

StepChange to Acquire BroadReach Strengthening Strategic ICT Capabilities

StepChange Holdings Limited (ASX: STH) (“StepChange” or “Company”), is pleased to announce it has entered into a binding agreement (“Share Purchase Agreement”) to acquire BroadReach Group Pty Ltd (“BroadReach”), a leading Perth-based ICT advisory firm specialising in enterprise architecture, ICT strategy, solution design and business analysis.

Highlights

- Acquisition of BroadReach – one of WA’s most established ICT advisory firms with strong long-term relationships across multiple Government agencies.
- Adds ~40 senior consultants, significantly expanding StepChange’s capabilities in high-impact enterprise architecture, strategy and digital transformation advisory.
- Significant cross-sell opportunity across digital transformation, cloud migration, ICT roadmap development and business analysis.
- Expands and further diversifies StepChange’s client base into the Government and Public sectors.
- Strong financials with BroadReach FY25 revenue of \$8.96m, FY25 EBITDA of \$0.86 million and normalised FY25 EBITDA of \$0.94 million¹, representing a maximum acquisition multiple of 4.6x normalised FY25 EBITDA.
- Capital efficient terms with \$2.5m upfront consideration comprising cash and scrip with up to \$1.8m deferred consideration payable on the achievement of EBITDA performance-based targets.

The BroadReach acquisition is aligned with StepChange’s strategy to pursue selective inorganic growth opportunities that enhance capability, deepen relationships with Tier 1 clients and Government agencies, and expand the Company’s participation in large-scale digital transformation programs.

Strategic Rationale

BroadReach strengthens StepChange’s capabilities in strategic ICT enterprise architecture, business analysis and solution design – areas that sit upstream of major ERP and digital transformation programs.

The acquisition diversifies the Company’s client base with additional Tier 1 organisations and multiple State Government departments, providing access to long-running programs under

¹ Normalised EBITDA has been adjusted to remove once off, non-recurring items included in the actual EBITDA for FY25



WA's ICT procurement frameworks. These engagements create a strong platform for future SAP, cloud and systems-integration work.

Combining BroadReach's architecture services expertise with StepChange's SAP, cloud migration and ERP transformation capability enhances the Company's ability to lead end-to-end digital programs from architecture strategy through to implementation and delivery.

StepChange Managing Director Shane Bransby commented:

"BroadReach is a high-quality advisory firm with deep expertise in top-of-stack ICT strategy and enterprise architecture, with long-running engagements across WA Government.

This acquisition enhances our capabilities, diversifies our client base and creates significant cross-sell opportunities across both organisations.

Importantly, it positions StepChange to play a larger role in major public-sector digital transformation programs while strengthening our ability to deliver high-impact upstream ICT advisory and architecture services that are increasingly driving enterprise cloud and ERP initiatives."

About BroadReach

BroadReach is a Perth-based ICT advisory firm specialising in ICT strategy, enterprise architecture, solution design and business analysis. Established in 2008, the firm has long-standing relationships with key WA State Government agencies, including WA Police, Department of Communities, Synergy, DPIRD and DWER.

The company employs approximately 40 consultants and is recognised for delivering high-quality advisory services across complex digital transformation programs. BroadReach operates under the WA Government ICT procurement framework and is known for its senior-level expertise and trusted client relationships.

Financial Impact

BroadReach generated approximately \$8.96 million in revenue, \$0.86 million EBITDA and \$0.94 million in normalised EBITDA in FY25.

This implies a maximum acquisition multiple of ~4.6x normalised FY25 EBITDA, with the upfront component representing ~2.7x normalised FY25 EBITDA.

Key Agreement Terms

The Company has entered into a share purchase agreement to acquire 100% of the issued share capital of BroadReach from the existing shareholders in consideration for the upfront consideration payable at completion of the transaction ("**Upfront Consideration**") and earn-

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out consideration payable subject to the satisfaction of agreed performance milestones (“Earn-out Consideration”).

Upfront Consideration

Total Upfront Consideration of \$2.5 million will be payable at completion, comprising:

- \$1.6 million in cash to be funded from existing cash reserves of the Company; and
- 5,992,011 StepChange shares, valued at \$900,000 based on the 21-day VWAP of \$0.1502 prior to signing the formal agreement.

The shares issued at completion will be subject to a 12-month voluntary escrow period following completion.

Earn-out Consideration

Additional Earn-out Consideration of up to \$1.8 million may be payable based on BroadReach achieving audited EBITDA targets for FY26 and FY27, specifically:

FY26 Earn-out

- Maximum FY26 Earn-out Consideration: \$900,000
- FY26 Target EBITDA: \$1.05 million
- 100% of the Earn-out Consideration becomes payable only if FY26 EBITDA meets or exceeds the FY26 Target EBITDA
- A ratchet applies for performance up to 10% below target, under which the Earn-out Consideration is reduced proportionally
- No Earn-out Consideration is payable if EBITDA is more than 10% below the FY26 Target EBITDA

FY27 Earn-out

- Maximum FY27 Earn-out Consideration: \$900,000
- FY27 Target EBITDA: \$1.1 million
- 100% of the Earn-out Consideration becomes payable only if FY27 EBITDA meets or exceeds the FY27 Target EBITDA
- A ratchet applies for performance up to 10% below target, under which the Earn-out Consideration is reduced proportionally
- No Earn-out Consideration is payable if EBITDA is more than 10% below FY27 Target EBITDA.

Earn-out Consideration will be calculated based on normalised EBITDA, consistent with StepChange Group accounting policies.

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StepChange will prepare and provide the vendors with earn-out calculations following completion of its audited financial statements. Any Earn-out Consideration will be paid to the vendors within 14 days of StepChange releasing audited results for the applicable financial year.

Payments will comprise at least 50% cash, with StepChange having discretion to pay the remaining balance in cash or StepChange shares issued at the prevailing 21-day VWAP prior to the payment date. The maximum number of shares that can be issued under the Earn-out Consideration is capped at 9,000,000 StepChange shares.

Payments of Earn-out Consideration are conditional on key BroadReach personnel continuing in their roles through each performance period, except where StepChange terminates employment without cause.

The Share Purchase Agreement is subject to customary warranties, indemnities and conditions precedent for completion.

This announcement has been authorised by the Board.

Investor enquiries

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About StepChange

StepChange can trace its origins back to 2003 and was incorporated by its former directors in 2014. It is a leading provider of consulting services which aim to streamline core business processes of client businesses (known as Enterprise Resource Planning or ERP), with a specific focus on ERP transformation services and solutions (such as modernising or upgrading client ERP systems to better align with their business objectives and improve efficiencies) and implementation services and solutions. StepChange delivers these services primarily through the use of ERP software modules developed and provided by SAP, a global leading provider of ERP software.

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