

APPENDIX 4C FOR QUARTER ENDED 31 MARCH 2018

Quarterly Performance and Business Update

HIGHLIGHTS OF THE QUARTER

- Group revenue for the quarter was A\$2.5M bringing the unaudited YTD total to A\$8.4M. Gross margin was 53% for the quarter maintaining the YTD average at 50%.
- With strong sales anticipated in the last quarter of FY 2018, the third quarter cash receipts from customers was A\$5.2M reflecting a number of customer payments for new project deposits. The net cash inflow from operating activities for the quarter was positive A\$1.2M.
- Total net cash flows from operating activities for the nine months to March 2018 are -\$0.6M, much improved from the -\$6.0M recorded for the corresponding period in the previous financial year.
- A\$0.4M was invested in the quarter for product development and manufacturing improvements, bringing the overall cash inflow to circa \$0.8M.
- Operating expenses continue to track lower than the prior year owing to on-going cost saving initiatives. Overall annual savings of circa \$1.4M are anticipated against the FY2017 spend.
- The cash balance at the end of the quarter was A\$3.3M. The A\$2M drawdown facility also remains available to the Company.

BUSINESS UPDATE

- The business is responding positively to the strategic changes implemented and the pipeline of sales opportunities are continuing to grow strongly in most markets. The Company is anticipating a strong finish to the fiscal year with a healthy backlog of purchase orders pending delivery in May and June and new sales contracts currently being finalized, which should also materialize in June when deployments are anticipated.
- The year end result will be heavily dependent on what is shipped, delivered and installed and therefore recognized as revenue by the Company. However, the strong sales pipeline growth in the US and EMEA markets is a good indicator of the progress the Company is making towards its goals. It is important to note that our business is developing in attractive corporate, educational, retail and residential sectors and this fiscal year's revenue is not reliant on low margin, high volume sales to the Postal sector, a characteristic of our business in previous years.
- The US business is showing solid traction in the corporate Package Management sector with large purchases from the existing corporate customer base as they roll out TZ Smart Lockers across their expansive campuses. New customer engagement is also growing as partners like Ricoh and Exela continue to leverage their breadth of coverage. Conversion rates are improving although sales cycles continue to be lengthy at 6 to 12 months.

- Direct marketing and promotional efforts in the Educational sector have yielded good results with Princeton University and Boston College electing TZ as their Smart Locker solution provider and East Tennessee State University expanding their current Mail Center with new purchases of TZ Parcel Lockers, Smart Mailboxes and Departmental Lockers. With each University sale in the range of US\$200,000 to US\$600,000, penetrating this segment and winning market share is important for the continued growth of the US business.
- The EMEA business has been heavily boosted by the A\$2.7M purchase order from Ricoh South Africa for the supply of Smart Lockers, system electronics and software to a global transport and logistics company for the South African market. The upgrade of their existing Locker Bank network with TZ technology has been successfully completed and manufacturing of the 100 new TZ Locker Banks is currently underway and expected to be shipped in June 2018.
- The AU and ASIA businesses remain steady and are holding to their year-end forecasts.

OUTLOOK

This third quarter result is a good indicator that steady progress is being made to improve overall performance and the longer term prospects of the business.

The Company maintains its expectation to deliver an EBITDA loss for FY2018 in the range of A\$1.0M to A\$1.5M. This compares to an EBITDA loss of \$2.9M in FY2017.

Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

TZ Limited

ABN

26 073 979 272

Quarter ended ("current quarter")

31 March 2018

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	5,154	13,691
1.2 Payments for		
(a) research and development		
(b) product manufacturing and operating costs	(1,540)	(5,824)
(c) advertising and marketing	(58)	(284)
(d) leased assets	(131)	(402)
(e) staff costs	(1,824)	(5,799)
(f) administration and corporate costs	(435)	(1,917)
1.3 Dividends received (see note 3)		
1.4 Interest received	7	10
1.5 Interest and other costs of finance paid	0	(158)
1.6 Income taxes refunded	(10)	(22)
1.7 Government grants and tax incentives		111
1.8 Other (provide details if material)		
1.9 Net cash from / (used in) operating activities	1,163	(594)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(49)	(114)
(b) businesses (see item 10)		
(c) investments		

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
(d) intellectual property	(327)	(1,198)
(e) other non-current assets		
2.2 Proceeds from disposal of:		
(a) property, plant and equipment		
(b) businesses (see item 10)	60	60
(c) investments		
(d) intellectual property		
(e) 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	(316)	(1,252)

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	0	5,545
3.2 Proceeds from issue of convertible notes		
3.3 Proceeds from exercise of share options		
3.4 Transaction costs related to issues of shares, convertible notes or options	0	(95)
3.5 Proceeds from borrowings		
3.6 Repayment of borrowings	0	(1,000)
3.7 Transaction costs related to loans and borrowings		
3.8 Dividends paid		
3.9 Other (provide details if material)		
3.10 Net cash from / (used in) financing activities	0	4,450

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of quarter/year to date	2,428	668
4.2 Net cash from / (used in) operating activities (item 1.9 above)	1,163	(594)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(316)	(1,252)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	0	4,450

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	16	19
4.6	Cash and cash equivalents at end of quarter	3,291	3,291

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	3,291	2,428
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)	3,291	2,428

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Current quarter \$A'000
188
-

Payments include directors' fees for non-executive directors, salary for the executive director and office rent paid to an entity related to a director.

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

Current quarter \$A'000
-
-

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	5,000	3,000
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		


The entity has a secured loan facility of \$5 million with First Samuel in two tranches with terms of 24 and 36 months. The interest rate of the facility is 90 day BBSW plus 4% p.a. on the \$3m tranche and 90 day BBSW plus 9% p.a. on the \$2m tranche.

9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	0
9.2 Product manufacturing and operating costs	2,500
9.3 Advertising and marketing	80
9.4 Leased assets	130
9.5 Staff costs	1,800
9.6 Administration and corporate costs	600
9.7 Other (provide details if material)	110
9.8 Total estimated cash outflows	5,220

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity	N/A	Infinity Design Pty Ltd
10.2 Place of incorporation or registration	N/A	Australia
10.3 Consideration for acquisition or disposal	N/A	\$60,000
10.4 Total net assets	N/A	\$80,200
10.5 Nature of business	N/A	Industrial Design Services

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.

Sign here: 
(Company Secretary)

Date: 24 April 2018

Print name: CRAIG SOWDEN

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly 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 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.