

ASX ANNOUNCEMENT

## **Dragontail strengthens its board with the appointment of Mark Bayliss as Executive Chairman**

8 March 2018 (Melbourne): Dragontail Systems Limited (ASX: DTS) is pleased to announce the appointment of Mark Bayliss as its new Executive Chairman. The appointment follows the resignation of Non-Executive Chairman, Paul Steele.

Mark's role as Executive Chairman will see him assist Dragontail on the implementation of its strategy as it enters the next exciting phase of growth, developing major global initiatives and partnerships in the Quick Service Restaurant (QSR), foodservice, and other industries. Mark will work closely with Dragontail's Chief Executive Officer, Ido Levanon, who will continue to be responsible for managing Dragontail's business, including implementing strategic and tactical plans, and managing operational functions.

Mark was most recently Managing Director & CEO at Grays eCommerce Group (Grays), Australia's leading industrial eCommerce business. During his three-year tenure, he significantly increased revenues and grew EBITDA by more than 230%. Prior to Grays, Mark was CEO of Quick Service Restaurant Holdings, a national QSR chain of 630 corporate owned and franchised restaurants across three brands – Red Rooster, Oporto, and Chicken Treat – where he developed a business-wide growth strategy.

Mark's QSR experience also includes active involvement in the day to day growth and development of Burger King NZ where he was Executive Chairman for two years under the ownership of Anchorage Capital Partners. Under Mark's stewardship, Burger King NZ significantly increased revenues and doubled EBITDA, prior to its sale to Blackstone in 2011.

Commenting on Mark's appointment, Dragontail's CEO Ido Levanon said: "On behalf of the Board and Management team, I am delighted to have Mark join Dragontail as Executive Chairman. Mark brings extensive global experience to the company, having served in leadership roles across technology, QSR, eCommerce, FMCG, retail, and several other industries. Mark has an outstanding record of accelerating growth and creating significant shareholder value. Mark also has an impressive local and global network that can support Dragontail's exciting growth opportunities, and is well known by the Australian investment community.

"I would also like to thank Paul Steele for his contribution. Paul chaired the company through its IPO and listing, providing valuable guidance in our maiden year and a half as a listed company."

Previous Chairman Paul Steele, said: "Dragontail is in excellent hands, and given other commitments I felt the time was right to retire from the company's board. Mark is exceptionally well qualified and an excellent choice to help lead Dragontail's next growth phase. He brings extensive business development skills with experience and expertise in strategy formulation across the QSR and technology sectors both in Australia and globally."

Commenting on his appointment, Mr Bayliss said: "I am excited to be joining Dragontail as Executive Chairman. There are significant opportunities ahead for Dragontail in the global QSR and foodservice industries as evidenced by recent agreements with Domino's Pizza Enterprises, Pizza Hut, Cara and KFC. As an end to end technology provider with machine-learning software that also manages the

important back-of-house function, Dragontail can revolutionise the way many other industries optimise end-to-end processes.

“I am passionate about growing businesses sustainably, and I see Dragontail as a company with the right attributes for success, a strong management team, proprietary AI technology and a large globally addressable market that extends beyond the QSR and foodservice sectors. I look forward to working with the team to crystallise opportunities and ultimately deliver strong shareholder value.”

Under Mark’s incentive package, he will be issued 2 million ordinary shares escrowed until 30 November 2018, and 3.5 million Performance Rights vesting on performance hurdles linked to EBITDA, which ensure Mark’s alignment to the interests of all shareholders.

The issue of the incentive package requires shareholder approval. Dragontail’s largest shareholders, including all the founders and original shareholders, representing over 42% of issued capital, have each confirmed that they will vote in favour of all resolutions necessary to grant the incentive package. Voting on the resolutions will take place at the Annual General Meeting to be held by the end of May 2018.

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**About Dragontail Systems**

Dragontail is revolutionising the Quick Service Restaurant (QSR) industry with its ‘Algo’ system and computer-vision QT quality system that uses artificial intelligence (AI) machine learning.

The ‘Algo’ system uses a sophisticated patented algorithm to optimise and manage the entire food preparation process from order to delivery. It is the first system in the world to fully automate and streamline the kitchen flow to deliver an immediate and significant return on investment to fast food and quick service restaurants.

The QT system’s sensor and camera automatically monitor the preparation and cooking process in the kitchen to improve the quality and consistency of meals. Using proprietary advanced AI machine-learning technology, the system keeps improving its diagnostics, becoming even more efficient.

For more information, visit [www.dragontailsystems.com](http://www.dragontailsystems.com).

## Appendix: Mark Bayliss – terms of appointment as Executive Chairman

<b>Commencement Date</b>	7 March 2018.
<b>Fixed Remuneration</b>	\$150,000 per annum, including superannuation.
<b>Overview of Incentives</b>	<ul style="list-style-type: none"> <li>• 2 million ordinary shares, subject to escrow restrictions ending on 30 November 2018;</li> <li>• 1.75 million Performance Rights vesting on DTS achieving EBITDA breakeven, calculated on a rolling six month basis; and</li> <li>• 1.75 million Performance Rights vesting on DTS achieving an EBITDA of \$2.1 million, calculated on a rolling six month basis.(Annualised \$4.2 million).</li> </ul>
<b>Terms of Ordinary Shares</b>	<ul style="list-style-type: none"> <li>• Ordinary shares to be issued for nil consideration</li> <li>• Escrow ends on 30 November 2018.</li> <li>• Mr Bayliss must continue to be appointed as Executive Chairman of DTS on 30 November 2018 for the escrow to be lifted</li> <li>• If there is a change of control of DTS which has completed by 30 November 2018, then the escrow will automatically end in respect of 50% of the ordinary shares and the remainder will be cancelled.</li> </ul>
<b>Terms of Performance Rights</b>	<ul style="list-style-type: none"> <li>• Performance Rights to be issued to Mr Bayliss for nil consideration</li> <li>• Performance Rights are 'Zero Exercise Price Options' – i.e. no payment required by Mr Bayliss to exercise after they vest</li> <li>• On vesting, each Performance Right entitles Mr Bayliss to be issued one Ordinary Share in DTS</li> <li>• If Mr Bayliss ceases to be appointed as Executive Chairman of DTS and, at that time, 90% or more of an applicable vesting trigger has been achieved, then 75% of the applicable Performance Rights will automatically vest, and the remainder will lapse.</li> <li>• If there is a change of control of DTS that has completed by 28 February 2019, then 50% of Performance Rights will automatically vest and the remainder will lapse. If a change of control has been completed after 28 February 2019, then 100% of Performance Rights will automatically vest.</li> </ul>
<b>Shareholder approval</b>	Shareholder approval for the issue of the Ordinary Shares and Performance Rights to Mr Bayliss will be required for the purposes of the ASX Listing Rules and Corporations Act.
<b>Termination</b>	Termination on 3 month's written notice by either party.