

ASX RELEASE

DATE: 30 April 2018

Tomizone March 2018 market update and Appendix 4c Commentary

- EBITDA for the quarter, was \$89,000 excluding all non-recurring restructuring costsⁱ
- Sales for the quarter were \$1.467M, up 12.5% over the previous quarter and remain above budget.
- Receipts from customers of \$1,377,000 a 12% increase over previous quarter.
- Net cash out flows of \$993,000 were significantly impacted by non-recurring one-off payments of \$634,000
- Excluding restructuring costs and other non-recurring one-off items the operating cashflows were close to breakeven for the quarter, before interest and principal repayments
- Two additional acquisitions underway to increase services and customer base and provide additional revenue above current budget.

SYDNEY, 30th April 2018 - The Board of Tomizone Limited (ASX: TOM) are pleased to provide this market update as part of its Appendix 4c release. The Company continues with its strategy of organic growth and cashflow positive acquisitions and is starting to show progress in this regard.

Sales of \$1.467M increased 12.5% for the quarter and remain above budget. Current budgeted 2018 calendar year revenue is in the range of \$8 millionⁱⁱ. The current budgeted revenue excludes the impact of the two recently announced acquisitions, both of which are expected to be completed, subject to regulatory and shareholder approvals, during the quarter ended June 2018 and provide additional revenues in the second half of 2018.

Cash receipts for the quarter increased by 13%. During the quarter additional products and services of approximately \$250,000 were provided and payment for these products and services were not received as at the end of the quarter. The costs of providing those products and services were taken up in the March quarter and the company expects to receipt the payments and reflect the cash proceeds in the June 2018 quarter.

Net cash outflows totalled \$993,000 for the quarter. Of the total Net Outflows, \$634,000 were one off and of a non-recurring nature. Excluding these items the net cash outflow would have been \$359,000 and as detailed above, the additional costs relating to the above \$250,000 would have reduced net cash outflow for the quarter to \$109,000

Restructuring costs	\$282,000
Capital raising costs	\$75,000
Supplier prepayments	\$184,000
Fixed Asset purchases	\$93,000
Total	\$634,000

Due to changes in payment requirements by the subcontractors providing the guard services product, the company is now required to prepay for its contracted guard services. This required the company to pay a one off amount of \$184,000 to prepay the sub-contractors. Previously this amount was offset by receipts from customers in the current quarter, these amounts will now be recovered through debtor collections and over time this will normalise. As the guard services division is a low margin and capital intensive business, and not core to its larger ICT and growth strategy, the company is now looking to outsource the service and the company will become a reseller of this service to Tomizone's customers.

Of note, the Company purchased fixed assets of \$93,000 relating to products used to generate recurring revenues. In addition, payments were made for upgrades to the ICT business technical infrastructure. The purchase and upgrade will provide an additional and longer term business opportunity for the Company for the growth of its recurring revenue business. As the Company grows its recurring revenues, there is a requirement to purchase the fixed assets to support the recurring revenues.

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As advised in the February announcement, the Company is expected to be operating cashflow neutral in the June quarter and positive thereafter. This does not include any impact from the acquisitions the Company is presently undertaking nor any of those targeted acquisitions working capital requirements.

Acquisition update

In February, the Company advised the market of the potential acquisition of a small NZ based ISP business. Additionally, the Company, in March, also announced the acquisition of a media marketing company. Both transactions are progressing and it is expected the Company will be in a position to make a further announcement in relation to those acquisitions in the near future.

Both acquisitions are subject to both regulatory and shareholder approval and will be included in the next shareholders meeting.

More Information

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About Tomizone

Tomizone offers an extensive suite of managed services, encompassing WiFi & Analytics, Business Cloud Applications, VoIP, Data Redundancy, Business Security and Point of Sale. A monthly subscription model for all services gives SME through to multi-site enterprise clients a predictable, consolidated fee for all hardware, software, email, backup, telephony and security requirements, along with best-in-class priority support. As a managed services provider, the Company's strategy is simple: increase a client's bottom line, reduce their ICT burden, and harness their competitive edge by facilitating a stronger connection with their customers.

The 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 final company results and are only provided to show the market and shareholders with an understanding of the core business and its current position.

The projected \$8M annualized revenues is based on management's best estimates, after reviewing the current trading and future sales projections. The final outcome may vary, depending on market conditions and other influences outside the control of Tomizone. It should therefore be taken as an indication only.