



ZANDA PARTNERS

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Thanks for your interest in a potential acquisition of the business and assets of Forticode IP Pty Ltd ACN 119 044 263 (**Forticode IP**), which include the shares held by Forticode IP in its subsidiaries Forticode Research Pty Ltd ACN 619 257 706 (**Forticode Research**) and Forticode Australia Pty Ltd ACN 619 257 626 (**Forticode Australia**). This letter outlines the process in respect of the sale of the business and assets of Forticode IP and the requirements of prospective acquirers.

The following are the key dates in respect of the transaction:

Trade Sale Offer Opens	31 January 2022
Stage 1 - Opportunity Assessment	31 January to 9 March 2022
Product Demonstration	Week commencing 14 February 2022
EOIs Due	9 March 2022 (if not earlier)
Prospective Acquirers Shortlisted	11 March 2022
Stage 2 – Confirmatory Due Diligence and Documentation	14 March – 30 March 2022
Final Offers and Marked-Up Documentation Due	30 March 2022
Preferred Acquirer and Offer Selected	1 April 2022
Completion	April 2022

Structure

On behalf of Forticode IP, we are inviting offers for the purchase of the business and assets of Forticode IP. Forticode IP holds all the intellectual property, source code, patents, contracts (customer and supplier), assets and business of the Forticode Group. It also owns 100% of the shares in Forticode Research (which employs the current technical team) and Forticode Australia.

This structure has been chosen to deliver a clean outcome and more efficient process for buyers – requiring less time and a lower cost of due diligence (vis-à-vis a share sale). This structure will also simplify contractual arrangements through an asset and business sale

agreement, reducing time and cost associated with lengthy working capital, warranty, liability and earn-out negotiations common in share sales.

While the preference of Forticode IP is to receive complying asset and business sale offers, it will also consider and assess alternative structures, including a sale of shares.

Ongoing Founder Involvement

The founder and current Managing Director of Forticode IP, Tony Smales, is interested in remaining engaged with Forticode IP post-transaction. Naturally, this extends to fulfilling a transition period following any acquisition. However, Tony is also interested in continuing in an ongoing executive role with the successful acquirer beyond a transition period to assist in the fulfilment of Forticode IP's vision. Subject to the desires and requirements of the successful acquirer, Tony remains interested in an ongoing financial interest / investment in Forticode IP.

Sale Process

This process will commence on 31 January 2022. A select group of potential buyers will be invited into the process by email. The process will be comprised of two stages, as follows:

Stage 1 - Opportunity Assessment

Stage 1 commences on 31 January 2022 and formally concludes on 9 March 2022.

Following receipt of the email offer, prospective acquirers will have access to a dedicated webpage with a comprehensive set of materials, as follows:

- Trade Sale Presentation (Information Memorandum)
- Process Letter
- Product Information
- Management Interview
- Client Interview and Case Studies
- Market Research

Prospective acquirers will also have the opportunity to ask questions and request further information during Stage 1.

Prospective acquirers will be invited to attend a virtual Cipherise product demonstration with the founder and current Managing Director, Tony Smales. This will be conducted via Microsoft Teams and attendees will have the option of three available sessions. These sessions will be scheduled on Monday 14 February, Tuesday 15 February and Friday 18 February. Parties will be anonymised during this product demonstration, but there will still be the opportunity to ask questions in relation to Cipherise.

Non-binding indicative offers (NBIOS), or expressions of interest (EOIs), will be required by 9 March 2022. Requirements for these NBIOS or EOIs are outlined below.

Review of Offers and Accelerated Process

Forticode IP will review all NBIOS and EOIs on, or prior to, 9 March 2022. At that stage, a shortlist of prospective acquirers will be invited into Stage 2 of the process, outlined below.



Successful parties will be informed by 11 March 2022 and Stage 2 of the sale process will formally commence on 14 March 2022.

Importantly, while NBIOS and EOIs are formally due on 9 March 2022, Forticode IP welcomes, and encourages, the earlier submission of NBIOS and EOIs. Prospective acquirers who submit acceptable NBIOS and EOIs earlier than 9 March 2022 will be invited into Stage 2 earlier than, and in priority to, other parties.

Stage 2 – Confirmatory Due Diligence and Documentation

Stage 2 will formally commence on 14 March 2022 but may commence earlier for prospective acquirers who submit their NBIOS or EOIs earlier than 9 March 2022. Stage 2 will involve final, confirmatory due diligence and the approval of final documentation. As a business and asset sale, this transaction structure will make due diligence more efficient, with a limited requirement for buyers to focus on potential historical risks and liabilities associated with Forticode IP. Accordingly, this process is expected to culminate within three weeks, on 30 March 2022.

Materials provided during Stage 2 will include:

- A comprehensive dataroom
- Vendor due diligence report (Finance)
- Proforma Asset Purchase Agreement

Prospective acquirers will also be entitled to a live management interview with Tony Smales and Beau Tydd (incoming co-CEO).

Final offers will be due on 30 March 2022. These will include a final, binding (board approved) offer and a marked-up Business and Asset Sale Agreement capable of acceptance by Forticode IP. Following an assessment of the final offers submitted, Forticode IP expects to be in a position to choose a preferred acquirer and offer by 1 April 2022. Financial completion of the transaction is expected shortly thereafter.

NBIO and EOI Requirements

NBIOS and EOIs are expected to include the following elements:

a. Purchaser details

Details in respect of the purchaser, including legal name and domicile.

b. Purchase price (in local currency and converted into Australian dollars)

Purchase price should be provided on a debt-free cash-free (enterprise value) basis for all of the business and assets of Forticode IP. Preference will be given to offers that provide a clear basis for the purchase price.

c. Strategic rationale

Details in respect of your strategic rationale underpinning the acquisition of the business and assets of Forticode IP. Preference will be given to offers which outline the vision for the Cipherise product post acquisition.



d. *Structure of offer*

As per the above, strong preference will be given to business and asset purchase offers (acquiring the business and assets of Forticode IP, vis-à-vis the shares in Forticode IP). However, alternative offer structures will be assessed and considered.

e. *Timing of consideration*

Details in respect of offer consideration structure and timing. Offers must involve payment of full consideration at completion (i.e., no 'earn-outs' or deferred consideration structures will be entertained).

f. *Funding capacity*

Details of the means by which you propose to finance the acquisition of the assets and business of Forticode IP. Offers must not be subject to finance.

g. *Ongoing role of Tony Smales*

Details in respect of a proposed ongoing role for Tony Smales. This should include guidance in respect of an executive role (and the scope of that role) as well as your appetite for Tony retaining an ongoing investment / financial interest.

h. *Expected outcome for other senior management team members and existing technology team*

Details in respect of proposed ongoing roles, if any, or Beau Tydd (current co-CEO), as well as the existing technical team.

i. *Conditions*

Details of any conditions (CPs or otherwise) attached to your offer. Strong preference will be given to offers with few conditions to completion.

j. *Further due diligence requirements*

Details in respect of further due diligence requirements to be undertaken prior to submission of a final, binding bid.

Questions

We look forward to receiving your NBIO or EOI by 9 March 2022. In the interim, all questions and requests as part of this trade sale must be directed to Tim Whishaw of Zanda Partners (tim.whishaw@zandapartners.com and +61 474 268 537). At no stage should prospective acquirers attempt to contact employees, board members or other advisers of Forticode IP directly.

Kind regards



Paul Spottiswood
Director



Jean-Marc Barbeau
Director

