

**Acquisition of  
Jiangsu Ofpay E-commerce Limited  
16 December 2015**

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## **1. Executive summary**

# Executive summary

## Acquisition of Jiangsu Ofpay E-commerce Limited

### TRANSACTION OVERVIEW

- Unique opportunity for 99 Wuxian to acquire majority interest in Jiangsu Ofpay E-commerce Limited (“Ofpay”), a leading upstream supplier of virtual products and services to the Chinese e-commerce sector
- Upfront acquisition cash consideration of RMB 160.0mm (A\$34.1mm) with maximum RMB 297.4mm (A\$63.5mm) deferred consideration / vendor finance. The deferred consideration is payable in three tranches between 31 December 2015 to 30 June 2017 and is contingent on certain performance targets being achieved
- Acquisition funded from existing liquidity, Major Shareholder Loan, is fully funded from existing liquidity, major shareholder loan, 99 Wuxian subsidiary funding and private placement
- FY14 NPAT acquisition multiple pre-synergies of 14.8x assuming full payment of deferred consideration
- Components of the transaction subject to shareholder and regulatory approval

### OFPAY OVERVIEW

- Ofpay is a leading Chinese business-to-business (“B2B”) wholesaler of online transaction services and products
- Founded in 2005 with a market leading platform capable of handling in excess of 300mm unique orders p.a.
- Well established and long-standing relationships with a range of high-quality clients and suppliers, including Taobao, China Mobile, China Unicom, Lakala, Tenpay, JD.com and 360, Xiaomi
- FY14 Gross Transaction Value (“GTV”) of RMB 14.6bn (A\$3.1bn), total revenue of RMB 75.6mm (A\$16.1mm) and net profit of RMB 30.9mm (A\$6.6mm)

# Executive summary (cont'd)

## *Acquisition of Jiangsu Ofpay E-commerce Limited*

<b>STRATEGIC RATIONALE</b>	<ul style="list-style-type: none"><li>• Strengthens competitive position and improves quality of service by ensuring continuity of virtual product supply and diversifying product offering</li><li>• Generates significant synergies allowing 99 Wuxian to capture more of the value chain</li><li>• Increases scale of operations and creates a more comprehensive solution for customers</li><li>• Enhances financial profile delivering meaningful revenue diversification and margins</li><li>• Positions 99 Wuxian to focus on downstream platform growth</li><li>• Financially and strategically compelling transaction that is expected to create significant value for 99 Wuxian shareholders</li></ul>
<b>OPERATING STRATEGY</b>	<ul style="list-style-type: none"><li>• Ofpay will continue to run as a standalone business</li><li>• Key management and staff to be retained</li><li>• Large opportunity for growth and synergies with 99 Wuxian's core offering</li></ul>
<b>FINANCIAL IMPACT</b>	<ul style="list-style-type: none"><li>• Significantly increases and diversifies the financial and operational scale of 99 Wuxian post acquisition<ul style="list-style-type: none"><li>– FY14 pro-forma GTV: RMB 21.4bn (A\$4.6bn) (increase of 161%)</li><li>– FY14 pro-forma EBITDA: RMB 46.1mm (A\$9.8mm) (increase of 291%)</li></ul></li><li>• FY14 NPAT acquisition multiple pre-synergies of 14.8x assuming full payment of deferred consideration</li></ul>

# Executive summary (cont'd)

## *Acquisition of Jiangsu Ofpay E-commerce Limited*

### TRANSACTION STRUCTURE & FUNDING

- Attractive acquisition structure with significant deferred consideration
  - Upfront cash consideration of RMB 160.0mm (A\$34.1mm)
  - RMB 297.4mm (A\$63.5mm) maximum deferred consideration / vendor financing subject to Ofpay meeting revenue and net profit KPIs
- Acquisition funding
  - Shareholder loan from Grand Ease (a company owned by founder and CEO, Amalisia Zhang, 99 Wuxian's largest shareholder) providing acquisition funding of RMB 140mm (A\$29.9mm) convertible at A\$0.14 per CDI
  - Cash flow and existing liquidity: RMB 20mm (A\$4.3mm) funded from 99 Wuxian cash flow and existing liquidity
  - Third party subsidiary funding: RMB 80mm (A\$17.1mm)
  - Private placement: RMB 43mm (A\$9.1mm)
- Combined business funded for future growth with ~RMB 80+mm of cash on balance sheet post transaction

### TIMING

- Components of transaction subject to ASX listing rules, regulatory and shareholder approvals
  - Extraordinary general meeting anticipated to be convened in late January 2016.



## **2. Transaction overview**



# Transaction overview

*Market leading wholesale online virtual products transaction services platform*

- Ofpay is a leading B2B wholesale provider of online transaction services
- Established and long-standing relationships with high quality and leading Chinese market places, clients and suppliers
- Ofpay is an existing virtual product supplier to 99 Wuxian
- Founded in 2005 and has approximately 200 employees

**+300 million**

unique platform orders  
per annum

**60+**

high quality merchants  
and suppliers

**+1,000 million**

underlying virtual product  
customers

**RMB 17.2bn (A\$3.7bn)**

LTM<sup>1</sup> Gross Transaction Value

**RMB 87.1mm (A\$18.6mm)**

LTM<sup>1</sup> total revenue

**RMB 30.9mm (A\$6.6mm)**

FY2014 NPAT

Note: RMB translated into AUD at the spot rate of AUD/RMB of 4.6877 as at 15 December 2015

1. LTM as at 30 September 2015.



# Transaction overview (cont'd)

*Leading facilitator of market transactions between virtual product suppliers and distributors in China*

- Ofpay acts as an intermediary in the virtual products marketplace linking the suppliers of products to the retail marketplaces that collect payments and issue credit on behalf of suppliers to end consumers
  - Purchases virtual products from suppliers at wholesale prices
  - [Repackaged] virtual products inventory maintained and sold to marketplaces / distributors for resale to retail customers



*Product Range*



**Mobile  
Recharge**



**Game  
Recharge**



**Gift  
Cards**



**Fuel  
Cards**



**Utility  
Bills**

# Transaction overview (cont'd)

Market leading business with long-standing partner relationships

## Leading portfolio of partners...

- Long-standing relationships with leading brands and providers in the Chinese virtual product marketplace
- Strong overlap with existing 99 Wuxian merchants
- Key supplier of virtual products to 99 Wuxian for redemption on the 99 Wuxian marketplace

### Example partners<sup>1</sup>

Suppliers	 	 	 	  
Distributors	 	 	 	  

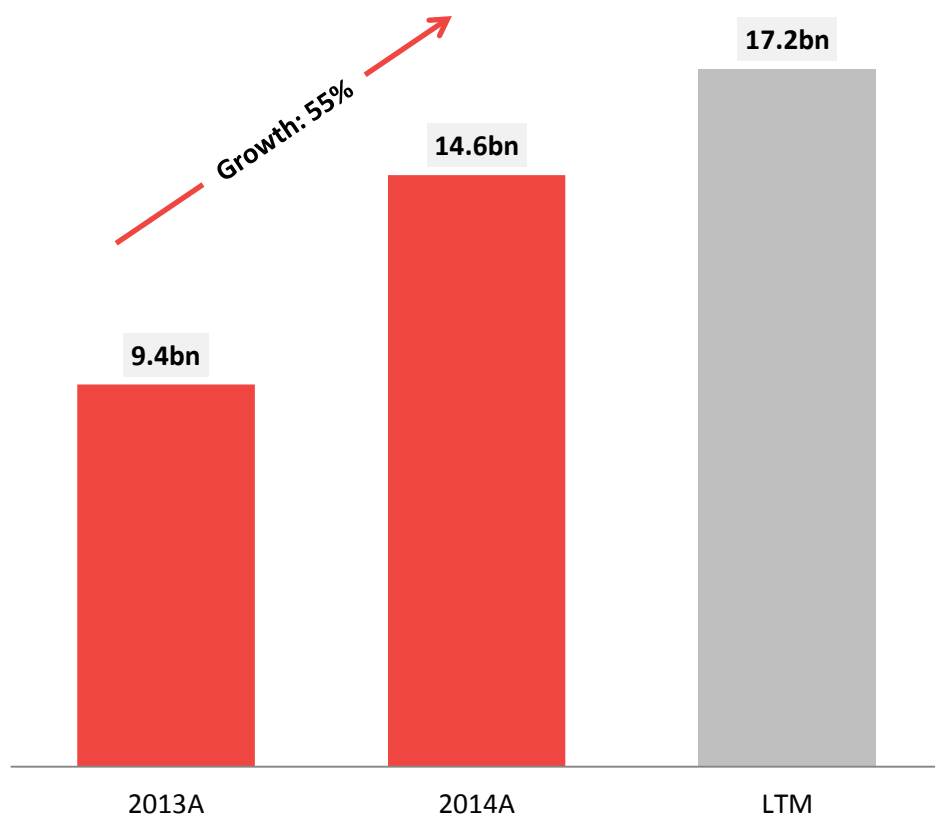
**Trusted and respected virtual product transaction services partner to  
China's leading e-commerce players**

Note: Data based on management accounts which have not been audited or reviewed  
1. List of not exhaustive. Some partners may operate as both suppliers and distributors

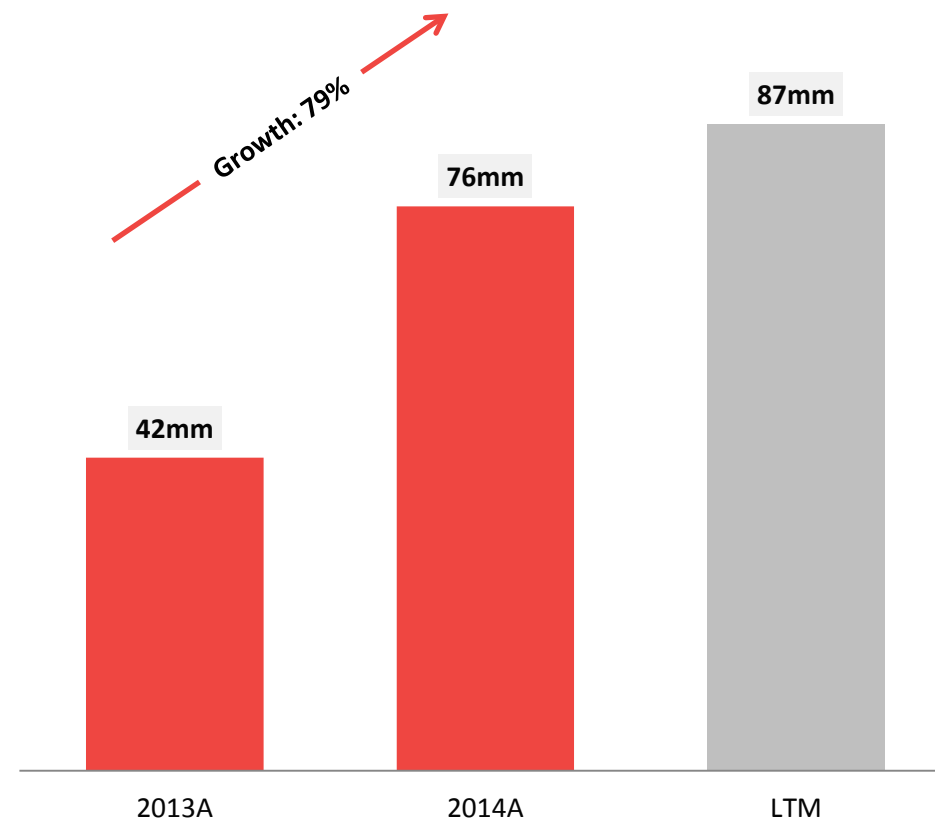
# Transaction overview (cont'd)

Achieved significant gross transaction and revenue growth

Ofpay platform Gross Transaction Value<sup>1</sup> (RMB)



Ofpay platform revenue<sup>1</sup> (RMB)



Note: LTM as at 30 September 2015.

1. 2013, 2014 & 2015 figures based on management accounts which have not been audited



# Transaction overview (cont'd)

*Vertically integrating through the acquisition of an upstream leading wholesaler*



- China's virtual product market includes an extensive range of products
  - Data cards, online and mobile prepaid cards, electricity & gasoline cards, bus ticket/traffic cards, digital cards, tourism site tickets
  - Innovative new online products are expected to continue emerging as the market continues to develop rapidly and many types of product inevitably transition from offline to online
- Market practice for online marketplaces in China to source virtual products from both wholesalers and merchants directly

# Transaction overview (cont'd)

## Side by side comparison

The acquisition creates a combined entity which will have significant scale, improved margins and strong growth prospects

(A\$mm, excluding synergies)

99 Wuxian

Ofpay

### Operating metrics

FY14 GTV	1.8 billion	3.1 billion
FY14 Transactions	33.3 million	300+ million

### Financial metrics

FY14 Revenue	34.8 million	16.1 million
FY14 EBITDA	2.5 million	7.3 million

### Balance sheet

Cash & cash equivalents (Oct 15)	4.3 million	9.1 million
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### Margins

FY14 EBITDA margin	7.6%	47.9%
FY14 NPAT margin	4.5%	43.2%

# Transaction overview (cont'd)

*Acquisition of Ofpay has a strong strategic rationale*

1

## **STRENGTHEN COMPETITIVE POSITION**

- ✓ Vertical integration secures supply of virtual products and diversifies current product offering
- ✓ Allow 99 Wuxian to continue to deliver superior levels of service to consumers

2

## **GENERATES SIGNIFICANT REVENUE AND COST SYNEGRIES**

- ✓ Reduce operating costs and deliver additional efficiencies through a shift away from third party suppliers
- ✓ Accelerates new product development, improves marketing capabilities and increases sales channels and partners

3

## **SIGNIFICANTLY INCREASES SCALE OF OPERATIONS**

- ✓ Adds significant wholesale operations which are complimentary to 99 Wuxian's existing platform
- ✓ Creates growth opportunities through a more coordinated and comprehensive product offering

4

## **ENHANCED FINANCIAL PROFILE**

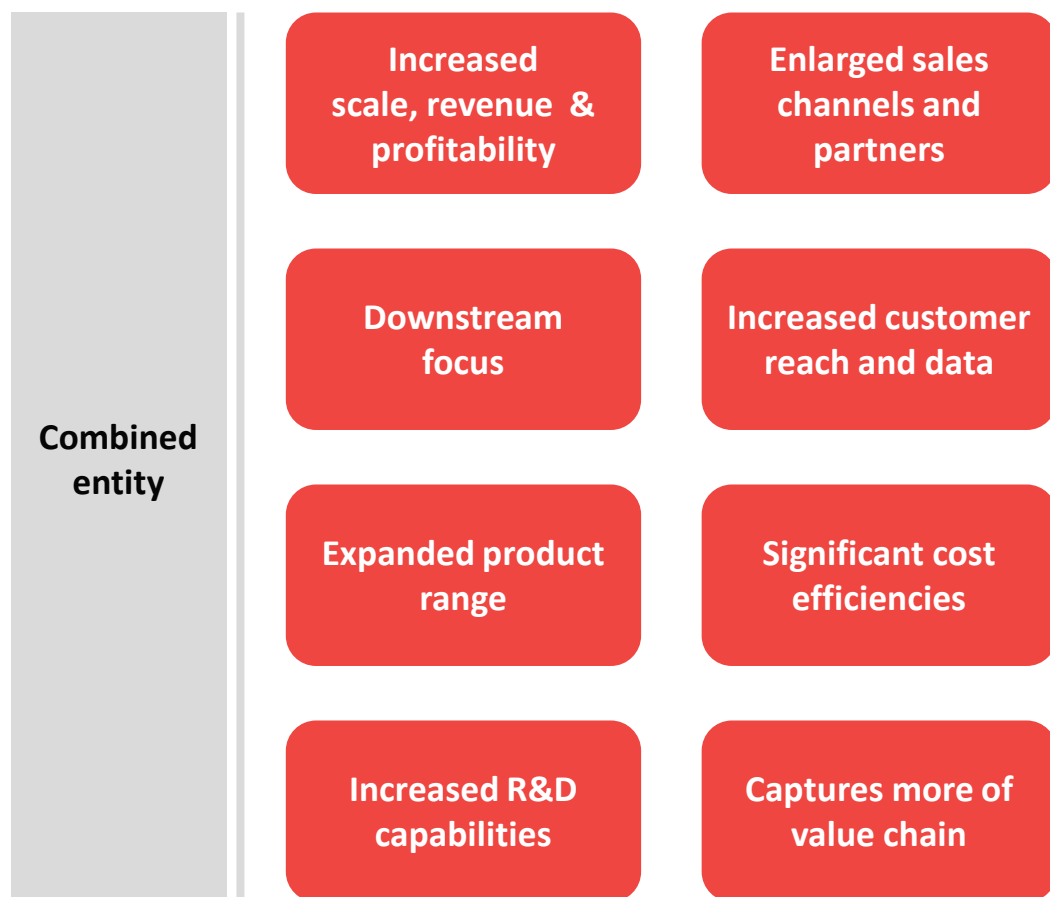
- ✓ Enhances financial profile delivering meaningful revenue diversification and margins

***Positions 99 Wuxian to continue to execute on the growth of its downstream platform***



# Transaction overview (cont'd)

*Significant transaction synergies and scale post acquisition*



## Integration plan

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- Ofpay to be operated as a standalone business and will become an additional reporting segment of 99 Wuxian
- Cost efficiencies to be achieved immediately
- Acquisition and integration to be overseen by Amalisa Zhang with support from key 99 Wuxian executives
  - Technology: Dr Wen Tao, 99 Wuxian CTO
  - Finance: Cathy Li, 99 Wuxian Finance Director
- Lin Jiyang to be retained as CEO of Ofpay
  - Ofpay CTO and other key executives identified and retained as part of acquisition agreement





### **3. Transaction structure and funding**

# Transaction funding structure

## Sources and uses of proceeds

Sources	RMB mm	AUD mm
Founder and CEO loan	140.0	29.9
99 Wuxian company funding	20.0	4.3
Third party subsidiary funding	80.0	17.1
Private placement	43.0	9.1
<b>Total</b>	<b>282.8</b>	<b>60.3</b>

Uses	RMB mm	AUD mm
Acquisition purchase payment	160.0	34.2
1 <sup>st</sup> acquisition KPI payment	78.0	16.7
Working capital, acquisition fees & expenses	42.0	9.6
<b>Total</b>	<b>282.8</b>	<b>60.3</b>

## Commentary

- Acquisition purchase price and first acquisition KPI payment fully funded from existing liquidity, Shareholder Loan, third party subsidiary funding and private placement
- Combined business funded for future growth with ~RMB 80+ mm of cash (A\$17mm+) on balance sheet post transaction

# Key messages

## *Acquisition of Jiangsu Ofpay E-commerce Limited*

- ✓ Transformational acquisition of a market leading wholesale of provider of virtual products and services to the Chinese e-commerce sector
- ✓ Ofpay has a highly capable management team and strong business momentum
- ✓ Acquisition strengthens 99 Wuxian's competitive position and generates significant cost and revenue synergies
- ✓ Significantly increases and diversifies the financial and operational scale of 99 Wuxian post acquisition
- ✓ Financially and strategically compelling transaction that is expected to create significant value for 99 Wuxian shareholders
- ✓ Positions 99 Wuxian to focus on the growth of its downstream platform
- ✓ Strong cash position post transaction to fund growth of both 99 Wuxian and Ofpay



## **4. Appendix**

# Summary Ofpay Financials<sup>1</sup>

## Summary FY14 Profit and Loss

12 mths to 31 Dec 2014	RMB millions	AUD millions
Total revenue	75.6	16.1
<b>Net revenue</b>	<b>71.6</b>	<b>15.3</b>
<b>Gross profit</b>	<b>61.5</b>	<b>13.1</b>
<i>margin (%)</i>	85.9%	85.9%
Selling expenses	(4.1)	(0.9)
Administration expenses	(23.5)	(5.0)
Other income	0.0	0.0
Other gains and losses	(1.0)	(0.2)
<b>EBITDA</b>	<b>34.3</b>	<b>7.3</b>
<i>margin (%)</i>	47.9%	47.9%
D&A	(2.2)	(0.5)
Net interest expense	(1.3)	(0.3)
<b>PBT</b>	<b>30.9</b>	<b>6.6</b>
Tax	-	-
<b>NPAT</b>	<b>30.9</b>	<b>6.6</b>
<i>margin (%)</i>	43.2%	43.2%

## Summary balance sheet

31 October 2015	RMB millions	AUD millions
Cash and cash equivalents	42.7	9.1
Trade and other receivables	109.1	23.3
Inventory	91.1	19.4
Intangibles	-	-
Property, plant & equipment	3.2	0.7
Other assets	0.2	0.0
<b>Total assets</b>	<b>246.4</b>	<b>52.6</b>
Trade and other payables	139.5	29.8
Bank loans	45.5	9.7
Other liabilities	-	-
<b>Total liabilities</b>	<b>185.0</b>	<b>39.5</b>
<b>Net assets</b>	<b>61.4</b>	<b>13.1</b>
Share capital	61.4	13.1
Reserves	-	-
<b>Total equity</b>	<b>61.4</b>	<b>13.1</b>

1. Based on management accounts which have not been audited