



TESSERENT

ASX ANNOUNCEMENT

Melbourne – 27 July 2018

TESSERENT SIGNS BINDING TERM SHEET TO ACQUIRE INNOVATIVE ICT COMPANY, STRENGTHENING MARKET POSITION, REVENUE, AND PROFITABILITY

Tesseract is pleased to announce that it has signed a binding terms sheet (subject to conditions precedent referred to below) to acquire innovative ICT company, Asta Solutions Pty Ltd (“Asta”). Asta is an Australian-based business with more than 200 clients serviced by around 85+ staff from offices in Melbourne, Sydney, and Auckland. Asta has developed significant expertise in a number of areas important to Tesseract's strategy, including cloud technologies, managed services, and blockchain application development. The acquisition fulfils a key strategic need and will underpin the next stage of the company's growth.





Keith Glennan, Founding CEO of Tesseract said: “This is an important step forward for Tesseract. Having worked with Bill and his team since last year, we are confident that this transaction will result in a business that is uniquely placed in the market and will generate significant long-term value for our clients and shareholders. Our plan when we listed on the ASX in 2016 was to look for the right opportunities to grow through acquisition and we are delighted to enter into this deal with Asta, which delivers a combined business with significantly greater revenue, more than 100 staff, and an enviable client list.”

Bill Angelidis, CEO of Asta commented: “With are thrilled to join the Tesseract team. Security has been a missing piece of from our strategic vision. I feel like this is a 20 year dream come true, and am excited about what we will achieve together!”

RATIONALE FOR ACQUISITION

Furthering Tesseract’s successful strategic initiative to expand into the growing market for secure managed networks, the company recognised the need to address security in related high-growth market segments such as cloud and blockchain. By deploying core security technology throughout the fabric of a customer’s IT infrastructure, Tesseract strengthens its position as “trusted partner” with its customers. Over a 19-year period, Asta has also built deep trust relationships with its customers and assists those customers with the roll-out of new technologies. With the adoption of new technologies, security is often a major consideration. The new joint business will be able to offer a breadth of technology, underpinned by deep security expertise.

Tesseract signed a partnership agreement with Asta in November 2017 (announced on the ASX on 20 November 2017) as a first step in exploring this strategy. In working together, the two companies have been able to develop and validate a business model around the two companies’ complementary technologies and skill sets.

Synergies expected from the combined businesses will include;

- highly complementary, client base, offering and vision;
- a significant opportunity for cross-selling of products and services into the combined 400+ customer base;
- significant internal efficiencies;
- improved economies of scale; and
- enhanced workforce capability and alignment.

Both organisations have a strong track record of innovation. Future innovation will focus on revenue-generating blockchain development, cloud facilitation, further development of the company’s core security platform, and the deployment of cutting-edge software-defined networking solutions.

Asta’s existing and forecast strong revenue, cash and EBITDA performance, will enable the business to further accelerate growth.



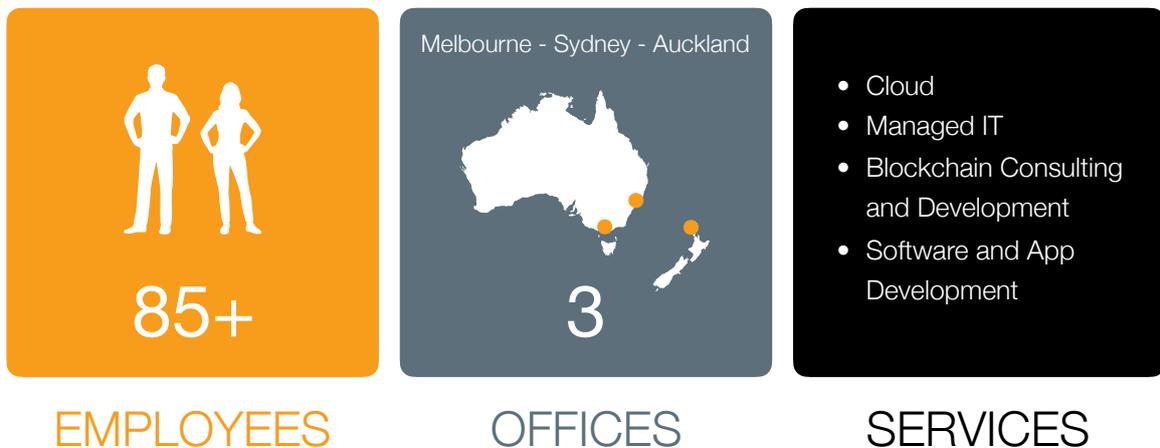
Supporting the strategic and tactical synergies, the acquisition will also provide for increased staff career development and recognition opportunities.

FUTURE GROWTH

This transaction ensures that Tesseract consolidates its annuity revenue base and provides attractive opportunities for increased revenue generation with internal efficiency improvements, all while building a platform from which to accelerate innovation and growth.

ASTA KEY DATA

Founded in 1999, Asta has grown to be a leading end-to-end IT services provider across Australia and New Zealand. With a solid track record of business growth, underpinned by a strong people culture and excellent relationships with clients and business partners, Asta has flourished into a high-growth IT specialist. The CEO Bill Angelidis will join the Tesseract Board as part of the transaction.



ACQUISITION DETAIL

- Purchase price: 4 x FY18 EBITDA, expected to result in a purchase price of \$3.8M
- Purchase price structure:
- A combination of shares and cash with an expected cash component of \$0.6M paid over two years.
 - 50% of shares to be escrowed for 12 months and 50% escrowed for 24 months.



Conditions precedent: Subject to a number of usual conditions precedents including regulatory approvals required under the ASX Listing Rules and Corporations Act, shareholder approval for the agreement to issue any securities referred to in this announcement, accounting and legal due diligence, finalisation of EBITDA calculation under AASB and final legal contracts.

Completion: It is anticipated that the transaction will be completed no later than end of October 2018.

Further details will follow once transaction documents are completed and required regulatory approvals are determined.

ABOUT TESSERENT

Tesseract is a specialist in managed cyber security and networking. Tesseract provides enterprise-grade managed cyber security and networking services to corporate customers in Australia and overseas. Tesseract also provides innovative cyber-security services to small-medium businesses via the CyberBiz suite of services.

CONTACT

Please forward all investor related enquiries to Company Secretary.

Investor Enquiries:

Oliver Carton

Company Secretary

Phone: +61 (0)3 9880 5559

E-mail: investor@tesseract.com

Media Enquiries:

Gregor Jeffery

Marketing Manager

Phone: +61 (0)3 9880 5507

E-mail: gregor.jeffery@tesseract.com