



**31 JANUARY 2019**

**ASX ANNOUNCEMENT**

**APPENDIX 4C: QUARTERLY CASH FLOW REPORT AND COMMENTARY  
FOR THE QUARTER ENDED 31 DECEMBER 2018**

Leading Australian cloud security technology company, FirstWave Cloud Technology Limited (ASX: FCT) (**FirstWave or Company**), provides its Appendix 4C for the 2<sup>ND</sup> Quarter of FY19 ended 31 December 2018.

**Operating Update**

Currently in the "Expand" phase of its three-phase "Enable, Expand, Scale" strategy, the business has progressed the following operational milestones during Quarter 2 FY19:

1. As part of the license agreement with Cisco Systems, Inc (Cisco) to deploy FirstWave's market leading technology globally, FirstWave has undergone an accelerated accreditation process and achieved the following Cisco certifications:
  - a. Cloud Authority To Operate (CATO)
  - b. Cloud Application Service Provider Remediation (CASPR)
  - c. Cloud Managed Service Provider (CMSP)
2. Under the Cisco agreement the company has completed a successful Proof of Value (POV) with a large North American Service Provider (SP)
3. Launch of Telstra's B2B product "Connected Workplace" now in full operational readiness, this is an initiative that bundles all enterprise services including cloud security
4. Signed Celcom (Malaysia) as new service provider and completed successful first customer POV
5. Completed successful POV with a top 10 global systems integrator (SI) in Europe

**Q3 FY19 Outlook**

Q3 FY19 the focus of the company continues to be growth of the business, both domestic and international

Key areas of focus:

**1. In Collaboration with Cisco:**

- Move to full operational readiness for its North American platform
- Platform development with deployment of new premium email security service
- Business development participation in global sales events supporting Cisco:
  - Mobile World Congress, Barcelona, Feb 19
  - RSA, San Francisco, Mar 19
  - Cisco Live, Melbourne, Mar 19
- First customers in North America and Asia under Cisco license agreement

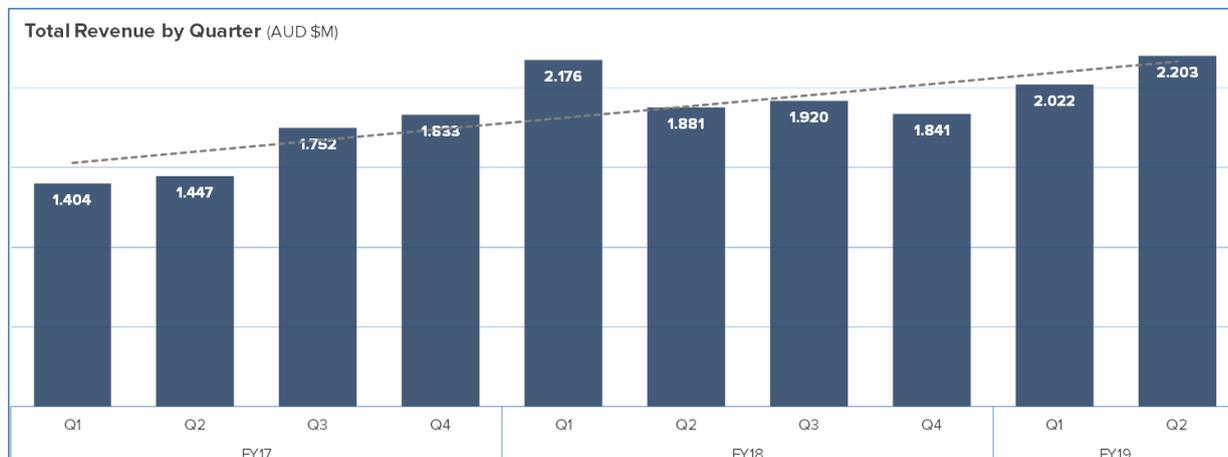


## 2. Other business development activity:

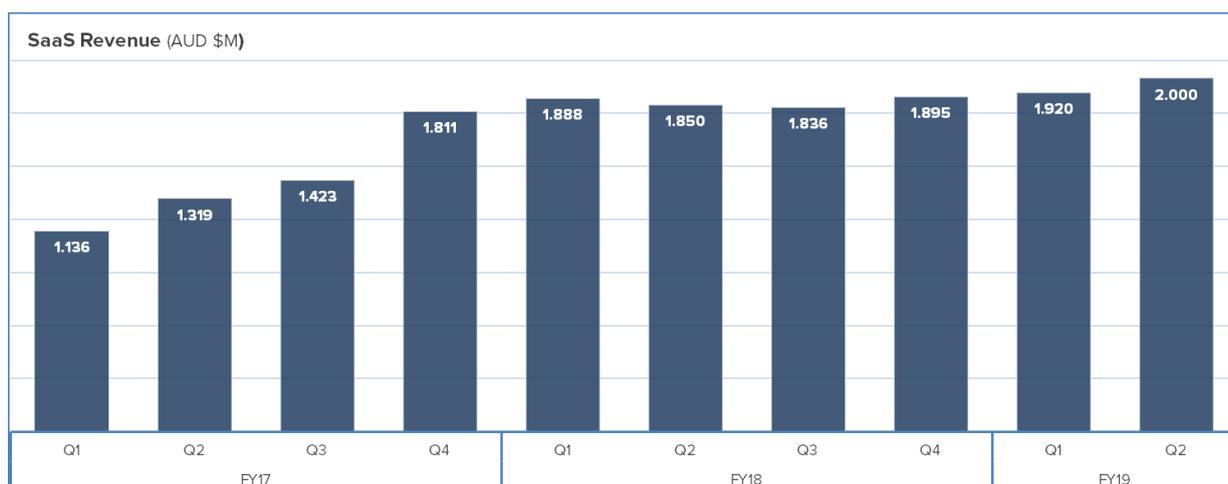
- With the launch of Telstra’s CWP initiative, the business will work with Telstra to maximize the sales opportunity
- Launch platform on Amazon Web Services (AWS) in London (United Kingdom)
- Fulfil the high demand for POV deployments in Europe, Africa and Asia, with first customer in Europe
- Sign first customer under reseller agreement with Celcom

### Trends

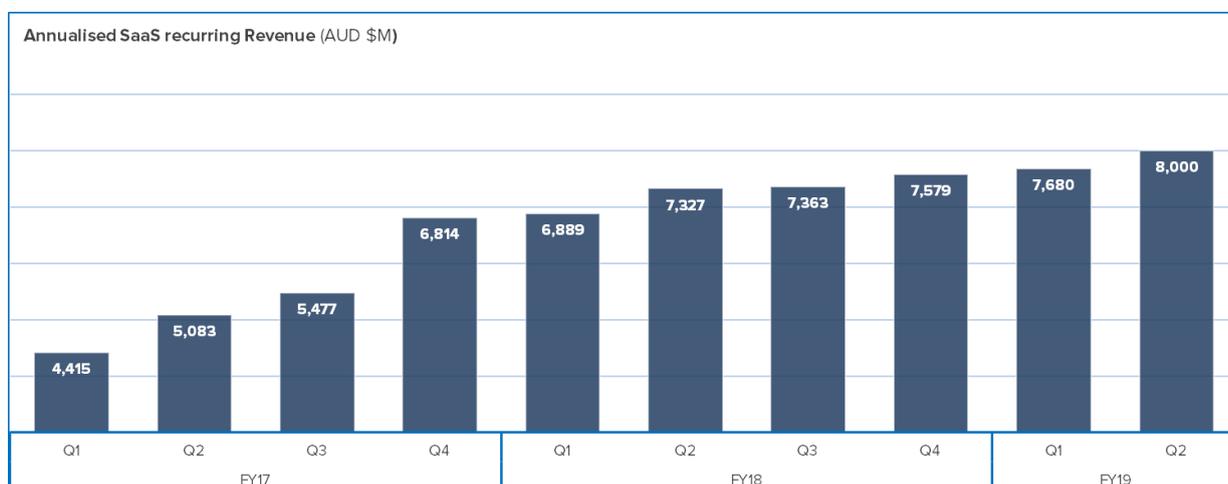
Revenue increased by 17% to \$2.203m, vs. \$1.881m PCP



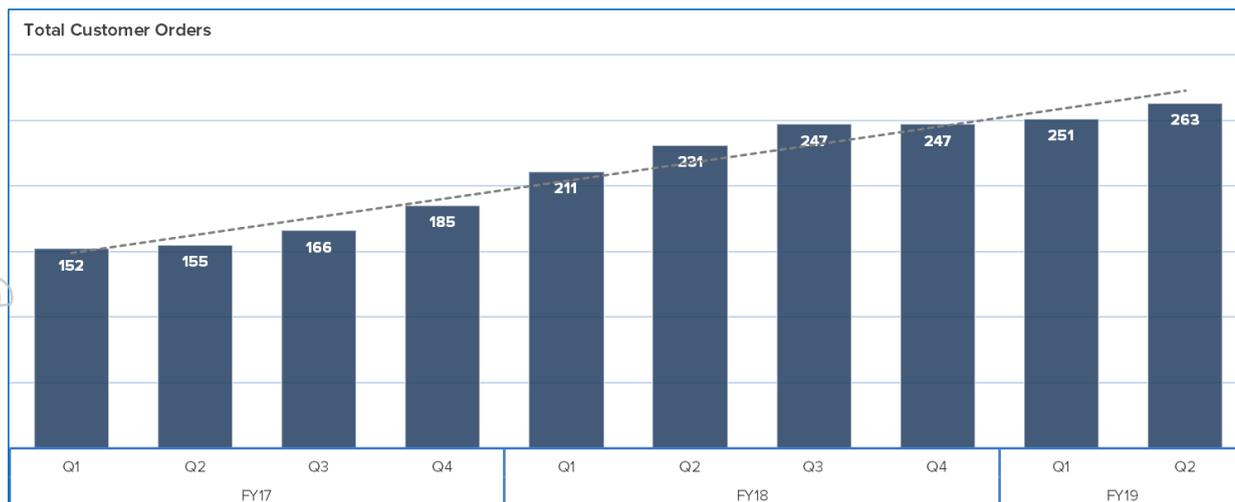
Security as a service (SaaS) revenue increased by 9% to \$2.00m, vs. \$1.85m PCP



Gradual increase in annualised recurring revenue – Q2 increased 9% from PCP



Q2 customers have increased 11% from PCP



### Cash Flow:

- FirstWave's cash balance at the end of Q2 FY19 was \$3.3m (including bank guarantee deposits of \$0.1m)
- Gross cash receipts for Q2 FY19 were \$2.1m, including research and development grant of \$895k
- Operating cash payments for Q2 FY19 were \$5.0m, decrease from \$5.5m in Q1 FY19
- Investing cash payments for Q2 FY19 were \$0.4m
- Financing cash receipts for Q2 FY19 were \$3.4m from capital raising
- The net cash flow position for Q2 FY19 was an inflow of \$73k

### Cash payments by FirstWave business segments:

- Domestic Business (Australia) - \$2.2m
- International Business - \$1.0m
- Corporate Services - \$1.8m

### Estimated cash outflow for Q3 FY19

Cash outflows are expected to be \$4.9m, comprising of:

- \$4.5m of operating expenditure:
  - Domestic Business (Australia) - \$2.0m
  - International Business - \$0.9m
  - Corporate Services - \$1.6m
- \$0.4m of investing expenditure

# All numbers in this quarterly cash flow report and accompanying commentary for the quarter ended 31<sup>st</sup> December 2018 are unaudited.



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

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

## Name of entity

FirstWave Cloud Technology Limited [FCT.ASX]

## ABN

35 144 733 595

## Quarter ended ("current quarter")

31 December 2018

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	1,157.0	4,404.1
1.2 Payments for		
(a) research and development		
(b) product manufacturing and operating costs	(764.4)	(2,310.0)
(c) advertising and marketing	(15.0)	(15.0)
(d) leased assets	(17.7)	(53.3)
(e) staff costs	(2,631.2)	(5,033.0)
(f) administration and corporate costs	(1,575.9)	(3,110.6)
1.3 Dividends received (see note 3)		
1.4 Interest received	10.6	23.3
1.5 Interest and other costs of finance paid	(0.5)	(0.6)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	894.6	894.6
1.8 Other - FBT refunded	0.5	15.8
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(2,942.0)</b>	<b>(5,184.9)</b>

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	(0.3)	(10.7)
(b) businesses (see item 10)		
(c) investments		
(d) intellectual property (capitalized development costs)	(394.4)	(842.0)
(e) other non-current assets		

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

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment	-	-
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(394.7)</b>	<b>(852.7)</b>
<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of shares	3,654.0	3,654.0
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	(244.0)	(244.0)
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>3,410.0</b>	<b>3,410.0</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 quarter/year to date	3,244.4	5,945.1
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,942.0)	(5,184.9)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(394.7)	(852.7)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	3,410.0	3,410.0

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

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	1.6	1.6
4.6	<b>Cash and cash equivalents at end of quarter</b>	<b>3,319.2</b>	<b>3,319.2</b>

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	3,185.4	2,610.6
5.2	Call deposits	-	500.0
5.3	Bank overdrafts	-	-
5.4	Other (deposits backing bank guarantees)	133.8	133.8
5.5	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>3,319.2</b>	<b>3,244.4</b>

**6. Payments to directors of the entity and their associates**

6.1 Aggregate amount of payments to these parties included in item 1.2

6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3

6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

**Current quarter  
\$A'000**

74.1

-

*6.1 above is comprised of director fees paid to 4 directors for the period Oct – Dec 2018*

**7. Payments to related entities of the entity and their associates**

7.1 Aggregate amount of payments to these parties included in item 1.2

7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3

7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

**Current quarter  
\$A'000**

-

-

N/A

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

8. <b>Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
8.1 Loan facilities	300.0	30.7
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-

8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.

8.1 above comprises of a lease facility with NAB to finance purchases of office equipment, plant and machinery.

9. <b>Estimated cash outflows for next quarter – Q3 FY 2019</b>	<b>\$A'000</b>
9.1 Research and development	-
9.2 Product manufacturing and operating costs	737
9.3 Advertising and marketing	39
9.4 Leased assets	18
9.5 Staff costs	2,787
9.6 Administration and corporate costs	1,318
9.7 Other (provide details if material)	
<b>9.8 Total estimated cash outflows</b>	<b>4,899</b>

10. <b>Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)</b>	<b>Acquisitions</b>	<b>Disposals</b>
10.1 Name of entity	N/A	N/A
10.2 Place of incorporation or registration		
10.3 Consideration for acquisition or disposal		
10.4 Total net assets		
10.5 Nature of business		

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**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.
- 3 Other cash flows in 9.7 above represents expected outlay on property, plant and equipment and intangible assets.



Sign here:

(Director/Company secretary)

Date: 31 December 2018

Print name: Gai Stephens

**Notes**

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly 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 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.