



INVESTOR PRESENTATION

**PROPOSED 100% ACQUISITION OF
CLOUDTEN INDUSTRIES PTY LTD**

13 December 2018

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EXECUTIVE SUMMARY

Proposed Acquisition	• TSN to acquire 100% of Cloudten Industries Pty Ltd (“Cloudten”) • Cloudten is a cloud and cloud security service provider
Proposed Consideration	Consists of: • Fixed components of \$8.6 million in cash, paid in 5 instalments over 12 months • Performance-based components, to reward growth in EBIT over the next 4 years; 90% of the performance-based components to be paid 50% cash and 50% scrip
Target Timing	• Binding Agreement: 11 December • ASX approval: Completed • Capital raising: By 12 December • Shareholder approval: Mid/end January 2019 • Completion: End Jan 2019
Proposed Capital Raising	• Capital raising of \$2.0 m at \$0.0085 per share; with six free attaching options for every 4 shares comprising: – Two options with 6 month expiry and exercise price of \$0.010; – Two options with 9 month expiry and exercise price of \$0.011; – One option with 24 month expiry and exercise price of \$0.013; and – One option with 36 month expiry and exercise price of \$0.015 • The fixed components over the next 12 months will be funded by capital raising (including the exercise of the free attaching options) and current bank balance (TSN \$1.7m, Cloudten \$1.6m) • The performance-based components will be funded primarily by Cloudten’s operating cash flow and the exercise of the longer-dated options
Benefits to TSN	• Contributing net profit to TSN’s already profitable Group P&L • Attractive EBIT multiple of 2.8x to 5.0x * • Value and EPS accretive • Expected to be fully funded by the \$2.0m capital raising and operating cash flow

* Based on profit growth scenarios of between 0% and 100% p.a. over the next 4 years; refer to Slide 13 for details

CLOUDTEN ACQUISITION – TICKS ALL THE RIGHT BOXES



1. Strong business fundamentals

- ☑ Strong PBT of \$1.6m in FY18
- ☑ Blue-chip repeat/recurring client base
- ☑ High profit margin
- ☑ Track record of ~100% p.a. revenue growth

2. Highly attractive industry, with future growth potential

- ☑ Partnership with the dominant industry leader to ride the growth wave of cloud and cloud security
- ☑ Growth wave expected to continue into the next decade
- ☑ Highly accredited as a leading service provider to win new clients

3. Earnings and value accretive to shareholders

- ☑ Attractive valuation
- ☑ Highly earnings and value accretive to TSN

4. Capital raising of \$2.0 million with free-attaching options

- ☑ Will fully fund value accretive acquisition, while maximising value to shareholders
- ☑ Free attaching options enable investors to enjoy future growth potential, without the downside risk

5. And finally, commitment from founders to stay for at least 4 years

CLOUDTEN – A LEADING CLOUD AND CLOUD SECURITY SERVICE PROVIDER



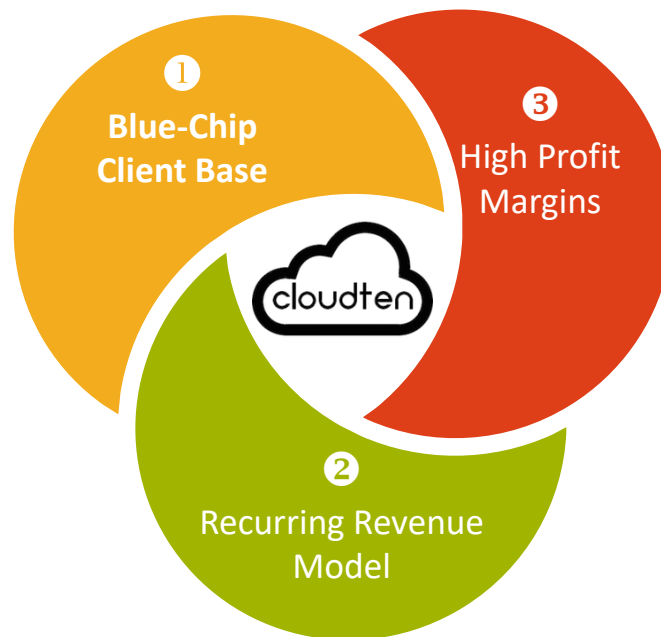
- **Founded in 2014 by Malcolm Duncanson and Richard Tomkinson**
 - ▢ Both are 20 year industry veterans, specialising in infrastructure, cloud and security architecture
 - ▢ Prior working experience: global/big 4 banks, global multinationals
- **Rapid growth and profitable since inception, with \$1.6m PBT for year ended June 2018**
- **Strong partnership with AWS, the dominant industry leader, with significant accreditations/achievements**
- **Built a strong team of ~20 staff based in Sydney currently**
- **Ambitious plans to expand to London and Singapore in 2019**
- **Committed to stay with Cloudten for at least 4 years**

STRONG PROFIT MARGINS BUILT ON SOLID CUSTOMER BASE

Cloudten has successfully built a loyal, blue-chip client base ...

- Large corporations – ASX50 companies
- Government
- Financial services
- Telecoms and media

Average revenue per client for each of the Top 5 clients is \$720k p.a.



... and high profit margin

EBIT margins achieved

- FY17: 34%
- FY18: 42%

Potential increase in profit margins due to:

- Economies of scale
- Offshore delivery centre

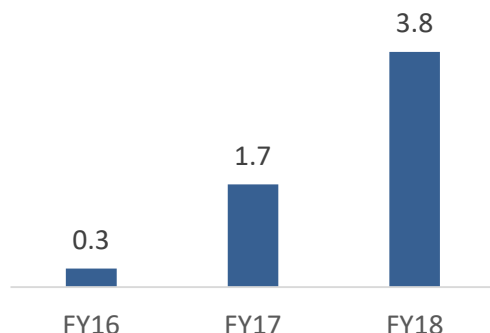
... with a strong recurring revenue model ...

- | | |
|-------------------------------------|-----|
| • One-off consulting projects | 40% |
| • Recurring revenue/repeat business | 60% |

TRACK RECORD: REVENUE GROWTH OF ~100% P.A.

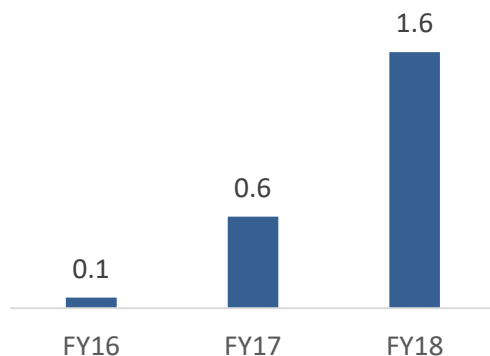
Revenue growth at ~100% p.a.

\$ million



Profitable since inception

\$ million



Cloudten's strong revenue growth in the past 2 years was due to a combination of factors:

Right place, right time

1. Riding on the wave of industry growth from early on
2. Founders having the right skills to build initial client base

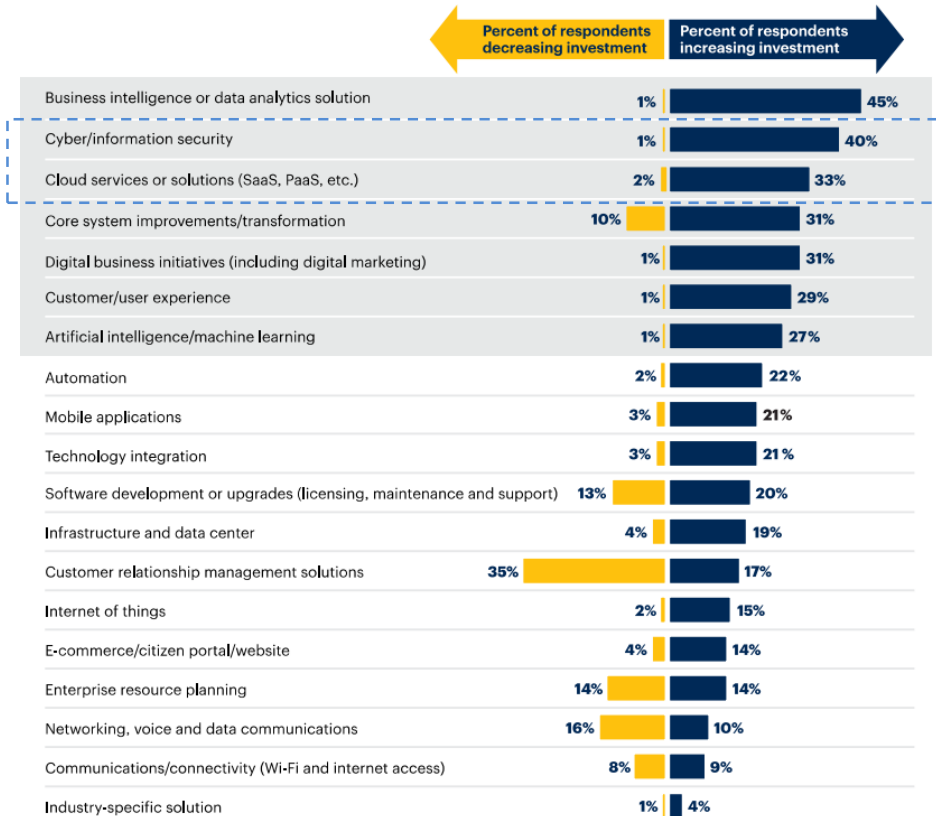
Success breeds success

1. Satisfied (initial) clients provided strong client references and vouched for Cloudten's strong capabilities
2. Delivery experience from initial projects helped Cloudten team build deeper competencies to meet more complex client requirements
3. Strong client references and deeper technical experience helped Cloudten secure more clients and achieve the exclusive AWS Competency status in two areas:
 - ▣ Government Competency
 - ▣ Security Competency
4. Past successes (satisfied clients, deeper experience and AWS Competency status) better positions Cloudten to win more clients in the future

AWS: Amazon Web Services

OPERATING IN A HIGHLY ATTRACTIVE INDUSTRY OF CLOUD AND SECURITY

Cybersecurity and Cloud are amongst the top 3 areas where enterprises are expected to increase IT spending in 2019



Source: Gartner's 2019 CIO Agenda (published in October 2018); based on survey with 3,086 CIOs of enterprises globally.
(Question: "What are the technology areas where your organisation will be spending the largest amount of new/additional funding in 2019?")



Core Service Offerings

Cloud Migration

- Designing cloud architecture
- Migrating to AWS
- Managing AWS infrastructure
- Troubleshooting/managing incidents
- Optimising cloud infrastructure

Cloud Security

- Designing cloud security architecture
- Deploying cloud security solutions
- Managing cloud security infrastructure
- Security incident monitoring

PARTNERSHIP WITH THE DOMINANT LEADER TO RIDE THE GROWTH WAVE

1 Cloudten is an AWS Partner

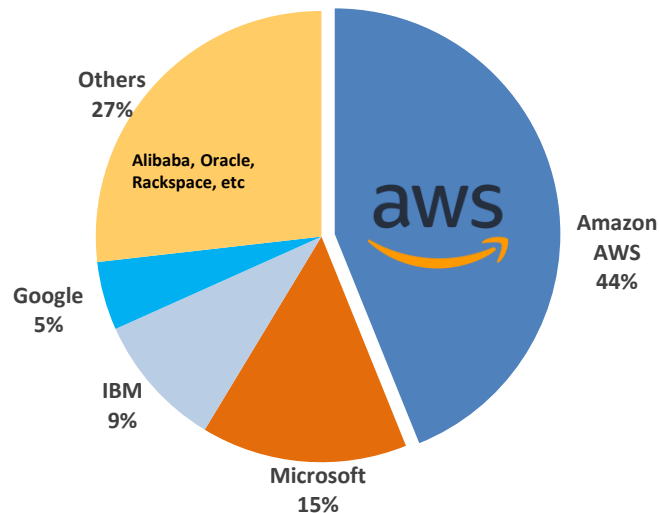


AWS Consulting Partner since 2015

AWS: Amazon Web Services

2 AWS is the dominant industry leader globally

Market share of Cloud Infrastructure (IaaS)



IaaS: Infrastructure-as-a-Service

Snapshot of AWS

- Amazon started AWS in 2006 as a pioneer in cloud computing
- AWS is now the largest cloud infrastructure provider globally

AWS is Amazon's main profit and growth contributor ...

- Growth engine: AWS is growing at 54% p.a. in the last 5 years (compared to Amazon's overall growth of 24% p.a.)
- Profit engine: AWS's generated \$1.6 b profit in Q2 2018 representing 55% of Amazon's profit; while its \$6.1 b revenue contributes to only 11.5% of Amazon's revenue

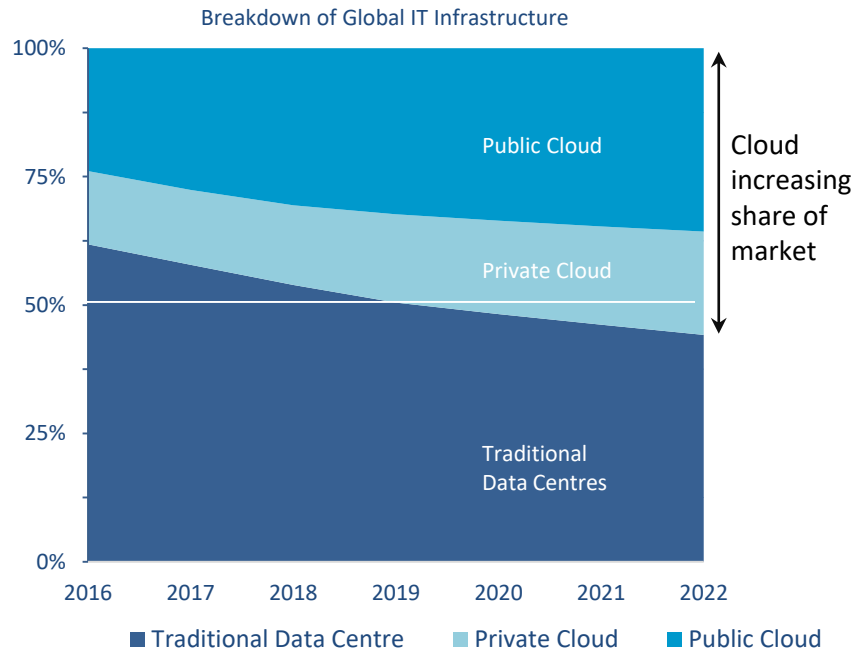
... resulting in Amazon's share price increasing 6x in 4 years

- Due primarily to the success of AWS, Amazon's share price increased from \$290 to \$2000* between Jan 2015 and Sep 2018
- Amazon became the 2nd company to reach \$1 trillion market cap.



GROWTH WAVE EXPECTED TO CONTINUE INTO THE NEXT DECADE AS IT REPLACES TRADITIONAL DATA CENTRE INFRASTRUCTURE

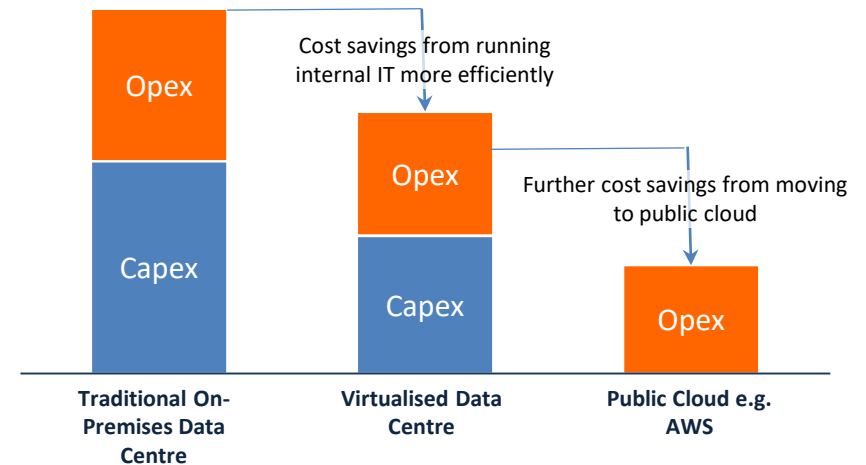
Cloud to overtake Traditional DC next year



Source: IDC, 2018

- Public Cloud market is \$186 billion (2018) globally and expected to represent 36% of global IT infrastructure spend by 2022
- So far, the migration to Public Cloud is mostly due to Software-as-a-Service (SaaS)
- Infrastructure as a Service (IaaS) is still small part of the Public Cloud market (20%) is expected to be the fastest growing segment at 36% growth p.a. (Source: Gartner)
- Trend will continue as current generation servers and mainframes become obsolete and are out-of-support

Rationale for Cloud Migration



Cost savings due to:

- ▶ No upfront investment
- ▶ Economies of scale (200-300 data centres)
- ▶ Lower staff costs due to automation, efficiency and scale
- ▶ Lower operating costs (e.g. power, lease, etc)

Other benefits

- ▶ Scalable and flexible – ability to scale up and down quickly in response to an enterprise's requirements
- ▶ Support for disaster recovery and high availability without the high associated costs

Who is moving to cloud:

- Almost all companies, big or small (and individuals)
- All industries, incl. the government and financial institutions

HIGHLY ACCREDITED CLOUD SERVICE PROVIDER TO WIN NEW CLIENTS

Highly accredited by AWS



Cloudten's AWS journey (and achievements):

2015 Admitted as AWS Standard Consulting Partner

2016: Advanced Consulting Partner status

2017: Admitted into Public Sector Partner programme

2018: The **first and only** Australian Consulting Partner to achieve **Government Competency***

2018: **One of three** Australian Consulting Partners to achieve **Security Competency***

The **first and only** Consulting Partner in Australia and APAC to achieve both Government and Security Competencies

Note:

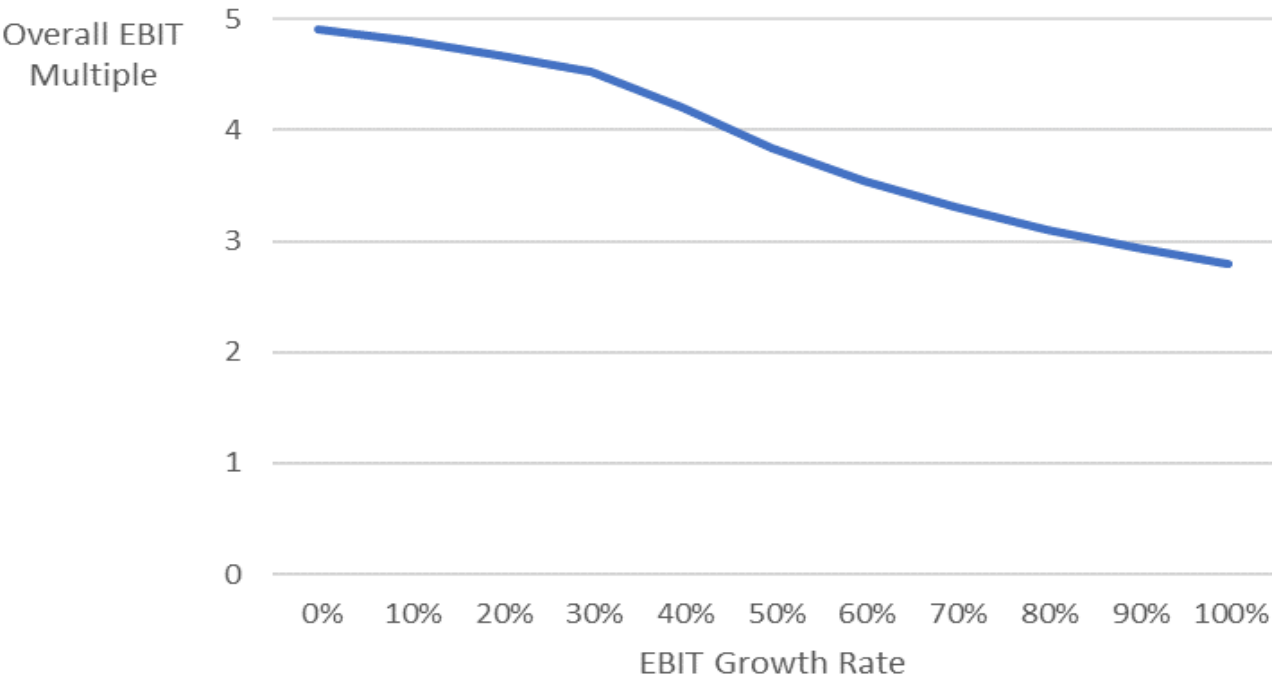
AWS Competency is awarded to partners who have demonstrated technical proficiency and proven customer success in specialised solution areas. Attaining an AWS Competency allows partners to differentiate themselves to customers by showcasing expertise in a specific solution area.

Other Accreditations and Awards



ATTRACTIVE VALUATION

Simplified Illustration of overall EBIT multiple and total consideration (fixed + performance-linked) based on various growth scenarios



- Earnout structure:
- Performance-linked variable components incentivises profit growth for the next four years
 - Overall EBIT Multiple decreases as growth increases, reflecting a win-win structure for Cloudten founders and TSN

Annual EBIT growth	0%	10%	20%	30%	40%	50%	60%	70%	80%	90%	100%
Ave. 4-yr EBIT	1.6	2.0	2.6	3.2	4.0	4.9	5.9	7.1	8.5	10.2	12.0
Total Consideration (\$ million)	8	10	12	15	17	19	21	24	27	30	34
Overall EBIT multiple	4.9	4.8	4.7	4.5	4.2	3.8	3.6	3.3	3.1	2.9	2.8

Note: Overall EBIT multiple = $\frac{\text{Total payout over 4 years}}{\text{Average EBIT over 4 years}}$

VALUE & EARNINGS ACCRETIVE FOR TSN

TSN Pre Acquisition

Current Market Capitalisation
\$15.2 m

- Market capitalisation based on closing share price of \$0.007 on 10 Dec 2018
- Total shares issued: 2.17 billion

Value
Accretion

Value of TSN Post Acquisition

Aggregating the value of TSN using sum-of-parts method

TSN + DWX + Cloudten (excl TSI India)			TSI India	
Current (before acquisition)			• Treated as financial asset • Independent valuation conducted by top 5 international accounting firm • Methodology based on discounted cash flow of existing customer contracts • Preferred Value in valuation report as at 30 May 2018: <u>\$15.34m</u>	
TSN Corporate	(\$0.9m)	+		
DWX Business	\$1.1m			
PBT current ¹	\$0.2m			
Incremental from acquisition				
Cloudten (current)	\$1.6m ²			
Pro-forma PBT	\$1.8m³			
Average PE Ratio ⁴	15x			

Notes:

1. Annualised PBT, extrapolated from results achieved in half year ended 30 Sep 2018
2. Cloudten's PBT is based on FY18 actuals and has not factored in growth. Historically, Cloudten grew by more than 100% p.a.
3. TSN has tax carried forward losses of more than \$5 million
4. Long term average of PE ratio for ASX All Ordinaries Index is 15x
5. Fully diluted shares post acquisition: 2.84 billion

\$2.0 MILLION CAPITAL RAISING TO FULLY FUND VALUE ACCRETIVE ACQUISITION, WHILE MAXIMISING VALUE TO SHAREHOLDERS

Consideration consists of staged fixed components and variable earn-out components ...

... to be funded from Capital Raise, bank balance and internally generated cash flow

Fixed components:

On completion	\$3.0m
After 3 months	\$1.5m
After 6 months	\$1.5m
After 9 months	\$1.5m
After 12 months	\$1.1m
Total	<u>\$8.6m</u>

To be funded from

Capital Raising

Share issue	\$2.0 m
6-mth options	\$1.2 m
9-mth options	\$1.3 m



Current Bank Balance

TSN/DWX	\$1.7m
Cloudten	\$1.6m ¹

Yr 1 Operating Cash Flow²

Cloudten	\$1.6m
TSN/DWX	\$0.2m

Total capital raising + bank balance + 1st year cash flow **\$9.5m**

Variable, performance-based components:

- Uncapped, based on EBIT performance
- Consists of 9 variable payments in Years 2, 3 and 4 to incentivise profit growth beyond current levels, starting from Year 2

To be funded from

Capital Raising

2-year options	\$0.8m
3-year options	\$0.9m



Operating Cash Flow²

Cloudten	\$1.6m p.a.
TSN/DWX	\$0.2m p.a.

Note:

1. Cloudten is expected to have a bank balance of \$1.6m at completion
2. Operating cash flow is based on actuals in the past 12 months
3. Assumes all options are exercised



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