

Tomizone Limited
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ASX RELEASE

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Tomizone Appendix 4C Commentary and market update

SYDNEY, 25th January 2018 - The Board of Tomizone Limited (ASX: TOM) today issued its Appendix 4C for the December 2018 quarter and provides the following commentary. Tomizone also refers to its previous Business Update release dated 19th October 2018 and the Cashflow commentary 31st October 2018.

Cashflow commentary for December 2018 quarter

Tomizone's net cashflow in from operating activities was \$1.759M against the previous September Quarter of \$1.387M representing an increase of 26%.

- This was positively impacted by the collection of several large debtors, identified in the 31st October report, being collected during the quarter.
- The classification of certain operational inflows as "proceeds from borrowings" rather than "receipts from customers" totalled circa \$375K for the quarter. These amounts are actually sales made by the group and financed through Tomizone's principal funder FE Investment Limited. Due to the nature of financing arrangement of the Group, this is classified in the "Cashflows from Financing Activities" however they are by nature operational cashflow.

Adjusting for the above amounts the total operational cash inflows would have been \$2.134M. The net result would then show a positive operational cashflow for the quarter of circa \$300,000.

The company remains focussed on cost control and cash outflows in terms of salaries and staff costs continued to reduce.

Interest and debt repayments totalled \$353K and remain the most significant item impacting Tomizone's cashflows. The balance sheet restructure, as previously advised, is a critical and important last step in the restructuring of the Tomizone business and has the immediate focus of the Board and advisors.

December 2018 Quarter Operational update

As expected, the December Quarter was strong as businesses moved to implement systems prior to and over the Christmas break. The company continues to grow revenue including contracted recurring revenue and the December quarter showed a net increase in cash at hand.

It is expected there will be a reduction in cashflows in the March Quarter due to the seasonal impact of Christmas. Future business opportunities remain strong with the new VOIP service released in 2018 and the new Data Security product launched late 2018 continuing to drive new business..

The Data security product incorporates the Sophos data security along with an insurance component to protect clients from a wide range of ransomware, virus protection and other similar Cyber Security threats. This product will be sold on a recurring revenues basis and is expected to be a significant part of the overall business in the coming year.

Additionally, the Avaya relationship continues to be strong with significant opportunities being presented to the Company. It is anticipated the growth of this division will require the expansion of the current sales team for the company to take advantage of the increased opportunities.

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Balance Sheet Restructure

The restructure continues to progress and the Board is working to complete this transaction in the next few months. 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 significantly improve net margins and profitability upon 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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