TZ Limited
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ASX Announcement

AGM CHAIRMAN'S ADDRESS

Good Morning,

We acknowledge Aboriginal and Torres Strait Islander peoples as the traditional custodians of our land – Australia. The Gadigal of the Eora Nation are the traditional custodians of our local area.

It is important today to highlight not only FY23 performance, but that of the company's journey over the past 5 years.

The new board took over towards the end of 2019. TZ reported losses of $11.8m in FY18 and $5m in FY19. It was on track for a similar loss in FY20. The accumulated result of these losses was the company hemorrhaging under $13m in debt.

Remember the Covid, and the early "post Covid", related times of low interest rates and "strong liquidity in equity capital markets". The board seized the opportunity to transact a substantial equity raising, reducing the total debt by over $10m.

The focus then shifted to driving the company to earnings positive. A management team, with a financial background, was installed and the FY21 result was positive EBITDA of $137,363 (on nearly $17m revenue). At the end of FY21 the recurring revenue was circa $2m per annum.

At the end of FY21 the board of TZ was alerted to "client dissatisfaction" over software and engineering issues. A full review was undertaken by the directors which included interviewing all staff and several major clients. It was evident that the "financial focus" had repaired cashflow and earnings, but the technical ability of the company was damaged through the cost cutting process. Other issues were identified with the management at the time. It was decided to change senior management for a "technical, yet commercial" team who could expand the company's product offering and growth opportunities.

TZ commenced FY22 with $2.5m debt and around $4m in liquidity in the company. However, the changing economic environment presented some challenges for the Company, as the "tightening cycle" had begun and interest rates were quickly moving higher. There was a noticeable "push-back" in capital expenditure – especially by colleges and tech companies in the US.

The new management team had been allowed to increase the company's technical capabilities, but this had come at substantial cost. Wages nearly doubled from $5m to over $10m; another $3m was added in costs around new systems; a beefed-up finance team established in India and an in-house marketing department out of Australia.

Towards the end of FY22 and 1H FY23 the board was alerted to the potential departure of TZ's key sales and technical staff – citing issues with the senior management. Several accounting errors were also uncovered, including "$1m in overstatement of revenue" and then "$1m in the understatement of Cost Of Goods Sold (COGS)". The reported earnings positive result of $1.27m in FY22 was incorrect and the company actually incurred a small loss after the accounting errors came to light.

During January 2023, there were changes to management. FY22 and 1H FY23 saw a true operating performance of a $6m+ loss. John Wilson, founder and previous CEO, stepped back into the role again to stabilize the company. Chris Kelliher (a long serving employee) was appointed President of the US operations. John and Chris immediately began a "cost cutting" program. The Company undertook emergency capital raisings in December 2022 ($1m debt) and February 2023 ($1.2m equity). In total, management implemented around $7m in cost cuts. Wages cut from over $10m to around $5m. The cuts were all senior management and the delivery and product capabilities were not reduced or diminished.

That gives you some background to the disappointing performance (FY23 Loss of $6.7m) that we report here today. The reported drop in revenue from $20.5m in FY22 to $13.8m in FY23 illustrates the interest rate tightening cycle impact on capital expenditure (delayed). The company's loss also reflected the pre cost cutting initiatives that were implemented.

The company would ask you to focus on the following when assessing TZ's outlook:-

- $7m cost cuts has the company operating earnings positive. No capabilities lost through the cost cutting process.
- Positive earning for Q1 FY24. The outlook for 1H FY24 is also earnings and cashflow positive.
- In the past 2 years the Recurring Revenue has doubled from approximately $2m per annum to around $4m per annum currently.

In closing, on behalf of the board, I need to thank our hard working staff across all operations - Australia, Singapore and the US.

This has been a most challenging year for our Company. The board especially acknowledges John Wilson and Chris Kelliher. They had the responsibility to implement the cost cuts, which were difficult given the significant staff redundancies. John and Chris had to rejuvenate TZ's relationship with its clients and to build a new pipeline of projects. All the staff have pitched in to assist John and Chris and the board could not be more appreciative.

This announcement is authorised for release by TZ Limited's Board of Directors.

For further information, please contact:

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About TZ Limited

At TZ, we create solutions that can manage assets effectively or manage space and utility effectively, i.e. Smart Lockers for IT Asset Management, Smart Lockers for Package Asset Management, and secure Personal Employee Storage Solutions.

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We develop end-to-end integrated solutions that are dynamic and help companies manage secure access, optimise workflows and productivity for their mobile workforce. Our ability to support individual preferences and practices and enable the collective workspace environment are underpinning deliverables in our solutions, that ensure flexibility for the User and drive a unique and enhanced User experience.