amaysim

amaysim Australia Limited
ACN 143 613 478

NOTICE OF EXTRAORDINARY GENERAL MEETING AND EXPLANATORY MEMORANDUM

For a General Meeting to be held as a virtual meeting commencing at 3.00pm AEDT on 21 January 2021

Due to the ongoing restrictions due to COVID-19 and in the interest of the health and safety of all stakeholders, the meeting will be held online only.

The Notice of Meeting, Explanatory Memorandum and Proxy Form should be read in their entirety. If Shareholders are in doubt as to how they should vote, you should seek advice from your accountant, solicitor or other professional advisers prior to voting.

Should you wish to discuss the matters in this Notice of Meeting, please do not hesitate to contact the Company Secretary.

To access the virtual meeting, visit https://web.lumiagm.com/ and enter the meeting number: 342-958-798

Financial Adviser

LUMINIS PARTNERS
IN AFFILIATION WITH EVERCORE

Legal Adviser

KING&WOOD MALLESONS
金杜律师事务所

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The proxy voting form and Lumi meeting guide are attached at the end of the document.

LETTER FROM THE CHAIRMAN

Dear Shareholder,

On behalf of the Board of amaysim Australia Limited (**amaysim** or the **Company**), I am pleased to invite you to an Extraordinary General Meeting (**EGM**) to be held virtually at 3.00pm on 21 January 2021.

As announced to the market on 2 November 2020, the Company has entered into a Share Sale Agreement (**SSA**) for the sale of amaysim's mobile business (**Mobile**) to its long-term strategic wholesale partner, Optus Mobile Pty Limited (**Optus**) for cash consideration of A$250 million (the **Mobile Sale**).

The sale of Mobile to Optus delivers compelling strategic and financial benefits, and importantly reduces risk and uncertainty for all stakeholders. Accordingly, the Board **unanimously recommends Shareholders vote in favour** of the Mobile Sale, Distribution and Delisting.

In this letter, I will provide an update on our current trading performance and the rationale for our recommendations.

Market outlook and trading update

Competition in the mobile market is increasing; data is becoming increasingly commoditised and recently we have seen two of the three network providers launch new sub-brands to compete in the value end of the market where we operate. All three network operators now have a wholly-owned dual brand strategy, and this will undoubtably put pressure on amaysim's growth, ARPU and required marketing investment.

In the first quarter of FY2021, we reported slower average quarterly growth compared to FY2020. This was partly a result of the lock-down measures due to COVID-19 impacting retail channels and online distribution. We expect this slower growth trend to continue throughout FY2021 due to the lingering effects of COVID-19 and as competition rises and our competitors' marketing budgets outpace ours.

In the first five months of FY2021, we reported average monthly net recurring subscriber growth of ~5,000 and as at 30 November 2020, we had 855,000 recurring subscribers. This compares to 830,000 as at 30 June 2020 and average monthly growth of well over 7,000 subscribers throughout FY2020 (excluding acquisitions).

As data becomes increasingly commoditised, customers become accustomed to higher data inclusions, and this puts pressure on our ability to increase revenue. Pleasingly, ARPU has shown signs of stabilising: the average ARPU for the first four months of FY2021 was A$21.54 versus A$21.77 in FY2020.

While a slower decline than in prior years, the downward trend is still ongoing. This APRU decline impacts our ability to increase our gross revenue, putting even greater reliance on achieving better wholesale terms to maintain or improve our gross margin.

Wholesale tender process

Earlier in the year, we announced that we had commenced a wholesale tender process in order to seek better terms and conditions for our wholesale supply when our current arrangements with Optus expire in June 2022.

This wholesale tender was designed to enhance our gross margin for the long term and was well advanced when we received Optus' offer to acquire the business. This put us in a terrific position to assess Optus' offer to acquire our Mobile business against the well-advanced wholesale contract discussions. This analysis showed that the Mobile Sale was clearly superior to any of the wholesale proposals received at that time.

Had we chosen to change wholesale suppliers it would not be without significant risks. First, there is no guarantee that we would have reached a binding agreement through the negotiations. Second, if we were to negotiate improved terms with another network wholesale provider, we would have introduced customer migration churn risk into the Business as all amaysim customers would need to be migrated via the issue of new SIM cards.

This would be highly likely to cause material customer churn. While we would have tried to share this risk with the new wholesale provider, some or all of this risk may have remained with amaysim.

To move the entire base of over 1.19 million customers to another network would require substantial development work, financial cost and introduce distraction from growth and operational risk.

The Mobile Sale therefore mitigates the risks associated with a highly competitive industry and an uncertain outcome for all stakeholders of the wholesale tender process. The attached Explanatory Memorandum also brings to Shareholders' attention various material disputes concerning amounts charged by Optus to the amaysim Group under the Wholesale Agreement.

One dispute in particular, in connection with the Review Mechanism under the Wholesale Agreement, has the potential to have a materially adverse impact on amaysim's future gross profit. If the Mobile Sale proceeds, all disputes in connection with the Wholesale Agreement will be settled and released. The disputes are commercially sensitive and highly confidential and until now, the parties were working through contractual and commercial paths to dispute resolution.

Mobile Sale and Distribution of Proceeds

Under the SSA, and subject to Shareholder approval, amaysim will transfer 100% of the share capital in a wholly owned subsidiary of amaysim Mobile Pty Ltd (**amaysim Mobile**) to Optus. At the time of completion of the SSA and subject to certain pre-completion steps, it is envisaged that amaysim Mobile will hold the key assets comprising amaysim's Mobile business.

The A$250 million cash consideration under the SSA is subject to a net asset adjustment mechanism and a customer number adjustment mechanism, both of which will be determined at or about the time of completion of the Mobile Sale. The key terms of the SSA are set out in Schedule 1.

The Mobile Sale will enable a substantial distribution of proceeds to Shareholders. Subject to satisfaction of all conditions, it is expected that the Mobile Sale will complete on or about 1 February 2021. Post-completion, amaysim intends to distribute proceeds (less certain transaction and wind-up costs and other amounts) to Shareholders in three tranches: the **Major Distribution**, the **Minor Distribution** and the **Final Distribution** (together, the **Distribution**).

At this time, amaysim estimates that approximately A$197.7 million to A$215.4 million will be available for distribution to Shareholders via the Distribution, equivalent to A$0.67 - A$0.73 per share.

In estimating the amount available for Distribution, amaysim has considered items such as employee costs and re-structuring costs required to effect the Mobile sale, liabilities the Company will retain following the Mobile Sale, lease exit costs, closure costs, tax payable and other items in connection with the Mobile Sale (including advisor fees other transaction costs), full repayment of the Company's debt, cash expected to be generated up until the point of completion and cash required to adequately support the Company's operations until the wind up (among others).

Being based on an assessment of current economic and operating conditions, third party estimates and projections, the estimate may differ from the final amount which becomes available for distribution to Shareholders via the Distributions.

On these current estimates, the Distribution mid-point of A$206.6 million represents A$0.70 per share[1], which reflects a premium of:

- 4.5% to the closing price on 30 October 2020;
- 4.6% to the three-month VWAP up to 30 October 2020;
- 17.0% to the six-month VWAP up to 30 October 2020; and
- 16.7% to the A$0.60 equal access rights issue paid by Shareholders in February 2019.

In addition to the above premia, up to 11 cents per share of value is available to Shareholders who can utilise the franking credits in the Distribution.

Subject to the Mobile Sale and the Distribution being approved by Shareholders, amaysim expects the Distribution to be made progressively over three tranches, as follows:

- the Major Distribution of approximately A$147.6 million or A$0.50 per share, comprising a fully franked dividend of A$76.7 million or A$0.26 (with franking value of up to A$0.11 per share attaching to the distribution) and a return of capital of A$70.8 million or A$0.24 per share to be paid on or around 27 April 2021;
- the Minor Distribution of approximately A$29.5 million or A$0.10 per share comprising a return of capital to be paid in or around May 2021; and
- the Final Distribution (which may be completed via two distributions) of approximately A$20.7 million to A$38.4 million or A$0.07 to A$0.13 per share comprising of a return of capital to be paid in or around October 2021.

The A$0.24 per share capital return component of the Major Distribution, the A$0.10 per share capital return of the Minor Distribution and the A$0.07 to A$0.13 per share capital return of the Final Distribution are all expected to be treated as capital returns by the ATO (further information is provided in section 8).

The Company will apply to the ATO for a Class Ruling seeking confirmation of the tax treatment of the equal capital reduction for Australian resident shareholders who hold their shares on capital account. Only once the ATO has issued its Class Ruling, can the final nature (dividend or capital return) of the Distributions be known, for tax purposes, with any certainty.

The Board has convened this EGM to obtain Shareholder approval under ASX Listing Rule 11.2 for the Mobile Sale and section 256C of the Corporations Act for an equal capital reduction to effect the Distribution. Additional details regarding the Mobile Sale, the Distribution and amaysim's post-transaction activities are provided in this booklet.

[1] Per share amount calculated on 295,110,421 shares and assumes that all performance rights under amaysim's Long-Term Incentive Plan (LTIP) are cash settled on completion of the sale. Refer to section 7.1b) of the section of this Explanatory Memorandum dealing with Resolution 2 for more information.

Independent Expert Report

Since the Company announced the SSA, the Independent Expert, Lonergan Edwards, concluded that the Mobile Sale is fair and reasonable and in the best interests of Shareholders, in the absence of a superior proposal. On that basis and given no such superior proposal has emerged, the Board continues to unanimously recommend that Shareholders vote in favour of the Mobile Sale to Optus.

The steps the Board and management have taken to unlock Shareholder value are outlined in the Explanatory Memorandum, Resolution 1, Section 4.

The Independent Expert has assessed the full underlying value of Mobile on a 100% controlling interest basis (on a cash and debt -free basis) at between A$130.0 million to A$165.0 million. On a "like for like" basis, the Independent Expert has estimated the consideration offered for the Mobile Sale is between A$180.0 million to A$195.0 million.

On the basis that the estimated consideration for the Mobile Sale is above the assessed valuation range, the Independent Expert has concluded that the Mobile Sale is fair and reasonable and in the best interests of Shareholders, in the absence of a superior proposal. A full copy of the Independent Expert Report is set out in Schedule 2.

Delisting

Following the Mobile Sale, the Company will have divested itself of its key assets and have no operations (other than limited service functions required to comply with transitional service arrangements) or plans to enter into any new business activity.

The Company will also distribute all of its assets and cash remaining after the Mobile Sale through the Distribution. In these circumstances, the benefit of the Company being a listed entity will be outweighed by the costs and administrative burden.

As a result, the Company is also seeking approval from Shareholders to remove the Company from the Official List of the ASX (**Delisting**), subject to the Mobile Sale being approved by Shareholders and completion under the SSA occurring.

Board recommendation

The Board unanimously recommends Shareholders vote IN FAVOUR of the Mobile Sale, the Distribution and the Delisting, and each Director who is also a Shareholder and who is not otherwise restricted from voting intends to vote in favour of the resolutions, in each case in the absence of a superior proposal and the Independent Expert maintaining its opinion that the Mobile Sale is fair and reasonable and in the best interests of Shareholders (in the absence of a superior proposal).

How to vote

Your vote is important regardless of how many amaysim shares you own. We strongly recommend that all Shareholders lodge their votes via the Company's share registry platform prior to the EGM or by appointing a proxy prior to 3.00pm on 19 January 2021.

I encourage you to attend the EGM at 3.00pm on 21 January 2021 by logging onto https://web.lumiagm.com/ using the meeting number 342-958-798 or by completing the proxy form accompanying this Notice of Meeting and returning it in accordance with the directions on the form so it is received by 3.00pm on 19 January 2021.

Further information

This booklet sets out important information regarding the EGM, including the reasons for the Board's unanimous recommendation that you vote in favour of the Mobile Sale, the Distribution and the Delisting in the absence of a superior proposal. It also sets out the reasons you may wish to vote against these resolutions.

Please read this document carefully and in its entirety, as it will assist you to make an informed decision on how to vote at the EGM. If you are in any doubt about what you should do, you should consult your financial, legal, tax and other professional adviser before making any investment decision in relation to your amaysim shares.

If you require any further information, please contact Rosa Smith, Investor Relations (+61 475 305 047 or rosa.smith@amaysim.com.au).

Yours sincerely

Andrew Reitzer
Chairman

Dated: 2 December 2020

AMAYSIM AUSTRALIA LIMITED
ACN 143 613 478

NOTICE OF GENERAL MEETING

Notice is hereby given that a general meeting of the shareholders of amaysim Australia Limited ACN 143 613 478 (**Company**) will be held as a virtual meeting at **3.00pm on 21 January 2021** (**Meeting**).

The ongoing public health concerns, as a result of COVID-19, have put restrictions on public gatherings and the Board has decided that in the interests of all stakeholders, the Meeting will be a virtual meeting.

To access the virtual meeting, visit: https://web.lumiagm.com/ and enter the meeting number: **342-958-798.**

An Explanatory Memorandum containing additional information on matters to be considered at the Meeting accompanies and forms part of this Notice.

Terms used in this Notice have the meaning given to them in the Glossary set out in the Explanatory Memorandum, unless the context requires otherwise.

The ASX does not take any responsibility for the contents of this Notice.

AGENDA

Resolution 1 – Approval of disposal of main undertaking

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

> *"That, for the purposes of Listing Rule 11.2 and for all other purposes, approval is given for the disposal of all the Company's shares in amaysim Mobile Pty Limited (ACN 645 692 093 and referred to above as "amaysim Mobile") to Optus Mobile Pty Limited ACN 054 365 696 in accordance with the Share Sale Agreement described in the Explanatory Memorandum."*

Voting exclusion: *The Company will disregard any votes cast on Resolution 1 by the acquirer of the Company's main undertaking and any person who might obtain a material benefit, except a benefit of solely in the capacity of a holder of ordinary securities, if the Resolution is passed (and any associate of such persons). However, this does not apply to a vote cast in favour of a resolution by:*

(a) *a person as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with directions given to the proxy or attorney to vote on the resolution in that way; or*

(b) *the Chairman of the meeting as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with a direction given to the Chairman to vote on the resolution as the Chairman decides; or*

(c) *a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:*

   (i) *the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the resolution; and*

   (ii) *the holder votes on the resolution in accordance with directions given by the beneficiary to the holder to vote in that way.*

Resolution 2 – Approval of return of capital

To consider, and if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

> *"That, in accordance with section 256C(1) of the Corporations Act 2001 (Cth), and subject to and conditional upon Completion occurring under the Share Sale Agreement described in the Explanatory Memorandum, and Resolution 1 being passed, approval is given for the share capital of the Company to be reduced by way of a return of capital in the form described in the Explanatory Memorandum."*

Resolution 3 – Delisting

To consider, and if thought fit, to pass, with or without amendment, the following resolution as a **special resolution**:

> *"That, for the purposes of ASX Listing Rule 17.11 and for all other purposes, and subject to and conditional upon Completion occurring under the Share Sale Agreement described in the Explanatory Memorandum, and Resolution 1 and Resolution 2 being passed, approval is given for the removal of the Company from the ASX Official List."*

VOTING

Entitlement to attend and vote

The Board has determined pursuant to Regulation 7.11.37 of the *Corporations Regulations 2001*, that the persons eligible to vote at the Meeting are those who are registered Shareholders at 7.00pm (Sydney time) on 19 January 2021. Share transfers registered after this time will be disregarded in determining entitlements to attend and vote at the Meeting.

Voting

We strongly encourage all Shareholders to vote online at: www.investorvote.com.au ahead of the Meeting. To log in you will need your holder number and the postcode for your shareholding. These can be found on your Notice of Access Letter that has been sent to all Shareholders.

The Voting Form allows Shareholders who are not attending the Meeting to either lodge their vote directly, or appoint a proxy or nominee to vote on their behalf.

All voting at the Meeting will occur via a poll in respect of each resolution. You will need to log in to the online meeting as a Shareholder using your HIN or SRN to submit your vote in real time. Those that attend as a Guest will not have the option to vote or ask questions.

Participation at the Meeting

All the information you need to participate in the Meeting, including how to access the Notice of Meeting and how to lodge your voting form and questions, is contained in the Notice of Access Letter that has been sent to all Shareholders and is available on our website at:

https://investor.amaysim.com.au/site/investor-tools/extraordinary-general-meeting

To access the virtual meeting:

- Visit https://web.lumiagm.com/
- Enter the meeting number: **342-958-798**

To login as a Shareholder, you will need your SRN or HIN that can be found on the Notice of Access Letter. Please note that you will need to include the 'I' or the 'X' at the beginning of the SRN or HIN when logging into the Lumi platform.

During the live webcast, Shareholders will have the opportunity to submit questions and we also encourage you to send questions ahead of the meeting to Investors.Feedback@amaysim.com.au.

Proxies

A Shareholder entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote instead of the Shareholder. A Shareholder may appoint not more than two proxies. A proxy need not be a member of the Company, and may be an individual or a body corporate.

If a Shareholder appoints a body corporate as a proxy, that body corporate will need to ensure that it:

- appoints an individual as its corporate representative to exercise its powers at the Meeting, in accordance with section 250D of the Corporations Act; and
- provides satisfactory evidence of the appointment of its corporate representative prior to commencement of the Meeting.

If such evidence is not received before the Meeting, then the body corporate (through its representative) will not be permitted to act as a proxy.

A Shareholder who is entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes which each proxy is appointed to exercise. If you wish to appoint a proxy, please complete and submit the Proxy Form accompanying this Notice of Meeting, by following the instructions contained in the proxy form.

If the Chairman of the Meeting is appointed as a Shareholder's proxy or becomes their proxy by default, the Shareholder will be expressly authorising the Chairman of the Meeting to exercise the proxy in respect of the relevant item as the Chairman decides.

The Chairman of the Meeting intends to vote all available proxies in favour of each item of business.

Lodgement of Proxy Forms

Proxy Forms may be lodged:

- by post to Computershare Investor Services Pty Limited, GPO Box 242 Melbourne Victoria 3001 Australia;
- by fax (within Australia) 1800 783 447 or (outside Australia) +61 3 9473 2555; or
- at the Company's registered office at amaysim Australia Limited, Level 6, 17-19 Bridge Street, Sydney NSW 2000.

To be effective, your Proxy Form and the Power of Attorney or other authority (if any) under which it is signed (or a copy of the Power of Attorney or other authority, certified as a true copy by Statutory Declaration), must be received no later than 48 hours prior to the Meeting (i.e. no later than 3.00pm on 19 January 2021) in one of the ways specified above.

Dated: 2 December 2020.

By resolution of the Board.

Alexander Feldman

Company Secretary

EXPLANATORY MEMORANDUM

This Explanatory Memorandum has been prepared to help Shareholders understand the business to be put to Shareholders at the Meeting. This Explanatory Memorandum forms part of the Notice of Meeting and should be read in full in conjunction with the Notice of Meeting.

Terms used in the Notice of Meeting and the Explanatory Memorandum are defined in the Glossary at the end of this Explanatory Memorandum.

Resolution 1 – Approval of disposal of main undertaking

1. Overview

On 2 November 2020, the Company entered into a share sale agreement with Optus Mobile Pty Limited ACN 054 365 696 (**Optus**) (**Share Sale Agreement**) pursuant to which the Company agreed to sell all of its shareholding in a wholly owned subsidiary of amaysim, amaysim Mobile Pty Ltd (**amaysim Mobile**) to Optus (**Mobile Sale**). The Share Sale Agreement includes certain conditions that must be satisfied before Completion occurs. These two conditions are summarised in Schedule 1 of this Explanatory Memorandum.

The Share Sale Agreement requires the Company and Optus to undertake certain pre-completion steps to ensure that amaysim Mobile will hold certain assets required to conduct the Company's mobile business, being the Company's main undertaking.

ASX Listing Rule 11.2 provides that if the Company proposes to dispose of its main undertaking, it must first seek Shareholder approval. The Company now seeks Shareholder approval of the Mobile Sale for this purpose under Resolution 1.

The Company expects to receive total consideration of A$250 million subject to adjustments and other payments as set out in this Explanatory Memorandum as full consideration for the sale of its shareholding in amaysim Mobile under the Share Sale Agreement. The consideration is subject to a net asset adjustment mechanism and a customer number adjustment mechanism, both of which will be determined at or about the time of completion of the Mobile Sale.

Following completion of the Share Sale Agreement, the Company intends to distribute those proceeds (less certain transaction and wind-up costs and other amounts) to Shareholders by way of a combination of dividend and equal capital reduction (individually and collectively, **Distribution**).

At this time, the Board estimates that approximately A$197.7 million to A$215.4 million will be available for distribution to Shareholders via the Distribution, equivalent to A$0.67 – A$0.73 per share – however the exact amounts of each Distribution will depend on factors outlined in section 3 of the section of this Explanatory Memorandum dealing with Resolution 2 and so it is not currently possible to determine exact amounts for Distribution.

The Distribution is the subject of Resolution 2, which contains further details in relation to the proposed Distribution.

The Distribution can only proceed if Resolution 1 is approved by Shareholders, completion of the Mobile Sale occurs and Shareholders also approve Resolution 2. If Shareholders approve Resolution 1 but not Resolution 2, it will limit the Company's flexibility to distribute the proceeds of the Mobile Sale. Further information in relation to Resolution 2 is set out from page 24 onwards.

2. Indicative timetable

Event	Anticipated date
Final time for lodgement of proxies of Meeting to Shareholders	3.00pm on 19 January 2021
Record Date for voting at the Meeting	7.00pm on 19 January 2021
Meeting of Shareholders	3.00pm on 21 January 2021
Completion of Share Sale Agreement[2]	1 February 2021
Expected Record Date for the Major Distribution	12 March 2021
Major Distribution	27 April 2021
Minor Distribution	To be announced upon Completion
Delisting Time and Date	4:00pm on 30 April 2021
Final Distribution (which may be completed by two distributions)	To be announced upon Completion

The timetable and the dates above (and the references to those dates throughout this document) are indicative only, and the Company may vary those dates in accordance with the Share Sale Agreement or in consultation with the ASX. Changes to the above dates will be announced to the ASX and notified on the Company's website.

3. Key terms of the Share Sale Agreement

The key terms of the Share Sale Agreement are set out in Schedule 1.

4. Process undertaken by Board to maximise Shareholder value

4.1 Background to strategic review and sale of Click Energy

In late 2019, with the amaysim share price trading as low as A$0.29 per share[3], the Board resolved to investigate options to enhance long term Shareholder value. At that time, the Board and management of amaysim were disappointed by the share price performance given the strength of the underlying businesses and noting that the Company had raised capital at A$0.60 per share earlier that year.

The Board accepted a recommendation from management to retain Luminis Partners to conduct a strategic review and advise on the Company's options.

In February 2020, Luminis presented to the Board its view that the Company was comprised of two largely independent businesses and that the share price at that time did not appear to give credit for the underlying value of those businesses.

After considering Luminis' report and following receipt of unsolicited approaches from various parties including private equity funds and strategic investors, the Board determined to test market interest for its Click Energy business. Luminis Partners ran a highly competitive auction process which resulted in the 31 August 2020 announcement

[2] Accounts and balance sheet are expected to be finalised as at 31 January 2021. However, as a result of this being a Sunday, completion is expected to take place on the next business day, being 1 February 2021.

[3] Intra-day low on 30 September 2019

that the Click Energy business would be sold to AGL Energy Limited (**AGL**) for A$115 million. This sale completed in September 2020.

4.2 Strategic options in relation to Mobile

At the time the Click Energy sale was disclosed, amaysim also announced to the ASX that it was undertaking a competitive tender for wholesale mobile network services which would support the Mobile business following expiry of its current arrangement with Optus (scheduled to conclude on 30 June 2022).

Following that announcement, amaysim received unsolicited interest in acquiring the Mobile business. The Board identified that: (i) sale of the Mobile business to a strategic acquirer; and (ii) entry into a long-term wholesale contract, were mutually exclusive outcomes. Given that timeframes for both processes could be aligned, the Company resolved to explore purchaser interest in parallel with its wholesale tender process, with a view to maximising value for amaysim Shareholders.

4.3 Multi-option process and assessment of Mobile Sale

In the course of pursuing this multi-option approach, amaysim received initial responses to its wholesale tender, non-binding offers for the Mobile business and non-binding offers for the whole Company (whose remaining activity was the Mobile business).

The Board resolved to negotiate all three alternatives concurrently, with management running the wholesale tender process and Luminis Partners advising on the sale alternatives.

At the conclusion of this process, in the view of the Board and the Company's advisers, the highest value option received was Optus' offer to acquire the main undertaking, being the Mobile business. This is despite the relative complexity of the structure of Optus' offer when compared to a whole of Company sale. Optus sought customary exclusivity as part of their proposal which was provided and the details of which are described in Schedule 1.

In making its assessment of the Mobile Sale relative to status quo operations, the wholesale tender and alternative sale proposals, the Board had regard to the following matters (among others):

- under status quo trading conditions, the Board and management anticipated considerable headwinds that could adversely impact amaysim's share price performance. Headwinds include: intensifying competition in the mobile services market with two new brand entrants (Felix and Gomo) supported by major carriers; possible further downward pressure on ARPU; data becoming increasingly commoditised; and contractual disputes with Optus in relation to its existing network supply agreement (**NSA**) (further detail provided in section 5.7);
- the ability of the wholesale tender to deliver value is fundamentally reliant on a third party's conduct in negotiating the entry into an exclusive long-term contract and is therefore uncertain. At best, a new deal would not have any impact on margin until FY2023 and if it delivers any margin upside, it would take an extended period of time for that to flow through to earnings;
- if the wholesale tender was won by a carrier other than Optus, all amaysim customers would need to be migrated (via issue of new SIM cards) to a new third-party network which would be highly likely to cause material customer churn. This churn is estimated to be anywhere between 15% and 25% of the base, depending on the circumstances; whereas

- the Mobile Sale would crystallise a certain value near-term for Shareholders at an attractive c. 25.8x EV/EBITDA-FY20A multiple, prior to any adjustment for transaction-specific liabilities, restructuring costs, etc.[4]; and
- any recommendation to Shareholders for a Mobile Sale would be subject to no superior proposal emerging and endorsement by an Independent Expert (as outlined in this booklet).

Having regard to the above, the Board considered that the Mobile Sale represents a materially better alternative than the status quo or alternative options, leading to the current unanimous recommendation to vote in favour of the Mobile Sale and the intent by each Director who is also a Shareholder and who is not otherwise restricted from voting to vote all the shares they hold in favour of the proposal. In each case the recommendation is in the absence of a superior proposal and subject to the Independent Expert continuing to conclude that the Mobile Sale is fair and reasonable and in the best interests of Shareholders.

As at the date of this booklet, no superior proposal has emerged and the Independent Expert has opined that the Mobile Sale is fair and reasonable and in the best interests of Shareholders.

5. Effect of the Mobile Sale on the Company

5.1 Independent Expert Report

The Board has engaged Lonergan Edwards to prepare the Independent Expert Report and opine whether the Mobile Sale outlined in Resolution 1 is fair and reasonable and in the best interests of Shareholders.

The Independent Expert has determined that the Mobile Sale is fair and reasonable and in the best interests of Shareholders. The Independent Expert has assessed the full underlying value of Mobile at between A$130.0 million to A$165.0 million. On a "like for like" basis, the Independent Expert has estimated the consideration offered for the Mobile Sale is between A$180.0 million to A$195.0 million.

On the basis that the estimated consideration for the Mobile Sale is above the assessed valuation range, the Independent Expert has concluded that the Mobile Sale is fair and reasonable and in the best interests of Shareholders, in the absence of a superior proposal.

> *"We have assessed the value of amaysim Mobile on a 100% controlling interest basis (and on a cash and debt free basis) at between A$130.0 million to A$165.0 million."*
>
> *"… in order to enable a "like for like" comparison to our assessed value of amaysim Mobile (on a cash and debt free basis)… we have estimated consideration for the amaysim Mobile business (on a cash and debt free basis) at A$186.3 million. However, we note that a number of the adjustments to the Mobile consideration above are estimates on a number of assumptions regarding future events. Accordingly, we consider it appropriate to adopt a range of values (consistent with amaysim management) and have adopted consideration for amaysim Mobile at A$180.0 million to A$195.0 million (Mobile Consideration)."*
>
> *"As the value of the Mobile Consideration is above our assessed valuation range for amaysim's Mobile business on a 100% controlling interest basis, in our opinion, the*

[4] 25.8x EV/EBITDA-FY20A multiple based on Optus' headline value of A$250.0m and reported pre-AASB16 EBITDA of A$9.7m for Mobile;post-AASB16 EV/EBITA-FY20A multiple would be 21.9x reflecting reported post-AASB16 EBITDA of A$11.4m for Mobile.

Mobile Consideration is fair to amaysim shareholders when assessed based on the guidelines set out in RG 111."

The IER also contains an assessment of the advantages and disadvantages of the Mobile Sale, which is designed to assist Shareholders in making an informed decision in relation to Resolution 1 contained in this Notice of Meeting.

A full copy of the Independent Expert Report is set out in Schedule 2 to this Explanatory Memorandum and you are encouraged to read this report in full.

5.2 Effect on key financial line items

A pro forma statement indicating the Mobile Sale's impact on certain balance sheet line items has been prepared based on the Company's 30 June 2020 position. It is based on a range of assumptions (outlined below) and shows the impact of the Energy Sale which completed on 30 September 2020.

This statement has been provided to assist Shareholders to understand the effect of the Mobile Sale, specifically, relative to the Company's most recently disclosed annual accounts and does not assume that any Distribution is made to Shareholders. This information should be read in context of:

- the Mobile Sale comprising amaysim's main undertaking (for which this approval is being sought);
- the significant Distribution which Shareholders may receive following the Mobile Sale (provided that Shareholder approval is obtained, in each case); and
- the Company's present intention to commence a process of de-listing from ASX and wind-up, following the Mobile Sale and Distribution.

Pro forma (A$m)	Reported: as at 30 June 2020	Change due to Energy Sale and other Q1 trading	Post- Energy Sale, as at 30 September 2020	Change due to Mobile Sale	Post-Mobile Sale, Pre-Distribution
Total Assets	326.0	(111.8)	214.2	117.4	331.6
Total Liabilities	(236.4)	140.0	(96.4)	(28.6)	(125.0)
Total Equity Interests	89.6	28.2	117.8	88.8	206.6

The key assumptions which inform this statement include (but are not limited to):

- gross proceeds totalling A$115 million in relation to the sale of Click Energy to AGL;
- payment of A$17 million in aggregate for completion adjustments, adviser fees, other transaction costs, tax and other items in connection with the sale of Click Energy;
- repayment in full of amaysim A$77 million of drawn debt;
- receipt of gross proceeds totalling A$250 million in relation to the Mobile Sale to Optus;
- payment of A$29.8 million in aggregate for tax and other items in connection with the Mobile Sale (including advisor fees other transaction costs);

- unwind and repayment of A$50.3 million of negative working capital in mobile implicit in the transaction structure and other trading items from 30 June 2020 to the expected completion date;
- cash-settlement of redundancies and closure costs and settlement of other employee liabilities for transferring and non-transferring staff under the transaction structure totalling A$16.1 million;
- A$9.6 million in net cash-settlement of the amaysim Long Term Incentive Plan rights on issue;
- A$3.5 million in sundry other items; and
- retention of sufficient cash to offset retained liabilities (such as redundancies, termination of contracts and payout of leases) and as required to support amaysim's limited continuing operations which primarily relate to transitional services to AGL and Optus.

In relation to financial performance, if the Mobile Sale completes, amaysim will have disposed of all of its material assets and businesses. As a result, the annual revenue, annual expenditure and pre-tax profit of the Company will be reduced to a nominal amount.

5.3 Effect on capital structure

If the Mobile Sale is completed, the Company expects to have A$206.6 million[5] of equity available to distribute to shareholders after repaying all of the Company's remaining debt, settling other liabilities and paying estimated closure costs. For clarity, the Company will not issue any new securities as part of the Mobile Sale.

The Company intends to pay a fully franked dividend of A$0.26 per share, or A$76.7 million with the balance of the Company's capital to be repaid to shareholders via the equal capital reduction contemplated by Resolution 2. This will result in a further reduction of capital of the Company by that amount which is expected to be approximately A$129.9 million, leaving equity of A$ nil.

Otherwise, the Mobile Sale will not impact the capital structure of the Company.

5.4 Tax impact

If the Mobile Sale proceeds, it is expected that the sale of amaysim Mobile is likely to give rise to a substantial tax liability. The estimated gross tax liability from the Mobile Sale is currently expected to be A$22.7m but this may be reduced through the offset of capital losses and other deductible expenditure generated in the current income year.

The final tax liability cannot be confirmed at this time.

5.5 Intentions if the Mobile Sale proceeds

If the Mobile Sale proceeds, the Company will provide transitional services to Optus for a period of three months after Completion, and subject to Resolution 2 being approved, make the Distribution and commence a process to delist from ASX and wind-up. During this period, a limited number of amaysim staff will remain employed to manage and settle amaysim's affairs.

In calculating the Distribution, amaysim has made a reasonable provision for the Company to ensure it has adequate resources to fulfil its obligations to Optus and other

[5] Being the mid-point of the range described in this Notice of Meeting.

parties during this period. On this basis, it is not anticipated that the Delisting and wind-up process would deliver material surplus funds. However, in the event amaysim is able to realise excess cash as a result of these activities then the Board intends to return such proceeds to Shareholders at that time (via the Final Distribution). If Resolution 3 is not approved and the Delisting does not proceed, then the Final Distribution will almost certainly be towards the lower end of the range estimated as the Company will need to retain additional funds in order to continue operating on an ongoing basis.

5.6 Intentions if the Mobile Sale does not proceed

If the Mobile Sale is not approved by Shareholders or it otherwise does not complete under the terms of the Share Sale Agreement, the Directors intend to continue operating the Company.

In this instance, subject to the termination of the Share Sale Agreement, the Company may recommence its tender for the wholesale mobile network services contract.

If continuing to trade as a Mobile-only business, specific issues that the Board and management of amaysim would need to address in the day to day conduct of the Mobile business include:

- **(dynamic market)** develop a strategy to counter intensifying competition for mobile services with the recent entry of two new brand entrants (Felix and Gomo) supported by major carriers;
- **(ARPU pressure)** maintain focus on ARPU as a key performance indicator, given the Company's recent success in stabilising ARPU and notwithstanding that additional competition (such as amaysim now faces) has historically led to a decline in ARPU;
- **(data commoditisation)** data is becoming increasingly commoditised and will likely, in the foreseeable future, become entirely 'unlimited'. As a result, amaysim will need to invest additional capital to enable a deeper integration with its network services provider in order to deliver new service qualities, such as differentiation in respect of speed (subject to reaching agreement for such deeper integration with its network services provider);
- **(network services)** re-commence the wholesale tender which may support stronger gross profit margins over a longer time period, subject to contractual terms, third party performance and industry dynamics – given the Mobile Sale and entry into a long-term wholesale contract are mutually exclusive outcomes, the Company has agreed with Optus to pause this workstream while Shareholders consider the Mobile Sale;
- **(organic growth)** determine whether amaysim would continue its strategic investment in marketing to grow its recurring subscriber base (dependent on wholesale network services outcome) or pivot to a slower growth rate and more focus on yield management;
- **(inorganic growth)** assess remaining MVNO acquisition opportunities, noting that amaysim has historically been successful in acquiring other MVNOs to build scale and realise operating synergies. However, there are a limited number of acquisition opportunities remaining;
- **(5G networks)** subject to the outcome of its wholesale network services tender, develop competitive product plans to take advantage of 5G, which create a new competitive field for amaysim;
- **(e-SIMs)** develop a product strategy for e-SIMs, which may make it easier to migrate a large customer base in future. Noting that this is likely to require significant capital investment and carrier commercial agreement and operational integration to achieve;
- **(cost-out)** consider merits of a cost-out program to improve profitability of the standalone Mobile business; and

- **(dispute)** prosecute the dispute with Optus in relation to the existing NSA (further detail provided in section 5.7).

If Shareholders approve Resolution 1 but not Resolution 2, it will limit the Company's flexibility to distribute the proceeds of the Mobile Sale.

5.7 Wholesale Agreement Review Mechanism Dispute

If the Mobile Sale proceeds, various material disputes concerning amounts charged by Optus to the Company under the Wholesale Agreement, including in connection with the review mechanism under the Wholesale Agreement, will be settled and released as provided for in the Share Sale Agreement.

One dispute in particular would be material to amaysim if it is not resolved (by the Mobile Sale or otherwise). This concerns the review mechanism in the Wholesale Agreement.

5.7.1 Background to Review Mechanism

On 30 May 2019, amaysim and Optus entered into an agreement relating to a new wholesale billing model (**New Billing Model**) which varied the Wholesale Agreement. The primary change to the Wholesale Agreement was amaysim's commitment to paying a fixed minimum monthly wholesale charge in return for an agreed annual amount of base data and other inclusions until at least 30 June 2022. As part of this New Billing Model, the parties agreed to engage in a review (**Review**) of the model if certain trigger events occurred, including where amaysim's wholesale cash margin was less than a pre-agreed level (**Review Mechanism**).

The Review Mechanism was intended to initiate a process of 'right sizing' the New Billing Model if amaysim was unable to utilise the agility and significant annual data allowances provided under the New Billing Model to generate the pre-agreed wholesale margin. There is a carve out to the Review Trigger if amaysim's retail offers fell within certain data utilisation and pricing parameters over a defined period.

5.7.2 Current status of Review Mechanism

It is amaysim's position that, in the course of the first wholesale year of the New Billing Model (1 June 2019 to 31 May 2020), the Review Mechanism requirements were met and that as such it is entitled to the agreed outcomes of a Review being some combination of: (i) its data allowance remaining flat or being increased; (ii) the fixed minimum monthly wholesale charge remaining flat, or the quantum of marketing support provided by Optus remaining flat or being increased.

amaysim considers that, when properly construed, the combination of adjustments needs to be done in a way that is for the benefit of both parties and enables amaysim to maintain a wholesale cash margin of not less than a pre-agreed level. While there are a number of possible outcomes under the Review Mechanism and a range of risks associated with dispute resolution processes, amaysim believes that a favourable outcome in respect of the current dispute is for its wholesale cash margin to be maintained (by way of a payment or credit from Optus).

amaysim issued a review notice dated 7 May 2020 to commence a Review in accordance with the Wholesale Agreement and further issued notices regarding expert appointment and determination.

If the Review does not result in a favourable outcome to amaysim, then amaysim's best estimate of the effect on its financial results is a reported mobile gross profit margin of approximately 26% in FY21 and 23% in FY22. This should be contrasted with the reported gross profit margin of approximately 40% in FY20.

Optus is currently disputing amaysim's claim under the Review Mechanism. amaysim has spent considerable time and resources in briefing external counsel and may need to prosecute this matter in court if it is not resolved.

If the Mobile Sale completes, the above-mentioned dispute (and other, less material, disputes between Optus and amaysim under the Wholesale Agreement) will be settled and released. The dispute in respect of the Review Mechanism has no impact on amaysim's audited and reported FY20 results. However, if it remains unresolved or if amaysim's claim is unsuccessful, and the Mobile Sale does not proceed, it will have a material adverse impact on amaysim's future gross profit and future Reviews under the Review Mechanism.

6. Advantages and disadvantages of the Mobile Sale

6.1 Advantages

The Board is of the view that the proposed Mobile Sale has significant potential advantages, including but not limited to the following:

(a) the Mobile Sale would realise the current and inherent value of the Mobile business, including its strategic significance to Optus;

(b) the Independent Expert has determined that the Mobile Sale is fair and reasonable and in the best interests of Shareholders, in the absence of a superior proposal;

(c) being all-cash, the Mobile Sale offers certain and significant value to amaysim, which the Company intends to return to Shareholders via the Distribution;

(d) the Mobile Sale would reduce amaysim's exposure to a highly competitive industry where data is becoming increasingly commoditised;

(e) the Mobile Sale averts risk associated with the outcome of the Company's wholesale tender process;

(f) since the announcement of the Mobile Sale, no superior proposal has emerged;

(g) various material disputes under the Wholesale Agreement, including in connection with the Review Mechanism under the Wholesale Agreement, will be settled and released as provided for in the Share Sale Agreement. With the potential to have a materially adverse impact on amaysim's future gross profit, future Reviews under the Review Mechanism and its share price, the settlement and release of the disputes eliminates significant future risk for Shareholders and distraction for management; and

(h) as disclosed in the Company's Prospectus, the Wholesale Agreement contains restrictions that may be breached if certain third parties acquired the Company, which means it is less likely that an alternative transaction with a party other than Optus will eventuate. These include a restriction on:

    (i) Telstra, Vodafone or their Related Bodies Corporate from acquiring amaysim's publicly traded shares and continuing to supply competing mobile services; and

(ii) amaysim and any company owned or controlled by it from allowing the amaysim brand or trademark to be used to acquire, sell, distribute, provide or otherwise supply a competing mobile service;

(iii) amaysim migrating or transferring any customer to a competitor during the term of the Wholesale Agreement, unless requested by the customer; and

(iv) amaysim and its Related Bodies Corporate from participating in, or allowing their skill, knowledge, experience or reputation to be used in any sales, marketing or advertising campaign that uses any information about a customer to contact customers in a manner that may have the effect of inducing the transfer of customers from the Optus network.

6.2 Disadvantages

The Board is of the view that the proposed Mobile Sale has limited disadvantages, including but not limited to the following:

(a) the Mobile Sale excludes amaysim from participating in the future financial performance of the Mobile business, including potential benefits associated with a successful wholesale mobile network services tender and earnings which could be associated with a favourable determination of the Review Mechanism (refer to section 5.7);

(b) once completed, the Mobile Sale would preclude any superior proposal for the Mobile business in the foreseeable future (although no superior proposal has emerged since its announcement and indicative offers received in respect of the wholesale mobile network services tender were considered to be inferior to the Mobile Sale);

(c) the Mobile Sale does not automatically enable the Distribution, being an estimate that remains subject to a separate Shareholder approval and the nature of the Distribution (capital or dividend) is subject to an ATO Class Ruling;

(d) the structure of the Mobile Sale impacts the Distribution amount that cannot be determined at this time. This factor may not be favourable to you as Shareholder and you may prefer an alternative structure;

(e) following the Mobile Sale, amaysim as a publicly listed company will have limited assets and intends to delist from ASX (whereas you may prefer to maintain your investment profile);

(f) the tax consequences of the Distribution may not suit your current financial position; and

(g) notwithstanding the unanimous recommendation of the Directors and the Independent Expert's opinion that the Mobile Sale is fair and reasonable and in the best interests of Shareholders, you may believe that the Mobile Sale is not fair and / or not reasonable, or otherwise not in your best interests or in the best interests of Shareholders as a whole.

7. Directors' recommendations

7.1 Directors' recommendations

The Directors **unanimously recommend** that Shareholders vote in favour of Resolution 1 in the absence of a superior proposal.

Each Director who is also a Shareholder and who is not otherwise restricted from voting intends to vote all Shares which they control in favour of Resolution 1, in the absence of a superior proposal.

In making this recommendation, the Directors considered the advantages and disadvantages of the Mobile Sale, including those factors discussed in this Explanatory Memorandum. Before agreeing to enter into the Share Sale Agreement, the Directors also considered whether there were alternatives which could produce a better outcome for Shareholders. The Mobile Sale and these alternatives were assessed against a number of criteria, including:

(a) the value delivered to the Company and to Shareholders; and

(b) the level of certainty regarding, and the likely timing of, any alternative being effectively executed and completed.

After considering the advantages and disadvantages of the Mobile Sale, the Directors have unanimously concluded that, in the absence of a superior proposal, the Mobile Sale represents the best outcome for Shareholders of all available alternatives considered by the Board.

7.2 Directors' background and interests

Director	Role	Independence	Appointed	Committee membership	Skills and experience
Peter John O'Connell	Chief Executive Officer & Managing Director	Not independent	12/5/2010	-	Legal, energy, telecoms, technology, government relations, public and private board experience
Jodie Sangster	Director	Independent	22/6/2015	Audit & Risk Management	Technology, sales, marketing and advertising
Andrew Reitzer	Chairman	Independent	22/6/2015	Remuneration and Nomination (Chair)	Retail, wholesale, executive, international, M&A

Director	Role	Independence	Appointed	Committee membership	Skills and experience
Goetz Maeuser	Director	Independent	26/10/2018	Remuneration and Nomination	Technology, media, management consulting, M&A, international
Craig Jackson	Director	Independent	27/11/2018	Audit & Risk Management (Chair)	Accounting, audit, risk management, corporate governance, M&A and divestments
Rupert Greenhough	Director	Independent	17/3/2020	Audit & Risk Management	Finance, investments, audit, technology, e-commerce, start-ups

The Board of amaysim comprises the Chief Executive Officer & Managing Director, an independent Chairman and four independent Non-executive Directors.

The Directors have a diverse range of expertise in: utilities; technology; wholesale and retail; data-driven marketing and advertising; business development; finance (including audit, mergers and acquisitions and capital markets); and corporate governance.

As discussed in section 4.3, the Board deliberated a number of alternatives before making a unanimous decision in favour of the Mobile Sale, the Distribution and the Delisting. While the management team lead by the Chief Executive Officer & Managing Director assisted the Board in these deliberations, the Board relied upon the significant level of previous experience in business, including in the context of M&A, accounting, divestments and capital restructuring among the independent Directors to make the final independent decision, absent of any potential or perceived conflict of interest or undue influence, and in the best interest of all shareholders.

No director will receive a payment or benefit of any kind, as a result of the Mobile Sale, other than as security holder of the Company or, in the case of the CEO and Managing Director, as a result of the vesting of performance rights outlined in section 7.1(b) of the section of this Explanatory Memorandum dealing with Resolution 2.

The number and type of securities in the Company which each Director (or an associate) holds as at the date of this Notice of Meeting is:

Director	Registered owner of shares (if not directly owned by director)	Shares	Performance Rights	Total Fully Diluted Holding
Peter John O'Connell	Ricangus Pty Ltd (ACN 067 353 520)	3,667,005	4,000,000	3,667,005[6]
Jodie Sangster	-	16,666	0	16,666
Andrew Reitzer	Reitzer Nominees Pty Limited (ACN 119 744 428)	116,667	0	116,667
Goetz Maeuser	-	0	0	0
Craig Jackson	-	0	0	0
Rupert Greenhough	-	0	0	0

7.3 Information about Optus

Optus is the second largest provider of telecommunications services in Australia.

As a fully integrated telecommunications provider of more than 11 million services, Optus delivers a comprehensive range of telecommunications products and services including: mobile and fixed line telephony; broadband services; multimedia entertainment and technology services; satellite services; and converged business telecommunications applications and solutions.

The Optus network provides coverage to more than 98.5% of the Australian population and Optus has also commenced its multi-year 5G network rollout.

Optus Mobile's wholesale services provide Mobile Virtual Network Operators (MVNOs) who lack Mobile infrastructure the network services to resell.

Optus has been the long-term, strategic wholesale partner of amaysim since its founding in 2010.

7.4 Other material information

Other than as set out in this Notice of Meeting, and information previously disclosed to Shareholders, there is no information known to the Directors which might reasonably be expected to be material to the making of a decision by Shareholders whether or not to vote in favour of Resolution 1.

The Chairman of the Meeting intends to vote undirected proxies in favour of Resolution 1.

[6] Peter O'Connell's Performance Rights are not counted toward the "Total Fully Diluted Holding" because all Performance Rights on issue will be cash settled – for more information, refer to Section 7.1(b) of the Explanatory Memorandum dealing with Resolution 2.

Resolution 2 - Approval of return of capital

1. Overview

As noted above, subject to Mobile Sale being approved by Shareholders and completing in accordance with the terms of the Share Sale Agreement, the Company proposes to make the Distribution in three tranches:

- the Major Distribution of approximately A$147.6 million or A$0.50 per share, comprising a fully franked dividend of A$76.7 million or A$0.26 per share (with franking value of up to $0.11 per share attaching to the distribution) and a return of capital of A$70.8 million or A$0.24 per share to be paid in or around April 2021;
- the Minor Distribution of approximately A$29.5 million or A$0.10 per share comprising a return of capital to be paid in or around May 2021; and
- the Final Distribution (which may be completed via two distributions) of approximately A$20.7 million to A$38.4 million or A$0.07 to A$0.13 per share comprising of a return of capital to be paid in or around October 2021.

The A$0.24 per share capital return component of the Major Distribution, the A$0.10 per share capital return of the Minor Distribution and the A$0.07 to A$0.13 per share capital return of the Final Distribution are all expected to be treated as capital returns by the ATO (further information is provided in section 8). The Company will apply to the ATO for a Class Ruling seeking confirmation of the tax treatment of the equal capital reduction for Australian resident shareholders who hold their shares on capital account. Only once the ATO has issued its Class Ruling, can the final nature (dividend or capital return) of the Distributions be known, for tax purposes, with any certainty.

At this time, amaysim estimates that, including the final net proceeds from the sale of Click Energy of A$51.9 million, approximately A$197.7 million to A$215.4 million will be available for distribution, equivalent to A$0.67 – A$0.73 per share.

In estimating the amount available for Distribution, amaysim has had regard to items such as: proceeds from the sale of Click Energy, proceeds from the Mobile Sale, employee costs and re-structuring costs required to effect the Mobile Sale, liabilities the Company will retain following the Mobile Sale, tax payable and adviser fees in connection with the Mobile Sale, full repayment of the Company's debt, cash expected to be generated up until the point of completion and cash required to adequately support the Company's operations (among others). Further details are provided below.

The Final Distribution will almost certainly be towards the lower end of the range estimated if Shareholders do not approve Resolution 3 and the Delisting does not proceed, as the Company will need to retain additional funds in order to continue operating on an ongoing basis.

To the extent the Distribution represents a distribution of profits, it will be made to Shareholders in the form of fully franked dividends. The remainder of the Distribution will be made to Shareholders by way of an equal reduction of capital.

Section 256C of the Corporations Act requires that Shareholder approval be obtained for the component of the Distribution which is to be made by way of equal capital reduction. Shareholder approval is sought for this purpose under Resolution 2.

The Distribution will not proceed if Completion of the Mobile Sale does not take place.

The Company will also apply to the ATO for a Class Ruling seeking confirmation of the tax treatment of the equal capital reduction for Australian resident shareholders who hold their shares on capital account. The Class Ruling is expected to be issued some time after the EGM.

If the Distribution proceeds, all components of the Distribution will be made to all Shareholders pro rata to the number of Shares which they hold on the record date (**Record Date**).

Subject to the Mobile Sale and Distribution being approved by Shareholders, amaysim proposes to make the Major Distribution as soon as possible after completion of the Mobile Sale and the Minor Distribution after the Company has fulfilled its obligation to provide transitional services to Optus. The exact timetable of the Distribution will depend on the timing of Completion under the Share Sale Agreement. The Company will release an announcement to the ASX when the timetable for the Distribution has been definitively determined.

2. Reasons for the Distribution

The purpose of the Distribution is to return to Shareholders as much as possible of the proceeds of the sale Click Energy and of amaysim Mobile, the Company's main undertaking.

3. Calculation of the amount of the Distribution

The Company estimates that the total amount available for the Distribution will be between A$197.7 million to A$215.4 million, of which approximately A$76.7 million will be distributed as a fully franked dividend, and the balance will be distributed as an equal return of capital.

Subject to no other Shares being issued prior to the Record Date, the Company estimates that the Distribution will result in a fully franked dividend of approximately A$0.26 per Share[7] and a return of capital of approximately A$0.41 to A$0.47 per Share[7].

The following table shows how the Company has calculated its estimates of the total amount available for the Distribution, the amount available to be distributed as a dividend and the amount available to be distributed as a return of capital.

Components	A$m
Cash balance as reported at 30 June 2020	45.0
Gross proceeds in relation to the sale of Click Energy to AGL	115.0
Energy completion adjustments, advisor fees, other transaction costs, tax and other items in connection with the sale of Click Energy to AGL	(17.0)
Payment in full of amaysim's drawn bank debt	(77.1)
Receipt of gross proceeds in relation to the Mobile Sale to Optus	250.0
Payment of tax and other items in connection with the Mobile Sale (including advisor fees other transaction costs)	(29.8)

[7] Per share amount calculated on 295,110,421 shares and assumes that all performance rights under amaysim's Long-Term Incentive Plan (LTIP) are cash settled on completion of the sale. Refer to section 7.1b) of the section of this Explanatory Memorandum dealing with Resolution 2 for more information.

Components	A$m
Unwind and repayment of negative working capital in mobile implicit in the transaction structure	(50.3)
Cash-settlement of redundancies and closure costs and settlement of other employee liabilities for transferring and non-transferring staff under the transaction structure	(16.1)
Cash-settlement of the amaysim Long Term Incentive Plan rights	(9.6)
Sundry other items	(3.5)
Estimated Total Distribution (mid-point)	**206.6**
Relevant number of shares to participate in the Distribution (net of the cash-settlement of amaysim's LTI Plan and the utilisation of treasury shares)	**295,110,421 shares**
Estimated Total Distribution per Share (mid-point)[7]	*0.70*
Estimated Dividend per Share[7]	*0.26*
Estimated Capital Reduction per Share[7]	*0.44*

The estimated amount of the Distribution is based on a number of assumptions regarding future events, trading conditions, business performance and successful implementation of the Mobile Sale, all of which involve risks, uncertainties and other factors beyond amaysim's direct control. Being based on an assessment of current economic and operating conditions, third party estimates and projections, the estimate may differ from the final amount which becomes available for distribution to Shareholders.

It is therefore not currently possible to determine exact amounts of the Distribution. The Company anticipates that it will be able to determine exact amounts immediately prior to Completion of the Mobile Sale and the Company will release an announcement to ASX once the amounts have been determined.

4. Conditionality of the Distribution

The Distribution is conditional on Resolution 1 being approved, and Completion of the Mobile Sale. That part of the Distribution which is to be made by equal capital reduction is conditional on Resolution 2 being approved. That part of the Distribution which is to be made by dividend is intended to be made irrespective of whether Resolution 2 is approved.

5. Payment details

If the Distribution proceeds, payment will be made by way of direct credit into a nominated Australian bank account, or by cheque if banking details of a Shareholder have not previously been provided to the Company's share registry prior to the payment record date.

Shareholders who wish to be paid by direct credit into a nominated Australian bank account can nominate an account for the payments to be made by direct credit by updating your payment details with the Company's share register, Computershare Investor Services Pty Limited. Shareholders wishing to do so can provide details online at www.computershare.com.au/easyupdate/ays or by phoning +61 3 9415 4181.

At this time the Board contemplates making both the proposed dividend and the return of capital simultaneously however the Board reserves the right to make these as separate payments/distributions.

6. Requirements for the return of capital

For the purposes of the Corporations Act, the component of the Distribution to be made by way of a return of capital, is an equal reduction of capital because:

- it relates only to ordinary shares in the Company;
- applies to each holder of ordinary shares in the Company in proportion to the number of ordinary shares they hold; and
- the terms of the reduction are the same for each holder of ordinary shares in the Company.

Under section 256(1) of the Corporations Act, a company may conduct an equal capital reduction provided that three requirements described below are met. These requirements apply to the component of the Distribution proposed being made by return of capital but not to the component of the Distribution being made by dividend:

a) The return of capital must be fair and reasonable to the company's shareholders as a whole.

The Directors are of the opinion that the return of capital is fair and reasonable to all Shareholders as it will apply to all Shareholders at the Record Date equally, in proportion to the number of Shares which they hold at the Record Date.

The Independent Expert has concluded that the transaction as set out in the Explanatory Memorandum and in the enclosed Independent Expert Report is fair and reasonable to the Shareholders and the advantages of the transaction outweigh the disadvantages.

b) The return of capital must not materially prejudice the company's ability to pay its creditors.

The Directors are of the opinion that the return of capital will not materially prejudice the Company's ability to pay its creditors after having reviewed and considered the expected financial position of the Company if the Mobile Sale completes, including the Company's expected assets, liabilities, cashflow and capital requirements

c) The return of capital must be approved by ordinary resolution of shareholders under section 256C of the Corporations Act.

Resolution 2 seeks Shareholder approval of the return of capital, for the purposes of section 256C of the Corporations Act.

7. Effect of the Distribution

A discussion of the effect of both the Mobile Sale and the Distribution on the current and future operations of the Company is included in section 4 of this Explanatory Memorandum dealing with Resolution 1 above.

7.1 Effect on capital structure

For the purposes of ASX Listing Rule 7.20, the Company provides the following information to Shareholders regarding the effect of the proposed return of capital on Shares and the proposed treatment of options.

a) Share capital

The Company has 295,110,421 fully paid ordinary shares on issue as at the date of this Notice of Meeting and paid up share capital of A$167.2 million.

The Company's share capital will be reduced in accordance with Resolution 2 by the amount of the capital return which the Company estimates will be approximately A$121.0 – A$138.7 million (see section 3 above for further details in relation to the estimated amount of the return of capital).

No Shares will be cancelled and the number of Shares held by Shareholders will not change as a result of the passing of Resolution 2 or by the return of capital. No fractional entitlements will arise from the return of capital. All Shares issued by the Company are fully paid, therefore the return of capital will not have any effect on amounts unpaid on Shares of the Company on issue.

The number of shares on issue described above is different to the description in the Company's ASX announcement dated 2 November 2020 and titled "Sale of Mobile Business". In that announcement it was contemplated that there would be 309.2 million shares on issue (on a fully diluted basis). The rationale for the change is described below in b).

b) Performance Rights

The Company has 19,573,225 performance rights on issue which have been issued to (eligible) key management personnel and other selected employees (**Performance Rights**) under amaysim's long term incentive plan (**LTIP**).

The Performance Rights do not attract dividends, voting rights or any capital distributions. Each Performance Right confers the holder with an entitlement to receive one share for no consideration (or cash payment of equivalent value) upon satisfaction of the performance and service conditions. In connection with the Mobile Sale, and conditional on the Resolution 1 and Resolution 2 being approved and completion of the Mobile Sale, it is the Board's present intention in the circumstances to:

(i) waive the current vesting conditions attached to the Performance Rights so that all awards under the LTIP shall vest on completion of the Mobile Sale;

(ii) settle all Performance Rights in cash, with a holder of a Performance Right to receive cash payments at the same time, and of equivalent value, per Performance Right as the distributions to be received by Shareholders in relation to each Share; and

(iii) amend the terms of the LTIP rules in order to align holders of Performance Rights with shareholders in respect of the timing and quantum of Distributions (including upside and risk of downside).

Conditional on Resolution 1 and Resolution 2 being approved and completion of the Mobile Sale, the Chief Executive Officer & Managing Director will receive

Performance Rights previously granted under the LTIP, referenced in section 7.2 of the Resolution 1 Explanatory Memorandum. There are no new, additional or incremental awards to vest for the Chief Executive Officer & Managing Director or any other key management personnel.

It is also the Company's present intention to sell on-market 4,287,828 treasury shares which are held by the Company's employee share trust for the purpose of satisfying obligations under the LTIP and for the net proceeds to be used to satisfy, in part, the cash settlement of the Performance Rights.

7.2 Effect on share price

If the Distribution is implemented, the Company's Shares are expected to trade at a lower share price than its then trading price immediately prior to the 'ex' date for the Distribution - this is due to the payment/return of funds to Shareholders.

8. Tax consequences for Shareholders

8.1 Introduction

This section comments on the Australian income and capital gains tax implications of the proposed Distribution for Australian-resident Shareholders. Note this is provided on the basis of receiving a Distribution only, without also disposing of the shares.

This section should be read in conjunction with the entire Notice of Meeting and Explanatory Memorandum. This summary is not intended to be comprehensive and is based upon the Company's interpretation of Australian tax law currently in force at the date of this Notice of Meeting. Shareholders should not rely on the information on this section as advice in relation to their own affairs. This summary is general in nature and is not intended to be an authoritative or complete statement of all potential tax implications for each investor or relied upon as tax advice. The taxation laws are complex and there could be implications in addition to those described in this section. The precise implications of ownership or disposal will depend upon each investor's specific circumstances. Shareholders should seek independent professional advice in relation to their own particular circumstances.

This summary does not constitute financial product advice as defined in the *Corporations Act* 2001 and is confined to taxation issues and is only one of the matters you need to consider when making a decision about your investments. You should consider taking advice from a licensed adviser, before making a decision about your investments.

The information in this section only applies to Shareholders who hold their Shares on capital account (i.e., as an investment). The commentary does not deal with the taxation implications of the Distribution for:

(a) Shareholders who hold the shares in the Company on revenue account or as trading stock; or

(b) Shareholders who are exempt from Australian income tax; or

(c) Shareholders subject to the Taxation of Financial Arrangements regime in Division 230 of the *Income Tax Assessment Act* 1997 which have made elections to apply the fair value or reliance on financial reports methodologies.

For the purposes of section 8.2 and 8.3 below, "**Shareholder**" does not refer to any of the persons or entities at (a) or (c) above. It is important that such persons or entities also seek independent taxation advice specific to their circumstances.

8.2 Taxation position of Australian Resident Shareholders

The Distribution will comprise an equal capital reduction and a dividend component. As discussed in section 3 above the precise and final amount of the Distribution by the Company and its composition cannot presently be determined. The following comments therefore relate to the tax treatment of the capital reduction and dividend to the extent either of those components are received.

a) Equal capital reduction

The equal capital reduction will result in a capital gains tax (**CGT**) event for a Shareholder. The immediate income tax consequence of the receipt of the capital proceeds from the equal capital reduction will depend on the cost base of a Shareholder's Shares for CGT purposes. The cost base of listed shares will generally be the cost of acquisition of the Shares, plus any costs incurred in relation to the acquiring and disposing of the shares (such as broker's fees and stamp duty).

If the capital reduction exceeds the cost base, then the Shareholder will realise a capital gain equal to the amount of the excess.

A CGT discount may be applied against the capital gain (after reduction of total capital gains by capital losses) where the Shareholder is an individual, complying superannuation entity or trustee, the Shares have been held for at least 12 months and certain other requirements have been met. Where the CGT discount applies, any capital gain arising to individuals and entities acting as trustees (other than a trust that is a complying superannuation entity) may be reduced by one half, after offsetting current year or prior year capital losses. For a complying superannuation entity, any capital gain may be reduced by one third, after offsetting current year or prior year capital losses.

Where the Shareholder is the trustee of a trust that has held the Shares for at least 12 months before disposal, the CGT discount may flow through to the beneficiaries of the trust if those beneficiaries are not companies. Shareholders that are trustees should seek specific advice regarding the tax consequences of distributions to beneficiaries who may qualify for discounted capital gains.

Shareholders who are companies are not entitled to the CGT discount.

If the cost base of the Shares exceeds the capital proceeds received by a Shareholder there will be no immediate tax consequences to a Shareholder other than a reduction in CGT cost base of the shares.

b) Dividend

Dividends paid by the Company on a Share will be assessable to income of an Australian resident Shareholders in the year of income in which it is paid.

Franking credits attached to the Dividend paid to Shareholders should be included in the assessable income of each Shareholder (i.e. Shareholders are assessed on the cash component of the Dividend received, plus the amount of any franking credits attached to the Dividend).

Shareholders may be entitled to a tax offset equal to the franking credit attached to the Dividend. Shareholders that are individuals or complying superannuation entities may be entitled to a refund of excess franking credits where the tax offset associated with franking credits attached to the Dividend exceeds their tax liability for the relevant income year. Shareholders that are companies will not be entitled to a refund of excess franking credits where the franking credits attached to the Dividend exceeds their tax liability for the relevant income year. Instead, Shareholders that are companies will convert any excess franking offset to a tax loss and will be taken to have incurred this tax loss for the relevant income year in which the dividend is assessed. Shareholders that are companies may be able to credit their franking account with the amount of any franking credit attached to the Special Dividend.

The benefit of franking credits can be denied where an investor is not a 'qualified person', in which case the investor will not need to include an amount for the franking credits in their assessable income and will not be entitled to a tax offset.

Broadly, to be a 'qualified person', two tests must be satisfied, namely the holding period rule and the related payment rule. Under the holding period rule, an investor is required to hold Shares 'at risk' for more than 45 days continuously (which is measured as the period commencing the day after the Shares were acquired and ending on the 45th day after the Shares become ex-dividend) in order to qualify for franking benefits, including franking credits. This holding period rule is subject to certain exceptions, including where the total franking offsets of an individual in a year of income do not exceed $5,000.

Under the related payment rule, a different testing period applies where the investor has made, or is under an obligation to make, a related payment in relation to the dividend. The related payment rule requires the investor to have held the Shares at risk for the continuous 45 day period as above but within the period commencing on the 45th day before, and ending on the 45th day after the day the Shares become ex-dividend. Investors should seek professional advice to determine if these requirements, as they apply to them, have been satisfied.

8.3 Taxation position of Non-Resident Shareholders

a) Equal capital reduction

If the capital reduction exceeds the cost base, then the Shareholder will realise a capital gain equal to the amount of the excess. Any capital gain arising to a Shareholder who is not a resident of Australia for Australian tax purposes should be able to disregard any capital gain that would otherwise arise from the equal capital reduction, unless their shares constitute 'Taxable Australian Property', as defined for Australian income tax purposes.

Specifically, Taxable Australian Property includes interests held in an entity that satisfies both of the following two tests:

- non-portfolio interest test – holdings, on an associate inclusive basis, in the test entity of 10% or more at the time of disposal (or throughout a 12 month period within the period commencing 24 months before the time of disposal); and

- principal asset test – where the sum of the market values of the entity's assets that are taxable Australian real property exceeds the sum of the market value of its assets that are not taxable Australian real property (in this regard, mining rights are considered taxable Australian real property).

Any non-resident Shareholders who own 10% or more of the Shares (on an associate inclusive basis) should seek independent professional advice in relation to their own particular circumstances, including whether any protection will be available under a relevant double tax treaty.

b) Dividend

Dividends paid by the Company are expected to be fully franked such that no Australian dividend withholding tax should apply to the Dividend.

Non-resident Shareholders should seek independent professional advice in relation to the tax treatment of the Dividend received in their jurisdiction of residence.

8.4 Advantages

The Board is of the view that the proposed Distribution has significant potential advantages, including but not limited to allowing the Company the flexibility to distribute the proceeds of the Mobile Sale in an efficient manner.

8.5 Disadvantages

The Board is of the view that the proposed Distribution has limited disadvantages, including but not limited to preventing the Company the flexibility to distribute the proceeds of the Mobile Sale in an efficient manner.

9. Directors' recommendations

The Directors **unanimously recommend** that Shareholders vote in favour of Resolution 2. Each Director who is also a Shareholder and who is not otherwise restricted from voting intends to vote all Shares which they control in favour of Resolution 2.

9.1 Directors' interests

No Director will receive a payment or benefit of any kind, as a result of the Distribution, other than as security holder of the Company or, in the case of the CEO and Managing Director, as a result of the vesting of performance rights outlined in section 7.1(b) of the section of this Explanatory Memorandum dealing with Resolution 2.

Refer to section 7.2 of the section of this Explanatory Memorandum dealing with Resolution 1 for information about the number of securities of the Company and performance rights which each Director holds as at the date of this Notice of Meeting.

9.2 No other material information

Other than as set out in this Notice of Meeting, and information previously disclosed to Shareholders, there is no information known to the Directors which might reasonably be expected to be material to the making of a decision by Shareholders whether or not to vote in favour of Resolution 2.

The Chairman of the Meeting intends to vote undirected proxies in favour of Resolution 2.

Resolution 3 – Delisting from ASX

1. Overview

The Company seeks approval from Shareholders to remove the Company from the Official List of the ASX (**Delisting**), subject to the Mobile Sale and Distribution being approved by Shareholders and Completion occurring.

The Company has received in-principle advice from ASX that, subject to receipt of a formal application for Delisting, ASX would likely remove the Company from the Official List of ASX, on a date to be decided by ASX in consultation with the Company, subject to compliance with certain conditions. ASX has confirmed that if approval is given, removal shall take place on a date to be determined by ASX in consultation with the Company, which is currently expected to be at 4:00pm on 30 April 2021.

The conditions imposed by ASX on the Delisting are as follows:

a) Condition 1.1: the Company's removal from the Official List to be approved by a special resolution of the ordinary shareholders of the Company;

b) Condition 1.2: that the notice of meeting seeking Shareholder approval for the Company's removal from the Official List must:

   (i) Condition 1.2.1: include the time and date at which the Company will be removed from the ASX if Shareholders vote in favour of the Delisting; and

   (ii) Condition 1.2.2: include a statement to the effect that the removal will take place no earlier than one month after Shareholders vote in favour of the Delisting; and

   (iii) Condition 1.2.3: include to ASX's satisfaction, information prescribed in section 2.11 of ASX Guidance note 33.

(d) Condition 1.3: the Company releases the full terms of ASX's decision to the market upon making a formal application to remove the Company from the official list of the ASX.

The Company intends to formally apply to ASX to be removed from the ASX Official List under ASX Listing Rule 17.11 shortly before the date of the Meeting.

Although it is the Company's current intention to proceed with the Delisting and winding up, amaysim is also exploring whether any third parties may be interested in acquiring the Company as a listed shell entity following the completion of the Mobile Sale and Distribution. In the event that such an acquisition materialises, and the Company considers it more favourable to Shareholders than a winding up, amaysim will withdraw Resolution 3 so that Shareholders are given an opportunity to consider the alternative proposal.

2. Conditionality of the Delisting

The Delisting is conditional on Resolution 1 and Resolution 2 being approved, and Completion of the Share Sale Agreement.

3. Compliance with ASX conditions

In accordance with the conditions as stated above:

a) Condition 1.1: Resolution 3 seeks Shareholder approval via a special resolution for the removal of the Company from the Official List as set out in Condition 1.1 above;

b) Condition 1.2: this Explanatory Memorandum includes the statements required by ASX's approval as set out in:

   (i) Condition 1.2.1, please refer to section 2 of the section of this Explanatory Memorandum dealing with Resolution 1 which contains an indicative timetable for the Mobile Sale, Distribution and Delisting;

   (ii) Condition 1.2.2, please refer to section 9 below; and

   (iii) Condition 1.2.3, please refer to sections 4 to 12 below (the sections of this Explanatory Memorandum dealing with Resolution 3); and

c) Condition 1.3: the Company will lodge its formal request for removal from the Official List shortly before the date of the Meeting and release the full terms of ASX's decision to the market as soon as it is received.

The Board recommends that Shareholders seek their own legal, financial and tax advice about the potential impact of Resolution 3, including as to the potential advantages and disadvantages of holding shares in a company that is not listed on ASX.

4. Advantages of the Delisting

The main reasons for the recommendation by the Directors that Shareholders should approve the Delisting are as follows:

(a) The Company will have already divested itself of its key assets and business as part of the Mobile Sale.

(b) The Company will distribute all of its assets and cash remaining after the Mobile Sale and the Distribution, including distribution of the cash consideration received by the Company under the Mobile Sale, to its Shareholders. Therefore, Shareholders will have, after all distributions have been made (including the Major Distribution, the Minor Distribution and the Final Distribution), realised the value of their investment in the Company.

(c) Following completion of the Mobile Sale and the Distributions, the benefit of the Company being a listed entity will be outweighed by the costs, as the Company does not have any ongoing business operations. In the opinion of the Board, it would not be appropriate for the Company, having no operations or plans to enter into any new business activity, to maintain its listing on ASX.

(d) The Company currently incurs various administrative and management costs to comply with the Listing Rules, fees for ASX clearance and settlement and costs for maintaining staff and other services. As a result of the Delisting, the Company will not be required to continue to pay these costs.

(e) The Company will also be relieved of the administrative burden associated with being listed.

5. Disadvantages of the Delisting

The Directors have considered the potential disadvantages to the Company of Delisting, particularly:

(a) Shareholders' ability to sell Shares and realise their investment in the Company may be diminished after the Delisting Date, as Shares will no longer be traded on the ASX and will only be capable of sale by private transaction, therefore the liquidity of Shares will be directly affected and it is likely to be further diminished. However, as set out above, Shareholders will receive the value of Shares in distributions in any event.

(b) If the Company is Delisted, it will have more limited means by which it can raise capital by way of the issue of securities. Typically, an unlisted company does not have the ability to raise capital from the issue of securities by means of limited disclosure fundraising documents. Therefore, the main means for the Company (as an unlisted company) to raise equity funds will be by way of an offer of securities pursuant to a full form prospectus or by way of placement to sophisticated and other investors who do not require a prospectus. Balanced against these considerations is the fact that the Company presently has sufficient capital for any wind-up costs and is not proposing any fundraising.

(c) If the Company is Delisted, various requirements of the Listing Rules will no longer apply, and these may include relief from some reporting and disclosure requirements, restrictions on the issue of Shares by the Company, requirements concerning significant changes to the Company's activities and requirements to address ASX Corporate Governance Principles and Recommendations. The absence of continued restrictions in these areas may be perceived to be a disadvantage to some Shareholders, particularly minority Shareholders.

6. The effect of Delisting

If Shareholders approve Resolution 3, the Company will be removed from the Official List on 30 April 2021 (**Delisting Date**). Between the date of the Meeting and the Delisting Date, the Company's shares will continue to be traded on ASX in the ordinary course. Please refer to section 2 of the section of this Explanatory Memorandum dealing with Resolution 1.

After the Delisting Date, Shares will only be capable of sale by private transaction. The Company does not intend to offer a buy back or liquidity facility in conjunction with the Delisting. This may present difficulties to selling Shareholders.

7. Assets, liabilities and creditors

The Directors consider that the Delisting will not have an adverse effect on the Company's capacity to meet its existing and any anticipated obligations and will be able to pay its debts as and when they fall due. As set out above, the Directors also note that the Delisting will result in considerable cost savings for the Company. However, it should be noted, that if Resolution 2 is passed, that the net cash position of the Company will be reduced by the amount of the Distribution.

8. Ongoing compliance obligations

If the Company is Delisted, various requirements of the Listing Rules will no longer apply to the Company. The reduction of obligations associated with a listing on the ASX may include relief from some reporting and disclosure requirements, removal of restrictions on the issue of Shares by the Company, requirements concerning significant changes to the Company's activities and relief from requirements to address ASX Corporate Governance Principles and Recommendations.

The absence of continued restrictions in these areas may be perceived to be a disadvantage to some Shareholders, particularly minority Shareholders. However, Shareholders will still have the benefit of the protections given to them under the Corporations Act. The Company will still be required to comply with its obligations under the Corporations Act and as set out in the Company's Constitution, these include:

a) while the Company has 100 or more Shareholders (that is, while it is an **Unlisted Disclosing Entity**), it will still be required to provide continuous disclosure in respect of material matters under section 675 of the Corporations Act;

b) the Company will still be required to lodge annual audited and half-yearly financial statements as required under the Corporations Act. It is worth noting that in the event the Company ceases to be an Unlisted Disclosing Entity, it will no longer be required to give continuous disclosure of material matters under section 675 of the Corporations Act or to lodge its half-yearly financial statements (auditor reviewed) but as a public company it will still be required to lodge its annual audited financial statements;

c) while the Company has 50 or more Shareholders, the acquisition and control of its Shares will still be subject to the takeover provisions set out in Chapter 6 of the Corporations Act;

d) the restrictions around the giving of a financial benefit to a related party under Chapter 2E of the Corporations Act will continue to apply; and

e) the majority of the provisions of the Constitution will not be affected by the Company ceasing to be listed and there is no present proposal to change the Company's Constitution following the Delisting.

9. Share trading

If Shareholders wish to sell their Shares on the ASX, they will need to do so before the Company is removed from the Official List. The removal of the Company from the Official List will take place no earlier than one month after Shareholders vote in favour of the Delisting.

Following the Delisting Date, any Shareholder wishing to sell their Shares can transfer their Shares off-market to a willing third party purchaser in accordance with the Company's Constitution, however, such market may not be liquid and Shareholders will be personally responsible for sourcing any potential purchaser for their Shares.

As indicated above, whole of company transactions where an offer is made to all Shareholders, (e.g. a takeover bid or a scheme of arrangement), would still be undertaken pursuant to the requirements in the Corporations Act. In the event of such a proposal, in accordance with regulatory requirements, Shareholders will be provided with all relevant information in order to assess such proposal.

10. What remedies may Shareholders pursue under the Corporations Act?

If a Shareholder considers the Delisting to be contrary to the interests of the Shareholders as a whole or oppressive to, unfairly prejudicial to, or unfairly discriminatory against a Shareholder or Shareholders, it may apply to the court for an order under Part 2F.1 of the Corporations Act.

Under section 233 of the Corporations Act, the court can make any order that it considers appropriate in relation to the Company, including an order that the Company be wound up or an order regulating the conduct of the Company's affairs in the future. If a Shareholder considers that the Delisting involves "unacceptable circumstances", it may apply to the Takeovers Panel for a declaration of unacceptable circumstances and other orders under Part 6.10 Division 2 Subdivision B of the Corporations Act (refer also to Guidance Note 1: Unacceptable Circumstances issued by the Takeovers Panel). Under section 657D of the Corporations Act, if the Takeovers Panel has declared circumstances to be unacceptable, it may make any order that it thinks appropriate to protect the rights or interests of any person or group of persons, where the Takeovers Panel is satisfied that those rights or interests are being affected, or will be or are likely to be affected, by the circumstances.

11. What happens if Resolution 3 is not approved

If Resolution 3 is not passed, the Company's Shares will remain listed on ASX, but the Company will not have any ongoing business operations or plans to enter into any new business activity. Once the Distribution is completed, the Company will also have distributed all of its remaining assets and cash.

The Company expects that in these circumstances the ASX would exercise its power to remove the Company from the Official List of ASX as its structure and operations would not be appropriate for a listed entity.

12. Directors' recommendations

The Directors **unanimously recommend** that Shareholders vote in favour of Resolution 3. Each Director who is also a Shareholder and who is not otherwise restricted from voting intends to vote all Shares which they control in favour of Resolution 3.

12.1 Directors' interests

No Director will receive a payment or benefit of any kind, as a result of the Delisting, other than as security holder of the Company or, in the case of the CEO and Managing Director, as a result of the vesting of performance rights outlined in section 7.1(b) of the section of this Explanatory Memorandum dealing with Resolution 2.

Refer to section 7.2 of the section of this Explanatory Memorandum dealing with Resolution 1 for information about the number of securities of the Company and performance rights which each Director holds as at the date of this Notice of Meeting.

12.2 No other material information

Other than as set out in this Notice of Meeting, and information previously disclosed to Shareholders, there is no information known to the Directors which might reasonably be expected to be material to the making of a decision by Shareholders whether or not to vote in favour of Resolution 3.

The Chairman of the Meeting intends to vote undirected proxies in favour of Resolution 3.

amaysim Group means amaysim and its Related Bodies Corporate and **amaysim Group Member** means any one of them.

amaysim Mobile means amaysim Mobile Pty Ltd ACN 645 692 093.

ASX means ASX Limited (ABN 98 008 624 691) or, as the context requires, the financial market known as the Australian Securities Exchange operated by it.

Board means the board of directors of the Company.

Competing Proposal means any proposal, transaction or arrangement (whether by way of a takeover bid, scheme of arrangement, capital reduction, share buy-back or repurchase, sale or purchase of assets, sale or issue of securities, partnership, joint venture, recapitalisation, establishment of a new holding company or otherwise) which, if completed, would mean a person (other than the Optus or its affiliates) whether alone or together with its affiliates would:

a) directly or indirectly acquire an interest or "relevant interest" (as defined in section 608 of the Corporations Act) in 10% or more the securities in any amaysim Group Member (other than as custodian, nominee or bare trustee) in circumstances where an amaysim Group Member was involved in or otherwise provided any assistance (including the provision of information) in connection with any such acquisition;

b) directly or indirectly acquire an interest in all or substantially all of the shares in amaysim Mobile Pty Ltd or certain other entities within the amaysim Group;

c) directly or indirectly acquire, obtain a right to acquire or otherwise obtain an economic or other interest in all or a substantial part of the business conducted by, or assets of, any amaysim Group Member;

d) acquire "control" (as defined in section 50AA of the Corporations Act) of any amaysim Group Member;

e) otherwise directly or indirectly acquire, amalgamate or merge (including by way of reverse takeover bid or dual listed company structure) with any amaysim Group Member;

f) otherwise obtain any interest which has substantially the same economic or commercial outcome as a transaction described in paragraphs a) to e) of this definition or the Mobile Sale,

excluding any Wholesale Proposal or similar proposal, transaction or arrangement.

Company means amaysim Australia Limited ACN 143 613 478.

Completion means the completion of the purchase and sale of all of the shares in amaysim Mobile pursuant to the Share Sale Agreement.

Constitution means the constitution of the Company.

Corporations Act means the Corporations Act 2001 (Cth).

Director means a director of the Company.

Distribution has the meaning given in this Explanatory Memorandum.

Exclusivity Period means the period from 2 November 2020 to the earlier of the termination of the Share Sale Agreement and Completion.

Explanatory Memorandum means this explanatory memorandum.

Meeting means the general meeting of the Company convened by the Notice of Meeting.

Independent Expert means Lonergan Edwards & Associates Limited.

Independent Expert Report means the independent expert's report prepared by the Independent Expert dated 2 December 2020, set out in Schedule 2.

Listing Rules means the listing rules of ASX.

Notice of Meeting means the notice of general meeting of which the Explanatory Memorandum forms a part.

Optus means Optus Mobile Pty Limited ACN 054 365 696.

Optus Group means Singtel Optus Pty Limited and each of its subsidiaries and **Optus Group Member** means any member of the Optus Group.

Purchase Price has the meaning given in Schedule 1.

Related Body Corporate has the meaning given to that term in the Corporations Act.

Representative of a person or entity means:

a) a Related Body Corporate of that party; and

b) a director, secretary, officer, employee, agent, auditor, financier, adviser, partner, consultant, joint venturer, contractor or sub-contractor of the party or of a Related Body Corporate of that party.

Resolution means a resolution proposed in the Notice of Meeting.

Share means a fully paid ordinary share in the capital of the Company.

Share Sale Agreement or **SSA** means the share sale agreement between the Company and Optus for the acquisition by Optus of all of the issued share capital of amaysim Mobile dated 2 November 2020.

Shareholder means a holder of a Share.

Superior Proposal means a publicly announced Competing Proposal which the board of amaysim, acting in good faith, and after taking written advice from its legal and financial advisers, determines is:

a) reasonably capable of being completed taking into account all aspects of the Competing Proposal; and

b) if implemented substantially in accordance with its terms, more favourable to the Shareholders than the Mobile Sale, taking into account all terms and conditions of the Competing Proposal,

excluding any Wholesale Proposal or similar proposal, transaction or arrangement

Wholesale Agreement means the "Optus Wholesale General Terms" (including the Mobile Service Description) entered into by amaysim Australia Limited on 16 September 2010 (acceded to by Vaya Communications Pty Ltd on 30 November 2019), Optus Mobile Pty Ltd and Optus Networks

Pty Ltd, subsequently novated to Optus Wholesale Pty Ltd by deed of novation dated 30 March 2017, and of which Vaya Pty Ltd and Live Connected Pty Ltd have the benefit, as amended and supplemented from time to time.

Wholesale Proposal means a proposal to enter into a wholesale mobile network services or similar or equivalent agreement or arrangement between an amaysim Group Member and a person other than an Optus Group Member.

Schedule 1 – Key terms of Share Sale Agreement

Parties	amaysim Australia Limited (ACN 143 613 478) Optus Mobile Pty Limited (ACN 054 365 696)
Purchase Price	A$250 million, subject to adjustment
Conditions Precedent	Shareholders approving the Mobile Sale in accordance with ASX Listing Rule 11. The completion of certain pre-completion steps so that amaysim Mobile Pty Ltd will hold certain assets required to conduct amaysim's mobile business.
Exclusivity	**No-shop, no-talk, no-due diligence** During the Exclusivity Period, except with the prior written consent of Optus, amaysim must ensure that neither it nor its Representatives, directly or indirectly: (a) solicit, invite, encourage or initiate or continue any enquiries, negotiations or discussions or communicates any intention to do any of the foregoing, regarding, with a view to obtaining or that may reasonably be expected to encourage or lead to the making of, any offer, proposal or expression of interest from any person in relation to a Competing Proposal; (b) negotiate, accept or enter into, offer or agree to negotiate, accept or enter into any agreement, arrangement or understanding regarding any actual, proposed or potential Competing Proposal or respond to any approach or continue, participate in or resume negotiations or discussions in relation to, or which may reasonably be expected to lead to, a Competing Proposal or communicate any intention to do any of the foregoing, even if the Competing Proposal was not directly or indirectly solicited, invited, encouraged or initiated by amaysim or any of its Representatives or the person has publicly announced the Competing Proposal or any offer, proposal or expression of interest from any person in relation to a Competing Proposal; or (c) enable any other person other than Optus to undertake or continue due diligence investigations on amaysim or any of its Related Bodies Corporate or any of their respective businesses or operations, in connection with such person formulating, developing or finalising, or assisting in the formulation, development or finalisation of, a Competing Proposal or which could reasonably be expected to encourage or lead to receipt of a Competing Proposal or make available to any other person, or permit any other person to receive, other than Optus (in the course of due diligence investigations or otherwise), any non-public information relating to amaysim or any of its Related Bodies Corporate or any of their respective businesses or operations, in connection with such person formulating, developing or finalising, or assisting in the formulation, development or finalisation of, a Competing Proposal or which

could reasonably be expected to encourage or lead to receipt of a Competing Proposal.

Fiduciary exception

Paragraphs (b) and (c) of the no-shop, no-talk, no-due diligence restrictions above do not apply to the extent that they restrict amaysim or amaysim's board from taking or refusing to take any action with respect to a genuine Competing Proposal (excluding a Wholesale Proposal) which:

(a) was not solicited, invited, encouraged or initiated, or otherwise brought about, by any one or more of them and/or any of their respective Representatives in contravention of paragraph (a) above;

(b) is or is reasonably likely to be a Superior Proposal (provided the matching right procedure has been followed) (excluding, for the avoidance of doubt, any Wholesale Proposal); and

(c) provided that the amaysim board has determined, in good faith and acting reasonably that after receiving written legal advice from its external legal advisers that taking or failing to take the relevant action would be reasonably likely to constitute a breach of the amaysim board's fiduciary or statutory obligations.

Notice of approaches

(a) If amaysim or any of its Representatives:

(i) is approached by any person during the Exclusivity Period to discuss or engage in any activity in relation to an actual, proposed or potential Competing Proposal or Wholesale Proposal or otherwise becomes aware of any such proposal; or

(ii) receives any request for information relating to amaysim, or its businesses or operations, in connection with the formulation, development or finalisation of, or assisting in the formulation, development or finalisation of, an actual, proposed or potential Competing Proposal or Wholesale Proposal, or which amaysim has reasonable grounds to suspect may relate to an actual, proposed or potential Competing Proposal or Wholesale Proposal, amaysim must notify Optus immediately in writing of that approach or request.

(b) The notice must be accompanied by all relevant details of the relevant approach, Competing Proposal or Wholesale Proposal, including the identity of the person that made the approach, Competing Proposal or Wholesale Proposal and the material terms and conditions of the relevant approach, Competing Proposal or Wholesale Proposal, including details of the proposed consideration, conditions and break fee (if any).

(c) amaysim must provide Optus with regular updates on the status of the inquiry, approach, proposal, Competing Proposal or Wholesale Proposal, as the case may be.

Matching right

During the Exclusivity Period, amaysim:

(a) must not, and must procure that no other amaysim Group Member does, enter into any agreement, arrangement or understanding (whether or not in writing or whether or not conditional or otherwise) pursuant to which a third party, amaysim Seller or both proposes or propose to undertake or give effect to a Competing Proposal; and

(b) must procure that none of the members of the amaysim board:

(i) withdraws, changes or in any way qualifies his or her recommendation or voting intention (other than as permitted by the SSA); or

(ii) recommends, supports or endorses a Competing Proposal,

unless:

(c) the Competing Proposal is a Superior Proposal;

(d) amaysim has provided Optus with written notification of all of the material terms and conditions of the Competing Proposal, the fact that the Competing Proposal has been made, price and the identity of the third party or parties making the Competing Proposal (and, if different, details and identity of the proposed bidders or acquirers) and any material updates to the Competing Proposal;

(e) amaysim has given Optus at least 5 business days after the date of the provision of the information above to provide a matching or superior proposal to the terms of the Competing Proposal; and

(f) Optus has not provided amaysim with a matching or superior proposal to the terms of the Competing Proposal by the expiry of the 5 business day period.

amaysim's obligations under the matching right mechanism apply in respect of each Competing Proposal and any variation or amendment to an existing Competing Proposal.

Counterproposal

(a) If Optus proposes to amaysim a new proposal that constitutes a matching or superior proposal to the Competing Proposal (**Counterproposal**) within 5 business days, during the Exclusivity Period, amaysim must procure that the amaysim board considers the Counterproposal and if the amaysim board, acting reasonably and in good faith, determines that the Counterproposal would provide an equivalent or superior outcome for the shareholders of amaysim as a whole compared

	with the Competing Proposal, taking into account all of the terms and conditions of the Counterproposal, then: (i) amaysim and Optus must use their reasonable endeavours to agree the amendments to the SSA that are reasonably necessary to reflect the Counterproposal and to implement the Counterproposal, in each case as soon as reasonably practicable; and (ii) amaysim must procure that a majority of the directors of amaysim continues to recommend the Mobile Sale (as modified by the Counterproposal) to shareholders in amaysim and publicly announces that recommendation. (b) If Optus makes a Counterproposal, amaysim must ensure that the amaysim board considers such proposal as soon as practicable and must notify Optus of the amaysim board's determination in respect of such proposal within 5 business days of the proposal being made. **No Wholesale Proposal** During the Exclusivity Period, amaysim agrees that it will not, and agrees to procure that its Representatives do not, directly or indirectly negotiate, accept or enter into, or offer or agree to negotiate, accept or enter into any deed, agreement, arrangement or understanding regarding any actual, proposed or potential Wholesale Proposal or share any information or provide any other assistance to a third party in respect of any actual, proposed or potential Wholesale Proposal.
Break Fee	amaysim agrees to pay the Break Fee to Optus without withholding or set off if: (a) a Competing Proposal completes prior to the termination of the SSA or is announced or binding agreement(s) is signed in respect thereof prior to the termination of the SSA and within 12 months of the SSA being terminated the third party who announced or made the Competing Proposal completes the Competing Proposal; (b) any director of amaysim fails to recommend the Mobile Sale or withdraws their recommendation, adversely changes or qualifies their recommendation, recommends a Competing Proposal or otherwise makes a public statement indicating that he or she no longer supports the Mobile Sale, except where the change of recommendation or statement is made after the Independent Expert concludes that in the opinion of the Independent Expert the Mobile Sale is not fair and reasonable and in the best interests of amaysim's shareholders (except where the Independent Expert's conclusion is due to a Competing Proposal); or (c) Optus validly terminates the SSA as a result of the failure to complete the pre-completion steps, amaysim's material breach or failure to complete the Mobile Sale in accordance with the SSA.

Purchase Price Adjustment	**Net Asset Adjustment** The Purchase Price will be adjusted by a net asset adjustment mechanic based on the value of certain assets held by amaysim Mobile Pty Ltd at Completion as against the value of those assets as at the most recent balance sheet prepared prior to signing the SSA. Following Completion, Optus will prepare a balance sheet for amaysim Mobile Pty Ltd as at Completion which amaysim will review. Once the balance sheet is agreed, this will be the basis on which the net asset adjustment to the Purchase Price is calculated. **Customer Adjustment** If the number of amaysim customers as at Completion is less than 99% of the number of amaysim customers on the date of signing the SSA, the Purchase Price will be adjusted based on the decrease in customer numbers multiplied by an amount equal to the Purchase Price divided by the number of customers at the time of the sale (excluding "As You Go" retail customers).
Warranties & Indemnities	The SSA contains customary warranties and indemnities for a transaction of this nature, including warranties in relation to title and capacity, ownership, conduct of business, customers, financial accounts, records, contracts, assets, properties, intellectual property rights, information technology, privacy, litigation, employees, superannuation, solvency, insurance, tax and information
Limitations of Liability	Optus has obtained buy-side warranty and indemnity insurance in relation to the Mobile Sale, releasing amaysim from all claims under the warranties and indemnities, except for claims in relation to title and capacity warranties or in the case of fraud. There are also customary limitations of liability that reflect a transaction of this nature.
Transitional Services	The Transitional Services Agreement takes effect at the date of Completion and continues for three months. The key points in the Transitional Services Agreement are as follows: (a) The services comprise ongoing Contact Centre (including Data and Analytics), IT and Billing services, as well as handover and incidental services required for the services to be transitioned to Optus by the end of the three month term. (b) If the Restructure Steps required under the Share Sale Agreement are not completed by Completion (where such Completion occurs notwithstanding), the activities require for the full and complete performance of the Restructure Steps, are treated as transition services under the TSA. (c) The fee for the services is AU$1,000,000 (GST exclusive) per month, payable in arrears at the end of each month.

	(d)	For a period of one month following Completion, Optus will provide to amaysim services of certain transferred employees if reasonably required including their use of certain transferred systems as agreed by amaysim and Optus in good faith from time to time on a time & materials basis, such as to support amaysim's performance of the transitional services agreement between amaysim, AGL and Click Energy.
	(e)	Each party's liability is limited in aggregate to the amount of Service Fees paid or payable under or in connection with the TSA during the term of the TSA. Neither party has liability for indirect or consequential losses. There are certain mutual standard exclusions to the liability cap (for wilful misconduct, fraud, injury or death or any liability which cannot be excluded at law). The other fairly standard mutual exclusions to the liability cap are for breach of privacy and breach of confidence.
	(f)	There is a time limit on Optus's claims under the Transitional Services Agreement, being the earlier of: (i) 3 months of Optus first becoming aware of the claim; or (ii) 2 months after the end of the term of the Transitional Services Agreement.

Schedule 2 – Independent Expert Report

Please continue to the following page for the full copy of the Independent Expert Report.

LONERGAN EDWARDS
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The Directors
amaysim Australia Limited
Level 6
17-19 Bridge Street
Sydney NSW 2000

2 December 2020

Subject: Sale of mobile business to Optus

Dear Directors

Introduction

1 On 2 November 2020, amaysim Australia Limited (amaysim or the Company) announced that it had entered into a Share Sale Agreement (SSA) with Optus Mobile Pty Limited (Optus) to sell its mobile business (amaysim Mobile) for cash consideration of $250 million (the Proposed Transaction)[1]. Subsequent to the completion of this transaction, amaysim intends to distribute the sale proceeds (less certain transaction costs, wind-up costs and other amounts) to shareholders (Distribution). The Distribution, estimated at $197.7 million to $215.4 million, will be made to shareholders in three tranches[2]:

(a) **Major Distribution** – of approximately $147.6 million or $0.50 per share (comprising a fully franked dividend of $76.7 million or $0.26 per share and a return of capital of $70.8 million or $0.24 per share), to be paid in or around April 2021

(b) **Minor Distribution** – of approximately $29.5 million or $0.10 per share to be paid in or around May 2021; and

(c) **Final Distribution** – of remaining surplus funds (which may be completed via two distributions) of approximately $20.7 million to $38.4 million or approximately $0.07 to $0.13 per share, to be paid in or around October 2021.

2 Following the Final Distribution, and subject to shareholders approving the de-listing, the Australian Securities Exchange (ASX) will remove amaysim from the official list of ASX pursuant to Listing Rule 17.11 at the close of trading on a date agreed with ASX (currently expected to be 30 April 2021), and amaysim will subsequently be wound-up.

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1 Pursuant to the SSA certain amaysim Mobile related liabilities will be retained (and discharged) by amaysim and amaysim will incur certain employee and related restructure costs to effect the sale of amaysim Mobile to Optus.

2 Per share amounts based on 295,110,421 ordinary shares on issue. We note that the distribution figures (in total dollar terms) differ from the estimated distribution amounts contained in the sale of Mobile business announcement on 2 November 2020 as all performance rights under amaysim's Long-Term Incentive Plan (LTIP) will now be cash settled on completion of the sale. However the distribution amounts on a per share basis remain unchanged.

3 amaysim will also provide transitional services to Optus for a period of approximately three months following the Major Distribution.

Conditions

4 The Proposed Transaction is subject to shareholder approval for disposal of the Company's main undertaking pursuant to ASX Listing Rule 11, and the completion of amaysim undertaking certain pre-completion steps.

Purpose of report

5 ASX Listing Rule 11.2 requires that if the Company proposes to dispose of its main undertaking, it must first obtain shareholder approval. The Proposed Transaction will constitute the sale of amaysim's main undertaking. Accordingly, amaysim intends to seek approval of shareholders at an Extraordinary General Meeting (EGM) to approve the Proposed Transaction.

6 Further, the unanimous recommendation of the Proposed Transaction by the Directors of amaysim is subject to an independent expert determining that the Proposed Transaction is fair and reasonable and in the best interests of amaysim shareholders.

7 Accordingly, the Directors of amaysim have requested that Lonergan Edwards & Associates Limited (LEA) prepare an independent expert's report (IER) stating whether, in LEA's opinion, the Proposed Transaction is fair and reasonable and in the best interests of amaysim shareholders.

8 LEA is independent of amaysim and Optus and has no other involvement or interest in the outcome of the Proposed Transaction, other than the preparation of this report.

Summary of opinion

9 LEA has concluded that the Proposed Transaction is fair and reasonable and in the best interests of amaysim shareholders, in the absence of a superior proposal. We have formed this opinion for the reasons set out below.

Value of amaysim Mobile

10 We have assessed the value of amaysim Mobile on a 100% controlling interest basis (and on a cash and debt free basis) at between $130 million and $165 million.

Value of consideration offered for Mobile business

11 Pursuant to Australian Securities & Investments Commission (ASIC) Regulatory Guide 111 – *Content of expert reports* (RG 111), when assessing whether the Proposed Transaction is "fair" a comparison needs to be made between the value of the consideration for amaysim Mobile and our assessed value of amaysim Mobile. As noted above, pursuant to the SSA certain amaysim Mobile related liabilities will be retained (and discharged) by amaysim and amaysim will incur certain employee and related restructure costs to effect the sale of amaysim Mobile to Optus.

12 Accordingly, in order to enable a "like for like" comparison to our assessed value of amaysim Mobile (on a cash and debt free basis) we have allocated the estimated mid-point Distribution into the following categories:

Estimated Distribution (mid-point) by source[1]

	amaysim Mobile $m	Other mobile items[2] $m	Click Energy $m	Net cash $m	Total $m
Cash from sale of amaysim Mobile	250.0	-	-	-	250.0
Net liabilities of amaysim Mobile retained by amaysim[3]	(48.8)[4]	-	-	-	(48.8)
Net cash (after debt repayment)[3]	-	-	-	61.5	61.5
Employee and restructuring costs	(17.7)	-	(1.2)	-	(18.9)
Advisor fees and tax on sale	-	(30.4)	-	-	(30.4)
Cash generated up to sale	-	7.0	1.5	-	8.5
Click Energy completion adjustments	-	-	(7.0)	-	(7.0)
Cash settlement of LTIP rights	-	-	-	(9.6)	(9.6)
Other	2.8	-	-	-	2.8
Total	186.3	(23.4)	(6.7)	51.8	208.0[5]
Fully diluted amaysim shares on issue[6]					295.1
Implied value per share (cents)					*70.5*

Note:
1 Rounding differences may exist.
2 Other mobile items relate to items arising as a consequence of the sale of amaysim Mobile but are not specific to the terms of the Proposed Transaction (i.e. these items would occur in any sale of amaysim Mobile). Accordingly, these items should not be deducted from the headline transaction price when comparing the offer consideration to our assessed value of amaysim Mobile.
3 Estimate based on balances as at 30 September 2020.
4 We consider these items would ordinarily be transferred to a purchaser of amaysim Mobile as part of the business' working capital, and therefore consider it appropriate to deduct these amounts from the headline transaction price of $250 million. They include approximately $26.0 million of network access charges owed to Optus under the Network Supply Agreement (NSA) as at 30 September 2020.
5 We note that the reported mid-point Distribution of $206.6 million in the Explanatory Memorandum reflects a rounded estimated distribution of $0.70 per share and is therefore slightly different to the figures in the table above.
6 Being the 295,110,421 ordinary shares on issue only as all performance rights under amaysim's LTIP will be cash settled on completion of the sale.

13 As indicated above, we have estimated consideration for amaysim Mobile (on a cash and debt free basis) at $186.3 million. However, we note that a number of the adjustments to the offer consideration above are estimates based on a number of assumptions regarding future events. Accordingly, we consider it appropriate to adopt a range of values (consistent with amaysim management[3]) and have adopted consideration for amaysim Mobile at $180 million to $195 million (Mobile Consideration).

3 The estimated total distributable proceeds of $197.7 million to $215.4 million reflects a variation of around +/-5% of the mid-point value of $206.6 million.

Fair and reasonable opinion

14 Pursuant to RG 111 the Proposed Transaction is "fair" if the value of the Mobile Consideration for amaysim Mobile is equal to or greater than our assessed value of amaysim Mobile. This comparison is shown below:

Comparison of Mobile Consideration to value of amaysim Mobile			
	Low $m	**High $m**	**Mid-point $m**
Value of Mobile Consideration	180.0	195.0	187.5
Value of 100% of amaysim Mobile	130.0	165.0	147.5
Extent to which the Mobile Consideration exceeds (or is less than) the value of amaysim Mobile	50.0	30.0	40.0

15 As the value of the Mobile Consideration is above our assessed valuation range for amaysim Mobile on a 100% controlling interest basis, in our opinion, the Mobile Consideration is fair to amaysim shareholders when assessed based on the guidelines set out in RG 111.

16 Pursuant to RG 111, a transaction is reasonable if it is fair. Further, in our opinion, if the Proposed Transaction is "fair and reasonable" it must also be "in the best interests" of shareholders.

17 Consequently, in our opinion, the Proposed Transaction is also "reasonable" and "in the best interests" of amaysim shareholders in the absence of a superior proposal.

Advantages and disadvantages

18 We summarise below the likely advantages and disadvantages of the Proposed Transaction for amaysim shareholders.

Advantages

19 The Proposed Transaction has the following benefits for amaysim shareholders:

(a) the Mobile Consideration is significantly greater than our assessed value range for amaysim Mobile on a 100% controlling interest basis. Thus, in our view:

(i) amaysim shareholders are being paid an appropriate price to compensate them for the fact that control of amaysim Mobile will pass to Optus if the Proposed Transaction is approved

(ii) amaysim shareholders are being paid a share of the synergies which Optus is likely to realise from the acquisition of amaysim Mobile

(b) the Mobile Consideration represents a significant premium to the value of amaysim Mobile implied by recent trading in amaysim shares prior to the announcement of the Proposed Transaction

(c) the Distribution may give rise to additional consideration for those Australian resident shareholders able to benefit from the related franking credits attaching to certain components of the Distribution

(d) if the Proposed Transaction does not proceed, and in the absence of an alternative offer or proposal, the price of amaysim shares is likely to trade at a significant discount to the estimated Distribution due to the portfolio nature of individual shareholdings

(e) if the Proposed Transaction proceeds, the dispute in connection with the review mechanism under the NSA with Optus will be settled and released. If the Proposed Transaction does not proceed, this dispute has the potential to have a materially adverse impact on amaysim's future gross profit (at least until expiry of the existing NSA on 30 June 2022)

(f) the Proposed Transaction averts uncertainty and risk associated with the outcome of the Company's wholesale tender process beyond expiry of the existing NSA with Optus on 30 June 2022.

Disadvantages

20 amaysim shareholders should note that if the Proposed Transaction is implemented they will no longer hold an interest in amaysim Mobile. amaysim shareholders will therefore not participate in any future value created by amaysim Mobile over and above that reflected in the Mobile Consideration.

21 However, as our assessed value of amaysim Mobile is significantly less than the Mobile Consideration, in our opinion, the present value of amaysim Mobile's future potential (in the absence of the Proposed Transaction) is reflected in the Mobile Consideration.

Conclusion

22 Given the above analysis, we consider that the advantages of the Proposed Transaction significantly outweigh the disadvantages. Consequently, in our view, the acquisition of amaysim Mobile by Optus under the Proposed Transaction is fair and reasonable and in the best interests of amaysim shareholders in the absence of a superior proposal.

General

23 In preparing this report we have considered the interests of amaysim shareholders as a whole. Accordingly, this report only contains general financial advice and does not consider the personal objectives, financial situations or requirements of individual shareholders.

24 The taxation consequences of approving the Proposed Transaction depend on the individual circumstances of each investor. Shareholders should read the taxation advice set out in the Explanatory Memorandum and should consult their own professional adviser if in doubt as to the taxation consequences of the Proposed Transaction.

25 The ultimate decision whether to approve the Proposed Transaction should be based on each shareholder's assessment of their own circumstances, including their risk profile, liquidity preference, tax position and expectations as to value and future market conditions. Shareholders considering their response to the Proposed Transaction should be aware that our assessed value of amaysim Mobile has been determined having regard to its medium / longer term prospects. Given the current market conditions individual shareholders may have a different time horizon.

26 If shareholders are in doubt about the action they should take in relation to the Proposed Transaction or matters dealt with in this report, shareholders should seek independent professional advice.

27 For our full opinion on the Proposed Transaction, and the reasoning behind our opinion, we recommend that amaysim shareholders read the remainder of our report.

Yours faithfully

Craig Edwards
Authorised Representative

Martin Holt
Authorised Representative

LONERGAN EDWARDS & ASSOCIATES LIMITED

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Appendices

I Outline of Proposed Transaction

Sale price

28 On 2 November 2020, amaysim Australia Limited (amaysim or the Company) announced that it had entered into a Share Sale Agreement (the SSA) with Optus Mobile Pty Limited (Optus) to sell its mobile business (amaysim Mobile) for cash consideration of $250 million (the Proposed Transaction).

Adjustments

29 The sale price of $250 million is subject to purchase price adjustments based on the following:

(a) Net Asset Adjustment – the purchase price will be adjusted by a net asset adjustment mechanism based on the value of certain assets held at completion as against the value of those assets as at 30 September 2020

(b) Customer Adjustment – if the number of amaysim customers as at completion is less than 99% of the number of amaysim customers on the date of signing the SSA, the purchase price will be adjusted based on the decrease in recurring customer numbers.

Conditions

30 The Proposed Transaction is subject to shareholder approval for disposal of the Company's main undertaking pursuant to ASX Listing Rule 11, and the completion of amaysim undertaking certain pre-completion steps.

31 As part of the pre-completion steps, amaysim will novate its wholesale mobile network contract with Optus to amaysim Mobile. amaysim and Optus will also settle and release each other from all claims under the wholesale mobile network contract on completion of the Proposed Transaction, including various material disputes concerning amounts charged by Optus, including in connection with the review mechanism under the wholesale agreement.

32 If shareholders do not approve the Proposed Transaction by the requisite majority at the EGM, amaysim may immediately terminate the SSA. Optus may also terminate the SSA if half or a majority of amaysim's directors publicly withdraw their recommendation, or adversely change or qualify their recommendation or publicly recommend a Competing Proposal[4].

33 Optus or amaysim may also terminate the SSA if the other party becomes insolvent or commits a material breach of the SSA.

Warranties and indemnities

34 The SSA contains customary warranties and indemnities for a transaction of this nature, including warranties in relation to title and capacity, ownership, conduct of business, customers, financial accounts, records, contracts, assets, properties, intellectual property rights, information technology, privacy, litigation, employees, superannuation, solvency, insurance, tax and information.

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4 As defined in the SSA.

35 However, Optus has obtained buy-side warranty and indemnity insurance in relation to the Proposed Transaction, which should have the effect of releasing amaysim from all claims under the warranties and indemnities, except for claims in relation to title and capacity warranties or in the case of fraud.

Prohibitions regarding a Competing Proposal

36 In addition, amaysim has agreed (subject to certain carve-outs) that, until the earlier of the termination of the SSA and completion, it will not:

(a) solicit or continue discussions which may reasonably be expected to lead to the making of an offer in relation to a Competing Proposal; or

(b) negotiate or enter into, any actual, proposed or potential Competing Proposal.

37 A "Competing Proposal" includes any proposal which would mean a third party:

(a) acquires an interest of 10% or more with amaysim's assistance

(b) acquires amaysim, any of its subsidiaries or a substantial part of its business or assets

(c) acquires control of amaysim; or

(d) otherwise amalgamates or merges with amaysim or its subsidiaries.

38 If amaysim is approached by any person to discuss, engage or provide information in connection with an actual or potential Competing Proposal, amaysim must immediately provide written notice to Optus including all relevant details (including the identity and material terms and conditions) and regular updates of the status of such an approach.

39 If amaysim receives a Competing Proposal that is more favourable to shareholders than the Proposed Transaction (other than a wholesale mobile network proposal), it must offer Optus five business days to match such superior proposal.

40 Until the earlier of termination of the SSA and completion, amaysim is also restricted from negotiating or entering into any actual proposed or potential wholesale mobile network proposal.

Break fees

41 amaysim must pay a break fee of $2.5 million to Optus if:

(a) a Competing Proposal completes prior to termination of the SSA, or is announced prior to termination of the SSA and completes within 12 months of termination of the SSA

(b) if any director of amaysim fails to recommend, or withdraws their recommendation of, the Proposed Transaction (other than where the independent expert determines the Proposed Transaction is not fair and reasonable and in the best interests of amaysim's shareholders, unless that determination is due to a Competing Proposal); or

(c) the SSA is terminated due to the failure by amaysim to complete the pre-completion steps, amaysim's material breach or failure to complete the Proposed Transaction in accordance with the SSA.

Transitional Services Agreement

42 amaysim will provide transitional services to Optus for a period of approximately three months following the Major Distribution. These services comprise:

(a) ongoing services in relation to contact centre (including data and analytics), information technology, and billing

(b) handover services

(c) related services, ancillary or incidental and essential to the proper performance of the above, or required for certain transition services to be transitioned to Optus by the end of the three month term.

43 The fee for the transitional services is $1.0 million per month, payable 30 days in arrears.

Proposed Distributions to shareholders

44 Subsequent to the completion of this transaction, amaysim intends to distribute the sale proceeds (less certain transaction costs, wind-up costs and other amounts) to shareholders (Distribution). The Distribution will be made to shareholders in three tranches[5]:

(a) **Major Distribution** – of approximately $147.6 million or $0.50 per share (comprising a fully franked dividend of $76.7 million or $0.26 per share and a return of capital of $70.8 million or $0.24 per share), to be paid in or around April 2021

(b) **Minor Distribution** – of approximately $29.5 million or $0.10 per share to be paid in or around May 2021; and

(c) **Final Distribution** – of remaining surplus funds (which may be completed via two distributions) of approximately $20.7 million to $38.4 million or approximately $0.07 to $0.13 per share, to be paid in or around October 2021.

45 The total Distribution to amaysim shareholders is therefore estimated at $197.7 million to $215.4 million or between $0.67 to $0.73 per amaysim share. This is less than the headline price being received for the sale of amaysim Mobile of $250 million due to:

(a) liabilities amaysim will retain pursuant to the SSA

(b) employee liabilities and re-structuring costs required to effect the amaysim Mobile sale

(c) advisor fees and tax payable in connection with the amaysim Mobile sale

(d) cash expected to be generated up to the point of completion (including revenue under transitional services agreements for amaysim Mobile and Click Energy), less cash required to adequately support amaysim's operations until October 2021

(e) final completion and working capital adjustments from the sale of Click Energy

(f) cash settlement of the performance rights under the amaysim LTIP on completion of the sale.

5 Per share amounts based on 295,110,421 ordinary shares on issue noting all performance rights under amaysim's LTIP will be cash settled on completion of the sale.

46 Further information on the above items, and a reconciliation between the headline sale price and the estimated distribution to amaysim shareholders, is set out in Section VII.

47 Following the Final Distribution, and subject to shareholders approving the de-listing, the ASX will remove amaysim from the official list of ASX pursuant to Listing Rule 17.11 at the close of trading on a date agreed with ASX (currently expected to be 30 April 2021), and amaysim will subsequently be wound-up.

II Scope of our report

Purpose

48 ASX Listing Rule 11.2 requires that if the Company proposes to dispose of its main undertaking, it must first obtain shareholder approval. The Proposed Transaction will constitute the sale of amaysim's main undertaking. Accordingly, amaysim intends to seek approval of shareholders at an EGM to approve the Proposed Transaction.

49 Further, the unanimous recommendation of the Proposed Transaction by the Directors of amaysim is subject to an independent expert determining that the Proposed Transaction is fair and reasonable and in the best interests of amaysim shareholders.

50 Accordingly, the Directors of amaysim have requested that LEA prepare an IER stating whether, in LEA's opinion, the Proposed Transaction is fair and reasonable and in the best interests of amaysim shareholders.

Basis of assessment

51 Our assessment of the Proposed Transaction has been undertaken as if it was required under s640 of the *Corporations Act 2001* (Cth) (Corporations Act). Consequently, in preparing our report we have given due consideration to the Regulatory Guides issued by ASIC, particularly RG 111.

52 RG 111 distinguishes "fair" from "reasonable" and considers:

(a) a proposal to be "fair" if the value of the offer price or consideration is equal to or greater than the value of the securities or assets that are the subject of the proposal. A comparison must be made assuming 100% ownership of the target company / business

(b) a proposal to be "reasonable" if it is fair. A proposal may also be "reasonable" if, despite not being "fair" but after considering other significant factors, shareholders should approve the proposal in the absence of any superior proposal.

53 There is no legal definition of the expression "in the best interests". However, RG 111 states that a proposal may be "in the best interests of the members of the company" if there are sufficient reasons for security holders to vote in favour of the proposal in the absence of a superior proposal.

54 In our opinion, if the Proposed Transaction is "fair" and "reasonable" under RG 111 it must also be "in the best interests" of amaysim shareholders.

55 Our report has therefore considered:

Fairness

(a) the market value of amaysim Mobile

(b) the value of the consideration to be paid

(c) the extent to which (a) and (b) differ (in order to assess whether the Proposed Transaction is fair under RG 111)

Reasonableness

(d) the extent to which a control premium is being paid to amaysim shareholders

(e) the extent to which amaysim shareholders are being paid a share of any synergies likely to be generated pursuant to the Proposed Transaction

(f) the listed market price of the shares in amaysim, both prior to and subsequent to the announcement of the Proposed Transaction

(g) the likely market price of amaysim securities if the Proposed Transaction is not approved

(h) the risks associated with the wholesale tender process if the Proposed Transaction is not approved

(i) the value of amaysim to an alternative offeror and the likelihood of a higher alternative offer being made for amaysim prior to the date of the EGM

(j) the advantages and disadvantages of the Proposed Transaction from the perspective of amaysim shareholders

(k) other qualitative and strategic issues associated with the Proposed Transaction.

General

56 This report has been prepared to assist the Directors of amaysim in making their recommendation to amaysim shareholders in relation to the Proposed Transaction and to assist the shareholders of amaysim assess the merits of the Proposed Transaction. The sole purpose of this report is to set out LEA's opinion in relation to the Proposed Transaction. This report should not be used for any other purpose.

57 The ultimate decision whether to approve the Proposed Transaction should be based on each shareholder's assessment of their own circumstances, including their risk profile, liquidity preference, tax position and expectations as to value and future market conditions. If in doubt about the Proposed Transaction or matters dealt with in this report, shareholders should seek independent professional advice.

Limitations and reliance on information

58 Our opinion is based on the economic, share market, financial and other conditions and expectations prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time.

59 Our report is also based upon financial and other information provided by amaysim and its advisers. We understand the accounting and other financial information that was provided to us has been prepared in accordance with the Australian equivalents to International Financial Reporting Standards. We have considered and relied upon this information and believe that the information provided is reliable, complete and not misleading and we have no reason to believe that material facts have been withheld.

60 The information provided was evaluated through analysis, enquiry and review to the extent considered appropriate for the purpose of forming an opinion on the Proposed Transaction from the perspective of amaysim securityholders. However, we do not warrant that our enquiries have identified or verified all of the matters which an audit, extensive examination

or "due diligence" investigation might disclose. Whilst LEA has made what it considers to be appropriate enquiries for the purpose of forming its opinion, "due diligence" of the type undertaken by companies and their advisers in relation to (for example) prospectuses or profit forecasts is beyond the scope of an IER.

61 Accordingly, this report and the opinions expressed therein should be considered more in the nature of an overall review of the anticipated commercial and financial implications of the proposed transaction, rather than a comprehensive audit or investigation of detailed matters.

62 An important part of the information base used in forming an opinion of the kind expressed in this report is comprised of the opinions and judgement of management of the relevant companies. This type of information has also been evaluated through analysis, enquiry and review to the extent practical. However, it must be recognised that such information is not always capable of external verification or validation.

63 We in no way guarantee the achievability of budgets or forecasts of future profits. Budgets and forecasts are inherently uncertain. They are predictions by management of future events which cannot be assured and are necessarily based on assumptions of future events, many of which are beyond the control of management. Actual results may vary significantly from forecasts and budgets with consequential valuation impacts.

64 In forming our opinion, we have also assumed that the information set out in the Explanatory Memorandum is complete, accurate and fairly presented in all material respects.

III Profile of amaysim

Overview

65 amaysim is the largest mobile virtual network operator[6] (MVNO) in Australia and the fourth-largest mobile service provider overall. The Company provides a range of mobile plans which are delivered on the Optus network and feature no lock-in contracts and transparent pricing. As at 30 September 2020, amaysim had approximately 1.19 million mobile subscribers comprising some 840,000 recurring subscribers and 350,000 other subscribers. amaysim is headquartered in Sydney and employs approximately 380 full time equivalent (FTE) staff.

History

66 amaysim launched in November 2010, offering pre-paid and post-paid mobile voice and data plans on a simple "as you go" (AYG) basis, targeted at dissatisfied mobile subscribers. The Company's voice and data plans were originally delivered on the Optus 3G network under a NSA with Optus[7]. In mid-2011, amaysim introduced its "unlimited" plan with unlimited national calls, unlimited national SMS and 4 gigabytes (GB) of data. By January 2014 the Company's mobile subscriber numbers had reached 500,000. During December 2014, amaysim amended the NSA with Optus to include 4G services[8].

67 On 15 July 2015, amaysim listed on the ASX. Since listing on the ASX, amaysim has completed the acquisition of a number of complementary businesses, a summary of which is set out below[9]:

amaysim – acquisitions		
Date[(1)]	**Acquisition**	**Business overview**
January 2016	Vaya Pty Ltd (Vaya) for $70.0 million	Vaya was a Brisbane based MVNO that provided mobile voice, text, data and fixed line broadband services over the Optus network. At the time of the acquisition, Vaya had approximately 140,000 subscribers and employed around 40 staff
July 2016	Australian Broadband Services Pty Ltd (AusBBS) for $4.0 million[(2)]	AusBBS was launched in 2012 and developed a uniquely scalable and feature-rich platform for asymmetric digital subscriber line (ADSL) and National Broadband Network (NBN) provisioning and subscriber management
April 2017	Click Energy Group Holdings Pty Ltd (Click Energy) for $120.0 million	Click Energy was a Melbourne based online energy retailer offering electricity in Victoria, New South Wales (NSW), Queensland and South Australia (SA) and gas in Victoria and NSW. At the time of acquisition, Click Energy had approximately 155,000 customers and employed around 62 staff

6 A MVNO is a network operator that does not own an underlying network.

7 This contract commenced in September 2010 and was for an initial five year period, with an option to extend for a further five years.

8 And provided for a second five year term with an option for amaysim to extend the agreement for a further five years to December 2024. The NSA with Optus was subsequently renegotiated on 30 May 2019 (refer paragraph 70).

9 AusBBS and Click Energy are no longer a part of the Company (refer paragraphs 69(b) and 71). Company descriptions are as of the acquisition date.

amaysim – acquisitions		
Date[1]	**Acquisition**	**Business overview**
December 2019	Jeenee Communications Pty Ltd (Jeenee Mobile) for $7.8 million	Jeenee Mobile was an Australian MVNO with over 41,700 recurring mobile subscribers. The business provided month-to-month or lock-in contracts for post-paid mobile plans delivered on the Optus network
June 2020	My Mobile Data Pty Ltd (OVO Mobile) for $15.8 million	OVO Mobile was an Australian MVNO with approximately 77,000 mobile subscribers, of which over 74,000 were recurring. OVO Mobile delivered its mobile plans on the Optus network

Note:
1 Date of acquisition announcement.
2 Excludes potential earn out of $5.45 million.

68 The acquisitions undertaken by the Company since 2016 increased amaysim's size and diversification, noting in particular that:

(a) the acquisition of Vaya added the Vaya brand, scale with the addition of 140,000 mobile subscribers, and increased amaysim's market position in the sub-$20 per month market segment

(b) the addition of Click Energy provided amaysim with exposure to the energy retail market and accelerated amaysim's strategy of providing multiple services to Australian households

(c) the acquisition of Jeenee Mobile and OVO Mobile increased amaysim's mobile subscriber base, leveraged wholesale benefits under the NSA with Optus and strengthened the Company's position as the largest MVNO in Australia.

69 Following a review of operations undertaken during 2018, amaysim announced the following changes to simplify its operating structure and protect and grow its core mobile and energy businesses:

(a) on 27 August 2018, amaysim announced that it would be discontinuing its devices business, which sold mobile devices through the Vaya and amaysim online handset stores; and

(b) on 26 October 2018, amaysim announced that due to unsustainably high wholesale costs, intense competition and competing capital needs, amaysim had entered into an agreement to sell its fixed line broadband customer base to Southern Phone Company Ltd for approximately $3.0 million.

70 On 30 May 2019, amaysim announced that it had agreed to a renegotiated wholesale NSA with Optus whereby amaysim changed the way it acquires data inclusions and network services from Optus. The revitalised NSA extends to 30 June 2022 (unless otherwise extended for a further five year term at amaysim's sole discretion) and will enable rapid product deployment, the development of innovative new features and services and a greater level of flexibility and competitiveness.

71 On 31 August 2020, amaysim announced the divestment of Click Energy to AGL Energy Limited for cash consideration of $115.0 million. The divestment of the Energy business

streamlined amaysim's focus and operations to once again become a pure-play mobile business and provided significant capital to enable continued investment in amaysim Mobile to drive further growth. The Company also announced that it had launched a competitive tender for wholesale mobile network services which would apply after its current NSA with Optus expires on 30 June 2022.

Current operations

72 amaysim is headquartered in Sydney and employs approximately 380 FTE staff. The Company provides mobile services to approximately 1.19 million[10] subscribers across Australia under the amaysim and Vaya brands, all of which are delivered on the Optus network. amaysim is Australia's largest MVNO and the fourth largest mobile service provider (after the three mobile network operators (MNOs)). amaysim's mobile plans feature no lock-in contracts and are delivered under two key types of customer / retail contracts:

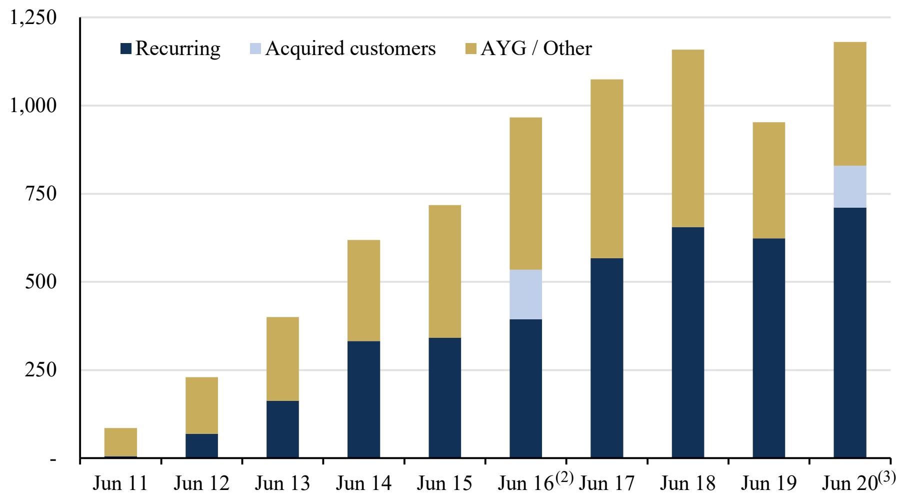
(a) **recurring** – a monthly plan for a recurring monthly fee which provides unlimited talk and text and certain international / data allowances based on the plan type. Recurring mobile plans are offered under the amaysim and Vaya brands and account for over 95% of revenue for amaysim Mobile. The Company has recently stated that it has renewed its focus on growing revenue from this market segment

(b) **AYG** – AYG plans provide a fixed allowance of talk, text, data and international services which are "topped up" by the subscriber on an "as needed" basis. AYG mobile plans are primarily offered under the amaysim brand[11].

Subscriber numbers

73 A summary of the number of amaysim mobile subscribers since inception in FY11 is set out in the chart below. Over this period, subscriber numbers were boosted by the acquisitions of Vaya in January 2016 (140,000 subscribers), Jeenee Mobile in December 2019 (41,700 subscribers) and OVO Mobile in June 2020 (77,000 subscribers):

amaysim – mobile subscribers(1) (000s)



10 As at 30 September 2020, including AYG subscribers and the addition of Jeenee Mobile and OVO Mobile subscribers which were acquired on 2 December 2019 and 3 June 2020 respectively.

11 The acquisition of OVO Mobile included 3,000 other subscribers.

Note:
1 Based on closing subscribers as at 30 June.
2 Includes approximately 140,000 subscribers from the acquisition of Vaya which was completed on 1 January 2016.
3 Includes some 41,700 subscribers from the acquisition of Jeenee Mobile on 2 December 2019 and some 77,000 subscribers from the acquisition of OVO Mobile on 3 June 2020.

74 amaysim's total subscriber numbers increased by an average of approximately 150,000 per annum from FY11 to FY18 (noting that FY16 benefited from the addition of some 140,000 Vaya mobile subscribers). However, during FY19 subscriber numbers decreased by 17.7% (some 205,000 subscribers) due to:

(a) a decline in AYG / other mobile subscribers by approximately 174,000 during the year, which was largely attributable to the loss of 124,600 AYG subscribers during January to February 2019 due to the natural expiry of contracts. The loss of these subscribers was not expected to negatively impact revenue or earnings for FY19 as these subscribers were naturally expiring and had not added credit to their account over the preceding 12 month period

(b) a decline of approximately 32,000 recurring mobile customers due to intense competition in the mobile services market, higher churn and the delay of marketing investment until the revitalised Optus NSA was in place and associated new plans went live in June 2019. Regarding the delay in marketing expenditure, amaysim stated the following in its FY19 financial results announcement:

"This delay reflected a disciplined approach to capital allocation for long term growth, at the cost of short term subscriber numbers, as it was not rational to continue investing in marketing until competitive new plans were available."

75 Since launching the new plans, growth of the recurring mobile subscriber base has resumed with some 91,000 net recurring mobile subscribers added in FY20 (excluding the recurring mobile subscribers of Jeenee Mobile and OVO Mobile which were acquired during the period).

76 Similar to most MVNOs, amaysim faces relatively high monthly churn levels[12], which were 2.2% in FY20 for the total subscriber base (i.e. recurring and AYG subscribers). Monthly churn improved in FY20 following the revitalised NSA with Optus which has enabled amaysim to implement a number of customer retention initiatives and better manage its existing subscriber base. As a result of customer churn, amaysim has to continually invest in marketing to obtain new subscribers[13].

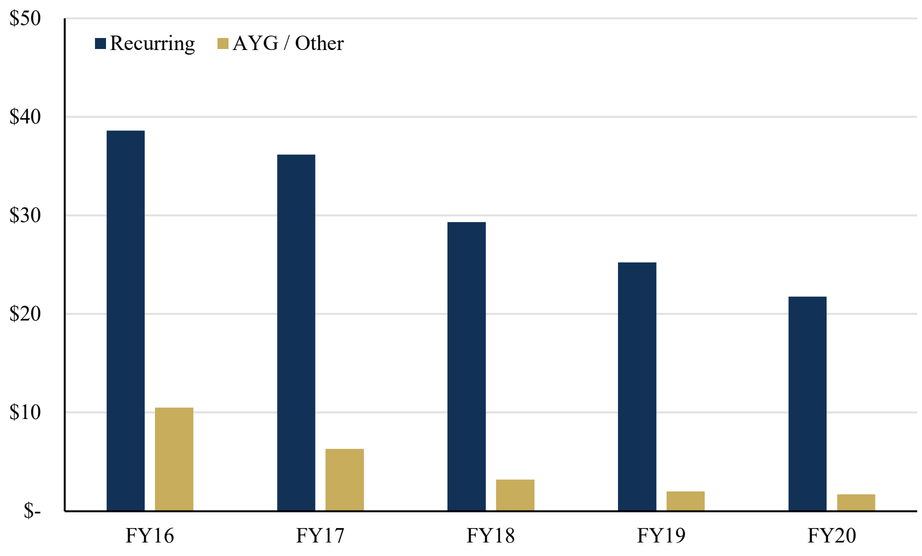
12 Monthly churn levels for total subscribers were 3.5% in FY15, 2.5% in FY16, 2.0% in FY17, 2.3% in FY18, 4.0% in FY19 and 2.2% in FY20.

13 Prior to 1 July 2018, customer acquisition costs were fully expensed by amaysim, however, with the introduction of Australian Accounting Standard AASB 15 – *Revenue from Contracts with Customers* (AASB 15) (adopted by amaysim from 1 July 2018), costs to acquire mobile customers (such as upfront commissions) are no longer expensed but are capitalised on the balance sheet and amortised in the profit and loss statement over their respective useful lives (which is deemed to be between one and a half and three years). However, for consistency purposes the financial information set out in this report removes the impact of AASB 15 for FY19 and FY20.

Average revenue per user (ARPU)

77 The chart below sets out the monthly ARPU for amaysim's recurring and AYG / other subscribers since FY16:

amaysim – monthly ARPU ($)



78 amaysim's monthly ARPU has declined since FY16 due to a combination of pricing pressure from competitors (in the form of lower priced plans) and/or better data plan inclusions (which impacts excess usage revenue). Monthly ARPU from recurring subscribers is materially above the ARPU from AYG / other subscribers and highlights the lower value of the AYG / other subscriptions as compared to the recurring subscribers.

Financial performance

79 For the purposes of our report, we have had regard to the historical financial performance of amaysim Mobile (i.e. we have excluded any contribution from the Devices, Broadband and Energy segments which have either been discontinued or sold[14]). For consistency with prior periods, we have also removed the impacts of AASB 15 and Australian Accounting Standard AASB 16 – *Leases*[15] (AASB 16) from the FY19 and FY20 results.

80 The financial performance of amaysim's mobile operations for the five years to 30 June 2020 (FY20), is set out below:

14 On 27 August 2018 amaysim announced the decision to discontinue its Devices operations. In addition, on 26 October 2018 and 31 August 2020, amaysim announced the sale of its Broadband and Energy businesses respectively.

15 Under the new lease accounting standard (AASB 16) rent expenses are replaced by amortisation charges (of the "right of use" asset) and interest expenses (in respect of the lease liability recognised). However, these accounting entries have no impact on underlying cash flow, underlying profitability or value.

amaysim – statement of financial performance[1][2]	FY16 $m	FY17 $m	FY18 $m	FY19 $m	FY20 $m
Revenue from recurring subscribers	202.7	243.1	222.7	194.0	183.3
Other revenue	50.9	35.4	18.9	9.4	7.8
Total revenue	253.6	278.5	241.5	203.4	191.0
Network and wholesale related expenses	(168.1)	(189.6)	(159.9)	(135.1)	(114.9)
Gross margin	85.5	88.9	81.7	68.3	76.1
Employee expenses	(22.0)	(21.2)	(23.3)	(29.6)	(35.5)
Marketing and advertising	(12.5)	(5.8)	(7.5)	(8.3)	(15.6)
IT and facilities	(6.1)	(7.5)	(9.0)	(10.2)	(12.1)
Other operating expenses	(9.5)	(11.3)	(10.7)	(6.6)	(5.7)
Total operating expenses	(50.0)	(45.9)	(50.5)	(54.7)	(68.9)
Underlying EBITDA[3]	35.4	43.1	31.2	13.6	7.2
Revenue growth	*na*	*9.8%*	*(13.3%)*	*(15.8%)*	*(6.1%)*
Gross margin	*33.7%*	*31.9%*	*33.8%*	*33.6%*	*39.8%*
Underlying EBITDA margin	*14.0%*	*15.5%*	*12.9%*	*6.7%*	*3.8%*
ARPU (recurring) ($ per month)	*38.6*	*36.2*	*29.3*	*25.2*	*21.8*
Recurring subscribers (000s)[4]	*535*	*567*	*655*	*624*	*830*
Total subscribers (000s)[4]	*966*	*1,074*	*1,158*	*953*	*1,180*

Note:
1 Rounding differences may exist.
2 Prior to the impacts from Australian Accounting Standard AASB 9 – *Financial Instruments*, AASB 15 and AASB 16.
3 Earnings before interest, tax, depreciation and amortisation (EBITDA).
4 Subscriber numbers at period end.

Historical results

81 As indicated above, amaysim Mobile revenue has generally declined since FY16, notwithstanding that recurring mobile subscribers have significantly increased over the period set out above. This largely reflects the significant decline in recurring customer ARPU, which declined from $38.60 per month in FY16 to $21.80 per month in FY20. As indicated above, amaysim has attributed the decline in ARPU to a number of different factors, including increased competition from competitors (in the form of lower priced plans), better data plan inclusions which has reduced excess usage revenues and the broadening of the mobile product portfolio into lower priced segments.

82 Gross margins from FY16 to FY19 were broadly consistent, reflecting the way amaysim purchased mobile services under its previous NSA[16]. The increase in gross margins in FY20 reflects the improved terms of the revitalised NSA with Optus and the way in which amaysim currently acquires and accounts for data inclusions and network services from Optus.

16 Under the old NSA, amaysim would purchase "value packs" called "bolt ons" which would be charged at a fixed dollar amount for a fixed amount of phone, text and data inclusions.

83 Underlying EBITDA has declined over the period set out above, primarily due to the fall in revenue whilst operating expenses (which are relatively fixed in nature) remained fairly consistent throughout FY16 to FY19. Operating expenses increased in FY20, primarily due to an increase in employee costs for new roles and an increased investment in marketing and advertising to drive subscriber growth.

FY21 outlook

84 Due to the unprecedented level of economic uncertainty as a result of the 2019 novel coronavirus (COVID-19), amaysim has not provided any FY21 guidance. The Company has however, provided the following high level overview of its mobile business as part of its FY20 results announcement:

"• *Well positioned to drive further growth in mobile with sustained investment in marketing to continue in FY2021 in order to build long term shareholder value*

• *Expected softening in retail sales channels in line with sporadic pandemic lock-down measures*

• *Approaching a key strategic milestone in connection with our mobile wholesale agreement*

• *Growth of recurring subscriber base and revenue has continued into FY2021*

• *Recurring subscriber base of 836,000 as at 27 August 2020"*

85 We have been advised that prior to the receipt of Optus' offer to acquire amaysim Mobile, the wholesale tender process was advanced to the point of amaysim receiving indicative proposals but had not reached a binding agreement through the negotiations.

86 In addition to the above, amaysim provided the following trading update in the Letter from the Chairman contained in the Notice of EGM and Explanatory Memorandum:

"Competition in the mobile market is increasing; data is becoming increasingly commoditised and recently we have seen two of the network providers launch new sub-brands to compete in the value end of the market where we operate. All three network operators now have a wholly-owned dual brand strategy, and this will undoubtably put pressure on amaysim's growth, ARPU and required marketing investment.

In the first quarter of FY2021, we reported slower average quarterly growth compared to FY2020. This was partly a result of the lock-down measures due to COVID-19 impacting retail channels and online distribution. We expect this slower growth trend to continue throughout FY2021 due to the lingering effects of COVID-19 and as competition rises and our competitors' marketing budgets outpace ours.

In the first five months of FY2021, we reported average monthly net recurring subscriber growth of ~3,000 and as at 18 November 2020, we had 850,000 recurring subscribers. This compares to 830,000 as at 30 June 2020 and average monthly growth of well over 7,000 subscribers throughout FY2020 (excluding acquisitions).

As data becomes increasingly commoditised, customers become accustomed to higher data inclusions, and this puts pressure on our ability to increase revenue. Pleasingly, ARPU has shown signs of stabilising: the average ARPU for the first four months of FY2021 was A$21.54 versus A$21.77 in FY2020. While a slower decline than in prior years, the downward trend is still ongoing.

This APRU decline impacts our ability to increase our gross revenue, putting even greater reliance on achieving better wholesale terms to maintain or improve our gross margin."

Financial position

87 The pro-forma financial position of amaysim as at 30 June 2020 is set out below[17]:

Pro-forma statement of financial position (as at 30 June 2020)	Group $m	Energy business(1) $m	Net sale proceeds $m	amaysim Pro-forma $m
Debtors, prepayments and other current assets	67.1	(54.5)	-	12.6
Creditors, accruals and provisions	(122.6)	61.0	-	(61.6)
Net working capital	(55.5)	6.5	-	(49.0)
Plant and equipment	11.7	(2.0)	-	9.8
Intangible assets / goodwill	192.3	(101.7)	-	90.6
Deferred tax assets (net)	8.7	(9.0)	-	(0.3)
Provisions (non-current)	(1.7)	0.5	-	(1.2)
Other assets / (liabilities) (net)	(6.6)	0.9	-	(5.7)
Total funds employed	149.0	(104.9)	-	44.1
Cash and cash equivalents	45.0	-(2)	52.0(3)	97.0
Interest bearing liabilities	(76.5)	-(2)	53.0	(23.5)
Net cash / (borrowings)	(31.5)	-	105.0	73.5
Derivative financial instruments (net)	(27.9)	27.9	-	-
Net assets	89.6	(77.0)	105.0	117.6

Note:
1 Reflects the items which were transferred with the sale of the Energy business.
2 The Energy business was sold on a cash and debt free basis.
3 Represents the total sale proceeds of $115.0 million less repayment of borrowings, transaction costs and completion adjustments.

Net working capital

88 Net working capital is negative (a not uncommon position in the telecommunications industry), and reflects primarily the reported level of creditors (and their related payment terms), accruals and provisions.

17 Pro-forma adjustments reflect the divestment of the Energy business announced on 31 August 2020.

Intangible assets

89 The composition of amaysim's intangible assets is shown below:

amaysim – intangible assets[1]	30 Jun 20 $m
Goodwill	57.2
Trademarks	1.0
Software development	9.9
Customer contracts and distributor relationships	20.0
Commissions	2.5
Total intangible assets	90.6

Note:
1 Rounding differences may exist.

90 Goodwill is tested annually for impairment using the value in use method. As at 30 June 2020, a pre-tax discount rate of 15.9% was adopted for impairment testing purposes for amaysim Mobile.

Net debt / cash

91 As part of the divestment of its Energy business, amaysim was required to repay $53.05 million of debt to amend its banking facilities and has signed facility amendment documents with its syndicate banks. Following completion of the divestment, amaysim will have a net cash position.

Share capital and performance

92 As at 1 December 2020, amaysim had 295.1 million fully paid ordinary shares on issue. The Company also has 19.6 million performance rights on issue[18] which have been issued to (eligible) key management personnel and other selected senior executives under amaysim's LTIP. The performance rights do not attract dividends, voting rights or any capital distributions. Each performance right confers the holder with an entitlement to receive one share for no consideration upon satisfaction of the performance and service conditions.

93 Unless the amaysim Board determines otherwise, unvested performance rights automatically lapse in the event the LTIP participant ceases to be an employee of amaysim. All performance rights that fail to vest also immediately lapse.

94 In relation to a takeover, or scheme of arrangement (or other change of control event) concerning amaysim, the amaysim Board has the discretion as to how to treat the unvested performance rights.

95 Under the Proposed Transaction, it is intended that 19.6 million performance rights will be cash settled on completion of the sale. amaysim currently holds 4.3 million Treasury Shares via the amaysim Equity Plans Trust which can be used to settle future LTIP obligations. A further 1.275 million ordinary shares (which were issued to non-director key management

[18] Excludes any rights forfeited by employees on resignation or performance hurdles not being met as well as those vested and cash settled as part of the divestment of the Energy business on 31 August 2020.

personnel following the successful sale of amaysim's Energy business) were released from voluntary escrow on 19 November 2020.

Significant shareholders

96 As at 1 December 2020 there were three substantial shareholders in amaysim as follows:

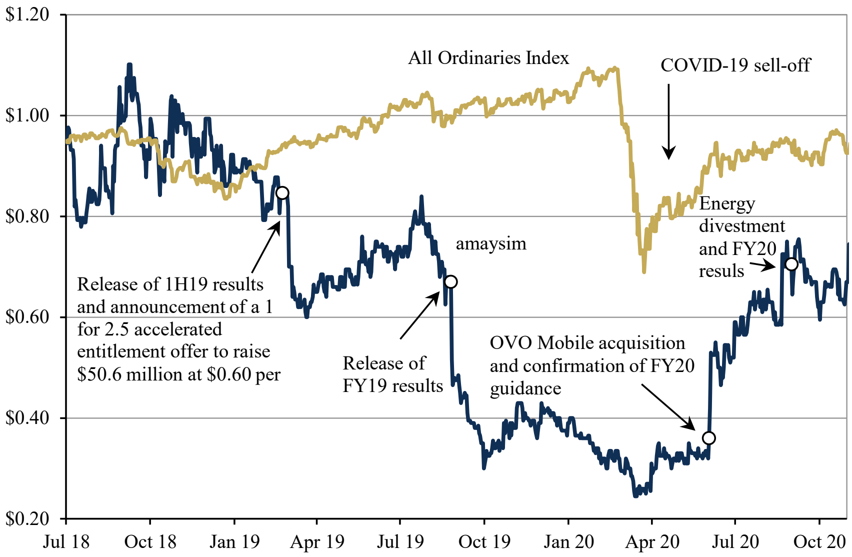
amaysim – substantial shareholders[1]	Shares held Million	% interest
Investmentaktiengesellschaft fur langfristige Investoren TGV (TGV)[2]	56.6	19.2
Merlon Capital Partners[3]	16.2	5.5
University of Notre Dame Du Lac[2]	15.6	5.3

Note:
1 Rounding differences exist.
2 Per amaysim FY20 Annual Report.
3 Notice of becoming an initial substantial shareholder released 13 November 2020.

Share price performance

97 The following chart illustrates the movement in the share price of amaysim from 1 July 2018 to 30 October 2020[19]:

amaysim – share price history[1]
1 July 2018 to 30 October 2020



Note:
1 Based on closing prices. The All Ordinaries Index has been rebased to amaysim's last traded price on 1 July 2018, being $0.95.
Source: Bloomberg.

98 Over the period above, amaysim has significantly underperformed relative to the All Ordinaries Index following the release of its 2019 first half year (1HY19) results and associated capital raising. However, we note that the relative outperformance of amaysim shares subsequent to the COVID-19 sell-off (which commenced in February 2020 to mid-March 2020, and then partially rebounded) reflects a combination of the positive response to

19 Being the last trading day prior to the announcement of the Proposed Transaction.

amaysim confirming its FY20 underlying EBITDA guidance and indicates that market participants consider that the impact of COVID-19 on amaysim will be significantly less than the market overall. This largely reflects that telecommunications services, such as mobile services provided by amaysim, have become more important as more people work from home due to COVID-19 related restrictions.

Liquidity in amaysim shares

99 The liquidity in amaysim shares based on trading on the ASX over the 12 month period prior to 30 October 2020[20] is set out below:

amaysim – liquidity in shares						
			No of shares	WANOS(1)	Implied level of liquidity	
			traded	outstanding	Period(2)	Annual(3)
Period	Start date	End date	000	000	%	%
1 month	01 Oct 20	30 Oct 20	18,920	295,110	6.4	76.9
3 months	31 Jul 20	30 Oct 20	47,162	295,110	16.0	63.9
6 months	01 May 20	30 Oct 20	90,694	295,110	30.7	61.5
1 year	31 Oct 19	30 Oct 20	131,921	295,110	44.7	44.7

Note:
1 Weighted average number of shares outstanding (WANOS) during relevant period.
2 Number of shares traded during the period divided by WANOS.
3 Implied annualised figure based upon implied level of liquidity for the period.

100 As indicated in the table above, the level of liquidity in amaysim shares (as a percentage of the total number of shares on issue) has been relatively high for a company of its size, particularly given that large parcels of stock have been closely held, for example by TGV.

20 Being the last trading day prior to the announcement of the Proposed Transaction.

IV Industry overview

Australian mobile services market

Industry structure

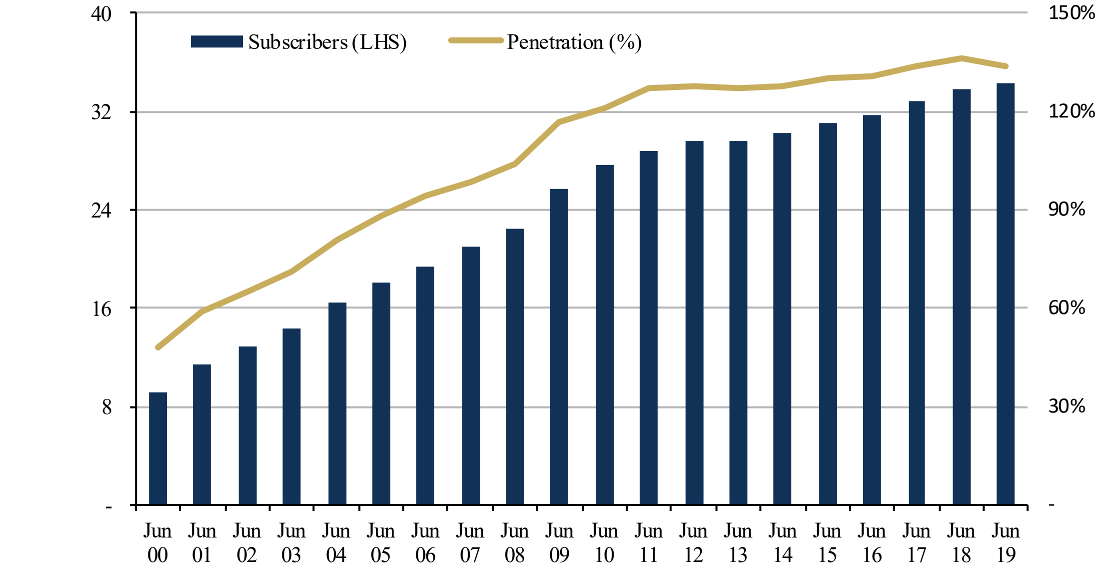
101 The Australian mobile services market is a sector of the Australian telecommunications industry. It is characterised by three MNOs, being Telstra, Optus and TPG Telecom[21] and a number of MVNOs. The MNOs are vertically integrated with their own independent network infrastructure and supply both wholesale and retail mobile services. In addition to providing mobile voice services, mobile networks can be used to provide mobile broadband services on smartphones, tablets and other devices.

Historical performance

102 Similar to most developed economies, mobile phone penetration rates in Australia have exceeded 100% for many years and currently sit well above this level. This situation arises when users hold both a personal and work mobile phone and from SIM cards being used in tablets and other mobile broadband devices[22]. In the 10 years to 2010, subscriber numbers increased by over 11% per annum. However, as the industry has matured, mobile subscriber growth levels have slowed and are currently tracking around 2.5% per annum.

Mobile subscribers and penetration

Million (year to 30 June)



Source: BuddeComm (2019) *Australia Telecoms, Mobile and Broadband Statistics and Analyses*.

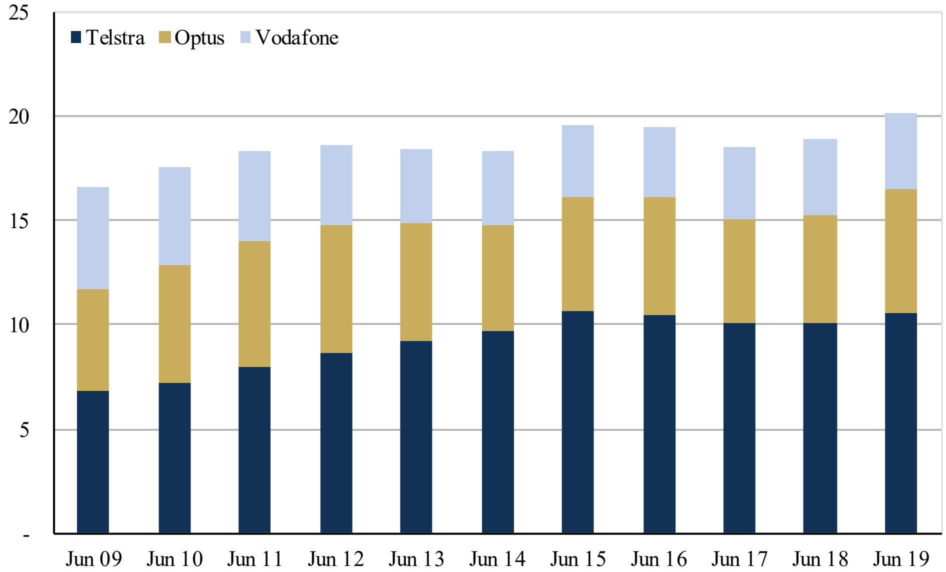
[21] On 13 July 2020, Vodafone Hutchison Australia Pty Ltd (VHA) and TPG Telecom Limited (TPG) completed its merger. While the merged group is referred to as TPG, the mobile services provided by TPG are referred to as VHA / Vodafone throughout this report.

[22] BuddeComm (2019): *Australia – Telecoms, Mobile and Broadband - Statistics and Analyses*.

103 As the mobile services industry has matured operators have increasingly competed for market share based on price and inclusions (i.e. increasing levels of unlimited local and national calls, higher data quotas, greater international call allowances and other inclusions). This has resulted in modest industry growth, with revenue for FY19 only 2.6% higher than that for FY15.

Mobile services revenue by MNO

A$bn (year to 30 June)



Source: BuddeComm (2019) *Australia Telecoms, Mobile and Broadband Statistics and Analyses*.

104 The proliferation of "over the top" voice and messaging services, such as WhatsApp, Facebook Messenger and Skype, has also increased the competitive pressure on mobile voice and messaging services by providing consumers with a low cost alternative. Free over the top services have also undoubtedly been a key driving factor behind the increasing use of unlimited plans by mobile service providers.

MVNOs

105 MVNOs do not own any mobile network infrastructure and purchase wholesale services from MNOs[23]. As a result, the profitability of MVNOs is influenced by the wholesale agreement with the MNO which sets a "floor" at which an MVNO is able to profitably price products at the gross margin level. This floor is not necessarily related to the operational costs of the MVNO. As a result, bigger MVNOs with larger customer bases typically benefit from greater economies of scale and operating leverage, while smaller MVNOs with limited customers may struggle to operate profitably.

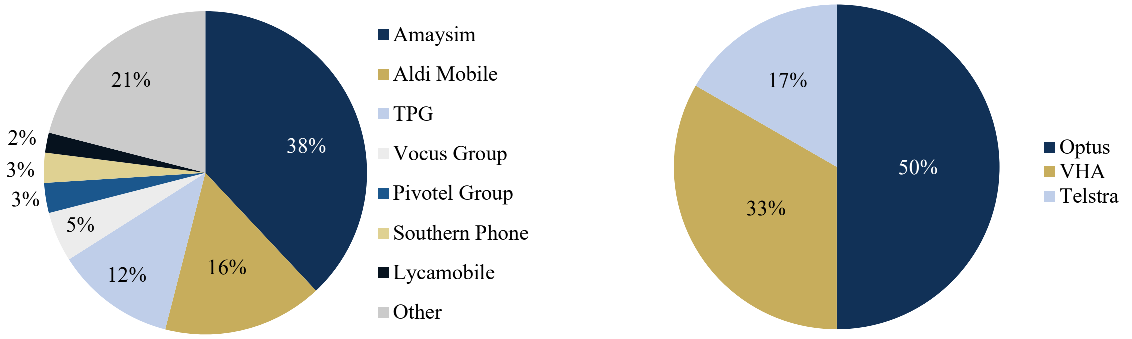
106 MVNOs distribute SIM cards through their own distribution channels under their own brand. Mobile voice and data services are provided to customers through pre-paid and post-paid plans. Distribution channels range from online platforms to physical points of presence through retail partnerships and owned stores.

23 Contracts with MNOs can be a key source of competitive advantage to MVNOs.

107 There are around 50 MVNOs in Australia that account for approximately 10% of total mobile subscriptions. amaysim is the leading MVNO operator with a base of around 33% of MVNO subscribers, as shown below:

Australian MVNO market share

Market share of subscribers by MVNO **MVNOs by MNO**



Source: amaysim (for subscribers by MVNO) and https://mobilenetworkguide.com.au/virtual_operators_information.html accessed 25 August 2020 (for MVNOs by MNO).

108 Optus is the largest provider of MVNO services and provides MVNO services to 27 MVNOs. VHA and Telstra currently provide MVNO services to 18 and 9 MVNOs respectively[24].

109 Large retailers such as Coles, Woolworths and Kogan are also partnering with MNOs and entering the MVNO market, utilising their brand recognition and retail footprint to appeal to customers. Macquarie Group (under the brand Nu Mobile) is also planning to expand the MVNO business model by selling mobile phone plans bundled with second hand smartphones to customers. A summary of the key MVNOs by network provider is shown below:

Major MVNO brands by MNO

As at June 2018

110 MVNOs play a significant role in the Australian mobile industry, increasing competition and creating a market for wholesale mobile services. The mobile services industry has a high degree of customer churn, with consumers frequently switching providers to take advantage of new offerings or due to dissatisfaction with their current provider. This provides MVNOs with the opportunity to target niche customer segments with specific products (such as unlimited international calls, no lock-in contracts and data rollover plans).

24 Noting that some MVNOs are resellers of more than one MNO.

MNO sub brands

111 With the recent launch of Felix and Gomo in late 2020, all three MNOs now have a wholly owned dual brand strategy with a focus on digital, sustainable and low cost plans:

(a) Belong – a low cost carbon neutral provider of mobile services delivered on the Telstra network which recently transitioned to a fully digital customer support model

(b) Felix Mobile, a new online-only mobile brand to be delivered on the Vodafone network which will offer digital-only plans with no contracts and a minimal environmental impact

(c) Gomo, a new digital-only brand to be delivered by Optus.

Outlook for MVNOs

112 Users of mobile services are continually demanding more from mobile service providers, particularly regarding data inclusions as data is becoming increasingly commoditised. As a result the Australian mobile services industry is highly competitive. In this competitive operating environment the more successful MVNOs are expected to be those that:

(a) are able to successfully grow and scale their customer base to generate economies of scale and benefit from the operating leverage inherent in the MVNO business model

(b) are able to accurately forecast consumer trends over the medium to long term to successfully negotiate outcomes with MNOs to capitalise on these market trends. For instance, the recent increase in data inclusions required by customers means that MVNOs who are able to acquire additional data at lower / no incremental cost (such as amaysim's "take or pay" arrangement) will be better positioned than those MVNOs who are required to purchase additional data in the form of "bolt ons" which include a fixed amount of data for a fixed price

(c) for MVNOs with unfavourable MNO contracts, those with shorter tenure contracts are likely to be significantly better placed than MVNOs with long term scaled contracts.

113 The recent entry of Felix and Gomo into the Australian mobile services industry now means that all three MNOs in Australia have a wholly owned dual brand strategy and will increase competition in the value end of the market (where MVNOs like amaysim operate). This will place further pressure on MVNO growth, ARPU and required marketing investment to remain competitive.

V Valuation methodology

Valuation approaches

114 RG 111 outlines the appropriate methodologies that a valuer should consider when valuing assets or securities for the purposes of, amongst other things, share buy-backs, selective capital reductions, schemes of arrangement, takeovers and prospectuses. These include:

(a) the discounted cash flow (DCF) methodology

(b) the application of earnings multiples appropriate to the businesses or industries in which the company or its profit centres are engaged, to the estimated future maintainable earnings or cash flows of the company, added to the estimated realisable value of any surplus assets

(c) the amount that would be available for distribution to shareholders in an orderly realisation of assets

(d) the quoted price of listed securities, when there is a liquid and active market and allowing for the fact that the quoted market price may not reflect their value on a 100% controlling interest basis

(e) any recent genuine offers received by the target for any business units or assets as a basis for valuation of those business units or assets.

115 Under the DCF methodology the value of the business is equal to the net present value (NPV) of the estimated future cash flows including a terminal value. In order to arrive at the NPV the future cash flows are discounted using a discount rate which reflects the risks associated with the cash flow stream.

116 Methodologies using capitalisation multiples of earnings or cash flows are commonly applied when valuing businesses where a future "maintainable" earnings stream can be established with a degree of confidence. Generally, this applies in circumstances where the business is relatively mature, has a proven track record and expectations of future profitability and has relatively steady growth prospects. Such a methodology is generally not applicable where a business is in start-up phase, has a finite life, or is likely to experience a significant change in growth prospects and risks in the future.

117 Capitalisation multiples can be applied to either estimates of future maintainable operating cash flow, EBITDA, earnings before interest, tax and amortisation, earnings before interest and tax (EBIT), or net profit after tax. The appropriate multiple to be applied to such earnings is usually derived from stock market trading in shares in comparable companies which provide some guidance as to value and from precedent transactions within the industry. The multiples derived from these sources need to be reviewed in the context of the differing profiles and growth prospects between the company being valued and those considered comparable. When valuing controlling interests in a business an adjustment is also required to incorporate a premium for control. The earnings from any non-trading or surplus assets are excluded from the estimate of the maintainable earnings and the value of such assets is separately added to the value of the business in order to derive the total value of the company.

118 An asset based methodology is applicable in circumstances where neither a capitalisation of earnings nor a DCF methodology is appropriate. It can also be applied where a business is no longer a going concern or where an orderly realisation of assets and distribution of the proceeds is proposed. Using this methodology, the value of the net assets of the company are adjusted for the time, cost and taxation consequences of realising the company's assets.

Methodologies selected

119 For the purposes of our report, we have adopted the DCF valuation methodology as the primary methodology method. The DCF methodology is considered the most appropriate valuation methodology on the basis that:

(a) technically, the DCF approach is the superior methodology since it allows for fluctuations in future performance to be recognised. This is particularly relevant for amaysim Mobile as it explicitly captures the risk around a number of key drivers (e.g. customer churn, ARPU, gross margins etc.) which have varied significantly in recent periods and may continue to do so due to, inter alia, industry pressures and the way in which wholesale network services have been purchased

(b) due to the factors indicated at (a) above, the level of "maintainable" earnings for amaysim cannot be established with a degree of confidence

(c) there are also no pure play listed MVNO companies (in respect of which listed capitalisation multiples can be observed)

(d) the transaction evidence for MVNOs is typically expressed as a dollar per customer acquired due to the significant synergies and economies of scale available for bolt on MVNO acquisitions and the fact that many of the smaller acquired MVNOs did not yet have the scale required to generate any significant profits.

Valuation cross-checks

120 We note that there have been a number of recent transactions regarding MVNOs, a number of which were acquired by amaysim. Given the similarity of their business models to amaysim, we have therefore also considered the valuation benchmarks implied by these transactions.

VI Valuation of 100% of amaysim Mobile

DCF approach

121 As set out in Section V, we have adopted the DCF approach as our primary valuation methodology to assess the value of amaysim Mobile.

122 Under the DCF methodology the value of amaysim Mobile (on a cash and debt free basis) is equal to the NPV of the estimated future cash flows including a terminal value. In order to arrive at the NPV the future cash flows are discounted using a discount rate which reflects the risks associated with the cash flow stream.

123 Our DCF valuation is based on free cash flow projections derived by LEA having regard to, inter alia, amaysim management budgets and forecasts and related discussions with amaysim management.

124 Whilst LEA believes the assumptions underlying the cash flow projections adopted for valuation purposes are reasonable and appropriate, it should be noted in respect of these projections that:

(a) the major assumptions underlying the projections were formulated in the context of current economic, financial and other conditions, including the potential impact of COVID-19 on the business

(b) the projections and the underlying assumptions have not been reviewed by an investigating accountant for reasonableness or accuracy of compilation and application of assumptions

(c) future profits and cash flows are inherently uncertain

(d) by their nature, the projections do not take into account the operational flexibility available to management to react to changes in the market conditions in which amaysim operates

(e) the achievability of the projections is not warranted or guaranteed by amaysim or LEA, as they are predictions of future events that cannot be assured and are necessarily based on assumptions, many of which are beyond the control of amaysim and its management; and

(f) actual results may be significantly more or less favourable.

125 Free cash flow represents the operating cash flows on an ungeared basis (i.e. before interest) less taxation payments[25], capital expenditure and working capital requirements. The free cash flow on an ungeared basis is adopted to enable the value of the business to be determined irrespective of the level of debt funding employed.

126 We have adopted a valuation date of 1 November 2020. The free cash flow projections cover the period to 30 June 2030 (Forecast Period), together with the estimated capital value of the business at the end of that period.

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25 Also calculated on an ungeared basis.

127 As the detailed cash flow projections are commercially sensitive, they have not been set out in our report. However, we set out below information on the major assumptions underlying the free cash flow projections.

Key assumptions

Recurring subscriber numbers

128 The movement in recurring subscriber numbers depends on the number of new customers added each year less subscribers lost to churn or those that have become inactive[26]. We summarise below the growth in recurring subscriber numbers since FY16:

amaysim – customer accounts (000s)					
Recurring subscribers	**FY16**	**FY17**	**FY18**	**FY19**	**FY20**
Opening	341.3	534.5	567.2	655.4	623.7
Additions	265.1	278.6	363.3	265.4	334.2
Acquired subscribers	140.0	-	-	-	115.4
Churn / inactive	(211.9)	(245.9)	(275.1)	(297.1)	(243.5)
Closing	534.5	567.2	655.4	623.7	829.8
Net additions (excluding acquisitions)	53.2	32.7	88.2	(31.8)	90.7
Customer churn (based on average subscribers)[(1)]	48.4%	44.6%	45.0%	46.5%	33.5%

Note:
1 Based on average of opening and closing subscribers.

129 As indicated above, amaysim has generally added between 250,000 and 350,000 new recurring subscribers each year (excluding acquisitions) with an average of around 301,000 new additions per annum over the five years to FY20.

130 Customer churn is also relatively high but reduced significantly in FY20, which amaysim management have primarily attributed to the revitalised NSA with Optus in May 2019, which changed the way amaysim acquired data inclusions and network services from Optus. The revitalised NSA provides amaysim with a greater level of flexibility and competitiveness, which has enabled the business to implement a number of customer retention initiatives to reduce customer churn.

131 For the purposes of our report, we therefore consider it reasonable to assume new additions of around 300,000 per annum and customer churn of around 33.5% per annum (consistent with recent evidence and management forecasts) which we have described as Scenario 1 below. We note that the value of the business declines significantly if the level of new additions fails to meet these expectations (due to the relatively short average duration of existing customers). Accordingly, for the purposes of our report we have also considered a range of different scenarios for new additions (Scenarios 2 and 3) as set out below[27]:

26 Customers who do not reload their plans are reclassified from recurring to AYG subscribers.

27 We consider it appropriate that lower new additions would correspond with lower customer churn and vice versa.

(a) **Scenario 1** – 300,000 new additions per annum and a customer churn rate of 33.5% per annum over the Forecast Period

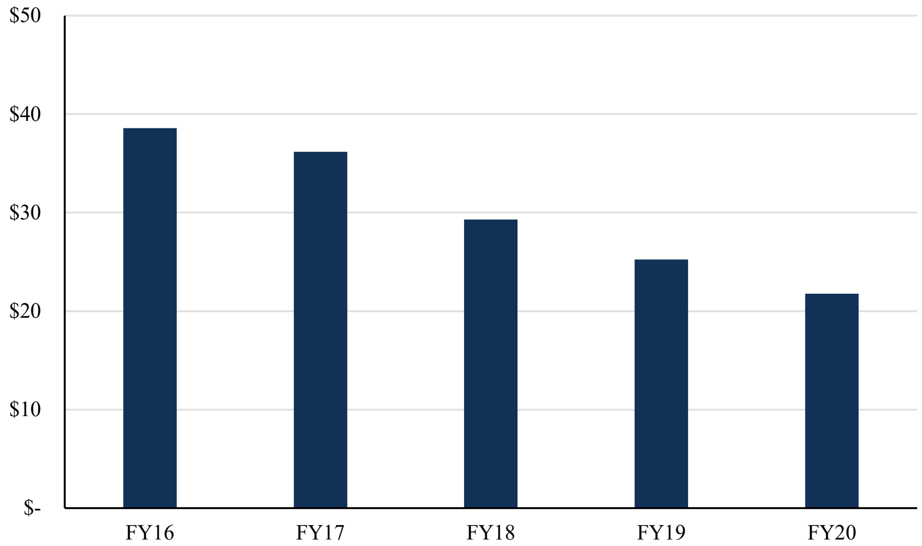
(b) **Scenario 2** – 330,000 new additions per annum and a customer churn rate of 34.5% per annum over the Forecast Period

(c) **Scenario 3** – 270,000 new additions per annum and a customer churn rate of 32.5% per annum over the Forecast Period.

Recurring subscriber ARPU

132 Recurring subscriber ARPU has been trending down since FY16, as shown below:

Amaysim – recurring subscriber ARPU ($)



133 The decline in amaysim's recurring subscriber ARPU over the period above has primarily been attributable to a combination of pricing pressure from competitors (in the form of lower priced plans) and/or better data plan inclusions (which impacts excess usage revenue). In addition, the proportion of excess usage revenue has significantly declined in recent periods, with excess usage charges accounting for 2.9% of recurring usage revenue in FY20, down from 8.2% in FY19 and 11.5% in FY18. We consider that the reduced reliance of excess usage revenue should help limit any further decline in recurring customer ARPU, noting that amaysim can potentially offer increased data plan inclusions to remain competitive (as opposed to solely relying on further price reductions).

134 In the first five months of FY21, recurring customer ARPU has been $21.54, marginally lower than the ARPU in FY20 of $21.77. While the trend in ARPU is still downward, the rate of decline appears to be slowing relative to prior years.

135 For valuation purposes we have adopted recurring subscriber ARPU of $21 per month which is broadly consistent with the recent historical performance and management's expectations over the short term. Having regard to the historical downward trend in ARPU above, we have adopted an ARPU value marginally below current levels but have assumed relatively modest growth in ARPU over the Forecast Period consistent with inflation at 1.5% per annum.

AYG revenue

136 For the purposes of our report we have adopted AYG / other revenue of $7.0 million per annum over the Forecast Period which is broadly consistent with the actual FY20 result. Due to the declining trend in AYG / other revenue, we have assumed nil growth in AYG / other revenue over the Forecast Period.

Network and wholesale related expenses

137 On 30 May 2019, amaysim and Optus entered into the new NSA. The primary change to the NSA was amaysim's commitment to paying a fixed minimum monthly wholesale charge in return for an agreed annual amount of base data and other inclusions until at least 30 June 2022. Prior to this, amaysim acquired mobile services in the form of "bolt ons" which would be charged at a fixed dollar amount for a fixed amount of voice, SMS and data inclusions.

138 As part of the new NSA, amaysim and Optus agreed to engage in a review of the model if certain trigger events occurred, including where amaysim's wholesale cash margin was less than a pre-agreed level over an agreed period (Review Mechanism). The Review Mechanism was intended to initiate a process of "right sizing" the wholesale pricing model deal if amaysim was unable to utilise the significant annual data allowances provided under the NSA to generate the pre-agreed wholesale margin. There is a carve out to a "review trigger" if amaysim's retail offers fall within certain data utilisation and pricing parameters over a defined period.

139 For the purposes of our report we have adopted the fixed minimum monthly wholesale charges expected to be paid in FY21 and FY22 over the remaining period of the existing NSA with Optus. Gross margins beyond FY23 are assumed to remain at 40.0%. That is, we have assumed that any network access arrangement with Optus or another MNO following expiry of the existing NSA with Optus will enable amaysim to generate similar margins to that under the existing NSA and Review Mechanism. Due to the inherent uncertainty regarding the NSA terms following expiry of the current arrangement and current dispute around the Review Mechanism (refer below), we have considered the sensitivity of any variation in gross margins beyond FY23 in our sensitivity analysis below.

140 As set out at Section 5.7 of the Explanatory Memorandum, there is currently a dispute between amaysim and Optus around the Review Mechanism in the NSA (Review Mechanism Dispute). Accordingly, for the purpose of our report we have excluded any potential cash flows from the Review Mechanism for FY20 to FY22 from our valuation of amaysim Mobile and have separately identified the NPV of these potential cash flows.

Operating costs

141 We have adopted operating costs consistent with management's FY21 budget. However:

(a) customer acquisition costs (which reflect marketing and advertising costs) have been modelled under two scenarios:

(i) **Scenario A** – assuming an annual marketing and advertising budget of $16 million for FY21 (which is inflation adjusted at 1.5% per annum). This is broadly consistent with the increased level of marketing expenditure in FY20[28], and recognises that the correlation between new additions achieved and the level of marketing and advertising costs incurred is uncertain

(ii) **Scenario B –** assuming a cost per acquisition of $50 per subscriber which is broadly consistent with the actual cost in FY20 and management's budget for FY21

(b) an allowance has been made for estimated privatisation cost savings of $2.6 million which relate to listing costs, board fees and corporate employment.

Capital expenditure

142 As a MVNO, amaysim is not responsible for the maintenance of the mobile network its services are provided on and accordingly operates with relatively low capital expenditure requirements. For the purposes of our report we have adopted maintenance capital expenditure of $6.2 million consistent with management forecasts for FY21 (which is inflation adjusted at 1.5% per annum).

Working capital

143 For the purposes of our report, we have assumed that any renewed NSA would have similar payment terms to the existing agreement. Accordingly, no material working capital movements have been assumed.

Depreciation and taxation

144 For the purposes of our valuation we have assumed depreciation is equal to capital expenditure. Company tax has been allowed for based on the level of projected taxable income at the corporate tax rate of 30%.

Discount rate

145 A post tax discount rate of 11.0% per annum has been applied for the reasons set out in Appendix C.

Terminal value

146 A terminal value growth rate of 2.0% has been adopted at the end of the Forecast Period (FY30), reflecting, inter alia, real growth over and above inflation of around 0.5% per annum. The application of this terminal value growth rate and the discount rate implies a free cash flow multiple of 11.1 times which we consider reasonable.

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28 amaysim increased its marketing and advertising expenditure in FY20 to pursue subscriber growth and benefit from its revitalised NSA.

DCF valuation and sensitivity analysis

147 The Base Case assumptions set out above reflect the Base Case assumptions adopted in the financial model. There are inherent qualifications that apply to cash flow projections on which DCF valuations are based. In addition, the cost of capital can vary between industry participants based on factors such as differing perceptions / acceptance of risk and willingness to assume debt funding obligations.

148 It is important therefore not to credit the output of DCF models with a precision it does not warrant. It follows that any DCF valuation process should consider a range of scenarios, having regard to the respective key valuation drivers of the business being valued.

149 In assessing our valuation range we have therefore considered the sensitivity of value to changes in the key assumptions. It should be noted that the NPV figures below assume that amaysim is not successful in the Review Mechanism Dispute (the outcome of which is inherently uncertain). However, we have also separately quantified the NPV impact (after tax) of the amount in dispute below:

amaysim – sensitivity analysis

		Scenario					
		1A	**1B**	**2A**	**2B**	**3A**	**3B**
Base Case assumptions							
New additions(p.a.)	000s	300	300	330	330	270	270
Customer churn rate (p.a.)	000s	33.5%	33.5%	34.5%	34.5%	32.5%	32.5%
Customer acquisition costs(1)	$m	16.0(2)	15.0(3)	16.0(4)	16.5(3)	16.0(5)	13.5(3)
ARPU growth	%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%
Sensitivity to churn rate							
-1%	$m	146	155	190	186	101	122
Nil%	$m	128	136	171	167	84	104
+1%	$m	110	119	153	149	66	87
Sensitivity to discount rate							
10%	$m	145	154	193	189	95	117
11%	$m	128	136	171	167	84	104
12%	$m	114	122	153	149	74	93
Sensitivity to ARPU growth							
1.0%	$m	107	115	148	144	63	84
1.5%	$m	128	136	171	167	84	104
2.0%	$m	150	158	194	190	104	124
Sensitivity to gross margin post FY23							
38.0%	$m	97	105	138	134	54	74
39.0%	$m	112	121	154	150	69	89
40.0%	$m	128	136	171	167	84	104
NPV of Review Mechanism(6)	$m	23	23	19	19	26	26

Note:
1 Customer acquisition costs for every scenario have been inflated at 1% per annum over the Forecast Period.
2 Equivalent to approximately $53 per new billable account (which is broadly consistent with the cost per new billable account in FY20).
3 Based on an assumed cost of $50 per new billable account.
4 Equivalent to approximately $48 per new billable account (which is broadly consistent with the cost per new billable account in FY20).
5 Equivalent to approximately $59 per new billable account (which is higher than the cost per new billable account in FY20 or the FY21 management budget).
6 The NPV of the amounts disputed under the Review Mechanism for FY20 to FY22 have been excluded from the NPV values shown above.

150 Reflective of amaysim Mobile generally, we note that the NPV values are particularly sensitive to the number of new additions, churn, customer acquisition costs, ARPU and assumed gross margins post FY23.

151 Based on the current performance of the business, we consider most weight should be placed on the Scenario 1 and 2 calculations. Scenario 3 (which implicitly assumes no growth in recurring subscribers over the Forecast Period) should be given less weight. In addition, Scenario 3A also implies a marginally higher customer acquisition cost per new addition than has recently been the case. Further, due to the uncertainty around the Review Mechanism dispute, we consider there to be more downside risk on the gross margins generated post FY23, noting that the gross margins that can be generated under the current NSA and Review Mechanism are higher than those historically achieved by the business.

152 Based on the above we have assessed the value for amaysim Mobile (on a cash and debt free basis) under the DCF methodology as follows:

DCF value of amaysim Mobile

	Low $m	High $m	Mid-point $m
Value of amaysim Mobile (excluding amounts disputed under Review Mechanism)	130.0	160.0	145.0
Value attributable to amounts disputed under the Review Mechanism[1]	-	5.0	2.5
Total value of amaysim Mobile	130.0	165.0	147.5

Note:
1 As shown in the table in paragraph 149, the amount in dispute (in NPV terms after tax) under the Review Mechanism in Scenarios 1 and 2 is estimated at between $19.0 million and $23.0 million. This includes the amount currently in dispute for the actual results for the first NSA wholesale year (which ended 31 May 2020) in addition to the estimated amounts over the remaining term of the NSA in FY21 and FY22 implied by our Scenarios 1 and 2. In our view, a potential purchaser would adopt a conservative position with regards to the potential recovery of these amounts, reflecting (inter alia) the significant uncertainty regarding the correct legal position and the time and costs likely to be incurred in order to seek a favourable outcome. Accordingly, we have attributed a value (on a risk adjusted basis) of nil to $5.0 million to the amount disputed.

Cross-check to transaction evidence

153 Our value of amaysim Mobile implies a value of between $155 and $196 per recurring subscriber (based on 840,000 recurring subscribers as at 30 September 2020).

154 We have cross-checked our assessed value of amaysim Mobile (on a cash and debt free basis) to a number of recent MVNO transactions both in Australia and internationally. A summary of the key metrics for these transactions (for which information was publicly available[29]) is set out in the table below[30]:

MVNO transactions

Date	Target	Acquirer	Purchase price A$m(1)	Customers	Price per customer A$
Australian transactions					
Jun 20	OVO Mobile	amaysim	15.8	77,000	205
Dec 19	Jeenee Mobile	amaysim	7.8	41,700	187
Oct 19	Southern Phone	AGL	27.5	100,000	275
Sep 16	Confidential(2)				99
Jan 16	Vaya	amaysim	20.0(3)	140,000	143
Apr 11	Edirect Pty Ltd	M2 Telecommunications	5.0	50,000	100
Feb 11	AUSTAR mobile customers	M2 Telecommunications	2.0	15,000	133
International transactions					
Mar 20	Lycamobile Spain	Masmovil	631.4	1,500,000	421
Jul 19	DMM MVNO business	Rakuten	30.7	260,000	118
Sep 17	Lebara	Palmarium	467.2	3,500,000	133
Sep 17	Plenti	TDC	14.8	90,000	165

Note:
1 Foreign currencies have been converted to AUD based on the prevailing exchange rate as at the announcement date.
2 The terms of this transaction are confidential and are not publicly available.
3 Excludes the assumption of $50 million of liabilities payable to Optus over two years.
Source: LEA analysis, company announcements and media articles.

155 Whilst the comparability of the above transaction metrics will be influenced by a range of factors making direct comparisons difficult (e.g. ARPU, customer churn rates, duration of existing network service agreements etc.), acquisitions of MVNO businesses have generally transacted between $100 and $200 per customer. Whilst we note the value per customer implied by our valuation of amaysim is towards the middle to upper end of this range, we consider this to be reasonable when taking into account the following:

(a) the recent acquisitions of OVO Mobile and Jeenee Mobile transacted at the upper end of the observed range, notwithstanding that these transactions were smaller in size than the average transaction above. However, we note that these transactions were highly earnings and cash flow accretive to amaysim given the ability to integrate these

29 We note that there have been a number of other MVNO transactions for which publicly available information was not available, for example the acquisitions of Simple Mobile, Page Plus Cellular, GoSmart and Walmart Family Mobile completed by Tracfone Wireless between 2012 and 2016.

30 We note that earnings multiples for these transactions (EBITDA / EBIT) were generally not available or were not meaningful.

subscribers on the revitalised NSA with Optus and deliver mobile services at a limited incremental cost

(b) there were significant synergies available to Masmovil in the acquisition of Lycamobile Spain transaction[31] which was reflected in the high price paid per customer. Accordingly, we consider the implied price per customer from this transaction to be an outlier

(c) amaysim's current NSA with Optus expires on 30 June 2022 (i.e. some 1.7 years from our adopted valuation date). While we expect that the other two Australian MNOs (Telstra and Vodafone) could generate considerable synergies from an acquisition of amaysim, we note that the NSA with Optus is unable to be terminated prior to 30 June 2022 and the remaining wholesale costs that will be paid to Optus over this period are significant. The migration of amaysim customers from the Optus network to another MNO (via the issue of new SIM cards) also has the possibility to cause material customer churn, which is estimated by amaysim management to be around 15% to 25% of the existing customer base.

156 Accordingly, based on the above transaction evidence, we consider our assessed value range of amaysim to be reasonable.

[31] Approximately €75 million (A$127 million).

VII Evaluation of the Proposed Transaction

157 In our opinion, the Proposed Transaction is fair and reasonable and in the best interests of amaysim shareholders in the absence of a superior proposal. We have formed this opinion for the reasons set out below.

Valuation of amaysim Mobile

158 As set out in Section VI, we have assessed the value of amaysim Mobile at between $130 million and $165 million on a cash and debt free basis.

Value of consideration offered for amaysim Mobile

Proposed Distribution to amaysim shareholders

159 If the Proposed Transaction is implemented, amaysim estimates that approximately $197.7 million to $215.4 million will be available for the Distribution to amaysim shareholders, representing $0.67 to $0.73 cash per share[32]. This Distribution is expected to be made over three tranches as set out below:

Distributions to amaysim shareholders if the Proposed Transaction is implemented			
	$m	$ per share[(1)(2)]	Estimated payment date
Major Distribution			
Fully franked dividend	76.7	0.26	Apr 21
Return of capital[(3)]	70.8	0.24	Apr 21
Subtotal	147.6	0.50	
Minor Distribution			
Return of capital[(3)]	29.5	0.10	May 21
Final Distribution			
Return of capital[(3)] – low	20.7	0.07	Oct 21
Return of capital[(3)] – high	38.4	0.13	Oct 21
Total Distribution			
Low	197.7	0.67	
High	215.4	0.73	

Note:
1 Based on 295.1 million ordinary shares on issue, noting all performance rights under the amaysim LTIP will be cash settled on completion of the sale.
2 Due to the benefit of franking credits attaching to the fully franked dividend (estimated at $0.11 per share), we note that the value of the Mobile Consideration to some Australian resident shareholders may be greater than the Mobile Consideration above.
3 These amounts are all expected to be treated as capital returns by the Australian Taxation Office.

32 Based on 295.1 million ordinary shares on issue, noting all performance rights under the amaysim LTIP will be cash settled on completion of the sale.

160 The Distribution represents the "headline" transaction price of $250 million cash consideration received for amaysim Mobile adjusted for, inter alia:

(a) the net asset adjustment mechanism and the customer adjustment mechanism pursuant to the SSA, which will be determined at or about the time of completion of the amaysim Mobile sale. Further details of these terms are set out in Schedule 1 of the Explanatory Memorandum

(b) liabilities amaysim will retain pursuant to the SSA

(c) employee liabilities and re-structuring costs required to effect the amaysim Mobile sale

(d) cash of the amaysim Group (including proceeds from the sale of Click Energy) less repayment of amaysim's debt

(e) advisor fees and tax payable in connection with the amaysim Mobile sale

(f) cash expected to be generated up to the point of completion (including revenue under transitional services agreements for amaysim Mobile and Click Energy), less cash required to adequately support amaysim's operations until October 2021 (when the Final Distribution is planned to be made)

(g) final completion and working capital adjustments from the sale of Click Energy

(h) cash settlement of the performance rights under the amaysim LTIP on completion of the sale.

Value of consideration offered for amaysim Mobile

161 The above adjustments relate to both amaysim Mobile, as well as to amaysim generally. Accordingly, in order to enable a "like for like" comparison between the value of the consideration for amaysim Mobile and our assessed value of amaysim Mobile (on a cash and debt free basis) we have allocated the estimated Distribution into the following categories:

Estimated Distribution (mid-point) by source(1)

	amaysim Mobile $m	Other mobile items(2) $m	Click Energy $m	Net cash $m	Total $m
Cash from sale of amaysim Mobile	250.0	-	-	-	250.0
Net liabilities of the business retained by amaysim(3)	(48.8)(4)	-	-	-	(48.8)
Net cash (after debt repayment)(3)	-	-	-	61.5	61.5
Employee and restructuring costs	(17.7)	-	(1.2)	-	(18.9)
Advisor fees and tax on sale	-	(30.4)	-	-	(30.4)
Cash generated up to sale	-	7.0	1.5	-	8.5
Click Energy completion adjustments	-	-	(7.0)	-	(7.0)
Cash settlement of LTIP rights	-	-	-	(9.6)	(9.6)
Other	2.8	-	-	-	2.8
Total	186.3	(23.4)	(6.7)	51.8	208.0(5)
Fully diluted amaysim shares on issue(6)					295.1
Implied value per share (cents)					*70.5*

Note:
1 Rounding differences may exist.
2 Other mobile items relate to items arising as a consequence of the sale of amaysim Mobile but are not specific to the terms of the Proposed Transaction (i.e. these items would occur in any sale of amaysim Mobile). Accordingly, these items should not be deducted from the headline transaction price when comparing the Mobile Consideration to our assessed value of amaysim Mobile.
3 Estimate based on balances as at 30 September 2020.
4 We consider these items would ordinarily be transferred to a purchaser of amaysim Mobile as part of the business' working capital, and therefore consider it appropriate to deduct these amounts from the headline transaction price of $250 million. They include approximately $26.0 million of network access charges owed to Optus under the NSA as at 30 September 2020.
5 We note that the reported mid-point distribution of $206.6 million in the Explanatory Memorandum reflects a rounded estimated distribution of $0.70 per share and is therefore slightly different to the figures in the table above.
6 Being the 295,110,421 ordinary shares on issue only as all performance rights under amaysim's LTIP will be cash settled on completion of the sale.

162 As indicated above, we have estimated consideration for amaysim Mobile (on a cash and debt free basis) at $186.3 million. However, we note that a number of the adjustments to the Mobile Consideration above are estimates based on a number of assumptions regarding future events. Accordingly, we consider it appropriate to adopt a range of values (consistent with amaysim management[33]) and have adopted Mobile Consideration at $180 to $195 million.

Assessment of fairness

163 Pursuant to RG 111 the Proposed Transaction is "fair" if the value of the Mobile Consideration is equal to, or greater than, our assessed value of amaysim Mobile. This comparison is shown below:

Comparison of Mobile Consideration to value of amaysim Mobile	Low $m	High $m	Mid-point $m
Value of Mobile Consideration	180.0	195.0	187.5
Value of 100% of amaysim Mobile	130.0	165.0	147.5
Extent to which the Mobile Consideration exceeds (or is less than) the value of amaysim Mobile	50.0	30.0	40.0

164 As the value of the Mobile Consideration is above our assessed valuation range for amaysim Mobile on a 100% controlling interest basis, in our opinion, the Mobile Consideration is fair to amaysim shareholders when assessed based on the guidelines set out in RG 111.

33 The estimated total distributable proceeds of $197.7 million to $215.4 million reflects a variation of around +/-5% of the mid-point value of $206.6 million.

Assessment of reasonableness

165 Pursuant to RG 111, a transaction is reasonable if it is fair. Further, in our opinion, if the Proposed Transaction is "fair and reasonable" it must also be "in the best interests" of shareholders.

166 Consequently, in our opinion, the Proposed Transaction is also "reasonable" and "in the best interests" of amaysim shareholders in the absence of a superior proposal.

167 In assessing whether the Proposed Transaction is reasonable and in the best interests of amaysim shareholders LEA has also considered, in particular:

(a) the extent to which a control premium is being paid to amaysim shareholders

(b) the extent to which amaysim shareholders are being paid a share of any synergies likely to be generated pursuant to the Proposed Transaction

(c) the listed market price of the shares in amaysim, both prior to and subsequent to the announcement of the Proposed Transaction

(d) the likely market price of amaysim securities if the Proposed Transaction is not approved

(e) the risks associated with the wholesale tender process if the Proposed Transaction is not approved

(f) the value of amaysim to an alternative offeror and the likelihood of a higher alternative offer being made for amaysim prior to the date of the EGM

(g) the advantages and disadvantages of the Proposed Transaction from the perspective of amaysim shareholders

(h) other qualitative and strategic issues associated with the Proposed Transaction.

168 These issues are discussed in detail below.

Extent to which a control premium is being paid

169 Research undertaken by LEA indicates that average premiums paid in successful takeovers in Australia generally range between 30% and 35% above the listed market price of the target company's shares[34] three months prior to the announcement of the bid (assuming no speculation of the takeover is reflected in the pre-bid price). This broadly translates to a premium of 20% to 25% at the enterprise value level, although this varies depending on the level of debt funding employed in each company. This premium range reflects the fact that:

(a) the owner of 100% of the shares in a company obtains access to all the free cash flows of the company being acquired, which it would otherwise be unable to do as a minority shareholder

(b) the controlling shareholder can direct the disposal of surplus assets and the redeployment of the proceeds

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[34] After adjusting the pre-bid market prices for the movement in share market indices between the date of the pre-bid market price and the announcement of the takeover.

(c) a controlling shareholder can control the appointment of directors, management policy and the strategic direction of the company

(d) a controlling shareholder is often able to increase the value of the entity being acquired through synergies and/or rationalisation savings.

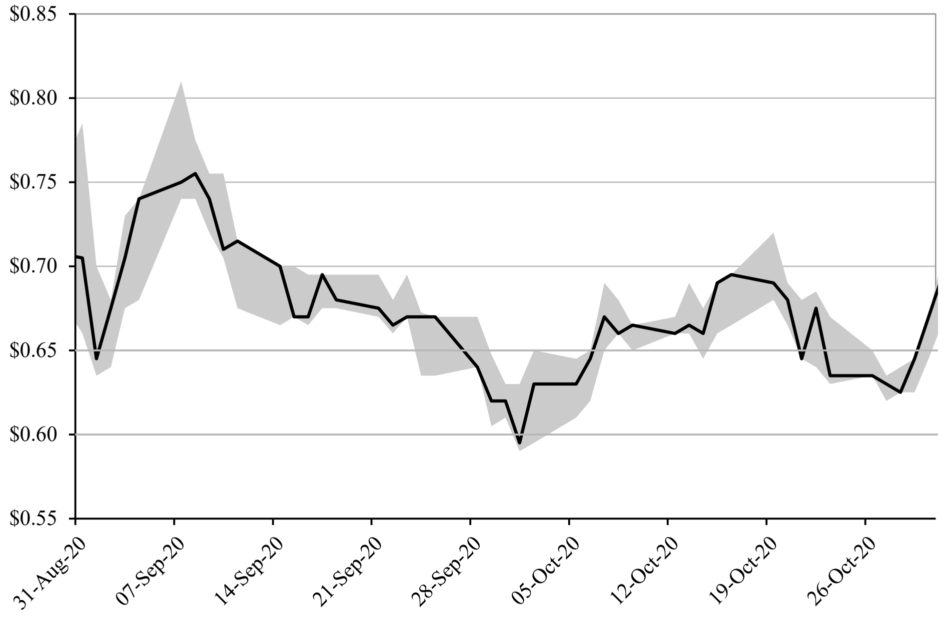
170 We have considered the extent to which a control premium is being paid for amaysim Mobile (on a cash and debt free basis) based on the implied value of amaysim Mobile (on a cash and debt free basis) from the listed market price of amaysim shares prior to the Proposed Transaction.

171 We consider it appropriate to have regard to the share trading of amaysim shares subsequent to the divestment of the Energy business on 31 August 2020, as the consideration being paid for the Energy business provides a reasonable proxy for the value being attributable by the market to the Energy business from that date until completion. Prior to this date, the value being attributable to each of amaysim Mobile and amaysim's Energy business is not directly observable.

172 A summary of the share trading in amaysim shares from 31 August 2020 to 30 October 2020 is set out below:

Amaysim share trading pre-announcement(1)

31 August 2020 to 30 October 2020



Note:

1 amaysim's intraday high and low trading range is represented by the grey shaded area.

173 Over the period set out above, amaysim shares traded between an intraday low of $0.59 and an intraday high of $0.81[35]. The volume weighted average price (VWAP) over this period was $0.67. For the purposes of our report, we have adopted a pre announcement trading range for amaysim shares of $0.65 to $0.70 per share.

35 The value of shares traded over this period was some $25.2 million.

174 This pre announcement trading range implies the following value of amaysim Mobile (on a cash and debt free basis):

Implied value of amaysim Mobile pre announcement based on listed share trading[1]	Low $m	High $m
Pre announcement value of amaysim shares ($)	0.65	0.70
Fully diluted shares on issue (million)	295.1	295.1
Implied market capitalisation	191.8	206.6
Estimated net cash post Energy business sale[2]	61.4	61.4
Less minority interest discount on net cash[3]	(6.1)	(6.1)
Adopted net cash	55.3	55.3
Implied value of amaysim Mobile (cash and debt free)	136.5	151.3
Assumed value range	135.0	150.0

Note:
1 Rounding differences may exist.
2 Estimated net cash post Energy business sale calculated as follows:

Cash and cash equivalents as at 30 June 2020	45.0	45.0
Borrowings as at 30 June 2020	(77.1)	(77.1)
Net cash from Energy business divestment	103.1[4]	103.1[4]
Cash settlement of LTIP performance rights	(9.6)	(9.6)
Net cash post Energy business divestment	61.4	61.4

3 We have applied a 10% discount to allow for the fact that (based on observed share market trading) investors often ascribe a modest discount to cash and other surplus assets that are not expected to be distributed to shareholders in the short to medium term.
4 Being the $53.05 million of debt repayments plus the estimated increase in cash position of $50.0 million.

175 The Mobile Consideration of $180 to $195 million (refer paragraph 162) therefore represents the following premiums to the implied listed value of amaysim Mobile prior to the announcement of the Proposed Transaction:

Implied control premium to pre announcement value of amaysim Mobile[1]	Low $m	High $m
Mobile Consideration	180.0	195.0
Implied listed value of amaysim Mobile pre-announcement	135.0	150.0
Implied premium	33.3%	30.0%

Note:
1 Rounding differences may exist.

176 Given the above premiums exceed the average premiums paid in successful takeovers in Australia implied by empirical evidence (which range from 20% to 25% at the enterprise value level) we consider the premium implied by the Proposed Transaction to be reasonable.

Cross check to implied premium based on the Distribution

177 The implied premium of the Distribution relative to the listed price of amaysim shares from 31 August 2020 (being the date the divestment of the Energy business was announced) up to 30 October 2020 (being the last trading day prior to the announcement of the Proposed Transaction) is shown in the table below:

Implied premium of Distribution relative to recent share prices[(1)]

	amaysim share price $	Implied control premium[(2)] %
Closing share price on 30 October 2020[(3)]	0.67	4.5
1 month to 30 October 2020[(3)] – VWAP	0.65	7.7
31 August 2020 to 30 October 2020[(4)] – VWAP	0.67	4.2

Note:
1 Rounding differences may exist.
2 Based on the mid-point of the estimated Distribution of $0.70 per share (refer paragraph 159).
3 Being the last day of trading prior to the announcement of the Proposed Transaction.
4 Being the period subsequent to the announcement of amaysim's divestment of its Energy business up to the announcement of the Proposed Transaction. This period reflects the trading of amaysim shares as a "pure play" mobile business.

178 While the above premiums are below the average premiums generally paid in successful takeovers in Australia (assuming the pre-bid market price does not reflect any speculation of the takeover), we do not consider this unreasonable when having regard to the fact that the Distribution:

(a) includes a significant amount of undistributed cash held by amaysim following the sale of the Energy business (which completed on 30 September 2020) which is unlikely to attract any premium

(b) includes an allowance for other items (such as transaction fees and tax) which does not form part of the Mobile Consideration and therefore distorts the premium being paid for amaysim Mobile only on a "like for like" basis.

179 As indicated above, the value of the Mobile Consideration is consistent with or above the top end of our assessed valuation range for amaysim Mobile on a "like for like" basis (i.e. 100% controlling interest and cash and debt free basis). Accordingly, in our opinion, amaysim shareholders are being paid a reasonable control premium for amaysim Mobile.

Extent to which amaysim shareholders are being paid a share of synergies

180 Optus[36] has not provided any specific guidance on the level of synergies it expects to realise from the acquisition of amaysim. However, as Optus is the current provider of network services to amaysim's existing customers, and Optus has over 10 million mobile customers, we consider it reasonable to expect that Optus will be able to generate significant cost synergies from the proposed acquisition of amaysim Mobile.

36 Or its Singapore Exchange listed parent company Singapore Telecommunications Limited.

181 In addition, if the Proposed Transaction is approved and implemented, amaysim will be delisted from the ASX, resulting in the elimination of listed public company costs (e.g. director fees, listing fees, share registry fees, shareholder communication costs etc).

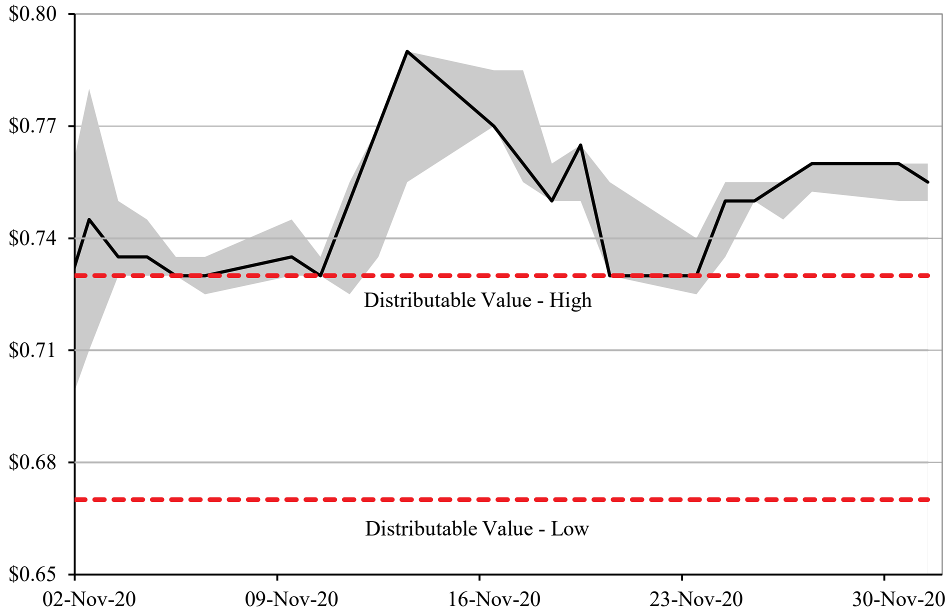
182 Whilst the level of synergies to be generated by Optus is unknown, our valuation range incorporates a premium for control. Further, the existence of synergies from business combinations is one of the key reasons why bidders pay a premium to acquire control of a company.

183 Given that the Mobile Consideration exceeds our valuation range, it would therefore appear likely that a proportion of the value of synergy benefits expected to be realised by Optus is being reflected in the Mobile Consideration.

Recent share prices subsequent to the announcement of the Proposed Transaction

184 The table below sets out the trading in amaysim shares subsequent to the announcement of the Proposed Transaction:

amaysim share trading post announcement(1)
2 November 2020 to 1 December 2020



Note:
1 amaysim's intraday high and low trading range is represented by the grey shaded area.

185 Shareholders should note that amaysim shares have traded on the ASX in the range of $0.71 to $0.79 per share in the period since the Proposed Transaction was announced up to and including 1 December 2020 (and closed at $0.76). The VWAP over the period was $0.74 per share. The value of shares traded over this period was some $32.9 million.

186 These share prices are higher than the estimated Distribution if the Proposed Transaction is implemented of between $0.67 to $0.73 per amaysim share (refer paragraph 159). In our view, this premium is likely to be attributable to the additional value that some shareholders and investors may receive from the attaching franking credits of up to approximately $0.11 per share.

187 amaysim shareholders who cannot obtain any benefit from the attaching franking credits, or Australian resident individual shareholders who hold their amaysim shares on capital account for tax purposes who are on the highest marginal rate and have held their amaysim shares for more than one year (entitling them to a capital gains tax discount on any capital gain), may realise a higher after tax value from selling their amaysim shares on market rather than receiving the Distribution[37]. amaysim shareholders should therefore consider their individual tax position (and obtain independent tax advice if necessary) before deciding on their best course of action.

Likely price of amaysim shares if the Proposed Transaction is not implemented

188 If the Proposed Transaction is not implemented we expect that, at least in the short term, amaysim shares will trade at a significant discount to our valuation and the distributable value due to the difference between the value of amaysim shares on a portfolio basis and their value on a 100% controlling interest basis.

189 If the Proposed Transaction is not implemented those amaysim shareholders who wish to sell their amaysim shares are therefore likely, at least in the short term, to realise a significantly lower price for their shares than will be payable under the Proposed Transaction. Transaction costs (such as brokerage commissions) would also be incurred by amaysim shareholders who sought to realise their investment in the absence of the Proposed Transaction.

Risks associated with the wholesale tender process

190 On 31 August 2020, amaysim announced that it had launched a competitive tender for wholesale mobile network services which would apply after its current NSA with Optus expires on 30 June 2022. This wholesale tender was designed to enhance the margins of the business for the long term and was well advanced when amaysim received Optus' offer to acquire amaysim Mobile.

191 An important consideration in this context is that a sale of amaysim Mobile to Optus and the entry into a long-term wholesale contract with another MNO are in effect mutually exclusive outcomes.

192 If the Proposed Transaction is not implemented amaysim will have to recommence renegotiations for the wholesale tender process in order to seek better terms and conditions to those under the existing NSA with Optus which expires on 30 June 2022. There is no guarantee that amaysim will be able to reach a binding agreement through these negotiations. In addition, if improved terms are negotiated with another network wholesale provider, customer migration churn risk (via issue of new SIM cards) will be introduced to move all existing amaysim customers to a new MNO network. While some of this migration risk may be shared with the new wholesale provider, some or all of it may remain with amaysim. amaysim management estimate that this churn could be between 15% and 25% of the customer base, depending on the circumstances.

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37 For example, an Australian resident individual shareholder who had held their amaysim shares on capital account for tax purposes, pays tax at a marginal rate of 47% and has held their amaysim shares for more than one year would realise $7.65 (after tax) from a $10 capital gain (being $10 less 23.5%), whereas the after tax value of a $10 fully franked dividend (franked at 30%) would only be $7.57 after tax (being a gross dividend of $14.29 less 47%).

193 To move the entire base of 1.19 million amaysim customers to another network would also require substantial development work, financial cost and introduce distraction from growth and operational risk. Furthermore, any negotiated margin upside will not be realised until FY23 (i.e. after the expiry of the existing NSA with Optus on 30 June 2022).

Likelihood of an alternative offer

194 We have been advised by the Directors of amaysim that no formal alternative offers have been received subsequent to the announcement of the Proposed Transaction on 2 November 2020. However, as stated in the Explanatory Memorandum, following the sale of the Energy business, amaysim received certain non-binding indicative offers for the Company and/or amaysim Mobile. We have been advised that none of these non-binding indicative offers were superior to the offer from Optus.

195 Whilst there has effectively been (and remains) an opportunity for third parties contemplating an acquisition of amaysim Mobile to table a proposal before the amaysim Board, amaysim shareholders should also note:

(a) the exclusivity obligations on amaysim pursuant to the Proposed Transaction, which are summarised in Section I of this report and discussed in further detail in the Notice of Meeting

(b) amaysim's current NSA with Optus expires on 30 June 2022 (i.e. some 1.7 years from the announcement of the Proposed Transaction) and is unable to be terminated prior to that date. Accordingly, the two other Australian MNOs (Telstra and Vodafone) would not be able to generate cost synergies on network and wholesale related expenses until after 30 June 2022. An acquisition of amaysim by Telstra and/or Vodafone would also require all existing amaysim customers to transition to new SIM cards which may result in significant levels of customer churn (which amaysim estimates could be in the order of 15% to 25% of the existing customer base)

(c) in addition to the above, as part of the exclusivity terms of the NSA with Optus, if Telstra or Vodafone (but not any other operator of competing services) acquires control of amaysim, Optus is entitled to terminate the NSA with no transition-out period.

196 Although it is possible that an alternate offer may emerge, in our opinion the factors set out above diminish the likelihood of this occurring.

Summary of advantages and disadvantages

197 We summarise below the likely advantages and disadvantages for amaysim shareholders if the Proposed Transaction proceeds.

Advantages

198 The Proposed Transaction has the following benefits for amaysim shareholders:

(a) the Mobile Consideration is greater than our assessed value range for amaysim Mobile on a 100% controlling interest basis. Thus, in our view:

(i) amaysim shareholders are being paid an appropriate price to compensate them for the fact that control of amaysim Mobile will pass to Optus if the Proposed Transaction is approved

(ii) amaysim shareholders are being paid a share of the synergies which Optus is likely to realise from the acquisition of amaysim Mobile

(b) the Mobile Consideration represents a significant premium to the value of amaysim Mobile implied by recent trading in amaysim shares prior to the announcement of the Proposed Transaction

(c) the Distribution may give rise to additional consideration to those Australian resident shareholders able to benefit from the related franking credits attaching to certain components of the Distribution

(d) if the Proposed Transaction does not proceed, and in the absence of an alternative offer or proposal, the price of amaysim shares is likely to trade at a significant discount to the distribution value due to the portfolio nature of individual shareholdings

(e) if the Proposed Transaction proceeds, the dispute in connection with the Review Mechanism under the NSA with Optus will be settled and released. If the Proposed Transaction does not proceed, this dispute has the potential to have a materially adverse impact on amaysim's future gross profit (at least until expiry of the existing NSA on 30 June 2022)

(f) the Proposed Transaction averts uncertainty and risk associated with the outcome of the Company's wholesale tender process beyond expiry of the existing NSA with Optus on 30 June 2022.

Disadvantages

199 amaysim shareholders should note that if the Proposed Transaction is implemented they will no longer hold an interest in amaysim Mobile. amaysim shareholders will therefore not participate in any future value created by amaysim Mobile over and above that reflected in the Mobile Consideration.

200 However, as our assessed value of amaysim Mobile is less than the Mobile Consideration, in our opinion, the present value of amaysim Mobile's future potential (in the absence of the Proposed Transaction) is reflected in the Mobile Consideration.

Conclusion

201 Given the above analysis, we consider that the advantages of the Proposed Transaction outweigh the disadvantages. Consequently, in our view, the acquisition of amaysim Mobile by Optus under the Proposed Transaction is fair and reasonable and in the best interests of amaysim shareholders in the absence of a superior proposal.

Appendix A

Financial Services Guide

Lonergan Edwards & Associates Limited

1 Lonergan Edwards & Associates Limited (ABN 53 095 445 560) (LEA) is a specialist valuation firm which provides valuation advice, valuation reports and independent expert's reports (IER) in relation to takeovers and mergers, commercial litigation, tax and stamp duty matters, assessments of economic loss, commercial and regulatory disputes.

2 LEA holds Australian Financial Services Licence No. 246532.

Financial Services Guide

3 The Corporations Act 2001 authorises LEA to provide this Financial Services Guide (FSG) in connection with its preparation of an IER to accompany the Explanatory Memorandum to be sent to amaysim shareholders in connection with the Proposed Transaction.

4 This FSG is designed to assist retail clients in their use of any general financial product advice contained in the IER. This FSG contains information about LEA generally, the financial services we are licensed to provide, the remuneration we may receive in connection with the preparation of the IER, and if complaints against us ever arise how they will be dealt with.

Financial services we are licensed to provide

5 Our Australian financial services licence allows us to provide a broad range of services to retail and wholesale clients, including providing financial product advice in relation to various financial products such as securities, derivatives, interests in managed investment schemes, superannuation products, debentures, stocks and bonds.

General financial product advice

6 The IER contains only general financial product advice. It was prepared without taking into account your personal objectives, financial situation or needs.

7 You should consider your own objectives, financial situation and needs when assessing the suitability of the IER to your situation. You may wish to obtain personal financial product advice from the holder of an Australian Financial Services Licence to assist you in this assessment.

Fees, commissions and other benefits we may receive

8 LEA charges fees to produce reports, including this IER. These fees are negotiated and agreed with the entity who engages LEA to provide a report. Fees are charged on an hourly basis or as a fixed amount depending on the terms of the agreement with the person who engages us. In the preparation of this IER, LEA is entitled to receive a fee estimated at $70,000 plus GST.

9 Neither LEA nor its directors and officers receives any commissions or other benefits, except for the fees for services referred to above.

10 All of our employees receive a salary. Our employees are eligible for bonuses based on overall performance and the firm's profitability, and do not receive any commissions or other benefits arising directly from services provided to our clients. The remuneration paid to our directors reflects their individual contribution to the company and covers all aspects of performance. Our directors do not receive any commissions or other benefits arising directly from services provided to our clients.

11 We do not pay commissions or provide other benefits to other parties for referring prospective clients to us.

Complaints

12 If you have a complaint, please raise it with us first, using the contact details listed below. We will endeavour to satisfactorily resolve your complaint in a timely manner.

13 If we are not able to resolve your complaint to your satisfaction within 45 days of your written notification, you are entitled to have your matter referred to the Australian Financial Complaints Authority (AFCA), an external complaints resolution service. You will not be charged for using the AFCA service.

Contact details

14 LEA can be contacted by sending a letter to the following address:

Level 7
64 Castlereagh Street
Sydney NSW 2000
(or GPO Box 1640, Sydney NSW 2001)

LONERGAN EDWARDS & ASSOCIATES LIMITED

Appendix B

Qualifications, declarations and consents

Qualifications

1 LEA is a licensed investment adviser under the Corporations Act. LEA's authorised representatives have extensive experience in the field of corporate finance, particularly in relation to the valuation of shares and businesses and have prepared hundreds of IERs.

2 This report was prepared by Mr Craig Edwards and Mr Martin Holt, who are each authorised representatives of LEA. Mr Edwards and Mr Holt have over 26 years and over 35 years experience respectively in the provision of valuation advice (and related advisory services).

Declarations

3 This report has been prepared at the request of the Directors of amaysim to accompany the Explanatory Memorandum to be sent to amaysim shareholders. It is not intended that this report should serve any purpose other than as an expression of our opinion as to whether or not the Proposed Transaction is fair and reasonable and in the best interests of amaysim shareholders.

Interests

4 At the date of this report, neither LEA, Mr Edwards nor Mr Holt have any interest in the outcome of the Transaction. With the exception of the fee shown in Appendix A, LEA will not receive any other benefits, either directly or indirectly, for or in connection with the preparation of this report.

5 We have considered the matters described in ASIC RG 112 – *Independence of experts*, and consider that there are no circumstances that, in our view, would constitute a conflict of interest or would impair our ability to provide objective independent assistance in this engagement.

Indemnification

6 As a condition of LEA's agreement to prepare this report, amaysim agrees to indemnify LEA in relation to any claim arising from or in connection with its reliance on information or documentation provided by or on behalf of amaysim which is false or misleading or omits material particulars or arising from any failure to supply relevant documents or information.

Consents

7 LEA consents to the inclusion of this report in the form and context in which it is included in the Explanatory Memorandum.

Appendix C

Assessment of appropriate discount rate

1 The determination of the discount rate or cost of capital for an asset requires identification and consideration of the factors that affect the returns and risks of that asset, together with the application of widely accepted methodologies for determining the returns demanded by the debt and equity providers of the capital employed in the asset.

2 The discount rate applied to the projected cash flows from an asset represents the financial return that will be demanded before an investor would be prepared to acquire (or invest in) the asset.

3 Businesses are normally funded by a mix of debt and equity. The weighted average cost of capital (WACC) is a widely used and accepted basis to calculate the "representative" rate of returns required by debt and equity investors. The required rate of return for equity is frequently evaluated using the capital asset pricing model (CAPM) and the required rate of return for debt funding is determined having regard to various factors such as current borrowing costs and prevailing credit ratings. The cost of equity and the cost of debt are weighted by the respective proportions of equity and debt funding to arrive at the WACC.

4 Consequently, we set out below an explanation of:

(a) the WACC and its elements (including the CAPM, its application in determining the cost of equity, the cost of debt and debt equity mix)

(b) our assessment of the appropriate parameters to be used in determining the discount rate to apply.

Impact of COVID-19

5 The discount rates applied have been assessed in the context of the current market environment. Whilst COVID-19 has led to an increase in the overall cost of capital for most businesses, the defensive qualities of the amaysim business (e.g. high level of recurring income, provision of essential services) and low debt default risk (based on the net cash position) means the impact of COVID-19 on amaysim's long-term cost of capital is likely to be relatively modest. Nonetheless, in the current market environment we believe that it is appropriate to adopt a discount rate at the top end of our assessed range.

Weighted average cost of capital

6 The generally accepted WACC formula is the post-tax WACC, without adjustment for imputation[38] as shown below:

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[38] Given free capital flows between developed countries and the small size of the Australian stock market (as a percentage of global markets), the cost of capital of listed companies (other than perhaps regulated infrastructure assets) should be assessed in a global context ignoring Australian imputation. This is the approach generally adopted by independent experts.

Appendix C

WACC formula
$$WACC = R_e \frac{E}{V} + R_d(1-t)\frac{D}{V}$$

where:
R_e = expected equity investment return or cost of equity in nominal terms
R_d = interest rate on debt (pre-tax)
t = corporate tax rate
E = market value of equity
D = market value of debt
V = market value of debt plus equity

CAPM and the cost of equity

7 The CAPM stems from the theory that a prudent investor would price an investment so that the expected return is equal to the risk-free rate of return plus an appropriate premium for risk. The CAPM assumes that there is a positive relationship between risk and return. That is, rational investors are risk adverse and demand higher returns for accepting higher levels of risk.

8 The CAPM is based on the concept of non-diversifiable risk and calculates the cost of equity as follows:

Cost of equity calculation
$$R_e = R_f + \beta_e\left[E(R_m) - R_f\right]$$

where:
R_e = expected equity investment return or cost of equity in nominal terms
R_f = risk-free rate of return
$E(R_m)$ = expected market return
$E(R_m) - R_f$ = market risk premium (MRP)
β_e = equity beta

9 The individual components of the CAPM are discussed below.

Risk-free rate

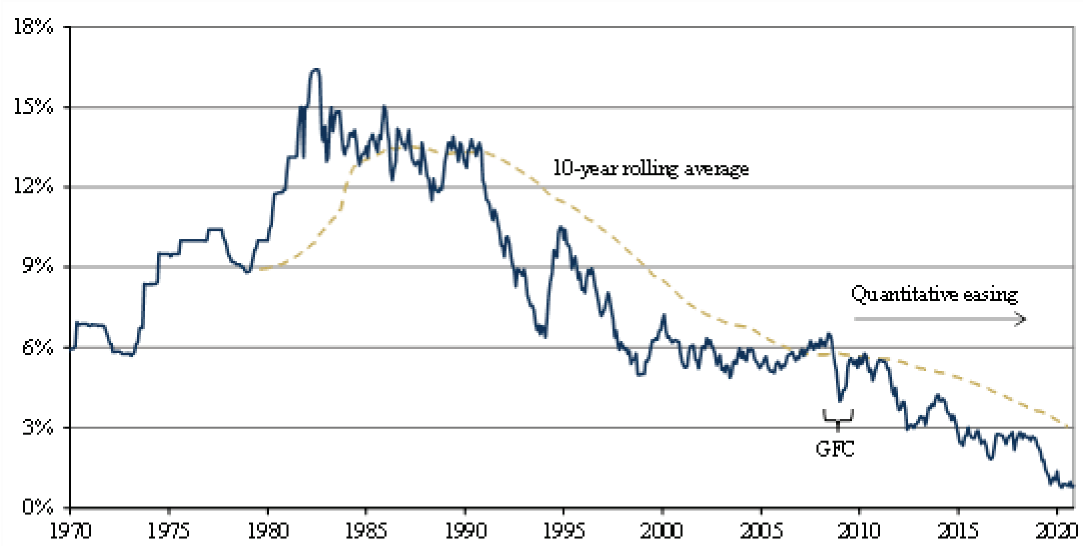
10 The risk-free rate is the theoretical rate of return on an investment with no risk of financial loss (provided the investment is held to maturity). It represents the return that an investor would expect to receive from a "completely" risk-free investment over a given period of time.

11 The risk-free rate is normally approximated by reference to a long-term government bond with a maturity equivalent to the timeframe over which the returns from the assets being valued are expected to be received. Typically in the Australian context, the yields on long-term Commonwealth Government Bonds (CGBs) are used as a proxy for the long-term risk-free rate.

12 However, when assessing the appropriate long-term risk-free rate for the purposes of calculating the cost of equity capital it should be noted that the yields currently prevailing on long-term CGBs are well below historical levels (as shown in the chart below):

Appendix C

Australian government bond yield – nominal 10-year bonds
Monthly data, January 1970 to October 2020



Note: 20-year CGBs and 30-year CGBs were only issued in November 2013 and October 2016, respectively.
Source: Bloomberg.

13 In our view, the risk-free rate and the MRP should be assessed in conjunction with each other. This is because, inter alia, the historical MRP is based on the prevailing risk-free rate at the time and that rate varies. Accordingly, the application of current (very low) CGB yields and the long-term average MRP is inappropriate in the context of determining long-term required equity rates of return (discount rates).

14 To address this issue, two approaches are generally adopted:

(a) Method 1 – calculate WACC using the current CGB yield and an implied MRP that is higher than that derived from the long-term average of historical excess returns (i.e. the rate of return over and above the risk-free rate estimated by CGB yields[39])

(b) Method 2 – calculate WACC using a "normalised" risk-free rate based on historical averages and an MRP that is based on the observed long-term average of historical excess returns.

15 Method 1 recognises the fact that current abnormally low interest rates coincide with heightened economic uncertainties[40] and/or increased investor risk aversion. However, this

[39] Given the very long-term nature of the measurement, the impact of quantitative easing and other post-global financial crisis (GFC) type government stimulus measures is significantly "averaged" out.

[40] This is particularly the case in Australia at the present time given that Australia's economic growth is linked with China's growth as it has been the engine of growth for Australia and the world during the post-GFC period. As the expectation of economic growth in China tapers off and the associated mining boom in Australia ceases, there are uncertainties as to what will drive domestic growth in Australia going forward. The ongoing uncertainty in regard to the Australian economy and the global economy, and highly expansionary monetary policy adopted in other developed economies, has contributed to both the Reserve Bank of Australia (RBA) maintaining the cash rate at record lows and the observed low CGB yields.

approach is difficult to apply in practice because it is difficult to reliably measure short-term changes in the ex-ante MRP.

16 We have therefore adopted the second approach, and have adopted a long-term risk-free rate in Australia of 3.0% per annum.

17 Our adopted risk-free rate is higher than the yield on the 31-year CGB of approximately 1.8% as at 31 October 2020[41]. However, this is consistent with current market practice, which is to apply a normalised risk-free rate having regard to a mix of historical averages and current spot rates. (as evidenced by the table in paragraph 31 below).

18 We also note that Corporate Australia has generally been reluctant to lower required rates of return notwithstanding the reduction in CGB yields. For example:

(a) Wesfarmers Chief Financial Officer (CFO) Anthony Gianotti stated in November 2019 that "*it was reluctant to 'bank in' historically low interest rates into its long-term investment view*"[42]

(b) Woodside Petroleum finance chief Sherry Duhe stated in November 2019 that "*it was too soon to start rethinking hurdle rates*"[43]

(c) in October 2019, AGL Energy Limited CFO Damien Nicks stated that AGL's hurdle rates had not changed as a result of the recent reduction in government bond yields[44]

(d) in October 2019, Lendlease Chairman Michael Ulmer said "*the company's weighted average cost of capital was driven by equity and debt returns, and hadn't changed in any way that 'is significantly changing the ball game'*"[45].

19 Whilst regulatory bodies in Australia generally favour the use of current CGB yields for the risk-free rate (rather than longer term averages or adjusted risk-free rates), it should be noted that these regulatory bodies are not assessing the appropriate risk-free rate in the context of the long-term rate of return required by debt and equity investors (but rather the risk-free rate likely to prevail over a relatively short five-year period, which is then subject to change depending on market conditions at that time). As a result, the risk-free rates adopted by regulatory authorities in Australia are therefore not necessarily the appropriate risk-free rates to adopt when determining the appropriate discount rate for a business.

Market risk premium

20 The MRP represents the additional return above the risk-free rate that investors require in order to invest in a well-diversified portfolio of equity securities (i.e. the equity market as a whole). Strictly speaking, the MRP is equal to the expected return from holding shares over and above the return from holding risk-free government securities. Since expected returns are

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41 The longest term CGB currently on issue. Source: Bloomberg.

42 Source: The Australian (8 November 2019) *Changing hurdle rates is 'a danger'*.

43 Ibid.

44 Source: The Australian Financial Review (30 October 2019) *CEOs blame investors, banks for high hurdle rates*.

45 Ibid.

generally not observable, a common method of estimating the MRP is to average realised (ex-post) returns over a long period.

21 In assessing the MRP, it is necessary to recognise that the MRP is a forward-looking concept. It is an expectation, which cannot be directly observed and needs to be estimated. We have also had regard to the MRP adopted by Australian regulators, as discussed below.

MRP – historic excess returns

22 Various academic studies put the historical MRP of the Australian equity market in a wide range from 5% to 7% depending on the historical period chosen, whether the MRP is measured relative to bills or bonds, and whether an arithmetic or geometric mean is used. However, the risk-free rate of return that was used to derive the MRP in those studies was, on average, significantly above both current levels and the 3.0% risk-free rate adopted above. Because realised rates of return, especially for shares, are highly volatile over short periods, short-term average realised rates of return are unlikely to be a reliable estimate of the expected rate of return or MRP. Consequently the MRP should be measured over a long period of time. It should also be noted that the standard error of the estimate of the mean for longer periods is typically lower than the standard error of the mean where a shorter period is used. This supports more reliance being placed on the average MRP calculated over the longer term. However, some authors have raised concerns regarding the poor quality of the data available for periods prior to 1958.

23 A study of the MRP in Australia by Brailsford et al. analysed data for the period from 1883 to 2005 (inclusive), and this was later updated for the period 1883 to 2010[46].

24 In October 2015, the Australian Competition and Consumer Commission (ACCC) released their final decision regarding the prices that other operators pay to use Telstra's copper network to provide telecommunication services to consumers. In this final decision the ACCC adopted an MRP of 6.0%[47], having regard to empirical evidence on long-term average of historical excess returns published by Brailsford et al. and updated by the Australian Energy Regulator (AER), as well as survey evidence by market practitioners. The AER has since updated the data to the end of 2018 as shown below:

Australia's MRP – historical excess returns

Sampling period	Years	Arithmetic average %	Geometric average %
1883 – 2018	136	6.2	4.9
1937 – 2018	82	5.9	4.1
1958 – 2018	61	6.4	4.1
1980 – 2018	39	6.2	4.1
1988 – 2018	31	5.8	4.3

Source: AER (2019) *Rate of return: annual update.*

46 Brailsford et al. (2012) *The historical equity risk premium in Australia: post-GFC and 128 years of data.*

47 Source: ACCC (2015) *Public inquiry into final access determinations for fixed line services - Final Decision* pages 75-76.

25 The AER provides both arithmetic and geometric averages and comments that,

"… we give more weight to the arithmetic average than the geometric, but use the geometric average to highlight when high returns over certain periods may be driven primarily by high volatility and to set a floor when viewing the range of potential results … …We consider using both together is more likely to lead to an unbiased estimate of the MRP than exclusive use of either method"[48].

26 A new set of Australian dividend yield data was released in 2019 by the RBA. The RBA data covers the period 1917 to 1979. When combined with data from Datastream for the period 1980-2019 the average MRP based on the RBA's data is around 4.0% based on the geometric mean and around 5.0% based on the arithmetic mean[49].

27 The returns calculated by the AER and the RBA do not included the impact of franking credits, which were introduced in Australia in July 1987. Bishop et al. (2018) have published MRP data for Australia including the impact of franking credits, as shown below:

Australia's MRP – historical excess returns

Sampling period	Years	Excluding franking credits %	Including franking credits %
1883 – 2017	135	6.5	6.9
1938 – 2017	80	5.7	6.2
1958 – 2017	60	6.0	6.9
1978 – 2017	40	6.6	7.8
1998 – 2017	20	5.4	6.7

Source: Bishop et al. (2018) *Market risk premium: Australian evidence.* Table 8.

28 Bishop et al. (2018) provide only the arithmetic average which, in their view, is more appropriate when considering expectations formed on historical data because it weights the inputs equally.

MRP – Survey data

29 Survey estimates explore investor expectations about the MRP. They achieve this by directly asking investors and market practitioners what their expectations are and/or what they apply in practice. The AER in its 2018 *Rate of return instrument – Explanatory statement*, reviewed evidence from relevant surveys. We have updated their results for two more recent surveys. The mean and median MRP across the more recent surveys is supportive of an MRP of 6.5% as indicated in the table below:

[48] Source: AER (2018) *Rate of return instrument – Explanatory statement* page 250.

[49] Source: RBA (2019) *A history of Australian equities* (Research Discussion Paper 2019-04).

Appendix C

Australia's MRP – survey results				
Survey: Author and publication date	**Survey date**	**Number of responses**	**Mean %**	**Median %**
Fernandez et al. (2013)	May–Jun 12	73	5.9	6.0
KPMG (2013)(1)	na	19	na	6.0
Fernandez et al. (2013)	May–Jun 13	17	6.8	5.8
Asher and Hickling (2013)	Sep 13	46	4.8	5.0
Fernandez et al. (2014)	May–Jun 14	93	5.9	6.0
Asher and Hickling (2015)	Dec 14	27	4.4	4.6
Fernandez et al. (2015)	Mar–Apr 15	40	6.0	5.1
KPMG (2015)(2)	na	27	na	6.0
Asher and Carruthers (2016)	Dec 15	29	4.9	na
Fernandez et al. (2016)	Apr 16	87	6.0	6.0
Carruthers (2017)	Nov 16	24	5.3	na
Fernandez et al. (2017)	Mar–Apr 17	26	7.3	7.6
KPMG (2017)	na	45	na	6.0
Fernandez et al. (2018)	Mar–Apr 18	74	6.6	7.1
KPMG (2018)	Jul–Sep 18	56	5.5	6.0 to < 6.5
Fernandez et al. (2019)	Feb–Mar 19	54	6.5	6.1
KPMG (2020)	Oct 19	59	5.9	na
Fernandez et al. (2020)	Feb–Mar 20	37	7.9	6.2

Note:
1 The survey had 23 participants, however only 19 specified the MRP they used.
2 The survey had 29 participants, however it appears that only 27 specified the MRP they used.
na – not available.
Source: AER (December 2018) *Rate of return instrument – Explanatory statement* page 271; Fernandez (2019) *Market risk premium and risk-free rate used for 69 countries in 2019*; KPMG (2018) *Valuation practices survey 2018*; KPMG (2020) *Valuation practices survey 2019*; Fernandez (2020) *Market risk premium and risk-free rate used for 81 countries in 2020*.

30 Having regard to all of the above, we have adopted a long-term MRP of 6.5%.

Total market return

31 Our risk-free rate and MRP implies a required total market rate of return of 9.5% per annum (being a risk-free rate of 3.0% plus an MRP of 6.5%). Given that the risk-free rate and MRP should be assessed in conjunction with each other, we set out below a summary of the required total market returns adopted by investment banks, stockbrokers and large corporate valuation companies:

Risk-free rate and MRP – Australia				
Company	Report date	Risk-free rate %	MRP %	Total equity return %
BDO	May 20	0.26	7.0	7.26
Bell Potter	Sep 20	4.0	6.0	10.0
Citi	Sep 20	2.0	7.0	9.0
Credit Suisse / Jarden	Aug 20	3.0	6.0	9.0
Deloitte	Aug 19	2.32	6.25	8.57
Goldman Sachs	Oct 20	3.5	6.0	9.5
Grant Samuel	Oct 20	3.0	6.0	9.0
Grant Thornton	Oct 20	3.5	6.0	9.5
JP Morgan	Oct 20	2.5	5.0	7.5
KPMG	Jun 20	2.9	6.0	8.9
Macquarie	Oct 20	2.3	5.0	7.3
Morgan Stanley	Oct 20	5.0	5.5	10.5
Morgans	Sep 20	3.0	6.0	9.0
PricewaterhouseCoopers Securities	Oct 19	3.75	6.0	9.75

Source: Selected independent expert reports and stockbroker analyst reports.

32 As indicated above:

(a) the majority of investment banks, stockbrokers and large corporate valuation companies apply a risk-free rate for valuation purposes that exceeds the current long term CGB yield

(b) the required total market return implied by the variables adopted by the investment banks, stockbrokers and large corporate valuation companies is broadly consistent with our own assessment (albeit our own view is toward the high end of the range adopted by other valuers).

33 Whilst, prima-facie, recent lower interest rates globally have lowered the total equity return required by investors, based on our experience, such investors have not reduced their required rates of return by the full extent of the fall in risk-free rates. Accordingly, in our opinion, it is appropriate to adopt an MRP of 6.5% (toward the upper end of the empirical studies) when used in conjunction with our risk-free rate of 3.0% per annum.

34 Given the above, we consider that the risk-free rate and MRP adopted by us is reasonable and appropriate in the context of long-term required returns / discount rate assessments.

Equity beta

Description

35 Beta is a measure of the expected volatility of the return on an investment relative to the market as a whole. The CAPM assumes that beta is the only reason expected returns on an asset differ from the expected return on the market as a whole. A beta greater than 1.0 suggests that an investment's returns are expected to be more volatile and risky than average

(and accordingly a higher return than the market is required), whereas a beta less than 1.0 suggests that future returns will be less volatile and risky.

36 Similar to MRPs, expected equity betas are not observable. Historical betas are usually estimated and used as a reference to determine the appropriate forward-looking betas. In addition, factors such as betas of comparable companies and relevant industry sectors and a qualitative assessment of the systematic risks of the subject business are also considered. The determination of the appropriate beta to apply is, therefore, ultimately a matter of judgement.

Listed company betas

37 A summary of the equity betas of the Australian and New Zealand listed companies that provide telecommunications services are set out below.

Listed company betas

Company	Primary country of operation	Market cap(1) $m	Gearing(2) %	Beta(3)	R-squared(4)
Amaysim Australia Ltd	Australia	183	18.2%	0.36	0.01
Telstra Corp Ltd	Australia	33,063	36.9%	0.61	0.18
Spark New Zealand Ltd	New Zealand	7,921	17.1%	0.20	0.05
Chorus Ltd	New Zealand	3,520	40.7%	0.08	0.00
Vocus Group Ltd	Australia	2,212	33.8%	1.08	0.13
Macquarie Telecom Group Ltd	Australia	1,009	7.8%	0.97	0.23
MNF Group Ltd	Australia	388	1.2%	nm	0.00
Superloop Ltd	Australia	346	10.7%	1.40	0.21

Note:
1 As at 30 September 2020.
2 Gearing equals net debt divided by enterprise value.
3 Betas were obtained from Bloomberg and are based on four years of monthly returns to 30 September 2020.
4 R-squared is a statistical measure of how well the regression line approximates the real data points. It has a value between zero and 1.0. The closer r-squared is to 1.0 the more reliable the beta estimate.
nm – not meaningful.

---

38 The above betas vary widely reflecting differences in size, leverage and operational risks. The calculated beta estimates also vary depending on the index used and the period over which the beta is calculated. Individual stock betas are also generally less reliable than industry betas. As a result, it is important to also consider the related r-squared values shown above.

39 The r-squared value measures the reliability of the beta estimate, and ranges from zero (being not reliable) to 1.0 (highly reliable). As the above individual stock betas generally have low r-squared values we consider them to be of limited reliability for valuation purposes.

Industry betas

40 We have also considered beta estimates for the Australian telecommunications sector as well as the telecommunications sector in other regions. However, it should be noted that differences in the operating and regulatory environments in the international regions will impact the respective betas:

Sector index betas

Index	Number of companies	Beta	R-squared
S&P/ASX 300 Telecommunication Services Index	7	0.50	0.14
MSCI Telecoms Service Sector			
World – Diversified	33	0.60	0.49
World – Wireless	8	0.65	0.42
World – Small Cap	178	0.82	0.75
Asia Pacific	88	0.61	0.30
Europe	34	0.51	0.25
North America	46	0.76	0.36
		0.60	0.49
FTSE All World			
Fixed Line Teleco	45	0.53	0.43
Mobile Telecommunications	46	0.59	0.48
Dow Jones Telecommunications			
Global	116	0.64	0.55
Pacific excluding Japan	46	0.55	0.34
STOXX Europe 600 Telecommunications	24	0.44	0.21
S&P Telecom Select Industry Index (US)	43	0.88	0.60

Source: Bloomberg, based on four years of monthly returns to 30 September 2020.

41 As indicated above, the r-squared values of the industry betas are generally significantly higher than the individual stock betas, which indicates that they are more reliable.

Conclusion on beta

42 Having regard to the above, we have concluded that the beta for amaysim should be less than the market average beta of 1.0. Accordingly, we have adopted a beta estimate of 0.85 to 0.95 for amaysim Mobile.

Specific risk premium

43 A specific risk premium of 2.5% to 3.0% has been applied to the cost of equity calculated under CAPM to allow for the specific risks associated with amaysim Mobile (in particular small company and NSA renewal risks).

Gearing

44 The gearing level adopted should represent the level of debt that the business can reasonably sustain and is not necessarily equivalent to the gearing level of the entity owning the asset. The factors that affect the "optimum" level of gearing will differ between businesses. Generally, the major issues to address in determining this optimum level will include:

(a) the variability in earnings stream

(b) working capital requirements

(c) the level of investment in tangible assets

(d) the nature and risk profile of the tangible assets.

45 In general, the lower the expected volatility of cash flows (i.e. risk), the higher the debt levels which can be supported (and vice versa). Furthermore, as the equity beta is a function of both business risk and financial risk (being the level of financial leverage or gearing), it is important that the WACC calculation adopts a level of gearing which is consistent with the gearing ratios of the listed companies for which equity betas were used to assess the appropriate beta. If this is not done then, in theory, the equity beta would need to be adjusted to reflect the different level of gearing adopted. However, this adjustment is subject to considerable estimation error and is therefore not preferred. Consequently, when assessing the appropriate gearing level, it is appropriate to consider the gearing levels of "comparable" listed companies over the period over which the beta estimates were calculated.

46 As indicated in paragraph 37 of this Appendix, the gearing ratios of the listed Australian telecommunications companies are generally in the range of 20% to 40%.

47 Accordingly, for the purposes of our discount rate assessment we have adopted a gearing ratio of 15% debt to 85% equity. This gearing ratio also recognises the debt servicing capacity of amaysim notwithstanding the Company currently has a net cash position following the sale of its Energy business.

Cost of debt

48 A cost of debt of 5% per annum has been adopted for amaysim. This reflects a long-term borrowing margin of 2% above the risk-free rate. When forming this opinion, we have considered the terms of amaysim's current debt facility, pursuant to which amaysim pays an interest rate of 4.47%. Whilst the current interest rate on this debt facility is less than 5% per annum, the maturity profile of the facility is only between 1.5 and 2.5 years (as at 30 September 2020), with a weighted average term of 1.8 years.

Calculation of WACC for amaysim

49 Based on the above we have adopted a discount rate of 11.0% per annum (after tax) for amaysim. As stated above, in the current market environment (due to COVID-19) we believe that it is appropriate to adopt a discount rate at the top end of our assessed range:

Parameters	Low	High
Risk-free rate	3.0	3.0
MRP	6.5	6.5
Beta	0.85	0.95
Cost of equity before additional risk premium	8.5	9.2
Additional risk premium	2.5	3.0
Adjusted cost of equity	11.0	12.2
Debt margin (%)	2.0	2.0
Cost of pre-tax debt (%)	5.0	5.0
Tax rate	30.0	30.0
Cost of post-tax debt	3.5	3.5
Gearing	15.0%	15.0%
After tax nominal WACC	9.9	10.9

Impact of COVID-19

50 The COVID-19 pandemic has had a significant adverse impact on business and equity values in the broader market. In particular:

(a) the S&P/ASX 200 Index (which reached a record high on 20 February 2020) declined by 36.5% between 20 February 2020 and 23 March 2020[50], and then partially rebounded. As at 1 December 2020 the net effect is that the S&P/ASX 200 Index is some 8.0% below its high on 20 February 2020

(b) in response to the impact of COVID-19 and related social distancing / lock-down measures on the economy, the RBA lowered interest rates by 0.25% per annum on both 4 March 2020 and 20 March 2020 to a record low of 0.25% per annum

(c) credit risk margins spiked during March 2020, and currently remain at elevated levels for most borrowers (offsetting the significant reduction in interest rates). However, total borrowing costs for highly rated borrowers are now lower than they were prior to the March 2020 sell-off in equities markets, but remain elevated for lower rated borrowers, as indicated below:

50 Following increasing global cases of COVID-19, the World Health Organisation labelled the outbreak as a pandemic on 11 March 2020. As governments around the world put in place social distancing and lock-down measures in an effort to contain the virus, global markets were declining rapidly.

Appendix C

Changes in corporate bond spreads in 2020

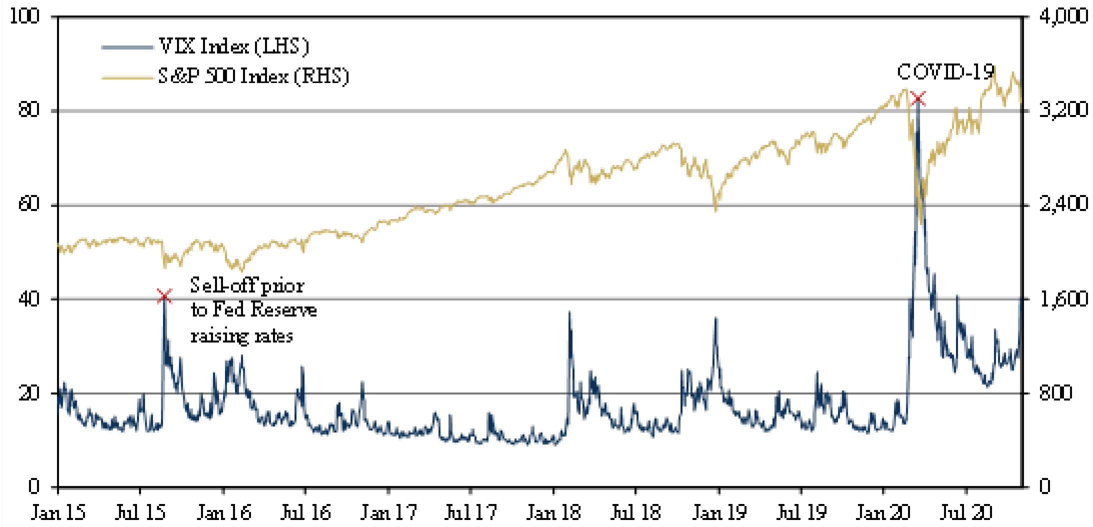
S&P bond rating	US corporate bond yields % 14 Feb	20 Mar	14 Aug	Spread over 10-year US Government bonds % 14 Feb	20 Mar	14 Aug	Change in default spread % Mar vs Feb	Aug vs Mar	Aug vs Feb
AAA	2.28	2.35	1.45	0.69	1.43	0.74	0.74	(0.69)	0.05
AA	2.31	3.56	1.47	0.72	2.64	0.76	1.92	(1.88)	0.04
A	2.39	4.07	1.62	0.80	3.15	0.91	2.35	(2.24)	0.11
BBB	2.92	4.65	2.39	1.33	3.73	1.68	2.40	(2.05)	0.35
BB	3.52	8.37	4.13	1.93	7.45	3.42	5.52	(4.03)	1.49
B	4.99	11.66	5.82	3.40	10.74	5.11	7.34	(5.63)	1.71
CCC or lower	11.24	18.73	12.60	9.65	17.81	11.89	8.16	(5.92)	2.24

Source: Damodaran (Aug 2020) *A Viral Market Update XIII.*

(d) the Chicago Board Options Exchange Volatility Index (VIX) in the United States of America (US) (which is a measure of the market's expectation of 30-day forward-looking volatility) surged in March 2020, and remains at slightly elevated levels as shown below:

VIX

1 January 2015 to 31 October 2020



Source: Bloomberg.

(e) those companies with high or excessive debt levels and/or large capital expenditure commitments have also been more negatively impacted than those with minimal or conservative debt levels and low capital expenditure commitments.

51 The significant equity market volatility reflects, inter-alia, the inherent uncertainty associated with the size of the economic impact of COVID-19, changing expectations about the size and duration of quantitative easing and other government initiatives and the timing of any subsequent recovery. Some market participants believe a relatively quick "V" shaped

recovery is likely, others believe the recovery is likely to be more of a "U" shape and some consider that consumer confidence will take a long time to recover and that the downturn will be more prolonged.

52 Importantly, the impact of COVID-19 on value has varied materially across industries, with businesses adversely impacted by the social distancing / lock-down restrictions (such as travel related businesses) most affected. However, given the increase in the VIX (which remains at elevated levels) it is reasonable to assume that required rates of return have increased.

53 Accordingly, for the purposes of my calculations we have adopted a discount rate of 11.0% per annum (being the high end of the discount rate range calculated above).

Appendix D

Glossary

Abbreviation	Definition
AASB 15	Australian Accounting Standard AASB 15 – *Revenue from Contracts with Customers*
AASB 16	Australian Accounting Standard AASB 16 – *Leases*
ACCC	Australian Competition and Consumer Commission
ADSL	Asymmetrical digital subscriber line
AER	Australian Energy Regulator
AFCA	Australian Financial Complaints Authority
amaysim / the Company	amaysim Australia Limited
amaysim Mobile	amaysim's mobile business
ARPU	Average revenue per user
ASIC	Australian Securities & Investments Commission
ASX	Australian Securities Exchange
AusBBS	Australian Broadband Services Pty Ltd
AYG	As you go
CAPM	Capital asset pricing model
CFO	Chief Financial Officer
CGB	Commonwealth Government bonds
Click Energy	Click Energy Group Holdings Pty Ltd
Competing Proposal	As defined in the SSA
Corporations Act	*Corporations Act 2001 (Cth)*
COVID-19	2019 novel coronavirus
DCF	Discounted cash flow
Distribution	The distribution of the sale proceeds of the Proposed Transaction to shareholders
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
EGM	Extraordinary General Meeting
Final Distribution	Remaining surplus funds of approximately $20.7 million to $38.4 million, or approximately $0.07 to $013 per share to be paid in or around October 2021
Forecast Period	The period to 30 June 2030
FSG	Financial Services Guide
FTE	Full time equivalent
FY	Financial year
GB	Gigabyte
GFC	Global financial crisis
HY	Financial half year
IER	Independent expert's report
Jeenee Mobile	Jeenee Communications Pty Ltd
LEA	Lonergan Edwards & Associates Limited
LTIP	Long term incentive plan
Major Distribution	Approximately $147.6 million or $0.50 per share to be paid in or around April 2021
Minor Distribution	Approximately $29.5 million or $0.10 per share to be paid in or around May 2021
MNO	Mobile network operator
Mobile Consideration	The consideration for amaysim Mobile
MRP	Market risk premium
MVNO	Mobile virtual network operator

Appendix D

Abbreviation	Definition
NBN	National Broadband Network
NPV	Net present value
NSA	Network Supply Agreement between Optus and amaysim beginning September 2010
NSW	New South Wales
Optus	Optus Mobile Pty Limited
OVO Mobile	My Mobile Data Pty Ltd
Proposed Transaction	The sale of amaysim Mobile to Optus for cash consideration of $250 million
RBA	Reserve Bank of Australia
Review Mechanism	As described in the NSA (see paragraph 138)
Review Mechanism Dispute	Dispute between amaysim and Optus regarding the Review Mechanism in the NSA
RG 111	Regulatory Guide 111 – *Content of expert reports*
SA	South Australia
SSA	Share Sale Agreement between amaysim and Optus
TGV	Investmentaktiengesellschaft fur langfristige Investoren TGV
TPG	TPG Telecom Limited
US	United States of America
Vaya	Vaya Pty Ltd
VHA / Vodafone	Vodafone Hutchison Australia Pty Ltd
VIX	Chicago Board Options Exchange Volatility Index
VWAP	Volume weighted average price
WACC	Weighted average cost of capital
WANOS	Weighted average number of shares outstanding

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AYS

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YOUR VOTE IS IMPORTANT

For your proxy appointment to be effective it must be received by **3:00pm (AEDT) Tuesday, 19 January 2021.**

Voting Form

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

VOTE DIRECTLY

Voting 100% of your holding: Mark either the For, Against or Abstain box opposite each item of business. Your vote will be invalid on an item if you do not mark any box OR you mark more than one box for that item.
Voting a portion of your holding: Indicate a portion of your voting rights by inserting the number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement.

APPOINTMENT OF PROXY

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on an item your vote will be invalid on that item.
Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.
Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

SIGNING INSTRUCTIONS FOR POSTAL FORMS

Individual: Where the holding is in one name, the securityholder must sign.
Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.
Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.
Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

PARTICIPATING IN THE MEETING

Corporate Representative
If a representative of a corporate securityholder or proxy is to participate in the meeting you will need to provide the appropriate “Appointment of Corporate Representative”. A form may be obtained from Computershare or online at www.investorcentre.com under the help tab, "Printable Forms".

Lodge your Form:

XX

Online:

Lodge your vote online at www.investorvote.com.au using your secure access information or use your mobile device to scan the personalised QR code.

Your secure access information is

Control Number: 999999
SRN/HIN: I9999999999
PIN: 99999

For Intermediary Online subscribers (custodians) go to www.intermediaryonline.com

By Mail:

Computershare Investor Services Pty Limited
GPO Box 242
Melbourne VIC 3001
Australia

By Fax:

1800 783 447 within Australia or
+61 3 9473 2555 outside Australia

PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

☐ **Change of address.** If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with '**X**') should advise their broker of any changes.

I 9999999999 IND

Voting Form

Please mark ☒ to indicate your directions

STEP 1 Indicate How your Vote will be Cast *Select one option only*

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At the Extraordinary General Meeting of amaysim Australia Limited to be held virtually on Thursday, 21 January 2021 at 3:00pm (AEDT) and at any adjournment or postponement of that meeting, I/We being member/s of amaysim Australia Limited direct the following:

1. Vote Directly

☐ Record my/our votes strictly in accordance with directions in Step 2.

PLEASE NOTE: A Direct Vote will take priority over the appointment of a Proxy. For a valid Direct Vote to be recorded you must mark FOR, AGAINST, or ABSTAIN on each item.

OR

2. Appoint a Proxy to Vote on Your Behalf: I/We hereby appoint

☐ **the Chairman of the Meeting** **OR** ________________

PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit).

STEP 2 Items of Business

PLEASE NOTE: If you have appointed a proxy and you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority. If you are directly voting and you mark the **Abstain** box for an item, it will be treated as though no vote has been cast on that item and no vote will be counted in computing the required majority.

		For	Against	Abstain
Resolution 1	Approval of disposal of main undertaking	☐	☐	☐
Resolution 2	Approval of return of capital	☐	☐	☐
Resolution 3	Delisting	☐	☐	☐

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business. In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

SIGN Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1	Securityholder 2	Securityholder 3
Sole Director and Sole Company Secretary	Director	Director/Company Secretary

Contact Name ________________ Contact Daytime Telephone ________________ Date ___ / ___ / ___

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Online meeting guide

Getting started

If you choose to participate online you will be able to view a live webcast of the meeting, ask the Directors questions online and submit your votes in real time. To participate online visit https://web.lumiagm.com on your smartphone, tablet or computer. You will need the latest versions of Chrome, Safari, Internet Explorer 11, Edge or Firefox. Please ensure your browser is compatible.

To log in, you must have the following information:

Meeting ID

Meeting ID as provided in the Notice of Meeting.

Australian residents

> **Username** (SRN or HIN) and

> **Password** (postcode of your registered address).

Overseas Residents

> **Username** (SRN or HIN) and

> **Password** (three-character country code) e.g. New Zealand - NZL; United Kingdom - GBR; United States of America - USA; Canada - CAN.

A full list of country codes is provided at the end of this guide.

Appointed Proxies

To receive your unique username and password, please contact Computershare Investor Services on +61 3 9415 4024 during the online registration period which will open 1 hour before the start of the meeting.

Please note that you will need to include the 'I' or the 'X' at the beginning of your SRN or HIN

Icon descriptions

Voting icon, used to vote. Only visible when the Chair opens the poll.

Home page icon, displays meeting information.

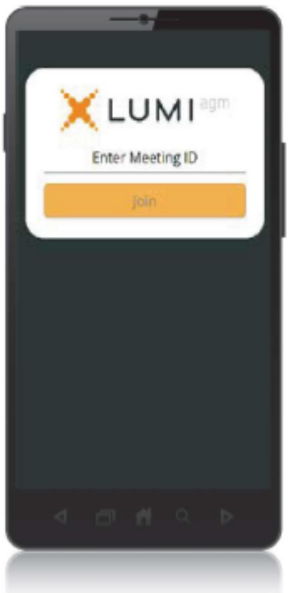
Questions icon, used to ask questions.

The broadcast bar allows you to view and listen to the proceedings.

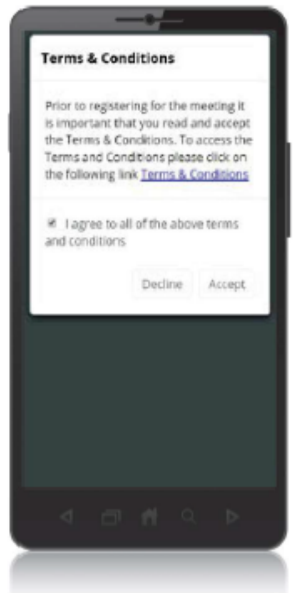
For Assistance
If you require assistance before or during the meeting please call +61 3 9415 4024

Participating at the meeting

1 To participate in the meeting you will be required to enter the unique 9-digit Meeting ID as provided in the Notice of Meeting.



2 To proceed into the meeting, you will need to read and accept the Terms & Conditions



3 **To register as a securityholder**, select 'Securityholder or Proxy' and enter your SRN or HIN and Postcode or Country Code.

4 **To register as a proxyholder**, select 'Securityholder or Proxy' and you will need your username and password as provided by Computershare. In the 'SRN or HIN' field enter your username and in the 'Postcode or Country Code' field enter your password.

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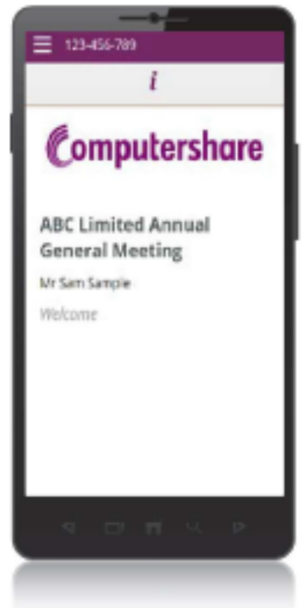
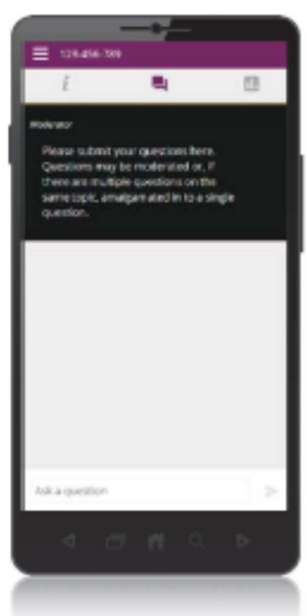
5 **To register as a guest**, select 'Guest' and enter your name and email address.

6 Once logged in, you will see the home page, which displays the meeting title and name of the registered securityholder or nominated proxy.



7 To view the webcast you must tap the broadcast arrow on your screen and press the play button. Toggle between the up and down arrow to switch between screens.

8 To ask a question tap on the question icon, type your question in the chat box at the bottom of the screen and select the send icon. Confirmation that your message has been received will appear.



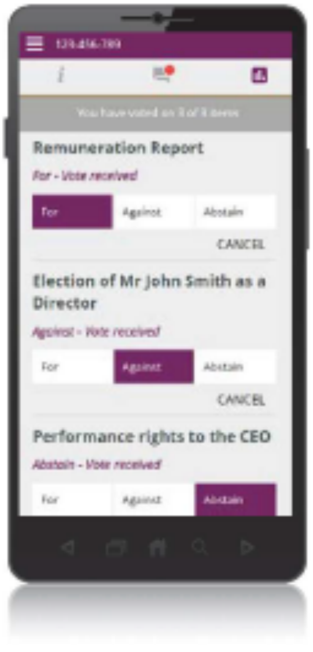
9 When the Chair declares the poll open:

> A voting icon will appear on screen and the meeting resolutions will be displayed

> To vote, tap one of the voting options. Your response will be highlighted

> To change your vote, simply press a different option to override

The number of items you have voted on or are yet to vote on, is displayed at the top of the screen. Votes may be changed up to the time the Chair closes the poll.



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COUNTRY CODES

Select your country code from the list below and enter it into the 'Postcode or Country Code' field.

ABW	ARUBA
AFG	AFGHANISTAN
AGO	ANGOLA
AIA	ANGUILLA
ALA	ALAND ISLANDS
ALB	ALBANIA
AND	ANDORRA
ANT	NETHERLANDS ANTILLES
ARE	UNITED ARAB EMIRATES
ARG	ARGENTINA
ARM	ARMENIA
ASM	AMERICAN SAMOA
ATA	ANTARCTICA
ATF	FRENCH SOUTHERN TERRITORIES
ATG	ANTIGUA AND BARBUDA
AUS	AUSTRALIA
AUT	AUSTRIA
AZE	AZERBAIJAN
BDI	BURUNDI
BEL	BELGIUM
BEN	BENIN
BFA	BURKINA FASO
BGD	BANGLADESH
BGR	BULGARIA
BHR	BAHRAIN
BHS	BAHAMAS
BIH	BOSNIA & HERZEGOVINA
BLM	ST BARTHELEMY
BLR	BELARUS
BLZ	BELIZE
BMU	BERMUDA
BOL	BOLIVIA
BRA	BRAZIL
BRB	BARBADOS
BRN	BRUNEI DARUSSALAM
BTN	BHUTAN
BUR	BURMA
BVT	BOUVET ISLAND
BWA	BOTSWANA
BLR	BELARUS
CAF	CENTRAL AFRICAN REPUBLIC
CAN	CANADA
CCK	COCOS (KEELING) ISLANDS
CHE	SWITZERLAND
CHL	CHILE
CHN	CHINA
CIV	COTE D'IVOIRE
CMR	CAMEROON
COD	CONGO DEMOCRATIC REPUBLIC OF
COG	CONGO PEOPLES REPUBLIC OF
COK	COOK ISLANDS COL COLOMBIA
COM	COMOROS
CPV	CAPE VERDE
CRI	COSTA RICA
CUB	CUBA
CXR	CHRISTMAS ISLAND
CYM	CAYMAN ISLANDS
CYP	CYPRUS
CZE	CZECH REPUBLIC
DEU	GERMANY
DJI	DJIBOUTI
DMA	DOMINICA
DNK	DENMARK
DOM	DOMINICAN REPUBLIC
DZA	ALGERIA
ECU	ECUADOR
EGY	EGYPT
ERI	ERITREA
ESH	WESTERN SAHARA
ESP	SPAIN
EST	ESTONIA
ETH	ETHIOPIA
FIN	FINLAND
FJI	FIJI
FLK	FALKLAND ISLANDS (MALVINAS)
FRA	FRANCE
FRO	FAROE ISLANDS
FSM	MICRONESIA
GAB	GABON
GBR	UNITED KINGDOM
GEO	GEORGIA
GGY	GUERNSEY
GHA	GHANA
GIB	GIBRALTAR
GIN	GUINEA
GLP	GUADELOUPE
GMB	GAMBIA
GNB	GUINEA-BISSAU
GNQ	EQUATORIAL GUINEA
GRC	GREECE
GRD	GRENADA
GRL	GREENLAND
GTM	GUATEMALA
GUF	FRENCH GUIANA
GUM	GUAM
GUY	GUYANA
HKG	HONG KONG
HMD	HEARD AND MCDONALD ISLANDS
HND	HONDURAS
HRV	CROATIA
HTI	HAITI
HUN	HUNGARY
IDN	INDONESIA
IMN	ISLE OF MAN
IND	INDIA
IOT	BRITISH INDIAN OCEAN TERRITORY
IRL	IRELAND
IRN	IRAN ISLAMIC REPUBLIC OF
IRQ	IRAQ
ISL	ICELAND
ISM	BRITISH ISLES
ISR	ISRAEL
ITA	ITALY
JAM	JAMAICA
JEY	JERSEY
JOR	JORDAN
JPN	JAPAN
KAZ	KAZAKHSTAN
KEN	KENYA
KGZ	KYRGYZSTAN
KHM	CAMBODIA
KIR	KIRIBATI
KNA	ST KITTS AND NEVIS
KOR	KOREA REPUBLIC OF
KWT	KUWAIT
LAO	LAO PDR
LBN	LEBANON
LBR	LIBERIA
LBY	LIBYAN ARAB JAMAHIRIYA
LCA	ST LUCIA
LIE	LIECHTENSTEIN
LKA	SRI LANKA
LSO	LESOTHO
LTU	LITHUANIA
LUX	LUXEMBOURG
LVA	LATVIA
MAC	MACAO
MAF	ST MARTIN
MAR	MOROCCO
MCO	MONACO
MDA	MOLDOVA REPUBLIC OF
MDG	MADAGASCAR
MDV	MALDIVES
MEX	MEXICO
MHL	MARSHALL ISLANDS
MKD	MACEDONIA FORMER YUGOSLAV REP
MLI	MALI
MLT	MALTA
MMR	MYANMAR
MNE	MONTENEGRO
MNG	MONGOLIA
MNP	NORTHERN MARIANA ISLANDS
MOZ	MOZAMBIQUE
MRT	MAURITANIA
MSR	MONTSERRAT
MTQ	MARTINIQUE
MUS	MAURITIUS
MWI	MALAWI
MYS	MALAYSIA
MYT	MAYOTTE
NAM	NAMIBIA
NCL	NEW CALEDONIA
NER	NIGER
NFK	NORFOLK ISLAND
NGA	NIGERIA
NIC	NICARAGUA
NIU	NIUE
NLD	NETHERLANDS
NOR	NORWAY
PL	NEPAL
NRU	NAURU
NZL	NEW ZEALAND
OMN	OMAN
PAK	PAKISTAN
PAN	PANAMA
PCN	PITCAIRN ISLANDS
PER	PERU
PHL	PHILIPPINES
PLW	PALAU
PNG	PAPUA NEW GUINEA
POL	POLAND
PRI	PUERTO RICO
PRK	KOREA DEM PEOPLES REPUBLIC OF
PRT	PORTUGAL
PRY	PARAGUAY
PSE	PALESTINIAN TERRITORY OCCUPIED
PYF	FRENCH POLYNESIA
QAT	QATARPL NEPAL
NRU	NAURU
NZL	NEW ZEALAND
OMN	OMAN
PAK	PAKISTAN
PAN	PANAMA
PCN	PITCAIRN ISLANDS
PER	PERU
PHL	PHILIPPINES
PLW	PALAU
PNG	PAPUA NEW GUINEA
POL	POLAND
PRI	PUERTO RICO
PRK	KOREA DEM PEOPLES REPUBLIC OF
PRT	PORTUGAL
PRY	PARAGUAY
PSE	PALESTINIAN TERRITORY OCCUPIED
PYF	FRENCH POLYNESIA
QAT	QATAR
REU	REUNION
ROU	ROMANIA
RUS	RUSSIAN FEDERATION
RWA	RWANDA
SAU	SAUDI ARABIA KINGDOM OF
SCG	SERBIA AND MONTENEGRO
SDN	SUDAN
SEN	SENEGAL
SGP	SINGAPORE
SGS	STH GEORGIA & STH SANDWICH ISL
SHN	ST HELENA
SJM	SVALBARD & JAN MAYEN
SLB	SOLOMON ISLANDS
SLE	SIERRA LEONE
SLV	EL SALVADOR
SMR	SAN MARINO
SOM	SOMALIA
SPM	ST PIERRE AND MIQUELON
SRB	SERBIA
STP	SAO TOME AND PRINCIPE
SUR	SURINAME
SVK	SLOVAKIA
SVN	SLOVENIA
SWE	SWEDEN
SWZ	SWAZILAND
SYC	SEYCHELLES
SYR	SYRIAN ARAB REPUBLIC
TCA	TURKS AND CAICOS ISLANDS
TCD	CHAD
TGO	TOGO
THA	THAILAND
TJK	TAJIKISTAN
TKL	TOKELAU
TKM	TURKMENISTAN
TLS	EAST TIMOR DEMOCRATIC REP OF
TMP	EAST TIMOR
TON	TONGA
TTO	TRINIDAD & TOBAGO
TKM	TURKMENISTAN
TLS	EAST TIMOR DEMOCRATIC REP OF
TMP	EAST TIMOR
TON	TONGA
TTO	TRINIDAD & TOBAGO
TZA	TANZANIA UNITED REPUBLIC OF
UGA	UGANDA
UKR	UKRAINE
UMI	UNITED STATES MINOR OUTLYING
URY	URUGUAY
USA	UNITED STATES OF AMERICA
UZB	UZBEKISTAN
VAT	HOLY SEE (VATICAN CITY STATE)
VCT	ST VINCENT & THE GRENADINES
VEN	VENEZUELA
VGB	BRITISH VIRGIN ISLANDS
VIR	US VIRGIN ISLANDS
VNM	VIETNAM
VUT	VANUATU
WLF	WALLIS AND FUTUNA
WSM	SAMOA
YEM	YEMEN
YMD	YEMEN DEMOCRATIC
YUG	YUGOSLAVIA SOCIALIST FED REP
ZAF	SOUTH AFRICA
ZAR	ZAIRE
ZMB	ZAMBIA
ZWE	ZIMBABWE