



FRONDE SYSTEMS GROUP LIMITED

TARGET COMPANY STATEMENT

**IN RESPONSE TO A FULL TAKEOVER OFFER
FROM LVP TECH NZ BIDCO LIMITED**

9 SEPTEMBER 2022

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.

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LETTER FROM THE CHAIR OF THE BOARD

9 September 2022

Dear Fronde Systems Group Limited shareholder,

Introduction

LVP Tech NZ Bidco Limited (“**Seisma**”) is making a full takeover offer under the Takeovers Code for all of the shares (“**Fronde Shares**”) in Fronde Systems Group Limited (the “**Offer**”).¹

This letter forms part of Fronde’s Target Company Statement in response to Seisma’s Offer. The Target Company Statement is required by the Takeovers Code and includes the Board’s recommendation on the Offer, as well as an Independent Adviser’s Report on the merits of the Offer, 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.

The Board is advised by Cameron-Brown Corporate Advisory Limited, as financial adviser, and Harmos Horton Lusk Limited, as legal adviser, in respect of the Offer.

Recommendation of the Board

The Board unanimously recommends that you SHOULD ACCEPT the Offer.

Fronde has entered into a binding Term Sheet with Seisma’s indirect holding company (see paragraphs 10.4 and 10.5 of the Takeovers Code Disclosures section of this Target Company Statement) under which it was agreed that the Board may change its recommendation if the Offer Price is below the Independent Adviser’s value range for the Fronde Shares, if a Superior Proposal emerges or if the Term Sheet is terminated. At the date of this Target Company Statement, the Offer Price is within the Independent Adviser’s value range for the Fronde Shares. In addition, the Board considers that it is very unlikely that a Superior Proposal will emerge during the Offer period.

Key terms and conditions of Seisma’s Offer

The Offer price is **\$1.152** per Fronde Share in cash (“**Offer Price**”).

The Offer is conditional on Seisma receiving acceptances to the Offer which will result in Seisma becoming the holder or controller of 90% or more of the voting rights in Fronde (“**90% minimum acceptance condition**”). This condition is not waivable. This means that the Offer will lapse if Seisma receives acceptances to the Offer in respect of less than 90% of the Fronde Shares. In this regard, Seisma has advised that, as at the date of this letter:

- Fronde Shareholders holding, in aggregate, 72.65% of the Fronde Shares have entered into Lock Up Agreements under which they have contractually committed to accept the Offer (except if the Board has advised that it has received a Superior Proposal).²

¹ Further information regarding Seisma and its ownership and control structure is summarised in section 2 of Appendix 1 to the Offer Document.

² The terms of the Lock Up Agreements are summarised in section 8 of Appendix 1 to the Offer Document.

- Fronde Shareholders holding, in aggregate, a further 18.31% of the Fronde Shares have confirmed a non-binding indicative intention to accept the Offer (although these shareholders retain full discretion as to whether or not to ultimately accept the Offer).

Accordingly, Fronde Shareholders holding, in aggregate, 90.95% of the Fronde Shares have either contractually committed to accept, or signaled an indicative intention to accept, the Offer. On this basis, the Board considers that it is reasonably likely that the 90% minimum acceptance condition will be satisfied.

The Offer is also conditional on other standard matters, including that Fronde's business is carried on in the ordinary course and that there are no changes to Fronde's capital structure and no dividends are declared or paid before and during the Offer period. If the 90% minimum acceptance condition is satisfied, Seisma must immediately declare the Offer unconditional unless another condition has been breached before that time.

The full terms and conditions of Seisma's Offer are set out in Seisma's Offer Document, which accompanies this Target Company Statement.

Key factors

In considering the Offer, the Board suggests that you have regard to the following key factors:

- the Offer Price of \$1.152 per Fronde Share is within the Independent Adviser's value range of \$1.08 to \$1.32 per Fronde Share;
- the Board believes that the Offer Price adequately compensates you for the current and potential future benefits of ownership of Fronde Shares, having regard to the risks of future share ownership;
- the Fronde Shares are not listed by NZX (the New Zealand Stock Exchange) and are not quoted on USX or any other unlisted trading platform. Consequently, Fronde Shares are only able to be bought and sold on a private 'off market' basis. This represents a very significant constraint on the ability for Fronde Shareholders to realise their investment by selling Fronde Shares and means that there is no public 'price discovery' of the price paid in any private sales of Fronde Shares. In this context, the Offer provides you with the significant benefit of a certain opportunity to sell all of your Fronde Shares at a cash price in one transaction and free of brokerage;
- as noted above, Fronde Shareholders together holding 90.95% of Fronde Shares have contractually committed, or have signalled an indicative intention, to accept the Offer. As a result, the Board considers that it is reasonably likely that the Offer will result in Seisma becoming the owner of 90% or more of the Fronde Shares. At this level of ownership, Seisma will be entitled to, and intends to, compulsorily acquire the Fronde Shares held by Fronde Shareholders who do not accept the Offer. If your Fronde Shares are compulsorily acquired by Seisma, the compulsory acquisition price will be the same as the Offer Price; and
- the Board considers that a Superior Proposal is very unlikely during the Offer period.

Ultimately, it is your decision whether or not to accept the Offer. When making this decision you should consider your own individual circumstances, views on value and the merits of the Offer, and investment time horizon. You are encouraged to consider taking your own separate professional advice (e.g. from your lawyer or financial adviser) tailored to your circumstances.

Board intentions

The only member of the Board that has an interest in Fronde Shares is Alistair McKee, who jointly holds 430,760 Fronde Shares with Louisa McKee, and 145,250 Fronde Shares jointly with other persons as a trustee of a trust. Alistair McKee and the other joint shareholders have entered into Lock Up Agreements under which they have agreed to accept the Offer in respect of all of their Fronde Shares.³

Acceptance of the Offer

If you wish to accept the Offer, please use the Acceptance Form that accompanies Seisma's Offer Document. Complete and return your Acceptance Form before the Offer closes in accordance with the instructions on that form. **Acceptances, once given, cannot be withdrawn** unless Seisma fails to pay you for your Fronde Shares in accordance with the Takeovers Code.

If you wish to accept the Offer you can only do so for all of your Fronde Shares. That is, you cannot accept the Offer for some of your shares.

If you wish to reject (i.e. not accept) the Offer, you do not need to take any action.

Timing

The Offer will close at 11:59pm on 7 October 2022, unless extended by Seisma in accordance with the Takeovers Code. Seisma will write to you to advise you if it extends the Offer.

If you accept the Offer, Seisma will pay you for your Fronde Shares within five working days after the later of the date that Seisma receives your acceptance or the date that the Offer is declared unconditional. Accordingly, if you intend to accept the Offer and desire prompt payment, **the Board recommends that you should accept the Offer as soon as possible.**

Conclusion

As noted above, the Board unanimously recommends that you should accept the Offer.

If new material information arises, or if there is a material change in circumstances, the Board will update shareholders.

On behalf of the Board, I thank you for your support of Fronde.

Yours faithfully



David Bartlett

Chair of the Board

Fronde Systems Group Limited

³ See footnotes 2 and 5.

TAKEOVERS CODE DISCLOSURES

This Target Company Statement has been prepared by Fronde Systems Group Limited (“**Fronde**”) pursuant to Rule 46 and Schedule 2 of the Takeovers Code in relation to a full takeover offer made by LVP Tech NZ Bidco Limited (“**Seisma**”). Where any information required by Schedule 2 to the Takeovers Code is not applicable, no statement is made regarding that information. The following matters are stated as at the date of this Target Company Statement.

1. DATE

1.1 This Target Company Statement is dated 9 September 2022.

2. OFFER

2.1 This Target Company Statement relates to a full takeover offer by Seisma (“**Offer**”) to purchase all of the fully paid ordinary shares in Fronde (“**Fronde Shares**”). Further information regarding Seisma and its ownership and control structure is summarised in section 2 of Appendix 1 to the Offer Document.

2.2 The full terms of the Offer are set out in Seisma’s Offer Document dated 9 September 2022 (“**Offer Document**”).

3. TARGET COMPANY

3.1 The name of the target company is Fronde Systems Group Limited.

4. DIRECTORS OF FRONDE

4.1 The names of the Directors of Fronde are:

- (a) David John Bartlett (Chair of the Board);
- (b) Amanda Katrina Cribb;
- (c) Samford Lee Maier; and
- (d) Alistair Joseph McKee.

5. OWNERSHIP OF EQUITY SECURITIES OF FRONDE

5.1 The only class of equity securities on issue in Fronde at the date of this Target Company Statement is Fronde Shares. The number and the percentage of Fronde Shares held or controlled by each Director or Senior Manager⁴ of Fronde, or their associates, as at the date of this Target Company Statement is set out in the following table:

⁴ For the purposes of this Target Company Statement, the Board has determined that the Senior Managers of Fronde are Jason Delamore (Chief Executive Officer) and Martin Currie (Chief Financial Officer).

Director, Senior Manager or associate	Description	Number of Fronde Shares held or controlled by Director, Senior Manager or associate	Designation of Fronde Shares	Percentage of total number of Fronde Shares
Alistair McKee ⁵	Director	576,010	Ordinary Shares	7.81%

The information in the above table was provided by or on behalf of the persons named in that table in response to questionnaires circulated by Fronde and Fronde's share register as at 29 August 2022.

5.2 Except as set out in paragraph 5.1, no Director or Senior Manager of Fronde, or their associates, holds or controls any Fronde Shares.

5.3 The number and the percentage of Fronde Shares held or controlled by the persons known by Fronde to hold or control 5% or more of the Fronde Shares is set out in the following table:

Holder or controller of 5% or more of the Fronde Shares	Number of Fronde Shares held or controlled	Designation of Fronde Shares	Percentage of total number of Fronde Shares
Susan Elizabeth Irving, Richard Henry Gawith and Andrew William Irving in their capacity as trustees for the Chameleon Trust	1,973,145	Ordinary Shares	26.75%
Celia Maria Burton	1,405,963	Ordinary Shares	19.06%
Ian Andrew Clarke	590,055	Ordinary Shares	8.00%
Alistair McKee, comprised of the following shareholdings: <ul style="list-style-type: none"> Fronde Shares jointly held by Alistair McKee and Louisa McKee Fronde Shares jointly held by Alistair McKee, Louisa McKee and Richard Gawith as trustees of the McKee Family Trust 	576,010, comprised of: <ul style="list-style-type: none"> 430,760 Fronde Shares jointly held with Louisa McKee 145,250 Fronde Shares held as a trustee of the McKee Family Trust 	Ordinary Shares	7.81%, comprised of: <ul style="list-style-type: none"> 5.84% (Fronde Shares jointly held with Louisa McKee) 1.97% (Fronde Shares held as a trustee of the McKee Family Trust)
Garth Lawrence Hamilton, Joanna Hamilton, and John Marshall Scutter	413,755	Ordinary Shares	5.61%
Darren McTigue, Clare Helen McTigue and Joanne Elizabeth Nolan as trustees of the McTigue Family Trust	399,745	Ordinary Shares	5.42%

The information in the above table was provided by or on behalf of the persons named in that table in response to questionnaires circulated by Fronde and Fronde's share register as at 29 August 2022.

⁵ These Fronde Shares are held by Alistair McKee jointly with Louisa McKee (as to 430,760 Fronde Shares) and jointly with Louisa McKee and Richard Gawith as trustees of the McKee Family Trust (as to 145,250 Fronde Shares).

- 5.4 Except as set out in paragraph 5.3, no other person is known by Fronde to hold or control 5% or more of the Fronde Shares.
- 5.5 No Director or Senior Manager of Fronde or their associates, and no person who, to Fronde's knowledge, holds or controls 5% or more of the Fronde Shares, has a relevant interest in a derivative for which the underlying security or asset is Fronde Shares.
- 5.6 Fronde previously operated an employee share incentive plan ("**Incentive Plan**") pursuant to which certain employees were granted the right to be issued non-voting shares in Fronde ("**Share Rights**") if a "liquidity event" (as defined in the Incentive Plan) occurred. Participants in the Incentive Plan were not required to pay for Share Rights and did not hold a specified number of Share Rights. Rather, the Share Rights entitled the participant to be issued non-voting shares in Fronde in accordance with a formula (where the number of shares was determined based on the sale price achieved in a liquidity event and the participant's proportionate rights under the Incentive Plan).
- 5.7 Under the Incentive Plan, Fronde was entitled to cash settle and cancel Share Rights by paying participants an amount equivalent to what they would have received had their Share Rights vested and the resulting shares been acquired under the Offer. Consistent with this, in anticipation of Seisma making the Offer, Fronde entered into letter agreements with all participants in the Incentive Plan under which their Share Rights were cancelled in return for Fronde agreeing to pay a cash settlement amount.⁶ Participants will be paid their respective cash settlements on the date that is two business days after Fronde has received notice that Seisma has declared the Offer unconditional. If the Offer does not become unconditional, then the cash settlements will not be paid and, instead, Fronde must act reasonably and in good faith to provide participants with rights equivalent to their cancelled Share Rights.
- 5.8 Jason Delamore was granted Share Rights under the Incentive Plan. By way of a letter agreement between Jason Delamore and Fronde dated 23 August 2022, Mr Delamore's Share Rights were cancelled and, in return, Fronde agreed to make a gross cash settlement payment (inclusive of PAYE, KiwiSaver contributions and deductions and other deductions) of \$151,500. The material terms of that letter agreement are summarised in paragraph 5.7.
- 5.9 Except as set out in paragraph 5.8, no Director or Senior Manager of Fronde, or their associates, have, in the two year period ending on the date of this Target Company Statement:
- (a) been issued with any equity securities of Fronde; or
 - (b) obtained a beneficial interest in any equity securities of Fronde under any Fronde employee share scheme or other remuneration arrangement.

6. TRADING IN FRONDE EQUITY SECURITIES

- 6.1 No Director or Senior Manager of Fronde, or any of their associates, has during the six month period before 29 August 2022 (being the latest practicable date before the date of this Target Company Statement) acquired or disposed of Fronde Shares.

⁶ The aggregate gross settlement amount (inclusive of PAYE, KiwiSaver contributions and deductions and other deductions) payable to participants is \$165,000.

- 6.2 No person known by Fronde to hold or control 5% or more of the Fronde Shares has during the six month period before 29 August 2022 (being the latest practicable date before the date of this Target Company Statement) acquired or disposed of Fronde Shares.

7. ACCEPTANCE OF OFFER

- 7.1 No Director or Senior Manager of Fronde, or their associates, has an interest in Fronde Shares, except as set out in paragraph 7.2.

- 7.2 Alistair McKee, who is a Director of Fronde, jointly holds:

- (a) 430,760 Fronde Shares with Louisa McKee; and
- (b) 145,250 Fronde Shares with Louisa McKee and Richard Gawith as trustees of the McKee Family Trust.

- 7.3 The Fronde Shareholders referred to in paragraphs 7.2(a) and 7.2(b) have entered into Lock Up Agreements with LVP Technology Services Pty Ltd (“**LVP**”) (which indirectly owns all of the shares in Seisma) in relation to the Offer under which they have agreed to accept the Offer in respect of all of their Fronde Shares no later than five working days after the Offer Document is received by them. The material terms of the Lock Up Agreements are summarised in section 8 of Appendix 1 to the Offer Document.

8. OWNERSHIP OF EQUITY SECURITIES OF SEISMA

- 8.1 Fronde does not hold or control any class of equity security of Seisma or any related company of Seisma (“**Seisma Shares**”).

- 8.2 No Director or Senior Manager of Fronde, or their associates, holds or controls any Seisma Shares.

9. TRADING IN EQUITY SECURITIES OF SEISMA

- 9.1 Fronde has neither acquired nor disposed of any Seisma Shares during the six month period before 29 August 2022 (being the latest practicable date before the date of this Target Company Statement).

- 9.2 No Director or Senior Manager of Fronde, or their associates, has acquired or disposed of any Seisma Shares during the six month period before 29 August 2022 (being the latest practicable date before the date of this Target Company Statement).

10. ARRANGEMENTS BETWEEN SEISMA OR ITS ASSOCIATES AND FRONDE OR ITS RELATED COMPANIES

- 10.1 As at the date of this Target Company Statement, except as set out below in this paragraph 10, no agreement or arrangement (whether legally enforceable or not) has been made, or is proposed to be made, between Seisma or any of its associates and Fronde or any related company of Fronde, in connection with, in anticipation of, or in response to, the Offer.

Confidentiality Agreement

- 10.2 On 12 November 2021, LVP and Fronde entered into a confidentiality agreement under which each party agreed to keep confidential and not disclose any confidential information received from the other party.

Exclusivity Letter

- 10.3 On 20 May 2022, LVP and Fronde entered into an exclusivity agreement pursuant to which Fronde granted LVP a period of exclusivity (subject to a “fiduciary out” exception) for the purposes of allowing LVP to complete its due diligence, negotiate the transaction documents and, if a takeover notice is given, implement the transaction (the “**Exclusivity Letter**”). The Exclusivity Letter included an obligation on Fronde to notify LVP of any competing proposal and granted LVP a right to match any “superior proposal”. The exclusivity period expires on the closing date for the Offer.

Term Sheet

- 10.4 On 26 July 2022, LVP and Fronde entered into a deed setting out the terms and conditions on which LVP or a nominee was required to make the Offer (the “**Term Sheet**”). The material terms of the Term Sheet are:
- (a) subject to certain conditions (summarised in paragraph (d) below) Seisma agreed to:
 - (i) send takeover notice no later than 10 working days after the date on which the last condition set out in the Term Sheet was satisfied or waived; and
 - (ii) subject to receiving the target company statement from Fronde within 7 working days of the date of the takeover notice, make the Offer 11 working days after the date of the takeover notice;
 - (b) Fronde agreed, prior to Seisma making the Offer, to enter into arrangements with the holders of the Share Rights under which the Share Rights will be cancelled in return for a cash payment equivalent to what the holders would have received had the Share Rights vested and the resulting shares been acquired under the Offer (see paragraphs 5.6 to 5.8 for further information);
 - (c) Seisma is not obliged to make the Offer unless Fronde has exercised in full the call option it has under the call option deed dated 13 May 2020 between Fronde, BokScot Capital Pty Limited and BokScot Capital Unit Trust and subsequently brought back and cancelled the shares which were the subject of that option (see paragraphs 24.1 and 24.2 for further information);
 - (d) Seisma’s obligations under the Term Sheet to make the Offer were conditional on:
 - (i) Seisma completing interviews with certain of Fronde’s key customers and none of those interviews identifying any material adverse issues with Fronde’s relationship with the relevant customer; and
 - (ii) Seisma receiving the following shareholder commitments:
 - (A) Fronde shareholders who in aggregate hold or control not less than 72% of the voting rights in Fronde having entered into Lock Up Agreements with Seisma; and
 - (B) Fronde Shareholders who in aggregate hold or control not less than 15% of the voting rights in Fronde having provided to Seisma confirmations in writing of indicative or conditional support of the Offer in a form acceptable to Seisma;

- (e) Fronde gave certain undertakings to run the business in the ordinary course (and not to take certain other fundamental actions) from the date of signing the Term Sheet;
 - (f) Fronde agreed to procure that the directors of Fronde include in this Target Company Statement a unanimous recommendation to Fronde Shareholders that they should accept the Offer subject to the Offer Price being in, or above, the valuation range determined by the Independent Adviser for the Offer and in the absence of a Superior Proposal; and
 - (g) Fronde agreed that, if Seisma makes the Offer and the Offer fails due to the non-satisfaction of the 90% minimum acceptance condition, then it will not seek cost recovery from Seisma under section 49 of the Takeovers Act 1993.
- 10.5 Each of LVP and Fronde may terminate the Term Sheet and the Exclusivity Letter, by written notice to the other, if (among other circumstances):
- (a) the Independent Adviser provides valuation guidance, and the Offer Price is not within or above the valuation range, and Seisma has not agreed to increase the Offer Price to be within the Independent Adviser's valuation range within five working days after being notified of the valuation range by Fronde; and the Fronde Board recommends, or notifies Seisma that it intends to recommend, that Fronde Shareholders should not accept the Offer; or
 - (b) if Fronde has given a notice of a "superior proposal" under the Exclusivity Letter and Seisma does not match that "superior proposal" within the matching timeframe provided in the Exclusivity Letter.⁷

Confirmation Letter

- 10.6 On 26 July 2022, Fronde provided LVP with a letter outlining Fronde's confirmation and waiver in relation to certain provisions in Fronde's constitution ("**Constitution**") (the "**Confirmation Letter**").
- 10.7 The relevant provisions of the Confirmation Letter related to a takeovers regime that applies if the Fronde Shares are "Quoted Equity Securities" (as defined in the Constitution) and the "Exchange" (as that term is defined in the Constitution) has not disapplied the relevant provisions after the Takeovers Code came into effect. Both LVP and Fronde believe that the Fronde Shares are not "Quoted Equity Securities" (as defined in the Constitution) and therefore those takeover provisions do not apply, however as an approach of caution, Fronde, undertaking the role as the "Exchange" (as that term is defined in the Constitution):
- (a) for the purposes of clause 15.21 of the Constitution, irrevocably approved clauses 15.3 to 15.19 of the Constitution ceasing to apply with immediate effect; and
 - (b) irrevocably waived the application of clause 16 of the Constitution in relation to LVP (or any of its Related Companies) as a "Majority Holder" (as that term is defined in the Constitution), with

⁷ A "superior proposal" under the Exclusivity Letter includes any proposal, offer or indication of interest, in writing or otherwise, for the acquisition of all or any material portion of Fronde's business or assets, or of Fronde Shares (or any transaction having a similar effect) and if consummated, and taking into account what the Directors consider to be all relevant matters, would be reasonably likely to result in a more favourable outcome, taken as a whole, for Fronde Shareholders than the Seisma Offer.

the intention that the compulsory acquisition process that applies if the Offer is successfully completed will be solely that set out in the Takeovers Code.

Confirmation regarding Offer period

- 10.8 On 1 September 2022, Seisma advised Fronde that the draft offer document attached to Seisma's takeover notice potentially implied a 21 working day Offer period. In contrast, Seisma intended for the Offer Document to provide for an initial Offer period of 20 working days. As this potentially constituted a change to the terms of the Offer (in comparison to the terms in the draft offer document attached to the takeover notice), Seisma sought, and on 2 September 2022 was granted, the written approval of the Board of Fronde to this change for the purposes of rule 44(1)(b)(ii) of the Takeovers Code.

11. RELATIONSHIP BETWEEN SEISMA, AND DIRECTORS AND SENIOR MANAGERS OF FRONDE

- 11.1 Except for the Lock Up Agreements between LVP and Alistair McKee (as a joint holder of Fronde Shares together with other persons) summarised in paragraph 7.3, no agreement or arrangement (whether legally enforceable or not) has been made, or is proposed to be made, between Seisma or any associate of Seisma, and any Director or Senior Manager of Fronde or any related company of Fronde in connection with, in anticipation of, or in response to, the Offer.
- 11.2 No Director or Senior Manager of Fronde is also a director or senior manager of Seisma or any related company of Seisma.

12. AGREEMENTS BETWEEN FRONDE, AND DIRECTORS AND SENIOR MANAGERS

- 12.1 As summarised in paragraphs 5.6 to 5.8, Fronde has entered into an agreement with Jason Delamore, who is a Senior Manager of Fronde, under which Mr Delamore's Share Rights were cancelled in return for Fronde agreeing to pay a gross cash settlement amount of \$151,500.
- 12.2 Under the Term Sheet, Seisma agreed that Fronde may pay, or agree to pay, cash retention payments to employees (including the Senior Managers) provided all such agreements and payments do not exceed \$450,000 in aggregate (inclusive of the aggregate payments to cash settle and cancel all Share Rights, PAYE, KiwiSaver contributions and deductions and other deductions) ("Retention Pool"). As the aggregate gross payments to cash settle the Share Rights amount to \$165,000, the remaining Retention Pool available to pay cash retention payments to employees is \$285,000. In connection with authorising the payment of the Retention Pool to various employees, the Board of Fronde has approved the payment of the following indicative amounts to Senior Managers (on the basis that the Chair of the Board is delegated the authority to determine and finalise the actual retention payments to those Senior Managers, which is yet to occur):

Name	Position	Indicative Retention Pool Amount
Jason Delamore	Chief Executive Officer	\$65,000 retention payment (inclusive of PAYE, KiwiSaver contributions and deductions and other deductions)

Name	Position	Indicative Retention Pool Amount
Martin Currie	Chief Financial Officer	\$58,000 retention payment (inclusive of PAYE, KiwiSaver contributions and deductions and other deductions)

12.3 Fronde intends that the retention payments to Senior Managers, when finalised, will be recorded in letter agreements that Fronde expects to contain the following key terms:

- (a) the retention payment will be paid to the Senior Manager within five business days after Fronde receives notice from Seisma that the Offer is unconditional (“**Payment Date**”); and
- (b) the Senior Manager will only be entitled to the retention payment if all of the following requirements are satisfied:
 - (i) the Offer becomes unconditional;
 - (ii) the Senior Manager is an employee on the Payment Date;
 - (iii) the Senior Manager has not given notice of resignation before the Payment Date; and
 - (iv) Fronde has not given the Senior Manager notice terminating the Senior Manager’s employment on or before the Payment Date, unless such termination is later determined to be an unjustified dismissal.

12.4 Except as set out in paragraphs 5.6 to 5.8 and 12.1 to 12.3, no agreement or arrangement (whether legally enforceable or not) has been made, or is proposed to be made, between Fronde or any related company of Fronde, and any of the Directors or Senior Managers or their associates of Fronde or any related company of Fronde, 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, or in anticipation of, or in response to, the Offer.

13. INTERESTS OF DIRECTORS AND SENIOR MANAGERS OF FRONDE IN CONTRACTS OF SEISMA OR RELATED COMPANY

13.1 The Directors or Senior Managers of Fronde, or their associates, with an interest in any contract to which Seisma, or any related company of Seisma, is a party are set out in the table below.

Director, Senior Manager or associate	Particulars of the nature and extent of the interest	Monetary value of the interest (if quantifiable)
Alistair McKee (Director)	Alistair McKee and Louisa McKee have entered into a Lock Up Agreement with LVP dated 23 August 2022. The particulars of the Lock Up Agreement are summarised in section 8 of Appendix 1 to the Offer Document.	\$496,235.52 ⁸

⁸ Under the Lock Up Agreement, Alistair McKee and Louisa McKee agreed to accept the Offer in respect of 430,760 Fronde Shares. The monetary value of the Lock Up Agreement has been calculated by multiplying this number of Fronde Shares by the Offer Price of \$1.152 per Fronde Share.

Director, Senior Manager or associate	Particulars of the nature and extent of the interest	Monetary value of the interest (if quantifiable)
Alistair McKee (Director)	Alistair McKee, Louisa McKee and Richard Gawith as trustees of the McKee Family Trust have entered into a Lock Up Agreement with LVP dated 23 August 2022. The particulars of the Lock Up Agreement are summarised in section 8 of Appendix 1 to the Offer Document.	\$167,328 ⁹

13.2 Except as set out in paragraph 13.1, no Director or Senior Manager of Fronde, or their associates, has an interest in any contract to which Seisma, or any related company of Seisma, is a party.

13A INTERESTS OF FRONDE'S SUBSTANTIAL SECURITY HOLDERS IN MATERIAL CONTRACTS OF SEISMA OR RELATED COMPANY

13A.1 The persons who, to the knowledge of the Directors or the Senior Managers of Fronde, hold or control 5% or more of the Fronde Shares and who have an interest in any material contract to which Seisma, or any related company of Seisma, is a party, and the nature, extent and monetary value of that interest, are set out in the following table:

Party to the material contract to which Seisma or a related company of Seisma is a party	Particulars of the nature and extent of the interest	Monetary value of the interest (if quantifiable)
Alistair McKee	Alistair McKee has entered into two Lock Up Agreements with LVP dated 23 August 2022 (see paragraph 13.1). The particulars of the Lock Up Agreements are summarised in section 8 of Appendix 1 to the Offer Document.	\$663,563.52 ¹⁰
Susan Elizabeth Irving, Richard Henry Gawith and Andrew William Irving as trustees of the Chameleon Trust	Susan Elizabeth Irving, Richard Henry Gawith and Andrew William Irving as trustees of the Chameleon Trust have entered into a Lock Up Agreement with LVP dated 13 August 2022. The particulars of the Lock Up Agreement are summarised in section 8 of Appendix 1 to the Offer Document.	\$2,273,063.04 ¹¹
Celia Maria Burton	Celia Maria Burton in her personal capacity has entered into a Lock Up Agreement with LVP dated 23 August 2022. The particulars of the Lock Up Agreement are summarised in section 8 of Appendix 1 to the Offer Document.	\$1,619,669.38 ¹²

⁹ Under the Lock Up Agreement, the trustees of the McKee Family Trust agreed to accept the Offer in respect of 145,250 Fronde Shares. The monetary value of the Lock Up Agreement has been calculated by multiplying this number of Fronde Shares by the Offer Price of \$1.152 per Fronde Share.

¹⁰ See footnotes 8 and 9. In aggregate, Mr McKee holds 576,010 Fronde Shares jointly with other persons in two parcels. The monetary value of the Lock Up Agreements has been calculated by multiplying this number of Fronde Shares by the Offer Price of \$1.152 per Fronde Share.

¹¹ Under the Lock Up Agreement, the trustees of the Chameleon Trust agreed to accept the Offer in respect of 1,973,145 Fronde Shares. The monetary value of the Lock Up Agreement has been calculated by multiplying this number of Fronde Shares by the Offer Price of \$1.152 per Fronde Share.

¹² Under the Lock Up Agreement, Celia Maria Burton agreed to accept the Offer in respect of 1,405,963 Fronde Shares. The monetary value of the Lock Up Agreement has been calculated by multiplying this number of Fronde Shares by the Offer Price of \$1.152 per Fronde Share.

Party to the material contract to which Seisma or a related company of Seisma is a party	Particulars of the nature and extent of the interest	Monetary value of the interest (if quantifiable)
Ian Andrew Clarke	Ian Andrew Clarke has entered into a Lock Up Agreement with LVP dated 10 August 2022. The particulars of the Lock Up Agreement are summarised in section 8 of Appendix 1 to the Offer Document.	\$679,743.36 ¹³
Garth Lawrence Hamilton, Joanna Hamilton, and John Marshall Scutter	Garth Lawrence Hamilton, Joanna Hamilton, and John Marshall Scutter have entered into a Lock Up Agreement with LVP dated 11 August 2022. The particulars of the Lock Up Agreement are summarised in section 8 of Appendix 1 to the Offer Document.	\$476,645.76 ¹⁴
Darren McTigue, Clare Helen McTigue and Joanne Elizabeth Nolan as trustees of the McTigue Family Trust	Darren McTigue, Clare Helen McTigue and Joanne Elizabeth Nolan as trustees of the McTigue Family Trust have entered into a Lock Up Agreement with LVP dated 23 August 2022. The particulars of the Lock Up Agreement are summarised in section 8 of Appendix 1 to the Offer Document.	\$460,506.24 ¹⁵

13A.2 Except as set out in paragraph 13A.1 above, no person, who, to the knowledge of the Directors or the Senior Managers of Fronde, holds or controls 5% or more of Fronde Shares, has an interest in any material contract to which Seisma, or any related company of Seisma, is a party.

14. ADDITIONAL INFORMATION

14.1 In the opinion of the Board, no additional information, to the knowledge of Fronde, is required to make the information in Seisma's Offer Document correct or not misleading.

15. RECOMMENDATION

15.1 The Board unanimously recommends that you **SHOULD ACCEPT** the Offer. See the letter from the Chair of the Board commencing on page 3 for further information.

15.2 You are encouraged to read this Target Company Statement and the Independent Adviser's Report carefully and in full.

16. ACTIONS OF FRONDE

No material arrangements

16.1 Except as set out in this Takeovers Code Disclosures section, there are no material agreements or arrangements (whether legally enforceable or not) of Fronde and its related companies entered into as a consequence of, in response to, or in connection with, the Offer.

¹³ Under the Lock Up Agreement, Ian Andrew Clarke agreed to accept the Offer in respect of 590,055 Fronde Shares. The monetary value of the Lock Up Agreement has been calculated by multiplying this number of Fronde Shares by the Offer Price of \$1.152 per Fronde Share.

¹⁴ Under the Lock Up Agreement, Garth Lawrence Hamilton, Joanna Hamilton, and John Marshall Scutter agreed to accept the Offer in respect of 413,755 Fronde Shares. The monetary value of the Lock Up Agreement has been calculated by multiplying this number of Fronde Shares by the Offer Price of \$1.152 per Fronde Share.

¹⁵ Under the Lock Up Agreement, the trustees of the McTigue Family Trust agreed to accept the Offer in respect of 399,745 Fronde Shares. The monetary value of the Lock Up Agreement has been calculated by multiplying this number of Fronde Shares by the Offer Price of \$1.152 per Fronde Share.

No material negotiations

- 16.2 There are no negotiations underway as a consequence of, or in response to, or in connection with, the Offer that relate to or could result in:
- (a) an extraordinary event such as a merger, amalgamation, or reorganisation involving Fronde or any of its related companies; or
 - (b) the acquisition or disposition of material assets of Fronde or any of its related companies; or
 - (c) an acquisition of equity securities by, or of Fronde or any related company of Fronde; or
 - (d) any material change in the equity securities on issue, or policy relating to distributions, of Fronde.
- 16.3 As at the date of this Target Company Statement, there are no discussions or negotiations underway between Fronde and any other party in respect of a competing takeover offer or any other similar transaction. The Board does not anticipate any discussions or negotiations of this nature during the Offer period.

17. EQUITY SECURITIES OF FRONDE

- 17.1 As at the date of this Target Company Statement Fronde has 7,376,475 ordinary shares on issue. All Fronde Shares are fully paid.
- 17.2 As at the date of this Target Company Statement, Fronde has not issued any options, or rights to acquire, Fronde Shares or other Fronde equity securities.
- 17.3 The rights of Fronde Shareholders in respect of capital, distributions and voting are as follows:
- (a) the right to an equal share with other Fronde Shareholders in dividends authorised by the Board of Fronde;
 - (b) the right to an equal share with other Fronde Shareholders in the distribution of surplus assets on liquidation of Fronde; and
 - (c) subject to the restrictions and prohibitions contained in Fronde's constitution, the right to cast one vote on a show of hands, or by voice, or the right to cast one vote for each share held on a poll, in each case at a meeting of Fronde Shareholders on any resolution, including a resolution to:
 - (i) appoint or remove a Director or auditor;¹⁶
 - (ii) alter Fronde's constitution;
 - (iii) approve a major transaction;
 - (iv) approve an amalgamation of Fronde; and
 - (v) put Fronde into liquidation.

¹⁶ A Fronde Shareholder may appoint (and subsequently remove) such number of Directors which is in proportion to the total number of Directors that does not exceed the shareholder's proportionate holding of Fronde Shares. If a Fronde Shareholder does so, then the shareholder has no right to vote on the election of other Directors.

18. FINANCIAL INFORMATION

- 18.1 Every person to whom the Offer is made is entitled to obtain from Fronde an electronic or a non-electronic copy of Fronde's most recent annual report (being the annual report for the 12 months ended 31 March 2022) by making a written request to:

Fronde Systems Group Limited
Suite 1 Floor 1, 222 Lambton Quay
Wellington Central
Wellington, 6011
New Zealand

Email: martin.currie@fronde.com

- 18.2 No half-yearly or interim report has been issued by Fronde since the issue of the annual report referred to in paragraph 18.1 above.

Changes in the financial position, trading position or prospects of Fronde since the 2022 Annual Report

- 18.3 Other than as set out in this Target Company Statement and the Independent Adviser's Report:

- (a) there have been no known changes in the financial or trading position or prospects of Fronde since the annual report referred to in paragraph 18.1 which the Board considers to be material; and
- (b) there is no other information about the assets, liabilities, profitability and financial affairs of Fronde that could reasonably be expected to be material to the making of a decision by Fronde Shareholders to accept or reject the Offer.

19. INDEPENDENT ADVICE ON MERITS OF OFFER

- 19.1 Simmons Corporate Finance Limited, as Independent Adviser, has prepared a report on the merits of the Offer under Rule 21 of the Takeovers Code ("**Independent Adviser's Report**"). A full copy of the Independent Adviser's Report is set out in the Appendix to this Target Company Statement.

- 19.2 The Independent Adviser's Report includes:

- (a) a statement of the qualifications and expertise of Simmons Corporate Finance Limited; and
- (b) a statement that Simmons Corporate Finance Limited has no conflict of interest that could affect its ability to provide an unbiased report.

20. ASSET VALUATION

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

- 20.2 The Independent Adviser's Report refers to the valuation of Fronde. The basis of computation and key assumptions on which that valuation is based is set out in the Independent Adviser's Report.

21. PROSPECTIVE FINANCIAL INFORMATION

- 21.1 Except as set out in paragraphs 21.2 and 21.3, none of the information provided in this Target Company Statement is prospective financial information of Fronde.
- 21.2 The Independent Adviser's Report refers to prospective financial information of Fronde. The principal assumptions on which the prospective financial information is based are set out in that report.
- 21.3 While it is not Fronde's normal practice to provide guidance on forecast earnings, the Independent Adviser's Report sets out certain details of Fronde's forecasts for the financial year ended 31 March 2023. In considering forecast information, shareholders should note that forecasts were prepared for internal management purposes only and were not prepared for, or with the intention of giving, guidance as to Fronde's expected future financial performance. Accordingly, the basis of preparation of the forecasts, while appropriate for internal management purposes, may differ from the basis which would be adopted when preparing prospective financial information for external reporting purposes. Shareholders should also note paragraphs 24.9 to 24.12.

22. SALES OF UNQUOTED EQUITY SECURITIES UNDER OFFER

- 22.1 To Fronde's knowledge, in the 12 months ending on 29 August 2022 (being the latest practicable date before the date on which this Target Company Statement is sent to Fronde Shareholders), there have been no disposals of Fronde Shares.
- 22.2 Shareholders should also note paragraphs 24.1 and 24.2.

23. MARKET PRICES OF QUOTED EQUITY SECURITIES UNDER OFFER

- 23.1 The equity securities of Fronde are not quoted on a stock exchange.

24. OTHER INFORMATION

Buyback of BokScot Shares

- 24.1 On 5 May 2020, in connection with the acquisition of Fronde's Oracle NetSuite cloud ERP business BokScot Capital Pty Limited as trustee for the BokScot Capital Unit Trust ("**BokScot**") entered into a Call Option Deed with Fronde under which BokScot granted to Fronde an option to acquire 306,689 Fronde Shares ("**BokScot Shares**") for an aggregate price of \$1.00 (the "**Call Option**").
- 24.2 Fronde exercised the Call Option on 25 August 2022 and bought back and cancelled the BokScot Shares on 8 September 2022.

Rounding

- 24.3 All shareholding percentages in this Target Company Statement are rounded to two decimal places.

Reliance on information

- 24.4 In preparing this Target Company Statement, Fronde has relied on the completeness and accuracy of the information in Appendix 1 to the Offer Document and the information provided to it by or on behalf of various persons, including Fronde Directors, Fronde Senior Managers, Fronde Shareholders holding 5% or more of the Fronde Shares and Seisma.

Dominant ownership

- 24.5 Under the Takeovers Code, if Seisma becomes the holder or controller of 90% or more of the voting rights in Fronde then it will become a 'dominant owner' and be entitled to compulsorily acquire the then outstanding Fronde Shares in accordance with the Takeovers Code. Seisma has indicated its intention to implement the right to compulsorily acquire the then outstanding Fronde Shares should Seisma become a dominant owner.
- 24.6 Given shareholders holding in aggregate 90.95% of Fronde Shares have agreed, or have signalled an indicative intention, to accept the Offer, the Board considers that it is reasonably likely that Seisma will become the dominant owner of Fronde as a result of the Offer.

Your decision

- 24.7 You are responsible for making your own decision as to whether to accept the Offer. This Target Company Statement does not take into account your individual investment objectives, financial or tax situation or needs. If you have questions or if you are in doubt as to what you should do in respect of the Offer, you should seek your own professional advice.

Websites

- 24.8 References in this Target Company Statement to any website are for informational purposes only. To the extent permitted by law, Fronde and the Board do not assume responsibility for the contents of any such website.

Forward looking statements

- 24.9 This Target Company Statement (including the Independent Adviser's Report) contains certain forward looking statements. These statements generally may be identified by the use of forward looking words such as, aim, anticipate, believe, estimate, expect, forecast, foresee, future, intended, likely, may, planned, potential, projection, should and other similar words.
- 24.10 You should be aware that there are risks (known and unknown, including risks associated with the COVID-19 pandemic), uncertainties, assumptions and other important factors that could cause actual conduct, results, performance or achievements of Fronde to be materially different to the future conduct, results, performance or achievements expressed or implied by any forward looking statements.
- 24.11 Future conduct, results, performance or achievements could be materially different from historical conduct, results, performance or achievements. Such deviations are both normal and to be expected.
- 24.12 No person, including the members of the Board and the Senior Managers of Fronde, gives any warranty, representation or assurance that any conduct, results, performance or achievements expressed or implied by any forward looking statements in this Target Company Statement (including the Independent Adviser's Report) will actually occur.

Currency

- 24.13 All references in this Target Company Statement to \$ are to New Zealand dollars.

25. APPROVAL OF THIS STATEMENT

25.1 This Target Company Statement has been approved by the Board.

26. CERTIFICATE

26.1 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 Fronde under the Takeovers Code.

Signed by:



David Bartlett
Director and Chair of the Board



Jason Delamore
Chief Executive Officer



Amanda Cribb
Director



Martin Currie
Chief Financial Officer

Appendix

Independent Adviser's Report

Fronde Systems Group Limited

Independent Adviser's Report

In Respect of the Full Takeover Offer by LVP Tech NZ Bidco Limited

August 2022

Statement of Independence

Simmons Corporate Finance Limited confirms that it:

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

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

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1. Executive Summary

1.1 Background

Fronde Systems Group Limited (**Fronde** or the **Company**) is a New Zealand based provider of business consulting services (including software development, design, implementation and support) and a seller of third party software licences.

Fronde's current capital structure consists of 7,683,164 fully paid ordinary shares held by 203 shareholders. The Company's shares are not quoted on any stock exchange or securities trading platform.

The Company had revenue of \$23.2 million in the year ended 31 March 2022 and total equity of \$2.1 million as at 31 March 2022.

A profile of Fronde is set out in section 3.

1.2 Seisma Offer

Seisma Pty Limited is an Australian IT consulting business that is ultimately owned by LVP Technology Services Pty Limited (**LVP**).

Fronde and LVP entered into the *Binding Term Sheet in Respect of a Proposed Takeover Offer for Fronde Systems Group Limited* on 26 July 2022 (the **Binding Term Sheet**) whereby LVP agreed that it, or a wholly owned subsidiary, would make a full takeover offer for all of the shares in Fronde (the **Seisma Offer**).

On 25 August 2022, LVP Tech NZ Bidco Limited (**Seisma**) sent Fronde a notice of intention to make a full takeover offer for all of the shares in Fronde.

The offer document for the Seisma Offer (the **Seisma Offer Document**) will be sent to Fronde's shareholders on 9 September 2022, together with Fronde's Target Company Statement (which includes this report).

Number of Shares Sought

The Seisma Offer is for all of the ordinary shares in Fronde.

Fronde has 7,683,164 ordinary shares on issue.

The Seisma Offer assumes that the 306,689 ordinary shares currently held by BokScot Capital Pty Limited (**BokScot**) will be bought back by Fronde and cancelled prior to the commencement of the Seisma Offer (the **BokScot Buyback**).

Accordingly, the Seisma Offer is for 7,376,475 ordinary shares.

Consideration

Seisma is offering cash of \$1.152 for each Fronde ordinary share on issue after the BokScot Buyback.

Conditions

The Seisma Offer is conditional on Seisma receiving sufficient acceptances such that Seisma holds or controls 90.00% or more of the voting rights in Fronde (the **Minimum Acceptance Condition**).

The Binding Term Sheet stipulates that the Minimum Acceptance Condition cannot be waived by Seisma. Accordingly, if Seisma does not reach the 90% Minimum Acceptance Condition threshold, the Seisma Offer will lapse.

The Seisma Offer is also subject to the satisfaction of a number of conditions summarised below:

- Fronde not declaring or paying any dividends, bonus issues or other payments or distributions
- no changes being made to the capital structure of the Company (other than the BokScot Buyback)
- no changes being made to the rights, privileges, benefits, entitlements or restrictions attaching to the Company's shares
- the business of Fronde is carried on in the normal and ordinary course, consistent with past practices
- no changes being made to the remuneration of any personnel whose remuneration is greater than \$200,000 per annum
- there is no alteration to Fronde's constitution
- no liquidator, receiver, receiver and manager, administrator, statutory manager or similar official is appointed to Fronde
- the Company does not merge or amalgamate with any third party or be liquidated
- no assets, shares, securities or interests held by Fronde are, or could be, subject to an option, forfeiture or termination, transfer, any right of pre-emption that could be adverse to Fronde or Seisma if the Seisma Offer is successful
- Fronde does not establish any new business operations other than in the ordinary course of business
- Fronde will not be under any obligation to make payment to any employees or directors exceeding in aggregate \$450,000 as a result of the Seisma Offer being successful
- no material proceedings against the Company arise
- Seisma does not become aware that information provided by Fronde is inaccurate or misleading and could have a material adverse effect
- Fronde does not acquire an interest in "sensitive land" for the purposes of the Overseas Investment Act 2005.

Any of the above conditions may, to the extent they can be waived, be waived by Seisma at its discretion.

Change in Circumstances

The Seisma Offer contains provisions that if there is a change in circumstances on or after 25 August 2022 that impacts on Fronde's shares and the offer is unconditional or becomes unconditional, then an adjustment will be made so as to ensure that the Seisma Offer results in the same financial outcome for Seisma as if the change in circumstance did not occur. The changes in circumstance relate to Fronde:

- declaring, making or paying any dividend or any other distribution
- making any issue of shares, convertible shares or other securities of any nature by way of bonus issue

- subdividing or consolidating its shares
- making any issue of shares to any person other than by way of bonus issue.

Lock-up Agreements

Between 10 and 23 August 2022, 7 shareholders who collectively hold 5,358,673 shares entered into lock-up agreements with Seisma (the **Lock-up Agreements**).

Acceptors of the Seisma Offer Under Lock-up Agreements			
	No. of Shares	% of Total Shares	
		Current	Post BokScot Buyback
Chameleon Trust	1,973,145	25.68%	26.75%
Celia Burton	1,405,963	18.30%	19.06%
Ian Clarke	590,055	7.68%	8.00%
Alistair McKee and Louisa McKee	430,760	5.61%	5.84%
Garth Hamilton, Joanna Hamilton and John Scutter	413,755	5.39%	5.61%
McTigue Family Trust	399,745	5.20%	5.42%
AJ & L McKee Family Trust	145,250	1.89%	1.97%
	<u>5,358,673</u>	<u>69.75%</u>	<u>72.65%</u>

Source: Seisma Takeover Notice

Under the Lock-up Agreements, each shareholder has agreed to accept the Seisma Offer within 5 working days of receiving the Seisma Offer Document, subject to:

- the offer price of \$1.152 per share being within or above the valuation range in this report
- Fronde's board of directors (the **Board**) not advising the Company's shareholders that Fronde has received a superior offer (ie a full takeover offer at a higher price than the Seisma Offer).

The 5,358,673 shares subject to the Lock-up Agreements represent 72.65% of the total shares on issue after the BokScot Buyback.

Non-binding Indicative Support Letters

12 shareholders who collectively hold 1,350,348 shares have provided indicative support letters to Seisma setting out their non-binding indicative intention to accept the Seisma Offer (although they retain the full or unfettered discretion as to whether or not to accept the offer) (the **Support Letters**).

The 1,350,348 shares represent 18.31% of the total shares on issue after the BokScot Buyback.

Payment Date

Seisma will pay the consideration to accepting shareholders no later than 5 working days after the later of the date of receipt of acceptance and the date on which the offer is declared unconditional.

Offer Dates

The offer is open from 9 September 2022 and closes at 11.59pm on 7 October 2022 (unless extended by Seisma in accordance with the provisions of the Takeovers Code (the **Code**)).

1.3 Summary of Opinion

In our opinion, there are compelling reasons for shareholders to accept the Seisma Offer:

- we assess the full underlying value of Fronde's shares to be in the range of \$1.08 to \$1.32 per share. The Seisma Offer price of \$1.152 per share is within our assessed valuation range, marginally below the midpoint of our range of \$1.20 per share
- given that shareholders holding in aggregate 90.95% of the Company's shares have either agreed (through the Lock-up Agreements [72.65%]) or have signalled an indicative intention (through the non-binding Support Letters [18.31%]) to accept the Seisma Offer, it is reasonably likely that the Minimum Acceptance Condition will be met and the offer will be declared unconditional
- if the Seisma Offer is declared unconditional, Seisma will have the right to, and has stated that it intends to, compulsorily acquire the remaining shares in the Company. The consideration payable for the shares compulsorily acquired will be cash of \$1.152 per share. Accordingly, there is no benefit in delaying accepting the Seisma Offer as soon as it is declared unconditional
- Fronde's shares are not quoted on any stock exchange or securities trading platform and accordingly the ability for shareholders to realise cash for their shares is extremely limited in the absence of a liquidity event such as a takeover offer
- the likelihood of an alternative takeover offer or Seisma increasing its offer price is remote.

1.4 Regulatory Requirements

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

Rule 6 of the Code prohibits:

- a person who holds or controls no voting rights or less than 20% of the voting rights in a code company from 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.

1.5 Purpose of the Report

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

Simmons Corporate Finance was approved by the Takeovers Panel on 8 July 2022 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 Seisma Offer. We note that each shareholder's circumstances and objectives are unique. Accordingly, it is not possible to report on the merits of the Seisma Offer in relation to each shareholder. This report on the merits of the Seisma 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 Seisma Offer

2.1 Basis of Evaluation

Rule 21 of the Code requires an evaluation of the *merits* of the Seisma 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 11 March 2021
- 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 Seisma Offer should focus on:

- the assessed value of Fronde'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 Seisma Offer
- the implications for the shareholders of not accepting the Seisma Offer.

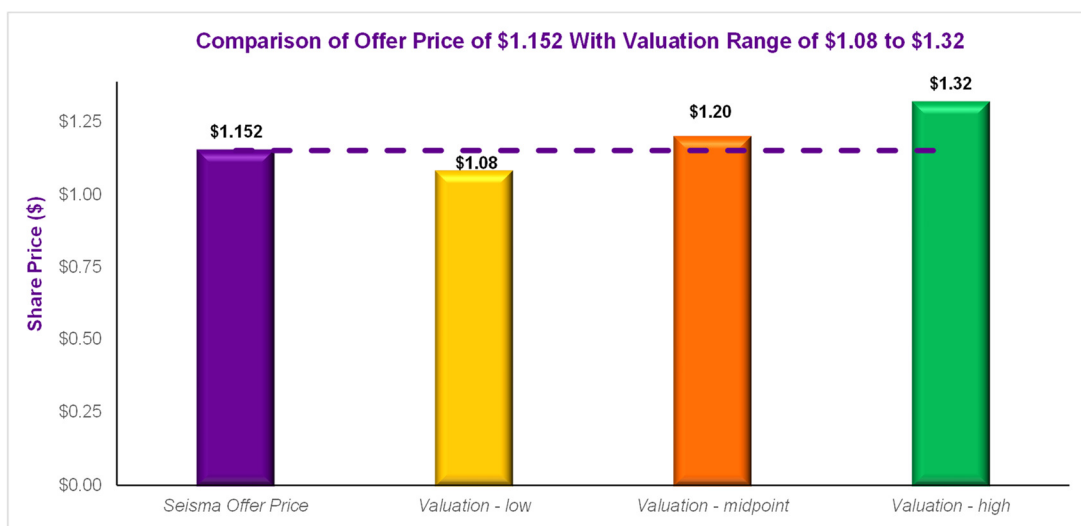
Our opinion should be considered as a whole. Selecting portions of the evaluation without considering all the factors and analyses together could create a misleading view of the process underlying the opinion.

2.2 Value of Fronde's Shares Compared with the Offer Price of \$1.152

In our opinion, the full underlying value of the Fronde shares is in the range of \$1.08 to \$1.32 per share, as set out in section 4.

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 Seisma may specifically derive from acquiring full control of Fronde.

The Seisma Offer consideration is cash of \$1.152 per share, which is within our assessed valuation range, marginally below the midpoint of our valuation range of \$1.20 per share.



2.3 Potential Synergies

The obvious immediate synergies available to Seisma arising from its full ownership of Fronde may be a reduction in the level of administration costs that would be incurred. For example, the Company could choose to no longer have any independent directors on its board.

The potential synergies will only be available if Seisma achieves control of Fronde. The synergies are not available under Fronde's existing ownership structure.

2.4 Conditions of the Seisma Offer

Minimum Acceptance Condition

The Minimum Acceptance Condition requires that Seisma must receive acceptances for 90% or more of the voting rights in Fronde by the end of the offer period (unless extended by Seisma).

Seisma has committed to this condition and cannot waive it. Accordingly, if the Minimum Acceptance Condition threshold of 90% is not met, the Seisma Offer cannot be declared unconditional and the offer will lapse. This means that Seisma will not acquire any shares under the Seisma Offer.

Seisma has agreed that if the Minimum Acceptance Condition is satisfied, it must immediately declare the Seisma Offer unconditional unless another condition has been breached before that time.

Other Conditions

The other conditions of the Seisma Offer relate to distributions, capital structure and business operations.

Conditions of this nature are common in takeover offers. We do not consider any of these conditions represent a major impediment to the offer being declared unconditional.

2.5 Potential Outcomes

Seisma Secures 90% or More of the Shares

If, as a result of the Seisma Offer, Seisma secures 90% or more of the shares in Fronde, Seisma will have the right and intends to compulsorily acquire the remaining shares in the Company under Part 7 of the Code.

The compulsory acquisition price will be \$1.152 per share.

In order for Seisma to secure 90% or more of the shares under the Seisma Offer, it would need to receive acceptances of at least 1,280,155 shares (17.35%) from the Company's shareholders in addition to 72.65% of the shares subject to the Lock-up Agreements.

The shareholders who have not entered into Lock-up Agreements collectively hold 2,017,802 shares (the **Free Float**). The Free Float accounts for 27.35% of the total shares on issue following the BokScot Buyback.

Seisma has received non-binding Support Letters from 12 Free Float shareholders who collectively hold 1,350,348 shares (18.31% of shares on issue following the BokScot Buyback).

Assuming all 12 of these shareholders accept the Seisma Offer, then Seisma will have received acceptances of at least 6,709,021 shares, representing 90.95% of the shares on issue following the BokScot Buyback and therefore the Minimum Acceptance Condition will have been met.

Seisma Secures Less Than 90% of the Shares

Seisma is guaranteed to receive acceptances of at least 72.65% under the Lock-up Agreements (assuming a superior proposal is not received by the Board).

If Seisma receives acceptances for less than 90% of the shares, then the Minimum Acceptance Condition will not have been met and Seisma will not be able to declare the Seisma Offer unconditional, in which case the Seisma Offer will lapse.

2.6 Compulsory Acquisition

If the Seisma Offer is declared unconditional, Seisma will become the dominant owner of Fronde (as defined in the Code).

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

Under the provisions of the Code, the consideration payable for the shares compulsorily acquired will be cash of \$1.152 per share.

This price cannot be challenged as acceptances of the Seisma Offer will have already been received in respect of more than 50% of the shares that were subject to the offer.

2.7 Likelihood of Alternative Takeover Offers is Remote

On 20 May 2022, Fronde and LVP entered into an exclusivity agreement under which Fronde granted LVP a period of exclusivity (subject to a “fiduciary out” exception) for the purposes of allowing LVP to complete its due diligence, negotiate the transaction documents and, if a takeover notice is given, implement the transaction (the **Exclusivity Letter**). The Exclusivity Letter included an obligation on Fronde to notify LVP of any competing proposal and granted LVP a right to match any superior proposal. The exclusivity period expires on the closing date of the Seisma Offer.

Given the terms of the Exclusivity Letter and that holders of 72.65% of the Company’s shares (after the BokScot Buyback) have entered into Lock-up Agreements, we consider the likelihood of an alternate takeover offer to be remote.

We are advised by the Board 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 Seisma Offer would not be able to accept those shares into the alternative takeover offer until the Seisma Offer lapsed. However, given that the likelihood of an alternate takeover offer is remote, we do not consider that this matter should influence a shareholder’s decision as to whether to accept the Seisma Offer.

2.8 Likelihood of Seisma Increasing the Offer Price is Uncertain

Given that the likelihood of an alternative takeover offer is considered to be remote, we consider it unlikely that Seisma will increase its offer price of \$1.152 per share.

In the event that Seisma did not receive sufficient acceptances to reach the 90.0% Minimum Acceptance Condition threshold, Seisma may consider increasing the offer price.

Alternatively, Seisma may let the offer close and evaluate whether it makes another offer sometime in the future to acquire the shares in the Company.

For the sake of completeness, we note that in the (unlikely) event that Seisma does increase its price under this offer, the increased price will be available to all shareholders, including those who have already accepted the Seisma Offer at \$1.152.

2.9 Advantages of Accepting the Seisma Offer

Acceptance of the Seisma Offer will enable shareholders to realise cash of \$1.152 for each of their shares. Payment must be made no later than 5 working days after the later of the date of receipt of acceptance and the date on which the offer is declared unconditional.

Given that the Company’s shares are not quoted on any stock exchange or securities trading platform, the Seisma Offer provides shareholders with the opportunity to promptly realise cash for their shares (without incurring any transaction costs) that otherwise may not be readily available.

2.10 Disadvantages of Accepting the Seisma Offer

Forego Possible Future Uplift in Fronde Share Price

By accepting the Seisma Offer, shareholders will forgo the possibility that the value of Fronde's operations may increase in time and may be reflected in an increase in the value realised from the sale of shares in the Company.

However, there is no guarantee that the value of Fronde will increase over time and shareholders should also be aware that there is a possibility that the value of Fronde may decrease in the future.

Shareholders should also bear in mind that Fronde's shares are not quoted on any stock exchange or securities trading platform and accordingly the ability to realise cash for their shares is extremely limited in the absence of a liquidity event such as a takeover offer.

Inability to Transact Accepting Shares

We note for the sake of completeness that if a shareholder accepts the Seisma Offer, then, until the expiry of the offer period, they will be unable to dispose of the shares which they have accepted into the Seisma Offer, whether by selling them privately or by accepting them into an alternative takeover offer (if one were to arise).

However, we do not view the inability to transact accepting shares to be a major disadvantage for shareholders as:

- we consider the possibility of an alternative takeover offer to be remote
- Fronde's shares are not quoted on any stock exchange or securities trading platform and hence cannot be easily sold.

2.11 Summary of the Evaluation of the Merits of the Seisma Offer

The Seisma Offer is a full offer for all of the shares in the Company (after the BokScot Buyback) at a price of \$1.152, payable in cash.

Factors that shareholders should consider when deciding whether to accept or reject the Seisma Offer include:

- 7 shareholders collectively holding 72.65% of the Company's shares (after the BokScot Buyback) have entered into Lock-up Agreements, committing to accept the Seisma Offer
- in order for Seisma to reach the 90% Minimum Acceptance Condition threshold, it will require a further 17.35% of the Company's shares (after the BokScot Buyback) to be accepted into the offer from the Free Float
- 12 Free Float shareholders collectively holding 18.31% of the Company's shares (after the BokScot Buyback) have provided Support Letters to Seisma stating their non-binding indicative intention to accept the offer. The discretion retained by the shareholders is full or unfettered
- accordingly, based on the combined potential acceptance level of at least 90.95%, it is reasonably likely that the Minimum Acceptance Condition will be met and the Seisma Offer will be declared unconditional
- if the Seisma Offer is declared unconditional, then Seisma will have the right to, and has stated that it intends to, compulsorily acquire the remaining shares in the Company. The consideration payable for the shares compulsorily acquired will be cash of \$1.152 per share

- we assess the full underlying value of Fronde's shares to be in the range of \$1.08 to \$1.32 per share. The Seisma Offer price of \$1.152 per share is within our assessed valuation range, marginally below the midpoint of our range of \$1.20 per share
- Fronde's shares are not quoted on any stock exchange or securities trading platform and accordingly the ability for shareholders to realise cash for their shares is extremely limited in the absence of a liquidity event such as a takeover offer
- the likelihood of an alternative takeover offer or Seisma increasing its offer price is remote.

2.12 Acceptance or Rejection of the Seisma Offer

Acceptance or rejection of the Seisma 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. Profile of Fronde

3.1 Background

The Company was incorporated on 24 January 1992 as Synergy International Limited.

It changed its name to Fronde Systems Group Limited on 1 February 2007.

3.2 Nature of Operations

Fronde provides software consulting services and licences to government and corporate clients in New Zealand and Australia.

The Company offers business consulting and software development and software and network managed services and sells software licenses.

Its solutions include:

- Google suite of products including Workspace and Cloud computing
- Salesforce – a customer experience platform
- Amazon Web Services (**AWS**).

The Company also provides:

- AWS managed application support and maintenance
- Google Enterprise support
- Salesforce support, system integration and professional services
- application support, managed infrastructure services, integration services and IT resource augmentation.

Fronde serves banking and finance, entertainment, transport and logistics, retail and real estate, agriculture, public sector, utilities and telecoms and not-for-profit customers.

Fronde is headquartered in Wellington.

Fronde has one wholly owned subsidiary – Fronde Australia Pty Limited (**FAPL**). FAPL provides business consulting services and the sale of third party software licences in Australia.

3.3 Directors and Senior Management

The directors of Fronde are:

- David Bartlett, chair
- Amanda Cribb
- Sandy Maier
- Alistair McKee.

The Fronde senior management team consists of:

- Jason Delamore, chief executive officer
- Martin Currie, chief financial officer
- Bret Duffield, head of solutions consulting and marketing
- Warwick Taggart, head of delivery
- Helen James, general manager - people & culture.

3.4 Capital Structure and Shareholders

Ordinary Shares

Fronde currently has 7,683,164 fully paid ordinary shares on issue held by 203 shareholders. The names, number of shares and percentage holding of the 10 largest shareholders as at 28 July 2022 are set out below.

10 Largest Shareholders		
Shareholder	No. of Shares	%
Chameleon Trust	1,973,145	25.68%
Celia Burton	1,405,963	18.30%
Ian Clarke	590,055	7.68%
Alistair McKee and Louisa McKee	430,760	5.61%
Garth Hamilton, Joanna Hamilton and John Scutter	413,755	5.39%
McTigue Family Trust	399,745	5.20%
BokScot	306,689	3.99%
Carlton Football Club Limited	231,250	3.01%
Rebecca Comber-Short	163,000	2.12%
Sarah Mijatovic	162,000	2.11%
Subtotal	6,076,362	79.09%
Others (193 shareholders)	1,606,802	20.91%
Total	<u>7,683,164</u>	<u>100.00%</u>

Source: Computershare

On 5 May 2020, in connection with the acquisition of Fronde's Oracle NetSuite cloud ERP business, BokScot (as trustee for the BokScot Capital Unit Trust) entered into a Call Option Deed with Fronde under which BokScot granted Fronde an option to acquire 306,689 Fronde shares held by BokScot for an aggregate price of \$1 (the **Call Option**).

The Seisma Offer assumes that the 306,689 ordinary shares currently held by BokScot will be bought back by Fronde and cancelled prior to the commencement of the Seisma Offer under the BokScot Buyback.

Fronde has exercised the Call Option and expects to complete the BokScot Buyback by 8 September 2022.

Employee Share Rights

On 26 July 2018, Fronde's shareholders authorised the grant to selected key employees the rights to be issued shares in the Company, conditional on the occurrence of a liquidity event that values Fronde at \$5.5 million or more and which vest immediately prior to the closing of the liquidity event (the **Employee Share Rights**).

Currently 2 employees (Jason Delamore and Warwick Taggart) hold Employee Share Rights. The rights lapse if there is no liquidity event prior to 25 August 2028.

The Seisma Offer values Fronde at approximately \$8.5 million and therefore, if the offer is successful, the Employee Share Rights will vest.

We understand that the Board has agreed to cash settle the Employee Share Rights. The Employee Share Rights were cancelled on 23 August 2022 and in return Fronde must pay \$165,000 in aggregate in cash to the 2 rightsholders.

3.5 Corporate Strategy

Fronde's purpose is *we help businesses unlock their potential, faster.*

Fronde's vision is *by 2025, Fronde is the market leader in delivering measurable business transformation creating thriving, resilient organisations.*

Fronde's core strategies are:

- *people* – creating an environment for talented people who are customer obsessed, have a growth mindset and who live Fronde's values
- *customer* – partnering with its customers to lead the delivery of valuable business outcomes – their success is Fronde's success
- *business sustainability* – assessing and undertaking work that delivers value to customers and a positive commercial return to Fronde
- *Fronde advantage* – creating a Fronde advantage, powered by Fronde's 4 pillars, to unlock greater value for customers.

Fronde's values are:

- *outcomes focused* – measurably achieving Fronde's ambitions is the Company's top priority
- *entrepreneurial spirit* – Fronde is optimistic about the possibilities and fearless in its pursuit of them
- *challenger mindset* – Fronde is unafraid to challenge thinking in its relentless drive to achieve better outcomes
- *collaborative generosity* – Fronde proactively seeks and shares knowledge and expertise to create outcomes together.

3.6 Financial Performance

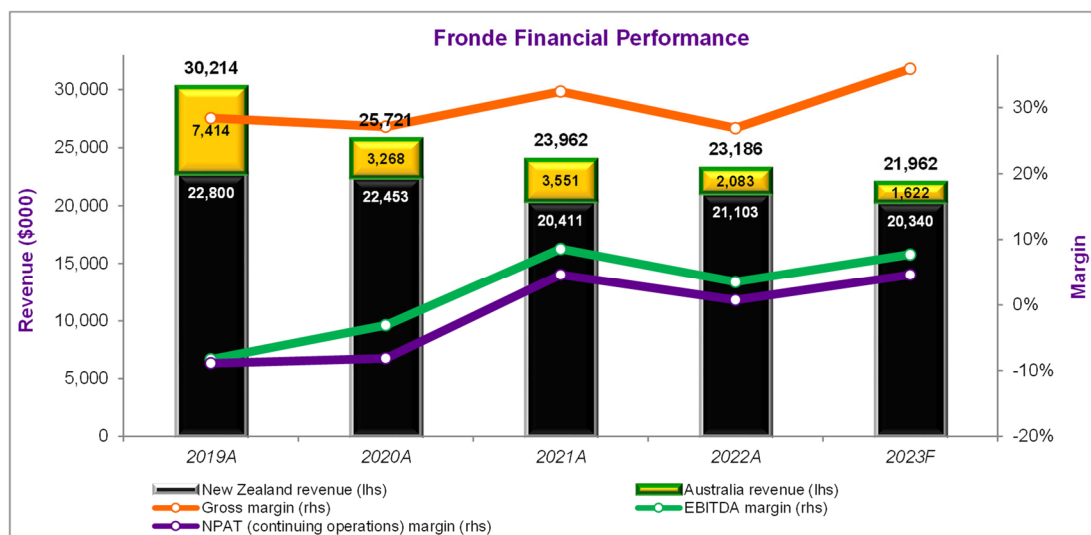
A summary of Fronde's recent financial performance is set out below.

Summary of Financial Performance					
	Year to 31 Mar 19 (Audited) \$000	Year to 31 Mar 20 ¹ (Audited) \$000	Year to 31 Mar 21 (Audited) \$000	Year to 31 Mar 22 (Audited) \$000	Year to 31 Mar 23 (Forecast) \$000
Revenue ²	30,214	25,721	23,962	23,186	21,962
Gross profit	8,586	6,976	7,774	6,234	7,882
EBITDA	(2,507)	(796)	2,057	821	1,700
EBIT	(2,790)	(1,864)	1,149	313	1,105
NPBT	(2,699)	(2,116)	1,037	252	1,019
Profit / (loss) for the year	(2,688)	(4,151)	749	176	1,018

EBITDA: Earnings before interest, tax, depreciation and amortisation
EBIT: Earnings before interest and tax
NPBT: Net profit before tax

¹ Restated
² Revenue is calculated in accordance with NZ IFRS 15 Revenue from Contracts with Customers. Licence revenue is therefore stated net of licence costs incurred as agent

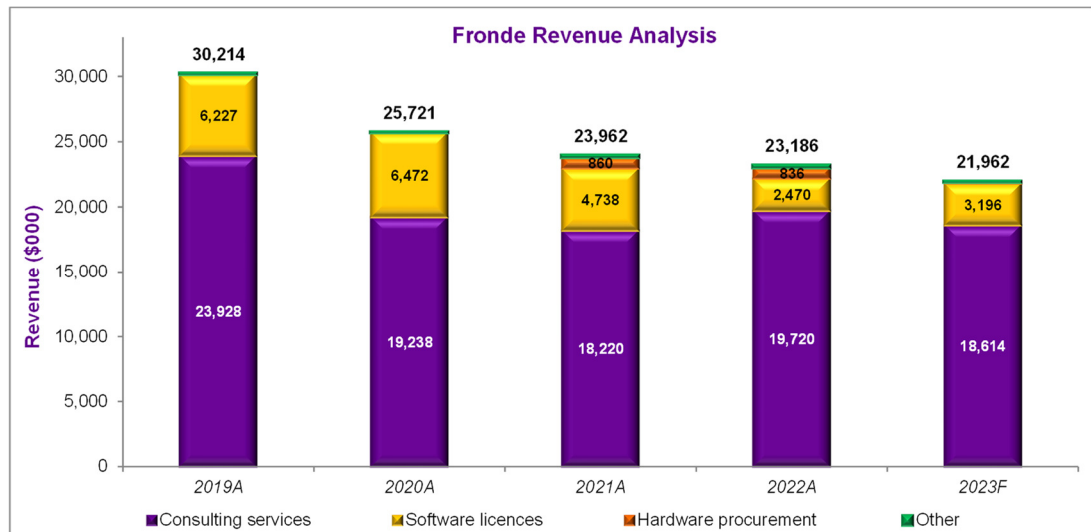
Source: Fronde audited financial statements and forecast for the 2023 financial year



Fronde's revenue is mainly generated in New Zealand (91% of 2022 revenue and 93% of 2023 forecast revenue), with the remainder generated in Australia by FAPL.

Fronde's revenue sources are from:

- consulting services (85% of 2022 revenue and 85% of 2023 forecast revenue)
- the sale of software licences (11% of 2022 revenue and 14% of 2023 forecast revenue)
- the sale of hardware (4% of 2022 revenue and 1% of 2023 forecast revenue).



Consulting services revenue is derived from services in respect of:

- managed infrastructure
- managed applications
- projects
- Salesforce support
- Google Enterprise support.

Over three quarters of licences revenue is from the sale of the Google suite of products.

Fronde occasionally supplies computer hardware to a customer for whom the Company manages its IT environment.

Fronde recorded a net loss of \$2.7 million in the 2019 financial year. Revenue decreased by 39% to \$30.2 million due to a contraction in most of Fronde's business (in particular its Contractors-as-a-Service offering) and the adoption of international accounting standard NZ IFRS 15 *Revenue from Contracts with Customers*. Gross margin of 28% was relatively steady and operating expenses reduced by \$1.3 million.

The 2020 restated result included a loss of \$2.1 million and the 2021 result included a loss of \$0.4 million arising from the sale in May 2020 of the Company's NetSuite assets to OnlineOne, an organisation established by Don McLean and Craig Traub, senior employees of Fronde.

Revenue decreased by 15% to \$25.7 million in the 2020 financial year, with gross margin of 27% remaining steady and operating expenses reducing by \$3.3 million. Fronde recorded a net loss from continuing operations of \$2.1 million for the year.

Fronde's financial performance improved significantly in the 2021 financial year, recording a net profit from continuing operations of \$1.1 million for the year. While revenue decreased by 7% to \$24.0 million (due mainly to lower licence revenue), gross margin improved to 32% and operating expenses reduced by \$5.3 million.

Fronde recorded a net profit of \$0.2 million in the 2022 financial year, driven mainly by a decrease in gross margin from 32% to 27% on relatively steady revenue and operating expenses levels. The decrease in gross margin was due mainly to lower licence revenue at reduced margins.

Fronde is forecasting a net profit of \$1.0 million for the 2023 financial year. The forecast is based on 3 months' actual results to 30 June 2022.

The principal assumptions underlying the 2023 forecast (including the cash flows forecast in section 3.8) are:

- revenue will decrease by 5% to \$22.0 million, due mainly to:
 - a \$1.1 million decrease in consulting revenue (mainly Google Workspace and Salesforce revenue, partially offset by an increase in projects revenue)
 - a \$0.7 million increase in licence revenue (mainly new multi-year Google deals offsetting lower AWS revenue)
 - a \$0.7 million decrease in hardware revenue (based on known orders)
- gross margin will increase from 27% to 36%, due mainly to higher licence margins and better margins achieved in consulting through better utilisation
- operating expenses will increase by \$0.7 million to \$6.2 million, due mainly to increased sales and marketing expenditure
- depreciation and amortisation expense of \$0.6 million
- net interest expense \$0.1 million
- no tax expense due to the availability of tax losses to offset the tax liability.

3.7 Financial Position

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

Summary of Financial Position					
	As at 31 Mar 19 (Audited) \$000	As at 31 Mar 20 (Audited) \$000	As at 31 Mar 21 (Audited) \$000	As at 31 Mar 22 (Audited) \$000	As at 31 Jul 22 (Unaudited) \$000
Current assets	12,658	9,885	9,046	9,793	9,318
Non current assets	2,396	4,632	6,255	4,634	6,139
Total assets	15,054	14,517	15,301	14,427	15,457
Current liabilities	(9,329)	(10,483)	(8,161)	(8,312)	(8,069)
Non current liabilities	(267)	(2,827)	(5,136)	(4,032)	(5,140)
Total liabilities	(9,596)	(13,310)	(13,297)	(12,344)	(13,209)
Total equity	5,458	1,207	2,004	2,083	2,248

Source: Fronde audited financial statements and management accounts to 31 July 2022

Fronde's main current assets as at 31 July 2022 were \$2.8 million of cash at bank and \$6.4 million of trade and other receivables.

The Company's main non current assets as at 31 July 2022 were \$4.2 million of trade and other receivables, \$1.1 million of right of use assets and \$0.5 million of property, plant and equipment.

Current liabilities as at 31 July 2022 consisted mainly of trade and other payables of \$6.1 million, provision for employee benefits of \$1.1 million, \$0.5 million of contract liabilities and lease liabilities of \$0.3 million.

Non current liabilities as at 31 July 2022 consisted mainly of trade and other payables of \$4.0 million and lease liabilities of \$1.1 million.

Total equity of \$2.2 million as at 31 July 2022 consisted of:

- share capital – \$5.8 million
- accumulated losses and reserves – \$3.6 million.

Fronde had \$4.4 million of tax losses as at 31 July 2022. The value of the tax losses are not recognised as a deferred tax asset.

3.8 Cash Flows

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

Summary of Cash Flows					
	Year to 31 Mar 19 (Audited) \$000	Year to 31 Mar 20 (Audited) \$000	Year to 31 Mar 21 (Audited) \$000	Year to 31 Mar 22 (Audited) \$000	Year to 31 Mar 23 (Forecast) \$000
Net cash inflow / (outflow) from operating activities	(790)	(1,678)	2,232	2,775	1,291
Net cash (outflow) from investing activities	(134)	(609)	(131)	(83)	(123)
Net cash (outflow) from financing activities	<u>(307)</u>	<u>(505)</u>	<u>(768)</u>	<u>(535)</u>	<u>(464)</u>
Net increase / (decrease) in cash held	(1,231)	(2,792)	1,333	2,157	704
Opening cash balance	3,383	2,175	(579)	795	2,921
Foreign exchange effects	23	38	41	(31)	(11)
Closing cash balance	<u>2,175</u>	<u>(579)</u>	<u>795</u>	<u>2,921</u>	<u>3,614</u>

Source: Fronde audited financial statements and forecast for the 2023 financial year

Fronde has operated with cash balances ranging between negative \$0.6 million and \$2.9 million in the recent past. It had \$2.8 million of cash at bank as at 31 July 2022.

Operating cash flows have been positive in the last 2 financial years, reflecting the Company's profitable trading.

Investing cash outflows mainly represent the purchase of fixed assets. \$0.5 million was expended on office fit-out in the 2020 financial year.

Financing cash outflows in the 2019 financial year represented a dividend of \$0.3 million.

Financing cash outflows from the 2020 financial year onwards represent lease liability payments.

The forecast closing cash balance as at 31 March 2023 of \$3.6 million is before any transaction costs to be incurred after 31 July 2022.

3.9 Share Price History

Fronde's shares are not quoted on any stock exchange or securities trading platform. Accordingly, the ability for the Company's shareholders to trade their shares is extremely limited and is restricted to private "off-market" transactions.

The absence of the quotation of the Company's shares on a trading platform means that there is no visible "price discovery" of the price paid in the sale of Fronde's shares.

4. Valuation of Fronde

4.1 Introduction

The Seisma 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 Seisma Offer is to compare the offer price of \$1.152 per share with the full underlying value of Fronde on a standalone basis, pro-rated across all shares.

Such an approach attributes full control value to Fronde 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 Fronde to trade in the absence of the Seisma 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.

4.2 Standard of Value

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

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.

4.3 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.

4.4 Valuation Approach

Our preference is to assess the value of Fronde using the DCF method. However, in the absence of detailed long term financial projections for Fronde, it is not possible to undertake a meaningful DCF analysis.

We have therefore assessed the fair market value of Fronde using the capitalisation of earnings method.

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 (ie 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 Fronde's shares, we have added the value of Fronde's freely distributable cash at bank and tax losses to the enterprise value and deducted the value of Fronde's interest bearing debt (IBD).

4.5 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.

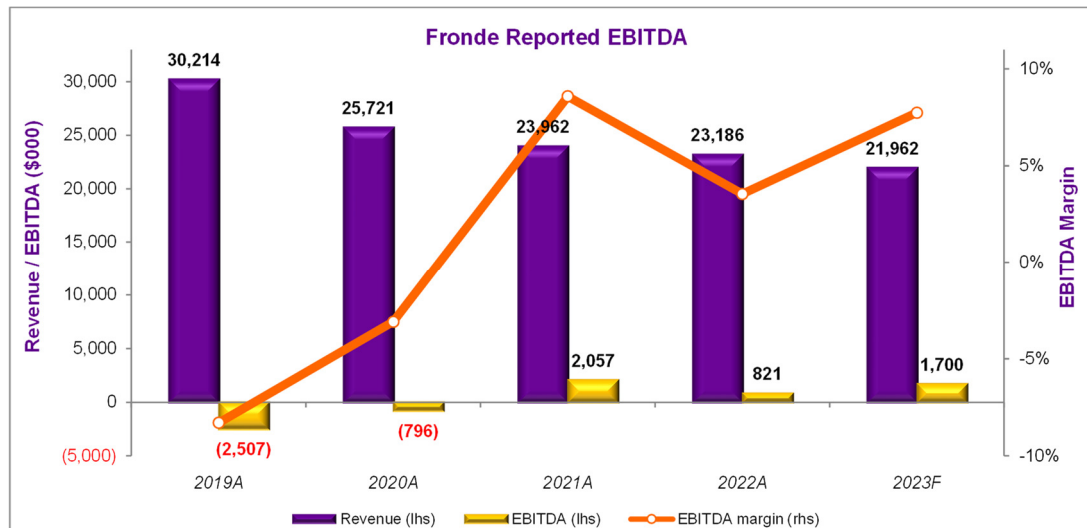
Future Maintainable Earnings

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.

Fronde's financial performance is set out in section 3.6.

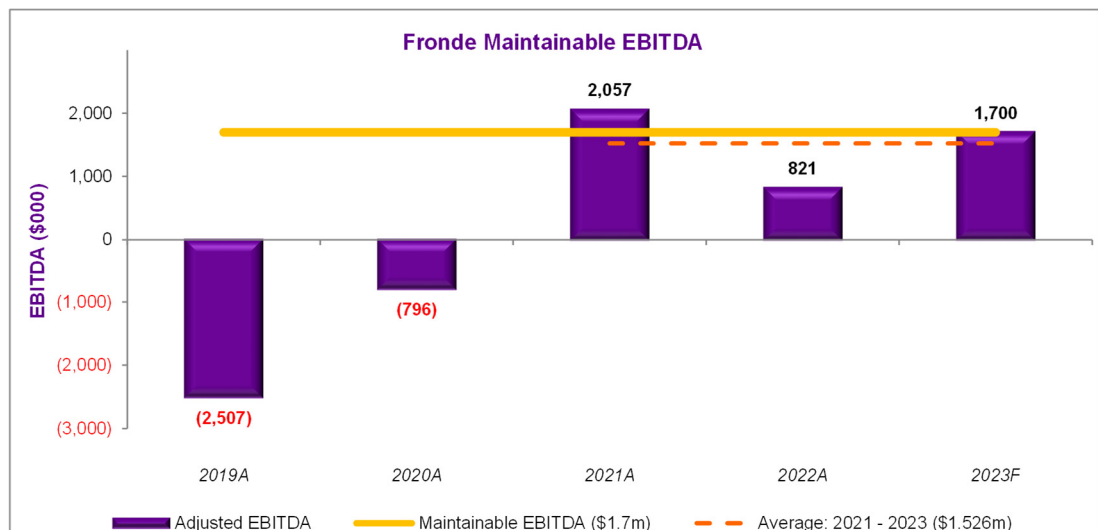


The analysis highlights that Fronde's revenue has steadily decreased since the 2019 financial year and EBITDA has fluctuated markedly over the period:

- revenue has decreased from \$30.2 million in the 2019 financial year to \$23.2 million in the 2022 financial year and is forecast to further reduce to \$22.0 million in the 2023 financial year
- EBITDA was negative in the 2019 and 2020 financial years, improving to \$2.1 million in the 2021 financial year and reducing to \$0.8 million in the 2022 year
- EBITDA is forecast to be \$1.7 million in 2023, based on gross margin improving from 27% to 36% combined with relatively steady levels of revenue and operating expenses. The forecast is based on Fronde's actual financial performance for the 3 months ended 30 June 2022.

Given the significant fluctuations in EBITDA between 2019 and 2022, we consider it appropriate to base maintainable earnings on forecast EBITDA for the 2023 financial year on the basis that this best represents the Company's current business operations and customer relationships.

Accordingly, we assess Fronde's maintainable EBITDA to be in the vicinity of \$1.7 million.



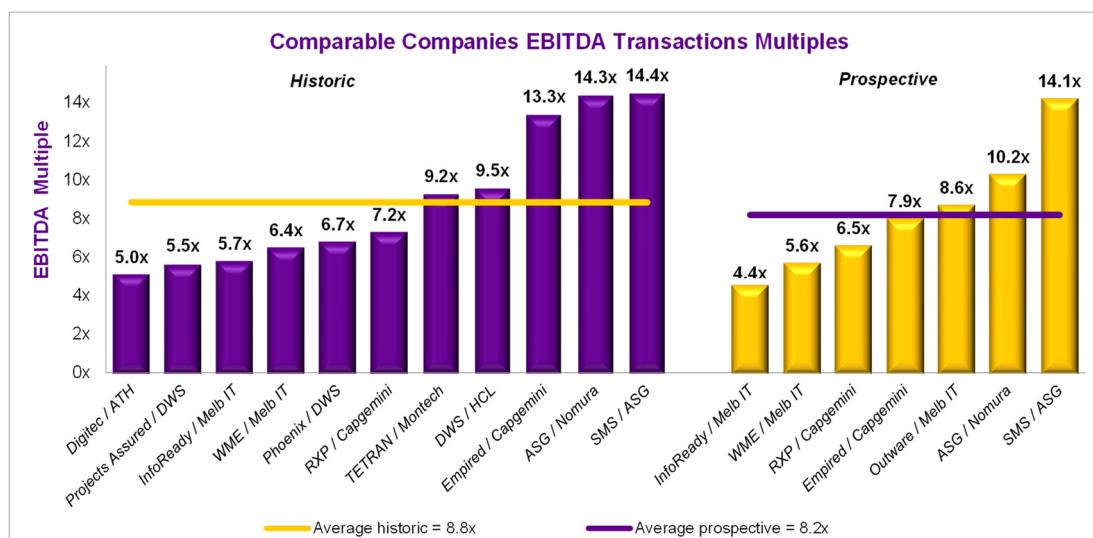
The forecast 2023 EBITDA of \$1.7 million is marginally higher than the average actual / forecast EBITDA for the 3 years from 2021 to 2023.

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 with similar characteristics to Fronde or transactions involving businesses in the same industry.

Transaction Multiples

Set out at Appendix I is an analysis of 12 recent transactions involving New Zealand, Australian and Pacific Islands businesses in the IT consulting and / or software sales industries, showing historic and prospective EBITDA multiples.



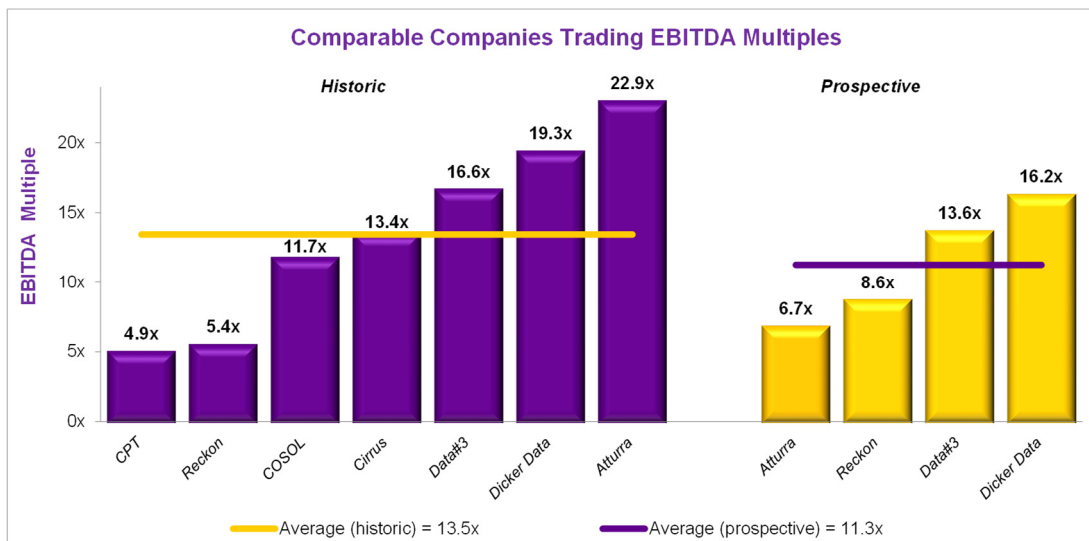
Source: S&P Capital IQ, broker's reports, media coverage, company websites

The analysis shows that:

- the historic EBITDA transaction multiples range from 5.0x to 14.4x at an average of 8.8x and a median of 7.2x
- the prospective EBITDA transaction multiples range from 4.4x to 14.1x at an average of 8.2x and a median of 7.9x.

Trading Multiples

Set out in Appendix II is an analysis of historic and prospective EBITDA multiples for 7 listed IT consulting and / or software sales companies operating in Australia. There are no comparable companies listed on the NZX Main Board.



Source: S&P Capital IQ, data as at 24 August 2022

The analysis shows that:

- the historic EBITDA trading multiples range from 4.9x to 22.9x at an average of 13.5x and a median of 13.4x
- the prospective EBITDA trading multiples range from 6.7x to 16.2x at an average of 11.3x and a median of 11.1x.

Selection of EBITDA Multiple Range

In selecting an appropriate EBITDA multiple for Fronde, we have taken into account:

- assessed maintainable EBITDA of \$1.7 million is based on prospective results
- Fronde has recorded fluctuating levels of earnings in the past 4 years, including losses in the 2019 and 2020 financial years
- Fronde is significantly smaller than all of the comparable companies
- Fronde is a much less liquid investment than the comparable companies
- the observed trading multiples are based on minority trades and as such do not include any premium for control.

Given the above, we consider an appropriate prospective EBITDA multiple for Fronde to be in the range of 4.5x to 5.5x.

Valuation Conclusion

We assess the Fronde enterprise value to be in the range of \$7.7 million to \$9.4 million as at the present date based on the capitalisation of earnings method.

Valuation of Fronde Business		
	Low \$000	High \$000
Future maintainable EBITDA	1,700	1,700
EBITDA multiple	4.5x	5.5x
Value of Fronde business	<u>7,650</u>	<u>9,350</u>

4.6 Valuation of Fronde Shares

To derive the value of the Fronde shares, the amount of Fronde's freely distributable cash at bank is added to the enterprise value and Fronde's IBD is deducted.

Fronde had cash at bank of approximately \$2.8 million as at 31 July 2022. Based on Fronde's forecast cash flow requirements and the Company's current banking covenants, we consider freely distributable cash at bank amounts to \$1.0 million for the purposes of our valuation.

Fronde currently has \$4.4 million of tax losses available to offset against future tax liabilities. Based on the assessed level of future maintainable earnings and allowing for risk and uncertainty, we assess the present value of the benefit of the tax losses to be in the range of \$0.7 million to \$0.8 million.

Fronde's lease liabilities amounted to approximately \$1.4 million as at 31 July 2022.

We assess the fair market value of 100% of the shares in Fronde to be in the range of \$8.0 million to \$9.7 million as at the present date. This equates to a value of \$1.08 to \$1.32 per share following the BokScot Buyback.

Valuation of Fronde Shares		
	Low \$000	High \$000
Value of Fronde business	7,650	9,350
Freely distributable cash at bank	1,000	1,000
Tax losses benefit	742	796
Lease liabilities	(1,427)	(1,427)
Value of 100% of Fronde shares	<u>7,965</u>	<u>9,719</u>
No. of shares	7,376,475 ¹	7,376,475 ¹
Value per Fronde share (\$)	<u>\$1.08</u>	<u>\$1.32</u>

¹ After the cancellation of BokScot's 306,689 shares

4.7 Implied Valuation Multiples

The value range of \$1.08 to \$1.32 per share implies revenue, EBITDA, EBIT, price earnings (**PE**) and net tangible assets (**NTA**) multiples as set out below. The earnings multiples are based on Fronde's actual results for the 2022 financial year and its forecast for the 2023 financial year. The NTA multiples are based on the Company's financial position as at 31 July 2022.

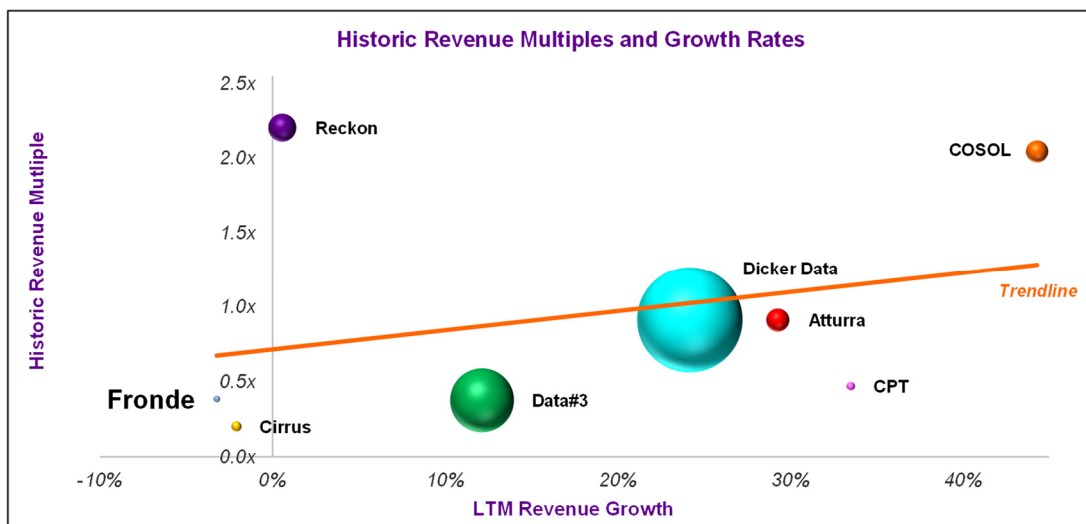
Implied Valuation Multiples				
	2022 (Actual)		2023 (Forecast)	
	Low	High	Low	High
Revenue multiple	0.3x	0.4x	0.3x	0.4x
EBITDA multiple	9.3x	11.4x	4.5x	5.5x
EBIT multiple	24.4x	29.9x	6.9x	8.5x
PE multiple	45.3x	55.2x	7.8x	9.5x
NTA multiple	4.2x	5.1x		

We consider the implied multiples to be reasonable when compared with observed multiples for comparable companies (particularly the prospective multiples).

Revenue Multiples

The comparable companies' historic revenue multiples (based on the companies' last 12 months' revenue) as set out in Appendix II range from 0.2x to 2.2x at an average of 1.0x and a median of 0.9x.

The graph below plots historic revenue multiples, historic revenue growth rates and enterprise values for the comparable companies and for Fronde.



Source: S&P Capital IQ, data as at 24 August 2022

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

The analysis shows that the implied historic revenue multiple for Fronde of 0.4x under the Seisma Offer sits close to the trendline.

4.8 Net Asset Backing

Fronde's net assets as at 31 July 2022 amounted to approximately \$2.2 million. This equates to \$0.30 per share (after the BokScot Buyback).

Our valuation range of \$1.08 to \$1.32 represents premia of 254% to 332% above the Company's net assets per share as at 31 July 2022.

4.9 Conclusion

We assess the fair market value of 100% of the shares in Fronde to be in the range of \$8.0 million to \$9.7 million as at the present date.

This equates to \$1.08 to \$1.32 per share (after the BokScot Buyback) as at the present date.

The valuation represents the full underlying standalone value of Fronde based on its current strategic and operational initiatives.

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

5.1 Sources of Information

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

- the Exclusivity Letter dated 20 May 2022
- the Binding Term Sheet dated 26 July 2022
- the Seisma Takeover Notice dated 25 August 2022
- the Lock Up Agreements
- the draft Seisma Offer Document
- the draft Fronde Target Company Statement
- the Fronde board minutes from September 2020 to June 2022
- the Fronde annual reports for the years ended 31 March, 2019 to 2022
- the Fronde management accounts for the 4 months ended 31 July 2022
- the Fronde budget for the year ended 31 March 2023
- the Fronde forecast for the year ended 31 March 2023
- data in respect of comparable companies from NZX Company Research and S&P Capital IQ.

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

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

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

In our opinion, the information to be provided by Fronde to the Company shareholders is sufficient to enable the Board and the shareholders to understand all the relevant factors and to make an informed decision in respect of the Seisma Offer.

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

5.3 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 Fronde 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 Fronde and its directors and management team. Actual results will vary from the forecasts and these variations may be significantly more or less favourable.

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

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

We have had no involvement in the preparation of the Target Company Statement issued by Fronde 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.

5.4 Indemnity

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

6. Qualifications and Expertise, Independence, Declarations and Consents

6.1 Qualifications and Expertise

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

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

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

6.2 Independence

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

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

6.3 Declarations

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

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

6.4 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 Fronde'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
25 August 2022

Appendix I

Comparable Companies Transaction Multiples

Transaction Multiples					
Date	Target	Buyer	Enterprise Value (\$m)	EBITDA Multiple	
				Historic	Prospective
Nov 2021	Empired	Capgemini	A\$243	13.3x	7.9x
Mar 2021	RXP	Capgemini	A\$98	7.2x	6.5x
Dec 2020	DWS	HCL	A\$189	9.5x	n/d
Jan 2019	Digitec Companies	ATH	US\$13	5.0x	n/d
Jul 2018	Projects Assured	DWS	A\$43	5.5x	n/d
Sep 2017	SMS	ASG	A\$128	14.4x	14.1x
May 2017	WME Group	Melbourne IT	A\$39	6.4x	5.6x
Dec 2016	ASG	Nomura	A\$343	14.3x	10.2x
May 2016	TETTRAN	Montech	A\$10	9.2x	n/d
Mar 2016	InfoReady	Melbourne IT	A\$15	5.7x	4.4x
Feb 2016	Phoenix	DWS	A\$26	6.7x	n/d
Jun 2015	Outware	Melbourne IT	A\$44	n/d	8.6x
<i>Minimum</i>				5.0x	4.4x
<i>Median</i>				7.2x	7.9x
<i>Average</i>				8.8x	8.2x
<i>Maximum</i>				14.4x	14.1x
<i>n/d: Not disclosed</i>					
<i>Source: S&P Capital IQ, Independent Expert's Reports, media coverage</i>					

Capgemini Australia Pty Limited entered into a scheme implementation agreement to acquire **Empired Limited** from a group of shareholders for ~A\$230 million on 19 July 2021. Empired provides ICT solutions in Australia, New Zealand and the USA. The transaction was completed on 2 November 2021.

Capgemini Australia Pty Limited entered into a scheme implementation agreement to acquire **RXP Services Limited** from Ross Fielding and others for A\$95.2 million on 10 November 2020. RXP provides ICT consulting, development, support and maintenance services in the Asia Pacific region. The transaction was completed on 26 March 2021.

HCL Australia Services Pty Limited entered into a scheme implementation agreement to acquire **DWS Limited** from Fielding Jonstone Pty Limited and others for ~A\$160 million on 20 September 2020. DWS provides ICT consulting services to corporations and government bodies in Australia and New Zealand. The transaction was completed on 24 December 2020.

Amalgamated Telecom Holdings Limited acquired 70% of the **Digitec Companies** for US\$13.32m in January 2019. The Digitec Companies provide ICT consulting services and sell software licences and hardware in Papua New Guinea and Australia.

DWS Limited agreed to acquire **Projects Assured Pty Limited** for A\$43 million on 25 June 2018. Projects Assured provides management consultancy services. The transaction was completed on 2 July 2018.

ASG Group Limited entered into a scheme implementation agreement to acquire **SMS Management & Technology Limited** for ~A\$120 million on 26 May 2017. SMS provides ICT consulting services in Australia, Hong Kong, Singapore and the Philippines. The transaction was completed on 26 September 2017.

Melbourne IT Limited agreed to acquire **Web Marketing Experts Pty Limited, Nothing But Web Pty Limited** and **Results First Limited** for A\$39.7 million on 1 May 2017. WME Group offers search engine optimization services for advertising, website design and development, search engine optimization, e-commerce services and online marketing strategies and services. The transaction was completed on 29 May 2017.

Nomura Research Institute, Limited entered into a scheme implementation agreement to acquire **ASG Group Limited** for ~A\$340 million on 30 September 2016. ASG provides ICT services in Australia. The transaction was completed on 12 December 2016.

Montech Holdings Limited acquired **TETRAN Pty Limited** for A\$10.2 million on 20 May 2016. TETRAN offers managed and cloud IT services in Australia.

Melbourne IT Limited acquired **InfoReady Pty Limited** for A\$15.4 million on 31 March 2016. InfoReady provides IT consultancy services in the areas of architecture and end-to-end solution deliveries.

DWS Limited acquired **Phoenix It & T Consulting Pty Limited** on 1 February 2016 for A\$26 million. Phoenix provides business consulting and IT professional services in Australia.

Melbourne IT Limited entered into a binding agreement to acquire **Outware Systems Pty Limited** on 10 June 2015. Outware operates as a mobile software design and app development company. The transaction was completed on 16 June 2017.

Appendix II

Comparable Companies Trading Multiples

Trading Multiples						
Company	Market Capitalisation (A\$m)	Enterprise Value (A\$m)	EBITDA Multiples		PE Multiples	
			Historic	Prospective	Historic	Prospective
Atturra	134	107	22.9x	6.7x	55.1x	13.6x
Cirrus Networks	29	21	13.4x	n/a	61.3x	n/a
CPT Global	21	15	4.9x	n/a	8.4x	n/a
COSOL	96	99	11.7x	n/a	17.2x	n/a
Data#3	951	827	16.6x	13.6x	31.5x	26.0x
Dicker Data	2,048	2,274	19.3x	16.2x	27.8x	24.3x
Reckon	141	159	5.4x	8.6x	14.2x	31.1x
<i>Minimum</i>	<i>21</i>	<i>15</i>	<i>4.9x</i>	<i>6.7x</i>	<i>8.4x</i>	<i>13.6x</i>
<i>Median</i>	<i>134</i>	<i>107</i>	<i>13.4x</i>	<i>11.1x</i>	<i>27.8x</i>	<i>25.2x</i>
<i>Average</i>	<i>489</i>	<i>500</i>	<i>13.5x</i>	<i>11.3x</i>	<i>30.8x</i>	<i>23.8x</i>
<i>Maximum</i>	<i>2,048</i>	<i>2,274</i>	<i>22.9x</i>	<i>16.2x</i>	<i>61.3x</i>	<i>31.1x</i>
<i>n/m: Not meaningful</i>						
<i>n/a: Not available</i>						
<i>Source: S&P Capital IQ, data as at 24 August 2022</i>						

Atturra Limited provides IT consulting services to various public and private sector organisations. It offers advisory and consulting, business application, data and integration, cloud, change management and adoption, management control solution and industry engagement services. Its principal target markets include local councils, federal government and utilities, as well as the defence, wealth management and superannuation and higher education sectors. The company was founded in 2015 and is headquartered in Sydney, Australia.

Cirrus Networks Holdings Limited provides IT services and related third-party products in Australia. The company also offers advisory services for strategic plans, architecture, governance, procurement, cloud, IOT and program and asset management, integration services, such as connectivity and communication, data centre, collaboration, security and project management and people services, managed services and infrastructure services. Cirrus Networks Holdings Limited was incorporated in 2003 and is based in Perth, Australia.

CPT Global Limited provides IT consultancy services for federal and state government, banking and finance, insurance, telecommunications and retail and manufacturing sectors in Australia, Europe, North America and internationally. The company offers digital consulting, capacity planning, cost reduction, mainframe and midrange performance, project and program management, technical support and management IT services, as well as management, functional and automation testing services. CPT Global Limited was founded in 1993 and is headquartered in Docklands, Australia.

Trading Multiples						
Company	Market Capitalisation (A\$m)	Enterprise Value (A\$m)	Revenue Multiples		Revenue Growth	
			Historic	Prospective	LTM	NTM
Atturra	134	107	0.9x	0.7x	29.3%	29.9%
Cirrus Networks	29	21	0.2x	n/a	(2.1%)	n/a
CPT Global	21	15	0.5x	n/a	33.5%	n/a
COSOL	96	99	2.0x	n/a	44.3%	n/a
Data#3	951	827	0.4x	0.4x	12.1%	7.7%
Dicker Data	2,048	2,274	0.9x	1.1x	24.2%	(12.8%)
Reckon	141	159	2.2x	3.1x	0.6%	(28.8%)
<i>Minimum</i>	<i>21</i>	<i>15</i>	<i>0.2x</i>	<i>0.4x</i>	<i>(2.1%)</i>	<i>(28.8%)</i>
<i>Median</i>	<i>134</i>	<i>107</i>	<i>0.9x</i>	<i>0.9x</i>	<i>24.2%</i>	<i>(2.6%)</i>
<i>Average</i>	<i>489</i>	<i>500</i>	<i>1.0x</i>	<i>1.3x</i>	<i>20.3%</i>	<i>(1.0%)</i>
<i>Maximum</i>	<i>2,048</i>	<i>2,274</i>	<i>2.2x</i>	<i>3.1x</i>	<i>44.3%</i>	<i>29.9%</i>
<small>n/a: Not available LTM: Last 12 months NTM: Next 12 months Source: S&P Capital IQ, data as at 24 August 2022</small>						

COSOL Limited provides IT services in Australia. It utilises proprietary software and services to deliver solutions for clients operating in asset-intensive industries with a focus on resource and capital-intensive enterprise asset management and infrastructure-focused systems. The company also provides digital business solutions, including business process and strategic reviews, legacy data services and data migration and ongoing support services to clients, as well as implements enterprise resource planning / enterprise asset management solutions. It serves mining, utilities, public infrastructure and defence industries. COSOL Limited was incorporated in 2019 and is headquartered in Brisbane, Australia.

Data#3 Limited provides IT solutions and services in Australia and Fiji. The company offers cloud solutions (such as public cloud and private cloud services and modern data centre solutions in hybrid IT environment), modern workplace solutions (including collaboration, end user devices, systems management and printing) and security solutions (comprising cloud and network security, identity and access management, data security and privacy, infrastructure and end point security and security monitoring and analytics). In addition, the company offers consulting, procurement, resourcing, project and managed services. Data#3 Limited was founded in 1977 and is headquartered in Brisbane, Australia.

Dicker Data Limited engages in the wholesale distribution of computer hardware, software and related products in Australia and New Zealand. It sells its products to approximately 8,200 resellers partners. The company was formerly known as Rodin Corporation Pty Limited. Dicker Data Limited was incorporated in 1972 and is headquartered in Kurnell, Australia.

Reckon Limited provides software solutions in Australia, the USA and internationally. The company operates through 3 divisions – Business Group, Practice Management Group, Accountants and Practice Management Group, Legal. It offers *Reckon One*, an online accounting software for small businesses, *Single Touch Payroll* software for managing pay runs, allowances, leave and superannuation, *Reckon Accounts Hosted*, an online accounting software to manage finances, payroll and inventory for large businesses, *Reckon Cloud POS*, a cloud-based point of sale software and *Better Clinics*, an online practice management software for allied health professionals. In addition, it delivers digitalisation, practice management and cost recovery and analytics solutions under the nQ Zebraworks brand primarily to the law firms and government and corporate legal departments. The company was incorporated in 1987 and is based in North Sydney, Australia.

Glossary

TERM	DEFINITION
Board	The Board of Directors of Fronde
Director	A director of Fronde
Exclusivity Letter	The exclusivity letter between LVP and Fronde dated 20 May 2022.
Fronde	Fronde Systems Group Limited
Fronde Shares	The fully paid ordinary shares in Fronde
Fronde Shareholder	A holder of Fronde Shares
Independent Adviser	Simmons Corporate Finance Limited
Independent Adviser's Report	The report prepared by the Independent Adviser on the merits of the Offer under Rule 21 of the Takeovers Code
Lock Up Agreement	A lock up agreement between LVP and a Fronde Shareholder on the terms summarised in section 8 of Appendix 1 to the Offer Document
LVP	LVP Technology Services Pty Ltd, which indirectly owns all of the shares in Seisma
Offer	The full takeover offer made by Seisma under the Takeovers Code for all of the Fronde Shares
Offer Document	Seisma's Offer Document dated 9 September 2022 which sets out the full terms and conditions of the Offer
Offer Price	\$1.152 cash in respect of each Fronde Share
Seisma	LVP Tech NZ Bidco Limited
Seisma Shares	Any class of equity security of Seisma or a related company of Seisma
Senior Manager	A senior manager (in terms of the Takeovers Code) of Fronde

TERM	DEFINITION
Share Rights	A right to be issued with non-voting shares in Fronde under Fronde's employee share incentive plan
Superior Proposal	<p>A proposed full offer under rule 8 of the Takeovers Code which complies with each of the following:</p> <ul style="list-style-type: none"> (a) the offeror proposing the superior proposal has given a takeover notice to Fronde under rule 41 of the Takeovers Code; (b) the consideration is all cash or contains an all cash option with no aggregate cash cap; (c) the offer price per Fronde Share is greater than the Offer Price; and (d) the offer as a whole (taking into account all aspects of the offer, including offer price, offer terms and offer conditions) is more favourable to Fronde Shareholders compared with the Offer
Term Sheet	The binding term sheet between LVP and Fronde dated 26 July 2022

Directory

Board of Directors	David John Bartlett (Chair of the Board) Amanda Katrina Cribb Samford Lee Maier Jr Alistair Joseph McKee
Independent Adviser	Simmons Corporate Finance Limited
Legal Adviser	Harmos Horton Lusk Limited
Financial Adviser	Cameron-Brown Corporate Advisory Limited
Share Registry	Computershare Investor Services Limited
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