

## MARCH 2019 QUARTERLY RESULTS

### Highlights

- Receipts from customers of \$2.0 million in March 2019 quarter, representing a 100% increase from previous quarter
- Fifth consecutive quarter of positive operating cash flow, with operating cash flow of \$454k after adjusting for reimbursable income tax payment
- Integration initiatives underway between Cloudten and DWX to drive growth
- TSNs non-controlling interest in TSI India: continued improvement in e-transaction business

### RECEIPTS FROM CUSTOMERS – 100% INCREASE FROM PRIOR QUARTER

As set out in the accompanying 4C Quarterly Report for the quarter ended 31 March 2019, Transaction Solutions International Limited (TSN or the Company) achieved receipts from customers of \$2.0 million, a 100% increase from the previous quarter of \$1.0m.

The increase is largely attributed to the acquisition of Cloudten on 1 February 2019 and the organic growth of the Decipher Works (DWX) business.

The \$2.0 million receipts from customers comprises:

- \$1.07 million from 3 months of DWX business (compared to \$1.01 million in the prior quarter); and
- \$0.93 million from 2 months of Cloudten business.

### OPERATING CASH FLOW – 5<sup>th</sup> CONSECUTIVE QUARTER OF POSITIVE RESULTS

The increase in customer receipts resulted in an increase in TSN's operating cash flow from \$86,699 to \$285,926, which includes \$167,996 paid for Cloudten's income tax that is reimbursable to TSN. The operating cash flow after adjusting for the reimbursable income tax payment is \$453,922.

This is the fifth consecutive quarter of positive operating cash flow, reflecting TSN's continued positive cash flow and business fundamentals.

With the positive operating cash flow, TSN has a bank balance of \$2.41 million at the end of March 2019.

### BUSINESS INTEGRATION AND STRATEGIC ROADMAP

The integration of DWX and Cloudten is underway, focusing primarily on business growth:

- Single sales team to originate new sales opportunities that focus on common target clients and industries for both businesses;

- Joint key account management approach to cross-sell and manage key client relationships of both businesses;
- Cross-staffing of technical resources between the two businesses to meet business demands; and
- Joint service offering to clients in the areas of platform-as-a-service and deploying traditional identity and access management (IAM) solutions on AWS cloud.

These integration efforts support the overall strategy of building a loyal base of repeat clients in target industries, namely banking, insurance, government, utilities and large corporations that have significant cloud and security requirements by:

- Focussing sales effort on winning contracts with the right clients;
- Cultivating repeat business from the target clients by delivering exceptional work;
- Enhancing client retention through cross-selling multiple services, namely cloud, data and security; and
- Unique services, that are differentiated from competitors, based on the combined capabilities of both businesses.

In addition to growing the services revenue of DWX and Cloudten as mentioned above, both businesses are leveraging their capabilities to develop new products. A number of R&D initiatives are underway in the areas of security, cloud and platform-as-a-service (PaaS). These R&D initiatives could potentially create products that generate new recurring revenue streams in 12 to 24 months.

#### **TSI INDIA – CONTINUED IMPROVEMENT IN THE ATM BUSINESS**

TSN continues to hold a non-controlling interest in TSI India of 24.89%. Whilst TSN's complete focus is related to cybersecurity, it is pleasing to note that TSI India's business improved in the last 12 months, resulting in e-transactions surpassing pre-demonetisation levels. For example, average transactions per ATM per day is now approximately 10% above pre-demonetisation levels, which is consistent with the industry average.

In addition, TSI India has embarked on operational efficiency improvement programmes to increase its profitability. On-going initiatives, such as reducing down-days and ATM optimisation/closure, aim to increase EBITDA.

TSN will continue to monitor its non-core investments and review opportunities to realise value for shareholders.

#### **FY19 FINANCIAL REPORT**

TSN is currently finalising the preparation and audit of its year-end financial statements. The preliminary financial report will be released by 31 May 2019.

#### **For more information:**

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**About TSN**

Transaction Solutions International (TSN) is a technology-based company focused on cybersecurity and cloud. The Company has a 100% ownership of Decipher Works, a Sydney-based cybersecurity specialist that provides consulting and managed services to its loyal client base of financial institutions and large corporations. In addition, TSN owns 100% of Cloudten Industries, a cloud and cloud security specialist that assists the government, financial institutions and large corporations migrate, secure and manage their infrastructure in the cloud.

TSN also holds a 24.89% interest in TSI India, a company having 400 employees, which has created a scalable operation in the field of e-transactions and payments in India. TSI India owns and manages ATMs for over 30 major banks and offers Bill Payment services to a number of utility companies in India.

## Appendix 4C

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

**Name of entity**

TRANSACTION SOLUTIONS INTERNATIONAL LIMITED

**ABN**

98 057 335 672

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

31 MARCH 2019

| <b>Consolidated statement of cash flows</b>                     |  | <b>Current quarter<br/>\$A'000</b> | <b>Year to date<br/>(12 months)<br/>\$A'000</b> |
|---|--|------------------------------------|---|
| <b>1. Cash flows from operating activities</b>                  |  |                                    |   |
| 1.1 Receipts from customers                                     |  | 2,001                              | 5,324   |
| 1.2 Payments for  |  |                                    |   |
| (a) research and development                                    |  | (52)                               | (67)  |
| (b) product manufacturing and operating costs                   |  | -                                  | -   |
| (c) advertising and marketing                                   |  | -                                  | -   |
| (d) leased assets   |  | -                                  | -   |
| (e) staff costs   |  | (1,233)                            | (3,498)   |
| (f) administration and corporate costs                          |  | (298)                              | (926)   |
| 1.3 Dividends received (see note 3)                             |  | -                                  | -   |
| 1.4 Interest received   |  | 10                                 | 20  |
| 1.5 Interest and other costs of finance paid                    |  | -                                  | -   |
| 1.6 Income taxes paid for Cloudten-reimbursable                 |  | (168)                              | (168)   |
| 1.7 Government grants and tax incentives                        |  | -                                  | -   |
| 1.8 Other (business acquisition costs moved to investing below) |  | 26                                 | -   |
| <b>1.9 Net cash used in) operating activities</b>               |  | <b>286</b>                         | <b>685</b>                                      |
| <b>2. Cash flows from investing activities</b>                  |  |                                    |   |
| 2.1 Payments to acquire:  |  |                                    |   |
| (a) property, plant and equipment                               |  | (19)                               | (34)  |
| (b) businesses  |  | (1,577)                            | (1,577)   |

| Consolidated statement of cash flows |   | Current quarter<br>\$A'000 | Year to date<br>(12 months)<br>\$A'000 |
|--------------------------------------|---|----------------------------|--|
|                                      | (c) investments                                     | -                          | -                                      |
|                                      | (d) intellectual property                           | -                          | -                                      |
|                                      | (e) other non-current assets                        | -                          | -                                      |
| 2.2                                  | Proceeds from disposal of:                          |                            |  |
|                                      | (a) property, plant and equipment                   | -                          | -                                      |
|                                      | (b) businesses                                      | -                          | -                                      |
|                                      | (c) investments                                     | -                          | -                                      |
|                                      | (d) intellectual property                           | -                          | -                                      |
|                                      | (e) other non-current assets                        | -                          | -                                      |
| 2.3                                  | Cash flows from loans to other entities             | -                          | -                                      |
| 2.4                                  | Dividends received                                  | -                          | -                                      |
| 2.5                                  | Other   | -                          | -                                      |
| 2.6                                  | <b>Net cash from/(used in) investing activities</b> | <b>(1,596)</b>             | <b>(1,611)</b>                         |

|           |   |           |              |
|-----------|---|-----------|--------------|
| <b>3.</b> | <b>Cash flows from financing activities</b>                                 |           |              |
| 3.1       | Proceeds from issues of shares  | 50        | 2,025        |
| 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 | (37)      | (173)        |
| 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   | -         | -            |
| 3.10      | <b>Net cash from financing activities</b>                                   | <b>13</b> | <b>1,852</b> |

|           |  |       |       |
|-----------|--|-------|-------|
| <b>4.</b> | <b>Net increase / (decrease) in cash and cash equivalents for the period</b> |       |       |
| 4.1       | Cash and cash equivalents at beginning of quarter/year to date               | 3,711 | 1,490 |
| 4.2       | Net cash used in operating activities (item 1.9 above)                       | 286   | 685   |

| <b>Consolidated statement of cash flows</b> |  | <b>Current quarter<br/>\$A'000</b> | <b>Year to date<br/>(12 months)<br/>\$A'000</b> |
|---|--|------------------------------------|---|
| 4.3   | Net cash from/(used in) investing activities<br>(item 2.6 above) | (1,596)                            | (1,611)   |
| 4.4   | Net cash from financing activities<br>(item 3.10 above)          | 13                                 | 1,852   |
| 4.5   | Effect of movement in exchange rates on<br>cash held             | (4)                                | (6)   |
| <b>4.6</b>                                  | <b>Cash and cash equivalents at end of<br/>quarter</b>           | <b>2,410</b>                       | <b>2,410</b>                                    |

| <b>5.</b>  | <b>Reconciliation of cash and cash<br/>equivalents</b><br>at the end of the quarter (as shown in the<br>consolidated statement of cash flows) to<br>the related items in the accounts | <b>Current quarter<br/>\$A'000</b> | <b>Previous quarter<br/>\$A'000</b> |
|------------|---|------------------------------------|-------------------------------------|
| 5.1        | Bank balances   | 2,410                              | 736                                 |
| 5.2        | Call deposits   | -                                  | -                                   |
| 5.3        | Bank overdrafts   | -                                  | -                                   |
| 5.4        | Other (Term Deposits)   | -                                  | 2,975                               |
| <b>5.5</b> | <b>Cash and cash equivalents at end of<br/>quarter (should equal item 4.6 above)</b>  | <b>2,410</b>                       | <b>3,711</b>                        |

| 6.   | Payments to directors of the entity and their associates   | Current quarter<br>\$A'000 |
|--|--|----------------------------|
| 6.1  | Aggregate amount of payments to these parties included in item 1.2                                   | 82                         |
| 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 |                            |
| Managing Director's salary & directors' fees including PAYG and superannuation |  |                            |

|           |  |                                    |
|-----------|--|------------------------------------|
| <b>7.</b> | <b>Payments to related entities of the entity and their associates</b>                               | <b>Current quarter<br/>\$A'000</b> |
| 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 |                                    |

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|-----------|--|---|--|
| <b>8.</b> | <b>Financing facilities available</b><br><i>Add notes as necessary for an understanding of the position</i>  | <b>Total facility<br/>amount at quarter<br/>end<br/>\$A'000</b> | <b>Amount drawn at<br/>quarter end<br/>\$A'000</b> |
| 8.1       | Loan facilities  | -   | -  |
| 8.2       | Credit standby arrangements  | -   | -  |
| 8.3       | Other (please specify)   | -   | -  |
| 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. |   |  |

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|------------|--|----------------|
| <b>9.</b>  | <b>Estimated cash outflows for next quarter</b>                              | <b>\$A'000</b> |
| 9.1        | Research and development   | 45             |
| 9.2        | Product manufacturing and operating costs                                    | -              |
| 9.3        | Advertising and marketing  | -              |
| 9.4        | Leased assets  | -              |
| 9.5        | Staff costs  | 1,507          |
| 9.6        | Administration and corporate costs   | 411            |
| 9.7        | Other (Tranche 2 for Cloudten acquisition – see explanation in note 3 below) | 1,500          |
| <b>9.8</b> | <b>Total estimated cash outflows</b>   | <b>3,463</b>   |

| 10.  | Acquisitions and disposals of business entities<br>(items 2.1(b) and 2.2(b) above) | Acquisitions   | Disposals |
|------|--|--|-----------|
| 10.1 | Name of entity   | Cloudten Industries Pty Ltd  |           |
| 10.2 | Place of incorporation or registration   | Australia  |           |
| 10.3 | Consideration for acquisition or disposal  | Refer announcement<br>13 December 2018   |           |
| 10.4 | Total net assets   | \$1,754,000  |           |
| 10.5 | Nature of business   | Cloud based computing consulting firm, specialising in cloud infrastructure solutions & security |           |

### 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.
- 3 Tranche 2 Cash consideration to the vendors of Cloudten as per the Acquisition Agreement.

Sign here:  \_\_\_\_\_  
Director

Date: 30 April 2019

Print name: Jeffrey Lai