

Energy Mad Limited

Appraisal Report

In Respect of the Sale of Certain Assets to Ecobulb Limited

Independent Adviser's Report

In Respect of the Proposed Allotment of Fully Paid Ordinary Shares to the Shareholders of PaySauce Limited

Independent Report

In Respect of the Proposed Backdoor Listing of PaySauce Limited

November 2018

Statement of Independence

Simmons Corporate Finance 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 transactions considered in the report, including any success or contingency fee or remuneration, other than to receive the cash fee for providing this report.

Simmons Corporate Finance 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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1. Introduction

1.1 Background

Energy Mad Limited (**Energy Mad** or the **Company**) announced on 9 May 2017 that it would undertake an orderly wind down of its business, which focused on sourcing and developing energy saving compact fluorescent light bulbs (**CFL**) and light-emitting diode (**LED**) bulbs.

Energy Mad's shares are listed on the main equities security market (the **NZX Main Board**) operated by NZX Limited (**NZX**) with a market capitalisation of \$2.8 million as at 16 November 2018 and unaudited total equity of negative \$4.4 million as at 30 September 2018.

A profile of Energy Mad is set out in section 5.

1.2 Ecobulb Transaction

To facilitate the wind down of the business, Energy Mad, Energy Mad NZ Limited (**EML Subco**), Intellectual Property Energy Mad Limited (**IPEM**) and Energy Mad Build Limited (**EMB**) (together the **EM Vendors**) entered into the *Agreement relating to the sale and purchase of assets of Energy Mad Limited, Energy Mad NZ Limited, Intellectual Property Energy Mad Limited and Energy Mad Build Limited* with Ecobulb Limited (**Ecobulb**) dated 5 May 2017 (the **Ecobulb Agreement**) whereby:

- the EM Vendors appointed Ecobulb as their agent to facilitate the orderly sale of the EM Vendors' inventory
- the EM Vendors agreed to sell to Ecobulb the assets owned and used by the EM Vendors' business, being primarily stock and intellectual property but excluding cash on hand, trade debtors and rights under any contract of insurance
- Ecobulb agreed to assume specific liabilities of the EM Vendors, being obligations under the agreement between Energy Mad and My Eco Limited (**My Eco**) and all customer service obligations.

We refer to the arrangements as the **Ecobulb Transaction**.

Ecobulb is owned by interests associated with Chris Mardon. Dr Mardon is the Company's co-founder and its former managing director.

Mardon Family Holdings Limited (**Mardon**), a company wholly owned by Chris Mardon and Vernon Mardon, is Energy Mad's second largest shareholder, holding 7.67% of the Company's shares.

1.3 PaySauce Transactions

Restructure Proposal

Energy Mad's board of directors (the **Board**) now proposes to restructure the Company and focus on an entirely new area of business by backdoor listing PaySauce through Energy Mad.

The restructure proposal involves Energy Mad:

- forgiving any intercompany loan balances owing between the Company and EML Subco, IPEM, EMB, EcoSmartHome Limited (**ESH**) or Energy Mad US LLC (**EMUS**) (the **EML Loan Forgiveness**)
- transferring its shareholdings in IPEM, EMB, ESH and EMUS to its wholly owned subsidiary EML Subco and making an in specie distribution of the shares in EML Subco to the Company's current shareholders on a pro rata basis for nil consideration (the **EML Subco Transfer**)
- acquiring 100% of the shares in PaySauce Limited (**PaySauce**) for consideration of \$10.0 million (the **PaySauce Acquisition**)
- issuing 5,667,706,766 new fully paid ordinary shares (the **Consideration Shares**) as consideration for the PaySauce Acquisition (the **PaySauce Allotment**).

We refer to the transactions collectively as the **PaySauce Transactions**.

PaySauce Limited

PaySauce is a provider of cloud-based software-as-a-service (**SaaS**) payroll solutions.

PaySauce enables small and medium enterprise (**SME**) owners to pay staff using web, iOS and Android applications.

The services provided by the PaySauce platform include:

- mobile timesheets
- payroll calculations
- integrated banking
- PAYE payment and filing
- labour costing
- automated general ledger entries
- digital employment contracts.

A profile of PaySauce is set out in section 6.

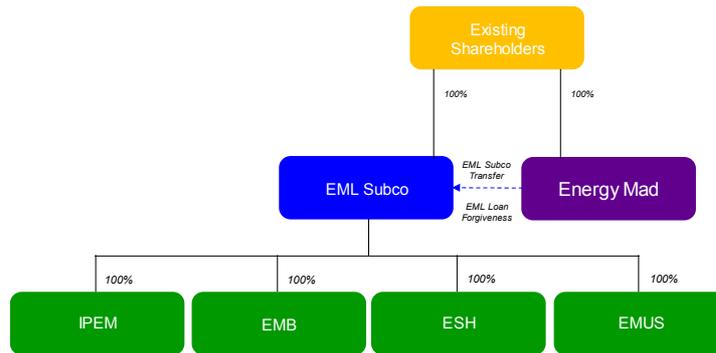
Transaction Management Agreement

Energy Mad and EML Subco entered into the *Transaction Management Agreement* with the 21 shareholders of PaySauce (the **PaySauce Shareholders**), Asantha Wijeyeratne and Troy Tarrant (as the founders of PaySauce (the **Founders**)) and Coulthard Barnes Capital Limited (as the PaySauce Shareholders' representative (the **Vendors' Representative**)) dated 9 August 2018 (the **PaySauce TMA**) in respect of the PaySauce Transactions.

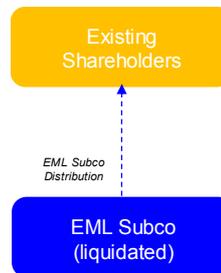
PaySauce Transactions Components

The effect of the PaySauce Transactions on Energy Mad’s current shareholders (the **Existing Shareholders**) is that:

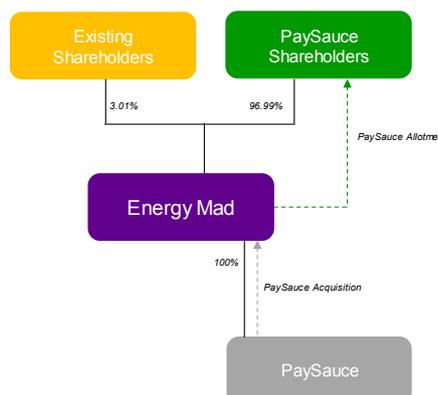
- Energy Mad’s shareholdings in IPEM, EMB, ESH and EMUS will be transferred to EML Subco under the EML Subco Transfer, all intercompany loans will be forgiven under the EML Loan Forgiveness and the Existing Shareholders will receive shares in EML Subco pro rata for nil consideration, thereby retaining their existing interest in Energy Mad’s assets (the **Energy Mad Restructure**). At this point in time, the Existing Shareholders will also own 100% of the shares in Energy Mad



- at some point in the future in due course, following the completion of the collection of outstanding receivables and the disposition of inventory under the Ecobulb Transaction, EML Subco will be liquidated and the proceeds (less costs) will be distributed to the Existing Shareholders (the **EML Subco Distribution**). However, it is not expected that there will be a surplus of funds to distribute to the Existing Shareholders

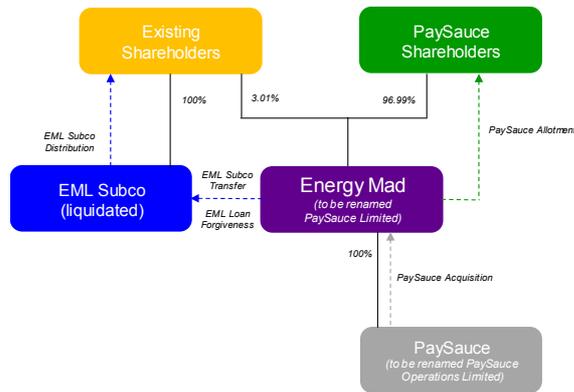


- the acquisition of PaySauce will transform the nature of the Company’s business to that of a provider of cloud-based SaaS payroll solutions. The Existing Shareholders will retain their current shares in Energy Mad, which will represent 3.01% of the Company’s issued capital following the PaySauce Allotment.



The PaySauce Acquisition and the PaySauce Allotment are effectively a scrip merger of Energy Mad and PaySauce and represents a backdoor listing of PaySauce through Energy Mad.

Following the completion of the PaySauce Transactions, the Existing Shareholders will retain their existing interest in Energy Mad’s assets (through their shareholding in EML Subco) and hold a 3.01% interest in Energy Mad, which will own PaySauce. PaySauce will be renamed PaySauce Operations Limited and the Company will be renamed PaySauce Limited.



1.4 Impact on Shareholding Levels

The Existing Shareholders currently collectively hold 100% of the Company’s ordinary shares on issue.

Following the PaySauce Transactions, the PaySauce Shareholders will collectively hold 96.99% of the Company’s shares and the Existing Shareholders will collectively hold 3.01% of the Company’s shares.

Shareholding Levels After the PaySauce Transactions					
	Current		PaySauce Allotment	Post PaySauce Transactions	
	No. of Shares	%	No. of Shares	No. of Shares	%
Existing Shareholders	175,836,635	100.00%	-	175,836,635	3.01%
PaySauce Shareholders	-	-	5,667,706,766	5,667,706,766	96.99%
Total	175,836,635	100.00%	5,667,706,766	5,843,543,401	100.00%

The current PaySauce Shareholders are set out in section 6.5.

Prior to the Completion of the PaySauce Transactions, PaySauce will issue 844,481 new PaySauce shares to the Founders and Coulthard Barnes (PaySauce) Limited (**CBPL**) in consideration for advisory services provided, 110,577 new PaySauce shares to various employees of PaySauce in consideration for employment services and 550,481 new PaySauce shares to various new and existing shareholders to raise approximately \$1.15 million of fresh equity (the **PaySauce Restructure**).

Cloud Investments Limited and Wijeyeratne & Co Limited are associates / associated parties. We refer to them as the **Wijeyeratne Associates**. The Wijeyeratne Associates will collectively hold 35.74% of the shares in the Company following the PaySauce Transactions.

CBPL, Cloud Investments Two Limited, Hibernian Capital No. 2 Limited, Perrow Capital No. 2 Limited and Anusha Fernando-Barnes are associates / associated parties. We refer to them as the **Barnes Associates**. The Barnes Associates will collectively hold 24.01% of the shares in the Company following the PaySauce Transactions.

1.5 Summary of Opinions

NZX Main Board Listing Rules

Our evaluation of the fairness of the Ecobulb Transaction as required under the NZX Main Board Listing Rules (the **Listing Rules**) is set out in section 2.

In our opinion, after having regard to all relevant factors, the consideration and the terms and conditions of the Ecobulb Transaction are fair to the Company's shareholders not associated with Ecobulb and Dr Mardon (the **Non-associated Shareholders**).

Takeovers Code

Our evaluation of the merits of the PaySauce Allotment as required under the Takeovers Code (the **Code**) is set out in section 3.

In our opinion, after having regard to all relevant factors, the positive aspects of the PaySauce Transactions (including the PaySauce Allotment) significantly outweigh the negative aspects from the perspective of the Existing Shareholders.

NZX Guidance Note

Our evaluation of the fairness of the PaySauce Transactions as required under the *NZX Guidance Note Backdoor and Reverse Listing Transactions* dated August 2008 (the **NZX Guidance Note**) is set out in section 4.

In our opinion, after having regard to all relevant factors, the terms of the PaySauce Transactions are fair and reasonable to the Existing Shareholders and are in the best interests of Energy Mad given the options reasonably available to the Company at the current time.

1.6 Special Meeting

The Non-associated Shareholders will vote on a special resolution in respect of the Ecobulb Transaction at the Company's special meeting of shareholders on 6 December 2018 (resolution 1 – the **Ecobulb Resolution**).

Ecobulb and its associated persons are not permitted to vote on the Ecobulb Resolution.

The Existing Shareholders will also vote on 6 special resolutions in respect of the PaySauce Transactions at the Company's special meeting of shareholders on 6 December 2018:

- the EML Loan Forgiveness (resolution 2)
- the EML Subco Distribution (resolution 3)
- the PaySauce Acquisition (resolution 4)
- the PaySauce Allotment (resolution 5)
- the adoption of a new constitution (resolution 6)
- the appointment of Asantha Wijeyeratne, Andrew Barnes, Gavin Thompson, Mandy Simpson and Nick Lewis as directors of the Company (resolution 7).

We refer to the 6 resolutions collectively as the **PaySauce Resolutions**.

No PaySauce Shareholder is currently a shareholder in Energy Mad. Any associate of a PaySauce Shareholder who is also a shareholder in Energy Mad is not permitted to vote on the PaySauce Resolutions.

The Ecobulb Resolution and the PaySauce Resolutions are all special resolutions (which are passed by a majority of not less than 75% of the votes cast).

The Ecobulb Resolution is not interdependent with any of the PaySauce Resolutions.

The 6 PaySauce Resolutions are interdependent with each other and the Ecobulb Resolution. All 6 PaySauce Resolutions and the Ecobulb Resolution must be passed in order for any one of the 6 PaySauce Resolutions to be effective.

1.7 Profile

In addition to the notice of special meeting that this report accompanies, Energy Mad has prepared an NZX Listing Profile in respect of the PaySauce Transactions (the **Profile**) in accordance with Listing Rule 7.1.1. The Profile provides detailed information in respect of PaySauce and the PaySauce Transactions.

1.8 Regulatory Requirements

NZX Main Board Listing Rules

Listing Rule 9.2.1 stipulates that an Issuer shall not enter into a Material Transaction if a Related Party is a party to the Material Transaction or to one of a related series of transactions of which the Material Transaction forms part without first obtaining approval of the transaction by way of an ordinary resolution from shareholders not associated with the Related Party.

Section 129 of the Companies Act 1993 (the **Act**) requires a major transaction to be approved by a special resolution.

The Ecobulb Transaction is a Material Transaction and Ecobulb is a Related Party of the Company.

Accordingly, the Non-associated Shareholders will vote at the Company's special meeting on the Ecobulb Resolution in accordance with the Listing Rules and the Act.

Listing Rule 9.2.5 (b) requires an Appraisal Report to be prepared where a meeting will consider a resolution required by Listing Rule 9.2.1.

Takeovers Code

Energy Mad is a code company as defined by the Code and is subject to the provisions of the Code.

Rule 6 of the Code prohibits a person who holds or controls:

- no voting rights, or less than 20% of the voting rights, in a code company from becoming the holder or controller of an increased percentage of the voting rights in the code company unless, after that event, that person and that person's associates hold or control in total not more than 20% of the voting rights in the code company
- 20% or more of the voting rights in a code company from becoming the holder or controller of an increased percentage of the voting rights in the code company

unless the person and that person's associates comply with exceptions to this fundamental rule.

One of the exceptions, set out in Rule 7(d) of the Code, enables a person and its associates to increase their holding or control of voting rights by an allotment of shares if the allotment is approved by an ordinary resolution of the code company.

The PaySauce Allotment will result in the Wijeyeratne Associates and the Barnes Associates controlling 35.74% and 24.01% of the voting rights in Energy Mad respectively.

Accordingly, the Existing Shareholders will vote at the Company's special meeting on resolution 5 in respect of the PaySauce Allotment in accordance with the Code.

Rule 18 of the Code requires the directors of a code company to obtain an Independent Adviser's Report on the merits of an allotment under Rule 7(d).

This Independent Adviser's Report is to be included in, or accompany, the notice of meeting pursuant to Rule 16(h).

NZX Guidance Note

As the PaySauce Transactions represent a backdoor listing of PaySauce into Energy Mad, an Independent Report on the PaySauce Transactions is required under the NZX Guidance Note.

The NZX Guidance Note requires that the Independent Report complies with the requirements of an Appraisal Report under Listing Rule 1.7.2.

1.9 Purpose of the Report

The Company's board of directors (the **Board**) has engaged Simmons Corporate Finance Limited (**Simmons Corporate Finance**) to prepare an Appraisal Report on the fairness of the Ecobulb Transaction in accordance with Listing Rule 9.2.5 (b).

Simmons Corporate Finance was approved by the Special Division of the New Zealand Markets Disciplinary Tribunal (the **Special Division**) on 20 June 2018 to prepare this Appraisal Report.

Simmons Corporate Finance issues this Appraisal Report to the Board for the benefit of the Non-associated Shareholders to assist them in forming their own opinion on whether to vote for or against the Ecobulb Resolution.

We note that each shareholder's circumstances and objectives are unique. Accordingly, it is not possible to report on the fairness of the Ecobulb Transaction in relation to each shareholder. This report on the fairness of the Ecobulb Transaction is therefore necessarily general in nature.

The Board has also engaged Simmons Corporate Finance to prepare an Independent Adviser's Report on the merits of the PaySauce Allotment in accordance with Rule 18 of the Code and an Independent Report on the fairness of the PaySauce Transactions in accordance with the NZX Guidance Note.

Simmons Corporate Finance was approved by the Takeovers Panel on 20 June 2018 to prepare this Independent Adviser's Report.

Simmons Corporate Finance was approved by the Special Division on 20 June 2018 to prepare this Independent Report.

Simmons Corporate Finance issues this Independent Adviser's Report and Independent Report to the Board for the benefit of the Existing Shareholders to assist them in forming their own opinion on whether to vote for or against the PaySauce Resolutions.

We note that each shareholder's circumstances and objectives are unique. Accordingly, it is not possible to report on the merits and fairness of the PaySauce Transactions in relation to each shareholder. This report on the merits and fairness of the PaySauce Transactions is therefore necessarily general in nature.

This Appraisal Report, Independent Adviser's Report and Independent Report is not to be used for any other purpose without our prior written consent.

2. Evaluation of the Fairness of the Ecobulb Transaction

2.1 Basis of Evaluation

Listing Rule 1.7.2 requires an Appraisal Report to consider whether the consideration and the terms and conditions of the Ecobulb Transaction are fair to the Non-associated Shareholders.

There is no legal definition of the term fair in either the Listing Rules or in any statute dealing with securities or commercial law in New Zealand.

In our opinion, the Ecobulb Transaction will be fair to the Non-associated Shareholders if:

- they are likely to be at least no worse off if the Ecobulb Transaction proceeds than if it does not. In other words, we consider that the Ecobulb Transaction will be fair if there is no value transfer from the Non-associated Shareholders to Ecobulb, and
- the terms and conditions of the Ecobulb Transaction are in line with market terms and conditions.

We have evaluated the fairness of the Ecobulb Transaction by reference to:

- the rationale for the Ecobulb Transaction
- the terms and conditions of the Ecobulb Transaction
- the benefits and disadvantages to the Non-associated Shareholders of the Ecobulb Transaction
- the benefits and disadvantages to Ecobulb of the Ecobulb Transaction
- the implications if the Ecobulb Resolution is not approved.

Our opinion should be considered as a whole. Selecting portions of the evaluation without considering all the factors and analyses together could create a misleading view of the process underlying the opinion.

2.2 Evaluation of the Fairness of the Ecobulb Transaction for the Purposes of Listing Rule 1.7.2

In our opinion, after having regard to all relevant factors, the consideration and the terms and conditions of the Ecobulb Transaction are fair to the Non-associated Shareholders.

The basis for our opinion is set out in detail in sections 2.3 to 2.5. In summary, the key factors leading to our opinion are:

- the rationale for the Ecobulb Transaction is sound. It is an effective means of executing the Board's decision to wind down the Energy Mad business and sell the Company's residual assets
- the terms of the Ecobulb Transaction are reasonable
- the implications of the Ecobulb Resolution not being approved by the Non-associated Shareholders are that the Ecobulb Transaction cannot proceed. The Company's inventory would need to be sold by someone other than Ecobulb. The Board is of the view that this would likely result in lower sale proceeds than that expected under the Ecobulb Transaction.

2.3 Rationale for the Ecobulb Transaction

Energy Mad had incurred accumulated losses of \$25 million by 31 March 2017. The Company operated with the ongoing support of its lenders in expectation of a recovery in financial performance.

By May 2017, the Board was no longer of the view that a recovery in performance in the near term was possible. After considering various options for the business, the Board determined that an orderly wind down of the business and the sale of Energy Mad's residual assets was the best option available to the Company.

Consequently, Energy Mad entered into the Ecobulb Agreement with Ecobulb on 5 May 2017 for the sale and purchase of the Company's assets.

The Board is of the view that the Ecobulb Transaction is of significant benefit to the Non-associated Shareholders:

- it enables the Company to recover amounts spent on projects in New Zealand from Ecobulb that have no value to any other party
- it maximises the value recovered for the remaining inventory (which is largely obsolete and of limited value to any other party)
- Ecobulb takes on the responsibility for all ongoing warranty claims for product sold in New Zealand and Australia, thereby relieving the Company of this potential liability.

2.4 Terms of the Ecobulb Transaction

The Ecobulb Transaction constitutes an agency arrangement for the orderly sale of Energy Mad's inventory and the sale of specified assets of the EM Vendors and the assumption of specific liabilities.

The EM Vendors appointed Ecobulb as their exclusive agent to facilitate the sale of the EM Vendors' inventory.

Energy Mad's employees, Chris Mardon and Alireza Milani, were offered employment with Ecobulb and are undertaking the agency arrangements for Ecobulb.

Ecobulb is paid an agency fee of the lower of \$34,000 per month or monthly sales revenue (excluding sales to My Eco).

The Energy Mad assets to be sold to Ecobulb (the **Sale Assets**) are:

- all remaining inventory at settlement date
- intellectual property (such as brands, trademarks, domain names, product accreditations, customer lists and manufacturing supply agreements)
- fixed assets (such as laboratory test equipment and computer equipment).

The Sale Assets exclude cash on hand, trade debtors and rights under any contract of insurance which will be retained by Energy Mad and then transferred to EML Subco under the EML Subco Transfer.

The purchase price for the Sale Assets is \$34,614 (based on the inventory position as at 31 October 2018). The purchase price will further reduce to reflect any further inventory sales taking place prior to the settlement date.

Ecobulb has assumed \$97,354 of accrued employee entitlements (in respect of Chris Mardon and Alireza Milani).

Settlement is conditional upon the Non-associated Shareholders approving the Ecobulb Resolution.

Energy Mad has received \$409,000 from Ecobulb under the agency arrangement up to 31 October 2018. This represents gross revenue of \$674,000 less agency fees of \$265,000.

In our view, the terms of the Ecobulb Transaction are fair to the Non-associated Shareholders:

- the realisation of the Company's inventory is outsourced to Ecobulb under the agency arrangement. Energy Mad is alleviated of the need to retain personnel to manage the sale of the inventory and instead pays an agency fee to Ecobulb
- the Company is able to realise some value for its intellectual property and fixed assets that it may otherwise not be able to achieve
- Ecobulb has assumed the Company's obligations in respect of certain accrued employee entitlements and takes on responsibility for all ongoing warranty claims for product sold in New Zealand and Australia.

2.5 Implications of the Ecobulb Resolution not Being Approved

If the Ecobulb Resolution is not approved, then the Ecobulb Transaction and the PaySauce Transactions cannot proceed.

Energy Mad will likely need to offer its New Zealand inventory to another party to sell and its Australian inventory would likely be sold through a clearing house. In both cases, the Board is of the view that the Company would likely receive a fraction of the value that it would receive under the Ecobulb Transaction as the other parties would not be as familiar with the products or have the developed relationships with the potential purchasers of the products as Ecobulb has. Furthermore, the Company is unlikely to receive any value of substance for the sale of its intellectual property and fixed assets.

2.6 Options for Non-associated Shareholders who do not Wish to Retain Their Investment in Energy Mad

Sell On-market

Those Non-associated Shareholders who do not wish to remain shareholders in the Company after the Ecobulb Transaction is completed could possibly sell their shares on-market. However, given that the Company's shares are infrequently traded on the NZX Main Board, that option may not be readily available.

Minority Buy-out Rights Under the Act

If the Ecobulb Resolution is passed, those Non-associated Shareholders who voted all of their shares against the special resolution will be entitled to require the Company to buy their shares in accordance with the provisions of the Act.

A shareholder entitled to require the Company to purchase its shares by virtue of section 110 of the Act may, within 10 working days of the passing of the special resolution, give written notice to the Company requiring it to purchase the shares.

The Board is then required to give notice to the shareholder of a fair and reasonable price for the shares. Shareholders who do not agree with the nominated price can object to the price, in which case the price will be determined by arbitration.

A detailed explanation of the minority buy-out rights is set out in Appendix One of the notice of special meeting.

2.7 Voting For or Against the Ecobulb Resolution

Voting for or against the Ecobulb Resolution is a matter for individual shareholders based on their own views as to value and future market conditions, risk profile and other factors. Shareholders will need to consider these consequences and consult their own professional adviser if appropriate.

3. Evaluation of the Merits of the PaySauce Allotment

3.1 Basis of Evaluation

Rule 18 of the Code requires an evaluation of the merits of the allotment of ordinary shares to the Wijeyeratne Associates and the Barnes Associates under the PaySauce Allotment having regard to the interests of the Existing Shareholders.

There is no legal definition of the term *merits* in either the Code or in any statute dealing with securities or commercial law in New Zealand.

In the absence of an explicit definition of *merits*, guidance can be taken from:

- the Takeovers Panel *Guidance Note on Independent Advisers and the Takeovers Code* dated 1 March 2018
- definitions designed to address similar issues within New Zealand regulations which are relevant to the proposed transaction
- overseas precedents
- the ordinary meaning of the term *merits*.

Given that the PaySauce Allotment is an integral component of the PaySauce Transactions, we are of the view that an assessment of the merits of the PaySauce Allotment cannot be undertaken in isolation and needs to be considered in conjunction with the merits of the PaySauce Transactions. Accordingly, we are of the view that an assessment of the merits of the PaySauce Allotment should focus on:

- the rationale for the PaySauce Transactions
- the terms and conditions of the PaySauce Transactions
- the alternatives to the PaySauce Transactions
- the impact of the PaySauce Transactions on Energy Mad's financial position
- the impact of the PaySauce Transactions on the control of the Company
- the impact of the PaySauce Transactions on Energy Mad's share price
- the benefits and disadvantages for the Existing Shareholders of the PaySauce Transactions
- other benefits and disadvantages for the Wijeyeratne Associates and the Barnes Associates of the PaySauce Transactions
- the implications if the PaySauce Resolutions are not approved.

Our opinion should be considered as a whole. Selecting portions of the evaluation without considering all the factors and analyses together could create a misleading view of the process underlying the opinion.

3.2 Summary of the Evaluation of the Merits of the PaySauce Transactions

The Existing Shareholders currently hold shares in a company with total equity of negative \$4.4 million as at 30 September 2018, whose business is being wound down and whose shares are thinly traded on the NZX Main Board. The Company had \$4.7 million of liabilities (including \$3.7 million owing in respect of loans and convertible notes) and assets of \$0.3 million as at 30 September 2018.

The PaySauce Transactions are effectively a scrip merger of Energy Mad and PaySauce. Energy Mad will acquire 100% of the shares in PaySauce and the PaySauce Shareholders will be issued with the Consideration Shares which will represent 96.99% of Energy Mad's shares on issue. The Wijeyeratne Associates will hold 35.74% of the Company's ordinary shares and the Barnes Associates will hold 24.01%. The PaySauce Transactions will transform Energy Mad into a cloud-based SaaS payroll solutions business. The Existing Shareholders will collectively retain a 3.01% shareholding in the transformed Company.

The Existing Shareholders are being asked to vote on 6 resolutions in respect of the PaySauce Transactions. All 6 resolutions must be passed in order for the PaySauce Transactions to proceed. Accordingly, the Existing Shareholders have 3 alternatives with regard to their voting:

- vote in favour of all 6 resolutions, in which case the PaySauce Transactions will proceed, resulting in the Existing Shareholders holding a significantly smaller shareholding in Energy Mad, which will focus on providing cloud-based SaaS payroll solutions, or
- vote against any of the resolutions. In the event that any one of the 6 resolutions is not passed, then the PaySauce Transactions will not proceed and the Company will remain as a listed company which is winding down its business, or
- abstain from voting, in which case the voting of the other Existing Shareholders will determine the outcome.

Our evaluation of the merits of the PaySauce Transactions (including the PaySauce Allotment) is set out in detail in sections 3.3 to 3.16.

In our view, the key overriding factor in assessing the merits of the PaySauce Transactions is that, in the absence of the proposed transactions, the Existing Shareholders' investments in the Company have negligible value at this point in time. Therefore the Existing Shareholders are likely to be in a more advantageous financial position post the PaySauce Transactions, where they will collectively hold a 3.01% interest in PaySauce, which at that stage will be listed on the NZX Main Board. The degree to which they are financially better off will depend on the value of PaySauce.

In summary, the key positive aspects of the PaySauce Transactions are:

- the rationale for the PaySauce Transactions is sound. PaySauce will be backdoor listed into Energy Mad, transforming the Company into a cloud-based SaaS payroll solutions provider and the Existing Shareholders will retain their current proportionate interests in the Company's assets through the EML Subco Transfer
- we are of the view that in the absence of the PaySauce Transactions, Energy Mad's shares have negligible value at this point in time

- under the EML Subco Transfer, the Existing Shareholders will retain their existing proportionate interests in Energy Mad's assets. However, the EML Subco Distribution is not expected to provide any return to the Existing Shareholders following EML Subco's liquidation in due course
- the terms of the PaySauce Transactions are reasonable:
 - a purchase price of \$10.0 million has been ascribed to PaySauce in the PaySauce TMA (the **Purchase Price**). This represents the figure agreed between the parties to the PaySauce TMA that is used as a reference point to reflect the relative shareholding levels of the PaySauce Shareholders (96.99%) and the Existing Shareholders (3.01%) in the Company following the completion of the PaySauce Transactions
 - in the absence of any prospective financial information for PaySauce, it is not possible to undertake an in-depth valuation analysis of PaySauce or form any definitive conclusions as to the value of PaySauce at this point in time. However, the Purchase Price could be viewed as being not unreasonable based on the implied revenue multiple for PaySauce compared with the observed revenue multiples for listed New Zealand and Australian software and SaaS companies and the recent share transactions involving the PaySauce Shareholders. Having said that, the Purchase Price is likely to be viewed as being at the upper end of what would be considered reasonable
 - the issue price of \$0.0018 (rounded) per share for the Consideration Shares under the PaySauce Allotment is fair to the Existing Shareholders. We are of the view that the value of Energy Mad's shares prior to the PaySauce Transactions and in the absence of any alternative transaction is negligible. The Consideration Shares will be issued at a price which is higher than our assessment of the current value of Energy Mad's shares and therefore will not be value-dilutionary to the Existing Shareholders
 - the conditions and warranties set out in the PaySauce TMA are in line with market practice for transactions of this nature and are not unreasonable
- there is unlikely to be any transfer of value from the Existing Shareholders to the PaySauce Shareholders under the PaySauce Transactions as the consideration is in the form of scrip and the current value of the Company's shares, in the absence of an alternative transaction, is negligible. As the PaySauce Shareholders will hold 96.99% of the Company's shares post the transactions, the current absolute value of PaySauce is of lesser importance to the Existing Shareholders (as opposed to the situation if Energy Mad were to be paying the Purchase Price in cash)
- the Company's shares may be re-rated by the market which may improve the liquidity of the shares and may make the Company a more attractive takeover target
- PaySauce will fund the Company's costs associated with the PaySauce Transactions up to \$250,000
- PaySauce will fund the payment of outstanding creditors of Energy Mad and its subsidiaries following the completion of the PaySauce Transactions.

In summary, the key negative aspects of the PaySauce Transactions are:

- the risk profile of Energy Mad will change significantly from the limited risks associated with a company that is now effectively a listed shell company to the wide range of risks associated with businesses operating in the SaaS payroll solutions sector
- the dilutionary impact of the PaySauce Allotment on the Existing Shareholders is significant. Their current collective interests in the Company will reduce by 97% down to 3.01%. However, the Existing Shareholders will retain their existing proportionate interests in Energy Mad's assets through the EML Subco Transfer
- the Wijeyeratne Associates' will hold 35.74% of the Company's shares and the Barnes Associates' will hold 24.01% following the PaySauce Allotment and will be able to influence the outcome of shareholding voting to a large degree and exert shareholder control over the Board and the Company's operations. However, their level of control over shareholder voting will be lower than that of the Company's current largest shareholder Smartshares Limited (**Smartshares**), who currently holds 75.95% of the Company's shares
- the issue price of the Consideration Shares of \$0.0018 (rounded) is at a significant discount to Energy Mad's recent volume weighted average share prices (**VWAP**). The Company's one month VWAP to 16 November 2018 was \$0.0164 and its 3 month VWAP to that date was \$0.0165. The Consideration Shares issue price represents a discount of 89% to the VWAP. However, we consider the current share price for Energy Mad reflects a heavy speculative element and is not necessarily reflective of the fair market value of the shares. Nevertheless, given that the issue price of the Consideration Shares is at a significant discount to the Company's current share price and the quantum of Consideration Shares being issued is significant, there is a strong possibility that this will result in a dilution in the Company's share price unless the shares are re-rated positively by the market.

There are a number of positive and negative features associated with the PaySauce Allotment. In our view, when the Existing Shareholders are evaluating the merits of the PaySauce Transactions, they need to carefully consider whether the negative aspects of the PaySauce Allotment, including the level of control that the Wijeyeratne Associates and the Barnes Associates will hold over Energy Mad and the dilutionary impact, could justify voting against the PaySauce Resolutions with the outcome that the Company will not acquire PaySauce and will remain as a listed company that is winding down its operations. Energy Mad will need to seek alternative sources of capital within a relatively short timeframe in order to fund its operations and evaluate other backdoor listing opportunities. If it cannot do so, the Company may need to be wound up, in which case there would be no return to Existing Shareholders as it had negative total equity of \$4.4 million as at 30 September 2018.

In our opinion, after having regard to all relevant factors, the positive aspects of the PaySauce Transactions significantly outweigh the negative aspects from the perspective of the Existing Shareholders.

3.3 The Rationale for the PaySauce Transactions

As discussed in section 2.3, the Board determined in May 2017 that an orderly wind down of the business and sale of the Company's residual assets was the best option available to Energy Mad. The Ecobulb Transaction will achieve this.

The PaySauce Transactions will transform Energy Mad from a company with total equity of negative \$4.4 million as at 30 September 2018 into a cloud-based SaaS payroll solutions business. The Existing Shareholders will retain their proportionate interests in the current Energy Mad assets through the EML Subco Transfer and will collectively hold 3.01% of the shares in Energy Mad, which will be renamed PaySauce Limited.

The Board is of the view that the PaySauce Transactions will be of significant benefit to the Existing Shareholders:

- new business operations with the potential for growth will be introduced into the Company
- they will hold a percentage shareholding in EML Subco equivalent to their current percentage shareholding in the Company as well as an indirect shareholding in PaySauce (albeit much smaller)
- PaySauce will provide funding for the Company (and certain of its subsidiaries) to satisfy the Energy Mad group's major outstanding creditors.

3.4 Process Undertaken by Energy Mad

We are advised by the Board that it commenced discussions with PaySauce in 2017. Negotiations on behalf of Energy Mad were led by directors Dr Wheeler and Mr Johnstone.

On 7 February 2018, Energy Mad entered into a non-binding term sheet with PaySauce (the **Term Sheet**).

Energy Mad's due diligence review of PaySauce focused mainly on PaySauce's senior management and legal matters.

On 9 August 2018, Energy Mad entered into the PaySauce TMA.

3.5 Terms and Conditions of the PaySauce Transactions

Purchase Price

The Purchase Price is \$10.0 million. This represents the price ascribed in the PaySauce TMA for 100% of the shares in PaySauce on a debt free / cash free basis.

The Purchase Price represents the figure agreed between the parties to the PaySauce TMA that is used as a reference point to reflect the relative shareholding levels of the PaySauce Shareholders (96.99%) and the Existing Shareholders (3.01%) in the Company following the completion of the PaySauce Transactions. It does not necessarily reflect the amount that a third party would pay for PaySauce at this point in time.

PaySauce is an early stage technology company with the potential for significant growth. Such businesses are typically valued using the discounted cash flow (**DCF**) valuation method. In order to undertake a meaningful DCF assessment, detailed financial projections are required based on assumptions regarding the key value drivers of the business.

Unfortunately no prospective financial information has been made available by PaySauce. Section 4 of the Profile entitled *PaySauce's Financial Information* states:

"There is no prospective financial information in this Profile. The Proposed Directors have, following careful consideration and after due enquiry, concluded that the provision of prospective financial statements for the period to 31 March 2019, and the subsequent accounting period to 31 March 2020, may be misleading for potential investors with regard to particulars that are material to the Acquisition. The Proposed Directors believe that it is not practicable to formulate reasonable assumptions on which to base prospective financial statements."

On the basis that a meaningful DCF analysis cannot be undertaken due to the absence of prospective financial information, we have reviewed the reasonableness of the Purchase Price based on:

- the implied revenue multiple for PaySauce compared with observed revenue multiples for comparable companies
- the implied value of PaySauce based on recent share transactions involving the PaySauce Shareholders.

Our analysis is set out in section 7.

The implied revenue multiple for PaySauce based on its current annualised recurring revenue (**ARR**) is 11.6x. We note that PaySauce's revenue levels have not been audited. We consider this implied revenue multiple to be not unreasonable when compared with observed revenue multiples for listed New Zealand and Australian software and SaaS companies.

The implied value of PaySauce based on the most recent share transactions involving the PaySauce Shareholders under the PaySauce Restructure is in the vicinity of \$7.6 million.

Based on our analysis, we consider the Purchase Price to be not unreasonable, albeit at the upper end of what would be considered reasonable.

We reiterate that given that no prospective financial information is available, it is not possible to undertake an in-depth valuation of PaySauce and derive any definitive conclusions as to the value of PaySauce at this point in time.

The absence of prospective financial information and any in-depth valuation analysis is an issue that Existing Shareholders should consider if they are contemplating buying or selling Energy Mad shares in the near term.

Consideration

Consideration will be in the form of the PaySauce Allotment, being the issue of 5,667,706,766 Consideration Shares to the PaySauce Shareholders at an issue price of \$0.0018 (rounded) per share.

Our analysis of the fairness of the issue price of \$0.0018 (rounded) per Consideration Share is set out in section 8.

We consider the issue price to be advantageous (and therefore fair) to the Existing Shareholders as the Consideration Shares will be issued at a price that is above our assessment of the fair market value of the Company's shares and therefore will not be value-dilutionary to the Existing Shareholders.

We note that the issue price of the Consideration Shares is at a significant discount to Energy Mad's recent VWAP:

- the one month VWAP to 16 November 2018 was \$0.0164
- the 3 month VWAP to 16 November 2018 was \$0.0165.

The Consideration Shares issue price represents a discount of 89% to the recent VWAP. However, we consider the current share price for Energy Mad reflects a heavy speculative element and is not necessarily reflective of the fair market value of the shares.

Payment of Transaction Costs

PaySauce will pay the costs of the PaySauce Transactions. It will make advances available to Energy Mad up to \$250,000 (the **Costs Loan**) to fund the Company's costs. However, in the event that the Existing Shareholders do not approve the PaySauce Resolutions or the Company terminates the PaySauce Transactions without cause or the Company materially breaches the PaySauce TMA, the Company will be liable to repay the Costs Loan within 3 years.

This is explained in more detail in section 3.12.

Funding of Energy Mad Creditors

Following completion of the PaySauce Transactions, PaySauce will fund the payment of certain agreed outstanding debts of Energy Mad and it will guarantee the payment of certain agreed outstanding debts of EML Subco and IPEM.

Conditions

The PaySauce Transactions are conditional on:

- Energy Mad conducting a due diligence investigation of PaySauce
- PaySauce conducting a due diligence investigation of Energy Mad
- obtaining any necessary waivers from NZX that are required in order to proceed with the transaction
- the completion of the Energy Mad Restructure
- the completion of the PaySauce Restructure
- Energy Mad obtaining the Non-associated Shareholders' approval of the Ecobulb Transaction
- Energy Mad obtaining the Existing Shareholders' approval of the PaySauce Transactions.

The proposed date for satisfaction of the above conditions has been varied to 31 December 2018. The due diligence conditions have been completed.

The Energy Mad Restructure consists of the EML Loan Forgiveness and the EML Subco Transfer (among other things). Following the Energy Mad Restructure, the Existing Shareholders will retain their existing proportionate interests in Energy Mad's assets as well as holding their current number of shares in Energy Mad.

The Board then intends to wind up and liquidate EML Subco, resulting in the EML Subco Distribution. Given that EML Subco's liabilities will significantly exceed its assets, the Board does not expect there to be any distribution available to Existing Shareholders under the EML Subco Distribution.

We are of the view that the other conditions of the PaySauce Transactions are in line with market practice for transactions of this nature and are not unreasonable.

Completion

Completion of the PaySauce Transactions is expected to take place on or before 5 business days after the satisfaction of the above conditions.

Warranties

Under the PaySauce TMA, the PaySauce Shareholders, the Founders and the Vendors' Representative have provided warranties in respect of PaySauce's shares, corporate structure, information and material circumstances, loans, business operations, assets, litigation / claims, employment, intellectual property, accounts and records.

Energy Mad has provided warranties in respect of Energy Mad's corporate structure and shares, assets, liabilities, contracts and employees and information and material circumstances.

Each party's liability under these warranties is limited to claims brought within 18 months of completion and to an aggregate amount limited to \$310,243 (being the implied value of Energy Mad before the PaySauce Transactions).

We are of the view that the warranties provided under the PaySauce Agreement are in line with market practice for transactions of this nature and are not unreasonable.

3.6 Limited Likelihood of Alternative Transactions

We are advised by the Board that it is not evaluating any other transactions at this point in time.

3.7 Impact on Control

Share Capital and Shareholders

Energy Mad currently has 175,836,635 fully paid ordinary shares on issue held by 735 shareholders. The names, number of shares and percentage holding of the Company's 10 largest shareholders as at 15 November 2018 are set out in section 5.5.

Energy Mad currently has 2 substantial security holders:

- BNP Paribas Nominees (NZ) Limited (**BNP**) – holding 75.95% of the ordinary shares on issue
- Mardon – 7.67%.

BNP holds the shares on behalf of Smartshares. Smartshares is owned by NZX. It offers investors access to a comprehensive selection of global and domestic exchange traded funds across the main investment classes of cash, bonds, shares and property. Smartshares is the manager of the SuperLife Invest scheme (**SuperLife**). SuperLife was acquired by NZX in January 2015.

The 2 shareholders collectively hold 83.62% of the ordinary shares in the Company at present.

Shareholding Levels Post the PaySauce Allotment

The PaySauce Allotment will result in the PaySauce Shareholders increasing their control of voting rights in Energy Mad from nil to 96.99% without having to make a formal offer to all shareholders in accordance with Rules 7(a) or 7(b) of the Code. To do this under the Code requires the Existing Shareholders to have the opportunity to vote for or against the PaySauce Resolutions.

Shareholding Voting

Smartshares' current level of voting rights of 75.95% enables it to pass or block both special resolutions (which require the approval of 75% of the votes cast by shareholders) and ordinary resolutions (which require the approval of more than 50% of the votes cast by shareholders). Accordingly, Smartshares currently has significant control over shareholder voting as it can singlehandedly determine the outcome of any resolution that it is permitted to vote on.

Following the PaySauce Allotment, the Wijeyeratne Associates' and the Barnes Associates' respective ability to influence the outcome of shareholder voting will be strong, but will be lower than Smartshares' current level of control:

- the Wijeyeratne Associates' 35.74% will be able to block a special resolution but will not be able to singlehandedly determine the outcome of any resolution
- the Barnes Associates' 24.01% will not be able to singlehandedly determine the outcome of any resolution
- if they vote in the same manner, the Wijeyeratne Associates and the Barnes Associates will be able to collectively determine the outcome of an ordinary resolution and block a special resolution. However, they will not be able to collectively pass a special resolution.

The ability for any shareholder to influence the outcome of voting on the Company's ordinary resolutions or special resolutions may be reduced by external factors such as the Company's constitution, the Code, the Listing Rules and the Act.

We are of the view that the PaySauce Allotment will enable the Wijeyeratne Associates and the Barnes Associates to exert a high level of shareholder control over Energy Mad, but their level of control will be much lower than Smartshares is currently able to exert.

Ability to Creep

Neither the Wijeyeratne Associates nor the Barnes Associates will be able to utilise the *creep* provisions of Rule 7(e) of the Code. The *creep* provisions enable entities that hold more than 50% and less than 90% of the voting securities in a code company to acquire up to a further 5% of the code company's shares per annum without the need for shareholder approval. None of the Wijeyeratne Associates or the Barnes Associates will hold more than 50% of the Company's shares following the PaySauce Allotment.

Board Control

As set out in section 5.4, the Company currently has 3 directors, none of whom are associates of the PaySauce Shareholders.

If the PaySauce Transactions proceed, the current 3 directors will resign from the Board and Asantha Wijeyeratne, Andrew Barnes, Gavin Thompson, Mandy Simpson and Nick Lewis will be appointed as directors of the Company.

A profile of the new directors is set out in section 2 of the Profile entitled *PaySauce and What It Does*.

NZX Main Board listed companies must have a minimum of 2 independent directors. We understand that Ms Simpson and Mr Lewis will meet the criteria defined in the Listing Rules to be classed as an independent director.

Operations

Following the PaySauce Transactions, PaySauce's management team will manage the Company's operations. A profile of the PaySauce management team is set out in section 2 of the Profile entitled *PaySauce and What It Does*.

Protection for Minority Shareholders

While the Wijeyeratne Associates and the Barnes Associates will have significant control over Energy Mad, they cannot act in an oppressive manner against minority shareholders. The Act provides a level of protection to minority shareholders. Furthermore, any transactions between the Company and any shareholder holding 10% or more of the Company's shares will need to satisfy the requirements of the Listing Rules with respect to transactions with related parties.

3.8 Dilutionary Impact

The PaySauce Allotment will result in the Existing Shareholders' current collective shareholdings in the Company being significantly diluted by 97%.

Such a significant level of dilution is a common feature of backdoor listing transactions. In our view, the issue of dilution is less relevant to Existing Shareholders than the prospects for the Company following the PaySauce Transactions compared with the implications if the PaySauce Transactions do not proceed. This is especially the case given that the Existing Shareholders will retain their proportionate interests in the assets that Energy Mad currently owns through the EML Subco Transfer.

3.9 Impact on Share Price and Liquidity

Share Price

A summary of Energy Mad's daily closing share price and monthly volume of shares traded from 5 January 2016 is set out in section 5.9.

During the period, Energy Mad's shares have traded between \$0.0010 and \$0.0700 at a VWAP of \$0.0257. Energy Mad's VWAP over the past month was \$0.0164.

Given that the PaySauce Allotment subscription price of \$0.0018 (rounded) is at a 89% discount to the one month VWAP, the Company's share price could possibly drop immediately after the PaySauce Allotment.

Re-rating of Energy Mad Shares

Energy Mad is effectively now a listed shell company with negative equity and a small volume of inventory which is gradually being sold. In the year up to the announcement of the PaySauce Transactions on 2 March 2018, only 2.6% of the Company's shares traded at between \$0.0010 and \$0.0280 per share at a VWAP of \$0.0047.

Following the announcement of the PaySauce Transactions, 3.2% of the Company's shares have traded on the NZX Main Board up to 16 November 2018 at between \$0.0050 and \$0.0200 per share at a VWAP of \$0.0119. The post-announcement VWAP is 155% higher than the pre-announcement one year VWAP. However, in dollar terms, the post-announcement VWAP is only \$0.0073 higher than the pre-announcement one year VWAP.

In our view, the prices at which Energy Mad's shares have traded since the announcement of the PaySauce Transactions most likely reflect a heavy speculative element that assumes that not only will the PaySauce Transactions proceed, but that the value of PaySauce may exceed the \$10 million ascribed to it.

Trading in Energy Mad's shares since 2 March 2018 demonstrates that the PaySauce Transactions may lead to a re-rating of the Company's shares. The transformation of the Company to a cloud-based SaaS payroll solutions provider may lead to greater demand for the Company's shares which in turn may lead to higher prices for the shares. However, the Existing Shareholders should also bear in mind that any re-rating of the Company's shares may increase the variability in the share prices and this may result in the Company's share price either increasing or decreasing.

While we would expect increased demand for the Company's shares post the PaySauce Transactions, we note that the very small free float means that there will be a limited number of shares available for sale and this may restrict the level of trading in the Company's shares.

Liquidity

Trading in the Company's shares is extremely thin, reflecting that 83.62% of the shares are currently held by Smartshares and Mardon and the top 10 shareholders collectively hold 90.34% of the shares.

Existing Shareholders currently have very limited opportunities to sell their shares. Only 3.9% of the Company's shares have traded in the past year.

The PaySauce Allotment will not improve the liquidity of the Company's shares as the number of shares held by the Existing Shareholders will not change.

However, should the PaySauce Shareholders seek to dispose of some of their Energy Mad shares, this may result in increased trading in the Company's shares, thereby improving liquidity.

Conversely, given that there are no restricted trading constraints on the Consideration Shares, should one or more of the PaySauce Shareholders look to sell a significant number of their Consideration Shares, this may depress the Company's share price.

3.10 Main Advantage to the Existing Shareholders of the PaySauce Transactions

Following the PaySauce Transactions, the Existing Shareholders will collectively hold 3.01% of the shares in a company that provides cloud-based SaaS payroll solutions as well as their current proportionate interests in the assets currently owned by Energy Mad.

Currently they hold 100% of the shares in a listed company with total equity of negative \$4.4 million as at 30 September 2018 and whose shares are thinly traded on the NZX Main Board.

3.11 Main Disadvantage to the Existing Shareholders of the PaySauce Transactions

The main disadvantage to the Existing Shareholders of the PaySauce Transactions is that the issue of the Consideration Shares under PaySauce Allotment will significantly dilute their interests in the Company. Their collective shareholding will be diluted by 97% under PaySauce Allotment from their collective shareholding of 100% at present to 3.01%. However, the EML Subco Transfer will mean that they still maintain their proportionate interests in the assets currently owned by Energy Mad.

In our view, the positive aspects of the transformation of the Company significantly outweighs the dilutionary impact of the PaySauce Transactions.

3.12 Other Issues for the Existing Shareholders to Consider

Change in Business Risk

A detailed analysis of the risks associated with an investment in Energy Mad post the PaySauce Transactions is set out in section 5 of the Profile entitled *Risks to PaySauce's Business and Plans* and are summarised in section 6.7 of this report.

The analysis highlights the significant level of risk associated with an investment in the Company post the PaySauce Transactions and the Existing Shareholders need to be cognisant of the change in the risk profile of their investment in the Company.

Future Requirements for Capital

The PaySauce Transactions represent scrip transactions with no cash being raised.

PaySauce intends to raise approximately \$1.15 million as part of the PaySauce Restructure. This capital raising round will be completed at the time the PaySauce Transactions are completed. PaySauce will also enter into a \$0.5 million loan facility with CBPL at that time.

The Profile does not discuss what PaySauce's longer term additional equity capital requirements are likely to be or how they may be sourced. Section 4 of the Profile entitled *PaySauce's Financial Information* states:

"On the basis of its current trading trajectory, and as a result of the PaySauce Funding Initiatives, the Proposed Directors are comfortable that the Company (through PaySauce) will have sufficient funds following Completion of the Acquisition to fund the transaction costs associated with the Transactions (including the obligations to fund the payment of outstanding creditors of the Company and its subsidiaries following completion), as well as PaySauce's ongoing funding needs without undertaking any further capital raising before the end of financial year 31 March 2019.

Following completion of the Acquisition, the Company will not undertake a capital raise which would require the production of a product disclosure statement under the Financial Markets Conduct Act 2013, or which relies on clause 19 of Schedule 1 of that Act, until audited financial statements for the Company (for the financial year ended 31 March 2019) are available.”

Given the nature of early stage high growth technology companies, it is probable that PaySauce will need to raise additional equity capital at some time beyond the 2019 financial year to fund its growth opportunities.

Existing Shareholders should be cognisant that any equity raisings in the future by the Company in which they do not participate will lead to further dilution of their proportionate interests in the Company.

Funding of PaySauce Transactions Costs

Energy Mad’s costs associated with the PaySauce Transactions are estimated to be in the vicinity of \$250,000. The costs include legal fees, Takeovers Panel fees, Special Division fees, shareholder meeting costs and the cost of this report.

Under the terms of the PaySauce TMA, PaySauce will fund these costs (up to \$250,000) through the Costs Loan, which constitutes an unsecured interest free loan by PaySauce to the Company.

If the PaySauce Transactions proceed, the Costs Loan will be repayable on demand at any time following the completion of the transactions.

If the PaySauce Transactions do not proceed (but subject to the paragraph below), the Company will provide to PaySauce the benefit of, and its title to, the reports and work in progress on which the advanced funds have been expended in full and final settlement of the Costs Loan.

If the PaySauce Transactions do not proceed because:

- the Existing Shareholders vote against any of the PaySauce Resolutions or
- the Company terminates the PaySauce Transactions without cause or
- the Founders or the Vendors’ Representative terminates the PaySauce TMA in accordance with its terms as a consequence of a material breach by the Company of the PaySauce TMA

then in addition to PaySauce obtaining the benefit and title to the reports and work in progress, the Costs Loan will convert to an unsecured interest free loan, repayable by the Company over a 3 year term.

Funding of Energy Mad Creditors

PaySauce has agreed to fund the payment of outstanding creditors of Energy Mad and its subsidiaries following the completion of the PaySauce Transactions.

Following completion, PaySauce will fund the payment of certain agreed outstanding debts of Energy Mad and it will guarantee the payment of certain agreed outstanding debts of EML Subco and IPEM.

Benefits to Energy Mad of the Wijeyeratne Associates and the Barnes Associates as Cornerstone Shareholders

The PaySauce Allotment will position the Wijeyeratne Associates and the Barnes Associates as important cornerstone investors in the Company, signalling their confidence in the future prospects of PaySauce.

Existing Shareholder Approval is Required

Pursuant to Rule 7(d) of the Code and Listing Rule 7.3.1, the Existing Shareholders must approve by ordinary resolution the PaySauce Allotment. This will be effected by the Existing Shareholders approving by special resolution the PaySauce Resolutions.

The PaySauce Allotment will not proceed unless the Existing Shareholders approve the PaySauce Resolutions.

May Increase the Attractiveness of the Company as a Takeover Target

Following the PaySauce Allotment, the Wijeyeratne Associates and the Barnes Associates will not be able to increase their respective level of shareholdings in the Company unless they comply with the provisions of the Code and the Listing Rules.

The Wijeyeratne Associates and the Barnes Associates will generally only be able to acquire more shares in the Company if:

- they make a full or partial takeover offer
- the acquisition is approved by way of an ordinary resolution of the Company's shareholders excluding the Wijeyeratne Associates or the Barnes Associates
- the Company makes an allotment of shares which is approved by way of an ordinary resolution of the Company's shareholders excluding the Wijeyeratne Associates or the Barnes Associates
- the Company undertakes a share buyback that is approved by the Company's shareholders and the Wijeyeratne Associates or the Barnes Associates do not accept the offer of the buyback.

As discussed in section 3.7, neither the Wijeyeratne Associates nor the Barnes Associates will be able to utilise the *creep provisions* of Rule 7(e) of the Code.

If the PaySauce Resolutions are approved and PaySauce is backdoor listed, we consider it highly unlikely that either the Wijeyeratne Associates or the Barnes Associates would make a takeover offer for the Company as this would result in PaySauce being privatised, thereby reversing the backdoor listing transaction.

However, PaySauce, as a listed entity, will have a higher profile and may be more visible and attractive to potential investors, which may increase the likelihood of a takeover offer for the Company.

3.13 Key Benefit to the PaySauce Shareholders (Including the Wijeyeratne Associates and the Barnes Associates)

Enhanced Investment Liquidity

Energy Mad offers the PaySauce Shareholders an effective and efficient means to achieve a listing of PaySauce on a recognised stock exchange.

Backdoor listing PaySauce on the NZX Main Board will provide a number of benefits to PaySauce and the PaySauce Shareholders:

- an enhancement of the PaySauce profile in the market place
- the ability to raise equity capital more easily
- the ability to use scrip for acquisitions
- liquidity for the PaySauce Shareholders.

The Wijeyeratne Associates and the Barnes Associates will exchange their respective 36.85% and 24.76% investments in a closely held non-listed company for respective 35.47% and 24.01% shareholdings in a company listed on the NZX Main Board, thereby enhancing the liquidity of their investments.

3.14 Disadvantages to the PaySauce Shareholders (Including the Wijeyeratne Associates and the Barnes Associates)

Exposure to the Risks and Regulatory Requirements of Energy Mad

The key risks that are likely to impact upon the business operations of PaySauce are summarised in section 6.7. The PaySauce Shareholders currently face these risks through their investment in PaySauce and therefore their risk exposure does not change to any significant extent.

However, following the PaySauce Transactions, PaySauce will be a subsidiary of the Company and will be subject to the additional regulatory requirements of the Code and the Listing Rules.

3.15 Likelihood of the PaySauce Resolutions Being Approved

The PaySauce Resolutions are special resolutions and are interdependent with each other and the Ecobulb Resolution. All 6 PaySauce Resolutions and the Ecobulb Resolution must be passed in order for any one resolution of the 6 PaySauce Resolutions to be passed.

All of the Existing Shareholders are permitted to vote on the PaySauce Resolutions. The Company's largest shareholder is Smartshares, holding 75.95% of the Company's shares. The manner in which Smartshares votes on the PaySauce Resolutions will determine the outcome of each resolution.

We understand from the Board that it has discussed the PaySauce Transactions with Smartshares and Smartshares has offered conditional support of the PaySauce Transactions.

If Smartshares votes in favour of the PaySauce Resolutions and the Ecobulb Resolution, then the PaySauce Resolutions are certain to be approved. Conversely, if Smartshares votes against the PaySauce Resolutions, then the PaySauce Resolutions are certain not to be approved.

In the event that Smartshares abstains from voting on the PaySauce Resolutions, then the outcome will be determined by the votes of the remaining Existing Shareholders who collectively hold 24.05% of the voting rights in the Company.

3.16 Implications of the PaySauce Resolutions not Being Approved

If the PaySauce Resolutions are not approved, then the PaySauce Transactions will not proceed and the Costs Loan will be repayable to PaySauce within 3 years.

Energy Mad had cash of approximately \$0.1 million as at 30 September 2018 and its cash burn rate is currently approximately \$20,000 per month.

The Board may continue to operate Energy Mad as a shell company listed on the NZX Main Board and seek to undertake another backdoor listing transaction. If this were to happen, there is no certainty as to if, or when, such a transaction could be completed. In the meantime, Energy Mad would continue to incur operating costs associated with remaining listed on the NZX Main Board (including directors' fees, listing fees, registry fees and audit fees). Accordingly, the Company would need to raise additional capital from its existing shareholders and / or new shareholders within a relatively short timeframe.

The non-approval of the PaySauce Transactions could possibly have negative implications for future capital raising initiatives as potential investors may be hesitant to invest in the Company – especially if shareholder approval is required.

In the event that the Company cannot raise sufficient capital in the required timeframe, this may lead to the need to wind up the Company, in which case there would be no return to the Existing Shareholders as Energy Mad had negative total equity of \$4.4 million as at 30 September 2018.

3.17 Options for Existing Shareholders who do not Wish to Retain Their Investment in Energy Mad

Sell On-market

Those Existing Shareholders who do not wish to remain shareholders in the Company after the PaySauce Transactions are completed could possibly sell their shares on-market. However, given that the Company's shares are infrequently traded on the NZX Main Board, that option may not be readily available.

Minority Buy-out Rights Under the Act

If the PaySauce Resolutions are passed, those Existing Shareholders who voted all of their shares against special resolutions 1, 2, 3 or 4 will be entitled to require the Company to buy their shares in accordance with the provisions of the Act.

A detailed explanation of the minority buy-out rights is set out in Appendix One of the notice of special meeting.

3.18 Voting For or Against the PaySauce Resolutions

Voting for or against the PaySauce Resolutions is a matter for individual shareholders based on their own views as to value and future market conditions, risk profile and other factors. Shareholders will need to consider these consequences and consult their own professional adviser if appropriate.

4. Evaluation of the Fairness of the PaySauce Transactions

4.1 Basis of Evaluation

The NZX Guidance Note requires the Independent Report to comply with the requirements for an Appraisal Report.

The NZX Guidance Note also requires the Independent Report to include:

- a statement whether there are any possible alternative courses for Energy Mad other than the proposed transaction
- a statement whether or not, in our opinion, the terms of the transaction are fair and reasonable to shareholders and in the best interests of Energy Mad.

Listing Rule 1.7.2 requires an Appraisal Report to consider whether the consideration and the terms and conditions of the PaySauce Transactions are fair to the Existing Shareholders. In our opinion, the PaySauce Transactions will be fair to the Existing Shareholders if:

- the value of PaySauce is equal to or greater than the value of the Consideration Shares
- the Consideration Shares are issued at or above a fair value
- the other terms and conditions of the PaySauce Transactions are fair.

We have evaluated the fairness of the PaySauce Transactions by reference to:

- the rationale for the PaySauce Transactions
- the fairness of the terms of the PaySauce Transactions
- the likelihood of alternative transactions
- the impact of the PaySauce Transactions on the control of Energy Mad
- the impact of the PaySauce Transactions on Energy Mad's share price
- other benefits and disadvantages to the Existing Shareholders of the PaySauce Transactions
- the benefits and disadvantages to the PaySauce Shareholders of the PaySauce Transactions
- the implications if the PaySauce Resolutions are not approved.

Our opinion should be considered as a whole. Selecting portions of the evaluation without considering all the factors and analyses together could create a misleading view of the process underlying the opinion.

4.2 Evaluation of the Fairness of the PaySauce Transactions

In our opinion, after having regard to all relevant factors, the terms of the PaySauce Transactions are fair and reasonable to the Existing Shareholders and are in the best interests of Energy Mad given the options reasonably available to the Company at the current time.

The basis for our opinion is set out in detail in sections 3.3 to 3.16. In summary, the key factors leading to our opinion are:

- the rationale for the PaySauce Transactions is sound
- in the absence of the PaySauce Transactions, Energy Mad's shares have negligible value at this point in time
- the Company is not evaluating any other transactions at this point in time
- under the EML Subco Transfer, the Existing Shareholders will retain their existing proportionate interests in Energy Mad's assets. However, the EML Subco Distribution is not expected to provide any return to the Existing Shareholders following EML Subco's liquidation in due course
- the terms of the PaySauce Transactions are reasonable:
 - the Purchase Price is reasonable
 - the issue price of the Consideration Shares is fair to the Existing Shareholders
 - the conditions and warranties set out in the PaySauce TMA are in line with market practice for transactions of this nature and are not unreasonable
- the Company's shares may be re-rated by the market which may improve the liquidity of the shares and may make the Company a more attractive takeover target
- PaySauce will fund the Company's costs associated with the PaySauce Transactions up to \$250,000
- PaySauce will fund the payment of outstanding creditors of Energy Mad and its subsidiaries following the completion of the PaySauce Transactions
- offsetting these positive aspects, the Existing Shareholders' proportionate interests in the Company will be significantly diluted by 97%, the PaySauce Shareholders will hold 96.99% of the voting rights in the Company, they will lead the management of the Company's operations and the risk profile of Energy Mad will change significantly.

4.3 Implications of the PaySauce Resolutions not being Approved

In the event that any one of the 6 PaySauce Resolutions is not approved, the PaySauce Transactions will not proceed. The implications of this are set out in section 3.16.

4.4 Options for Existing Shareholders who do not Wish to Retain Their Investment in Energy Mad

The options for Existing Shareholders who do not wish to remain shareholders in the Company after the PaySauce Transactions are completed are set out in section 3.17.

4.5 Voting For or Against the PaySauce Resolutions

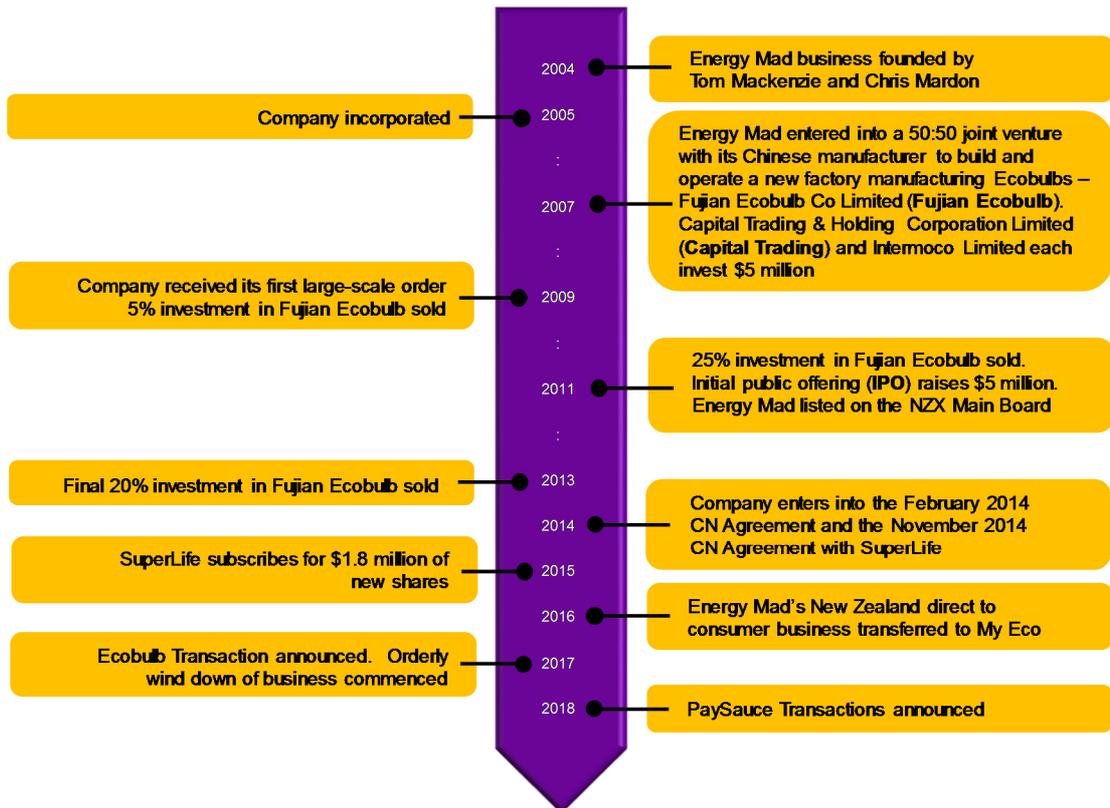
Voting for or against the PaySauce Resolutions is a matter for individual shareholders based on their own views as to value and future market conditions, risk profile and other factors. Shareholders will need to consider these consequences and consult their own professional adviser if appropriate.

5. Profile of Energy Mad

5.1 Background

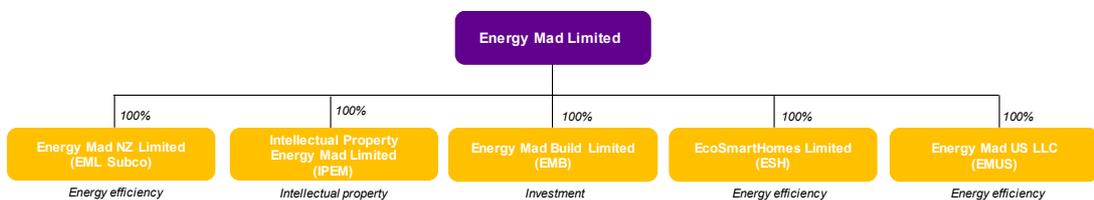
The Company was incorporated on 9 November 2005 as Energy Mad Holdings Limited. It changed its name to Energy Mad Limited on 1 July 2011.

The Company's key events are set out below.



5.2 Group Structure

The Energy Mad Group consists of the Company and its 5 wholly owned subsidiaries.



5.3 Nature of Operations

Following the Company entering into the Ecobulb Agreement on 5 May 2017, Energy Mad has undertaken an orderly wind down of its business. The Company now has no staff, with resources contracted on an as required basis and the Company's offices have been closed.

Prior to the wind down, Energy Mad sourced and developed energy saving CFL and LED light bulbs under the *Ecobulb* and *Ecospiral* trademarks.

It sold CFL and LED Ecobulbs through State Government energy efficiency schemes in Australia and Ecobulb LEDs through its direct to consumer sales channels in New Zealand.

5.4 Directors and Senior Management

The directors of Energy Mad are:

- David Jarman – independent director
- Aidan Johnstone – executive director
- Brent Wheeler – independent director, chair.

Aidan Johnstone was appointed general manager – finance and operations in July 2016, a permanent position that was disestablished in May 2017. Mr Johnstone continues to manage the orderly wind down of the Energy Mad business under a casual employment agreement.

5.5 Capital Structure and Shareholders

Energy Mad currently has 175,836,635 fully paid ordinary shares on issue held by 735 shareholders.

The names, number of shares and percentage holding of the 10 largest shareholders as at 15 November 2018 are set out below.

Energy Mad's 10 Largest Shareholders		
Shareholder	No. of Shares Held	%
BNP	133,549,530	75.95%
Mardon	13,481,000	7.67%
Mackers Family Holdings Limited (Mackers)	6,435,015	3.66%
Ravlich Trustee Limited (Ravlich TL)	975,000	0.55%
Raymond Larsen and Robyn Larsen	940,000	0.53%
Guixing Jian	800,000	0.45%
Sean Rowe	792,000	0.45%
B.L.M. Construction Limited (BLM)	670,659	0.38%
Robert McWhirter	610,000	0.35%
Roger Williams	590,000	0.34%
Subtotal	158,843,204	90.34%
Others (725 shareholders)	16,993,431	9.66%
Total	175,836,635	100.00%

Source: NZX Company Research

BNP holds the shares on behalf of Smartshares.

Mardon is owned by Chris Mardon and Vernon Mardon.

Mackers is owned by Tom Mackenzie and Donald Mackenzie. Tom Mackenzie is the Company's co-founder and a former executive director.

Ravlich TL is owned by Paul Ravlich, the Company's former chief executive officer and chief financial officer.

BLM is owned by Barry McEwen and Dinah McEwen.

5.6 Financial Performance

A summary of Energy Mad's recent financial performance is set out below.

Summary of Energy Mad Financial Performance				
	Year to 31 Mar 16 (Audited) \$000	Year to 31 Mar 17 (Audited) \$000	Year to 31 Mar 18 (Audited) \$000	6 Mths to 30 Sep 18 (Unaudited) \$000
Revenue	8,404	5,327	663	123
Gross profit / (loss)	2,824	1,866	(82)	69
Operating loss	(895)	(3,395)	(522)	(263)
Loss for the year	(1,263)	(3,999)	(993)	(483)

Source: Energy Mad audited financial statements and interim report 30 September 2018

Following the Company entering into the Ecobulb Agreement on 5 May 2017, Energy Mad has undertaken an orderly wind down of its business.

The loss of \$4.0 million in the 2017 financial year included a \$1.7 million provision for inventory obsolescence, a \$0.3 million provision for exit costs associated with the winding down of the Company's operations and a \$0.9 million impairment charge in respect of all of the Company's fixed assets and intangible assets.

The loss of \$1.0 million in the 2018 financial year arose from the realisation of inventory net of selling costs (\$0.3 million), administration costs (\$0.2 million) and accrued but unpaid interest costs (\$0.5 million).

5.7 Financial Position

A summary of Energy Mad's recent financial position is set out below.

Summary of Energy Mad Financial Position				
	As at 31 Mar 16 (Audited) \$000	As at 31 Mar 17 (Audited) \$000	As at 31 Mar 18 (Audited) \$000	As at 30 Sep 18 (Unaudited) \$000
Current assets	5,042	1,748	391	267
Non current assets	974	-	-	-
Total assets	6,016	1,748	391	267
Current liabilities	(4,515)	(4,912)	(4,555)	(4,651)
Non current liabilities	(2,885)	-	-	-
Total liabilities	(7,400)	(4,912)	(4,555)	(4,651)
Total equity	(1,384)	(3,164)	(4,164)	(4,384)

Source: Energy Mad audited financial statements and interim report 30 September 2018

Energy Mad's financial position changed significantly following the orderly wind down of its business. All of its fixed assets and intangible assets were written off in the 2017 financial year and its inventory, receivables and payables balances have steadily reduced under the wind down.

Energy Mad's main current assets as at 30 September 2018 were \$86,000 of cash and cash equivalents, a \$75,000 NZX bond and \$53,000 of trade receivables.

Liabilities as at 30 September 2018 consisted mainly of trade payables of \$1.0 million, \$3.3 million of loans from SuperLife and Smartshares (including accrued interest of \$0.8 million), \$0.2 million from the Costs Loan and \$0.1 million of accrued interest on the convertible notes held by Smartshares.

The convertible notes were converted into 28,400,000 ordinary shares on 22 May 2018 at an issue price of \$0.01 per share.

Total equity of negative \$4.4 million as at 30 September 2018 consisted of:

- share capital – \$22.3 million
- foreign exchange translation reserve – negative \$0.2 million
- accumulated losses and reserves – \$26.5 million.

5.8 Cash Flows

A summary of Energy Mad’s recent cash flows is set out below.

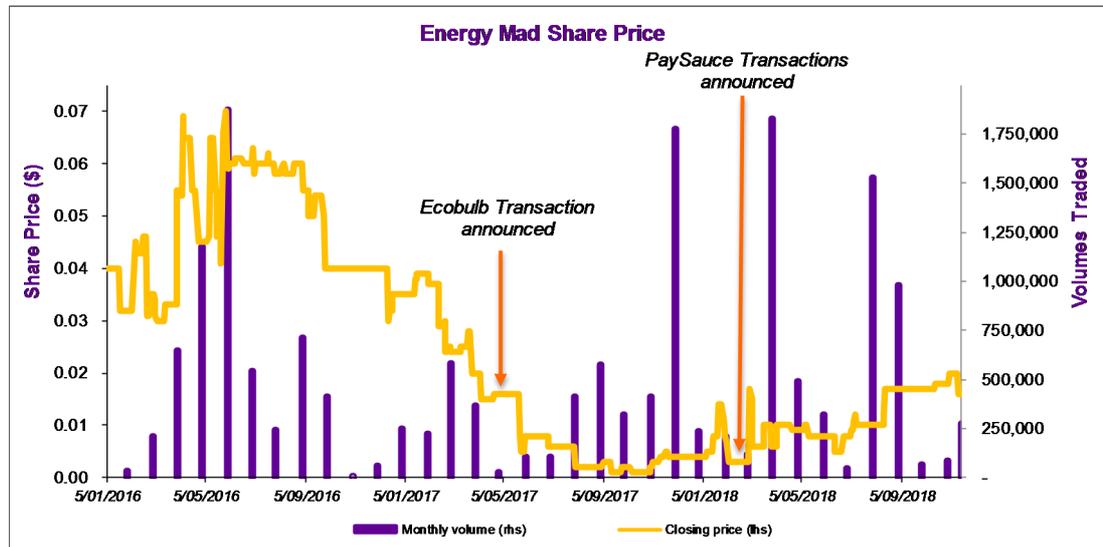
Summary of Energy Mad Cash Flows				
	Year to 31 Mar 16 (Audited) \$000	Year to 31 Mar 17 (Audited) \$000	Year to 31 Mar 18 (Audited) \$000	6 Mths to 30 Sep 18 (Unaudited) \$000
Net cash inflow / (outflow) from operating activities	(1,748)	(1,352)	324	(112)
Net cash (outflow) from investing activities	(368)	(253)	-	-
Net cash inflow / (outflow) from financing activities	1,134	1,402	(253)	98
Net increase / (decrease) in cash held	(982)	(203)	71	(14)
Opening cash balance	1,338	291	57	121
Effect of exchange rate movements	(65)	(31)	(7)	(21)
Closing cash balance	<u>291</u>	<u>57</u>	<u>121</u>	<u>86</u>

Source: Energy Mad audited financial statements and interim report 30 September 2018

Prior to the orderly wind down of its business, Energy Mad generated negative cash flow from its operations and was funded by the issue of shares to SuperLife and loans from SuperLife and Smartshares.

5.9 Share Price History

Set out below is a summary of Energy Mad’s daily closing share price and monthly volumes of shares traded from 5 January 2016 to 16 November 2018.



Source: NZX Company Research

During the period, Energy Mad’s shares have traded between \$0.0010 and \$0.0700 at a VWAP of \$0.0257.

Trading in the Company’s shares is extremely thin, reflecting that 83.62% of the shares are currently held by Smartshares and Mardon and the top 10 shareholders collectively hold 90.34% of the shares.

An analysis of VWAP, traded volumes and liquidity (measured as traded volumes as a percentage of shares outstanding) is set out below.

Share Trading to 16 November 2018						
Period	Low (\$)	High (\$)	VWAP (\$)	Volume Traded (000)	Liquidity	
1 month	0.0160	0.0200	0.0164	330	0.2%	
3 months	0.0160	0.0200	0.0165	489	0.3%	
6 months	0.0050	0.0200	0.0128	2,991	1.7%	
12 months	0.0030	0.0200	0.0107	6,898	3.9%	

Source: NZX Company Research

3.9% of the Company’s shares traded on 51 days in the past year at a VWAP of \$0.0107.

6. Profile of PaySauce

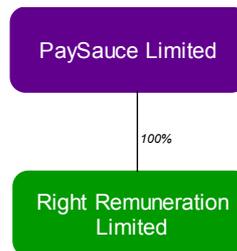
6.1 Background

PaySauce was founded in 2015 by Asantha Wijeyeratne and Troy Tarrant.

PaySauce was incorporated on 7 January 2015 as Payroll.Kiwi Limited. It changed its name to PaySauce Limited on 21 November 2017.

6.2 Group Structure

The PaySauce Group consists of PaySauce and its wholly owned subsidiary Right Remuneration Limited (**RRL**).



RRL is a registered PAYE intermediary with Inland Revenue and is responsible for managing customer PAYE payment and filing.

PaySauce is responsible for all other group operations.

6.3 Nature of Operations

A detailed profile of PaySauce is set out in section 2 of the Profile entitled *PaySauce and What It Does*. In order to avoid unnecessary repetition, this report does not include a detailed profile of PaySauce. We recommend that Existing Shareholders read the Profile in full.

PaySauce provides cloud-based SaaS software solutions. It enables SME owners to pay staff accurately and efficiently using web, iOS and Android applications.

The services provided by the PaySauce platform include:

- mobile timesheets
- payroll calculations
- integrated banking
- PAYE payment and filing
- labour costing
- automated general ledger entries
- digital employment contracts.

PaySauce is SaaS, accessible from any device with access to the internet thereby allowing customers to pay staff from wherever they are.

Because PaySauce is delivered online, updates and improvements can be developed and released more rapidly.

PaySauce services customers from a broad range of industries including retail, hospitality, construction, manufacturing and professional services. However, it focuses primarily on developing its product for use in primary industry SMEs. PaySauce has stated that as at July 2018, nearly 60% of its customers were primary industry business owners, with the majority of these in the dairy sector.

PaySauce has stated that it currently services over 1,000 paying employees.

6.4 Directors and Senior Management

The directors of PaySauce are:

- Andrew Barnes, chair
- Gavin Thompson
- Asantha Wijeyeratne.

PaySauce's senior management team consists of:

- Asantha Wijeyeratne – chief executive officer and co-founder
- Troy Tarrant – chief technology officer and co-founder
- Krishnakumar Guda – chief financial officer
- Warren Choisy – head of development
- Vicky Taylor – head of customer experience
- Rachel Marsland – operations
- Logan Tyson – head of growth and partnerships
- Ben Colgate – head of design.

6.5 Capital Structure and Shareholders

PaySauce currently has 2,167,602 fully paid ordinary shares on issue held by the 21 PaySauce Shareholders. This is prior to the PaySauce Restructure.

PaySauce Shareholders		
Shareholder	No. of Shares Held	%
Cloud Investments Limited	415,843	19.18%
Troy Tarrant and Gibson Sheat Trustees Limited	366,791	16.92%
CBPL	285,958	13.19%
Asantha Wijeyeratne	250,000	11.53%
Wijeyeratne & Co Limited	250,000	11.53%
Cloud Investments Two Limited	108,333	5.00%
Lisa Bentley and Kevin McDonald Trustee Limited	85,003	3.92%
Ian Frame	51,177	2.36%
Krishnakumar Guda	51,020	2.35%
McKay Nominees Limited	44,376	2.05%
Gavin Thompson	42,676	1.97%
Robert Woodward and Tracey Woodward	42,676	1.97%
Amanda Higgins, Patrick Higgins and Paul Philipson	34,176	1.58%
Cameron McKeown	34,176	1.58%
Bruce Gilmour, Lucy Robertshawe and Tim Aitken	34,014	1.57%
Pradeep Fernando	27,288	1.26%
Corey Marsland and Rachel Marsland	17,088	0.79%
Jennifer Fernando	10,204	0.47%
Hasitha Liyanaarachchi and Saranga Hitihamillage	7,500	0.35%
Andrew Bell	6,803	0.31%
Right Click Universal Limited	2,500	0.12%
Total	2,167,602	100.00%

Source: PaySauce

The PaySauce Restructure consists of the issue of 844,481 new PaySauce shares to the Founders and CBPL in consideration for advisory services provided, 110,577 new PaySauce shares to various employees of PaySauce in consideration for employment services and 550,481 new PaySauce shares to various new and existing shareholders to raise approximately \$1.15 million of fresh equity.

PaySauce will have 3,673,141 shares on issue following the PaySauce Restructure.

6.6 Growth Opportunities

Section 2 of the Profile entitled *PaySauce and What It Does* describes the opportunities for growth that PaySauce has identified. These include:

- establishing subsidiaries and recruiting staff in-market to develop its business in international locations which have similar primary industry SME characteristics to those found in New Zealand
- moving beyond simple payroll provision with a range of new features such as a digital contract tool (built in partnership with Federated Farmers).

PaySauce announced on 12 September 2018 that it was launching a new service allowing employees to access their earnings early. The new draw-down service gives employees interest-free access to money directly from their payroll service provider. Employees are charged a fixed fee of \$3 for the service, regardless of the amount of the advance.

6.7 Key Issues Affecting PaySauce

The main industry and specific business factors and risks that PaySauce faces are set out in detail in section 5 of the Profile entitled *Risks to PaySauce's Business and Plans*. They include:

- dependence on certain key individuals with specialised knowledge
- security risks presented by malicious third parties given that PaySauce is reliant on information technology systems to manage a large amount of client funds and extensive personal data
- a material failure to comply with statutory and regulatory requirements, especially the interpretation of payroll legislation
- changes in payroll legislation
- risks associated with being an early stage technology business, including the ability to adequately finance its operations.

6.8 Financial Performance

A summary of PaySauce's recent financial performance is set out below.

Summary of PaySauce Financial Performance			
	Year to 31 Mar 16 (Unaudited) \$000	Year to 31 Mar 17 (Unaudited) \$000	Year to 31 Mar 18 (Unaudited) \$000
Revenue	10	130	512
Expenses	(311)	(680)	(1,369)
Loss before taxation	(301)	(550)	(857)
Tax expense	-	-	-
Loss for the year	(301)	(550)	(857)

Source: PaySauce unaudited financial statements

Under its SaaS model, PaySauce derives revenue by charging its customers a monthly subscription fee. PaySauce has stated that payroll service providers typically display a “sticky” relationship with customers, meaning clients infrequently change providers (known as customer churn). PaySauce has stated that its churn rate is typically less than 0.5% each month.

Revenue in the 2017 and 2018 financial years included sponsorship payments from ASB Bank of \$70,500 and \$150,000 respectively. Excluding these, PaySauce’s revenue for the 2017 and 2018 financial years was \$60,000 and \$362,000 respectively.

The significant increase in PaySauce’s revenue in the 2018 financial year was due to growth in its customer base, with the majority of these customers operating dairy farms.

Further analysis of PaySauce’s financial performance is set out in section 4 of the Profile entitled *PaySauce’s Financial Information*.

6.9 Financial Position

A summary of PaySauce’s recent financial position is set out below.

Summary of PaySauce Financial Position			
	As at 31 Mar 16 (Unaudited) \$000	As at 31 Mar 17 (Unaudited) \$000	As at 31 Mar 18 (Unaudited) \$000
Current assets	453	53	295
Non current assets	183	279	195
Total assets	636	332	490
Current liabilities	(207)	(273)	(168)
Non current liabilities	(238)	(87)	(37)
Total liabilities	(445)	(360)	(205)
Total equity	191	(28)	285

Source: PaySauce unaudited financial statements

PaySauce’s main current assets consist of cash on hand, trade and other receivables and prepayments. Current assets as at 31 March 2018 included cash on hand of approximately \$204,000.

PaySauce’s non current assets as at 31 March 2018 were fixed assets (mainly vehicles), intangible assets (mainly software) and branding and establishment costs.

Current liabilities as at 31 March 2018 consisted mainly of sponsorship revenue in advance, trade payables and leave provisions.

Non current liabilities as at 31 March 2018 consisted of a loan from ASB Bank.

7. Reasonableness of the Purchase Price

7.1 Warning About What *Purchase Price* Means for the Purpose of the PaySauce Transactions

Existing Shareholders should bear in mind that no cash is being paid by Energy Mad to the PaySauce Shareholders to effect the PaySauce Transactions. Instead, the Purchase Price is being satisfied by the issue of the Consideration Shares.

In evaluating the merits of the PaySauce Allotment and the fairness of the PaySauce Transactions, our primary focus is on the relative shareholdings of the Existing Shareholders and the PaySauce Shareholders in the Company post the PaySauce Transactions.

The ascribed Purchase Price of \$10.0 million discussed in this section is the figure agreed between the parties to the PaySauce TMA that is used as a reference point to reflect the relative shareholdings of the Existing Shareholders (3.01%) and the PaySauce Shareholders (96.99%) in the Company post the PaySauce Transactions. It is not intended to represent the amount that a third party would necessarily pay for PaySauce at this point in time.

7.2 Inability to Undertake a Comprehensive Valuation

It is widely acknowledged that it is extremely difficult to assess the value of emerging high growth businesses as such businesses lack an operating history and have minimal asset backing yet exhibit potential for rapid growth and usually have an inherent instability in their capital structure because of a frequent need for equity and / or debt financing.

Such businesses are generally valued using the DCF method, with the key inputs into the DCF analysis being financial projections for the business based on underlying assumptions regarding key value drivers such as market penetration, pricing for services, cost structures and capital expenditure.

The Profile does not contain any prospective financial information for PaySauce. Section 4 entitled *PaySauce's Financial Information* states:

"There is no prospective financial information in this Profile. The Proposed Directors have, following careful consideration and after due enquiry, concluded that the provision of prospective financial statements for the period to 31 March 2019, and the subsequent accounting period to 31 March 2020, may be misleading for potential investors with regard to particulars that are material to the Acquisition. The Proposed Directors believe that it is not practicable to formulate reasonable assumptions on which to base prospective financial statements.

The Proposed Director's reasons for this opinion are as follows:

- The Company's growth to date has been extremely rapid. Although the Proposed Directors believe that there is no reason that growth may not continue at similar rates, or possibly even accelerate, it would be imprudent to forecast growth continuing at historic rates. Equally, given there is no evidence of PaySauce's growth slowing, it may be misleading to produce a forecast which assumed growth at anything less than historic levels;*

- *There are a number of significant growth opportunities available to PaySauce, both domestically and abroad. These include new markets, new products, and new clients within existing markets. Several of these opportunities have the potential to materially positively affect the growth, profitability, and prospects for PaySauce. However, the effect of these opportunities on PaySauce's accounts is not yet certain enough to be accurately forecast.*

Given the inability to reliably determine reasonable assumptions for the periods that would be covered by prospective financial information, the Proposed Directors are of the view that any prospective financial statements may be misleading for potential investors in a material manner because actual operating revenue or expenditure for that period could be materially different from that forecast."

We note that such an approach is not uncommon. A number of early stage technology companies (such as Snakk Media Limited, Geo Limited (**Geo**) and Pushpay Holdings Limited) chose not to disclose any prospective financial information in their disclosure documents when they undertook compliance listings on the NZX Alternative Market (the **NZAX**). In all 3 instances, the companies acknowledged that the businesses were early stage businesses with limited track records and therefore their future financial performance could not be forecast with any degree of precision.

In the absence of any prospective financial information for PaySauce, it is not possible to undertake an in-depth valuation analysis of PaySauce or form any definitive conclusions as to the value of PaySauce at this point in time.

7.3 Assessment of the Reasonableness of the Purchase Price

Given that it is not possible to undertake an in-depth assessment of the value of PaySauce, we have reviewed the reasonableness of the Purchase Price by way of reference to:

- the implied revenue multiples based on the Purchase Price
- the prices at which PaySauce has recently issued shares.

7.4 Implied Revenue Multiples

Overview

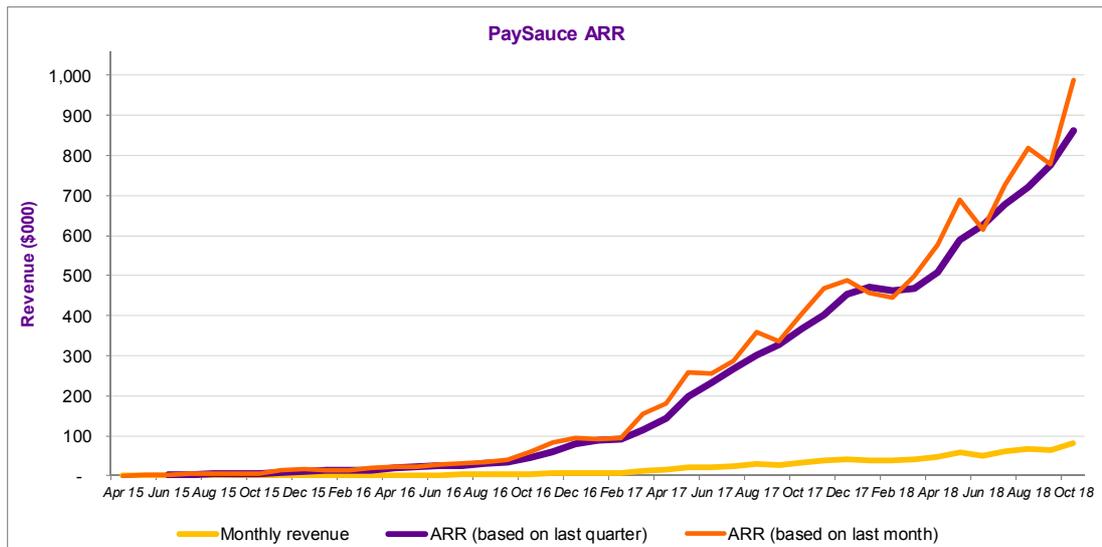
In the absence of suitable cash flow forecasts, we have assessed the reasonableness of the Purchase Price by reviewing the implied revenue multiple and comparing this with observed revenue multiples for comparable companies.

Early stage SaaS businesses are frequently loss making. As a result, investors and analysts have tended to default to valuing these businesses on a revenue multiple basis. Commonly, the enterprise value of the SaaS business is derived by applying a prospective revenue multiple to the business' ARR.

Annualised Recurring Revenue

PaySauce has not provided any prospective financial information in the Profile and has not provided any prospective financial information to Energy Mad.

PaySauce's unaudited monthly revenue and ARR (calculated by annualising the last quarter's revenue and the last month's revenue (and excluding any sponsorship revenue)) from April 2015 to October 2018 is set out in the graph below.



Source: PaySauce

PaySauce’s ARR (calculated on a quarterly basis so as to reduce the impact of cyclicality in monthly revenue) was approximately \$861,000 as at 31 October 2018 and approximately \$367,000 as at 31 October 2017. This equates to an annual growth rate of 135%. We note that this figure has not been verified by an audit or due diligence procedures.

We have adopted PaySauce’s ARR (on a quarterly basis) of approximately \$861,000 as at 31 October 2018 for the purposes of our reasonableness assessment.

Key Factors Driving Revenue Multiples

In our view, the following criteria are key factors for assessing an appropriate revenue multiple for a SaaS business:

- forecast revenue growth – the higher the level of forecast growth, the higher the multiple
- return on investment (**ROI**) on sales and marketing spend – the higher the ROI, the higher the multiple
- earnings margin – the higher the margin, the higher the multiple
- the size of the business – the larger the business, the higher the multiple.

In order to assess an appropriate revenue multiple for PaySauce, we have reviewed:

- observed multiples for publicly traded companies that are generally comparable with PaySauce
- observed multiples from transactions involving entities that are generally comparable with PaySauce.

Implied Revenue Multiple

Based on the Purchase Price, the implied enterprise value of PaySauce is \$10.0 million as the PaySauce Acquisition is to be transacted on a debt free / cash free basis.

An enterprise value of \$10.0 million and ARR (on a quarterly basis) of \$861,000 implies a revenue multiple of 11.6x for PaySauce.

Comparable Companies' Revenue Multiples

We are unable to identify any listed companies on the NZX Main Board, NZAX or overseas securities exchanges that are fully comparable with PaySauce.

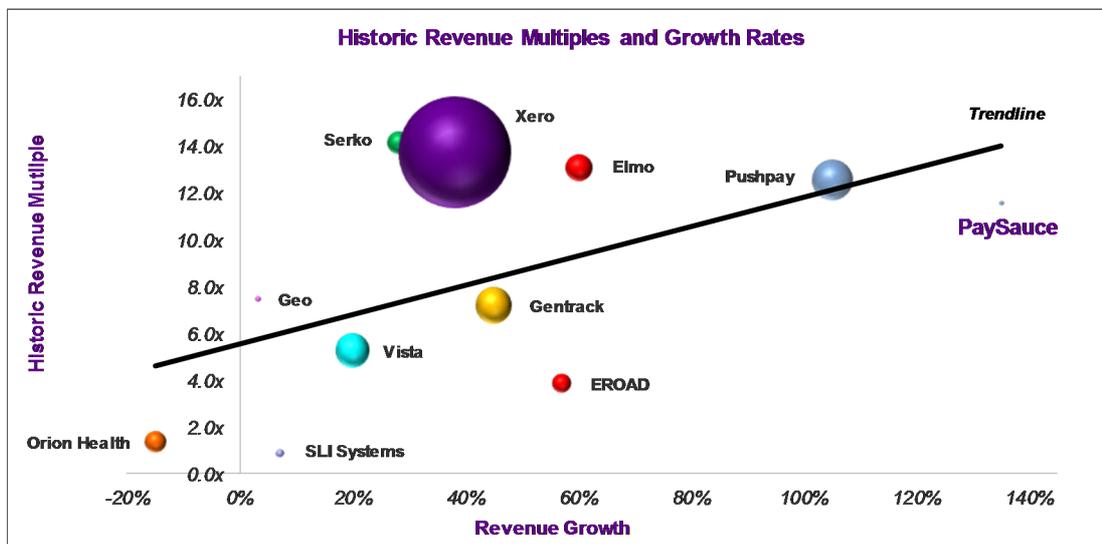
In the absence of truly comparable companies, we have reviewed the historic and prospective revenue multiples for New Zealand listed software companies and an ASX-listed talent management SaaS company (the **Software / SaaS Companies**).

Trading Multiples

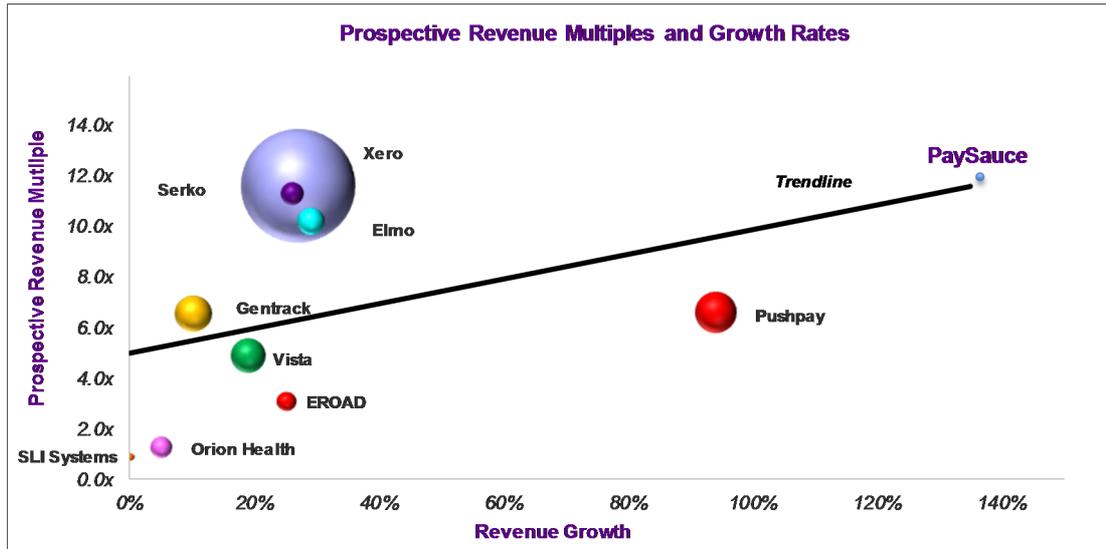
Set out at Appendix I is an analysis of historic and prospective revenue multiples and revenue growth rates for 8 NZX Main Board and NZAX software companies as well as Xero Limited (**Xero**), which recently migrated its primary listing from the NZX Main Board to the ASX. Also set out at Appendix I is an analysis of the historic and prospective revenue multiples and revenue growth rates for Elmo Software Limited (**Elmo**). Elmo is listed on the ASX and provides SaaS, cloud-based human resource and payroll solutions for organisations in Australia, New Zealand and Singapore.

The historic revenue multiples (based on the companies' last 12 months' revenue) range from 0.9x to 14.2x and the prospective revenue multiples (based on the companies' next financial year's revenue) range from 0.9x to 11.6x.

The graphs that follow plot historic and prospective revenue multiples, historic and forward revenue growth rates and enterprise values for the Software / SaaS Companies and the historic revenue multiple and historic revenue growth rate for PaySauce.



Source: S&P Capital IQ, data as at 16 November 2018



Source: S&P Capital IQ, data as at 16 November 2018

The analysis shows a relatively strong correlation between revenue multiples and revenue growth rates. Companies with lower growth rates tend to have lower revenue multiples and vice versa.

The observed revenue multiples are based on trading prices for minority parcels and as such do not include any premium for control. PaySauce is a private company with significantly less liquidity than the Software / SaaS Companies. We would expect any control premium for PaySauce to be largely offset by a private company illiquidity discount.

Transaction Multiples

There is negligible publicly available data in respect of transactions that involve target companies that are directly comparable with PaySauce.

Summarised below is data in respect of 2 transactions which provide some assistance in the evaluation of the reasonableness of the implied revenue multiple for PaySauce:

- Geo acquired InterfaceIT Pty Limited (**Interface**) on 1 June 2016. Interface provides door-to-door sales and sales tracking software for managing face-to-face sales. The transaction implied an enterprise value of \$10 million at a historic revenue multiple of 4.2x and a prospective revenue multiple of 4.0x. Interface’s historic revenue growth rate was 10% and its prospective revenue growth rate was 5%
- Insight Venture Partners acquired Diligent Corporation (**Diligent**) on 14 April 2016. Diligent develops and commercialises Diligent Boards, an online software application that allows board members, management and administrative staff to produce, deliver, review and vote on board materials. The transaction implied an enterprise value of US\$582 million at a historic revenue multiple of 5.9x and a prospective revenue multiple of 4.6x. Diligent’s historic revenue growth rate was 20% and its prospective revenue growth rate was 23%.

Conclusion

PaySauce's annual growth in ARR as at 31 October 2018 was 135%, which is well above the average growth rates for the Software / SaaS Companies and largely reflects the early stage nature of the PaySauce business. Accordingly, we would expect that an appropriate revenue multiple for PaySauce would be well above the average revenue multiples observed for the Software / SaaS Companies.

Based on our analysis of the Software / SaaS Companies' trading multiples and transaction multiples, we consider the implied revenue multiple for PaySauce of 11.6x to be not unreasonable, albeit at the upper end of what would be considered reasonable.

7.5 Recent Capital Raisings

PaySauce has undertaken 2 rounds of capital raising since its incorporation in 2015 and will undertake a third round as part of the PaySauce Restructure:

- the first round took place between 27 February 2015 and 15 March 2016, where 341,760 shares were issued at \$1.46 per share, raising approximately \$0.5 million
- the second round took place between 31 January 2017 and 21 March 2018, where 510,053 shares were issued at \$2.94 per share, raising approximately \$1.5 million
- the third round will take place as part of the PaySauce Restructure, where 550,481 shares will be issued at \$2.08 per share, raising approximately \$1.15 million. This capital raising round will be completed at the time the PaySauce Transactions are completed.

The third capital raising round implies an after-the-money valuation of PaySauce in the vicinity of \$7.6 million, based on there being 3,673,141 shares on issue and a share price of \$2.08.

Implied Value of PaySauce from Capital Raising Rounds					
Round	Dates	No. of Shares Issued	Issue Price (\$)	Capital Raised (\$000)	After-the-Money Value (\$000)
1	Feb 15 – Mar 16	341,760	\$1.46	499	2,420
2	Jan 17 – Mar 18	510,053	\$2.94	1,500	6,373
3	Current	550,481	\$2.08	1,145	7,640

The Purchase Price of \$10.0 million is 31% higher than the implied value of PaySauce based on the most recent capital raising round.

We note that it is not uncommon for subsequent capital raising rounds for early stage high growth technology companies to be at higher valuations than the previous capital raising round.

7.6 Conclusion

Based on the comparison of the implied PaySauce revenue multiple with the observed revenue multiples for the Software / SaaS Companies and the most recent capital raising round, we are of the view that the Purchase Price of \$10.0 million is not unreasonable, albeit at the upper end of what would be considered reasonable.

We stress that we have not undertaken an in-depth valuation assessment of PaySauce and, in the absence of detailed financial projections, it is not possible to do so at this point in time. Accordingly, we are not in a position to provide an opinion on the value of PaySauce at the present date.

8. Reasonableness of the PaySauce Allotment Issue Price

8.1 Basis of Setting the Issue Price

The PaySauce Allotment involves the issue of 5,667,706,766 ordinary shares at \$0.0018 (rounded) per share for a total consideration of \$10.0 million.

We are advised by the Board that the issue price of \$0.0018 (rounded) was based on a negotiated value of \$310,243 for the Company's 175,836,635 shares currently on issue. The value of \$310,243 was set by reference to Energy Mad's average market capitalisation prior to when the Term Sheet was negotiated.

8.2 Assessment of the Reasonableness of the Issue Price

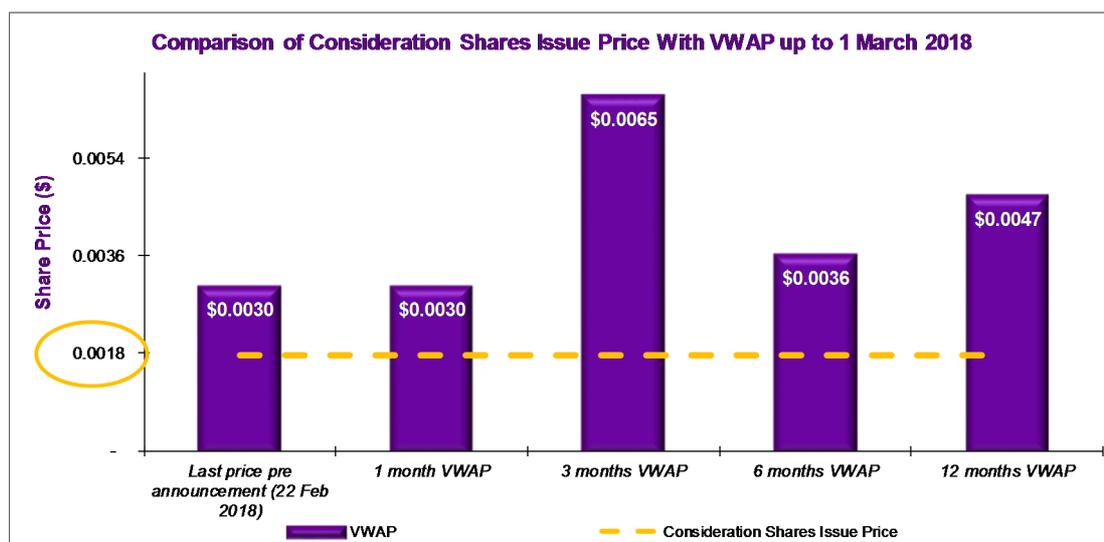
We have assessed the reasonableness of the issue price of \$0.0018 (rounded) per share by reference to:

- the prices at which the Company's shares have recently traded on the NZX Main Board prior to the announcement of the PaySauce Transactions
- the prices at which the Company has recently issued shares
- the asset backing of the shares.

8.3 Share Price History

A summary of Energy Mad's daily closing share price and monthly volumes of shares traded since 5 January 2016 is set out in section 5.9.

The Consideration Shares issue price of \$0.0018 (rounded) per share is significantly lower than the trading prices for Energy Mad's shares over the past 12 months up to the announcement of the PaySauce Transactions on 2 March 2018.



The issue price of \$0.0018 (rounded) share represents:

- a discount of 41% to the Company's share price immediately prior to the announcement of the PaySauce Transactions of \$0.0030
- a discount of 41% to the 1 month VWAP of \$0.0030
- a discount of 73% to the 3 months VWAP of \$0.0065

- a 51% discount to the 6 months VWAP of \$0.0036
- a 62% discount to the 12 months VWAP of \$0.0047.

In our view, little reliance can be placed on the observed share prices as an indication of the fair value of the Energy Mad shares given the very thin trading. We are of the view that the observed trading prices are based largely on speculation by the purchasers of the shares that following the announcement by the Company on 9 May 2017 that it was winding down its operations, Energy Mad would undertake a backdoor listing that may be value enhancing.

8.4 Share Issues

Energy Mad's last 2 share issues arose from the conversion of convertible notes held by Smartshares:

- the issue of 28,400,000 ordinary shares on 22 May 2018 at \$0.01 per new ordinary share following the conversion of \$284,000 of convertible notes. Smartshares and Energy Mad agreed a conversion price of \$0.01 per share
- the issue of 69,875,776 ordinary shares on 20 February 2017 at \$0.0322 per new ordinary share following the conversion of \$2,250,000 of convertible notes. The conversion price was based on the 5 day VWAP prior to conversion.

8.5 Net Assets per Share

Energy Mad's total equity amounted to negative \$4.4 million as at 30 September 2018, equating to net assets of negative \$0.0249 per share.

The nature of the Company's assets (cash, trade receivables and a NZX bond) is such that their carrying values represent reasonable proxies of their market values.

As a listed shell company, Energy Mad's only material intangible asset is likely to be its NZX Main Board listing. In general terms, the value ascribed to a NZX Main Board / NZAX listing is a function of the costs saved by a company undertaking a backdoor listing or reverse listing rather than undergoing an initial public offering (IPO) or compliance listing.

The costs of an IPO (when a company seeks to raise capital at the time of its listing) can be significant due to brokerage fees as well as other expenses such as share registry expenses, legal fees, accounting fees, advertising costs, printing costs and postage costs associated with preparing a product disclosure statement. However, the costs associated with a compliance listing, where a company's shares are listed but no new capital is raised, are considerably lower.

Recent backdoor listings and reverse listings on the NZX Main Board / NZAX have ascribed values in the range of \$200,000 to \$450,000 to the NZX Main Board / NZAX listings.

We consider a reasonable value for Energy Mad's NZX Main Board listing to be in the range of \$200,000 to \$450,000.

Based on the above, we are of view that the value of Energy Mad shares prior to the PaySauce Transactions, and in the absence of any alternative transaction, is negligible.

Value of Energy Mad Shares Prior to the PaySauce Transactions				
	Total		Per Share	
	Low \$000	High \$000	Low \$	High \$
Net assets as at 30 September 2018	(4,384)	(4,384)	(0.0249)	(0.0249)
Value of NZX Main Board listing	200	450	0.0011	0.0026
Value of Energy Mad shares	<u>(4,184)</u>	<u>(3,934)</u>	<u>(0.0238)</u>	<u>(0.0224)</u>

A value of \$0.0018 (rounded) per Energy Mad share implies a value of approximately \$4.5 million for Energy Mad's NZX Main Board listing. We consider this implied value to be significantly higher than the market value of a NZX Main Board listing and therefore is extremely favourable to the Existing Shareholders.

8.6 Conclusion

The Company has been totally reliant on the funding in the form of loans provided by SuperLife and Smartshares over a number of years. Even after allowing for the value of the Company's NZX Main Board listing, we are of view that the value of Energy Mad's shares prior to the PaySauce Transactions, and in the absence of any alternative transaction, is negligible.

We consider the issue price of \$0.0018 (rounded) per share under the PaySauce Allotment to be reasonable from the perspective of the Existing Shareholders as it significantly exceeds the asset backing of the shares, even allowing for the value of the Company's NZX Main Board listing.

The Consideration Shares issue price represents a discount of 89% to the recent VWAP. However, we consider the current share price for Energy Mad reflects a heavy speculative element and is not necessarily reflective of the fair market value of the shares.

9. Sources of Information, Reliance on Information, Disclaimer and Indemnity

9.1 Sources of Information

The statements and opinions expressed in this report are based on the following main sources of information:

- the draft notice of special meeting
- the draft Profile
- the Ecobulb Agreement
- the Term Sheet
- the PaySauce TMA
- the Energy Mad annual reports for the years ended 31 March, 2016 to 2018
- the Energy Mad interim report for the 6 months ended 30 September 2018
- data in respect of Energy Mad from NZX Company Research and S&P Capital IQ
- data in respect of PaySauce from PaySauce, including the PaySauce consolidated financial statements for the years ended 31 March, 2016 to 2018
- data in respect of comparable companies from NZX Company Research and S&P Capital IQ.

During the course of preparing this report, we have had discussions with and / or received information from the Board and executive management of Energy Mad and Energy Mad's legal advisers.

The Board has confirmed that we have been provided for the purpose of this Appraisal Report, Independent Adviser's Report and Independent Report with all information relevant to the Ecobulb Transaction and the PaySauce Transactions that is known to them and that all the information is true and accurate in all material aspects and is not misleading by reason of omission or otherwise.

Including this confirmation, we have obtained all the information that we believe is desirable for the purpose of preparing this Appraisal Report, Independent Adviser's Report and Independent Report.

In our opinion, the information to be provided by Energy Mad to the Non-associated Shareholders is sufficient to enable the Board and the Non-associated Shareholders to understand all the relevant factors and to make an informed decision in respect of the Ecobulb Transaction.

In our opinion, the information to be provided by Energy Mad to the Existing Shareholders is sufficient to enable the Board and the Existing Shareholders to understand all the relevant factors and to make an informed decision in respect of the PaySauce Transactions.

9.2 Reliance on Information

In preparing this report we have relied upon and assumed, without independent verification, the accuracy and completeness of all information that was available from public sources and all information that was furnished to us by Energy Mad and its advisers.

We have evaluated that information through analysis, enquiry and examination for the purposes of preparing this report but we have not verified the accuracy or completeness of any such information or conducted an appraisal of any assets. We have not carried out any form of due diligence or audit on the accounting or other records of Energy Mad or PaySauce. We do not warrant that our enquiries would reveal any matter which an audit, due diligence review or extensive examination might disclose.

9.3 Disclaimer

We have prepared this report with care and diligence and the statements in the report are given in good faith and in the belief, on reasonable grounds, that such statements are not false or misleading. However, in no way do we guarantee or otherwise warrant that any forecasts of future profits, cash flows or financial position of Energy Mad or PaySauce will be achieved. Forecasts are inherently uncertain. They are predictions of future events that cannot be assured. They are based upon assumptions, many of which are beyond the control of Energy Mad or PaySauce and their respective directors and management teams. Actual results will vary from the forecasts and these variations may be significantly more or less favourable.

We assume no responsibility arising in any way whatsoever for errors or omissions (including responsibility to any person for negligence) for the preparation of the report to the extent that such errors or omissions result from our reasonable reliance on information provided by others or assumptions disclosed in the report or assumptions reasonably taken as implicit, provided that this shall not absolve Simmons Corporate Finance from liability arising from an opinion expressed recklessly or in bad faith or which cannot be disclaimed by law.

Our evaluation has been arrived at based on economic, exchange rate, market and other conditions prevailing at the date of this report. Such conditions may change significantly over relatively short periods of time. We have no obligation or undertaking to advise any person of any change in circumstances which comes to our attention after the date of this report or to review, revise or update our report.

We have had no involvement in the preparation of the notice of special meeting or the Profile issued by Energy Mad and have not verified or approved the contents of the notice of special meeting or the Profile. We do not accept any responsibility for the contents of the notice of special meeting or the Profile except for this report.

9.4 Indemnity

Energy Mad has agreed that, to the extent permitted by law, it will indemnify Simmons Corporate Finance and its directors and employees in respect of any liability suffered or incurred as a result of or in connection with the preparation of the report. This indemnity does not apply in respect of any negligence, wilful misconduct or breach of law. Energy Mad has also agreed to indemnify Simmons Corporate Finance and its directors and employees for time incurred and any costs in relation to any inquiry or proceeding initiated by any person. Where Simmons Corporate Finance or its directors and employees are found liable for or guilty of negligence, wilful misconduct or breach of law or term of reference, Simmons Corporate Finance shall reimburse such costs.

10. Qualifications and Expertise, Independence, Declarations and Consents

10.1 Qualifications and Expertise

Simmons Corporate Finance is a New Zealand owned specialist corporate finance advisory practice. It advises on mergers and acquisitions, prepares independent expert's reports and provides valuation advice.

The person in the company responsible for issuing this report is Peter Simmons, B.Com, DipBus (Finance), INFINZ (Cert).

Simmons Corporate Finance and Mr Simmons have significant experience in the independent investigation of transactions and issuing opinions on the merits and fairness of the terms and financial conditions of the transactions.

10.2 Independence

Simmons Corporate Finance does not have at the date of this report, and has not had, any shareholding in or other relationship with Energy Mad, Ecobulb or PaySauce or any conflicts of interest that could affect our ability to provide an unbiased opinion in relation to these transactions.

Simmons Corporate Finance has not had any part in the formulation of the Ecobulb Transaction or the PaySauce Transactions or any aspects thereof. Our sole involvement has been the preparation of this report.

Simmons Corporate Finance will receive a fixed fee for the preparation of this report. This fee is not contingent on the conclusions of this report or the outcome of the voting in respect of the Ecobulb Resolution or the PaySauce Resolutions. We will receive no other benefit from the preparation of this report.

10.3 Declarations

An advance draft of this report was provided to the Board for its comments as to the factual accuracy of the contents of the report. Changes made to the report as a result of the circulation of the draft have not changed the methodology or our conclusions.

Our terms of reference for this engagement did not contain any term which materially restricted the scope of the report.

10.4 Consents

We consent to the issuing of this report in the form and context in which it is to be included in the notice of special meeting to be sent to Energy Mad's shareholders. Neither the whole nor any part of this report, nor any reference thereto may be included in any other document without our prior written consent as to the form and context in which it appears.



Peter Simmons
Director

Simmons Corporate Finance Limited

19 November 2018

Appendix I

Software / SaaS Companies' Trading Multiples

Trading Multiples								
Company	Market Capitalisation (\$m)	Enterprise Value (\$m)	Revenue Multiple		Revenue		Revenue Growth	
			Historic	Prospective	LTM (\$m)	CY+1 (\$m)	LTM	CY+1
NZX Main Board Software Companies								
EROAD	\$195	\$200	3.9x	3.1x	\$52	\$64	57%	25%
Gentrack	\$670	\$708	7.2x	6.6x	\$98	\$108	45%	10%
Geo	\$13	\$14	7.5x	n/a	\$2	n/a	3%	n/a
Orion Health	\$228	\$232	1.4x	1.3x	\$170	\$179	(15%)	5%
Pushpay	\$896	\$883	12.6x	6.6x	\$70	\$136	105%	94%
Serko	\$264	\$260	14.2x	11.3x	\$18	\$23	28%	26%
SLI Systems	\$39	\$30	0.9x	0.9x	\$34	\$34	7%	0%
Vista	\$625	\$623	5.3x	4.9x	\$117	\$127	20%	19%
<i>Minimum</i>	<i>\$13</i>	<i>\$14</i>	<i>0.9x</i>	<i>0.9x</i>	<i>\$2</i>	<i>\$23</i>	<i>(15%)</i>	<i>0%</i>
<i>Median</i>	<i>\$246</i>	<i>\$246</i>	<i>6.3x</i>	<i>4.9x</i>	<i>\$61</i>	<i>\$108</i>	<i>24%</i>	<i>19%</i>
<i>Average</i>	<i>\$366</i>	<i>\$369</i>	<i>6.6x</i>	<i>5.0x</i>	<i>\$70</i>	<i>\$96</i>	<i>31%</i>	<i>26%</i>
<i>Maximum</i>	<i>\$896</i>	<i>\$883</i>	<i>14.2x</i>	<i>11.3x</i>	<i>\$170</i>	<i>\$179</i>	<i>105%</i>	<i>94%</i>
ASX Relevant SaaS Companies								
Elmo	A\$390	A\$348	13.1x	10.2x	A\$27	A\$34	60%	29%
Xero	A\$5,660	A\$6,027	13.8x	11.6x	A\$475	A\$518	38%	27%
<small>LTM: Last 12 months CY+1: Next financial year n/a: Not available n/m: Not meaningful</small>								
<small>Source: S&P Capital IQ, data as at 16 November 2018</small>								

EROAD Limited is a transport technology and services company that provides electronic on-board units and SaaS to the heavy vehicle industry in New Zealand and internationally.

Gentrack Limited develops, implements and supports enterprise billing and customer management software solutions for electricity, gas and water utilities and airports.

Geo Limited develops and deploys cloud based mobile workforce productivity technologies in New Zealand and internationally.

Orion Health Group Limited provides health information exchange and healthcare integration solutions worldwide.

Pushpay Holdings Limited provides mobile commerce and payment solutions to the faith sector, not-for-profit organisations and education providers in New Zealand, the USA, Canada and Australia.

Serko Limited provides computer software solutions for the management and administration of corporate travel bookings in New Zealand, Australia, India, Singapore, the USA and internationally.

SLI Systems Limited provides site search and navigation technologies to connect site visitors with products on e-commerce websites in New Zealand, the USA, Australia, the United Kingdom and Japan. The company received a takeover offer on 13 November 2018 from ESW Holdings Inc.

Vista Group International Limited provides cinema management, film distribution and customer analytics software solutions to companies across the global film industry.

Elmo Software Limited provides SaaS cloud-based human resource and payroll solutions for organisations in Australia, New Zealand and Singapore.

Xero Limited provides a platform for online accounting and business services to small businesses and their advisers in New Zealand, Australia, the United Kingdom and North America.