

Quarterly Activities Report and Appendix 4C Quarter ended 31 December 2020

About Threat Protect

Threat Protect provides monitored security solutions that ensure the safety of Australian homes and businesses 24 hours a day, 365 days a year.

We have the highest security accreditation possible to achieve in Australia and use only state-of-the-art technology and equipment.

Our commitment to providing a complete end to end service is second to none, whether you own a small apartment or giant multi-national headquarters.

- Monitored Security Systems
- Security Personnel
- Corporate Risk Consultancy

We call it **"Security Without Compromise"**.

GROWTH STRATEGY

The Australian security industry is highly fragmented and Threat Protect believes is conducive to consolidation, given its stable revenue streams and fixed infrastructure cost model.

Threat Protect's growth strategy is focused on leveraging the largely fixed cost infrastructure and significant capacity of its existing extensive security control room through acquisition of monitored security client bases across Australia.

Threat Protect Australia Limited ("**Threat Protect**" or "**Company**") (ASX:" **TPS**") is pleased to provide its quarterly market activity update.

HIGHLIGHTS FOR THE QUARTER

- Operating revenue of \$6.4m was in line with the prior quarter.
- Receipts from customers of approx. \$7.4m remain consistent with prior quarters and reflect no deterioration in debtors during these COVID times.
- Gross margin remained at \$2.7m in line with the prior quarter.
- Adjusted EBITDA before acquisition and integration costs improved by \$260,000 to \$1.5m for the quarter.
- Integration costs have reduced quarter on quarter by \$163,000 to \$191,000. These items are expected to continue to reduce.
- Operating cashflow for the quarter was \$2.3m before acquisition and integration cash outflows of \$334,000 and interest and other costs of finance of \$634,000. Net cash from operations was \$1.4m.
- Borrowings of \$2m was repaid at the end of the quarter to Soliton Capital Partners Pty Ltd alongside an interest payment of \$595,000.
- Acquisition of the customer base of SMS Security Monitoring, an existing reseller was completed. The acquisition increases recurring annual contracted monitoring revenue by \$360,000 without adding operating costs.
- The Company has \$2.41m of cash at December 2020.

Operating Revenue

Group revenue was in line with the last quarter across the divisions.

Acquisition of SMS Security Monitoring ("SMS")

On 29 December 2020 the Company announced the acquisition of the customer base of SMS Security Monitoring, an existing reseller of Threat Protect. SMS Security is a Western Australian security company that has been a reseller client of the South Australian monitoring business since 2015. SMS currently services 1,482 monitoring customers. The customer base was acquired for \$1.4m of which \$752,000 is payable in cash, including \$276,000 that is only payable in 12 months based on retention of

acquired revenue levels. The purchase will be funded using operational cash reserves.

Listing Rule 4.7C.3

In item 6 of the Appendix 4C cash flow report for the quarter, payments to Related Parties of approximately \$124,000 comprised of fees to executive and non-executive directors and their related parties’ remuneration, including \$40,000 of fees paid to Black Crane Advisors Limited for corporate advisory services.

Cash at Bank & Summary of Cash Flows

Cash at bank at the end of December 2020 was \$2.41m, compared with \$3.45m at 30 September 2020. Net cashflow from operating activities was \$1.36m, up from \$432,000 for the previous quarter and is comprised of the following:

Cashflows from operating activities	\$A,000
Receipts from customers	7,381
Operating costs	(1,661)
Advertising and marketing	(44)
Staff costs	(2,999)
Admin and corporate costs	(374)
Interest and other costs of finance paid	(634)
Government grants and tax incentives	30
Business acquisition & integration costs	(187)
Staff costs (business integration & acquisition)	(147)
Net cash from operating activities	1,365

The main variances include cash outflows to staff which were reduced by \$296,000 and cash outflows for operating costs reduced by \$497,000 along with an increase in receipts from customers by \$189,000 compared to the prior quarter.

Net cash used in investing activities was down \$694,000 to \$343,000 due to the payment of contingent consideration in the prior period. Net cash flows from financing activities were up \$2.0m from \$76,000 for the previous quarter due to the borrowings repayment made to Soliton Capital Partners Pty Ltd this quarter.

For further information, contact:

Investors

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Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

Threat Protect Australia Limited

ABN

36 060 774 227

Quarter ended ("current quarter")

31 December 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	7,381	14,574
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(1,661)	(3,820)
(c) advertising and marketing	(44)	(93)
(d) leased assets	-	-
(e) staff costs	(2,999)	(6,296)
(f) administration and corporate costs	(374)	(759)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(634)	(1,245)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives received	30	135
1.8 Other		
- Business acquisition & integration costs	(187)	(361)
- Staff costs – Business integration & acquisition	(147)	(338)
1.9 Net cash from / (used in) operating activities	1,365	1,797
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(103)	(228)

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
(d) investments	-	(180)
(e) intellectual property	-	-
(f) other non-current assets (intangible assets)	(240)	(971)
2.2 Proceeds from disposal of:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	-
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
2.6 Net cash from / (used in) investing activities	(343)	(1,379)

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2 Proceeds from issue of convertible debt securities	-	-
3.3 Proceeds from exercise of options	-	-
3.4 Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	(2,062)	(2,139)
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
3.10 Net cash from / (used in) financing activities	(2,062)	(2,139)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	3,454	4,135
4.2	Net cash from / (used in) operating activities (item 1.9 above)	1,365	1,797
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(343)	(1,379)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(2,062)	(2,139)
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	2,414	2,414

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	2,414	3,454
5.2 Call deposits	-	-
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	2,414	3,454

6. Payments to related parties of the entity and their associates

6.1	Aggregate amount of payments to related parties and their associates included in item 1
6.2	Aggregate amount of payments to related parties and their associates included in item 2

**Current quarter
\$A'000**

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Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

7. Financing facilities

Note: the term "facility" includes all forms of financing arrangements available to the entity.

Add notes as necessary for an understanding of the sources of finance available to the entity.

	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities	1. 33,897	1. 33,897
	2. 9,106	2. 9,106
	3. 6,803	3. 6,803
	4. 1	4. 1
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	49,807	49,807
7.5 Unused financing facilities available at quarter end		-

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

1. Secured Notes issued by Soliton Capital Partners Pty Ltd, maturing 29 April 2022. Current Interest Rate 10.65% pa. (Repayment of \$2M made during the period).
2. Unsecured Notes issued by First Samuel Limited on behalf of its MDA clients, maturing 28 February 2022. Current Interest Rate 6.66% pa.
3. Unsecured convertible note deed with Black Crane Asia Opportunities Fund to the value of \$6.5m at 5% pa interest rate maturing in 3 years.
4. Various short-term borrowings including insurance premium funding and equipment finance.

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	1,365
8.2 Cash and cash equivalents at quarter end (Item 4.6)	2,414
8.3 Unused finance facilities available at quarter end (Item 7.5)	-
8.4 Total available funding (Item 8.2 + Item 8.3)	2,414
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	Operating cash flow positive

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: Not Applicable

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: Not Applicable

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: Not Applicable

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 29 January 2021

Authorised by: By The Board
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.