

ASX ANNOUNCEMENT

13 December 2018



TSN TO ACQUIRE PROFITABLE CLOUD & CLOUD SECURITY BUSINESS

- TSN signs Binding Agreement to acquire 100% of Cloutden Industries Pty Ltd, a highly accredited cloud and cloud security service provider
- Cloutden's FY18 revenue of \$3.8 million and profit before tax of \$1.6 million
- Total consideration of \$8.6 million plus variable performance-linked components
- Attractive valuation multiple for a high growth business
- Earnings accretive and minimal dilution to existing shareholders
- Firm commitments received for a capital raising at 0.85 cents per share (premium to current share price) to raise \$2 million to fund the Acquisition, incl. \$50,000 from 2 Directors

Transaction Solutions International Limited (TSN or the **Company**) is pleased to announce that it has entered into a binding agreement to purchase 100% of Cloutden Industries Pty Ltd (**Cloutden**) (**Acquisition**). The proposed acquisition is subject to several conditions, including shareholder approval and due diligence.

In addition, TSN has received firm commitments for a Capital Raising of \$2 million via a placement to sophisticated and professional investors to fund the Acquisition.

About Cloutden

Cloutden is a cloud and cloud security service provider, based in Sydney. It helps large enterprises and government to migrate and manage their cloud infrastructure. Cloutden experienced significant revenue growth, in excess of 100% year-on-year, in the last 3 years and recorded \$3.8 million of revenue and \$1.6m of profit before tax for the year ending 30 June 2018.

Cloutden is an Advanced Consulting Partner of Amazon Web Services (AWS), the dominant infrastructure-as-a-service provider globally. It is one of a very few partners that is highly accredited by AWS, with specific competencies in Government and Security.

Further information about Cloutden is contained in the investor presentation also released by the Company on the date of this announcement.

Consideration for the Acquisition

The consideration consists of:

- Fixed components amounting to \$8.6 million cash, to be paid based on the following schedule:
 - On Completion: \$3.0m
 - After 90 days: \$1.5m
 - After 180 days: \$1.5m
 - After 270 days: \$1.5m
 - After 365 days: \$1.1m
- Variable components, which are uncapped and are to be paid in cash or cash and scrip, that reward:

- Growing of Cloudten profit over the three years from Completion (with specific profit targets for the two years following Completion); and
- Sustaining the increased Cloudten profit over the four years from Completion.

A worked example showing the total consideration payable for the Acquisition (both fixed components and variable components) based on various percentage increases in Cloudten's EBIT growth is set out below:

Annual EBIT growth	0%	10%	20%	30%	40%	50%	60%	70%	80%	90%	100%
Ave. 4-yr EBIT	1.6	2.0	2.6	3.2	4.0	4.9	5.9	7.1	8.5	10.2	12.0
Total Consideration (\$ million)	8	10	12	15	17	19	21	24	27	30	34
Overall EBIT multiple	4.9	4.8	4.7	4.5	4.2	3.8	3.6	3.3	3.1	2.9	2.8

A summary of the key terms of the Acquisition are contained in the Schedule to this announcement.

Capital Raising

TSN has received firm commitments for a capital raising of \$2 million through the issue of approximately 235 million shares at 0.85 cents per share. This includes a \$1 million cornerstone investment by a long-term TSN shareholder and \$50,000 from two TSN Directors (subject to shareholder approval).

This represents a more than 20% premium to TSN's closing share price of 0.7 cents on 10 December 2018. The issue price is also 15% above the 20-day VWAP up to and including that date of 0.74 cents per share.

For every four shares subscribed in the capital raising, investors will receive six free attaching options comprising:

- Two options with 6-month expiry and exercise price of \$0.010;
- Two options with 9-month expiry and exercise price of \$0.011;
- One option with 24-month expiry and exercise price of \$0.013; and
- One option with 36-month expiry and exercise price of \$0.015

The initial \$3 million consideration payable on Completion will be funded by the capital raise of \$2 million and TSN's existing bank balance of \$1.7 million. Subsequent payment tranches and performance earnout components are expected to be funded from the exercise of the attaching options and internally generated cash flow. Therefore, no additional capital raising should be required to fund the Acquisition if all the options are exercised.

The Company expects to complete the placement within a week and issue approximately 229 million shares and the attaching 24-month and 36-month options under its existing placement capacity pursuant to Listing Rules 7.1 (12,011,765 shares and 114,705,882 options) and 7.1A (217,400,000 shares). The issue of the 6-month and 9-month options is subject to shareholder approval. In addition, the issue of approximately 5.9 million shares and the associated options for the Directors' \$50,000 subscription is subject to shareholder approval.

The lead manager of the placement is Red Leaf Securities. The Company will pay fees of 5% of the total amount raised under the placement and, subject to shareholder approval, will issue Red Leaf Securities 12 million options with a 12 month expiry and exercise price of \$0.015.

Shareholder Approval

The proposed Acquisition constitutes a change of scale under Listing Rule 11.1.2, therefore TSN is required by ASX to seek shareholder approval for the proposed acquisition. ASX has confirmed that TSN will not be

required to re-comply with the admission requirements set out in Chapters 1 and 2 of the Listing Rules as a result of the Acquisition.

The Company will seek shareholder approval of the Acquisition pursuant to Listing Rule 11.1.2 and the issue of the 6-month and 9-month options at a shareholder meeting expected to be held in late January 2019, with completion of the Acquisition expected to occur shortly thereafter.

Capital Structure

Below is a table showing the Company's current capital structure and the possible capital structure following completion of the Capital Raising and Acquisition.

	Number of Shares	Number of Options
Balance at the date of this Announcement	2,174,194,960	83,556,818 ¹
Securities to be issued pursuant to the Capital Raising	235,294,118	364,941,176 ²
Balance following completion of the Capital Raising and Acquisition	2,409,489,078³	448,497,994

Notes:

1. Comprises:
 - a. 48,181,818 options each exercisable at \$0.017 on or before 3 April 2020.
 - b. 5,000,000 options each exercisable at \$0.02 on or before 3 April 2020.
 - c. 30,375,000 options each exercisable at \$0.00851 on or before 23 September 2020.
2. Comprises:
 - a. 117,647,059 options each exercisable at \$0.010 on or before the date that is 6 months from the date of issue.
 - b. 117,647,059 options each exercisable at \$0.011 on or before the date that is 9 months from the date of issue.
 - c. 58,823,529 options each exercisable at \$0.013 on or before the date that is 24 months from the date of issue.
 - d. 58,823,529 options each exercisable at \$0.015 on or before the date that is 36 months from the date of issue.
 - e. 12,000,000 options each exercisable at \$0.015 on or before the date that is 12 months from the date of issue (to Lead Manager for Capital Raising).
3. TSN also has convertible notes on issue with an aggregate face value of \$670,000. The convertible notes mature on 15 December 2019 and are convertible into fully paid ordinary shares in TSN at an issue price of \$0.011 per share.

Indicative Timetable

An indicative timetable for the capital raising and Acquisition is set out below. This timetable is indicative only and may be subject to change.

Event	Date
Complete capital raising	On or around 20 December 2018
TSN shareholder meeting to approve Acquisition	On or around 23 January 2018
Completion of Acquisition	On or around 30 January 2018

For more information:

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About TSN

Transaction Solutions International (TSN) is a technology based company focused on the financial services sector. The Company has a 100% ownership of Decipher Works (DWX). DWX is a Sydney-based cybersecurity specialist, providing consulting, support and managed services to financial institutions and large corporations. The Company has strong long-term relationships with many of the major banks and institutions in Australia, and is now moving into other market sectors such as Insurance and Financial Services businesses. TSN is actively pursuing growth in the cybersecurity industry.

TSN 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 has over 30 major bank relationships, owns and manages approximately 14,000 ATMs, also offers Bill Payment services to a number of utility companies in India and owns a Managed Services platform.

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Schedule – Key Terms of Acquisition

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- One of the variable components, of up to \$3,630,000, will be payable in cash, while the remaining 8 other variable components of the consideration will be payable 50% in cash and, subject to shareholder approval, 50% in shares in TSN based upon the 20 day VWAP immediately prior to the issue date. However, the sellers may elect to convert any or all of the cash component of these portions of the variable component of consideration to TSN shares at a 25% discount to the 20 day VWAP prior to the issue date, subject to shareholder approval.
- Any shares issues under the variable components of consideration will be subject to 12 months voluntary escrow.
- Payment of the variable component of consideration will be accelerated in the event that TSN breaches any of the restrictions on it, or if there is a change of control of TSN, during the earnout period.
- The Acquisition is conditional upon satisfaction of a number of conditions within 3 months of execution of the binding agreement (which period may be extended for up to two further one month periods by written notice by the Company), including:
 - TSN obtaining all necessary regulatory approvals on terms acceptable to the Parties as are required to give effect to the Acquisition.
 - TSN completing financial, legal, technical and commercial review of Cloudten, its subsidiaries, assets and business and being satisfied (acting reasonably) with the results of that due diligence.
 - TSN achieving the minimum level of subscriptions under the Capital Raising.
 - The Purchaser obtaining all necessary shareholder approvals as are required (including under the Purchaser's constitution, the Listing Rules and the Corporations Act) to give effect to the Acquisition, including shareholder approval under Listing Rule 11.1.2.
 - Each of Sellers entering into an executive service agreement with Cloudten.
 - The seller and purchaser warranties remaining true and correct in all material respects as at the date of completion of the Acquisition.

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- Cloudten obtaining any third party consents, waivers or approvals to any change of control provisions in the material contracts.
 - While TSN will be transferred 100% of the issued capital of Cloudten on completion of the Acquisition, TSN will get 19% of the Cloudten shares unencumbered for the initial tranche of the fixed component of consideration (\$3m) and the sellers will hold security over the remainder of the Cloudten shares with the relevant percentage of shares to be released from the security upon the corresponding payment of a tranche of the fixed component of consideration. If any tranche of the fixed component of consideration is not paid on time, then the sellers will have the option of buying back all of the other Cloudten shares at an agreed discount ranging from a 20% to 10% discount to the consideration that has already been paid depending on how many of the deferred payments have been made by TSN.
 - The sellers may nominate a director to the Board of TSN if they collectively hold at least 10% of the issued capital of TSN. There will be no other changes to the Board of TSN as a result of the Acquisition.
 - Cloudten will enter into executive service agreements with each of the two sellers for a minimum period of four years following completion of the Acquisition. If either seller leaves TSN during the four-year period following completion (other than by reason of redundancy, termination without cause or the Seller suffering terminal illness, total and permanent disability or death) then that seller will forfeit its right to any variable component of consideration.
 - Each of the Sellers have committed to operation of Cloudten for 4 years and accordingly have agreed to a non-compete provision in relation to Australia, the United Kingdom and Singapore for a period of four years from the date of completion.
 - The Sellers have indemnified TSN for any income tax liability of Cloudten between the date of signing the binding agreement and completion.