

TESSERENT ACQUIRES IQ3, A MAJOR PRIVATE CLOUD PROVIDER FOR SECURE DATA

- Secure Cloud Services provider with \$25M turnover delivering sustainable EBITDA of \$3M
- Significant synergy benefits and cross-sell opportunities
- TNT achieves **\$100M gross revenue annualised run rate** well before December target
- Acquisition is immediately earnings, cash flow and EPS accretive

Tesserent Limited (ASX:TNT) is pleased to announce the strategic acquisition of iQ3 with the signing of a Share Purchase Agreement executed between both parties on the 23 September 2020.

This acquisition sees the Company expeditiously achieve its goal of **\$100M** turnover on an annualised basis, marking an increase of in excess of **one thousand percent** since the refresh of the Tesserent board in January 2020.

iQ3 Acquisition

iQ3 is a Secure Cloud Services firm headquartered in Sydney with facilities in Melbourne and Brisbane, and a sales office in Singapore. The firm's services and solution offering materially complements Tesserent's Cyber 360 strategy and represents a significant step forward in the Company's ability to provide a full end-to-end cyber service.

Geoff Lord, TNT's Chairman, commented; "the addition of Secure Cloud Services to our Solution portfolio is a strategic piece to our Cyber 360 offering that takes us one step closer to executing our strategic go-to-market vision".

iQ3 provides services to Internationally established brands in Australia and Singapore, with particularly strong ties to NSW State and Local governments. The firm has been delivering secure cloud infrastructure and related services to a long list of government agencies including 25 NSW Government departments, both directly out of GovDC and the NSW Government's official procurement program, 'buy.nsw' since 2010.

The firm has an excellent operating record, with FY20 turnover in excess of \$25M, delivering \$3M EBITDA (subject to audit) and is immediately earnings, cash flow and EPS accretive to the TNT Group. Strong revenue and earnings are expected to continue into FY21. Importantly, more than **70%** of

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iQ3's revenue comes from multiple recurring multi-year annuity-based contracts. The TNT Group now has in excess of **\$30M** annual recurring revenue from multiple locked-in multi-year contracts.

The consideration for the acquisition of iQ3 is a mix of cash and TNT shares, being \$8.6M in cash and 34.6M shares issued at \$0.2496 per share. The cash component is fully funded from existing cash reserves being \$4.3M on completion and four deferred quarterly payments of \$1.07M over a 12-month period.

Mr. Lord added; "We're extremely pleased to welcome iQ3 into the Group, Craig Humphreys, iQ3's Managing Director, has proven to be a talented operator. It's also particularly pleasing to have achieved our \$100M turnover run rate well before December which now gives us a solid base for material future growth".

Synergy Benefits and Opportunities

By introducing iQ3 into the Group, there are considerable Cyber 360 cross-sell and up-sell opportunities at a customer, geographic and solution level. Tesseract envisages significant sales opportunities for iQ3 Secure Cloud Services to existing TNT Group customers, whilst selling the Group's core services to iQ3 customers in Australia and Singapore.

There are also notable benefits associated with iQ3's ISO-certified Network Operations Centre (NOC) and TNT's existing ISO-certified Security Operations Centre (SOC) in relation to the delivery of associated Cloud, Connectivity and new Managed Security Services capabilities.

In addition, the Company sees an immediate opportunity to leverage State and Federal Government relationships and capabilities within the Group, particularly North, Seer, Ludus and iQ3.

Mr Humphreys commented; "Joining Tesseract is a natural strategic evolution for iQ3. The delivery of cloud services is becoming more and more security-centric and we now have the ability to significantly grow the business by providing our clients with that end-to-end secure cloud and cybersecurity solution they're looking for".

Julian Challingsworth, TNT's CEO, commented; "The addition of Secure Cloud Services into our Cyber 360 strategy creates substantial opportunities, particularly as organisations transition to mobile and remote workforces as a result of COVID-19. We have already been providing tactical advice to our clients in this area, so enabling these services is a natural next-step for Tesseract."

Mr Challingsworth added; "The models deployed by Cloud and Data Management firms like Megaport who are realising multi-billion dollar market caps through the deployment of smart technology with comparative annual recurring revenue to TNT are very interesting to us".

The Company looks forward to keeping the market updated on the progress of further acquisitions in the near future.

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ABOUT TESSERENT

Tesseract provides full service, enterprise-grade Cyber Security and networking solutions targeted at mid-market, enterprise and government customers across Australia. The Company's Cyber 360 strategy delivers integrated solutions covering identification, protection and 24/7 monitoring against Cyber Security threats. With in excess of 180 security engineers, Tesseract has the capability to support organisations defend their digital assets against increasing risks and cyber-attacks.

Tesseract has been transformed via the acquisition of several high-quality Cyber Security businesses including Pure Security, Rivium, North Security, Seer Security, Airloom and Ludus Security, making it Australia's largest listed dedicated Cyber Security firm.

Learn more at www.tesseract.com.

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