

Acquisition of Utility Software Services Pty Ltd and announcement of placement

Highlights:

- *ApplyDirect has announced today the signing of transaction documents for the proposed acquisition of Utility Software Services Pty Ltd (USS) (Acquisition). USS is a SaaS platform provider with particular expertise in the energy retail market. It also offers specialised consulting and Business Process Outsourcing services to this market.*
- *The share sale agreement provides for USS to be acquired for \$3.588 million (with \$850,000 in retained cash) in an all scrip offer comprising the issue of approximately 132.9 million new ApplyDirect shares. The Acquisition will be subject to approval by ApplyDirect's shareholders.*
- *The Acquisition is expected to provide a number of benefits to ApplyDirect, including adding a significant revenue stream and providing important access to cost savings and synergies, both of which should accelerate the path to breakeven.*
- *In light of recent positive developments for ApplyDirect, the directors considered it an appropriate time to undertake a further placement for general working capital purposes. As such, ApplyDirect is pleased to announce that it has received firm commitments to raise approximately \$1.0 million via the issue of 35.74 million fully paid ordinary shares in the Company.*

3 January 2019: ApplyDirect Limited (ASX: AD1) (**ApplyDirect** or the **Company**) announces that it has executed the share sale agreement in relation to the acquisition of all the shares in Utility Software Services Pty Ltd (**USS**) (**Acquisition**) and received binding commitments for approximately \$1.0 million capital raising by way of placement of new fully paid ordinary shares in the Company.

Acquisition

ApplyDirect has executed transaction documents including a share sale agreement with USS in relation to the Acquisition (**SSA**), under which ApplyDirect has contracted to acquire 100% of the issued share capital of USS.

Key commercial terms and conditions

The key commercial terms of the Acquisition under the SSA include the following:

- the Acquisition is subject to ApplyDirect shareholder approval for the purposes of the Corporations Act and the ASX Listing Rules and other customary conditions;
- purchase price of USS of \$3.588 million;

- retained cash in USS at completion of the Acquisition of \$850,000 to fund the business, including its required working capital; and
- consideration for USS payable entirely by way of issue of approximately 132.9 million new fully paid ordinary shares in ApplyDirect to USS shareholders at an effective price of \$0.027 per share.

The implementation of the Proposed Acquisition is conditional on:

- an independent expert's report concluding that the Acquisition is 'fair and reasonable to', 'not fair but reasonable to' or 'in the best interests of' ApplyDirect's non-associated shareholders;
- ApplyDirect holding an extraordinary general meeting and its shareholders approving the Acquisition;
- any other third party or regulatory approvals or consents (including from ASX and ASIC) required or desired to be obtained in connection with the Acquisition are obtained on terms satisfactory to ApplyDirect; and
- there being no material breach of warranty and no material adverse change to the business of USS or any part of the business of USS prior to completion of the Acquisition.

The shareholders of USS will be issued (in aggregate) such number of ApplyDirect's shares as is equal to approximately 35% of the enlarged ApplyDirect (excluding the impact of the Placement referred to below).

Strategic rationale and benefits of the Acquisition

Like ApplyDirect, USS is a SaaS platform provider, with similar people and technology infrastructure. The Acquisition will provide ApplyDirect with important technical capability to support the extension of its SaaS platform technology and digital services to large ecosystems. More specifically, the Acquisition is underpinned by compelling rationale that enables ApplyDirect to:

- access important cost savings and synergies that should reduce its drain on working capital;
- accelerate execution of its technology roadmap, particularly the 'employment ecosystems' required for its Institutional Corporate customers;
- focus its resources on high yielding revenue, pruning the customer base where necessary to achieve this outcome;
- incorporate a significant and diversified annual revenue stream of ~\$4 million; and
- accelerate the pathway to breakeven.

Further to the capital management program foreshadowed in the 2018 AGM Chairman's Address to Shareholders, management has already commenced execution, with particular emphasis on revenue contribution. As such, it is noted that ApplyDirect's contract with Dialog Pty Ltd has been terminated. Management will continue the execution of this program and keep the market informed as necessary.

Placement

The Company has also obtained firm commitments for approximately \$1.0 million capital raising by way of a placement of new fully paid ordinary shares in the Company to Michael Norster (director of ApplyDirect) and his associates (**Placement**).

Proceeds from the Placement will primarily be used for general working capital requirements.

The Placement consisted of the issue of approximately 35.74 million fully paid ordinary shares to Michael Norster and his Associates at an issue price per share of \$0.027 to raise approximately \$1.0 million. Completion of the Placement is subject to shareholder approval.

Shareholder Approval

If the Acquisition completes under the SSA and the Placement receives shareholder approval, Michael Norster will have a relevant interest in ApplyDirect of 46.62%. As such, shareholder approval for the purposes of the Corporations Act and (if required) the ASX Listing Rules will be sought from the shareholders of ApplyDirect for the Acquisition and Placement at a general meeting of ApplyDirect's shareholders (EGM).

The Company is currently drafting the notice of EGM (NoM) to consider these approvals and the NoM will be accompanied by an independent expert's report.

ApplyDirect is currently targeting a release of the NoM in late January to early February with a view to holding the EGM in late February to early March.

Chief Executive Officer

The Company notes that current CEO Lorcan Barden will leave the Company and vacate his position as CEO, following the Acquisition. The proposed exit date for Mr Barden will be 1 March 2019. ApplyDirect founder Bryan Petereit will become the new CEO of the Company following Mr Barden's departure.

ApplyDirect CEO, Lorcan Barden said: "It has been a privilege to lead ApplyDirect for over two years. The period has seen some profound changes to the industry landscape. Thanks to the hard work and perseverance of the entire team over this challenging period, ApplyDirect has a relevant and compelling value proposition that is underpinned by a marquee customer base. These foundations, combined with the benefits of the USS transaction, should provide the Company with both the capability and capital to deliver long term shareholder value."

ApplyDirect Chairman, Michael Kay said: "On behalf of the Board I would like to thank Lorcan for his energy and insight in the transformation of ApplyDirect over the past two years. He leaves it well placed for the future and with the USS/AD1 combination and capital raise, there is the opportunity to build the business and realise its potential.



“I would also like to welcome Bryan to the role of CEO of the combined business. Bryan is the founder of ApplyDirect and with his background and the benefit of working closely with Lorcan over the past two years, the Board is confident he is the right person to lead us into the future.”

ApplyDirect founder, Bryan Petereit said: "I'd like to thank Lorcan for the level of commitment and energy that he has given the business and also for his efforts in reshaping the business. I look forward with anticipation to running the new business and taking advantage of the opportunities available to us."

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Bryan Petereit

Founder

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Lorcan Barden

CEO

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