

Tomizone Limited
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Tomizone June Quarter Appendix 4C Commentary and Market Update

SYDNEY, 30 July 2019 - The Board of Tomizone Limited (ASX: TOM) today issued its Appendix 4C for the quarter to 30 June 2019. Tomizone also refers to its previous Market update and releases of 9 July 2019, 3 June 2019 and 11 April 2019.

Cashflow Commentary for June 2019 Quarter as follows:

- The June 2019 quarter delivered revenue of \$1.315m which compares favourably to the prior quarter. Tomizone's pipeline of potential sales continues to grow with several large sales currently being negotiated which are expected to complete over the next two quarters. The September quarter is traditionally Tomizone's strongest cashflow quarter as several clients pay their full yearly subscriptions during this period.
- During the June quarter several business units of Tomizone were reorganised resulting in substantial cost savings of approximately \$400,000 per annum. Whilst the benefits of these cost cutting measures commenced in the June quarter the full impact will become apparent in future quarters. Management continues to examine all areas of the business in order to minimise costs wherever possible without impacting recurrent revenues.
- The combination of new sales and cost cutting measures has positioned Tomizone to being materially cashflow breakeven on an operating basis and before finance costs which is a significant improvement from where the business has previously traded.

Business Operations Update

Tomizone welcomed several large clients during the quarter. Although these clients were spread across several sectors most activity took place in Tomizone's medical centre solutions practice. The total annual contract value of these deals is in excess of NZ\$200k in recurrent revenue plus one off equipment fees, consulting fees and set-up fees. Pleasingly, many of these deals include Tomizone's newly launched data security product which provides protection against ransomware, malware, phishing and other known data security threats. The product also includes an innovative insurance policy providing further protection to clients.

During the quarter Tomizone has continued to restructure its operating business. This has resulted in a streamlined management team with managers now responsible for functional tasks over the whole business rather than business units only. In addition to the material cost savings (\$400,000 per annum) that result from this change, there is also operational upside with managers now having complete visibility of the whole business for their functional role. Tomizone plans to amalgamate all business units under the Tomizone brand over the coming months.

Tomizone Balance Sheet Restructure

Tomizone and its advisors continue to pursue discussions with several investment funds that have shown interest in the hybrid equity raising previously announced (see announcement of 11 April 2019) in order to complete the refinancing and recapitalisation of Tomizone.

Foremost in the restructuring is the Agreement to purchase the EWL Rent Book which has unexpired rental book cashflows of approximately NZ\$5.1M, EWL's customer base and re-signs (with a total re-sign value of NZ\$10.1M). This transaction when coupled with the new debt facilities with more favourable terms increase Tomizone's free cashflow by approximately NZ\$1.5M per annum which underpins Tomizone's financial future.

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The recapitalisation of Tomizone will also address several issues including its current convertible notes which currently are due in August 2019 and have interest arrears. Tomizone continues to work with its larger noteholders in this regard.

Conclusion

Since Tomizone Ltd changed its Board and Senior Management team approximately 18 months ago much progress has been made to its overall business, add product set and customer base.

Your Board continues to work tirelessly to complete the recapitalisation and restructuring and would like to thank all shareholders and other stakeholders for their support to date.

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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