



20 November 2019: ASX Media Release

CEO Operating Update

Thank you, John!

Let me add to what John has said and extend a welcome to all of you to this year's FirstWave Cloud Technology (FCT or FirstWave) Annual General Meeting. I also would like to express my appreciation to you, as our shareholders in the company, for your continued support.

Before I commence on the operating update, I would like to elaborate further on the role changes John has just announced.

My decision to step down from the Chief Executive Officer (CEO) to the Chief Operating Officer (COO) role was driven by a combination of factors.

The first and probably most relevant for Investors is that FCT has a very busy six to nine months ahead of it and the talent we have in the company must be directed to maximizing the opportunities we have. Managing a public company with global opportunity out of North Sydney is exciting and challenging but it involves long hours and a lot of availability. It's an 18x7 job and demanding both physically and intellectually.

On top of this, as CEO, the market-facing workload has been very demanding, and I have increasingly found it difficult to balance investor, customer, employee and my family's needs with my own personal well-being.

Second, John's appointment to FCT and prior experience in the listed market created the opportunity for FCT to simplify my accountabilities and achieve a better return on the corporate overhead we are investing.

So, the change does not manifest from any reduction in my commitment to FCT or any change in my perception of the opportunity the company has in front of it. I remain very excited about it and believe I can contribute as COO much more directly. It also allows me to achieve the balance in personal well-being necessary to ensure my own contribution can be sustained.

Now to the operating update.

I would like to take this opportunity to provide you an overview of our progress against our key investor markers.

A reminder our key investor marker's for FY2020 are:

1. Sustained Partner progress on the Path to Revenue
2. # Customers to revenue with a target of 18
3. Delivery of the product and technology roadmap
4. Optimisation of cost structure
5. Cashflow

I will take you through the progress being made against these markers in the coming slides, but at a summary level good progress is being made.





There is a lot happening within our software OEM licensing and development agreement with Cisco Systems Inc (Cisco). The pipeline has now grown to in excess of 20 opportunities.

During October, we had our first live customer traffic running on the platform. Resulting, in us being able to achieve our first billing milestone with Cisco in this quarter.

We also received the very exciting news that Cisco has received its first material order for its CSMP Email offering from a Tier 1 customer. This has resulted in us moving to advanced on-premise deployment preparations for this order.

While we have been able to achieve this milestone for both Cisco and non-Cisco customers on the public platform, this is the first on premise deployment and is the true essence of our strategic aspiration for the platform and FCT.

We can also see a second order in EMEA tracking for deployment in Q2, and then in North America tracking for the 2nd half. We are very excited about this opportunity as the volume growth potential beyond this first order from Cisco from this customer is significant for FCT, and our relationship.

Potentially these three orders could grow to support more emails seats individually than currently deployed in our largest customer in Australia.

In addition to this we are currently deploying platforms in Germany and in North America - that will support the demand being generated through the weekly sales calls the team is having with Cisco. All this sales activity is increasing our confidence that this year will be the year that our relationship with Cisco matures into a scalable and recurring revenue stream for FCT. Our confidence that our strategic intent with Cisco remains sound, has been bolstered by the depth of relationships we are building beyond the primary sponsor of our program.

Our CTO Simon Ryan recently visited the United States and Canada at Cisco's invitation where his access to X-Domain Cisco Security Engineers re-affirmed our strategic intent and the size of product roadmap opportunity beyond email and Web security appliances for FCT.

While there is a lot happening in our relationship with Cisco, the same is also true in the other partner relationships we have been building. We now have up to 25 opportunities in the pipeline globally.

A lot has been happening in Asia, where FCT's sales pipeline has been quietly building. We now have multiple opportunities across India and Malaysia that will reach important junctures in the period leading up to Christmas. Interest in Asia is split across all three security appliances (Email, Web and Firewall).

Successful closure and execution of one of these opportunities will see FirstWave actively engaging in deployment activities with partners across four continents.

FCT continues to progress its relationships with DWS in the United Kingdom and Shelt.Com in the Middle East and Africa, with good alignment on go to market activity.

More work is being invested by FCT in these relationships - primarily upgrading the London platform and deploying additional 24 x 7 service delivery capability to ensure our readiness for additional orders from these partners.





The first half of FY2020 while being busy with our domestic partner Telstra, has seen revenue impacted by:

1. The end of life of the Cisco Web Security services
2. Customer restructuring of web license purchasing arrangements
3. Once-off professional services revenue

This will result in a lower than prior year revenue in the 1st half of FY2020.

We remain optimistic about the way forward with Telstra and are actively working towards being able to support new bundles and campaign launches in the 2nd half of FY2020. Successfully executed these bundles have the potential to drive incremental recurring revenue in the 2nd half of FY2020 and will further strengthen our relationship with our longest go to market partner.

During our July update we discussed that our total addressable market was \$14BN, that our service addressable market was \$5BN (the SMB component) and that our service obtainable market was \$2BN. We also identified that the market access into the service obtainable market of \$2BN was \$45M. This was calculated using an equivalent EWF base as has been developed with Telstra and applying this to the partner pipeline and market access of these partner customers.

The output from the activity on the previous two slides, is that our current opportunity pipeline from within that \$45M market access, is \$11M in Annualised International Recurring Revenue (AIRR). Giving us 3.5 times coverage, of our June 2020 target of exiting AIRR of \$3M.

The result of work being done in our go-to-market, product development and platform deployment teams is that we have partner demand and market access to achieve our FY2020 target of 18 billing partners. It is conceivable that FCT could have commercial relationships through our partners with 5 of the world's largest Telco's within 12 months.

The company is also taking actions to improve operating efficiency. A simplified strategic focus on the cloud content security platform (CCSP) for Cisco roadmap and existing products allows us to reconsider the investments being made and how they can be structured. As a result, we are taking steps for further simplify our corporate overhead and go to market models. The changes being made will enable us to reduce in-year expenditure by approximately \$1.3M through a 12% reduction in corporate overhead and a 4% reduction in total operating expenditures.

The organisation changes John announced in his update directly supports these objectives.

The outcome is that the company has working capital to the end of June 2020 and is also working on actions to strengthen the company's balance sheet.

My objective was to provide you with an update in relation to our key investor marker's for FY2020 which are;

1. Sustained Partner progress on the Path to Revenue
2. # Customers to revenue with a target of 18
3. Delivery of the product and technology roadmap
4. Optimisation of cost structure
5. Cashflow





FIRSTWAVE
CLOUD SECURITY TECHNOLOGY

FCT continues to make progress against all 5 of these markers and is entering what will become a defining period for the company.

Over the next few months we will be actively deploying both public and on-premise cloud platforms, selling with our existing partners on the platforms already deployed, to secure the international revenue streams that are critical to the company's ongoing success.

Our CCSP technology is a global player within a total addressable market of \$14BN, our International channels are now open and growing, our cash burn will reduce by \$1.3M in-year and ~\$2.6M annualised, we have working capital to the end of June 2020 and we are applying our resources to areas of greatest opportunity.

I would now like to hand back to John.

– ENDS –

For further information, please contact:

Gai Stephens
Company Secretary
+61 2 9409 7000



Follow FCT on its Twitter investor relations feed: https://twitter.com/Firstwave_FCT

About FirstWave Cloud Technology Limited (FirstWave)

Australian cloud technology 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.



FirstWave Cloud Technology Ltd ABN: 35 144 733 595 (ASX: FCT)

A Level 10, 132 Arthur St North Sydney, NSW, 2060, Australia. **P** +61 02 9409 7000 **W** Firstwavecloud.com