

ASX ANNOUNCEMENT

Family Zone Cyber Safety Limited

ASX:FZO ("Family Zone" or the "Company")



Our mission is to protect & support
every child's digital journey.

FAMILY ZONE ACQUIRES US K-12 FILTERING PROVIDER CIPAFILTER

Family Zone is pleased to advise that it has acquired Cipafilter.

Highlights

- Cipafilter has been supporting the US K-12 market with a focus on the midwest USA since 1999.
- Cipafilter offers a fully on-premise platform and has an established reputation for quality and service with high customer and staff retention.
- The Company has acquired the Cipafilter business through the 100% acquisition of the shares in its holding company Derbytech Inc.
- Cipafilter has 18 experienced and highly competent technical, sales and support staff. And supports more than ~580 K-12 clients and 400,000 students.
- Cipafilter is profitable, cash flow positive and generates circa AU\$3 million of annual revenue through multi year contracts for provision of filtering, firewalling and associated hardware¹.
- The acquisition of the Cipafilter offers the Company access to specialist and highly relevant technical and sales expertise in the US plus expands opportunities to cross-sell the Company's cloud based, classroom and safeguarding solutions.
- Agreed consideration is US\$4.5 million in Family Zone shares at the 30-Day VWAP representing 13,116,316 Shares plus an estimated US\$3.0 million in cash to be paid out in 30 monthly installments.
- The transaction aligns with Company strategy for acquisitive growth where opportunities provide access to complementary capability or distribution.

¹ Based on 31 December 2021 proforma financial report of Derbytech Inc.



"We are delighted to welcome the Cipafilter team and customers into our family and look forward to integrating the business and technology into our world leading platform." Tim Levy Managing Director, Family Zone Cyber Safety Limited.

"When considering the future of Cipafilter we could not have chosen a better home than within the Family Zone group. The Family Zone vision and values and impressive recent integrations of Smoothwall and NetRef provided us the confidence that our team, customers and legacy will be preserved and built on." Alan and Andrew Derbyshire. Cipafilter.

Background to Cipafilter

Cipafilter was established by Alan Derbyshire of DerbyTech Inc in Illinois in 1999 as a response to the emerging need of content filtering in schools and the Children's Internet Protection Act (CIPA) which was formally enacted in 2000.



Cipafilter has established a reputation for service quality and loyalty, enjoying remarkably high rates of client and staff retention. Cipafilter operates in Illinois with a particular focus on the midwest.

Cipafilter was the preferred filtering partner of Net-Ref, the classroom technology acquired by Family Zone in mid 2021.

Cipafilter generates circa AU\$3 million through multi year contracts for provision of filtering, firewalling and associated hardware. On a proforma basis Cipafilter is profitable and cash flow positive in excess of A\$1.5 million per year.²

Strategic Rationale

The acquisition of Cipafilter aligns perfectly to the Company's growth strategy, as it:

- Bolsters the Company's US engineering team following the acquisition of Net Ref in 2021;
- Expands the Company's sales & support capability with a high quality east coast team; and
- Immediately increases the Company's client base creating opportunities for cross selling the Company's range of cloud, classroom and safeguarding solutions which the Company has been undertaking successfully particularly since the SmoothWall acquisition in August 2021.

² Based on Sep 30, 2021 financial reports adjusted for costs not assumed by the Company.



Agreement Details

Key Terms and Parties

The Company has entered into a Share Sale Agreement to acquire 100% of the shares of DerbyTech Inc which owns the Cipafilter business. Key terms include:

- Agreed consideration comprises US\$4.5 million in Family Zone shares based on the 30-Day VWAP to 28 February 2022 (representing 13,116,316 Shares) plus circa US\$3.0 million net in cash to be paid out in 30 monthly installments.
- Shares issued under the transaction are subject to orderly realisation arrangements within which the Company must first be consulted with respect to any material trades.
- The agreement includes typical warranties and indemnities and rights to set-off against the earn out consideration.
- The agreement includes transfer of staff and obligations to the Company plus provisions for staff incentives for retention.

This announcement was made on 28 February 2022 and was authorised by the Board of Family Zone Cyber Safety Limited.

About Family Zone

Family Zone, **supporting and protecting every child's digital journey**, is an ASX-listed technology company and an emerging leader in the fast growing global cyber safety industry. Family Zone's unique innovation is its patented cyber safety ecosystem, a platform enabling a world-first collaboration between schools, parents and cyber safety educators. Family Zone's unique approach is delivering rapid growth in the education sector, as well as through direct sales and scalable reseller arrangements with telco providers.

To learn more about the Family Zone platform and the Company please visit www.familyzone.com.

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