

ASX Release: Hubify (HFY)
4 April 2022

HFY acquires Connected Intelligence MSP & Telco Business, adding \$2.6m in revenue and \$0.87m in EBITDA

Hubify Limited (ASX: HFY) ("Hubify", or the "Company") is pleased to announce that it has executed a Business Sale Deed with Connected Intelligence to acquire its Managed Services and Telco Business effective April 1, 2022. The acquisition will contribute \$2.6m in revenue and \$0.87m EBITDA on an annualised basis based on calendar year 2021 results and will be highly earnings accretive for HFY. The business will be acquired for \$3m, implying a 3.4x EBITDA acquisition multiple, and will be funded by an up-front cash payment of \$1.7m and a 2-year deferred payment comprising 50% cash and 50% HFY scrip.

Key Detail

- Effective April 1, 2021, Hubify has acquired the managed services ("MSP") and telco assets of Connected Intelligence ("Connected") for \$3m, implying a 3.4x EBITDA multiple.
- The Connected business comprises 25 customers billing \$2.6m annually of which 90% is contracted recurring revenue, increasing HFY's annualised recurring revenue by 13% to \$19.5m (based on HFY March 31, 2022, billed recurring revenue, exit run rate, factoring in organic growth up to March 2022).
 - The \$2.6m in annual revenue comprises 75% managed services revenue, and 25% in voice and data.
 - Average customer tenure of 4.5 years
- The \$0.87m of incremental pro-forma EBITDA makes the acquisition highly earnings accretive, with growth for HFY well into the double digit's percentage wise.
 - For context, HFY reported 1H22 EBITDA² of \$0.43m, accounting for significant, one-off investment in IT services (MSP) capabilities (+30 employees) to fuel additional organic growth
- The \$3m acquisition cost will be funded as follows:
 - \$1.7m up-front cash payment upon completion; and
 - The remaining \$1.3m is a deferred payment that will be settled 24 months from completion at 50% cash and 50% shares in HFY (issue price at 30-day VWAP of issue date in 24 months). The deferred payment of \$1.3m includes an earn out component based on performance criteria weighted mainly on retention of customers.
- Connected Intelligence employees are all transitioning to Hubify, increasing the Company's capability and capacity for growth.



The Connected Intelligence Managed Service Business

Connected Intelligence ("Connected") is an established Managed Services Provider with presence in Sydney, Melbourne, and Brisbane. Connected offers its clients the full range of managed services including:

- Private Cloud
- Back Up & Disaster Recovery
- IP telephony
- Connectivity
- Cloud & SaaS
- Managed Security

In FY21 total revenue was \$2.6m of which over 90% was from Managed Service Contracts with an average customer tenure of 4.5 years.

Connected shares the same upstream suppliers and platforms as Hubify, which allows for a seamless integration of technologies and systems. Connected has an established team of expert system and technical engineers who are remaining in the business and have signed new employment agreements with Hubify.

Hubify has experience working with Connected having utilised the business for overflow technical support and pre-sales.

Strategic Rationale

- Contributes to the Company's dual pronged growth strategy to grow both organically and acquisitively
- Transaction is highly earnings accretive with strong double-digit growth
- Increases the Company's expertise in Enterprise Managed Services space
- Contributes to the Company's plan to drive revenue growth at high net margins
- Creates cross sell opportunities leveraging the company's broad product range of Telco and IT products and services

Hubify Limited CEO Victor Tsaccounis said:

"I'm really excited about this acquisition and welcoming the Connected Intelligence customers and staff over the coming weeks. Connected is a high-quality recurring revenue business with good margins and long-term customers, which is why it's a great fit for Hubify. This latest addition to Hubify further enables the company to execute on its growth strategy in enterprise managed services and supports our growing pipeline of prospects in this space. Positively also, organic growth in the core HFY business remains strong and we continue to work through our acquisition pipeline, and I look forward to updating the market as we continue to close out that pipeline."



This announcement is authorised for release to the market by Hubify Chief Executive Officer, Victor Tsaccounis.

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Any financial data pertaining to FY21 contained in this update are unaudited as at the date of this presentation.

