

Wednesday, 13 March 2019

ASX Codes : KBC; KBCPA

ASX MARKET ANNOUNCEMENT

Takeover Bid for Yowie Group Ltd at 9.2 cents

Keybridge Capital Limited (ASX:KBC) (**Keybridge**) advises that it intends to make an off-market bid for all of the fully paid ordinary shares in Yowie Group Ltd (ASX:YOW) (**Yowie**) for a consideration of 9.2 cents per share (the **Bid**).

The Bid price of 9.2 cents per share is at a significant premium to the current and recent trading prices of Yowie shares. The Bid price represents:

- A 31.4% premium to Yowie's most recent closing share price of 7 cents per share; and
- Premiums of 28.2%, 18.5% and 16% over the volume weighted average price (**VWAP**) of Yowie shares over the past 1, 2 and 3 months respectively prior to this announcement.

The Bid consideration will be paid in either cash or a combination of cash and Keybridge's listed Convertible Redeemable Promissory Notes (ASX:KBCPA) (**Notes** or **CRPNs**):

- **Scenario 1** - If Keybridge receives acceptances under the Bid up to a cost of \$9 million, all Yowie shareholders who have accepted will receive 100% cash consideration – this equates to acceptances totalling 97,826,087 Yowie shares (or 48% of all Yowie shares the subject of the Bid) and means that no Notes will be used as Bid consideration until Keybridge reaches a relevant interest of 51% of Yowie's current issued capital;
- **Scenario 2** - If Keybridge receives acceptances under the Bid in excess of a cost of \$9 million, the excess Bid consideration will be satisfied by the issue of new Notes;
- Under Scenario 2, accepting Yowie shareholders will receive cash and Notes on a proportionate basis based on their Yowie shareholdings;
- By way of illustration, if Keybridge received acceptances costing \$12 million (which would represent 64% of all Yowie shares the subject of the Bid), accepting Yowie shareholders will receive 75% of their Bid consideration as cash and 25% as Notes;
- The number of new Notes issued to Yowie shareholders will be determined with reference to the requirements of ASIC Corporations (Minimum Bid Price) Instrument 2015/1068 or any specific modification granted by ASIC in accordance with ASIC Regulatory Guide 9.
- Keybridge will apply for quotation on ASX of all new Notes issued to Yowie shareholders.

Keybridge Notes have a face value of \$1.00, pay interest at 7% pa (generally fully franked¹ at Keybridge's applicable tax rate of 27.5%) and mature on 31 July 2020. After grossing up for franking credits, the Notes have a yield of ~9.7% pa based on their face value. Keybridge recently completed a \$3.6 million capital raising via the issue of 3,598,953 new Notes at the full face value of \$1.00 to professional/institutional investors². Further details about Keybridge's Notes are in Annexure B to this announcement.

¹ CRPNs are regarded as an 'equity interest' under Australian tax law with interest payments regarded as a 'non-share dividend'. Interest payments will be fully franked (where possible) or grossed up with additional cash payments to compensate for any unfranked component. 'Qualified' Australian resident holders will have access to franking credits in this regard.

² Refer Keybridge ASX Announcements dated 20 February 2019: Completion of \$3.6 Million Fund Raising and 20 February 2019: Appendix 3B New Issue and Quotation

Keybridge currently holds 13,175,721 (6.051%) Yowie shares directly and has a 'relevant interest' in a further 26,526,643 (12.182%) Yowie shares held by Aurora Funds Management Limited as Responsible Entity of the HHY Fund (ASX:HHY) (HHY).³

Keybridge notes that Yowie has consistently failed to structure or conduct its business operations in a profitable manner and that Yowie has incurred significant losses in the ordinary course of its business. Given those matters, Keybridge wishes to increase its stake in Yowie to a level where it is able to exert material influence (via the appointment of its nominees as Directors to reflect its relevant interest in Yowie) for the Yowie Board to conduct a review of the company and its operations, assets and liabilities and examine all possible strategic directions for Yowie to maximise its available assets.

The proposed Bid is for 100% of each Yowie shareholder's fully paid ordinary shares. Keybridge does not intend to make an offer for the outstanding options and performance/service rights issued by Yowie.

Keybridge's takeover bid will be subject to certain conditions, which are summarised in Annexure A to this announcement. These include conditions relating to the cash and liability balances of Yowie and no litigation, no material adverse change or statutory 'prescribed occurrences' occurring in relation to Yowie before the end of the offer period. In the event that any of the defeating conditions occur prior to the lodgement of the Bidder's Statement, Keybridge may choose not to proceed with the Bid.

A Bidder's Statement will be served on Yowie and despatched to Yowie shareholders in due course.

FOR FURTHER INFORMATION:

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ABOUT KEYBRIDGE CAPITAL LIMITED (ASX: KBC)

Keybridge is an investment and financial services group with a diversified portfolio of listed and unlisted investments/loan assets in the private equity (US), life insurance (New Zealand), property and funds management sectors and strategic holdings in HHY Fund (ASX:HHY), Molopo Energy Limited (ASX:MPO), Metgasco Limited (ASX: MEL) and Yowie Group Ltd (ASX:YOW). Keybridge is also the Investment Manager of HHY.

Being a company listed on the ASX, Keybridge is subject to periodic and continuous disclosure requirements and accordingly, further information about Keybridge's net assets and investment affairs are contained in their ASX releases, including as follows:

- 12 March 2019: Net Asset Backing – 28 February 2019;
- 28 February 2019: Half Year Report – 31 December 2018; and
- 17 October 2018: 2018 Annual Report.

KBC's market announcements may also be viewed from the ASX website (www.asx.com.au) under ASX code "KBC".

³ Refer also Keybridge's Change of Substantial Holder Notice in YOW dated 29 January 2019

ANNEXURE A

Proposed Bid Conditions

The Bid will be subject to the following conditions:

- (1) **(Minimum cash)** Yowie's cash (being cash at call or in the form of deposits or bills with a maturity date of no longer than 12 months) being not less than US\$17 million at any time during the Bid period.
- (2) **(Maximum liabilities)** The net liabilities (being total liabilities less total receivables) of Yowie being not more than US\$2 million in aggregate at any time during the Bid period.
- (3) **(Legal proceedings)** That between the announcement of the Bid and the end of the Bid period, no legal proceedings are threatened or commenced against Yowie or any controlled entity of Yowie involving a monetary claim of greater than US\$1 million.
- (4) **(No Material Adverse Change)** That between the announcement of the Bid and the end of the Bid period, there is no Material Adverse Change (or no event or circumstance likely to result in a Material Adverse Change or announcement of any Material Adverse Change or such event or circumstance) in relation to the business, financial or trading position, assets or liabilities, profitability or prospects of Yowie.

In this context, **Material Adverse Change** means, except as described below, one or more events, matters, changes or circumstances including any litigation or dispute, which (individually or together) have or could reasonably be expected to have, a material adverse effect on the business, financial or trading position, assets or liabilities, profitability or prospects of Yowie or any of its subsidiaries including, without limitation, events, matters, changes or circumstances that individually or when aggregated together have or would reasonably be expected to have, the effect of:

- (a) diminishing the value of the net assets of Yowie by at least US\$1 million; or
- (b) increasing the future loss of the Yowie by at least US\$1 million for any of its financial years; or
- (c) Yowie or any of its subsidiaries being unable to carry on its business in substantially the same manner as carried out on the date of announcement of the Bid.

Events, matters, changes or circumstances are not a Material Adverse Change if either:

- (a) they arise from actions taken by Yowie with the prior written consent of Keybridge;
- (b) they have been fully and fairly disclosed in writing to Keybridge or in an announcement to ASX, in either case:
 - (i) in a way that is not misleading, including by omission;
 - (ii) in sufficient detail to identify the nature, scope and importance of the event, matter, change or circumstance; and
 - (iii) no later than the business day prior to the date of announcement of the Bid.

- (5) **(No Prescribed Occurrence)** None of the events referred to in section 652C(1) or (2) of the Corporations Act 2001 (Cth) (formerly known as "prescribed occurrences") occur in relation to Yowie between the date of this announcement and 3 business days after the end of the Bid period.

In this context, **Prescribed Occurrence** means any of the following events or occurrences:

- (a) Yowie converts all or any of the Yowie shares into a larger or smaller number of shares;
- (b) Yowie or one of its subsidiaries reduces its share capital in any way;
- (c) Yowie or one of its subsidiaries:
 - (i) enters into a buy-back agreement; or
 - (ii) resolves to approve the terms of a buy-back agreement under Section 257C(1) or 257D(1) of the Corporations Act;
- (d) Yowie or one of its subsidiaries issues shares, or grants an option over its shares, or agrees to make an issue or grant an option over its shares (other than the issue of Yowie shares upon exercise of any of the Yowie options or conversion of Yowie performance/service rights);
- (e) Yowie or one of its subsidiaries issues, or agrees to issue, convertible notes;
- (f) Yowie or one of its subsidiaries disposes, or agrees to dispose, of the whole, or a substantial part, of its business or property;
- (g) Yowie or one of its subsidiaries grants, or agrees to grant, a security interest in the whole, or a substantial part, of its business or property;
- (h) Yowie or one of its subsidiaries resolves to be wound up;
- (i) a liquidator or provisional liquidator is appointed to Yowie or one of its subsidiaries;
- (j) a court makes an order for the winding up of Yowie or one of its subsidiaries;
- (k) an administrator of Yowie, or of one of its subsidiaries, is appointed under Section 436A, 436B or 436C the Corporations Act;
- (l) Yowie or one of its subsidiaries executes a deed of company arrangement;
- (m) a receiver, or a receiver and manager, is appointed in relation to the whole, or a substantial part, of the property of Yowie or one of its subsidiaries,

provided that a Prescribed Occurrence will not include any matter that is approved in writing by Keybridge.

ANNEXURE B

About Keybridge's Convertible Redeemable Promissory Notes

Keybridge's Convertible Redeemable Promissory Notes (**Notes** or **CRPNs**) are listed on the ASX (ASX Code: KBCPA) and are fixed term, convertible, redeemable, unsecured, promissory notes in the capital of Keybridge, with a summary of their terms being as follows⁴:

- (a) Face value of \$1.00 each with maturity on 31 July 2020;
- (a) Fixed interest rate of 7% per annum generally payable in arrears on 20 March, 20 June, 20 September and 20 December each year;
- (b) Regarded as an 'equity interest' under Australian tax law with interest payments regarded as 'non-share dividends.' Interest payments are fully franked (where possible) or grossed up with additional cash payments to compensate for any unfranked component and 'qualified' Australian resident holders will have access to franking credits in this regard;
- (c) Rank ahead of ordinary shares with preferential right to payment of interest and capital on winding up;
- (d) At maturity:
 - (i) a holder may request a conversion of their CRPN to ordinary shares at a 2.5% discount to the volume weighted average price of shares at the time (over a Conversion VWAP Period defined as the 15 Business Days on which trading in Ordinary Shares took place immediately preceding (but not including) the date on which Conversion is to occur) (**VWAP**). Keybridge may respond to the holder's request by either converting the CRPN into ordinary shares (at the 2.5% discount to the VWAP price) or redeeming the CRPN for cash at face value;
 - (ii) Keybridge may elect to convert the CRPN to ordinary shares at a 5% discount to the VWAP price at maturity; and
- (e) Keybridge may also elect to redeem the CRPN for cash or convert the CRPN prior to maturity, on the occurrence of certain trigger events.

Further details are also contained in Keybridge's recent Notice of Annual General Meeting and Explanatory Statement dated 18 October 2018 and released on ASX on 23 October 2018) - in particular, Annexure B (containing the CRPN Terms and Conditions) – where Keybridge shareholders approved a prospective placement of 3.6 million CRPNs, which was recently completed on 19 February 2019.¹

Keybridge first issued CRPN on 30 June 2015 as a pro-rata in-specie return of capital to Keybridge shareholders (**Return of Capital**).⁵ A Prospectus (dated 17 June 2015) was issued by Keybridge to accompany the in-specie distribution of CRPN (**Prospectus**). Australian Taxation Office Class Ruling CR 2015/54 (dated 22 July 2015) (**Class Ruling**) also sets out the Commissioner of Taxation's opinion on the way in which relevant provisions of the taxation legislation apply to the CRPN Holders who received CRPN under the Return of Capital.

⁴ Defined terms as defined in the CRPN Terms (a copy of which are in Annexure B of Keybridge's recent Notice of Annual General Meeting and Explanatory Statement dated 18 October 2018 and released on ASX on 23 October 2018)

⁵ Refer also Keybridge's Notice of AGM released on ASX on 30 October 2014 and Keybridge's ASX announcements dated 1 December 2014: Results of AGM and 18 June 2015: Appendix 3B