



FIRSTWAVE
CLOUD SECURITY TECHNOLOGY

03 August 2020: ASX Media Release

Investor Update Conference Call

Leading Australian headquartered global cyber security company, **FirstWave Cloud Technology Limited (ASX: FCT) (FirstWave)**, released a Q3 FY2020 Investor Update on Friday 31 July 2020. The FirstWave Chairman and the Chief Operating Officer's speeches on the presentation are outlined below.

SLIDE 1 - INTRODUCTION: NEIL POLLOCK

Hello and welcome to FirstWave Cloud Technology's July Investor Update.

My name is Neil Pollock and I am the Chief Operating Officer of FirstWave.

Joining me today is our Executive Chairman Mr. John Grant.

Our objective today is to report FirstWave's FY20 financial results, the progress we have made, and outline for you the Company's FY21 plan.

The presentation you are about to see has been lodged on the ASX portal and emailed to the address provided with your registration.

During the presentation we will refer to the slide number we are talking to.

SLIDE 3 – AGENDA: NEIL POLLOCK

On slide three is the Agenda for today's presentation.

We will commence with an update from John followed by my update on the FY20 results and the FY21 Plan which includes feedback from our global partners. I'll finish with a short summary before handing back to John. We will then open the lines for Q&A.

Before we start, I want to draw your attention to the appendix at the end of the presentation pack. There is a lot of content and detail which expands on the main presentation including a description of our technology. Some of you may be new to FirstWave and this may be your first shareholder update. I therefore invite you to review the entire slide deck at your leisure and raise any questions with us directly via email.

Ok...let's begin.

Good morning John...over to you please...

SLIDE 4 – CHAIRMAN'S INTRODUCTION: JOHN GRANT

Thanks Neil and good morning to everyone on the call. Let's go to Slide 5

SLIDE 5 – THE ELEMENTS ARE IN PLACE TO REWARD SHAREHOLDERS PATIENCE: JOHN GRANT



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Since August last year when we gave our first quarterly briefing, I've spoken of the formula I thought gave FirstWave the greatest opportunity for success as a global security services company. Let me run through this again and tell you where I think we're up to today.

Firstly, its product must be world class as it has to win against the biggest and the best – and FirstWave's platform CCSP continues to win in the Proofs of Value we do with prospective partners.

FirstWave's Cloud Content Security Platform (CCSP), so far as we can tell, remains the only cloud delivered, automated, orchestration platform that integrates, virtualises and multi-tenants best-of-breed email, web, firewall and endpoint security applications via “a single pane of glass”, in the world.

The 'so what' about this is that it solves the perimeter security issue small to medium businesses (SMB) across the world, who are so poorly serviced, face – getting enterprise grade security for email, web, firewall and end point as a service from their service provider for an SMB price.

FirstWave's addressable market for this solution we estimate conservatively at \$1.88B, and we currently have line of sight through our partners to \$60m of recurring revenue.

I suggested that the only way it can successfully get into the hands of end customers globally was via partners to whom the product is important, in a leveraged channel model – one partner to many partners to many more end customers – that can ultimately drive exponential growth.

In this sense, I've referred to it as a numbers game and the numbers say we have 130 partners in the channel with 28 moving down our path to revenue model to billing end user customers.

I've also mentioned that it's not sufficient to get partners on board and for them to get customers signed up.

There must be a global delivery platform of cloud infrastructure and onboarding and support capability for our partners and their end customers, 24 x 7 – we now have this servicing end users on 5 continents.

And finally, I said building a global business takes time and money – likely more than expected.

With the June capital raise we now have the funds to execute our forward plan. In saying this, can I welcome new shareholders to the company – today your investment is looking pretty good.

But can I also acknowledge the loss of value and the dilution that's occurred for long standing shareholders.

My and your board's, and the whole team's focus is on getting the results that will reward you for the patience you have shown over the journey so far.

But that focus depends on having the best people in the right roles.

In this context I'd like to announce 4 new appointments that strengthen leadership of the Company and, I believe, will add great value for shareholders.

Slide 6 please

SLIDE 6 – 4 APPOINTMENTS STRENGTHEN LEADERSHIP: JOHN GRANT

Firstly, and most importantly, I announce on behalf of the Board, the appointment of Neil Pollock as CEO of FirstWave Technology Limited.



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Neil, who joined the Company in 2017 as Head of International Business, has been the Company's Chief Operating Officer and senior executive since February this year.

Out of shareholder gaze, Neil has been the driving force that has brought this globally distributed, tightly resourced Company to the inflection point we all believe it is at.

Not well known is that Neil is a global business leader with almost 30 years' experience in technology across Australia, Asia, India, the Middle East and Europe having previously been CEO of Indian-based data centre and managed services company, Nextra Data Limited.

A start-up he built it from the ground up to be a top three player in the hyper-competitive Indian data centre market, Nextra Data Limited was recently valued at US\$1.25Bn following a strategic investment by Carlyle Group.

Having worked alongside him during his tenure as COO, he has gained my confidence and secured the full support and backing of the Board.

The Board looks forward to successful execution of this year's plan under him.

Congratulations Neil.

Joining the Company in mid-August as CFO is Iain Bartram.

Iain brings over 20-years of experience as a strategic CFO with multi-site and international experience in high growth, listed and unlisted technology businesses, but he also strikes me as being a 'hands on' operator who relishes in the detail.

He will offer great value to the Company and great support to Neil as a first-time listed company CEO.

Iain's on the call today - Welcome Iain.

In welcoming Iain let me also thank Interim CFO Murray Scott for stepping into the breach in February and seeing us through what has been a very hectic time – great job Murray.

At Wednesday's EGM, shareholders confirmed David Acton's appointment as a non-executive Director.

On David's original appointment in June, I said that his addition to the board is tremendous news for the Company and for shareholders.

David's track record in driving performance and his global experience in capital markets and maximising returns to shareholders can help to ensure the Company applies the \$14.9m from its recent successful capital raise to its greatest advantage.

After only two Board meetings but plenty of emails and calls in between, I can confirm David is going to bring exactly what I had thought – deep thinking, challenging, intelligent questions, suggestions, and advice all through the shareholder lens.

I very much look forward to working with him.

David's also on the call – congratulations on your election David.

And the last of the four is Kevin Bloch who joins as an adviser to the Board's newly formed Technology and Markets Committee.



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The Committee will be chaired by Non-Executive Director Scott Lidgett and will include Neil, and the lead executives from the product and sales functions.

It has been formed to give the sort of focus to these two critical areas that can't be given at the Board level, and it will engage external experts to provide critical analysis, guidance, advice and networking to assist FirstWave realise its FY21 Plan and position it for sustained success over the longer term.

Kevin meets these criteria spectacularly.

I have known him for many years both in his role as CTO for JNA telecommunications from 1985 to 1998, and then in various leadership roles but finally as CTO for Cisco ANZ for 21 years – until last Friday.

The media release that went out yesterday announcing his appointment goes into more detail but Kevin joining FirstWave is a significant coup for the Company and for shareholders.

There are few in Australia whose skills, experience and reputation are so appropriately matched to FirstWave's opportunity.

Clearly, he will be able to positively impact our OEM relationship with Cisco, but we expect his impact through our new Technology and Markets Board Committee to be across the whole business.

Kevin's also on the call – welcome Kevin.

Moving to Slide 7

SLIDE 7 – EGM RESOLUTIONS: JOHN GRANT

At Wednesday's EGM all eight resolutions were passed with around 25% of shares voted and support ranging from 96.69% to 99.42% - an excellent result.

Approval of the FirstWave Cloud Technology Limited Rights Plan, which replaces the old Option Plan, will not only facilitate the salary sacrifice being taken by directors and the senior leaders in the business, but also provides a best practice tool to continuing to recruit the best people and incentivise and reward their performance on behalf of shareholders.

And finally, on Slide 8

SLIDE 8 – SUMMARY: JOHN GRANT

Let me close by saying:

- Neil will report on FY20 performance – you will find it in line with all our previous communication;
- I hope you see the four appointments I spoke of as strengthening leadership – I certainly do;
- The Company is now funded to execute its FY21 plan – again my thanks to shareholders; and
- We will continue to report to you quarterly against all the metrics Neil will talk to in a moment, but which have also been shared with you during the capital raise.

Let me now hand back to our new CEO, Neil Pollock.

Thank you, John.

SLIDE 10 – FY20 FINANCIALS: NEIL POLLOCK

Moving to slide 10





The FY20 results were mixed and impacted by external factors.

FY20 will forever be characterised by a landmark global event – the onset and impact of COVID-19 – it impacted our business in FY20 as our partners' marketing and sales teams were either stood down or sent home to work.

End customers reacted similarly and took a steady state attitude as they waited to see how the pandemic played out.

I'll talk further in a moment about how our partners are seeing the immediate future, but, suffice to say, the solid momentum we'd seen in the first half of FY20 flattened considerably in the second half and was one of the factors that saw total revenue for the year decline 7% year on year.

The other contributing factor was in the domestic market where the end of life of our Cisco web security solution without a suitable replacement was the main cause of a 10% decline in Domestic revenue year on year.

To complete this picture, Cisco will release its replacement web solution this quarter and we will have it on the platform almost simultaneously – later than optimal but a solution, nonetheless.

Internationally, the annualised recurring revenue showed an upward trajectory even in the second half.

International annualised recurring revenue grew from \$12k to \$448k year on year. But this is a disappointing outcome given the acceleration we saw in the first seven months of the year when international annualised recurring revenue grew to \$232k.

Although these revenue results are below our and your expectations, it is hard for me to say to you that there was nothing we could do to change this outcome – but that is the case.

What we can say is that all indicators continued to move in the right direction over the full year and there were a number of highlights to reflect positively on:

- We grew our partners on the path to revenue from 23 to 130;
- Importantly we converted 25 more of those partners to billing partners and exited the year with 28 billing partners – up from 3 at the start of the year;
- We expanded our operational platforms to 11 to cover the globe and be where our partners needed us and could turn revenue on;
- We launched our remote worker cyber security suite (RWCS) including an end point protection product with a new technology partner -Trend Micro - in record time in response to increased cyber-attacks on remote workers. As of today, all orders for this solution which were taken up on our freemium offer and totalling over 8000 seats have been successfully converted to revenue;
- To give you an understanding of the scale of the business, we ended the year with over 170,000 email seats, almost 63,000 web seats and 83 firewalls under management by our partners;
- On cost, we met the commitment made at the AGM to strip \$1.3m of cost out of the business in FY20 representing an annualised saving of \$2m; and
- With your support, for which we are most thankful, we ended the year with cash of \$15.4m. We raised almost \$20m net in FY20 including \$14.9m in Q4 which we are projecting to support operations through to cash flow break even.

SLIDE 11 – FY20 FINANCIAL RESULTS: NEIL POLLOCK





Slide 11 provides a comparative YoY view of the FY20 unaudited financial results I've just detailed and it highlights the key revenue, cost and cash numbers.

SLIDE 12 – FY20 OPERATING EXPENDITURE: NEIL POLLOCK

Slide 12 shows the next level of detail of our operating expenditure reduction efforts showing Q4 operating expenses excluding one off charges at \$3.2m down from \$4.0m on a like for like basis in Q1.

SLIDE 13 – FY20 CASH FLOW SUMMARY: NEIL POLLOCK

Slide 13 is the FY20 cash flow summary and provides the detail behind the net increase or decrease in cash held for Q4 and the full year.

Q4 cash payments of \$5.2m was in line with the forecast in the Q3 4C.

Next slide please

SLIDE 14 – FY21 PLAN: NEIL POLLOCK

Now let me move onto the plan for this year.

The FY21 plan essentially reflects what we talked with you about during the capital raise – there is no significant difference - but I want to cover the outcomes the plan is projecting and what we are doing to do to get them.

SLIDE 15 – THE FY21 PLAN FOCUS: NEIL POLLOCK

Our FY21 plan is focused on doing only those things that drive revenue and diligently managing expenses to meet our cashflow objectives.

With a return to pre-COVID-19 business activity levels assumed in October and successful execution of the plan:

- Total revenue – both recurring and non-recurring – is projected to grow 38% to \$11.3m;
- In-year total recurring revenue of \$10.5m is projected, up 43% from FY20, of which international recurring revenue is projected to be \$3.3m up from \$203k;
- Importantly, on an annualised basis, international recurring revenue is projected to reach \$9.5m in June 2021 up from \$448k in June 2020;
- Gross margin is projected to improve to 59% driven by higher margins from international recurring revenue – this is 1% down on the capital raise projections due to pricing pressure which I will cover in a few minutes;
- YoY costs are projected to increase by less than 2% through continued diligent cost and cash flow management while sustaining investment in technology development and increasing investment in sales and marketing; and
- At year end, cash is projected to be \$4.8m with average monthly cash outflow dropping to less than \$1m per month.

SLIDE 16 –FY21 PLAN REVENUE, MARGINS AND CASHFLOW: NEIL POLLOCK

Slide 16 provides a comparative YoY view of the FY21 projected revenue, margin and monthly cash outflow.

I have highlighted the key takes outs.

SLIDE 17 – FY21 PLAN ACTION NEIL: NEIL POLLOCK





The actions we are taking to deliver these outcomes are:

- Increased investment in sales and marketing – we are putting more sales and pre-sales people on the ground to secure more partners and speed up conversion of opportunities into revenue;
- We've increased the marketing budget to promote CCSP more effectively to partners and market influencers;
- The FY21 sales and marketing plan is focussed on incentivising the team to over-perform...Targets, KPIs and incentives are clear, unambiguous, and published internally. 80% of non-sales leadership team incentives are tied to company performance;
- We are continuing to invest 25% of our operating budget in product and technology to stay ahead of the competition.....;
- We are streamlining and automating our engagement with our partners through a new partner portal to speed transactional customer operations to support faster revenue turn on; and
- We are expanding our 24x7 operational support at the right cost to ensure our end customer support remains a differentiator for us.

SLIDE 18 – FY21 PLAN – LEAD INDICATORS: NEIL POLLOCK

On slide 18 you'll see the plan also projects growth across our lead indicators. I won't dwell on this today.

SLIDE 19 – FY 21 PRODUCT SALES: NEIL POLLOCK

Moving on to slide 19, the Plan projects more partners converting to billing partners enterprise-grade cyber security products in a cyber-security conscious market to deliver growth across our product portfolio.

Our new Advanced Detection and Response offering, a joint development with our partner SHELТ Global, will be rolled out progressively across our products between now and June 2021.

Advanced detection and response will have the effect of enhancing the attractiveness of our existing offerings by transforming our current security-through-prevention to detection and active response. This will provide SOHO, micro, small and medium enterprises across the world with a real lift in the perimeter cyber-security available to them today.

SLIDE 20 – PARTNER FEEDBACK: NEIL POLLOCK

The final thing I'd like to give you is some insights into what our partners are telling us about the immediate future and some of the projects we are doing around the world.

SLIDE 21 – PARTNER FEEDBACK COMMON THEMES: NEIL POLLOCK

Across the world there are regional variations, but our partners tell us there are a number of consistent themes and they are summarised on Slide 21:

- With sales teams stood down and businesses working out how to get back to doing business, sales activity, and the momentum for end customers to invest new money remains significantly reduced across the globe;
- We are working with our partners to be ready to go with them as and when sales team's come back online which we are starting to see in India and to a lesser extent in the UK;
- But our partners are also reporting a pronounced shift in customer focus towards SaaS-based products...particularly for cyber-security. FirstWave is the right technology solution to meet this shift;





- Also, as a consequence of the increased risk of cyber-attack as people work remotely, end point protection is emerging as a key requirement – outside the protection of a secure network end customers are confirming they need to protect their workers. Our end point protection does this;
- Our partners are also telling us they are seeing faster decision making when decisions need to be made...but there is pressure on pricing...;
- This is not unexpected, and we are working with our partners to manage this the way we did with our freemium offer on the Remote Worker Cyber Security suite; and
- Finally, the new normal...we all need a way to work securely from home...and that's what we do.

SLIDE 22 – PARTNER FEEDBACK TAKEAWAYS: NEIL POLLOCK

So, what does all of this mean?

- The Macro demand for cyber security as a service - particularly for the poorly defended SMB and SOHO segment - is strengthening and this is very good for FirstWave.
- There's also no doubt that the near term is dominated by COVID-inspired restraint and how long that will last is anybody's guess – our plan assumes October.
- What also came through from all our partners is an emerging determination from them and their customers to get back to business irrespective of COVID-19.

The global economic imperative for this to happen is very clear to everyone – and this is good for FirstWave and for everyone.

SLIDE 23 – FY21 PLAN: NEIL POLLOCK

Slide 23 gives an insight into some of the projects we are working on today, across the world.

Working clockwise from the top left of the slide:

- In Europe and North America, we are back in proof of value with a Tier One European Telco. I say “back in proof of value” because this opportunity was put on hold in January as COVID-19 hit.
- In Asia and India, we're in proof of concept with a tier one telco with one of our new multi-tenant firewall products.
- In ANZ, Telstra have added our endpoint protection product to their Telstra Business cyber security services suite with above the line marketing dollars being spent; and first orders have been received and provisioned. We are also projecting to be in the market with a new web security appliance this quarter.
- And finally, in the Middle East and Africa, a Tier One telco in Nigeria is preparing to launch our endpoint protection solution on their market place this quarter and we are in proof of value with a potential new Level 1 partner which will expand our reach in Africa; and our first on-premise platform deployment outside ANZ is well underway.

SLIDE 24 – CEO SUMMARY: NEIL POLLOCK

So, in summary:

While COVID-19 impacted our FY20 aspirations.

We pivoted quickly to address end user security concerns with RWCS but sales momentum stalled in H2. Our FY21 projections assume business is back to pre-COVID-19 levels from October this year.





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Our partners remain committed to CCSP and FirstWave. The macro focus on cyber-security is increasing and while near term restraint remains, there is an emerging determination to get back to business.

Our product and service offering remains fit for purpose. We are continuing to enhance the functionality of our core email, web and firewall offering and our new detect and respond capability is expected to sharpen the value proposition for partners and customers.

Our objectives are clear and our activity is high. We are bringing on new partners to convert more opportunities to revenue and we will deliver technology to stay ahead of the competition.

And importantly, we are funded to deliver the plan.

Thank you for listening, I'll now hand back to John for closing comments...

SLIDE 20 – CHAIRMAN'S CLOSING COMMENTS: JOHN GRANT

Thanks Neil.

We've given you a lot of very specific information about our FY21 Plan – some would say 'a rod for our own back'.

Maybe yes, maybe not.

It's never been my practice to be restrained in the information companies I've been involved with have given stakeholders.

I believe better informed people make better decisions.

What we have given you, however, is the most informed view we have, from the bottom up, and taking into account as best we can, all the risks we know exist.

But you'll know exactly how we're going when we report against this information each quarter.

And what you can be absolutely certain of is that the Board and the full FirstWave team all have a stake in the business and are totally committed to the task at hand.

Let me now hand over to the moderator for your questions.

AFTER QUESTIONS

Thank you for joining us today. I hope your time has been well spent.

– ENDS –

For media and investor inquiries, please contact:

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About FirstWave Cloud Technology Limited (FirstWave)

Australian headquartered global cyber security company, FirstWave, has delivered Security as a Service (SaaS) solutions since 2004. FirstWave provides safety through the most accessible and adaptive cloud-based cyber-security solutions that are affordable, easy and fast to implement enabling SaaS. Its unique proprietary cloud-platform orchestration is available for service providers and enterprises of any size, anywhere. In an increasingly vulnerable digital world, FirstWave believes that safe business is good business and that all companies should have access to enterprise-quality cyber-security. FirstWave's infrastructure, management and security processes are certified to ISO 27001 Information Security Management System Standard and ISO 9001 Quality Management System Standard.



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