

29 October 2015

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

Dear Sir/Madam

**SHAREHOLDER UPDATE & APPENDIX 4C – SEPTEMBER 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 30 September 2015.

Yours faithfully

TZ LIMITED



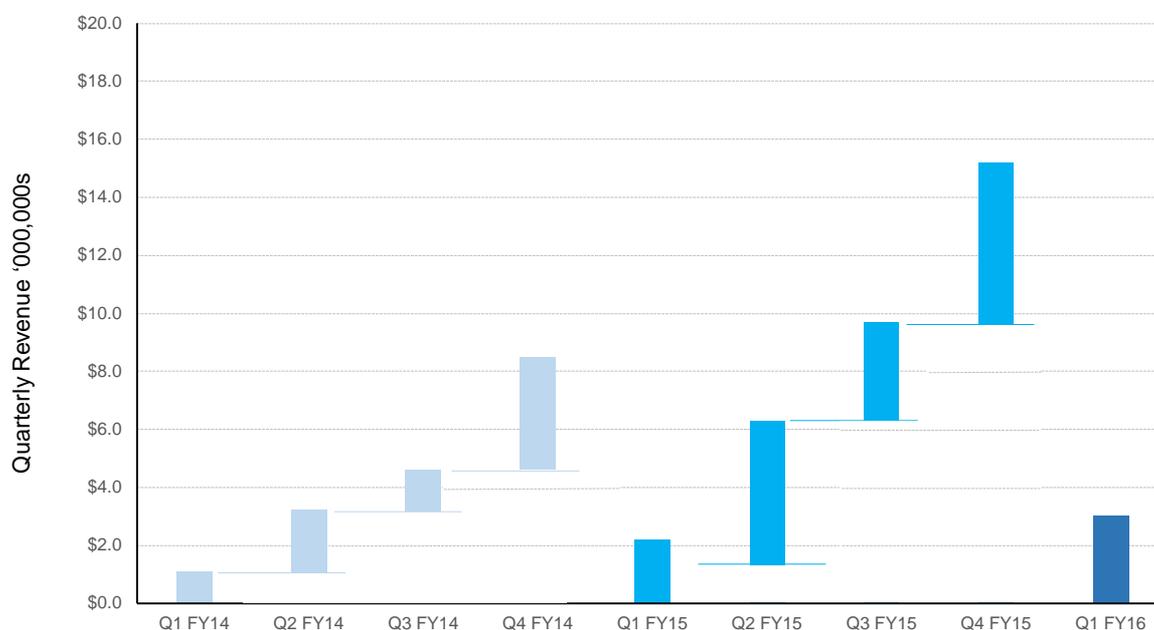
Kenneth Ting  
Director

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## TZ LIMITED – SHAREHOLDER UPDATE

### September Quarter 2015

TZ has seen a good and encouraging start to the new financial year following the strong finish to Q4 FY15. Q1 FY16 sales are up 36% compared to the same period last year. Although Q1 is typically a seasonally quieter period given Northern Hemisphere vacations, TZ completed a number of deployments, secured several anticipated orders and saw strong growth in the pipeline of new orders and customer demand.



Particular highlights include:

- Over \$3m in unaudited sales revenue and \$5.0M in aggregate of purchase orders received from a number of customers including,
  - Poste Italiane for the first stage expansion of their original pilot program due for deployment in January 2016.
  - Pos Malaysia for expansion of their pilot program following successful completion of end-to-end integration testing.
  - Singapore Post for the expansion of the POPStation network in Singapore to bring the total number of Locker Banks to 151.
  - On-going discussions with a major US transport and logistics company on the expansion of their Locker network.

- Multi-million purchase order from Fredon for the Day Locker System to be deployed for KPMG at their planned new offices in Sydney and Melbourne.
- Repeat US corporate customer in the Accountable Mail Sector including purchases from Microsoft, LinkedIn, Genentech, Cisco, Apple and others.
- Asian manufacturing on track for small scale production run by calendar year end with full volume production commencing in January 2016. Once implemented, this will significantly improve the cost base for our proprietary device.
- Overall revenues are 36% higher than that achieved for the same period in FY15 driven primarily by strong PAD sales across all geographies. IXP sales also performed strongly exceeding plan expectations to get the new IXP sales year off to a good start.
- Overall cash declined by \$1.9M during the quarter to \$3.9M. Cash receipts for the quarter were strong increasing to \$4.4M due to the higher sales in Q4 FY15. Operating payments were also higher than the previous periods, consistent with the higher levels of activity in the previous quarter.
- Note that included in the cash outlay is capital expenditure \$0.1M for tooling costs required to finalize production readiness for our Manufacturing Transition program and \$0.3M of R&D expenditure for the core PAD product line.

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

- There have been positive movements in TZ's Postal and Logistics business with Poste Italiane and Pos Malaysia committing to new orders to expand their pilot program. This is a favourable indicator for TZ and a step forward towards broader based national expansion of these networks. Both of these organisations have communicated that Parcel Lockers will play a critical part of their new service offerings.
- Following 12 months of extensive review and consideration, Poste Italiane has decided to move forward and expand their Locker program. The new order represents the purchase of an additional 12 Locker Banks comprising about 50 Locker Units in each bank, to be deployed in January 2016 at a nominated Italian city. This city will be the benchmark for future deployments to other cities across Italy based on consumer acceptance of the Locker services.
- Successful end-to-end testing of the fully integrated Pos Malaysia Locker System, has laid the foundation for future expansion of the Pos Malaysia Parcel Locker network. The order for 8 additional Locker Banks comprising 62 Locker Units each, will complete the initial stage of deployment with the Lockers anticipated to be deployed in early 2016. Pos Malaysia has indicated their desire for an extensive network of Parcel Lockers across Malaysia on the back of the success of this next stage.
- With Singapore Post continuing to expand their POPStation network in Singapore and Couriers Please starting their roll-out in Australia on the back of the ADAM Locker purchase, a strong base line of Locker Bank sales is emerging that should see on-going sales growth over the next 24 months. All ADAM Lockers have now been rebranded and Couriers Please services are scheduled to commence in early November together with roll-out of additional Locker Banks. A strategic supply agreement is currently being discussed with Singapore Post to support the supply, installation and maintenance of new Lockers to be rolled out in Singapore, Australia and other regions.

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- Discussions continue with a US Transport and Logistics organisation as they consider the expansion of their initial Locker deployment. The Company is anticipating further guidance as to their direction and next steps within the next 4 to 6 weeks.
- US Corporate pipeline of potential sales continue to grow strongly with the pool of immediate opportunities now in excess of US\$10M of sales revenue. Of this, over US\$3M in quotations have already been issued. The positive aspect, apart from several repeat customers, is the large number of new corporations seeking to implement accountable mail locker strategies at their office locations. Samsung and Salesforce.com are good examples of this, who have just completed, or are in the process of completing their first TZ Smart Locker installs.
- Customers like Genentech, are already expanding the deployment of Mail Lockers to other buildings after successful implementation at their initial site. In total, Genentech have over 50 buildings on their South San Francisco campus. Sales to LinkedIn represent expansion not only on their existing campuses but also to new campuses in Chicago and Toronto. The opportunity for TZ to continue to supply these customers with Lockers into existing campuses and to new office locations across the US and, potentially, the rest of the world represents a substantial pipeline of potentially captive business.
- Visibility on the deployment plans of some of our larger corporate customers show that the corporate sales growth is on track particularly with companies like Microsoft and Apple planning for roll outs of 30 to 50 Locker Banks this year. With both of these organisations in the process of completing construction and/or refurbishment of new and large office buildings, new supply agreements are being negotiated to shore up deployment requirements.
- Vanderbilt University deployment has been successfully completed and is now in full production with full back-end integration. We believe this will be our benchmark for other US Universities moving forward.
- Significant progress has been made towards establishing a major distribution deal in the US with a multi-national service provider who will deliver the resource and geographic bandwidth to substantially scale the US business meeting the perceived high levels of demand for locker solutions in the corporate sector.
- In particular, the promotion of our Day Locker solution in the US is gaining traction with a number of major customers seeking to implement pilots to evaluate the solution. We remain confident that our Day Locker solution will develop into a large and new revenue stream for the TZ US business.
- US residential sales remain buoyant despite the highly competitive nature of this market. Strategic supply deals are afoot with at least two major property developers / managers to lock in TZ as the solution of choice. These property managers have over 80 to 100 properties each and have plans to deploy lockers at all their properties as a utility to their customers.
- In Australia, the large roll-out of Day Lockers at KPMG represents another major deployment for TZ, following in the footsteps of national programs with Westpac and another banking corporation. The KPMG deployment which is worth over \$2M of sales revenue in hardware, software and on-going maintenance services to TZ, will see strong sales into 2016 as Sydney and Melbourne offices come on-line. Delivery for Sydney will commence in November 2015. A pool of new and large Day Locker opportunities is also emerging with new customers as they evaluate their agile workplace practices. Most of these opportunities are at the early stages of quotation, with confirmation of orders likely by the end of the calendar year.

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**Infrastructure Protection (IXP):**

- IXP sales continue to develop with increased activity this quarter. This represents solid run rate business across all geographies.
- Our business with multinational technology OEM partners is starting to show results with the business expanding to sales in Europe and Asia. Of particular note is our first major deployment in Hong Kong. Stage 2 of that program is scheduled for deployment later this calendar year.
- We are anticipating a number of major data centres to come on-line this fiscal year. With TZ products already specified for the projects, we are anticipating IXP sales to show around 30% year-on-year growth over last years' numbers. The results this quarter and the forecast to the half year indicates we are on-track to achieve this.

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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")

30 September 2015

#### Consolidated statement of cash flows

	Current quarter	Year to date
	\$A '000	\$A '000
<b>Cash flows related to operating activities</b>		
1.1 Receipts from customers	4,384	4,384
1.2 Payments for		
(a) staff costs	(2,185)	(2,185)
(b) advertising and marketing	(122)	(122)
(c) research and development		
(d) leased assets	(106)	(106)
(e) other working capital	(3,360)	(3,360)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	16	16
1.5 Interest and other costs of finance paid		
1.6 Income taxes refund/(paid)	41	41
1.7 Other Income		
<b>Net operating cash flows</b>	<b>(1,332)</b>	<b>(1,332)</b>

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

	Current quarter \$A'000	Year to date \$A'000
1.8 Net operating cash flows (carried forward)	(1,332)	(1,332)
<b>Cash flows related to investing activities</b>		
1.9 Payment for acquisition of:		
(a) businesses		
(b) equity investments		
(c) intellectual property	(365)	(365)
(d) physical non-current assets	(155)	(155)
(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>	(520)	(520)
<b>1.14 Total operating and investing cash flows</b>	(1,852)	(1,852)
<b>Cash flows related to financing activities</b>		
1.15 Proceeds from issues of shares, notes, etc.		
1.16 Proceeds from sale of forfeited shares		
1.17 Proceeds from borrowings		
1.18 Repayment of borrowings		
1.19 Proceeds from investment redemption		
1.20 Other - Share issue costs		
<b>Net financing cash flows</b>	0	0
<b>Net increase (decrease) in cash held</b>	(1,852)	(1,852)
1.21 Cash at beginning of quarter/year to date	5,688	5,688
1.22 Exchange rate adjustments to item 1.21	19	19
<b>1.23 Cash at end of quarter/year to date</b>	3,855	3,855

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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	351
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	3,676	5,201
4.2 Deposits at call		
4.3 Bank overdraft		
4.4 Other – Foreign currencies held overseas	179	487
<b>Total: cash at end of quarter</b> (item 1.23)	<b>3,855</b>	<b>5,688</b>

**Acquisitions and disposals of business entities**

30/09/2015

- 5.1 Name of entity/business
- 5.2 Place of incorporation or registration
- 5.3 Consideration for acquisition or disposal
- 5.4 Total net assets
- 5.5 Nature of business

Acquisitions <i>(Item 1.9(a))</i>	Disposals <i>(Item 1.10(a))</i>
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 October 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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