

OPERATIONAL UPDATE

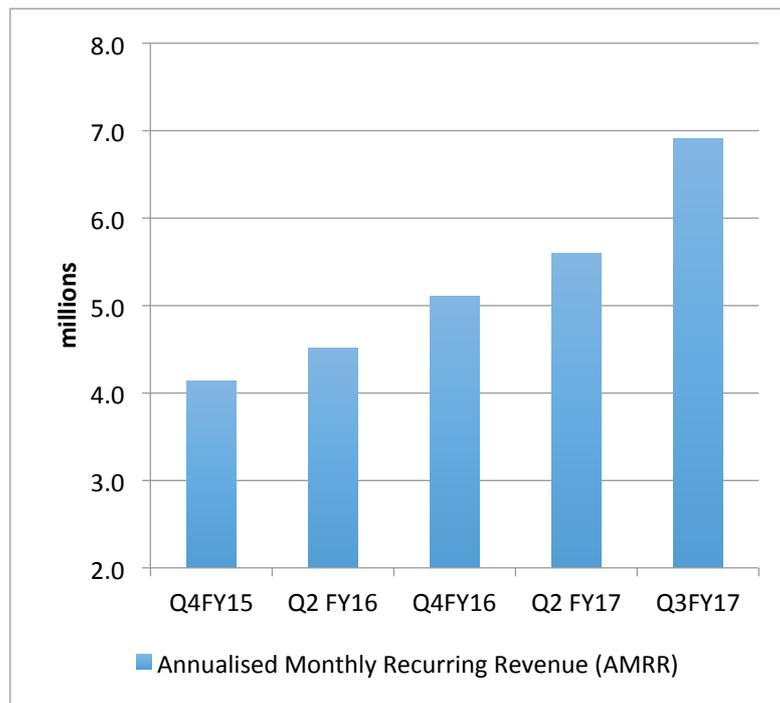
HIGHLIGHTS

- Annualised monthly recurring revenue in 3Q FY2017 increased to \$6.91 million, up 33% YoY
- Annualised monthly recurring revenue up 23% Qtr on Qtr
- Actual Q3 cash as forecast at \$2.6M
- MoU signed with Bharti Airtel Nxtra Data

Historical Monthly Recurring Revenue

The annualised monthly recurring revenue (AMRR) of FirstWave continued to increase during 3Q FY2017 to \$6.91 million, an increase of 33% relative to the same period a year ago, and up 23% on the equivalent measure in 2Q FY2017.^{1 2}

Figure 1: Monthly Recurring Revenue



¹ Annualised monthly recurring revenue (AMRR) represents the last month of the quarter's recurring revenue multiplied by twelve. Accordingly, it provides a 12-month forward view of monthly recurring revenue, quarterly recurring revenue multiplied by four. Growth references to prior periods are based on the new calculation.

² Monthly Recurring Revenue (MRR) represents contracted recurring revenue plus monthly PS recurring revenue.

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FirstWave Annualised Recurring Revenue Opportunity

FirstWave estimates that its addressable Australian Cloud Security market to be worth \$400 million per annum. This presents a significant revenue opportunity through its relationship with Telstra to continue to grow Annualised Recurring Revenue (ARR) in the domestic market within the Enterprise & Government and Small Medium Enterprise customer segments.

Enterprise & Government (E&G)

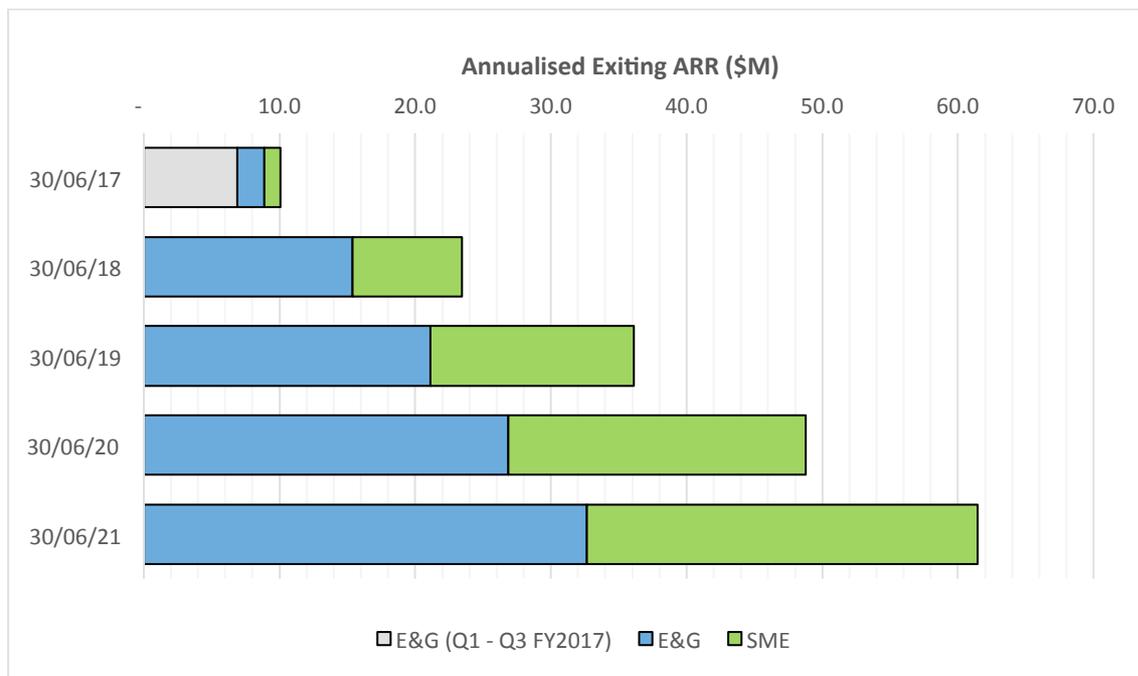
Telstra addresses 75%+ of the Enterprise & Government market. FirstWave’s addressable market for cloud security services is approximately 3,500 Telstra customers and the Company has an ambition to penetrate 20% of the segment by the end of FY2020, representing 700 Telstra customers.

The Company estimates that average Monthly Recurring Revenue (MRR) per customer will be approximately \$3,200 resulting in an exiting Annualised Recurring Revenue (ARR) opportunity of \$26.9M as at 30 June 2020 based on 700 customers.

Small Medium Enterprise (SME)

The rollout of product roadmap enhancements has expanded FirstWave’s addressable market to the SME market with a further 20,000+ Telstra customers. FirstWave has a target to penetrate 10% of Telstra’s SME addressable market for cloud security services by the end of FY2021 (recognising the later entry to this market relative to E&G), representing 2,000 Telstra customers.

The Company estimates that average MRR per customer will be approximately \$1,200 resulting in an exiting ARR opportunity of \$28.8M as at 30 June 2021 based on 2,000 customers.



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1. Exiting ARR represents the number of Telstra clients expected to be utilising FirstWave's SaaS platform (E&G and SME) as at the end of each financial year multiplied by estimated average MRR (on an annualised basis).
2. The number of Telstra clients, speed of take-up and MRR may vary from the assumptions reflected above.
3. Based on the provision of existing service offerings only to domestic Telstra customers (E&G and SME) and not including additional product development and professional services revenue streams.

NOTE: The above annualised exiting recurring revenue scenario is illustrative only and is based on hypothetical assumptions. These statements do not constitute a forecast or projections nor do they represent revenue in a financial year. These statements reflect views only as of the date of this announcement.

CEO Steve O'Brien commented: "I am excited by the growth in revenue from NGFW projects and AMRR in the 3rd quarter, as we continue to execute the opportunity within the Australian domestic market. The continued growth in AMRR over the last few quarters coupled with the NGFW opportunities already committed for Q4 provide a clear path for sustained profitability for the Australian operation."

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