

## CHAIRMAN'S LETTER TO PS&C SHAREHOLDERS JOINING THE TESSERENT REGISTER

Dear Shareholder,

I am pleased to welcome you into the Tesseract (TNT) community of Shareholders after our acquisition of PS&C's Cyber Security division (Pure Security).

Following this acquisition and the earlier acquisition of enterprise security specialist Rivium, TNT is now the largest ASX-listed pure Cyber Security business in Australia with over 90 Cyber Security professionals serving in excess of 700 customers over the past three years.

As announced on 10 December 2019, we are expecting to deliver a forward revenue run-rate of \$40 million by June 2020, being revenue during the June 2020 quarter annualised (upon completion of the acquisition of north BDT, which is subject to shareholder approval). This represents a significant increase on our previous FY2019 revenue of \$5.3m.

As the newly appointed Chairman of TNT, I am looking forward to working closely with the Board and Management team to achieve this and other important goals over the coming 12 months, and to continue to build on our position as Australia's #1 ASX listed Cyber Security provider.

My previous experience includes creating value for shareholders by transforming IT services businesses like UXC (sold for \$430 million in 2016) and PrimeQ (sold for \$31 million in 2019). I see significant parallels for TNT, and as the largest shareholder and Chairman, I'm eager to lead the Company onto the same trajectory.

As a new shareholder in TNT, I believe there is significant unlocked future value, particularly when compared to our ASX-listed peers. This is demonstrated in the Peer Comparison table below.

With an expected revenue run-rate of \$40 million by June 2020, TNT would have a market price to revenue of **0.7 x** based on its ASX market cap as at COB 16 January 2020. In my view, compared to its peers, TNT represents significant unlocked potential.

| TNT ASX Peer Comparison (as at 16 January 2020)* |        |                        |   |                  |                                |
|--|--------|------------------------|---|------------------|--------------------------------|
| Name   | Ticker | Type                   | Actual Net Revenue as at 30 June 2019 (\$m) | Market Cap (\$m) | Market price to revenue        |
| Prophecy International Holdings Limited          | PRO    | Security Software      | 12.1  | 35.8             | 2.9 x revenue                  |
| Cipherpoint Limited                              | CPT    | Data Security          | 1.0   | 3.2              | 3.2 x revenue                  |
| Senetas Corporation Limited                      | SEN    | Secure Data Services   | 21.3  | 72.5             | 3.4 x revenue                  |
| Vortiv Limited                                   | VOR    | Cyber Security/Cloud   | 5.8   | 25.1             | 4.3 x revenue                  |
| Dropsuite Limited                                | DSE    | Sec Software Platform  | 4.7   | 29.1             | 6.2 x revenue                  |
| First Wave Cloud Technology Limited              | FCT    | Security Software      | 8.8   | 52.1             | 5.9 x revenue                  |
| Family Zone Cyber Safety Limited                 | FZO    | Cyber safety solutions | 4.1   | 39.4             | 9.6 x revenue                  |
| WhiteHawk Limited                                | WHK    | Cybersec Exchange      | 0.5   | 13.1             | 26.2 x revenue                 |
| Security Matters Limited                         | SMX    | Security Tracking      | 0.1   | 49.1             | 491.0 x revenue                |
| <b>Average</b>                                   | -      | -                      | <b>6.4</b>                                  | <b>35.5</b>      | <b>7.7x revenue (exc. SMX)</b> |

\* Peer comparison data sourced from publicly available ASX information on company profiles and announcements as at COB 16 January 2020

## ASX ANNOUNCEMENT

Melbourne – 22 January 2020



We've chosen the companies in the above table as peers based on the fact that they are all pure-play Cyber Security businesses that provide investors with access to invest in the Cyber Security space.

Whilst TNT is focused on delivering positive cash and earnings results in 2020, we've chosen revenue as our peer comparison metric because the majority of our peers are currently loss-making, and therefore cannot be valued on an earnings basis.

In addition to an uplift in our revenue run rate, Tesseract remains on track to achieve cashflow positivity and profitability on a monthly basis by end of FY2020. As we work towards these results, the Company is undergoing a cost reduction program to ensure we are operating as efficiently and economically as possible. We are aiming to reduce our combined cost base by \$1 million per year. As part of this, we are instigating a policy of no directors' fees for the next 12 months and our directors are supporting this initiative.

Once again, I would like to take this opportunity to welcome you to TNT, and I look forward to keeping you regularly updated as we progress towards the goals set out by the Company over the next year.

Yours sincerely,

**Geoff Lord**  
**Non-Executive Chairman**

## ABOUT TESSERENT

Tesseract provides full service, enterprise-grade Cyber Security and networking solutions targeted at mid-market customers in Australia, and internationally in the UK and Korea. The company's Cyber 360 strategy delivers integrated solutions covering identification, protection and monitoring against Cyber Security threats.

Tesseract has been transformed via the acquisition of several high-quality Cyber Security businesses including PS&C Security (Hack Labs, Pure Hacking, Certitude & Securus Global), Rivium and north (to be completed), making it Australia's largest listed dedicated Cyber Security firm.

Learn more at [www.tesseract.com](http://www.tesseract.com).

## CONTACT

|  |  |  |
|--|--|--|
| Investor Enquiries:  | Media Enquiries:   | Investor/Media Relations:  |
| Julian Challingsworth  | Alex Belcher   | Matt Wright  |
| Managing Director  | Marketing Manager  | NWR Communications   |
| +61 (0)3 9880 5559   | +61 (0)3 9880 5525   | +61 451 896 420  |
| <a href="mailto:investor@tesseract.com">investor@tesseract.com</a> | <a href="mailto:Alexandra.belcher@tesseract.com">Alexandra.belcher@tesseract.com</a> | <a href="mailto:matt@nwrcommunications.com.au">matt@nwrcommunications.com.au</a> |