



# INVESTOR PRESENTATION

Tesseract Limited (ASX:TNT)

27 February 2023



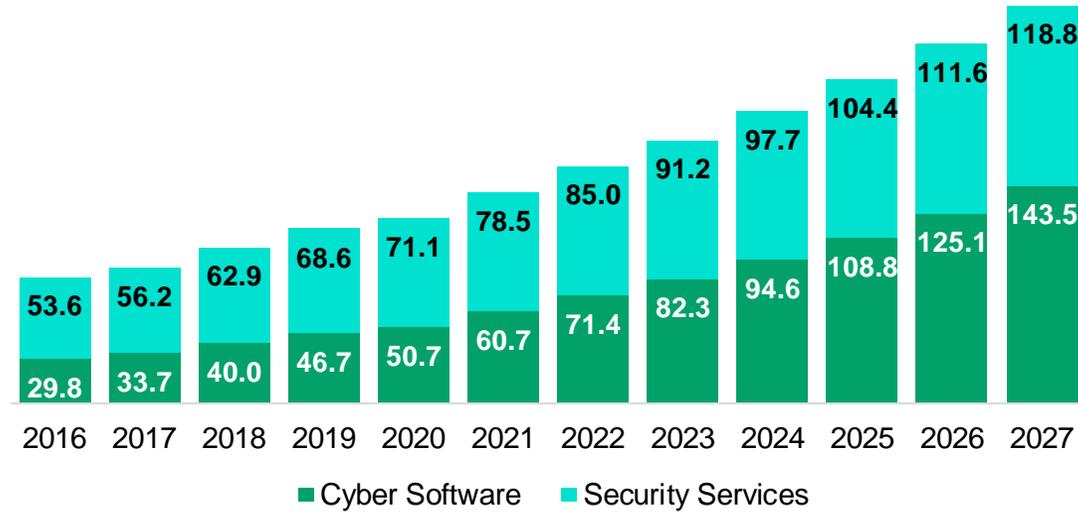
# Sector Overview



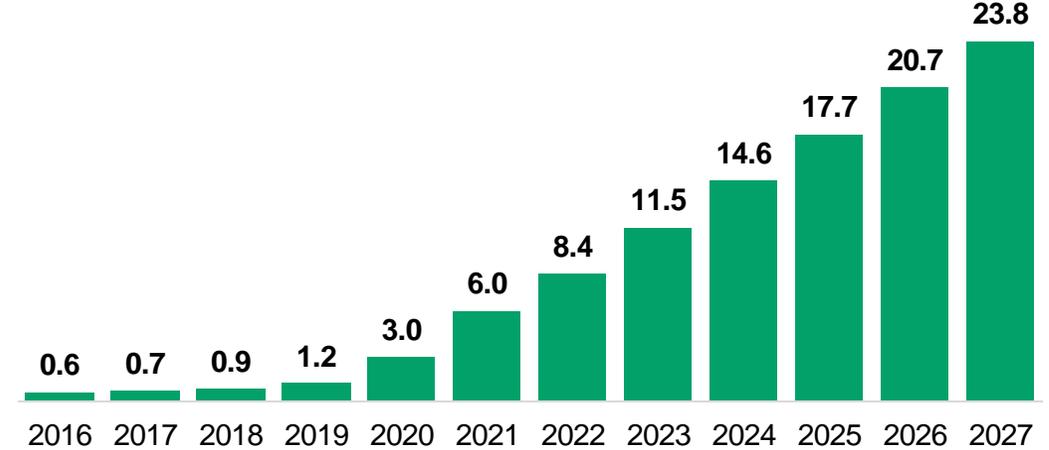
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# The Cybersecurity Industry at a Glance - Global

Global Industry Revenue (US\$, billions)



Global Cost of Cyber Crime (US\$, trillions)



**~US\$173.5 billion**  
Expected Global Cybersecurity Market Value 2023



**~US\$11.5 trillion**  
Expected global cost of cyber crime in 2023

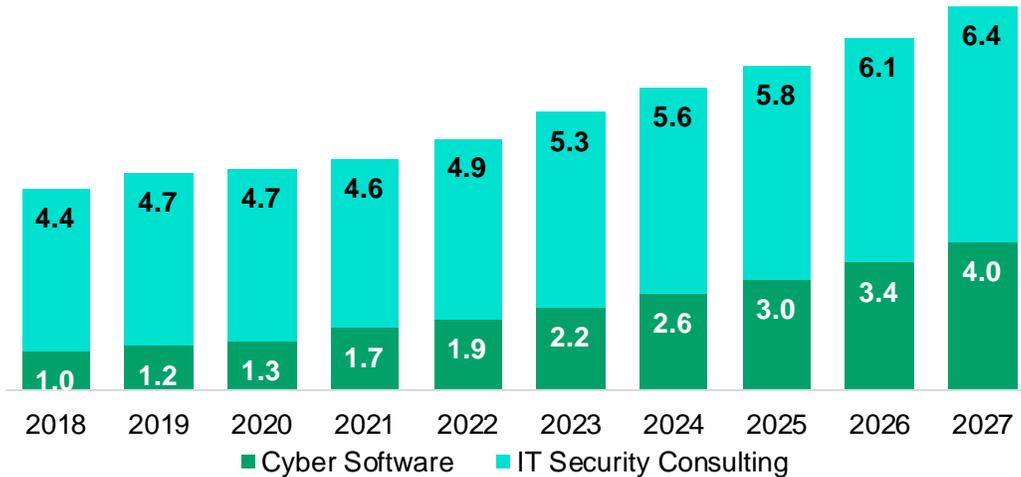


**~US\$12.3k**  
Estimated average cybersecurity spend per employee by 2027 rising from **US\$7.4k** in 2022

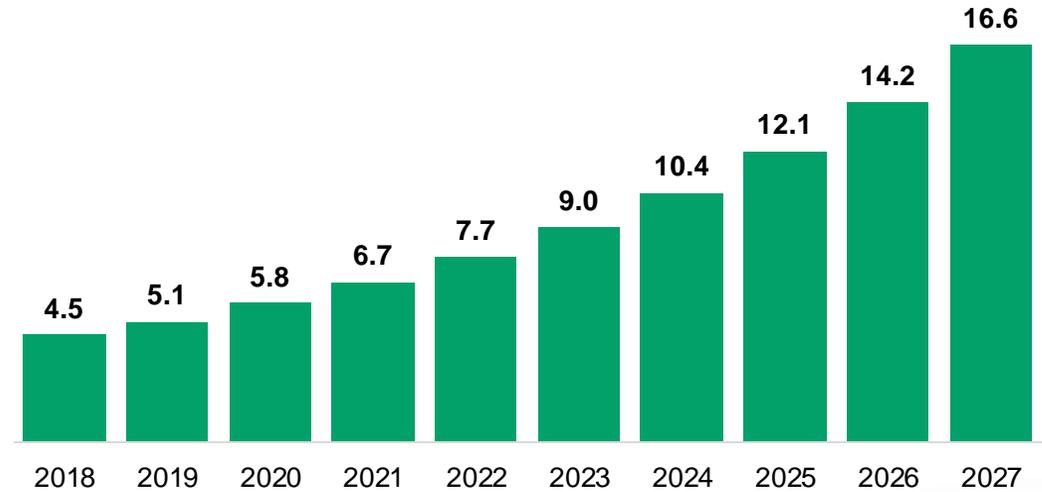
Cybersecurity – worldwide Statista market forecast (2023) Statista. Available at: <https://www.statista.com/outlook/tmo/cybersecurity/worldwide> [Accessed 22 Feb 2023]  
 Cybersecurity – Australia Statista market forecast (2023) Statista. Available at: <https://www.statista.com/outlook/tmo/cybersecurity/australia#revenue> [Accessed 22 Feb 2023]  
 IT Security Consulting in Australia (2021) IBISWorld. Available at: <https://www.ibisworld.com/au/industry/it-security-consulting/4050/> [Accessed 22 Feb 2023]

# The Cybersecurity Industry at a Glance - Australia

Australian Industry Revenue (A\$, billions)



Australian Cost of Cyber Crime (A\$, billions)



**~A\$7.5 billion**  
Expected Australian  
Cybersecurity Market Value 2023



**~A\$9.0 billion**  
Expected Australian cost of  
cyber crime in 2023



**Industry Tailwinds**  
Outsourcing, remote working and increased government and corporate investment in digital work assets are driving strong demand for cyber solutions

Cybersecurity – worldwide Statista market forecast (2023) Statista. Available at: <https://www.statista.com/outlook/tmo/cybersecurity/worldwide> [Accessed 22 Feb 2023]  
Cybersecurity – Australia Statista market forecast (2023) Statista. Available at: <https://www.statista.com/outlook/tmo/cybersecurity/australia#revenue> [Accessed 22 Feb 2023]  
IT Security Consulting in Australia (2021) IBISWorld. Available at: <https://www.ibisworld.com/au/industry/it-security-consulting/4050/> [Accessed 22 Feb 2023]

# Operational Update



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# Major Capability / Service Lines



**Strategy  
and  
Advisory**



**Assurance  
and  
Testing**



**Security  
Architecture  
and Engineering**



**Data  
and  
Analytics**



**Incident  
Response &  
Research**



**Cybersecurity  
Critical  
Controls**



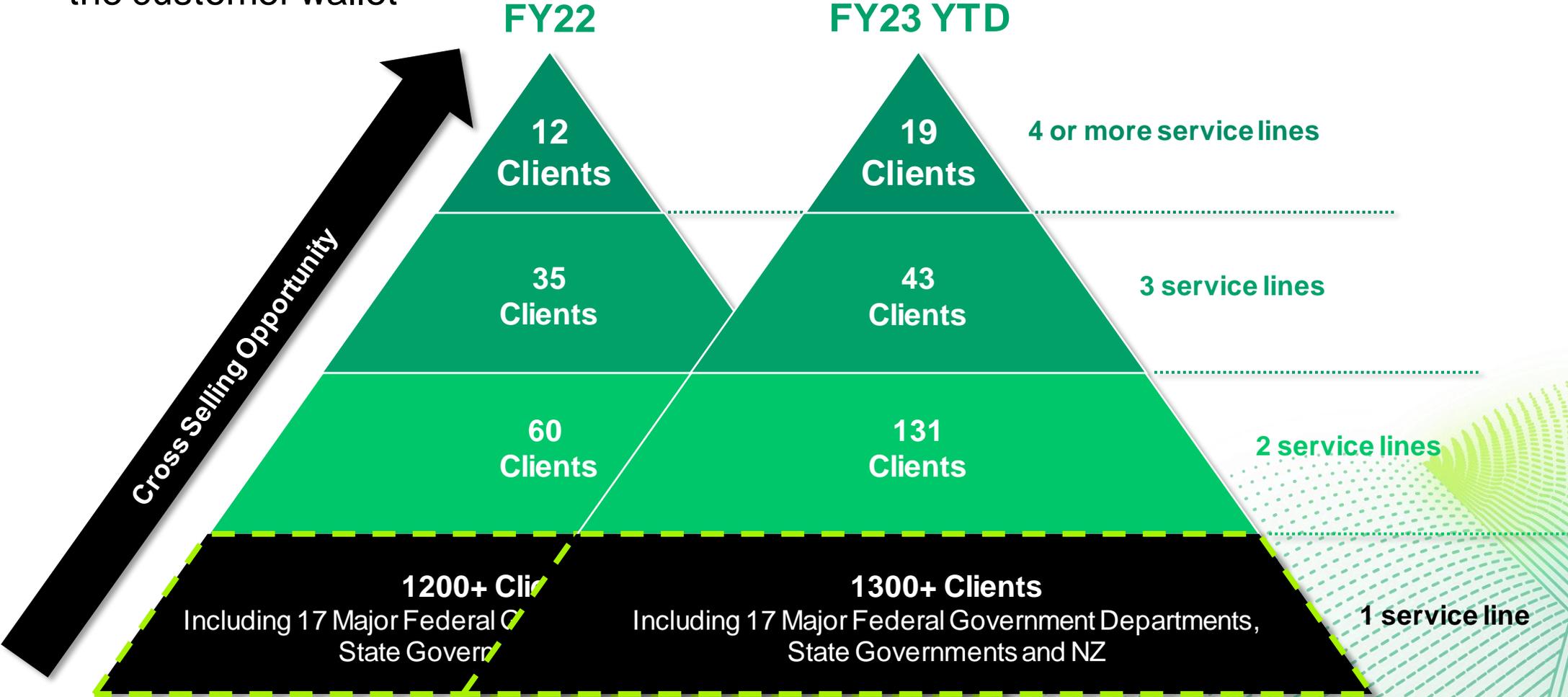
**24x7 Security  
Operations  
SOC**



**Secure Managed  
IT/Cloud Services**

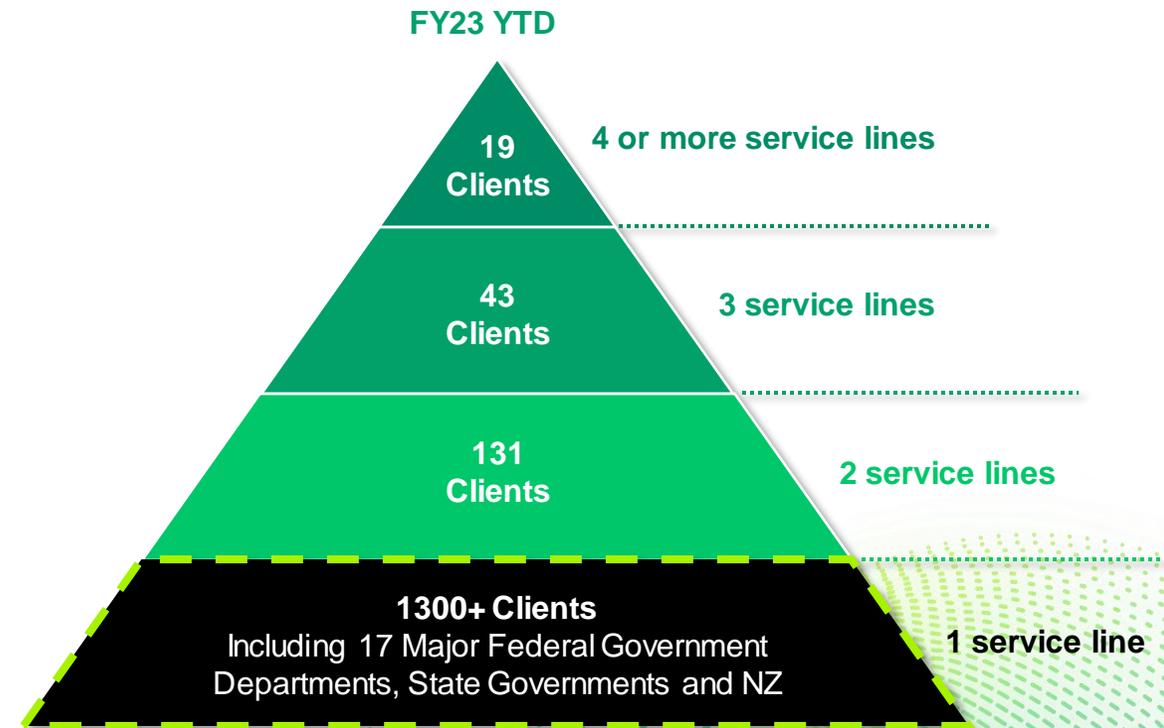
# Service Line Growth – H1 FY23 Progress

- We remain in a strong position to maintain a positive trajectory towards increasing our share of the customer wallet



# Service Line Trends

- Solid expansion across all lines of services with 118% increased of customers extending one to two service lines.
- Clients remain confident with one at 8 service lines, two at 6, and four at 5, showcasing our capability strength to that meet their holistic cybersecurity needs.
- Success of cross selling approach and integrated client teams focusing on all lines of services.
- Incremental uplift 120+ net new clients in calendar 2022.



# Industry Expertise

- H1 recruitment added 19 cyber talent, reaching 478 staff. Our continued focus on hiring the best talent fuels our future growth and success.
- Tesseract is deeply committed to foster inclusivity and diversity. We're proud to have 79% male, 20% female and 1% non-binary representation, we also recognise that women in Australian cybersecurity are underrepresented at just 16%\*
- 66% of founding leaders since Dec 2019 remain in our leadership team, indicating our strong and stable leadership continuity.
- Key Cyber industry leaders join us at all levels.
- 190+ team members have a baseline security clearance or higher.



# SOC Transformation

Significant first half investment in the Security Operations Centre (SOC)

- High margin recurring revenue.
- Managed Detection and Response Service – refocused and refreshed offering based on Microsoft & Splunk monitoring platforms.
- Migrated away from underperforming legacy client services.
- Signed several key deals as a direct result of increased cyber threats in late 2022.



# Security Incident Response

Significant first half investment in a Tier 1 Incident Response Capability.

- High margin retainer-based revenue.
- New client acquisition service.
- Expansion of service offering to existing clients.
- Won several key deals as a direct result of increased cyber threats in late 2022.
- Initial investment and ramp up costs significant in FY23.



# Strategic growth and outlook



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# Tesserent Strategy FY24-26

Senior Leadership are well advanced in strategic planning to double the growth rate of the business vs the market growth across the next three full fiscal periods (FY24-26).

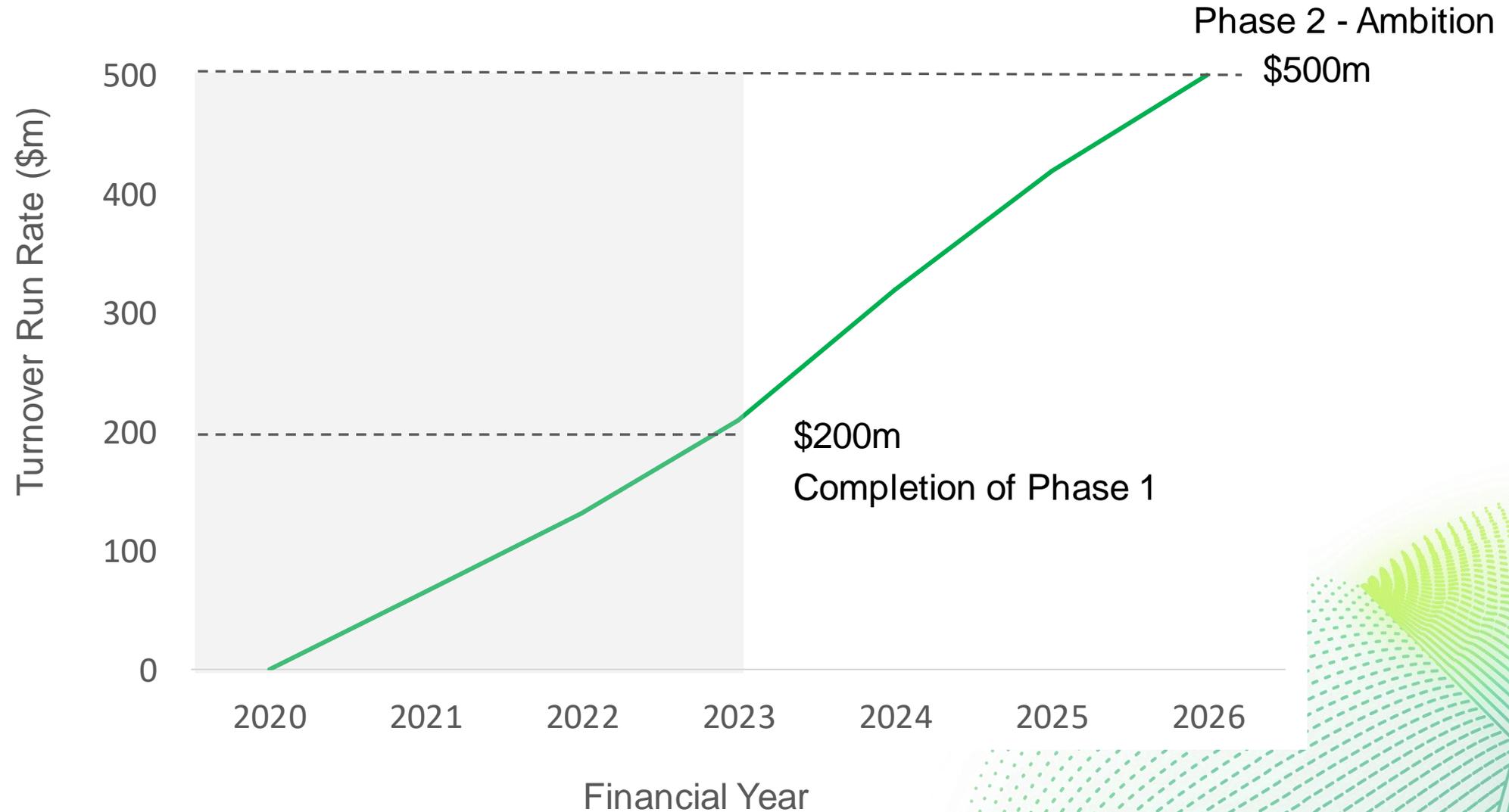
- Finalising integration toward “**One Tesserent**” - Improving Cross Service Line Selling.
- Amplifying Great Place to Work, Brand, Marketing, Automation initiatives with effective Organisational Design.
- Executing acquisitions which brings a value-add to our product or service offering, and market location.



- Developing new offerings for clients that broaden our IP – Innovation investments.
- Targeting high impact clients, e.g., Defence, & Critical Infrastructure Industries.

**Tesserent looks forward to providing investors & team members a detailed update on this strategy prior to the end of FY23**

# Tesseract Strategic Ambition Target - FY24-26

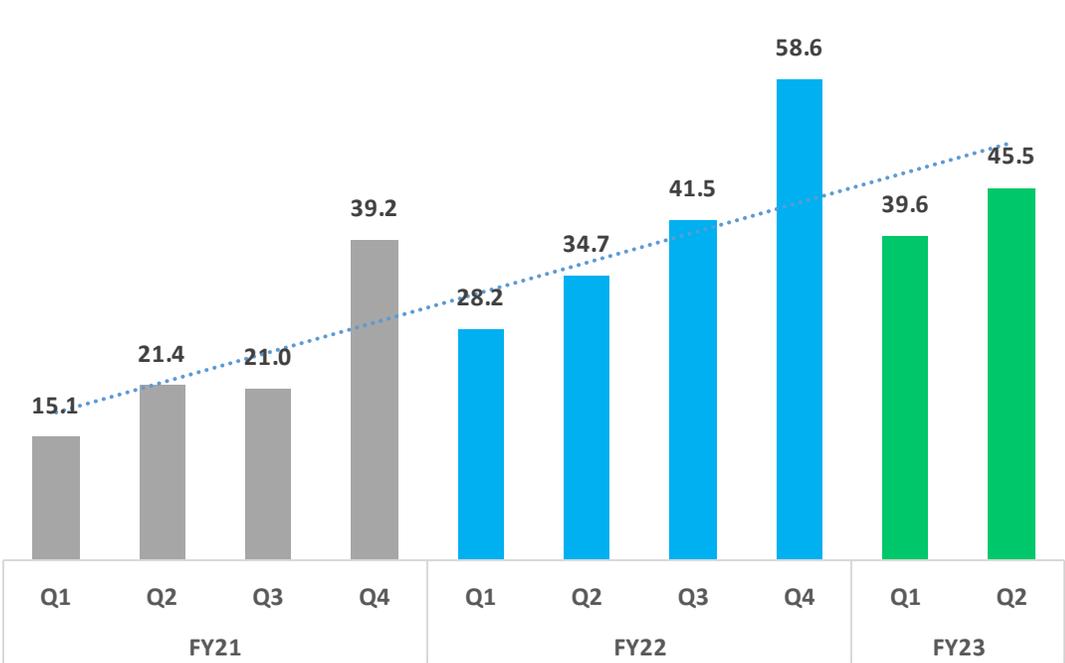


# Financial Performance

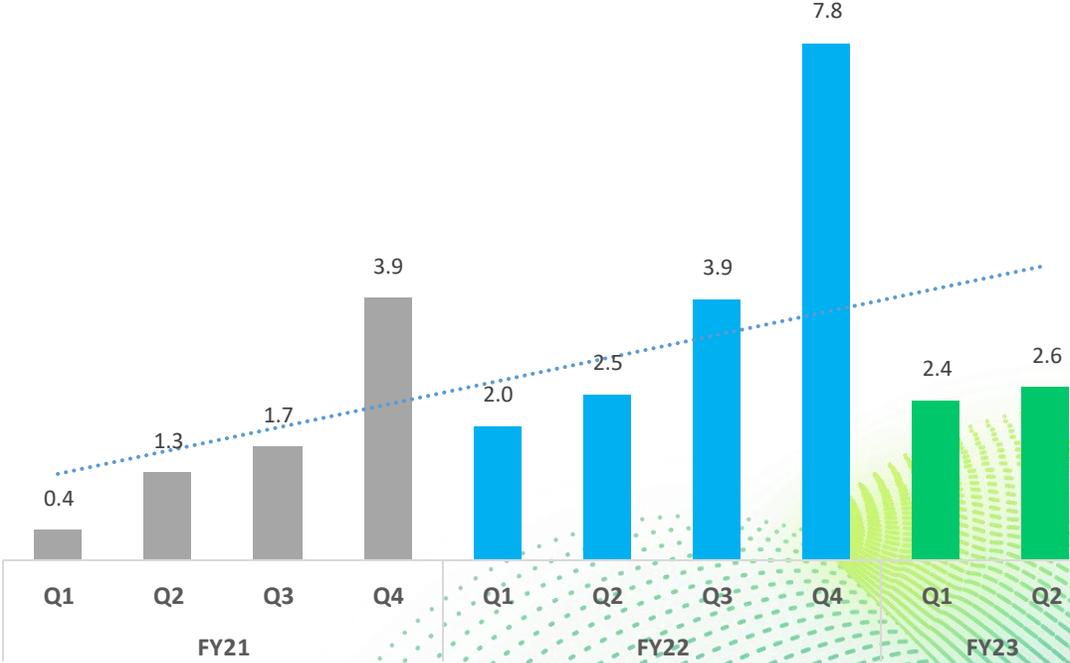
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# Growth continuing into Q2 FY23

Turnover growth (quarter on quarter)



Normalised EBITDA growth (quarter on quarter)



# Profit and Loss – summary

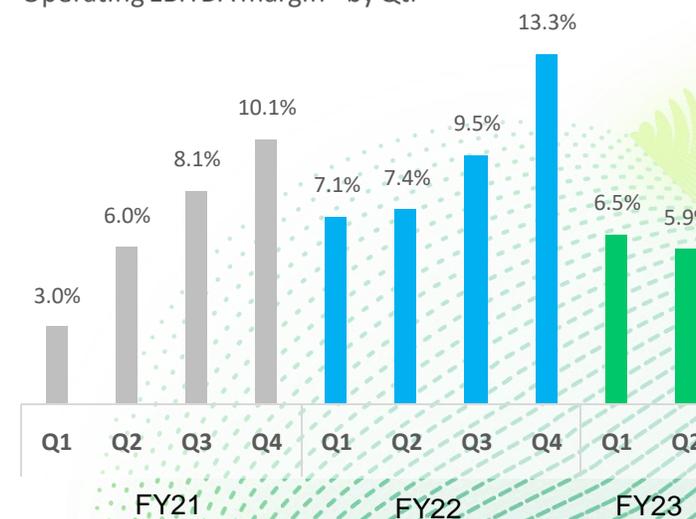
	Half-year to Dec-22	Half-year to Dec-21	% growth
<b>Turnover</b>	<b>85.1</b>	<b>62.9</b>	+35%
<b>Operating EBITDA</b>	<b>5.0</b>	<b>4.6</b>	+10%
plus AASB16 lease adjustments	1.6	1.0	
<b>Normalised EBITDA</b>	<b>6.6</b>	<b>5.6</b>	+19%
Interest expense	(1.4)	(1.7)	
Depreciation and amortisation	(4.6)	(3.6)	
Tax credit	0.3	-	
<b>Normalised NPAT</b>	<b>0.9</b>	<b>0.3</b>	+183%
<i>Less: One-off costs / non-recurring expenses</i>			
Share option expenses	<i>non-cash</i> (0.3)	(1.5)	
Acquisition related costs	<i>cash</i> (0.8)	(1.1)	
Cost of warrants on debt finance <sup>1</sup>	<i>non-cash</i> -	(1.0)	
Impairment adjustment on investments	<i>non-cash</i> (0.9)	-	
<b>Statutory NPAT</b>	<b>(1.1)</b>	<b>(3.3)</b>	

<sup>1</sup> Warrant amortisation expense ceased in June 2022, as a result of the refinancing of the previous debt facilities to new debt funding from CBA

## Key drivers

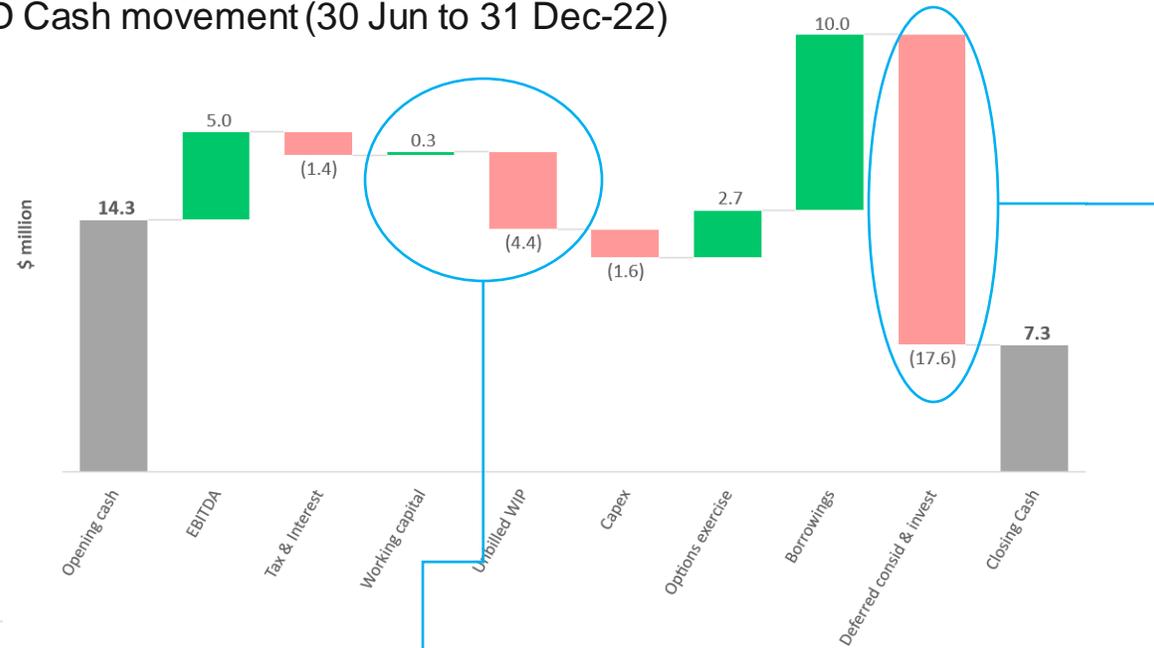
- Continued strong double digit Turnover growth.
- Normalised EBITDA increases 19% on prior comparative period.
- Investment in the new Incident Response capability and some underperformance in the SOC however, has impacted margins in the first half of FY23. Tesserent has already added a number of significant new clients back into the managed services offering.
- Statutory NPAT impacted by a number of non-recurring cash and non-cash costs including acquisition related costs and non-cash impairment expense in relation to the TrustGrid investment.

Operating EBITDA margin - by Qtr



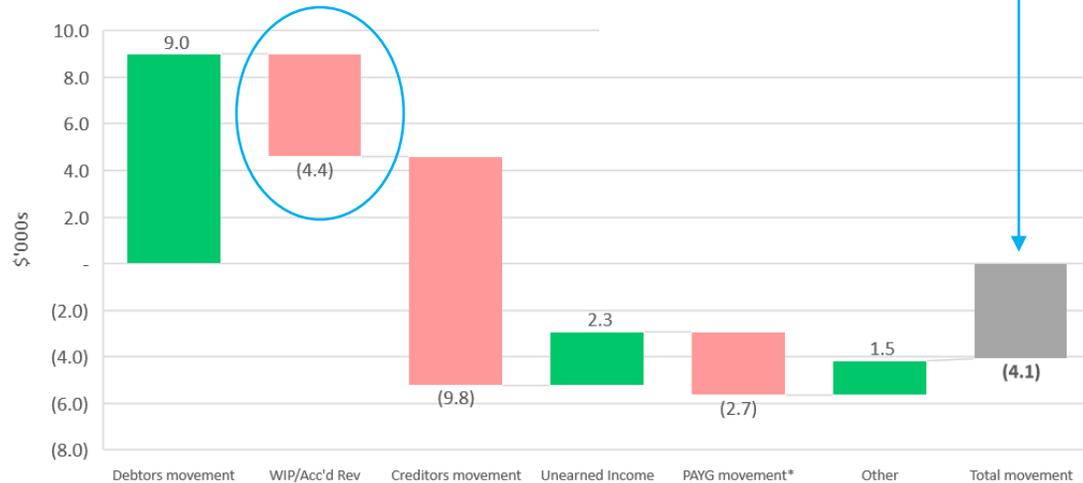
# Cash Flows

YTD Cash movement (30 Jun to 31 Dec-22)



- \$16.6m in deferred consideration payments have been settled in relation to previous acquisitions – funded through bank debt (from CBA), proceeds from options and cash on hand; plus
- Further \$1m investment in innovation partner Daltrey.

Working capital and WIP movement (30 Jun to 31 Dec-22)



## Key drivers

- **Positive operating cashflow for the current half** – despite an increase in the carrying value of WIP from consulting work performed (billing milestones drive WIP)
- Increase in the carrying value of WIP from consulting work performed is the largest contributor to increase in carrying working capital
- WIP balance is dependent upon volume of work performed and reaching agreed billing milestones
- Debtor collection and creditor management continue to perform at normal seasonal levels. No significant debt write-offs or provisions have been required

# Balance sheet

The current balance sheet position (current assets – current liabilities) has improved by \$13m in the last six months as a result of the payment of deferred settlement liabilities during the period

	Dec-22	Jun-22
Cash and cash equivalents	7.3	14.3
Trade and other receivables	23.1	32.1
Contract assets	17.3	13.2
Prepayments and other assets	2.5	(1.5)
<b>Current assets</b>	<b>50.2</b>	<b>62.2</b>
Contract assets	5.6	3.0
Property and equipment	3.6	3.3
Goodwill and intangibles	173.9	176.8
Investments	3.7	3.2
<b>Non-current assets</b>	<b>186.8</b>	<b>186.3</b>
<b>Total assets</b>	<b>237.0</b>	<b>248.5</b>
Trade and other payables	(25.2)	(36.1)
Contract liabilities	(13.4)	(11.3)
Lease liabilities and provisions	(7.6)	(7.2)
Deferred settlement liabilities	(6.7)	(23.6)
<b>Current liabilities</b>	<b>(52.9)</b>	<b>(78.2)</b>
Contract liabilities	(4.7)	(2.3)
Lease liabilities and provisions	(3.7)	(4.5)
Borrowings	(44.5)	(34.5)
Deferred settlement liabilities	-	(5.5)
Deferred tax liability	(6.1)	(6.5)
<b>Non-current liabilities</b>	<b>(59.0)</b>	<b>(53.3)</b>
<b>Total liabilities</b>	<b>(111.9)</b>	<b>(131.5)</b>
<b>Net Assets</b>	<b>125.1</b>	<b>117.0</b>

## Key highlights

- Significant reduction in the deferred settlement liability balance (current and non-current) as a result of \$16.6m deferred consideration cash and equity settled payments during the last six months
- Increase in borrowings (from CBA) of \$10m – used to fund the acquisition related deferred consideration payments
- Net working capital (debtors – creditors) movement essentially cash neutral over the period
- Strong debtor book – only \$26k of debtor write-down on \$32m debtor book (0.08%)
- Growth in contract assets consistent with the build-up of WIP – which is expected to normalise in the second half of FY23

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# Securing our digital future, together.

ASX:TNT

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