

25 February 2022

LETTER TO SHAREHOLDERS

Announcement of Tesseract's half-year results:

Normalised EBITDA of \$5.6m up 102% from prior year comparative period of \$2.7m and Turnover of \$62.9m, up 72% from the FY20 half-year result of \$36.5m

Dear Shareholders,

The company is pleased to present to shareholders its half-year results for Tesseract Limited and its controlled entities ('TNT' or 'the Group') for the period ended 31 December 2021, plus an update of its achievements and current business activities.

The first half of FY22, represented a period of continued growth of the Group and strategic consolidation of the businesses acquired in the previous two financial years. The management team successfully executed its brand and business unit integration strategy – strengthening Tesseract's commercial position in the market by enabling the Group to enhance its value proposition to existing and new clients and improve gross margins and net margins reported across the business.

During the half-year, TNT also completed controlling acquisitions of three separate businesses covering both public and private sector consulting services, managed services and specialised product expertise

During the half-year ended 31 December 2021, the Group reported total sales **turnover of \$62.9m**, statutory revenue of \$43.9m and **normalised EBITDA of \$5.6m** (excluding acquisition related costs and non-operating share based costs).

	31-Dec-21 \$m	31-Dec-20 \$m	% change
Turnover	62.9	36.5	+72%
Statutory revenue	43.9	28.9	
EBITDAC	7.6	3.8	+99%
EBITDAC margin	12.0%	10.4%	
Corporate costs	(3.0)	(2.1)	
Normalised EBITDA	5.6	2.7	+102%
Normalised EBITDA margin	8.8%	7.5%	

As reported in Tesseract's quarterly cash flow report, the Group's recurring revenue as a proportion of total annual sales has been growing and is tracked as a key performance measure within the

business. As at 31 December 2021, the Group's ARR reached 44% - up from 36% at the same time last year.

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

- Continuing to drive the Company's acquisition strategy to expand on our Cyber 360 capabilities and market share
- Fostering innovation across the group and expanding proprietary intellectual property to drive high-margin product and service offerings
- 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 and increasing our average number of services per customer
- Integrating acquisitions into "Capability Business Units" to maximise synergy efficiencies and drive organic revenue growth through cross-selling; and
- Building out high-value recurring annuity revenue streams via Managed Security Operations Centre (SOC) and Managed Detection and Response (MDR).

Given the significant events that are occurring in eastern Europe, we are also mindful of the heightened level of cyber security risk that exist for Tesseract clients. We note that Tesseract has targeted capabilities to address these risk in its Cyber Enhanced Situational Awareness and Response (CESAR) capabilities.

The company looks forward to providing further updates on its financial and commercial outcomes in future releases

Yours sincerely,



Geoff Lord
Executive Chairman
Tesseract Limited

