

26 July 2018

ASX Announcement

APPENDIX 4C FOR QUARTER ENDED 30 JUNE 2018

TZ Limited (ASX: TZL) ("TZ" or "the Company") today released its Appendix 4C - Quarterly Cash Flow Report for the period ended 30 June 2018.

June 2018 Year End Performance and Business Update

Key highlights for the June quarter and FY2018 include:

- Group revenue for the quarter was A\$9.1M bringing the unaudited year end result to A\$17.5M. Gross margin was 53% for the quarter which is consistent with the FY18 average of 52%. This compares well to last year's annual average of 46%.
- While the year-end revenue result in FY2018 was about 19% less than what the Company achieved in FY2017, the result represents an improvement in business performance from an EBITDA loss of -A\$3.0M last year to -A\$2.5M this year on a lower revenue base. In addition, the recovery from a very slow first half year revenue result of A\$6.0M has been encouraging with the business demonstrating overall growth in its high margin sectors of around 40%.
- Under the direction of the new Board of Directors, the Company set about to migrate its locker business from the high volume, low margin postal sector, which contributed around 40% of sales last year, into new differentiated high value application areas. The sales results, in particular in the half year from January to June 2018, demonstrates that the strategy is working and that demand exists for the Company's more sophisticated technology offerings.
- Total net cash flows from operating activities for FY 2018 was -A\$3.6M which is a marked improvement from the -A\$7.6M recorded for the previous financial year.
- A\$1.5M was invested over the course of the year in product development and manufacturing improvements to support development of the Company's next generation SMARt Devices, TZ Software platform and licensing initiatives.
- Payments for operating expenses came in at A\$11.5M in FY2018 which is \$1.9M less than in FY2017.

BUSINESS UPDATE

- The Company forecasted a strong finish to the fiscal year given the backlog of contracted large opportunities and booked business that was anticipated to be dispatched in May and June. Although some purchase orders failed to fully ship by the year-end deadline, the quarter result is still a good indicator of the progress the Company is making towards its goals.

- Importantly, the Company has been able to develop and grow its business in the attractive corporate, educational and retail sectors and has proven that demand exists for its differentiated high-end offerings. The business is in a healthier position today with its sales spread across an extensive range of large retained corporate customers in multiple application sectors.
- There are a number of positive trends:
 - The US business has seen solid growth in its traditional corporate Package Management sector with a number of large strategic customers continuing to reinforce their preference for TZ Smart Lockers as they expand their locker networks across their campuses.
 - New application areas are emerging as large US customers are looking to sophisticated smart locker systems to enable secure storage and accountable exchange in data centres, warehouse and inventory management environments. This represents a new and attractive area of opportunity for TZ, particularly where security is a decision-making factor.
 - Opportunities in the US Retail sector are also looking promising, in particular in Buy Online, Pick Up In Store applications, where three large retailers have engaged with TZ to develop solutions predicated on custom workflows and systems integration. New pilots with these large retail customers are scheduled to deploy in the coming months.
 - The US business focus on the educational sector has also yielded good results with a number of recent wins with a number of well known universities in the USA (i.e. Princeton, Rutgers, Villanova, Boston College, Regis University). These wins and the quality of the customers underpin what is likely to be a high growth segment for the US Business.
 - Our European business grew from a standing start to over A\$3M in sales this year, fueled by the large locker roll-out in South Africa with Ricoh. With more sales anticipated in South Africa in FY 2019 and Ricoh Europe starting to make in-roads particularly in the UK market, TZ's European business should continue to deliver a solid performance in the new fiscal year.
 - The Australian business faced a number of major infrastructure projects slipping in their deployment schedules. Several projects across IXP and PAD Corporate Day Lockers are now anticipated to be deployed this fiscal year.
 - Without new Sing Post and Pos Malaysia Locker sales, the Asia business' revenue is limited to on-going HW and SW maintenance and support contracts. Efforts to launch and build awareness of TZ SMARt Locker solutions in Singapore has however gained traction particularly with the large developer groups. Successful pilot Day Locker and End-of-Trip Locker projects, which were deployed in the last quarter, should provide a good reference to on-going engagement in the market.

OUTLOOK

The Company is in the process of transition with a refocus on new business priorities and objectives since the Board changes in September.

The year-end results are starting to reflect some of the positive changes that are occurring within the organisation.

Appendix 4C

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

TZ Limited

ABN

26 073 979 272

Quarter ended ("current quarter")

30 June 2018

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	2,219	15,910
1.2 Payments for		
(a) research and development		
(b) product manufacturing and operating costs	(1,907)	(7,731)
(c) advertising and marketing	(230)	(514)
(d) leased assets	(128)	(530)
(e) staff costs	(2,073)	(7,872)
(f) administration and corporate costs	(731)	(2,648)
1.3 Dividends received (see note 3)		
1.4 Interest received	0	10
1.5 Interest and other costs of finance paid	(125)	(283)
1.6 Income taxes refunded	(5)	(27)
1.7 Government grants and tax incentives	0	111
1.8 Other (provide details if material)		
1.9 Net cash from / (used in) operating activities	(2,980)	(3,574)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(7)	(121)
(b) businesses (see item 10)		
(c) investments		
(d) intellectual property	(315)	(1,513)
(e) other non-current assets		

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment		
	(b) businesses (see item 10)	0	60
	(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)		
2.6	Net cash from / (used in) investing activities	(322)	(1,574)
3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	0	5,544
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	0	(98)
3.5	Proceeds from borrowings	1,000	1,000
3.6	Repayment of borrowings	0	(1,000)
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (provide details if material)		
3.10	Net cash from / (used in) financing activities	1,000	5,446
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of quarter/year to date	3,291	669
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,980)	(3,574)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(322)	(1,574)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,000	5,446
4.5	Effect of movement in exchange rates on cash held	14	36
4.6	Cash and cash equivalents at end of quarter	1,003	1,003

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	1,003	3,291
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)	1,003	3,291

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**

273

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Payments include directors' fees for non-executive directors, salary for the executive director and office rent paid to an entity related to a director.

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**

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8. Financing facilities available

Add notes as necessary for an understanding of the position

- 8.1 Loan facilities
- 8.2 Credit standby arrangements
- 8.3 Other (please specify)

**Total facility amount
at quarter end
\$A'000**

**Amount drawn at
quarter end
\$A'000**

5,000

4,000

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- 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.


The entity has a secured loan facility of \$5 million with First Samuel in two tranches with terms of 24 and 36 months. The interest rate of the facility is 90-day BBSW plus 4% p.a. on the \$3 million tranche and 90-day BBSW plus 9% p.a. on the \$2 million tranche.

9.	Estimated cash outflows for next quarter	\$A'000
9.1	Research and development	0
9.2	Product manufacturing and operating costs	4,500
9.3	Advertising and marketing	120
9.4	Leased assets	130
9.5	Staff costs	1,900
9.6	Administration and corporate costs	650
9.7	Other (provide details if material)	50
9.8	Total estimated cash outflows	7,350

10.	Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1	Name of entity	N/A	Infinity Design Pty Ltd
10.2	Place of incorporation or registration	N/A	Australia
10.3	Consideration for acquisition or disposal	N/A	\$60,000
10.4	Total net assets	N/A	\$80,200
10.5	Nature of business	N/A	Industrial Design Services

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.

Sign here: 
(Company Secretary)

Date: 26 July 2018

Print name: CRAIG SOWDEN

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.