



31 January 2018

## ASX ANNOUNCEMENT

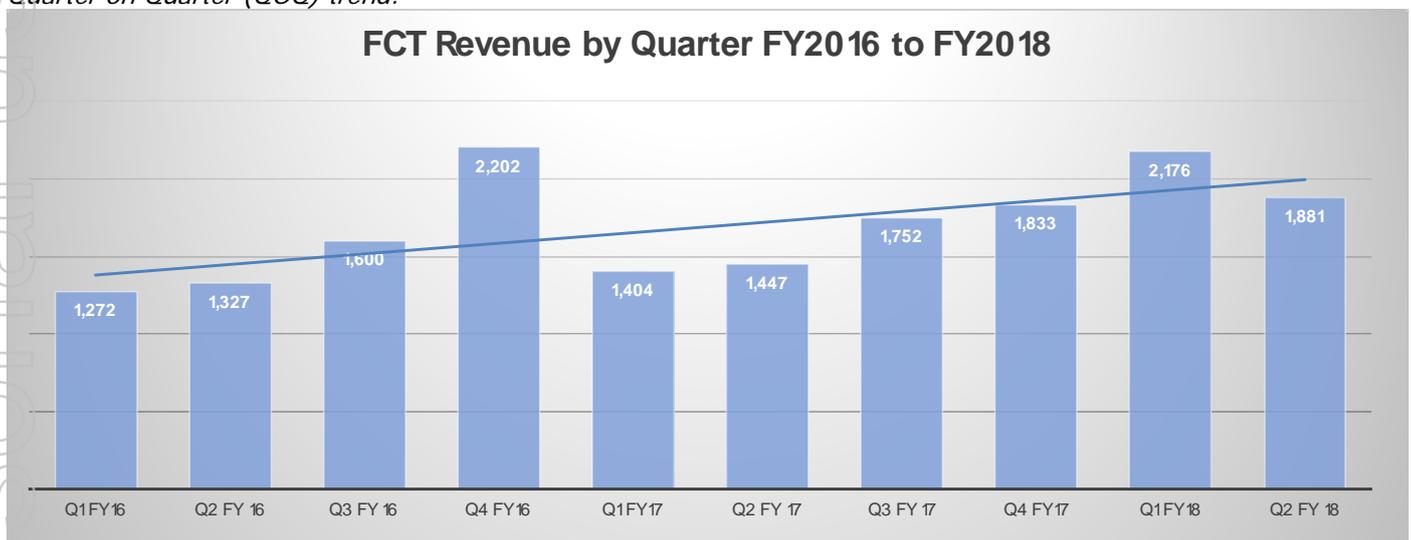
### APPENDIX 4C: QUARTERLY CASH FLOW REPORT AND COMMENTARY FOR THE QUARTER ENDED 31 DECEMBER 2017

**FirstWave Cloud Technology Limited (FCT: ASX)** ("FirstWave" or "Company"), Australia's pioneering cloud security technology company, lodges its Appendix 4C for the second quarter of FY2018 ended 31 December 2017 with the Australian Securities Exchange.

#### FirstWave Q2 FY2018 Operating Activity Update

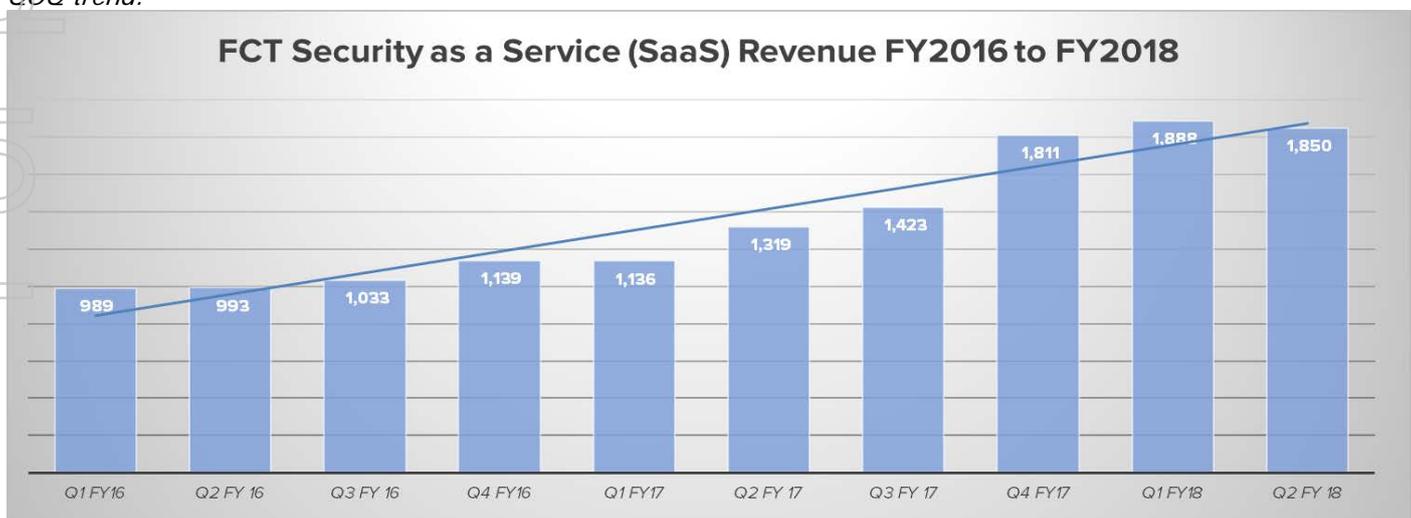
- Revenue increased by 30% to \$1.9m, compared to \$1.4m in Q2 FY2017

*Quarter on Quarter (QOQ) trend:*



- Security as a service (SaaS) revenue increased by 40% to \$1.8m, compared to \$1.3m for Q2 FY2017

*QOQ trend:*



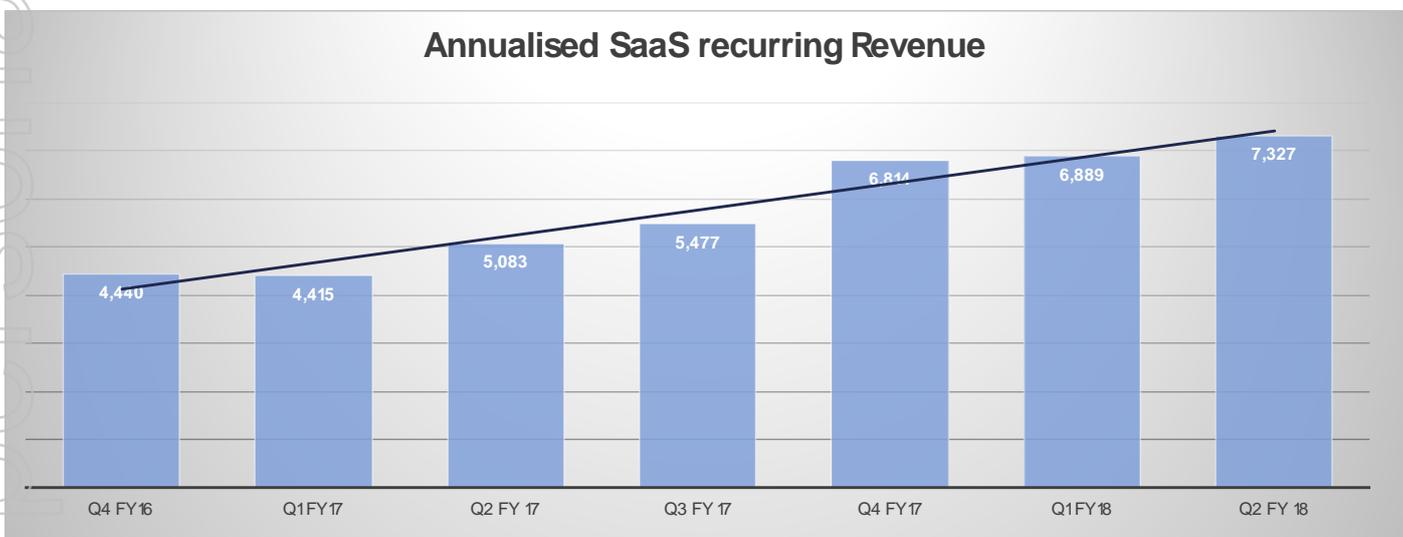
- Professional services revenue was at \$0.03m
- Total Contract Value (TCV) of new orders within the quarter was at \$0.57m
- Total customer orders (Private Cloud) increased by 16% to 243, from 210 (revised up from 204 at 30<sup>th</sup> September 2017), including in December, the first Internet Protection order

QOQ trend:



- Annualised SaaS Recurring Revenue (ARR) increased by 6% to \$7.3m, from \$6.89m in Q1 FY2018.

QOQ trend:



- **On the 20<sup>th</sup> December 2017 FirstWave announced the launch of its Public Cloud Security Platform in International Markets.**

- The FirstWave public platform is operational on Amazon Web Services (AWS) using Cisco Amazon Machine Image (AMI) optimised security appliances.
- FirstWave's unique public cloud security platform is available in North America and Asia and is designed to be replicated quickly in other regions to meet customer demand.

**Cash Flow:**

- FirstWave's cash balance at the end of Q2 FY2018 was \$4.2m (including bank guarantee deposits of \$0.1m) which is \$0.4m below the September FY2018 4C report estimate (estimated at \$4.6m), resulting from the delayed receipt of R&D tax credits valued at \$0.8m, now expected in Q3 FY2018.
- Gross customer cash receipts for Q2 FY2018 were \$1.9 million up \$0.3m on estimate, down from \$4.6m in Q1 FY2018.
  - \$2.4m of the \$4.6m in Q1 FY2018 cash receipts was due to income pre-payments.
- Operating cash payments for Q2 FY2018 were \$3.7m per estimate, down from \$3.8m in Q1 FY2018 with \$0.7m of the \$3.8m in Q1 FY2018 arising from an operating cash pre-payment supporting the \$2.4m income pre-payment.
  - Q2 FY2018 operating cash payments, include \$0.3m of one-off restructuring expenses.
- On a normalised basis (removing operating cash pre-payments and one-off restructuring expenses) operating cash payments for Q2 FY2018 were \$3.4m, up \$0.3m on Q1 FY2018.
- Investing cash payments for Q2 FY2018 were \$0.3m as per estimate, and down \$0.1m quarter on quarter.
- Financing cash flows for Q2 FY2018 includes net proceeds of \$4.1m from a capital raise by private placement of equity.
- The net cash flow position for Q2 FY2018 was an inflow of \$2.0m down \$0.4m on estimate.
- On a normalised basis (removing cash receipt income pre-payments, cash expense pre-payments, one-off restructuring expenses and net proceeds from the capital raise) the net cash outflow position for Q2 FY2018 was \$2.1m compared with a \$1.4m net cash outflow in Q1 FY2018.

**Operating cash payments by FirstWave business segments excluding one-off re-structuring expenses:**

- Domestic Business (Australia) - \$1.7m
- International Business - \$0.4m
- Corporate Services - \$1.3m

**All customer cash receipts were associated with the domestic business.**

**Q3 FY2018 Outlook**

**Operating Activities**

FirstWave continues to make good progress in relation to the "enable" phase of its International expansion strategy.

In Q3 FY2018, FirstWave expects to achieve the following operating milestones building off the launch of its security platform in December 2017, in North America and Asia:

- The addition of multiple domestic reseller partners,
- The addition of new international reseller partners in Asia, and
- First sales orders for its FirstCloud Email offering.

In the upcoming operating update supporting the announcement of its first half FY2018 results on the 28<sup>th</sup> of February, FirstWave will provide further information in relation to its remaining FY2018 milestones:

- First International revenue Q4 FY2018
- Drive full year FY2018 consolidated sales revenue to >\$9m
- Exit FY2018 with FirstWave consolidated recurring revenue profile of >\$14m.



### Estimated cash outflow for Q3 FY 2018

Cash outflows are expected to be \$4.1m, comprising:

- \$3.8m of operating expenditure, including:
  - Domestic Business (Australia) - \$1.5m
  - International Business - \$0.7m
  - Corporate Services - \$1.6m
- \$0.3m of investing expenditure

Q3 FY2018 expects to include \$0.8m of Research & Development tax credits cash inflow.

All estimated cash flows in Q3 discussed above, are consistent with the board endorsed operating plan for FY2018.

The board is pleased with the traction being achieved by management in the execution of the "Enable" phase of the FirstWave international strategy and will provide further information in relation to the "Expand" phase of its 2018-2022 strategic plan tabled at the recent Annual General Meeting, in the operating update supporting the half year results to be announced on the 28<sup>th</sup> of February 2018.

**# All numbers in this quarterly cash flow report and accompanying commentary for the quarter ended 31 December 2017 are unaudited.**

~ Ends ~



## 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 2017

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	1,948.9	6,512.5
1.2 Payments for		
(a) research and development		
(b) product manufacturing and operating costs	(597.5)	(1,832.5)
(c) advertising and marketing	-	(67.9)
(d) leased assets	(55.3)	(110.6)
(e) staff costs	(1,772.4)	(3,232.6)
(f) administration and corporate costs	(1,257.0)	(2,289.2)
1.3 Dividends received (see note 3)		
1.4 Interest received	13.9	21.1
1.5 Interest and other costs of finance paid	(0.2)	(1.4)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	19.0
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(1,719.5)</b>	<b>(981.5)</b>

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	(4.8)	(27.2)
(b) businesses (see item 10)		
(c) investments		
(d) intellectual property (capitalised development costs)	(336.9)	(735.1)
(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 (6 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>(341.7)</b>	<b>(762.3)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of shares	4,350.0	4,350.0
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	(287.1)	(287.1)
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>4,062.9</b>	<b>4,062.9</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	2,213.8	1,895.7
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,720.3)	(981.5)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(341.7)	(762.4)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	4,062.9	4,062.9

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<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
4.5	Effect of movement in exchange rates on cash held	-	-
<b>4.6</b>	<b>Cash and cash equivalents at end of quarter</b>	<b>4,214.7</b>	<b>4,214.7</b>

<b>5.</b>	<b>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	3,080.9	1,080.0
5.2	Call deposits	1,000.0	1,000.0
5.3	Bank overdrafts	-	-
5.4	Other (deposits backing bank guarantees)	133.8	133.8
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>4,214.7</b>	<b>2,213.8</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**

214.5

-

*6.1 above is comprised of director fees paid to 6 directors, and remuneration paid to the Managing Director for the period Oct – Dec 2017.*

**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

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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	117.2
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 2018</b>	\$A'000
9.1 Research and development	-
9.2 Product manufacturing and operating costs	497
9.3 Advertising and marketing	50
9.4 Leased assets	55
9.5 Staff costs	1,567
9.6 Administration and corporate costs	1,433
9.7 Other (provide details if material)	452
<b>9.8 Total estimated cash outflows</b>	<b>4,054</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/Company secretary)

Date: 31 January 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.