Montech Holdings Limited (ASX: MOQ)

Acquisitions and Business Update
March 2016

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MONTECH OVERVIEW

Strategy to develop, build and acquire complementary Cloud focussed technology businesses to capitalise on the emerging digital economy

- Management team with **proven track record**

- Cloud & IoT present a **big market opportunity**

- **MOQdigital** – cloud centric solutions and services offering clients applications, data, infrastructure and managed services

- Strong focus on **creating recurring revenue**

- Strategic focus on building an integrated cloud based services offering through **organic and acquisitive growth**

ASX	MOQ
52 Week Share Price	$0.03 - $0.05
Shares on Issue	1.08 billion
Market Cap	$41 million

Shareholders

Other investors

21%

79%

Directors & Management
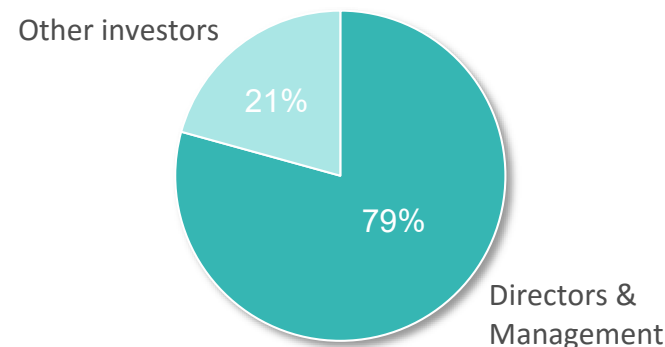
WELL CREDENTIALED LEADERSHIP TEAM
WITH A PROVEN TRACK RECORD

David Shein
Non-Exec Chairman

- Established Com Tech Communications and built it to revenues of $700m, 1,400 employees (Acquired by Dimension Data, 2001)
- Chairman & founding investor of Macromatix (Sold to TPG Ventures, 2012). Invests in and mentors early stage technology companies, many of which have been successfully exited

Nicki Page
Exec Director / CEO

- 20+ years in IT in both UK and Australia as a Computer Scientist
- Background in Technical and Sales with companies such as KAZ Computing and Microsoft
- 2014 ARN Women in ICT Entrepreneur of the year

Joe D'Addio
Exec Director / COO

- 35+ years in IT prof. services, technology consulting, system and network engineering
- Held key management & director positions building and leading IT businesses with Com Tech Communications, Dimension Data and co-founded Technology Effect

Scott McPherson
Exec Director / Director Solutions

- 20+ years experience at Com Tech Communications, Dimension Data
- Started as a systems engineer, transitioned into a solutions architect and then into practice management. Co-founded Technology Effect

Mick Badran
CTO

- 20+ years experience, mastermind behind projects that have achieved global recognition and renowned for ability to architect innovative integration solutions. Co-founded Breeze
- Awarded as a Microsoft Most Valuable Professional (MVP) every year since 2005

Matt Goggin
Sales Director

- 20+ years of IT industry experience with a focus on sales and building knowledgeable and customer focused teams
- Previously at Com Tech Communications, Dimension Data and Technology Effect

Ryan Millar
Sales Director

- 15+ years senior leadership experience in the UK and Australia growing revenue in companies such as Hewlett Packard as well as leading and building start-up companies
- Previously in a regional role at HP Software leading their Asia Pacific Security Software business

Jonathan Pager
Non-Exec Director

Michael Pollak
Non-Exec Director

Joseph Fridman
Non-Exec Director

CLOUD & IoT – A BIG OPPORTUNITY AS USERS, DEVICES, APPS AND DATA MULTIPLY

CLOUD & HYBRID SERVIECS MARKET

Global Demand
US$108bn
By 2017[1]

Australian Demand expected to **quadruple over five years** to
AUD$4.55bn
By 2018[2]

Cloud adoption drivers

- Increased flexibility, agility, speed and quality of service
- Scalability for keeping up with customer demands
- Cost efficiencies as businesses shift from Capex to Opex models
- An unprecedented amount of data is being created and businesses need to store, manage and harness this

$14 trillion
Est. value of the global IoT market by 2022[4]

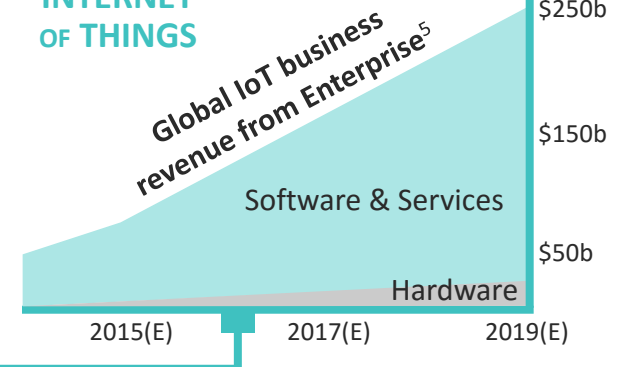## Internet of Things (IoT) adoption drivers

- Improved customer experience
- Reduced time to market
- Supply chain and logistics
- Reduced costs
- Increased employee productivity

90% of IoT services revenue will be generated by enterprise, not consumer[3]

INTERNET OF THINGS

Global IoT business revenue from Enterprise[5]

$250b

$150b

Software & Services

$50b

Hardware

2015(E)   2017(E)   2019(E)

AGREEMENTS TO ACQUIRE TETRAN AND SKOOLBAG

Transitioning along the 'Cloud Services Value Chain'
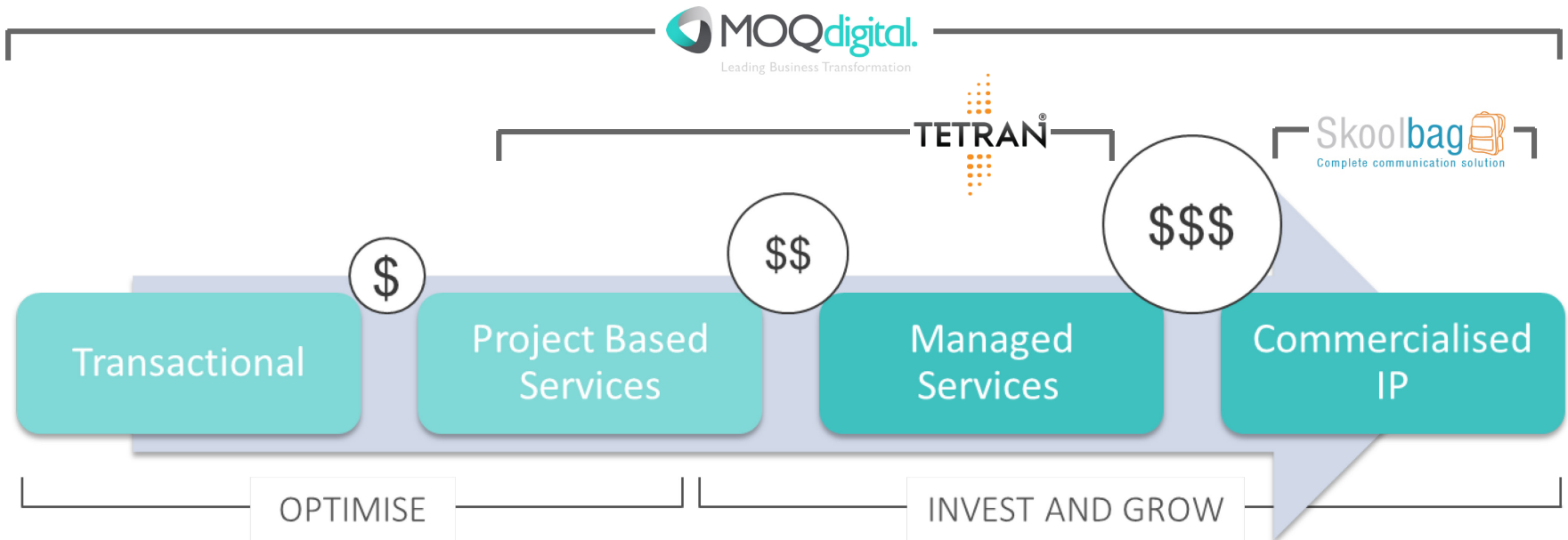
STRATEGIC RATIONALE:

✓ Propel Montech's cloud, managed services and commercialised IP growth strategy

✓ Acquisitions are immediately earnings per share accretive (assuming no synergies)

✓ Majority of revenue is recurring

AGREEMENT TO ACQUIRE 100% OF TETRAN GROUP

Company Overview

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.

Highlights

- Well developed IT managed services offering translating into a high proportion of recurring revenues
- Experienced leadership team with a combined 80+ years of experience
- International footprint with 24x7 operations
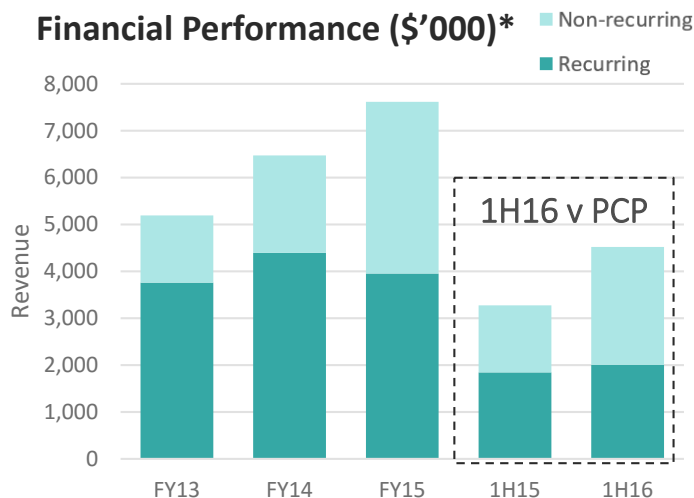- Cross industry customer base

Selected Customers

Technology Partners

TETRAN ACQUISITION OVERVIEW

Financial Performance ($'000)*

Legend: ■ Non-recurring ■ Recurring

Revenue (y-axis: 0 to 8,000)

1H16 v PCP

	FY13	FY14	FY15	1H15	1H16
EBITDA	401	696	1,065	349	528

*Note:
- Unaudited, normalised for market salaries
- FY15 reflects more conservative policy on recurring revenue classification and normalisation for market salaries

Strategic fit for MOQ

- Strong cultural fit

- Increased geographical reach and 24x7 managed services capabilities

- 20% Revenue CAGR (FY13-15)

- Revenue synergies through enhanced capabilities and merged client bases

- Improved positioning to secure larger & multi-national clients

- Sri Lanka CoE provides highly skilled resources at an attractive labour cost (and hence improved margins)

- Cost synergies through consolidation and optimisation of services

- Complementary technology partner relationships

Deal metrics

- Purchase consideration $9m ($4m in cash plus 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 $1.65m

- Earnings accretive deal with budgeted FY16 EBITDA multiple expected to be circa 6x before synergies

- Key management committed to a long term future with MOQ with CEO of TETRAN to join Montech Board.

- Completion expected April 2016

AGREEMENT TO ACQUIRE 100% OF SKOOLBAG
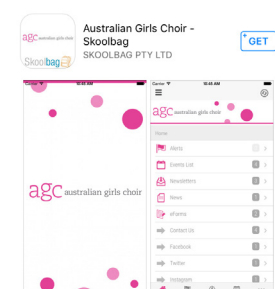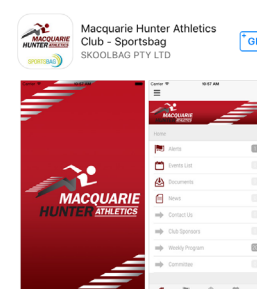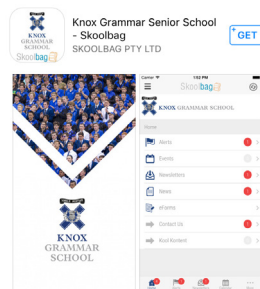

Company Overview

Skoolbag is a NSW based technology company providing software-as-a-service (SaaS) solutions to educational institutions, child care centres and sports clubs.

Skoolbag is well-known for it's 'Skoolbag platform' that enables schools to communicate with parents through a personalised smart phone/web application.

Highlights

- Market-leading product provides a compelling development/distribution platform
- Strong reputation and customer satisfaction
- Used by over 2,500 institutions across Australia and overseas
- Over 1 million end users
- Subscription fee revenue model
- With MOQdigital applications development capability, broad opportunities to develop the platform domestically and internationally

Selected Customers
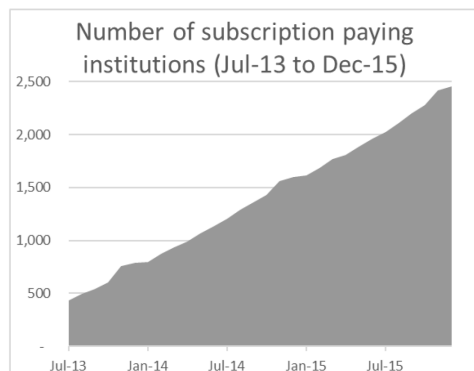
SKOOLBAG ACQUISITION OVERVIEW

Financial Performance ($'000)*

Legend:
- Non-recurring
- Recurring

EBITDA	263	632	355	546
	FY14	FY15	1H15	1H16

1H16 v PCP
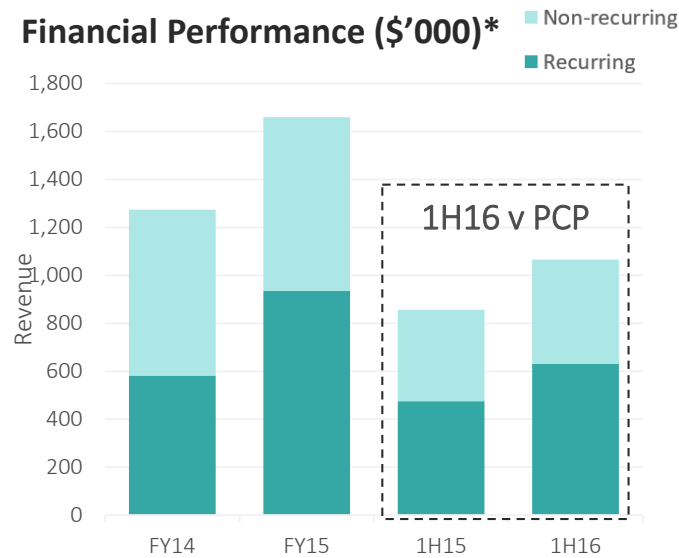
*Note:
- Unaudited and based on company's existing revenue recognition basis
- EBITDA Normalised for market salaries

Number of subscription paying institutions (Jul-13 to Dec-15)
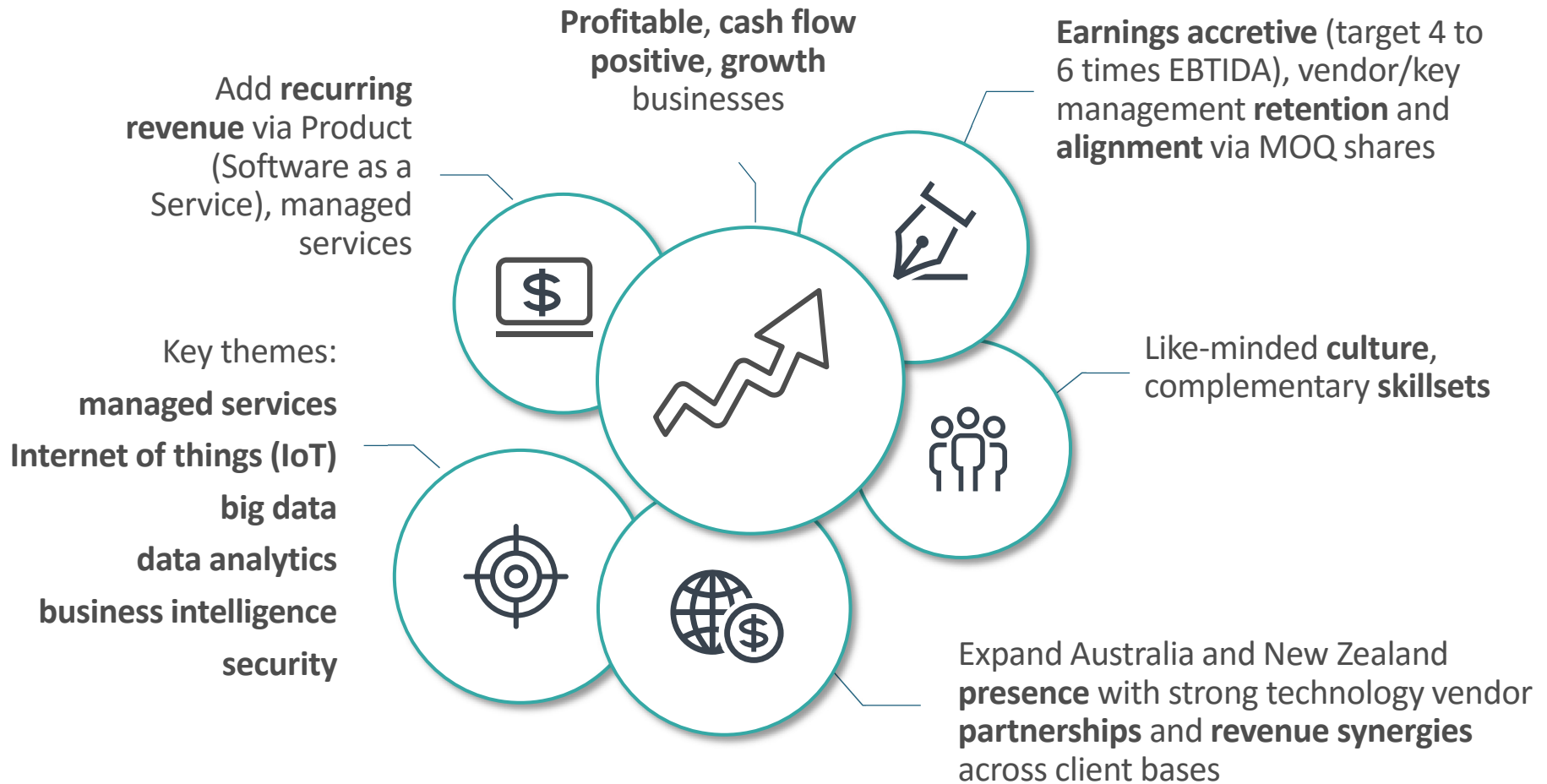
Strategic fit for MOQ

- Leading technology product in Education sector – MOQdigital's largest industry sector

- 30% Revenue CAGR (FY14-15)

- MOQdigital to add value via IT capability, product development, relationships and leadership team experience

- Distribution opportunity spreading across 2,500+ clients and over 1 million users

- Aligned focus on growing recurring subscription revenues - 60% and growing

- Entrenched product with c.20% school penetration in Australia (skewed to NSW with opportunity to increase penetration geographically)

Deal metrics

- Purchase consideration $3m 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

- Earnings accretive deal with budgeted FY16 EBITDA multiple expected to be less than 4x

- Completion expected March 2016

MONTECH REMAINS ACQUISITIVE

Add **recurring revenue** via Product (Software as a Service), managed services

Profitable, **cash flow positive**, **growth** businesses

Earnings accretive (target 4 to 6 times EBTIDA), vendor/key management **retention** and **alignment** via MOQ shares

Key themes:
managed services
Internet of things (IoT)
big data
data analytics
business intelligence
security

Like-minded **culture**, complementary **skillsets**

Expand Australia and New Zealand **presence** with strong technology vendor **partnerships** and **revenue synergies** across client bases

MOQDIGITAL 1H16 BUSINESS UPDATE

> **MOQdigital provides innovative solutions across data, applications and systems**

> Visit **moqdigital.com.au/what-we-do/** for a detailed description of our solutions and services

Investment in key areas of the business including:

- Tech Effect and Breeze merged and rebranded as 'MOQdigital'

- Moved to a larger QLD office

- Key hires - General Manager Finance, NSW Sales Director, NSW Sales BDM, Business Development Manager (M&A Capability), NSW & QLD Solution Architects and consultants

- Established NSW Optimised Platforms Practice and QLD Application Integration and Development Practice - combined offer has improved conversion rates

- Selected as one of Microsoft's Key Strategic IoT Partners

- Invested in Managed Services offering and enhanced existing 'application integration' solution – IoT Central

- Distribution Agreements for Business Intelligence (Panorama) and Security (Proficio) offerings

- Arranged working capital facility of 1.5m (undrawn) to fund growth

- Agreements to acquire TETRAN and Skoolbag

A number of these strategic investments have been made to build out business infrastructure and sales capability to support and absorb not just the first two acquisitions (Technology Effect and Breeze), but future acquisitions (including TETRAN and Skoolbag) in line with Montech's focused acquisition strategy.

Cornerstone acquisitions & re-listing (May 15)

1H16   *2H16*

MOQdigital integration & investment
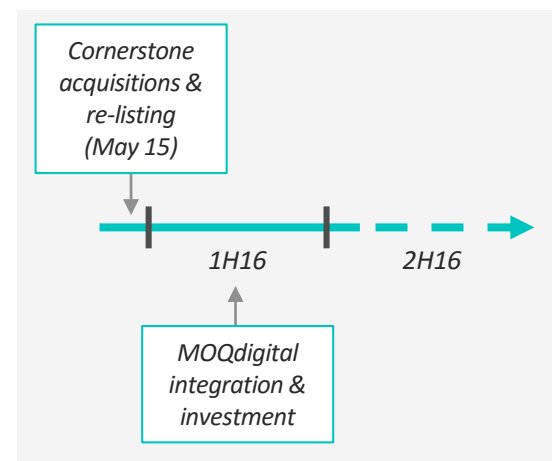
GROUP KEY FINANCIAL METRICS

Financial Summary $'000	FY15[1]	1H15	1H16	Variance
MOQdigital[1]				
Revenue	**29,676**	**15,452**	**16,959**	**10%**
Recurring Revenue	*2,717*	*1,271*	*1,883*	**48%**
Technology Sales	*16,801*	*8,891*	*10,049*	**13%**
Professional Services	*10,158*	*5,290*	*4,895*	-7%
Other	*-*	*-*	*132*	*-*
Gross Margin	**6,267**	**3,025**	**2,782**	-8%
Underlying EBITDA[2]	**2,329**	**1,155**	**366**	-68%
Pro-forma MOQ Group				
Group Overheads	**1,280**	**455**	**161**	-73%
Group EBITDA	**1,049**	**700**	**205**	-72%
Reported profit before tax[3]	**NA**	**NA**	**164**	-

Notes:

1. Pro-forma figures for FY15. Only one month of the FY15 P&L (being June 15) and the 1H16 figures have been subject to audit. Excludes FY15 goodwill impairment from June 15 acquisitions of Tech Effect and Breeze
2. Normalised for one-off merger and transaction related expenditure of $200k in FY15
3. Not comparable to prior periods

1H16 in context

- Significant investment in brand, sales, finance, infrastructure, IP & products, systems and M&A capability

- Strong first half revenue growth and pipeline showing early benefits from investment to date

- Recurring revenue up 48% on PCP

- Professional Services revenue/GP impacted by integration costs and diverted focus

- Two professional services projects resulted in large credit note of $280k - implemented new governance process to prevent similar issues reoccurring

- Technology sales includes mainly high-end equipment sold as part of integrated solutions with an average GM of 17%

- Reviewed in excess of 50 acquisition opportunities. Identified and progressed the TETRAN and Skoolbag transactions (now binding). For the first six months to 31 December 2015, the transactions represent combined additional revenues of $5.5m (50% recurring) and normalised EBITDA of $1.1m for the half year

SUMMARY OF BUSINESS UPDATE

- Leadership team with a proven track record of building technology businesses

- Cloud & IoT services is a big market opportunity

- MOQdigital – offers applications, data, infrastructure and managed services that enables mid-market enterprises and government to shift their infrastructure and applications to the cloud

  - Alliance with Tier 1 vendors

  - Diversified across industry sectors

  - Focus on creating recurring revenue

- Agreements to acquire 100% of TETRAN and Skoolbag

  - Earnings accretive acquisitions

  - Add recurring revenue via managed services and subscription (SaaS)

  - Adds geographic, product and skills capability

*Source: Telsyte, IDC, BI Intelligence

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