

# Tesseract Ltd – Investor Update

MAY 2016



**TESSERENT**

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# Company Snapshot



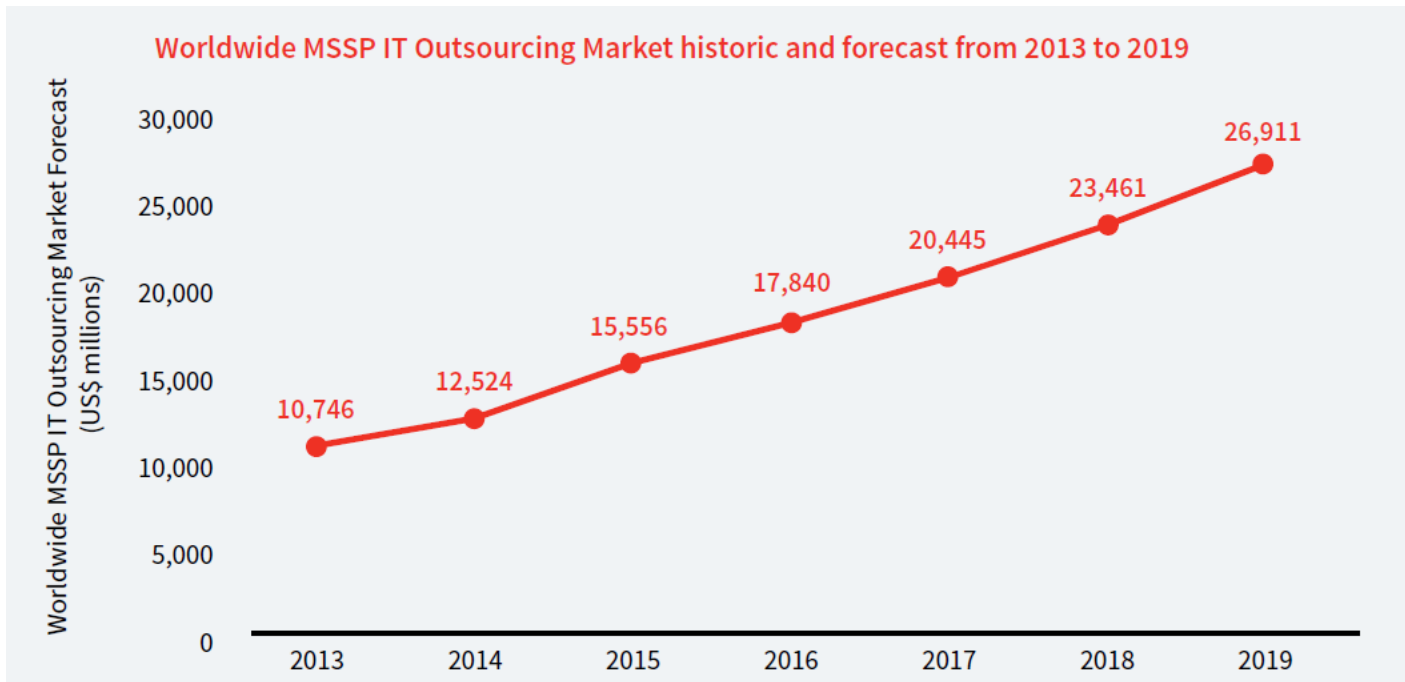
- Tesseract Limited is an ASX-listed Software & Services Company that provides Internet Security-as-a-Service to a wide range of Australian and international customers, including education providers, corporate enterprises, and government customers.
- Tesseract has developed anMSSP Platform, which enables the delivery of Security-as-a-Service to small and large organisations' computer networks.
- Tesseract has also appointed Channel Partners that use the MSSP Platform to deliver Security-as-a-Service to their own customers.
- In Australia, Tesseract's customers currently include organisations such as BMW, Toyota, Nintendo, The Good Guys, Reece and Maxitrans.
- Industry sectors serviced by Tesseract include education, financial services, transport, healthcare, religious institutions, logistics, retail, government (federal, state and local), and professional services.

ASX Symbol	TNT
Existing Shares on Issue:	
• Listed	37,250,001
• Escrowed	65,209,599
Total Ordinary Shares	102,459,600
Cash Balance (at 31 March 2016)	A\$4.495
Share Price (05 April 2016)	16.0 cents
Market Capitalisation	A\$16.4m

# Market Opportunity



- Tesseract’s Managed Security Service Provider (MSSP) Platform is a subscription-based cloud service that services strong demand in the Security-as-a-Service market, forecast to increase from \$US12.5 billion in 2015 to US\$26.9 billion in 2019.

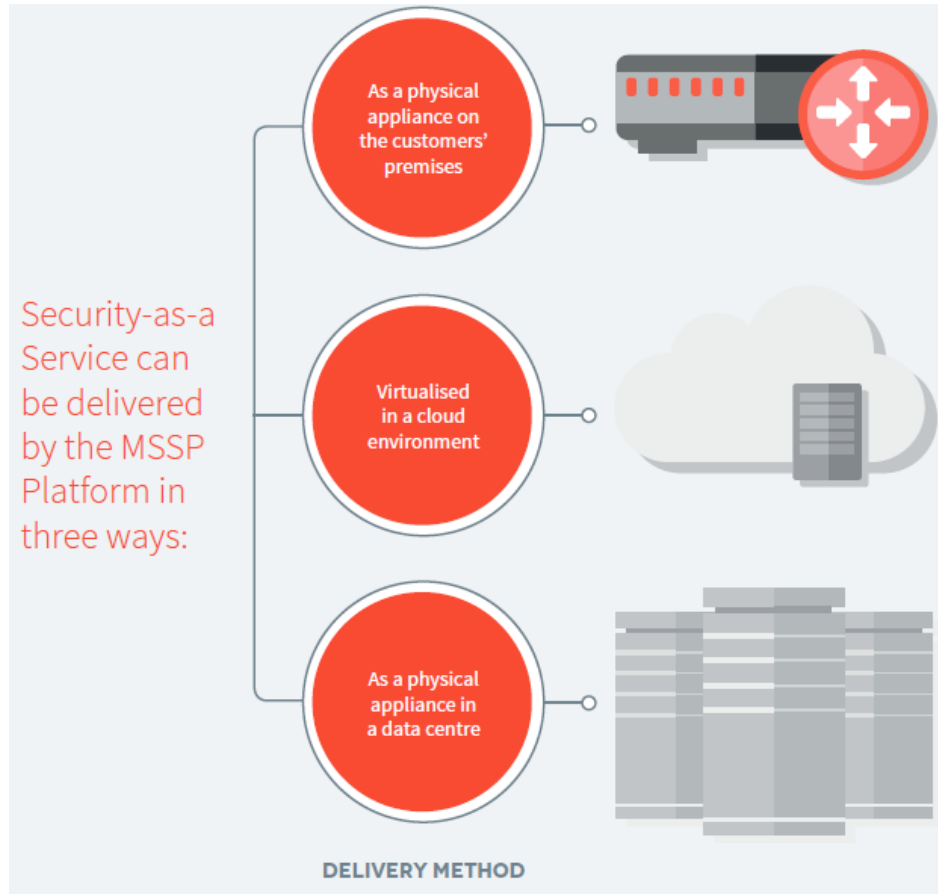


Gartner: Forecast: Information Security, Worldwide, 2013-2019, 3Q15 Update

## According to Frost and Sullivan:

*“The number of cyber and virtual attacks has continued to increase over the last decade. Both private and government organisations have come under attack, driving information security to become a priority. As a result, many organisations are looking at MSSPs to ensure that their IT systems are secured and resilient against attacks and potential breaches. Awareness regarding the damage that can be caused through a breach in IT security, both through loss of sensitive data and manipulation of systems, is on the rise.”*

# MSSP Platform



The MSSP Platform allows Tesseract and its Channel Partners to effectively deliver the primary security functions for an organisation's computer network including its firewall, content inspection, intrusion detection and bring-your-own-device support. The MSSP Platform comprises three main components:

- a security engine (delivered either on hardware or as software) that is deployed to an organisation either on their network or in the cloud;
- a management suite that is used to communicate with the security engine for the purpose of keeping the security engine up-to-date and applying organisation-specific changes; and
- a monitoring system that processes status and event information to detect issues and identify new threat intelligence.

# Tesseract's Highly Scalable MSSP Centric Model



- Tesseract developed the highly scalable MSSP Platform as an “MSSP Centric Model” whereby an identical system is provided to all customers.
- In Tesseract’s opinion this makes the MSSP Platform highly scalable in comparison to a “Client Bespoke Model” where disparate customised systems are provided to the customer.

The benefits of an MSSP Centric Model are:

- **Highly Scalable** – Enabling MSSP Channel Partners to service thousands of customers and security appliances from a single management portal and security operations centre.
- **Reduced Operational Costs** – Designed specifically for MSSPs, Tesseract’s MSSP Platform delivers a high level of automation; and by negotiating technology embedding arrangements, Tesseract is able to provide operational savings to its Channel Partners through simplified and reduced licensing fees, pre-integration of security vendor technologies and automation of updates.
- **Reduced Development Costs** - Tesseract has contractual arrangements with some of the leading cyber-security companies in the world. This means that Channel Partners can enjoy all of the benefits of a cutting-edge platform without large upfront costs and ongoing research and development investment.
- **White Label Solution** - Allowing Channel Partners to build their own brand and products with a full suite of optional white label features.

By comparison, Tesseract considers that some of the issues with a “Client Bespoke Model” are as follows:

- Customers often have different configurations, which increases complexity and operational costs, which inhibits the ability to rapidly scale a managed security business.
- The systems do not have the same level of automation as they are not designed to service high numbers of customers from a security operations centre, which ultimately requires greater numbers of security engineers to service customers.
- MSSPs have to deal (both commercially and technically) with a range of product providers.
- MSSPs have to try to hire employees with broad vendor experience and multiple security platform experience who are capable of maintaining disparate customised systems.

# Milestones Achieved Since Listing



- Tesserent Limited (ASX: TNT) successfully listed on the Australian Securities Exchange on Monday 15<sup>th</sup> February 2016, following the early closure of its oversubscribed \$7 million IPO. Since listing, the company has:
  - Held discussions with a number of **potential channel partners**, with the aim of greater sales exposure over the coming year;
  - **Acquired the business of Blue Reef Pty Ltd**, a leading provider of cyber-security solutions in the education market;
  - Enhanced the company's core platform to facilitate easy adoption by partners;
  - Held on-going discussions with potential partners, including telecommunication companies, network providers, and managed services providers that, if successful, should yield solid on-going annuity revenue streams; and
  - Continued to be active in identifying potential acquisition targets that will bring additional revenue, earnings, customer reach, and technology.



# Acquisition of Blue Reef Pty Ltd

## Leading Provider of Education Cyber-Security Services



- Tesserent will pay a total of \$3,575,000 to Blue Reef Pty Ltd to acquire all of the business, operations, and intellectual property of Blue Reef Pty Ltd, made up of:
  - \$1.0 million in cash (\$500,000 to be paid on completion of the deal, with two subsequent payments of \$250,000 in six months and twelve months, respectively); and
  - 12,875,000 ordinary fully paid shares valued at \$0.20 per share (of which 75% are escrowed for 24 months).
- The acquisition allows Tesserent to further consolidate its **strong position in the education vertical**, where cyber-security is a high priority.
- The deal will add more than **150 education clients** to Tesserent's already-impressive education customer list and will provide key technology that Tesserent can use across its world-wide customer base.
- The transaction is **immediately earnings accretive** for Tesserent, provides a number of synergistic benefits, and is **cash flow positive**.
- In addition to the technology, Tesserent are also gaining a **highly-skilled team** who will **enhance Tesserent's existing development, sales, and operations capabilities**.
- Furthermore, the deal increases Tesserent's reach through partner relationships in Asia and the United States.





# Growing international user footprint



## Users in:

- USA
- Australia
- New Zealand
- UK
- Germany
- Gibraltar
- South Korea
- Hong Kong
- China
- UAE
- Singapore

## Channel Partners in:

-  UK
-  South Korea
-  Hong Kong
-  UAE



**Tesseract and its Channel Partners service over 190 organisations across 11 countries and territories**

# Proven Business with Strong Customer Validation



- Existing blue-chip client base
- Strong Customer Growth within the defined market segments of Education, Local Government, and Corporate & Enterprise
- Since successfully listing the Directors have shifted focus onto strategic and growth related opportunities
- New contracted revenue from a recently-won state government deal



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# Leadership Team



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**Keith Glennan**  
(Managing Director)



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Keith has been in the IT industry for over 30 years and operating in the managed security business since 2002. Keith formulated Tesseract's current business strategy and has been CEO since 2012.

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**Russell Yardley**  
(Chairman)

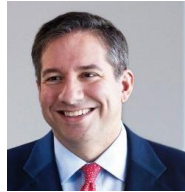


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Russell has over 35 years of entrepreneurial and corporate experience in the IT sector. He is a non-executive board member for a number of organisations including chairman of Readify Limited and Folk Pty Ltd.

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**Steve Bertamini**  
(Non-Executive Director)



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Steve has extensive finance experience. He is currently CEO of Al Rajhi Bank, a bank with total assets of over 70 billion USD. He was formerly CEO of GE Australia and New Zealand and CEO of Consumer Banking at Standard Chartered Bank.

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**Greg Baxter**  
(Non-Executive Director)



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Greg is currently Global Head of Digital at Citibank. Previously Greg was a Partner and U.K. Board member at Booz & Company. Greg is a council member of Chatham House, a leading international affairs think tank.

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**Paul Brandling**  
(Non-Executive Director)



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Paul is a director of Vocus Communications following the recent merger with Amcom, where he served as NED for 2 years. Previously he was VP and MD of HP South Pacific.

# Investment Proposition



- **Market Position**

- Tesseract and its Channel Partners provide Security-as-a-Service to more than 190 organisations located in 11 countries and territories. Australian organisations currently serviced by Tesseract include BMW, Toyota, Nintendo, The Good Guys, Reece, and Maxitrans.

- **Scalable Sales Channel Model & Technology**

- The MSSP Platform can be delivered to organisations as a cloud service, which makes it highly scalable since cloud computing allows a business to easily upscale or downscale its IT requirements as and when required.
- Indirectly this provides Tesseract with the opportunity to generate revenue from a wider range of potential organisations than Tesseract could achieve with its own sales resources.

- **Subscription Model**

- Tesseract generates recurring revenues as a result of the sale of Security-as-a-Service under a subscription model.

- **Existing Security Data Supplier Relationships**

- Tesseract has important global relationships with leading software security data providers including companies like Cisco, Spamhaus, SURBL., and others.

- **Highly Experienced Management and Board**

- Tesseract has a highly experienced management team and board with global and industry-relevant experience.

# Contacts



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## Company

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