

The information contained within this announcement is deemed by the Company to constitute inside information as stipulated under the Market Abuse Regulation (EU) No. 596/2014 ("MAR"). Upon the publication of this announcement via a Regulatory Information Service ("RIS"), this inside information is now considered to be in the public domain.

31 October 2019

SmartSpace Software Plc
("SmartSpace", the "Group" or the "Company")

Acquisition of Space Connect and £3.44m Placing

SmartSpace Software plc, (AIM:SMRT) the leading provider of 'Integrated Space Management Software' for smart buildings, commercial spaces and hospitality announces that it has agreed (conditional on Admission, as defined) to acquire the entire issued share capital of Space Connect Pty Limited ("Space Connect") for a total consideration of AUD 6.0 million (approximately £3.2 million), to be satisfied by the issue of up to 2,026,234 ordinary shares of 10 pence each in the capital of the Company (the "Consideration Shares") and cash of approximately £1.6m (the "Acquisition").

Summary highlights of the Acquisition:

- Cloud based software, fast to deploy platform
- Room booking, desk management, visitor management, catering and workspace analytics
- Software integrations with Microsoft Exchange, Google, Skype, Uber, Zoom
- Anticipated saving of up to £1.2m per annum in Group product development spend from 2020 onwards and accelerating development roadmap by up to two years
- Provides solution for immediate roll out in the UK and acceleration of current mid-market strategy
- Opens international channel sales opportunities
- Brings new technological capabilities into the Group including AI, Facial Recognition, Advanced Analytics and End-user configuration tools
- Space Connect product ownership, design, support and sales to be handled from the UK through existing resources

In order to fund the cash consideration payable in respect of the Acquisition as well as additional working capital and growth capital for the enlarged Group, SmartSpace also announces a placing to raise approximately £3.44m (before expenses) (the "Placing") through a placing of 4,747,587 new ordinary shares of 10 pence each in the Company ("Placing Shares") at an issue price of 72.5 pence per Placing Share (the "Placing Price"). The Placing has been conducted by N+1 Singer and Canaccord Genuity.

Commenting on the Acquisition and the Placing, Frank Beechinor, CEO said:

"We are delighted to announce the acquisition of Space Connect and fundraising which was supported by new and existing shareholders. Through this acquisition, we are confident we can accelerate growth through our ability to cross-sell in our mid-market business, continuing our transformation into a pure play SaaS business."

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Background to and Reasons for the Acquisition

Overview

Space Connect is an Australian based company operating in the workspace management environment. The company offers a cloud-based platform offering room booking, desk booking, visitor management, catering and workplace analytics. The business has technology in the areas of facial recognition, AI and analytics, along with allowing for the rapid deployment and configuration of tools to be used by customers and partners.

Space Connect was formed in March 2015 by Matt Pope with the support of Blue Chilli Group, an incubator fund who provided a variety of services including software development, product management and web development. Matt Pope is relocating to the UK and shall be joining the Group in a senior management capacity.

The Product

The Space Connect product is a cloud-based solution, with a self-configure tool set, built on the Microsoft Azure platform. With a mid-market focus, the Space Connect product suite is not dissimilar to the SmartSpace Enterprise solution, with a modular approach providing the ability to manage desks, meeting rooms, visitors and deliver occupancy data. Crucially, the product enables clients or partners to configure the software themselves, including the ability to create basic maps for both visual and functional purposes, such as navigating an office space.

The product has three mobile applications: one for managing meeting room panels; an end-user app used by employees to book rooms, invite visitors and book desks; and a separate app for visitor management. These apps are available in both Android and IOS and the entire platform is completely integrated.

Whilst based on similar functionality to the SmartSpace Workplace enterprise product, the Space Connect platform brings with it a number of additional features and functionality. Whilst these developments were on the SmartSpace product roadmap, the Acquisition will accelerate these integrations by up to two years and has the benefit of reducing ongoing development costs, estimated by management to be up to £1.2 million per annum. These new features include facial recognition, voice recognition, analytics and AI and additional functionality includes the integration with Zoom and Polycom, offering video conference and VoIP services respectively.

Furthermore, the Space Connect product integrates with both Outlook and Gmail. This offers 'out of the box' functionality which is quick to deploy and easy to configure and allows SmartSpace to accelerate customer acquisition and its strategy to accelerate its mid-market business. The ease of configuration also allows Space Connect to sell through channel partners and with channel partnerships already established, opens international sales opportunities.

Financials

As the Group focusses on reducing its dependency on 'lumpy' enterprise deals and focuses on diversification into new markets, it is anticipated that the Acquisition will accelerate SmartSpace's shift towards this revenue profile as Space Connect integrates with and enlarges within the enlarged Group.

In the year to 30 June 2019, Space Connect generated an EBIT loss of AUD 97,500 on revenues of AUD 232,900.

The Share Purchase Agreement

Pursuant to the Share Purchase Agreement dated 30 October 2019, the Company has conditionally agreed to acquire 100% of the issued share capital of Space Connect for a total consideration of AUD 6 million (approximately £3.2 million).

AUD 3 million is payable in cash on completion of the Share Purchase Agreement ("Completion") and 1,350,823 new ordinary shares in the capital of the Company will be issued on Completion (the "Initial Consideration Shares") with 675,411 new ordinary shares in the capital of the Company to be issued 18 months from Completion (the "Retention Shares") if no claims have arisen under the Share Purchase Agreement. The Acquisition is conditional on the Placing Agreement becoming unconditional and admission of the Placing Shares and the Initial Consideration Shares to trading on AIM. The Initial Consideration Shares will be subject to a 2 year lock-in from Completion and the Retention Shares will be subject to an 18 month lock-in from the date of issue.

Warranties and Indemnities have been provided by Matt Pope and his corporate vehicle as majority shareholder subject to a cap of AUD 489,151, being the cash portion of the consideration to be received by Matt Pope, plus the total number of Consideration Shares. Matt Pope will be employed by the Group in a senior management role following Completion.

The Placing

The Company has raised approximately £3.44 million (gross) through the conditional allotment of the Placing Shares at the Placing Price, which represents a discount of approx. 2.0 per cent. to the closing middle market price on 30 October 2019, being the latest Business Day prior to the release of this announcement.

Pursuant to the terms of a placing agreement entered into between the Company, Nplus1 Singer Advisory LLP ("N+1 Singer") and Canaccord Genuity Limited ("Canaccord Genuity") in relation to the Placing (the "Placing Agreement"), each of N+1 Singer and Canaccord Genuity have conditionally agreed to use their respective reasonable endeavours, as agent for the Company, to place the Placing Shares with certain institutional and other investors. The Placing has not been underwritten.

The Placing Agreement contains warranties from the Company in favour of N+1 Singer and Canaccord Genuity in relation to, inter alia, the Group and its business. In addition, the Company has agreed to indemnify N+1 Singer and Canaccord Genuity in relation to certain liabilities they may incur in respect of the Placing. N+1 Singer and Canaccord Genuity have the right to terminate the Placing Agreement in certain circumstances prior to Admission, in particular, in the event that any of the warranties given by the Company to N+1 Singer and Canaccord Genuity in the Placing Agreement are untrue or inaccurate or misleading; the failure of the Company to comply in any material respect with its obligations under the Placing Agreement; any condition of the Placing Agreement becoming incapable of being satisfied; the occurrence of a force majeure event, or an event which is likely to materially and adversely affect the Company's financial or trading position or prospects.

Admission

Application has been made for the Placing Shares and Initial Consideration Shares to be admitted to trading on AIM ("Admission"), with dealings expected to commence at 8.00 a.m. on or around 1 November 2019. Following the issue and admission of both the Placing Shares and the Initial Consideration Shares, the Company will have a total of 28,255,823 ordinary shares of 10p each ("Ordinary Shares") in issue. The Company does not hold any

Ordinary Shares in treasury. Accordingly, the total issued share capital with voting rights following Admission of both the Placing Shares and the Initial Consideration Shares will be 28,255,823.

Related Party Transactions

J O Hambro Capital Management Limited and Canaccord Genuity Wealth Limited are substantial shareholders of the Company (the "Substantial Shareholders") and are therefore classified as related parties under the AIM Rules. The Substantial Shareholders have participated in the Placing for 556,021 and 551,724 Placing Shares respectively at the Placing Price. The Substantial Shareholders' respective participations in the Placing are each considered to be related party transactions under the AIM Rules.

The Directors, having consulted with the Company's nominated adviser, N+1 Singer, consider that the terms of the Substantial Shareholders' respective participations in the Placing are fair and reasonable insofar as the Company's Shareholders are concerned.