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ASX ANNOUNCEMENT
Melbourne – 30 October 2020

SEPT QTR 2020 - APPENDIX 4C
QUARTERLY ACTIVITIES REPORT AND OPERATIONAL UPDATE

Tesserent Limited (ASX:TNT, Tesserent or the Company) is pleased to provide its quarterly cash report and a general business update of its activities and achievements for the quarter ended 30 September 2020.

HIGHLIGHTS

Q1 Revenue $15.1M up 42.5% from previous Quarter	**$405K Operating Profit** for the Quarter*	**Cash Flow Positive** for the Quarter	**$100M+ Revenue** per annum run rate**
$14.2M Customer Receipts in Q1 Up 21.3% from Q4	**$13.76M Available Cash** as at 30 September	**Over $4.1M received** from conversion of options	**Four Acquisitions** Three completed, one announced.

**excludes one-off third-party acquisition costs*
***per annum revenue run rate based on TNT + combined FY20 acquisition revenue*

FINANCIAL UPDATE

The Company is pleased to announce that Q1 revenue of $15.1M was achieved, up 42.5% from the previous quarter. Q1 revenue included two months of revenue from Seer Security and one month's revenue from both Airloom and Ludus.



Figure 1: FY20-21 Actual Revenue by Quarter

With the addition of full quarter revenue from Seer Security, Airloom and Ludus, as well as full quarterly revenue from our most recent acquisition iQ3, subject to audit, the Group's current revenue run-rate is now in excess of **$100M**. This is anticipated to increase to in excess of **$150M** by end of FY21 on a quarterly annualised basis with continued organic growth and the completion of planned future acquisitions.

TNT continues to build its high-value recurring annuity revenues with multi-year, locked-in Managed Security Services (MSS) and Security Operations Centre (SOC) contracts now exceeding **$30M**.

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PROFITABLE AND CASH FLOW POSITIVE

As previously announced, Q4 FY20 saw TNT achieve quarterly EBITDA and operational cash flow positivity for the first time in its history. The Company is pleased to announce that it continues to build on this trend, increasing operational profit to **$405K** for the quarter, up from $17K from the previous quarter.

The Company expects to continue this growth trend for the foreseeable future.



Figure 2: FY20-21 Earnings by Quarter

The Company also continued its cash flow positivity trend, building on its cash flow positive June result by achieving $138K in positive cash flow from operations in the September quarter.

Company cash reserves were further boosted by $4.1M from Shareholders continuing to demonstrate support for the Company's strategy by exercising options during Q1.

With **$13.76M** in available cash at the end of September, growing revenue and earnings and expected continued cash flow positivity, the Company is in a strong financial position heading into Q2.

INCREASED CUSTOMER RECEIPTS

The Company collected customer receipts of in excess of **$14.2M** in Q1, up 21.3% on the previous quarter.

ACQUISITIONS UPDATE

Strategic acquisitions remain a cornerstone of Tesserent's growth strategy. The underlying core philosophy is to acquire quality cybersecurity assets that are complementary to the Cyber 360 strategy and incrementally Earnings Per Share (EPS) accretive. TNT sees this as an important element in continuing to deliver future value to our shareholders.

The Company completed three strategic acquisitions and announced a fourth in Q1:

New Acquisitions Announced in Q1 FY21	Gross Revenue ($000)	EBITDA ($000)
Seer Security (Completed 4 August 2020)	$7,637	$2,737
Airloom (Completed 11 September 2020)	$27,156	$2,693
Ludus Cybersecurity (Completed 11 September 2020)	$1,227	$350
iQ3 (Completed 28 October 2020)	$26,000	$3,000
Total	**$62,020**	**$8,780**

Figure 3: FY20 Unaudited Actual Results for New Acquisitions announced post 30 June 2020

TNT looks forward to updating the market on future acquisitions, a number of which are at an advanced stage.

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BUSINESS INTEGRATION UPDATE

The business continues to identify and realise cross-selling opportunities between the business units resulting in a number of notable Group wins in the quarter, including:

- New Federal, State and Local Government contract wins across the Group in excess of $6M in the September quarter
- Significant enterprise contract wins in aggregate in excess of $4M in the month of September with large Financial Services, Insurance, Advertising and Media organisations
- 14 cross-selling wins in the month of September from the recent new members of the Group
- Growing pipeline of opportunities and wins across business units leveraging Splunk services and capabilities

COVID-19 UPDATE

Whilst the COVID-19 pandemic has presented significant challenges, it has also created opportunities for Tesserent as organisations transition to secure mobile and remote workforces. As a result, the COVID-19 pandemic has had no material negative effect on sales as evidenced by strong quarterly revenue and earnings growth.

FUTURE FOCUS

Tesserent, through its Cyber 360 strategy, is focused on continuing to build out a one-stop-shop that provides a complete end-to-end cybersecurity solution for its clients. A primary objective is to maximise shareholder value by increasing earnings margins through the growth of high-margin annuity-based income and the inclusion of proprietary intellectual property in its solutions.

The current geopolitical climate, together with the COVID-19 pandemic and significant new technological innovation continues to fuel State-based cyberattacks, a shift to remote & mobile workforces and pervasive internet connectivity across digital platforms and devices. These factors are driving the growing requirement for government and enterprise cybersecurity solutions with an increased focus on protecting and securing digital assets. Accordingly, Tesserent will continue to evolve its core cybersecurity business with a focus on establishing an IoT/digital asset management and cybersecurity platform; a significant and growing component in the provision of a holistic, end-to-end cybersecurity solution.

Important goals for the remainder of this current financial year include:

- Deliver our Cyber 360 capabilities to an increasing number of Australian organisations
- Integrate acquisitions to maximise synergy efficiencies and drive organic revenue through cross-sales
- Focus on capturing market share in three key markets; Government (including Defence), Critical Infrastructure and Banking & Finance
- Continuing to drive the Company's acquisition strategy to expand on Cyber 360 capabilities (including IoT management and security) and increase shareholder value through incremental EPS growth
- Building out high-value recurring annuity revenue streams
- Expand proprietary intellectual property to drive high-margin product and service offerings
- Explore International expansion opportunities with a focus on Australia's key Five Eyes allies, which consists of the USA, UK, NZ and Canada

The Company looks forward to providing further market updates on its future financial and commercial objectives.

ABOUT TESSERENT

Tesserent provides full service, enterprise-grade Cyber Security and networking solutions targeted at mid-market, enterprise and government customers across Australia. The Company's Cyber 360 strategy delivers integrated solutions covering identification, protection and 24/7 monitoring against Cyber Security threats. With in excess of 220 security engineers, Tesserent has the capability to support organisations defend their digital assets against increasing risks and cyber-attacks.

Tesserent has been transformed via the acquisition of several high-quality Cyber Security businesses including Pure Security, Rivium, North Security, Seer Security, Airloom, Ludus Security and iQ3, making it Australia's largest listed dedicated Cyber Security firm.

Learn more at www.tesserent.com.

CONTACT

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Authorised by the Disclosure Team under Tesserent's Continuous Disclosure policy.

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Appendix 4C

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

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Name of entity	
Tesserent Limited	
ABN	**Quarter ended ("current quarter")**
13 605 672 928	30 September 2020

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (12months) $A'000**
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	14,915	14,915
1.2	Payments for		
	(a) research and development		
	(b) product manufacturing and operating costs		
	(c) advertising and marketing	(94)	(94)
	(d) leased assets		
	(e) staff costs	(3,480)	(3,480)
	(f) administration and corporate costs	(11,033)	(11,033)
1.3	Dividends received (see note 3)		
1.4	Interest received	1	1
1.5	Interest and other costs of finance paid	(171)	(171)
1.6	Income taxes paid		
1.7	Government grants and tax incentives		
1.8	Other (provide details if material)		
1.9	**Net cash from / (used in) operating activities**	**138**	**138**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire or for:		
	(a) entities	(4,741)	(4,741)
	(b) businesses		
	(c) property, plant and equipment		
	(d) investments		
	(e) intellectual property		
	(f) other non-current assets		

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Consolidated statement of cash flows		Current quarter $A'000	Year to date (12months) $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)		
2.6	**Net cash from / (used in) investing activities**	**(4,741)**	**(4,741)**

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	4,164	4,164
3.4	Transaction costs related to issues of equity securities or convertible debt securities		
3.5	Proceeds from borrowings	10,000	10,000
3.6	Repayment of borrowings		
3.7	Transaction costs related to loans and borrowings	(135)	(135)
3.8	Dividends paid		
3.9	Other (provide details if material)		
3.10	**Net cash from / (used in) financing activities**	**14,029**	**14,029**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	4,342	4,342
4.2	Net cash from / (used in) operating activities (item 1.9 above)	138	138
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(4,741)	(4,741)

Consolidated statement of cash flows		Current quarter $A'000	Year to date (12months) $A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	14,029	14,029
4.5	Effect of movement in exchange rates on cash held		
4.6	**Cash and cash equivalents at end of period**	**13,768**	**13,768**

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	13,768	13,768
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details)		
5.5	**Cash and cash equivalents at end of quarter (should equal item 4.6 above)**	**13,768**	**13,768**

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	
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.

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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	15,000	15,000
7.2	Credit standby arrangements		
7.3	Other (please specify)		
7.4	**Total financing facilities**	15,000	15,000

7.5	**Unused financing facilities available at quarter end**	0

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.

8.	**Estimated cash available for future operating activities**	**$A'000**
8.1	Net cash from / (used in) operating activities (item 1.9)	138
8.2	Cash and cash equivalents at quarter end (item 4.6)	13,768
8.3	Unused finance facilities available at quarter end (item 7.5)	0
8.4	Total available funding (item 8.2 + item 8.3)	13,906
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 item 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:

8.6.1 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

8.6.2 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

8.6.3 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.

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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.

30 October 2020

Date: .....

The Disclosure Team

Authorised by: .....
(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.

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