



29 April 2015

**Lodged by ASX Online**

The Manager  
Company Announcement Office  
ASX Ltd  
Level 4, 20 Bridge Street  
Sydney, NSW 2000

Dear Sir/Madam

**SHAREHOLDER UPDATE & APPENDIX 4C – MARCH QUARTER 2015**

Please find attached the shareholder update and ASX Appendix 4C (unaudited) – Quarterly Report for entities admitted on the basis of commitments for TZ Limited for the quarter ended 31 March 2015.

Yours faithfully  
TZ LIMITED

A handwritten signature in black ink, appearing to read 'Ken', with a stylized flourish above it.

Kenneth Ting  
Director

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## **TZ LIMITED – SHAREHOLDER UPDATE**

### **March 2015 Quarter**

**TZL continues to perform strongly with exponential growth in its PAD business across multiple sectors. TZL is benefitting from a sharp increase in customer interest, activity and sales.**

**Unaudited YTD sales stand at \$10.1 Million being more than double that recorded for the same period last year.**

- This was a pleasing result given the third quarter is traditionally the slowest quarter of the year for the Company due to the slowdown in construction activity in Australia in December and January and the shutdown of our supplier's manufacturing facilities in China during Chinese New Year in February.
- The cash receipts for the quarter increased to \$4.3M due to the sales increase in the previous quarter to Westpac Barangaroo and Singapore Post. Operating payments were however higher than the previous periods at \$6.4M principally due to payments of outstanding payables in particular the build-up of inventory prior to the Christmas / January and Chinese New Year manufacturing shut-down. Trade and other payables reduced by \$1.9M in the period to \$2.0M at the end of March 2015.

**The June Quarter (Q4) is typically the seasonally strongest quarter. With this momentum, a strong visible sales pipeline and around \$3M of purchase orders in backlog, TZL is pushing towards its \$18M to \$20M revenue guidance for the fiscal year, subject to the timing of shipments prior to 30 June 2015.**

- Maintaining momentum, the PAD business tripled revenues over the same period last year. Growth continues strongly in all our key markets namely the US, Australia and Asia as we continue to penetrate the segments we have chosen to participate in. We expect continued and sustainable growth in our key markets and on-going substantial business from our Corporate Accountable Mail, Corporate Day Locker, Residential, University and Postal Locker customers.
- IXP sales remain steady but has fallen behind last year's results for the same period as the projects that were anticipated to come on-stream this year are most likely to now push into 2016 with infrastructure delays.

**Successful capital raising completed in February 2015.**

- During the quarter the Company raised \$7.7M (net of fees) from various institutional and sophisticated investors.

## **Packaged Asset Delivery (PAD):**

Despite the traditional slowing with the January shut down and Chinese New Year period, the PAD business continued to gain sales momentum over previous quarters with solid growth. With a threefold increase on last year's revenue year-to-date, PAD continues to perform strongly with unaudited revenue of around \$8.25M year-to-date for the quarter and a purchase order backlog north of approximately \$3.0M.

In the US, the Company continued to increase its sales to the corporate sector solidifying its position as the leading Intelligent Locker provider in the sector. The Locker deployment to a major biotech corporation last month marked a major milestone for the US business with the introduction of the new PAD hardware and software platform. This improved offering not only provides enhanced user experience but also seamless integration into the Client's back-end systems.

Like the Australian market and driven by the trend towards agile work practices, a number of prospective corporate customers are also finding the TZ Day Locker solution, initially launched in Australia, as a compelling offering to help address their workplace needs. The early feedback from the corporate sector indicates strong interest and a solid potential for future sales which if anything like the Company's experience in Australia, could be a substantial growth opportunity.

In the Higher Education sector, the Company has been successful to beat out the competition in securing the contract for the turn-key supply of an end-to-end solution comprising locker hardware and integrated software solution for Vanderbilt University. The University enrolls approximately 12,000 students from across the US and over 90 foreign countries in four undergraduate and six graduate and professional schools. The project is expected to be completed in July 2015. This represents the third university adopting TZ Technology in the last 18 months. Vanderbilt in particular, will serve as a very strong reference customer to support TZ's penetration into this segment.

In the highly contested residential sector, the US business has continued to be successful in rolling out Smart Parcel Lockers to major metropolitan areas focusing on high-end residential projects. With the opportunity for Lockers growing rapidly in this sector, aggressive marketing efforts are continuing to raise TZ's profile and positioning TZ strongly with the high-end property market. A revamp of the product offering to this sector which is currently underway should create a better tailored solution for the residential space. These enhancements should improve our position against the several heavily commoditised competition.

In the Postal and Logistics sector, work continues with the current customer base to support existing deployment programs like Pos Malaysia and Singapore Post and to map out future requirements and next steps with Poste Italiane and a US transportation and Logistics Corporation. The Company continues to progress tender submissions and pursue opportunities in markets where it makes commercial sense for TZ to operate in.

In Australia, the PAD business continues to show strong growth with the signing of an MOU with KPMG to appoint TZ as the preferred supplier and technology provider for their Day Locker Management System to be deployed at KPMG's offices across Australia. The Day Locker corporate market continues to be a high growth sector for the Company with several major opportunities in the pipeline.

In the quarter, TZ also received an initial purchase order from University of Technology, Sydney for the deployment of a Parcel Locker System which will enable the management and delivery of parcels for their Broadway Campus student residents. This is a totally integrated solution that will allow

students to conveniently pick up their parcels from the Parcel Locker Bank at any time of the day. This represents the first engagement for TZ with an Australian University.

### **Infrastructure Protection (IXP):**

At the end of the third fiscal quarter, the IXP business continues to show steady sales albeit at a slower rate than originally anticipated, dictated heavily by the timing of infrastructure projects. Overall revenue is about 15% down on last year's numbers with Australia primarily contributing to the shortfall as the larger Datacenter customers are moving out of their build phase into an operational phase and planned infrastructure projects have been delayed or put on hold until fiscal 2016.

In the US, we continue to win supply contracts for projects in both North and South America, driven by new business and also through the established customer base who are initiating new projects and broadening their deployment plans.

Specific efforts include:

- Completion of a number of new projects through two major multinational technology OEM partners. To date, these partnerships have collectively implemented over 5,000 cabinet doors protected with TZ Slidehandles™. With several more projects in progress or pending, this momentum is expected to continue.
- A number of existing customers in the Defense, Financial Services and Healthcare segments are currently expanding their installed base both within existing sites and through deployment of TZ Systems into new locations.
- Substantial projects are also underway for a major Telco provider in Columbia and a Financial Institution in Peru. Originally scheduled for deployment in this fiscal year – it is now more likely that these projects will commence supply in fiscal 2016.
- In New York City, the initial phase of a customer's new 600,000 square foot facility is nearing completion with a 760 cabinet door TZ Praetorian™ implementation. When this project is completed, it will represent another implementation of TZ technology in the city, following on from the high profile DOITT project that consolidated 40 plus City Agencies into a new single Datacenter, where all cabinets are being protected by TZ products.
- An area of particular focus this last quarter has been supporting hardware and software implementation and the provision of technical services on the large South American project win from last year. This initial datacenter build-out, the first of what should be several more phases, required over 3,600 TZ Slidehandles™ to be installed and controlled by TZ Centurion Server. This initial deployment represents the largest installation to date and is so far progressing well towards final commissioning.
- April also saw a major promotional push with attendance at ISC West and Datacenter World in Las Vegas. These and other promotional initiatives continue to build awareness of the Company's product advantages in the face of increasing competition. With renewed strategic engagement with Anixter (TZ's distribution partner in the Americas), this activity is proving effective with a number of large scale opportunities being identified in the Financial Services, Healthcare and IT cabinet OEM markets that in aggregate represent over 30,000 potential cabinet doors to be protected with TZ SMARt™ devices. It is anticipated that some of these opportunities will come to

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fruition this fiscal year with the balance of these opportunities underpinning next year's revenue plan.

Steady growth has also been experienced in the Asia Pacific Region categorised by a number of important project wins.

- Driven by the new guidelines set by the Monetary Authority of Singapore (MAS), a large Singaporean Banking Institution has committed to piloting the TZ Centurion™ System, utilising TZ SlideHandle™ and the newly released TZ PushLock™ to secure and protect its IT assets within their datacenters. This is the second major financial banking institution which has adopted a TZ System in order to meet the emerging regulatory requirements in Singapore.
- In Australia, a TZ Centurion™ System has been successfully installed at another major Sydney based datacenter which represents new business for the Company. Coupled with the established supply relationships with NextDC, Macquarie Telecom and other major datacenter operators, this will represent solid run rate business as these customers continue to expand their operations.
- The IXP business will also be boosted with TZ being confirmed as the electronic cabinet locking product of choice for a major international systems integration company for their datacenter located in Sydney. Supply to this datacenter will fall into fiscal 2016.
- Finally to Europe, where our EMEA business continues to grow strongly from a low base. The new distribution partnerships such as U-Systems in the UK, Daxten our new Pan-European Distributor, and Bytes our South African Distributor, lay a broad geographic base for future sales growth.
- As part of the distribution agreement, U-Systems, a UK based innovator in datacenter rack design and manufacture, has now placed their first volume order for our TZ SwingHandle™ product. The TZ SwingHandle™ is a modular rack locking offering that comprises a mechanical lock with the capability of being electronically upgraded in-the-field with the simple attachment of a proprietary TZ module. By offering a mechanical lock substitute with an upgrade path to rack manufacturers and suppliers, the Company is hoping to establish an installed base for future sales.

**Other:**

- The Company is also pleased to advise that the relationship with a major commercial aviation company has been reignited. While early in engagement, the Company is progressing discussions on the potential application of its core SMARt Locking Device technology to a specific aerospace application.

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## Appendix 4C

### Quarterly report for entities admitted on the basis of commitments

Introduced 31/3/2000. Amended 30/9/2001, 24/10/2005

Name of entity

TZ Limited

ABN

26 073 979 272

Quarter ended ("current quarter")

31 March 2015

#### Consolidated statement of cash flows

	Current quarter	Year to date (9 months)
	\$A'000	\$A'000
<b>Cash flows related to operating activities</b>		
1.1 Receipts from customers	4,268	10,610
1.2 Payments for		
(a) staff costs	(1,672)	(4,855)
(b) advertising and marketing	(147)	(409)
(c) research and development	-	-
(d) leased assets	(83)	(243)
(e) other working capital	(4,534)	(9,677)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	5	23
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes refund/(paid)	(14)	(44)
1.7 Other Income	61	175
<b>Net operating cash flows</b>	<b>(2,116)</b>	<b>(4,420)</b>

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**Appendix 4C**  
**Quarterly report for entities**  
**admitted on the basis of commitments**

	Current quarter \$A'000	Year to date (9 months) \$A'000
1.8 Net operating cash flows (carried forward)	(2,116)	(4,420)
<b>Cash flows related to investing activities</b>		
1.9 Payment for acquisition of:		
(a) businesses	-	-
(b) equity investments	-	-
(c) intellectual property	(71)	(154)
(d) physical non-current assets	(5)	(25)
(e) other non-current assets	-	-
1.10 Proceeds from disposal of:		
(a) businesses (item 5)	-	-
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets	-	-
(e) other non-current assets	-	-
1.11 Loans to other entities	-	-
1.12 Loans repaid by other entities	-	-
1.13 Other - Investment in cash trust	-	-
<b>Net investing cash flows</b>	<b>(77)</b>	<b>(178)</b>
<b>1.14 Total operating and investing cash flows</b>	<b>(2,193)</b>	<b>(4,599)</b>
<b>Cash flows related to financing activities</b>		
1.15 Proceeds from issues of shares, notes, etc.	7,720	8,720
1.16 Proceeds from sale of forfeited shares	-	-
1.17 Proceeds from borrowings	-	-
1.18 Repayment of borrowings	-	-
1.19 Proceeds from investment redemption	272	326
1.20 Other - Share issue costs	-	-
<b>Net financing cash flows</b>	<b>7,992</b>	<b>9,046</b>
<b>Net increase (decrease) in cash held</b>	<b>5,799</b>	<b>4,447</b>
1.21 Cash at beginning of quarter/year to date	1,309	2,646
1.22 Exchange rate adjustments to item 1.21	(37)	(22)
<b>1.23 Cash at end of quarter/year to date</b>	<b>7,071</b>	<b>7,071</b>

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**Payments to directors of the entity and associates of the directors**

**Payments to related entities and associates of the related entities**

		Current quarter \$A'000
1.24	Aggregate amount of payments to the parties included in item 1.2	797
1.25	Aggregate amount of loans to the parties included in item 1.11	-

1.26 Explanation necessary for an understanding of the transactions

Being directors' fees & allowances, office rent, accounting fees, administration and marketing costs paid to the directors and their related entities during the period.

**Non-cash financing and investing activities**

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

N/A

2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest

N/A

**Financing facilities available**

*Add notes as necessary for an understanding of the position. (See AASB 1026 paragraph 12.2).*

		Amount available \$A'000	Amount used \$A'000
3.1	Loan facilities	-	-
3.2	Credit standby arrangements	-	-

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**Reconciliation of cash**

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
4.1 Cash on hand and at bank	6,942	1,175
4.2 Deposits at call	-	-
4.3 Bank overdraft	-	-
4.4 Other – Foreign currencies held overseas	129	134
<b>Total: cash at end of quarter (item 1.23)</b>	<b>7,071</b>	<b>1,309</b>

**Acquisitions and disposals of business entities**

31/03/2015

	Acquisitions <i>(Item 1.9(a))</i>	Disposals <i>(Item 1.10(a))</i>
5.1 Name of entity/business	N/A	N/A
5.2 Place of incorporation or registration	N/A	N/A
5.3 Consideration for acquisition or disposal	N/A	N/A
5.4 Total net assets	N/A	N/A
5.5 Nature of business	N/A	N/A

**Compliance statement**

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.
- 2 This statement does ~~does not~~\* (*delete one*) give a true and fair view of the matters disclosed.

Sign here:  .....  
(Director/Company secretary)

Date: 29 April 2015

Print name: Kenneth Ting

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## 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 wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The definitions in, and provisions of, *AASB 1026: Statement of Cash Flows* apply to this report except for the paragraphs of the Standard set out below.
- 6.2 - reconciliation of cash flows arising from operating activities to operating profit or loss
  - 9.2 - itemised disclosure relating to acquisitions
  - 9.4 - itemised disclosure relating to disposals
  - 12.1(a) - policy for classification of cash items
  - 12.3 - disclosure of restrictions on use of cash
  - 13.1 - comparative information
- 3 **Accounting Standards.** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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