

TOMIZONE LIMITED Australia

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ASX Release: 31 January 2018

ASX: TOM

Tomizone January 2018 market update and Appendix 4C Commentary

- Current trading, on a normalised basis and excluding one-off and restructuring costs would show overall neutral EBITDA for last quarter and positive for the month of December 2017.
- Significant progress made in the integration of the Bluesky and Ironman acquisitions.
- TomiTalk product launched in NZ market and expected to provide increased sales over next 12 months on recurring revenue basis.
- Contracted, recurring revenues increased from circa \$130k per month in June 2017 to \$320k in December 2017 (with an additional \$145k of other, non-recurring sales).
- Strong outlook, with revenues budgeted to be annualised \$8M this calendar year.¹
- Further reductions in operating costs of circa \$500K per annum identified and to come to account by March 2018.
- Cashflows in the December 2017 quarter impacted by one-off restructuring costs.
- Significant investment in core infrastructure and product capability continues.

Tomizone Limited (ASX: TOM) ('Tomizone', 'the Company') is pleased to provide investors with this market update and commentary on its Appendix 4C for the December 2017 quarter.

Business Update

A key focus for Tomizone over the last few months has been the integration of the recent Bluesky and Ironman acquisitions and identifying the consolidated costs savings that were able to be extracted from the enlarged business, combined with the release of new products and services to increase revenues.

The result of the cost savings strategy is that, since July 2017, in excess of \$2,000,000 of costs have been removed from the combined business on an annualised basis. Further, cost savings of circa \$500,000 have been identified and will be actioned in the March 2018 quarter. Post March 2018, it is not expected there will be any significant additional one-off costs.

The result of the acquisitions has been an increase in revenues, and cashflows, from an average recurring and repeatable revenue of \$175K pm as at June 2017, to \$400,000 pm in October 2017, and \$465K in December 2107 (\$320k of which is contracted revenue). The company continues to implement its strategy to increase sales over the next few months to over \$600,000 pm and be both EBITDA and operating cashflow positive within the first quarter 2018.

¹ This revenue projection has been prepared based on current trading performance and the Directors' best estimate of likely future trading conditions. Investors should note that the achievement of this revenue projection is based on numerous factors which are outside the control of the Company, and therefore should exercise caution in relying on such information.

In addition, the Company continues to seek value accretive acquisitions in both Australia and New Zealand. Whilst no binding agreements have been entered into at this stage, the Company has identified several suitable acquisitions and continue discussions with those businesses. The Company will update the market in respect to its acquisition strategy in due course.

The Company is also pleased to announce that its new high margin VoiP product, TomiTalk, will be actively marketed starting in February 2018 into the New Zealand market. Importantly, these revenues are on a contracted, recurrent basis fitting into the Company's previously announced strategy and direction.

The Company continues to grow its managed services business with there being a clear move to expanding the number of managed services offered to Tomizone customers, being the historical Tomizone Wi-Fi business combined with the expanded range of services utilising the backroom and core infrastructure of the Bluesky acquisition. Wi-Fi as a stand-alone product is now less than 20% of total revenues.

As advised in the release of the 9th June 2017, the Company had reached an agreement with Asian Networks Pte Limited, in relation to the installation of the Tomizone services into a major Singaporean sporting, entertainment and shopping hub with over 700 Access points and both indoor and outdoor stadiums and 41,000 square foot, onsite shopping mall. This infrastructure is now installed and operating. The Company expects to see additional revenues being generated from this site by way of an advertising revenue sharing agreement between the Company and Asian Networks within the following months.

The Company also continues to heavily invest in its core ICT and VoIP managed services infrastructure and will continue to enhance and develop this capability under its Tomizone brand.

Appendix 4C Commentary

As previously advised the significant costs of restructuring and acquisitions will be evident in the 2017 half yearly report, and the cash impacts in the December 2017 Appendix 4C and, to a lesser extent, the March 2018 Appendix 4C.

Importantly, on a normalised EBITDA, after removal of one-off restructuring costs and non-operational costs, the company was EBITDA neutral in October 2017 and this has continued in December 2017 with a positive EBITDA of circa \$24k².

As can be seen in the Appendix 4C there is a significant increase in inwards cashflows (\$1.214m in the December 2017 quarter versus \$0.39m in the September 2017 quarter) which is consistent with the release made on 12 October 2017 and market updates provided on 31 October 2017 and 8 November 2017.

Based on current trading and projections, it is expected that the Company will have annualised revenues of circa \$8M in the next calendar year, excluding any additional value accretive acquisitions which the Company may complete over the next financial year.

Tomizone is well placed to deliver on its growth strategy and continues to monitor and assess its capital requirements in line with its revenue growth projections. The Company is actively assessing options to raise capital in the first half of 2018 and remains focused on maximising shareholder value in line with the Company's stated strategy.

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² The normalised EBITDA, as shown above, is based on excluding all one-off costs in relation to acquisitions and taking into account only operating costs related to the trading activity of the business. They will not match the December results when released and are only provided to show the market and shareholders with an understanding of the core business and its current position.

About Tomizone

Tomizone is a managed services provider of products and services, including Wi-fi based connectivity, analytics and location based services and software, IT technology, telephony, WiFi enabled CCTV, and security systems to enterprises, retailers, brands and public venues. The company's strategy is to provide its customers with an increasing range of products and services that add value to Tomizone's customer and enable them to enhance their customers' experience, with those services provided on a monthly recurring revenue basis.

For further information, please visit www.tomizone.com

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Appendix 4C
Quarterly report for entities subject to Listing Rule 4.7B

Name of entity: Tomizone Limited
ABN: 99 000 094 995

Quarter ended ("current quarter"):
31 December 2017

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (6 months) \$A'000
1.0 Cash flows from operating activities		
1.1 Receipts from customers ¹	1,214	1,604
1.2 Payments for		
(a) research and development		-
(b) product manufacturing and operating costs	(1,007)	(1,328)
(c) advertising and marketing		-
(d) leased assets	-	(7)
(e) staff costs	(616)	(996)
(f) administration and corporate costs	(123)	(302)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	1
1.5 Interest and other costs of finance paid	(160)	(308)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details)	-	-
1.9 Net cash from / (used in) operating activities	(692)	(1,336)
2 Cash flows from investing activities		
2.1 Payments to acquire		
(a) property, plant and equipment	(103)	(103)
(b) businesses (see item 10)	-	-
(c) investments	(197)	(197)
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) property, plant and equipment	61	62
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.3 Cash flows from loans to other entities	(208)	(208)
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details)	-	-
2.6 Net cash from / (used in) investing activities	(447)	(446)
3 Cash flows related to financing activities		
3.1 Proceeds from issues of shares	513	2,172
3.2 Proceeds from issues 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	309	309
3.6 Repayment of borrowings	(59)	(479)
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details)	-	-
3.10 Net cash from / (used in) financing activities	763	2,002

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4.0 Net increase / (decrease) in cash and cash equivalents for the period

- 4.1 Cash and cash equivalents at beginning of quarter/year to date
 4.2 Net cash from / (used in) operating activities (item 1.9 above)
 4.3 Net cash from / (used in) investing activities (item 2.6 above)
 4.4 Net cash from / (used in) financing activities (item 3.10 above)
 4.5 Effect of movement in exchange rates on cash held
 4.6 **Cash and cash equivalents at end of quarter**

701	146
(692)	(1,336)
(447)	(446)
763	2,002
(5)	(46)
320	320

The December 17 quarter is the first quarter that includes the Ironman and Bluesky acquisitions (see previous ASX announcements). Accordingly, both revenue and costs are materially higher than the previous quarter. In addition, product manufacturing and operating costs were higher on a cash basis for the quarter due to the payment of historical creditors and restructuring costs. As can be seen from section 9 below, these costs are estimated to be substantially lower in the March 18 quarter.

5.0 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

- 5.1 Bank balances
 5.2 Call deposits
 5.3 Bank overdrafts
 5.4 Other (provide details)

Cash and cash equivalents at end of quarter

Current quarter \$A'000	Previous quarter \$A'000
392	773
11	11
(83)	(83)
-	-
320	701

6.0 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

Current quarter \$A'000
78
-

- 6.3 Explanation necessary for an understanding of the transactions included in 6.1 and 6.2

\$78k - Executive Director salary including leave entitlements

7.0 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

Current quarter \$A'000
-
-

- 7.3 Explanation necessary for an understanding of the transactions included in 7.1 and 7.2

NA

8.0 Financing facilities available

- 8.1 Loan facilities
 8.2 Credit standby arrangements
 8.3 Other (Bank overdrafts and Credit Card facilities)

Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
6,746	6,627
-	-
138	114

- 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.

8.1 This figure includes Convertible notes secured by first ranking general security interest over all assets of the Company and all its wholly owned subsidiaries with an interest rate 12.5% and other term loans with interest rates of between 11% and 15%.

8.3 Bank overdrafts and Credit Card facilities with mainstream commercial banks. Interest rates between 18-21%

9.0 Estimated cash outflows for the next quarter

- 9.1 Research and development
- 9.2 Product manufacturing and operating costs
- 9.3 Advertising and marketing
- 9.4 Leased assets
- 9.5 Staff costs
- 9.6 Administration and corporate costs
- 9.7 Other (provide details if material)
 - Interest paid
 - Transaction costs related to issue of convertible notes

	\$A'000
	769
	35
	3
	522
	76
	160
9.8 Total estimated cash outflows	1,565

10.0 Acquisitions and disposals of business entities

- 10.1 Name of entity
- 10.2 Place of incorporation or registration
- 10.3 Consideration for acquisition or disposal
- 10.4 Total net assets
- 10.5 Nature of business

Acquisitions (Item 2.1(b) above)	Disposals (Item 2.2(b) above)
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:



Date: 31 January 2018

Print name:

Eryn Kestel, Company Secretary