



TZ Limited

ABN 26 073 979 272

www.tz.net

29 April 2024

ASX Announcement

Business Review for the Quarter ended 31 March 2024

TZ Limited (ASX: TZL) (“TZ” or “the Company”) today released its Appendix 4C - Quarterly Cash Flow Report for the quarter ended 31 March 2024.

The key points of the Company’s fiscal 2024 Q3 performance are:

- The net cash from operating activities for this quarter was a negative outflow of \$0.4M following the very strong positive cash inflow of \$0.78M in the previous quarter. This in part, reflects supplier payments to support the large orders delivered in the previous quarter.
- The cash outflow reflected the net change in Accounts Receivable minus Accounts Payable of a positive \$500K (Accounts Payable declining by \$125K and Accounts Receivable increasing by \$375K).
- Note that an interest payment of \$161K on the First Samuel debenture was paid during the quarter.
- EBITDA for the quarter was \$73K, which was below budget. This is due to delays to three major US projects which impacted the quarter. One of those projects has commenced but the other two may slip into FY25.
- The cash flows for operating activities during the quarter were:
 - Receipts of \$3.1 million.
 - Payments of product manufacturing and operating costs of \$2.2 million.
 - Payments for staff costs of \$1.0 million.
 - Payments for administration, corporate and other costs of \$0.5 million.
 - Per Item 6.1 of the Appendix 4C, \$81,000 was paid to directors for non-executive directors’ fees during the quarter.

BUSINESS UPDATE

- The Company continues to show positive business performance with a Q3 EBITDA of \$73K bringing the year-to-date (YTD) performance to an unaudited positive EBITDA of \$719K and a YTD net profit of \$359K. This represents the third consecutive net positive quarter for the Company. Note that the third quarter historically represents the Company’s slowest in sales.
- YTD Group Revenue of \$11.3M, 7% down on plan budgeted expectations, still puts the Company in a good position to meet its annual sales targets, especially since the June quarter is seasonally TZ’s strongest quarter. TZ expects US sales to the Educational Sector to ramp significantly in Q4 as Universities hasten to complete upgrade works over the summer break.
- Gross margins remain above 50%, and continued focus on operating costs and expenditure, should see the company finish the fiscal year with a positive result.

Think SMART. Think TZ.

BUSINESS INITIATIVES

TZ Limited's focus remains the same: -

1. Expand and consequently, grow EBITDA.
2. Grow Annual Recurring Revenue (ARR) which is currently circa \$4m per annum.
3. The focus on the Recurring Revenue model began in 2020 and has delivered significant growth to achieve \$4m in Annual Recurring Revenue (ARR) over the past 4 years (since inception). This remains an exciting growth opportunity for the company.
4. Robust financial stability – positive cash flow and earnings and the removal of debt.
5. Total Shareholder Return.

Business Initiatives Underway

- The Company is negotiating the licensing of manufacturing rights to its proprietary data centre security products. The aim for the license structure is for TZ to receive an upfront exclusivity payment and an ongoing royalty fee. This continues the Company's transition from "capital intensive manufacturing of proprietary products" to a "higher margin" software and services business.
- The Company is progressing its strategy to engage with potential "enterprise partners" for "white label" software licensing. This has involved the Company successfully demonstrating the application of its software to manage and control third party lockers, together with system and transactional data.
- TZ has been notified of the award of two tenders for "end-of-trip" lockers in Southeast Asia for CapitaLand, a Singapore based real estate conglomerate. This followed the successful deployment of over 1,500 employee day lockers at their corporate headquarters. The Company hopes to continue to supply CapitaLand with smart locker solutions for their new developments.

The Residential Market – primary expansion target

- TZ has a key goal to expand into the Residential sector. To achieve this, the Company is developing a highly competitive offering, targeting the "build-to-rent", Property Development and Strata Management sectors. The Company aims to leverage off its existing client base and network of industry associates, both here and in the US.

Post Balance Date – Partial debt repayment.

- Partial debt repayment to First Samuel of \$200,000. There was a payment scheduled for \$500,000 at 31st March, however TZ and First Samuel have agreed to an extension on \$300,000 short term, allowing these delayed transactions and sales (US\$0.65m in sales to be invoiced near term) to complete.

OUTLOOK

The Company has built a lower cost, more efficient business over the past 12 months.

Management's focus is the challenge of business expansion and revenue growth.

The Company is optimistic it can continue to maintain the growth in its Recurring Revenue book (currently AUD\$4m per annum) at the prevailing year-on-years rate (30% per annum).

This announcement is authorised for release by TZ Limited's Board of Directors.

For further information, please contact:

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Appendix 4C

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

Name of entity

TZ LIMITED

ABN

26 073 979 272

Quarter ended ("current quarter")

31 March 2024

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	3,132	11,960
1.2 Payments for		
(a) research and development		
(b) product manufacturing and operating costs	(2,191)	(6,172)
(c) advertising and marketing	(31)	(102)
(d) leased assets		
(e) staff costs	(1,023)	(3,585)
(f) administration and corporate costs	(464)	(1,462)
1.3 Dividends received (see note 3)		
1.4 Interest received	0	1
1.5 Interest and other costs of finance paid	(161)	(326)
1.6 Income taxes paid	(12)	9
1.7 Government grants and tax incentives	332	332
1.8 Other (provide details if material)		
1.9 Net cash from / (used in) operating activities	(418)	655
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities		
(b) businesses		
(c) property, plant and equipment	0	(11)
(d) investments		
(e) intellectual property	(105)	(338)
(f) other non-current assets		

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities		
	(b) businesses		
	(c) property, plant and equipment	0	1
	(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	(105)	(348)
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 (provide details if material)	(59)	(187)
3.10	Net cash from / (used in) financing activities	(59)	(187)
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,560	863
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(418)	655
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(105)	(348)

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

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(59)	(187)
4.5	Effect of movement in exchange rates on cash held	24	19
4.6	Cash and cash equivalents at end of period	1,002	1,002

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	1,002	1,002
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)	1,002	1,002

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	81
6.2	Aggregate amount of payments to related parties and their associates included in item 2	
<i>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.</i>		

7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<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>		
7.1 Loan facilities	3,500	3,500
7.2 Credit standby arrangements		
7.3 Other (please specify)		
7.4 Total financing facilities	3,500	3,500
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.	<p>TZ's secured debenture facility with First Samuel of \$3.5 million remains fully drawn down as of 31st March.</p> <p>The interest rate of the facility is 90-day BBSW plus 4.5% p.a.</p> <p>AUD\$1 million of the loan matures on 30 June 2024 and balance AUD\$2.5 million of the loan facility will be maturing on 30 June 2025.</p>	

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(418)
8.2 Cash and cash equivalents at quarter end (item 4.6)	1,002
8.3 Unused finance facilities available at quarter end (item 7.5)	
8.4 Total available funding (item 8.2 + item 8.3)	1,002
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	2.4
<i>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.</i>	
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	
<i>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.</i>	

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: 29 April 2024

Authorised by: The Board of Directors
(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.