

# ASX Announcement

Family Zone Cyber Safety Ltd (ASX: FZO)

Perth, January 31 2020



## DEC QTR 2019 - APPENDIX 4C COMMENTARY & OPERATIONAL UPDATE

Family Zone, supporting and protecting every child's digital journey, is pleased to provide its quarterly Appendix 4C cash flow report and commentary for the December quarter 2019.

### KEY METRICS DEC QTR 2019

Family Zone drives recurring subscription revenue through the sale of parental control service subscriptions to parents, through direct and wholesale channels and cyber safety services to schools through student licenses.

Channel	Accounts/ Students	YoY growth
<b>DIRECT</b> Accounts	14K	111%
<b>SCHOOL</b> Clients	1,168	90%
<b>STUDENT</b> Licenses	615K	70%
<b>W'SALE</b> Accounts	90K	222%



## Highlights

- Added a quarterly record 183 new school clients, growing total footprint to 1,168 (+90% YoY)
- Added a quarterly record 88,000 student licenses, taking total students to 615K (+70% YoY)
- Added 28,500 paid premium control accounts, growing total customers to 187K (+105% YoY)
- Achieved 300% YoY growth in the annual value of contracts signed in the quarter
- Achieved quarterly cash collections of \$1.2 million, an increase of 72% YoY

## OPERATIONAL COMMENTARY

### Exciting Education Sales Growth

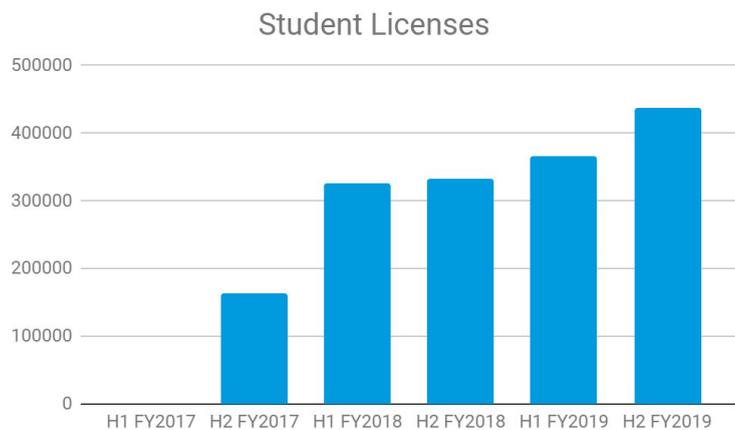
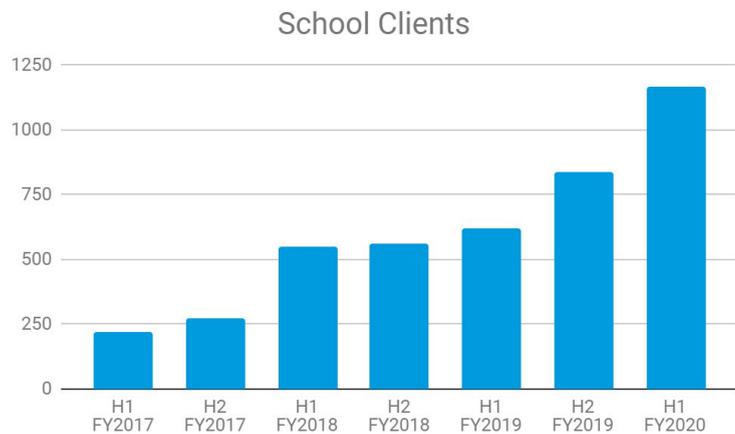
The December quarter is cyclically the biggest sales period in the AU and NZ education markets and the low point in the US. The Company is pleased to report strong growth across all of these markets.

The Company added a record 183 new school clients and 88,000 student licenses in the quarter.

With continuing record student licensing, the Company achieved a record \$1.8 million in contract signings in the quarter (**total contract value**).

Pleasingly, and reflecting the increasing contribution from US education, the Company achieved 300% YoY growth in the **annual value** of contracts signed in the quarter.

With a strong and proven US sales team in place, the Company is confident of delivering exceptional sales growth in coming quarters as market momentum builds through to the key June and September sales quarters in USA education.





## Strong Premium Account Growth

The Company is pleased to report continuing strong growth in Premium Parental Control accounts, with total accounts growing to 187,000 at 31 December 2019 from 159,000 at 30 September 2019.

The biggest driver of Premium account growth was Family Zone’s education channel, contributing nearly 20,000 new (school paid) accounts and reflecting the re-direction of marketing and sales efforts into schools. The direct channel added 800 premium consumer accounts in the quarter and wholesale added 7,600.

As indicated in previous announcements, with the Company’s focus shifting to Family Zone Insights, the Company expects a temporary drop in coming quarters in contribution to Premium accounts from the wholesale channel.



## Launch of Insights

In late November 2019 the Company launched Telkomsel Safe, a re-branded Family Zone Insights offering. With modest promotion we are pleased to announce that 7,200 accounts have now been activated across Family Zone’s channels with the bulk via Telkomsel.

Initial engagement indicators are exceptional, with greater than 60% activation of downloaded Apps and negligible churn to date.

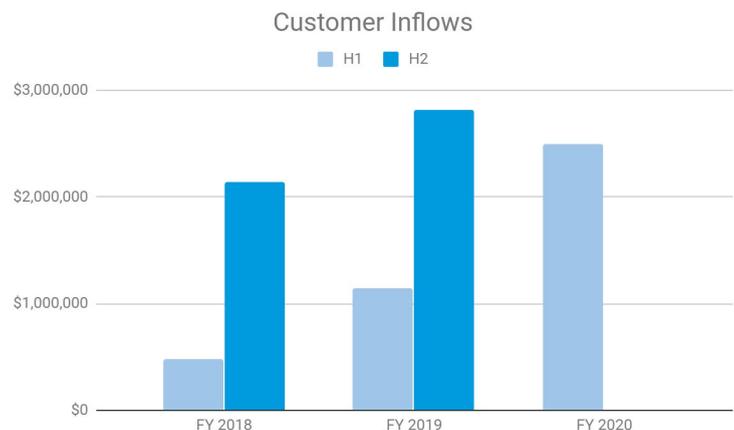
The Company’s next steps for Insights in the first half of CY20 include working with Telkomsel to ramp up marketing and promotion; agreeing launch plans with additional telco partners; and importantly launching Insights through Family Zone’s USA school district clients.

## FINANCIAL COMMENTARY

### Underlying growth in recurring customer inflows

The Company is pleased to report greater than 120% growth in customer collections in the half year ended December 2019. This growth reflects the exciting sales results reported in the previous quarters.

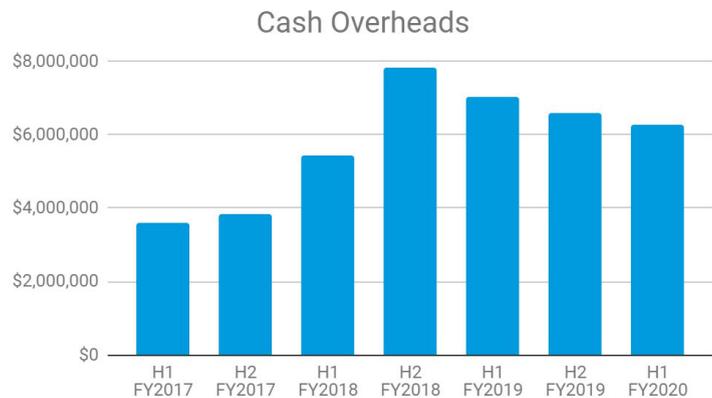
With record sales in the December quarter, collections in the March quarter 2020 are expected to rise significantly once again.



## Cost focus delivering, now moving to acceleration

As described in previous announcements, the Company has run a program to tightly manage costs and fixed overheads in particular. The Company is pleased to report a reduction in fixed overheads of close to \$4 million per year since Jun 2018 as shown in the chart pictured right.

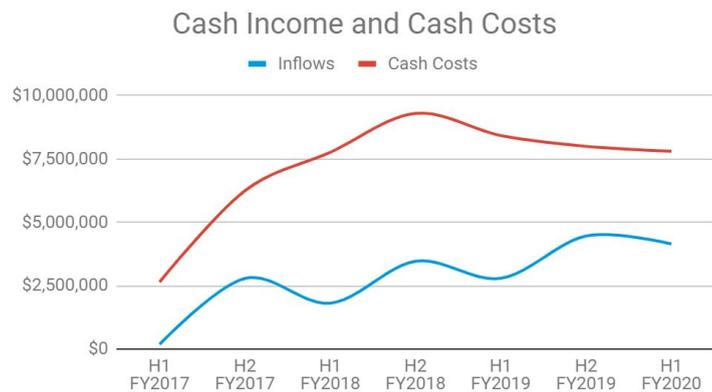
The Company will continue to carefully direct expenditure to the most productive opportunities, notably through USA education.



## Continuing progress to sustainable cash flow

With accelerating growth in revenue and tight control of costs, the Company is pleased to report progress towards sustainable cash flow.

The Company's cash balance at 31 December 2019 was \$4.6 million.



## Related Party Payments

In accordance with ASX listing Rule 4.7C.3, payments to related parties and their associates outlined in the Company's Appendix 4C for the quarter relate to Executive Director Crispin Swan's salary (portion received in cash), superannuation payments to other Directors and professional fees paid to Grange Consulting for financial management and company secretarial services.

## About Family Zone

Family Zone, *supporting and protecting every child's digital journey*, is an ASX-listed technology company and an emerging leader in the fast growing global cyber safety industry. Family Zone's unique innovation is its patented cyber safety ecosystem, a platform enabling a world-first collaboration between schools, parents and cyber safety educators. Family Zone's unique approach is delivering rapid growth in the education sector, as well as through direct sales and scalable reseller arrangements with telco providers.

To learn more about the Family Zone platform and the Company please visit [www.familyzone.com](http://www.familyzone.com).

### For more information, please contact:

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## Appendix 4C

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

**Name of entity**

Family Zone Cyber Safety Limited

**ABN**

33 167 509 177

**Quarter ended ("current quarter")**

31 December 2019

<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	1,239	2,494
1.2 Payments for		
(a) research and development	(1,435)	(2,456)
(b) product manufacturing and operating costs	(421)	(991)
(c) advertising and marketing	(260)	(500)
(d) leased assets	-	-
(e) staff costs	(982)	(2,023)
(f) administration and corporate costs	(1,243)	(2,390)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	3
1.5 Interest and other costs of finance paid	(18)	(18)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	1,944	1,944
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(1,174)</b>	<b>(3,937)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(110)	(236)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(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 (provide details if material)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(110)</b>	<b>(236)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	4,525	4,586
3.2	Proceeds from issue of convertible debt securities	-	0
3.3	Proceeds from exercise of options	-	0
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(97)	(100)
3.5	Proceeds from borrowings	712	712
3.6	Repayment of borrowings	(1,523)	(1,523)
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>3,618</b>	<b>3,676</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 period	2,291	5,108
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,174)	(3,937)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(110)	(236)

## 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
4.4	Net cash from / (used in) financing activities (item 3.10 above)	3,618	3,676
4.5	Effect of movement in exchange rates on cash held	21	35
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>4,646</b>	<b>4,646</b>

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	4,646	4,646
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>4,646</b>	<b>4,646</b>

**6. Payments to related parties of the entity and their associates**

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

Current quarter \$A'000
77
-

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

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

**7. Financing facilities**

*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.*

	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 <b>Total financing facilities</b>	-	-

7.5 **Unused financing facilities available at quarter end** -

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.

<b>8. Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (Item 1.9)	(1,174)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	4,646
8.3 Unused finance facilities available at quarter end (Item 7.5)	-
8.4 Total available funding (Item 8.2 + Item 8.3)	4,646
8.5 <b>Estimated quarters of funding available (Item 8.4 divided by Item 8.1)</b>	3.96

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

## 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: 31 January 2020

Authorised by: By the Board  
(Name of body or officer authorising release – see note 4)

## 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 – eg 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.