



**Disruptive Investment Group Limited
(ASX: DVI)**

**Allure Bathrooms Investment
February 2014**

allure
bathrooms

Investment Overview

Investment Overview

- ✓ A wholly owned subsidiary of DVI, Disruptive EXE Pty Ltd (“Disruptive”) has signed a binding term sheet subject to due diligence and satisfaction of a number of conditions precedent to acquire a 40% stake in a new company which will acquire Allure Bathrooms, an omni-channel bathroom supplier (“Allure”)
- ✓ Disruptive will subscribe for \$1.5M of new equity in Allure equating to a 40% holding
- ✓ Allure was selected amongst dozens of investment prospects
- ✓ Acquisition is aligned with DVI’s investment strategy

Quality Business

- ✓ Allure is a profitable, high margin, vertically integrated, growth stage business
- ✓ Founded and operated by successful entrepreneurs
- ✓ Proven omni-channel sales experience across both internet and retail
- ✓ Allure aims to disrupt a large market with opportunities for innovation
- ✓ There is strong retail and franchise potential
- ✓ Potential for scaling across multiple channels

Synergies with DVI

- ✓ Operational synergies with DVI’s existing digital assets
- ✓ Leverage of existing e-commerce and search marketing platform
- ✓ Management, marketing, finance & administration
- ✓ Opportunity to potentially monetise existing databases to drive sales

Key Investment Highlights

Overview, Proven Product and Demand

- Allure offers unique high-end bathroom fittings, vanities, tiles and bathroom accessories, many of which are designed by Allure and sold under the Allure brand.
- Sales are national and customer mix includes retail, developers and wholesale.
- Proven history of customer demand across both internet sales and retail store.

Large Market Ripe for Disruption

- Plumbing Wholesale Goods is a \$4.6bn⁽¹⁾ industry that is dominated by a few large players (eg: Reece)
- Sanitary ware and bathroom fixtures constitutes \$1.4b⁽¹⁾, 30% of the market.
- Industry led by small number of large players.

Vertically Integrated Business

- Allure designs high-end bathroom fittings, vanities and bathroom accessories, which are sold under the Allure brand.
- Sales are made via an online store (www.allurebathrooms.com.au) as well as an eBay store. These digital channels are supported by a showroom and warehouse facility in Collingwood, Victoria (approx. 6km from CBD).

High Margin

- Allure's gross margin on its key products are approximately 60%
- EBITDA margin for FY14 YTD already circa 18%

Key Investment Highlights

Strong Founding Management Team

- Strong committed founding team
- Founders maintaining a majority stake – alignment of interests
- Long family backgrounds of successful business

Profitable, Cashflow Positive and Ready for Scaling

- The business is profitable and cash flow positive
- Allure has proven demand for its products (across a wide spectrum of customers) and omni-channel approach with potential to scale

Growth Momentum

- Revenue in the six months to January 2014 grew approximately 65% versus the previous six month period.
- EBITDA margins appear to grow as revenue grows demonstrating potential scalability

Further Growth Potential

- Allure has proven genuine demand for online sales, with opportunity to scale up online using DVI's paid search and SEO strategy
- Opportunity to expand product range and cross-sell to customer base
- Growth to date has been achieved with no PR and little marketing, both of which are an opportunity.

Company Snapshot

Key Metrics	
ASX Code : DVI	
Ordinary Shares on issue (m)	364.2m
Number of tradable shares (m)	364.2m
Options on issue (m)*	52.1m
No of shareholders	1,684
Current share price#	2.8c
Market Capitalisation (m)	\$10m
Cash Position (m)	\$1.69m

Top Seven Shareholders	#	%
Ack Pty Ltd <Markoff Super Fund No. 2>	35.0m	9.6%
United Equity Partners Pty Ltd <Polycorp Family a/c>	17.2m	4.7%
Caveau Capital Investments Pty Ltd <Caveau Capital>	11.9m	3.3%
Ageo Holdings Pty Ltd <Ageo Family a/c>	11.0m	3.0%
Kar Wing Ng & Yow Ting Lee <Ng Family s/f a/c>	10.9m	3.0%
TW Consulting Co Ltd	10.6m	2.9%
BBHF Pty Ltd <A Shiffman Family a/c>	9.6m	2.6%
	Total	29.2%

Notes:

As at 24 February 2014

* Majority exercisable at \$0.01, expiring on 31/12/14

Top 20
shareholders
own 53.61% of
the issued
capital

Directors own
18.4% of the
issued capital

Board of Directors	
Adir Shiffman	Non-Executive Chairman
Calvin Ng	Non-Executive Director
John Kolenda	Non-Executive Director
Michael Pollak	Non-Executive Director

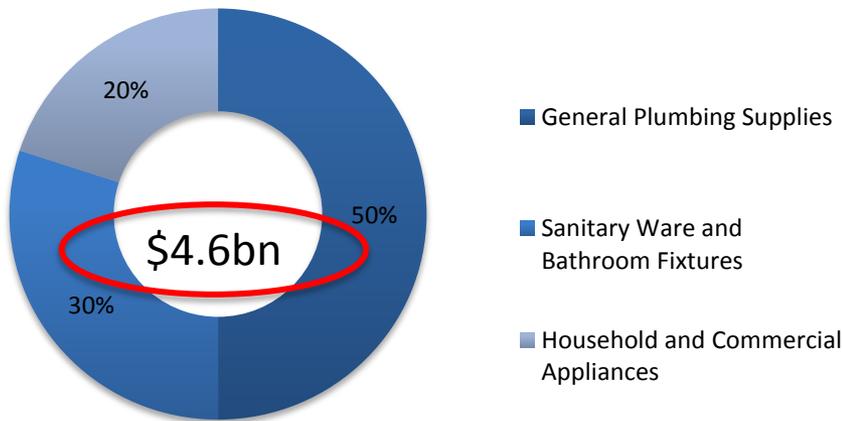
DVI Fit

“Allure fits within DVI’s classification as an owner, developer and operator of retail, franchise and e-commerce brands”

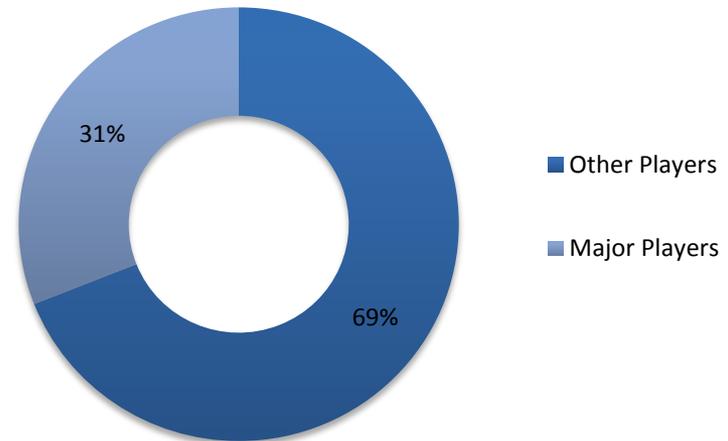
The Industry

- Plumbing Wholesale Goods is a \$4.6bn⁽¹⁾ industry that is led by a few large players (eg. Reece).
- Sanitary ware and bathroom fixtures constitutes \$1.4b⁽¹⁾ or 30% of the Plumbing Wholesale Goods market.
- E-commerce is disrupting the way that Australians buy household “bulky goods”, as evidenced by businesses such as Kogan (electronics), Milan Direct (Furniture) and Appliances Online (White goods).
- There is an opportunity to penetrate the online bathroom categories in Australia.

Market Size (1)

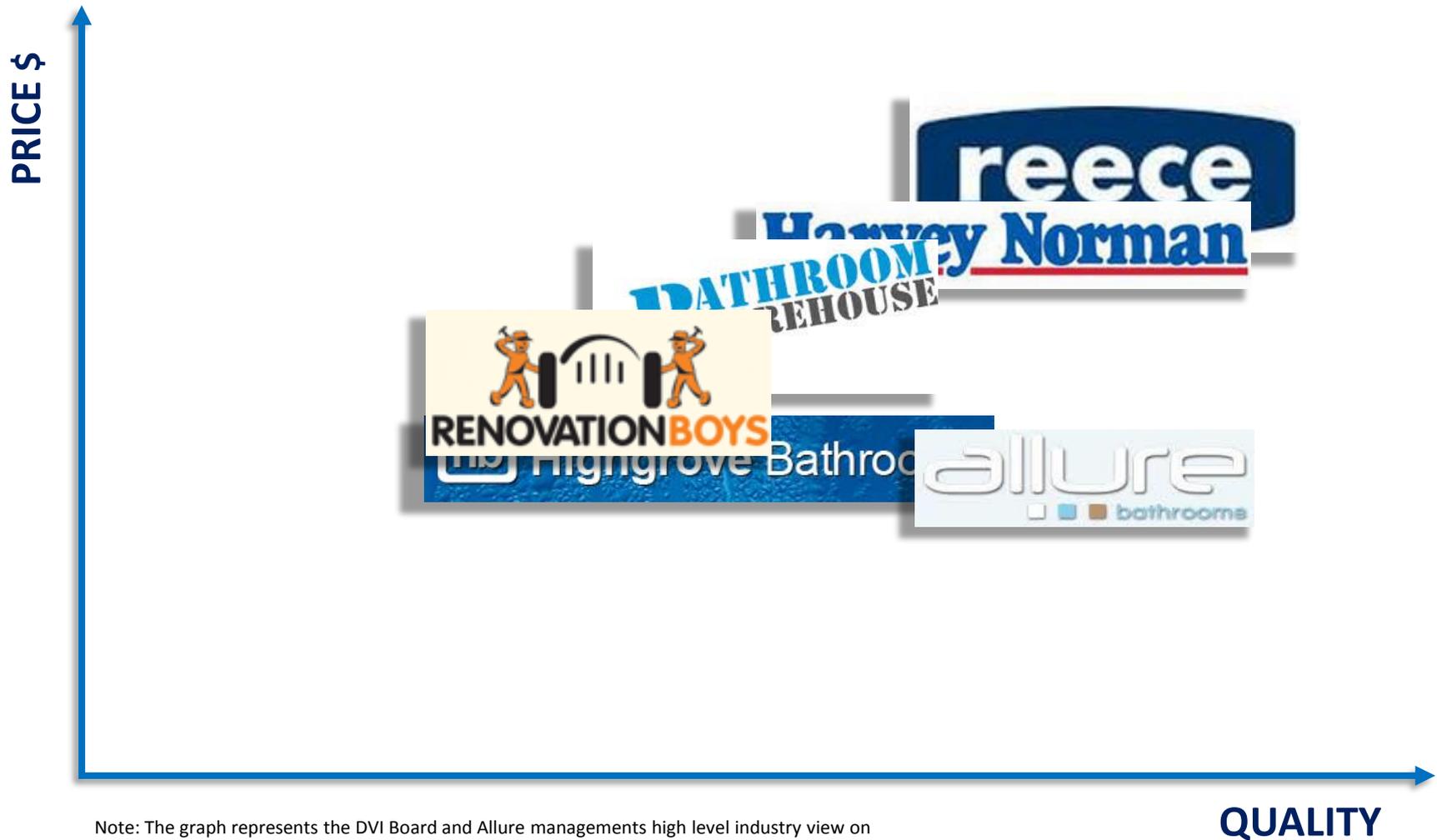


Industry Concentration (1)



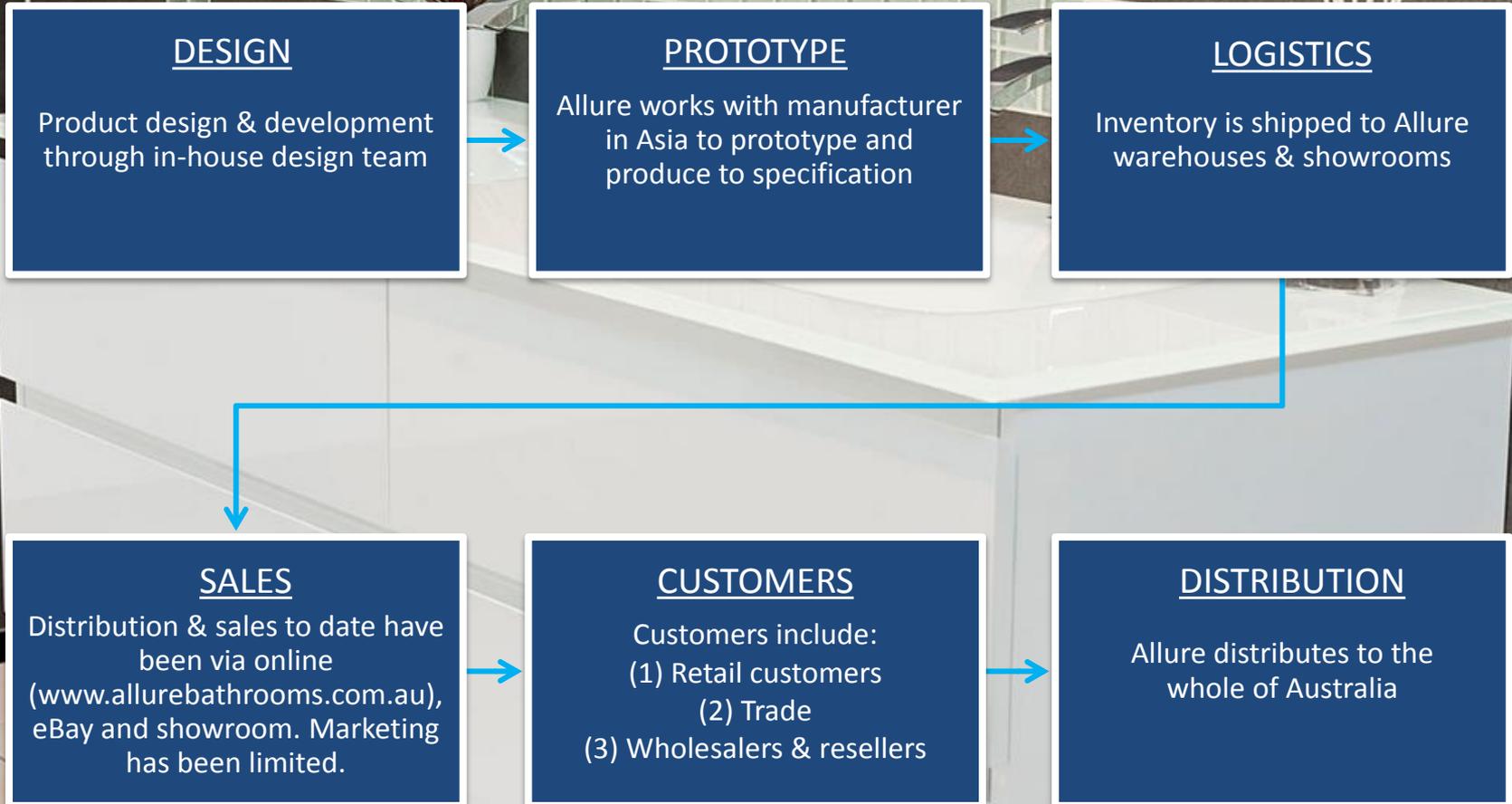
(1) Source: IBISWorld Industry Report F3332
Plumbing Goods Wholesaling in Australia
May 2013 Anthony Kelly

DVI Industry View



Note: The graph represents the DVI Board and Allure managements high level industry view on competitors and key product lines and may not be accurate on a product by product basis.

Process



Omni-Channel

Omni-channel retailing fully integrates the online and in-store experiences to create a seamless shopping experience for the customer.

“We continue to drive for further growth through progressively deeper implementation of the My Macy’s omnichannel ... strategies”

*Terry J. Lundgren,
Macy's Chairman*

“We really have a strong belief in our omni-channel strategy.”

*Paul Zahra,
David Jones CEO*



Source: Ipsos OTX/Google 2012 Holiday Shopping Intentions Survey

“Our focus is on building a leading omni-channel offer that is inspiring, compelling and available.”

Myer Annual Report 2013

“Home Depot (NYSE: HD) has budgeted ...\$200 million... to go toward the chain’s omni-channel operations.”

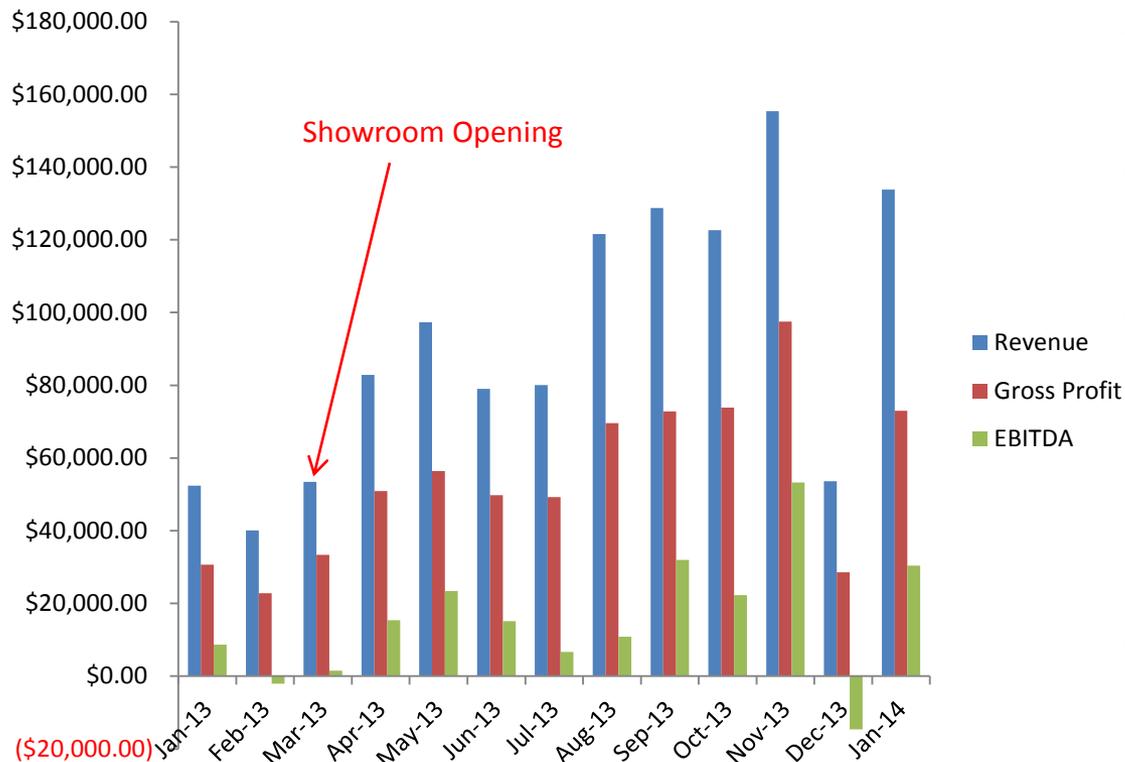
*San Antonio
Business Journal*

“Most online shoppers are already Omnichannel shoppers.”

Telstra Omni-channel White Paper 2012

Historical Growth Profile

Allure 12m Historical Profile



- Average revenue from Aug -13 to Jan-14 of \$119k per month (including Dec-13 seasonal low)
- Average revenue Feb -13 to Jul-13 (prior 6 months) of \$72k per month (retail trade began in Mar-13)
- Hence revenue in the six months to January 2014 grew 65% versus the previous six month period
- Nov-13 record revenue of \$155k and \$59k EBITDA (\$53k EBITDA adjusted for rent equating to 34% adjusted EBITDA Margin)
- FY13 revenue of \$346k and \$96k EBITDA (\$72k EBITDA adjusted for rent)
- YTD FY14 (7 months to 31 Jan 2014): Revenue of \$795k and \$183k EBITDA (\$141k EBITDA adjusted for rent)

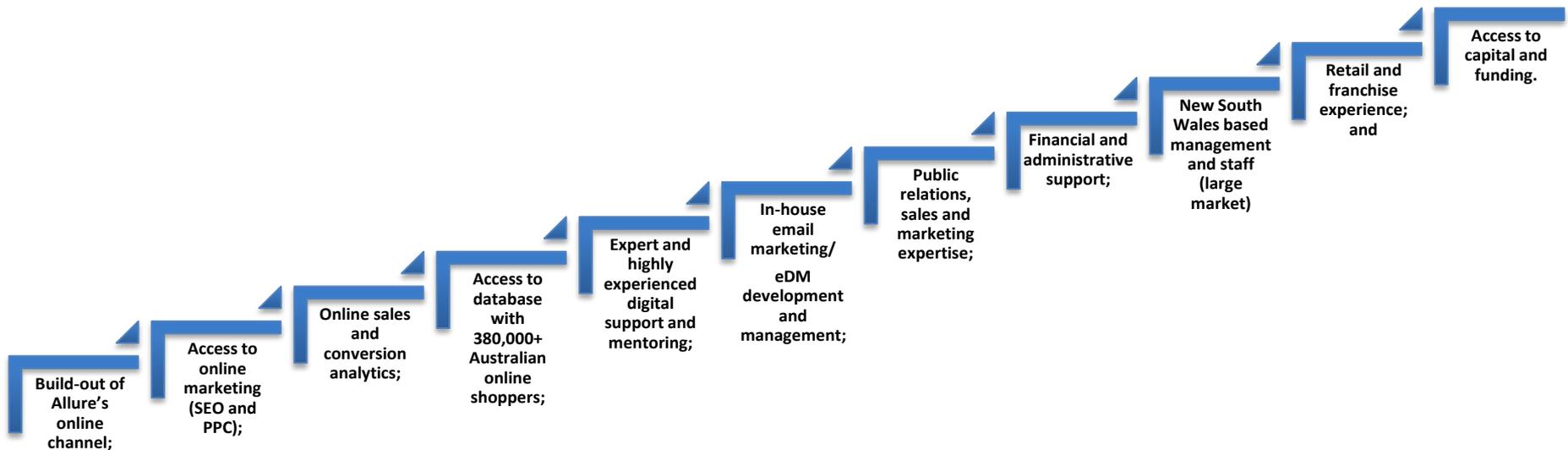
Note:

- December drop is seasonal
- EBITDA is lower than Actual EBITDA as we have adjusted rent upwards as it was lower than market.
- Please note that the information contained herein has been provided by the Founders of Allure to DVI. The Directors of DVI have not independently verified the accuracy of the information and do not accept any responsibility for its inaccuracy, misstatement or any omission of any nature whatsoever in relation thereto.

Growth Potential

Allure continues to grow organically on its own momentum despite only spending c.\$50,000 over the last 12 months on marketing.

DVI aims to facilitate further growth through:



DVI Investment Criteria

Criteria	Satisfied
Capable and committed leadership team with significant stake	<input checked="" type="checkbox"/>
Potential high growth business	<input checked="" type="checkbox"/>
Revenue generating and profitable	<input checked="" type="checkbox"/>
Cashflow positive	<input checked="" type="checkbox"/>
Protective barriers (vertically integrated in-house design plus sales/distribution)	<input checked="" type="checkbox"/>
Significant market size and opportunity	<input checked="" type="checkbox"/>
Operational synergies with DVI digital assets	<input checked="" type="checkbox"/>
Scalable business model (omni-channel online / retail)	<input checked="" type="checkbox"/>
Potential for high margins	<input checked="" type="checkbox"/>

Synergies & Fit

DVI and Allure bring synergies to each other

DVI

- Access to online marketing (SEO and PPC)
- In-house email marketing/eDM development and management
- Online sales and conversion analytics
- Access to database with 380,000+ Australian online shoppers
- Highly experienced digital support and mentoring
- Financial and administrative support
- New South Wales based management and staff (large market)

Allure

- Potential to continue building high growth, high margin businesses
- Opportunity to further monetise databases
- Expansion into omni-channel retailing and associated expertise
- Offshore manufacturing capability
- Potential to increase revenue as business scales
- Victoria based management, warehousing and distribution

Transaction Overview



Transaction Terms

Corporate Restructure	<ul style="list-style-type: none">• Allure will reorganise its business structure to a corporate entity Allure Holdco including all its assets and liabilities using 31 Dec 2013 as the balance date and profits thereafter will accrue to Allure Holdco;• Disruptive will acquire new shares equating to 40% of the fully diluted shares in Allure Holdco for the sum of \$1,500,000 subject to due diligence, documentation and a number of Conditions Precedent;
Conditions Precedent	<ul style="list-style-type: none">• DVI completing a capital raising to raise at least \$750,000.00 with ASX and shareholder approval (if required) and the ASX confirming that the Acquisition will not result in DVI having to re-comply with Chapters 1 and 2 of the listing rules within 45 days of executing the term sheet;• Completion of due diligence to the satisfaction of DVI; and• Allure is satisfied with the outcome of its investigation of any capital gains tax implications affecting Allure arising from Allure entering into this agreement within 45 days.
Deposit	<ul style="list-style-type: none">• Disruptive has paid an at risk deposit of \$25,000.00.
Directors	<ul style="list-style-type: none">• Disruptive and founders will each have the right to appoint 2 Directors to the Allure Holdco board.
Shareholders Agreement	<ul style="list-style-type: none">• Disruptive and current Allure shareholders will enter into a Shareholders Agreement including pre-emptive rights.
Consultancy Agreement	<ul style="list-style-type: none">• Allure Holdco will enter into a consulting agreement with DVI, paying DVI \$10,000 (plus GST) per month for an initial term of 6 months to provide strategic guidance, dropping to \$8,000 (plus GST) per month should both parties wish to continue post the initial term

Allure Use of Proceeds

Proposed Use*	\$(est.)
Repay debts	\$0.45M
Opening two additional showrooms	\$0.60M
Franchise strategy	\$0.10M
eCommerce Strategy & Working Capital	\$0.35M
TOTAL	\$1.50M

Post repayment of debt, Allure will be capitalised with approx. \$1.15m of cash and \$0.4m of trade debtors and inventory, with total liabilities of less than \$0.1m.**

** This is a break down of the present intention only. The Board of DVI and Allure reserve the right to alter this budget as a result of changes and circumstances or intervening events.*

*** These calculations are based on Allure management balance sheet as at 31 January 2014. These numbers are based on Allure's management accounts which are unaudited and still subject to due diligence.*

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