

Tomizone Limited
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Tomizone Appendix 4C Commentary

SYDNEY, 31 October 2018 - The Board of Tomizone Limited (ASX: TOM) today issued its Appendix 4C for the September 2018 quarter and provides the following commentary. Tomizone also refers to its Business Update release dated 19 October 2018.

Cashflow commentary for September 2018 quarter

Tomizone's net operating cashflow was negatively impacted by:

- lower sales in July and August than previous quarter
- several large sales not being collected during the quarter (hence being held in debtors at quarter end) – these have since been collected and will positively impact operating cashflow in the current quarter.
- the classification of certain operational inflows as “proceeds from borrowings” rather than “receipts from customers” which total \$212,406 for the quarter. This amount is sales made by the Group and financed through Tomizone's principal funder. Due to the terms of the financing arrangement this is classified in the Cashflows from Financing Activities however by nature are operational cashflows.

Adjusting for the above amounts operational cashflows - “Receipts from customers” increased to \$1.599m for the quarter and Net Cash from Operating Activities would improve to negative -\$410K from -\$662k. It is also noted that Tomizone has lowered its overall salary and other employee costs which continues the actions relating to removing costs where possible.

December 2018 Quarter Operational update

As set out in Tomizone's Business update dated 19 October 2018 the company expects a strong December quarter. The pipeline of potential sales in both the ICT and product divisions continues to grow. The company is currently pursuing a number of large opportunities with major organisations. The contracts if successful will underpin the strong revenue growth that the company is targeting and is positioned for. In this regard the company notes -

- Sales in September 2018 increased compared to July and August. Pleasingly, sales in October 2018 have continued to increase further.
- The re-sign of Tomizone's largest wi-fi client during the month will have a positive impact on cashflow for the quarter given that customers pays the full contract value upfront.
- Sales in Tomizone's ICT division continue to grow especially in regard to customers in the medical centre field and Avaya related sales.

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Balance Sheet Restructure

The restructure continues to progress and the Board is confident of completing this transaction before calendar year end. The proposed transaction will include the repurchase of all contracts used as security for borrowings (as per the Appendix 4C) and will bring the monthly cashflows relating to those contracts in-house. Once completed, this will provide additional positive cashflow of circa \$250K per month on top of existing cashflows. The restructure and increased cashflow will also increase net margins and Profitability on completion.

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.

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