

Acquisition of MindLeaders

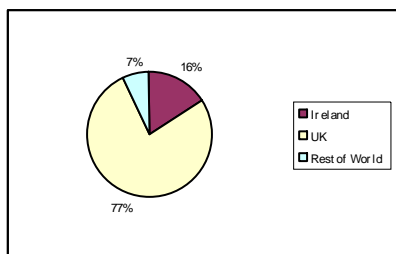
Dolmen Research Contacts:

Stuart Draper
(01) 6333850
stuart.draper@dsl.ie

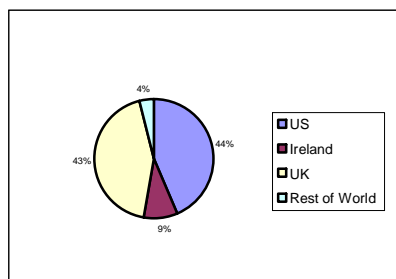
Stephen Taylor
(01) 6333667
stephen.taylor@dsl.ie

Carl Bourke
(01) 6333829
carl.bourke@dsl.ie

ThirdForce Revenue 2006



Combined Business Revenue 2006



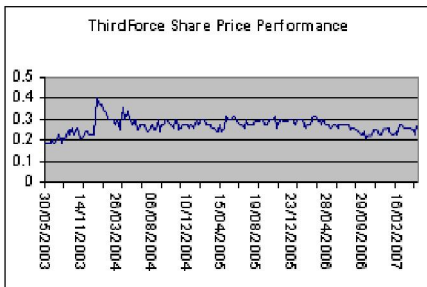
- Acquisition announced** : ThirdForce announced on the 21st May 2007, that it is to acquire US-based e-learning solutions provider MindLeaders in a stock and cash deal for a total consideration of \$18m. The deal marks ThirdForce's first step into the US online education market, which is acknowledged as the world's largest e-learning market. The acquisition of MindLeaders is a significant positive development for the company and represents further consolidation within the e-learning sector.
- Deal structure** : The total consideration for the acquisition of MindLeaders is \$18m, composed of \$9m in cash and \$9m worth of ThirdForce paper being 35.3m shares. To fund both the cash element of the acquisition as well as some working capital, ThirdForce will place new equity in the market between a minimum of 52.6m and a maximum of 68.4m new shares at €0.19. The minimum placing amount has been fully underwritten. As a result, this will increase ThirdForce's shares in issue to a maximum of 246.8m from 143.3m previously, generating a market capitalisation of c. €56.76m based on the current share price of €0.23. Concurrently, there will also be a secondary placing of approximately 30m existing shares also at €0.19 per share. The fact that the owners of MindLeaders are taking a \$9m shareholding in the company is a positive factor as it demonstrates their belief in the growth strategy as presented by the management team at ThirdForce. It also reflects the strategic opportunity to benefit from the market consolidation arising from the acquisition by the primary player in the industry SkillSoft, of the second largest player NETg, from Thomson for \$275m.
- Attractively priced** : The acquisition of Mindleaders for a total consideration of \$18m has been completed at an attractive price valuing the company at 1.1x sales and 8.5x EBITDA for 2006. This compares favourably to the recently announced acquisition of e-learning peer eCollege.com by Pearson for a total consideration of \$538m representing an acquisition multiple of 10x 2006 sales and to the EBITDA multiple that ThirdForce was at trading prior to the acquisition of 29.5x.
- Deal logic** : The acquisition of MindLeaders offers ThirdForce a platform for entry into the US e-learning market through an established and well respected brand. MindLeaders has a substantial e-learning titles library with c. 2000 developed in-house. This brand recognition will assist the enlarged group in promoting existing company software under the MindLeaders brand. MindLeaders has a strong customer base with a diversified product portfolio providing e-learning solutions to local governments, colleges and the mid-tier corporate market. The group has an efficient and effective sales model primarily based on telephone sales and it sells across the entire United States. This will provide the enlarged group with a platform from which to build in these sectors and markets. The MindLeaders business model generates significant recurring revenue and is profitable. MindLeaders however has struggled against some of the bigger players in the sector such as SkillSoft over the last number of years with revenues flat since 2000. The company has been controlled by venture capitalists and has been conservatively run with focus primarily on underlying profit rather than competing aggressively to grow the business and take market share from competitors. **The recent consolidation in the US e-learning sector following the merger of SkillSoft and NETg provides the group with a unique opportunity.** ThirdForce plans to exploit this by recruiting aggressively and hiring some of the top e-learning sales people in the United States as it attempts to re-ignite growth at MindLeaders. ThirdForce will position the company in the US 'mid-market' and provide companies with an alternative product to SkillSoft. ThirdForce's CEO, Brendan O'Sullivan, will also spend the majority of his time in the US, where he will oversee this process of optimising the management and sales teams at MindLeaders.

- **Acquisition success** : ThirdForce has proven success in acquiring and merging e-learning businesses. Since 2002, ThirdForce has acquired and grown Electric Paper, Creative Learning Media Group (CLM) and AV Edge businesses, and has successfully repositioned itself as a significant global e-learning business.
- **Strength of management** : One of the main factors for the significant growth and future potential in ThirdForce can be attributed to the strength of its management team. Chairman, Pat McDonagh, is a highly successful entrepreneur with an established track record in the e-learning business. McDonagh was the founder of global e-learning businesses SkillsSoft and Riverdeep, both of which he took to the NASDAQ achieving billion dollar valuations. In addition, CEO, Brendan O'Sullivan has a strong record in the education sector and was formerly a director of Education Europe at Apple Europe. Prior to that, he held positions in the UK as director and general manager of Apple UK and also as managing director of Xemplar Education Limited in the UK.
- **UK market**: The UK will still represent one of ThirdForce's key markets and growth opportunities. In 2006, its UK business accounted for 77% of group revenue. On a combined group basis with MindLeaders, this would have represented 43% of group revenue. In 2005, ThirdForce acquired CLM extending its product offering into the catering and hospitality arena. CLM already had an established track record in the UK providing training programs for 300,000 staff in the UK supplying companies such as Whitbread and Premier Foods. Last year, ThirdForce received a large contract from BP to provide food safety and health and safety e-learning programs for staff on its 270 forecourts throughout the UK, this has now been extended to the provision by Thirdforce of adult literacy and numeracy courses. With the UK government continuing to commit funds to education (£60bn in 2006 growing to £74bn by 2010), which finance much of this employer-driven training, ThirdForce's product offering is an excellent fit for these funded market requirements.
- **Growth Strategy** : ThirdForce's short-term growth strategy is to create an e-learning business with a turnover in excess of \$50m and EBITDA margins in the mid teens. In addition, the group's long-term objectives include growing the business through both organic growth and further acquisitions to create a global e-learning company with a turnover in excess of \$100m and EBITDA margins of close to 20%.
- **Recent Results** : ThirdForce recently announced results for the full year ended 31/12/2006. Revenue rose to €16,751k from €12,619k in 2005, an increase of 33%. Operating profit for the company, before goodwill amortisation and share-option charges was €1,013k, a significant increase on the corresponding year of €669k. This rapid growth was primarily driven from the successful integration of CLM and the result of broadening its business position from IT skills and assessment into the healthcare, hospitality & leisure sectors.
- **Conclusion** : The acquisition of MindLeaders represents a significant positive development for ThirdForce as it continues on its strategy to diversify both geographically and through its product portfolio offering. The acquisition multiple of 1.1x sales and EBITDA multiple of 8.5x for 2006 look appealing when compared to recent takeovers in the sector and the EBITDA multiple that ThirdForce was trading at prior to the acquisition. The unique opportunity presented by the recent merger of SkillsSoft and NETg will allow the company to focus on its position in the US e-learning 'mid-market' and role as an alternative to SkillsSoft.

Dolmen Securities Ltd (DSL) is currently adviser and NOMAD to ThirdForce plc. DSL is also acting as underwriter and lead placing agent in the current transaction. It has appointed its subsidiary, Dolmen Stockbrokers to carry out the placing in conjunction with the Joint Placing Agents.



ThirdForce Share Price Performance



Company Profiles

ThirdForce is an international company providing e-learning solutions and services to over two million learners in education, government, healthcare, hospitality and commercial organisations worldwide. Clients of ThirdForce include BP, Akzo Nobel and Whitbread. ThirdForce is listed in London (AIM) and Dublin (IEX).

MindLeaders is a private company with over 25 years experience in technology based, self-paced training in the US. The group has over 850 customers including many blue chip companies in key sectors such as business education and government.

Major Shareholders***	No of Shares	%
P Mc Donagh	41.2m	16.7
J Parkes	9.4m	3.8
Vidacos Nominees Ltd	7.8m	2.9
D McMahon	6.9m	2.8
R Taylor	6.7m	2.7

Total Shares Outstanding	246.8m
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***Assumes full amount of shares are issued

Share data pre new equity issue	
Current Price (€)	23c
Mkt Cap (€)	32.96m
Reuters	THF.I
Bloomberg	RTG ID
Sector	e-Learning
Chairman	Patrick McDonagh
CEO	Brendan O'Sullivan
Website	www.thirdforce.com

	Combined Business		
US\$ 000's (Euro @ 1.34)	2006a*	2007e**	2008e**
ThirdForce Revenues	22,446	23,941	27,292
MindLeaders Revenues	17,416	17,750	22,208
Total Revenues	39,862	41,691	49,500
ThirdForce Adj. operating profit	1,672	2,633	3,821
MindLeaders Adj. operating profit	2,222	2,485	3,109
Total Adj operating profit	3,894	5,118	6,930
Interest Payable	360	32	32
Corporation Tax	184	458	621
Adj. Net Profit	3,350	4,629	6,278
Adj. Net Profit (Euro @ \$1.34)	2,500	3,455	4,685
Shares in issue (max)	246.8m	246.8m	246.8m
Adj. EPS (€)	1.01	1.40	1.90

* Per audited company accounts adjusted for amortisation and depreciation written off

** Dolmen Research Estimates (total adj. operating profit excludes once off transaction costs and goodwill written off in relation to the acquisition). Also note that

ThirdForce will not own MindLeaders for the full year 2007 as the acquisition is expected to be completed on the 19th of June 2007.

Deal	
Current shares in issue	143.3m
MindLeaders shares	35.3m
New Shares (max)	68.4m
Total shares post deal (max)	246.8m
Current share price (22nd May 2007)	€0.23
Market Cap (€000s)	€56.76m
Market Cap (\$000s)	\$76.1m

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