



TZ Limited

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28 January 2022

ASX Announcement

Business Review for the Quarter ended 31 December 2021

TZ Limited (ASX: TZL) ("TZ" or "the Company"), a leader in access control, smart lock and self-serve locker software systems is pleased to release its Appendix 4C - Quarterly Cash Flow Report for the quarter ended 31 December 2021.

HIGHLIGHTS:

- Revenue in the half-year to 31 December 2021 was \$8.5M (unaudited), marginally down from the \$8.6M achieved in the corresponding period in FY21.
- The significant cash flows for operating activities during the quarter were:
 - Receipts of \$3.3M.
 - Payments of product manufacturing and operating costs of \$3.2M (\$0.6M associated to forward-orders from suppliers)
 - Payments for staff costs of \$2.0M, in line with Q1.
 - Payments for administration and corporate costs of \$0.5M.
 - Receipt of government JobSaver payment scheme of \$0.2M.
- The net cash generated from operating activities for this quarter was -\$2.3M, compared to +\$0.1M in the same quarter of FY21.
- Two temporary effects had a significant impact on this quarter's cash receipts:
 - Working capital: Receivables surplus position (above Payables) increased to \$2.3M (unaudited), from -\$0.5M at the end of FY21. This was predominantly related to the move of some operations to India and is expected to reduce in the near future.
 - Supply chain: Supply chain delays saw three large customer deployments, valued at around \$1M, shifted to Q3.
- One-time non-recurring amounts negatively impacted cash payments in the quarter:
 - Previously deferred staff-related withholding tax paid in the quarter of \$0.5M
 - Redundancy-related payments of \$0.1M.
- Completed successful Capital Raise of \$3.45m

BUSINESS UPDATE

Q2 was a transformational quarter for TZ Limited with the strategy changes under new CEO Mario Vecchio seeing significant successes. Looking at an extremely strong order book and adjusting for temporary inter-quarter cash flow delays related to supply chain and working capital movements, this quarter gives the board great confidence for the future.

TZ Limited is now well progressed in its transition from selling perpetual software to contemporary subscription services. The business is also pleased to announce that it has created new revenue streams with quick uptake from its customers (current MRR of \$0.23M, ARR of \$2.8M). Its API centric architecture now gives the means to assume control of 3rd party locking devices, using a simple, low cost and non-disruptive process. This unlocks a large untapped market segment for the company.

TZ has a large backlog of orders (approx. \$9.0M) which will be delivered before June 30th 2022. We are working diligently to ensure that we meet our customer's expectations with their feature requests and that our supply chain is coordinated to deliver within our customer requirements. We are confident that we have these in place.

We had three large customer deployments, valued at around \$1M, slip from Q2 to Q3 due to supply chain delays, these have now been overcome, and those projects will be delivered in the 3rd quarter.

Internally, TZ continues to simplify and streamline all facets of the business, fully leveraging cloud, automation, and some exciting new partnerships. In summary, the journey of bringing all customers and prospects to a comprehensive set of TZ Cloud Subscription services is now well underway.

Simon Van Es was promoted to oversee finance as part of his role as Chief Operating Officer, Helen Gilmartin to Head of Marketing and Raghav Kadaba as Head of TZ Labs. The incumbent CFO has moved on and has transitioned responsibilities to Herb To, the new Director of Finance, who joined this quarter.

The Indian operations based in Delhi is well underway with the addition of our second software development team. This is required due to the unprecedented demand from customers asking for new features and workflows. Additional technical staff have been added during the quarter with more planned, all a direct result of the order pipeline which has seen significant growth from the previous year.

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, \$118,000 was paid to directors for non-executive directors' fees and salary for the executive director.

OUTLOOK

Positive momentum continues within the business. New business opportunities continue to expand even though we face ongoing COVID-19 related challenges in relation to the timing and deployment of projects. In the third quarter, the business will finalise the delivery and

deployment of 110 click and collect lockers for a significant global transport and logistics company upgrading its package logistics network

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 this year. Attention is now being given to exploring various strategic opportunities focusing on shifting the business to new areas of participation that 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")

31 December 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	3,315	8,757
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(3,165)	(5,443)
(c) advertising and marketing	(32)	(97)
(d) leased assets	(47)	(88)
(e) staff costs	(2,007)	(3,942)
(f) administration and corporate costs	(531)	(1,295)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(13)	(82)
1.6 Income taxes paid	(10)	(10)
1.7 Government grants and tax incentives	203	218
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(2,287)	(1,982)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(62)	(90)
(d) investments	-	-
(e) intellectual property	(14)	(46)
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 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	(76)	(136)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	3,446	3,446
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	(218)	(257)
3.5	Proceeds from borrowings	-	2,500
3.6	Repayment of borrowings	-	(2,111)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	(47)	(94)
3.10	Net cash from / (used in) financing activities	3,181	3,484

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	937	374
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,287)	(1,982)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(76)	(136)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	3,181	3,484
4.5	Effect of movement in exchange rates on cash held	(5)	10
4.6	Cash and cash equivalents at end of period	1,750	1,750

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	1,750	937
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)	1,750	937

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	118
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>		

7. Financing facilities <i>Note: the term “facility” includes all forms of financing arrangements available to the entity.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	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)	(2,287)
8.2 Cash and cash equivalents at quarter end (item 4.6)	1,750
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	1,750
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	0.77
<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?	
<p>Answer:</p> <p>TZ expects to report net operating cash flows for the next two quarters that will be improvements over the current quarter's results, taking into account the removal of one-time non-recurring payments made in the current quarter as well as collection of outstanding receivables delayed in the current quarter by the holiday break. TZ is entering into its busiest time of the year, particularly for educational customers in the USA. The aggregate of the net operating cash flows over the next two quarters is expected to be covered by the cash on hand at the end of the current quarter.</p>	
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?	
<p>Answer:</p> <p>Should the Company require further working capital it can raise further working capital through wither debt or equity of which the Company has a strong track record of securing when required.</p>	

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:

TZ expects to continue its operations and to meet its business objectives on the basis that it expects to report an improved profit and cashflow result in FY22 vs FY21. In the third quarter, the business will deliver and deploy of 110 click and collect lockers for a major global transport and logistics company who is upgrading its package logistics network.

The business anticipates continued improvement in FY23.

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.

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: 28 January 2022

Authorised by: By the Board
(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.