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## **Tomizone Enters Into Acquisition Agreement and Agreement for Senior Finance Facility**

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**SYDNEY, 11 April 2019** - The Board of Tomizone Limited (ASX: TOM) today announces details around its strategy to restructure its balance sheet, increase the size of its revenue and customer base and finalise the operational and financial strategy that was put in place when the current Board assumed control of Tomizone over twelve months ago.

### **Highlights**

- Acquisition of large book of equipment rental contracts with unexpired cashflow of approximately NZD5.1m and total re-sign value in excess of NZD10.1m
- The Acquisition provides direct access to a new customer base in excess of 3,000 new customers, many of which are currently on “single product” contracts which provides significant opportunity to upsell those contracts into Tomizone’s wider suite of ICT, communications and technical products.
- Binding conditional agreement reached with FE Investments Ltd for a new senior debt funding package (which is made up of several facilities) of approximately NZD12.65m.
- Tomizone is to raise between AUD5m and AUD6m in a new first ranking secured convertible notes offer which after debt repayment will provide the Tomizone Group with between NZD1m and NZD2m working capital.
- The senior debt funding package and new convertible notes will fund the purchase price of the rent book acquisition as well as repay all existing secured debt in the Tomizone Group.
- The combination of net revenue from the rent book acquisition, together with significant cost savings when compared to current finance costs, provide an estimated net cashflow benefit of approximately NZD1.5m per annum and estimated net profit benefit of NZD\$900k over the first 12 months.

### **Rent Book Acquisition**

The Tomizone Group has executed a binding sale and purchase agreement for the acquisition of approximately 3,000 equipment rental contracts (“EWL Rent Book Acquisition”). The vendors are EFTPOS Warehouse Ltd (“EWL”) and FE Investments Ltd, a subsidiary of FE Investments Group Ltd (ASX:FEI) (FE being a vendor through financing facilities it has with EWL). EWL was the vendor of Ironman Group Ltd which Tomizone purchased in October 2017.

The purchase price is the assumption of debt EWL has with its funders which certain entities within the Tomizone Group have guaranteed (see Tomizone’s last annual report for details of these guarantees). The purchase price will be funded through a combination of the new Senior Debt Facility with FE Investments Ltd and the new convertible notes. Total purchase price is estimated to be NZD7.8m (this is an estimate only as the rent book moves daily and the final purchase value will only be finally determined in accordance with the formula set out in the agreement on settlement).

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There is sound rationale behind the acquisition of the EWL Rent Book.

- From time of completion the EWL Rent Book provides gross monthly revenues of approximately NZD280k and net monthly revenues (after operating costs) of approximately NZD170k pm which will increase Tomizone's net cashflow and EBITDA immediately. This estimate does not allow for any cost synergies that are attained as part of the acquisition, of which several have already been identified.
- The product set behind the EWL Rent Book is similar to many of the products currently supplied by Tomizone and therefore Tomizone is well placed to provide service and support to those contracts.
- The Rent Book has in excess of 3,000 unique customers (ranging from SMEs through to listed multinationals). This database provides an excellent opportunity to cross-sell the wider Tomizone product set into, and increase average spend per customer.
- The unexpired cashflows of the EWL Rent Book are in excess of NZD5.1m with an average contract expiry of 19 months.
- The total renewal face value of these contracts as they expire is NZD10.1m.

The EWL Rent Book Acquisition provides Tomizone with an excellent opportunity to increase its customer base, lock in significant contracted cashflows and provide a long-term asset for exploitation both in terms of re-signing the base and upselling Tomizone's wider product offering.

The EWL Rent Book Acquisition is over 2 stages (which may complete simultaneously). Stage 1 is the acquisition of a portion of the existing contracts and all future re-sign rights. Stage 2 is for the balance of contracts and existing month to month income (where contracts have expired).

The acquisition is subject to several conditions precedent including:

- Tomizone receiving all necessary regulatory approval (including ASX approval)
- Tomizone completing raising new convertible notes of between \$5m and \$6m
- Longform documentation being agreed between Tomizone and FE Investments Ltd in regard to the new Senior Debt Facility

#### **Senior Debt Facility**

Tomizone and FE Investments Ltd have entered a binding conditional Term Sheet for several new senior debt facilities (together referred to as "Senior Debt Facility") which will fund (along with the new Convertible Notes) both the purchase price of the EWL Rent Book Acquisition and repayment of Tomizone's existing secured debt. Features of the Senior Debt Facility include:

- Total Facilities limit NZD12.65m
- Split into both Term Loans and rental/ subscription discounting facilities
- Average interest rate of 11.75% before fees
- First Ranking Security over Tomizone Group assets (shared pari passu with New Convertible Noteholders)
- 4-year term
- Split between interest only and principal and interest facilities

The conditions precedent to the EWL Rent Book Acquisition are also conditions to the Senior Debt Facility being drawn down.

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## New Convertible Notes

Tomizone intends to raise between \$5m and \$6m of Convertible Notes and also roll a portion of Tomizone's current convertible bonds into this issue. A summary of the intended terms of the new Convertible Notes are as follows:

- 4-year term;
- Coupon Rate of 10%;
- Conversion rights into Tomizone Ltd ordinary shares at the option of the Noteholder;
- Conversion price to be 20% discount to 15-day VWAP of Tomizone Ltd ordinary shares with a floor price of 1 cent per share and ceiling of 2 cents per share;
- Conversion terms to be approved at a meeting of Tomizone's ordinary shareholders to be held after issue;
- Interest to be capitalised for initial 12-month period and payable quarterly in arrear thereafter;
- First ranking security (to be shared pari passu with the Senior Debt Facility)

Note that the final terms of the Convertible Notes may change as a result of negotiations with potential subscribers.

Further, note that the approval for the conversion rights attached to the new Convertible Notes will be sought at a meeting of Tomizone's shareholders which will be held after the convertible notes are issued. It is not intended that Tomizone's capacity under ASX Listing Rule 7.1 and 7.1(A) will be used for the conversion rights.

## Timetable

The below is a summary of the estimated timetable for the future steps in completing the above transactions

Execution of sale agreement for EWL Rent Book	8 April 2019 (completed)
Execution of Binding Term Sheet – Senior Finance Facility	8 April 2019 (completed)
Senior Finance Facility – agreement of longform documentation	20 April 2019 (estimated)
Regulatory Approval of Acquisition of EWL Rent Book	3 May 2019 (estimated)
Tomizone Current Bondholder approval of EWL Rent Book Acquisition and restructure of current convertible notes	3 May 2019 (estimated)
Completion of Stage 1 of EWL Rent Book Acquisition	7 May 2019 (estimated)
Completion of Tomizone Ltd Convertible Notes raising	13 May 2019 (estimated)
Completion of Stage 2 of EWL Rent Book Acquisition	17 May 2019 (estimated)
Meeting of Tomizone Shareholders to approve conversion rights of new convertible notes	June 2019 (estimated)

The above timetable assumes that the ASX will not require Tomizone Ltd to seek shareholders' approval or re-comply with Chapters 1 and 2 of the ASX Listing Rules prior to completion. However, due to the size of several aspects of the acquisition of the EWL Rent Book, it may be the case that the ASX does require either of the above in which case the timetable for several of the above items will need to be extended.

Please note that various of the above items are outside Tomizone's control and accordingly may change without notice. Tomizone will keep the market informed of changes should they occur.

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## Conclusion

Since Tomizone Ltd changed its Board and Senior Management team approximately 18 months ago much progress has been made to grow its overall business, add product set and customer base. The transactions mentioned above are the final steps in the previously advised strategy and whilst the future work of your Board and senior management team is far from finished these transactions stabilise the business and allow steps to be taken to make sustainable and profitable growth.

In closing the Tomizone Board would like to thank all shareholders and other stakeholders for their support to date.

## More Information

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## About Tomizone

Tomizone offers an extensive suite of managed services, encompassing WiFi & Analytics, Business Cloud Applications, VoIP, Data Redundancy, Business Security and Point of Sale. A monthly subscription model for all services gives SME through to multi-site enterprise clients a predictable, consolidated fee for all hardware, software, email, backup, telephony and security requirements, along with best-in-class priority support. As a managed services provider, the Company's strategy is simple: increase a client's bottom line, reduce their ICT burden, and harness their competitive edge by facilitating a stronger connection with their customers.

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