

ASX ANNOUNCEMENT

Family Zone Cyber Safety Limited

ASX:FZO ("Family Zone" or the "Company")



Our mission is to protect & support
every child's digital journey.

Family Zone Acquires Student Wellbeing Provider Educator Impact

The Company is pleased to announce that it has acquired innovative student wellbeing provider Educator Impact. Further details in relation to the transaction are contained in the attached presentation.

The Company intends to conduct a video presentation on the rationale for the acquisition later this month, once Managing Director Tim Levy returns from travel in the USA.

The Company further notes that it intends to release the usual quarterly report later this month.

This announcement was made on 3 October 2022 and was authorised by the Managing Director of Family Zone Cyber Safety Limited.

About Family Zone

Family Zone, **supporting and protecting every child's digital journey**, is an ASX-listed technology company and an emerging leader in the fast growing global cyber safety industry. Family Zone's unique innovation is its patented cyber safety ecosystem, a platform enabling a world-first collaboration between schools, parents and cyber safety educators. Family Zone's unique approach is delivering rapid growth in the education sector, as well as through direct sales and scalable reseller arrangements with telco providers.

To learn more about the Family Zone platform and the Company please visit www.familyzone.com.



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Ends.

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To protect & support every child's digital journey

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Family Zone acquires innovative
student wellbeing provider

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Summary



"I am delighted to welcome the outstanding team at Educator Impact to the Family Zone Group. EI is an innovator in the exploding student engagement and wellbeing sector. EI's flagship Pulse product is proven and ready-to-go for cross sell to our 24,000 schools in the US & UK."

Tim Levy

Managing Director

- Educator Impact (EI) is an Australian based provider of student wellbeing technology.
- With circa \$1.7 million of revenue and 12 staff, EI is self sufficient and growing fast in Australia.
- EI's flagship product, Pulse is ready to launch into the US and UK. Pulse will be cross sold expeditiously to Family Zone's UK and US existing customer base and through our channel partners to new clients.
- EI management team includes high quality executives Nabil Shaheen and Dr Joe Thurbon who will run Family Zone's wellbeing products.
- The acquisition of EI brings growth, talent and accelerates Family Zone to cash-flow break-even with no disruption to existing teams or operations.
- Family Zone to pay circa \$2.95 million in shares (issued at 30c) upfront with performance consideration of up to \$4.2 million in shares / convertible notes subject to achieving revenue milestones.

About



Nabil Shaheen
CEO and Head of
Product



Dr Joe Thurbon
Chief Technology
Officer

Founded in 2012 and based in Sydney, Educator Impact (EI) is a technology company delivering SaaS solutions to K-12 schools.

EI launched Pulse in 2020 and growth has been rapid. Pulse engages with and empowers students and teachers and delivers incredible insights for school administrators. The technology is supported by advanced embedded AI analytics, which provide an unrivalled wellbeing suite for K-12 institutions globally.

Highly scalable, Pulse has seen rapid growth in Australia and has been built for and is ready to launch into the huge US school sector, where social and emotional learning and wellbeing are exploding. Similar potential exists in the UK and other markets as well.

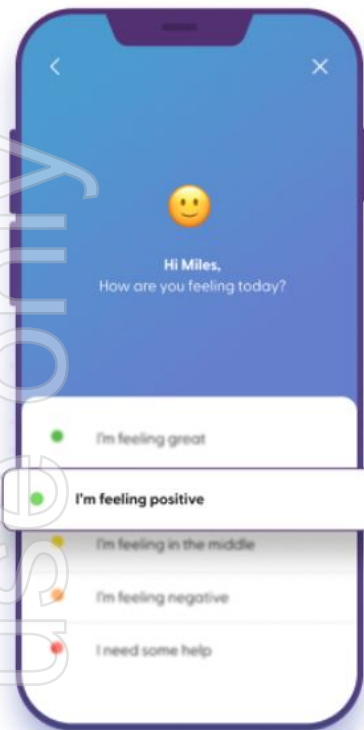
EI also offers a 360 degree feedback tool for teachers and school staff called PD360. Currently this product is only available in the Australian market.

Nabil Shaheen has grown businesses in telecommunications and FMCG, building teams and developing markets in Europe, the Middle East, and Asia Pacific. Prior to joining EI, Nabil launched the Tesco brand in 11 countries creating an export business of \$45m USD.

Dr Joe Thurbon has been delivering world changing technology for more than 20 years. He established the machine learning research capability for Canon Information Systems Research Australia, and has held senior positions at Intersect Australia. Joe holds a PhD in Computer Science Artificial Intelligence from the UNSW.



ei Pulse



<input checked="" type="radio"/>	All the time
<input checked="" type="radio"/>	Most of the time
<input type="radio"/>	Sometimes
<input type="radio"/>	Unsure
<input type="radio"/>	Not at all

Do you agree with the following statement?

I feel supported at school?

Check-in on students

Fun and easy 60-second weekly check-ins encourage students to reflect on their mental, social and physical wellbeing by answering evidence-based questions.

Identify and support students in need

Provide students with a safe and accessible way to reach out for help.

Take action with real-time data

Get insights into students' current wellbeing, translate data into early intervention and track changes over time for continuous improvement.

Encourage gratitude

Encourage students to be supportive of each other and lift each other up with the ei Pulse gratitude feature.

Access wellbeing resources

Take a holistic approach towards improving wellbeing by providing staff and parents with the relevant resources they need to support students.



Student Wellbeing

There is unprecedented funding flooding into the space of student wellbeing. Our customers are trying to address wellbeing at scale with efficient tools and solutions.

Educator Impact's Pulse platform delivers perfectly into this massively expanding and well funded K-12 segment.

The Biden administration has committed

\$125 billion in funding
for districts to support student wellbeing and other programs.

Prevention

Established funding regimes eg e-rate

Early Detection & Intervention

\$64.5B_{USD}

Education

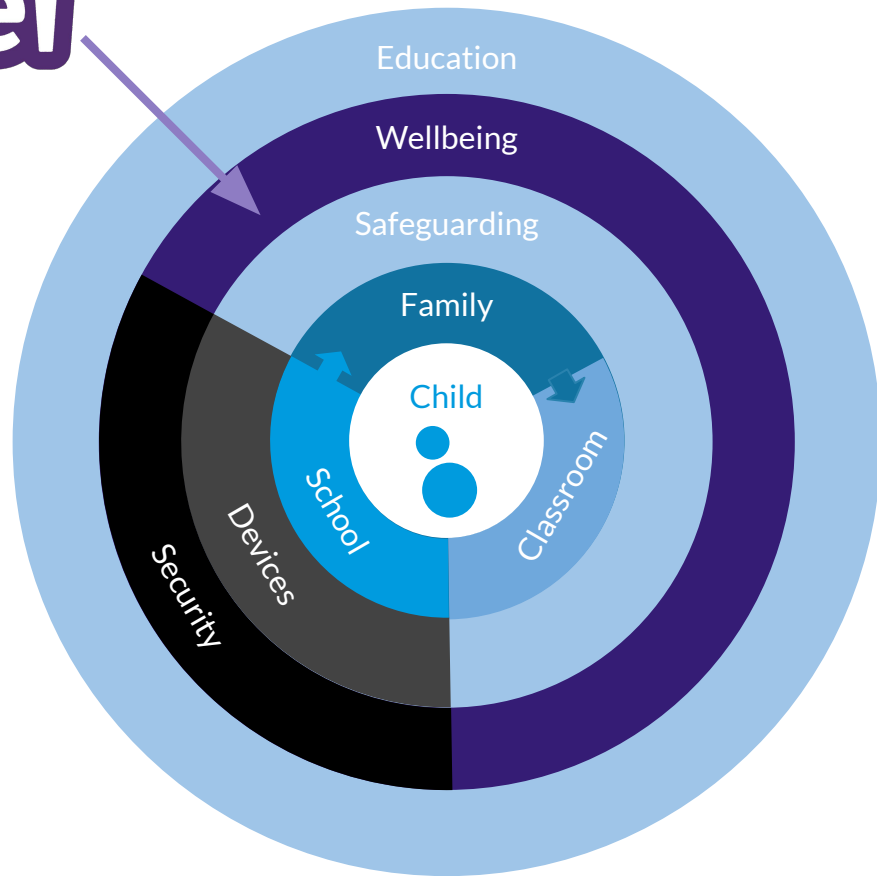
\$53.3B_{USD}



Our unique vision is a unified approach to online safety

With Educator Impact our capability expands massively offering more solution options for our clients.

Our outstanding K-12 sales teams have demonstrated their ability to cross-sell. Pulse is ready to go in the US and UK and will only convert more strongly as it becomes integrated into the Family Zone platform.



Rationale

“Educator Impact is a perfect acquisition at a perfect time for Family Zone. EI offers Family Zone access to highly competitive products in a fast growing segment with a natural fit to our proposition all in time for the upcoming busy sales periods in the US and UK.”

Jordan Foster

Chief Wellbeing Officer

1

Cross-sell into K-12

EI is an innovative, feature rich high margin (+80%) wellbeing tool ready-to-offer to our 24,000 schools.

2

Access to talent

EI's team are highly complementary with expertise in wellbeing, product management and AI.

3

Self sufficient and accretive

EI is profitable and requires no additional investment. EI will generate cash this FY and bring forward breakeven.

4

Value accretive

The agreed deal is accretive on a NPV, EV/ARR, EBITDA and cash flow basis to Family Zone.

5

Growth without disruption

EI is well managed and contained. Material growth is not contingent on investment or integration.

The deal

In a sign of confidence in the merged business, the sellers are taking 100% of their consideration in shares or notes convertible at 60c per share.



AU\$2.95 million in shares upfront | 1.66X upfront revenue multiple

Family Zone to pay circa \$2.95 million for the Educator Impact company via FZO shares set at 30c per share. With revenue of circa \$1.774 million (FY2022) this is a 1.66X revenue multiple.

Upfront shares (circa 9.8 million) are subject to a combination of voluntary escrow (83%) and orderly selling arrangements. Escrow is released in tranches over 180 days.

Up to AU\$4.2 million in performance consideration

Family Zone to pay up to \$4.2 million in performance consideration subject to Pulse growing ARR by 200% by 30 June 2024 (currently at \$693,000 | 30 Sep 2022). Any shortfall reduces consideration at a rate of 3:1 of \$'s short.

Performance consideration is discharged 50:50 in Performance Shares and Performance Convertible Notes.

Performance Shares are calculated at the 30-Day VWAP at the date of allocation subject to a floor of 30c and a cap of 60c.

Performance Convertible Notes are convertible at 30 Jun 2024 at 60c. Interest is calculated at a rate of 6% and is paid in shares if the notes are converted or cash otherwise.

If Educator Impact achieves ARR of \$2.1 million before 30 June 2024 allocation of shares and rights to convert the Performance Convertible Notes is accelerated.

Performance Convertible Notes are payable in cash plus interest if not converted prior to 30 June 2024 (subject to notice periods).

Should the performance target be met and the performance shares be issued at 60c and the notes converted then the average share price for EI consideration is circa 50c acquiring the business on a 2.25X revenue multiple.