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The Manager  
Australian Securities Exchange  
Level 5, 20 Bridge Street  
Sydney NSW 2000



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**ACQUISITION OF TWO IT SERVICES AND TECHNOLOGY COMPANIES – TETRAN  
AND SKOOLBAG**

**Highlights**

- Binding share purchase agreements signed to acquire 100% of the shares in two unrelated companies, TETRAN and Skoolbag.
- TETRAN is a managed IT services and professional services company with over 90 employees across offices in Australia (HQ), New Zealand, Singapore and Centre of Excellence (CoE) in Sri Lanka.
- Skoolbag is a market leading software-as-a-service (SaaS) provider, via web and mobile apps to over 2,500 educational institutions, child care centres and sports clubs and used by more than 1 million end users.
- The acquisitions are expected to propel Montech's managed services and commercialised IP growth strategy and will make a significant contribution to Montech's fast growing recurring revenue base.
- For the first six months to 31 December 2015, the transactions represent combined additional revenues of \$5.5mil (over 50% recurring) and normalised EBITDA of \$1.1mil for the half year.
- TETRAN and Skoolbag's management teams will be retained in the businesses, thereby joining the Montech Group and Don Francis (CEO of TETRAN) will be joining the Montech Board of Directors.

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Montech has continued to actively pursue its acquisition strategy targeting value accretive acquisitions of synergistic businesses with a focus on delivering increasing recurring revenue.

Montech is herewith pleased to announce that it has entered into binding share purchase agreements to acquire 100% of the shares in the Tetran Group<sup>1</sup> "TETRAN" and separately in

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<sup>1</sup> Tetran Pty Ltd, Tetran NZ Ltd, T.I.M. Asia Pacific (PVT) Ltd, Tetran (Singapore) Pte Ltd.

an unrelated company, iimage Technical Services Pty Ltd “Skoolbag” (together the “Transactions”).<sup>2</sup>

TETRAN is a managed IT services and professional services company with over 90 employees across offices in Australia (HQ), New Zealand, Singapore and Centre of Excellence (CoE) in Sri Lanka. The TETRAN offering is synergistic with MOQdigital, bringing added scale through an international footprint, 24x7 operations and cross-industry customer base.

Skoolbag is a NSW based technology company providing software-as-a-service (SaaS) solutions to over 2,500 educational institutions, child care centres and sports clubs which is used by over 1 million end users.

Both TETRAN and Skoolbag are expected to propel Montech’s managed services and commercialised IP growth strategy, and will make a significant contribution towards Montech’s fast growing recurring revenue base. Over 50% of revenue for both TETRAN and Skoolbag is recurring revenue.

Speaking about the acquisitions, Montech Chairman, David Shein, said:

*“I’m very excited about both of the acquisitions and it demonstrates the execution of our strategy articulated in our initial prospectus. We stated that we were determined to grow both our recurring revenue streams and develop and acquire commercialised IP. TETRAN and Skoolbag will substantially grow our annuity revenues while Skoolbag provides us with a terrific mobile app in a key vertical for MOQ - education. The MOQdigital development team will enable us to enhance the already rich features of this app making it a must have service for parents, teachers and students.*

*TETRAN, with its offshore development and support centre also provides us with the opportunity to provide outstanding services to our existing and new customers efficiently and cost effectively.*

*However, nothing would have happened if both organisations, TETRAN and Skoolbag did not share the Montech values and culture, being an obsession with customer and staff satisfaction. We are excited to be working with the management teams of both companies and pleased to announce the appointment of TETRAN CEO Don Francis to our Board.”*

### **About TETRAN**

Founded in 2006, TETRAN offers managed IT services and professional services. With over 90 employees across offices in Australia, New Zealand, Singapore and a Centre of Excellence (CoE) in Sri Lanka. TETRAN has long-term relationships with predominantly mid-market customers across a range of industries in Australia (Sydney HQ), New Zealand, Singapore, Japan, London and New York. Customers include Qube, RCG Corporation, Meriton, Danone Nutricia, Downer, Sekisui House, The Fred Hollows Foundation, Nikko Asset Management, Toga Group and Rendezvous Hotels. Additional information about TETRAN is available at [www.tetran.com.au](http://www.tetran.com.au).

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<sup>2</sup> Subject to various condition precedents in the agreements.

TETTRAN have an experienced leadership team with a combined 80+ years of experience in the IT Services sector.

MOQdigital is particularly attracted to TETTRAN's well developed IT 24x7 managed services offering which translates into a high proportion of recurring revenues. The Sri Lanka CoE provides highly skilled resources at an attractive labour cost (and hence improved margins) that allows MOQdigital to offer an improved, expanded service offering to its client base.

TETTRAN and MOQdigital have already commenced partnering together and are confident that their expanded geographical reach and combined enhanced capabilities will improve their positioning with their merged client base and in winning new (multi-national) clients. Post completion, it is intended to integrate the businesses to extract synergies, including via complementary technology partner relationships and via the optimisation of services.

TETTRAN's CEO Don Francis commented that:

*“This is an exciting milestone for Tetran and we are thrilled with the opportunity that Montech and its Board have presented to us. I believe the blend of culture, leadership, people and customers across the organisations will fuel continued growth. This joining together brings significant complimentary value to both TETTRAN and the Montech Group's staff and customers, and through our combined strengths, we will continue to develop a stronger technology company with global reach.”*

### **TETTRAN Transaction Terms**

The purchase consideration is \$9mil (\$4mil in cash and 142,857,143 in MOQ shares). The deal also includes a performance based hurdle to enable the owners to earn up to a maximum 28,571,429 MOQ shares, scaled if FY16 EBITDA exceeds \$1.65mil.

TETTRAN revenue has grown by 20% CAGR (FY13-15) to \$7.5mil in FY15 with revenue in H1 FY16 at approximately \$4.5mil and the recurring revenue mix typically around 50%. In FY15 EBITDA was approximately \$1.1mil (normalised for market salaries) with FY16 on track to significantly exceed FY15, accordingly Montech anticipates TETTRAN to be an earnings accretive deal with budgeted FY16 EBITDA multiple expected to be circa 6x before synergies.

At completion of the Transaction, TETTRAN's CEO, Don Francis will be appointed as a Director of Montech.

### **About Skoolbag**

Launched in 2013, Skoolbag is a market leading SaaS solution for educational institutions, child-care centres and sports clubs. Skoolbag enables communication with parents or club members through a personalised smart phone or web application and has a strong reputation and customer satisfaction level. It has been implemented in over 2,500 institutions across Australia and overseas, and is used by more than 1 million end users.

Underpinned by a subscription fee revenue model, Skoolbag has experienced strong take up since the product was launched only a few years ago. It has approximately 20% penetration across both private and public schools in Australia (skewed to NSW with opportunity to

increase penetration geographically). Skoolbag has also been launched overseas, however Montech sees international expansion as a potential untapped opportunity.

Additional information about Skoolbag is available at [www.skoolbag.com.au](http://www.skoolbag.com.au).

Whilst it is anticipated that Skoolbag will remain a separate subsidiary under the Montech Group, it will benefit from the broader Montech leadership team experience, corporate, financial and marketing resources and MOQdigital's specialised software development, cloud, integration expertise and education industry relationships.

Education is MOQdigital's largest industry vertical and with MOQdigital applications development capability, there are broad opportunities to develop the platform domestically and internationally.

Speaking about the Skoolbag acquisition, Montech CEO, Nicki Page, said:

*"The Skoolbag acquisition enhances our SaaS capabilities with clear subscription revenue streams as well as the potential to build an education service that has a network effect -- meaning that the more people who use it, the more want to because of the value it adds to parents, schools, teachers and students. It is an ideal distribution platform."*

### **Skoolbag Transaction Terms**

The purchase consideration is \$3mil in cash. The deal includes performance based hurdles to enable the owners to earn up to a further 37,500,000 in MOQ shares per year for each of FY16 and FY17, based on achieving subscription revenue, customer acquisition and EBIT hurdles in FY16 and FY17 respectively.

Skoolbag revenue has grown by 30% CAGR (FY14-15) to \$1.7mil in FY15 with revenue in H1 FY16 of approximately \$1.1mil and a recurring revenue mix typically around 60% and growing. In FY15, EBITDA was approximately \$0.6mil (normalised for market salaries) and FY16 is on track to significantly exceed FY15. Accordingly, Montech anticipates Skoolbag to be an earnings accretive deal with budgeted FY16 EBITDA multiple expected to be less than 4x.

The Skoolbag vendors have committed to remain employed with the company.

### **Other Transaction Information**

Further details including an indicative timetable are to be advised in due course.

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