23 November 2022

TARGET'S STATEMENT IN RELATION TO THE POTENTIA OFFER

In accordance with item 14 of section 633(1) of the *Corporations Act 2001* (Cth), Nitro Software Limited (ASX:NTO) (**Nitro** or the **Company**) attaches its Target's Statement in response to the off-market takeover offer from Technology Growth Capital LLC, a special purpose vehicle controlled by Potentia Capital (**Potentia**), to acquire all of the Nitro Shares it does not already own for A$1.80 cash per Nitro Share (**Potentia Offer**).

The Target's Statement has been sent to Potentia and lodged with the Australian Securities and Investments Commission today. Nitro Shareholders will also receive a physical copy of the Target's Statement in the coming days.

The Target's Statement sets out the Nitro Board's reasons for unanimously recommending that Nitro Shareholders **REJECT** the Potentia Offer, along with other information that is material to Nitro Shareholders in assessing the Potentia Offer.

To **REJECT** the Potentia Offer, Nitro Shareholders should simply ignore all documents from Potentia and **TAKE NO ACTION**.

Reasons for the Nitro Board's Unanimous Recommendation

The reasons for the Nitro Board's unanimous recommendation that Nitro Shareholders **REJECT** the Potentia Offer include:

- The Potentia Offer undervalues Nitro on a standalone basis;
- The Potentia Offer is inferior to the Alludo Transaction;
- The Independent Expert concluded the Potentia Offer is **neither fair nor reasonable**;
- Acceptance of the Potentia Offer may prevent a Nitro Shareholder from participating in the Alludo Transaction; and

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- Nitro Shares have consistently traded above the Potentia Offer of A$1.80 cash per Nitro Share since the Potentia Offer was announced.

In considering the Nitro Board's unanimous recommendation, Nitro Shareholders should review the Target's Statement in full.

Alludo Transaction

On 15 November 2022, Nitro entered into a binding Implementation Deed with Alludo, a global technology company, at A$2.00 cash per Nitro Share (**Alludo Transaction**).

The Nitro Board unanimously determined the Alludo Transaction to be superior to the Potentia Offer, and therefore recommends that Nitro Shareholders REJECT the Potentia Offer. To do this, simply TAKE NO ACTION in relation to the Potentia Offer.

Full details relating to the Alludo Transaction and Shareholder choices in respect of the Alludo Transaction will be set out in the Alludo Transaction Booklet, which is expected to be sent to Nitro Shareholders in early February 2023.

Nitro Shareholders should take no action at this time. The Company will continue to keep its Shareholders and the market informed of developments in accordance with its continuous disclosure requirements.

Ends

Authorised for release to the ASX by the Board.

ENQUIRIES

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ABOUT NITRO

Nitro is a global SaaS leader in PDF software, document management and electronic signatures. Nitro's Productivity Platform includes powerful PDF tools, digital workflows, highly secure eSigning and identity verification capabilities. Its industry-leading business intelligence and analytics product measures ROI and quantifies sustainability efforts, all supported by a best-in-class customer success and change management support team. With more than 3 million licensed users and 13,000+ business customers across 175 countries, Nitro serves 68% of the Fortune 500.

For more information on Nitro, please visit:

- Nitro: https://www.gonitro.com
- Connective: https://connective.eu
- PDFpen: https://pdfpen.com/pdfpenpro/
- Investors: https://ir.gonitro.com/Investor-Centre/

TARGET'S STATEMENT

This Target's Statement has been issued in response to the off-market conditional takeover bid made by Potentia Capital Management Pty Ltd (through Technology Growth Capital LLC) for some or all of the ordinary shares in Nitro Software Limited.

The Nitro Board
unanimously recommends that you

REJECT

THE POTENTIA OFFER

To reject the Potentia Offer **DO NOTHING**

THIS IS AN IMPORTANT DOCUMENT AND REQUIRES YOUR IMMEDIATE ATTENTION.

You should read all of this document. If you are in doubt as to what you should do, you should consult your investment, financial, taxation or other professional adviser.

If you have any questions, please contact the Nitro Shareholder Information Line on 1300 381 572 (within Australia) or +61 2 9066 4082 (outside Australia) between 8:30am and 5:30pm (AEDT) Monday to Friday. Further information can also be obtained at https://ir.gonitro.com/Investor-Centre/

Financial Advisers

UBS

Cadence Advisory

Legal Adviser

Allens > < Linklaters

IMPORTANT NOTICES

Nature of this Document

This document is the Target's Statement dated 23 November 2022 issued by Nitro Software Limited (ACN 079 215 419) (**Nitro** or **the Company**) under Part 6.5 Division 3 of the Corporations Act. This Target's Statement is given in response to the Bidder's Statement by Potentia Capital Management Pty Ltd (ACN 630 264 210) (**Potentia Capital**) (through Technology Growth Capital LLC (**TGC LLC**)) dated 28 October 2022 (**Potentia Bidder's Statement**), and the first supplementary Bidder's Statement dated 11 November 2022 (**Potentia's First Supplementary Bidder's Statement**). The purpose of this Target's Statement is to provide you, as a Nitro Shareholder, with the information on the Potentia Bidder's Statement and Potentia's First Supplementary Bidder's Statement to assist you in your decision as to whether or not to accept the Potentia Offer.

ASIC and ASX Disclaimer

A copy of this Target's Statement has been lodged with ASIC and given to ASX. None of ASIC, ASX or any of their respective officers takes any responsibility for the contents of this Target's Statement.

Defined Terms and Interpretation

Capitalised terms used in this Target's Statement are defined in Section 11. Section 11 also sets out some rules of interpretation which apply to this Target's Statement.

No Account of Personal Circumstances

This Target's Statement and the recommendations and other information contained in it do not constitute financial product advice. The recommendations and other information contained in this Target's Statement should not be taken as personal financial or taxation advice, as each Nitro Shareholder's deliberations and decision will depend upon their own financial situation, tax position, investment objectives and particular needs.

It is important that you read this Target's Statement in its entirety before making any investment decision and any decision relating to the Potentia Offer. The Nitro Board encourages you to obtain independent advice from your investment, financial, taxation or other professional adviser before making a decision whether or not to accept the Potentia Offer.

Forward-looking Statements

This Target's Statement contains forward-looking statements. All statements other than statements of historical fact are forward-looking statements and generally may be identified by the use of forward-looking words such as "believe", "aim", "expect", "anticipate", "intending", "foreseeing", "likely", "should", "planned", "may", "estimate", "potential", or other similar words. Shareholders should note that those forward-looking statements are only predictions and are inherently subject to uncertainties, in that they may be affected by a variety of known and unknown risks, variables and other important factors, many of which are beyond the control of Nitro. Actual values or results, performance or achievements may differ materially from those expressed or implied by such statements. The risks, variables and other factors that may affect the forward-looking statements include matters specific to the industry in which Nitro operates, as well as economic and financial market conditions; legislative, fiscal or regulatory developments; the price performance of Nitro Shares, including the risk of possible price decline in the absence of the Potentia Offer or other takeover or merger speculation; and risks associated with the business and operations of Nitro.

None of Nitro, any of its officers or any person named in this Target's Statement with their consent or any person involved in the preparation of this Target's Statement makes any representation or warranty (express or implied) or gives any assurance as to the accuracy or likelihood of fulfilment of any forward-looking statement, or any events or results expressed or implied in any forward-looking statements, except to the extent required by law. You are cautioned not to place undue reliance on any such statement.

The forward-looking statements in this Target's Statement reflect views held only as at the date of this Target's Statement. Subject to any continuing obligations under the ASX Listing Rules or the Corporations Act, Nitro and its officers disclaim any obligation or undertaking to update or revise any forward-looking statements to reflect any change in expectations in relation to them or any change in events, conditions or circumstances on which any forward-looking statement is based.

Reliance on Information Obtained from TGC LLC, Potentia Capital or Public Sources

The information in this Target's Statement about TGC LLC and Potentia Capital has been compiled from or is otherwise based on information obtained from TGC LLC or Potentia Capital or publicly available sources, and has not been independently audited or verified by Nitro or its advisers. If the information obtained from TGC LLC, Potentia Capital or the public sources is inaccurate or incomplete, this may affect the information included in the Target's Statement. In particular, if the information has been used as the basis for forward-looking statements in the Target's Statement, this may add to the risk that actual values, results, performance or achievements will differ materially from those expressed or implied by the forward-looking statements.

Independent Expert's Report

The independent Expert's Report has been prepared by the Expert for the purposes of this Target's Statement and the Independent Expert takes full responsibility for that report.

None of Nitro, or its respective officers, employees, advisers or the Nitro Directors assume responsibility for the accuracy or completeness of the Independent Expert's Report except, in the case of Nitro.

Effect of Rounding

A number of figures, amounts, percentages, prices, estimates, calculations of value and fractions in this Target's Statement are subject to the effect of rounding. Accordingly, the actual calculation of these figures, amounts, percentages, prices, estimates, calculations of value and fractions may differ from the figures, amounts, percentages, prices, estimates, calculations of value and fractions set out in this Target's Statement.

Discrepancies between totals in tables and or in calculations are due to rounding.

Currency

All amounts in this Target's Statement are in US dollars unless otherwise stated.

Foreign Jurisdictions

The release, publication or distribution of this Target's Statement in jurisdictions other than Australia may be restricted by law or regulation in such other jurisdictions and persons who come into possession of it should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable laws or regulations.

This Target's Statement has been prepared in accordance with Australian law and the information contained in this Target's Statement may not be the same as that which would have been disclosed if this Target's Statement had been prepared in accordance with the laws and regulations outside Australia.

Diagrams and Charts

Any diagrams, charts, maps, graphs and tables appearing in this Target's Statement are illustrative only and may not be drawn to scale. Unless stated otherwise, all data contained in diagrams, charts, maps, graphs and tables is based on information available at the date of this Target's Statement.

Privacy

Nitro has collected your information from the register of Nitro Shareholders for the purpose of providing you with this Target's Statement. The type of information Nitro has collected about you includes your name, contact details and information on your shareholding (as applicable) in Nitro. Without this information, Nitro would be hindered in its ability to issue this Target's Statement.

The Corporations Act requires the name and address of Shareholders to be held in a public register. Your information may be disclosed on a confidential basis to external service providers (including the Nitro Share Registry and print and mail service providers) and may be required to be disclosed to regulators such as ASIC. If you would like details of information about you held by Nitro, you can contact the Nitro Share Registry on 1300 556 161 (within Australia) or +61 (03) 9415 4000 (outside Australia) between 8:30am and 5:30pm (AEDT) Monday to Friday.

Nitro Shareholder Information Line

Nitro has established the Nitro Shareholder Information Line, which Nitro Shareholders may call if they have any queries in relation to the Potentia Offer. The telephone number for the Nitro Shareholder Information Line 1300 381 572 (within Australia) or +61 2 9066 4082 (outside Australia) between 8:30am and 5:30pm (AEDT) Monday to Friday.

Further information relating to the Potentia Offer can be obtained at https://ir.gonitro.com/Investor-Centre/.

CONTENTS

WHAT YOU NEED TO DO

TO REJECT THE POTENTIA OFFER:

DO NOTHING

- To reject the Potentia Offer, you take no action in relation to the Potentia Offer.
- Read this Target's Statement, which contains the Nitro Board's unanimous recommendation to reject the Potentia Offer and provides reasons for this recommendation.
- If you have any questions, please call the Nitro Shareholder Information Line on 1300 381 572 (within Australia) or +61 2 9066 4082 (outside Australia) between 8:30am and 5:30pm (AEDT) Monday to Friday.

KEY DATES IN RELATION TO THE POTENTIA OFFER

Event	Date
Potentia Offer announced and Potentia Bidder's Statement lodged with ASIC and ASX	28 October 2022
Potentia's First Supplementary Bidder's Statement lodged with ASIC and ASX and Potentia's Bidder's Statement despatched to Nitro Shareholders	11 November 2022
Potentia Offer Period commences	11 November 2022
Date of this Target's Statement	23 November 2022
Notice of Status of Conditions due[1]	2 December 2022
Potentia Offer Period closes 7:00pm (AEDT) (unless Potentia Offer is extended or withdrawn)	11 December 2022

ALLUDO TRANSACTION

On 15 November 2022, Nitro entered into a binding implementation deed with Alludo (**Alludo Implementation Deed**), a global technology company, at A$2.00 cash per Nitro Share.

The Nitro Board unanimously determined the Alludo Transaction to be superior to the Potentia Offer, and therefore recommends that you REJECT the Potentia Offer. To do this, simply DO NOTHING in respect to the Potentia Offer.

Full details relating to the Alludo Transaction and your choices in respect of the Alludo Transaction will be set out in the Alludo Transaction Booklet, which is expected to be sent to Nitro Shareholders in early February 2023.

1. If the Offer Period is extended, this date will be taken to be postponed for the same period.

REASONS YOU SHOULD REJECT THE OFFER

1	The Potentia Offer undervalues Nitro on a standalone basis
2	The Potentia Offer is inferior to the Alludo Transaction
3	The Independent Expert has concluded that the Potentia Offer is neither fair nor reasonable
4	If you accept the Potentia Offer, you may not be able to participate in the Alludo Transaction
5	Nitro shares have consistently traded on ASX above the Potentia Offer Price of A$1.80 cash per Nitro share since the Potentia Offer was announced

CHAIRMAN'S LETTER

23 November 2022

REJECT THE INFERIOR POTENTIA OFFER AND SUPPORT THE ALLUDO TRANSACTION

Dear Nitro Shareholder,

You should have recently received a Bidder's Statement from Technology Growth Capital LLC (**TGC LLC**), a special purpose vehicle controlled by Potentia Capital, outlining its unsolicited and inferior takeover offer of A$1.80 cash per Nitro Share (**Potentia Offer**).

The Nitro Board unanimously recommends that you DO NOT ACCEPT the Potentia Offer. This Target's Statement contains Nitro's formal response to the Potentia Offer.

Potentia Capital is an Australian-based private equity and growth capital investment firm that wholly owns and manages TGC LLC. A significant proportion of the Potentia Offer is being funded by HarbourVest, a US-based private equity fund-of-funds investment firm. Potentia Capital is currently the largest shareholder of Nitro, with a Relevant Interest of 19.81%.[1]

On 15 November 2022, Nitro entered into a binding Implementation Deed with Alludo, a global technology company, at A$2.00 cash per Nitro Share (**Alludo Transaction**). Full details relating to the Alludo Transaction and your choices in respect of the Alludo Transaction will be set out in the Alludo Transaction Booklet, which is expected to be sent to Nitro Shareholders in early February 2023.

The Nitro Board has unanimously determined the Alludo Transaction to be superior to the Potentia Offer, and therefore recommends that you REJECT the Potentia Offer. To do this, simply DO NOTHING in respect to the Potentia Offer.

The key reasons for the Nitro Board's recommendation to REJECT the Potentia Offer, include:

- The Potentia Offer undervalues Nitro on a standalone basis;
- The Potentia Offer of A$1.80 cash per Nitro Share is inferior to the Alludo Transaction of A$2.00 cash per Nitro Share;
- The Independent Expert determined the Potentia Offer is NEITHER FAIR NOR REASONABLE;
- Accepting the Potentia Offer could preclude you from participating in any potential upside in your Nitro Shares from either the Alludo Transaction or a subsequent superior offer from another third party, should one emerge; and
- Nitro Shares have consistently traded above the Potentia Offer of A$1.80 cash per Nitro Share since the Potentia Offer was announced.

1. Potentia Capital's Relevant Interest excludes the 6,283,923 Unquoted Treasury Shares on issue by Nitro. Unquoted Treasury Shares are voting shares as defined in Section 9 of the Corporations Act meaning that Potentia Capital's adjusted Relevant Interest in Nitro is 19.31% as the date of this Target's Statement. Further information on the Unquoted Treasury Shares is set out in Section 5.8(a).

The Nitro Board believes these are compelling reasons why you should **REJECT** the Potentia Offer and simply **TAKE NO ACTION** in relation to all documents sent to you from TGC LLC and Potentia Capital.

The Nitro Board urges you to read this Target's Statement in full and to seek any independent financial, legal, taxation or other professional advice that you require before deciding as to whether or not to accept the Potentia Offer.

Independent Expert's Conclusion

To assist the Nitro Board in evaluating whether the Potentia Offer price of A$1.80 cash per Nitro Share reflects the underlying value of Nitro Shares, Kroll Australia Pty Ltd (**Independent Expert**) was engaged to prepare an Independent Expert's Report and express an opinion on whether the Potentia Offer is fair and reasonable for Nitro Shareholders not associated with Potentia Capital.

The Independent Expert has concluded that the Potentia Offer is **NEITHER FAIR NOR REASONABLE**. Nitro Shareholders are encouraged to read the Independent Expert's Report in full, a copy of which accompanies this Target's Statement in Schedule 1.

If you have any questions in relation to the Potentia Offer as a Nitro Shareholder, please contact the Nitro Shareholder Information Line on 1300 381 572 (within Australia) or +61 2 9066 4082 (outside Australia) between 8:30am and 5:30pm (AEDT) Monday to Friday.

The Nitro Board will keep Nitro Shareholders informed of material developments in relation to the Potentia Offer. Announcements relating to the Potentia Offer and Nitro can be found on Nitro's website (https://ir.gonitro.com/Investor-Centre/) or on ASX's website (www.asx.com.au – ASX code: NTO).

Yours sincerely,

Kurt Johnson
Chairman

1. YOUR DIRECTORS' RECOMMENDATION

THE NITRO BOARD UNANIMOUSLY RECOMMENDS THAT YOU REJECT POTENTIA'S OFFER

1.1 Directors' recommendation

After carefully reviewing the competing proposals, being the Potentia Offer and the Alludo Transaction, and taking into account each of the matters in this Target's Statement (including the Independent Expert's Report) and in the Potentia Bidder's Statement and Potentia's First Supplementary Bidder's Statement, each Nitro Director considers the Alludo Transaction to be superior to the Potentia Offer and recommends that you REJECT the Potentia Offer.

The Nitro Board considers the Alludo Transaction represents superior value compared to the Potentia Offer. The Nitro Board's reasons for rejecting the Potentia Offer are set out in detail in Section 2 of this Target's Statement.

In considering whether to accept the Potentia Offer, the Nitro Board encourages you to:

- Read the whole of this Target's Statement, the Independent Expert's Report, the Potentia Bidder's Statement and Potentia's First Supplementary Bidder's Statement;
- Have regard to your individual risk profile, portfolio strategy, tax position and financial circumstances;
- Carefully consider Section 3 of this Target's Statement, which sets out the choices available to you as a Nitro Shareholder; and
- Obtain any independent financial, legal, taxation or other professional advice that you require before deciding whether or not to accept the Potentia Offer.

1.2 Chief Executive Officer's recommendation

When considering this recommendation, you should note that Nitro's Chief Executive Officer and Executive Director, Sam Chandler, has previously been issued Nitro Equity Securities which are summarised in the table at Section 8.3. If the Alludo Scheme is approved by Nitro Shareholders and the Court, or the Alludo Takeover results in a change in control of Nitro, the Board has determined that, as is customary, the Nitro Equity Securities will all vest (including the unvested ESS Securities held by Mr Chandler). If the Alludo Transaction is successful, Mr Chandler would receive an amount of A$818,816 upon the vesting of any remaining unvested Nitro Equity Securities on implementation of the transaction.

In addition, Gina O'Reilly (Chief Operating Officer) is a Related Party of Mr Chandler. If the Alludo Transaction is successful, Ms O'Reilly would receive an amount of A$153,528 upon the vesting of any remaining unvested Nitro Equity Securities on implementation of the transaction.

Despite Mr Chandler's potential incremental economic interest in the outcome of the takeover of Nitro, he considers that, given the importance of the competing proposals and his role as Chief Executive Officer of Nitro, it is important and appropriate for him to provide a recommendation to Nitro Shareholders in relation to the Potentia Offer and the Alludo Transaction. The Nitro Board (excluding Mr Chandler) also considers that it is appropriate for him to make a recommendation on the Potentia Offer and the Alludo Transaction given his detailed knowledge of the Nitro business, its key stakeholders, his leadership role in the management of Nitro's operations and his deep industry knowledge.

1.3 Intentions of your Directors in relation to the Potentia Offer

Each Nitro Director who has a Relevant Interest in Nitro Shares intends to REJECT the Potentia Offer in relation to those Nitro Shares and do nothing, consistent with their recommendation to Nitro Shareholders.

Details of the Relevant Interests of each Nitro Director in Nitro Shares are set out in Section 8 of this Target's Statement.

TO REJECT POTENTIA'S OFFER, SIMPLY DO NOTHING

2. REASONS WHY YOU SHOULD REJECT THE POTENTIA OFFER

The Nitro Board unanimously recommends that you REJECT the Potentia Offer for the following reasons.

2.1 The Potentia Offer undervalues Nitro on a standalone basis

The Potentia Offer is opportunistic and comes at a time of significant share market volatility and cyclical weakness in global technology company valuations.

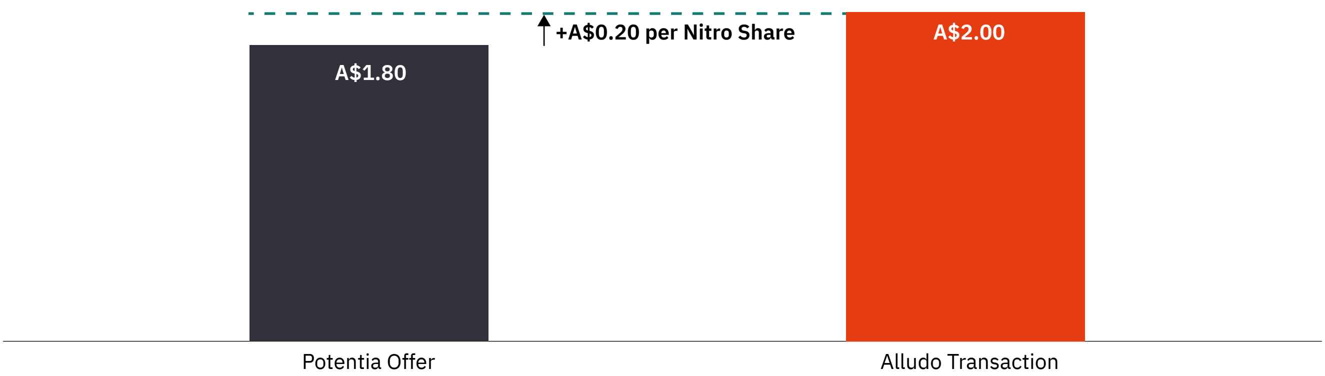
The Potentia Offer does not adequately compensate Nitro Shareholders for Nitro's position as one of only two software companies worldwide with a proven enterprise-grade Software-as-a-Service (**SaaS**) PDF productivity and eSigning platform in a fast-growing global market.

With a uniquely powerful and differentiated offering, Nitro's core business, excluding the Connective acquisition in December 2021, has delivered compound annual growth in ARR of approximately 44% in the two years to 30 June 2022. Nitro expects further growth in ARR for the full year to 31 December 2022.

2.2 The Potentia Offer is inferior to the Alludo Transaction

The Potentia Offer is considered inferior as it offers Nitro Shareholders A$0.20 cash per Nitro Share less than the amount available under the Alludo Transaction.[1]

Cash consideration offered per Nitro Share



Alternatively, the Alludo Transaction represents an 11% premium to the Potentia Offer, or an additional A$52 million in aggregate value for Nitro Shareholders.[2]

1. If the Alludo Scheme is approved by Nitro Shareholders and the Court or if the Alludo Takeover is declared or becomes unconditional.
2. Assuming fully diluted shares outstanding under the Potentia Offer and Alludo Transaction of 255.2 million and 255.5 million, respectively. Refer to Section 5.8.

2.3 The Potentia Offer is below the Independent Expert's assessment of value, and they have assessed the Potentia Offer to be NEITHER FAIR NOR REASONABLE

The Independent Expert has determined that the Potentia Offer is neither fair nor reasonable and the estimated fair market value is between A$2.00 and A$2.20 per Nitro Share.

The Independent Expert's fair market value range for a Nitro Share is 11%-22% higher than the Potentia Offer of A$1.80 cash per Nitro Share.

The Independent Expert is of the view that there are no compelling reasons why the Potentia Offer is considered to be reasonable and has highlighted, among other reasons, the following factors for consideration by Nitro Shareholders in their assessment:

- Nitro Shareholders can currently sell their Nitro Shares on market for a price that is greater than the consideration under both the Potentia Offer and Alludo Transaction, which is indicative of speculation as to a Superior Proposal;
- The Potentia Offer is A$0.20 cash per Nitro Share lower than the consideration under the Alludo Transaction and represents a lower premium relative to recent trading than the consideration under the Alludo Transaction; and
- The likelihood of a Superior Proposal emerging from Potentia is uncertain. The Nitro Board has determined that the Revised Potentia Proposal[3] is not, and could not reasonably be considered to become, a Superior Proposal to the Alludo Transaction, as defined in the Alludo Implementation Deed.

Based on the Independent Expert's opinion and the fact that the Nitro Board unanimously determined the Alludo Transaction to be superior to the Potentia Offer, the Nitro Board believes that, taking into account the factors set out above, the Independent Expert's Report supports its recommendation to REJECT the Potentia Offer.

A copy of the Independent Expert's Report is attached to this Target's Statement as Schedule 1. You are encouraged to read the Independent Expert's Report in its entirety.

2.4 If you accept the Potentia Offer, you may not be able to participate in the Alludo Transaction

Following careful consideration, including advice from its external financial and legal advisers, the Nitro Board has unanimously determined the Alludo Transaction to be superior to the Potentia Offer.

If you accept the Potentia Offer and the Potentia Offer Conditions are satisfied or waived in full prior to the Potentia Offer closing:

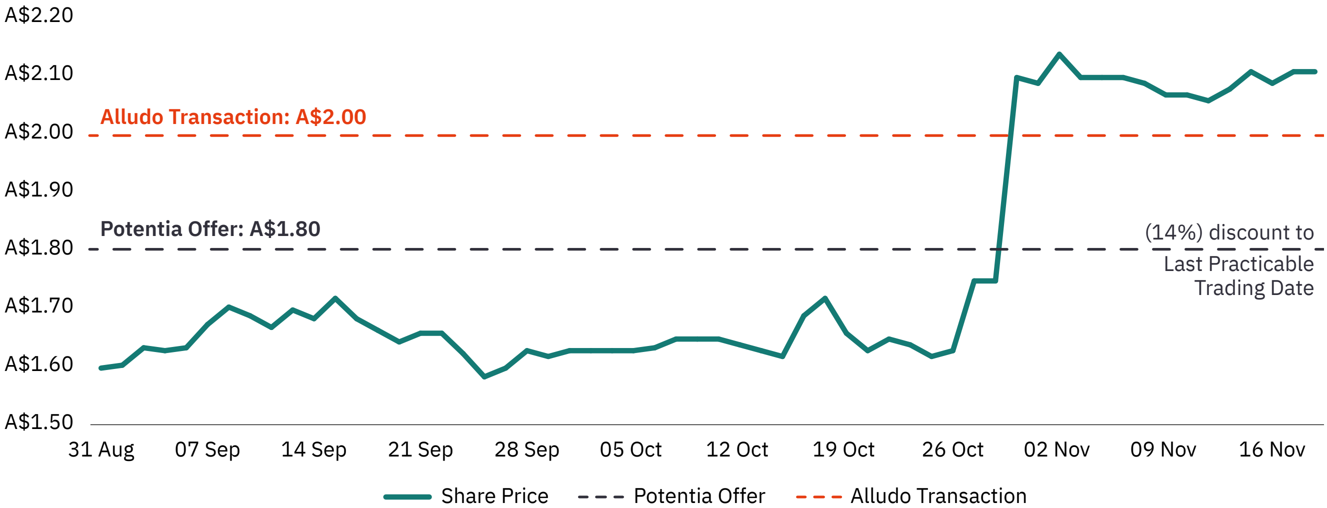
- You will not be able to accept the Alludo Transaction, which offers an extra A$0.20 cash per Nitro Share compared to the Potentia Offer; and
- You will also give up your right to sell your Nitro Shares on market and lose the ability to accept any other takeover offer or Superior Proposal (other than a Superior Proposal made by Potentia Capital through an increase in the Potentia Offer) that may be made for Nitro Shares.

3. Refer to Section 5.7 for further information on the Revised Potentia Proposal.

2.5 Nitro Shares have consistently traded on ASX above the Potentia Offer price of A$1.80 cash per Nitro Share since the Potentia Offer was announced

Since the Potentia Offer was announced on 28 October 2022, Nitro Shares have traded on ASX above the Potentia Offer price of A$1.80 cash per Nitro Share and often above the Alludo Transaction of A$2.00 cash per Nitro Share. On the Last Practicable Trading Date prior to the date of this Target's Statement, Nitro's closing Share price was A$2.09 per Nitro Share.

Nitro Share Price Performance since Potentia Offer



It is currently possible to sell Nitro Shares on market for a price greater than the Potentia Offer. Price of A$1.80 cash per Nitro Share and also above the Alludo Transaction of A$2.00 cash per Nitro Share

The Nitro Board believes that this situation reflects a market perception that a bidding contest between Potentia Capital and Alludo may be forthcoming. While there is no certainty that Potentia Capital will increase the Potentia Offer Price, if you accept the Potentia Offer now and if the Potentia Offer Conditions are satisfied or waived in full then you will not be able to participate in the Alludo Transaction, and you will be not able to accept any Superior Proposal that Alludo or any other bidder (other than Potentia Capital) may make.

3. YOUR CHOICES AS A NITRO SHAREHOLDER

Nitro encourages you to consider your personal risk profile, investment objectives and tax and financial circumstances before making any decision in relation to your Nitro Shares.

This Target's Statement is in relation to the Potentia Offer only, and as such, the Nitro Board unanimously recommends that you take no action and REJECT the Potentia Offer. Full details regarding the Alludo Transaction and your choices with respect to the Alludo Transaction will be set out in the Alludo Transaction Booklet, which is expected to be sent to Nitro Shareholders in early February 2023.

As a Nitro Shareholder, you currently have the option to REJECT or accept the Potentia Offer. The Nitro Board unanimously recommends that you REJECT the Potentia Offer. To reject the Potentia Offer, all you need to do is TAKE NO ACTION (**Option 1**).

If you do not accept the Potentia Offer, you will then have the option to:

- Decide whether to support the superior Alludo Transaction (**Option 2**); or
- Decide whether to sell some or all of your Nitro Shares on market (**Option 3**).

Alternatively, you may choose to accept the Potentia Offer, against the Nitro Board recommendation, which recommends that you DO NOT ACCEPT the Potentia Offer. This is set out in **Option 4** below.

3.1 Option 1 – Take no action and REJECT the Potentia Offer

If you do not wish to accept the Potentia Offer, you should take no action. Simply disregard the documents sent to you by Potentia Capital in relation to the Potentia Offer.

You should note that:

- If you choose not to accept the Potentia Offer and Potentia Capital acquires 90% or more of the Nitro Shares at the end of the Potentia Offer Period, Potentia Capital will become entitled to compulsorily acquire those Nitro Shares that it does not already own (see Section 7.12 for further information regarding Compulsory Acquisition); and
- If all of the Potentia Offer Conditions are satisfied or waived and Potentia Capital acquires more than 50% but less than 90% of the Nitro Shares, and you continue to hold Nitro Shares, you will be exposed to the risks associated with being a minority shareholder of Nitro. Some of these risks are explained in Section 6.3.

3.2 Option 2 – Support the superior Alludo Transaction

You can choose to support the Alludo Transaction, and not accept the Potentia Offer. To do this, you should:

- Take no action in relation to the Potentia Offer;
- Vote in favour of the Alludo Scheme; and
- Accept the Alludo Takeover for all of your Nitro Shares.

This is the approach that the Nitro Board unanimously recommends you take, subject to there being no Superior Proposal and the Independent Expert concluding (and continuing to conclude) that, in respect of the Alludo Scheme, it is in the best interests of Nitro Shareholders and that, in respect of the Alludo Takeover, it is fair and reasonable.

Full details relating to the Alludo Transaction and your choices in respect of the Alludo Transaction will be set out in the Alludo Transaction Booklet, which is expected to be sent to Nitro Shareholders in early February 2023.

3.3 Option 3 – Sell your Nitro Shares on market

During a takeover, shareholders in a target company who have not already accepted a bidder's offer may sell their shares on market for cash. Accordingly, you may sell your Nitro Shares on market through ASX for cash, provided you have not accepted the Potentia Offer for those Nitro Shares.

Since Potentia Capital announced the Potentia Offer on 28 October 2022, Nitro Shares have been trading higher than both the A$1.80 cash per Nitro Share offered under the Potentia Offer and the A$2.00 cash per Nitro Share offered under the Alludo Transaction. If you sell your Nitro Shares on market, you will receive the consideration for your Nitro Shares sooner than if you accept the Potentia Offer while it is subject to the Potentia Offer Conditions.

If you sell your Nitro Shares on market, you:

- Will lose the ability to accept the Potentia Offer and receive A$1.80 cash per Nitro Share (and any subsequent increase in the Potentia Offer Price) or to participate in the Alludo Transaction offering A$2.00 cash per Nitro Share, or participate in any other Superior Proposal that may emerge;
- May receive more or less for your Nitro Shares than under the Alludo Transaction or the Potentia Offer;
- May be liable for capital gains tax or income tax on the sale of those Nitro Shares;
- May incur a brokerage charge; and
- Will lose the opportunity to receive future returns from Nitro.

You should contact your Broker for information on how to sell your Nitro Shares on ASX and your tax adviser to determine your tax implications from such a sale.

3.4 Option 4 – Accept the Potentia Offer

You may choose to accept the Potentia Offer. **The Nitro Board recommends that you DO NOT ACCEPT the Potentia Offer**. Details of the payment that you will receive if you accept the Potentia Offer are set out in Section 7.2 as well as in the Potentia Bidder's Statement. You will only receive that payment if the Potentia Offer Conditions are all either satisfied or waived.

The consequences of accepting the Potentia Offer are discussed in Section 7.10. If you accept the Potentia Offer, you:

- May not be able to sell your Nitro Shares on market unless, at the time you decide that you no longer wish to accept the Potentia Offer, you have the right to withdraw your acceptance and you exercise that right. The circumstances in which acceptances of the Potentia Offer may be withdrawn are set out in Section 10.8(d) of the Potentia Bidder's Statement;
- May lose the ability to accept the Alludo Transaction, which is offering an extra A$0.20 cash per Nitro Share compared to the Potentia Offer;
- May lose the ability to accept any Superior Proposal that may be made for Nitro Shares; and
- May be liable for capital gains tax or income tax as a result of your acceptance. An overview of the taxation consequences for certain Australian resident Nitro Shareholders of selling Nitro Shares is provided in Section 8 of the Potentia Bidder's Statement.

See Section 2 of the Potentia Bidder's Statement and the acceptance form provided to you by Potentia Capital for instructions on how to accept the Potentia Offer.

4. FREQUENTLY ASKED QUESTIONS

This Section 4 answers some frequently asked questions about the Potentia Offer. It is not intended to address all issues relevant to Nitro Shareholders. This Section is qualified by, and should be read together with, all other parts of this Target's Statement, Potentia Bidder's Statement and Potentia's First Supplementary Bidder's Statement.

Question		Answer
1	**What is the Potentia Bidder's Statement?**	The Potentia Bidder's Statement is the document setting out the terms of the Potentia Offer. Potentia Capital lodged the Potentia Bidder's Statement with ASIC on 28 October 2022 and sent the Potentia Bidder's Statement to Nitro Shareholders on 11 November 2022. Potentia Capital lodged their First Supplementary Bidder's Statement with ASIC and ASX on 11 November 2022.
2	**What is the Target's Statement?**	Nitro is required by law to prepare this Target's Statement in response to the Potentia Bidder's Statement. This Target's Statement contains information to help you decide whether to accept or reject the Potentia Offer, including the recommendation of the Nitro Board and the accompanying Independent Expert's Report.
3	**Who is Potentia Capital? Who is TGC LLC?**	Potentia Capital is an Australian-based private equity and growth capital investment firm. Technology Growth Capital LLC (**TGC LLC**) is a limited liability company incorporated in Delaware, US, that is wholly owned and controlled by Potentia Capital. TGC LLC was established as a special purpose vehicle for the purpose of acquiring Nitro Shares in connection with the Potentia Offer. Further information on Potentia Capital and TGC LLC can be found in the Potentia Bidder's Statement.
4	**Does Potentia Capital already have an interest in Nitro Shares?**	As at close of trading on the Last Practicable Trading Date, Potentia Capital had a Relevant Interest in approximately 19.81% of the total issued capital of Nitro.[1]
5	**What is Potentia Capital offering for my Nitro Shares?**	Potentia Capital is offering A$1.80 cash per Nitro Share that you hold. This is A$0.20 cash per Nitro Share less than the amount available under the Alludo Transaction.

1. Potentia Capital's Relevant Interest excludes the 6,283,923 Unquoted Treasury Shares on issue by Nitro. Unquoted Treasury Shares are voting shares as defined in section 9 of the Corporations Act meaning that Potentia Capital's adjusted Relevant Interest in Nitro is 19.31% as the date of this Target's Statement. Further information on the Unquoted Treasury Shares is set out in Section 5.8(a).

Question		Answer
6	**What is the Alludo Transaction?**	The Alludo Transaction is a proposal to acquire all your Nitro Shares by way of: • The Alludo Scheme for A$2.00 cash per Nitro Share ; and • The Alludo Takeover for A$2.00 cash per Nitro Share, if the Alludo Scheme is not approved by Shareholders or the Court. Further information in respect of the Alludo Transaction will be available in the Alludo Transaction Booklet, which is expected to be sent to Nitro Shareholders in early February 2023 and will be available on Nitro's website at https://ir.gonitro.com/Investor-Centre/ and https://www.asx.com.au/.
7	**Who is Alludo?**	Alludo is a global software company that owns the Parallels, CorelDRAW, MindManager and WinZip brands and delivers graphic solutions for digital remote workforces. Further information about Alludo will be available in the Alludo Transaction Booklet, which is expected to be sent to Nitro Shareholders in early February 2023 and will be available on Nitro's website at https://ir.gonitro.com/Investor-Centre/ and https://www.asx.com.au/.
8	**What choices do I have in response to the Potentia Offer?**	As a Nitro Shareholder you have the following options available to you: 1. Reject the Potentia Offer and do nothing. Ignore all correspondence and communications from Potentia Capital and TGC LLC in relation to the Potentia Offer; 2. Reject the Potentia Offer and support the Alludo Transaction as unanimously recommended by the Nitro Board, in the absence of a Superior Proposal; 3. Sell some or all your Nitro Shares on ASX (unless you have already accepted the Potentia Offer and have not validly withdrawn your acceptance, or have accepted Alludo's Takeover); or 4. Accept the Potentia Offer. If you choose to accept the Potentia Offer you should follow the instructions in the Potentia Bidder's Statement. There are several implications in relation to each of the above choices. A summary of those implications is set out in Section 4 of this Target's Statement. If you are in any doubt as to what to do, you should consult with your investment, financial, taxation or other professional adviser.
9	**What is the Nitro Board recommending?**	In relation to the Potentia Offer, the Nitro Board unanimously recommends that you take no action and REJECT the Potentia Offer. In relation to the Alludo Transaction, the Nitro Board unanimously recommends that you: • Vote in favour of the Alludo Scheme for all your Nitro Shares; and • Accept the Alludo Takeover for all your Nitro Shares, subject to there being no Superior Proposal and the Independent Expert concluding (and continuing to conclude) that, in respect of the Alludo Scheme, it is in the best interests of Nitro Shareholders and that, in respect of the Alludo Takeover, it is fair and reasonable. If there is a change in the Nitro Board's recommendation or any material developments in relation to the Potentia Offer, the Nitro Board will make the appropriate supplementary disclosures. The reasons for the Nitro Board's recommendation are explained in Section 2 of this Target's Statement.

Question		Answer
10	**What do Nitro Directors intend to do with their own Nitro Shares?**	Each Nitro Director intends to REJECT the Potentia Offer in respect of any Nitro Shares that are held or controlled by, or on behalf of, them consistent with their recommendation to Nitro Shareholders. Each Nitro Director intends to: • Vote all the Nitro Shares controlled or held by, or on behalf of, that Nitro Director in favour of the Alludo Scheme; and • Accept the Alludo Takeover in respect of all Nitro Shares controlled or held by, or on behalf of, that Nitro Director, subject to there being no Superior Proposal and the Independent Expert concluding (and continuing to conclude) that, in respect of the Alludo Scheme, it is in the best interests of Nitro Shareholders and that, in respect of the Alludo Takeover, it is fair and reasonable.
11	**What does the Independent Expert say?**	Nitro has appointed an Independent Expert, Kroll Australia Pty Ltd, to prepare an Independent Expert's Report assessing the Potentia Offer, and to provide an opinion on whether or not the Potentia Offer is fair and reasonable to Nitro Shareholders. The Independent Expert has concluded the Potentia Offer is neither fair nor reasonable. The Independent Expert has valued Nitro Shares between A$2.00 and A$2.20 per Nitro Share on a controlling interest basis. A full copy of the Independent Expert's Report is included in Schedule 1 to this Target's Statement. You should read that report carefully and in its entirety as part of your assessment of the Potentia Offer.
12	**How do I reject the Potentia Offer?**	To reject the Potentia Offer, simply do nothing. You should take no action in relation to all correspondence from TGC LLC and Potentia Capital regarding the Potentia Offer.
13	**How do I accept the Potentia Offer?**	Details of how to accept the Potentia Offer are set out in Section 10.5 of the Potentia Bidder's Statement. However, the Nitro Board's unanimous recommendation is that you REJECT the Potentia Offer.
14	**Can I accept the Potentia Offer for only some of my Shares?**	Yes. See Section 10.1 of the Potentia Bidder's Statement for further information.
15	**When does the Potentia Offer close?**	The Potentia Offer is currently scheduled to expire at 7:00pm (AEDT) on 11 December 2022, but the Potentia Offer Period can be extended in certain circumstances. There will be an automatic extension of the Potentia Offer Period if, within the last seven days of the Potentia Offer Period, Potentia Capital increases the consideration offered. If this happens, the Potentia Offer will automatically be extended so that it ends 14 days after that event. The Nitro Board will keep you informed if there are any material developments in relation to the Potentia Offer. Shareholders are also encouraged to monitor the Nitro's website at https://ir.gonitro.com/Investor-Centre/ for any updates on the Potentia Offer.

Question		Answer
16	**What are the conditions of the Potentia Offer?**	The Potentia Offer Conditions include: • ***Board recommendation:*** During the Potentia Offer Period, a majority of the members of the Nitro Board recommend that Nitro Shareholders accept the Potentia Offer in the absence of a superior proposal; and • ***No prescribed occurrences:*** During the Potentia Offer Period none of the prescribed occurrences set out in Section 10.3(b) of the Bidder's Statement occur. For further information on the Potentia Offer Conditions, please refer to Section 10.3 of the Potentia Bidder's Statement.
17	**What happens if the Potentia Offer Conditions are not satisfied or waived?**	If the Potentia Offer Conditions are not satisfied or waived before the Potentia Offer closes, the Potentia Offer will lapse, and you will not get paid (even if you had accepted the Potentia Offer). However, you would then be free to deal with your Nitro Shares.
18	**What are the consequences of accepting the Potentia Offer now?**	If you validly accept the Potentia Offer, and the Potentia Offer Conditions are satisfied or waived, you will: • Be paid A$1.80 for each of your Nitro Shares within the later of (i) 10 Business Days after the date the Potentia Offer Conditions are satisfied or waived; or (ii) 10 Business Days after the date you accept the Potentia Offer; and • Unless withdrawal rights are available at the applicable time and you exercise those rights, give up your right to sell or otherwise deal with your Nitro Shares. You will be unable to accept any offer under the Alludo Transaction or any other Superior Proposal that may emerge (other than a Superior Proposal made by Potentia Capital).
19	**What happens if Potentia Capital does not support the Alludo Transaction?**	Potentia Capital, which at the time of this Target's Statement, holds 19.81% of the Nitro Shares[2], has stated that it will vote against the Alludo Scheme in respect of the Nitro Shares it holds or controls at the relevant time. Given Potentia Capital's shareholding in Nitro, and based on precedent transactions, there is a significant risk that the Alludo Scheme will not be approved. However, Nitro Shareholders will still have the opportunity to sell their Nitro Shares into the Alludo Takeover, subject to the 50.1% minimum acceptance condition. Potentia Capital has stated that it will not accept the Alludo Takeover in respect of any of the Nitro Shares it holds or controls. This means that Nitro Shareholders other than Potentia Capital will need to accept the Alludo Transaction in order to satisfy the 50.1% minimum acceptance condition unless the condition is waived by Alludo.
20	**What are the tax implications of accepting the Potentia Offer?**	A general outline of the tax implications of accepting the Potentia Offer for certain Australian resident Nitro Shareholders is set out in Section 8 of the Potentia Bidder's Statement. You should not rely on that outline as advice on your own affairs. It does not deal with the position of certain Nitro Shareholders. It also does not take into account the particular circumstances of each Nitro Shareholder. You should therefore seek your own professional financial and taxation advice before making a decision as to whether or not to accept the Potentia Offer for your Nitro Shares. You may, for example, be liable for Australian capital gains tax.

2. Potentia Capital's Relevant Interest excludes the 6,283,923 Unquoted Treasury Shares on issue by Nitro. Unquoted Treasury Shares are voting shares as defined in section 9 of the Corporations Act meaning that Potentia Capital's adjusted Relevant Interest in Nitro is 19.31% as the date of this Target's Statement. Further information on the Unquoted Treasury Shares is set out in Section 5.8(a).

4. FREQUENTLY ASKED QUESTIONS *(continued)*

Question		Answer
21	**If I reject the Potentia Offer but Potentia Capital obtains more than 90% of the Nitro Shares, where do I stand?**	If Potentia Capital obtains more than 90% voting power in Nitro, then (subject to satisfaction of various legal requirements), Potentia Capital will be entitled to proceed to Compulsory Acquisition of Nitro Shares held by Nitro Shareholders who did not accept the Potentia Offer, in which case you will receive the same amount as the Potentia Offer Price. More information about this is contained in Section 7.12.
22	**What happens if the Potentia Offer Price is raised?**	If Potentia Capital raises the Potentia Offer Price: • The Nitro Board will reconsider its recommendation and accordingly advise Nitro Shareholders; and • All Nitro Shareholders who have accepted the Potentia Offer will be entitled to the benefit of the higher consideration (whether they accepted the Potentia Offer before or after the Potentia Offer Price is improved). Nitro Shareholders will only receive that increase (or any other payment in consideration for accepting the Potentia Offer) if the Potentia Offer Conditions are all either satisfied or waived before the Potentia Offer closes.
23	**What will happen if a new Competing or Superior Proposal emerges?**	If another proposal is received, the Nitro Board will carefully consider any Competing or Superior Proposal and will advise you whether the Competing Proposal affects the Nitro Board's recommendation. If you have already accepted the Potentia Offer, then you may not be able to participate in any Superior Proposal (other than a Superior Proposal made by Potentia Capital), except in limited circumstances.
24	**Can Potentia Capital withdraw the Potentia Offer once I have accepted?**	The Potentia Offer cannot be withdrawn if you have already accepted it. Before you accept it, the Potentia Offer may be withdrawn with the written consent of ASIC, which consent may be subject to conditions. However, it is unlikely that ASIC would allow Potentia Capital to withdraw the Potentia Offer.
25	**How does the Potentia Offer apply to my Nitro Equity Securities?**	Potentia Capital is not directly offering to acquire any Nitro Equity Securities. However, the Potentia Offer does extend to all Nitro Shares that are issued on the exercise of Nitro Equity Securities during the period from the Register Date to the end of the Potentia Offer Period. This means that holders of Nitro Equity Securities that vest or are exercised will be able to accept the Potentia Offer in respect of the Nitro Shares issued during the Potentia Offer Period as a result of that vesting or exercise.
26	**Who should I call if I have questions?**	You can contact the Nitro Shareholder Information Line on 1300 381 572 (for calls made from within Australia) or +61 2 9066 4082 (outside Australia) between 8:30am and 5:30pm (AEDT) Monday to Friday, or you can speak to your financial or other professional adviser.

5. OVERVIEW OF NITRO

5.1 Introduction

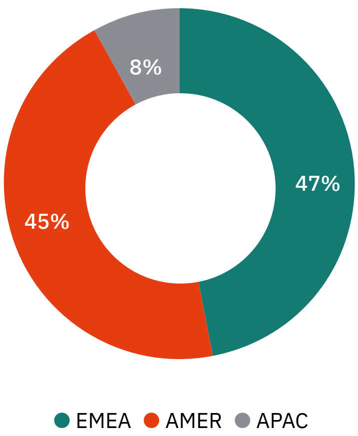
Nitro is a global leader in document productivity and eSigning, offering comprehensive SaaS solutions to support the acceleration of digital transformation in organisations around the world. The Nitro Productivity Platform's suite of highly scalable business solutions includes powerful PDF tools, digital workflows, highly secure eSigning and electronic identity (eID) capabilities, as well as industry-leading business intelligence and analytics.

Founded in Melbourne, Australia in 2005, Nitro is now headquartered in San Francisco, United States, and employs approximately 350 people across the US, Canada, Europe and Asia Pacific.

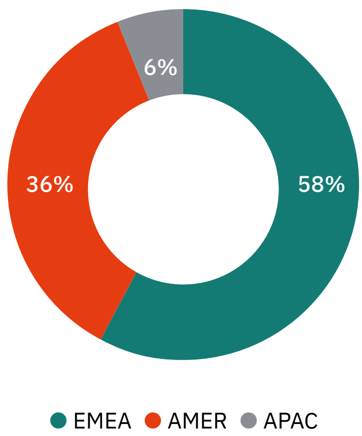
Nitro listed on ASX in December 2019 (ASX:NTO) and is today one of only two software companies worldwide with a proven enterprise-grade SaaS PDF productivity and eSigning platform targeting a fast-growing global market worth US$28 billion. This market is being driven by strong industry tailwinds, including the work-from-anywhere shift, accelerating digitisation and the ever-increasing demand for highly secure document handling.

As at 30 September 2022, Nitro generated Annual Recurring Revenue (**ARR**) of US$55.2 million, with more than 1.1 million subscription licensed users and 13,000+ business customers[1] across 175 countries, including 67% of the Fortune 500.[2]

ARR (30 Sep 22)
US$55.2 million



Headcount
c. 350



1. A business customer has 10 or more licensed users, and/or is a Nitro Sign Premium/Connective customer.
2. Fortune 500 data as at 31 December 2021.

5.2 Operational overview

a. Nitro Productivity Platform

The Nitro Productivity Platform enables organisations to drive better business outcomes through 100% digital document processes and fast, efficient workflows across virtually any device, anywhere. Nitro's business solutions enable integrated document workflow and automation across organisations, as well as enterprise-grade, high-trust eSigning and eID capabilities for fully compliant digital document handling. Its business intelligence and analytics products improve workplace efficiency through the measurement of workflow optimisation, ROI and quantified sustainability efforts.

These solutions empower knowledge workers with a suite of tools that improve document productivity by making it faster, more efficient and more secure to create, convert, share, sign, secure and collaborate. Nitro customers are supported by a customer success team that ensures smooth on-boarding and intuitive administration controls that allow users to quickly activate and easily assign licenses across operating systems.

An overview of the core product suite within Nitro's Productivity Platform is set out below.

Nitro PDF Pro	PDF productivity application for Windows, Mac and mobile are the #1 replacement for Adobe Acrobat DC, featuring editing, conversion, redaction and protection.
Nitro Sign	Nitro's enterprise-grade eSign capability provides global high-trust capabilities with full Advanced and Qualified eSigning functionality.
Identity Hub	Market-leading electronic identity verification and assurance services, allowing for Know Your Customer (**KYC**) capabilities and high-trust workflows.
Smart Documents	Document workflow and automation engine enabling dynamic document and email generation.
Nitro Analytics	Product usage and printing telemetry combined with reporting and analysis capabilities to create actionable insights that drive adoption, optimisation and quantifiable business ROI.

b. Strengths of the Nitro Productivity Platform

The Nitro Productivity Platform's competitive strengths include:

- **Single solution for both PDF productivity and eSigning:** Combining PDF productivity with high-trust eSigning capability to deliver a single, easy-to-use solution that accelerates digital transformation across organisations;
- **Multi-jurisdictional and industry-agnostic solution:** Nitro's software solutions have been designed to be scalable on an international basis with its multi-jurisdictional and industry agnostic platform. Nitro's document productivity software solutions are used in 175 countries;
- **Ease of implementation and fast adoption:** Intuitive user interface coupled with customer success to facilitate change management, accelerate user adoption and fast-track document productivity gains throughout the enterprise;
- **Implementation at scale:** A highly scalable solution that can be quickly and easily deployed without the need for complex integrations or significant IT resources; and
- **Real-time analytics:** Analytics and reporting that enable organisations to quantify the impact of the solution, highlight opportunities to continuously optimise results, and prove tangible ROI.

c. Connective NV

On 20 December 2021, Nitro completed the acquisition of Connective NV, Belgium's leading eSign SaaS business, with fast-growing market share in France and customers in 11 other European countries. This acquisition significantly enhanced Nitro's enterprise-grade eSign, eID and document workflow capabilities and accelerated Nitro's penetration into, and ability to serve, the US$17 billion global eSign market, in addition to the US$11 billion PDF productivity market.

Connective's business focuses on serving the needs of enterprise and government customers that require high levels of trust, security and regulatory compliance. Connective adds highly secure, enterprise-grade eSigning, expansive eID support and a powerful document workflow automation solution to Nitro's existing eSign solutions at a time where increased trust, security, and regulatory compliance are vital to business success.

With data security at a premium, the future of eSigning is built around high-trust eID-driven solutions. Nitro is now successfully selling Nitro Sign Premium (previously Connective) across all key regions, including to customers in North America and Australia, serving as key proof points beyond Connective's core European markets.

The Connective business continues to perform well, exceeding expectations at the time of the acquisition, with the integration of Connective essentially complete and Nitro's go-to-market (**GTM**) team focused on pursuing cross-sell and upsell opportunities.

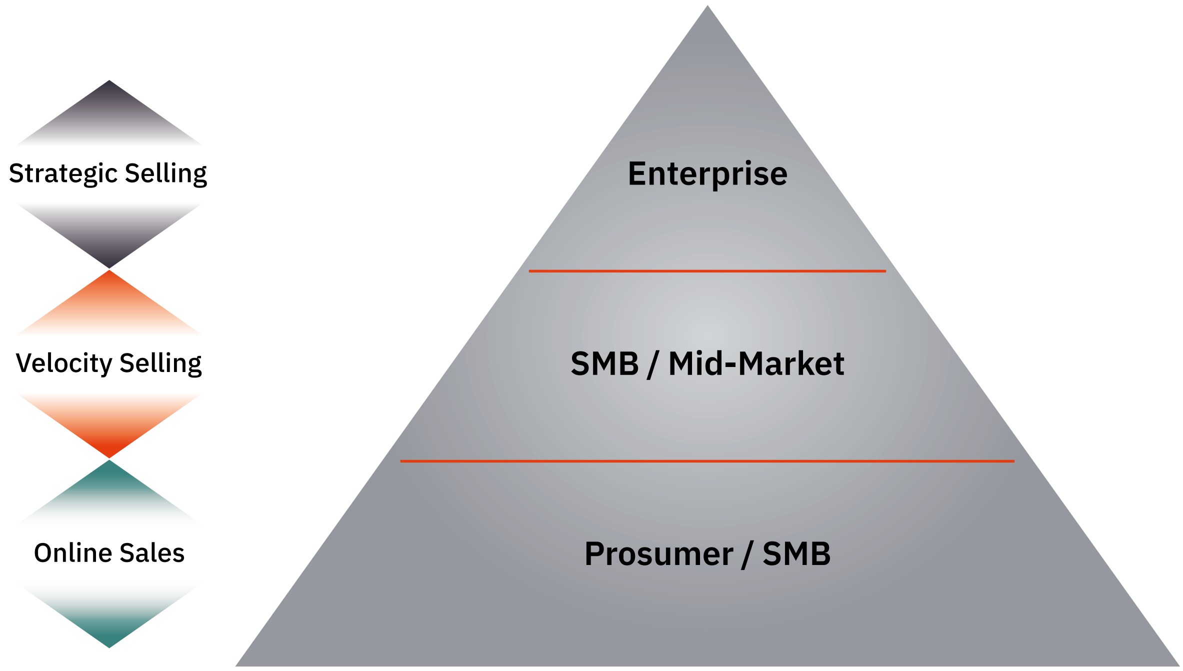
d. Go-to-market strategy

Nitro's revenue growth is primarily underpinned by a range of sales and marketing strategies, focused on winning new customers, increasing penetration within existing customers and simultaneously expanding revenue contribution from existing customers.

Nitro's sales and marketing function utilises a multi-segment strategy, which varies the Company's sales resourcing and approach based on the size of potential customers, the complexity of their needs, and the revenue opportunity that exists within that customer.

Following the acquisition and integration of Connective, Nitro announced a restructure of its GTM function in July 2022 as part of a strategy to lower costs, increase efficiency and improve effectiveness and unit economics. Following the restructure, Nitro's simplified customer segmentation is now supported by an aligned organisational model, which makes the distinction between velocity and strategic sales motions.

The restructure provides for a more appropriate cost structure through enhanced opportunity routing and sales and customer service processes.



e. Key customers

Nitro now has more than 13,000 business customers across 175 countries, with the Nitro Productivity Platform used by many of the world's largest and best-known companies at scale. Nitro's software solution is highly scalable and has targeted offerings serving large multinational enterprises, the mid-market and SMB customers.

The acquisition of Connective delivered 1,000+ new direct and indirect customers to Nitro, including governments, agencies and financial institutions that rely on Connective's high-trust, highly secure eSigning and eID solutions.

Nitro's customer retention remains strong, with very limited additional churn experience across its customer base. As at 30 June 2022, Nitro's Gross Retention Rate (**GRR**) and Net Retention Rate (**NRR**) remained steady compared to the end of FY2021 at 94% and 113%, respectively.

Nitro's customer base includes 67% of the Fortune 500. The Company has a diversified customer and revenue mix across segments, industries and geographies, as summarised below:

Selection of customers with significant Nitro Productivity Platform and Nitro Sign Premium deployments

FINANCIAL SERVICES	Deutsche Bank, BNY MELLON, Swiss Re, Julius Bär, Bank of Ireland, CREDIT AGRICOLE, BMO, AMERICAN EXPRESS, NatWest, LLOYDS BANK
PROFESSIONAL SERVICES	Grant Thornton, JLL, Colliers International, SIEMENS Government Technologies, MOTOROLA SOLUTIONS, TRC, Computershare, Capgemini
MANUFACTURING	SANDVIK, NORTHROP GRUMMAN, TDK, GE Aerospace, FUJITSU, YOKOGAWA, SAFRAN, P&G
ENERGY	ExxonMobil, exelon, قطر للبترول Qatar Petroleum, bp, ENGIE, GE, SUNCOR ENERGY, subsea 7, PIONEER NATURAL RESOURCES
CONSTRUCTION & TRANSPORT	CATERPILLAR, JOHN DEERE, Johnson Controls, Howden, FedEx Express, Lufthansa, Royal Mail, NetworkRail
HEALTHCARE	UNITEDHEALTH GROUP, ICON, Ramsay Health Care, Steward, ALBANY MEDICAL CENTER, VANDERBILT UNIVERSITY MEDICAL CENTER, Ardent Health Services, aetna
OTHER	Nestlé, Adecco, REDFIN, suez, TOYOTA FINANCIAL SERVICES, THALES, L3HARRIS, Continental, ArcelorMittal

5.3 Nitro's growth strategy

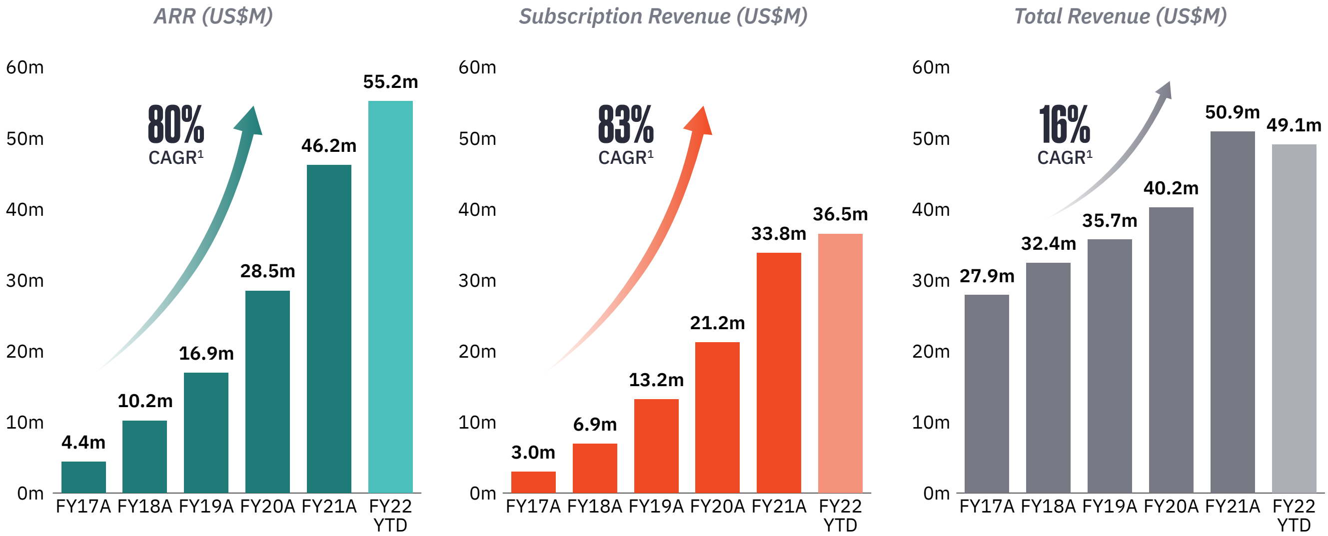
Nitro has a track record of strong growth, supported by its differentiated product offering. An overview of Nitro's growth strategy is provided below.

- **Expansion within existing customers:** Continued account development, including cross-sell, upsell, new product adoption, license and signature volume scaling.
- **Winning new enterprise customers:** Target account strategy to penetrate new accounts, regions and verticals; refreshed go-to-market strategy to drive product-led growth from SMB to enterprise.
- **Channel:** Scaling reach, power and value of partner ecosystem through the addition of Connective's expansive partner network, including solutions integrators, and launch of Nitro's Next Gen Partner strategy.
- **Continued investment in product development:** Continued innovation across the entire Productivity Platform, adding new products and capabilities.
- **Acquisitions:** Strategic partnerships and acquisitions to accelerate product capabilities, roadmap and expand GTM reach. Nitro's two strategic acquisitions in 2021 – Connective and PDFpen – addressed known capability gaps in the Nitro Productivity Platform to ensure the Company has a product and service to meet all critical customer requirements in eSigning and PDF productivity.

5.4 Summary financials

Historically, Nitro offered its productivity suite via a perpetual licensing model. In 2016, the Company began offering a SaaS-based subscription licensing model. In addition to the sale of subscription licenses to new customers, the Company also commenced the transition of legacy enterprise and SMB customers from perpetual licenses to subscription-based licensing. Since launching its first subscription product in 2016, Nitro has scaled to over US$55.2 million in ARR as at 30 September 2022:

Track Record of Significant Growth



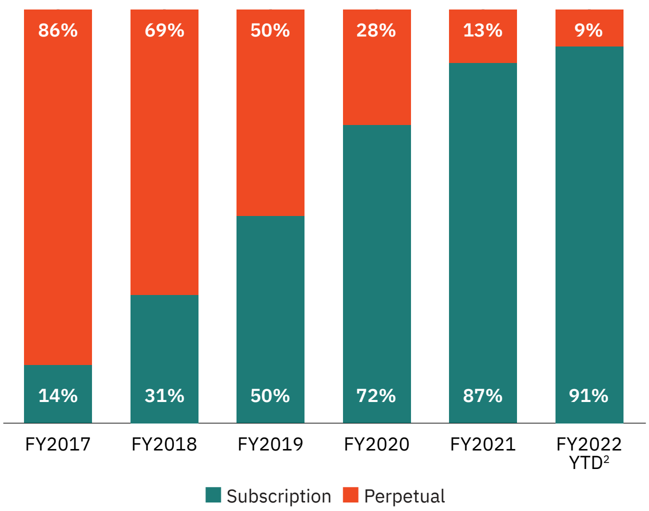
1. Represents FY17A-FY21A CAGR.

The transition to a SaaS business model away from perpetual licenses has been successful to date, with subscription revenue in FY2022 YTD[3] approaching 75% of total revenue. The transition to subscription for Nitro's dominant business[4] sales channel is effectively complete, with over 90% of business revenue in FY2022 YTD generated from subscription contracts:

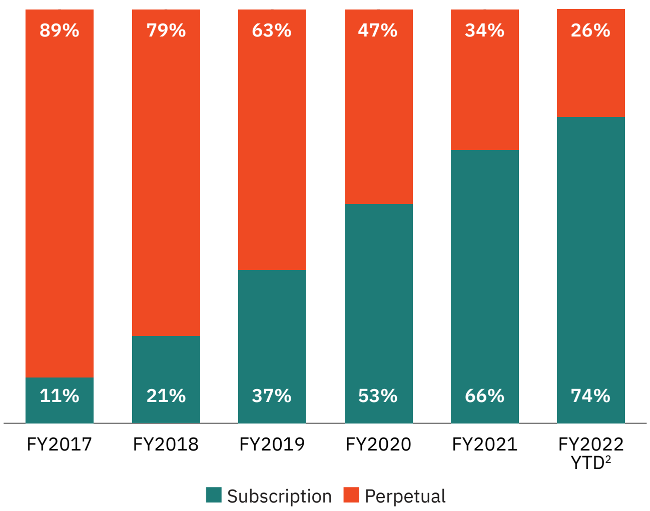
Transition to Subscription

Total Revenue approaching 75% subscription; transition effectively complete for Business Revenue at >90%.

Business[1] Revenue Subscription vs Perpetual Mix



Total Revenue: Subscription vs Perpetual Mix



1. Nitro's Business sales comprise sales executed by Nitro's sales team and excludes on;line/eCommerce sales via Nitro's website and Connective.
2. Represents data at the end of Q3 2022.

5.5 Trading update

Despite challenging macroeconomic conditions, Nitro delivered a strong result for the three months to 30 September 2022, with ending ARR of US$55.2 million, up 51% compared to 30 September 2021 (excluding Connective, up 30%). Added ARR for the third quarter was ahead of internal expectations at US$3.7 million, supported by strong expansion sales and new customer wins.

Nitro achieved FY2022 YTD unaudited revenue of US$49.1 million for the nine months to 30 September 2022, up 33% compared to the corresponding prior period (excluding Connective, up 20%), underpinned by momentum in subscription revenues, which were up 54% FY2022 YTD compared to the corresponding prior period (excluding Connective, up 36%).

The Connective business continues to perform well with a significant portion of Nitro's Q4 FY2022 sales pipeline representing customer interest in Nitro Sign Premium (previously known as Connective). Nitro remains on target to achieve its revised forecast of ARR synergies attributable to Connective of US$1.0 million by 31 December 2022.

3. FY2022 YTD represents nine months to 30 September 2022.
4. Business sales exclude online/eCommerce sales via Nitro's website and Connective and represent approximately 82% of 2022 YTD total revenue.

Nitro continues to execute cost-saving measures, more recently through the go-to-market restructure (announced to ASX on 26 July 2022), as part of its strategy to accelerate the pathway to positive cash flow. The Company remains on target to deliver on its forecast cost savings and positive operating cash flow in H2 FY2023.[5]

In Nitro's Q3 FY2022 update (released to ASX on 27 October 2022), Nitro reaffirmed its FY2022 guidance (as provided on 26 July 2022):

- Ending ARR between US$57 million and US$60 million;
- Revenue between US$65 million and US$69 million; and
- Operating EBITDA[6] loss of between US$10 million and US$13 million.

5.6 Board and senior management

a. Nitro Directors

As at the date of this Target's Statement, the Nitro Board is comprised of the following Directors:

Name	Current Position
Kurt Johnson	Chairman
Sam Chandler	Chief Executive Officer & Executive Director
Michael Brown	Non-Executive Director
Lisa Hennessy	Non-Executive Director
Sarah Morgan	Non-Executive Director
Peter Navin	Non-Executive Director
Craig Scroggie	Non-Executive Director

b. Nitro senior management

As at the date of this Target's Statement, Nitro's senior management team is comprised of the following members:

Name	Current Position
Sam Chandler	Chief Executive Officer & Executive Director
Ana Sirbu	Chief Financial Officer
Gina O'Reilly	Chief Operating Officer
Sam Thorpe	Chief Product Officer
Mark Flanagan	Chief Revenue Officer
Stefan Gass	Chief Marketing Officer
Raphael Cohn	Interim Chief Technology Officer

5. Refers to cash flows from "operating activities" excluding implementation costs, transaction costs and other non-recurring items, less capital expenditure and AASB 16 lease repayment costs.
6. Operating EBITDA excludes stock-based charges, foreign exchange gains and losses, Connective integration costs, transaction costs and other non-recurring items.

5.7 Recent Nitro Share price performance

Nitro Shares are listed on ASX under the ticker "NTO".

On 30 August 2022, Nitro received an unsolicited, conditional, and non-binding indicative proposal from Potentia Capital, together with HarbourVest, to acquire 100% of the issued capital of Nitro at A$1.58 cash per Nitro Share (**Initial Potentia Proposal**). The closing Nitro Share price on 29 August 2022, being the undisturbed trading prices on the last trading day prior to the announcement of the Initial Potentia Proposal, was A$1.13 per Nitro Share.

During the three months ended 29 August 2022:

- The 1-month VWAP was A$1.18 per Nitro Share; and
- The 3-month VWAP was A$1.27 per Nitro Share.

Following careful consideration, the Nitro Board concluded the Initial Potentia Proposal significantly undervalued Nitro and unanimously rejected the proposal as not being in the best interests of Nitro Shareholders.

On 28 October 2022, Nitro received notice of Potentia Capital's intention to make an off-market takeover bid to acquire some or all the issued share capital of Nitro at the offer price of A$1.80 cash per Nitro Share (**Potentia Offer**). Nitro entered a trading halt on 28 October 2022, which was lifted on 31 October 2022. On 31 October 2022, Nitro announced that the Nitro Board had unanimously rejected the Potentia Offer, and that the Company had received a non-binding competing proposal from Alludo to acquire 100% of the issued share capital in Nitro by way of a scheme of arrangement or a takeover bid with a minimum 50.1% acceptance condition at a price of A$2.00 cash per Nitro Share (**Alludo Transaction**). On 17 November 2022, Nitro received a further conditional and non-binding proposal from Potentia Capital stating that Potentia Capital would like to engage with Nitro in relation to a potential increase in the offer price of A$1.80 cash per Nitro Share (**Revised Potentia Proposal**). The Revised Potentia Proposal stated that Potentia Capital believed access to Nitro due diligence information may enable it to meet or exceed the Alludo Transaction offer price of A$2.00 per Nitro Share and stated it was willing to vary the offer by offering scrip to Nitro Shareholders. It did not offer Nitro Shareholders any specific improved value for Nitro Shares, nor any detail as to the nature or terms of a potential scrip offer. Following receipt of advice from its external financial and legal advisers, the Nitro Board concluded that the Revised Potentia Proposal was not, and could not reasonably be considered to become, a Superior Proposal to the Alludo Transaction, as defined in the Alludo Implementation Deed. The Nitro Share price at close of trading on 27 October 2022, being the last trading day prior to the announcement of the Potentia Offer, was A$1.73 per Nitro Share.

During the three months ended 27 October 2022:

- The highest recorded daily closing price was A$1.73 per Nitro Share, on 27 October 2022;
- The lowest recorded daily closing price was A$1.11 per Nitro Share, on 1 August 2022;
- The 1-month VWAP was A$1.64 per Nitro Share; and
- The 3-month VWAP was A$1.48 per Nitro Share.

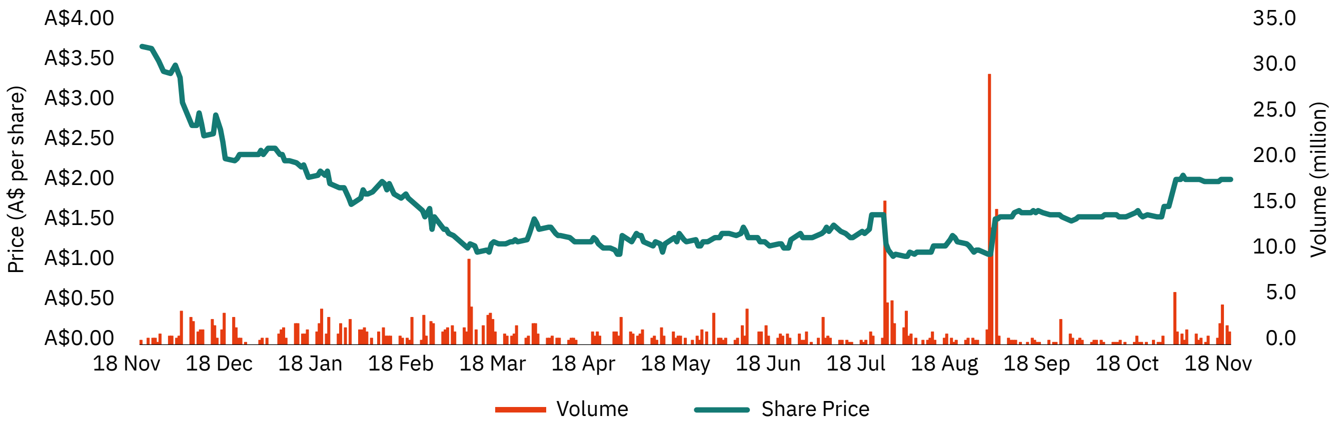
On 15 November 2022, Nitro announced that it had entered into the Alludo Implementation Deed. The closing price on 14 November 2022, being the last trading date prior to the announcement of the Alludo Implementation Deed was A$2.06 per Nitro Share.

5. OVERVIEW OF NITRO *(continued)*

The closing price of Nitro Shares on ASX on the Last Practicable Trading Date was A$2.09 per Nitro Share. During the three months ended 18 November 2022:

- The highest recorded daily closing price was A$2.12 per Nitro Share, on 2 November 2022; and
- The lowest recorded daily closing price was A$1.13 per Nitro Share, on 29 August 2022.

The graph below shows the Nitro Share price performance over the last 12 months to 18 November 2022:



5.8 Capital structure

The capital structure of Nitro as at the Last Practicable Trading Date is set out below:

Type of security	Number of securities
Nitro Shares	
Nitro Shares (Quoted on ASX)	245,283,492
Unquoted Treasury Shares – see Section 5.8(a) below	6,283,923
(A) Total Shares	**251,567,415**
Nitro Equity Securities	
Nitro Options (net) – see Section 5.8(b) below	3,021,222
Nitro NED Share Rights – see Section 5.8(c) below	172,475
Nitro Restricted Share Awards	7,668,601
Nitro Performance Rights	1,521,486
Nitro Performance Shares	682,606
(B) Total additional dilutive Nitro Securities	**13,066,390**
Treasury Shares	
Quoted Treasury Shares – see Section 5.8(d) below	(3,194,139)
Unquoted Treasury Shares – see Section 5.8(a) below	(6,283,923)
(C) Total Treasury Shares	**(9,478,062)**
Fully Diluted Nitro Shares Outstanding: (A) + (B) + (C)	**255,155,743**

a. Unquoted Treasury Shares

Nitro has on issue 251,567,415 Nitro Shares, which comprise of 245,283,492 ordinary shares in the capital of Nitro and 6,283,923 unquoted treasury shares (**Unquoted Treasury Shares**). The Unquoted Treasury Shares are held by Solium Nominees (Australia) Pty Limited (**ESS Trustee**), a third party trustee entity, under the terms of the Nitro Employee Share Trust (**ESS Trust**), and are held on behalf of the holders of Nitro Equity Securities who are eligible to participate in Nitro's equity incentive program (**ESS Participants**), being certain Nitro employees, managers, and Directors. Unquoted Treasury Shares are used to satisfy Nitro's obligations to issue Nitro Shares to ESS Participants following the vesting and/or exercise of their Nitro Equity Securities in accordance with their terms of issue under the relevant plan rules. The Unquoted Treasury Shares are voting shares as defined in Section 9 of the Corporations Act, however they are not quoted on ASX.

b. Nitro Options

As at the Last Practicable Trading Date, the Company had on issue 9,065,761 Nitro Options. The net Nitro Options in the table above reflects the number of Nitro Options with an exercise price equal to or below A$1.80 that will vest and assumes that they are exercised on a cashless basis.

c. Nitro NED Share Rights

Following its 2022 Annual General Meeting, Nitro implemented a program whereby Non-Executive Directors were able to elect to receive a grant of equity in lieu of cash remuneration for their services as Directors of Nitro.

d. Quoted Treasury Shares

Nitro has on issue 245,283,492 ordinary shares in the capital of Nitro of which 3,194,139 are quoted treasury shares (**Quoted Treasury Shares**). Quoted Treasury Shares are held by the ESS Trustee on behalf of ESS Participants under the terms of the ESS Trust.

5.9 Impact of the Potentia Offer and Alludo Transaction on Nitro's Equity Securities

a. Intended treatment of Nitro Equity Securities in connection with the Potentia Offer

Potentia Capital is not offering to acquire any Nitro Equity Securities. Potentia Capital has confirmed, however, that the Potentia Offer extends to any Nitro Shares issued during the Potentia Offer Period as a result of the exercise of Nitro Equity Securities that exist as at the Register Date.

b. Intended treatment of Nitro Equity Securities in connection with the Alludo Transaction

Under the terms of the Alludo Implementation Deed, Nitro and Alludo have agreed that under the Alludo Transaction, 100% of the ESS Securities on issue as at the date of the Alludo Implementation Deed will vest and convert into such number of Nitro Shares pursuant to their terms of issue subject to the Alludo Scheme becoming effective (in the case of the Alludo Scheme) or Alludo acquiring a Relevant Interest in at least 50.1% of Nitro's Shares, and the Alludo Takeover being declared or becoming unconditional (in the case of the Alludo Takeover). The number of Nitro Options (net), and therefore the Fully Diluted Nitro Shares Outstanding, will be higher under the Alludo Transaction than the Potentia Offer, with reference to the higher strike price of A$2.00 per Nitro Share (Alludo Transaction) versus A$1.80 per Nitro Share (Potentia Offer).

5.10 Substantial shareholders

Based on the substantial shareholder notice filings to ASX and information in the Nitro Share Register, the substantial shareholders of Nitro as at 10 November 2022 are:

Substantial shareholder	Number of Nitro Shares	Percentage of issued capital[1]
Potentia Capital Management Pty Ltd	48,586,139	19.81%
Australian Ethical Investment Limited	18,058,924	7.36%
Spheria Asset Management Pty Ltd	17,141,203	6.99%
Battery Ventures X LP	16,589,968	6.76%
AustralianSuper Pty Ltd	14,557,062	5.93%
TIGA Trading Pty Ltd	12,468,142	5.08%

1. Issued capital excludes 6,283,923 Unquoted Treasury Shares on issue by Nitro. Further information on the Unquoted Treasury Shares is set out in Section 5.8(a).

Any changes to the substantial shareholdings after the date noted above or in respect of which the relevant announcement is not available on ASX's website, is not included above.

As at the date of this Target's Statement, Nitro understands that Potentia Capital and HarbourVest have a Relevant Interest in 19.81% of the Nitro Shares.[7] Potentia Capital and HarbourVest are required to notify ASX and Nitro before 9:30am AEDT on the next trading day during the Potentia Offer period where there is a movement of at least 1% in their voting power in Nitro Shares (being the Relevant Interests in Nitro Shares held by them and their Associates) as compared with their last substantial shareholder notice.

5.11 Publicly available information

Nitro is a listed disclosing entity for the purposes of the Corporations Act and as such is subject to regular reporting and disclosure obligations. Specifically, as a company listed on the ASX, Nitro is subject to ASX Listing Rules, which require (subject to certain exceptions) continuous disclosure of any information Nitro has that a reasonable person would expect to have a material effect on the price or value of Nitro Shares.

ASX maintains files containing publicly disclosed information about all companies listed on ASX. Information disclosed to ASX by Nitro is available on ASX's website (https://www.asx.com.au/).

In addition, Nitro is required to lodge various documents with ASIC. Copies of documents lodged with ASIC by Nitro may be obtained from an ASIC office.

A substantial amount of information about Nitro, including financial information and releases to ASX, is available in electronic form on Nitro's website (https://ir.gonitro.com/investor-centre/).

As required by ASIC Class Order 13/521, any Nitro Shareholder who would like to receive a copy of any of those documents (or relevant extracts from those documents) may obtain a copy free of charge by contacting the Nitro Shareholder Information Line on 1300 381 572 (within Australia) or +61 2 9066 4082 (outside Australia) between 8:30am and 5:30pm (AEDT) Monday to Friday.

7. Potentia Capital's Relevant Interest excludes the 6,283,923 Unquoted Treasury Shares on issue by Nitro. Unquoted Treasury Shares are voting shares as defined in section 9 of the Corporations Act meaning that Potentia Capital's adjusted Relevant Interest in Nitro is 19.31% as the date of this Target's Statement. Further information on the Unquoted Treasury Shares is set out in Section 5.8(a).

6. RISK FACTORS

6.1 Introduction

In considering the Potentia Offer, Nitro Shareholders should be aware that there are a number of risk factors associated with either accepting the Potentia Offer or rejecting the Potentia Offer and continuing to hold Nitro Shares.

In deciding whether to accept the Potentia Offer, Nitro Shareholders should read this Target's Statement and the Potentia Bidder's Statement in full and consider these risks. Whilst some of these risks can be mitigated, some are outside the control of Nitro and the Nitro Board.

This section is not intended to be an exhaustive list of all the risks that may be related to the Potentia Offer or an investment in Nitro. These risks do not take into account your personal circumstances, including your investment objectives, financial situation or taxation position. There may be additional risks and uncertainties not currently known to Nitro, or which are currently known but which Nitro currently considers to be individually immaterial, which may adversely impact Nitro's operating and financial performance and the price or value of Nitro Shares.

You should carefully review and consider the risks mentioned in this Section 6, as well as the other information contained in this Target's Statement in deciding whether to accept or reject the Potentia Offer. If you are uncertain as to any of the matter in this Target's Statement or the Potentia Bidder's Statement, you should contact a licensed financial adviser or other suitable professional adviser.

6.2 Risks associated with accepting the Potentia Offer

There are various risks associated with accepting the Potentia Offer, including those set out in this Section 6.2.

a. Inability to participate in the Alludo Transaction or any other Superior Proposal that may be submitted

If a Nitro Shareholder accepts the Potentia Offer and the Potentia Offer Conditions are satisfied or waived in full prior to the Potentia Offer closing, they will forego the opportunity to benefit from any Superior Proposal by another bidding party for their Nitro Shares, including the existing superior Alludo Transaction.

The Nitro Board considers the Potentia Offer to be inferior because the Potentia Offer is offering A$0.20 cash per Nitro Share less than the amount available under the Alludo Transaction. The Alludo Transaction represents an 11% premium to the Potentia Offer, or an additional A$52 million in aggregate value to Nitro Shareholders.[1]

1. Assuming fully diluted shares outstanding under the Potentia Offer and the Alludo Transaction of 255.2 million and 255.5 million respectively. Refer to Section 5.8.

b. Possibility of future Nitro Share price appreciation

It is currently possible to sell Nitro Shares on market for a price greater than the Potentia Offer. Further, there is a possibility that the price or value of Nitro Shares will increase in the future and so Nitro Shareholders who accept the Potentia Offer will potentially forego the ability to sell their Nitro Shares for a higher price than the Potentia Offer Price (however, Nitro can give no assurances and provides no forecast as to whether this will occur).

c. Taxation consequences

The taxation consequences for selling your Nitro Shares under the Potentia Offer will depend on a number of factors and will vary depending on your personal circumstances. Section 8 of the Potentia Bidder's Statement provides a general overview of certain Australian taxation considerations for Nitro Shareholders who choose to dispose of Nitro Shares under the Potentia Offer.[2]

You should carefully review and consider the taxation consequences of disposing of your Nitro Shares and seek your own professional tax advice as to the taxation consequences that apply to your personal circumstances.

6.3 Risks associated with rejecting the Potentia Offer and continuing as a Nitro Shareholder

There are various risks that are specific to Nitro, and other risks that apply to investments generally, which may materially and adversely affect the future operating and financial performance of Nitro and the value of Nitro Shares. Those risks (and other risks) will continue to be relevant to Nitro Shareholders who reject the Potentia Offer and retain their current investment in Nitro. These risks will also continue to be relevant to all Nitro Shareholders if the Potentia Offer is withdrawn.

Factors specific to Nitro, or those which impact the industry in which Nitro operates more broadly, may individually or in combination impact the financial and operating performance of the Nitro Group. These events may be beyond the control of the Nitro Board or management of Nitro. The major risks associated with an investment in Nitro are summarised below.

a. Risks relating to the Alludo Transaction

There is a risk that the Alludo Scheme will not be approved, and so will not be available as a superior proposal compared to the Potentia Offer. As Potentia Capital (and its Associates) hold 19.81% of Nitro[3], it is possible that the Alludo Scheme will not be approved by the requisite majorities of Nitro Shareholders , in particular as Potentia Capital have stated in the Potentia's Bidder Statement that they will vote their Nitro Shares against any competing scheme. The Alludo Scheme is also subject to a number of conditions (**Alludo Scheme Conditions**). The Nitro Board does not have any reason to expect that the Alludo Scheme Conditions will not be satisfied.

There is also a risk that the Alludo Takeover will not become unconditional and so is not available as a superior proposal compared to the Potentia Offer. The Alludo Takeover is subject to the Alludo Takeover Conditions, including a 50.1% minimum acceptance condition.[4] Potentia Capital has indicated that it will vote all the Nitro

2. Assuming the Potentia Offer Conditions are satisfied or waived in full prior to the Potentia Offer closing.
3. Potentia Capital's Relevant Interest excludes the 6,283,923 Unquoted Treasury Shares on issue by Nitro. Unquoted Treasury Shares are voting shares as defined in section 9 of the Corporations Act meaning that Potentia Capital's Relevant Interest in Nitro is 19.31% as the date of this Target's Statement. Further information on the Unquoted Treasury Shares is set out in Section 5.8(a).
4. Calculated on the basis of 255,462,400 Nitro Shares.

Shares that it owns or controls, at the relevant time, against a competing scheme proposal and that it will not accept any of those Nitro Shares into a competing takeover proposal. Under ASIC's "truth in takeovers policy", Potentia Capital is bound by those statements. Accordingly, given that a lower number of Nitro Shareholders are required to satisfy the 50.1% minimum acceptance condition under the Alludo Takeover as compared to the Alludo Scheme, the Nitro Board considers that the Alludo Takeover is more likely to be successful than the Alludo Scheme.

The Potentia Offer Period is currently scheduled to close before the outcome of the Alludo Scheme, or the satisfaction or waiver of Alludo Takeover Conditions under the Alludo Takeover is likely to be known. If the Potentia Offer lapses, and any of the Alludo Transaction Conditions are not satisfied or waived, Nitro Shareholders will no longer have the opportunity to accept the Potentia Offer.

b. Failure to retain existing customers or attract new customers

Nitro's business depends on its ability to retain its existing customers, and the Company's growth depends on its ability to attract further business from existing customers and to attract new customers. If customers do not continue to use Nitro's software or increase their use over time, and if new customers do not choose to use Nitro's software, the growth in revenue may slow, or revenue may decline.

Nitro's business is partly dependent on the conversion of customer sales resulting from investment in sales and marketing campaigns and initiatives, which is expected to continue to increase as the business grows. Failure to realise the intended benefits from sales and marketing investment could negatively impact Nitro's ability to attract new customers and may adversely impact Nitro's operating and financial performance.

c. Nitro operates in a competitive industry

Nitro competes against other international document productivity and electronic signature software providers, as well as with internally developed or manual paper-based systems. The global document productivity industry is rapidly evolving, is increasingly competitive and the market leaders have significantly more financial and operational resources than Nitro. As such, there is a risk that at any time Nitro may compete less effectively against its competitors, causing it to lose market share and the ability to develop or secure new customers.

d. Reliance on uptake of SaaS based document productivity and electronic signature software

Nitro's future growth in revenues depends on the increasing adoption of SaaS based document productivity and electronic signature software solutions. It may be difficult for Nitro to persuade potential customers to change existing on premise, perpetual license or manual paper-based solutions to adopt Nitro's SaaS based software product. If Nitro's software is not accepted and used by more organisations, or if the market for such solutions fails to grow as expected, Nitro's platform could be adversely affected, and revenue growth may slow.

e. Foreign exchange and foreign regulations

A significant proportion of Nitro's revenues and expenses are transactions incurred in foreign currencies or cash balances held in foreign currencies, whereas Nitro reports in US$. As such, Nitro is subject to foreign currency fluctuations, which may materially affect its consolidated financial position and operating results.

Nitro is also subject to the laws of the foreign jurisdictions in which it operates and could be adversely impacted by changes to laws or regulations in those jurisdictions in the future.

6. RISK FACTORS *(continued)*

f. Failure to adequately maintain and develop Nitro's software platform

Nitro's business model depends on the Company's ability to continue to ensure that customers are satisfied with the products that Nitro offers. There is a risk that Nitro may fail to maintain its software platform adequately, or that updates may introduce errors and performance issues, causing customer satisfaction in the Company's software to fall. Additionally, the failure to successfully develop new product features and modules may have a materially adverse impact on Nitro's future operations and financial performance.

g. Cyber security incidents or breaches of data privacy rules and regulations

The use of information technology is critical to Nitro's ability to deliver products and services to customers and the growth of its business. It is possible that measures taken by Nitro to prevent technology breaches may prove to be inadequate. Any accidental or deliberate security breaches or other unauthorised access to Nitro's information technology systems or customer data may subject Nitro to reputational damage, a loss of confidence in the services provided, a disruption of services to customers, claims by customers, loss of customers, theft and misappropriation of funds, legal action and regulatory scrutiny. Nitro may also be required to incur costs to rectify system vulnerabilities or introduce additional safeguards to minimise the risk of future security breaches.

h. Disruption or failure of technology systems and software

Nitro and its customers are dependent on the performance, reliability and availability of the Company's technology platforms, third party data centres and global communications systems. There is a risk that these systems may be adversely affected by disruption, failure, service outages or data corruption that could occur as a result of computer viruses, malware, internal or external misuse by websites, or other disruptions including natural disasters, power outages or other similar events. This could potentially lead to a loss of customers, legal claims by customers, and an inability to attract new customers.

i. Inability to attract or retain key personnel

The success of the Company is dependent upon the ongoing retention of key personnel, in particular, the senior management team. The loss of such personnel, or any delay in their replacement, could have a materially adverse impact on management's ability to operate the business and achieve its growth strategies and prospects, including through the development and commercialisation of new solutions or modules. The loss of key personnel could also have an adverse impact on operations, with the potential loss of key customer relationships, potential loss of business process knowledge and an adverse impact on financial performance.

j. Failure to realise benefits from research and development

Historically, Nitro has invested significantly in research and development, and it expects to continue to do so in the future in order to further expand and improve its product capabilities and to maintain its competitive position. Software development is expensive and often involves an extended period of time to achieve a ROI, or Nitro may receive no economic benefit at all from such investment.

k. Reliance on third party information technology suppliers

Nitro relies on certain contracts with third party suppliers to maintain and support its hosting infrastructure. Any failure or disruption to the services provided from or termination of contracts for any reason with third party service providers could negatively impact operating and financial performance. It could also expose the Company to claims for loss and damage from customers that may exceed the amounts that Nitro is entitled to recover from the third party service providers.

l. Disputes, claims and associated costs

Nitro may be involved from time to time in disputes or claims and litigation with current or former employees, customers, supplier or other stakeholders. These disputes may lead to legal and other proceedings, and may cause Nitro to suffer additional costs to the extent that the claim is not covered by insurance. Further, if such matters are successfully disposed of without direct adverse financial effect, they may have an adverse effect on Nitro's reputation and divert resources and management's attention.

m. General investment risks

The price of Nitro Shares on ASX will be affected by the financial performance of Nitro and may rise or fall due to numerous often unpredictable factors, including:

- Australian and international general economic conditions, including inflation rates, the level of economic activity, interest rates and currency exchange rates;
- Tensions and acts of terrorism in Australia and around the world;
- Investor perceptions in the local and global markets for listed stocks; and
- Changes in the supply and demand of software and technology securities.

6.4 Risks associated with the Potentia Offer becoming unconditional

This Section 6.4 provides a summary of some of the risks to Nitro Shareholders if the Potentia Offer becomes unconditional. The Potentia Offer will become unconditional if the Potentia Offer Conditions are satisfied or waived before the end of the Potentia Offer Period.

a. Potentia Capital acquires more than 50% but less than 90% of the Nitro Shares

If Potentia Capital acquires control of more than 50% but less than 90% of the Nitro Shares, Potentia Capital will acquire a majority shareholding in Nitro but will not be entitled to compulsorily acquire the outstanding Nitro Shares. In these circumstances, Nitro Shareholders who do not accept the Potentia Offer will become minority shareholders in Nitro. There are a number of possible implications of being a minority shareholder, including:

i. Continued exposure to the risks of being a Nitro Shareholder as set out in Section 6.3 (provided that Nitro remains an ASX-listed entity);

ii. Potentia Capital will be able to cast a majority of votes at a general meeting of Nitro which will enable them to control the composition of the Nitro Board. This will allow Potentia Capital's nominees on the Nitro Board to determine the strategic direction of the business and capital management. There is a risk that Nitro Shareholders may be dissatisfied with the altered strategic direction or the altered Board composition or that such alterations may adversely impact the Nitro business;

iii. Liquidity of Nitro Shares may be lower than at present and there is a risk that Nitro could be fully or partially removed from certain S&P/ASX market indices due to a lack of free float and/or liquidity; and

iv. If the number of Nitro Shareholders is less than that required by the ASX Listing Rules to maintain an ASX listing, Potentia Capital may seek to have Nitro removed from the official list of ASX. If this occurs, Nitro Shares will not be able to be bought or sold on ASX.

b. Special resolutions and ASX delisting (if Potentia Capital acquires control of more than 75% but less than 90% of the Nitro Shares)

If Potentia Capital acquires control of more than 75% but less than 90% of the Nitro Shares, all of the risks outlined in Section 6.4(a) will apply. Additionally, Potentia Capital will be able to pass a special resolution of Nitro and so will be able to, among other things, change Nitro's Constitution. Potentia Capital have also stated in the Potentia Bidder's Statement that they may also apply to ASX to have Nitro removed from the official list of ASX if they acquire control of more than 75% but less than 90% of the Nitro Shares. Refer to Section 6.4(c) of the Potentia Bidder's Statement for further information.

c. Compulsory Acquisition (if Potentia Capital acquires control of 90% or more of the Nitro Shares)

If Potentia Capital acquires control of 90% or more of the Nitro Shares, Potentia Capital will be permitted to compulsorily acquire any Nitro Shares in respect of which it has not received acceptance under the Potentia Offer, on the same terms as the Potentia Offer. In these circumstances, it is possible that a Nitro Shareholders' Shares may be compulsorily acquired by Potentia Capital in accordance with the Corporations Act, regardless of whether they have accepted the Potentia Offer. In this situation, Nitro Shareholders will be forced to receive the Potentia Offer Price per Nitro Share that is compulsorily acquired.

7. OTHER IMPORTANT INFORMATION FOR NITRO SHAREHOLDERS TO CONSIDER

7.1 Disclosure concerns relating to the Potentia Bidder's Statement

The Nitro Board considers that the Potentia Bidder's Statement contains several key inaccuracies and omissions. Accordingly, the Nitro Board encourages you to take great care when reading the Potentia Bidder's Statement. The Nitro Board therefore recommends that you only make a decision in relation to the Potentia Offer after you have read this Target's Statement in full.

The Potentia Bidder's Statement and Potentia's First Supplementary Bidder's Statement fail to acknowledge that the:

a. Nitro Board unanimously recommends the Alludo Transaction;

b. Potentia Offer Price of A$1.80 cash per Nitro Share is materially lower than the price of A$2.00 cash per Nitro Share under the Alludo Transaction; and

c. Nitro Board attempted to engage with Potentia Capital and provide access to confidential and non-public due diligence information. However, Potentia Capital declined to sign a confidentiality agreement on customary terms. The Nitro Board notes that Alludo and all other interested parties who have expressed interest in acquiring Nitro agreed to a similar confidentiality undertaking prior to having received access to confidential and non-public due diligence information of Nitro.

7.2 The Potentia Offer

On 28 October 2022, Potentia Capital announced its intention to make the Potentia Offer, being an offer to Nitro Shareholders to acquire some or all of the Nitro Shares through TGC LLC, a wholly owned subsidiary of Potentia Capital. On 28 October 2022, Potentia Capital served Nitro with a copy of the Potentia Bidder's Statement, which contains the Potentia Offer.

a. Nitro Shares

Potentia Capital is offering to acquire some or all of your Nitro Shares, including any rights attaching to those Shares.

b. Nitro Equity Securities

Potentia Capital's offer extends to all Nitro Shares that are issued during the Potentia Offer Period due to conversion of Nitro Equity Securities that exist at the Register Date.

c. Potentia Offer Price

Potentia Capital is offering A$1.80 cash per Nitro Share.

7.3 Timing under the Potentia Offer Period and the Alludo Transaction

a. Potentia Offer timing

The Potentia Offer is open for acceptance from 11 November 2022 until 7:00pm (AEDT) on 11 December 2022, unless it is withdrawn, or the Potentia Offer Period is extended in accordance with the Corporations Act. If you choose to accept the Potentia Offer, then your acceptance must be received by Potentia Capital before the end of the Potentia Offer Period. At this stage, unless Potentia Capital waives the Potentia Offer Conditions before the end of the Potentia Offer Period, the earliest you will get paid if you accept the Potentia Offer is 10 Business Days after you validly accept the Potentia Offer.

If your Nitro Shares are in a CHESS holding and you want to accept the Potentia Offer, you should give instructions to your Broker in sufficient time before the end of the Potentia Offer Period to allow your Broker to initiate your acceptance under the CHESS system. If your Nitro Shares are in an issuer sponsored holding and you want to accept the Potentia Offer, you should complete and deliver the acceptance form in sufficient time that it is received by Potentia Capital before the end of the Potentia Offer Period.

b. Alludo Transaction timing

The Alludo Transaction Booklet is expected to be sent to Nitro Shareholders in February 2023, however this timing is subject to ASIC providing approval that the Alludo Transaction Booklet may be dispatched outside of the two month period stipulated by the Corporations Act.

The Alludo Scheme Meeting is expected to take place in early March 2023 and, if approved, the Alludo Scheme is expected to be implemented in late March 2023. Nitro Shareholders will receive their consideration under the Alludo Scheme (if it is approved) on or shortly after the implementation date.

The Alludo Scheme will only proceed if the requisite numbers of Nitro Shareholders vote in favour of the Alludo Scheme. This requires more than 50% of Nitro Shareholders by number present and voting at the Alludo Scheme Meeting and at least 75% of total number of votes cast at the Alludo Scheme Meeting to be in favour of the Alludo Scheme. The Alludo Scheme also requires Court approval.

The Nitro Board strongly encourages every Nitro Shareholder to vote at the Alludo Scheme Meeting as every vote in favour of the Alludo Scheme will increase the likelihood of all Nitro Shareholders receiving the A$2.00 cash per Nitro Share available under the Alludo Scheme.

If the Alludo Scheme is not approved by Nitro Shareholders or the Court, the Alludo Takeover is expected to open in early March 2023, and then would be expected to close in late March 2023, unless extended or withdrawn. These dates are indicative only and are subject to change.

7.4 Extension of the Potentia Offer Period

If the Potentia Offer is unconditional (that is, all the Potentia Offer Conditions are satisfied or waived), Potentia Capital may extend the Potentia Offer Period at any time before the end of the Potentia Offer Period. However, if the Potentia Offer remains subject to any Potentia Offer Conditions, Potentia Capital may extend the Potentia Offer Period at any time before it gives Nitro Shareholders a Notice of Status of Conditions (as described in Section 7.9), but may only extend the Potentia Offer after it gives the notice in the circumstances described in the paragraph below or in other limited circumstances set out in the Corporations Act, which only apply where another person also announces or makes a takeover bid for Nitro Shares.

Potentia Capital must extend the Potentia Offer Period if, within the last seven days of the Potentia Offer Period, Potentia Capital improves the Potentia Offer Price or Potentia Capital's voting power in Nitro increases to more than 50%. If that happens, the Potentia Offer must be extended so that it ends 14 days after that event.

7.5 Withdrawal of the Potentia Offer

Potentia Capital may be able to withdraw the Potentia Offer if it obtains the written consent of ASIC, subject to the conditions (if any) specified in such consent.

7.6 Lapse of the Potentia Offer

The Potentia Offer will lapse if, at the end of the Potentia Offer Period, the conditions to which the Potentia Offer is subject are not satisfied or waived. If this occurs, then acceptances given by Nitro Shareholders will be void. Nitro Shareholders will continue to own the Nitro Shares and will be free to deal with them as they choose.

7.7 Potentia Offer Conditions

The Potentia Offer is subject to two conditions, being:

a. **Board recommendation:** During the Potentia Offer Period, a majority of the members of the Nitro Board recommend that Nitro Shareholders accept the Potentia Offer in the absence of a superior proposal; and

b. **No prescribed occurrences:** During the Potentia Offer Period, none of the prescribed occurrences set out in Section 10.3(b) of the Potentia Bidder's Statement occur.

7.8 Consequences of Potentia Offer Conditions not being satisfied

You should be aware that even if the Potentia Offer Conditions are not satisfied (or are triggered, as appropriate), they may be waived by Potentia Capital.

If any Potentia Offer Condition is unsatisfied (or has been triggered), and has not been waived, Potentia Capital will have an option as to whether to proceed with the acquisition of Nitro Shares under the Potentia Offer or allow the Potentia Offer to lapse with unsatisfied conditions. Generally speaking, Potentia Capital would not have to decide whether to proceed with the acquisition of Nitro Shares under the Potentia Offer until the date that it is required to provide its Notice of Status of Conditions which, as set out in Section 7.9, can be postponed if the Potentia Offer Period is extended.

7.9 Notice of Status of Conditions

The Potentia Bidder's Statement indicates that Potentia Capital will give a Notice of Status of Conditions on 2 December 2022.

Potentia Capital is required to set out in its Notice of Status of Conditions:

- Whether the Potentia Offer is free of any or all of the Potentia Offer Conditions;
- Whether, so far as Potentia Capital knows, any of the Potentia Offer Conditions have been fulfilled; and
- Potentia Capital's voting power in Nitro at that time.

If the Potentia Offer Period is extended before the Notice of Status of Conditions is to be given, the date that Potentia Capital must give its Notice of Status of Conditions will be taken to be postponed for the same period. In the event of such an extension, Potentia Capital is required, as soon as reasonably practicable after the extension, to notify ASX and Nitro of the new date for giving the Notice of Status of Conditions.

In addition, if a Potentia Offer Condition is fulfilled during the Potentia Offer Period but before the date on which the Notice of Status of Conditions is required to be given, Potentia Capital must, as soon as practicable, give ASX and Nitro a notice stating that the particular Potentia Offer Condition has been fulfilled.

7.10 Effect of acceptance

Accepting the Potentia Offer may (subject to the Potentia Offer Conditions set out in Section 7.7 and withdrawal rights set out in Section 7.11):

a. **Prevent you from accepting the Alludo Transaction or any Superior Proposal** that may be made by a third party that may be recommended by the Nitro Board;

b. **Relinquish control of your Nitro Shares to Potentia Capital** with no guarantee of payment until the Potentia Offer becomes, or is declared, unconditional – as the Potentia Offer Period could be extended by Potentia Capital so that the Potentia Offer is open for up to 12 months, which could result in further delays in payment from Potentia Capital;

c. **Give Potentia Capital the option** to keep your Nitro Shares (if the Potentia Offer Conditions are not satisfied (i.e., by waiving the conditions) or return your Nitro Shares (as set out in Section 7.11); and

d. **Prevent you from selling your Nitro Shares on ASX** (bearing in mind that since the Potentia Offer was announced, Nitro Shares have consistently traded at prices above the A$1.80 cash per Nitro Share being offered to you by Potentia Capital).

If Potentia Capital improves the Potentia Offer Price, all Nitro Shareholders who accept the Potentia Offer (whether or not they have accepted prior to that improvement) will be entitled to the benefit of that improved price.

The effect of acceptance of the Potentia Offer is explained in more detail in Section 10.8 of the Potentia Bidder's Statement. You should read those provisions in full to understand the effect that acceptance will have on your ability to exercise the rights attaching to your Nitro Shares and the representations and warranties that you are deemed by Potentia Capital to give to it by accepting the Potentia Offer.

7.11 Withdrawal rights

If you accept the Potentia Offer, you will have a right to withdraw your acceptance in some limited circumstances. Those withdrawal rights comprise general statutory withdrawal rights under the Corporations Act and specific withdrawal rights included in the terms of the Potentia Offer. In summary:

a. Statutory withdrawal rights under the Corporations Act

Under the Corporations Act, you may withdraw your acceptance of the Potentia Offer if Potentia Capital varies its Offer in a way that postpones, for more than one month, the time at which Potentia Capital needs to meet its obligations under the Potentia Offer. This will occur if Potentia Capital extends the Potentia Offer Period by more than one month and the Potentia Offer is still subject to conditions.

In those circumstances, you will have a period of one month after the date that the Potentia Offer is extended to withdraw your acceptance. Your statutory withdrawal rights will terminate upon the expiry of that one-month period, although if the Potentia Offer Period is then further extended you may receive further statutory withdrawal rights.

b. Withdrawal rights under the terms of the Potentia Offer

The terms of the Potentia Offer include that if, by the end of the Potentia Offer Period, the Potentia Offer Conditions have not been fulfilled or waived, the Potentia Offer will automatically terminate, and your Nitro Shares will be returned to you.

7.12 Compulsory Acquisition

a. Post-bid Compulsory Acquisition

Potentia Capital has stated in Section 6.3 of the Potentia Bidder's Statement that if it satisfies the required thresholds it intends to compulsorily acquire any outstanding Nitro Shares.

Potentia Capital will be entitled to acquire compulsorily any outstanding Nitro Shares for which it has not received acceptances on the same terms as the Potentia Offer if, during or at the end of the Potentia Offer Period, Potentia Capital (taken together with its Associates):

- Has a Relevant Interest in at least 90% (by number) of Nitro Shares; and
- Has acquired at least 75% (by number) of Nitro Shares for which it has made an offer.

In applying the 75% test described above, Nitro Shares in which Potentia Capital and its Associates have a Relevant Interest as at the date the Potentia Offer is first made are disregarded.

If the Compulsory Acquisition thresholds are met, Potentia Capital will have one month from the end of the Potentia Offer Period within which to give Compulsory Acquisition notices to Nitro Shareholders who have not accepted the Potentia Offer, but it may choose to commence Compulsory Acquisition as soon as the relevant thresholds are satisfied. A Nitro Shareholder has statutory rights to challenge Compulsory Acquisition, but this will require the relevant Shareholder to establish to the satisfaction of a court that the terms of the Potentia Offer do not represent fair value for Nitro Shares. Shareholders should be aware that, if their Nitro Shares are acquired compulsorily, they are not likely to receive any payment until at least one month after the Compulsory Acquisition notices are sent.

b. General Compulsory Acquisition

It is also possible that Potentia Capital will, at some time after the end of the Potentia Offer Period, become the beneficial holder of 90% of Nitro Shares. Under Part 6A.2 of the Corporations Act, Potentia Capital will then be entitled to compulsorily acquire any Nitro Shares not owned by it within six months of becoming the holder of 90% of Nitro Shares. Potentia Capital must provide the relevant Nitro Securityholders with Compulsory Acquisition notices accompanied by an independent expert's report and an objection form. The independent expert's report must set out whether the terms of the Compulsory Acquisition give "fair value" for the Nitro Securities concerned and the independent expert's reasons for forming that opinion.

If Nitro Securityholders with at least 10% of Nitro Securities covered by the Compulsory Acquisition notice object to the acquisition before the end of the objection period (which must be at least one month), Potentia Capital may apply to the court for approval of the acquisition of the Nitro Securities covered by the notice. The costs incurred by any Nitro Securityholder who objects in legal proceedings in relation to the Compulsory Acquisition must be borne by Potentia Capital, unless the court is satisfied that the Nitro Securityholder acted improperly, vexatiously or otherwise unreasonably.

8. DIRECTORS' RECOMMENDATION AND INTERESTS

8.1 Details of Directors

The Directors of Nitro as at the date of this Target's Statement are set out in Section 5.3(a).

8.2 Intentions of the Directors

Each Director intends to REJECT the Potentia Offer in respect of the Nitro Shares held or controlled by them or on their behalf.

The Directors and the entities associated with them may choose to deal in Nitro Shares at any time, subject to the requirements of the Corporations Act and the Nitro Securities Trading Policy (available on Nitro's website https://ir.gonitro.com/investor-centre/?page=corporate-governance). A recommendation given by a Director in connection with the Potentia Offer should not be taken to imply that the Director will not choose to deal with their existing holding (or that of any entity associated with them, or over which they have control), or will acquire or refrain from acquiring further Nitro Shares, in response to the Potentia Offer.

8.3 Directors' interests in Nitro Securities

As at the date of this Target's Statement, each Director has a Relevant Interest in the following Nitro Securities:

Name of Director	Nitro Shares[1]	Nitro Options	Nitro Performance Shares	Nitro Performance Rights	Nitro NED Share Rights[2]
Kurt Johnson	1,299,521	–	–	–	67,953
Sam Chandler	12,183,224	2,352,391	409,408	267,000	–
Michael Brown	16,589,968	–	–	–	–
Lisa Hennessy	40,515	–	–	–	27,480
Sarah Morgan	40,545	–	–	–	36,641
Peter Navin	–	–	–	–	40,401
Craig Scroggie	–	–	–	–	–

Notes:
1. Nitro Shares are held both directly and indirectly by Nitro Directors.
2. Nitro NED Share Rights were issued in lieu of Director fees and are held both directly and indirectly by Nitro Non-Executive Directors.

8.4 Interests of Michael Brown

Michael Brown serves as a General Partner of Battery Ventures, which holds 16,589,968 Nitro Shares. Although Mr Brown does not have a Relevant Interest in any Nitro Securities, Mr Brown's interest in Nitro arises due to his association with Battery Ventures.

8.5 Dealings by Directors in Nitro Securities

Except as set out below, no Director acquired or disposed of any Nitro Securities within the period of four months immediately preceding the date of this Target's Statement.

- On 9 September 2022:
  - Kurt Johnson acquired 67,953 Nitro NED Share Rights;
  - Lisa Hennessy acquired 27,480 Nitro NED Share Rights;
  - Peter Navin acquired 40,401 Nitro NED Share Rights; and
  - Sarah Morgan acquired 36,641 Nitro NED Share Rights.

8.6 Dealings by Directors in Potentia Capital's securities

No Director acquired or disposed of any marketable securities in Potentia Capital within the period of four months immediately preceding the date of this Target's Statement.

8.7 Conditional agreements

No Director is a party to any agreement or arrangement with any other person in connection with or conditional on the outcome of the Potentia Offer.

8.8 Interests of Directors of Nitro in any contract with Potentia Capital

No Director has an interest in any contract entered into by them or Nitro with Potentia Capital.

8.9 Payments and benefits

As a result of the Potentia Offer, no benefit (other than a benefit permitted by Section 200F or 200G of the Corporations Act) will or may be given to a Director:

- In connection with their retirement from office in Nitro or a related body corporate of Nitro; or
- In connection with the transfer of the whole or any part of the undertaking or property of Nitro.

9. OTHER MATERIAL INFORMATION

9.1 Alludo Implementation Deed

On 15 November 2022, Nitro and Alludo entered into a binding implementation deed, which governs the conduct of the Alludo Transaction.

Amongst other matters, the Alludo Implementation Deed regulates how Nitro can respond to any alternative proposal to acquire Nitro. The Alludo Implementation Deed also provides Alludo with certain rights in relation to any alternative proposal. A summary of the key elements of the Alludo Implementation Deed is set out below. A full copy of the Alludo Implementation Deed was released to ASX on 15 November 2022 and can be obtained from https://www.asx.com.au/ or https://ir.gonitro.com/Investor-Centre/.

a. **Exclusivity:** Under the Alludo Implementation Deed, Nitro is subject to exclusivity arrangements in favour of Alludo, which include:

   i. A no-shop restriction preventing Nitro from soliciting alternative transactions;

   ii. A no-talk restriction preventing Nitro from participating in negotiations or discussions with any person in relation to a Competing Proposal, subject to a fiduciary out;

   iii. A no-due diligence restriction preventing Nitro from allowing any third party to conduct due diligence on Nitro, subject to a fiduciary out;

   iv. A notification obligation requiring Nitro to notify Alludo of any Competing Proposal received and pass on details of the Competing Proposal received (including the person making the proposal and its material terms and conditions) to Alludo; and

   v. A five day right for Alludo to match any Competing Proposal that the Nitro Board considers is superior to the Alludo Transaction before the Nitro Board can recommend that alternative proposal and terminate the Alludo Implementation Deed.

b. **Break fee payable by Nitro:** Nitro has agreed to pay Alludo a break fee of A$5.0 million (excluding GST) if:

   i. The Nitro Board changes its recommendation of the Alludo Transaction other than where:

      A. In case of the Alludo Scheme, the Independent Expert concludes that the Alludo Scheme is not in the best interests of Nitro Shareholders; or

      B. In case of the Alludo Takeover, the Independent Expert concludes that the Alludo Takeover is not fair and reasonable,

   other than where the reason for that conclusion is a result of a Competing Proposal;

   ii. A Competing Proposal is announced before 15 August 2023 and, within 12 months of that occurring, a person or persons obtain a Relevant Interest in at least 50% of the Nitro Shares, or control of Nitro, or acquires an interest in all or a substantial part of the business or assets of the Nitro Group; or

   iii. Alludo terminates the Alludo Implementation Deed due to a material breach by Nitro and the Alludo Transaction does not complete or proceed.

c. **Unanimous recommendation:** The Nitro Board unanimously recommends the Alludo Transaction subject to there being no Superior Proposal and the Independent Expert concluding and continuing to conclude that, in respect of the Alludo Scheme, it is in the best interests of the Nitro Shareholders and that, in respect of the Alludo Takeover, it is fair and reasonable.

d. **Termination rights:** Either party may terminate the Alludo Implementation Deed if:

   i. The other party is in material breach of the Alludo Implementation Deed (including breach of a representation and warranty where such breach is material in the context of the Alludo Transaction as a whole) and the relevant circumstances continue to exist for five Business Days from the time the non-breaching party's notice of intention to terminate is given;

   ii. An Alludo Scheme Condition is not, or becomes incapable of being, satisfied and is not waived and, after consulting in good faith, the parties are unable to reach an agreement on the basis on which they will proceed with the Alludo Transaction by alternative means; or

   iii. The Effective Date for the Alludo Scheme has not occurred on or before 15 August 2023 and the Alludo Takeover is withdrawn or lapses.

Nitro may terminate the Alludo Implementation Deed if a majority of the Nitro Board changes their recommendation of the Alludo Transaction on the basis that Nitro receives a Competing Proposal and determines that, after all of Alludo's matching rights have been exhausted, the Competing Proposal constitutes a Superior Proposal, or the Independent Expert opines that the Alludo Scheme is not in the best interests of Nitro Shareholders or the Alludo Takeover is not fair and not reasonable to Nitro Shareholders.

Alludo may terminate the Alludo Implementation Deed if the Nitro Board recommends or supports a Competing Proposal or the Nitro Board or any Nitro Director fails to make, withdraws or adversely modifies, their recommendation that the Nitro Shareholders vote in favour of the Alludo Scheme or accept the Alludo Takeover.

9.2 Potential impact of the Potentia Offer on Nitro's material contracts

Nitro is not, after due inquiry, aware of any financing arrangement or other contract that has been entered into by Nitro or any of its subsidiaries, that Nitro considers to be material in the context of Nitro or the Nitro Group taken as a whole, that contains a change of control provision that may be triggered if Potentia acquires Nitro Shares as a result of the Potentia Capital Offer.

9.3 Taxation considerations for Nitro Shareholders

Section 8 of the Potentia Bidder's Statement sets out advice on Australian capital gains tax consequences of accepting the Potentia Offer.

Nitro Shareholders should consult their own tax adviser for tax advice tailored to their own particular circumstances. Nitro Shareholders should not solely rely on Section 8 of the Potentia Bidder's Statement in relation to the taxation implications of accepting the Potentia Offer. In particular, Nitro Shareholders who are subject to taxation outside Australia should obtain their own advice as to the tax consequences for them of the Potentia Offer, which may be different to those applicable to Australian resident Nitro Shareholders.

9.4 ASIC modifications and exemption

ASIC has published various "class order" instruments providing for modifications to, or exemptions from, the Corporations Act that apply generally to all persons, including Nitro.

9.5 Consents

The following persons have given and have not, before the date of issue of this Target's Statement, withdrawn their consent to:

- Be named in this Target's Statement in the form and context in which they are named;
- The inclusion of their respective reports or statements noted next to their names and the references to those reports or statements in the form and context in which they are included in this Target's Statement; and
- The inclusion of other statements in this Target's Statement that are based on or referable to statements made in those reports or statements, or that are based or referable to other statements made by those persons in the form and context in which they are included.

Name of Person	Named As	Reports or Statements
Allens	Legal Adviser	N/A
UBS Securities Australia Limited	Financial Adviser	N/A
Cadence Advisory	Financial Adviser	N/A
Computershare	Share Registry	N/A
Kroll Australia	Independent Expert	Independent Expert's Report

Each of the above persons:

- Does not make, or purport to make, any statement in this Target's Statement other than those statements referred to above and as consented to by that person; and
- To the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Target's Statement other than as described in this Section 9.5 with the person's consent.

As permitted by ASIC Class Order 13/521, this Target's Statement contains statements that are made, or based on statements made, in documents lodged with ASIC or ASX (in compliance with the Listing Rules). Pursuant to this Class Order, the consent of persons such statements are attributed to is not required for the inclusion of those statements in this Target's Statement.

Additionally, as permitted by ASIC Corporations (Consents to Statements) Instrument 2016/72, this Target's Statement may include or be accompanied by certain statements:

- Fairly representing a statement by an official person; or
- From a public official document or published book, journal or comparable publication.

Pursuant to that Class Order, the consent of persons such statements are attributed to is not required for inclusion of those statements in this Target's Statement.

As permitted by ASIC Corporations (Consents to Statements) Instrument 2016/72, this Target's Statement also contains trading data obtained from IRESS without its consent.

9.6 Reliance on information obtained from TGC LLC, Potentia Capital or public sources

The information in this Target's Statement about TGC LLC or Potentia Capital has been compiled from or is otherwise based on information obtained from TGC LLC, Potentia Capital or publicly available sources, and has not been independently audited or verified by Nitro or its advisers. If the information obtained from TGC LLC, Potentia Capital or the public sources is inaccurate or incomplete, this may affect the information included in the Target's Statement.

9.7 Continuous disclosure

Nitro is a "disclosing entity" under the Corporations Act and is subject to regular reporting and disclosure obligations under the Corporations Act and the Listing Rules. These obligations require Nitro to notify ASX of information about specified matters and events as they occur for the purpose of making that information available to the market. In particular, Nitro has an obligation (subject to limited exceptions) to notify ASX immediately on becoming aware of any information that a reasonable person would expect to have a material effect on the price or value of Nitro Shares.

Nitro Shareholders may obtain a copy of:

- Nitro's Annual Report for the year ended 2021 and the 1H FY2022 Results Report (being the most recent financial reports recently lodged with ASX before registration of with ASIC);
- Nitro's Constitution; and
- Any continuous disclosure document lodged by Nitro with ASX between the lodgement of its 2021 Annual Report on 24 February 2022 and the date of this Target's Statement (see table below),

on Nitro's website (https://ir.gonitro.com/Investor-Centre/), or may be requested to be provided free of charge by contacting the Nitro Shareholder Information Line on 1300 381 572 (within Australia) or +61 2 9066 4082 (outside Australia) between 8:30am and 5:30pm (AEDT) Monday to Friday.

Copies of the documents filed with ASX may be obtained from ASX's website at www.asx.com.au – ASX code: NTO. Copies of documents lodged with ASIC in relation to Nitro may be obtained from, or inspected at, an ASIC office.

Date	Description of Announcement
18/11/2022	Revised Potentia Proposal
16/11/2022	Notification Regarding Unquoted Securities – NTO
15/11/2022	Alludo Transaction
15/11/2022	Bidder’s Statement – Completion of Dispatch
14/11/2022	Change in Substantial Holding
11/11/2022	Potentia Offer
11/11/2022	Supplementary Bidders Statement
11/11/2022	Bidder’s Statement – Notice of Dispatch
11/11/2022	Despatch of Bidder’s Statement
31/10/2022	Takeover Update
28/10/2022	Bidder’s Statement
28/10/2022	Intention to Make Takeover Bid
28/10/2022	Trading Halt
28/10/2022	Pause in Trading
27/10/2022	Response to Media Speculation
27/10/2022	Nitro Q3 2022 Update
27/10/2022	Nitro Q3 2022 Quarterly Activities Report and Appendix 4C
26/10/2022	Becoming a Substantial Holder – Tiga Trading Pty Ltd
26/10/2022	Becoming a Substantial Holder from TEK
13/10/2022	NTO Q3 FY22 Business Update and Investor Briefing
12/10/2022	Notification of Cessation of Securities – NTO
10/10/2022	Notification of Cessation of Securities – NTO
06/10/2022	Notification of Cessation of Securities – NTO
29/09/2022	Application for Quotation of Securities – NTO
19/09/2022	Change of Director’s Interest Notices
19/09/2022	Notification Regarding Unquoted Securities – NTO
13/09/2022	Notification of Cessation of Securities – NTO
12/09/2022	Notification Regarding Unquoted Securities – NTO
08/09/2022	Letter to Shareholders
07/09/2022	Notification Regarding Unquoted Securities – NTO
02/09/2022	Change in Substantial Holding
01/09/2022	Change in Substantial Holding
01/09/2022	Ceasing to be a Substantial Holder
31/08/2022	Becoming a Substantial Holder
31/08/2022	Nitro Unanimously Rejects Unsolicited Indicative Proposal
30/08/2022	Trading Halt
29/08/2022	1H 2022 Results Presentation
29/08/2022	1H 2022 Results Release
29/08/2022	Appendix 4D and Half Year Report
22/08/2022	Notification of Cessation of Securities – NTO
18/08/2022	Nitro Software 1H FY2022 Results Briefing
17/08/2022	Notification Regarding Unquoted Securities – NTO
02/08/2022	Change in Substantial Holding
26/07/2022	Correction to Appendix 4C
26/07/2022	Nitro Q2 2022 Update
26/07/2022	Nitro Q2 2022 Quarterly Activities Report and Appendix 4C

9. OTHER MATERIAL INFORMATION *(continued)*

Date	Description of Announcement
25/07/2022	Application for Quotation of Securities – NTO
25/07/2022	Notification of Cessation of Securities – NTO
25/07/2022	Notification regRegarding Unquoted Securities – NTO
25/07/2022	Notification Regarding Unquoted Securities – NTO
11/07/2022	Nitro Software Q2 FY22 Business Update and Investor Briefing
10/06/2022	Change in Substantial Holding
26/05/2022	Amended Constitution
26/05/2022	Results of Annual General Meeting
26/05/2022	Chairman's Address to Shareholders and AGM Presentation
24/05/2022	Application for Quotation of Securities – NTO
17/05/2022	Change in Substantial Holding from AEF
29/04/2022	Nitro Q1 2022 Update
29/04/2022	Nitro Q1 2022 Quarterly Activities Report and Appendix 4C

Date	Description of Announcement
27/04/2022	Presentation at Goldman Sachs Emerging Leaders Conference
22/04/2022	NTO – Notice of Annual General Meeting/Proxy Form
21/04/2022	Notification of Cessation of Securities – NTO
21/04/2022	Notification Regarding Unquoted Securities – NTO
14/04/2022	Nitro Q1 2022 Quarterly Activities Report and Appendix 4C
14/03/2022	Change in Substantial Holding from AEF
11/03/2022	Becoming a Substantial Holder
04/03/2022	Change of Director's Interest Notice
04/03/2022	Change of Director's Interest Notice
04/03/2022	Notification of Sessation of Securities – NTO
04/03/2022	Application for Quotation of Securities – NTO
04/03/2022	Notification Regarding Unquoted Securities – NTO

9.8 Other material information

This Target's Statement is required to include all the information Nitro Shareholders and their professional advisers would reasonably require to make an informed assessment of whether to accept the Potentia Offer, but:

- Only to the extent to which it is reasonable for investors and their professional advisers to expect to find this information in this Target's Statement; and
- Only if the information is known to any of the Nitro Board.

The Directors are of the opinion that the information that Nitro Shareholders and their professional advisers would reasonably require to make an informed assessment of whether to accept the Potentia Offer is:

- The information contained in the Potentia Bidder's Statement and Potentia's First Supplementary Bidder's Statement (to the extent that the information is not inconsistent with or superseded by information in this Target's Statement);
- The information contained in Nitro's 2021 Annual Report;
- The information contained in Nitro's announcements to ASX prior to the date of this Target's Statement; and
- The information contained in this Target's Statement, including the Schedules to this Target's Statement.

The Nitro Board has assumed, for the purposes of preparing this Target's Statement, that the information contained in the Potentia Bidder's Statement and Potentia's First Supplementary Bidder's Statement is accurate (unless they have expressly indicated otherwise in this Target's Statement). However, the Nitro Board does not take any responsibility for the contents of the Potentia Bidder's Statement and are not to be taken as endorsing, in any way, any or all statements contained in it.

In deciding what information should be included in this Target's Statement, the Directors have had regard to:

- The nature of the Nitro Shares;
- The matters Nitro Shareholders may reasonably be expected to know;
- The fact that certain matters may reasonably be expected to be known to the professional advisers of Nitro Shareholders; and
- The time available to Nitro to prepare this Target's Statement.

9.9 Supplementary information

If Nitro becomes aware of any of the following between the date of lodgement of this Target's Statement for registration with ASIC and the close of the Potentia Offer Period:

- A material statement in the Target's Statement is false or misleading;
- A material omission from this Target's Statement;
- A significant change affecting a matter in this Target's Statement; or
- A significant new matter has arisen, and it would have been requested to be included in this Target's Statement if known about at the date of lodgement with ASIC,

depending on the nature and timing of the changed circumstances, and subject to obtaining any relevant approvals, Nitro may circulate and publish any supplementary document by:

- Making an announcement to ASX;
- Placing an advertisement in a prominently published newspaper which is circulated generally in Australia;
- Posting the supplementary document to Nitro Shareholders at their registered address shown in the Nitro Share Register; or
- Posting a statement on Nitro's website at https://ir.gonitro.com/Investor-Centre/,

as Nitro in its absolute discretion considers appropriate.

9.10 Registration of Target's Statement with ASIC

This Target's Statement was registered with ASIC on 23 November 2022 in accordance with section 633(1), Item 13 of the Corporations Act.

10. AUTHORISATION

This Target's Statement has been approved by a resolution passed by the Directors of Nitro Software Limited (ACN 079 215 419) in accordance with section 639(1) of the Corporations Act. Each Director of Nitro voted in favour of the resolution authorising this Target's Statement.

Kurt Johnson
Chairman

on behalf of the Board of Nitro Software Limited (ACN 079 215 419)

Dated 23 November 2022.

11. DEFINITIONS AND INTERPRETATION

11.1 Definitions

The following definitions apply in this Target's Statement unless the context requires otherwise.

AEDT means Australian Eastern Daylight Time.

Alludo means Cascade Parent Limited (Company Registration Number 129147).

Alludo Implementation Deed means the implementation deed dated 15 November 2022 between Nitro and Alludo.

Alludo Scheme means the offer by Alludo to acquire 100% of the Nitro Shares by way of a scheme of arrangement for total value of A$2.00 cash per Nitro Share.

Alludo Scheme Conditions means the following conditions precedent to the Alludo Scheme:

a. **FIRB approval:** Alludo receiving written notice under the FATA that the Australian government has no objections to the acquisition of Nitro's Shares contemplated by the Alludo Scheme, or the Treasurer being precluded from making an order or decisions under the FATA due to expiry of the relevant time limits, before 8:00am AEDT on the Second Court Date;

b. **Ex-Australian Regulatory Approvals:** all approvals, authorisations, and/or expirations or terminations of applicable waiting periods required under Antitrust and Foreign Investment Laws (as defined in the Alludo Implementation Deed) in connection with the acquisition of the Nitro Shares contemplated by the Alludo Scheme have been obtained or occurred, before 8:00am AEDT on the Second Court Date;

c. **ASIC and ASX:** ASIC and ASX issue or provide all consents, waivers, relief, or approvals as are necessary or which are applied for, and such consents, approvals, waivers, relief, or approvals have not been withdrawn, cancelled, revoked or adversely amended, before 8:00am AEDT on the Second Court Date;

d. **Shareholder approval:** Nitro Shareholders at the Alludo Scheme Meeting approve the Alludo Scheme by the requisite majorities under section 411(4)(a)(ii) of the Corporations Act;

e. **Independent Expert:** the Independent Expert provides an Independent Expert's Report to Nitro, which concludes that the Alludo Scheme is in the best interests of Nitro Shareholders, and the Independent Expert does not change or publicly withdraw this conclusion prior to 8:00am AEDT on the Second Court Date;

f. **Court approval:** the Court approves the Alludo Scheme in accordance with section 411(4)(b) of the Corporations Act;

g. **No Restraints:** no applicable law has been enacted and no order is in effect as at 8:00am AEDT on the Second Court Date (or the intended date for the Second Court Date, but for such order) that prevents, makes illegal or prohibits the implementation of the Alludo Scheme;

h. **No Material Adverse Change:** no Material Adverse Change occurs, or is announced or otherwise becomes known to Alludo between (and including) 15 November 2022 and 8:00am AEDT on the Second Court Date;

i. **No Nitro Prescribed Occurrence:** no Nitro Prescribed Occurrence occurs between 15 November 2022 and 8:00am AEDT on the Second Court Date; and

j. **Nitro Equity Securities:** Nitro and holders of Nitro Equity Securities have taken all necessary steps by 8:00am on the Second Court Date, including by executing all necessary documents, to ensure that the Nitro Securities are dealt with in accordance with clause 7 of the Alludo Implementation Deed and otherwise on terms acceptable to Alludo (acting reasonably).

Alludo Scheme Meeting means the meeting of Nitro Shareholders ordered by the Court to be convened pursuant to section 411(1) of the Corporations Act in relation to the Alludo Scheme, and includes any adjournment of that meeting.

Alludo Takeover means the proposed off-market takeover offer for Nitro Shares by Alludo, at A$2.00 cash per Nitro Share.

Alludo Takeover Conditions means the following conditions precedent to the Alludo Takeover:

a. **FIRB approval:** Alludo receiving written notice under the FATA that the Australian government has no objections to the acquisition of Nitro's Shares contemplated by the Alludo Takeover, or the Treasurer being precluded from making an order or decisions under the FATA due to expiry of the relevant time limits, before the end of the Alludo Takeover Offer Period;

b. **Ex-Australian Regulatory Approvals:** all approvals, authorisations, and/or expirations or terminations of applicable waiting periods required under Antitrust and Foreign Investment Laws in connection with the acquisition of the Nitro Shares contemplated by the Alludo Takeover have been obtained or occurred, before the end of the Alludo Takeover Offer Period;

c. **No Nitro Prescribed Occurrence:** no Nitro Prescribed Occurrence occurs between (and including) 15 November 2022 and the end of the Alludo Takeover Offer Period;

d. **Restraints:** no law, statute, ordinance, regulation, rule, temporary restraining order, preliminary or permanent injunction or other judgment, order or decree issued by any Court of competent jurisdiction or government agency or other legal restraint or prohibition preventing or materially restricting the Alludo Takeover is in effect at the end of the Alludo Takeover Offer Period;

e. **Alludo Scheme fails** either:

   i. the Alludo Scheme is not approved at the Alludo Scheme Meeting by the requisite majority of Nitro Shareholders under subparagraph 411 (4)(a)(ii)(B) of the Corporations Act; or

   ii. following the approval of the Alludo Scheme at the Alludo Scheme Meeting by the requisite majority of Nitro Shareholders, the Court does not approve the Alludo Scheme in accordance with section 411 (4)(b) of the Corporations Act;

f. **Minimum Acceptance:** Alludo has a Relevant Interest in at least 50.1% of the Nitro Shares on issue (on a fully diluted basis);

g. **No Material Adverse Change:** no Material Adverse Change occurs, or is announced or otherwise becomes known to Alludo between (and including) 15 November 2022 and the end of the Alludo Takeover Offer Period; and

h. **Termination of Alludo Implementation Deed:** The Alludo Implementation Deed is not terminated by Alludo before the end of the Alludo Takeover Offer Period.

11. DEFINITIONS AND INTERPRETATION *(continued)*

Alludo Takeover Offer Period means the period in which the Alludo Takeover is open for acceptances, as determined in the Alludo Transaction Booklet.

Alludo Transaction means the Alludo Scheme and the Alludo Takeover, in each case on the terms set out in the Alludo Implementation Deed.

Alludo Transaction Booklet means the transaction booklet regarding the Alludo Transaction, which is expected to be sent to Nitro Shareholders in early February 2023.

Alludo Transaction Conditions means the Alludo Scheme Conditions and the Alludo Takeover Conditions.

AMER means North, Central and South America.

Antitrust and Foreign Investment Laws means:

a. the Sherman Act, 15 U.S.C. §§ 1-7, as amended; the Clayton Act, 15 U.S.C. §§12-27, 29 U.S.C. §§ 52-53, as amended;

b. the Federal Trade Commission Act, 15 U.S.C. §§ 41-58, as amended; and

c. all other applicable foreign or domestic laws issued by a government agency as listed

d. below:

   i. the Cypriot Commission for the Protection of Competition pursuant to the Control of Concentrations between Undertakings Law (83(I)/2014) and The Protection of Competition Law of 2022;

   ii. the Serbian Commission for the Protection of Competition pursuant to the Law on the Protection of Competition (51/2009 and 95/2013);

   iii. the Turkish Competition Authority pursuant to the Act 4054 on the Protection of Competition (1994);

   iv. the Moroccan Council for Competition pursuant to Law No 104-12 of 30 June 2014, Decree No 2-14-652 of 1 December 2014, Law No 20-13 of 30 June 2014 and Decree No 2-15-109 4 June 2015; and

   v. the Trinidad and Tobago Fair Trading Commission pursuant to the Fair Trading Act, 2006 (Chap 81:13),

   that are designed or intended to:

   vi. prohibit, restrict or regulate actions having the purpose or effect of monopolisation or restraint of trade or lessening of competition through merger or acquisition; or

   vii. restrict, govern or regulate the acquisition of control or influence over persons licensed by any Governmental Authority, including through foreign investment control.

APAC means Asia Pacific Region.

ARR means annual recurring revenue, which is calculated as the total value of subscription revenue contracts, that are in effect at the end of the reporting period, expressed on an annualised basis.

ASIC means the Australian Securities and Investments Commission.

Associate has the meaning set out in section 12(2) and 16 of the Corporations Act on the basis that each reference to “designated body” is read as a reference to “Nitro”. For the avoidance of doubt, this term does not include a reference to “associates” for the purposes of, or as defined in the tax law including the ITAA 1936 and the ITAA 1997.

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

ASX Listing Rules means the Listing Rules of ASX.

ASX Settlement means ASX Settlement Pty Ltd (ABN 49 008 504 532).

ASX Settlement Operating Rules means the operating rules of ASX Settlement or of any relevant organisation which is an alternative or successor to or replacement of, ASX Settlement or of any applicable CS facility licensee.

Bidder's Statement or **Potentia Bidder's Statement** means the bidder's statement dated 28 October 2022 lodged by Potentia Capital with ASIC in relation to the Potentia Offer.

Broker means a person who is a share Broker and participant in CHESS.

Business Day means a day which is not a Saturday, Sunday or a public holiday in Sydney, Australia.

CHESS means the Clearing House Electronic Subregister System, which provides for electronic security transfer in Australia.

Competing Proposal means a transaction or arrangement, or any proposal, offer or expression of interest in relation to a transaction or arrangement:

a. pursuant to which a person other than Alludo or any of its affiliates will, if the transaction or arrangement is entered into or completed:
    i. acquire (whether directly or indirectly) or become the holder of a legal, beneficial and/or economic interest in, all or a substantial part of the business or assets of the Nitro Group taken as a whole;
    ii. acquire a Relevant Interest in, or otherwise acquire or have a right to acquire a legal, beneficial and/or economic interest in, 20% or more of the shares or other securities of Nitro or any other member of the Nitro Group;
    iii. acquire control of Nitro or any other member of the Nitro Group within the meaning of section 50AA of the Corporations Act or otherwise acquire or merge with Nitro or any other member of the Nitro Group; or
b. which, if the transaction or arrangement is entered into or completed, would cause Nitro or Alludo not to proceed with the Alludo Transaction or as a result of which the Alludo Transaction otherwise would not proceed,

whether by way of takeover bid, scheme of arrangement, shareholder approved transaction, capital reduction or buy-back, sale or purchase of shares or assets, joint venture, dual-listed company structure (or other synthetic merger), or other transaction or arrangement.

Compulsory Acquisition means the compulsory acquisition by the Bidder of Nitro Shares pursuant to Chapter 6A of the Corporations Act.

Computershare means Computershare Investor Services Pty Limited (ACN 078 279 277).

Corporations Act means the *Corporations Act 2001* (Cth) as modified from time to time by ASIC class orders and ASIC regulatory instruments.

Court means the Supreme Court of New South Wales.

11. DEFINITIONS AND INTERPRETATION *(continued)*

CS Facility Licensee means a person who holds a license under the Corporations Act that authorises the person to operate a clearing and settlement facility.

Director or **Nitro Director** means a director of Nitro.

Effective means the coming into effect, pursuant to section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) of the Corporations Act in relation to the Alludo Scheme.

Effective Date means the date on which the Alludo Scheme becomes Effective.

eID means electronic identification.

EMEA means Europe, the Middle East and Africa.

ESS Participants means Nitro employees, managers and directors who are eligible to participate in Nitro's equity incentive program and to receive Nitro Equity Securities.

ESS Trust means the Nitro Employee Share Trust, being the trust in which Unquoted Treasury Shares are held by the ESS Trustee for ESS Participants.

ESS Trustee means by Solium Nominees (Australia) Pty Limited (ACN 600 142 541).

FATA means the *Foreign Acquisitions and Takeovers Act 1975* (Cth).

FIRB means the Australian Foreign Investment Review Board.

First Supplementary Bidder's Statement means the first supplementary bidder's statement lodged by Potentia Capital with ASIC on 11 November 2022.

FY2020 means the financial year ended 31 December 2020.

FY2021 means the financial year ended 31 December 2021.

FY2022 means the financial year ending 31 December 2022.

FY2023 means the financial year ending 31 December 2023.

GRR means Gross Retention Rate.

GTM means Go-to-Market.

H2 FY2023 means the second half of the financial year ending 31 December 2023.

HarbourVest means HarbourVest Partners Co-Investment VI Aggregator L.P.

Independent Expert means Kroll Australia Pty Ltd (ACN 116 738 535).

Independent Expert's Report means the report and related financial services guide prepared by the Independent Expert, as set out in Schedule 1.

Last Practicable Trading Date means 18 November 2022, being the last practicable trading date before the date of this Target's Statement.

Listing Rules means the listing rules of ASX as amended or varied from time to time.

KYC means Know Your Customer.

Material Adverse Change means any event, occurrence or matter (whenever occurring or arising) which has resulted in, or is reasonably likely to result in, either individually or when aggregated with all such events, occurrences or matters (whenever occurring or arising):

a. a reduction in the annual recurring revenue of the Nitro Group at the end of any given month to a level that is less than US$52,500,000, measured on a consistent basis in accordance with the methodology adopted by the Nitro Group as at 15 November 2022; or
b. the cash balance of the Nitro Group decreasing to less than US$12,000,000,

other than as a direct result of an event, occurrence, or matter:

c. required or expressly permitted by the Alludo Implementation Deed or the Alludo Scheme;
d. which Alludo has previously approved or requested in writing;
e. relating to up to US$10,000,000 of third party costs and expenses incurred by Nitro associated with the Alludo Transaction, including fees payable to external advisers of Nitro, to the extent such amounts or comparable estimates of such amounts are fairly disclosed (with, for the avoidance of doubt, the lesser of such amounts and US$10,000,000 to be excluded when calculating any decrease in Nitro's cash balance for the purpose of limb (b));
f. to the extent that it was fairly disclosed in the due diligence material or the disclosure letter;
g. arising from any change in any law or change in the accounting standards after 15 November 2022;
h. arising from general economic, industry or political conditions or changes in those conditions (including financial market fluctuations, changes in interest rates or changes in foreign currency exchange rates) after 15 November 2022 in the markets and jurisdictions in which Nitro operates, other than where such conditions or changes have a materially disproportionate effect on the Nitro Group as compared to other participants in the industry in which Nitro operates; or
i. arising from an act of terrorism, war (whether declared), natural disaster or the like after 15 November 2022.

NED means Non-Executive Director.

NED Share Rights Plan means the incentive plan governing the issue and terms of the Nitro Ned Share Rights.

Nitro or **Company** means Nitro Software Limited (ACN 079 215 419).

Nitro Board or **Board** means the board of directors of Nitro from time to time.

Nitro Constitution means the constitution of Nitro as amended from time to time.

Nitro Director or **Director** means a director of Nitro.

Nitro Employee Incentive Plans means the Employee Equity Incentive Plan, Employee Share Option Plan and Employee Stock Option, which govern the issue and terms of the Nitro Options, Nitro Restricted Share Awards, Nitro Performance Rights and Nitro Performance Shares.

Nitro Equity Securities means Nitro Options, Nitro Restricted Share Awards, Nitro Performance Rights, Nitro Performance Shares, and Nitro NED Share Rights.

11. DEFINITIONS AND INTERPRETATION *(continued)*

Nitro Group means Nitro and its subsidiaries.

Nitro NED Share Rights means the share rights granted to certain Non-Executive Directors of Nitro under the NED Share Rights Plan.

Nitro Options means each option issued to certain eligible Nitro employees under the Nitro Employee Incentive Plans.

Nitro Restricted Share Awards means each restricted share award issued to certain eligible Nitro employees under the Nitro Employee Incentive Plans.

Nitro Performance Rights means each performance right issued to certain eligible Nitro employees under the Nitro Employee Incentive Plans.

Nitro Performance Shares means each performance share issued to certain eligible Nitro employees under the Nitro Employee Incentive Plans.

Nitro Prescribed Occurrence means any of the occurrences set out below at (a) – (o), other than an occurrence:

  i. required or expressly permitted by the Alludo Implementation Deed or the Alludo Scheme;
  ii. to the extent that it was fairly disclosed in the due diligence material or the disclosure letter;
  iii. required by law or by an order of a court or government agency; or
  iv. consented to in writing by Alludo.

a. Nitro converts all or any of the Nitro Shares into a larger or smaller number of shares.
b. Any member of the Nitro Group resolves to reduce its share capital in any way.
c. Any member of the Nitro Group:
  i. enters into a buy-back agreement; or
  ii. resolves to approve the terms of a buy-back agreement under subsection 257C(1) or 257D(1) of the Corporations Act.
d. Any member of the Nitro Group issues Nitro Shares, or grants an option over its Nitro Shares, or agrees to make such an issue or grant such an option, other than:
  i. where the shares or other securities are issued, or where the options are granted, by a member of the Nitro Group (other than Nitro) to another member of the Nitro Group; or
  ii. the issue of Nitro Shares upon the exercise or vesting of Nitro Equity Securities that are on issue as at 15 November 2022.
e. Any member of the Nitro Group issues, or agrees to issue, convertible notes.
f. Any member of the Nitro Group disposes, or agrees to dispose, of the whole or a substantial part of the business or property.
g. Any member of the Nitro Group grants, or agrees to grant, a security interest in the whole, or a substantial part, of its business or property.
h. Any member of the Nitro Group resolves to be wound up.

i. A liquidator or provisional liquidator of any member of the Nitro Group is appointed.

j. A court makes an order for the winding up of any member of the Nitro Group.

k. An administrator of any member of the Nitro Group is appointed under section 436A, 436B or 436C of the Corporations Act.

l. Any member of the Nitro Group executes a deed of company arrangement.

m. A restructuring practitioner for any member of the Nitro Group is appointed under section 453B of the Corporations Act.

n. Any member of the Nitro Group makes a restructuring plan under Division 3 of Part 5.3B of the Corporations Act.

o. A receiver, or a receiver and manager, is appointed in relation to the whole, or a substantial part, of the property of any member of the Nitro Group.

Nitro Securities means the Nitro Shares and Nitro Equity Securities.

Nitro Securityholder means a holder of Nitro Securities.

Nitro Share or **Share** means a fully paid ordinary share in Nitro.

Nitro Share Register means the register of Nitro Shareholders kept by Nitro and *Nitro Share Registry* means the manager from time to time of the Nitro Share Register (currently Computershare).

Nitro Shareholder or **Shareholder** means a person who is registered as the holder of a Nitro Share in the Nitro register of members.

Notice of Status of Conditions means Potentia Capital's notice disclosing the status of the conditions of the Potentia Offer, which is required to be given under Section 630(3) of the Corporations Act.

NRR means Net Retention Rate.

Operating EBITDA means earnings before share-based payments, FX gains and losses, one time/non-recurring M&A expenses, interest, taxation, depreciation and amortisation. Nitro uses EBITDA before share-based payments to evaluate the operating performance of the Company without the non-cash impact of depreciation and amortisation, and before share-based compensation, interest and taxation.

Potentia Capital means Potentia Capital Management Pty Ltd (ACN 630 264 210).

Potentia Offer or **Offer** means the takeover bid by Potentia Capital (through TGC LLC) to acquire all of the Nitro Shares on the terms and conditions set out in the Potentia Bidder's Statement, as subsequently varied in accordance with the Corporations Act.

Potentia Offer Conditions means the conditions of the Offer set out in Section 10.3 of the Potentia Bidder's Statement.

Potentia Offer Period or **Offer Period** means the period within which the Offer is open for acceptance in accordance with the Potentia Bidder's Statement and the Corporations Act.

Potentia Offer Price or **Offer Price** means A$1.80 cash per Nitro Share.

11. DEFINITIONS AND INTERPRETATION *(continued)*

Q3 FY2022 means the third quarter of the financial year ending 31 December 2022.

Q4 FY2022 means the fourth quarter of the financial year ending 31 December 2022.

Register Date means 7:00pm (Sydney, Australia time) on 7 November 2022, being the date set by Potentia Capital under Section 633(2) of the Corporations Act.

Related Party has the meaning given to it in the ASX Listing Rules.

Relevant Interest has the meaning given to that term in Sections 608 and 609 of the Corporations Act.

ROI means return on investment.

SaaS means Software-as-a-Service.

Second Court Date means the first day on which an application made to the Court for an order under section 411(4)(b) of the Corporations Act approving the Alludo Scheme is heard or, if the application is adjourned for any reason, the day on which the adjourned application is heard.

SMB means small and medium-sized business.

Superior Proposal means a bona fide, written Competing Proposal in relation to the acquisition of more than 50% of the issued securities of Nitro which is received by Nitro and which the Nitro Board determines, acting in good faith and in order to satisfy what the Nitro Board considers to be its fiduciary or statutory duties (and after having obtained written advice from Nitro's external legal and financial advisers):

a. is reasonably capable of being valued and implemented, taking into account all aspects of the Competing Proposal, including its conditions, the identity, reputation and financial condition of the person making such proposal, and all other relevant legal, regulatory and financial matters; and

b. would, if completed in accordance with its terms, be more favourable to Nitro Shareholders than the latest proposal provided by Alludo, taking into account all aspects of the Competing Proposal and the latest proposal provided by Alludo, including, in relation to each proposal, its conditions, the identity, reputation and financial condition of the person making the proposal, and all other relevant legal, regulatory and financial matters.

Target's Statement means this document, being the statement of Nitro under Part 6.5 of the Corporations Act in relation to the Potentia Offer. It includes the Independent Expert's Report.

TGC LLC means Technology Growth Capital LLC and/or (as applicable) Potentia Capital.

YTD means year-to-date.

11.2 Interpretation

a. Headings are for convenience only and do not affect interpretation.

b. The following rules apply unless the context requires otherwise.

   i. The singular includes the plural, and the converse also applies.

   ii. A gender includes all genders.

   iii. If a word or phrase is defined, its other grammatical forms have a corresponding meaning.

   iv. A reference to a person includes a corporation, trust, partnership, unincorporated body or other entity, whether or not it comprises a separate legal entity.

   v. A reference to a Section or Schedule is a reference to a Section of, or Schedule to, this Target's Statement.

   vi. A term not specifically defined in this Target's Statement has the meaning given to it (if any) in the Corporations Act, the Listing Rules or the ASX Settlement Operating Rules (as is appropriate to the context).

   vii. A reference to an agreement or document (including a reference to this Target's Statement) is to the agreement or document as amended, supplemented, novated or replaced, except to the extent prohibited by this Target's Statement or that other agreement or document, and includes the schedules to that agreement or document.

   viii. A reference to a person includes the person's successors, permitted substitutes and permitted assigns (and, where applicable, the person's legal personal representatives).

   ix. A reference to legislation or to a provision of legislation includes a modification or re-enactment of it, a legislative provision substituted for it and a regulation or statutory instrument issued under it.

   x. A reference to a right or obligation of any two or more people comprising a single party confers that right, or imposes that obligation, as the case may be, on each of them severally and each two or more of them jointly. A reference to that party is a reference to each of those people separately (so that, for example, a representation or warranty by that party is given by each of them separately).

   xi. A reference to dollars or US$ is to US currency.

   xii. A reference to A$ is to Australian currency.

   xiii. A reference to time is to Sydney, Australia time.

SCHEDULE 1: INDEPENDENT EXPERT'S REPORT

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PO Box: Q113, Queen Victoria Building 1230
ABN: 73 116 738 535

The Directors
Nitro Software Limited
Level 7
330 Collins Street
Melbourne VIC 3000

23 November 2022

Dear Directors

Part One – Independent Expert's Report

1 Introduction

On 28 October 2022, Potentia Capital Management Pty Ltd (**Potentia**) made a statement that it was intending to make an off-market takeover offer through Technology Growth Capital LLC (**TGC**) to acquire all of the issued ordinary shares[1] in Nitro Software Limited (**Nitro**) it did not already own for A$1.80 cash per Nitro share (**Nitro Share**) (**Potentia Offer**). Potentia stated that the offer price is final except where a competing proposal emerges or Potentia is provided with access to full customary legal and financial due diligence analysis of the business and assets of Nitro.

An overview of the Potentia Offer is provided in Section 5.1 of this report, and full details of the Potentia Offer are included in the Bidder's Statement lodged with the Australian Securities and Investments Commission (**ASIC**) on 28 October 2022 (with despatch completed on 11 November 2022) and the Target's Statement issued by Nitro. The Potentia Offer is subject to only two conditions as set out in Section 5.3 of this report and Section 10.3 of the Bidder's Statement.

Potentia and its associates (including TGC) have a relevant interest in 19.81% of the quoted Nitro Shares on issue.[2]

On 31 October 2022, Nitro announced that Cascade Parent Limited (trading as Alludo (**Alludo**)), an entity controlled by KKR & Co. Inc (**KKR**), had made a proposal through one of its subsidiaries to acquire 100% of the Nitro Shares.

On 15 November 2022, Nitro entered into a binding implementation deed (**Alludo Implementation Deed**) with a subsidiary of Cascade Parent Limited (trading as Alludo), under which Alludo will undertake to:

- acquire 100% of Nitro Shares on issue by way of scheme of arrangement (the **Alludo Scheme**) at A$2.00 cash per Nitro Share (**Alludo Consideration**); and
- make a simultaneous off-market takeover offer at A$2.00 cash per Nitro Share (**Alludo Consideration**), conditional on (among other things) the Alludo Scheme not proceeding and a 50.1% minimum acceptance condition (**Alludo Takeover**).

(together, the **Alludo Transaction**).

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1 The Potentia Offer extends to Nitro Shares on issue and Nitro Shares that are issued on exercise of the Nitro Equity Securities between the Register Date and the end of the Offer Period.
2 Potentia's Relevant Interest excludes the 6,283,923 Unquoted Treasury Shares on issue by Nitro. As per the Target's Statement, unquoted Treasury Shares are voting shares as defined in Section 9 of the Corporations Act meaning that Potentia's adjusted Relevant Interest in Nitro is 19.31% as the date of the Target's Statement and this report. Further information on the unquoted Treasury Shares is set out in section 8.8 of this report.

KROLL

An overview of the Alludo Transaction is provided in Section 5.2 of this report. Further detail in respect of the Alludo Transaction will be set out in the Alludo Booklet, which is expected to be sent to Nitro Shareholders in early February 2023. The Alludo Transaction is subject to limited conditions as set out in Section 5.5 of this report and Section 11.1 of the Target's Statement.

The Nitro Board has unanimously determined the Potentia Offer is inferior to the Alludo Transaction and, therefore, unanimously recommends that Nitro Shareholders reject the Potentia Offer.

On 18 November 2022, Nitro announced that it had received a confidential, conditional and non-binding proposal from Potentia on 17 November 2022 (**Revised Potentia Proposal**). The Revised Potentia Proposal stated that Potentia would like to engage with Nitro in relation to a potential increase in the cash offer price under the Potentia Offer and that Potentia believes that access to Nitro due diligence information may enable it to meet or exceed the cash offer price under the Alludo Transaction of A$2.00. Potentia stated that it is also willing to vary its offer by offering scrip in an Australian public company that is part of Potentia's bidding group to Nitro Shareholders.

Nitro advised that the Revised Potentia Proposal is not, and could not reasonably be considered to become, a Superior Proposal[3] to the Alludo Transaction, as defined in the Alludo Implementation Deed. The Revised Potentia Proposal does not offer Nitro Shareholders any specific improved value for their shares, nor any detail as to the nature or terms of the potential scrip offer and will remain subject to the uncertainties of due diligence to the satisfaction of Potentia. The Nitro Board continued to recommend that Nitro Shareholders reject and take no action in relation to the Potentia Offer.

Nitro is a global software company focused on document productivity, workflow and digital transformation. It provides comprehensive Software-as-a-Service (**SaaS**) solutions in PDF software, document management and electronic signatures to more than 1.1 million subscription licensed users and 13,000+ business customers across 175 countries. Nitro is listed on the Australian Securities Exchange (**ASX**), and as at 29 August 2022, the last undisturbed trading day prior to the announcement of the Initial Potentia Proposal, Nitro had a market capitalisation of A$276.0 million.[4]

Potentia is an Australian-headquartered private equity and growth capital investment firm focused exclusively on technology, software and tech-enabled services businesses. Potentia has over A$1.0 billion in funds under management and has driven business transformations for Business-to-Business (**B2B**) software businesses including Ascender, Micromine and Education Horizons. TGC LLC is a limited liability company incorporated in Delaware, US, wholly owned by Potentia and established as a special purpose vehicle for the purposes of acquiring Nitro Shares in connection with the Potentia Offer.

HarbourVest Partners, LLC is a Boston-headquartered independent global private markets firm specialising in global primary funds, secondary transactions, direct co-investments, real assets and infrastructure, and private credit. As at 30 June 2022, HarbourVest Partners LLC had more than US$101 billion of assets under management.

Alludo is a Canadian software company that owns the Parallels, CorelDRAW, MindManager and WinZip brands and delivers graphic solutions for digital remote workforces. Alludo is owned by American investment firm, KKR.

In order to assist Nitro Shareholders in assessing the Potentia Offer, the directors of Nitro (**Nitro Directors**), have appointed Kroll Australia Pty Ltd (**Kroll**) to prepare an independent expert's report setting out whether, in our opinion, the Potentia Offer is fair and reasonable for Nitro Shareholders in the absence of a Superior Proposal. This report sets out Kroll's opinion as to the merits or otherwise of the Potentia Offer and will be

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[3] Superior Proposal means a bona fide, written Competing Proposal in relation to the acquisition of more than 50% of the issued securities of Nitro which is received by Nitro and which the Nitro Board determines, acting in good faith and in order to satisfy what the Nitro Board considers to be its fiduciary or statutory duties (and after having obtained written advice from Nitro's external legal and financial advisers): a) is reasonably capable of being valued and implemented, taking into account all aspects of the Competing Proposal, including its conditions, the identity, reputation and financial condition of the person making such proposal, and all other relevant legal, regulatory and financial matters; and b) would, if completed in accordance with its terms, be more favourable to Nitro Shareholders than the latest proposal provided by Alludo, taking into account all aspects of the Competing Proposal and the latest proposal provided by Alludo, including, in relation to each proposal, its conditions, the identity, reputation and financial condition of the person making the proposal, and all other relevant legal, regulatory and financial matters.

[4] Calculated as the closing share price of A$1.13 multiplied by 244,274,872 quoted Nitro Shares outstanding as per the ASX Notification of Cessation of Securities on 22 August 2022.

included in the Target's Statement prepared by Nitro to be sent to Nitro Shareholders in response to the Potentia Offer.

Further information regarding Kroll, as it pertains to the preparation of this report, is set out in Appendix 1.

Kroll's Financial Services Guide is contained in Part Two of this report.

2 Scope of report

Section 640 of the Corporations Act states that a target's statement made in response to a takeover offer for shares in an Australian listed entity must be accompanied by an independent expert's report if:

- the bidder's voting power in the target is 30% or more; or
- where the parties to the transaction have common Directors.

In this case, a statutory requirement for an independent expert's report does not apply since:

- Potentia's shareholding in Nitro is less than 30%; and
- the directors of Potentia are not directors of Nitro.

In undertaking our work, we have referred to guidance provided by ASIC in its Regulatory Guides in particular, Regulatory Guide 111 'Content of expert reports' (**RG 111**) which outlines the principles and matters which it expects a person preparing an independent expert report to consider.

Further details of the relevant technical requirements and the basis of assessment in forming our opinion are set out in Section 6 of this report.

3 Opinion

3.1 Background

Nitro is a global provider of digital transformation SaaS solutions with more than 1.1 million subscription licensed users and over 13,000 business customers across 175 countries. Nitro's Productivity Platform includes Portable Document Format (**PDF**) productivity tools, secure eSigning and digital identity capabilities, and analytics.

In 2016, a strategic decision was made to pivot Nitro to a B2B SaaS model resulting in a shift from lower margin perpetual licenses to higher margin enterprise subscription based contracts. This has led to an increase in annual recurring revenue (**ARR**) reducing volatility in revenue. Subsequent to this change in strategy, Nitro has continued to develop its software platform and extended capabilities through strategic acquisitions, accelerating growth in both revenue and ARR.

In addition, the global document productivity software industry is growing in response to COVID-19 pandemic-driven digitisation. The COVID-19 pandemic forced businesses to re-arrange operations to enable productivity during restrictive containment measures including social distancing, remote working and the closure of commercial activities. The industry continues to experience tailwinds following the pandemic as organisations continue to prioritise digital engagement and Information Technology (**IT**) budgets increase.

Structural industry tailwinds of remote work, digitisation transformation and the shift to high-trust eSignatures, are expected to provide continued and improved opportunities for Nitro going forward.

Notwithstanding the success of Nitro's transition to subscription-based revenue and structural industry tailwinds, Nitro continues to incur operating losses and negative cash flows as it invests in scale and capabilities. In addition, while the FY22 guidance indicates continued strong growth in ARR and notwithstanding the continued and improved opportunities for Nitro, there is uncertainty that historical growth rates will continue to be achieved.

Furthermore, Nitro operates in a rapidly evolving and increasingly competitive industry. Nitro is of a smaller scale relative to the dominant incumbents Adobe Inc. (**Adobe**) and DocuSign Inc. (**DocuSign**), and the current market environment of higher interest rates, inflation and fears of a recession may impact the profitability of competitors differently.

As competitors are continually striving to provide new and improved technologies, solutions and innovative offerings in a bid to capture market share, there is a risk this could lead to Nitro's existing product and service

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offerings being superseded, substantially impacting Nitro's performance and requiring additional investment to remain competitive.

From late November 2021 until the announcement of the Initial Potentia Proposal on 31 August 2022, there was a downward market re-rating of negative cash flow technology stocks, particularly in the eSigning segment and general share market volatility. The Nitro share price declined by 70.9% from A$3.88 to A$1.13 over this period.

Despite generating negative cash flows and experiencing a significant decline in its share price, Nitro continues to achieve significant revenue growth and has provided guidance that it expects free cash flow to achieve breakeven in the second half of FY23. These factors combine to make it an attractive asset as reflected in the offers from both Potentia and Alludo.

It is not possible to consider the Potentia Offer without having regard to the consideration under the Alludo Transaction as practically Nitro Shareholders are being asked to choose between the two offers. As they are both cash offers, a comparison of the consideration is straightforward and in this respect the Alludo Transaction Consideration is A$0.20 higher than under the Potentia Offer. Whilst there are minor differences in the conditions and timing of receipt of the cash on acceptance, both offers are capable of acceptance.

3.2 Summary of opinion

In our opinion the Potentia Offer is neither fair nor reasonable.

In arriving at this opinion, we have assessed whether the Potentia Offer is:

- **fair**, by comparing the Potentia Offer to our assessed value of a Nitro Share on a controlling interest basis. This approach is in accordance with the guidance set out in RG 111. Our assessment of fairness includes the consideration available under the Alludo Transaction; and
- **reasonable**, by assessing the implications of the Potentia Offer for Nitro Shareholders, the alternatives to the Potentia Offer that are available to Nitro, and the consequences for Nitro Shareholders of not accepting the Potentia Offer.

We have assessed the value of a Nitro Share on a controlling interest basis to be in the range A$2.00 to A$2.20, which incorporates the consideration available under the Alludo Transaction. As the Potentia Offer of A$1.80 falls below the low end of our assessed value range for a Nitro Share, the Potentia Offer is not fair.

The most reliable evidence as to the value of a business or asset is the price at which that business or asset has been bought and sold in an arm's length transaction. RG111.86 (e) indicates that it is appropriate for an expert to consider using as a methodology "any recent genuine offers received by the target for the entire business, or any business units or assets as a basis for valuation of those business units or assets." Consequently, Kroll has considered the A$2.00 consideration under the Alludo Transaction as a primary indication of the amount that Nitro could achieve in an arm's length transaction, noting that although Alludo is a strategic buyer, there are a range of other parties that could achieve a similar level of synergies. Consequently, we do not consider the Alludo Transaction to represent 'special value' and we consider the A$2.00 consideration under the Alludo Transaction to be a strong indication of the fair value of Nitro Shares.

In addition, in assessing a value of a Nitro Share, Kroll has had regard to a range of valuation methodologies, including a Market Approach (multiples of forward revenue and historical ARR) and an Income Approach (discounted cash flow (**DCF**) analysis).

In forming our view as to the value of Nitro Shares, we have considered a range of factors including Nitro's market position in the provision of PDF productivity and eSigning software, the transitioning of the company to target enterprise and mid-market businesses which generates recurring revenue, the recent and expected strong growth in revenue and ARR, as well as strong industry tailwinds and high barriers to entry. We have balanced these factors by taking into consideration that Nitro is currently loss making and generates significant cash outflows, it is of relatively small scale, and there is considerable uncertainty as to whether Nitro will continue to achieve high growth rates.

Our valuation range assumes that Nitro continues to deliver on its go-to-market strategy, achieving strong revenue and ARR growth rates. Kroll assumes that Nitro will require approximately US$15.0 million of cash to support the operations of the business prior to it becoming cash flow positive.

Our analysis of the fairness of the Potentia Offer is detailed further in Section 3.3 of this report.

In accordance with RG 111, an offer might be reasonable if, despite not being fair, the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any higher bid before the close of the offer. Kroll is of the view that there are no compelling reasons that despite not being fair, the Potentia Offer is reasonable. The considerations that are relevant to an assessment of the reasonableness of the Potentia Offer include:

- Nitro Shareholders can currently sell their shares on market for a price that is greater than the consideration under both the Potentia Offer and Alludo Transaction, reflecting speculation as to a Superior Proposal. Whilst the Alludo Transaction remains on foot, it is unlikely that the Nitro share price will fall substantially below A$2.00;
- the Potentia Offer is A$0.20 lower than the consideration under the Alludo Transaction and represents a lower premium relative to recent trading than the consideration under the Alludo Transaction;
- Nitro Shareholders who accept the Potentia Offer may not be able to participate in the Alludo Transaction;
- the consideration under the Alludo Transaction is in cash, is capable of acceptance and provides similar certainty as to the pre-tax amount that Nitro Shareholders will receive under the Potentia Offer;
- Potentia has indicated it will vote against the Alludo Transaction;
- Nitro Shareholders who accept the Potentia Offer (or the Alludo Transaction) will not participate in any future growth in the value of Nitro assuming the Potentia Offer becomes unconditional and/or the Alludo Transaction is successful;
- the likelihood of a Superior Proposal emerging from Potentia is uncertain. The Nitro Board has determined that the Revised Potentia Proposal is not, and could not reasonably be considered to become, a Superior Proposal to the Alludo Transaction, as defined in the Alludo Implementation Deed. The likelihood of a Superior Proposal emerging from a party other than Potentia and Alludo is considered low; and
- in the event that the Potentia Offer and Alludo Transaction are not successful Nitro will continue to operate in its current form and its share price is likely to fall to levels consistent with trading prices prior to the announcement of the Initial Potentia Proposal, subject to any future improved financial achievements in the subsequent period and the impact of broader trends in equity markets.

Other matters which Nitro Shareholders should consider in assessing the Potentia Offer include:

- given Potentia's existing 19.81% shareholding and the voting thresholds required to approve the Alludo Scheme and/or Alludo Takeover there is a possibility that these thresholds will not be met;[5]
- the Alludo Takeover has a 50.1% minimum acceptance condition and only limited other conditions. Under the Alludo Transaction, if the conditions precedent are not satisfied the transaction will not be implemented;
- the offer period of the Potentia Offer may not allow shareholders to confirm whether the Alludo Scheme or the Alludo Takeover will be successful;
- if the Potentia Offer does not proceed and the Alludo Transaction succeeds, all transaction costs incurred by Nitro in relation to the proposals will be borne by Alludo. If neither proposal succeeds, Nitro will bear all transaction costs it incurs in relation to the proposals; and
- the tax implications of the Potentia Offer, noting that they are similar to that under the Alludo Transaction.

Our analysis of the reasonableness of the Potentia Offer is detailed further in Section 3.4 of this report. The decision to accept the Potentia Offer is a matter for individual Nitro Shareholders based on their views as to value, expectations about future market conditions and their particular circumstances, including investment strategy and portfolio, risk profile and tax position. If in doubt, Nitro Shareholders should consult their own professional adviser regarding the action they should take in relation to the Potentia Offer.

[5] Potentia's Relevant Interest excludes the 6,283,923 Unquoted Treasury Shares on issue by Nitro.

3.3 The Potentia Offer is not fair

3.3.1 Valuation of Nitro

Kroll has assessed the value of Nitro in the range of A$2.00 to A$2.20 per Nitro Share. Our range of assessed values reflects 100% ownership of Nitro and, therefore, incorporates a control premium. As our valuation includes a control premium, our range of assessed values per share exceeds the price at which we expect Nitro's shares would trade on the ASX in the absence of the Potentia Offer, Alludo Transaction a Superior Proposal or speculation regarding a Superior Proposal.

The most reliable evidence as to the value of a business or asset is the price at which that business or asset has been bought and sold in an arm's length transaction. RG111.86 (e) indicates that it is appropriate for an expert to consider using as a methodology "any recent genuine offers received by the target for the entire business, or any business units or assets as a basis for valuation of those business units or assets." Consequently, Kroll has considered the A$2.00 consideration under the Alludo Transaction as a primary indication of the amount that Nitro could achieve in an arm's length transaction, noting that although Alludo is a strategic buyer, there are a range of other parties that could achieve a similar level of synergies. Consequently, we do not consider the Alludo Transaction to represent 'special value' and we consider the A$2.00 consideration under the Alludo Transaction to be a strong indication of the fair value of Nitro Shares.

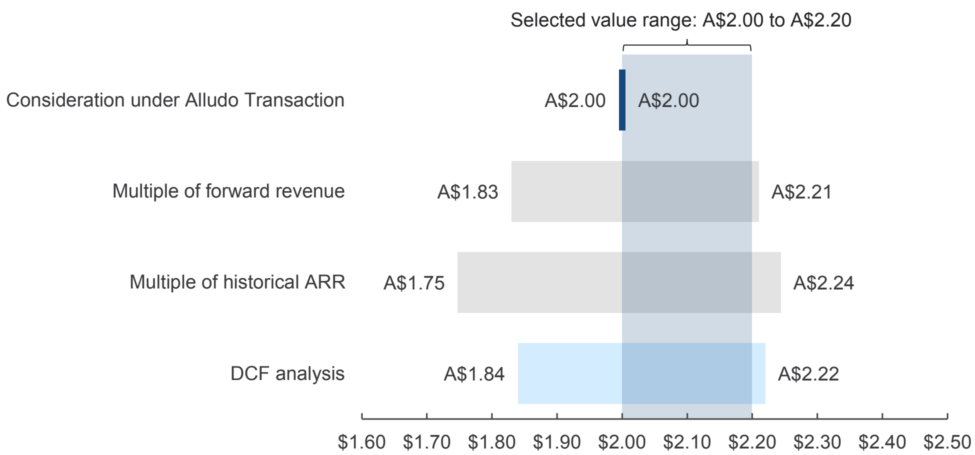
In addition, in assessing a value of a Nitro Share, Kroll has had regard to the following valuation methodologies, including:

- Market Approach:
  - Multiples of forward revenue (Section 9.3 of this report);
  - Multiples of historical ARR (Section 9.3); and
- Income Approach: DCF analysis (used as a cross-check) (Section 9.5).

In each case, the value of a Nitro Share has been determined by estimating the market value of Nitro's operating business together with surplus cash to determine the value of equity in US dollars. Equity value has been divided by the diluted number of Nitro Shares and the resulting value per Nitro Share has been converted into Australian dollars at an exchange rate in the range of A$1=US$0.65 to A$1=US$0.70 to consider the movement in the spot rate.

The valuation outcomes and Kroll's selected value range are summarised in the following chart.

Valuation Summary (per Nitro Share)



Source: Kroll analysis.

Our selected value range of A$2.00 to A$2.20 per Nitro Share reflects a premium over the closing price of Nitro Shares immediately prior to the announcement of the Initial Potentia Proposal of between 77.0% and 94.7%, and a premium to the six-month VWAP prior to the Initial Potentia Proposal in the range of 55.6% to 71.1%. A portion of this premium reflects that our valuation of Nitro includes a control premium, rather than a valuation of a minority interest in the company as traded on the ASX. The premiums observed in completed transactions, which are broadly in the range of 25% to 40% depending on the individual circumstances.[6] In this regard, we note that synergies available to strategic buyers of Nitro are potentially material, with the ability to integrate Nitro's products into an existing suite of productivity software solutions, delivering higher revenue growth through immediate scale, access to a wider customer base, and cross-selling opportunities. A strategic buyer may also be able to save a portion of marketing costs and other corporate overheads and any acquirer would save public company costs.

However, in our opinion, the premium is also likely to reflect the negative re-rating of cash flow negative technology stocks, particularly in the eSigning segment, since late 2021. From 17 November 2021 until 29 August 2022, the last undisturbed trading day before the Initial Potentia Proposal, the DocuSign closing share price declined by 78.3% from US$267.12 to US$58.00 and the Nitro closing share price declined by 70.9% from A$3.88 to A$1.13. Therefore, it is likely that the Nitro share price was depressed in the lead up to the announcement of the Initial Potentia Proposal.

In forming our view as to the value of Nitro Shares we have considered a series of factors including:

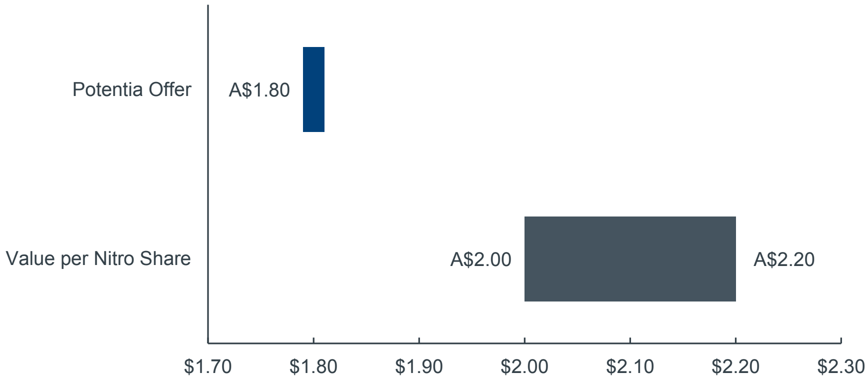
- strong industry tailwinds, with a large addressable market that is growing due to the continued trend of remote working, shifting organisation IT priorities and budgets towards digital transformation and high-trust eSigning;
- Nitro's growth in revenue and ARR, as a result of these industry tailwinds, the transition to a subscription based model, and recent restructure of its go-to-market strategy;
- Nitro's operating losses and cash outflows. There is no certainty that the recent strong revenue growth will continue to be achieved;
- the valuation assumes that Nitro does not require additional capital to execute its strategy in the short term but that it will require the use of a portion of its existing cash of US$29.2 million as at 30 September 2022 to support operations until Nitro becomes operating cash flow positive; and
- Nitro's substantial carried forward income tax losses, however, recognising that the ability to utilise them is uncertain and it is unlikely that an acquirer would attribute significant value to them.

It should also be noted that a valuation of Nitro in the current macroeconomic and geopolitical environment is complex and requires judgement as to the outlook for markets and the global economy.

3.3.2 Assessment of fairness

A comparison of our assessed value per Nitro Share, on a control basis, to the Potentia Offer is illustrated as follows.

Fairness Assessment (A$)



Source: Kroll analysis

As the Potentia Offer is below the low end of the range of values for a Nitro Share, **the Potentia Offer is not fair.**

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[6] 2022 Mergerstat Review. Range represents median premium from 2012 to 2021. Premiums are calculated based on the seller's closing price five business days before the initial announcement. The calculations exclude negative premiums and premiums over 250%.

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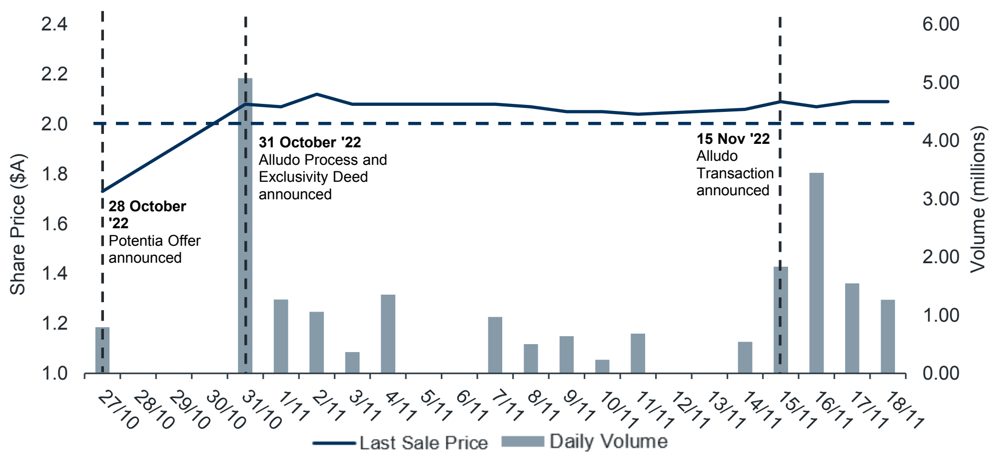
3.4 The Potentia Offer is not reasonable

In accordance with RG 111, an offer might also be reasonable if, despite not being fair, the expert believes that there are sufficient reasons for shareholders to accept the offer in the absence of any higher bid before the close of the offer. Kroll is of the view that there are no compelling reasons that despite not being fair, the Potentia Offer is reasonable. The considerations that are relevant to an assessment of the reasonableness of the Potentia Offer are set out as follows.

3.4.1 Nitro Shareholders can currently sell their Nitro Shares on market for a price that is greater than the consideration under both the Potentia Offer and Alludo Transaction, reflecting speculation as to a Superior Proposal

Since the Potentia Offer was announced on 28 October 2022, Nitro Shares have consistently traded above the consideration being offered under the Potentia Offer of A$1.80. Furthermore, since the Alludo Transaction was announced on 31 October 2022, Nitro Shares have consistently traded above the consideration offered under the Alludo Transaction of A$2.00, likely reflecting market speculation of a Superior Proposal.

Trading in Nitro Shares since 27 October 2022



Source: S&P Capital IQ, Kroll analysis.

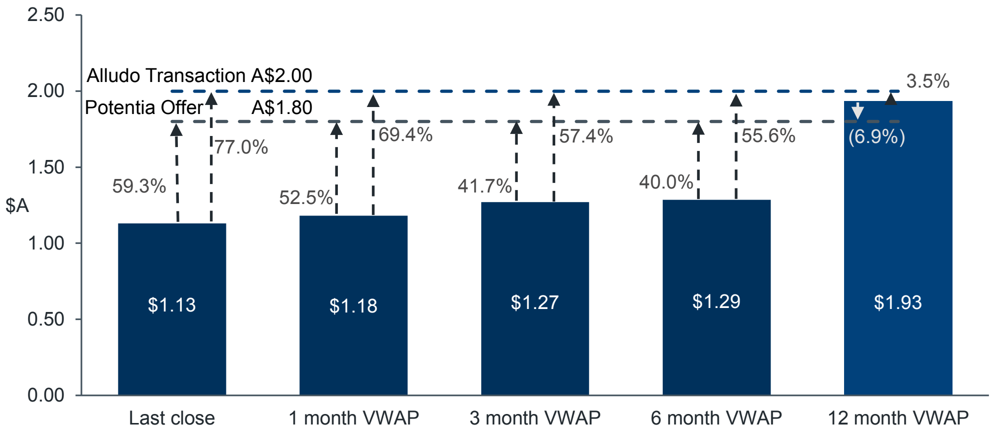
As a consequence, it is currently possible for Nitro Shareholders to sell their Nitro Shares on market for a price that is higher than the consideration under both the Potentia Offer and the Alludo Transaction, although this may not continue.

3.4.2 The Potentia Offer is A$0.20 lower than the consideration under the Alludo Transaction and represents a lower premium relative to recent trading than the consideration under the Alludo Transaction

The consideration under the Alludo Transaction is A$0.20 (11.1%) greater than the Potentia Offer and, therefore, the Potentia Offer is inferior to the Alludo Transaction.

The A$1.80 consideration under the Potentia Offer represents a substantial premium to Nitro's closing price and volume weighted average price (**VWAP**) calculated over a one month, three month and six month period up until 29 August 2022, the last undisturbed trading day prior to the announcement of the Initial Potentia Proposal, however, it represents a discount to the 12 month VWAP and is lower than the premium implied by the A$2.00 consideration under the Alludo Transaction.

Premium of Consideration under the Potentia Offer and Alludo Transaction over the Nitro Share Price



Source: Kroll analysis
Note 1: The premiums illustrated above have been calculated based on the closing price and VWAP of Nitro Shares up until 29 August 2022, being the last undisturbed trading day prior to the announcement of the Initial Potentia Proposal.

The premiums to trading prices over a one month, three month and six month period are at the high end of or above the range of premiums typically observed. We note that:

- observations from transaction evidence indicates that control premiums are broadly in the range of 25% to 40% for completed transactions depending on the individual circumstances.[7] However, in transactions where it was estimated the combined entity would be able to achieve significant synergies, the premium was frequently estimated to be in excess of this range; and
- the consideration under the Potentia Offer is 53.6% lower than the highest closing price within the 12 months preceding the Potentia Offer, of A$3.88 on 17 November 2021. We note that from then until 29 August 2022, the last undisturbed trading day before the Initial Potentia Proposal, Nitro's share price declined steeply, consistent with the negative re-rating of negative cash flow technology stocks, particularly in the eSigning segment. During this period, the DocuSign share price declined by 78.3% from US$267.12 to US$58.00 and the Nitro share price declined by 70.9% from A$3.88 to A$1.13. Therefore, it is likely that the Nitro share price was depressed in the lead up to the announcement of the Initial Potentia Proposal.

We also note that the consideration under the Potentia Offer:

- represents a lower premium than under the Alludo Transaction; and
- is materially below the A$3.43 price at which Nitro raised equity in November 2021.

3.4.3 The consideration under the Alludo Transaction is in cash, and provides similar certainty as to the amount that Nitro Shareholders will receive under the Potentia Offer

The Potentia Offer provides Nitro Shareholders with an opportunity to exit their investment in Nitro at a price that is certain, without incurring transaction costs and which, as noted above, incorporates a substantial premium to trading prices over a six month period prior to the Initial Potentia Proposal. This certainty of value is also the case with the Alludo Transaction. Any future on-market sale by Nitro Shareholders would likely incur transaction costs, which would be avoided if the Potentia Offer (or the Alludo Transaction) is accepted.

[7] 2022 Mergerstat Review. Range represents median premium from 2012 to 2021. Premiums are calculated based on the seller's closing price five business days before the initial announcement. The calculations exclude negative premiums and premiums over 250%.

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3.4.4 By exiting their investment in Nitro, Nitro Shareholders will not participate in the Alludo Transaction

The Nitro Board has concluded the Potentia Offer undervalues Nitro and is inferior to the Alludo Transaction. By exiting their investment in Nitro, shareholders will forego the opportunity for the extra A$0.20 cash per Nitro Share available under the Alludo Transaction compared to the Potentia Offer.

We note, however, that if the conditions under the Potentia Offer are not met or waived, Nitro Shareholders will continue to hold their existing Nitro Shares and they will not receive the consideration under the Potentia Offer.

3.4.5 Nitro Shareholders will receive the consideration under the Potentia Offer earlier than under the Alludo Transaction if the conditions of the Potentia Offer are satisfied or waived by Potentia Capital prior to the offer closing

Currently, there is a difference in the timing of the payment of the Consideration under the different offers:

- Nitro Shareholders would receive the consideration under the Potentia Offer within 10 Business Days following the later of (i) the date on which the Potentia Offer conditions are satisfied or waived or (ii) the date of receipt of the offer acceptance (which based on the current Potentia Offer closing date would be by no later than late December 2022).We note that as the Potentia Offer is conditional any entitlement to payment is conditional on waiver or satisfaction of those conditions;
- based on the indicative timetable in the Alludo Implementation Deed, Nitro Shareholders would be paid the Consideration on the Implementation Date under the Alludo Scheme (being late March 2023); and
- if the Alludo Scheme is not approved, based on the indicative timetable in the Alludo Implementation Deed, Nitro Shareholders who accept the Alludo Takeover would be paid the consideration under the Alludo Takeover in mid-April 2023 in accordance with the timing required under the Corporations Act.

Furthermore, any future on-market sale by Nitro Shareholders would likely incur transaction costs, which would be avoided if the Potentia Offer (or the Alludo Transaction) is accepted.

3.4.6 While the Alludo Transaction remains on foot, the Nitro share price is unlikely to fall substantially below A$2.00

Nitro Shares have been trading above than the consideration offered under both the Potentia Offer (A$1.80 per Nitro Share) and Alludo Transaction (A$2.00 per Nitro Share) since 31 October 2022 when Nitro initially announced the Alludo Transaction. This likely reflects market expectation that a Superior Proposal will emerge. Although this speculation may not continue, while the Alludo Transaction remains as an alternative, Nitro's share price is unlikely to fall substantially below A$2.00. Should the Potentia Offer and the Alludo Transaction not proceed or a Superior Proposal or speculation concerning a Superior Proposal not arise, the Nitro share price is likely to fall to levels consistent with trading prior to the announcement of the Initial Potentia Proposal, with an allowance for:

- subsequent announcements in relation to company specific initiatives or financial performance which the market may assess as value enhancing;
- any industry developments, for example, concerning competition or regulation; and
- the impact of trends in broader equity markets. In this regard, from 29 August 2022 (the last undisturbed trading day prior to the announcement of the Initial Potentia Proposal) until 18 November 2022, the S&P/ASX All Ordinaries Index increased by 2.7% and the S&P/ASX All Technology Index decreased by 0.2%.

3.4.7 Potentia has indicated it will vote against the Alludo Transaction

Potentia, which at the time of this report holds a relevant interest in 19.81% of the shares in Nitro,[8] has made a public statement that it will vote against the Alludo Scheme in respect of any Nitro Shares and that it will not accept any of those shares into the Alludo Takeover.

Given the shareholding of Potentia, and given the requirement for a Scheme to be passed by at least 75% of the total number of votes cast at the Alludo Scheme Meeting, there is a significant risk that the Alludo

[8] Potentia's Relevant Interest excludes the 6,283,923 Unquoted Treasury Shares on issue by Nitro.

Scheme will not be approved. If the Alludo Scheme is not approved, Shareholders will not be able to realise the benefit of the higher consideration under the Alludo Scheme.

However, at that point, Nitro Shareholders will still have an opportunity to sell their shares into the Alludo Takeover, which is subject to the 50.1% minimum acceptance condition. Since Potentia has stated that it will not accept the Alludo Takeover, this means that other shareholders owning more than 60% of the remaining shares not owned by Potentia would need to accept the Alludo Takeover unless Alludo waives this minimum acceptance condition.

This risk that the minimum acceptance condition is not satisfied or Alludo does not waive this condition should be considered, together with the timing of the payment to be made under the Potentia Offer as discussed above.

3.4.8 By exiting their investment in Nitro, Nitro Shareholders will not participate in any future growth in the value of Nitro

By exiting their investment in Nitro, shareholders will not participate in any other takeover bid or Superior Proposal that may be made for Nitro Shares, or in the future growth in the value of Nitro, should a transaction not proceed.

3.4.9 The likelihood of a Superior Proposal emerging from Potentia is uncertain. The Nitro Board has determined that the Revised Potentia Proposal is not, and could not reasonably be considered to become, a Superior Proposal to the Alludo Transaction, as defined in the Alludo Implementation Deed. The likelihood of a Superior Proposal emerging from a party other than Potentia and Alludo is considered low

Since the announcement of the Potentia Offer, the Alludo Transaction has emerged.

Whilst there will continue to be an opportunity for a Superior Proposal (i.e. superior to the Alludo Transaction), and the market is currently speculating that a Superior Proposal will emerge, we consider the likelihood of a Superior Proposal to be impacted by the following:

- Potentia has indicated that it is willing to engage with Nitro regarding a transaction at A$2.00 or above, subject to due diligence (the Revised Potentia Proposal) and the consideration may alternatively be in the form of scrip in an Australian public company that is part of Potentia's bidding group. The Nitro Board has determined that the Revised Potentia Proposal is not, and could not reasonably be considered to become, a Superior Proposal to the Alludo Transaction, as defined in the Alludo Implementation Deed, as it does not offer any specific improved value, nor any detail as to the nature or terms of the potential scrip offer and will remain subject to the uncertainties of due diligence to the satisfaction of Potentia. The likelihood of a Superior Proposal emerging in future from Potentia is uncertain;
- Potentia currently has a relevant interest in Nitro Shares of approximately 19.81%.[9] This may deter other potential bidders as the interest is large enough to be a blocking stake to compulsory acquisition;[10] and
- the Potentia Offer and Alludo Transaction represent a significant premium to recent trading prices immediately preceding the announcement of the Initial Potentia Proposal. This is likely to limit the range of potential acquirers, given the need for a competing bid to exceed these offer prices.

It is likely to be influential for an alternative bidder that under the Alludo Implementation Deed, Nitro is restricted from either soliciting or entering into discussions with third parties in relation to Competing Proposals (subject to customary fiduciary carve out exceptions). Nitro is also required to notify Alludo should it become aware of any possible Competing Proposal and the Bidder has a right to match a competing proposal.[11] Further, in certain circumstances, Nitro is required to pay a break fee to Alludo of A$5.0 million. Although the likelihood of a Superior Proposal is impacted by these terms, it does not preclude a Competing Proposal from being made. We note that the Nitro Board would be required under its fiduciary duty to consider the merits of a competing proposal should it arise.

[9] Potentia's Relevant Interest excludes the 6,283,923 Unquoted Treasury Shares on issue by Nitro.
[10] The compulsory acquisition threshold is 90% ownership.
[11] Refer to the Alludo Implementation Deed, Section 13.7.

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3.4.10 Other considerations

In forming our opinion, we have also considered a number of other factors. Whilst we do not necessarily consider these factors to impact our assessment of the reasonableness of the Potentia Offer, we have addressed them as follows.

The Potentia Offer and Alludo Transaction are subject to the satisfaction of certain conditions

There are certain conditions which, if not satisfied, will result in the Potentia Offer and the Alludo Transaction not being implemented. A comparison of the relevant conditions are as follows:

Potentia Offer	Alludo Scheme	Alludo Takeover
▪ that during the Offer Period,[12] a majority of the members of the Nitro Board recommend that Nitro Shareholders accept the Potentia Offer in the absence of a superior proposal; and ▪ that during the Bid Period, there are no Prescribed Occurrences[13]	▪ Nitro Shareholder Approval: 75% shareholder vote with more than 50% of shareholders voting; ▪ Court approval; ▪ Australian Foreign Investment Review Board (**FIRB**) and other regulatory approvals; ▪ ASIC/ ASX waivers; ▪ No restraints, material adverse change or prescribed occurrence; ▪ The independent expert concluding (and continuing to conclude) that the Alludo Scheme is in the best interests of Nitro Shareholders; and ▪ the treatment of Nitro Employee Share Scheme (**ESS**) Securities in accordance with terms of the Alludo Implementation Deed and otherwise on terms acceptable to Alludo (acting reasonably).	▪ Alludo achieving acceptances from Nitro Shareholders representing at least 50.1% of the Nitro Shares on issue (on a fully diluted basis); ▪ the Alludo Scheme is not approved by Nitro Shareholders or the Court; ▪ FIRB and other regulatory approvals; ▪ no material adverse change or prescribed occurrence; ▪ the treatment of ESS Securities in accordance with terms of the Alludo Implementation Deed and otherwise on terms acceptable to Alludo (acting reasonably); and ▪ the Alludo Implementation Deed not being terminated by Alludo due to material breach of the Alludo Implementation Deed by Nitro.

The offer period of the Potentia Offer may not allow shareholders to confirm whether the Alludo Scheme or the Alludo Takeover will be successful

The Potentia offer is currently open for acceptance until 7.00pm on 11 December 2022 whilst the meeting to approve the Alludo Scheme is currently not expected to be held until March 2023. The Alludo Takeover will, if required, remain open for a period of at least 20 business days after the date of the Alludo Scheme meeting.

As a consequence if Potentia does not extend its offer period, Nitro Shareholders who have chosen not to accept the Potentia Offer may not be able to sell their shares into the Alludo Scheme and/ or the Alludo Takeover if the conditions of those offers are not satisfied or waived.

In that case Shareholders who have not accepted the Potentia Offer will continue to be exposed to the risks and rewards associated with Nitro, possibly with Potentia being a shareholder with substantial influence or control of the company. Risks for Nitro Shareholders associated with Potentia's ownership in the event it

[12] Offer Period means the period within which the Potentia Offer is open for acceptance in accordance with the Potentia Bidder's Statement and the Corporations Act.
[13] Refer to Section 10.3 of the Bidder's Statement.

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acquires more than 50% but less than 90% of the shares in Nitro are set out in Section 6.4 (a) of the Target Statement.

Given the disclosure requirements of the Corporations Act, Shareholders will benefit from some transparency as to the acceptances of the Potentia Offer (as Potentia will have an obligation to inform the market) until that offer closes.

One-off transaction costs

If the Potentia Offer does not proceed and the Alludo Transaction succeeds, all transaction costs incurred by Nitro in relation to the proposals will be borne by Alludo. If neither proposal succeeds, Nitro will bear all transaction costs it incurs in relation to the proposals.

Taxation implications for Nitro Shareholders

General tax implications for Australian tax resident and non-resident shareholders who hold their Nitro Shares on capital account are outlined in Section 8 of the Potentia Bidder's Statement.

Section 8 of the Potentia Bidder's Statement considers the implications of accepting the Potentia Offer for both resident and non-resident Nitro Shareholders who hold their shares on capital account. In particular, the disposal of Nitro Shares will be a capital gains tax event for resident Nitro Shareholders. This means that resident Nitro Shareholders will need to determine whether a capital gain or a capital loss arises in respect of their disposal of Nitro Shares. Non-resident Nitro Shareholders will need to determine their own tax outcomes but depending on their circumstances may not be subject to any capital gains tax from the disposal of their Nitro Shares.

We note that Nitro Shareholders should consider their individual taxation circumstances and review Section 8 of the Potentia Bidder's Statement for further information where it applies to their circumstances. Nitro Shareholders should obtain their own independent professional advice on the tax consequences of disposing of their Nitro Shares under the Potentia Offer.

3.4.11 Consequences if the Potentia Offer does not proceed

In the event that the Potentia Offer is not successful or any conditions precedent prevent the Potentia Offer from being implemented which is the case as at the date of this report, Nitro will continue to pursue the Alludo Transaction which is the recommended transaction by Directors. As a consequence:

- Nitro Shareholders will be exposed to the risks and benefits associated with the Alludo Transaction, including the risk that it does not succeed;
- the Nitro share price will likely continue to include a control premium, impacted by the Alludo Transaction and/or speculation concerning a Superior Proposal; and
- all transaction costs incurred by Nitro in relation to the proposals will be borne by Alludo.

In the event the Alludo Transaction is also not successful, then:

- Nitro Shareholders will continue to be exposed to the risks and benefits associated with an investment in Nitro, including risks associated with the future growth and profitability;
- the Nitro share price will likely fall (refer to Section 3.4.6); and
- Nitro will bear all transaction costs it incurs in relation to the proposals.

4 Other matters

Our report has also been prepared in accordance with the relevant provisions of the *Corporations Act 2001* (Cth) (the **Corporations Act**) and other applicable Australian regulatory requirements and has been prepared solely for the purpose of assisting Nitro Shareholders in considering the Potentia Offer. We do not assume any responsibility or liability to any other party as a result of reliance on this report for any other purpose.

This report constitutes general financial product advice and has been prepared without taking into consideration the individual circumstances of Nitro Shareholders. This advice, therefore, does not consider the financial situation, objectives or needs of individual Nitro Shareholders.

The decision of Nitro Shareholders as to whether or not to accept the Potentia Offer is a matter for individual shareholders who should, therefore, consider the appropriateness of our opinion to their specific circumstances. As an individual's decision to accept the Potentia Offer may be influenced by their particular circumstances, we recommend that individual Nitro Shareholders, including residents of foreign jurisdictions, seek their own independent professional advice.

The report presents financial data predominantly in US dollars (**US$**), Nitro's reporting currency, unless otherwise stated. Share prices are denominated in Australian dollars (A**$**). References to a financial year have been abbreviated to FY. For Nitro, this represents the 12 months to 31 December.

Our opinion is based solely on information available as at the date of this report. This information, and our limitations and reliance on information section, are set out in Appendix 2. We have not undertaken to update our report for events or circumstances arising after the date of this report other than those of a material nature which would impact upon our opinion.

Kroll has prepared a Financial Services Guide as required by the Corporations Act. The Financial Services Guide is included at the end of this report.

The above opinion should be considered in conjunction with, and not independently of, the information set out in the remainder of this report, including the appendices.

Yours faithfully

Ian Jedlin
Authorised Representative

Celeste Oakley
Managing Director

Independent Expert's Report
and
Financial Services Guide
in relation to the proposed acquisition of Nitro Software Limited

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5 The Proposals

5.1 The Potentia Offer

On 31 August 2022, Nitro announced that it had received an unsolicited, highly conditional and non-binding indicative proposal from the Potentia Consortium to acquire 100% of the Nitro Shares[14] at A$1.58 cash per Nitro Share (**Initial Potentia Proposal**). The proposal was unanimously rejected by the Nitro Board.

On 28 October 2022, Potentia made a statement that it was intending to make an off-market takeover bid through TGC to acquire all the Nitro Shares that it does not already own at A$1.80 cash per Nitro Share. Potentia stated that the offer price is final except where a competing proposal emerges or Potentia is provided with access to full customary legal and financial due diligence analysis of the business and assets of Nitro. Potentia disclosed that together with its co-investor HarbourVest Partners, LLC and associates (including TGC) it had relevant interests in 19.8% of the quoted Nitro Shares on issue as at 2 September 2022.

Full details of the Potentia Offer are included in the Bidder's Statement lodged with ASIC on 28 October 2022, and the Target's Statement issued by Nitro.

On 31 October 2022, the Nitro Board advised that following careful consideration, including advice from its external advisers, it had concluded that the Potentia Offer undervalued Nitro and unanimously rejected the Potentia Offer as not being in the best interests of shareholders.

5.2 The Alludo Transaction

On 31 October 2022, Nitro announced that Cascade Parent Limited, trading as Alludo, had made a proposal through one of its subsidiaries to acquire 100% of the Nitro Shares by way of the Alludo Scheme at A$2.00 cash per Nitro Share. Alludo indicated it was also willing to proceed with an Alludo Takeover, being an off-market takeover bid with a 50.1% minimum acceptance condition, offering A$2.00 per Nitro Share.

Under the Alludo Transaction, the Alludo Scheme and Alludo Takeover would proceed simultaneously if the Alludo Takeover is required to facilitate a change of control, with the Alludo Takeover being subject to Alludo acquiring 50.1% of the fully diluted share capital of Nitro and the Alludo Scheme being unsuccessful.

Also on 31 October 2022, Nitro and Alludo entered into a Process Deed, pursuant to which Nitro granted Alludo a 21-day period of exclusivity (subject to customary fiduciary carve-outs) for confirmatory due diligence and negotiation of definitive agreements.

On 15 November 2022, Nitro announced that it had entered the Alludo Implementation Deed, under which Alludo will undertake to simultaneously:

- acquire 100% of Nitro Shares by way of the Alludo Scheme at A$2.00 cash per Nitro Share; and
- make an off-market takeover offer at A$2.00 cash per Nitro Share, conditional on (among other things) the Alludo Scheme not proceeding and 50.1% minimum acceptance condition.

The Alludo Transaction is subject to limited conditions as set out in Section 5.5 of this report.

The Nitro Board has determined the Alludo Transaction to be superior to the Potentia Offer of A$1.80 cash per Nitro share and unanimously recommends that Nitro Shareholders vote in favour of the Alludo Scheme and accept the Alludo Takeover, in the absence of a Superior Proposal and subject to the independent expert concluding (and continuing to conclude) that the Alludo Scheme is in the best interests of Nitro Shareholders and that the Alludo Takeover is fair and reasonable.

5.3 Revised Potentia Proposal

On 18 November 2022, Nitro announced that it had received the Revised Potentia Proposal, a confidential, conditional and non-binding proposal from Potentia on 17 November 2022. The Revised Potentia Proposal stated that Potentia would like to engage with Nitro in relation to a potential increase in the cash offer price under the Potentia Offer and that Potentia believes that access to Nitro due diligence information may enable it to meet or exceed the cash offer price under the Alludo Transaction of A$2.00 cash per Nitro Share. Potentia stated that it is also willing to vary its offer by offering scrip in an Australian public company that is part of Potentia's bidding group to Nitro Shareholders.

[14] The Potentia Offer extends to Nitro Shares on issue and Nitro Shares that are issued on exercise of the Nitro Equity Securities between the Register Date and the end of the Offer Period.

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Nitro advised that the Revised Potentia Proposal is not, and could not reasonably be considered to become, a Superior Proposal to the Alludo Transaction, as defined in the Alludo Implementation Deed. The Revised Potentia Proposal does not offer Nitro Shareholders any specific improved value for their shares, nor any detail as to the nature or terms of the potential scrip offer and will remain subject to the uncertainties of due diligence to the satisfaction of Potentia. The Nitro Board continued to recommend that Nitro Shareholders reject and take no action in relation to the Potentia Offer.

5.4 Conditions precedent to the Potentia Offer

The Potentia Offer is subject to two conditions precedent, as set out in Section 10.3 of the Bidder's Statement:

- that during the Offer Period, a majority of the members of the Nitro Board recommend that Nitro Shareholders accept the Potentia Offer in the absence of a superior proposal; and
- that during the Bid Period there are no Prescribed Occurrences.

5.5 Conditions precedent to the Alludo Transaction

5.5.1 Conditions precedent Alludo Scheme

The Alludo Scheme is subject to the following key conditions:

- Nitro Shareholder Approval;
- Court approval;
- FIRB and other regulatory approvals;
- ASIC/ASX waivers;
- No restraints, material adverse change or prescribed occurrence;
- The independent expert concluding (and continuing to conclude) that the Alludo Scheme is in the best interests of Nitro Shareholders; and
- the treatment (extinguishing) of ESS Securities on terms acceptable to Alludo.

5.5.2 Conditions precedent to Alludo Takeover

The Alludo Takeover is subject to the following key conditions:

- Alludo achieving acceptances from Nitro Shareholders representing at least 50.1% of the Nitro Shares on issue (on a fully diluted basis);
- the Alludo Scheme is not approved by Nitro Shareholders or the Court;
- FIRB and other regulatory approvals;
- no material adverse change or prescribed occurrence;
- the treatment (extinguishing) of Nitro Employee Share Scheme Securities on terms acceptable to Alludo; and
- the Alludo Implementation Deed not being terminated by Alludo due to material breach of the Alludo Implementation Deed by Nitro.

5.5.3 Exclusivity provisions

The Alludo Implementation Deed contains customary exclusivity obligations that apply during the Exclusivity Period,[15] including 'no shop', 'no talk' (subject to customary fiduciary out exceptions) and notification obligations. There is a matching right regime in respect of any competing proposal received by Nitro. A A$5.0 million break fee is payable to Alludo by Nitro in certain circumstances.

[15] The Exclusivity Period means the period from and including the date of the Alludo Implementation Deed, being 15 November 2022, to the earlier of the termination of the Alludo Implementation Deed or nine months after the date of the Alludo Implementation Deed, being 15 August 2023, or such other date as may be agreed in writing between the parties.

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5.6 Transaction costs

Nitro may incur up to US$10 million in third party costs and expenses in connection with the Potentia Offer and Alludo Transaction, including fees payable to external advisors of Nitro.[16]

6 Scope of the report

6.1 Purpose

Section 640 of the Corporations Act states that a target's statement made in response to a takeover offer for shares in an Australian listed entity must be accompanied by an independent expert's report if:

- the bidder's voting power in the target is 30% or more; or
- where the parties to the transaction have common directors.

The report prepared by the expert must state whether, in the expert's opinion, the takeover offer is fair and reasonable, and give the reasons for forming that opinion.

In this case, a statutory requirement for an independent expert's report does not apply since:

- Potentia's shareholding in Nitro is less than 30%; and
- the directors of Potentia are not director of Nitro.

Even where an independent expert's report is not strictly required by the law, it is not uncommon for directors to commission one to ensure they are providing the information that is material to the making of a decision by a creditor or member. Although not required by law, the Nitro Directors have requested Kroll prepare an independent expert's report for the Potentia Offer.

6.2 Basis of assessment

We have referred to guidance provided by ASIC in its Regulatory Guides in particular, RG 111, which outlines the principles and matters which it expects a person preparing an independent expert's report to consider when providing an opinion on whether a takeover bid is fair and reasonable to shareholders.

RG 111 distinguishes between the analysis required for control transactions and other transactions. RG 111.18 states that where a scheme of arrangement is used as an alternative to a takeover bid, the form of analysis undertaken by the expert should be substantially the same as for a takeover bid. That form of analysis considers whether the transaction is 'fair and reasonable' and, as such, incorporates issues as to value. In relation to control transactions, RG 111.10-12 states:

- 'fair and reasonable' is not regarded as a compound phrase;
- an offer is 'fair' if the value of the offer price or consideration is equal to or greater than the value of the securities subject to the offer;
- the comparison should be made assuming 100% ownership of the 'target' and irrespective of whether the consideration is scrip or cash;
- the expert should not consider the percentage holding of the 'bidder' or its associates in the target when making this comparison; and
- an offer is 'reasonable' if it is 'fair'. An offer might be 'reasonable' if, despite being 'not fair', the expert believes that there are sufficient reasons for shareholders to accept the offer in the absence of any higher bid before the close of the offer.

RG 111.13 sets out the factors an expert might consider in assessing whether an offer is reasonable:

- the bidder's pre-existing voting power in securities in the target;
- other significant shareholding blocks in the target;
- the liquidity of the market in the target's securities;
- taxation losses, cash flow or other benefits through achieving 100% ownership of the target;
- any special value of the target to the bidder, such as particular technology, etc;
- the likely market price if the offer is unsuccessful; and

[16] Alludo Implementation Deed, 15 November 2022, Target Material Adverse Change clause.

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- the value to an alternative bidder and likelihood of an alternative offer being made.

RG 111.20 states that if an expert would conclude that a proposal was 'fair and reasonable' if it was in the form of a takeover bid, it will also be able to conclude that the scheme is 'in the best interests' of members.

RG 111.11 provides that an offer is fair if the value of the consideration is equal to or greater than the value of the securities subject to the offer. This comparison can be made assuming 100% ownership of the 'target' and irrespective of whether the consideration is scrip or cash and without regard to the percentage holding of the bidder or its associates in the target entity. That is, RG 111.11 requires the value of the target to be assessed as if the bidder was acquiring 100% of the issued equity (i.e. on a controlling interest basis). In addition, any special value of the 'target' to a particular 'bidder' (e.g. synergies that are not available to other bidders) should not be taken into account under the comparison.

Accordingly, when assessing the full underlying value of Nitro, we have considered those synergies and benefits which would be available to more than one potential purchaser (or a pool of potential purchasers) of Nitro. As such, we have not included the value of special benefits that may be unique to any particular acquirer.

7 Industry

Nitro specialises in document productivity and electronic signature software, and provides its multi-segment product platform as 'Digital-Transformation-as-a-Service'. This section provides an overview of the broader software industry and the SaaS delivery model, and more specifically, the document productivity and eSigning software markets in which Nitro operates.

Prior to the COVID-19 pandemic, digital transformation was an emerging business priority. The COVID-19 pandemic dramatically accelerated the abandonment of paper-based processes in favour of digital solutions that enabled continued collaboration between suddenly remote workers. Adoption of, and investment in productivity-enhancing digital technologies increased worldwide.[17] The COVID-19 pandemic and enduring hybrid work environments have led to structural change in the software industry, as software tools, workflows and analytics shift from paper to cloud, increasing the adoption of remote collaboration, productivity and workflow and eSigning software. Companies are increasingly prioritising and expediting their digital transformation efforts with digital technologies also being considered critical elements of overall business success.

7.1 Digital transformation

Digital transformation is a broader concept than digitisation and digitalisation. Together these three concepts broadly cover the spectrum of changing analogue processes to end-to-end, intelligent digital processes:

- **Digitisation** – describes the process of converting non-digital or analogue, paper-based workflows into a digital form;
- **Digitalisation** – refers to the process of adopting digitalised products and leveraging business intelligence to drive more business outcomes from increasingly digital workflows; and
- **Digital transformation** – involves both technological implementation and a shift in organisational culture, as business processes and models evolve to take advantage of opportunities offered by digital technology.[18]

Software and other new digital technologies have become important enablers of digital transformation and can change some or all aspects of existing operations to create a more efficient and effective organisation. Broad adoption and increasing demand for digital transformation has been seen across industries and sectors.

[17] Nitro 2021 Annual Report, page 9. Nitro's research indicated that in the first six months of the COVID-19 pandemic alone, the use of electronic signatures rose by 60% as printing decreased by 25%. Further research by Nitro, however, found that 83% of surveyed workers stated that the way their company handled digital documents had not improved significantly during the pandemic and 95% still see continued room for improvement.

[18] See for example: Oracle website, "What is Digital Transformation?"; Agility CMS website Article, "Digitization, Digitalization, and Digital Transformation Explained", Andre Oentoro, 11 April 2022; MoreThanDigital website, "Digitalization vs. Digital Transformation – Difference and Definition", Benjamin Talin, June 15, 2021; Nitro Prospectus page 28; Nitro FY21 Annual report page 11.

7.2 Software industry

The increasing popularity and need for digitisation has resulted in continued growth in the software industry, as providers seek to design and develop digital solutions to replace and advance existing tasks.

The global business software and services had an estimated market size of US$429.6 billion in 2021 and is expected to expand at a compound annual growth rate (**CAGR**) of 11.7% from 2022 to 2030.[19] As noted earlier in Section 3.1 of this report, the industry continues to experience tailwinds following the COVID-19 pandemic as the trend for digitisation ramps up.

SaaS is a software licensing and distribution model of cloud computing, in which the software is centrally hosted and delivered to licenced users on a subscription basis over the internet. It has become a common delivery model for software applications across many industries as it removes the need for organisations to install, maintain and upgrade software and hardware, eliminating or significantly reducing the costs and complexities associated with proprietary, on-premise systems. SaaS models also provide superior connectivity amongst users when working in various locations as the internet is the main requirement for access. This not only helps businesses with an increasingly geographically distributed workforce but also improves the efficiency of their processes.

Other related industry terms such as Platform-as-a-Service, Infrastructure-as-a-Service, Everything/Anything-as-a-Service, and for Nitro, Digital-Transformation-as-a-Service, are being used as organisations leverage 'servitisation' by combining products and services into a single package.[20]

7.3 Document productivity software industry

7.3.1 Overview

Document productivity software is application software used for producing documents, and is concerned with enhancing the productivity of document workflows by maximising the output achieved relative to user input and interaction.

The increasing necessity for remote collaboration on documents has prompted the document productivity software industry to evolve from traditional simple word processing products such as creating, editing, tracking, and printing documents, to comprehensive software suites addressing multiple document productivity needs. As technology has improved and new file formats including PDF have become standardised, document productivity products have also pivoted into more niche lines of service.

Typical user requirements vary depending on the size of the organisation, and range in breadth from creating, editing, collating, signing and sharing documents through to more advanced capabilities including collaboration, analytics, enterprise integration, security and control. Users include individuals and Small Office/Home Offices (**SOHO**) or professional consumers (**Prosumers**), small-to-medium businesses (**SMBs**), medium sized businesses (**Mid-Market**), and large, multinational enterprises and government agencies (**Enterprises**).

Two of the larger market segments within the document productivity software industry are:

- **PDF productivity** – which refers to software tools designed to enhance PDF document productivity. A PDF is a file format that allows documents to be shared, viewed and printed in a consistent format, independent of the software, hardware or operating system upon which they are viewed. PDF was first developed in the 1990s by Adobe Inc. (then Adobe Systems) and released as an open specification in 1993, allowing other software developers to create applications using the PDF format. As at July 2021, the CommonCrawl database recorded PDF as the third most popular file-format on the web (after HTML and XHTML); more popular than JPEG, PNG or GIF files;[21] and
- **eSigning** – which refers to software enabling the use of a legally binding electronic signature (**eSignature**) as a digital alternative to a handwritten signature. eSignature software uses data and electronic identification (**eID**) to provide secure and accurate verification. An eSignature is typically attached to an electronic document (such as a PDF file) and can benefit document productivity by reducing time spent and paper usage on manually printing, signing, and scanning documents.

[19] Grand View Research, "Business Software and Services Market Size, Share & Trends Analysis Report By Software, By Service, By Deployment, By Enterprise Size, By End Use, By Region, And Segment Forecasts, 2022 – 2030", Report Overview, 2021.
[20] See for example: BMC blogs, The Business of IT Blog, "What is Xaas? Everything as a Service Explained", Stephen Watts, 24 November 2020.
[21] PDF Association Article, "PDF's popularity online", Duff Johnson, 10 September 2021.

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Document productivity technologies have become important enablers of digital transformation by replacing legacy business processes and information flows, boosting worker productivity by providing digital collaboration tools and enabling secure transmission and dissemination of content. Benefits to increasing document productivity include lower operational and environmental costs, time savings, less compliance risk, and general streamlining of processes.[22]

7.3.2 Competitive Landscape

The global document productivity software industry and particularly the PDF productivity and eSigning market segments are serviced by two large incumbent companies, Adobe and DocuSign, and a large number of smaller players.

Market size and growth will be influenced by continued product development and redevelopment, the ability for market players to displace incumbent providers or consolidate, and 'white space' expansion with greater integration with adjacent market offerings.

An overview of the PDF productivity and eSigning markets and competitive landscapes is provided as follows.

PDF productivity market

The PDF productivity market has historically been dominated by Adobe and its Adobe Acrobat product. Current key competitors include Nitro, Foxit and Kofax Limited (**Kofax**), however there are also many other smaller PDF solution providers. Key points of product differentiation between market players include platform functionality and integrated features, customer service and support, and price.

- **Adobe** is the market leader and mainly focuses on enterprise customers, providing solutions for large entities with many end users. In FY21, Adobe generated US$15.8 billion in revenue across its three product suites: Adobe Creative Cloud; Adobe Document Cloud; and Adobe Experience Cloud.[23]
- **Nitro** entered the PDF productivity space in 2005 and has since evolved to address the broader digital transformation market by digitising and accelerating key document workflows across a platform that includes PDF, high-trust eSign and differentiating analytics capabilities targeting Enterprise, Mid-Market and SMB customers. In FY21, generated US$50.9 million in revenue from all Nitro products.
- **Foxit** provides PDF desktop and basic eSign products following a series of technology acquisitions between 2014 and 2017. Whilst it does not compete on price or features, offering less capability than Nitro for a higher price, Foxit's brand is recognised having been in the industry for two decades and by way of technology licensing relationships. In FY21, Foxit generated US$83.6 million in revenue across all Foxit products.[24]
- **Kofax** is a private company that acquired its Power PDF product from Nuance in 2018 for US$400 million. Kofax Power PDF Advanced offers similar features to Nitro's PDF product however it is not an integrated digital transformation platform or subscription service, and is alternatively purchased perpetually for a one-off payment. Current revenue data is not publicly available.[25]
- **airSlate** is a private company that operates a subsidiary called pdfFiller responsible for offering aidSlate's PDF productivity software, which is web-based only. It has since acquired SignNow (2018) and offers a broad range of solutions to cover the entire document lifecycle primarily in SMB segments. In July 2022, airSlate acquired DocHub, an online PDF editor and document signing platform. airSlate's revenue data is not publicly available.

eSigning market

Key competitors in the eSigning market include DocuSign, Adobe and Nitro. Companies such as Dropbox, airSlate and PandaDoc are also challenging for a share of the market. Key differentiation between competitors in this market include the levels of eSignatures provided,[26] functionality and integration with other tools and platforms, product bundling and price, and compliance tailored to specific jurisdictions.

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[22] Nitro Prospectus 2019.
[23] S&P Capital IQ.
[24] S&P Capital IQ.
[25] S&P Capital IQ.
[26] According to the Electronic Identification and Trust Services for Electronic Transactions (**eIDAS**) there are three levels of eSignature, each associated with different legal values: Simple, Advanced and Qualified.

- **DocuSign** has been the leader in eSignatures for the past two decades and focuses on enterprise support and global compliance. Features such as DocuSign's Trust Centre, ensure compliance with ESIGN, UETA and eIDAS amongst others.[27] DocuSign has three eSignature products: Personal, Standard; and Business Pro. In FY21, DocuSign generated US$2.1 billion in revenue.
- **Adobe's** Acrobat Sign product benefits from leveraging other Adobe products, particularly Adobe Document Cloud, and provides document functionality and compliant public-key encryption (ESIGN, eIDAS). As noted above, Adobe generated US$15.8 billion in FY21 in revenue from all Adobe products.
- **Nitro**'s Nitro Sign product is integrated with the Nitro Productivity Platform and includes Identity Hub and Smart Docs products for ID verification and workflow. Nitro Sign supports highly local solutions that integrate with central government authentication services and adheres to general requirements across ESIGN, UETA and eIDAS regulations and offers analytics. As noted above, Nitro generated US$50.9 million in total revenue from all products in FY21.
- **Dropbox** has Dropbox Sign (previously HelloSign) which offers an unlimited eSignature volume solution for SMBs. Dropbox Inc generated US$2.2 billion in revenue in FY21.
- **airSlate** has its signNow product. signNow offers a broad range of eSignature features that can be integrated across many different applications.
- **PandaDoc** is a well-rounded eSignature solution that caters to common document use cases and supports both enterprise and SMB adoption. PandaDoc's revenue data is not publicly available.

In order to maintain and grow market share, market players in both PDF productivity and eSigning are integrating products with, and/or acquiring, third-party solutions and are moving into adjacent sub-markets to provide more bundled solutions for customers. Recent acquisitions include Nitro's acquisition of Connective NV (**Connective**) and its eSigning capabilities in 2021, Adobe's acquisition of Workfront and its project management capabilities in 2020, and Dropbox Inc's acquisition of HelloSign in 2019. While Adobe and Nitro provide electronic signatures, DocuSign does not provide PDF productivity products. DocuSign has instead moved into contract lifecycle management,[28] and document generation through the acquisition of SpringCM Inc. (**SpringCM**) in 2018.

7.3.3 Barriers to entry

Existing software providers benefit from several barriers to entry, including:

- **Product development investment** – entering the software market and competing with incumbent providers requires a significant investment in time and capital: initially to design, develop, test, launch and market competitive applications and a platform; as well as ongoing investment in maintenance and enhancement of products;
- **Industry regulation** – market entrants must comply with various global industry standards regarding data security, privacy and eSignature regulation. As discussed in Section 7.3.4 of this report, eSigning regulation is more complicated and prescriptive in the European Union (**EU**) than other regions;
- **Change management costs** – customers may be reluctant to switch critical day-to-day company-wide software applications and services due to the associated cost and time investment required for IT management, training and enablement; and
- **Large incumbent market players** – Adobe and DocuSign are well-established and hold significant market share. Their strong brands create an advantage in terms of customer loyalty.

7.3.4 Industry regulations and standards

Multiple layers of security may be required to protect, manage and control PDF documents, and particularly eSignatures. Specific software product features such as metadata controls, digital signatures,[29] encryption and redaction may be required by customers for their operational needs, or by regulators to comply with various legislation and industry standards that may differ across regions. The General Data Protection

[27] Refer to Section 7.3.4 for definitions of these eSigning regulation abbreviations.
[28] Contract Lifecycle Management (CLM) refers to software used for managing contracts from generation through ongoing management and eventual renewal or termination (https://www.docusign.com/blog/how-does-docusign-clm-work).
[29] Whilst digital signatures are a form of electronic signature, they differ from eSignatures in that they are a specific technology that uses a standard accepted format called Public Key Infrastructure (**PKI**) to encrypt and/or decrypt information to secure the document while eSignatures verify the document.

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Regulation (**GDPR**) in the EU in particular is considered to be the toughest privacy and security law in the world. Though it was drafted and passed in the EU, it imposes obligations on organisations anywhere they target or collect data related to people in the EU.[30] The failure to process personal data in accordance with the GDPR could result in significant reputational damage and additional costs relating to customer compensation.

Examples of key regulations and standards that impact the document productivity software market are outlined in the following table.

Regulation/ Standard	
eSigning	Examples of legislation providing legality to eSignatures.
US	▪ Electronic Signature in Global and National Commerce (**ESIGN)** Act 2000 ▪ Uniform Electronic Signatures Transactions Act (**UETA**) 1999
EU	▪ Electronic Identification and Authentication and Trust Services (**eIDAS**) 2014
China, Hong Kong	▪ PRC Electronic Signature Law 2004 ▪ Electronic Ordinance Act 2000
India	▪ Information Technology Act (**IT Act**) 2000
Australia	▪ Electronic Transactions Act (**ETA**) 1999 ▪ Electronic Transactions Regulations (**ETR**)
Privacy	Examples of regulation for general data privacy and protection.
EU + US	▪ The Trans-Atlantic Data Privacy Framework exists to regulate how data is transferred from the EU and Switzerland and the US, and vice versa.
EU	▪ General Data Protection Regulation (GDPR) 2018
Asia	▪ Across Asia the regulations in place are often not as strict as the rest of the world. Japan, Australia, South Korea, Taiwan and Singapore have signed up to voluntary APEC Cross Border Privacy Rules 2011.
Australia	▪ Privacy Act (1988) ▪ Privacy Regulation 2013 (Cth) ▪ Privacy Amendment (Notifiable Data Breaches) Act 2017
Industry standards	Examples of industry standards and compliance initiatives for data privacy and security.
US Medical	▪ Health Insurance Portability and Accountability Act 1996
US Audit	▪ The American Institute of Certified Practicing Accountants controls the Service Organisation Control standards.
Cloud-based software	▪ Centre for Internet Security ▪ Cloud Security Alliance

Source: Nitro Prospectus 2019, ImmuniWeb India Information Technology Act Compliance and Cybersecurity

7.3.5 Industry outlook and drivers

Market commentators expect both the PDF productivity and eSigning markets to continue to experience accelerated growth at least in the short term, if not longer, boosted by three key structural industry changes:

- the continued trend of remote working following the COVID-19 pandemic;
- digital transformation, in response to shifting organisation IT priorities; and
- the shift to high-trust eSigning as customers demand better security, compliance and higher levels of legal assurance.

[30] GDPR.EU website.

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Nitro management noted in its Results Presentation for the first half year of 2022 financial year (**1H22**) that key IT priorities for enterprises in 2022 are:[31]

- security, identity and privacy;
- creating digital capability;
- building the modern workplace;
- modernising legacy systems; and
- adopting cloud services.

Estimates of total addressable market and growth forecasts specifically for the PDF productivity market and eSigning market segment vary between market commentators, however, most consider the market to be large enough to support further growth for all players, despite the strong market share held by incumbents.

As an indication of potential market growth, WallStreet Zen, a provider of sharemarket research, forecasts Adobe's core industry, being the US software infrastructure industry, to grow at a CAGR 10.4% calculated based on three years of revenue as forecast by analysts. For DocuSign, WallStreet Zen notes its core industry as being the US software application industry, with a CAGR of 14.5%.[32] These CAGRs are broadly consistent with the 11.7% CAGR forecast for the global software industry as noted in Section 7.2 of this report. Nitro noted in its 1H22 Results presentation that spending on eSigning solutions globally is expected to grow at a 29% CAGR over the next decade and eID adoption in particular is forecast to grow at a 44% CAGR through 2024 making high trust signing one of the fastest-growing forms of eSigning. Prescient & Strategic Intelligence, a global market research and consulting company, in June 2021 estimated the market size for digital signatures to be US$1.9 billion in 2020 and forecast this figure growing to US$25 billion by 2030.[33]

Key drivers and trends supporting digital transformation and growth in the document productivity software industry include:

- **Cost reduction** – historically, investment in technology has been driven by a focus on cost reductions, as software has enabled productivity improvements and streamlining of workflows across organisations. Costs continue to be a key driver of the adoption of software and digital transformation as software capabilities expand;
- **Enduring hybrid work environment** – the COVID-19 pandemic has been a catalyst for digital transformation. The demand for remote collaboration, productivity and authorisation tools across a range of devices is expected to continue to grow as remote work continues to be the norm;
- **Increasing complexity of document lifecycles** – document management has become increasingly complex as multiple users interact with a document from different locations on different platforms and devices, for disparate objectives and processes. This complexity is driving the demand for integrated document productivity and eSignature solutions that enable users to collaborate efficiently;
- **Security, identity, privacy and compliance** – the introduction of the GDPR that governs data protection for all individual citizens of the EU and the European Economic Area paved the way for more stringent data protection and privacy laws by imposing obligations on organisations anywhere so long as they involve EU citizens data. Data security and privacy is becoming a higher priority for customers and may be a driver for the adoption of compliant software with advanced protective security features;
- **Cloud-based SaaS solutions gaining traction** – SaaS based solutions are becoming increasingly popular for customers and software providers as a delivery model. Cloud-based SaaS solutions can be more efficient to deploy and maintain than proprietary on-premise applications, with lower hardware IT and support costs and the ability for upgrades to be rolled out with minimal disruption;
- **Increasing functionality of software solutions** – software adoption momentum continues as products expand to include business intelligence and analytics, greater workflow automation and integration capabilities, and meet a broader range of customer productivity needs;

[31] Nitro 1H22 Results Presentation, page 25.
[32] Wall Street Zen stock forecast for Adobe and DocuSign as at 11 November 2022.
https://www.wallstreetzen.com/stocks/us/nasdaq/adbe/stock-forecast...;
https://www.wallstreetzen.com/stocks/us/nasdaq/docu/stock-forecast...
[33] Prescient & Strategic Intelligence: Global Digital Signature Market Report , June 2021.

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- **Modernising of workplaces and legacy systems, sustainability considerations** – enterprises are increasingly seeing investment in digitisation as an opportunity to consolidate legacy manual processes, modernise core systems, and to differentiate from competitors. Digital transformation is also increasingly improving employee and customer experiences, particularly given enduring hybrid work environments; and
- **Increasing IT spending** – IT budgets are expected to increase as organisations prioritise digital transformation and digital engagement. The 2023 Gartner CIO and Technology Executive Survey found that CIOs expected IT budgets to grow by 5.1% on average globally in 2023 (3.6% in 2022, then considered as the fastest year-on-year growth rate in over a decade).[34] The Gartner survey revealed that CIO's future technology plans remain focused on optimisation rather than growth, with the top areas for increased investment in 2023 including cyber and information security, business intelligence/ data analytics, and cloud platforms.[35]

The current Inflationary environment, with higher interest rates and concerns of a recession, may however impact digitisation trends. Weaker guidance has been observed across technology company outlook statements with companies addressing headcount growth and costs to manage slowing growth.[36] The broader technology industry has seen a string of layoffs and hiring freezes during 2022 in the face of uncertain economic conditions. Subscription based SaaS models are relatively insulated to inflation and periods of economic downturn, as contracted revenue is spread evenly over extended periods. In contrast, license revenue growth may be more heavily impacted if the economy slows, as evidenced in the US recession of 2008 and 2009.[37]

8 Profile of Nitro

8.1 Background

Nitro is a global SaaS company focused on PDF document management and electronic signature software. Its solutions aim to support the acceleration of digital transformation and drive better business outcomes for organisations around the world across multiple industries through fast and efficient digital workflows. Nitro's core solution, the Nitro Productivity Platform, enables customers to receive PDF productivity tools, secure eSignature and digital identity capabilities, and usage and Return on Investment (**ROI**) analytics through an integrated desktop and cloud-based solution. Nitro is primarily focused on documents utilising PDF, however, the software also offers compatibility with certain Microsoft Office document formats.

Nitro was founded in Melbourne in 2005, offering the Nitro Pro product as an alternative to Adobe Acrobat for desktop PDF productivity. In 2016, Nitro began transitioning from a perpetual or "one-time" licensing model to a SaaS-based subscription licensing model and started focusing on Enterprise customers. In 2018, Nitro introduced the Nitro Productivity Platform, which comprised Nitro Pro, Nitro Cloud and Nitro Analytics. Nitro was publicly listed in December 2019 at A$1.72 per share.

In June 2020, Nitro launched its initial basic eSignature software, Nitro Sign, as a standalone solution (replacing Nitro Cloud). In order to help organisations of all sizes and industries navigate the disruption caused by the COVID-19 pandemic, Nitro Sign was made available free of charge for the remainder of 2020.[38]

Throughout the COVID-19 pandemic, usage of Nitro's productivity tools soared with more than 2 billion documents opened in Nitro PDF Pro during 2020. More than 1 million Nitro Sign eSignature requests were made in the first six months of 2021, equalling the number of eSignature requests for the entirety of 2020.[39]

In order to address known capability gaps in the Nitro Productivity Platform, Nitro made two strategic acquisitions in 2021:

- **PDFpen** – in July 2021, Nitro completed the acquisition of PDFpen technology, a suite of Mac, iPad and iPhone PDF productivity applications for Apple desktop and mobile devices for US$6 million in

[34] Gartner Press Release, "Gartner Survey of Over 2,000 CIOs Reveals the Need to Accelerate Time to Value from Digital Investments, Orlando, Fla., 18 October 2022; Gartner Article, "IT Budgets Are Growing. Here's Where the Money's Going", Kasey Panetta, 21 October 2021.

[35] Gartner Press Release, "Gartner Survey of Over 2,000 CIOs Reveals the Need to Accelerate Time to Value from Digital Investments, Orlando, Fla., 18 October 2022.

[36] AFR "US tech wreck poses threat to investor portfolios", Emma Rapaport, 28 October 2022.

[37] The Real Economy Blog, "Lessons for software companies from the Great Recession", Kurt Shenk, 24 July 2019.

[38] Nitro 2020 Annual Report.

[39] ASX Announcement, Nitro Launches Unlimited eSigning, Integration with Salesforce, 21 July 2021.

cash. The acquisition provided Nitro customers with productivity solutions for a broader range of devices and operating systems; and

- **Connective** – in December 2021, Nitro completed the acquisition of Connective, a Belgian eSign SaaS business with customers in 12 European countries. The acquisition of Connective cemented Nitro's position as a global eSign and document productivity platform.[40] The acquisition provides Nitro with cross-selling opportunities to sell eSignature products to its PDF customers. The cash consideration of €70 million was funded using proceeds from a A$140 million equity raising. Refer to Section 8.9.1 of this report for further details.

Nitro's first and second Quarterly Activities Reports in April and July 2022 noted that in response to macroeconomic and market conditions, and following the acquisition of Connective, Nitro had made changes to its operating plan for FY22, reducing its cost structure, increasing efficiencies through the business and accelerating its return to breakeven cash flows in 2H23.

Nitro introduced several cost savings and efficiency initiatives including a restructure of Nitro's go-to-market sales and marketing function, reduced hiring and general overhead costs against its FY22 plan (although overall costs continued to increase). As at 3Q22, Nitro announced that it was on track to achieve forecast cost savings of approximately US$5.0 million against its 2H22 internal cost plan. Total savings are expected to come from sales and marketing (54%), general and administrative and overheads (28%) and research and development (18%).[41]

The restructure of Nitro's go-to-market function involved simplifying and aligning Nitro's customer and cost segmentation model to a new and more efficient organisational model, better suited to the new product offering following the acquisition of Connective. The revised segmentation focuses on the Enterprise and SMB and Mid-Market segments and pursuing cross-sell and upsell opportunities.

Nitro has more than 1.1 million subscription licensed users and over 13,000 business customers across 175 countries, and serves 67% of Fortune 500 companies. According to GigaOm, Nitro became a top three vendor in the global eSigning market following the acquisition of Connective.[42] As at 29 August 2022, the last undisturbed trading day prior to the announcement of the Initial Potentia Proposal, Nitro had a market capitalisation of A$276.0 million.[43]

8.1.1 Strategy

Nitro's stated mission is to accelerate digital transformation in organisations around the globe, empowering everyone to work smarter with the most critical and prevalent documents in their enterprise.[44]

With growing demand for digital transformation and changing work practices accelerated by the COVID-19 pandemic, Nitro management sees a great opportunity for growth with its comprehensive product platform.[45]

Nitro's growth strategy is founded on five primary levers: [46]

- winning new customers, leveraging the portfolio of customers and products to penetrate new accounts, regions and adjacent markets;
- expansion of existing customer accounts, upselling and cross-selling in a growing eSigning market;
- new product development;
- mergers, acquisitions and strategic partnerships to accelerate product and marketing capabilities; and
- new markets and channels.

[40] Nitro 2021 Annual Report, page 13.
[41] Nitro 3Q22 Quarterly Activities Report and Trading Update.
[42] Nitro 1Q22 Quarterly Activities Report and Appendix 4C, 29 April 2022. The source of the ranking was GigaOm Radar for E-Signature Solutions, March 2022 which was based on Nitro being the only eSigning vendor to offer enterprise grade and high-trust comprehensive eSigning solutions globally alongside Adobe and DocuSign.
[43] Calculated as the closing share price of A$1.13 multiplied by 244,274,872 quoted Nitro Shares outstanding as per the ASX Notification of Cessation of Securities on 22 August 2022.
[44] Nitro 2021 Annual Report.
[45] Nitro 1H22 Results Announcement, 29 August 2022. Nitro estimated the total addressable market for Nitro Productivity Platform and Nitro Sign to be US$28 billion by estimating the total number of companies worldwide across our SMB, Mid-Market, Growth and Enterprise segments using LinkedIn data and applying an Average Contract Value (ACV) per segment for each product. Productivity Suite ACVs are based on Nitro's typical ACVs per segment achieved today, and Sign ACVs are based on typical eSigning contract values per segment currently achieved by market leaders, but discounted to reflect expected Nitro pricing and packaging.
[46] Nitro 1H22 Results Presentation, page 26, Nitro 1H22 Half Year Report.

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Nitro is making measured investments given the scale of the potential market opportunity, sector tailwinds, and Nitro's growth levers, but is considerate of the current macro environment. Nitro will continue to focus on delivering its platform product strategy, and driving increased adoption of its PDF productivity, eSigning and analytics solutions across new and existing customers particularly in the Enterprise and Mid-Market segments. Nitro will also continue to explore other targeted investments, build capability and scale and further cement its position in global document productivity and workflow.[47]

8.2 Operations

8.2.1 Overview

The corporate structure of Nitro is comprised of Nitro Software Limited and several controlled entities (together the **Group**). Whilst Nitro's head office and global ultimate parent entity is based in Melbourne, Australia, the Group's corporate office is headquartered in San Francisco, the United States. Other wholly owned Nitro and Connective entities are located across Canada, Ireland, the United Kingdom, Hungary, Belgium, France and Spain. Nitro employs approximately 350 people.

8.2.2 Business model

Nitro has targeted software offerings for Prosumers, SMBs, Mid-Market and Enterprise customers, and operates primarily under a SaaS-based subscription licencing model. Nitro's multi-year subscription contracts increase Nitro's ARR and reduce volatility in revenue.

As previously outlined, Nitro made a strategic decision to transition from a perpetual or "one-time" licensing model to a subscription licensing model in 2016, when it began offering its Nitro Pro product for enterprises and SMBs via subscription-based licensing agreements and transitioning legacy Enterprise and SMB customers from perpetual licenses to subscription-based licensing.

Nitro's subscription agreements for fully hosted subscription services (SaaS) grant customers a 'right to access' the software without taking possession of the software. Support and maintenance arrangements are built into all subscription agreements and are billed annually in advance. Most customers subscribe for a three year contract term, and contracts generally have an automatic renewal period of 36 months. One year contracts became more common since the COVID-19 pandemic. The contracts allow for a price increase at the end of the initial term. Subscription services represent a single obligation to provide continuous access to the software, maintenance and support, including upgrades on an 'if and when available' basis.[48]

Nitro's Perpetual licences for on-device or desktop software confer a 'right to use'. Customers obtain control of the software upon delivery of the software licence key, and delivery of the licence key is contingent upon payment by the customer in advance. Some contracts include maintenance and support of the product, the pricing for which is distinct and detailed separately from the price of the software licence. The maintenance and support agreements are generally for a 12-month period. Customers are able to generate new user licence keys for additional users after delivery of the initial software licence key through issuance of an order. This is treated as an amendment to the contract and invoiced accordingly.[49]

The transition of business sales[50] to a subscription model is effectively complete, with subscription revenue representing approximately 91% of total business sales channel revenue, and approximately 74% of total revenue.[51] Prosumers and SMBs are still able to purchase perpetual licenses via Nitro's e-commerce offering, and perpetual licenses can be sold with an ongoing maintenance and support contract. There are also legacy perpetual licence arrangements following the Connective and PDFpen acquisitions in 2021. Connective operates on a subscription revenue model similar to Nitro. Nitro plans to convert online business to subscriptions over time.

Nitro's business model is highly scalable due to the straightforward nature of its multi-jurisdictional and industry agnostic software and ease of deployment into organisations. This scalability is enhanced by the organic growth of licensed users via continued expansion from within its existing customer base, and the roll-out of the platform across multiple sites and geographies within large multi-national companies.

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[47] Nitro 1H22 Results Release 29 August 2022.
[48] Nitro 2021 Annual Report, page 72.
[49] Nitro 2021 Annual report, page 72.
[50] Nitro's business sales include sales executed by Nitro's sales teams and exclude online/ eCommerce sales via Nitro's website and Connective.
[51] Nitro 3Q22 Trading Update.

Nitro continues to focus on expanding revenue contribution from Mid-Market and Enterprise customers to drive greater revenue per customer, increase the profile of Nitro's solutions and enhance the network benefits of using Nitro's products between organisations.

8.2.3 Overview of the Nitro Productivity Platform

The Nitro Productivity Platform is a multi-segment platform has been developed to mirror Nitro customers' journey towards digital transformation. The platform provides integrated software solutions across document productivity, workflow, identity and analytics, across every device and workflow.

The components of the Nitro Productivity Platform are outlined in the following table:

Product	Description
Nitro PDF Pro & Nitro PDF Pro for Mac	▪ PDF productivity application for Windows, Mac, Mobile and Web ▪ PDF documents can be created, scanned and edited or converted into Microsoft Office formats using Optical Character Recognition (**OCR**) technology ▪ Integrates with cloud-based storage products such as Zapier, Power Automate and SharePoint, and cloud providers Dropbox, Google Drive, Microsoft OneDrive. ▪ Available as a standalone product
Nitro Sign Essentials	▪ eSignature software ▪ Unlimited eSigning capability on any device with a web browser (including mobile devices) ▪ Available as a standalone product
Nitro Sign Premium	▪ Previously Connective ▪ Supports high-trust eSign standards based on eIDAS for Advanced (**AES**) and Qualified (**QES**) Electronic Signatures ▪ Identity Verification (**eID**) support ▪ The Connective eSign product integrates with Salesforce, Microsoft, SAP, M-Files, Talentsoft and Pega and via public Application Programming Interface (**API**) with CRM, ERP, online forms and eCommerce systems ▪ Available as a standalone product
Identity Hub	▪ Enables eID integration for eSigning with digital identity and smart card integrations ▪ Facilitates online Know Your Client (**KYC**) onboarding ▪ Web storage, enterprise, document and workflow integration ▪ Part of Nitro Sign and the Nitro Productivity Platform
Smart Docs	▪ Workflow automation software ▪ Enables design of document and email templates ▪ Integrates directly with the PDF Software Development Kit (**SDK**), eSign, Identify Hub and Smart Doc via public API and other CRM, ERP, online forms and eCommerce systems ▪ Part of Nitro Sign and the Nitro Productivity Platform
Nitro Analytics	▪ Insights and ROI ▪ PDF, printing and eSign analytics ▪ Part of the Nitro Productivity Platform, Nitro PDF and Nitro Sign

Source: Nitro.

Nitro also supports customer adoption and implementation of Nitro's solutions through its Customer Success team, which provides 24/7 web-based customer support, live and on-demand training, and resources.

8.2.4 Product development and innovation

Nitro is focused on continuous product development and innovation to enhance its product functionality and flexibility, and has a product management and engineering team located in Budapest and Dublin. Nitro is also able to utilise and integrate data collected by the Nitro Analytics platform into the product development process.

Investment in research and development has increased from US$7.2 million in FY19 to US$13.5 million in FY21, increasing from approximately 20% to 27% of total revenue.

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8.2.5 Sales model

Nitro leverages both direct and indirect sales channels, and traditional enterprise go-to-market and self-serve models, to generate new business and expand revenue contribution from existing customers across its target segments by pursuing cross-selling and upselling opportunities. Nitro has a dedicated sales and marketing team, and utilises indirect channel partners including distributors and resellers.

Nitro's market strategy is summarised as follows:

	Prosumer/ SMB	SMB/ Mid-Market	Enterprise
Focus products	Nitro PDF Pro Nitro Sign	Nitro Productivity Platform Nitro Sign Premium	Nitro Productivity Platform Nitro Sign Premium
Market focus	1 – 20 licenses	21 – 1,000 employees	Over 1,000 employees
Sales model	Online sales	Business sales	Business sales
Pricing model	Perpetual	Subscription	Subscription
Marketing approach	'Freemium'[52] and digital strategy driving eCommerce sales	Inbound 'high velocity' deals, and field marketing	Inbound and field marketing. Outbound strategic solutions deals for enterprise customers
Sales approach[1]	Online self-service only	Inside sales	Inside and field sales
Channel partners	N/A	Reseller and implementation partners	Reseller and implementation partners
Sales cycle	Less than 30 days	60 to 90 days	90 to 180 days, and up to 12 months for the larger enterprises

Source: Nitro
Note 1: Inside sales refers to sales made by Nitro's corporate sales team located in Nitro's various offices worldwide. Field sales refer to sales made by field-based sales representatives located in regions where Nitro operates.

As part of the restructure of Nitro's go-to-market strategy in July 2022, the sales structure and marketing approach were adjusted to focus on Enterprise and Mid-Market segments. Account Executives are segmented into two groups: Enterprise and Mid-Market.

The subscription pricing model varies between the Nitro products. As noted in Section 7.3.2 of this report, NitroSign Essentials and Advanced packages offer unlimited signatures per user per year, whilst the Nitro Sign Premium plan is a consumption based pricing model.

Sales cycles currently range from three months and 12 months, depending on the size of the customer, as noted in the table above, and product being sold. Single product sales times for the PDF productivity products have remained relatively constant in recent quarters. Longer sales times have, however, been observed where customers are interested in Nitro's eSigning product on its own or the PDF productivity and Nitro Sign Premium together, however, these sales tend to generate higher value orders.[53]

8.2.6 Customers

Nitro provides its software solutions to over 13,000 business customers with 1.1 million subscription licensed users of all sizes across its core Prosumer/SMB, Mid-Market and Enterprise markets. Nitro's ARR is sourced mainly from North America, the UK and Europe. Over 1,000 business customers in Europe were acquired with Connective.

High-profile Enterprise customers include UnitedHealth Group, Deutsche Bank, ICON, BNY Mellon, and Lloyds Bank. Major contract expansions signed in the third quarter of 2022 (**3Q22**) included General Electric (**GE**), Petrofac, Universal Health and Swisscom, and new customer wins in 3Q22 included Zurich Insurance, Verisys and Equiniti.

Nitro has a broad client base, with the top 10 clients representing only approximately 6% to 8% of total revenue.[54]

[52] A "freemium" approach offers a free trial period to a limited feature set of products and services.
[53] Nitro 3Q22 Webinar commentary.
[54] Nitro.

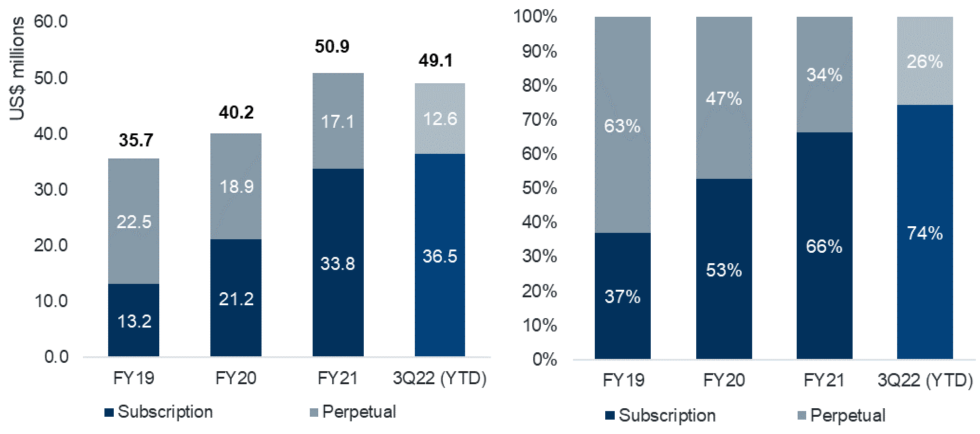
8.3 Revenue segmentation

8.3 Revenue segmentation

The Nitro Group derives revenue from the sale of subscription contracts and perpetual licenses (including associated software maintenance and support plans, consulting services, training and technical support).

The following chart shows the total revenue and share of revenue by type since FY19 up to 3Q22:

Revenue by Type



Source: Nitro Annual Reports and 3Q22 Trading Update, Kroll analysis.
Note: FY20 revenue figures in the chart do not sum to the total of US$40.2 million due to rounding. 3Q22 reflects only year to date (**YTD**) data to 30 September 2022.

Nitro's strong revenue growth since FY19 has been driven by the increasing adoption of productivity software following the onset of the COVID-19 pandemic (particularly in FY21 following Nitro's release of its Nitro Sign eSignature product), and revenue from Connective from December 2021.

Growth in subscription revenue has primarily been driven by new customers, expansion from existing customers, transitioning maintenance and support customers, and the inclusion of subscription revenue from Connective.

Perpetual license revenue continues to reduce as a percentage of total revenue due to the growth in subscription sales and success of the Nitro Productivity Platform. The slight increase in perpetual licence revenue is primarily attributable to revenue from 'right to use' arrangements that are recognised at the point in time when the performance obligations are satisfied. Nitro's perpetual revenue represents a predictable revenue stream which has remained consistent in recent years.

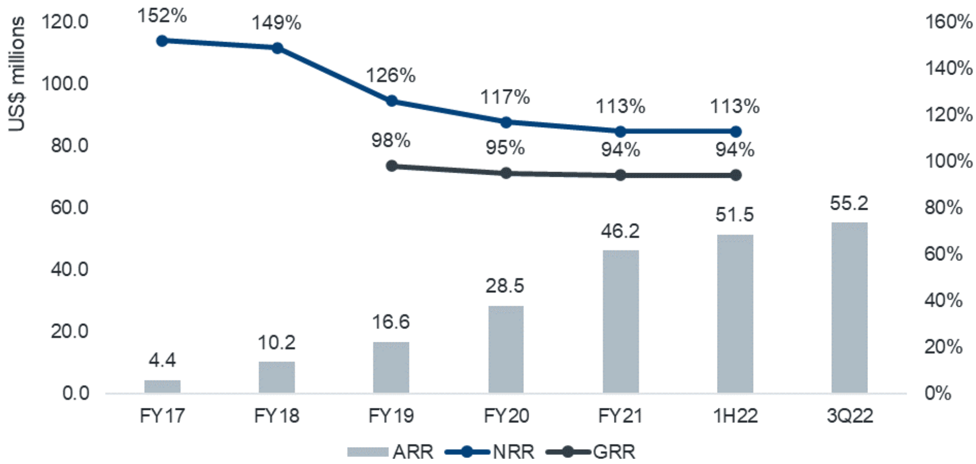
Maintenance and support revenue is included with Perpetual license revenue and relates to Nitro's Software Assurance product offering and renewals associated with perpetual license sales, and has declined as it has been transferred to subscription revenue.

Key performance metrics for Nitro include:

- ARR, which reflects the total value of subscription revenue contracts that are in effect at the end of a reporting period, expressed on an annualised basis. Nitro measures its growth through new ARR added;
- gross revenue retention rate (**GRR**), which provides an indication of customer churn. Nitro's GRR has remained between 94% and 98% over the last three years; and
- net revenue retention (**NRR**), which measures the incremental recurring revenue Nitro generates from its existing subscription customers as they expand their usage of Nitro's solutions (net of churn), which may result from additional licences being added within their organisation or by expanding usage into new areas of their organisation. An NRR of greater than 100% implies that customers are expanding their use of the Nitro's software solutions over time.

Movement in Nitro's ARR, GRR and NRR since 2017 are illustrated in the following chart.

ARR, GRR and NRR



Source: Nitro 2019, 2020 and 2021 Annual Reports, 3Q22 Trading Update, Nitro management, Kroll analysis.
Note: Based on Nitro's reported ARR and NRR. NRR data was not provided in the 3Q22 Trading Update.

The NRR to date has been driven primarily by upselling of existing products. It has declined over time mainly as the starting ARR base has grown. NRR was also impacted by the changing customer segment mix as Nitro has progressively rolled out marketing to Enterprise, then Mid-Market and SMB markets. Nitro expects NRR to increase with cross selling initiatives, and the eSign consumption based pricing model.

Nitro's ARR at 30 September 2022 included Connective ARR, and increased to US$55.2 million (51% annual growth since the end of 3Q21). Nitro's FY22 guidance is an ending ARR of US$57 to 60 million as noted in Section 8.4.2 of this report.

Other factors that influence annual revenue include:

- **Seasonality** – historical trends have indicated stronger growth in the second half of the year driven by year-end buying cycles of business customers after North American and European summer holidays; and
- **Foreign exchange rates** – Nitro transacts in various currencies other than its reporting currency (the US dollar), including the Euro, Australian dollar, British Pound and Canadian dollar.

8.4 Financial performance

8.4.1 Historical financial performance

Nitro's consolidated financial performance for FY19 to 1H22 is summarised as follows.

Nitro Financial Performance (US$ million)

	FY19 Audited	FY20 Audited	FY21 Audited	1H22 Reviewed
Subscription revenue	13.2	21.2	33.8	23.5
Perpetual licence, maintenance and support revenue	22.5	18.9	17.1	9.2
Total revenue	**35.7**	**40.2**	**50.9**	**32.7**
Total cost of revenues	**(3.7)**	**(3.8)**	**(4.0)**	**(3.3)**
Subscription gross profit	12.0	19.8	31.9	21.2
Perpetual licence, maintenance and support gross profit	20.0	16.6	14.9	8.2
Total gross profit	**32.0**	**36.4**	**46.9**	**29.4**
Sales and marketing	(18.9)	(20.2)	(29.4)	(19.0)
Research and development	(7.2)	(9.4)	(13.5)	(9.2)
General and administrative	(7.0)	(9.2)	(11.6)	(7.5)
Operating EBITDA[1]	**(1.1)**	**(2.4)**	**(7.6)**	**(6.3)**
Share-based payment expense	(0.8)	(3.0)	(7.6)	(3.2)
Adjusted Operating EBITDA[2]	**(1.9)**	**(5.4)**	**(15.2)**	**(9.5)**
Depreciation and amortisation expense	(2.0)	(1.7)	(2.4)	(3.3)
Finance costs	(1.8)	(0.0)	(0.1)	(0.1)
Significant and non-recurring items and other income[3]	(1.9)	(0.6)	(3.4)	(4.1)
(Loss) before income tax	**(7.6)**	**(7.7)**	**(21.1)**	**(17.0)**
Income tax (expense)/benefit	(0.4)	0.1	(0.6)	(0.3)
(Loss) for the year	**(7.9)**	**(7.5)**	**(21.7)**	**(17.3)**
Performance Metrics[4]				
Subscription revenue as a % of total revenue	37%	53%	66%	72%
Perpetual licence, maintenance and support as a % of total revenue	63%	47%	34%	28%
Total revenue growth	*10%*	*13%*	*27%*	*36%*
*Annual Recurring Revenue (**ARR**) (US$ million)*	*16.6*	*28.5*	*46.2*	*51.5*
Added ARR (US$ million)[5]	*6.4*	*11.9*	*17.7*	*5.3*
*Gross Revenue Retention (**GRR**)[6]*	*98%*	*95%*	*94%*	*94%*
*Net Revenue Retention (**NRR**)[7]*	*126%*	*117%*	*113%*	*113%*
*Lifetime Value/ Customers Acquisition Cost ratio (**LTV/CAC**)[8]*	*2.8x*	*3.1x*	*4.7x*	*4.2x*
Operating Margins				
Subscription gross margin[9]	*91%*	*93%*	*95%*	*90%*
Perpetual licence, maintenance and support gross margin[10]	*89%*	*88%*	*87%*	*89%*
Total gross margin[11]	*90%*	*91%*	*92%*	*90%*
Operating EBITDA margin[12]	*(3%)*	*(6%)*	*(15%)*	*(19%)*
Adjusted Operating EBITDA margin[13]	*(5%)*	*(13%)*	*(30%)*	*(29%)*
Per Share Data				
EPS US cents per share (basic)	*(10.8)*	*(4.0)*	*(11.0)*	*(7.2)*
EPS US cents per share (diluted)	*(10.8)*	*(4.0)*	*(11.0)*	*(7.2)*

Source: Summary of Financial Results as per the Nitro 2019, 2020 and 2021 Annual Reports, 1H22 Half Year Report, 2Q21 Quarterly Activities Report, FY20 Results Presentation, and Kroll analysis. We note that there are discrepancies between the allocation of expenses below gross profit in the Summary of Financial Results and Statement of Comprehensive Income and accompanying notes. As per the Summary of Financial Results, totals may not add due to figures being rounded to the nearest tenth of million dollars.

Notes:

1. Operating EBITDA is earnings before share-based payments, significant and non-recurring items and other income, interest, taxation and depreciation and amortisation. Nitro uses EBITDA before share-based payments to evaluate the operating performance of Nitro without the non-cash impact of depreciation and amortisation, and before share-based compensation, interest and taxation.
2. Adjusted Operating EBITDA is Operating EBITDA after share-based payment expenses.
3. Significant and non-recurring items and other income includes one time/non-recurring M&A expenses, FX gains and losses and other identifiable non-operating expenses such as IPO costs.

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Nitro Significant and Non-Recurring Items and Other Income (US$ million)

	FY2019 Audited[1]	FY2020 Audited	FY2021 Audited	1H22 Reviewed
IPO costs	(3.0)	-	-	-
M&A integration expenses	-	-	(1.9)	(1.6)
Foreign currency gain/ (loss)	1.1	(0.6)	(1.5)	(1.4)
Other non-recurring items	-	-	-	(1.1)
Significant and non-recurring items and other income	**(1.9)**	**(0.6)**	**(3.4)**	**(4.1)**

Source: Summary of Financial Results as per the Nitro 2019, 2020 and 2021 Annual Reports, 1H22 Half Year Report, and Kroll analysis.

4. Metrics in FY20 were restated in the FY21 Annual Report following changes to revenue recognition in accordance with AASB15 Revenue.
5. Added ARR is the growth in subscription licence revenue during the period as a result of sales or subscription licenses to new customers, additional subscription licence sales to existing subscription customers, and the conversion of maintenance and support contracts to subscription licensing.
6. GRR has been calculated by Nitro as the percentage of the overall ARR from all active subscription customers 12 months ago that was retained as ARR at the end of the current reporting period, including the impact of full or partial cancellations, but excluding ARR from expansion or new subscription customers. GRR in FY21 exclude the impact of the acquisition of Connective NV on 20 December 2021.
7. As noted in Section 8.3 of this report, NRR has been calculated by Nitro as the ratio of (a) ending ARR for the current financial reporting period generated from customers who were existing customers at the end of the same financial reporting period of the prior year, net of churn but including expansion; and (b) ending ARR for the financial reporting period 12 months prior. NRR in FY21 excludes the impact of the acquisition of Connective NV on 20 December 2021.
8. LTV/ CAC compares the value of a customer over their lifetime compared to the cost of acquiring them. Nitro have calculated the ratios as follows: LTV = (new bookings/number of new customers)/(1-customer retention rate); CAC = (selling expense + direct marketing expense + marketing personnel expense)/number of new customers. The LTV/CAC in FY21 and 1H22 do not include the impact of the acquisition of Connective NV on 20 December 2021.
9. Subscription gross margin is subscription gross profit expressed as a percentage of subscription revenue.
10. Perpetual licence, maintenance and support gross profit expressed as a percentage of perpetual license, maintenance and support revenue.
11. Gross margin is gross profit expressed as a percentage of total revenue.
12. Operating EBITDA margin is operating EBITDA expressed as a percentage of total revenue.
13. Adjusted Operating EBITDA margin is adjusted operating EBITDA expressed as a percentage of total revenue.

With regard to the financial performance summarised above, we note the following:

- whilst Nitro manages its operations as a single business operation with no separate operating segments, the Group's performance is assessed internally by contracting method. Nitro has provided a split of revenue and gross profit by subscription sales and perpetual and maintenance sales;
- consistent with its strategic transition to a subscription-based business model, Nitro's subscription revenue increased by 156.1% between FY19 and FY21, from US$13.2 million to US$33.8 million. Growth of 55.6% was achieved in the 12 months to 1H22. As a proportion of total revenue, subscription revenue has increased from 37% to 72% of total revenue. Growth has been driven by new customer wins, including many large enterprise customers, and expansions from existing subscription customers;
- conversely, perpetual revenue decreased by 24% between FY19 and FY21 from US$22.5 million to US$17.1 million. As a proportion of total revenue, perpetual and maintenance revenue has decreased from 63% to 28% of total revenue;
- the trend in subscription and perpetual revenue, and growth in the revenue metrics of ARR and Added ARR, reflects Nitro's strategic transition to a subscription-based business model. As noted in Section 8.3, while perpetual revenue continues to reduce as a percentage of total revenue given the rapid growth in subscription sales, perpetual revenue increased slightly in the 12 months to 1H22 due to delayed revenue recognition for these licenses;
- GRR has remained between 94% and 98% from FY19 to 1H22, indicating a relatively steady churn rate. NRR has remained above 100% indicating that existing customers are expanding their use of Nitro's products over time, albeit to a slightly reduced degree each year as the NRR has decreased from 126% to 113% since FY19;
- cost of revenues includes the cost of third-party technologies that are used to host Nitro's cloud-based products and embedded in Nitro's products, third-party hosting and transaction services for Nitro's online storefront, and employee and other operating costs associated with Nitro's customer support

services. These costs have decreased marginally, increasing gross profit between FY19 and FY21 from 90% to 92% due to the growth of the subscription licensing products which have a lower cost-of-sale and higher gross margin than perpetual licensing. Costs relative to revenue in 1H22 were impacted by the acquisition of Connective;

- total sales and marketing expenses have steadily increased from FY19 to FY21 due to an increase in head count, reflecting significant investments in Nitro's go-to-market function initiatives as ARR and subscription revenue scale up. Nitro measures efficiency of sales and marketing by monitoring LTV/CAC ratios. The ratio improved from 2.8x to 4.7x in FY21 indicating growth in value per customer. Nitro's LTV/CAC ratio was 4.2x (excluding Connective) for 1H22 prior to the restructure of Nitro's go-to-market strategy and marketing organisation in July 2022;
- unlike many SaaS businesses, Nitro fully expenses and does not capitalise research and development costs. Total research and development costs has increased from FY19 to FY21 due to the increased personnel cost and contracting services required for the development of the Productivity Platform, launch of Nitro Sign and other new product integrations and enhancements including the integration of PDFpen. Additional personnel were added to the product and engineering teams as a result of the Connective acquisition in 2021;
- general and administration costs have remained relatively constant at approximately 23% of revenue since FY20. Nitro management expects this cost base to decrease over time as operations become more efficient;[55]
- employee costs have been included within the sales and marketing, research and development, and general and administration costs, however, in total have grown from US$29.0 million in FY19 to US$45.0 million in FY21 as the number of staff has grown from 130 to over 300. The cost per full time employee has reduced over the last two years as a result of a shift in additional hiring to lower cost locations such as Canada and Hungary. Employee benefits include share based payments which have increased from 3.8% to 16.9% of total employee benefit expenses between FY19 to FY21;
- Nitro's 1H20 Results Presentation and FY20 results announcement noted that some operational savings were realised as a result of COVID-adjusted spending, partially offset by increased advertising expenses and other incremental investments;
- Nitro continues to generate operating EBITDA losses as the Group establishes its product platform and customer base. The loss increased from US$1.1 million in FY19 to US$7.6 million in FY21, impacted by elevated sales and marketing and research and development costs which also remained elevated during 1H22;
- finance costs relate to interest on lease liabilities; and
- the Nitro Group has generated a loss over the historical period after deducting further costs for IPO, acquisition integration, other non-recurring items. Foreign exchange differences result from the translation of trade receivable and payable amounts denominated in non-US$ denominated functional currencies, being Australian dollars, Euro and British Pound. The Group ensures that the net exposure to foreign exchange risk is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary.

8.4.2 FY22 Guidance

On 27 October 2022, Nitro reaffirmed its FY22 guidance (**FY22 Guidance**) provided on 26 July 2022.

Nitro FY22 Guidance

	FY22
Ending Annual Recurring Revenue (ARR)	US$57 – 60 million
Revenue	US$65 – 69 million
Operating EBITDA[1] (loss)	**US$(10 – 13) million**
Cash flow breakeven[2]	2H 2023

Source: Nitro 3Q22 Quarterly Activities Report, Nitro 1H22 Results Presentation. "YOY gr" = Year on year growth.
Note:
1. Operating EBITDA excludes stock-based charges, foreign exchange gains and losses, Connective integration costs, transaction costs and other non-recurring items.

[55] Source: Nitro 2021 Annual Report, page 32.

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2. Refers to cash flows from 'operating activities' excluding Connective integration costs, transaction costs and other non-recurring items, less capital expenditure and AASB 16 lease repayment costs.

In addition, the Target's Statement notes that Nitro remains on target to achieve its forecast of ARR synergies attributable to Connective of US$1.0 million by 31 December 2022, as a significant proportion of Nitro's 4Q22 sales pipeline represents customer interest in Nitro Sign Premium (previously Connective).

8.4.3 Outlook

As far as Kroll is aware, Nitro is followed by eight brokers, of which six published reports following the release of Nitro's 3Q22 Trading update on 27 October 2022. Two brokers released reports following the update on takeover proposals from Potentia and Alludo on 31 October 2022, however no forecasts were updated in these reports. Kroll has considered the latest forecasts of five brokers (excluding those firms advising on the Potentia Offer and Alludo Transaction) directly following the release of Nitro's 3Q22 results to provide an indication of the brokers' expected future financial performance of Nitro. Further detail is provided in Appendix 3.

Nitro Broker Consensus (US$ million)

	Actual	Broker consensus		
	FY21	FY22	FY23	FY24
Total revenue	**50.9**	**67.5**	**78.6**	**93.4**
Cost of revenues[1]	(4.0)	(6.7)	(7.0)	(7.8)
Total gross profit[2]	**46.9**	**60.9**	**71.6**	**85.7**
Operating expenses[1]	(54.5)	(71.6)	(77.0)	(86.1)
Operating EBITDA[3]	**(7.6)**	**(10.7)**	**(5.4)**	**(0.4)**
Share-based payments expense[4]	(7.6)	(9.0)	(9.7)	(10.2)
Adjusted Operating EBITDA[5]	**(15.2)**	**(19.7)**	**(15.1)**	**(10.6)**
(Loss) for the year	**(21.7)**	**(29.7)**	**(21.1)**	**(11.9)**
Revenue				
Subscription revenue[6]	33.8	50.3	63.5	80.2
Perpetual revenue[6]	17.1	16.9	15.4	14.0
Cash				
Operating cash flow[7]	(9.6)	(15.6)	(4.1)	4.8
Cash balance	48.2	27.6	21.7	29.1
Key Metrics				
Revenue growth	*27%*	*33%*	*16%*	*19%*
*Annual Recurring Revenue (**ARR**) (US$ million)[8]*	*46.2*	*58.2*	*71.4*	*87.4*
Added ARR	*17.7*	*12.0*	*13.2*	*16.0*
Gross margin	*92%*	*90%*	*91%*	*92%*
Operating EBITDA margin	*(15%)*	*(16%)*	*(7%)*	*(0%)*
Adjusted Operating EBITDA margin	*(30%)*	*(29%)*	*(19%)*	*(11%)*

Source: Nitro broker reports

Notes:

1. Cost of revenues and Operating expenses are estimated as the difference between median brokers forecasts for Total revenue and Total gross profit, and Total gross profit and Operating EBITDA.
2. Only two brokers provided gross profit forecasts.
3. Operating EBITDA reflects broker forecasts for Operating or Underlying EBITDA.
4. Share-based payments expense is based upon the forecasts of one broker.
5. Adjusted Operating EBITDA is Operating EBITDA after deducting share-based payments expense. This is not a figure reported by Nitro or the brokers.
6. Only two brokers provided forecasts for subscription and perpetual revenue.
7. Operating cash flow or Cash flow from operations as forecast by brokers.
8. The median of ARR estimates from five brokers in FY22 reducing to three brokers in FY23 and FY24.

With regard to the Nitro broker consensus summarised above, we note:

- of the five brokers to recently report on Nitro's 3Q22 financial results update, three have not revised their earnings forecasts since the 1H22 financial results were released at the end of August. At that time, the brokers generally downgraded forecast revenue from FY22 given the ongoing challenging macroeconomic conditions, and as Nitro had reduced its sales and marketing budgets. The 1H22 forecasts of these three brokers are included in the above consensus;

- the remaining two brokers modestly increased ARR, revenue and earnings estimates noting that the stronger than expected ARR growth in 3Q22 indicated improving execution;
- brokers note that the market may need further convincing regarding Nitro's ARR performance and the Q3 run-rate, to ease concerns over execution challenges and Nitro's ability to deliver long run growth given the challenging macro environment, particularly in Europe, and recent restructure of the sales team;
- Nitro is expected to meet its guidance given the ARR growth in 3Q22 and as the fourth quarter has historically had been a seasonally strong quarter. All five brokers forecast ARR for FY22 within Nitro's guidance range, albeit towards the lower end of the range;
- of the five brokers, two forecast a positive Operating EBITDA from FY24. One broker noted in an earlier report that if Nitro adopted the same accounting practices as peers and capitalised 50% of research and development costs, Nitro would be operating EBITDA positive in 1H23;
- one broker is forecasting positive operating cash flow from FY23, and the remaining four brokers are forecasting positive operating cash flow from FY24; and
- brokers noted the lower cash balance announced at 3Q22, acknowledging the impact of one-off Connective integration costs, restructuring costs and the impact of rising US dollar against the Euro. One broker reduced their forecast year end cash balance, assuming a moderation in the level of quarterly cash burn for 4Q22.

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8.5 Financial position

Nitro's consolidated financial position as at 31 December 2019, 2020, 2021 and 30 June 2022 is summarised as follows.

Nitro Financial Position (US$ million)

	As at 31 December			As at 30 June
	FY19 Audited[1]	FY20 Audited	FY21 Audited	1H22 Reviewed
Receivables and other current assets	6.8	9.6	15.5	15.4
Payables and other current liabilities	(5.6)	(6.8)	(12.4)	(10.8)
Deferred revenue	(18.4)	(22.2)	(26.9)	(28.5)
Net working capital	**(17.3)**	**(19.4)**	**(23.9)**	**(24.0)**
Property, plant and equipment	0.6	0.5	0.7	0.8
Intangible assets and goodwill	0.1	-	89.6	80.6
Deferred tax assets	0.2	-	-	-
Right of use assets	3.1	1.8	2.5	2.3
Other non-current assets	3.0	4.3	6.2	7.4
Deferred tax liabilities	(0.3)	-	(6.6)	(6.1)
Total funds employed	**(10.7)**	**(12.8)**	**68.6**	**61.1**
Cash and cash equivalents	47.0	43.7	48.2	35.2
Lease liabilities	(2.9)	(1.7)	(2.5)	(2.4)
Net cash (including lease liabilities)	**44.1**	**42.1**	**45.7**	**32.8**
Net assets	**33.4**	**29.3**	**114.3**	**93.9**
Total equity	**33.4**	**29.3**	**114.3**	**93.9**
Statistics				
Quoted Nitro Shares at period end, including Treasury Shares (million)	*188.9*	*193.1*	*246.2*	*246.9*
Quoted Nitro Shares at period end, excluding Treasury Shares (million)	*188.9*	*190.0*	*238.2*	*240.9*
Net assets per share	*$1.77*	*$1.54*	*$4.80*	*$3.90*

Source: Nitro 2019, 2020 and 2021 Annual Reports, 1H22 Half Year Report, and Kroll analysis.
Notes:
1. FY19 comparative expenses were restated in the FY20 Annual Report to reflect a change in the treatment of unbilled receivables and corresponding deferred revenue liabilities following the adoption of AASB 15 Revenue from Contracts with Customers.
2. Net tangible assets per share is based upon Nitro's reported metrics.

With regard to the consolidated financial position summarised above, we note the following:

- working capital requirements are increasingly negative as the Nitro business grows. Deferred revenue reflects the amounts billed for services yet to be provided under existing contracts. Deferred revenue has grown by approximately 20% per annum since FY19. As at 30 June 2022, 30.6% of remaining performance obligations are to be met in 2H22, 41.6% in FY23, 20.3% in FY24 and the remaining portion by FY26. Trade receivables from advanced billings have been a modest source of cash;
- property, plant and equipment as at 31 December 2021 was primarily comprised of plant and equipment (US$0.4 million) and leasehold improvements (US$0.2 million).[56] The remaining balance was comprised of furniture and fittings and equipment and construction in progress;
- the intangibles balance as at 30 June 2022 was comprised of goodwill (US$53.8 million), commercialised software (US$17.9 million), customer lists (US$8.2 million) and backlog and trademarks (US$0.8 million). Of the total US$89.6 million intangibles recognised as at 31 December 2021, US$84.3 million relates to intangible assets acquired from Connective, and US$6.1 million reflects the addition of PDFpen software. The reduction in the balance at 30 June 2022 was attributable to amortisation and unfavourable exchange rate movements. As noted earlier in Section 8.4.1, all associated research and development costs have been expensed;
- as at 30 June 2022, Nitro has not recognised any deferred tax assets. The deferred tax liability US$6.1 million relates to intangible assets acquired from Connective. Nitro's deferred tax losses are discussed in the following section;

[56] A breakdown of property, plant and equipment was not available in the 1H22 report.

- right of use assets primarily relate to Nitro's and Connective's office leases and equipment recognised under AASB 16/IFRS 16 'Leases';
- of the lease liability balance as at 31 December 2021, 46.8% has a maturity of less than one year, with the remainder maturing between one and five years;
- other non-current assets include contract assets and capitalised contract acquisition costs, recognised where the benefit of the work and acquisition costs are expected to be longer than 12 months, and measured net of a loss allowance. Contract assets typically relate to subscription and maintenance and support contracts where the transaction price allocated exceeds the value of billings to date. Contract acquisition costs include capitalised costs of certain sales incentive programs such as sales commissions paid and associated compensation costs. Capitalised costs to obtain a contract are amortised over the expected period of benefit which Nitro estimates to be one to three years;
- As at 31 December 2021, Nitro had a cash balance of US$48.2 million. The decline in cash in the six months to 30 June 2022 was attributable to an increase in non-recurring post acquisition integration costs for the Connective business and other advisory and consulting costs, together with payments for computer and office equipment, leases, and transaction costs relating to the capital raise at the end of FY21; and
- as at 30 June 2022, Nitro has no borrowings other than those related to leases under AASB 16.

8.6 Taxation

As at 31 December 2021, Nitro had unused tax losses of US$81.9 million that were incurred by Nitro's United States operations and US$19.5 million in unused tax losses arising from the acquisition of Connective. None of these tax losses were recognised in the statement of financial position as a deferred tax asset, as it was not considered probable that sufficient taxable profits would be generated in the relevant jurisdictions to utilise the losses.

As at 31 December 2021, Nitro had a franking credit balance of A$1.9 million.

8.7 Cash flows

Nitro's statement of cash flows for FY19 to 1H22 is summarised as follows.

Nitro Cash Flow (US$ million)

	FY19 Audited	FY20 Audited	FY21 Audited	1H22 Reviewed
Operating EBITDA[1]	(1.1)	(2.4)	(7.6)	(6.3)
Tax paid	(0.1)	(0.2)	(0.4)	(0.3)
Working capital and other adjustments[2]	1.6	1.1	(1.7)	(2.8)
Net cash used in operating activities[3]	**0.4**	**(1.4)**	**(9.6)**	**(9.4)**
Payments for property, plant and equipment	(0.7)	(0.2)	(0.4)	(0.3)
Payment for intangible assets	-	-	(6.1)	-
Payments for acquisition of Connective	-	-	(75.7)	-
Premiums paid for currency derivatives	-	(0.2)	-	-
Receipt of loans from shareholders	0.0	-	-	-
Free cash flow	**(0.3)**	**(1.8)**	**(91.8)**	**(9.7)**
Proceeds from the issue of ordinary shares	44.8	-	101.4	-
Proceeds from the issue/ repayment of convertible notes	5.0	(0.0)	-	-
Proceeds from the issue of preference shares	1.8	-	-	-
Proceeds from exercise of share options	0.1	0.4	1.2	0.2
Transaction costs related to the issue of shares	(3.4)	(0.2)	(2.9)	(0.8)
Finance cost paid	(0.5)	(0.2)	(0.1)	(0.1)
Payment for leases	(1.2)	(1.4)	(1.3)	(0.7)
Purchase of shares by the employee share trust	-	(0.1)	-	-
Withholding taxes paid	-	-	(0.0)	-
Net cash generated/ (used)	**46.3**	**(3.3)**	**6.4**	**(11.2)**
Opening net cash and cash equivalents	(0.4)	47.0	43.8	48.2
FX impact on cash held	1.2	0.1	(1.9)	(1.9)
Net cash generated/ (used)	46.3	(3.3)	6.4	(11.2)
Closing net cash and cash equivalents	**47.0**	**43.8**	**48.2**	**35.2**

Source: Nitro 2019, 2020 and 2021 Annual Reports, 1H22 Half Year Report, and Kroll analysis.

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Notes:
1. Operating EBITDA is earnings before share-based payments, one time/non-recurring M&A expenses, FX gains and losses, interest, taxation, depreciation and amortisation and other identifiable non-operating expenses such as IPO costs. Nitro uses EBITDA before share-based payments to evaluate its operating performance without the non-cash impact of depreciation and amortisation, and before share-based compensation, interest and taxation.
2. Working capital and other adjustments includes the cash outlay in relation to non-recurring items.
3. Net cash flows from operating activities per statutory accounts.

Net cash used in operating activities and free cash flow has been negative and significant as the business is growing. Cash movements and investments have been either completely or partially funded by equity raisings in any given year.

In December 2019, Nitro raised US$44.83 million (before costs) through the initial public offering. The funds raised were utilised to fund operations and support growth initiatives, including potential acquisitions.[57]

In November 2021, Nitro raised A$140 million through a placement and retail entitlement offer to existing shareholders. The proceeds from the capital raising were primarily used to fund the acquisition of Connective.

Nitro has not paid a dividend since listing on the ASX on 11 December 2019.

In the 3Q22 update, Nitro management noted that the reported cash balance as at 30 September 2022 reduced to US$29.2 million. Whilst cash receipts from customers to 30 September 2022 grew following an increase in billings arising from multi-year subscription contracts, underlying cash payments to suppliers and staff also increased reflecting Nitro's strategic investments in personnel, product development and enhancing of the go-to-market function. Net cash outflows in 3Q22 were adversely impacted by the strength of the US dollar (reported currency) against the Euro, British pound and Australian dollar currencies.[58]

8.8 Capital structure and ownership

As at 18 November 2022, Nitro had a total of 251,567,415 fully paid shares on issue, comprised of:[59]

- 245,283,492 quoted shares on the ASX; and
- 6,283,923 unquoted Treasury Shares.

Additionally, Nitro has unquoted securities on issue as part of its Employee Share Scheme, under which securities (or rights to acquire securities) are issued to certain participating Nitro employees, managers or directors. The Nitro Employee Share Scheme comprises the following securities:

- Restricted Share Awards (**RSA**);
- Performance Rights;
- Performance Shares;
- Non-Executive Director Share Rights;
- Options; and
- Employee Share Purchase Plan (**ESPP**),

together, the **ESS Securities**.

As at 18 November 2022, Nitro had 19,110,929 ESS Securities on issue (excluding the ESPP). There were 99,535 securities that are paid up under the ESPP. Further detail is provided in Section 8.8.2 of this report.

In order to satisfy Nitro's future Employee Share Scheme obligations, Nitro Shares are issued to the Nitro Employee Share Trust (**NEST**) to be held for participants in the Employee Share Scheme (**Treasury Shares**). As at 18 November 2022, Nitro held 3,194,139 quoted Treasury Shares and 6,283,923 unquoted Treasury Shares.[60] These shares are included in the total balance of fully paid shares on issue.

The total number of shares on a fully diluted basis as at 18 November 2022 under the Potentia Offer of A$1.80 was 255,155,743.[61]

[57] The IPO incurred transaction costs of US$6.63 million of which US$3.67 million were capitalised against equity.
[58] Nitro Q3 2022 Update.
[59] Target's Statement, Section 5.8.
[60] Information from Nitro.
[61] Information from Nitro.

8.8.1 Shares on issue

As at 18 November 2022, there were 7,180 registered shareholders of Nitro's 251,567,415 ordinary shares on issue. The top 20 registered shareholders accounted for 83.46% of shares on issue and mainly included institutional nominees and custodians, private shareholders, current and former Directors, and management.[62]

Nitro has received notices from the following substantial shareholders:

Nitro Substantial Shareholders as at 10 November 2022

Substantial shareholder	Number of shares	Percentage of issued capital[1]
Potentia Capital Management Pty Ltd	48,586,139	19.81%
Australian Ethical Investment Ltd	18,058,924	7.36%
Spheria Asset Management Pty Ltd	17,141,203	6.99%
Battery Ventures	16,589,968	6.76%
AustralianSuper Pty Ltd	14,557,062	5.93%
TIGA Trading Pty Ltd	12,468,142	5.08%

Source: Target's Statement.
Note:
1. Issued capital excludes 6,283,923 Unquoted Treasury Shares on issue by Nitro.

8.8.2 ESS Securities

Since Nitro was established, equity awards have been granted to all Nitro employees, as part of Nitro's Employee Share Scheme and remuneration and long term incentive plans. The ESS Securities are regulated by the following rules:

- Employee Share Option Plan (undated), for options issued prior to 13 November 2019;
- Employee Equity Incentive Plan, dated 29 September 2019 for all other ESS Securities;
- Employee Share Purchase Plan (undated); and
- Non-Executive Director Share Rights,

together the **ESS Plan Rules**.

Under the ESS Plan Rules, certain conditions must be satisfied in order for an ESS Participant to be issued Nitro Shares. Conditions include performance, employment/ engagement status with Nitro. The NEST issues shares to participants on exercise of options and vesting of performance rights, performance shares and restricted shares.

The following table provides an overview of the outstanding unquoted securities as at 18 November 2022.

Outstanding ESS Securities as at 18 November 2022

Unquoted securities	Recipient	Key terms	Number outstanding
RSA	Eligible employees	Issued at an exercise price of Nil, with a four year vesting period.	7,668,601
Performance Rights	Group Senior Executives	Market based (relative TSR) and/or performance based (internal CAGR) vesting conditions.	1,521,486
Performance Shares	Group Senior Executives	Market based (relative TSR) and/or performance based (internal CAGR) vesting conditions.	682,606
Share Rights	Non-Executive Directors	N/A	172,475
Options	Eligible employees	Options vest over a four year period and expire 10 years from grant date. Options convert to shares on a 1:1 basis.	9,065,761
Total ESS Securities (excluding ESPP)			19,110,929
ESPP securities	Employees	Paid up through salary contributions	99,535
Total ESS Securities			19,210,464

[62] ComputerShare Range of Units, Substantial Holders and Top Holders Reports as at 18 November 2022.

Source: Nitro.

There are no voting rights attached to employee share options, restricted shares, performance rights or performance shares. There is no current on-market-buy-back of shares and there are no securities subject to escrow.

8.8.3 Fully diluted shares

From a Change of Control Transaction perspective, quoted and unquoted securities are effectively indistinguishable and treated in the same way.[63] The ESS Plan Rules provide the Nitro Board with discretion to waive any vesting conditions relating to the ESS Securities and accelerate some or all of their vesting. Upon the satisfaction or waiver of the vesting conditions, the Treasury Shares would be issued to ESS participants in line with their allocation of ESS Securities. Should there be insufficient Treasury Shares held by the NEST to meet these obligations, Nitro would be required to issue additional fully paid shares to the relevant ESS participants.

The Nitro Board has determined for the Alludo Transaction that all equity awards will be accelerated, and all options would be treated on a cashless exercise basis, with only the net shares issued to ESS participants for those Options that are 'in the money' at the acquisition price.

Should the Nitro Board choose to accelerate 100% of the unvested ESS Securities, shares would need to be allocated to ESS participants, assuming cashless settlement of Options. The ESS Securities will mainly be satisfied by the 9,478,062 Treasury Shares currently held in the NEST. Nitro would then be required to either issue additional fully paid ordinary shares, or cash settle the ESS Securities for the purposes of satisfying ESS obligations.

The calculation of the fully diluted shares outstanding will vary depending on the lapsing of any securities should an employee leave prior to acceleration, and the acquisition price applied for the exercise of the outstanding options. The fully diluted shares outstanding where options are exercised at the Potentia Offer of A$1.80 would be 255,155,743. If the options are exercised at the Alludo Consideration of A$2.00, the fully diluted shares outstanding would be 255,468,826. The calculation of these figures are shown in the following two tables.

Calculation of Fully Diluted Nitro Shares under the Potentia Offer of A$1.80

Security	Conditions	Number
Ordinary Shares, quoted		245,283,492
Treasury Shares, unquoted and unallocated (held by NEST)		6,283,923
Total Shares issued		251,567,415
Add: Dilutive Share issuance		
Options	Net options to be issued at an assumed price of A$1.80	3,021,222
NED Share Rights	Vest on a 1:1 basis	172,475
RSA	All vest on a 1:1 basis, as per management records	7,668,601
Performance Rights	Vest on a 1:1 basis	1,521,486
Performance Shares	Vest on a 1:1 basis	682,606
Dilutive Share issuance		13,066,390
Less: Quoted Treasury Shares (NEST), unallocated (including ESPP)		(3,194,139)
Less: Unquoted Treasury Shares (NEST) unallocated		(6,283,923)
Fully diluted shares in a Change of Control event		255,155,743

Source: Nitro

[63] As advised by Nitro management.

Calculation of Fully Diluted Nitro Shares at the Alludo Consideration of A$2.00

Security	Conditions	Number
Ordinary Shares, quoted		245,283,492
Treasury Shares, unquoted and unallocated (held by NEST)		6,283,923
Total Shares issued		251,567,415
Add: Dilutive Share issuance		
Options	Net options to be issued at an assumed price of A$2.00	3,334,305
NED Share Rights	Vest on a 1:1 basis	172,475
RSA	All vest on a 1:1 basis, as per management records	7,668,601
Performance Rights	Vest on a 1:1 basis	1,521,486
Performance Shares	Vest on a 1:1 basis	682,606
Dilutive Share issuance		13,379,473
Less: Quoted Treasury Shares (NEST), unallocated (including ESPP)		(3,194,139)
Less: Unquoted Treasury Shares (NEST) unallocated		(6,283,923)
Fully diluted shares in a Change of Control event		255,468,826

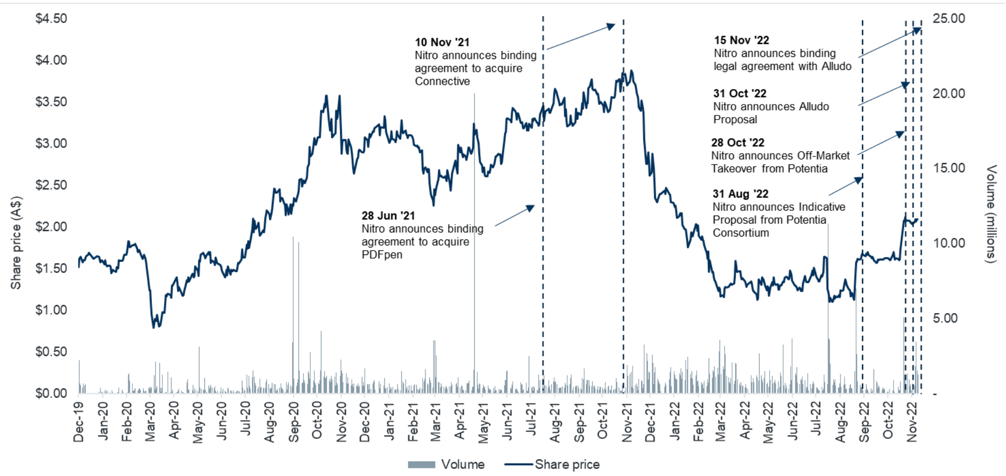
Source: Nitro

8.9 Share price performance

8.9.1 Share market trading since listing

The trading price and volume of Nitro Shares since listing on 11 December 2019 at A$1.72 is set out as follows.

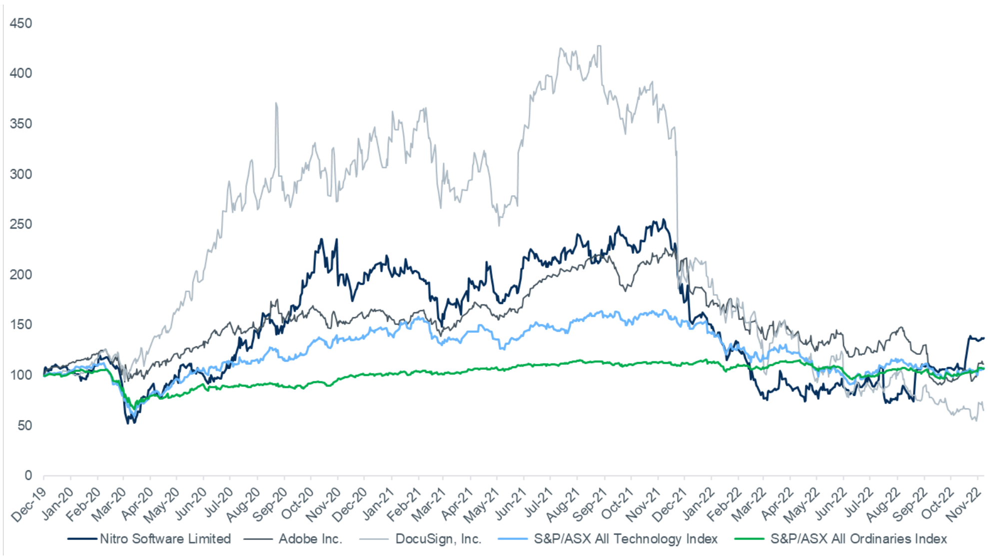
Nitro Trading Price and Volume from 11 December 2019



Source: S&P Capital IQ and Kroll analysis.

To enable analysis of Nitro's share price performance, we have chosen to compare Nitro's performance against the broader S&P/ASX All Ordinaries Index, the S&P/ASX All Technology Index (both of which Nitro is a constituent), as well as PDF and eSigning market leaders, Adobe and DocuSign. Nitro considers the S&P/ASX All Technology Index to reflect its peer group and assesses Nitro's relative TSR for LTI purposes with reference to this index. The following chart sets out the relative performance of Nitro Shares against these benchmarks (rebased to 100) since listing on 11 December 2019.

Nitro Share Price Performance Relative to Benchmarks since 11 December 2019



Source: S&P Capital IQ and Kroll analysis.

From listing until February 2020, Nitro's share price performed broadly in line with Adobe, DocuSign and the indices. The Nitro share price during this period was supported by the announcement on 27 February 2020 of strong FY19 results, which were ahead of the IPO prospectus forecast.

At the onset of the COVID-19 pandemic in March 2020, the Nitro share price declined sharply together with the Australian indices, each underperforming Adobe and DocuSign. The Nitro share price closed at a low of A$0.79 on 16 March 2020.

From then until November 2021, the Nitro (and DocuSign) share prices rebounded strongly, outperforming the larger and less volatile Adobe and the Technology Index, which increased moderately, and the S&P/ASX All Ordinaries Index, which remained below pre-COVID-19 pandemic levels. Nitro's share price increased by approximately 391.2% from the low of A$0.79 on 16 March 2020 to close at a high of A$3.88 on 17 November 2021. Key factors that may have driven Nitro's share performance during this period include:

- increasing demand for PDF productivity and eSigning products amidst the COVID-19 pandemic and associated lockdowns. Nitro's 1Q20 Quarterly Activities Report noted that it had experienced new and urgent demand for digital solutions across the globe with the rise of remote working due to quarantines;[64]
- the DocuSign share price increased by 351.4% from a low of US$68.68 on 12 March 2020 to close at a high of US$310.05 on 3 September 2021. The Adobe share price increased by 142% from a low of US$285.00 on 12 March 2020 to close at a high of US$688.37 on 19 November 2021. Growth over the 18 month period was fuelled by the surge in online activity caused by the COVID-19 pandemic with DocuSign and Adobe experiencing revenue growth of 42% and 23% respectively in the year to December 2021;[65]
- Nitro's strong ARR growth of 63.8% in FY20 with financial performance ahead of Nitro's IPO prospectus forecast, increasing to ARR growth of 66% for 1Q21;
- on 21 July 2021, Nitro launched its unlimited Nitro Sign offerings, and announced the integration of the Nitro Productivity Platform with Salesforce;
- announcement on 10 November 2021 of the acquisition of Connective, which was expected to deliver cross selling opportunities;

[64] 1Q20 Quarterly Activities Report, 27 April 2020.
[65] DocuSign announcement, DocuSign Announces Third Quarter Fiscal 2022 Financial Results, 2 December 2021; Adobe announcement, Adobe Reports Record Q4 and Fiscal 2021 Revenue, 16 December 2021.

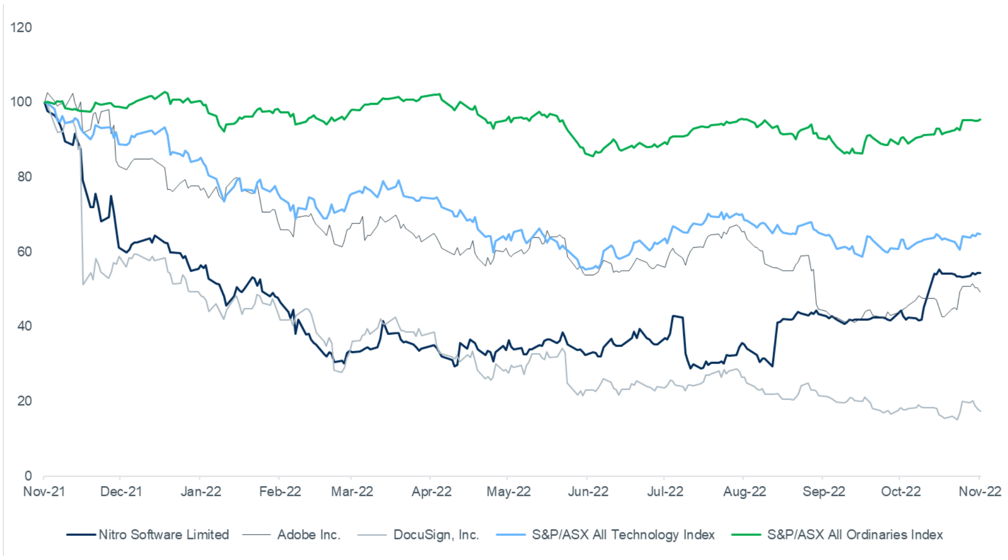
- general market sentiment regarding technology stocks during this period with share prices doubling or tripling in the space of 12 to 24 months, as can be seen in the strong performance of the S&P/ASX All Technology Index relative to the S&P/ASX All Ordinaries Index. Low interest rates and large government spending during this period may have driven investor demand for growth stocks; and
- favourable macro-economic conditions and market sentiment, boosted by initiatives introduced by governments and central banks in response to the COVID-19 pandemic, including lowering official cash rates and announcing considerable fiscal stimulus packages. The Australian Government, for example announced a A$17.6 billion economic package.[66]

From the high of A$3.88 on 17 November 2021, the Nitro share price declined by 11.5% to close at A$3.43 on 1 December 2021. This followed the A$140 million fully underwritten capital raising to fund the Connective acquisition, which was undertaken at A$3.43 per Nitro Share, a 10.7% discount to the last closing price of A$3.84.

8.9.2 Recent share price performance

The performance of Nitro Shares relative to the relevant benchmarks (rebased to 100) over the last 12 months is illustrated as follows.

Nitro Share Price Performance Relative to Benchmarks since 18 November 2021



Source: S&P Capital IQ and Kroll analysis.

From November 2021, Nitro's share price declined steeply until March 2022, mirroring the decline in the DocuSign share price, each underperforming Adobe and the S&P/ASX All Technology index, which in turn underperformed the S&P/ASX All Ordinaries Index. By late February 2022, the Nitro share price had fallen below the initial public offering price of A$1.72.

Specific factors that may have influenced Nitro's underperformance during this period include:

- following DocuSign's 2 December 2021 release of FY22 guidance that fell short of analysts' expectations and indicated a potential shift from peak levels of growth,[67] DocuSign's share price declined by 42.2% to close at US$135.1 on 3 December 2021. On the same date, the Nitro share price declined by 9.5% to close at A$3.04; and

[66] Australian Stock Report Article, "Australia's Monetary and Fiscal Response to Coronavirus Outbreak", Stuart Lucy, March 13, 2020.

[67] For example: CNBC article, "DocuSign plunges almost 30% after e-signature company issues weak fourth-quarter guidance", Ari Levy, December 2, 2021; MSN article, "Why DocuSign Plunged by 38.2% in December", Royston Yang, January 5, 2022.

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- the broader sector-wide de-rating of pre-profit technology stocks (such as Nitro, DocuSign and a number of constituents of the S&P/ASX All Technology Index) towards cash generating stocks, impacted by rising interest rates and inflation and investor demand for cash returns.[68]

From March 2022, the Nitro share price broadly mirrored the observed benchmarks until late July 2022, when Nitro announced a downward revision to its ARR guidance from a range of US$64 to US$68 million to a range of US$57 to US$60 million in the 2Q22 Activity Report. Nitro's share price declined to close at a low of A$1.11 on 1 August 2022.

On 31 August 2022, the Nitro share price increased 39.8% to close at A$1.58 in line with the consideration under the Initial Potentia Proposal. The share price remained broadly in line with this offer price and the Australian benchmark indices until Nitro announced the Potentia Offer on 28 October 2022 at A$1.80 per Nitro Share and the Alludo Transaction on 31 October 2022 at A$2.00 per Nitro Share, following which the Nitro share price increased by 20.2% to close at A$2.08 on 31 October 2022. Nitro Shares have since continued to trade at over A$2.00 through November, lifting slightly (1.5%) to A$2.09 after the announcement that Nitro had entered a binding legal agreement with Alludo on 15 November 2022. Nitro's share price remained flat following the announcement of the Revised Potentia Proposal, closing at A$2.09 on 18 November 2022.

8.9.3 Liquidity

An analysis of the volume of trading in Nitro Shares, including the VWAP for various periods up to 29 August 2022 (the last undisturbed trading day before the announcement of the Initial Potentia Proposal) is set out as follows.

Nitro Liquidity up to 29 August 2022

Period	Price (A$) Low[1]	Price (A$) High[1]	VWAP	Cumulative value (A$ million)	Cumulative volume[2] (A$ million)	Percentage of issued capital[3]
1 day	1.09	1.14	1.12	1.8	1.6	0.7%
1 week	1.09	1.26	1.16	4.4	3.8	1.5%
1 month	1.08	1.37	1.18	22.3	18.9	7.7%
3 months	1.08	1.70	1.27	107.3	84.4	34.6%
6 months	1.08	1.70	1.29	221.0	171.9	70.4%
12 months	1.08	4.00	1.93	616.2	318.7	130.5%

Source: IRESS
Notes:
1. The low and high prices include intraday trades.
2. Data includes special crossings/ block trades.
3. The percentage of issued capital is calculated from the total balance of quoted shares on issue of 244,274,872 as per the ASX Notification of Cessation of Securities on 22 August 2022.

In the 12 months to 29 August 2022, 130.5% of the quoted Nitro Shares on issue were traded (156.5% of the free float).[69] This level of trading indicates that Nitro Shares are liquid.

[68] For example: Markets Insider Article, "Here's why tech stocks are cratering as the Fed prepares to hike interest rates", Harry Robertson, January 7, 2022.
[69] The free float as at 29 August 2022 of 203,670,290 was sourced from Factset.

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9 Valuation of Nitro

9.1 Overview

Kroll has assessed the value of a Nitro Share to be in the range of A$2.00 to A$2.20 on a fully diluted basis.[70] Our range of assessed values reflects 100% ownership of Nitro and, therefore, incorporates a control premium. As our valuation includes a control premium, our range of assessed values per share exceeds the price at which we expect Nitro Shares would trade on the ASX in the absence of the Potentia Offer, Alludo Transaction, a Superior Proposal, or speculation regarding a Superior Proposal.

The most reliable evidence as to the value of a business or asset is the price at which that business or asset has been bought and sold in an arm's length transaction. RG111.86 (e) indicates that it is appropriate for an expert to consider using as a methodology "any recent genuine offers received by the target for the entire business, or any business units or assets as a basis for valuation of those business units or assets." Consequently, Kroll has considered the A$2.00 consideration under the Alludo Transaction as a primary indication of the amount that Nitro could achieve in an arm's length transaction, noting that although Alludo is a strategic buyer, there are a range of other parties that could achieve a similar level of synergies. Consequently, we do not consider the Alludo Transaction to represent 'special value' and we consider the A$2.00 consideration under the Alludo Transaction to be a strong indication of the fair value of Nitro Shares.

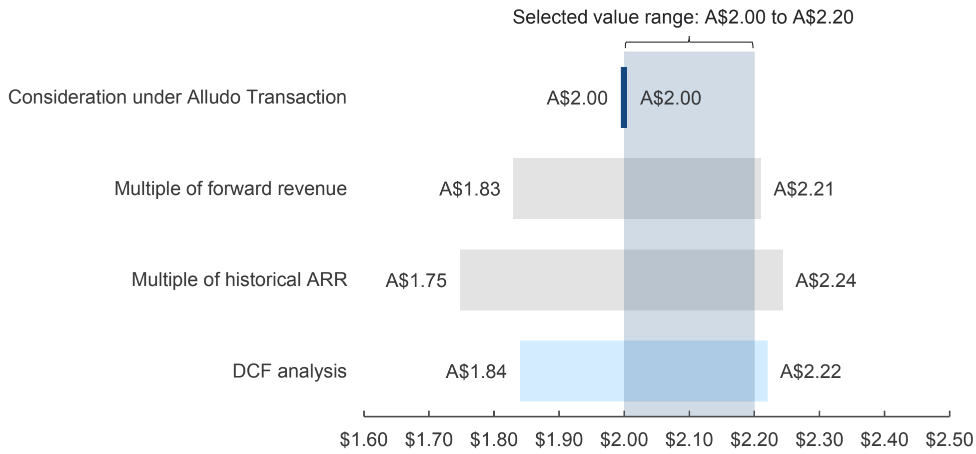
In addition, in assessing a value range per Nitro Share, Kroll has had regard to the following valuation methodologies, including:

- Market Approach:
  - Multiples of forward revenue (Section 9.3 of this report);
  - Multiples of historical ARR (Section 9.3); and
- Income Approach: DCF analysis (used as a cross-check) (Section 9.5).

In each case, the value of a Nitro Share has been determined by estimating the market value of Nitro's operating business together with Kroll's estimate of surplus cash to determine the value of equity in US dollars. Equity value has been divided by the diluted number of Nitro Shares and the resulting value per Nitro Share has been converted into Australian dollars at an exchange rate in the range of A$1=US$0.65 to A$1=US$0.70 to consider movements in the spot rate.

The valuation outcomes and Kroll's selected value range are summarised in the following chart.

Valuation Summary (per Nitro Share)



Source: Kroll analysis.

Our selected value range of A$2.00 to A$2.20 per Nitro Share reflects a premium over the closing price of Nitro Shares immediately prior to the announcement of the Initial Potentia Proposal of between 77.0% and 94.7%, and a premium to the six-month VWAP prior to the Initial Potentia Proposal in the range of 55.6%

[70] This includes all of the 251,567,415 fully paid shares on issue, plus 13,066,390 shares issued to ESS Participants, less 9,478,062 Treasury Shares currently held in the NEST.

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to 71.1%. A portion of this premium reflects that our valuation of Nitro includes a control premium, rather than a valuation of a minority interest in the company as traded on the ASX. The premium is above premiums observed in completed transactions, which are broadly in the range of 25% to 40% depending on the individual circumstances.[71] In this regard, we note that synergies available to strategic buyers of Nitro are potentially material, with the ability to integrate Nitro's products into an existing suite of productivity software solutions, delivering higher revenue growth through immediate scale, access to a wider customer base, and cross-selling opportunities. A strategic buyer may also be able to save a portion of marketing costs and other corporate overheads and any acquirer would save public company costs.

However, in our opinion the premium is also likely to reflect the negative re-rating of cash flow negative technology stocks, particularly in the eSigning segment, since late 2021. From 17 November 2021 until 29 August 2022, the last undisturbed trading day before the Initial Potentia Proposal, the DocuSign closing share price declined by 78.3% from US$267.12 to US$58.00 and the Nitro closing share price declined by 70.9% from A$3.88 to A$1.13. Therefore, it is likely that the Nitro share price was depressed in the lead up to the announcement of the Initial Potentia Proposal.

In forming our view as to the value of Nitro Shares we have considered a series of factors including:

- strong industry tailwinds, with a large addressable market that is growing due to the continued trend of remote working, shifting organisation IT priorities and budgets towards digital transformation and high-trust eSigning;
- Nitro's growth in revenue and ARR, as a result of these industry tailwinds and the success of Nitro's revised strategy to transition the company to a subscription based model and restructure its go-to-market strategy towards Mid-Market and Enterprise customers;
- Nitro's significant operating losses and cash outflows. There is no certainty that the recent strong revenue growth will continue to be achieved;
- the valuation assumes that Nitro does not require additional capital to execute its strategy in the short term but that it will require a portion of its existing cash of US$29.2 million as at 30 September 2022 to support operations until Nitro becomes operating cash flow positive; and
- Nitro's substantial carried forward income tax losses, however, recognising that the ability to utilise them is uncertain and it is unlikely that an acquirer would attribute significant value to them.

It should also be noted that a valuation of Nitro in the current macroeconomic and geopolitical environment is complex and requires judgement as to the outlook for markets and the global economy.

9.2 Approach

9.2.1 Overview

Our valuation of Nitro has been prepared on the basis of 'fair value'. The generally accepted definition of fair value (and that applied by us in forming our opinion) is the value agreed in a hypothetical transaction between a knowledgeable, willing, but not anxious buyer and a knowledgeable, willing, but not anxious seller, acting at arm's length.

Fair value excludes 'special value', which is the value over and above the value that a particular buyer, which can achieve synergistic or other benefits from the acquisition, may be prepared to pay.

The most reliable evidence as to the value of a business or asset is the price at which that business or asset has been bought and sold in an arm's length transaction. RG111.86 (e) indicates that it is appropriate for an expert to consider using as a methodology "any recent genuine offers received by the target for the entire business, or any business units or assets as a basis for valuation of those business units or assets."

In the absence of direct market evidence, fair value is commonly derived by applying one or more of the following valuation approaches:

- the market approach;
- income approach; or
- cost approach.

[71] 2022 Mergerstat Review. Range represents median premium from 2012 to 2021. Premiums are calculated based on the seller's closing price five business days before the initial announcement. The calculations exclude negative premiums and premiums over 250%.

These approaches are discussed in further detail in Appendix 4. The decision as to which approach to adopt will depend on various factors including the availability and quality of information, the maturity of the business and the actual practice adopted by purchasers of the type of asset or business involved. A secondary methodology is often adopted as a cross-check to ensure the reasonableness of the outcome, with the valuation conclusion ultimately being a judgement derived through an iterative process.

For profitable businesses, the market approach and income approach are commonly used as they reflect 'going concern' values, which typically incorporate some element of goodwill over and above the value of the underlying assets. For businesses that are either non-profitable, non-tradeable or asset rich (e.g. real estate investment trusts), a cost approach is often adopted as there tends to be minimal goodwill, if any Selection of methodology

A discussion of the rationale for the selection of the valuation methodologies is set out below.

Direct market comparison

In the case of Nitro, the Alludo Transaction represents a genuine offer that is capable of acceptance. It represents an arm's length transaction and provides the appropriate evidence as to the value of Nitro Shares. We note that although Alludo is a strategic buyer and consequently, could likely save significant costs and, potentially, generate additional revenues through cross-selling, there are a number of strategic buyers that could achieve similar synergies. As such, we do not consider that the Alludo Consideration represents 'special value' over and above price that a particular buyer may be prepared to pay. Consequently, Kroll considers the Alludo Consideration to be appropriate evidence as to the fair value of Nitro Shares. Nevertheless, we have also considered a range of other valuation methodologies.

Market approach

The market approach is based on comparing the asset or business to identical or comparable assets or businesses for which there is available price information. Application of this approach involves the capitalisation of the cash flows or earnings (or revenue) of a business at a multiple that reflects both the risks of the business and the future growth prospects of the income it generates. It is commonly adopted where:

- the asset or business or similar assets or businesses are actively publicly traded (**market comparable methodology**);
- there are frequent and/or observable transactions in comparable assets or businesses (**comparable transactions methodology**); and
- there is substantial operating history and a consistent earnings trend.

Although Nitro is currently loss making and is not expected to generate profits in the short-term, it has an established track-record of revenues on which to apply multiples. Further, through the execution of its SaaS strategy, a significant portion of revenues are contracted and recurring, which makes them relatively stable and predictable. These are measured as ARR. In addition, there are a number of publicly traded SaaS and global collaboration/productivity software peers and transactions involving broadly similar companies from which to calculate meaningful multiples. Consequently, a market approach has been used as the primary valuation approach.

The earnings bases to which a multiple is commonly applied include revenue, EBITDA, EBIT and net profit after tax. The choice between parameters is usually not critical and should give a similar result. We note that revenue is commonly used in valuing unprofitable, high growth software peers. Given Nitro is currently loss making and is not expected to generate profits in the short-term, it is necessary to perform comparisons using revenue multiples rather than earnings multiples. Consequently, we have utilised EV/Revenue and EV/ARR as the metrics for our market approach.

Rule-of-thumb valuation benchmarks are sometimes considered to be an application of the market approach. Investors will often value software and technology businesses on unconventional metrics given the non-profitable nature of these businesses. They generally should not be given substantial weight unless market participants place particular reliance on them.

Income approach

Under an income approach, the value of an asset is determined by converting future cash flows to a current value. It is commonly adopted when:

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- the income producing ability is the critical element affecting value from a market participant perspective;
- future cash flows can be estimated on a reasonable basis; and
- there is not a substantial operating history, there is a variable pattern of cash flow, or the asset has a finite life.

The most common application of the income approach is the DCF methodology. This methodology allows for cash flows to reflect a range of risks and opportunities and also allows for a range of scenarios to be modelled.

A DCF methodology can be applied to cash flows to the whole asset or business or cash flows to equity. Cash flows to the whole asset or business is most commonly used because an asset or business should theoretically have a single value that is independent of how it is financed or whether income is paid as dividends or reinvested.

Utilising the DCF methodology requires estimation of cash flows for a number of years and discounting those cash flows back to present value. Nitro has provided a financial model with forecasts to FY25 (**Financial Model**). We note that forecasting long term cash flows in the software and technology sectors is challenging as a result of the high sensitivity of value to top-line revenue growth, considerable uncertainty in the operational and financial performance of relatively immature companies, and difficulty in assessing long-term margins. Whilst we have assessed this uncertainty through a sensitivity analysis, the reliability of a DCF on the basis of such forecasts is limited, therefore the DCF approach has been considered as a supporting valuation method rather than primary valuation method.

Kroll has prepared a high-level DCF model that uses the Financial Model as its starting point. Kroll has undertaken various enquiries in relation to Nitro's assumptions underlying the Financial Model, including holding discussions with Nitro Directors and management, comparing the assumptions to the those in the broker forecasts of software and technology peers and reviewing key assumptions in the context of current economic, financial and other conditions.

Following our enquiries and independent analysis, Kroll is of the view that the Financial Model has been prepared on a reasonable basis and is, therefore, suitable as a basis for our high-level DCF model. In making this assessment, we have taken the following into account:

- the Financial Model is based on the Nitro three-year plan which was presented to the Nitro Board, and the detailed budget and one-year plan that were reviewed by the Nitro Board in August-September 2022;
- the Financial Model is used by Nitro management for internal management and budgeting processes. It has been reviewed internally and by external advisors;
- the Financial Model has been updated several times during the last 12 months to reflect changes in revenue and costs, most recently following the July restructure of Nitro's go-to-market function; and
- over 75% of the forecast revenue for Nitro is supported by subscription contracts, and Nitro has a broad client base with historically high retention rates, as noted in Section 8.2 and 8.3 of this report Nitro.

In utilising the Financial Model, Kroll has made certain adjustments to reflect its judgement (e.g. in relation to exchange ranges, assumed spot rates applied to local currency costs were replaced with forward exchange rates as at 18 November 2022, as forecast by S&P Capital IQ). Kroll has also extended the model a further two years based on assumptions in relation to sales revenue and cost growth, EBITDA margin, capital expenditure, and working capital in order to capture a 'steady state' growth rate in the final year of the cash flows.

However, the high-level DCF model does not constitute a forecast or projection by Kroll of the future performance of Nitro, and no assurance or warranty is provided that future performance will align with the assumptions adopted in the model. These assumptions do not, and do not purport to, represent the range of potential outcomes for Nitro's business operations.

Cost approach

A cost-based approach is most appropriate for businesses where the value lies in the underlying assets and not the ongoing operations of the business (e.g. real estate holding companies). This approach does not generally capture growth potential or internally generated intangible value associated with software and technology companies.

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9.2.2 Control premium

Consistent with the requirements of RG 111, we have assumed 100% ownership of Nitro and, therefore, our valuation includes a control premium.

Successful transactions are commonly completed with an implied acquisition premium to the pre-trading equity price of the target in the order of 25% to 40% depending on the individual circumstances.[72] In considering the evidence provided by actual transactions, it is important to recognise that the observed premium for control is an outcome of the valuation process, not a determinant of value, and that each transaction will reflect to varying degrees the outcome of a unique combination of factors, including:

- the acquirer's capacity to realise full control over the strategy and cash flows of the target entity;
- the magnitude of synergies available to all acquirers, for example, the rationalisation of costs related to duplicated functions, or the removal of costs associated with the target being a listed entity;
- uncertainties related to the timing of full realisation of target synergies;
- the expected costs to migrate and integrate the business;
- the nature of the bidder (i.e. whether the acquirer is a financial investor or a trade participant);
- synergistic or special value that may be unique to a particular acquirer;
- the interest acquired in the transaction with consideration to the bidder's pre-existing shareholding in the target;
- the prevailing conditions of the economy and capital markets at the time of the transaction with consideration to the position in the overall market cycle;
- desire (or anxiety) for the acquirer to complete the transaction;
- whether the acquisition is competitive; and
- the extent the target company's share price already reflects a degree of takeover speculation.

The premium that is ultimately applied must have regard to the circumstances of each case. In some situations, it may be appropriate to apply no premium for control, for example, there are transactions where no corporate buyer is prepared to pay a price in excess of the prices paid by institutional investors through an initial public offering. Accordingly, an assessment as to an appropriate control premium, if any, is essentially a matter of judgement.

The multiples derived for listed comparable companies generally reflect prices at which portfolio interests (i.e. minority interests) are traded and consequently, do not include a control premium. They may also be impacted by the level of liquidity in trading of the particular security. Accordingly, when valuing a business as a whole (i.e. Nitro on a 100% basis), or when valuing the main undertaking of a business, it is appropriate to reference the multiples achieved in recent transactions, where a control premium and breadth of purchaser interest are more fully reflected.

There are a number of potential strategic acquirers of Nitro, including specialist document workflow management and eSigning software providers, or SaaS companies in Australia or overseas, other than Potentia or Alludo. These acquirers would likely consider that an acquisition of Nitro, at this point in time, would provide considerable strategic value for the following reasons:

- as a means of immediate customer acquisition through an established and potentially varied go-to-market strategy, increasing the scale of an existing SaaS business;
- a means of generating revenue synergies from cross-selling existing products to Nitro's customers;
- incorporating an advanced, automated SaaS solution into its portfolio of product offerings, dramatically reducing the time and cost of replicating such a product offering and potentially enabling research and development synergies; and
- generating savings in marketing costs and general corporate overhead synergies.

Therefore, we consider it possible that an alternative strategic buyer may be able to generate revenue synergies from integrating Nitro's products and may also be able to achieve cost synergies. Consequently,

[72] 2022 Mergerstat Review. Range represents median premium from 2012 to 2021. Premiums are calculated based on the seller's closing price five business days before the initial announcement. The calculations exclude negative premiums and premiums over 250%.

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we consider that a substantial control premium could reasonably be expected to be paid by a hypothetical acquirer.

Several of the benefits that may be available to a potential acquirer are not easily quantifiable. Consequently, rather than adjusting Nitro's revenues or earnings to reflect the total direct and indirect cost savings or revenue benefits available to a pool of purchasers, we have included a control premium by applying a multiple that is towards the high end of recent transaction evidence. Adding both an adjustment to earnings to reflect synergies and a control multiple in the valuation would result in an overstatement of the benefits of a transaction.

In performing the DCF analysis cross-check, in order to reflect the valuation on a controlling interest basis, synergies are reflected directly in the cash flow forecasts. It is assumed that all public company costs and 10% of sales and marketing, general and administrative costs are saved.

9.2.3 Exchange rate methodology

Nitro's financial statements are presented in US dollars while its ordinary shares are denominated in Australian dollars. Therefore, the value per Nitro share in Australian dollars as converted from the value per Nitro Share in US dollars will fluctuate with movements in the exchange rate. We note that as at 18 November the exchange rate was 0.67 US$ per A$1, and therefore have applied a range around this figure of US$0.65 to US$0.70 per A$1.

This range is consistent with the majority of trading that has occurred in the last six months, between a range of US$0.62 to US$0.73 per A$1 at a 180-day moving average of approximately US$0.69 per A$1. It is also consistent with 6-month and 12-month forward estimates for the exchange rate of US$0.66 and US$0.70 per A$1 respectively.

9.3 Market approach

9.3.1 Summary

In assessing a value range per Nitro Share under the market approach, Kroll has had regard to the valuation outcomes developed by utilising multiples of the following earnings parameters:

- multiples of forward revenue (EV/Revenue); and
- multiples of historical ARR (EV/ARR).

Our rationale for using these multiples is set out in Section 9.2 of this report and is discussed in further detail throughout this section.

In both instances, our range of assessed values reflects 100% ownership of Nitro and, therefore, incorporates a control premium. As our valuation includes a control premium, our range of assessed values per share exceeds the price at which we expect Nitro Shares would trade on the ASX in the absence of the Transaction.

We have assessed the value of Nitro by determining the estimated value of Nitro's operating business. We have then considered other assets and liabilities, and Kroll's estimate of surplus cash in determining the value of equity.

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Summary of Value – capitalisation of revenue methodology

Utilising a capitalisation of revenue methodology, Kroll has assessed the value of Nitro's equity to be in the range of US$326.5 million to US$365.8 million, which equates to a value per Nitro Share of between A$1.83 to A$2.21 on a fully diluted basis.[73]

Summary of Value – Capitalisation of Revenue

	Section Reference	Valuation Range Low	High
Value of Nitro's operating business (control basis) (US$ million)	9.4	**314.4**	**353.7**
Other assets / (liabilities) (net) (US$ million)	9.6	-	-
Enterprise value (control basis) (US$ million)		**314.4**	**353.7**
Kroll estimated surplus cash (US$ million)	9.6.1	12.1	12.1
Equity value (control basis) (US$ million)		**326.5**	**365.8**
Number of shares outstanding – diluted (million)	8.8.3	255.2	255.2
Value per Nitro Share – diluted (US$)		**$1.28**	**$1.43**
Exchange rate (US$ per A$1)	9.2.3	0.70	0.65
Value per Nitro Share – diluted (A$)		**$1.83**	**$2.21**

Source: Kroll analysis.

Summary Value – capitalisation of ARR methodology

Utilising a capitalisation of ARR methodology, Kroll has assessed the value of Nitro's equity to be in the range of US$312.1 million to US$372.1 million, which equates to a value per Nitro Share of between A$1.75 to A$2.24 on a fully diluted basis.

Summary of Value – Capitalisation of ARR

	Section Reference	Valuation Range Low	High
Value of Nitro's operating business (control basis) (US$ million)	9.4	**300.0**	**360.0**
Other assets / (liabilities) (net) (US$ million)	9.6	-	-
Enterprise value (control basis) (US$ million)		**300.0**	**360.0**
Kroll estimated surplus cash (US$ million)	9.6.1	12.1	12.1
Equity value (control basis) (US$ million)		**312.1**	**372.1**
Number of shares outstanding – diluted (million)	8.8.3	255.2	255.2
Value per Nitro Share – diluted (US$)		**$1.22**	**$1.46**
Exchange rate (US$ per A$1)	9.2.3	0.70	0.65
Value per Nitro Share – diluted (A$)		**$1.75**	**$2.24**

Source: Kroll analysis.

9.4 Value of Nitro's operating business

To inform our selected value range, Kroll has assessed the value of Nitro's operating business using a market approach having regard to capitalisation of both revenue and ARR for selected listed ASX software and global collaboration and productivity software peers, and transactions for companies operating globally in the software as a service and productivity software service industries. This assessment also requires consideration of an appropriate level of maintainable earnings (refer to Section 9.4.1 of this report) and an appropriate capitalisation multiple (refer to Section 9.4.2 of this report).

The results of this assessment are presented as follows.

Value of Nitro's operating business utilising capitalisation of revenue methodology

Utilising capitalisation of earnings of revenue, Kroll has determined the value of Nitro's operating business to be in the range of US$314.4 million to US$353.7 million. The selected value range takes into

[73] This includes all of the 251,567,415 fully paid shares on issue, plus 13,066,390 shares issued to ESS Participants, less 9,478,062 Treasury Shares currently held in the NEST.

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consideration the value of Nitro's operating business based on capitalising an assessed maintainable revenue.

Value of Nitro's Operating Business – Capitalisation of Revenue (US$ million)

	Section Reference	Valuation Range Low	Valuation Range High
Maintainable earnings (FY23 forecast revenue)	9.4.1	78.6	78.6
Capitalisation multiple	9.4.2	4.0	4.5
Value of Nitro's operating business (control basis)		**314.4**	**353.7**

Source: Kroll analysis.

Value of Nitro's operating business utilising capitalisation of ARR methodology

Kroll has determined the value of Nitro's operating business to be in the range of US$300.0 million to US$360.0 million. The selected value range takes into consideration the value of Nitro's operating business based on capitalising an assessed maintainable ARR.

Value of Nitro's Operating Business – Capitalisation of ARR (US$ million)

	Section Reference	Valuation Range Low	Valuation Range High
Maintainable earnings (FY22 ARR)	9.4.1	60.0	60.0
Capitalisation multiple	9.4.2	5.0	6.0
Value of Nitro's operating business (control basis)		**300.0**	**360.0**

Source: Kroll analysis.

9.4.1 Maintainable earnings

Maintainable earnings should reflect the earnings that can be achieved in the future for the business on an ongoing basis. It is an estimation of the earnings or cash flows that a hypothetical purchaser would utilise for valuation purposes, having regard to historical and forecast operating results, non-recurring items of income and expenditure, and other known factors that are likely to have an impact on the businesses operating performance.

In this respect, we note that as Nitro is currently loss making and there is no expectation that it will reach profitability in the next twelve months, although it is expected to reach cash flow breakeven in 2H23. Therefore, we have considered Nitro's historical operating and financial performance, FY22 Guidance, and FY23, FY24 and FY25 broker forecasts to determine an appropriate estimate of revenue and ARR for the business. We have also considered whether it is appropriate to apply any adjustments to these revenues and ARRs in order to provide an indication of maintainable earnings.

Nitro Revenue and ARR (US$ million)

	FY21 Actual	FY22 Guidance[1]	FY23 Forecast[2]	FY24 Forecast[2]	FY25 Forecast[2]
Revenue	50.9	65.0-69.0	78.6	93.4	108.9
Ending ARR	46.2	57.0-60.0	71.4	87.4	104.9

Source: Kroll analysis.
Notes:
1. FY22 revenue and ARR depicted is the FY22 Guidance provided by Nitro as at 26 July 2022 and reiterated on 27 October 2022 for the financial year ending 31 December 2022.
2. FY23, FY24 and FY25 broker forecasts represent the broker median forecast revenue and ARR for FY23, FY24 and FY25.

In assessing maintainable earnings for Nitro, having regard to the historical operating and financial performance of Nitro, FY22 Guidance provided by Nitro and the FY23 broker consensus forecasts, the following has been considered:

- capitalised earnings based on revenue and ARR are both commonly used metrics in the high growth software industry where many firms are not profitable. These metrics also remove the impact of varying capital structures across the comparable companies. Furthermore, the set of comparable companies have significantly varying investments in intangible assets, depending on whether software development costs are expensed, or capitalised and amortised, and the extent to which they have recognised identifiable intangible assets (e.g. customer relationships) arising from business combinations. As a consequence, there will be large differences in amortisation costs between the comparable companies that are not necessarily reflective of ongoing investment requirements, which also makes comparisons on a like-to-like basis more difficult. The use of multiples of revenue and ARR eliminates the impact of variance in the amortisation expense;

- ARR is a key risk-adjusted measure of future revenue performance. It represents the contract value for clients at the later of their signing or renewal, normalised for 12 months. Therefore, it provides a 12 month forward view of revenue from its date of reference (i.e. 12 months from 31 December 2022 for the FY22 Guidance), assuming that contracted customer numbers, usage volumes, pricing, and foreign exchange remain unchanged during the year. Therefore, we have determined that this metric is useful in estimating future maintainable earnings and have made the following considerations:
  - Nitro's multi-year subscription-based licensing contracts provide visibility into revenue in future periods due to the recurring nature of those revenue streams. ARR has been a key guidance metric provided by Nitro management for future earnings and is a metric that investors use to gauge future performance of the business;
  - ARR measures the success in Nitro's strategy of transitioning sales to a subscription model, which is almost complete, with subscription revenue approaching 74% of total revenue and the transition effectively complete for Business Revenue at 91% of total business sales channel revenue. Higher subscription revenues reduces revenue volatility and increases certainty in forward revenue, de-risking the earnings profile for the business;
  - ARR growth has been strong since the launch of the SaaS subscription licensing model in 2016 and, based on the recent momentum of the business, there is no evidence to suggest that this trend would not continue;
  - NRR, a measure of the increase or decrease in recurring revenue generated from customers who were existing subscription customers at the end of the prior corresponding period, net of churn but including expansion, has remained over 100% since the launch of the subscription model in 2016. This indicates that contract values have generally increased rather than decreased, with customers expanding their use of Nitro's software solutions over time;
  - we note that ARR is comprised of Nitro's subscription-based revenues only and therefore excludes Nitro's perpetual revenues (refer to Sections 8.4.1 and 8.4.2 for detail on historical and forecast revenue). As a consequence, when selecting a multiple to apply to ARR, we will consider adopting a higher multiple than we would apply to revenue, which will implicitly include these revenues in our valuation. This treatment is consistent with sharemarket evidence which shows that where the portion of recurring revenue is substantially lower than total revenue, ARR multiples will be higher (e.g. Objective Corporation Limited (**Objective Corporation**));
- **FY21 results**: as set out in Section 8.4 of this report, the revenue and ARR for Nitro in FY21 was US$50.9 million and US$46.2 million respectively. We do not consider these results to be reflective of the maintainable earnings for Nitro as they are historical measures of performance, understating the revenue and ARR that can be achieved on an ongoing basis by not including all of the FY22 contract wins. These results also do not include the full-year contributions from the acquisitions of Connective or PDFpen which occurred in 2H21. In addition, at the time of valuation it is less than two months from the end of FY22 for Nitro, and considering the company has provided and reaffirmed guidance for the year, we find the guidance to be a more accurate representation of the current operating and financial performance of the company;
- **FY22 Guidance:** Nitro has provided FY22 revenue guidance of US$65.0 to US$69.0 million and FY22 ARR guidance of US$57.0 to US$60.0 million. The guidance includes the full-year contribution from the acquisitions of Connective and PDFpen, which were completed in 2H21. Nitro has reaffirmed this guidance to the market as recently as 27 October 2022 along with providing the Q3 results. With regard to the FY22 Guidance we note the following:
  - we have reviewed information provided by management regarding Nitro's FY22 revenue and ARR performance to 30 September 2022 and have confirmed that the guidance range is a reasonable estimate for the financial year. We consider the lower end of these targets to be slightly conservative given the year-to-date results. We also note that broker forecasts for Nitro are

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consistent with management's FY22 Guidance, with consensus median revenue of US$67.5 million equivalent to the mid-point of the guidance range;

- although these estimates are forward looking, we consider their use as current/historical measures appropriate given that it is now less than two months from financial year end and they have been publicly disclosed since 26 July 2022, allowing sufficient time for investors to digest;

- **FY23 Broker Consensus:** as set out in Section 8.4.3 of this report, the median revenue and ARR forecast for Nitro in FY23 is US$78.6 million and US$71.4 million respectively. With regard to the FY23 broker forecasts we note the following:
  - Nitro is covered by eight brokers, of which six have published reports following the release of Nitro's Q3 2022 Trading Update released to the market on 27 October 2022. Kroll has considered the latest forecasts of five brokers, excluding one firm who is acting as an adviser on the Potentia Offer and Alludo Transaction, to provide an indication of the expected future financial performance of Nitro;
  - we note that brokers have either maintained or increased their FY23 revenue forecast following the release of the 3Q22 Trading Update, however, brokers had previously downgraded forecast revenue following the 1H22 financial results in August citing the ongoing challenging macroeconomic conditions and reduction in Nitro's sales and marketing budgets. Kroll also notes that there is a high degree of consistency among the forecasts, with FY23 revenue ranging from US$76.2 million to US$79.9 million and FY23 ARR ranging from US$71.1 million to US$73.9 million;
  - we note that the broker forecasts and Nitro's internal high-level revenue forecast for FY23 are based on information available at the time of preparation and includes several key assumptions. Key assumptions include a significant degree of new sales driven by the continued growth in Nitro's addressable market, increasing market share, ARR synergies attributable to Connective of US$1.0 million by 31 December 2022 (through cross-selling opportunities), new sales following the complete integration of Connective, and a continued economic recovery in key markets post the COVID-19 pandemic. There is no guarantee that these events will transpire, and the operating and financial performance of Nitro may be impacted by events and circumstances that are beyond the control of Management. The achievement of these forecasts are also subject to a number of additional risk factors as outlined in detail in Section 9.4.4 of this report, but which notably include a likelihood of increased competition, a slowdown in subscription penetration with existing clients, and the effectiveness of increased sales and marketing activity to secure new significant contracts. In this regard, there is no certainty that actual FY23 revenue and ARR results will align with the FY23 broker forecasts, which means that these figures may not provide a reliable estimate of the earnings that can be achieved in the future on an ongoing basis;
- **FY24 and FY25 Broker Consensus:** we note the median brokers consensus forecasts for FY24 revenue and ARR of US$93.4 million and US$87.4 million respectively, and consensus forecasts for FY25 revenue and ARR of US$108.9 million to US$104.9 million. We note that these forecasts are based on continued strong growth in revenues as a result of gaining market share from entrenched providers, in particular, Adobe. Key risks to these forecasts include a failure to retain or attract new clients, a slowdown in subscription penetration with existing clients, and increasing competitive intensity from international document productivity and electronic signature software providers, particularly around pricing and discounting activity. Therefore, we believe that there is still enough uncertainty around these forecasts to discount them as being reflective of the maintainable earnings of Nitro; and
- we note that the revenue and ARR figures discussed represent operating revenue and as such, exclude non-operating and non-recurring items.

Having regard to the historical operating and financial performance of Nitro, FY22 Guidance provided by Nitro, FY23 broker consensus forecasts, and the preceding analysis, we have selected a future maintainable revenue of US$78.6 million, which represents the median broker forecast revenue for FY23, and a maintainable ARR of US$60.0 million, which represents the upper end of the FY22 Guidance range for ARR of the business as at 31 December 2022.

9.4.2 Capitalisation multiples

In determining an appropriate range of capitalisation multiples to apply to Nitro's maintainable earnings, we have considered the following:

- multiples implied by recent transactions involving Australian software and SaaS companies, as well as global companies that provide collaboration and productivity software solutions (**comparable transactions methodology**);
- trading multiples of comparable listed peer companies, segregated into Australian software and SaaS peers, and global collaboration and productivity software peers (**comparable companies methodology**); and
- the specific attributes of Nitro (refer to Section 9.4.4 of this report).

On balance, we consider that a multiple of 4.0 to 4.5 times FY23 revenue (including a control premium) is appropriate for Nitro. In the absence of a single, direct transaction comparable, we consider the recent transactions involving ASX listed software peers ELMO Software Limited (**ELMO**) and Nearmap Ltd (**Nearmap**) provide the best indication of comparable EV/Revenue multiples. These transactions were announced at implied forecast EV/Revenue multiples of 4.1 times and 5.3 times respectively.[74] We note that forecast revenue growth is higher in both of these companies than it is for Nitro, that both were generating positive underlying EBITDA margins while Nitro is not, and we also note ELMO's low cash position relative to its annualised cash burn. Therefore, we expect that the implied forecast EV/Revenue multiples for Nearmap would be higher than that of Nitro, while the implied multiples for ELMO would be broadly similar. Of the two transactions, we find that Nitro is more comparable to ELMO based on its early high-growth and low-profitability stage.

We note that Nitro's most directly comparable ASX-listed companies, ELMO, Nearmap, and Bigtincan Holdings Limited (**Bigtincan**), are trading at forward revenue multiples of 2.3 times, 3.7 times and 2.2 times respectively (which excludes a control premium).[75] Of the comparable global productivity software companies identified, the most comparable is DocuSign which trades on a forward revenue multiple of 3.4 times.

We consider a multiple of 5.0 to 6.0 times FY22 ARR (including a control premium) is appropriate for Nitro when valuing the company based on its current (FY22 Guidance) ARR. We note that the EV/ARR multiples implied by the ELMO, Nearmap and Class Limited (**Class**) transactions of 4.4 times, 5.8 times and 5.7 times (including a premium for control) are below or within this range.

Transaction evidence

When valuing a business as a whole (i.e. Nitro on a 100% controlling basis), it is appropriate to reference the multiples achieved in recent transactions as it is widely accepted that the price paid in transactions represents the market value of a controlling interest in the target company. The difference between the value of a controlling interest and a minority interest is referred to as a premium for control. The size of this premium will vary depending on the circumstances of each transaction, including the equity share acquired, type of consideration offered, existing ownership of the target, competitive tension in the sales process, the negotiating position of the parties, and the availability and quantum of synergies.

As Nitro operates in global markets, we have sought to identify relevant transactions globally. These multiples will be influenced by the market outlook in the countries in which they operate, as well as other company specific factors. In addition, as there are relatively few directly comparable domestic transactions, we have also considered recent domestic transactions that involve companies that are relatable in a broader sense, including companies which provide SaaS with different solutions.

The following table sets out the EV/Revenue multiples implied by recent domestic and international transactions that involved companies that provide products and services similar to those offered by Nitro, for which sufficient financial and transactional data is publicly available.

[74] Note: the acquisitions of ELMO and Nearmap are still subject to shareholder and regulatory approvals, but have been endorsed by their respective Boards in the absence of a superior offer and subject to an independent expert concluding that the offers are in the best interests of shareholders.
[75] Note that the trading revenue multiples for ELMO and Nearmap have been calculated based on the undisturbed or pre-transaction announcement (or pre- media speculation) closing share prices.

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Transaction Evidence

Date[1]	Target	Acquirer	Target Location	FY+1 Revenue Growth	EBITDA Margin[2]	Implied EV[3] (A$m)	Revenue multiple Historical (times)[4]	Revenue multiple Forecast (times)
26 Oct 22	ELMO Software Limited[5]	K1 Investment Mgmt	Australia	28.0%	7.8%	478.6	5.2	4.1
06 Jul 22	Nearmap Ltd[6]	Thoma Bravo, L.P.	Australia	24.4%	11.4%	967.9	6.6	5.3
14 Dec 21	Tungsten Corporation Plc	Kofax Limited	UK	n/a	18.9%	135.3	2.0	n/a[7]
10 Nov 21	Connective NV	Nitro Software Limited	Belgium	15.1%	n/a	110.0	11.5	8.5
18 Oct 21	Class Limited	HUB24 Limited	Australia	18.4%	23.1%	339.0	6.2	5.2
15 Sep 21	AccountSight	DocuSavvy Technologies	USA	n/a	n/a	19.1	10.5	4.3
12 Apr 21	Nuance Communications	Microsoft Corp.	USA	(6.1%)	23.2%	24,611.4	12.6	13.4
01 Jul 21	rhipe Limited	Crayon Group Holding	Australia	21.2%	24.8%	352.2	5.3	4.3
12 Nov 18	Nuance Document Imaging	Kofax Limited	USA	n/a	n/a	555.8	1.8	n/a
07 Oct 18	MYOB Group Pty Ltd	KKR & Co. Inc.	Australia	8.1%	42.6%	2,426.7	5.5	5.0
31 Jul 18	SpringCM Inc.	DocuSign, Inc.	USA	n/a	(3.7%)	302.1	7.3	n/a
03 May 17	Kofax Limited	Thoma Bravo, L.P.	USA	n/a	n/a	1,795.9	2.4	n/a

Source: S&P Capital IQ, Mergermarket, Company financial statements; Kroll analysis.

Notes:

1. Date of announcement of transaction.
2. EBITDA margin refers to underlying or operating EBITDA where applicable, excluding non-operating and non-recurring items.
3. Implied EV refers to enterprise values as of the date of completion, converted to Australian Dollars based on the prevailing exchange rate at the time.
4. Historical revenue multiples are calculated based on revenue in the 12 months prior to the most recently available results as at the transaction announcement date.
5. The acquisition of ELMO by K1 Investment Management (**K1**) is pending. ELMO announced on 26 October 2022 that it had entered into a Scheme Implementation Deed with K1. We note that the ELMO Independent Board Committee unanimously recommends that shareholders vote in favour of the Scheme, in the absence of a superior proposal and subject to an independent expert concluding the Scheme is in the best interest of Shareholders. We also note that two of ELMO's largest shareholders who in aggregate hold or control 23.4% of ELMO's ordinary shares have confirmed they tend to vote in favour of the Scheme.
6. The acquisition of Nearmap by Thoma Bravo, L.P. is pending. The Scheme Booklet has been dispatched to shareholders and the Scheme Meeting is scheduled for 25 November 2022. At the date of this report, the directors of Nearmap unanimously recommend that Nearmap shareholders vote in favour of the Scheme in the absence of a superior proposal, and the independent export has concluded that the Scheme is fair and reasonable and therefore in the best interests of shareholders.

'n/a' means not available.

Each of the transactions listed in the previous table are described in Appendix 6. We note the recently announced conditional, non-binding indicative proposal for ReadyTech Holdings Limited (**ReadyTech**) by Pacific Equity Partners, but have chosen to exclude this from our analysis as the discussions between the parties are on-going and no agreement has been reached on the value, structure or terms of a transaction.

Although the business operations of the target companies are broadly comparable to aspects of Nitro's business, in our view there is no single target company that is a perfect comparable.

When considering transactions for which there is adequate publicly available information, we note that the revenue multiples are in a wide range. Historical multiples range from 1.8 times to 12.6 times EV/Revenue, with a median of 5.8 times. Forward multiples range from 4.1 times to 13.4 times EV/Revenue, with a median of 5.1 times.

ARR data for the comparable transactions is not widely available, either because the target companies did not utilise this metric, the target company was not publicly listed and therefore had little disclosure around this metric, or the quoted ARR figure was not representative of the entire business. Meaningful ARR multiples from the set of comparable transactions include ELMO, Nearmap and Class at 4.4 times, 5.8 times and 5.7 times respectively. In general, for high revenue growth software companies pursuing a subscription-based revenue model, we would expect ARR multiples to be higher than forward revenue multiples. Additionally, as Nitro's ARR does not include perpetual revenues, we have sought to apply a higher ARR multiple to implicitly include these revenues in the value. This treatment is consistent with sharemarket evidence which shows that where the portion of recurring revenue is substantially lower than total revenue, ARR multiples are higher.

In assessing the comparability of the multiples implied by the transactions, it is important to consider the attributes of the target companies and the circumstances of each transaction, including:

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- *the scale of the business* – Nuance Communications Inc. (**Nuance Communications**) was significantly larger in size than the other target companies. It is not unexpected that this transaction attracts higher implied multiples, with an historical EV/Revenue multiple of 12.6 times and forward EV/Revenue multiple of 13.4 times, as larger businesses typically attract a premium in part due to the benefits associated with greater scale and diversification. It would be expected that Nitro would attract a substantially lower multiple given its smaller scale;
- *the growth prospects of the business* – where the growth prospects of the target business are considered to be relatively strong, the transaction multiples will tend to be higher. This can be observed in the transaction multiples of Nearmap, rhipe and Class, for which strong forward revenue growth of 24.4%, 21.2% and 18.4% was being forecast respectively. In contrast, targets with lower revenue growth prospects will typically not be able to command the same multiples as their high growth peers. Take, for example, the acquisition of Tungsten Corporation Plc (**Tungsten**) by Kofax, which occurred at an historical EV/Revenue multiple of 2.0 times. Tungsten's FY21 revenue had declined £0.7 million, largely due to customer churn of £0.4 million. Noting that Nitro's forecast FY23 revenue growth is estimated at 16.4%, all else being equal, we would expect its EV/Revenue multiples to be below those of Nearmap (5.3 times forward EV/Revenue), rhipe (4.3 times) and Class (5.2 times), and higher than that of Tungsten (2.0 times historical EV/Revenue);
- *profitability of target company* – all else being equal, profitable businesses with higher margins attract higher multiples, with EBITDA margin being a key contributor to implied transaction values. This is reflected in transaction multiples of Nearmap (EBITDA margin 11.4%), Class (23.1%), Nuance Communications (23.2%), rhipe (24.8%), and MYOB Group Pty Ltd (**MYOB**) 42.6%, which are typically higher than or equivalent to the median multiples for the comparable transactions. As Nitro is currently unprofitable, and brokers are expecting it to remain so until at least FY27 (on an NPAT basis, noting that the number of brokers who forecast out that far is limited, that two brokers are forecasting operating EBITDA to be positive in FY24, and that the company is guiding to be cash flow positive in 2H23) we would expect it to attract a lower multiple than the transactions of the aforementioned peers which have positive EBITDA margins. Of the listed transactions, we find ELMO to be most comparable in terms of both profitability and future revenue growth. It is also worth noting that the majority of comparable transactions occurred prior to the negative re-rating of cash flow negative software and technology companies that has occurred since November 2021;
- *market valuations at the time of the transaction* – we note that many of the identified transactions occurred during the calendar year 2021, when the market capitalisations of many software and technology peers were extraordinarily high. Of the selected comparable transactions that occurred in 2021, the average historical transaction multiple was at an EV/Revenue of 8.0 times, with the acquisitions of Nuance Communications by Microsoft Corp. (**Microsoft**) and Connective by Nitro at particularly high multiples of 12.6 times and 11.5 times historical EV/Revenue respectively. In the case of Connective, we note that at the date of announcement of the transaction (10 November 2021), Nitro had a market capitalisation of approximately A$807.7 million and was trading at an historical EV/Revenue multiple of 11.7 times and a forward EV/Revenue multiple of 8.4 times. This compares to Nitro's trading multiples prior to the Potentia Offer of 3.2 times historical EV/Revenue and 2.3 times forward revenue. Given the decline in global equity markets during 2022, it would generally be expected that transactions in the present economic conditions would attract lower multiples, particularly considering the rise in interest rates and associated higher funding costs. In this regard, we find the multiples implied by the ELMO and Nearmap transactions to be most comparable; and
- *the level of synergies available to the acquirer* – takeover premiums are generally higher in transactions where it was expected that the combined entity would be able to extract substantial synergies, and this is reflected in higher implied multiples. This can be observed in the acquisition of Nearmap by Thoma Bravo, L.P. (**Thoma Bravo**) which occurred at an historical EV/Revenue multiple of 6.6 times and a forward multiple of 5.3 times. Nearmap is likely to be incorporated into Thoma Bravo's existing investment portfolio of software and technology related businesses and assets to achieve substantial synergies. It can also be observed in the acquisition of Connective NV (**Connective**) by Nitro, which occurred at an historical EV/Revenue multiple of 11.5 times. After accounting for annualised revenue synergies of approximately US$2.5 million (versus historical revenue of $7.1 million), the forecast revenue multiple is substantially lower at 8.5 times EV/Revenue.

Transaction evidence summary

Of our identified comparable transactions, we consider the acquisition of Connective by Nitro to be the most relevant. However, at the time of this transaction, market valuations for software and technology peer

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companies were significantly higher than they are at present, with Nitro trading at a market capitalisation of approximately A$807.7 million (10 November 2021 closing share price of A$3.81). Therefore, we find that the resulting acquisition multiples of 11.5 times historical EV/Revenue and 8.5 times forecast EV/Revenue are not indicative of those that would be realised in current economic conditions.

In the absence of a single, direct transaction comparable, we consider the recent transactions involving ASX listed software peers ELMO and Nearmap provide the best indication of comparable EV/Revenue multiples. These transactions were announced at implied forecast EV/Revenue multiples of 4.1 times and 5.3 times respectively.[76] All companies were of a similar scale to Nitro and at the time of transaction were pursuing high growth strategies with a significant portion of revenue generated through SaaS. However, we note that as forecast revenue growth is higher in both of these companies than it is for Nitro, and that both were generating positive underlying EBITDA margins, we expect that the implied forecast EV/Revenue multiples for these transactions would be higher than that of Nitro. Of the two transactions, we find that Nitro is more comparable to ELMO based on them both being relatively immature companies in a high-growth and low-profitability stage.

We also note that the historical EV/ARR multiples implied by the ELMO and Nearmap transactions of 4.4 times and 5.8 times are useful in determining an appropriate multiple for ARR along with further sharemarket evidence.

Based on each of these factors, and with an overall regard to each of the multiples of listed transactions which include a premium for control and the attributes of these businesses compared to Nitro, we consider the selected capitalisation multiple of 4.0 times to 4.5 times forecast EV/Revenue and 5.0 to 6.0 times historical EV/ARR to be appropriate.

Sharemarket evidence

Kroll has considered the following comparable companies:

- **Australian-based, global facing software and technology peers** - Nitro is a unique company in an Australian context, as there are no peers with the depth and breadth of PDF productivity solutions amongst ASX listed companies. However, Nitro does share some characteristics with several ASX-listed, fast-growing software and technology companies in Australia that are not PDF productivity businesses but are also pursuing a global customer expansion strategy and which have a somewhat similar business model. Many of these companies are also of similar size and relative infancy as Nitro, some are also unprofitable, and all typically share a similar revenue growth profile. They also tend to disclose ARR or an ARR equivalent (such as Monthly Revenue Retention (**MRR**) or Annualised Contract Value (**ACV**)). We consider this set of companies to be most comparable to Nitro; and
- **global collaboration and productivity peers** – these are not necessarily PDF productivity focused businesses, but collaboration and productivity software forms part of their diversified suite of products and services. Products and solutions include, but are not limited to, digital media and publishing software, electronic signature products, file sharing services, and content collaboration software. These companies tend to be global, mature, greater in scale and diversification, and very profitable (with EBITDA margins in most cases greater than 20%). Valuations are strongly linked to future revenue and EBITDA growth, with valuations for the fastest growing and most profitable companies at multiples higher than those we would expect for Nitro, which is of smaller scale and is loss making. We consider this broader set of comparable companies less comparable than the previous set.

The following table sets out the implied revenue and ARR multiples for selected ASX-listed software companies and global collaboration and productivity peers. A description of these peers is set out in more detail in Appendix 6.

[76] Note: the acquisitions of ELMO and Nearmap are still subject to shareholder and regulatory approvals, but have been endorsed by their respective Boards in the absence of a superior offer and subject to an independent expert concluding that the offers are in the best interests of shareholders.

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Sharemarket Evidence: ASX-listed Software and Global Collaboration and Productivity Peers

Company	Market capitalisation[1] (millions)	Revenue growth CAGR +3Y[2]	EBITDA Margin[3]	Revenue Multiple[4] (times) FY[6]	Revenue Multiple[4] (times) FY+1[7]	ARR Multiple[5] (times) FY[6]	ARR Multiple[5] (times) FY+1[7]
ASX-listed Software Peers							
Objective Corporation Limited	A$ 1,530.5	15.3%	28.8%	13.8	12.0	17.2	n/a[8]
Hansen Technologies Limited	A$ 1,080.9	3.2%	33.8%	3.8	3.7	n/a	n/a
Megaport Limited	A$ 952.4	32.8%	(9.2%)	8.2	6.0	6.4	5.5
Nearmap Limited[9]	A$ 757.7	20.7%	11.4%	4.6	3.7	4.0	3.3
Infomedia Ltd	A$ 449.0	8.1%	20.6%	3.2	3.0	3.2	n/a
ReadyTech Holdings Limited[10]	A$ 373.3	20.6%	36.5%	5.2	3.9	5.2	n/a
Bigtincan Holdings Limited	A$ 370.1	14.7%	3.8%	3.1	2.2	2.8	2.7
ELMO Software Limited[11]	A$ 241.3	23.6%	7.8%	2.9	2.3	2.5	2.2
Global Collaboration and Productivity Software Peers							
Adobe Inc.	US$ 157,057.2	11.4%	48.8%	9.9	8.9	n/a	n/a
DocuSign Inc.	US$ 9,525.0	12.9%	22.6%	4.0	3.4	4.2	3.6
Dropbox Inc.	US$ 8,063.6	6.5%	36.4%	4.1	3.8	3.6	3.4
Open Text Corporation	US$ 7,828.7	1.6%	75.0%	3.0	3.1	3.7	n/a
Foxit Software	¥ 4,742.0	16.7%	15.1%	4.9	4.3	n/a	n/a

Source: S&P Capital IQ (data as at 18 November 2022), Company announcements; Kroll analysis.

Notes:

1. As at 18 November 2022 (except where noted otherwise). Calculated as share price multiplied by the diluted number of shares outstanding. Market capitalisation is shown in currency of listing.
2. Revenue growth is calculated as the CAGR revenue growth rate from FY22 results over the following three forecast financial years (i.e. from FY22 to FY25).
3. EBITDA Margin is calculated as operating or underlying EBITDA (where available, which excludes non-operating or non-recurring items) divided by revenue for the most recent financial year.
4. Revenue multiple is defined as Enterprise Value (market capitalisation adjusted for minority interests, preferred equity, plus borrowings less cash) divided by revenue.
5. ARR multiple is defined as Enterprise Value (market capitalisation adjusted for minority interests, preferred equity, plus borrowings less cash) divided by ARR (or where otherwise noted, an ARR equivalent such as ACV or MRR.
6. FY refers to the revenue or ARR of the most recent financial year.
7. FY+1 refers to the forecast revenue or ARR for the current financial year.
8. n/a is not available.
9. Nearmap's market capitalisation and EV are measured as at 12 August 2022, the undisturbed share trading price prior to the receipt of an indicative $2.10 per share offer from Thoma Bravo on 15 August 2022.
10. ReadyTech's market capitalisation and EV are measured as at 31 October 2022, the undisturbed share trading price prior to media speculation surrounding a transaction. On 15 November 2022 ReadyTech announced its discussions with suitor Pacific Equity Partners are on-going and no agreement had been reached between the parties in relation to the value, structure or terms of a transaction
11. ELMO Software Limited's market capitalisation and EV are measured as at 12 October 2022, the undisturbed share trading price prior to media speculation surrounding a transaction. On 26 October, ELMO announced it had entered into a Scheme Implementation Deed with K1 Investment Management.

In relation to the trading multiples of the identified listed comparable companies, we note:

- the multiples are based on sharemarket prices and do not typically include a control premium;
- the ASX-listed listed companies are Australian software companies that provide SaaS, cloud computing solutions, and other subscription services for a variety of end-uses, including but not limited to logistics, accounting services, geospatial information services, sales, and education. The global collaboration and productivity companies provide software solutions in the areas of digital media and publishing, electronic signatures, file sharing services, cloud services, and content collaboration software;
- the ASX-listed peers reporting dates do not align to Nitro's 31 December financial year end. Therefore, these multiples may be overstated on an equivalent year end basis;
- the multiples at which the comparable companies are trading are driven by several factors including the scale and diversification of their operations, total addressable market, and future growth

prospects. Although investors typically value high growth software businesses based on multiples of revenue, they are also intent on seeing a path to profitability;

- Objective Corporation creates software and cloud services that are widely used in the public sector and regulated industries to help customers transition to being completely digital, enhancing the efficiency of the organisation and speeding up manual processes. Objective Corporation trades at significantly higher multiples that its ASX-listed SaaS peers, which reflects its positioning as a market leader in a niche industry, with strong historical and forecast revenue growth. In FY22, the company had an EBITDA margin of 28.8% and NPAT margin of 19.7%,[77] and continued to invest approximately 24% of revenue in research and development which is 100% expensed. The company had operating cash flows of $30.5 million (approximately 28.6% revenue), was debt free, and paying regular dividends. While earnings growth is strong, with earnings per share up 29.1% in FY22, revenue growth is moderating as the company gains scale. Based on these factors we have determined that Objective Corporation is an outlier for our comparable companies analysis;
- Hansen Technologies Limited (**Hansen Technologies**) is a global provider of software and communication services to the energy, water and communications industries. The company generates strong free cash flows, totalling $63.7 million during FY22, which it has used to aggressively reduce net debt (its leverage ratio[78] as at 30 June 2022 of 0.31x had declined from 1.46x as at 30 June 2020) and improve returns to shareholders. Although EBITDA margins are healthy at 33.8%, the company is trading on lower multiples based on its weaker growth profile, with FY22 results showing that revenue had declined by 3.6% compared to FY21, and FY22 to FY25 broker median forecast growth at a CAGR of just 3.2%;[79]
- Megaport Limited (**Megaport**) is a leading global Network as a Service (**NaaS**) provider that gives customers access to dedicated data interconnection services and cloud service providers. Megaport trades at high revenue multiples based on high historical revenue growth rates (in FY22, global revenue increased by 40% to $109.7 million and ARR was up 43% to $128.3 million). Forecast revenue growth for Megaport is considerably higher than other peers, at a CAGR of 32.8% from FY22 to FY25, which is driving its higher multiples. The strong growth in revenue has allowed Megaport to generate positive EBITDA from Q4 FY22. Revenue is also diversified across key geographical markets, with 53% derived from North America, 30% from Asia Pacific, and 17% from Europe. Given the significantly higher revenue growth profile of Megaport compared to Nitro, we consider its multiples are not a reasonable comparable;
- Nearmap provides cloud-based geospatial information services in Australia, New Zealand, Canada, and North America. The company offers aerial imagery maps, such as vertical and oblique imagery for use in a wide variety of industries, including architecture, engineering, construction, insurance, financial services, real estate, transportation, utilities, as well as in the government sector. The company is trading at a multiple at the low end of the range given its gross margins are declining and segments of the business are seeing downgrades in the number of enterprise accounts. Forecast revenue growth, however, remains strong, at a CAGR of 20.7% through to FY25. It also delivered a weaker-than-expected EBITDA result for FY22, citing higher costs. Nearmap's product suite and applications are reasonably distinct from Nitro's;
- Infomedia Ltd (**Infomedia**) is a leading global provider of Data as a Service (**DaaS**) and SaaS solutions to the parts and service sector of the automotive industry. While forecast revenue growth is lower than peers at a CAGR of 8.1% through to FY25, Infomedia generates high free cash flows, which it uses to fund regular dividends to shareholders, and has an Underlying Cash EBITDA[80] margin of 20.6%. The company's revenue is split relatively evenly across the APAC, EMEA and Americas regions, and approximately 95% of revenues are recurring. Infomedia's balance sheet is robust with a net cash position of $69.0 million;

[77] EBITDA and NPAT margins exclude a provision related to an agreed settlement with the New Zealand Commerce Commission of approximately $1.4 million over competition matters in its acquisition of Master Business Systems Limited in 2019.

[78] Leverage ratio is net debt (including pre-paid borrowing costs) divided by EBITDA (excluding non-recurring items and AASB lease liabilities).

[79] FY21 results included a prepaid licence that delivered $21 million of revenue. Underlying NPATA is defined as net profit after tax, excluding tax-effected amortisation of acquired intangibles.

[80] Underlying Cash EBITDA is metric which focuses on the operating performance of the business, excluding the effect of items such as the accounting impact of expensing acquisition earnout payments and the capitalisation of development costs.

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- Bigtincan is engaged in the provision of an integrated, online platform called Bigtincan Hub, a sales enablement solution that enables enterprise, midmarket and small and medium enterprises (SME) organisations to enhance the performance of their sales teams. Similar to Nitro, Bigtincan is forecast to grow revenues at a CAGR of 14.7% through to FY25 and is presently generating negative EBITDA. Bigtincan has a history of being acquisitive, purchasing smaller and lower EV/Revenue multiples companies, and driving revenue and ARR expansion from new products and acquired capabilities;
- ReadyTech provides SaaS solutions for education and work pathways, workforces, and government and justice markets in Australia. The company's FY22 results were strong, with revenue growth of 56.5% driven by accretive acquisitions, while organic revenue growth was 16.8%. Underlying EBITDA margins were positive at 36.5%. The result indicated that integration risks arising from the recent acquisition of IT Vision had not eventuated;
- ELMO provides cloud-based software for small and medium businesses to manage their people, processes and pay, with operations in Australia, New Zealand and the UK. Due to the company having high cash outflows ($1.2 million per month), it has traded at lower multiples as investors focus on ELMO's reducing cash balance (of $43.4 million as at 30 September 2022) and whether it can achieve stated cost controls in a high inflationary environment prior to requiring additional capital. During FY22, ELMO pursued an aggressive international expansion strategy, spending 39.4% of revenue on sales and marketing expenses. Forecast revenue growth is high and the company is underlying EBITDA positive;
- Adobe offers a line of products and services used by customers for creating, managing, delivering, measuring, optimizing, engaging and transacting with content and experiences across various digital media form. Although it is a direct competitor to Nitro in PDF productivity solutions, Adobe is of significantly greater scale than Nitro, and is diversified across several profitable segments including Digital Media, Digital Experience and Publishing and Advertising. The company is mature and has a greater focus on profitability, rather than growing scale as is the case for Nitro. For these reasons we consider it an outlier for our valuation;
- in relation to the Global Collaboration and Productivity Peers, we note that these include several more mature companies, including DocuSign, Dropbox Inc. (**Dropbox**), and Open Text Corporation (**Open Text**). Compared to Nitro, these companies are of significantly greater scale, are profitable with a greater focus on profitability rather than increasing scale, and have slowing revenue growth rates given their scale. For these reasons, we do not consider them directly comparable to Nitro. However, we do find that these companies provide directional evidence for multiples applicable to productivity software businesses such as Nitro; and
- Foxit is a Chinese based company engaged in providing PDF related software and products. It is a direct competitor of Nitro. Foxit is forecast to generate US$85.9 million in revenue in FY22 and is presently unprofitable. For these reasons we would expect it to trade roughly in line with Nitro, however, the company generates a significant portion of its revenues from China and is valued against its Chinese software peers. Therefore, we do not find its implied multiples to be indicative of the multiples that should apply to Nitro.

Sharemarket evidence summary

In summary, in absence of a direct comparable, of our ASX-listed peers, ELMO, Nearmap, and Bigtincan have been identified as the most relevant comparable companies. While they offer different products and solutions to Nitro, they are all Australian SaaS providers with similar revenue growth profiles and each operates globally. Of these, ELMO and Bigtincan are more comparable in terms of size, expected revenue growth and profitability. ELMO traded at an undisturbed multiple of 2.3 times forecast EV/Revenue and 2.5 times historical EV/ARR, while Bigtincan trades at a multiple of 2.2 times forecast EV/Revenue and 2.8 times historical EV/ARR. We find that Nearmap is comparable in terms of market positioning and its subscription-based pricing model, and for this reason is worthy of consideration in determining our valuation multiples, trading at an undisturbed 3.7 times forecast EV/Revenue and 4.0 times historical EV/ARR. We note that these multiples exclude a premium for control.

Of the listed global collaboration and productivity software peers, DocuSign is a direct competitor of Nitro's as the market leader in the e-signatures market and therefore provides evidence for trading multiples. DocuSign trades at a forecast EV/Revenue multiple of 3.4 times, however, we note that the company is more mature, of greater scale, is profitable, but has lower rates of revenue growth. Therefore, we expect that Nitro would trade at a lower multiple (on a non-controlling basis).

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9.4.3 Specific attributes of Nitro

In forming our view as to the value of Nitro's operating business we have considered a series of factors. We recognise what has been achieved in the business in recent years, but also consider what still needs to occur in order for it to be profitable and generate positive cash flow. A summary of the main items we have considered is as followed:

- Nitro's position as an established player in the global PDF document productivity software market with over 13,000 business customers across 175 countries, serving 67% of Fortune 500 companies.
- strong industry tailwinds, with a large addressable market that is growing due to the continued trend of remote working, shifting organisation IT priorities and budgets towards digital transformation and high-trust eSigning;
- the company's track record of successfully competing against, and taking market share from larger, more entrenched providers in the market, such as Adobe and DocuSign, by offering a more cost effective and solution that can be deployed quicker and easier to enterprise client for both PDF productivity and electronic signing;
- the success of the company in transitioning to a SaaS-based subscription licensing model, which is effectively complete, as measured by subscription revenue representing approximately 91% of total business sales channel revenue, and approximately 74% of total revenue. Noting that subscription-based revenues (ARR) provide forward visibility in earnings and reduce earnings volatility;
- large cross sell opportunities following the acquisition of Connective to sell eSignature products (Nitro Sign) to its PDF customers, noting that the total addressable market of electronic signing is very large, estimated at approximately US$17 billion.;
- Nitro's operating losses and cash outflows. There is no certainty that the recent strong revenue growth will continue to be achieved;
- the valuation assumes that Nitro does not require additional capital to execute its strategy in the short term but that it will require a substantial portion of its existing cash of US$29.2 million to support operations until Nitro becomes cash flow positive; and
- Nitro's substantial carried forward income tax losses, however, recognising that the ability to utilise them is uncertain and it is unlikely that an acquirer would attribute significant value to them.

9.5 Valuation cross-check

The value derived from our primary Market Approach has been cross-checked utilising a DCF analysis. Kroll has developed a DCF analysis based primarily on the Financial Model prepared by Nitro management (refer to Section 9.2.1 of this report), with reference to broker consensus forecasts and comparable company benchmarks.

As per Nitro's FY22 Guidance, Nitro is not expecting to generate positive free cash flows until FY23, and cash flows generated over the short term are likely to remain fairly low as the business continues its expansion phase. Consequently, for the purposes of the DCF analysis, Kroll has extended the forecast to FY27 when Kroll expect growth to stabilise and cash flows to be substantially positive.

The cash flow model uses the 30 September 2022 balance sheet as a starting point. Nominal, ungeared post-tax cash flows have been discounted using a weighted average cost of capital (**WACC**) resulting in a value of Nitro's operating business (on a controlling interest basis).[81] The US dollar forecast cash flows to FY27 and terminal value have been discounted using a US-based post-tax, nominal WACC in the range of 12.0% to 13.0% (as detailed in Appendix 5). A terminal value is calculated based on the Gordon Growth Model and a terminal growth rate of 3.5% which reflects the higher anticipated medium-term nominal growth of the business.

The key assumptions adopted by Kroll underlying the DCF analysis are as follows:

- forecast revenue sources include subscription revenue, perpetual revenue, maintenance and professional services. Subscriptions are forecast to continue to be the predominant and growing source of revenue over the forecast period;
- total revenue is forecast to grow at rates broadly in line with the current broker consensus, and by FY27 reach levels broadly consistent with mature and profitable Australian software and global

[81] In valuing on a controlling interest basis, we have assumed that synergies are realised in the form of ASX listing cost savings and other fixed cost savings.

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productivity software companies (ranging between (9.2%) and 27.5% for FY+3, refer Appendix 6). Kroll have then forecast revenue to decline evenly towards a revenue growth rate of 3.5% in the terminal year;

- GRR is forecast to broadly declining in line with the historical trend in GRR, as noted in Section 8.3 of this report, ranging between 91% and 94% in the period to FY25;
- NRR is also forecast to decline in the period to FY25, ranging between 110% and 113%. The decline in NRR reflects retention relative to a growing ARR base and is consistent with the trend between FY17 and 1H22, as noted in Section 8.3 of this report;
- growth in total operating expenses over the forecast period reflects continued strong investment in sales, marketing, and research and development to enable the high sales growth, albeit at a lower growth rate from FY23 to FY25, relative to the growth in operating expenses expected in FY22. As a percentage of revenue, operating expenses (excluding cost of goods sold) reduce between FY23 to FY25. The more efficient cost base reflects revisions made by Nitro in July following the go-to-market restructure and transfer of certain business functions to lower cost locations;
- the forecast EBITDA margin increases from current negative levels to 25.0% in the terminal year, which is broadly consistent with profitable Australian and globally listed productivity software peers (the average FY+1 EBITDA margin for profitable peers is 25.1%, refer to Appendix 6). The adoption of an improving profitability outlook is also reasonable noting Nitro's current profit position (yet to breakeven as at 30 September 2022), the FY22 ARR and the expected revenue growth rate;
- forward exchange rates as at 18 November 2022 sourced from S&P Capital IQ have been applied to cost of goods sold and operating expenses forecasts modelled in local currencies of British Pound, Euro and Australian dollars to US dollars;
- depreciation and capital expenditure reflects only small amounts for property plant and equipment and is forecast to remain reasonably constant throughout the forecast period. The model forecasts reflect continued investments in Nitro's Productivity Platform, and all research and development costs continue to be expensed;
- the model forecasts general synergies available to a hypothetical acquirer, assuming approximately US$2 million savings in public company costs, grown at forecast United States CPI, and 10% savings in sales, marketing, general and administration costs. Less synergies are expected in research and development costs given the unique nature of different software product lines;
- an effective tax rate of 21.0% for Nitro on a consolidated basis, reflecting that earnings will be taxed globally, primarily in the US and Europe, and ascribe no value to accrued tax losses, but do make an allowance for tax losses generated within the forecast period; and
- net working capital is expected to grow over the forecast period, consistent with the growth in revenue.

The model is based on numerous key assumptions and is subject to significant uncertainty and contingencies, which are outside the control of Kroll. Sensitivities of various key assumptions were analysed to determine their impact on value. In this regard, we note that the value of Nitro is significantly dependent on:

- the total revenue growth achieved by Nitro, which principally depends on increasing the number of new customers, maintaining high levels of NRR, increasing contract sizes, and increasing the frequency at which customers utilise the platform; and
- the net profit margin generated by Nitro on these revenues, which depends on the cost of sales and operating costs incurred, primarily comprised of employee, research and development, and marketing costs, impacted by exchange rate movements.

The resulting value is in the range of A$1.84 to A$2.22 per Nitro Share. Accordingly, we consider the determined value range under our high-level DCF analysis supports our assessed valuation of Nitro derived from our primary Market Approach.

9.6 Surplus assets and liabilities

Surplus assets and liabilities are those assets and liabilities not required to sustain the adopted level of maintainable earnings. Based on our analysis and discussions with Nitro management, we are not aware of any material surplus assets or liabilities that require consideration in our valuation of Nitro, other than unused tax losses and surplus cash.

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As at 31 December 2021, Nitro had unused tax losses of approximately US$81.9 million that were incurred by Nitro's United States operations, as well as US$19.5 million in unused tax losses arising from the acquisition of Connective in 2021. The ability to utilise these tax losses is uncertain since:

- it is not expected that any material taxable income will be generated in the relevant jurisdictions in the short- to medium-term;
- even if taxable income was generated, Nitro would need to meet the continuity of ownership and/or similar business tests over this period to obtain the tax benefit of the losses. Both of these tests can be difficult to satisfy; and
- we note that Nitro has not recognised any potential tax benefit in its statement of financial position as it believed the recovery of this benefit was not sufficiently probable.

9.6.1 Surplus cash

In order to arrive at the value of equity, it is necessary to deduct the net borrowings from the unlevered value of Nitro. Kroll has assessed Nitro's surplus cash position for the purpose of this valuation to be US$12.1 million. This amount is based on Nitro's cash balance and lease liabilities as at 30 September 2022, and Kroll's estimate of US$15.0 million in cash required to support operations prior to Nitro becoming operating cash flow positive in 2H23.

Nitro's Surplus Cash (US$ millions)

	Value
Lease liabilities (as at 30 September 2022)	(2.1)
Cash and cash equivalents (as at 30 September 2022)	29.2
Net cash (as at 30 September 2022)	**27.1**
Less: Kroll's estimate of cash required to support operations	(15.0)
Kroll estimated surplus cash	**12.1**

Source: Kroll analysis.

Nitro is presently utilising large amounts of cash to sustain its business, with approximately US$13.4 million in net cash used in operating activities the nine months to 30 September 2022. The company has indicated, however, that it expects cash flows from operating activities to be positive for the second half of 2023. On this basis it is our view that a portion, but not all, of Nitro's existing cash of US$29.2 million will be required to support operations until Nitro becomes operating cash flow positive. Kroll has concluded that approximately US$15.0 million of cash will be required to support the operations of the business prior to it becoming cash flow positive, excluding the repayment of lease liabilities (which, if included, would require an equal adjustment to the value of lease liabilities as at 30 September 2022). Therefore, we consider the remaining US$12.1 million of net cash to be surplus.

We also note that the Nitro Board has determined that all of the Nitro Options will be treated on a cashless exercise basis subject to a Change of Control Transaction (being either the Potentia Offer or Alludo Transaction) becoming effective, therefore no further cash adjustment is required.

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Appendix 1 – Kroll disclosures

Qualifications

The individuals with overall responsibility for preparing this report on behalf of Kroll are Ian Jedlin and Celeste Oakley. Ian is an Associate and Accredited Business Valuation Specialist of the Institute of Chartered Accountants Australia and New Zealand, a Senior Fellow of the Financial Securities Institute of Australia and holds a Master of Commerce. He is also a member of the Standards Review Board of the International Valuation Standards Council. Celeste holds a Bachelor of Economics, a Bachelor of Laws and a CFA designation. Both Ian and Celeste have extensive experience in the provision of corporate financial advice, including specific advice on valuations, mergers and acquisitions, as well as the preparation of independent expert reports.

Disclaimers

It is not intended that this report should be used or relied upon for any purpose other than as an expression of Kroll's opinion as to whether the Potentia Offer is in the best interests of Nitro. Kroll expressly disclaims any liability to any Nitro Shareholder who relies or purports to rely on the report for any other purpose and to any other party who relies or purports to rely on the report for any purpose whatsoever.

Other than this report, Kroll has had no involvement in the preparation of the Target Statement or any other document prepared in respect of the Potentia Offer. As such, Kroll takes no responsibility for the content of the Target's Statement as a whole or other documents prepared in respect of the Potentia Offer (other than this report).

Independence

Kroll considers itself to be independent in accordance with the requirements of Regulatory Guide 112 issued by ASIC on 30 March 2011. In considering independence, it is noted that Kroll does not have, and has not had within the previous two years, any business or professional relationship with Nitro or Potentia Consortium or Alludo or any financial or other interest that could reasonably be regarded as capable of affecting our ability to provide an unbiased opinion in relation to Nitro. Kroll's only role with respect to the Potentia Offer has been the preparation of this report.

Kroll will receive a fixed fee of A$175,000 (excluding GST and out of pocket expenses) for the preparation of this report. This fee is not contingent on the conclusions reached or the outcome of the Potentia Offer Meetings. Kroll will receive no other benefit for the preparation of this report.

Declarations

Nitro has provided an indemnity to us for any claims arising out of any misstatement or omission in any material or information provided to us in the preparation of this report.

During the course of this engagement, Kroll provided draft copies of this report to management of Nitro for comment as to factual accuracy, as opposed to opinions, which are the responsibility of Kroll alone. Changes made to this report as a result of those reviews have not altered the methodology or opinions of Kroll as stated in this report.

The engagement has been conducted in accordance with professional standard APES 225 "Valuation Services" issued by the Accounting Professional & Ethical Standards Board (**APESB**).

Kroll is authorised by Millinium Capital Managers Limited, Australian Financial Services License no. 284336, to provide the following financial services as their Corporate Authorised Representative:

- provide financial product advice in respect of the following classes of financial products:
- interests in managed investment schemes including investor directed portfolio services; and
- securities;

with respect to retail clients and wholesale clients.

Consents

Kroll consents to the inclusion of this report in the form and context in which it is included in the Target's Statement to be issued to Nitro Shareholders. Neither the whole nor any part of this report or its attachments or any reference thereto may be included or attached to any other document without the prior written consent of Kroll as to the form and context in which it appears.

Kroll consents to:

a) be named in its capacity as the independent expert appointed by the board of directors of Nitro in the Target's Statement; and

b) the inclusion in the Target's Statement of:

    i. this report, in the form and context in which it is included in the Target's Statement; and

    ii. all references to this report, and statements extracted from or based on this report, in the form and context in which each such reference and statement is included in the Target's Statement.

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Appendix 2 – Limitations and reliance on information

Limitations and reliance on information

Kroll's opinion is based on prevailing economic, market, business and other conditions at the date of this report and corresponds with a period of continued uncertainty associated with the COVID-19 pandemic and escalation of the Russia-Ukraine conflict. To the extent possible, we have reflected these conditions in our opinion. However, the factors impacting these conditions continue to evolve and can change over relatively short periods of time. The impact of any subsequent changes in these conditions on the global economy and financial markets generally, and the assets being valued specifically, could impact upon value in the future, either positively or negatively. We note that we have not undertaken to update our report for events or circumstances arising after the date of this report other than those of a material nature which would impact upon our opinion.

Our report is also based on financial and other information provided by Nitro and its advisers. Nitro has been responsible for ensuring that information provided by it and its representatives is not false or misleading or incomplete. Nitro has represented in writing to Kroll that to its knowledge, the information provided is complete and not incorrect or misleading in any material respect. Complete information is deemed to be information which at the time of completing this report should have been made available to Kroll and would have reasonably been expected to have been made available to Kroll to enable us to form our opinion. We have no reason to believe that any material facts have been withheld from us.

In forming our opinion, we have relied upon the truth, accuracy and completeness of any information provided or made available to us without independently verifying such information. Nothing in this report should be taken to imply that Kroll has in any way carried out an audit of the books of account or other records of Nitro for the purposes of this report. It is understood that the accounting information that was provided was prepared in accordance with generally accepted accounting principles including the Australian equivalents to International Financial Reporting Standards, as applicable.

In addition, we have also had discussions with Nitro in relation to the nature of the business operations, specific risks and opportunities, historical results of Nitro and prospects for the foreseeable future of Nitro. This type of information has been evaluated through analysis, inquiry and review to the extent considered necessary or practical as part of the information used in forming our opinion is comprised of the opinions and judgements of management. Kroll does not warrant that its procedures and inquiries have identified all matters that a more extensive analysis might disclose as they did not include verification work nor an audit or review engagement in accordance with standards issued by the Auditing and Assurance Standards Board or equivalent body.

An important part of the information used in forming an opinion of the kind expressed in this report is comprised of the opinions and judgement of management. This type of information was also evaluated through analysis, inquiry and review to the extent practical. Such information is often not capable of external verification or validation.

The statements and opinions included in this report are given in good faith and in the belief that such statements and opinions are not false or misleading.

Disclosure of information

In preparing this report, Kroll has had access to all financial information considered necessary in order to provide the required opinion. Nitro has requested Kroll limit the disclosure of certain information relating to Nitro. This request has been made on the basis of the commercially sensitive and confidential nature of the operational and financial information of the operating entities comprising Nitro. As such the information in this report, unless otherwise indicated, has been limited to the type of information that is regularly placed into the public domain by Nitro.

Sources of information

In preparing this report we have been provided with and considered the following sources of information:

Publicly available information

- Target's Statement;
- Bidder's Statement;
- Alludo Implementation Deed;

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- results presentations and annual reports for Nitro for 2019 to 2021;
- ASX announcements, press releases, media and analyst presentations and other public filings by Nitro including information available on its website;
- recent press articles regarding Nitro;
- Various industry reports, primarily Gartner Press Release, "Gartner Survey of Over 2,000 CIOs Reveals the Need to Accelerate Time to Value from Digital Investments, Orlando, Fla., October 18, 2022; GigaOm Radar for E-Signature Solutions, March 2022 and Grand View Research, "Business Software and Services Market Size, Share & Trends Analysis Report By Software, By Service, By Deployment, By Enterprise Size, By End Use, By Region, And Segment Forecasts, 2022 – 2030", Report Overview, 2021.
- information sourced from S&P Capital IQ;

Non-public information

- Nitro Board papers and other internal briefing papers prepared by Nitro; and
- other confidential documents, presentations and workpapers.

In addition, we have had discussions with, and obtained information from, senior management of Nitro.

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Appendix 3 – Broker consensus

As far as Kroll is aware, Nitro is followed by eight brokers. Two of the brokers are financial advisors to the Potentia Offer and Alludo Transaction and have therefore been excluded from our analysis. Of the remaining brokers, five published reports following the release of Nitro's 3Q22 Trading update on 27 October 2022.

A summary of the most recent broker forecasts for Nitro following the announcement of the 3Q22 Trading update on 27 October 2022 is provided as follows.

	Date of report	Subscription Revenue			Perpetual Revenue			Total Revenue			Total Gross Profit			Operating EBITDA		
		FY22	FY23	FY24	FY22	FY23	FY24	FY22	FY23	FY24	FY22	FY23	FY24	FY22	FY23	FY24
Broker 1	27-Oct-22	n/a	n/a	n/a	n/a	n/a	n/a	68.7	79.9	95.7	n/a	n/a	n/a	(9.6)	(5.0)	(0.4)
Broker 2	2-Nov-22	n/a	n/a	n/a	n/a	n/a	n/a	67.5	78.5	91.7	n/a	n/a	n/a	(10.6)	(5.4)	(0.6)
Broker 3	30-Oct-22	n/a	n/a	n/a	n/a	n/a	n/a	67.3	76.2	89.3	n/a	n/a	n/a	(10.7)	(6.4)	(0.9)
Broker 4	27-Oct-22	49.8	62.0	78.4	17.0	16.6	16.6	66.9	78.6	95.0	60.1	70.7	85.5	(11.7)	(4.0)	3.4
Broker 5	31-Oct-22	50.8	64.9	82.0	16.7	14.2	11.3	67.5	79.1	93.4	61.6	72.4	85.8	(12.0)	(6.3)	4.8
Low		**49.8**	**62.0**	**78.4**	**16.7**	**14.2**	**11.3**	**66.9**	**76.2**	**89.3**	**60.1**	**70.7**	**85.5**	**(12.0)**	**(6.4)**	**(0.9)**
High		**50.8**	**64.9**	**82.0**	**17.0**	**16.6**	**16.6**	**68.7**	**79.9**	**95.7**	**61.6**	**72.4**	**85.8**	**(9.6)**	**(4.0)**	**4.8**
Median		**50.3**	**63.5**	**80.2**	**16.9**	**15.4**	**14.0**	**67.5**	**78.6**	**93.4**	**60.9**	**71.6**	**85.7**	**(10.7)**	**(5.4)**	**(0.4)**
Mean		**50.3**	**63.5**	**80.2**	**16.9**	**15.4**	**14.0**	**67.6**	**78.5**	**93.0**	**60.9**	**71.6**	**85.7**	**(10.9)**	**(5.4)**	**1.3**

Source: Broker reports, Kroll analysis

	Date of report	Share Based Payments Expense			(Loss) For The Year			ARR			Operating cash flow			Cash balance		
		FY22	FY23	FY24	FY22	FY23	FY24	FY22	FY23	FY24	FY22	FY23	FY24	FY22	FY23	FY24
Broker 1	27-Oct-22	n/a	n/a	n/a	n/a	n/a	n/a	58.2	73.9	93.5	(17.7)	(4.4)	8.4	26.7	21.7	29.2
Broker 2	2-Nov-22	(9.0)	(9.7)	(10.2)	(27.6)	(23.0)	(18.9)	58.5	n/a	n/a	(15.6)	(4.1)	2.6	28.0	21.7	22.1
Broker 3	30-Oct-22	n/a	n/a	n/a	(9.4)	(6.4)	(2.6)	57.8	71.4	87.4	(14.2)	(0.9)	4.5	29.5	26.7	29.1
Broker 4	27-Oct-22	n/a	n/a	n/a	(32.8)	(20.8)	(13.6)	57.8	71.1	85.8	(14.5)	0.1	7.4	27.6	25.5	30.4
Broker 5	31-Oct-22	n/a	n/a	n/a	(31.7)	(21.3)	(10.2)	58.3	n/a	n/a	(22.6)	(8.4)	4.8	24.7	15.2	18.6
Low		**(9.0)**	**(9.7)**	**(10.2)**	**(32.8)**	**(23.0)**	**(18.9)**	**57.8**	**71.1**	**85.8**	**(22.6)**	**(8.4)**	**2.6**	**24.7**	**15.2**	**18.6**
High		**(9.0)**	**(9.7)**	**(10.2)**	**(9.4)**	**(6.4)**	**(2.6)**	**58.5**	**73.9**	**93.5**	**(14.2)**	**0.1**	**8.4**	**29.5**	**26.7**	**30.4**
Median		**(9.0)**	**(9.7)**	**(10.2)**	**(29.7)**	**(21.1)**	**(11.9)**	**58.2**	**71.4**	**87.4**	**(15.6)**	**(4.1)**	**4.8**	**27.6**	**21.7**	**29.1**
Mean		**(9.0)**	**(9.7)**	**(10.2)**	**(25.4)**	**(17.9)**	**(11.3)**	**58.1**	**72.1**	**88.9**	**(16.9)**	**(3.5)**	**5.5**	**27.3**	**22.2**	**25.9**

Source: Broker reports, Kroll analysis

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Appendix 4 – Valuation methodologies

The most reliable evidence as to the value of a business or asset is the price at which that business or asset has been bought and sold in an arm's length transaction.

In the absence of direct market evidence, an estimate of value is provided using methodologies that rely on other sources of evidence. Consistent with International Valuation Standards, valuation methodologies applicable to assets or businesses can be categorised under three approaches: market approach, income approach and cost approach.

These approaches have application in different circumstances. The decision as to which approach to adopt will depend on various factors including the availability and quality of information, the maturity of the business and the actual practice adopted by purchasers of the type of asset or business involved.

Market approach

The market approach is based on comparing the asset or business to identical or comparable assets or businesses for which there is available price information. It is commonly adopted where:

- the asset or business or similar assets or businesses are actively publicly traded (**market comparable methodology**);
- there are frequent and/or observable transactions in comparable assets or businesses (**comparable transactions methodology**); and
- there is substantial operating history and a consistent earnings trend.

The market comparable methodology indicates the value of a business by comparing it to publicly traded companies in similar lines of business. An analysis of the trading multiples of comparable companies yields insight into investor perceptions and, therefore, the value of the subject company. The multiples are evaluated and compared based on the relative growth potential and risk profile of the subject company vis-a-vis the publicly traded comparable companies. The multiples derived for comparable quoted companies are generally based on security prices reflective of the trades of small parcels of securities. As such, multiples are generally reflective of the prices at which portfolio interests change hands.

The comparable transaction methodology indicates value based on exchange prices in actual transactions. This process essentially involves the comparison and correlation of the subject company with other similar businesses recently sold or currently offered for sale. Considerations such as timeframe of transaction, premiums, and conditions of sale are analysed, and the observed transaction multiples are subjectively adjusted to indicate a value for the subject company.

A key step in both methods is determining the appropriate unit of comparison. In a business valuation common units of comparison include, revenue, EBITDA, EBIT, net profit after tax and book values. The choice will typically depend on the industry and characteristics of the subject asset.

Rule-of-thumb valuation benchmarks are sometimes considered to be an application of the market approach. They generally should not be given substantial weight unless market participants place particular reliance on them.

Income approach

Under an income approach the value of an asset is determined by converting future cash flows to a current value. It is commonly adopted when:

- the income producing ability is the critical element affecting value from a market participant perspective;
- future cash flows can be estimated on a reasonable basis; and
- there is not a substantial operating history or there is a variable pattern of cash flow, or the asset has a finite life.

The most common methodology adopted is the discounted cash flow (**DCF**) methodology. It has a strong theoretical basis and benefits by explicitly estimating future cash flows, allowing it to be used in a variety of circumstances, whether that be a start-up or an established business. It also allows for various scenarios and/or sensitivities to be modelled. Under a DCF methodology, forecast cash flows are discounted back to the valuation date resulting in a present value for the asset. Where there is an explicit forecast period a terminal value will typically be included, representing the value of the asset at the end of this period, which is also discounted back to the valuation date to give an overall value for the business. The rate at which the future cash flows are discounted (the discount rate) should reflect not only the time value of money, but also the risk associated with the asset or business' future operations. Whilst discount rates are generally determined from observable data, substantial judgement is required in their determination. Further, the cash flows themselves also require considerable judgement in their preparation, placing significant importance on the quality of the underlying cash flow forecasts and the determination of an appropriate discount rate in order for a DCF methodology to produce a sensible valuation figure.

DCF's can also be extremely sensitive to what may be considered small changes in various assumptions and the longer the forecast period the more difficult it is in general to forecast cash flows with sufficient reliability. As such, it is important to adequately understand the basis and risks associated with the various assumptions used to derive the cash flow forecasts and recognise the impact it can have on resulting values including the value range. Notwithstanding, DCF methodologies are widely used and benefit from the rigour associated with the preparation of future cash flows.

Cost approach

Under a cost approach the value of an asset is determined having regard to the cost to replace or reproduce the asset. The most common methodologies include:

- the replacement cost;
- the reproduction cost method; and
- the summation method.

A cost based approach is most appropriate for businesses where the value lies in the underlying assets and not the ongoing operations of the business (e.g. real estate holding companies).

A premium is added, if appropriate, to the marked-to-market net asset value, reflecting the profitability, market position and the overall attractiveness of the business. The net asset value, including any premium, can be matched to the 'book' net asset value, to give a price to net assets, which can then be compared to that of similar transactions or quoted companies.

A net asset approach is also useful as a cross-check to assess the relative riskiness of the business (e.g. through measures such as levels of tangible asset backing).

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Appendix 5 – Discount rate

Discount rate conclusion

Kroll has selected a WACC in the range of 12.0% to 13.0% for Nitro based on the selected parameters presented in the table below. In determining the WACC, the cost of equity is calculated using the capital asset pricing model (**CAPM**) and the cost of debt is based on long-term estimates based on market observations. The WACC is commonly employed as the basis for determining an appropriate discount rate where cash flow forecasts consist of free cash flows to both debt and equity holders. Whilst we have utilised the WACC we recognise that market participants often use less precise methods for determining a discount rate including target internal rates of return or hurdle rates. They also often do not distinguish between investment types or regions.

We have utilised the following parameters in deriving our discount rate.

Selected WACC Parameters for Nitro

Parameter	Symbol	Low	High
Risk free rate	**Rf**	4.1%	4.1%
Equity risk premium	**(Rm - Rf)**	6.0%	6.0%
Unlevered Beta		1.3	1.5
Tax rate	**T**	21.0%	21.0%
Debt/ Equity	**D/E**	0.0%	0.0%
Levered Beta	**β**	1.3	1.5
Asset specific risk premium (alpha)	**α**	0.0%	0.0%
Cost of equity (post-tax)	**Ke**	11.9%	13.1%
Pre-tax cost of debt	**Kd**	Not required	Not required
WACC		11.9%	13.1%
Selected range		**12.0%**	**13.0%**

Source: Kroll analysis

The objective of the discount rate is to appropriately reflect the expected return of a hypothetical prudent purchaser, based upon the perceived risks associated with Nitro. In this respect, it is relevant to recognise that the selection of an appropriate discount rate to apply to the forecast cash flows of any asset or business operation is a matter of judgement and that the individual components should not be considered in isolation but rather as components of an overall discount rate. As a result of this subjectivity, the calculated discount rate should be treated as guidance rather than objective truth.

Furthermore, our discount rate reflects an assessment at a point in time as to both current market conditions and future expectations. Kroll regularly reviews fluctuations in global economic and financial market conditions that may warrant changes to our equity risk premium (**ERP**) and accompanying risk-free rate recommendations To the extent that there are any changes in conditions and expectations over time, it is likely that an adjustment to the discount rate may be warranted.

Cost of equity

The cost of equity has been derived from the application of a modified CAPM.[82] The CAPM has been empirically tested and is widely accepted for the purpose of estimating a company's required return on equity. In applying the CAPM, the rate of return on equity is estimated as the current risk-free rate of return on a long-term government bond plus a market risk premium, multiplied by the "beta" for the shares. Beta is defined as a risk measure that reflects the sensitivity of a company's share price to the movements of the stock market as a whole and is a measure of systematic risk.

The modified CAPM rate of return on equity capital is calculated using the formula:

$Ke = Rf + ß * (Rm - Rf) + α$

Where:

Ke = Rate of return on equity capital;

[82] CAPM is modified by the inclusion of an alpha.

Rf = Risk-free rate of return (normalised long-term Australian sovereign risk);

β = Beta or systematic risk for this type of equity investment, re-levered to reflect the debt-to-equity profile of the Investment;

Rm - Rf = ERP; the expected return on a broad portfolio of stocks in the market (Rm) less the risk-free rate (Rf); and

α = Alpha including where relevant, size or other company specific risk.

Risk-free rate

The risk-free rate is a key input in the CAPM. It is the return available, as of a valuation date, on a security that the market generally regards as free of the risk of default. When valuing a going-concern business, the risk-free rate is typically measured over a long-term period. In practice, long-dated bonds issued by governments considered to be generally safe have traditionally been accepted as a proxy for a risk-free security. As Nitro's forecast cash flows are denominated in US dollars, we have used the 20-year US Treasury yield as a proxy for the risk-free security. As at 18 November 2022, the spot 20-year yield was 4.1%.

Previously, the long-term average of 20-year US Treasury yields was an important input in Kroll's normalised risk-free rate conclusion, particularly when the Federal Reserve Bank's (**Fed**) monetary policy was ultra-accommodative and inflation was below or close to the Fed's inflation target of 2.0%, which kept interest rates at artificially low levels. The annual U.S. consumer price inflation had averaged 1.8% in the 2010s, on a rolling 12-month basis.

In addition, to mitigate the impact of the COVID-19 pandemic, the Fed and other major central banks resorted to the use of unconventional monetary policies, including: large-scale purchases of government securities and, in some cases, other financial assets (e.g., corporate bonds), known as quantitative easing (**QE**); and yield curve targeting policies. The objective was generally the same - to drive long-term interest rates lower and provide ample liquidity to financial markets, thereby lowering the cost of capital and softening the impact of mandatory lockdown policies. The combination of investor flights to quality and central bank interventions, particularly during the height of the COVID-19 pandemic, contributed to the record low yields observed during 2020.

By contrast, in recent months inflation has continued to surprise on the upside—reaching 40-year highs—with the escalation of the Russia-Ukraine conflict exacerbating inflationary pressures. This precipitated a significant shift in the Fed's monetary policy stance relative to December 2021. This more restrictive stance entails: (i) more and/or larger policy interest rate hikes; and (ii) an end to the Fed's QE policies that expanded its balance sheet to near US$9 trillion, instead the Fed will initiate a quantitative tightening process). The Fed's goal is to contain inflation and normalise the size of its balance sheet.

These recent trends have led to a significant and very rapid rise in US interest rates, with no signs of abating any time soon. For example, the spot 20-year U.S. Treasury yield increased from 1.9% on December 31, 2021 to 3.7% on June 15, 2022, the latter being above Kroll's normalised risk-free rate of 3.5%. Long-term interest rates may finally be reverting to levels considered to be "normal," as attested by the rapid acceleration in the rise in yields over the last month and the dramatic change in the Fed's projected trajectory for policy interest rate hikes as announced on June 15, 2022.

Based on the market conditions prevailing as the date of this report, and recommendation of the Kroll Office of Professional Practice, we have applied the spot 20-year US Treasury yield of 4.1% as a proxy for the risk free rate.

Equity risk premium

The ERP represents the required return for bearing the incremental risk of investing in a diversified portfolio of equities rather than investing in a risk-free asset (such as a government bond of a government considered safe of default). A forward-looking ERP is not directly observable in the market. Accordingly, valuation practitioners typically utilise historical data to estimate ERP. However, it is important to understand the level of risk-free rates used to measure the historical ERP and whether the resulting combination of risk-free rate and ERP result in a reasonable proxy for a forward-looking base cost of equity.

To the extent that the realised (i.e., historical) ERP equates on average to expected premiums in prior periods, the historical average ERP may be a useful starting point in developing a current forward-looking ERP estimate. A reason one might look to the historical ERP is that the expectations of investors will be

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framed from their experiences, and the average historical ERP might be expected to have an influence on investors' expectations about the future. Hence there is usually at least some reliance on average historical ERPs when developing current forward-looking ERP estimates.

However, this does not mean that the ERP estimate should be static over time. Periods of market stability (low volatility) likely indicate that the current forward-looking ERP estimate is below the historical average, and periods of heightened volatility likely indicate that the current forward-looking ERP estimate is above the historical average. COVID-19 upended the global economy and created an even higher level of uncertainty about short-term and medium-term economic growth prospects.

In December 2021, despite some uncertainty regarding the impact of the omicron variant of COVID-19, the global economy appeared to be on a strong path to recovery, although with some unevenness across regions. Major central banks were considering some level of normalisation of monetary policy, both by slowing down (or stopping altogether) QE measures and by raising policy interest rates, particularly as inflationary pressures proved to be more than transitory in many countries. On January 3, 2022, the S&P 500 index achieved a new record high, while two days later the STOXX Europe 600 index reached its own record high.

Global equity markets however became more volatile from mid-January, as inflation continued to surprise with increasingly higher-than-expected readings reaching levels not seen in 30 to 40 years in some countries. Investors tried to ascertain the magnitude and speed at which central banks will raise interest rates, leading to a potential decrease in the value of companies in various industries due to an increase in discount rates.

Factors such as increased consumer demand for goods and services (driven in part by pent-up demand and unprecedented levels of monetary and government fiscal stimulus to fight the COVID-19 pandemic), labour shortages and global supply chain bottlenecks stemming from the COVID-19 pandemic have all contributed to upward inflationary pressures. In addition, rising tensions between Russia and Ukraine culminated in Russia's invasion of Ukraine on February 24, 2022. The Russia-Ukraine conflict has now surpassed the 9-month mark and has placed further pressure on already-strained global supply chains, contributing to significant increases in food and certain commodity prices across the world.

Economists have continued to downgrade global real economic growth projections for 2022 and 2023, with Europe being particularly impacted due to its higher exposure to Russia and Ukraine, and especially since it was already suffering from an energy crisis prior to these events. Investors are uncertain as to whether central banks will manage to control inflation by slowing down economic activity, without creating a major recession.

This increased level of uncertainty has precipitated a repricing of equity securities in stock markets around the globe. At the end of September 2022, the S&P 500 index had declined by 25% since the beginning of the year and is considered to be in "bear market" territory. In the case of Europe, the STOXX Europe 600 index decreased by 20% (in price terms) in the year-to-date September 2022.

As most major central banks continue to signal rate hikes, significant volatility has been observed in government bond yields. It is possible that even higher levels of volatility will be observed in spot yields before they stabilise. More broadly, this heightened uncertainty will have a negative impact on the valuation of investments globally.

In order to be consistent with the approach we adopted to estimate the risk-free rate (a higher normalised estimate), we have applied an ERP of 6.0%.

Beta

In selecting an appropriate beta to apply to Nitro, Kroll has considered Nitro's beta as well as betas for Australian comparable software and technology companies as at 18 November 2022.

Beta analysis

Company	Market Cap (million)[1]	Levered Betas 2 Year Weekly	5 Year Monthly
Australia			
Objective Corporation Limited	A$1,507.3	1.66	1.11
Hansen Technologies Limited	A$1,069.5	1.14	0.71
Nearmap Ltd	A$1,015.2	1.70	1.89
Megaport Limited	A$949.0	1.98	1.22
Nitro[2]	A$525.8	0.86	0.88
ELMO Software Limited	A$460.2	2.05	2.32
ReadyTech Holdings Limited	A$445.9	1.05	1.69
Infomedia Ltd	A$443.2	1.05	1.05
Bigtincan Holdings Limited	A$370.1	1.58	2.04
Mean (excluding Nitro)		**1.62**	**1.45**
Median (excluding Nitro)		**1.53**	**1.50**
International			
Adobe Inc.	US$153,816.8	1.62	1.21
DocuSign, Inc.	US$9,235,5	2.50	1.13
Dropbox, Inc.	US$7,842.4	1.09	0.80
Open Text Corporation	US$7,724.8	1.39	1.24
Fujian Foxit Software Development Joint Stock	¥4,742.0	1.03	1.38
Mean		**1.39**	**1.21**
Median		**1.53**	**1.15**

Source: S&P Capital IQ

Notes:
1. The presented market capitalisations have been sourced from S&P Capital IQ using their recorded shares on issue, excluding Treasury Shares, except for Nitro which has been recalculated based on the total shares on issue of 251,567,415 multiplied by the closing price of A$2.09 on 18 November 2022.
2. The calculated betas for Nitro are statistically insignificant and have therefore been excluded from the group mean and median.

This table shows a wide variation in betas across the selected companies, suggesting that determining a reliable beta for Nitro is difficult:

- betas for the comparable Australian and International companies range between 0.71 and 2.50. The lowest beta is Hansen Technologies at 0.71 measured as a five-year monthly beta, while the highest is DocuSign, Inc. at 2.50 measured as a two-year weekly beta;
- the betas for individual companies vary appreciably depending on the time period considered. Two-year weekly betas were generally higher than five-year monthly betas, reflecting the volatility in returns of software and technology related firms during the COVID-19 pandemic recovery, escalating conflict in Ukraine, rising inflation and heightened uncertainty impacting all equity markets, but particularly high growth technology stocks. On balance, we find betas less than 1.0 for high-growth technology companies to be anomalous;
- there is not a clear trend for the observed betas relative to company size. Companies with larger market capitalisations (i.e. Adobe, DocuSign and Dropbox) have a range of betas between 0.80 and 2.50, and companies with smaller market capitalisations (ReadyTech, Infomedia and Bigtincan) have a range of betas between 1.05 and 2.04;
- specific factors for each of the software companies including the type of product, nature of revenue and client concentration, vary between the observed companies and may impact their individual betas; and
- Nitro had a two-year weekly beta of 0.86 and a five-year monthly beta of 0.88, however these betas are deemed statistically insignificant due to low R-squared coefficients.

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On balance, having regard to the factors above, Kroll has selected an equity (levered) beta in the range of 1.3 to 1.5.

Gearing

In selecting an appropriate gearing ratio for Nitro for the purpose of re-leveraging our selected asset beta, we have considered the gearing levels of comparable companies.

The gearing ratios for the selected comparable companies are set out as follows.

Gearing analysis

Company	Market Cap (million)	Average gearing 2 Year	Average gearing 5 Year
Australia			
Objective Corporation Limited	A$1,507.3	(2.1%)	(4.0%)
Hansen Technologies Limited	A$1,069.5	6.9%	9.7%
Nearmap Ltd	A$1,015.2	(10.5%)	(8.9%)
Megaport Limited	A$949.0	(4.2%)	(6.5%)
Nitro	A$525.8	(5.9%)	n/a
ELMO Software Limited	A$460.2	3.6%	(4.9%)
ReadyTech Holdings Limited	A$445.9	3.8%	n/a
Infomedia Ltd	A$443.2	(12.1%)	(7.5%)
Bigtincan Holdings Limited	A$370.1	(8.2%)	(13.0%)
Mean (excluding Nitro)		**(4.2%)**	**(6.5%)**
Median (excluding Nitro)		**(3.2%)**	**(5.0%)**
International			
Adobe Inc.	US$153,816.8	0.2%	0.4%
DocuSign, Inc.	US$9,235,5	1.2%	(2.0%)
Dropbox, Inc.	US$7,842.4	17.6%	7.9%
Open Text Corporation	US$7,724.8	22.2%	21.2%
Fujian Foxit Software Development Joint Stock	¥4,742.0	(12.4%)	n/a
Mean		**1.2%**	**4.2%**
Median		**5.7%**	**6.9%**

Source: S&P Capital IQ

Note: The presented market capitalisations have been sourced from S&P Capital IQ using their recorded shares on issue, excluding Treasury Shares, except for Nitro which has been recalculated based on the total shares on issue of 251,567,415 multiplied by the closing price of A$2.09 on 18 November 2022.

For any company, there is likely to be a level of gearing that represents the optimal capital structure for that company. In estimating a discount rate, the gearing assumption should reflect this optimal or target capital structure, however, “optimal” as opposed to “actual” capital structures are not readily observable. In practice, both the existing capital structure and those of comparable businesses are used as a guide taking into account the specific circumstances of the relevant entity.

The majority of the Australian comparable companies and smaller International comparable companies have no debt and a net cash position, which is a reflection of factors such as the degree of development and maturity of the companies, and longevity of positive cash flow. As at 18 November 2022, Nitro’s market gearing was (5.9%) when measured over a two-year period. Its current market gearing was (7.9%).[83]

As at 30 September 2022, Nitro did not have a target debt equity structure and had no borrowings other than US$2.1 million in leases under AASB 16.

Having regard to these factors, we have selected a gearing ratio of 0.0% for Nitro.

[83] Nitro’s current market gearing has been calculated using Net Cash of US$27.1 million as at 30 September 2022 (A$40.6 million), and a market capitalisation as at 18 November 2022 of A$512.2 million (closing share price of A$2.09 multiplied by total ordinary fully paid shares of 245.1 million as per the Appendix 3B released to the ASX on 16 November 2022.

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Tax rate

We have adopted an effective tax rate of 21% for Nitro on a consolidated basis, reflecting that earnings will be taxed globally and predominantly in the US. We have not ascribed any value to accrued tax losses in the discount rate.

Company specific risk premium (alpha)

Under CAPM theory, it is assumed that diversified investors require no additional returns to compensate for specific risks because across a diversified portfolio the net effect of specific risks will on average, be zero. In practice, many investors include an additional risk premium to reflect company specific factors or risks which may not otherwise be captured in financial forecasts and it is common for companies to set hurdle rates for investments above their own estimates of the cost of capital to deal with these issues. Such adjustments are, however, not able to be observed and are inherently subjective.

We have not applied an alpha factor in the current valuation as Nitro currently as we consider that other company specific risks are sufficiently reflected in the forecast cash flows.

Pre-tax cost of debt

For the purposes of assessing fair value, a cost of debt is estimated from the perspective of the likely debt rate that would apply to Nitro if acquired by an external market participant. However, as we have selected a gearing ratio of 0.0% for Nitro, a cost of debt is not required.

Cross-check

In determining the concluded WACC, we have also given consideration to comparable company discount rates as reported in public Independent Expert Reports and broker reports. The WACC for comparable software companies sourced from a sample of recent IERs have ranged between 8.0% and 20.0%. We note however that these were Australian-based discount rates rather than US-based discount rates. Broker discount rates for Nitro have ranged between 8.3% and 11.6%.

Appendix 6 – Market evidence

Comparable companies

The following table sets out the trading multiples and financial information for the selected comparable companies to Nitro.

Australian Software Companies Multiples and Financials

Company Name	Country	Market Capitalisation ($ millions)[1]	Enterprise Value ($ millions)[2]	Revenue Multiple		ARR Multiple		Revenue Growth				EBITDA Margin[3]	
				FY	FY+1	FY	FY+1	FY	FY+1	FY+2	FY+3	FY	FY+1
ASX Software Peers													
Objective Corporation Limited	Australia	1,530.5	1,468.2	13.8	12.0	17.2	n/a	12.0%	14.9%	16.2%	14.4%	28.8%	30.6%
Hansen Technologies Limited	Australia	1,080.9	1,123.1	3.8	3.7	n/a	n/a	(3.6%)	3.6%	3.2%	2.8%	33.8%	31.4%
Megaport Limited	Australia	952.4	897.1	8.2	6.0	6.4	5.5	40.2%	35.5%	35.5%	27.5%	(9.2%)	6.5%
Nearmap Limited[4]	Australia	757.7	673.2	4.6	3.7	4.0	3.3	28.7%	24.4%	20.4%	17.4%	11.4%	23.2%
Infomedia Ltd	Australia	449.0	386.2	3.2	3.0	3.2	n/a	23.3%	7.8%	8.6%	8.1%	20.6%	22.6%
ReadyTech Holdings Limited[5]	Australia	373.3	406.4	5.2	3.9	5.2	n/a	56.5%	33.5%	14.8%	14.4%	36.5%	33.5%
Bigtincan Holdings Limited	Australia	370.1	334.1	3.1	2.2	2.8	2.7	146.2%	43.1%	16.0%	(9.2%)	3.8%	10.0%
ELMO Software Limited[6]	Australia	241.3	266.5	2.9	2.3	2.5	2.2	32.2%	28.0%	23.3%	19.5%	7.8%	17.8%
Global Productivity Software													
Adobe Inc.	United States	157,057.2	155,953.6	9.9	8.9	n/a	n/a	22.7%	11.5%	9.3%	13.3%	48.8%	49.9%
DocuSign, Inc.	United States	9,525.0	8,531.0	4.0	3.4	4.2	3.6	45.0%	17.5%	10.2%	11.2%	22.6%	20.0%
Dropbox, Inc.	United States	8,063.6	8,892.6	4.1	3.8	3.6	3.4	12.7%	7.5%	5.5%	6.6%	36.4%	37.5%
Open Text Corporation	Canada	7,828.7	10,639.6	3.0	3.1	3.7	n/a	3.2%	(1.0%)	2.7%	3.3%	36.2%	36.3%
Foxit Software	China	4,742.0	2,646.9	4.9	4.3	n/a	n/a	15.5%	13.1%	19.8%	17.3%	15.1%	6.9%

Source: S&P Capital IQ, Bloomberg, Refinitiv, Company financial statements; Kroll analysis. n/a is not available.

Notes:
1. As at 18 November 2022. Calculated as share price in A$ multiplied by the diluted number of shares outstanding.
2. Enterprise value is calculated as market capitalisation plus net debt, minority interests, preferred shares and leases.
3. EBITDA Margin is calculated as EBITDA divided by revenue for the applicable year.
4. Nearmap's market capitalisation and EV are measured as at 12 August 2022, the undisturbed share trading price prior to the receipt of an indicative $2.10 per share offer from Thoma Bravo on 15 August 2022.
5. ReadyTech's market capitalisation and EV are measured as at 31 October 2022, the undisturbed share trading price prior to speculation surrounding a transaction and prior to the receipt of an indicative A$4.50 per share offer from Pacific Equity Partners Pty Limited and its affiliates on 15 November 2022.
6. ELMO's market capitalisation and EV are measured as at 12 October 2022, the undisturbed share trading price prior to speculation surrounding a transaction and prior to the receipt of an indicative A$4.50 per share offer from Pacific Equity Partners Pty Limited and its affiliates on 15 November 2022.

Australian Software

Objective Corporation Limited

Objective provides information technology software and services in Australia, New Zealand and the United Kingdom. Objective's software enables customers to organise, discover and manage enterprise information and compliance. Objective's knowledge management software allows users to access and manage word processing documents, spreadsheets, web page content and e-mails. Objective's regulation technology software help government bodies manage regulation, compliance and enforcement processes and Objective's planning and building software help local councils assess and approve building plans. Objective has a strong public sector clientele and also serves the wealth, banking and insurance sectors.

Hansen Technologies Limited

Hansen develops, integrates and supports billing systems software for energy and utilities, communications and media sector businesses. Hansen provides consulting services related to billing systems and IT outsourcing. Hansen is headquartered in Melbourne and operates globally.

Megaport Limited

Megaport Limited provides NaaS to businesses in Australia, New Zealand, Asia, North America and Europe. Megaport's platform allows customers to connect their devices and applications to Megaport's interconnected infrastructure. Megaport's platform provides customers interconnectivity and flexibility between other networks and cloud providers connected to the platform. Megaport provides cloud connectivity, data centre integration and cloud routing services.

Nearmap Ltd

Nearmap provides cloud-based geospatial information services in Australia, New Zealand, Canada and North America. It primarily offers aerial imagery maps, such as vertical and oblique imagery, whilst also providing Nearmap 3D, Nearmap AI, and Nearmap on OpenSolar. Nearmap agreed to a A$967.9 million takeover offer from Thoma Bravo in July 2022, pending shareholder and regulatory approvals.

Infomedia Limited

Infomedia provides SaaS to the parts and service sector of the automotive industry worldwide. Infomedia develops and supplies electronic parts catalogues, service quoting software and Customer Relationship Management (**CRM**) solutions. Infomedia's electronic parts catalogues are used by various car dealers worldwide allowing them to find replacement parts required by a customer or service mechanic. Infomedia received non-binding takeover bids in June 2022, however no binding bids were received during the due diligence process.

ReadyTech Holdings Limited

ReadyTech provides SaaS technology for education and work pathways, workforce solutions, and government and justice markets in Australia. ReadyTech operates in three segments: Education, Workforce Solutions and Government and Justice. The education segment is a market leading provider of a student management system to vocational education and training, international and English languages and higher education providers. Workforce Solutions is a provider of payroll and employee management solutions, leveraging cloud-based technology. The Government and Justice segments provides case management SaaS to the government and justice sectors. ReadyTech received an indicative A$4.50 per share offer from Pacific Equity Partners Pty Limited and its affiliates on 15 November 2022. The discussions between ReadyTech and Pacific Equity Partners Pty Limited are ongoing and no agreement has been reached between the parties in relation to the value, structure or terms of a transaction.

ELMO Software Limited

ELMO operates as a software service provider. ELMO offers cloud-based talent management software solutions which includes hiring, recruitment, on-boarding, performance, learning, and pre-built e-learning courses. ELMO serves customers primarily in Australia, New Zealand and United Kingdom. ELMO agreed to an implied equity value of A$486 million proposed takeover from K1 Investment Management in October 2022, pending shareholder and regulatory approvals.

Bigtincan Holdings Limited

Bigtincan operates as a sales enablement automation company. The company's platform, Bigtincan Hub, delivers relevant content to the client and their sales teams to improve sales productivity and performance. Bigtincan also provides sales-specific learning and development content for clients to upskill staff.

Global Productivity Software

Adobe Inc

Adobe is a global diversified software company operating in three segments: Digital Media, Digital Experience and Publishing and Advertising. The Digital Media segment offers solutions to enable businesses and individuals to create, publish and promote content via Adobe Creative Cloud and Adobe Document Cloud. The Digital Experience segment provides an integrated platform and applications to execute and manage customer experiences. The Publishing and Advertising segment offers a range of products and services, including e-learning solutions, document publishing and web application development.

DocuSign Inc

DocuSign offers electronic signature products, enabling documents to be signed electronically from a variety of devices. DocuSign Agreement Cloud automates and connects the entire agreement process and enables integration with other systems.

Dropbox Inc

Dropbox is a collaboration platform provider. Dropbox's platform offers capabilities enabling users to create, share, organise and collaborate documents and content securely. Dropbox paper allows users to co-author content, work collaboratively, assign tasks and embed comments in real-time.

Open Text Corporation

Open Text Corporation is an information management company that offers an integrated portfolio of information management solutions delivered at scale in the OpenText Cloud, enabling organizations to optimise their digital supply chains. Open Text content services solutions include record management, e-signatures, archiving to ensure digital security. Open Text provides services and solutions to prevent, prepare and respond to cyber breaches.

Asana, Inc

Asana operates a global work management platform for individuals and businesses. Asana's platforms enable teams to orchestrate work from daily task management to cross-functional strategic initiatives including product launches and marketing plans.

Smartsheet Inc

Smartsheet provides a cloud-based enterprise platform to plan, capture, manage and report on work for teams and organisations. Smartsheet's products enable real-time visibility into the status of work programs, document access from multiple devices and automation of repetitive process.

Fujian Foxit Software Development Joint Stock Co. Ltd

Fujian Foxit develops PDF electronic document solutions across the document life cycle. Foxit's solutions include document generation, conversion, display, signature, protection and distribution management. Foxit also provides PDF software development products and cloud solutions.

Upland Software Inc.

Upland Software provides cloud-based enterprise work management software. Upland offers software applications across marketing, sales, customer support, IT, legal and human resources. Upland also provides professional services such as data implementation and extraction, training and integration services.

Comparable Transactions

The following two tables set out the key comparable transactions.

Comparable Transactions[1]

Announcement Date	Target	Acquirer	Percentage Acquired (%)	Implied Enterprise Value (100%) ($A millions)	Premium to 1 Week VWAP	Enterprise Value/ Revenue Historical (times)	Enterprise Value/ Revenue Forecast (times)	Enterprise Value/EBITDA Historical (times)	Enterprise Value/EBITDA Forecast (times)	Enterprise Value/ARR Historical (times)
26/10/2022	ELMO Software	K1 Investment Management	100.0%	478.6	56%	5.2	4.1	67.4	4.1	4.4
6/07/2022	Nearmap	Thoma Bravo, L.P.	100.0%	967.9	42%	6.6	5.3	58.2	5.4	5.8
14/12/2021	Tungsten Corporation	Kofax Limited	100.0%	135.3	na	2.0	n/a	10.6	n/a	n/a
10/11/2021	Connective NV	Nitro Software Limited	100.0%	110.0	na	11.5	8.5	n/a	n/a	13.3
18/10/2021	Class Limited	HUB24 Limited	100.0%	339.0	55%	6.2	5.2	26.7	n/a	5.7
15/09/2021	AccountSight	DocuSawy Technologies	100.0%	19.1	na	10.5	4.3	n/a	n/a	n/a
12/04/2021	Nuance Communications	Microsoft Corp.	100.0%	24,611.4	na	12.6	13.4	54.1	45.8	n/a
1/07/2021	rhipe Limited	Crayon Group Holding	100.0%	352.2	15%	5.3	4.3	21.2	16.4	n/a
12/11/2018	Nuance Document Imaging	Kofax Limited	100.0%	555.8	na	1.8	n/a	n/a	n/a	n/a
7/10/2018	MYOB Group Pty Ltd	KKR & Co. Inc.	80.1%	2,426.7	13%	5.5	5.0	12.8	12.9	n/a
31/07/2018	SpringCM Inc.	DocuSign, Inc.	100.0%	302.1	na	7.3	n/a	n/a	n/a	n/a
3/05/2017	Kofax Limited	Thoma Bravo, L.P.	100.0%	1,795.9	na	2.4	n/a	n/a	n/a	n/a

Source: S&P Capital IQ, Mergermarket, Company financial statements; Kroll analysis.
Note:
1. Transactions in local-denominated currencies are converted at the exchange rate prevailing at the announcement date.

ELMO Software Limited / K1 Investment Management, LLC

On 26 October 2022, K1 Investment Management agreed to acquire ELMO, entering into a Scheme Implementation Deed which valued ELMO at an implied EV of A$478.6 million. ELMO offers cloud-based talent management software solutions which include hiring, recruitment, on-boarding, performance, learning, and pre-built e-learning courses. The Scheme is pending shareholder and regulatory approvals.

Nearmap Ltd / Thoma Bravo, L.P.

On 6 July 2022, Thoma Bravo agreed to acquire Nearmap for an implied EV of A$967.9 million. Nearmap provides cloud-based geospatial information services and location intelligence content and is one of the ten largest aerial survey companies in the world by annual data collection volume. The Scheme is pending shareholder and regulatory approvals.

Tungsten Corporation Plc / Kofax Limited

On 14 December 2021, Kofax agreed to acquire Tungsten for an implied EV of A$135.3 million. Tungsten operates an e-invoicing network that provides trade finance and spend analytics.

Connective NV / Nitro Software Limited

On 10 November 2021, Nitro agreed to acquired Connective for an implied EV of A$110.0 million. Connective offers an eSignature software platform that provides services for digitally generating and signing documents and has significant market share in France and other European companies. The implied EV/Historical revenue multiple of 11.5 times is relatively high and reflects Nitro's expectations that the acquisition would improve Nitro's eSigning and document workflow capabilities, and Connective's substantial customer base with over 1,000 mid-market enterprise and government accounts across Europe.

Class Limited / HUB24 Limited

On 18 October 2021, HUB24 Limited (**HUB24**) agreed to acquire Class for an implied EV of A$339.0 million. Class distributes cloud-based accounting, investment reporting, document corporate compliance and administrative software for accountants, administrators, and advisers in Australia. HUB24's strategic rationale for the acquisition was to consolidate its market position as a provider of platforms, technology and data solutions for financial advisers, accountants, private banks, licensees, stockbrokers, and their clients.

AccountSight / DocuSavvy Technologies

On 15 September 2021, DocuSavvy Technologies, a subsidiary of Foxit, agreed to acquire AccountSight for an implied EV of A$19.1 million. AccountSight offers time tracking, expense tracking, billing and invoicing software. Foxit stated that the strategic rationale of the acquisition was to "*seize new opportunities in the paper-free information technology market*."

rhipe Limited / Crayon Group Holding

On 1 July 2021 Crayon Group Holding (**Crayon**) agreed to acquire rhipe for an implied EV of A$352.2 million. rhipe distributed sale and support of subscription software licenses on behalf of international software vendors (including Microsoft, VMWare, Inc and Citrix Systems, Inc) to approximately 3,500 IT service providers, system integrators and software resellers. rhipe did not develop the products it distributed. Crayon's strategic rationale for the acquisition was to solidify its market position in the Australia and New Zealand cloud services market.

Nuance Communications / Microsoft Corporation

On 12 April 2021 Microsoft agreed to acquire Nuance Communications for an implied EV of A$24,611 million. Nuance was provides conversation AI and cloud-based clinical speech recognition solutions for healthcare providers. Microsoft's strategic rationale for the acquisition was to grow its industry-specific cloud offerings. The relatively high EV/Historical revenue multiple of 12.6 times reflects Nuance's significantly larger size than the other target companies and may also reflect Nuance's status as a leader in the field of enterprise AI, and Microsoft's expectations that Nuances technology could be applied more broadly outside of the healthcare industry.

Nuance Document Imaging / Kofax Limited

On 12 November 2018 Kofax agreed to acquire Nuance Document Imaging (**NDI**) for an implied EV of A$555.8 million. Nuance Document Imaging was then a subsidiary of Nuance and provided print management and cost recovery software solutions. Kofax's strategic rationale for the acquisition was to incorporate NDI's scanning and print management capabilities into its product portfolio.

MYOB Group Pty Ltd / KKR & Co Inc.

On 7 October 2018, KKR & Co Inc. (**KKR**) agreed to acquire the 80.1% share of MYOB which it did not already own for an implied EV of A$2,427 million. MYOB provides accounting, payroll, tax and other business management solutions to small and medium sized businesses in Australia and New Zealand. At the time of acquisition, MYOB was progressing in its strategy of migrating its desktop application offerings to the cloud.

SpringCM Inc. / DocuSign, Inc.

On 31 July 2018, Docusign agreed to acquire SpringCM for an implied EV of A$302.1 million. SpringCM provides a cloud-based document and contract management platform that allowed customers to streamline the contract management lifecycle and automate various processes and workflows. DocuSign's strategic rationale for the acquisition was to allow it to help its customers modernise their contract management processes.

Kofax Limited, Thoma Bravo, L.P.

On 3 May 2017, Thoma Bravo agreed to acquire Kofax for an implied EV of A$1,795.9. Kofax provides information capture and business process management software to allow clients to automate manual business processes.

Part Two – Financial Services Guide

What is an FSG?

This Financial Services Guide ("FSG") is an important document that provides you with information to help you decide whether to use our financial services.

This FSG contains information on:

- who we are;
- who our authorised representatives are;
- how we can be contacted;
- certain financial services that we can offer you;
- how we, our authorised representatives and other parties involved in providing the financial services are paid in relation to the financial services we offer; and
- details of how you can make a complaint about us or the financial services we provide.

Who we are?

Kroll Australia Pty Ltd (ACN 116 738 535), ("We", "us" and "Kroll") is authorised to provide retail financial services on behalf of Millinium Capital Managers Limited (ACN 111 283 357) ("Millinium"), Australian Financial Services License ("AFSL") no. 284336, as a Corporate Authorised Representative ("CAR"). We have also appointed Mr. Ian Jedlin as an authorised representative to Millinium's AFSL (our "Authorised Representative"). All authorised representatives of Kroll are authorised representatives of Millinium. We aim to provide quality financial products and services to investors. Kroll acts on its own behalf when providing financial services.

Kroll has been engaged by Nitro Software Limited ("Client") to prepare an independent expert's report ("Report") in connection with the Potentia Offer. Nitro will provide our Report to you.

Our details

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Our Authorised Representative

Ian Jedlin
ASIC authorised representative: No. 000404117
Level 32, 85 Castlereagh St, SYDNEY, NSW 2000

Authorised Financial Services

Kroll is authorised by Millinium to provide the following financial services as their CAR:

- provide financial product advice in respect of the following classes of financial products:
- interests in managed investment schemes including investor directed portfolio services; and
- securities,
- with respect to retail clients and wholesale clients.

This FSG only relates to the provision of general advice by Kroll.

Personal Advice

Neither we nor our authorised representatives can provide you with personal advice. Personal advice is advice that takes into account your objectives, financial situation and needs. Where you are referred to a financial planner for personal advice, they will make reasonable enquiries to understand your personal objectives, financial situation and needs. Their personal advice, and any relevant warnings, will be provided to you in their Statement of Advice ("SOA").

Remuneration

Kroll charges fees for preparing reports. These fees will usually be agreed with, and paid by, the Client. Fees are agreed on either a fixed fee or a time cost basis. In this instance, the Client has agreed to pay Kroll A$175,000 (excluding GST and out of pocket expenses) for preparing the Report. Kroll and its officers, representatives, related entities and associates ("Personnel") will not receive any other fee or benefit in connection with the provision of the Report. All Personnel that provide general advice on our behalf in providing services are on contract to us and receive a salary or payments in accordance with their respective contracts. They may also receive a bonus, but it is not related to the general advice provided in the Report.

Kroll may provide professional services, including consultancy, business intelligence, transfer pricing and financial advisory services, to the person who engaged us and receive fees for those services Kroll and any of its associated entities may at any time provide professional services to financial product issuers in the ordinary course of business.

No individual involved in the preparation of this Report holds a substantial interest in, or is a substantial creditor of, the Client or has other material financial interests in the transaction.

Complaint Redressal

If you have a complaint, please let either Kroll or the Authorised Representative know. Formal complaints should be sent in writing to Complaints Officer, Kroll, Level 32, 85 Castlereagh St, SYDNEY, NSW 2000. If you have difficulty in putting your complaint in writing, please telephone the Complaints Officer on 02 8286 7227 and they will assist you in documenting your complaint. If the complaint cannot be settled in the first instance by Kroll, you should contact Millinium via the contact details set out below:

In writing:

Dispute Resolution Officer
Millinium Capital Managers Limited
GPO Box 615
Sydney, NSW, 2000

When your complaint is received by Millinium it will be entered onto Millinium's complaints register. All details of the complaint will be sent to the Disputes Resolution Officer who will investigate the circumstances of the complaint. If the Disputes Resolution Officer is unable to reach a satisfactory resolution of the complaint within thirty (30) business days of receipt, you should contact Australian Financial Complaints Authority ("AFCA"). The details are:

In writing:

https://www.afca.org.au/make-a-complaint
Telephone
1300 56 55 62 (local call rate)
Email
info@afca.orga.au
Website
www.afca.org.au

Please note that AFCA can currently only deal with claims for compensation up to A$1,085,000. Monetary limits and the AFCA terms of reference do change from time to time. Current details can be obtained from the AFCA website listed above.

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