



## ASX ANNOUNCEMENT

28 July 2022

### PROPOSED ACQUISITION OF EXCITE IT

**Cipherpoint Limited (ASX:CPT), Sydney, Australia** –CPT is pleased to announce that it has entered into a binding but conditional agreement to acquire all of the issued capital and business of Sydney headquartered Excite IT Pty Limited ('Excite IT').

#### **Excite Overview**

Excite IT (<https://www.exciteit.com.au/>) is a leading focused provider of managed IT and security services, cloud solutions and automation. Founded by Bryan Saba Excite IT optimises information technology platforms and processes for its enterprise customers and implements appropriate cyber security solutions to protect their businesses and the information of their customers. Excite IT customer include market leaders in the property, logistics, biscuit and snack food industries.

Excite IT achieved revenues in excess of ~\$3m<sup>1</sup> in FY22.

#### **Strategic Rationale**

Excite IT will extend Cipherpoint's capabilities to be able to offer a range of managed Security, IT and Cloud solutions. Excite IT is an existing channel partner to Cipherpoint's subsidiary Brace168.

Excite IT founder Bryan Saba said: *"I am delighted that Excite IT will be joining the Cipherpoint teams. We have had a strategic relationship with Cipherpoint subsidiary Brace168 for some time. I am particularly pleased we will be extending this capability to deliver a broader range of cyber services to our clients."*

Cipherpoint Chairman Ted Pretty said: *"This acquisition continues CPT's momentum as a cyber and cloud services business. We are delighted that Bryan will lead our efforts to grow that business. It is our intention to actively cross-sell the unique capabilities of both Excite IT, Brace168 and VITCS. CPT will support Excite IT as it continues to focus on growth in FY23."*

#### **Purchase Consideration**

The acquisition price will be structured as a combination of cash and scrip and is up to \$3.25m in aggregate consisting of upfront, deferred and performance based earn out elements as follows:

##### *Upfront Consideration*

At completion the Excite IT shareholders will receive (in their respective shareholding proportions) \$1,250,000 cash consideration (less any required balance sheet adjustments) and \$1m in CPT shares issued at \$0.01 per share (100,000,000 ordinary shares), which shall be voluntarily escrowed for a period of 6 months following their issue.

##### *Deferred Consideration*

Excite IT's shareholders will receive (in their respective shareholding proportions) \$500,000 on the date which is 12 months from completion of the acquisition.

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<sup>1</sup> Unaudited, based on management accounts of Excite IT

### *Y23 Earn-Out*

If for the 12 months ending 30 June 2023, the EBITDA for the Excite IT business on a standalone basis is no less than AUD\$800,000, then Excite IT's shareholders will receive (in their respective shareholding proportions) a further \$500,000 in CPT shares issued at \$0.01 per share (50,000,000 shares).

### ***Implied Multiple***

The purchase consideration represents an implied EBITDA multiple of circa 4x (based on the 12 months to 30 June 2022<sup>2</sup>).

### ***Conditions Precedent***

The acquisition is subject to various conditions precedent including:

- CPT's completion of due diligence;
- CPT raising sufficient funds for the upfront cash consideration of the transaction;
- CPT successfully obtaining all necessary shareholder and ASX approvals for the proposed transaction;
- CPT offering, and Bryan Saba accepting, a market-based service agreement; and

other completion conditions as are typical in such transactions including the absence of any material adverse event.

### ***Key executive***

Subject to completion Excite IT Founder Bryan Saba will join the CPT leadership team as Managing Director and CEO of the CPT Group and will remain CEO of Excite IT. It is proposed that Mr Saba will be paid a market-based salary, have the right to be issued further shares conditional on short term operating hurdles and be issued with performance rights referable to long term CPT group targets. The transaction, including the issue of any incentive shares and rights, are subject to shareholder approval and further details will be set out in a forthcoming notice of meeting.

### ***Capital Raise***

CPT also confirms its previously announced intention to conduct a further capital raising to support the acquisition, working capital and growth. The net capital raised will be applied to acquisition cash consideration and costs.

The capital raising will be conducted by way of a non-renounceable pro rata entitlement offer of 2 new shares for every 3 shares held at the record date at an issue price of \$0.005 per new share to raise up to \$1.33M. Each new share issued under the right issue will be issued together with one free-attaching option having an exercise price of 1 cent and an expiry date which is 4 years from the issue of the placement options (refer to ASX release dated 1 July 2022 for details of placement options).

The offer is not currently underwritten. However, CPT reserves the right to place any shortfall within 3 months of the offer close on the same terms.

<sup>2</sup> Unaudited, based on management accounts of Excite IT

A prospectus for the rights issue offer will be lodged in the coming days.

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This announcement has been authorised by the Board

**About Cipherpoint**

Cipherpoint empowers businesses to discover, protect and control sensitive information across multiple platforms and repositories. Cipherpoint's subsidiaries Brace 168 and VITCS build and deliver IT and cyber security solutions to protect enterprise and business clients. Our customers span the ASX 200 and include market leaders in sectors such as banking, finance, property, technology and health care.

**Further information**

For further information

**Cipherpoint investor relations contact:**

Ted Pretty  
Managing Director and Executive  
Chairman

Peter Taylor  
Investor Relations  
[Peter@nwrcommunications.com.au](mailto:Peter@nwrcommunications.com.au)  
+61 412 036 231

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