



TESSERENT

ASX ANNOUNCEMENT | TESSERENT LIMITED

MELBOURNE – 16TH DECEMBER 2016

TESSERENT COMPLETES SALE OF EDUCATION-FOCUSED IP FOR \$3.8M IN CASH AND SHARES

Highlights:

- Tesseract successfully completes the sale of Sonar/MyNet IP to Family Zone Cyber Safety Limited (ASX:FZO) for \$3.8m, consisting of \$3.5m cash and \$0.3m in FZO shares.
- Substantial cash injection of \$3.5m allows Tesseract to optimise market opportunities by making investments in its managed security service platform.
- Tesseract continues to sell and support Sonar/MyNet services globally and is the exclusive reseller of Sonar/MyNet in Australia and New Zealand.
- Tesseract retains all its education-sector clients and associated ongoing revenue and remains focused on servicing education providers.
- With the sale, Tesseract significantly reduces its ongoing software development and staff overheads, allowing the business to scale profitably on a variable-cost, on-demand basis.
- Tesseract and Family Zone's working relationship provides an exciting opportunity to expand the cyber safety market, with technologies designed for use within schools and the home environment.

Tesseract Limit (ASX:TNT), a specialist in managed cyber security, is pleased to announce that it has completed the sale of Sonar/MyNet IP to Family Zone Cyber Safety Limited (ASX:FZO) following approval from Family Zone's shareholders.

Acquisition and sale of Sonar/MyNet

In May 2016, Tesseract acquired the customers and assets of Blue Reef Pty Ltd (including the Sonar/MyNet IP) for a total of \$3.5m, consisting of \$1.0m in cash and \$2.5m in allocated shares.

Tesseract MD, Keith Glennan, said: "The acquisition of Blue Reef and subsequent sale of Sonar/MyNet IP to Family Zone is an exceptional outcome for Tesseract. We have essentially acquired Blue Reef's 150 education-focused customers and the associated recurring revenue at a profit, allowing the business to invest the resultant free cash flow into attractive market opportunities. At the same time, we've strengthened our cyber security offering to education customers.

Family Zone has already paid Tesseract a \$0.25m cash deposit and will now complete the \$3.8m sale, per the schedule below:

For personal use only



TESSERENT

- \$0.75m in cash on completion (receipt of which by TNT has been confirmed)
- \$0.3m in FZO shares (1m shares at assumed price of \$0.30) issued on completion
- \$0.5m in cash on 28th February 2017
- \$2.0m in cash on 31st May 2017

Tesseract engaged as a Reseller and Distributor

Family Zone has engaged Tesseract as a global reseller and distributor of Sonar/MyNet under the following arrangements:

- Tesseract is appointed as Family Zone's exclusive agent in Australia & New Zealand.
- Tesseract is also engaged to distribute Sonar/MyNet to existing and new global customers as a non-exclusive global distributor.
- Tesseract will continue to sell and support the Sonar/MyNet platform to education-focused customers in Australia and overseas.
- Tesseract will pay Family Zone monthly license fees for each Tesseract customer with an active installation of Sonar/MyNet.
- Family Zone's consumer-focused cyber safety offerings will be interfaced with Sonar/MyNet to create compelling offers for parents of Sonar/MyNet schools.

The Commercial Opportunity

The sale of Sonar/MyNet to Family Zone has enabled Tesseract to sell a sub-set of the assets acquired from Blue Reef earlier this year for more than the total Blue Reef acquisition, while still maintaining access to these technologies under an exclusive reseller and distribution agreement in Australia and New Zealand and global distribution rights. The sale of Sonar/MyNet enables Tesseract to generate \$3.5m in cash and 1m FZO shares. Tesseract plans to use these funds to aggressively expand our business.

The sale of Sonar/MyNet enables Tesseract to maintain exclusive access to the MyNet software without the significant fixed overheads associated with in-house software development.

This transaction also marks the commencement of what we expect to be a strong business partnership between Tesseract and Family Zone.

About Tesseract

Tesseract is a specialist in managed cyber security. Tesseract manages direct end-customers in Australia and around the world while also offering a managed security service to wholesale channel partners globally, enabling them to deliver effective cyber-security management to their end-customers.

For personal use only



TESSERENT

For more information, please visit the company's web site at www.tesseract.com.

Contact

Oliver Carton
Company Secretary
Phone: +61 (0)3 9880 5559
E-mail: investor@tesseract.com

Warrick Lace
Media and Investor Enquires
Phone: +61 404 656 408
E-mail: warrick@nwrcommunications.com.au

For personal use only