



TZ Limited

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30 July 2021

ASX Announcement

Business Review for the Quarter ended 30 June 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 June 2021.

HIGHLIGHTS:

- The net cash from operating activities for this quarter was $-\$1.2\text{M}$ (Q4 FY20: $-\$0.4\text{M}$), bringing the total net result for FY21 to $-\$2.1\text{M}$ (FY20: $-\$3.9\text{M}$). The full year result is a significant improvement on the previous financial year.
- The significant cash flows for operating activities during the quarter were:
 - Receipts of $\$2.8$ million.
 - Payments of product manufacturing and operating costs of $\$1.8$ million.
 - Payments for staff costs of $\$1.8$ million.
 - Payments for interest expenses of $\$0.4$ million.
- Several financing activities occurred during and following the quarter as outlined below.

Recapitalisation

During the quarter TZ undertook a number of activities to recapitalise the business in order to strengthen its balance sheet. This included completing a share placement to wholesale and institutional investors of $\$2.58$ million (29 April) followed by a completed Rights Issue raising $\$7.06$ million (11 June). These activities raised $\$9.6$ million (before costs) in new equity capital allowing the Company to pay down $\$7.6$ million in principal debt and $\$0.4$ million in interest. A new $\$2.5$ million loan facility with First Samuel (with an interest rate of BBSW+4.5% and maturing on 31 July 2022) was established on 30 June which allowed the business to pay down a further $\$2.1$ million of maturing debt after the end of the quarter. Lastly, First Samuel has agreed to convert a further $\$2$ million of maturing debt to equity; the conversion is subject to shareholder approval at an Extraordinary General Meeting to be held on 16th August. Conditional on this shareholder approval, the end result will be debt with First Samuel of $\$2.5$ million, a reduction of $\$9.2$ million from the company's debt with First Samuel at the end of the last quarter of $\$11.7$ million. This is a significant improvement for the business. This recapitalisation will save the business approximately $\$0.8$ million in interest cost per annum.

Think SMART. Think TZ.

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BUSINESS UPDATE

As previously stated, the board and executive team of TZ have focused on building a sustainable business model for TZ. Now with the recapitalisation almost complete and the business in a much healthier position, the board wishes to reiterate its focus on running a profitable business with three key goals in mind. These goals include

1. To create a sustainable business model.
2. To grow everyday revenue.
3. To build operational efficiencies.

As such the business is pleased to advise that it expects to report a break-even EBITDA result for FY21 (unaudited). TZ is also increasing its recurring annuity revenue outlook as a result of new contracts that will increase the recurring revenue base for FY22 to approximately \$3 million, representing a 25% increase over the FY21 result (unaudited). During the period the business also completed a major milestone rolling out its new finance, inventory, supply chain and project management system Odoo. This is a major milestone for the business, building key infrastructure required to achieve the 3 goals above.

Encouragingly, the business is starting the new financial year with a much stronger order book than in recent years, particularly in our US business, setting the Company up for a successful FY22. The business is focused on ensuring the business is cash flow positive in FY22 with continued growth in building sustainable 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 solutions and supporting software. Per item 6.1 of the Appendix 4C, \$93,000 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](#).

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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 June 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	2,811	13,996
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(1,834)	(7,944)
(c) advertising and marketing	(67)	(310)
(d) leased assets	(44)	(187)
(e) staff costs	(1,766)	(6,878)
(f) administration and corporate costs	(305)	(1,612)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	5
1.5 Interest and other costs of finance paid	(415)	(492)
1.6 Income taxes paid	(6)	(5)
1.7 Government grants and tax incentives	387	1316
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(1,239)	(2,111)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	(15)
(d) investments	-	-
(e) intellectual property	(137)	(405)
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 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	(137)	(420)
3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	9,640	9,820
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	(622)	(627)
3.5	Proceeds from borrowings	-	500
3.6	Repayment of borrowings	(7,615)	(7,615)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (AASB16 leases)	(41)	(79)
3.10	Net cash from / (used in) financing activities	1,362	1,999
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	505	1,043
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,239)	(2,111)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(137)	(420)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,362	1,999
4.5	Effect of movement in exchange rates on cash held	1	(19)
4.6	Cash and cash equivalents at end of period	492	492

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	492	492
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)	492	492

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**

93

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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	7,226	4,726
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	7,226	4,726

7.5 **Unused financing facilities available at quarter end** 2,500

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.

At 30 June 2021, TZ entered into a new secured debenture facility of \$2.5 million with First Samuel Limited with a maturity date of 31 July 2022 and an interest rate of BBSW plus 4.5%.

At the end of this quarter, TZ's existing secured debenture facility with First Samuel had a balance of \$4.1 million. This facility matures on 31 July 2021 and carries interest of BBSW plus 6% p.a. on a \$2.1 million tranche and BBSW plus 9% p.a. on a \$2 million tranche. The \$2.1 million tranche was subsequently repaid after the end of this quarter and TZ has agreed with First Samuel to convert the remaining \$2.0 million tranche into equity at a deemed issue price of \$0.12 per share (subject to shareholder approval at the EGM to be held on 16 August 2021).

TZ's USA subsidiary, Telezygology Inc, has 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)	(1,239)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	492
8.3 Unused finance facilities available at quarter end (Item 7.5)	2,500
8.4 Total available funding (Item 8.2 + Item 8.3)	2,992
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	2.41

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

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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: 30 July 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.