

## JUNE QTR 2021 - APPENDIX 4C QUARTERLY ACTIVITIES REPORT AND OPERATIONAL UPDATE

Tesseract Limited (ASX:TNT, Tesseract or the Company) is pleased to provide its quarterly cash report and business update of its activities and achievements for the quarter ended 30 June 2021.

### HIGHLIGHTS

<p><b>Record operating EBITDA of \$3.8M</b> for the quarter, up 125.5% on previous Quarter</p>	<p><b>Record Turnover of \$38.2M</b> for the quarter, up 81.4% from previous Quarter*</p>	<p><b>Record customer receipts of \$33.5M</b> for the quarter, up 53% from Q3 FY21</p>	<p><b>Record single month of Turnover of \$20.8M*</b> for the month of June</p>
<p><b>Turnover surpasses \$150M run rate ambition</b></p>	<p><b>Launch of TNT Academy</b> to address the industry-wide shortage for skilled cyber talent</p>	<p><b>One acquisition and two Innovation investments completed</b></p>	<p><b>\$16.7M Cash on Hand</b> as at 23 July 2021</p>

\* Turnover includes revenue from consulting and advisory services, plus turnover from product sales

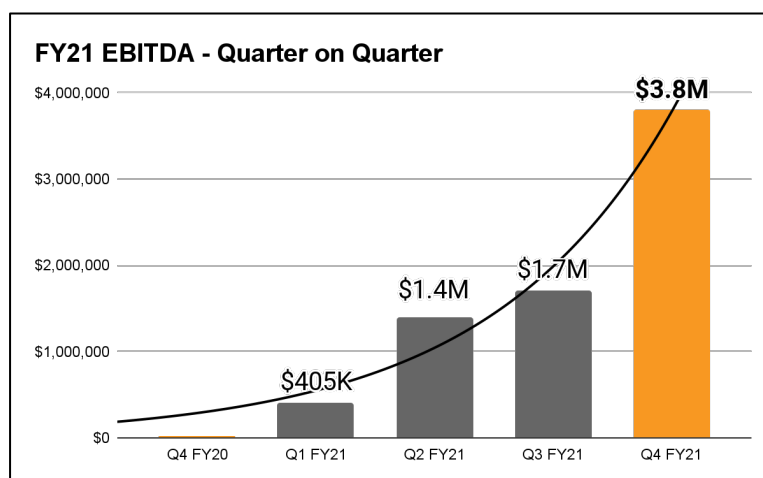
\* Q4 and full year earnings results are unaudited. Operating EBITDA excludes one-off acquisition costs and statutory AASB16 adjustments

### FINANCIAL UPDATE

The Company is pleased to announce that it has exceeded all set financial objectives for Q4 FY21.

#### RECORD EARNINGS, TURNOVER AND CUSTOMER RECEIPTS GROWTH

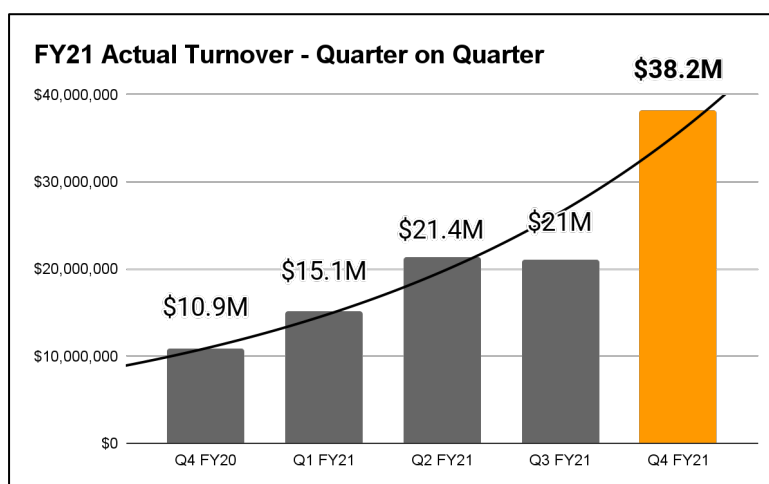
The Company is pleased to announce record growth for the June quarter. TNT continues to build its quarter on quarter operating profitability, increasing operational EBITDA to **\$3.8M** for the quarter, up **125.5%** from the previous quarter's \$1.7M. With **\$14.9M** in available cash at the end of June, and with strong full year earnings performance expected to continue, the Company is in a healthy financial position heading into FY22.



**Figure 1** - EBITDA on a quarterly basis showing 11.1x EBITDA growth in 12 months.

Record quarterly turnover of **\$38.2M** was achieved in Q4, with record monthly turnover of **\$20.8M** achieved in the month of June. This helped the Company generate record quarterly customer receipts of **\$33.5M**, up 53% on Q3.

The Company is also pleased to announce record cash flow positivity for the June quarter, achieving **\$5.3M** in positive cash flow from operations, a growth trend that the Company expects to continue for the foreseeable future.



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

#### *STRONG BASE TO START THE NEW FINANCIAL YEAR*

After achieving record growth, driven by strong seasonal financial year end sales, the Company is well placed to enter FY22 with a continuing focus on organic growth, cross-selling opportunities and strategic acquisitions where they add to the Company's Cyber 360 vision.

#### **ACQUISITIONS AND INVESTMENTS UPDATE**

Strategic acquisitions and investments remain a cornerstone of Tesserent's growth strategy where they make sense. As previously stated, the underlying core philosophy is to acquire and invest in 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 acquisition of Secure Logic (April 2021), while Tesserent Innovation completed strategic investments into TrustGrid (June 2021) and AttackBound (June 2021) with a further investment into biometric security firm Daltrey completed in July 2021.

#### *EXPANDED CONVERGED SECURITY OFFERING*

With the strategic investment into biometric security firm Daltrey, Tesserent Innovation has significantly expanded the Company's existing Converged Security offering with joint venture partner Optic Security across Australia and New Zealand.

The Company looks forward to updating the market on additional future acquisitions and investments.

## **BUSINESS INTEGRATION UPDATE**

The Company continues to identify and realise cross-selling opportunities between business units, underpinning the firm's significant organic growth, including:

- Multiple contracts in Government at all levels across ANZ
- A number of contract wins in the ASX 100 organisations that provide a base for future cross sell opportunities
- Multiple customer contracts across multiple services from TNT business units

In addition to record organic growth, a significant contributing factor to Tesserent'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.

The Company looks forward to keeping the market updated on the progress of our business integration and updated 'Go-To-Market' initiatives with a specific announcement expected in the coming days.

## **TESSERENT ACADEMY LAUNCHED TO ADDRESS INDUSTRY-WIDE SKILLS SHORTAGE**

Tesserent Academy's purpose is to improve the cyber talent ecosystem and address the industry-wide skills shortage, playing an active role in developing talent and addressing the skills shortage in the sector by:

- Developing and attracting future talent;
- Training and retaining current employees; and
- Upskilling and improving cyber knowledge of customers.

## **FUTURE FOCUS**

The Board and Management Team continues to focus on creating shareholder value by continuing to build on Tesserent's position as Australia's #1 ASX-listed cybersecurity provider. Important goals over this new financial year include:

- 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 number of 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 and Cyber Education markets

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

## **REPORTED TURNOVER AND REVENUE**

Reporting consistently with the Company's previous releases, Turnover includes revenue from consulting and advisory services, plus turnover from product sales. The turnover or 'Gross revenue' is equivalent to the value invoiced to customers.

Under accounting standard AASB15 "Revenue from Contracts with Customer", some of the Company's product sales are required to be netted down against cost of products, which results in a lower reported 'Statutory' revenue in the Company's formal Financial Statements (this has no impact on Gross profit or Net profit).

## **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 350 security engineers, 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, North Security, Seer Security, Airloom, iQ3, Lateral Security and Secure Logic, making it Australia's largest listed dedicated cyber security firm.

Learn more at [www.tesserent.com](http://www.tesserent.com).

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Authorised by the Disclosure Team under Tesseract'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")**

30 June 2021

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	33,468	90,933
1.2 Payments for		
(a) research and development		
(b) product manufacturing and operating costs	(16,305)	(54,280)
(c) advertising and marketing	(64)	(313)
(d) leased assets		
(e) staff costs	(10,467)	(30,319)
(f) administration and corporate costs	(416)	(1,612)
1.3 Dividends received (see note 3)		
1.4 Interest received	0	5
1.5 Interest and other costs of finance paid	(56)	(191)
1.6 Income taxes paid	(846)	(881)
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>5,314</b>	<b>3,654</b>

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities	(10,877)	(17,632)
(b) businesses		
(c) property, plant and equipment	(24)	(24)
(d) investments	(3,000)	(3,000)
(e) intellectual property		

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
(f) other non-current assets		
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>(13,900)</b>	<b>(20,655)</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	313	9,749
3.4 Transaction costs related to issues of equity securities or convertible debt securities	(34)	(154)
3.5 Proceeds from borrowings	20,000	30,000
3.6 Repayment of borrowings	(1,795)	(4,591)
3.7 Transaction costs related to loans and borrowings	(425)	(989)
3.8 Dividends paid		
3.9 a Other – Interest paid	(336)	(997)
3.9 b Other – deferred settlement liabilities	(1,933)	(5,517)
<b>3.10 Net cash from / (used in) financing activities</b>	<b>15,789</b>	<b>27,500</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	<b>7,657</b>	<b>4,349</b>
4.2 Net cash from / (used in) operating activities (item 1.9 above)	5,314	3,689

**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 (12 months) \$A'000</b>
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(13,900)	(20,655)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	15,789	27,500
4.5	Effect of movement in exchange rates on cash held	1	(23)
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>14,860</b>	<b>14,860</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	14,860	7,657
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>14,860</b>	<b>7,657</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	-
<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>		



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

<b>7. Financing facilities</b>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</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>		
7.1 Loan facilities	35,000	35,000
7.2 Credit standby arrangements		
7.3 Other (please specify)		
<b>7.4 Total financing facilities</b>	<b>35,000</b>	<b>35,000</b>
<b>7.5 Unused financing facilities available at quarter end</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)		

<b>8. Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (item 1.9)	5,314
8.2 Cash and cash equivalents at quarter end (item 4.6)	14,860
8.3 Unused finance facilities available at quarter end (item 7.5)	-
<b>8.4 Total available funding (item 8.2 + item 8.3)</b>	<b>14,860</b>
<b>8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	N/A
<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 July 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.