

FirstWave

30 JANUARY 2025

ASX ANNOUNCEMENT

ACTIVITY REPORT AND APPENDIX 4C FOR THE QUARTER ENDED 31 DECEMBER 2024

Global cybersecurity and network management company, FirstWave Cloud Technology Limited (ASX:FCT) (**FirstWave** or **Company**), provides its Activity Report and Appendix 4C for the second quarter of FY25 ended 31 December 2024.

Business Update

The board is very pleased to have seen the company deliver a cashflow positive first half year. This reflects significant operational reform over the past 18 months together with high renewal rates for key agreements and the receipt of our annual R&D funding. The quarter ending December 31 was an important quarter for the company with several major clients having their agreements up for renewal. The following key agreements were all renewed with uplifted revenues including:

- Telmex
- ISSSTE
- NASA
- Claro Dominican Republic

Strategic Positioning

Significant to the company is the renewal/extension of the company's agreement with Telmex. Telmex is a strategic partner for FirstWave and Latin America is a strategic territory. The agreement is a foundational component of FirstWave's relationship with Telmex and includes an uplift in total value of approximately 10%. Telmex (telmex.com) is the dominant telecommunication company in Mexico, with more than \$5 billion in revenue. FirstWave also works closely with Telmex's sister companies, Claro, in Ecuador, Dominican Republic and Guatemala. All these companies are part of the América Móvil, S.A.B. de C.V. [BMV: AMX] [NYSE: AMX, AMOV] conglomerate. The extension and expansion of the agreement with Telmex lays the foundation for several new strategic initiatives the company intends to pursue initially in Latin America with Telmex, and subsequently more broadly across the other territories in which the Company operates or wishes to target.

Product Positioning

The company released a new technology "opHA Message-Bus". The high availability message bus technology is industry leading and will allow large organisations or organisations with critical infrastructure to implement FirstWave's network management technology at higher scale and higher performance. Critically it allows multiple deployments of the network management software to operate in a single cluster and exchange information in real time meaning that a large organisation may deploy as much of FirstWave's technology as they like to or need to, and from an operational perspective, have a single view across all deployments – engineering operations taken on one server will be reflected live on another. The technology also provides for high availability / fail-over between servers without any down time for the organisation.

FirstWave's pipeline of opportunities remains strong, and the company continues to progress multiple key deals and looks forward to updating the market as they develop.

Financial Highlights

- Cash position at the quarter end was \$1.68m, the same balance as the end of the previous quarter;
- Annualised Recurring Revenue (ARR)* of \$8.15m, down 4% QoQ;
The fall in ARR was driven by continued churn from Telstra end-customers as a result of the previously disclosed discontinuation by Telstra of their GPA firewall product and CSX2 hosting platform.
- Revenue of \$2.21m up 1% QoQ;
- Gross Profit in Q2 of \$1.85m, down 7% QoQ;
The drop in gross profit is mainly caused by the drop in ARR from previously mentioned churn of Telstra end-

customers.

- Capitalisation of development costs of \$0.47m, down 12% QoQ.

Cash Flow Highlights

The cash position was neutral during the quarter after the following major movements:

Cash inflows of:

- \$2.03m from customers, and
- \$1.16m for R&D tax offset rebate.

Cash payments of:

- \$2.30m for staff costs of which;
 - \$1.80m was recognised as operating activities, and
 - \$0.47m were capitalised and hence recognised as investing activities,
- \$0.48m for product and operating costs, and
- \$0.39m for administration and corporate cost.

The Company's normalised[#] cash usage at the end of Q2 has been calculated at \$273k per month. The normalised cash usage does not include any non-recurring revenues that averaged \$35k per month over the prior 12 months but does include \$25k per month of interest against the convertible note. The comparable figure from Q1 was \$251k. The increase is due to the drop in gross profit that resulted from the Telstra end-customer churn. Normalised cashflow is not a proxy for forecasted short term cashflow which will reflect the actual swings in inflows and outflows that the normalised calculation seeks to smooth.

As detailed in Item 6.1 of the accompanying Appendix 4C, the Company paid \$19K in cash payments to Directors, which is lower than their agreed fees as a result of the Directors electing to receive a portion of their fees in equity-based payments. It is also noted that Item 6.1 does not include payments made to Danny Maher under his employment agreement as Managing Director and CEO.

Outlook

FirstWave's capital requirements are cyclical, and while the board acknowledges the significant achievement of zero cash usage over the first 6 months of this financial year, as previously communicated to shareholders, the board also acknowledges that March commences a cycle where the Company uses more cash. While the likely cash usage is anticipated to be substantially less than in previous years, given the low cash balance and previous communication to shareholders that the Company had sufficient cash to operate through Q3, the board has advanced considerably the options it has at its disposal to de-risk the business during this period, and will update the market as is appropriate.

The Company has scheduled an update on FY25 Q2 performance via Teleconference at 9.30am (AEDT) Thursday 30 January 2025. The presentation for this update will be uploaded to the ASX website prior to the teleconference

* ARR is the recurring revenue of the last month of the quarter x 12

Normalised includes: interest, capitalised development labour, monthly allocation for R&D grant, recurring revenue rather than collections and smooths out other timings.

All numbers in this quarterly cash flow report and accompanying commentary for the quarter ended 31 December 2024 are unaudited.

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

FirstWave Cloud Technology Limited [FCT:ASX]

ABN

35 144 733 595

Quarter ended ("current quarter")

31 December 2024

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	2,031	6,000
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(481)	(1,449)
(c) advertising and marketing	(74)	(123)
(d) leased assets	-	-
(e) staff costs	(1,795)	(3,728)
(f) administration and corporate costs	(388)	(943)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	9	23
1.5 Interest and other costs of finance paid	(78)	(155)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	1,155	1,378
1.8 Other	122	70
1.9 Net cash from / (used in) operating activities	501	1,071
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	(2)
(d) investments	-	-
(e) intellectual property	(468)	(1,002)
(f) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) entities	-	-
(b) businesses	-	-

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other	-	-
2.6	Net cash from / (used in) investing activities	(468)	(1,004)
3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
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	(33)	(66)
3.10	Net cash from / (used in) financing activities	(33)	(66)
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,679	1,678
4.2	Net cash from / (used in) operating activities (item 1.9 above)	501	1,071
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(468)	(1,004)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(33)	(66)
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	1,679	1,679

Quarterly cash flow report for entities subject to Listing Rule 4.7B

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	1,679	1,679
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	1,679	1,679

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	(19)
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

7.	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	Loan facilities	300	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	2,500	2,500
7.4	Total financing facilities	2,800	2,500
7.5	Unused financing facilities available at quarter end		300

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

FCT has an asset leasing facility for \$300,000 with NAB which is secured against the assets being purchased. The facility is available on a revolving basis with repayment terms ranging from 1 to 3 years from the draw-down date. FCT does not currently and has not previously used this facility.

FCT has entered into a \$2.5m convertible note arrangement with Formue Nord (A/S). The \$2.5m funding attracts an interest rate of 8% plus BBSW (approximately 12% per annum), with the interest payable quarterly in arrears, there is no penalty for early repayment. The lender has the option to convert the loan at strike price of \$0.036 up until the loan maturity date of 22 August 2025.

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (Item 1.9)	501
8.2	Cash and cash equivalents at quarter end (Item 4.6)	1,679
8.3	Unused finance facilities available at quarter end (Item 7.5)	300
8.4	Total available funding (Item 8.2 + Item 8.3)	1,979
8.5	Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	N/A

Note: If the entity has reported positive net operating cash flows in item 1.9, answer 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: N/A

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: N/A

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: N/A

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

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.

Date: 30 January 2025

Authorised by: the Board

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow 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 cash flow 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.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [*name of board committee – e.g. Audit and Risk Committee*]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.