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ASX Announcement

Release date: 29 September 2021

Non-binding indicative proposal received and entry into exclusivity arrangements

Smartgroup Corporation Limited (**ASX: SIQ**) (Smartgroup) announces that it has received an indicative, non-binding and conditional proposal from a consortium comprising TPG Global, LLC. and Potentia Capital (**Consortium**) to acquire 100% of the shares in Smartgroup by way of a Scheme of Arrangement (**Proposal**). The Consortium has advised that Aware Super Pty Ltd as trustee for Aware Super will participate in the Proposal as an equity co-investor.

Terms of Proposal

Under the terms of the Proposal, Smartgroup shareholders would receive total cash consideration of $10.35 per share, reduced by any dividend or return of capital paid before the date of the implementation of the Proposal. Any franking credits attached to a dividend or capital return would be received by Smartgroup shareholders in addition to the proposed scheme consideration.[1]

The Proposal represents:

- a premium of 31.7 percent to the closing Smartgroup share price on Tuesday 28 September; and
- a premium of 38.6 percent to the 90-day volume weighted average price of Smartgroup shares up until Tuesday 28 September.

The Proposal remains subject to several conditions, including:

- completion of due diligence to the Consortium's satisfaction;
- final approval of the Board of Smartgroup and the investment review committees of each of TPG Global, LLC. and Potentia Capital; and
- the negotiation and agreement of the terms of an implementation agreement customary for a transaction of this nature.

Due Diligence

The Board of Smartgroup has determined that it is in the interests of Smartgroup Shareholders to grant the Consortium a period of four weeks from opening the data room over the next week to conduct due diligence on an exclusive basis to establish whether an acceptable binding transaction can be agreed. The full terms of the exclusivity arrangements are annexed to this announcement.

Board intention

Based on current information, the Board intends to unanimously recommend that Shareholders vote in favour of the Proposal, subject to entry into an acceptable Scheme Implementation Deed, no

[1] The value of any such franking credits would depend on the individual tax circumstances of Smartgroup shareholders.

superior proposal being received and an Independent Expert concluding (and continuing to conclude) that the Proposal is in the best interests of Smartgroup Shareholders.

The Board of Smartgroup notes that there is no certainty that the Proposal will result in an offer for Smartgroup. At this time, Shareholders do not need to take any action in response to the Proposal from the Consortium.

Smartgroup has appointed Macquarie Capital as its financial adviser and Herbert Smith Freehills as its legal adviser.

The release of this announcement was authorised by the Smartgroup Board of Directors.

For further information, contact:

Tim Looi, Chief Executive Officer
Smartgroup Corporation Ltd
+61 408 409 513

Ben Wilson
GRACosway
+61 407 966 083

Email: Investor Relations: ir@smartgroup.com.au
Website: www.smartgroup.com.au

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Annexure – Exclusivity terms from Confidentiality Deed

1 Exclusivity

1.1 Termination of existing discussions

SIQ represents and warrants to each Consortium Member that, as at the date of this deed, neither it nor any SIQ Related Person is in any negotiations or discussions, and it and each of the SIQ Related Persons has ceased any negotiations or discussions, in respect of any Competing Proposal with any person.

1.2 No shop

During the Exclusivity Period, SIQ must not, and must ensure that each of the SIQ Related Persons does not, directly or indirectly:

(a) solicit, invite, encourage or initiate (including by the provision of Non-public Information to any Third Party) any inquiry, expression of interest, offer, proposal or discussion by any person in relation to, or which would reasonably be expected to encourage or lead to the making of, or with a view to obtaining, a Competing Proposal; or

(b) communicate to any Third Party an intention to do anything referred to in clause 1.2(a).

1.3 No talk

Subject to clause 1.5(a), during the Exclusivity Period, SIQ must not, and must ensure that each of the SIQ Related Persons does not, directly or indirectly:

(a) facilitate, participate in or continue any negotiations or discussions with any person with respect to any inquiry, expression of interest, offer, proposal, discussion, negotiation or other communication by any person in relation to, or which would reasonably be expected to encourage or lead to the making of, any Competing Proposal;

(b) negotiate, accept or enter into, or offer or agree to negotiate, accept or enter into, any agreement, arrangement or understanding regarding any Competing Proposal; or

(c) communicate to any person an intention to do anything referred to in clause 1.3(a) or 1.3(b).

1.4 No due diligence

Subject to clause 1.5(a), during the Exclusivity Period, SIQ must not, and must ensure that each of the SIQ Related Persons does not, directly or indirectly:

(a) disclose or otherwise provide or make available any Non-public Information to a Third Party (other than a Government Agency that has a right to obtain that information and has sought it) in connection with, with a view to obtaining or which would reasonably be expected to encourage or lead to the formulation, development, finalisation, receipt or announcement of any Competing Proposal (including providing such information for the purposes of the conduct of due diligence investigations in respect of the SIQ Group), whether by that Third Party or another person; or

(b) communicate to any person an intention to do anything referred to in clause 1.4(a).

1.5 Fiduciary out and notification

(a) From 5.00pm (Sydney time) on the date that is 3 weeks after the Commencement Date, clauses 1.3 and 1.4 do not apply to the extent that they restrict SIQ or any SIQ Related Person from taking or omitting to take any action with respect to an actual, proposed or potential Competing Proposal for all or a majority of the SIQ Shares which was not solicited, invited, encouraged or initiated in contravention of clause 1.2 (**Relevant Proposal**), provided that:

(i) the SIQ Board has determined, acting reasonably and in good faith and after receiving advice from its legal and financial advisers, that taking the action or omitting to take the action in relation to the Relevant Proposal would (or would be reasonably likely to) constitute a breach of the SIQ Board's fiduciary or statutory obligations; and

(ii) SIQ must promptly notify the Consortium Members in writing if it relies on this clause 1.5(a) in relation to either clause 1.3 or 1.4.

(b) During the Exclusivity Period, within 24 hours after SIQ receives any genuine written Competing Proposal for all or a majority of the SIQ Shares (**Formal Proposal**), SIQ must notify the Consortium Members in writing of:

(i) the existence of the Formal Proposal; and

(ii) all material details of the Formal Proposal (including the price and form of consideration, proposed timing, any conditions and the identity of any Third Party that made, and/or any Third Party stated to be involved in, the Formal Proposal) to the extent known by SIQ and/or the SIQ Related Persons.

1.6 Extension of Exclusivity Period

If, as at the end of the Exclusivity Period, the parties are continuing to engage with each other in good faith in relation to the Express Purpose, and the Consortium Members have provided the Reconfirmation in accordance with clause 2(b), the parties may agree in writing to extend the Exclusivity Period such that it ends on the earlier of:

(a) 5.00pm (Sydney time) on the date falling 2 weeks after the last day of the Exclusivity Period;

(b) entry into an implementation deed (or similar or equivalent definitive agreement or deed) in respect of the Transaction; and

(c) the Consortium Members notifying SIQ that they no longer wish to pursue and complete the Transaction under clause 2(a).

1.7 Compliance with law

If it is finally determined by a court of competent jurisdiction, or the Australian Takeovers Panel, or any other equivalent body, that the agreement by the parties under this clause 1 or any part of it:

(a) constituted, or constitutes, or would constitute, 'unacceptable circumstances' within the meaning of the Corporations Act; or

(b) was, or is, or would be, unlawful for any other reason,

then, to that extent (and only to that extent) the SIQ Board will not be obliged to comply with that part of this clause 1. SIQ must not make or cause or permit to be made any application to

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a court, the Australian Takeovers Panel or other equivalent body for or in relation to a determination referred to in this clause 1.7.

1.8 Usual provision of information

Subject to the other provisions of this deed, nothing in this clause 1 prevents SIQ from:

(a) providing any information to the SIQ Related Persons;

(b) providing information to any Government Agency;

(c) providing any information required to be provided by any applicable Law;

(d) providing any information to its auditors, customers, financiers, joint venturers and suppliers acting in that capacity in the ordinary course of business; or

(e) making presentations to, or responding to enquiries from, brokers, portfolio investors, analysts and other third parties, in the ordinary course of business.

2 Consortium Member confirmations

(a) The Consortium Members must, as soon as practicable (and, in any event, within two Business Days), notify SIQ in writing if they are no longer interested in pursuing and completing the Transaction.

(b) Subject to discussions between the parties in relation to the Transaction remaining on foot at the relevant time, the Consortium Members must by no later than 5.00pm (Sydney time) on the last day of the Exclusivity Period, send a notice to SIQ (**Reconfirmation**) in which they confirm:

(i) they remain interested in pursuing and completing the Transaction; and

(ii) subject to completion of satisfactory due diligence and final internal approvals, the consideration payable under the Transaction will include at least A$10.35 per SIQ Share in cash (less the amount of any dividends paid).

(c) If the Consortium Members fail to provide the Reconfirmation, the sole recourse of SIQ for such failure will be to terminate discussions with the Consortium Members in relation to the Transaction and the Consortium Members will not otherwise have any liability for such failure (provided that, for the avoidance of doubt, the foregoing does not limit the liability of the Consortium Members under any other part of this deed).

Key Defined terms

Commencement Date means the earlier of:

(a) the date that is 1 week after the date of this deed; and

(b) the date on which SIQ has provided the Consortium Members with access to a virtual data room in connection with the Transaction which contains substantially all of the information in the Day 1 Data Room Index.

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Competing Proposal means any proposal, offer, expression of interest, agreement, arrangement or transaction which, if entered into or completed substantially in accordance with its terms, would result in a Third Party (either alone or together with any Associates):

(a) directly or indirectly acquiring or having the right to acquire:

(i) a Relevant Interest in;

(ii) a legal, beneficial or economic interest (including by way of an equity swap, contract for difference or similar transaction or arrangement) in; or

(iii) control of,

20% or more of the SIQ Shares;

(b) acquiring Control of SIQ;

(c) directly or indirectly acquiring or becoming the holder of, or otherwise acquiring or having a right to acquire, a legal, beneficial or economic interest in, or control of:

(i) all or a material part of any business conducted by a member of the SIQ Group; or

(ii) any material assets of any member of the SIQ Group;

(d) otherwise directly or indirectly acquiring or merging with SIQ; or

(e) requiring SIQ to abandon, or otherwise fail to proceed with, the Transaction,

whether by way of takeover bid, members' or creditors' scheme of arrangement, reverse takeover, shareholder approved acquisition, capital reduction, buy back, sale or purchase of shares, other securities or assets, assignment of assets and liabilities, incorporated or unincorporated joint venture, dual-listed company (or other synthetic merger), deed of company arrangement, any debt for equity arrangement, recapitalisation, refinancing or other transaction or arrangement.

For the avoidance of doubt, each successive material modification or variation of any proposal, offer, expression of interest, agreement, arrangement or transaction in relation to a Competing Proposal will constitute a new Competing Proposal.

Consortium Members means TPG and Potentia.

Day 1 Data Room Index means the index so named as agreed in writing between the parties.

Exclusivity Period means, subject to any extension pursuant to clause 1.6, the period commencing on the date of this deed and ending on the earlier of:

(a) 11.59pm (Sydney time) on the date that is 4 weeks after the Commencement Date;

(b) entry into an implementation deed (or similar or equivalent definitive agreement or deed) in respect of the Transaction; and

(c) the Consortium Members notifying SIQ that they no longer wish to pursue and complete the Transaction under clause 2(a).

Express Purpose means to assist the parties in evaluating whether to proceed with the Transaction and, if applicable, in negotiating the terms of and implementing the Transaction.

Non-public Information means any non-public information about the business or affairs of the SIQ Group.

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SIQ Related Person means:

(a) an Affiliate of SIQ;

(b) an Adviser of SIQ; or

(c) a Representative of SIQ or any person referred to in paragraph (a) or (b).

Third Party means a person other than the Consortium Members and their respective Associates and Affiliates.

Transaction means the acquisition of all of the SIQ Shares by an entity Controlled by the Consortium Members (and/or their respective Affiliates) pursuant to a scheme of arrangement under Part 5.1 of the Corporations Act which is recommended by the SIQ Board.

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