstly through the prudent management of costs and conversion of the existing pipeline of sales opportunities, and secondly, through investigation of all other options open to it. Even assuming no new net sales, based on working capital modelling the Company has sufficient cash to operate until the end of FY25 Q3.

The Company has scheduled an update on FY24 Q4 performance via Teleconference at 9.30am (AEDT) Wednesday 31 July 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 30 June 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")

30 June 2024

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	2,426	11,645
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(834)	(4,100)
(c) advertising and marketing	(33)	(460)
(d) leased assets	-	-
(e) staff costs	(1,741)	(9,193)
(f) administration and corporate costs	(733)	(2,231)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	7	65
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	1,005
1.8 Other	(22)	(210)
1.9 Net cash from / (used in) operating activities	(930)	(3,479)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	(77)
(d) investments	-	-
(e) intellectual property	(828)	(2,784)
(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 (12 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
2.6	Net cash from / (used in) investing activities	(828)	(2,661)

3.	Cash flows from financing activities		
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
3.6	Repayment of borrowings	(33)	(33)
3.7	Transaction costs related to loans and borrowings	-	(125)
3.8	Dividends paid	-	-
3.9	Repayment of lease liabilities	(32)	(131)
3.10	Net cash from / (used in) financing activities	(65)	2,211

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	3,501	5,607
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(930)	(3,479)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(828)	(2,661)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(65)	2,211
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	1,678	1,678

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	1,678	3,501
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	1,678	3,501

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	(11)
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	Total financing facilities	300	-
7.5	Unused financing facilities available at quarter end		300

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)	(930)
8.2	Cash and cash equivalents at quarter end (Item 4.6)	1,678
8.3	Unused finance facilities available at quarter end (Item 7.5)	300
8.4	Total available funding (Item 8.2 + Item 8.3)	1,978
8.5	Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	2.1
	<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: 31 July 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.