



## **ASX ANNOUNCEMENT | TESSERENT LIMITED**

MELBOURNE – 14 MARCH 2017

### **CEO REPORT TO INVESTOR MARKET ON CURRENT ACTIVITIES AND OUTLOOK**

#### **Highlights:**

- Strong cash position. \$0.5M banked in February from Family Zone (ASX:FZO) transaction (\$1.5M cash received so far) with another \$2M expected by 31 May 2017. Tesserent is debt free.
- Tesserent is executing its business strategy across a broad range of customers and sectors.
- \$2 million worth of new contracts secured so far in 2017, with revenues from these deals being realised post-implementation on a monthly pro-rata basis during this financial year and into the future.
- Government introduces new legislation (Notifiable Data Breaches Bill) on 13 February 2017, which is already having a positive effect of Tesserent's pipeline.
- Revenue is growing, with the management team aiming for contracted revenue of \$500,000 per month by 30 June 2017.
- Completed highly successful Austrade trade mission to the US in early February 2017 with introductions to potential new clients and channel partners.
- Management currently in negotiations with potential large domestic channel partners including potential telco partnerships.
- Currently undertaking national broker and investor roadshow to update and deliver company strategy to a range of investment managers.

**Tesserent Limited (ASX: TNT, Tesserent, the Company)** is pleased to provide a report from the CEO Keith Glennan, to shareholders and the investor market, on recent and current activities conducted by the company over the past few months.

The board and management of Tesserent are pleased with the operational and corporate activities that have been successfully undertaken since listing on the ASX in February 2016. As well as increasing the number of customers and broadening its sector coverage, Tesserent is today in an improved operational and financial position. Since listing, Tesserent has put in place a highly experienced management team, upgraded its Australian Security Operations Centre (SOC) and broadened its product offerings. Each of these initiatives has enabled Tesserent to



attract new business as the company continues to develop and deliver its world-class products and services.

### **Customers and Revenue**

Today, Tesseract has more than 350 customers who provide a strong and ongoing annuity revenue stream for the Company. The company is working towards revenue of \$500,000 per month by 30 June 2017. As the company brings on new contracts, the monthly annuity revenue stream will, of course, increase accordingly. This annuity revenue model employed by Tesseract ensures a stable revenue stream over time. Revenue is locked in for the term of the contract, typically three years. Tesseract's revenue growth strategy is based on its excellent record in retaining existing customers as well as the acquisition of new customers. Existing customer contract renewal rates are currently above 87%.

### **Work in Progress**

Currently, the commercial team is building a strong pipeline. The company is pleased with the range and profile of the potential customers in the pipeline. In addition to the direct sales model currently adopted in Australia, Tesseract management is also in discussions with several large domestic organisations that could evolve to become significant channel partners.

### **Government Legislation – *Notifiable Data Breaches Bill***

On 13 February 2017, the *Privacy Amendment (Notifiable Data Breaches) Bill 2016* was passed in the Australian Parliament. This Bill amends the *Privacy Act 1988*, introducing a mandatory data breach notification regime. The notification regime is a significant change to the data breach notification obligations of organisations and something all businesses need to be aware of so they can assess their level of exposure and potential new obligations. The data breach notification regime mandates that any organisation accountable under the *Privacy Act* will be required to inform the Australian Information Commissioner and members of the public if their data has been compromised. Fines for failing to notify of a data breach range between \$40,000 and \$1.8M. Tesseract sees this Bill as a turning point for the cyber security services industry with the potential to drive a new wave of customers to Tesseract for managed cyber security services.

### **Austrade Cyber Security delegation to the US RSA Conference in San Francisco**

The RSA Conference is arguably the largest cyber-security conference in the world with 45,000 delegates attending to learn about current threats, prevention techniques, and new technology. Tesseract was invited to attend RSA as part of the Australian Federal Government's Cyber Security Trade Mission to San Francisco. Tesseract was one of 26 Australian companies participating in the trade mission, validating Tesseract's standing within the Australian cyber-security industry as a technology innovator and thought leader. This opportunity has deepened Tesseract's relationship with the Australian Government and the Government funded Cyber



Security Growth Network. The company is excited about the prospects that could flow from this association.

### **Investor Roadshow**

During March 2017, the company is undertaking a national broker roadshow to introduce the company's business and investment opportunity to several retail and institutional investment brokers in Australian capital cities. Topics covered during the roadshow presentation include: the company's annuity revenue model, growth in cyber threat market, the scale of the addressable market, and future revenue opportunities. Cyber security is a new area of business for many investment professionals, creating a need for Tesseract to educate the investment market on how this sector is modelled and the future growth outlook. Feedback from brokers so far has been excellent and the company looks forward to developing several new relationships. (Please note that the investor roadshow presentation will be released to the market separately.)

Tesseract CEO Keith Glennan commented, "Bringing Tesseract through the 12 months since the IPO has been a challenge in some respects; however, I'm very confident that the company we operate today is now in a much stronger position. Our revenues are strengthening, our pipeline is growing, and we remain focused on being Australia's leading cyber security services business."

"Our annuity revenue model ensures a solid base from which we can grow, in a market that is also growing rapidly. As CEO, I look forward to continuing to build Tesseract's business. And as a major shareholder, I remain intrinsically aligned with all Tesseract shareholders and focused on building a robust business that in turn will deliver strong investment growth to all shareholders."

### **About Tesseract**

Tesseract is a specialist in managed cyber security. Tesseract has built its own platform for the delivery of managed cyber-security, which it deploys for the management of its own customers and also licenses to partners around the world to enable them to deliver effective cyber-security management to their customers.

For more information, please visit the company's web site at [www.tesseract.com](http://www.tesseract.com) or use the links below.

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