

## Urbanise.com Limited

(ACN 095 768 086)

(ASX Code UBN)

# Shareholder Booklet

## Issue of Shares to Argosy Capital Limited

A notice of meeting is included in Appendix 1 to this Booklet. A Proxy Form for the meeting accompanies this Booklet.

**Your vote is important in determining whether the Transaction proceeds. This is an important document and requires your urgent attention.**

If you are in any doubt as to how to deal with this Booklet, please consult your legal, financial, taxation or other professional adviser immediately.

If you have recently sold all of your Shares, please disregard all enclosed documents.

## Important Notices

### General

You should read this Booklet in its entirety before making a decision on how to vote on the resolutions to be considered at the General Meeting. The notice convening the General Meeting is contained in Appendix 1. A proxy form for the meeting is enclosed.

### Defined terms

Capitalised terms in this Booklet are defined either in the Glossary in Section 11 of this Booklet or where the relevant term is first used.

References to **dollars** or **\$** are references to the lawful currency of Australia. Any discrepancies between the totals and the sum of all the individual components in the tables contained in this Booklet are due to rounding.

### Purpose of this Booklet

The purpose of this Booklet is to:

- explain the terms and effect of the Transaction to Shareholders; and
- provide such information as is prescribed by the Listing Rules.

### ASX

A copy of this Booklet has been lodged with ASX. None of ASX or any of its officers takes any responsibility for the contents of this Booklet.

### Input from other parties

**Titan Partners Corporate Finance Pty Limited (Independent Expert) has prepared the Independent Expert's Report in relation to the Transaction that is enclosed with this Booklet and takes responsibility for that report. The Independent Expert is not responsible for any other information contained within this Booklet. Shareholders are urged to read the Independent Expert's Report carefully to understand the scope of the report, the methodology of the assessment, the sources of information and the assumptions made.**

The information contained in this Booklet has been prepared by Urbanise and is the responsibility of Urbanise other than the information for which other persons are stated to be responsible.

### Investment decisions

This Booklet does not take into account the investment objectives, financial situation, tax position and requirements of any particular person. This Booklet should not be relied on as the sole basis for any investment decision in relation to Shares. Independent financial and taxation advice should be sought before making any decision to invest in Urbanise or in relation to the Transaction. It is important that you read the entire Explanatory

Memorandum before making any voting or investment decision. In particular, it is important that Shareholders consider the possible disadvantages of the Transaction and the risk factors identified in Section 3.

Shareholders should carefully consider these factors in light of their particular investment objectives, financial situation, tax position and requirements. If Shareholders are in any doubt on these matters, they should consult their legal, financial, taxation or other professional adviser before deciding how to vote on the Transaction. Past performance is no indication of future performance.

### Forward looking statements

This Booklet includes certain prospective financial information which has been based on current expectations about future events. The prospective financial information is, however, subject to risks, uncertainties and assumptions that could cause actual results to differ materially from the expectations described in such prospective financial information. Factors which may affect future financial performance include, among other things, those identified in Section 3. The assumptions on which prospective financial information is based may prove to be correct or may be affected by matters not currently known to, or considered material by, Urbanise.

Actual events or results may differ materially from the events or results expressed or implied in any forward looking statement and deviations are both normal and to be expected. None of Urbanise, the officers of Urbanise or any person named in this Booklet makes any representation or warranty (either express or implied) as to the accuracy or likelihood of fulfilment of any forward looking statement, or any events or results expressed or implied in any forward looking statement. You are cautioned not to place undue reliance on those statements.

The forward looking statement in this Booklet reflects views held only as at the date of this Booklet.

### Electronic document

**This Booklet may be viewed online at <https://urbanise.com/category/reports-and-presentations/>. A paper copy of this Booklet will be provided free of charge to any person who requests a copy by contacting Urbanise.**

## Important dates and times

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Date of this Booklet	<b>22 February 2017</b>
Last time and date by which the proxy form for the General Meeting can be lodged	<b>11:00am</b> (Sydney time) on <b>26 March 2017</b>
Time and date for determining eligibility to vote at the General Meeting	7:00 pm (Sydney time) on <b>26 March 2017</b>
General Meeting* to vote on the Transaction	<b>11:00 am</b> (Sydney time) on <b>28 March 2017</b>

\* The General Meeting will be held at the offices of Boardroom Pty Ltd, Level 12, 225 George St, Sydney NSW.

You should consult your legal, financial, taxation or other professional adviser concerning the impact your decision may have on your own circumstances.

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## Chairman's letter

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22 February 2017

Dear Shareholder

I write to you as Chairman and an Independent Director of Urbanise.com Limited (Urbanise).

Your company is facing an important event. As announced to shareholders on 04 January 2017, Urbanise is undertaking a series of transactions involving Argosy Capital Limited (**Argosy**) and others, including a placement, asset purchase and underwritten rights issue (being the Proposed Transactions described below).

On 28 March 2017, a General Meeting of Shareholders will be held. As a Shareholder you will be able to vote on the Share Issue Resolution to approve the issue of Shares to Argosy, as underwriter of the Rights Issue, which may result in its voting power in Urbanise increasing above 20%.

Section 606 of the Corporations Act prohibits a person from acquiring a Relevant Interest in issued voting shares of a listed company that would cause that person's (or another person's) Voting Power to increase above 20% (**20% Threshold**), unless the acquisition is under an exception to the Corporations Act. Item 7 of section 611 of the Corporations Act provides an exception to the prohibition in section 606 where the acquisition has been approved by a resolution passed by shareholders.

### The Proposed Transactions

Urbanise announced to shareholders on 4 January 2017 the conditional acquisition of various business assets in consideration for payment of approximately \$12,000,000 (**Acquisition**). In conjunction with this Acquisition, Argosy agreed to subscribe for and be allotted 63,500,000 Shares (subject to satisfaction of certain conditions to the Acquisition) (**Placement**). The Placement and Acquisition were completed successfully on 8 February 2017.

On 6 February 2017, Urbanise closed a 1 for 8 non-renounceable rights issue (**Rights Issue**) which is fully underwritten by Argosy, subject to approval of the Share Issue Resolution and the conditions of the Underwriting Agreement described in this Booklet. As a result, Argosy may acquire 32,238,412 additional Shares, increasing its shareholding from nil prior to the Placement, to 27.05%.

The Acquisition, Placement and the Rights Issue are collectively referred to as the Proposed Transactions.

### Shareholder approval

Shareholder approval is required before Shares can be issued to Argosy above the 20% Threshold.

The Board has conducted a detailed review of the Proposed Transactions, along with due consideration of the advantages and disadvantages of proceeding with the Share issue(s) to protect the interests of all Shareholders, including minority and foreign Shareholders.

To assist Shareholders in determining how to vote, accompanying this letter and Notice of Meeting is a detailed Explanatory Statement. I encourage you to read these documents in full before making any decision.

The Directors recommend you to vote in favour of the Share Issue Resolution.

The Directors intend to vote the Shares they control in favour of the transactions<sup>1</sup>. As Chair of the meeting I also intend to vote any undirected eligible proxies in favour of the Resolutions.

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<sup>1</sup> Mr.. Strauss does not intend to vote on the Resolutions.

The Directors have concluded that the advantages of the proposed transaction(s) outweigh the disadvantages. The basis of the Directors conclusion is set out in section 1.5 of this Booklet. In summary, we see meaningful immediate benefits being generated from both the Acquisition of the business assets and intellectual property and the injection of funds through the Placement and the Rights Issue to strengthen the Company's balance sheet and enable the business to continue to fund its growth strategy.

Whilst the Directors recommend that you vote in favour of the share issue, and the Directors consider that the advantages of the share issue outweigh its disadvantages, the Directors also wish to make Shareholders aware of its potential disadvantages. These are set out in section 3 of the Booklet.

The Directors note that the Independent Expert has concluded that the Transaction is not fair but is reasonable. You should read the Independent Expert's Report in full.

This Booklet comprises a Notice of Meeting at Appendix 1, a detailed Explanatory Memorandum, an Independent Expert's Report and a personalised Proxy Form.

Shareholders might consider that a superior proposal may emerge or that a takeover bid is less likely once the shares are issued to Argosy.

Argosy will continue Urbanise's commitment to the highest standards of corporate governance and has indicated that it is committed to preserving minority protections. They see value in maintaining Urbanise's listing on the ASX

As I said at the start of this letter, this is an important event in your Company's development. I encourage you to read the documents and to vote in favour of the Resolutions. Put simply, it is the Directors' view that Argosy will be a committed shareholder and as such the Company's prospects will improve for the benefit of all Shareholders.

Yours sincerely

A handwritten signature in dark ink, appearing to read 'Anthony Scotton', with a stylized, cursive script.

**Anthony Scotton**  
**Chairman**  
**Urbanise.com Limited**

## Reasons why you should vote in favour of the Shares Issue Resolution

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- 1**      **Significant premium to trading price**
- 2**      **Committed new shareholder**
- 3**      **Provides certain funding required for the Company's current business plan**
- 4**      **Increases the opportunities for the Company to earn revenue and profits**
- 5**      **Expected to provide Scale benefits**

## **Reasons why Shareholders might vote against the Transaction**

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- 1 Advantages may not be realised**
  - 2 A takeover bid for the Company is less likely in the future**
  - 3 Argosy's intentions could change**
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## 1. Summary of the Transaction

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### 1.1. Introduction

On 4 January 2017 Urbanise.com Limited (**Urbanise**) announced the following transactions:

- (a) A purchase of business assets and intellectual property for consideration of approximately \$12,000,000 (**Acquisition**);
- (b) A Placement of 63,500,000 shares to Argosy Capital Limited (**Argosy**) at a price of \$0.225 per Share to raise \$14,287,500 (**Placement**); and
- (c) A non renounceable rights issue on a 1 for 8 basis (**Rights Issue**). The Rights Issue being fully underwritten by Argosy, subject to certain conditions including approval of the Share Issue Resolution.

The commitment to underwrite contained in the underwriting agreement was conditional upon completion of the Acquisition and the Placement above. This condition has now been satisfied.

The issue of Shares to Argosy as underwriter, in excess of 20% of Urbanise's share capital, requires approval by Shareholders in a general meeting for the purposes of section 611 item 7 of the Corporations Act.

The issue of Shares to the Argosy above the statutory threshold of 20% is referred to as the **Transaction** in this Booklet.

The Rights Issue closed on 6 February 2017 and the Placement and Acquisition were successfully completed on 8 February 2017.

### 1.2. About the Underwriter

Established in 2008, Argosy is a privately-owned business headquartered in the Isle of Man. Argosy invests off a proprietary balance sheet in opportunities across a range of industries and jurisdictions. Its focus is predominantly on private equity investments, including limited exposure to venture capital. Argosy does not have a fixed investment horizon and does not raise or manage investments for the public. More information about Argosy can be obtained at their website: [www.argosy.co.im](http://www.argosy.co.im)

### 1.3. Relevant Resolutions

This shareholder booklet includes a notice of meeting and other information necessary to enable Shareholders to make an informed decision whether or not to vote in favour of the proposed resolution in respect of:

- the issue of 31,440,693 Delayed Shares to Argosy (**Share Issue Resolution**);
- the ratification of the issue of 17 million of the Shares issued to Argosy under the Placement (**Approval Resolution**) (being 26.77% of the Shares issued under the Placement); and
- the appointment of Almero Strauss as a director of Urbanise (**Director Appointment Resolution**).

### 1.4. When will Urbanise seek shareholder approval?

The resolution in respect of the issue of Delayed Shares to Argosy under section 611 item 7 of the Corporations Act and Listing Rule 7.1 item 16 to be considered at the General Meeting (**Share Issue Resolution**) will only be considered by Shareholders if the Underwriting Agreement is not first terminated. Argosy may terminate the underwriting in the circumstances set out in section 6.1. The Share Issue Resolution requires approval by a simple majority of votes cast by eligible Shareholders at the General Meeting.

Neither Argosy nor its Associates may cast a vote in favour of the Share Issue Resolution or the Approval Resolution.

For a full explanation of the nature, purpose and effect of the Share Issue Resolution and the voting restrictions applying to them, please refer to Section 7 of this Booklet.

The Approval Resolution and the Director Appointment Resolution will only be considered by Shareholders if the Placement proceeds.

### **1.5. Director recommendations**

The Directors (other than Mr. Almero Strauss who has been appointed as a nominee of Argosy) consider that the Transaction is in the best interests of Shareholders and recommend that Shareholders vote in favour of the Resolutions because the Proposed Transactions:

- Provide greater balance sheet strength to fund the Company's current growth business plan and meet operating expenses;
- The addition of the business assets acquired as a result of the Acquisition will increase Urbanise's expected revenue and profitability prospects through new products and markets;
- By increasing Urbanise's feature set, the amount of potential business Urbanise can transact with its current and future customers is increased, which drives scale benefits;
- The issue price of 22.5 cents per share is a significant premium to the recent market price of the shares as traded on the ASX. It is 8.5 cents premium to the trading price immediately prior to the announcement of the Acquisition, Placement and Rights Issue;
- Argosy has agreed with Urbanise to a voluntary escrow of 51,850,559 of its Shares for a period of 18 months from the date of issue<sup>1</sup>; and
- The Independent Expert has indicated that although it is not fair, the advantages of approving the Transaction outweigh the disadvantages.

The Directors (other than Mr. Almero Strauss) consider that Shareholders should also consider the disadvantages of voting in favour of the Transaction which are detailed in section 3.3 below.

Mr. Strauss has been appointed to the Board as a nominee of Argosy, and accordingly does not make any recommendation with respect to the Resolutions.

### **1.6. Independent Expert's Report**

The Company engaged the Independent Expert to prepare an Independent Expert's Report expressing an opinion on whether or not the Transaction is fair and reasonable to Shareholders.

The Independent Expert has concluded as follows:

*"We conclude, based on the assessment outlined in the remainder of this Report, that the Proposed Transaction is considered to be not fair but reasonable to the shareholders of Urbanise."*

A copy of the Independent Expert's Report is enclosed with this Booklet and you should read it as part of your assessment of the Proposed Transactions.

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<sup>1</sup> This is the maximum number following the Placement and Rights Issue that Urbanise can apply voluntary escrow due to section 606 of the Corporations Act. The other Shares issued to Argosy under the Placement are subject to a restriction agreement with a third party escrow agent, KTM Capital Pty Ltd (**KTM**) on similar terms for a period of 18 months from issue. Urbanise and KTM are not associates.

### 1.7. Implementation and timetable

In accordance with the provisions of the Underwriting Agreement the Rights Issue is fully underwritten by Argosy. The maximum number of shares which may be issued to Argosy following the participation in the Right Issue is set out below:

Share Capital on Issue	Shares Allotted and Description	Total Share Capital on Issue as a result of Allotment	Argosy's Percentage Share Holding
258 122 399 Share Capital pre Transactions	63,500,000 Shares allotted as a result of Placement	321,622,399	19.74%
321,622,300	26,888 Shares issued to Shareholders who subscribed under the Rights Issue	321,649,287	19.74%
321,649,287	Issue 797,719 Shares issued to Underwriter (Shortfall Shares)	322,447,006 <sup>1</sup>	19.94%
322,447,006	31,440,693 Deferred Shares to be issued (subject to Shareholder approval)	353,887,699	27.05%

As a result of the Placement, Argosy holds 19.74% of the issued capital of the Company. An additional 797,719 Shares have been issued as part of the shortfall following the Rights Issue to bring Argosy to 19.94% of the issued capital of the Company.

### 1.8. What to do next

#### (a) Read the remainder of this Booklet

You should read and consider the remainder of this Booklet in full before making any decision on the Transaction.

#### (b) Consider your options

Shareholders should refer to Section 3 of this Booklet for further guidance on the expected advantages and possible disadvantages of the Transaction. However, this Booklet does not take into account the financial situation, investments objectives and particular needs of any particular Shareholder.

#### (c) Vote at the General Meeting

The Board urges all Shareholders to vote on the Transaction at the General Meeting. The Transaction affects your investment in Urbanise and your vote at the General Meeting is important in determining whether the Transaction proceeds.

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<sup>1</sup> In the event that the Share Issue Resolution is not passed by Shareholders the issued capital will remain at this level.

## 1.9. Summary of how to vote

### (a) General

The General Meeting will be held at the offices of Boardroom Pty Ltd, Level 12, 225 George St, Sydney NSW, on **28 March 2017**, commencing at **11:00am** (Sydney time).

The notice convening the General Meeting is contained in Appendix 1 to this Booklet. Your vote at the General Meeting is important. If you are registered as a Shareholder by the Registry at the voting entitlement time (7.00 pm Sydney time, **26 March 2017**) you will be entitled to vote at the General Meeting, subject to the voting restrictions and exclusions set out in the Notice of Meeting in Appendix 1 to this Booklet. These voting restrictions and exclusions are summarised in Sections 1.4 and Section 7 of this Booklet.

### (b) Voting in person

Shareholders wishing to vote in person on the Transaction should attend the General Meeting on **28 March 2017** and bring a suitable form of personal identification (such as a driver's licence).

Please arrive at the venue at least 15 minutes prior to the time designated for the commencement of the General Meeting (**11:00 am Sydney time**), if possible, so that your shareholding may be checked against the Shareholders Register and attendance noted. Attorneys (see also paragraph (d) below) should bring with them the original or a certified copy of the power of attorney under which they have been authorised to attend and vote at the meeting.

### (c) Voting by proxy

Shareholders wishing to vote by proxy at the General Meeting must complete and sign or validly authenticate the personalised proxy form which is enclosed with this Booklet.

A person appointed as a proxy may be an individual or a body corporate. Completed proxy forms must be delivered to the Registry by **11:00am (Sydney Time) 26 March 2017**, in any of the following ways:

By post to the Registry:

**Boardroom Pty Ltd, GPO Box 3993, Sydney NSW 2001**

By hand delivery to the Registry at:

**Boardroom Pty Ltd, Level 12, 225 George St, Sydney NSW, 2000**

By fax to the Registry on:

**02 9290 9655** from within Australia, or **+612 9290 9655** from outside Australia

Note: proxies may not be returned by email.

### (d) Voting by attorney

If a Shareholder executes or proposes to execute any document, or do any act, by or through an attorney which is relevant to their shareholding in Urbanise, that Shareholder must deliver the instrument appointing the attorney to the Registry for notation.

Shareholders wishing to vote by attorney at the General Meeting must, if they have not already presented an appropriate power of attorney to Urbanise for notation, deliver to the Registry (at the address or facsimile number specified in this Section 1.9 of this Booklet) the original instrument appointing the attorney or a certified copy of it by **11:00 am** (Sydney time) on **26 March 2017**.

*(e) Voting by corporate representative*

To vote in person at the General Meeting, a Shareholder or proxy which is a body corporate may appoint an individual to act as its representative.

To vote by corporate representative at the General Meeting, a corporate Shareholder or proxy should obtain a Certificate of Appointment of Corporate Representative form from the Registry, and complete and sign the form in accordance with the instructions on it. The appointment form should be lodged at the registration desk on the day of the General Meeting.

*(f) Further information*

Please refer to the Notice of General Meeting in Appendix 1 to this Booklet for further information on voting procedures and details of the resolution to be voted on at the General Meeting.

## **2. The Transaction**

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### **2.1. Background**

On 4 January 2017 Urbanise announced the following transactions:

- (a) the Acquisition;
- (b) the Placement; and
- (c) the Rights Issue.

The Rights Issue closed on 6 February 2017 and the Placement and Acquisition were successfully completed on 8 February 2017.

Each of the transactions are described in more detail below.

### **2.2. A purchase of business assets and intellectual property for total cash consideration of \$12 million (Acquisition)**

The business assets and technology that Urbanise acquired under the Acquisition comprise:

- A cloud based micro-utility billing solution that enables the rapid deployment, billing and rating of smart meters for electricity, water and gas. Designed specifically to enable strata managers to deliver price optimised utility charging and smart consumption plans for their communities and buildings.
- A suite of smart meter devices that are designed to enable automated meter reading, pre-paid and post-paid business models and smart automation models that can limit utility consumption (peak demand control), shift utility consumption (load shifting) or intelligently detect water leaks or improper electricity consumption.
- A route optimisation, prioritisation and dispatching solution. Designed to enable service providers with a mobile workforce to optimise delivery costs and provide real time distance from and time to arrival information to their customers who are receiving delivered goods.
- A mobile asset tracking solution that enables owners and operators of large fleets, rental equipment and critical personnel to ensure they are operating in a specific location and to alert and track them when they are not.

The functionality of these technologies is not only expected to expand the market segments that can use the Urbanise building service delivery platform, but is also expected to fill gaps in our solution set that our customers ask us for every day.

Specifically designed for sub-metered communities and buildings, Wattkeeper™ extends our utility reporting functionality to include residential and commercial meter reading and billing. Smart metered Utility operation is the number one request we receive from our strata manager customers in every region. Intelligen, on the other hand, supercharges our service operations platform – delivering an optimized “Uber-like” experience for every one of our service providers using our mobile apps for delivery and our customer portals and apps for ordering services.

### **2.3. The Placement**

The Placement was of 63,500,000 shares to Argosy at a price of \$0.225 per Share to raise \$14,287,500. This was completed on 8 February 2017.

19,612,147 of these Shares issued are subject to a voluntary escrow agreement with Urbanise for a period of 18 months from the date of issue. The other Shares issued to Argosy under the Placement

are subject to a restriction agreement with a third party escrow agent, KTM, on similar terms for a period of 18 months from issue. Urbanise and KTM are not associates

The proceeds of the Placement were used to fund the Acquisition and will be used for general operating capital to meet transaction costs, along with other operating expenses including employees, corporate administration, travel and marketing costs.

17 million Shares issued under the Placement are the subject of the Approval Resolution.

On completion of the Placement Mr. Almero Strauss was appointed by the Board of Urbanise to fill a casual vacancy. The re-appointment of Mr. Almero Strauss as a director of Urbanise will be considered by Shareholders at the next general meeting of Urbanise. The Director Appointment Resolution is put to Shareholders to satisfy this later requirement. See section 3.9 for further details.

## **2.4. A Rights Issue on a 1 for 8 basis**

The Rights Issue involved the issue of up to 32,265,300 ordinary shares at 22.5 cents per share to raise \$7,259,692.50.

Proceeds of the Rights Issue will be used to fund transaction costs, and general operating expenses including employee costs, travel, marketing, general corporate overheads and market expansion activities.

The Rights Issue will be fully underwritten by Argosy. The Rights Issue was not conditional upon completion of the Acquisition or the Placement. However, the obligation on Argosy to underwrite the Rights Issue was conditional on completion of the Acquisition and Placement. The Underwriting Agreement is also subject to a limited number of termination rights. Relevantly, Argosy may terminate the Underwriting Agreement if:

- Urbanise has defaulted in the performance of any of its material obligations under the Underwriting Agreement;
- there has been a material adverse change to the consolidated asset position of Urbanise and its subsidiaries before the close of the Rights Issue; or
- ASIC takes certain actions adverse to the Rights Issue.

If Argosy does terminate the Underwriting Agreement the Rights Issue will proceed but will not be underwritten. If the Underwriting Agreement is terminated, Shareholders will not vote on the Share Issue Resolution.

The issue of Delayed Shares to Argosy is the subject of the Share Issue Resolution.

All shares issued to Argosy as a result of a shortfall will be escrowed for a period of 18 months from the date of issue.

Further details, terms and conditions, are contained in the Offer Document which was lodged with the ASX on or around 23 January 2017.

## **2.5. Directors' recommendation**

Urbanise's Directors and management team see significant advantages flowing from the Acquisition, Placement, and the Rights Issue for Urbanise's Shareholders and recommend Shareholders vote in favour of the Resolutions.

### **3. Relevant considerations for Shareholders**

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#### **3.1. Introduction**

The purpose of this Section 3 is to identify significant issues for Shareholders to consider in relation to the Transaction.

Before deciding how to vote at the General Meeting, Shareholders should carefully consider the factors discussed below, as well as the other information contained in this Booklet.

#### **3.2. Why you should vote in favour of the Resolutions**

Reasons why Shareholders may decide to vote in favour of the Share Issue Resolution include the following:

- Provides greater balance sheet strength to fund the Company's current growth business plan and meet operating expenses;
- The addition of the business assets acquired under the Acquisition will increase Urbanise's expected revenue and profitability prospects through new products and markets;
- The Independent Expert's Report concludes that the Share Issue Resolution is not fair but is reasonable to the Shareholders of Urbanise;
- By increasing our feature set, we increase the amount of potential business we can transact with our current and future customers, which drives scale benefits;
- The issue price of 22.5 cents per share is a significant premium to the recent market price of the shares as traded on the ASX. It is 8.5 cents premium to the trading price immediately prior to the announcement of the Acquisition, Placement and Rights Issue;
- Argosy has agreed with Urbanise to a voluntary escrow of 51,850,559 shares for a period of 18 months from the date of issue<sup>1</sup>; and
- The Directors consider that the advantages of approving the Transaction outweigh the disadvantages.

#### **3.3. Why you may vote against the Transaction**

Shareholders may decline to approve the Share Issue Resolution for a number of reasons. These may include the following:

- The advantages listed above may not be realised. Urbanise's business is subject to certain risks which are detailed in section 4. Some of these risks may increase or decrease dependant on the realisation of the advantages.
- A takeover bid for the Company is less likely in the future, unless supported by Argosy.
- Argosy is an independent legal entity with its own shareholders, directors and management. Argosy's intentions with respect to their shareholding in Urbanise may change from time to time.
- The Independent Expert has concluded that the Share Issue Resolution is not fair but is reasonable to the Shareholders of Urbanise. You are not obliged to agree with that conclusion.

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<sup>1</sup> This is the maximum number of Shares following the Placement and Rights Issue that Urbanise can apply voluntary escrow due to section 606 of the Corporations Act. It assumes all shares are issued to Argosy under the Rights Issue. The remainder of Shares issued to Argosy are subject to restriction agreements with a third party escrow agent, KTM on similar terms for a period of 18 months from issue. Urbanise and KTM are not associates.



### 3.4. Risks of Transaction

While Urbanise considers the benefits for Shareholders far outweigh the risks, there are a number of risks to Shareholders associated with the Transaction.

See Section 4.2 for details.

### 3.5. Key implications if the Transaction does not proceed

If Shareholders do not pass the Share Issue Resolution:

- the Delayed Shares will not be issued to Argosy under the Underwriting Agreement;
- Urbanise will have more limited capital resources to fund its ongoing growth business plan, assuming the Rights Issue is not fully subscribed;
- Urbanise may need to raise capital in the future on terms that may be less attractive than the terms of the Rights Issue and Underwriting Agreement with Argosy.

### 3.6. Impact on Urbanise's financial position

Following completion of the Acquisition, Placement and Rights Issue<sup>1</sup>:

- the share capital of Urbanise increased by \$21,547,192.50;
- gross cash proceeds, (after paying \$12 million as part of the Acquisition and before foreign exchange fees) increased cash at bank by \$9,547,192.50, providing significant funding for the current growth business plan;
- assets increased by \$12 million, representing the goodwill and business assets acquired under the Acquisition; and
- the combination of the assets acquired under the Acquisition and the cash injection into Urbanise to fund its operations is expected to provide increased opportunities for revenue and profit growth and a more secure financial outlook.

Section 5.4 contains a pro forma statement of financial position of Urbanise following completion of the Acquisition, Placement and Rights Issue.

### 3.7. Impact on control of Urbanise

The substantial shareholders of the Company as at the date of this notice include:

Shareholder Group	Holding Percentage
Pierce ESIM Pte Limited (and related entities)	21.24%
Argosy Capital Limited	19.94%
Citicorp Nominees Pty Ltd	13.43%
HSBC Custody Nominees (Australia) Limited	7.94%
UBS Nominees Pty Ltd	3.93%

As a result of the Placement and the allotment of shares to Argosy in conjunction with the Rights Issue, and as outlined at Section 1.7, Argosy may hold up to 27.05% of the issued capital of the Company. Argosy will be a substantial shareholder of the Company but will not have a controlling

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<sup>1</sup> This assumes that the Share Issue Resolution is passed and the Delayed Shares are issued to Argosy.

interest. It will however be able to prevent the passage of a special resolution of Shareholders in the future (if so minded).

The table below sets out the effect of the Rights Issue, on the basis that Argosy is issued with 32,238,412 Shares under the Rights Issue (being the actual shortfall) and assumes that the Share Issue Resolution is passed:

Shareholder Group	Holding Percentage
Argosy Capital Limited	27.05%
Pierce ESIM Pte Limited (and related entities)	19.352%
Citicorp Nominees Pty Limited	10.417%
HSBC Custody Nominees (Australia) Limited	7.828%
UBS Nominees Pty Ltd	3.901%

Whilst Argosy will be a substantial shareholder of the Company, given the other substantial shareholders, and in particular Pierce ESIM Pte Limited (and related entities), Argosy will not have a controlling interest after completion of the proposed transactions.

### **3.8. Change of Urbanise's tax status**

Urbanise has significant carried forward losses, that, subject to certain tests under the relevant taxation legislation, may in certain circumstances be carried forward to offset against future profits.

As at 30 June 2016 Urbanise has brought to account (on its balance sheet) a deferred tax asset of \$2,803,267 of which \$2,615,603 relates to tax losses. In order to carry forward the Company's tax losses, there are two primary tests which are:

- Did the entity carry on the same business during the relevant period; and
- Was there a change in shareholding or control.

Urbanise considers that there will be no change in relation to the business that Urbanise conducts as a result of the proposed transactions.

In relation to the Shareholding and/or control test, in certain circumstances, there may be a change of more than 50% of the voting power during the relevant period as a result of the proposed transactions. The actual calculations will be dependent on the actual movements in the Shareholdings during the relevant period the losses were incurred.

If there is a change in control, Urbanise may lose the ability to carry forward its tax losses.

### **3.9. Intentions of the Argosy Parties**

As can be seen from the table in Section 3.7, the voting power of Argosy may reach up to 27.05% if the Transaction proceeds.

In view of this potential increase in voting power, Urbanise has sought confirmation from Argosy regarding their intentions in the event the Transaction proceeds.

This Section sets out the present intentions of Argosy as communicated to Urbanise. The present intentions of Argosy set out below may change as a consequence of the passage of time or a change in circumstances of Urbanise or Argosy.

Argosy's intentions are based on the information known and the circumstances that exist at the date of this Booklet. Statements set out in this Section are statements of current intentions only which may change as new information becomes available or circumstances change.

Argosy has indicated that its intentions for the business are consistent with that of the current Board of Urbanise.

Argosy supports the Board's strategy to continue with our stated growth objectives including the market and product expansion and enhancements, along with further research, development and commercialization of our technology.

Argosy has further stated it supports maintaining Urbanise's listing on ASX and its current Board and executive management teams staying in place.

Argosy has put forward to the Urbanise Board, a candidate to fill a casual vacancy. Argosy's nominee director is Mr. Almero Strauss, whose profile is set out below. The re-election of Mr. Almero Strauss to a permanent Board position is the subject of the Director Appointment Resolution. The other members of the Board support Mr. Almero Strauss's reappointment.

Almero is a director and has been an executive member of the Mertech Group's investment team since 2008. Mertech is a private investment group that was founded in 1980. From a single, start-up business Mertech has grown into a diversified investment portfolio with significant interests in companies in the technology, commercial property, financial services, fintech, renewable energy, mining and logistics industries. Almero looks after and represents Mertech on the Boards of Infotech (one of South Africa's oldest IT companies), Enermatics (develops and manages a utility management platform and smart electricity meters), Mobile Data (develops and manages TradeSwitch®, a virtual product distribution platform), Renewable Energy Holdings (the foremost independent developer and long-term investor in the hydropower sector in South Africa), Mertech Marine (a world leader in the recovery, dismantling and recycling of out-of-service deep sea telecommunication cables), and Tala Resource Development (a greenfield and brownfield mineral developer in the Southern African region). Mertech has a strategic relationship with Argosy Capital, an Isle of Man based investment company that shares the Mertech approach and ethos. This has led to close long term cooperation and collaborative investment between Argosy and Mertech.

Having initially qualified and worked as an electronic engineer, Almero also obtained pre- and postgraduate accountancy qualifications from the University of Cape Town before launching his career in strategy and management consulting. During his career Almero has worked with leading international firms Bain & Company and Deloitte in South Africa and the USA. Almero was also a founding member of Decipher Consulting, a South African niche consulting firm, where he was an executive director of the business.

Except as set out above, Argosy has no current intentions to:

- change the business of Urbanise;
- inject further capital into Urbanise;
- make any change to the future employment of present employees of Urbanise;
- redeploy the fixed assets of Urbanise; or
- significantly change the financial or dividend policies of Urbanise.

### **3.10. Does Argosy have any interest in the Acquisition?**

As far as Urbanise is aware Argosy has no interest in the intellectual property assets the subject of the Acquisition.

Argosy's website ([www.Argosy.co.im](http://www.Argosy.co.im)) refers to Argosy's close working relationship with the Mertech Group. As far as Urbanise is aware, the Mertech Group is a separate legal entity, with its own directors, management and shareholders.

Argosy's website contains a list of Mertech's investments under a separate tab "Investments/Mertech". As far as Urbanise is aware, Argosy has no interest in Infotech or Enermatics.

### **3.11. Consent**

Argosy has consented to the inclusion of the statements set out in sections 3.9 and 3.10.

## **4. Risk Factors**

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### **4.1. Overview**

There are a number of factors, both specific to Urbanise and of a general nature, which may affect the future operating and financial performance of Urbanise and the outcome of an investment in Urbanise. There can be no guarantees that Urbanise will achieve its stated objectives, that forecasts will be met or that forward-looking statements will be realised.

This Section 4 describes certain, but not all, risks associated with an investment in Urbanise.

### **4.2. Risks associated with Urbanise's existing business**

#### **Operator's rate of Platform adoption**

A large part of Urbanise's revenue is generated from fees for Platform usage. Historically building operators using the Platform have successfully used the technology to increase revenues or reduce costs. This expanded use (adoption) of the Platform within their business has contributed to the continued growth in Urbanise's revenues.

If there was a decline in the rate that current or new building operators adopted the Platform, this is likely to adversely affect Urbanise's revenue, profitability and ability to execute its growth strategies.

#### **Risks associated with user-generated content**

Users of the Platform may generate content and accordingly the Platform has significant quantities of such content displayed throughout each building operators portal websites. Urbanise cannot monitor all the user generated content, and does not attempt to do so. Through its licence agreements operators must indemnify Urbanise from all actions as a result of Building Occupants using the Platform. Building Occupants must also agree to an Acceptable Usage policy that explicitly bans the publishing of objectionable material. Urbanise retains the right to suspend or terminate the access rights of any Building Occupants that does not adhere to this policy.

Urbanise, by virtue of its association with user generated content, may be implicated in an objectionable or illegal activity that subsequently exposes it to a law enforcement activity, or a civil dispute, with consequent liabilities and possible disruption to Urbanise's operations. This could adversely affect Urbanise's revenues and assets.

Additionally, reputational risk associated with offensive, objectionable or illegal activity arising from user generated content may lead to a decline in Urbanise's ability to attract and retain users. Such a decline could negatively impact upon Urbanise's revenues.

#### **Fee risks**

Urbanise charges fees to building operators for their usage of the Platform. For example, Urbanise charges fees each time the building operator registers a new residential account for purchasing services from the building operator.

Urbanise may need to reduce the level of its fees, for example as a result of competitive pressure or as a strategy to grow market share. A reduction in fees could lead to lower revenues overall or to slowing in the rate at which Urbanise's revenues grow.

### **Data loss, theft or corruption**

Urbanise provides its services exclusively online through the Platform. Hacking or exploitation of some unidentified vulnerability in the Platform could lead to loss, theft or corruption of data.

This could render the Platform unavailable for a period of time while data is restored. It could also lead to unauthorised disclosure of users' data, with associated reputational damage, claims by Building Occupants and regulatory scrutiny and fines.

Although Urbanise has strategies and protections in place to try to minimise security breaches and to protect data, these strategies might not be successful. In that event, disruption to the Platform and unauthorised disclosure of Building Occupants data could negatively impact upon Urbanise's revenues and profitability.

### **Hacker attacks**

Urbanise relies upon the availability of the Platform to provide services to its Customers and to attract new customers. Hackers could render the Platform unavailable through a distributed denial of service attack or other disruptive attacks.

Although Urbanise has strategies in place to minimise such attacks, these strategies may not be successful. Unavailability of the Platform could lead to a loss of revenue while Urbanise is unable to provide its services. Further, it could hinder Urbanise's ability to retain existing users, increase their activity on the Platform and to attract new users, potentially having a material adverse impact on Urbanise's growth.

### **Disruption to Internet services**

Urbanise's user community is situated in specific countries around the world. It also has staff located in a number of countries, being Australia, the United Kingdom, Malaysia and the United Arab Emirates. Disruption to Internet services in countries where Urbanise's users or staff are based, for example as a result of technical outages or catastrophic destruction of infrastructure following natural disasters, could significantly impact upon use of Urbanise's Platform and business continuity.

This could have a material adverse effect on Urbanise's ability to generate revenue while the disruptions remain in place. Further, if the disruptions affected key regions where building operators had significant populations of Building Occupants, and if the disruptions were prolonged, they could have a material adverse effect on Urbanise's ability to continue to grow its business.

### **Hosting provider disruption risks**

Urbanise relies upon its primary hosting provider, Amazon Web Services, to maintain continuous operation of its Platform.

Should AWS suffer outages, for example due to catastrophic destruction of infrastructure following a natural disaster, service to the Urbanise Platform may also be disrupted. If AWS ceased to offer its services to Urbanise and Urbanise was unable to obtain a replacement hosting provider quickly, this would also lead to disruption of service to the Urbanise Platform.

Unavailability of the Platform would lead to a loss of revenue while Urbanise is unable to provide its services. Further, particularly in the case of prolonged outages, such disruptions would likely have a material adverse impact upon Urbanise's reputation. This would likely hinder Urbanise's ability to retain existing Customers and Building Occupants, increase their activity on the Platform and to attract new Customers and Building Occupants, having a material adverse impact upon Urbanise's growth.

### **Supply chain disruption risk**

Urbanise bundles devices such as smart meters and smart sensors within its remote building monitoring services. These devices are manufactured by third parties which also manufacture devices

for other companies (including on-sellers and distributors, and may also sell those products) through their own direct channels. These devices contain electronic components that are used in other devices manufactured for other businesses that have more purchasing power than Urbanise.

The global supply of these components has limitations and demand for these components is growing.

If these other companies were to order more of these components than can be manufactured in a timely fashion then this may disrupt or delay device orders made by Urbanise to satisfy requests by building operators for more devices.

This would likely have a material adverse effect on Urbanise's ability to generate revenue while the disruption or delays remain in place. If the disruptions were prolonged, they could have a material adverse effect on Urbanise's ability to continue to grow its business.

### **Need to attract and retain skilled staff**

Urbanise's future success will in part depend on its ability to hire and train suitable staff. Competition for such personnel is intense and there can be no assurance that Urbanise will be successful in attracting and retaining such personnel.

A failure to do so may have an adverse effect on the operations and profitability of Urbanise's business.

### **Exchange rates**

Urbanise operates internationally and in four currencies. Accordingly, fluctuations in prevailing exchange rates affect Urbanise's profitability and financial position. For example, Urbanise pays its website hosting costs in US dollars. If the Australian dollar falls relative to the US dollar, those costs increase in Australian Dollar terms, potentially reducing Urbanise's profitability.

Currently, most of Urbanise's revenues are in US dollars and most of its costs are in US dollars and Australian dollars. However, the mix of currencies in which Urbanise pays its costs and earns its revenues is changing over time. As that mix changes, there may be a greater impact on profitability in Australian dollar terms.

Urbanise's financial statements are prepared and presented in Australian dollars, and any appreciation in the Australian dollar against other currencies in which Urbanise transacts may adversely impact its financial performance and position.

### **Competition**

There are other companies that sell point-solutions for specific aspects of building maintenance and management to organisations that operate buildings.

There are other large organisations that operate buildings that have developed in-house solutions to manage maintenance and management processes.

The e-commerce, service management and the Internet of Everything space has, and will continue to rapidly evolve, with new entrants and large players releasing new offerings in specific areas (for example, intelligent thermostats and smoke detectors), that are adjacent to, or may influence the Facility Management Industry's adoption of technology solutions.

Urbanise expects to face competition from such organisations, some of which will have greater financial, technical and marketing resources. Increased competition could result in margin reductions, underutilisation of employees, reduced operating margins and loss of market share. Any of these occurrences could adversely affect Urbanise's business, operating results and financial condition.

### **Global nature**

Urbanise has users in and provides services to people in multiple jurisdictions across the world. Urbanise therefore facilitates service provision, while also providing its own services into each of these jurisdictions. This broadens the scope of most general risks to Urbanise, as changes in regulation and legislation can affect Urbanise in ways that are hard to predict.

In some jurisdictions, government policies and procedures regulating online commerce may still be in their infancy, potentially resulting in local laws and practices that are time consuming and resource-intensive to comply with, or which are unclear. Required approvals may be difficult to obtain. Some of the jurisdictions in which Urbanise operates in the future may experience sudden civil unrest or major political change.

Urbanise's operations may be adversely affected by the risks associated with operating in such jurisdictions, which may impact on its ability to grow the business in overseas markets.

More generally, Urbanise will have to adapt to local business and contract customs in jurisdictions where it currently operates and where it plans to operate. This may result in Urbanise operating on less profitable terms than it has operated on historically, or ceasing to operate in such jurisdictions, which may adversely affect Urbanise's results of operations.

### **Management of future growth**

Urbanise has experienced a period of rapid growth and increase in the number of its employees and officers and the scope of its supporting infrastructure. This growth has resulted in new and increased responsibilities for management and has placed, and will continue to place, a significant strain on Urbanise's management.

Urbanise will be required to continue to implement and improve its systems in a timely manner in order to accommodate the increased number of transactions and customers and the increased size of its operation. A failure to do so may adversely affect Urbanise's revenue and profitability.

### **Business contracts risk**

There are a number of existing contracts which are material to Urbanise's business. Further contracts will likely be entered into by Urbanise which will also be material to Urbanise's business.

Many of these contracts are, or will be, governed by laws other than laws of Australia. There may be difficulties in enforcing contracts in jurisdictions other than Australia. Apart from the usual vicissitudes of litigation, there may be regulatory or practical considerations which frustrate the enforceability, or enforcement, of such contracts against foreign or foreign-owned counterparties. These matters may have a significant adverse effect on Urbanise's ability to enforce its contracts and may have a significant adverse effect more generally on Urbanise's business and profitability.

Apart from that, the business dealings of Urbanise are necessarily exposed to the potential of third-party insolvency. If a third-party with whom Urbanise has dealings becomes insolvent, this may also have a significant adverse effect on Urbanise and on its business and profitability. It should be noted that foreign insolvency laws are not necessarily similar to Australian insolvency laws.

## **4.3. General Risks**

### **Force majeure risks**

Force majeure is a term generally used to refer to an event beyond the control of a party claiming that the event has occurred, including acts of God, fire, flood, earthquakes, war and strikes. Urbanise does not have insurance for all force majeure risks, some of which are, in any event, uninsurable. To the extent that any such risks occur, there may be an adverse effect on the operations and profitability of Urbanise's business.

### **Potential acquisitions**



As part of its business strategy, Urbanise may make acquisitions of or significant investments in, complementary companies, services, technologies and/or products. Any such future transactions are accompanied by the risks commonly encountered in making acquisitions of companies, products and technologies, such as integrating cultures and systems of operation, relocation of operations, short-term strain on working capital requirements, achieving the sales and margins anticipated and retaining key staff and customer and supplier relationships.

#### **Further funding requirements**

Although the Directors believe that, on completion of the Proposed Transactions, Urbanise will have sufficient operating and working capital to carry out its stated business objectives, there can be no assurance that such objectives can be met without further financing or, if further financing is necessary, that it can be obtained on favourable terms or at all. If additional funds are raised by issuing equity securities, this may result in dilution of some or all of the existing shareholders of Urbanise.

#### **Long-term investments**

Investors are strongly advised to regard an investment in Urbanise as a long-term proposition and to be aware that, as with any equity investment, substantial fluctuations in the value of their investment may occur. Urbanise cannot guarantee its future earnings and cannot provide a guaranteed level of return to investors.

#### **4.4. Risks associated with holding Shares**

Shareholders will continue to be exposed to certain risks through holding Shares. These include the following:

##### *Investment risk*

There are several types of investment risk that may affect your investment in Urbanise, including a decline in the market price of the Shares (the initial capital value may decrease especially if you are investing for the short term), the amount you receive as income may vary over time or the value of your investment may not keep pace with inflation. This includes the possibility that Urbanise may not be able to achieve the medium to long term capital growth objectives.

##### *No guarantee of return*

No guarantee is provided that Urbanise will be able to pay dividends as this will depend on the extent to which income and/or capital gain is derived from the underlying securities in the portfolio.

##### *Suspension of trading of Shares on ASX*

If ASX suspends trading of Shares or a trading suspension is requested by Urbanise, Shareholders will not be able to buy or sell Shares on ASX during the suspension period.

##### *Economic conditions*

The operating and financial performance of Urbanise is influenced by a variety of general economic and business conditions including the level of inflation, international share markets, interest rates and exchange rates and government fiscal, monetary and regulatory policies. A prolonged deterioration in general economic conditions, including an increase in interest rates or a decrease in consumer and business demand, could be expected to have a material adverse impact on Urbanise's business or financial situation.

## 5. Urbanise

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### 5.1. Overview of Urbanise

Urbanise develops software that enables building operators to automate, streamline, simplify and optimize building operations and performance. The software is complemented by remote sensors that monitor critical assets to provide enhanced visibility and response. These two solutions are known as:

- The Residential Property Cloud – providing integrated products specifically for medium – large asset owners, managers and service providers in the residential property industry.
- The IoT Cloud – with its open architecture can be deployed in many ways and across many industries beyond the residential vertical.

### 5.2. Directors

As at the date of this Booklet, there are 6 directors of Urbanise, being:

- Anthony Scotton (Executive Director and Chairman);
- David Burlington (Non Executive Director);
- Russell Bate (Non Executive Director);
- Almero Strauss (Non Executive Director, filling a casual vacancy);
- Benjamin Churchill (Executive Director); and
- Robert Cumming (Executive Director).

The re-election of Mr. Almero Strauss to a permanent Board position is the subject of the Director Appointment Resolution.

### 5.3. Major shareholders

As at the date of this Booklet, substantial shareholder notices received by Urbanise and released to the market through ASX, and information obtained from our share register, disclose the following substantial shareholders:

Shareholder Group	Holding Percentage
Pierce ESIM Pte Limited (and related entities)	21.24%
Argosy Capital Limited	19.94%
Citicorp Nominees Pty Ltd	13.43%
HSBC Custody Nominees (Australia) Limited	7.94%
UBS Nominees Pty Ltd	3.93%

#### 5.4. Overview of Urbanise' historical financial performance

A summary of the historical consolidated financial performance of Urbanise and its controlled entities since 30 June 2015 is set out below<sup>1</sup>:

\$	12 months to 30 June 2016	12 months to 30 June 2015
<b>Revenue<sup>2</sup></b>	<b>9,844</b>	<b>10,169</b>
<b>Operating expenses<sup>3</sup></b>	<b>(19,182)</b>	<b>(8,354)</b>
<b>Operating profit after tax attributed to members of the parent entity</b>	<b>(9,291)</b>	<b>720</b>

Notes:

1. The above information has been drawn from the audited financial statements for Urbanise and its controlled entities and associated disclosure included in its annual reports for the years ended 30 June 2016 and 2015. The above amounts have been rounded as set out in the annual reports (to the nearest \$1,000).
2. Revenue includes revenue from ordinary activities and other income.
3. Operating expenses are all expenses prior to payment of income tax.

#### Urbanise Statement of Financial Position

The pro forma statement of financial position of Urbanise as a result of the Acquisition and Placement and the audited consolidated statement of financial position of Urbanise as at 30 June 2016, 30 June 2015 is set out below.<sup>1</sup>

\$	Pro forma (adjusted 30 June 2016) <sup>2</sup>	30 June 2016	30 June 2015
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	17,021	7,790	12,243
Receivables	8,030	8,030	4,429
Other	2,546	2,443	882
<b>TOTAL CURRENT ASSETS</b>	<b>27,596</b>	<b>18,263</b>	<b>17,554</b>
<b>NON CURRENT ASSETS</b>			
Available-for-sale financial assets	0	0	0
Property, plant and equipment	591	591	1,147
Intangibles	38,641	26,744	26,151
Other	7,860	7,860	7,454
<b>TOTAL NON CURRENT ASSETS</b>	<b>47,092</b>	<b>35,195</b>	<b>34,752</b>
<b>TOTAL ASSETS</b>	<b>74,689</b>	<b>53,458</b>	<b>52,306</b>
<b>CURRENT LIABILITIES</b>			
Payables	1,461	1,461	1,609
Income tax liabilities	0	0	112
Other	2,457	2,457	3,134
<b>TOTAL CURRENT LIABILITIES</b>	<b>3,918</b>	<b>3,918</b>	<b>4,855</b>
<b>NON CURRENT LIABILITIES</b>			
Deferred tax liabilities	0	0	0
Other	17	17	39
<b>TOTAL NON CURRENT LIABILITIES</b>	<b>17</b>	<b>17</b>	<b>39</b>
<b>TOTAL LIABILITIES</b>	<b>3,935</b>	<b>3,935</b>	<b>4,894</b>

<b>NET ASSETS</b>	<b>70,754</b>	<b>49,523</b>	<b>47,412</b>
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<b>EQUITY</b>			
Issued capital	87,215	65,668	54,682
Asset revaluation reserves	0	0	0
Foreign currency translation reserve	(85)	(85)	32
Other	1,907	1,907	1,447
Retained earnings	(18,284)	(17,967)	(8,749)
<b>TOTAL EQUITY</b>	<b>70,754</b>	<b>49,523</b>	<b>47,412</b>

**Notes:**

1. The above information has been drawn from the audited financial statements for Urbanise and its controlled entities and associated disclosure included in its annual reports for the years ended 2015 and 2016.
2. Assumes the receipt of cash proceeds from the Placement and Rights issue of \$21.5m and the purchase under the acquisition of business assets including stock of approximately \$103k and IP of approximately \$11.897m.

## **5.5. Commentary on Urbanise financial results**

Over the twelve months ending 30 June 2016, your company has met some difficult challenges across key parts of the business. For the financial year ended 30 June 2016, Urbanise reported revenue of \$9.8 million, a 3% decrease from the previous corresponding period. Earnings before interest, tax, depreciation and amortisation (EBITDA) was a loss of \$10.9 million and net profit after tax (NPAT) was a loss of \$9.3 million. This was well below the expectations of the Board and management. The result was also impacted by one-off costs of \$2.2 million, the largest being \$1.7 million associated with the earn-out and warranty shares from the Mystrata acquisition.

As Urbanise reported at the first half results announcement for FY2016, delivery of a new generation Internet of Things (**IoT**) sensor technology was impacted by supply chain issues which slowed sales momentum and resulted in additional production and logistics costs.

In addition to addressing supply chain issues, Urbanise reassessed customer experience and upgraded our implementation and on-boarding capabilities to better align to our customers' requirements.

During the year Urbanise also reassessed its direct sales strategy and determined that a partner led approach would provide wider geographic and industry access to customers for whom the Urbanise platform can deliver value. Senior management have now created the Urbanise Partner Program and are progressing their partner relationships with counter-parties that we believe can deliver significant benefits to Urbanise and for their own businesses.

Urbanise's investments in expansion have not achieved immediate returns, in part due to the longer than anticipated sales cycle of the software platform and the underperformance of its direct sales teams, especially in Europe.

Urbanise did finish the year on a positive note. The Mystrata acquisition met expectations, with 24% growth in billable residential units during FY16. Urbanise secured a significant contract in South Africa with King Price and, immediately after year end, a larger contract with PICA in Australia. The combination of the Mystrata and Urbanise platforms was an important factor in securing the contract with King Price. These wins, while important for Urbanise's future, did not contribute to the 2016 financial results.

Importantly, Urbanise's cash collection increased to \$7.3 million, a significant improvement in the financial year.

## **5.6. Capital Management**

At 30 June 2016, Urbanise had a net cash position of \$7.8 million, with no external debt or borrowings. The current asset ratio at 30 June 2016 was 4.66 times, up from 3.62 times at 30 June 2015.

The focus on cash collection during the FY2016 year improved the revenue-to cash-conversion. Management will continue to focus on this discipline to ensure that this metric improves year-on-year.

## **5.7. 2017 Financial Year Outlook**

As a result of our FY2016 strategy review, Urbanise increased investment in implementation staff, operational infrastructure in existing geographies and the development and implementation of our new Urbanise Partner Program. We believe these investments position Urbanise for broader access to additional geographies and industries and better implementation with existing and future customers. We also believe these investments will support our goal of building high quality recurring revenue on a larger scale. In addition, the company continued its investment in product development and systems to support customers in each geography.

Urbanise has discontinued direct sales and moved to a partner-based approach in a number of jurisdictions. We expect to continue to build our partnerships in the coming year.

Urbanise is accelerating the delivery of partner training for the Urbanise Partner Program with both technology consulting partners and device distribution partners.

It is anticipated that Urbanise's partners will soon be able to provide turnkey implementations of Urbanise technology to its primary residential property vertical, and also other industries in which those partners are already active including the industrial, aged care and hospitality sectors. These turnkey implementations will build on Urbanise's platform components, particularly our IoT Cloud.

Despite the disappointment of the FY2016 financial result Urbanise remains confident and enthusiastic about the size and availability of the opportunity in front of us. With the supply chain now delivering on time and to specification Urbanise has many large-scale opportunities in various stages of development that could yield significant recurring revenues from our IoT platform. This adds to the long-term contracted recurring revenue that is anticipated will flow from the King Price and PICA deals in FY2017 and beyond.

In Australia, Urbanise now has a meaningful share of the accessible strata software market with reasonable ambitions of doubling this market share over the next three years. When the acquisition of Mystrata occurred Urbanise had 140,000 units under management on the platform globally. Today, this is just under half a million units contracted which will be activated in the platform (and then generate additional revenue) in the coming 12 to 18 months. In addition, Urbanise has a growing pipeline of additional opportunities.

Having a clear focus on the residential property market with an integrated solution along with our IoT Cloud & Operations Platform, supported by a growing partner program, we will be able to more efficiently deliver more consistent growth and recurring revenue. At the same time we continue to focus resources on developing our core products and platforms to increase customer penetration and maintain our competitive advantage.

The funds raised pursuant to the Placement and the Rights Issue will greatly assist the Company in continuing with its growth business plan and along with the business assets and intellectual property acquired pursuant to the Acquisition, will increase opportunities for revenue and profits through new products and markets.

## **5.8. Trading in Shares**

In the 12 months to 7 February 2017, Shares have traded at as high of \$0.68 (on 8 February 2016) and a low of \$0.11 (on 14 December 2016). The volume weighted average price at which Shares have traded in this period was \$0.326.

In the 3 months to 7 February 2017 Shares have traded at as high of \$0.185 (on 22 November 2016) and a low of \$0.11 (on 14 December 2016). The volume weighted average price at which Shares have traded in this period was \$0.146.

#### **5.9. Urbanise is a disclosing entity**

As a company listed on the ASX and a "disclosing entity" under the Corporations Act, Urbanise is subject to regular reporting and disclosure obligations which require it to announce price sensitive information as soon as it becomes aware of that information. Urbanise's most recent announcements are available from its website.

Further announcements concerning Urbanise will continue to be made available on the website after the date of this Booklet.

ASX maintains files containing publicly available information about entities listed on their exchange. Urbanise's files are available for inspection from ASX during normal business hours and are available on the website at [www.asx.com.au](http://www.asx.com.au).

Urbanise is required to lodge various documents with ASIC. Copies of documents lodged with ASIC by Urbanise may be obtained, or inspected at, ASIC offices.

The following documents are available for inspection free of charge prior to the General Meeting during normal business hours at Level 3, 385-389 Little Lonsdale St, Melbourne, VIC 3000.

- Constitution of Urbanise;
- Urbanise's annual reports for the financial years ended 30 June 2015 and 30 June 2016
- Urbanise's interim reports for the 6 month periods ended 31 December 2015 and 31 December 2016 (from the end of February 2017);
- Urbanise's public announcements.

The annual and interim reports and public announcements are also available at Urbanise's website at <https://urbanise.com/category/reports-and-presentations/>

## 6. Summary of Transaction Documents

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### 6.1. Underwriting Agreement (UWA)

The UWA is between Argosy and Urbanise and is dated 4 January 2017. It relates to the 1 for 8 non renounceable rights issue of 32,265,300 Shares to be issued for consideration of \$0.225 per Share which closed on 6 February 2017.

Under UWA Argosy has agreed with Urbanise to underwrite the shortfall under the Rights Issue subject to certain conditions precedent including the successful completion of the Acquisition and Placement. Argosy may waive any of the conditions precedent at its discretion.

The Rights Issue closed on 6 February 2017 and the Placement and Acquisition were successfully completed on 8 February 2017.

Relevantly, Argosy may terminate the UWA if:

- Urbanise has defaulted in the performance of any of its material obligations under the UWA;
- there has been a material adverse change to the consolidated asset position of Urbanise and its subsidiaries before the close of the Rights Issue; or
- ASIC takes certain actions adverse to the Rights Issue.

The Underwriter will not receive an underwriting commission.

There was a shortfall of 32,238,412 Shares under the Rights Issue.

Shortfall Shares which are expected to be subscribed for by Argosy that would result in Argosy being in breach of s606 of the Corporations Act being 31,440,693 Shares (**Delayed Shares**) will not be issued unless and until Shareholders approve the Share Issue Resolution. The Shortfall Shares other than the Delayed Shares (being 797,719 Shares) were issued to Argosy following completion of the Rights Issue.

Argosy will be required to subscribe for the Delayed Shares and Urbanise will hold the subscription monies for the account of Argosy until Shareholders approve the Share Issue Resolution and the Delayed Shares are issued to Argosy. In the event that Shareholder approval of the Share Issue Resolution is not received by 31 March 2017 those subscription monies will be returned to Argosy and the Delayed Shares will not be issued to Argosy.

Urbanise has agreed to indemnify Argosy, its related bodies corporate and each of their officers, employees and advisers against all losses, liabilities, claims, damages, costs and expenses incurred by them in connection with the Rights Issue (subject to certain exemptions relating to, among other things, any fraud, wilful misconduct, recklessness or negligence by them).

### 6.2. Placement

Urbanise issued 63,500,000 Shares for consideration of \$0.225 per share to Argosy on 8 February 2017. The Placement did not require Urbanise to issue a disclosure document. Urbanise issued a cleansing statement to ASX once the Placement was completed.

Urbanise has agreed to appoint Almero Strauss to the Board of Urbanise to fill a casual vacancy. Almero's appointment is being considered by Shareholders at the General Meeting.

The placement agreement included customary warranties by Urbanise for the benefit of Argosy, including in respect of authority, solvency, shares and capital of Urbanise, compliance with law and compliance with disclosure requirements by Urbanise.

### **6.3. Business Sale Agreement**

Urbanise and its wholly owned South African subsidiary have completed the acquisition the subject of a business sale agreement dated 3 January 2017. Urbanise purchased from Infotech RED (Pty) Ltd and Enermatics Energy (Pty) Ltd (together the **Sellers**) and Infotech (Pty) Ltd (**Infotech**) various business assets for a total consideration of \$12 million. A description of the assets purchased is set out in section 2.2.

#### *Warranties and indemnities*

The agreement included customary warranties by the Sellers and Infotech for the benefit of Urbanise including in respect of authority, solvency, conduct of business, assets, material business contracts, intellectual property, litigation and information provided to Urbanise.

#### *Non-compete*

Each of the Sellers have agreed not to compete with Urbanise following the sale of the business for a period of up to 2 years.



## **7. Additional information**

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### **7.1. Introduction**

This Section includes additional information that Urbanise considers is material to the decision on how to vote on the Resolutions to be considered at the General Meeting.

### **7.2. The Share Issue Resolution**

#### *Purpose*

The Share Issue Resolution approves the acquisition by Argosy of a relevant interest in 31,440,693 Shares which would result in them holding up to 27.05% of the issued capital of Urbanise.

Except as provided by Chapter 6 of the Corporations Act, section 606(1) of the Corporations Act prohibits a person from acquiring a relevant interest in issued voting shares in a company through a transaction in relation to securities entered into or on behalf of the person if, because of that acquisition, the voting power of that person or any other person increases from a starting point that is below 20% and exceeds 20%.

Item 7 of section 611 of the Corporations Act provides that section 606(1) of the Corporations Act does not apply to an acquisition of a relevant interest in the issued voting shares in a company if the acquisition has been approved by a resolution passed at a general meeting of the company at which no votes are cast in favour of the resolution by the person proposing to make the acquisition or the person (if any) from whom the acquisition is to be made and by any if their respective Associates.

Under section 610 of the Corporations Act, a person's voting power in Urbanise is determined by the percentage of the total voting shares in Urbanise held by the person and the person's Associates in relation to Urbanise.

Following completion of the Placement, Argosy holds 19.74% of the voting power in Urbanise prior to completion of the Transaction. This will increase to 19.94% following the issue of the initial shortfall shares under the Underwriting Agreement.

If the Share Issue Resolution is approved, Argosy may acquire, and therefore acquire a relevant interest in 31,440,693 additional Shares. The acquisition of 31,440,693 Shares by Argosy on completion of the Transaction would result in Argosy's voting power in Urbanise increasing from 19.94% to up to 27.05%. This represents the maximum extent of the increase in voting power of Argosy as measured immediately after completion of the Rights Issue.

Accordingly, Urbanise is seeking the approval of Shareholders under item 7 of section 611 of the Corporations Act for the purposes of Chapter 6 of the Corporations Act to the acquisition by Argosy of a relevant interest in 31,440,693 Shares following completion of the Rights Issue.

Listing Rule 7.2 Exception 2, provides that a Company can issue shares to an Underwriter of a pro rata issue to Shareholders of ordinary shares without shareholder approval provided that the Underwriter receives the shares within 15 business days of the close date of the pro rata issue. Urbanise has issued the Shortfall Shares to which the Underwriter is entitled under the Underwriting Agreement, that are not Delayed Shares on this basis.

Urbanise is seeking approval from Shareholders for issue of the Delayed Shares for both the purposes of item 7 of section 611 of the Corporations Act, and for Listing Rule 7.2 (exception 16) which provides that an issue of securities the subject of shareholder approval for the purpose of item 7 of section 611 of the Corporations Act is considered an exception to Listing Rule 7.1 (which requires shareholder approval for the issue of shares exceeding 15% of capital).

### *Section 611 item 7 disclosure*

As required by section 611 item 7 of the Corporations Act and ASIC Regulatory Guide 74, the following additional information is provided in relation to the Resolution:

The person acquiring the Shares is Argosy. There are no other persons acquiring a relevant interest in the Shares as a result of the Transaction.

1. The maximum extent of the increase in the voting power of Argosy is 27.05%.
2. Argosy has no Associates and so there is no increase in the voting power of an Associate of Argosy as a result of the Rights Issue.
3. The reasons for the Acquisition, Placement and Rights Issue are set out in Section 2.
4. The Acquisition completed on 8 February 2017. The Transaction (to which Share Issue Resolution relates) will, subject to Shareholder approval, complete following the general meeting.
5. The material terms of the proposed acquisition are set out in Section 6.1.
6. The Underwriting Agreement is the only relevant agreement that directly requires Shareholder approval. There are no other relevant agreements between Urbanise and a Seller or Argosy (or their respective Associates) that are conditional on Shareholder approval.
7. The intentions of Argosy regarding the future of Urbanise and its financial and dividend policies are set out in Section 3.9.
8. Mr. Almero Strauss was appointed as a non-executive director, to fill a causal vacancy on 8 February 2017. Mr. Strauss' qualifications are set out in section 3.9.
9. Urbanise has engaged an Independent Expert to opine on the acquisition. The Independent Expert has stated the issues of Shares the subject of the Share Issue Resolution is considered to be not fair but reasonable to the shareholders of Urbanise.
10. The Share Issue Resolution must be passed as an ordinary resolution.

### *Voting restrictions*

Urbanise will disregard any votes cast on the Share Issue Resolution by:

- Argosy; and
- the Associates of Argosy.

However, Urbanise will not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form;
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.

### **7.3 Independent advice**

Shareholders should consult their legal, financial, taxation or other professional adviser if they have any queries regarding:

- the Acquisition, Placement and Rights Issue;

- the taxation implication for them if the Acquisition, Placement and Rights Issue are implemented;
- any other aspects of this Booklet.

#### **7.4 Other Material Information**

Urbanise will issue a supplementary document to this Booklet if it becomes aware of any of the following between the date of despatch of this Booklet and the date of the General Meeting:

- a material statement in this Booklet is false or misleading in a material respect;
- a material omission from this Booklet;
- a significant change affecting a matter included in this Booklet; or
- a significant new matter has arisen and it would
- have been required to be included in this Booklet if it had arisen before the date of lodgement of this Booklet for registration by ASIC.

Depending on the nature and timing of the changed circumstances and subject to obtaining any relevant approvals, Urbanise may circulate and publish any supplementary document by:

- making an announcement to ASX; and/or
- placing an advertisement in a prominently published newspaper which is circulated generally throughout Australia; and/or
- posting the supplementary document to Shareholders at their registered address as shown in Urbanise Register; and/or
- posting a statement on Urbanise's corporate website, as Urbanise in its absolute discretion considers appropriate.

## 8 Glossary

The following terms used in this Booklet (including the Notice of Meeting in Appendix 1 to this Booklet) have the meanings given to them below, unless the context otherwise requires.

Approval Resolution	Resolution 2 in the Notice of Meeting
ASIC	Australian Securities & Investment Commission
Argosy	Argosy Capital Limited
Associate	has the meaning given in sections 12 and 15 of the Corporations Act
ASX	ASX Limited (ACN 008 624 691) or, as the context requires, the financial market conduct by it
Board	the board of directors of Urbanise
Controlled Entity	an entity under the control of another entity
Corporations Act	<i>Corporations Act, 2001 (Cth)</i>
Delayed Shares	31,440,693 Shortfall Shares under the Rights Issue that can only be issued to Argosy with shareholder approval under section 611 item 7 of the Corporations Act
Director	a director of Urbanise
Director Appointment resolution	Resolution 3 in the Notice of Meeting
Explanatory Memorandum	this explanatory memorandum dated 22 February 2017 in relation to the Transaction
General Meeting	the meeting of members to be convened in respect of the Transaction on 28 March 2017. The notice convening the General Meeting is contained in Appendix 1 of this Booklet
Independent Expert	Titan Partners Corporate Finance Pty Limited
Independent Expert's Report	the report of the Independent Expert. A copy of the Independent Expert's Report is enclosed with this Booklet
Listing Rules	the listing rules of ASX
Notice of Meeting	the notice for the General Meeting dated 22 February 2017, as set out in Appendix 1 of this Booklet
Placement	the placement to 63,500,000 shares to Argosy at a price of \$0.225 per Share to raise \$14,287,500, which completed on 8 February 2017
relevant interest	has the meaning given in section 9 of the Corporations Act
Registry	Boardroom Pty Ltd
Resolutions	the resolutions set out in the Notice of Meeting
Rights Issue	means the 1 for 8 non renounceable rights issue, which closed on 6 February 2017
Shareholder	a registered holder of Shares

Shares	ordinary shares in the capital of Urbanise
Share Issue Resolution	Resolution 1 in the Notice of Meeting
Shortfall Shares	Shares that the Argosy is required to subscribe for in accordance with the terms of the Underwriting Agreement
Transaction	the issue of Delayed Shares to Argosy (as underwriter) under the Rights Issue by Urbanise
Underwriting Agreement or UWA	the underwriting agreement dated 4 January 2017 between Urbanise and Argosy with respect to the Rights Issue
Urbanise	Urbanise.com Limited (ACN 095 768 086)
Urbanise Group	Urbanise and each of its Controlled Entities
voting power	has the meaning given in section 610 of the Corporations Act

## Appendix 1 – Notice of General Meeting

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# Urbanise.com Limited

(ACN 095 768 086)

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## Notice of Meeting for the General Meeting of Shareholders

To be held at 11:00am (Sydney time) on 28 March 2017 at the offices of Boardroom Pty Ltd, Level 12, 225 George St, Sydney NSW 2000

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### IMPORTANT INFORMATION

This is an important document that should be read in its entirety.

This Notice of Meeting is an appendix to an Explanatory Memorandum. An Independent Expert's Report is also an appendix to the Explanatory Memorandum. The Explanatory Memorandum and its appendices have been prepared to assist Shareholders in determining whether or not to vote in favour of the Resolutions set out in this Notice of Meeting.

The Explanatory Memorandum and its appendices should be read in conjunction with this Notice of Meeting.

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You are encouraged to attend the meeting, but if you cannot, you are requested to complete and return the enclosed proxy form without delay:

by post to:

**Boardroom Pty Ltd, GPO Box 3993, Sydney NSW 2001**

or by hand delivery to:

**Boardroom Pty Ltd, Level 12, 225 George St, Sydney NSW 2000**

or by facsimile to:

**02 92909655 or +61 2 9290 9655 from outside Australia.**

The business of the meeting is to consider the following proposed resolutions.

**1. Approval of the Issue of Shares to Argosy Capital Limited as underwriter to the Rights Issue**

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

*“That for the purposes of section 611 item 7 of the Corporations Act 2001 (Cth), for the purposes of Listing Rule 7.2 item 16 and for all other purposes, the acquisition of a relevant interest by the Argosy in 31,440,693 Shares at \$0.225 per Share and otherwise on the terms and conditions described in the Explanatory Memorandum and Shareholder Booklet, is approved.”*

**Voting restrictions**

Urbanise will disregard any votes cast on Resolution 1 by:

- each of the Sellers;
- the Associates of the Sellers;
- Argosy Capital Limited; and
- the Associates of Argosy.

However, Urbanise will not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form;
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.

**2. Ratification of Prior Share Allotment (Placement)**

To consider, and if thought fit, pass as an ordinary resolution, with or without amendment, the following:

*“That for the purposes of Listing Rule 7.4 and for all other purposes, approval is given for the ratification of 17,000,000 shares issued as part of the Placement of Shares to Argosy Capital Limited on 8 February 2017 for consideration of \$3,825,000 on the terms and conditions set out in the Explanatory Memorandum.”*

**Voting Restrictions**

In accordance with section 224 of the Act and the ASX Listing Rules, Argosy Capital Limited and any associates of Argosy Capital Limited, are prohibited from voting on Resolution 2 and the Company will disregard any votes cast on Resolution 2 by Argosy Capital Limited and any associate of Argosy Capital Limited.

However, the Company will not disregard a vote if:

- It is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- It is cast by the Chairman as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

If the Chairman is appointed as a proxy for a person who is permitted to vote on this Resolution 2, the Chairman will vote any proxies which do not indicate on their proxy form the way the Chairman must vote, in favour of Resolution 2.

### 3. Approval of re-appointment of Mr. Almero Strauss as a Director

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

*“That Mr. Almero Strauss be re-appointed as a director of the Company, with effect from the close of the meeting.”*

#### Explanatory Memorandum

Shareholders are referred to the Explanatory Memorandum accompanying and forming part of this Notice of Meeting.

#### Who may vote

In accordance with Regulation 7.11.37 of the Corporations Regulations, the Company (as convenor of the Meeting) has determined that a person's entitlement to attend and vote at the Meeting will be those persons set out in the register of Shareholders as at 7.00pm (AEDT) on 26 March 2017. This means that any Shareholder registered at 7.00pm (AEDT) on 26 March 2017 is entitled to attend and vote at the Meeting.

#### Proxies

A Shareholder entitled to attend this Meeting and vote, is entitled to appoint a proxy to attend and vote on behalf of that Shareholder at the Meeting.

- A proxy need not be a Shareholder.
- If the Shareholder is entitled to cast two or more votes at the Meeting, the Shareholder may appoint two proxies and may specify the proportion or number of the votes which each proxy is appointed to exercise. If the Shareholder appoints two proxies and the appointment does not specify the proportion or number of votes each proxy may exercise, each proxy may exercise half of the votes held by that Shareholder.
- If the Shareholder appoints only one proxy, that proxy is entitled to vote on a show of hands. If a Shareholder appoints two proxies, only one proxy is entitled to vote on a show of hands.
- Where two proxies are appointed, any fractions of votes resulting from the appointment of two proxies will be disregarded.
- A Proxy Form accompanies this Notice.
- Unless the Shareholder specifically directs the proxy how to vote, the proxy may vote as he or she thinks fit, or abstain from voting.
- If a Shareholder wishes to appoint a proxy, the Shareholder should complete the Proxy Form and comply with the instructions set out in that form relating to lodgement of the form with the Company.
- The Proxy Form must be signed by the Shareholder or his or her attorney duly authorised in writing or, if the Shareholder is a corporation, either signed by an authorised officer or attorney of the corporation or otherwise signed in accordance with the Corporations Act.
- If any attorney or authorised officer signs the Proxy Form on behalf of a Shareholder, the relevant power of attorney or other authority under which it is signed or a certified copy of that power or authority must be deposited with the Proxy Form.
- The Proxy Form (together with any relevant authority) must be received by no later than 11.00am (AEDT) on 26 March 2017 before the time scheduled for the commencement of the meeting (or any adjournment of that meeting).



- The completed Proxy Form may be:
- Mailed to the address on the Proxy Form; or
  - Faxed to Urbanise.com Limited, Attention Company Secretary, on facsimile number +61 2 9290 9655.
  - Voted online via the Company's Share Registry at:  
[www.votingonline.com.au/urbanisegm2017](http://www.votingonline.com.au/urbanisegm2017)

**Corporate Representative**

Any corporate Shareholder who has appointed a person to act as its corporate representative at the Meeting should provide that person with a certificate or letter executed in accordance with section 250D of the Corporations Act authorising him or her to act as that company's representative. The authority must be sent to the Company and/or registry at least 24 hours in advance of the Meeting.

**Voting Intentions**

Subject to any voting restrictions and exclusions, the Chairman intends to vote in favour of the resolutions. In respect of undirected proxies, subject to any voting restrictions and exclusions, the Chairman intends to vote in favour of the resolution.

By order of the Board

**Kim Clark**  
**Company Secretary**  
**Urbanise.com Limited**  
**22 February 2017**

## Explanatory Memorandum

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### **Resolution 1: Approval of the Issue of Shares to Argosy Capital Limited as underwriter to the Rights Issue**

Shareholders are referred to the Shareholder Booklet to which this Notice forms a part.

### **Resolution 2: Ratification of Prior Share Allotment (Placement)**

As per the explanatory note in respect of Resolution 1 above, the Company completed a Placement of 63,500,000 shares to Argosy Capital Limited on 8 February 2017. The shares were issued to Argosy Capital Limited, using the Company's placement capacity under listing rules 7.1 and 7.1A. The Company wishes to have shareholders ratify a portion of this placement being 4.74% of the Issued Capital of the Company subsequent to the Placement and Rights Issue.

In accordance with Listing Rule 7.1 and Listing Rule 7.4, to restore the Company's capacity to issue Shares to up to 4.74% of the Issued Capital of the Company, it is proposed that Shareholders ratify the issue of ordinary Shares as detailed below.

The following information is provided in accordance with Listing Rule 7.5:

#### **8.3.1 Number of securities issued:**

63,500,000 fully paid ordinary Shares (**Placement Shares**) of which 17,000,000 fully paid ordinary shares (**Ratified Shares**) are the subject of this resolution.

#### **8.3.2 Date on which securities were issued:**

The Shares were issued on 8 February 2017 and prior to the date of the General Meeting

#### **8.3.3 Issue price of securities:**

The Ratified Shares were issued at a price of \$0.225 for total cash consideration of \$3,825,000. The total consideration applicable to the Placement Shares is \$14,287,500.

#### **8.3.4 Allottee of the securities:**

The Shares were allotted to the following security holder by the Company:

- Argosy Capital Limited

#### **8.3.5 Terms of securities:**

The Placement Shares, upon issue, rank equally with all other Shares on issue at the time and have the same rights and entitlements as the currently issued Shares.

#### **8.3.6 The intended use of the funds:**

The proceeds of the Placement Shares were used in part to fund the acquisition of *Wattkeeper™* and *Intelligen* intellectual property and certain business assets from Infotech (Pty) Limited (Infotech) (\$12M), general operating capital to meet transaction costs, along with normal operating expenses including employees, corporate administration, travel and marketing costs. The Directors, Mr. Strauss abstaining, unanimously recommend that Shareholders vote in favour of Resolution 2.

**Resolution 3: Approval of re-appointment of Mr. Almero Strauss as a Director**

Mr. Almero Strauss was appointed as a director of the Company on 8 February 2017. The Company is satisfied that Mr. Strauss brings skills and expertise to the Board that will enhance and complement the current Board structure. Details of Mr. Strauss' experience and qualifications are contained in section 3.9 of this Shareholder Booklet.

The Directors, Mr. Strauss abstaining, unanimously recommend that Shareholders vote in favour of Resolution 3.

## **Appendix 2 – Independent Expert’s Report**

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# Urbanise.com Limited

(ASX: UBN)

ACN 095 768 086

## Independent Expert's Report

Report to Shareholders on the Proposed Transaction for an issue of shares  
Under a Rights Issue in the Company under Section 611(7) of the Corporations Act 2001

Report Issued: 17 February 2017

17 February 2017

The Directors  
Urbanise.com Limited  
Level 3  
385 Little Lonsdale Street  
Melbourne VIC 3000

Dear Sirs,

## INDEPENDENT EXPERT'S REPORT– URBANISE.COM LIMITED

### 1. Introduction

Titan Partners Corporate Finance Pty Limited ("**Titan Partners Corporate Finance**", "**we**") was appointed by the directors for Urbanise.com Limited ("**Urbanise**", or the "**Company**") as an independent expert to provide an opinion on the proposal for the issue of ordinary shares ("**Shares**", or "**Share**") in the Company under a rights issue (the "**Proposed Transaction**") to Argosy Capital Limited ("**Argosy**").

Urbanise announced to shareholders on 4 January 2017 the acquisition of business assets for payment of \$12,000,000 ("**Acquisition of Business Assets**"). In conjunction with this transaction, Argosy was issued 63,500,000 shares in Urbanise as a result of a share placement issued under ASX Listing Rule 7.1 and 7.1A (shareholder approval was obtained on 23 November 2016). Urbanise also undertook a 1-for-8 Rights Issue which was fully underwritten by Argosy (the "**Rights Issue**") (but subject to certain shareholder approvals). The total number of shares which will be issued under the Rights Issue is 32,265,300 shares, of which only 26,888 shares were issued to existing Shareholders and 32,238,412 shares to Argosy (of which 31,440,693 shares is subject to Shareholder approval). As a result, Argosy may increase its shareholding from 19.74% (immediately after the share placement) to around 27.05% if Shareholders approve the issuance.

In accordance with Item 7 of section 611 of the Corporations Act 2001, shareholder approval is required in respect of the issue of Shares to Argosy under the rights issue (the "**Relevant Resolutions**").

To assist the Shareholders of Urbanise in making an informed decision in voting on the Relevant Resolutions, we were appointed by the Directors of Urbanise as Independent Expert, to prepare an Independent Expert's Report expressing an opinion on whether or not the Proposed Transaction is fair and reasonable to Shareholders. Our findings are presented in the Independent Expert Report (the "**Report**") herein.

### 2. Summary of Opinion

#### 2.1 Opinion

We conclude, based on the assessment outlined in the remainder of this Report, that the Proposed Transaction is considered to be not fair but reasonable to the shareholders of Urbanise (the "**Shareholders**"). The principal factors that we have considered in forming our opinion are summarised below.

#### 2.2 Assessment of Fairness

In determining whether the Proposed Transaction is fair to the Shareholders of Urbanise, we have compared the assessed fair value of a share in Urbanise on a controlling basis after the placement of shares but prior to the Proposed Transaction ("**Pre-Rights Value**") to the value of share in Urbanise on a minority interest basis, following the Proposed Transaction ("**Post-Rights Value**"). The analysis is set out in section 7.5 and summarised below.

Urbanise.com Limited Valuation Summary		
	Low	High
Pre-Rights Value per Share on a Controlling Basis, \$	0.190	0.207
Post-Rights Value per Share on a Minority Basis, \$	0.149	0.155

**Source:** Titan Partners Corporate Finance Analysis

In accordance with Regulatory Guide 111 Content of expert reports (“**RG111**”), the above valuation analysis indicates that, in the absence of any other relevant information, the Proposed Transaction is deemed to be not fair to Shareholders as the Pre-Rights Value per share of Urbanise on a controlling basis is higher than the Post-Rights Value per share on a minority basis. Therefore we must conclude the Proposed Transaction is not fair.

## 2.3 Assessment of Reasonableness

RG111 of the Australian Securities and Investments Commission (“**ASIC**”) considers an Offer to be reasonable if:

- The Offer is fair; or
- Despite not being fair, but considering other significant factors, shareholders should accept the Offer in the absence of any higher bid before the close of the Offer.

We have considered the analysis in section 8.4 of this Report, in terms of advantages and disadvantages of the Proposed Transaction. In forming our opinion we have also considered the following relevant qualitative factors:

Advantages	Disadvantages
<ul style="list-style-type: none"> <li>• Provides additional required working capital for the existing business and acquisition of business assets.</li> <li>• Argosy’s shareholding in Urbanise will be approximately 27.05% and as such is a minority interest. Existing Shareholders do not relinquish control of the Company.</li> <li>• No impact on the number of shares available for free float trading on the ASX.</li> <li>• The premium of the rights issue subscription price paid over the prevailing Urbanise share price is likely to increase the post-completion share price.</li> <li>• The rights issue will increase Net Assets and Net Tangible Assets per Urbanise share.</li> <li>• The revenue multiple implied by the Proposed Transaction is significantly higher than the comparable market transactions multiples.</li> <li>• The Proposed Transaction will help ensure an improved balance sheet strength.</li> <li>• Argosy is a long-term investor and this should help support the share price.</li> <li>• The Rights Issue provided a choice for individual Shareholders to participate at the same price as offered to Argosy.</li> </ul>	<ul style="list-style-type: none"> <li>• The Proposed Transaction could deter alternative offers or proposals.</li> <li>• The Proposed Transaction could impact the future liquidity of listed securities with a required escrow of shares issued to Argosy.</li> <li>• The increased holding by Argosy could impact future takeover bids for Urbanise as they will hold approximately 27.05% if the issued capital.</li> </ul>

In our opinion, the position of Shareholders if the Proposed Transaction is approved is more advantageous than the position if the Proposed Transaction is not approved. Accordingly, in the absence of any other relevant information we believe that the Proposed Transaction is reasonable for Shareholders of Urbanise.

## 2.4 Other Factors

For the avoidance of doubt, it should be noted that our assessment of the Proposed Transaction does not include an assessment of the value of the Acquisition of Business Assets. We have assumed that the value paid for the Acquisition of Business Assets is reflective of current market value (as it is an arms-length transaction between a willing but not anxious buyer and a willing but not anxious seller).

The above summary of our opinion and conclusion should be read in conjunction with the remainder of this Report and Appendices as attached herein.

Titan Partners Corporate Finance has prepared a Financial Services Guide as required by Corporations Act 2001 and is attached at Appendix 1. This Report is for general financial advice only and was prepared without taking into account the objectives and circumstances of individual Shareholders of the Company. Our Report herein should be read in conjunction with the Shareholder Booklet and Notice of Meeting which it accompanies.

Unless the context requires otherwise, references to “we”, “our” and similar terms refer to Titan Partners Corporate Finance.

Yours faithfully

**Titan Partners Corporate Finance Pty Limited**

A handwritten signature in black ink, appearing to read 'B. Higgs', with a long horizontal flourish extending to the left.

**BRAD HIGGS**

Director



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### 3. Scope of Report

#### 3.1 Purpose of the Report

The purpose of this Report is to assist and advise the Shareholders on whether the Proposed Transaction is fair and reasonable to the Shareholders.

Section 606 of the *Corporations Act 2011* prohibits the acquisition of an interest in a company that represents greater than 20% of the voting shares outstanding, subject to the exemptions set out in Items 7 of Section 611 of the *Corporations Act 2011*, where shareholders other than the parties involved agree by resolution to the proposed acquisition of such shares.

ASIC issued Regulatory Guide 74 (“RG 74”) states directors are required to provide sufficient information to shareholders to assess the merits of a proposal, such as that contemplated under the Proposed Transaction. Directors also have a duty to provide shareholders with full and proper disclosure, such that shareholders are fully informed of the nature of the resolutions proposed at a general meeting.

Titan Partners Corporate Finance has been engaged by the directors of Urbanise to prepare an Independent Expert’s Report with respect to the Proposed Transaction for this purpose.

This Report has been prepared to assist Shareholders to consider and approve, if appropriate, the Proposed Transaction at an Extraordinary General Meeting, under the relevant exception set out in item 7 of Section 611 of the *Corporations Act 2011*.

For the avoidance of doubt, it should be noted that our assessment of the Proposed Transaction does not include an assessment of the Acquisition of Business Assets.

#### 3.2 Basis of Assessment

In preparing the Report herein, we consider RG111 dated March 2011 which sets out requirements of expert reports.

Paragraph RG111.24 in RG111 prescribes that certain share issues are required to be approved under item 7 of s611 and the assessment is to be comparable to that of takeover bids under Chapter 6 of Corporations Act. RG111 lists as a specific example of share issues that should be assessed as takeover transaction to include a company that issues securities in exchange for cash and, as a consequence, the allottee acquires over 20% of the company. Accordingly, we are required to assess the Proposed Transaction as a takeover transaction.

The ASIC regulations require an independent expert to consider takeover proposals under the concepts of “fairness” and “reasonableness”. We therefore separately consider whether the Proposed Transaction is “fair” and “reasonable” from the perspective of the Shareholders.

RG 111 indicates the principles and matters which it expects an expert person preparing an independent expert report to consider, including:

- ‘fair and reasonable’ is not regarded as a compound phrase;
- an offer is ‘fair’ if the value of the offer price of the shares being issued is equal to or greater than the value of the securities subject to the offer;
- the comparison should be made assuming 100% ownership of the ‘target’ and irrespective of whether the consideration is scrip or cash;
- the expert should not consider the percentage holding of the ‘bidder’ or its associates in the target when making this comparison;
- an offer is ‘reasonable’ if it is ‘fair’;
- an offer might also be ‘reasonable’ if, despite being ‘not fair’, the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any higher bid before the close of the offer.

### 3.3 Sources of Information

In forming our opinion on the Proposed Transaction and preparing the report herein, we have considered, adopted and relied upon certain information prepared by the management of Urbanise and external parties. Refer to Appendix 5 for a list of our sources of information.

### 3.4 Limitations and Reliance on Information

Our opinions are based on economic, financial, operational and other conditions and expectations prevailing at the date of this Report. These conditions can change significantly over relatively short periods of time and, if such material change occurs, the opinions expressed in this Report could differ.

Titan Partners Corporate Finance has no obligation to, nor does it undertake to, advise any person of any change in circumstances that has come to its attention after the date of this Report or to review, revise or update this Report or the opinions contained herein.

We have evaluated the information set out in Section 3.3 through analysis, enquiry and review, as appropriate for the purposes of preparing this Report and forming our opinion on the Proposed Transaction. Titan Partners Corporate Finance do not warrant that our evaluation has identified or verified all of the matters that an audit, extensive examination or due diligence investigation may disclose.

We have relied on certain representations and relevant information provided by the directors of Urbanise. This information was evaluated through analysis, enquiry and review. However, such information is often not capable of external verification or validation and has therefore not been independently verified.

To the extent that there are any legal issues relating to assets, properties, or business interests or issues relating to compliance with applicable laws, regulations, and policies, Titan Partners Corporate Finance:

- assumes no responsibility and offers no legal opinion or interpretation on any issue; and
- has generally assumed that matters such as title, compliance with laws and regulations and contracts in place are in good standing and will remain so.

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## 4. Summary of Proposed Transaction

### 4.1 Background

On 4 January 2017, Urbanise announced to the Australian Securities Exchange (“**ASX**”) an acquisition of certain business assets and intellectual property, and the issue of shares and rights for the purpose of financing that acquisition. The key components of the Transaction are:

- An issue of 63,500,000 ordinary shares to Argosy at a price of \$0.225 per Share to raise \$14,287,500 (the “**Placement**”);
- The Company used part of the funds raised under the Placement to purchase certain business assets and intellectual property from Infotech (Pty) Limited<sup>1</sup> for total consideration of \$12.000 million as part of **Acquisition of Business Assets**, as further outlined in Section 4.6 below; and
- An issue of non-renounceable rights on a 1 for 8 basis at a price of \$0.225 per Share, which is fully underwritten by Argosy.

A vote for the Relevant Resolutions to approve the issue of Shares to Argosy, in the event its shareholding in Urbanise increases to exceed 20% as a result of the underwriting agreement for the Rights Issue under the Proposed Transaction, will be carried at a General Meeting of Shareholders of Urbanise. The Placement was undertaken utilising Urbanise's capacity to issue shares under ASX Listing Rules 7.1 and 7.1A, as previously approved by shareholders at the 2016 Annual General Meeting of the Company on 23 November 2016.

We note that on 8 February 2017, Urbanise made an announcement to the ASX that it had completed the Placement and the Acquisition of Business Assets.

Additionally, we note that on 9 February 2017, Urbanise made an announcement to the ASX relating to the Rights Issue. According to the announcement, of the total 32,265,300 Shares offered under the Rights Issue, 26,888 Shares were subscribed for by the current Shareholders, 797,719 of Shares were issued to Argosy under Urbanise's existing capacity to issue shares, while the remaining 31,440,693 of Shares will be issued to Argosy, as underwriter of the Rights Issue, contingent on a Shareholder approval.

We have summarised key components of the Proposed Transaction and the related Placement and Acquisition of Business Assets in the remainder of this Section below.

### 4.2 Argosy

Established in 2008, Argosy is an investment company headquartered in the Isle of Man. Argosy specialises in private equity investments, including limited exposure to venture capital. Argosy has no restrictions on a fixed investment horizon and does not raise funds or manage investments for the public.

### 4.3 Placement

Urbanise has issued 63,500,000 Shares to Argosy at a price of \$0.225 per Share and raised \$14,287,500 under the Placement. Urbanise has paid \$12,000,000 from the proceeds of the Placement to finance the Acquisition of Business Assets, which is described above. Additionally, Urbanise will use the excess cash to finance operating expenses including transaction costs, employee costs, general administrative costs, travel and marketing costs.

The Shares issued to Argosy are subject to restrictions on disposal for a period of 18 months from the date of issue.

<sup>1</sup> An entity incorporated in the Republic of South Africa, Infotech (Pty) Limited and its related entities are vendors in the Acquisition.

#### 4.4 Rights Issue

The Rights Issue involves the issue of up to 32,265,300 ordinary shares, which represents 1 for 8 existing shares, at \$0.225 per share to raise \$7,259,692. The Rights Issue is fully underwritten by Argosy (subject to certain approvals). The Rights Issue is not conditional upon completion of the Acquisition of Business Assets or the Placement. As a result stated in the Rights Issue announcement on 9 February 2017, 26,888 of Shares were allocated to the current Shareholders and the remaining Shares up to 32,238,412 are expected to be allocated to Argosy (as required in the underwriting agreement), subject to Shareholder approval.

Proceeds of the Rights Issue will be used to fund transaction costs, and general operating expenses including employee costs, travel, marketing expenditure and general overheads.

#### 4.5 Shareholding – Post Proposed Transaction

We have set out the impact in respect of the share Placement and Rights Issue on the Share Structure of Urbanise in the table below.

Urbanise.com Limited Post Transaction Issued Capital	
Issued Capital at prior to Placement	258,122,399
Placement to Argosy	63,500,000
<b>Total issued capital immediately before Rights Issue</b>	<b>321,622,399</b>
Rights Issue (1 for 8) – based on issued capital prior to Placement	32,265,300
<b>Total issued capital after Rights Issue</b>	<b>353,887,699</b>

*Source: Urbanise*

The Placement to Argosy has resulted in Argosy holding a 19.74% interest in the Company before the issue of shares under the Rights Issue. Argosy did not have participation rights in the Rights Issue except in respect of its obligations under the Underwriting Agreement, where it is to take up any rights not exercised by the current shareholders (subject to Shareholders approval). The Rights Issue was based on the total shares outstanding of 258,122,399.

Following the Rights Issue, the Argosy holdings in Urbanise will increase from 17.94%, or 63,500,000 shares respectively, to 27.05%, or 95,738,412 shares respectively. We note that the issue of 31,440,693 shares to Argosy is a subject to Shareholder approval, according to the terms of the Underwriting Agreement.

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## 4.6 Acquisition of Business Assets

### 4.6.1 Transaction

Urbanise has acquired certain business assets and intellectual property, to support further growth and expansion of the Urbanise building service delivery platform. The total payment for assets was \$12 million.

Assets acquired under the Acquisition of Business Assets represent technological solutions which improve functionality of the existing platform and provide an enhanced and extended customer experience. The assets predominantly include a cloud based micro-utility billing solution, smart meter devices that are designed to enable automated meter reading, mobile asset tracking solution, route optimisation and dispatching solution. The assets and intellectual property are in respect of two specific businesses “Wattkeeper” and “Intelligen” that have been developed by the vendor, Infotech.

### 4.6.2 Description of Assets

The two businesses and business assets, including the associated intellectual property that Urbanise has acquired under the Acquisition of Business Assets comprise the following.

“Wattkeeper” Business Assets comprise:

- a. A cloud based micro-utility billing solution that enables the rapid deployment, billing and rating of smart meters for electricity, water and gas. Designed specifically to enable strata managers to deliver utility charging and smart consumption plans for their buildings; and
- b. A suite of smart meter devices that are designed to enable automated meter reading, pre-paid and post-paid business models and smart automation models that can limit utility consumption (such as control at peak demand) and shift utility consumption (load shifting). Additionally, the smart meter devices can intelligently detect water leaks or improper electricity consumption.

“Intelligen” Business Assets comprise:

- a. A route optimisation, prioritisation and dispatching solution. Designed to enable service providers with a mobile workforce to optimise delivery costs and provide real time distance from the drop off point and time to arrival information to their customers who are receiving delivered goods; and
- b. A mobile asset tracking solution that enables owners and operators of large fleets, rental equipment and critical personnel to track those assets to ensure they are operating in their intended location and to alert and track them when they are not.

The functionality of these technologies is expected to expand the market segments in which Urbanise currently operates in, and will enable further penetration of the Urbanise building service delivery platform into those new markets. Additionally, the technologies expands the product range in which Urbanise can offer its existing clients, including:

- Specifically designed for sub-metered communities and buildings, Wattkeeper extends Urbanise’s utility reporting functionality to include residential and commercial meter reading and billing.
- Smart metered Utility operation can expand the products utilised by strata manager customers.
- Intelligen, expands Urbanise’s services operations platform – delivering an “Uber-like” experience for Urbanise’s service providers using mobile apps for delivery and Urbanise’s customer portals and apps for ordering services.

## 5. Profile of Urbanise

### 5.1 Background

#### *Overview*

Founded in 2001, Urbanise is the creator of an industry-specific cloud-based software, which provides a building services delivery platform for the property management industry. Urbanise is a listed entity on the Australian Securities Exchange (“ASX”), that was first listed in September 2014.

The platform is designed to connect building operators with their clients, suppliers and the people who live and work in the building they manage. The platform allows:

- Building operators to co-ordinate service delivery, maintenance and support online;
- Building owners and building occupants to access online the necessary building services, using their computer, smart phones and tablets;
- Service providers to partner with building operators to offer additional services to building owners and building occupants through a unique e-commerce storefront or ports;
- Building operators to remotely monitor energy consumption to identify inefficiencies and track energy savings;
- Building operators to remotely monitor critical assets to minimise system outage and reduce downtime.

#### *History and Milestones*

Urbanise has been developing software since 2005, with a focus on solutions to address industry-specific issues in the facilities management industry. It has since evolved to be a cloud-based solutions provider, with a cloud-based version of its platform first launched in 2009. The Company has grown both organically and through strategic acquisitions since foundation, where it has acquired certain intellectual property to supplement and further develop its current product offering.

Summarised below are selected key milestones in the growth of Urbanise:

- **2001** – Predecessor business of Urbanise established as a technology research and development lab specialising in solutions for large corporations using emerging technology.
- **2005** – Focuses development on technology platform for advanced service delivery.
- **2005** – Receives first investment from current major shareholder Pierce Group Asia.
- **2009** – Launches services delivery platform for building services, originally named “Plaza”, subsequently relaunched with a software-as-a-service (“SaaS”) pricing model.
- **2009** – Launches smart building platform for intelligent building monitoring and control, originally named “Metro”. Urbanise expands operations to Dubai to focus on ‘smart city’ projects in the Middle East region.
- **2009** – Receives co-investment from Cisco Systems, Inc. and Pierce Group Asia.
- **2013** – Total building occupants registered reaches 30,000. Connected buildings with the Company’s remote sensors and monitoring devices total 15.
- **2014** – Reorganisation of Plaza and Metro products into a single building services delivery platform, rebranded as Urbanise.
- **2014** – Connected buildings with Urbanise devices increases to 100.
- **2014** – Initial public offering (“IPO”) and listing on ASX raising \$20 million.
- **2015** – Acquisition of Mystrata, which operated a similar and complementary software product directed at the strata management segment, expanding the Urbanise platform with two additional modules and the opportunity to cross-sell across both existing client bases.



### ***The Platform***

The Company has designed the Urbanise platform on a SaaS, ‘pay as you grow’ model, where additional modules which expand functionality can be added as required. Urbanise has designed the layered structure of its modules to be priced separately as additional components. Each module is designed to support certain functions undertaken by asset owners, building managers and strata managers.

The Urbanise cloud-based platform currently comprises the following eight modules:

1. **Asset Management/Operations Centre** – The Urbanise facilities management platform enables building management to carry out all tasks with visibility and transparency, including management of suppliers, customers and work force productivity. The service delivery platform reduces paperwork, thereby streamlining work order processes, optimising workflows and improving customer service. It also streamlines customer support and simplifies management of contractors and third party suppliers. The platform captures facilities management data online in real time.
2. **Asset Monitoring** – Using cloud based Internet of Things (“IoT”) technology to remotely monitor a building performance in real time, with Urbanise smart sensors and gateways hardware. The wireless devices can be configured to monitor environmental variables such as temperature, humidity, vibration, motion, light detection, on/off sensor and meter count, providing real-time information to managers.
3. **Community/Strata Management** – Combining management, communication and accounting functions delivered over the internet, the Urbanise platform enables property managers, strata managers and developers to manage their portfolios of apartment buildings, condos, co-ops, housing estates and commercial towers. Functionality includes coordination of meetings and communications to tenants.
4. **Mobile Workforce** – Workforce management for building operators to co-ordinate everyday execution of service requests from occupants, with functionality to schedule, allocate, track and report on performance. The module enables all members of the workforce to access and track work schedules online.
5. **Community Accounting** – Module provides accounting, record keeping and reporting functions for the Urbanise Community Management platform, with features including ledger accounting for multiple bank accounts and invoicing systems for service charges.
6. **CRM & Task Management** – Module stores full history of all transactions and events, supported by a global search functionality.
7. **Community Portals** – Designed for use by property owners and board members, the self-service portal enables the manager to electronically publish and distribute documents, providing live information including financial data for board members and owners to access anytime. The portal also operates as a communication tool with tenants and to track service requests. Seamless integration with the buildings’ core management system is built into this Urbanise module.
8. **E-Services Portals** – Designed specifically for selling building services, this module combines e-commerce with a service delivery engine to plan and deploy services for building occupants, for the provision of services to residents and selling of additional services.

The above modules are supported by customised websites for each building and smart phone applications to enable the Urbanise platform features to be accessed across multiple devices and in any internet enabled location.

### ***Geographic Presence***

Urbanise is headquartered in Melbourne, with additional Australian offices in Sydney and Brisbane. It currently operates across 5 regions, with a software engineering hub in Sofia, Bulgaria and additional offices in:

- Cape Town, South Africa servicing southern Africa;
- Dubai, UAE servicing the Middle East and Europe;
- Singapore and Kuala Lumpur, Malaysia servicing South East Asia.

In recent years, the Company has progressively expanded beyond its Australian base with the first customers in:

- Singapore (KTP Hospital and Parkway Novena Hospital) commenced in 2009;
- Dubai (Idama Facilities Management and Emrill LLC) commenced in 2011; and
- Ireland (Danu Quality Systems) commenced in 2014.

Further, Urbanise has signed operators in the United Kingdom, Malaysia, Qatar and Lebanon during 2014.

### **Customer Base**

The Urbanise product is specifically designed for the building and facilities management industry, targeting traditional building operations including strata managers, property managers, facility managers and specialist engineers. In addition, the Company also considers non-traditional building operators within the scope of its platform, including corporate property owners, municipal governments, utilities and telecom operators.

Summarised in the following table are a selection of the current key customers of Urbanise:

Urbanise.com Limited Key Customers	
Region	Customers
<b>Asia Pacific</b>  (Australia, New Zealand Singapore, Malaysia)	ARA Group Pivotal Procurement Interactive Programmed FM Prudential Investment Company of Australia (PICA)
<b>Europe and Middle East</b>  (United Arab Emirates, Qatar, Lebanon, Saudi Arabia, Oman, United Kingdom, Greece)	Farnek Services Transguard Group Holdco Corporation Emrill Services Key Facilities Management Crowley Carbon
<b>South Africa</b>	Property Cloud Landsdowne Group De Lucia Group Unlimited Townhouses King Price Insurance

**Source:** FY2016 Annual Report

Urbanise generates revenue from a large customer base, where no single customer accounts for the majority of income derived by the Company. One-off income is generated upon activation of a product or the purchase of hardware for remote monitoring, while ongoing revenue is generated from a customer's ongoing use of the Urbanise platform based on volume. However, as the quantum of one-off fees may be significant, the timing of activation of new customers or new products may result in material fluctuations in income from period to period.

## 5.2 Ownership Structure

As at 18 December 2016, Citicorp Nominees Pty Limited, Pierce ESIM Pty Limited, Pierce CIM Pte Limited and HSBC Custody Nominees (Australia) Limited are four largest shareholders in Urbanise with a combined holding of 51.55% as set out in section 4.2 above. No other shareholder holds more than 10.0% of the issued capital.

The following table sets out the shareholding structure of Urbanise as at 18 December 2016:

Urbanise.com Limited Current Ownership Structure		
Name	Shares	%
<b>Major Shareholders</b>		
Citicorp Nominees Pty Limited	36,864,733	14.28%
Pierce ESIM Pte Limited	36,444,340	14.12%
Pierce CIM Pte Limited	32,040,580	12.41%
HSBC Custody Nominees (Australia) Limited	27,702,992	10.73%
UBS Nominees Pty Ltd	13,804,828	5.35%
BS Vickers Securities (Singapore) Pte Ltd	10,216,860	3.96%
Helix CS Pte Ltd	10,000,000	3.87%
Robert Gordon Cumming	9,712,273	3.76%
Nitarae Nominees Pty Ltd	9,015,120	3.49%
Construction Industry Solutions Me Fze	8,434,150	3.27%
Chambers Street Global Fund LP	7,000,000	2.71%
Bannaby Investments Pty Limited	4,233,975	1.64%
IFM Pty Limited	3,121,205	1.21%
Mr Christopher Beauford Leahy	3,005,041	1.16%
Ekoglobal Pty Ltd	2,615,940	1.01%
Makarim Salman	1,765,920	0.68%
Pagan Investments Pty Ltd	1,578,400	0.61%
Mr Gary Francis Bugden & Mrs Margaret Lillian Bugden	1,533,195	0.59%
Benjamin John Churchill	1,301,550	0.50%
HSBC Custody Nominees (Australia) Limited	1,300,000	0.50%
	<b>221,691,102</b>	<b>85.89%</b>
Other Shareholders	36,431,297	14.11%
<b>Total Shares Outstanding</b>	<b>258,122,399</b>	<b>100%</b>

Source: Urbanise Share Register as at 18 December 2016

## 5.3 Industry Overview

Urbanise is an information technology company which operates an industry-specific cloud-based software platform designed and developed for the global Facility Management Industry.

The industry information and trends in this section has been adapted from sources including Industry Research Reports published by IBISWorld Pty Limited including reports OD5528 Facilities Management Services in Australia and OD5463 Software Suppliers in Australia, the Urbanise IPO Prospectus, Urbanise Financial Reports and various Urbanise ASX announcements.

### Cloud Computing

Cloud computing is a collection of technologies and practices used to optimise the provisioning and management of computer hardware. The goal is to simplify the users experience so they can get the benefit of computer resources on demand, or in the language of cloud computing “as a service”. The resources that comprise an individual cloud are generally made available to end users using an interface that conforms to one of three levels of abstractions. From most

granular to most abstract, these are Infrastructure-as-a-Service, Platform-as-a-Service and Software-as-a-Service (SaaS). Applications offered to end users which are almost entirely stored, managed and updated in the cloud are termed SaaS. Deploying an application using a SaaS model is typical for CRM solutions, marketing automation, content management and data analytics.

The introduction of cloud computing and the SaaS business model have signalled a vast change in many businesses, including the software providers and services industry, which is switching from selling products outright to subscription services. Growing mobile and internet usage is increasing business and consumer contact with software.

## The Internet of Things

The Internet of Things is the inter-networking of physical devices, vehicles, buildings, and other items embedded with electronics, software, sensors, actuators, and network connectivity that enable these objects to collect and exchange data. Urbanise products connect buildings to its software platforms. The continued acceptance of networking amongst buildings and devices could increase Urbanise's penetration into those clients.

## Third Platform Technologies

The Third Platform refers to a combination of multiple technologies widely available since 2010. Provided from the cloud, Third Platform solutions are accessed via mobile devices, enable social or collaborative user interaction and use real-time information gathered from the Internet or devices connected to the Internet.

The Urbanise platform is a Third Platform technology, designed to enable building owners and occupants to access building services online from their computer, smartphone and tablet allowing building operators to coordinate services delivery, maintenance and support online.

## Facility Management Industry (Australia)

Facility Management involves managing the operations and maintenance of buildings, building precincts and community infrastructure for property owners. The Facilities Management Services industry has benefited from the private and public sectors' increasing willingness to outsource non-core business activities. A growing number of mining projects has increased demand for facilities management in the form of accommodation management and maintenance services. Strong demand from the health and education sectors has also driven industry growth. Summarised below is a Facility Management industry historical revenues for the period from financial year ended 30 June 2012 ("FY2012") to FY2016 and projection for the six year period to 30 June 2022 ("FY2022").

Urbanise.com Limited											
Facility Management Industry Revenue											
\$'Ms	FY12A	FY13A	FY14A	FY15A	FY16A	FY17P	FY18P	FY19P	FY20P	FY21P	FY22P
Industry	9,396	9,082	9,374	9,240	9,361	9,632	9,831	10,276	10,628	11,042	11,361
YoY Growth %	-	-3.4%	3.2%	-1.4%	1.3%	2.9%	2.1%	4.5%	3.4%	3.9%	2.9%
5 Year Growth %						0.5%					3.4%

Source: IBISWorld

As projected by IBISWorld, industry revenue is expected to increase at an annualised 0.5% over the five years through FY2017, to reach \$9.6 billion. However, this growth is affected by a high base year and poor performances in FY2013 and FY2015. During FY2017, industry revenue is forecast to grow by 2.9%, which is closer to the industry's long-term growth trend. Forecast growth for FY2017 is in line with increased expenditure by the education and health sectors.

## Facility Management Industry Structure

Buildings most commonly under management include commercial and residential towers, multi-dwelling units and gated residential communities, but can also include schools, shopping complexes, sporting arenas, hospital and hotels. Operators in the industry need to be able to provide a range of non-core business services its clients are increasingly willing to outsource, such as cleaning and maintenance. Despite this, the industry is highly fragmented with no single player dominating the industry, as facilities management companies commonly provide multiple services to small businesses in a limited geographic area.

The more businesses in operation means a larger potential market for Urbanise products within the industry. In addition, as the number of medium- to large-size businesses increases, demand for facilities management services also increases which will in turn drive demand for Urbanise products and services. This is because larger businesses are more likely to outsource non-core activities.

Business process outsourcing represents businesses willingness to outsource activities. When businesses are more inclined to outsource business processes (such as marketing, IT services and employee recruitment), they are also more inclined to outsource non-core business functions (i.e. cleaning, waste removal). This increases demand for facilities management services, which in turn increases demand for Urbanise's products and services. In FY2017, IBISWorld forecasts that demand from business process outsourcing is expected to rise, presenting an opportunity to the industry. As set out in table above Industry revenue is forecast to grow at an annualised 3.4% over the five years through FY2022, to reach \$11.4 billion.

## Competitor Landscape in Facility Management Platform Industry

As described in Section 5.1, the core regions for Urbanise operations are Australia, Europe, South Africa, South East Asia and United Arab Emirates. Management considers there are up to five companies in each market which provide a similar service to Urbanise. However, the competitors either have narrower focus on specific services for the Facility Management industry or are large multinational players with a non-industry specific product offering. In comparison, Urbanise provides an integrated solution combining multiple services in one platform. Additionally, management also considers the cost of utilising Urbanise's platform is significantly lower than standard property management software alternatives.

The risk of new companies entering the industry is moderate, due to initial investments in time and resources on the development of alternative platform to enter the market and compete with Urbanise. There is a risk that global software technology companies such as IBM or Oracle could try to develop the same type of the products as Urbanise based on their existing proprietary platforms.

## Technology Landscape in Facilities Management Industry

While companies operating in Facilities Management industry continue to make large investments in highly customised, legacy IT systems, the trend is shifting towards using more flexible cloud-based solutions to meet the industry's rapidly changing needs.

Over the past decade, cloud-based solutions have emerged – allowing enterprises to automate and improve a range of business and technology operations on an 'as needs' basis. Compared to legacy IT systems, cloud-based solutions can provide a number of benefits, including improved application performance, broader user adoption, greater flexibility and lower total cost of ownership. The difficulty that legacy IT systems and horizontal (generic) cloud-based solutions have in adequately addressing the technology needs of today's Facility Management industry creates opportunities for companies such as Urbanise.

The industry trends outlined above present opportunities for Urbanise to continue its growth and expansion in the Facilities Management industry, with its suite of products based on its proprietary SaaS platform, however this growth would most likely be over the short to medium term.

## 5.4 Historical Financial Performance

The financial performance of Urbanise for the three most recent financial years being FY2014, FY2015 and FY2016 are summarised in the table below.

Urbanise.com Limited Historic Operating Results							
\$'000s	Notes	FY2014		FY2015		FY2016	
		Actual	%	Actual	%	Actual	%
<b>Revenue</b>	<b>1</b>	<b>4,546</b>	100.0%	<b>9,245</b>	100.0%	<b>8,319</b>	100.0%
Cost Of Sales		100	2.2%	238	2.6%	2,461	29.6%
<b>Gross Profit</b>		<b>4,447</b>	<b>97.8%</b>	<b>9,007</b>	<b>97.4%</b>	<b>5,858</b>	<b>70.4%</b>
Other Income		628	13.8%	422	4.6%	677	8.1%
Other Expense		76	1.7%	(30)	(0.3%)	256	3.1%
Advertising and Promotion Expenses		32	0.7%	518	5.6%	376	4.5%
Employee Benefits Expenses	2	1,289	28.3%	4,376	47.3%	10,212	122.8%
Lease expense	3	77	1.7%	179	1.9%	686	8.2%
Other Expenses	4	239	5.2%	462	5.0%	1,142	13.7%
Professional Fees		230	5.1%	961	10.4%	1,002	12.0%
Subscription Expenses	5	103	2.3%	193	2.1%	874	10.5%
Travel expenses		214	4.7%	679	7.3%	1,202	14.4%
Warranty and earn-out shares	6	-	-	-	-	1,663	20.0%
<b>Total Expenses</b>		<b>2,183</b>	<b>48.0%</b>	<b>7,369</b>	<b>79.7%</b>	<b>17,156</b>	<b>206.2%</b>
<b>Reported EBITDA</b>	<b>7</b>	<b>2,816</b>	<b>61.9%</b>	<b>2,089</b>	<b>22.6%</b>	<b>(10,877)</b>	<b>(130.7%)</b>
Depreciation and amortisation		389	8.6%	1,013	11.0%	1,767	21.2%
<b>Reported EBIT</b>		<b>2,426</b>	<b>53.4%</b>	<b>1,076</b>	<b>11.6%</b>	<b>(12,644)</b>	<b>(152.0%)</b>
Interest Paid		58	1.3%	2	0.0%	4	0.0%
Interest Received		6	0.1%	503	5.4%	848	10.2%
Income Tax		845	18.6%	857	9.3%	(2,510)	(30.2%)
<b>Reported NPAT</b>		<b>1,529</b>	<b>33.6%</b>	<b>720</b>	<b>7.8%</b>	<b>(9,291)</b>	<b>(111.7%)</b>

Source: Historical Financial Statements

We note the following with respect to the historical financial performance of Urbanise:

1. With respect to sales revenues:
  - a. Income comprises a combination of one-off payments for activation of Urbanise platform services and the purchase of hardware for remote mentoring, as well as recurring revenue based on volume from utilisation of the various modules of the Urbanise platform.
  - b. Sales has decreased by 10% to \$8.319 million in FY2016 compared to FY2015. Management advised the decline is predominantly driven by a longer than expected sales cycle, where new clients required a longer than anticipated lead time to commence and implement Urbanise solutions.
  - c. The Company adopted a change in revenue model and sales mix commencing in the FY2016 year, whereby Urbanise previously focused upon acquiring major customers, which generated large 'Enterprise Activation' fee income upon sign up. As those customers are established on the Urbanise platform, management have instead focused upon 'pay-as-you-go' revenue, which generates recurring income as customers continue to use various Urbanise products.

- d. Urbanise does not release projected total revenue estimates for the current or future periods. However, the Company has signed contracts with customers PICA in Australia and King Price in South Africa for national roll outs of the Urbanise platform which management have reported will generate significant one-off and recurring revenues.
2. In FY2016, employee benefits expenses comprised contractor costs of \$1.140 million, share based payments of \$460,000 and other employee costs of \$8.611 million. The main findings from our review of the employee benefits are:
    - Following acquisition of Mystrata in February 2015, total employees has increased from 27 to 84 to facilitate the increased activity, which has driven employee costs from \$2.987 million in FY2015 to \$8.611 million in FY2016. We note only one month of Mystrata employee costs was included in the FY2015 consolidated results.
    - The current level of employee benefits expenses are largely recurring in nature with nominal one off or non-recurring expenses. The Company advises that this the normal expense base they expect to incur in the short to medium term based on the current activities, clientele and product range. The Acquisition of Business Assets, will likely require further personnel resources.
  3. Lease expenses increased from \$179,000 in FY2015 to \$686,000 in FY2016 due to the addition of new office locations as a result of the acquisition of Mystrata in FY2015. This has significantly increased the number of premises under lease, including a full 12 months in high cost locations such as Sydney and Singapore. We understand from management that Urbanise intends to maintain the current premises occupied across the Urbanise and Mystrata businesses.
  4. Other expenses of \$1.142 million comprise of administrative expenses including insurance, bank charges, utilities, office supplies, bad debt, stock and asset disposal costs. The increase in other expenses in FY2016 is driven by the addition of Mystrata costs in the consolidated profit and loss of Urbanise.
  5. Subscription expenses include costs of data centre hosting and other software subscriptions. The acquisition of Mystrata has increased respective subscription costs by \$290,000;
  6. Warranty and earn-out shares expense relate to the settlement of the purchase price of the Mystrata Group acquired on 1 June 2015;
  7. We were advised reported EBITDA loss of \$10.994 million in FY2016 is predominantly driven by consolidating Mystrata operating costs in Urbanise group for a full year, earn-out payment to Mystrata shareholders of \$1.663 million and one off marketing expenditures. Additionally, in FY2016 Urbanise made investments in marketing for the development of regional sales in Europe which has not delivered an anticipated result.

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## 5.5 Normalised Historical Earnings

Set out below is the normalised financial performance of Urbanise for the FY2015 and FY2016 financial years, setting out one-off and abnormal items. Management advised there were no one-off expenses in FY2014.

Urbanise.com Limited Normalisation Adjustments					
\$'000s	Notes	FY2015		FY2016	
		Actual	%	Actual	%
<b>Reported EBITDA</b>		<b>2,089</b>	<b>22.6%</b>	<b>(10,877)</b>	<b>(130.7%)</b>
<b>Normalisation Adjustments</b>					
IPO Costs	1	105	1.1%	-	-
Mystrata Acquisition and integration	2	323	3.5%	-	-
Previous year costs	3	146	1.6%	-	-
One-off costs of establishing new territories	4	347	3.8%	-	-
ESOP upside share performance	5	201	2.2%	-	-
Mystrata earn-out	6	-	-	1,663	20.0%
Restructuring Costs	7	-	-	153	1.8%
Prior period costs	8	(210)	(2.3%)	210	2.5%
Stock write off	9	-	-	110	1.3%
<b>Total Adjustments</b>		<b>912</b>	<b>9.9%</b>	<b>2,136</b>	<b>25.7%</b>
<b>Normalised EBITDA</b>		<b>3,001</b>	<b>32.5%</b>	<b>(8,740)</b>	<b>(105.1%)</b>

*Source: Historical Financial Statements and discussions with Urbanise management*

We note that the FY2016 EBITDA performance remains in a significant loss position despite adjusting for one off items. Specifically, the adjustments presented above are in respect of:

1. Costs related to the IPO of Urbanise are non-recurring, as such was adjusted for as normalisation in FY2015;
2. Costs related to acquisition and integration of Mystrata business in FY2015 are considered as one-off expenses as such are normalised;
3. Previous years costs related to expenses which were incurred in FY2014 but recognised in FY2015. Due to timing difference of expenses recognition, the costs has been adjusted for as a normalisation;
4. Costs related to the establishment of Urbanise business in Singapore, Europe and MENA, including professional fees. As this costs are not ongoing for Urbanise business, it was adjusted as a normalisation adjustment;
5. Due to significant increase in share price of Urbanise in FY2015, the company was required to recognise \$201,000 of employee share plan provision in the financial statements in accordance with accounting standards. Management expect this adjustment will not recur, thus we have adjusted the expense as a normalisation;
6. One-off earn-out payment of \$1.663 million to Mystrata shareholders as part of total Mystrata acquisition consideration was adjusted for as a normalisation;
7. Urbanise restructuring expenses predominantly comprise employee termination costs, which was adjusted for as a normalisation;
8. Under-accrued audit fees for FY2015 was adjusted for as a normalisation;
9. Stock written off represents prior generation devices which was no longer utilised in Urbanise business. As such costs are non-recurring, we have adjusted for as a normalisation.



While indicatively, it may appear that the company generated profit in FY2015, we understand this result was inflated by large Enterprise Activation fee income recognised in that year, which are earned in the first 3 months a customer commences with Urbanise, then collected over the contract period of 3 to 5 years<sup>2</sup>. This practice resulted in revenues being recognised relating to cash receipts which would not be received for up to 5 years. As the strategy has successfully enabled the Company to capture a significant part of that market, management shifted towards ‘pay-as-you-go’ customers and revenue streams in FY2016, whereby Urbanise earns variable fee income based on usage of its products. Management advises such recurring income tends to build up over time, as a customer’s volume increases, or progressively expands their Urbanise platform subscriptions with additional features. We expect that should Urbanise have adopted the strategy of focusing on ‘pay-as-you-go’ customers in FY2015 or earlier, rather than the prior model focusing on booking large “Enterprise Activation” fees as revenue (where the cash relating to such revenues are received over a 3 to 5 year period), then we would have observed lower revenues and profits in FY2015.

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<sup>2</sup> Urbanise Investor Update Presentation, 9 November 2015.

## 5.6 Financial Position

The financial position of Urbanise as at 30 June 2015 and 30 June 2016 is summarised below.

Urbanise.com Limited Historic Reported Balance Sheet			
\$'000s	Notes	30/06/2015 Actual	30/06/2016 Actual
<b>Current Assets</b>			
Cash and cash equivalents	1	12,243	7,790
Trade and other receivables	2	4,429	8,030
Other assets	3	851	1,849
Inventory		30	594
<b>Total Current Assets</b>		<b>17,553</b>	<b>18,263</b>
<b>Non-Current Assets</b>			
Property, plant and equipment		1,147	591
Intangible assets	4	14,416	14,527
Goodwill	5	11,736	12,217
Deferred tax assets		704	2,803
Other non-current assets	6	6,750	5,057
<b>Total Non-Current Assets</b>		<b>34,753</b>	<b>35,195</b>
<b>Total Assets</b>		<b>52,306</b>	<b>53,458</b>
<b>Current Liabilities</b>			
Trade and other payables		1,609	1,461
Provisions		1,002	1,193
Current tax payable		112	-
Other liabilities		2,132	1,263
<b>Total Current Liabilities</b>		<b>4,855</b>	<b>3,918</b>
<b>Non-Current Liabilities</b>			
Provisions		40	17
<b>Total Non-Current Liabilities</b>		<b>40</b>	<b>17</b>
<b>Total Liabilities</b>		<b>4,894</b>	<b>3,935</b>
<b>Net Assets</b>		<b>47,412</b>	<b>49,523</b>

Source: Historical Financial Statements

We note the following with respect to the financial position of Urbanise and key material balance sheet items:

1. **Cash Balances:** The Cash balances represent cash on hand which has been utilised to fund the operating expenses and working capital of the business.

2. **Trade and Other Receivables:** Summarised below are the receivables as at 30 June 2015 and 30 June 2016.

Urbanise.com Limited		
Trade Receivables		
\$'000s	30/06/2015 Actual	30/06/2016 Actual
Trade Receivables	3,545	7,233
Other Receivables	884	798
<b>Total</b>	<b>4,429</b>	<b>8,030</b>

Key balances include:

- Management advised that to secure strategic clients for the Urbanise platform, the Company negotiated deferred payment terms for the software implementation and activation fees, in order to lock in clients and capture long term recurring revenue opportunities. These deferred payment terms required regular monthly or quarterly repayments which are recognised in accounts receivable.
- The Company's accounting policy recognises deferred revenue from certain clients as a liability, a corresponding entry is recognised in the Trade Receivables.
- The increase in Trade Receivables from \$3.545 million as at 30 June 2015 to \$7.233 million as at 30 June 2016 is driven by recognition of amounts for new clients and new work in FY2016;
- Other receivables of \$798,000 include an Export Market Development Grant.

3. **Other Assets:** Summarised below are the receivables as at 30 June 2015 and 30 June 2016.

Urbanise.com Limited		
Other Assets		
\$'000s	30/06/2015 Actual	30/06/2016 Actual
Prepayments	575	1,561
Other Receivables	223	237
Loans Receivables – Related Party	52	52
<b>Total</b>	<b>851</b>	<b>1,849</b>

Key balances include:

- The Increase in Prepayments balance of approximately \$1 million in FY2016 is driven by several one-off items including for overseas employees (Bulgaria) recruited through an agency, payments to a third party provider to trial software and partial payment for the production of Urbanise monitoring sensors.
- Other receivables include predominately deposits for leased properties;
- Loans receivable include loans from an associate in relation to funds for shares issued.

4. **Intangible Assets:** Summarised below are the intangible assets as at 30 June 2015 and 30 June 2016.

Urbanise.com Limited Intangible Assets		
\$'000s	30/06/2015 Actual	30/06/2016 Actual
Intellectual Property	10,591	9,444
Development	2,815	4,045
Trademarks	790	843
Customer relationships	220	196
<b>Total</b>	<b>14,416</b>	<b>14,527</b>

Key balances include:

- As at 30 June 2016, the combined balance of Intellectual Property and Development assets is \$13.489 million. This balance includes capitalised core business assets of Urbanise and Mystrata, in particular major web applications, mobile applications and a suite of wireless devices for measuring building and remote assets status. The core components of Intellectual Property held by Urbanise are service delivery platform, monitoring platform, mobile applications and monitoring devices which combined represents over 60% of Intellectual Property balance of the Company. The remaining balance relates to the software applications which were acquired as part of the Mystrata transaction in June 2015, as well as capitalised development, which incurred in subsequent periods;
  - Trademarks for Urbanise amount to a carrying value of \$53,000 with the balance of \$790,000 being attributable to Mystrata.
5. **Goodwill:** The carrying value of goodwill relates solely to the acquisition of Mystrata in June 2015. As described in the financial statements, the Company allocates goodwill to cash generating units (“CGUs”) according to applicable business operations. The recoverable amount of a CGU is based on value in use calculations. At each reporting period, Management are required to assess the carrying value of the Intellectual Property and goodwill from the acquisition of Mystrata. Whilst Mystrata continues not to generate significant profits and has performed below management expectations, there has not been any decision by management to impair this balance.
6. **Other Non-Current Assets:** The balance comprises long-term trade receivables for Urbanise customers which are typically on 3 to 5 year payment schedules. As noted in point 2 above for trade receivables, Urbanise recognises deferred revenue and receivables from strategic customers. Any revenue deferred is treated as the provision of finance and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. Interest is accrued and amortised over the period of the contract. All other trade receivables are non-interest bearing and are generally 30 day terms.

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## 6. Valuation Methodology

### 6.1 Overview

The best determinant of value is the price at which a business or a comparable business has been bought or sold in an arm's length transaction. In its absence, estimates of value are made using methodologies that infer value from other available evidence. These methodologies are discussed below.

### 6.2 Asset Based Methods

Asset based methods estimate the market value of a company's shares based on the realisable value of its identifiable net assets. Asset based methods include:

- **Net assets & net tangible assets** : Net assets method is based on the value of the assets of the business less certain liabilities, at book values, adjusted to market value, while the Net tangibles assets of the business is a similar calculation but with an additional adjustment to exclude intangible assets from the calculation;
- **Orderly realisation of assets** : Orderly realisation of assets method estimates fair market value by determining the amount that would be distributed to shareholders assuming the company is wound up in an orderly manner realising a reasonable market value for assets; and
- **Liquidation of assets** : Liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes the assets are sold in a shorter period, under a "distressed seller" scenario.

These approaches ignore the possibility that a company's value could exceed the realisable value of its assets. Asset based methods are appropriate when companies are not profitable (and are not expected to be profitable in the short to medium term), not actively trading or a significant proportion of a company's assets are liquid, or the business achieves lower profits than typical returns required by equity holders.

### 6.3 Market Based Methods

Market based methods estimate a company's fair market value by considering the market price of transactions in its shares or the market value of comparable companies. Market based methods include:

- **Analysis of a company's recent share trading history** : Most recent share trading history provides strong evidence of the fair market value of the shares in a company where they are publicly traded in an informed and liquid market;
- **Capitalisation of maintainable earnings** : Capitalisation of maintainable earnings method estimates fair market value by multiplying the company's future maintainable earnings by an appropriate capitalisation multiple. An appropriate earnings multiple is derived from market transactions involving comparable companies. The capitalisation of maintainable earnings method is appropriate where the company's earnings are relatively stable and comparable companies have similar cost structures; and
- **Industry specific methods** : Industry specific methods estimate market value using industry benchmarks. These methods generally provide less persuasive evidence on market value of a company, as they may not account for company specific factors. Industry specific methods are only used as a cross check to the primary valuation methodology.

### 6.4 Discounted Cash Flow Method

The discounted cash flow method estimates market value by discounting a company's future cash flows to their present value. This method is appropriate where a projection of future cash flows can be made with a reasonable degree of confidence for a period of at least 5 years. The discounted cash flow method is commonly used to value early stage companies; projects with a finite life; or businesses with comprehensive and reliable cash flow forecasts.

## 6.5 Selection of Methodologies

Our selection of the valuation methodology is guided by RG111 and specifically RG111.64 which states that “an expert should use its skill and judgment to select the most appropriate methodology in its report. The expert must have a reasonable (or tenable) basis for choosing the valuation methodology”. Further, RG111.65 states that “an expert should, when possible, use more than one valuation methodology”.

In selecting our valuation methodology to value the Company, we have considered:

- existing operations of Urbanise;
- the historical results and current performance levels including revenue and earnings;
- actual performance for the five-months to 30 November 2016 and forecast performance for the Urbanise in FY2017;
- representations by management in terms of the current and future trading performance, operating margins and strategic direction of the Company;
- our understanding of the competitive position of the Company in the industry; and
- access to publicly available valuation benchmarks, comparable company information and comparable company transactions.

As a publicly listed security on the ASX, one available methodology is a market-based valuation using the recent share price trading history of Urbanise shares.<sup>3</sup> We have considered this methodology as appropriate for determining the market value of the shares in Urbanise. In our view, a liquid stock would typically be characterised by having 25-50% of its total number of shares being traded over the course of a year, or about 0.5%-1.0% per week. While Urbanise is a thinly traded stock (and as set out in Section 7.2) the liquidity over the past 3 to 6 months does not meet the guidelines above, there is some liquidity in the stock and the shares display other characteristics of an active market.

As such, we consider the quoted market price of Urbanise shares to be a reliable indicator of their value. However, due to the lower levels of liquidity than what we would typically like to observe in respect share trading, we consider it necessary to look at other methods in conjunction with the value ascertained under this methodology. Therefore, we have then adopted a secondary methodology to the primary valuation methodology for Urbanise, namely a review of Net Assets and Net Tangible Assets.

We have also performed a cross-check to the valuations performed under the market-based valuation using recent share price and the review of Net Assets and Net Tangible Assets, by analysing comparable transaction multiples based on enterprise value as a multiple of revenues.

While the capitalisation of future maintainable earnings methodology is a commonly utilised methodology, we do not consider the application of this methodology as appropriate due to:

- Urbanise generating trading losses for 2 of the past 3 financial years;
- Urbanise has incurred a year to date loss in line with previous periods; and
- Our view that in the short term the company will most likely continue to generate losses for at least the next two financial years.

We consider that the use of a discounted cash flow methodology is considered inappropriate due to the lack of available forecast cash flows beyond FY2017. Additionally there is a level of inherent uncertainty around the future forecasts with the impact of the Acquisition of Business Assets, which currently have nominal trading but have been acquired to significantly expand revenue from new products and services to existing customers as well expansion geographically. Due to this inherent uncertainty around the future growth, any forecasts beyond FY2017 would be unreliable.

<sup>3</sup> RG 111.69 states that an expert should consider “the quoted price for listed securities, where there is a liquid and active market”.

## 7. Value of Urbanise

### 7.1 Valuation Conclusion

We have determined the market value of an ordinary share in Urbanise on a controlling interest basis to be in the range \$0.190 and \$0.207. In determining this range of value, we specifically relied upon the results of two methodologies, as set out below.

Urbanise.com Limited Equity Value Summary (\$'s)		
	Low	High
<b>Market-Based Valuation – Recent Share Price Methodology</b>		
Pre-Rights Value per Share on a Controlling Basis	0.190	0.207
<b>Asset-Based Valuation</b>		
Pre-Rights Net Asset Value per Share on a Controlling Basis	0.103	0.106
Pre-Rights Net Tangible Assets Value per Share on a Controlling Basis	0.186	0.189

Additionally we have performed a cross check to the valuation ascertained above, by reviewing comparable transaction multiples and specifically Enterprise Value to Revenue multiples. This analysis supported our valuation conclusions.

### 7.2 Market-Based Valuation – Recent Share Price

The market value of a company's shares as quoted on the ASX is reflective of a minority interest. Typically a minority interest does not have significant enough control for the holder to have an individual influence in the operations and value of that company. RG 111.22 suggests that when considering the value of a company's shares for the purposes of approval under s611 the expert should consider a premium for control. A premium for control is expected to be paid by the purchaser of those shares due to advantages they will receive should they obtain control of another company. These advantages can include:

- Control over operation decision making and the strategic direction of the company;
- Ability to deal with the company assets as the purchaser sees fit;
- Access to underlying cash flows though control over dividend policies; and
- Access to potential tax losses.

Whilst Argosy through this transaction will acquire up to 27.05% of Urbanise, RG 111 states that the expert should calculate the value of a target's shares as if 100% control were being obtained. RG 111.13 states that the expert can then consider an acquirer's practical level of control when considering reasonableness.

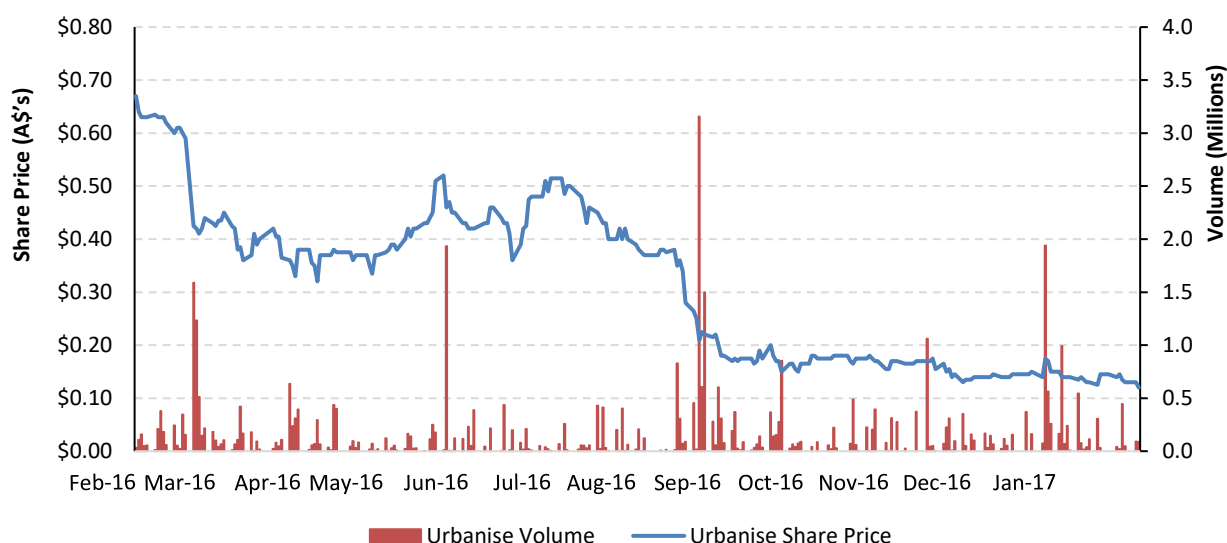
Based on the requirements of RG111, we have calculated the quoted market price of an Urbanise share including a premium for control in two parts. Firstly, calculate the quoted market price on a minority interest basis based on the ASX quoted share price, then add a premium for control to calculate the market price value on a controlling basis or one that includes a premium for control.

#### ***Value of Urbanise Share – Minority Interest Basis***

The determination of a quoted market price of a listed share is typically based on the pricing prior to the announcement of the Proposed Transaction. The ASX announcement of the Proposed Transaction was made on 4 January 2017, but announcement of completion of the Placement and Acquisition of Business Assets was made on 8 February 2017, hence our analysis is as at 7 February 2017, being the day before the announcement.

The following chart provides a summary of the share price movement over the year to 7 February 2017.

To determine whether recent share price is appropriate as an appropriate methodology to value Urbanise shares, we analysed the recent share trading and specifically the liquidity in respect of the trading in those shares. Set out below is the trading performance of Urbanise shares for the twelve months to 7 February 2017. Urbanise shares are frequently traded on the ASX, with trades being recorded on 221 days during the period.



*Source: S&P Capital IQ, Titan Partners Corporate Finance Analysis*

The daily price of Urbanise shares over the past 12 months has ranged from a low of \$0.12 in February 2017 to a high of \$0.67 in February 2016. During this period a number of announcements were made to the market. The key announcements can be observed in Appendix 5. Significantly on 25 August 2016, the company announced its FY2016 financial results were below market expectations. In particular we note in that announcement, Urbanise advised that:

- Revenue decreased by 3% on prior year;
- EBITDA for the FY16 was a loss of \$10.877 million;
- Operating Cashflows were negative \$10.300 million resulting in significant decline in cash balances;
- Urbanise platform revenues actually decreased from the prior period, indicating a slower than expected adoption of the platform. Further, the Company indicated a longer than anticipated sales cycle of its Urbanise software platform; and
- There was an underperformance of direct sales teams, especially in Europe.

The impact of this announcement resulted in a continued depreciation of the share price over the next 6 to 8 weeks to a level below \$0.20 per share. The share price has then traded within a band of \$0.13 to \$0.18 over the remaining 3 months of the calendar year to 31 December 2016.

At the close of trading on 4 January 2017, when the announcement on the Proposed Transaction was made, the share price was \$0.175. At the close of trading on 8 February 2017, being the date of announcement on completion of the Placement and Acquisition of Business Assets, the price was \$0.11 per share. Additionally we note that the closing price of shares as at 9 February 2017, when Urbanise made its announcement pertaining to the Rights Issue, was \$0.115 per share.

We note that on 4 January 2017 and 5 January 2017 (after announcement of the Proposed Transaction), approximately 2.5 million shares (representing nearly 1% of the shares outstanding) in Urbanise were traded on the ASX at price range of between \$0.17 and \$0.175 per share.



We assessed the recent trading performance of Urbanise and determined volume weighted average price (“VWAP”) of the shares over a period of 1, 3, 6 and 12 months. The following summarises the VWAP calculated for these periods.

Urbanise.com Limited Liquidity Analysis						
Period	Volume (Shares)	Volume (% of issue)	VWAP	Price (Low)	Price (High)	Days Traded
1 Month (Jan 2017)	3,322,549	1.3%	0.14	0.12	0.15	18
3 Months (Nov 2016 – Jan 2017)	10,949,213	4.2%	0.15	0.12	0.18	50
6 Months (Aug 2016 – Jan 2017)	24,670,374	9.6%	0.19	0.12	0.39	106
12 Months (Feb 2016 – Jan 2017)	42,980,741	16.7%	0.29	0.12	0.67	221

*Source: S&P Capital IQ, Titan Partners Corporate Finance Analysis*

As shown in the recent share trading history, there is relatively low liquidity in Urbanise shares with only 9.6% of shares on issue being traded over a six month period and only 4.2% of the Company’s current issued capital being traded over 90 trading days. For us to rely upon the ASX listed share price as an indication of market value, there needs to be a ‘deep’ market in the shares. RG 111.69 indicates that a ‘deep’ market should reflect a liquid and active market. We consider the following characteristics to be representative of a deep market:

- Regular trading in a company’s securities;
- Approximately 25% to 50% of a company’s securities are traded on an annual basis;
- There must be a sufficiently large spread of shareholders to enable the shares to trade on the stock exchange in an orderly manner; and
- There are no significant but unexplained movements in share price.

In our opinion, a company’s shares should meet all of the above criteria to be considered ‘deep’, however, failure of a company’s securities to exhibit all of the above characteristics does not necessarily mean that the value of its shares cannot be considered relevant.

From our analysis of the share trading of the business and with reference to the above characteristics, we note;

- There has been regular trading in the company securities with the stock trading 221 days in the past year;
- While only 16.7% of the Company’s shares were traded on an annual basis and this is lower than what we would normally expect, in our opinion we consider there is enough liquidity to rely on the share price as an indicator of value;
- As set out in Section 5.2, there is a considerable spread of shareholders, and in our opinion this spread is broad enough to facilitate a free float and regular trading of the Company’s shares; and
- We do not consider that there have been unexplained significant movements in the share price of the period observed.

Supporting our opinion that there is sufficient liquidity in Urbanise shares, we note (as set out previously) approximately 1% of shares outstanding was traded in the two days following the announcement of the Proposed Transaction.

We have determined that a range of values for Urbanise shares based on market pricing is between \$0.14 (being the 1 month VWAP) and \$0.15 (being the 3 month VWAP) with a midpoint value of \$0.145. This is on a minority basis.

However, due to the low liquidity of the share trading, the prevailing share price at any given time is therefore not solely indicative of the fair value of Urbanise and in our opinion other valuation methodologies should be utilised to determine value along with the analysis of the share price.

### Control Premium

Following completion of the Placement, Argosy owns 19.74% shareholding in the Company. As a result of the Rights Issue and after the approval of Urbanise Shareholders, Argosy will acquire up to 27.05% interest in Urbanise (as required under the Underwriting Agreement), which represents significant influence but not necessarily effective control over the Company. As discussed above, we are required under RG111 to assess the Proposed Transaction as if it is a controlling transaction (even though Argosy will not gain control of Urbanise), and accordingly the concept of a premium for control must be applied. This reflects the additional value that attaches to a controlling interest.

We reviewed the control premiums paid by acquirers of technology companies (set out in Appendix 6) and identified that the premiums range from 14% to 47%, with an average of 28%. However, this was a small sample of four Australian transactions within the past 18 months. Due to the lack of comparable transactions in the market, we have also reviewed studies of market premiums on Australian transactions published by Halligan & Co<sup>4</sup>, where the median takeover premium in the IT sector for the period FY2001 to FY2014 was 33%, and the median takeover premium for all takeovers during that period was 30%.

In arriving at an appropriate control premium to apply, we note that observed control premiums can vary due to the:

- Nature and magnitude of non-operating assets;
- Nature and magnitude of business opportunities not currently being exploited;
- Level of pre-announcement speculation of the transaction; and
- Level of liquidity in the trade of Urbanise's securities.

Based on the factors above, we consider a control premium range of between 30% and 35% to be applied to Urbanise's quoted market share price, which is comparable to the range of control premiums observed in our analysis and that of the Halligan & Co study. That this premium is slightly higher than the observed market median reflects the lower liquidity in the Urbanise share price.

### Pre-Rights Value per Share on a Controlling Basis

Applying a control premium to Urbanise's market based share value (minority basis) results in the following Market Based Share Value (controlling basis) or Market Price including a premium for control:

Urbanise.com Limited Pre-Rights Value Summary			
	Price (Low)	Price (High)	Midpoint Traded
Pre-Transaction VWAP Assessed market value per share, minority basis \$	0.14	0.15	0.145
Control Premium Applied	30%	35%	32.5%
Pre-Transaction, Assessed Market Value per share, controlling basis \$	0.182	0.203	0.192
Pre-Transaction shares on issue	258,122,399	258,122,399	258,122,399
<b>Pre-Transaction Implied Market Value, controlling basis \$</b>	<b>46,978,277</b>	<b>52,269,786</b>	<b>49,591,766</b>
Add: Cash raised from Placement (issue of 63.5 million shares)	14,287,500	14,287,500	14,287,500
Pre-Rights Value, controlling basis \$	61,265,777	66,557,286	63,911,531
Pre-Rights shares on issue	321,622,399	321,622,399	
<b>Pre-Rights Value per share, controlling basis \$</b>	<b>0.190</b>	<b>0.207</b>	<b>0.200</b>

**Source:** Titan Partners Corporate Finance Analysis

<sup>4</sup> Control Premium Research 2014

We have added the cash proceeds from the Placement of \$14,287,000 to the pre-transaction market value on a controlling basis, as such cash is a part of the value of the Company. As was discussed in section 4.1, the majority of cash proceeds from the Placement, specifically \$12,000,000, was used to acquire the Business Assets, which Urbanise require to support further development of the business. For the purpose of our analysis, we assumed the value of the assets was acquired on market terms between a willing buyer and seller, as such we did not perform the adjustments to the value of the Company.

Therefore, our valuation of the Pre-Rights Value of Urbanise shares based on the recent share price and including a premium for control is between \$0.190 and \$0.207.

### **7.3 Net Tangible Assets Valuation**

In determining the Net Asset Value of Urbanise, we have principally had regard to the pro-forma Balance Sheet as at 31 December 2016 on the following page.

After reviewing the nature of the assets and liabilities held, certain adjustments have been made to the asset balances as at 30 June 2016, as set out in Section 5.6, to construct a pro-forma forecast balance sheet at 31 December 2016. Our findings are set out in the table below.

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Urbanise.com Limited				
Net Asset and Net Tangible Asset Calculator				
\$'000s		30/06/2016	31/12/2016	31/12/2016
	Notes	Audited	Pro-Forma (Low)	Pro-Forma (High)
<b>Current Assets</b>				
Cash and cash equivalents	1	7,790	3,790	4,790
Trade and other receivables		8,030	8,030	8,030
Other assets		1,849	1,849	1,849
Inventory		594	594	594
<b>Total Current Assets</b>		<b>18,263</b>	<b>14,263</b>	<b>15,263</b>
<b>Non-Current Assets</b>				
Property, plant and equipment		591	591	591
Intangible assets	2	14,527	14,529	14,527
Goodwill	2	12,217	12,219	12,217
Deferred tax assets		2,803	2,803	2,803
Other non-current assets		5,057	5,057	5,057
<b>Total Non-Current Assets</b>		<b>35,195</b>	<b>35,199</b>	<b>35,195</b>
<b>Total Assets</b>		<b>53,458</b>	<b>49,462</b>	<b>50,458</b>
<b>Current Liabilities</b>				
Trade and other payables		1,461	1,461	1,461
Provisions		1,193	1,193	1,193
Other liabilities		1,263	1,263	1,263
<b>Total Current Liabilities</b>		<b>3,917</b>	<b>3,917</b>	<b>3,917</b>
<b>Non-Current Liabilities</b>				
Provisions		17	17	17
<b>Total Non-Current Liabilities</b>		<b>17</b>	<b>17</b>	<b>17</b>
<b>Total Liabilities</b>		<b>3,934</b>	<b>3,934</b>	<b>3,934</b>
<b>Net Assets</b>		<b>49,524</b>	<b>45,528</b>	<b>46,524</b>
<b>Net Tangible Assets Pre-Transaction</b>		<b>22,780</b>	<b>18,780</b>	<b>19,780</b>
Add: Cash raised from Placement		14,288	14,288	14,288
<b>Net Tangible Assets, Pre-Rights</b>		<b>37,068</b>	<b>33,068</b>	<b>34,068</b>
<b>Net Assets, Pre-Rights</b>		<b>63,812</b>	<b>59,816</b>	<b>60,812</b>
<b>Assessment on Undiluted Basis</b>				
<b>Number of Shares – Pre-Rights</b>			321,622,399	321,622,399
<b>Net Tangible Assets per Share, Pre-Rights</b>			\$0.103	\$0.106
<b>Net Assets per Share, Pre-Rights</b>			\$0.186	\$0.189

The table above indicates a valuation range for an Urbanise share on:

- a Net Tangible Assets basis of \$0.103 and \$0.106; and
- a Net Assets basis of \$0.186 and \$0.189.

We have adopted the following adjustments to the audited results as set out below:

***Adjustment 1: Cash and cash equivalents***

Cash and cash equivalents have been adjusted by approximately \$3.0 to \$4.0 million to reflect the loss that we expect the company to declare in its half year results.

***Adjustment 2: Intangible Assets and Goodwill***

We have reviewed the individual items that make up intangible assets and goodwill balances that are recorded on the balance sheet. We were able to conclude that the material items of intangible assets relating to the costs and development of the Urbanise Software platform and related intellectual property, as well as the costs associated with the purchase and further development of the MyStrata software and related intellectual property has been capitalised to the balance sheet. Further we consider that the performance to date of the businesses relating to those items of intellectual property has been at a level under management expectations and with significant trading losses in FY2016.

From our review of:

- the historic losses and cashflows and the performance of these businesses;
- the additional required capital and investment expenditure; and
- the short term forecasts prepared by management for these businesses<sup>5</sup>.

We considered that it would currently be unlikely that the market value of these intangible assets and goodwill amounts would be materially in excess of the carrying values in the balance sheet. Accordingly in determining the Net Asset value of Urbanise, we consider it reasonable to accept that the carrying value of the intangible assets and goodwill as set out in the balance sheet as indicative of current market value.

We compared the price of the Rights Issue of \$0.225 to the Net Tangible Assets value of shares \$0.186 and \$0.200 calculated above, and concluded that there is a premium in the offer price of 13.4% and 21.0%, which supports our view on the reasonable terms of the Proposed Transaction.

**7.4 Cross Check to the Primary Methodologies – Multiple of Revenue Transaction Analysis**

As a cross check to the calculation of share value in Section 7.2 and 7.3, we have reviewed the value implied by the Proposed Transaction to comparable transactions and specifically analysing Transaction Multiples of Revenues. This is a less persuasive methodology to analyse value as a Multiple of Revenue analysis ignores:

- the operating cost base required to generate those revenues and that this may vary significantly between the companies being observed, and
- whether those companies are currently making losses similar to Urbanise or will follow the same growth trajectory as Urbanise.

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<sup>5</sup> We note there are no longer term forecasts which may be relied upon.

Our analysis of the Enterprise Value implied by the Post-Rights Value per share on a controlling basis against the historic revenues generated by Urbanise to calculate an Enterprise Value to Revenue multiple, is set out below.

Urbanise.com Limited Enterprise Value to Revenue Multiple		
	Low	High
Number of Shares on Issue, Pre-Transaction	258,122,399	258,122,399
Pre-Rights Value per share, controlling basis \$	0.190	0.207
<b>Implied Enterprise Value \$'000s</b>	<b>49,170</b>	<b>53,416</b>
 <b>FY2015 Total Revenue \$'000s</b>	 <b>9,245</b>	 <b>9,245</b>
<b>Multiple of Revenue</b>	<b>5.32 X</b>	<b>5.78 X</b>
 <b>FY2016 Total Revenue \$'000s</b>	 <b>8,319</b>	 <b>8,319</b>
<b>Multiple of Revenue</b>	<b>5.91 X</b>	<b>6.42 X</b>

*Source: Titan Partners Corporate Finance Analysis*

We reviewed comparable transactions involving control transactions in the technology sector and observed Enterprise Value to Revenue multiples:

- For Australian and New Zealand transactions, in a range of 1.3 to 3.4 times revenue, with an average multiple of 2.6 times revenues.
- For international transactions, in a range of 1.9 to 7.2 times revenue, with an average multiple of 4.6 times revenues.

Refer to Appendix 7 for further details on the transactions identified in our analysis.

The Enterprise Value to Revenue multiple implied by the proposed transaction is significantly higher than the average multiples observed in the comparable transaction analysis. Accordingly, this supports our findings in respect of the value determined for Urbanise shares on a controlling basis.

## 7.5 Pre-Rights Value per Share on a Controlling Basis

As was detailed in section 7.2 above, we have adopted a market based valuation methodology to derive Pre-Rights Value per share on a controlling basis. As such, we have assessed the Pre-Rights Value per share on a controlling basis of \$0.190 for low value and \$0.207 for high value respectively. Our valuation assessment is supported by the alternative methodology of a net tangible assets valuation in section 7.3 and our cross-check using multiple of revenues for comparable transactions.

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## 7.6 Post-Rights Value per Share on a Minority Basis

We have combined the Pre-Rights Value per share on a controlling basis and the cash contribution from the Rights Issue of \$7,259,692, to derive a Total Post-Rights Value on a controlling basis. Additionally, we applied an adjustment for minority discount of 23.1% for low value and 25.9% for high value, which is an equivalent of a control premium of 30% and 35.0% respectively, to determine Post-Rights Value per share on a minority basis. The Post-Rights Value per share calculations are summarised below.

Urbanise.com Limited Transaction Valuation		
\$'s	Low	High
Pre-Rights Value per share, controlling basis \$	0.190	0.207
Assessed Pre-Rights Value, controlling basis \$	61,265,777	66,557,286
<b>Rights Issue</b>		
Number of Shares Issued	32,265,300	32,265,300
Subscription Price (\$)	0.225	0.225
Cash Contributed from Rights Issue (\$)	7,259,692	7,259,692
<b>Post-Rights Value</b>		
Expected Market Post-Rights Value, controlling basis \$	68,525,469	77,301,631
Number of Shares on Issue	353,887,699	353,887,699
Post-Rights Value per share, controlling basis \$	0.194	0.218
Less: Minority Discount (Equivalent of control premium applied)	-23.1%	-25.9%
Post-Rights Value per share, minority basis \$	0.149	0.155

**Source:** Titan Partners Corporate Finance Analysis

Therefore, our assessment of an Urbanise Post-Rights Value per share on a minority basis is between \$0.149 and \$0.155.

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## 8. Evaluation of Proposed Transaction

### 8.1 Approach

We have adopted the guidelines set out in Regulatory Guides issued by ASIC including RG74 and RG 111, which govern the content and use of experts' reports in corporate transactions.

In particular, RG111.24 states that an issue of shares such as the Proposed Transaction has the effect on a company's shareholding comparable to a takeover bid. Therefore, in accordance with RG111.25, we analysis the transaction as if it were a takeover bid under the Corporations Act 2001.

The ASIC regulations require an independent expert to consider takeover proposals under the concepts of "fairness" and "reasonableness". We therefore separately consider whether the Proposed Transaction is "fair" and "reasonable" from the perspective of the shareholders.

### 8.2 Fair

RG111 considers that a transaction is fair if the value of the offer price or consideration received by the Company for the share subscription is greater than the value of the securities to be issued. The comparison should be undertaken assuming a knowledgeable, willing but not anxious buyer and knowledgeable, willing but not anxious seller, where both parties act on an arm's length basis. Therefore, to determine whether the Proposed Transaction is fair, we compare the assessed Pre-Rights Value per share on a controlling basis with the market value of Post-Rights Issue per share on a minority basis.

The assessed Pre-Rights Value per share on a controlling basis is between \$0.190 and \$0.207, and Post-Rights Value per share on a minority basis is \$0.149 and \$0.155. The value of Urbanise shares following the Rights Issue on a minority basis is lower than the value of an Urbanise share before the Rights Issue on a controlling basis. Therefore, we consider that the Proposed Transaction is not fair.

### 8.3 Reasonable

RG111 states that a transaction is also "reasonable" if it is "fair". It also states a transaction may be considered "reasonable" if not "fair", where an expert concludes there are sufficient reasons to proceed with a transaction in the absence of a higher offer.

Even though we have assessed the Proposed Transaction as "not fair", we are still able to conclude that it is "reasonable" under guidelines set out in RG111 after a review of the advantages and disadvantages of the Proposed Transaction. Accordingly, we review the key advantages and disadvantages of the Proposed Transaction below.

### 8.4 Advantages

In accordance with RG111, we assess the qualitative aspects of the Proposed Transaction to identify the advantages and disadvantages to the shareholders upon Completion.

#### ***Provides required capital for the Acquisition of Business Assets***

The Proposed Transaction and the completed Placement collectively seeks to raise \$21.547 million in new equity capital, which provides the required capital for Urbanise to acquire Wattkeeper and Intelligen as part of the Proposed Acquisition. These assets, as outlined in Section 4.6, have been identified by the Directors of Urbanise as complementary to the current strategy of the business and the Company's existing product offering. We understand there is currently no immediate alternate funding source identified in the absence of the Proposed Transaction.



### ***Shareholders retain majority control***

While we have considered the impact of the Proposed Transaction on a controlling basis in accordance with RG111, Argosy's shareholding in Urbanise will increase from 19.74% to 27.05%, if approved by Shareholders. While its voting power will increase following the Proposed Transaction, where a 27.05% interest provides a significant level of influence and is indicative of a controlling transaction, Argosy will continue hold a minority interest in the Company, with existing Shareholders collectively holding a majority interest in the Company. Further, other major shareholders in Urbanise, as listed in Section 5.2, will also retain their interests in the Company, further restricting the ability of Argosy to dominate the Company's affairs after the Proposed Transaction as Argosy will continue to require the support of existing Shareholders.

### ***No impact on free float***

We note the Proposed Transaction pertains to the issue of new shares in Urbanise. As such, the number of shares which may be traded without escrow remains unchanged at 258 million securities. Further, holdings of major shareholders prior per Section 5.2 also remain unaffected, therefore the total volume of securities available for trading on the ASX is not impacted by the completion of the Proposed Transaction.

***The Shareholders not approving the Proposed Transaction is likely to result in a Share price lower than if the Proposed Transaction is approved.***

As detailed in Section 4.1, Urbanise previously announced it will issue shares under the Rights Issue at \$0.225. The subscription price is at a significant premium to the closing price of Urbanise shares as at 9 February 2017 of \$0.115, being the day the Rights Issue subscriptions were announced to the ASX. Due to this premium, it is likely the completion of the Rights Issue will lead to an increase in the Urbanise share price, as the subscription for new shares in the Company at a price significantly higher than the prevailing share price. Should the Proposed Transaction not be approved by Shareholders, it is likely that the market price of Urbanise shares is likely to remain unchanged or fall below the current level.

### ***The Rights Issue improves the Net Asset position of Urbanise***

We note new Urbanise shares under the Proposed Transaction will be issued at \$0.225, which exceeds both our assessed Net Assets per share range of \$0.103 to \$0.106 and Net Tangible Assets value per share of \$0.186 to \$0.200, as described in Section 7.3. Therefore, the completion of the Proposed Transaction will result in an increase of both Net Assets and Net Tangible Assets per share.

### ***Implied revenue multiple by the Transaction is significantly higher than the comparable market transactions***

Based on the cross check analysis of revenue multiple performed in section 7.4, we concluded that the Enterprise Value to Revenue multiple implied by the Proposed Transaction to be in the range from 5.32 times to 6.42 times is significantly higher than the average multiples observed in the comparable transactions we have reviewed, which is in the range from 2.6 times to 4.6 times. Accordingly, this supports our conclusion that the subscription price of the Rights Issue is at a premium to the current market value of Urbanise shares.

### ***Improved Balance Sheet Strength***

The Proposed Transaction envisages a capital raising for a total of \$21.547 million combined for the Placement and Rights Issue transactions. The amount to be raised significantly exceeds the agreed consideration of \$12 million for the Acquisition Assets. Surplus funds raised by the Proposed Transaction and Placement strengthens the balance sheet and working capital position of Urbanise, generating additional cash reserves of over \$9 million to fund growth strategies of the Company while providing a large buffer to weather the impact of any adverse events. Therefore, the Company is unlikely to require additional capital for some time. Further, with access to additional cash reserves, Urbanise is well positioned to take advantage of any future opportunistic acquisitions which may arise.

### ***Long-Term Investor Involvement***

As specified in the Shareholder Booklet, Argosy has committed to be a long-term shareholder in Urbanise with an agreement for a voluntary escrow of their shareholding for a period of 18 months from the date of issue. As noted in Section 4.2 above, Argosy is an investment company with no fixed investment horizon. A stable ownership structure with respect to major shareholders is advantageous to a listed entity such as Urbanise and enables the management focus on strategic and growth priorities.

### ***Shareholders had choice to participate in Rights Issue***

The Rights Issue was announced on 4 January 2017, with all existing Shareholders offered the opportunity to participate and retain their relative interest in Urbanise. It is by virtue of the majority of Shareholders electing not to exercise their entitlements to participate in the Rights Issue that the Proposed Transaction arises, where the issue of additional shares to Argosy requires Shareholder approval. The Company had provided the choice to subscribe for additional shareholders prior to the issue of additional Argosy shares to Argosy.

### ***Unconditional Access to New Capital via Fully Underwritten Rights Issue***

As the Rights Issue has closed on 6 February 2017, a commitment to contribute additional capital from Argosy is already confirmed by virtue of only 26,888 shares subscribed for by existing shareholders, triggering the subscription for shortfall shares by Argosy. We note that 32,238,412 shares will be allocated to Argosy, of which Shareholder approval is required for issuing 31,440,693 shares. Approval of the Proposed Transaction will therefore unconditionally provide the Company with access to an additional \$7,259,692 in capital upon completion. Further, there are currently no alternative offers, both conditional or unconditional, which are available to the Company to raise a similar amount of additional capital.

## **8.5 Disadvantages**

### ***Deters alternative offers***

Announcement and acceptance of the Proposed Transaction by Shareholders may prevent alternative offers or proposals from being lodged by other parties. There is always the possibility that a higher offer will be submitted for the shares in Urbanise, creating a larger return for Urbanise Shareholders. In our opinion this is highly unlikely, given that Urbanise is not actively seeking offers, it has no other party currently looking to make a counter offer and that Urbanise is not currently profitable.

### ***Impact on Liquidity***

Based on the announcement of Urbanise to ASX on 9 February 2017 with respect to the Rights Issue, 32,238,412 shares will be allocated to Argosy (subject to Shareholder approval), which will increase its holding in Urbanise from 17.94% to 27.05%. As Argosy intends to be a long-term investor and its shares are held in escrow for 18 months, there may be subsequent impacts on the liquidity of Urbanise shares traded on the ASX in the future, as a significant percentage of shares are unable to be traded. We note however any impact may be mitigated by the issue of new shares under the Rights Issue, such that existing shares held by Shareholders not subject to any escrow restrictions.

### ***Impact on Takeover Bids for the Company***

In accordance with RG111.13, we considered the impact of the Proposed Transaction on the potential for any future takeover bid to be made in relation to Urbanise shares. We reviewed the recent share price performance of Urbanise in Section 7.2 above, where we examined both the share price and volume traded in 12 months period to 7 February 2017. After completion of the Placement, Argosy hold 17.94% of issued capital, however, following the Rights Issue Argosy's share in Urbanise will reach 27.05%, subject to Shareholder approval. As such Argosy will become the largest shareholder in the Company, followed by the Pierce Group Asia (shareholding held under Pierce ESIM Pte Limited and Pierce CIM Pte Limited). The existence of an additional large shareholder in the ownership structure may deter interested parties from future takeover bids, as their support will be essential for such a bid to succeed to the extent it pertains to 100% of Urbanise.

However, any future takeover bid will continue to require the approval of the majority of current Shareholders, who collectively remain shareholders of between 72.95% to 82.06% of the Company and as such, a control premium over fair market value will still be required by a potential bidder to gain control of Urbanise. The Proposed Transaction has not impacted the need for a control premium to compensate Shareholders in the event of a takeover of Urbanise.

## 8.6 Conclusion

Based on our assessment of the factors outlined above, in our opinion, the Proposed Transaction is considered to be not fair but reasonable to the Urbanise Shareholders.

The decision of any individual shareholder to vote for or against the Proposed Transaction is subject to and influenced by his or her individual circumstances. Titan Partners Corporate Finance strongly advises Shareholders to consult their independent advisors if in doubt.

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## Financial Services Guide

Titan Partners Corporate Finance Pty Limited ABN 38 177 095 636 (“**Titan Partners Corporate Finance**”, “**we**”, “**us**”) has been engaged to prepare general financial product advice in the form of an Independent Expert’s Report to be provided to you.

In this circumstance we are required to issue to you, as a retail client, a Financial Services Guide (“**FSG**”). This FSG is designed to assist retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as a financial services licensee.

The FSG herein contains information with regards to:

1. who Titan Partners Corporate Finance is and how we can be contacted;
2. services we authorised to provide under our Australian Financial Services Licence;
3. remuneration that we, our staff and any associates receive in connection with the general financial product advice provided; and
4. our complaints handling process and the avenues available to lodge a complaint.

### ***Titan Partners Corporate Finance***

Titan Partners Corporate Finance is the corporate finance arm of Titan Partners, which provides corporate finance services in relation to mergers and acquisitions, capital raisings, corporate restructuring, property and financial matters generally. One of its activities is the preparation of company and business valuations and the provision of independent advice and expert’s reports concerning mergers and acquisitions, takeovers and capital reconstructions.

Titan Partners Corporate Finance holds Australian Financial Services Licence Number 427275.

### ***Financial services we are licensed to provide***

The Australian Financial Services Licence we hold authorises us to provide a broad range of services to retail and wholesale clients, including providing financial product advice in relation to various financial products such as securities (including debentures, shares and bonds), derivatives and interests in managed investment schemes.

We provide financial product advice by virtue of an engagement to issue a report in connection with a financial product of another person. Our report will include a description of the circumstances of our engagement and identify the person who has engaged us. You will not have engaged us directly but will be provided with a copy of the report as a retail client because of your connection to the matters in respect of which we have been engaged to report.

### ***General Financial Product Advice***

In our Report, we provide general financial product advice. It was prepared without taking into account your personal objectives, financial circumstances or needs.

You should consider your own personal objectives, financial circumstances or needs in assessing the appropriateness of the general advice we provide and may wish to seek personal advice from the holder of an Australian Financial Services Licence.

### ***Fees, commissions and benefits we may receive***

We charge fees to provide reports, including the IER provided herein. These fees are negotiated and agreed with the entity which engages us to provide a report. Our fees are determined on either a fixed amount or charged on an hourly time cost basis. Titan Partners Corporate Finance are expected to receive a fee of approximately \$12,000 for the preparation of this Report. The fee is not affected by whether the Non-Associated Shareholders approve or reject the Proposed Transaction. Except for such fees, Titan Partners Corporate Finance nor any of its directors, officers or associates receive any commissions or further benefits in connection with the report provided.

All of our employees receive a salary. Our employees do not receive any commissions or benefits arising directly from services provided to our clients.

We do not pay commissions or provide any other benefits to any party for referring clients to us in connection with the services that we are licensed to provide.

### ***Complaints***

As the holder of an Australian Financial Services Licence, we are required to have a complaints handling system for persons to whom we provide financial product advice. All complaints must be in writing, addressed to Titan Partners Corporate Finance Pty Ltd, PO Box R415, Royal Exchange NSW 1225.

In the event we are unable to satisfactorily resolve your complaint within 45 days of your written notification, you are entitled to have your matter referred to the Financial Ombudsman Services Limited ("**FOS**"), an independent external complaints resolution service established to provide advice and assistance to consumer to assist in resolving complaints relating to the financial services industry. You will not be charged for using the FOS service.

Further details about FOS are available at the FOS website or by contacting them directly via the details set out below.

Financial Ombudsman Service  
GPO Box 3  
Melbourne VIC 3001  
Toll Free: 1300 78 08 08  
Facsimile: (03) 9613 6399  
Email: [info@fos.org.au](mailto:info@fos.org.au)

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## Appendix 2 – Qualifications, Declarations and Consents

### **Qualifications and Responsibilities**

Titan Partners Corporate Finance Pty Limited is the corporate finance arm of Titan Partners, which provides corporate finance services in relation to mergers and acquisitions, capital raisings, corporate restructuring, property and financial matters generally. One of its activities is the preparation of company and business valuations and the provision of independent advice and expert's reports concerning mergers and acquisitions, takeovers and capital reconstructions.

Mr Brad Higgs, *B.Com, CA, F.Fin* is responsible for this Report. Mr Higgs has a significant number of years' experience in relevant business advisory and corporate finance matters.

Mr Higgs is acting as a Representative of Titan Partners Corporate Finance pursuant to its Australian Financial Services Licence (No. 427275) held under Part 7 of the *Corporations Act 2001* (Cth) to provide advice on the valuation of securities.

### **Disclaimers**

This Report has been undertaken in accordance with the instructions from the Directors of Urbanise. In performing this assignment we have accepted all information as presented to us as being free of material misstatement. We have relied on information provided, as set out in Section 3.3. We have evaluated this information through analysis, enquiry and review as appropriate. We do not warrant that our evaluation has identified or verified all of the matters that an audit, extensive examination or due diligence investigation may disclose.

The purpose of this Report, as set out in Section 3.1, is to satisfy Section 606 and 611 of the *Corporations Act 2001*. We understand that the Directors wish to obtain an Independent Expert's Report to assist the Shareholders in their decision to vote for or against the Proposed Transaction at an Extraordinary General Meeting.

This report has been prepared solely to assist the Shareholders in considering their voting intentions with respect to the Proposed Transaction. We do not assume any responsibility or liability for any losses suffered by any party as a result of the circulation, publication, reproduction or other use of this report contrary to the provisions of this paragraph.

This Report has been prepared by Titan Partners Corporate Finance with care and diligence and that statements and opinions given by Titan Partners Corporate Finance in this report are given in good faith and in the belief on reasonable grounds that such statements and opinions are correct and not misleading. However, no responsibility is accepted by Titan Partners Corporate Finance or any of its officers or employees for errors or omissions however arising in the preparation of this report, provided that this shall not absolve Titan Partners Corporate Finance from liability arising from an opinion expressed recklessly or in bad faith.

### **Declarations**

Our Report has been in accordance with *Regulatory Guide 111 Content of Expert Reports* issued by ASIC, professional standard *APES 225 Valuation Services*, issued by the Accounting Professional and Ethical Standards Board ("**APESB**") and any other applicable professional standards and statutory requirements, including the *Corporations Act 2001*.

Titan Partners Corporate Finance nor its Representatives or staff have at the date of this Report nor has ever had any shareholding in or other relationship with Urbanise that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Proposed Transaction.

Titan Partners Corporate Finance will receive a fee based on time costs for the preparation of this Report. This fee is not contingent on the outcome of the valuation report. Titan Partners Corporate Finance will receive no other benefit for the preparation of this Report.

Urbanise have agreed that to the extent permitted by law to indemnify Titan Partners Corporate Finance employees and officers in respect of any liability suffered or incurred as a result of or arising out of the preparation of this Report; including any claim arising from or in connection with its reliance on information or documentation provided by or on behalf of Urbanise which is false, misleading or omits material information. This indemnity will not apply in respect of

any conduct involving negligence or wilful misconduct or fraud. Urbanise have also agreed to indemnify Titan Partners Corporate Finance and its employees and officers for time spent and reasonable legal costs and expenses incurred in relation to any inquiry or proceeding initiated by any person except where Titan Partners Corporate Finance or its employees and officers are found liable for or guilty of conduct involving negligence or wilful misconduct or fraud in which case Titan Partners Corporate Finance shall bear such costs.

#### ***Consents***

Titan Partners Corporate Finance consents to the inclusion of this Report in the form and context in which it is included in the Shareholder Booklet to be issued to Shareholders with respect to the Proposed Transaction. Other than this Report, none of Titan Partners Corporate Finance or its affiliates has been involved in the preparation of the Shareholder Booklet.

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**Appendix 3 – Glossary of Key Terms**

Term	Definition
<b>Acquisition of Business Assets</b>	Acquisition of Business Assets by Urbanise from Infotech (Pty) Limited for total consideration of \$12.000 million
<b>Business Assets</b>	Business assets and intellectual property pertaining to Wattkeeper and Intelligen
<b>Argosy</b>	Argosy Capital Limited, an entity registered in the Isle of Man
<b>EBITDA</b>	Earnings before interest and tax, depreciation and amortisation
<b>FY2014</b>	Reported financial information for financial year ended 30 June 2014
<b>FY2015</b>	Audited financial information for financial year ended 30 June 2015
<b>FY2016</b>	Audited financial information for financial year ended 30 June 2016
<b>FY2017</b>	Financial year ending to 30 June 2017
<b>Placement</b>	An issue of 63,500,000 ordinary shares to Argosy at a price of \$0.225 per Share to raise \$14,287,500
<b>Proposed Transaction</b>	Proposal for the issue of ordinary shares in the Company under the Rights Issue
<b>Pre-Rights Value</b>	Value of a share in Urbanise on a controlling basis after the placement of shares but prior to the Proposed Transaction
<b>Post-Rights Value</b>	Value of share in Urbanise on a minority interest basis, following the Proposed Transaction
<b>the “Report”</b>	This Independent Expert’s Report on the Proposed Transaction
<b>Rights Issue</b>	An issue of non-renounceable rights on a 1 for 8 basis at a price of \$0.225 per Share (the “Rights Issue”), which is fully underwritten by Argosy
<b>Shares</b>	Ordinary shares in Urbanise
<b>Titan Partners Corporate Finance, “we”</b>	Titan Partners Corporate Finance Pty Limited, AFSL: 427275.
<b>Urbanise, the “Company”</b>	Urbanise.com Limited, ACN 095 768 086



## Appendix 4 – Sources of Information

The information set out below was considered, adopted and relied upon by us in forming our opinion and preparing the report herein:

- Audited Financial Statements of Urbanise for the years ended 30 June 2015 (“**FY2015**”) and 30 June 2016 (“**FY2016**”), with comparative information for the year ended 30 June 2014 (“**FY2014**”);
- Investor Presentations prepared by Urbanise and released as ASX announcements in respect of FY2015 and FY2016 earnings results;
- ASX announcement on 9 February 2017 in respect of the Rights Issue;
- ASX announcements on 8 February 2017 in respect of completion of the Acquisition and Placement;
- ASX announcements on 4 January 2017 in respect of the Acquisition, Placement and Rights Issue;
- Management information with respect to the acquisition of Mystrata;
- Management information with respect to the Acquisition Assets;
- Prospectus in respect of the initial public offering of shares in Urbanise dated 25 August 2014;
- Other ASX announcements issued by Urbanise;
- Corporate transaction data and other market data as sourced from S&P Capital IQ;
- Industry Research Reports published by IBISWorld Pty Limited (“**IBISWorld**”) including report OD5528 Facilities Management Services in Australia and OD5463 Software Suppliers in Australia;
- ‘Control Premium Research 2014’ paper, published by Halligan & Co; and
- Discussions with directors, management and advisors of Urbanise, including the Chief Product Officer and Chief Financial Officer, as well as provision of internal accounting work papers and analysis.

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**Appendix 5 – Recent ASX Announcements**

Urbanise.com Limited	
Company Announcements for the period from 1 July 2016 to 9 February 2017	
Announcement Date	Title
09/02/2017	UBN Rights Issue Closure and Shortfall Notification
09/02/2017	Initial Directors Interests Notices - Strauss
08/02/2017	UBN Director Appointment Strauss
08/02/2017	Appendix 3B Placement
08/02/2017	UBN 708A Notice
08/02/2017	UBN Completion of Asset Purchase and Placement
03/02/2017	UBN Market Update Asset Purchase and Underwriting Terms
31/01/2017	Urbanise Senior Management Changes
24/01/2017	UBN Rights Issue Fractional Entitlements
23/01/2017	UBN Rights Issue Offer Despatch
16/01/2017	UBN secures 20,000 lot strata contract in South Africa
13/01/2017	UBN FY17 Guidance and Outlook
04/01/2017	Appendix 3B Rights Issue
04/01/2017	Appendix 3B Rights Issue
04/01/2017	UBN s708AA Notice
04/01/2017	UBN Investor Presentation - Transaction Summary
04/01/2017	UBN Announces Placement, Asset Purchase and Rights Issue
15/12/2016	UBN Shareholder Newsletter
09/12/2016	UBN signs Cushman and Wakefield agreement
23/11/2016	UBN AGM Presentation Correction
23/11/2016	Annual General Meeting Results
23/11/2016	AGM Presentation and Address
22/11/2016	UBN Signs Commercial Agreement with PICA Group
21/10/2016	UBN Annual General Meeting Notice of Meeting
18/10/2016	Initial Directors Interests Notice - Scotton
18/10/2016	Final Directors Interest Notice - Tansey
14/10/2016	UBN Appendix 4G
14/10/2016	UBN Annual Report 2016
14/10/2016	UBN Appointment and Resignation of Director
29/09/2016	Change of Director's Interest Notice - Churchill
23/09/2016	UBN Relocates Finance Management
25/08/2016	UBN Investor Presentation Annual Results FY16
25/08/2016	Urbanise lays foundations for growth
25/08/2016	Appendix 4E and Annual Financial Report
05/08/2016	Appendix 3B - Option Expiry Dates Corrected
06/07/2016	UBN agrees terms with Prudential Investment Company of Aust

Source: ASX

## Appendix 6 – Market Takeover Premium

Set out below are the takeover premiums on comparable transactions in the software and information technology industries in Australia in the past 18 months. A summary of each of the identified transactions and a summary of the business operations of the target company in each transaction are set out on the following page.

Urbanise.com Limited							
Comparable Transaction Takeover Premium							
Target	Bidder	Share price per offer (\$)	Market Share Price (\$)	Premium, %	Enterprise Value (m)	Announcement Date	Notes
Software Companies							
Iproperty Group Limited	REA Group Limited	4.00	3.51	14.0%	754.1	02/11/2015	A
Onthehouse Holdings Limited	Group of purchasers*	0.85	0.58	46.6%	70.3	23/12/2015	B
Average Software Companies				30.3%			
IT Services and Consulting Companies							
ASG Group Limited	Nomura Research Institute, Ltd.	1.63	1.36	19.9%	342.0	30/09/2016	C
Oakton Limited	Dimension Data Australia	1.90	1.46	30.1%	167.0	12/08/2014	D
Average IT Services and Consulting Companies				25.0%			
Average Software, IT Services and Consulting Companies				27.6%			

Source: S&P Capital IQ, Titan Partners Corporate Finance Analysis

\*Group of purchasers include 77 Victoria Street Venture Pty Ltd., PIQ1 Pty Limited, Macquarie Corporate Holdings Pty Limited and Sandrift Pte Limited.

**Note A** – iProperty Group Limited develops and operates Internet-based real estate property portals under the iProperty.com brand. Announcement with respect to transaction was disclosed on November 2, 2015. Share price on the last day before announcement was \$3.51.

**Note B** - Onthehouse Holdings Limited provides real estate software in Australia and New Zealand. It offers Console GatewayLive, a locally-installed property management software program, ClientManager, a cloud-based sales customer relationship management software solution, and WebChoice, a cloud based platform to deliver Websites for real estate agencies. On 23 Dec 2015 Onthehouse Holdings Limited made an announcement about proposed purchase of shares for \$0.755 and subsequently on 9 March 2016 the offer was revised to \$0.85 per share. Market price of share of \$0.58 is on 22 December 2015, being the day before the first announcement on takeover.

**Note C** - ASG Group Limited provides information technology services in Australia. Its managed services include service and delivery management, database administration, network management, storage area network administration, security management, data center hosting, and remote database administration services. Additionally, the Company provides business solutions which comprise Oracle business solutions and Oracle PeopleSoft services, SAP solutions consist of SAP Business One and ProSuite products, as well as iVend Retail, an integrated retail management suite; and enterprise analytics and performance solutions. Share price on the last day before announcement was \$1.36.

**Note D** - Oakton Limited provides consulting and information technology based services to corporate and government clients across a range of industries in Australia. The company provides its services in the areas of business assurance, managed services, business systems, digital channels, customer insights, IT transformation, customer management, service integration, digital workplace, business planning and change, and business analytics. It also delivers various applications in Applications as a Service model for enabling the social enterprise, grants management, and ERP. Share price on the last day before announcement was \$1.46.

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## Appendix 7 – Comparable Transaction Multiples

Set out below are the transaction multiples for identified comparable transactions to Urbanise. A summary of each of the identified transactions and a summary of the business operations of the target company in each transaction are set out on the following page.

Urbanise.com Limited Comparable Transaction Multiples								
Target	Bidder	Enterprise Value (m)	Country	Curr	Revenue (m)	Revenue Multiple	Announced Date	Notes
<b>Australia &amp; New Zealand</b>								
Finzsoft Solutions Ltd	Silverlake Axis Ltd	24.5	New Zealand	NZD	19.6	1.3x	18/12/2014	A
Onthefhouse Holdings Ltd	Group of Purchasers*	70.3	Australia	AUD	25.6	2.7x	23/12/2015	B
Revera Ltd	Telecom Corporation of New Zealand Ltd	79.8	New Zealand	NZD	41.4	1.9x	29/04/2013	C
QMASTOR Ltd	Triple Point Technology Inc.	25.3	Australia	AUD	14.0	1.8x	23/06/2011	D
Financial Synergy Pty Ltd	IRESS Ltd	90.0	Australia	AUD	27.5	3.3x	26/09/2016	E
iimage Technical Services Pty Ltd	MOQ Ltd	5.7	Australia	AUD	1.7	3.4x	03/03/2016	F
<b>Average Australia and New Zealand</b>						<b>2.6 x</b>		
<b>International</b>								
One Source Networks Inc.	GTT Communications Inc.	175.0	United States	USD	76.1	2.3x	15/09/2015	G
Solera Holdings Inc.	Vista Equity Partners	6,272.0	United States	USD	1140.4	5.5x	13/09/2015	H
Wanted Technologies Corporation	CEB Canada Inc.	41.9	Canada	CAD	10.0	4.2x	11/09/2015	I
Comaea AB	Edge HR AB	2.3	Sweden	USD	1.2	1.9x	04/09/2015	J
GT Nexus, Inc.	Infor (US) Inc.	660.0	United States	USD	132.0	5.0x	11/08/2015	K
Yodlee, Inc.	Envestnet Inc.	541.0	United States	USD	98.4	5.5x	10/08/2015	L
Smart Tuition, LLC	Blackbaud Inc.	190.0	United States	USD	32.2	5.9x	10/08/2015	M
Merge Healthcare Incorp.	International Business Machines Corporation	1,002.0	United States	USD	227.7	4.4x	06/08/2015	N
dotloop, Inc.	Zillow Group Inc.	108.0	United States	USD	15.0	7.2x	22/07/2015	O
MK Data Services LLC	The Descartes Systems Group	83.5	United States	USD	20.0	4.2x	20/07/2015	P
<b>Average International</b>						<b>4.6 x</b>		
<b>Average Australia, New Zealand and International</b>						<b>3.8 x</b>		

Source: S&P Capital IQ, Titan Partners Corporate Finance Analysis

\*Group of purchasers include 77 Victoria Street Venture Pty Ltd., PIQ1 Pty Limited, Macquarie Corporate Holdings Pty Limited and Sandrift Pte Limited.

**Note A** - Finzsoft Solutions Ltd was acquired by Silverlake Axis Ltd on December 2014. Finzsoft Solutions develops, sells, and supports computer software for the banking and finance sector in Australia, New Zealand, and internationally. It offers secure mobile and Internet banking solutions, various tools to facilitate the automated lifecycle of lending management.

**Note B** - Onthehouse Holdings Limited was acquired by group of investors including 77 Victoria Street Venture Pty Ltd., PIQ1 Pty Limited, Macquarie Corporate Holdings Pty Limited and Sandrift Pte Limited on December 2015. Company offers Console GatewayLive, a locally-installed property management software program, ClientManager, a cloud-based sales customer relationship management software solution and WebChoice, a cloud based platform to deliver Websites.

**Note C** - Revera Limited was acquired by Telecom Corporation of New Zealand Ltd on April 2013. Revera Limited offers Homeland Cloud Infrastructure-as-a-Service (IaaS) and Homeland Government Cloud IaaS that deliver on-demand infrastructure services, such as compute, data center, storage, backup/Restore-as-a-Service.

**Note D** - QMASTOR Limited was purchased by Triple Point Technology Inc on June 2011. The Company provides software and services to the mining, port, power generation, and commodity industries.

**Note E** - Financial Synergy Pty. Limited was acquired by IRESS Ltd on September 2016. The Company develops and provides superannuation and investment software, administration services and products for the wealth management industry.

**Note F** - iimage Technical Services Pty Ltd. was acquired by MOQ Ltd on March 2016. iimage Technical Services Pty Ltd. develops a mobile application that communicates directly to parent smartphones. It offers Skoolbag School Mobile App that allows schools to create their own customized content and provide parents with school news, newsletters, events calendar, cancellations, school notices, school information and more. Its application also enables parents to view the schools documents and notifications.

**Note G** - GTT Communications, Inc. (NYSE:GTT) entered into a definitive agreement to acquire One Source Networks Inc. from ABRY Partners, LLC and others on September 15, 2015. One Source Networks Inc., a managed communications partner, provides voice and unified communications services worldwide. It offers cloud-based communications services, such as session initiation protocol and Lync trunking, cloud Lync enterprise, cloud PBX and fax and other.

**Note H** - Vista Equity Partners Fund V, L.P., a fund of Vista Equity Partners, entered into a definitive merger agreement to acquire Solera Holdings Inc. (NYSE:SLH) from BlackRock Institutional Trust Company. Solera Holdings, Inc. provides risk and asset management software and services to the automotive and property marketplace.

**Note I** - CEB Canada Inc. entered into a definitive agreement to acquire Wanted Technologies Corporation. Wanted Technologies Corporation provides real-time business intelligence for the talent marketplace primarily in Canada and the United States.

**Note J** - Edge Hr Ab acquired Comaea from Comaea International for SEK 19.5 million on September 4, 2015. Comaea AB develops and markets cloud based talent and performance management software.

**Note K** - Infor (US), Inc. and others entered into an agreement and plan of merger to acquire GT Nexus, Inc. from Warburg Pincus LLC and other shareholder. GT Nexus, Inc. develops and operates a cloud supply chain platform that is used by companies to monitor and orchestrate global supply chains.

**Note L** - Envestnet, Inc. (NYSE:ENV) entered into a definitive agreement to acquire Yodlee, Inc. (NasdaqGS:YDLE) . Yodlee, Inc. operates a technology and applications platform that provides digital financial services in the cloud.

**Note M** - Blackbaud Inc. (NasdaqGS:BLKB) signed an agreement to acquire Smart, LLC for \$190 million in cash on August 10, 2015. Smart Tuition, LLC provides a student billing and payments processing platform through its SaaS school accounts receivables offering for independent private and faith based schools in the United States.

**Note N** - International Business Machines Corporation entered into a definitive agreement to acquire Merge Healthcare Incorporated. Merge Healthcare Incorporated develops software solutions that facilitate the sharing of images to create an electronic healthcare experience for patients and physicians worldwide.

**Note O** - Zillow Group, Inc. entered into a definitive agreement to acquire DotLoop, LLC from Trinity Ventures and other shareholders for approximately \$110 million in cash on July 21, 2015. Dotloop, Inc. operates a collaboration platform where real estate professionals get deals done.

**Note P** - The Descartes Systems Group Inc acquired MK Data Services LLC for \$83.5 million in cash on July 20, 2015. MK Data Services LLC provides cloud-based bulk customer screening services and solutions to companies and organizations.

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**All Correspondence to:**

✉ **By Mail** Boardroom Pty Limited  
GPO Box 3993  
Sydney NSW 2001 Australia

📠 **By Fax:** +61 2 9290 9655

💻 **Online:** [www.boardroomlimited.com.au](http://www.boardroomlimited.com.au)

☎ **By Phone:** (within Australia) 1300 737 760  
(outside Australia) +61 2 9290 9600

## YOUR VOTE IS IMPORTANT

For your vote to be effective it must be recorded **before 11:00am (Sydney Time) on 26 March 2017.**

### 🖥 TO VOTE ONLINE

- STEP 1:** VISIT [www.votingonline.com.au/urbanisegm2017](http://www.votingonline.com.au/urbanisegm2017)
- STEP 2:** Enter your Postcode OR Country of Residence (if outside Australia)
- STEP 3:** Enter your Voting Access Code (VAC):

### 📱 BY SMARTPHONE



Scan QR Code using smartphone  
QR Reader App

### TO VOTE BY COMPLETING THE PROXY FORM

#### STEP 1 APPOINTMENT OF PROXY

Indicate who you want to appoint as your Proxy.

If you wish to appoint the Chair of the Meeting as your proxy, mark the box. If you wish to appoint someone other than the Chair of the Meeting as your proxy please write the full name of that individual or body corporate. If you leave this section blank, or your named proxy does not attend the meeting, the Chair of the Meeting will be your proxy. A proxy need not be a securityholder of the company. Do not write the name of the issuer company or the registered securityholder in the space.

#### Appointment of a Second Proxy

You are entitled to appoint up to two proxies to attend the meeting and vote. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by contacting the company's securities registry or you may copy this form.

To appoint a second proxy you must:

- (a) complete two Proxy Forms. On each Proxy Form state the percentage of your voting rights or the number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded.
- (b) return both forms together in the same envelope.

#### STEP 2 VOTING DIRECTIONS TO YOUR PROXY

To direct your proxy how to vote, mark one of the boxes opposite each item of business. All your securities will be voted in accordance with such a direction unless you indicate only a portion of securities are to be voted on any item by inserting the percentage or number that you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given item, your proxy may vote as he or she chooses. If you mark more than one box on an item for all your securities your vote on that item will be invalid.

#### Proxy which is a Body Corporate

Where a body corporate is appointed as your proxy, the representative of that body corporate attending the meeting must have provided an "Appointment of Corporate Representative" prior to admission. An Appointment of Corporate Representative form can be obtained from the company's securities registry.

#### STEP 3 SIGN THE FORM

The form **must** be signed as follows:

**Individual:** This form is to be signed by the securityholder.

**Joint Holding:** where the holding is in more than one name, all the securityholders should sign.

**Power of Attorney:** to sign under a Power of Attorney, you must have already lodged it with the registry. Alternatively, attach a certified photocopy of the Power of Attorney to this form when you return it.

**Companies:** this form must be signed by a Director jointly with either another Director or a Company Secretary. Where the company has a Sole Director who is also the Sole Company Secretary, this form should be signed by that person. **Please indicate the office held by signing in the appropriate place.**

#### STEP 4 LODGEMENT

Proxy forms (and any Power of Attorney under which it is signed) must be received no later than 48 hours before the commencement of the meeting, therefore by **11:00am (Sydney Time) on 26 March 2017**. Any Proxy Form received after that time will not be valid for the scheduled meeting.

Proxy forms may be lodged using the enclosed Reply Paid Envelope or:

💻 **Online** [www.votingonline.com.au/urbanisegm2017](http://www.votingonline.com.au/urbanisegm2017)

📠 **By Fax** + 61 2 9290 9655

✉ **By Mail** Boardroom Pty Limited  
GPO Box 3993,  
Sydney NSW 2001 Australia

👤 **In Person** Boardroom Pty Limited  
Level 12, 225 George Street,  
Sydney NSW 2000 Australia

#### Attending the Meeting

If you wish to attend the meeting please bring this form with you to assist registration.



☐**Your Address**

This is your address as it appears on the company's share register. If this is incorrect, please mark the box with an "X" and make the correction in the space to the left. Securityholders sponsored by a broker should advise their broker of any changes. **Please note, you cannot change ownership of your securities using this form.**

**PROXY FORM****STEP 1 APPOINT A PROXY**

I/We being a member/s of **Urbanise.com Limited** (Company) and entitled to attend and vote hereby appoint:

☐

the Chair of the Meeting (mark box)

**OR** if you are **NOT** appointing the Chair of the Meeting as your proxy, please write the name of the person or body corporate (excluding the registered securityholder) you are appointing as your proxy below

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chair of the Meeting as my/our proxy at the General Meeting of the Company to be held at the offices of **Boardroom Pty Ltd, Level 12, 225 George St, Sydney NSW 2000 on 28 March 2017 at 11:00 am (Sydney Time)** and at any adjournment of that meeting, to act on my/our behalf and to vote in accordance with the following directions or if no directions have been given, as the proxy sees fit.

The Chair of the Meeting intends to vote undirected proxies in favour of each of the items of business.

**STEP 2 VOTING DIRECTIONS**

\* If you mark the Abstain box for a particular item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your vote will not be counted in calculating the required majority if a poll is called.

		For	Against	Abstain*
Resolution 1	Approval of the Issue of Shares to Argosy Capital Limited as underwriter to the Rights Issue	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Ratification of Prior Share Allotment (Placement)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Approval of re-appointment of Mr Almero Strauss as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**STEP 3 SIGNATURE OF SECURITYHOLDERS**

This form must be signed to enable your directions to be implemented.

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director / Company Secretary

Contact Name.....

Contact Daytime Telephone.....

Date / / 2017