

## CHAIRMAN'S LETTER TO SHAREHOLDERS ON H1 RESULTS

Dear Shareholder,

I am pleased to update you on our H1 results and the steps that the Chairman, Board and Management team are taking to ensure we deliver value for our shareholders.

TNT is now the largest ASX-listed pure Cyber Security business in Australia, with over 90 Cyber Security professionals serving in excess of 700 customers over the past three years.

As the newly appointed Chairman of TNT, I am looking forward to working closely with the Board and Management team to achieve several important goals over the coming 12 months to continue to build on our position as Australia's #1 ASX-listed Cyber Security provider.

As announced on 10 December 2019, we are expecting to be cash flow positive and profitable, delivering a forward revenue run-rate of \$40m on a month-to-month basis by the June 2020 quarter (upon completion of the acquisition of north BDT, which is subject to shareholder approval). This represents a significant increase on our previous FY2019 revenue of \$5.3m.

The results for the first half of the FY20 year reflected the costs related with our strategic goal to become Australia's #1 ASX-listed Cyber Security provider. To continue on this journey, we have committed to a number of initiatives that will underpin our commitment to delivering a sustainable and growing business that delivers value to you, our shareholders.

The seven key initiatives include:

- The appointment of three new directors since late December 2019 bringing significant experience and know-how to the Board, being:
    - Geoff Lord – Chairman;
    - Patrick Flanigan – Non-Executive Director; and
    - Kurt Hansen – Joint Managing Director.
  - A cost-out program to sustainably remove \$2m from the cost base of the combined businesses;
  - Completion of acquisition of Pure Cyber Security division from PS&C in late December 2019;
  - Integration of Pure Security with Rivium and the Tesserent Australia Managed Security Services business;
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- Acquisition of North subject to shareholder approval, to be sought at a General Meeting to be held on 16 March 2020;
- Continuing assessment and negotiations with other potential acquisition targets;
- Creating value for existing option-holders whereby options are exercised, resulting in cash inflows and a healthy cash position at 28 February 2020 of \$5.5m.

The results presented for the first half included a very significant number of costs that related to the acquisitions of Rivium which completed in July 2020 and the acquisition of the group of companies acquired from PS&C (ASX:PSZ) in late December 2020. The \$1.8m of costs are 'one-off' that relate to the merger and acquisitions, and associated capital raise activities that have transformed the business going into H2. These acquisitions are important as they underpin our strategic direction and future financial performance.

I am pleased that in excess of 50% of the \$1.8m in related costs were paid in Tesserent shares to organisations that have an interest in seeing our business grow and succeed as we go forward.

A summary of the impact of these costs on the accounts are detailed below:

	31-Dec-19	31-Dec-18
Revenue from continuing operations	\$5,310,730	\$2,801,132
Other Income	\$44,668	\$6,600
	<u>\$5,355,398</u>	<u>\$2,807,732</u>
Expenses	-\$9,340,493	-\$4,728,063
Loss before Income Tax	<u><b>-\$3,985,095</b></u>	<u><b>-\$1,920,331</b></u>
Expenses related to acquisitions and for capital raised to support acquisitions	-\$1,806,635	
Proforma comprehensive income loss for the half year excluding acquisition and capital raise costs	-\$2,178,460	
Depreciation	-\$382,548	
Finance costs- interest	-\$254,900	
PSC opening balance write off	-\$201,640	
Proforma adjusted EBITDA loss for H1 2020	<u><b>-\$1,339,372</b></u>	

I am pleased to note that post 31 December 2019 we have received in excess of \$2m from shareholders that have converted more than 44m options that they hold in the business as a continuing sign of support for the strategic

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direction the Company is taking.

I will continue to update you our shareholders on a regular basis and thank you for your support.

Yours sincerely,

**Geoff Lord**

**Non-Executive Chairman**

### ABOUT TESSERENT

Tesseract provides full service, enterprise-grade cybersecurity and networking solutions targeted at mid-market customers in Australia, and internationally in the UK and Korea. The company's Cyber 360 strategy delivers integrated solutions covering identification, protection and monitoring against cybersecurity threats.

Tesseract has been transformed via the acquisition of several high-quality cybersecurity businesses including Pure Security (Hack Labs, Pure Hacking, Certitude & Securus Global), Rivium and north (to be completed), making it Australia's largest listed dedicated cybersecurity firm.

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

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Authorised by the Disclosure Team under Tesseract's Continuous Disclosure policy

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