



TZ Limited

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18 October 2021

ASX Announcement

Business Review for the Quarter ended 30 September 2021

TZ Limited (ASX: TZL) ("TZ" or "the Company"), a leader in access control, smart lock and self-serve locker bank systems is pleased to release its Appendix 4C - Quarterly Cash Flow Report for the quarter ended 30 September 2021.

HIGHLIGHTS:

- The net cash generated from operating activities for this quarter was \$0.3 million, which is significantly improved on the -\$0.4 million result in the corresponding Q1 quarter last financial year and the -\$1.2 million result reported for Q4 of FY21.
- The significant cash flows for operating activities during the quarter were:
 - Receipts of \$5.4 million.
 - Payments of product manufacturing and operating costs of \$2.2 million.
 - Payments for staff costs of \$1.9 million.
 - Payments for administration and corporate costs of \$0.8 million.
- The Company continued to restructure its debt with First Samuel Limited, the Company's largest shareholder. In July, the Company drew down the full value of a new facility established in June 2021 for \$2.5 million and repaid \$2.1 million of the old facility that expired at the end of July. In addition, the remaining \$2 million of debt under the old facility was converted into shares following shareholder approval. This resulted in 16.66m shares being issued to First Samuel.
- The company now has 193m shares on issue and \$2.5m debt facility (BBSW+4.5%) fully drawn with First Samuel. Total debt was previously \$11.75m.
- This recapitalisation will save the company approximately \$0.8m in interest costs per annum.

BUSINESS UPDATE

As previously stated, the board and executive team of TZ are focused on growing TZ's business and improving shareholder returns. The new accounting system (Odo) and sales system (Hubspot) are fully implemented and the operational efficiencies across the group are almost complete. In conjunction with the recapitalisation of the business, TZ Limited is in a much healthier position, which will support the company's ambitious growth plans. Several staff have been added during the quarter with more planned, all a direct result of the order

Think SMART. Think TZ.

pipeline which has seen significant growth from the previous year. As an indication, this time last year there were approximately 22 deployments in the US whilst in 2021 the company has 54 on the books.

TZ is increasing its recurring annuity revenue with all new contracts, under the direction of new CEO, Mario Vecchio, focusing on SaaS and annual subscription and service fees.

The business is starting the new financial year with a much stronger order book than in recent years, particularly in our US business. The orders pipeline plus the opportunity from the move to SaaS licensing instead of perpetual licenses, is setting the Company up for a successful FY22. The business is focused on being cash flow positive in FY22 and to grow the recurring revenue streams for the future.

BUSINESS ACTIVITIES AND DIRECTOR REMUNERATION

During the reporting period, TZ Limited's business activities continued to be the sale of smart locking devices and software. Per item 6.1 of the Appendix 4C, \$108,000 was paid to directors for non-executive directors' fees and salary for the executive director.

OUTLOOK

We remain confident that the changes that have been made will enable the business to achieve its stated goal of trading cash flow positive in the near term. Attention is now being given to exploring various strategic opportunities with the focus of shifting the business in new areas of participation which will support rapid expansion and growth.

This announcement is authorised for release by TZ Limited's Board of Directors.

To stay up to date on company news, announcements and upcoming events, please register your details at the [TZL Investor Centre](#).

For further information, please contact:

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Appendix 4C

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

Name of entity

TZ LIMITED

ABN

26 073 979 272

Quarter ended ("current quarter")

30 September 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	5,371	5,371
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(2,208)	(2,208)
(c) advertising and marketing	(64)	(64)
(d) leased assets	(41)	(41)
(e) staff costs	(1,934)	(1,934)
(f) administration and corporate costs	(764)	(764)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(69)	(69)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	15	15
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	306	306
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(28)	(28)
(d) investments	-	-
(e) intellectual property	(32)	(32)
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
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)	-	-
2.6	Net cash from / (used in) investing activities	(60)	(60)
3.	Cash flows from financing activities		
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	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(39)	(39)
3.5	Proceeds from borrowings	2,500	2,500
3.6	Repayment of borrowings	(2,111)	(2,111)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (AASB16 leases)	(47)	(47)
3.10	Net cash from / (used in) financing activities	303	303
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	374	374
4.2	Net cash from / (used in) operating activities (item 1.9 above)	306	306
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(60)	(60)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	303	303
4.5	Effect of movement in exchange rates on cash held	14	14
4.6	Cash and cash equivalents at end of period	937	937

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	937	374
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	937	374

6. Payments to related parties of the entity and their associates

- 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

**Current quarter
\$A'000**

108

-

7. Financing facilities

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.

	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities	3,145	3,145
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	3,145	3,145

7.5 **Unused financing facilities available at quarter end** -

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.

TZ's secured debenture facility with First Samuel of \$2.5 million was fully drawn down at the end of the quarter. This facility matures on 31 July 2022 and carries interest of BBSW plus 4.5% p.a. TZ's USA subsidiary, Telezygology Inc, had a PPP loan under the CARES Act for US\$465,000.

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	306
8.2 Cash and cash equivalents at quarter end (Item 4.6)	937
8.3 Unused finance facilities available at quarter end (Item 7.5)	-
8.4 Total available funding (Item 8.2 + Item 8.3)	937
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	N/A

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

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

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

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

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: 18 October 2021

Authorised by: The Board of Directors

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.