



eServGlobal Limited (“eServGlobal” or the “Company”)

## Proposed Sale of eServGlobal core business and proposed change of name

4 June 2019

**eServGlobal** (LSE: ESG.L & ASX: ESV.AX), a pioneering digital transactions technology Company, is pleased to announce that it has signed a conditional sale and purchase agreement (the “SPA”) to sell its core, eServGlobal operating business and associated assets (the “Core Business”) to Seamless Distribution Systems AB (“Seamless”) (the “Transaction”) which is subject to shareholder approval. Following the Transaction, the Company’s only trading activity will be the management of its 35.68 per cent. stake in HomeSend SCRL (“HomeSend”). The Transaction will have no impact of the Company’s investment in HomeSend and the Board does not intend to acquire any further operating businesses post completion of the Transaction. The Board is also seeking shareholder approval of a change of the Company’s name to “Wameja Limited”.

The Transaction is deemed to be a “fundamental change of business” as described in Rule 15 of the AIM Rules for Companies and a disposal of the Company’s main undertaking within the meaning of ASX Listing Rule 11.2, therefore, the Company is required to seek the consent of the Company’s shareholders, which it is doing by way of a resolution to be proposed at an extraordinary general meeting. Should the Transaction complete, the Company will continue to trade on AIM as an operating company rather than an investing company. The Transaction is conditional upon shareholder approval.

A Notice of Extraordinary General Meeting (“EGM”) and accompanying explanatory memorandum, which will provide further details of the proposed Transaction, will, subject to ASX review, be sent to shareholders soon and will be available on the Company’s website at <https://www.eservglobal.com/investors>.

### Transaction highlights:

Subject to shareholder approval, the Company has agreed to sell its shareholding in eServGlobal Holdings SAS and PT eServGlobal Indonesia to Seamless on the following terms and conditions:

1. The purchase price is €2,000,000 in cash, subject to the following adjustment:
  - a. The purchase price shall be reduced to the extent that the equity value (being total assets less total liabilities) of the Core Business, at 30 April 2019, as calculated in accordance with agreed accounting standards and policies, is less than a target amount of €3,594,000. The maximum adjustment is €500,000.
  - b. There is no adjustment to increase the purchase price.
2. The only condition precedent to completion is that the Transaction and the proposed change to the Company’s name are approved by the Company’s shareholders. Seamless may terminate the SPA if the Transaction is not approved by 60 days from the date of this announcement and, in certain circumstances, including if the agreed equity value as at 30 April 2019 is less than €3,094,000.

The Company has received undertakings from certain shareholders in respect of 501,433,371 Ordinary Shares in aggregate to vote in favour of the resolutions, representing approximately 41.4 per cent. of the entire issued share capital of the Company. Further details in respect of the undertakings can be found below.

### **Post Completion**

In 2020, the Directors expect that the annualised ordinary course operating expenses will be reduced to approximately €300,000 per year through the outsourcing of the back office and finance function and the reduction of Board and management expenses.

It is expected that Andrew Hayward will cease as a Director and Chief Financial Officer on or about the time that the Transaction completes (“Completion”) and that John Conoley will cease in his executive role within six months of Completion (with the Chairman’s role reverting to a non-executive position).

After transaction costs, the Directors expect that the Company will, following Completion, have cash and receivables as set out below.

Estimated cash and cash equivalents post completion (after taking into account the purchase price less deal related costs) is expected to be approximately €13 million. Of this amount, €9 million is allocated to existing credit facilities in place for HomeSend as well as a further €2.2 million of expected HomeSend working capital requirement.

In addition to the HomeSend commitments, the remaining cash will be applied towards restructuring costs of the Company subsequent to completion of the Transaction (approximately €1 million) and ongoing operating expenses.

On Completion, all of the 11,000,000 executive options and 6,575,000 employee options will vest and be available to exercise. The exercise price is A\$0.21. The Board has resolved, pursuant to the terms of the options, to extend the exercise period to the current expiry date of the options for each holder who ceases employment with the Company as a result of Completion (the options would otherwise have expired 90 days after the holder ceased employment with the Company). Completion will not have any impact on the performance options in issue.

### **Commenting on the Transaction, John Conoley, Executive Chairman of eServGlobal, said:**

“We are pleased to have found a good home for our core business with the acquisition by Seamless. We have worked hard to reshape the core business into an asset that now has greater value as part of a complementary entity within the Seamless organisation. This is good for our customers, and importantly should provide better opportunity for many of our people who have worked hard to get the company to this point. I wish Seamless well in the future. Looking forward, the focus of the eServGlobal Board will solely be on its relationships with HomeSend and Mastercard as the Board continues to seek to maximise the value of the asset for eServGlobal shareholders.”

This announcement contains inside information as stipulated under the Market Abuse Regulation (EU) No. 596/2014.

**For further information, please contact:**

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PricewaterhouseCoopers LLP ("PwC"), which is authorised and regulated in the United Kingdom by the Financial Conduct Authority ("FCA"), is acting exclusively for eServGlobal in relation to the Transaction and for no-one else in connection with the Transaction or the matters referred to in this announcement and will not be responsible to any person other than eServGlobal for providing the protections afforded to clients of PwC, nor for providing advice in relation to the Transaction nor to the matters referred to herein. Neither PwC nor any of its members owes, accepts or assumes any duty of care, liability or responsibility whatsoever (whether direct or indirect, whether in contract, in tort, under statute or otherwise) to any person who is not a client of PwC in connection with the matters referred to in this announcement, or otherwise.

**About eServGlobal**

eServGlobal (AIM:ESG, ASX:ESV) is a pioneering digital financial transactions technology company, enabling financial and telecommunications service providers to create smoother transactions for their customers through deep technical expertise and rapid implementation. Built on the latest technology platforms, eServGlobal offers a range of transaction services including digital wallets, commerce, remittance, recharge, rapid service connection and business analytics. eServGlobal combines more than 30 years' experience, with an agile, future-focused mindset, to align with the requirements of customers and partners around the globe.

Together with Mastercard, eServGlobal is a joint venture partner of the HomeSend global payment hub, enabling cross-border transfer between bank accounts, cards, mobile wallets, or cash outlets from anywhere in the world.

**Background to the Transaction and Use of Proceeds**

The Core Business has made significant progress over the last few years in terms of reducing its cost base, entering FY19 with an annualised cost base and breakeven point of €10 million, albeit the timing and cost of this right-sizing exercise have proved greater than initially anticipated. Despite revenue falling short of market expectations in FY18 due to various contract delays, the Company has since announced contract wins for the Core Business with new and existing customers and the Core Business entered FY19 with a strong pipeline. The Board has determined, however, that it is in the best interest of shareholders to dispose of the Core Business and is pleased that the investment and efforts made to date in positioning the business as an asset have resulted in the realisation of value for shareholders through the Transaction.

The Company has undertaken an extensive sale process with the help of its advisers for the sale of the Core Business. The terms and conditions of the Transaction are the most commercially advantageous to the Company that have been obtained.

It has been apparent for some time that the Company's shareholders have considered the inherent value of the Company to lie with its investment in HomeSend. The Transaction will enable the Company to focus its resources on realising the future value of the Company's stake in HomeSend and to provide ongoing support for the growth of HomeSend. The Company will retain its two seats on the HomeSend Board, currently held by John Conoley, Executive Chairman, and James Hume, Chief Operating Officer.

Given the significantly reduced cost base of the Company going forward, Board is reviewing all operating costs of the Company and following the completion of the Transaction there will be significant cost reductions across all aspects of the Company. A further update on the Company's ongoing strategy will be provided in due course.

### **Financial information on eServGlobal**

In the audited results for the year ended 31 December 2018, the Core Business generated revenue of €7.1m (A\$11.2m), gross profit of €2.3m (A\$3.5m) and adjusted EBITDA loss of €3.9m (A\$6.2m).

### **Information on Seamless**

Seamless Distribution Systems AB is a technology and digital distribution company, providing technology solutions to mobile operators and retail distributors in 30 countries. Based in Sweden, Seamless is listed on Nasdaq First North Premier (Ticker: SDS) and has a global presence in over 30 countries with specialised focus in the emerging markets of Africa, Americas, Europe, Asia and Middle East. Seamless operates a proprietary Transaction Switch platform, branded as ERS 360°, which is a multi-access electronic transaction platform, hosting end-to-end functional solutions for retail distributors, telecom operators and other service providers.

### **Change of Name**

The terms of the sale of the Core Business require that the Company cease to use the name "eServGlobal."

The Board intends to obtain Shareholder approval at the EGM to change the Company name to "Wameja Limited". If approved, the Directors intend to apply to Australian Securities and Investments Commission for the change of name on Completion.

### **Intentions to vote in favour**

The Directors consider the passing of the resolutions to approve the Transaction and to change the Company's name (the "Resolutions") to be proposed at the EGM to be in the best interests of the Company and its shareholders as a whole and, accordingly will unanimously recommend that shareholders vote in favour of the Resolutions. Furthermore, certain institutional investors, including Lombard Odier Asset Management (Europe) Limited, Toscafund Asset Management LLP, AXA Investment Managers UK Limited, Herald Investment Management Limited, Canaccord Genuity Wealth Management, have undertaken to vote in favour of the Resolutions

to be proposed at the EGM in respect of their aggregate shareholdings of 501,433,371 Ordinary Shares, representing approximately 41.4 per cent. of the issued share capital of the Company.

### **Further information on the SPA**

1. Prior to completion, the Company has agreed, amongst other obligations customary in a transaction of this type, to:
  - a. Regularly consult with Seamless regarding the conduct of the Core Business.
  - b. Not terminate any material agreement.
  - c. Only enter into agreements and undertaking on terms and conditions customary for the Core Business and not change prices or discount terms.
  - d. Not materially change the terms of any employment arrangements and not hire or dismiss any employees without Seamless' agreement.
  - e. Not increase the indebtedness of eServGlobal Holdings SAS, its subsidiaries or PT eServGlobal Indonesia or dispose of any assets, other than in the ordinary course of business.
2. The Company has given warranties to Seamless which are reasonable in the circumstances taking into account the jurisdictions in which the Core Business operates, the nature of the Core Business and the liabilities being acquired by Seamless as a share sale rather than asset sale. The warranties include:
  - a. No infringement of third party intellectual property rights.
  - b. Compliance with laws regarding data protection.
  - c. Anti-money laundering and terrorism financing, anti-corruption and trade sanctions ("Anti-Corruption Warranties").
  - d. Compliance with tax laws.
  - e. Compliance with employment laws
  - f. Accuracy and completeness of information provided by the Company and its subsidiaries during the due diligence process.

The warranty claim period is until 31 January 2024 in respect of tax warranties and certain fundamental warranties relating to title to assets and authority to enter into the agreement with a period of twelve months from Completion for the balance of the warranties.

The warranty claims, other than claims under fundamental warranties relating to title to assets and authority to enter into the agreement and Anti-Corruption Warranties, are limited to a total amount of €1,000,000 less the amount of any adjustment made to the purchase price under 1(a) above or less any amount by which the equity value exceeds €3,594,000 subject to a maximum reduction of €500,000.

Claims under fundamental warranties relating to title to assets and authority to enter into the agreement are limited to the adjusted purchase price less any amount received by Seamless under a non-fundamental warranty or less any amount by which the equity value exceeds €3,594,000, subject to a maximum reduction of €500,000. The Anti-Corruption Warranties are uncapped.

3. The Company has given an indemnity to Seamless in relation to certain operational employment matters.

4. Until Completion, the Company has agreed that it will not solicit, initiate, encourage, assist, discuss or enter into any agreement, understanding or arrangement with respect to any offer, negotiation or proposal from any third party for the sale of the Core Business or sale of the shares in eServGlobal Holdings SAS or PT eServGlobal Indonesia.
5. Seamless is entitled to the following break fees if the agreement to acquire the Core Business is terminated by Seamless in the following circumstances:
  - a. A breach of warranty by the Company with an estimated impact to the equity value of eServGlobal Holdings SAS as at completion of or exceeding €200,000.
  - b. The Company accepting an offer in breach of the non-solicit obligations described in paragraph 4 above; or,
  - c. the Directors withdrawing their recommendation to shareholders to approve the Transaction.

The break fee is €200,000 in respect to paragraph 5(a), being a reasonable estimate of the fees, expenses and internal costs incurred by Seamless in conducting extensive due diligence of the Core Business and the negotiation of the terms of the sale and purchase.

The break fee, in respect to paragraph 5(b), is the difference between the purchase price payable by Seamless and the value of consideration payable under the offer accepted in breach of the obligations described under paragraph 4 but shall be a minimum of €700,000 but no more than €1,000,000.

The break fee in respect of paragraph 5 (c) is €700,000.

There is no break fee if the shareholders do not approve the Transaction.

6. The Company has agreed that it will not for a period of three years from completion directly or indirectly conduct, hold an interest in or in any other way promote a business activity that competes with any of the activities of the Core Business. The Company's involvement in HomeSend is specifically excluded from this restraint.