

Target Company Statement

in response to a full takeover offer by Finzsoft Joint Venture

Date: 6 April 2020

You should read this Target Company Statement in its entirety, including the Independent Adviser's Report from Simmons Corporate Finance, carefully and in full when considering whether to accept the Offer. This is an important document and requires your urgent attention. If you have any questions in respect of this document or the Offer, you should seek advice from your financial or legal adviser.

Contents

1.	Date.....	5
2.	Offer	5
3.	Target company	5
4.	Directors of target company	5
5.	Ownership of equity securities of Finzsoft	5
6.	Trading in Finzsoft equity securities	6
7.	Acceptance of Offer	6
8.	Ownership of equity securities of the Offeror or of related company.....	7
9.	Trading in equity securities of the Offeror or of related company	7
10.	Arrangements between the Offeror and Finzsoft	7
11.	Relationship between the Offeror, and directors and senior managers of Finzsoft.....	7
12.	Agreement between Finzsoft, and directors and senior managers.....	9
13.	Interests of directors and senior managers of Finzsoft in contracts of the Offeror or related company	9
13A.	Interests of Finzsoft's substantial security holders in material contracts of the Offeror or related company.....	11
14.	Additional information.....	12
15.	Recommendation.....	12
16.	Actions of Finzsoft.....	12
17.	Equity securities of Finzsoft	12
18.	Financial information.....	13
19.	Independent advice on merits of Offer	14
20.	Asset valuations	14
21.	Prospective financial information.....	14
22.	Sales of unquoted equity securities under Offer.....	14
23.	Market prices for quoted equity securities under Offer	14
24.	Other information.....	15
25.	Approval of Target Company Statement.....	15
26.	Interpretation.....	15
27.	Certificate	16
	Schedule 1: Shares held or controlled by Directors or Senior Managers and their associates (paragraph 5.2).....	17
	Schedule 2: Trading in Shares in the previous six months (paragraph 6).....	18
	Appendix 1: Independent Adviser's Report	20

Letter from Chairman of the Independent Committee

6 April 2020

Dear Finzsoft shareholder

Introduction

The Offeror has made a full takeover offer under the Takeovers Code for all ordinary shares in Finzsoft at \$1.15 per Share in cash. Shareholders should have received the Offer Document (in which the Offer is made) from the Offeror, an electronic copy of which is available at <https://www.nzx.com/announcements/350455>.

This letter forms part of Finzsoft's Target Company Statement in response to the Offer. The Target Company Statement is required by the Takeovers Code and includes the Independent Committee's recommendation on the Offer, as well as an Independent Adviser's Report, prepared by Simmons Corporate Finance Limited. You should read the Target Company Statement, including the Independent Adviser's Report, carefully and in full when considering whether to accept the Offer.

Independent Committee of Directors

Your Board has formed an Independent Committee of Directors, comprising Robert McKinnon and Josephine Grierson, to act on all matters arising in connection with, or as a consequence of, the Offer, including the preparation of this Target Company Statement. The Independent Committee sought advice from Flacks & Wong as legal adviser, and carefully considered the Independent Adviser's Report.

Recommendation of the Independent Committee

The Independent Committee unanimously recommends that you accept the Offer as soon as possible.

The principal reasons for the Independent Committee's recommendation that Shareholders accept the Offer as soon as possible are:

- **Offer declared unconditional and over 90% acceptances:** the Offer is unconditional and the level of acceptances received pursuant to the Offer exceeds 90% (being the threshold at which the Offeror may exercise its right to compulsorily acquire the remaining shares);
- **Offeror will compulsorily acquire your Shares:** the Offeror has stated that it will exercise its right to compulsorily acquire the remaining Shares for \$1.15 per Share in cash, which price cannot, under the Takeovers Code, be challenged by Shareholders. The basis on which that price cannot, under the Takeovers Code, be so challenged is set out in section 2.7 of the Independent Adviser's Report;
- **Payment within five working days of acceptance:** if you accept the Offer, the Offeror intends to pay the consideration within two working days of receipt of your acceptance and, at the latest, you will be paid no later than five working days after the date on which the Offeror receives your acceptance. By contrast, if you do not accept the Offer, your Shares will be compulsorily acquired, and the consideration for your Shares will be paid, some time after the Offer closes (i.e., after 22 April 2020). Accordingly, you should accept the Offer as soon as possible; and
- **Same recommendation as Independent Adviser:** the Independent Adviser is also "of the view that shareholders should accept the [Offer] as soon as possible".

Acceptances

If you wish to accept the Offer, please use the acceptance form accompanying the Offer Document. Complete and return your acceptance form in accordance with the instructions on that form.

Conclusion

As noted above, the Independent Committee unanimously recommends that you accept the Offer as soon as possible.

We also encourage you to seek professional advice in relation to your particular circumstances.

On behalf of the Independent Committee and the Board, I thank you for your support of Finzsoft.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Robert McKinnon', written in a cursive style.

Robert McKinnon

Chairman of the Board and of the Independent Committee

Target Company Statement (Takeovers Code disclosures)

This Target Company Statement has been prepared by Finzsoft pursuant to Rule 46 and Schedule 2 of the Takeovers Code in response to the full takeover offer made by the Offeror. Where any information required by Schedule 2 of the Takeovers Code is not applicable, no statement is made in this Target Company Statement regarding that information.

1. Date

This Target Company Statement is dated 6 April 2020.

2. Offer

2.1 The offer to which this Target Company Statement relates is a full takeover offer by the Offeror to acquire all of the Shares (being the only class of equity securities of Finzsoft on issue), at \$1.15 in cash per Share (the **Offer**). The **Offeror** is an unincorporated joint venture named Finzsoft Joint Venture and was established by these participants:

- (a) First Credit Union Incorporated (or **FCU**);
- (b) Police and Families Credit Union Incorporated (or **PCU**);
- (c) Andrew Alexander Holliday;
- (d) CRX Investments Pty Ltd (or **CRX**);
- (e) Susan Jane Hurring and Timothy James Hurring as trustees of the T.J. and S.J. Hurring Family Trust;
- (f) Sulabh Sharma;
- (g) Sheenu Chawla;
- (h) Zinka Matulic; and
- (i) Timothy James Hurring.

2.2 The full terms of the Offer are set out in the Offer Document dated 23 March 2020.

3. Target company

3.1 The name of the target company is Finzsoft Solutions Limited.

3.2 The postal address of Finzsoft is c/-Generator, Level 10, 11 Britomart Place, Britomart, Auckland 1010, New Zealand.

3.3 The electronic address of Finzsoft is info@finzsoft.com.

4. Directors of target company

The directors of Finzsoft are:

- (a) Robert McKinnon (Independent Chairman);
- (b) Josephine Grierson (Independent Director and Deputy Chairman);
- (c) Andrew Holliday (Managing Director);
- (d) Helen Hatchard (Executive Director);
- (e) Gary Sim (Non-executive Director); and
- (f) Simon Scott (alternate Director for Andrew Holliday).

5. Ownership of equity securities of Finzsoft

5.1 The only class of equity securities on issue in Finzsoft is the Shares.

5.2 Schedule 1 of this Target Company Statement sets out the number, designation and the percentage of Shares held or controlled by each director or senior manager of Finzsoft (a **Director** or **Senior Manager**, respectively) and their associates. Except as set out in

Schedule 1 of this Target Company Statement, no Director or Senior Manager, or their associates, holds or controls any Shares.

- 5.3 For the purposes of this Target Company Statement, the Independent Committee has determined that the Senior Managers are:
- (a) Zinka Matulic (GM – Professional Services); and
 - (b) Timothy James Hurring (Chief Technical Officer).
- 5.4 No person (other than a Director or a Senior Manager, or their associates) is known by Finzsoft to hold or control 5% or more of the Shares.
- 5.5 No Shares have, during the two-year period ending on the date of this Target Company Statement, been issued to the Directors and Senior Managers or their associates.
- 5.6 No Director or Senior Manager, or any of their associates, has, during the two-year period ending on the date of this Target Company Statement, obtained a beneficial interest under any employee share scheme or other remuneration arrangement.

6. Trading in Finzsoft equity securities

- 6.1 Details of the acquisition or disposition of Shares during the six-month period before 1 April 2020 (being the latest practicable date before the date of this Target Company Statement) by Directors or Senior Managers or their associates, or, to the knowledge of Finzsoft, any other person holding or controlling 5% or more of any class of equity securities in Finzsoft are set out in Schedule 2 of this Target Company Statement.
- 6.2 Except as set out in Schedule 2 of this Target Company Statement, no Director or Senior Manager or their associates or, to the knowledge of Finzsoft, any other person holding or controlling 5% or more of any class of equity securities in Finzsoft has acquired or disposed of Shares during the six-month period before 1 April 2020 (being the latest practicable date before the date of this Target Company Statement).

7. Acceptance of Offer

The table below sets out, as at the date of this Target Company Statement, the name of every Director and Senior Manager, and their associates, who has accepted, or intends to accept, the Offer, and the number of securities in respect of which the person has accepted, or intends to accept, the Offer.¹²

Name	Description	Number of securities
HGH (ICT Investments No. 2) Limited	Associate of a Director (Andrew Holliday)	3,689,205
CRX Investments Pty Ltd	Associate of a Director (Andrew Holliday)	323,150
Susan Jane Hurring and Timothy James Hurring as trustees of the T.J. and S.J. Hurring Family Trust	Associate of a Director (Andrew Holliday) and associate of a Senior Manager (Timothy James Hurring)	130,000

¹ This information is based on responses to questionnaires circulated to the Directors and the Senior Managers.

² On 9 March 2020, each participant in the Offeror entered into a Takeover Implementation Agreement. Pursuant to the Takeover Implementation Agreement, each such participant who is a Shareholder (being those persons named in the table other than ICT) agreed to accept the Offer for all of its Shares within two working days of the Offer being received by that Shareholder (and Andrew Holliday agreed to procure ICT to accept the Offer for all of its Shares within two working days of the Offer being received by ICT). Accordingly:

- (a) on 23 March 2020, each of ICT and CRX Investments Pty Ltd accepted the Offer for all of its Shares;
- (b) on 25 March 2020, each of Susan Jane Hurring and Timothy James Hurring as trustees of the T.J. and S.J. Hurring Family Trust, Sheenu Chawla, Zinka Matulic and Timothy James Hurring accepted the Offer for all of their, his or her Shares; and
- (c) on 26 March 2020, Sulabh Sharma accepted the Offer for all of his Shares.

Name	Description	Number of securities
Sulabh Sharma	Associate of a Director (Andrew Holliday)	91,333
Sheenu Chawla	Associate of a Director (Andrew Holliday)	91,333
Zinka Matulic	Senior Manager and associate of a Director (Andrew Holliday)	65,907
Timothy James Hurring	Senior Manager and associate of a Director (Andrew Holliday)	65,867

8. Ownership of equity securities of the Offeror or of related company

The Offeror is an unincorporated joint venture, not a company. Accordingly, no disclosure is required by clause 8 of Schedule 2 of the Takeovers Code. However, it should be noted that:

- (a) the participants in the Offeror are set out in paragraph 2.1 above;
- (b) Andrew Holliday is a Director and is also a participant in the Offeror;
- (c) Zinka Matulic is a Senior Manager and is also a participant in the Offeror;
- (d) Timothy James Hurring is a Senior Manager and is also a participant in the Offeror and an associate of another participant in the Offeror (Susan Jane Hurring and Timothy James Hurring as trustees of the T.J. and S.J. Hurring Family Trust); and
- (e) each of Andrew Holliday, Zinka Matulic and Timothy James Hurring is an associate of each other participant in the Offeror (since each participant in the Offeror is associated with each other participant).

9. Trading in equity securities of the Offeror or of related company

The Offeror is an unincorporated joint venture, not a company. Accordingly, no disclosure is required by clause 9 of Schedule 2 of the Takeovers Code.

10. Arrangements between the Offeror and Finzsoft

No agreement or arrangement (whether legally enforceable or not) has been made, or is proposed to be made, between the Offeror or any associates of the Offeror, and Finzsoft or any related company of Finzsoft, in connection with, in anticipation of, or in response to, the Offer.

11. Relationship between the Offeror, and directors and senior managers of Finzsoft

- 11.1 Except as set out in paragraphs 11.2 to 11.6 below, no agreement or arrangement (whether legally enforceable or not) has been made, or is proposed to be made, between the Offeror or any associates of the Offeror, and any of the directors or senior managers of Finzsoft or any related company of Finzsoft (including particulars of any payment or other benefit proposed to be made or given by way of compensation for loss of office, or as to their remaining in or retiring from office) in connection with, in anticipation of, or in response to, the Offer.
- 11.2 Andrew Holliday is a Director. As noted in paragraph 13.2 below, Andrew Holliday has entered into the Takeover Implementation Agreement and has agreed to procure that ICT accepts the Offer in respect of all of its Shares.³ ICT is 90% owned by Holliday Group Holdings Limited which is, in turn, owned as to 99% by a trust, the trustees of which are Andrew Holliday,

³ On 23 March 2020, ICT accepted the Offer for all of its Shares.

Frances Holliday and Rebekah Lovelock. Andrew Holliday owns the remaining share in his own name. In addition, Andrew Holliday is the sole director of ICT and a director of Holliday Group Holdings Limited.

- 11.3 Each of Timothy James Hurring and Zinka Matulic is a senior manager of Finzsoft. As noted in paragraph 13.2 below, each has entered into the Takeover Implementation Agreement.
- 11.4 Andrew Holliday, Timothy James Hurring and Zinka Matulic have entered into a shareholders' agreement with the other participants of the Offeror. Particulars of this agreement are set out below:
- (a) the agreement is conditional upon the Offer becoming unconditional.
 - (b) each party that holds at least 9% of the Shares shall be entitled to appoint one Director, and each shareholder that holds at least 40% of the Shares shall be entitled to appoint two Directors;
 - (c) every Director has a number of votes equal to the number of Shares held by the party appointing that Director (or, if a party has appointed more than one Director, each such Director has a number of votes equal to the number of Shares held by the appointing party divided by the number of Directors appointed by the appointing party);
 - (d) the parties agree that Helen Hatchard will be appointed as the chief executive officer of Finzsoft, and Simon Scott will be appointed as the initial chair of the board of Finzsoft;
 - (e) the parties agree that Andrew Holliday will remain the managing director of Finzsoft and that his terms of employment will remain the same other than (a) certain clauses that are currently deleted in his employment agreement will be reinstated, (b) the short term incentive and long term incentive awards contained in his terms of employment will be deleted provided (i) the maximum value of the short term incentive for the 2019 financial year will be added to his base salary, and (ii) he will receive the maximum value of the short term incentive for the 2020 financial year (but pro-rated for the portion of the year ending on the date a new employment agreement is entered into reflecting this paragraph), and (c) these terms will remain fixed for three years;
 - (f) if Andrew Holliday is removed as managing director of Finzsoft (or his terms and conditions of employment are made less favourable) he can ask the other shareholders to purchase his Shares at fair market value (failing which the status quo will remain);
 - (g) each party agrees that it will not directly or indirectly sell, transfer, or dispose of the legal or beneficial ownership of, or the control of, any of its Shares otherwise than in compliance with the agreement. Subject to certain exceptions, each party has customary pre-emptive rights over transfers of Shares by other parties (which if not taken up allow the transferring party to transfer its Shares to a third party on terms and conditions no more favourable to that third party); and
 - (h) the agreement also contains customary tag-along and drag-along provisions (which apply in respect of transfers by parties that together hold more than 60% of the Shares) and exit and default provisions.
- 11.5 Simon Scott is an alternate Director. Simon Scott is also the general manager, and a director, of FCU. As mentioned above, Simon Scott will be the initial chair of the board of Finzsoft.
- 11.6 Helen Hatchard is a Director and became an executive Director on 25 February 2020. Helen Hatchard was, until 21 February 2020, the chief executive officer of PCU and will be appointed as the chief executive officer of Finzsoft.
- 11.7 The Offeror does not have directors (given it is an unincorporated joint venture) but it does have a committee (the **Offeror's Committee**) which generally has the power and authority to govern and control the Offeror in relation to all matters in respect of the Offer. The members of the Offeror's Committee are Simon Scott, Richard Middleton, Andrew Holliday and Craig Edwards.
- 11.8 No Director or Senior Manager is also a director or senior manager of the Offeror, or any related company of the Offeror, except that:
- (a) Andrew Holliday is a Director and a member of the Offeror's Committee; and
 - (b) Simon Scott is an alternate Director and a member of the Offeror's Committee.

12. Agreement between Finzsoft, and directors and senior managers

No agreement or arrangement (whether legally enforceable or not) has been made, or is proposed to be made, between Finzsoft or any related company of Finzsoft, and any of the directors or senior managers or their associates of Finzsoft or its related companies, under which a payment or other benefit may be made or given by way of compensation for loss of office, or as to their remaining in or retiring from office in connection with, in anticipation of, or in response to, the Offer.

13. Interests of directors and senior managers of Finzsoft in contracts of the Offeror or related company

- 13.1 Except as set out in paragraphs 13.2 and 13.3 below and for the shareholders' agreement referenced in paragraph 11.4 above, no Director or Senior Manager or their associates has an interest in any contract to which the Offeror, or any related company of the Offeror, is a party.
- 13.2 On 9 March 2020, each participant in the Offeror entered into a Takeover Implementation Agreement. Pursuant to the Takeover Implementation Agreement:
- (a) those participants established the Offeror to undertake the Offer;
 - (b) each participant who is a Shareholder agreed to accept the Offer for all of its Shares within two working days of the Offer being received by that Shareholder (and Andrew Holliday agreed to procure ICT to accept the Offer for all of its Shares within two working days of the Offer being received by ICT);
 - (c) each such Shareholder also agreed not to dispose of any Shares other than to accept the Offer;
 - (d) the amount payable by the Offeror to the relevant Director, Senior Manager or associate is set out against the name of that Director, Senior Manager or associate in the fourth column of the following table; and

Shareholder	Description	Number of Shares to which Takeover Implementation Agreement applies	Monetary value of the interest
HGH (ICT Investments No. 2) Limited	Associate of a Director (Andrew Holliday)	3,689,205	\$4,242,585.75 ⁴
CRX Investments Pty Ltd	Associate of a Director (Andrew Holliday)	323,150	\$371,622.50 ⁵
Susan Jane Hurring and Timothy James Hurring as trustees of the T.J. and S.J. Hurring Family Trust	Associate of a Director (Andrew Holliday) and associate of a Senior Manager (Timothy James Hurring)	130,000	\$149,500 ⁶
Sulabh Sharma	Associate of a Director (Andrew Holliday)	91,333	\$105,032.95 ⁷
Sheenu Chawla	Associate of a Director	91,333	\$105,032.95 ⁸

⁴ Pursuant to the Takeover Implementation Agreement, Andrew Holliday is to pay or procure the payment of this amount.

⁵ Pursuant to the Takeover Implementation Agreement, this amount to be paid by CRX (as a participant in the Offeror) is set off against the consideration payable to it for its Shares under the Offer.

⁶ Pursuant to the Takeover Implementation Agreement, this amount to be paid by Susan Jane Hurring and Timothy James Hurring as trustees of the T.J. and S.J. Hurring Family Trust (as a participant in the Offeror) is set off against the consideration payable to them for their Shares under the Offer.

⁷ Pursuant to the Takeover Implementation Agreement, this amount to be paid by Sulabh Sharma (as a participant in the Offeror) is set off against the consideration payable to him for his Shares under the Offer.

Shareholder	Description	Number of Shares to which Takeover Implementation Agreement applies	Monetary value of the interest
	(Andrew Holliday)		
Zinka Matulic	Senior Manager and associate of a Director (Andrew Holliday)	65,907	\$75,793.05 ⁹
Timothy James Hurring	Senior Manager and associate of a Director (Andrew Holliday)	65,867	\$75,747.05 ¹⁰

- (e) FCU and PCU agree to pay \$1.15 per Share in respect of all Shares acquired pursuant to the Offer and all Shares acquired pursuant to the Compulsory Acquisition (as to 25.27% by FCU and 74.73% by PCU) other than:
- (i) Shares owned by CRX, Susan Jane Hurring and Timothy James Hurring as trustees of the T.J. and S.J. Hurring Family Trust, Sulabh Sharma, Sheenu Chawla, Zinka Matulic and Timothy James Hurring;
 - (ii) Shares owned by ICT, in respect of which Andrew Holliday will pay or procure the payment of \$1.15 per Share; and
 - (iii) 869,500 Shares acquired pursuant to the Takeover Offer, the Offer price of \$1.15 per Share for which CRX agrees to pay,
- such that the amount payable:
- (iv) by FCU for Shares pursuant to the Offer and the Compulsory Acquisition (being the monetary value of FCU's interest in the Takeover Implementation Agreement) is \$1,012,042.55;
 - (v) by PCU for Shares pursuant to the Offer and the Compulsory Acquisition (being the monetary value of PCU's interest in the Takeover Implementation Agreement) is \$2,992,872.70; and
 - (vi) by CRX for Shares pursuant to the Offer and the Compulsory Acquisition (being the monetary value of CRX's interest in the Takeover Implementation Agreement) is \$999,925;
- (f) all Shares acquired pursuant to the Offer will be registered into the name of FCU or PCU in accordance with the following percentages:
- FCU 25.27% of the Shares acquired; and
- PCU 74.73% of the Shares acquired,
- other than:
- (i) Shares owned by CRX, Susan Jane Hurring and Timothy James Hurring as trustees of the T.J. and S.J. Hurring Family Trust, Sulabh Sharma, Sheenu Chawla, Zinka Matulic and Timothy James Hurring, which will be (or remain) registered into the name of that Shareholder;
 - (ii) Shares owned by ICT, which will be registered into the name of Andrew Holliday; and

⁸ Pursuant to the Takeover Implementation Agreement, this amount to be paid by Sheenu Chawla (as a participant in the Offeror) is set off against the consideration payable to her for her Shares under the Offer.

⁹ Pursuant to the Takeover Implementation Agreement, this amount to be paid by Zinka Matulic (as a participant in the Offeror) is set off against the consideration payable to her for her Shares under the Offer.

¹⁰ Pursuant to the Takeover Implementation Agreement, this amount to be paid by Timothy James Hurring (as a participant in the Offeror) is set off against the consideration payable to him for his Shares under the Offer.

- (iii) the first 869,500 Shares acquired under the Offer for which payment was made by CRX, which will be registered into the name of CRX;
 - (g) all Shares acquired pursuant to the Compulsory Acquisition will be registered into the name of FCU or PCU in accordance with the following percentages:
 - FCU 25.27% of the Shares acquired; and
 - PCU 74.73% of the Shares acquired; and
 - (h) Andrew Holliday, FCU, PCU and CRX will be severally responsible (in the respective percentages 44.1%, 20.8%, 20.8% and 14.3%) for all printing costs, mailing costs, legal costs, those costs which Finzsoft may seek reimbursement from the Offeror and other costs and expenses necessary or desirable to give effect to the purpose of the Offeror (but excluding each participant in the Offeror's legal and other costs in negotiating and entering into the Takeover Implementation Agreement including the shareholders' agreement between those participants).
- 13.3 Silverlake Axis Ltd (**SAL**) and the Offeror have entered into a Lock Up Agreement in relation to a Full Takeover Offer for Finzsoft Solutions Limited dated 9 March 2020 (the **Lock Up Agreement**) under which SAL agreed to accept the Offer. The material terms of the Lock Up Agreement are as follows:
- (a) the Offeror agreed to make the Offer (being a full takeover offer for all of the equity securities in Finzsoft) on the draft offer terms (subject to certain permitted variations) attached to the Lock Up Agreement in accordance with the Takeovers Code within 10 working days after 9 March 2020;
 - (b) subject to the Offer being made in accordance with the Lock Up Agreement, SAL agreed to accept the Offer for all of its Shares, being 3,839,785 Shares plus any other equity securities in Finzsoft acquired by SAL on or after the date of the Lock Up Agreement, by no later than two working days after the Offer Document is received by SAL;¹¹
 - (c) subject to certain exceptions, SAL agreed not to dispose of or deal with its Shares except to accept the Offer. SAL also agreed not to solicit or encourage any person to acquire any interest in SAL's Shares. The Offeror may terminate the Lock Up Agreement if SAL fails to comply with these obligations and fails to cure or remedy such failure by close of business on the second working day after the Offeror notifies SAL of such failure;
 - (d) SAL may terminate the Lock Up Agreement if the Offeror does not make the Offer within the required timeframe and fails to cure or remedy such failure by close of business on the second working day after SAL notifies the Offeror of such failure; and
 - (e) the Offeror may terminate the Lock Up Agreement if: (i) SAL fails to accept the Offer and fails to cure or remedy such failure by close of business on the second working day after the Offeror notifies SAL of such failure; or (ii) a warranty given by SAL in the Lock Up Agreement is breached, that breach has not been cured or remedied by close of business on the second working day after the Offeror has notified SAL of such breach, and the breach is reasonably likely to have a material and adverse effect on the Offeror and/or the Offer.
- 13.4 The full terms of the Takeover Implementation Agreement and the Lock Up Agreement are attached to substantial product holder notices filed with NZX on 9 March 2020. The substantial product holder notices are available at: <https://www.nzx.com/companies/FIN/announcements>.

13A. Interests of Finzsoft's substantial security holders in material contracts of the Offeror or related company

To the knowledge of the Directors or Senior Managers, no person holds or controls 5% or more of the Shares other than certain participants in the Offeror, being Andrew Holliday, FCU, PCU and CRX (each, a **substantial security holder**). Each substantial security holder is a Director or an associate of a Director and, accordingly, the interests of each substantial security holder

¹¹ On 23 March 2020, SAL accepted the Offer for all of its Shares.

in any contract to which the Offeror, or any related company of the Offeror, is a party are referenced in paragraph 13 above.

14. Additional information

In the opinion of the Directors, no additional information within the knowledge of Finzsoft is required to make the information in the Offer Document correct or not misleading.

15. Recommendation

- 15.1 The Board has formed an Independent Committee of Directors, comprising Robert McKinnon and Josephine Grierson, to act on all matters arising in connection with, or as a consequence of, the Offer, including the preparation of this Target Company Statement.
- 15.2 The Independent Committee unanimously recommends that Shareholders accept the Offer as soon as possible for the principal reasons set out on page 3. In reaching this recommendation, the Independent Committee has carefully considered a full range of expert advice available to it (including the Independent Adviser's Report).
- 15.3 Each of the Directors Andrew Holliday, Helen Hatchard, Gary Sim and Simon Scott has a potential conflict of interest in respect of the Offer because:
- (a) in the case of Andrew Holliday, he is one of the participants in the Offeror and has entered into the Takeover Implementation Agreement with the other participants in the Offeror described in paragraph 13.2 above;
 - (b) in the case of Helen Hatchard, she was, until 21 February 2020, the chief executive officer of PCU (one of the participants in the Offeror) and is to be appointed as the chief executive officer of Finzsoft;
 - (c) in the case of Gary Sim, he provides consulting services to Finzsoft; and
 - (d) in the case of Simon Scott, he is alternate Director for Andrew Holliday and is also the general manager, and a director, of FCU (one of the participants in the Offeror).
- 15.4 None of Andrew Holliday, Helen Hatchard, Gary Sim and Simon Scott is therefore a member of the Independent Committee and each of them has abstained from making any recommendation as to whether to accept or reject the Offer.

16. Actions of Finzsoft

- 16.1 There are no material agreements or arrangements (whether legally enforceable or not) of Finzsoft or any of its related companies entered into as a consequence of, in response to, or in connection with, the Offer.
- 16.2 There are no negotiations underway as a consequence of, in response to, or in connection with the Offer that relate to or could result in:
- (a) an extraordinary transaction, such as a merger, amalgamation or reorganisation, involving Finzsoft or any of its related companies; or
 - (b) the acquisition or disposition of material assets by Finzsoft or any of its related companies; or
 - (c) an acquisition of equity securities by, or of, Finzsoft or any related company of Finzsoft; or
 - (d) any material change in the equity securities on issue, or policy relating to distributions, of Finzsoft.

17. Equity securities of Finzsoft

- 17.1 Finzsoft has 8,808,830 fully-paid Shares on issue as at the date of this Target Company Statement. The rights of Shareholders in respect of capital, distributions, and voting are as follows:
- (a) the right to an equal share in the distribution of the surplus assets of Finzsoft on a per Share basis;

- (b) the right to an equal share in dividends authorised by the Board on a per Share basis;
- (c) the right to cast one vote where voting is by voice or a show of hands or the right to cast one vote in respect of every fully paid Share held on a poll, in each case at a meeting of the Shareholders on any resolution, including any resolution to:
 - (i) appoint or remove a Director or auditor; or
 - (ii) adopt a constitution; or
 - (iii) alter Finzsoft's constitution; or
 - (iv) approve a major transaction; or
 - (v) approve an amalgamation of Finzsoft under section 221 of the Companies Act; or
 - (vi) put Finzsoft into liquidation.

17.2 Finzsoft does not have any options, or rights to acquire equity securities, on issue.

18. Financial information

- 18.1 Each person to whom the Offer is made may request from Finzsoft a non-electronic copy of Finzsoft's most recent annual report (being the annual report for the period ended 30 June 2019) by making a written request to info@finzsoft.com.
- 18.2 Finzsoft's most recent half-yearly results since its annual report for the period ended 30 June 2019 (being the half-yearly results for the six months ended 31 December 2019) is available on Finzsoft's website (<http://www.finzsoft.com/blog/finzsoft-interim-2020-accounts/>). Each person to whom the Offer is made may request from Finzsoft a non-electronic copy of Finzsoft's most recent half-yearly results by making a written request to info@finzsoft.com.
- 18.3 There have been the following material changes in the financial or trading position, or prospects, of Finzsoft since the 30 June 2019 annual report:
- (a) **FCU prepayment agreement:** on 31 January 2020, Finzsoft announced that it had entered into a prepayment agreement with FCU. The announcement can be viewed on the NZX website at: <https://www.nzx.com/announcements/347813>. Pursuant to this agreement:
 - (i) FCU will prepay annual licence fees for 5 years and 9 months (the **Prepayment Period**);
 - (ii) the parties extend the term of the existing Master Services Agreement to 30 September 2026;
 - (iii) in consideration for FCU prepaying the annual licence fees, the aggregate annual licence fees for the Prepayment Period are reduced by a discount rate of approximately 5% per annum (the **Prepayment**); and
 - (iv) while all of the Prepayment will be paid upfront, the Prepayment will be notionally spread over the Prepayment Period in agreed quarterly instalments (the **Discounted Quarterly Instalments**) so that, if there is an event of default, Finzsoft's obligations to repay a portion of Discounted Quarterly Instalments at that time is pre-agreed.

Finzsoft used \$2 million of the Prepayment to repay its then existing flexible credit facility with ANZ Bank New Zealand Limited.
 - (b) **Interim financial results:** on 28 February 2020, Finzsoft announced its half-year results for the six months ended 31 December 2019. The announcement can be viewed on the NZX website at: <https://www.nzx.com/announcements/349110>. Among other things, those half-year results disclose that:
 - (i) the operating revenue for that six-month period of \$4.76 million decreased as against the six-month period ended 31 December 2018 (which was \$6.64 million);
 - (ii) net loss after tax for that six-month period of \$682k decreased as against the six-month period ended 31 December 2018 (which was a \$1,067k loss); and
 - (iii) EBITDA for that six-month period of -\$92k improved as against the six-month period ended 31 December 2018 (which was -\$380k).

- 18.4 Other than as set out elsewhere in this Target Company Statement, or as contained in the Independent Adviser's Report:
- (a) there have been no material changes in the financial or trading position, or prospects, of Finzsoft since the 30 June 2019 annual report; and
 - (b) there is no other information about the assets, liabilities, profitability and financial affairs of Finzsoft that could reasonably be expected to be material to the making of a decision by Shareholders to accept or reject the Offer.

19. Independent advice on merits of Offer

Simmons Corporate Finance is the independent adviser who has provided a report under Rule 21 of the Takeovers Code. A copy of the full Report is attached in Appendix 1 of this Target Company Statement.

20. Asset valuations

No information provided in this Target Company Statement refers to a valuation of any asset of Finzsoft.

21. Prospective financial information

- 21.1 The Independent Adviser's Report refers to prospective financial information of Finzsoft. The principal assumptions on which the prospective financial information is based are set out in the Independent Adviser's Report.
- 21.2 Other than the prospective financial information referred to in paragraph 21.1 above, this Target Company Statement does not refer to any other prospective financial information of Finzsoft.

22. Sales of unquoted equity securities under Offer

The equity securities that are the subject of the Offer are quoted on a stock exchange.

23. Market prices for quoted equity securities under Offer

- 23.1 The Shares are quoted on the NZX Main Board.
- 23.2 The closing price on the NZX Main Board of Shares on:
- (a) 1 April 2020, being the latest practicable working day before the date on which this Target Company Statement is sent to shareholders, was \$1.13; and
 - (b) 6 March 2020, being the last day on which the NZX Main Board was open for business before the date on which Finzsoft received the Offeror's takeover notice, was \$0.94.
- 23.3 The highest and lowest closing market prices of Shares on the NZX Main Board (and the relevant dates) during the six months before the date on which Finzsoft received the Offeror's takeover notice (such date being 9 March 2020), were as follows:
- (a) the highest closing market price was \$1.00 (on 11 September 2019, 12 September 2019, 13 September 2019, 19 September 2019, 27 September 2019, 30 September 2019, 1 October 2019, 2 October 2019, 3 October 2019, 4 October 2019, 23 October 2019, 24 October 2019, 29 October 2019, 30 October 2019, 31 October 2019, 1 November 2019, 4 November 2019, 5 November 2019, 6 November 2019, 11 November 2019, 12 November 2019, 13 November 2019, 14 November 2019, 15 November 2019 and 18 November 2019); and
 - (b) the lowest closing market price was \$0.94 (on 30 December 2019, 6 January 2020, 7 January 2020, 8 January 2020, 10 January 2020, 15 January 2020, 16 January 2020, 17 January 2020, 20 January 2020, 21 January 2020, 22 January 2020, 28 January 2020, 29 January 2020, 30 January 2020, 3 February 2020, 5 February 2020, 10 February 2020, 11 February 2020, 12 February 2020, 13 February 2020, 17 February 2020, 18 February 2020, 20 February 2020, 24 February 2020 and 26 February 2020).

- 23.4 During the six-month period before the date on which Finzsoft received the takeover notice, Finzsoft did not issue any equity securities, make any changes to any equity securities on issue or make any distributions that could have affected the market prices referred to above.
- 23.5 There is no other information about the market price of the Shares that would reasonably be expected to be material to the making of a decision by Shareholders to accept or reject the Offer.

24. Other information

In preparing this Target Company Statement, Finzsoft has relied on the completeness and accuracy of information provided by or on behalf of various persons, including the Offeror, Directors and Senior Managers.

25. Approval of Target Company Statement

- 25.1 The contents of this Target Company Statement have been approved by the Independent Committee under delegated authority from the Board.
- 25.2 As noted in paragraph 15.3 above, each of Andrew Holliday, Helen Hatchard, Gary Sim and Simon Scott is not a member of the Independent Committee because each of them has a potential conflict of interest in respect of the Offer. As a result, each (other than Andrew Holliday) has abstained from approving this Target Company Statement. Notwithstanding the potential conflict of interest in respect of the Offer, the Takeovers Code requires Andrew Holliday to sign the certificate in paragraph 27 below of this Target Company Statement as Andrew Holliday is fulfilling the role of Chief Executive Officer of Finzsoft.

26. Interpretation

- 26.1 In this Target Company Statement:

\$ means New Zealand dollars;

Board means the board of directors of Finzsoft;

Companies Act means the Companies Act 1993;

Compulsory Acquisition means the compulsory acquisition of the remaining Shares not held or controlled by the Offeror under Part 7 of the Takeovers Code;

CRX has the meaning given to that term in paragraph 2.1 above;

Directors means the directors of Finzsoft;

FCU has the meaning given to that term in paragraph 2.1 above;

ICT means HGH (ICT Investments No. 2) Limited;

Independent Adviser's Report means the independent adviser's report provided by Simmons Corporate Finance under Rule 21 of the Takeovers Code and attached in Appendix 1 of this Target Company Statement;

Independent Committee means the independent committee of Directors, comprising Robert McKinnon and Josephine Grierson;

Offer has the meaning given to that term in paragraph 2.1 above;

Offer Document means the Offeror's offer document dated 23 March 2020;

Offeror has the meaning given to that term in paragraph 2.1 above;

PCU has the meaning given to that term in paragraph 2.1 above;

Shares means the ordinary shares in Finzsoft;

Shareholders means the holders of Shares that are the subject of the Offer by the Offeror;

Simmons Corporate Finance means Simmons Corporate Finance Limited;

Takeovers Act means the Takeovers Act 1993; and

Takeovers Code means the takeovers code set out in the schedule to the Takeovers Regulations 2000.

- 26.2 Words and expressions defined in the Takeovers Act or the Takeovers Code and not otherwise defined in this Target Company Statement have the same meaning when used in this Target Company Statement.

27. Certificate

To the best of our knowledge and belief, after making proper enquiry, the information contained in or accompanying this Target Company Statement is, in all material respects, true and correct and not misleading, whether by omission of any information or otherwise, and includes all the information required to be disclosed by Finzsoft under the Takeovers Code.

SIGNED by:



Robert McKinnon

Chairman of the Board and of the Independent Committee



Josephine Grierson

Director and member of the Independent Committee



Andrew Holliday

Managing Director (fulfilling the role of Chief Executive Officer). Andrew Holliday has signed this Target Company Statement as it is a requirement of the Takeovers Code that this Target Company Statement is signed by the person who is the Chief Executive of Finzsoft, which Andrew Holliday is. However, Andrew Holliday is a participant in the Offeror and, accordingly, has a conflict of interest. He therefore has had no role in the preparation of this Target Company Statement, nor in the recommendation made by the Independent Directors.



Mark Kingsford

Authorised agent for Baker Tilly Staples Rodway Auckland Limited (fulfilling the role of Chief Financial Officer)

Schedule 1: Shares held or controlled by Directors or Senior Managers and their associates (paragraph 5.2)¹²

Name	Description	Number of Shares held or controlled	Designation	Percentage of total number of Shares ¹³
Andrew Holliday	Director	3,689,205	Shares	41.88%
First Credit Union Incorporated	Associate of a Director (Andrew Holliday)	750,591	Shares	8.52%
Police and Families Credit Union Incorporated	Associate of a Director (Andrew Holliday)	2,219,694	Shares	25.20%
CRX Investments Pty Ltd	Associate of a Director (Andrew Holliday)	1,195,650	Shares	13.54%
Susan Jane Hurring and Timothy James Hurring as trustees of the T.J. and S.J. Hurring Family Trust	Associate of a Director (Andrew Holliday) and associate of a Senior Manager (Timothy James Hurring)	130,000	Shares	1.48%
Sulabh Sharma	Associate of a Director (Andrew Holliday)	91,333	Shares	1.04%
Sheenu Chawla	Associate of a Director (Andrew Holliday)	91,333	Shares	1.04%
Zinka Matulic	Senior Manager and associate of a Director (Andrew Holliday)	65,907	Shares	0.75%
Timothy James Hurring	Senior Manager and associate of a Director (Andrew Holliday)	65,867	Shares	0.75%

¹² This information is as at 1 April 2020 (being the latest practicable date before the date of this Target Company Statement) and is based on: (i) Finzsoft's Share register; (ii) responses to questionnaires circulated to the Directors and the Senior Managers by Finzsoft and (iii) substantial product holder notices filed with NZX as at 1 April 2020.

¹³ Rounded to two decimal places.

Schedule 2: Trading in Shares in the previous six months (paragraph 6)

Part A: Acquisitions or disposals of Shares in the previous six months by Directors or Senior Managers or their associates¹⁴

Name	Description	Acquisition or disposal	Designation	Number of Shares	Consideration per Share	Date of transaction
Andrew Holliday	Director	Acquisition	Shares	3,689,205	\$1.15	23 March 2020
HGH (ICT Investments No. 2) Limited	Associate of a Director (Andrew Holliday)	Disposal	Shares	3,689,205	\$1.15	23 March 2020
First Credit Union Incorporated	Associate of a Director (Andrew Holliday)	Acquisition	Shares	750,591	\$1.15	23 March 2020
Police and Families Credit Union Incorporated	Associate of a Director (Andrew Holliday)	Acquisition	Shares	2,219,694	\$1.15	23 March 2020
CRX Investments Pty Ltd	Associate of a Director (Andrew Holliday)	Acquisition	Shares	869,500	\$1.15	23 March 2020
Susan Jane Hurring and Timothy James Hurring as trustees of the T.J. and S.J. Hurring Family Trust	Associate of a Director (Andrew Holliday) and associate of a Senior Manager (Timothy James Hurring)	Acquisition and disposal	Shares	130,000	\$1.15	25 March 2020
Sulabh Sharma	Associate of a Director (Andrew Holliday)	Acquisition and disposal	Shares	91,333	\$1.15	26 March 2020
Sheenu Chawla	Associate of a Director (Andrew Holliday)	Acquisition and disposal	Shares	91,333	\$1.15	25 March 2020
Zinka Matulic	Senior Manager and associate of a Director (Andrew Holliday)	Acquisition and disposal	Shares	65,907	\$1.15	25 March 2020
Timothy James Hurring	Senior Manager and associate of a Director (Andrew Holliday)	Acquisition and disposal	Shares	65,867	\$1.15	25 March 2020
HGH (ICT Investments No. 2) Limited	Associate of a Director (Andrew Holliday)	Acquisition	Shares	3,689,205	Fair market value ¹⁵	30 October 2019

¹⁴ This information is as at 1 April 2020 (being the latest practicable date before the date of this Target Company Statement) and is based on: (i) Finzsoft's Share register; (ii) responses to questionnaires circulated to the Directors and the Senior Managers by Finzsoft and (iii) substantial product holder notices filed with NZX as at 1 April 2020.

¹⁵ On 28 August 2019, ICT, Silverlake Axis Ltd and Silverlake HGH Limited (**SHGH**) entered into a deed of settlement and implementation (the **Deed**), pursuant to which SHGH agreed to sell the shares it held in Finzsoft to each of Silverlake Axis Ltd and ICT in proportion to their respective shareholding in SHGH, at fair market value. The acquisition of the shares in Finzsoft held by SHGH, by each of Silverlake Axis Ltd and ICT, was subject to the approval of the shareholders of Finzsoft by ordinary resolution, for the purposes of rule 7(c) of the Takeovers Code. A copy of the Deed was attached to ICT's substantial product holder notice dated 28 August 2019. On 29 October 2019, Finzsoft shareholders approved SHGH to transfer the shares to Silverlake Axis Ltd and ICT under the Deed. Accordingly, pursuant to the Deed, on 30 October 2019, SHGH transferred 3,839,785 Shares to Silverlake Axis Ltd and 3,689,205 Shares to ICT. The fair market value as at 28 August 2019 may be determined by the liquidator when it liquidates SHGH – it should be noted, however, that the market value of a Share on the NZX Main Board was recorded as \$1.12 on that date.

Name	Description	Acquisition or disposal	Designation	Number of Shares	Consideration per Share	Date of transaction
Silverlake HGH Limited	Associate of a Director (Andrew Holliday)	Disposal	Shares	7,528,990	Fair market value ¹⁵	30 October 2019

Part B: Acquisitions or disposals of Shares in the previous six months by any person (other than a Director or a Senior Manager, or their associates) holding or controlling 5% or more of the Shares, to the knowledge of Finzsoft

No such acquisitions or disposals.

Appendix 1: Independent Adviser's Report

Finzsoft Solutions Limited

Independent Adviser's Report

In Respect of the Full Takeover Offer by Finzsoft Joint Venture

March 2020

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 FIN JV Offer considered in this 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 Takeovers Panel, that it is independent under the Takeovers Code for the purposes of preparing this report.

Index

Section	Page
1. Executive Summary	1
2. Evaluation of the Merits of the FIN JV Offer	5
3. Overview of the FinTech Industry	11
4. Profile of Finzsoft	14
5. Valuation of Finzsoft	22
6. Sources of Information, Reliance on Information, Disclaimer and Indemnity	29
7. Qualifications and Expertise, Independence, Declarations and Consents	31
 Appendix	
I. Comparable Companies Transaction Multiples	32
II. Comparable Companies Trading Multiples.....	33

1. Executive Summary

1.1 Finzsoft Solutions Limited

Finzsoft Solutions Limited (**Finzsoft** or the **Company**) is a financial technology (**FinTech**) solutions provider, providing financial software and solutions for banks and financial institutions. The Company's flagship product *Sovereign* offers both core and vertical specific solutions supporting banks, building societies, credit unions and finance companies across Asia Pacific.

The Company's shares are listed on the main equities securities market (the **NZX Main Board**) operated by NZX Limited (**NZX**) with a market capitalisation of approximately \$9.9 million as at 27 March 2020. Its unaudited total equity as at 29 February 2020 was approximately \$3.7 million.

A profile of Finzsoft is set out in section 4.

1.2 Finzsoft Joint Venture

On 9 March 2020, 9 participants entered into the *Takeover Implementation Agreement In Respect of Finzsoft Solutions Limited* (the **Takeover Implementation Agreement**) establishing an unincorporated joint venture named Finzsoft Joint Venture (**FIN JV**).

The 9 participants in FIN JV are:

- First Credit Union Incorporated (**FCU**)
- Police and Families Credit Union Incorporated (**PFCU**)
- Andrew Holliday
- CRX Investments Pty Ltd (**CRX**)
- Susan Hurring and Timothy Hurring (as trustees of the T.J. and S.J. Hurring Family Trust)
- Sulabh Sharma
- Sheenu Chawla
- Zinka Matulic
- Timothy Hurring.

Andrew Holliday is the Company's managing director and controls HGH (ICT Investments No. 2) Limited (**ICT**). On 9 March 2020, ICT was the second largest shareholder in Finzsoft, holding 41.88% of the Company's shares.

The last 6 named participants of FIN JV were shareholders in Finzsoft, collectively holding 8.71% of the Company's shares as at 9 March 2020.

Collectively, the participants in FIN JV held or controlled 4,456,795 shares in Finzsoft, representing 50.59% of the Company's shares as at 9 March 2020.

1.3 FIN JV Offer

On 9 March 2020, FIN JV sent Finzsoft a notice of intention to make a full takeover offer for all of the shares in Finzsoft (the **FIN JV Offer**).

The FIN JV Offer Document was sent to Finzsoft's shareholders on 23 March 2020.

Number of Shares Sought

The FIN JV Offer is for all of the ordinary shares in Finzsoft. Finzsoft has 8,808,830 ordinary shares on issue.

Consideration

FIN JV is offering cash of \$1.15 for each Finzsoft ordinary share.

Conditions

The FIN JV Offer is conditional on FIN JV receiving sufficient acceptances such that FIN JV holds or controls more than 50.00% of the voting rights in Finzsoft (the **Minimum Acceptance Condition**).

The Minimum Acceptance Condition was met on 23 March 2020 and the FIN JV Offer was declared unconditional on that date.

Change in Circumstances

The FIN JV Offer contains provisions that if there is a change in circumstances on or after 9 March 2020 that impacts on Finzsoft's shares and the offer is unconditional or becomes unconditional, then an adjustment will be made so as to ensure that the FIN JV Offer results in the same financial outcome for FIN JV as if the change in circumstance did not occur. The changes in circumstance relate to Finzsoft:

- declaring, making or paying any dividend or any other distribution
- making any issue of shares, convertible securities or other securities of any nature by way of bonus issue
- making any issue of shares to any person other than by way of bonus issue
- subdividing or consolidating its shares.

Agreements to Accept the FIN JV Offer

The following 8 shareholders agreed to accept the FIN JV Offer within 2 working days of receiving the FIN JV Offer.

Acceptors of the FIN JV Offer		
	No. of Shares	% of Total Shares
Silverlake Axis Limited (Silverlake)	3,839,785	43.59%
ICT	3,689,205	41.88%
CRX	323,150	3.67%
Susan Hurring and Timothy Hurring	130,000	1.48%
Sulabh Sharma	91,333	1.04%
Sheenu Chawla	91,333	1.04%
Zinka Matulic	65,907	0.75%
Timothy Hurring	65,867	0.75%
	<u>8,296,580</u>	<u>94.18%</u>
Source: FIN JV Takeover Notice		

Under the Takeover Implementation Agreement, each participant of FIN JV who is a shareholder of Finzsoft agreed to accept the FIN JV Offer within 2 working days of receiving the FIN JV Offer Document and Andrew Holliday agreed to procure ICT to accept the FIN JV Offer within the same timeframe.

Silverlake and FIN JV entered into a lock up agreement dated 9 March 2020 (the **Silverlake Lock Up Agreement**) under which Silverlake agreed to accept the FIN JV Offer within 2 working days after the FIN JV Offer Document is received by Silverlake.

Payment Date

FIN JV intends to pay the consideration to accepting shareholders within 2 working days of receipt of acceptance, and in any event, no later than 5 working days after the later of the date of receipt of acceptance and the date on which the offer becomes unconditional (which was 23 March 2020).

Offer Dates

The offer is open from 23 March 2020 and closes at 11.59pm on 22 April 2020 (unless extended by FIN JV in accordance with the provisions of the Takeovers Code (the **Code**)).

1.4 Summary of Opinion

The FIN JV Offer was declared unconditional on 23 March 2020 and FIN JV gave notice that it had received acceptances in respect of 93.77% of the shares on 25 March 2020. Accordingly, FIN JV will compulsorily acquire any shares not accepted into the offer at the offer price of \$1.15 per share when the offer closes.

Shareholders who do not accept the offer will not be able to retain their Finzsoft shares and they cannot challenge the compulsory acquisition price.

Therefore the only decision for shareholders is:

- accept the FIN JV Offer immediately and receive cash of \$1.15 per share within 2 to 5 working days of acceptance, or
- wait until FIN JV compulsorily acquires the shares at the same price of \$1.15 per share, with payment made a number of days after the offer closes on 22 April 2020.

There is no financial benefit to waiting until the shares are compulsorily acquired. Accordingly, we are of the view that shareholders should accept the FIN JV Offer as soon as possible.

1.5 Regulatory Requirements

Finzsoft is a code company as it is listed on the NZX Main Board (and has financial products that confer voting rights) 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 holding or controlling 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
- a person who holds or controls 20% or more of the voting rights in a code company from holding or controlling an increased percentage of the voting rights in the code company

unless done in compliance with exceptions to this fundamental rule.

One of the exceptions, set out in Rule 7(a) of the Code, enables a person to increase its control of voting rights beyond 20% by making a full offer for all of the shares of the target company.

Rule 21 of the Code requires the directors of a target company to obtain an Independent Adviser's Report on the merits of the offer. This Independent Adviser's Report is to accompany the Target Company Statement required to be sent to the target's shareholders pursuant to Rule 46 and Schedule 2 of the Code.

1.6 Purpose of the Report

The Company's board of directors has formed an independent committee of directors comprising independent directors Robert McKinnon and Josephine Grierson to oversee Finzsoft's response to the FIN JV Offer (the **Independent Committee**).

The Independent Committee has engaged Simmons Corporate Finance Limited (**Simmons Corporate Finance**) to prepare an Independent Adviser's Report on the FIN JV Offer in accordance with Rule 21 of the Code.

Simmons Corporate Finance was approved by the Takeovers Panel on 12 March 2020 to prepare the Independent Adviser's Report.

Simmons Corporate Finance issues this Independent Adviser's Report to assist the Company's shareholders in forming their own opinion on whether or not to accept the FIN JV Offer. We note that each shareholder's circumstances and objectives are unique. Accordingly, it is not possible to report on the merits of the FIN JV Offer in relation to each shareholder. This report on the merits of the FIN JV Offer is therefore necessarily general in nature.

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

2. Evaluation of the Merits of the FIN JV Offer

2.1 Basis of Evaluation

Rule 21 of the Code requires an evaluation of the *merits* of the FIN JV Offer.

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

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

- the Takeovers Panel *Guidance Note on Independent Advisers* dated 14 March 2019
- 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*.

We are of the view that an assessment of the merits of the FIN JV Offer should focus on:

- the rationale for the FIN JV Offer
- the assessed value of Finzsoft's shares and the value of the consideration to be received by shareholders
- the implications of the conditions attached to the offer
- the likelihood of alternative offers or alternative transactions
- the advantages and disadvantages for the shareholders of accepting the FIN JV Offer
- the implications for the shareholders of not accepting the FIN JV Offer.

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 Rationale for the FIN JV Offer

FIN JV has provided the following narrative in the Offer Documentation as to the rationale for its offer:

- if the FIN JV Offer is declared unconditional, FIN JV will become the majority shareholder in Finzsoft. If FIN JV becomes the dominant owner of the Company, it intends to compulsorily acquire all the shares not accepted into the offer as soon as practicable after the offer closes
- upon completion of the compulsory acquisition, FIN JV intends to delist Finzsoft from the NZX Main Board and change the Company's board of directors
- Helen Hatchard will be appointed chief executive officer of Finzsoft. Ms Hatchard is currently a director of Finzsoft

- following completion of the compulsory acquisition, FIN JV will undertake a review of the Company. Its constitution will change but it is expected that its business activities and material assets will not be materially changed but further developments will continue in respect of Finzsoft's intellectual property. The Company's capital structure (including dividend policy, raising capital and taking on debt) will be subject to that review.

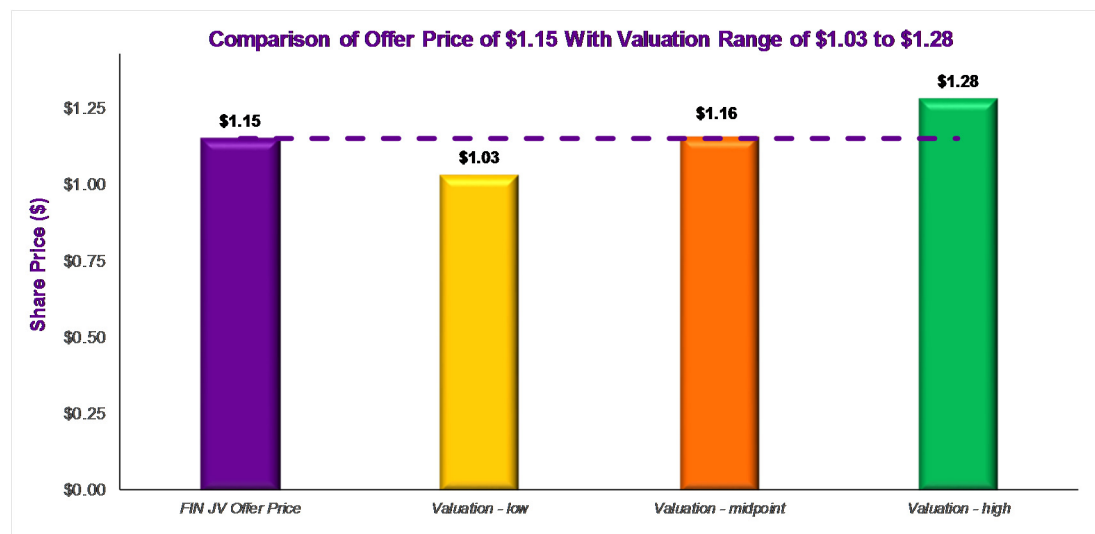
We consider the rationale for the FIN JV Offer to be sound. Other than enhanced visibility and profile, there appears to be little benefit to Finzsoft being a listed company. It is relatively small in size and its shares are illiquid. The costs that it incurs associated with being listed most likely outweigh the benefits derived from its profile as a listed company.

2.3 Value of Finzsoft's Shares Compared with the Offer Price of \$1.15

In our opinion, the full underlying value of the Finzsoft shares is in the range of \$1.03 to \$1.28 per share, as set out in section 5.

This value is for 100% of the ordinary shares based on the Company's current strategic and operational initiatives and therefore reflects the value of control. However, it excludes the value of any synergies that FIN JV may specifically derive from acquiring full control of Finzsoft.

The FIN JV Offer consideration is cash of \$1.15 per share, which is marginally below the midpoint of our valuation range.



2.4 Finzsoft's Share Price Compared with the Offer Price of \$1.15

A summary of Finzsoft's daily closing share price and monthly volumes of shares traded since 4 January 2017 is set out in section 4.9.

The analysis shows that the shares have traded at prices between \$0.94 and \$2.71 during the period at a volume weighted average share price (VWAP) of \$1.52.

The FIN JV Offer of \$1.15 per share represents a premium of:

- 22% on \$0.94 (being the price that the shares last traded at on 21 January 2020 before the FIN JV Offer was announced on 10 March 2020)
- 22% on the 3 months VWAP to 9 March 2020 of \$0.94
- 19% on the 6 months VWAP to 9 March 2020 of \$0.97
- 7% on the 12 months VWAP to 9 March 2020 of \$1.07.



The vast majority of successful takeovers of listed companies are at a premium to recent trading prices and, in general terms, tend to be priced at a premium in the vicinity of 20% to 35%.

We note that trading in the Company's shares is extremely thin, given that prior to the FIN JV Offer, the 10 largest shareholders collectively held 95.59% of the Company's shares. In our view, the lack of liquidity in the Company's shares means that the observed share prices may not be a reliable indicator of the market value of Finzsoft's shares.

2.5 Potential Synergies

The obvious immediate synergies available to FIN JV arising from its full ownership of Finzsoft will be a reduction in the level of administration costs that would be incurred as a result of Finzsoft's shares not being listed on the NZX Main Board. The Company would not incur NZX listing fees and would face reduced share registry costs. The Company could also choose not to have any independent directors on its board. This could lead to between approximately \$40,000 and \$160,000 of cost savings per annum.

2.6 Conditions of the FIN JV Offer

The only condition of the FIN JV Offer is the Minimum Acceptance Condition, whereby FIN JV must receive acceptances for more than 50% of the voting rights in Finzsoft by the end of the offer period (unless extended by FIN JV).

The Takeover Implementation Agreement and the Silverlake Lock Up Agreement ensured that the Minimum Acceptance Condition was met within 2 working days of the Offer Document being sent to shareholders.

The FIN JV Offer was declared unconditional on 23 March 2020.

2.7 Compulsory Acquisition

The FIN JV Offer was declared unconditional on 23 March 2020 and on 25 March 2020, FIN JV gave notice that it had received acceptances in respect of 93.77% of the shares, thus becoming the dominant owner of Finzsoft (as defined in the Code).

Accordingly, FIN JV has the right to, and has stated that it intends to, compulsorily acquire the remaining shares in the Company at the close of the offer.

Shareholders are therefore not faced with the simple decision of whether they should accept or reject the FIN JV Offer as shareholders who reject the offer will not be able to retain their shares when FIN JV compulsorily acquires the shares.

Under the provisions of the Code, the consideration payable for the shares compulsorily acquired will be cash of \$1.15 per share.

This price cannot be challenged as acceptances of the FIN JV Offer have already been received in respect of more than 50% of the shares that were subject to the offer (excluding the shares controlled by FIN JV or held or controlled by associates of FIN JV (the **FIN JV Associates**)).

As set out below, the 50% threshold has been met because Silverlake's 3,839,785 shares represents 88.23% of the 4,352,035 shares subject to the FIN JV Offer (which excludes the 4,456,795 shares controlled by the FIN JV Associates) and Silverlake is not an associate of FIN JV under the provisions of the Code.

Level of Acceptances for Compulsory Acquisition Purposes		
Shareholder	No. of Shares	%
ICT	3,689,205	41.88%
CRX	323,150	3.67%
Susan Hurring and Timothy Hurring	130,000	1.48%
Sulabh Sharma	91,333	1.04%
Sheenu Chawla	91,333	1.04%
Zinka Matulic	65,907	0.75%
Timothy Hurring	65,867	0.75%
FIN JV Associates	<u>4,456,795</u>	<u>50.59%</u>
Total shares on issue	8,808,830	100.00%
Less shares held by the FIN JV Associates	(4,456,795)	(50.59%)
Remaining shares subject to the FIN JV Offer	<u>4,352,035</u>	<u>49.41%</u>
Silverlake	3,839,785	43.59%
- % of remaining shares	88.23%	

FIN JV intends to exercise its right of compulsory acquisition as soon as practicable after the FIN JV Offer closes on 22 April 2020. Accordingly, the consideration for the shares compulsorily acquired will be paid some days after the offer closes.

2.8 Likelihood of Alternative Takeover Offers is Extremely Remote

Given that by 26 March 2020, holders of 94.98% of the Company's shares have accepted the FIN JV Offer, we consider the likelihood of an alternate takeover offer to be extremely remote.

We are advised by the Independent Committee that as at the date of this report, it is not aware of any alternative takeover offer or alternative transaction impacting on the control of the Company.

For the sake of completeness, we note that if an alternative takeover offer was made, then those shareholders who had already accepted the FIN JV Offer would not be able to accept those shares into the alternative takeover offer until the FIN JV Offer lapsed. However, given that the likelihood of an alternate takeover offer is negligible, we do not consider that this matter should influence a shareholder's decision as to whether to accept the FIN JV Offer.

2.9 Likelihood of FIN JV Increasing the Offer Price is Nil

We are not aware of any intention on FIN JV's part to increase its offer price. Given that the FIN JV Offer has been declared unconditional and FIN JV will compulsorily acquire the remaining shares at \$1.15 per share following the close of the offer, we consider the likelihood of FIN JV increasing its offer price to be nil.

For the sake of completeness, we note that if FIN JV does increase its price under this offer, the increased price will be available to all shareholders, including those who have already accepted the FIN JV Offer at \$1.15 per share.

2.10 Advantages of Accepting the FIN JV Offer

Acceptance of the FIN JV Offer will enable shareholders to realise cash of \$1.15 for each of their shares. Payment must be made within 2 to 5 working days of FIN JV receiving the acceptance.

As stated previously, trading in the Company's shares is extremely thin. The FIN JV Offer provides shareholders with the opportunity to promptly realise cash for their shares that otherwise may not be readily available.

2.11 Disadvantages of Accepting the FIN JV Offer

We are of the view that there are no disadvantages to accepting the FIN JV Offer as shareholders cannot stop FIN JV from compulsorily acquiring all of the shares in Finzsoft at \$1.15 per share once the offer closes.

2.12 Summary of the Evaluation of the Merits of the FIN JV Offer

While there are usually a number of factors to consider when evaluating a takeover offer, in our view, the only decision for shareholders in this instance is whether to accept the FIN JV Offer immediately and receive cash of \$1.15 per share within 2 to 5 working days of the acceptance or wait until FIN JV compulsorily acquires the shares at the same price of \$1.15 per share, with payment made some days after the offer closes on 22 April 2020.

There is no financial benefit to waiting until the shares are compulsorily acquired. Accordingly, we are of the view that shareholders should accept the FIN JV Offer as soon as possible.

If not for the compulsory acquisition process in this instance, the factors that shareholders would normally consider when deciding whether to accept or reject the FIN JV Offer include:

- the rationale of the FIN JV Offer is to delist the Company and enable it to operate as a private closely-held company
- FIN JV is already assured of holding at least 94.18% of the Company's shares and the FIN JV Offer was declared unconditional on 23 March 2020
- we assess the full underlying value of Finzsoft's shares to be in the range of \$1.03 to \$1.28 per share. The FIN JV Offer price of \$1.15 per share is marginally below the midpoint of our range

- the FIN JV Offer of \$1.15 per share represents premia ranging from 7% to 22% over the Company's recent VWAP up to 9 March 2020. However, trading in the Company's shares is extremely thin and therefore does not necessarily represent a strong indication of the fair market value of Finzsoft's shares
- the likelihood of an alternative takeover offer is extremely remote and the likelihood of FIN JV increasing its offer price is nil.

2.13 Acceptance or Rejection of the FIN JV Offer

Acceptance or rejection of the FIN JV Offer is a matter for individual shareholders based on their own views as to value and future market conditions, risk profile, liquidity preference, tax position and other factors. In particular, taxation consequences will vary widely across shareholders. Shareholders will need to consider these consequences and consult their own professional adviser if appropriate.

3. Overview of the FinTech Industry

3.1 Overview

Finzsoft operates in the Australasian FinTech sector, providing financial software and solutions for banks and financial institutions.

The Financial Stability Board defines FinTech as “a *technologically enabled innovation in financial services that could result in new business models, application, processes or products with a material effect on financial institutions and provision of financial services*”.

In recent years, the FinTech marketplace has rapidly changed and continues to change. The sector is now defined by the intersection of Application Programming Interface (**API**) economies. That is, the ability of finance and banking organisations to easily consume, access and integrate the large number of third party FinTech products with their existing core systems.

3.2 Global Trends

According to GlobeNewswire, the global FinTech market is expected to be worth US\$306 billion by 2023, with the payments / billing services segment expected to drive major growth alongside the regulatory technology (**regtech**) sector.

KPMG research showed that in 2019, global FinTech investment was US\$136 billion across 2,693 deals and in Asia Pacific, FinTech companies received US\$13 billion across 547 deals. Subsectors that attracted investment included:

- payments (including digital banking)
- property technology
- insurance technology
- regtech
- cybersecurity
- blockchain.

Prior to the outbreak of the COVID-19 pandemic, the outlook was positive for FinTech investment globally, particularly in the payments area but also in B2B-focused solutions and AI-driven solutions. In Asia Pacific, the investment in digital banking was expected to be strong as more countries issue digital banking licenses.

The impact of the COVID-19 pandemic on the FinTech sector is, at present, unknown. With a sharp decline in both global and domestic financial markets, an economic threat is likely. However, there will also be opportunities for FinTech companies that are able to leverage their products and services to assist how business is transacted during the outbreak.

3.3 FinTech in New Zealand

According to the Ministry of Business, Innovation & Employment, FinTech is the fastest growing segment of the New Zealand technology sector growing at 33.2% between 2017 and 2018.

The growth is a result of a number of factors:

- a business friendly, agile regulatory system that is favourable to innovators and investors (such as the recent reforms allowing crowdfunding and peer-to-peer lending)
- a long history in FinTech - boards and management teams with experience bringing companies to maturity
- a highly competitive domestic environment, driving innovation and process automation.

However, it is also seen to be complicated, fragmented, challenging and somewhat daunting for non-FinTech entities.

Issues affecting the progress of FinTech in New Zealand include:

- regulatory constraints
- little understanding of the opportunity or market
- not keeping pace with international developments
- difficulties for other countries to invest in, and work with, New Zealand FinTech companies
- a lack of financial and technological literacy across New Zealand
- a lack of talent and funding available resulting in the inability of FinTech companies to scale.

3.4 Opportunities and Challenges

Opportunities

There are a number of opportunities available to FinTech companies, including:

- the change of customer behaviour, fast rate of adoption of new technologies and the overall increased use of mobile applications
- the reduction in the cost of internet services and smart devices
- the reduction in customer loyalty to traditional financial institutions and increased appetite for more convenient services
- low level of customer trust in traditional financial institutions
- the potential to reduce costs, increase efficiency and reduce fraudulent activities in banking transactions
- opening up of new markets (e.g. due to free trade agreements)
- the ability to forge new and develop existing partnerships with financial institutions
- increased investor interest in the sector.

Challenges

Current challenges for FinTech companies include:

- combatting inertia of consumers
- cost consciousness from customers, particularly if technology is seen as an expense rather than an investment
- the impact of legacy systems
- in-house development by financial service companies
- increased regulation
- the environmental impact of adopting new technology
- containing costs whilst growing
- security and cybercrime challenges.

3.5 Barriers to Entry

Barriers to entry within the FinTech sector differ depending on the sub-sector in which companies operate. Examples of barriers include:

- the ability to attract funding, particularly for the development and market penetration phases
- the ability to spot a gap in the market and having the skills to develop the appropriate technology
- the preference by financial institutions to use existing, rather than new, technologies and companies for certain areas of technology
- the cost of switching technologies within financial institutions due to the quantum and type of data held
- the ability to attract and retain key talent, with appropriate financial services knowledge
- the need to adhere to the high level of regulation in place.

3.6 Competitors

While there are a large number of FinTech companies in operation, there are a limited number that are directly comparable with Finzsoft. Examples of software providers operating in a similar area to Finzsoft include:

- ARGO – a leader in mission-critical and analytical software for the financial services sector, based in the USA
- Ultradata – a leading supplier of core banking solutions for the banking and consumer finance industry, based in Australia
- Hogan® Systems from DCX Technology – a supplier of high performance core banking software, based in the USA
- NCR Digital Banking - innovative digital financial services to retail and business customers on an API-first platform, based in the USA.

4. Profile of Finzsoft

4.1 Company Background and History

The Company was incorporated on 1 November 2000.

Finzsoft became a New Capital Markets (**NCM**) issuer in December 2000 following an initial public offering (**IPO**) of 1,200,000 shares at a price of \$0.50 per share. Its key transaction was the acquisition of Systems Support Group Limited (**SSG**), an Auckland based software development company formed in September 1986. SSG began developing *Sovereign* in 1992. SSG was renamed Finzsoft Solutions (New Zealand) Limited in April 2004.

Finzsoft migrated onto the NZX Main Board in May 2003.

In May 2007, Pi Capital Investments (FS) Limited made a partial takeover offer for 63.61% of Finzsoft at \$1.30 per share (the **Pi Capital Offer**). The Pi Capital Offer was oversubscribed and scaled back.

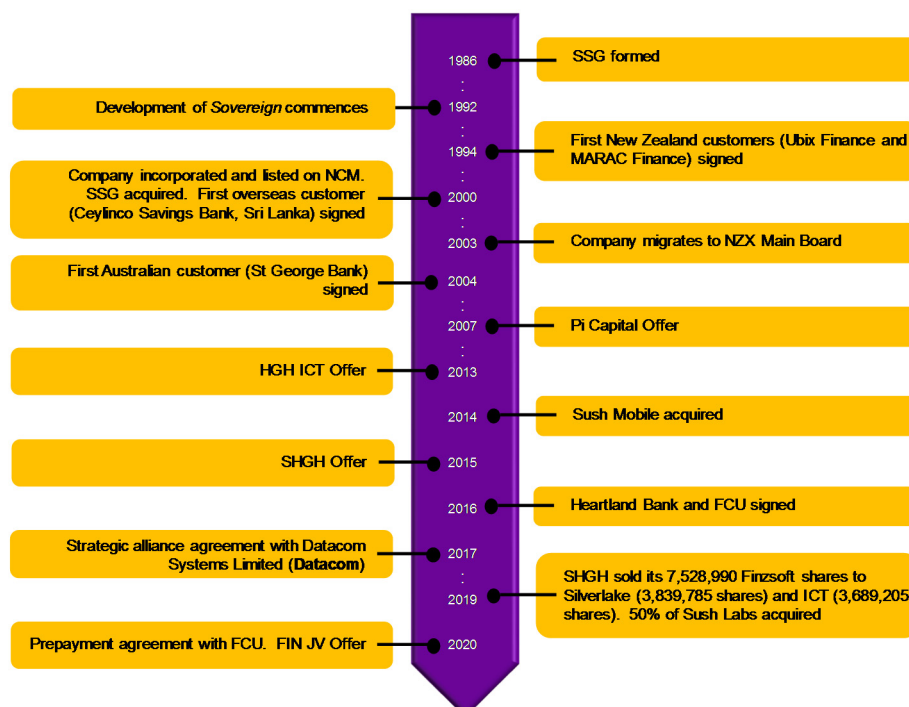
In October 2013, Holliday Group Holdings (ICT Investments) Limited (**HGH ICT**) made a full takeover offer for Finzsoft at \$0.4546 per share (the **HGH ICT Offer**). HGH ICT was owned by the Company's managing director Andrew Holliday. HGH ICT held 67.92% of the Company's shares at the completion of the HGH ICT Offer.

Finzsoft acquired 100% of the shares in Sush Global Solutions Limited (trading as Sush Mobile) for \$1.9 million in August 2014. Sush Mobile develops software for mobile devices. Finzsoft acquired 50% of the shares in Sush Labs Limited (**Sush Labs**) in October 2019 and Sush Mobile was closed down.

In February 2015, Silverlake HGH Limited (**SHGH**) made a full takeover offer for Finzsoft at \$3.00 per share. SHGH was owned by Silverlake (51%) and ICT (49%) (the **SHGH Offer**). The SHGH Offer was partially successful with SHGH holding 87.89% of the Company's shares at the completion of the SHGH Offer.

SHGH sold its shares to Silverlake and ICT in October 2019.

Key events in the Company's history are set out below.



4.2 Overview of Operations

Products

Finzsoft is a FinTech solutions provider. It develops, sells and supports finance and banking industry software solutions.

Finzsoft has 2 main products:

- *Sovereign* – the Company’s principal product (which is now a mature product in the marketplace)
- *Open Connected Core (OCC)* - Finzsoft’s next generation product.

Sovereign offers both core and vertical specific solutions supporting banks, building societies, credit unions and finance companies across Asia Pacific.

The *Sovereign* finance and banking software is fully scalable and completely integrated. The main core products provide a wide range of lending and savings / deposit functionality. These seamlessly interface with sophisticated correspondence, e-mail, internet banking credit and debit card services.

OCC is designed to empower customers to rapidly evolve to meet or disrupt the needs of a dynamic market. This capability will empower customers to:

- leverage the power of *Sovereign*’s functionally rich and proven system-of-record, and
- dynamically and seamlessly access, extend and integrate Finzsoft or third party systems-of-engagement products including, but not limited to origination, New Introducer Channels, Mobile Banking, Internet Banking, CRM, Publishing, channel and point-of-sale management solutions and leverage the exponential growth in FinTech or disruption enablers and plug-in offerings.

OCC is API enabled so it can work within other banking eco-systems and be re-architected so it can be deployed in the cloud.

Finzsoft announced on 15 July 2019 that it had secured a new material work order and a new multi-period 5 year licence for *OCC* with one of its customers. The customer has not been named as it is considered to be commercially sensitive.

Customers

Finzsoft’s key New Zealand customers include:

- CSG Finance
- dtr
- European Financial Services
- FCU
- Motor Trade Finance
- Nelson Building Society
- PFCU
- Westforce Credit Union.

Key Australian customers include:

- Royal Automobile Club of Victoria
- Westpac.

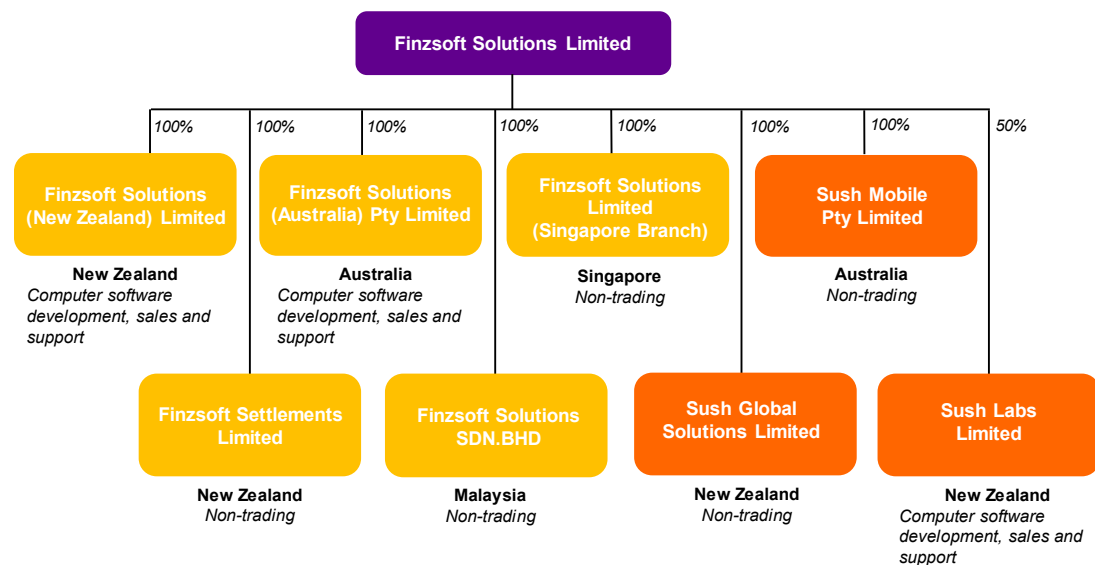
Offices and People

Finzsoft has offices in Auckland and Sydney.

The Company currently has around 40 employees and contractors.

4.3 Corporate Structure

The current Finzsoft corporate group structure is set out below.



4.4 Capital Structure and Shareholders

Finzsoft currently has 8,808,830 fully paid ordinary shares on issue held by 128 shareholders. The names, number of shares and percentage holding of the 10 largest shareholders as at 20 March 2020 are set out below.

10 Largest Shareholders		
Shareholder	No. of Shares	%
Silverlake	3,839,785	43.59%
ICT	3,689,205	41.88%
CRX	323,150	3.67%
Susan Hurring and Timothy Hurring	130,000	1.48%
Sulabh Sharma	91,333	1.04%
Sheenu Chawla	91,333	1.04%
New Zealand Central Securities Depository Limited	81,885	0.93%
Zinka Matulic	65,907	0.75%
Timothy Hurring	65,867	0.75%
Neville Dickey	41,770	0.47%
Subtotal	8,420,235	95.59%
Others (118 shareholders)	388,595	4.41%
Total	8,808,830	100.00%

Source: NZX Company Research

As discussed in section 1.3, the 8 largest shareholders as at 9 March 2020 (who collectively held 94.18% of the Company's shares) have agreed to accept the FIN JV Offer.

4.5 Directors and Senior Management

The directors of Finzsoft are:

- Josephine Grierson, independent deputy chair
- Helen Hatchard, executive director (and chief executive officer designate following the completion of the FIN JV Offer)
- Andrew Holliday, managing director, associated with ICT
- Robert McKinnon, independent chair
- Gary Sim, non-independent non-executive director
- Simon Scott, alternate director for Andrew Holliday (and chair designate following the completion of the FIN JV Offer).

The Company's senior executives are:

- Andrew Holliday, managing director
- Timothy Hurring, chief technical officer
- Zinka Matulic, general manager – professional services.

4.6 Financial Performance

Finzsoft's recent financial performance is summarised below.

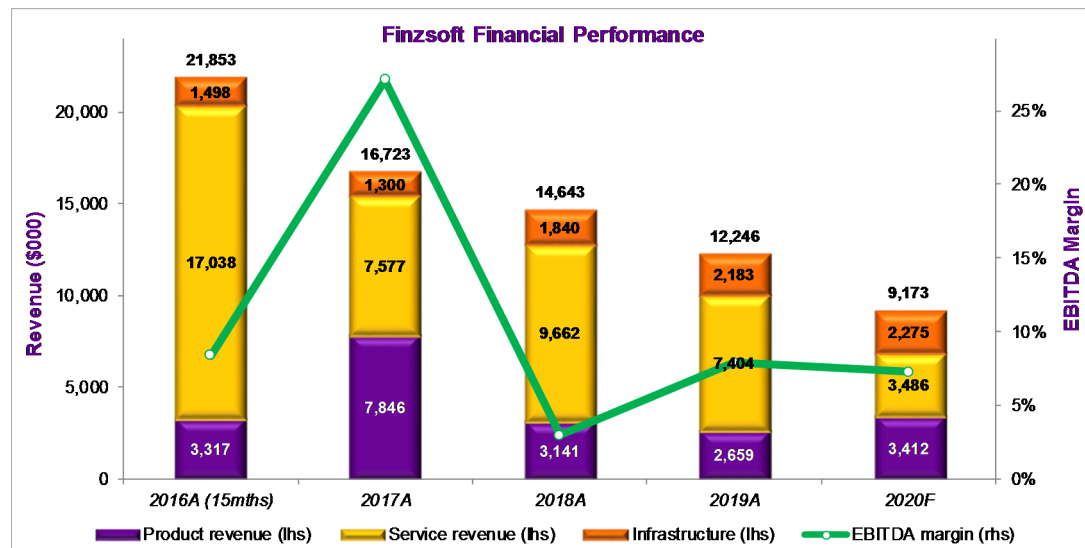
Summary of Financial Performance					
	15 Mths to 30 Jun 16 ¹ (Audited) \$000	Year to 30 Jun 17 ¹ (Audited) \$000	Year to 30 Jun 18 ¹ (Audited) \$000	Year to 30 Jun 19 (Audited) \$000	Year to 30 Jun 20 (Forecast) \$000
Sales revenue	21,853	16,723	14,643	12,246	9,173
EBITDA	1,827	4,533	433	967	668
EBIT	561	3,434	(929)	149	(865)
NPBT	383	3,440	(956)	102	(910)
NPAT	226	2,496	(734)	67	(729)
<i>EBITDA: Earnings before interest, tax, depreciation and amortisation</i> <i>EBIT: Earnings before interest and tax</i> <i>NPBT: Net profit / (loss) before tax</i> <i>NPAT: Net profit / (loss) after tax</i>					
¹ Prior to the adoption of NZ IFRS 15 Revenue from Contracts with Customers					
Source: Finzsoft annual reports and forecast for the year ended 30 June 2020					

Finzsoft's financial performance has fluctuated over the 4 years:

- sales revenue has steadily reduced from \$21.9 million in the 2016 15 month period to \$12.2 million in the 2019 financial year and is forecast to decrease to \$9.2 million in the 2020 financial year
- EBITDA margins have ranged from 3% in the 2018 financial year to 27% in the 2017 financial year and is forecast to be 7% in the 2020 financial year
- NPAT has ranged from a loss of \$0.7 million in the 2018 financial year to \$2.5 million in the 2017 financial year and is forecast to be a loss of \$0.6 million in the 2020 financial year.

The 2017 financial year included a one-off end of term licence fee of \$3.4 million.

Finzsoft transformed its service delivery model in the 2018 financial year, which included forming the strategic alliance with Datacom. The Company incurred non-recurring transaction related costs and provisions of \$1.1 million associated with the transformation.



Finzsoft's sales revenue is categorised into 3 categories:

- *Product* – annual licence fees to use Finzsoft software (ie *Sovereign* and *OCC*)
- *Service* – implementation, development and consulting services attributable to Finzsoft's licensed software
- *Infrastructure* – hosting services.

Finzsoft's main costs are:

- staff costs
- Datacom charges
- hosting overheads
- administration costs.

2020 Forecast

The 2020 forecast is based on the actual results for the 8 months ended 29 February 2020 and the forecast results for the 4 months of March to June 2020.

Summary of 2020 Financial Year Forecast			
	8 Mths to 29 Feb 20 (Actual) \$'000	4 Mths to 30 Jun 20 (Forecast) \$'000	Year to 30 Jun 20 (Forecast) \$'000
Sales revenue	5,839	3,334	9,173
EBITDA	(302)	970	668
EBIT	(1,262)	397	(865)
NPBT	(1,307)	397	(910)
NPAT	(1,015)	286	(729)

Source: Finzsoft forecast for the year ended 30 June 2020

The 2020 financial year forecast is based on the following key assumptions:

- *Product* revenue of \$3.4 million (with the first OCC licence fee receipt commencing in May 2020)
- *Service* revenue of \$3.5 million
- *Infrastructure* revenue of \$2.3 million
- EBITDA margin of 7%
- depreciation and amortisation expenses of \$1.5 million.

4.7 Financial Position

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

Summary of Financial Position					
	As at 30 Jun 16 (Audited) \$000	As at 30 Jun 17 (Audited) \$000	As at 30 Jun 18 (Audited) \$000	As at 30 Jun 19 (Audited) \$000	As at 29 Feb 20 (Unaudited) \$000
Current assets	3,751	4,458	4,073	2,475	3,982
Non current assets	5,804	6,324	7,533	9,852	12,497
Total assets	9,555	10,782	11,606	12,327	16,479
Current liabilities	(4,795)	(3,570)	(5,123)	(6,055)	(4,337)
Non current liabilities	-	-	-	(1,547)	(8,445)
Total liabilities	(4,795)	(3,570)	(5,123)	(7,602)	(12,782)
Total equity	4,760	7,212	6,483	4,725	3,697

Source: Finzsoft annual reports and 29 February 2020 management accounts

Current assets consist mainly of cash and cash equivalents and trade and other receivables:

- Finzsoft held approximately \$1.9 million of cash and cash equivalents as at 29 February 2020
- trade and other receivables are generally on 30 days terms.

Non current assets consist mainly of intangible assets, deferred tax assets and right of use assets:

- intangible assets as at 29 February 2020 consisted mainly of capitalised software development of approximately \$10.2 million. Development costs attributable to the design and testing of Finzsoft's software products are recognised as intangible assets and amortised over 5 years
- deferred tax assets as at 29 February 2020 amounted to approximately \$1.3 million and arise from tax losses carried forward and timing differences on various assets and liabilities
- right of use assets as at 29 February 2020 amounted to approximately \$0.5 million, representing leased properties.

Current liabilities as at 29 February 2020 consisted mainly of trade and other payables of approximately \$2.7 million and contract liabilities of approximately \$1.4 million. Prior to 29 February 2020, current liabilities also included borrowings.

Non current liabilities as at 29 February 2020 consisted mainly of contract liabilities of approximately \$7.7 million and lease liabilities of approximately \$0.5 million.

Contract liabilities represent Finzsoft's obligation to transfer goods or services to a customer and are recognised when a customer pays consideration before the Company has transferred the goods or services to the customer and the performance obligation is met.

On or about 3 February 2020, Finzsoft and FCU entered into a prepayment agreement whereby FCU prepaid annual licence fees for 5 years and 9 months and received a discount of approximately 5% off its annual licence fees (the **FCU Prepayment**). The amount paid is commercially sensitive and therefore is not disclosed in this report.

Finzsoft used \$2.0 million of the FCU Prepayment to repay its flexible credit facility with ANZ Bank New Zealand Limited (the **ANZ Facility**). The balance of the FCU Prepayment will be used to fund the completion of the OCC product development.

Finzsoft has granted FCU a first ranking general security agreement over the assets of the Company.

Total equity of approximately \$3.7 million as at 29 February 2020 consisted of:

- share capital – approximately \$4.3 million
- accumulated losses and reserves – approximately negative \$0.6 million.

The Company's level of net tangible assets (**NTA**) per share as at 29 February 2020 was negative \$0.89.

4.8 Cash Flows

A summary of Finzsoft's recent cash flows is set out below.

Summary of Cash Flows					
	15 Mths to 30 Jun 16 (Audited) \$000	Year to 30 Jun 17 (Audited) \$000	Year to 30 Jun 18 (Audited) \$000	Year to 30 Jun 19 (Audited) \$000	Year to 30 Jun 20 (Forecast) \$000
Net cash inflow from operating activities	446	4,393	280	1,645	3,352
Net cash (outflow) from investing activities	(1,947)	(1,703)	(2,296)	(2,303)	(3,107)
Net cash inflow / (outflow) from financing activities	731	(750)	1,100	600	(1,797)
Net increase / (decrease) in cash held	(770)	1,940	(916)	(58)	(1,552)
Opening cash balance	1,188	420	2,364	1,452	1,252
Effect of exchange rate changes	2	4	4	(142)	-
Closing cash balance	420	2,364	1,452	1,252	(300)

Source: Finzsoft annual reports and forecast for the year ended 30 June 2020

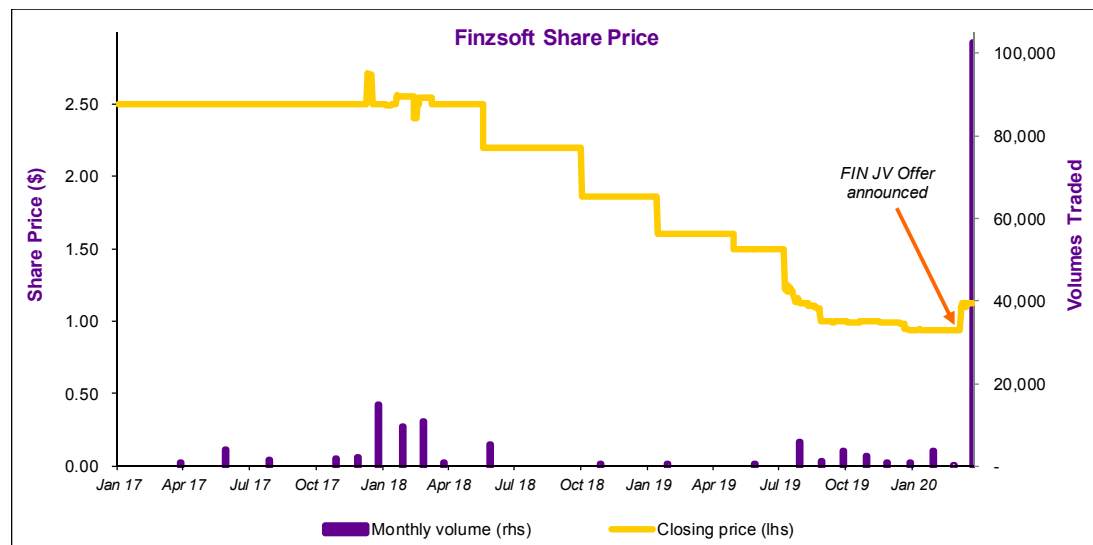
Cash inflow from operating activities in the 2020 financial year includes the FCU Prepayment.

Cash outflows from investing activities each year mainly represent software development costs.

Cash outflow from financing activities in the 2020 financial year includes the repayment of the ANZ Facility of \$2.0 million.

4.9 Share Price History

Set out below is a summary of Finzsoft's daily closing share price and monthly volumes traded from 4 January 2017 to 27 March 2020.



Source: NZX Company Research

During the period, Finzsoft's shares have traded between \$0.94 and \$2.71 at a VWAP of \$1.52.

The Company's share price has steadily decreased from \$2.71 on 14 December 2017 to \$0.94 on 30 December 2019. Since then, the Company's shares traded between \$0.94 and \$0.95 until the FIN JV Offer was announced on 10 March 2020, when the shares traded at \$1.05.

An analysis of Finzsoft's recent VWAP, traded volumes and liquidity (measured as traded volumes as a percentage of shares outstanding) up to 9 March 2020 (the day before the FIN JV Offer was announced) is set out below.

Share Trading up to 9 March 2020					
Period	Low (\$)	High (\$)	VWAP (\$)	Volume Traded (000)	Liquidity
1 month	n/a	n/a	n/a	-	n/a
3 months	0.94	0.98	0.94	5	0.1%
6 months	0.94	1.00	0.97	11	0.1%
12 months	0.94	1.50	1.07	19	0.2%

n/a: Not applicable as no shares traded
Source: NZX Company Research

Trading in the Company's shares is extremely thin, reflecting that the top 10 shareholders prior to the FIN JV Offer collectively held 95.59% of the shares.

Since the announcement of the FIN JV Offer, 102,529 shares (1.2%) have traded at a VWAP of \$1.09 up to 27 March 2020.

5. Valuation of Finzsoft

5.1 Introduction

The FIN JV Offer is a full takeover offer for all of the Company's shares. In such circumstances, we are of the view that the appropriate basis upon which to evaluate the fairness of the FIN JV Offer is to compare the offer price of \$1.15 per share with the full underlying value of Finzsoft on a standalone basis, pro-rated across all shares.

Such an approach attributes full control value to Finzsoft under its current strategic and operational initiatives, but excludes the value of any synergies that may accrue to a specific acquirer. The resulting value exceeds the price at which we would expect minority interests in Finzsoft to trade in the absence of the FIN JV Offer.

This approach is in line with one of the Code's core foundations that all shareholders be treated equally and is consistent with Rule 57(4) of the Code (which deals with specific circumstances when an expert determination is required in respect of compulsory acquisition), which seeks to avoid issues of premia or discounts for minority shareholdings.

5.2 Standard of Value

We have assessed the fair market value of 100% of the shares in Finzsoft.

Fair market value is defined as the price that a willing but not anxious buyer, with access to all relevant information and acting on an arm's length basis, would be prepared to pay to a willing but not anxious seller in an open, unrestricted and stable market.

5.3 Basis of Valuation

In general terms it is recognised that the value of a share represents the present value of the net cash flows expected therefrom. Cash flows can be in the form of either dividends and share sale proceeds or a residual sum derived from the liquidation of the business.

There are a number of methodologies used in valuing shares and businesses. The most commonly applied methodologies include:

- discounted cash flow (**DCF**)
- capitalisation of earnings
- net assets or estimated proceeds from an orderly realisation of assets.

Each of these valuation methodologies is applicable in different circumstances. The appropriate methodology is determined by a number of factors including the future prospects of the business, the stage of development of the business and the valuation practice or benchmark usually adopted by purchasers of the type of business involved.

The DCF method is the fundamental valuation approach used to assess the present value of future free cash flows (**FCF**), recognising the time value of money and risk. The value of an investment is equal to the value of FCF arising from the investment, discounted at the investor's required rate of return.

The capitalisation of earnings method is an adaptation of the DCF method. It requires an assessment of the maintainable earnings of the business and a selection of a capitalisation rate (or earnings multiple) appropriate to that particular business for the purpose of capitalising the earnings figure.

An assets based methodology is often used in circumstances where the assets of a company have a market value independent of the profitability of the company that owns them. A valuation based on an orderly realisation of assets is normally restricted to instances where the investor holds sufficient control to effect a sale of the assets and/or there is some indication that an orderly realisation is contemplated.

5.4 Valuation Approach

We have assessed the fair market value of Finzsoft using the capitalisation of earnings method. We have also undertaken a high level DCF assessment of Finzsoft as a cross-check of our capitalisation of earnings assessment.

The capitalisation of earnings method that we have applied derives an assessment of the value of the core operating business, prior to considering how the business is financed or whether it has any significant surplus assets. This ungeared business value is commonly referred to as the enterprise value and represents the market value of the operating assets (i.e. operating working capital, fixed assets and intangible assets such as brand names, licences, know-how and general business goodwill) that generate the operating income of the business.

In order to assess the value of Finzsoft's shares, we have added the value of cash and cash equivalents and investment in associates to the Company's enterprise value and deducted the value of Finzsoft's interest bearing debt (**IBD**).

5.5 Capitalisation of Earnings Valuation

Overview

We have assessed the Company's future maintainable earnings and have reviewed the market valuation and operational performance of comparable companies to derive a range of earnings multiples to apply to our assessed level of maintainable earnings.

Future Maintainable Earnings

The evaluation of maintainable earnings involves an assessment of the level of profitability which (on average) the business can expect to generate in the future, notwithstanding the vagaries of the economic cycle.

The assessment of maintainable earnings is made after considering such factors as the risk profile of the business, the characteristics of the market in which it operates, its historical and forecast performance, non-recurring items of income and expenditure and known factors likely to impact on future operating performance.

We have used EBITDA as the measure of earnings. The use of EBITDA and EBITDA multiples is common in valuing businesses for acquisition purposes as it eliminates the effect of financial leverage which is ultimately in the control of the acquirer and also eliminates any distortions from the tax position of the business and differing accounting policies in respect of depreciation and the amortisation of intangible assets.

As stated in section 4.6, Finzsoft transformed its service delivery model in the 2018 financial year (which included forming the strategic alliance with Datacom) and has recently commenced development of its new OCC product. Accordingly, we consider it appropriate to base maintainable earnings on EBITDA for the 2019 (actual) and 2020 (forecast) financial years.

The table below shows EBITDA for the 2019 (actual) and 2020 (forecast) financial years, along with adjustments for one-off, non-recurring items of expenditure in respect of legal fees and audit and accounting fees.

2019 and 2020 EBITDA		
	Year 30 Jun 2019 (Actual) \$000	Year 30 Jun 2020 (Forecast) \$000
Reported EBITDA	967	668
Adjustments for one-off, non-recurring expenditure		
Legal fees	351	721
Audit and accounting fees	108	110
Adjusted EBITDA	<u>1,426</u>	<u>1,499</u>

The average of the adjusted EBITDA for the 2019 (actual) and 2020 (forecast) financial years equates to \$1,463,000.

As stated in section 2.5, the potential synergies available to FIN JV (or any buyer looking to delist the Company) in respect of reduced administration costs are likely to be in the range of approximately \$40,000 to \$160,000 per annum.

Based on the above, we assess Finzsoft's maintainable EBITDA to be in the range of \$1,503,000 to \$1,623,000.

Assessment of Maintainable EBITDA		
	Low \$000	High \$000
Average adjusted EBITDA	1,463	1,463
Cost savings	40	160
Maintainable EBITDA	<u>1,503</u>	<u>1,623</u>

Earnings Multiple

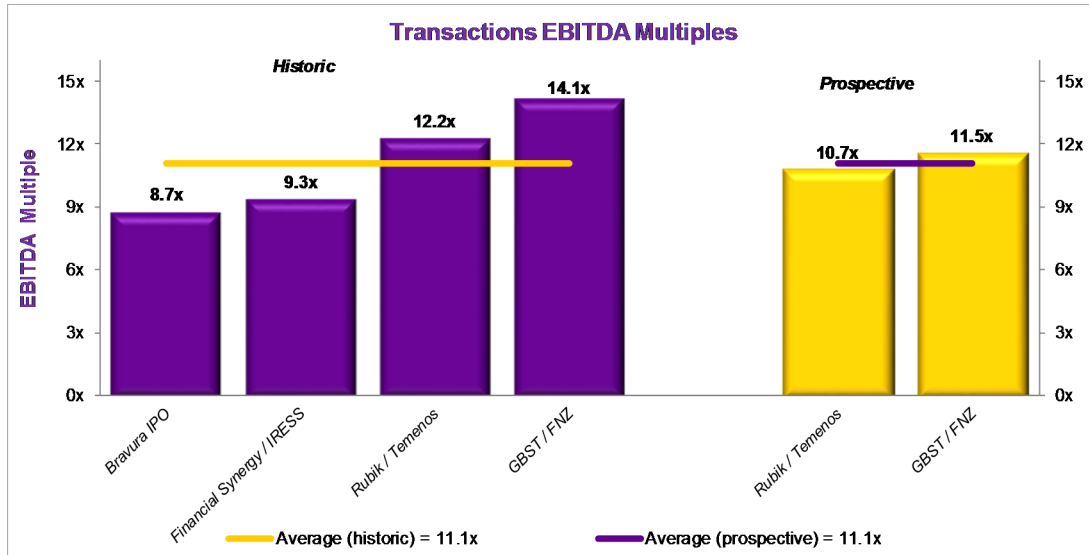
Actual sales of comparable businesses can provide reliable support for the selection of an appropriate earnings multiple. In addition, we can infer multiples from other evidence such as minority shareholding trades for listed companies in New Zealand and overseas with similar characteristics to Finzsoft or transactions involving businesses in the same industry.

Given the limited number of listed companies that are truly comparable with Finzsoft, we have reviewed multiples for companies that develop financial application software for various industries.

We note that the accounting policies adopted by the comparable companies in respect of the capitalisation of software development costs may differ from Finzsoft's, which may impact the comparability of the observed multiples.

Transaction Multiples

Set out at Appendix I is an analysis of 4 recent transactions involving Australasian financial application software businesses, showing historic and prospective EBITDA multiples.



Source: S&P Capital IQ, broker's reports, media coverage, company websites

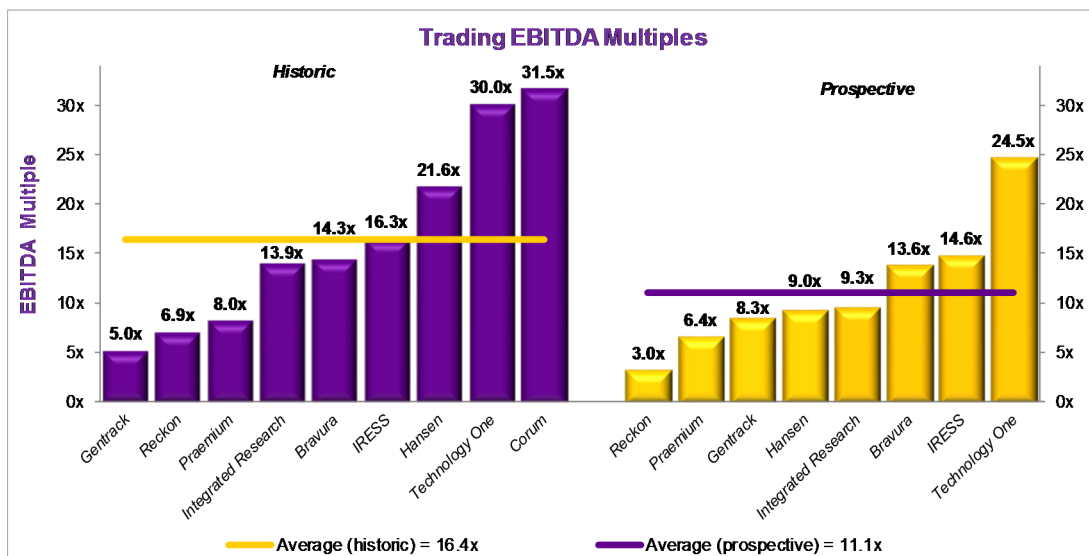
The analysis shows that:

- the historic EBITDA trading multiples range from 8.7x to 14.1x at an average of 11.1x and a median of 10.8x
- the prospective EBITDA trading multiples range from 10.7x to 11.5x at an average of 11.1x and a median of 11.1x.

Trading Multiples

Set out in Appendix II is an analysis of historic and prospective EBITDA multiples for 9 Australasian financial application software companies that are listed on the NZX Main Board and ASX.

The comparable companies' multiples are based on minority trades and as such do not include any premium for control.



Source: S&P Capital IQ, data as at 27 March 2020

The analysis shows that:

- the historic EBITDA trading multiples range from 5.0x to 31.5x at an average of 16.4x and a median of 14.3x
- the prospective EBITDA trading multiples range from 3.0x to 24.5x at an average of 11.1x and a median of 9.2x.

Conclusion

There is a considerable range in the observed multiples – particularly the trading multiples. In general terms, the smaller companies trade at lower multiples than the larger companies.

Finzsoft is significantly smaller than most of the comparable companies. Therefore we consider an appropriate EBITDA multiple for Finzsoft should be lower than those observed for the comparable companies.

Furthermore, the concerns associated with the global COVID-19 pandemic has created a high degree of volatility in the capital markets which will potentially depress transaction multiples in the near term.

Given the above, we consider an appropriate prospective EBITDA multiple for Finzsoft to be in the range of 5.0x to 6.0x.

Valuation Conclusion

We assess the value of Finzsoft's existing business to be in the range of \$7.5 million to \$9.7 million as at the present date based on the capitalisation of earnings method.

Valuation of Finzsoft Business		
	Low \$000	High \$000
Future maintainable EBITDA	1,503	1,623
EBITDA multiple	5.0x	6.0x
Value of Finzsoft business	<u>7,515</u>	<u>9,738</u>

5.6 Valuation of Finzsoft Shares

To derive the value of the Finzsoft shares, the Company's cash and cash equivalents and investment in associates are added to the enterprise value and IBD is deducted.

The Company held cash and cash equivalents of approximately \$1.9 million as at 29 February 2020.

Finzsoft acquired a 50% shareholding in Sush Labs on 18 October 2019. We have added \$81,000 for Finzsoft's investment in Sush Labs based on the carrying value of the investment as at 29 February 2020 (which included Finzsoft's share of after tax profits).

Finzsoft's IBD was approximately \$0.5 million as at 29 February 2020 in respect of lease liabilities.

We assess the fair market value of 100% of the shares in Finzsoft to be in the range of \$9.0 million to \$11.3 million as at the present date. This equates to a value of \$1.03 to \$1.28 per share.

Valuation of Finzsoft Shares		
	Low \$000	High \$000
Value of Finzsoft business	7,515	9,738
Cash and cash equivalents	1,936	1,936
Investment in Sush Labs	81	81
IBD	(492)	(492)
Value of Finzsoft shares	<u>9,040</u>	<u>11,263</u>
Number of ordinary shares currently on issue	8,808,830	8,808,830
Value per ordinary share	<u>\$1.03</u>	<u>\$1.28</u>

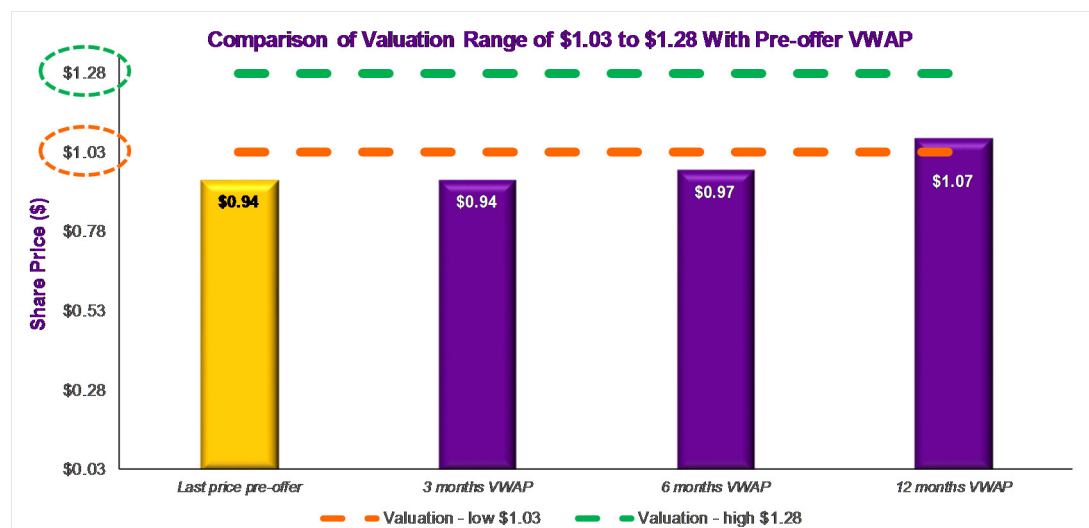
The valuation represents the full underlying standalone value of Finzsoft based on its current strategic and operational initiatives. The value exceeds the price at which we would expect minority interests in Finzsoft to trade at the present time in the absence of a takeover offer.

5.7 Implied Premium for Control

Purchasers may be prepared to pay a premium in an acquisition that will give them control of a company. Frequently, purchasers will pay more for control of a business where they perceive they can add substantial value to the business operations through synergies with other operations, changed management practices, reduced or eliminated competition, ensured sources of material supply or sales or other means.

Gaining control in itself does not create value - real value enhancement can only flow from factors that either increase future cash flows or reduce the risk of the combined entity. All rational bidders will have made some assessment of the value of the synergies that are available and the proportion of that value that they are prepared to pay away in order to complete the acquisition.

Our valuation range of \$1.03 to \$1.28 represents premia ranging from 6% to 36% over Finzsoft's share prices over the past 6 months up to the announcement of the FIN JV Offer.



While the premia over the recent share prices is not significant (especially at the low end of our valuation range), we note:

- as set out in section 2.5, the potential level of synergies available to FIN JV arising from its full ownership of the Company is unlikely to be significant
- trading in the Company's shares is extremely thin and hence may not necessarily provide a strong indication of the fair market value of the Company's shares.

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

6.1 Sources of Information

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

- the FIN JV Takeover Notice dated 9 March 2020
- the Takeover Implementation Agreement dated 9 March 2020
- the Silverlake Lock Up Agreement dated 9 March 2020
- the FIN JV Offer Document dated 23 March 2020
- the draft Finzsoft Target Company Statement
- the Finzsoft board minutes from February 2017 to March 2020
- the Finzsoft annual reports for the years ended 30 June, 2017 to 2019
- the Finzsoft management accounts for the years ended 30 June, 2017 to 2019 and the 8 months ended 29 February 2020
- the Finzsoft forecast for the year ended 30 June 2020
- the Finzsoft financial projections for the years ended 30 June, 2021 to 2023
- data from NZX Company Research and S&P Capital IQ in respect of Finzsoft and comparable companies
- publicly available information regarding the FinTech industry.

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

The Independent Committee has confirmed that we have been provided for the purpose of this Independent Adviser's Report with all information that the Independent Committee considers relevant to the FIN JV Offer that is known to it and that all the factual information provided by the Company contained in this report 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 necessary for the purpose of preparing this Independent Adviser's Report.

In our opinion, the information set out in this Independent Adviser's Report is sufficient to enable the Independent Committee and the shareholders to understand all the relevant factors and to make an informed decision in respect of the FIN JV Offer.

6.2 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 Finzsoft 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 Finzsoft. We do not warrant that our enquiries would reveal any matter which an audit, due diligence review or extensive examination might disclose.

6.3 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 Finzsoft 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 Finzsoft and its directors and management. 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.

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 this report.

We have had no involvement in the preparation of the Target Company Statement issued by Finzsoft and have not verified or approved the contents of the Target Company Statement. We do not accept any responsibility for the contents of the Target Company Statement except for this report.

6.4 Indemnity

Finzsoft 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 fraud, bad faith, negligence, misconduct or breach of law. Finzsoft has also agreed to indemnify Simmons Corporate Finance and its directors and employees for time incurred and any reasonable costs in relation to any inquiry or proceeding initiated by any person as a result of or in connection with the preparation of this report (subject to the exceptions in the previous sentence).

7. Qualifications and Expertise, Independence, Declarations and Consents

7.1 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), INFINTZ (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.

7.2 Independence

Simmons Corporate Finance does not have at the date of this report, and has not had, any shareholding in or other relationship with Finzsoft or FIN JV or any conflicts of interest that could affect our ability to provide an unbiased opinion in relation to the FIN JV Offer.

Simmons Corporate Finance has not had any part in the formulation of the FIN JV Offer 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 FIN JV Offer. We will receive no other benefit from the preparation of this report.

7.3 Declarations

An advance draft of this report was provided to the Independent Committee 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.

7.4 Consents

We consent to the issuing of this report in the form and context in which it is to be included in the Target Company Statement to be sent to Finzsoft'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
30 March 2020

Appendix I

Comparable Companies Transaction Multiples

Transaction Multiples					
Date	Target	Acquirer	Enterprise Value (\$m)	EBITDA Multiple	
				Hist.	Pros.
Nov 2019	GBST Holdings Limited	FNZ (UK) Limited	A\$226	14.1x	11.5x
May 2017	Rubik Financial Limited	Temenos Group AG	A\$78	12.2x	10.7x
Nov 2016	Bravura Solutions Limited	IPO	A\$310	8.7x	n/a
Oct 2016	Financial Synergy Pty Limited	IRESS Limited	A\$88	9.3x	n/a
Minimum				8.7x	10.7x
Average				11.1x	11.1x
Median				10.8x	11.1x
Maximum				14.1x	11.5x
n/a: not available					
Source: S&P Capital IQ, brokers' reports, media coverage, company websites					

GBST Holdings Limited / FNZ (UK) Limited

FNZ (UK) Limited acquired GBST Holdings Limited under a scheme of arrangement at an implied enterprise value of A\$226 million on 5 November 2019.

GBST Holdings Limited provides client accounting and securities transaction technology solutions for the finance, banking and capital market industries worldwide. GBST Holdings Limited was founded in 1984 and is based in Brisbane, Australia.

Rubik Financial Limited / Temenos Group AG

Temenos Group AG acquired Rubik Financial Limited under a scheme of arrangement at an implied enterprise value of A\$78 million on 22 May 2017.

Rubik Financial Limited provides technology and software solutions to the financial services organizations in Australia, the Middle East and internationally. It operates through 3 segments - Wealth, Banking and Mortgages. The company was formerly known as Ausron Limited. Rubik Financial Limited was founded in 2007 and is based in Sydney, Australia.

Bravura Solutions Limited / IPO

Bravura Solutions Limited undertook an IPO and listing on the ASX on 16 November 2016. The company raised A\$148 million under the IPO.

A description of Bravura Solutions Limited is set out in Appendix II.

Financial Synergy Pty Limited / IRESS Limited

IRESS Limited acquired Financial Synergy Pty Limited at an implied enterprise value of A\$88 million on 31 October 2016.

Financial Synergy Pty Limited develops and provides superannuation and investment software, administration services and products for the wealth management industry. The company was founded in 1978 and is based in Melbourne, Australia.

Appendix II

Comparable Companies Trading Multiples

Trading Multiples						
Company	Market Capitalisation (\$m)	Enterprise Value (\$m)	EBITDA Multiple		PE Multiple	
			Hist.	Pros.	Hist.	Pros.
Bravura Solutions Limited	A\$916	A\$862	14.3x	13.6x	24.5x	20.2x
Corum Group Limited	A\$16	A\$13	31.5x	n/a	n/m	n/a
Gentrack Group Limited	NZ\$99	NZ\$95	5.0x	8.3x	n/m	77.0x
Hansen Technologies Limited	A\$584	A\$759	21.6x	9.0x	36.5x	14.4x
Integrated Research Limited	A\$424	A\$417	13.9x	9.3x	19.4x	17.5x
IRESS Limited	A\$1,809	A\$2,060	16.3x	14.6x	27.7x	23.0x
Praemium Limited	A\$20	A\$17	8.0x	6.4x	n/m	n/m
Reckon Limited	A\$54	A\$99	6.9x	3.0x	6.7x	6.1x
Technology One Limited	A\$2,470	A\$2,365	30.0x	24.5x	42.3x	37.8x
Minimum			5.0x	3.0x	6.7x	6.1x
Average			16.4x	11.1x	26.2x	28.0x
Median			14.3x	9.2x	26.1x	20.2x
Maximum			31.5x	24.5x	42.3x	77.0x
n/a: not available						
n/m: not meaningful						
Source: S&P Capital IQ, data as at 27 March 2020						

Bravura Solutions Limited

Bravura Solutions Limited provides enterprise software and software-as-a-service (SaaS) to the wealth management, life insurance and funds administration markets in Australia, New Zealand, the United Kingdom and internationally. It operates through 2 segments - Wealth Management and Funds Administration. The company was formerly known as Bravura Solutions Holdings Pty Ltd and changed its name to Bravura Solutions Limited on 13 October 2016. Bravura Solutions Limited was founded in 2004 and is headquartered in Sydney, Australia.

Corum Group Limited

Corum Group Limited operates as a technology and software development company in Australia. It operates through 2 segments - Health Services and eCommerce. The company was incorporated in 1950 and is headquartered in Sydney, Australia.

Gentrack Group Limited

Gentrack Group Limited engages in the development, integration and support of enterprise billing and customer management software solutions for the energy and water utility and airport industries in Australia, New Zealand, the United Kingdom and internationally. It operates in 2 segments - Utility Billing Software and Airport Management Software. The company was founded in 1989 and is headquartered in Auckland, New Zealand.

Hansen Technologies Limited

Hansen Technologies Limited develops, integrates and supports customer care and billing system software for the utilities, energy, pay TV and telecommunications sectors. The company has operations in Australia, New Zealand, North America, Central America, Latin America, Europe, the Middle East, Africa and rest of Asia. Hansen Technologies Limited was founded in 1971 and is headquartered in Melbourne, Australia.

Integrated Research Limited

Integrated Research Limited designs, develops, implements and sells systems and applications management computer software for business-critical computing, unified communication networks and payment networks in the Americas, Europe and the Asia Pacific. Integrated Research Limited was founded in 1988 and is headquartered in North Sydney, Australia.

IRESS Limited

IRESS Limited provides market data, trading, compliance, order management, portfolio and wealth management, mortgages and related tools in Australia, New Zealand, Asia, North America, Europe, South Africa and the United Kingdom. The company was formerly known as IRESS Market Technology Limited and changed its name to IRESS Limited in May 2012. IRESS Limited was founded in 1993 and is based in Melbourne, Australia.

Praemium Limited

Praemium Limited provides managed accounts platform services, investment management, portfolio administration and reporting and financial planning software in Australia, Europe and Asia. Praemium Limited was founded in 2001 and is based in Melbourne, Australia.

Reckon Limited

Reckon Limited provides software solutions in Australia, the United States and internationally. It operates through Business Group, Practice Management Group, Accountants and Practice Management Group and Legal segments. The company serves small and medium and larger businesses and accountants, bookkeepers and lawyers. Reckon Limited was founded in 1987 and is headquartered in North Sydney, Australia.

Technology One Limited

Technology One Limited researches, develops, markets, sells, implements and supports integrated enterprise business software solutions worldwide. The company operates through Software, Consulting and Corporate segments. The company serves local government, education, government, asset intensive, project intensive, health and community services and financial services industries, as well as corporates. Technology One Limited was founded in 1987 and is headquartered in Fortitude Valley, Australia.