

# ASX Announcement

17 October 2016



## Grant of waiver from ASX Listing Rule 7.3.2

Bulletproof Group Limited (ASX: BPF) refers to its Notice of Annual General Meeting lodged with the ASX on 28 September 2016 ("Notice of Meeting") and is pleased to advise that the Australian Securities Exchange (ASX) has granted the Company a waiver from ASX Listing Rule 7.3.2.

The ASX's formal decision ("ASX Waiver Grant") reads as follows:

### "DECISION

1. Based solely on the information provided, ASX Limited ("ASX") grants Bulletproof Group Limited (the "Company") a waiver from Listing Rule 7.3.2 to the extent necessary to permit the notice of meeting (the "Notice") seeking shareholder approval for the issue of up 4,020,967 fully paid ordinary shares (the "Earn Out Shares") pursuant to the agreement to acquire certain assets from Cloud House Limited dated 31 January 2016, not to state that the Earn Out Shares will be issued no later than 3 months after the date of the meeting on the following conditions.
  - 1.1. The Earn Out Shares will be issued no later than 31 March 2018, subject to shareholder approval having been obtained and the relevant milestones as disclosed in the Notice having been achieved.
  - 1.2. If the Company releases its annual report during a period in which the Earn Out Shares are issued or remain to be issued, the annual report discloses details of the Earn Out Shares issued in that annual reporting period, the number of the Earn Out Shares that remain to be issued and the basis on which they may be issued.
  - 1.3. If any half year or quarterly report for a period during which any of the Earn Out Shares have been issued or remain to be issued, the Company must include a summary statement of the number of Earn out Shares issued during the reporting period, the number of Earn Out Shares that remain to be issued and the basis on which the Earn Out Shares may be issued.
  - 1.4. The Company immediately releases to the market:
    - 1.4.1 the terms of this waiver; and
    - 1.4.2 a detailed description of the milestones which must be satisfied for the Earn Out Shares to be issued.
  - 1.5. The milestones which must be satisfied for the Earn Out Shares to be issued are not varied.
2. ASX has considered Listing Rules 7.3.2 and makes no statement as to the Company's compliance with other Listing Rules.

**Basis for Decision****Listing Rule 7.3.2****Underlying Policy**

1. Listing rule 7.1 protects a listed entity's security holders against dilution of their voting and economic interests in the listed entity by imposing a limit on the number of equity securities that may be issued by the entity without prior security holder approval. This limit is not applicable if security holders' approve the issue of the securities at a general meeting. Listing Rule 7.3 sets out the information required to be included in the notice of meeting seeking approval for the issue of the securities. In particular, Listing Rule 7.3.2 requires the date by which the entity will issue the securities and this date must be no later than 3 months after the date of the meeting, or, for court approved reorganisations of capital, no later than 3 months after the date of the court approval. This rule ensures that an issue of securities that has been approved by security holders is made within a reasonable timeframe following the approval, so that it is less likely that the circumstances in which the issue is made will have changed materially from those prevailing at the time the approval was given.

**Facts and Reasons for Granting Waiver**

2. The Company is proposing to issue the Earn Out Shares to Cloud House Limited in satisfaction of part consideration for the acquisition of certain assets. The issue of the Earn Out Shares is contingent upon the Company satisfying milestones. The Earn Out Shares may be issued in three tranches, and the maximum number of shares to be issued is fixed therefore the degree of dilution is known. The timing of the issue of the Earn Out Shares is outlined in the notice of meeting seeking shareholder approval for the issue of the Earn Out Shares. The period of time over which the Earn Out Shares may be issued is fixed. There is a sufficient degree of certainty about the basis for calculation of the number of securities to be issued for shareholders to be able to give their informed consent to the issue of the Earn Out Shares over the relevant period."

**MILESTONES****Summary**

1. In accordance with paragraph 1.4.2 of the above ASX Waiver Grant, reference is made to the "Resolution 4" in the Notice of Meeting and the section of the Explanatory Memorandum regarding Resolution 4. As noted above and discussed in the Notice of Meeting, pursuant to the agreement entered into by the Company and Cloud House Limited ("Cloud House") dated 31 January 2016 (the "Asset Purchase Agreement"), the Company purchased Cloud House's New Zealand based cloud computing business and assets ("New Zealand Business"). The "Completion Date" for the purchase of the New Zealand Business was 15 February 2016. As part of the consideration for the purchase, the Company agreed to issue to Cloud House up to 4,020,967 ordinary shares in the Company in total upon satisfaction of certain milestones (the "Earn Out Shares").

2. The Earn Out Shares are required to be paid in three tranches, the first such tranche based on hurdles measured from 15 February 2016 to 31 December 2016 ("First Earn Out Period"), the second tranche measured up to 30 June 2017 ("Second Earn Out Period") and the third tranche measured up to 31 December 2017 ("Third Earn Out Period") (together, the "Earn Out Periods").
3. Below are excerpts of the Asset Purchase Agreement including "Schedule 1" which sets out the formula for calculating the "Earn Out Payments", for which 50% is to be paid in the form of the Earn Out Shares.
4. The full Earn Out Payment is based on the New Zealand Business achieving an overall growth in profitable revenue from its services of NZ\$10,735,000. The Company considers that the services revenue is profitable if it has an EBIT margin of at least 20%. The Schedule 1 formula is based on revenue, which is calculated as the lesser of the services revenue, and 5 times the EBIT from such revenue.
5. The Earn Out Payment maximum is NZ\$4,240,000, 50% of which is to be paid in shares in the Company based on the Completion Date conversion rate of 1.0753 AUD:NZD (0.929973 NZD:AUD) and the Completion Date 30 day VWAP price of the Company's ordinary shares, which was \$0.490315562.
6. An earlier Earn Out Payment is subtracted from any subsequent Earn Out Payments. Accordingly, the Earn Out Payments can never exceed in aggregate of NZ\$4,240,000, and neither can the Earn Out Shares exceed 4,020,967 in any circumstance.

#### **Relevant Excerpts of the Asset Purchase Agreement**

Below are excerpts for the Asset Purchase Agreement which relate to the calculation of the Earn Out Shares.

*"Bulletproof Networks Pty Ltd ACN 094 558 808 (Buyer)" [Note: This is a member of the Bulletproof Group.]*

*"Cloud House Limited 5070161 (Seller)"*

*"Conversion Rate means the exchange rate for New Zealand Dollars as compared to Australian Dollars published by the Reserve Bank of Australia on its website, as at the Completion Date." [Note: The Completion Date was 15 February 2016 and the rate on that date was 1.0753 AUD:NZD (0.929973 NZD:AUD).]*

*"Earn Out Date means:*

- (a) 31 December 2016;
- (b) 30 June 2017; and
- (c) 31 December 2017.

*"First Earn Out Payment means the amount calculated in accordance with Schedule 1."*

*"Earn Out Period means the period commencing on the day after the Completion Date and ending 31 December 2017."*

*"Earn Out Share Price means the greater of:*

- (a) A\$0.33; and
- (b) the volume weighted average price of ordinary shares in Bulletproof traded on the ASX, calculated over the 30 trading days immediately prior to the Completion Date.” [Note: 30 VWAP on the Completion Date of 15 February 2016 was A\$0.49031562.]

“**EBIT** means earnings before interest and taxes.”

“**First Earn Out Scrip Consideration** means the number of fully paid ordinary shares in the capital of Bulletproof, equal to 50% of the First Earn Out Payment, converted from NZ Dollars to Australian Dollars at the Conversion Rate, divided by the Earn Out Share Price.” [Note: Second Earn Out Scrip Consideration and Third Earn Out Scrip Consideration are the same except referring to the Second Earn Out Payment and Third Earn Out Payment Respectively.]

“**Services** means the consulting services, professional services, managed cloud services, managed billing services and Amazon web services provided by the Business (being solely from the resources located at the Properties) to customers located in New Zealand.”

“**Services Revenue means** in respect of the period up to and including the Earn Out Date, the lesser of:

- (a) NZ\$10,735,000;
- (b) gross revenue of the Buyer for that period directly attributable to the Services (whether sourced from existing or new customers); and
- (c) EBIT of the Buyer for that period directly attributable to the Services (whether sourced from the existing or new customers) provided that any expenses deducted from revenue to determine EBIT must be those agreed between the Buyer and the Seller both acting reasonably, whether in a budget or otherwise in writing, multiplied by 5.”

#### “6.1 Calculation of Earn Out Targets

- (a) Within 20 Business Days after the receipt of the Buyer’s audited accounts relating to the period ending on each Earn Out Date, the Buyer must:
  - (i) calculate the Services Revenue for the period commencing on the day after the Completion Date and ending on the relevant Earn Out Date; and
  - (ii) provide the Seller with a copy of the calculations referred to in clause 6.1(a)(i) and the relevant Earn Out Payment (if any) in respect of the Earn Out Date.” [Note: The remainder of clause 6 provides for resolution of disputes with regard to the calculations and for the arrangements concerning payment of any Earn Out Payments, if one is then due.]

### Calculation

Below is "Schedule 1" as referred to above which contains the formula for calculation of the Earn Out Payment:

Component	Amount
Growth in Services Revenue	<p>The amount calculated in accordance with the following formula:</p> <p><i>The lesser of:</i></p> <p>a) NZ\$4,240,000; and</p> <p>b) <math>50\% \times G^{\wedge}</math></p> <p><i>Where:</i></p> <p><i>G is the lesser of:</i></p> <p>a) <math>S - B</math>; and</p> <p>b) <math>79\% \times S</math></p> <p><i>B is one of:</i></p> <p>a) NZ\$765,000 (for the First Earn Out Payment);</p> <p>b) NZ\$1,530,000 (for the Second Earn Out Payment);</p> <p>c) NZ\$2,295,000 (for the Third Earn Out Payment)</p> <p><i>S = Services Revenue calculated in accordance with clause 6.1(a).</i></p> <p><i>^If the amount calculated in accordance with the above formula is negative, no amount is payable.</i></p>
Earn Out Payment	<p>the total of the amount calculated in accordance with the above row of this column 2;</p> <p>minus:</p> <p>any Earn Out Payments already paid under this deed.</p>

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## About Bulletproof

Bulletproof Group Limited is an Australian-owned, publicly listed company with offices in Sydney, Melbourne, Auckland and Wellington. Bulletproof Group shares are listed on the Australian Securities Exchange (ASX) and are traded under the code BPF.

Founded in 2000, Bulletproof is Australia's leading end-to-end mission critical Cloud Services company, providing Cloud Services to business, enterprise and government customers. Bulletproof has consistently been first to market with public and private cloud based services and innovations. With over a decade of experience in cloud, Bulletproof continues to drive industry innovation since being the first provider in Australia to launch a VMware public cloud service in 2006, the first in 2012 to provide Managed AWS services and in 2013, Bulletproof was given the status of the first AWS Premier Consulting Partner in Australia and New Zealand.

Bulletproof's world-class service allows customers to focus on their core business to ensure they have the freedom to be remarkable.