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**TZ Limited**
ABN 26 073 979 272

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**30 October 2020**

**ASX Announcement**

**Business Review for the Quarter ended 30 September 2020**

TZ Limited (ASX: TZL) ("TZ" or "the Company") today released its Appendix 4C - Quarterly Cash Flow Report for the quarter ended 30 September 2020.

The key points of the Company's Q1 and year-to-date performance are:

- Net operating cash outflows totalled $0.4M in this quarter compared to a $1.5M outflow in the corresponding quarter of last financial year. The significant cash flows for operating activities during the quarter were:
    - Receipts of $3.9 million.
    - Payments of product manufacturing and operating costs of $2.1 million.
    - Payments for staff costs of $1.9 million.
    - Payments for administration and corporate costs of $0.3 million.
- In this quarter the Company increased its debt by $0.25 million to fund the net operating cash flow outflow.
- COVID-19 continues to hamper the Company's ability to supply and install products to customer sites. Revenue in Q1 was $3.8M (unaudited), which is 26% lower than the prior corresponding quarter in FY20.

In the reporting period, TZ Limited's business activities continued to be the sale of smart locking solutions and supporting software.

Per item 6.1 of the Appendix 4C, $137,000 was paid to directors for non-executive directors' fees and salary for the executive director.

**BUSINESS UPDATE**

TZ Limited's revenue for the first quarter FY 2021 was down on the previous corresponding period mainly due to global logistic issues as a result of Covid-19 restrictions in various countries. As a result, many contracted purchase orders that would have normally been delivered in the first quarter have been delayed and will now fall in future reporting periods.

Encouragingly the pipeline of new contracted business is strong across all global markets and the business is seeing an uplift in the number of large tender opportunities for new business across several major markets.

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Throughout the year, the business has reorganised its operations with the goal to simplify the business and to reduce operating costs, with annualised costs savings of $2.5 million being implemented. Whilst the business has significantly cut costs, it continues to invest in new systems including recently rolling out a new global sales, marketing & service ticketing system, HubSpot. We have also embarked on a major overhaul of our accounting and inventory software which is on track to be completed in early 2021.

Our CTO, Adam Forsyth, has relocated to the United Kingdom to head our European and African operations whilst continuing to lead delivery of our technology road map. We have significant growth opportunities in this geographical market.

Simon Van Es has joined the TZ executive team as Group Chief Operating Officer based in Sydney. Simon's initial priorities are to implement new systems, simplify TZ's business model and find synergies, all of which are targeted to help TZ grow and be more profitable.

We continue to invest in our core software platforms & product solutions with an emphasis on revitalising our data centre solutions and the launch of our new cloud-based SMArtWork solution for locker management in SMEs.

Centurion Enterprise, ready for release in November 2020, is the latest evolution of our successful micro security management system for data centres and offers improved security, larger scale, a mobile app and a range of features that will allow TZ to extend our solutions to new sectors.

Our new cloud-based locker management system SMArtWork will also be launched in November. SMArtWork is a SaaS-based locker management and access control solution designed for the needs of SMEs and as such will allow TZ to extend and broaden our markets for our locker management solutions.

Growing annuity-based revenue is a key focus for TZ. We achieved 15% growth year for year for the reporting period, but we expect annuity-based revenues to grow in size as we continue to grow our installed locker base and as our new SaaS-based products come to market.

**OUTLOOK**

Although the world continues to face uncertainty due to Covid-19, the outlook for TZ in FY2021 is encouraging. The focus by the business to cut costs, simplify the business model and implement new initiatives to grow revenue, including a strong focus on annuity-based/everyday revenues, is starting to yield results. As a result, the business is on track to achieve its stated goal of trading cash flow positive in the near future.

**For further information, please contact:**

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This announcement is authorised for release by TZ Limited's board of directors.

# Appendix 4C

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

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| **Name of entity** | |
|---|---|
| TZ LIMITED | |
| **ABN** | **Quarter ended ("current quarter")** |
| 26 073 979 272 | 30 September 2020 |

| **Consolidated statement of cash flows** | | **Current quarter $A'000** | **Year to date (3 months) $A'000** |
|---|---|---|---|
| **1.** | **Cash flows from operating activities** | | |
| 1.1 | Receipts from customers | 3,918 | 3,918 |
| 1.2 | Payments for | | |
| | (a) research and development | - | - |
| | (b) product manufacturing and operating costs | (2,143) | (2,143) |
| | (c) advertising and marketing | (74) | (74) |
| | (d) leased assets | (24) | (24) |
| | (e) staff costs | (1,916) | (1,916) |
| | (f) administration and corporate costs | (336) | (336) |
| 1.3 | Dividends received (see note 3) | - | - |
| 1.4 | Interest received | 1 | 1 |
| 1.5 | Interest and other costs of finance paid | (3) | (3) |
| 1.6 | Income taxes paid | - | - |
| 1.7 | Government grants and tax incentives | 192 | 192 |
| 1.8 | Other (provide details if material) | - | - |
| **1.9** | **Net cash from / (used in) operating activities** | **(385)** | **(385)** |

| | | | |
|---|---|---|---|
| **2.** | **Cash flows from investing activities** | | |
| 2.1 | Payments to acquire: | | |
| | (a) entities | - | - |
| | (b) businesses | - | - |
| | (c) property, plant and equipment | (0) | (0) |
| | (d) investments | - | - |
| | (e) intellectual property | (98) | (98) |
| | (f) other non-current assets | - | - |

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| Consolidated statement of cash flows | | Current quarter $A'000 | Year to date (3 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) | - | - |
| **2.6** | **Net cash from / (used in) investing activities** | **(98)** | **(98)** |

| | | | |
|---|---|---|---|
| **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 | 250 | 250 |
| 3.6 | Repayment of borrowings | - | - |
| 3.7 | Transaction costs related to loans and borrowings | - | - |
| 3.8 | Dividends paid | - | - |
| 3.9 | Other (AASB16 leases) | (18) | (18) |
| **3.10** | **Net cash from / (used in) financing activities** | **232** | **232** |

| | | | |
|---|---|---|---|
| **4.** | **Net increase / (decrease) in cash and cash equivalents for the period** | | |
| 4.1 | Cash and cash equivalents at beginning of period | 1,043 | 1,043 |
| 4.2 | Net cash from / (used in) operating activities (item 1.9 above) | (385) | (385) |
| 4.3 | Net cash from / (used in) investing activities (item 2.6 above) | (98) | (98) |

| Consolidated statement of cash flows | | Current quarter $A'000 | Year to date (3 months) $A'000 |
|---|---|---|---|
| 4.4 | Net cash from / (used in) financing activities (item 3.10 above) | 232 | 232 |
| 4.5 | Effect of movement in exchange rates on cash held | (12) | (12) |
| **4.6** | **Cash and cash equivalents at end of period** | **780** | **780** |

| 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 | 780 | 1,043 |
| 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)** | **780** | **1,043** |

| 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 | 137 |
| 6.2 | Aggregate amount of payments to related parties and their associates included in item 2 | - |

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| 7. | **Financing facilities**<br>*Note: the term "facility' includes all forms of financing arrangements available to the entity.*<br>*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 | 12,151 | 11,901 |
| 7.2 | Credit standby arrangements | - | - |
| 7.3 | Other (please specify) | - | - |
| 7.4 | **Total financing facilities** | 12,151 | 11,901 |

| | | |
|---|---|---|
| 7.5 | **Unused financing facilities available at quarter end** | 250 |

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.

At 30 September 2020, TZ had a loan facility of $11.5 million with First Samuel Limited. The interest rate of the facility is 90-day BBSW plus 6% p.a. on $6 million of the facility and 90-day BBSW plus 9% p.a. on $5.5 million of the facility.

TZ's USA subsidiary, Telezygology Inc, has a PPP loan under the CARES Act for $465,000.

| 8. | **Estimated cash available for future operating activities** | **$A'000** |
|---|---|---|
| 8.1 | Net cash from / (used in) operating activities (Item 1.9) | (385) |
| 8.2 | Cash and cash equivalents at quarter end (Item 4.6) | 780 |
| 8.3 | Unused finance facilities available at quarter end (Item 7.5) | 250 |
| 8.4 | Total available funding (Item 8.2 + Item 8.3) | 1,030 |
| 8.5 | **Estimated quarters of funding available (Item 8.4 divided by Item 8.1)** | 2.67 |

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

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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.

Date: 30 October 2020

Authorised by: The Board of Directors

**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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