

November 2020

# CAPITAL RAISING AND ACQUISITION OPPORTUNITY

# IMPORTANT NOTICE - DISCLAIMER

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This presentation (**Presentation**) is dated 6 November 2020 and has been prepared by ReadyTech Holdings Limited ABN 25 632 137 216 (**ReadyTech**) and includes information regarding an institutional placement (**Placement** or **Capital Raising**) of new fully paid ordinary shares in ReadyTech (**New Shares**). The Placement will be conducted under section 708A of the *Corporations Act 2001* (Cth) (Corporations Act) and will be made to “professional investors” and “sophisticated investors” (as those terms are defined in section 708(8) and 708(11) of the Corporations Act, respectively).

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All dollar values are in Australian dollars (A\$) and financial data is presented as at, or for the period ended, 30 June 2020 unless stated otherwise. ReadyTech's results are reported under Australian International Financial Reporting Standards, or AIFRS. The historical information included in this Presentation regarding ReadyTech is based on information that has previously been released to the market. Investors should also be aware that certain financial data included in this Presentation may be 'non-IFRS financial information' under Regulatory Guide 230 Disclosing non-IFRS financial information published by the Australian Securities and Investments Commission or 'non-GAAP financial measures' under Regulation G of the US Securities Exchange Act of 1934. The non-IFRS financial information and these non-GAAP financial measures do not have a standardised meaning prescribed by AIFRS and, therefore, may not be comparable to similarly titled measures presented by other entities, nor should they be construed as an alternative to other financial measures determined in accordance with AIFRS. Investors are cautioned, therefore, not to place undue reliance on any non-IFRS financial measures included in this Presentation.

# IMPORTANT NOTICE – DISCLAIMER (CONT)



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The information in this Presentation remains subject to change without notice. The Open Office proposal is early stage, incomplete and highly conditional (including conditions as to due diligence, full documentation, regulatory clearances, independent expert's assessment and ReadyTech shareholder approval). There is no assurance that any final documentation will be entered into (or that it will be entered into on terms anticipated at this time), nor that any transaction will result. It is not the sole purpose for the Capital Raising. ReadyTech reserves the right to withdraw or vary the timetable for the Capital Raising without notice.

## **Acknowledgment**

You acknowledge and agree that:

- determination of eligibility of investors for the purposes of the Capital Raising is determined by reference to a number of matters, including legal and regulatory requirements, logistical and registry constraints and the discretion of ReadyTech and the Lead Manager; and
- each of the Disclaiming Parties disclaim any duty or liability (including for negligence) in respect of that determination and the exercise or otherwise of that discretion, to the maximum extent permitted by law.

## **Acceptance**

By attending an investor presentation or briefing, or accepting, assessing or reviewing this document you acknowledge and agree to the above.

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# EXECUTIVE SUMMARY



## Acquisition opportunity in the government and justice sector & delivery of third pillar

- ReadyTech has consistently stated its strategy to explore new and attractive verticals into which it will provide mission critical software as a service (SaaS) and expand its revenue and market penetration. Consistent with its listing prospectus, ReadyTech has been exploring inorganic growth opportunities that expand product breadth and core capability
- Consistent with this strategy, ReadyTech has entered into a Heads of Agreement and Exclusivity Agreement, which provides an opportunity to acquire leading local and state government and justice case management SaaS provider, Open Office and McGirr (collectively **Open Office**)
- The acquisition provides an opportunity for ReadyTech to enter the local government and state government and justice sectors and add a third vertical to its current suite of offerings. The Heads of Agreement does not comprehensively set out all of the transaction terms and aspects of it may change depending on the outcome of due diligence or other factors
- Open Office is currently majority owned by funds managed by ReadyTech's largest shareholder, Pemba Capital. Given the related party issues arising, ReadyTech formed an Independent Board Committee (**IBC**), headed by Independent Chairman, Tony Faure, which unanimously supports entering into the Heads of Agreement and Exclusivity Agreement. Final execution of transaction documents is subject to approval of the IBC, completion of final due diligence and negotiation of and entry into transaction documentation
- The acquisition opportunity will be subject to ReadyTech shareholder approval given the related party nature of the proposed acquisition. There is no certainty that binding transaction documentation will be agreed and executed nor that any transaction will result.

# EXECUTIVE SUMMARY (CONT)

<p><b>Execution of acquisition opportunity</b></p>	<ul style="list-style-type: none"> <li>• ReadyTech is raising additional capital to support this acquisition opportunity and provide certainty to finalise its due diligence and potential entry into binding transaction documents</li> <li>• Pentagon Holdco Pty Ltd (the parent entity of the Open Office Group) together with the its current shareholders have entered into an exclusivity deed (<b>Exclusivity Agreement</b>) with ReadyTech pursuant to which they agree to certain exclusivity obligations in connection with the potential transaction (including no-shop, no-talk and no-due diligence provisions) in favour of ReadyTech until 24 December 2020. The Exclusivity Agreement will expire if ReadyTech ceases to actively pursue the potential transaction (including if the Independent Board Committee resolves to cease work on it)</li> </ul>
<p><b>Consideration and EPS accretion</b></p>	<ul style="list-style-type: none"> <li>• The proposed acquisition involves Upfront Consideration of \$54M and Earn Out Consideration of up to an additional \$18M based on achievement of revenue milestones.</li> <li>• If completed, the acquisition is anticipated to be low double-digit EPS accretive in FY21 on a pro-forma basis before synergies and excluding integration costs (based on due diligence conducted to date which is still in progress)</li> <li>• Transaction multiple for Upfront Consideration of approximately 3.2x FY21 forecast revenue multiple and approximately 8.7x FY21 forecast EBITDA multiple (based on due diligence conducted to date which is still in progress)</li> </ul>
<p><b>Equity raising Placement and details</b></p>	<ul style="list-style-type: none"> <li>• Undertaking a fully underwritten institutional Placement to raise approximately \$25M</li> <li>• At a fixed price of \$1.88 per New Share representing a 6.2% discount to the 3 trading day volume weighted average price of ReadyTech's shares as at 5 November 2020</li> <li>• Pemba Capital will still be ReadyTech's largest shareholder with a relevant interest in approximately 34.5m ReadyTech shares representing 37% of shares on issue post completion of the Placement</li> <li>• Pemba Capital remains committed to ReadyTech having confirmed that it will not sell any shares prior release of ReadyTech's half year results for 31 December 2020 (subject to stated exceptions)</li> </ul>

# EXECUTIVE SUMMARY (CONT)

## Trading update

- ReadyTech reaffirms FY21 guidance with FY21 Q1 trading in line with guidance assumptions
- Revenue retention for FY21 Q1 maintained at 95%
- Gross new business pipeline maintained at \$14.0M
- Continued growth in Sales and Marketing investment to drive top line revenue

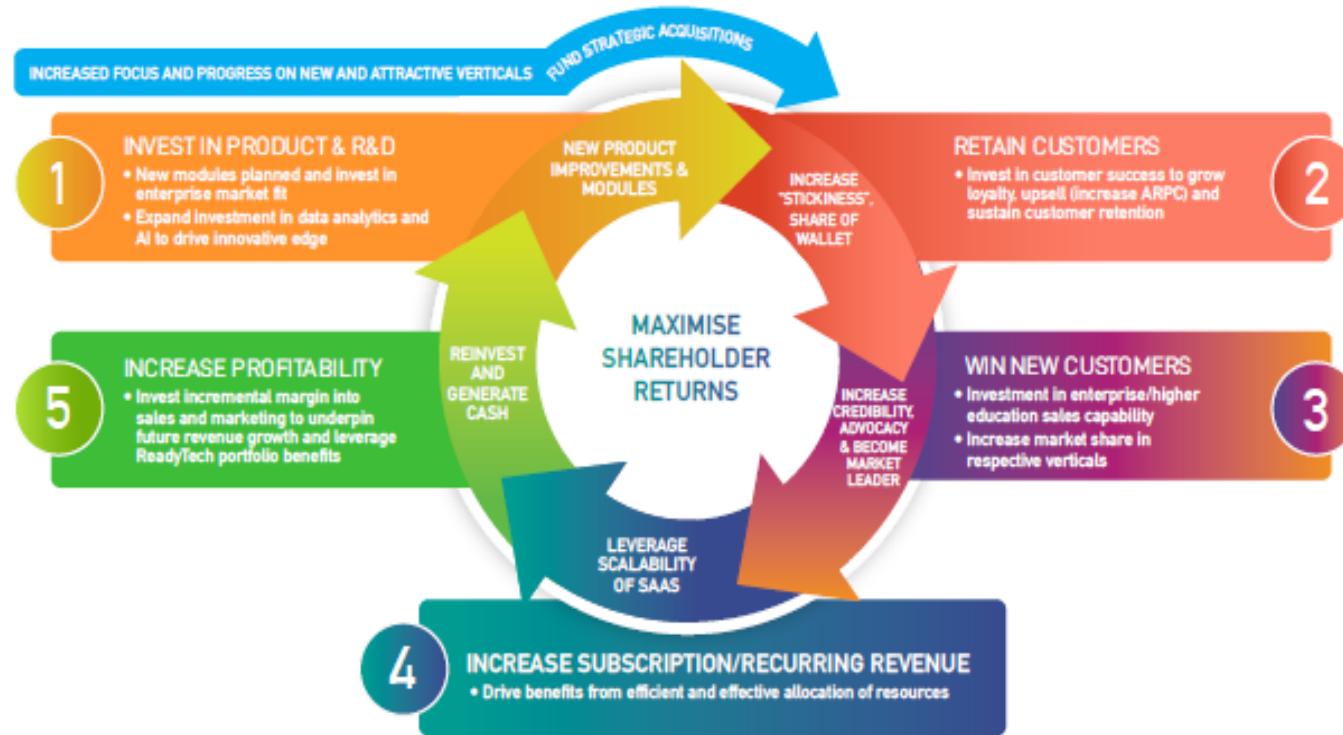
## Use of proceeds if acquisition of Open Office does not take place

- There is no certainty that binding transaction documentation will be agreed and executed nor that any transaction will result. In such an event, ReadyTech will use the proceeds of the capital raising to fund other growth opportunities, including potential M&A, consistent with its stated strategy

# STRATEGY AND ACQUISITION OPPORTUNITY



# STATED STRATEGY TO INCREASE FOCUS ON NEW VERTICALS



- ReadyTech looks to expand into a third vertical with a strategic acquisition
- Opportunity is in line with ReadyTech's strategy to identify new verticals and to provide mission critical SaaS, underpinned by its best practices approach to deploying customer-centred software
- Strategy focused on identifying additional technologies to expand its reach into different vertical markets, continuing its successful track record of expanding into new markets
- Strategically compelling for ReadyTech, enabling the company to accelerate growth through entry into the government and justice sectors
- Unlocks new target addressable markets and leverages Open Office's experienced management team and capabilities to create ReadyTech market share in these new markets
- Delivers incremental recurring revenue adding to ReadyTech's existing strong subscription revenue streams

# INVESTMENT HIGHLIGHTS (OPEN OFFICE)









<b>Industry leading platform and strong market position</b>	<ul style="list-style-type: none"><li>• Diverse array of software solutions offered by Open Office provides customers with an end-to-end offering</li><li>• Founded c.20 years ago and has evolved into a comprehensive product suite and modern tech stack</li><li>• Strong penetration of the core asset management, community health and finance systems markets which drive revenue and earnings growth</li></ul>
<b>Attractive market with high barriers to entry</b>	<ul style="list-style-type: none"><li>• Australia is digitising its services at all levels of government at a record pace. The global justice market is also seeing migration to SaaS based case-management products</li><li>• Large TAM of 500+ local councils with each providing c.70 services in communities and c.35,000 touchpoints to drive growth. Justice market is a global multi-million dollar opportunity</li><li>• Resilient end market with public sector funding support</li><li>• High switching costs and barriers to entry</li></ul>
<b>Diversified &amp; sticky customer base</b>	<ul style="list-style-type: none"><li>• Open Office's revenue is split across local government customers in all states of Australia, government organisations and global Ministry of Justice departments, providing extremely low levels of customer concentration on both a geographic and service level basis</li><li>• Open Office currently has approximately 130 customers</li></ul>

# INVESTMENT HIGHLIGHTS (CONT)

<p><b>Experienced management team</b></p>	<ul style="list-style-type: none"> <li>• 75+ FTEs and an extremely experienced management team with 20+ years experience in the government and justice sectors. 65% of FTEs have R&amp;D roles</li> <li>• Open Office founder Phillip Simone and McGirr Technologies founder Peter Nanayakkara each bring with them over 20 years experience and extensive customer knowledge and relations</li> <li>• Founders to join ReadyTech Executive Leadership</li> </ul>
<p><b>Visibility of future revenues and EBITDA</b></p>	<ul style="list-style-type: none"> <li>• FY21 expected revenue of \$16.8m growing in the mid teens range</li> <li>• EBITDA margins in the range of mid to high 30%</li> <li>• Recurring revenue currently at c.60% and expected to grow year on year</li> <li>• Long, established loyal client base with an average length of customer relationships at ~7 years</li> <li>• Extremely low levels of customer churn with retention rates at c.95%</li> </ul> <p>Each of the above estimates is based on due diligence conducted to date which is still in progress</p>
<p><b>Robust platform with unique growth opportunities</b></p>	<ul style="list-style-type: none"> <li>• Larger group size and scale allows for greater brand awareness and the ability to compete for 'blue-chip' contracts</li> <li>• If acquired by ReadyTech, Open Office will benefit from ReadyTech's best practice in product and technology development, go to market strategy, focus on enterprise sales and critical core capability in customer success</li> </ul>

# OPEN OFFICE OVERVIEW

Open Office is an integrated business that services the government and justice verticals. The group consists of Open Office, which provides software solutions for a variety of local and state government uses cases and McGirr Technologies (McGirr), a market leader in the justice case software markets (collectively “Open Office”)

			
Segment	Local Government	State Government / Authorities	Justice Departments
Business unit	Open Office	Open Office	McGirr
Platform	Community	Community	caseHQ
Description	Citizen-centric, end-to-end community engagement and workflow management solutions	Solutions configured to manage specific legislative environments	Citizen-centric, end-to-end solutions to streamline justice processes
Example customers	Local government	State government, road and utility operators	Ministry of Justices, arbitrators, courts
Delivery	SaaS	SaaS	SaaS
Geographies	Australia	Australia	Global
	 <b>Large target addressable market: 500+ councils and 200 global justice departments</b>	 <b>Would provide RDY with a first beach-head into the UK market to drive further cross-sell into the future</b>	 <b>Resilient end market with public funding support</b>

# OPEN OFFICE OVERVIEW (CONT)

## SaaS solutions offered



Asset Management



Property,  
Licensing and  
Compliance



Finance, HR  
and Payroll



Customer Service  
Management



Community  
24/7



Courts and  
Justice

## Distinctive value proposition that differentiates from competitors

### User experience

- Citizen-centric
- Tailored skins
- Intuitive UI
- “Occasionally Connected”
- Support focused

### Functionality

- End-to-end solution
- Modular flexibility
- Automated workflows
- Custom reporting
- Insightful analytics

### Implementation

- Commercial off the shelf solution
- Highly configurable
- Rapid delivery
- Flexible integration
- Seamless migration

### Architecture

- SaaS offering
- Cloud-based
- Modern tech stack
- Mobile apps
- Highly secure

# INDICATIVE TRANSACTION STRUCTURE AND CONSIDERATION



Initial upfront consideration	<ul style="list-style-type: none"><li>• An initial upfront payment of \$54 million (Upfront Consideration)</li><li>• Payable in a mixture of cash of approximately \$40.1M and approximately \$13.9M in ReadyTech ordinary shares at a share price equal to the price of the Placement. Sellers could elect to receive cash, shares or a combination of cash and shares. Pemba Capital has elected to receive \$38.2M cash and will not receive any ordinary shares as part of the Upfront Consideration</li><li>• Ordinary shares issued to sellers with an associated executive employee would be subject to escrow until the release of ReadyTech's 30 June 2021 audited full year accounts. To the extent they elect to receive 100% shares for their upfront consideration, escrow will apply to 80% of those shares and to the extent they receive 80% shares for their upfront consideration, escrow will apply to 100% of those shares</li></ul>
Earn Out Consideration Tranche 1	<ul style="list-style-type: none"><li>• A further payment of \$9M (Earn Out Consideration Tranche 1) is payable provided that:<ul style="list-style-type: none"><li>– at any time within 4.5 years of completing the acquisition, Open Office achieves on a 12-month trailing basis at least \$18.26M of revenue and \$11.35M of recurring revenue</li><li>– where the seller has an associated executive employee, that employee must continue to be employed by ReadyTech at the end of the relevant 12 month period (subject to certain termination and resignation rights)</li></ul></li></ul>
Earn Out Consideration Tranche 2	<ul style="list-style-type: none"><li>• An additional further payment of \$9M (Earn Out Consideration Tranche 2) is payable provided that:<ul style="list-style-type: none"><li>– at any time within 4.5 years of completing the acquisition, Open Office achieves on a 12-month trailing basis at least \$22M of revenue and \$15.25M of recurring revenue</li><li>– where the seller has an associated executive employee, that employee must continue to be employed by ReadyTech at the end of the relevant 12 month period (subject to certain termination and resignation rights)</li></ul></li></ul>

# INDICATIVE TRANSACTION STRUCTURE AND CONSIDERATION (CONT)



<b>Earn Out Consideration payment</b>	<ul style="list-style-type: none"> <li>• The earn out consideration may be paid in cash, ReadyTech ordinary shares (at specified pricing) or a combination of cash and ReadyTech ordinary shares</li> <li>• The share price for ReadyTech Shares will be \$2.00 for Earn Out Consideration Tranche 1 (being the closing price immediately before announcement of the proposed acquisition) and for Earnout Consideration Tranche 2 will be based on a 6 month VWAP to the end of the 12 month earn out period with a floor price of \$2.00 (i.e. the price for Tranche 1))</li> <li>• In some circumstances, ordinary shares issued to the shareholders with an associated executive employee as part of the earn outs may be subject to a limited escrow period (if for Tranche 1 they are issued prior to ReadyTech releasing its 31 December 2021 half year accounts or if for Tranche 2 they are issued prior to ReadyTech releasing its 30 June 2022 full year audited accounts, in which case they are subject to escrow until the release of those accounts)</li> <li>• The 12 month trailing basis for determining whether the earn-out condition is met includes the period prior to completion</li> </ul>
<b>Conditions</b>	<ul style="list-style-type: none"> <li>• Execution of transaction documents is subject to finalisation of ReadyTech's due diligence, approval of ReadyTech's Independent Board Committee and negotiation of and entry into appropriate transaction documentation</li> <li>• Completion of the acquisition will be subject to a variety of conditions, including ReadyTech shareholder approval (including to approve related party transactions), FIRB approval and the independent expert's report concluding the transaction is fair and reasonable to ReadyTech shareholders not associated with the sellers and other customary conditions</li> </ul>
<b>Other terms</b>	<p>The transaction documentation will contain other terms including (but not limited to):</p> <ul style="list-style-type: none"> <li>• Certain termination rights (including if a ReadyTech director changes their recommendation in favour of the proposed acquisition, in which case a 1% break fee (based on the upfront consideration) may apply unless another termination right also applies or the change is in connection with a seller breach)</li> <li>• Requirement for the founders to execute new employment contracts for a minimum period until the earlier of (1) 4.5 years after completion; and (2) achieving the Earn Out Consideration Tranche 2 or the entitlement to it expiring, plus six months. Limited termination and resignation rights will apply</li> <li>• The founders and founder shareholders will agree to certain restraints and non-competes</li> </ul>

# INDEPENDENT BOARD COMMITTEE SUPPORTS PROPOSED ACQUISITION



- ✓ Strong alignment to strategic goal to grow into a new vertical through M&A, providing ReadyTech with a potential new and attractive vertical with entry into the local and state government and justice sectors and adding to its client portfolio with recurring revenue streams
- ✓ Open Office representing a geographic scale acquisition opportunity to expand internationally
- ✓ Attractive transaction multiples of:
  - Upfront Consideration: approximately 3.2x FY21 forecast revenue multiple and approximately 8.7x FY21 forecast EBITDA multiple (based on due diligence conducted to date which is still in progress)
  - Earn Out Consideration: if both Tranches 1 and 2 are paid, an approximate forecast LTM revenue multiple of 3.3x
- ✓ Retention of, and alignment with, Open Office's management team
- ✓ Anticipated to be low double-digit EPS accretive in FY21 on a pro-forma basis before synergies and excluding integration costs (based on due diligence conducted to date which is still in progress); and
- ✓ The Earn Out Consideration structure de-risking the transaction for ReadyTech shareholders



# CAPITAL RAISING

# CAPITAL RAISING

- A fully underwritten institutional Placement is being undertaken to provide certainty to ReadyTech to finalise its due diligence and potentially enter into binding transaction documents in respect of the Open Office business
- If the acquisition of Open Office does not proceed, ReadyTech will use the proceeds from the Placement to fund other growth opportunities, including potential M&A
- No shareholder approval is required for the Placement, as ReadyTech will utilise its existing placement capacity under ASX Listing Rule 7.1 and, in accordance with the approval obtained at ReadyTech's 2019 AGM, under ASX Listing Rule 7.1A. ReadyTech may seek to issue equity securities using its listing rule 7.1A capacity towards an acquisition of new assets or investments, continued development of the company's current assets and/or general working capital. ReadyTech confirms in relation to the Placement that it is not using any of the emergency capital raising measures introduced by ASX in connection with COVID-19
- At completion of the Placement, ReadyTech's largest shareholder Pemba Capital will still be ReadyTech's largest shareholder with a relevant interest in approximately 34.5m shares and remains committed to ReadyTech having recently confirmed that they will not sell any shares prior to the release of ReadyTech's half year results for 31 December 2020 (subject to stated exceptions)



## Sources and Uses (excluding any SPP)

### Sources

A\$M

Placement (underwritten)	25
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### Uses

A\$M

Fund portion of proposed acquisition of Open Office or other strategic purposes	22.2
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Estimated transaction costs	2.8
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- Estimated transaction costs assumes the acquisition of Open Office proceeds and will be lower if it does not proceed
- Balance of proposed acquisition funded through combination of scrip (per page 13), cash on ReadyTech balance sheet, and debt
- Debt funding sized to 1.5x (FY20A RDY EBITDA + FY21B Open Office EBITDA) to retain conservative balance sheet position post transaction

# CAPITAL RAISING DETAILS

## Offer size

- In order to help partly fund the acquisition opportunity, ReadyTech today has announced a fully underwritten institutional Placement of approximately \$25M to provide certainty to ReadyTech to finalise its due diligence and potentially enter into binding transaction documents in respect of the Open Office business

## Offer price

- Fixed Offer Price of \$1.88 per share (New Share)
- The Offer Price represents a 6.2% discount to the 3 trading day volume weighted average price of ReadyTech's shares as at 5 November 2020
- Final allocation decisions will be determined by the Lead Manager in consultation with the IBC on behalf of ReadyTech

## Ranking

- New Shares issued under the Placement and (if it proceeds) SPP will rank equally with ReadyTech's existing shares

## SPP

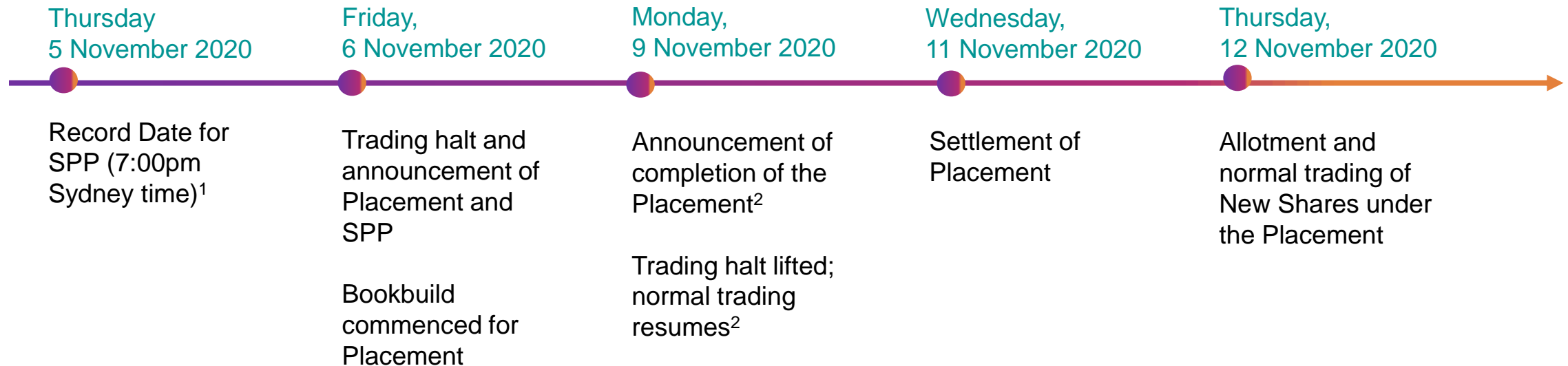
- ReadyTech announces a share purchase plan (SPP) scheduled to be conducted in 2021 in connection with the potential completion of the acquisition of Open Office to allow eligible ReadyTech shareholders an opportunity to acquire additional shares in ReadyTech. The SPP will not be underwritten
- There is no certainty the SPP will be conducted. If it is conducted proceeds will be used to fund ReadyTech's working capital requirements and any other stated requirements in the SPP booklet.
- Further details in respect of the SPP are included on the next page

# SHARE PURCHASE PLAN

- ReadyTech announces a share purchase plan (**SPP**) scheduled to be conducted in 2021 in connection with the potential completion of the acquisition of Open Office to allow eligible ReadyTech shareholders an opportunity to acquire additional shares in ReadyTech. The SPP will not be underwritten. If the Open Office transaction takes place, the SPP would be conducted having regard to the likely timing for completion of the transaction (the actual timing of completion will depend on the timing to satisfy conditions precedent, including receiving Foreign Investment Review Board approval). However, ReadyTech may determine in its absolute discretion to withdraw the SPP or to proceed with it irrespective of whether the Open Office transaction occurs.
- If the SPP proceeds, eligible shareholders on the ReadyTech register at 7:00pm (Sydney time) on 5 November 2020 (Record Date)<sup>1</sup>, with a registered address in Australia or New Zealand will have the opportunity to subscribe for up to \$10,000 worth of ReadyTech shares through the SPP, subject to eligibility criteria and other terms and conditions of the SPP which will be set out in the SPP booklet and despatched to eligible shareholders if the SPP proceeds. The intention of the SPP would be to give a participation opportunity to retail shareholders on the register around the time of the Placement. Shares issued under the SPP will rank equally with existing shares of ReadyTech.
- ReadyTech is aiming to raise up to approximately \$4 million under the SPP if it proceeds. ReadyTech may decide to accept applications (in whole or in part) that result in the SPP raising more or less than \$4 million in its absolute discretion. If a scale back is applied, this means that an eligible shareholder may be allocated fewer ReadyTech shares than they apply for under the SPP. If ReadyTech decides to conduct any scale back, it will apply the scale back having regard to the size of the existing shareholdings of the applicants as at the Record Date.
- New Shares under the SPP are to be issued at the lower of the price paid by investors under the Placement, and a 1% discount to the 5-day VWAP of ReadyTech shares up to the SPP closing date.
- There is no certainty that the SPP will proceed.

<sup>1</sup> This Record Date is subject to ASX approval.

# INDICATIVE TIMETABLE



<sup>1</sup> This Record Date is subject to ASX approval.

<sup>2</sup> Or earlier if Placement bookbuild completed earlier

These dates are indicative only and subject to change. ReadyTech reserves the rights, subject to the Corporations Act 2001 (Cth) and the ASX Listing Rules, to amend this indicative timetable without further notice.

# TRADING UPDATE

# FY21 TRADING UPDATE

- ✓ ReadyTech reaffirms FY21 guidance as disclosed to the market on 26 August 2020 with Q1 trading in line with guidance assumptions. Revenue retention for Q1 maintained at 95%
- ✓ Gross new business pipeline maintained at \$14.0M
- ✓ Continued growth in Sales and Marketing investment to drive top line revenue. ReadyTech has secured experienced Heads of Marketing for each of our Education and Workforce Solutions segments. ReadyTech have established a “deal desk” and are rolling out best-of-breed customer relationship management (CRM)
- ✓ ReadyTech is well positioned to support the back-to-work and skills sectors and considers skills for the future to be a key plank of economic recovery. We are encouraged by the ability of our software to assist businesses to facilitate the provision of training and services as part of the Federal Government’s \$2 billion JobTrainer Skills package which aims to deliver 340,000 new training places.

# KEY RISKS



# KEY RISKS

The risks associated with ReadyTech's business set out in the prospectus dated 29 March 2019 (Prospectus) and ReadyTech's 2020 annual report (Annual Report) still apply and are incorporated by reference as updated by the risks set out below. The risks included in the Prospectus and Annual Report include those regarding ReadyTech's business such as its ability to retain and attract business, technology issues, inability to attract or retain key personnel, risks associated with expansion into new and adjacent markets and failure to execute growth strategy, as well as general risk such as economic and government risks, liquidity of shares, risk of shareholder dilution and numerous others. You should carefully review the risks set out in those documents. If any of these risks materialise, they could have a material adverse effect on ReadyTech's business, financial condition, operating and financial performance and return to shareholders.

The risk factors set out in the forthcoming pages, Prospectus and Annual Report are not exhaustive. Additional risks that ReadyTech is unaware or that ReadyTech currently considers to be immaterial also have the potential to have a material adverse effect on ReadyTech's business, financial condition and operating and financial performance.

Before making an investment decision, potential investors should thoroughly review all publicly available information (including this presentation and the risk factors set out herein, the Prospectus and the Annual Report) considering ReadyTech and carefully consider whether ReadyTech shares are suitable to acquire having regard to their own investment objectives and financial circumstances.

These risk factors are also, in many cases, applicable to Open Office and references to ReadyTech or the Company include Open Office in the event the transaction proceeds.

## **COVID-19 related risks**

ReadyTech is constantly monitoring the actual and potential impact of COVID-19 on its business and the broader economy. ReadyTech has not been materially affected by COVID-19 to date and continues to have a good pipeline of activity. However, given the high degree of uncertainty surrounding the extent and duration of government and regulatory responses to COVID-19, it is not currently possible to assess the full impact of COVID-19 on ReadyTech's business or the economy generally. The adoption of unprecedented preventative measures by governments and other authorities, including a prolonged period of social distancing, quarantines, travel restrictions, work stoppages, health authority actions, restriction of access to services and the closure of stores and businesses, lockdowns, and other related measures within Australia and internationally, or an escalation of existing measures, may directly or indirectly impact a number of aspects of ReadyTech's business positively or negatively and in different ways. Factors like these may have a material adverse impact on ReadyTech including, for example, on its ability to:

- maintain customer engagement and communication;
- protect the health (both mental and physical), safety and security of staff (and avoid site closures or reduce their operational and financial impact to the extent possible);
- comply with requirements under its regulatory framework (including in relation to corporate governance and financial reporting requirements)

If any factors like these arise, there is a risk that ReadyTech's performance, position or reputation will be adversely affected.

# KEY RISKS (Cont)

## COVID-19 related risks (cont)

It is still not fully known to what extent the COVID-19 pandemic will continue to disrupt domestic and international economic activity. The indirect impact of the pandemic on the broader economy is likely to affect retail activity generally and may have a material positive, negative or dampening effect on ReadyTech's long-term business performance and profitability. While the Company has recently experienced continued demand for its technology during the COVID-19 pandemic, it may cause distress or insolvency of a customer or supplier, a reduction in revenue from customer or difficulty in collecting outstanding fees and such changes may adversely affect ReadyTech's financial performance.

There are also other changes in the domestic and global macroeconomic environment associated with the events relating to COVID-19 that are beyond the control of ReadyTech and may be exacerbated in an economic recession or downturn. These include, but are not limited to:

- changes in inflation, interest rates and foreign currency exchange rates;
- changes in employment level and labour costs;
- changes in aggregate investment and economic output; and
- other changes in economic conditions which may affect the revenue or costs of ReadyTech.

## Underwriting risk

ReadyTech has entered into an agreement with Wilsons Corporate Finance Limited (**Underwriter**) (**Placement Agreement**), under which the Underwriter will accept all New Shares offered under the Placement if they are not acquired by eligible institutional investors. If certain conditions are not satisfied or certain customary termination events occur, the Underwriter may terminate the Placement Agreement. The events which may trigger termination of the Placement Agreement are customary for a capital raising such as this one. Certain events which may trigger termination of the Placement Agreement are summarised in the Appendix. The ability of the Underwriter to terminate the Placement Agreement in respect of some events will depend on whether the event has or is likely to have a material adverse effect on the outcome or success of the Placement.

## Related party risk

The potential acquisition of Open Office involves Pemba Capital, the largest shareholder in ReadyTech. While the risks related to negotiations with a related party are being managed by the formation of an Independent Board Committee and information management protocols, a risk remains that should a claim be made arising out of the transaction it could be made against or involving major shareholder of ReadyTech and also (if made against other shareholders of Open Office) made against employees of ReadyTech or their associated entities.

## Risk regarding information concerning Open Office

Information (including forward looking statements) included in this Presentation concerning Open Office is based on information provided to ReadyTech by Open Office or its shareholders and has been relied upon by ReadyTech prior to receiving representations or warranties. The accounts for Open Office for the year ended 30 June 2020 remain unaudited and these accounts have been relied upon to prepare and disclose financial information in this Presentation (including forward looking financial information and estimates). It may be the case that, as a consequence of the audit of these accounts, some of this information may need correcting or updating. While ReadyTech has completed some due diligence on Open Office, its due diligence is still in progress. Accordingly, it is possible that information included in this Presentation may require correcting or updating as more information is provided by Open Office and as ReadyTech further progresses its due diligence. ReadyTech may or may not discover at a future point in time that the information requires correction or updating. Any forward looking statements concerning Open Office are subject to uncertainties and there is no guarantee that they will eventuate.

# KEY RISKS (Cont)

## **Risk of not completing the Open Office acquisition**

As stated in this Presentation in relation to Open Office, there is no certainty that binding transaction documentation will be agreed and executed nor that any transaction will result. If the acquisition of Open Office does not take place, ReadyTech will have raised money via the Placement and will not be able to use it towards the acquisition in the manner contemplated by this Presentation. In such a circumstance, there is a risk that ReadyTech could be over capitalised until it identifies an appropriate use of funds which it has raised.

## **Risks associated with the potential acquisition of Open Office**

As described in this Presentation, ReadyTech proposes to acquire Open Office. The risks faced by ReadyTech in connection with this acquisition (if it proceeds) and other acquisition and growth initiatives could include:

- terms changing from those negotiated at an early stage;
- difficulty in integrating and migrating the operations, systems, technologies, employees and customers of the acquired business;
- disruption to ReadyTech's existing business and diversion of financial and management resources on the transition and integration of the acquired business;
- difficulty in entering markets in which ReadyTech has limited direct or prior experience where competitors have established market positions;
- potential loss of key employees, customers or suppliers of the acquired business;
- differences in corporate culture and expectations between ReadyTech and the acquired business;
- assumption of liabilities and incurrence of debt to fund acquisitions;
- assumption of contractual obligations that contain terms that are not beneficial to ReadyTech;
- failure to realise the anticipated synergies and increases in the revenue, margins and net profit from the acquired business;
- limited experience with local laws, regulations and business customs in new and unfamiliar markets;
- difficulty in accurately valuing the acquired business resulting in overpayment;
- incomplete or inaccurate due diligence analysis of the acquired business; and
- discovering issues at a later stage not uncovered as part of due diligence.

# APPENDIX

# INTERNATIONAL SELLING RESTRICTIONS

This document does not constitute an offer of New Shares in any jurisdiction in which it would be unlawful. In particular, this document may not be distributed to any person, and the New Shares may not be offered or sold, in any country outside Australia except to the extent permitted below.

## Hong Kong

**WARNING:** This document has not been, and will not be, registered in Hong Kong, nor has it been authorised by any regulatory authorities in Hong Kong. The New Shares may not be offered or sold and will not be offered or sold in Hong Kong, by means of any document other than (i) to “professional investors” within the meaning of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong) and any rules made under that ordinance or (ii) in other circumstances which do not result in the document being a “prospectus” within the meaning of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32, Laws of Hong Kong) or which do not constitute an offer to the public within the meaning of that ordinance.

No advertisement, invitation or document relating to the New Shares may be issued or may be in the possession (and no advertisement, invitation or document relating to the New Shares has been or will be issued, or has been or will be in the possession) of any person for the purpose of issue, whether in Hong Kong or elsewhere, that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to New Shares that are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” within the meaning of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong) and any rules made under that ordinance. No person allotted New Shares may dispose, transfer or on sell, or offer to dispose, transfer or on sell, such securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such New Shares.

This document and the information within are strictly confidential to the person whom it is addressed and must not be distributed, published, reproduced or disclosed (in whole or in part) by recipient to any other person or used for any purpose in Hong Kong.

The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the offer. If You are in doubt about any contents of this document, You should obtain independent professional advice.

## New Zealand

This document has not been registered, filed with or approved by any New Zealand regulatory authority under the Financial Markets Conduct Act 2013 (the **FMC Act**). The New Shares are not being offered or sold in New Zealand (or allotted with a view to being offered for sale in New Zealand) other than to a person who:

1. is an investment business within the meaning of clause 37 of Schedule 1 of the FMC Act;
2. meets the investment activity criteria specified in clause 38 of Schedule 1 of the FMC Act;
3. is large within the meaning of clause 39 of Schedule 1 of the FMC Act;
4. is a government agency within the meaning of clause 40 of Schedule 1 of the FMC Act; or
5. is an eligible investor within the meaning of clause 41 of Schedule 1 of the FMC Act.

# SUMMARY OF UNDERWRITING TERMINATION EVENTS



ReadyTech has entered into an agreement with Wilsons Corporate Finance Limited (**Underwriter**) (**Placement Agreement**), under which the Underwriter will accept all new shares offered under the Placement if they are not acquired by eligible institutional investors. If certain conditions are not satisfied or certain customary termination events occur, the Underwriter may terminate the Placement Agreement. In summary, the events which may trigger termination of the Placement Agreement include (but are not limited to) the following:

- (\*) breach by ReadyTech of the Placement Agreement or representations or warranties given by ReadyTech ceasing to be true or correct
- a statement in the ASX material associated with the potential acquisition and Placement is false, misleading or deceptive (or likely to mislead or deceive)
- a delay in the timetable or ReadyTech being unable (or unlikely to be able) to issue the shares in connection with the Placement on the issue date
- alteration in ReadyTech's capital structure or alteration of its constituent documents
- (\*) any adverse change occurs in the assets, liabilities, financial position or performance, profits, losses or prospects of ReadyTech from those disclosed in this Presentation or its 30 June 2020 financial results (or subsequent disclosure made to the ASX)
- a change in the board of directors of ReadyTech, the CEO or CFO (including where such a change is announced)
- (\*) a change in senior management of the Company (other than the CEO or CFO) occurs or is announced
- ASIC issues, or threatens to issue, proceedings or commences any inquiry or investigation in relation to the Placement
- ASX states or indicates that there will be a suspension of existing ReadyTech shares from quotation, ReadyTech will be removed from the ASX official list or quotation won't be granted for the placement shares
- (\*) a regulatory body commences any public action or announces an intention to commence such action in respect of ReadyTech or any officer, or an officer is charged with an indictable offence or disqualified from managing a corporation under the Corporations Act
- any government or any governmental or regulatory body issues, or threatens to issue, proceedings or commences any inquiry or investigation into ReadyTech or the Placement
- (\*) an event of hostilities (new or escalating), declaration of national emergency, terrorist act or epidemic or large-scale outbreak of a disease not presently existing (or in respect of which there is a major escalation) occurs involving Australia, New Zealand, United States of America, any member of the European Union, Hong Kong, Japan, Singapore, People's Republic of China or the United Kingdom
- the ASX/S&P300 Index falls by 10% or more below its level at market close on the trading day immediately prior to the date of the Placement Agreement
- certain changes in law (including an announcement or proposal of such change) or the Reserve Bank of Australia, Commonwealth or State authority adopts or announces the proposal to adopt a new policy, any of which does or is likely to prohibit or regulate or otherwise adversely affect the Placement, capital issues or stock markets
- (\*) a general moratorium on commercial banking activities in Australia, the United States, Hong Kong, the United Kingdom or Singapore is declared by the relevant central banking authority in any of those countries, or there is a material disruption in commercial banking or security settlement or clearance services in any of those countries
- (\*) trading in all securities quoted or listed on ASX, the London Stock Exchange, the Hong Kong Stock Exchange, the New York Stock Exchange or Singapore Stock Exchange is suspended or limited in a material respect for more than one day on which that exchange is open for trading
- (\*) there is any adverse change to the existing financial markets, political or economic conditions of, or currency exchange rates or controls in Australia, the United States of America, Hong Kong, the United Kingdom or Singapore, or the international financial markets or any prospective adverse change in national or international political, economic or financial conditions

In respect of items above which are marked "(\*)", the Underwriter may not terminate the Placement Agreement unless the event gives rise to a liability of the Underwriter or the Underwriter contravening applicable law, or the event has or may have a material adverse effect on: (a) the Placement (including the promotion and marketing of it); (b) likely trading price of ReadyTech Shares or (c) the willingness of investors to subscribe for shares as part of the Placement.