

ASX ANNOUNCEMENT

30 July 2019



COMPANY GROWTH AFFIRMS PROPOSED NAME CHANGE

- **Transaction Solutions International proposes name change to Vortiv Limited**
- **Evolution from payments heritage to new focus on cloud and cyber security**
- **Continued improvement in financial performance expected in September quarter**
- **Cloudten achieves Federal Government Security Clearance**

New Name

Transaction Solutions International Limited (ASX: TSN) (TSN or the Company) is proposing to change its name to **Vortiv Limited**. The Company's subsidiaries, Decipher Works (DWX) and Cloudten Industries (Cloudten) will continue to operate under their current brands given their established strong identities within the market. The name change is subject to shareholder approval at the Annual General Meeting to be held on 28 August 2019.

Rationale:

The last 24 months has seen TSN implement a successful strategy focussed on cloud and cyber security. The Company's operating focus is the continued growth of this strategy and businesses. TSN was historically a holding company for Transaction Solutions International (India) Pvt Ltd ("TSI India"), a payments managed services provider based in India. TSI India was founded in 2006 and TSN held a 100% interest until 2013 when its stake was reduced to 24.89%.

In 2017, the Company adopted a new strategy to focus on cybersecurity and acquired 100% of DWX, a Sydney-based cyber security specialist.

During February 2019, the Company acquired 100% of Cloudten, a cloud security specialist based in Sydney.

The name change signifies the evolution of the Company from its payments services heritage to its new core focus of cloud and cyber security services.

Implementation of Name Change:

If approved by shareholders at the Annual General Meeting, the change of name will apply to the head company, TSN. It is intended that both DWX and Cloudten will continue to trade under their respective brands due to the strength and recognition of the brands in the enterprise market.

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Strategic Direction

Both the DWX and Cloudten businesses continued to deliver profit and growth after acquisition due to their strong business fundamentals and the technical capabilities of the teams.

Successes achieved include:

- 6 consecutive quarters of positive operating cash flow and growing
- maiden profit before tax delivered for the year ending 31 March 2019
- geographic expansion beyond Sydney to Melbourne, Brisbane and London

These achievements reaffirm TSN's new direction and reinforces its commitment to focus on growing a strong and profitable cloud and cyber security business. The cloud and cyber security markets in Australia are growing at 15-20% per annum and estimated to reach \$10 billion and \$6 billion respectively.

TSN's strategic priorities are:

- Firstly, to focus on existing services to deliver growth in revenue and profit – i.e. to continue the growth trajectory of the last six quarter achieved by various initiatives to grow existing and acquire new key accounts. This is crucial to enhance TSN's business fundamentals and financial strength;
- Secondly, the Company is currently investing in R&D to develop proprietary products to enhance growth. The new products enable the Company to build new revenue streams, which could be significant and highly scalable. There are four products in the R&D pipeline – which are at various stages of development and commercialisation. Current R&D activities are being funded by internally generated cash flows; and
- Thirdly, TSN will continue to explore potential acquisitions of complementary businesses in the high growth cloud and cyber security markets. Acquisition of businesses with high strategic fit enables rapid increase in scale and reach. TSN will focus on acquisitions that are value accretive and scalable.

TSN will continue to review opportunities to realise value for shareholders from its non-core investment in TSI India.

Outlook for Next Quarter

Critical to the success of TSN's business is its long-term relationships with its clients, such as financial institutions and state and Federal government departments and organisations. The business model of Cloudten and DWX is hinged on building repeat business with its target customer base. The repeat business usually consists of multiple contracts, either in the form of extensions or renewals or new statements of work. Currently, no individual contract is considered material based on its revenue impact to the business.

Most of these contracts involves implementing cloud or cyber security measures to protect the highly sensitive and confidential data and information systems. The high client wallet retention rate currently enjoyed reflects positively on the Company's ability to deliver complex security solutions and meet the high levels of responsibility of such engagements. The Company values

the long-term relationships with its clients and will ensure that their trust and interest are not compromised.

Management provides the following updated estimates for the September 2019 quarter:

Figure 1: Management Estimates for quarter ending 30 September 2019

		Sep 2019 Quarter
Opening Cash Balance as at 1 July 2019		\$1.7 million
Cash Receipts from customers	\$4.4 million	
Less Payments to employees and suppliers	<u>\$3.5 million</u>	
+ Net Cash Flow from Operations		\$0.9 million
- Net Cash Flow from Investing		(\$1.5 million)
= Closing Cash Balance as at 30 September 2019		\$1.1 million

Cash receipts from customers of \$4.4 million reflects another strong quarter of growth. The estimates are based on the current Sold Backlog, which are contracts that are signed and to be delivered in the September 2019 quarter.

Other Updates

Cloudten has received baseline security clearance by the Australian Government Security Vetting Agency (AGVSA) which qualifies the company to assist on protected federal government accounts. AGSVA is the central agency for the processing and granting of security clearances for most Australian Government agencies as well as state and territory agencies. Clearance required sponsorship of Cloudten from an approved federal government agency or department, which Cloudten secured based on its public sector expertise.

Cloudten has been working closely with state and federal government agencies for a number of years, and now a significant number of its engineers have been vetted and approved by the AVGSA - cleared to work on "protected" projects. Following the announcements of the recent Whole-of-Government deal with Amazon Web Services (AWS), a number of roadblocks have been removed, allowing federal government to fully embrace the AWS cloud platform and benefit from efficiencies of scale.

Having achieved Federal Government security clearance after achieving three AWS competencies – Security, DevOps and Government – Cloudten is uniquely positioned to benefit from the growth in large and complex AWS engagements with government customers.

For more information:

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