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SimplyBiz Group PLC (The)
20 March 2019

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The information contained within this announcement is deemed by the Company to constitute inside information stipulated under the Market Abuse Regulation (EU) No. 596/2014. Upon the publication of this announcement via the Regulatory Information Service, this inside information is now considered to be in the public domain.

Date: 20 March 2019

The SimplyBiz Group plc

("SimplyBiz", the "Company" or the "Group")

Conditional Acquisition of Defaqto Limited ("Defaqto") for £74.3 million

and

Conditional Institutional Placing at 180 pence per Ordinary Share to raise £29.1 million

SimplyBiz (AIM: SBIZ), the leading independent provider of compliance and business services to financial advisers and financial institutions in the UK, has conditionally agreed to acquire the entire issued share capital of Regulus Topco Limited ("Regulus"), owner of Defaqto (the "**Acquisition**"), a leading financial services technology business, for a total consideration of £74.3 million (the "**Total Consideration**"). On completion, Defaqto will have £3.4 million in cash on its balance sheet.

Acquisition highlights

- Defaqto is a leading financial services technology business operating a fintech platform for 8,500 advisers and providing independent ratings of 21,000 financial products and funds, licensed by 230 brands.
- Defaqto has developed a proprietary, scalable and flexible IT platform and infrastructure, supporting the largest database of financial products in Europe and providing unique information and insights to aid consumer and adviser purchase decisions.
- The combination of SimpyBiz and Defaqto creates a single fintech and support services group, which will benefit from an increased number and range of distribution channels.
- Defaqto will help the Group to advance its services into the General Insurance and Banking markets as it looks to expand its offering. Similarly, SimplyBiz will offer Defaqto access to its knowledge and experience of the advisory and asset management markets.
- A leading consumer brand with 70% recognition, Defaqto is a highly cash generative business built on a regulatory and capital light model; in 2018, generating revenues of £12.8 million and adjusted EBITDA of £5.3 million. Adjusted EBITDA margin in 2018 was 41%.
- The Acquisition is expected to be earnings enhancing (before synergies) during the first twelve months of ownership, as well as to provide significant strategic benefits.
- The Acquisition includes the purchase of £3.4 million of cash on Defaqto's balance sheet at completion.
- Defaqto management have agreed to receive 50% of their vendor equity consideration in SimplyBiz shares, which are subject to a 12 month hard lock in, with a further 12 month orderly market provision. They will hold, in aggregate, 4.3% of the enlarged issued share capital of the Group.

Acquisition financing

- The Company intends to finance the Total Consideration for the Acquisition and associated expenses of £2.9 million through:
 - o a conditional placing of new ordinary shares in the capital of the Company ("**Ordinary Shares**") with institutional and other investors to raise £13.8 million (the "**Primary Placing**");
 - o the issue of new Ordinary Shares to the value of £15.3 million to certain of the vendors which will then be conditionally placed with institutional and other investors (the "**Vendor Placing**" and together with the Primary Placing, defined as the "**Institutional Placing**");
 - o the issue of new Ordinary Shares to the value of £7.5 million to certain of the Vendors (the "**Consideration Shares**");
 - o approximately £37.5 million of borrowings from new bank facilities; and

o the balance of approximately £3.1 million from the Company's current cash resources.

- Post-Acquisition leverage is expected to be c.2.3x net debt to enlarged Group adjusted EBITDA (before share based payments) and expect this to be below 2x by 31 December 2019 due to the Group's high level of cash conversion.
- The Acquisition is conditional, *inter alia*, upon admission of the new Ordinary Shares to be issued under the Institutional Placing (the "**Placing Shares**") and the Consideration Shares to trading on AIM ("**Admission**").

Institutional Placing highlights

- The Institutional Placing has conditionally raised £29.1 million, comprising a £13.8 million Primary Placing and a £15.3 million Vendor Placing.
- The Placing Shares were conditionally subscribed for at, and the Consideration Shares were conditionally issued at, a price of 180 pence per Ordinary Share (the "**Placing Price**"), representing a discount of 6% to the closing mid-market price of the Ordinary Shares on 19 March 2019.
- The Placing Shares will comprise 16.7% of the enlarged issued share capital.
- The conditional Institutional Placing was conducted jointly by Zeus Capital Limited ("**Zeus Capital**") and Peel Hunt LLP ("**Peel Hunt**") (together the "**Joint Bookrunners**").
- The Institutional Placing is conditional, *inter alia*, upon Admission.
- Together, the Placing Shares and Consideration Shares will comprise 21.0% of the enlarged issued share capital.

Neil Stevens & Matt Timmins, Joint CEOs of The SimplyBiz Group, commented:

"We are delighted to announce the successful acquisition of Defaqto, which will play an important role in building on the Group's strong momentum and enabling us to unlock a wide range of additional growth opportunities.

"The combination of the largest provider of outsourced regulatory and business support to the retail financial services market, with one of the leading providers of financial information and technology, will create a market leading platform across Retail Financial Services. Collectively the two businesses will work to enhance our proposition to the Banking and General Insurance sectors whilst continuing to invest in the leading fintech platform.

"Having long respected the Defaqto management team, we also recognise not just the strong strategic fit of the business, but also its cultural alignment. Defaqto is a business built upon industry leading talent and we look forward to working with our new colleagues as we continue to enhance services to financial intermediaries and product providers, and deliver value for shareholders."

Zahid Bilgrami, CEO of Defaqto commented:

"We are absolutely delighted with SimplyBiz's decision to acquire Defaqto. It opens an exciting new chapter in our development as a leading financial information business, and we look forward to the many opportunities that being part of a larger Group will present.

"While it will enable us to continue operating in an independent and autonomous manner, it will also carry many advantages of being a part of a listed entity. It will enable us to develop new technology faster, and thus continue to develop market-leading products for our clients at a time of vast technological change in the Financial Services sector."

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The SimplyBiz Group plc

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About SimplyBiz

With over 3,700 member firms in the UK, The SimplyBiz Group is a leading independent provider of compliance and business services to financial advisers, including directly authorised IFAs, directly authorised mortgage advisers, workplace consultants and directly authorised consumer credit brokers. It also provides marketing and promotion, product panelling and co-manufacturing services to more than 135 financial institutions, through access to its membership.

About Defaqto

Defaqto is a leading financial services technology business operating a fintech platform for 8,500 advisers and providing independent ratings of 21,000 financial products and funds, licensed by 230 brands.

Defaqto collects data on over 40,000 products and funds and provides independent information to help banks, insurers and fund managers to get a complete overview of the financial products available to consumers and to help consumers make more informed decisions.

Financial Advisers use Defaqto's services to get an overview of the market and the financial products available so that they can select the most suitable products for their clients. The business also provides comparison sites and product manufacturers with information to assist consumers.

FURTHER INFORMATION

1. Introduction to the Acquisition of Defaqto

SimplyBiz is pleased to announce that it has conditionally agreed to acquire the entire issued share capital of Regulus, the owner of Defaqto, for a Total Consideration of £74.3 million.

Defaqto collects data on over 40,000 products and funds and provides independent information to help banks, insurers and fund managers to get a complete overview of the financial products available to consumers and to help consumers make more informed decisions.

It operates a fintech platform for 8,500 advisers and provides independent ratings of 21,000 financial products and funds, licensed by over 230 brands.

Defaqto has been operating for over 25 years and has a team of 60 analysts and researchers monitoring the market on a daily basis. During 2018, Defaqto facilitated more than £10 billion worth of recommendations through its software to financial intermediaries.

Financial Advisers use Defaqto's services to get an overview of the market and the financial products available so that they can select the most suitable products for their clients. The business also provides comparison sites and product manufacturers with information to assist consumers.

Defaqto is a high margin, cash generative business built on a regulatory and capital light model. It has very good visibility on revenues, of which 96% is from repeat and recurring sources. In 2018, Defaqto generated revenues of £12.8 million, an increase of 10% on 2017. Adjusted EBITDA for 2018 was £5.3 million, representing growth of 7% on 2017. Adjusted EBITDA margin was 41%.

Management are targeting Defaqto revenue growth and adjusted EBITDA growth of 10% and 15%, respectively, for the full year to 31 December 2019.

The Acquisition will be funded by way of a Primary Placing to raise £13.8 million, the issue of new Ordinary Shares with a value of £15.3 million which will be the subject of the Vendor Placing (the "**Vendor Placing Shares**"), the issue of Consideration Shares with a value of £7.5 million, new bank facilities being increased by £37.5 million (to an aggregate of £45 million), and existing cash of approximately £3.1 million to satisfy a Total Consideration of £74.3 million and associated expenses of approximately £2.9 million. Post Acquisition leverage is expected to be 2.3x net debt to enlarged Group adjusted EBITDA (before share based payments) and management expect this to be below 2x by 31 December 2019 due to a high level of cash conversion.

Completion of an acquisition agreement entered into on 20 March 2019 between (1) the shareholders of Regulus (the "**Vendors**") and (2) SimplyBiz (the "**Acquisition Agreement**"), which is subject to the Placing Shares being admitted to AIM on 21 March 2019.

2. Background to and reasons for the Acquisition

The Acquisition is a further milestone in the evolution of SimplyBiz and is expected to be earnings enhancing within the first twelve months of collective operation. Moreover, it fits with SimplyBiz's stated core growth themes, namely to increase its support to existing customers, and to diversify into new, strategically-linked markets, whilst increasing product innovation and market insight to the Group's offering.

The Acquisition brings together SimplyBiz, the largest provider of outsourced regulatory and business support to the retail financial services market, with Defaqto, a leading financial information and technology business that helps financial institutions design and promote their propositions and helps consumers make more informed decisions.

The enlarged group following the Acquisition creates a single fintech and support services group, which will benefit from an increased number and range of distribution channels. Significantly, Defaqto will help the Group to advance its services into the General Insurance and Banking markets as it looks to expand its offering. Defaqto's dominance in these two sectors will provide the Group with considerable opportunities as it looks to grow its customer base and use technology to expand its footprint within retail financial services. Similarly, SimplyBiz will offer Defaqto access to its knowledge and experience of the advisory and asset management markets.

The increased analysis and insight from Defaqto will create considerable synergies and benefits for the enlarged Group's customers. It will enable SimplyBiz to integrate its existing compliance and regulatory services into Defaqto's powerful technology platform to support the development of enhanced regtech and fintech capabilities to meet the needs of its customers.

The opportunities presented for revenue enhancement across the combined Group are considerable and the Group

expects these to materialise as a result of the newly combined fintech operation. In line with SimplyBiz's loyal customer base, Defaqto saw recurring and repeated revenue of 96% over 2018.

Importantly, Defaqto has been a partner of SimplyBiz since January 2018, when SimplyBiz selected Defaqto's Engage solution to develop its own end-to-end financial planning system Centra. Accordingly, the Board believe this significantly reduces the integration risk of the Acquisition as the management teams are known to each other. More than 2,300 advisers have adopted Centra in the nine months to 31 December 2018 since its launch in March 2018, demonstrating that Defaqto's Engage solution has been a key component in enabling SimplyBiz to attract and retain customers. One of the benefits of combining the two companies is that Defaqto will be closer to end users and will be able to continue developing market leading products as a result of this. Defaqto's Engage solution has been a key component in enabling SimplyBiz to attract and retain customers.

SimplyBiz has completed seven acquisitions since founding the business in 2002. The successful acquisition and integration of Landmark Surveyors in January 2018 exemplifies the Group's proven track record of executing inorganic, accretive M&A alongside a rigid focus on organic growth.

The Board firmly believes that the acquisition of Defaqto is an excellent fit with SimplyBiz's stated strategy as it increases its scale and expands the Group's access to important financial markets as well as unique market knowledge and insight.

3. Key terms and financing of the Acquisition

Under the terms of the Acquisition Agreement, SimplyBiz has agreed to acquire the entire issued share capital of Regulus, 100% owners of Defaqto for a Total Consideration of £74.3 million. Regulus is currently owned by Synova Capital (67.5%) and Defaqto management (32.5%).

The Acquisition will be funded through the Primary Placing raising £13.8 million, the issue of the Consideration Shares to the value of £7.5 million and the issue of Vendor Placing Shares to the value of £15.3 million, a £37.5 million revolving credit facility provided by Yorkshire Bank and Natwest; and £0.2 million in Group cash. The costs of the transaction of approximately £2.9 million are being funded by the Company's existing cash. The Acquisition includes the purchase of £3.4 million of cash on Defaqto's balance sheet at completion.

All key Defaqto management will be retained under the terms of the Acquisition, incentivised by a bonus and cash LTIP on outperformance.

Upon completion of the Acquisition, the Consideration Shares will be allotted to certain members of Defaqto management in part consideration for their shares in Regulus at the Placing Price. Under the Acquisition Agreement these shares are subject to lock-up arrangements for the 12 month period following completion of the Acquisition and thereafter to orderly marketing arrangements for a further 12 months.

Following completion of the Acquisition, Defaqto management will have in aggregate a 4.3 per cent. interest in the SimplyBiz Group plc.

4. Audited Financial Performance of Defaqto and Unaudited Proforma Combined Group Financials

Defaqto Historical Audited Financial Performance

Year to 31 July £m	FY16	FY17	FY18
Revenue	11.6	11.7	12.5
<i>Recurring Revenues</i>	<i>92.2%</i>	<i>94.5%</i>	<i>96.0%</i>
Adjusted EBITDA	4.6	4.7	5.2
<i>Adjusted EBITDA Margin</i>	<i>39.6%</i>	<i>40.7%</i>	<i>41.8%</i>
Free Cash Flow	3.5	2.8	4.4
<i>Free Cash Flow Conversion Rate</i>	<i>67.7%</i>	<i>59.5%</i>	<i>84.7%</i>

Unaudited Proforma Combined Group Financials

The table below illustrates the unaudited proforma combined group financials for the Company and Defaqto for the year ended 31 December 2018 based on the Group's audited results for the year ended 31 December 2018 and Defaqto's unaudited management accounts on a pro forma basis for a 12 month period to 31 December 2018 to align with the Group's year end:

Year to 31 December 2018 £m	SimplyBiz Group	Defaqto	Combined Group
Total Revenues	50.7	12.8	63.5
<i>Recurring Revenues</i>	<i>96.3%</i>	<i>96.9%</i>	<i>96.4%</i>
Adjusted EBITDA	11.4	5.3	16.7
<i>Adjusted EBITDA Margin</i>	<i>22.5%</i>	<i>41.0%</i>	<i>26.3%</i>
Free Cash Flow	9.1	3.5	12.6
<i>Free Cash Flow Conversion Rate</i>	<i>79.5%</i>	<i>67.0%</i>	<i>75.6%</i>

Notes

- *Defaqto Free Cash Flow is calculated as Adjusted EBITDA, less working capital, CAPEX, tax and capitalised development costs*
- *Analysis above excludes £0.1 million of intercompany revenue elimination*

5. Financial effects of the Acquisition, the Institutional Placing and Issue of Consideration Shares

The Directors believe that, taking into account the business and prospects of the enlarged Group, the Acquisition is expected to be earnings enhancing (before synergies) in first 12 months of ownership.

6. Current trading update

The Group announced its full year results for the twelve months ended 31 December 2018 on 5 March 2019. The Board continues to believe that SimplyBiz's strong business model positions it for continued growth to deliver a successful year ahead for the business, clients, staff, and shareholders.

7. Details of the Placing Shares and Consideration Shares

The Company has raised £13.8 million (before commission, fees and expenses) by way of a Primary Placing and the Vendors have realised £15.3 million pursuant to the Vendor Placing, through the placing and/or sale of an aggregate of 16,151,108 Placing Shares.

The Placing Shares and the Consideration Shares will rank *pari passu* in all respects with the Company's existing Ordinary Shares. The Placing Shares and the Consideration Shares will not be eligible for the Final Dividend recently declared, which is subject to shareholder approval at the Annual General Meeting as the Placing Shares and Consideration Shares are being issued after the record date.

The allotment of the Placing Shares and Consideration Shares, at the Placing Price, are both being made pursuant to a combination of the existing authorities to allot shares and dis-apply pre-emption rights under section 551 and section 570 of the Act, which the Directors were given at the time of the Company's admission to AIM on 4 April 2018.

Completion of the Institutional Placing and allotment of the Consideration Shares is expected to occur on 20 March 2018 and, is subject to the completion of the Acquisition Agreement and Admission.

Under the terms of a placing agreement entered into on 20 March 2019 between Zeus Capital, Peel Hunt and the Company (the "**Placing Agreement**"), Zeus Capital and Peel Hunt have, as agents for the Company, conditionally procured subscribers for the Placing Shares, at the Placing Price, comprising existing shareholders of the Company and new institutional and other professional investors. Completion of the Placing Agreement is conditional on Admission.

The Placing Price represents a discount of 6 per cent. to the closing mid-market price of the Ordinary Shares on 19 March 2019. The Placing Shares will represent approximately 16.7 per cent. of the enlarged ordinary share capital of the Company.

The Institutional Placing will be subject to, and conditional on, *inter alia*, the Placing Agreement becoming unconditional in all respects and not having been terminated in accordance with its terms.

The Placing Shares and the Consideration Shares will, following Admission, rank *pari passu* with the existing issued Ordinary Shares and will have the right to receive all dividends and other distributions declared, made or paid in respect of the issued Ordinary Share capital of the Company following Admission.

The Institutional Placing is not underwritten.

The Institutional Placing is conditional upon, *inter alia*, Admission becoming effective and the Placing Agreement becoming unconditional in all respects by no later than 8.00 a.m. on 21 March 2019 or such later date (being not later

than 8.00 a.m. on 5 April 2019) as the Company, Zeus Capital and Peel Hunt may agree. Application has been made to London Stock Exchange plc for the Placing Shares and Consideration Shares to be admitted to trading on AIM. It is expected that Admission will occur on 21 March 2019.

The allotment and issue of the Placing Shares and the Consideration Shares will not exceed the Company's existing authorities. Therefore, no shareholder approval is required.

8. Related Party Transaction

The following Related Party (as defined by nature of their status as a Substantial Shareholder in the AIM Rules for Companies) will be participating in the Institutional Placing.

<i>Related Party</i>	<i>Current Holding as per latest TR-1</i>	<i>% of Existing Ordinary Shares</i>	<i>Participation in Institutional Placing</i>	<i>Holding post participation</i>	<i>% of Enlarged Issued Share Capital</i>
Liontrust Investment Partners LLP	8,238,285	10.77%	1,027,777	9,266,062	9.57%

The Directors consider, having consulted with the Company's nominated adviser, Zeus Capital, that the terms of the Related Party's participation in the Institutional Placing is fair and reasonable insofar as the Company's Shareholders are concerned.

Important notice

This announcement has been prepared in accordance with English law, the AIM Rules and the Disclosure Guidance and Transparency Rules and information disclosed may not be the same as that which would have been prepared in accordance with the laws of jurisdictions outside England.

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There is no intention to register any portion of the Placing in the United States or to conduct any public offering of securities in the United States or elsewhere. All offers of Placing Shares will be made pursuant to an exemption under the Prospectus Directive 2003/71/EC, as amended from time to time, including by Directive 2010/73/EC to the extent implemented in the relevant member state and includes any relevant implementing directive measure in any member state (the "**Prospectus Directive**") from the requirement to produce a prospectus. This Announcement is being distributed to persons in the United Kingdom only in circumstances in which section 21(1) of the Financial Services and

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Members of the public are not eligible to take part in the Placing. This Announcement and the terms and conditions set out in the Appendix are for information purposes only and are directed only at: (a) persons in Member States of the Economic European Area who are qualified investors within the meaning of article 2(1)(e) of the Prospectus Directive ("**Qualified Investors**"); and (b) in the United Kingdom, Qualified Investors who are persons who (i) have professional experience in matters relating to investments falling within the definition of "investments professional" in article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "**Order**"); (ii) are persons falling within article 49(2)(a) to (d) ("high net worth companies, unincorporated associations, etc") of the Order; or (iii) persons to whom it may otherwise be lawfully communicated; (all such persons together being referred to as "**Relevant Persons**"). This Announcement and the Appendix must not be acted on or relied on by persons who are not Relevant Persons.

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Cautionary Statements

This announcement includes statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "envisages", "plans", "anticipates", "targets", "aims", "continues", "expects", "intends", "hopes", "may", "will", "would", "could" or "should" or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include matters that are not facts. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. A number of factors could cause actual results and developments to differ materially from those expressed or implied by the forward-looking statements, including, without limitation: a condition to the Placing not being satisfied, expected cost savings not being realised, changing demands of consumers, changing business or other market conditions, and general economic conditions. These and other factors could adversely affect the outcome and financial effects of the plans and events described in this announcement. Forward-looking statements contained in this announcement based on past trends or activities should not be taken as a representation that such trends or activities will continue in the future. Subject to any requirement under the AIM Rules, the Disclosure Guidance and Transparency Rules or other applicable legislation or regulation, SimplyBiz does not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Investors should not place undue reliance on forward-looking statements, which speak only as of the date of this announcement.

This Announcement does not identify or suggest, or purport to identify or suggest, the risks (direct or indirect) that may be associated with an investment in the Placing Shares. Any investment decisions to buy Placing Shares in the Placing must be made solely on the basis of publicly available information, which has not been independently verified by either Zeus Capital or Peel Hunt.

The Placing Shares to be issued pursuant to the Placing will not be admitted to trading on any stock exchange other than AIM, a market operated by the London Stock Exchange plc.

Neither the content of the Company's website (or any other website) nor the content of any website accessible from hyperlinks on the Company's website (or any other website) is incorporated into or forms part of this Announcement.

Zeus Capital and Peel Hunt

Zeus Capital LLP, which is authorised and regulated in the United Kingdom by the Financial Conduct Authority, is appointed as SimplyBiz's nominated adviser and Joint Bookrunner only and is therefore acting only for SimplyBiz in connection with the matters described in this announcement and is not acting for or advising any other person, or treating

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Information for Distributors

Solely for the purposes of the product governance requirements contained within: (a) EU Directive 2014/ 65/EU on markets in financial instruments, as amended ("**MiFID II**"); (b) Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID II; and (c) local implementing measures (together, the "**MiFID II Product Governance Requirements**"), and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any manufacturer (for the purposes of the MiFID II Product Governance Requirements) may otherwise have with respect thereto, the SimplyBiz Shares being the subject of the Placing have been subject to a product approval process, which has determined that such SimplyBiz Shares are: (i) compatible with an end target market of retail investors and investors who meet the criteria of professional clients and eligible counterparties, each as defined in MiFID II; and (ii) eligible for distribution through all distribution channels as are permitted by MiFID II (the "**Target Market Assessment**").

Notwithstanding the Target Market Assessment, distributors should note that: the price of the SimplyBiz Shares may decline and investors could lose all or part of their investment; the SimplyBiz Shares offer no guaranteed income and no capital protection; and an investment in the SimplyBiz Shares is compatible only with investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. The Target Market Assessment is without prejudice to the requirements of any contractual, legal or regulatory selling restrictions in relation to the Placing. Furthermore, it is noted that, notwithstanding the Target Market Assessment, Zeus Capital and Peel Hunt will only procure investors who meet the criteria of professional clients and eligible counterparties.

For the avoidance of doubt, the Target Market Assessment does not constitute: (a) an assessment of suitability or appropriateness for the purposes of MiFID II; or (b) a recommendation to any investor or group of investors to invest in, or purchase, or take any other action whatsoever with respect to the SimplyBiz Shares.

Each distributor is responsible for undertaking its own target market assessment in respect of the SimplyBiz Shares and determining appropriate distribution channels.

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