

## MARCH QTR 2021 - 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 business update of its activities and achievements for the quarter ended 31 March 2021.

### HIGHLIGHTS

<p><b>Record operating EBITDA of \$1.7M for the quarter</b> up 21.4% on previous quarter*</p>	<p><b>Record operating cash flow of \$1.8M</b> for the quarter</p>	<p><b>Record single month revenue of \$9.1M</b> for the month of March</p>	<p><b>Record customer receipts of \$21.9M in Q3</b> up 6.3% from Q2 FY21</p>
<p><b>On track to achieve \$150M turnover run rate**</b></p>	<p><b>Added to S&amp;P/ASX All Ordinaries</b> in Q3 FY21</p>	<p><b>Acquisition Growth Fund increased by \$20M</b></p>	<p><b>\$25.5M Cash on Hand</b> 23 April 2021</p>

*\*unaudited, subject to audit. Excludes one-off acquisition costs*

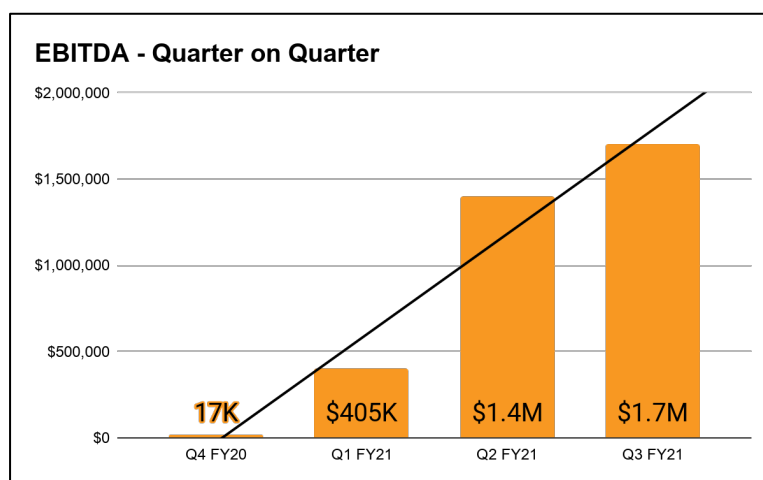
*\*\*per annum turnover run rate based on estimated turnover at June 2021 annualised*

### FINANCIAL UPDATE

The Company is pleased to announce that it continues to perform in line with management estimates.

#### RECORD OPERATING PROFITABILITY AND CASH FLOW POSITIVITY

The Company is pleased to announce record operating profitability for the March quarter. TNT continues to build its quarter on quarter operating profitability, increasing operational EBITDA to **\$1.7M** for the quarter, up 21.4% from the previous quarter's \$1.41M. This was a particularly pleasing result when factoring in reduced revenue from the seasonally slow Christmas/New Year holiday period.



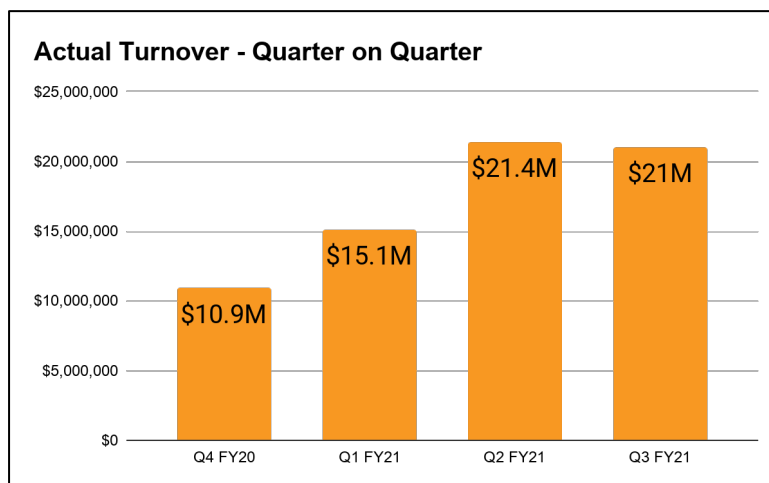
**Figure 1** - EBITDA on a quarterly basis

The Company is also pleased to announce record cash flow positivity for the March quarter, achieving **\$1.8M** in positive cash flow from operations, a growth trend that the Company expects to continue for the foreseeable future.

With **\$7.7M** in available cash at the end of March and strong earnings growth expected to continue, the Company is in a strong financial position heading into Q4.

#### *RECORD MONTHLY TURNOVER AND CUSTOMER RECEIPTS*

Whilst quarter on quarter revenue was slightly down (which was within Management expectations allowing for reduced sales from the seasonally slow Christmas/New Year holiday period), record monthly turnover of **\$9.1M** was achieved in the month of March. This helped the Company achieve quarterly turnover of \$21M and generate record quarterly customer receipts of \$21.9M, up 6.3% on Q2.



**Figure 2** - Actual Turnover on a quarterly basis (excludes recent announced acquisitions not yet in control period).

Based on the Company's existing current recurring revenue, together with a strong pipeline of both renewal and new sales opportunities, the Company expects Q4 revenue quarter on quarter growth to be significant.

In addition to growing revenues, a significant contributing factor to Tesseract's current and ongoing profitability is the successful integration of acquisitions resulting in broad cost savings, such as consolidation of office space and other operational resources. Current and future cross-selling initiatives are also a contributing factor, with several substantial synergy wins during Q3, including multi-million dollar State and Federal Government contracts.

Taking into account current turnover from all existing acquisitions, the Group remains on track to achieve its **turnover run-rate ambition of \$150M** by June 30.

#### **TESSERENT LISTED ON THE S&P/ASX ALL ORDINARIES INDEX**

The Company was pleased to announce its addition to the S&P/ASX All Ordinaries Index (All Ords), which is made up of the share prices for the top 500 companies listed on the ASX. This comes as a result of our strong overall market performance during 2020 and 2021, with continued significant growth across the Group.

#### **ACQUISITIONS UPDATE**

Strategic acquisitions remain a cornerstone of Tesseract's growth strategy. As previously stated,

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.

With this in mind, the Company completed the strategic acquisitions of Lateral Security (February 2021) and Secure Logic (April 2021).

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

### **ACQUISITION DEBT FUND INCREASED BY \$20M**

During the March quarter, Tesserent entered into a new agreement with existing debt facility provider PURE Asset Management (PURE) for an increased debt facility with improved terms as of 16 March 2021. The new facility sees the Company's **capacity raised by \$20M** to fund near-term acquisitions in the pipeline.

### **FUTURE FOCUS**

As per our recent Investor Update (13 April 2021), the Company's stated goals for FY21 are:

- Continue to drive the Company's acquisition strategy to expand on Cyber 360 capabilities and market share, increasing shareholder value through incremental EPS growth
- Foster innovation and expand proprietary intellectual property to drive high-margin product and service offerings
- Help drive an industry-wide capability uplift and reduce the skill shortage gap through the Tesserent Academy
- Focus on capturing further market share in three key markets: Government (including Defence), Critical Infrastructure and Industry and Financial Services
- Drive growth through deeper customer engagements and increasing our average services per customer
- Integrate acquisitions to maximise synergy efficiencies and drive organic revenue growth through cross-selling
- Build out high-value recurring annuity revenue streams
- Explore International expansion opportunities with a focus on Australia's key Five Eyes allies, which consists of the USA, UK, NZ and Canada
- Build leadership position in the Converged Security market and Cyber Education

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

### **ABOUT TESSERENT**

Our mission is to be the Sovereign Cybersecurity Provider of choice for the Protection of

Australia and New Zealand's Digital Assets.

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 290 people committed to helping our client with better cyber resilience, 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, iQ3 and Lateral Security, making it Australia's largest listed dedicated Cyber Security firm.

#### CONTACT

Investor Enquiries:

Julian Challingsworth

Managing Director

+61 (0)3 9880 5559

[investor@tesserent.com](mailto:investor@tesserent.com)

Media Enquiries:

Alex Belcher

Marketing Manager

+61 (0)3 9880 5525

[alexandra.belcher@tesserent.com](mailto:alexandra.belcher@tesserent.com)

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

## Appendix 4C

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

**Name of entity**

Tesseract Limited

**ABN**

13 605 672 928

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

31 March 2021

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (9 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	21,926	57,465
1.2 Payments for		
(a) research and development		
(b) product manufacturing and operating costs	(11,368)	(37,975)
(c) advertising and marketing	(76)	(249)
(d) leased assets		
(e) staff costs	(8,168)	(19,852)
(f) administration and corporate costs	(448)	(1,196)
1.3 Dividends received (see note 3)		
1.4 Interest received	2	5
1.5 Interest and other costs of finance paid	(36)	(135)
1.6 Income taxes (paid)/refund	(35)	-
1.7 Government grants and tax incentives	-	312
1.8 Other (provide details if material)		
<b>1.9 Net cash from / (used in) operating activities</b>	<b>1,797</b>	<b>(1,625)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities (net of cash acquired)	(546)	(6,755)
(b) businesses		
(c) property, plant and equipment		
(d) investments		
(e) intellectual property		
(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		
(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 Net cash from / (used in) investing activities</b>	<b>(546)</b>	<b>(6,755)</b>

<b>3. Cash flows from financing activities</b>		
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 and warrant shares	305	9,436
3.4 Transaction costs related to issues of equity securities or convertible debt securities	(13)	(120)
3.5 Proceeds from borrowings	-	10,000
3.6 Repayment of borrowings	(282)	(2,796)
3.7 Transaction costs related to loans and borrowings	-	(564)
3.8 Dividends paid		
3.9a Other – Interest paid	(329)	(661)
3.9b Other – deferred settlement liabilities	(1,236)	(3,584)
<b>3.10 Net cash from / (used in) financing activities</b>	<b>(1,555)</b>	<b>11,711</b>

<b>4. Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1 Cash and cash equivalents at beginning of period	7,984	4,349
4.2 Net cash from / (used in) operating activities (item 1.9 above)	1,797	(1,625)

Appendix 4C  
Quarterly cash flow report for entities subject to Listing Rule 4.7B

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (9 months) \$A'000</b>
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(546)	(6,755)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(1,555)	11,711
4.5	Effect of movement in exchange rates on cash held	(23)	(23)
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>7,657</b>	<b>7,657</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	7,657	7,984
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>7,657</b>	<b>7,984</b>

<b>6.</b>	<b>Payments to related parties of the entity and their associates</b>	<b>Current quarter \$A'000</b>
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.*

7. <b>Financing facilities</b> <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>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
7.1 Loan facilities	35,000	15,000
7.2 Credit standby arrangements		
7.3 Other (please specify)		
7.4 <b>Total financing facilities</b>	<b>35,000</b>	<b>15,000</b>
7.5 <b>Unused financing facilities available at quarter end</b>		<b>20,000</b>
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.		
Facility #1: Pure Asset Management (\$15 million @ 8.9% pa, maturing 31 Aug 2024)		
Facility #2: Pure Asset Management (\$20 million @ 8.5% pa, maturing 19 Apr 2025)		

8. <b>Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (item 1.9)	1,797
8.2 Cash and cash equivalents at quarter end (item 4.6)	7,657
8.3 Unused finance facilities available at quarter end (item 7.5)	20,000
8.4 Total available funding (item 8.2 + item 8.3)	27,657
8.5 <b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	<b>N/A</b>
<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 2021

Authorised by: The Disclosure Team  
(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.