

ASX Announcement

12 August 2019

MOQ boosts digital services offering through strategic acquisition of Wardy IT Solutions

The Directors of MOQ Limited (ASX: MOQ) (**MOQ** or **the Company**) today announce that the Company has executed a binding agreement to acquire 100% of the shares in Wardy IT Solutions Pty Limited (**Wardy IT**) in an immediately EPS accretive transaction. Wardy IT is a market leading provider of Microsoft specialist services and solutions in data platforms and data analytics.

The purchase price comprises an upfront consideration of \$7.5 million (in cash and shares) and a potential additional deferred earn-out of up to a maximum of \$6.0 million. This acquisition satisfies MOQ's key operational, financial and strategic objectives and provides an exceptional opportunity for sustainable growth by providing MOQ with:

- A complementary business specialising in data platforms and data analytics.
- A quality supplier of high value services and multi award-winning Australian Microsoft Gold partner.
- Increased geographic footprint with Wardy IT offices in four key locations with more than 60 personnel across Australia and New Zealand.
- Further depth to the MOQ leadership team with the appointment of Wardy IT founder and Managing Director, Peter Ward, to the position of General Manager – Data Analytics.
- Increased critical mass and enhanced quality of recurring revenue services within MOQ's Applications, Data and Analytics business.
- A platform to accelerate growth within the combined Digital Services practice.
- Direct access to over 300 repeat Wardy IT customers across a variety of sectors and with limited client overlap.

MOQ CEO, Joe D'Addio, said "The acquisition of Wardy IT is an excellent strategic fit for MOQ and aligns with our vision to develop, build and acquire cloud-centric complementary technology businesses.

"We are pleased to welcome the Wardy IT team and their market-leading expertise in data architecture, data optimisation and data management capabilities on the Microsoft platform. These capabilities are a real point of difference for MOQ and, as a result, our customers should benefit from our strengthened resources in an area that is central to their digital transformation efforts.

Wardy IT has a solid existing revenue stream, which features an almost equal blend of specialist professional services, and high-value recurring services and it is anticipated that these services will be leveraged to provide sustainable growth for MOQ in the coming years."

Transaction overview

- Wardy IT has unaudited FY19 revenue of c. \$14.2 million and normalised EBIT of c. \$1.5 million.
- Upfront purchase price of \$7.5 million payable in cash (\$2.5 million) and shares in MOQ (\$5.0 million). MOQ shares will be issued from existing capacity at the higher of 27.5 cents per share (**cps**) and the 20-day volume weighted average price (**VWAP**) prior to completion, which is expected to be on or around 30 August 2019.
- The acquisition is on a 'debt-free cash-free' basis but with an agreed normal level of working capital at completion to fund the ongoing business operations in the ordinary course. A net debt and working capital adjustment of c. \$1.1 million is anticipated to be set off against the upfront consideration approximately equally between cash and shares.
- Upfront cash consideration will be funded internally from MOQ's cash reserves.
- An earn-out may become payable by October 2020 in relation to Wardy IT's financial results for the 12-month period ending 31 August 2020 (**Earn-out Period**) and subject to achieving certain performance criteria. The earn-out is calculated as 5.0x normalised EBIT during the Earn-out

Period less the total upfront consideration (of \$7.5 million) already paid. The earn-out is capped at a maximum of \$6.0 million¹.

- The earn-out will be settled one-third in cash and two-thirds at MOQ's discretion as to whether in MOQ shares, cash or a combination. Any share component of the earn-out will be issued at or around October 2020 at MOQ's 20-day VWAP prior to issue, subject to a floor price of 27.5cps².
- The vendors and key management team, including Peter Ward, will remain with the business.
- The vendors (predominantly Peter Ward) will become significant shareholders in MOQ holding a combined c. 9.1%³ of the undiluted issued share capital of MOQ at completion.
- The earn-out represents a significant near-term incentive for the vendors to accelerate growth within Wardy IT for the benefit of all MOQ shareholders.
- Under the upfront share consideration, the vendors' shareholdings will be escrowed 50% for one year and 50% for two years from completion, while any shares issued under the earn-out will be escrowed for one year from the time of issue. These voluntary escrow undertakings ensure a close alignment of interests with MOQ's future success.
- The transaction is immediately earnings per share (**EPS**) accretive for MOQ shareholders.

"Wardy IT has actively partnered with the MOQ team on a number of projects over the last five years and we are all excited by the opportunity to become part of the MOQ business. We anticipate being able to significantly strengthen our cloud practice and grow the combined Data Platform and Data Analytics segment, while continuing to deliver the high quality of service to which our clients are accustomed" said Wardy IT founder and Managing Director, Peter Ward.

Microsoft Australia Managing Director Steven Worrall said "We look forward to extending our relationship with MOQ through the acquisition of Wardy IT. We have had a long and mutually beneficial partnership with Wardy IT – they have three Gold level partnerships in Data Platforms, Data Analytics and Cloud Platforms and an exceptional reputation. The combined expertise of the two companies will be of great value to small and medium sized businesses that rely on Microsoft solutions to run their operations efficiently and effectively."

FY19 full year results

MOQ expects to release its full year results on or before 30 August 2019.

Investor briefing

An investor call will be hosted by Joe D'Addio (CEO & Executive Director) and David Shein (Non-Executive Chairman) at 10.30am AEST today, 12 August 2019. To pre-register for the briefing, please register at the following link: <https://s1.c-conf.com/DiamondPass/announcement-10001159-invite.html>

If you are unable to pre-register, at the time of the call please dial one of the numbers below and provide the **conference ID: 10001159** to the operator.

Australia Toll Free: 1 800 558 698 Australia Local: +61 2 9007 3187

For those wishing to access the webcast please register at <https://edge.media-server.com/mmc/p/3cxdhtdo/>. Questions will need to be submitted electronically through the webcast interface.

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Advisors: MOQ is advised by Monash Private Capital (corporate advisor) and Thomson Geer (legal advisor).

¹ For Wardy IT to achieve the maximum earn-out, it must generate normalised EBIT of \$2.7 million during the 12-month period ending 31 August 2020 and satisfy other performance criteria relating to achieving minimum levels of recurring revenue services contracts.

² If MOQ elects to issue shares as part of any earn-out consideration it will ensure that any applicable regulatory requirements will be satisfied in that regard at that time.

³ Equates to a shareholding in MOQ of c. 16.14 million shares based on: (a) an issue price of 27.5cps; and (b) upfront share-based consideration of c. \$4.4 million (i.e. \$5.0 million net of an anticipated c. \$0.6 million net debt and working capital adjustment).