



# NEWPORT CAPITAL GROUP

Australian Technology Investment Banking & Corporate  
Advisory Firm



NEWPORT CAPITAL

TECHNOLOGY INVESTMENT ADVISERS

# Newport Capital Overview

## Australian technology investment banking & corporate advisory firm

- Founded in August 1989 and majority owned by the management.
- Australian Financial Services License – #262 001
- Web Site – [www.newportcapital.com.au](http://www.newportcapital.com.au)
- Member of Regent Associates ([www.regent.co.uk](http://www.regent.co.uk)) Consortium – presence in 5 key European markets & affiliation with Fairmount Partners, US.
- Asian Markets Affiliate – IRG with presence in 6 key Asian markets ([www.irg.biz](http://www.irg.biz)).
- **Circa 200 client transactions completed in all key ICT and related market sectors.**

## Technology sector focus:

- IT Services and Products;
- Software;
- Outsourcing, Managed and Business Services;
- Communications;
- Digital Content Management;
- New Media;
- Mobile Content and Applications;
- Internet and e-commerce;
- Applied Technology;
- Health informatics;



# Newport Capital Services

## Value creative services:

- **Buy-side** - Outsourcing of inorganic growth/strategic acquisitions programs;
- **Sell Side** – Divestments, spin-outs and trade sales;
- **Capital Raisings** – Growth capital for viable tech sector clients – listed and private;
- **IPO Facilitation** – Outsourcing of the Complete IPO project process;
- **Corporate Advisory Services** – Market Sector Surveys & Market Entry Strategies, Valuations, Strategic Audits and Workouts;

## Why mandate a professional adviser?

- On average a **business transaction takes 4-6 months** (500 hours) of dedicated time. The ability to respond with urgency on a day to day basis is crucial.
- The **management of “sell side” company should be dedicated to maximising the performance of the business**, and maintaining the “hygiene” of the business.
- An **effective sale process needs to be conducted strategically**. Buyer interest and competitive bidding process must be maintained. Questions and issues must be resolved expeditiously.
- Typically for sellers who try to manage the sale process themselves while running a business, **business performance suffers and this negatively impacts the final valuation**.
- **Confidentiality must be paramount**. Engaging internal staff and advisors who are not well versed in handling such transactions and sensitive information may compromise the process of delivering high value transaction.
- Anonymity, especially in initial market approaches can be critical. **Leakage of an “intention to sell” can be highly detrimental in a competitive market**.
- Lawyers and accountants may be well versed in the execution of formal sale and purchase documentation. However, they **often lack market knowledge and experience in maintaining a competitive bidding environment, qualifying buyers, negotiating with seasoned acquirers, and closing transactions to full value and in a timely manner**.



# Newport Capital Transactions

Some recent notable Newport Capital Transactions:

## ICT & Business Consulting

Newport Capital Advised



change corporation  
A CSG COMPANY

In conjunction with CCZ Corporate Finance

On the Sale of its Business to



CSG LIMITED

\$21M on closing plus deferred earn out



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## Managed Services

Newport Capital Advised



HANSEN TECHNOLOGIES

On the sale of its subsidiary Hansen Professional Services Pty Ltd to



DATACOM

\$10.5Million



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## Disaster Recovery

Newport Capital Advised



classic blue

CB Holdings Enterprises Pty Ltd

On the Sale of Classic Blue Solutions Pty Ltd to



IBM

Undisclosed



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## IT Product Distribution

Newport Capital Advised



CELLNET

Cellnet Group Ltd

On the Acquisition of



VME SYSTEMS

Undisclosed



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## IT Consulting

Newport Capital Advised



Atos Origin

On the Sale of its Australian Operations to



FUJITSU

Undisclosed



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# Newport Capital Services

## “Buy-side” - “outsourcing” of inorganic growth/strategic acquisitions programs

- Robust, proven, proprietary transaction methodology.
- High probability of Transaction/s outcome/s versus opportunistic inbound deals flow approach.
- Reach into offshore markets via Regent and IRG for cross border transactions.
- Extensive, refined, proprietary transaction collateral – reduces transaction costs.
- Detailed project plans and schedules versus “journeys of discovery”.
- Deep market pricing knowledge, financial modelling and comparables to ensure value accretive transactions.
- Comprehensive database of Australian tech sector targets.

## Notable previous buy side engagements:

- Cellnet Limited – ASX listed IT & Telco products distributor
- Fujitsu Australia – Global IT products & services vendor
- Capgemini Australia – Global consultancy and IT services
- BSA Ltd – ASX listed Infrastructure services company
- Slice Wireless – Global content publisher to mobile



# (Cont.)

## “Sell Side” – Divestments, spin outs and trade sales

- Robust, proven, proprietary transaction methodology.
- Focused, adequately resourced transaction team to increase probability of a transaction outcome.
- Extensive, refined, proprietary transaction collateral – reduces transaction costs.
- Deep knowledge of market and active buyers – with reach into offshore markets via Regent and IRG for cross border transactions.
- Proven capacity to maximize transaction value.

## Notable previous sell side engagements:

- Change Corporation – Leading IT consultancy and IT services
- Hansen Corporation Ltd – Leading ASX listed managed services and utility billing software
- Lucid IT – IT Training & Education services provider
- Classic Blue Group – Leader in DR and managed services
- Atos Origin – Global IT services/managed services vendor – sell side.



# (Cont.)

## “Capital Raisings” – Growth capital for viable tech sector clients – listed and private

- Detailed understanding of investor requirements from Newport Capital funds management experience.
- Wide established relationships with strategic and financial (VC) investors.
- \$5M to \$50M “sweet spot”.
- Proven capacity to “sell the opportunity” to maximize pre-money valuation.
- Deep understanding of valuation and business drivers.

## Notable previous engagements:

- First Wave Technology – Internet and email security software and services – capital raising and licensing
- Equilibrium Wellness Centre – Wholistic health centres and spas
- RAMS Home Loans – Leading mortgage originator
- Connect Interactive – Innovative call centre services
- Access Systems – Leading Internet Gaming Technology vendor
- Formida Software Corporation – Developer of Enterprise solutions



# (Cont.)

## “IPO Facilitation” – outsourcing of the Complete IPO project process

- Knowledge of ASX requirements and listing processes.
- Established relationships with quality brokers, accountants and underwriters.
- Capacity to fund IPO “risk money” to IPO.
- Capacity to engineer/negotiate “merge and IPO” transactions to create viable post IPO entities with after market support.
- Maximization of pre-IPO valuation; reduction of IPO risks.

## Key Components of the IPO facilitation can include -

- Provision of initial likely IPO valuation advice.
- Advice on how the IPO is best structured for market acceptance.
- Management structure for the IPO entity, and facilitation of recruitment of necessary additions – such as an appropriate CFO.
- Preparation of financial data – historic and forecast – which may need to be restated based on required adherence to accounting standards. Note that the restatement of financial statements to “GAAP” standards may require significant work by an appropriately qualified accounting firm.
- Preparation of a total project budget, including investigating accounts and lawyer’s fees, and expenses.
- Preparation of a draft prospectus for review by legal advisers.
- Negotiations with the ASX.
- Securing any necessary expert opinion reports.
- Negotiations with brokers, lawyers and investigating accounts.
- Preparation of road show materials and planning and execution of the broker road show.
- Project management of the due diligence process.
- Trouble shooting/problem solving of issues which will arise.



# (Cont.)

## Corporate Advisory Services

- Market Sector Surveys and Market Entry Strategies – Identification of acquisition targets, intelligence for market entry planning.
- Valuations – Reliable enterprise valuations via market comparables and valuation modelling – for sales, acquisitions, mergers or Board/shareholder purposes.
- Strategic Audits and Workouts – Incisive reviews of tech sector enterprises for Boards and shareholders – high value, low cost precursor to a sale or merger transaction, or to make the enterprise “investor ready”.

## Notable previous engagements:

- IBM GSA (“ISSC”) – Global IT consultancy and services
- Westcon Group – Global IT Products & Services Vendor
- Telstra Corporation – Australia’s #1 telco
- Capgemini Australia – Global consultancy and IT services
- CVC Limited – ASX Listed investment house
- Mooter Media Limited – Internet search technology



# Value Creative Approach

Newport Capital enables clients to reduce risks and maximize shareholder value far beyond the fee costs involved in critical business transactions

- Specialised in the IT&T industry with proven track record in IT&T business transactions (**circa 200 completed transactions**).
  - **Our executives have held senior executive positions in global IT companies** (e.g. IBM, CSC, Unisys) and have extensive sector knowledge and experience. This enables high level contacts and relevant sector expertise.
  - Proven capacity to execute engagements – **high “success rates”**.
  - Proven methodologies and research capabilities.
  - **Global access to US, Europe and Asia** through Regent Associates, Fairmount Partners and IRG affiliates.
  - **Each engagement tailored to customers needs**, not “one size fits all” approach of large investment banks. Independent and objective advice.
- **Extensive proprietary transaction collateral** to reduce transaction costs.
  - Dedicated, focused, adequate engagement team resource commitments **to effectively execute and complete transactions**.
  - **High quality advice to maximize client value outcomes**.
  - Fee structures which align with client objectives – **“win/win” outcomes**.
  - Quality reputation for ethical, client centric, **transparent performance to facilitate access to decision makers**.



# Fee Structures

- Fee structures are based on hourly bill rates and resource commitments for professional staff – comparable to “Tier 2 law firm” rates
  - Principal - \$500/hour
  - Director - \$400/hour
  - Associate/Analyst - \$200/hour
- Fee structure options
  - Budget estimates and hourly fee rates for engagement team resources with monthly billing.
  - Fixed price projects based on detailed project costing – typically for sector surveys, strategic audits and valuations – 50% payable on contract; 50% on completion.
  - Monthly “project management” fees and “transaction success fees” –
    - Monthly project management fees typically 25% - 30% of bill out rates.
    - “Risk fees” (transaction success fees) – typically 70% - 75% of bill out rates - 50% risk margin on un-recovered fees.

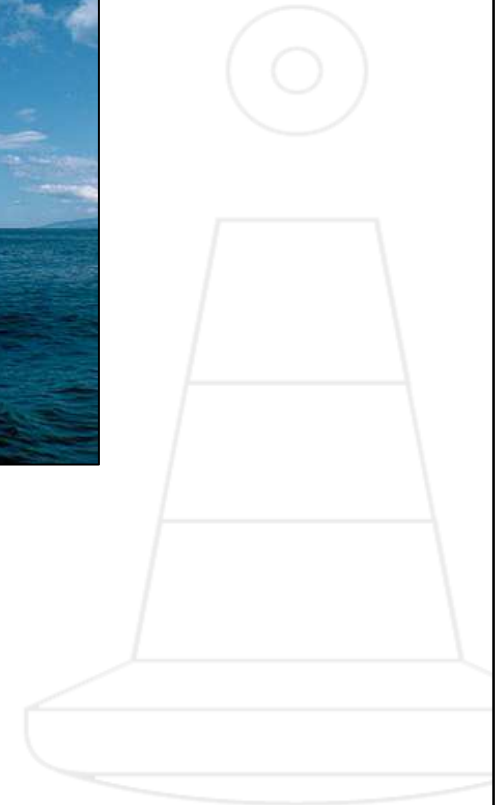
## Example of Risk Based fee structure

- Key mandate conditions
  - Monthly project management fees typically 25% - 30% of bill out rates.
  - Exclusivity of mandate.
  - Agreed minimum term to complete – as per agreed project plan.
  - Agreed “excluded targets” or no exclusions.
  - Transaction Value and Transaction Success Fees defined in mandate.
  - Agreed “tail periods” on Transaction Fees with activated Targets post termination.
  - Clearly defined scope of work in mandate contract.
- Total project fee cost estimate/budget – Newport’s risk on over-runs within agreed scope of work – say \$300K.
- Monthly project management fees over say 5 months term – total of say 25% of fee cost estimate – say \$75K = \$15K/month payable in advance – not “rebatable”.
- Transaction value say \$10M.
- Risk Fees = say \$300K minus monthly fees of say \$75K = say \$225K + 50% risk margin = total risk/Transaction Success Fee = \$337.5K.
- Transaction Success Fee as a percentage of Transaction Value = 3.3375% - payable on completion.
- Note – Deferred and “contingent” Transaction Value components included in Transaction Value for calculation of Transaction Fee.

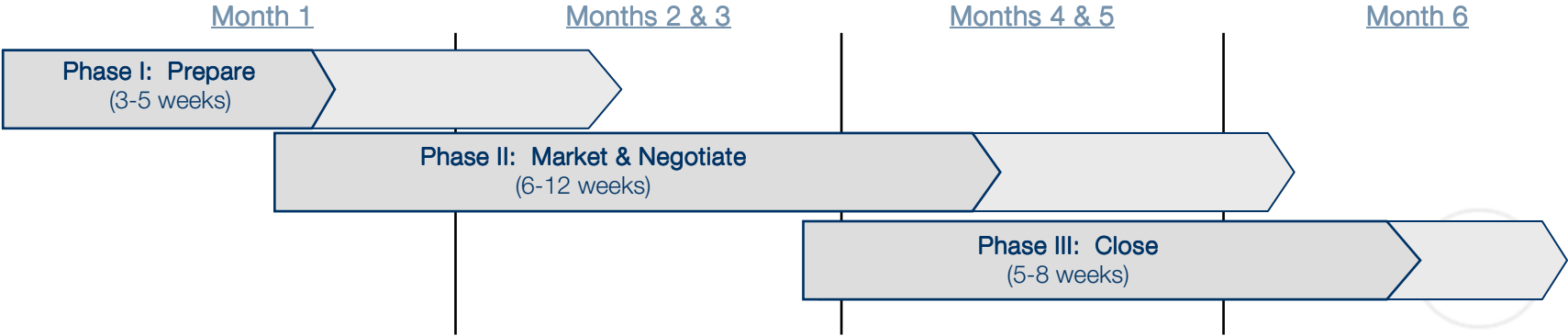


# Working together to create shareholder value

- Initial meeting to assess needs and opportunities and test “chemistry”.
- Pre-engagement due diligence – Newport cost – to adequately understand client’s operations and opportunities.
- Newport Capital internal review of intended project viability.
- Newport Capital Proposal – encapsulating pre-engagement due diligence findings – established purpose of engagement – gives preliminary view of valuation issues – establishes fee structure – details proposed engagement team – provides proposed engagement plan and schedule – provides précis of engagement methodology.
- Preparation of engagement contract or letter.
- Execution of mandate contract in accordance with Newport Capital methodology.
- Newport Capital’s intent – establish achievable expectations and over-achieve.



# Typical Sell Side Process & Preliminary Timeline



**Key Activities**

- Draft Project Plan & Schedule
- Identify strategic fits and value drivers
- Prepare marketing materials and other collateral
- Identify other issues
- Refine target list & send RFI to prospective acquirers
- Execute NDAs & send Information Memorandum
- Conduct management presentations & respond to diligence requests
- Negotiate terms with prospective acquirer(s) & select preferred acquirer
- Agree on Due Diligence Checklist and conduct Due Diligence
- Respond to final diligence requests
- Coordinate preparation of definitive documents in collaboration with lawyers
- Meet pre-closing terms and conditions.
- Sign definitive documents to close deal

**Output**

- Preliminary list of potential acquirers (target list)
- Anonymous flyer (RFI)
- Adjusted financials and valuation modelling
- Information Memorandum
- Presentation to acquirers
- Short list of prospective acquirers
- Executed NDAs
- Frequently Asked Questions (FAQ)
- Letters of Expression of Interest (EoI) to solicit initial interest, valuation and transaction structure
- Term Sheets for the preparation of Sale and Purchase Agreement (SPA)
- Definitive documentation - Sale and Purchase Agreement
- Payment and Completion

# Professional Staff

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- *Louis Richard – Managing Director* – over 30 years ICT sector senior executive roles; numerous successful ICT sector start-ups; numerous successful ICT sector critical business transactions; developed Newport Capital to a leadership position in tech sector M&A and advisory services; formed durable alliances with Regent Associates and IRG.
- *Peter E Sayers - Director* – over 30 years of ICT sector senior financial & M&A roles; ex Head of M&A, IBM Australia; ex Head of M&A CSC Australia; managed numerous large, complex M&A transactions; expert in ICT sector valuations; expert in M&A methodologies and documentation.
- *Daniel Jose Marie - Director* – over 20 years of ICT sector senior business development roles; managed numerous ICT sector M&A and advisory engagements; wide ICT sector senior executive contacts; proven capacity to formulate and sell the client’s value proposition.
- *Chris Johnston - Director* – Qualified CA, deep financial analysis and engineering skills; managed numerous ICT sector M&A transactions; ex M&A Executive, CSC Australia; wide high level ICT sector relationships.



# Contact Details

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