

ASX ANNOUNCEMENT | MANALTO LIMITED

20 April 2017

\$2.5 MILLION PLACEMENT AND PROPOSED ACQUISITION OF BAMBU DIGITAL

Highlights

- Binding term sheet executed to acquire Bambu Digital – developer of business productivity software
- Acquisition will create a broad based software development house and distributor of business software products
- Bambu will bring key executive expertise and synergistic SME products to Manalto with further products scheduled for release in near-term
- \$2.5 million placement being undertaken
- Merger Implementation Plan underway to rapidly unlock key synergies between the groups and go-to-market strategies
- Manalto shares to recommence trading on ASX

MANALTO TO ACQUIRE BAMBU DIGITAL

Manalto Limited (**Manalto / the Company**) is pleased to announce that it has signed a binding Terms Sheet (**Terms Sheet**) to acquire control of the assets of Bambu Digital Pty Ltd (and its group entities) (**Bambu**). Bambu is a developer of business software solutions providing strategy, marketing, finance and human resource software to SME and mid cap businesses around the world. The merger of the business will create a broad-based software development house focused on delivering business solutions for SME businesses around the world.

Bambu is a company associated with, and controlled by, the Company's Chairman Mr Jim McKerlie. The transaction is intended to proceed by way of an acquisition of Bambu but may also involve a direct acquisition of certain assets within the Bambu group (together referred to as the **Acquisition**).

The Terms Sheet remains subject to various conditions precedent, including entry into a formal agreement, completion of due diligence and receipt of shareholder, regulatory and third-party consents and approvals (including approvals under the ASX Listing Rules and the Corporations Act).

The Board of Manalto provided the following statement: *"The proposed acquisition of Bambu and the fundraising represents a major step forward for Manalto. Bambu brings an extensive suite of business productivity software and expertise which complement and will significantly expand and strengthen Manalto's product offering. The combined group as a significant supplier of business software solutions via the cloud will have a more compelling offering. The capital raising ensures the Company is well capitalised for the next stage of its development and growth."*

COMBINED BUSINESS BENEFITS

The acquisition of Bambu and the combination with Manalto creates many strategic and operational advantages for the Company including:

- A significant increase in the number of SaaS products to be sold through cloud distribution channels. Bambu has in excess of 20 software products that have been successfully sold to global SME markets for 20 years plus a raft of relevant content for this market.
- The development of a business solution centre cloud, offering unified products where a user can buy one or many products.
- Integration of leading performance management software into the Manalto Enterprise product making it a class leader and increasing its attractiveness to business with distributed brand management challenges eg franchises.
- Addition of strong Microsoft capabilities where Bambu product have been extensively integrated with Microsoft products and are required by the Company for product integrations.
- Increase sales and marketing capability and customer understanding based on 20 years' international software sales experience.
- An offshore development centre (ODC) in Indonesia to complement the Company's South African ODC.
- The Company will have a sales and marketing office in Australia to service existing and new clients
- Extension of the Company's global footprint into Asia with a presence in the region for ten years.

CAPITAL RAISING

Manalto has received binding commitments for \$2.5 million through a placement of shares at 2c per share to sophisticated and institutional investors (**Placement**). EverBlu Capital Pty Ltd acted as Lead Manager to the Placement.

The shares issued under the Placement will be issued over two tranches with 30,500,000 shares (\$610,000) issued in tranche 1 without shareholder approval and 94,500,000 shares (\$1,890,000) issued in tranche 2 pending approval of shareholders to be sought at an extraordinary general meeting of the Company proposed to be held in June 2017 (**Proposed EGM**).

It is intended that funds raised from the Placement (after costs) will substantially be applied to the development of the Company's existing software products and to meeting the Company's working capital and administrative costs including costs associated with implementing the Acquisition.

Appendix 3B's for the issue of the tranche 1 Placement shares are expected to be issued progressively over the coming days. The initial Appendix 3B will also include an issue of 425,000 convertible notes issued at \$1 per convertible note and convertible to ordinary shares at a conversion price of \$0.04 (4 cents), together with 8,500,000 ordinary shares (issued as a fee to convertible note investors on the basis of 20 fee shares for every note subscribed). The convertible notes (and fee shares) were issued to sophisticated and institutional investors. The convertible note issue was completed to provide bridging funding while the Company sought to implement the Placement and progress negotiations for the proposed Acquisition. The Company has also agreed to issue 25 free-attaching options to the convertible note investors for each \$1 convertible note subscribed (the option will have a \$0.07 (7 cent) exercise price and expire 12 months from the date of issue). Conversion of the convertible notes and issue of the free-attaching options is subject to shareholder approval which will be sought at the Proposed EGM.

The Company will also be lodging a Prospectus to qualify the shares referred to above for secondary trading. The Prospectus will contain details of the impact and effect of those issues on the capital structure of the Company.

ABOUT BAMBU

Bambu is a developer of business software solutions providing strategy, marketing, finance and human resource software to SME and mid cap businesses around the world. Its solution suite is offered as a business productivity centre and it has played a significant role in the digital transformation for its client base.

The Australian based business was established 1992, and in 1994 expanded operations to North America and the United Kingdom. The channel to the SME and mid cap market was through accounting and consulting firms who were trained in the use of the business productivity methodology and support software who then supplied this to their clients. Bambu's offering is substantially desktop based software but still uses a monthly subscription pricing model identical to Software as a Service (SaaS) pricing. It continues to have revenue from sales of the existing products.

In 2012, Bambu commenced developing new SaaS offerings and converted some of its existing products to SaaS platform. The new SaaS products are scheduled for market release from Q2 2017, with regular releases of new product over the next two years.

Bambu has an extensive product suite and a vast library of content. Its business model is to bundle software with content and provide the appropriate level of training (increasingly online) so that users are fully engaged and do not churn.

Jim McKerlie has been an executive of Bambu for nearly 20 years and was the architect of the creation and development of its product suite. Bambu has strong management in the product development and marketing areas and has had an offshore development centre in Indonesia for 10 years. It has direct to market distribution channels in North America, Australia and the UK.

KEY ACQUISITION TERMS

The consideration payable by the Company to Bambu and/or the Bambu shareholders (being entities associated with Mr Jim McKerlie, the Company's Executive Chairman) (**Bambu Vendors**) is to be satisfied through the issue of 100,000,000 fully paid ordinary shares and a total of 150,000,000 performance shares convertible into fully paid ordinary shares upon the achievement of certain milestones:

- 50,000,000 converting upon any one of the Bambu performance management software products becoming cloud compliant¹ or being integrated into an existing Manalto product that is cloud compliant;
- 50,000,000 converting upon the Company achieving annualised revenues of \$1.5m, based on four times quarterly revenue as reported in the Company's Appendix 4C Quarterly Report; and
- 50,000,000 converting upon the Company achieving annualised revenues of \$3.5m, based on four times quarterly revenue as reported in the Company's Appendix 4C Quarterly Report.

¹ For the purposes of the Terms Sheet, 'cloud compliant' means the product or combined product either: (i) is certified by either Odin or AppDirect for deployment through their respective cloud platform and Manalto has executed an agreement integrating the product with a third-party retail cloud store; or (ii) has achieved sales through the existing Bambu cloud channel as a SaaS product.

Milestones must be achieved by 30 June 2019, with any remaining performance shares that have not converted to fully paid ordinary shares lapsing on that date.

The issue of consideration securities will be subject to shareholder approval to be sought at the Proposed EGM. The notice of meeting seeking approval for the Acquisition will contain an independent expert's assessment of whether the Acquisition is fair and reasonable to non-associated shareholders of the Company.

The Acquisition remains subject to, and conditional upon, each of the following:

- The parties satisfactorily completing due diligence investigations for the purposes of assessing the feasibility and suitability of the Acquisition within 60 days of execution of the Terms Sheet.
- The Company, Bambu and the Bambu Vendors (where required) entering formal documentation in respect of the Acquisition within 60 days of execution of the Terms Sheet. The formal documentation is to be on terms consistent with the Terms Sheet and otherwise contain terms typical to similar agreements, including representations and warranties from Bambu Vendors. Bambu is to procure execution of formal documentation by any Bambu Vendor not a party to the Terms Sheet.
- The Company obtaining all necessary shareholder, third party and regulatory approvals, waivers or consents necessary for implementation of the Acquisition and the ancillary transactions and corporate actions contemplated in the Terms Sheet, including approvals required under the ASX Listing Rules and Corporations Act by no later than 120 days from execution of the Terms Sheet.
- The Company raising not less than \$2 million under the Placement.
- There having been no event, occurrence or change after the date of execution of the Terms Sheet which has had or is reasonably likely to have a material adverse effect on Manalto, Bambu or the proposed Acquisition.

MERGER IMPLEMENTATION PLAN AND SYNERGIES

A detailed Merger Implementation Plan is currently being developed to seek to ensure that the Acquisition is pursued and implemented in a manner which minimises interruption to, and maximises the benefit of synergies between, the businesses of the Company and Bambu. As noted above, synergies have been identified and will be utilised for example Bambu has strong Microsoft integration capabilities and the Company is in the process of a major integration with Microsoft.

On completion of the Acquisition, Jim McKerlie will continue as Executive Chairman of the combined entity. Anthony Owen has stepped down as managing Director (as announced on 7 April 2017) but remains as an advisor to the Company ensuring continuity particularly of relationship with the cloud partners. No other changes to the Board are contemplated.

EFFECT ON THE COMPANY AND RISKS

Based on the Company's initial investigations, the direct and immediate effect of the proposed Acquisition on the consolidated financial position of the Company is expected to be marginal (save for adjustments to equity resulting from the issue of the consideration securities). Bambu has in recent years operated at break-even whilst it was developing new SaaS products, although it reported a modest profit (\$97,000 before tax, with revenues of approximately \$600,000) for FY 2016 (unaudited management accounts) which, on a consolidated basis, would have had only a minimal impact on the reported loss of the Company.

As noted earlier in this announcement, the Company has identified a number of synergies and potential benefits associated with the merger of the Bambu and Manalto businesses which both operate a substantially similar business model, being the sale of business management/productivity software on a SaaS model directly or through cloud-based distribution networks. There is the potential for the Manalto and Bambu software products to be integrated and sold together as a whole-of-business solution through the existing distribution networks which the Company has established.

Given the similarities between the business models of the Company and Bambu, the risks associated with the Bambu business are anticipated to be substantially similar to those to which the Company is currently exposed.

The Company will provide further information regarding Bambu and the Bambu business in the notice of meeting to be issued to seek shareholder approval for the proposed Acquisition. The notice of meeting will include an independent expert's assessment of whether the Acquisition is fair and reasonable to non-associated shareholders of the Company.

The Company will provide further updates as the Acquisition and capital raising progress.

REINSTATEMENT OF MANALTO TO TRADING ON ASX

The Company will be reinstated to trading on ASX with effect from the release of this announcement with trading to commence at market-open on 20 April 2017.

The Company confirms that it is in compliance with ASX Listing Rule 3.1.

ENDS

About Manalto Limited

Manalto Limited (MTL.ASX) is a U.S. based global provider of cloud social media management solutions. Manalto's proprietary software delivers capability for the streamlined management of social media at scale – including controls to support organisational brand management, reputational risk management and efficiency in managing users, community engagement and analytics. An enterprise can centrally publish content and update brand assets across **hundreds of its organisation's social media pages** spanning multiple platforms – in just one click. Manalto offers a **direct-to-market Enterprise Solution and a Business Application for Channel Partners to offer to SME's – 'Sóshlr'**. Manalto is headquartered in Washington, D.C. with offices in the Netherlands, Australia and South Africa, and supports channel partners and customers globally.

For further information visit manalto.com

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