



8 September 2022

Letter to Shareholders

Nitro Software Limited (ASX:NTO) ('Nitro' or the 'Company'), refers to its Announcement released to the ASX on 31 August 2022.

In accordance with ASX Listing Rule 3.17, please find attached a copy of a letter being sent to shareholders today in relation to the Nitro Board's unanimous rejection of the unsolicited, highly conditional and non-binding indicative proposal from the Potentia Consortium.

Ends

Authorised for release to the ASX by the Board of Directors

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Chairman's Letter

Dear Shareholder,

As you may be aware, on 30 August 2022 Nitro Software Limited (ASX: NTO) (**Nitro** or the **Company**) received an unsolicited, highly conditional and non-binding indicative proposal from the Australian-based private equity firm, Potentia Capital Management, together with its co-investor, the US-based private equity firm HarbourVest Partners, LLC (together, the **Potentia Consortium**).

Under the terms of the proposal, the Potentia Consortium was seeking to acquire 100% of the issued share capital of Nitro at A\$1.58 cash per share (**Indicative Proposal**).

As Chairman of Nitro, I would like to take this opportunity to explain why the Indicative Proposal significantly undervalues Nitro and was therefore **unanimously rejected by the Board as not being in the best interests of shareholders.**

Reasons for Unanimously Rejecting the Indicative Proposal

The Board's strong belief is that the timing of the approach by the Potentia Consortium is highly opportunistic and comes during a period of significant share market volatility and cyclical weakness in global technology company valuations. This had been reflected in the Company's recently depressed share price.

The Indicative Proposal represents a 61% discount to Nitro's 52-week high trading price of A\$4.00 on 17 November 2022, and an 18% discount to the 12-month VWAP of A\$1.93 per share¹.

¹ Calculated to 29 August being the last trading day prior to receipt of the Indicative Proposal.

Furthermore, the Indicative Proposal does not adequately compensate shareholders for Nitro's position as one of only two software companies worldwide with a proven enterprise-grade software-as-a-service (SaaS) PDF productivity and eSigning platform in a fast-growing global market worth US\$28 billion.

With a uniquely powerful and differentiated offering, Nitro's core business, excluding the Connective acquisition in December 2021, has delivered compound annual growth in Annual Recurring Revenue (**ARR**) of 49% in the two years to 30 June 2022. The Company expects further growth for the full year to 31 December 2022.

As demonstrated at the 1H 2022 results, the benefits of Nitro's acquisition of Connective are starting to be delivered through multiple upsell and cross-sell opportunities. Connective's market-leading tools are being integrated into the Nitro Productivity Platform at a time when our customers are increasingly demanding the suite of high-security, high-trust eSigning and eID products we can now offer.

The current median broker target price of A\$1.95² per share is 23% above the Indicative Proposal. Brokers' target prices typically do not include the 'premium for control' that a bidder would expect to pay in a takeover scenario.

From discussions with our largest shareholders in the past week, we know that many share the Board's view that the Indicative Proposal is opportunistic and fundamentally undervalues the Company, with several of our Top 10 shareholders having now expressed these views both privately and publicly.

Board's Focus on Maximising Shareholder Value

The Board of Nitro remains committed to maximising shareholder value and is willing to engage with the Potentia Consortium or other credible parties in relation to proposals that more appropriately compensate shareholders and reflect the fundamental value of Nitro on a control basis.

² Based on current broker research as at 30 August 2022.

In the meantime, the Board and Management will continue to focus on driving the performance of the Company to ensure it reaches its full potential as one of the world's leading providers of PDF productivity and eSigning solutions.

At this time, shareholders do not need to take any action in relation to the Indicative Proposal. We will provide further updates as appropriate.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'K Johnson', with a long horizontal flourish extending to the right.

Kurt Johnson
Chairman