amaysim

ASX ANNOUNCEMENT

10 April 2017

Acquisition of Click Energy Group Holdings Pty Ltd

amaysim Australia Limited (ASX:AYS) has entered into a binding agreement to acquire 100% of Click Energy Group Holdings Pty Ltd ("Click"), an online pure-play energy retailer in Australia, on a cash-free and debt-free basis for a total consideration of $120 million, subject to purchase price adjustments at completion (the "Acquisition").

Highlights:[1]

- Acquisition of 100% of Click for a total consideration of $120 million[2] representing 8.4x EV / FY17F underlying EBITDA pre-synergies[3] and 6.2x EV / FY17F underlying EBITDA post-synergies[4]
- The Acquisition is subject to the satisfaction of conditions precedent with transaction completion expected by June 2017[5]
- Transaction to be funded with $40 million scrip[6] and $80 million of cash consideration to Click vendors, with cash consideration funded through a new debt facility with the CBA
- The addition of an energy vertical accelerates amaysim's strategy of providing multiple services to Australian households and aligns with the vision of becoming the remote control for the smart home
- Enhances scale, operating leverage and ability to cross-sell a diverse range of relevant products and services into more households with the combined amaysim and Click business generating FY17F pro forma net revenue of approximately $497 million and pro forma underlying EBITDA of $55 million[7]
- The Acquisition is expected to be 20%+ EPS accretive for amaysim shareholders in the 2018 financial year on an underlying NPATA basis, post-cost synergies and before transaction and integration costs[8]

amaysim's Chief Executive Officer and Managing Director Julian Ogrin said, "The acquisition of Click is a highly strategic opportunity and a significant milestone in the evolution of our company. Consistent with our goal of increasing relevance to the Australian household, we see energy as the most logical vertical to perfectly complement our existing suite of mobile and broadband products.

[1] Where relevant, underlying figures exclude the impact of non-core income and expenses and any acquisition related expenses including consequential changes in the value of tax assets, integration and transaction costs, with a related tax adjustment where applicable

[2] On a cash-free and debt-free basis, subject to purchase price adjustments at completion

[3] Underlying FY17F EBITDA of $14.4m. Refer to footnote 1 of slide 5 of the investor presentation dated 10 April 2017

[4] Underlying FY17F EBITDA of $14.4m and expected annualised synergies of $5m. Refer to footnote 2 of slide 5 of the investor presentation dated 10 April 2017

[5] If certain approvals are not obtained, amaysim may be required to pay Click a break fee of $1.2 million

[6] amaysim scrip issued at $1.79 (average of adjusted daily volume weighted average price for 30 trading days to 7 April 2017)

[7] Refer to footnote 6 of slide 5 of the investor presentation dated 10 April 2017

[8] Refer to footnote 8 of slide 5 of the investor presentation dated 10 April 2017

“Click is an online pure-play energy retailer in Australia and its business model and customer value proposition is strongly aligned with amaysim’s. We see a significant opportunity for a virtual energy retailer to disrupt the larger incumbent players that own their own generating assets and are burdened with legacy systems and pricing structures. We are less than 4 weeks away from launching amaysim branded NBN services which will enable us to communicate with our large subscriber base about energy and mobile as part of the forced migration event caused by NBN.

“We’ve had a close relationship with Click for over a year and have been very impressed by the disciplined growth that its management has been able to deliver. Click’s executive management team has extensive experience in the energy industry and considerable bench strength and we are pleased that Dominic Drenen, CEO and Managing Director of Click, has agreed to continue his leadership of the energy vertical under the amaysim Group. We welcome Dominic and his whole team to amaysim and are excited to work together as we look to increase our presence in the Australian household,” Mr Ogrin said.

Click’s CEO and Managing Director Dominic Drenen commented, “The emergence of multi-retail product offerings in the home has been a part of Click’s strategic plan, as we have seen this evolve in other markets globally. We are delighted to become part of amaysim and take the lead in the Australian market place.”

The acquisition of Click

Click is a Melbourne based online energy retailer offering electricity in four states (Victoria, NSW, Queensland and South Australia) and gas in Victoria and NSW.

Launched in 2006, it has approximately 155,000 customer accounts[9] representing approximately 136,000 households[9]. Click utilises an online focused business model to provide competitive energy products to customers based on its core value proposition of low cost, no lock-in contract, monthly billing and a do-it-yourself self-service platform.

Click uses a number of innovative acquisition channels to provide it with a diversified pipeline of new customers including online channels, strategic channel partners, white label relationships and “On the Move,” a 100% Click-owned utility connection service provider. Aligned with amaysim, a key strategic focus for Click is providing a high-quality customer experience. For the 2017 financial year ended 30 June 2017, Click is expected to generate net revenue of $215.2 million, underlying EBITDA of $14.4 million and underlying EBIT of $13.8 million.[10]

Click’s strategy and business model is strongly aligned with amaysim and the Acquisition will allow amaysim to significantly enhance its scale, operating leverage and cross-sell by adding an additional 136,000 households to its existing household customer base of approximately 600,000[11]. Over the next few years, amaysim aims to achieve approximately 300,000 homes with multiple products (NBN, mobile and energy) with a potential average household average revenue of $200 per month.[12]

amaysim management estimates that the acquisition will deliver annual pre-tax cost synergies of approximately $5 million by the end of FY18F, excluding one-off integration costs[13]. These cost synergies are primarily expected to be generated from efficiencies around customer service, IT systems and processes.

[9] As at 31 March 2017

[10] Refer to footnote 1 of slide 5 of the investor presentation dated 10 April 2017

[11] As at 30 November 2016

[12] Refer to footnote 3 of slide 17 of the investor presentation dated 10 April 2017

[13] Based on assumptions on cost synergies as outlined on slide 21 of the investor presentation dated 10 April 2017

One-off transaction costs are expected to be approximately $7 million and integration costs of approximately $2.5 to $3.5 million are expected to be incurred over the 18-months post-completion. The Acquisition is anticipated to be integration light, with Click to continue to operate in Melbourne and its technology platforms able to be plugged into amaysim's multi-vertical technology stack.

The Acquisition is expected to be 20%+ EPS accretive for amaysim shareholders on an underlying NPATA basis[8] in the 2018 financial year.

Funding

The Acquisition will be funded through a combination of $40 million amaysim scrip[6] issued to Click's vendors with the balance funded through a debt facility with the CBA.

As part of the funding arrangement, Optus has release its fixed and "featherweight floating" charges over amaysim (replaced with a second ranking all assets position) to allow amaysim to reposition its balance sheet and raise secured debt. To facilitate this, amaysim has agreed to repay the Optus marketing grant and security release[14] which was effectively a working capital facility which supported amaysim's growth during its start-up phase (it was secured by the first ranking charge).

The refinancing of the Optus marketing grant and security release will be funded through new working capital and bank guarantee facilities with the CBA that will enable amaysim to issue bank guarantees to its trade partners, including Optus. Once in place, this will free up approximately $14 million of cash which is currently being used to support the current bank guarantees on issue.

The funding strategy for the Acquisition reflects amaysim's commitment to maintain a strong balance sheet and financial flexibility. After completion, amaysim expects to have pro forma net debt / FY17F pro forma EBITDA of ~1.3x[15] and does not expect this funding arrangement to restrict amaysim's organic growth strategy.

FY17F update

The Acquisition materially increases the size of amaysim with the combined amaysim and Click business generating a pro forma FY17F net revenue of $497 million and pro forma underlying FY17F EBITDA of $55 million.[7]

The Acquisition is not expected to impact amaysim's ability to declare dividends in FY17F with the 2017 full year dividend to be partially franked and expected to represent a full year payout ratio[16] toward the middle of the 60 to 80% underlying NPATA target.

Other matters

For the purposes of ASX Listing Rule 3.10.3 amaysim provides the following information in relation to ordinary shares expected to be issued by the Company under for the Acquisition.

[14] Refer to Section 3.7.8 of amaysim Prospectus for further detail of the Optus marketing grant

[15] Based on net debt of $73.2 million and combined FY17F pro forma underlying EBITDA of $55m. Refer to slide 23 of the investor presentation dated 10 April 2017

[16] Dividend payout ratio represents the total interim dividend as a ratio of amaysim's underlying NPATA

Class of securities	Ordinary Shares
Number of securities to be issued	22,346,369 shares will be issued as part consideration for the Acquisition at completion of the transaction
Principal terms of securities to be issued	Fully paid ordinary shares, subject to completion adjustments (if any) and a voluntary escrow arrangement in respect of the ordinary shares proposed to be issued to Dominic Drenen
Issue price	$1.79 per share
Purpose of the issue	Consideration for the Acquisition
Whether the Company will seek security holder approval for the proposed issue	Prior to this announcement, amaysim provided all relevant information to the ASX in respect of the Acquisition for the purposes of Listing Rule 11.1. amaysim is confident that shareholder approval under Listing Rule 11.1 is not required for the Acquisition and is awaiting the ASX's confirmation in this regard. The transaction is conditional on receiving ASX's confirmation in the coming days or, if required, obtaining shareholder approval.
Whether the issue will be to a class of security holders	No

Investor conference call

Management will present the Acquisition to investors on a teleconference call at 11.00AM to 12.00PM on 10 April 2017. This call can be accessed via the webcast link at:

http://www.openbriefing.com/OB/2483.aspx and also via the amaysim investor centre.

For further information, including important notices, refer to amaysim's investor presentation and other documentation released to ASX on the date of release of this announcement.

For this transaction, amaysim was advised by Investec Australia Limited, King & Wood Mallesons and PwC. Click was advised by Macquarie Capital and Herbert Smith Freehills.

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Appendix: Footnote references of the investor presentation dated 10 April 2017

Slide 5, footnote 1:	FY17F underlying EBITDA based on 6 months actual figures to 31 December 2016 and 6 months forecast figures to 30 June 2017 based on amaysim management assumptions as described in slides 27 to 29
Slide 5, footnote 2:	FY17F underlying EBITDA as per footnote 1 plus pre-tax cost synergies of $5 million as if the synergies were achieved for the full year, from 1 July 2016
Slide 5, footnote 6	amaysim FY17F P&L and Click FY17F P&L based on amaysim management forecasts detailed on slide 22. Pro forma FY17F combined P&L assumes 12-months earnings contribution from Click as if Click was acquired on 1 July 2016 excluding one-off integration costs, consulting fees and transaction costs
Slide 5, footnote 8:	EPS accretion is based on underlying NPATA. Payments in relation to the transaction and integration costs have been excluded although debt funded costs increase the interest expense. Acquisition accounting adjustments have not been undertaken and EPS accretion does not include the impact of these adjustments
Slide 17, footnote 3:	based on approximate monthly ARPU (ex. GST) for amaysim Group mobile of $22 (as at 31 December 2016), broadband of $62 (as disclosed to the market at amaysim's 2017 half year result and based on current amaysim plan pricing and allocation of speed-plans in the industry that are reported in the ACCC's "NBN Wholesale Market Indicators Report" dated 31 December 2016) and Click energy's FY17F monthly ARPU of $115