

28 October 2016

Lodged by ASX Online

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

Dear Sir/Madam

SHAREHOLDER UPDATE & APPENDIX 4C – SEPTEMBER QUARTER 2016

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 2016.

Yours faithfully

TZ LIMITED



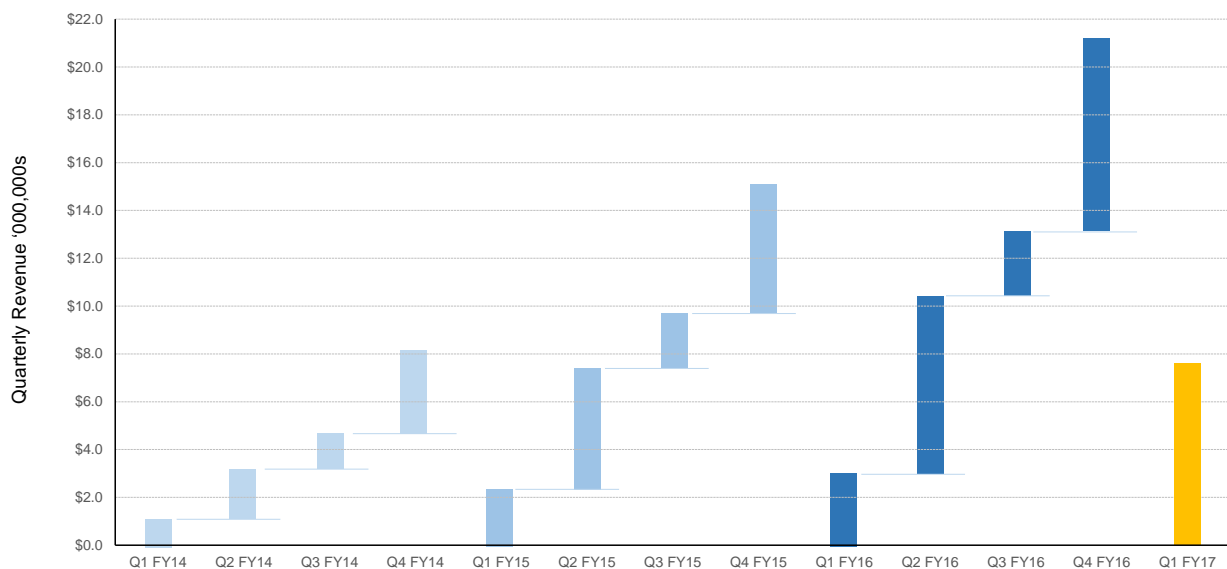
Kenneth Ting
Director

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TZ LIMITED – SHAREHOLDER UPDATE

September Quarter 2016

As anticipated, TZ finished the first quarter of the new fiscal year 2017 with a very strong sales result of A\$7.6M (unaudited). This comes off the back of the solid finish to Q4 FY 16 and the processing of the bulk of the large backlog of purchase orders that were unable to be deployed prior to 30th June 2016. This revenue represents a 140% increase compared to the same period last year and is largely underpinned by the large US Locker Bank contract.



- Quarterly sales performance across all operating subsidiaries demonstrated strong growth from the same period in FY16. US revenue grew by over 340%, EMEA revenue, which is primarily IXP sales, grew by 8% and our Asia Pacific business grew by 20%. The growth in the US and Asia Pacific is fueled by the Postal and Logistics business which are all in their deployment phase.
- The three major Locker deployment programs for Singapore Post / Couriers Please, Pos Malaysia and a major US transport and logistics company, continue to consume significant resources and management attention. With manufacturing of Locker Banks completed, the cost of the goods has been incurred, however deployment delays beyond the control of the Company have affected customer payment milestones tied to installation progress and performance bonds. Accordingly, the Company has seen large cash outflows without the associated cash inflows and recovery this Quarter.

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- Gross margins continue to be impacted by the Postal and Logistics Locker business although this Quarter has seen improvement to 40% as corporate and higher margin business start to normalise the results.
- Net cash from operating activities was negative A\$3.5M for the Quarter in part due to large contract payments to suppliers relating to the deployment backlog carried forward into this financial year and also due to payments to suppliers relating to the previous Quarter. Creditors reduced by A\$2.4M between 30 June 2016 and 30 September 2016. Current aged receivables remain strong and operational costs remain steady.
- Overall cash decreased by A\$3.8M during the Quarter from A\$6.1M to A\$2.3M.

Packaged Asset Delivery (PAD):

- In the last six months the Company has manufactured and shipped around 375 Locker Banks in total to the US, Singapore, Malaysia and Australia. This comprises more than 25,000 Postal Lockers, three (3) times more than that deployed in the previous two years. Supply programs are now in the installation and commissioning phase however speed of deployment is highly dependent on the identification and availability of Locker locations by our customers.
- US Corporate Locker sales continue to grow strongly at over 170% on the same period last year. We continue to grow within existing accounts as well as into new customer relationships, some driven from Ricoh's developing opportunity pipeline. Note Ricoh has secured their first Locker sale to a well-known on-line travel brand and several more are anticipated to close this next quarter. Ricoh are aggressively promoting TZ Smart Locker solutions at tradeshows and corporate client open days in key cities including Manhattan, Ohio and Miami and to their established managed services customer base.
- Our efforts to penetrate the University sector in the US is also taking solid shape with several tender invitations coming to TZ. These tenders are scheduled to be awarded in the coming month with delivery most likely slated for May or June 2017. Over US\$2.2M of business has been quoted in university tender submissions in the last quarter. Positive references on the new Campus software which has been launched at two major universities is building awareness and traction in the sector.
- The Australian Day Locker business has also been in deployment mode with systems going into Westpac and KPMG offices in Brisbane, Sydney and Melbourne. Three new and substantial projects are pending contract award and finalization. TZ has submitted pricing on these projects and is anticipating favourable outcomes. This business, if secured, should go a long way to underpin achievement of the ANZ revenue targets for the fiscal year.

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Infrastructure Protection (IXP):

- IXP sales continue to develop in the Australian and EMEA markets with a number of good orders and project wins coming through in the quarter. With NextDC's B2, M2 and S2 data centres coming on line mid next year, we are anticipating IXP sales to continue to sustain their year-on-year growth.
- US sales are currently a little off the expected run rate as anticipated stock purchases will now roll into the next quarter due to SlideHandle supply and production delays. Enquiry levels are picking up after the northern hemisphere summer lull with several new projects entering the pipeline.

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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")

30 September 2016

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	6,442	6,442
1.2 Payments for		
(a) research and development		
(b) product manufacturing and operating costs	(6,307)	(6,307)
(c) advertising and marketing	(197)	(197)
(d) leased assets	(164)	(164)
(e) staff costs	(2,623)	(2,623)
(f) administration and corporate costs	(674)	(674)
1.3 Dividends received (see note 3)		
1.4 Interest received	10	10
1.5 Interest and other costs of finance paid	(4)	(4)
1.6 Income taxes paid		
1.7 Government grants and tax incentives		
1.8 Other (provide details if material)		
1.9 Net cash from / (used in) operating activities	(3,517)	(3,517)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(37)	(37)
(b) businesses (see item 10)		
(c) investments		

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
	(d) intellectual property	(480)	(480)
	(e) other non-current assets		
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment		
	(b) businesses (see item 10)		
	(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	(517)	(517)
3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	220	220
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		
3.5	Proceeds from borrowings		
3.6	Repayment of borrowings		
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	220	220
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	6,102	6,102
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(3,517)	(3,517)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(517)	(517)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	220	220
4.5	Effect of movement in exchange rates on cash held	(36)	(36)
4.6	Cash and cash equivalents at end of quarter	2,252	2,252

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	2,252	6,102
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)	2,252	6,102

6.	Payments to directors of the entity and their associates	Current quarter \$A'000
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	

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7. Payments to related entities of the entity and their associates	Current quarter \$A'000
7.1 Aggregate amount of payments to these parties included in item 1.2	482,420
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	

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

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	-	-
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.		

9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	
9.2 Product manufacturing and operating costs	(4,110)
9.3 Advertising and marketing	(190)
9.4 Leased assets	(175)
9.5 Staff costs	(2,740)
9.6 Administration and corporate costs	(750)
9.7 Other (provide details if material)	
9.8 Total estimated cash outflows	(7,965)

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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	N/A
10.2 Place of incorporation or registration	N/A	N/A
10.3 Consideration for acquisition or disposal	N/A	N/A
10.4 Total net assets	N/A	N/A
10.5 Nature of business	N/A	N/A

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: 
(Director/Company Secretary)

Date: 28 October 2016

Print name: KENNETH TING

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.

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