

ASX RELEASE

DATE: 31 July 2018

Tomizone June 2018 market update and Appendix 4C Commentary

- Sales for the quarter were \$2.036M, a 39% increase on the previous quarter and remain above budget.
- Receipts from customers were \$1,859,159, a 35% increase on the previous quarter.
- Net Cashflow for June was positive \$55K.
- Quarter net cash out flows of \$427K included significant costs in relation to the establishment and growth of the Sweep and Lighthouse businesses.
- Net cash outflows reduced by 52% compared to previous quarter.
- Further increases in sales from the Sweep and Lighthouse businesses over next quarter.

SYDNEY, 31st July 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. The company is showing progress in this regard and has achieved a positive cash flow for the month of June.

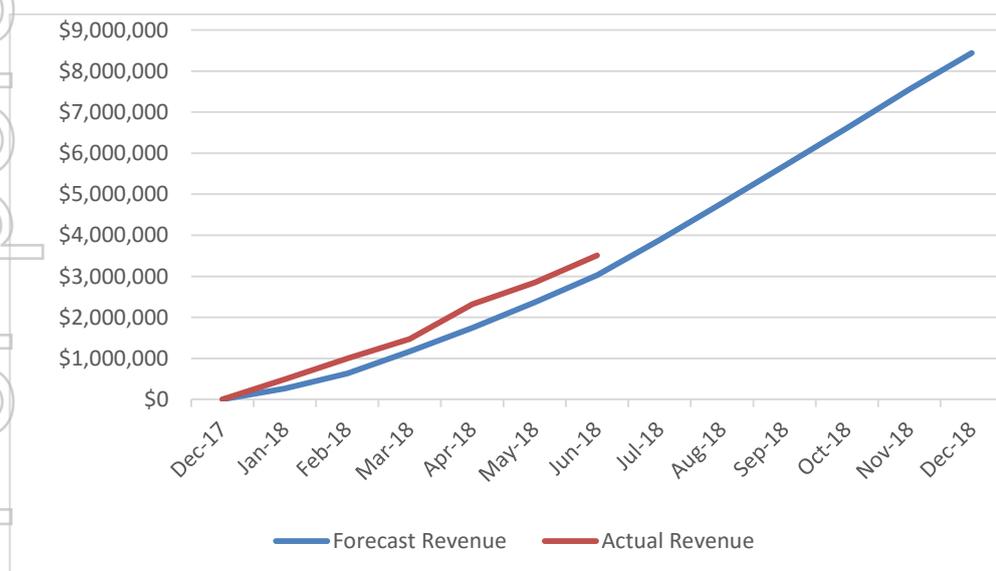
Business Update

Overall the restructuring of Tomizone has taken longer than expected. Management and the board have identified and had to manage a number of one-off events and costs that were not anticipated at the time the restructure and new strategy was announced in July 2017. However, less than 12 months on, the company is improving month on month with all indices showing positive increases.

Sales

Sales for the quarter of \$2.036M is an increase of 39% over the previous quarter and remain above budget. As advised previously the current budgeted 2018 calendar year revenue is in the range of \$8 - \$9 million.

The graph below shows actual sales against budget.



Future contracted cashflows are now at circa \$4M and expected to grow as the company continues to develop its recurring revenues streams. Whilst this impacts cash due to the need to purchase stock or build infrastructure, with the income coming in over a period of time, the ability to develop those income streams underpins the company's

Tomizone Limited
ASX: TOM
ABN: 99 000 094 995

Australia
Level 32, 101 Miller Street
North Sydney, NSW 2060
+61 2 9025 3995

New Zealand
110 Wairau Road,
Wairau Valley, Auckland 0627
+64 9 974 3950

TOMIZONE®

investors@tomizone.com
www.tomizone.com

future positive cashflows and profitability.

Cashflow

Receipts from customers increased to \$1.859M being a 35% increase over the previous quarter.

The month of June 2018 delivered a positive operating cashflow of \$66K being the first time the company has shown a positive operating cashflow since listing in 2015.

Net cash outflows totalled \$428K for the quarter. Included in the net cashflows are one off and non-recurring costs relating to the set up and integration of Sweep and Lighthouse. Net Cashflows reduced by 52% over the quarter and the company will continue to focus on controlling expenses to increase margins as sales increase.

EBITDA

Ignoring one-off non-repeatable costs, the company delivered EBITDA of -\$84,000, which includes additional advertising and marketing costs of \$57,000, one-off IT costs of \$56,000, legal costs relating to Sweep and Lighthouse acquisitions of \$27,000 and a portion of the Sweep and Lighthouse costs of circa \$45,000 relating to the quarter

In May 2018, the company took possession of both Sweep and Lighthouse with internal integration and set up costs also impacting the quarter. It is expected that the benefits of those acquisitions will be seen from July onwards, albeit with the Lighthouse revenues being amortised over the life of the contract terms which are typically 24 months.

Acquisition update

At the Shareholders meeting held 20th July 2018, both the Sweep and Lighthouse acquisitions were approved by shareholders. It is expected the remaining Conditions Precedent, as required under the Sale and Purchase agreements will now be completed to allow settlement of the transactions and this is expected within the next 60 days. In the meantime, the company has taken possession of the businesses and will continue to operate them separately to the rest of the business until settlement has occurred.

The Lighthouse business model calls for the installation of screens into specific market segments and then the sale of advertising across those screens. Whilst there is an upfront cash outlay to purchase the infrastructure each screen can generate revenue of up to \$100,000 over its lifecycle. It is expected there will be a minimum of 60 new screens installed this year. Lighthouse will also look to offer advertising across other aspects of the Tomizone business such as its recently acquired ISP Sweep, and their corporate customer base.

As previously announced Sweep is also an Avaya partner and, in conjunction with Sweep management, Tomizone has now also been appointed an Avaya partner. This opens a significant opportunity for the company. Additionally, Sweep also operate their own ISP which provides Tomizone the ability to offer full telecommunications services including back haul and broad band services, and VOIP to all existing Tomizone customers and new customers in New Zealand and Australia.

Balance Sheet Refinance

As advised in June the review of the company's capital structure is continuing. A recapitalisation of the balance sheet will reduce the financing costs. The company is reviewing all options and are looking at identifying suitable funders to repay the note holders and other term debt which will lead to a more profitable entity.

More Information

Ian Bailey
Chairman
ian.bailey@tomizone.com
+64 21 664 941

Matt Adams
Managing Director
matt.adams@tomizone.com
+61 423 578 550

Investor Relations - Viriathus Australia
Adam Maxey or **Shaun Cartwright**
Email: adam.maxey@viriathus.com
+61 438 007-437 +61 433 475-074

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.