



**31 OCTOBER 2018**

**ASX ANNOUNCEMENT**

**APPENDIX 4C: QUARTERLY CASH FLOW REPORT AND COMMENTARY  
FOR THE QUARTER ENDED 30 SEPTEMBER 2018**

Leading Australian cloud security technology company, FirstWave Cloud Technology Limited (ASX: FCT) (**FirstWave** or **Company**), provides its Appendix 4C for the 1<sup>st</sup> Quarter of FY19 ended 30 September 2018.

**Operating Update**

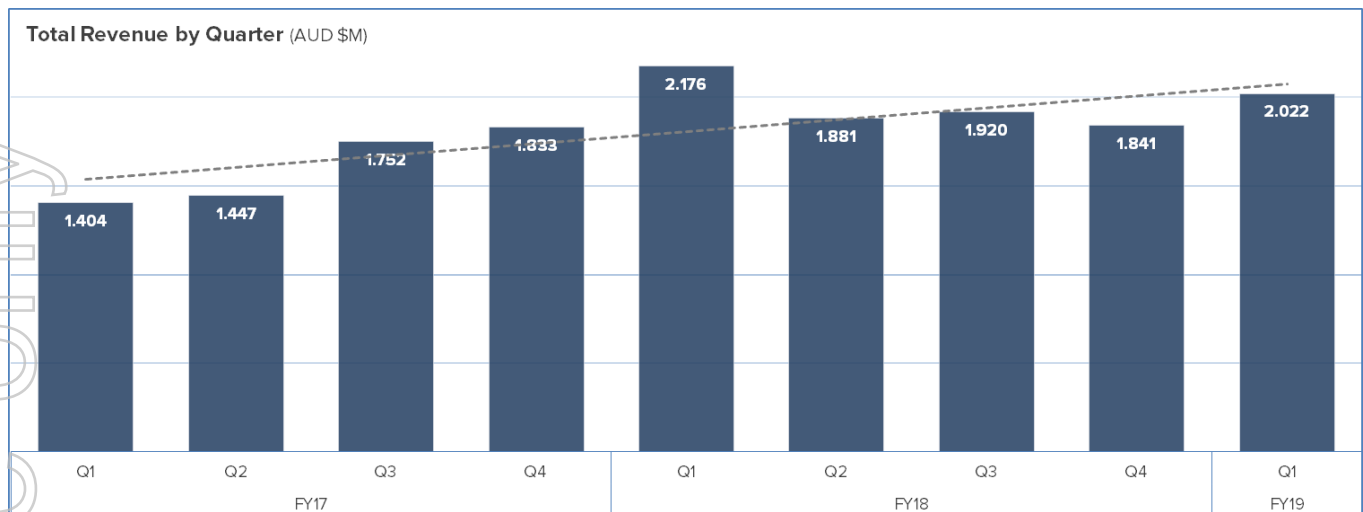
Having entered the "Expand" phase of its three-phase "Enable, Expand, Scale" strategy announced in October 2017. The business has progressed with the following operational milestones in Quarter 1 FY19.

- FirstWave signs a software original equipment (OEM) development and license agreement with Cisco Systems, Inc (Cisco). Progress to date includes:
  - Actively driving presales activity
  - Appointment of Sundar Bharadwaj as Director of Sales for EMEA and North America
  - Commenced multi-level accreditation process
  - Deep technical and support team alignment and acceleration of Virtual Security Appliance (VSAP) roadmap in preparation for a market ready product in Q3 FY19
  - Integration and automation of customer service experience
  - Commenced proof of concept with first Service Provider (SP)
  - First orders anticipated under OEM in Q3 FY19
- Public Platform launched in Oregon, North America on Amazon Web Services (AWS) platform
- David Kirton confirmed as CEO and reaffirms company's strategic goals in securing 1% of the global Cyber Security market
- First revenues received from international customers

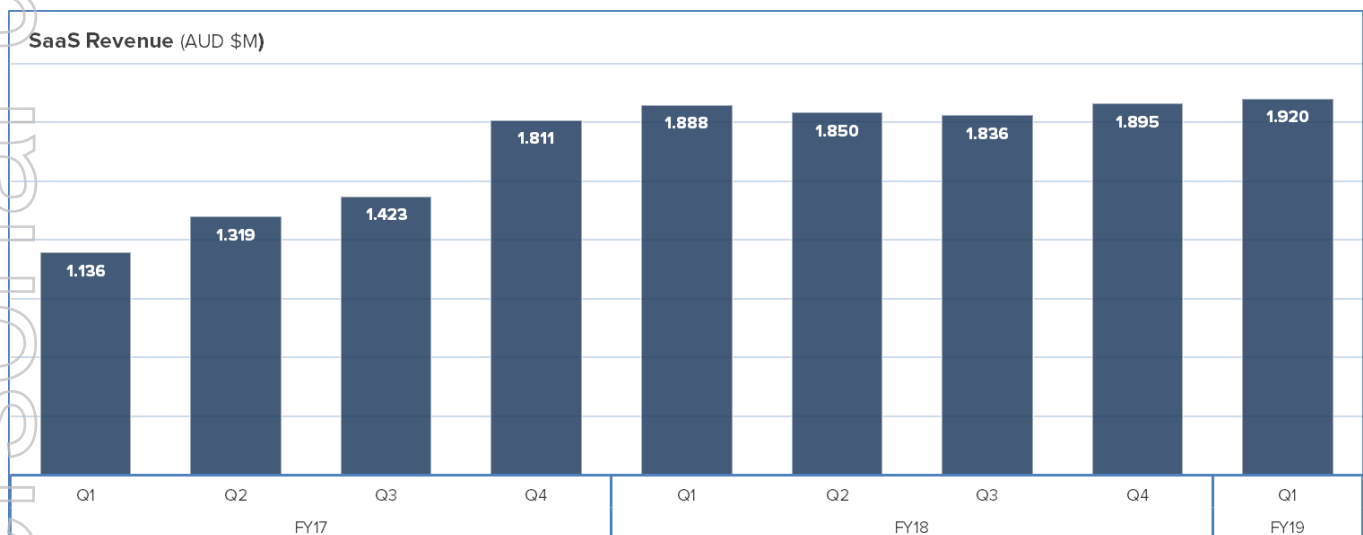


## Q1 Operating Update

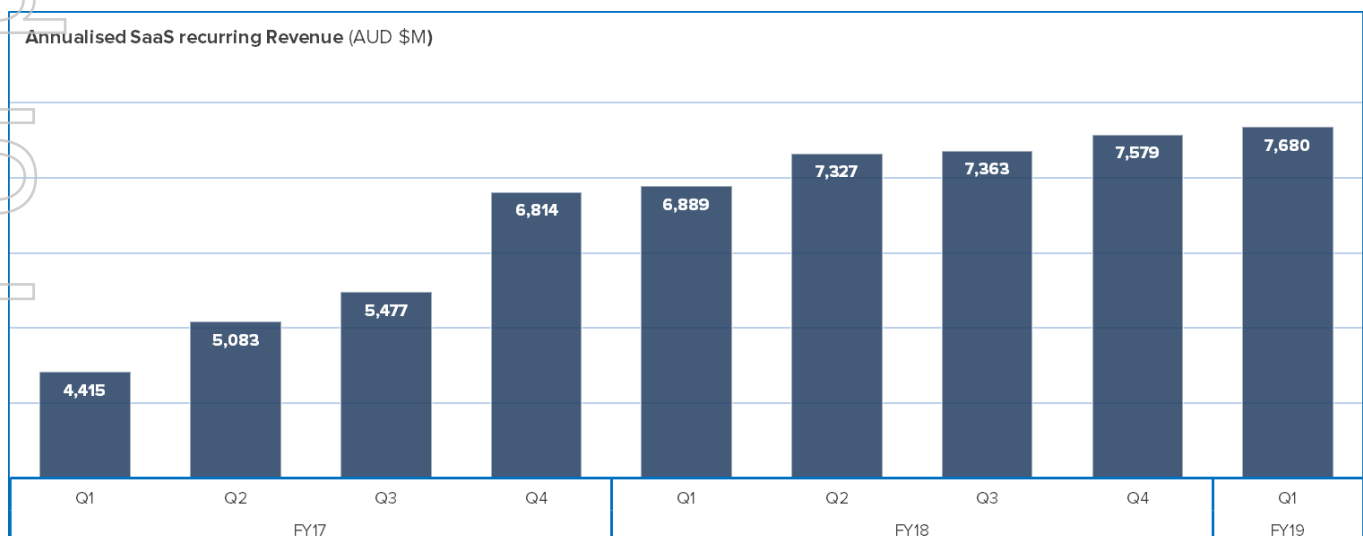
Revenue was \$2.022m, vs. \$2.176m PCP (which included \$250k of once-off revenue)



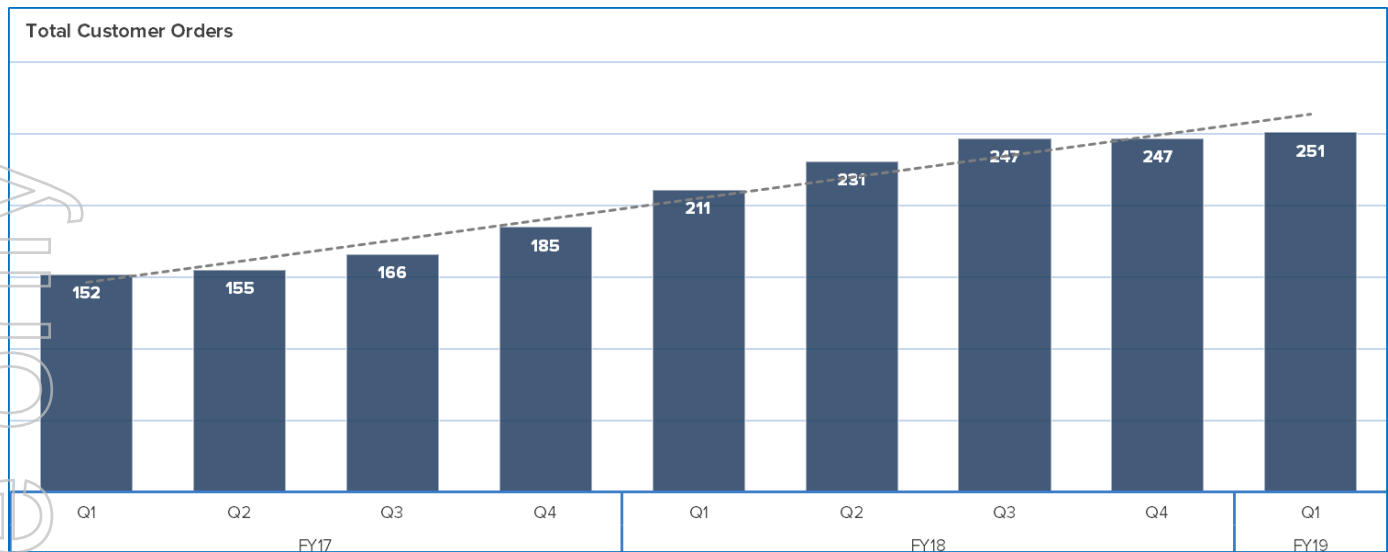
Security as a service (SaaS) revenue increased by 2% to \$1.92m, vs. \$1.89m PCP



Gradual increase in annualised recurring revenue – Q1 increased 11% from PCP



Q1 customer orders have increased 18% from PCP



#### Cash Flow:

- FirstWave's cash balance at the end of Q1 FY19 was \$3.2m (including bank guarantee deposits of \$0.1m)
- Gross customer cash receipts for Q1 FY19 were \$3.2 million, up from \$2.3m in Q4 FY18 due to one-off prepayments
- Operating cash payments for Q1 FY19 were \$5.5m increase from \$4.0m in Q4 FY18 due to cost of sales related to prepayments
- Investing cash payments for Q1 FY19 were \$0.5m
- The net cash flow position for Q1 FY19 was an outflow of \$2.7m

#### Cash payments by FirstWave business segments:

- Domestic Business (Australia) - \$3.2m
- International Business - \$0.9m
- Corporate Services - \$1.9m

## **Q2 FY19 Outlook**

Q2 FY19 the focus of the company is to continue the momentum from prior quarter in growing the business, both domestically and internationally. The business prepares for:

- Telstra's launch of Connected Workplace
- Traffic flowing on the North American AWS public platform
- Additional proof of concepts in North America
- Launching of public platform in Europe on AWS in London and Frankfurt
- Continuation of Cisco OEM service integration, pre-sale activity and launch readiness for Q3 FY19

### **Estimated cash outflow for Q2 FY19**

Cash outflows are expected to be \$5.6m, comprising of:

- \$5.1m of operating expenditure:
  - Domestic Business (Australia) - \$2.1m
  - International Business - \$1.2m
  - Corporate Services - \$1.8m
- \$0.5m of investing expenditure

**# All numbers in this quarterly cash flow report and accompanying commentary for the quarter ended 30<sup>th</sup> September 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")

30 September 2018

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	3,247.1	3,247.1
1.2 Payments for		
(a) research and development		
(b) product manufacturing and operating costs	(1,545.6)	(1,545.6)
(c) advertising and marketing	-	-
(d) leased assets	(35.6)	(35.6)
(e) staff costs	(2,401.8)	(2,401.8)
(f) administration and corporate costs	(1,534.7)	(1,534.7)
1.3 Dividends received (see note 3)		
1.4 Interest received	12.7	12.7
1.5 Interest and other costs of finance paid	(0.1)	(0.1)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other - FBT refunded	15.2	15.2
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(2,242.8)</b>	<b>(2,242.8)</b>

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	(10.4)	(10.4)
(b) businesses (see item 10)		
(c) investments		
(d) intellectual property (capitalized development costs)	(447.6)	(447.6)
(e) other non-current assets		

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<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (3 months) \$A'000</b>
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>(457.9)</b>	<b>(457.9)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of shares	-	-
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	-	-
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>-</b>	<b>-</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	5,915.1	5,915.1
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,242.8)	(2,242.8)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(457.9)	(457.9)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-

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<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (3 months) \$A'000</b>
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	<b>Cash and cash equivalents at end of quarter</b>	<b>3,214.3</b>	<b>3,214.3</b>

<b>5. Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1 Bank balances	2,580.5	2,580.5
5.2 Call deposits	500.0	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>3,214.3</b>	<b>3,214.3</b>

<b>6. Payments to directors of the entity and their associates</b>	<b>Current quarter \$A'000</b>
6.1 Aggregate amount of payments to these parties included in item 1.2	72.1
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	

6.1 above is comprised of director fees paid to 5 directors for the period Apr – Jun 2018

<b>7. Payments to related entities of the entity and their associates</b>	<b>Current quarter \$A'000</b>
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	

N/A

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8. <b>Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	300.0	48.0
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 – Q2 FY 2019</b>	\$A'000
9.1 Research and development	-
9.2 Product manufacturing and operating costs	1,358
9.3 Advertising and marketing	165
9.4 Leased assets	23
9.5 Staff costs	2,572
9.6 Administration and corporate costs	1,476
9.7 Other (provide details if material)	
<b>9.8 Total estimated cash outflows</b>	<b>5,594</b>

10. <b>Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)</b>	Acquisitions	Disposals
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)

Date: 31 October 2018

Print name: Drew Kelton

### 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.