



2022 Annual Results Investor Presentation

Tesseract Limited (ASX:TNT)

30 August 2022



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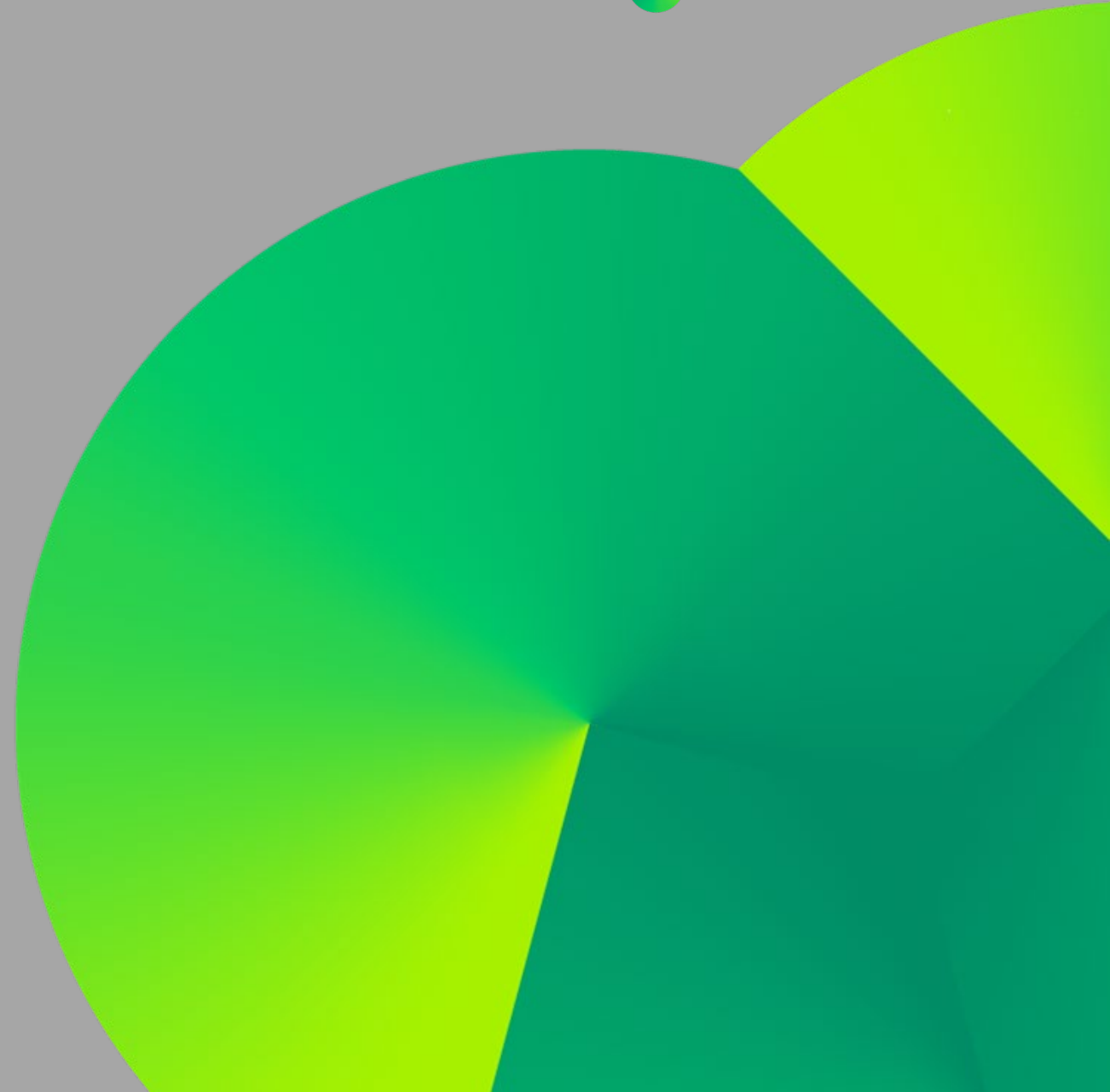
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Contents

- Financial Performance
- Sector Overview & Why Tesseract
- Operational Achievements
- Strategy Growth and Outlook





Financial Performance

FY22 Results – Key financial metrics



\$166m
Turnover
up 71%

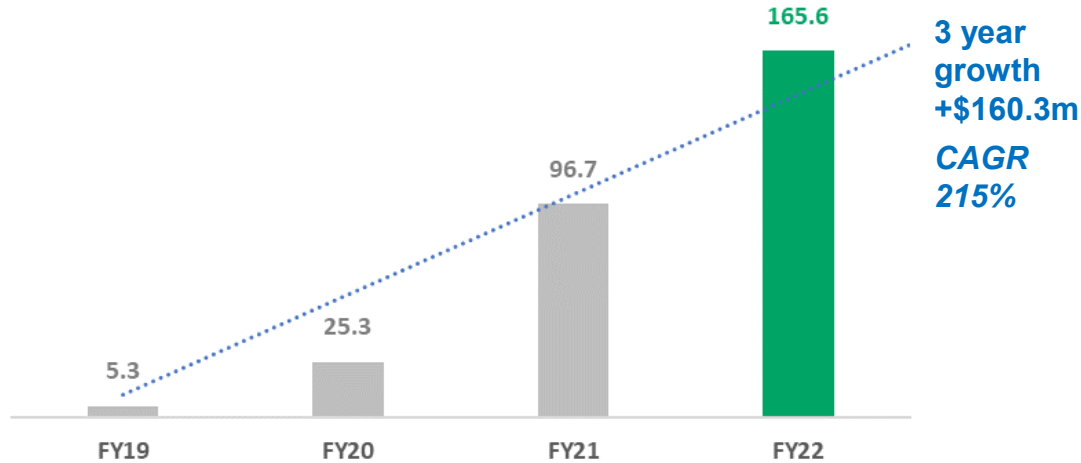


\$18.6m
Normalised EBITDA¹
up 94%

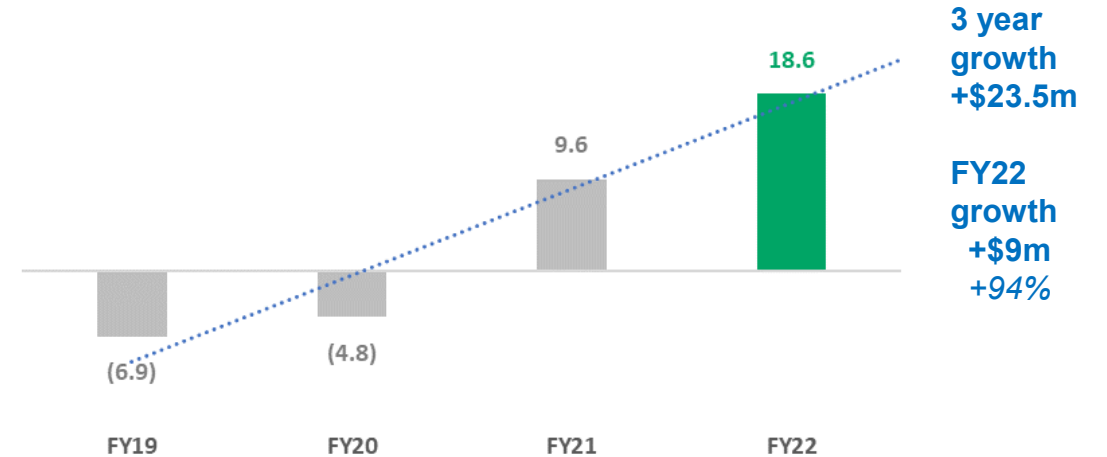


\$10.0m
Normalised NPAT¹
up 38%

Turnover (\$m)



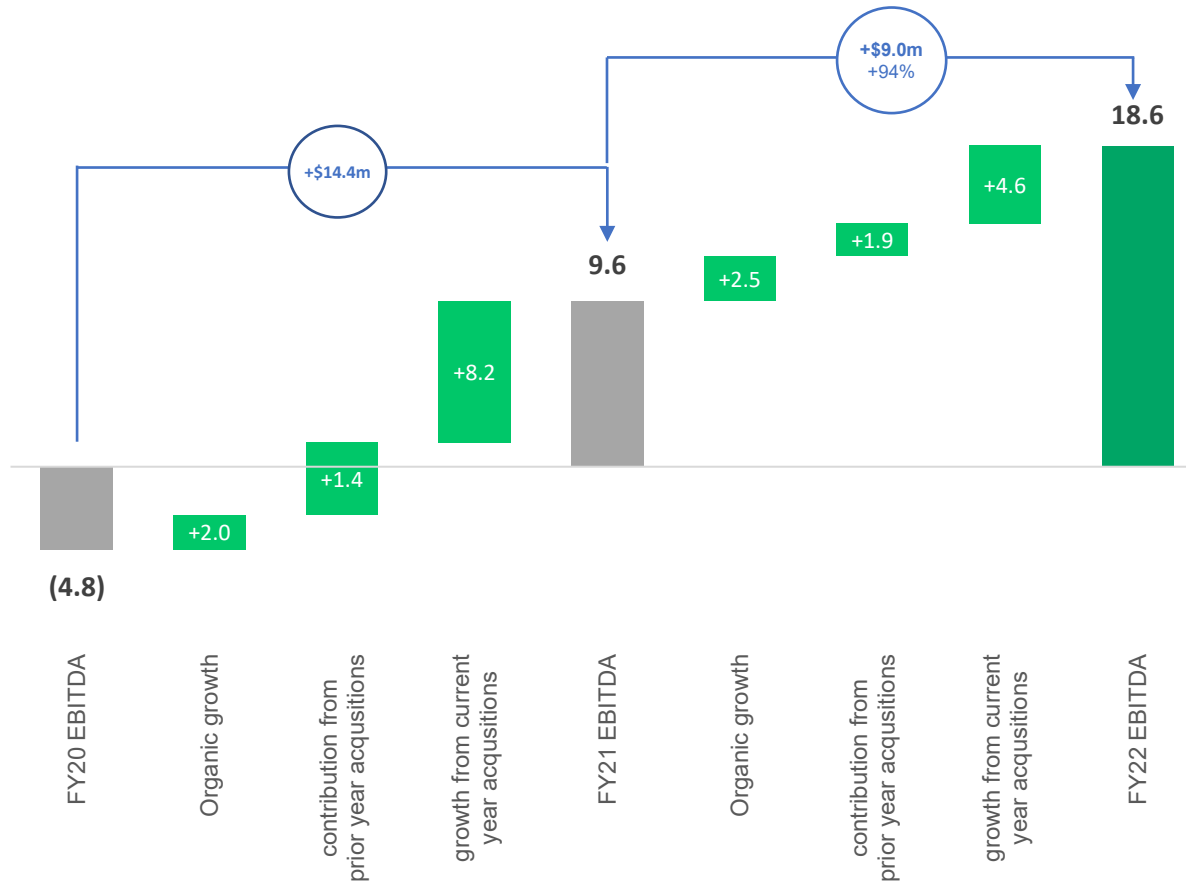
Normalised EBITDA¹ (\$m)



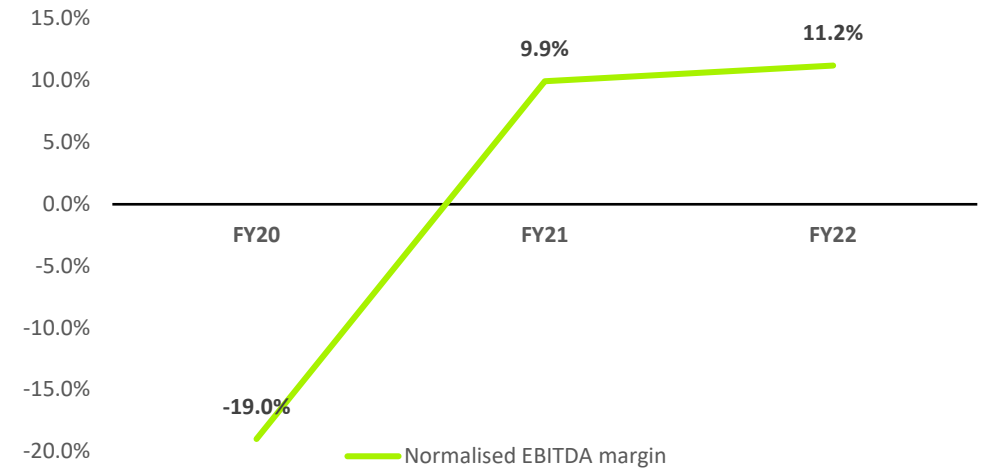
¹ Normalised for one-off costs, such as acquisition costs, share-based costs and refinancing costs (see page 7 for further analysis)

Breakdown of Growth & Improved Margins

Normalised EBITDA growth (FY21 and FY22)



Normalised EBITDA margins



- The improvement in normalised EBITDA margin has been driven by the continuing integration of the divisions and updating the pricing of certain services contracts with clients
- The structuring of service offerings has also driven improved margins – with improved efficiency of resources allocation
- The adjacent chart shows the growth over the last 2 years which has been driven both organically and by acquisition

¹ Normalised for one-off costs, such as acquisition costs, share-based costs and refinancing costs (see page 7 for further analysis)

Profit and Loss – summary

Tesseract has delivered a strong uplift in turnover and revenue while improving EBITDA margins, demonstrating the success of acquisition integration efforts over the past year.

		FY22	FY21	% growth
Turnover		165.6	96.7	+71%
Statutory revenue		113.0	67.4	
Operating EBITDA		16.3	7.6	+116%
plus AASB16 lease adjustments		2.2	2.0	
Normalised EBITDA		18.6	9.6	+94%
Interest expense		(3.4)	(1.9)	
Depreciation and amortisation		(7.8)	(5.0)	
Tax credit		2.6	4.6	
Normalised NPAT		10.0	7.3	+38%
<i>Less: One-off costs / non-recurring expenses</i>				
Share option expenses	<i>non-cash</i>	(2.4)	(4.5)	
Acquisition related costs	<i>cash</i>	(1.2)	(4.9)	
Exit costs on debt refinancing	<i>cash</i>	(1.8)	-	
Cost of warrants on debt finance ¹	<i>non-cash</i>	(9.4)	(2.4)	
Impairment adjustment on investments	<i>non-cash</i>	(4.0)	-	
Statutory NPAT		(8.8)	(4.5)	

Key highlights

- Strong double digit turnover growth and EBITDA growth
- Normalised EBITDA comprises **26%** underlying **organic growth** supplemented by acquisitions (+68%)
- Improved FY22 operating and normalised EBITDA Margin of ~14.5% and 16.2%, respectively, up 3.3% and 2.0% on the prior year
- Statutory NPAT impacted by a number of cash and non-cash one-off costs including costs related to the refinancing of Tesseract's existing debt facility which will provide significant long-term benefits

¹ Warrant amortisation expense in FY22 is significantly higher as remaining value of warrants were written off in conjunction with the refinancing. This expense is not applicable in future periods.

Cash Flow

	FY22	FY21	% growth
Receipts from customers	168.0	90.9	
Payments to suppliers and employees	(151.7)	(86.1)	
Other revenue	0.5	0.2	
Interest and other finance costs paid	(3.5)	(1.2)	
Tax payments	(1.5)	(0.9)	
Cash flows from operating activities	11.8	2.9	+307%
Acquisition consideration	(14.0)	(18.6)	
Deferred consideration paid - prior acquisitions	(11.4)	(5.8)	
Investments	(3.2)	(3.0)	
Property, plant and equipment and software development	(3.4)	(1.5)	
Release of security deposits	0.1	-	
Cash flows from investing activities	(32.0)	(28.9)	+11%
Proceeds from share issues and convertible notes	25.7	9.3	
Share issue transaction costs	(1.4)	(0.2)	
Net proceeds from borrowings	-	30.0	
Transaction costs on borrowings	(0.5)	-	
Refinancing exit fees	(1.8)	(0.8)	
Repayment of lease liabilities	(2.4)	(1.8)	
Cash flows from financing activities	19.7	36.5	(46)%
Opening cash	14.9	4.4	
Net increase/(decrease) in cash during the year	(0.5)	10.5	
Cash flows from financing activities	14.3	14.9	

Key highlights

- Significant improvement in operating cash result vs. PCP
(cash conversion at 72% of operating EBITDA)
- \$25.4m of capital deployed to acquisitions (current year & deferred consideration – funded primarily by the \$25m capital raise in Sept 2021)
- Net proceeds from the \$35m refinance is nil (as this is a replacement of existing debt), but CBA refinance adds a further \$24m of additional facilities for deployment in FY23
- Working capital position is strong at year end, but does exhibit seasonality – as shown in TNT's quarterly reporting
- Strong cash position of \$14.3m at year end.



Sector Overview & Why Tesseract

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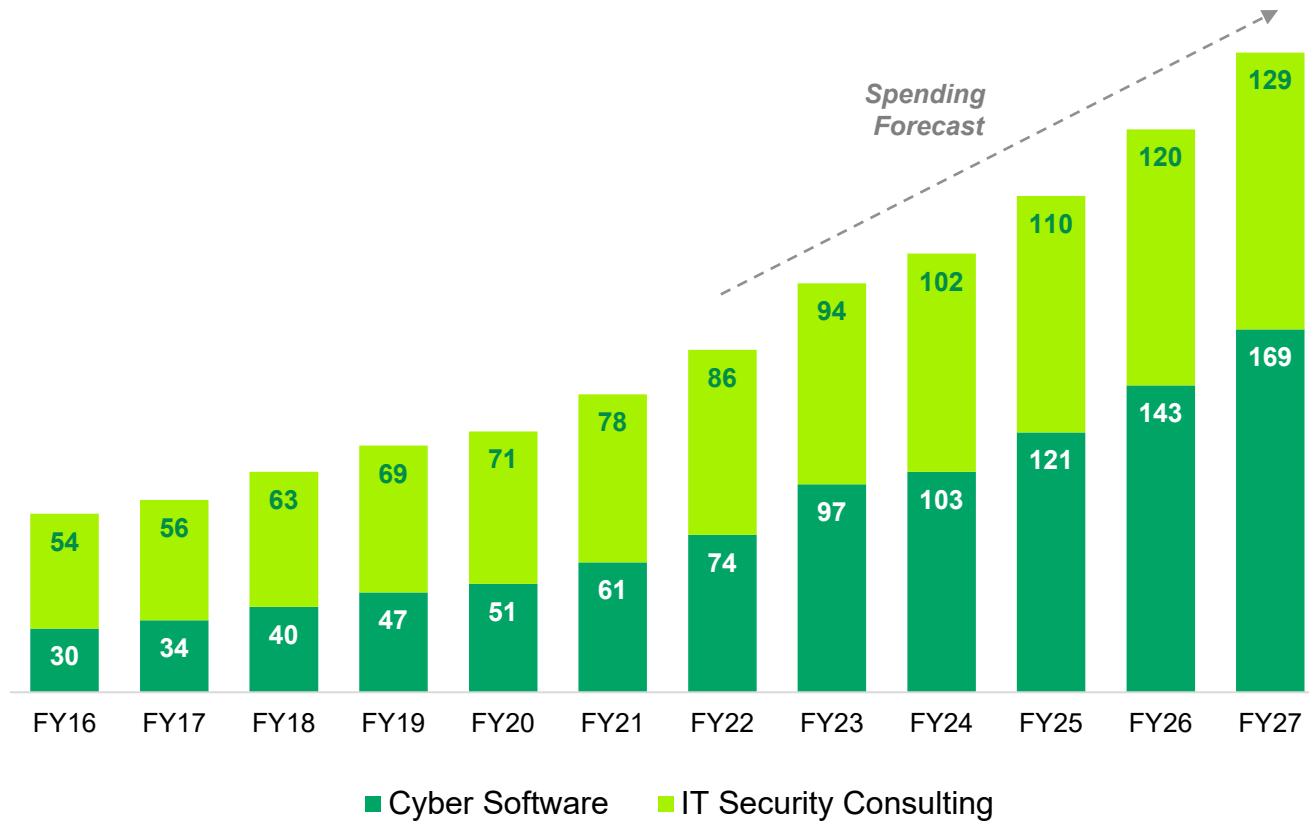
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tesseract



The Cybersecurity Industry at a Glance | Global

Global Industry Revenue (US\$, billions)



US\$139.8bn

Global Cybersecurity Market Value 2021



US\$6 trillion

Global cost of cyber crime in 2021



US\$13.9k

Estimated average cybersecurity spend per employee by 2027 rising from **US\$6.8k** in 2021

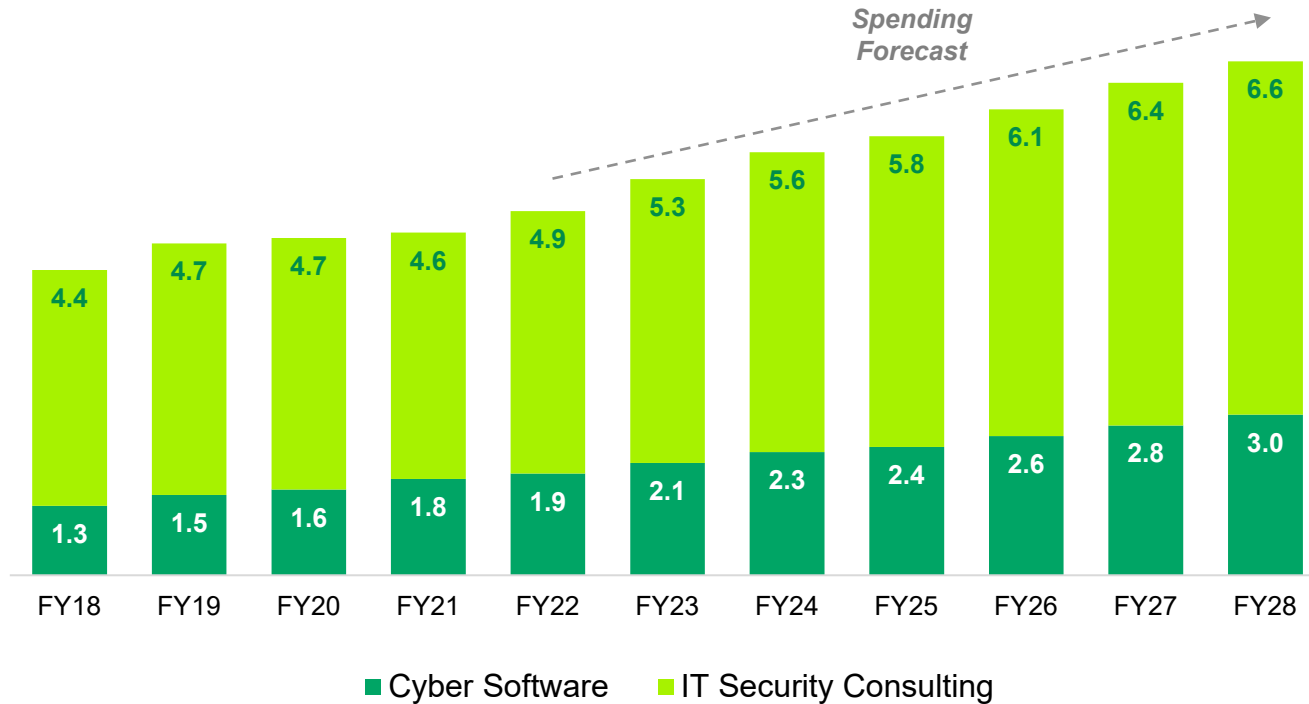


Cloud Security

Rising popularity of integrated cybersecurity solutions to drive market growth

The Cybersecurity Industry at a Glance | Australia

Australian Industry Revenue (A\$, billions)



A\$6.8bn

Australian Industry Turnover 2021



Outsourcing Cyber

Businesses selecting to outsource security and monitoring services to specialist providers



Digital Investment

Government agencies and large organisations are key drivers to the transition of intellectual property and data assets to digital channels



Remote Work

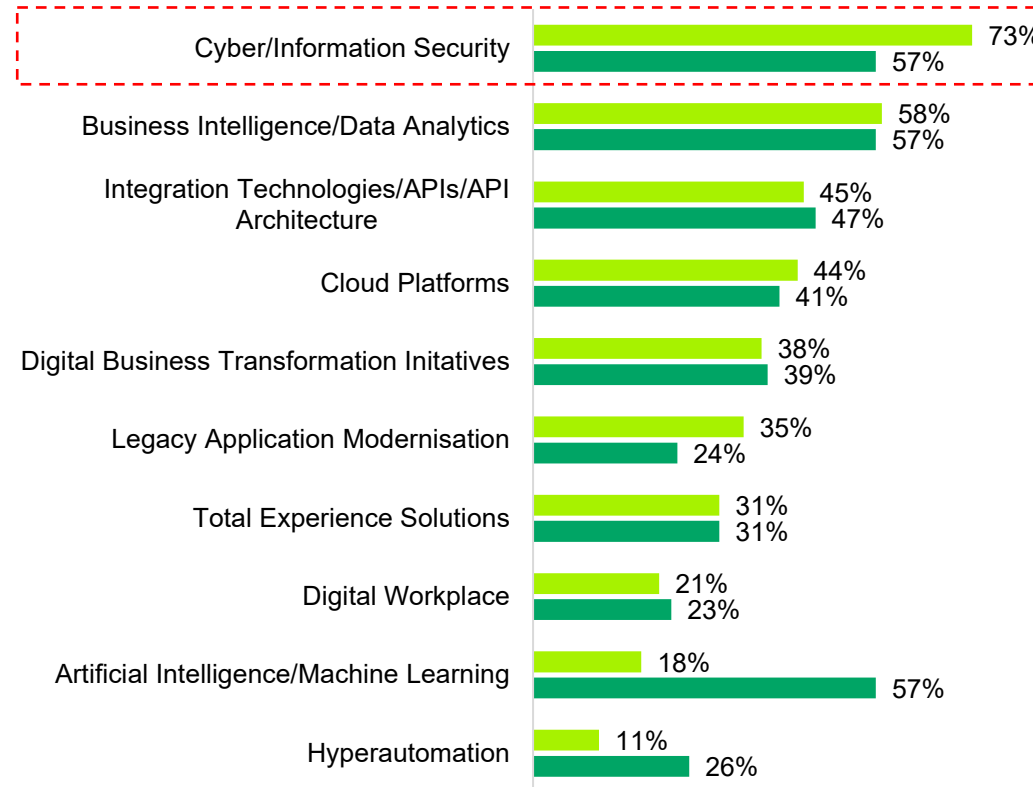
Impacts of COVID-19 has accelerated demand for remote working, increasing the risk of cyber threats and complexity of network systems

What are the Aust/NZ CIOs Saying? | Top Trends

Top 10 Technology Investment Areas for 2022

% of Respondents, Sorted by % of ANZ

■ Australia and New Zealand (n = 112) ■ High Composability (n = 145)



Cybersecurity is the #1 Investment Priority for Aust/NZ CIOs in 2022.

Why Tesseract? | Unique Market Position



The **largest provider** of cybersecurity services to Federal Government.



Innovative culture backed by **continued investment in Australian R&D**



Australian founded, owned and managed



ASX-listed: we provide clients **financial and regulatory transparency**



Australian Government **Security Clearance for 170+ staff.**



Full-service cybersecurity: Big enough to trust, but Local and Nimble.

Why Tesseract? | Unique Market Position

We work with over **102**
Australian and
New Zealand
**Federal & State
Departments and
Agencies**

1200+
Customers
Including 3 key verticals:
Government,
Critical Infrastructure
and BFSI

Trusted by
51
of the
**S&P / ASX
Top 100**

Rapidly
growing
no. of clients partnering
with us to provide
multiple services

Executing strong growth
strategy plan with a focus
on **cross selling** and **high-
value recurring annuity
revenue streams**

**Experienced Cyber
and Business
leadership team**

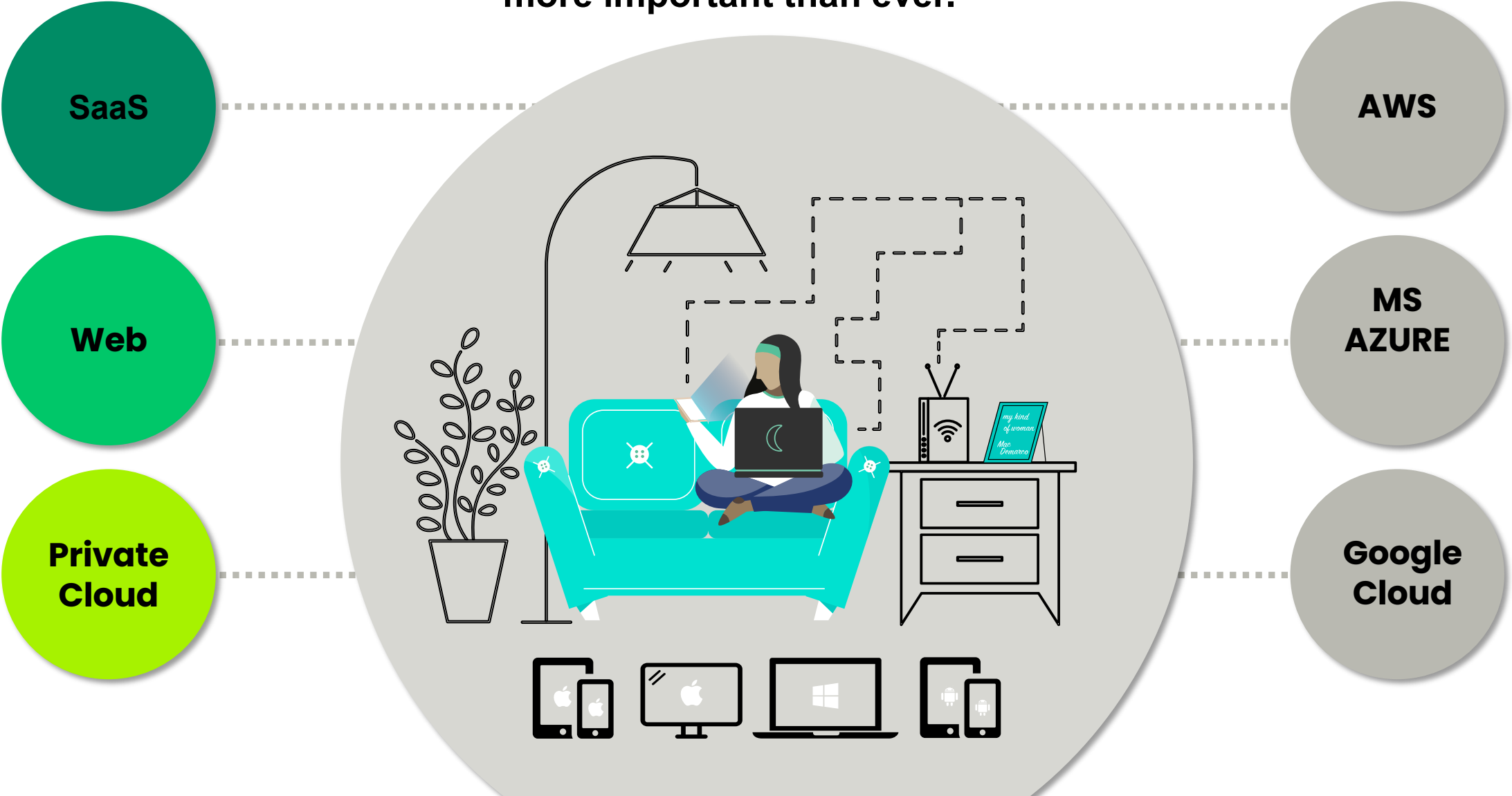


Operational Achievements

Modern Threat Landscape



With a shift in the working environment – to remote arrangements – cyber security is more important than ever.



**DEFEND
PROTECT
DETECT**



RISK IDENTIFICATION

Assist clients to understand their risk profile, identify business critical assets and the appropriate level of protection required.



TECHNICAL ASSESSMENTS

Conduct assessments & gap analysis against best practice and regulatory requirements to assist clients with measuring their current security posture.



GOVERNANCE & POLICIES

Assess, align & uplift a client's governance and risk management strategy to match their risk profile and/or regulatory requirements



CONTROLS

Design and implementation of appropriate controls to safeguard assets, through the adoption of secure architectures and frameworks.



RISK MITIGATION

Actively drive continuous security maturity in organisations and raise awareness of the current threat landscape.

8 Major Capability/Service Lines



01

**Strategy and
Advisory**



02

**Assurance and
Testing**



03

**Architecture and
Engineering**



04

**Data and
Analytics**



05

**Incident
Response**



06

**Critical Technology
Controls**



07

**Detect – Secure
Digital Eye**



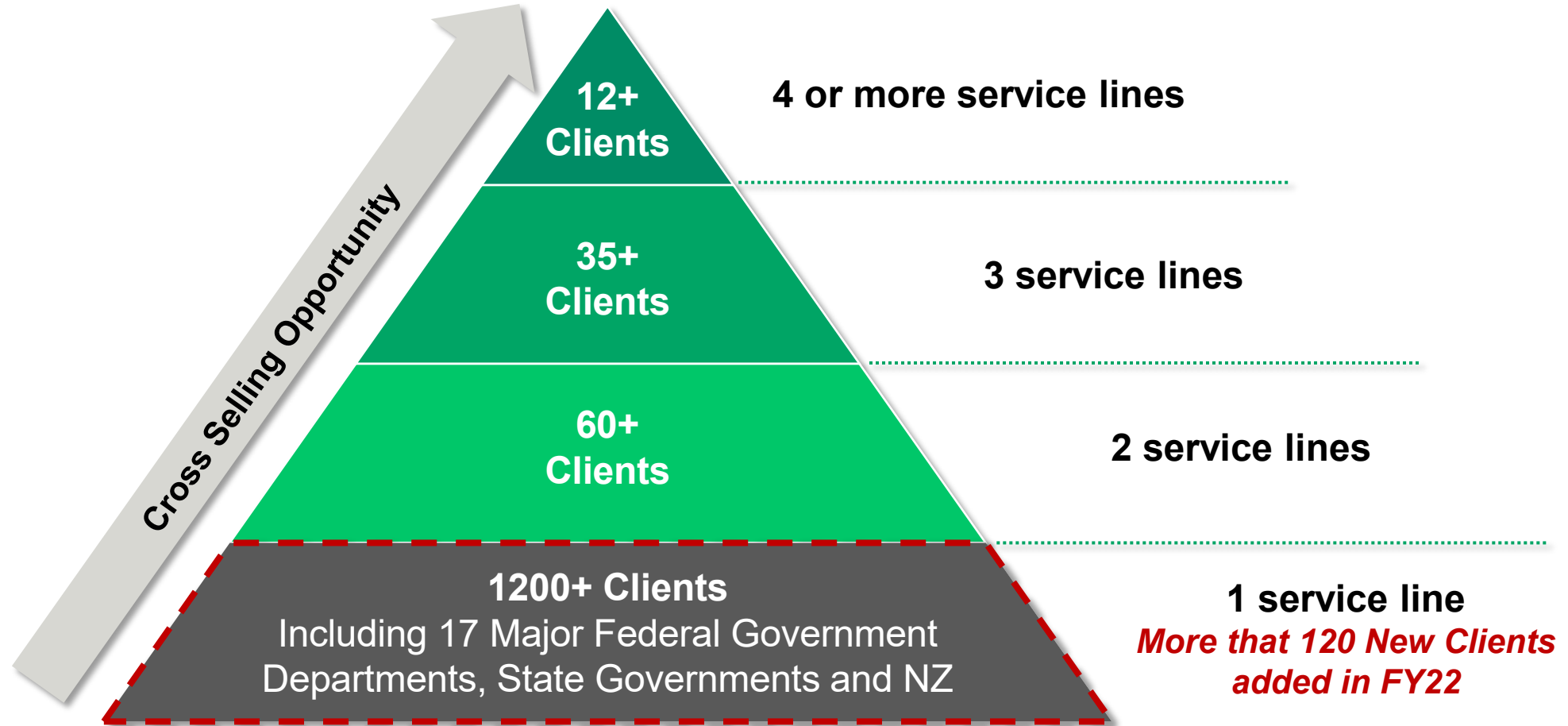
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**Secure Cloud
Migration**

FY22 Progress & Future Opportunity



With a comprehensive product suite now in place, Tesseract is well placed to drive increased revenue via cross selling opportunities.





Strategy Growth and Outlook

Areas of focus



The Board and Senior Leadership Team continue to focus on creating shareholder value by building on Tesseract's position as Australia's #1 ASX-listed cybersecurity provider

Execute on Multi-Year Strategic Plan

Continuing to **drive the Company's growth strategy, with an immediate focus on organic growth**

Fostering innovation and IP development across the group

Focusing on capturing further market share in three key markets: **Government (including Defence), Critical Infrastructure and Financial Services**

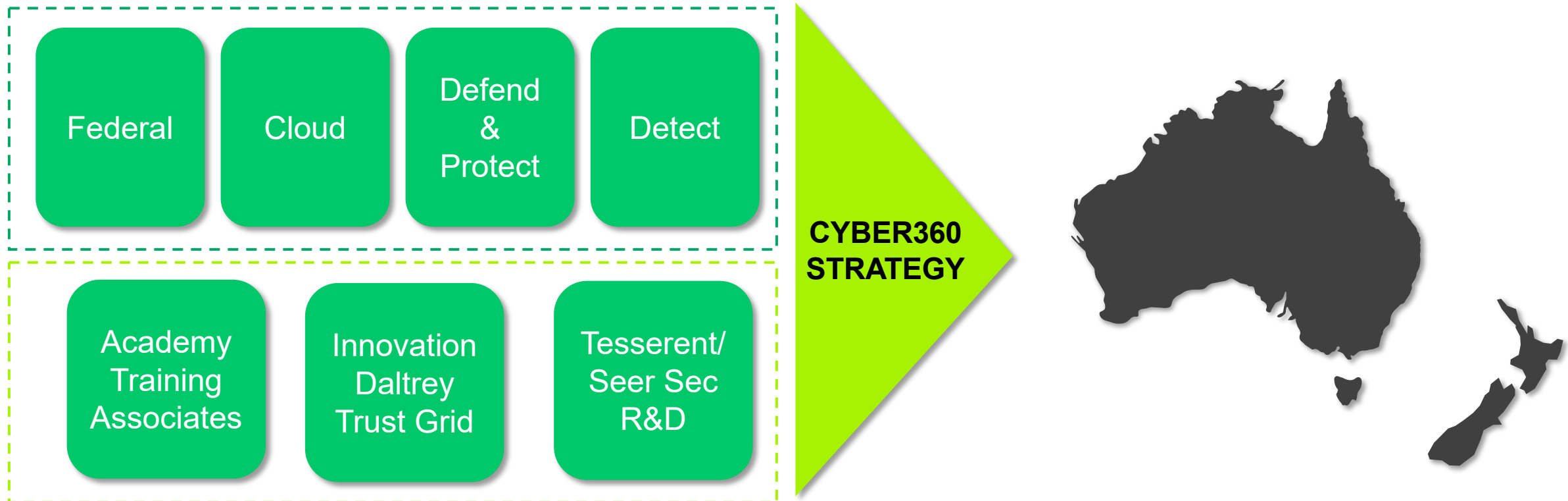
Driving growth through **deeper and wider customer engagements – 8 Service lines**

Continuing to Integrate acquisitions and facilitating cross selling

Building out **high-value recurring annuity revenue streams** via Managing Security Operations (SOC) and Managed Detection and Response (MDR).

One Tesseract - Go To Market Strategy

Each business is delivering synergistic capability where we can organise this capability more efficiently to the market



FY23 Outlook & the Path Forward



Tesseract has been focused on growing its people capabilities and developing its Cyber360 strategy to give us a scalable foundation as a major force in the Aust/NZ Cyber industry

CYBER360

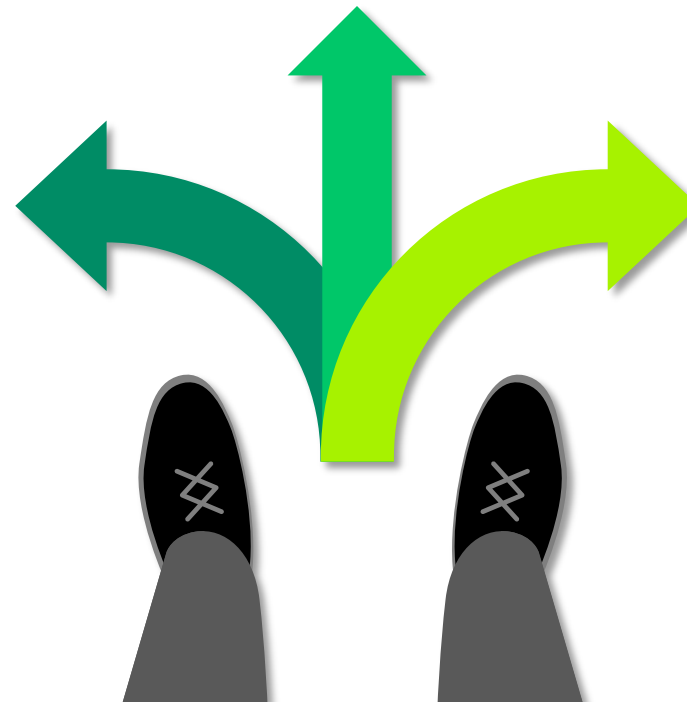
- Service Line Development
- Cross Selling in NZ & Federal
- Grow ARR Detect – SOC/MDR
- SECaaS

GROWTH

- >500+ Employees
- >\$200m+ Turnover
- 8+ Major Service Lines in Cyber
 - >1400 Clients
- Significant Pipeline in place commencing FY23 both Consulting and ARR
- Strategic review of relevant acquisition growth opportunities

INVESTING IN OUR PEOPLE

- Tesseract Leadership Development
 - In-House Training
- Greater Transparency and Career Development
- A destination employer for high quality cyber talent





**Securing our
digital future,
together.**

ASX:TNT

tesseract.com

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**Authorised for lodgment by Tesseract Limited Board
of Directors.**