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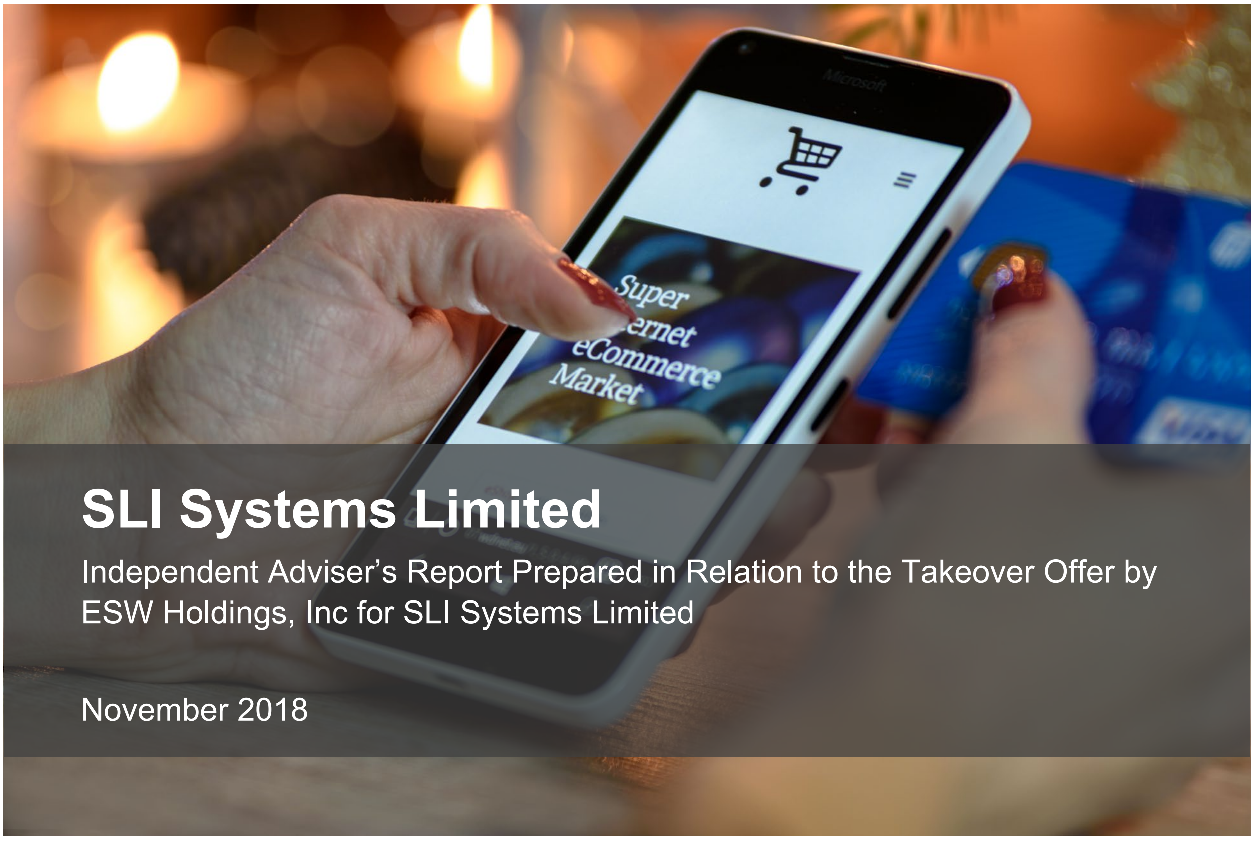

SLI Systems Limited

Independent Adviser’s Report Prepared in Relation to the Takeover Offer by ESW Holdings, Inc for SLI Systems Limited

November 2018

Statement of Independence

Northington Partners Limited confirms that it:

- Has no conflict of interest that could affect its ability to provide an unbiased report; and
- Has no direct or indirect pecuniary or other interest in the proposed transaction considered in this report, including any success or contingency fee or remuneration, other than to receive the cash fee for providing this report.

Northington Partners Limited has satisfied the Takeovers Panel, on the basis of the material provided to the Panel, that it is independent under the Takeovers Code for the purposes of preparing this report.

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Abbreviations and Definitions

Abbreviations	Definitions
$ and NZ$	New Zealand dollars unless otherwise specified
API	Application programming interface
ARR	Annual recurring revenue
CAC	Customer acquisition cost
CAGR	Compound annual growth rate
Cloud based	Refers to applications, services or resources made available to user on demand via the internet from a cloud computing provider's server
Code	The Takeovers Code
DCF	Discounted cash flow
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
E-commerce Platform	A software technology solution an e-commerce retailer uses to build the online storefront
EV	Enterprise value
Execution Discount	Discount applied to our preliminary DCF value
FTE	A unit used to indicate the workload of a full-time employee
Independent Adviser's Report	This report prepared by Northington Partners
IPO	Initial public offering
Machine-learning	A method of data analysis that automates analytical model building
Northington Partners	Northington Partners Limited
NRR	Net revenue retention
Offer	Takeover offer received by SLI shareholders from ESW dated on or about 13 November 2018
Offer Price	Cash consideration of $0.65 per SLI Share
Options	Unlisted options held by SLI employees as subject to SLI's share option plan
Options Offer Prices	The range of cash offer prices for SLI's Options
Plug-in	A piece of software that enhances another software application
SaaS	Software as a service
SARs	Share appreciation rights
Sale Agreements	Agreements from certain shareholders of SLI dated 22 October 2018 to accept the ESW Offer no later than 2 days after the Offer
Shares	Fully paid ordinary shares of SLI
SLI or the Company	SLI Systems Limited
US	United States of America
US$	United States dollars
VWAP	Volume weighted average price

1.0 Overview of the Offer

1.1. Introduction

SLI Systems Limited ("**SLI**" or "the **Company**") is an NZX-listed company which provides site search and navigation technologies for a wide range of e-commerce customers. SLI shareholders are expected to receive a full takeover offer on or about 13 November 2018 ("**Offer**") from ESW Holdings, Inc ("**ESW**") for all of the:

- fully paid ordinary shares of SLI ("**Shares**"); and
- unlisted options ("**Options**") to acquire SLI Shares which are subject to SLI's share option plan.

The cash consideration for the Shares is $0.65 per SLI share (the "**Offer Price**") while the offer for the Options ("**Options Offer Prices**") is the cash price per Option detailed in Appendix 3 of this report.

Prior to announcing the Offer, ESW entered into agreements with 18 SLI shareholders ("**Sale Agreements**") who collectively own or control approximately 51% of the current shares on issue. The Sale Agreements require each shareholder to accept the Offer within two business days of the Offer been made, subject to a range of conditions consistent with the Offer.

The Offer is conditional on the following key conditions:

- A minimum level of acceptances which would result in ESW holding more than 90% of the voting rights in SLI by the close of the Offer. If this condition is waived, the Offer is still conditional on ESW holding more than 50% of the voting rights in SLI. However, we note that based on the Sale Agreements described above, ESW will satisfy this condition; and
- A range of other conditions that are relatively standard in takeover offers.

The offer period is expected to close on or about 30 days after the date of the Offer, unless extended in accordance with the Takeovers Code ("**Code**").

SLI is listed on the main board of the NZX with approximately 1,500 shareholders and is a "Code Company" for the purposes of the Code. ESW's Offer and the Company's response to the Offer must therefore comply with the provisions set out in the Code.

Rule 21 of the Code requires that the directors of SLI must obtain a report from an independent adviser on the merits of the Offer. The Company's directors requested Northington Partners Limited ("**Northington Partners**") to prepare the Rule 21 report, and our appointment was subsequently approved by the Takeovers Panel.

This report will accompany the Target Company Statement to be sent to all SLI shareholders and sets out our opinion on the merits of the Offer. This report should not be used for any other purpose and should be read in conjunction with the declarations, qualifications and consents set out in Appendix 4.

1.2. Summary of our Assessment of the Offer

Our full assessment of the merits of the Offer for SLI's shareholders is set out in Section 4.0 and summarised below in Table 1.

Table 1: Summary of Merits of the Offer

Item	Key Conclusions	Further Information
Value of the Offer	▪ We have valued the SLI shares in a range between NZ$0.37 and NZ$0.53. This is based on an assessment of 100% of the equity value in the business, less an allowance for the value of the Options on issue. ▪ The Offer Price of $0.65 represents a premium of between 23% and 76% over our assessed value range and is close to 117% higher than the market traded value of the SLI shares ($0.30) prior to the announcement of the Offer. ▪ On this basis, we conclude that the Offer Price is compelling.	**Section 4.1**

Item	Key Conclusions	Further Information
Potential Outcomes of the Offer	▪ If ESW receives sufficient acceptances under the Offer such that it owns or controls more than 90% of the voting rights on issue, it has indicated that it will exercise its rights under the Code to compulsorily acquire all remaining shares. SLI will then apply to have its shares delisted from the NZX and will continue to operate as a private company. ▪ ESW also has the ability to waive the 90% acceptance condition and can declare the Offer unconditional if it holds between 50% and 90% of the voting rights on issue. Given that ESW will receive acceptances under the Sale Agreements for approximately 51% of the ordinary shares, it has already exceeded the lower threshold. ESW therefore has the option to declare the Offer unconditional irrespective of the level of additional acceptances received under the Offer. ▪ Given the performance of the SLI Shares over the last 2-3 years, the premium implied by the Offer Price and the potential consequences for shareholders if the Offer is declared unconditional with ESW holding less than 90% of the voting rights, we expect that the Offer will be strongly supported. In our view, it is likely that the 90% threshold will be achieved.	**Section 4.3**
Conclusion	▪ SLI has explored a range of strategic options over the last two years with the objective of maximising shareholder value. These have included potential market consolidation opportunities and exploratory engagement with potential acquirors. Following evaluation of the alternatives available (including indicative expressions of interest in SLI following this process), the SLI Board considers that the ESW Offer is the most favourable compared to all of the options considered. ▪ Given this extensive market engagement and considering that the Company has just commenced implementation of its new business strategy, we suggest that there may not be another opportunity for shareholders to exit their investment in the short to medium term at the Offer Price. If the Offer is not successful, SLI will continue with the implementation of its revised strategy and it will take some time before the likely outcome will be known. While successful delivery of the revised strategy may produce shareholder value in line with the Offer Price, there is considerable risk associated with both the timing and quantum of the potential outcome. ▪ In our view, the Offer provides shareholders with an attractive opportunity to realise their investment in SLI at a significant premium to SLI's share price prior to the Offer and avoid the ongoing risk associated with the revised business strategy. ▪ We note that the parties who have accepted the Sale Agreement include current directors and executives of the Company, as well as the remaining institutional investors in SLI. Each of these parties has clearly determined that accepting the Offer is the best alternative available.	

1.3. Acceptance or Rejection of the Offer

This report represents one source of information that SLI shareholders may wish to consider when forming their own view on whether to accept or reject the Offer. It is not possible to contemplate all shareholders' personal circumstances or investment objectives and our assessment is therefore general in nature. The appropriate course of action for each shareholder is dependent on their own unique situation. If appropriate, shareholders should consult their own professional adviser(s).

2.0 Profile of SLI Systems

2.1. Overview

SLI was formed in 2001 to focus on developing technology for the e-commerce market. The Company identified an opportunity to capitalise on the proliferation of internet usage and provide a site search product for those businesses that had yet to implement such features or had site search products which were providing poor results and an inferior customer experience. The SLI model combines user behaviour and machine learning to more accurately predict what shoppers are most likely to buy, increasing the likelihood of a transaction and shortening the path to purchase.

There are two common solutions for the creation, delivery and management of software:

- On-premise software: generally regarded as being more easily customised and offering greater control over data. The customer may also enjoy more control over the implementation process. On-premise software typically has large upfront costs, including a licence fee, costs associated with the hardware on which the software will run, as well as the people costs of installing, customising and integrating the software. There are often recurring fees for support, training and updates;
- Software as a Service ("**SaaS**"). With SaaS, the software and associated data is hosted outside the customer's premises and accessed through the internet. SaaS is recognised as a common software delivery model for a range of business applications including accounting, customer relationship management, human resource management, process planning and site search tools. The SaaS delivery model offers users several fundamental advantages over on-premise software including ease of implementation, scalability, reliability, speed, ease of upgrades and lower total cost of ownership. SaaS is delivered on a subscription-based model providing a higher degree of recurring revenue than on-premise software.

SLI offers its site search product as SaaS, although the company is recognised as a managed service company.

In 2013, SLI undertook an Initial Public Offering ("**IPO**"), raising gross proceeds of $27 million (consisting of $15 million in new capital and $12 million paid to existing investors). At the time of the IPO, SLI stated that the new capital would be used for:

- Initiatives intended to accelerate growth in existing markets, and expand into promising new markets (notably Brazil and Japan);
- Enhancing SLI's product development programme; and
- Sustaining SLI's existing operations while it built revenue streams.

2.2. Product and Customer Overview

SLI's products provide product discovery applications to e-commerce businesses for their online and mobile digital platforms. All SLI product applications are powered by the SLI buyer engine, a cloud-based machine-learning platform that is constantly trying to answer the basic question – What is this shopper most likely to buy right now?

SLI's product range currently encompasses the core products listed below:

- **Learning Search**: An advanced, SaaS-based site search solution that makes it easy for online retailers to connect shoppers with the products they want to buy.
- **SLI Site Champion**: Complements a retailer's existing SEO strategy by leveraging their visitors' site search activity.
- **Enhanced Search Personalisation (ESP)**: Increases conversion rates by delivering 1:1 personalisation and relevance to shoppers.
- **SLI Learning Navigation**: Dynamically builds browsing experiences based on visitor behaviour to guide shoppers to what they want in the fewest number of clicks while improving a site's internet search ranking.

- **SLI Learning Recommendations**: Provides relevant, tailored product suggestions to help increase cross-sell and up-sell opportunities throughout the site and cross-channel experiences.
- **SLI Mobile**: Provides a streamlined user experience that makes shopping intuitive from any device by optimising the mobile shopping experience for smaller screens and slower load times while limiting the amount of typing required.
- **Rich Auto Complete**: Engages customers with the most relevant product names, categories and images as soon as they start typing into the search box and reduces the number of clicks from search to purchase.
- **SLI Commerce Console**: Gives retail merchandisers the controls they need to easily curate, highlight and move products.
- **SLI Landing Page Creator**: Allows merchandising teams to easily create and deploy shopper-friendly landing pages on a website.
- **SLI Dynamic Product Banners**: Ensures visitors arriving on a retail site from organic search, paid ads or other referral sites will stay and buy from their site.

As of June 2018, SLI delivers its products to approximately 480 e-commerce retail customers predominantly across the US, UK and Asia-Pacific regions. SLI's customers represent a broad cross section of e-commerce retailers including Harvey Norman, Briscoes and David Jones and SLI continues to rank as a top site search provider to the US Internet Retailer Top 1000.[1]

2.3. Key Earnings Drivers

SaaS businesses including SLI are characterised by a number of features which drive earnings and profitability and are used internally to assess success. A summary of some of the key SaaS metrics used by SLI are provided below:

- **ARR (annualised recurring revenue):** Under the SaaS delivery model, SLI's customers pay monthly subscription fees with the level of fees based on the number of search pages that SLI serves for the customer. The recurring subscription-based model is an attractive feature of SaaS businesses because it delivers forward earnings visibility which are highly scalable. ARR represents the annualised revenue of the business based on the monthly subscription values at the end of the reporting period (i.e. for SLI, the subscription revenue generated from the existing customer base in the month of June annualised for a 12-month period). Customer contracts are generally for a one-year term, at the end of which the contract will continue on a monthly or annual basis unless the customer terminates the agreement.

  ARR is also a key comparator for performance across SaaS businesses as it provides the best indication of expected future performance (within the broader context of expected ARR growth rates, customer retention rates and growth costs as discussed below).
- **NRR (net revenue retention):** Represents the percentage of customer value retained from 12 months ago and includes lost customers, product upselling and any decrease in existing customer value. It is a key measure of a SaaS business' ability to retain and upsell to its existing customer base. Generally speaking, an NRR above 90% would be considered favourably, indicating that net growth in the business will require fewer new customers to make up for the customers lost (often termed "churn").
- **Delivery costs:** Essentially represents the cost of maintaining services to existing customers. In SLI's case, these costs predominantly relate to server hosting costs and wages for client-facing engineers and customer services staff. Gross margin for a SaaS business typically represents revenue less delivery costs and provides a useful measure of the incremental value of new customers. Gross margin also allows for an assessment of the estimated payback period for new customers or the lifetime value of customers (i.e. the value of new customers based on their incremental gross margin, expected NRR and the costs incurred in acquiring new customers).

[1] *Internet Retailer*. 2018 Guide to E-Commerce Technology.

- **Growth costs**: Represent the key costs incurred in obtaining new customers. For SLI, growth costs predominantly relate to: sales staff wages and commissions; marketing costs (trade shows, marketing collateral, public relations, internal marketing staff costs, etc); and wages for product development engineers involved in enhancing existing products or the development of new products essential in attracting new customers. Growth costs are useful in establishing the cost of customer acquisition for SaaS businesses, representing the cost of obtaining new ARR. A key scorecard for any SaaS business is its ability to turn growth costs into new recurring revenue as measured by ARR. Therefore, many SaaS businesses will often forgo medium-term profitability in order to grow ARR as quickly and sustainably as possible (New Zealand accounting SaaS business, Xero, represents a good example).

Figure 1 and Figure 2 below highlight SLI's ARR history over the last 10 years and its current ARR by region. Figure 1 illustrates that SLI experienced strong growth in ARR over the period from FY2008 until FY2015, with a compound annual growth rate ("**CAGR**") of approximately 28%. However, since 2015 SLI's ARR has been flat largely due to a number of factors summarised in Section 2.4. Figure 2 highlights that North America remains SLI's largest customer base (by ARR).

Figure 1: ARR for FY2008 – FY2018

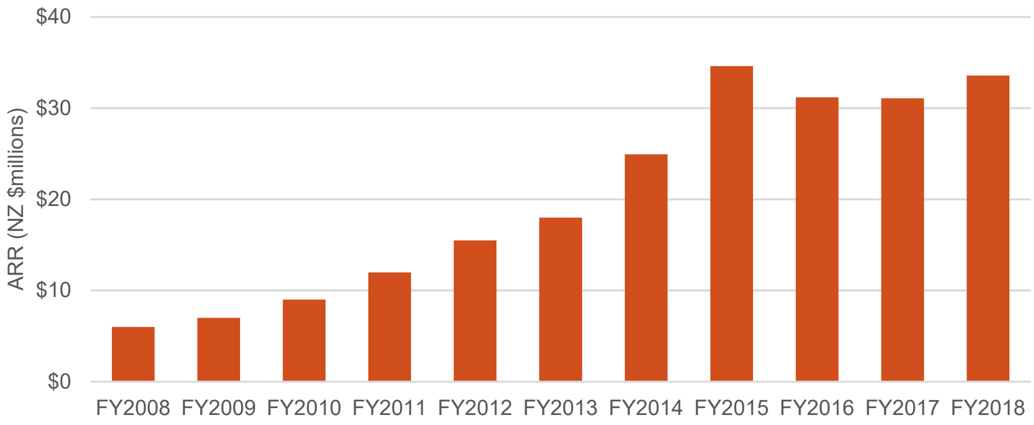
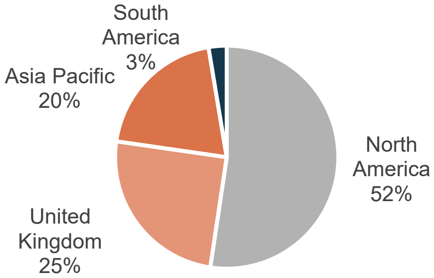


Figure 2: FY2018 ARR by Geographic Location



2.4. Revised Business Strategy

SLI's current product and sales model can be characterised by the following features:

- A direct sales model with new customer leads and sales led by a dedicated international sales and marketing team;
- Software engineers developing and supporting SLI's suite of effective site-search products to e-commerce customers;
- Dedicated account managers ensuring high levels of service and support and promoting new product additions or complementary products (along with other sales representatives) to SLI's customer base; and
- In-house dedicated teams (customer facing engineers and customer services group) ensuring high-levels of service and support are maintained.

While SLI enjoyed strong early success with its core Learning Search and Site Champion products under this high cost – high service bundled software and service model, the e-commerce market is evolving and client needs and expectations are changing. Market dynamics and budget pressures to deploy many technologies simultaneously into retail e-commerce platforms has meant that customers are much more cost conscious. At the same time, SLI has seen increased competition from both default search functions within e-commerce platforms (the price of which is bundled within the overall product) and dedicated site-search companies offering a lower-cost and lower-service model. This has been particularly evident amongst the growing market of small e-commerce retailers which are seeking lower-cost solutions.

These changing market dynamics have required SLI to make modifications to the way it commercialises its technology in order to remain successful, compete and grow. Initially, SLI intentionally changed its strategy to rationalise growth with more of a focus on preserving cash and developing new products. Although this significantly reduced the Company's growth costs, it also limited its capacity to increase ARR. Consequently, in 2017 SLI announced the transition to a new strategy intended to change the delivery of its products to customers under a new pricing model that separates the software licensing and professional service fees. While the core site search product functionality effectively remains the same, the new unbundled service and software model will include the following two core products:

- Plug-In: a low-cost "off the shelf" self-service product for smaller customers which basically adds a site search function to a customer's existing e-commerce software application with no programming requirements; and
- Application program interface ("**API**"): a software product which lets customers install and maintain SLI's technology solutions themselves along with other software components which complement their e-commerce platform (e.g. payment systems). This generally requires in-house programming or third-party support.

This new strategy is expected to provide the following advantages:

- Enables more efficient and highly scalable channel partner relationships, which in turn opens up a significantly larger and more readily accessed addressable market (including smaller retailers) where the channel partners will largely be responsible for the customer relationship;
- Reduced cost to serve and customer acquisition costs as support and acquisition will largely be driven by new channel partners; and
- Enables SLI to focus on its core capabilities in site search innovation where it has unique intellectual property.

SLI's new channel partners will typically be system integrators that provide other e-commerce related software, allowing those partners to offer bundled services. This new delivery model will largely remove SLI from client relationships and maintenance but will also expose the Company to risks if new channel partners do not offer the level of service expected by SLI's end users.

The new products are expected to be materially cheaper than SLI's existing legacy products. In essence, SLI will continue to support its existing customers but shift away from this service-intensive model to the new low-service API and Plug-In products. While SLI's legacy products will no longer be promoted, customers will still be actively supported until they run-off or transition to the new products. SLI's recent focus has been on developing the new products for product launch in 2019.

While the revised business strategy is essential to SLI retaining its competitiveness and has the potential to be significantly more scalable, it also represents to some degree a fresh start for the Company. SLI may therefore be exposed to a number of additional risks outside its ordinary course of business if the strategy is not executed successfully. We suggest that these risks include:

- Losing existing customers at a faster rate than anticipated as SLI winds-down its internal support functions;
- Low cost and low service products may be more susceptible to high levels of customer churn (lower NRR);
- Not identifying and establishing suitable new channel partners to grow sales of the new products at the levels anticipated (and required to offset lost revenue from legacy customers);

- Reputation risk associated with new channel partners if they fail to deliver at expected levels of customer service and support; and
- Potentially lower gross margins arising from commissions to channel partners and delivery costs, although this is anticipated to be offset by lower growth costs.

2.5. Significant Historical Events

SLI started as a concept to improve the relevance of search results by learning from prior user experience. In 1998, GlobalBrain was established in Christchurch to develop software that would commercialise this idea. GlobalBrain was subsequently sold in 2000 to NBCi, a subsidiary of the US based National Broadcasting Company (NBC). In 2001, following the dotcom crisis, NBCi was shut down. SLI was formed when a group of ex-NBCi senior managers, employees and other individuals bought the intellectual property from NBC and decided to focus the technology on the site search market.

SLI adapted the software to provide dedicated site search products through a SaaS delivery model. SLI saw an opportunity to capitalise on the proliferation of internet usage and provide a site search product for those businesses that had yet to implement such features or had site search products which were providing poor results or an inferior customer experience.

The timeline in Table 2 below sets out the key events and milestones in SLI's history.

Table 2: Historical Significant Events of SLI

Calendar Year	Significant Event
1998	GlobalBrain launched to improve internet search
2000	Sale to NBCi (6th most visited site in the US)
2001	Learning Search and Related Search developed at GlobalBrain/NBCI
	Founders see opportunity to improve site search, purchased IP/technology from NBC, S.L.I Systems, Inc. formed
2003	Decision made to focus on US online retail
2004	Site Champion launched
2006	Learning Navigation launched 100th customer added
2007	Pioneer Capital invests in the Company
2008	Auto complete and Merchandising Console launched 200th customer added
2010	Rich Auto Complete launched SLI Mobile launched
2012	Sam Morgan invests in the Company
2013	SLI has over 375 customers, over 600 sites and >500m queries/month SLI IPO
2014	One billion search queries handled in one month Japan office opened and expansion commenced Learning Recommendations product launched Dynamic Banners product launch SLI launches new logo and branding Winner of Best Product at eCommerce Awards for Excellence 2014 (London)
2015	New CEO Chris Brennan announced, founding CEO Shaun Ryan steps into Chief Innovation Officer
2016	SLI launches ESP product
2017	New strategy announced, Co-Founder Shaun Ryan steps down from management role (maintains director role)
2018	Pioneer Capital sells its investment ESW announces takeover offer for SLI

2.6. Market Overview

SLI is at the centre of two large and growing markets:

- Online retail; and

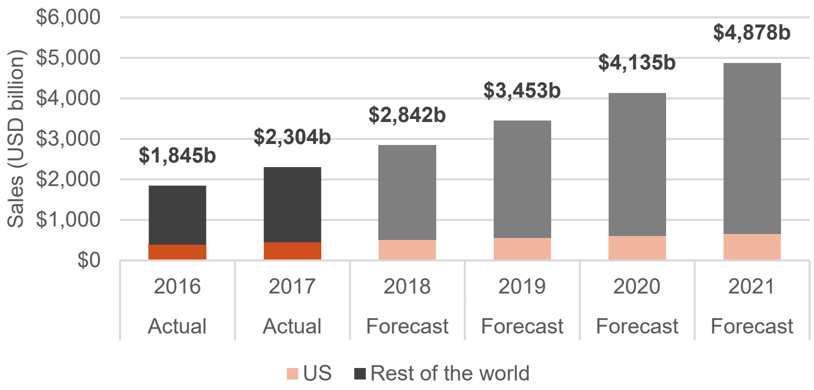
- E-commerce software delivered via SaaS.

SLI products intersect the combination of these markets with the demand for site search products being driven by increased online retail spending and e-commerce retailers demand for software which performs this function. Each of these markets is described in more detail in the following sections.

2.6.1. Online Retail

Since the proliferation of the internet, online retail sales have grown rapidly. The global market for retail e-commerce sales in 2017 was estimated to be US$2.3 trillion and predicted to grow at a CAGR of 20.6% to reach US$4.9 trillion in value by 2021. Figure 3 below illustrates the size and growth in this market.

Figure 3: US and Global E-commerce Retail Market Size and Growth



Source: Statistica

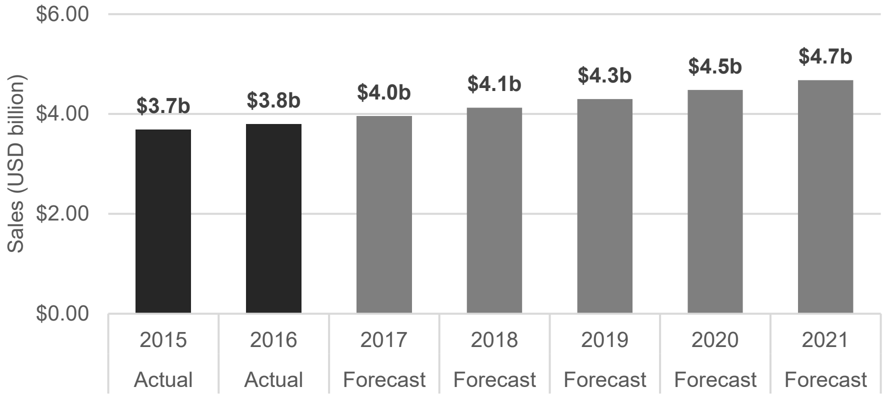
The trends driving this growth are summarised below:

- Globalisation: the internet has reduced geographic boundaries with regard to trade and commerce, making it easier to do business beyond home markets.
- Development of the online user experience: Rich, interactive and personalised e-commerce experiences are making it easier to identify, review and purchase products online. Improved site search features have been a key contributor to this.
- Proliferation of mobile devices: E-commerce has expanded onto mobile devices and mobile usage has surged in recent years, allowing consumers to shop anywhere at any time.
- Development of e-commerce integration: Investment in e-commerce platforms has seen the simplification of online retail processes for both businesses and consumers (e.g. payments, inventory management and product delivery).
- Social media and visual marketing: Communication across social networks from nontypical marketing strategies such as “influencers” has been effective at driving sales and demand for products.

2.6.2. E-commerce Software

The e-commerce software market comprises a large number and wide variety of software providers, all designed to help e-commerce businesses run their operations and online presence. The changing nature of consumer demand and high competition between retailers has meant the software industry has matured in line with e-commerce retail growth. The e-commerce software market was estimated to be worth US$4.0 billion in 2017 and is forecast to grow at a CAGR of 4.2% to US$4.7 billion by 2021, as detailed in Figure 4 below. This anticipated level of growth is lower than underlying online retail sales growth, reflecting the scale economies in online retail (i.e. limited incremental cost for additional sales) and increased competition for e-commerce software sales (as has been experienced by SLI).

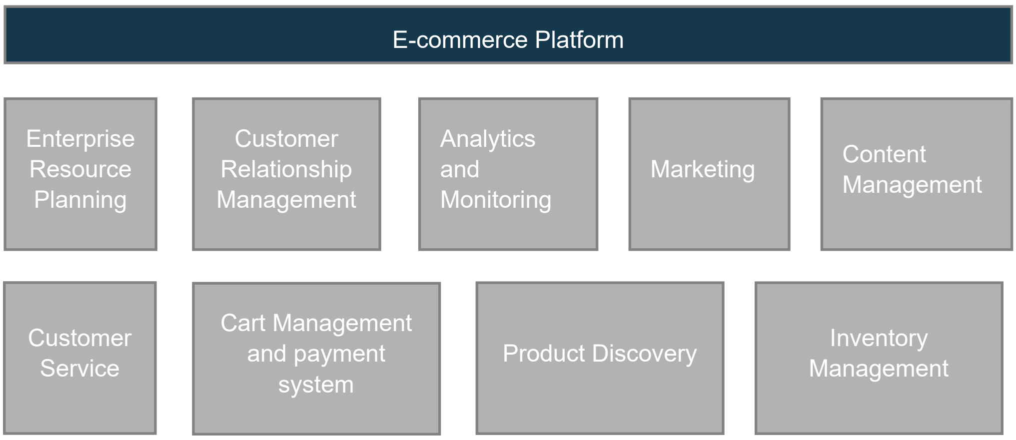
Figure 4: E-commerce Software Application Sales



Source: Statistica based on 2017.

Underlying e-commerce software platforms are changing, and customer expectations continue to increase. A large variety of specialised products and services are now developed to support the complex needs of the platforms powering e-commerce sales. This is because e-commerce platforms do not necessarily provide the leading product in each individual category that makes up the full suite of services. Figure 5 below illustrates an example of specialised products that are typically included in an e-commerce platform.

Figure 5: The E-commerce Platform and a Selection of E-commerce Add-ons



In SLI's experience, online businesses often use around 12 individual elements when developing their e-commerce platform. Some notable products and companies that support e-commerce platforms include:

- Customer Relationship Management (e.g. Salesforce);
- Marketing (e.g. Mailchimp);
- Product Discovery (e.g. SLI);
- Cart management and payment systems (e.g. Paypal); and
- Online finance (e.g. Afterpay).

Product discovery is at the heart of a business's online strategy. The ability of consumers to find the products and information they are seeking quickly, through intuitive and rich search and navigation features, is fundamental to converting web browsing into sales. Therefore, effective search and navigation are essential elements of e-commerce platforms. SLI's core products fall within this segment of the e-commerce software market. There are three main approaches a business will implement for their product discovery application:

- An e-commerce platforms default search function; or
- An internally developed search application; or
- A dedicated search application such as SLI.

SLI's main competition comes from the increase in capability of default search functions and from lower-cost dedicated site search providers (although these are often targeting smaller retailers). In 2016, around 370 of the Top 1000 online retailers in the US used a dedicated site search provider (81 of these businesses were SLI customers)[2]. However, as competition among retailers has intensified, many have become price sensitive and SLI's on-going challenge is to keep up with retailer demands.

2.7. Capital Structure and Ownership

SLI currently has 62,260,816 ordinary shares on issue. The top 10 shareholders as at 18 October 2018 are set out below in Table 3.

Table 3: Top 10 Shareholders as at 18 October 2018

Shareholder	Holding Balance	Shareholding Percentage
New Zealand Central Securities Depository Limited[1]	10,264,297	16.5%
Marder Media Group Inc	3,031,290	4.9%
Grant James Ryan & Shaun William Ryan[2]	2,953,116	4.7%
Wayne Alistair Munro	2,940,120	4.7%
Shaun William Ryan & Katherine Louise Ryan[3]	2,430,000	3.9%
Lynnwood Holdings Limited	2,056,616	3.3%
Robert Van Nobelen & Bws Trustee (2005) Limited[4]	2,007,612	3.2%
Michael Arthur Grantham	1,946,012	3.1%
Gareth Samuel Reuben Morgan & Gareth Huw Thomas Morgan & Charles Andrea Purcell[5]	1,795,843	2.9%
Geoffrey Brash	1,297,734	2.1%
Top 10	**30,722,640**	**49.3%**
Remaining Shares	31,538,176	50.7%
Total Shares on Issue	**62,260,816**	**100.0%**

Source: IRESS.
[1]Holds the interests of Pie Funds Management Limited and Milford Funds Limited
[2]As trustees of the Grant James Ryan Family Trust
[3]As trustees of the Shaun W Ryan Family Trust
[4]As trustees of the Rob Van Nobelen Family Trust
[5]As trustees of the Jasmine Investment Trust No. 2

Substantial Product Holders in SLI are set out below in Table 4.

Table 4: Top Substantial Product Holders as Last Reported

Substantial Product Holder	Holding Balance	Shareholding Percentage
Shaun William Ryan	6,744,376	10.8%
Pie Funds Management Limited	5,046,231	8.1%
Milford Funds Limited	4,882,748	7.8%
Steven Marder	4,299,322	6.9%
Grant James Ryan	3,367,451	5.4%
Total	24,340,128	39.1%
Remaining Shares	37,920,688	60.9%
Total Shares on Issue	**62,260,816**	**100.0%**

[2] *Internet Retailer*. 2018 Guide to E-Commerce Technology.

In addition to SLI's ordinary shares, SLI has 74 classes of unlisted options on issue. These are summarised in Table 5 below and further detailed in Appendix 3.

Table 5: Options on Issue

Number of Options	Exercise Price per Share	Weighted Average Contractual Life at 30 September 2018 (years)
300,000	US $0.29 - $0.33	1.9
1,635,829	US $0.3333	2.3
171,375	US $0.68	4.0
285,338	US $0.75	4.2
129,600	US $0.78	4.7
1,738,083	NZ $0.25 - $0.40	8.7
16,875	NZ $0.41 - $0.60	8.7
116,000	NZ $0.61 - $0.80	7.6
813,083	NZ $0.81 - $1.00	7.2
55,200	NZ $1.01 - $1.20	6.5
54,100	NZ $1.21 - $1.40	6.2
41,400	NZ $1.41 - $1.60	6.1
100,000	NZ $1.61 - $1.80	5.9
103,500	NZ $1.81 - $2.00	5.1
27,600	NZ $2.01 - $2.20	5.4
13,800	NZ $2.21 - $2.40	5.8
41,400	NZ $2.41 - $2.60	5.7
5,643,183		

As of 31 October 2018, SLI also had 2,364,166 Share Appreciation Rights (**"SARs"**) on issue under the Company's long-term incentive plan for key executives (of which 1,326,166 are unconditional and the remaining 1,038,000 conditional on meeting performance obligations). While the SARs are non-voting securities (unlike SLI's Shares), some also entitle the holder to options in SLI and are designed to allow SARs holders to share in the appreciation of SLI's Shares. A summary of the outstanding unconditional SARs is summarised in Table 6 below.

Table 6: Share Appreciation Rights

Number of SARs	Exercise Price per SAR	Weighted Average Life Remaining (Years)
100,000	NZ$0.20	1.9
1,226,166	NZ$0.37	0.6
1,038,000	NZ$0.25	0.0

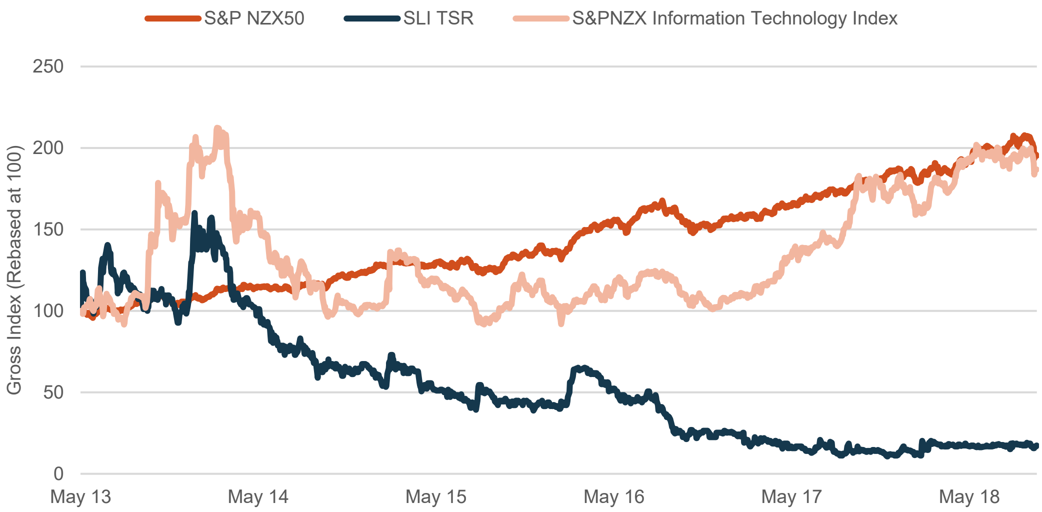
2.8. Share Price Performance and Liquidity

2.8.1. Share Price Performance

SLI listed on the NZX on 31 May 2013 at an IPO price of $1.50 per Share. Figure 6 below illustrates the total shareholder returns (**"TSR"**) of SLI relative to comparable gross indices since the Company was listed. A description of each index is detailed below:

- The NZX50 measures the performance of the 50 largest eligible stocks listed on the Main Board of the NZX.
- The S&P/NZX Information Technology index represents a market index of the companies from the information technology sector listed on the NZX.

Figure 6: SLI's TSR Relative to Relevant Gross Indices Since IPO



Source: IRESS. S&P/NZX50 Information Technology Index and S&P/NZX50 are gross indices which assume all dividends are reinvested.

On SLI's performance we note:

- Since IPO, SLI has significantly underperformed the market with a TSR of approximately negative 84%. This compares very poorly relative to the NZX50 and S&P/NZX Information Technology indices, which have delivered TSRs of 88% and 71% respectively; and
- SLI's underperformance relative to the more relevant S&P/NZX Information Technology has been more exaggerated since February 2016.

2.8.2. Liquidity

A useful way of understanding SLI's liquidity is to look at the daily median volume traded compared to the total free float securities outstanding. Free float securities exclude shares that are held by strategic shareholders, management and directors of the company. In the past 12 months, a median of approximately $4,000 worth of SLI Shares were traded on a daily basis, compared to our estimate of the free float market capitalisation of the Company of $16.7 million (based on pre-Offer value on 19 October 2018). This relatively small value of share trading demonstrates that SLI is highly illiquid, meaning it would be difficult for an investor to sell a large number of shares at the price observed in the market.

2.9. Historic Financial Results

2.9.1. Financial Performance

A summary of SLI's reported financial performance for the 5-year period between FY2014 (SLI's first full year of operations following its IPO in May 2013) and FY2018 is shown in Table 7 below.

Table 7: SLI Historical Financial Performance

Year Ended 30 June (NZ$ '000s)	FY2014	FY2015	FY2016	FY2017	FY2018
Operating Revenue	22,117	28,126	35,006	31,546	33,802
Government Grants	279	466	646	489	615
Total Revenue and Income	**22,396**	**28,592**	**35,652**	**32,035**	**34,417**
Operating Expenses	(11,848)	(13,795)	(14,354)	(12,729)	(11,500)
Employee Entitlements	(16,485)	(22,007)	(21,050)	(20,542)	(18,558)
EBITDA	**(5,937)**	**(7,210)**	**248**	**(1,236)**	**4,359**
Amortisation of intangible assets	(57)	(56)	(57)	(65)	(55)
Depreciation on property, plant and equipment	(391)	(458)	(392)	(295)	(216)
EBIT	**(6,385)**	**(7,724)**	**(201)**	**(1,596)**	**4,088**

Interest and Finance (costs) / Income	472	174	39	27	18
Income Tax Expense	191	190	(77)	(284)	(84)
Profit after Tax	**(5,722)**	**(7,360)**	**(239)**	**(1,853)**	**4,022**
Currency Translation Movement	(12)	243	(314)	(87)	150
Total comprehensive profit / (loss) for the year attributable to the shareholders of the company	(5,734)	(7,117)	(553)	(1,940)	4,172

Source: SLI Annual reports, Northington Partners analysis

While SLI's reported financial performance provide a useful summary of historical results, better measures of financial performance for a SaaS business typically include non-GAAP measures including ARR, NRR, delivery costs, gross margin, cost of customer acquisition and growth costs (as discussed in Section 2.3).

A summary of SLI's key non-GAAP performance metrics are shown in Table 8 below.

Table 8: SLI's Non - GAAP Historical Key Financial Performance Results

Year Ended 30 June (NZ$ '000s)	FY2014	FY2015	FY2016	FY2017	FY2018
Customer Numbers	511	586	576	510	479
ARR	24,949	34,618	31,191	31,093	33,581
NRR	101%	90%	86%	93%	93%
Reported Revenue	22,117	28,126	35,006	31,546	33,802
Other Income	751	640	685	516	633
Delivery Costs	(5,618)	(7,211)	(7,958)	(8,258)	(8,812)
Gross Margin	16,499	20,915	27,048	23,288	24,990
Gross Margin %	*74.6%*	*74.4%*	*77.3%*	*73.8%*	*73.9%*
Growth Costs	(14,608)	(20,124)	(17,631)	(15,152)	(11,840)
Other, General and Admin Costs	(8,555)	(8,981)	(10,264)	(10,221)	(9,677)
Total Costs	(28,781)	(36,316)	(35,853)	(33,631)	(30,329)
Profit / (loss)	(5,913)	(7,550)	(162)	(1,569)	4,106

Source: SLI Investor Presentations, Northington Partners analysis. Note: ARR is in currency as reported. Other, general and admin costs include exchange gain/(loss), general, admin and other costs.

The key features of SLI's overall historical financial performance can be summarised as follows:

- SLI has experienced declining customer numbers since FY2015, with approximately 480 customers at the end of FY2018. However, we note that lost customers have generally been lower value customers that have been offset by wins of larger value customers. This is evident in an increase in the ARR per customer, which has grown from approximately $49,000 in FY2014 to approximately $70,000 in FY2018.
- While SLI achieved ARR growth of 39% between FY2014 and FY2015, ARR has been largely flat at approximately $34 million in the following three years. Some of the year-to-year fluctuation in ARR is due to currency movements.
- Although SLI's NRR has been relatively stable at over 90% (other than FY2016), the 10% churn represents lost revenue which must be replaced by new customer revenue in order for the Company to grow ARR. SLI's flat ARR performance illustrates that most of the growth costs incurred over the historic period have largely been required to maintain ARR rather than generate any meaningful ARR growth.
- SLI's annual growth costs have fluctuated between $11.8 million and $20.1 million over the last five years, while ARR has only increased by about $8.6 million over the full period. We note that growth costs were significantly reduced in FY2018 following SLI's strategic repositioning to focus on new products rather than sales and marketing for existing products. This change resulted in SLI achieving profitability of $4.1 million in FY2018, and enabled the Company to increase its cash reserves.
- SLI's other costs largely represent overhead administration costs (wages for head office functions, property leases, etc), professional fees, directors' fees and listed company expenses

(investor relations, NZX, etc). These costs have largely been maintained at between $9 - $10 million over the historic period.

- While SLI's operating profit in FY2018 of over $4 million is a substantial improvement on prior year losses, we suggest that this has come at the expense of growth and long-term value upside. This is evident in SLI's share price performance over the same period - despite SLI's improved profitability, the market has focused more on the Company's inability to sustainably grow ARR.

2.9.2. Financial Position

A summary of SLI's financial position for the FY2014 – FY2018 period is shown below in Table 9.

Table 9: SLI Historical Financial Position

Year Ended 30 June (NZ$ '000s)	FY2014	FY2015	FY2016	FY2017	FY2018
Cash and cash equivalents	11,389	5,582	6,765	5,646	9,146
Trade and other receivables	4,972	6,631	5,876	6,341	7,515
Current Assets	**16,391**	**12,213**	**12,641**	**11,987**	**16,661**
Deferred tax assets	455	688	675	468	476
Property, plant and equipment	1,589	1,582	1,316	1,202	1,096
Intangible assets	115	99	65	139	87
Non-Current Assets	**2,159**	**2,369**	**2,056**	**1,809**	**1,659**
Total Assets	**18,550**	**14,582**	**14,697**	**13,796**	**18,320**
Taxation payable	-	24	34	51	68
Trade and other payables	5,312	6,843	7,035	7,480	7,431
Employee benefits	1,966	2,774	1,801	1,612	1,888
Current Liabilities	**7,278**	**9,641**	**8,870**	**9,143**	**9,387**
Employee benefits	57	17	29	28	35
Deferred tax liabilities	15	12	13	17	21
Total non-current liabilities	**72**	**29**	**42**	**45**	**56**
Total liabilities	**7,350**	**9,670**	**8,912**	**9,188**	**9,443**
Net Assets	**11,200**	**4,912**	**5,785**	**4,608**	**8,877**
Share capital	17,674	18,125	18,771	18,771	18,771
Reserves	1,250	1,769	1,811	1,967	1,765
Accumulated Losses	(7,724)	(14,982)	(14,797)	(16,130)	(11,659)
Total Equity	**11,200**	**4,912**	**5,785**	**4,608**	**8,877**

Source: SLI Annual Reports, Northington Partners analysis

The key features of SLI's historical financial position can be summarised as follows:

- SLI has no significant intangible assets recorded on its balance sheet. In accordance with the relevant accounting standard (NZ IAS 38 Intangible assets), no development costs have been capitalised as intangible assets.
- SLI's assets largely reflect trade receivables from its customers and its positive cash position.

2.9.3. Cash Flows

SLI's cash flow statements for the last five years are summarised in Table 10.

Table 10: SLI's Historical Cash Flows FY2014 – FY2018

Year Ended 30 June (NZ$ '000s)	FY2014	FY2015	FY2016	FY2017	FY2018
Cash was provided from:					
Receipts from customers	22,109	27,938	36,148	31,724	32,744
Interest received	445	246	111	25	14
Net GST (paid) / refund	87	(15)	(23)	146	(100)

Government grants	271	378	558	332	491
Insurance proceeds	13	-	-	-	-
Cash was applied to:					
Payments made to suppliers and employees	(27,030)	(34,193)	(35,936)	(32,965)	(29,368)
Income tax (paid)	(91)	8	(50)	(54)	(75)
Net cash inflow / (outflow) from operating activities	**(4,196)**	**(5,638)**	**808**	**(792)**	**3,706**
Cash was applied to:					
Purchase of property, plant and equipment	(689)	(433)	(140)	(194)	(207)
Sale of property, plant and equipment	-	1	-	6	4
Purchase of intangibles	(10)	(40)	(23)	(139)	(3)
Net cash (outflow) from investing activities	**(699)**	**(472)**	**(163)**	**(327)**	**(206)**
Net proceeds from issue of shares	-	-	-	-	-
Cash flows from financing activities	-	-	-	-	-
Cash was provided from:					
IPO share issue costs charged to equity	-	-	-	-	-
Cash received from share options exercised	902	303	538	-	-
Net cash inflow from financing activities	**902**	**303**	**538**	**-**	**-**
Net increase / (decrease) in cash equivalents	(3,993)	(5,807)	1,183	(1,119)	3,500
Cash balance at the beginning of the year	15,382	11,389	5,582	6,765	5,646
Cash balance at the end of the year	**11,389**	**5,582**	**6,765**	**5,646**	**9,146**

Source: SLI Annual Reports, Northington Partners analysis

The key features of SLI's historical cash flows can be summarised as follows:

- Despite SLI's accumulated losses, it has been able to stem the "cash burn" over the last few years and currently has healthy cash reserves (over $9 million at the end of FY2018).
- As expected from a SaaS business, SLI has a low level of capital requirements with capital expenditure averaging approximately $0.3 million over the last four years.

3.0 Valuation of SLI Systems

3.1. Valuation Summary

As summarised in Table 11 below, our total equity value range for SLI is between $25.1 million and $35.2 million.

Table 11: Valuation Summary

Valuation Component	**Valuation $m**		**Implied EV / FY19 Revenue**	
	Low	High	Low	High
Base DCF Valuation	$50.2	$50.2	1.5x	1.5x
less Discount for Execution Risk (50% / 30%)	($25.1)	($15.1)		
Total Equity Value	$25.1	$35.2	0.7x	1.0x

Source: Northington Partners analysis.

3.2. Valuation Methodology

For most assets, value should be determined as a function of the estimated level of cash returns that the assets are expected to generate in the future. The specific approach that is used to estimate this value is dependent on the nature of the asset and the expectations regarding future performance.

The appropriate valuation methodology for technology companies, and in particular SaaS businesses, has been an area of significant debate. Valuation approaches include a number of traditional valuation methods and also a number of new, industry specific methods. In general, the choice of an appropriate valuation method (and associated valuation metrics) is largely dependent on (inter alia) the stage of development of the company, the revenue growth rate and whether the business is profitable.

In some respects, SLI can be viewed as a somewhat mature business, given its age and the relatively low revenue growth rate associated with its core products. However, SLI is now in the process of a substantial change to its business model, with a fundamental shift in focus from its original offering to a new suite of products which can be marketed to a larger target market. We estimate SLI's addressable market may increase by up to 15% as a result of the new strategy, although that now mostly includes smaller retailers. While the core technology embedded in the new products is well-established, SLI can be considered more like a "start-up" with respect to its intended new market engagement and sales channels.

Based on its current position and revised business plan, we have used a Discounted Cashflow ("**DCF**") method as our primary valuation approach for SLI. The financial projections specifically allow us to forecast the run-down of the existing product suite (which is now not being actively marketed and promoted) and the projected growth of the new products which will become the core focus of the Company.

We have then used a number of industry specific valuation metrics to benchmark our DCF valuation assessment against the evidence from comparable companies and transactions.

Further detail regarding each valuation methodology is set out below:

3.2.1. Discounted Cashflow

A DCF approach is based on an explicit forecast of the periodic cash flows that will be generated over a specified forecast period (typically between 5 and 10 years). The value of cash flows that may occur after the end of the explicit forecast period is incorporated into the valuation process by capitalising an estimate of maintainable cash flows for the terminal period. A DCF model is therefore usually made up of two components:

(i) The present value of the projected cash flows during the forecast period; and

(ii) The present value of all other cash flows projected to occur after the explicit forecast period. This component is commonly referred to as the terminal value.

Forecast future cash flows are converted to present values using an estimate of the required rate of return for the business. For SLI, this rate of return is equivalent to its cost of equity (discussed further in Section 3.3.4).

The DCF approach can provide a better valuation treatment for companies with high growth profiles and significant capital expenditure requirements. Because each of these factors can be explicitly incorporated into the valuation process, the DCF model directly accounts for many important value drivers of the business under consideration.

As previously discussed, SLI is currently undertaking a significant business transformation and given the nature of its "repositioning", we believe that there is significant risk around the forecast cash flows. In our view, the forecasts are subject to material uncertainty, and the risk around the timing of the projected cash flows or whether the cash flows will actually eventuate is far higher than might typically be the case for more mature businesses. To reflect this higher level of uncertainty, we have applied a discount to our base DCF value to allow for the material execution risk associated with the new business plan ("**Execution Discount**").

3.2.2. Revenue Multiples / Benchmark Metrics

Another standard valuation approach for a wide range of established and profitable businesses involves applying a valuation multiple to the assessed level of maintainable annual earnings (or cash flows), where the multiple is chosen to reflect the risk associated with the future performance of the business. Depending on the nature of the business, earnings can be appropriately measured at the EBITDA, EBITA, EBIT, or NPAT levels. However, when a company is either not profitable or where current earnings are not representative of the full earnings potential, this approach has obvious shortcomings.

Typically, SaaS companies are focussed on growing their customer base as fast as possible, which often involves a level of marketing and customer acquisition costs that are disproportionate to revenue in early years. These companies are therefore often not profitable. This growth strategy reflects that investors are happy to sacrifice up-front earnings for higher growth rates, and therefore higher potential earnings in the future.

For early stage technology companies which are not profitable, a multiple of current revenue (in gross terms or measured as ARR) is often used as a key valuation metric. The appropriate revenue multiple for each company will vary to reflect a range of company and industry specific factors. However, in general, companies that are expected to grow faster and have lower operational / customer retention expenses should have a higher revenue multiple compared to those that will likely grow at a slower rate and / or may have higher operating / customer retention expenses. Estimates of an appropriate multiple are typically based on data derived from other companies that are considered to be comparable to the target company in relation to growth prospects, capital expenditure requirements, and market and risk profiles.

Unfortunately, it is extremely rare that the target company will have any close comparables with respect to all of these important characteristics. In many cases, revenue multiples extracted from a set of businesses within exactly the same industry will have a wide range of values that reflect company specific factors rather than the underlying risk level of the industry itself.

Selecting an appropriate revenue multiple is therefore a matter of judgement. For SaaS businesses, there are also a number of other key revenue and cost related metrics which, when considered in aggregate and relative to comparable businesses, help provide guidance regarding whether a higher or lower revenue multiple might be appropriate. These metrics are summarised in Table 12 below:

Table 12: Key Valuation Metrics for Software and SaaS Businesses

Measure	Discussion
EV / Revenue	Calculated as Enterprise Value divided by annual revenue. As discussed above, for companies that do not have positive EBIT or EBITDA, using revenue to derive a valuation multiple can be useful to provide a basis for comparison with other comparable companies. EV / Revenue is commonly used as a relative valuation measure for high growth technology-based companies.

Measure	Discussion
Revenue Growth Rate	Revenue growth rate is an important measure for a SaaS business, and typically is highly correlated to business value. The rate of growth reflects the effectiveness of each company's strategy execution. Factoring in the recent and expected revenue growth rates can provide further guidance with regard to the assessment of EV / Revenue multiples. All else equal, a company which is growing revenue at a faster rate should be able to support a higher EV / Revenue multiple that one with a lower revenue growth rate.
Revenue Growth Rate + EBITDA margin	This is a common measure used for SaaS businesses, is easy to calculate and provides a useful benchmark against which companies (at scale) can be tested. A relative comparable assessment (i.e comparing relative scores of companies against one another) is also beneficial. This measure is the basis for the "The Rule of 40". The Rule of 40 suggests that well performing SaaS businesses have a combined total of at least 40% when their revenue growth rate is added to their EBITDA margin. While a company's Rule of 40 score will change at different points in its growth cycle, the measure is considered generally reliable (it has been empirically tested) and accommodates companies which are not profitable. Companies with negative EBITDA margins can still meet the threshold if its revenue growth rate is sufficiently high, while the lower growth rates for more mature companies can be offset by improving profitability.

Source: Northington Partners analysis.

While revenue-based valuation multiples are helpful, especially for comparative analysis, they have some limitations and shortcomings. Importantly, these metrics do not illustrate or account for the idiosyncratic differences in the life-cycle operating costs of individual businesses, which will ultimately drive net profitability; these differences can be significant and have a material impact on value. In our view, these issues mean that it can be difficult to reliably use the revenue multiple approach as a primary valuation approach.

We have therefore used the revenue multiple approach as a way to benchmark the assessed values derived from our primary DCF valuation.

3.3. Standalone Valuation of SLI

3.3.1. Overview

Our DCF framework for SLI is based on five-year cash flow models initially prepared by SLI's management (but which have not been approved by SLI's Board), with a range of modifications to reflect our assessment of appropriate input parameter values following consultation with SLI management. We have then extended the base case forecast model from five to ten years to allow for a more detailed treatment of the potential timing and scale of the business growth under the new business plan. The assumptions underlying the forecasts have also been tested with SLI management to ensure their reasonableness.

Details of the model structure are set out in Table 13, and a summary of the input parameters is presented in the following section.

Table 13: DCF Model Structure

Assumption	Discussion
Valuation Date	30 September 2018
Valuation Basis	Direct assessment of equity value based on projected residual cash flows available to equity holders
Model Term	10 Years
Cash Flow Basis	Post-tax nominal
Cash Flow Timing	Mid-period discounting

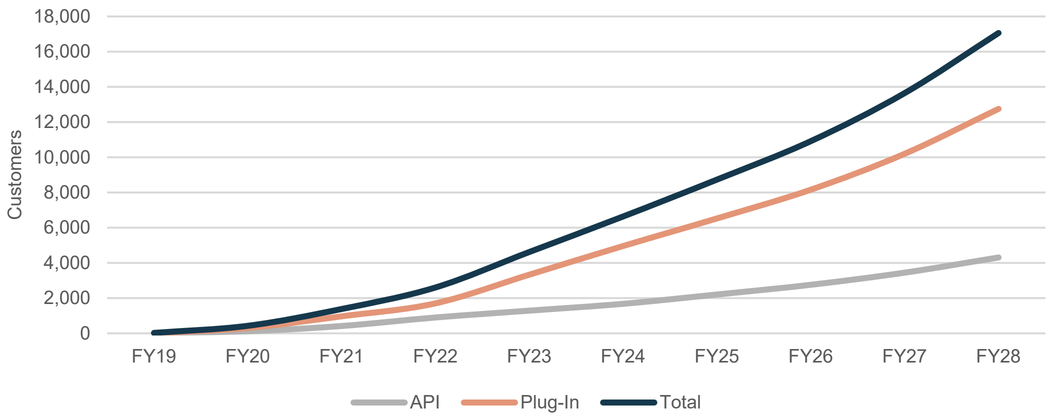
3.3.2. Key Cash Flow Assumptions

Table 14 below summarises the key assumptions and variables used to forecast SLI's future cash flows. We note that some of the assumptions are commercially sensitive and full details are therefore not disclosed.

Table 14: Key Cash Flow Assumptions

Assumption	Discussion
Customer Numbers	As at the start of FY2019, SLI had approximately 480 customers using the legacy products. As the business shifts focus, it is expected that only a portion of existing customers migrate to the API products and we assume that none of the existing customers migrate to the Plug-In product. Of the existing customers that convert to the API product, they are assumed to transition progressively over the next five years. We have assumed a reasonably aggressive customer growth rate for both the new API and Plug-In products: ▪ API is scheduled for introduction in FY2019, and is forecast to grow to approximately 4,300 customers by the end of the 10-year projection period; and ▪ Plug-In will be introduced in FY2020 and is projected to build higher customer numbers (about 12,750 by the end of the 10-year projection period). User number projections for both new products are summarised in Figure 7. Total customers of over 17,000 in 10 years reflects successful execution of SLI's revised strategy in a substantial addressable market size (estimated at over 100,000 potential customers currently but continually growing) assisted with new channel partners and represents what SLI management consider to be an attainable target.

Figure 7: Forecast Customer Numbers for New Products



Source: Northington Partners.

Average Product Pricing	While the average bundled pricing per customer for SLI's legacy Learning Search and Site Search products and services is approximately US$50,000 per annum, pricing under the new strategy is assumed to be significantly lower. This reflects the move to more self-service products through new channel partnerships and a reduced service offering.
Forecast Revenue	The new products will substantially reposition SLI, shifting it from a low customer number / relatively high ARR per user ("**ARRPU**") model, to a higher customer / lower ARRPU model: ▪ ARRPU for existing services was approximately NZ$70k in FY2018. Based on current customer numbers, we assume total revenue of approximately NZ$33m in FY2019 and this reduces to zero by the end of year five; ▪ Based on forecast API customer numbers, forecast ARR for API customers is assumed to increase to approximately NZ$87.5 million by FY2028; and ▪ Based on forecast Plug-In customer numbers, forecast ARR for Plug-In customers is assumed to increase to approximately NZ$26.1 million by FY2028.

Assumption	Discussion
	Revenue for each forecast year is a function of the ARR at the end of the prior and current annual period. For the purposes of the DCF valuation, revenue is assumed to be an average of opening and closing ARR.
Gross Margins	SLI's gross margin has historically been around 70% - 75%. Gross margin is projected as 80% for the API product and 60% for Plug-In. The blended gross margin is forecast at approximately 73%, broadly in line with historic levels.
Retention Rates	Historically, SLI has had relatively high retention rates (85%+ by value), in line with its "embedded" customer relationship model. As it shifts to the new model, the Company expects that retention rates will be lower, especially for the lower cost Plug-In product. It is therefore expected that this product will be more susceptible to substitution with other low-cost site search products, leading to higher churn rates. On that basis, forecast retention rates are assumed to be: ▪ API: 88% per annum; ▪ Plug-In: 70% per annum.
FTE / Staffing	Staffing levels are currently circa 130 FTEs. Through time, increasing numbers will be required to support the ramp-up of the new business. However, the new business model is forecast to be highly scalable and incremental FTE requirements are not significant. Total FTEs are forecast to increase to circa 160 by FY2028.
ARR / Employee	ARR per employee is forecast to increase through time from current levels of approximately $270k to $360k in FY2023, and $700k by FY2028 reflecting the scalability of the new business platform. A core component of SLI's new business model involves utilising partners for distribution of the API products, which will support a higher ARR / employee ratio if successful.
Cost of Customer Acquisition	Historically SLI has had high customer acquisition costs ("**CAC**"). This reflects its high value / low customer number model. Under the new model, CAC is forecast to reduce significantly, and in line with higher forecast customer numbers (and lower value per customer). CAC includes projected costs for sales, marketing, travel and recruitment.
Tax	An effective company tax rate of 28% is assumed once tax losses are fully utilised (assumed to occur in FY26). For our standalone value assessment, we assume existing tax losses of approximately $8.8 million can be utilised, as well as the projected additional losses that will be incurred in the early stages of the new strategy implementation.
Currency	SLI's products are priced in US$ with its costs incurred primarily in New Zealand but also the US. We have assumed a flat NZDUSD rate of 0.70 over the projection period.
Discount Rate	Based on an assumed post-tax cost of equity of 15% (further discussion set out in Section 3.3.4).
Terminal Value	Based on 8x free cash flow in the final year of the projection period. The terminal multiple is consistent with a 15% cost of equity and assumed terminal growth in free cash flow of 2.5%.
Treatment of Cash	SLI has a cash balance of approximately NZ$10 million (as at 30 September 2018). Because our model is based on residual cash flows to equity holders, we have incorporated the interest income / interest costs based on the projected cash balance throughout the projection period in determining SLI's equity value.
Execution Discount	30% – 50% based on our assessment of the discount likely to be applied by a prospective purchaser for the risks in successfully realising the value of SLI's new strategy (further discussion set out in Section 3.3.5).

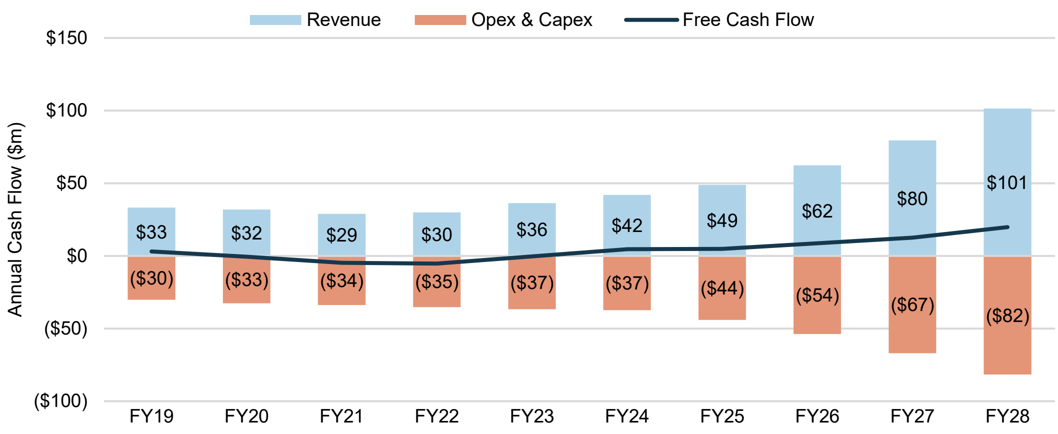
Source: Northington Partners

3.3.3. Summary Operating Cash Flow Forecasts

Unlike mature businesses operating in mature markets, accurately forecasting cash flows for a SaaS business undertaking a new business strategy such as SLI is significantly more difficult. Actual outcomes may depart significantly from our cash flow forecasts but they represent our best estimate of SLI's potential future performance at this point in time on the basis of what we currently know. Figure 8 below summarises our forecast free cash flows for SLI based on the assumptions set out above. In relation to the projections, we note:

- Net revenue is expected to remain relatively flat over the next five years as the Company completes its business model transition. Revenue from new customers will replace the reduction in revenue that results from legacy services (and customers) rolling off.
- Projected operating expenses are primarily associated with growing new business relationships, but a reducing portion of the cost base will be related to supporting the old customers and products, which are forecast to have largely terminated (or migrated to new products) by FY2023.
- Based on our cash flow forecasts, SLI may require additional cash from around FY2022 in order to fund the Company's growth. While this could be sourced from debt, we consider it more likely that the Company would fund any capital requirements through new equity capital.
- It is not until the new business begins to reach some level of scale in FY2024 that net cash flow is forecast to become positive (other than in FY2019). From that point, free cash flow increases significantly from approximately $5 million to approximately $20 million by FY2028.

Figure 8: Forecast Free Cash Flows (FY2019 – FY2028)



Source: Northington Partners

3.3.4. Required Rate of Return

The discount rate used in our DCF valuation reflects our estimate of SLI's required return on equity.

Because the cost of equity for any business cannot be directly observed, estimating an appropriate cost of equity involves a comparison of returns to equity investments in other comparable businesses, as well as a level of judgement. We have assessed the implied cost of equity for SLI's NZ-based set of comparable software companies and a selection of offshore SaaS businesses to assist in forming our view of an appropriate target equity return for SLI. Based on our analysis, we believe that a reasonable cost of equity for SLI is 15%.

3.3.5. Discount for Execution Risk

As previously discussed, the SLI business is undergoing a wholesale business transformation. The current operating model is essentially being phased out and replaced with a lower-cost, higher volume model which SLI believes will better position the Company to changes in the SaaS site search market, increasing the relevance of its products to clients and broadening the total addressable market.

In our DCF valuation, we have largely adopted growth forecasts consistent with what management currently believes may be an achievable outcome if the repositioning is successful. However, the Company acknowledges that both the speed of decline in the existing business and the rate of customer acquisition based on the new product offering are highly uncertain, and potentially subject to a wide range of outcomes.

Given the early stage of the business transformation and the lack of evidence that the new products and sales channels will be successful, we believe that the current value of the business must reflect a significant Execution Discount compared to our “raw” DCF valuation. This discount explicitly reflects the numerous risks associated with the implementation of the new strategy.

The level of discount is somewhat arbitrary. However, in our view it should be set such that the upside for investors at the resulting valuation is sufficiently attractive and commensurate with the potential risk associated with the future performance of the business. We believe that potential investors are likely to have a broad range of views regarding an appropriate discount and have therefore applied a range of 30% to 50%.

3.3.6. Estimated Value Range and Downside Analysis

Allowing for the Execution Discount, we have determined an equity valuation range of NZ$25.1 million - NZ$35.2 million for SLI, with a mid-point of NZ$30.1 million.

Our value assessment is summarised in Table 15.

Table 15: Estimated Equity Value Range

Valuation Component	Valuation NZ$m (Low)	Valuation NZ$m (High)	Valuation NZ$m (Mid-point)
Base DCF Valuation	$50.2	$50.2	$50.2
Execution Discount (50%, 30%)	($25.1)	($15.1)	($20.1)
Equity Value	$25.1	$35.2	$30.1

Source: Northington Partners analysis

Our valuation outcome is clearly sensitive to the adopted Execution Discount range. To provide further comfort that our chosen range is reasonable, we have also explicitly modelled an alternative scenario under which SLI materially underperforms the customer and revenue projections that are included in our base case forecasts (“**Downside Scenario**”).

The Downside Scenario assumes that SLI proceeds with the new strategy but is less successful in driving the targeted customer numbers and revenue growth. We have assumed that SLI is only successful in obtaining 8,500 customers and reaches revenue of approximately NZ$55 million at the end of the 10-year projection period (both approximately 50% lower than our Base Case). Faced with lower customer acquisition and business scale, we have also assumed that the Company actively manages head count and operating costs to maximise cash flow and business value.

Under this scenario, the estimated equity value (raw DCF valuation) of SLI reduces to approximately NZ$24 million, representing a reduction of approximately 52% from our base value prior to any Execution Discount of $50.2 million.

While the changes to the assumptions are somewhat crude, in our view the exercise does provide further comfort that the Execution Discount range that we have applied to our DCF valuation is reasonable. When all of the risks and uncertainties of the transformation plan are taken into account, achieving an outcome in line with the Downside Scenario is clearly possible and the assessed value range should reflect such a potential outcome.

3.4. Summary of Assessed Equity Value for SLI

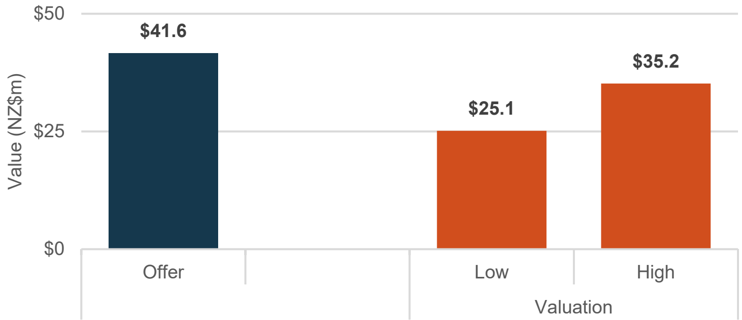
Our base DCF valuation of SLI on a standalone basis is NZ$50.2 million. Applying a range of discounts for execution risk, we have determined an equity value range of $25.1 million to $35.2 million.

In Figure 9, we compare the outcome of our valuation assessment with the value of the Offer for SLI[3].

[3] Technically, the Offer price should be compared to the acquisition value of the Company, reflecting the value impacts that arise from the Offeror acquiring a 100% control position in the Company. In this case, the acquisition value will potentially differ from standalone value in relation to the tax losses foregone as a result of losing ownership continuity following completion of the takeover, as well as the cost savings that could be generated from de-listing SLI and running the business as a private company. However, we believe that these adjustments are de minimis in the context of our valuation framework and considering the level of uncertainty associated with our valuation range. We therefore assume that the acquisition value for SLI is equal to the assessed standalone value.

We note that the Offer is significantly higher than our assessed value range of $25.1 million to $35.2 million. The Offer represents an 66% premium to the lower end of our equity valuation range, and a 18% premium to the upper end of our range.

Figure 9: Comparison of our Assessed Equity Value Range to the Offer



Source: Northington Partners. Note: Offer value includes total value to option holders and shareholders.

3.5. Valuation Benchmarking

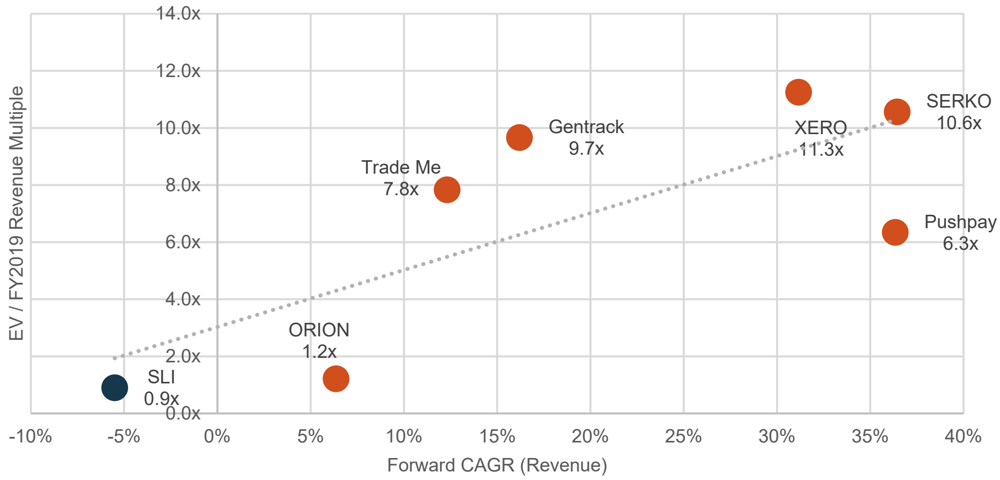
The implied DCF valuation multiples for SLI have been assessed relative to trading and transaction multiples for a range of comparable companies and transactions. As set out in Section 3.2, we suggest that revenue multiples and revenue growth rates provide a useful basis for relative valuation assessments in the software and SaaS markets. We have therefore focussed on these metrics to compare our assessed value of SLI with valuations of other companies. In addition, we have also compared the combined revenue growth rate and EBITDA margin of SLI to the comparative companies.

3.5.1. Revenue Multiple Benchmark

Our DCF valuation results in an implied EV / Revenue multiple of 0.7 to 1.0 times based on our projected FY19 operating revenue of $33.6 million.

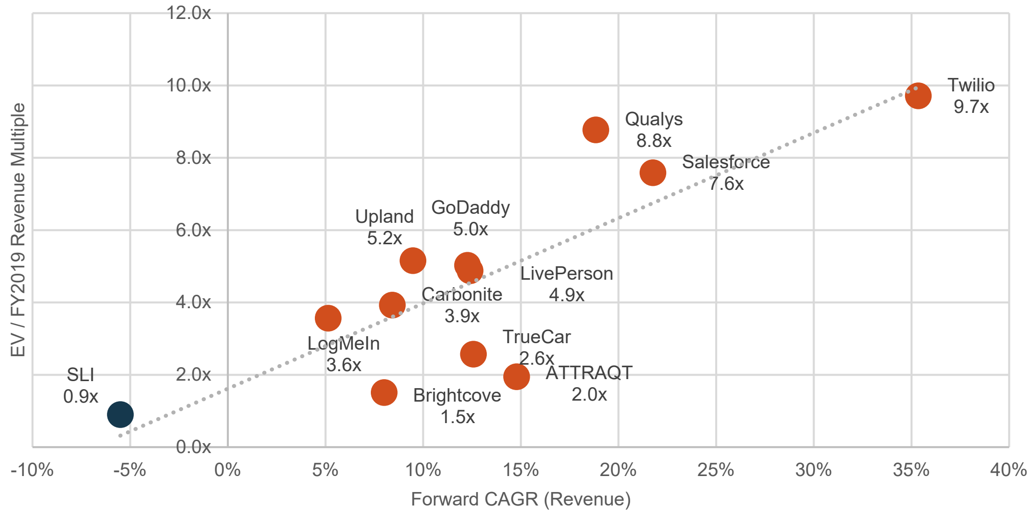
Figure 10 below illustrates the EV / Revenue multiples for a number of New Zealand listed software companies, relative to their forecast revenue growth rate. Figure 11 illustrates the same relationship for a set of listed international SaaS businesses.

Figure 10: 3-Year Forecast Revenue CAGR vs EV / FY19 Revenue Multiple (New Zealand Software)



Source: CapIQ as at 26 October 2018, Northington Partners' Analysis. Forward Revenue CAGR based on consensus estimates. SLI revenue multiple reflects the mid-point of our valuation. SLI revenue CAGR reflects our forecasts for next 3 years.

Figure 11: 3-Year Forecast Revenue Growth vs EV / FY19 Revenue Multiple (International SaaS)



Source: CapIQ as at 26 October 2018, Northington Partners' Analysis. Forward Revenue CAGR is based on consensus estimates (3-year forecasts for Twilio, Salesforce, GoDaddy and Truecar; 2-year forecasts for LogMeIn, Qualys, LivePerson and Upland Software; 1-year forecast for Brightcove). SLI revenue multiple reflects the mid-point of our valuation. SLI Revenue CAGR reflects our forecasts for next 3 years.

In relation to the evidence set out in the two figures above, we note:

- While there is only a limited number of listed software businesses in New Zealand, there are a number of international Saas businesses which provide a reasonable set of data from which comparisons can be assessed.
- We note that in both comparable sets, there is generally a positive relationship between the observed EV / Revenue multiple and revenue growth rate.
- While there is quite significant variation in the ratio between the two measures, we believe that these variations reflect the nature of individual companies in the comparables set. For example, the high revenue growth companies such as Xero and Pushpay trade at markedly different EV / Revenue multiples, which could reflect (among other things) the market's view of likely growth and earnings in the medium to long term.
- All the comparable companies have positive revenue growth; SLI is the only listed company with flat or negative growth in the short term, although this is due to SLI's strategic transition and we expect that SLI will resume net revenue growth once the business progresses implementation of its new business model.
- ATTRAQT is the only site-search SaaS business comparable to SLI in terms of products and market, and that business is valued at 2.1x revenue (with expected revenue growth of 15%).
- When all of the comparable evidence from the listed companies is considered, we conclude that the implied EV / Revenue multiple for SLI is appropriate. The low multiple for SLI simply reflects the projected low level of growth in the short term under the transformation plan and the considerable risks involved.

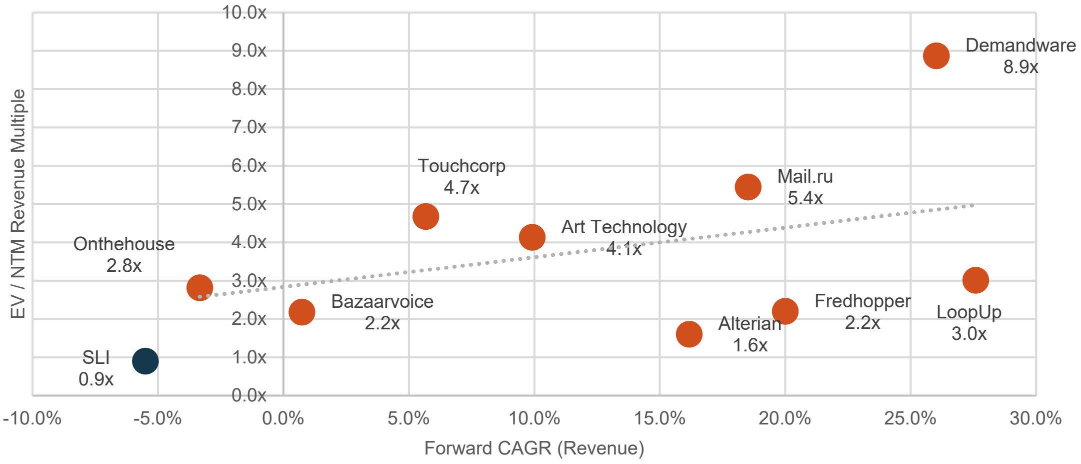
Figure 12 below illustrates the implied EV / Revenue multiple for a range of transactions primarily involving international e-commerce SaaS businesses. We note:

- The same positive relationship is observed between revenue multiple and forecast revenue growth.
- Arguably the most comparable recent transactions are Fredhopper (a site search SaaS business and competitor to SLI acquired in January 2017) and Bazaarvoice (a SaaS business providing key marketing tools for online retailers and acquired in February 2018). Both were transacted at approximately 2.2x revenue.
- Fredhopper is of similar size to SLI (acquired for £25 million) but has been experiencing significantly higher growth than SLI. Conversely, Bazaarvoice was exhibiting low growth at the

time of acquisition (less than 1%) but is significantly larger than both SLI and Fredhopper (acquired for US$520 million).

- While OnTheHouse is primarily an application software business (an Australian property analytics business), it was acquired in 2016 for 2.8x revenue when at the time it had limited revenue growth – this is the only company without positive revenue growth in the data set. However, we note that this acquisition was part of a “roll-up” strategy which was expected to deliver significant potential synergy value to the acquiring consortium, potentially justifying the premium value.

Figure 12: Forecast Revenue CAGR vs EV / Forecast Revenue Multiple (Transaction Evidence)

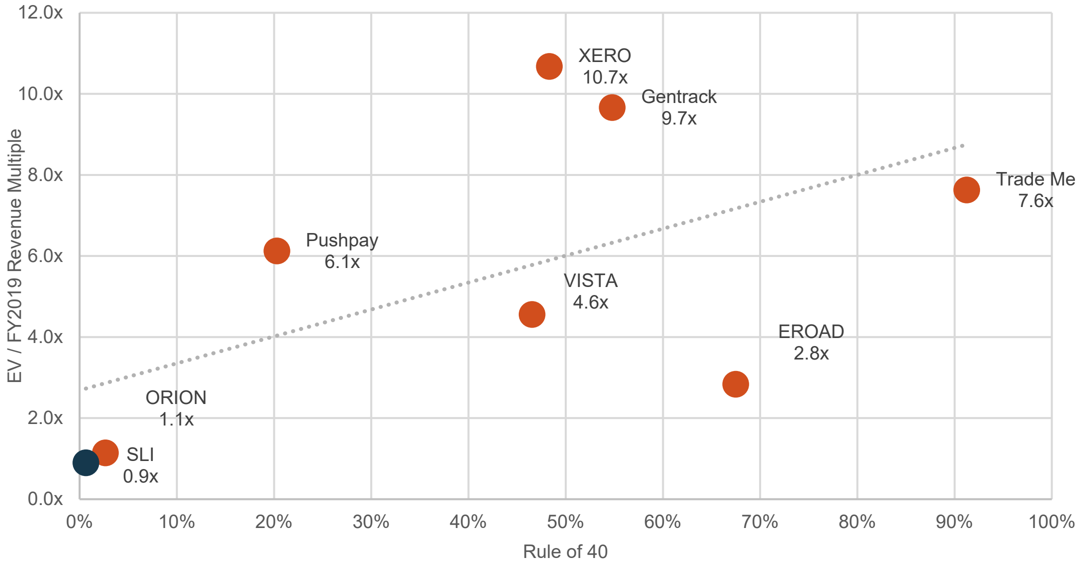


Source: CapIQ, Northington Partners’ Analysis. Forward CAGR for most companies is 1-year forecast revenue growth at the time of acquisition. Bazaarvoice based on the last 12 months revenue growth; Fredhopper is estimated using last 12 months revenue growth based on sellers commentary (SDL) of asset sale; Fredhopper EV multiple is based on LTM revenue.

Figure 13 and Figure 14 below illustrate the relationship between the combined revenue growth rate and EBITDA margin (Rule of 40), and EV / Revenue multiple for NZ listed software companies and international listed SaaS companies, respectively. Key points to note are:

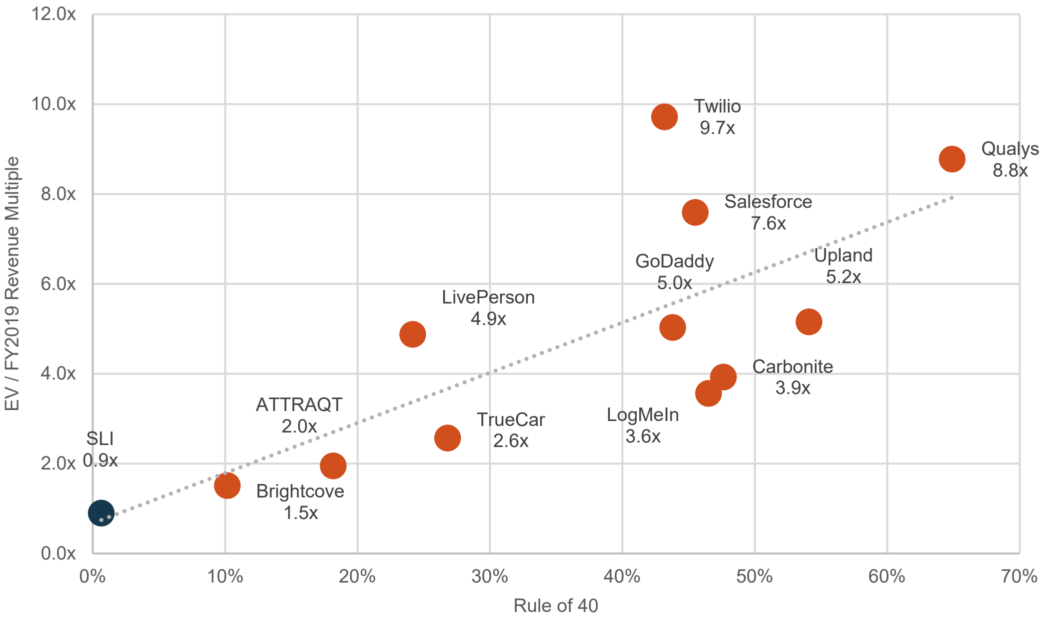
- For SLI, the sum of the revenue growth rate and EBITDA margin is currently 3% (based on our forecast EBITDA margins), significantly lower than the average for both groups of comparative companies.
- Both comparative data sets show a positive correlation between the total scores and implied EV / Revenue multiples, noting that this relationship is stronger and more discernible for the international companies.
- When compared to the NZ software companies, SLI sits at the low end of the EV / Revenue range reflecting its recent trend of flat revenue, low EBITDA margins and uncertain business model. We believe that this outcome for SLI is consistent with the available market evidence.

Figure 13: Forecast Revenue Growth + EBITDA Margin / FY2019 Revenue Multiple (NZ Listed Software)



Source: CapIQ as at 26 October 2018, Northington Partners' Analysis. Represents broker consensus 3-year revenue CAGR and average EBITDA margins (1 year historic and 2 year forecast).

Figure 14: Forecast Revenue Growth + EBITDA Margin / FY2019 Revenue Multiple (International Listed SaaS)



Source: CapIQ as at 26 October 2018, Northington Partners' Analysis. Rule of 40 represents broker consensus 3-year revenue CAGR and average EBITDA margins (1 year historic and 2-year forecast).

Further information for both sets of comparative companies is included in Appendix 1.

3.6. Valuation of Employee Options and SARs

SLI operates a share option scheme for certain directors and employees of the Company. It also operates a long-term incentive plan for a small number of employees (primarily the CEO) under the SARs share based payment plan (see Section 2.7). The Options and SARs effectively represent a claim on SLI's equity separate to ordinary shareholders. Therefore, the value to Option holders and SARs holders should be deducted from our overall equity value in order to determine the equity value per Share.

As at the time of the Offer, SLI had 74 classes of Options outstanding with a total of 5.6 million Options on issue. The Options have a weighted average strike price of approximately NZ$0.66. Under the Offer, ESW is proposing to acquire each of the classes of Options at different prices (depending on a range of factors including the strike price and time to maturity for each class) with a cumulative total consideration value of approximately $1.2 million.

We have used a modified version of the Black-Scholes option pricing model to assess the reasonableness of the Options Offer Prices. The key input variables for the Black-Scholes model and the input assumptions we have utilised for determining the value of SLI's Options are summarized in Table 16 below.

Table 16: SLI Option Valuation Parameters

Black-Scholes Input	SLI Options Assumption
Option Exercise Price	The actual exercise price established for each of SLI's outstanding Options (see Appendix 3). Options with an exercise price expressed in USD have been converted to NZ$ at an assumed exchange rate of 0.67.
Option Term to Expiry	The actual term to expiry for each of SLI's outstanding Options (in years) based on a valuation date of 31 October 2018 and the contractual expiry date for each class.
Risk-free Rate	A risk-free rate of between 1.75% to 2.54% (the New Zealand 1-year to 10-year Government Bond rates). The individual risk-free rate applied to each Option is based on an interpolated rate with a term consistent with the Option's term to expiry.
Underlying Spot Price	Set equal to the Offer Price of $0.65.
Expected Volatility	35% - 45% consistent with the historically observed volatility in SLI's market share price.
Expected Dividend Yield	0% based on SLI's current and expected dividend policy to pay no dividends for the foreseeable future.

Source: Northington Partners analysis

We have applied a variable discount to the Black-Scholes option values to reflect additional features of SLI's Options relative to standard options. These include:

- SLI's options are non-transferable with no marketability; and
- The SLI Options lapse if the option holder ceases to be an employee of SLI. The Options therefore tend to be exercised early or lapse before exercise is possible.

Market evidence for appropriate discounts for employee share options is limited, and the discount we have applied is therefore largely a matter of judgement. We suggest that a range of discounts is appropriate to reflect the fact that longer dated options are more likely be exercised earlier than short dated options. We also note that if the discounted value of the Options is lower than the intrinsic value of the Option (the difference between the assumed market price of SLI Shares being $0.65 and the Option exercise price), we have set the Option value equal to its intrinsic value.

In line with this rationale, we have applied individual discounts of between approximately 8% and 47% to the underlying Black-Scholes value for each class of Option. This results in an overall valuation range of $1.1 to $1.2 million. The adopted discount at the low end of the range is applied to Options with only a few months to expiry (i.e. less chance of employee ceasing employment and with greater likelihood of exercise), while the discount at the top of the range is applied to Options with a longer period to expiry (some Options have almost 10 years remaining to expiry). Overall, our valuation of the Options reflects a weighted average discount of approximately 29% to the underlying Black-Scholes values.

Our valuation range for each class of Options is summarized in Appendix 3, along with a comparison to the Options Offer Prices. This shows that while the aggregate consideration offered for the Options is close to our assessed value, some of the Option classes are valued higher than the Options Offer Prices and some are valued lower than the relevant offer price.

SLI also has a total of approximately 2.36 million SARs outstanding, including some SARs which can be converted into Options. Under the Offer, the SARs are being cash settled for approximately $0.9 million and the payment forms a component of the "Transaction Costs" as defined in ESW's Offer. This negotiated value reflects the agreed value for the SARs and attached options.

The non-convertible SARs are relatively easy to value, reflecting the difference between their strike price (a weighted average of approximately $0.31) and the market price of SLI Shares. Determination of the value of the SARs which can convert into Options is more difficult, but we note that the settlement value for these instruments was determined in the same manner as for the Options above.

Collectively, we consider a fair value for the Options and SARs to be between $2.0 and $2.1 million representing our assessed value for SLI's Options and the settlement value for the SARs. This value is deducted from our overall equity valuation for SLI in order to determine the value attributable to ordinary shareholders.

3.7. Summary of Our Valuation

As summarised in Table 17 below, our total equity value range for SLI is between $25.1 million and $35.2 million. This represents the aggregate value attributable to both ordinary shareholders and the group of employees and directors who hold SLI options or SARs. Allowing for $2.0 million of value in relation to the options and SARs on issue (the mid-point of our aggregate valuation for the Options and the settlement value for the SARs), the equity value attributable to ordinary shareholders is $23.1 million to $33.1 million, equivalent to $0.37 to $0.53 per SLI share.

Table 17: Valuation Summary

Valuation Component	**Valuation $m**	
	Low	High
Raw DCF Valuation	$50.2	$50.2
Discount for Execution Risk (50% / 30%)	($25.1)	($15.1)
Total Equity Value	$25.1	$35.2
less Value to Option and SARs holders (Section 3.6)[1]	($2.0)	($2.0)
Equity Value to Ordinary Shareholders	$23.1	$33.1
Ordinary Shares on Issue	62.3m	62.3m
Value per Ordinary Share	$0.37	$0.53

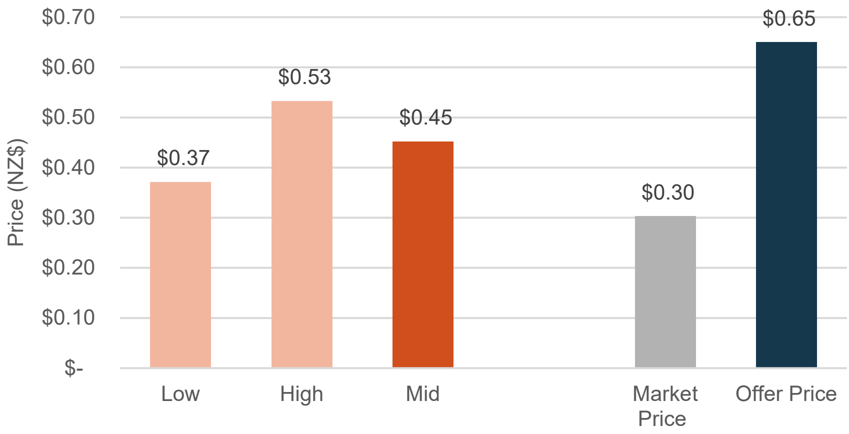
Source: Northington Partners analysis
[1] *Based on the assessed mid-point of our value range for the Options and the settlement value for the SARs.*

4.0 Assessment of the Merits of the Offer

4.1. Comparison of the Offer Price to our Assessed Value of SLI's Ordinary Shares

As set out in Section 3, we have assessed the full underlying value of SLI shares in a range between $0.37 and $0.53 per Share, with a mid-point of $0.45 per share. Figure 15 compares the Offer Price with both our assessment of the full underlying value of SLI shares and SLI's 5-day VWAP as at 19 October 2018, the last trading day prior to the announcement of the Offer.

Figure 15: Comparison of Offer Price to Assessed Value Range



Source: Northington Partners analysis. Market price represents 5-day VWAP as at 19 October 2018.

The Offer Price of $0.65 represents a premium of 44% to the mid-point of our assessed value range for SLI shares and a premium of approximately 117% to SLI's share price immediately prior to the Offer. This implied offer premium is significantly higher than the premiums generally observed in successful takeovers of other listed New Zealand companies. When compared to our assessment of underlying value, we suggest that the premium may reflect a range of factors, including ESW having:

- Greater confidence in SLI achieving its growth ambitions under its revised strategy and under ESW's stewardship; or
- An alternative strategy which it considers will deliver more value; and / or
- Access to synergy benefits through adding SLI to ESW's broad portfolio of SaaS and software businesses.

While it is possible that SLI could successfully implement its revised strategy and eventually generate shareholder value equivalent to the Offer Price, we suggest that the risks are substantial. SLI's recent flat ARR growth and the strategic repositioning necessitated by the changing dynamics in a competitive market highlight the difficulty in successfully delivering full value from SLI's products and services. SLI's refreshed strategy essentially represents the winding down of SLI's former products and services and the provision of a new product offering in order to return to a sustainable growth profile. Based on the respective track records of each entity, we believe that ESW is substantially better placed to bear these risks than current SLI shareholders: the Offer Price therefore provides SLI shareholders with a good opportunity to realise a significant value uplift now without any exposure to the on-going risks associated with the new strategy implementation.

We also note that the Offer was received after SLI had undertaken a market engagement process that considered a range of strategies that could potentially increase shareholder value, including potential acquirer interest in the Company. Following evaluation of the available alternatives and indicative interest in SLI, the directors believe that the ESW Offer is the most favourable alternative compared to all of the other options considered.

4.2. Comparison of the Options Offer Prices to our Assessed Values

Our approach to the valuation of the Options is set out in Section 3.6. At an aggregate level, we have assessed a value range of $1.1 million to $1.2 million across all 74 classes of Options. The total consideration that will be paid to Option holders under the Offer is approximately $1.1 million, and we therefore conclude that Options Offer Prices are reasonable when considered in aggregate.

However, as set out in Appendix 3, some of the Options Offer Prices are either above or below our assessed value range for particular classes of Options. We suspect that the differences arise because the Options Offer Prices have been determined by applying a constant discount of 25% to the Black-Scholes values, whereas our value assessment assumes a discount that varies with time to maturity. While the value differences may slightly favour some Option holders over others, we suggest that the differences are not material in the overall context of the Offer.

4.3. Potential Outcomes of the Offer

4.3.1. The Offer is Successful

As a result of acceptances under the Sale Agreements, ESW will own approximately 51.3% of the ordinary shares in SLI soon after the Offer opens. While this level of acceptances is still below ESW's 90% acceptance condition, it does provide significant momentum to the Offer and the 90% acceptance condition can be waived at ESW's discretion.

Consequently, the Offer may be considered successful under the following two scenarios:

1. **Acceptances Exceed 90% of Voting Rights in SLI**: ESW has stated that it will invoke the compulsory acquisition provisions of the Takeovers Code, seek to compulsorily acquire all outstanding SLI shares and apply for SLI to be delisted from the NZX Main Board.
2. **Acceptances fall between 50% and 90% of Voting Rights in SLI, and ESW waives the 90% acceptances condition**: Under this scenario, SLI would remain a listed company but ESW would have effective control over the day-to-day operations of SLI.

Other important consequences for SLI shareholders under scenario 2 (acceptances between 50% and 90%) are as follows:

- ESW has stated that it will seek "appropriate" representation on the SLI Board, which we expect would result in ESW appointing the majority of directors. Further, ESW would control the outcome of any ordinary resolution put to SLI shareholders because of its majority shareholding, although we note that the Companies Act, NZSX Listing Rules and the continued requirement for independent directors on SLI's Board would provide some level of protection to minority shareholders. ESW would also be prohibited from voting on any ordinary resolution that, if accepted, would result in an increase in its shareholding in SLI;
- If ESW achieves acceptances that provide it with more than 75% of the voting rights on issue, then it will also be in a position to unilaterally pass special resolutions of the Company (assuming no voting restrictions apply). Under the Companies Act, special resolutions are required to approve a range of major transactions such as the liquidation of the Company or entering into a transaction with a value representing more than 50% of SLI's assets;
- In general terms, after 12 months from the closing of the Offer, ESW would be entitled to acquire an additional 5% shareholding in SLI per annum under the 'Creep' provisions of the Takeovers Code. If ESW were to reach the 90% compulsory acquisition threshold under this scenario, the offer price for the remaining shares would have to be certified as fair and reasonable by an independent expert;
- ESW may make follow-on takeover offers. The Takeovers Code allows serial offers with different prices and no restriction on timing. Therefore, ESW may decide to make subsequent takeover offers if it is sufficiently motivated to increase its shareholding over the 90% threshold and be in a position to compulsorily acquire all remaining shares. However, there is no certainty that a follow-on offer would eventuate, and the subsequent offer may be at a price that is either higher or lower than the current Offer Price. If the 90% compulsory acquisition threshold is achieved in any follow-on offer, the price for the remaining shares would be the same as the price for the follow-on offer (subject to objection rights which may apply if less than 50% of the shares subject to the follow-on offer were obtained in order to reach the 90% threshold);

- The free float shares in SLI will decrease following the Offer. As highlighted in Section 2.8.2, SLI is already highly illiquid and the ability for SLI shareholders to trade their shares with any market price transparency may reduce further following the Offer; and
- In the absence of any follow-on offers, we suggest that there is a real prospect that SLI's share price will decline from current levels (and could fall substantially below the Offer Price) immediately following the completion of the Offer. Depending on the future performance of the Company, it may not be possible for shareholders to realise value for their shares at or near the Offer Price, especially in the short-medium term.

The eventual outcome of the Offer is clearly uncertain. However, given that the Sale Agreements provide ESW with acceptances for approximately 51% of the ordinary shares and considering the value premium included in the Offer Price (relative to both our assessed value and the market price prior to the Offer), we suggest that ESW is well placed to reach the 90% acceptances threshold. If acceptances do not reach that level but are still sufficient to provide ESW with more than 75% of the voting rights on issue, we would expect ESW to waive the 90% acceptance condition and declare the Offer unconditional. In that case, the remaining shareholders will be left with a minority interest in a company that is controlled by ESW and which is likely to be more illiquid than it is now.

4.3.2. The Offer is Not Successful

If ESW does not reach the 90% acceptance threshold and does not waive the acceptances condition, the Sale Agreements will unwind, accepting shareholders will not receive the Offer Price for their shares and SLI will continue as a listed company. Under this scenario we suggest that:

- SLI will continue to pursue the current revised business strategy outlined in Section 2.4;
- Shareholders will remain exposed to the considerable risk associated with executing SLI's revised strategy and achieving the growth targets and profitability levels required for SLI to realise shareholder value equivalent to the Offer Price. Shareholders should be aware that a wide range of outcomes may be possible and that while the new strategy may deliver substantial shareholder value, there is the risk that it will produce significantly lower value relative to the Offer; and
- SLI may require additional equity capital in order to fund its new growth strategy - our cash flow forecasts suggest SLI may require additional capital, although not prior to the end of FY2022 and based on our growth forecasts.

4.4. ESW's Intentions for SLI if the Offer is Successful

ESW reserves the right to confirm its intentions for SLI following completion of the Offer, and we anticipate that the eventual strategy will reflect the level of acceptances received. However, ESW's stated intentions for SLI at this stage are as follows:

- To invest in SLI's global business in three ways:
  i. ensuring long-term viability;
  ii. investing in product innovation; and
  iii. leveraging current Tier 1 retail relationships to expand SLI's business.
- Seek appropriate representation of the SLI Board and to participate in decisions relating to SLI's strategy and future;
- To not make any material changes to any material asset of SLI;
- Review SLI's capital structure (including the Company's dividend policy, raising capital strategy and debt); and
- Termination of SLI's CEO (Chris Brennan) and CFO (Rod Garrett) employment arrangements.

4.5. Timing of Offer Consideration

Assuming that ESW achieves acceptances under the Offer exceeding 90% of the voting rights, then:

- Accepting shareholders will receive the Offer Price for their shares within 7 days of the Offer becoming unconditional (assuming the other conditions of the Offer have been satisfied);

- ESW intends to acquire the outstanding shares in SLI pursuant to the provisions of the Takeovers Code and apply for SLI to be delisted;
- ESW must issue an acquisition notice to all outstanding shareholders within 30 days of becoming the "dominant owner" (effectively, the date that ESW reaches the 90% acceptance level and the Offer is declared unconditional); and
- Shareholders must respond to the acquisition notice within 21 days and will receive the consideration for their shares within 7 days of ESW receiving the transfer notice. For those shareholders who do not return the transfer notice, the consideration for their shares will be paid into a trust account for the outstanding shareholders until it is claimed.

The mechanics of the Takeovers Code mean that if the minimum 90% acceptance condition is met, it is beneficial for shareholders to accept into the Offer so that they receive the Offer Price for their SLI shares within 7 days. If they wait until the compulsory acquisition notice is issued, payment for their shares may be delayed for up to a further 58 days (up to 30 days for the compulsory acquisition notice, 21 days for the transfer notice and 7 days for payment).

Conversely, if ESW is not successful in reaching the 90% compulsory acquisition threshold but declares the Offer unconditional at a shareholding level between 50% and 90%, then:

- Shareholders who have already accepted the Offer will receive the Offer Price for their shares within 7 days of the Offer becoming unconditional; and
- All shareholders who accept the Offer after the Offer has become unconditional but before closing of the Offer will receive the Offer Price for their shares within 7 days of acceptance.

4.6. Potential for Variations to the Offer or Another Takeover Offer

While it is possible that another bidder may emerge or ESW may offer a higher price for SLI, we believe that the prospects for such an outcome are extremely limited. This view reflects that:

- ESW has already obtained Sale Agreements from shareholders representing approximately 51% of SLI. Therefore, any alternative offer would either require the Offer to fail or ESW to sell its newly acquired shareholding to a new acquiror;
- As part of a broader strategy to consider strategic options available to SLI, the Company has tested the market for potential buyers over the last few years (including the appointment of advisers to canvass interest for various transaction structures). While this resulted in meaningful engagement with some prospective purchasers, SLI's Board considered none of the proposals were worth pursuing relative to the ESW Offer; and
- There are substantial taxation considerations that may impact on net returns to SLI equity holders (as detailed below in Section 4.7). Depending on the tax status of any potential acquiror, these tax considerations are likely to have a significant bearing on the potential value outcome achieved by SLI equity holders.

4.7. Impact of Taxation Considerations on Exit Alternatives

SLI is tax resident of both the US and New Zealand under each country's domestic tax legislation. As a consequence, SLI is subject to tax on its worldwide income in both the US and New Zealand as a result of transactions that took place at the time of its IPO. Under the current structure it is therefore tax-inefficient for SLI to make any distributions to shareholders through dividends or distributions of capital on a potential wind-up of the Company. Any future distributions would be taxed in both New Zealand and the US resulting in an effective tax rate for individuals of up to 48% (depending on individual investors' marginal tax rates).

SLI's tax status was a consideration for the Board when evaluating potential strategies to realising maximum value for equity holders, including takeover offers for the Company. We note that in the process of testing the potential value outcomes for shareholders, the Company also considered the following additional transaction alternatives:

- A wind-up of SLI whereby the Company continued to offer the same products and services but without incurring expenditure on customer acquisition costs (sales and marketing) and research and development. While this strategy may deliver immediate profitability, the Company's earnings would gradually decline due to natural customer attrition and reduced new product development or service. More importantly, any retained earnings by SLI would be extremely difficult to distribute to SLI shareholders in a tax-effective manner. The Board considered this strategy would substantially detract from value, especially when considered relative to the ESW Offer; and

- The sale of SLI's intellectual property, customer relationships or US subsidiary. Under this scenario, SLI may receive substantial value for its assets but again there would be considerable taxation consequences for SLI shareholders to consider in the distribution of any net proceeds.

After considering the potential post-tax consequences of the above options, the Board considers the ESW Offer to be the most compelling for SLI equity holders. In effect, ESW is inheriting SLI's tax structure but may be better positioned to reduce the double taxation treatment through its tax residency (ESW or its subsidiaries which may be US domiciled) or corporate restructuring.

Appendix 1. Comparable Company Information

Table 18: Relevant Metrics for Listed New Zealand Software Companies

Company	Country	EV (NZ$m)	Market Cap (NZ$m)	Gross Margin Average	3-year Forward Revenue CAGR	FY2019 EBITDA Margin	EV / LTM Revenue	EV / NTM Revenue	Forward Revenue growth + EBITDA margin
SLI	New Zealand	28	37	75.0%	-5.5%	8.3%	0.8x	0.9x	1%
Xero	New Zealand	5,846	5,927	79.6%	31.2%	17.8%	14.7x	10.7x	48%
Trade Me	New Zealand	1,938	1,874	92.0%	12.3%	82.9%	9.3x	7.6x	91%
Orion Health	New Zealand	207	203	80.2%	6.4%	0.6%	1.2x	1.1x	3%
Vista International	New Zealand	613	616	51.6%	17.4%	29.3%	5.5x	4.6x	47%
EROAD	New Zealand	193	188	88.7%	20.4%	51.2%	3.7x	2.8x	67%
Gentrack	New Zealand	686	648	100.0%	16.2%	37.1%	12.2x	9.7x	55%
Smartpay Holdings	New Zealand	54	32	97.8%	n/a	45.7%	2.7x	n/a	n/a
Serko	New Zealand	260	265	79.7%	n/a	15.3%	14.2x	n/a	n/a
Finzsoft Solutions	New Zealand	16	16	41.7%	n/a	2.6%	1.1x	n/a	n/a
GeoOp	New Zealand	12	11	100.0%	n/a	-49.7%	3.0x	n/a	n/a
ikeGPS	New Zealand	51	53	48.5%	n/a	-108.0%	6.6x	n/a	n/a
Enprise	New Zealand	9	10	63.0%	n/a	10.7%	1.1x	n/a	n/a
PushPay	New Zealand	932	956	55.8%	35.5%	-6.9%	8.7x	6.1x	20%
Average (ex-SLI)				**75.3%**	**19.9%**	**9.9%**	**6.5x**	**6.1x**	**47%**
Median (ex-SLI)				**79.7%**	**17.4%**	**15.3%**	**5.5x**	**6.1x**	**48%**

Source: CapIQ as at 26 October 2018 and Annual Reports
Note: Smartpay, Serko, Finzsoft Solutions, Snakk Media, GeoOp, ikeGPS, Enprise Gross Margin is FY2018.

Table 19: Relevant Metrics for Listed International Software Companies

Company	Country	EV (NZ$m)	Market Cap (NZ$m)	Gross Margin Average	Forward Revenue CAGR	FY2019 EBITDA Margin	EV / LTM Revenue	EV / NTM Revenue	Forward Revenue growth + EBITDA margin
ATTRAQT plc	United Kingdom	66	69	77.8%	14.8%	7.7%	2.3x	2.0x	18%
Showcase-TV	Japan	92	92	69.7%	n/a	n/a	n/a	n/a	n/a
Brightcove	United States	397	439	61.0%	8.0%	5.1%	1.6x	1.5x	10%
TrueCar	United States	1,493	1,752	91.1%	12.6%	14.5%	2.9x	2.5x	27%
Upland Software	United States	1,224	1,009	64.4%	9.5%	42.9%	7.0x	5.0x	54%
LivePerson	United States	1,921	2,027	72.5%	12.4%	11.8%	5.3x	4.7x	24%
Marin Software Incorporated	United States	5	25	60.8%	n/a	n/a	n/a	n/a	n/a
Carbonite	United States	1,910	1,720	70.7%	8.4%	37.7%	4.7x	3.8x	48%
Qualys	United States	4,060	4,554	77.9%	18.8%	44.3%	10.4x	8.7x	65%
LogMeIn	United States	6,030	6,028	83.1%	5.8%	39.5%	3.8x	3.3x	47%
Dex Media Holdings	United States	2,749	1,585	58.1%	n/a	n/a	n/a	n/a	n/a
GoDaddy	United States	21,242	18,504	64.8%	12.3%	30.7%	5.7x	4.9x	44%
Salesforce.com	United States	164,755	163,267	74.0%	21.8%	30.0%	9.3x	7.5x	45%
Twilio	United States	9,613	8,157	55.4%	35.3%	7.5%	13.3x	9.4x	43%
Average				**70.1%**	**14.5%**	**24.7%**	**6.0x**	**4.8x**	**39%**
Median				**70.2%**	**12.4%**	**30.0%**	**5.3x**	**4.7x**	**44%**

Source: CapIQ as at 26 October 2018 and Annual Reports

Appendix 2. Comparable Company Descriptions

Table 20: Listed Australasian Software Company Descriptions

Company	Country	Description
Xero Limited	New Zealand	Xero Limited, together with its subsidiaries, operates as a software as a service company worldwide. The company offers Xero, a cloud-based accounting software that connects small businesses to their advisors. It also provides accountant/bookkeeper tools, including Xero HQ, Xero Practice Manager, Xero Workpapers, and Xero Cashbook/Ledger; and Xero mobile app. The company serves various businesses, such as retail, high tech, non-profit, legal, Amazon sellers, hospitality, cafés, startups, construction, creatives, e-commerce, small business, healthcare, farming, manufacturing, tourism, and real estate. Xero Limited was founded in 2006 and is headquartered in Wellington, New Zealand.
Trade Me Group Limited	New Zealand	Trade Me Group Limited, together with its subsidiaries, operates and manages an online marketplace and classified advertising platform in New Zealand. It operates through Classifieds, General Items, and Other segments. The Classifieds segment operates classified advertising sites for motors, property, and jobs. The General Items segment engages in the online marketplace business. The Other segment offers advertising, dating, payments gateway, life and health insurance comparison, and general insurance services. The company also provides new and used goods marketplace, real estate and employment, and other ancillary online services. Trade Me Group Limited was founded in 1999 and is headquartered in Wellington, New Zealand.
Orion Health Group Limited	New Zealand	Orion Health Group Limited engages in the development, implementation, hosting, sale, and support of software for the healthcare IT market in New Zealand and internationally. The company offers Amadeus, a platform that supports population health management and alternative payment models, as well as provides healthcare professionals with real-time cognitive support at the point of care; Rhapsody, an intelligent integration for healthcare systems; Amadeus Analytics that enables healthcare organizations to identify gaps in care, address quality-reporting requirements, and enhance clinical outcomes and the cost of care; and Amadeus Intelligence machine learning model to minimize waste, reduce operations costs, and help in making decisions. It also provides Coordinate that enables patient-centric care through decision-making and actions; Engage, a solution that leverages data sources to provide individuals with access to their own health record; Communicate that provides protected communication between patients, healthcare providers, and organizations across desktop and electronic medical systems; Medicines solution for a patient-centric view of medications; Medicare Shared Savings Program Management, a real-time accountable care organizations performance monitoring and operational management solution; and Rhapsody as a service that provides Rhapsody engine tool as a hosted cloud service. In addition, it offers managed, implementation, and education services; and operates as a property owner. The company offers solutions for healthcare providers, payers, public health and HIEs, pharmaceutical retailers, medical device manufacturers, app developers, pharmaceutical manufacturers, precision medicine, interoperability, and population health management. Recently Orion Health Group completed the sale of a majority stake in its Rhapsody business although it still retains a 24.99% investment in the business. Orion Health Group Limited was founded in 1993 and is headquartered in Auckland, New Zealand.
Vista Group International Limited	New Zealand	Vista Group International Limited engages in the development, sale, and support of software solutions to the film industry worldwide. The company operates through four segments: Cinema, Movio, Additional Group Companies, and Early Stage Investments. It offers Vista Cinema, a cinema management software for cinema exhibitors in the large circuit market; Veezi, a cloud-based software as a service (SaaS) cinema management software for cinema exhibitors in the small circuit market; and MovieTeam, a cloud-based application for cinema staff scheduling. The company also provides Movio, a cloud-based solution that maintains real-time data on customer transactions for cinema chains; Powster, a studio that provides creative services to the film and music industry, as well as creates products to help users engage with entertainment content; Flicks, a movie and cinema review and showtime guide site; and MACCS, a multiple-module software that offers theatrical distribution, movie prints, and advertising services, as well as rights and royalties' management services. In addition, it offers Cinema Intelligence, a business intelligence solution for forecasting, planning, and scheduling of movies; MX Flims, a platform for exchanging the digital media assets relating to a film between the IP owners and the users; MX Tickets, a SaaS product that enables cinema owners to connect to a range of third party ticket selling channels; and Stardust, a social app to share video reaction of movies and TV shows. Further, the company provides software licensing; Web platform development and licensing; and online loyalty data analytics and marketing services. Vista Group International Limited was founded in 1996 and is based in Auckland, New Zealand.

EROAD Limited	New Zealand	EROAD Limited provides electronic on-board units and software as a service to the heavy and light vehicle transport sectors in New Zealand and internationally. It offers products to reduce the time and money spend on road user charges compliance; and manage obligations and risks associated with the Health and Safety at Work Act, as well as fleet management products. The company was founded in 2000 and is based in Auckland, New Zealand.
Gentrack Group Limited	New Zealand	Gentrack Group Limited engages in the development, integration, and support of enterprise billing and customer management software solutions for the energy and water utility, and airport industries worldwide. It operates in two segments, Utility Billing Software and Airport Management Software. The company's primary software products include Gentrack Velocity, Junifer, Airport 20/20, BlipTrack, and Concessionaire Analyzer+ (CA+). The company's Velocity and Junifer solutions provide billing and customer management solutions for energy and water suppliers. Its Airport 20/20, BlipTrack, and CA+ offers a solution suite to connect and unlock the airport operations, revenues, concessions, and passengers data. The company was founded in 1989 and is headquartered in Auckland, New Zealand.
Smartpay Holdings Limited	New Zealand	Smartpay Holdings Limited designs, develops, and implements electronic fund transfer at point of sale (EFTPOS) solutions for retail, business payment, and transactional processing requirements. The company serves 25,000 merchants with approximately 35,000 EFTPOS terminals in New Zealand and Australia. Smartpay Holdings Limited was incorporated in 1986 and is based in Auckland, New Zealand.
Serko Limited	New Zealand	Serko Limited, together with its subsidiaries, provides computer software solutions for the management and administration of corporate travel bookings in New Zealand, Australia, India, Singapore, the United States, and internationally. It offers Serko Online, a cloud-based online travel booking solution for large organizations that provides global distribution systems (GDSs); and Serko Expense, a cloud-based expense management solution that allows users to manage cash claims, mileage, allowance, and corporate credit card expenses. The company also offers Serko mobile, a mobile app for iPhones and android devices that gives users access to information and travel booking functionality on their mobile devices. The company sells and delivers its products through a network of travel management companies. Serko Limited was founded in 1994 and is headquartered in Auckland, New Zealand. Serko Limited is a subsidiary of Gullivers Travel Group Limited.
Finzsoft Solutions Limited	New Zealand	Finzsoft Solutions Limited, together with its subsidiaries, develops, sells, and supports computer software for the banking and finance sector in Australia, New Zealand, and internationally. It offers demand generation solutions; secure mobile and Internet banking solutions; various tools to facilitate the automated lifecycle of lending management; transactional banking and investment solutions; collection solutions; publishing and media management document solutions; analytics and reporting software; and wholesale business solutions, as well as sovereign solutions for financial services institutions. In addition, it engages in the provision of consulting services; maintenance and support services; and other contracted services. The company was founded in 1986 and is based in Auckland, New Zealand.
Snakk Media Limited	Australia	Snakk Media Limited operates as a mobile media advertising company in Australia, New Zealand, and Southeast Asia. It offers precision geo-location and audience based in-app and mobile Web advertising solutions. The company also provides programmatic geographic mobile platform for customers to manage on a self-service basis. Snakk Media Limited was founded in 2010 and is headquartered in Sydney, Australia.
GeoOp Limited	New Zealand	GeoOp Limited develops and deploys cloud based mobile workforce productivity technologies in New Zealand and internationally. The company offers GeoOP, a mobile workforce job management solution. Its GeoOp application allows real time scheduling, job status, GPS tracking, maps and directions, real time job sheets, recurring jobs, quotes and invoices, and to import parts and materials, and photo and audio. The company also provides Xero easy-to-use online accounting software for small businesses; Unleashed, an integrated platform that allows businesses real-time visibility of accurate inventory information; and FreshBooks, an online accounting software designed for small business. In addition, it offers iAuditor, an application for workplace safety audits, pre-start checks, and inspections; ArmadaGPS, an application for GPS vehicle tracking; and Teletrac Navman Wireless, a GPS fleet management and tracking solution that enables monitoring and managing of various vehicles on PC or mobile device. Further, the company offers GeoOp API, which allows developers to integrate GeoOp functionality into their mobile, network, or desktop applications. It serves customers in the trade and service businesses. The company was founded in 2009 and is based in Auckland, New Zealand.

ikeGPS Group Limited	New Zealand	ikeGPS Group Limited, together with its subsidiaries, designs, markets, and sells integrated GPS data capture devices and related software primarily in the United States. The company operates through Utility and Communication, and New Business segments. It offers smart laser measurement solutions to capture, record, and export measurement data. The company's products include Spike, a smart laser measurement solution for various industries and professional use to measure and locate an object; IKE Field, a mobile app that delivers specialized measurement tools for pole heights, wire spans, attachments, GNS location, and other general field data collection tools; IKE Device, a purpose-built field tool for measuring poles and wires; IKE Office, a cloud-based pole software; and IKE Integration that integrates pole data with the applications. It also engages in the signage, architecture engineering and construction, and geospatial activities. ikeGPS Group Limited serves sign and graphics, utilities, construction and home, government, appraisals and assessments, facility and asset management, window film, and architecture sectors. The company was formerly known as Surveylab Group Limited and changed its name to ikeGPS Group Limited in October 2013. ikeGPS Group Limited was founded in 2003 and is headquartered in Wellington, New Zealand.
Enprise Group Limited	New Zealand	Enprise Group Limited, together with its subsidiaries, provides cloud business software solutions in Australia, New Zealand, and internationally. The company offers cloud solutions based on the MYOB Exo platform, an integrated financial and business management system consisting of financial, sale, and purchasing modules; and MYOB Advanced cloud business management platform comprising MYOB Exo Employer Services and MYOB Advanced People payroll and HR software solutions, and enterprise resource planning solutions. It also provides and MYOB Exo Business Hosted cloud solutions; online billing and reporting portals for resellers of telco, utility, and hosted services; and consulting, training, and support services. The company serves manufacturing, retail, service, and wholesale and distribution companies. Enprise Group Limited was incorporated in 2004 and is based in Auckland, New Zealand.
Pushpay Holdings Limited	New Zealand	Pushpay Holdings Limited provides engagement and payment solutions to the faith sector, not-for-profit organizations, and education providers. Its engagement solutions enable connections and mobile commerce tools that facilitate non-point of sale payments. Pushpay Holdings Limited was incorporated in 2011 and is based in Auckland, New Zealand.

Source: Capital IQ

Table 21: International Software Company Descriptions

ATTRAQT Group plc	United Kingdom	ATTRAQT Group plc, together with its subsidiaries, develops and provides a cloud-based e-commerce platform for visual merchandising and search services to online retailers in the United Kingdom, other European countries, North America, and internationally. Its software as a service platform enhances the conversion of browsers into buyers through onsite search, online merchandising, and e-commerce personalization for online retailers. The company was formerly known as ATTRAQT Group Limited and changed its name to ATTRAQT Group plc in August 2014. ATTRAQT Group plc was founded in 2003 and is based in London, the United Kingdom.
Showcase-TV Inc.	Japan	Showcase-TV Inc. provides Website optimization services in Japan. The company offers NaviCast Form Assist, a form input assistant that provides real-time display of error messages and automatic input conversions; NaviCast Form Converter, a converter that automatically adapts various forms on existing Websites; NaviCast Smartphone Converter, a converter that automatically adapts the layouts of existing Websites; and NaviCast Smart Link, a search service software on a smartphone. It also provides NaviCast Site Personalizer, a marketing tool that populates information found on browsed pages; NaviCast Ad, an advertising service, which collects data from user browsing; and ZUNOH, a data platform to enhance conversion rates for clients. In addition, the company provides Web solutions and mobile applications that can be managed from Web-based back offices; and business-2-business advertising products. The company was founded in 1996 and is headquartered in Tokyo, Japan.
Brightcove Inc.	United States	Brightcove Inc. provides cloud-based services for video. The company offers Video Cloud, an online video platform that enables its customers to publish and distribute video to Internet-connected devices. Its Video Cloud platform offers various features and functionalities, such as uploading and encoding, content management, video player technology, multi-platform video experiences, live video streaming, distribution and syndication, social media, advertising and monetization, and analytics, as well as APIs, SDKs, and developer resources. The company also provides Zencoder, a cloud-based video encoding service with various features and functionalities, including file support, quality and control, speed and reliability, platform and security, and account and integration; SSAI, a cloud-based ad insertion and video stitching service; and Player, a cloud-based service for creating and managing video player experiences. In addition, it offers Video Marketing Suite, a suite of video technologies designed to address the needs of marketers to drive awareness, engagement, and conversion; OTT Flow, a service for media companies and content owners; and Enterprise video suite, an enterprise-class platform for internal communications, employee training, live streaming, marketing, and e-commerce videos. Further, the company provides account management, professional services, support, and online and onsite training services. Brightcove Inc. offers its products to media companies, broadcasters, publishers, brands, and corporations; and governments, educational institutions, and non-profit organizations through direct sales, referral partners, channel partners, and resellers in North America, Europe, Japan, the Asia Pacific, and internationally, as well as sells its products online. The company was formerly known as Video Marketplace, Inc. and changed its name to Brightcove Inc. in March 2005. Brightcove Inc. was founded in 2004 and is headquartered in Boston, Massachusetts.
TrueCar, Inc.	United States	TrueCar, Inc., together with its subsidiaries, operates as an Internet-based information, technology, and communication services company in the United States. It operates its platform on the TrueCar Website and mobile applications. The company also customizes and operates its platform for its affinity group marketing partners, including financial institutions, membership-based organizations, and employee buying programs for large enterprises. Its platform enables users to obtain market-based pricing data on new and used cars, and to connect with its network of TrueCar certified dealers. In addition, the company offers forecast, consulting, and other services regarding determination of the residual value of an automobile at given future points in time, which are used to underwrite automotive loans and leases, and by financial institutions to measure exposure and risk across loan, lease, and fleet portfolios. Further, it provides geographically specific and real-time pricing information for consumers and dealers. The company was formerly known as Zag.com Inc. TrueCar, Inc. was founded in 2005 and is headquartered in Santa Monica, California.
Upland Software, Inc.	United States	Upland Software, Inc. provides cloud-based enterprise work management software in the United States, Canada, and internationally. The company offers a family of software applications under the Upland brand in the areas of information technology (IT), process excellence and operations, finance, professional services, and marketing. Its software applications address enterprise work challenges in various categories comprising project and portfolio management, professional services automation, IT financial management, knowledge engagement, enterprise secure document capture and fax, workflow automation and enterprise content management, supply chain visibility and collaboration, Website management and Web visitor insights, and mobile engagement. The company sells its products through a direct sales organization, as well as through an indirect sales organization that sells to distributors and value-added resellers. It serves customers across a range of industries, including financial services, retail, technology, manufacturing,

		legal, education, consumer goods, media, telecommunications, government, food and beverage, healthcare, and life sciences, as well as non-profit organizations. The company was formerly known as Silverback Enterprise Group, Inc. and changed its name to Upland Software, Inc. in November 2013. Upland Software, Inc. was founded in 2010 and is headquartered in Austin, Texas. Upland Software, Inc. is a subsidiary of Silverback Enterprise Group Inc.
LivePerson, Inc.	United States	LivePerson, Inc. provides mobile and online business messaging solutions that power digital communication between brands and consumers. It operates in two segments, Business and Consumer. The Business segment facilitates real-time online interactions, such as chat, voice, and content delivery across multiple channels and screens for corporations of various sizes. The Consumer segment facilitates online transactions between independent service providers and individual consumers seeking information and knowledge via mobile and online messaging. The company offers LiveEngage, an enterprise-class and cloud-based platform, which enables businesses and consumers to connect through conversational interfaces. It also provides professional services and value-added business consulting services. The company sells its products through direct and indirect sales channels to Fortune 500 companies, Internet businesses, online merchants, small to medium-sized businesses, automotive dealers, universities, libraries, government agencies, and not-for-profit organizations. It operates in the United States, Canada, Latin America, South America, Europe, the Middle East, Africa, and Asia-Pacific regions. LivePerson, Inc. was founded in 1995 and is headquartered in New York, New York.
Marin Software Incorporated	United States	Marin Software Incorporated operates a cross-channel, cross-device, enterprise marketing software platform in the United States and internationally. Its platform allows marketing professionals to manage their digital advertising spend across search, social, and display advertising channels. The company's platform consists of various modules, including Optimization module that helps advertisers to manage bids across publishers to meet revenue goals and identify opportunities for campaign improvements; Reporting and Analytics module that enables advertisers to report results at a business level and analyze cross-channel performance trends; Campaign Management module, which provides the digital advertiser with an interface to create, manage, and optimize campaigns across various publishers; and Connect module that enables advertisers to automate and streamline the capture of revenue, cost, and audience data from a range of sources, such as advertisement servers, analytics systems, CRM platforms, publishers, and third party databases. It also provides Marin Enterprise that provides digital advertisers to manage large-scale advertising campaigns; Marin Professional that is designed for rapid deployment and offers customers a workflow, analysis, and optimization solution for managing digital advertising; and Perfect Audience for rapid deployment, as well as to implement and optimize campaigns across various networks and across devices. The company markets and sells its solutions to advertisers directly and through advertising agencies that use its platform on behalf of their customers. Marin Software Incorporated was founded in 2006 and is headquartered in San Francisco, California.
Carbonite, Inc.	United States	Carbonite, Inc., together with its subsidiaries, provides backup, disaster recovery, high availability, and workload migration technology solutions in the United States. Its solutions include Carbonite Safe that offers annual and multi-year cloud backup plans for individuals or businesses; and Carbonite Endpoint Protection that protects the data, which resides on an organization's computers, laptops, tablets, and smartphones. The company's solutions also comprise Carbonite Hybrid Backup, which protects a customer's data footprint on-premise and in the cloud and enables recovery while version history stored in the cloud safeguards against disaster; Carbonite Cloud Backup that automatically backs up data to the cloud and keeps physical and virtual systems protected with point-in-time restore; and Carbonite Onsite Backup, a flexible data protection solution, which backs up and replicates data securely across a customer's own private network. In addition, it offers Carbonite Availability that keeps critical business systems available on Windows and Linux servers; Carbonite Recover, a disaster recovery-as-a-service solution that securely replicates critical systems from a customer's primary environment to the cloud; Carbonite Migrate, which migrates physical, virtual, and cloud workloads to and from any environment with minimal risk and near-zero downtime; and Carbonite Email Archiving that provides MailStore offerings designed to meet the specific email archiving needs of customers in terms of performance, stability, functionality, and simplicity. The company provides its solutions through distributors, value-added resellers, managed service providers, and global systems integrators. Carbonite, Inc. was founded in 2005 and is headquartered in Boston, Massachusetts.

Qualys, Inc.	United States	Qualys, Inc. provides cloud-based security and compliance solutions in the United States and internationally. The company offers Qualys Cloud Apps, which includes Asset Inventory, CMDB Sync, Vulnerability Management, Continuous Monitoring, Cloud Agent, Threat Protection, Security Configuration Assessment, Indication of Compromise, Policy Compliance, PCI Compliance, Security Assessment Questionnaire, File Integrity Monitoring, Web Application Scanning, and Web Application Firewall. Its integrated suite of security and compliance solutions delivered on its Qualys Cloud Platform enables customers to identify IT assets, collect and analyze IT security data, discover and prioritize vulnerabilities, recommend remediation actions, and verify the implementation of such actions. The company also provides core services, including asset tagging and management, reporting and dashboards, questionnaires and collaboration, remediation and workflow, big data correlation and analytics engine, and alerts and notifications, which enable integrated workflows, management and real-time analysis, and reporting across IT security and compliance solutions. The company markets and sells its IT security and compliance solutions to customers directly through its sales teams, as well as indirectly through its network of channel partners, such as security consulting organizations, managed service providers and resellers, and consulting firms. It serves enterprises, government entities, and small and medium-sized businesses in various industries, including education, financial services, government, healthcare, insurance, manufacturing, media, retail, technology, and utilities. The company was founded in 1999 and is headquartered in Foster City, California.
LogMeIn, Inc.	United States	LogMeIn, Inc. provides a portfolio of cloud-based communication and collaboration, identity and access, and customer engagement and support solutions. It enables people to connect with each other worldwide to drive meaningful interactions, deepen relationships, and create better outcomes for individuals and businesses. The company offers GoToMeeting, a product for online meetings, sales demonstrations, and collaborative gatherings; GoToTraining, an online training product for interactive training sessions; GoToConference, a video and audio conferencing solution; GoToWebinar, a do-it-yourself Webinar product for organizations; join.me, join.me pro, and join.me business, which are online meeting and screen sharing services; OpenVoice, a reservation-less audio conferencing service; and Grasshopper, a provider of telephony solutions. It also provides Bold360 and BoldChat that are live chat and omni-channel engagement services; Bold360 ai, an automated customer service; GoToAssist, GoToAssist Corporate, and GoToAssist Seeit, which offer cloud-based remote support solutions to remotely troubleshoot and fix computers, mobile devices, and apps; LogMeIn Rescue, a remote support and customer care service; and LogMeIn Rescue+Mobile and Rescue Lens that are Web-based remote support services. In addition, the company offers LogMeIn Central, a Web-based management console; GoToMyPC that enables mobile workstyles; LogMeIn Pro, a remote access service; LastPass, a password management and single sign on solution; and Jive, a cloud-based unified communications platform. It serves enterprise customers, small and medium businesses, IT service providers, mobile carriers, customer service centers, OEMs, and consumers. The company was formerly known as 3am Labs, Inc. and changed its name to LogMeIn, Inc. in March 2006. LogMeIn, Inc. was founded in 2003 and is headquartered in Boston, Massachusetts with additional locations in North America, Europe, Asia, and Australia.
Areti Web Innovations, Inc.	United States	Areti Web Innovations, Inc., through its subsidiaries, provides Internet based solutions for small and mid-sized businesses primarily in the United States and Canada. It offers Web site hosting services and options for various Web site applications, including ASP, ASP.NET 2.0, Linux, Virtual Private Servers, PHP, SQL Server, MySQL, SharePoint, and Microsoft Exchange. The company also promotes and sells dedicated and managed servers using a Website and sales staff. In addition, it offers various other Internet based services and support, such as Web site design, domain name registration, logo design, search engine optimization, shopping cart software, eCommerce Web site design, and Software as Service; and enterprise services, including managed converged voice, unified messaging, WAN connectivity, co-location, and Internet connectivity. Areti Web Innovations, Inc. distributes its solutions primarily through its Web sites to companies, departments of the United States, and Canadian governments. The company was formerly known as Alentus Corporation and changed its name to Areti Web Innovations, Inc. in July 2012, Areti Web Innovations, Inc. was founded in 1997 and is headquartered in Pahrump, Nevada.
Dex Media Holdings, Inc.	United States	Dex Media Holdings, Inc., doing business as DexYP, provides marketing solutions to business clients in the United States. Its flagship product is Thryv, a software as a service solution that allows to automate everyday business functions, such as building a customer list, communicating with customers via email and text, updating business listings across the Internet, accepting appointments, sending notifications and reminders, managing ratings and reviews, generating estimates and invoices, processing payments, and issuing receipts and coupons. The company offers search, display, social, and print directory solutions through its proprietary search sites, such as Yellowpages.com, Superpages.com, and Dexknows.com, as well as extended network of partner sites; and online local search engine Websites, mobile local search applications, and placement of client's information and advertisements on search engine Websites under Dex and YP brands. Its local marketing solutions

		also include Website development, search engine optimization, market analysis, video development and promotion, reputation management, social media marketing, and tracking/reporting of customer leads. Dex Media Holdings, Inc. is based in DFW Airport, Texas.
Empas Corporation	South Korea	As of November, 2007, Empas Corporation was acquired by SK Communications Co., Ltd., in a reverse merger transaction. Empas Corporation provides Web search engine services. The company offers Internet search tools and Web portal sites. Empas is based in Seoul, Korea.
GoDaddy Inc.	United States	GoDaddy Inc. designs and develops cloud-based technology products for small businesses, Web design professionals, and individuals in the United States and internationally. It provides domain name registration product that enables to engage customers at the initial stage of establishing a digital identity; hosting products, such as shared Website hosting, Website hosting on virtual private servers and virtual dedicated servers, managed hosting, and security. The company also offers presence products, including GoCentral, an online tool that enables customers to build Websites and online stores; and a range of marketing tools designed to help businesses acquire and engage customers, as well as search engine optimization that helps customers get their Websites found on search sites. In addition, the company offers business application products, including Microsoft Office 365, email accounts, email marketing, and telephony services. GoDaddy Inc. was incorporated in 2014 and is headquartered in Scottsdale, Arizona.
Rocket City Enterprises, Inc.	United States	Rocket City Enterprises, Inc., through its subsidiaries, operates as a solution provider in the automotive sector in the United States. Its subsidiaries include J. Dobisch Consultants, Inc., Complete Auto Management, LLC, GIGcom, Inc., J. Dobisch Consultants, Inc., doing business as, Complete Auto, operates as an online solution provider that offers proprietary software, personnel, and design solutions to various automotive dealerships. Complete Auto Management, LLC, doing business as, IT Lagoon, provides online solutions featuring a range of software development services from simple Web design to complex systems. These services include Web site design, Web development, e-commerce, shopping cart, and Web enabled applications. GIGcom, Inc., a Web design and application development firm, provides a portfolio of products and services for small to medium sized businesses. These products and services include domain registration, Web site hosting, Web site design, email accounts, search engine optimization, sponsored ad management, e-commerce solutions, and e-learning applications. The company was formerly known as Rocket City Automotive Group, Inc. and changed its name to Rocket City Enterprises, Inc. in August 2007. The company was incorporated in 1997 and is based in Orlando, Florida.
salesforce.com, inc.	United States	salesforce.com, inc. develops enterprise cloud computing solutions with a focus on customer relationship management. The company offers Sales Cloud to store data, monitor leads and progress, forecast opportunities, and gain insights through analytics and relationship intelligence, as well as deliver quotes, contracts, and invoices. It also provides Service Cloud, which enables companies to deliver personalized customer service and support, as well as a field service solution that enables companies to connect agents, dispatchers, and mobile employees through a centralized platform, on which they can schedule and dispatch work, and track and manage jobs in real-time. In addition, the company offers Marketing Cloud to plan, personalize, and optimize one-to-one customer marketing interactions; Commerce Cloud, which enables companies to enhance engagement, conversion, revenue, and loyalty from their customers; and Community Cloud that enables companies to create and manage branded digital destinations for customers, partners, and employees. Further, it provides Quip collaboration platform, which combines documents, spreadsheets, apps, and chat with live CRM data; Salesforce Platform for building enterprise apps, as well as artificial intelligence (AI), no-code, low-code, and code development and integration services, including Trailhead, Einstein AI, Lightning, Internet of Things, Heroku, Analytics, and AppExchange; and various solutions for financial services, healthcare, and government. Additionally, the company offers professional cloud services, such as consulting and implementation services; training services, including instructor-led and online courses; and support and adoption programs. It provides its services through direct sales; and through consulting firms, systems integrators, and other partners. The company was founded in 1999 and is headquartered in San Francisco, California.
Twilio Inc.	United States	Twilio Inc. provides a cloud communications platform that enables developers to build, scale, and operate communications within software applications in the United States and internationally. The company's programmable communications cloud provides a set of application programming interfaces that enable developers to embed voice, messaging, and video capabilities into their applications. Twilio Inc. was founded in 2008 and is headquartered in San Francisco, California.

Source: Capital IQ

Appendix 3. Schedule of Assessed Option Values

Tranche	Expiry Date	Exercise Price (Actual Currency)	No. of Options	Assessed Value Range (NZ$/Option) Low	High	Mid-Point Value (NZ$)	Option Offer Price (NZ$)	Offer Value (NZ$)	Offer less Mid-Point Value (NZ$)
1	13 Nov 2019	US$0.29	180,000	$0.22	$0.22	$39,090	$0.22	$39,600	$510
2	07 Jan 2021	US$0.29	60,000	$0.22	$0.23	$13,422	$0.22	$13,200	-$222
3	25 Mar 2021	US$0.33	210,000	$0.18	$0.21	$40,291	$0.18	$37,800	-$2,491
4	05 May 2021	US$0.33	60,000	$0.18	$0.21	$11,582	$0.19	$11,400	-$182
5	12 May 2021	US$0.29	60,000	$0.22	$0.23	$13,508	$0.22	$13,200	-$308
6	09 Mar 2019	US$0.33	49,500	$0.16	$0.16	$7,794	$0.16	$7,920	$126
7	14 Apr 2019	US$0.33	49,500	$0.16	$0.16	$7,811	$0.16	$7,920	$109
8	10 May 2019	US$0.33	49,500	$0.16	$0.16	$7,881	$0.16	$7,920	$39
9	30 Jun 2019	US$0.33	49,440	$0.16	$0.17	$8,001	$0.16	$7,910	-$90
10	15 Mar 2020	US$0.33	49,500	$0.17	$0.19	$8,731	$0.16	$7,920	-$811
11	23 Mar 2020	US$0.33	210,000	$0.17	$0.19	$37,132	$0.16	$33,600	-$3,532
12	06 Apr 2020	US$0.33	49,500	$0.17	$0.19	$8,787	$0.16	$7,920	-$867
13	31 May 2020	US$0.33	29,500	$0.17	$0.19	$5,320	$0.16	$4,720	-$600
14	08 Jun 2020	US$0.33	49,500	$0.17	$0.19	$8,944	$0.17	$8,415	-$529
15	21 Jun 2020	US$0.33	49,500	$0.17	$0.19	$8,975	$0.17	$8,415	-$560
16	30 Jun 2020	US$0.33	64,118	$0.17	$0.19	$11,653	$0.17	$10,900	-$753
17	04 Oct 2020	US$0.33	49,500	$0.17	$0.20	$9,199	$0.17	$8,415	-$784
18	15 Jan 2021	US$0.33	210,000	$0.18	$0.20	$39,817	$0.18	$37,800	-$2,017
19	16 May 2021	US$0.33	22,500	$0.18	$0.21	$4,350	$0.19	$4,275	-$75
20	30 Jun 2021	US$0.33	165,272	$0.18	$0.21	$32,147	$0.19	$31,402	-$746
21	12 Jul 2021	US$0.33	120,000	$0.18	$0.21	$23,378	$0.19	$22,800	-$578
22	17 Oct 2021	US$0.33	49,500	$0.18	$0.21	$9,750	$0.20	$9,900	$150
23	05 Dec 2021	US$0.33	49,500	$0.18	$0.21	$9,796	$0.20	$9,900	$104
24	28 May 2022	US$0.68	49,500	$0.06	$0.10	$4,098	$0.09	$4,455	$357
25	05 Jun 2022	US$0.68	28,875	$0.06	$0.10	$2,400	$0.09	$2,599	$199
26	18 Jun 2022	US$0.68	43,500	$0.06	$0.10	$3,642	$0.09	$3,915	$273
27	25 Jun 2022	US$0.68	49,500	$0.07	$0.10	$4,161	$0.09	$4,455	$294
28	01 Jul 2022	US$0.75	51,000	$0.05	$0.09	$3,680	$0.08	$4,080	$400
29	16 Jul 2022	US$0.75	49,500	$0.05	$0.09	$3,606	$0.08	$3,960	$354
30	20 Aug 2022	US$0.75	63,338	$0.06	$0.09	$4,711	$0.08	$5,067	$356
31	12 Sep 2022	US$0.75	32,400	$0.06	$0.09	$2,441	$0.08	$2,592	$151
32	08 Oct 2022	US$0.75	32,400	$0.06	$0.10	$2,478	$0.08	$2,592	$114
33	19 Nov 2022	US$0.75	24,300	$0.06	$0.10	$1,900	$0.08	$1,944	$44
34	03 Dec 2022	US$0.75	32,400	$0.06	$0.10	$2,552	$0.09	$2,916	$364
35	14 Jan 2023	US$0.78	32,400	$0.06	$0.10	$2,459	$0.08	$2,592	$133
36	15 Feb 2023	US$0.78	32,400	$0.06	$0.10	$2,498	$0.08	$2,592	$94
37	04 Mar 2023	US$0.78	32,400	$0.06	$0.10	$2,522	$0.08	$2,592	$70
38	08 Apr 2023	US$0.78	32,400	$0.06	$0.10	$2,563	$0.09	$2,916	$353
39	17 Jun 2023	NZ$1.94	13,800	$0.02	$0.05	$503	$0.04	$552	$49
40	01 Jul 2023	NZ$1.94	6,900	$0.02	$0.05	$254	$0.04	$276	$22
41	08 Jul 2023	NZ$1.94	13,800	$0.02	$0.05	$512	$0.04	$552	$40
42	22 Jul 2023	NZ$1.94	13,800	$0.02	$0.05	$518	$0.04	$552	$34
43	05 Aug 2023	NZ$1.94	13,800	$0.02	$0.05	$523	$0.04	$552	$29
44	16 Sep 2023	NZ$1.94	13,800	$0.02	$0.05	$540	$0.04	$552	$12
45	25 Sep 2023	NZ$2.06	13,800	$0.02	$0.05	$491	$0.04	$552	$61
46	14 Oct 2023	NZ$1.93	13,800	$0.02	$0.06	$557	$0.05	$690	$133
47	25 Nov 2023	NZ$1.94	13,800	$0.03	$0.06	$569	$0.05	$690	$121
48	27 Jan 2024	NZ$2.17	13,800	$0.02	$0.05	$495	$0.04	$552	$57
49	24 Feb 2024	NZ$2.55	27,600	$0.01	$0.04	$768	$0.03	$828	$60
50	31 Mar 2024	NZ$2.46	13,800	$0.02	$0.04	$421	$0.04	$552	$131
51	14 Apr 2024	NZ$2.26	13,800	$0.02	$0.05	$490	$0.04	$552	$62
52	02 Jul 2024	NZ$1.61	100,000	$0.04	$0.08	$6,183	$0.07	$7,000	$817
53	14 Jul 2024	NZ$1.53	13,800	$0.05	$0.09	$918	$0.08	$1,104	$186
54	28 Jul 2024	NZ$1.42	13,800	$0.05	$0.09	$1,017	$0.09	$1,242	$225
55	04 Aug 2024	NZ$1.40	13,800	$0.06	$0.10	$1,038	$0.09	$1,242	$204

56	11 Aug 2024	NZ$1.37	26,500	$0.06	$0.10	$2,052	$0.09	$2,385	$333
57	19 Sep 2024	NZ$1.36	13,800	$0.06	$0.10	$1,092	$0.10	$1,380	$288
58	29 Sep 2024	NZ$1.31	13,800	$0.06	$0.10	$1,145	$0.10	$1,380	$235
59	25 Nov 2024	NZ$1.15	27,600	$0.08	$0.12	$2,693	$0.12	$3,312	$619
60	22 Dec 2024	NZ$1.12	13,800	$0.08	$0.12	$1,393	$0.12	$1,656	$263
61	29 Jan 2025	NZ$1.14	13,800	$0.08	$0.12	$1,377	$0.12	$1,656	$279
62	24 Aug 2025	NZ$0.76	77,000	$0.13	$0.17	$11,272	$0.19	$14,630	$3,358
63	11 Jun 2025	NZ$0.94	200,000	$0.10	$0.14	$24,488	$0.16	$32,000	$7,512
64	16 Oct 2025	NZ$0.79	2,000	$0.12	$0.16	$284	$0.19	$380	$96
65	25 Nov 2025	NZ$0.77	2,000	$0.13	$0.16	$290	$0.19	$380	$90
66	02 Sep 2026	NZ$0.72	35,000	$0.13	$0.17	$5,266	$0.21	$7,350	$2,084
67	09 Oct 2025	NZ$0.83	613,083	$0.12	$0.16	$83,874	$0.18	$110,355	$26,481
68	22 Feb 2027	NZ$0.43	16,875	$0.22	$0.22	$3,713	$0.29	$4,894	$1,181
69	02 Mar 2027	NZ$0.37	315,000	$0.28	$0.28	$88,200	$0.31	$97,650	$9,450
70	28 Jul 2027	NZ$0.33	75,000	$0.32	$0.32	$24,000	$0.33	$24,750	$750
71	02 Oct 2027	NZ$0.25	75,000	$0.40	$0.40	$30,000	$0.40	$30,000	$0
72	09 Oct 2025	NZ$0.37	613,083	$0.28	$0.28	$171,663	$0.30	$183,925	$12,262
73	13 Apr 2028	NZ$0.31	460,000	$0.34	$0.34	$156,400	$0.34	$156,400	$0
74	21 May 2028	NZ$0.31	200,000	$0.34	$0.34	$68,000	$0.34	$68,000	$0
Total / Weighted Average		**NZ$0.66**	**5,643,184**	**$0.19**	**$0.21**	**$1,106,068**	**$0.21**	**$1,163,042**	**$56,974**

Appendix 4. Declarations, Qualifications and Consents

Declarations

This report is dated 12 November 2018 and has been prepared by Northington Partners at the request of the independent directors of SLI to fulfil the reporting requirements pursuant to Rule 21 of the Code. This report is provided for the benefit of all of the shareholders of SLI that are subject to the Offer, and Northington Partners consents to the distribution of this report to those people. This report, or any part of it, should not be reproduced or used for any other purpose. Northington Partners specifically disclaims any obligation or liability to any party whatsoever in the event that this report is supplied or applied for any purpose other than that for which it is intended.

Prior drafts of this report were provided to SLI for review and discussion. Although minor factual changes to the report were made after the release of the first draft, there were no changes to our methodology, analysis, or conclusions.

Our engagement terms did not contain any term which materially restricted the scope of our work.

Qualifications

Northington Partners provides an independent corporate advisory service to companies operating throughout New Zealand. The company specialises in mergers and acquisitions, capital raising support, expert opinions, financial instrument valuations, and business and share valuations. Northington Partners is retained by a mix of publicly listed companies, substantial privately held companies, and state-owned enterprises.

The individuals responsible for preparing this report are Greg Anderson B.Com, M.Com (Hons) and Ph.D and Jonathan Burke B.Com (Hons), BCM. Each individual has a wealth of experience in providing independent advice to clients relating to the value of business assets and equity instruments, as well as the choice of appropriate financial structures and governance issues.

Northington Partners has been responsible for the preparation of numerous independent reports in relation to takeovers, mergers, and a range of other transactions subject to the Takeovers Code and NZX Listing Rules.

Independence

Northington Partners has not been previously engaged on any matter by SLI or (to the best of our knowledge) by any other party to the Offer that could affect our independence. None of the Directors or employees of Northington Partners have any other relationship with any of the directors or substantial security holders of the parties involved in the Offer.

The preparation of this independent report will be Northington Partners' only involvement in relation to the Offer. Northington Partners will be paid a fixed fee for its services which is in no way contingent on the outcome of our analysis or the content of our report.

Northington Partners does not have any conflict of interest that could affect its ability to provide an unbiased report.

Disclaimer and Restrictions on the Scope of Our Work

In preparing this report, Northington Partners has relied on information provided by SLI. Northington Partners has not performed anything in the nature of an audit of that information, and does not express any opinion on the reliability, accuracy, or completeness of the information provided to us and upon which we have relied.

Northington Partners has used the provided information on the basis that it is true and accurate in material respects and not misleading by reason of omission or otherwise. Accordingly, neither Northington Partners nor its directors, employees or agents, accept any responsibility or liability (to the extent permitted by law) for any such information being inaccurate, incomplete, unreliable or not soundly based or for any errors in the analysis, statements and opinions provided in this report resulting directly or indirectly from any such circumstances or from any assumptions upon which this report is based proving unjustified.

We reserve the right, but will be under no obligation, to review or amend our report if any additional information which was in existence on the date of this report was not brought to our attention, or subsequently comes to light.

Indemnity

SLI has agreed to indemnify Northington Partners (to the maximum extent permitted by law) for all claims, proceedings, damages, losses (including consequential losses), fines, penalties, costs, charges and expenses (including legal fees and disbursements) suffered or incurred by Northington Partners in relation to the preparation of this report, except to the extent resulting from any act or omission of Northington Partners finally determined by a New Zealand Court of competent jurisdiction to constitute negligence or bad faith by Northington Partners.

SLI has also agreed to promptly fund Northington Partners for its reasonable costs and expenses (including legal fees and expenses) in dealing with such claims or proceedings upon presentation by Northington Partners of the relevant invoices.

Northington
Partners