

Gentrack

GENTRACK GROUP LTD (GTK) ACQUISITION OF JUNIFER

28 MARCH 2017

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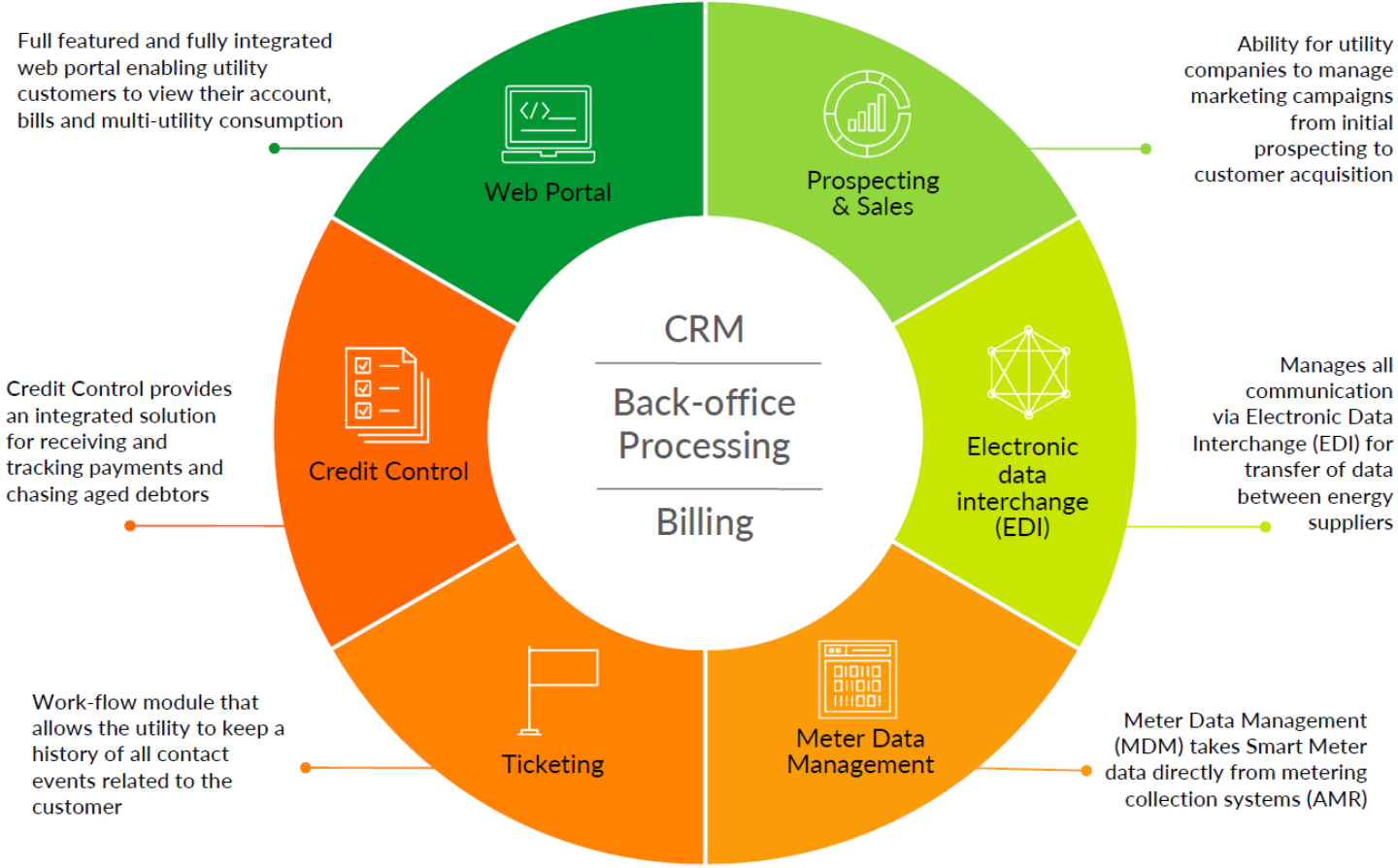
TRANSACTION OVERVIEW_

- Gentrack has entered an unconditional agreement to acquire Junifer Systems Ltd ("Junifer") for an Enterprise Value of NZ\$74.6m (£42.0m)
- Junifer is a market leading utility Customer Information and Billing system provider for energy retailers in the UK with 25 existing customers
- Combined with Gentrack, the Group will be a market leader for billing and customer management for energy and water utilities in the UK
- The management of Junifer will join the Gentrack UK management team to lead the combined business in the UK
- The acquisition is to be funded via:
 - NZ\$35.5m (£20m) placement to HgCapital (a leading investor in application software businesses) at NZ\$3.72 per share
 - NZ\$5.3m (£3m) placement to Junifer vendors (who are ongoing managers) at NZ\$3.65 per share
 - Remainder to be funded via new bank debt and cash
- Gentrack expects the acquisition to be accretive in FY2017 and to drive increased growth in earnings in FY2018 and beyond
- Settlement is expected to occur on 1 April 2017

OVERVIEW OF JUNIFER SYSTEMS_

- Market leading provider of customer information and billing software to utilities in the UK
- Since going live with its first energy supplier in 2012, Junifer has grown its customer base to 25 utility customers
- Junifer's technology provides new independent utilities with a cost effective, pre-configured SAAS solution to support market entry
 - End-to-end lifecycle product management software: integrated customer on-boarding, registration, billing and collection processing
 - Multi-utility capabilities covering energy (electricity and gas), water and telecommunications
 - Product designed for residential, SME and commercial and industrial customers
- The three founders and three key executives of Junifer are all investing in Gentrack and will remain as part of the management team for the combined UK business

JUNIFER UTILITY LIFE-CYCLE MANAGEMENT SOLUTION



STRATEGIC RATIONALE_

- This acquisition positions Gentrack as a leader in the UK for utility billing and customer information systems
 - Junifer has grown rapidly to establish itself as a leading solution for start up utilities in the UK
 - Combined with Gentrack, the Group has 32 out of 50 energy utilities in the UK - predominantly outside the "Big 6" large incumbent retailers
- Immediately delivers Gentrack a full range of product functionality from SAAS billing for new entrant energy and water retailers, to cloud hosted and on premise solutions for the largest utilities
 - the combined product offering of Gentrack Velocity and Junifer CIS is well positioned for the continuing growth of Independent energy retailers, smart metering and new utility business models, and the introduction of retail competition for commercial and industrial water consumers
 - Independent retailers in the UK are expected to grow their market share from c.15% currently to c.30% by 2020¹
- Junifer has a largely SAAS model with 55% recurring revenue
- Gentrack will take Junifer CIS into other markets as a cost effective preconfigured solution for new entrant and SME retailers
 - Junifer CIS has already been adapted for the New Zealand market

FINANCIAL IMPACT_

- Junifer is forecast to achieve revenue of £10.8m and EBITDA of £4.2m in the 2017 calendar year¹
- Junifer will contribute approximately six months earnings to Gentrack in FY2017
 - acquisition settlement is expected to occur on 1 April 2017
- Gentrack expects the acquisition to be earnings per share accretive in FY2017, and to drive increased growth in earnings in FY2018 and beyond
- On a Pro Forma basis, assuming Gentrack had owned Junifer for the entire FY2017 period, it estimates the acquisition would be approximately 10% earnings per share accretive
- Gentrack (excluding Junifer) re-iterates its long term guidance of 10%+ revenue and EBITDA growth, albeit results may be impacted by the timing of projects

TRANSACTION FINANCING

- Enterprise value of NZ\$74.6m (£42.0m) represents 10x EV / CY2017 EBITDA²
- The Junifer acquisition will be funded by:
 - a placement of NZ\$35.5m to HgCapital at NZ\$3.72 per share (2% premium to the 5-day VWAP³) which will equate to 11.4% of Gentrack shares following the transaction
 - a placement of NZ\$5.3m to Junifer vendors at NZ\$3.65 per share (the 5-day VWAP³)
 - NZ\$30.2m drawdown of debt facilities
 - NZ\$8.0m cash
- Gentrack has arranged a debt facility of NZ\$42.5m through ASB bank and a NZ\$5m working capital facility
 - the NZ\$30.2m of debt will be drawn in GBP (£17m) to form a natural hedge against increased UK assets and earnings

Enterprise value	£42.0m / NZ\$74.6m
Purchase price ⁴	£44.0m / NZ\$78.1m
Sources	
Placement to HgCapital (£20m)	NZ\$35.5m
Junifer vendors (£3m)	NZ\$5.3m
New debt (£17m)	NZ\$30.2m
Cash (£4.5m)	NZ\$8.0m
Total	NZ\$79.0m
Uses	
Enterprise value (£42m)	NZ\$74.6m
Cash acquired (£2m)	NZ\$3.5m
Transaction costs (estimated)	NZ\$0.9m
Total	NZ\$79.0m

Notes

1. Based on the NZD/GBP foreign exchange rate of 0.5632
2. Different to Gentrack's financial year end of 30 September 2017
3. 5-day VWAP calculated at Monday 27 March
4. Excluding estimated transaction costs of NZ\$0.9m

OVERVIEW OF HgCAPITAL_

- HgCapital is a leading global investor in application software businesses, with c. £9bn in funds under management
- It has invested in more than 25 "platform" software businesses and more than 200 "bolt-on" acquisitions over the last 20 years
- It has deep investment expertise in renewable energy, smart energy management and utility billing software
- HgCapital's Senior Partner, Nic Humphries, led the investment and will join the Gentrack Board from 27 April 2017

TIMETABLE_

Announcement	28 March 2017
HgCapital placement settlement	30 March 2017
Junifer vendor placement settlement	1 April 2017
Junifer acquisition settlement	1 April 2017

- The Junifer vendors have agreed to a 24-month voluntary escrow arrangement which restricts them from trading their shares before 1 April 2019