

ASX Release

23 December 2014

Agreement to acquire Syncom Australia Pty Ltd

- **IMI has entered into an agreement in relation to the acquisition of Syncom Australia Pty Ltd**
- **Syncom is a leading provider of data centre based co-location and managed services, hosting and cloud computing services**
- **The proposed acquisition accelerates IMI's strategy to enter the co-location and managed services sector**
- **IMI expects to be profitable in 2015 after completing the acquisition**

Introduction

IMI Limited (ASX: IMI, IMIO) ("IMI" or "the Company") is pleased to announce that it has entered into an agreement ("the Agreement") in relation to the acquisition of Syncom Australia Pty Ltd ("Syncom") via a reverse takeover.

Syncom, through its subsidiary companies and group businesses, is a leading Australian based provider of managed IT services including enterprise grade dedicated and virtual server hosting, secure co-location services, high capacity network access, scalable cloud services utilising VMware software, data processing infrastructure, web hosting services, domain name registration and data storage devices to a wide range of individual, small business and corporate customers. Syncom operates 7,500 dedicated and virtual servers on behalf of more than 35,000 customers.

The Syncom group includes a number of businesses serving the rapidly growing managed services sector including:

- **iCentre** - provides wholesale data centre services such as co-location and IP transit services for the individuals through to large corporates at its secure co-location data centre facility in Milton, Brisbane;

- **Indigo** - provides enterprise grade server hardware from its Sydney data-centre, Indigo cloud infrastructure and co-location services - with a large network of dedicated and virtual servers Indigo is one of the largest dedicated hosting providers in Australia;
- **IntaServe** - provides fast and reliable web hosting and affordable domain registration; and
- **Dedicated Servers** - the original and one of the largest providers of dedicated servers, powering many Australian Web Hosting companies.

Syncom utilises data-centres in the heart of Sydney at Global Switch in Ultimo and Vocus DC in Alexandria and operates its own data centre in Brisbane at Milton. It is currently finalising an agreement to lease and operate the Datacom data centre facility at St Leonards in Sydney.

IMI reported at its Annual General Meeting on 28 November 2014 that the proposed acquisition by IMI of ADX Management Pty Ltd (ADX), manager of the Australian Data Exchange Property Trust has been subject to protracted delays. The delays have been outside of IMI's control, and key conditions of the proposed acquisition have not been satisfied. As a result, IMI has terminated the acquisition agreement with ADX.

Syncom reported unaudited earnings before interest, tax and depreciation of approximately \$2.0m in the year to 30 June 2014. Syncom aims to increase earnings via organic growth and by targeted acquisitions of consolidation opportunities in the data centre services and hosting sectors.

The acquisition of Syncom is consistent with IMI's strategy of focussing on the provision of data centre managed services and cloud computing services.

The directors of IMI believe that the acquisition of Syncom provides IMI with a more direct entry into the managed services sector, a faster path to profitability, and will be subject to substantially lower implementation risks.

The Australian data centre services market is expected to grow at a CAGR of 14% from 2013 to 2020 to reach A\$1,737m by 2020 with Managed Hosting growing more rapidly than Co-location services¹. Globally, cloud data centre traffic will grow at a faster rate (35% CAGR) or 4.5-fold growth from 2012 to 2017².

The Board believes that the entry into the data centre services market via the proposed acquisition of Syncom is in the interests of IMI shareholders and will prove to be a very positive step for the Company.

¹ Frost & Sullivan 2014

² Cisco Global Cloud Index 2012-2017

Acquisition Terms

The all scrip acquisition of Syncom is subject to shareholder approval and certain conditions precedent. The terms of the Heads of Agreement entered into between IMI, Syncom and Jon Eaves (controller of Syncom) contains the terms of the Acquisition, are as follows:

- (a) the agreement is subject to a number of conditions including:
 - satisfactory financial, legal, technical and commercial due diligence investigations by both Syncom and IMI;
 - entering into definitive transaction documentation with all of the shareholders of Syncom;
 - completion of the transfer of certain operating companies and assets to Syncom prior to completion;
 - completion of a minimum of \$3.0 million equity capital raising by IMI that is proposed to be underwritten ("**Equity Capital Raising**");
 - IMI shareholder approval of the matters the subject of this announcement; and
 - re-compliance with Chapters 1 & 2 of the ASX Listing Rules and re-admission to the official list of the ASX.
- (b) Under the Heads of Agreement, Syncom has undertaken to procure that IMI will acquire all the shares in Syncom from its existing shareholders. Consideration for the acquisition of Syncom is new IMI shares to be issued at 20 cents per share post-consolidation, with a value of approximately \$10.0 million, subject to adjustment based on a multiple of 5 times the annualised and aggregate audited maintainable Earnings before Interest, Tax, Depreciation and Amortisation of Syncom for the half year to 31 December 2014.
- (c) IMI will hold a shareholder meeting to seek approval for:
 - (i) the 1 for 125 share consolidation;
 - (ii) the issue of shares as consideration for the Acquisition;
 - (iii) the Equity Capital Raising;
 - (iv) change in the nature and scale of business arising from the Acquisition;
 - (v) change of name of IMI to Syncom Limited and associated change to the constitution;
 - (vi) appointment of the new directors;
 - (vii) the issue of 124 million options (on a pre-consolidation basis) to investors in a share placement announced on 19 December 2013. The options are exercisable at 0.2 cents (pre-consolidation) on or before 31 March 2019 ("**Option**"); and

(viii) other shareholder approvals as required to effect the acquisition of Syncom.

New Directors

On completion of the Acquisition, it is proposed that Mr Andrew Hardy, Mr Jamie Cullen and Mr Jon Eaves, will join the Board of IMI. The appointments will bring significant expertise to the IMI Board. Profiles of the proposed new directors are set out below:

Andrew Hardy - Chief Executive Officer elect

Andrew co-founded Harbour MSP in 2003 to provide data centre services to local and multi-national clients across a wide range of industries. Harbour MSP was cash flow positive within 18 months, and was sold to NTT Communications in 2013 with revenues of \$AUD40m and with 4,000 m2 of data centre space across 5 data centres in Sydney, Melbourne and Singapore.

Andrew has over twenty years' experience in the telecommunications and co-location services, including 7 years for MFS/Worldcom in senior sales and management positions in Japan and Europe.

Jamie Cullen – Proposed Non-Executive Director elect (B.Com, CA, F Fin, FAICD)

Twenty years experience as CEO of ASX listed entities - Resource Equipment Limited (2008 – 2014) and PCH Group Ltd (1994 – 2007), both specialist international rental and contracting businesses serving the mining, oil & gas and construction sectors. Previously finance and management executive in motion picture industry in Los Angeles and prior to that with PriceWaterhouseCoopers in Australia, New Zealand and Los Angeles.

Jon Eaves - Chief Operating Officer, Executive Director elect

Jon Eaves is the founder and major shareholder in Syncom and has built the combined business to an EBITDA of approximately \$2m in 2014 with no significant debt. Jon established the successful hosting business in 2001 which expanded into cloud computing, co-location, data centre services, and remote technical support. Jon sold his Sydney and Melbourne based co-location business to Vocus Communications in 2010 and retained the server and hosting business which has delivered continued growth.

Jon acquired Intaserve in 2012 and has since expanded the Syncom's services to include shared hosting and cloud hosting, and domain name registration. Jon has also led more recent acquisitions including hosting providers Unlimited Space and Dhost.

Richard Wadley, will continue as an executive director, and is Chief Financial Officer and Company Secretary of IMI.

On completion of the Acquisition, with the appointment of the new directors, existing directors Mr Nigel Blaze, and Mr Paul Burton will resign from the IMI Board.

The Board will consider the appointment of additional experienced potential executives and directors to further broaden the skills and expertise available to the Board. The Company expects to make an announcement regarding additional directors in the near future.

Re-compliance with Chapters 1 & 2 of the ASX Listing Rules

The proposed acquisition of Syncom constitutes a significant change in the nature and scale of the Company's activities of the nature contemplated by Chapter 11 of the ASX Listing Rules. As a result of changing the nature of its activities to the provision of technology services, various aspects of the transaction will need to be approved by shareholders and the Company will need to re-comply with the requirements of Chapters 1 and 2 of the ASX Listing Rules.

The Company intends to convene a meeting of shareholders as soon as practicable to approve the necessary aspects of the transaction. IMI will also issue a prospectus for the Equity Capital Raising to enable the Company to complete the Acquisition and support its intended development strategy. Further details will be provided in the Notice of Meeting and the Prospectus which will be sent to all IMI shareholders.

The Company expects its securities will be suspended from trading from the date of the meeting of shareholders and will remain in suspension until the Company satisfies the requirements of Chapters 1 and 2 of the ASX Listing Rules. It is anticipated that the IMI shareholder meeting will occur in early March 2015.

Proposed Share Consolidation, Equity Capital Raising and Use of Funds

IMI has received commitments for a convertible loan to sophisticated and professional investors introduced by Patersons Securities Limited to raise approximately \$300,000 before costs ("**Convertible Loan**"). The new funds will be applied towards costs of the Acquisition and capital raisings and towards general working capital. Subject to shareholder approval, the Convertible Loan will convert into IMI shares at \$0.0015 per share (equivalent to 18.75¢ post consolidation). Investors in the Convertible Loan will also receive a 1 free attaching option with every share on conversion, exercisable at 25¢ on or before 31 March 2019

The Company intends to seek shareholder approval to consolidate its shares on a 1 for 125 basis and to raise \$3.0 million via a prospectus offering. The Equity Capital Raising is expected include a priority offer to IMI shareholders of \$1.5 million. Investors will receive 1 free listed option for every 3 shares subscribed under the Equity Capital Raising (exercisable at 25¢ post-consolidation on or before 31 March 2019) ("**Option**").

The Company has appointed Patersons Securities Limited (“**Patersons**”) as Corporate Adviser in respect of the Acquisition and as Lead Manager to the Equity Capital Raising. The Equity Capital Raising is proposed to be underwritten, and further details in respect of the capital raising will be set out in the prospectus which the Company expects to lodge in January 2015.

The proceeds of the capital raising will be used to complete the Acquisition, to provide capital for potential acquisitions by Syncom, to pay the costs of the Acquisition and the Equity Capital Raising and for general working capital purposes.

Financial Impact of the Acquisition

Syncom Australia Pty Ltd is the new holding company for a number of private businesses providing data centre, hosting and managed services. The audited accounts for the Syncom group are currently being prepared, and will be disclosed in the Notice of Meeting. Under the acquisition terms between IMI and Syncom the acquisition consideration will be based on 5 x annualised audited Syncom group maintainable EBITDA for the 6 month period to 31 December 2014, paid in IMI scrip issued at 20 cents per share after a 1:125 share Consolidation.

Based on unaudited management accounts which are still subject to adjustment, the Syncom group had revenues of \$6.1 million in the year to 30 June 2014, and in the same period generated a gross profit of \$4.0 million, and EBITDA of \$1.8 million. As at 30 June 2014, Syncom had pro-forma Net Assets of \$5.1 million.

Capital Structure

The indicative capital structure of IMI is set out below on the basis of completion of the Consolidation, the minimum Equity Capital Raising and the Acquisition.

	Shares (m)	%	Options (m)	Gross Amount Raised (\$m)
Current Securities on Issue	952		718 ¹	-
Convertible Loan issue	200		200	\$0.3
Total pre-consolidation	1,152		918	\$0.3
After 1 for 125 consolidation	9.2	12.4%	7.3	-
Acquisition of Syncom	50.0	67.4%	-	-
Prospectus raising ²	15.0	20.2%	5.0	\$3.0
Prior Placement Options ³			1.2	
Total	74.2m	100%	13.5m	\$3.3m

- Existing options exercisable at 90¢ (post-consolidation) on or before 30 Sept. 2016.
- The Prospectus Offer is conditional on IMI shareholder approval and completion of the acquisition of Syncom Pty Ltd, re-compliance with Chapters 1 & 2 of the ASX Listing Rules and re-admission to the official list of the ASX
- Options to be issued in relation to a prior placement on the same terms as the Options, subject to shareholder approval
- Up to 5 million Performance Shares and 5 million Options are to be issued conditional on defined hurdles relating to specific EBITDA and EPS hurdles (tbd)

Details of the proposed share consolidation and the Equity Capital Raising will be set out in the Notice of Meeting and Prospectus expected to be lodged in January 2015.

Change of Company Name

The Company will seek shareholder approval to change its name to Syncom Limited to better reflect the nature of the company after completion of the Transaction.

Indicative Timetable

Event	Expected Date*
Dispatch Shareholder Meeting Documentation and Prospectus	Early February 2015
Shareholder Meeting, Complete Equity Capital Raising	Early March 2015
Suspend Company Shares	Early March 2015
Re-comply with Listing Rules 1 & 2	Mid March 2015
Complete Acquisition	Mid March 2015

* Shareholders should note that the timetable is indicative only and is subject to change. The Company will keep shareholders informed of the timing of implementation of the transaction as it progresses.

For and on behalf of the IMI Board

Nigel Blaze
Chairman