

Tuesday, 8 November 2016

Swift to acquire Web2TV and Living Networks

ASX: SW1

Highlights:

- **Swift to acquire two businesses - Web2TV and Living Networks - providers of entertainment and telecommunications services to Aged Care facilities and Lifestyle Villages.**
- **Acquisitions increase Swift's presence in New South Wales and Victoria in line with the Company's expansion plans.**
- **Swift's footprint to increase to approximately 40,000 room subscriptions.**
- **Two deals with a total upfront consideration of \$625,000 in cash and \$100,000 in escrowed SW1 shares - an accretive transaction with low cost to acquire.**
- **Milestone payments totalling \$1 million in cash and \$1 million in SW1 shares will be payable following the achievement of \$7.1 million in new annualised revenue.**
- **Acquisitions leverage Swift's existing infrastructure, fast-tracks subscriber growth and expands the Company's presence in the Aged Care and Retirement lifestyle village sectors.**
- **Binding commitments received for share placement to sophisticated and institutional investors, to raise \$2.0 million (before costs) to fund acquisitions and to provide growth/working capital.**

Perth, Australia — Leading digital entertainment and communications service provider Swift Networks Group Limited (ASX: SW1, "Swift" or "the Company") is pleased to announce that it has received binding commitments to raise \$2.0 million in a placement up to 8.7 million shares to sophisticated and institutional investors at \$0.23 per share. Net proceeds of the capital raising will fund the acquisitions of Web2TV and Living Networks, provide working capital and further strengthen the Company's balance sheet.

The acquisition of Web2TV and Living Networks enhances Swift's presence in the Aged Care and Lifestyle verticals and brings significant growth potential through the acquisition of two profitable, established providers of entertainment and telecommunication services to Aged Care facilities and Lifestyle Villages.

Swift Networks Group Chief Executive Officer, Xavier Kris, said:

"I am delighted to welcome Web2TV and Living Networks to the Swift Networks Group."

"This transaction accelerates the strategic plan for vertical and geographical expansion outlined in the Company's prospectus, broadens our service offering and represents a giant leap for Swift into the Aged Care and Lifestyle Village sector Australia wide."

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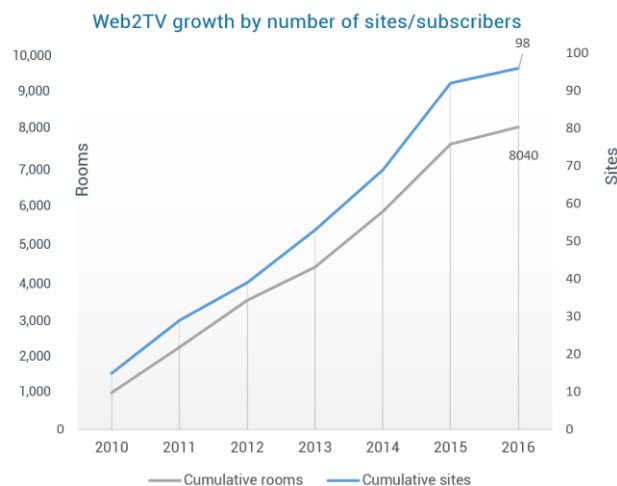
“My fellow directors and I are excited by the opportunities that Web2TV and Living Networks will provide for Swift to service clients in the rapidly expanding Aged Care and Retirement Lifestyle Village industries.”

“We believe the Swift solution’s strong cross-market appeal, functionality, competitive pricing and international compliance can drive strong uptake of the Company’s full suite of services in these new verticals and we expect the amalgamation of the businesses to deliver an increasingly compelling value proposition to accommodation providers, their guests and residents.”

Web2TV: fast-tracked subscriber growth at a low cost-to-acquire

Web2TV delivers customisable TV services to Aged Care facilities and Lifestyle Villages.

With a growing footprint in New South Wales, Victoria, Queensland and Western Australia, Web2TV brings 8,040 installed subscribers and established relationships with 27 operators including Regis Healthcare Ltd (ASX: REG) and Uniting Care.



Acquiring Web2TV at an upfront cost of less than \$50 per subscriber represents compelling value for Swift compared to industry average transaction multiples of more than \$500 per subscriber.¹

¹ Source: **The Australian**: 4 Jan 2016, **M2**: total transaction value of \$204 million divided by the number of users reported: http://www.computerworld.com.au/article/456544/m2_acquire_dodo_makes_an_offer_efel/, **Internode**: total transaction value of \$105 million divided by the number of users <https://www.iinet.net.au/about/mediacentre/releases/20111222-iinet-to-acquire-internode>

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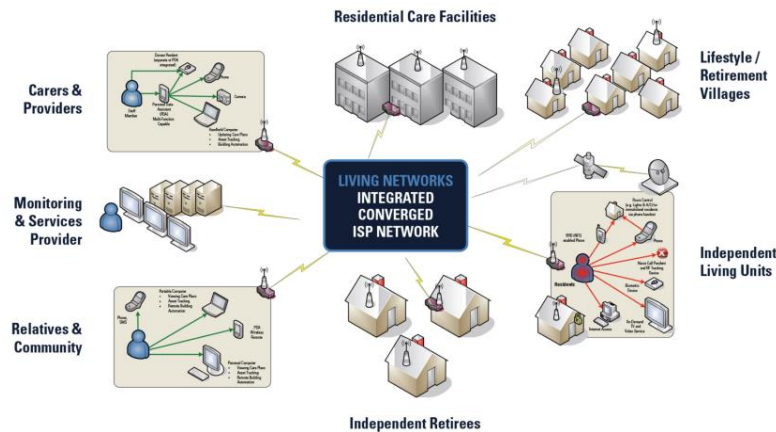
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Living Networks

Living Networks is a provider of mobile, fixed line and internet services tailored with benefits for subscribers over the age of 50.

Living Networks brings 1,736 subscribers across the Lifestyle and Retirement Living sectors with established relationships covering 22 villages in Western Australia, including marquee clients National Lifestyle Villages and RAAFA (Royal Australian Air Force Association).



In addition to subscribers, Living Networks brings unified billing systems which Swift can leverage across its business and increases the Company's potential service offering to current Swift clients through mobile phone plans. The group offers significant business growth potential as it is currently servicing only 38% of the addressable customers in the villages where it operates.

Strategic rationale

Swift has identified significant operating synergies between its existing business, Web2TV and Living Networks, and sees a strong likelihood of upselling its existing services to newly acquired clients with its more comprehensive, higher-value service offering.

Acquiring two businesses allows Swift to take decisive advantage of a fragmented service industry within the aged care and retirement lifestyle village vertical, which has a market size growth forecast to 900,000 rooms by 2020.

On completion, Swift Networks Group will service approximately 40,000 subscribers across Australia.

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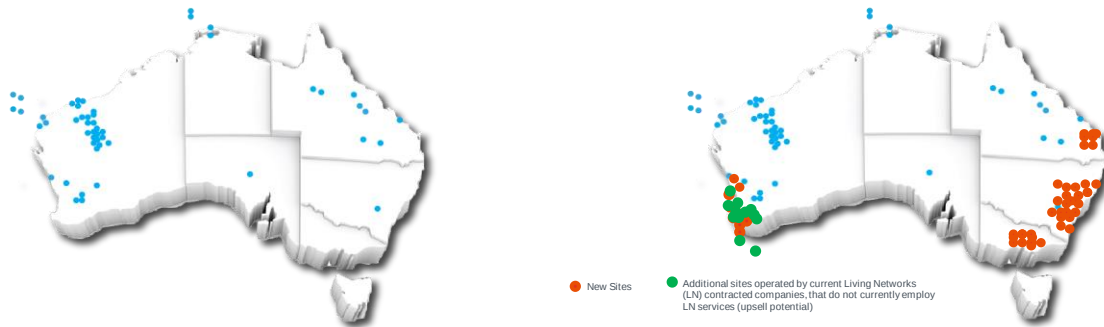
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Existing Sites (approx. 30,000 subscribers / rooms)

Upon Completion (approx. 40,000 subscribers / rooms)



Transaction structure

- Milestone payments totalling \$1 million in cash and \$1 million in SW1 shares will be payable following the achievement of \$7.1 million in **new annualised** revenue generated from services provided to Web2TV and Living Networks client sites.
- The material terms of the acquisitions of Web2TV and Living Networks are attached to this announcement. Also released today is an Investor Presentation providing additional detail regarding the strategic rationale behind the acquisitions.
- With Web2TV and Living Networks combined FY16 recurring revenue (unaudited) of \$1.516 million, the Company intends to utilise any future operational cash flow to fund the performance milestone cash payments.

Hartleys Limited acted as the Lead Manager to the share placement.

The Company's shares will be released from trading halt after lodgement of this announcement with the ASX.

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About Swift Networks Group Limited

Swift Networks Group Limited (ASX: SW1) is a diversified telecommunications and digital entertainment business providing fully integrated solutions for the Resources, Hospitality, Lifestyle Village and Aged Care sectors.

The company's services include free-to-air television, pay television, telecommunications, Internet, data, wireless networks and streaming video on demand with content from some of Hollywood's largest studios.

With a blue-chip client base of household names, Swift Networks provides its services to tens of thousands of rooms with distribution capability throughout the Asia Pacific region.

Key Company Facts

- FY16 reviewed revenue of \$14.42 million
- More than 29,000 room installations with 93% of revenue recurring in nature
- Subscriber (room) growth of more than 37% from June 2015 to June 2016
- Contract retention rate of 97% with customers and partners including Telstra, BHP Billiton, National Lifestyle Villages, Foxtel, Optus, Bechtel and Alcatel-Lucent
- Excellent contract win ratio with a 91% tender success rate
- Winner of the Australian Hotels Association (AHA)'s "Best New Hospitality Product" Award, 2016

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Acquisition of Web2TV

The key material terms of the Web2TV Agreement include:

Business acquisition

The Company will acquire the internet television services business (**Web2TV**) from ACOLAS Pty Ltd as trustee for the ACOLAS Trading Trust and Web2TV Pty. Ltd (**Seller Group**).

Launch of Integrated Product

The Company will integrate functionalities of the Web2TV system into its own platform (**New Product**) in line with agreed functional specifications by 1 March 2017 or as agreed.

Consideration

The following consideration is payable by the Company for the acquisition of Web2TV:

- at completion, \$425,000 in cash (subject to adjustment for outgoings, advanced payments and stock value); and
- up to \$1,500,000 in cash and shares in the Company, in equal proportions (**Deferred Consideration**) payable when the annualised new gross revenue generated from existing Web2TV sites or from sales made by Ben Hannemann reaches various targets within 5 years from when the New Product is launched, as follows:

Gross Revenue Target	Payment Due (equally in cash and shares)
\$2,000,000	\$500,000
\$2,500,000	\$125,000
\$3,000,000	\$125,000
\$3,500,000	\$125,000
\$4,000,000	\$125,000
\$4,500,000	\$125,000
\$5,000,000	\$125,000
\$5,500,000	\$125,000
\$6,000,000	\$125,000

The Company reserves the right to elect to pay any remaining Deferred Consideration that may become payable in the future in full, regardless of whether Gross Revenue Targets have been or are likely to be achieved.

To the extent that shareholder approval is required, in the event that the shareholders of the Company do not approve the issue of the shares as consideration, the Company will pay the equivalent amount in cash to the Seller Group.

If the New Product is not launched within 12 months from completion, the first payment of \$500,000 will be due and payable within 30 days of written notice from ACOLAS Pty Ltd.

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Conditions precedent

Completion of the acquisition of Web2TV is conditional upon certain conditions precedent, including:

- assignment of customer contracts representing at least 90% of the revenue of the business to the Company;
- assignment of certain Web2TV intellectual property;
- employment of nominated key Web2TV employees (including Ben Hannemann); and
- completion of due diligence by the Company to its absolute satisfaction.

Transitional services

The Seller Group (and/or Alliance Software Pty Ltd (**Alliance**)) will provide transitional services at no cost for a period of 4 weeks after completion, thereafter at cost for a period of 5 months, and at cost plus 20% for 7 months after that. The provision of the transitional services is to be undertaken by Nick Taylor and Cassandra Barrett and is subject to their ongoing employment with the Seller Group or Alliance.

Licence to Bazooka software

Alliance grants to the Company a non-exclusive and royalty free licence (including the right to sub-licence) to use the Bazooka software in Web2TV.

First right of refusal

For a period of 7 years after completion, ACOLAS Pty Ltd has a first right of refusal to acquire the Web2TV assets back if the Company is to be liquidated, wound up or subject to any event that has a similar effect (subject to approval by the relevant insolvency administrator).

Option to license office premises

Alliance grants to the Company an exclusive option to license an office located in its premises in Nunawading.

Cancellation of shares in the event of breach

In the event that the Company is entitled to recover an amount from the Seller Group for breach of a warranty or the agreement, the Company may elect to recover the amount by cancelling shares that have been issued to the Seller Group.

Non-compete, warranties and indemnities

There are customary non-compete provisions for the Seller Group and its associated parties, and customary warranties and indemnities given by the Seller Group. The agreement is otherwise on terms considered standard for an agreement of this nature.

Acquisition of Living Networks

The key material terms of the Living Networks Agreement include:

Business acquisition

The Company will acquire the telecommunication, data and networking services business known as Living Networks (**Living Networks**) from Living Networks Enterprises Pty Ltd and Australian Pensioner & Lifestyler Choice Pty Ltd (**Seller Group**).

Consideration

The following consideration is payable by the Company for the acquisition of Living Networks:

- upon completion:
 - \$200,000 cash (subject to adjustment for outgoings and advanced payments); and
 - \$100,000 in shares in the Company calculated at the VWAP of the shares for the 10 days preceding issue; and
- up to \$500,000 in cash and shares in the Company (calculated at the VWAP of shares for the 10 days preceding issue), in equal proportions payable in the first 3 years after completion, as follows:
 - a payment of \$300,000 upon \$800,000 gross revenue; and
 - a payment of \$200,000 upon \$1,100,000 gross revenue.

Following completion, the gross revenue is calculated based on the annual gross revenue received from Living Networks Enterprises Pty Ltd's existing operator sites and client sites minus \$900,000 for the following 12 month period. The annual gross revenue calculation is then reset to zero at the beginning of each subsequent 12 month period.

To the extent that shareholder approval is required, in the event that the shareholders of the Company do not approve the issue of the shares as consideration, the Company will pay the equivalent amount in cash to Living Networks Enterprises Pty Ltd.

Living Networks Enterprises Pty Ltd agreed to enter into a voluntary escrow agreement to restrict any trading of the shares issued to it as consideration for a period of 12 months from completion.

Conditions precedent

Completion of the acquisition is conditional upon certain conditions precedent, including:

- assignment of material Living Networks contracts;
- assignment of certain Living Networks intellectual property; and
- completion of due diligence by the Company to its absolute satisfaction.

Transitional services

The Seller Group will provide transitional services at no cost for a period of 4 weeks after completion, and thereafter for a period of 12 months at \$3,000 (ex GST) per month for up to 10 hours of transitional services per month.

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Employment offer

The Company will make offers of employment to Corey Packer, Pavel Volsky, Gwen Norfor, and Danielle Kane, the key employees of Living Networks.

Right to use office premises

The Living Networks Enterprises Pty Ltd grants to the Company the right to use office space within its premises for a period of 45 days following completion at no cost.

Non-compete, warranties and indemnities

There are customary non-compete provisions for the Seller Group and its associated parties, and customary warranties and indemnities given by Living Networks Enterprises Pty Ltd. The agreement is otherwise on terms considered standard for an agreement of this nature.