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TZ Limited
ABN 26 073 979 272

25 January 2022

ASX Announcement

TZ Limited 2021 AGM – Chairman's Message

"The TZ transformation included three steps. Firstly, restructure the balance sheet; secondly, stop the operating losses and lastly, grow revenue and expand the company."

"I am confident the company is on track".

The year 2021 was severely disrupted due to Covid and TZ felt the consequences. Despite this, TZ grew revenue from $12.85m in 2020 to $16.37m in 2021. EBIT was a loss of $1.59m (after $852,000 Depreciation and Amortisation), a 68% improvement on the EBIT of loss of $5.08m in 2020. Therefore the cash operating performance was slightly better than the reported EBIT loss. Important to note that without the substantial debt, TZ will now save near $800,000 per annum in interest costs.

I am confident a strong order book, the interest cost savings and stronger financial oversight will see TZ deliver positive EBIT in 2022. It is also accurate to say that the company's stronger financial position has had positive ramifications with customers – they no longer question TZ's longevity.

It is important to note that whilst growing revenue, the company went through several management changes (resulting in redundancy payments) and conducted several capital raisings in restructuring the balance sheet. At the start of the financial year the debt was near $11.5m and after 2 placements and a rights issue, the company has an outstanding debenture of $2.5m only.

The company has been forced to keep the additional working capital due to the global supply chain issues. To guarantee TZ's required fabrications can be done on time, TZ has been paying suppliers up front to gain surety on the timing of supply. The deposits from TZ's clients are coming in at a later date.

The board and I welcomed a new CEO in Mario Vecchio, who has been mandated to expand the business and to maximise recurring revenue. To this extent Mario and his new management team have already started to reshape TZ's product offering to rapidly grow recurring Saas fees. The company wants to shift the focus from the large ticket capital items to more "service based" agreements. The TZ lock is always present but the opportunity from the robust software platform (which can manage thousands of devices) needs to be exploited.

TZ wants the market to follow this journey. Therefore TZ will begin to announce MRR – Monthly Recurring Revenue. I am confident that strong growth in this area, and overall solid financial performance, will see a rerating in TZ's valuation, hence, share price appreciation.

Currently, MRR is running at $235,253 per month.

Strong MRR growth over the next 12 months could be the best indicator of performance.

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Authorised for release by the Board of Directors.

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