

ASX ANNOUNCEMENT

23 October 2020



CLARIFICATION ON PROPOSED SHARE BUYBACK

- Proposed Buyback price of between 18.5 cents and 19.5 cents per share, supported by net tangible asset backing post sale of cyber assets
- Buyback provides choice and flexibility to shareholders to tender as many or as little shares as they choose to be bought back
- Buyback will require shareholder approval to proceed

Vortiv Limited (“Vortiv” or “the Company”) is pleased provide further details on proposed use of proceeds from the sale of its cybersecurity businesses (“Business”).

Proposed Buyback price of 18.5 cents to 19.5 cents per share

As announced on 22 October 2020, Vortiv intends to return to shareholders a significant portion of the net cash proceeds from the sale of its cybersecurity businesses (Business).

Subject to the outcome of an ATO Class ruling, the intends to Board distribute approximately \$20 million in net sale proceeds to Shareholders by way of a limit-based, equal access share buyback (the “Buyback”).

The Buyback price is estimated to be between 18.5 cents and 19.5 cents per share, supported by the expected net tangible asset backing of the Company following completion of the sale of the Business after taking into account, tax payable on the sale of the Business and on current year profits.

Buyback provides choice to shareholders over and above other options

The Board considered and sought advice on a range of potential options on how to best return proceeds to shareholders, with a view to maximising shareholder choice and flexibility in respect of how they chose to participate in such a return.

The intention to undertake a limit-based equal access share buyback provides shareholders with significant flexibility and choice, based on individual circumstances and investment goals, to either:

- tender all the shares they hold to be bought back by the Company;
- tender a portion of the shares they hold to be bought back by the Company and remain partially invested in Vortiv; or;
- not participate in the Buyback and remain fully invested in Vortiv.

In addition the Buyback can provide improved capital management outcomes above an equal access capital reduction (EACR), as:

- Buyback provides shareholders who wish to sell their shareholding to do so, avoiding the potential of having to “dump” their shares on market; whereas
- EACR would see approximately 14 cents per share returned to shareholders (whether they wished to receive such proceeds or not), with none of their shares purchased – those wanting to

then sell their shares, would be forced to do so in an illiquid market, potentially placing significant downward pressure on the share price.

Example:

Vortiv undertakes the Buyback at a price of 19 cents per share, with a maximum of \$20 million in shares to be bought back. This provides for a maximum of 105.26 million shares to be bought back.

Scenario 1 – Tenders for 100 million shares received from all shareholders

Shares tendered: 100.00 million

Maximum limit: 105.26 million

As the total number of shares tendered is less than the maximum limit, then all shares tendered for sale by shareholders will be purchased and cancelled by the company. This means that all shareholders that wished to sell out, did so and all those who wished to remain either partially or wholly invested also did so.

Scenario 2 – all shareholders tender all of their shares

Shares tendered: 140.56 million

Maximum limit: 105.25 million

Scale back percentage: 74.9%

Under a limit-based equal access share buyback, where tenders in excess of the limit are received, then all tenders are scaled back proportionately. In this example, all shareholders would have 74.9% of their shares tendered, bought back by the Company and would continue to hold the balance of shares. Total shares on issue would then be reduced to 35.31 million.

Tax characteristics of the Buyback

Over the coming week, Vortiv will apply to the ATO for a Class ruling, seeking confirmation of the related tax treatment of the Buyback. For tax purposes, part of the proceeds received under the Buyback will be treated as a dividend and part will be treated as a return of capital. A return of capital reduces the shareholder's cost base per share by the amount of capital received, subject to a minimum cost base of zero, with any surplus capital return treated as a capital gain.

Following payment of the tax due on the gain on sale of the Business, the Company will have sufficient franking credits to pay fully franked dividends of approximately \$8 million. These franking credits could therefore be attached to the dividend portion of the proceeds received under the Buyback.

If a favourable Class Ruling is not issued by the ATO, the Company will obtain further advice to determine a tax effective alternative to the Buyback.

Buyback must be approved by shareholders

The Company will need to obtain shareholder approval at a meeting of shareholders before it can proceed with the Buyback.

Released with the authority of the Board.

For more information:

Jeffrey Lai
Managing Director
jlai@tsiplc.com.au

About Vortiv

Vortiv Ltd (formerly Transaction Solutions International) is a technology-based company focused on cybersecurity and cloud infrastructure and security. The Company acquired 100% of Decipher Works in August 2017 and 100% of Cloudten Industries in January 2019. Vortiv also holds a 24.89% interest in TSI India, a company having 400 employees, which has created a scalable operation in the field of e-transactions and payments in India. TSI India owns and manages ATMs for over 30 major banks and offers Bill Payment services to a number of utility companies in India.

Cloudten is a cloud and cloud security service provider to the enterprise segment. Cloudten is the first AWS service provider in Australia to attain Government, Security and DevOps Competencies. Cloudten has assisted numerous government, financial institution and large enterprise clients migrate, secure and manage their infrastructure in the cloud.

DWX is a cybersecurity service provider specialised in identity and access management (IAM). DWX is the largest Australian pure-breed IAM service provider and partners with leading global cloud and on-prem IAM technology vendors to design, build and manage solutions for financial institutions and government agencies.

Forward Looking Statements

Certain statements contained in this document constitute forward looking statements. Such forward-looking statements are based on a number of estimates and assumptions made by the Company and its consultants in light of experience, current conditions and expectations of future developments which the Company believes are appropriate in the current circumstances. These estimates and assumptions while considered reasonable by the Company are subject to known and unknown risks, uncertainties and other factors which may cause the actual results, achievements and performance of the Company to be materially different from the future results and achievements expressed or implied by such forward-looking statements. Forward looking statements include, but are not limited to, statements preceded by words such as “planned”, “expected”, “projected”, “estimated”, “may”, “scheduled”, “intends”, “anticipates”, “believes”, “potential”, “could”, “nominal”, “conceptual” and similar expressions. Investors are cautioned that forward looking information is no guarantee of future performance and accordingly, investors are cautioned not to place undue reliance on these forward-looking statements.